

The image features the Volkswagen logo at the top center, consisting of the word "VOLKSWAGEN" in a bold, sans-serif font above the word "AKTIENGESELLSCHAFT" in a smaller, all-caps sans-serif font. The background is white with several large, overlapping geometric shapes in shades of light blue and teal. A dark red triangle is visible in the top right corner. The overall design is clean and modern.

**VOLKSWAGEN**  
AKTIENGESELLSCHAFT

**We are  
redefining  
mobility.**

Annual Media Conference and Investor Conference 2017

## Disclaimer

The following presentations contain forward-looking statements and information on the business development of the Volkswagen Group. These statements may be spoken or written and can be recognized by terms such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or words with similar meaning. These statements are based on assumptions relating to the development of the economies of individual countries, and in particular of the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given involve a degree of risk, and the actual developments may differ from those forecast. The Volkswagen Group currently faces additional risks and uncertainty related to pending claims and investigations of Volkswagen Group members in a number of jurisdictions in connection with findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The degree to which the Volkswagen Group may be negatively affected by these ongoing claims and investigations remains uncertain.

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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# **1** Review of 2016

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Where the Volkswagen Group is today

# **2** Financial figures for 2016

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What we have accomplished

# **3** TOGETHER – Strategy 2025

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How we are driving forward our program for the future

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How we are driving forward our program for the future

## 2016 was a very challenging year for the Volkswagen Group

Our two focus areas:



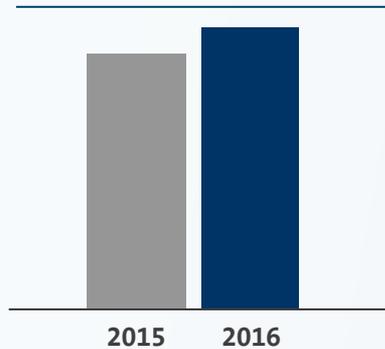
**Sustaining our  
strong operating  
performance**



**Implementing our  
5-point program  
for crisis management  
and realignment**

## Successful operating performance in 2016

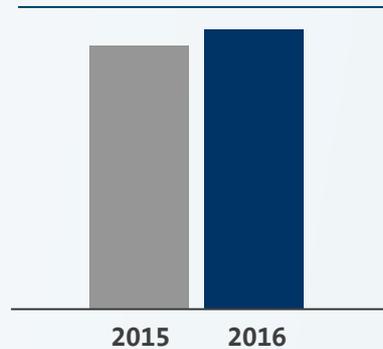
10.3<sub>m</sub>



Group deliveries  
(vehicles)

**+4 %**  
vs. prior year

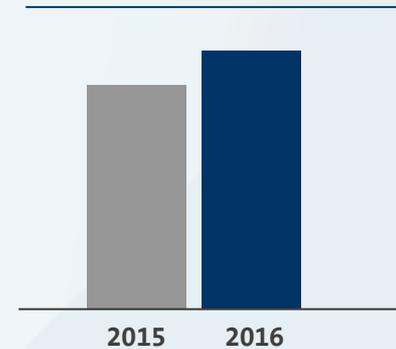
€217.3<sub>bn</sub>



Sales revenue

**+2 %**  
vs. prior year

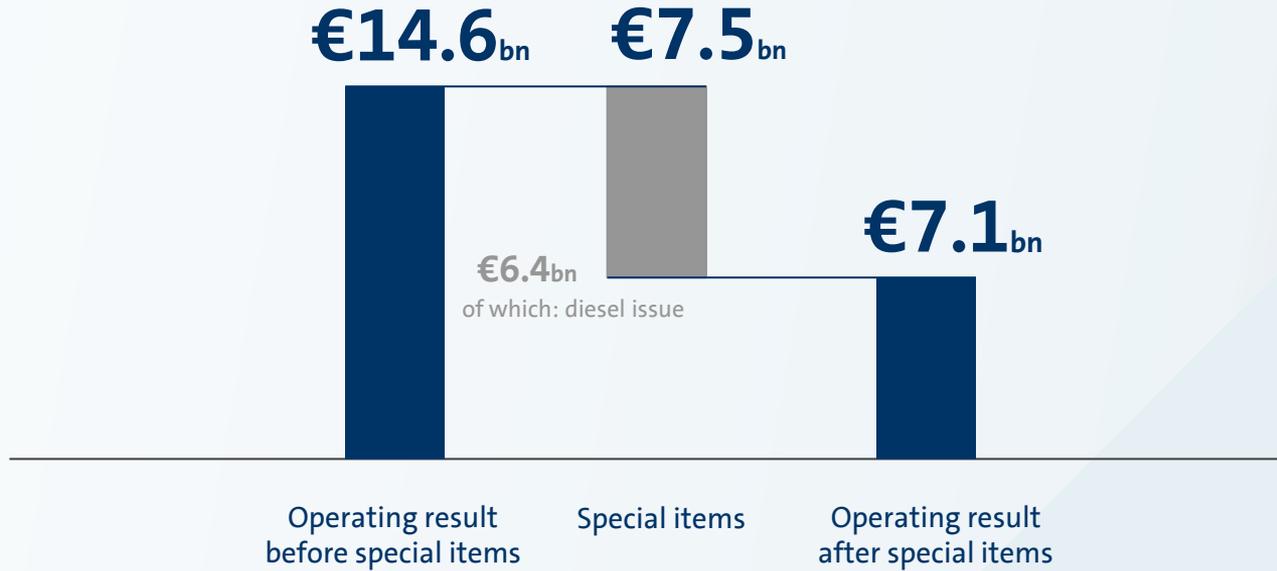
€14.6<sub>bn</sub>



Operating result  
(before special items)

**+14 %**  
vs. prior year

## Clearly positive operating result in spite of significant special items once again



“In 2016, the Volkswagen Group put up one of its best operating performances – despite the crisis.”



## A strong Group with strong brands: highlights from operating business

VOLKSWAGEN  
AKTIENGESELLSCHAFT

**TOGETHER – Strategy 2025**  
future program launched

**MOIA** mobility services  
company established

About **60 new Group models**  
brought to market



Volkswagen

- Deliveries increased to **6 million vehicles**, despite diesel impact
- New **TRANSFORM 2025+** strategy and Future Pact adopted



Audi

- Prior-year **delivery and sales revenue records** beaten
- First plant opened on North American continent



PORSCHE

- **Most profitable automaker** in the world
- Digitalization center of excellence established



SKODA

- Strong operating performance in 25<sup>th</sup> year in the Group
- **New SUV series** successfully launched with **Kodiaq**



SEAT

- **Return to profit** achieved
- First SUV, Ateca, made important contribution to brand success

VOLKSWAGEN  
TRUCK & BUS

- Volkswagen Truck&Bus on track to become global champion
- **Navistar alliance** opens door to US market

VOLKSWAGEN FINANCIAL SERVICES  
AKTIENGESELLSCHAFT

- Number of contracts raised to new record of 16.1m
- Comprehensive **digitalization drive** initiated

## Strong market position: positive trend in key regions

- 
- Core markets in Western Europe remain **major pillar** of Volkswagen Group
  - **Broad lineup** pays off

**3.5m | +3.0%**

Group deliveries | vs. prior year

**Western Europe**

- 
- **Market leadership** further extended despite fierce competition
  - **Earnings contribution** from Chinese joint ventures maintained at high level

**4m | +12.2%**

Group deliveries | vs. prior year

**China**

- 
- Volkswagen Group deliveries **slightly increased** despite headwind
  - Long-term commitment to locations and **investment** confirmed

**0.94m | +0.8%**

Group deliveries | vs. prior year

**North America**

“The Volkswagen Group is very robust,  
in both operating and financial terms.  
That gives us confidence  
for the future.”



## Substantial progress in our 5-point program

		Q1/2016	Q1/2017
	<b>Management of the diesel crisis</b> <ul style="list-style-type: none"> <li>Operational crisis management</li> <li>Successful recall actions</li> <li>Securing liquidity</li> </ul>		
	<b>Clarification</b> <ul style="list-style-type: none"> <li>Internal investigations</li> <li>Optimization of compliance and risk reporting</li> </ul>		
	<b>New structure</b> <ul style="list-style-type: none"> <li>New Group structure</li> <li>Model line organization</li> <li>Group functions</li> <li>Lean reporting</li> </ul>		
	<b>New mindset</b> <ul style="list-style-type: none"> <li>Evolution of corporate values</li> <li>Evolution of leadership model</li> </ul>		
	<b>New destination</b> <ul style="list-style-type: none"> <li>Development of TOGETHER – Strategy 2025</li> </ul>		

VOLKSWAGEN

# How we are realigning our corporate culture

Group strategy



Group values



Group leadership model

Brand leadership principles



VOLKSWAGEN FINANCIAL SERVICES  
AKTIENGESELLSCHAFT

INTEGRITY

## How we work together in the Group



**CODE**  
OF COOPERATION

The basis for our cooperation is mutual **trust**.

We are **genuine** with one another.

We work together in a **straightforward** and reliable way.

We are **open-minded** to each other.

We work **as equals**.

The right choice can only prevail over one dictated by power if rank, position and origin are not as important.

We are connected in terms of business and friendship and we **stay united**.

“We came a long way in 2016.  
The Volkswagen Group is  
on the right track.”



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## Our way forward: from 5-point plan to 1+4 Group goals

### 2016: 5-point program



Management of the diesel crisis



Clarification



New structure



New mindset



New destination

“Diesel”

Transformation  
of the Group

### 2017: 1+4 Group-wide goals



Ongoing resolution the diesel crisis



Focus on successful operating business



Further efficiency gains and synergies



Drive forward Strategy 2025



Promote and live new corporate culture

## Our outlook: expected continuation of the positive development in fiscal year 2017



**Deliveries to customers**  
Moderate increase on prior year



**Sales revenue**  
Increase by up to 4%



**Group operating return**  
Target range of 6.0 to 7.0%



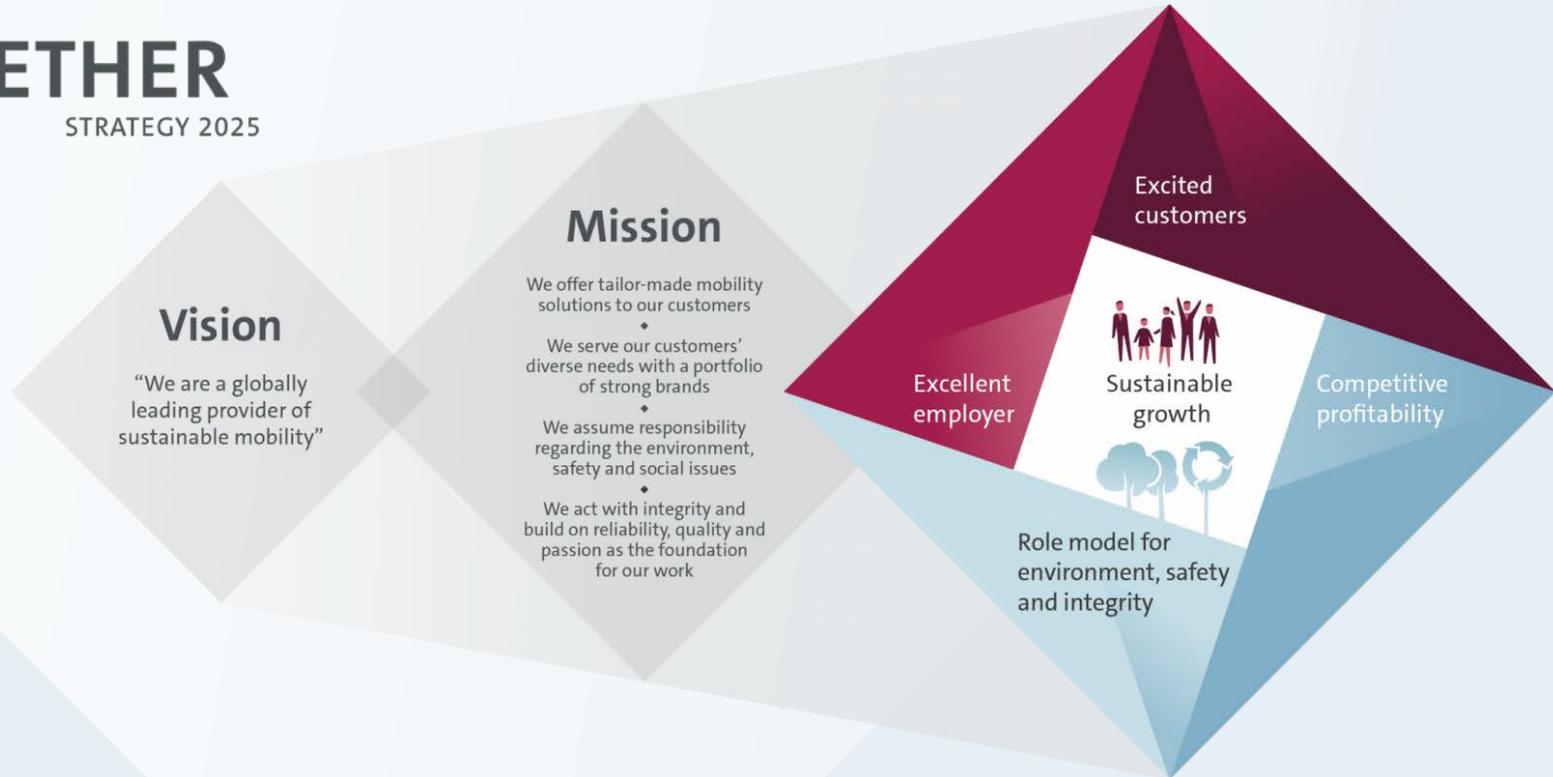
Well-filled pipeline with some 60 new vehicle launches

“Our long-term strategic aspiration:  
to play a leading role in shaping  
the future of automobility.”



## Our future program: clear guiding framework

### **TOGETHER** STRATEGY 2025



## Our agenda: systematic transformation of the entire Group

**TOGETHER**  
STRATEGY 2025



**Our values – Code of Cooperation & integrity**

## Our focus: the four central areas of action of our Group strategy



**1.** Transform  
core business



**2.** Build mobility  
solutions business



**4.** Secure funding



**3.** Strengthen innovation power

## Transforming the core business (1/2)



### What we have achieved so far:

- ✓ Established model line organization in all major car brands
- ✓ Trailblazing alliances forged in many parts of the Group, e.g. economy segment
- ✓ Visibly raised the bar in innovation with vehicles like VW I.D. and Sedric
- ✓ Company to develop self-driving system (SDS) for the Group being formed
- ✓ Global centers of excellence for user experience design already up and running or being established
- ✓ Phased plan adopted to gain technology leadership in solid state batteries by 2025

**TATA MOTORS**



**NAVISTAR**



**NVIDIA**

**JAC**  
MOTORS



## Transforming the core business (2/2)



### What we are planning in the next few years:

- Push ahead with the transformation and focus of the vehicle and drivetrain portfolio
- Accelerate SUV offensive with 7 new models
- Launch operating phase of economy alliances
- Roll out phased batteries plan: establish Group-wide center of excellence; drive process of sounding out alliances
- Step up development of SDS; develop initial pilots/prototypes for new user experience concepts
- Define vision/phased plan for components; streamline product portfolio and add e-mobility products

#### Optimize conventional drivetrains, substantially expand e-portfolio

- 10+ electrified models planned by end of 2018 and 30+ BEVs by 2025

#### Systematically build and expand battery capabilities: from Li-ion to technology leadership in solid state batteries

- Center of excellence takes charge of all battery cells and modules Group-wide
- Start of pilot production planned for 2020

#### Successively develop economy markets, extend model range

- Planning: First model with JAC in 2018, launch with Tata in 2019

#### Achieve innovation leadership: digitalization, user experience, SDS

- Own self-driving system production-ready by 2021.

#### Pooling of component activities

- Initially pool European activities, successively expand to all locations worldwide

- Global leader in e-mobility
- Optimum market coverage worldwide thanks to opportunity-driven, future-oriented portfolio
- Successful in economy segment in relevant markets
- Batteries as core competence
- Best-in-class user experience; leading provider of self-driving vehicles with own SDS
- Components established as separate business unit

2017

Goals for 2025

## Building the mobility solutions business (1/2)



### What we have achieved so far:

- ✓ MOIA established and launched as new mobility solutions business
- ✓ Successfully partnered with Gett and joint expansion underway
- ✓ Strategic mobility alliance with Hamburg concluded
- ✓ New collaborations agreed to establish mobility services in China (e.g. DiDi, GoFun)
- ✓ Launched RIO, first cloud-based operating system for commercial vehicles industry



## Building the mobility solutions business (2/2)



### What we are planning in the next few years:

- Successively expand mobility-on-demand service portfolio at MOIA
- Accelerate growth at Gett in existing and new markets
- Metropolis:Lab Barcelona by SEAT and Volkswagen Group IT goes into operation
- Clearly prioritize initiatives and projects
- Secure successful knowledge transfer and synergies between Group brands

#### Expand vehicle-on-demand services

- Prepare first proprietary shuttle pilot in 2018
- Attain and secure market leadership in ride hailing services in Europe
- Expand shuttle pooling service to over 20 cities by 2021

#### Implement/expand full portfolio of smart mobility services via Group brands

- VW brand: Launch “we deliver,” “we share,” “we rent” services
- Audi: Roll out “Audi on demand” service in additional European countries

#### Combine mobility and transport services into an integrated offering

- Apply to host 2021 ITS World Congress with Hamburg
- Volkswagen Commercial Vehicles: Launch pilot projects on last mile logistics in 2018

- Global top 3 provider of efficient, convenient, sustainable mobility services
- Mobility services business expands to become strong Group pillar, contributing billions in earnings
- Secure global market access in growth markets and future business areas

2017

Goals for 2025

## Strengthening innovation power



### Our progress so far:

- Innovation thrust launched by establishing **37 centers of excellence and digital labs** worldwide
- Comprehensive **digital transformation** of the Group initiated
- Creative minds appointed to key positions, **CDOs established at all Group brands**
- Cross-divisional internal program launched to establish an **agile organization**



### Our current focus:

- Step up parallel innovation in **conventional drivetrains** and major **topics of the future**
- Roll out **digitalization initiatives**; define roadmap for digitalization drive through to 2020
- Establish **digitalization organization** and networks in the Group
- **Digitalize core processes** for enhanced efficiency and customer added value



### Our goals by 2025:

- **Digital transformation of the Group complete: digital customers, digital products, digital company**
- **Secure future-ready, agile organization**
- **Extensive use of artificial intelligence for business processes, customer applications and digital workplace**

## Securing funding



### Our progress so far:

- **Liquidity substantially improved** in past year despite diesel impact
- **Future Pact** at VW brand as cornerstone of planned efficiency improvement
- **Excellence programs** already starting to deliver results
- Integrated **strategy and planning process** launched



### Our current focus:

- **Substantial efficiency gains** in R&D by 30%
- Group-wide **reduction in CAPEX and fixed costs**; realize synergies
- **Efficiency gains** in Group functions (target: annual savings of €200m)
- Begin **optimizing business portfolio**



### Our goals by 2025:

- **Operating return: 7 to 8%**
- **Return on investment (ROI)\*: > 15%**
- **CAPEX ratio\*: ~6%**
- **R&D ratio\*: ~6%**

## How we are driving the Volkswagen Group forward



“Much more  
than diesel”



“Full speed  
ahead”



“Driving  
the change”

“Mission accomplished”



# 2025: Volkswagen ...



... is still one of the largest automakers.

... is #1 in e-mobility worldwide.

... sets standards in mobility services.

... is a role model for environment, safety and integrity.



# T GETHER

STRATEGY 2025