We are redefining mobility.

Volkswagen Group
Frank Witter
Chief Financial Officer
Analyst Meetings, London, 31st August 2017
Development World Car Market vs. Volkswagen Group Car Deliveries to Customers\(^1\)
(Growth y-o-y in deliveries to customers, January to July 2017 vs. 2016)

\(^1\) Figures excl. Volkswagen Commercial Vehicles, Scania and MAN Commercial Vehicles.
Volkswagen Group – Deliveries to Customers by Brands
(January to July 2017 vs. 2016)
Volkswagen Group – Deliveries to Customers by Markets \(^1\)
(January to July 2017 vs. 2016)

\(^1\) Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles);
Volkswagen Group: Environmental and Future Incentives Program

- Promoting the renewal of the vehicle fleet through the changeover to Euro 6 and e-mobility
- Improve air quality in cities
- Incentives on purchasing a Volkswagen, Volkswagen Commercial Vehicles, Audi, SEAT, ŠKODA or Porsche with Euro 6 Standard
- Program is limited to German market and available until December 31st, 2017 1)
- Incentives for scrapping an old diesel vehicle of any brand with Euro 4 or older and purchase of a new vehicle (Volkswagen: €2,000 to €10,000; Audi: €3,000 to €10,000; SEAT: €1,750 to €8,000; ŠKODA: €1,750 to €5,000; Porsche: €5,000)
- Additional bonus for the purchase of alternative powertrain (electric, hybrid or natural gas)

Example Incentive Volkswagen Brand:

<table>
<thead>
<tr>
<th>Model</th>
<th>„Environmental“ Incentive</th>
<th>„Future“ Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>up!</td>
<td>€2,000</td>
<td></td>
</tr>
<tr>
<td>Polo</td>
<td>€3,000</td>
<td></td>
</tr>
<tr>
<td>Golf, Golf Sportsvan, Golf Estate, Tiguan, Tiguan Allspace, Beetle Cabrio</td>
<td>€5,000</td>
<td></td>
</tr>
<tr>
<td>Touran</td>
<td>€6,000</td>
<td></td>
</tr>
<tr>
<td>Passat Sedan/Estate, Arteon, Sharan</td>
<td>€8,000</td>
<td></td>
</tr>
<tr>
<td>Touareg</td>
<td>€10,000</td>
<td></td>
</tr>
</tbody>
</table>

- Natural gas (e.g. Golf TGI) €1,000
- Hybrid (e.g. Golf GTE; Passat GTE) €1,785
- Electric (e.g. e-up!; e-Golf) €2,380

State subsidy

Total support available per model

Cost of Programs anticipated to be balanced through higher volumes, benefits of gaining new customers and raising customer loyalty

1) Porsche: Europewide; 2) existed already, only valid for electric vehicles
Global Passenger Car Market 2017/2020

Slowdown in Western Europe; Stagnation in USA at a high level; Recovery in Brazil though from a low level; Strong growth in India; China remains largest driver of passenger car demand

<table>
<thead>
<tr>
<th>Million Units</th>
<th>USA</th>
<th>Western Europe</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>17.6</td>
<td>14.0</td>
<td>3.0</td>
</tr>
<tr>
<td>2017</td>
<td>17.4</td>
<td>14.3</td>
<td>3.3</td>
</tr>
<tr>
<td>2020</td>
<td>17.3</td>
<td>14.1</td>
<td>4.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brazil</th>
<th>World</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2.0</td>
<td>82.0</td>
</tr>
<tr>
<td>2017</td>
<td>2.0</td>
<td>83.7</td>
</tr>
<tr>
<td>2020</td>
<td>2.3</td>
<td>89.3</td>
</tr>
<tr>
<td>2016</td>
<td>23.1</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>23.4</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>25.6</td>
<td></td>
</tr>
</tbody>
</table>

Actuals | Forecast | Data source: IHS Automotive (07.2017) | 1 – Volume for North & South America includes light commercial vehicles (definition 'Light Vehicles') | growth 2017-2020 = CAGR
### Volkswagen Group – Key Financial Figures¹)
(January to June 2017 vs. 2016)

<table>
<thead>
<tr>
<th>thousand vehicles / € million</th>
<th>2017</th>
<th>2016</th>
<th>+/- (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle Sales ²)</td>
<td>5,270</td>
<td>5,199</td>
<td>+1.4</td>
</tr>
<tr>
<td>Sales revenue</td>
<td>115,862</td>
<td>107,935</td>
<td>+7.3</td>
</tr>
<tr>
<td>Operating profit before Special Items</td>
<td>8,916</td>
<td>7,517</td>
<td>+18.6</td>
</tr>
<tr>
<td>% of sales revenue</td>
<td>7.7</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>8,916</td>
<td>5,339</td>
<td>+67.0</td>
</tr>
<tr>
<td>% of sales revenue</td>
<td>7.7</td>
<td>4.9</td>
<td></td>
</tr>
<tr>
<td>Financial result</td>
<td>44</td>
<td>-528</td>
<td>X</td>
</tr>
<tr>
<td>of which: At-equity result²)</td>
<td>1,635</td>
<td>1,715</td>
<td>-4.7</td>
</tr>
<tr>
<td>of which: Other financial result</td>
<td>-1,591</td>
<td>-2,243</td>
<td>-29.1</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>8,960</td>
<td>4,810</td>
<td>+86.3</td>
</tr>
<tr>
<td>% Return on sales before tax</td>
<td>7.7</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>6,595</td>
<td>3,579</td>
<td>+84.3</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) Volume data including the unconsolidated Chinese joint ventures. The joint venture companies in China are accounted for using the equity method and recorded an operating profit (proportionate) of €2,135 million (€2,366 million).
Operating profit increased to €8.9 billion in H1 2017

All figures shown are rounded, minor discrepancies may arise from addition of these amounts. *) without FS **) including PPA
Strong brands contributed to the operating profit of the Group in H1 2017

<table>
<thead>
<tr>
<th></th>
<th>Vehicle sales</th>
<th>Sales revenue</th>
<th>Operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Passenger Cars</td>
<td>1,812</td>
<td>2,232</td>
<td>39,855</td>
</tr>
<tr>
<td>Audi</td>
<td>783</td>
<td>799</td>
<td>30,143</td>
</tr>
<tr>
<td>ŠKODA</td>
<td>501</td>
<td>431</td>
<td>8,720</td>
</tr>
<tr>
<td>SEAT</td>
<td>304</td>
<td>276</td>
<td>5,054</td>
</tr>
<tr>
<td>Bentley</td>
<td>5</td>
<td>5</td>
<td>867</td>
</tr>
<tr>
<td>Porsche Automotive</td>
<td>124</td>
<td>117</td>
<td>10,841</td>
</tr>
<tr>
<td>Volkswagen Commercial Vehicles</td>
<td>244</td>
<td>231</td>
<td>5,927</td>
</tr>
<tr>
<td>Scania</td>
<td>44</td>
<td>41</td>
<td>6,307</td>
</tr>
<tr>
<td>MAN Commercial Vehicles</td>
<td>53</td>
<td>49</td>
<td>5,297</td>
</tr>
<tr>
<td>MAN Power Engineering</td>
<td>-</td>
<td>-</td>
<td>1,579</td>
</tr>
<tr>
<td>VW China</td>
<td>1,870</td>
<td>1,867</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-469</td>
<td>-849</td>
<td>-14,728</td>
</tr>
<tr>
<td>Volkswagen Financial Services</td>
<td>-</td>
<td>-</td>
<td>15,999</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>5,270</td>
<td>5,199</td>
<td>115,862</td>
</tr>
<tr>
<td>Automotive Division</td>
<td>5,270</td>
<td>5,199</td>
<td>98,901</td>
</tr>
<tr>
<td>of which: Passenger Cars</td>
<td>4,930</td>
<td>4,879</td>
<td>80,070</td>
</tr>
<tr>
<td>of which: Commercial Vehicles</td>
<td>340</td>
<td>320</td>
<td>17,252</td>
</tr>
<tr>
<td>of which: Power Engineering</td>
<td>-</td>
<td>-</td>
<td>1,579</td>
</tr>
<tr>
<td>Financial Services Division</td>
<td>-</td>
<td>-</td>
<td>16,961</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 €11,778 (10,929) million, operating profit €2,131 (1,830) 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 €2,135 (2,366) 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 H1 2017: Significant increase in operating cash flow

- Operating Cash flow before Diesel Outflow: 9.7
- Diesel Outflow: -12.0
- Cash flow from operating activities: 2.0
- Capex 3): -4.2 (4.2%)
- Capitalized development costs: -2.9
- Other: 0.1
- Net cash flow before equity investments: -4.8
- Acquisition and disposal of equity investments: 0.0
- Net cash flow: -4.8

1) All figures shown are rounded, minor discrepancies may arise from addition of these amounts.
2) Including allocation of consolidation adjustments between Automotive and Financial Services divisions.
3) Capital expenditure for property, plant and equipment in % of Automotive sales revenue.
Automotive Division net liquidity on a robust level in H1

€ billion

<table>
<thead>
<tr>
<th>Date</th>
<th>Net Cash Flow H1</th>
<th>Hybrid Bond</th>
<th>Capital increase Volkswagen FS AG</th>
<th>Dividend pay-out to Volkswagen AG shareholders</th>
<th>Other</th>
<th>30.06.2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2016</td>
<td>27.2</td>
<td>3.5</td>
<td>-4.8</td>
<td>-1.0</td>
<td>-1.0</td>
<td>-0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23.7</td>
</tr>
</tbody>
</table>
Volkswagen Group – Outlook for 2017

**Deliveries to customers**

- 2015: 9,931
- 2016: 10,297

+ 3.7%

**Sales revenue**

- 2015: €213.3 billion
- 2016: €217.3 billion

+ 1.9%

**Operating return on sales**

- 2015: 6.0%
- 2016: 6.7%

*before Special Items

**Deliveries to customers**

- Moderately above prior year

**Sales revenue**

- Up more than 4% above prior year level

**Operating return on sales**

- Between 6.0% and 7.0%

* Upgraded at H1
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>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>6.7%</td>
<td>6.5-7.5%</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></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>a) Net Cashflow</td>
<td>€ 4.3 bn</td>
<td>negative</td>
<td>positive 1)</td>
<td>positive 1)</td>
</tr>
<tr>
<td>Automotive Division</td>
<td></td>
<td></td>
<td></td>
<td></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

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. 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>
<tbody>
<tr>
<td>Modular Toolkits</td>
<td>Product Line Organization</td>
<td></td>
<td></td>
</tr>
</tbody>
</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**
- **G2 – Compact**
- **G3 – Mid- & Fullsize**
- **G4 – e-Mobility**

**Accountability**
- Discipline
- Reduced Complexity
- Profitability

**Key Financials & Cash**
- Strategic Outlook & Milestones
- Brands / Regions
- Diesel
- Remuneration
- Integrity & Compliance
- Commitment

**Deliveries & Global Trends**
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
### 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>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(^1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Scania</td>
<td>9.5</td>
<td>6-7</td>
<td>9(^2)</td>
<td>9(^2)</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></th>
<th>2016</th>
<th>2017</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Financial Services</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
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>2016</th>
<th>2017 Outlook</th>
<th>2020 Target</th>
<th>2025 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.8</td>
<td>2.5 – 3.5</td>
<td>≥ 4.0</td>
<td>≥ 6.0</td>
</tr>
</tbody>
</table>

“at the upper end of the range”
Increase in competitiveness and safeguarding the future are the focus points of the Future Pact agreement

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

### Reduction in workforce based on demographic curve

<table>
<thead>
<tr>
<th>Working Group 1</th>
<th>Working Group 2</th>
<th>Working Group 3</th>
<th>Working Group 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>Components</td>
<td>Technical Development</td>
<td>Administration</td>
</tr>
<tr>
<td>• Increase of productivity by 25%</td>
<td>• Increase of productivity by 25%</td>
<td>• Reduction of hardware-oriented development work</td>
<td>• Reduction of bureaucracy</td>
</tr>
<tr>
<td>• Reduction of plant costs</td>
<td>• Discontinuation of unprofitable products</td>
<td>• Increased efficiency in development processes</td>
<td></td>
</tr>
</tbody>
</table>
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 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

R&D
Production costs / tooling

Material costs

Key common powertrain platforms

Base engine
After-treatment

Transmission
Axles
# Global expansion on track with Navistar alliance

<table>
<thead>
<tr>
<th>1</th>
<th>Equity investment</th>
<th>16.8% 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>

* As at 30.06.2017
RoS target of 9 percent to be reached through combination of measures

RoS before special items

Long-term cooperation

- Operational improvement of brands and initial successes of cooperation
- Buildup of VW T&B organization and team
- Common Powertrain
- Alternative fuels, hybrid, electrification
- Autonomous vehicles
- Digitalization

Through-cycle target

9%
Volkswagen Group China performance (January to July 2017 vs. 2016)

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

**CAFC - Fuel consumption target**

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>None</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>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>250 - 350</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>&gt;350</td>
<td>5</td>
<td>2</td>
<td>4</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)

---

1) Simplified schematic overview.
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)

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

New vehicle launches 2017 and to follow²)

- **SUV**
  - Tiguan LWB
  - Teramont
  - KODIAQ
  - Q5

- **Others**
  - Panamera Turbo
  - A5 Coupé
  - TT
  - Phideon PHEV
  - Bora
  - R8 Spyder
  - Variant GTE
  - Lavida
  - Panamera LWB

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

### Strong global presence

![World map showing global presence](image)

### Rising penetration rates

- **w/o China**
  - 2008: 32.5%
  - 2009: 32.9%
  - 2010: 34.9%
  - 2011: 36.3%
  - 2012: 40.7%
  - 2013: 44.3%
  - 2014: 44.5%
  - 2015: 46.9%
  - 2016: 48.7%
  - H1 2017: 46.3%

- **with China**
  - 2008: 26.4%
  - 2009: 25.0%
  - 2010: 24.7%
  - 2011: 25.4%
  - 2012: 27.5%
  - 2013: 28.9%
  - 2014: 30.6%
  - 2015: 31.3%
  - 2016: 33.1%
  - H1 2017: 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>514</td>
</tr>
<tr>
<td>2009</td>
<td>2,148</td>
<td>1,508</td>
<td>520</td>
</tr>
<tr>
<td>2010</td>
<td>2,246</td>
<td>1,524</td>
<td>521</td>
</tr>
<tr>
<td>2011</td>
<td>2,691</td>
<td>1,023</td>
<td>1,048</td>
</tr>
<tr>
<td>2012</td>
<td>3,281</td>
<td>1,808</td>
<td>1,103</td>
</tr>
<tr>
<td>2013</td>
<td>3,796</td>
<td>1,983</td>
<td>1,020</td>
</tr>
<tr>
<td>2014</td>
<td>4,549</td>
<td>2,774</td>
<td>1,661</td>
</tr>
<tr>
<td>2015</td>
<td>6,322</td>
<td>2,518</td>
<td>1,711</td>
</tr>
<tr>
<td>2016</td>
<td>7,218</td>
<td>2,760</td>
<td>2,018</td>
</tr>
<tr>
<td>H1 2017</td>
<td>7,487</td>
<td>2,997</td>
<td>2,497</td>
</tr>
</tbody>
</table>

**Total portfolio**: 16,804 in ‘000 contracts

### Diversified funding structure

- **30.06.2017**: €178.7 bn
  - **Customer deposits**: 19%
  - **Equity, liabilities to affiliated companies, other**: 31%
  - **Bonds, Commercial Paper, liabilities to financial institutions**: 20%
  - **Asset backed securitization**: 30%

---

1) Excluding activities of Scania and Porsche Holding Salzburg; including Financial Services of Porsche AG and 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 credit business affiliates
- Volkswagen Financial Services AG
  - European non-bank-related affiliates
  - Affiliates in: Asia-Pacific Latin America

Change of legal structure

- Volkswagen Bank GmbH will be separated from Volkswagen Financial Services AG and become a subsidiary of Volkswagen AG (wholly-owned and with direct reporting line)
- Volkswagen 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 Volkswagen Financial Services AG

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

### (In € bn)

<table>
<thead>
<tr>
<th></th>
<th>Diesel</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015</strong></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><strong>Total</strong></td>
<td>16.2</td>
<td></td>
<td>16.9</td>
</tr>
<tr>
<td><strong>2016</strong></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><strong>Total</strong></td>
<td>22.6</td>
<td>1.8</td>
<td>24.4</td>
</tr>
</tbody>
</table>

No material special items in H1 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, around €5bn in Q1 2017 and around €7bn in Q2.
Technical solution in Europe/RoW simple and relatively easy to implement

Predominantly software-only solution

- Technical solution already generally confirmed for all concepts by KBA¹
- Gradual approval of clusters after cluster-specific KBA inspection¹
- 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 5.8m units have been updated (status 17th August 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)
  - 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
Integrity, Compliance & Culture: a three-dimensional approach for change
Integrity, Compliance & Culture: a selection of three current activity areas

1. Implementation of Holistic Integrity Programme:
   Six action fields form the basis for a holistic integrity programme:
   - Dialogue and Communications
   - Sounding Board Programme
   - Leadership Programme
   - Processes and Instruments
   - Reporting and Confirmation of Effectiveness
   - Internationalization

2. Evolution of Group Compliance:
   Three areas were defined:
   - Development of Group Compliance Values
   - Clear definition of Group Compliance Objectives
   - Adjustment of Group Compliance structure

   Compliance scope:
   - Anti-corruption
   - Fraud Prevention
   - Embezzlement Prevention
   - Money laundering Prevention
   - Human Rights
   - Investigation of Compliance violations

3. Development of Code of Cooperation:
   Mutual rules and guidelines of working together were developed:
   - Cross functional
   - Aims at corporate culture
   - Includes all brands
Implementation of a Holistic Integrity Programme: Six action fields form the basis for a holistic integrity programme

**DIALOGUE AND COMMUNICATION**
“Talk & Drive. Integrity moves Volkswagen”
Communication surrounding the issue of integrity with focused involvement of employees. Continuous visibility and accessibility of the issue of integrity.

**SOUNDING BOARD PROGRAMME**
“Knowing where the action is!”
Voluntary ambassadors from all divisions and hierarchies. Workforce perspective taken into account.

**LEADERSHIP PROGRAMME**
“Role model for integrity? Boss’s matter!”
Intensive measures for all managers from Team Leader to Top Management.

**PROCESSES AND INSTRUMENTS**
“Promote self-responsibility”
Anchoring integrity in existing processes (e.g. personnel).

**INTERNATIONALIZATION**
“Integrity as the basis of Volkswagen Group”
Planned extension of the integrity initiative to brands, selected companies, regions and factory sites.

**REPORTING AND CONFIRMATION OF EFFECTIVENESS**
“Enquiring what gets across”
Regular monitoring of the impact of measures used as part of the integrity initiative.
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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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 of “180%” of the target amount

- **50% operating profit incl. China**
- **50% operating return on sales (ROS)**

*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

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

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

- Performance factor: ± 20%

- Successful transformation of employee’s duties to new activities

- Individual targets

- Earnings per preferred share
  Hurdle: €10 per share

- Share price

- Fixed Salary

- Current Year Variable Pay

- New System

Share-based long term remuneration

No share options; payment in cash

Target Value (yearly review)

- Objectives Tightened
- Additional Target
- Additional Target

Target Values take into account Shareholder and Employee interests.
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>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>Two years</td>
<td></td>
<td>One year</td>
</tr>
<tr>
<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>0% to 50% of special remuneration</td>
<td>Individual performance bonus/performance factor</td>
<td>Factor 0.8 to 1.2 Discretionary, criteria-based assessment Multiplicative linkage</td>
</tr>
<tr>
<td>Discretionary assessment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additive linkage</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**KPIs**

- Operating profit (OP) incl. China
- Operating return on sales (RoS)

**Performance measurement**

- 50 % direct participation above a certain OP threshold value (€9bn)
- 50 % strategic target return above a certain threshold return (4%)
The Performance Share Plan ensures an orientation towards a sustainable corporate development

### Performance Share Plan

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

**Grant**
- Conversion of contractually defined target value in virtual preferred shares based on the share price at grant
- Share price at grant is defined as the average closing price of the last 30 trading days before the grant
- Target definition for EPS (100 % target achievement at an EPS of €20)

**Performance period**

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

**Payout**
- Determination of the final number of virtual shares based on the target achievement
- Determination of the closing price (equal to the average closing price of the last 30 trading days before the end of the performance period)
- Payout in cash incl. dividend equivalents for the final number of shares
- Caps: 150 % target achievement, max. payout of 200 % of target value
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 T-Roc
Volkswagen I.D. BUZZ
AUDI Q5
Porsche 718 Boxster
ŠKODA KODIAQ
SEAT Ibiza
Bentley Bentayga
Lamborghini Centenario
Bugatti Chiron
Volkswagen Crafter
MAN TGX
Scania R500 4x2
We are redefining mobility.

Volkswagen Group
Frank Witter
Chief Financial Officer
Analyst Meetings, London, 31st August 2017