The Volkswagen Group is moving ahead: Investigation, customer solutions, realignment
Press Conference, December 10, 2015

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Agenda

1. Introduction
2. Investigation status
3. Solutions for our customers
4. Volkswagen is changing – structure, mindset, destination
5. Summary and outlook

Hans Dieter Pötsch
Chairman of the Supervisory Board of Volkswagen AG

Matthias Müller
Chairman of the Board of Management of Volkswagen AG
What challenges do we need to overcome

- **Gaining back trust** – through credible and decisive action in overcoming the current crisis
- **Protecting operational business and defending market position** – through concerted efforts to promote sales and wise business decisions and foresight
- **Securing the Group’s future success** – through effective minimizing of financial impact of the crisis and continuing on with the change processes at all levels

The Volkswagen Group is in the midst of one of the greatest trials in the company’s history.

What the Supervisory Board has done since the crisis broke

- **Comprehensive and relentless investigation pushed ahead** – in order to obtain reliable findings as fast as possible and to put all facts on the table
- **Management Board closely assisted** – in order to support the Group management
- **New structure passed** – in order to strengthen leadership through clearer accountability and allow for increased decentralized responsibility
- **Staff reorganization** – in order to set new impetus for necessary changes and to position the Group for the future
- **Stakeholder dialog strengthened** – in order to ensure transparency and re-establish trust

The Volkswagen Group is fully able to act even in this difficult phase.
How we initiated the staff reorganization process

New members of the Group Management Board: 6 new members since the beginning of 2015

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
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<tbody>
<tr>
<td>M. Müller</td>
<td>Chairman of the Board of Management</td>
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<tr>
<td>F. Witter</td>
<td>Finance &amp; Controlling</td>
</tr>
<tr>
<td>Dr. K. Blessing1</td>
<td>HR &amp; Organization</td>
</tr>
<tr>
<td>Dr. C. Hohmann-Dennhardt1</td>
<td>Integrity &amp; Legal Affairs</td>
</tr>
<tr>
<td>Dr. H. Diess</td>
<td>VW Passenger Cars</td>
</tr>
<tr>
<td>A. Renschler</td>
<td>Commercial Vehicles</td>
</tr>
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</table>

1: From January 1, 2016

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What happened in the Volkswagen Group

- **Diesel Issue**
  - Influencing of NOX emission behavior
  - Up to 11 million diesel vehicles
  - Implementation of technological solutions for the vehicles concerned in preparation

- **CO₂ Issue**
  - Implausibilities during certification of CO₂/consumption data
  - Initial suspicion: Ca. 800,000 diesel and gas-powered vehicles
  - Suspicion of invalid type certification not substantiated. Adjusting of the figures for few vehicles in the course of the normal processes
How are we driving investigation

**Approach & mission are clear: Everything needs to be put on the table.**

| Comprehensive | We are identifying and analyzing all relevant processes from the source of the problem until today. |
| Independent   | External experts and internal auditors are inspecting everything irrespective of the persons concerned. |
| Cooperative   | We are working with all authorities. |
| Relentless    | We are determined to clarify responsibilities and draw the right lessons. |
| Thorough      | We are examining masses of data – and leaving no stone unturned. Diligence comes before speed. |

**How have we structured the investigation**

- **Process Audit**
  - Internal Audit (reporting and monitoring systems, infrastructure)
  - Task force for internal audit
    - Audit experts from various Group units

- **Clarification of Facts**
  - Jones Day (procedures and people responsible)
  - Deloitte (provision of infrastructure)

*Dual structure and independence of investigation ensure objective analysis and comprehensive findings. In total, about 450 experts are deployed in the investigation.*
Where we stand in the investigations

1. Process Audit (Internal Audit)
   - Detailed process audit
   - 12/2015: Finalization of process audit

2. Clarification of Facts (Jones Day)
   - Continuous detailed clarification of facts
   - Continuous assistance from Supervisory Board and Management Board

The process analysis is about to be finalized, the question about responsibilities still needs time.

Process audit: What are the audit findings on the procedures in the relevant subdivisions to date

Subject areas of the investigation
- Procedures
- Reporting and monitoring systems
- Infrastructure

Specific objectives of the investigation
- Clarify process sequences, identify those involved
- Expose rule violations and failures in current systems
- Penetrate functionality, identify weaknesses

Key Findings
- Procedural problems in the relevant subdivisions have encouraged misconduct
- Faults in reporting and monitoring systems as well as failure to comply with existing regulations
- IT infrastructure partially insufficient or antiquated
Clarification of facts: What the external auditors have managed to accomplish thus far

- **102 terabytes** of data were secured (equal to about 50 million books)
- **87 extensive interviews** were held, with several dozen to follow
- More than **1,500 electronic data carriers** from approximately 380 employees have been secured
- **2,000 letters** to Group employees (litigation hold letters), to prevent data loss or deletion

Jones Day

We now have a more specific understanding about the origins of the NOX manipulation and about the CO2 Issue

What have we already learned about the origins of the NOx Issue

<table>
<thead>
<tr>
<th>Strategic decision:</th>
<th>Challenge: Strict and significantly toughening NOX limits</th>
<th>Solution: Exhaust gas recirculation + “passive” exhaust gas treatment (“NOX storage catalytic converter”)</th>
<th>Problem: NOX limits could not be met with our technological design. Switch to “active” exhaust gas treatment (“SCR system”) unrealistic with the time and cost involved</th>
<th>Dealing with the problem: Two exhaust strategies with one for the test bench and one for the road/ development of corresponding control software</th>
<th>Market launch of EA189 (Gen 1) in the US: Motor control software recognized test cycle and used e.g. more intense exhaust recirculation to reduce NOX values on the test bench</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diesel campaign in the US and the EA 189 development order</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2005

Spring 2008
What have we already learned about the origins of the NO\textsubscript{X} Issue (continuation)

<table>
<thead>
<tr>
<th>Market launch</th>
<th>Further development:</th>
<th>Problem:</th>
<th>Dealing with the problem:</th>
<th>Market launch</th>
</tr>
</thead>
<tbody>
<tr>
<td>EA189 (Gen 1) in the US:</td>
<td>Generation 2 of EA189 was supposed to be more effective in reducing NO\textsubscript{X} by utilizing active exhaust gas recirculation (&quot;SCR system&quot;)</td>
<td>Tank for reduction medium (&quot;Diesel Exhaust Fluid&quot;) needs to be large enough for oil change interval (approx. 16,000 km) because Diesel Exhaust Fluid could only be refilled at repair garages</td>
<td>Maintain dual exhaust gas strategies for the test bench and the road in order to cope with the conflicting goals by varying &quot;Diesel Exhaust Fluid&quot; dosages</td>
<td>EA189 (Gen 2) in the US:</td>
</tr>
<tr>
<td>Motor control software recognizes test cycle and uses e.g. more intense exhaust recirculation to reduce NO\textsubscript{X} values on the test bench</td>
<td></td>
<td></td>
<td>Motor control software recognizes test cycle and uses e.g. higher &quot;Diesel Exhaust Fluid&quot; dosages</td>
<td></td>
</tr>
</tbody>
</table>

Spring 2008 Early 2011

What is the fundamental difference between the V6 engine Issue and the initial NO\textsubscript{X} Issue

**Initial NO\textsubscript{X} Issue**

- Engine control software detects
- Test bench
  - Exhaust strategy A (NO\textsubscript{X} low)
- Road
  - Exhaust strategy B (NO\textsubscript{X} increased)

**V6 3 liter engine**

- Engine control software controls warm up in 3 stages
- Warm up
  - 1
  - 2
  - 3\textsuperscript{1}
- Exhaust strategy C\textsuperscript{2} (NO\textsubscript{X} increased at low engine loads)

1: Stage 3 very rarely activated on the road, which ends warm up too early
2: Under same operating conditions
How we have approached the CO₂ Issue and how the matter has developed

**Internal clue:**
Possibly irregularities with CO₂ certification of around 800,000 vehicles from the Group

**Testing results:**
No unlawful changes of CO₂ / fuel consumption data

CO₂ values in conformity with catalog values
No adjustment required

Possible deviation of catalog value
Possibly adjusting of the figures for a maximum of 9 vehicles in the course of the normal processes

November 3, 2015
Proactive disclosure of CO₂ Issue and review of doubtful models

Course of 2016
Anticipated conclusion of the process

What consequences we have already drawn

Decisions of the Board taken: **Going forward, emission tests of the Volkswagen Group will as a standard be verified based on spot checks by external and independent third parties, therefore universal introduction of on road emissions measurements during real-life driving (2016).**

Implementation of more measures out of the about **30 essential optimization and measure sets identified by the internal audit** already initiated (close monitoring of implementation by internal audit), e.g. introduction of effective clearance and monitoring processes, among others through corresponding committee structures; process support through use of appropriate IT systems

**Findings** from the internal audit **submitted to Jones Day**

So far 9 possibly involved managers **released from work**

We will work to quickly implement the measures suggested by the audit. We will be just as consistent in the implementation of the findings of Jones Day.
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As a reminder: Which subjects are given priority

Helping our customers
Communicating & providing effective technical solutions

Uncovering what happened
Finding out the truth and learning from it

New structure
Launching a more entrepreneurial & decentralized Group structure

New mindset
Profoundly changing the way we do things

New destination
Re-evaluating what we do & re-defining our targets for 2025

We are not only decisively pushing ahead the investigation, but are working on the other priority subjects with the same intensity.
How we resolve the NO\textsubscript{x} Issue for our customers in Europe

<table>
<thead>
<tr>
<th>Engine Type</th>
<th>Units</th>
<th>Status KBA</th>
<th>Software</th>
<th>Hardware</th>
<th>Working Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>EA189 2.0 l (EU5)</td>
<td>~ 5.2 million units</td>
<td></td>
<td>X</td>
<td></td>
<td>approx. 30 min.</td>
</tr>
<tr>
<td>EA189 1.6 l (EU5)</td>
<td>~ 3 million units</td>
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<td>X</td>
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<td>&lt; 1h</td>
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<tr>
<td>EA189 1.2 l (EU5)</td>
<td>~ 0.3 million units</td>
<td></td>
<td>X</td>
<td></td>
<td>approx. 30 min.</td>
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</table>

When we will resolve the NO\textsubscript{x} Issue for our customers in Europe

<table>
<thead>
<tr>
<th>Engine Type</th>
<th>Units</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>EA189 2.0 l (EU5)</td>
<td>~ 5.2 million units</td>
<td>Implementation phase with our service partners starting in January 2016, subsequently successive processing of all affected vehicles</td>
</tr>
<tr>
<td>EA189 1.6 l (EU5)</td>
<td>~ 3 million units</td>
<td>Implementation phase with our service partners</td>
</tr>
<tr>
<td>EA189 1.2 l (EU5)</td>
<td>~ 0.3 million units</td>
<td>Implementation phase with our service partners</td>
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</table>
How we will resolve the NO$_x$ Issue for our customers in the US and in Canada

<table>
<thead>
<tr>
<th>Engine Type</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>EA189 2.0 l (Gen 1)</td>
<td>~ 0.4 million</td>
</tr>
<tr>
<td>EA189 2.0 l (Gen 2)</td>
<td>~ 0.1 million</td>
</tr>
<tr>
<td>EA288 2.0 l (Gen 3)</td>
<td>~ 0.1 million</td>
</tr>
</tbody>
</table>

Currently coordinating viable solution concepts and time lines with the responsible authorities EPA and CARB

What we guarantee all our customers

- Implementation of technical solutions free of charge
- Waiver of a statute of limitations regarding the technical solutions
- Provision of substitute mobility if needed
- Transparent information that will soon be more tailored to individual needs
- Payment of possible back taxes

Volkswagen will not rest before we have resolved this issue once and for all to the satisfaction of our customers.
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New structure: Why we are further developing the leadership model of the Group

• Strengthen entrepreneurial responsibility in brands and regions
• Adequately take into account technological developments with a potential impact on the business model (e.g. digitization)
• Increase decision-making speed and agility
• Give Group Management Board more space for urgent strategic considerations
• Improve cost efficiency in the Group with leaner structures, enhance cost transparency
• Secure synergies within the Group
• Reduce complexity of steering functions, brands and regions, ensure sustainable manageability of the Group
Which leadership structures are implementing in the Volkswagen Group

<table>
<thead>
<tr>
<th>Chair</th>
<th>Functions</th>
<th>Brand Groups</th>
<th>Regions</th>
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</thead>
<tbody>
<tr>
<td>Müller</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Witter</td>
<td>Diess</td>
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<td></td>
<td>García Sanz</td>
<td>Stadler</td>
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<td></td>
<td>Blessing</td>
<td>Blume</td>
<td>Rensch-</td>
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Among others:
- Strategy
- Digitization
- Production
- Sales
- Research & Development

1: From January 1, 2016
2: Currently guest on Group Management Board

How we have changed our leadership team

<table>
<thead>
<tr>
<th>New Members</th>
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<tbody>
<tr>
<td>M. Müller</td>
</tr>
<tr>
<td>CEO</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group Management Board</th>
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<tbody>
<tr>
<td>6 out of 10 members new since early 2015</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CEOs for brands/business units</th>
</tr>
</thead>
<tbody>
<tr>
<td>H. Henriksson</td>
</tr>
<tr>
<td>Scania</td>
</tr>
</tbody>
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1: From January 1, 2016
2: Currently guest on Group Management Board
Which new mindset we want to establish

What we want to preserve
- "Quality consciousness"
- "Identification with products"
- "Social responsibility"

What we additionally wish for going forward
- "More openness"
- "More cooperation"
- "More capacity for criticism"

How we will establish a new mindset at Volkswagen

2015
- Leadership ("More role models")
- Self conception ("More down to earth")
- Structures und formats ("More interaction")

2016
- Design and implementation of new corporate philosophy and leadership principles
- First initiatives
- Structured process
New destination: How we will develop further our strategy

We will present our “Strategy 2025“ by the middle of next year.

“Strategy 2025“
Objective: playing a decisive role in shaping the future of mobility
- Make existing vehicle portfolio of brands even more successful
- Significantly increase revenue outside of the current core business
- Utilize potentials of digitization better than competitors
- Offer autonomic driving on a broad level earlier than other manufacturers
- Restore sustainability reputation through e-offensive

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Matthias Müller
Chairman of the Board of Management of Volkswagen AG
Where we stand today with our realignment

Helping our customers
Technical solutions developed, implementation close to launch
Uncovering what happened
Investigations are proceeding, first consequences are drawn
New structure
Team is in place, committees and processes to follow
New mindset
Needed change defined, transformation initiated
New destination
Focus topics identified, process for “Strategy 2025“ launched

We are working hard on all of these five topics – and we are making good progress.

Where we stand economically today

- **Operational business**: Development within expectations
  *We confirm our adjusted annual forecast.*
- **Finances**: Provisions sufficient for now, financing secured
  *We have a very solid financial basis.*
- **Investments**: Targeted reduction, shorter planning horizon – saving without sacrificing the future
  *We are driving by sight for the time being.*
- **Vehicle sale and production**: so far moderate impact of the exhaust gas issue
  *We are capable of reacting to a possible tightening at any time.*
- **Share price**: Recovery by about 40 percent since lowest point after the disclosure of the Diesel Issue
  *We are working on regaining investors’ trust bit by bit.*

Volkswagen has the situation under control and will master the crisis out of its own strength.
We are creating a new, better and stronger Volkswagen through...

...step-by-step transformation of the Group, while preserving its cultural roots and strengths.

...releasing new strengths and mobilizing new potential.

...value-based actions as precondition for sustained economic success.