

A large, stylized 'V' logo composed of several overlapping triangles in shades of light blue, medium blue, and dark blue. A small dark red triangle is located at the top right corner of the logo.

**VOLKSWAGEN**  
AKTIENGESELLSCHAFT

**We are  
redefining  
mobility.**

**Volkswagen Group**

**Frank Witter**

Chief Financial Officer

Investor Breakfast Meeting with J.P. Morgan, Braunschweig, 23 March 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.

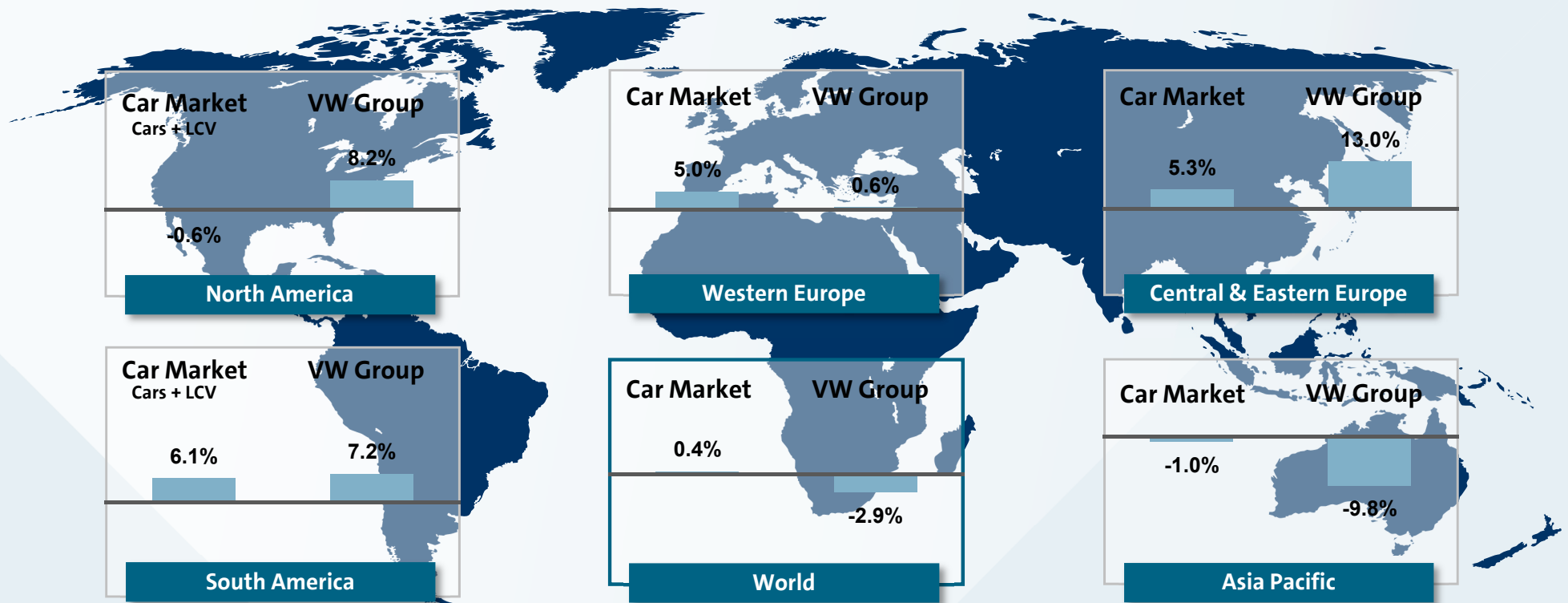
Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, will have a corresponding impact on the development of our business. 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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## World car market vs. Volkswagen Group car deliveries to customers <sup>1)</sup> (Growth y-o-y in deliveries to customers, January – February 2017 vs. 2016)

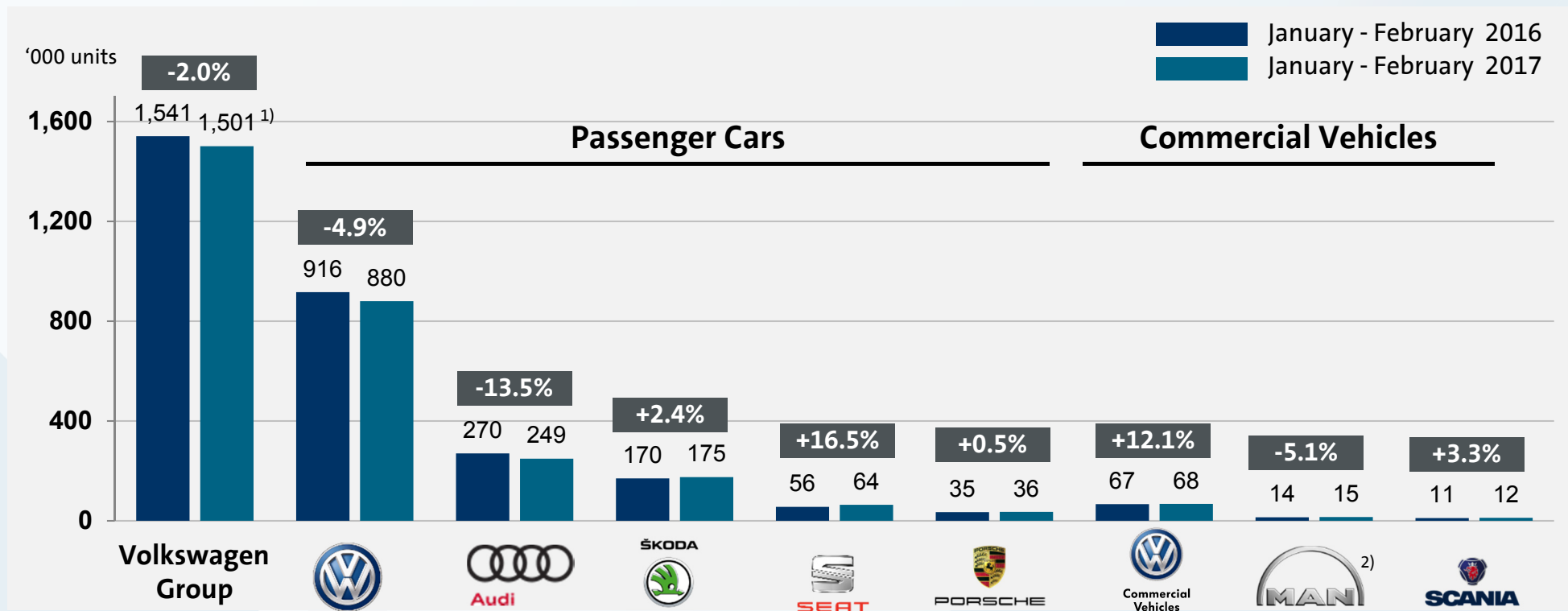


<sup>1)</sup> Figures excl. Volkswagen Commercial Vehicles, Scania and MAN Commercial Vehicles.

# VOLKSWAGEN

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

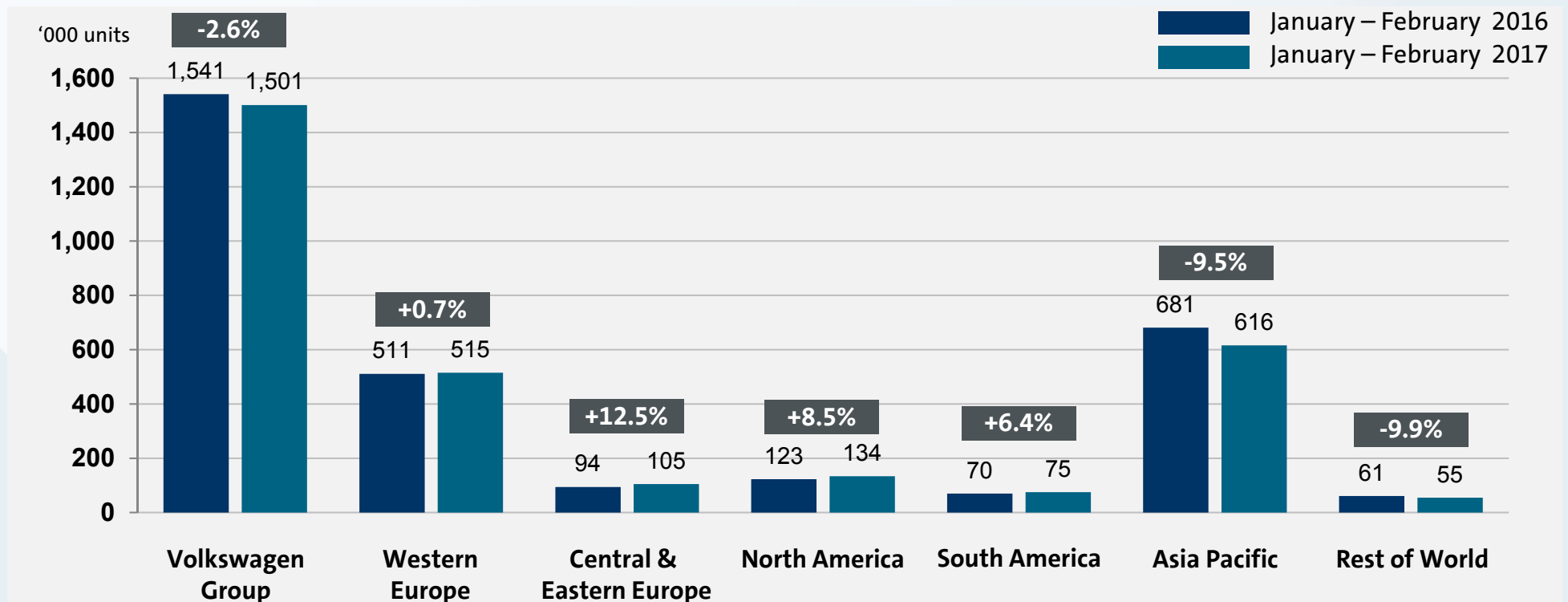


1) Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -4.7% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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

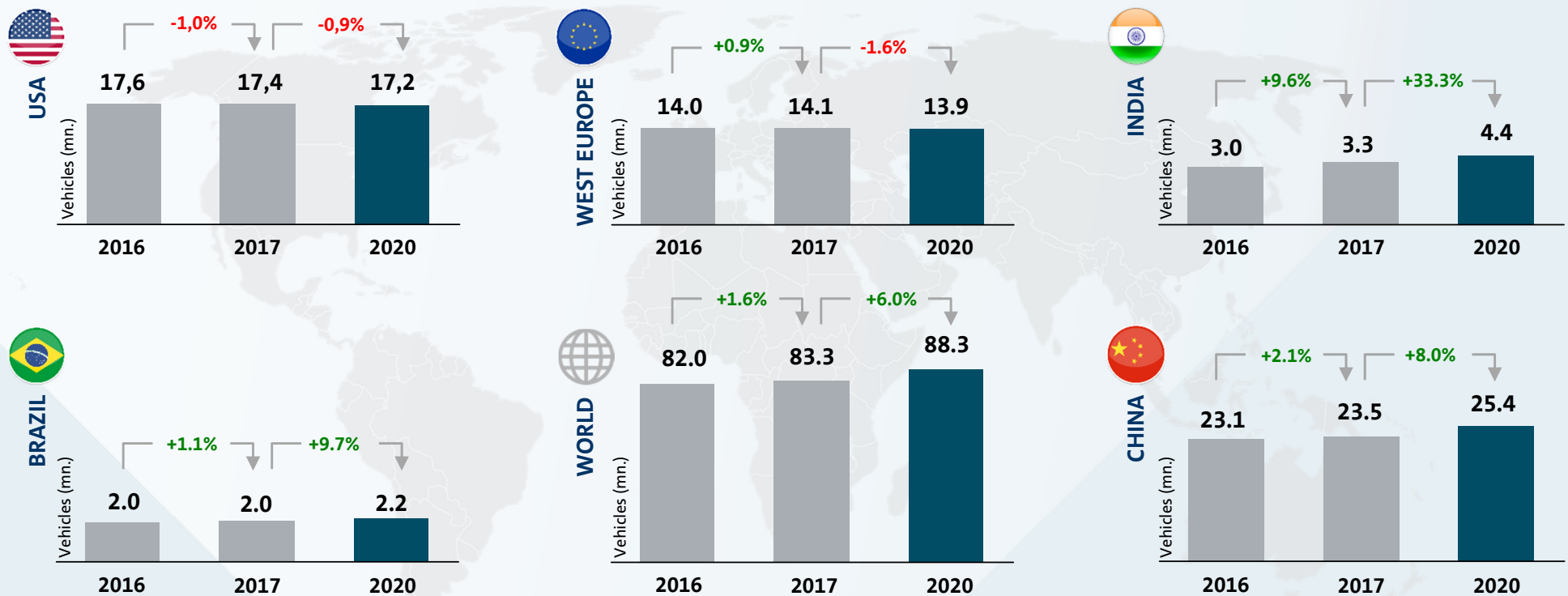


## Volkswagen Group – Deliveries to customers by markets 1) (January – February 2017 vs. 2016)



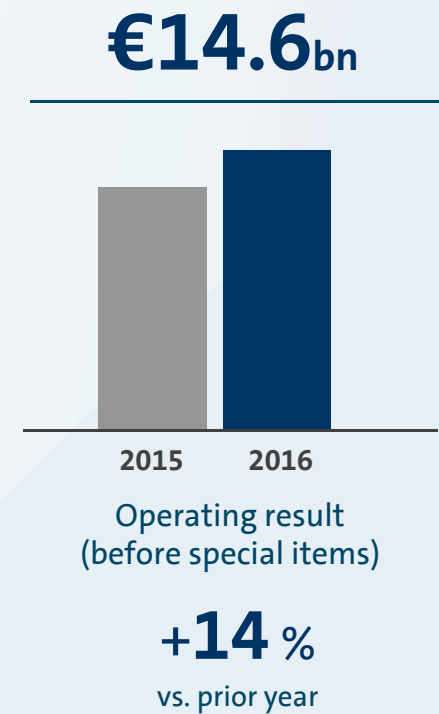
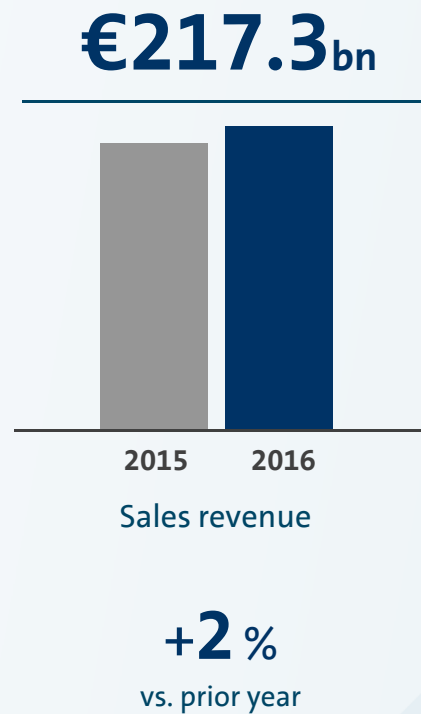
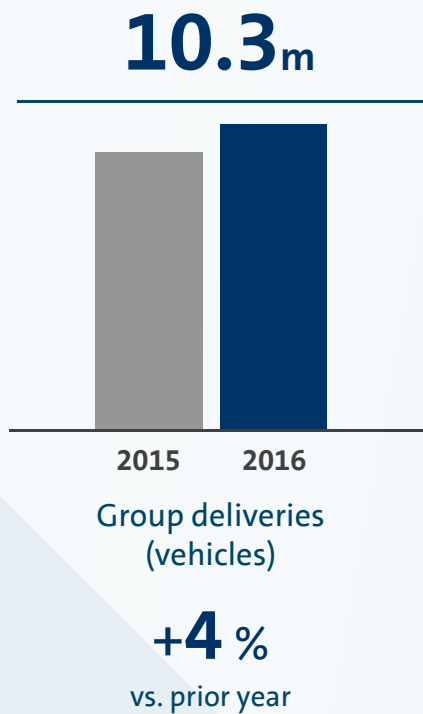
<sup>1)</sup> Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -4.7% excl. Volkswagen Commercial Vehicles, Scania and MAN.

# 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

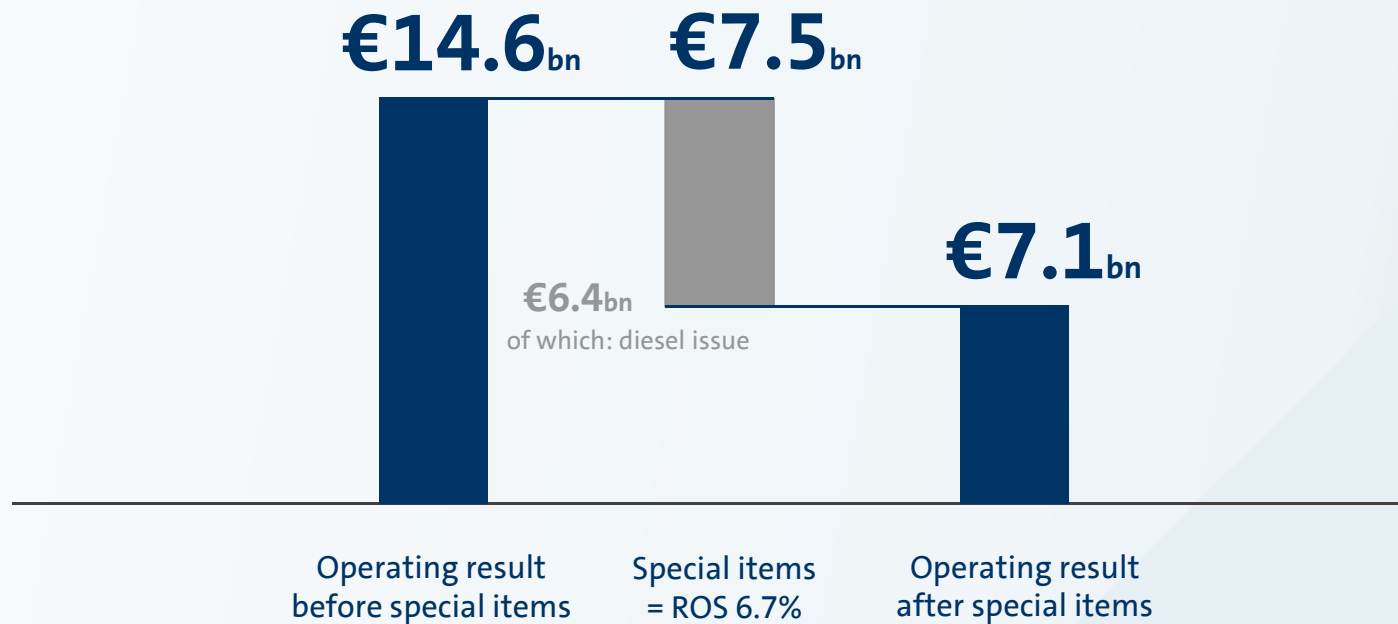


Source: IHS Global Sales forecast 2017M01; Total market for passenger cars in North and South America defined as per 'Light Vehicles' (includes light commercial vehicles)

## Record operating performance in 2016 despite crisis

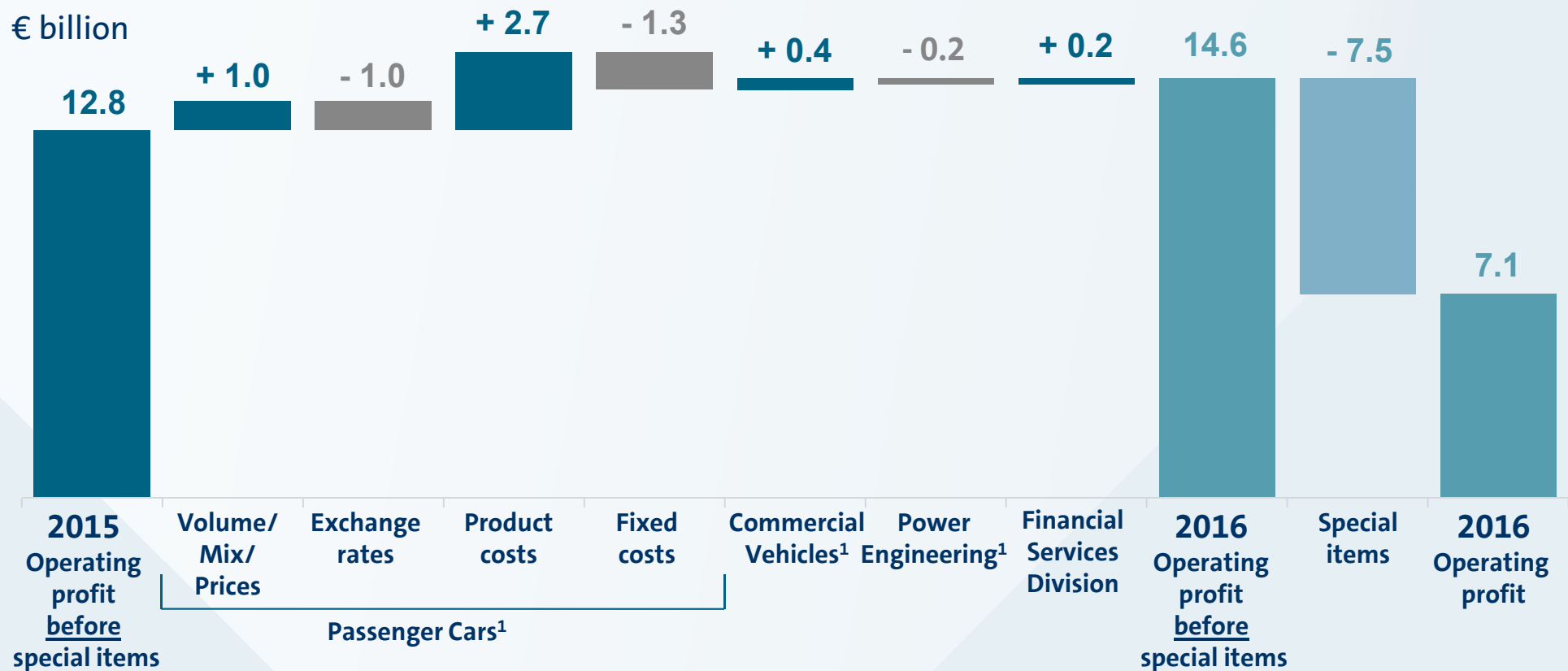


## Clearly positive operating result in spite of significant special items once again



# Operating profit before special items increases by €1.8 billion to €14.6 billion

€ billion



## Strong brands contribute to the operating profit of the Group - before special items -

€ million	January – December		Change	
	2015	2016	absolute	in %
Volkswagen Passenger Cars	2,102	1,869	-233	-11.1
Audi	5,134	4,846	-288	-5.6
ŠKODA	915	1,197	282	30.9
SEAT	-10	153	163	x
Bentley	110	112	2	1.5
Porsche <sup>1</sup>	3,404	3,877	473	13.9
Volkswagen Commercial Vehicles	382	455	72	19.0
Scania <sup>1</sup>	1,027	1,072	45	4.4
MAN Commercial Vehicles	-4	230	234	x
MAN Power Engineering	283	194	-89	-31.4
Other <sup>2</sup>	-2,440	-1,486	953	39.1
Volkswagen Financial Services	1,921	2,105	184	9.6
<b>Volkswagen Group before special items<sup>3</sup></b>	<b>12,824</b>	<b>14,623</b>	<b>1,799</b>	<b>14.0</b>

<sup>1</sup> Including financial services.

<sup>2</sup> 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 the purchase price allocations.

<sup>3</sup> The operating result of the joint venture companies in China is not included in the figures for the Group; they are accounted for using the equity method and recorded a proportionate operating result of €4,956 million (€5,214 million).

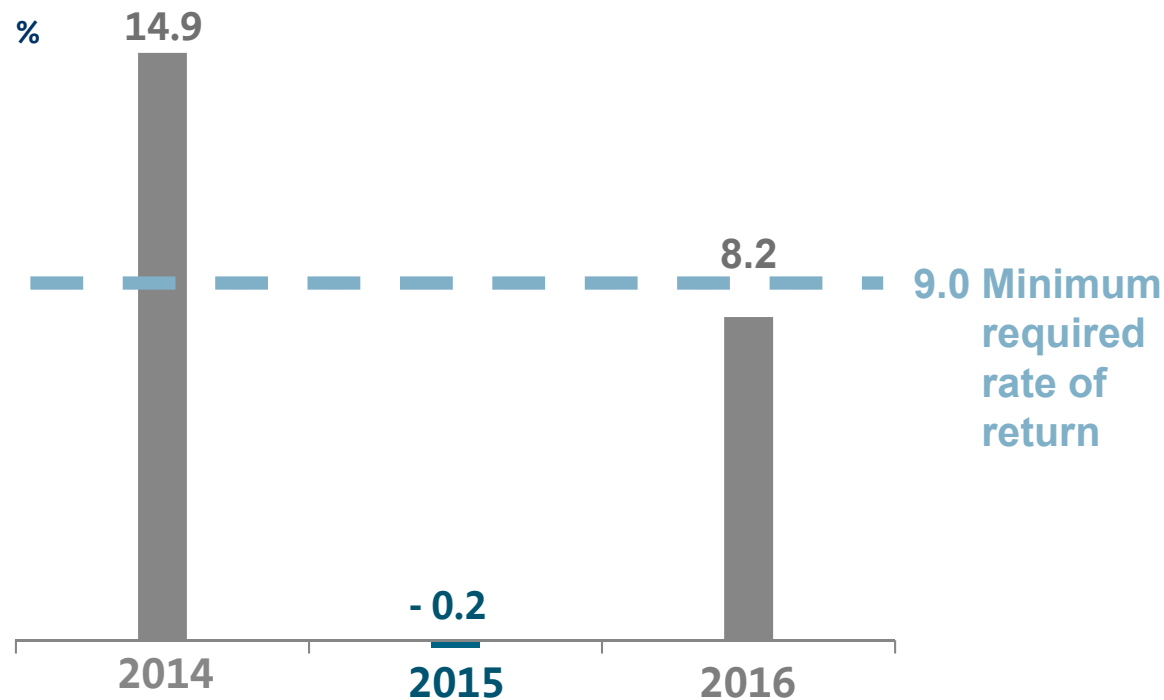
## Profit even after special items again positive

€ million	January – December		Change	
	2015	2016	absolute	in %
Sales revenue	213,292	217,267	3,975	1.9
Operating result <u>before</u> special items	12,824	14,623	1,799	14.0
as a percentage of sales revenue	6.0	6.7	-	0.7 <sup>1</sup>
Special items	-16,893	-7,520	9,373	-55.5
<b>Operating result</b>	<b>-4,069</b>	<b>7,103</b>	<b>11,172</b>	<b>x</b>
as a percentage of sales revenue	-1.9	3.3	-	5.2 <sup>1</sup>
Financial result	2,767	189	-2,578	-93.2
<b>Earnings before tax</b>	<b>-1,301</b>	<b>7,292</b>	<b>8,593</b>	<b>x</b>
Income tax expense	-59	-1,912	-1,853	x
<b>Earnings after tax</b>	<b>-1,361</b>	<b>5,379</b>	<b>6,740</b>	<b>x</b>
<b>Earnings per share (Prefs)</b>	<b>-3.09</b>	<b>10.30</b>	<b>X</b>	<b>X</b>

<sup>1</sup> Percentage points

## Automotive Division Return on Investment (ROI)<sup>1</sup> also positive

### Return on Investment after tax

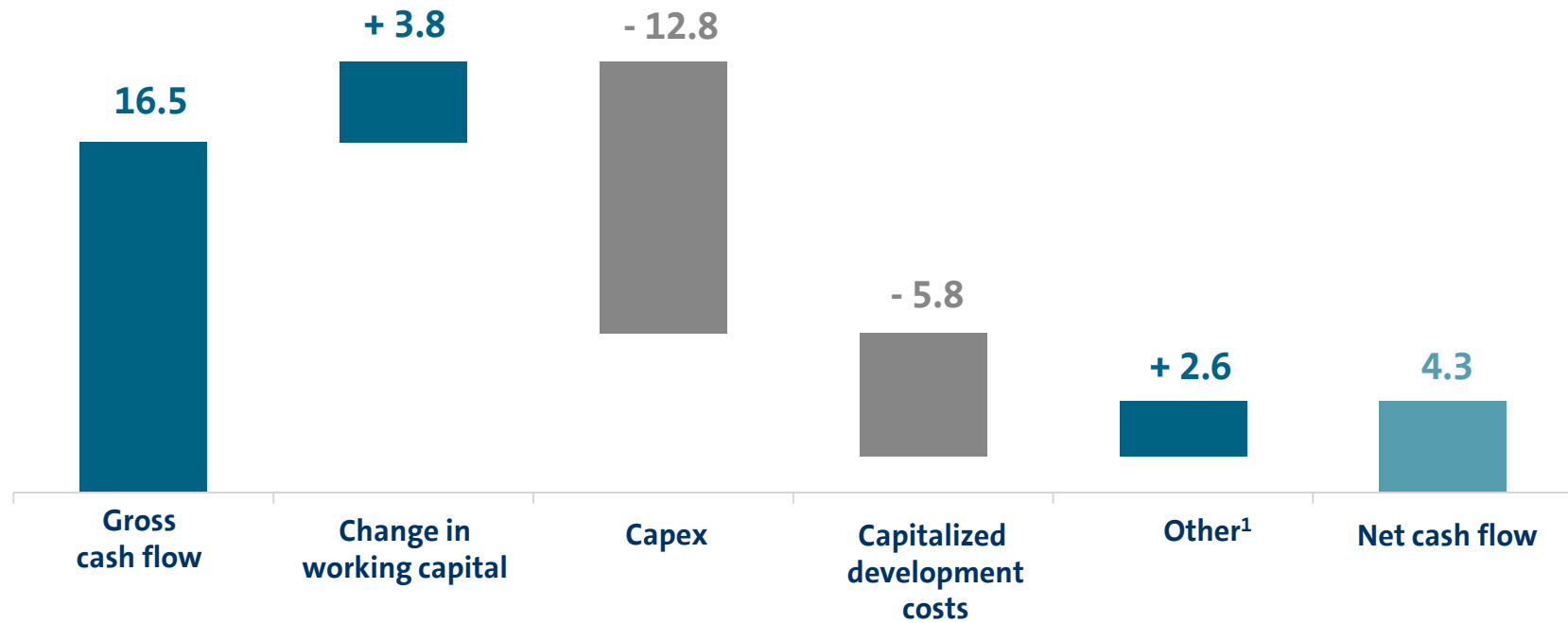


<sup>1</sup> Including proportionate inclusion of the Chinese joint ventures (incl. sales and component companies) and allocation of consolidation adjustments between the Automotive and Financial Services divisions.



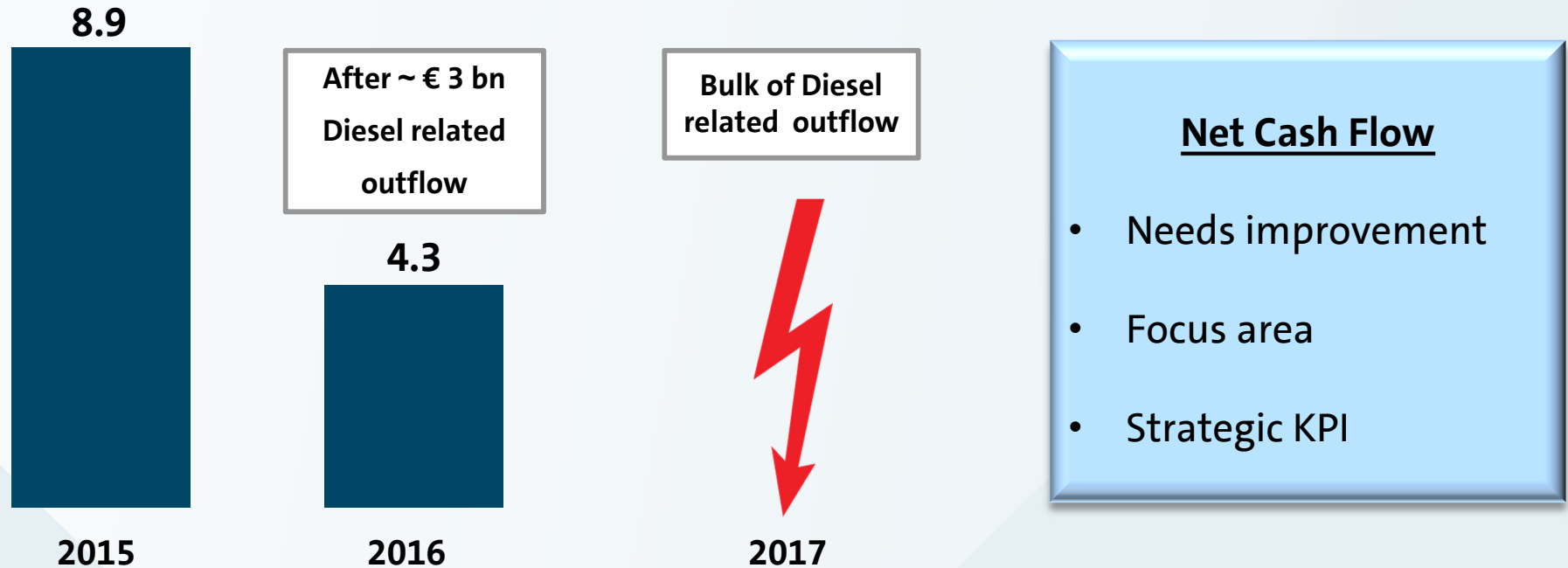
## Automotive Division net cash flow 2016: impacted by initial cash outflows relating to the diesel issue

€ billion



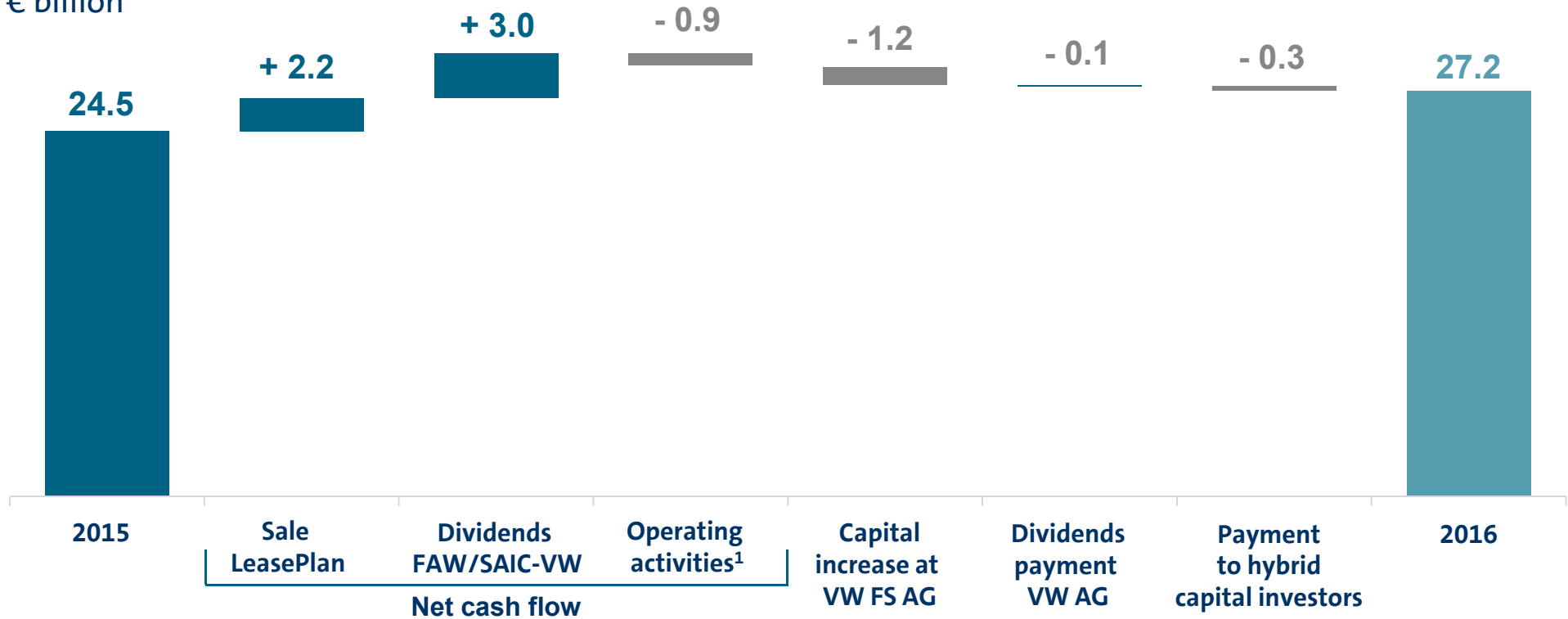
<sup>1</sup> Including sale of LeasePlan shares (€2.2 billion)

## Net Cash Flow Automotive 2017 impacted by continuing diesel related outflows – Cash is King! New strategic KPI defined (€ bn)



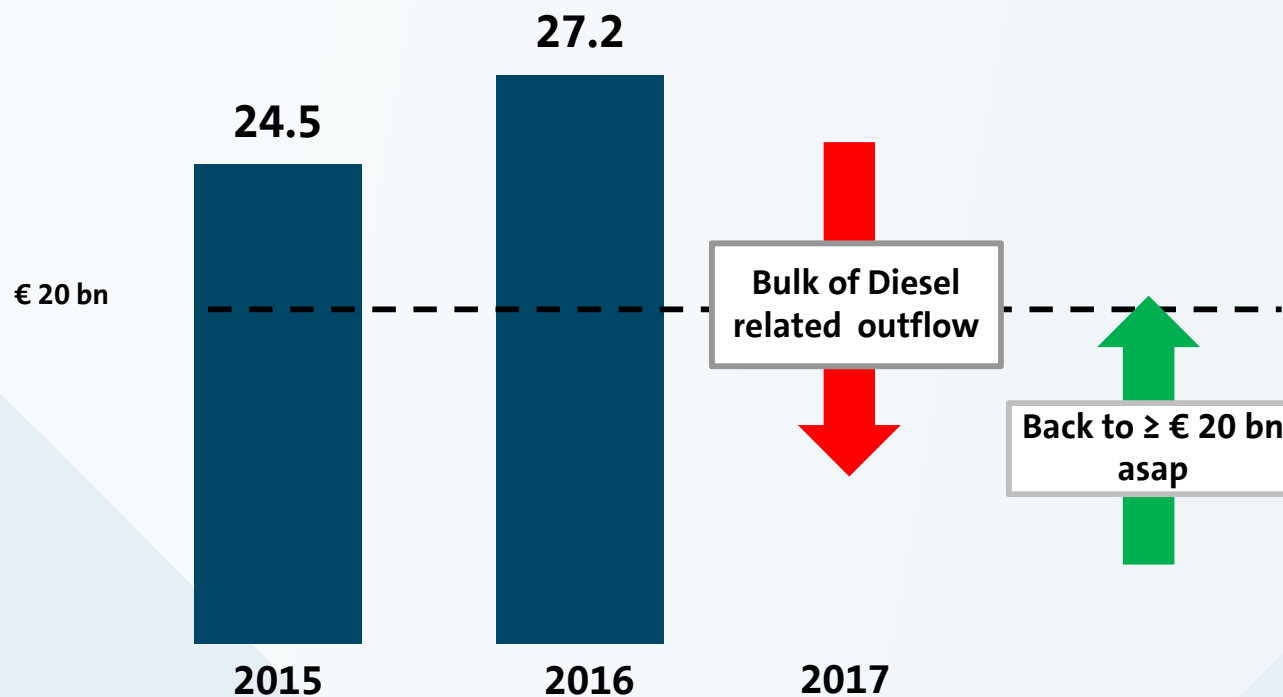
## Automotive Division net liquidity on a robust level

€ billion



<sup>1</sup> Including cash outflows resulting from the diesel issue.

## Net Liquidity Automotive (€ bn)

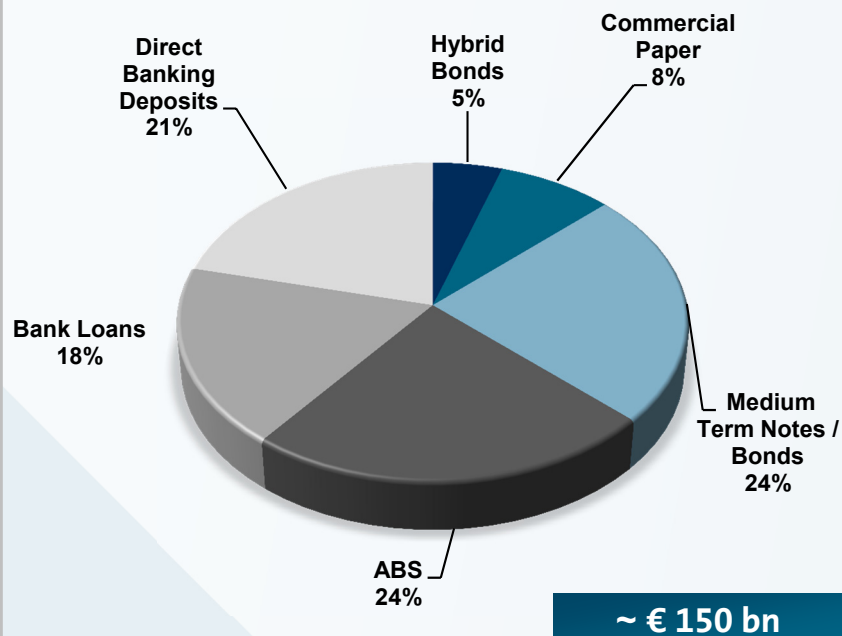


### Net Liquidity 2025

- Strategic Target ~10% of Group Revenue
- Improving Operating Cash Flow
- Portfolio Optimization (Strategy Initiative #13)
- Optimize Capital Requirements for FS

## Diversified Group funding structure

External Funding Sources  
as of December 31, 2016



Funding programs utilization<sup>1)</sup>

(in € bn)

Money and Capital Markets

	31.12.16	31.12.15	▲
Commercial Papers	12.5	4.6	+7.9
Medium Term Notes / Bonds	44.3	58.9	-14.6
thereof: Hybrid Bonds	7.5	7.5	-
ABS	36.5	29.4	+7.1

Borrowings<sup>2)</sup>

Committed Lines - Drawings	2.2	6.2	-4.0
Uncommitted Lines - Drawings	10.4	9.8	+0.6
Supranationals, development banks, government, other	15.5	11.9	+3.6
Direct Banking Deposits	32.6	25.5	+7.1
<b>Total Amount</b>	<b>154.0</b>	<b>146.3</b>	<b>+7.7</b>

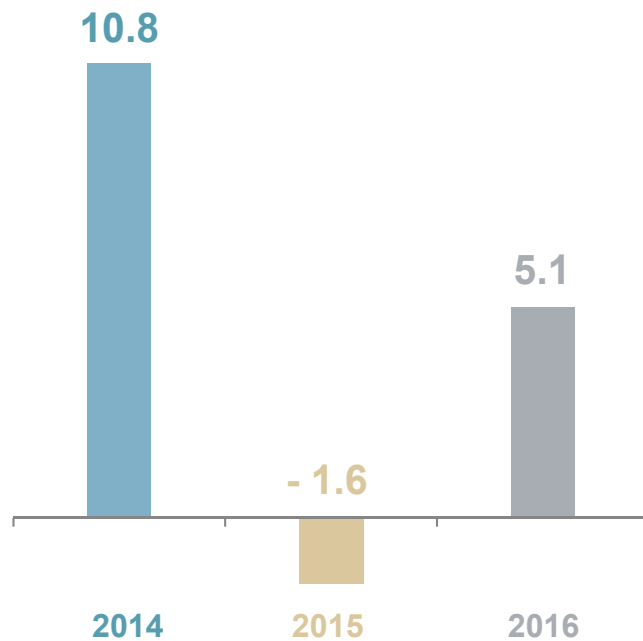
1) Excluding Scania and Porsche FS,

2) Excluding MAN and Porsche AG subsidiaries

## Dividend increases once again – distribution ratio 19.7%

### Earnings attributable to Volkswagen AG shareholders

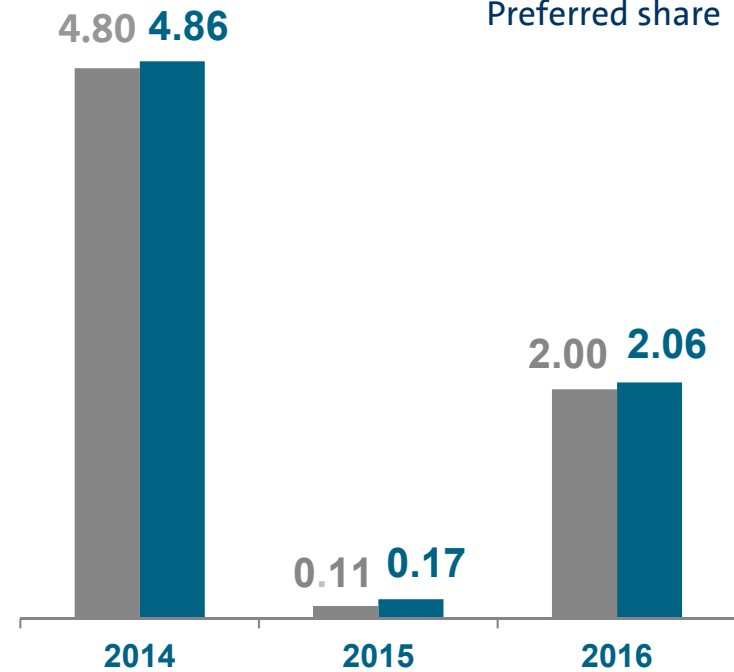
€ billion



### Dividend per share

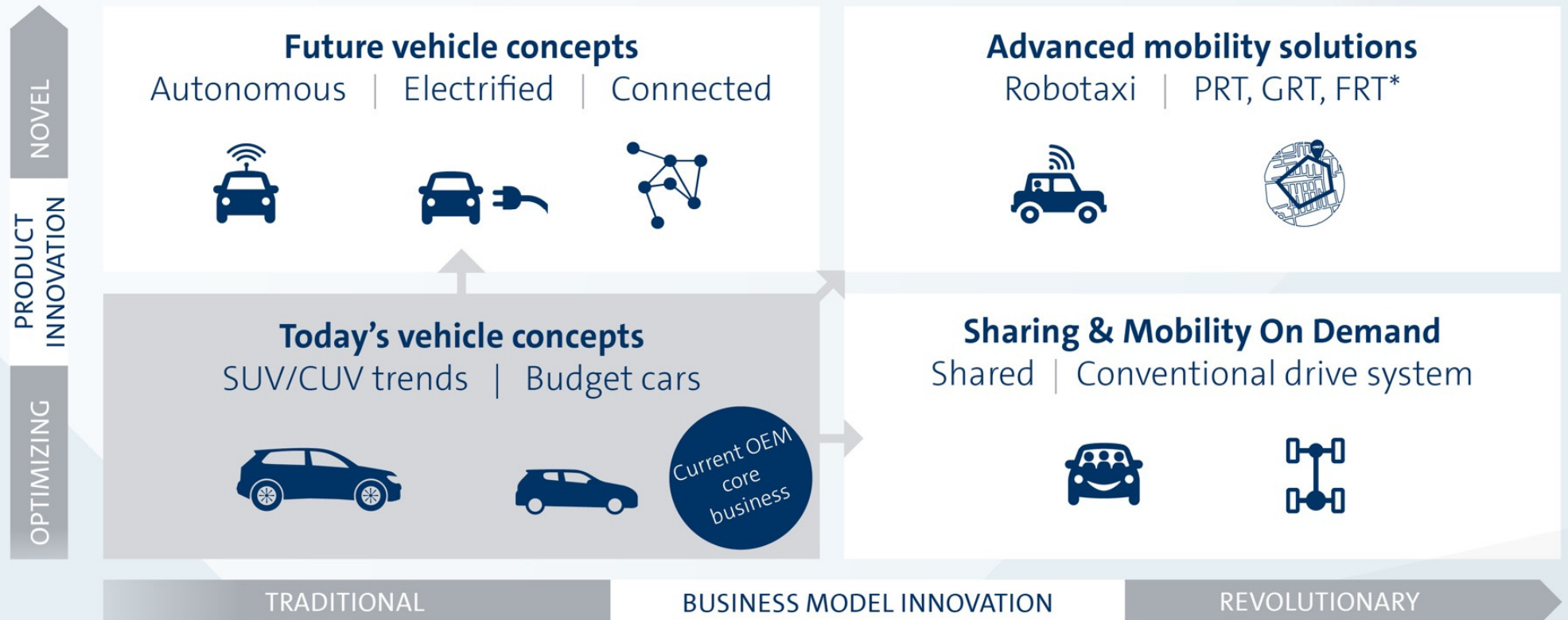
€

Ordinary share  
Preferred share



# HOW OUR INDUSTRY IS CHANGING


The key trends in the automotive world at a glance



\*PRT = Personal Rapid Transit; GRT = Group Rapid Transit; FRT = Freight Rapid Transit

## 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



VOLKSWAGEN


AKTIENGESELLSCHAFT

## THE ELECTRIFICATION INITIATIVE OF THE VOLKSWAGEN GROUP

- ♦ Goal: to position Volkswagen as a driving force behind the expansion of electro-mobility; e-car to become a new hallmark of the Group
- ♦ >30 new pure-electric vehicles by 2025
- ♦ Annual unit sales of 2 to 3 million e-cars by 2025, equivalent to 20–25 percent of total sales




## Strong market position: positive trend in key regions

- 
- Core markets in Western Europe remain **major pillar** of Volkswagen Group
  - **Broad lineup** pays off

**3.5m | +3.0%**

Group deliveries | vs. prior year

**Western Europe**

- 
- **Market leadership** further extended despite fierce competition
  - **Earnings contribution** from Chinese joint ventures maintained at high level

**4m | +12.2%**

Group deliveries | vs. prior year

**China**

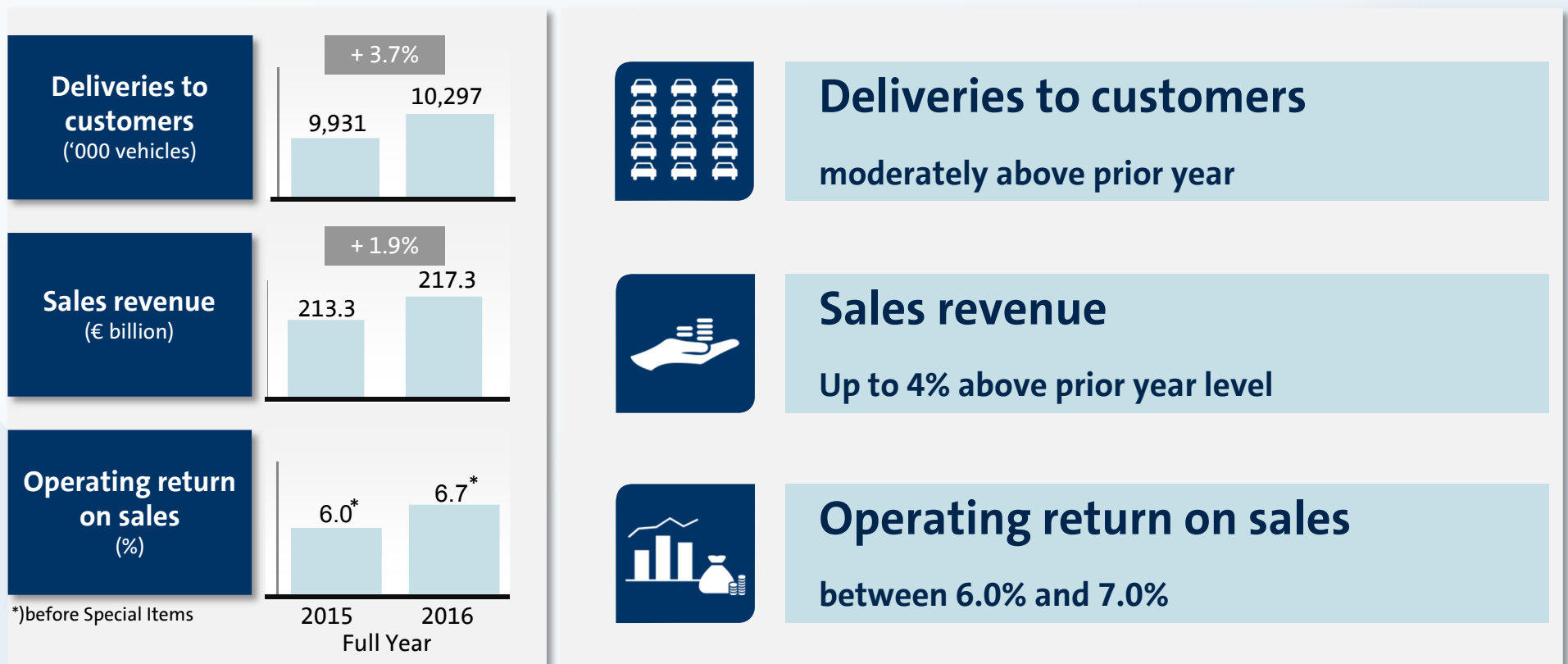
- 
- Volkswagen Group deliveries **slightly increased** despite headwind
  - Long-term commitment to locations and **investment** confirmed

**0.94m | +0.8%**

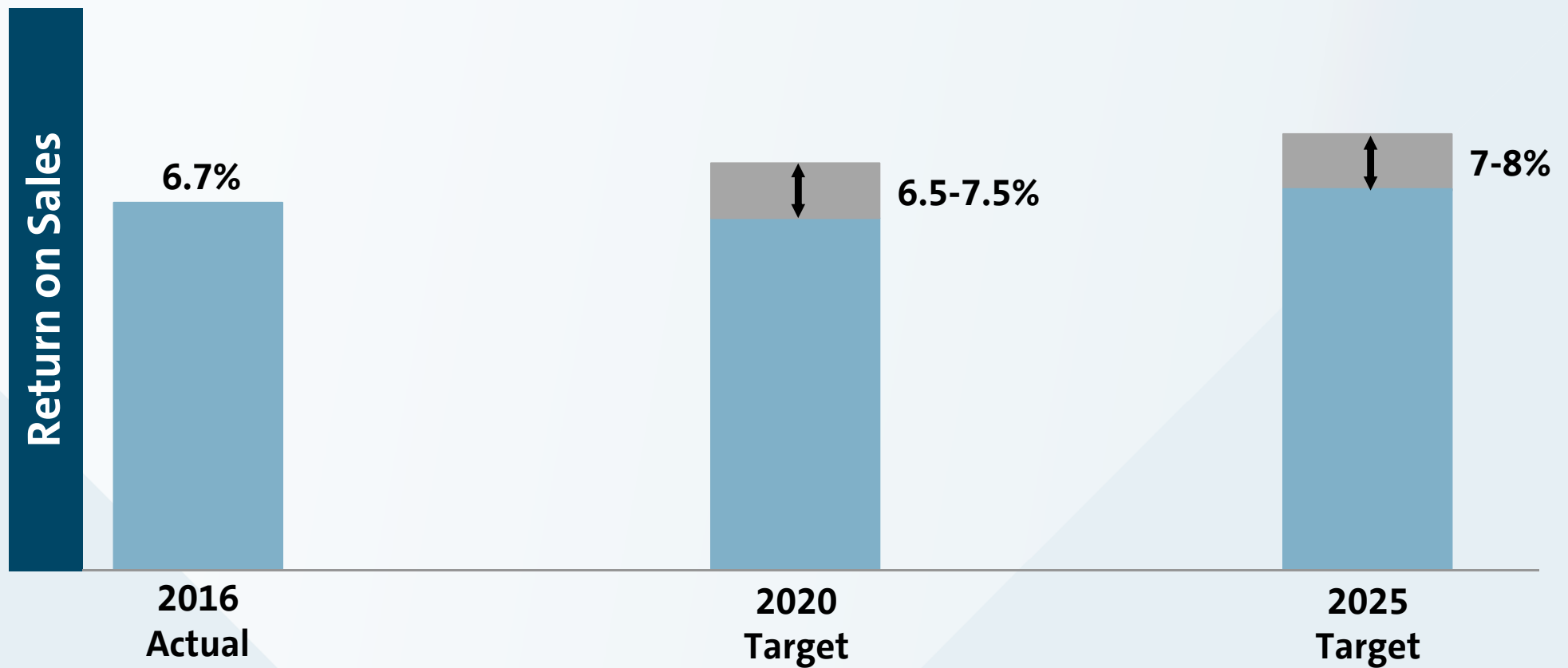
Group deliveries | vs. prior year

**North America**

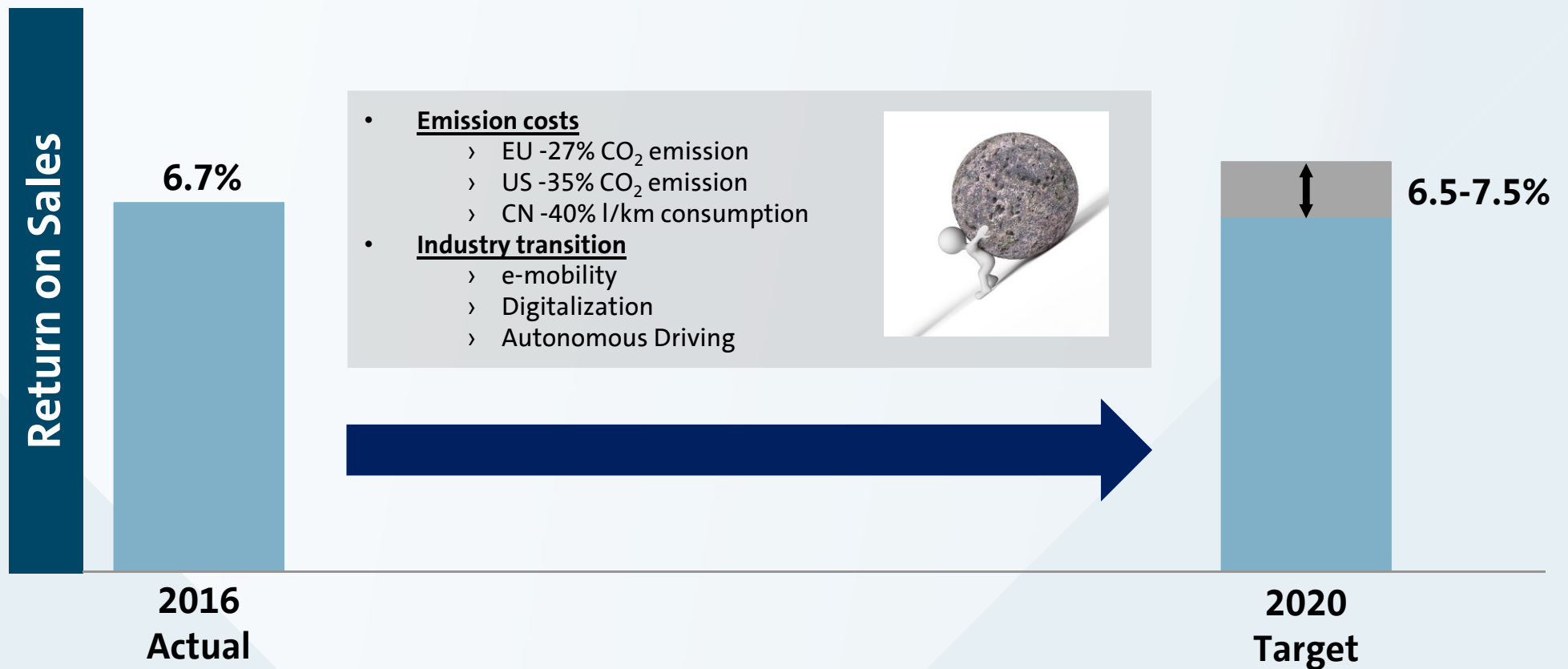
## Volkswagen Group – Outlook for 2017







## Improving Group results despite significant challenges



## Improving Group results despite significant challenges



## Guidance Group Financial Performance 2020

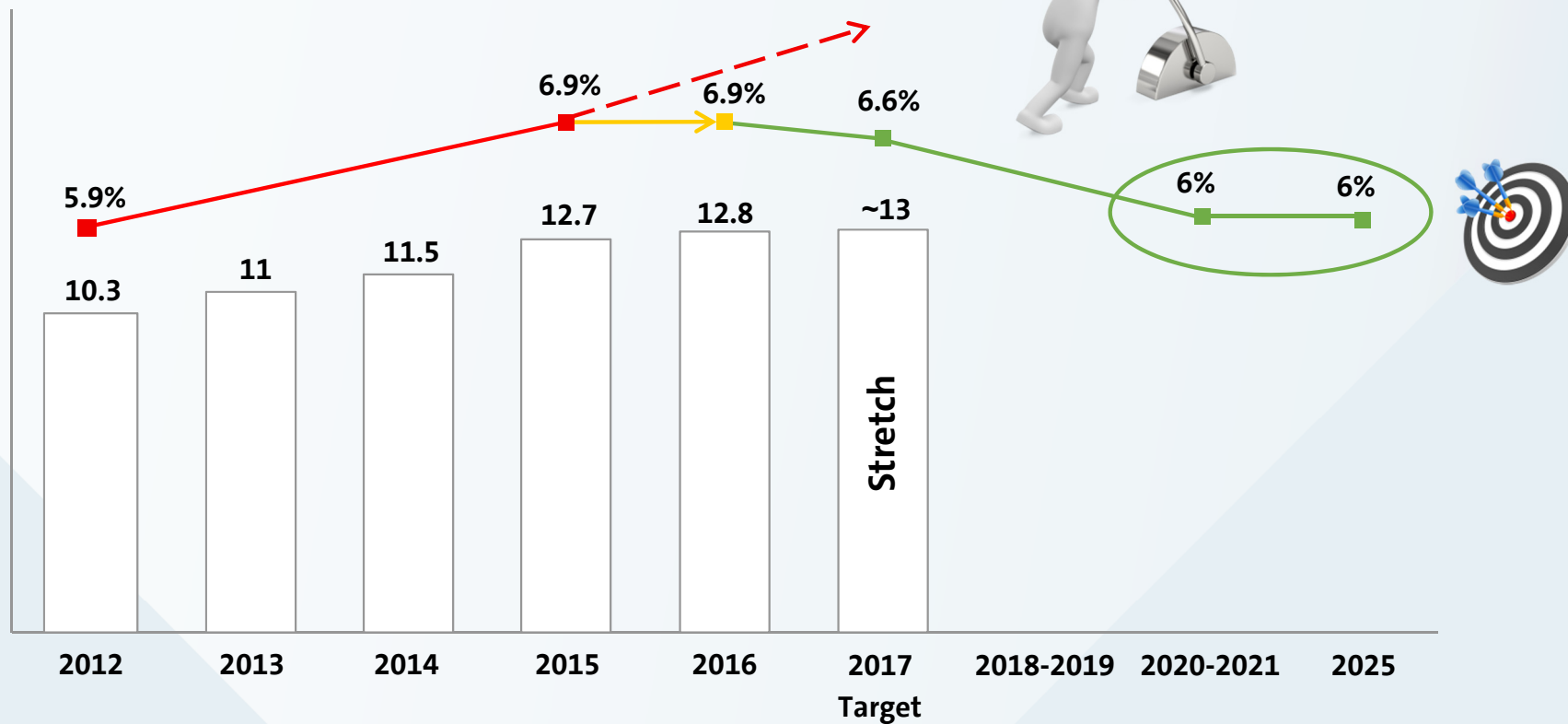
	Result 2016		Upside leverage 2020	
Sales revenue (€ bn)	217.3			+ > 20 %
	<u>after</u> Special Items	<u>before</u> Special Items		
Operating profit (€ bn)	7.1	14.6		+ 25 %
Profit before tax (€ bn)	7.3			+ ≥ 25 %
Earnings per Pref. Share	10.3 €			+ ≥ 25 %

## Clear Financial Targets and Milestones

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

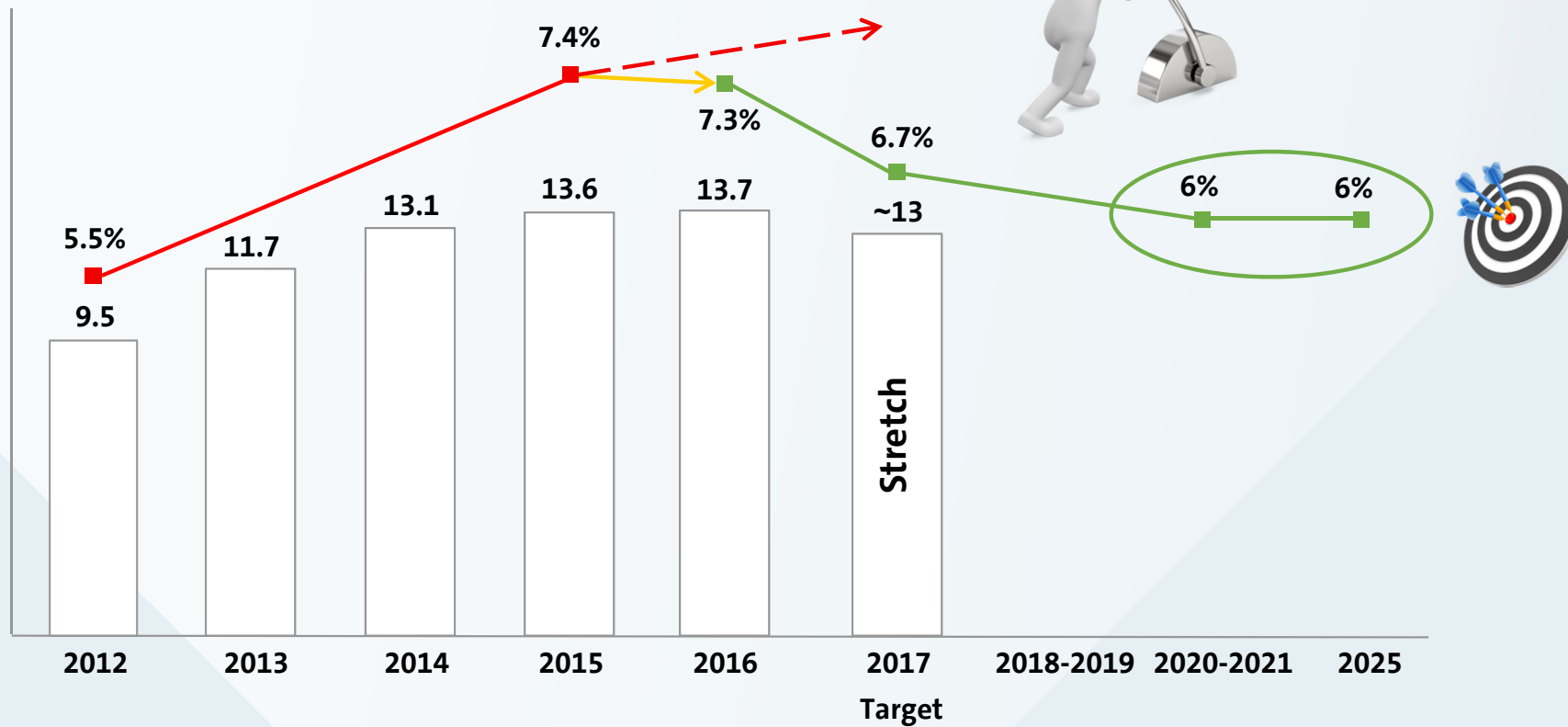
1) after considering a strategic target of 30% Payout Ratio based on Group profit after tax

## CAPEX Automotive Division (€ bn, as % of sales revenue)





## R&D Cost Automotive Division (€ bn, as % of sales revenue)



## Delivering on Core Principles

Accountability

Discipline

Reduced Complexity

Profitability

### Modular Toolkits

**MQB**



Modular Transverse  
Toolkit

**MLB**



Modular Longitudinal  
Toolkit

**MSB**



PORSCHE

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



Brand KPIs


Top-Down Targets



Committed in Planning Rounds

Specific KPIs

## Status update

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

# A strong Group with strong brands: highlights from operating business

## VOLKSWAGEN

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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 25<sup>th</sup> year in the Group
- **New SUV series** successfully launched with **Kodiq**

- 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 <sup>1)</sup>				
• Scania	9.5			
• MAN Commercial Vehicles	2.3	6-7	9 <sup>2)</sup>	9 <sup>2)</sup>
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%

<sup>1)</sup> For peer-group analysis: Truck & Bus Business RoS is calculated as the sum of Scania and MAN Commercial Vehicles (equals ~6.1% in 2016)

<sup>2)</sup> Through-cycle Target

## Key drivers to sustainable / competitive Group Profitability

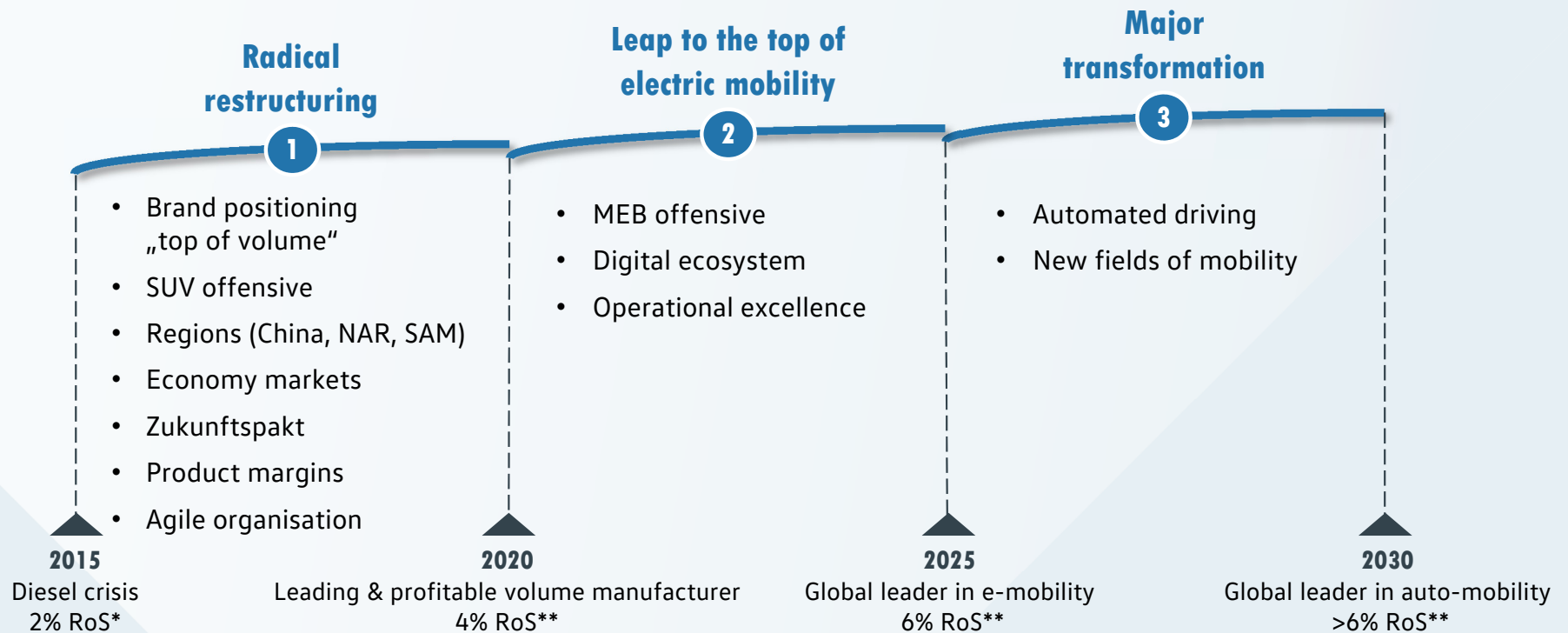


## The Volkswagen brand's starting position is challenging

- Established, acknowledged brand & strong customer loyalty
  - High-quality portfolio
  - Global presence & scalable platforms
  - Committed, highly qualified workforce
- Low return on sales, high fixed costs
  - Not competitive in United States, Brazil, India and ASEAN
  - Product portfolio is lagging behind global trends
  - Centralised, functional and hierarchical organization



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



\* Before special items

\*\* Operating return based on adjusted sales revenue (without turnover from multi brand sales companies)

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

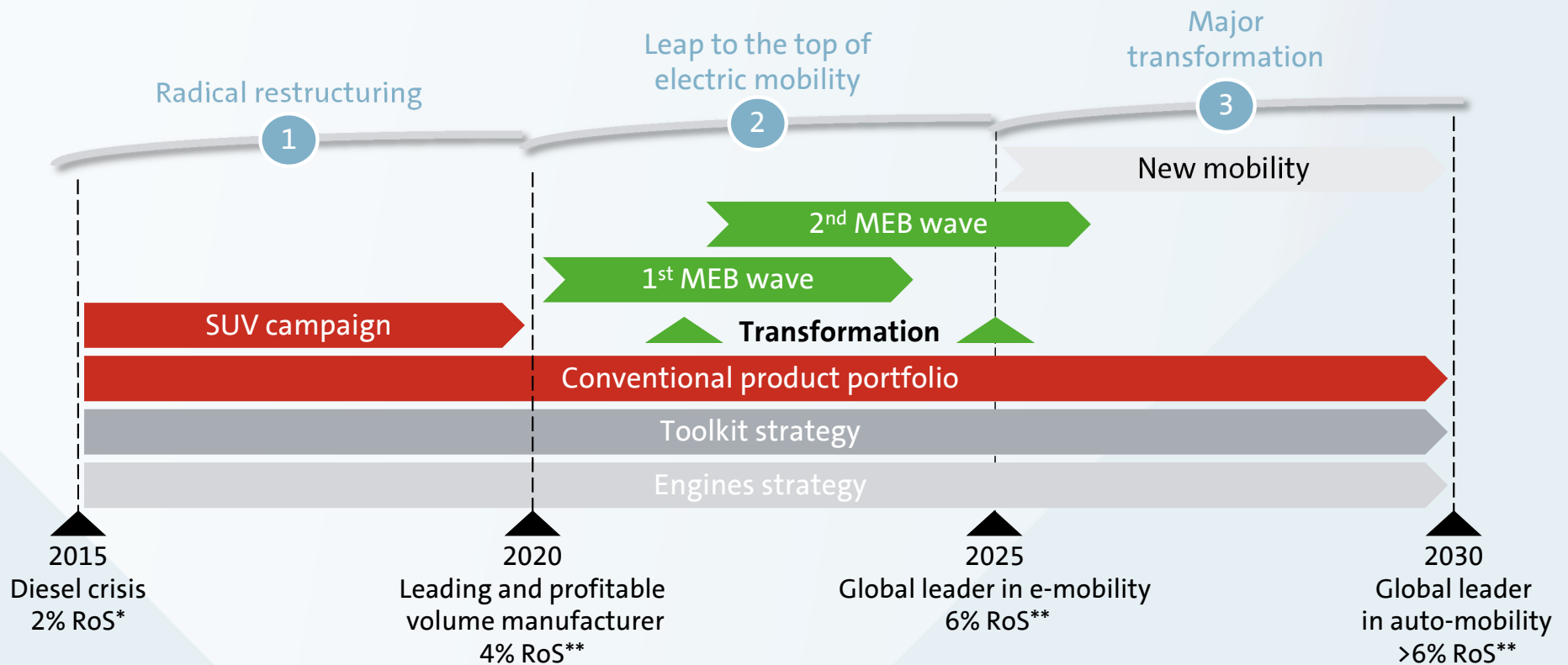
<u>Working Group 1</u> Production	<ul style="list-style-type: none"> <li>• Increase of productivity by 25%</li> <li>• Reduction of plant costs</li> </ul>
<u>Working Group 2</u> Components	<ul style="list-style-type: none"> <li>• Increase of productivity by 25%</li> <li>• Discontinuation of unprofitable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

### 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

## Realignment of product strategy oriented towards the three phases of the Transform 2025+ strategy



\*) before special items

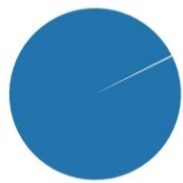
\*\*) Operating return based on adjusted sales revenue (without turnover from multi brand sales companies)

## Volkswagen achieved a lot in 2016

### Diesel retrofit running as planned

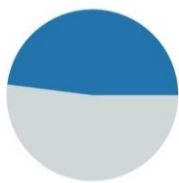
(Volkswagen PC & CV)

Approved



■ 99.7 %

Fixed



■ 48 %  
■ 66 % in Germany

Complaints



■ 0.7 %

### Ramp ups and product launches (extract)



up!



Golf



Tiguan



Phideon (SVW)



Teramont (SVW)

### Deliveries to customers

(in thousand units)

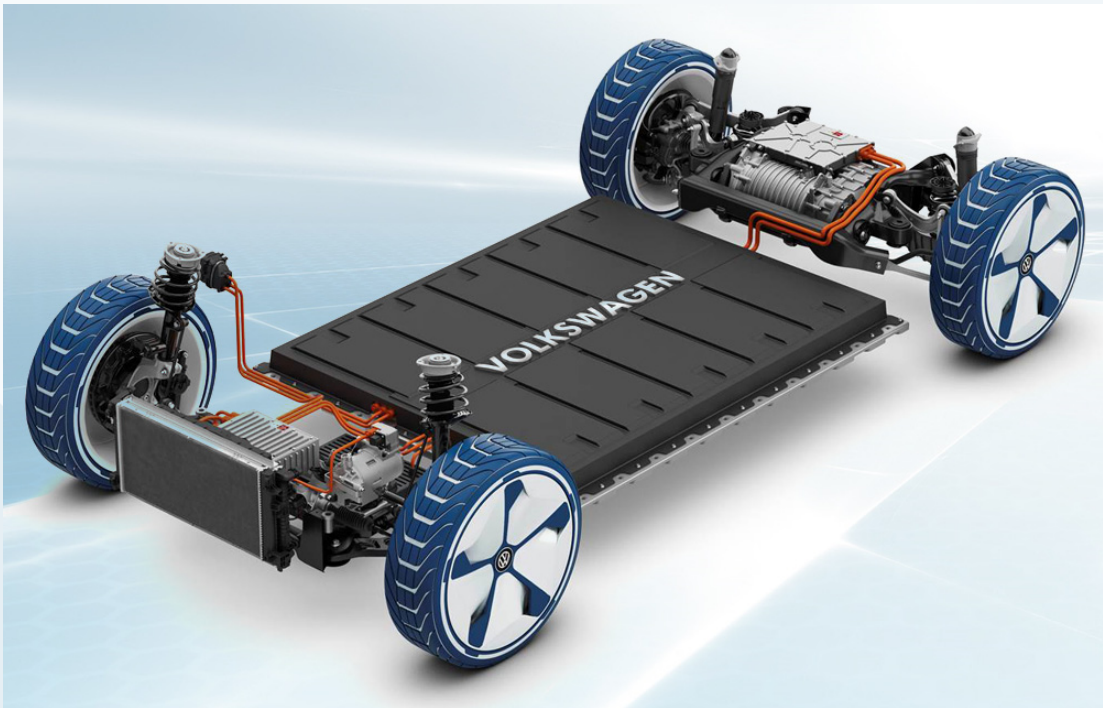
	2016	vs 2015 (in %)
Germany	558	-7.2
Europe	1,133	+1.8
SAM	335	-26.8
NAR	581	-1.9
Asia-Pacific	3,172	+11.8
<b>World</b>	<b>5,980</b>	<b>+2.7</b>

### Fixed costs in Germany

**Reduced by € 0.3 billion**

2015: -10.6 bn → 2016: -10.3 bn

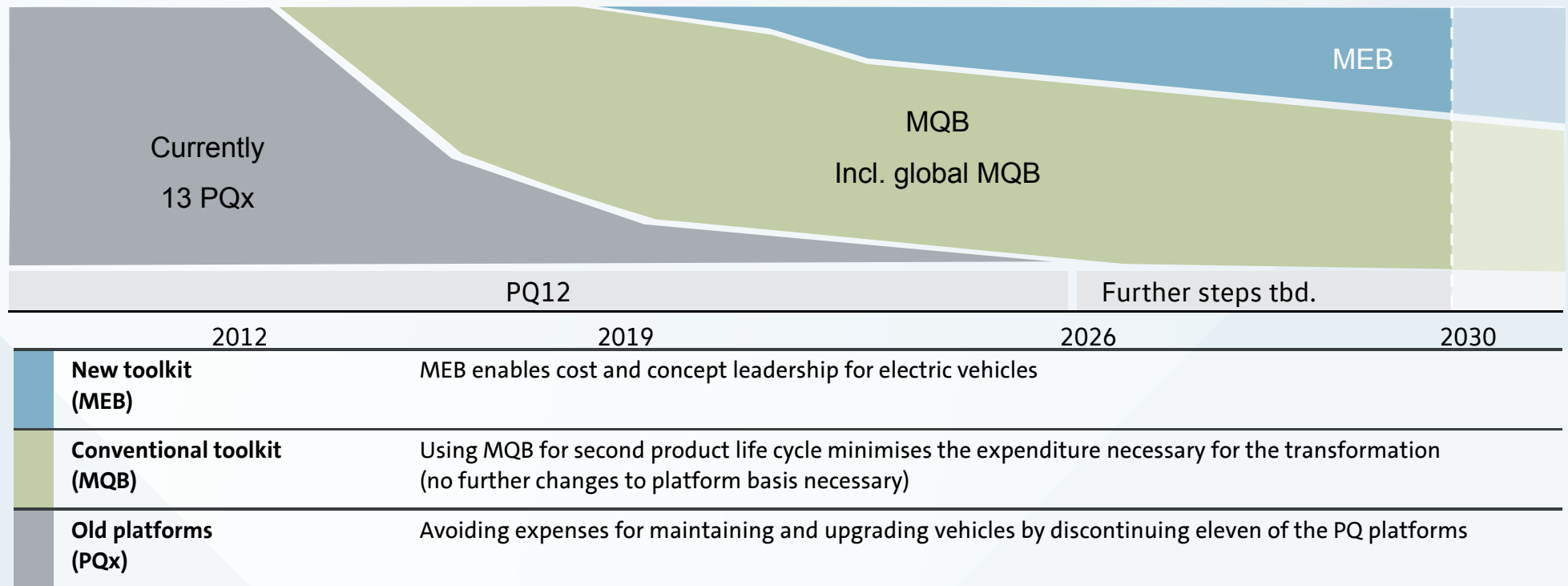
## The Volkswagen brand will implement MEB to make electric vehicles affordable and profitable



### 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 number of platforms will be reduced consistently to create economies of scale worldwide



## 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 Allspace



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)

## 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

## Volkswagen Truck & Bus – unique group with strong brands

2016 sales volumes trucks / buses, thousand units

Trucks	166 <sup>1</sup>
Buses	18 <sup>1</sup>
	<u>184<sup>1</sup></u>



Trucks	73
Buses	8
	<u>81</u>



Trucks	77
Buses	6
	<u>83</u>



Trucks	16
Buses	4
	<u>20</u>

Note: Trucks >6t, Volkswagen Caminhões e Ônibus trucks ≥ 5t. MAN equal to MAN Truck & Bus, Volkswagen Caminhões e Ônibus equal to MAN Latin America. Figures are financially rounded. <sup>1</sup> Volkswagen Truck & Bus commercial vehicles total figures (sum of trucks / buses Scania and MAN Commercial Vehicles)

## Our approach

### Brand Performance



Improve the **performance** of  
Volkswagen Truck & Bus **brands**

### Successful Cooperation







Foster cooperation to **unlock synergy potential**  
in terms of cost and **innovation speed**

### Global Champion Strategy



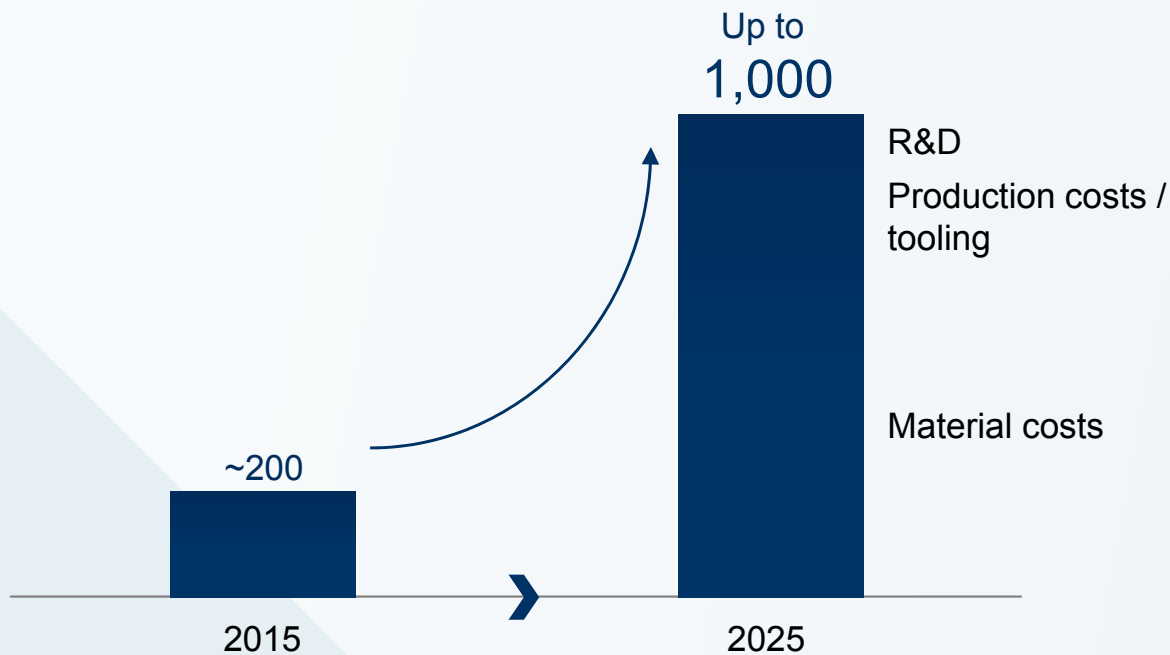
Strengthen local leadership and **expand globally**,  
including **new business models**

## Global expansion on track with Navistar alliance

1	Equity investment		<b>16.6% equity stake</b> in Navistar by way of capital increase
2	Strategic technology and supply cooperation		Companies to <b>collaborate on technology</b> for powertrain systems, as well as other advanced technologies
3	Procurement joint venture		<b>Procurement joint venture</b> is pursuing joint global sourcing opportunities
4	Governance		<b>2 VW T&amp;B representatives</b> nominated to Navistar Board of Directors. <b>Joint Alliance Board</b> to govern overall alliance

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

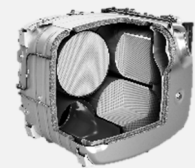
Synergy potential from brand collaboration and expanded platform strategy,  
EUR mn p.a.



Key common powertrain platforms



Base engine



After-treatment



Transmission

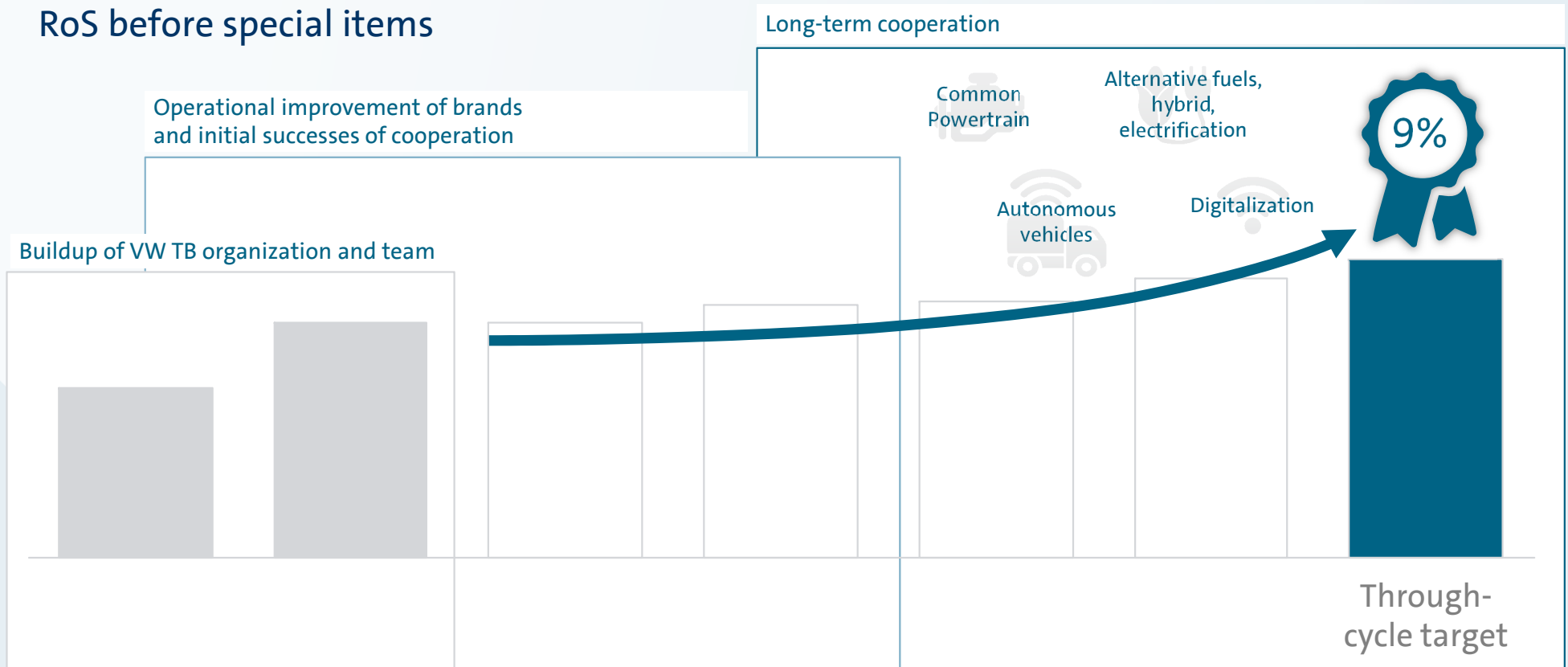


Axles



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

## RoS before special items

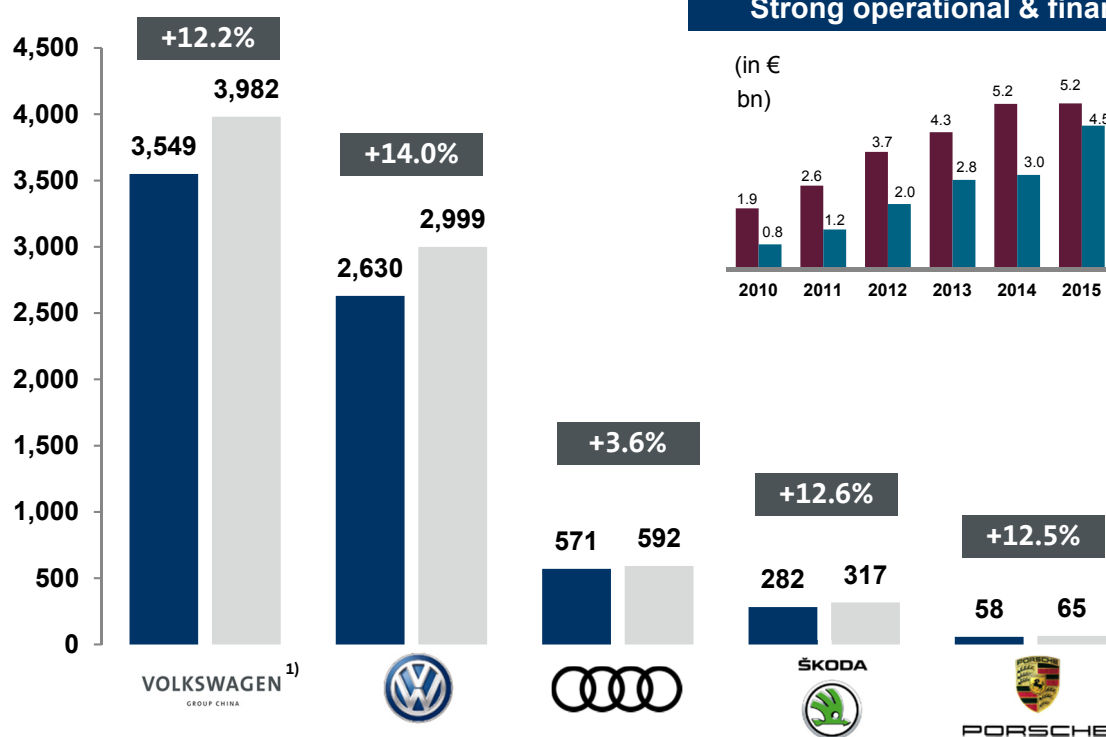




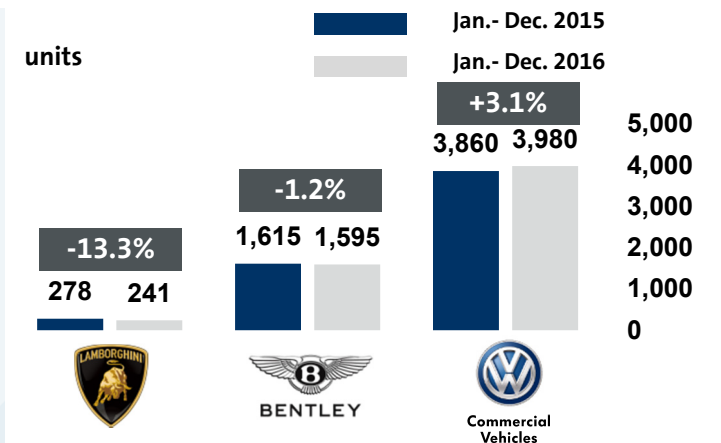


# Volkswagen Group China deliveries grew by 12.2%, proportionate operating profit remained at high level despite FX headwind

'000 units



units



<sup>1)</sup> incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania



## Financials 2016 – on 100% level



**Deliveries to customers**  
(in '000 units)

**1,854 (+13.5%)**  
of which 1,315 Volkswagen and 539 Audi

**1,949 (+12.3%)**  
of which 1,632 Volkswagen and 317 ŠKODA

**Sales revenue**  
(in EUR bn)

**40,875 (+1.0%)**

**26,064 (+0.2%)**

**Pre-tax profit**  
(in EUR bn)

**5,546 (-10.1%)**

**4,589 (+4.1%)**

**Margin**

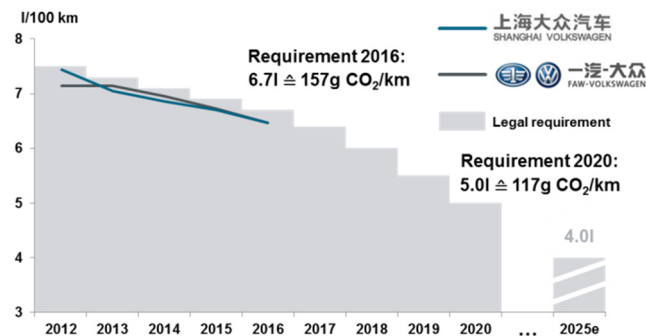
**13.6%**

**17.6%**



## 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)

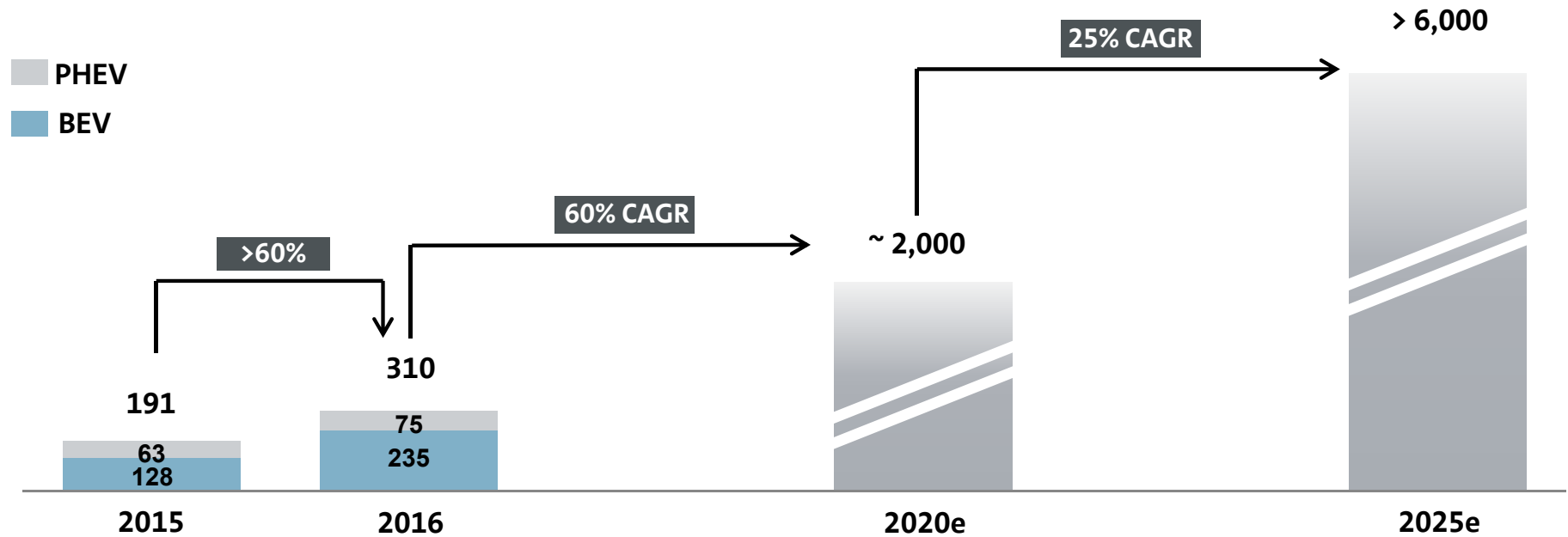
**Additional subsidies from local provinces**

(≤50% of national subsidy)



## Fast growing NEV market expected

### New Energy Passenger Vehicles (in '000 units)

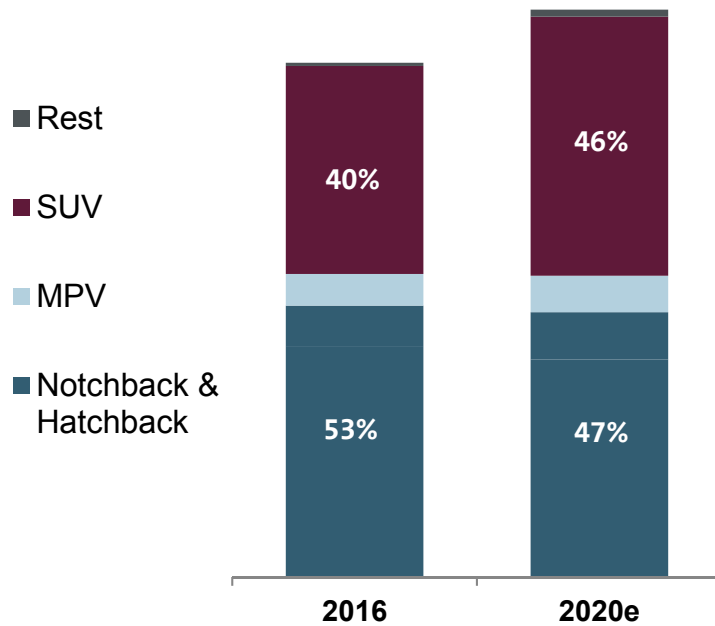


Source for data 2015-2016: CPCA

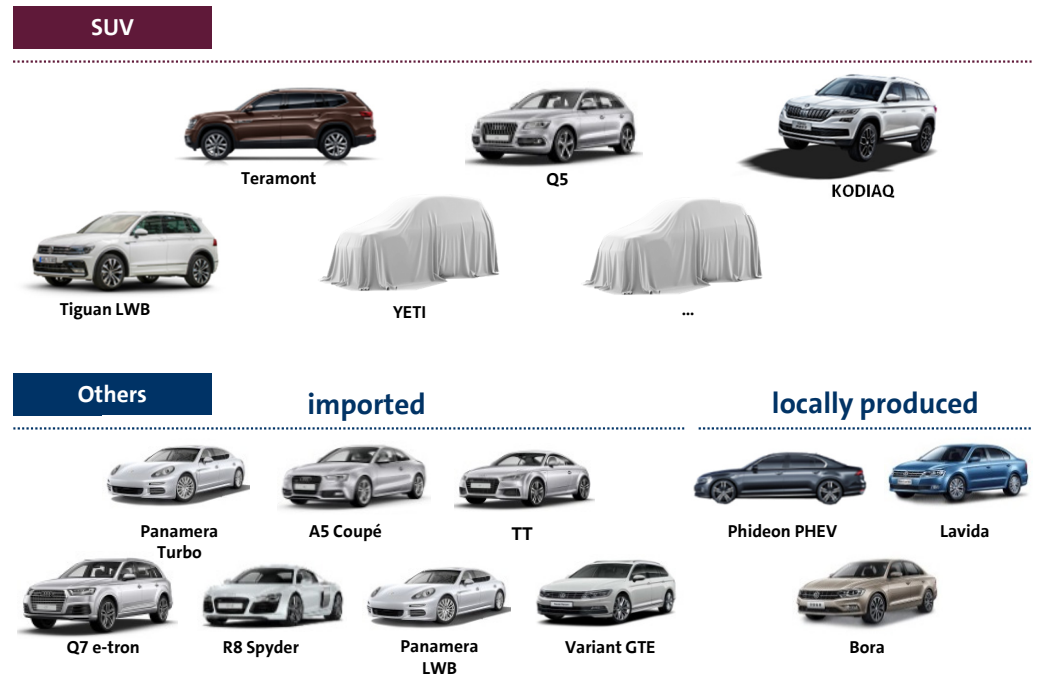


## New product offering with an expanded SUV offering <sup>1)</sup>

### Body style trends until 2020<sup>1)</sup>



### New vehicle launches 2017 and to follow<sup>2)</sup>



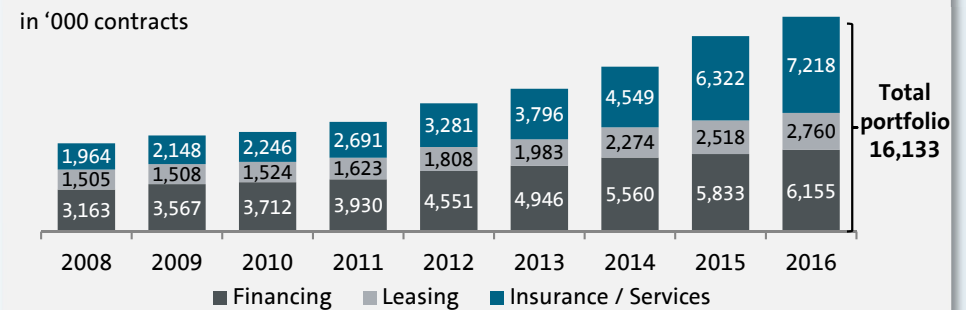
<sup>1)</sup> Source: IHS <sup>2)</sup> Schematic overview – does not show all models

# Volkswagen Financial Services<sup>1)</sup>: global, well diversified and successful

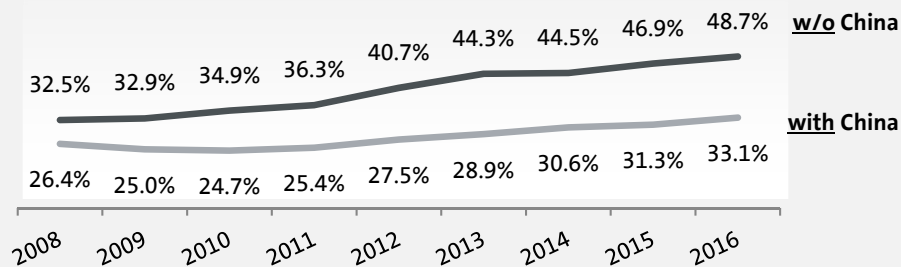
## Strong global presence



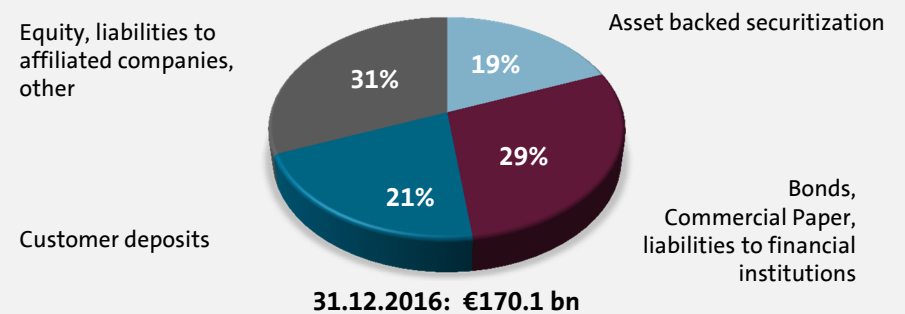
## Continuous portfolio expansion



## Rising penetration rates



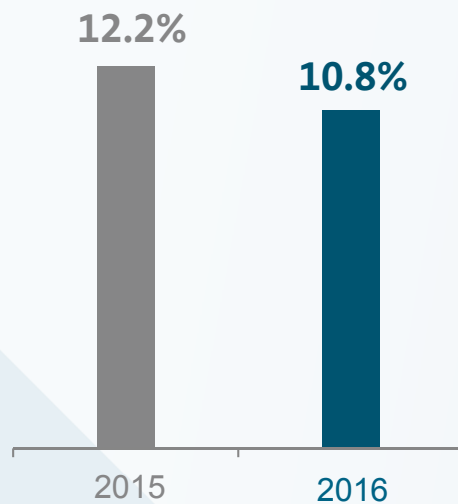
## Diversified funding structure



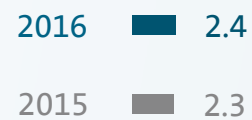
<sup>1)</sup> Excluding Financial Services activities of Scania, Porsche AG and Porsche Holding Salzburg; including MAN Financial Services

## Financial Services Division

### Return on equity<sup>1</sup>



### Earnings before tax € billion



+ € 0.1 billion  
(+ 3.2%)

### Equity € billion



+ € 2.9 billion  
(+ 13.8%)





<sup>1</sup> Earnings before tax as a percentage of average equity.

## 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	
		<b>16.2</b>		<b>0.7</b>	<b>16.9</b>
2016	Mainly legal risks	<b>6.4</b>	Scania Anti-Trust Proceedings	0.4	
			Others	0.7	
				<b>1.1</b>	<b>7.5</b>
Total to date		<b>22.6</b>		<b>1.8</b>	<b>24.4</b>



## US Diesel-related settlements (status 10 March 2017)

Issue	2.0L TDI	3.0L TDI	Criminal & civil-related claims	VW-Branded Franchise Dealers
Scope	• ~475,000 vehicles	• ~78,000 vehicles	• 2.0L + 3.0L TDI	• 2.0L, 3.0L and other matters asserted concerning the value of the franchise
With whom?	• US Federal & State Regulators (DOJ, EPA, CARB, FTC) • Private Plaintiffs represented through Plaintiffs' Steering Committee (PSC)	• US Federal & State Regulators (DOJ, EPA, CARB, FTC) • Private Plaintiffs represented through Plaintiffs' Steering Committee (PSC)	• DOJ (incl. on behalf of EPA), Customs & Border Protection	• 644 VW-Branded Franchise Dealers
Claims status	• As of February 18, 2017, 323,179 customers have been issued offers and 137,985 Owners and Current Lessees have proceeded through closing • Volkswagen has taken possession of just over 28% of the affected 2.0L vehicles	• As of February 1, 2017 all proposed agreements submitted but pending U.S. federal court approval	• Finalized; plea agreement and consent decree both require U.S. federal court approval	• 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"> <li>Per October 2016 max funding pool of ~\$10bn eligible for: <ul style="list-style-type: none"> <li>Buyback/Lease terminations or Emissions modifications (~70k vehicles approved per Jan 2017)</li> <li>+ Cash payments for affected customers</li> </ul> </li> <li>Pay \$2.7bn over 3 years to environmental trust</li> <li>Invest \$2bn over 10 years in zero emission infrastructure</li> <li>Resolution with 44 states, the District of Columbia and Puerto Rico (~\$603m incl. 3.0L)</li> </ul> 	<ul style="list-style-type: none"> <li>Pay up to ~ \$1.2 billion total benefits in settlement program to: <ul style="list-style-type: none"> <li>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</li> <li>+ cash payments for all eligible class members</li> </ul> </li> <li>Pay \$225m into environmental trust, \$25m to CARB to support ZEV in CA</li> <li>Preliminary approval granted on February 14, 2017</li> <li>Final approval hearing on May 11, 2017</li> </ul> 	<ul style="list-style-type: none"> <li>Combined fines &amp; penalties \$4.3bn: <ul style="list-style-type: none"> <li>Plea agreement incl. guilty plea</li> <li>Criminal fine of \$2.8bn</li> <li>Independent monitor</li> <li>Federal environmental and customs-related civil claims \$1.45bn</li> <li>DOJ civil FIRREA penalty \$50m</li> </ul> </li> <li>Plea hearing took place on March 10, 2017</li> <li>Judge Sean F. Cox scheduled the sentencing hearing for April 21, 2017</li> </ul> 	<ul style="list-style-type: none"> <li>Final Approval granted on January 23, 2017 <ul style="list-style-type: none"> <li>\$1.193 billion cash component, as well as additional non-cash benefits</li> </ul> </li> </ul> 
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 KBA<sup>1</sup>
- Gradual approval of clusters after cluster-specific KBA inspection<sup>1</sup>
- 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.

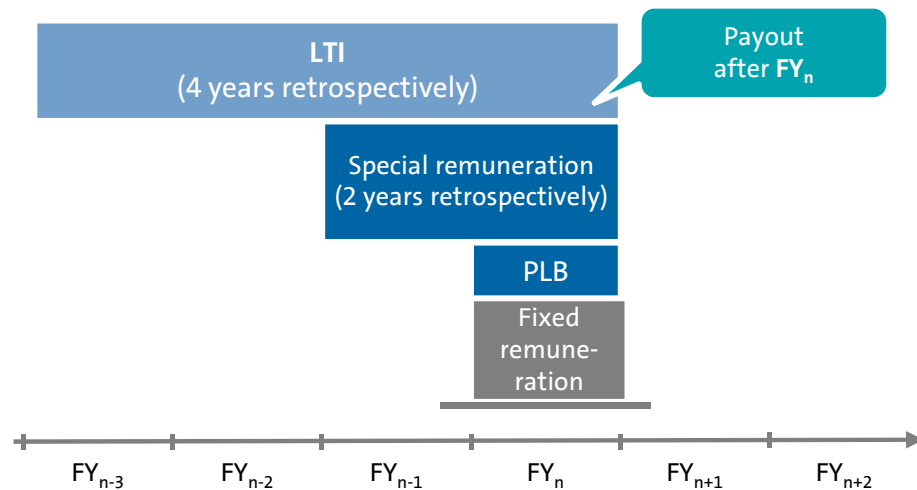
<sup>1</sup> KBA approval relevant for EU28 and ECE user states (e.g., Turkey)

### Update status

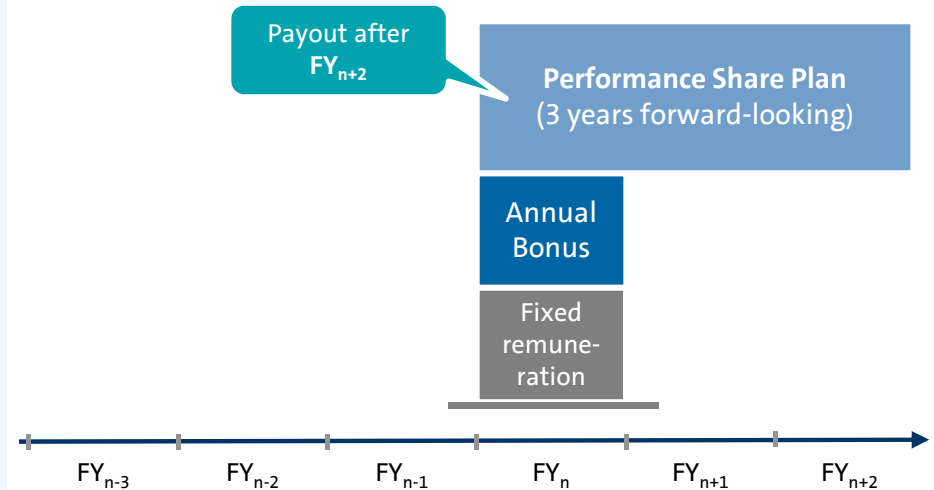
Approximately, 4m units have been updated (status 16.03.2017).

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

### Current system: backward-looking



### Future: 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

## Setting the Stage



**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!**

## Events 2017

- 
- 3. May 2017** Interim Report January - March 2017, Investor and Analyst Conference Call
- 10. May 2017** Annual General Meeting 2017
- May 2017** Volkswagen Brand Pressconference
- 27. July 2017** Half-Yearly Financial Report 2017, Investor and Analyst Conference Call
- 27. October 2017** Interim Report January - September 2017, Investor and Analyst Conference Call

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## Volkswagen Group Appendix



Volkswagen SEDRIC



**VOLKSWAGEN**

AKTIENGESELLSCHAFT



**Volkswagen Phideon**

A large, stylized 'V' logo composed of several overlapping triangles in shades of light blue, medium blue, and dark blue. A small dark red triangle is located at the top right corner of the logo.

**VOLKSWAGEN**  
AKTIENGESELLSCHAFT

**We are  
redefining  
mobility.**

**Volkswagen Group**

**Frank Witter**

Chief Financial Officer

Investor Breakfast Meeting with J.P. Morgan, Braunschweig, 23 March 2017