





Volkswagen Truck & Bus and Navistar enter into a strategic alliance

September 6, 2016

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Andreas Renschler

Chief Executive Officer

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President and Chief Executive Officer

Volkswagen Truck & Bus and Navistar are entering into a long-term, strategic alliance based on four pillars

1	**Equity investment**		Volkswagen Truck & Bus will take a **16.6% equity stake** (post dilution) in Navistar by way of a **capital increase** (subject to customary closing conditions)
2	**Strategic technology and supply cooperation**		The two companies intend to enter into definitive agreements to **collaborate on technology** for powertrain systems, as well as other advanced technologies
3	**Procurement joint venture**		The two companies expect to form a **procurement joint venture** to pursue joint global sourcing opportunities
4	**Governance**		Navistar will add **two Volkswagen Truck & Bus representatives** to its Board of Directors at closing of share issuance. Furthermore, the parties plan to form a **joint Alliance Board** to oversee alliance arrangements

Commercial vehicle business of Volkswagen Truck & Bus: Unique group with strong brands committed to creating a Global Champion

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KEY FACTS

Wholly-owned **subsidiary of Volkswagen AG**

Three strong brands with a combined revenue of **EUR 20.4 bn**[1]

SCANIA MAN Caminhões Ônibus

25 manufacturing sites in **17 countries**, **76,000 employees** at all commercial vehicle brands worldwide

Leading market position in the **European** and **South American** truck markets

Committed to creating a **Global Champion** - in terms of profitability, customer innovations, and global presence

Note: Trucks >6t, VW CO Trucks >5t. Here MAN equal to MAN Truck & Bus. Volkswagen Caminhões e Ônibus equal to MAN Latin America.
[1] Volkswagen Truck & Bus commercial vehicles total figure FY 2015 (sum of Scania (incl. Scania FS) and MAN CV)

Commercial vehicle business of Volkswagen Truck & Bus: Highly attractive product portfolio

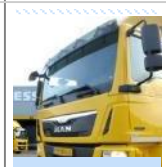
Covers both heavy and medium duty

VOLKSWAGEN TRUCK & BUS

Trucks	162[1]
Buses	17[1]
	179[1]

2015 Sales volume Trucks/Buses
Thousand units

SCANIA		MAN		Caminhões Ônibus	
Trucks	70	Trucks	73	Trucks	20
Buses	7	Buses	6	Buses	5
	77		**79**		**24**[2]

Heavy duty trucks	 S-series	 R-series	 G-series	 P-series	 TGX	 TGS	 TGM	 Constellation	 Worker	
Medium duty trucks					 TGL					 Delivery
Buses	 City	 Intercity	 Coach	 Chassis	 City	 Intercity	 Coach	 Chassis		

Note: Trucks >6t, VW CO Trucks >5t. Here MAN equal to MAN Truck & Bus. Volkswagen Caminhões e Ônibus equal to MAN Latin America. Figures are financially rounded.
[1] Volkswagen Truck & Bus commercial vehicles total figures (sum of Scania and MAN CV) [2] Numbers do not add up due to rounding

Navistar: Strong North American footprint with broad product range, customer-centric focus and extensive dealer network

- **Leading manufacturer** of commercial trucks, buses, engines and defense vehicles in North America
- 2015 revenue: **$ 10.1 billion**
- **Largest dealer network in North America**
- One of the **largest commercial vehicle parts distribution networks** in the U.S.
- International is **a leading truck brand in Mexico and Latin America**
- **#1 Brazilian** independent engine manufacturer
- North American leader in **connected vehicle**

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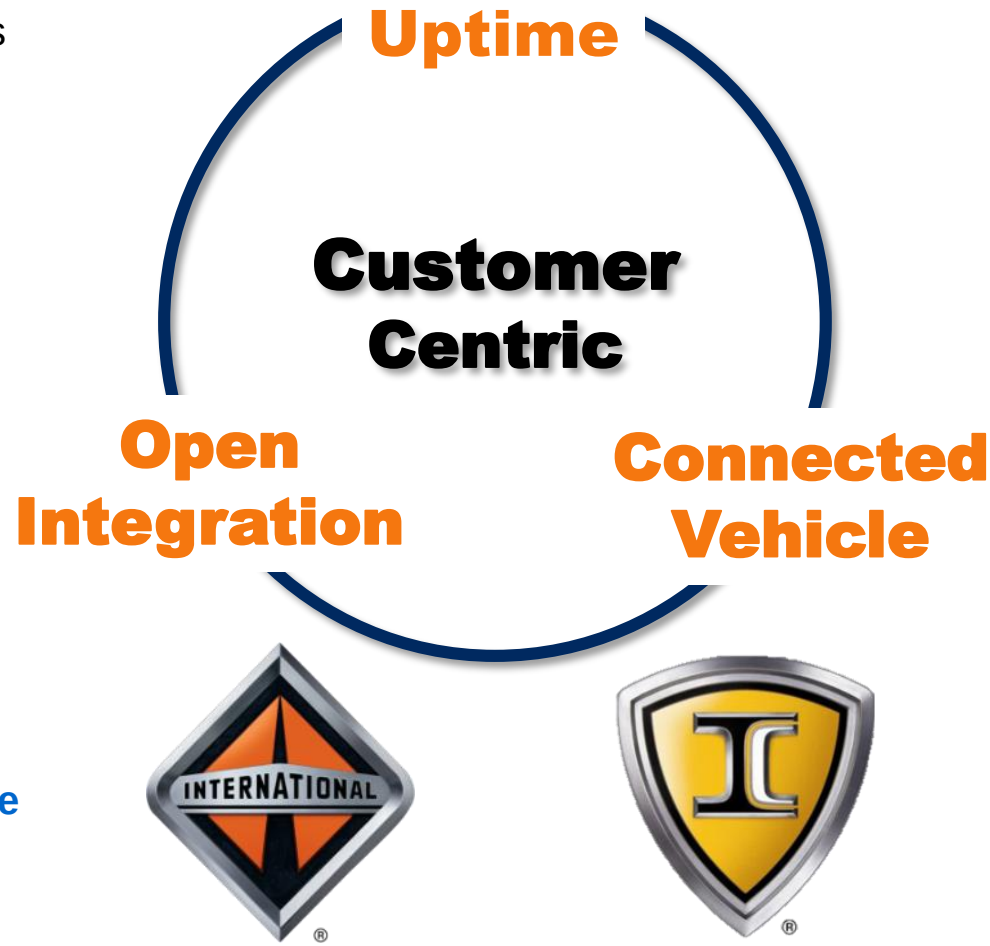


Navistar: Strong, diverse, and expanding product line-up

On Highway





Vocational





Regional



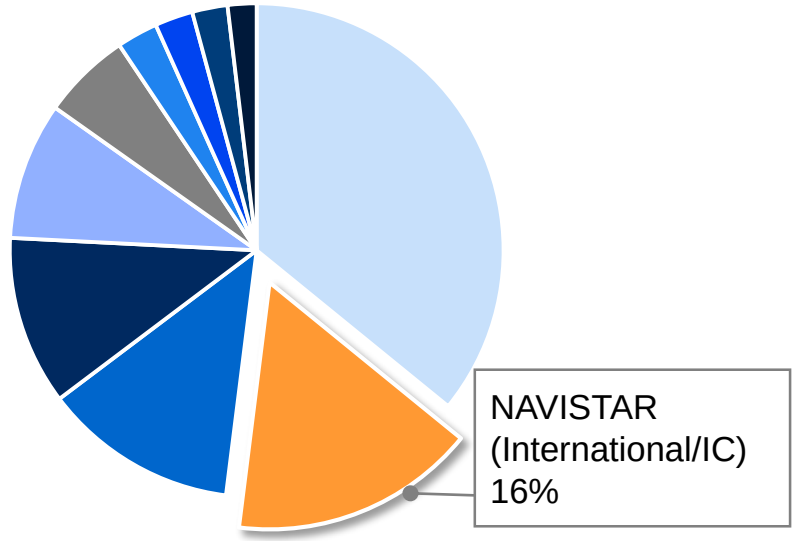


IC Bus



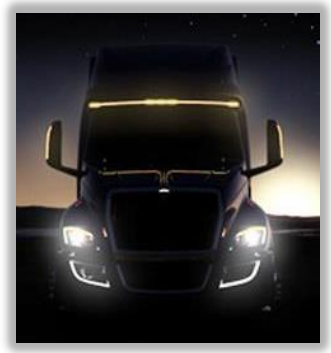


- **Strong North America Position**[1]



- **Renewing entire portfolio between now and 2018**

First Horizon Project Vehicle Launching This Month



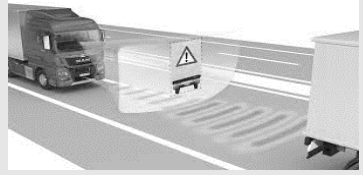
[1] 2015 U.S. and Canada school bus and class 6-8 truck retail sales

1 Volkswagen Truck & Bus equity stake supports the two companies' alignment and improves Navistar financial flexibility

No. of Navistar common shares issued and outstanding (pre-transaction)	**81.6 mn shares**
No. of new Navistar common shares issued in capital increase	**16.2 mn shares**
Subscription price	**$ 15.76**
Implied premium to prevailing market price	**12%**
Cash proceeds for Navistar	**$ 256 mn**
No. of Navistar common shares issued and outstanding post capital increase	**97.9 mn shares**
Volkswagen Truck & Bus equity stake in Navistar (post dilution)	**16.6%**

Expected to close following receipt of certain regulatory approvals, the finalization of the agreements governing the procurement joint venture and the first contract under the technology and supply framework agreement and other customary closing conditions

2 Technology collaboration framework will create an opportunity for Volkswagen Truck & Bus and Navistar to enter into definitive agreements to develop high quality powertrain and advanced technology solutions

	Planned initial technology collaboration	Planned collaboration around future technologies
Scope	▪ Powertrain systems	Potential examples: ▪ Advanced Driver Assistance Systems ▪ “Connected vehicle” solutions ▪ Cabin and chassis components ▪ Fuel efficiency technologies
Cooperation	▪ Volkswagen Truck & Bus and Navistar expected to **jointly develop powertrain related solutions** ▪ Volkswagen Truck & Bus expected to **supply and license the relevant technology** to Navistar ▪ Navistar expected to **localize product** where appropriate	▪ Volkswagen Truck & Bus and Navistar to pursue **collaboration in additional technologies** ▪ Collaboration could include joint **research, development, testing, and production**
Example		

3 Procurement joint venture expected to yield material synergies for Volkswagen Truck & Bus and Navistar

Volkswagen Truck & Bus | **Procurement joint venture** | **Navistar**

Objective: Pursue joint global sourcing opportunities

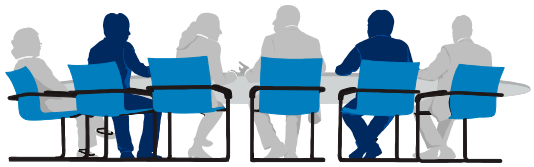
Key facts:

- Representatives from Volkswagen Truck & Bus and Navistar in **joint team**
- Will be governed by **Joint Venture** and **Alliance Board**
- **Operations to begin** following regulatory approval and JV finalization

Procurement joint venture expected to offer new global opportunities for suppliers, and create economies of scale to yield cost savings for Volkswagen Truck & Bus and Navistar

4 Strong governance structure anticipated to optimize value creation from the strategic alliance

Board representation



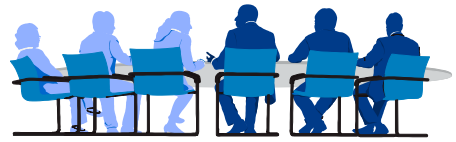
In-line with Volkswagen Truck & Bus equity interest, Navistar will add **two Volkswagen Truck & Bus representatives** to its Board of Directors at closing of equity issuance

Governance of planned alliance arrangements

Volks-wagen Truck & Bus

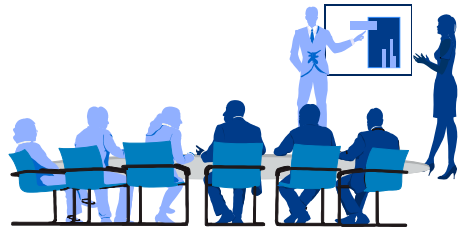
Alliance Board

- Expected to oversee strategic cooperation between Volkswagen Truck & Bus and Navistar
- Aligns product development and procurement processes



Joint working groups

- Joint product development
- Adaptation of systems to U.S. market needs and U.S. regulations
- Localization of components
- Joint procurement to pursue global sourcing opportunities



Navistar

The strategic alliance is being formed by two players with complementary capabilities and significant opportunities for further mutual benefits

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Powertrain development synergies



Synergies in exploration of new technologies



Procurement and operational benefits



Global footprint and scale



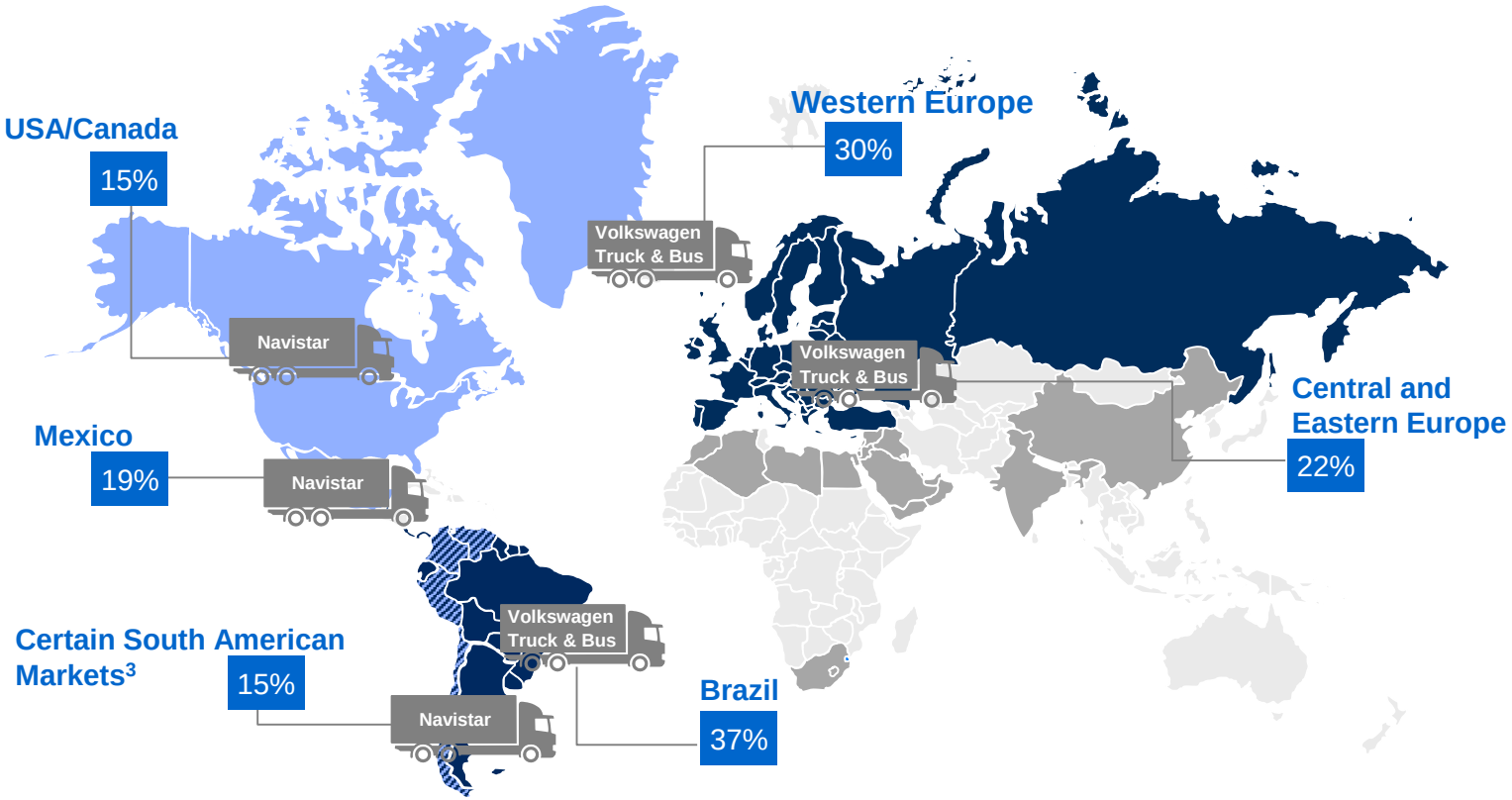
Highly complementary geographic footprint, addressing 70-75% of the global profit pools together

Global profit pools by 2020E[1]: ~€ 11bn

Addressed by Volkswagen Truck & Bus and Navistar

~35%	~30%	~5-10%

Estimated Volkswagen Truck & Bus and Navistar market presence (by region)



[1] Source: Volkswagen Truck & Bus
[2] YTD June 2016 for trucks >6t in Western Europe, Central and Eastern Europe, Brazil, South America; truck and bus, Class 6-8 for USA/Canada and Mexico
[3] For Chile, Colombia, Peru and Venezuela, weighted average market share for heavy, severe service and super heavy duty

Planned technology and supply cooperation and procurement joint venture expected to take advantage of combined scale to deliver high-quality products and significant potential synergies

Volkswagen Truck & Bus Sales[1,2]
(thousand units)

179
Total

Navistar Chargeouts[1]
(thousand units)

84
Total

Total volume[3]
(thousand units)

263

Significant global scale

Combined volume of ~263,000 trucks and buses can also be leveraged to achieve anticipated synergies in technologies and procurement

[1] Figures for FY 2015. [2] Volkswagen Truck & Bus commercial vehicles figure (sum of Scania and MAN CV)
[3] Total volume calculation just for visualization of synergy potential; both companies will remain independent

Key expected benefits of the transaction

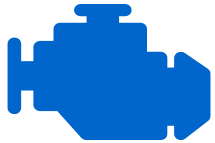
Key expected benefits for Volkswagen Truck & Bus

Key expected benefits for Navistar



Capital injection

- Provides incremental liquidity to Navistar
- Expands financial flexibility and options
- Introduces strong, long-term global strategic partner



Integrated powertrain and advanced technologies

- Shared advanced global powertrain technologies and resources
- Lower costs and investment associated with development of next-generation powertrain and advanced technologies
- Provides opportunity for incremental parts revenue streams



Global footprint and scale

- Provides economies of scale
- Reduces costs
- Expanded sourcing scale attractive to suppliers looking to grow globally



Enter North American market

- Volkswagen Truck & Bus benefits from Navistar‘s value appreciation through minority stake
- Revenue through supply and licensing of powertrain solutions

Q&A session

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