Volkswagen Group
Frank Witter
Chief Financial Officer
Kepler Cheuvreux German Corporate Conference,
Frankfurt, 18 January 2017
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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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HOW OUR INDUSTRY IS CHANGING

The key trends in the automotive world at a glance

**Future vehicle concepts**
- Autonomous
- Electrified
- Connected

**Advanced mobility solutions**
- Robotaxi
- PRT, GRT, FRT*

**Today's vehicle concepts**
- SUV/CUV trends
- Budget cars

**Sharing & Mobility On Demand**
- Shared
- Conventional drive system

*PRT = Personal Rapid Transit; GRT = Group Rapid Transit; FRT = Freight Rapid Transit*
“THE REVOLUTIONARY CHANGE IN OUR INDUSTRY IS A CHALLENGE, BUT AT THE SAME TIME A HUGE OPPORTUNITY”
STRATEGY 2025 – INITIATIVES AT A GLANCE

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
10. Build mobility solutions business
11. Develop and expand attractive and profitable smart mobility offering
12. Improve operational excellence
13. Optimize business portfolio
14. Drive digital transformation
15. Create organization 4.0

Secure funding

Transform core business
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
NEW FINANCIAL TARGETS ADOPTED: FOCUS ON PROFITABILITY

<table>
<thead>
<tr>
<th>Key financial targets</th>
<th>2015</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating return on sales</td>
<td>6.0%</td>
<td>7–8%</td>
</tr>
<tr>
<td>before special items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on capital</td>
<td>13.8%</td>
<td>&gt;15%</td>
</tr>
<tr>
<td>Automotive Division</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capex ratio</td>
<td>6.9%</td>
<td>~6%</td>
</tr>
<tr>
<td>Automotive Division</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Also SG&A expenses to be reduced to under 12%
THE VOLKSWAGEN GROUP OF THE FUTURE WILL INSPIRE PEOPLE

TOGETHER...

... we will create smart mobility solutions that simplify and enrich our customers’ lives

* ...

... we will reduce the environmental burden with eco-friendly drivetrain technologies

* ...

... we will continue to raise the bar in emotion and quality

* ...

... we will shape the future of our industry

* ...

... we will build an enterprise of which we can be truly proud.
## Development Volkswagen Group car deliveries to customers ¹)
(in comparison to previous year)

### World Car Market:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9,321</td>
<td>2,340</td>
<td>2,353</td>
<td>2,390</td>
<td>2,435</td>
<td>2,251</td>
<td>2,337</td>
<td>8,543</td>
<td>8,781</td>
</tr>
</tbody>
</table>

¹) Figures excl. Volkswagen Commercial Vehicles, Scania and MAN.
World car market vs. Volkswagen Group car deliveries to customers ¹)
(Growth y-o-y in deliveries to customers, January to December 2016 vs. 2015)

Volkswagen Group – Deliveries to customers by brands (January to December 2016 vs. 2015)

1) Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +3.5% 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 to December 2016 vs. 2015)

<table>
<thead>
<tr>
<th>Region</th>
<th>January – December 2015</th>
<th>January – December 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Group</td>
<td>9,931</td>
<td>10,313</td>
<td>+3.8%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>3,431</td>
<td>3,549</td>
<td>+3.4%</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>615</td>
<td>658</td>
<td>+6.9%</td>
</tr>
<tr>
<td>North America</td>
<td>932</td>
<td>939</td>
<td>+0.8%</td>
</tr>
<tr>
<td>South America</td>
<td>559</td>
<td>422</td>
<td>-24.5%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>3,935</td>
<td>4,319</td>
<td>+9.7%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>459</td>
<td>427</td>
<td>-6.9%</td>
</tr>
</tbody>
</table>

¹) Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +3.5% excl. Volkswagen Commercial Vehicles, Scania and MAN.
Passenger car market forecast 2017

Source: IHS Economics as of November 2016

1) Passenger cars and Light Commercial Vehicles
# Financial highlights – Volkswagen Group
(January to September 2016 vs. 2015)

<table>
<thead>
<tr>
<th>Sales revenue</th>
<th>Operating profit</th>
<th>Profit before tax(^2)</th>
<th>Profit after tax(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td>€ million</td>
<td>€ million</td>
<td>€ million</td>
</tr>
<tr>
<td>160,263</td>
<td>10,197(^1)</td>
<td>8,159</td>
<td>3,990</td>
</tr>
<tr>
<td>(-2%)</td>
<td>(+ 10.5%)</td>
<td>(3.2%)</td>
<td>(x.x%)</td>
</tr>
<tr>
<td>159,932</td>
<td>11,267(^1)</td>
<td>8,647(^2)</td>
<td>5,915</td>
</tr>
<tr>
<td></td>
<td>6.4% 7.0%</td>
<td>5.4%</td>
<td></td>
</tr>
</tbody>
</table>

1) Before Special items  
2) After Special items  

Operating profit / profit before tax in % of sales revenue
Volkswagen Group – Key financial figures ¹)
(January to September 2016 vs. 2015)

| Thousand vehicles / € million | 2016      | 2015      | +/- (%)
|-------------------------------|-----------|-----------|---------
| Vehicle Sales ²)              | 7,653     | 7,440     | +2.9    |
| Sales revenue                 | 159,932   | 160,263   | -0.2    |
| Operating profit before Special Items | 11,267  | 10,197    | +10.5   |
| % of sales revenue            | 7.0       | 6.4       |         |
| Operating profit              | 8,647     | 3,342     | x       |
| % of sales revenue            | 5.4       | 2.1       |         |
| Financial result              | -488      | 1,800     | x       |
| of which: At-equity result ²) | 2,627     | 3,128     | -16.0   |
| of which: Other financial result | -3,116   | -1,327    | x       |
| Profit before tax             | 8,159     | 5,142     | +58.7   |
| % Return on sales before tax  | 5.1       | 3.2       |         |
| Profit after tax              | 5,915     | 3,990     | +48.2   |

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) Volume data including the unconsolidated Chinese joint ventures. The joint venture companies in China are accounted for using the equity method and recorded an operating profit (proportionate) of €3,594 million (€3,777 million).
Volkswagen Group – Analysis of operating profit ¹)
(January to September 2016 vs. 2015)

¹) All figures shown are rounded, minor discrepancies may arise from addition of these amounts.
### Volkswagen Group – Analysis by business line 1)
(January to September 2016 vs. 2015)

<table>
<thead>
<tr>
<th></th>
<th>Vehicle sales</th>
<th>Sales revenue</th>
<th>Operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Passenger Cars</td>
<td>3,234</td>
<td>3,343</td>
<td>77,725</td>
</tr>
<tr>
<td>Audi</td>
<td>1,166</td>
<td>1,158</td>
<td>44,017</td>
</tr>
<tr>
<td>ŠKODA</td>
<td>606</td>
<td>605</td>
<td>10,113</td>
</tr>
<tr>
<td>SEAT</td>
<td>400</td>
<td>404</td>
<td>6,535</td>
</tr>
<tr>
<td>Bentley</td>
<td>8</td>
<td>7</td>
<td>1,411</td>
</tr>
<tr>
<td>Porsche</td>
<td>177</td>
<td>169</td>
<td>16,470</td>
</tr>
<tr>
<td>Volkswagen Commercial Vehicles</td>
<td>342</td>
<td>335</td>
<td>8,045</td>
</tr>
<tr>
<td>Scania 3)</td>
<td>60</td>
<td>56</td>
<td>8,272</td>
</tr>
<tr>
<td>MAN Commercial Vehicles</td>
<td>74</td>
<td>74</td>
<td>7,213</td>
</tr>
<tr>
<td>MAN Power Engineering</td>
<td>-</td>
<td>-</td>
<td>2,567</td>
</tr>
<tr>
<td>VW China 3)</td>
<td>2,803</td>
<td>2,492</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-1,217</td>
<td>-1,204</td>
<td>-42,771</td>
</tr>
<tr>
<td>Volkswagen Financial Services</td>
<td>-</td>
<td>-</td>
<td>20,337</td>
</tr>
<tr>
<td>Volkswagen Group before Special Items</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Special Items</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Volkswagen Group</td>
<td>7,653</td>
<td>7,440</td>
<td>159,932</td>
</tr>
<tr>
<td>Automotive Division 5)</td>
<td>7,653</td>
<td>7,440</td>
<td>136,889</td>
</tr>
<tr>
<td>of which: Passenger Cars</td>
<td>7,178</td>
<td>6,974</td>
<td>111,044</td>
</tr>
<tr>
<td>of which: Commercial Vehicles</td>
<td>475</td>
<td>466</td>
<td>23,278</td>
</tr>
<tr>
<td>of which: Power Engineering</td>
<td>-</td>
<td>-</td>
<td>2,567</td>
</tr>
<tr>
<td>Financial Services Division</td>
<td>-</td>
<td>-</td>
<td>23,042</td>
</tr>
</tbody>
</table>

1) All figures shown are rounded, minor discrepancies may arise from addition of these amounts. 2) Incl. financial services. 3) Sales revenue and operating profit of the JV’s in China are not included in the Group figures. The Chinese companies are accounted for using the equity method and recorded an operating profit (proportionate) of €3,594 million (€3,777 million). 4) Mainly intragroup items, in particular from elimination of intercompany profits; incl. depreciation and amortization of identifiable assets as part of the PPA for Scania, Porsche Holding Salzburg, MAN and Porsche. 5) Including allocation of consolidation adjustments between Automotive and Financial Services divisions.
# Automotive Division – Strong cash generation \(^1\) \(^2\)  
(January to September 2016)

## Financials

<table>
<thead>
<tr>
<th>Cash flow from operating activities</th>
<th>Capex</th>
<th>Capitalized development costs</th>
<th>Other</th>
<th>Net cash flow before equity investments</th>
<th>Acquisition and disposal of equity investments</th>
<th>Net cash flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ billion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015(^3)</td>
<td>18.5</td>
<td>-7.3 (5.3(^4))</td>
<td>-3.3</td>
<td>0.4</td>
<td>8.3</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11.2</td>
</tr>
</tbody>
</table>

1. All figures shown are rounded, minor discrepancies may arise from addition of these amounts.
2. Including allocation of consolidation adjustments between Automotive and Financial Services divisions.
3. Prior year figures adjusted
4. Capital expenditure for property, plant and equipment in % of Automotive sales revenue.
Automotive division – Analysis of net liquidity 1)

€ billion

<table>
<thead>
<tr>
<th>Date</th>
<th>Equity capital increase Volkswagen FS</th>
<th>Dividend pay-out to Volkswagen AG shareholders</th>
<th>Distributions to hybrid investors</th>
<th>Proceeds from sale of interest in LeasePlan</th>
<th>Dividend FAW / SVW</th>
<th>Other cash flow</th>
<th>30.09.2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2015</td>
<td>24.5</td>
<td>-0.5</td>
<td>-0.1</td>
<td>2.2</td>
<td>2.3</td>
<td>3.0</td>
<td>2.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>31.1</td>
</tr>
</tbody>
</table>

Net cash flow: €7.5

1) All figures shown are rounded, minor discrepancies may arise from addition of these amounts.
Volkswagen Group – Net liquidity and funding

### Automotive Division - Net Liquidity

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Liquidity (in € bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>17.7</td>
</tr>
<tr>
<td>2015</td>
<td>24.5</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>31.1</td>
</tr>
</tbody>
</table>

### Funding programs

#### Money and Capital Markets as at 30 September 2016

- Commercial Papers: 10.0
- Medium Term Notes / Bonds: 48.6
- thereof: Hybrid Bonds: 7.5
- ABS: 33.8

#### Borrowings as at 30 September 2016

- Committed Lines: 1.9
- Uncommitted Lines: 9.9
- Supranationals, development banks, government, other: 15.8
- Direct Banking Deposits: 31.5
- Total Amount: 151.5

#### Loan Facility to June 2017

- Utilization 1 December, 2016: 0.0

---

1) Excluding Scania and Porsche FS
2) Excluding MAN and Porsche AG subsidiaries
Volkswagen Group – Outlook for 2016

- **Deliveries to customers**
  - +20%
  - 10,137, 9,931

- **Sales revenue**
  - +5.4%
  - 202.5, 213.3

- **Operating return on sales** (before Special Items)
  - 2014: 6.3%, 2015: 6.0%

- **Deliveries to customers**
  - Slightly above prior year

- **Sales revenue**
  - May reach prior year level

- **Operating return on sales** (before Special Items)
  - Between 5.0% and 6.0%
Our 5 priorities: Focus on crisis management and realignment

- Implementation of technical solutions launched in Germany
- Schedule for further refits in Europe to be adapted in consultation with authorities
- Agreement in principle reached with U.S. authorities
- Process audit by Group Audit already completed at 2015 year-end, proposed measures being rapidly implemented
- Detailed investigation of facts by Jones Day ongoing
- New management team in place
- Intensive work on new structures and leaner processes
- Numerous individual changes made to renew corporate and leadership culture
- Structured change process initiated
- Development of “TOGETHER Strategy 2025” proceeding to plan
- Key financial targets with focus on profitability already communicated
- Milestones and brand specific KPI’s will be implemented into next planning round
### US Diesel related settlements\(^1\)

<table>
<thead>
<tr>
<th>Issue</th>
<th>2.0L</th>
<th>3.0L</th>
<th>Criminal &amp; civil related claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>~475,000 vehicles</td>
<td>~83,000 vehicles</td>
<td>2.0L + 3.0L</td>
</tr>
</tbody>
</table>
| With whom? | • US Federal & State Regulators (DOJ, EPA, CARB, FTC)  
• Private Plaintiffs represented through plaintiff’s committee | • US Federal & State Regulators (DOJ, EPA, CARB, FTC)  
• Private Plaintiffs represented through plaintiff’s committee | DOJ, EPA, Customs & Border Protection |
| Claims status | • Per Dec 2016 ~436,000 consumers registered claims  
• 200,000 consumers have been issued offers | Pending approved details of claims procedure | Finalized; agreements awaiting U.S. federal court approvals |
| Approval status | Per Oct 2016 max funding pool of ~$10bn eligible for:  
• 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 (~$603m incl. 3.0L) | • Agreement with US environmental regulators to resolve civil claims  
• Agreement in principle with plaintiff’s committee  
• Preliminary settlement approval documents by Jan 31 2017  
• Negotiations with FTC continue | Combined fines & penalties $4.3bn:  
• Plea agreement incl. Guilty plea  
• Criminal fine of $2.8bn  
• Independent monitor  
• Customs and DOJ environmental penalty civil claims $1.45bn  
• DOJ civil FIRREA penalty $50m |
| Provision status | The payment obligations resulting from settlements is expected to lead to a financial expense that exceeds the current reserves of €18.2 bn. The concrete impact regarding the annual result 2016 cannot be defined at present due to its dependency on various further factors. |

\(^{1}\) as of January 2017
Product roadmap aligns with expected future market trends

Body group trends until 2020¹)

<table>
<thead>
<tr>
<th>Body Group</th>
<th>Volume in 2016¹)</th>
<th>until 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUV</td>
<td></td>
<td>+22%</td>
</tr>
<tr>
<td>Sedan</td>
<td></td>
<td>+4%</td>
</tr>
<tr>
<td>Hatchback</td>
<td></td>
<td>+7%</td>
</tr>
<tr>
<td>Pick-Up</td>
<td></td>
<td>+7%</td>
</tr>
<tr>
<td>MPV</td>
<td></td>
<td>-3%</td>
</tr>
<tr>
<td>Transporter</td>
<td></td>
<td>+7%</td>
</tr>
<tr>
<td>Micro Van</td>
<td></td>
<td>+11%</td>
</tr>
<tr>
<td>Estate</td>
<td></td>
<td>-5%</td>
</tr>
<tr>
<td>City Van</td>
<td></td>
<td>+9%</td>
</tr>
<tr>
<td>Coupe</td>
<td></td>
<td>+11%</td>
</tr>
<tr>
<td>Total market</td>
<td></td>
<td>+10%</td>
</tr>
</tbody>
</table>

Volkswagen brand has significant potential for improvement

- Underperformance in the US car market
- Falling market shares in price-sensitive markets of Brazil, India and ASEAN
- Inconsistent brand image in the regions
- High increase in fixed costs
- Growing productivity gap compared to competitors
- High product complexity is weakening ability to compete in volume segment
- Product portfolio is lagging behind international trends and requirements of local customers
- High level of vertical integration / need for investment in fields without differentiation from competitors
- Centralised, functional and hierarchical organisation
- Insufficient generation of returns/cash
Volkswagen brand has important qualities that enable it to take the lead in the volume segment

- Globally acknowledged and established brand and strong customer loyalty
- High-quality portfolio – cars with character: Golf, GTI, Tiguan, Passat, Jetta and Magotan
- Global presence and scalable platforms: Volkswagen Group backbone
- Unsurpassed market leadership in China, market leadership in Europe, and corresponding better price position of products
- Committed, highly qualified workforce that identifies with the brand
- Quality orientation, an eye for detail, and superb technical expertise
Increase in competitiveness and safeguarding the future are the focus points of the Future Pact agreement

**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

| Working Group 1 | • Increase of productivity by 25%  
|                | • Reduction of plant costs |
| Working Group 2 | • Increase of productivity by 25%  
| Components     | • Discontinuation of unprofitable products |
| Working Group 3 | • Reduction of hardware-oriented development work  
| Technical      | • Increased efficiency in development processes |
| Development    | |
| Working Group 4 | • Reduction of bureaucracy |

**Reduction in workforce based on demographic curve**
Strategic realignment of Volkswagen brand will take place in three phases

1. Radical restructuring
   - Restructuring
   - Development of expertise
   - Acceleration
   - SUV offensive

2. Leap to the top of electric mobility
   - MEB offensive
   - Extension of earnings base
   - Growth
   - Excellence

3. Major transformation
   - New business models
   - Mobility solutions worldwide

2015 Diesel crisis 2% RoS*
2020 Leading and profitable volume manufacturer 4% RoS**
2025 Global leader in e-mobility 6% RoS**
2030 Global leader in auto-mobility >6% RoS**

* before special items
** Operating return based on adjusted sales revenue (without turnover from multi brand sales companies)
Volkswagen brand image in critical markets will be improved step by step and brought in line with Europe.

Measures for a globally consistent brand positioning:
- SUV and BEV offensive
- Customer-relevant innovation
- Price positioning depending on brand strength and purchasing power in the target group of the aspiring middle class
- Strengthen brand image by means of uniform brand leadership across the world
Realignment of product strategy oriented towards the three phases of the Transform 2025+ strategy

1. Radical restructuring
   - 2015 Diesel crisis 2% RoS*
   - 2020 Leading and profitable volume manufacturer 4% RoS**

2. Leap to the top of electric mobility
   - 2nd MEB wave
   - 1st MEB wave
   - Transformation
   - Conventional product portfolio
   - Toolkit strategy
   - Engines strategy

3. Major transformation
   - New mobility
   - 2025 Global leader in e-mobility 6% RoS**
   - 2030 Global leader in auto-mobility >6% RoS**

* before special items
** Operating return based on adjusted sales revenue (without turnover from multi brand sales companies)
Reducing complexity leads to lower expenditure, frees up resources and increases productivity

<table>
<thead>
<tr>
<th>Business field</th>
<th>Reduced number of variants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sucessors / new vehicles</td>
<td>-30 to -60%</td>
</tr>
<tr>
<td>Platforms</td>
<td>-40%</td>
</tr>
<tr>
<td>Drivetrains</td>
<td>-30 to -40%</td>
</tr>
</tbody>
</table>

> €700 million lower initial investment

> > 15,000 fewer component variants
The number of platforms will be reduced consistently to create economies of scale worldwide

Currently
13 PQx

PQ12

2012 2019 2026 2030

MEB

Incl. global MQB

New toolkit (MEB)
MEB enables cost and concept leadership for electric vehicles

Conventional toolkit (MQB)
Using MQB for second product life cycle minimises the expenditure necessary for the transformation (no further changes to platform basis necessary)

Old platforms (PQx)
Avoiding expenses for maintaining and upgrading vehicles by discontinuing eleven of the PQ platforms
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
Volkswagen brand is planning a strong comeback in the USA

Focus on US Core Segments

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

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

Polo Global

Polo Sedan Global

Small SUV Global
Product line organisation and regionalisation are making us faster and more entrepreneurial

Product line organisation

<table>
<thead>
<tr>
<th>Product Line</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>G1</td>
<td>Small</td>
</tr>
<tr>
<td>G2</td>
<td>Compact</td>
</tr>
<tr>
<td>G3</td>
<td>Mid- &amp; Fullsize</td>
</tr>
<tr>
<td>G4</td>
<td>e-Mobility</td>
</tr>
</tbody>
</table>

New organisation model implemented in all product lines

Regionalisation

- **NAR**
  - Head NAR
  - F V E B P S GS

- **SAM**
  - Head SAM
  - F V E B P S CEO VWA

- **CHN**
  - Head CHN
  - F V E GS G1-3 G4 Project EBO*

New organisation model implemented for the regions

*EBO = Budget Car Organisation
Volkswagen Brand new mission statement

We are putting the future into series production – as the global leader for e-mobility.

We drive our customers and society forwards – with passion and innovation.

We use our strengths – to shape the transformation together.

TRANSFORM 2025+

Secure earnings power

A strong team that gets things moving
12 KPIs measure the achievement of the strategy in four targets

**Enthusiastic customers**
- Best-in-class recommendation from enthusiastic customers
- Top quality for the customer
- Direct customer contact in a digital environment

**Secure earnings power**
- Secure operating return
- Secure return on investment
- Ensuring financial viability

**A strong team that gets things moving**
- Vibrant corporate culture and dedicated employees
- Employer of choice for top talents
- Great diversity and expertise in our team

**Sustainable mobility**
- Global market leader in electric mobility
- Integrity as a guiding principle
- Reducing our carbon footprint
### Core challenges in the commercial vehicle industry ...

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cyclical markets</strong></td>
<td>Strong correlation to GDP in developed world</td>
</tr>
<tr>
<td></td>
<td>Not all regions hit by economic downturns at the same time</td>
</tr>
<tr>
<td><strong>Further globalization</strong></td>
<td>Local OEMs dominating in BRIC markets</td>
</tr>
<tr>
<td></td>
<td>Improving infrastructure, stronger regulations open opportunities for Volkswagen</td>
</tr>
<tr>
<td><strong>Emission regulations</strong></td>
<td>Europe with aggressive regulations, focus shifting to diesel lock-outs</td>
</tr>
<tr>
<td></td>
<td>BRIC trailing behind, but with ambitious roadmap</td>
</tr>
<tr>
<td><strong>Connectivity &amp; digitalization</strong></td>
<td>Platooning and partly-autonomous driving as transition solutions</td>
</tr>
<tr>
<td></td>
<td>Data management for customers and traffic of broad interest</td>
</tr>
<tr>
<td><strong>After sales and new business opportunities</strong></td>
<td>After sales increasingly important as alternative source of revenues</td>
</tr>
<tr>
<td></td>
<td>New business models (e.g. enhanced telematics) can stabilize revenues</td>
</tr>
</tbody>
</table>
... require Volkswagen truck brands to cooperate closely

- **Cyclical markets**
- **Further globalization**
- **Emission regulations**
- **Connectivity & digitalization**
- **After sales and new business opportunities**

**Global market reach** to ensure sufficient volume in local up- & downturns

**Reduced fixed costs** through modularization and shared components

“Navistar alliance: 16.6% equity, $256m, closure H1 2017”

**Combined R&D know-how** for competitive product development

**Additional value** through customer services

---

**Close cooperation going forward**

**VOLKSWAGEN TRUCK & BUS**
Deep roots and strong market position combined with further growth potential continues robust performance in China

**Deliveries to customers – strong Jan-Nov 2016**

<table>
<thead>
<tr>
<th>(thousand units)</th>
<th>2015</th>
<th>2016</th>
<th>+11.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>898</td>
<td>956</td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>845</td>
<td>907</td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>835</td>
<td>992</td>
<td></td>
</tr>
<tr>
<td>Jan-Nov</td>
<td>3,219</td>
<td>3,592</td>
<td></td>
</tr>
</tbody>
</table>

**Implementation of locally produced NEVs**

- **Phase 1**: A6 L e-tron
- **Phase 2**: Phideon PHEV, further Plug-in Hybrids
- **Phase 3**: Pure Electric Vehicles based on current toolkits, Electric toolkit (MEB)

**Strong operational & financial track record**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Profit</td>
<td>1.9</td>
<td>0.8</td>
<td>2.6</td>
<td>3.7</td>
<td>4.3</td>
<td>5.2</td>
<td>(3.8 in Q3)</td>
</tr>
<tr>
<td>Dividends paid to Volkswagen Group</td>
<td>5.2</td>
<td>5.2</td>
<td>3.0</td>
<td>5.2</td>
<td>3.6</td>
<td>3.6</td>
<td></td>
</tr>
</tbody>
</table>

**10 additional SUVs within the next 3-4 years**

- Škoda
- Audi

**Volkswagen going forward**

- Strong operational & financial track record
- Dividends paid to Volkswagen Group
- Proportionate Operating Profit

**Group**

- Volkswagen Brand Strategy 2025+
- Volkswagen Truck & Bus
- Regions / FS
- Trends

**Regions / FS**

- Volkswagen Truck & Bus
- Regions / FS
- Trends
Volkswagen Financial Services\textsuperscript{1)}: global, well diversified and successful

**Strong global presence**

- World map showing strong presence in various countries.

**Rising penetration rates**

- Line graph showing penetration rates from 2008 to Q3 2016:
  - Without China: 26.4% to 33.2%
  - With China: 25.0% to 32.9%

**Continuous portfolio expansion**

- Table showing portfolio in '000 contracts from 2008 to Q3 2016:
  - Financing
  - Leasing
  - Insurance / Services

**Diversified funding structure**

- Pie chart showing funding sources:
  - Customer deposits: 22%
  - Bonds, Commercial Paper, liabilities to financial institutions: 33%
  - Asset backed securitization: 28%
  - Equity, liabilities to affiliated companies, other: 17%

---

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

43
Challenging emission regulations, trends and business transformation opportunities

**... CO₂ and EU6 regulations**

Status and forecast of CO₂-regulations

- **US baseline: 219**
- **China baseline: 185**
- **EU baseline: 142**
- **US 2025: 107**
- **China 2015: 167**

**Graph:** Grams CO₂ per kilometer, normalized to NEDC

- **EU**
- **US-LDV (PC+LDT)**
- **China**

**Regions / FS Trends**

- Digitalization
- Shorter lifecycles
- E-mobility
- SUV trend
- Automated driving
- Shift in priorities

**Volkswagen going forward**

- Volkswagen Group
- Volkswagen Brand Strategy 2025+
- Volkswagen Truck & Bus

**China baseline: 185**

- **EU baseline: 142**
- **US baseline: 219**
- **US 2025: 107**
- **China 2015: 167**

**Graph:** Grams CO₂ per kilometer, normalized to NEDC
Roadmap battery cell chemistry and energy density

* basis: eGolf with comparable battery volume

- **2014**: Up to 190 km, 230 Wh/l
- **2017**: Up to 300 km, 410 Wh/l
- **2018**: Up to 380 km, 650 Wh/l
- **2020**: Up to 420 km, 700 Wh/l
- **2025**: Up to 700 km, 1000 Wh/l (all solid state)
- **2025**: Up to 500 km, 800 Wh/l (improved anode and cathode)

New battery technologies

**Lithium ion technology**
Roadmap battery cost

- battery system
- battery cell

Target: < 100€ / kWh

MQB

MEB
### Analysis of the value chain to achieve the target of <€100 / kWh

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Raw material</th>
<th>Cell / Formats</th>
<th>Module incl. assembly</th>
<th>Case, electronics and sub components assembly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithium</td>
<td>e.g. NMC (Lithium Nickel Manganese Cobalt Oxide)</td>
<td>Pouch</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nickel</td>
<td></td>
<td>Prizmatic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manganese</td>
<td></td>
<td>Round</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cobalt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graphite</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>…</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

70% added value 10% 20%

**Main factor to achieve target**
High-power charging (HPC) infrastructure essential for volume targets

**High-Power Charging (HPC)**

- HPC for Long Distance Driving
- Station Network along Highways
- Power >150kW up to 320kW
- CCS Standard

~ 290 charging stations

400 charging stations
The Volkswagen Group strives for a worldwide leading position in Mobility Services

> **Goal: Top Provider of Mobility Services**

> Until 2020 we will implement a **comprehensive portfolio of digital services** for all brands

> To generate a sustainable **competitive advantage**, we will **build up new core competences**
The founding of MOIA creates the framework for future mobility

- Develop **profitable business models** for the Group and brands
- Focus on **Mobility on Demand**
- **Support** traditional Group brands concerning **product design and technical requirements** of the vehicles
- „**Best of Best“** Management Team bundling know how from the automotive-, software- and services industry
Volkswagen is making digital transformation a top priority concentrating on digitalization and autonomous driving

Volkswagen Group Future Centers

• Three new Volkswagen Group Future Centers in Silicon Valley, Potsdam and Beijing

• Approach: designers and digitalization experts work hand in hand to create the car of the future

• Goal: best in class customer experience, interface design and user friendliness, new interior concepts, integration of infotainment and entertainment systems

Autonomous driving

• 91% of accidents caused by human error → reduce number of accidents

• People spend more than 4 years of their life in the car on average → make that time usable for the driver

• Huge potential for trucks → significantly higher productivity

• Car parked most of the day → customer achieves best return on investment by fully utilizing the car

• Infrastructure limited → has to be used more efficiently

20th Century: Engine is the core of the automobile

21st Century: Self-driving system is the core of the automobile

Top fields of use

Group is building on strong knowledge base – initiative started to get to market ahead of competitors
New co-operations and initiatives
“Together, we will create a new Volkswagen and play a key role in designing the mobility world of tomorrow”

M. Müller, CEO, June 16th 2016
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. May 2017</td>
<td>Annual General Meeting 2017</td>
</tr>
</tbody>
</table>
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Volkswagen Group
Appendix
Rating Volkswagen Group

Moody’s

Investment grade

<table>
<thead>
<tr>
<th>Rating</th>
<th></th>
<th>Volkswagen Bank GmbH (N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aaa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aa1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aa2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aa3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A2</td>
<td></td>
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<tr>
<td>A3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baa1</td>
<td></td>
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</tr>
<tr>
<td>Baa2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baa3</td>
<td></td>
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</tbody>
</table>

Volkswagen AG (N)

Outlook

<table>
<thead>
<tr>
<th>Rating</th>
<th></th>
<th>Volkswagen Bank GmbH (N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AA+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AA-</td>
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</tr>
<tr>
<td>A+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBB+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBB</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBB-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Volkswagen AG (N), VW FS AG (N)

Subinvestment grade

<table>
<thead>
<tr>
<th>Rating</th>
<th></th>
<th>Volkswagen Bank GmbH (N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ba1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ba2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ba3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Outlook - Positive, (S)table, (N)egative, RFd = Ratings under review for Downgrade, RFu = Ratings under review for Upgrade
Automotive Division – Research and Development Costs
(January to September 2016 vs. 2015)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th></th>
<th>2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total R&amp;D costs</td>
<td>9.941</td>
<td>3.292 (33.1%)</td>
<td>10.129</td>
<td>4.222 (41.7%)</td>
</tr>
<tr>
<td>of which capitalized</td>
<td>2.381</td>
<td>2.538</td>
<td>Recognized in the income statement</td>
<td>9.030</td>
</tr>
<tr>
<td>amortization Recognized in the income statement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Special Items: Diesel related and other

<table>
<thead>
<tr>
<th>(In € bn)</th>
<th>Diesel</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Legal</td>
<td>Restructuring:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other items</td>
<td>Truck Business South America</td>
<td>0.2</td>
</tr>
<tr>
<td>2015</td>
<td>7.0</td>
<td>Passenger Cars South America</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>9.2</td>
<td>Airbags Takata</td>
<td>0.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>16.9</td>
</tr>
<tr>
<td>Q1-Q3 2016</td>
<td>Mainly legal risks</td>
<td>Scania Anti-Trust Proceedings</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>2.0</td>
<td>Airbags Takata</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.6</td>
</tr>
<tr>
<td>Total to date</td>
<td></td>
<td></td>
<td>18.2</td>
</tr>
</tbody>
</table>
Volkswagen AG confirms that it is in advanced discussions with the US Department of Justice and U.S. Customs and Border Protection. The aim of the discussions is to reach a settlement agreement regarding the settlement of certain criminal investigations and certain civil fines in connection with the Diesel issue in the USA.

Volkswagen AG further confirms market rumors that the company negotiated a concrete draft of a settlement agreement with the aforementioned US authorities which contains criminal and civil fines with a total amount of USD 4.3 Billion as well as measures to further strengthen the Compliance and Control-Systems including the appointment of an Independent Monitor for the next three years. Further, part of the settlement agreement is a Guilty Plea regarding certain US criminal-law provisions and a Statement of Facts on the basis of which the fines have to be made.

The final conclusion of the settlement agreement is still subject to the approval by the Management Board and the Supervisory Board of Volkswagen AG and by the competent corporate bodies of further Group Companies involved. A final conclusion of the settlement agreement is further subject to the execution by the competent US authorities and to the approval of the competent US courts.

In case of a settlement agreement, the payment obligations are expected to lead to a financial expense that exceeds the current provisions. The concrete impact regarding the annual result 2016 cannot be defined at present due to its dependency on various further factors.”
Modular toolkits – Brand responsibilities

- **MQB**: Modular Transverse Toolkit
- **MLB**: Modular Longitudinal Toolkit
- **MSB**: Modular Standard Drivetrain Toolkit
- **MNB**: Modular Light Commercial Vehicle Toolkit
- **MMB**: Modular Mid-engine Toolkit
- **MEB**: Modular Electric Toolkit
We have defined central fields of action for each phase

**Radical restructuring**

1. Assert a global brand position – Top of Volume
2. SUV as launch pad for emotionalization and earnings power
3. Basis for market leadership in electric mobility
4. Create basis for market leadership in connectivity
5. Europe/China: secure market leadership
6. Turnaround NAR
7. Successful in economy regions/markets (SAM, RUS, IND)
8. Direct customer relationship, new sales and distribution concept
9. Implement „Future Pact“
10. Redirect resources
11. Decentralize organisation and make it more agile
12. Concentrate on value creation in all business areas

**Leap to the top of electric mobility**

1. First choice for the aspiring middle class
2. Leader in transformation of the car industry
3. Secure earnings from classic product portfolio
4. First manufacturer with 1 million electric vehicles
5. Cost leadership in electric mobility
6. Leading digital ecosystem in the automotive sector
7. Establish basis for autonomous mobility and future business models
8. Profitable in NAR
9. Growth and profitability in economy segment
10. Operational excellence throughout the entire value chain

**Major transformation**

1. Leading digital ecosystem in the mobility sector
2. Business model for
   - Autonomous driving
   - Profitable coverage of new fields of mobility
   - Emission-free driving
   - Global and tailored vehicle portfolio

**Timeline**

- **2015** Diesel crisis • 2% RoS*
- **2020** Leading and profitable volume manufacturer • 4% RoS**
- **2025** Global leader in e-mobility • 6% RoS**
- **2030** Global leader in auto-mobility • >6% RoS**
The SUV offensive has a global impact: Investment channeled into high earnings and high growth segments

Small SUV
- New

T-Roc
- New

Compact SUV
- New

Compact SUV

Tiguan
- New Gen.

Tiguan LWB
- New

Touareg
- New Gen.

Atlas
- New
Volkswagen brand is planning an industry-leading ecosystem
Volkswagen Atlas
Volkswagen I.D
Audi Q5
Porsche 718 Boxster
Bentley Bentayga
Lamborghini Centenario
Bugatti Chiron
MAN TGX
Scania R500 4x2
Volkswagen Group
Frank Witter
Chief Financial Officer
Kepler Cheuvreux German Corporate Conference,
Frankfurt, 18 January 2017