„Auf dem richtigen Weg“

5. Mai 2017
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Speech

The spoken word applies

1. Herbert Diess
Chairman of the Board of Management of the Volkswagen Passenger Cars brand

2. Arno Antlitz
Member of the Volkswagen Brand Board of Management for Controlling and Accounting

3. Charts

4. Volkswagen Brand Key Figures
Ladies and Gentlemen,

A very warm welcome to the Volkswagen brand’s first Annual Session here in Wolfsburg.

You understandably attach great importance to the Volkswagen brand. We are responsible for all vehicles in the Group with a transverse engine, in particular the modular transverse toolkit. Around 80 percent of Group vehicles are based on this technology.

- ŠKODA with around 1.1 million vehicles,
- SEAT with 400,000 vehicles,
- Audi with 400,000 vehicles,
- And especially the Chinese joint ventures with around 3 million vehicles – they all build their business on products based on the technical architecture developed by Volkswagen.

Added to this are 200,000 large SUVs that the VW plant in Bratislava produces for Audi and Porsche.

Half of Volkswagen components are produced for other Group brands. And in the future, the majority of the electric vehicles from SEAT, ŠKODA and Audi will be based on the electric architecture developed by us.

The Volkswagen brand is the mainstay of the Group.
So we believe transparency is best served by informing you more often and in greater detail about Volkswagen’s progress.

Ladies and Gentlemen,
2016 was a pivotal year for the Volkswagen brand. It was a year of transformation. And a year that marked the start of a new phase for our company.

- We devoted immense energy to the diesel crisis.
- We initiated the transformation in business operations.
- And we laid the groundwork for the strategic realignment of the brand. Many of you were already here six months ago when we presented our “Transform 2025+” strategy and the Zukunftspakt.

Our mission in this endeavor is:
We want to make the Volkswagen brand competitive for the future. Our goal is: by 2025, we aim to play a leading role in the changed automotive industry, to provide innovative mobility solutions and to be the global market leader in e-mobility.

It is certainly still too early for a mid-term review of our strategy. However, the first quarter is a good opportunity for us to review whether we are headed in the right direction. And it’s a good time to provide you with an idea of our next steps for 2017.

First, I would like to address the modification of the diesel vehicles. We are progressing as planned with this. In Europe, more than half of the vehicles have already received the necessary software update.
In Germany, this figure is actually nearly three quarters. This means that over 2.6 million vehicles have been modified.

Our customers are comfortable with the technical modifications. Less than one percent are not satisfied with the measures. We respond to every customer feedback and can usually solve these cases quickly.

Our 3,000 dealers played a major role in this positive outcome as they handled the recall swiftly and have done an excellent job. I would like to take this opportunity to thank them wholeheartedly for their support with this.

Our goal: by the end of the year, all Volkswagen brand vehicles in Europe should be modified. We are also working on completing these modifications in North America and other regions in the world and would like to finalize this work as soon as possible.

So we are confident that this task will be completed in the foreseeable future. And we are also aware that it will take a great effort to make the brand shine again.

Ladies and Gentlemen,
We have devoted a great deal of energy and attention to the diesel crisis. Nonetheless, we have continued to make progress in our strategic and operational activities. Volkswagen has a solid foundation – from development through production to sales. Our entire team is committed to driving the necessary change in the company.
With “Transform 2025+”, we have established our milestone plan for the next ten years. The strategic realignment is being executed in three major phases.

- By 2020, we intend to first significantly improve profitability in the core business and regain our position as a leading volume manufacturer. This includes an operating return on sales of at least 4 percent.
- By 2025, we intend to take the lead on the car of the future – that is, the fully connected, fully electric vehicle. The return is expected to increase to 6 percent.
- And, from 2025, we will also focus on new mobility solutions and business models. That is how we will shape the major transformation of our industry from a leading position.

Over the recent months, the main focus has been on five key projects.

First, the swift and resolute implementation of the Zukunftspakt.

It is an essential building block of our strategy and will decisively contribute to making Volkswagen profitable and fit for the future.

We agree with the Works Council that we must significantly increase productivity and reduce costs at the locations in Germany to put the Volkswagen brand back on track for success. We have therefore agreed ambitious targets and measures for all locations in Germany. Together, we will now systematically implement this program.
Our goal for 2017 is to increase productivity by 7.5 percent. Specific action plans have been agreed with the Works Council for all locations for both components and vehicle production.

Key measures include:

- Improved ramp-up maturity of new products and thus more efficient ramp-ups. We have already demonstrated this with the Tiguan.
- Increased plant capacity utilization and thus reduced working hours - such as at the Salzgitter engine plant.
- A reduction in indirect, non-value adding activities.
- And a significant reduction in rework by improving processes.

We will transfer this program step by step to all production plants globally.

Most locations in Germany are on track after the first quarter. That being said, the locations with lower capacity utilization will have a hard time reaching the targets for 2017. That’s why we will develop catch-up measures for the coming year to close the gap.

At the same time, we have already made decisions as part of the Zukunftspakt that safeguard the future of the locations in Germany in the long term.

- Starting from 2018, a new model for a sister brand will be produced in Wolfsburg.
- The fourth model for the Emden plant is in the development phase.
The “Center of Excellence” in Salzgitter also recently commenced operations. It is responsible for the development, procurement and quality assurance of battery cells and modules. Pilot production is currently in the planning phase.

Project No. 2 is the successful launch of our SUV offensive. We will significantly strengthen our presence in this segment. By 2020, we will expand the global model range from the original two to 19 SUVs.

With the Atlas, Teramont and Tiguan Allspace, we have introduced three new SUVs in the recent months.

The Tiguan illustrates just how important these vehicles are as regards volumes, results and image. Since its product launch, more than 300,000 customers have placed orders for the Tiguan.

Europe is not the only place we produce the Tiguan. Production is also now successfully under way in Russia, China and also Mexico for the North American market. The Tiguan is increasingly becoming a strong global revenue driver for the brand.

We have also made progress in the regions – our third major focus over recent months.

Our substantial restructuring programs are starting to bear fruit: in North and South America as well as Russia, we have grown at an above-average pace and have gained market share during the first quarter.
In North America, we have reduced fix costs and achieved a significant boost in productivity. The Puebla plant – our most important plant for North America – lifted productivity by more than 12 percent last year.

Deliveries have increased by 3.8 percent, and actually by 10 percent in the United States. Thus, we have almost returned to pre-crisis levels within just one and a half years. And this is all without the diesel model, which we have completely withdrawn from US market.

In South America, we have undertaken massive restructuring. Over the past years, the number of employees was reduced by around 7,000; and, at the same time, the production plants have become significantly more productive.

The market is now picking up again following years of weak development. Deliveries increased by almost 13 percent during the first three months.

We have also been through a tough restructuring in Russia. We have cut shifts, adjusted the number of employees and significantly reduced the amount of rework. We have turned the corner with an increase of 12.8 percent in deliveries.

In all three regions there was significant improvement in our result. This shows that our turnaround programs are starting to take hold.

In addition, we have restarted the import business in China and are achieving positive sales and margins again there post- Phaeton.
The fourth action area concerns the organization: we are becoming faster, more agile and more efficient.

Following the introduction of the product line organization, which independently manages the vehicle projects, the regions also assumed full responsibility at the beginning of the year.

We are already experiencing the positive effects of this autonomy: the regions are making decisions more swiftly and are closer to the markets and customers. Current vehicle projects are now being executed significantly more efficiently.

I think the best example of this is the next generation of the Golf: technology and design have already been signed off, two months before the originally planned date. Without a doubt, we have never been so far along the process in a vehicle project at this point in time.

The fifth project that is proceeding at a rapid pace is the Volkswagen electric offensive.

We are already taking a major step with the new e-Golf: a range of 300 kilometers guarantees everyday practicality and is completely sufficient for many customers.

In addition, over the last few months, we have given some true-to-life insights into the future of e-mobility and our brand with the I.D., the I.D. BUZZ, and the I.D. CROZZ.
The I.D. family is based on a whole new electric vehicle architecture. With this architecture, we are creating the technological and economic foundation for the majority of the future electric vehicles in the Group.

Ladies and Gentlemen,
In recent months we have driven forward our strategy and are laying the foundation for a new Volkswagen.

Our good results in the first quarter 2017 illustrate that we are on the right track.

At about 1.4 million, deliveries were down on the prior year. But that was mainly attributable to China, where the market in general felt the effects of expiring subsidies and general consumer reticence at the beginning of the year.

In the rest of the world, we recorded 1.2 percent growth in the first quarter. And meantime, we have returned to growth in China, too, where full-year deliveries will be up.

On the financial side, we are also doing well. Sales revenue grew to around €19 billion. And we generated an operating profit of around €870 million.

Due to structural changes in the Group, comparing these figures with those of the previous year is only possible to a limited degree. Dr. Antlitz will explain these changes and, of course, the figures themselves to you in more detail in a moment.
What can be said with certainty is that the brand has got off to a much better start this year than in 2015 and 2016.

Our very special thanks go to the entire Volkswagen team for this.

Dr. Antlitz, I would now like to hand over to you.
The Volkswagen Passenger Cars brand began fiscal year 2017 with a strong first quarter.

• In the first three months of the year, we achieved sales revenue of €19 billion.
• Our operating result amounted to almost €900 million.

These figures are a clear indication that we’re on the right track.

Certainly you would all like to have comparable figures for the same quarter of last year. But these figures can only be compared to a limited extent, especially with regard to unit sales and sales revenue.

We have a new reporting structure. I will briefly explain this in the following.

In the structure up until now, the Volkswagen brand was naturally responsible for its own core business activities: In other words, for the development, production and sale of vehicles from the Volkswagen brand. Of course, this will remain so in the future.

In addition, however, a substantial share of unit sales came from the sale of vehicles from other Group brands. Sales revenue from multi-brand importers with Audi, Seat and Skoda vehicles in countries such as the UK, France and India have been depicted in the Volkswagen brand until now.
The activities of some Group service companies were also presented with the brand. This was the case with Volkswagen Group Logistics, for instance. These activities are only partly related to the performance of our own brand.

For this reason, we have separated the relevant companies from the Volkswagen Passenger Cars brand. The corresponding revenues are already consolidated on the Group level since 1st January 2017. The individual presentation of the Volkswagen brand in the future will focus on the core business.

What does the structural realignment mean for the key financial indicators of the Volkswagen Passenger Cars brand?

In 2016 we reported revenue of €106 billion. Some €32 billion of that amount came from the aforementioned activities not related to the brand. Applying the new reporting structure, our sales revenue would have amounted to €74 billion for fiscal year 2016.

Realignment would have resulted in a contraction of the figures for the operating result, too. Therefore, instead of the €1.9 billion reported, the operating result would have been around €1.6 billion. At 2.1%, the operating return on sales would have been 0.3 percentage points above the figure reported.

As from fiscal year 2017, the figures we report will be based on this new structure.

By ceding the companies, we are surrendering a substantial part of our earnings to the Group. The ceded units posted half a billion euros in 2016.
In other places, however, we will be streamlining the allocation of costs within the Group. All things being equal, the Volkswagen brand will bear only those costs for which it is directly accountable.

In total, this adjustment would have impacted the brand’s result with approx. €300 million in 2016.

The structural adjustment depicted …

- improves transparency,
- enables better comparability of the financial indicators with our competitors, and
- supports management focus on the brand’s core activities.

Let’s take a look now at how business developed in the first quarter.

As mentioned earlier: We are off to a strong fiscal year 2017. With slightly improved sales as a basis, we were able to increase our sales revenue by approx. €2 billion.

There were two crucial reasons for this:

- First, there were strong recoveries in several markets. We could therefore stabilise our sales in Western Europe and significantly increase in Russia. In North America and South America, we could also post a stronger result compared to the admittedly weak prior-year figures.
- In terms of models, the full market availability of the Tiguan was particularly favorable. The new model was very well received and resulted in significant positive contributions to both sales and earnings.
At this juncture, I would like to once again point out that the sales of our joint ventures in China are not included in our unit sales figures, sales revenue or operating result. That business is consolidated at equity.

We achieved an operating result of approx. €870 million.

The weak prior-year quarter was still significantly impacted by the diesel issue. On the other hand, we recorded growth in terms of both volume and price/mix effects. Reduced use of sales support also had a positive effect.

An earnings increase of some €600 million was achieved in this block. Exchange rate effects contributed a positive €160 million. The Russian ruble in particular added tailwind.

Product costs fell by around €130 million compared with Q1 2016. Further progress was also made in terms of fixed costs.

Consistent cost discipline helped us maintain low fixed costs close to those in the prior year for the first quarter of 2017, ...

• despite the planned SUV offensive, and
• despite the preliminary work for our electric architecture and our digital ecosystem.

Initial measures from the “Zukunftspakt” also started to bear fruit in fixed costs.
The structural realignment meant that our operating result fell by around €70 million in the first quarter. The operating result of approx. €870 million corresponds to an operating return on sales of 4.6%.

We have three key levers in sight for increasing earnings by 2020. First, our product offensive will help us gain market share in the margin-intensive SUV segment. Dr. Diess will expand on this in detail.

The rollout of the Modular Transverse Toolkit (MQB) will help us further optimize our cost basis. With its combination of product substance and cost basis, the MQB represents a clear competitive advantage.

The second lever here is the “Zukunftspakt” signed in November last year. Its targets include a significant increase in productivity by 25%, a sharp reduction in factory costs, disciplined investments and a considerable reduction in bureaucracy by 2020.

Third, we are expecting the turnaround in key regions such as North and South America, and Russia to provide a considerable boost to both sales revenue and operating result.

We can report that we have already seen the first positive effects in these regions. As Mr. Diess presented, in the USA, South America and in Russia, we returned to the growth path at the start of the year. Indeed, much of the improvement in our year-on-year result is down to these regional performances.
And we are expecting the positive developments to continue throughout the year.

In the USA, we will be rolling out the Atlas and the Tiguan – two new vehicles in the high-growth SUV segment. This will serve to enhance our market presence while making much better utilization of our capacities in the region.

In South America, we commenced wholesale restructuring in 2014 in order to tailor capacities to the market situation. In this context, we have been forced to significantly reduce our workforce in Brazil since 2012. At the end of the year, we will be launching a additional product offensive based on our Modular Transverse Toolkit (MQB).

In Russia, the foundation has been laid for a marked period of recovery. We have reduced our fixed costs and increased productivity, and it now appears that the Russian ruble has recovered again from its low points of last year. An added factor is that our locally manufactured Tiguan has met with a very positive response in Russia as well. These effects led to an operating profit in Russia for the first quarter.

Our clear objective is to break even in all regions by 2020 at the latest.

Let us now come to the outlook for the brand in 2017. The first quarter should not serve as a benchmark for the entire year. At present, we anticipate that we will be able to increase revenue by around 10% for the year as a whole.
This outlook refers to the adjusted revenue-status in 2016. We expect an operating return on sales at the upper end of the communicated bandwidth of 2.5 to 3.5 percent.

This means that we are on course to achieve our mid- to long-term margin targets of at least 4% by 2020 and 6% by 2025. By 2020, we expect positive contributions from our product offensive, the “Zukunftspakt” and from the regions.

That said, substantial financial burdens are looming on the horizon.

- On the one hand side costs from implementing the increasingly strict worldwide CO2 guidelines and from future emissions legislation will impact us significantly.
- In addition, transformation of the industry toward e-mobility and digitization will require us to make considerable advance outlays.

These effects will be overcompensated for by the “Zukunftspakt”.

We will consistently examine the earnings targets with a critical eye and raise them the moment we consider that what we have achieved is sustainable going forward.

Until such time, we will concentrate on implementing the “Zukunftspakt” and Transform 2025+ strategy.
Ladies and Gentlemen,
Our achievements in the first quarter show that we are on the right track. That gives us a tailwind for the coming months.

However, we see significant risks for 2017:

- The market environment continues to be challenging. In particular, developments in North and South America remain uncertain.
- In important markets such as the UK and Turkey, there are additional political risks.
- Foreign exchange rates remain an additional risk factor.
- We have a number of ramp-ups ahead that all must be implemented trouble-free.
- And we are still feeling the effects of the diesel crisis.

This year, then, cannot be taken for granted. It is now crucial that we resolutely stay the course and continue to carry out our tasks.

First and foremost, we must further strengthen our competitiveness.

I already spoke about the progress made so far in the Zukunftspakt at the beginning of my remarks. We have planned further steps for the coming months.
We intend to increase productivity both in this and next year by 7.5 percent. Then, in 2019 and 2020, we plan a further 5 percent.

We will improve collaboration between development, procurement and production in order to optimize ramp-ups. The launch of the Arteon has so far run very smoothly. We plan to do the same for the Polo, the T-ROC and the other ramp-ups we have planned for this year.

And we will maintain the strictest cost discipline. Our goal for this year is to keep fixed costs at least stable.

In North America, two key vehicles – the Atlas and the new Tiguan – are being launched in the core segments of the US market. We anticipate positive effects on sales as of the second quarter.

We are able to better utilize the Chattanooga plant with the production of the Atlas. We intend to make further progress in fixed costs and material costs.

Up to 2020, we will introduce two new models to the market every year: sedans follow in 2018, and two more SUVs in both 2019 and 2020. We are also working on a sporty option for the Atlas with five seats.

All in all, we will significantly reduce losses this year. We plan to reach a break-even point in 2020.

In South America, we will continue to implement the restructuring program. At the same time, we are rejuvenating and broadening our product portfolio.
The Polo and the Virtus will be the first vehicles based on the MQB A0 Global platform – a local version of the MQB – starting in the second half of the year. In this way, we are bringing cutting-edge technology at competitive prices to South America.

Additionally, we will significantly expand exports to other South American countries. We therefore expect sustained positive growth for the rest of the year.

We are highly profitable in China. It is vital that we defend our market leadership there and bring a new shine to the brand there ahead of the changes facing us.

In the recent months, we already introduced three new SUVs and crossovers with the Teramont, the long-wheel-base Tiguan and the C-Trek. Up until the end of 2018, nine more new products will be launched, of which another three are SUVs.

A key focus is on locally produced new energy vehicles. The Phideon plug-in hybrid will be launched this year, followed by two all-electric vehicles in the coming year.

Across all regions, we have started the biggest product offensive in Volkswagen’s history.

This chart sums it all up: More than ten new models are being launched this year alone. Five of those are genuine new products without predecessors.
The Arteon and the Tiguan Allspace have already been launched for the European market. In June, we will introduce you to the new Polo – one of our most important models. And two more SUVs, the T-Roc and the Touareg, will follow in the second half of the year.

The T-Roc in particular will contribute to an increase in volumes and earnings. In total, the program up to the end of 2018 includes 7 new SUVs.

All of the new models have one thing in common: they not only stand for high quality and technical perfection. They are also becoming more sporty, more dynamic and more emotional.

The objective of our product offensive:

- To stabilize and regain market share.
- To restore brand appeal.
- And win back confidence in the brand.

Ladies and Gentlemen,

Competitiveness and profitability are not an end in themselves. They are a prerequisite to financing the major trends of the future – especially e-mobility and digitalization.

This includes the development of a digital ecosystem.

Services and apps will become an important additional offering for our customers over the coming years. This ranges from infotainment
features to vehicle updates and new mobility services and solutions. With this, customers will communicate with Volkswagen directly 24/7.

As a first step, we are launching the new generation of Car-Net this year and will begin with the first mobility services, such as a parking app.

What's more, VW customers will soon be able to have their vehicles retrofit to the system. As a result, we aim to have up to 2 million users on our platform by the end of the year.

When it comes to the electric car, our long-term objective is: by 2025, we intend to be the global market leader in e-mobility and sell 1 million electric vehicles a year.

In recent months, we have already given you some true-to-life insights into our I.D. family. It will initially consist of four members and will be introduced in the market starting from 2020.

This year, we are defining the technical concept and the design for the two most important vehicles. In addition, we are outsourcing key components and determining the production concept.

The I.D. will be the first electric car to be produced at the Zwickau plant. Compared with present-day vehicles, it will be produced 25% more efficiently, which thus leads to additional significant improvements in productivity.

In this context, the costs continue to be a key task. As you know, we have set ourselves a double challenge:
• The I.D. should be affordable – costing roughly the same as a comparable diesel.

• At the same time, the entire electric fleet is to be profitable from the very beginning.

Ladies and Gentlemen,
As you can see, Volkswagen is making progress with realigning the brand.

We made a good start to the new year. For us, the first quarter was rather like making a successful start to the new soccer season.

We’ve played the first game and now have a tough series of matches ahead of us. We feel fit, but we know we still have plenty of training to do.

Our plan for 2017 has been drawn up. And, despite significant risks, we are confident that we will be able to continue our positive performance, meet our demanding schedule and also achieve our financial targets.

Thank you very much!

***
Three-quarters of vehicles in Germany have already been modified

APPROVAL BY AUTHORITIES  MODIFIED GERMANY  MODIFIED EUROPE

EU 100 %  DE 73 %  EU 57 %
The strategic realignment is being executed in three stages

**RADICAL RESTRUCTURING**
- Brand positioning “Top of volume”
- SUV offensive
- Regions (China, NAR, SAM)
- Economy markets
- Zukunftspakt
- Product margins
- Agile organization

**LEAP TO THE FOREFRONT OF E-MOBILITY**
- Electric offensive
- Digital ecosystem
- Operational excellence

**MAJOR TRANSFORMATION**
- Autonomous driving
- New mobility solutions

* BEFORE SPECIAL ITEMS | ** OPERATING RETURN ON THE BASIS OF ADJUSTED SALES REVENUE
The Zukunftspakt is making good progress

COMPETITIVENESS
• Action plan for improving productivity by 7.5% in 2017 has been prepared
• Plan includes job downsizing

SECURING THE FUTURE
• “Center of Excellence” for battery cells/modules now operating in Salzgitter
• Fourth model for the Emden plant is in the development phase
• Decision on additional model for Wolfsburg

The SUV offensive has been launched successfully
The turnaround programs in the regions are starting to take hold

### NORTH AMERICA

<table>
<thead>
<tr>
<th>Market</th>
<th>VW</th>
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### SOUTH AMERICA

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### RUSSIA

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The reorganization is making Volkswagen more efficient and agile

### PRODUCT LINES

- [Car Image]
- [Car Image]

### REGIONALISATION

- [Map Image]
The new e-Golf has a range of 300 kilometers

The I.D. family gives insight into the future of Volkswagen
Outside China, deliveries increased in the first quarter

<table>
<thead>
<tr>
<th>ROUNDED</th>
<th>JAN-MRZ 2017</th>
<th>PREVIOUS YEAR</th>
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<tbody>
<tr>
<td>Germany</td>
<td>129,200</td>
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<td>Europe</td>
<td>280,700</td>
<td>+2.4 %</td>
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<tr>
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<td>103,700</td>
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<td>North America</td>
<td>132,400</td>
<td>+3.8 %</td>
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<tr>
<td>South America</td>
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<td>World excluding China</td>
<td>745,300</td>
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<tr>
<td>China</td>
<td>695,600</td>
<td>-3.8 %</td>
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<tr>
<td>World</td>
<td>1,440,900</td>
<td>-1.3 %</td>
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</table>

First quarter 2017 was successful

**DELIVERIES** (in millions of vehicles)  
- 2016: 1.4  
- 2017: 1.4

**SALES REVENUE** (in billions of euros)  
- 2016 adjusted: 19.0  
- 2017: 19.0

**OPERATING RESULT** (in millions of euros)  
- 2016: 869  
- 2017: 869 (before special items)
„The brand got off to a much better start this year than in 2015 and 2016.“
Increasing productivity and decreasing costs are focus areas for the Zukunftspakt

**PRODUCTIVITY IMPROVEMENT**  
( percent)  

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Target 2020</th>
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<tr>
<td></td>
<td>7.5</td>
<td>7.5</td>
<td>5.0</td>
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**FIXED COSTS IN GERMANY**  
(€ billion)  

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>Target 2017</th>
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<tr>
<td></td>
<td>7.5</td>
<td>5.0</td>
<td>-300 Mio.</td>
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In the USA, we are making the first big moves towards becoming a volume supplier

**NORTH AMERICA | NEXT STEPS**

- Continuation of turnaround program
- Product offensive:  
  - Atlas & Tiguan (launch from Q2/2017)  
  - Two new vehicles each year until 2020
- 6-year warranty
- Break-even by 2020
In South America, we are on the offensive with new, attractive products

SOUTH AMERICA | NEXT STEPS

- Continuation of turnaround program
- Product offensive:
  - Ramp-up of up! (Q1/2017)
  - Ramp-up of Polo and Virtus on MQB basis (from Q3/2017)
- Export growth Latin America
- Break-even by 2020

We are launching locally produced new energy vehicles in China

CHINA | NEXT STEPS

- Defend market leadership
- Product offensive: 9 new models by the end of 2018, including 3 SUV
- New energy vehicles:
  - Phideon Plug-in hybrid (Q3/2017)
  - Purely electric cars (2018)
The 2017 product offensive has been launched successfully

- Atlas (NAR)
- Arteon (EU)
- Polo (EU)
- Phideon PHEV (CN)
- Touareg (EU)
- up! PA (SAM)
- Tiguan LWB (NAR)
- T-Roc (EU)
- Virtus (SAM)
- Jetta (NAR)

START OF PRODUCTION

Volkswagen is developing a comprehensive digital ecosystem

MILESTONES 2017

- New generation Car-net
- New mobility services: Rent, Park, Deliver
- Set up / development TN!O
- Market launch VW Connect (retrofit solution)
- Target 2017: 2 million users
Technical concept and design for I.D. will be defined in 2017

I.D. FAMILY

- Market launch of 4 models in Europe, China, USA from 2020
- Milestones 2017:
  - Decision regarding technical concept and design
  - Contract awards for key components
  - Production of I.D. at Zwickau plant

“We are confident that we will be able to continue the brand’s positive performance.”
Successful operating performance in Q1 2017

EUR 19.0 billion

2016 2017
Total sales revenue

not comparable with prev. year

EUR 0.9 billion

2016 before special items 2017
Operating result

Structural adjustment Volkswagen Brand Passenger Cars

Up to 2016

VW Passenger Cars
VW AG Passenger Cars
Fully Functional companies
Production companies
VW sales companies
Multi-brand companies
Retailers
Service companies

New structure as of 2017

VW Passenger Cars
VW AG Passenger Cars
Fully Functional companies
Production companies
VW sales companies
Multi-brand companies
Retailers
Service companies

No change

From 2017: not included in Volkswagen Brand Passenger Cars
Structural adjustments leads to financial changes in the Volkswagen Passenger Cars brand

Business figures VW Passenger Cars brand 2016¹ and “2016 adjusted”¹ with new structure

<table>
<thead>
<tr>
<th></th>
<th>2016 (before special items, prior reporting)</th>
<th>2016 (adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales revenue</strong></td>
<td>EUR 106 billion</td>
<td>EUR ~74 billion</td>
</tr>
<tr>
<td><strong>Operating result</strong></td>
<td>EUR 1.9 billion</td>
<td>EUR ~1.6 billion</td>
</tr>
<tr>
<td><strong>Return on sales</strong></td>
<td>1.8%</td>
<td>~2.1%</td>
</tr>
</tbody>
</table>

¹ All figures shown are rounded, so minor discrepancies may arise during arithmetic operations involving these amounts

New reporting structure leads to a lowering of ca. €0.3bn for the Volkswagen Brand based on full year 2016

Operating result VW Pass. Cars brand 2016 and “2016 adjusted” in EUR billion

<table>
<thead>
<tr>
<th>2016 (before special items)</th>
<th>Operating result of the transferred entities</th>
<th>Adjusted cost allocation pursuant to new scope of responsibilities</th>
<th>2016 (adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.9</td>
<td>~0.5</td>
<td>-0.2</td>
<td>~1.6</td>
</tr>
</tbody>
</table>
Why are we realigning the structure?

- **Transparency**: in the presentation of the Volkswagen brand
- **Comparability**: of financials with those of the competitors
- **Focus**: of the management on core activities

**Increase in revenue in Q1 compared to previous year**

Sales revenue in EUR billion

<table>
<thead>
<tr>
<th></th>
<th>Q1 2016</th>
<th>Q1 2016 (adjusted)</th>
<th>Q1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25.1</td>
<td>~17</td>
<td>19.0</td>
</tr>
</tbody>
</table>

**Sales**¹) [thousand vehicles] 1,069 834 862

¹) Unit sales from the joint venture companies in China are not included in the figures.
Operating result Q1 2016 – Q1 2017

Operating result in EUR billions

+0.8

Q1 2016
(before special items)

Volume/price/mix

Exchange rates

Product costs

Fixed costs/other

New structure brand/Group

Q1 2017

0.9

Key levers for improving the result of the Volkswagen brand by 2020

Product offensive

• SUV offensive
• MQB roll-out
• Global electrification of fleet (CO₂ conformity)

Future Pact

• Productivity 25%
• Reduction in factory costs
• Development/Capex efficiency
• Lean administration and cutting bureaucracy

Turnaround plans for the regions

• Massive restructuring
• Product offensive
• “Top of volume” brand positioning
Turnaround initiated for the regions

Trend in operating result for Q1 2017

- Canada
- USA
- Brazil
- Argentina
- Russia

Objective break-even
In all main regions by 2020 at the latest

Outlook 2017 – Revenue

Revenue of Volkswagen Passenger Cars brand in EUR billion

2016 (adjusted)  2017 Outlook
74

approx. ± 10% vs. 2016
Result outlook for 2017 follows TRANSFORM 2025+ strategy path

Growth in operating return on sales as % of net earnings

- Implementation of the “Zukunftspakt”
- Turnaround in NAR, Brazil, Russia
- Growth in SUV portfolio

Future CO₂ and emissions legislation
Transformation in the industry

2016: 1.8
2017: 2.5 - 3.5
2017 Outlook: 2020 Target: ≥ 4.0
2025 Target: ≥ 6.0

Growth in operating return on sales as % of net earnings
The Volkswagen Passenger Cars Brand…

...is one of the world’s most successful volume carmakers.

...is represented in all key market segments with more than 65 different models.

...maintains facilities in 14 countries, where it produces vehicles for customers in more than 150 nations.

Around the world, around the clock, Volkswagen employees build cars and components, for example at the Pamplona assembly plant in Spain.

Innovative from the outset: The Beetle set standards in technology, design and image.

The Golf, a success story. Built since 1974, it has been sold over 30 million times.

Die Marke Volkswagen

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The Volkswagen Passenger Cars Brand

Key Figures 2016

€105.7 bn sales revenue (adjusted: € 74 bn)

196,000 people work for Volkswagen worldwide

5.98 mn vehicle sales (units) (+2.7% compared to 2015)

The Beetle, a success story. Built since 1974, it has been sold over 30 million times.
The Volkswagen Passenger Car Brand
Product Offensive 2017

Atlas (North America)
Arteon (Europe)
Polo (Europe)
Passat / Magotan
Tiguan
Lavida
Santana
Bora
up!
Touran
Gol
Lamando
CC
Beetle
Fox
Up!
Santana
Sharan
Suran
Scirocco
Phaeton
Atlas / Teramont
Cross
XL1

Die Marke Volkswagen

Production Sites

North America: 3 Sites
USA:
Chattanooga

Mexico:
Puebla
Silao

South America: 6 Sites
Brazil:
Sao Jose dos Pinhais
Sao Carlos
Taubate
Sao Bernardo do Campo
Argentia:
Corobia
Pacheco

Europe: 21 Sites*
Germany
Wolfsburg (2)
Braunschweig
Salzgitter
Hannover
Kassel
Osnabruck
Emden (2)
Dresden
Chemnitz
Zwickau

Slovak Republic:
Bratislava

Poland:
Szlachtyn

Russia:
Kaluga

Bosnia Herzegovina:
Sarajevo

Asia: 20 Sites
China:
Changchun (3)
Dalian (2)
Shanghai (2)
Ningbo
Chengdu (2)
Foshan (2)

South Afrika:
Uitenhage

Africa: 1 Sites
Russia:
Kazan

Portugal:
Palmela

The Volkswagen Passenger Cars Brand

Vehicles produced 2016 2015

Santana 512,177 547,187
Bora 236,427 202,946
Golf 982,495 1,025,533
Phaeton - 5,131
Rex 471,388 844,907
Cross - 4,559
Touran 160,210 152,845
Beetle 61,940 66,025
Cross - 2,924
Polo 548,887 501,712

Total 6,073,10 5,897,783
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Login: volkswagen
Password: JPG@vw22
Valid thru May 31st 2017