Volkswagen Group

Frank Witter
Chief Financial Officer
Exane BNP Paribas 19th European CEO Conference, Paris, 15th June 2017

We are redefining mobility.
Disclaimer

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Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, will have a corresponding impact on the development of our business. The same applies in the event of a significant shift in current exchange rates relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

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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)

¹) Figures excl. Volkswagen Commercial Vehicles, Scania and MAN Commercial Vehicles.
Volkswagen Group – Deliveries to customers by brands
(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.
2) MAN incl. MAN Latin America Trucks and Busses GVW > 5t

Passenger Cars:
- Volkswagen: 1,936 (2016) vs. 1,909 (2017), -1.4%
- Audi: 620 vs. 579, -6.7%
- Skoda: 374 vs. 381, +1.8%
- SEAT: 139 vs. 159, +14.5%
- Porsche: 78 vs. 82, +5.5%
- Commercial Vehicles: 154 vs. 162, +4.8%

Commercial Vehicles:
- Volkswagen Commercial Vehicles: 3,361 vs. 3,336, -0.7%
- MAN: 3,336 vs. 3,361, +0.8%
- Scania: 3,333 vs. 3,361, +0.8%
- MAN Latin America Trucks and Busses GVW > 5t: 3,361 vs. 3,361, 0%
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

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

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

- Operating result (before special items)
  - Q1 '16: €4.4bn
  - Q1 '17: €4.4bn
  - Change: +27% vs. prior year

1) After special items
## Volkswagen Group – Key Financial Figures¹)
(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

Q1 2017 Operating profit

€ billion

3.4
-0.3
3.1
+0.9
+0.5
+0.3
-0.6
+0.2
-0.0
+0.0
4.4

Q1 2016 Operating profit before special items

Q1 2016 Volume/ Mix/ Prices

€ billion

Passenger Cars¹

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(^3)</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><strong>Volkswagen Group before Special Items</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Special Items</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Volkswagen Group</strong></td>
<td>2,610</td>
<td>2,577</td>
<td>56,197</td>
</tr>
<tr>
<td><strong>Automotive Division</strong>(^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><strong>Financial Services Division</strong></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. \(^7\) Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

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

Gross cash flow
Change in working capital
Capex
Capitalized development costs
Other\(^1\)
Net cash flow

7.3
-6.5
-1.8
-1.4
-0.2
-2.6

Around € 5bn diesel related cash outflow

All figures shown are rounded, minor discrepancies may arise from addition of these amounts. \(^1\) Including disposals & acquisitions of equity investments – mainly stake in Navistar for € 0.3bn.
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>€ 4.80</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>

Dividend per share
Volkswagen Group – Outlook for 2017

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%

<table>
<thead>
<tr>
<th>Deliveries to customers ('000 vehicles)</th>
<th>Sales revenue (€ billion)</th>
<th>Operating return on sales (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,931 (+3.7%)</td>
<td>213.3 (2015)</td>
<td>6.0*</td>
</tr>
<tr>
<td>10,297 (+1.9%)</td>
<td>217.3 (2016)</td>
<td>6.7*</td>
</tr>
</tbody>
</table>

*) before Special Items
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

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**Return on Sales**

- **2016 Actual**: 6.7%
- **2020 Target**: 6.5-7.5%
### Clear Financial Targets and Milestones

#### Key financial targets

<table>
<thead>
<tr>
<th></th>
<th>2016 Actual</th>
<th>2017 Targets</th>
<th>2020 Targets</th>
<th>2025 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating return on sales</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>Return on investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive Division</td>
<td>13.9%</td>
<td>11-13%</td>
<td>13-15%</td>
<td>&gt;15%</td>
</tr>
<tr>
<td>Capex ratio</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>R&amp;D cost ratio</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>Cash</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)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D Cost</td>
<td>5.5%</td>
<td>11.7%</td>
<td>13.1%</td>
<td>13.6%</td>
<td>13.7%</td>
<td>~13%</td>
<td>Stretch</td>
<td></td>
<td></td>
<td>6%</td>
</tr>
</tbody>
</table>

Target: 9.5
Stretch: 13

- 6% (2018-2019)
- 6% (2020-2021)
- 6% in 2025
STRATEGY 2025 – INITIATIVES AT A GLANCE

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

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

Better integrated and strategic planning process
## Delivering on Core Principles

<table>
<thead>
<tr>
<th>Accountability</th>
<th>Discipline</th>
<th>Reduced Complexity</th>
<th>Profitability</th>
</tr>
</thead>
</table>

### Modular Toolkits

- **MQB**
  - Modular Transverse Toolkit
- **MLB**
  - Modular Longitudinal Toolkit
- **MSB**
  - Modular Standard Drivetrain Toolkit
- **MNB**
  - Modular Light Commercial Vehicle Toolkit
- **MMB**
  - Modular Mid-engine Toolkit
- **MEB**
  - Modular Electric Toolkit

### Product Line Organization

(Example Volkswagen Brand)

- **G1 – Small**
  - ![Small Car](image)
- **G2 – Compact**
  - ![Compact Car](image)
- **G3 – Mid- & Fullsize**
  - ![Fullsize Car](image)
- **G4 – e-Mobility**
  - ![Electric Car](image)
Cascading Group Targets to Brands

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

Brand KPIs

Top-Down Targets
Committed in Planning Rounds

Commitment
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: 2016 highlights

• 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
### Return on Sales in %

<table>
<thead>
<tr>
<th>Brand / Business</th>
<th>2016</th>
<th>2017</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Group</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>Volkswagen Brand</td>
<td>1.8</td>
<td>2.5-3.5</td>
<td>≥4</td>
<td>≥6</td>
</tr>
<tr>
<td>Audi</td>
<td>8.2</td>
<td>8-10</td>
<td>8-10</td>
<td>8-10</td>
</tr>
<tr>
<td>Porsche</td>
<td>17.4</td>
<td>&gt;15</td>
<td>&gt;15</td>
<td>&gt;15</td>
</tr>
<tr>
<td>ŠKODA</td>
<td>8.7</td>
<td>7-8</td>
<td>6-7</td>
<td>≥7</td>
</tr>
<tr>
<td>Volkswagen Commercial Vehicles</td>
<td>4.1</td>
<td>3-4</td>
<td>4-5</td>
<td>&gt;6</td>
</tr>
<tr>
<td>Truck &amp; Bus Business&lt;sup&gt;1)&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Scania</td>
<td>9.5</td>
<td>6-7</td>
<td>9&lt;sup&gt;2)&lt;/sup&gt;</td>
<td>9&lt;sup&gt;2)&lt;/sup&gt;</td>
</tr>
<tr>
<td>• MAN Commercial Vehicles</td>
<td>2.3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>VWFS</td>
<td>15.6%</td>
<td>14-16%</td>
<td>14-16%</td>
<td>20%</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017 Outlook</th>
<th>2020 Target</th>
<th>2025 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1.8</td>
<td>2.5 – 3.5</td>
<td>≥ 4.0</td>
<td>≥ 6.0</td>
</tr>
</tbody>
</table>
Increase in competitiveness and safeguarding the future are the focus points of the Future Pact agreement

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

Secure the Future

- 4 additional models: 2 conventional and 2 MEB vehicles
- Investments in:
  - Electric drive trains
  - Pilot facility battery cell
  - Battery system
- Competency/capacity increase in autonomous driving, electrification, connectivity etc.
- Creation of employment in new business segments

Reduction in workforce based on demographic curve
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>

>15,000 fewer component variants

>€700 million lower initial investment
Focus on US Core Segments

Volkswagen brand is planning a strong comeback in the USA

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

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

Key measures

- Concept determined by: customer benefit and package for cost-optimized implementation of e-components
- Electro Architecture: economies of scale from use of Electro Architecture 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

<table>
<thead>
<tr>
<th>€ million p.a.</th>
<th>R&amp;D</th>
<th>Production costs / tooling</th>
<th>Material costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>~200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>Up to 1,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key common powertrain platforms

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

1. **Equity investment**
   - 16.6% equity stake in Navistar by way of capital increase

2. **Strategic technology and supply cooperation**
   - Companies to collaborate on technology for powertrain systems, as well as other advanced technologies

3. **Procurement joint venture**
   - Procurement joint venture is pursuing joint global sourcing opportunities

4. **Governance**
   - 2 VW T&B representatives nominated to Navistar Board of Directors. Joint Alliance Board to govern overall alliance
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
- Alternative fuels, hybrid, electrification
- Digitalization

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 April 2017 vs. 2016)

Proportionate operating profit, January to March (in € million)

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

-4.8% incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania
Regulatory environment in China

**CAFC - Fuel consumption target**

- Requirement 2016: 6.7 l at 157 g CO₂/km
- Legal requirement: 4.0 l at 117 g 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**

<table>
<thead>
<tr>
<th>NEV credit point ratio</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
<td>8%</td>
<td>10%</td>
<td>12%</td>
</tr>
</tbody>
</table>

**NEV Credit Point Attribution per NEV Type**

<table>
<thead>
<tr>
<th>E-Range (in km)</th>
<th>BEV</th>
<th>PHEV</th>
<th>FCEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>80 - 150</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>150 - 250</td>
<td>4</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>250 - 350</td>
<td>5</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>&gt;350</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**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 2020 ²)

- Rest: 40% in 2016, 46% in 2020e
- SUV: 53% in 2016, 47% in 2020e
- MPV: 40% in 2016, 46% in 2020e

New vehicle launches 2017 and to follow ²)

<table>
<thead>
<tr>
<th>SUV</th>
<th>Others</th>
<th>imported</th>
<th>locally produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teramont</td>
<td>KAROQ</td>
<td>Phideon PHEV</td>
<td>Lavida</td>
</tr>
<tr>
<td>Tiguan LWB</td>
<td>...</td>
<td>Panamera Turbo</td>
<td>Q7 e-tron</td>
</tr>
<tr>
<td>Q5</td>
<td></td>
<td>A5 Coupé</td>
<td>R8 Spyder</td>
</tr>
<tr>
<td>KODIAQ</td>
<td></td>
<td>Panamera LWB</td>
<td>Variant GTE</td>
</tr>
</tbody>
</table>

¹ Source: IHS  ² Schematic overview – does not show all models
Volkswagen Financial Services\(^1\): global, well diversified and successful

### Strong global presence

- **Rising penetration rates**
  - w/o China
    - 2008: 32.5%
    - 2016: 48.7%
  - with China
    - 2008: 26.4%
    - 2016: 33.1%

### Continuous portfolio expansion

<table>
<thead>
<tr>
<th>Year</th>
<th>Financing</th>
<th>Leasing</th>
<th>Insurance / Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1.964</td>
<td>1.505</td>
<td>3.163</td>
</tr>
<tr>
<td>2009</td>
<td>2.148</td>
<td>1.508</td>
<td>3.567</td>
</tr>
<tr>
<td>2010</td>
<td>2.246</td>
<td>1.524</td>
<td>3.712</td>
</tr>
<tr>
<td>2011</td>
<td>2.691</td>
<td>1.623</td>
<td>3.930</td>
</tr>
<tr>
<td>2012</td>
<td>3.281</td>
<td>1.808</td>
<td>4.551</td>
</tr>
<tr>
<td>2013</td>
<td>3.796</td>
<td>1.983</td>
<td>4.946</td>
</tr>
<tr>
<td>2014</td>
<td>4.549</td>
<td>2.274</td>
<td>5.560</td>
</tr>
<tr>
<td>2015</td>
<td>6.322</td>
<td>2.518</td>
<td>5.833</td>
</tr>
<tr>
<td>2016</td>
<td>7.218</td>
<td>2.760</td>
<td>6.155</td>
</tr>
</tbody>
</table>

Total portfolio 16,113

### Diversified funding structure

- **Asset backed securitization**
- **Bonds, Commercial Paper, liabilities to financial institutions**
- **Customer deposits**
- **Equity, liabilities to affiliated companies, other**

31.12.2016: €170.1 bn

\(^1\) Excluding Financial Services activities of Scania, Porsche AG and Porsche Holding Salzburg; including MAN Financial Services
Optimized structure for Financial Services Business
*(implementation scheduled for year-end 2017)*

**Future structure of Volkswagen Financial Services**

- **VOLKSWAGEN Aktiengesellschaft**
  - **Volkswagen Bank GmbH**
    - European VW Bank GmbH branches
    - European non-bank-related affiliates
  - **Volkswagen Financial Services AG**
    - European credit business affiliates
    - Affiliates in: Asia-Pacific, Latin America

**Change of legal structure**

- VW Bank GmbH will be separated from VWFS AG and become a subsidiary of VW AG (wholly-owned and with direct reporting line)
- VW Bank GmbH, that is regulated by the European Central Bank (ECB), will comprise all credit & deposit business within the European Economic Area
- The noncredit business in Europe and all business in overseas will continue to be part of VWFS AG

**Advantages:**
- Optimized capital requirements
- Reduced complexity & improved transparency
- Supports future growth path
### Special Items: Diesel related and other

<table>
<thead>
<tr>
<th>(In € bn)</th>
<th>Diesel</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Legal</td>
<td>Restructuring:</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>7.0</td>
<td>Truck Business: 0.2</td>
<td>16.9</td>
</tr>
<tr>
<td></td>
<td>Other items 9.2</td>
<td>Passenger Cars South America: 0.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Airbags Takata: 0.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>16.2</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>Mainly legal risks: 6.4</td>
<td>Scania Anti-Trust Proceedings: 0.4</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others: 0.7</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>22.6</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>24.4</td>
<td></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 31 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><strong>Scope</strong></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><strong>With whom?</strong></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><strong>Claims status</strong></td>
<td>As of May 25, 2017, Volkswagen has completed around 275,000 buyback or lease termination transactions; around 8,000 phase 1 modifications for vehicles with Generation 3 engines; and around 12,000 non-vehicle claims.</td>
<td>Judge Charles R. Breyer verbally approved settlement on May 11, 2017. Court Order was issued on May 17, 2017</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>
</tbody>
</table>
| **Approval status** | Per October 2016 max funding pool of ~$10bn eligible for:  
- Buyback/Lease terminations or  
- Emissions modifications (~150k vehicles approved per May ‘17)  
- + Cash payments for affected customers  
- Pay $2.7bn over 3 years to environmental trust  
- Invest $2bn over 10 years in zero emission infrastructure  
- Resolution with 44 states, 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 | Pay up to ~ $1.2 billion total benefits in settlement program to:  
- Recall and repair ~58,000 vehicles to originally certified emissions standards  
- 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  
- Final approval hearing took place on May 11, 2017. | 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  
- 1.28 billion cash component, as well as additional non-cash benefits |

**Special items**: 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.

\(^1\) KBA approval relevant for EU28 and ECE user states (e.g., Turkey)

Update status

Over 4.9m units have been updated (status end May 2017)
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**
- Performance Share Plan (3 years forward-looking)
- 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

Process optimization

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!
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Telephone: +1 703 364 7220
Successful operating performance in Q1 2017

- Total sales revenue: EUR 19.0 billion
  - Not comparable with prev. year
  - 2016: EUR 19.0 billion
  - 2016 (adjusted): EUR 19.0 billion
  - 2017: EUR 19.0 billion

- Operating result: EUR 0.9 billion
  - 2016 before special items: EUR 0.9 billion
  - 2017: EUR 0.9 billion
New remuneration system for the Board of Management 2017

Functionality of determining the annual bonus amount

- **Target amount** (€1,350,000, or €3,045,000 for the Chairman of the Board of Management)
- **Target achievement**
  - **Corporate bonus**
    - Two operational KPIs (each 50%)
    - Target achievement 0 – 150%
  - **Performance factor**
    - Multiplier (0.8 – 1.2)
- **Payment amount** (Cap: 180% of the target amount)

50% operating profit incl. China

50% operating return on sales (ROS)

Individual targets shall be agreed annually in advance with every member of the Board of Management. The transformation of staff shall be measured based on the “HR transformation score.” Targets shall be reviewed and, if necessary, adjusted by the Supervisory Board on a regular basis.

* Cap of 180% arises from 150% of the maximum financial target achievement and a performance factor up to a maximum of 1.2
Target Values take into account Shareholder and Employee interests

- Share-based long term remuneration
  
  *No share options; payment in cash*

- Current Year Variable Pay

- Fixed Salary

- New System

---

**Target Value (yearly review)**

- Earnings per preferred share
  - Hurdle: €10 per share

- Share price

- 50% Operating Profit incl. China
  - New hurdle: €9 billion

- 50% Operating Return on Sales
  - Hurdle: 4%

- Performance factor ± 20%
  - Successful transformation of employee’s duties to new activities
  - Individual targets

---

**Objectives**

- Tightened
- Additional Target
- Additional Target
The annual bonus is based on the Operating Profit incl. China and the Return on Sales; the payment amount is adjusted by a performance factor.

### Annual bonus

<table>
<thead>
<tr>
<th>Old design</th>
<th>Operating result (OP) incl. China</th>
<th>KPIs</th>
<th>Operating profit (OP) incl. China Operating return on sales (RoS)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Two years</td>
<td></td>
<td>One year</td>
</tr>
<tr>
<td></td>
<td>Direct participation above a certain OP-threshold value (€5bn)</td>
<td>Performance measurement</td>
<td>50 % direct participation above a certain OP threshold value (€9bn) 50 % strategic target return above a certain threshold return (4%)</td>
</tr>
<tr>
<td></td>
<td>0% to 50% of special remuneration Discretionary assessment Additive linkage</td>
<td>Individual performance bonus/performance factor</td>
<td>Factor 0.8 to 1.2 Discretionary, criteria-based assessment Multiplicative linkage</td>
</tr>
</tbody>
</table>
The Performance Share Plan ensures an orientation towards a sustainable corporate development

<table>
<thead>
<tr>
<th>Old design</th>
<th>New design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple-year bonus</td>
<td>Plan type</td>
</tr>
<tr>
<td>(Virtual) Performance Share Plan</td>
<td></td>
</tr>
<tr>
<td>Top customer satisfaction, top employer, sales volume, Profit before Tax return</td>
<td>Key performance indicators</td>
</tr>
<tr>
<td>Earnings per share (EPS)</td>
<td></td>
</tr>
<tr>
<td>4 sub-indices with a total of 10 indicators, threshold: 1.5 % return on sales</td>
<td>Calibration/calculation</td>
</tr>
<tr>
<td>€10 EPS = 50 % of shares</td>
<td></td>
</tr>
<tr>
<td>€20 EPS = 100 % of shares</td>
<td></td>
</tr>
<tr>
<td>€30 EPS = 150 % of shares</td>
<td></td>
</tr>
<tr>
<td>Four years backward-looking</td>
<td>Performance period</td>
</tr>
<tr>
<td>Three years forward-looking</td>
<td></td>
</tr>
</tbody>
</table>

Performance Share Plan
The payout amount depends on the development of the share price and the EPS target achievement

Performance Share Plan

**Functionality:** virtual shares granted; quantity changes depending on the EPS-target achievement

<table>
<thead>
<tr>
<th>Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversion of contractually defined target value in virtual preferred shares based on the share price at grant</td>
</tr>
<tr>
<td>Share price at grant is defined as the average closing price of the last 30 trading days before the grant</td>
</tr>
<tr>
<td>Target definition for EPS (100 % target achievement at an EPS of €20)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance period</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY n</td>
</tr>
<tr>
<td>FY n+1</td>
</tr>
<tr>
<td>FY n+2</td>
</tr>
<tr>
<td><strong>Value of shares</strong> changes based on the share price development</td>
</tr>
<tr>
<td><strong>Number of shares</strong> changes based on the EPS target achievement (annual “lock-in”)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payout</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determination of the final number of virtual shares based on the target achievement</td>
</tr>
<tr>
<td>Determination of the closing price (equal to the average closing price of the last 30 trading days before the end of the performance period)</td>
</tr>
<tr>
<td>Payout in cash incl. dividend equivalents for the final number of shares</td>
</tr>
<tr>
<td>Caps: 150 % target achievement, max. payout of 200 % of target value</td>
</tr>
</tbody>
</table>
Achievement of the EPS objective is measured annually over the three-year term of the tranches

- Annual EPS performance measurement for 1/3 of the respective virtual performance shares granted
- Incentive effect throughout the plan term
Volkswagen Arteon
Volkswagen I.D.BUZZ
AUDI Q5
Porsche 718 Boxster
SEAT Ibiza
Lamborghini Centenario
Bugatti Chiron
MAN TGX
Scania R500 4x2