

The background of the slide features a large, stylized 'V' logo. The left side of the 'V' is a light blue triangle, and the right side is a darker blue triangle. A small maroon triangle is visible at the top right corner of the dark blue section.

VOLKSWAGEN
AKTIENGESELLSCHAFT

**We are
redefining
mobility.**

Volkswagen Group

Frank Witter

Chief Financial Officer

Investor Roadshow with J.P. Morgan, London, 16th - 17th May 2017

Disclaimer

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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.

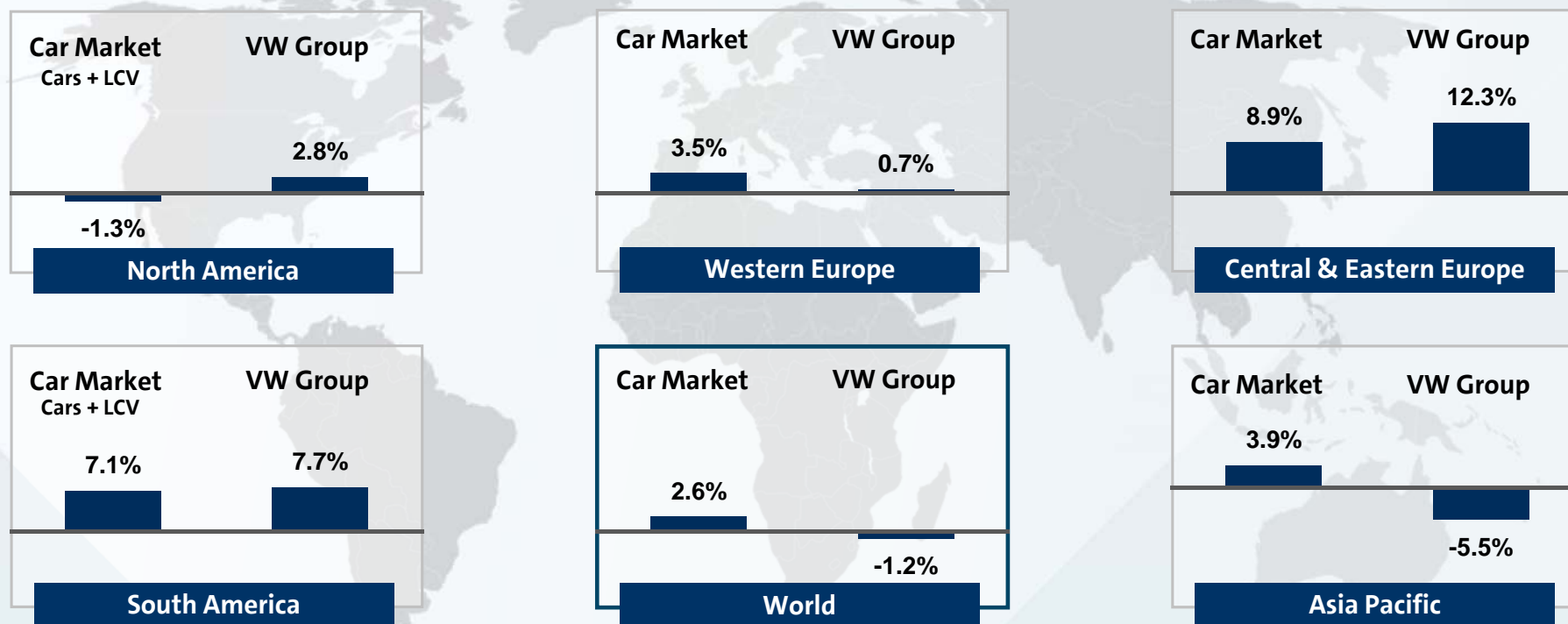
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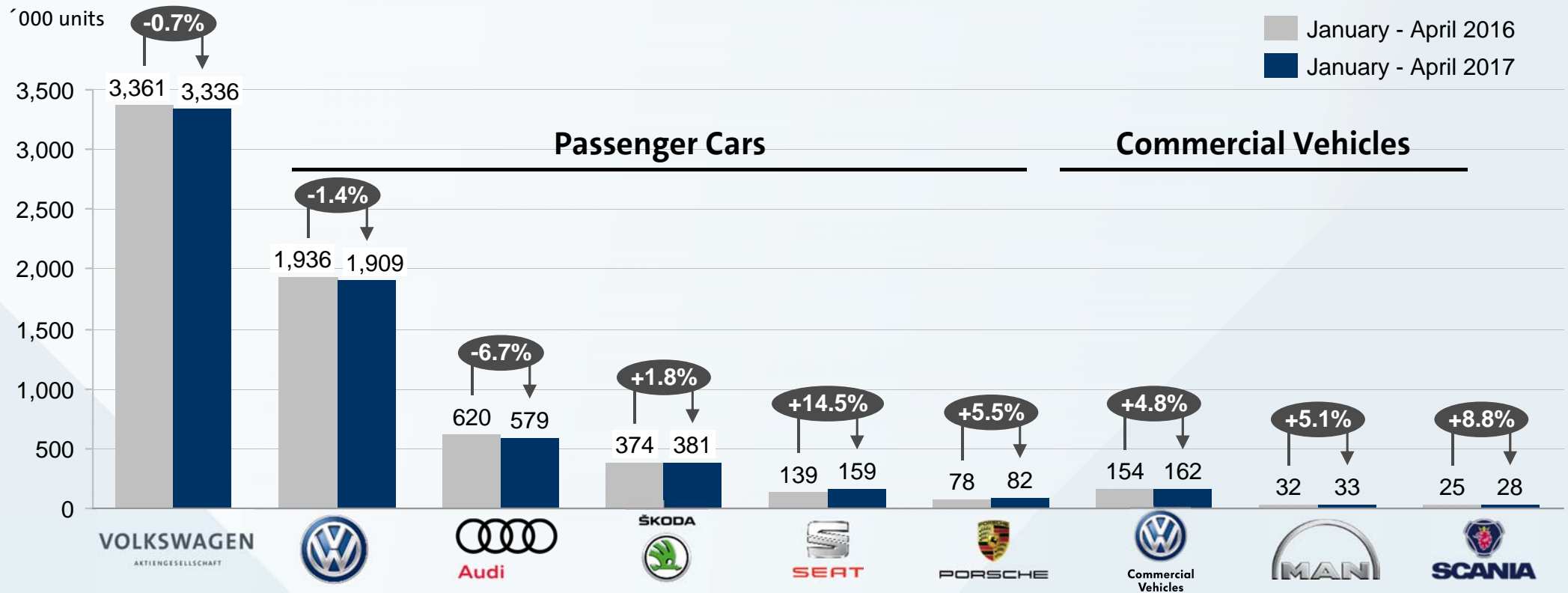
World car market vs. Volkswagen Group car deliveries to customers ¹⁾

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



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

Volkswagen Group – Deliveries to customers by brands (January to April 2017 vs. 2016)

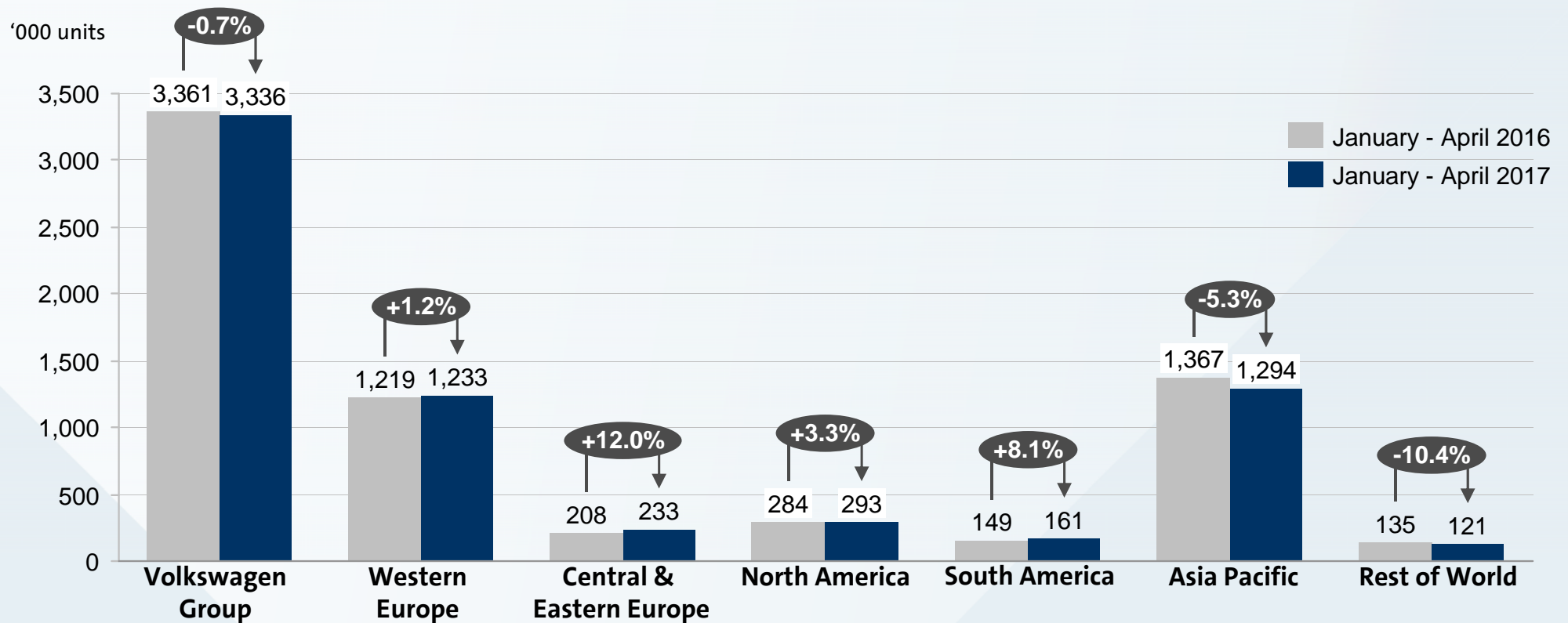


¹⁾ Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -1.2% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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

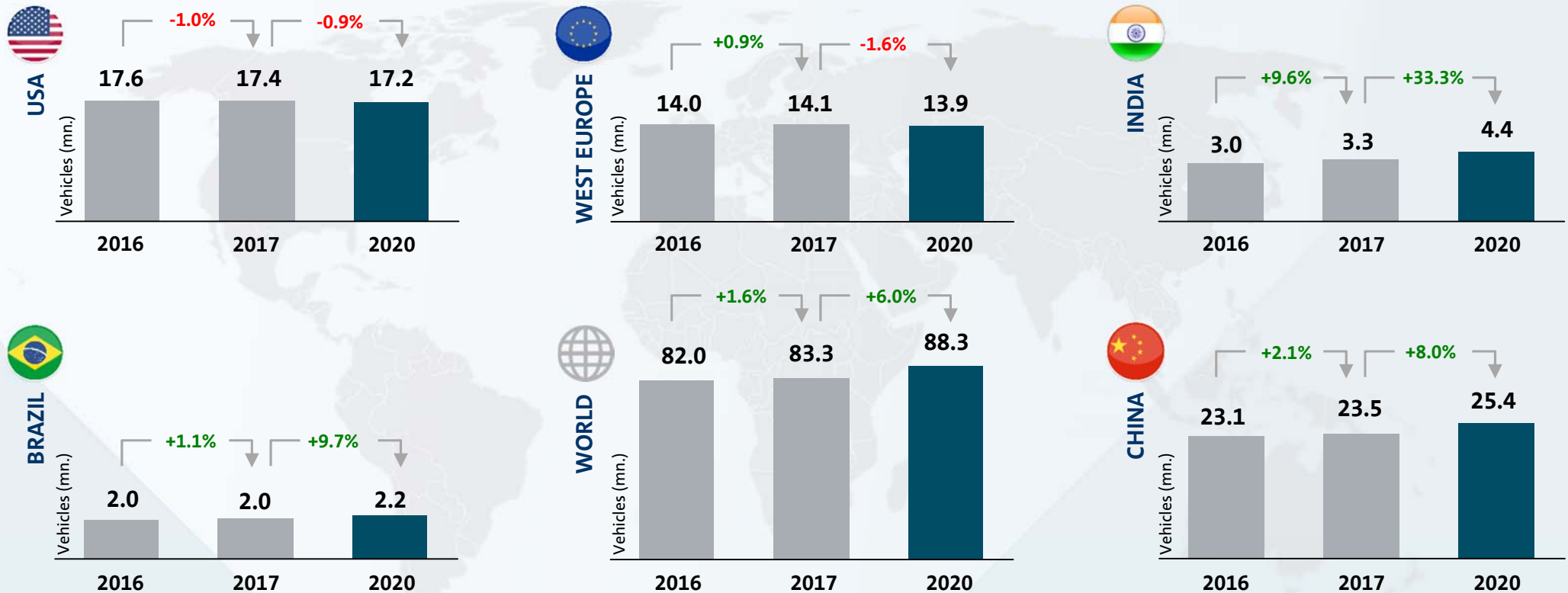
Volkswagen Group – Deliveries to customers by markets ¹⁾

(January to April 2017 vs. 2016)



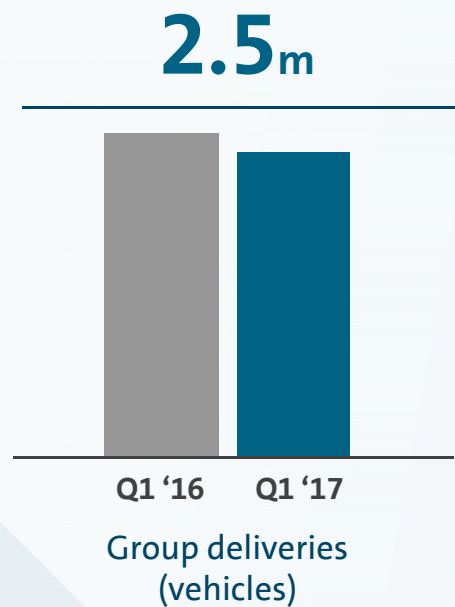
¹⁾ Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -1.2% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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

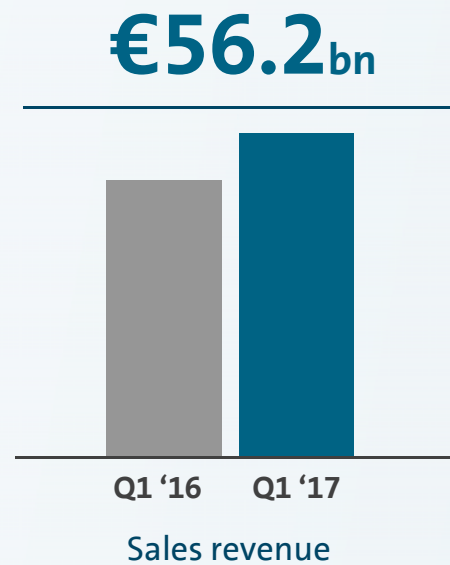


Source: IHS Global Sales forecast 2017M01; Total market for passenger cars in North and South America defined as per 'Light Vehicles' (includes light commercial vehicles)

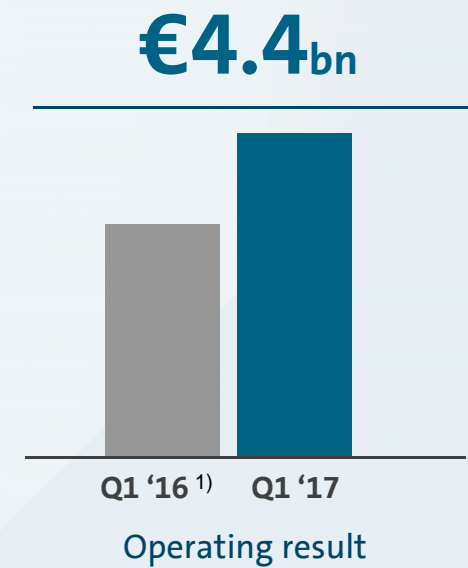
Volkswagen Group started fiscal year 2017 on a strong footing



- 0.5 %
vs. prior year



+10 %
vs. prior year



+27 %
vs. prior year

¹⁾ After special items

Volkswagen Group – Key Financial Figures¹⁾

(January to March 2017 vs. 2016)

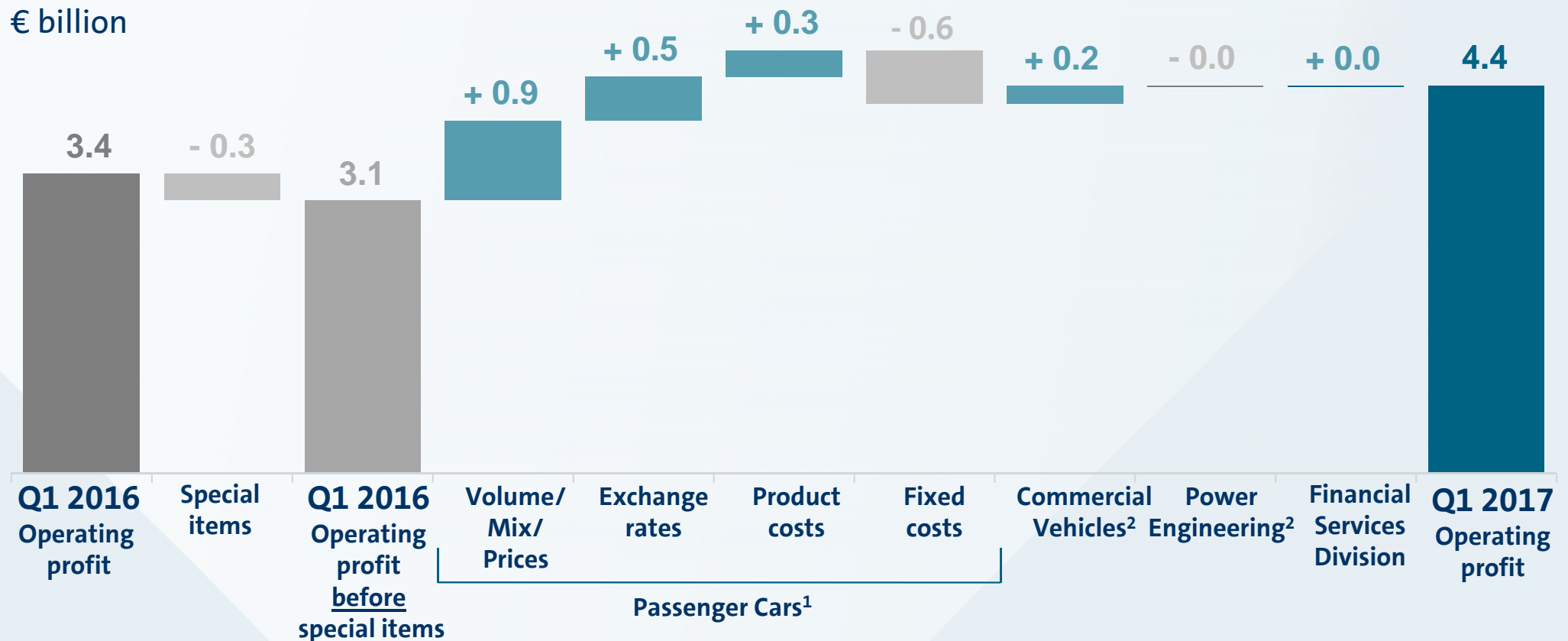
€ million	January – March		Change	
	2016	2017	absolute	in %
Sales revenue	50,964	56,197	5,233	10.3
Operating result <u>before</u> special items	3,131	4,367	1,236	39.5
as a percentage of sales revenue	6.1	7.8	-	1.7 ²
Special items	309	-	-309	x
Operating result	3,440	4,367	927	27.0
as a percentage of sales 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

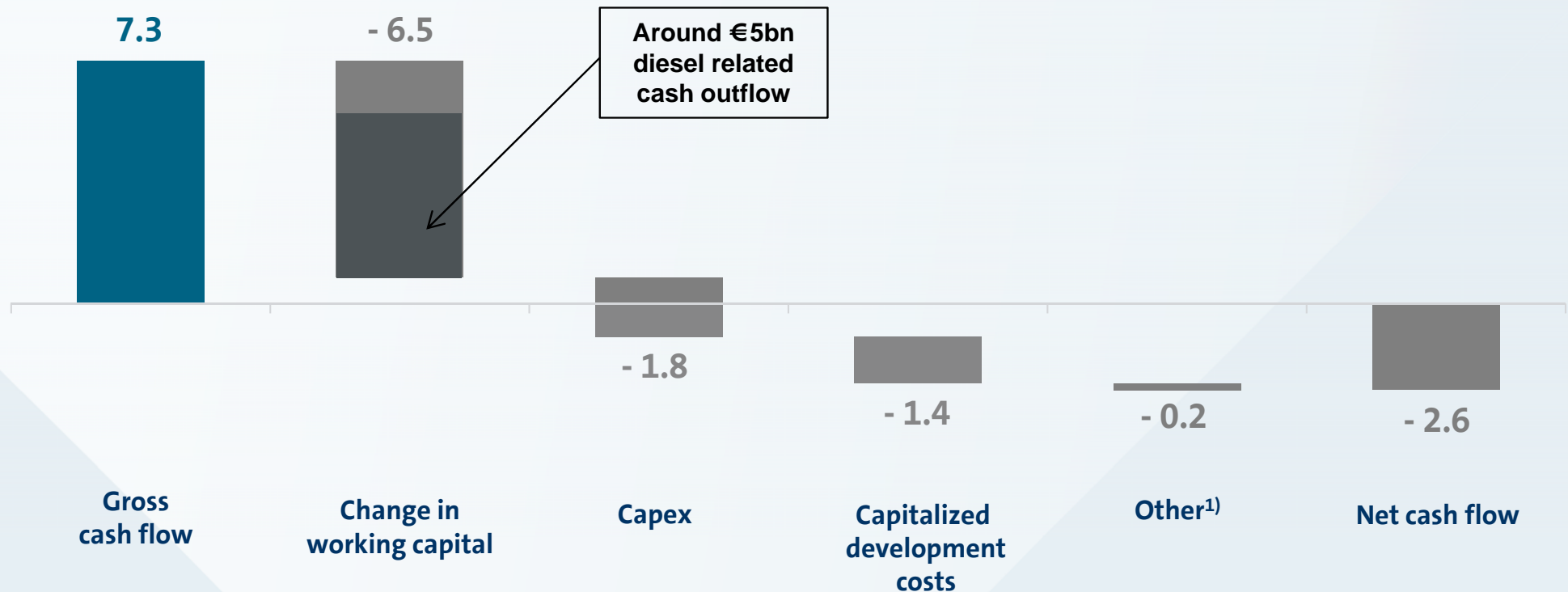
¹⁾ All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ²⁾ 2017 figures take account of the reclassification of companies; prior-year figures were not adjusted.

³⁾ Porsche (Automotive and Financial Services): sales revenue €5,489 (5,378) million, operating profit €967 (895) 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 €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

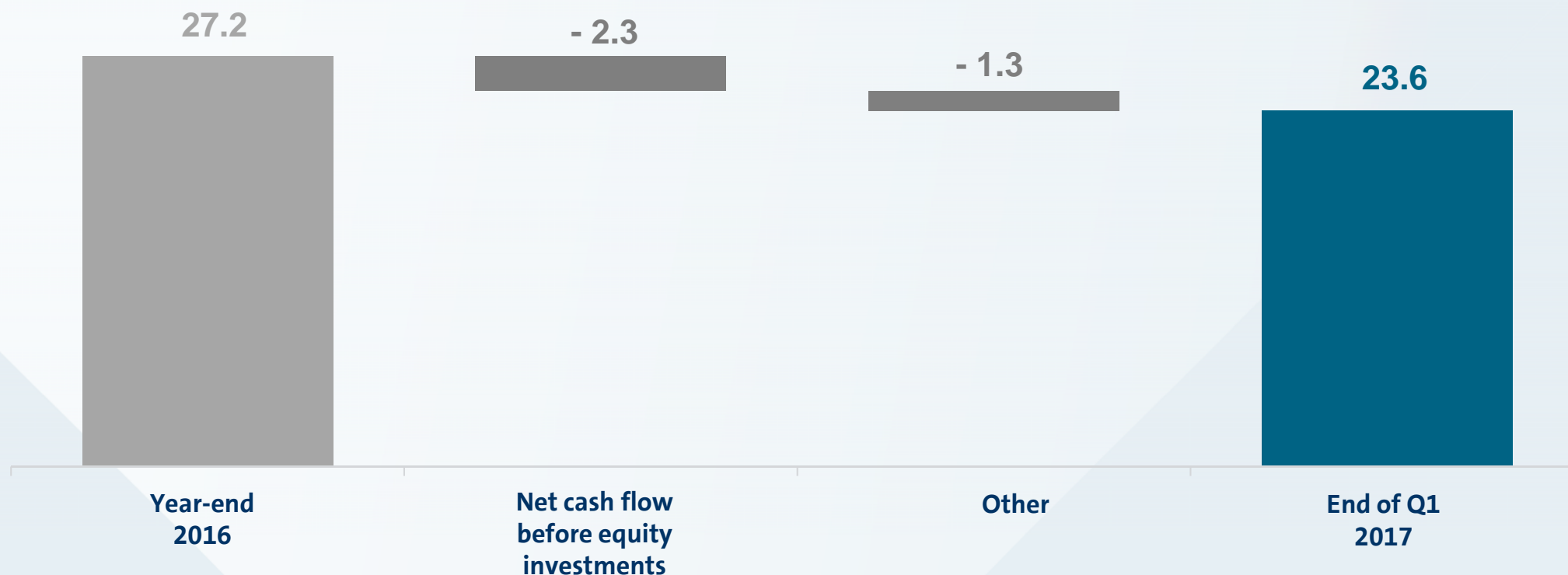
€ billion



All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ¹⁾ Including disposals & acquisitions of equity investments – mainly stake in Navistar for €0.3bn.

Automotive Division net liquidity on a robust level

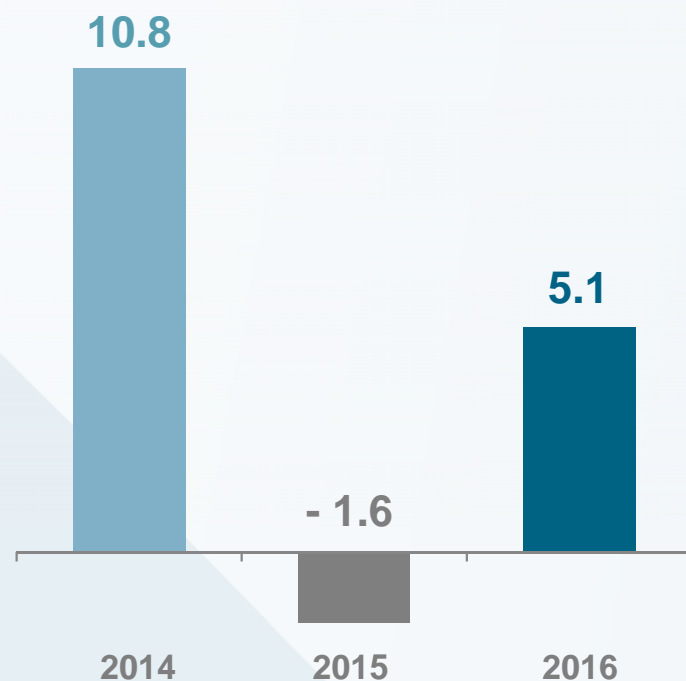
€ billion



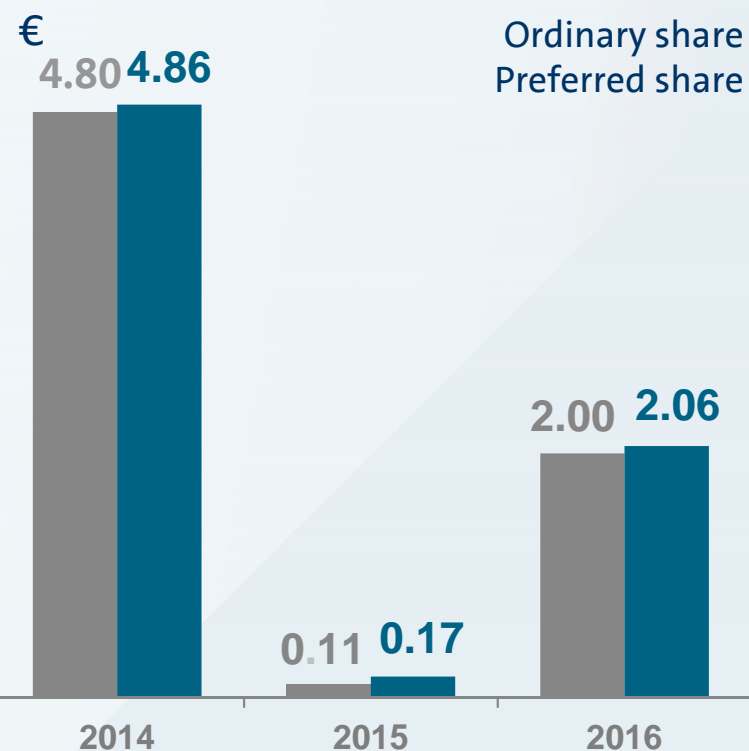
Dividend increases – distribution ratio 19.7%

Earnings attributable to Volkswagen AG shareholders

€ billion

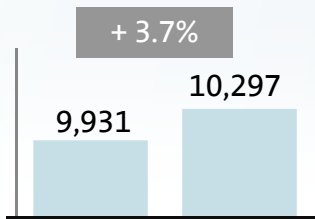


Dividend per share



Volkswagen Group – Outlook for 2017

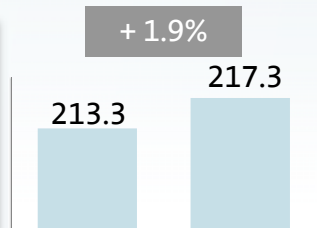
Deliveries to customers (‘000 vehicles)



Deliveries to customers

moderately above prior year

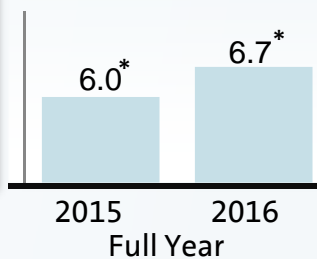
Sales revenue (€ billion)



Sales revenue

Up to 4% above prior year level

Operating return on sales (%)

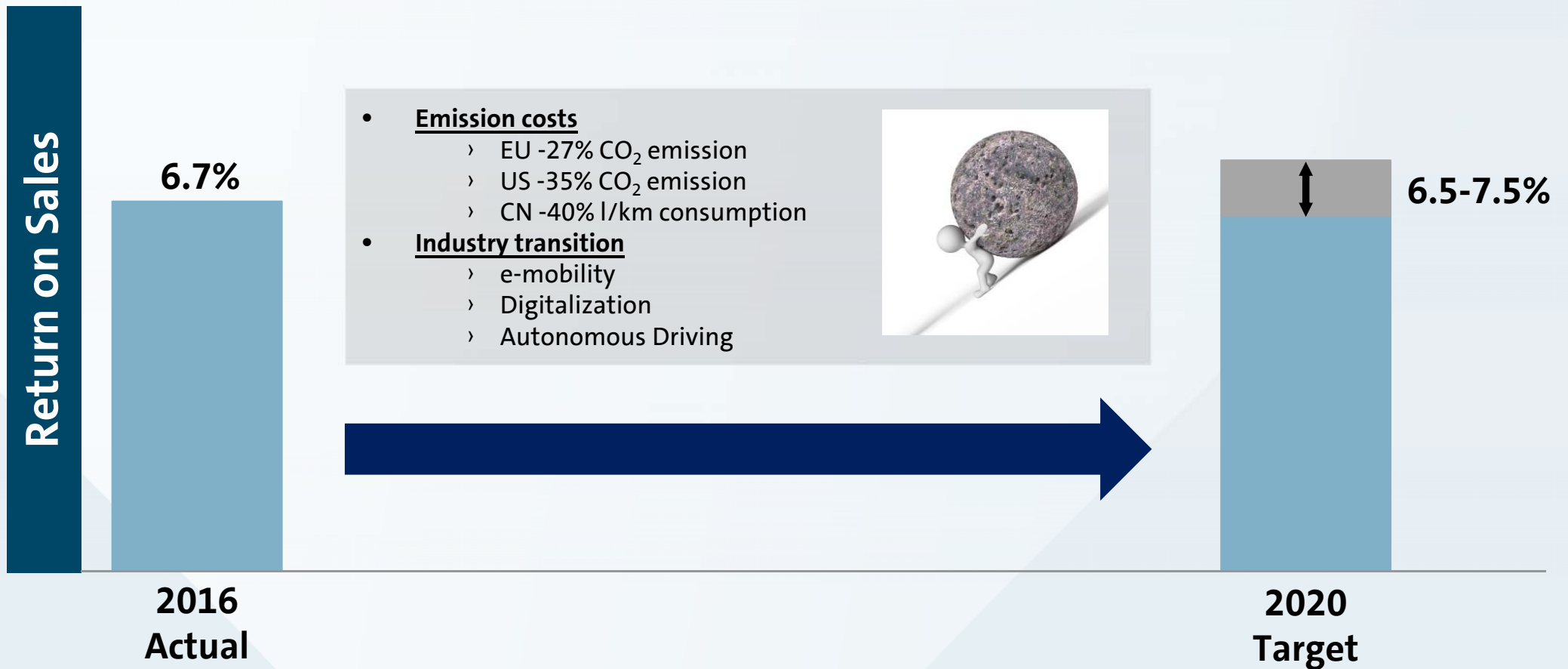


Operating return on sales

between 6.0% and 7.0%

*)before Special Items

Improving Group results despite significant challenges



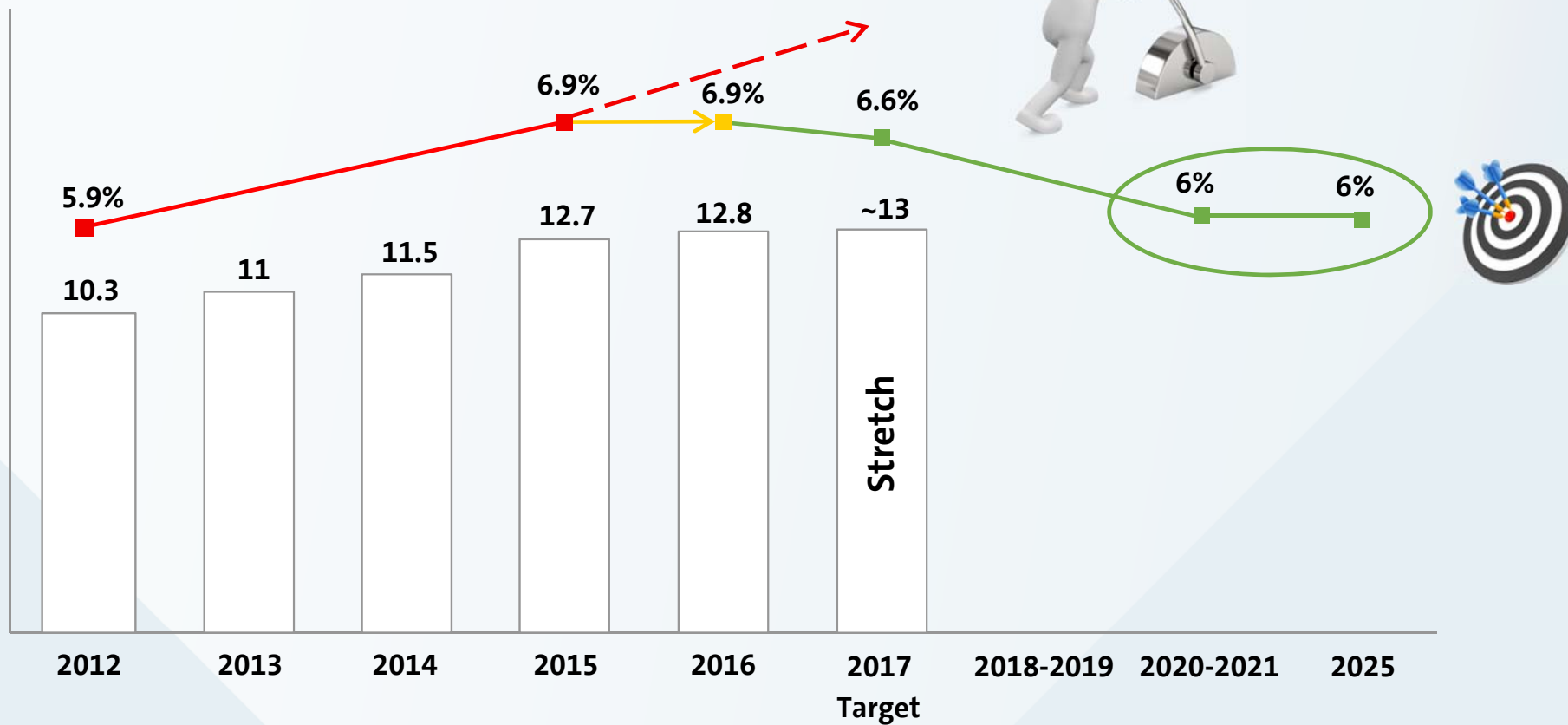
Clear Financial Targets and Milestones

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

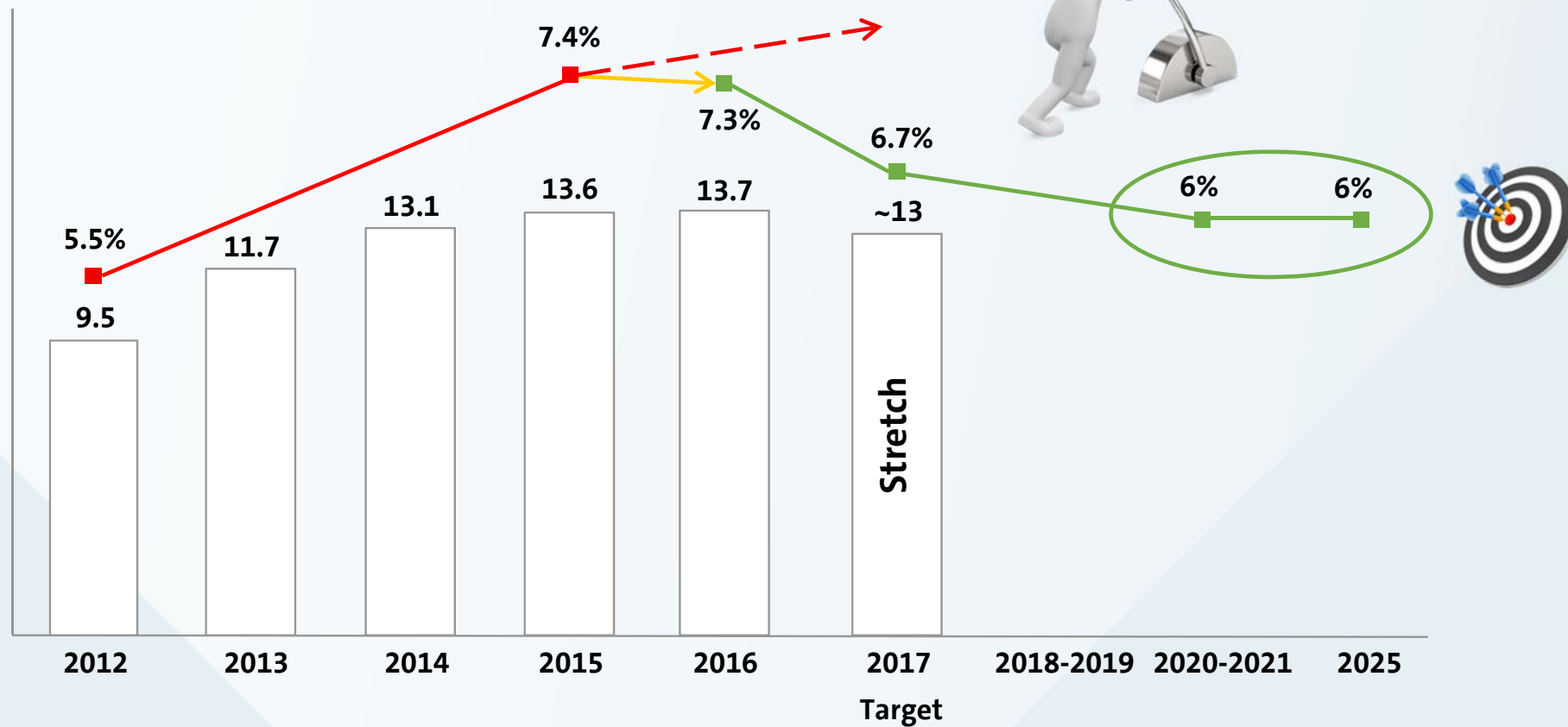
CAPEX Automotive Division

(€ 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 ENTREPRE-NEURIAL 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

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 Vehicles

Modular 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



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Specific KPIs

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: 2016 highlights

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TOGETHER – Strategy 2025
future program launched

MOIA mobility services
company established

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



Volkswagen



Audi



PORSCHE



ŠKODA

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

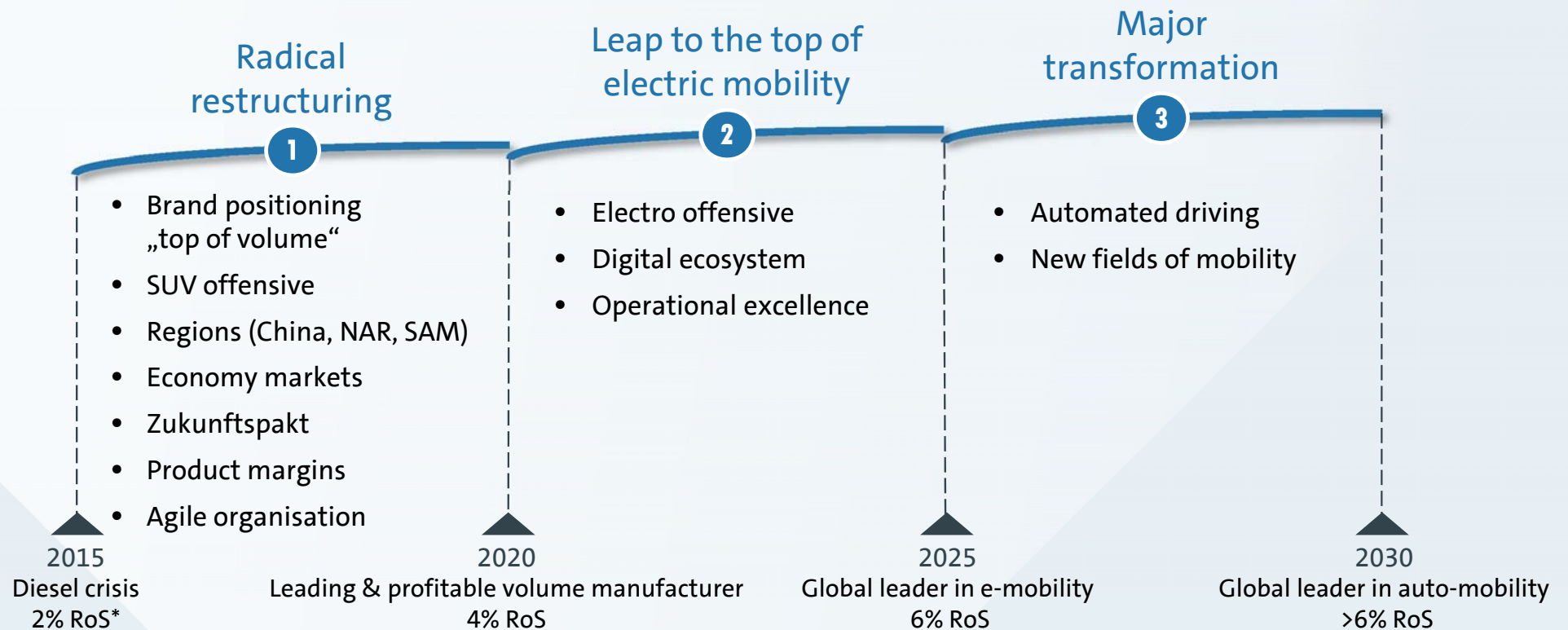
Overview Brand Targets (RoS, RoE)

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		9 ²⁾	9 ²⁾
• MAN Commercial Vehicles	2.3	6-7		
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

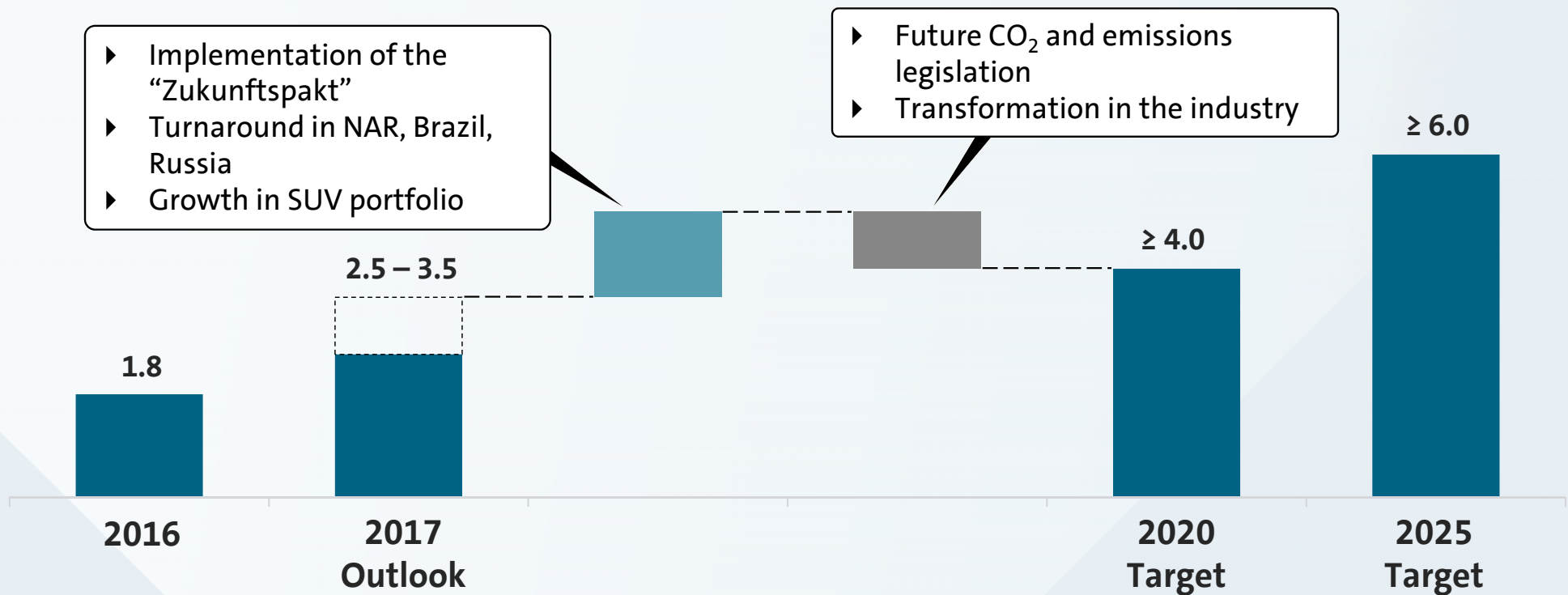
The „TRANSFORM 2025+“ strategy will put the brand to the top of the automotive industry



* 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

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

Successors / 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

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)

Dates: Start of Production



Tiguan LWB (NAR)



T-Roc (EU)

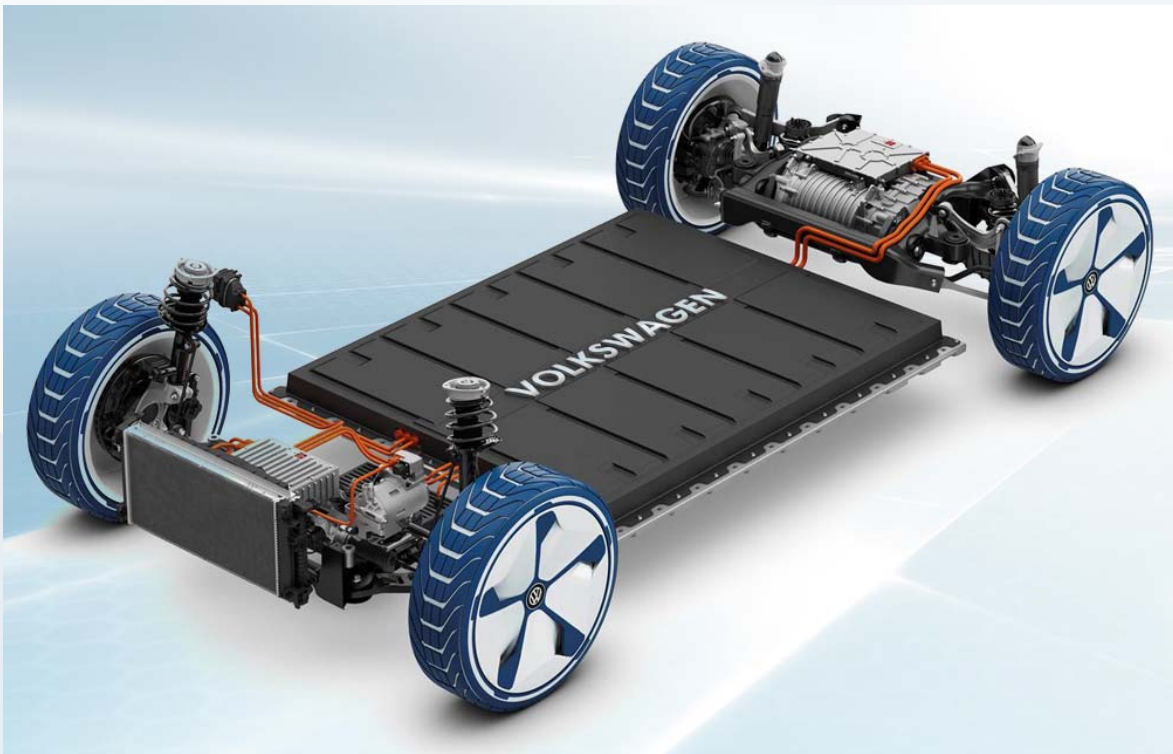


Virtus (SAM)



Jetta (NAR)

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



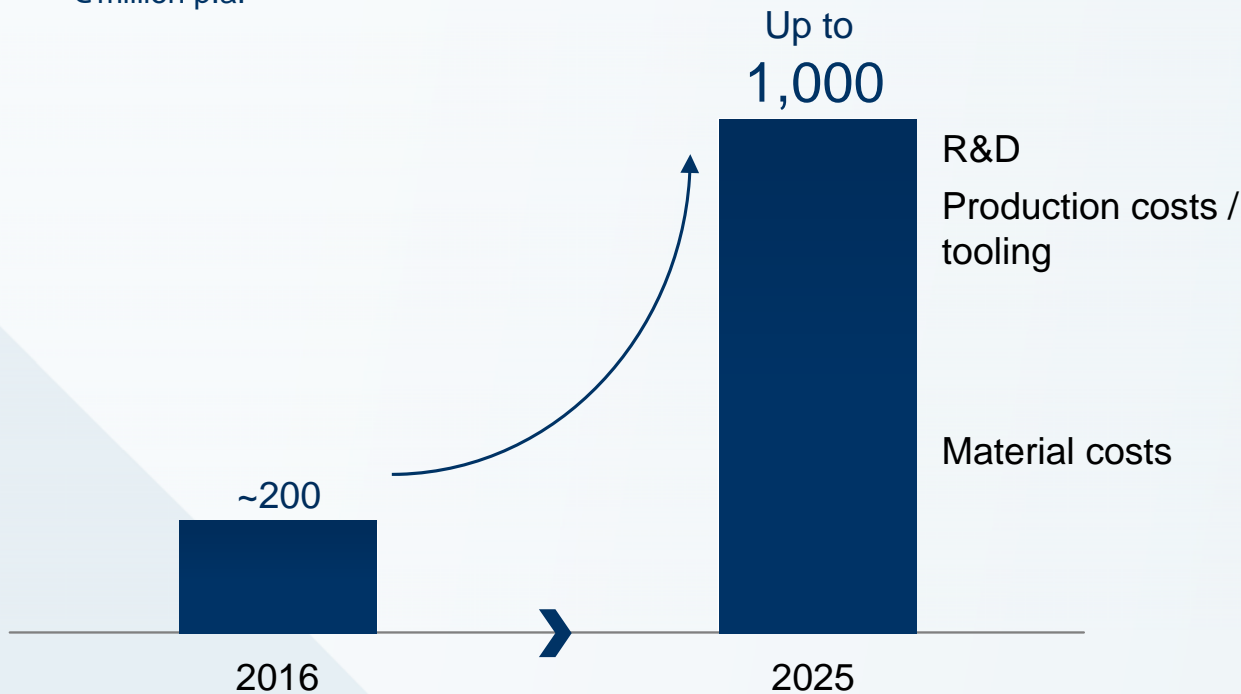
After sales increasingly important as alternative source of revenues

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

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



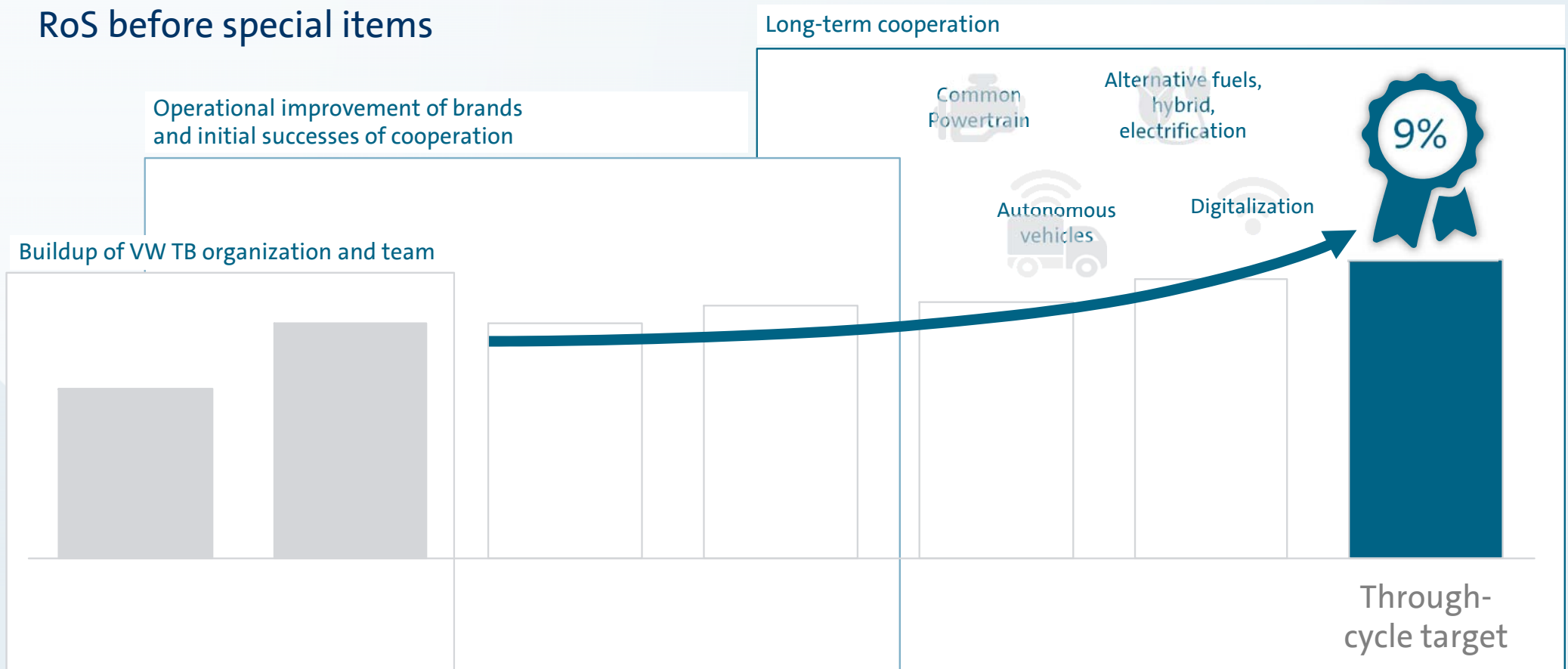
Axles

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

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

RoS before special items





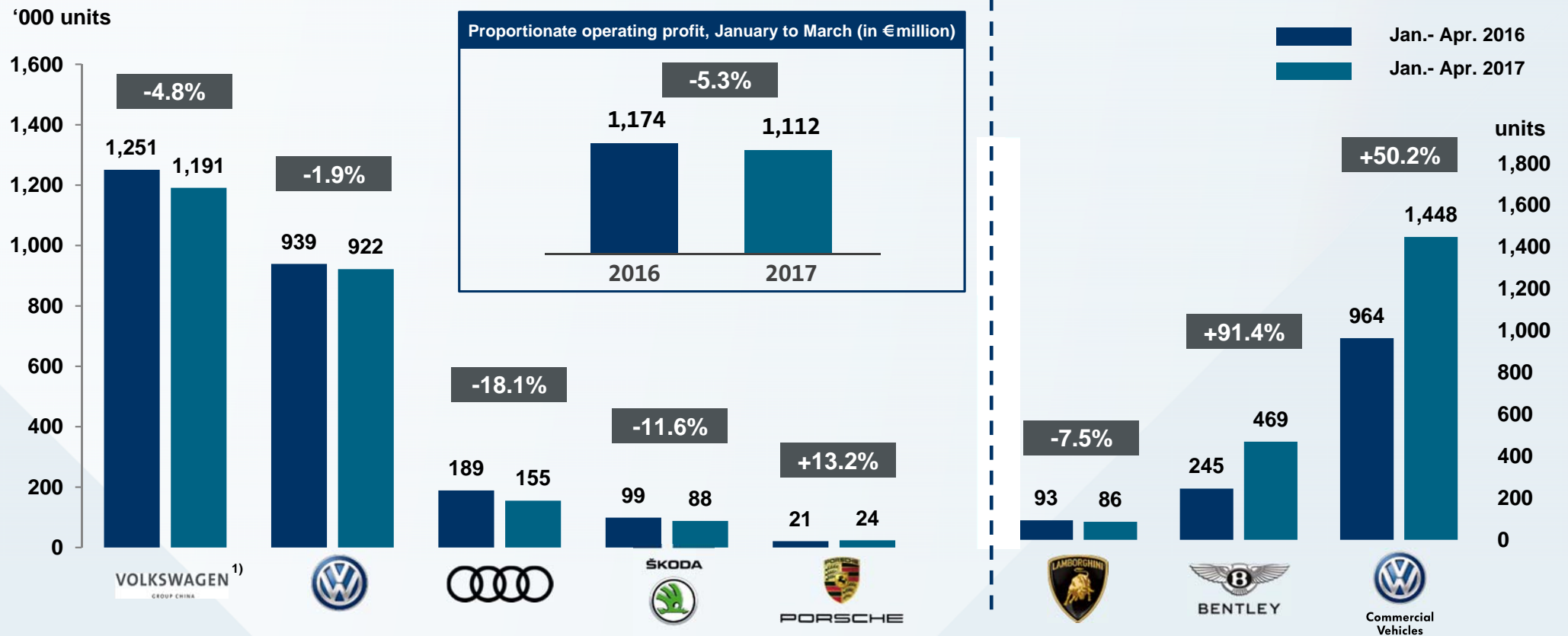
Strong operating result for the Volkswagen Group in China

	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



Volkswagen Group China performance

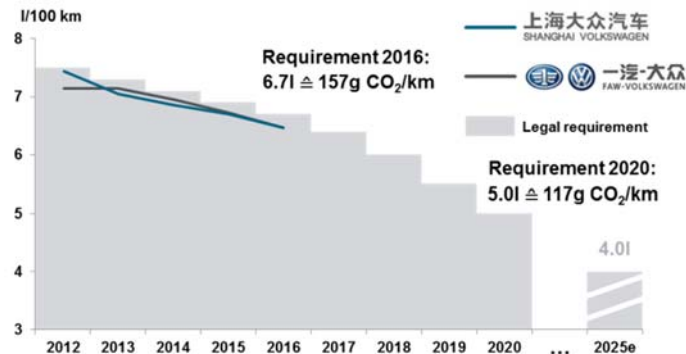
(January to April 2017 vs. 2016)





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
	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

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



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GROUP CHINA

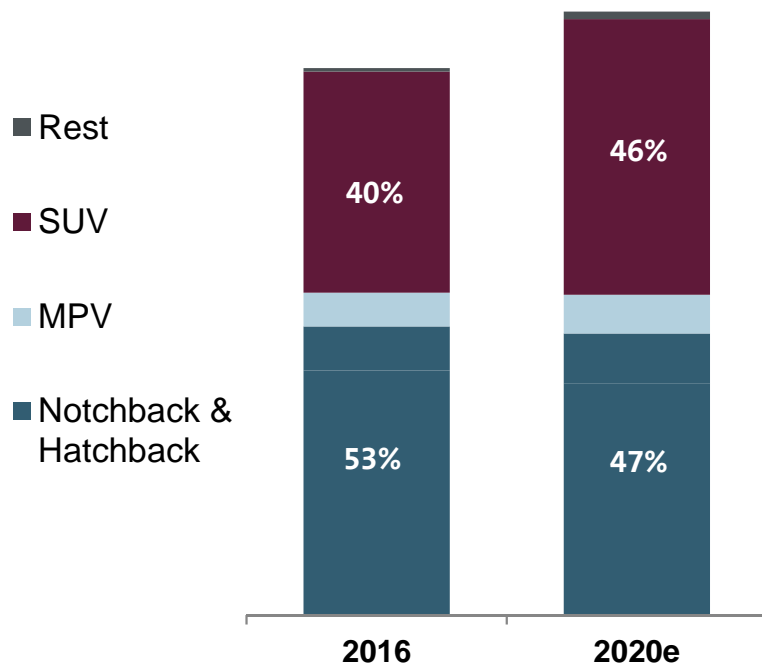
JAC 江淮汽车



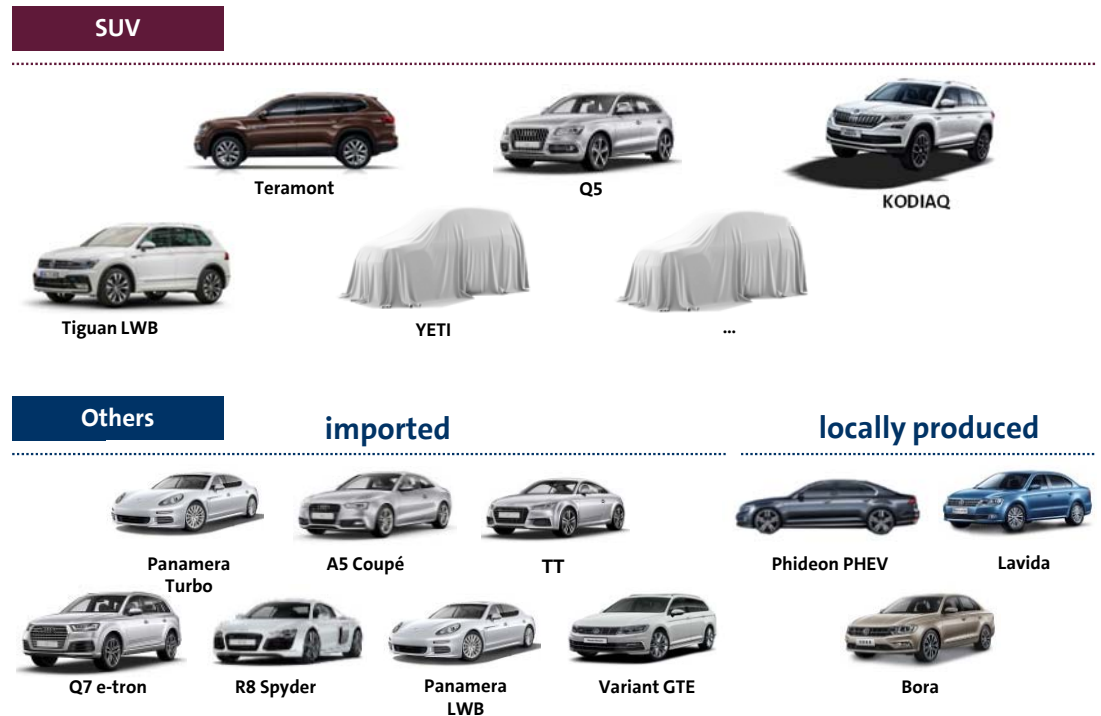


New product offering with an expanded SUV offering ¹⁾

Body style trends until 2020¹⁾



New vehicle launches 2017 and to follow²⁾



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

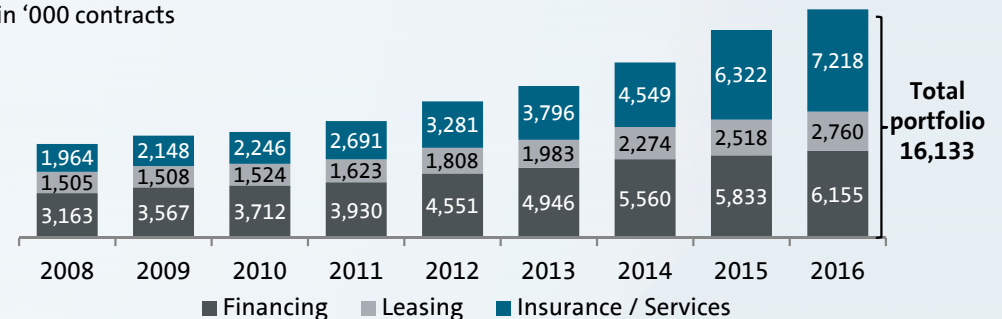
Volkswagen Financial Services¹⁾: global, well diversified and successful

Strong global presence

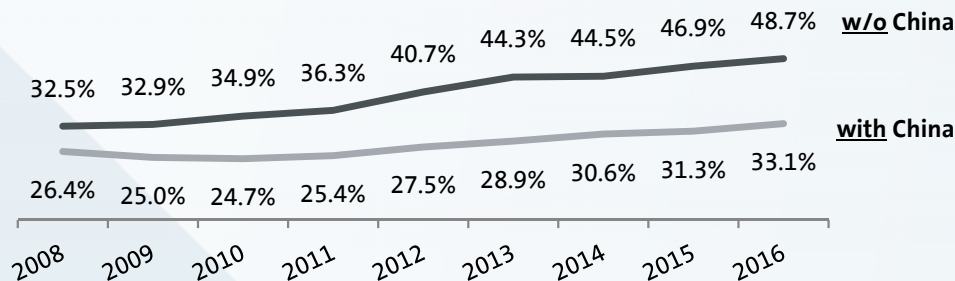


Continuous portfolio expansion

in '000 contracts



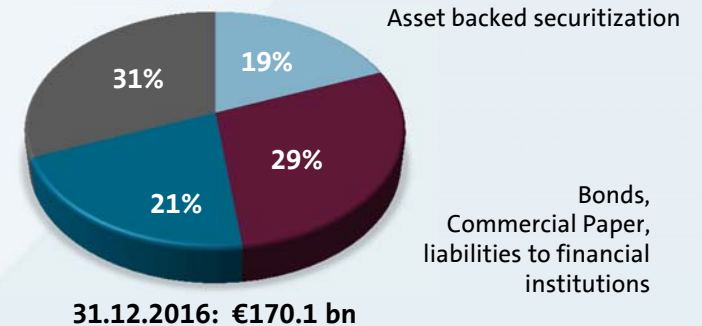
Rising penetration rates



Diversified funding structure

Equity, liabilities to affiliated companies, other

Customer deposits



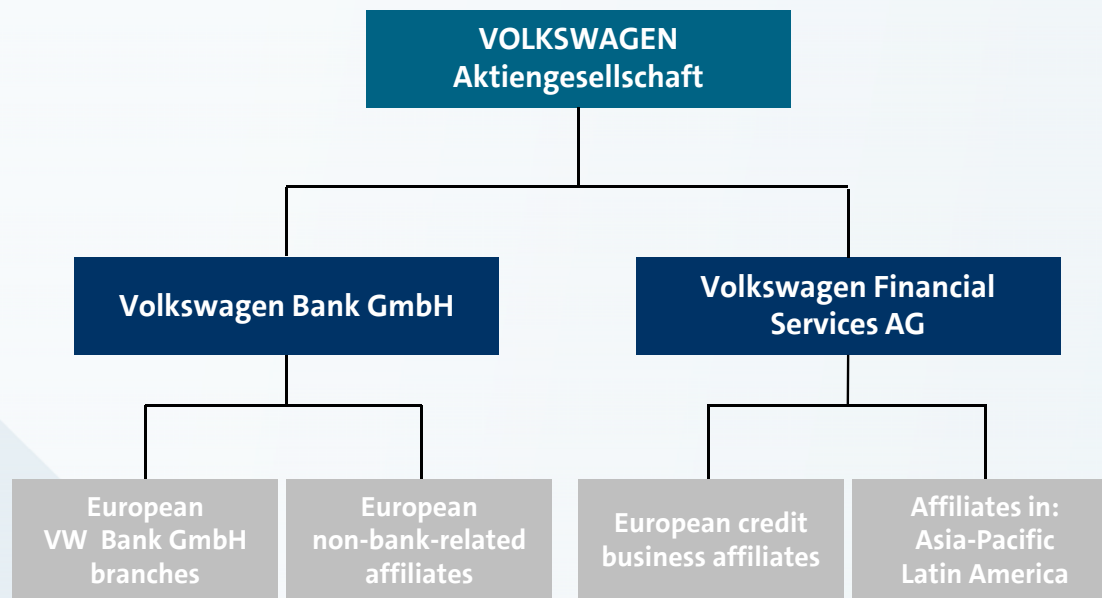
31.12.2016: €170.1 bn

¹⁾ Excluding Financial Services activities of Scania, Porsche AG and Porsche Holding Salzburg; including MAN Financial Services

Optimized structure for Financial Services Business

(implementation scheduled for year-end 2017)

Future structure of Volkswagen Financial Services



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

Change of legal structure









- VW Bank GmbH will be separated from VWFS AG and become a subsidiary of VW AG (wholly-owned and with direct reporting line)
- VW Bank GmbH, that is regulated by the European Central Bank (ECB), will comprise all credit & deposit business within the European Economic Area
- The noncredit business in Europe and all business in overseas will continue to be part of VWFS AG

Special Items: Diesel related and other

(In € bn)	Diesel		Other		Total
2015	Legal	7.0	Restructuring:		
	Other items	9.2	Truck Business	0.2	
			Passenger Cars South America	0.2	
			Airbags Takata	0.3	
		16.2		0.7	16.9
2016	Mainly legal risks	6.4	Scania Anti-Trust Proceedings	0.4	
			Others	0.7	
				1.1	7.5
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 12th 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 12, 2017, Volkswagen has completed 267,476 buyback or lease termination transactions; 7,419 phase 1 modifications for vehicles with Generation 3 engines; and 12,259 non-vehicle claims. 	<ul style="list-style-type: none"> Judge Charles R. Breyer verbally approved settlement on May 11, 2017. Court Order will be issued no later than May 17. 	<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  Offer buyback, trade-in, lease termination or emissions modifications for ~20,000 older vehicles <ul style="list-style-type: none"> + cash payments for all eligible class members Pay \$225m into environmental trust, \$25m to CARB to support ZEV in CA Final approval hearing took place 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



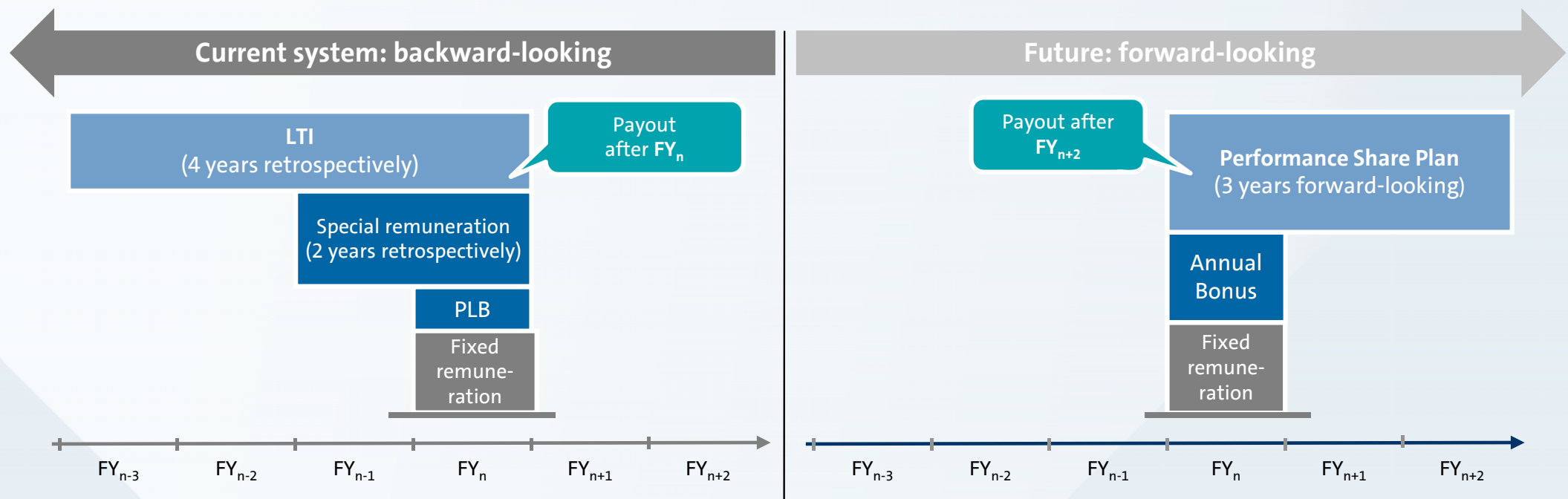
- Technical solution already generally confirmed for all concepts by KBA¹
- Gradual approval of clusters after cluster-specific KBA inspection¹
- Software update in < 30 min. for 2.0L and 1.2L TDI; also simple, very cost-effective hardware solution “flow rectifier” for 1.6L TDI in < 60 min.

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

Update status

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

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!

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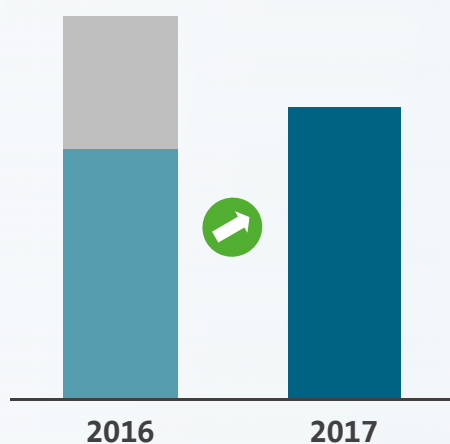
E-Mail: Andreas.Buchta@vw.com

Telephone: +1 703 364 7220

Successful operating performance in Q1 2017

2016 2016 (adjusted) 2017

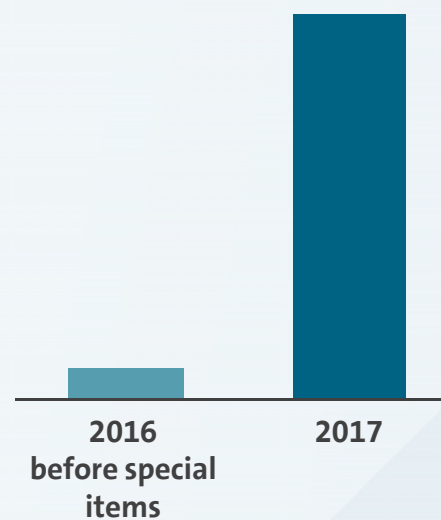
EUR 19.0 billion



Total sales revenue

Not comparable
with prev. year

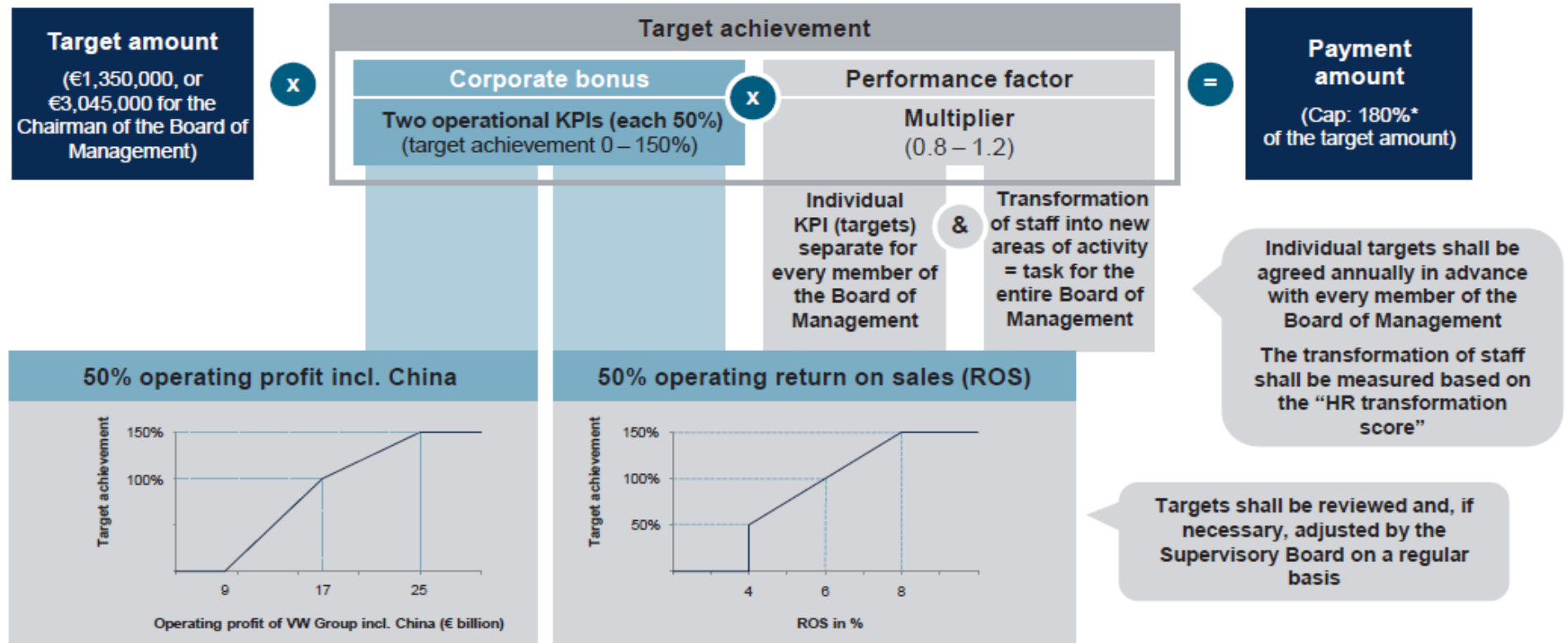
EUR 0.9 billion



Operating result

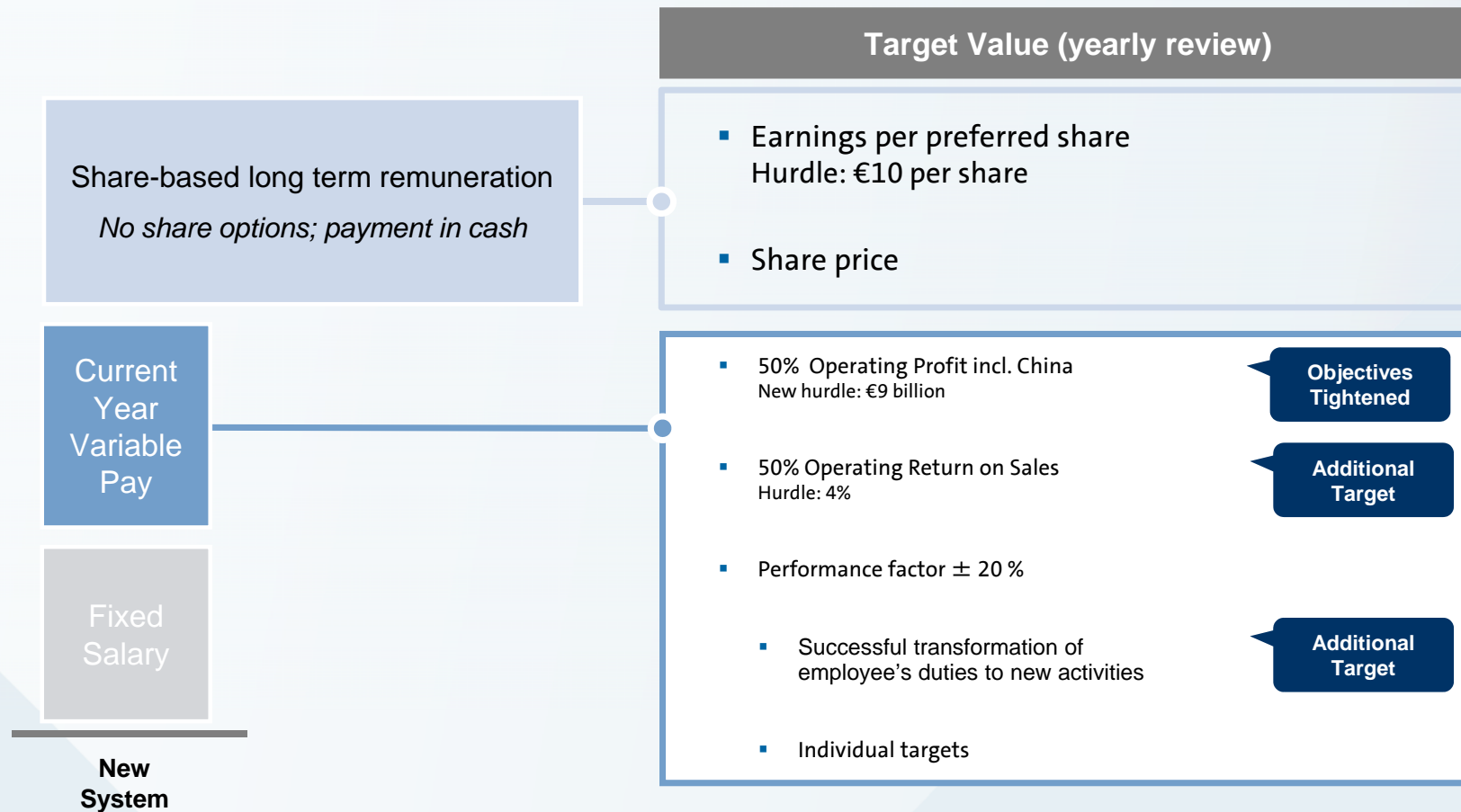
New remuneration system for the Board of Management 2017

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

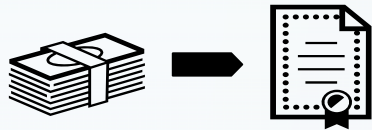
Old design	Multiple-year bonus	Plan type	(Virtual) Performance Share Plan	New design
	Top customer satisfaction, top employer, sales volume, Profit before Tax return	Key performance indicators	Earnings per share (EPS)	
	4 sub-indices with a total of 10 indicators, threshold: 1.5 % return on sales	Calibration/calculation	€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

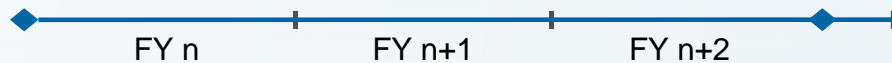
Functionality: virtual shares granted; quantity changes depending on the EPS-target achievement

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")

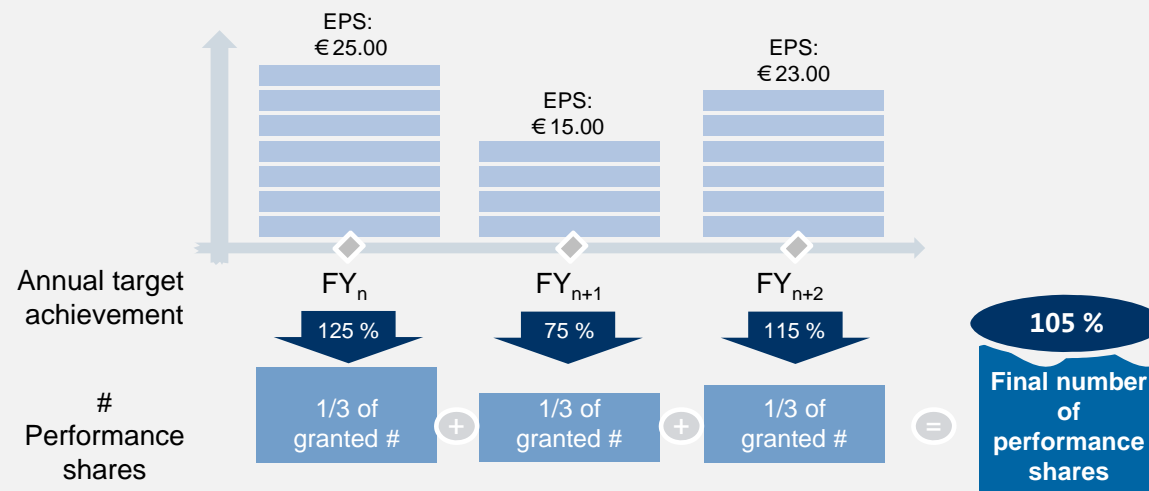
Payout



- 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 Arteon



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





VOLKSWAGEN
AKTIENGESELLSCHAFT

**We are
redefining
mobility.**

Volkswagen Group

Frank Witter

Chief Financial Officer

Investor Roadshow with J.P. Morgan, London, 16th - 17th May 2017