

The background features a large, stylized graphic of the Volkswagen logo, which is a 'V' over a 'W'. The 'V' is light blue and the 'W' is a darker blue. A small maroon triangle is at the top right corner of the 'W'.

VOLKSWAGEN
AKTIENGESELLSCHAFT

**We are
redefining
mobility.**

Volkswagen Group

Frank Witter

Chief Financial Officer

Investor Roadshow with J.P. Morgan, London, 16th - 17th May 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.

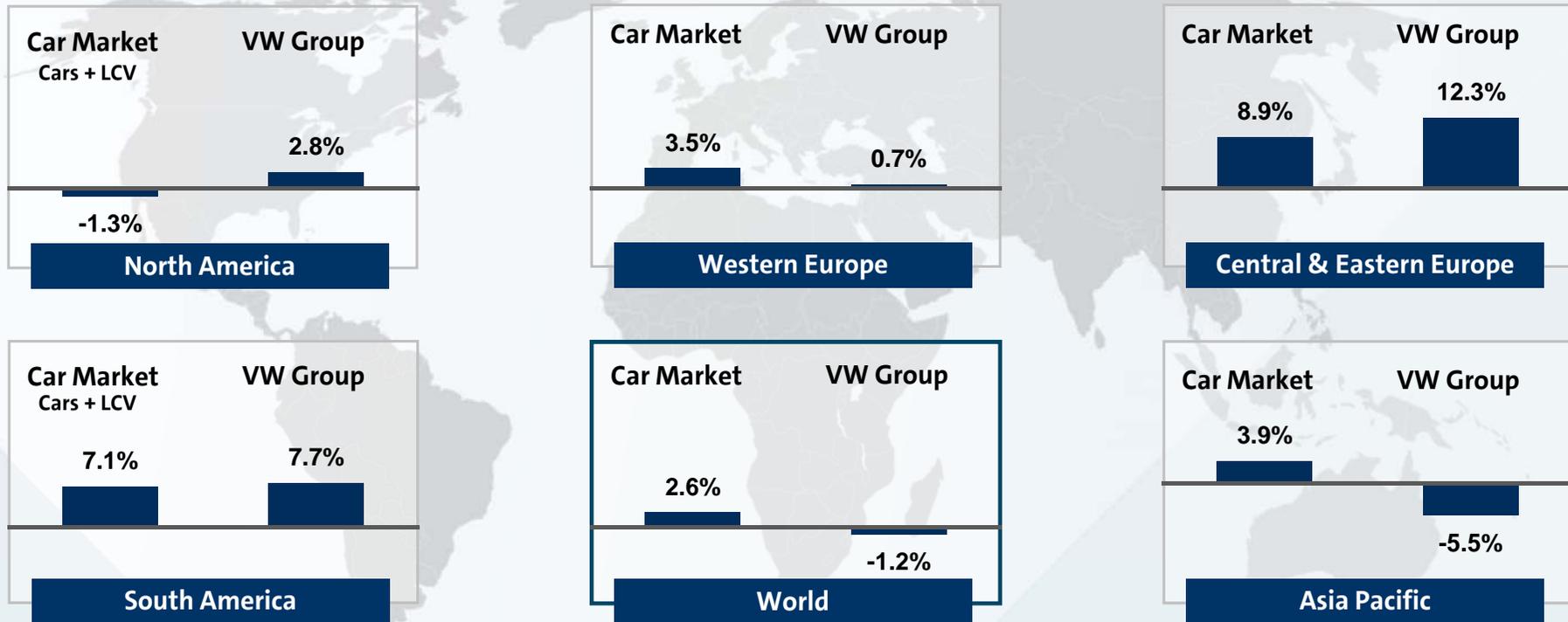
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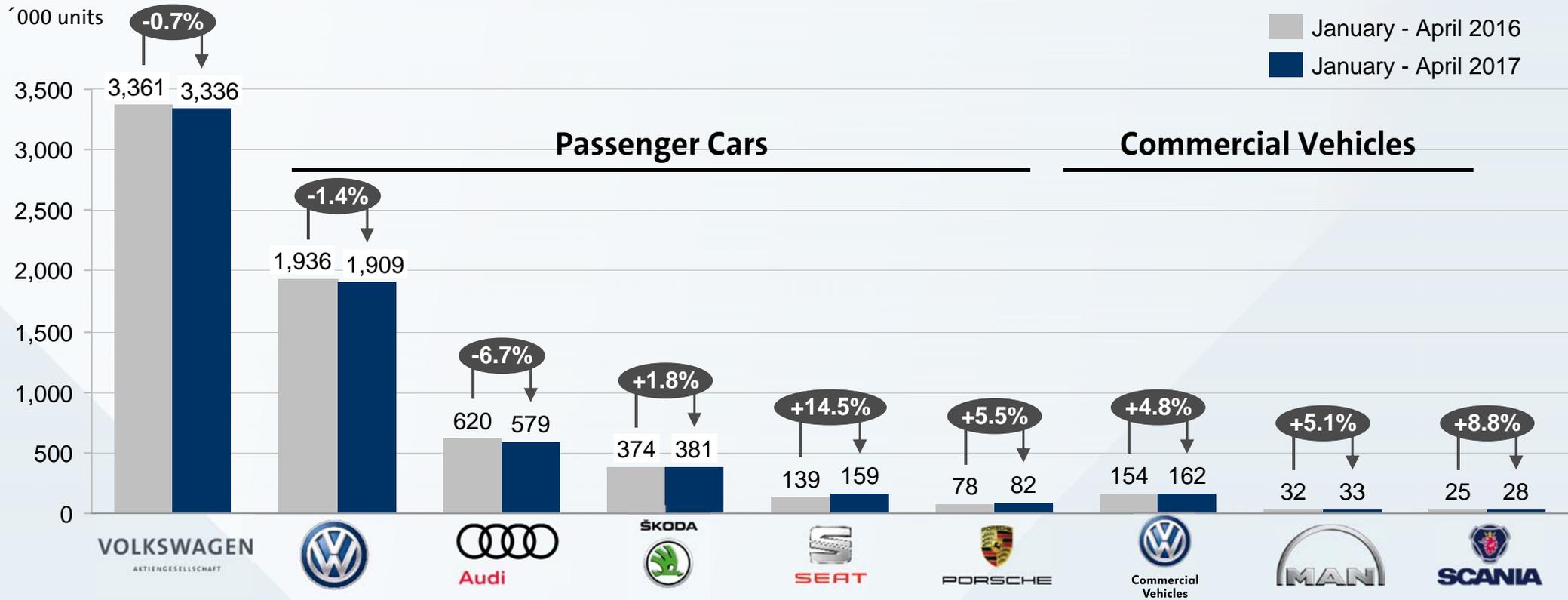
World car market vs. Volkswagen Group car deliveries to customers ¹⁾

(Growth y-o-y in deliveries to customers, January to April 2017 vs. 2016)



¹⁾ Figures excl. Volkswagen Commercial Vehicles, Scania and MAN Commercial Vehicles.

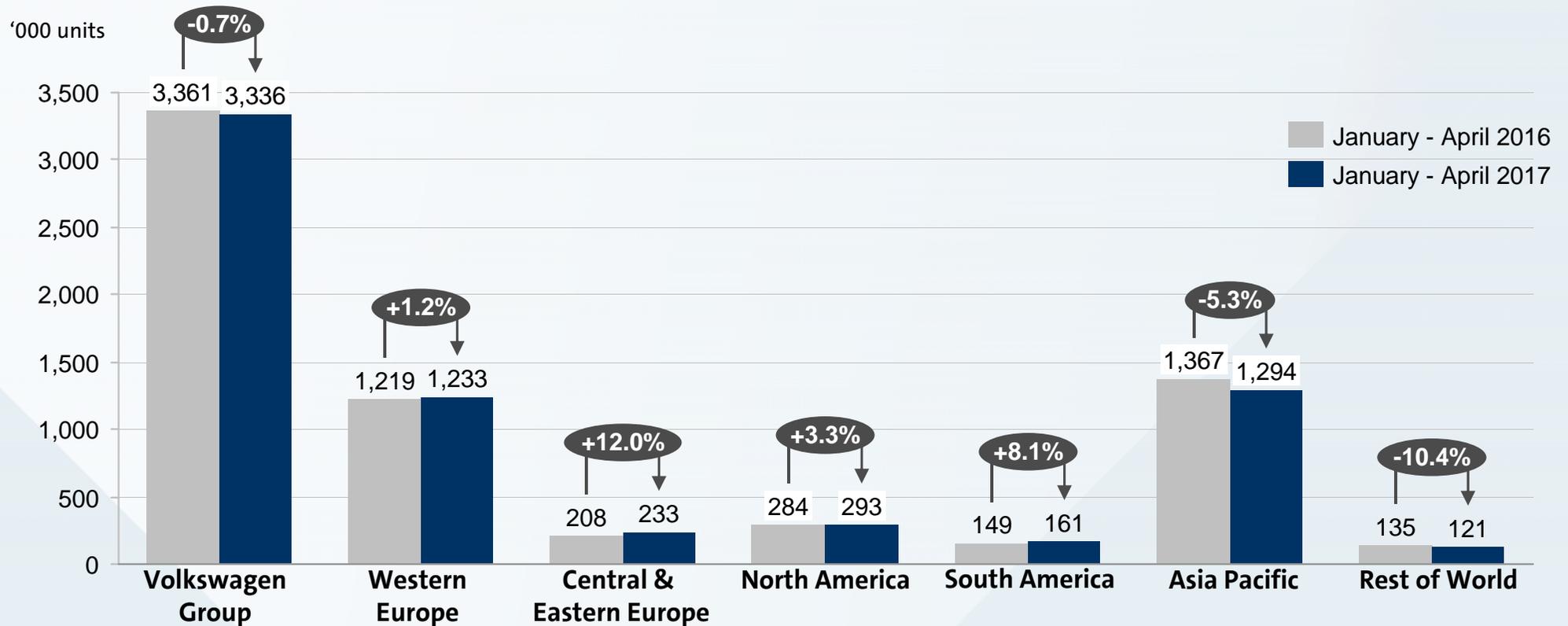
Volkswagen Group – Deliveries to customers by brands (January to April 2017 vs. 2016)



¹⁾ Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -1.2% excl. Volkswagen Commercial Vehicles, Scania and MAN.

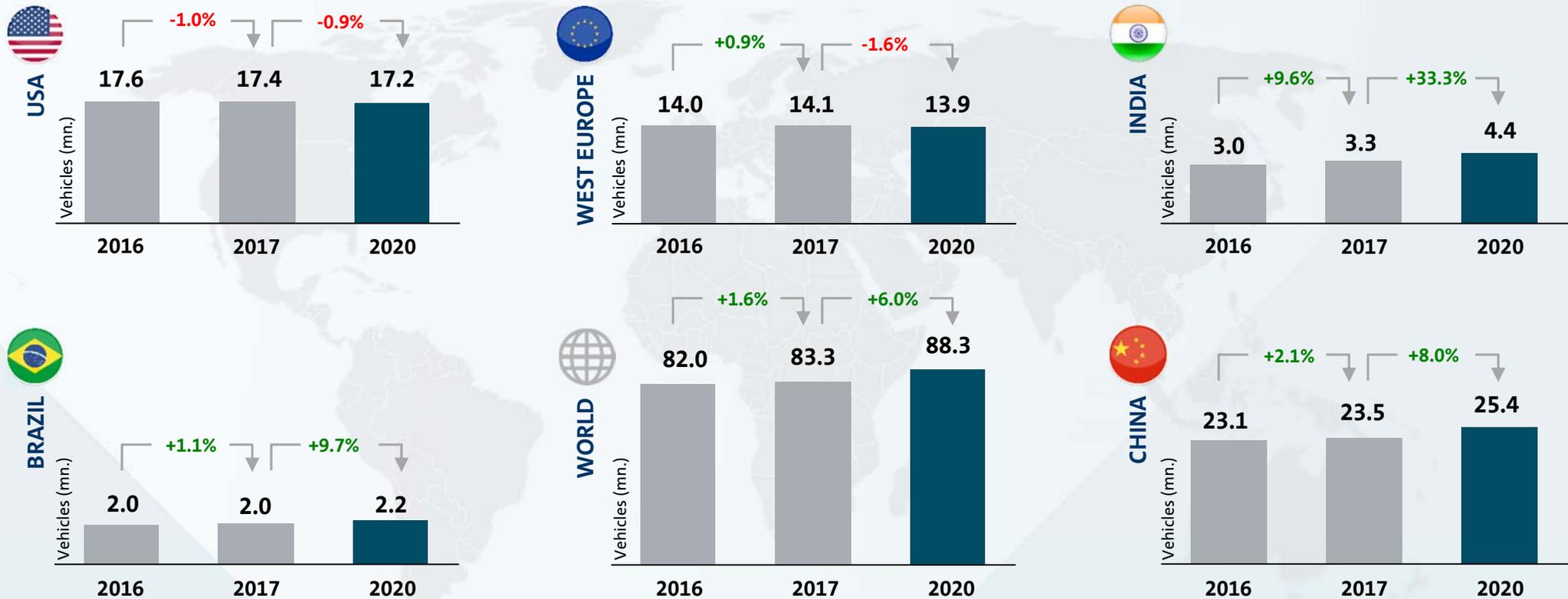
²⁾ MAN incl. MAN Latin America Trucks and Busses GVW > 5t

Volkswagen Group – Deliveries to customers by markets ¹⁾ (January to April 2017 vs. 2016)



¹⁾ Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); -1.2% excl. Volkswagen Commercial Vehicles, Scania and MAN.

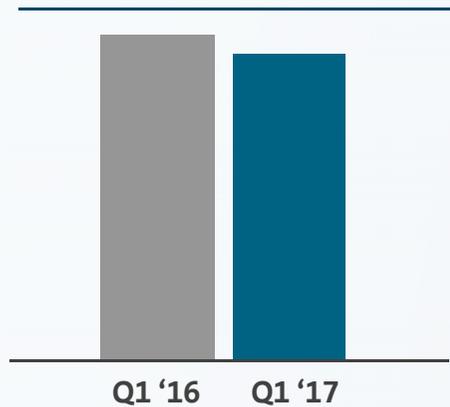
Car Market Outlook 2020: Stagnation in USA and Europe; recovery in Brazil from a low base; slower growth rates in China; India with solid growth



Source: IHS Global Sales forecast 2017M01; Total market for passenger cars in North and South America defined as per 'Light Vehicles' (includes light commercial vehicles)

Volkswagen Group started fiscal year 2017 on a strong footing

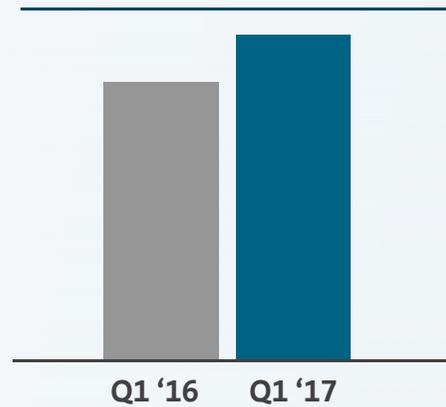
2.5m



Group deliveries
(vehicles)

- **0.5 %**
vs. prior year

€56.2bn

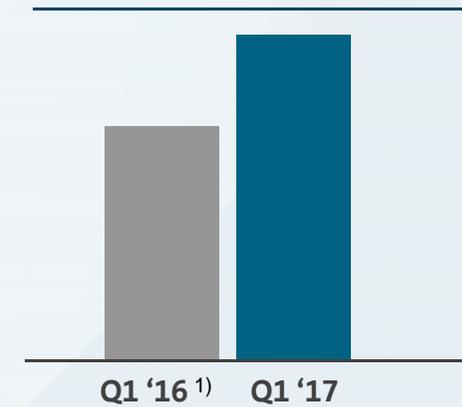


Q1 '16 Q1 '17

Sales revenue

+**10 %**
vs. prior year

€4.4bn



Q1 '16¹⁾ Q1 '17

Operating result

+**27 %**
vs. prior year

¹⁾ After special items

Volkswagen Group – Key Financial Figures¹⁾

(January to March 2017 vs. 2016)

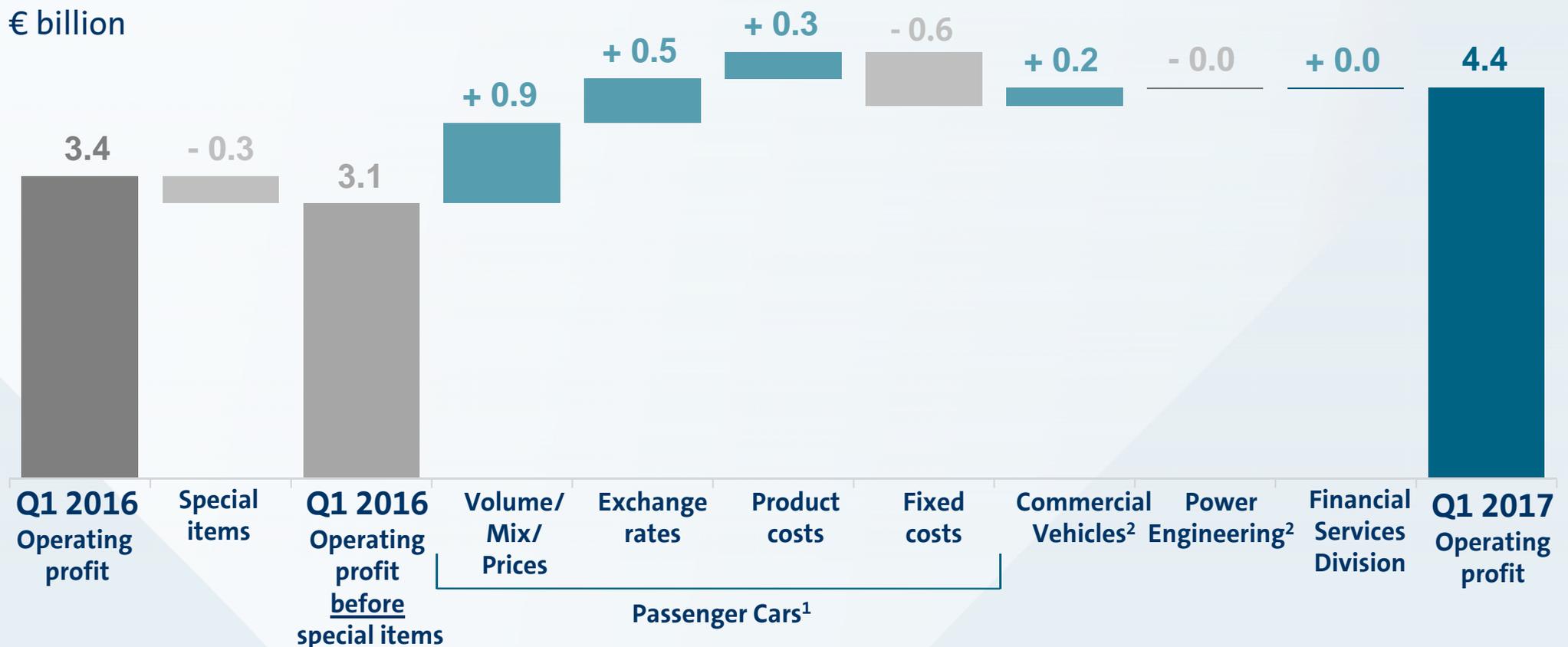
| € million | January – March | | Change | |
|--|-----------------|--------------|--------------|-------------------|
| | 2016 | 2017 | absolute | in % |
| Sales revenue | 50,964 | 56,197 | 5,233 | 10.3 |
| Operating result <u>before</u> special items | 3,131 | 4,367 | 1,236 | 39.5 |
| as a percentage of sales revenue | 6.1 | 7.8 | - | 1.7 ²⁾ |
| Special items | 309 | - | -309 | x |
| Operating result | 3,440 | 4,367 | 927 | 27.0 |
| as a percentage of sales revenue | 6.8 | 7.8 | - | 1.0 ²⁾ |
| Financial result | -237 | 256 | 493 | x |
| Earnings before tax | 3,203 | 4,623 | 1,420 | 44.3 |
| Income tax expense | -838 | -1,221 | -383 | -45.7 |
| Earnings after tax | 2,365 | 3,403 | 1,038 | 43.9 |
| Earnings per share (Prefs) | 4.64 | 6.71 | 2.07 | 44.6 |

¹⁾ All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

²⁾ Percentage points.

Operating profit increased to €4.4 billion in Q1 2017

€ billion



All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ¹⁾ without FS ²⁾ including PPA

Strong brands contributed to the operating profit of the Group in Q1 2017

| thousand vehicles/ € million | Vehicle sales | | Sales revenue | | Operating profit | |
|--|---------------|--------------|---------------|---------------|------------------|--------------|
| | Q1 2017 | Q1 2016 | Q1 2017 | Q1 2016 | Q1 2017 | Q1 2016 |
| Volkswagen Passenger Cars ²⁾ | 862 | 1,069 | 19,040 | 25,068 | 869 | 73 |
| Audi | 375 | 388 | 14,378 | 14,511 | 1,244 | 1,302 |
| ŠKODA | 252 | 207 | 4,334 | 3,379 | 415 | 315 |
| SEAT | 148 | 127 | 2,487 | 2,070 | 56 | 54 |
| Bentley | 2 | 2 | 361 | 376 | -30 | -54 |
| Porsche ³⁾ | 57 | 59 | 5,035 | 4,978 | 932 | 855 |
| Volkswagen Commercial Vehicles | 119 | 118 | 2,875 | 2,716 | 205 | 142 |
| Scania ⁴⁾ | 21 | 19 | 3,084 | 2,551 | 324 | 244 |
| MAN Commercial Vehicles | 25 | 23 | 2,572 | 2,291 | 93 | 65 |
| MAN Power Engineering | - | - | 783 | 832 | 26 | 48 |
| VW China ⁵⁾ | 971 | 980 | - | - | - | - |
| Other ⁶⁾ | -223 | -415 | -6,628 | -14,421 | -319 | -405 |
| Volkswagen Financial Services ⁷⁾ | - | - | 7,876 | 6,612 | 551 | 492 |
| Volkswagen Group before Special Items | - | - | - | - | 4,367 | 3,131 |
| Special Items | - | - | - | - | - | 309 |
| Volkswagen Group | 2,610 | 2,577 | 56,197 | 50,964 | 4,367 | 3,440 |
| Automotive Division ⁸⁾ | 2,610 | 2,577 | 47,825 | 43,530 | 3,768 | 2,850 |
| of which: Passenger Cars | 2,445 | 2,417 | 38,640 | 35,219 | 3,299 | 2,603 |
| of which: Commercial Vehicles | 165 | 160 | 8,402 | 7,478 | 499 | 256 |
| of which: Power Engineering | - | - | 783 | 832 | -30 | -9 |
| Financial Services Division | - | - | 8,372 | 7,434 | 600 | 591 |

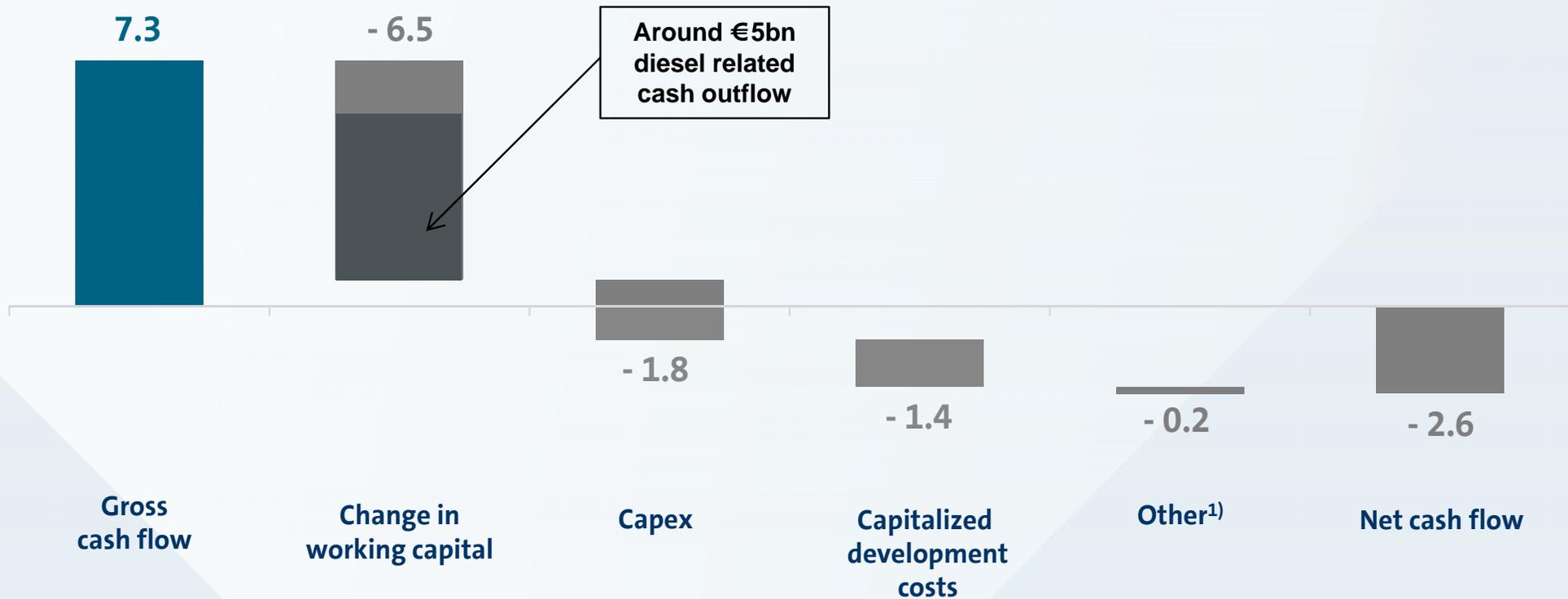
¹⁾ All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ²⁾ 2017 figures take account of the reclassification of companies; prior-year figures were not adjusted.

³⁾ Porsche (Automotive and Financial Services): sales revenue €5,489 (5,378) million, operating profit €967 (895) million. ⁴⁾ Including financial services.

⁵⁾ The sales revenue and operating profits of the joint venture companies in China are not included in the figures for the Group. These Chinese companies are accounted for using the equity method and recorded a proportionate operating profit of €1,112 (1,174) million. ⁶⁾ Prior year adjusted. 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 Q1 2017: impacted by cash outflows relating to the diesel issue

€ billion



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

Automotive Division net liquidity on a robust level

€ billion



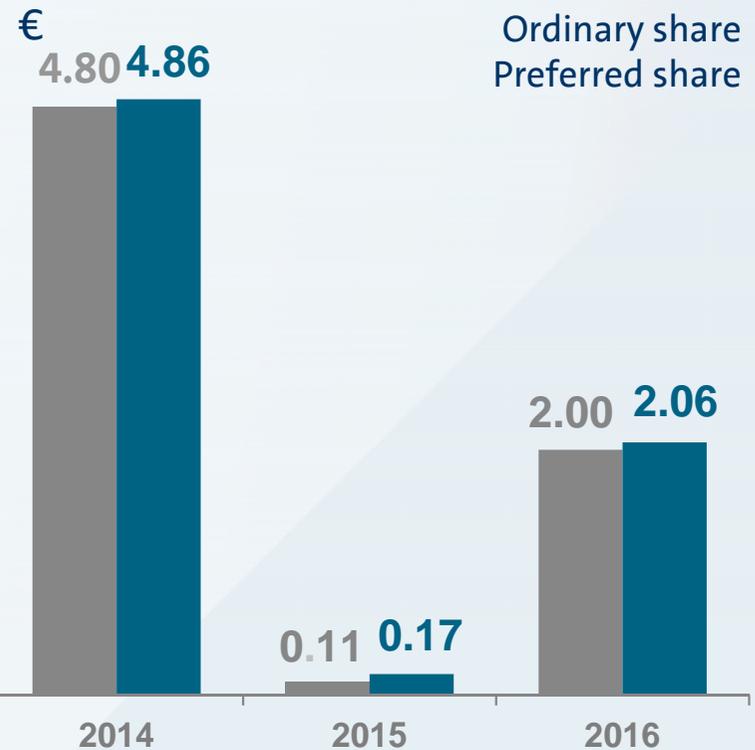
Dividend increases – distribution ratio 19.7%

Earnings attributable to Volkswagen AG shareholders

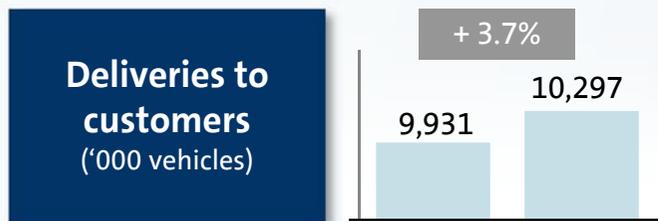
€ billion



Dividend per share



Volkswagen Group – Outlook for 2017



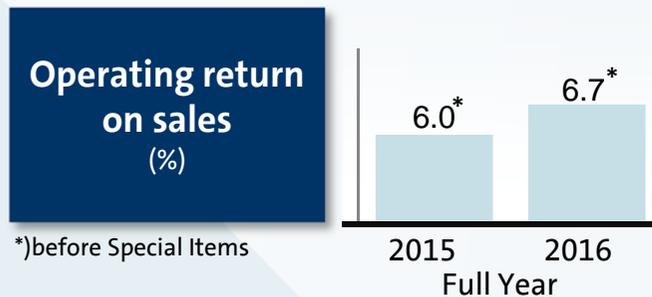
Deliveries to customers

moderately above prior year



Sales revenue

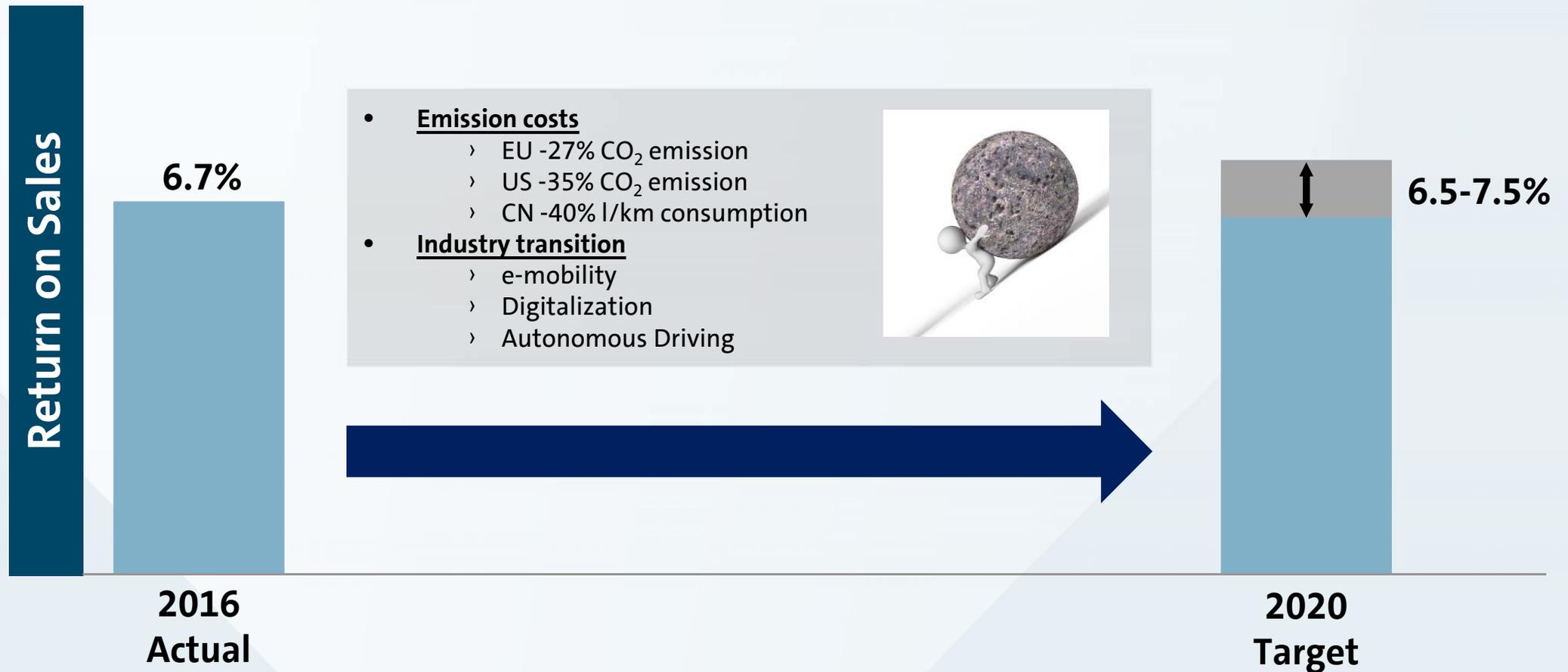
Up to 4% above prior year level



Operating return on sales

between 6.0% and 7.0%

Improving Group results despite significant challenges



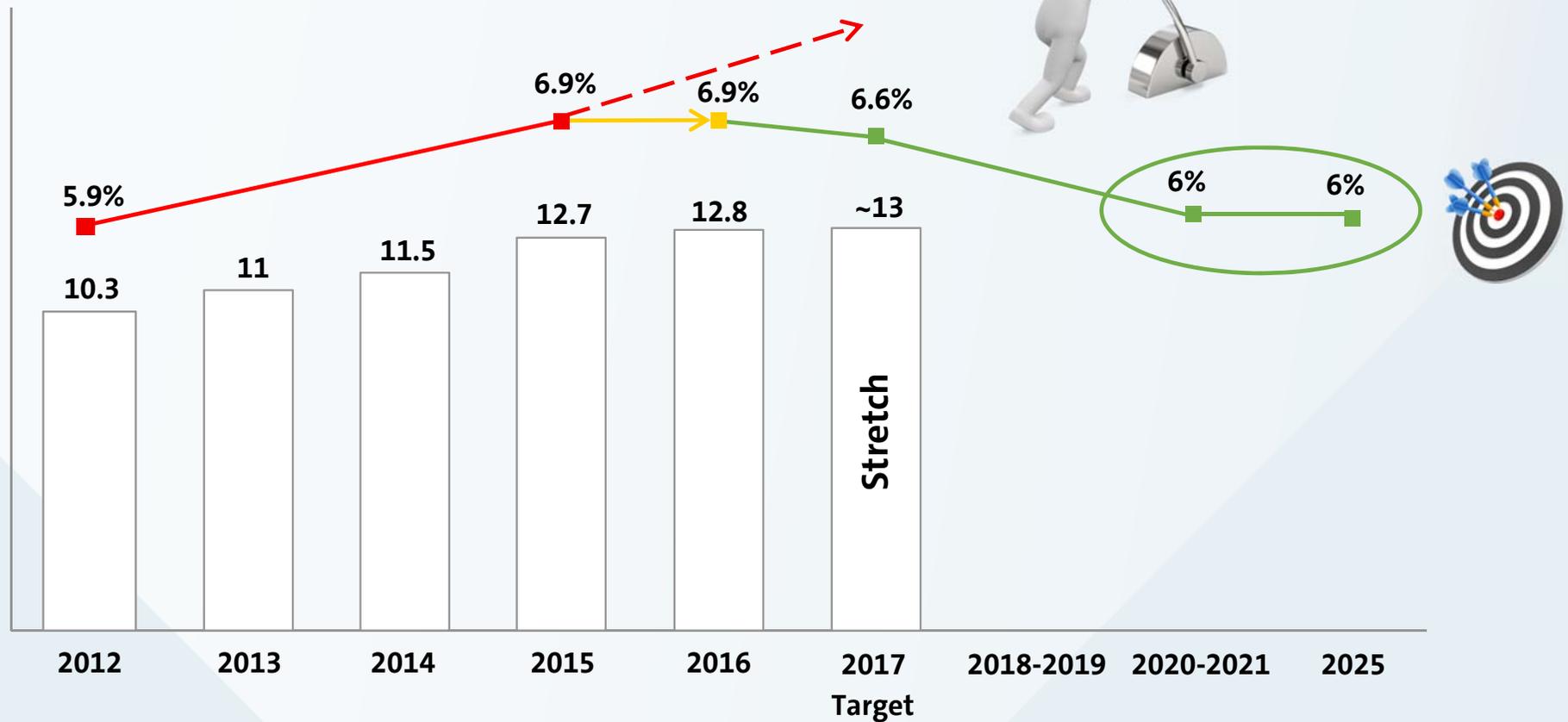
Clear Financial Targets and Milestones

| Key financial targets | 2016 Actual | 2017 Targets | 2020 Targets | 2025 Targets |
|--|-------------------------|--------------|--------------|------------------------|
| Operating return on sales <i>Before special items</i> | 6.7% | 6-7% | 6.5-7.5% | 7-8% |
| Return on investment <i>Automotive Division before special items</i> | 13.9% | 11-13% | 13-15% | >15% |
| Capex ratio <i>Automotive Division</i> | 6.9% | 6.6% | 6% (2020/21) | 6% |
| R&D cost ratio <i>Automotive Division</i> | 7.3% | 6.7% | 6% (2020/21) | 6% |
| Cash <i>Automotive Division</i> | a) Net Cashflow | € 4.3 bn | negative | positive ¹⁾ |
| | b) Net Liquidity | € 27.2 bn | > 15 bn | ≥€ 20 bn |
| | | | | ~10% of Group turnover |

1) after considering a strategic target of 30% Payout Ratio based on Group profit after tax

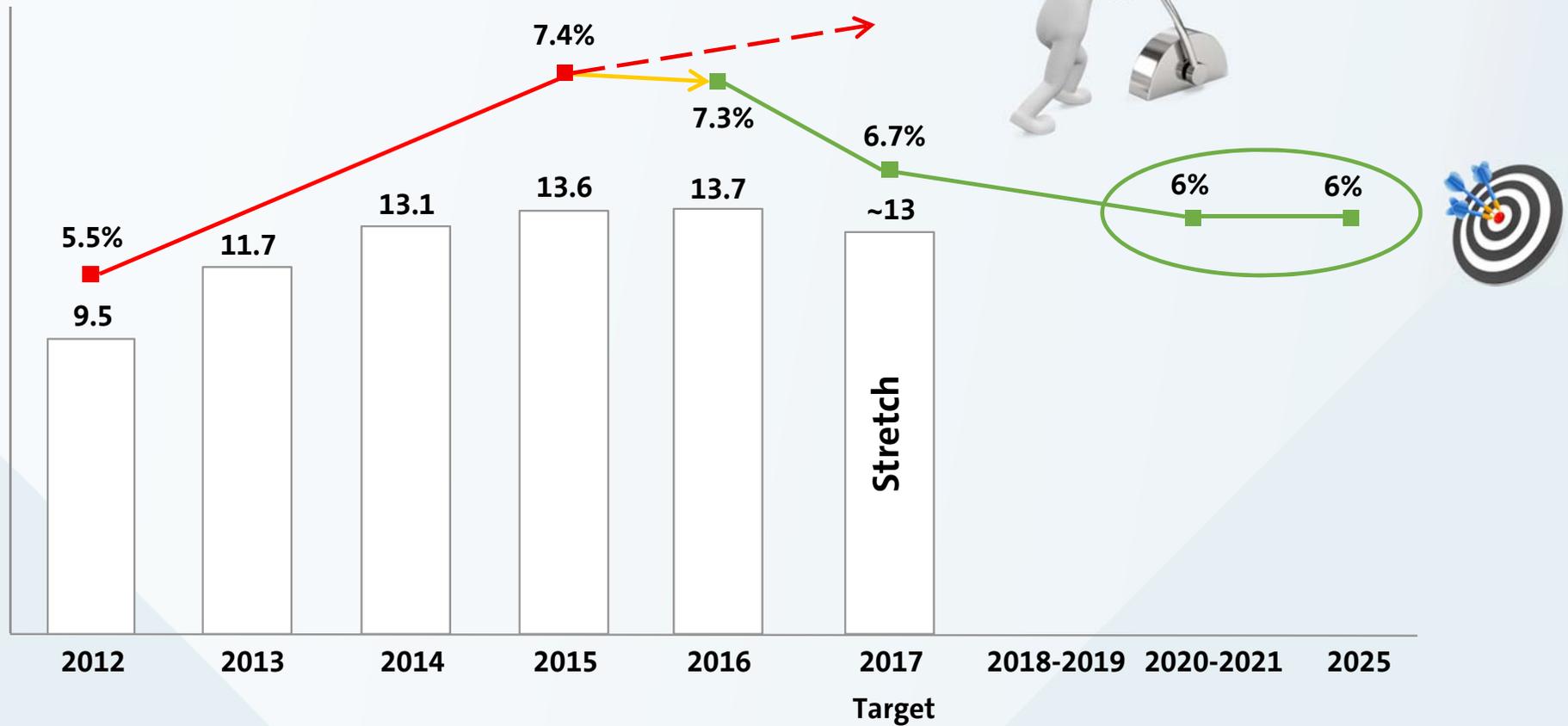
CAPEX Automotive Division

(€ bn, as % of sales revenue)



R&D Cost Automotive Division

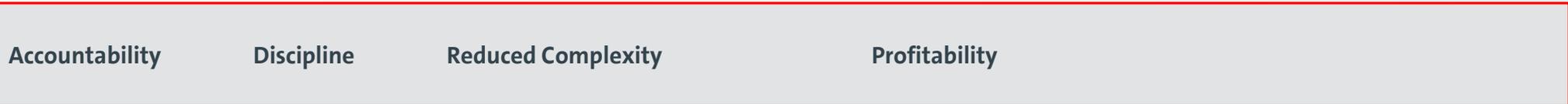
(€ bn, as % of sales revenue)



STRATEGY 2025 – INITIATIVES AT A GLANCE

| | | | | | | | | | |
|---|---|--|---|--|---|----|--------------------------------|--|--|
| <p>GROW PROFITABLY</p> <hr/> <p>DEVELOP STRATEGIC CAPABILITIES</p> <hr/> <p>ENHANCE ENTREPRE-NEURIAL SPIRIT</p> | 1 | Sharpen positioning of brands |  <p>Transform core business</p> | 10 | Build mobility solutions business | 12 | Improve operational excellence | | |
| | 2 | Develop winning vehicle and drivetrain portfolio | | 11 | Develop and expand attractive and profitable smart mobility offering | 13 | Optimize business portfolio | | |
| | 3 | Streamline modular architectures | |  <p>Build mobility solutions business</p> |  <p>Secure funding</p> | | | | |
| | 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 | | 14 | Drive digital transformation | 15 | Create organization 4.0 |  <p>Strengthen innovation power</p> | <p>16 Better integrated and strategic planning process</p> |
| | 7 | Develop best-in-class user experience across brands and customer touchpoints | | | | | | | |
| | 8 | Implement model line organization | | | | | | | |
| | | 9 | | Realign “Components” business | | | | | |

Delivering on Core Principles



Modular Toolkits

| | | |
|---|--|---|
| <p>MQB</p>  <p>Modular Transverse Toolkit</p> | <p>MLB</p>  <p>Modular Longitudinal Toolkit</p> | <p>MSB</p>  <p>Modular Standard Drivetrain Toolkit</p> |
| <p>MNB</p>  <p>Commercial Vehicles</p> <p>Modular Light Commercial Vehicle Toolkit</p> | <p>MMB</p>  <p>Modular Mid-engine Toolkit</p> | <p>MEB</p>  <p>Modular Electric Toolkit</p> |

Product Line Organization

(Example Volkswagen Brand)

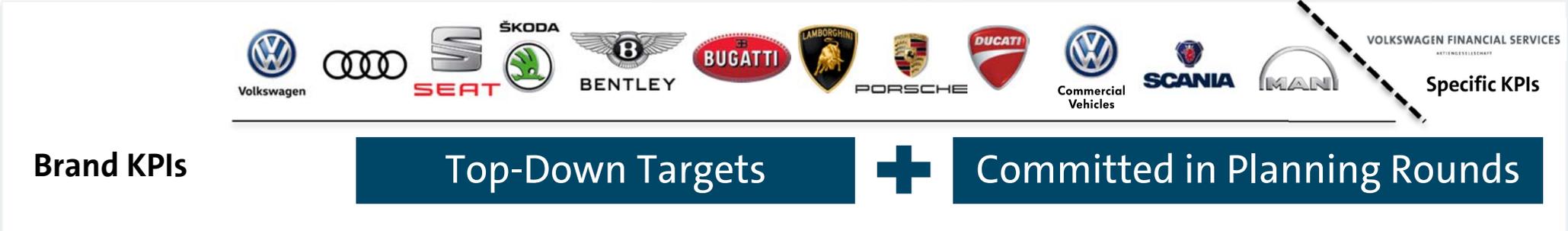
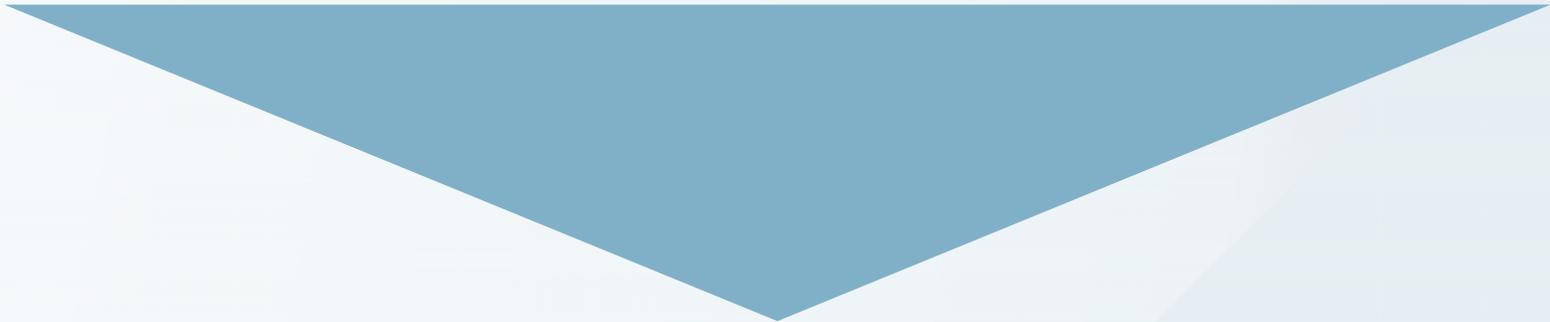
| | |
|--|--|
| <p>▶ G1 – Small</p>  | <p>▶ G3 – Mid- & Fullsize</p>  |
| <p>▶ G2 – Compact</p>  | <p>▶ G4 – e-Mobility</p>  |



Cascading Group Targets to Brands



Commitment



Status update

- ✓ **Group Strategy “Together 2025” applied to Brands with KPIs**
- ✓ **KPIs committed in Planning Round**
- ✓ **Product line management implemented**
- ✓ **Dramatic decrease in number of derivatives / complexity**
- ✓ **Right vehicles with regional focus (e.g. SUV’s in Europe, China and NA)**
- ✓ **“Zukunftspakt” for  Volkswagen**

A strong Group with strong brands: 2016 highlights

VOLKSWAGEN
AKTIENGESELLSCHAFT

TOGETHER – Strategy 2025
future program launched

MOIA mobility services
company established

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



Volkswagen



Audi



PORSCHE



ŠKODA

VOLKSWAGEN
TRUCK & BUS

VOLKSWAGEN FINANCIAL SERVICES
AKTIENGESELLSCHAFT

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

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

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

- Strong operating performance in 25th year in the Group
- **New SUV series** successfully launched with **KODIAQ**

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

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

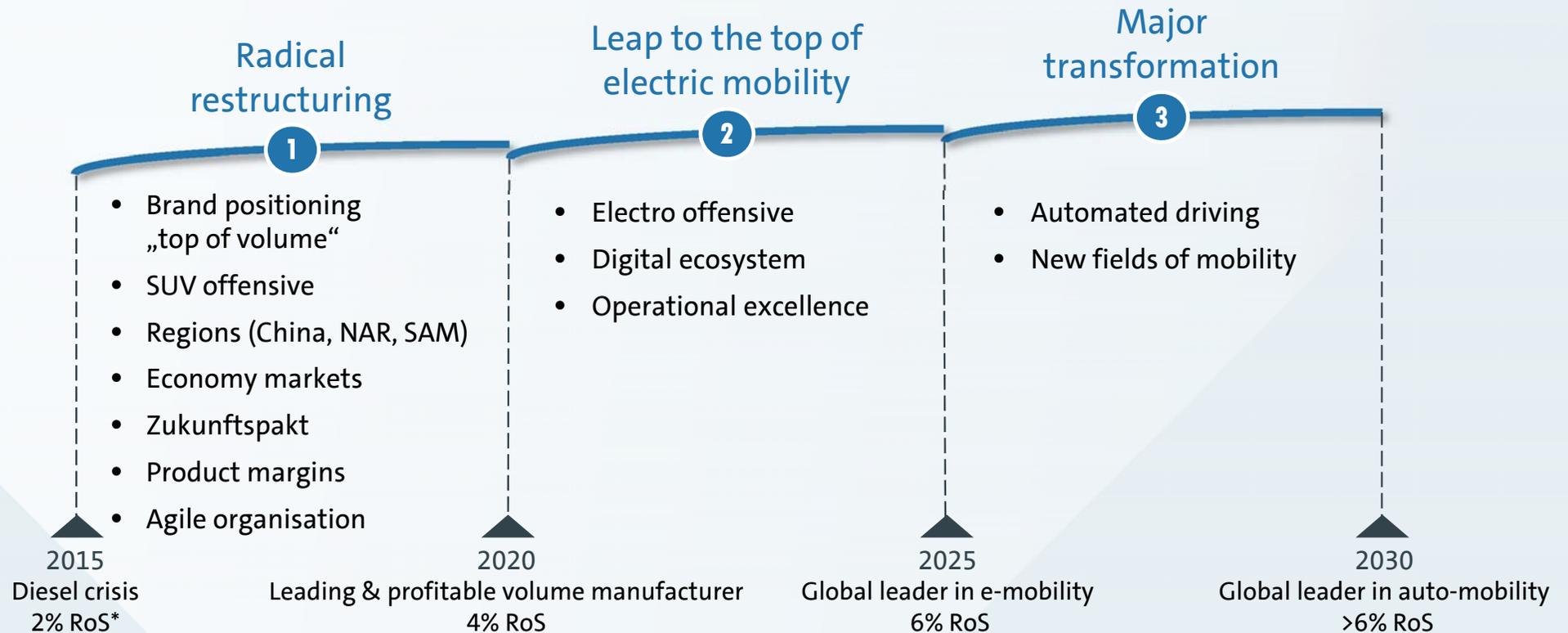
Overview Brand Targets (RoS, RoE)

| Return on Sales in % | 2016 | 2017 | 2020 | 2025 |
|------------------------------------|-------|---------|-----------------|-----------------|
| Volkswagen Group | 6.7 | 6.0-7.0 | 6.5-7.5 | 7.0-8.0 |
| Volkswagen Brand | 1.8 | 2.5-3.5 | ≥4 | ≥6 |
| Audi | 8.2 | 8-10 | 8-10 | 8-10 |
| Porsche | 17.4 | >15 | >15 | >15 |
| ŠKODA | 8.7 | 7-8 | 6-7 | ≥7 |
| Volkswagen Commercial Vehicles | 4.1 | 3-4 | 4-5 | >6 |
| Truck & Bus Business ¹⁾ | | | | |
| • Scania | 9.5 | | | |
| • MAN Commercial Vehicles | 2.3 | 6-7 | 9 ²⁾ | 9 ²⁾ |
| Return on Equity (norm. 8%) | 2016 | 2017 | 2020 | 2025 |
| Volkswagen Financial Services | 15.6% | 14-16% | 14-16% | 20% |

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

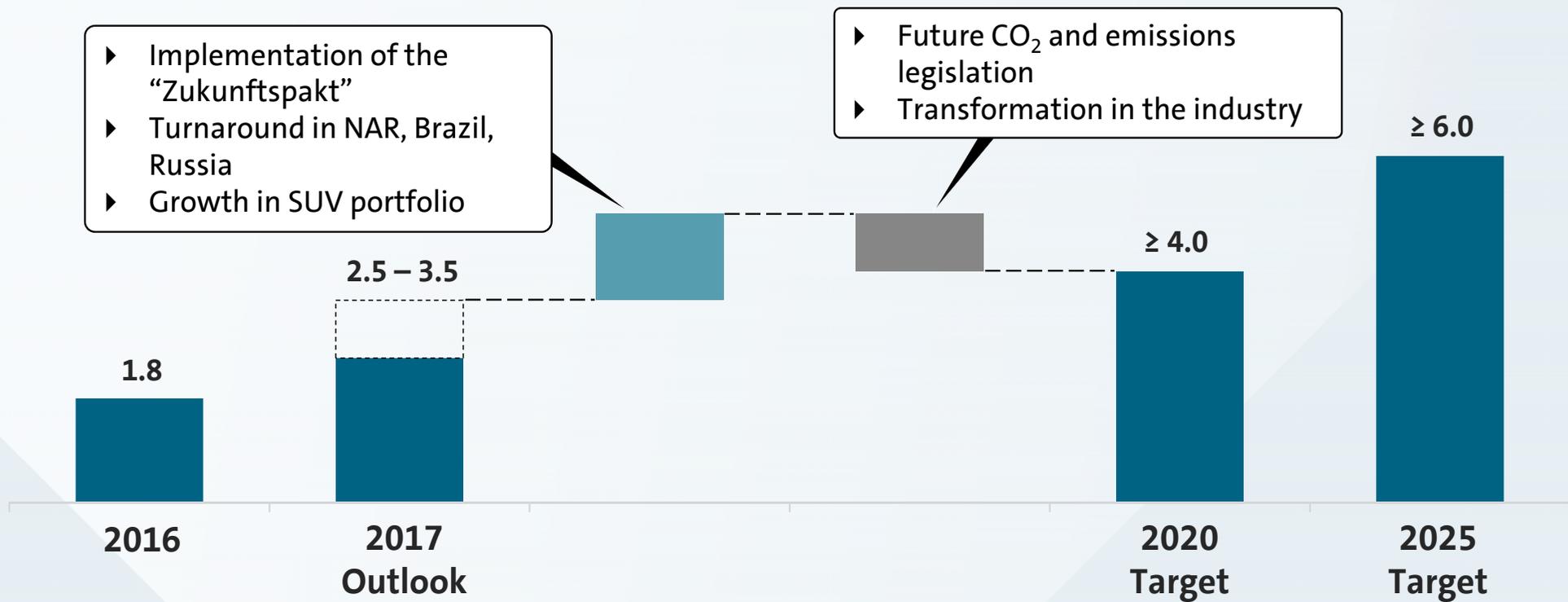
The „TRANSFORM 2025+“ strategy will put the brand to the top of the automotive industry



* Before special items

Result outlook for 2017 follows TRANSFORM 2025+ strategy path

(Growth in operating return on sales as % of net earnings)





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

Reducing complexity leads to lower expenditure, frees up resources and increases productivity

| Business field | Reduced number of variants |
|---------------------------|----------------------------|
| Successors / new vehicles | -30 to -60% |
| Platforms | -40% |
| Drivetrains | -30 to -40% |

>15,000
fewer component variants



>€700 million
lower initial investment

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



Polo Global



Polo Sedan Global



Small SUV Global

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)



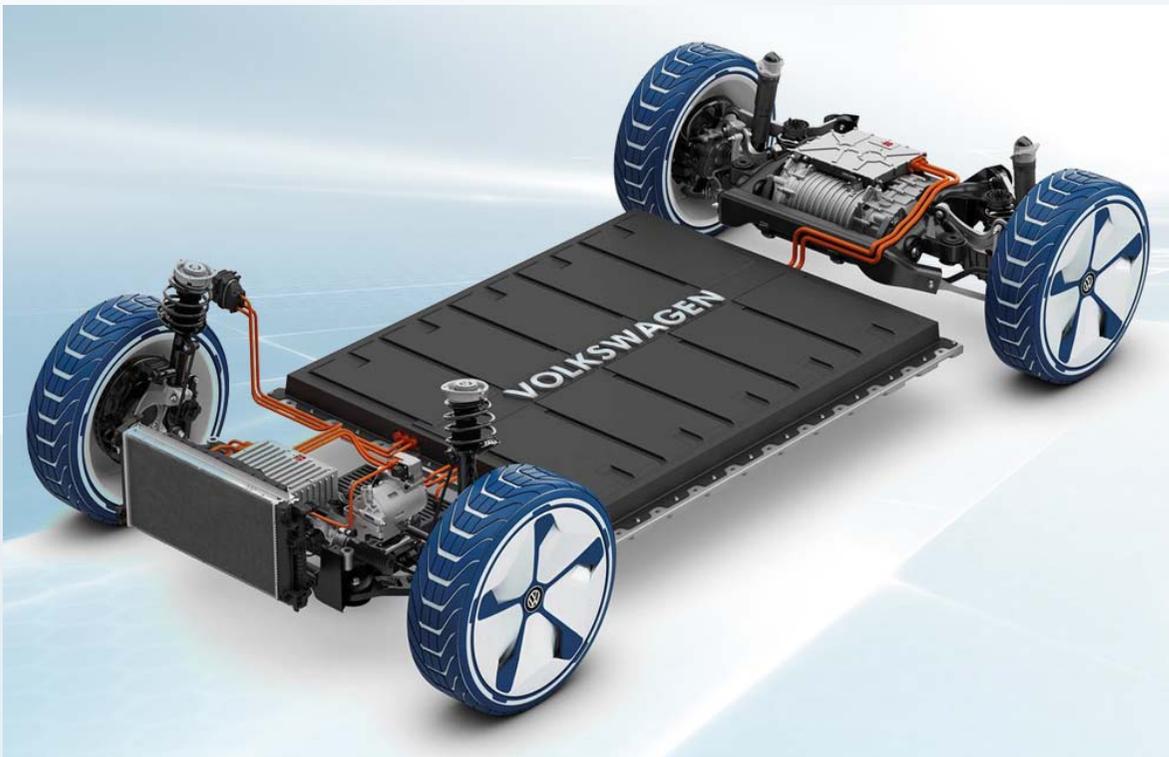
Virtus (SAM)



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

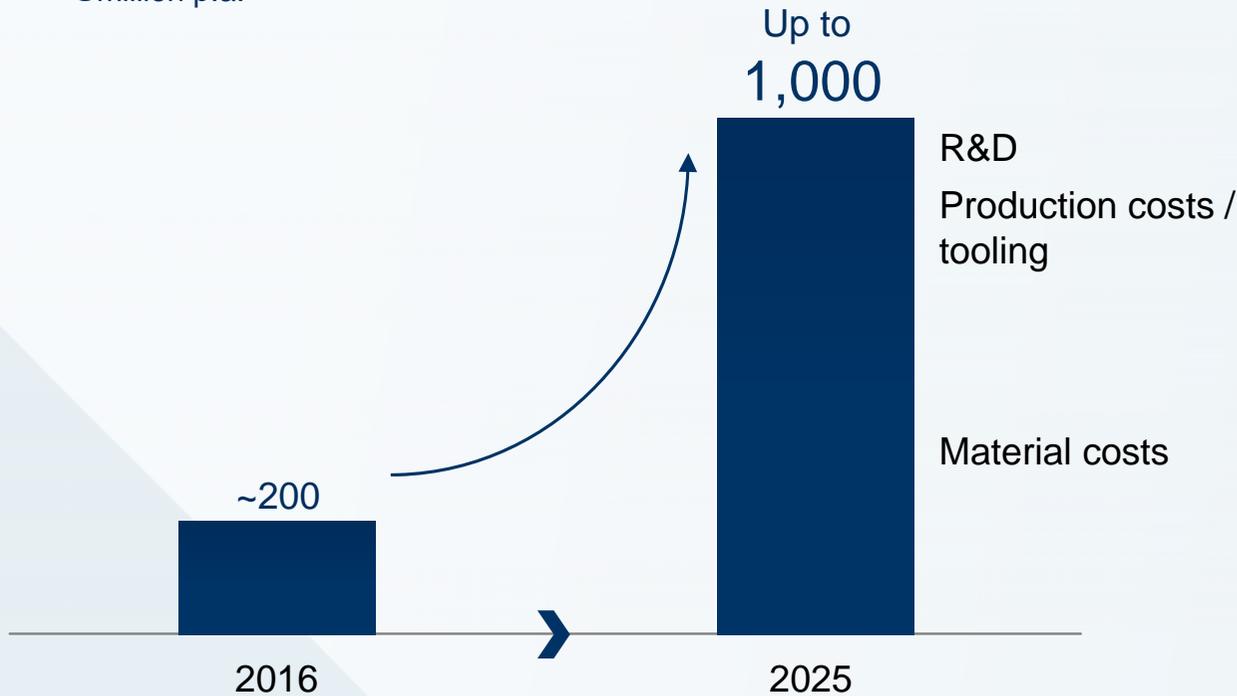


After sales increasingly important as alternative source of revenues
New business models (e.g. enhanced telematics) can stabilize revenues

Long-term synergy potential will enable savings of up to €1 bn p.a.

Synergy potential from brand collaboration and expanded platform strategy

€ million p.a.



Key common powertrain platforms



Base engine



After-treatment



Transmission



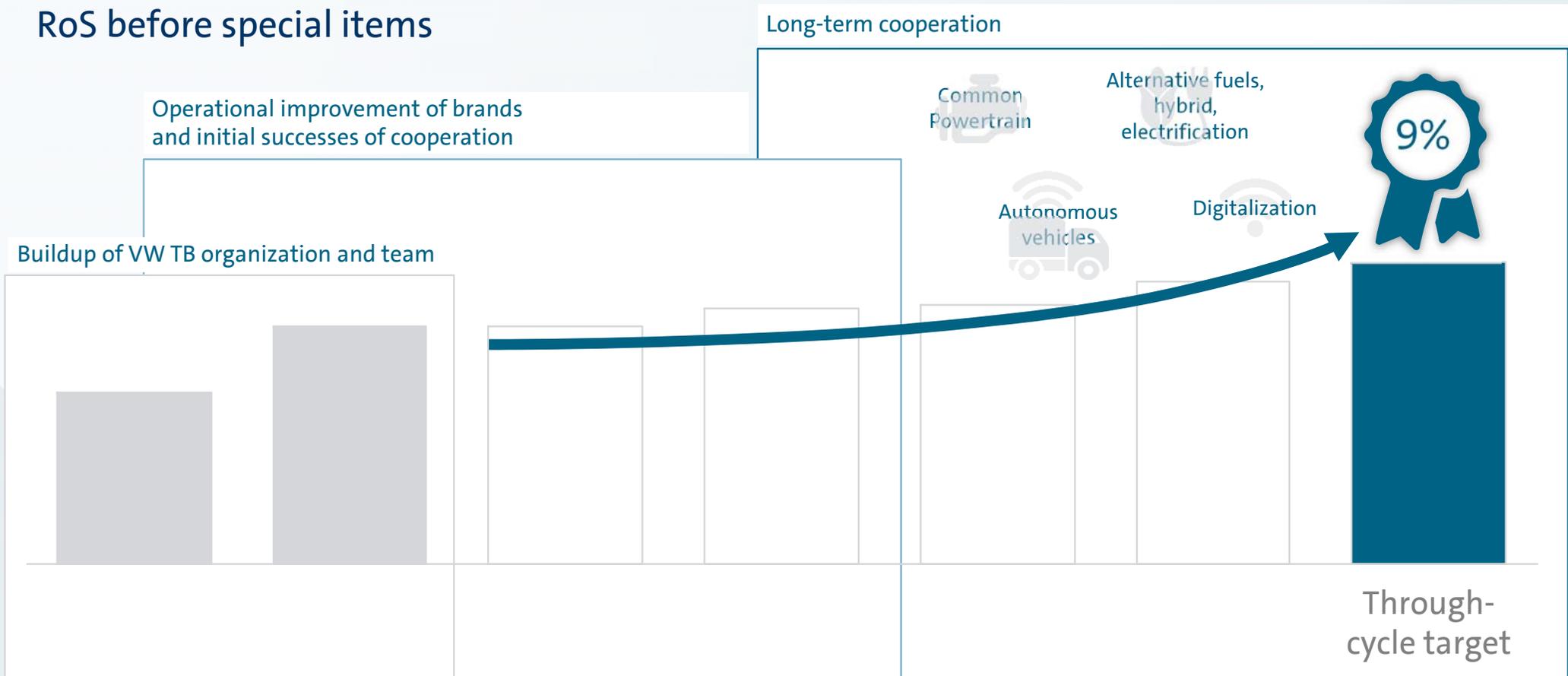
Axles

Global expansion on track with Navistar alliance

| | | | |
|---|---|--|--|
| 1 | Equity investment |  | 16.6% equity stake in Navistar by way of capital increase |
| 2 | Strategic technology and supply cooperation |  | Companies to collaborate on technology for powertrain systems, as well as other advanced technologies |
| 3 | Procurement joint venture |  | Procurement joint venture is pursuing joint global sourcing opportunities |
| 4 | Governance |  | 2 VW T&B representatives nominated to Navistar Board of Directors. Joint Alliance Board to govern overall alliance |

RoS target of 9 percent to be reached through combination of measures

RoS before special items





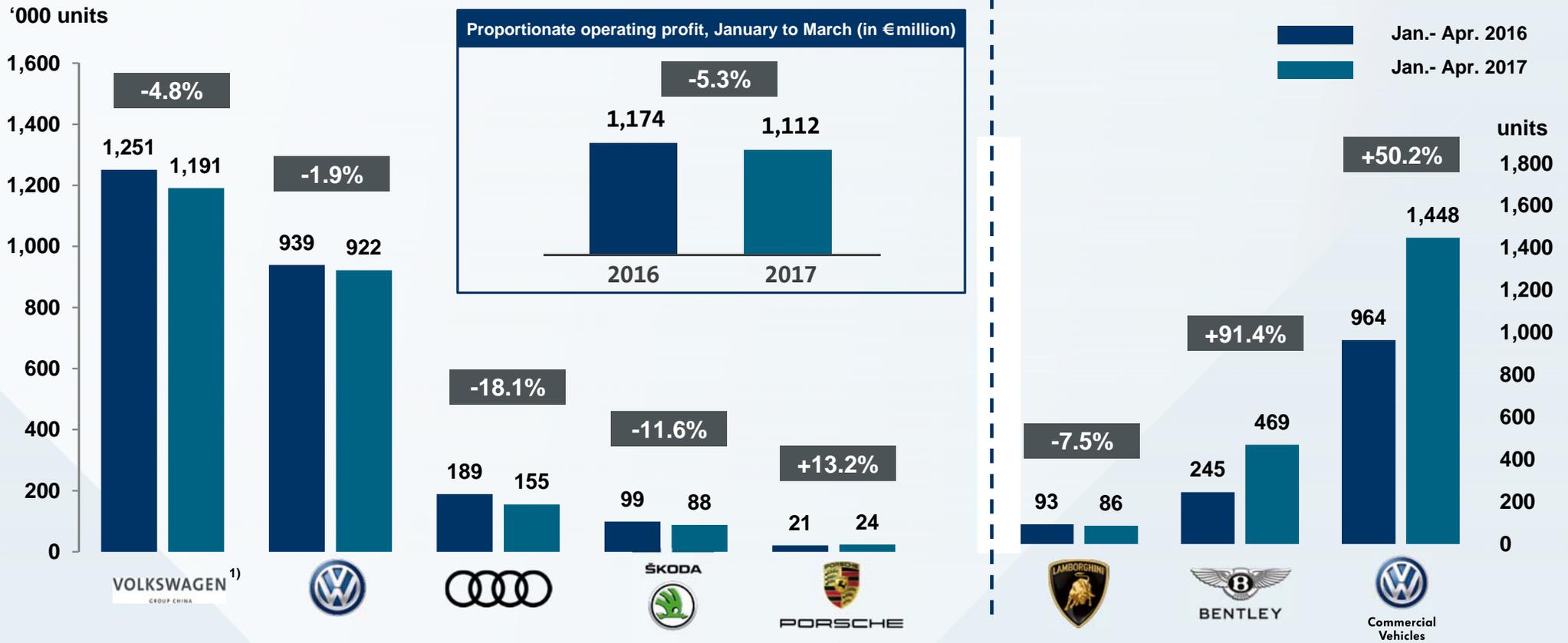
Strong operating result for the Volkswagen Group in China

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------|-------|--------|--------|--------|
| Deliveries to customers (in '000 units) | 2,815 | 3,271 | 3,675 | 3,549 | 3,982 |
| Production (in '000 units) | 2,643 | 3,135 | 3,528 | 3,420 | 3,897 |
| Operating profit (in € million) | 8,424 | 9,569 | 12,077 | 11,937 | 11,094 |
| Prop. Operating profit (in € million) | 3,678 | 4,296 | 5,182 | 5,214 | 4,956 |



Volkswagen Group China performance

(January to April 2017 vs. 2016)

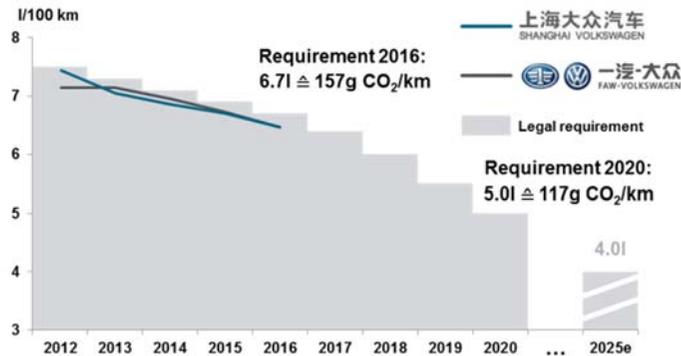


¹⁾ incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania



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

| NEV credit point ratio | 2017 | 2018 | 2019 | 2020 |
|------------------------|------|------|------|------|
| | None | 8% | 10% | 12% |

NEV Credit Point Attribution per NEV Type

| E-Range (in km) | BEV | | | | PHEV | FCEV | |
|---------------------|----------|-----------|-----------|------|------|-----------|------|
| | 80 - 150 | 150 - 250 | 250 - 350 | >350 | >50 | 250 - 350 | >350 |
| Credit Point | 2 | 3 | 4 | 5 | 2 | 4 | 5 |

NEV subsidies scheme

New Requirement on national subsidies for NEVs

- raise the entry threshold
- may be adjusted dynamically

Direct national subsidy (20% reduced in 2017)

(up to 44,000 RMB for BEV and 24,000 RMB for PHEV)

Additional subsidies from local provinces

(≤50% of national subsidy)



We will be prepared to deliver around 400,000 NEVs by 2020 and 1,500,000 by 2025

Introduction of locally produced NEV

Phase 1

Plug-in hybrids based on current toolkits



Phase 2

Pure electric vehicles based on current toolkits



Phase 3

Pure electric vehicles based on scalable electric toolkit



Mass market BEV cooperation

VOLKSWAGEN
GROUP CHINA

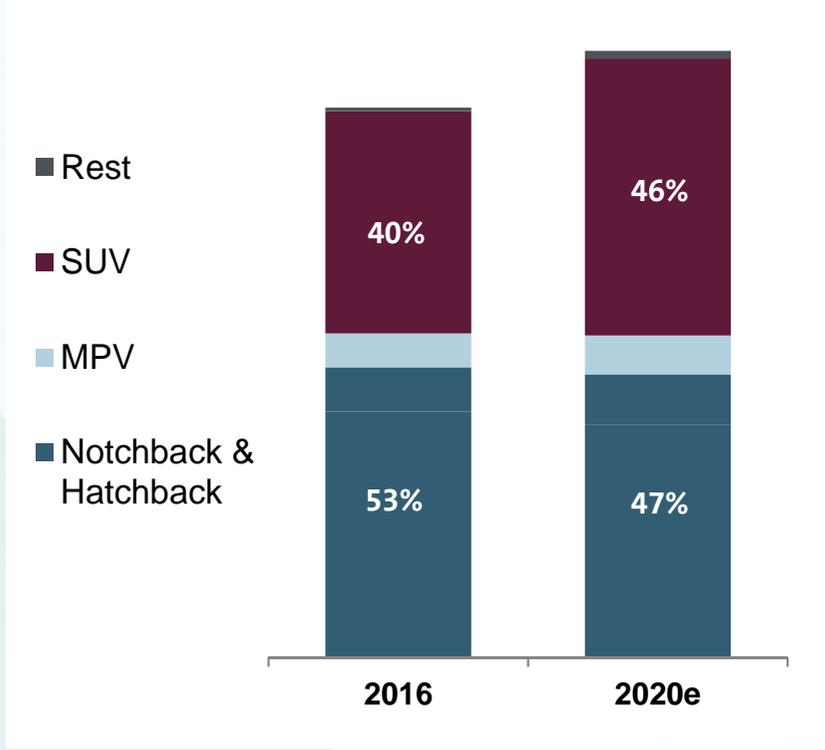
JAC 江淮汽车





New product offering with an expanded SUV offering ¹⁾

Body style trends until 2020¹⁾



New vehicle launches 2017 and to follow²⁾

SUV



Teramont



Q5



KODIAQ



Tiguan LWB



YETI



...

Others

imported



Panamera Turbo



A5 Coupé



TT



Q7 e-tron



R8 Spyder



Panamera LWB



Variant GTE

locally produced



Phideon PHEV



Lavida



Bora

¹⁾ Source: IHS ²⁾ Schematic overview – does not show all models

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Volkswagen Financial Services¹⁾: global, well diversified and successful

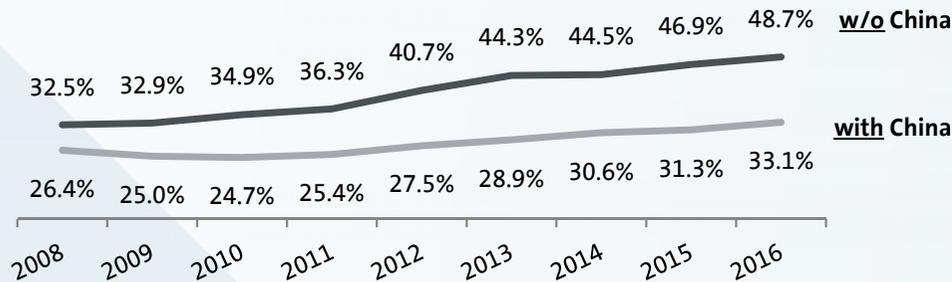
Strong global presence



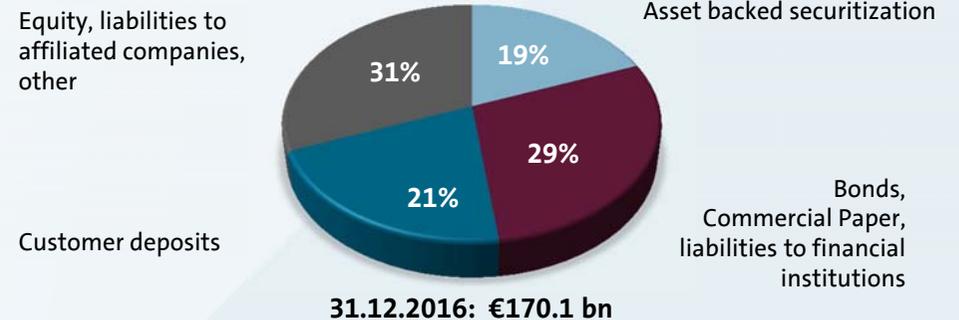
Continuous portfolio expansion



Rising penetration rates



Diversified funding structure



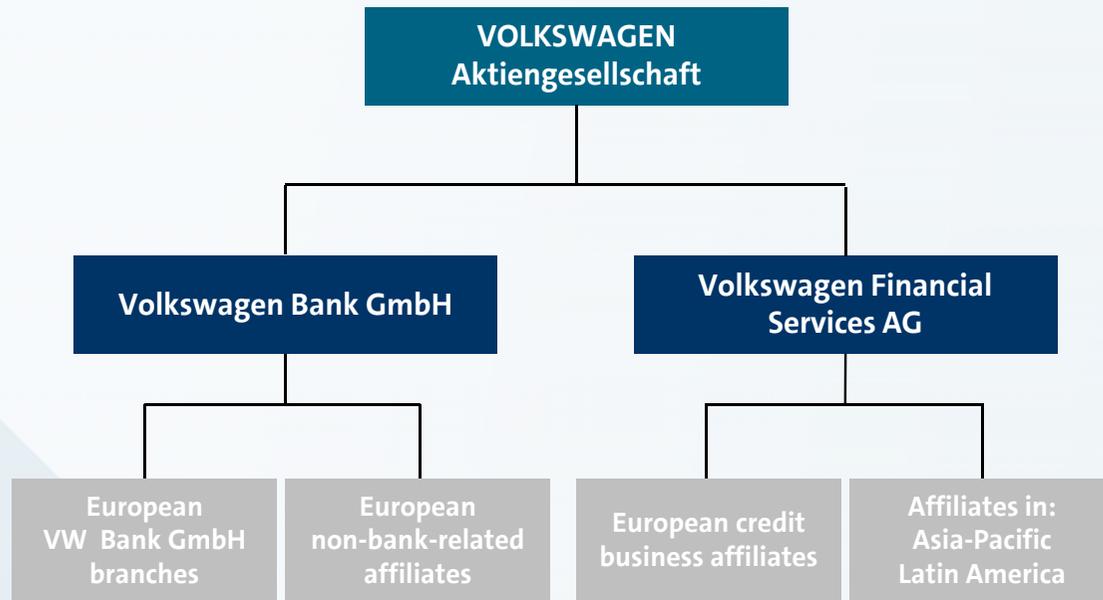
¹⁾ Excluding Financial Services activities of Scania, Porsche AG and Porsche Holding Salzburg; including MAN Financial Services

Optimized structure for Financial Services Business

(implementation scheduled for year-end 2017)

Future structure of Volkswagen Financial Services

Change of legal structure



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

- Advantages:**
- Optimized capital requirements
 - Reduced complexity & improved transparency
 - Supports future growth path

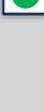
Special Items: Diesel related and other

| (In € bn) | Diesel | Other | Total | |
|---------------|--------------------|-------------|--|-------------|
| 2015 | Legal | 7.0 | Restructuring: Truck Business 0.2 Passenger Cars South America 0.2 Airbags Takata 0.3 0.7 | |
| | Other items | 9.2 | | |
| | | 16.2 | | 16.9 |
| | | | | |
| 2016 | Mainly legal risks | 6.4 | Scania Anti-Trust Proceedings 0.4 Others 0.7 1.1 | |
| | | | 7.5 | |
| | | | | |
| Total to date | 22.6 | 1.8 | 24.4 | |

No material special items in Q1 2017. A significant amount of the Diesel dollar-related provisions are hedged and a further substantial amount of the provisions have been utilized as we had cash outflows of around €3bn in Q4 2016 and around €5bn in Q1 2017.



US Diesel-related settlements (status 12th May 2017)

| Issue | 2.0L TDI | 3.0L TDI | Criminal & civil-related claims | VW-Branded Franchise Dealers |
|------------------|---|--|---|---|
| Scope | <ul style="list-style-type: none"> ~475,000 vehicles | <ul style="list-style-type: none"> ~78,000 vehicles | <ul style="list-style-type: none"> 2.0L + 3.0L TDI | <ul style="list-style-type: none"> 2.0L, 3.0L and other matters asserted concerning the value of the franchise |
| With whom? | <ul style="list-style-type: none"> US Federal & State Regulators (DOJ, EPA, CARB, FTC) Private Plaintiffs represented through Plaintiffs' Steering Committee (PSC) | <ul style="list-style-type: none"> US Federal & State Regulators (DOJ, EPA, CARB, FTC) Private Plaintiffs represented through Plaintiffs' Steering Committee (PSC) | <ul style="list-style-type: none"> DOJ (incl. on behalf of EPA), Customs & Border Protection | <ul style="list-style-type: none"> 644 VW-Branded Franchise Dealers |
| Claims status | <ul style="list-style-type: none"> As of May 12, 2017, Volkswagen has completed 267,476 buyback or lease termination transactions; 7,419 phase 1 modifications for vehicles with Generation 3 engines; and 12,259 non-vehicle claims. | <ul style="list-style-type: none"> Judge Charles R. Breyer verbally approved settlement on May 11, 2017. Court Order will be issued no later than May 17. | <ul style="list-style-type: none"> Finalized; plea agreement accepted on April 21, 2017 and consent decree approved on April 13, 2017 | <ul style="list-style-type: none"> As of February 14, 2017, 91% of class members submitted individual releases to receive initial payment, and Volkswagen has already paid out half of the settlement proceeds |
| Approval status | <ul style="list-style-type: none"> Per October 2016 max funding pool of ~\$10bn eligible for: <ul style="list-style-type: none">  Buyback/Lease terminations or Emissions modifications (~70k vehicles approved per Jan 2017)  + Cash payments for affected customers Pay \$2.7bn over 3 years to environmental trust Invest \$2bn over 10 years in zero emission infrastructure Resolution with 44 states, the District of Columbia and Puerto Rico (~\$603m incl. 3.0L) Approval from regulators for VW-Branded Franchise Dealers to resell 2.0L TDI vehicles with Generation 3 engines in the U.S. after receiving an approved emissions modification | <ul style="list-style-type: none"> Pay up to ~ \$1.2 billion total benefits in settlement program to: <ul style="list-style-type: none">  Recall and repair ~58,000 vehicles to originally certified emissions standards  Offer buyback, trade-in, lease termination or emissions modifications for ~20,000 older vehicles <ul style="list-style-type: none"> + cash payments for all eligible class members Pay \$225m into environmental trust, \$25m to CARB to support ZEV in CA Final approval hearing took place on May 11, 2017. | <ul style="list-style-type: none"> Combined fines & penalties \$4.3bn: <ul style="list-style-type: none">  Plea agreement incl. guilty plea  Criminal fine of \$2.8bn  Independent monitor  Federal environmental and customs-related civil claims \$1.45bn <ul style="list-style-type: none"> DOJ civil FIRREA penalty \$50m Plea hearing took place on March 10, 2017 Judge Sean F. Cox accepted the plea agreement on April 21, 2017 | <ul style="list-style-type: none"> Final Approval granted on January 23, 2017 <ul style="list-style-type: none">  \$1.193 billion cash component, as well as additional non-cash benefits |
| Provision status | At the closing of the financial statements for 2016, Volkswagen AG has recognized special items of €22.6 billion related to the diesel matter in the financial statements covering the years 2015 and 2016. | | | |

Technical solution in Europe/RoW simple and relatively easy to implement

 Predominantly software-only solution

Update status

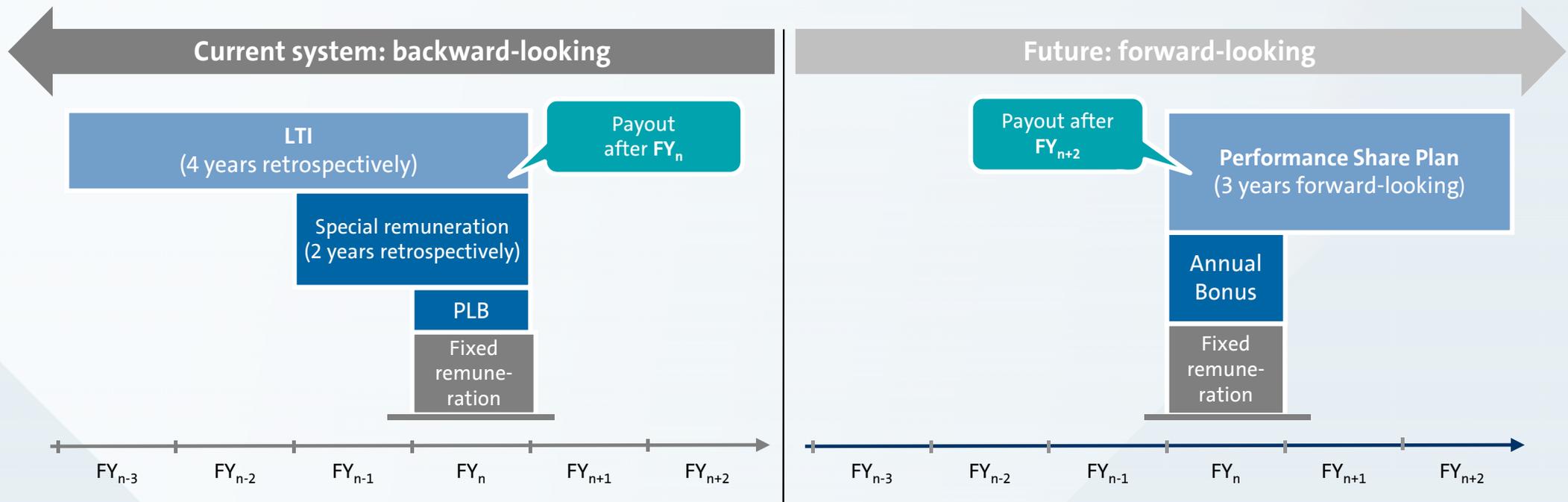


Over 4.7m units have been updated
(status May 2017)

- 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)

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

High focus on Compliance and Risk Management activities

Group-wide whistle-blower system & improved risk management system

We have improved our group-wide whistle-blower system to increase awareness, acceptance, transparency and confidence

- ✓ **New reporting channels** were set up
- ✓ **Better protection** for whistle-blowers has been established
- ✓ **Information** on the new whistle-blower system is **internally and externally available**
- ✓ Further **communication campaign** is planned

We have improved our risk management system

- ✓ Additional **quarterly reports** on top-risks and mitigating activities established to **foster open and active discussion of risks throughout the group**

“Golden Rules” were derived to enhance the processes and organization of product development and product approval

Process optimization

A total of 31 measures were defined in the Group Internal Audit Report. The majority of them were implemented by the end of 2016

Specific sustainable actions were proposed by Group Internal Audit for the weaknesses; so called “Golden Rules”

Key elements of the “Golden Rules” process optimization include for example:

- ✓ Introduction of **multiple controls for approvals in the product development process**
- ✓ **Reorganization within Development** for the purpose of segregated duties between Development and official Type Approval
- ✓ **Uniform process standards** and work instructions give those involved **legal certainty**
- ✓ **Regular reporting to the Group Board of Management** creates transparency in relation to the implementation status of this process optimization

Adaption of the „Golden Rules“ for other vehicle development processes within the Group

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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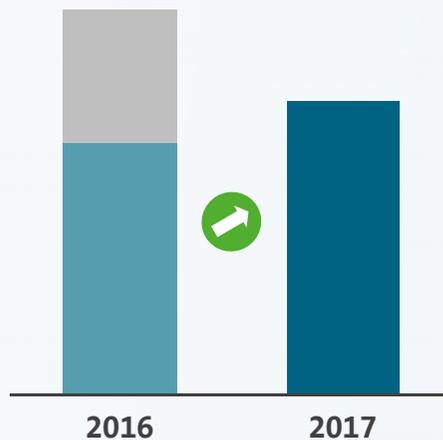
Andreas Buchta (US office)

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Successful operating performance in Q1 2017

2016 2016 (adjusted) 2017

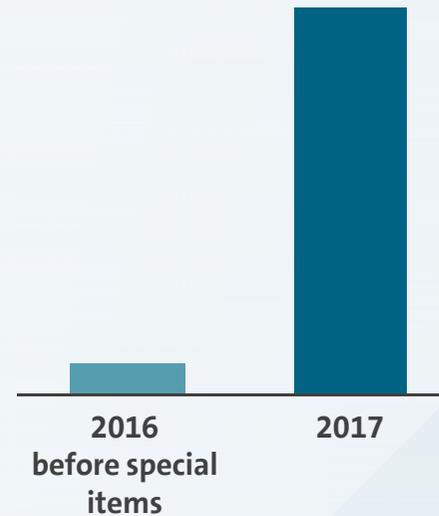
EUR 19.0 billion



Total sales revenue

Not comparable
with prev. year

EUR 0.9 billion

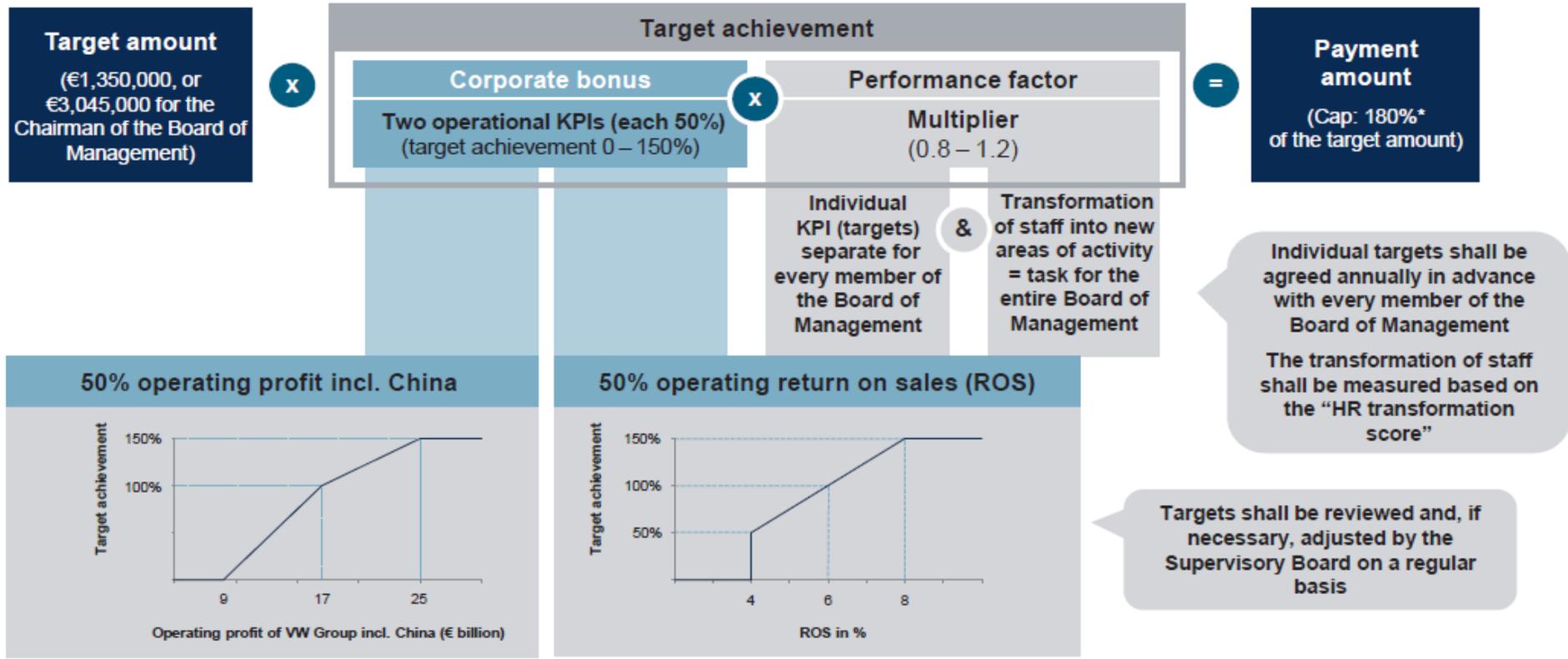


Operating result
before special
items

Operating result

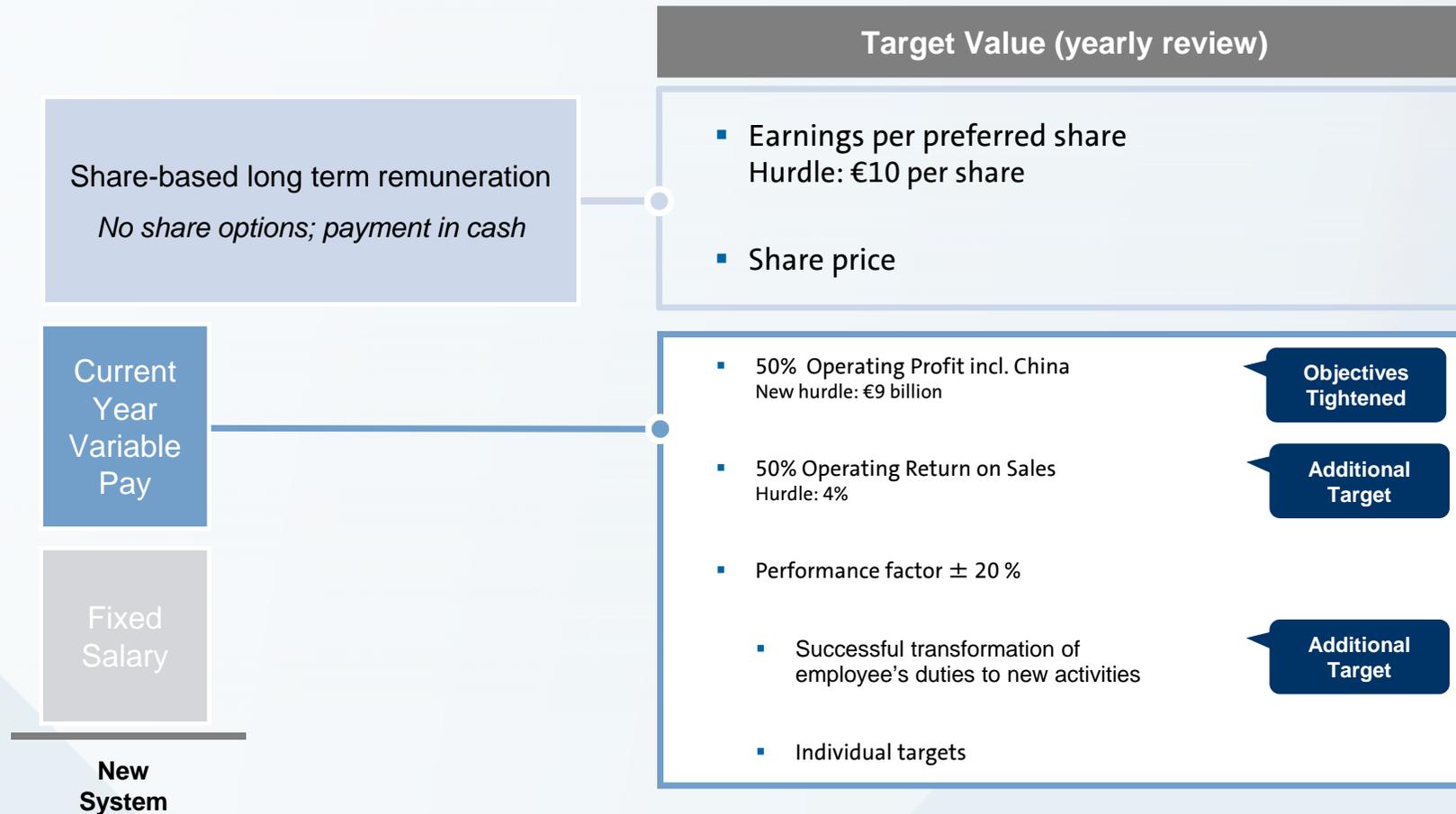
New remuneration system for the Board of Management 2017

Functionality of determining the annual bonus amount



* 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



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

| | | | | |
|------------|---|---|---|------------|
| Old design | Operating result (OP) incl. China | KPIs | Operating profit (OP) incl. China Operating return on sales (RoS) | New design |
| | Two years | Performance period | One year | |
| | Direct participation above a certain OP-threshold value (€5bn) | Performance measurement | 50 % direct participation above a certain OP threshold value (€9bn) 50 % strategic target return above a certain threshold return (4%) | |
| | 0% to 50% of special remuneration Discretionary assessment Additive linkage | Individual performance bonus/performance factor | Factor 0.8 to 1.2 Discretionary, criteria-based assessment Multiplicative linkage | |

The Performance Share Plan ensures an orientation towards a sustainable corporate development

Performance Share Plan

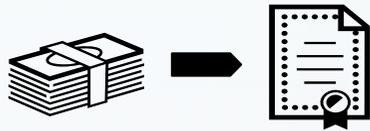
| | | | | |
|------------|---|-----------------------------------|--|------------|
| Old design | Multiple-year bonus | Plan type | (Virtual) Performance Share Plan | New design |
| | Top customer satisfaction, top employer, sales volume, Profit before Tax return | Key performance indicators | Earnings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

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

Performance Share Plan

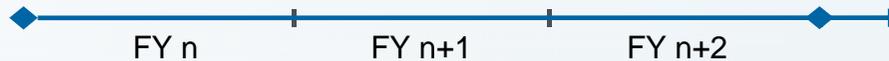
Functionality: virtual shares granted; quantity changes depending on the EPS-target achievement

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



Performance measurement

- **Value of shares** changes based on the share price development
- **Number of shares** changes based on the EPS target achievement (annual "lock-in")

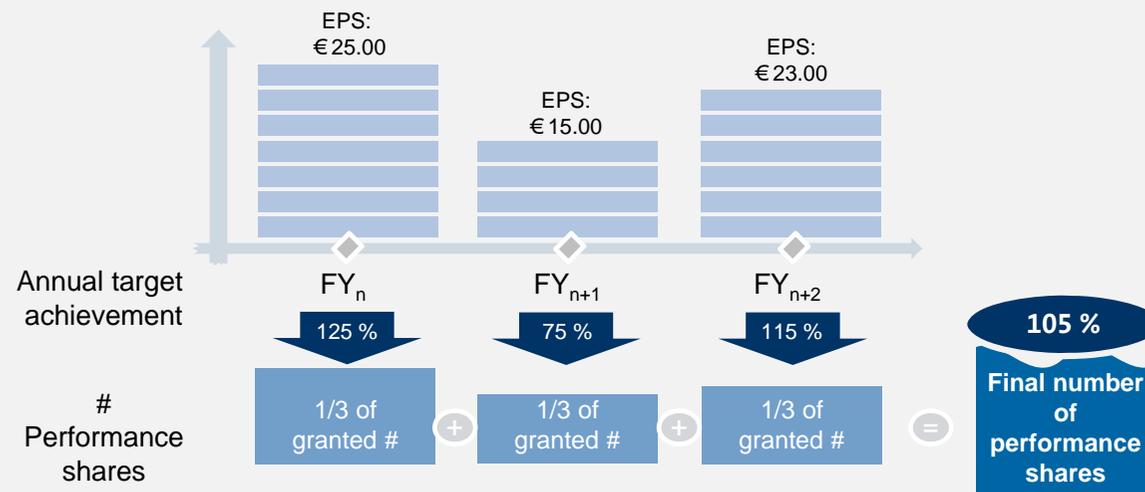
Payout



- 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

Measurement of EPS objective: annual measurement over 3 years



- Annual EPS performance measurement for 1/3 of the respective virtual performance shares granted
- Incentive effect throughout the plan term

Volkswagen Arteon



Volkswagen I.D.BUZZ



AUDI Q5



Porsche 718 Boxster



ŠKODA KODIAQ



SEAT Ibiza



Bentley Bentayga



Lamborghini Centenario



Bugatti Chiron



Volkswagen Crafter



MAN TGX



Scania R500 4x2





VOLKSWAGEN
AKTIENGESELLSCHAFT

**We are
redefining
mobility.**

Volkswagen Group

Frank Witter

Chief Financial Officer

Investor Roadshow with J.P. Morgan, London, 16th - 17th May 2017