Volkswagen Group

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

We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superseded.

This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.
Volkswagen Investor Update

Volkswagen AG
Ulrich Hauswaldt – Group Investor Relations
Martin Büdke – Capital Markets & Rating

Volkswagen Financial Services AG
Bernd Bode – Head of Group Treasury and Investor Relations
Katja Hauer – Investor Relations
### Substantial progress in our 5-point program

<table>
<thead>
<tr>
<th></th>
<th>Q1/2016</th>
<th>Q1/2017</th>
</tr>
</thead>
</table>
| **Management of the diesel crisis** | ▪ Operational crisis management  
▪ Successful recall actions  
▪ Securing liquidity | [progress](#) | [progress](#) |
| **Clarification**     | ▪ Internal investigations  
▪ Optimization of compliance and risk reporting | [progress](#) | [progress](#) |
| **New structure**     | ▪ New Group structure  
▪ Model line organization  
▪ Group functions  
▪ Lean reporting | [progress](#) | [progress](#) |
| **New mindset**       | ▪ Evolution of corporate values  
▪ Evolution of leadership model | [progress](#) | [progress](#) |
| **New destination**   | ▪ Development of TOGETHER – Strategy 2025 | [progress](#) | [progress](#) |
### World car market vs. Volkswagen Group car deliveries to customers ¹)

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Car Market</th>
<th>VW Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>2.8%</td>
<td>-1.3%</td>
</tr>
<tr>
<td>North America Cars + LCV</td>
<td>3.5%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>8.9%</td>
<td>12.3%</td>
</tr>
<tr>
<td>South America</td>
<td>7.1%</td>
<td>7.7%</td>
</tr>
<tr>
<td>South America Cars + LCV</td>
<td>2.6%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>World</td>
<td>7.1%</td>
<td>7.7%</td>
</tr>
<tr>
<td>World Cars + LCV</td>
<td>8.9%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>3.9%</td>
<td>-5.5%</td>
</tr>
</tbody>
</table>

¹) Figures excl. Volkswagen Commercial Vehicles, Scania and MAN Commercial Vehicles.
## Deliveries & Global Trends

### Key Financials & Cash

### Strategic Outlook & Milestones

### Brands / Regions

### Diesel

### Remuneration

### Integrity & Compliance

### Commitment

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

<table>
<thead>
<tr>
<th></th>
<th>January - April 2016</th>
<th>January - April 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Passenger Cars</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volkswagen</td>
<td>1,936</td>
<td>1,909</td>
</tr>
<tr>
<td>Audi</td>
<td>620</td>
<td>579</td>
</tr>
<tr>
<td>Skoda</td>
<td>374</td>
<td>381</td>
</tr>
<tr>
<td>Seat</td>
<td>139</td>
<td>159</td>
</tr>
<tr>
<td>Porsche</td>
<td>78</td>
<td>82</td>
</tr>
<tr>
<td><strong>Commercial Vehicles</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volkswagen</td>
<td>3,361</td>
<td>3,336</td>
</tr>
<tr>
<td>MAN</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td>MAN Latin America Trucks and Buses GVW &gt; 5t</td>
<td>25</td>
<td>28</td>
</tr>
</tbody>
</table>

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1. Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -1.2% excl. Volkswagen Commercial Vehicles, Scania and MAN.
2. MAN incl. MAN Latin America Trucks and Buses GVW > 5t

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

¹) Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -1.2% excl. Volkswagen Commercial Vehicles, Scania and MAN.
Car Market Outlook 2020: Stagnation in USA and Europe; recovery in Brazil from a low base; slower growth rates in China; India with solid growth

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2017</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>17.6</td>
<td>17.4</td>
<td>17.2</td>
</tr>
<tr>
<td>WEST EUROPE</td>
<td>14.0</td>
<td>14.1</td>
<td>13.9</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>2.0</td>
<td>2.0</td>
<td>2.2</td>
</tr>
<tr>
<td>WORLD</td>
<td>82.0</td>
<td>83.3</td>
<td>88.3</td>
</tr>
<tr>
<td>CHINA</td>
<td>23.1</td>
<td>23.5</td>
<td>25.4</td>
</tr>
</tbody>
</table>

Source: IHS Global Sales forecast 2017M01; Total market for passenger cars in North and South America defined as per ‘Light Vehicles’ (includes light commercial vehicles)
Volkswagen Group started fiscal year 2017 on a strong footing

- Group deliveries (vehicles): 2.5m
  - Q1 '16: 2.5m
  - Q1 '17: 2.5m
  - Change: -0.5% vs. prior year

- Sales revenue: €56.2bn
  - Q1 '16: €51.2bn
  - Q1 '17: €56.2bn
  - Change: +10% vs. prior year

- Operating result (before special items): €4.4bn
  - Q1 '16: €3.4bn
  - Q1 '17: €4.4bn
  - Change: +27% vs. prior year
### Volkswagen Group – Key Financial Figures\(^1\)
(January to March 2017 vs. 2016)

<table>
<thead>
<tr>
<th></th>
<th>January – March</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Sales revenue</td>
<td>50,964</td>
<td>56,197</td>
</tr>
<tr>
<td>Operating result before special items</td>
<td>3,131</td>
<td>4,367</td>
</tr>
<tr>
<td>as a percentage of sales revenue</td>
<td>6.1</td>
<td>7.8</td>
</tr>
<tr>
<td>Special items</td>
<td>309</td>
<td>-</td>
</tr>
<tr>
<td>Operating result</td>
<td>3,440</td>
<td>4,367</td>
</tr>
<tr>
<td>as a percentage of sales revenue</td>
<td>6.8</td>
<td>7.8</td>
</tr>
<tr>
<td>Financial result</td>
<td>-237</td>
<td>256</td>
</tr>
<tr>
<td>Earnings before tax</td>
<td>3,203</td>
<td>4,623</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-838</td>
<td>-1,221</td>
</tr>
<tr>
<td>Earnings after tax</td>
<td>2,365</td>
<td>3,403</td>
</tr>
<tr>
<td>Earnings per share (Prefs)</td>
<td>4.64</td>
<td>6.71</td>
</tr>
</tbody>
</table>

\(^1\) All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

\(^2\) Percentage points.
Operating profit increased to €4.4 billion in Q1 2017

<table>
<thead>
<tr>
<th>Q1 2016 Operating profit before special items</th>
<th>Q1 2017 Operating profit</th>
<th>Volume/Mix/Prices</th>
<th>Exchange rates</th>
<th>Product costs</th>
<th>Fixed costs</th>
<th>Commercial Vehicles²</th>
<th>Power Engineering²</th>
<th>Financial Services Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>€3.1 billion</td>
<td>€4.4 billion</td>
<td>+ 0.9 billion</td>
<td>+ 0.5 billion</td>
<td>+ 0.3 billion</td>
<td>- 0.6 billion</td>
<td>+ 0.2 billion</td>
<td>- 0.0 billion</td>
<td>+ 0.0 billion</td>
</tr>
</tbody>
</table>

All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ¹) without FS ²) including PPA
Strong brands contributed to the operating profit of the Group in Q1 2017

<table>
<thead>
<tr>
<th></th>
<th>Vehicle sales</th>
<th>Sales revenue</th>
<th>Operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2017</td>
<td>Q1 2016</td>
<td>Q1 2017</td>
</tr>
<tr>
<td>Volkswagen Passenger Cars 2)</td>
<td>862</td>
<td>1,069</td>
<td>19,040</td>
</tr>
<tr>
<td>Audi</td>
<td>375</td>
<td>388</td>
<td>14,378</td>
</tr>
<tr>
<td>ŠKODA</td>
<td>252</td>
<td>207</td>
<td>4,334</td>
</tr>
<tr>
<td>SEAT</td>
<td>148</td>
<td>127</td>
<td>2,487</td>
</tr>
<tr>
<td>Bentley</td>
<td>2</td>
<td>2</td>
<td>361</td>
</tr>
<tr>
<td>Porsche</td>
<td>57</td>
<td>59</td>
<td>5,035</td>
</tr>
<tr>
<td>Volkswagen Commercial Vehicles</td>
<td>119</td>
<td>118</td>
<td>2,875</td>
</tr>
<tr>
<td>Scania 4)</td>
<td>21</td>
<td>19</td>
<td>3,084</td>
</tr>
<tr>
<td>MAN Commercial Vehicles</td>
<td>25</td>
<td>23</td>
<td>2,572</td>
</tr>
<tr>
<td>MAN Power Engineering</td>
<td>-</td>
<td>-</td>
<td>783</td>
</tr>
<tr>
<td>VW China 5)</td>
<td>971</td>
<td>980</td>
<td>-</td>
</tr>
<tr>
<td>Other 6)</td>
<td>-223</td>
<td>-415</td>
<td>-6,628</td>
</tr>
<tr>
<td>Volkswagen Financial Services 7)</td>
<td>-</td>
<td>-</td>
<td>7,876</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>2,610</td>
<td>2,577</td>
<td>56,197</td>
</tr>
<tr>
<td>Automotive Division 8)</td>
<td>2,610</td>
<td>2,577</td>
<td>47,825</td>
</tr>
<tr>
<td>of which: Passenger Cars</td>
<td>2,445</td>
<td>2,417</td>
<td>38,640</td>
</tr>
<tr>
<td>of which: Commercial Vehicles</td>
<td>165</td>
<td>160</td>
<td>8,402</td>
</tr>
<tr>
<td>of which: Power Engineering</td>
<td>-</td>
<td>-</td>
<td>783</td>
</tr>
<tr>
<td>Financial Services Division</td>
<td>-</td>
<td>-</td>
<td>8,372</td>
</tr>
</tbody>
</table>

1) All figures shown are rounded, minor discrepancies may arise from addition of these amounts. 2) 2017 figures take account of the reclassification of companies; prior-year figures were not adjusted. 3) Porsche (Automotive and Financial Services): sales revenue €5,489 (5,378) million, operating profit €967 (895) million. 4) Including financial services. 5) The sales revenue and operating profits of the joint venture companies in China are not included in the figures for the Group. These Chinese companies are accounted for using the equity method and recorded a proportionate operating profit of €1,112 (1,174) million. 6) Prior-year adjusted. In operating profit mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation for Scania, Porsche Holding Salzburg, MAN and Porsche. 7) Starting January 1, 2017, Porsche’s financial services business is reported as part of Volkswagen Financial Services. Prior-year figures were not adjusted. 8) Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
Automotive Division net cash flow Q1 2017: impacted by cash outflows relating to the diesel issue

€ billion

### Key Financials & Cash

**Gross cash flow**: 7.3

**Change in working capital**: -6.5

**Capex**: -1.8

**Capitalized development costs**: -1.4

**Other**\(^1\)**: -0.2

**Net cash flow**: -2.6

Around € 5bn diesel related cash outflow

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\(^1\) Including disposals & acquisitions of equity investments – mainly stake in Navistar for € 0.3bn.

All figures shown are rounded, minor discrepancies may arise from addition of these amounts.
Automotive Division net liquidity on a robust level

€ billion

Year-end 2016: 27.2
Net cash flow before equity investments: -2.3
Other: -1.3
End of Q1 2017: 23.6
Dividend increases – distribution ratio 19.7%

Earnings attributable to Volkswagen AG shareholders

<table>
<thead>
<tr>
<th>Year</th>
<th>Ordinary Share</th>
<th>Preferred Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4.86</td>
<td>0.11</td>
</tr>
<tr>
<td>2015</td>
<td>4.80</td>
<td>0.17</td>
</tr>
<tr>
<td>2016</td>
<td>2.00</td>
<td>2.06</td>
</tr>
</tbody>
</table>

Dividend per share

<table>
<thead>
<tr>
<th>Year</th>
<th>Ordinary Share</th>
<th>Preferred Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4.80</td>
<td>0.11</td>
</tr>
<tr>
<td>2015</td>
<td>4.86</td>
<td>0.17</td>
</tr>
<tr>
<td>2016</td>
<td>2.00</td>
<td>2.06</td>
</tr>
</tbody>
</table>
Volkswagen Group – Net liquidity and funding

Automotive Division - Net Liquidity

(in € bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>27.2</td>
<td>24.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Bulk of Diesel related outflow

Back to ≥ € 20 bn asap

Funding programs utilization

(in € bn)

<table>
<thead>
<tr>
<th>Quad. 2017</th>
<th>Quad. 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money and Capital Markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Papers</td>
<td>14.1</td>
<td>7.7</td>
</tr>
<tr>
<td>Medium Term Notes / Bonds</td>
<td>50.9</td>
<td>54.9</td>
</tr>
<tr>
<td>thereof: Hybrid Bonds</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>ABS</td>
<td>37.5</td>
<td>30.9</td>
</tr>
</tbody>
</table>

Borrowings

<table>
<thead>
<tr>
<th>Quad. 2017</th>
<th>Quad. 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committed Lines - Drawings</td>
<td>2.4</td>
<td>8.8</td>
</tr>
<tr>
<td>Uncommitted Lines - Drawings</td>
<td>10.0</td>
<td>9.6</td>
</tr>
<tr>
<td>Supranationals, development banks, government, other</td>
<td>19.1</td>
<td>13.9</td>
</tr>
<tr>
<td>Direct Banking Deposits</td>
<td>31.1</td>
<td>30.3</td>
</tr>
<tr>
<td>Total Amount</td>
<td>165.1</td>
<td>156.1</td>
</tr>
</tbody>
</table>

1) Excluding Scania and Porsche FS,
2) Excluding MAN and Porsche AG subsidiaries

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Volkswagen Group Funding Strategy – Overview¹)

Diversification of Funding Sources²)

- Direct Banking Deposits: 19%
- Hybrid Bonds: 5%
- Commercial Paper: 8%
- ABS: 23%
- Bank Loans: 19%
- Medium Term Notes / Bonds: 26%

Currencies – Breakdown

- EUR 61%
- USD 20%
- CAD 3%
- GBP 7%
- AUD 1%
- JPY 2%
- SEK 2%
- CNY 1%
- other³: 3%

Source: Volkswagen Group

¹) as of March 31, 2017; without Scania and Porsche FS
²) Bank Loans without MAN SE, Porsche AG
³) BRL, CZK, HKD, INR, KRW, MXN, NOK, NZD, RUB, TRY
Volkswagen Group Funding Strategy – Maturity Profile (in € million)\(^1\)

\(^1\) as of March 31, 2017, excluding Scania and Porsche FS
Source: Volkswagen Group
Volkswagen Group Funding Strategy – Major Funding Programmes in Europe
(Medium Term Notes)

- **Volkswagen AG**
  - EUR 30.0 bn Debt Issuance Programme
  - Volkswagen International Finance N.V.

- **Volkswagen FS AG**
  - EUR 25.0 bn Debt Issuance Programme
  - Volkswagen Financial Services AG
  - Volkswagen Financial Services N.V.
  - Volkswagen Leasing GmbH

- **Volkswagen Bank GmbH**
  - EUR 10.0 bn Debt Issuance Programme
  - Volkswagen Bank GmbH
Volkswagen Group Funding Strategy – Major Funding Programmes in Europe (Commercial Paper)

**Volkswagen AG**
- **EUR 15.0 bn** Multi CCY CP-Programme
  - Volkswagen International Finance N.V.
  - Volkswagen Group of America Finance, LLC

**Volkswagen FS AG**
- **EUR 5.0 bn** Multi CCY CP-Programme
  - Volkswagen Financial Services AG
  - Volkswagen Financial Services N.V.
  - Volkswagen Leasing GmbH

**Volkswagen Bank GmbH**
- **EUR 2.5 bn** Multi CCY CP-Programme
  - Volkswagen Bank GmbH

**Volkswagen Group Services NV/SA**
- **EUR 5.0 bn** Belgian Short-Term Treasury Notes Programme
Volkswagen Group – Main Ratings

<table>
<thead>
<tr>
<th>Current Ratings</th>
<th>Standard&amp;Poor’s</th>
<th>Moody’s</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Long Term</td>
<td>Short Term</td>
</tr>
<tr>
<td>Volkswagen AG</td>
<td>BBB+</td>
<td>A-2</td>
</tr>
<tr>
<td>Volkswagen Financial Services AG</td>
<td>BBB+</td>
<td>A-2</td>
</tr>
<tr>
<td>Volkswagen Bank GmbH</td>
<td>A-</td>
<td>A-2</td>
</tr>
</tbody>
</table>

Outlook Negative

Volkswagen AG

Volkswagen Bank GmbH

Volkswagen Financial Services AG

Current Ratings

Standard&Poor’s

Moody’s

Long Term

Short Term

Outlook

Negative
Volkswagen Group – Outlook for 2017

Deliveries to customers (‘000 vehicles)

- Year 2015: 9,931
- Year 2016: 10,297
- Increase: 3.7%

Sales revenue (€ billion)

- Year 2015: 213.3
- Year 2016: 217.3
- Increase: 1.9%

Operating return on sales (%)

- Year 2015: 6.0%
- Year 2016: 6.7%

*) before Special Items

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

**Sales revenue**
- Up to 4% above prior year level

**Operating return on sales**
- Between 6.0% and 7.0%
Improving Group results despite significant challenges

- **Emission costs**
  - EU -27% CO₂ emission
  - US -35% CO₂ emission
  - CN -40% l/km consumption

- **Industry transition**
  - e-mobility
  - Digitalization
  - Autonomous Driving

<table>
<thead>
<tr>
<th>Year</th>
<th>Return on Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Actual</td>
<td>6.7%</td>
</tr>
<tr>
<td>2020 Target</td>
<td>6.5-7.5%</td>
</tr>
</tbody>
</table>
**Clear Financial Targets and Milestones**

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

1) after considering a strategic target of 30% Payout Ratio based on Group profit after tax
CAPEX Automotive Division
(€ bn, as % of sales revenue)
R&D Cost Automotive Division
(€ bn, as % of sales revenue)
STRATEGY 2025 – INITIATIVES AT A GLANCE

**GROW PROFITABLY**

1. Sharpen positioning of brands
2. Develop winning vehicle and drivetrain portfolio
3. Streamline modular architectures
4. Partner with regional players to win in economy segment
5. Develop self-driving system for autonomous vehicles and artificial intelligence in-house
6. Develop battery technology as new core competency
7. Develop best-in-class user experience across brands and customer touchpoints
8. Implement model line organization
9. Realign “Components” business

**DEVELOP STRATEGIC CAPABILITIES**

10. Build mobility solutions business
11. Develop and expand attractive and profitable smart mobility offering

**ENHANCE ENTREPRENEURIAL SPIRIT**

12. Improve operational excellence
13. Optimize business portfolio
14. Drive digital transformation
15. Create organization 4.0

**Transform core business**

Secure funding

Strengthen innovation power
Cascading Group Targets to Brands

**Group KPIs**
- RoS
- RoI
- Capex
- R&D
- CF/Liquidity

Commitment

**Brand KPIs**
- Top-Down Targets
- Committed in Planning Rounds
Status update

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

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

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

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

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

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

- Number of contracts raised to new record of 16.1m
- Comprehensive **digitalization drive** initiated
## Overview Brand Targets (RoS, RoE)

### Return on Sales in %

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volkswagen Group</strong></td>
<td>6.7</td>
<td>6.0-7.0</td>
<td>6.5-7.5</td>
<td>7.0-8.0</td>
</tr>
<tr>
<td><strong>Volkswagen Brand</strong></td>
<td>1.8</td>
<td>2.5-3.5</td>
<td>≥4</td>
<td>≥6</td>
</tr>
<tr>
<td><strong>Audi</strong></td>
<td>8.2</td>
<td>8-10</td>
<td>8-10</td>
<td>8-10</td>
</tr>
<tr>
<td><strong>Porsche</strong></td>
<td>17.4</td>
<td>&gt;15</td>
<td>&gt;15</td>
<td>&gt;15</td>
</tr>
<tr>
<td><strong>ŠKODA</strong></td>
<td>8.7</td>
<td>7-8</td>
<td>6-7</td>
<td>≥7</td>
</tr>
<tr>
<td><strong>Volkswagen Commercial Vehicles</strong></td>
<td>4.1</td>
<td>3-4</td>
<td>4-5</td>
<td>&gt;6</td>
</tr>
<tr>
<td><strong>Truck &amp; Bus Business</strong></td>
<td>9.5</td>
<td>6-7</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>• Scania</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• MAN Commercial Vehicles</td>
<td>2.3</td>
<td>6-7</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

### Return on Equity (norm. 8%)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volkswagen Financial Services</strong></td>
<td>15.6%</td>
<td>14-16%</td>
<td>14-16%</td>
<td>20%</td>
</tr>
</tbody>
</table>

---

1) For peer-group analysis: Truck & Bus Business RoS is calculated as the sum of Scania and MAN Commercial Vehicles (equals ~6.1% in 2016)
2) Through-cycle Target
The „TRANSFORM 2025+“ strategy will put the brand to the top of the automotive industry

1. Radical restructuring
   - Brand positioning „top of volume“
   - SUV offensive
   - Regions (China, NAR, SAM)
   - Economy markets
   - Zukunftspakt
   - Product margins
   - Agile organisation

2. Leap to the top of electric mobility
   - Electro offensive
   - Digital ecosystem
   - Operational excellence

3. Major transformation
   - Automated driving
   - New fields of mobility

2015
Diesel crisis
2% RoS*

2020
Leading & profitable volume manufacturer
4% RoS**

2025
Global leader in e-mobility
6% RoS**

2030
Global leader in auto-mobility
>6% RoS**

* Before special items
Increase in competitiveness and safeguarding the future are the focus points of the Future Pact agreement

<table>
<thead>
<tr>
<th>Working Group 1</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Increase of productivity by 25%</td>
</tr>
<tr>
<td></td>
<td>• Reduction of plant costs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Working Group 2</th>
<th>Components</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Increase of productivity by 25%</td>
</tr>
<tr>
<td></td>
<td>• Discontinuation of unprofitable products</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Working Group 3</th>
<th>Technical Development</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Reduction of hardware-oriented development work</td>
</tr>
<tr>
<td></td>
<td>• Increased efficiency in development processes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Working Group 4</th>
<th>Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Reduction of bureaucracy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Secure the Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 4 additional models:</td>
</tr>
<tr>
<td>2 conventional and 2 MEB vehicles</td>
</tr>
<tr>
<td>• Investments in:</td>
</tr>
<tr>
<td>• Electric drive trains</td>
</tr>
<tr>
<td>• Pilot facility battery cell</td>
</tr>
<tr>
<td>• Battery system</td>
</tr>
<tr>
<td>• Competency/capacity increase in autonomous driving, electrification, connectivity etc.</td>
</tr>
<tr>
<td>• Creation of employment in new business segments</td>
</tr>
</tbody>
</table>

Reduction in workforce based on demographic curve
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>Successors / 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
Volkswagen brand is planning a strong comeback in the USA

Focus on US Core Segments

Atlas

Tiguan LWB

Jetta

Passat

Key measures

• Extend SUV offering, focus on US core segments (SUVs, sedans)
• Market-oriented pricing
• Market-oriented alignment to local standards and customer expectations
• Reduce material, product and fixed costs
• “Electrify America”: infrastructure and locally produced cars from 2021
A product offensive will initiate a new growth phase in South America

Product offensive in South America

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)  Tiguan LWB (NAR)  T-Roc (EU)  Virtus (SAM)  Jetta (NAR)

Dates: Start of Production
The Volkswagen brand will implement MEB to make electric vehicles affordable and profitable

Key measures

- Concept determined by: customer benefit and package for cost-optimized implementation of e-components
- MEB: economies of scale from use of MEB across entire Group
- “Design for manufacturing“: higher productivity, shorter manufacturing time
- Lower material and distribution costs
- Significant reduction in variants
- Early involvement of suppliers
The ID family shows the future direction of Brand Volkswagen
Volkswagen Group autonomous driving

- **SEDRIC** first Self-Driving Car in Volkswagen Group
- „Level 5“: autonomous driving without steering wheel and pedals
- Formation of **Autonomous Intelligent Driving GmbH**
- Target: until **2021**
Core challenges in the commercial vehicle industry ...

**Cyclical markets**
- Strong correlation to GDP in developed world
- Not all regions hit by economic downturns at the same time

**Further globalization**
- Local OEMs dominating in BRIC markets
- Improving infrastructure, stronger regulations open opportunities for Volkswagen

**Emission regulations**
- Europe with aggressive regulations, focus shifting to diesel lock-outs
- BRIC trailing behind, but with ambitious roadmap

**Connectivity & digitalization**
- Platooning and partly-autonomous driving as transition solutions
- Data management for customers and traffic of broad interest

**After sales and new business opportunities**
- After sales increasingly important as alternative source of revenues
- New business models (e.g. enhanced telematics) can stabilize revenues
Long-term synergy potential will enable savings of up to €1 bn p.a.

Synergy potential from brand collaboration and expanded platform strategy

€ million p.a.

- Material costs
- Production costs / tooling
- R&D

2015

- ~200

2025

Up to 1,000

Key common powertrain platforms

- Base engine
- After-treatment
- Transmission
- Axles
### Global expansion on track with Navistar alliance

<table>
<thead>
<tr>
<th></th>
<th>Equity investment</th>
<th>16.6% equity stake in Navistar by way of capital increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Strategic technology and supply cooperation</td>
<td>Companies to collaborate on technology for powertrain systems, as well as other advanced technologies</td>
</tr>
<tr>
<td>3</td>
<td>Procurement joint venture</td>
<td>Procurement joint venture is pursuing joint global sourcing opportunities</td>
</tr>
<tr>
<td>4</td>
<td>Governance</td>
<td>2 VW T&amp;B representatives nominated to Navistar Board of Directors. Joint Alliance Board to govern overall alliance</td>
</tr>
</tbody>
</table>
RoS target of 9 percent to be reached through combination of measures

RoS before special items

Operational improvement of brands and initial successes of cooperation

Buildup of VW TB organization and team

Long-term cooperation

- Common Powertrain
- Autonomous vehicles
- Digitalization
- Alternative fuels, hybrid, electrification

Through-cycle target
### Strong operating result for the Volkswagen Group in China

<table>
<thead>
<tr>
<th>Year</th>
<th>Deliveries to customers (in ‘000 units)</th>
<th>Production (in ‘000 units)</th>
<th>Operating profit (in € million)</th>
<th>Prop. Operating profit (in € million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2,815</td>
<td>2,643</td>
<td>8,424</td>
<td>3,678</td>
</tr>
<tr>
<td>2013</td>
<td>3,271</td>
<td>3,135</td>
<td>9,569</td>
<td>4,296</td>
</tr>
<tr>
<td>2014</td>
<td>3,675</td>
<td>3,528</td>
<td>12,077</td>
<td>5,182</td>
</tr>
<tr>
<td>2015</td>
<td>3,549</td>
<td>3,420</td>
<td>11,937</td>
<td>5,214</td>
</tr>
<tr>
<td>2016</td>
<td>3,982</td>
<td>3,897</td>
<td>11,094</td>
<td>4,956</td>
</tr>
</tbody>
</table>
Volkswagen Group China performance
(January to March 2017 vs. 2016)

Proportionate operating profit (in € million)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,174</td>
<td>1,112</td>
<td></td>
<td>-5.3%</td>
</tr>
</tbody>
</table>

Jan.- Mar. 2017

-6.7%  
-3.8%  
-22.1% 
-11.4% 
+10.5%  
-8.1%  
+78.7% 
+45.3%  

1) incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania
Regulatory environment in China

**CAFC - Fuel consumption target**

- Requirement 2016: 6.7l ± 157g CO₂/km
- Requirement 2020: 5.0l ± 117g CO₂/km

**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: None
  - 2018: 8%
  - 2019: 10%
  - 2020: 12%

- **NEV Credit Point Attribution per NEV Type**
  - BEV
    - E-Range (in km): 80 - 150
    - Credit Point: 2
  - PHEV
    - E-Range (in km): 150 - 250
    - Credit Point: 3
    - E-Range (in km): 250 - 350
    - Credit Point: 4
    - E-Range (in km): >350
    - Credit Point: 5
  - FCEV
    - E-Range (in km): >50
    - Credit Point: 2
    - E-Range (in km): 250 - 350
    - Credit Point: 4
    - E-Range (in km): >350
    - Credit Point: 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)
We will be prepared to deliver around 400,000 NEVs by 2020 and 1,500,000 by 2025

**Introduction of locally produced NEV**

**Phase 1**
Plug-in hybrids based on current toolkits

**Phase 2**
Pure electric vehicles based on current toolkits

**Phase 3**
Pure electric vehicles based on scalable electric toolkit

**Mass market BEV cooperation**
New product offering with an expanded SUV offering ¹)

Body style trends until 2020¹)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2020e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rest</td>
<td>40%</td>
<td>46%</td>
</tr>
<tr>
<td>SUV</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MPV</td>
<td>53%</td>
<td>47%</td>
</tr>
</tbody>
</table>

New vehicle launches 2017 and to follow²)

SUV
- Teramont
- Q5
- KODIAQ
- Tiguan LWB
- YETI
- ...

Others
- imported
- Panamera Turbo
- A5 Coupé
- TT
- Phideon PHEV
- Lavida
- Q7 e-tron
- R8 Spyder
- Panamera LWB
- Variant GTE
- Bora

²) Schematic overview – does not show all models

¹) Source: IHS
### 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>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal</td>
<td>7.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>9.2</td>
<td></td>
<td>16.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>16.9</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainly legal risks</td>
<td>6.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Scania Anti-Trust Proceedings</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.1</td>
</tr>
<tr>
<td>Total to date</td>
<td>22.6</td>
<td></td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>24.4</td>
</tr>
</tbody>
</table>

No material special items in Q1 2017. A significant amount of the Diesel dollar-related provisions are hedged and a further substantial amount of the provisions have been utilized as we had cash outflows of around €3bn in Q4 2016 and around €5bn in Q1 2017.
### US Diesel-related settlements (status 08 May 2017)

<table>
<thead>
<tr>
<th>Issue</th>
<th>2.0L TDI</th>
<th>3.0L TDI</th>
<th>Criminal &amp; civil-related claims</th>
<th>VW-Branded Franchise Dealers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>• ~475,000 vehicles</td>
<td>• ~78,000 vehicles</td>
<td>• 2.0L + 3.0L TDI</td>
<td>• 2.0L, 3.0L and other matters asserted concerning the value of the franchise</td>
</tr>
<tr>
<td>With whom?</td>
<td>• US Federal &amp; State Regulators (DOJ, EPA, CARB, FTC)</td>
<td>• US Federal &amp; State Regulators (DOJ, EPA, CARB, FTC)</td>
<td>• DOJ (incl. on behalf of EPA), Customs &amp; Border Protection</td>
<td>• 644 VW-Branded Franchise Dealers</td>
</tr>
<tr>
<td>Claims status</td>
<td>• As of May 5, 2017, Volkswagen has completed 262,406 buyback or lease termination transactions; 7,407 phase 1 modifications for vehicles with Generation 3 engines; and 12,087 non-vehicle claims.</td>
<td>• As of February 1, 2017 all proposed agreements submitted but pending U.S. federal court approval</td>
<td>• Finalized; plea agreement accepted on April 21, 2017 and consent decree approved on April 13, 2017</td>
<td>• 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</td>
</tr>
<tr>
<td>Approval status</td>
<td>• Per October 2016 max funding pool of ~$10bn eligible for:</td>
<td>• Pay up to ~ $1.2 billion total benefits in settlement program to:</td>
<td>• Combined fines &amp; penalties $4.3bn:</td>
<td>• Final Approval granted on January 23, 2017</td>
</tr>
<tr>
<td></td>
<td>• Buyback/Lease terminations or</td>
<td>o 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</td>
<td>o Plea agreement incl. guilty plea</td>
<td>– $1.193 billion cash component, as well as additional non-cash benefits</td>
</tr>
<tr>
<td></td>
<td>o Emissions modifications (~70k vehicles approved per Jan 2017)</td>
<td>o + cash payments for all eligible class members</td>
<td>o Criminal fine of $2.8bn</td>
<td>• $2.7bn over 3 years to environmental trust</td>
</tr>
<tr>
<td></td>
<td>• + Cash payments for affected customers</td>
<td>• Pay $225m into environmental trust, $25m to CARB to support ZEV in CA</td>
<td>o Independent monitor</td>
<td>• Invest $2bn over 10 years in zero emission infrastructure</td>
</tr>
<tr>
<td></td>
<td>• Pay $2.7bn over 3 years to environmental trust</td>
<td>• Preliminary approval granted on February 14, 2017</td>
<td>o Federal environmental and customs-related civil claims $1.45bn</td>
<td>• Resolution with 44 states, the District of Columbia and Puerto Rico (~$603m incl. 3.0L)</td>
</tr>
<tr>
<td></td>
<td>• Invest $2bn over 10 years in zero emission infrastructure</td>
<td>• Final approval hearing on May 11, 2017</td>
<td>o DOJ civil FIRREA penalty $50m</td>
<td>• Approval from regulators for VW-Branded Franchise Dealers to resell 2.0L TDI vehicles with Generation 3 engines in the U.S. after receiving an approved emissions modification</td>
</tr>
<tr>
<td></td>
<td>• Resolution with 44 states, the District of Columbia and Puerto Rico (~$603m incl. 3.0L)</td>
<td>• Pay $225m into environmental trust, $25m to CARB to support ZEV in CA</td>
<td>• Plea hearing took place on March 10, 2017</td>
<td>• Pay $225m into environmental trust, $25m to CARB to support ZEV in CA</td>
</tr>
<tr>
<td></td>
<td>• Approval from regulators for VW-Branded Franchise Dealers to resell 2.0L TDI vehicles with Generation 3 engines in the U.S. after receiving an approved emissions modification</td>
<td>• Preliminary approval granted on February 14, 2017</td>
<td>• Judge Sean F. Cox accepted the plea agreement on April 21, 2017</td>
<td>• Final Approval granted on January 23, 2017</td>
</tr>
</tbody>
</table>

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.

Provision status

Approval status

- Per October 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
- Pay $2bn over 10 years in zero emission infrastructure
- Resolution with 44 states, the District of Columbia and Puerto Rico (~$603m incl. 3.0L)
- Approval from regulators for VW-Branded Franchise Dealers to resell 2.0L TDI vehicles with Generation 3 engines in the U.S. after receiving an approved emissions modification

Approval status

- Pay up to ~ $1.2 billion total benefits in settlement program to:
  - Recall and repair ~58,000 vehicles to originally certified emissions standards; or offer buyback, trade-in, lease termination or emissions modifications for ~20,000 older vehicles
  - + cash payments for all eligible class members

- Pay $225m into environmental trust, $25m to CARB to support ZEV in CA
- Preliminary approval granted on February 14, 2017
- Final approval hearing on May 11, 2017

Approval status

- Combined fines & penalties $4.3bn:
  - Plea agreement incl. guilty plea
  - Criminal fine of $2.8bn
  - Independent monitor
  - Federal environmental and customs-related civil claims $1.45bn
  - DOJ civil FIRREA penalty $50m
- Plea hearing took place on March 10, 2017
- Judge Sean F. Cox accepted the plea agreement on April 21, 2017
- Final Approval granted on January 23, 2017

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.

Provision status

Approval status

- Pay up to ~ $1.2 billion total benefits in settlement program to:
  - 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
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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\(^1\)
- Gradual approval of clusters after cluster-specific KBA inspection\(^1\)
- 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.

Update status

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

\(^1\) KBA approval relevant for EU28 and ECE user states (e.g., Turkey)
The new remuneration system is designed to be completely forward-looking

Current system: backward-looking

- LTI (4 years retrospectively)
- Special remuneration (2 years retrospectively)
- PLB
- Fixed remuneration

Future: forward-looking

- Payout after FY\(_n\)
- Performance Share Plan (3 years forward-looking)
- Payout after FY\(_{n+2}\)
- Annual Bonus
- Fixed remuneration

Adjusted recommendation of no. 4.2.3 sec. 2 German Corporate Governance Code

“Variable remuneration components shall generally be based on a multi-year assessment, which shall be materially related to the future.”
The new remuneration system harmonizes the interests of different stakeholder groups

✓ ... is based on clear remuneration policy guidelines
✓ ... constitutes a core element of the realignment of the Group
✓ ... integrates strategic objectives of the TOGETHER strategy 2025
✓ ... is capital market-oriented and reflects human resource-related transformation objectives
✓ ... sets ambitious objectives for sustainable corporate development
✓ ... incorporates a higher long-term orientation
✓ ... reflects no past events and is therefore completely forward-looking
✓ ... is based on a transparent target remuneration approach
✓ ... incorporates a total cap noticeably lower than the individual caps
✓ ... is transparent and is easy to comprehend
✓ ... is common market practice and conforms to regulatory requirements
High focus on Compliance and Risk Management activities

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

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

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

We have improved our risk management system

- Additional quarterly reports on top-risks and mitigating activities established to foster open and active discussion of risks throughout the group
“Golden Rules” were derived to enhance the processes and organization of product development and product approval

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

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

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

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

Adaption of the „Golden Rules“ for other vehicle development processes within the Group
We know we have to earn your trust!

We are only promising what we have commitments for!

We will improve our targets once we make visible progress!

We have a plan and strongly believe in it!
“The Volkswagen Group is very robust, in both operating and financial terms. That gives us confidence for the future.”
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Volkswagen Group – Leveraging the strength of the three pillars

<table>
<thead>
<tr>
<th>Volkswagen</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Automotive Division</strong></td>
<td><strong>Commercial Vehicles / Power Engineering</strong></td>
<td><strong>Financial Services Division</strong></td>
</tr>
<tr>
<td><strong>Passenger Cars</strong></td>
<td><strong>Commercial Vehicles</strong></td>
<td><strong>Volkswagen Financial Services</strong></td>
</tr>
<tr>
<td>Volkswagen</td>
<td></td>
<td>Financial Services</td>
</tr>
<tr>
<td>Audi</td>
<td></td>
<td>USA / Canada / Spain</td>
</tr>
<tr>
<td>Škoda</td>
<td></td>
<td>Incl. Porsche Financial Services</td>
</tr>
<tr>
<td>Bentley</td>
<td></td>
<td>Scania Financial Services</td>
</tr>
<tr>
<td>Bugatti</td>
<td></td>
<td>Porsche Holding Financial Services</td>
</tr>
<tr>
<td>Porsche</td>
<td></td>
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</tr>
</tbody>
</table>

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

Worldwide presence

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

Key company figures

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

Business Volume* **€ 105.3 bn**

- **Leasing**: € 36.69 bn
- **Credit**: € 53.97 bn
- **Dealer financing**: € 14.64 bn

*Receivables + Leased Assets
Penetration Volkswagen Financial Services AG

Rising penetration rates

<table>
<thead>
<tr>
<th>Year</th>
<th>w/o China</th>
<th>with China</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>38.9%</td>
<td>24.3%</td>
</tr>
<tr>
<td>2013</td>
<td>42.7%</td>
<td>25.8%</td>
</tr>
<tr>
<td>2014</td>
<td>42.9%</td>
<td>28.0%</td>
</tr>
<tr>
<td>2015</td>
<td>45.9%</td>
<td>28.3%</td>
</tr>
<tr>
<td>2016</td>
<td>46.1%</td>
<td>30.0%</td>
</tr>
</tbody>
</table>
Operating Income Volkswagen Financial Services AG
Contract portfolio Volkswagen Financial Services AG

Continuous portfolio expansion

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>46%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe (excl. Germany)</td>
<td>33%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td>9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other companies</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit</td>
<td>5,045</td>
<td>6,234</td>
<td>12,081</td>
<td>13,244</td>
<td></td>
</tr>
<tr>
<td>Leasing</td>
<td>1,964</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance/Services</td>
<td>6,852</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

13,244 contracts

UniCredit Automotive Credit Conference, London, 17 - 18 May 2017
### Volkswagen Financial Services AG

**Key data 2012 – 2016 (IFRS)**

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

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We offer the whole range of services under one roof*

**Volkswagen Financial Services**

<table>
<thead>
<tr>
<th>BANK</th>
<th>LEASING</th>
<th>INSURANCE</th>
<th>MOBILITY</th>
<th>PAYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>Direct Bank</td>
<td>Leasing</td>
<td>Insurance</td>
<td>Services</td>
</tr>
<tr>
<td>Bank</td>
<td>Direct Bank</td>
<td>Leasing</td>
<td>Insurance</td>
<td>Services</td>
</tr>
<tr>
<td>Bank</td>
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<td>Leasing</td>
<td>Insurance</td>
<td>Services</td>
</tr>
<tr>
<td>Bank</td>
<td>Direct Bank</td>
<td>Leasing</td>
<td>Insurance</td>
<td>Services</td>
</tr>
</tbody>
</table>

- Retail Finance
- Dealer Stock Finance
- Factoring
- Deposits
- Instalment Credit
- Investment Products
- Finance Lease
- Operating Lease
- Motor Insurance
- Warranty
- Credit Protection
- GAP Insurance
- Industry
- Fleet Management
- Service & Maintenance
- Tyres
- Fuel & Service Card and Charge & Fuel Card
- Long-term rental
- Short-term rental
- Carsharing
- Payment for parking space
- Services around parking
- On- and off-street solution
- Payment platform
- Mobile Payments
- Mobile Wallet

*Displayed portfolio depends on the market; products offered or mediated by different operative subsidiaries.*
Creating Value
Strong Benefits for Automotive through Captive

**Equipment**
- Decision to buy a better equipped car due to the attractive finance offer
  - Cash Payer: 100%
  - Captive Customer: 143%
  - + 43%

**Turnover**
- Length of ownership (years)
  - Cash Payer: 5.9
  - Captive Customer: 4.4
  - + 25%

**Brand Loyalty**
- Switch to Competitor
  - Cash Payer: 54%
  - Captive Customer: 37%
  - 46%
- Stay Loyal
  - Cash Payer: 63%
  - Captive Customer: 63%
  - + 37%

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

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Risk management

- **Shareholder Risk**
- **Issuer Risk**
- **Counterparty Risk**
- **Liquidity Risk**
- Risks of MAN FS subsidiaries
- Lump sum for non-quantified Risk: Strategic Risk, Reputational Risk

### Credit Risk
- Risk of loss through defaults in customer transactions
- Portfolio Structure:
  - Retail 73% / Corporate 27%
- Assessment of creditworthiness of customers with scoring (in retail business) and rating systems (corporate).

### Residual Value
- Residual values are monitored closely
- Regular adjustment to the current market situation for new business
- Completely covered by provisions and equity according to IAS 36.

* Shareholder Risk + Issuer Risk + Counterparty Risk + Liquidity Risk + Risks of MAN FS subsidiaries and lump sum for non-quantified Risk: Strategic Risk, Reputational Risk
Stable development of residual value of gasoline and diesel vehicles in the German market. Based on 18,000 dealers statements.
# Development of residual values in EU5

<table>
<thead>
<tr>
<th>Country</th>
<th>Impact Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Still no significant impact with respect to emissions issue, neither at Volkswagen group nor at other OEMs. Diesel residual value development still in normal range.</td>
</tr>
<tr>
<td>UK</td>
<td>No significant residual value impact in UK by emission issue.</td>
</tr>
<tr>
<td>France</td>
<td>Development of Diesel residual values within the normal range. Market share of Diesel cars is decreasing.</td>
</tr>
<tr>
<td>Italy</td>
<td>Used car market stable, but overall low residual value level in comparison with other European markets. Slightly increasing residual value level in the coming years expected.</td>
</tr>
<tr>
<td>Spain</td>
<td>Diesel residual value development within the normal range.</td>
</tr>
</tbody>
</table>

In 2016, there was no direct impact on residual values of used vehicles from the Diesel Issue in Europe. The markets in Germany, France, UK, Italy and Spain moved within their usual bandwidths.
Credit Risk Loss Ratio VW FS AG (only fully consolidated companies)

Dynamic Loss Ratio = Total Provision Ratio (according to IAS 39 revised)

Total provisions in proportion to the total receivables’ volume at reporting date
drawings on provisions including direct write-offs relative
to the average volume of receivables (last four quarters)
Funding structure Volkswagen Financial Services AG

Strategic funding allocation as of 31 December 2016:

- **Customer Deposits**: €36.1 bn (27.8%)
- **Liabilities to affiliated companies**: €9.4 bn (7.3%)
- **Equity**: €17 bn (13%)
- **Liabilities to financial institutions**: €17 bn (13.1%)
- **Commercial Paper**: €4.4 bn (3.4%)
- **Bonds issued**: €19.4 bn (14.9%)
- **Asset Backed Securitization**: €18.8 bn (14.4%)
- **Others**: €8 bn (6.1%)

Total €130.1 bn
Worldwide Capital Market Activities

VW FS Japan
JPY 60 bn ECP Program

VW Finance (China)
Domestic RMB Bond Issuances

VW Leasing Mexico
MXN 20 bn Dual Program*

VW Bank Mexico
MXN 7 bn Debt Issuance Program

VDF Turkey
Domestic TRY Bond Issuances

Banco VW Brazil
Domestic Letra Financeira

VW FS India
Domestic INR CP + Bond Issuances

VW Bank Polska
PLN 3 bn Debt Instrument Issuance Program

VW Bank Russia
Domestic 100bn RUB Bond Program

VW FS Korea
Domestic KRW Bond Issuances

VW FS Japan
JPY 60 bn ECP Program

VW Finance (China)
Domestic RMB Bond Issuances

VW FS Australia
AUD 3 bn Debt Issuance Program

*Dual = CP + Debt Issuance

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Ownership Structure and Support Mechanism VW AG and VW FS AG

VOLKSWAGEN
Aktiengesellschaft

100% Owner +
Control and Profit and Loss Transfer Agreement

Volkswagen Financial Services AG

A3/BBB+
A2/BBB+
Worldwide ABS Activities

- DFM
  - DFM Master program
- VW FS UK
  - Driver UK Master
- VW Bank France
  - Driver France program
- VW Finance Spain
  - Driver España program
- Banco VW Brazil
  - Driver Brasil program
- VW Bank / VW Leasing
  - Driver- & VCL- program,
    - VCL Master, Driver Master
- VW FS Japan
  - Driver Japan program
- VW Finance China
  - Driver China program
- VW FS Australia
  - Driver Australia program
### Rating History (05/08/2017) – Moody’s

<table>
<thead>
<tr>
<th></th>
<th>Moody’s</th>
<th>S&amp;P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>Aa3</td>
<td>AA-</td>
</tr>
<tr>
<td>Honda</td>
<td>A1</td>
<td>A+</td>
</tr>
<tr>
<td>BMW</td>
<td>A1</td>
<td>A+</td>
</tr>
<tr>
<td>VW AG</td>
<td>A3 1)</td>
<td>BBB+1)</td>
</tr>
<tr>
<td>VW FS AG</td>
<td>A2 1)</td>
<td>BBB+ 2)</td>
</tr>
<tr>
<td>VW Bank GmbH</td>
<td>Aa3 1)</td>
<td>A- 3)</td>
</tr>
<tr>
<td>Scania</td>
<td>--</td>
<td>BBB+</td>
</tr>
<tr>
<td>Daimler</td>
<td>A2</td>
<td>A</td>
</tr>
<tr>
<td>RCI Banque</td>
<td>Baa1</td>
<td>BBB</td>
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<tr>
<td>FMCC</td>
<td>Baa2</td>
<td>BBB</td>
</tr>
<tr>
<td>Banque PSA</td>
<td>Baa2</td>
<td>BB+ *</td>
</tr>
</tbody>
</table>

1) Outlook: negative  
2) Bonds are senior subordinated rated BBB  
3) Bonds are senior subordinated rated BBB+  
* withdrawn at bank’s request

Volkswagen Financial Services AG has a solid and stable rating history.

---

Data Source: Reuters
Current structure – Volkswagen Bank GmbH is 100% affiliate of Volkswagen Financial Services AG

- VOLKSWAGEN Aktiengesellschaft
  - Volkswagen Financial Services AG
    - Volkswagen Bank GmbH
      - Volkswagen Bank GmbH branches in: Europe
        - Affiliates in: Europe
        - Asia-Pacific
        - Latin America
Core Elements and Aims of the new Structure: Split of VWFSAG in EU Bank und Non EU Bank

- The new structure reduces complexity.
- The new structure ensures the future growth path.
- The new structure aims on strengthening Braunschweig as a financial center.
- Both companies will be sister companies and 100% owned by Volkswagen AG.
- Due to the pooling of European banking activities at Volkswagen Bank GmbH, only this entity will be regulated by ECB.
- Capitalization will remain very comfortable above statutory levels at both companies.
- One face to the customer approach will be ensured for brands and customers to continue the success in the future.
Prospective structure - Volkswagen Bank GmbH will be 100% affiliate of Volkswagen AG
In the future Volkswagen Financial Services AG new will offer financial services for the Volkswagen Group brands in more than 40 countries worldwide – directly, as well as through equity investments and service contracts.
In the future the Volkswagen Bank GmbH new will provide banking products for the Volkswagen Group brands in 15 European countries, by branches as well as through equity investments.
WE ARE THE KEY TO MOBILITY

CUSTOMERS
- Satisfied Customers

EMPLOYEES
- Top Employer
- Top Employees

OPERATIONAL EXCELLENCE
- Compliance & Governance
- Process Efficiency
- IT-Excellence

PROFITABILITY
- Total Operating Income
- 20% ROE
- 50% CIR

VOLUME
- 30M Contracts
- 50% Extended Penetration

UniCredit Automotive Credit Conference, London, 17 - 18 May 2017
The world keeps turning | Focus on additional topics

Digitalisation

Used Car Business

Operational Excellence

Growth Market China
Digitalisation: Our target

Until 2020 all relevant products can be sold online and offline.
Outlook

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

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Contact

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