

VOLKSWAGEN
AKTIENGESELLSCHAFT



moving
people

Volkswagen Group

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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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Ad hoc release issued on January 10, 2017

Volkswagen AG confirms that it is in advanced discussions with the US Department of Justice and U.S. Customs and Border Protection. The aim of the discussions is to reach a settlement agreement regarding the settlement of certain criminal investigations and certain civil fines in connection with the Diesel issue in the USA.

Volkswagen AG further confirms market rumors that the company negotiated a concrete draft of a settlement agreement with the aforementioned US authorities which contains criminal and civil fines with a total amount of USD 4.3 Billion as well as measures to further strengthen the Compliance and Control-Systems including the appointment of an Independent Monitor for the next three years. Further, part of the settlement agreement is a Guilty Plea regarding certain US criminal-law provisions and a Statement of Facts on the basis of which the fines have to be made.

The final conclusion of the settlement agreement is still subject to the approval by the Management Board and the Supervisory Board of Volkswagen AG and by the competent corporate bodies of further Group Companies involved.

A final conclusion of the settlement agreement is further subject to the execution by the competent US authorities and to the approval of the competent US courts.

In case of a settlement agreement, the payment obligations are expected to lead to a financial expense that exceeds the current provisions. The concrete impact regarding the annual result 2016 cannot be defined at present due to its dependency on various further factors.”

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What do the 2.0L US settlement agreements cover?

With whom?

U.S. Federal and State Regulators (DOJ, CARB, FTC), and

Private Plaintiffs represented by the Plaintiffs' Steering Committee to resolve civil claims

Which engines?

2.0L TDI Diesel engines approx. 475,000 (thereof 460,000 Volkswagen and 15,000 Audi vehicles)

Claims status

According to the December 27, 2016 independent Claims administrator's report, as of December 18, 2016, approx. 436,000 consumers had registered their claims and nearly 200,000 consumers have been issued offers, with an aggregate value of approx. \$3.477bn

Granted Final Approval on October 25, 2016

Volkswagen has established a maximum funding pool of \$10.033bn for vehicles currently in use and eligible for :

Buyback/Lease terminations; OR
Emissions modifications (if approved by regulators)
+ Cash payments for affected customers

Pay \$2.7bn over 3 years to an environmental trust to remediate excess NO_x emissions

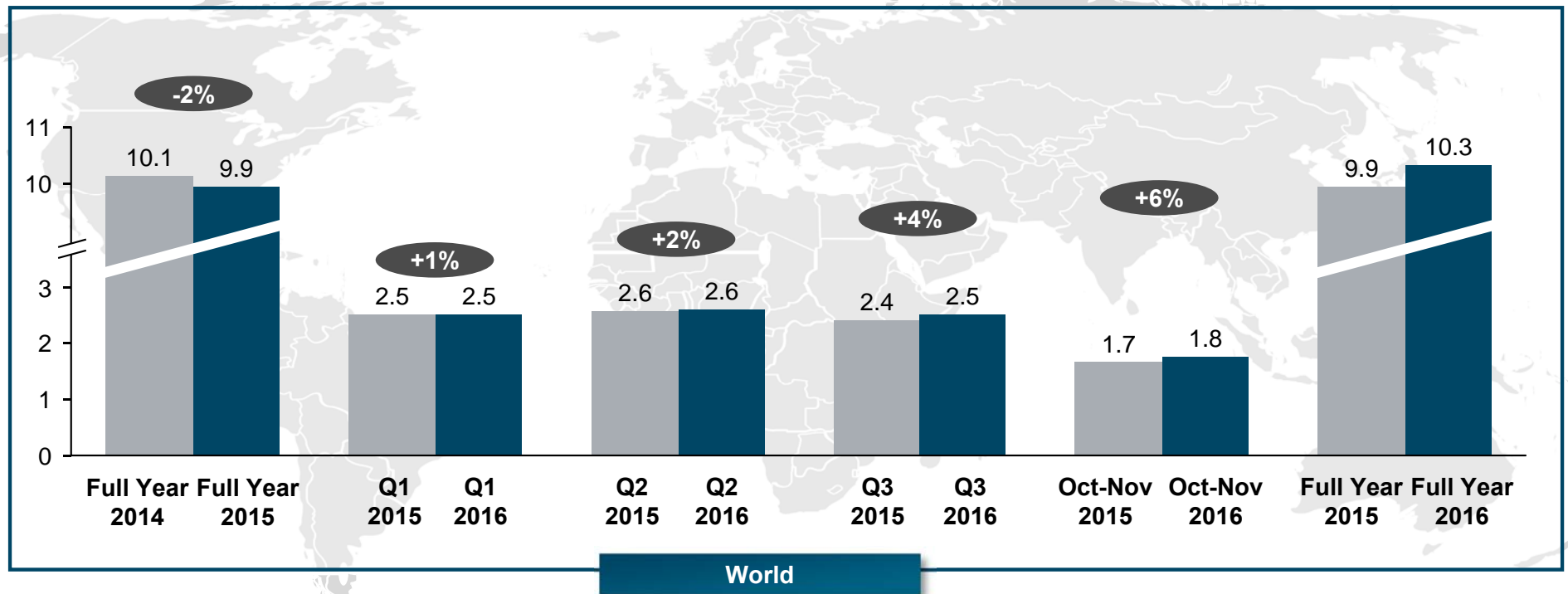
Invest \$2bn over 10 years in Zero emission infrastructure, access and awareness initiatives

States resolution

Agreement with 44 states, the District of Columbia and Puerto Rico to resolve existing and potential state consumer protection claims regarding both 2.0L and 3.0L engines (approx. \$603m)

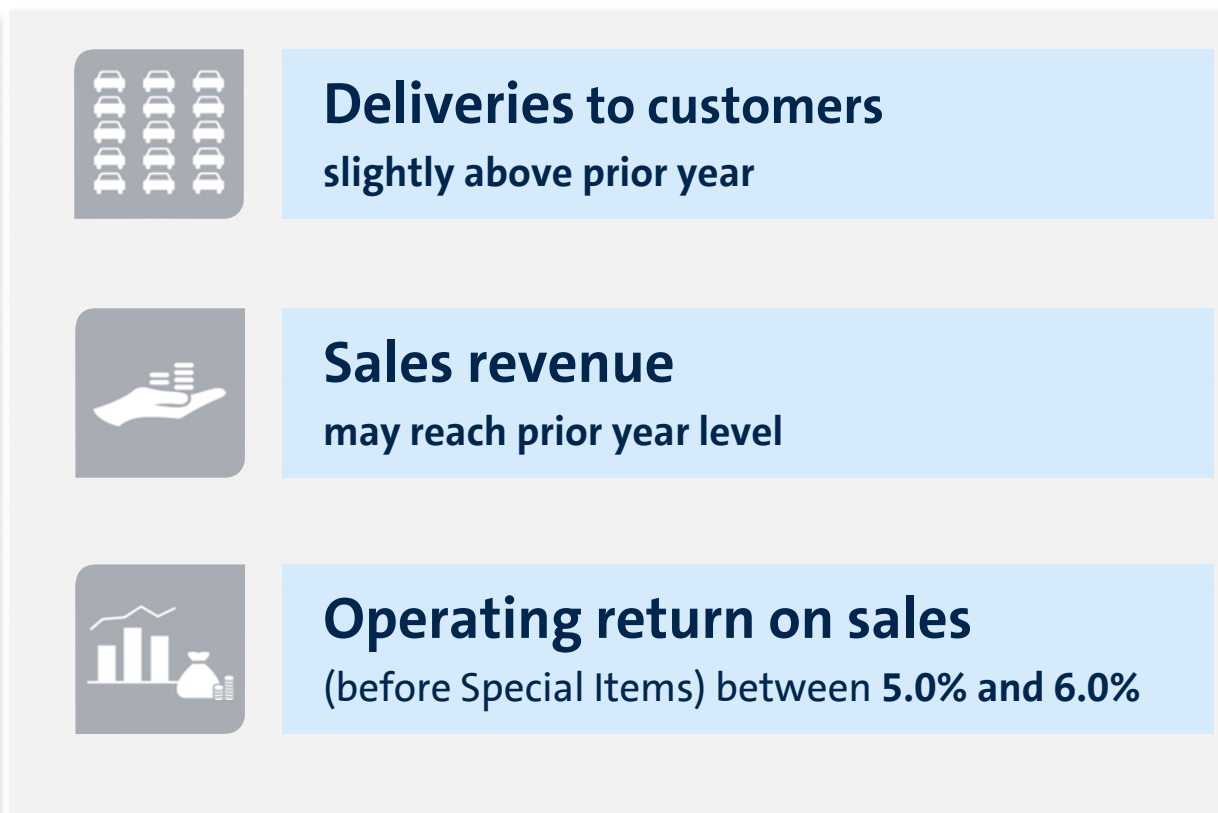
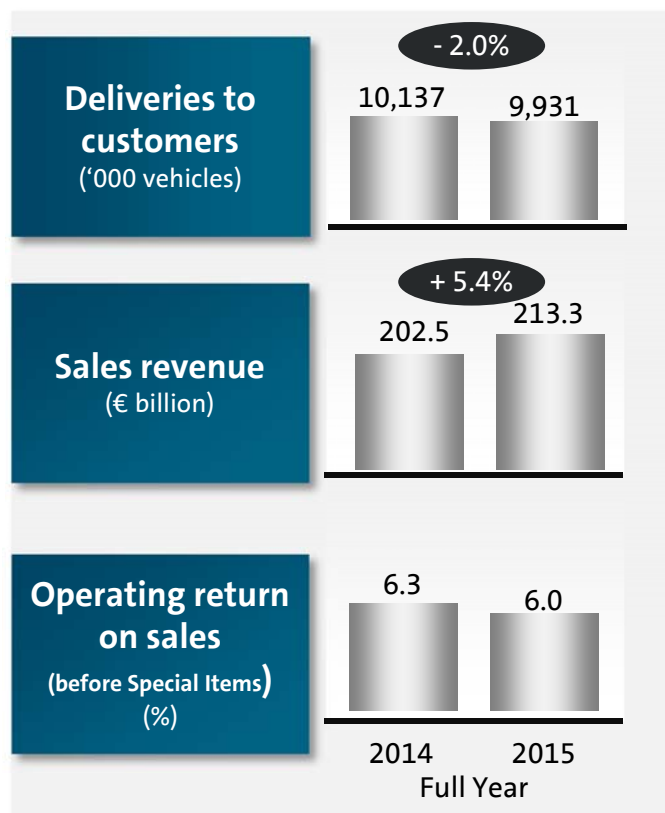
- **Regarding the 3.0L TDI engines**, Volkswagen has reached agreement with US environmental regulators to resolve civil claims. Volkswagen has also reached an agreement in principle with the Court-appointed Plaintiffs' Steering Committee. The Court has instructed the parties to file preliminary settlement approval documents by January 31, 2017.
- The Court has filed its order granting preliminary approval to the settlement with **Volkswagen-branded franchise dealers** on October 18, 2016.
- The Court will hold a fairness hearing to consider granting final approval on January 18, 2017

Development Volkswagen Group Deliveries to Customers¹⁾ (in comparison to previous year)



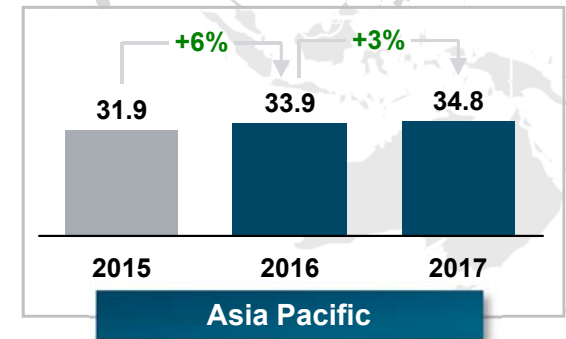
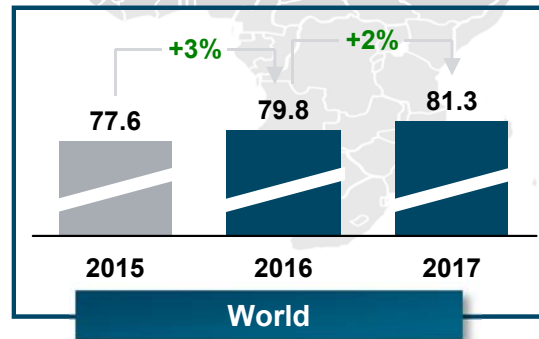
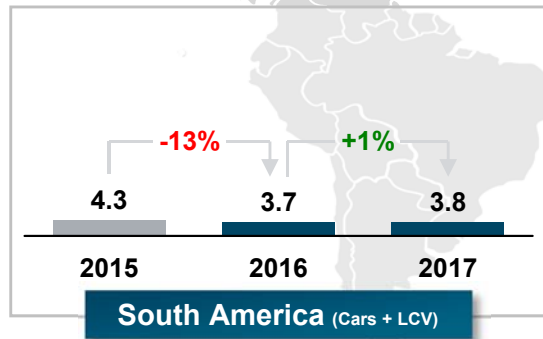
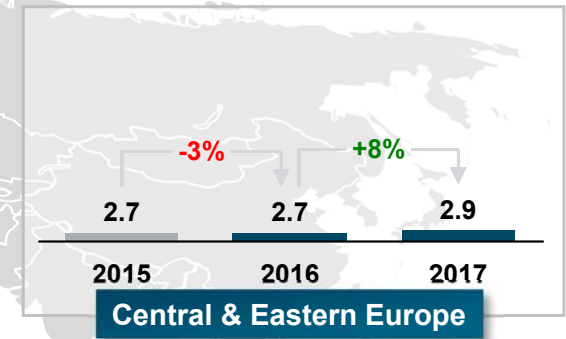
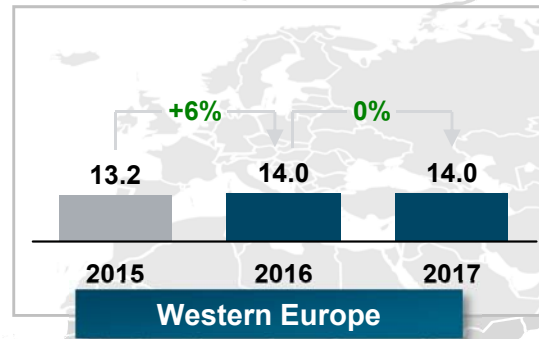
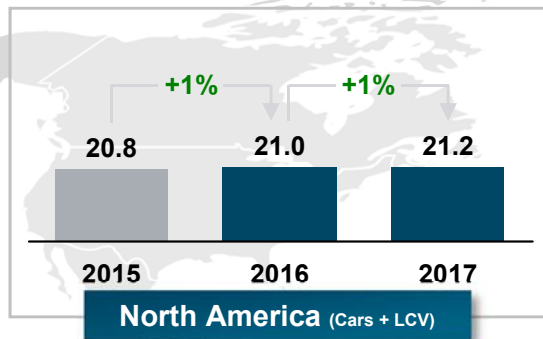
¹⁾ Figures incl. Volkswagen Commercial Vehicles, Scania and MAN; in m units

Volkswagen Group – Outlook for 2016



Passenger car market – Outlook 2016-2017¹⁾

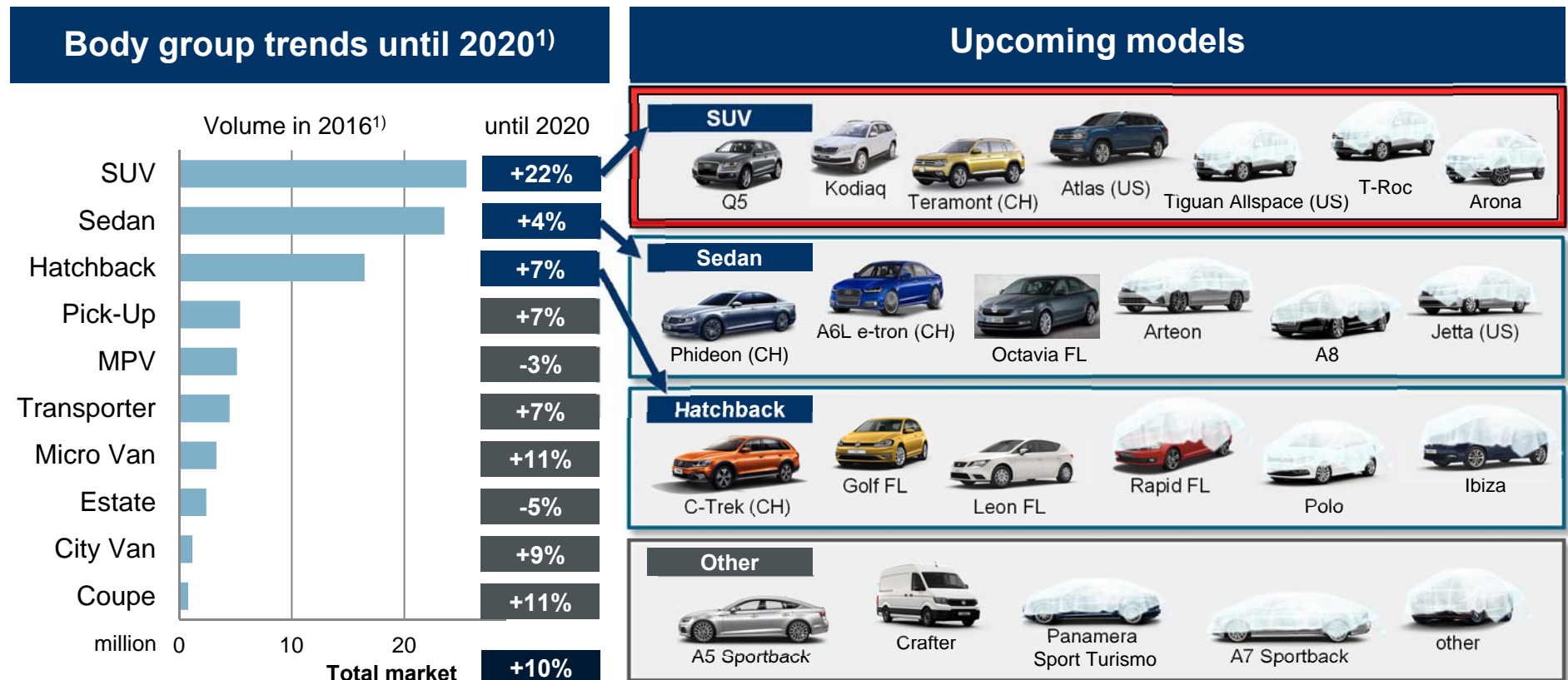
Growth to slow down across most regions



Actuals IHS Automotive

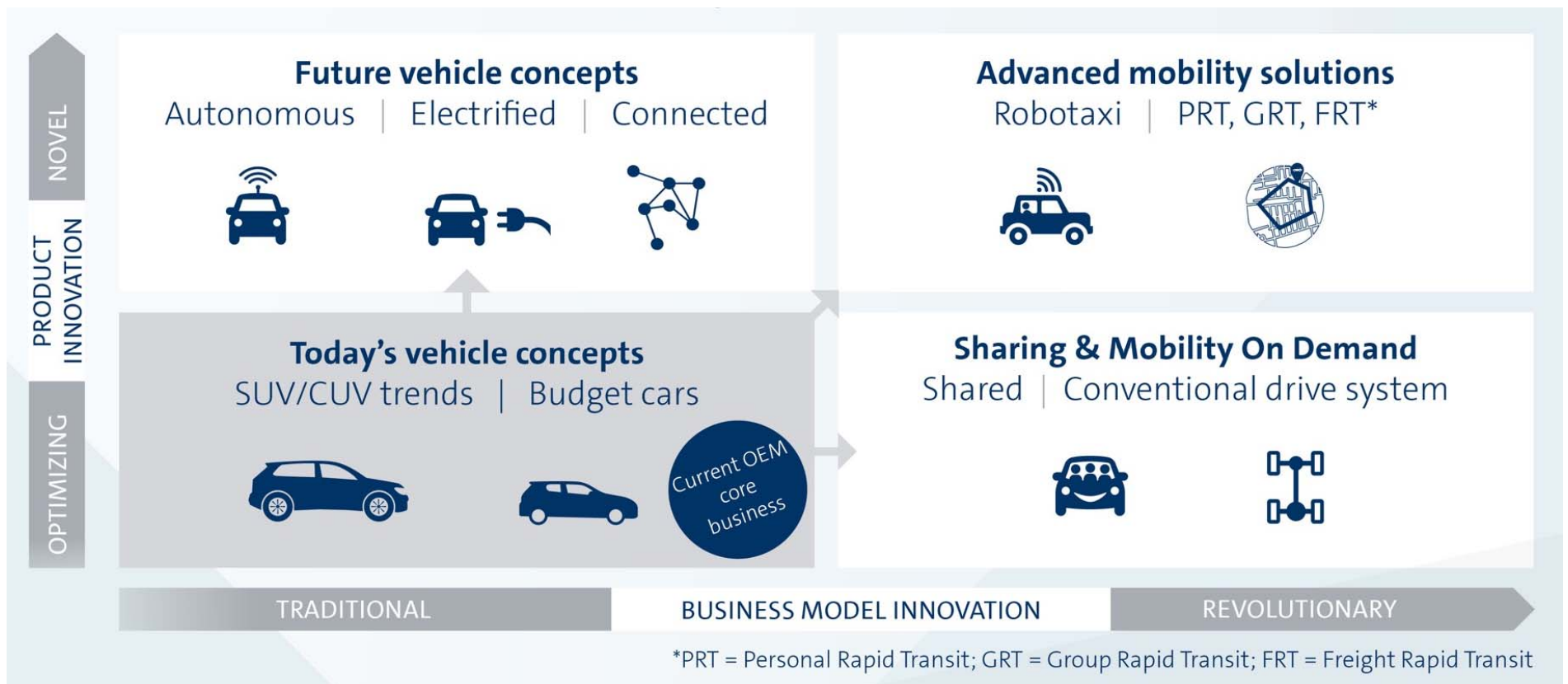
¹⁾ Source: IHS as of Dec. 2016; 2016 preliminary figures, all figures rounded; in m units

Product roadmap aligns with expected future market trends



¹⁾ Source: IHS as of Dec. 2016; 2016 preliminary figures, all figures rounded.

How our industry is changing – The key trends in the automotive world at a glance



The electrification initiative of the Volkswagen Group

- ♦ Goal: to position Volkswagen as a driving force behind the expansion of electro-mobility; e-car to become a new hallmark of the Group
- ♦ >30 new pure-electric vehicles by 2025
- ♦ Annual unit sales of 2 to 3 million e-cars by 2025, equivalent to 20–25 percent of total sales



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
- 
- Transform core business

DEVELOP STRATEGIC CAPABILITIES

- 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

ENHANCE ENTREPRE- NEURIAL SPIRIT

- 8 Implement model line organization
- 9 Realign “Components” business

- 10 Build mobility solutions business

- 11 Develop and expand attractive and profitable smart mobility offering



Build mobility solutions business

- 12 Improve operational excellence

- 13 Optimize business portfolio



Secure funding

- 14 Drive digital transformation

- 15 Create organization 4.0



Strengthen innovation power

NEW FINANCIAL TARGETS ADOPTED: FOCUS ON PROFITABILITY

Key financial targets

2015
Actual

2025

Operating return on sales
before special items

6.0%

7–8%

Return on capital
Automotive Division

13.8%

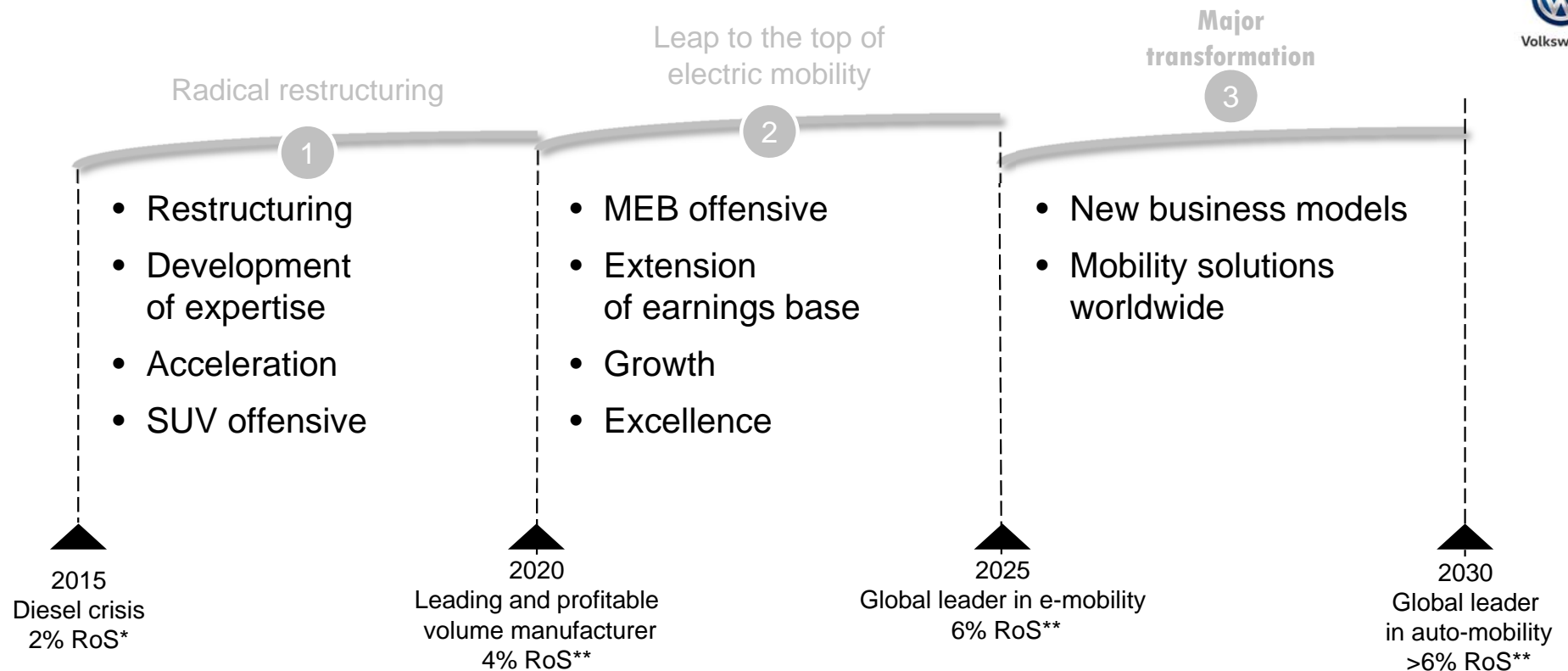
>15%

Capex ratio
Automotive Division

6.9%

~6%

Strategic realignment of Volkswagen brand will take place in three phases



*) before special items

**) Operating return based on adjusted sales revenue (without turnover from multi brand sales companies)

U.S. Portfolio Strategy: Growing in core segments, optimization and a major transfer to electrification



I

Growth in Core Segments / “double up”



- Compact/Midsize SUV and Sedan with >1.5 mil. per segment
- Increase segment coverage/volume



Build profitable volume base

II

Portfolio Optimization / enter new segments

US total market

Segment	2015 (m units)	Market share 2015 (%)	FC Volume Δ until 2019 (%)
Sedan	5.9	33.6	-12.6
Hatchback	0.9	5.0	+8.6
Coupe	0.5	2.8	+2.1
Wagon	0.1	0.3	+6.5
Cabrio/Roadster	0.2	0.9	+17.5
SUV	6.4	36.6	+10.9
Pick-Up	2.5	14.6	+1.7
MPV	0.7	3.8	-15.9
Transporter	0.3	1.9	-2.3
City Van	0.1	0.5	-0.0

- Leverage portfolio opportunities
- Check currently offered models with insufficient contribution



Improved portfolio for market

III

Transfer to Electrification / new customer experience



- Expand e-Golf
- Introduce BEVs
- Introduce HEV



E-Mobility rollout

IV

Strong product cadence and sustainable profitability

VOLKSWAGEN
AKTIENGESellschaft



moving
people

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