



VOLKSWAGEN
AKTIENGESELLSCHAFT

**We are
redefining
mobility.**

Volkswagen Group

UniCredit Automotive Credit Conference, London, 17 - 18 May 2017

Disclaimer

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

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

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

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Volkswagen Investor Update

Volkswagen AG

Ulrich Hauswaldt – Group Investor Relations

Martin Büdke – Capital Markets & Rating

Volkswagen Financial Services AG

Bernd Bode – Head of Group Treasury and Investor Relations

Katja Hauer – Investor Relations

Substantial progress in our 5-point program

		Q1/2016	Q1/2017
	Management of the diesel crisis	<ul style="list-style-type: none"> Operational crisis management Successful recall actions Securing liquidity 	
	Clarification	<ul style="list-style-type: none"> Internal investigations Optimization of compliance and risk reporting 	
	New structure	<ul style="list-style-type: none"> New Group structure Model line organization Group functions Lean reporting 	
	New mindset	<ul style="list-style-type: none"> Evolution of corporate values Evolution of leadership model 	
	New destination	<ul style="list-style-type: none"> Development of TOGETHER – Strategy 2025 	

World car market vs. Volkswagen Group car deliveries to customers ¹⁾

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

Car Market
Cars + LCV

VW Group

2.8%

-1.3%

North America

Car Market
Cars + LCV

VW Group

7.1%

7.7%

South America

Car Market

VW Group

3.5%

0.7%

Western Europe

Car Market

VW Group

2.6%

-1.2%

World

Car Market

VW Group

8.9%

12.3%

Central & Eastern Europe

Car Market

VW Group

3.9%

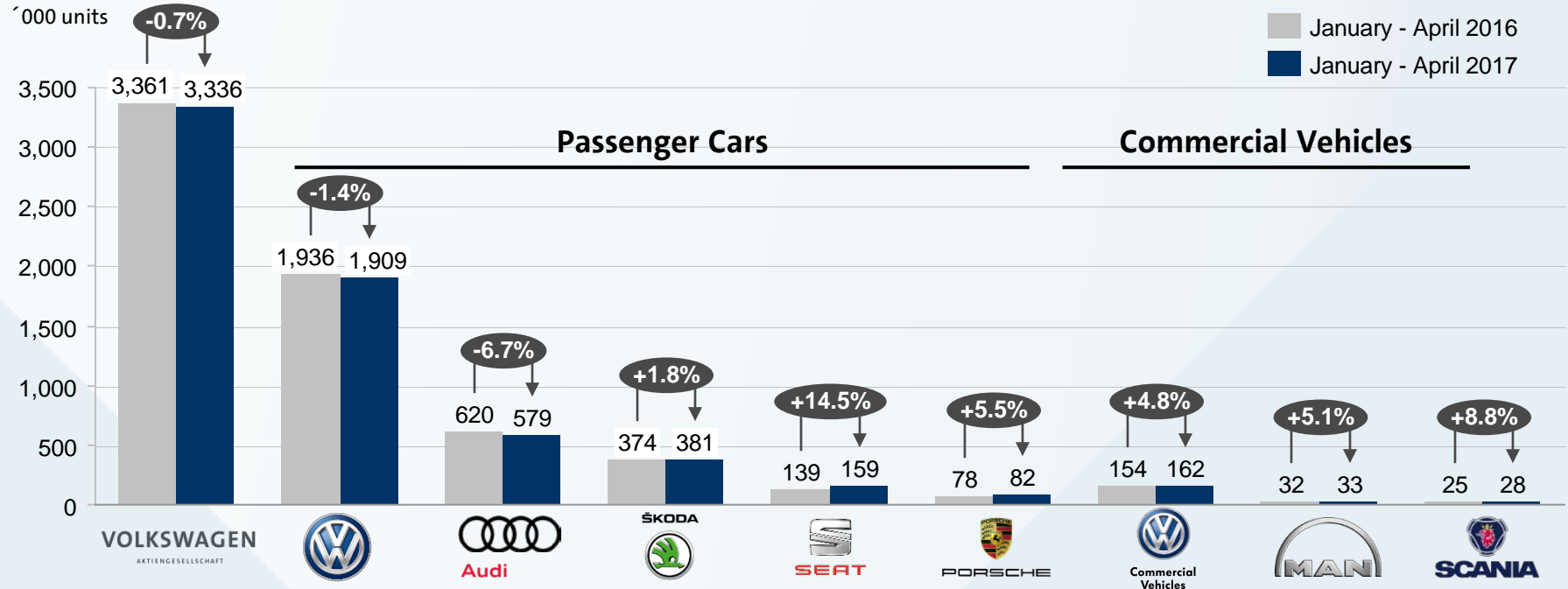
-5.5%

Asia Pacific

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

Volkswagen Group – Deliveries to customers by brands

(January to April 2017 vs. 2016)

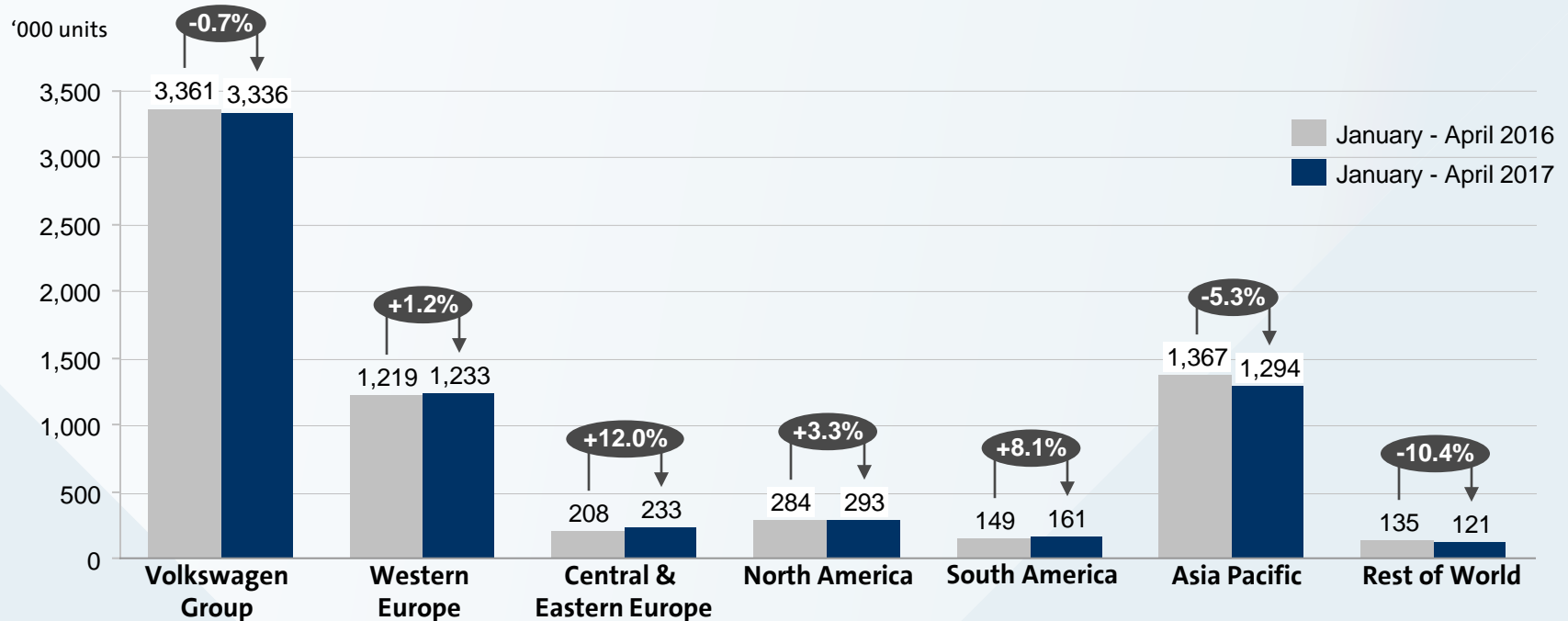


¹⁾ Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -1.2% excl. Volkswagen Commercial Vehicles, Scania and MAN.

²⁾ MAN incl. MAN Latin America Trucks and Busses GVW > 5t

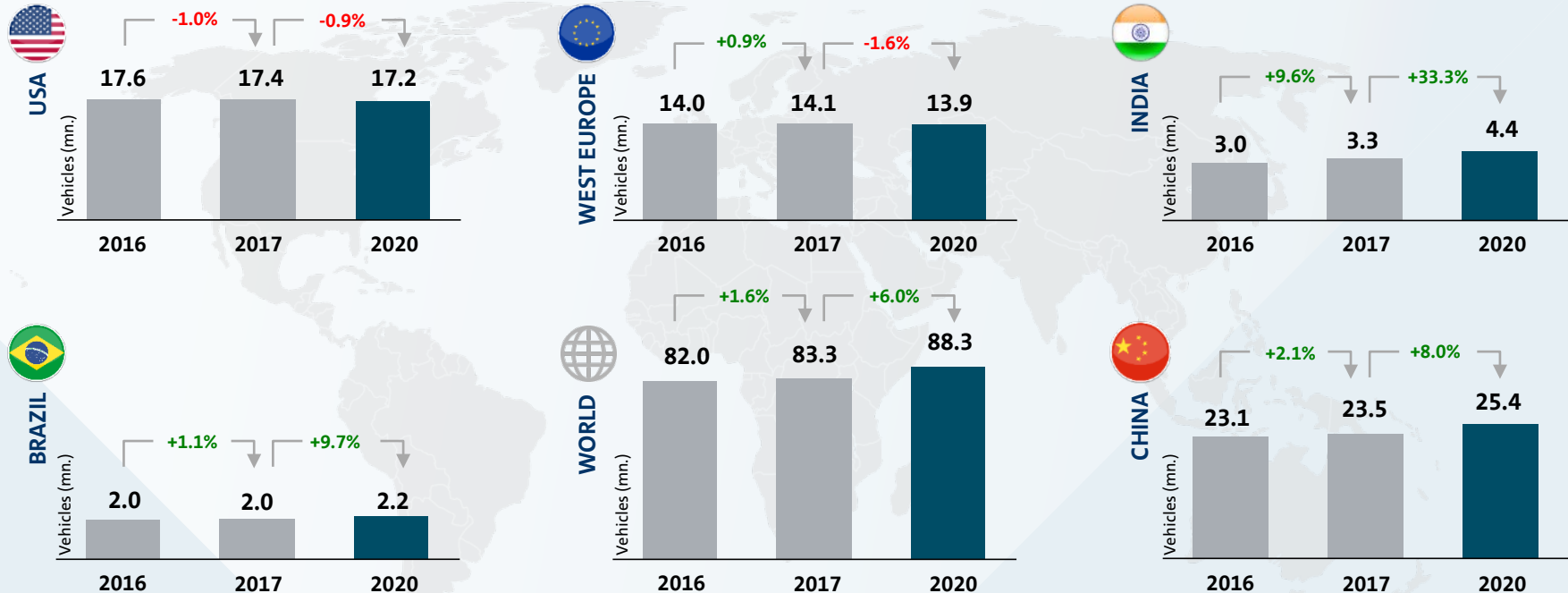
Volkswagen Group – Deliveries to customers by markets ¹⁾

(January to April 2017 vs. 2016)



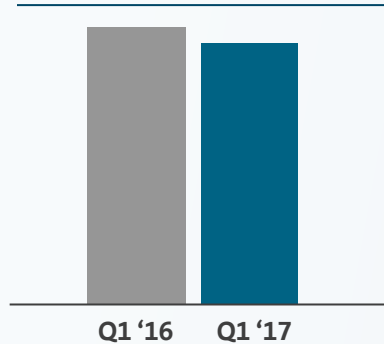
¹⁾ Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -1.2% excl. Volkswagen Commercial Vehicles, Scania and MAN.

Car Market Outlook 2020: Stagnation in USA and Europe; recovery in Brazil from a low base; slower growth rates in China; India with solid growth



Volkswagen Group started fiscal year 2017 on a strong footing

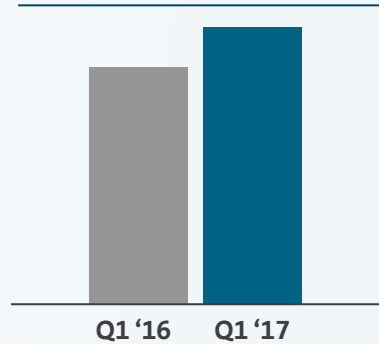
2.5m



Group deliveries
(vehicles)

- **0.5 %**
vs. prior year

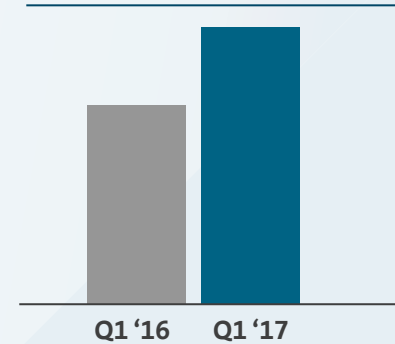
€56.2bn



Sales revenue

+**10 %**
vs. prior year

€4.4bn



Operating result
(before special items)

+**27 %**
vs. prior year

Volkswagen Group – Key Financial Figures¹⁾

(January to March 2017 vs. 2016)

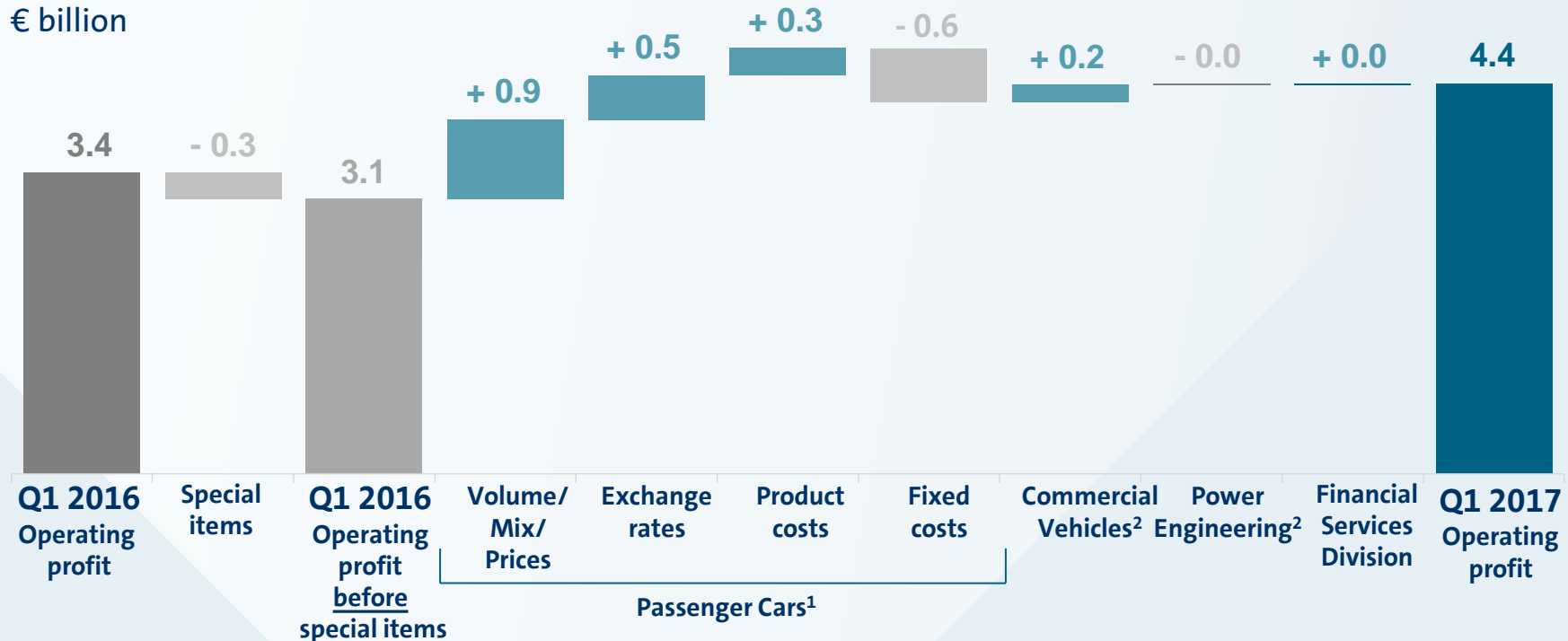
€ million	January – March		Change	
	2016	2017	absolute	in %
Sales revenue	50,964	56,197	5,233	10.3
Operating result <u>before</u> special items	3,131	4,367	1,236	39.5
as a percentage of sales revenue	6.1	7.8	-	1.7 ²
Special items	309	-	-309	x
Operating result	3,440	4,367	927	27.0
as a percentage of sales revenue	6.8	7.8	-	1.0 ²
Financial result	-237	256	493	x
Earnings before tax	3,203	4,623	1,420	44.3
Income tax expense	-838	-1,221	-383	-45.7
Earnings after tax	2,365	3,403	1,038	43.9
Earnings per share (Prefs)	4.64	6.71	2.07	44.6

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⁾ Percentage points.

Operating profit increased to €4.4 billion in Q1 2017

€ billion



All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ¹⁾ without FS ²⁾ including PPA

Strong brands contributed to the operating profit of the Group in Q1 2017

	Vehicle sales		Sales revenue		Operating profit	
thousand vehicles / € million	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Volkswagen Passenger Cars ²⁾	862	1,069	19,040	25,068	869	73
Audi	375	388	14,378	14,511	1,244	1,302
ŠKODA	252	207	4,334	3,379	415	315
SEAT	148	127	2,487	2,070	56	54
Bentley	2	2	361	376	-30	-54
Porsche ³⁾	57	59	5,035	4,978	932	855
Volkswagen Commercial Vehicles	119	118	2,875	2,716	205	142
Scania ⁴⁾	21	19	3,084	2,551	324	244
MAN Commercial Vehicles	25	23	2,572	2,291	93	65
MAN Power Engineering	-	-	783	832	26	48
VW China ⁵⁾	971	980	-	-	-	-
Other ⁶⁾	-223	-415	-6,628	-14,421	-319	-405
Volkswagen Financial Services ⁷⁾	-	-	7,876	6,612	551	492
Volkswagen Group before Special Items	-	-	-	-	4,367	3,131
Special Items	-	-	-	-	-	309
Volkswagen Group	2,610	2,577	56,197	50,964	4,367	3,440
Automotive Division ⁸⁾	2,610	2,577	47,825	43,530	3,768	2,850
of which: Passenger Cars	2,445	2,417	38,640	35,219	3,299	2,603
of which: Commercial Vehicles	165	160	8,402	7,478	499	256
of which: Power Engineering	-	-	783	832	-30	-9
Financial Services Division	-	-	8,372	7,434	600	591

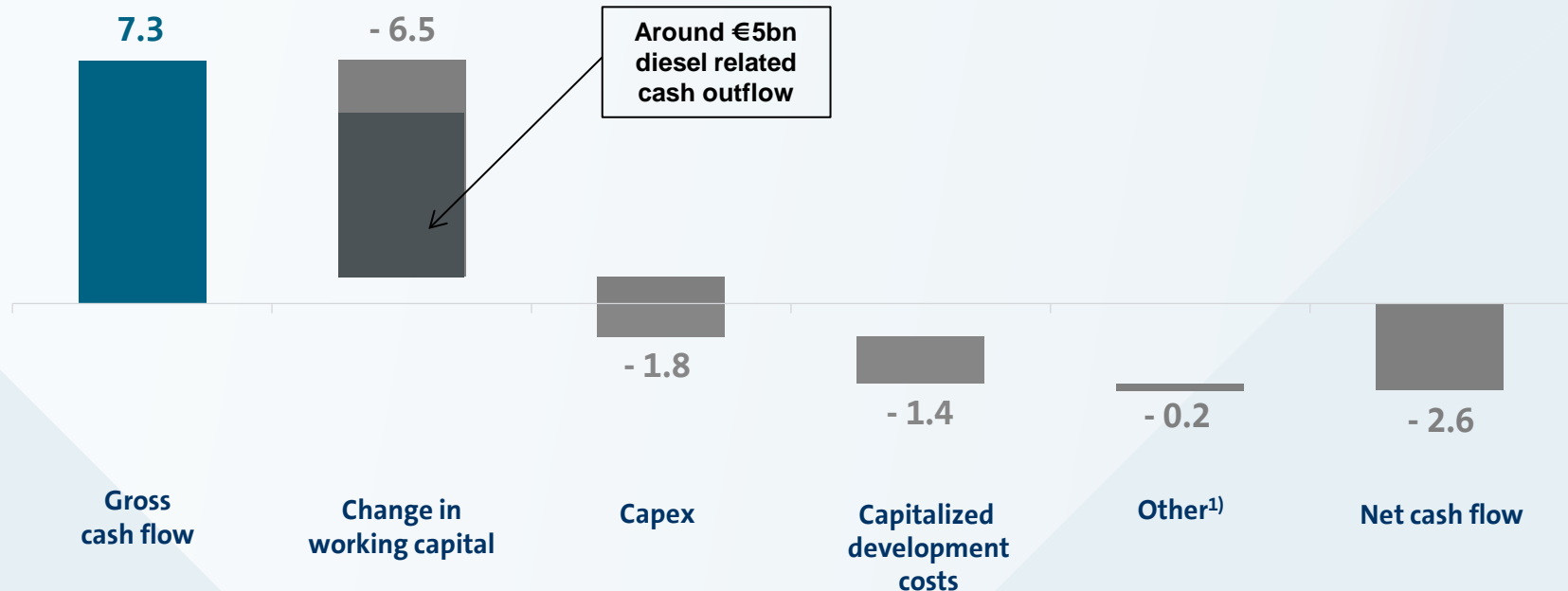
¹⁾ All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ²⁾ 2017 figures take account of the reclassification of companies; prior-year figures were not adjusted. (Automotive and Financial Services): sales revenue €5,489 (5,378) million, operating profit €967 (895) million. ⁴⁾ Including financial services.

³⁾ Porsche

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 €1,112 (1,174) 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 Q1 2017: impacted by cash outflows relating to the diesel issue

€ billion



Automotive Division net liquidity on a robust level

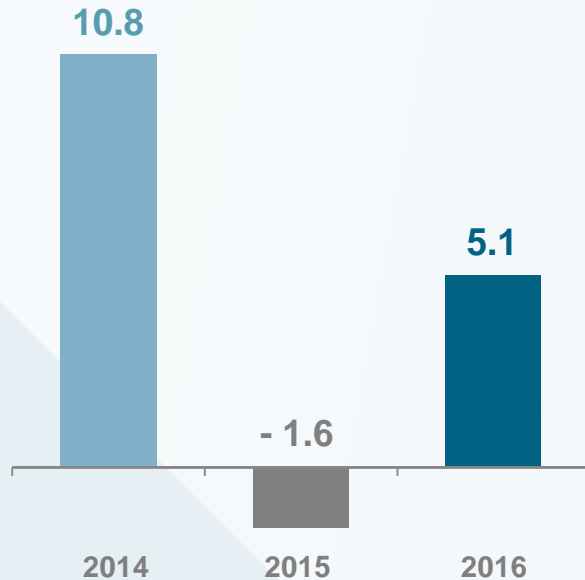
€ billion



Dividend increases – distribution ratio 19.7%

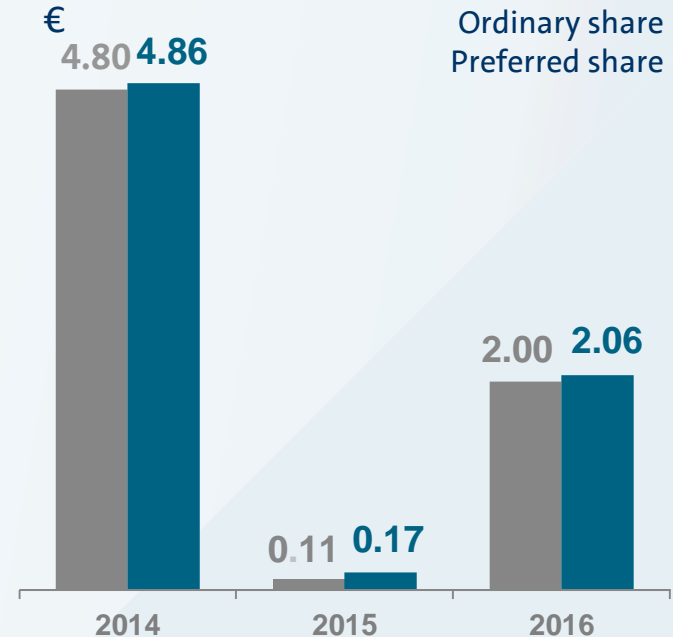
Earnings attributable to Volkswagen AG shareholders

€ billion



Dividend per share

€

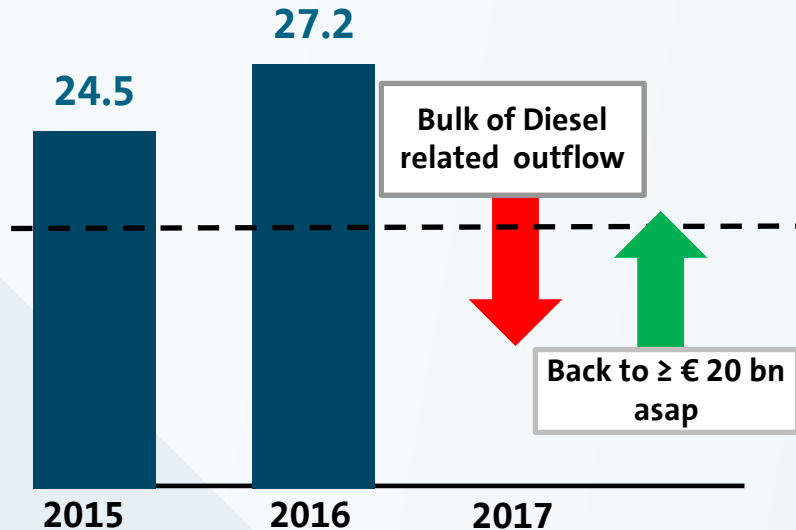


Volkswagen Group – Net liquidity and funding

Automotive Division - Net Liquidity

(in € bn)

--- € 20 bn target minimum liquidity



Funding programs utilization¹⁾

(in € bn)

Money and Capital Markets

	Q1/2017	Q1/2016	Δ
Commercial Papers	14.1	7.7	+6.4
Medium Term Notes / Bonds	50.9	54.9	-4.0
thereof: Hybrid Bonds	7.5	7.5	-
ABS	37.5	30.9	+6.6

Borrowings²⁾

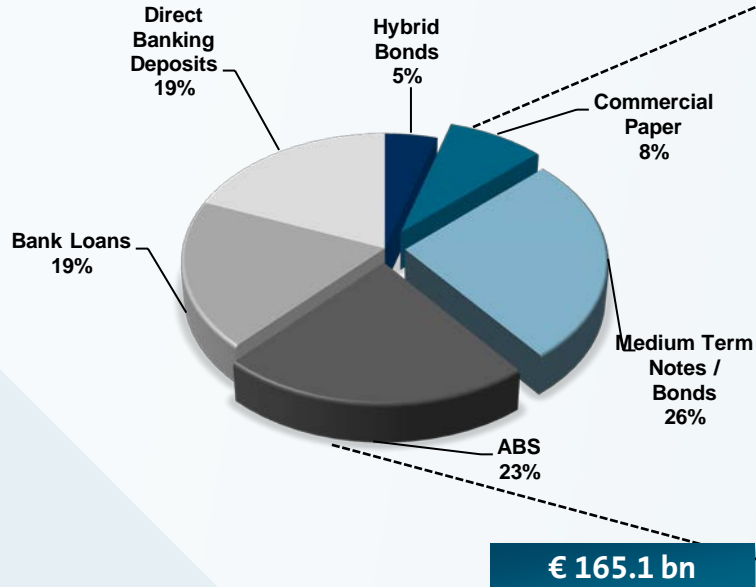
Committed Lines - Drawings	2.4	8.8	-6.4
Uncommitted Lines - Drawings	10.0	9.6	+0.4
Supranationals, development banks, government, other	19.1	13.9	+5.2
Direct Banking Deposits	31.1	30.3	+0.8
Total Amount	165.1	156.1	+9.0

1) Excluding Scania and Porsche FS,

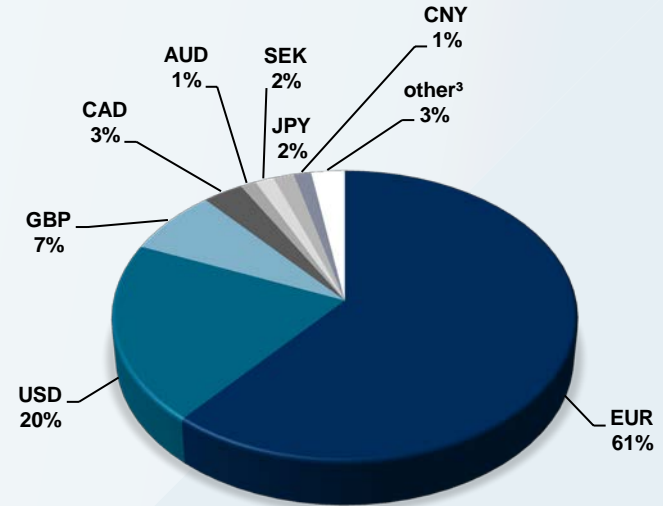
2) Excluding MAN and Porsche AG subsidiaries

Volkswagen Group Funding Strategy – Overview¹⁾

Diversification of Funding Sources²⁾



Currencies – Breakdown



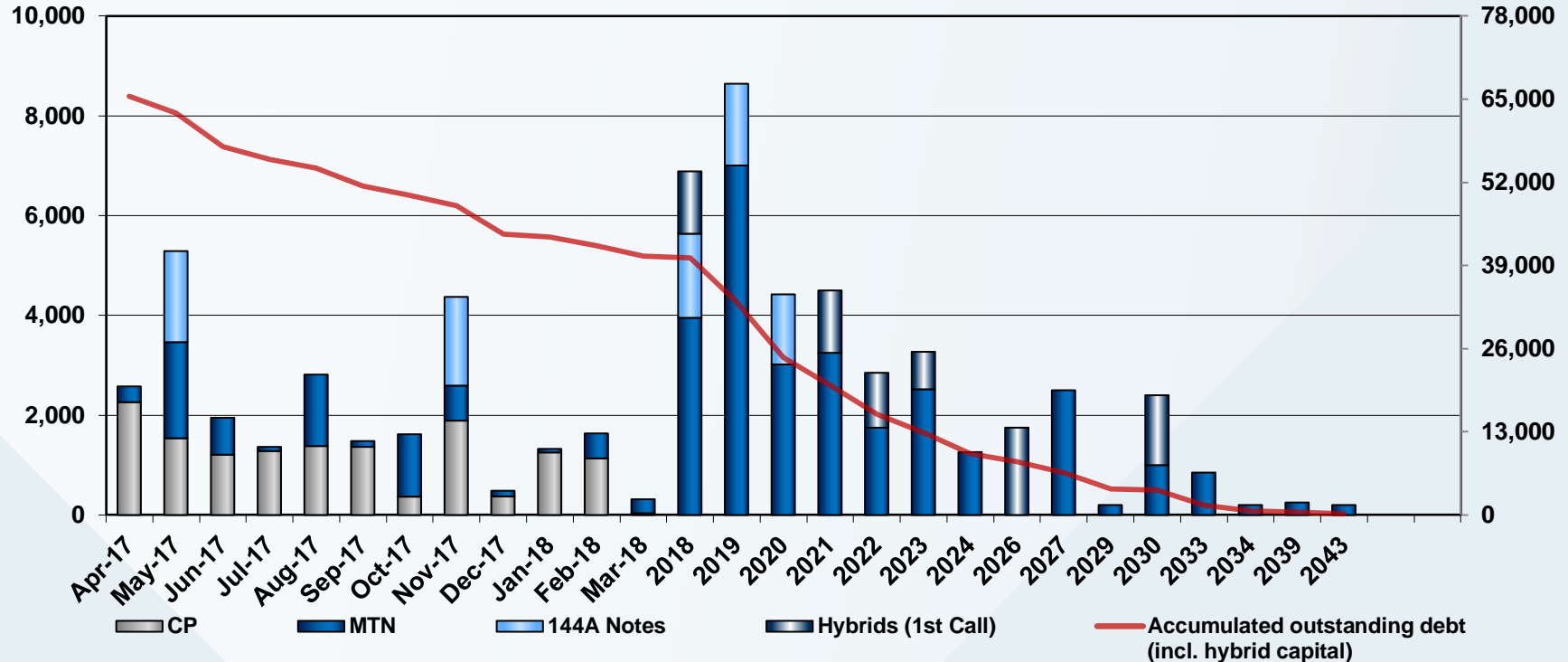
¹⁾ as of March 31, 2017; without Scania and Porsche FS

²⁾ Bank Loans without MAN SE, Porsche AG

Source: Volkswagen Group

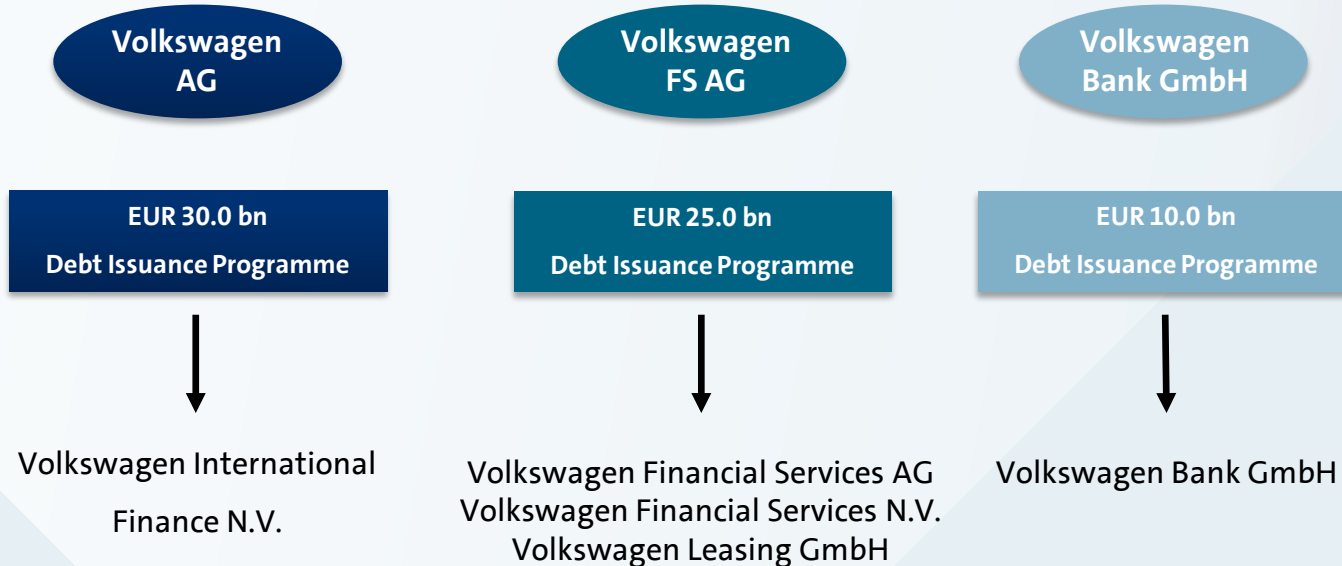
³⁾ BRL, CZK, HKD, INR, KRW, MXN, NOK, NZD, RUB, TRY

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



¹⁾ as of March 31, 2017, excluding Scania and Porsche FS
Source: Volkswagen Group

Volkswagen Group Funding Strategy – Major Funding Programmes in Europe (Medium Term Notes)



Volkswagen Group Funding Strategy – Major Funding Programmes in Europe (Commercial Paper)

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

Volkswagen FS AG

EUR 5.0 bn

Multi CCY CP-Programme

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

Volkswagen Bank GmbH

EUR 2.5 bn

Multi CCY CP-Programme

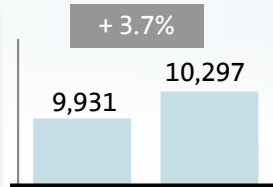
Volkswagen Bank GmbH

Volkswagen Group – Main Ratings

Current Ratings	Standard&Poor's		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	A2	P-1
Volkswagen Bank GmbH	A-	A-2	Aa3	P-1
Outlook negative		Outlook negative		

Volkswagen Group – Outlook for 2017

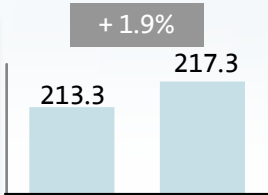
Deliveries to customers (‘000 vehicles)



Deliveries to customers

moderately above prior year

Sales revenue (€ billion)



Sales revenue

Up to 4% above prior year level

Operating return on sales (%)



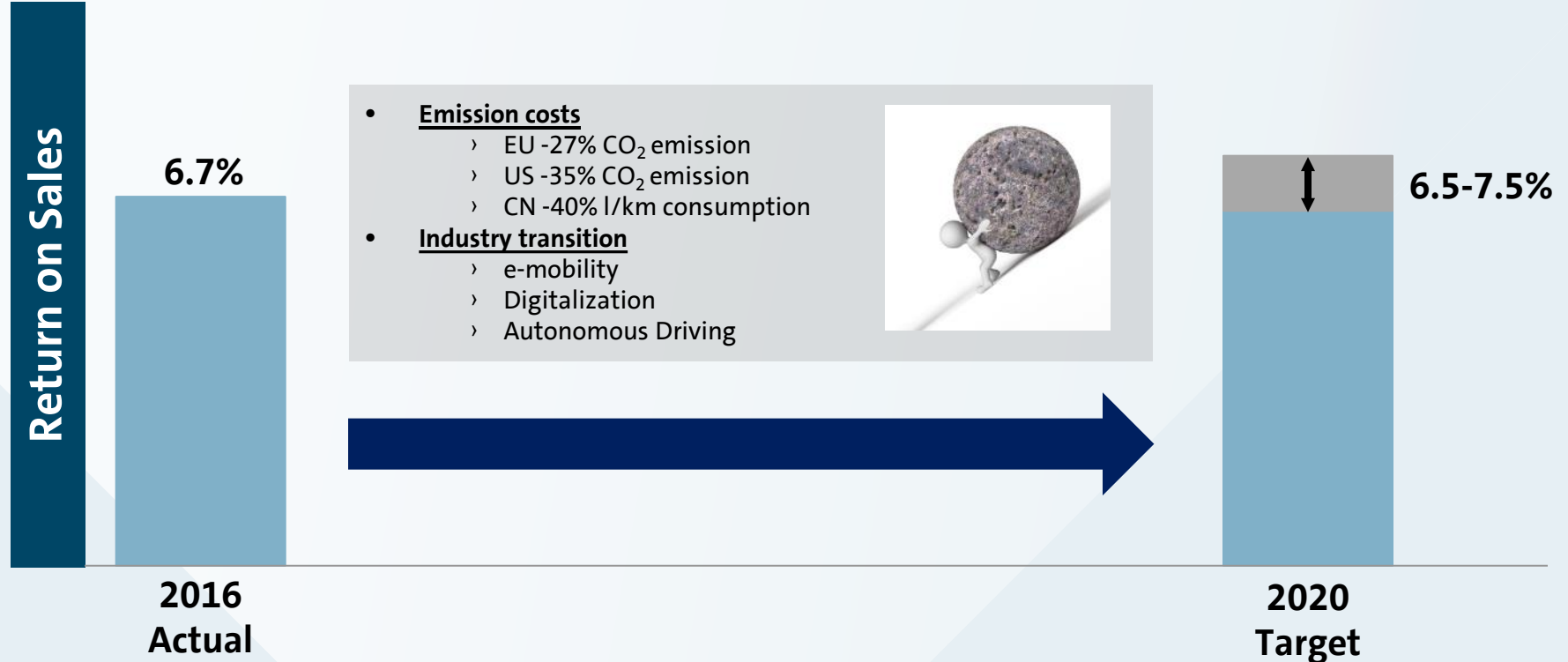
Operating return on sales

between 6.0% and 7.0%

*)before Special Items

2015 2016
Full Year

Improving Group results despite significant challenges

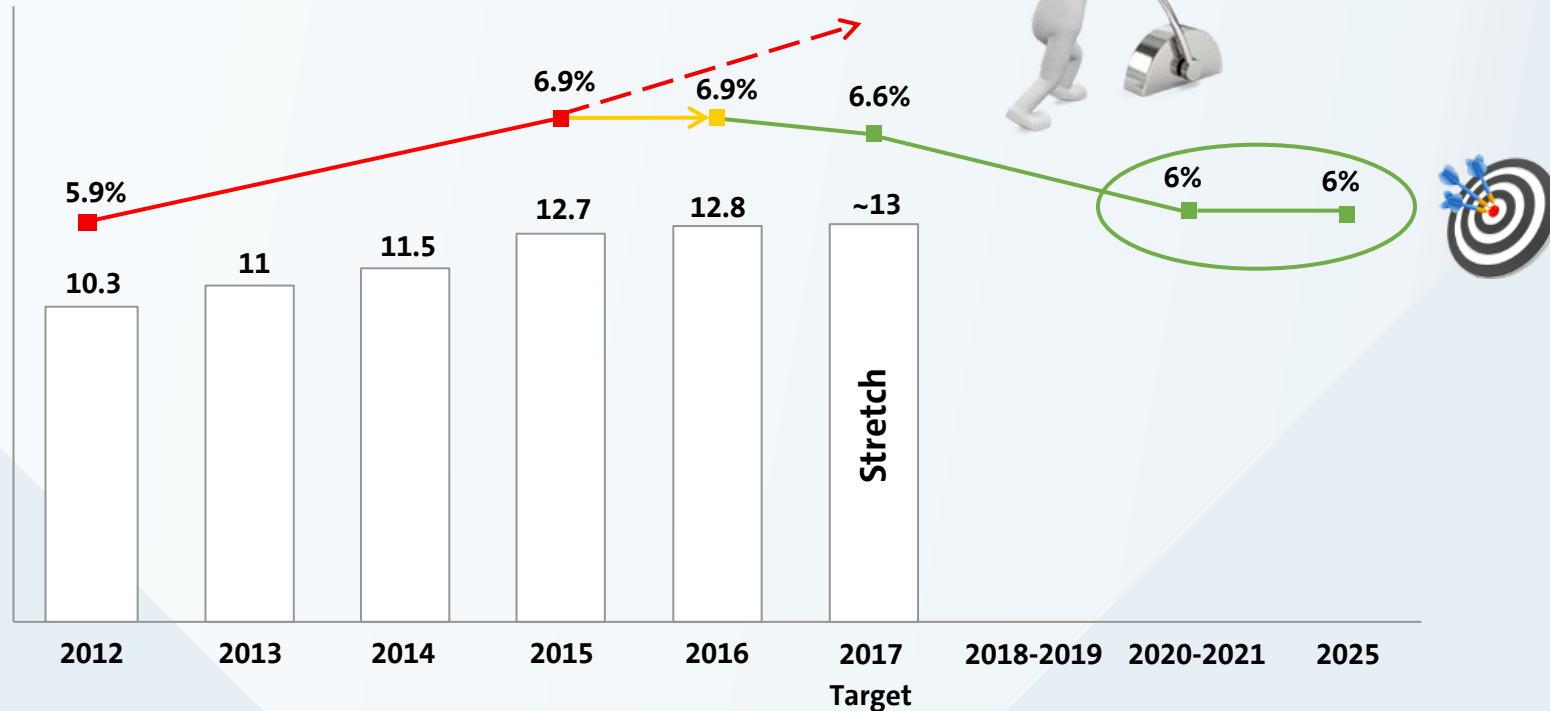


Clear Financial Targets and Milestones

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

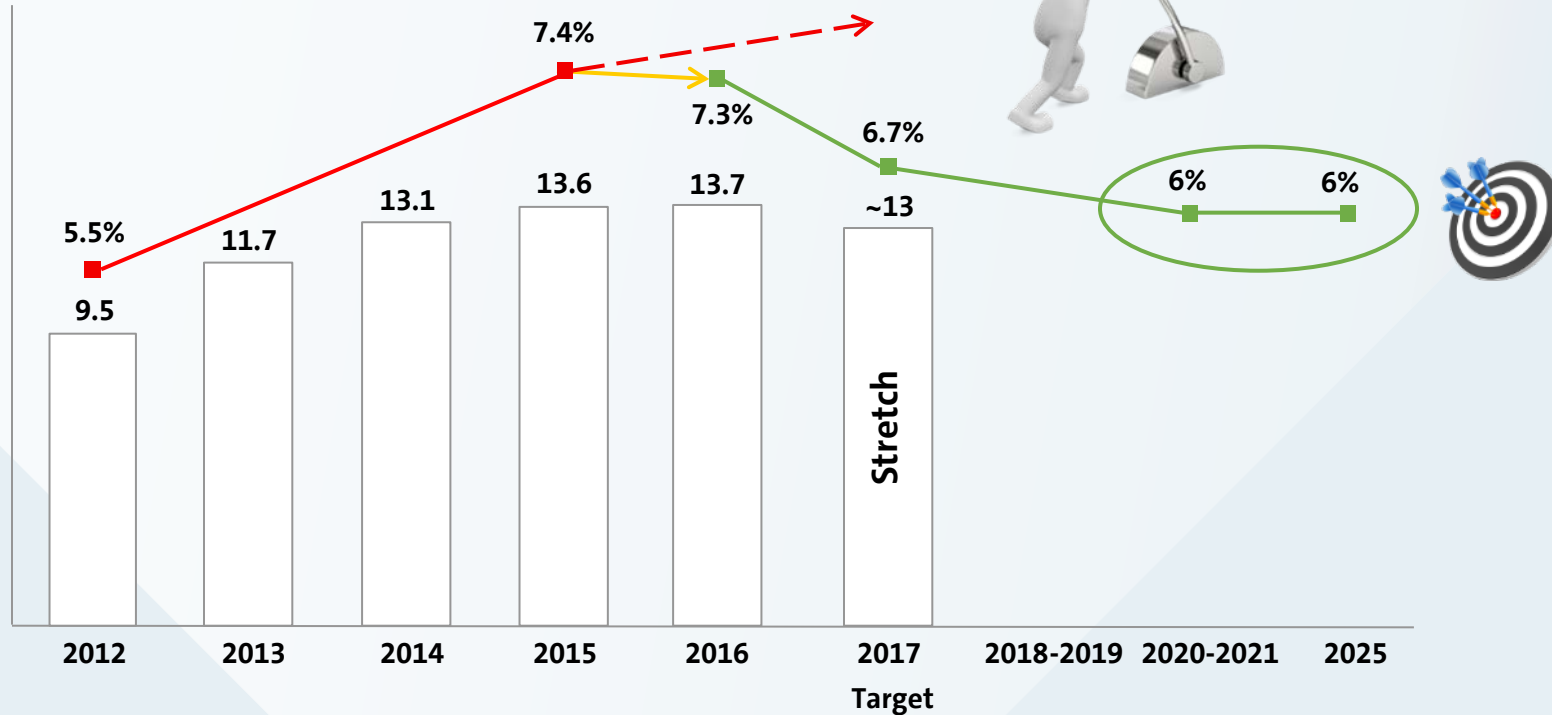
1) after considering a strategic target of 30% Payout Ratio based on Group profit after tax

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



Transform
core business

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

- 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



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** 

A strong Group with strong brands: highlights from operating business

VOLKSWAGEN

AKTIENGESELLSCHAFT

TOGETHER – Strategy 2025
future program launched

MOIA mobility services
company established

About **60 new Group models**
brought to market



Volkswagen



Audi



PORSCHE



SKODA

VOLKSWAGEN
TRUCK & BUS

VOLKSWAGEN FINANCIAL SERVICES
AKTIENGESELLSCHAFT

- Deliveries increased to **6 million vehicles**, despite diesel impact
- New TRANSFORM 2025+ strategy and Future Pact adopted

- Prior-year **delivery and sales revenue records** beaten
- First plant opened on North American continent

- **Most profitable automaker** in the world
- Digitalization center of excellence established

- Strong operating performance in 25th year in the Group
- **New SUV series** successfully launched with **Kodiaq**

- Volkswagen Truck&Bus on track to become global champion
- **Navistar alliance** opens door to US market

- Number of contracts raised to new record of 16.1m
- Comprehensive **digitalization drive** initiated

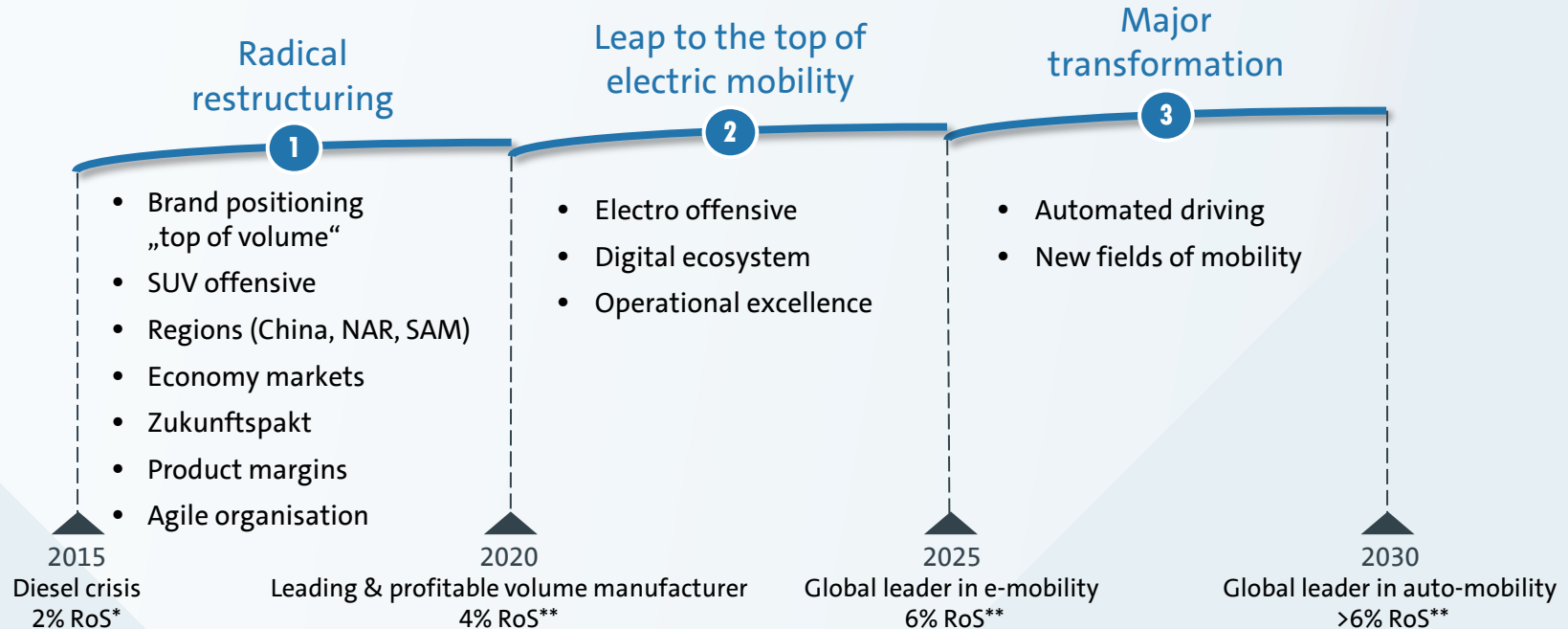
Overview Brand Targets (RoS, RoE)

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



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

Working Group 1 Production

- Increase of productivity by 25%
- Reduction of plant costs

Working Group 2 Components

- Increase of productivity by 25%
- Discontinuation of unprofitable products

Working Group 3 Technical Development

- Reduction of hardware-oriented development work
- Increased efficiency in development processes

Working Group 4 Administration

- 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

Reducing complexity leads to lower expenditure, frees up resources and increases productivity

Business field

Reduced number of variants

Sucessors / new vehicles

-30 to -60%

Platforms

-40%

Drivetrains

-30 to -40%

>15,000

fewer component variants



>€700 million

lower initial investment

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)



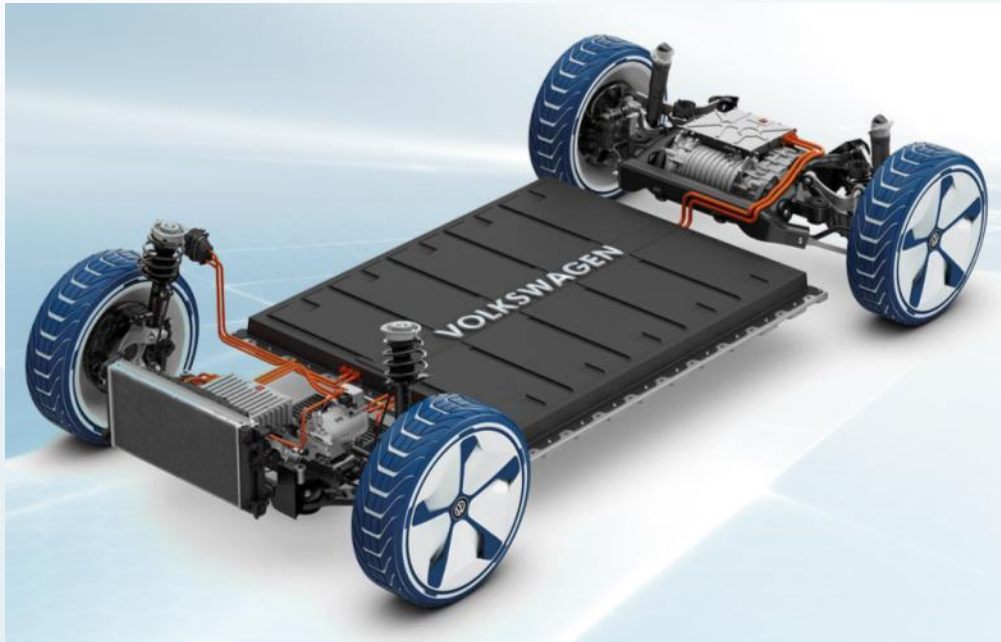
Virtus (SAM)



Jetta (NAR)

Dates: Start of Production

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



Key measures

- Concept determined by: customer benefit and package for cost-optimized implementation of e-components
- MEB: 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

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**



Deliveries & Global Trends

Key Financials & Cash

Strategic Outlook & Milestones

Brands / Regions

Diesel

Remuneration

Integrity & Compliance

Commitment

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

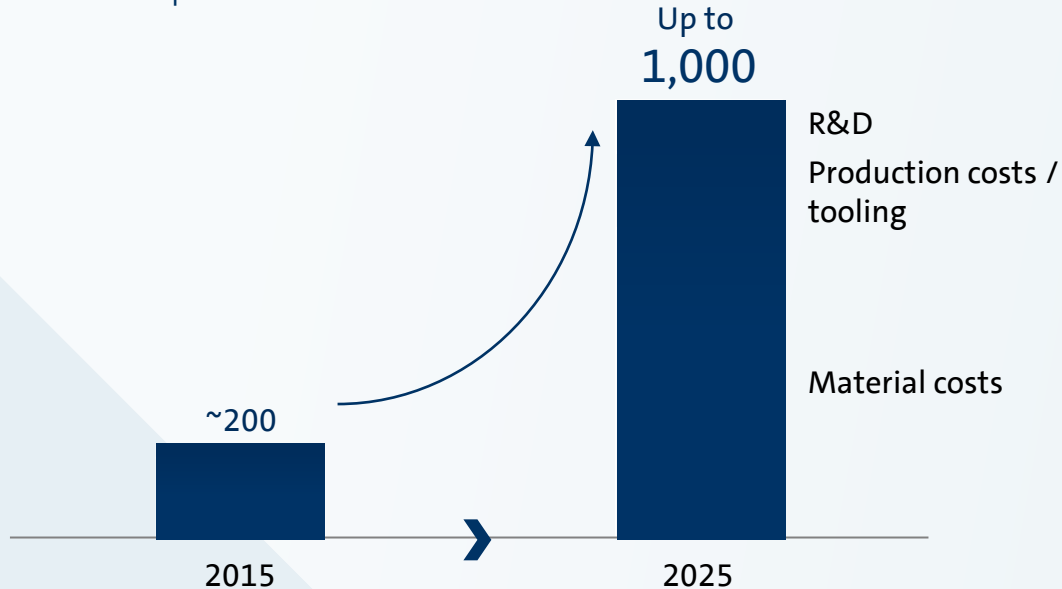
Integrity & Compliance

Commitment

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

Synergy potential from brand collaboration and expanded platform strategy

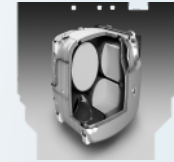
€ million p.a.



Key common powertrain platforms



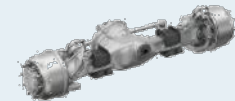
Base engine



After-treatment



Transmission



Axles

Global expansion on track with Navistar alliance

1

Equity investment



16.6% 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

Long-term cooperation

Operational improvement of brands and initial successes of cooperation

Buildup of VW TB organization and team

Common Powertrain

Alternative fuels, hybrid, electrification

Autonomous vehicles

Digitalization

9%

Through-cycle target



Strong operating result for the Volkswagen Group in China

	2012	2013	2014	2015	2016
Deliveries to customers (in '000 units)	2,815	3,271	3,675	3,549	3,982
Production (in '000 units)	2,643	3,135	3,528	3,420	3,897
Operating profit (in € million)	8,424	9,569	12,077	11,937	11,094
Prop. Operating profit (in € million)	3,678	4,296	5,182	5,214	4,956



Deliveries & Global Trends

Key Financials & Cash

Strategic Outlook & Milestones

Brands / Regions

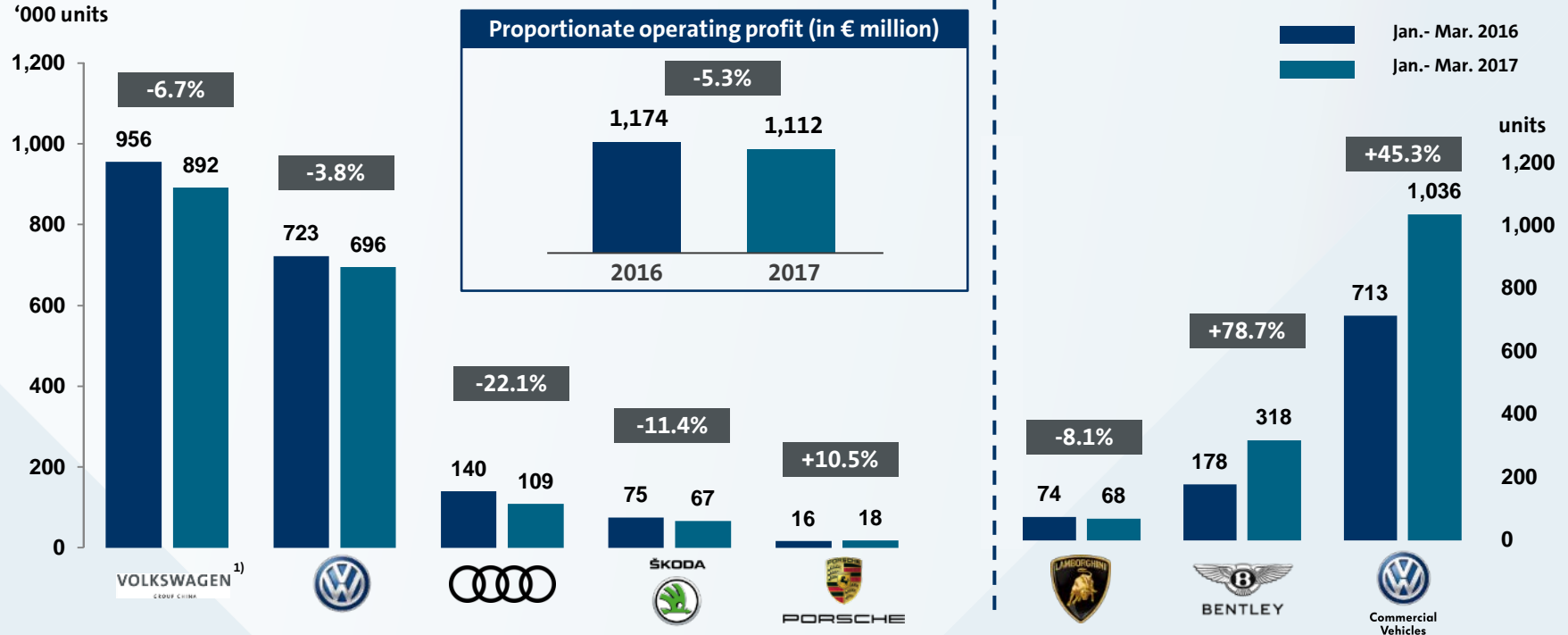
Diesel

Remuneration

Integrity & Compliance

Commitment

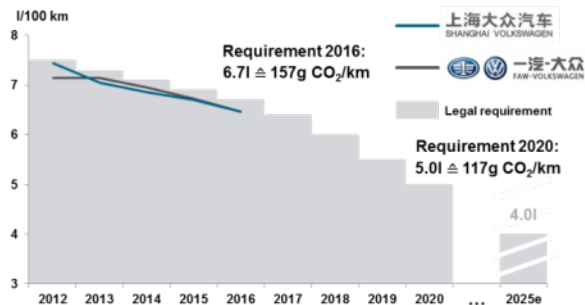
Volkswagen Group China performance (January to March 2017 vs. 2016)



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

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

($\leq 50\%$ of national subsidy)

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

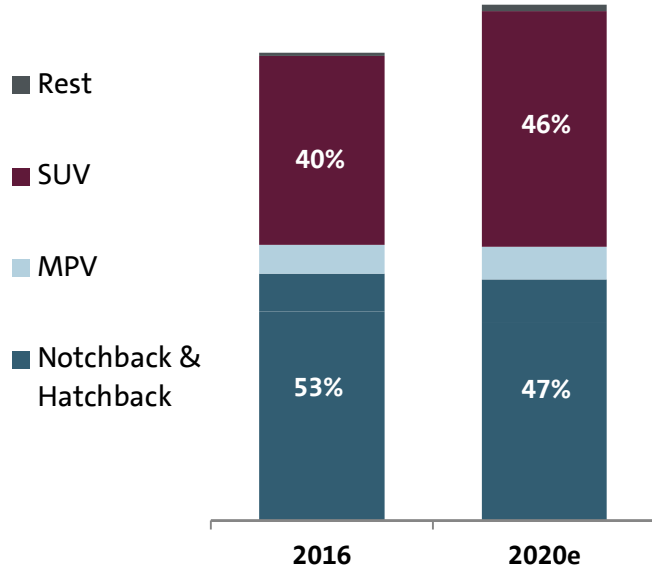
VOLKSWAGEN
GROUP CHINA

JAC 江淮汽车

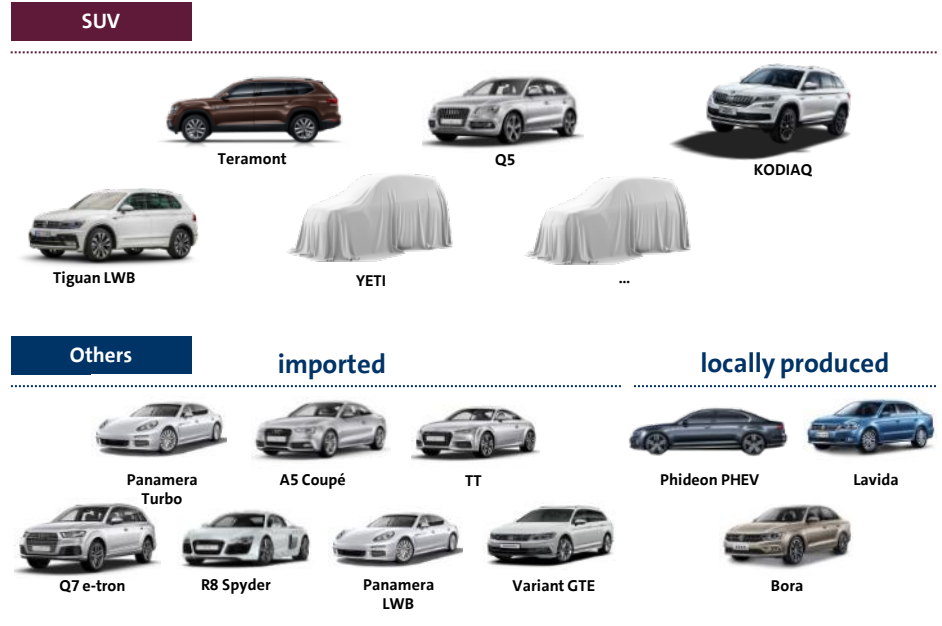


New product offering with an expanded SUV offering ¹⁾

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 Q1 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 and around €5bn in Q1 2017.

US Diesel-related settlements (status 08 May 2017)

Issue	2.0L TDI	3.0L TDI	Criminal & civil-related claims	VW-Branded Franchise Dealers
Scope	<ul style="list-style-type: none"> ~475,000 vehicles 	<ul style="list-style-type: none"> ~78,000 vehicles 	<ul style="list-style-type: none"> 2.0L + 3.0L TDI 	<ul style="list-style-type: none"> 2.0L, 3.0L and other matters asserted concerning the value of the franchise
With whom?	<ul style="list-style-type: none"> US Federal & State Regulators (DOJ, EPA, CARB, FTC) Private Plaintiffs represented through Plaintiffs' Steering Committee (PSC) 	<ul style="list-style-type: none"> US Federal & State Regulators (DOJ, EPA, CARB, FTC) Private Plaintiffs represented through Plaintiffs' Steering Committee (PSC) 	<ul style="list-style-type: none"> DOJ (incl. on behalf of EPA), Customs & Border Protection 	<ul style="list-style-type: none"> 644 VW-Branded Franchise Dealers
Claims status	<ul style="list-style-type: none"> As of May 5, 2017, Volkswagen has completed 262,406 buyback or lease termination transactions; 7,407 phase 1 modifications for vehicles with Generation 3 engines; and 12,087 non-vehicle claims. 	<ul style="list-style-type: none"> As of February 1, 2017 all proposed agreements submitted but pending U.S. federal court approval 	<ul style="list-style-type: none"> Finalized; plea agreement accepted on April 21, 2017 and consent decree approved on April 13, 2017 	<ul style="list-style-type: none"> As of February 14, 2017, 91% of class members submitted individual releases to receive initial payment, and Volkswagen has already paid out half of the settlement proceeds
Approval status	<ul style="list-style-type: none"> Per October 2016 max funding pool of ~\$10bn eligible for: <ul style="list-style-type: none">  Buyback/Lease terminations or Emissions modifications (~70k vehicles approved per Jan 2017)  + Cash payments for affected customers Pay \$2.7bn over 3 years to environmental trust Invest \$2bn over 10 years in zero emission infrastructure Resolution with 44 states, the District of Columbia and Puerto Rico (~\$603m incl. 3.0L) Approval from regulators for VW-Branded Franchise Dealers to resell 2.0L TDI vehicles with Generation 3 engines in the U.S. after receiving an approved emissions modification 	<ul style="list-style-type: none"> Pay up to ~\$1.2 billion total benefits in settlement program to: <ul style="list-style-type: none">  Recall and repair ~58,000 vehicles to originally certified emissions standards; or offer buyback, trade-in, lease termination or emissions modifications for ~20,000 older vehicles  + cash payments for all eligible class members Pay \$225m into environmental trust, \$25m to CARB to support ZEV in CA Preliminary approval granted on February 14, 2017 Final approval hearing on May 11, 2017 	<ul style="list-style-type: none"> Combined fines & penalties \$4.3bn: <ul style="list-style-type: none">  Plea agreement incl. guilty plea  Criminal fine of \$2.8bn  Independent monitor  Federal environmental and customs-related civil claims \$1.45bn <ul style="list-style-type: none"> DOJ civil FIRREA penalty \$50m Plea hearing took place on March 10, 2017 Judge Sean F. Cox accepted the plea agreement on April 21, 2017 	<ul style="list-style-type: none"> Final Approval granted on January 23, 2017 <ul style="list-style-type: none">  \$1.193 billion cash component, as well as additional non-cash benefits
Provision status	At the closing of the financial statements for 2016, Volkswagen AG has recognized special items of €22.6 billion related to the diesel matter in the financial statements covering the years 2015 and 2016.			

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



Predominantly software-only solution



Update status

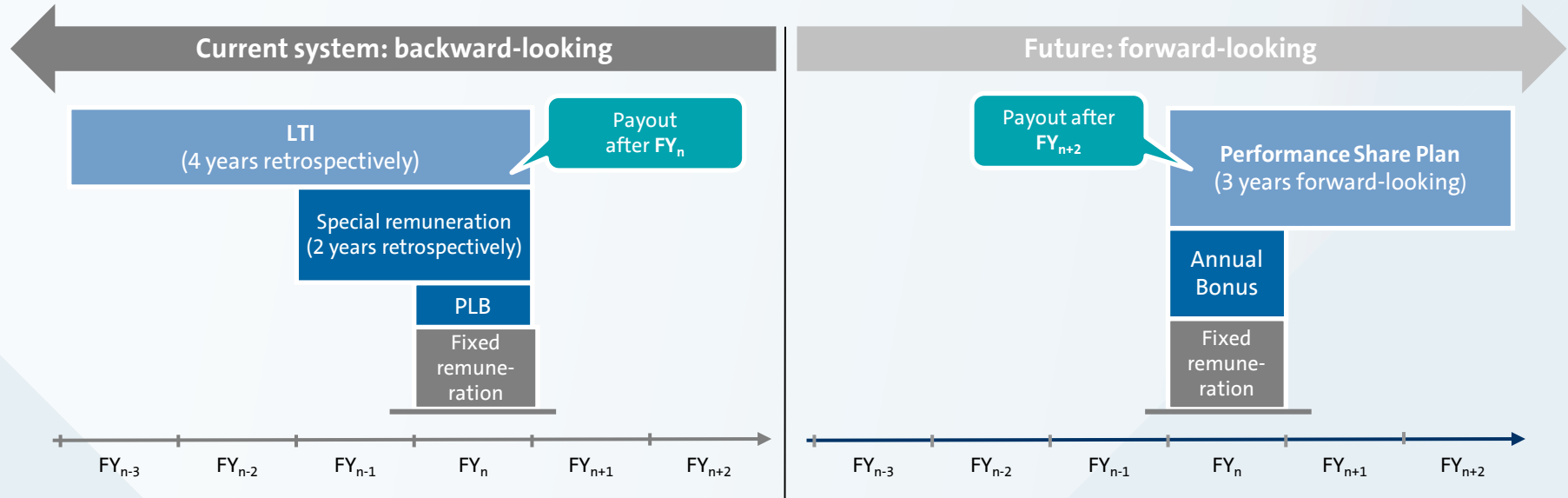
Over 4.7m units have been updated
(status May 2017)

- 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

High focus on Compliance and Risk Management activities

Group-wide whistle-blower system & improved risk management system

We have improved our group-wide whistle-blower system to increase awareness, acceptance, transparency and confidence

- ✓ **New reporting channels** were set up
- ✓ **Better protection** for whistle-blowers has been established
- ✓ **Information** on the new whistle-blower system is **internally and externally available**
- ✓ Further **communication campaign** is planned

We have improved our risk management system

- ✓ Additional **quarterly reports** on top-risks and mitigating activities established to **foster open** and active **discussion of risks throughout the group**

“Golden Rules” were derived to enhance the processes and organization of product development and product approval

Process optimization

A total of 31 measures were defined in the Group Internal Audit Report. The majority of them were implemented by the end of 2016

Specific sustainable actions were proposed by Group Internal Audit for the weaknesses; so called “Golden Rules”

Key elements of the “Golden Rules” process optimization include for example:

- ✓ Introduction of **multiple controls for approvals in the product development process**
- ✓ **Reorganization within Development** for the purpose of segregated duties between Development and official Type Approval
- ✓ **Uniform process standards** and work instructions give those involved **legal certainty**
- ✓ **Regular reporting to the Group Board of Management** creates transparency in relation to the implementation status of this process optimization

Adaption of the „Golden Rules“ for other vehicle development processes within the Group

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!

“The Volkswagen Group is very robust,
in both operating and financial terms.
That gives us confidence for the future.”



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Volkswagen Investor Update

Volkswagen AG

Ulrich Hauswaldt – Group Investor Relations

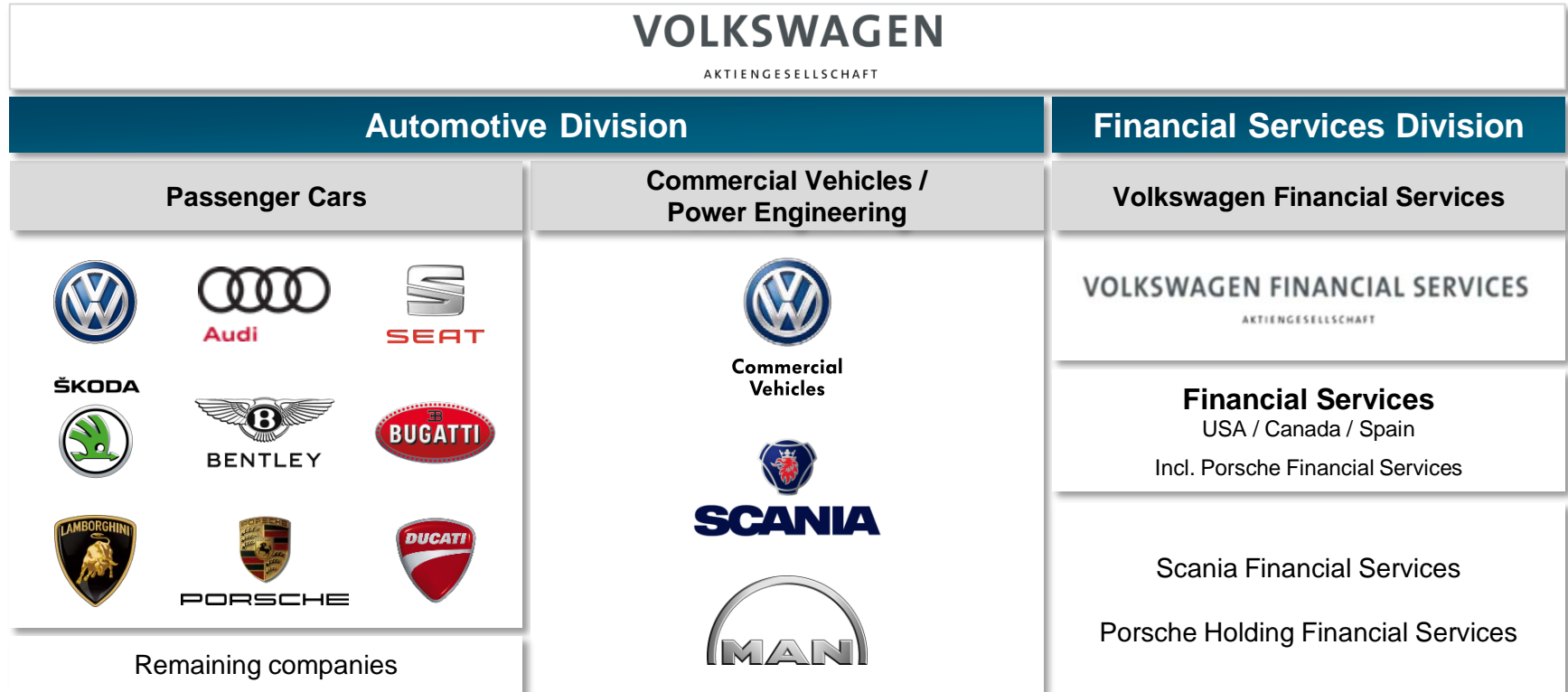
Martin Büdke – Capital Markets & Rating

Volkswagen Financial Services AG

Bernd Bode – Head of Group Treasury and Investor Relations

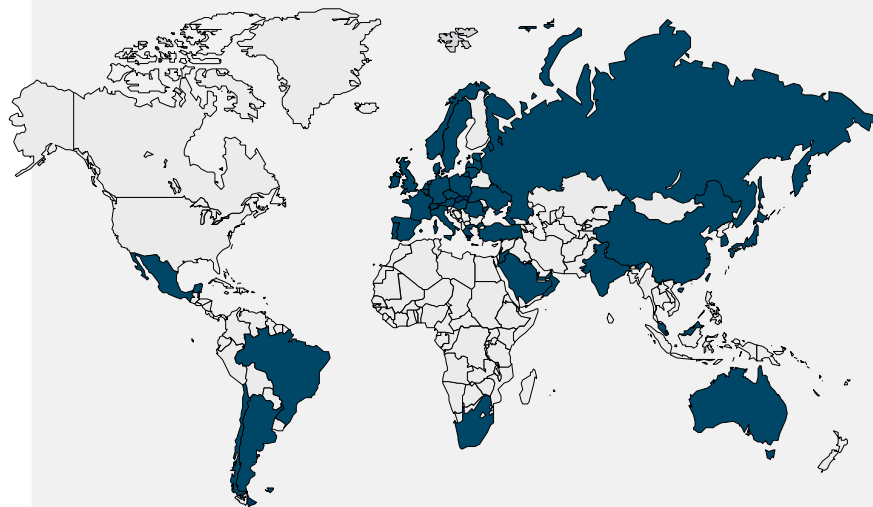
Katja Hauer – Investor Relations

Volkswagen Group – Leveraging the strength of the three pillars



Volkswagen Financial Services AG at a Glance (12/31/2016)

Worldwide presence

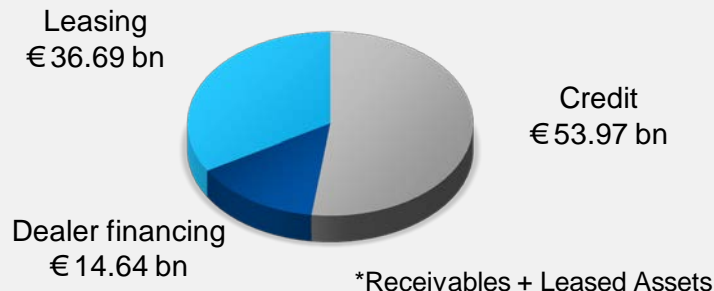


Volkswagen Financial Services
conducts business in **49 countries**

Key company figures

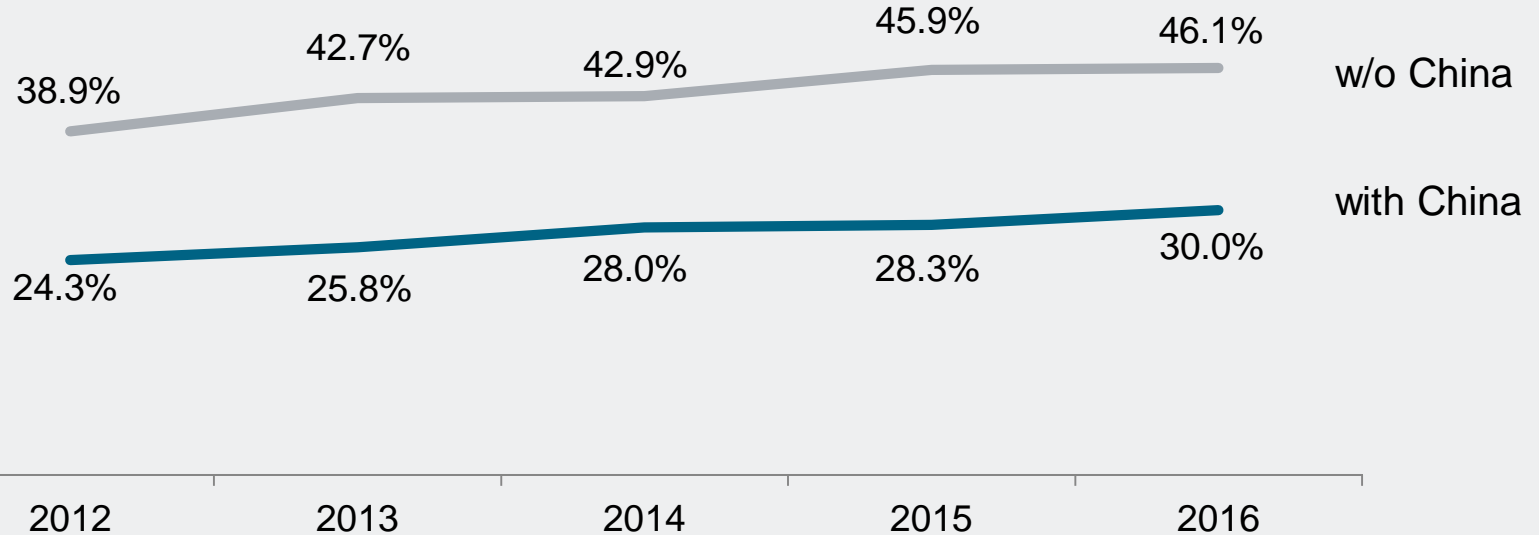
Total assets	€ 130.1 bn
Equity	€ 16.95 bn
Customer deposits	€ 36.1 bn
Operating profit	€ 1.6 bn
Employees	11,819
Contracts (units)	13.2 m

Business Volume* € 105.3 bn

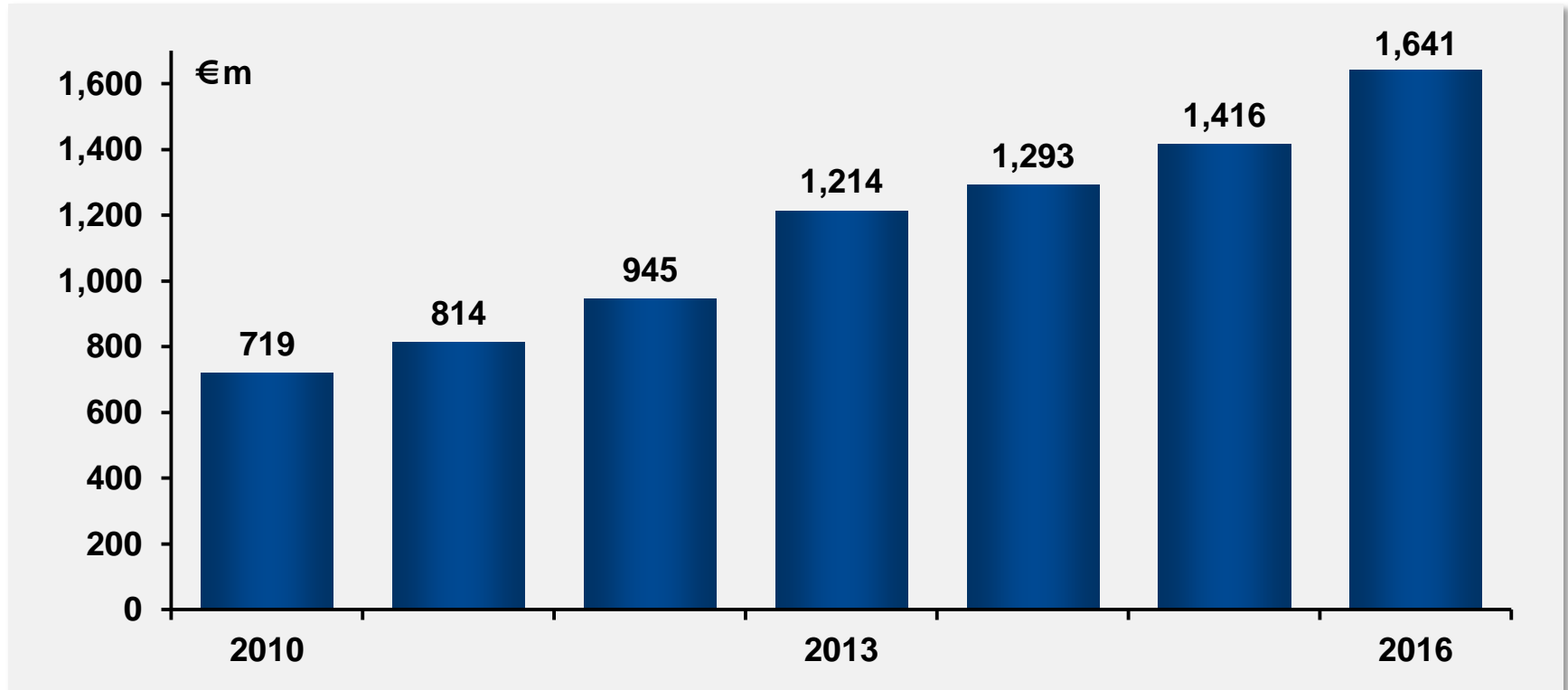


Penetration Volkswagen Financial Services AG

Rising penetration rates

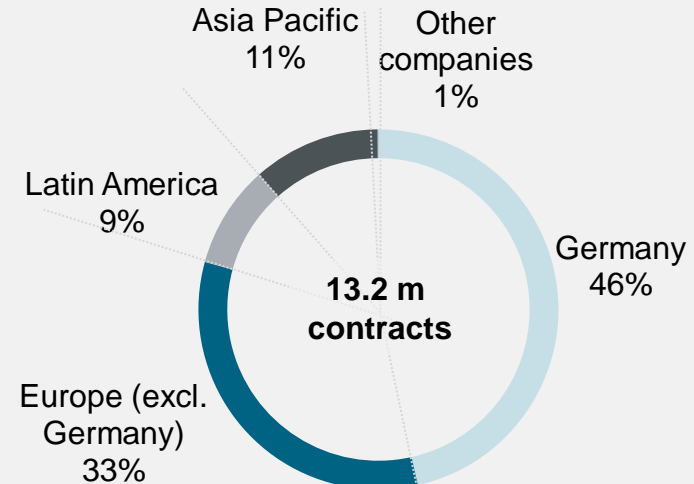
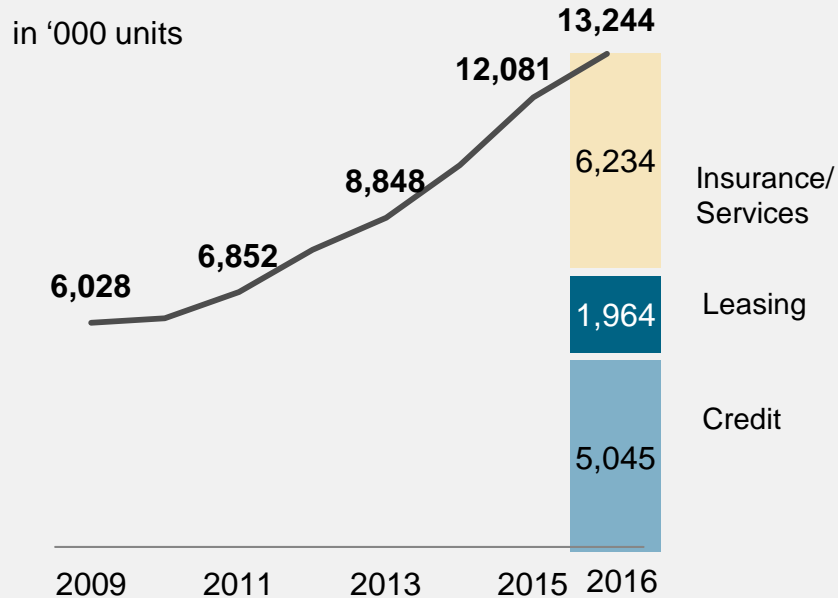


Operating Income Volkswagen Financial Services AG



Contract portfolio Volkswagen Financial Services AG

Continuous portfolio expansion











Volkswagen Financial Services AG

Key data 2012 – 2016 (IFRS)

	2012	2013	2014	2015	2016
Portfolio ('000)	7,977	8,848	10,249	12,081	13,244
Retail + Leasing receivables (€ mn)	60,913	65,127	76,749	83,351	90,666
Dealer financing (€ mn)	10,781	11,082	12,625	13,967	14,638
Customer deposits (€ mn)	24,889	24,286	26,224	28,109	36,149
Employees	8,770	9,498	11,305	11,746	11,819
IFRS profit before tax (€ mn)	992	1,315	1,317	1,513	1,650

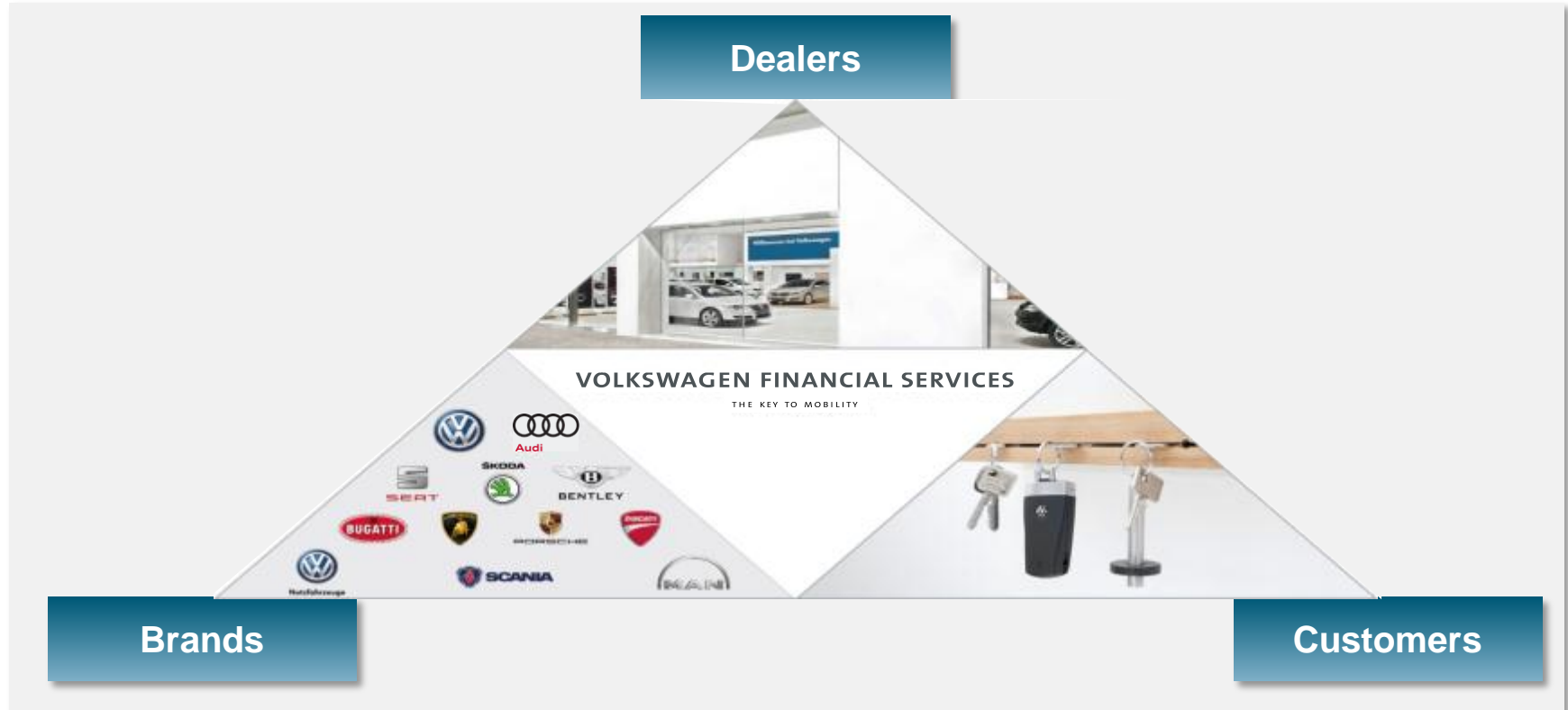
We offer the whole range of services under one roof*

Volkswagen Financial Services

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.

Creating Value



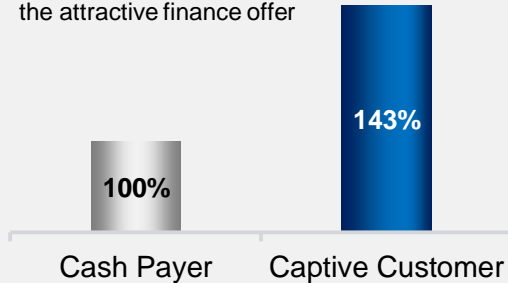
Strong Benefits for Automotive through Captive

Equipment



+ 43%

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

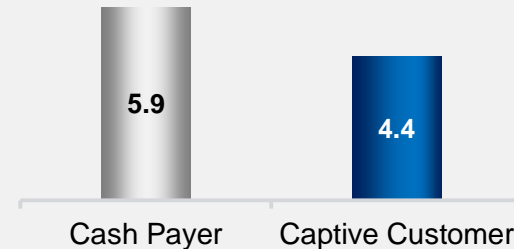


Turnover



+ 25%

Length of ownership (years)

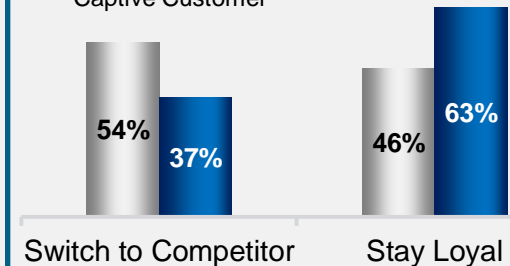


Brand Loyalty



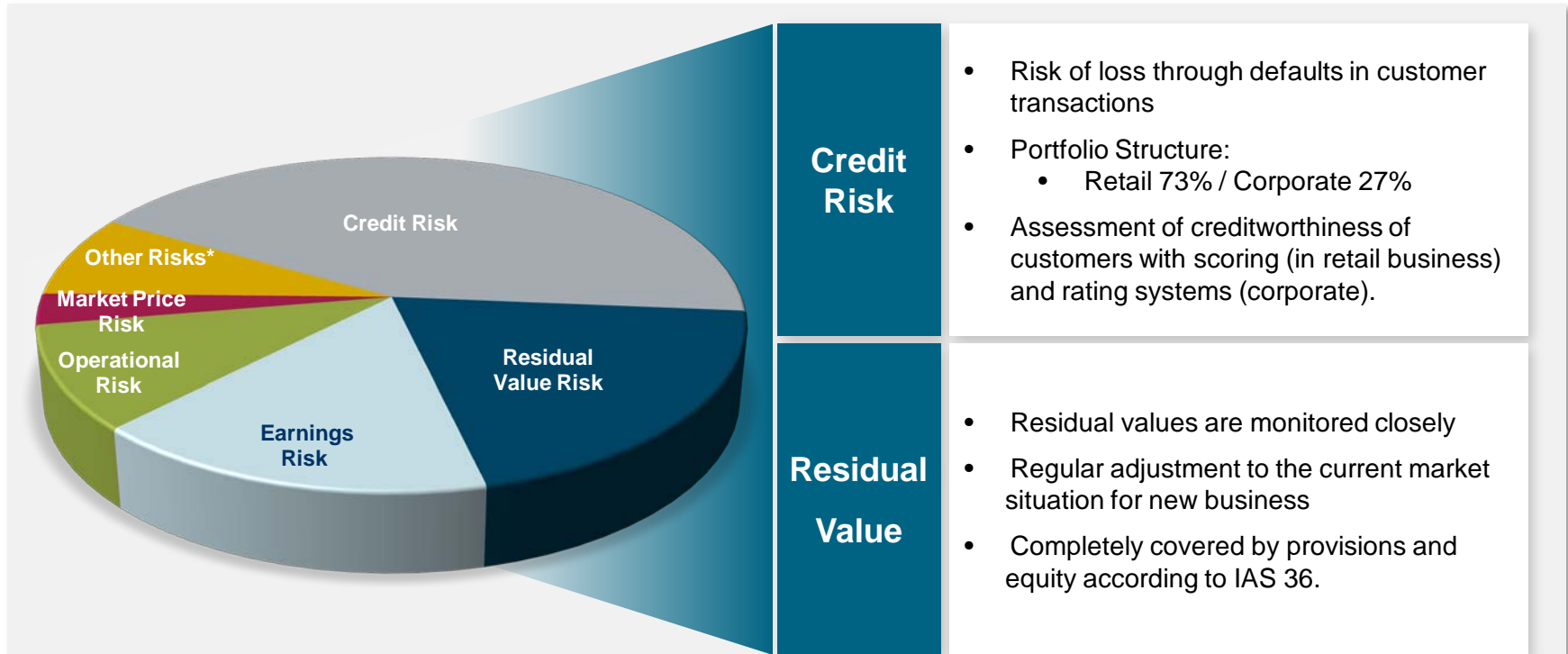
+ 37%

■ Cash Payer
■ Captive Customer



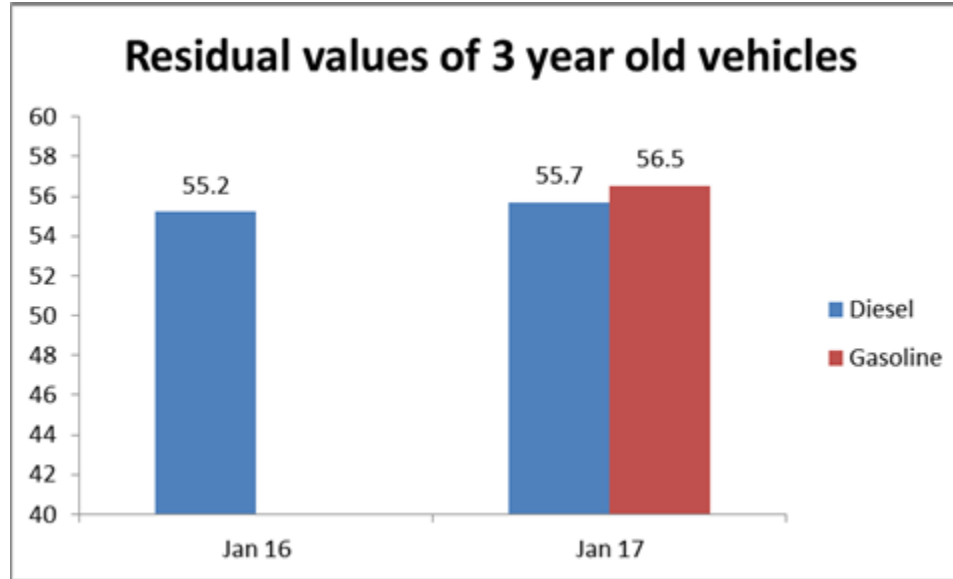
Source: AKA – Automobilbanken 2016, Study of pulis Marktforschung GmbH

Risk management



* 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 Values - Report by Deutsche Automobil Treuhand (22.04.2017)



Stable development of residual value of gasoline and diesel vehicles in the German market.
Based on 18,000 dealers statements.

Development of residual values in EU5



Still no significant impact with respect to emissions issue, neither at Volkswagen group nor at other OEMs. Diesel residual value development still in normal range.



No significant residual value impact in UK by emission issue.



Development of Diesel residual values within the normal range. Market share of Diesel cars is decreasing.



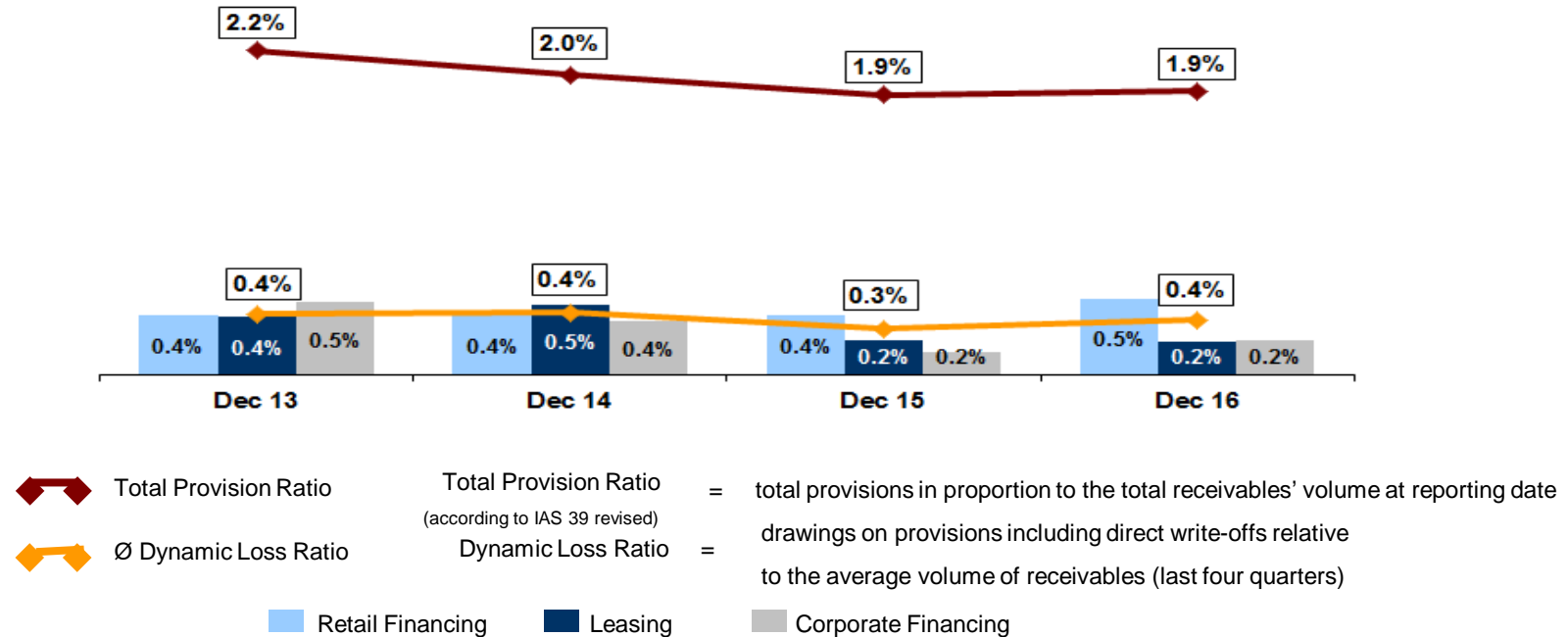
Used car market stable, but overall low residual value level in comparison with other European markets. Slightly increasing residual value level in the coming years expected.



Diesel residual value development within the normal range.

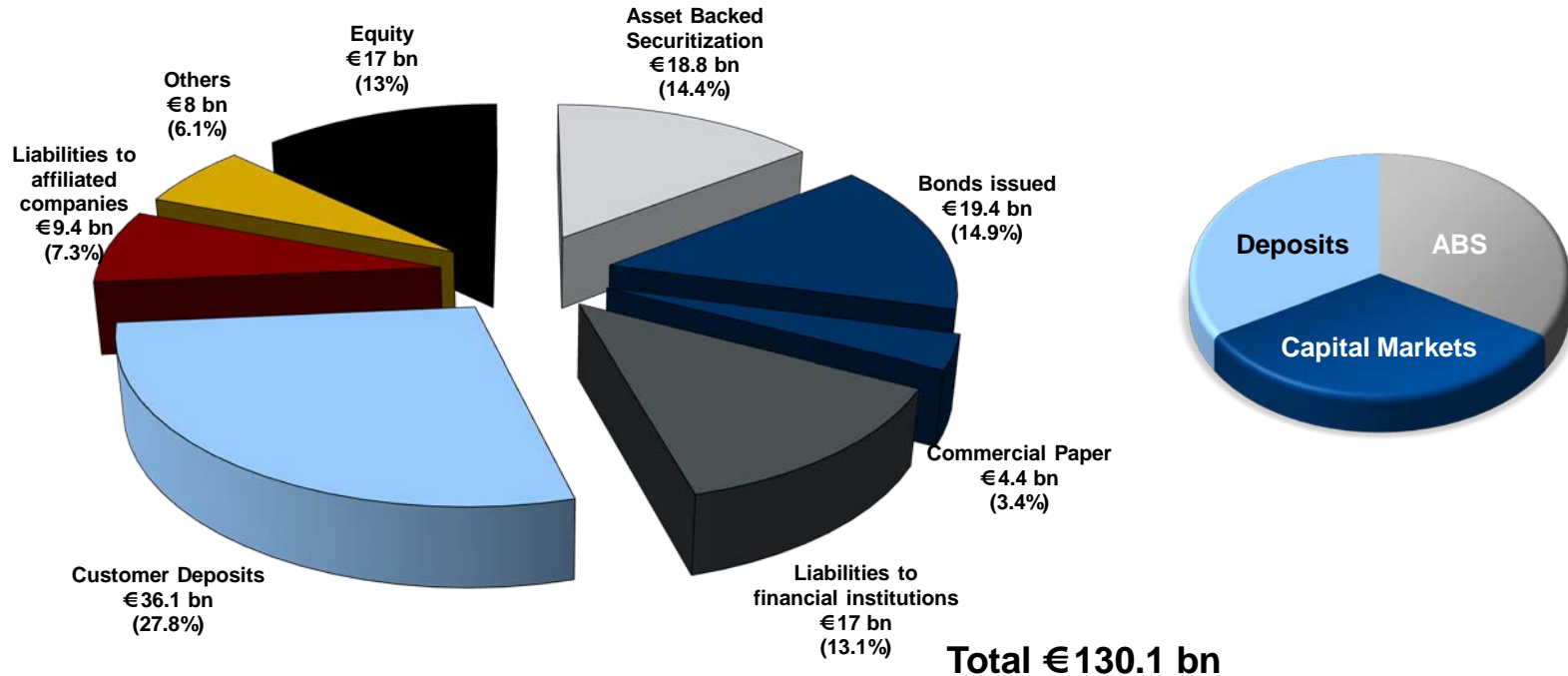
In 2016, there was no direct impact on residual values of used vehicles from the Diesel Issue in Europe. The markets in Germany, France, UK, Italy and Spain moved within their usual bandwidths.

Credit Risk Loss Ratio VW FS AG (only fully consolidated companies)

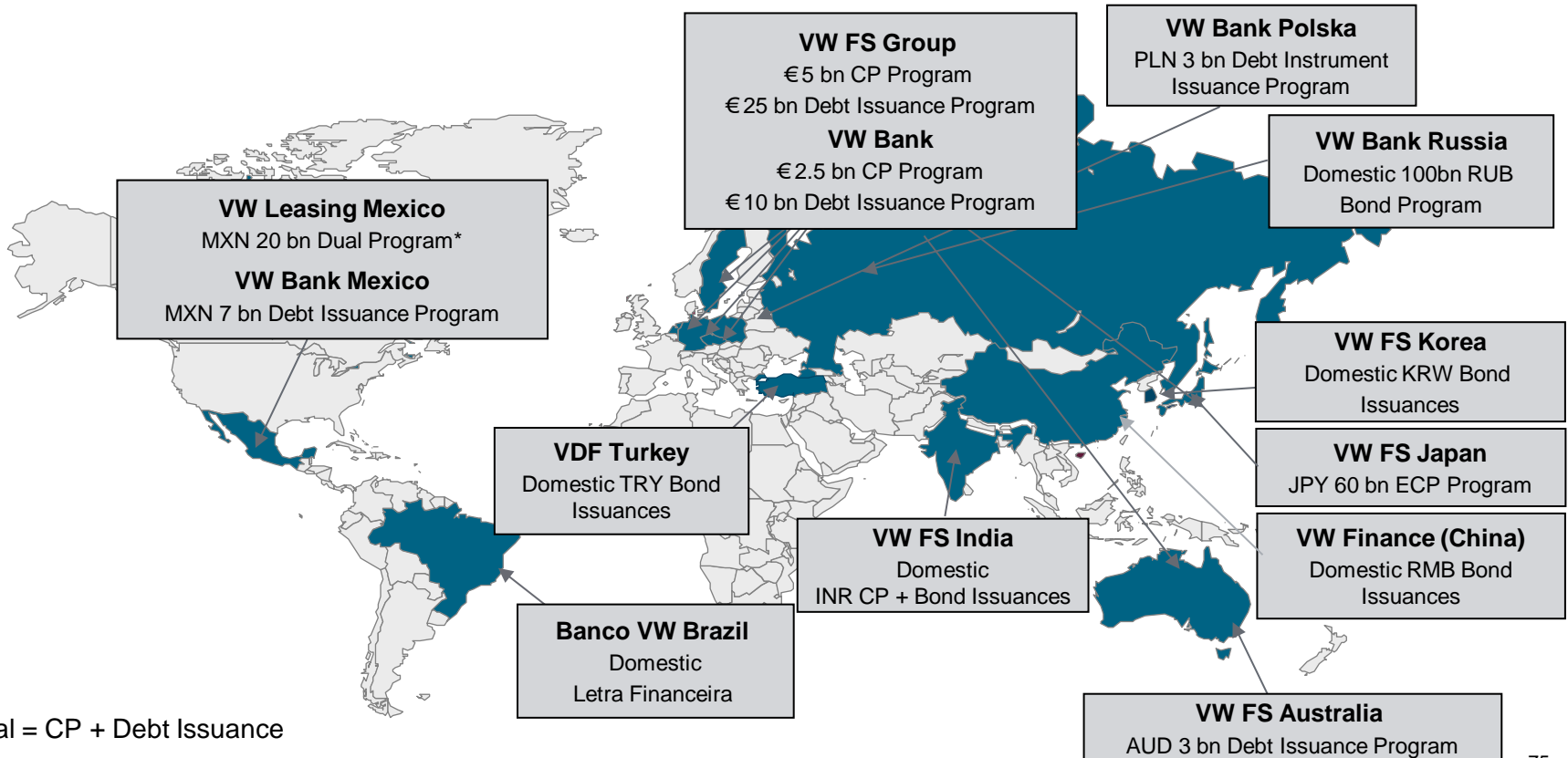


Funding structure Volkswagen Financial Services AG

Strategic funding allocation as of 31 December 2016:

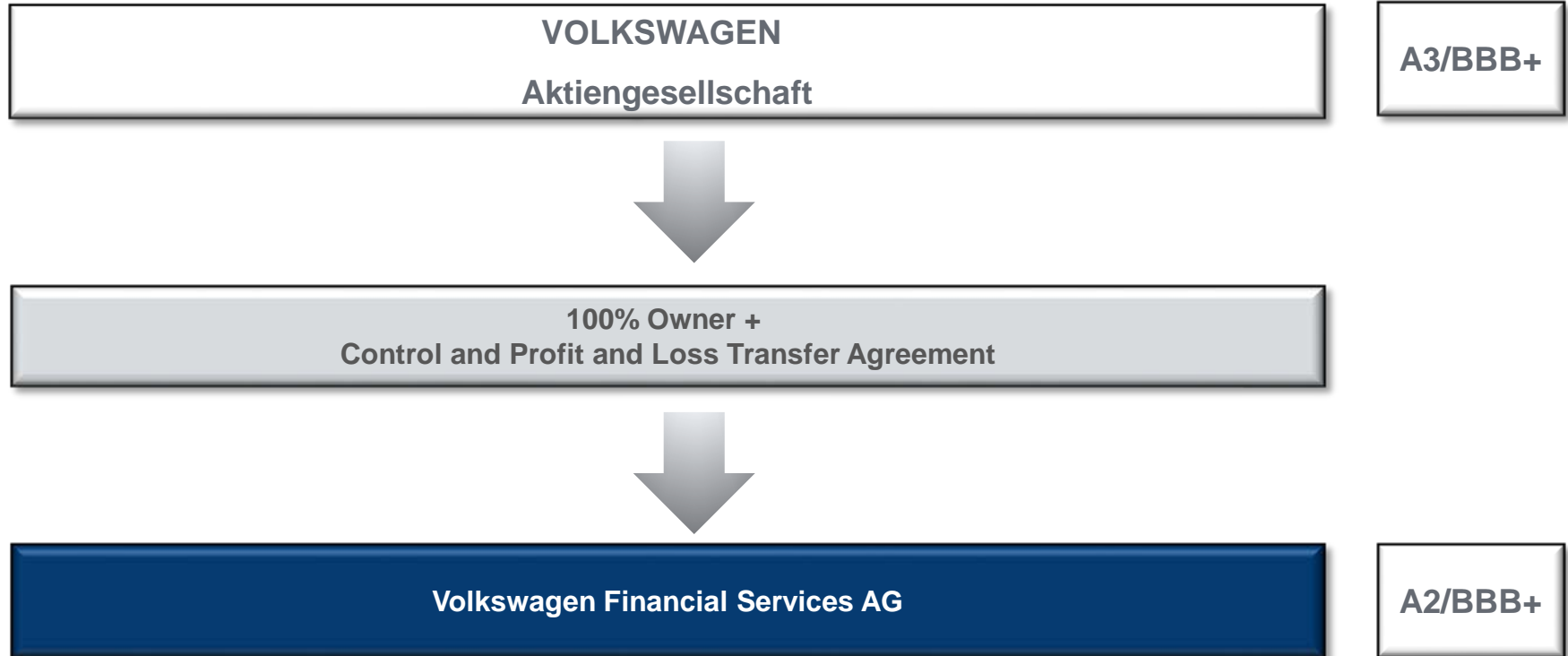


Worldwide Capital Market Activities

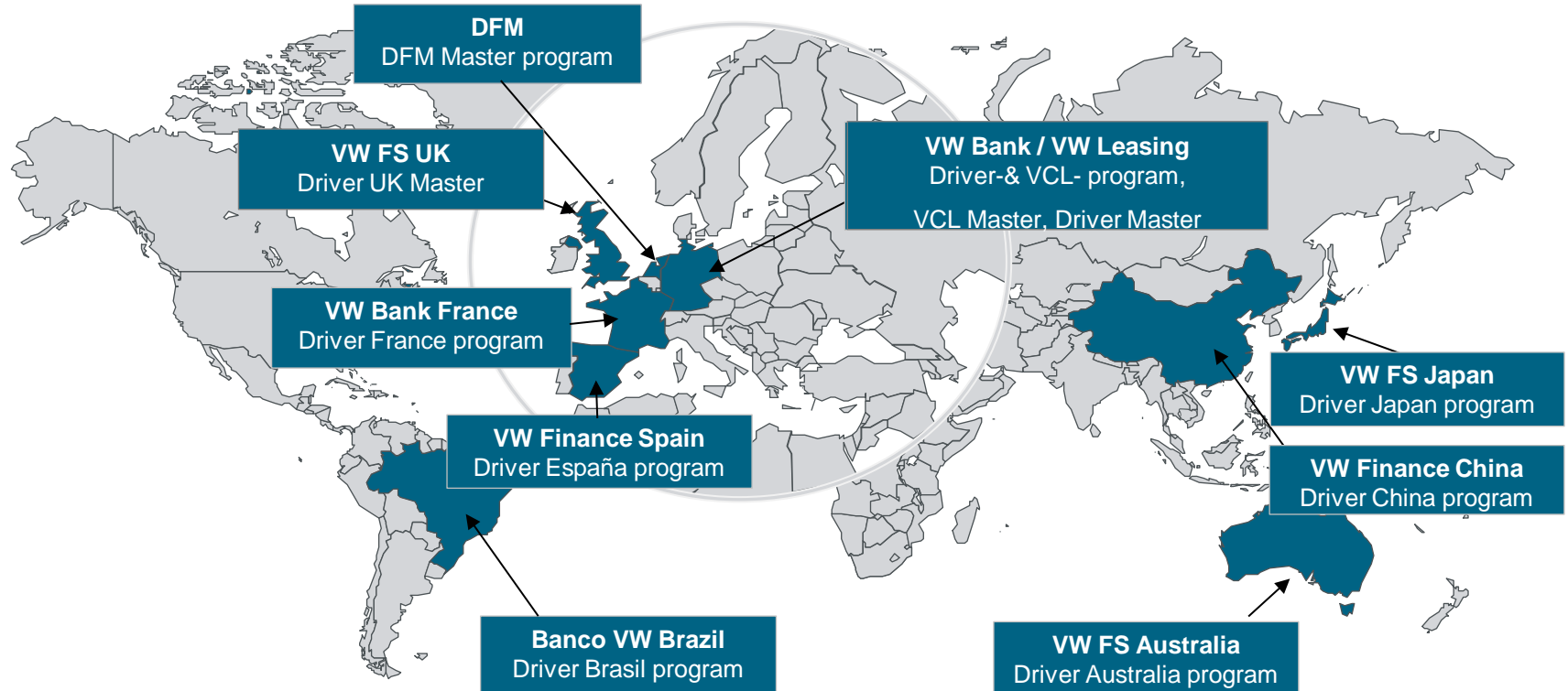


*Dual = CP + Debt Issuance

Ownership Structure and Support Mechanism VW AG and VW FS AG



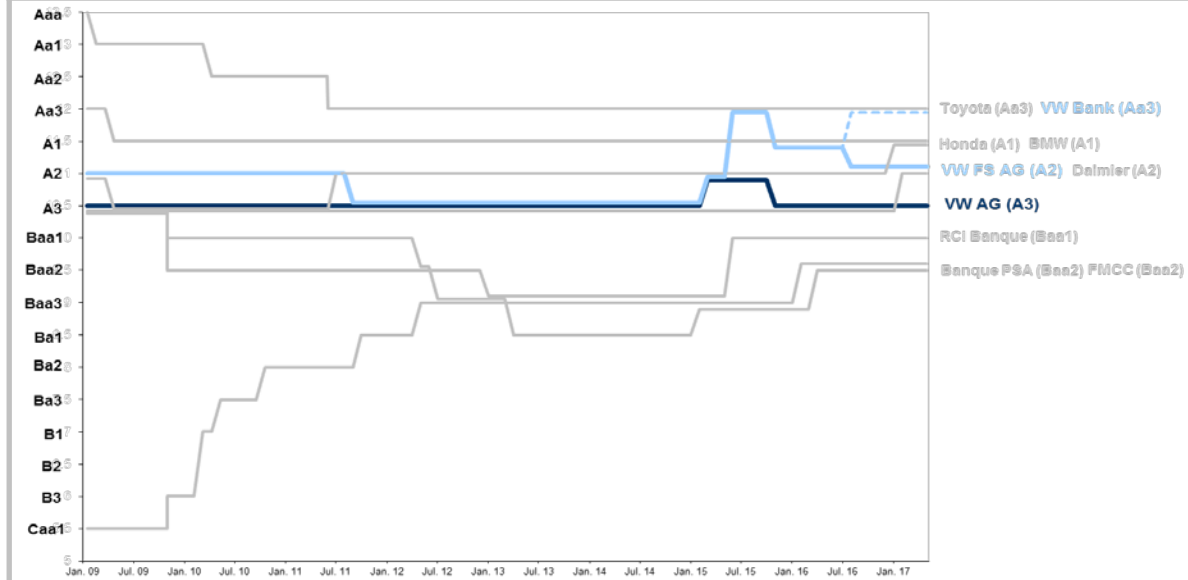
Worldwide ABS Activities



Rating History (05/08/2017) – Moody's

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

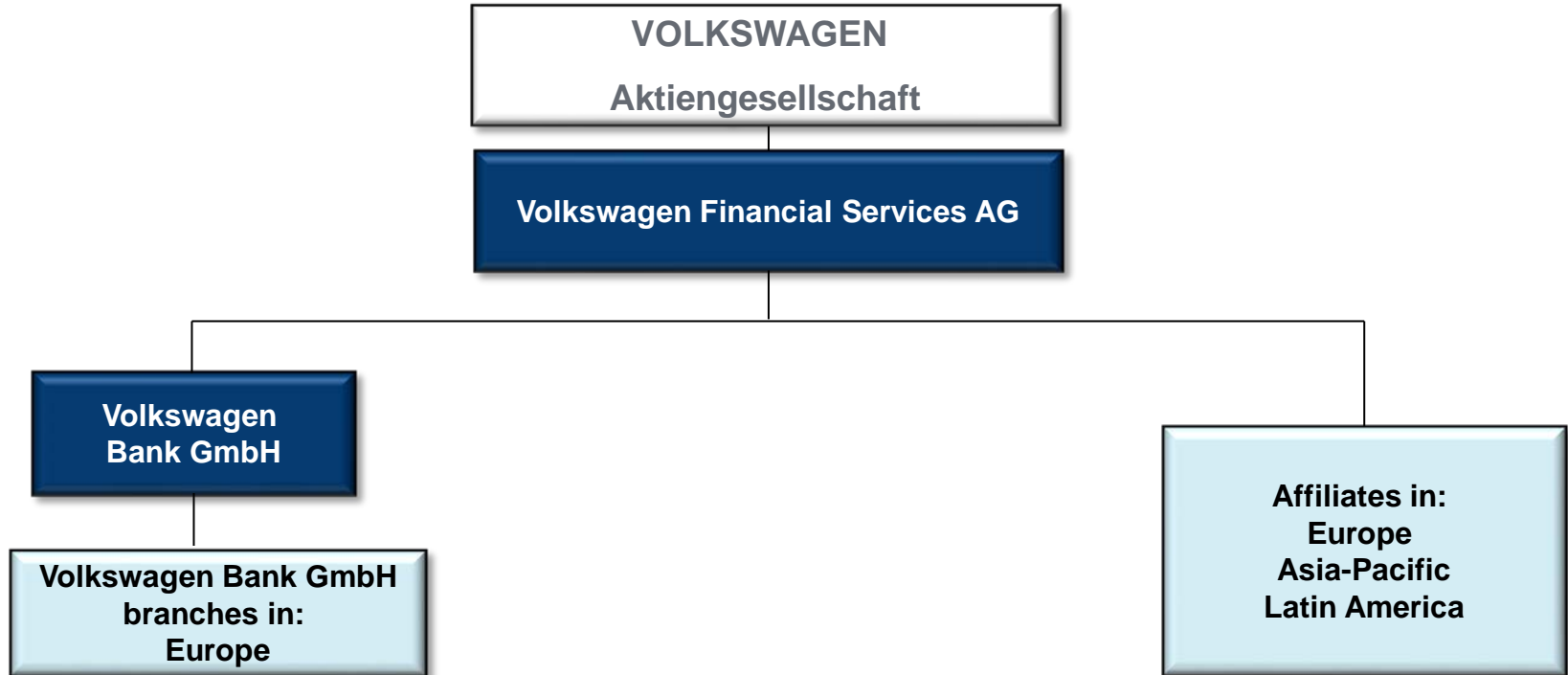
Development of credit ratings (Moody's)



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.

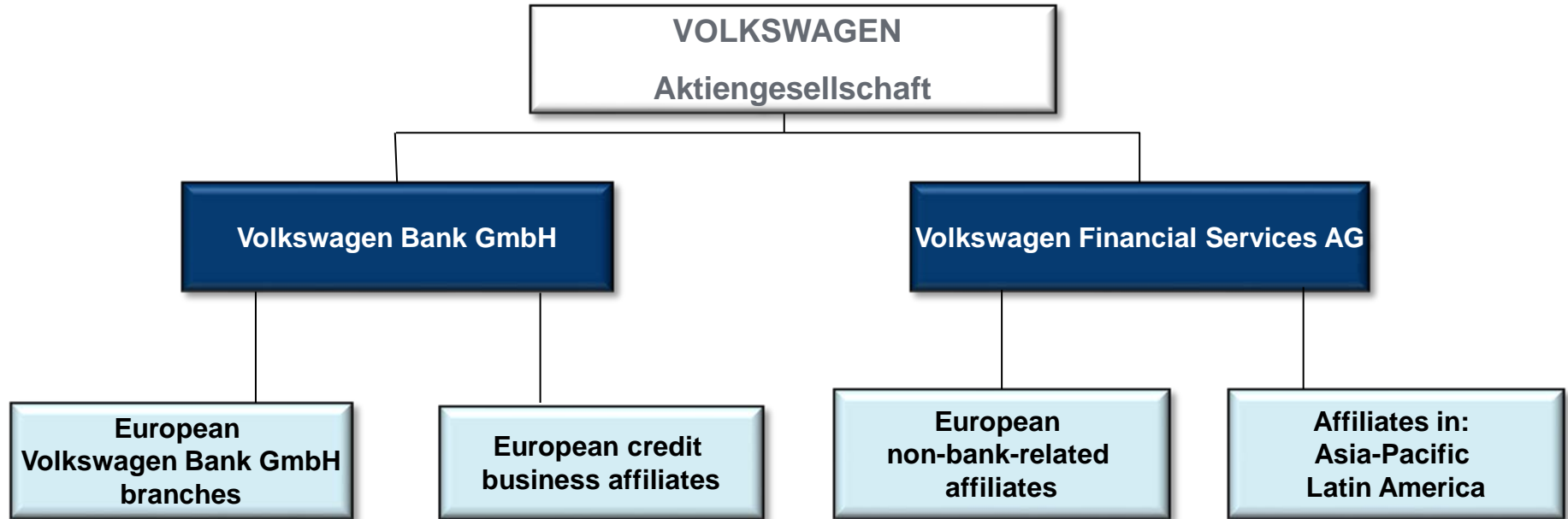
Current structure – Volkswagen Bank GmbH is 100% affiliate of Volkswagen Financial Services AG



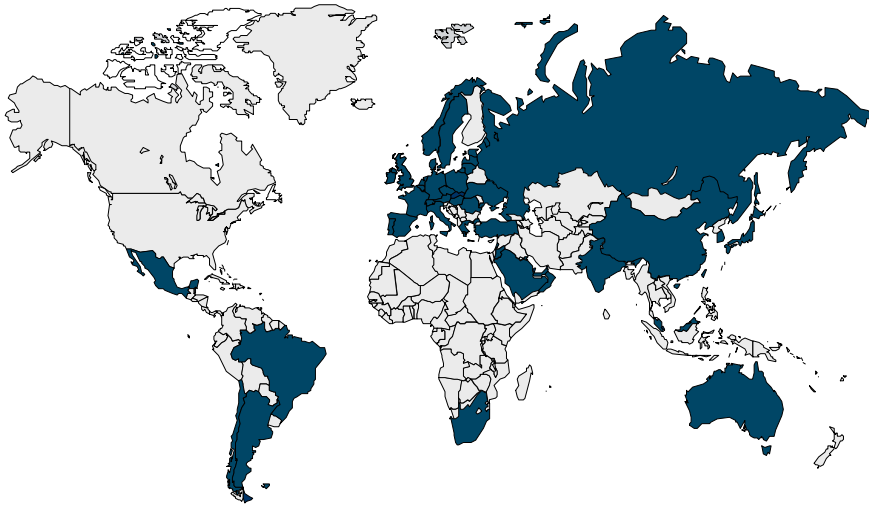
Core Elements and Aims of the new Structure: Split of VWFSAG in EU Bank und Non EU Bank

- The new structure reduces complexity.
- The new structure ensures the future growth path.
- The new structure aims on strengthening Braunschweig as a financial center.
- Both companies will be sister companies and 100% owned by Volkswagen AG.
- Due to the pooling of European banking activities at Volkswagen Bank GmbH, only this entity will be regulated by ECB.
- Capitalization will remain very comfortable above statutory levels at both companies.
- One face to the customer approach will be ensured for brands and customers to continue the success in the future.

Prospective structure - Volkswagen Bank GmbH will be 100% affiliate of Volkswagen AG



Prospective Structure – Overview Worldwide Activities Volkswagen Financial Services AG



In the future Volkswagen Financial Services AG new will offer financial services for the Volkswagen Group brands **in more than 40 countries worldwide** – directly, as well as through equity investments and service contracts.

Prospective Structure – Overview European Activities Volkswagen Bank GmbH new



In the future the Volkswagen Bank GmbH new will provide banking products for the Volkswagen Group brands in **15 European countries**, by branches as well as through equity investments



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

Digitalisation



**Used Car
Business**



**Operational
Excellence**

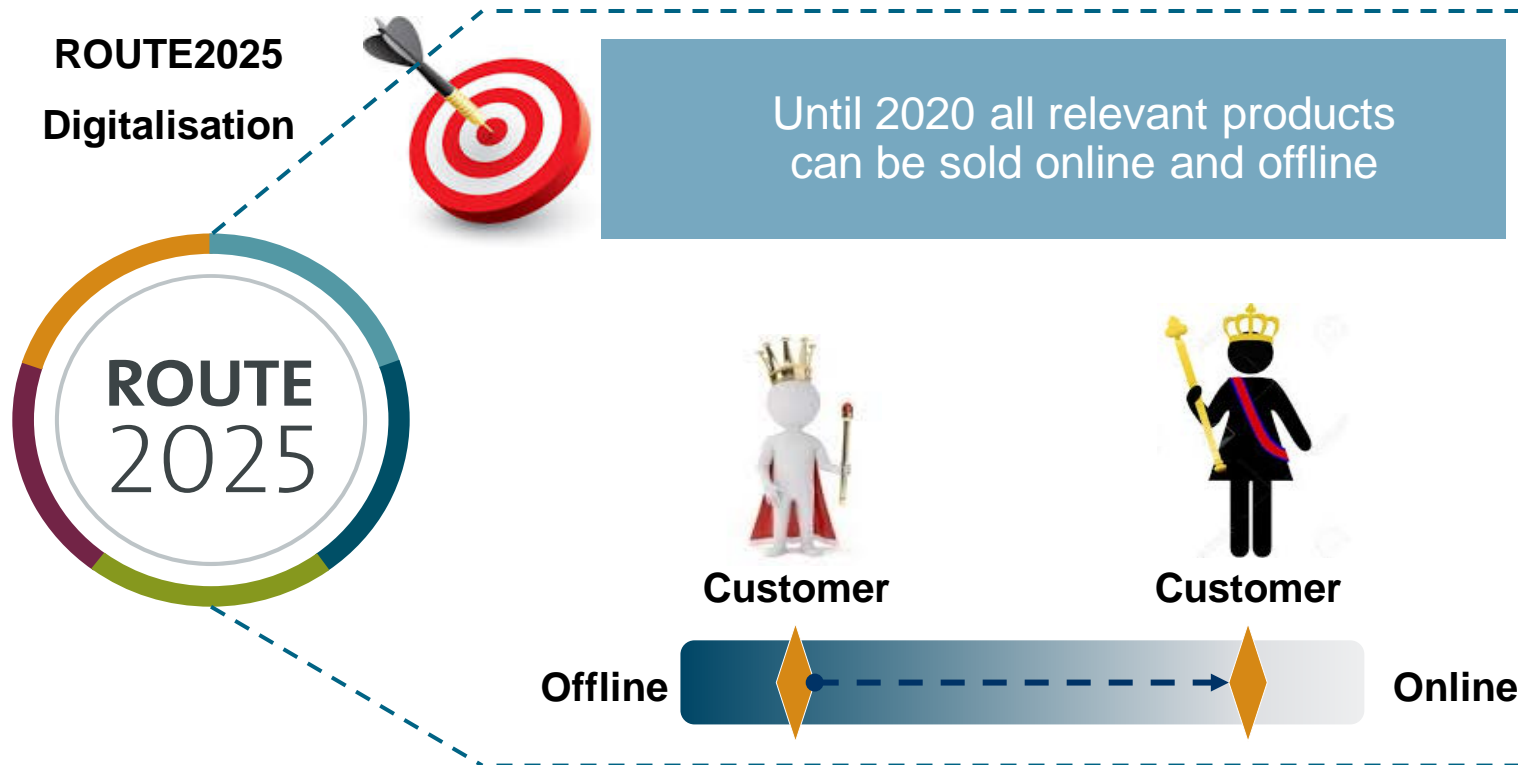


**Growth Market
China**





Digitalisation: Our target



Outlook

Assuming that margins remain stable in the coming year, the operating profit in fiscal year 2017 would be at least at the level achieved in fiscal year 2015.

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

Thank You.

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