Volkswagen Group
Christian Senger
Head of the e-Mobility Vehicle Series
Video Conference with Exane BNP Paribas, Wolfsburg | London, 09th October 2017
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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Development World Car Market vs. Volkswagen Group Car Deliveries to Customers\(^1\)
(Growth y-o-y in deliveries to customers, January to August 2017 vs. 2016)

### World Car Market vs. Volkswagen Group Car Deliveries to Customers

<table>
<thead>
<tr>
<th>Region</th>
<th>Car Market</th>
<th>VW Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>-1.8%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>1.4%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>11.9%</td>
<td>11.8%</td>
</tr>
<tr>
<td>South America</td>
<td>16.7%</td>
<td>10.9%</td>
</tr>
<tr>
<td>World</td>
<td>1.8%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>-0.3%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

\(^1\) Figures excl. Volkswagen Commercial Vehicles, Scania and MAN Commercial Vehicles.
**Volkswagen Group – Deliveries to Customers by Brands**

(January to August 2017 vs. 2016)

- **Passenger Cars**
  - 2017: 6,797 units (6,797 units)
  - 2016: 6,662 units (6,662 units)
  - Change: +2.0%

- **Commercial Vehicles**
  - 2017: 3,897 units (3,897 units)
  - 2016: 3,827 units (3,827 units)
  - Change: +1.8%

1. **MAN incl. MAN Latin America Trucks and Buses GVW > 5t**
   - 2017: 1,202 units (1,202 units)
   - 2016: 1,235 units (1,235 units)
   - Change: -2.6%

2. **Passenger Cars**
   - 2017: 315 units (315 units)
   - 2016: 277 units (277 units)
   - Change: +13.7%

3. **Commercial Vehicles**
   - 2017: 323 units (323 units)
   - 2016: 308 units (308 units)
   - Change: +5.1%

4. **Commercial Vehicles**
   - 2017: 70 units (70 units)
   - 2016: 65 units (65 units)
   - Change: +7.5%

5. **Commercial Vehicles**
   - 2017: 56 units (56 units)
   - 2016: 52 units (52 units)
   - Change: +8.6%
Volkswagen Group – Deliveries to Customers by Markets¹)
(January to August 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

**Example Germany:**
- Program is available until December 31st, 2017
- 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 Brand³:**

<table>
<thead>
<tr>
<th>Model</th>
<th>&quot;Environmental&quot; Incentive</th>
<th>&quot;Future&quot; 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, Tiguán 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>

**Powertrain type**

- 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 subsidy²

**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) Germany  
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 ¹</th>
<th>Western Europe</th>
<th>India 1</th>
<th>World ¹</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>17.6</td>
<td>14.0</td>
<td>3.0</td>
<td>82.0</td>
<td>23.1</td>
</tr>
<tr>
<td>2017</td>
<td>17.4</td>
<td>14.3</td>
<td>3.3</td>
<td>83.7</td>
<td>23.4</td>
</tr>
<tr>
<td>2020</td>
<td>17.3</td>
<td>14.1</td>
<td>4.4</td>
<td>89.3</td>
<td>25.6</td>
</tr>
</tbody>
</table>

- Actuals vs. 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 Figures<sup>1)</sup>
(january to June 2017 vs. 2016)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>+/- (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle Sales&lt;sup&gt;2)&lt;/sup&gt;</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 result&lt;sup&gt;2)&lt;/sup&gt;</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>

<sup>1)</sup> 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.

<sup>2)</sup> 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 a record €8.9 billion in H1 2017
### 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(^2)</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(^3)</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(^5)</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(^6)</td>
<td>1,870</td>
<td>1,867</td>
<td>-</td>
</tr>
<tr>
<td>Other(^6)</td>
<td>-469</td>
<td>-849</td>
<td>-14,728</td>
</tr>
<tr>
<td>Volkswagen Financial Services(^7)</td>
<td>-</td>
<td>-</td>
<td>15,999</td>
</tr>
</tbody>
</table>

|                      |              |               |                  |                  |          |          |
| Volkswagen Group before Special Items |              |               |                  |                  |          |          |
| Special Items        | -            | -             | -                | -                | -        | -        |
|                      |              |               |                  |                  | 8,916    | 7,517    |
| Volkswagen Group     |              |               |                  |                  | 5,270    | 5,199    |
|                      |              |               |                  |                  | 115,662  | 107,935  |
| of which: Automotive Division\(^9\) |              |               |                  |                  | 8,916    | 5,339    |
|                      |              |               |                  |                  | 5,270    | 5,199    |
|                      |              |               |                  |                  | 98,901   | 92,547   |
| of which: Passenger Cars |              |               |                  |                  | 7,651    | 4,162    |
|                      |              |               |                  |                  | 4,930    | 4,879    |
| of which: Commercial Vehicles |              |               |                  |                  | 6,654    | 3,895    |
|                      |              |               |                  |                  | 340      | 320      |
| of which: Power Engineering |              |               |                  |                  | 800      | 578      |
| Financial Services Division |              |               |                  |                  | 1,043    | 285      |
|                      |              |               |                  |                  | -66      | -17      |
|                      |              |               |                  |                  | 16,961   | 15,388   |
|                      |              |               |                  |                  | 1,265    | 1,177    |

\(^1\) 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

2016\(^3\)  9.7  0.0  9.7  -4.5 (4.9\%)  -2.6  0.2  2.8  2.3  5.1

<table>
<thead>
<tr>
<th>Operating Cash flow before Diesel Outflow</th>
<th>Diesel Outflow</th>
<th>Cash flow from operating activities</th>
<th>Capex (^3)</th>
<th>Capitalized development costs</th>
<th>Other</th>
<th>Net cash flow before equity investments</th>
<th>Acquisition and disposal of equity investments</th>
<th>Net cash flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.7</td>
<td>0.0</td>
<td>9.7</td>
<td>-4.2 (4.2%)</td>
<td>-2.9</td>
<td>0.1</td>
<td>-4.8</td>
<td>0.0</td>
<td>-4.8</td>
</tr>
</tbody>
</table>

\(^1\) All figures shown are rounded, minor discrepancies may arise from addition of these amounts.  
\(^2\) Including allocation of consolidation adjustments between Automotive and Financial Services divisions.  
\(^3\) Capital expenditure for property, plant and equipment in % of Automotive sales revenue.
Automotive Division net liquidity on a robust level at June 30th

€ billion

€ billion

30.12.2016  Net Cash Flow H1  Hybrid Bond  Capital increase Volkswagen FS AG  Dividend pay-out to Volkswagen AG shareholders  Other  30.06.2017

27.2  -4.8  3.5  -1.0  -1.0  -1.0  -0.2  23.7
Volkswagen Group – Outlook for 2017

Deliveries to customers
*000 vehicles

<table>
<thead>
<tr>
<th>Year</th>
<th>Deliveries to customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>9,931</td>
</tr>
<tr>
<td>2016</td>
<td>10,297</td>
</tr>
</tbody>
</table>

Sales revenue (€ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>213.3</td>
</tr>
<tr>
<td>2016</td>
<td>217.3</td>
</tr>
</tbody>
</table>

Operating return on sales (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating return on sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6.0*</td>
</tr>
<tr>
<td>2016</td>
<td>6.7*</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Key financial targets</th>
<th>2016 Actual</th>
<th>2017 Targets</th>
<th>2020 Targets</th>
<th>2025 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating return on sales</strong>&lt;br&gt;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>&lt;br&gt;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>&lt;br&gt;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>&lt;br&gt;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>&lt;br&gt;Automotive Division&lt;br&gt;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)

- 2012: 5.9%
- 2013: 6.9%
- 2014: 6.6%
- 2015: ~13
- 2016: 6.9%
- 2017 Target: 6%
- 2018-2019: 6%
- 2020-2021: 6%
- 2025: 6%
R&D Cost Automotive Division
(€ bn, as % of sales revenue)
STRATEGY 2025 – INITIATIVES AT A GLANCE

GROW PROFITABLY

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

Transform core business

DEVELOP STRATEGIC CAPABILITIES

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
17. Better integrated and strategic planning process

ENHANCE ENTREPRENEURIAL SPIRIT

Secure funding
Building blocks to provide sustainable mobility solutions

Efficient conventional combustion engines & alternative powertrains

Mobility Services

Self Driving System

Sustainable Mobility

Battery

Charging infrastructure

E-mobility
Advances in battery technology will improve range, weight and costs

* basis: eGolf with comparable battery volume
Battery costs will decrease significantly by 2020

Target: < 100€ / kWh

- Battery system
- Battery cell

MQB

MEB
Roadmap E - E-mobility model offensive of the Volkswagen Group

<table>
<thead>
<tr>
<th>Year</th>
<th>Milestone</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3 BEVs, 8 PHEVs</td>
</tr>
<tr>
<td>2025</td>
<td>80 new EVs, thereof some 50 purely battery powered vehicles and 30 plug-in-hybrids</td>
</tr>
<tr>
<td></td>
<td>€50bn battery cell procurement volume up to 2025</td>
</tr>
<tr>
<td>2030</td>
<td>&gt;€20bn capex but in the period to 2030</td>
</tr>
</tbody>
</table>
Multi OEM Joint Venture to deploy a HPC charging network in Europe

European High Power Charging GmbH & Co. KG

- Unprecedented collaboration among automakers
- Deployed power levels up to 350 kW
- Network based on the Combined Charging System (CCS) international standard
- Open brand-independent network

~ 400 charging stations
Electrify America: Start to execute the National ZEV plan (Zero Emissions Vehicles)

**Investment**
- $2B total investment over 10 years at $500M per 30-month cycle
  - $1.2B Nationally (EPA)
  - $800M in California (CARB)

**Goal**
- Goal to increase EV adoption for US market through brand-neutral and self-sustaining ZEV investments

**Plan**
- 30-month investment, planning, and reporting cycles allow for changes in technology, customer behavior, and car capabilities
Intensified efforts to develop autonomous vehicles

- 2005: Winner Darpa Grand Challenge
- 2010: Autonomous Audi TTS "Shelley" climbs Pikes Peak
- 2016: Volkswagen Group >200 AV related patents
- 2017: SEDRIC is Volkswagen Group’s first Level 5 vehicle
- 2018: Battery Electric Special Purpose Shuttle
- 2021: Production-ready by 2021: Self-Driving System
- 2025: More to come...
Cascading Group Targets to Brands

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

Commitment

Brand KPIs
- Top-Down Targets
- Committed in Planning Rounds
Overview Brand Targets (RoS, RoE)

### Return on Sales in %

<table>
<thead>
<tr>
<th>Brand/Segment</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></td>
<td>9(^2)</td>
<td>9(^2)</td>
</tr>
<tr>
<td>MAN Commercial Vehicles</td>
<td>2.3</td>
<td>6-7</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>

---

\(^1\) 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
Analysis of Operating Result – H1 2016 vs. H1 2017

€ billion

Operating Margin

1.7%

H1 2016 (before special items)

Volume/price/mix

0.8

Exchange rates

0.1

Product costs

0.2

Fixed costs

0.0

New structure Brand/Group and Others

(0.2)

H1 2017

1.8

Note, due to rounding the sum of single variations can differ to total variation.
The „TRANSFORM 2025+“ strategy will put the brand to the top of the automotive industry

Radical restructuring

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

2015
Diesel crisis 2% RoS*

Leap to the top of electric mobility

- Electro offensive
- Digital ecosystem
- Operational excellence

2020
Leading & profitable volume manufacturer 4% RoS

Major transformation

- Automated driving
- New fields of mobility

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

2016: 1.8
2017 Outlook: 2.5 – 3.5
“at the upper end of the range”
2020 Target: ≥ 4.0
2025 Target: ≥ 6.0
Increase in competitiveness and safeguarding the future are the focus points of the Future Pact agreement

**Working Group 1: Production**
- Increase of productivity by 25%
- Reduction of plant costs

**Working Group 2: Components**
- Increase of productivity by 25%
- Discontinuation of unprofitable products

**Working Group 3: Technical Development**
- Reduction of hardware-oriented development work
- Increased efficiency in development processes

**Working Group 4: Administration**
- 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**
Volkswagen brand: Productivity will increase by 7.5 percent this year

PRODUCTIVITY IMPROVEMENT
(percent | Targets)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Target 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7,5</td>
<td>7,5</td>
<td>5,0</td>
<td>5,0</td>
<td>25.0</td>
</tr>
</tbody>
</table>

FIXED COSTS IN GERMANY
(€ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2012</th>
<th>2015</th>
<th>2016</th>
<th>Target 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>-300 Mio.</td>
<td></td>
<td>≈</td>
</tr>
</tbody>
</table>
Volkswagen brand is planning a strong comeback in the USA

Focus on US Core Segments

- Atlas
- Tiguan LWB
- Jetta
- Passat

Key measures

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

Product offensive in South America

Key measures

- Restructuring: reduce capacities and fixed costs
- Increase productivity, align products to local requirements
- Product offensive, €2.5 bn investment
- New brand positioning
- New growth strategy for Latin America
2017 will be shaped by a high product momentum

- **Atlas (NAR)**
- **Arteon (EU)**
- **Polo (EU)**
- **Phideon PHEV (CN)**
- **Touareg (EU)**

Dates: Start of Production

- **up! PA (SAM)**
- **Tiguan LWB (NAR)**
- **T-Roc (EU)**
- **Virtus (SAM)**
- **Jetta (NAR)**
Further roll-out of MQB offers substantial benefits

SHARE OF MQB (ROUNDED) | TOTAL PRODUCTION VOLUME | VOLKSWAGEN PKW
All electric platform: The basis for profitable electric cars

- Concept determined by: customer benefit and package for cost-optimized design of e-components
- Economies of scale from use of MEB across entire Group
- “Design for manufacturing”: higher productivity, shorter manufacturing time
- Lower material and distribution costs
- Significant reduction in variants
- Early involvement of suppliers
Three models of Volkswagen’s “Starting Five“ for the Electric Age
Core challenges in the commercial vehicle industry ...

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

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

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

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

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

Synergy potential from brand collaboration and expanded platform strategy

€ million p.a.

- **2016**: ~200
- **2025**: Up to 1,000

- **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></th>
<th>Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Equity investment</td>
<td><strong>16.8% equity stake in Navistar by way of capital increase</strong></td>
</tr>
<tr>
<td>2</td>
<td>Strategic technology and supply cooperation</td>
<td>Companies to <strong>collaborate on technology</strong> for powertrain systems, as well as other advanced technologies</td>
</tr>
<tr>
<td>3</td>
<td>Procurement joint venture</td>
<td><strong>Procurement joint venture</strong> is pursuing joint global sourcing opportunities</td>
</tr>
<tr>
<td>4</td>
<td>Governance</td>
<td><strong>2 VW T&amp;B representatives</strong> nominated to Navistar Board of Directors. <strong>Joint Alliance Board</strong> to govern overall alliance</td>
</tr>
</tbody>
</table>

*As at 30.06.2017*
### Volkswagen Group China performance
(January to August 2017 vs. 2016)

#### Deliveries & Global Trends

<table>
<thead>
<tr>
<th>Brand</th>
<th>Units 2016</th>
<th>Units 2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen</td>
<td>2,472</td>
<td>2,489</td>
<td>+0.7%</td>
</tr>
<tr>
<td>Skoda</td>
<td>1,844</td>
<td>1,890</td>
<td>+2.5%</td>
</tr>
</tbody>
</table>

#### Strategic Outlook & Milestones

**Proportionate operating profit, January to June (in € million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2,366</td>
</tr>
<tr>
<td>2017</td>
<td>2,135</td>
</tr>
</tbody>
</table>

#### Key Financials & Cash

- **Volkswagen Group China performance**

#### Brands / Regions

<table>
<thead>
<tr>
<th>Brand</th>
<th>Units 2016</th>
<th>Units 2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audi</td>
<td>386</td>
<td>360</td>
<td>-6.6%</td>
</tr>
<tr>
<td>Skoda</td>
<td>193</td>
<td>182</td>
<td>-5.8%</td>
</tr>
<tr>
<td>Porsche</td>
<td>43</td>
<td>48</td>
<td>+11.9%</td>
</tr>
<tr>
<td>Bentley</td>
<td>166</td>
<td>178</td>
<td>+7.2%</td>
</tr>
<tr>
<td>Com. Veh.</td>
<td>835</td>
<td>1,067</td>
<td>+27.8%</td>
</tr>
</tbody>
</table>

#### Commitment

Regulatory environment in China

CAFC - Fuel consumption target

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 1)

<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></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)

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 line-up ¹)

**Body style trends until 2020¹)**

- Rest: 40% → 46%
- SUV: 53% → 47%
- MPV
- Notchback & Hatchback

**New vehicle launches 2017 and to follow²)**

- **SUV**
  - Tiguan LWB
  - KAROQ
  - KODIAQ
  - Q5
  - Teramont
- **Others**
  - Panamera Turbo
  - A5 Coupé
  - TT
  - Phideon PHEV
  - Lavida
- **Imported**
  - Q7 e-tron
  - R8 Spyder
  - Panamera LWB
  - Variant GTE
- **Locally produced**
  - Bora

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

### Strong global presence

[Map Image]

### Rising penetration rates

- **w/o China**:
  - 2008: 32.5%, 34.9%, 36.3%, 40.7%, 44.3%, 44.5%, 46.9%, 48.7%, 46.3%
  - 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>
<th>Total Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1.964</td>
<td>1.053</td>
<td>3.163</td>
<td>6,322</td>
</tr>
<tr>
<td>2009</td>
<td>2.148</td>
<td>1.503</td>
<td>3.567</td>
<td>7,218</td>
</tr>
<tr>
<td>2010</td>
<td>2.246</td>
<td>1.524</td>
<td>3.712</td>
<td>7,487</td>
</tr>
<tr>
<td>2011</td>
<td>2.691</td>
<td>1.623</td>
<td>4.551</td>
<td>7,487</td>
</tr>
<tr>
<td>2012</td>
<td>3.281</td>
<td>1.808</td>
<td>4.946</td>
<td>7,218</td>
</tr>
<tr>
<td>2013</td>
<td>3.796</td>
<td>1.983</td>
<td>5.560</td>
<td>6,322</td>
</tr>
<tr>
<td>2014</td>
<td>4.549</td>
<td>2.274</td>
<td>5.833</td>
<td>6,155</td>
</tr>
<tr>
<td>2015</td>
<td>6.322</td>
<td>2.518</td>
<td>6.155</td>
<td>6,319</td>
</tr>
<tr>
<td>2016</td>
<td>7.218</td>
<td>2.760</td>
<td>6.319</td>
<td></td>
</tr>
<tr>
<td>H1 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Portfolio: 16,804

### Diversified funding structure

- **30.06.2017**: €178.7 bn

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

---

\(^1\) Excluding activities of Scania and Porsche Holding Salzburg; including Financial Services of Porsche AG and MAN Financial Services,
Optimized structure for Volkswagen Financial Services AG
(Effective from 1. September 2017)

Organisational set-up 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

New Corporate Structure

- All the credit and deposit business within the European Economic Area (EEA) is bundled in Volkswagen Bank GmbH
- Volkswagen Bank GmbH is a wholly owned subsidiary of Volkswagen AG
- The credit business outside Europe - excluding NAR, Scania FS and PHS - as well as all other activities, such as the leasing, insurance, service and mobility business, remain with Volkswagen Financial Services 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>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal</td>
<td>7.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>9.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16.2</strong></td>
<td></td>
<td><strong>16.9</strong></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainly legal risks</td>
<td>6.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22.6</strong></td>
<td></td>
<td><strong>24.4</strong></td>
</tr>
<tr>
<td><strong>Total to date</strong></td>
<td><strong>22.6</strong></td>
<td><strong>1.8</strong></td>
<td><strong>24.4</strong></td>
</tr>
<tr>
<td><strong>Expected for Q3 2017</strong></td>
<td><strong>Increased Costs for buyback/retrofit program</strong></td>
<td><strong>2.5</strong></td>
<td><strong>2.5</strong></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. Further special items to be booked in Q3 2017, relating to an increase in provisions for the buyback/retrofit program of 2,01 TDI vehicles.

---

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. Further special items to be booked in Q3 2017, relating to an increase in provisions for the buyback/retrofit program of 2,01 TDI vehicles.
**Technical solution in Europe/RoW simple and relatively easy to implement**

<table>
<thead>
<tr>
<th>Predominantly software-only solution</th>
<th>Update status</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Almost 5.9m units have been updated (status 31\textsuperscript{st} August 2017)</td>
</tr>
</tbody>
</table>

- 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)
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:

2. Evolution of Group Compliance:
   Three areas were defined:
   1. Development of Group Compliance Values
   2. Clear definition of Group Compliance Objectives
   3. Adjustment of Group Compliance structure
   **Compliance scope:**
   - Anti-corruption
   - Fraud Prevention
   - Money laundering Prevention
   - Human Rights
   - Embezzlement Prevention
   - 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
In Summary:

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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The new remuneration system is designed to be completely forward-looking.

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
Volkswagen I.D.BUZZ
AUDI Q5
Porsche 718 Boxster
SEAT Ibiza
Bentley Bentayga
Lamborghini Centenario
Bugatti Chiron
Volkswagen Crafter
We are redefining mobility.

Volkswagen Group
Christian Senger
Head of the e-Mobility Vehicle Series
Video Conference with Exane BNP Paribas, Wolfsburg | London, 09th October 2017