



**VOLKSWAGEN**

AKTIENGESELLSCHAFT

**We are  
redefining  
mobility.**

**Volkswagen Group**

**Frank Witter**

Chief Financial Officer

Roadshow with Société Générale, Paris, 7 December 2017

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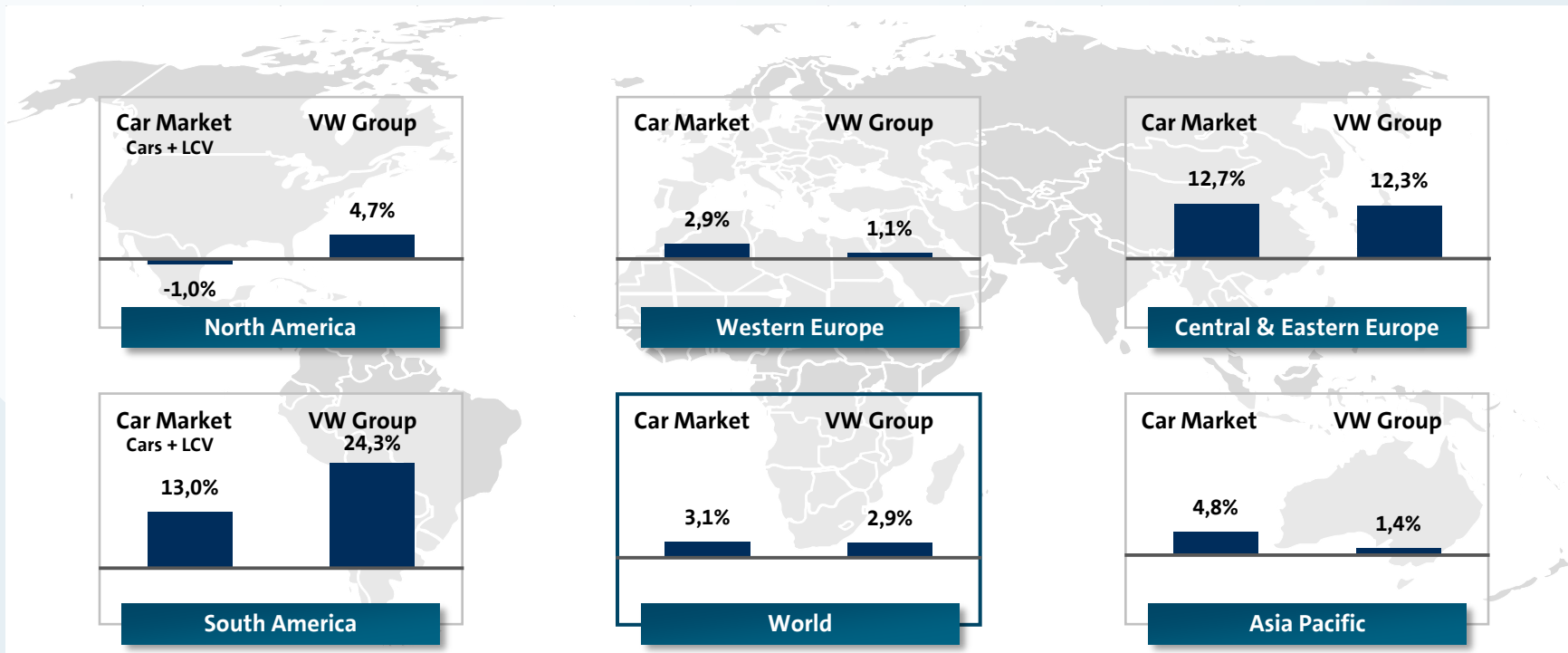
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# Development World Car Market vs. Volkswagen Group Car Deliveries to Customers<sup>1)</sup>

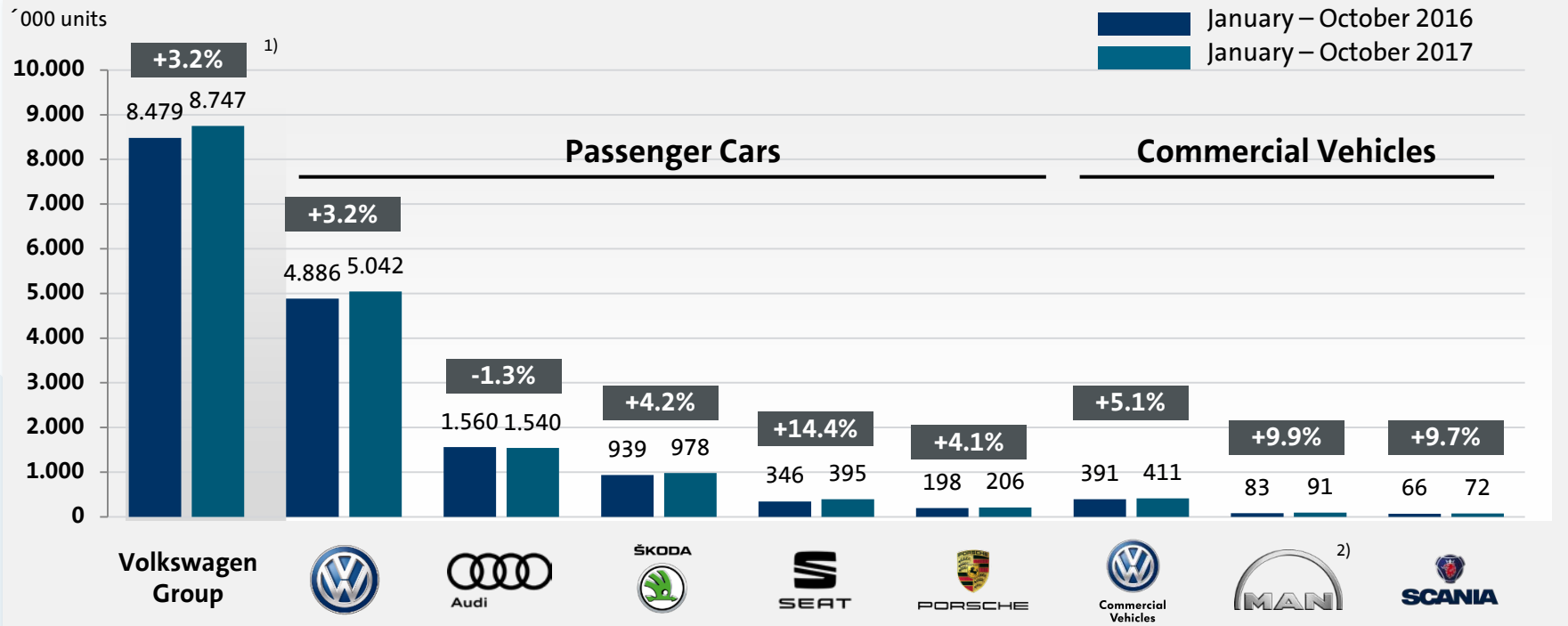
(Growth y-o-y in deliveries to customers, January to October 2017 vs. 2016)



<sup>1)</sup> Figures excl. Volkswagen Commercial Vehicles, Scania and MAN.

## Volkswagen Group – Deliveries to Customers by Brands

(January to October 2017 vs. 2016)

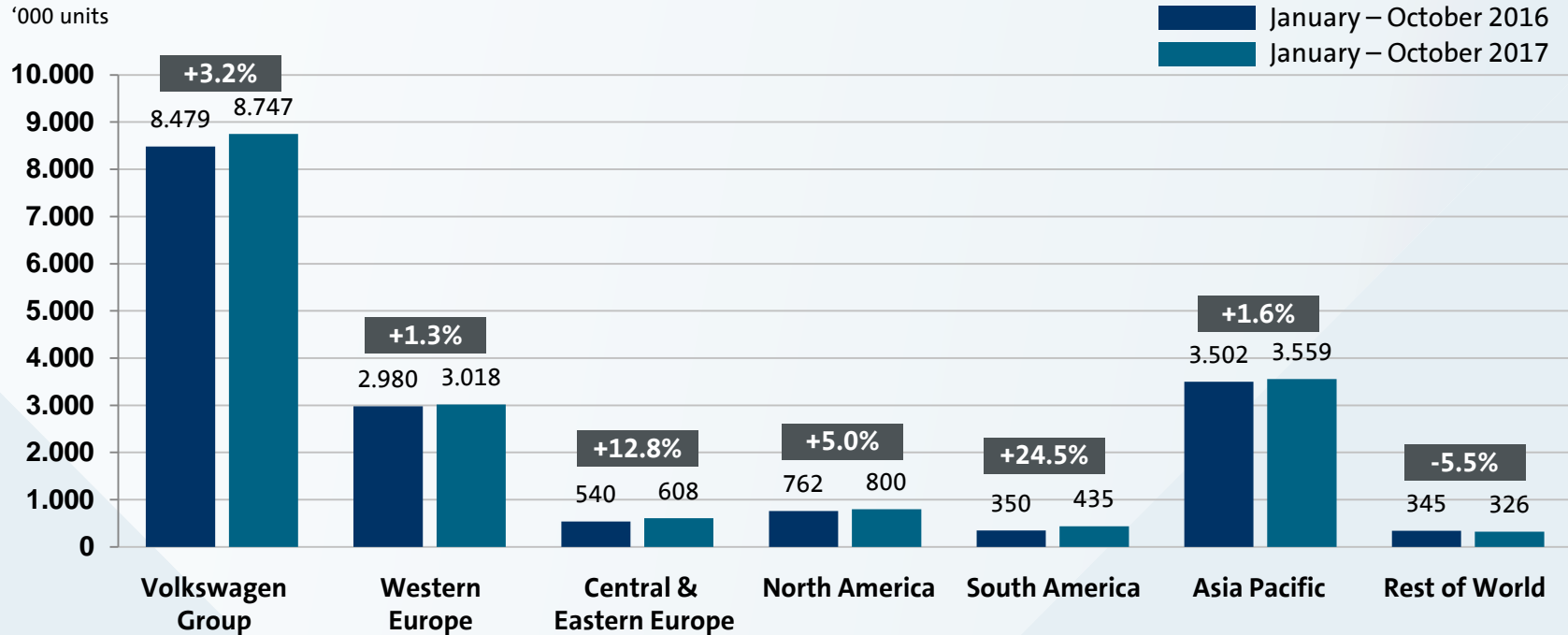


<sup>1)</sup>Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +2.9% excl. Volkswagen Commercial Vehicles, Scania and MAN.

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

## Volkswagen Group – Deliveries to Customers by Markets <sup>1)</sup>

(January to October 2017 vs. 2016)



<sup>1)</sup>Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +2.9% excl. Volkswagen Commercial Vehicles, Scania and MAN.

## 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 31<sup>st</sup>, 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 Brand<sup>1)</sup>:

Model	„Environmental“ Incentive
up!	€2,000
Polo	€3,000
Golf, Golf Sportsvan, Golf Estate, Tiguan, Tiguan Allspace, Beetle Cabrio	€5,000
Touran	€6,000
Passat Sedan/Estate, Arteon, Sharan	€8,000
Touareg	€10,000

Powertrain type	„Future“ Incentive
Natural gas (e.g. Golf TGI)	€1,000
Hybrid (e.g. Golf GTE; Passat GTE)	€1,785
Electric (e.g. e-up!; e-Golf)	€2,380
+ State subsidy <sup>2)</sup>	
= Total support available per model	

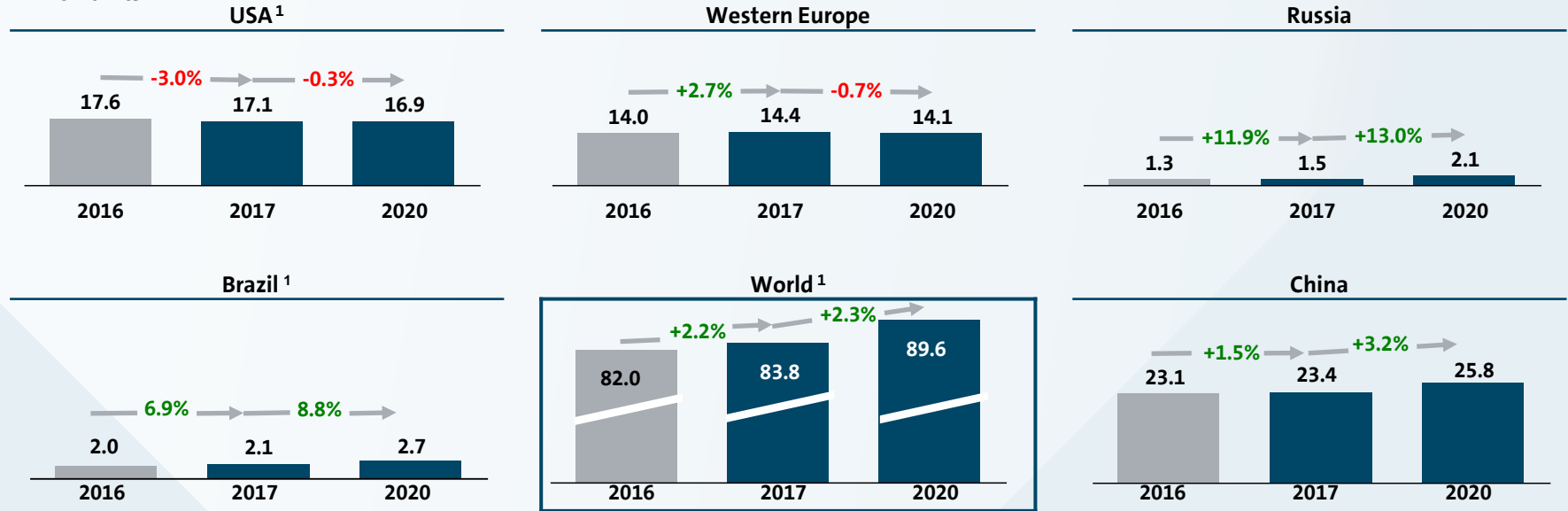
**Cost of Programs anticipated to be balanced through higher volumes, benefits of gaining new customers and raising customer loyalty**

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

million units



Actuals Forecast

[Data source: IHS Automotive (10.2017) | <sup>1</sup> 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 September 2017 vs. 2016)

Thousand vehicles / € million	2017	2016	+/- (%)
Vehicle Sales <sup>2)</sup>	7,913	7,653	+3.4
Sales revenue	170,864	159,932	+6.8
Operating profit before Special Items	13,231	11,267	+17.4
<i>% of sales revenue</i>	7.7	7.0	
Operating profit	10,636	8,647	+23.0%
<i>% of sales revenue</i>	6.2	5.4	
Financial result	-84	-488	X
of which: At-equity result <sup>2)</sup>	2,378	2,627	-9.5
of which: Other financial result	-2,462	-3,116	-21.0
Profit before tax	10,552	8,159	+29.3
<i>% Return on sales before tax</i>	6.2	5.1	
Profit after tax	7,735	5,915	+30.8

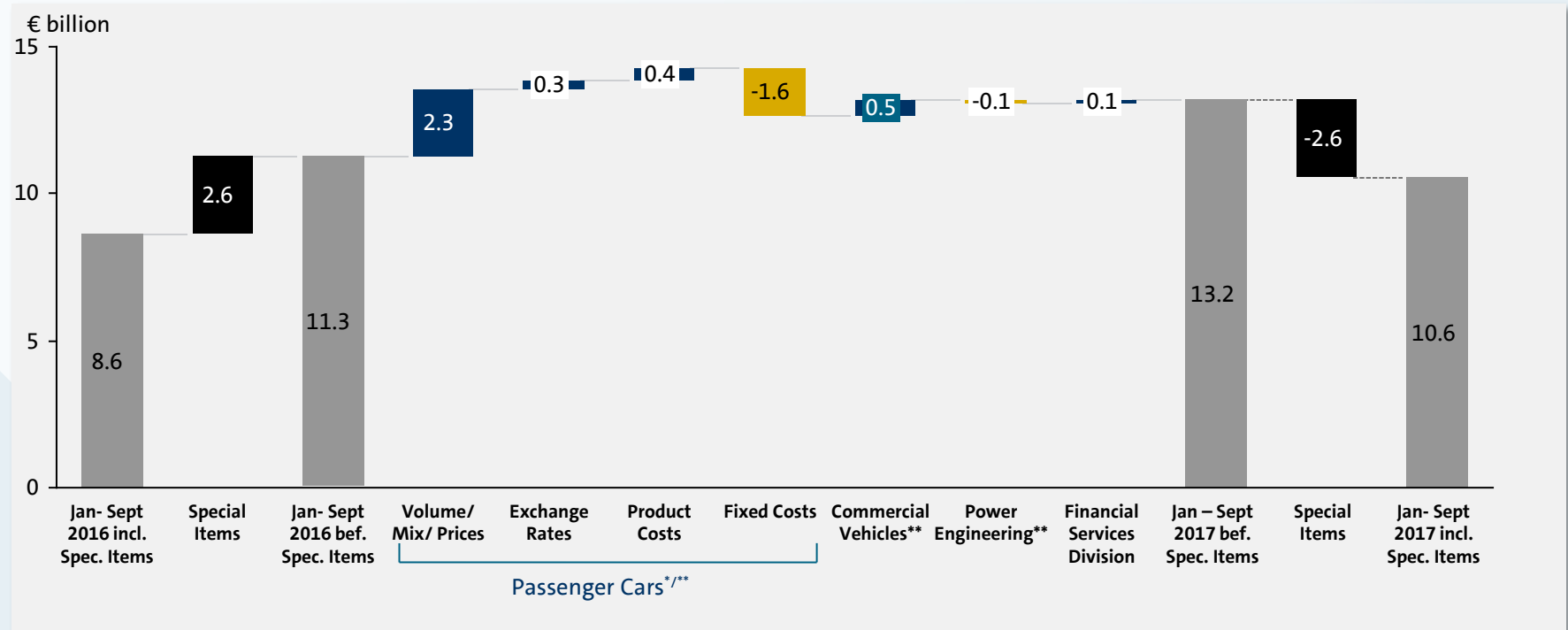
<sup>1)</sup> All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

<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 €3,305 million (€3,594m).



# Volkswagen Group – Analysis of Operating Profit<sup>1)</sup>

(January to September 2017 vs. 2016)



<sup>1)</sup>All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>\*)</sup> without FS <sup>\*\*)</sup> including PPA

# Volkswagen Group – Analysis by Business Line <sup>1)</sup>

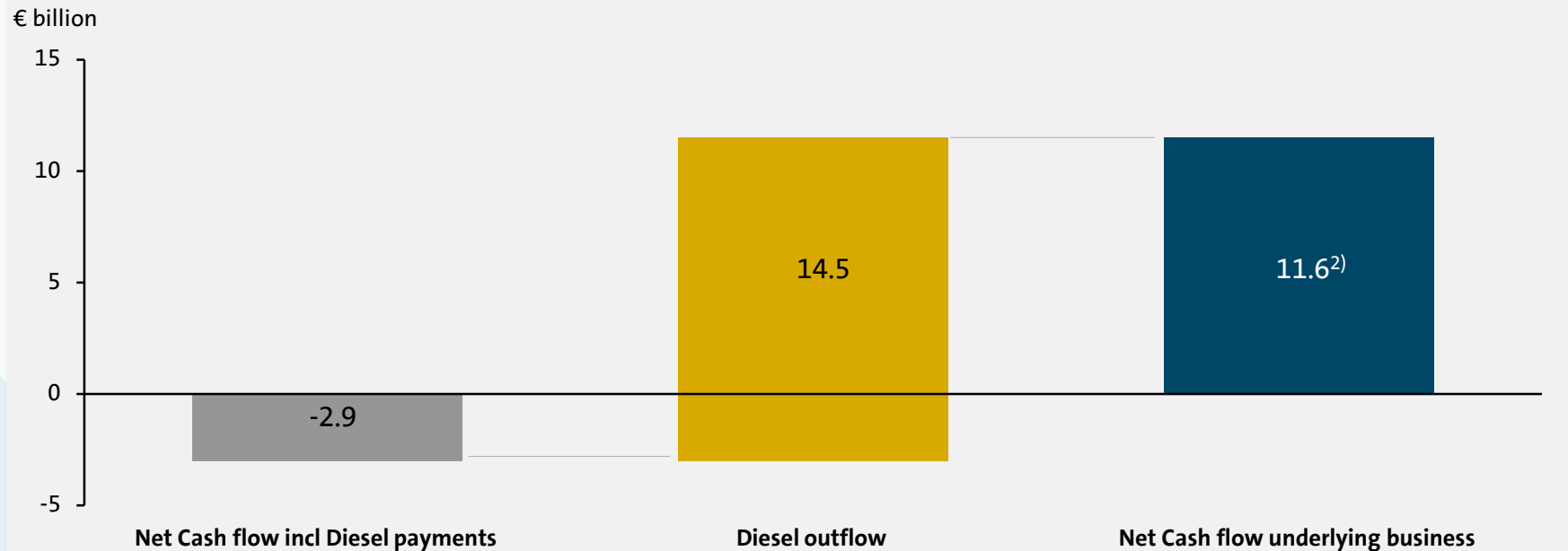
## (January to September 2017 vs. 2016)

thousand vehicles/ € million	Vehicle sales		Sales revenue		Operating profit	
	2017	2016	2017	2016	2017	2016
Volkswagen Passenger Cars <sup>2)</sup>	2,632	3,234	58,871	77,725	2,504	1,244
Audi	1,147	1,166	44,235	44,017	3,941	3,918
ŠKODA	700	606	12,338	10,113	1,206	940
SEAT	436	400	7,255	6,535	154	137
Bentley	7	8	1,321	1,411	31	54
Porsche Automotive <sup>3)</sup>	180	177	15,703	15,291	2,890	2,760
Volkswagen Commercial Vehicles	371	342	8,919	8,045	698	392
Scania <sup>4)</sup>	65	60	9,304	8,272	947	802
MAN Commercial Vehicles	80	74	7,970	7,213	269	204
MAN Power Engineering	-	-	2,355	2,567	107	176
VW China <sup>5)</sup>	2,917	2,803	-	-	-	-
Other <sup>6)</sup>	-623	-1,217	-21,272	-41,592	-1,277	-896
Volkswagen Financial Services <sup>7)</sup>	-	-	23,864	20,337	1,763	1,534
<b>Volkswagen Group before Special Items</b>	-	-	-	-	<b>13,231</b>	<b>11,267</b>
Special Items	-	-	-	-	-2,595	-2,620
<b>Volkswagen Group</b>	<b>7,913</b>	<b>7,653</b>	<b>170,864</b>	<b>159,932</b>	<b>10,636</b>	<b>8,647</b>
Automotive Division <sup>8)</sup>	7,913	7,653	145,553	136,889	8,717	6,841
of which: Passenger Cars	7,400	7,178	117,441	111,044	7,308	6,359
of which: Commercial Vehicles	513	475	25,757	23,278	1,484	491
of which: Power Engineering	-	-	2,355	2,567	-75	-9
Financial Services Division	-	-	25,311	23,042	1,919	1,806

<sup>1)</sup>All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> 2017 figures take account of the reclassification of companies; prior-year figures were not adjusted. <sup>3)</sup> Porsche (Automotive and Financial Services): sales revenue €17,120 (16,470) million, operating profit €3,006 (2,858 million). <sup>4)</sup> Including financial services. <sup>5)</sup> 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 €3,305 (3,594) million. <sup>6)</sup> 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. <sup>7)</sup> Starting January 1, 2017, Porsche's financial services business is reported as part of Volkswagen Financial Services. Prior-year figures were not adjusted. <sup>8)</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

## 'Best ever' Automotive Division Net Cash Flow (ex Diesel payments) <sup>1)</sup>

(January to September 2017)

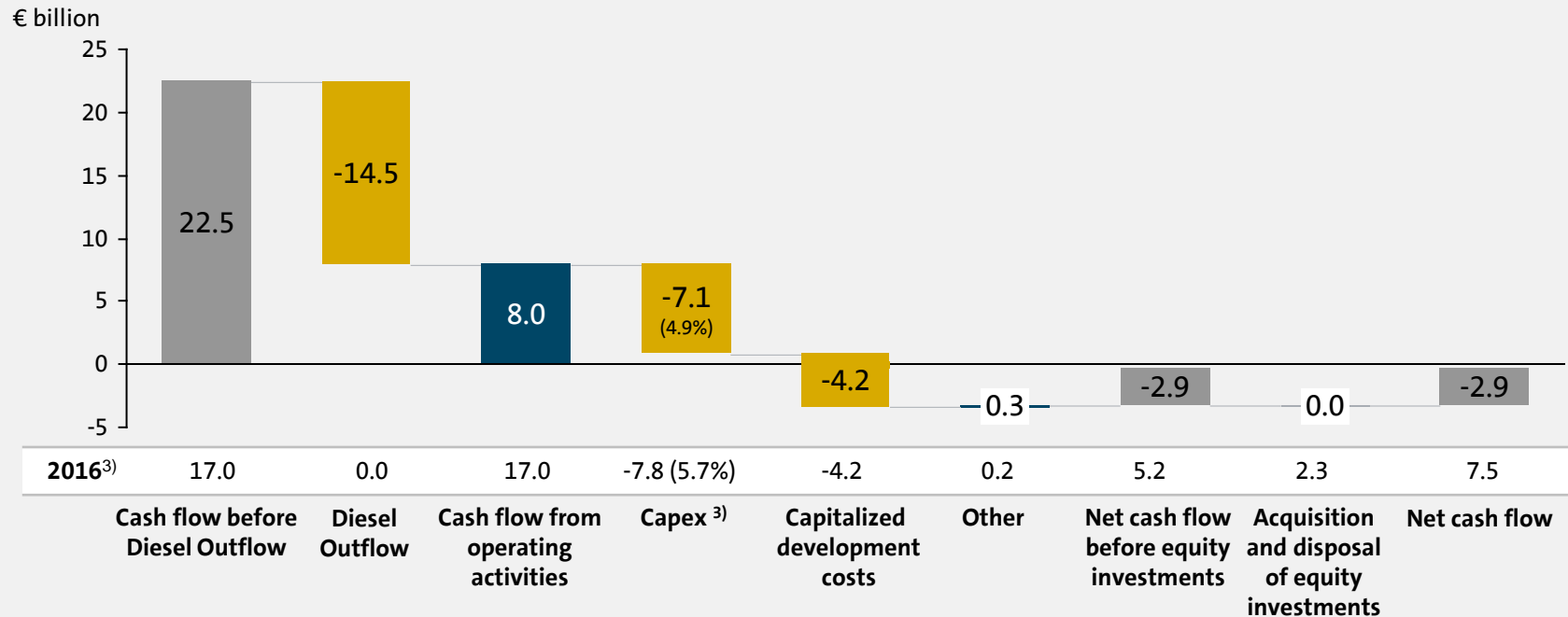


<sup>1)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

<sup>2)</sup> Including Chinese dividends in the amount of €3bn.

# Automotive Division Net Cash Flow Development <sup>1) 2)</sup>

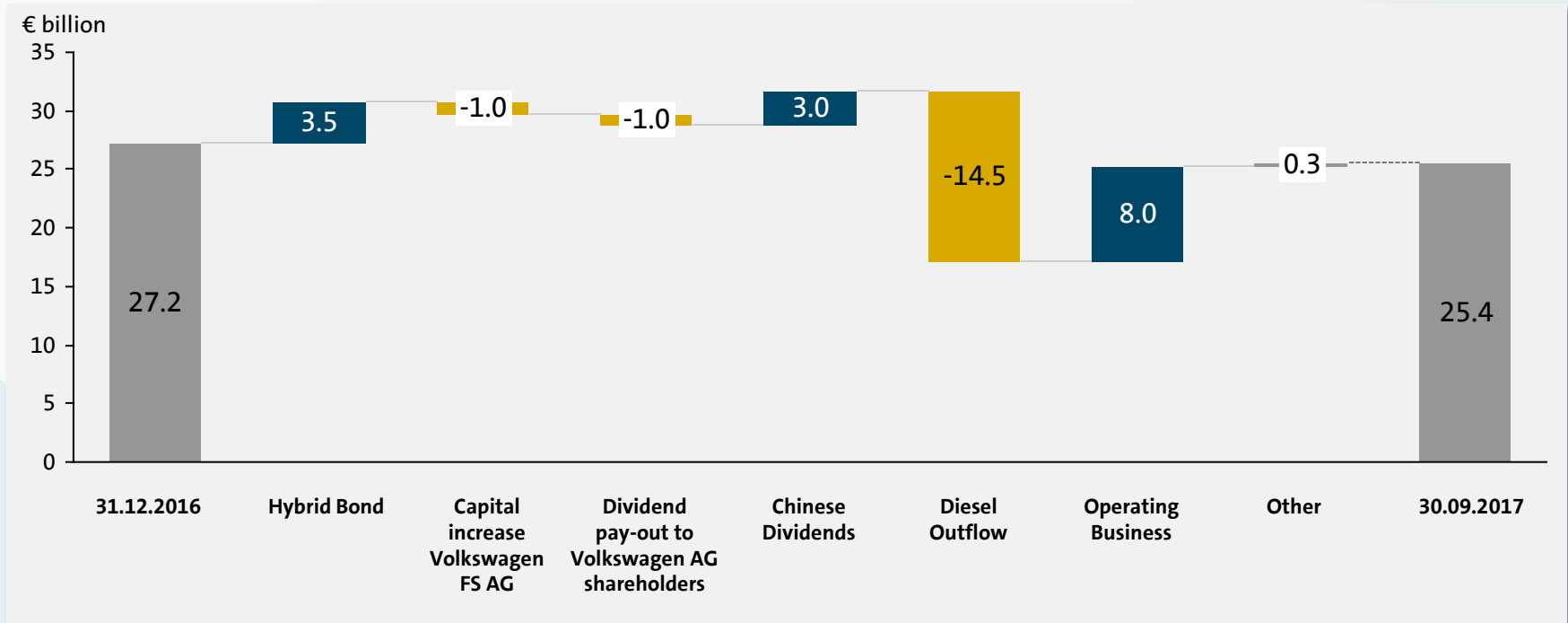
(January to September 2017)



<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts. <sup>2)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

<sup>3)</sup> Capital expenditure for property, plant and equipment in % of Automotive sales revenue.

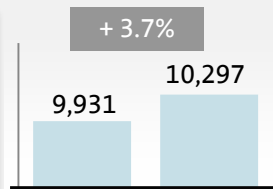
## Automotive Division - Net Liquidity on a robust level at September 30<sup>th</sup> 1)



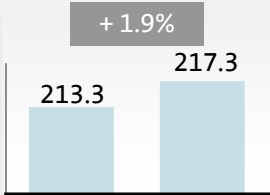
<sup>1)</sup> All figures shown are rounded, minor discrepancies may arise from addition of these amounts.

## Volkswagen Group – Outlook for 2017

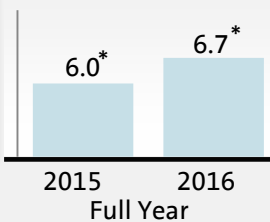
### Deliveries to customers (‘000 vehicles)



### Sales revenue (€ billion)



### Operating return on sales (%)



### Deliveries to customers

moderately above prior year



### Sales revenue

Up more than 4% above prior year level



### Operating return on sales

Moderately above range of 6.0% to 7.0%

# Upcoming Premium and Luxury models enhancing our portfolio offer

## Premium / Luxury models:



A5 family



Chiron



Panamera  
4 E-Hybrid



Cayenne



A8 / A8L



Urus



Continental GT



A6

Q1  
2017

Q2  
2017

Q3  
2017

Q4  
2017

Upcoming  
2018



Q5



Panamera



A5 Sportback g-tron



A4 Avant g-tron



A7 Sportback



A1 Sportback



Q3



Panamera Sport Turismo



Q8

Dates: Market introduction of selected models

# Strong product momentum continues in Volume segments

## Volume models:



Teramont (CN)



Leon FL family



Arteon



Polo



Citigo FL



T-Roc



up! GTI



Touareg



Polo GTI

Q1  
2017

Q2  
2017

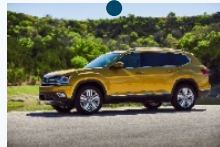
Q3  
2017

Q4  
2017

Upcoming  
2018



Kodiaq



Atlas (NAR)



Arona



Karoq



Jetta (NAR)



up! FL (SAM)



Ibiza



Tiguan LWB



Virtus (SAM)

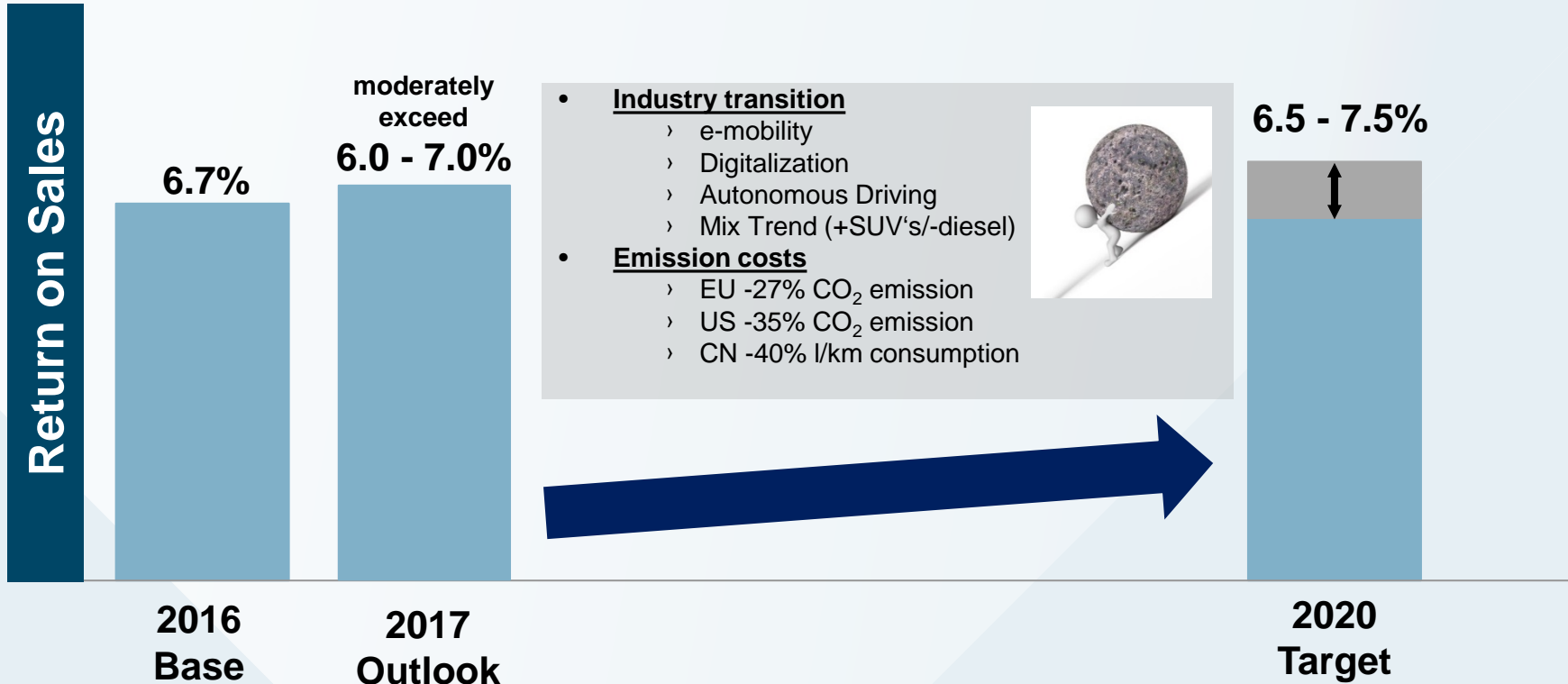


SEAT Large SUV

Dates: Market introduction of selected models



## Improving Group results despite significant challenges



## Clear Financial Targets and Milestones

Key financial targets	2016 Actual	2017 Targets CMD March	2017 Outlook	2020 Targets	2025 Targets
<b>Operating return on sales</b> Before Special Items	6.7%	6-7%	moderately exceed 6-7%	6.5-7.5%	7-8%
<b>Return on investment</b> Automotive Division <u>before</u> Special Items	13.9%	11-13%	moderately exceed 11-13%	13-15%	> 15%
<b>Capex ratio</b> Automotive Division	6.9%	6.6%	~6.6%	6%	6%
<b>R&amp;D cost ratio</b> Automotive Division	7.3%	6.7%	~6.7%	6%	6%
<b>Cash</b>					
Automotive Division					
a) Net Cashflow	€ 4.3 bn	negative	negative	≥ 10	> 10
b) Net Liquidity	€ 27.2 bn	> € 15 bn	> € 20 bn	> € 20 bn	~10% of Group turnover

## Updating Guidance Group Financial Performance 2020

### Result 2016

Sales revenue (€ bn)

217.3

Operating profit (€ bn)

7.1

14.6

Profit before tax (€ bn)

7.3

14.8

Earnings per Pref. Share

10.3 €

### 2020 Update

CMD March

PR 66

+ > 20 %



+ > 25 %

+ 25 %



+ ≥ 25 %

+ ≥ 25 %



+ ≥ 30 %

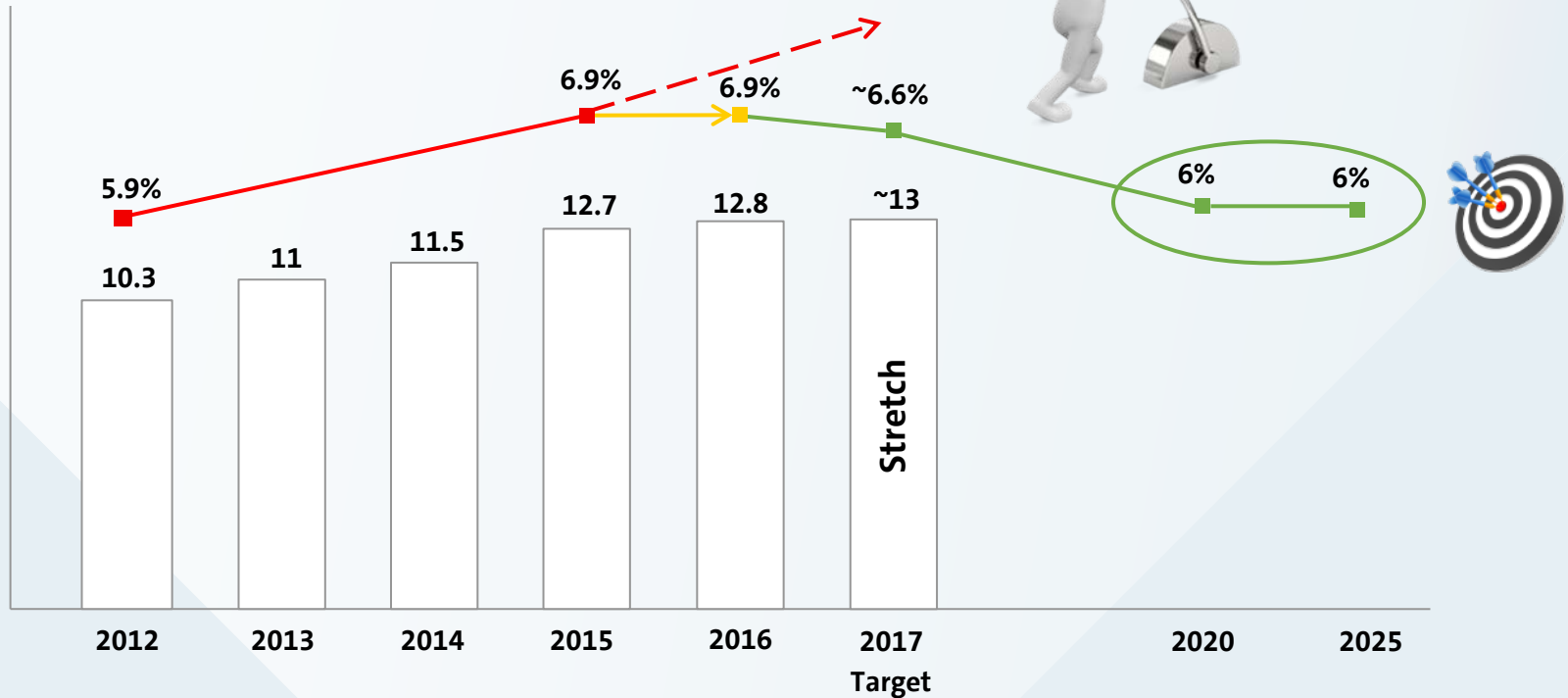
+ ≥ 25 %



+ > 25 €

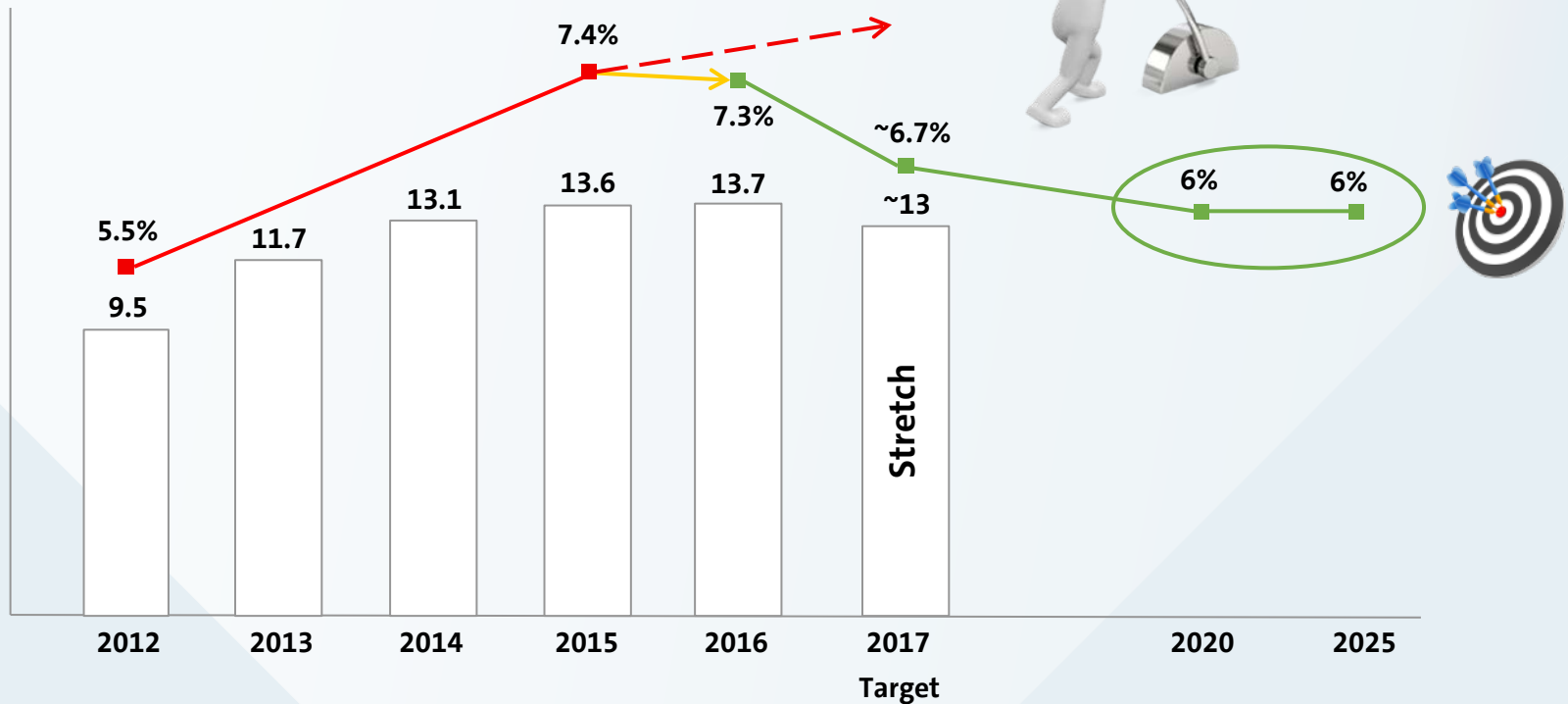
# CAPEX Automotive Division

(€ billion, as % of sales revenue)



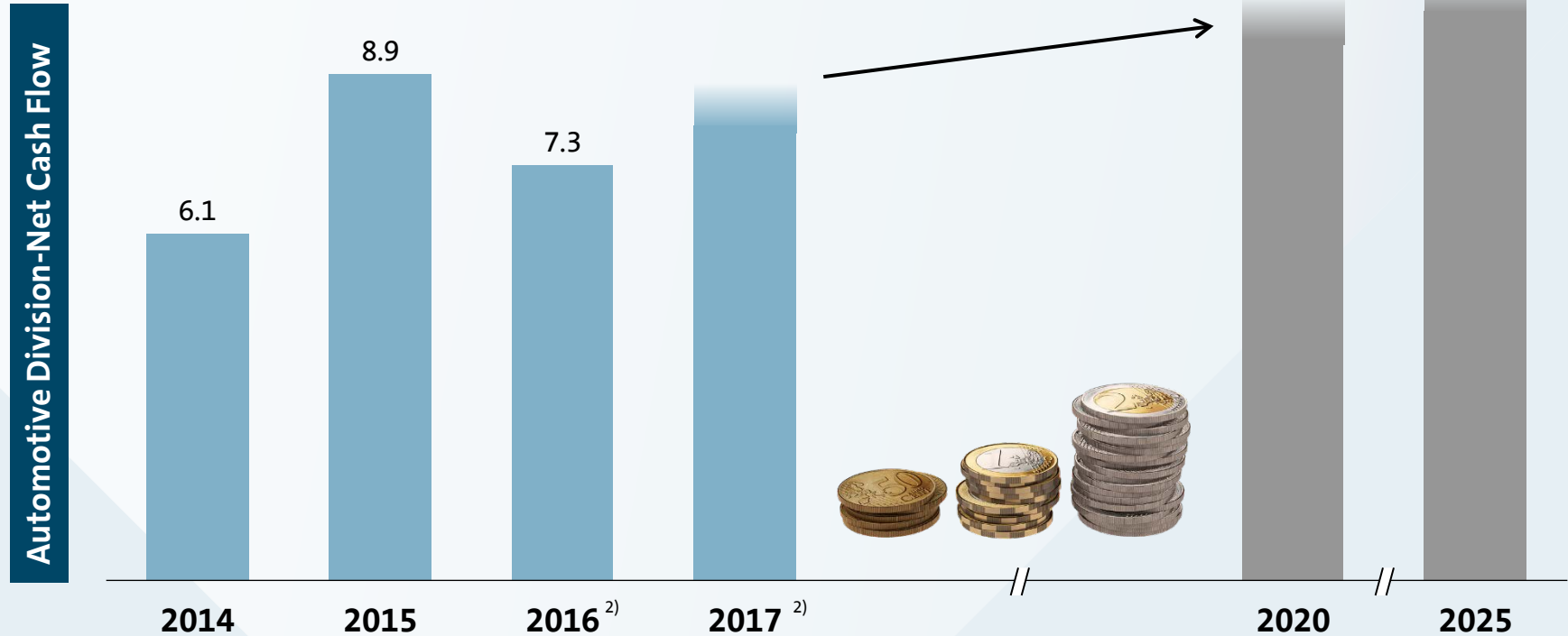
# R&D Cost Automotive Division

(€ billion, as % of sales revenue)



# Automotive Division-Net Cash Flow (ex Diesel payments) <sup>1)</sup>

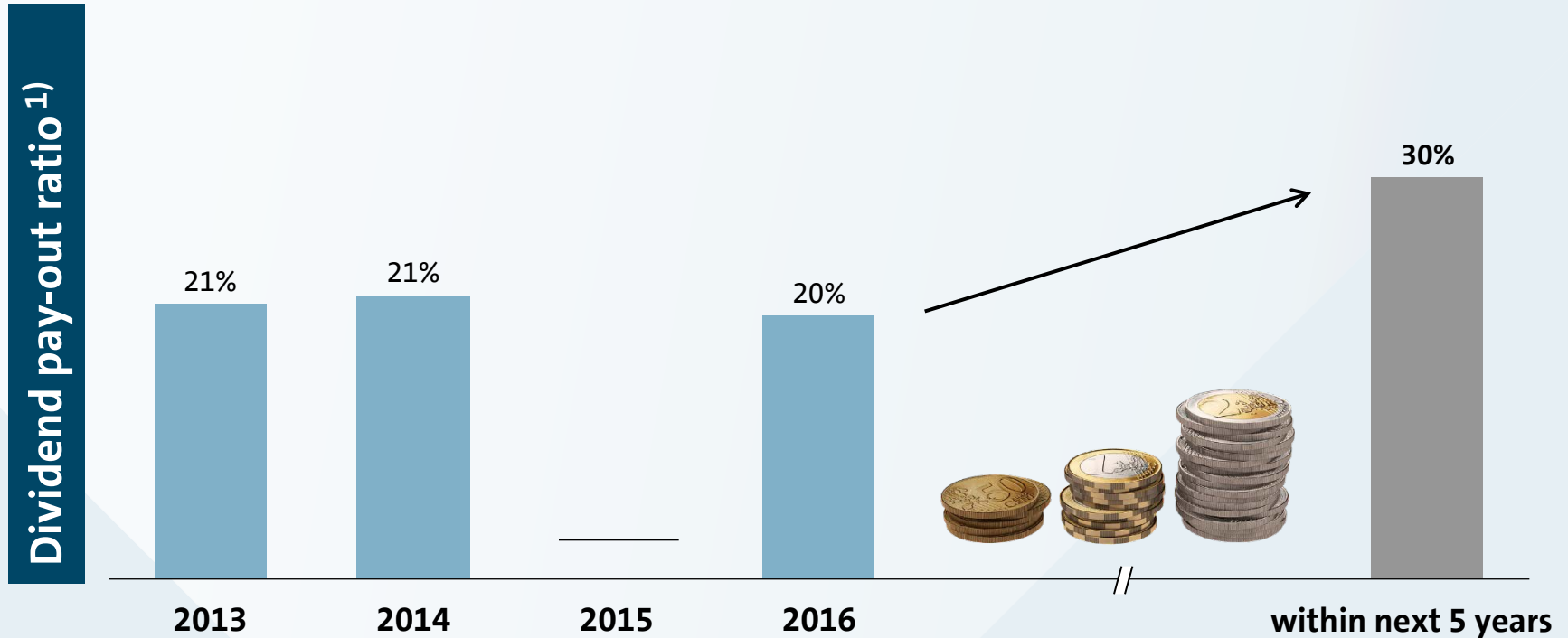
in € billion



<sup>1)</sup> Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

<sup>2)</sup> Before around € 3 bn in 2016 and expected € 17 bn in 2017 Diesel related outflow

## Sufficient Net Liquidity as a basis for increasing payout toward target



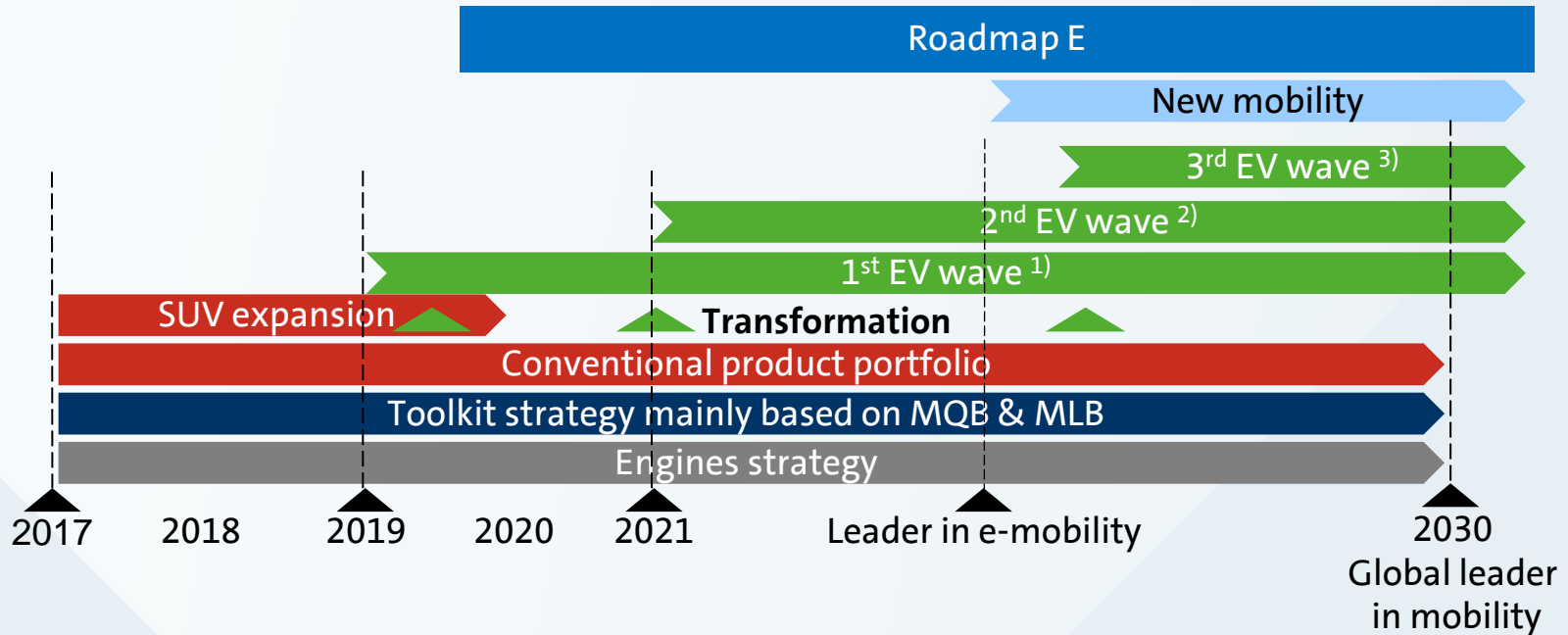
<sup>1)</sup> Total dividend in percent of net income attributable to shareholders

## STRATEGY 2025 – Initiatives at a glance

<p><b>GROW PROFITABLY</b></p> <ul style="list-style-type: none"> <li>1 Sharpen positioning of brands</li> <li>2 Develop winning vehicle and drivetrain portfolio</li> <li>3 Streamline modular architectures</li> <li>4 Partner with regional players to win in economy segment</li> </ul> <p><b>DEVELOP STRATEGIC CAPABILITIES</b></p> <ul style="list-style-type: none"> <li>5 Develop self-driving system for autonomous vehicles and artificial intelligence in-house</li> <li>6 Develop battery technology as new core competency</li> <li>7 Develop best-in-class user experience across brands and customer touchpoints</li> </ul> <p><b>ENHANCE ENTREPRENEURIAL SPIRIT</b></p> <ul style="list-style-type: none"> <li>8 Implement model line organization</li> <li>9 Realign “Components” business</li> </ul>	 <p>Transform core business</p> <ul style="list-style-type: none"> <li>10 Build mobility solutions business</li> <li>11 Develop and expand attractive and profitable smart mobility offering</li> </ul>  <p>Build mobility solutions business</p>	<ul style="list-style-type: none"> <li>12 Improve operational excellence</li> <li>13 Optimize business portfolio</li> </ul>  <p>Secure funding</p>	
<ul style="list-style-type: none"> <li>14 Drive digital transformation</li> </ul>	<ul style="list-style-type: none"> <li>15 Create organization 4.0</li> </ul>	 <p>Strengthen innovation power</p>	<ul style="list-style-type: none"> <li>16 Better integrated and strategic planning process</li> </ul>



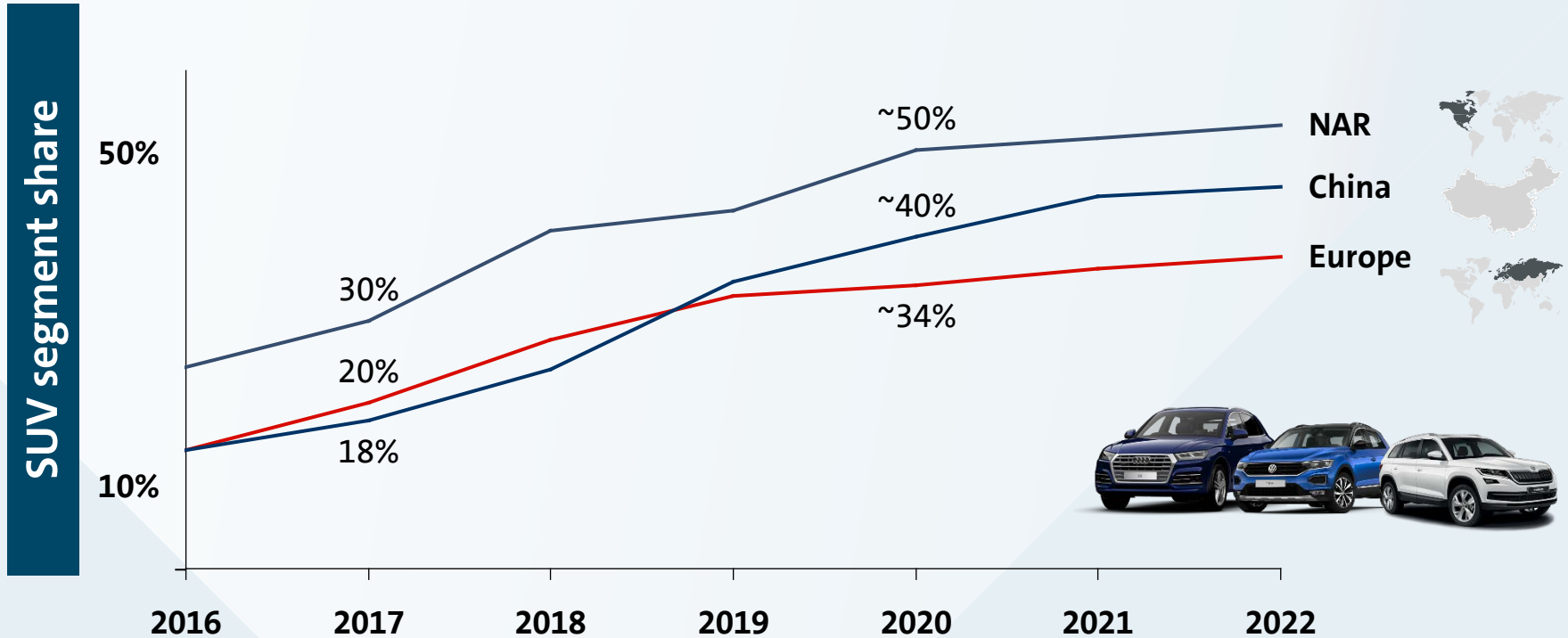
## Modular Architecture: Key to profitability and delivery of our strategy



<sup>1)</sup>mainly based on MEB <sup>2)</sup>based on PPE (dedicated Architecture for premium segment) <sup>3)</sup>based on SPE (dedicated Architecture for sport segment)

## Strong Increase in our SUV mix

SUV mix by region based on expected regional Group sales



# Building blocks to provide sustainable mobility solutions

Efficient conventional combustion engines & alternative powertrains



Mobility Services



Battery



Sustainable Mobility



E-mobility

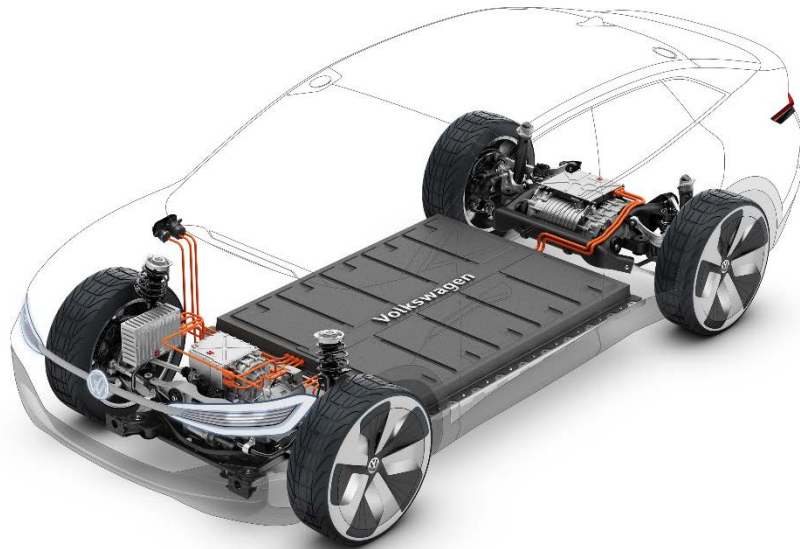
Self Driving System



Charging infrastructure



## 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

Deliveries & Global  
Trends

Key Financials & Cash

Strategic Outlook &  
Milestones

Brands / Regions

Diesel

Remuneration

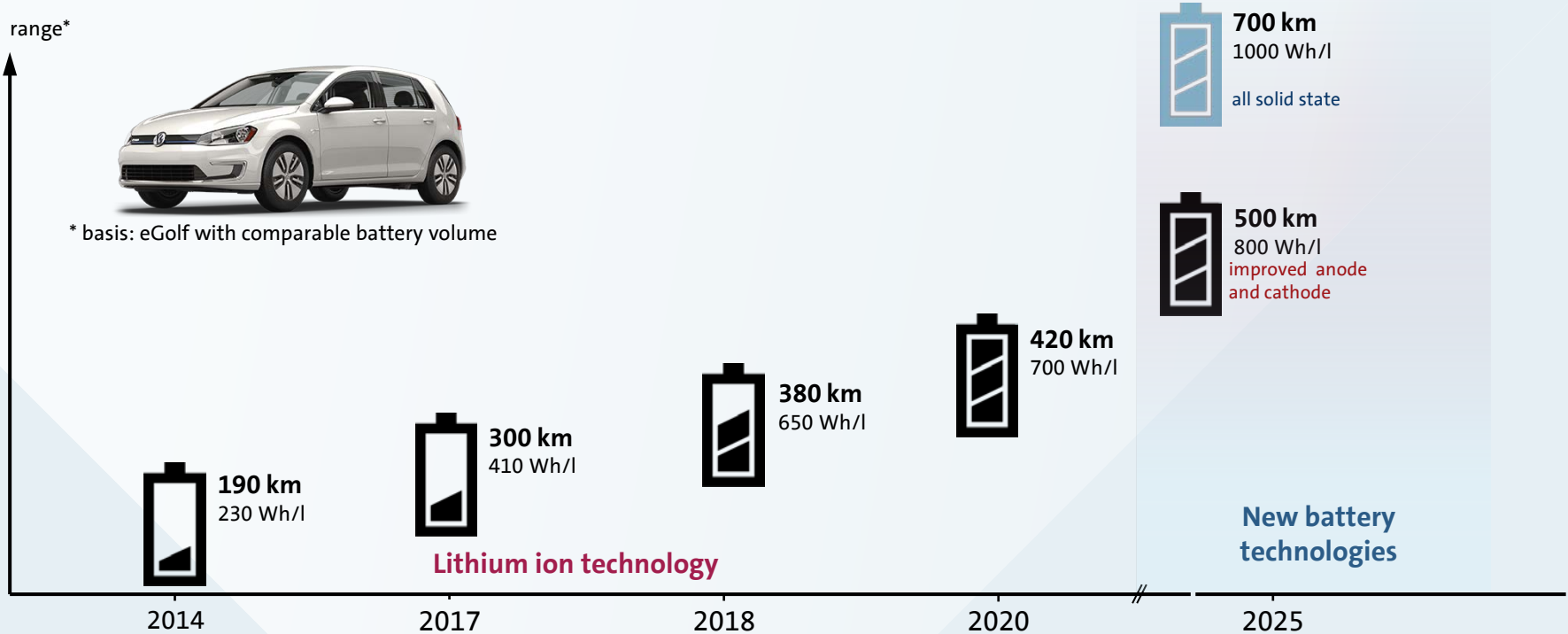
Integrity &  
Compliance

Commitment

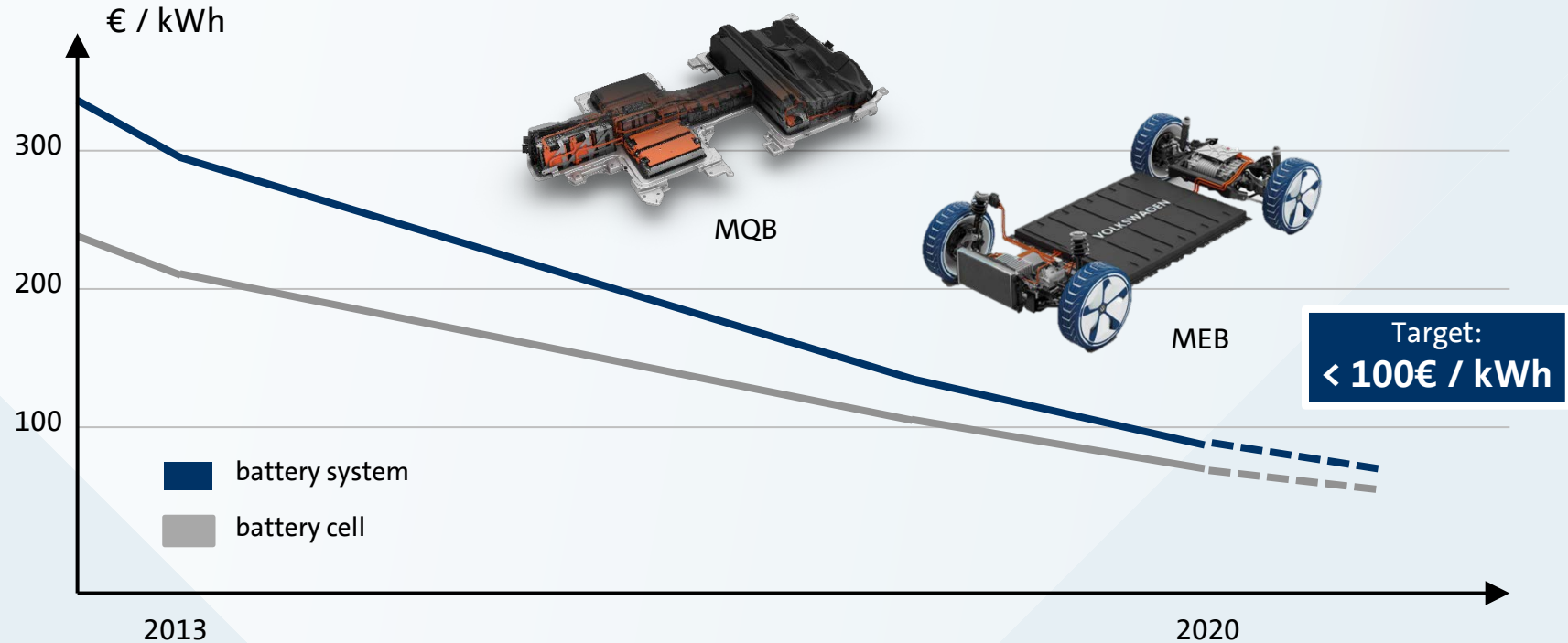
## Three models of Volkswagen's "Starting Five" for the Electric Age



## Advances in battery technology will improve range, weight and costs



## Battery costs will decrease significantly by 2020



## The PPE<sup>1)</sup> – Architecture for fully electric Premium Mobility

Three model families and drivetrains from middle to luxury segments

Prepared for highly automated and autonomous driving

Jointly developed by Audi and Porsche

Completely new electronics, to be updated over the air



Common modules and scale effects save up to 30% development costs  
(compared to brand-exclusive developments)

Flexibility: Architecture open for other brands to be used in the future

<sup>1)</sup> PPE = Premium Platform Electric



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



## Launch of Pan-European High-Power Charging Network IONITY<sup>1)</sup>

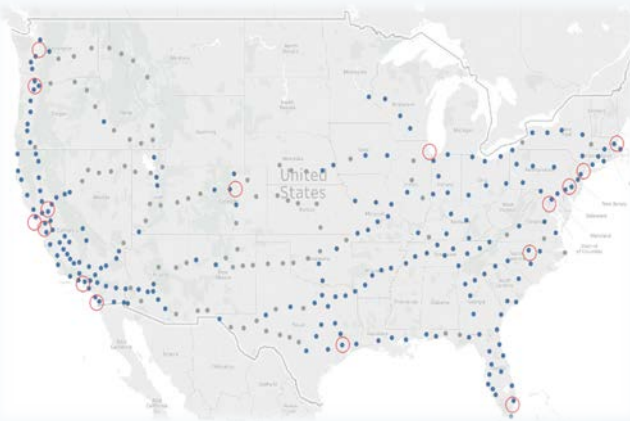


- Joint Venture of automotive manufacturers enables electric mobility on long-distance journeys
- Building of a High-Power-Charging (HPC) Network for electric vehicles starts operation
- 20 stations in multiple European countries starts already in 2017
- IONITY will implement and operate about 400 fast charging stations across European major thoroughfares until 2020
- A charging capacity of up to 350 kW enables to reduce charging time significantly when compared to existing systems
- Multi-brand compatibility with current and future generations of electric vehicles through Combined Charging System (CCS)

<sup>1)</sup>The founding partners, BMW Group, Daimler AG, Ford Motor Company and the Volkswagen Group, have equal shares in the joint venture, while other automotive manufacturers are invited to help expand the network.

# Electrify America: Start to execute the National ZEV plan (Zero Emissions Vehicles)

## First cycle network



- Phase 1 long-distance site (initial implementation)
- Phase 2 long-distance site
- Potential metro area

**First 30-month investment cycle – focus on EV infrastructure, including highway and community chargers**

## Key features of Appendix C

### Investment

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

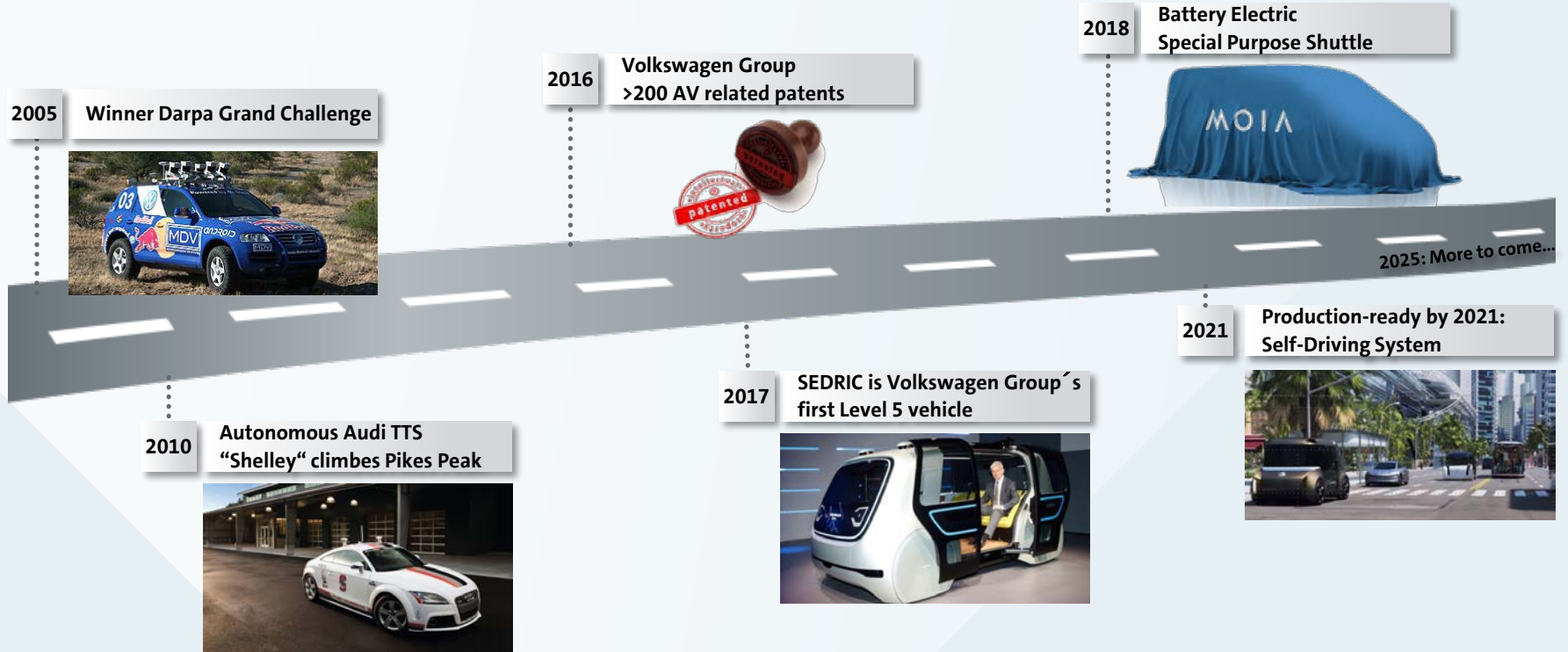
### Goal

- **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

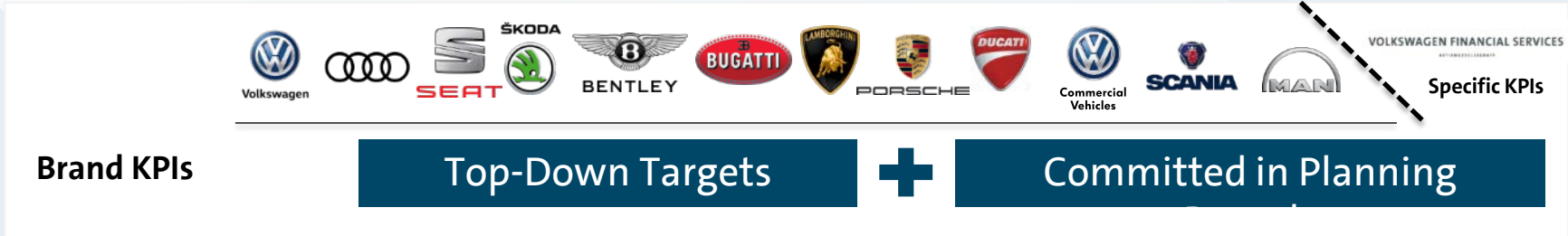




## Cascading Group Targets to Brands



Commitment



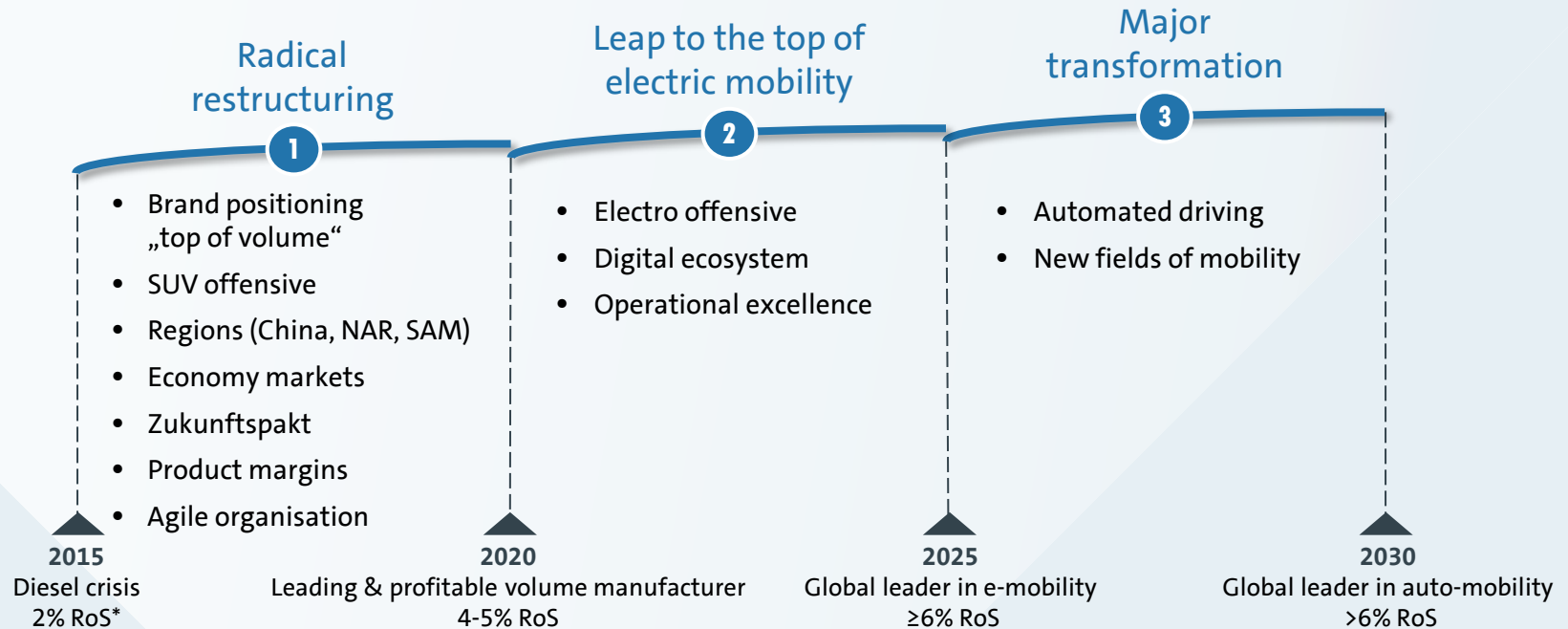
## Overview Brand Targets (RoS, RoE)

Return on Sales in %	<u>2016</u>		<u>2017</u>		<u>2020</u>		<u>2025</u>
Volkswagen Group	6.7	moderately exceed	6-7		6.5-7.5		7.0-8.0
Volkswagen Brand	1.8	moderately exceed	3.5		4-5		≥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 <sup>1)</sup>							
• Scania	9.5				9 <sup>2)</sup>		9 <sup>2)</sup>
• MAN Commercial Vehicles	2.3		6-7				
Return on Equity (norm. 8%)	<u>2016</u>		<u>2017</u>		<u>2020</u>		<u>2025</u>
Volkswagen Financial Services	15.6%		14-16%		14-16%		20%

<sup>1)</sup> For peer-group analysis: Truck & Bus Business RoS is calculated as the sum of Scania and MAN Commercial Vehicles (equals ~6.1% in 2016)

<sup>2)</sup> Through-cycle Target

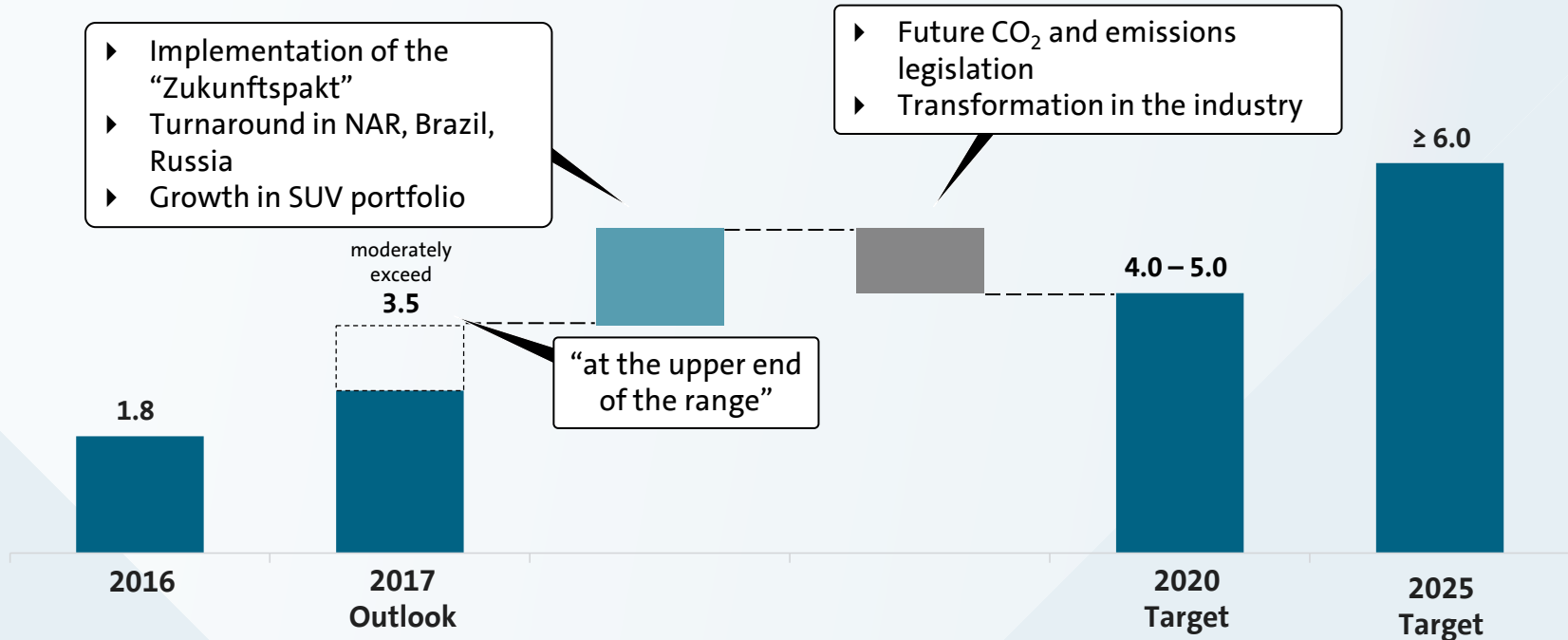
# The „TRANSFORM 2025+“ strategy will put the brand to the top of the automotive industry



\* 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

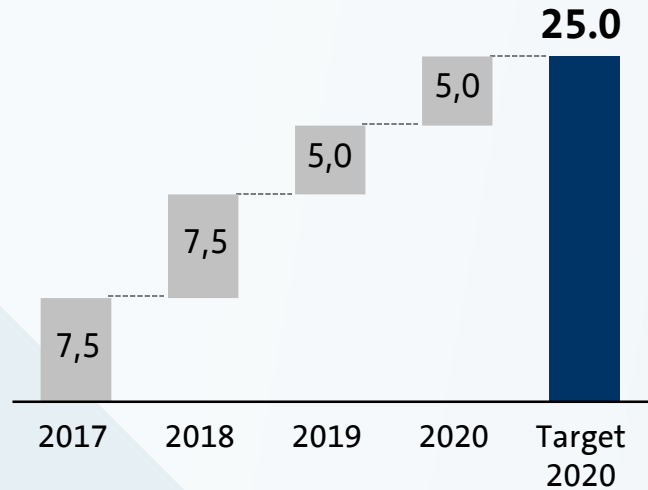
## Secure the Future

- 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

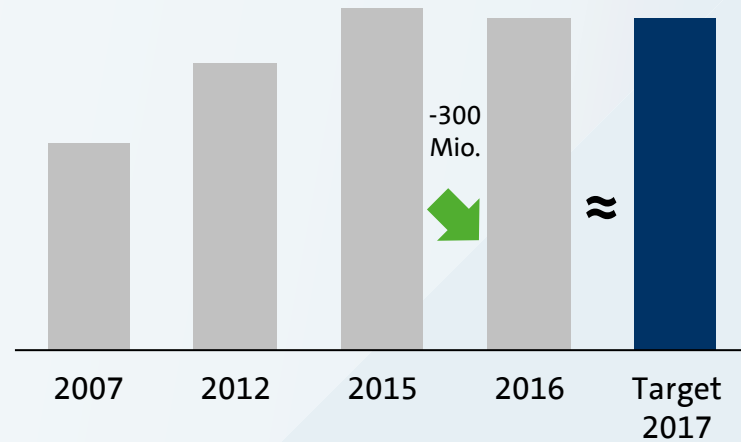
Reduction in workforce based on demographic curve

# Volkswagen brand: Productivity will increase by 7.5 percent this year

**PRODUCTIVITY IMPROVEMENT**  
(percent | Targets)



**FIXED COSTS IN GERMANY**  
(€ billion)



# 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

# Rollout of MQB in the North American region to realize economies of scale and efficiencies

Local MQB production is increasing from around 10% to > 80% midterm,

positive impacts:

- Increasing capacity utilization
- Improving fix costs
- Higher investment efficiency as MQB basic investments are already complete



# A product offensive is initiating a new growth phase in South America

## Product offensive in South America



Polo G



Virtus



Small SUV Global

## Key measures

- Restructuring: reduce capacities and fixed costs
- Increase productivity, align products to local requirements
- Product offensive, €2.5bn investment
- New brand positioning
- New growth strategy for Latin America



# 2017 is being 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)



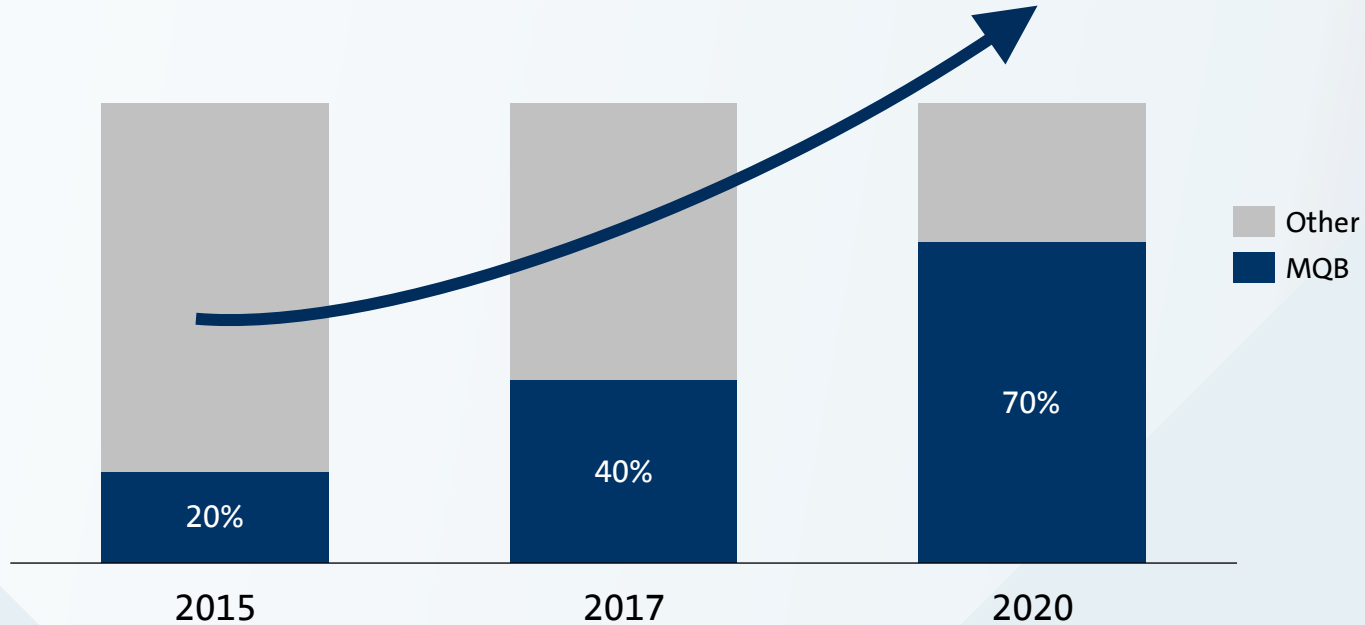
Virtus (SAM)



Jetta (NAR)

Dates: Start of Production

## Further roll-out of MQB offers substantial benefits



Deliveries & Global Trends

Key Financials & Cash

Strategic Outlook & Milestones

Brands / Regions

Diesel

Remuneration

Integrity & Compliance

Commitment

## 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



Deliveries & Global Trends

Key Financials & Cash

Strategic Outlook & Milestones

Brands / Regions

Diesel

Remuneration

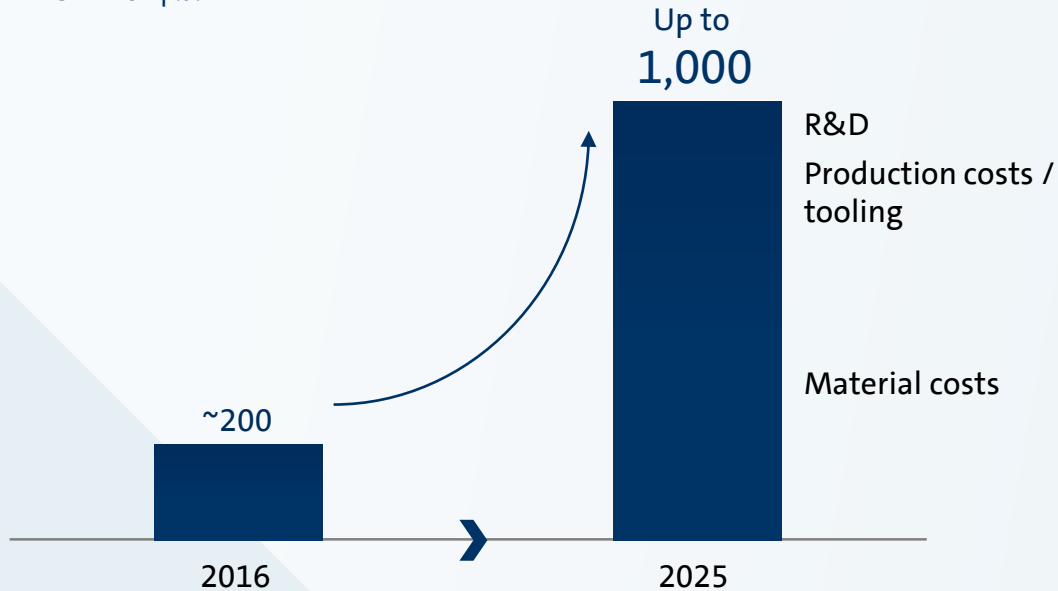
Integrity & Compliance

Commitment

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

### Synergy potential from brand collaboration and expanded platform strategy

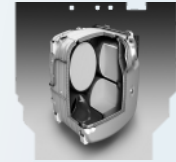
€ million p.a.



### Key common powertrain platforms



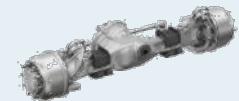
Base engine



After-treatment



Transmission



Axles

Deliveries & Global Trends

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Diesel

Remuneration

Integrity & Compliance

Commitment

## Global expansion on track with Navistar alliance

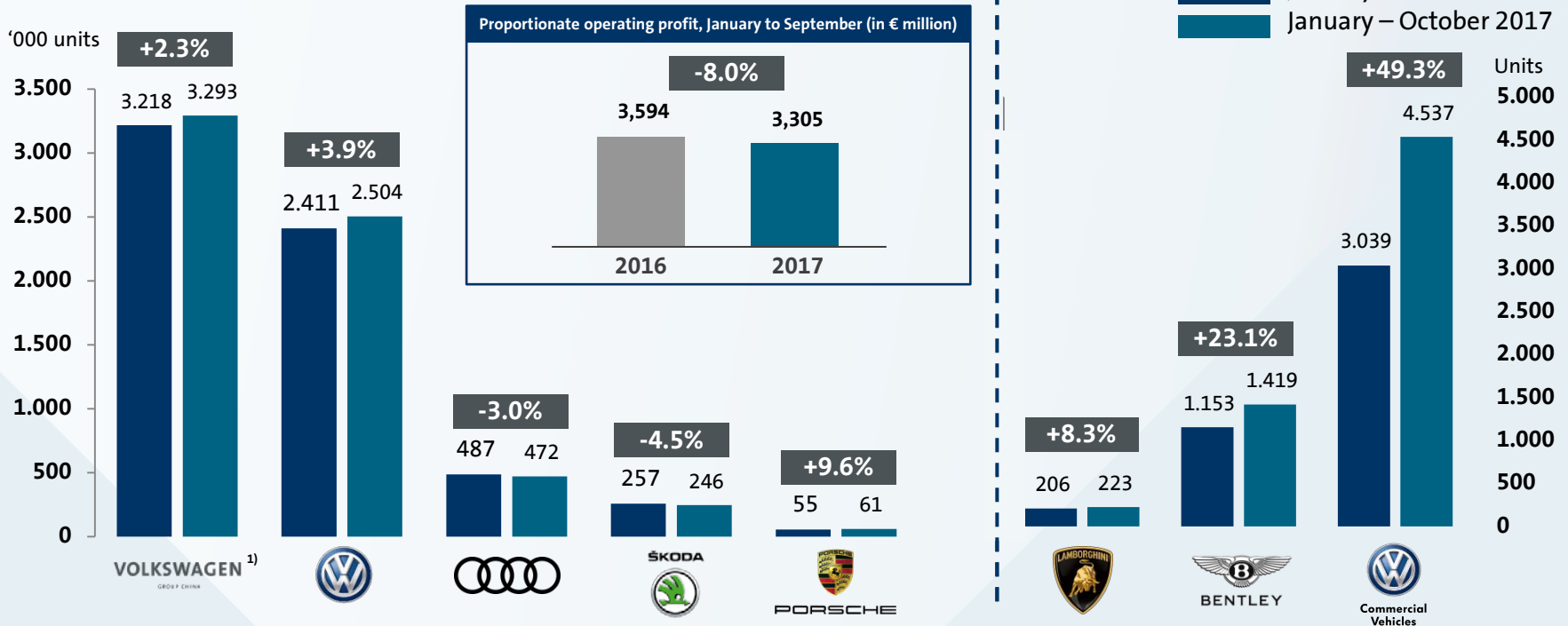
1	Equity investment		16.9% equity stake in Navistar by way of capital increase*
2	Strategic technology and supply cooperation		Companies to collaborate on technology for powertrain systems, as well as other advanced technologies
3	Procurement joint venture		Procurement joint venture is pursuing joint global sourcing opportunities
4	Governance		2 VW T&B representatives nominated to Navistar Board of Directors. Joint Alliance Board to govern overall alliance

\* As at 30.09.2017



# Volkswagen Group China performance

(January to October 2017 vs. 2016)



<sup>1)</sup> incl. Hong Kong, excl. Ducati. Group numbers incl. Volkswagen Commercial Vehicles, Scania and MAN.



# Regulatory environment for NEV and Fuel Consumption Credits in China

## CAFC and NEV Credit System

- Independent management of CAFC<sup>1)</sup> and NEV credits
- Companies need to fulfill **both requirements**

### CAFC<sup>1)</sup> Credits:

- Transfer between affiliated companies
- Credit carry-over to next 3 years with depreciation
- Option to use positive NEV credits

### NEV Credits:

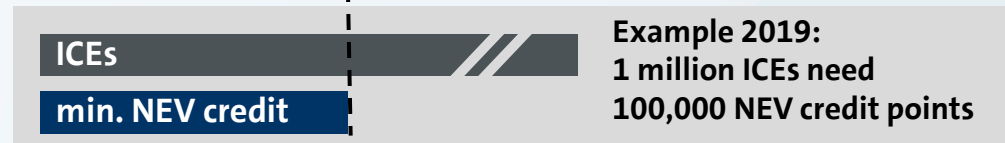
- No transfer from CAFC credits to NEV credits
- Carry-over of positive and negative NEV credits from 2019 to 2020
- Trading of NEV credits allowed

**The rules will be further supplemented.**

## MIIT<sup>2)</sup> draft for NEV Credit Calculation

$$\text{min. NEV credit points} = \text{ICE}^3 \text{ Volume} \times \text{NEV credit point ratio}$$

2018	2019	2020
None	10%	12%



### NEV Credit Point Attribution per NEV Type

**BEV<sup>4)</sup>:** Basic credit =  $0.012 \times \text{Range} + 0.8$  (max. 5 basic credits)  
BEV additional factor for low electric consumption up to 1.2

**PHEV<sup>5)</sup>:** Basic credit = 2 (min. e-Range 50km)  
PHEV credit = 1 if e-range 50-80km and consumption  $\geq 70\%$  ICE

<sup>1)</sup>CAFC – Corporate Average Fuel Consumption    <sup>2)</sup>MIIT – Ministry of Industry and Information Technology    <sup>3)</sup>ICE – Internal Combustion Engine    <sup>4)</sup>BEV – Battery Electric Vehicle  
<sup>5)</sup>PHEV – Plug-in Hybrid Electric Vehicle



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

### Introduction of locally produced NEV

### Mass market BEV cooperation

#### 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



VOLKSWAGEN  
GROUP CHINA

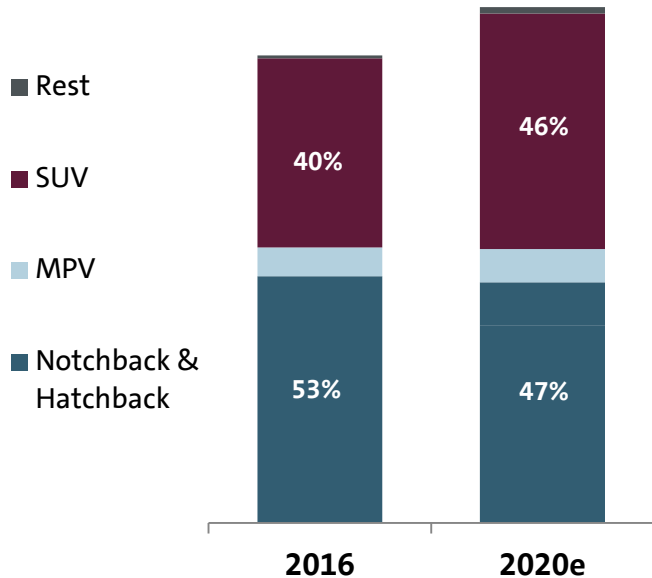
JAC 江淮汽车





# New product offering with an expanded SUV line-up <sup>1)</sup>

## Body style trends until 2020<sup>1)</sup>



## New vehicle launches 2017 and to follow<sup>2)</sup>

**SUV**

Teramont      Q5      KODIAQ

Tiguan LWB      KAROQ      ...

**Others**

**imported**      **locally produced**

Panamera Turbo      A5 Coupé      TT      Phideon PHEV      Lavida

Q7 e-tron      R8 Spyder      Panamera LWB      Variant GTE      Bora

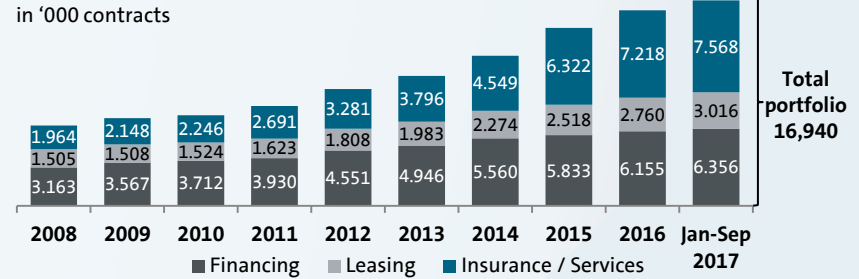
<sup>1)</sup> Source: IHS    <sup>2)</sup> Schematic overview – does not show all models

# Volkswagen Financial Services<sup>1)</sup>: global, well diversified and successful

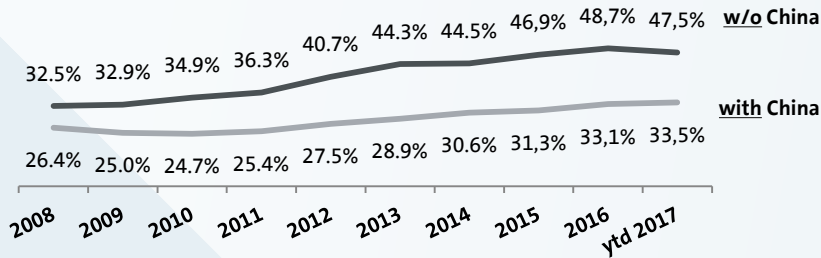
## Strong global presence



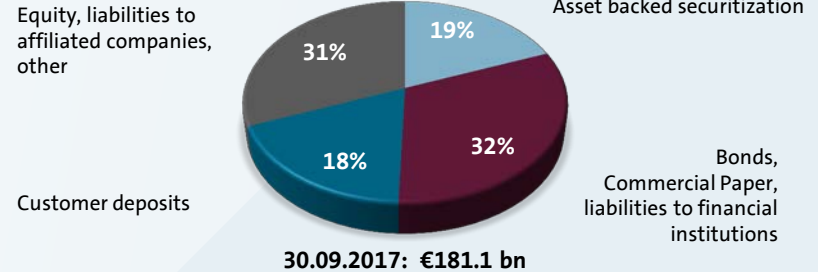
## Continuous portfolio expansion



## Rising penetration rates



## Diversified funding structure



<sup>1)</sup> Excluding activities of Scania and Porsche Holding Salzburg; including Financial Services of Porsche AG and MAN Financial Services.

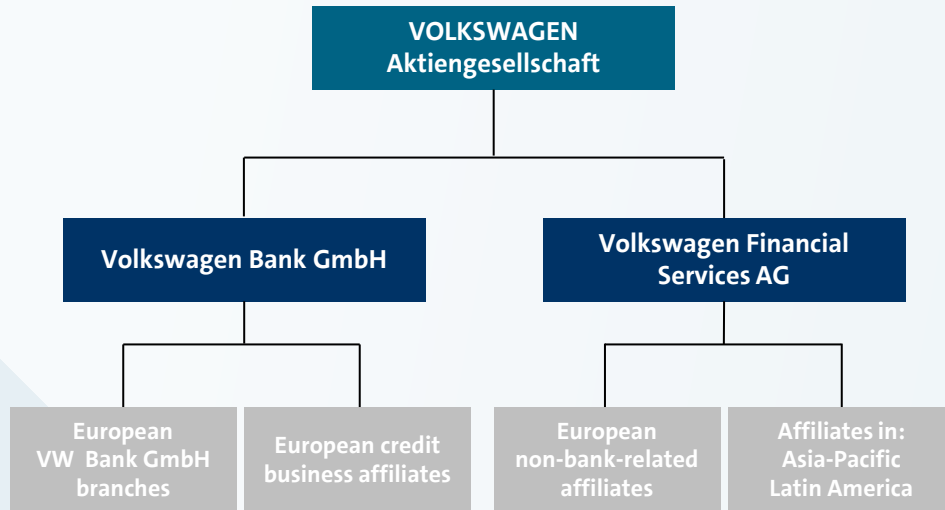


# Optimized structure for Volkswagen Financial Services AG

(Effective from 1. September 2017)

## Organisational set-up of Volkswagen Financial Services

## 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

(In € bn)	Diesel		Other		Total
2015	Legal	7.0	Restructuring:		16.9
	Other items	9.2	Truck Business	0.2	
			Passenger Cars South America	0.2	
			Airbags Takata	0.3	
		<b>16.2</b>		<b>0.7</b>	
2016	Mainly legal risks	6.4	Scania Anti-Trust Proceedings	0.4	7.5
			Others	0.7	
				<b>1.1</b>	
Jan-Sept 2017	Buyback/retrofit program	2.1			2.6
	Legal	0.5			
		<b>2.6</b>			
Total to date		<b>25.2</b>		<b>1.8</b>	<b>27.0</b>

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, around €7bn in Q2 and around €2.5bn in Q3.

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



### Predominantly software-only solution

### Update status



Almost 6.2m units have been updated  
(status 19 October 2017)

- Technical solution already generally confirmed for all concepts by KBA<sup>1</sup>
- Gradual approval of clusters after cluster-specific KBA inspection<sup>1</sup>
- 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.

<sup>1</sup> 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:



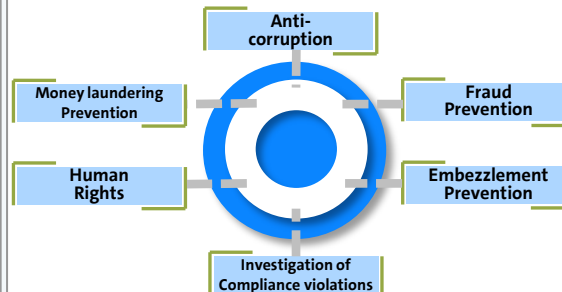
## 2. Evolution of Group Compliance:



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:



## 3. Development of Code of Cooperation:



Mutual rules and guidelines of working together were developed:

- Cross functional
- Aims at corporate culture
- Includes all brands



## The Volkswagen Convention – Integrity, Culture and Compliance <sup>1)</sup>

### Highlights

- Experience-based discussions with self- reflection by all managers to enable mindset change and common understanding
- ~ 7.800 Managers through all levels from Board Member to Production Managers
- 25 „Working Labs“ in each convention
- Accompanied by Web-Based-Training on Integrity , Culture und Compliance
- Cascade of learnings from managers to all employees



### Managers as Role Models

- Taking on responsibility
- Building trust
- Becoming more agile and flexible in thinking and doing

<sup>1)</sup> Held in Nov/Dec 2017

## Upcoming tasks to master challenges and make use of opportunities



### Improving the core business

- Safeguarding the profitability in core regions; ongoing recovery in NAR/SAM/Russia
- Future pact continues to be implemented
- Strong cash generation and capex/R&D discipline as a precondition



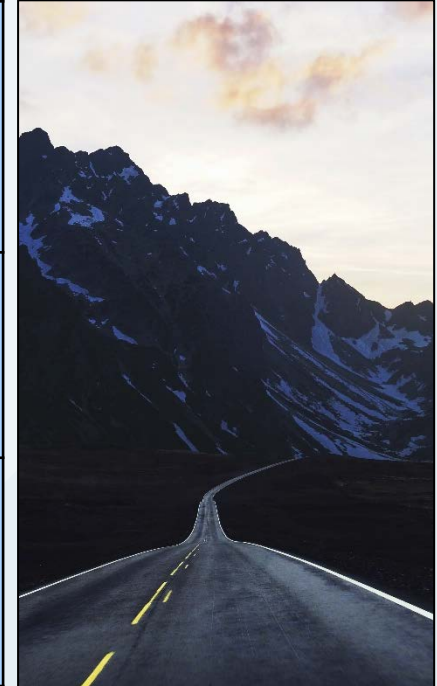
### Transformation towards more E-Mobility

- Working on CO<sub>2</sub> Compliance / WLTP implementation
- Profitability of Electric Vehicles



### Strengthen innovation power

- Be software leaders in Digitalization & Connectivity
- Deliver profitable Mobility Services



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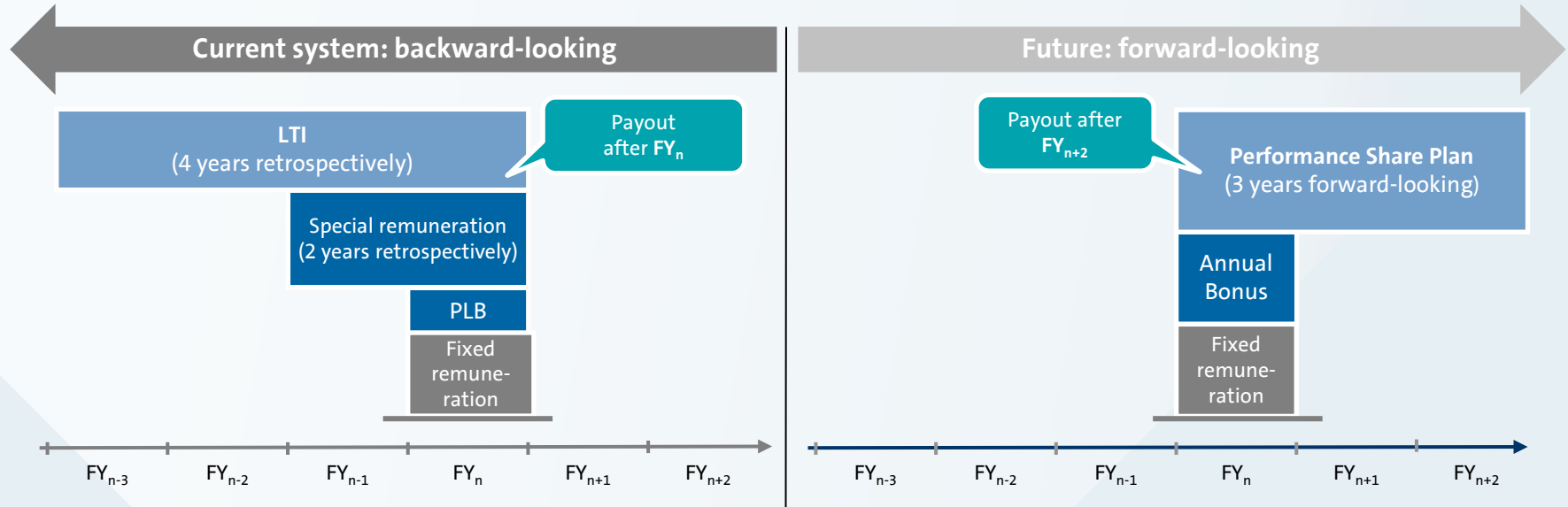
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## The new remuneration system is designed to be completely forward-looking



### 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 SEDRIC



## Volkswagen T-Roc



## Audi A7 Sportback





ŠKODA Karoq



## SEAT Arona



## Porsche Cayenne





## Bentley Continental GT



## Lamborghini Aventador S Roadster





## Volkswagen Amarok



**MAN TGX 18.500**

**MAN TGE 5.180**



Scania G 450 XT 8x4





**VOLKSWAGEN**

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**We are  
redefining  
mobility.**

**Volkswagen Group**

**Frank Witter**

Chief Financial Officer

Roadshow with Société Générale, Paris, 7 December 2017