

VOLKSWAGEN

AKTIENGESELLSCHAFT



moving
people

Volkswagen Group

Frank Witter

Member of the Board of Management, Finance and Controlling

Commerzbank Sector Conference 2016, Frankfurt, 31st of August 2016

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.

Consequently, 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.

If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

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TOGETHER – Strategy 2025

Financials

Outlook 2016

Diesel Status

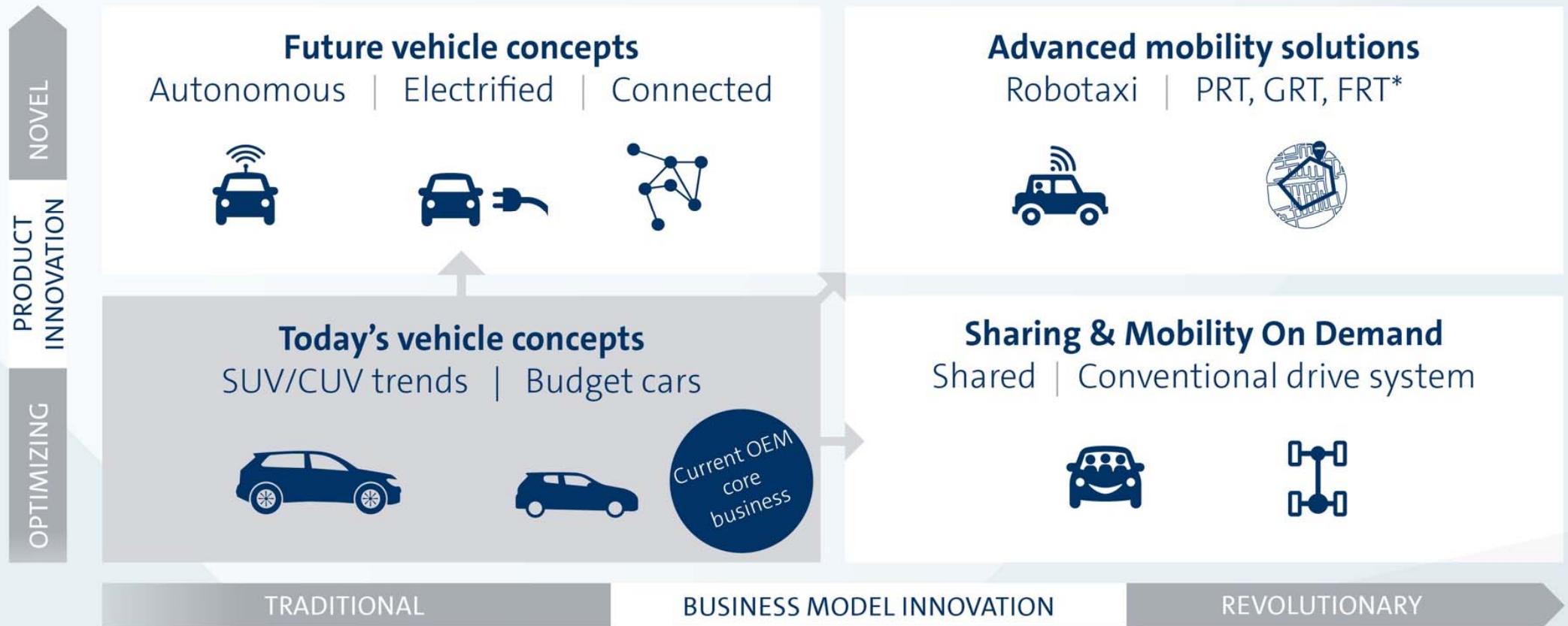
Volkswagen going forward

T  **GETHER**

STRATEGY 2025

HOW OUR INDUSTRY IS CHANGING

The key trends in the automotive world at a glance



**“THE REVOLUTIONARY CHANGE
IN OUR INDUSTRY IS A CHALLENGE,
BUT AT THE SAME TIME
A HUGE OPPORTUNITY”**

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OUR ASPIRATION

Moving forward, we strive to continue this unique success story and play a leading role in shaping auto-mobility for future generations.



OUR STRATEGY 2025

The building blocks at a glance



Transform
core business



Build
mobility solutions
business



Secure
funding



Strengthen innovation power

STRATEGY 2025 – INITIATIVES AT A GLANCE

GROW
PROFITABLY

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



Transform
core business

- 10 Build mobility solutions business
- 11 Develop and expand attractive and profitable smart mobility offering



Build
mobility solutions
business

- 12 Improve operational excellence
- 13 Optimize business portfolio



Secure
funding

DEVELOP
STRATEGIC
CAPABILITIES

ENHANCE
ENTREPRE-
NEURIAL SPIRIT

- 14 Drive digital transformation
- 15 Create organization 4.0



Strengthen
innovation power

THE ELECTRIFICATION INITIATIVE OF THE VOLKSWAGEN GROUP

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



EFFICIENCY ENHANCEMENTS AS EARNINGS DRIVER

- ◆ Goal: to boost operational excellence across all business divisions and brands
- ◆ Boost investment efficiency, moderately reduce capex ratio to around 6 percent by 2025 (convergence with industry level)
- ◆ Enhance efficiency of research and development expenditures, lower R&D ratio to around 6.0 percent
- ◆ Lower selling, general and administrative expenses (SG&A), relative to sales revenue, to under 12 percent



NEW FINANCIAL TARGETS ADOPTED: FOCUS ON PROFITABILITY

Key financial targets	2015 Actual	2025
Operating return on sales before special items	6.0%	7–8%
Return on capital Automotive Division	13.8%	>15%
Capex ratio Automotive Division	6.9%	~6%

THE VOLKSWAGEN GROUP OF THE FUTURE WILL INSPIRE PEOPLE

TOGETHER...

... we will create smart mobility solutions that
simplify and enrich our customers' lives



... we will reduce the environmental burden
with eco-friendly drivetrain technologies



... we will continue to raise the bar in emotion and quality



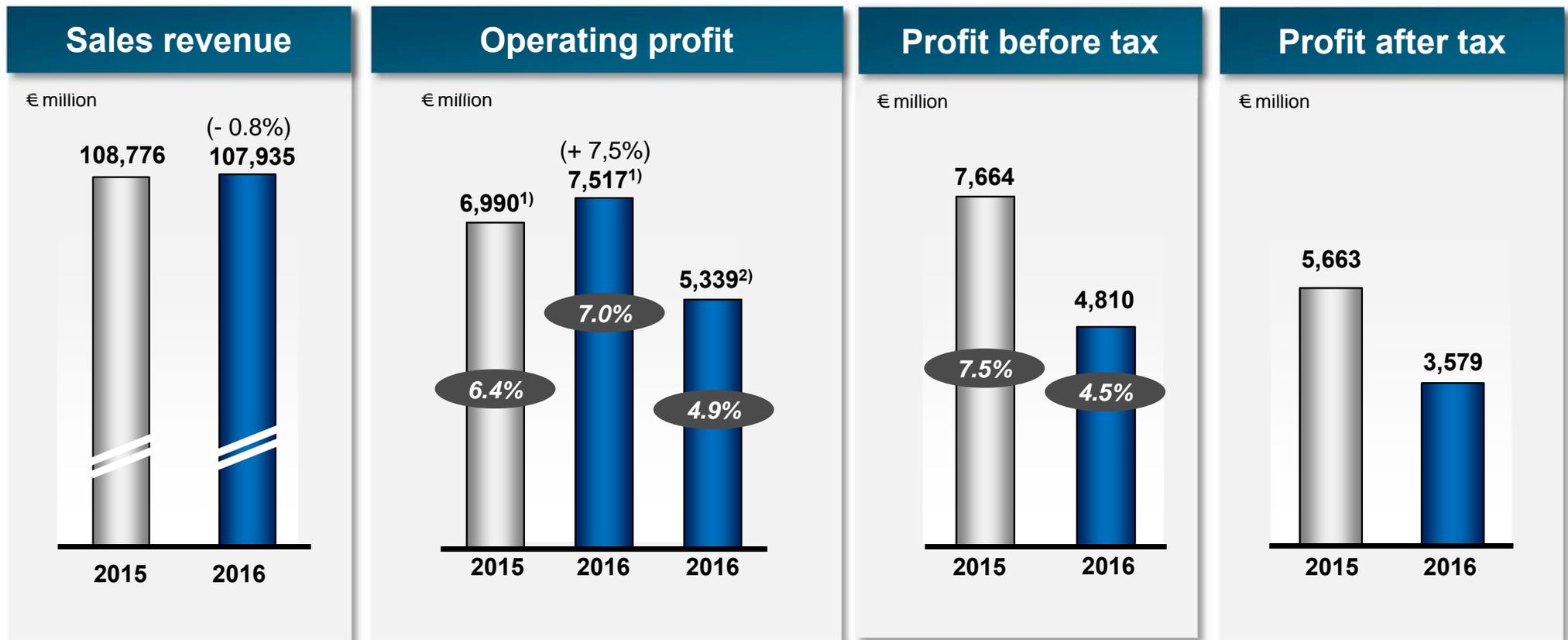
... we will shape the future of our industry



... we will build an enterprise of which we can be truly proud.

Financial highlights – Volkswagen Group

(January to June 2016 vs. 2015)



1) Before Special items 2) After Special items

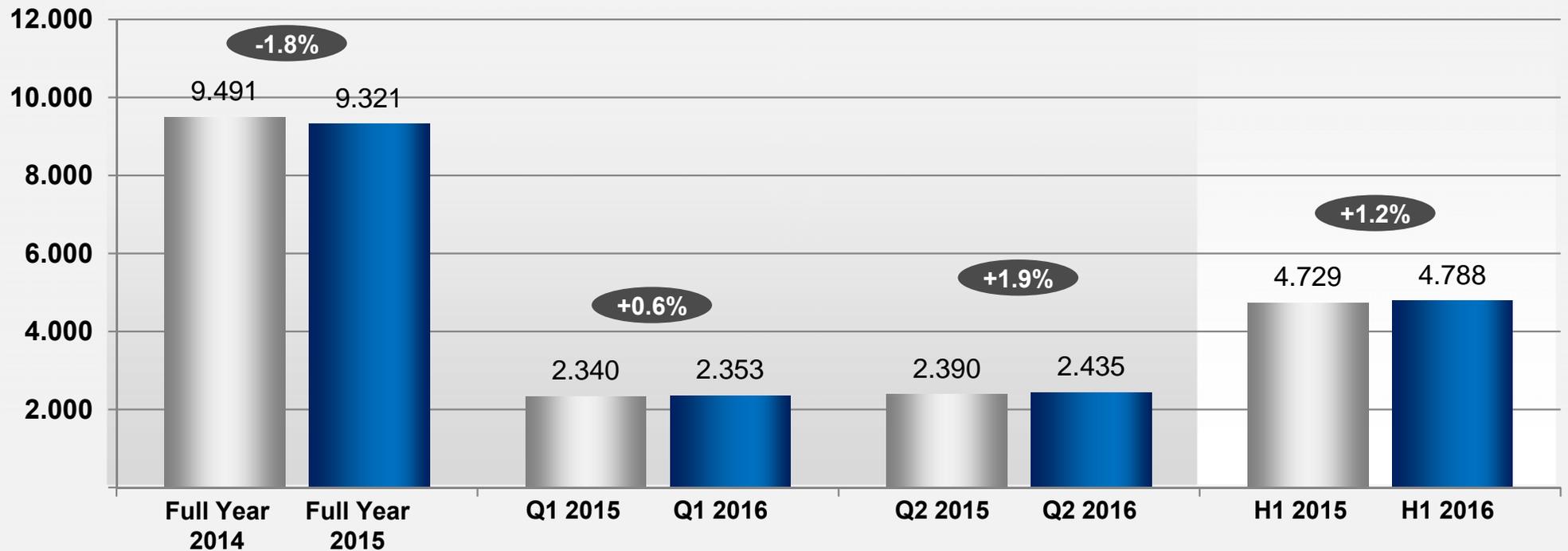
x.x%

Operating profit / profit before tax in % of sales revenue

Development Volkswagen Group car deliveries to customers¹⁾

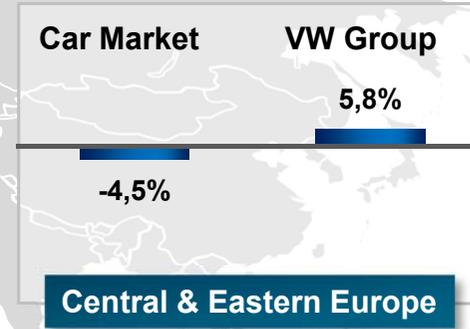
(in comparison to previous year)

World Car Market: +2.6% +2.1% +3.8% +3.1%



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

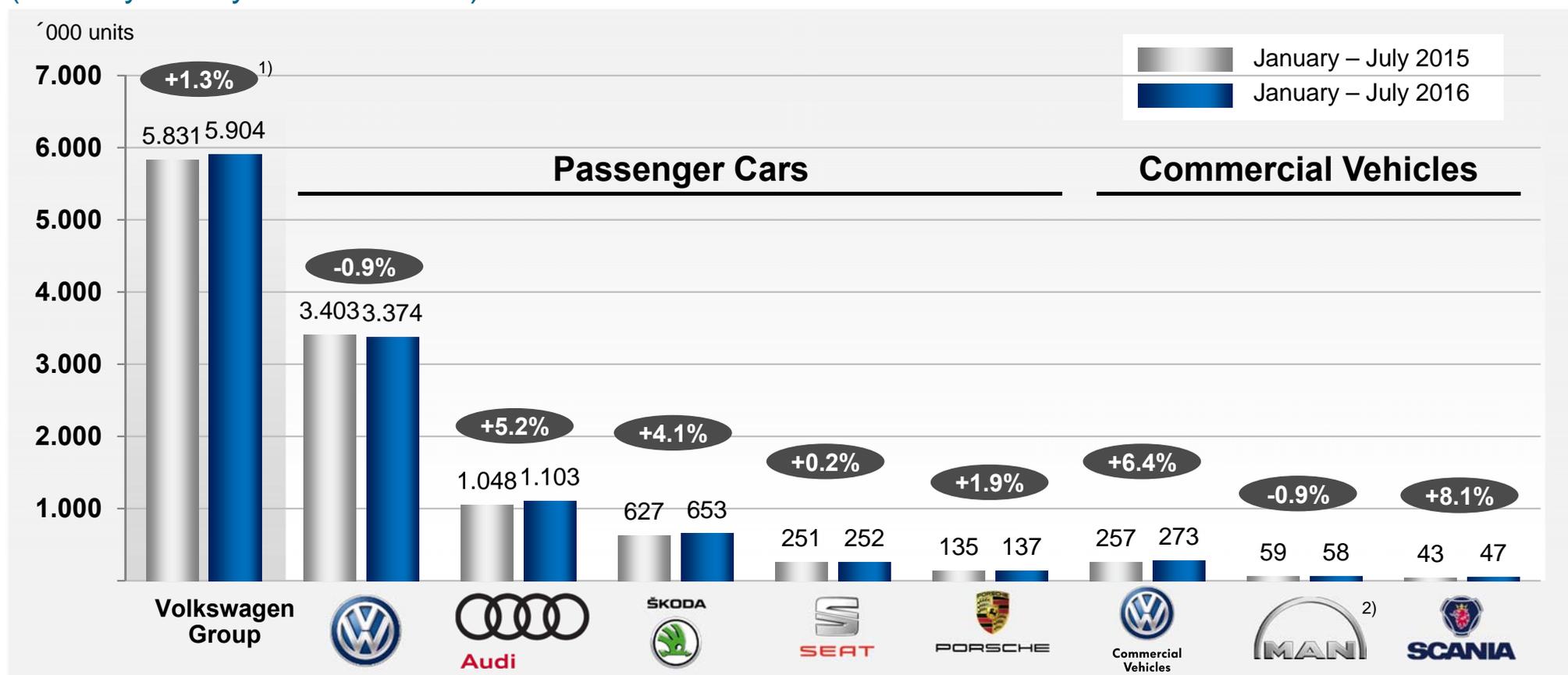
Development World Car Market vs. Volkswagen Group Car Deliveries to Customers¹⁾ (Growth y-o-y in deliveries to customers, January to July 2016 vs. 2015)



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

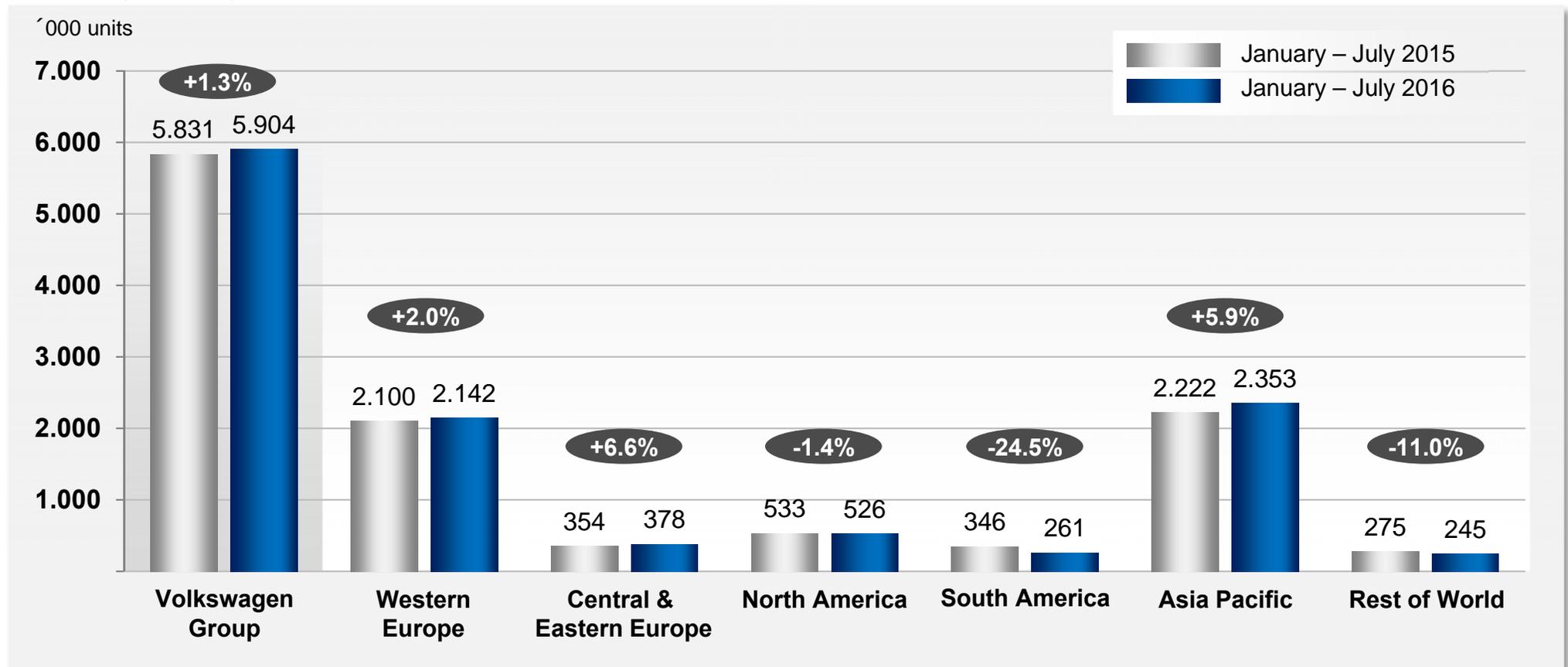
Volkswagen Group – Deliveries to Customers by Brands

(January to July 2016 vs. 2015)



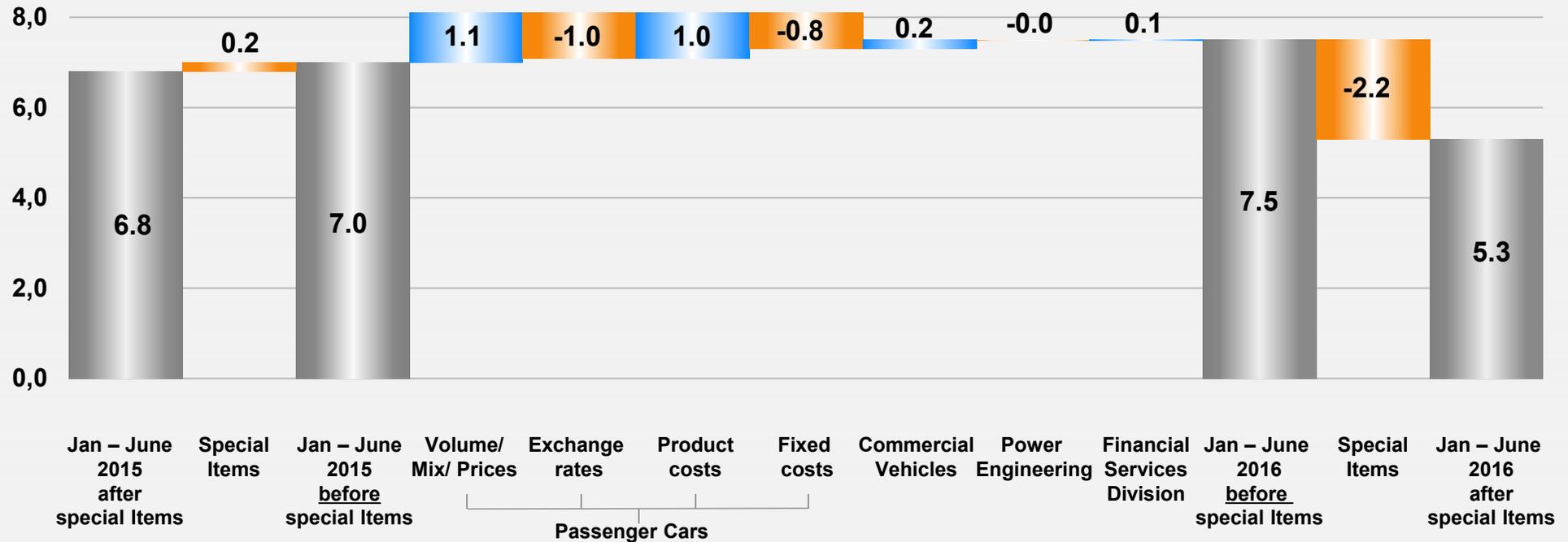
Volkswagen Group – Deliveries to Customers by Markets¹⁾

(January to July 2016 vs. 2015)



Volkswagen Group – Analysis of operating profit¹⁾

(January to June 2016 vs. 2015)



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

Volkswagen Group – Analysis by business line¹⁾

(January to June 2016 vs. 2015)

thousand vehicles/ € million	Vehicle sales		Sales revenue		Operating profit	
	2016	2015	2016	2015	2016	2015
Volkswagen Passenger Cars	2,232	2,251	53,006	53,578	881	1,428
Audi	799	784	30,134	29,784	2,666	2,914
ŠKODA	431	421	7,114	6,421	685	522
SEAT	276	286	4,485	4,469	93	52
Bentley	5	5	883	939	-22	54
Porsche ²⁾	117	109	10,929	10,850	1,830	1,698
Volkswagen Commercial Vehicles	231	231	5,406	5,223	299	268
Scania ²⁾	41	38	5,575	5,182	550	503
MAN Commercial Vehicles	49	50	4,798	4,919	186	54
MAN Power Engineering	-	-	1,673	1,813	103	135
VW China ³⁾	1,867	1,743	-	-	-	-
Other	-849	-827	-29,679	-27,420	-749	-1,608
Volkswagen Financial Services	-	-	13,611	13,018	995	970
Volkswagen Group before special items	-	-	-	-	7,517	6,990
Special items	-	-	-	-	-2,178	-170
Volkswagen Group	5,199	5,090	107,935	108,776	5,339	6,820
Automotive Division ⁵⁾	5,199	5,090	92,547	94,093	4,162	5,700
of which: Passenger Cars	4,879	4,772	75,285	77,129	3,895	5,346
of which: Commercial Vehicles	320	318	15,589	15,151	285	349
of which: Power Engineering	-	-	1,673	1,813	-18	5
Financial Services Division	-	-	15,388	14,683	1,177	1,120

¹⁾ All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ²⁾ Incl. financial services. ³⁾ Sales revenue and operating profit of the JV's in China are not included in the Group figures. The Chinese companies are accounted for using the equity method and recorded an operating profit (proportionate) of € 2,366 million (€2,744 million). ⁴⁾ Mainly intragroup items, in particular from elimination of intercompany profits; incl. depreciation and amortization of identifiable assets as part of the PPA for Scania, Porsche Holding Salzburg, MAN and Porsche. ⁵⁾ Including allocation of consolidation adjustments between Automotive and Financial Services divisions.

Volkswagen Group – Net liquidity and funding

Automotive Division - Net Liquidity



Funding programs as of 30 June 2016

(in € bn)

Money and Capital Markets

	Utilization
Commercial Papers	8.6
Medium Term Notes / Bonds	50.9
<i>thereof: Hybrid Bonds</i>	7.5
<i>ABS²⁾</i>	36.3

Borrowings

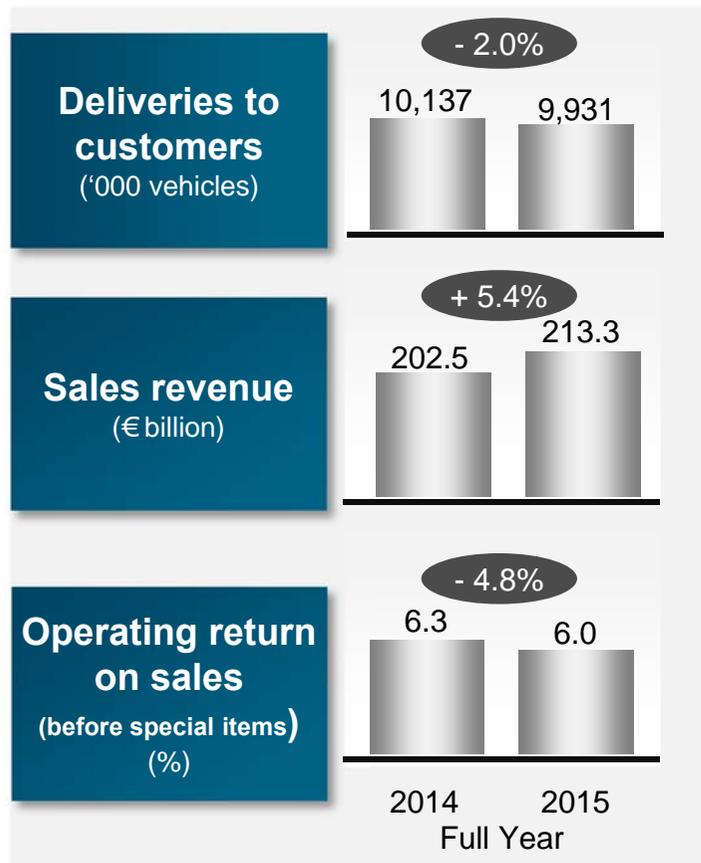
Committed Lines	4.9
Uncommitted Lines	9.5
Supranationals, development banks, government, other	15.3
Direct Banking Deposits	31.0
Total Amount	156.5

Bridge facility

up to €20 bn

2) Including Porsche, MAN

Volkswagen Group – Outlook for 2016



Deliveries to customers
slightly above prior year



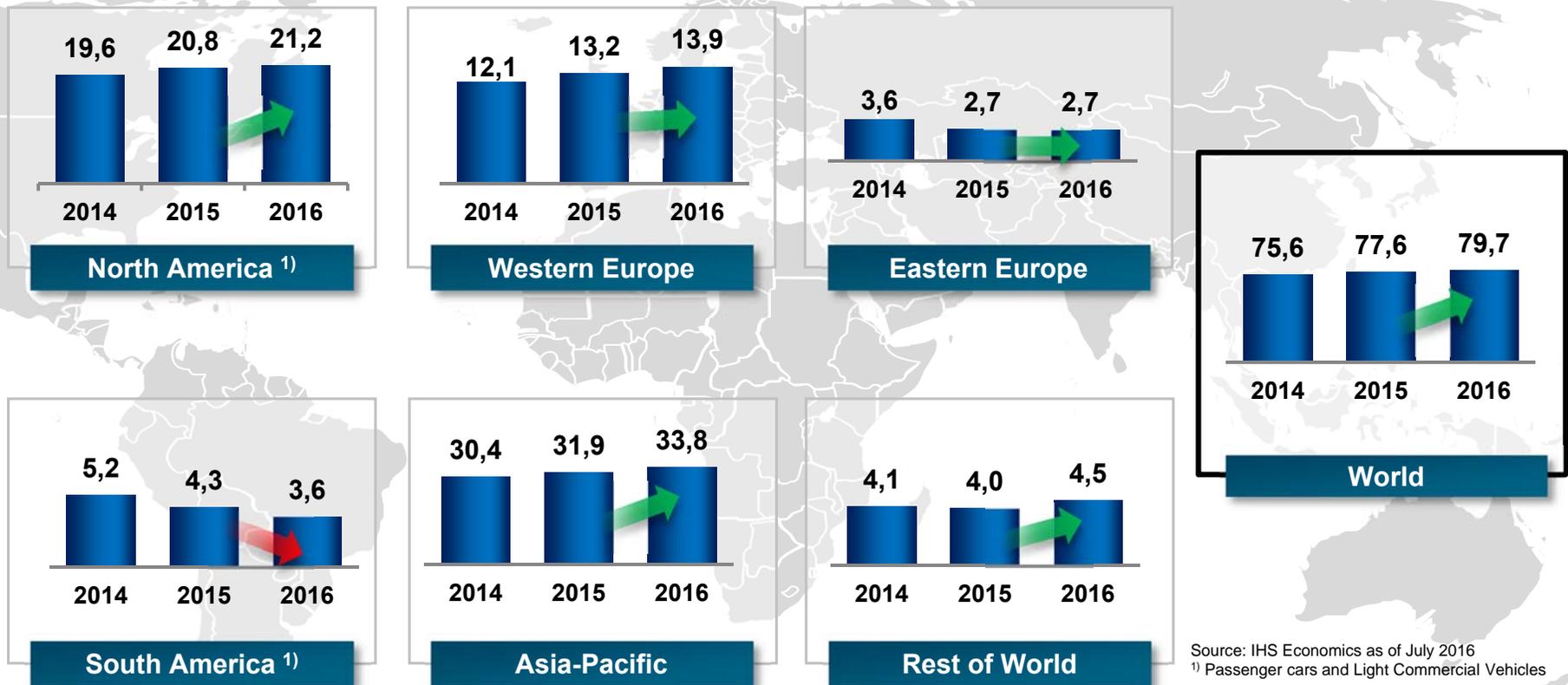
Sales revenue
up to 5% below prior year



Operating return on sales
(before special items) between **5.0%** and **6.0%**

Passenger car market forecast 2016 – Overall growth expected

(in million units)



Source: IHS Economics as of July 2016
¹⁾ Passenger cars and Light Commercial Vehicles

Our 5 priorities: Focus on crisis management and realignment



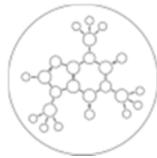
Customer solutions

- Implementation of technical solutions launched in Germany
- Schedule for further refits in Europe to be adapted in consultation with authorities
- Agreement in principle reached with U.S. authorities



Investigation

- Process audit by Group Audit already completed at 2015 year-end, proposed measures being rapidly implemented
- Detailed investigation of facts by Jones Day ongoing



Structure

- New management team in place
- Intensive work on new structures and leaner processes



Mindset

- Numerous individual changes made to renew corporate and leadership culture
- Structured change process initiated



Destination

- Development of "TOGETHER Strategy 2025" proceeding to plan
- Key financial targets with focus on profitability already communicated
- Milestones and brand specific KPI's will be implemented into next planning round

What do the proposed 2.0l US settlement agreements cover?

With whom?

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

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

Which engines?

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

What is proposed?

Volkswagen will establish a maximum funding pool of \$10,033bn for vehicles currently in use and eligible for :

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

Pay \$2,7bn over 3 years to an environmental trust to remediate excess NO_x emissions

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

States resolution

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

- On July 26, 2016, Judge Breyer, the U.S. federal court judge overseeing civil multi-district litigation (MDL) claims, granted "preliminary approval". He has set the date of October 18, 2016 for a final approval hearing wherein he will determine whether to grant final approval of the settlement. If final approval is granted, Volkswagen will begin the settlement program.
- Regarding the 3.0l TDI engines, on August 25 Judge Breyer ordered that Volkswagen and Audi deliver technological proposals to solve the emission issue no later than October 24 to EPA and CARB. Those agencies noted they will begin review of those proposals as soon as they are received and the Court set the next status hearing for November 3.

How the NOx issue will be solved in Europe

Diesel Status Europe (approved by KBA)

- 5.1m vehicles approved
- Modifications started and effective
- Around 0.5m vehicles already fixed (as per End of August 2016)

EA189 2.0 I (EU5): ~ 5.2m units

- Software fix only
- Working time ca 30 min.



EA189 1.2 I (EU5): ~ 0.3m units

- Software fix only
- Working time ca 30 min.



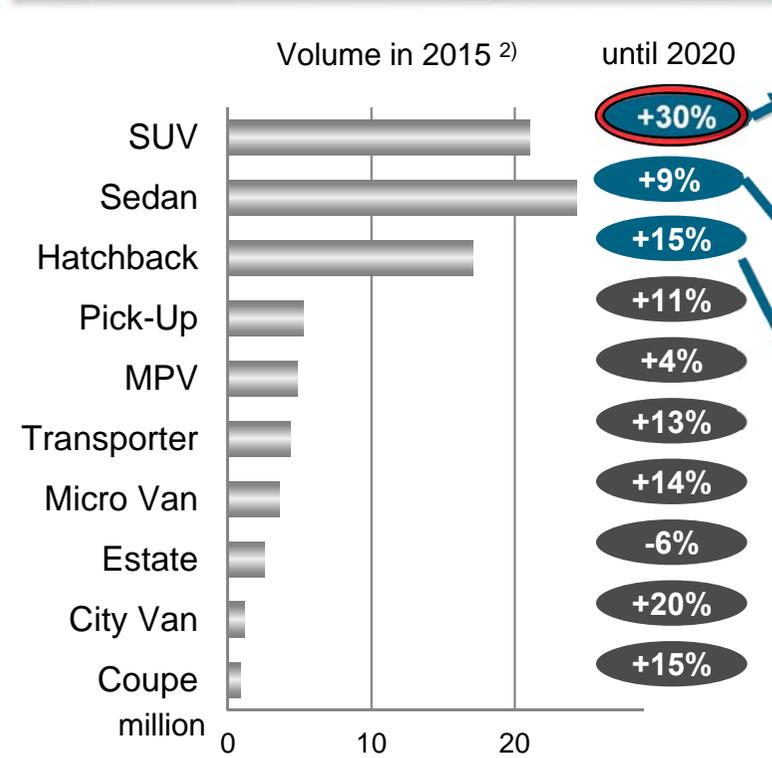
EA189 1.6 I (EU5): ~ 3m units

- Soft- and Hardware fix required
- Working time < 1h



Product roadmap aligns with expected future market trends

Body group trends until 2020¹⁾

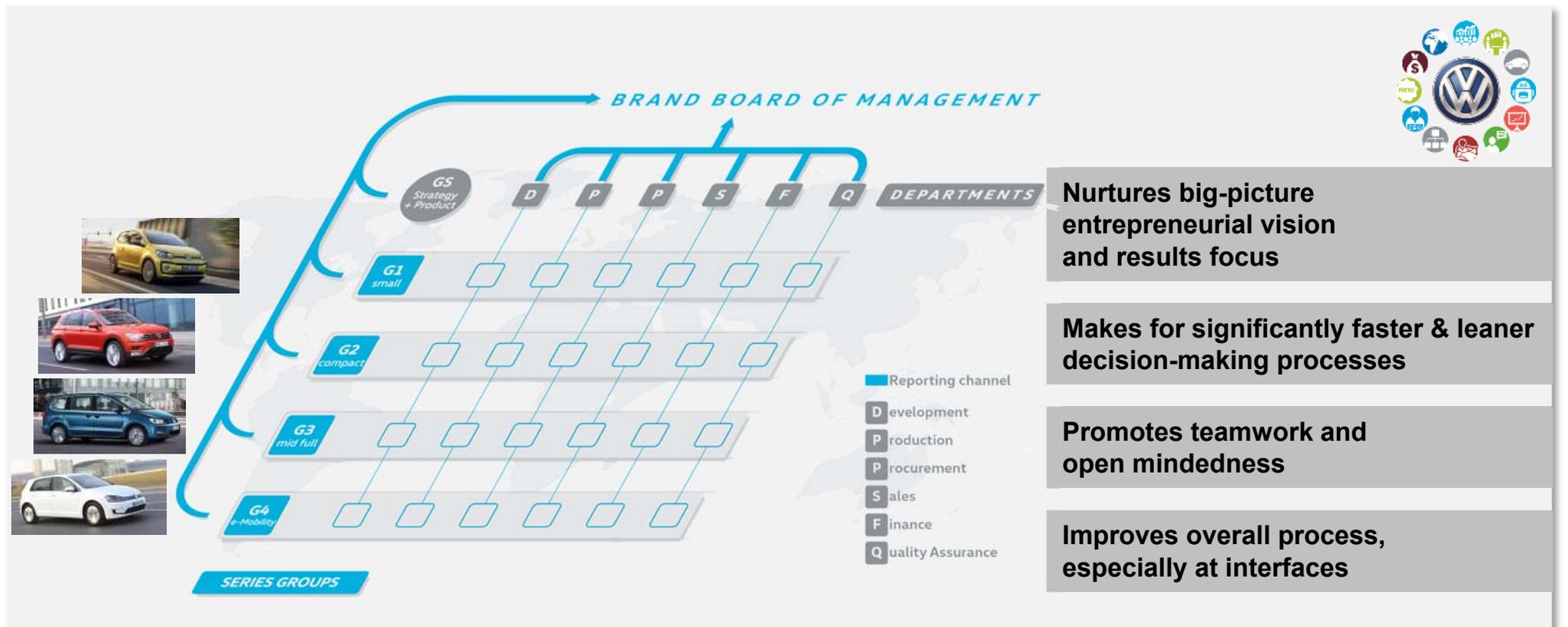


¹⁾ Source: IHS ²⁾ final figures

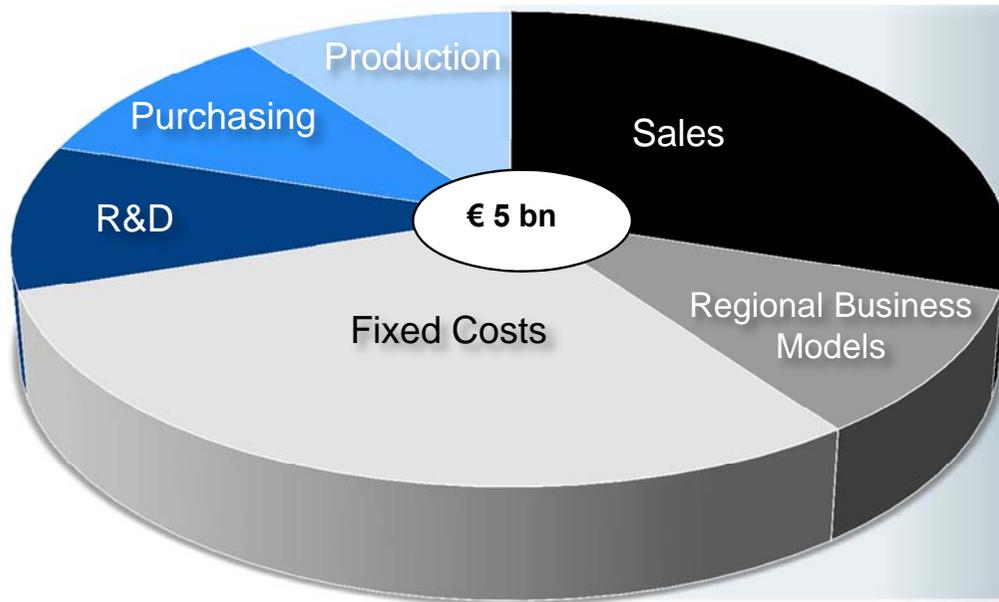
New models 2016 and to follow

Category	Models
SUV	Bentayga, Tiguan, Ateca, Q2, Kodiaq, B-SUV, Entry SUV, Q5
Sedan	A6L e-tron, Panamera, Phideon, Magotan, Voyage
Hatchback	A3, Leon, Rapid (IND), Gol, up!
Other	Beetle, Amarok, 911, Saveiro, A5, Boxster, Cayman

More efficient and faster: New series organization – Volkswagen brand



Volkswagen passenger cars: Efficiency actions allow for financial flexibility



- Critical review of infrastructure investments
- Prioritization of IT-projects
- Reduction of bureaucracy as well as more efficient committees
- Process optimization in specific departments
- Optimization of product portfolio with focus on models providing sustainable profitability
- Adaption of product cycles to regional main competitors
- Improve localization in core markets

Core challenges in 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

... require Volkswagen truck brands to cooperate closely

Cyclical markets



Further globalization



Emission regulations



Connectivity & digitalization



After sales and new business opportunities



Global market reach to ensure sufficient volume in local up- & downturns

Reduced fixed costs through modularization and shared components

Combined R&D know-how for competitive product development

Additional value through customer services

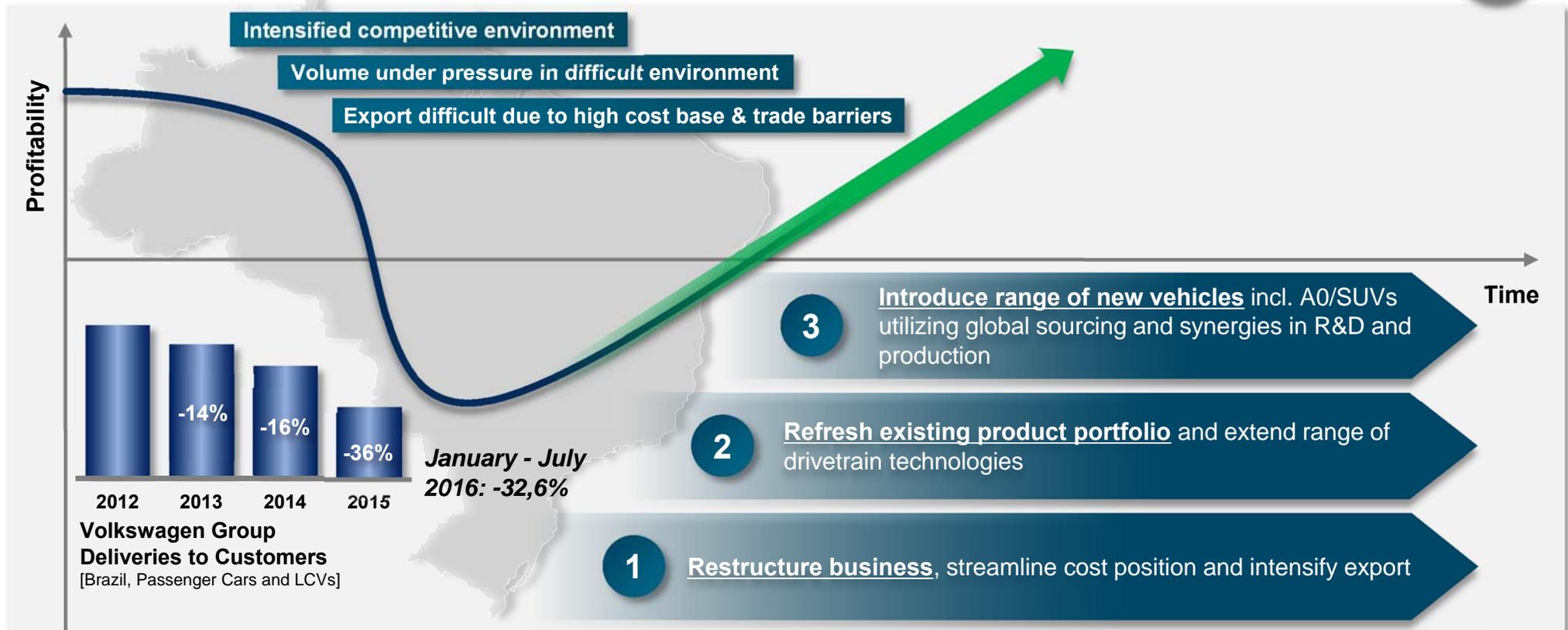
Close cooperation going forward

VOLKSWAGEN TRUCK & BUS



Caminhões
Ônibus

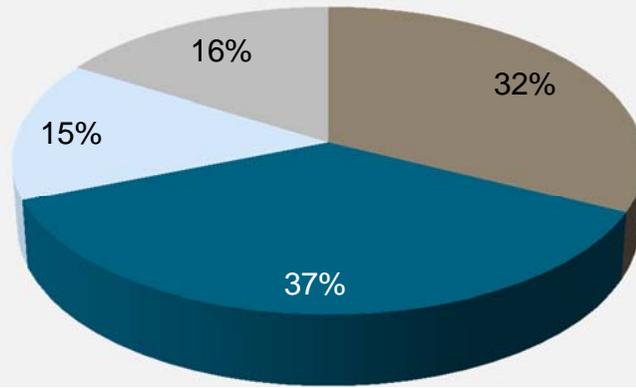
Product innovation and cost reduction are the key pillars of Volkswagen's strategy to cope with challenges in emerging markets



US market segmentation and trends offer potential as Volkswagen Group's model portfolio will be renewed and extended



Total market segmentation ytd 2016



■ Sedan ■ SUV ■ Pick-Up ■ Other

Segment	Market share ytd '16 (%)	Δytd '16 vs '15 (%)
Sedan	32	-6 ▼
Hatchback	5	-17 ▼
Coupe	2	-10 ▼
Wagon	1	-4 ▼
Cabrio/Roadster	1	-13 ▼
SUV	37	+8 ▲
Pick-Up	15	+7 ▲
MPV	4	+17 ▲
Transporter	3	+15 ▲
City Van	0	+74 ▲

Total volume ytd 2016: 10,167k units
Source: Autodata 8/3/2016 (figures are rounded)

Volkswagen Group's recently launched and upcoming models...



Q7

A4

R8

Golf Alltrack

Midsize SUV

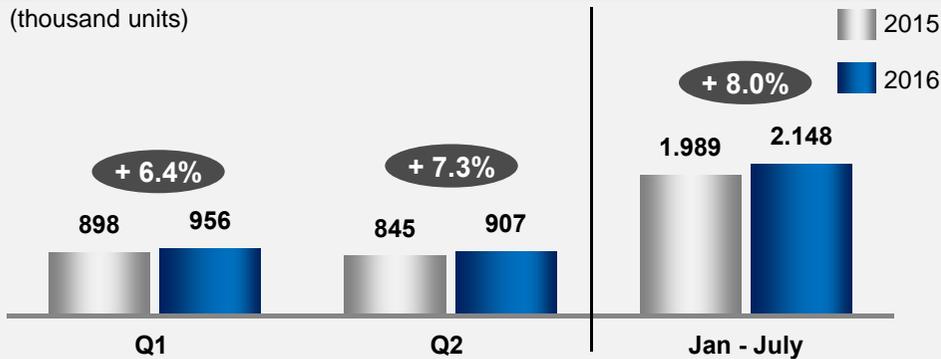
Q5

Tiguan

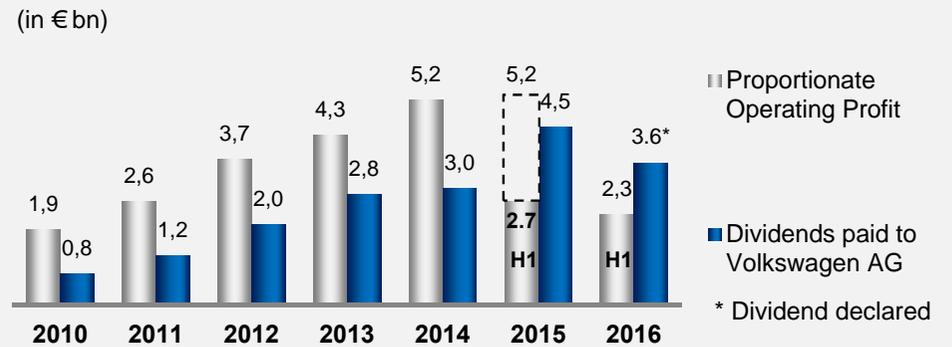
Deep roots and strong market position combined with further growth potential continues robust performance in China



Deliveries to customers – strong Jan-July 2016



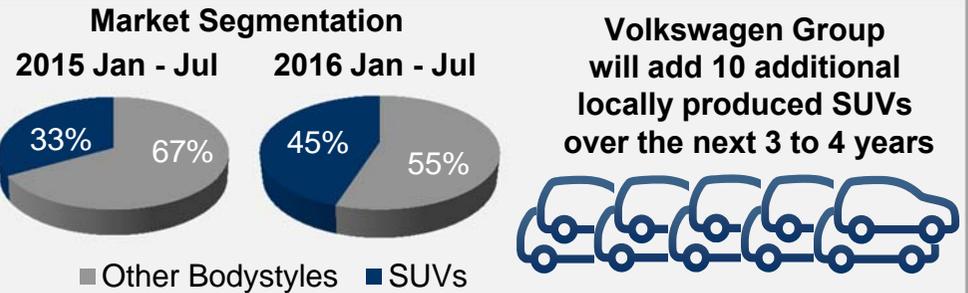
Strong operational & financial track record



Localization of New Electric Vehicles



Significant extension of SUV portfolio

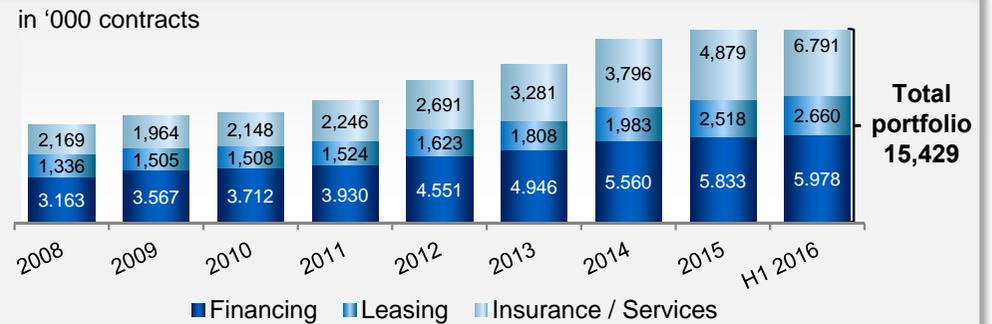


Volkswagen Financial Services¹⁾: global, well diversified and successful

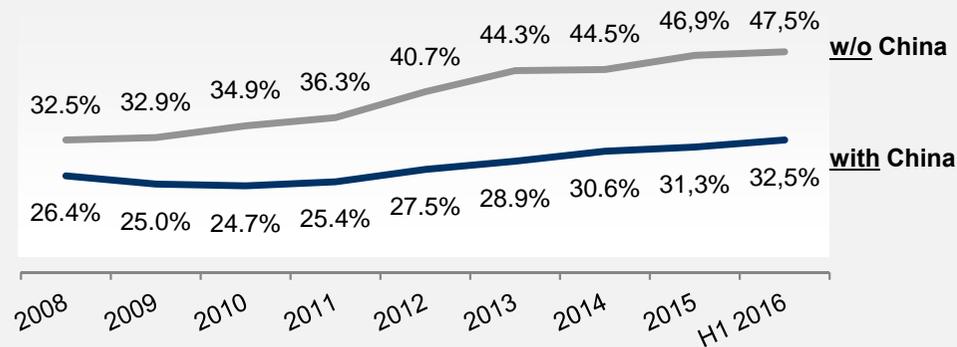
Strong global presence



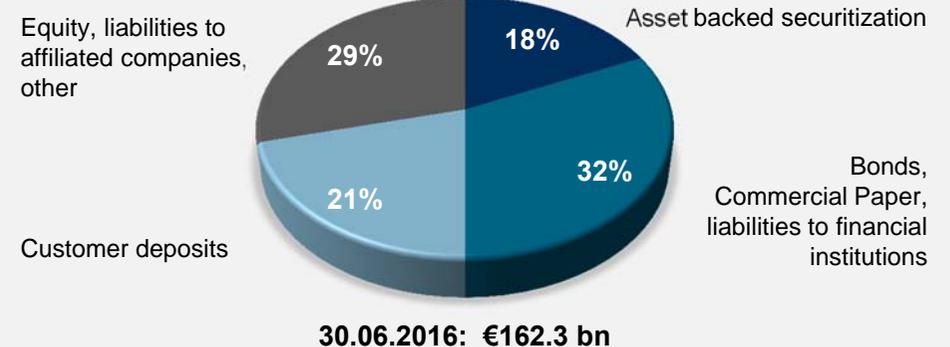
Continuous portfolio expansion



Rising penetration rates



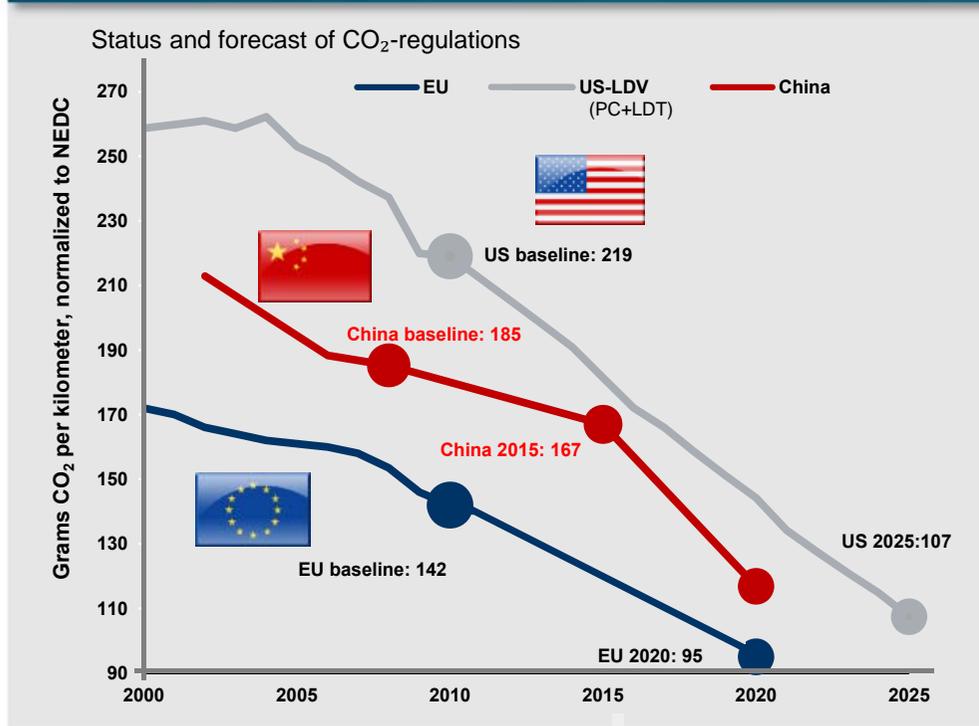
Diversified funding structure



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

Challenging emission regulations, trends and business transformation opportunities

... CO₂ and EU6 regulations



Source: based on ICCT

... Market / consumer trends

Digitalization



Shorter lifecycles



E-mobility



SUV trend



Automated driving

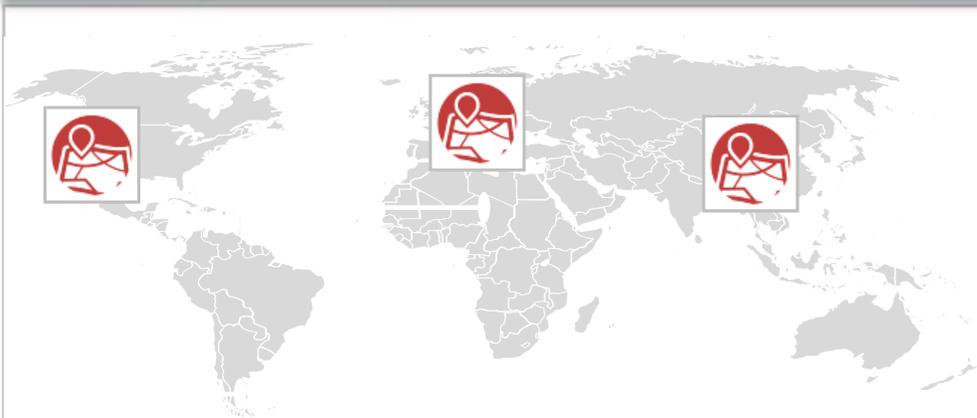


Shift in priorities



Volkswagen is making digital transformation a top priority concentrating on digitalization and autonomous driving

Volkswagen Group Future Centers



- **Three new Volkswagen Group Future Centers** in Silicon Valley, Potsdam and Beijing
- **Approach:** designers and digitalization experts work hand in hand to create the car of the future
- **Goal:** best in class customer experience, interface design and user friendliness, new interior concepts, integration of infotainment and entertainment systems

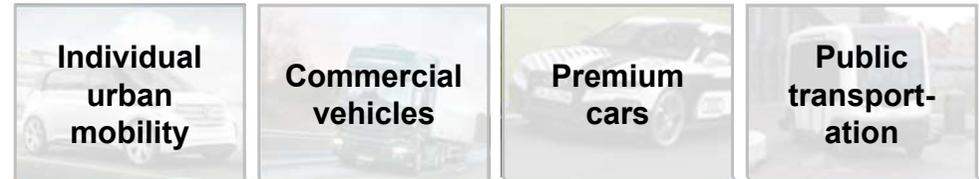
Autonomous driving

- 91% of accidents caused by human error → reduce number of accidents
- People spend more than 4 years of their life in the car on average → make that time usable for the driver
- Huge potential for trucks → significantly higher productivity
- Car parked most of the day → customer achieves best return on investment by fully utilizing the car
- Infrastructure limited → has to be used more efficiently

20th Century: Engine is the core of the automobile

21st Century: Self-driving system is the core of the automobile

Top fields of use



Group is building on strong knowledge base – initiative started to get to market ahead of competitors

Modular toolkits – Brand responsibilities

MQB



MLB



Audi



MSB



PORSCHE



MNB



Commercial
Vehicles



MMB



PORSCHE



MEB



**Modular
Transverse
Toolkit**

**Modular
Longitudinal
Toolkit**

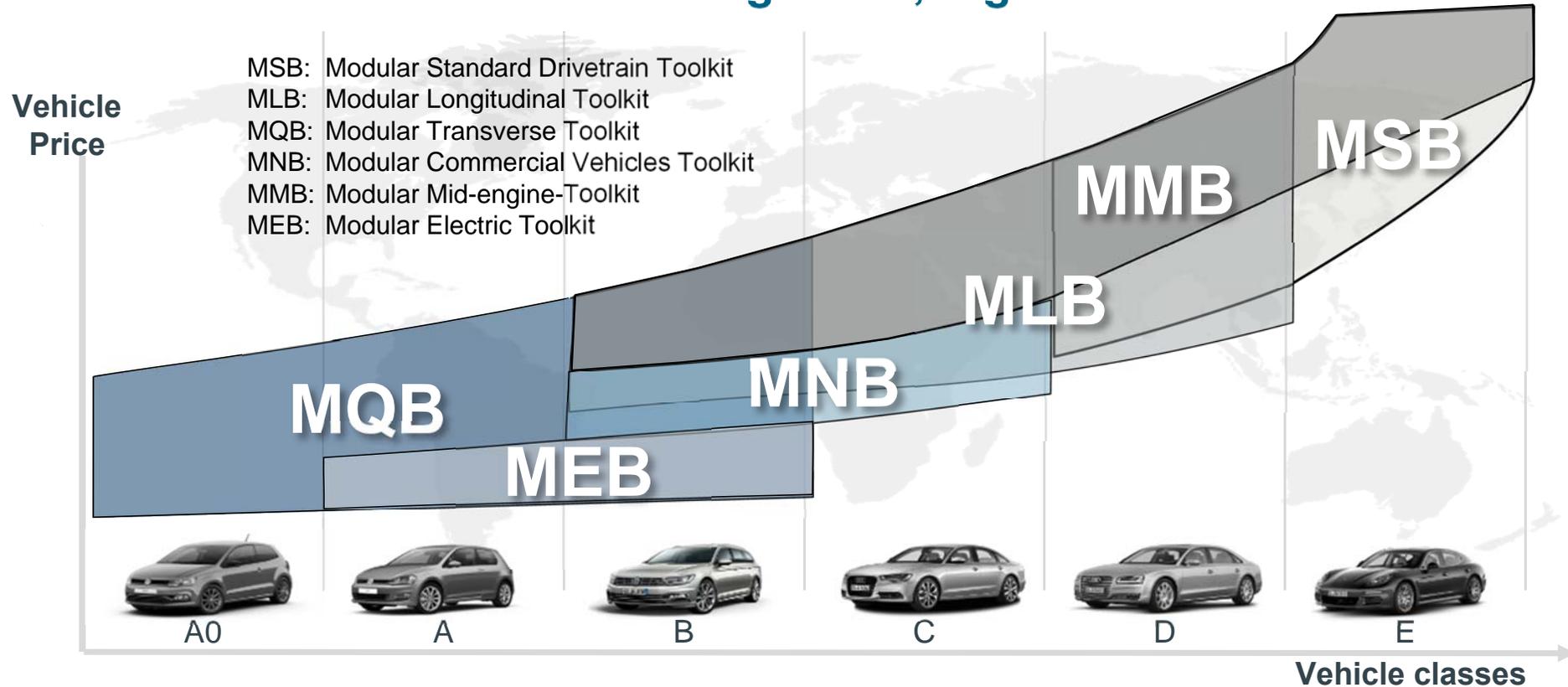
**Modular Standard
Drivetrain
Toolkit**

**Modular Light
Commercial
Vehicle Toolkit**

**Modular
Mid-engine
Toolkit**

**Modular
Electric
Toolkit**

Modular toolkits offered across segments, regions and brands



Continuous Roll-out of Toolkit Strategy across Segments, Regions & Brands

We are working on the key trends in our industry ...

 **Digitalization**

 **Sustainability**

 **Connectivity**

 **Smart mobility**

 **E-mobility**

 **Autonomous driving**

**Strategy
2025**

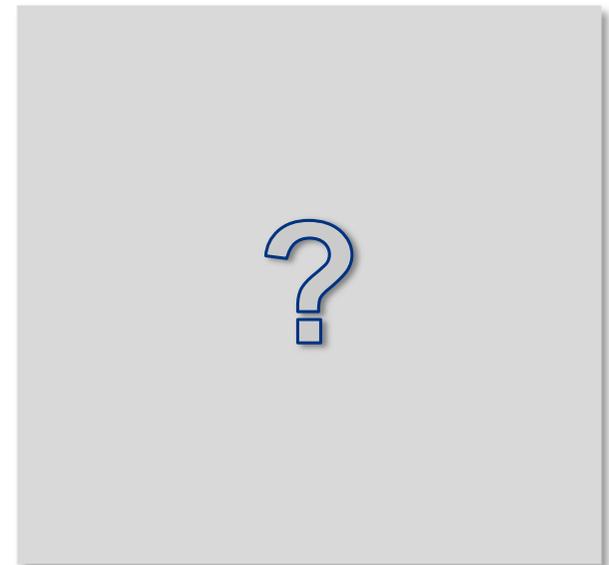
Volkswagen – On the road to providing integrated mobility solutions



Global ride hailing provider



US freight trucking market





**“Together, we will create
a new Volkswagen
and play a key role in designing
the mobility world
of tomorrow”**

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VOLKSWAGEN
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Volkswagen Group Appendix

Rating Volkswagen Group

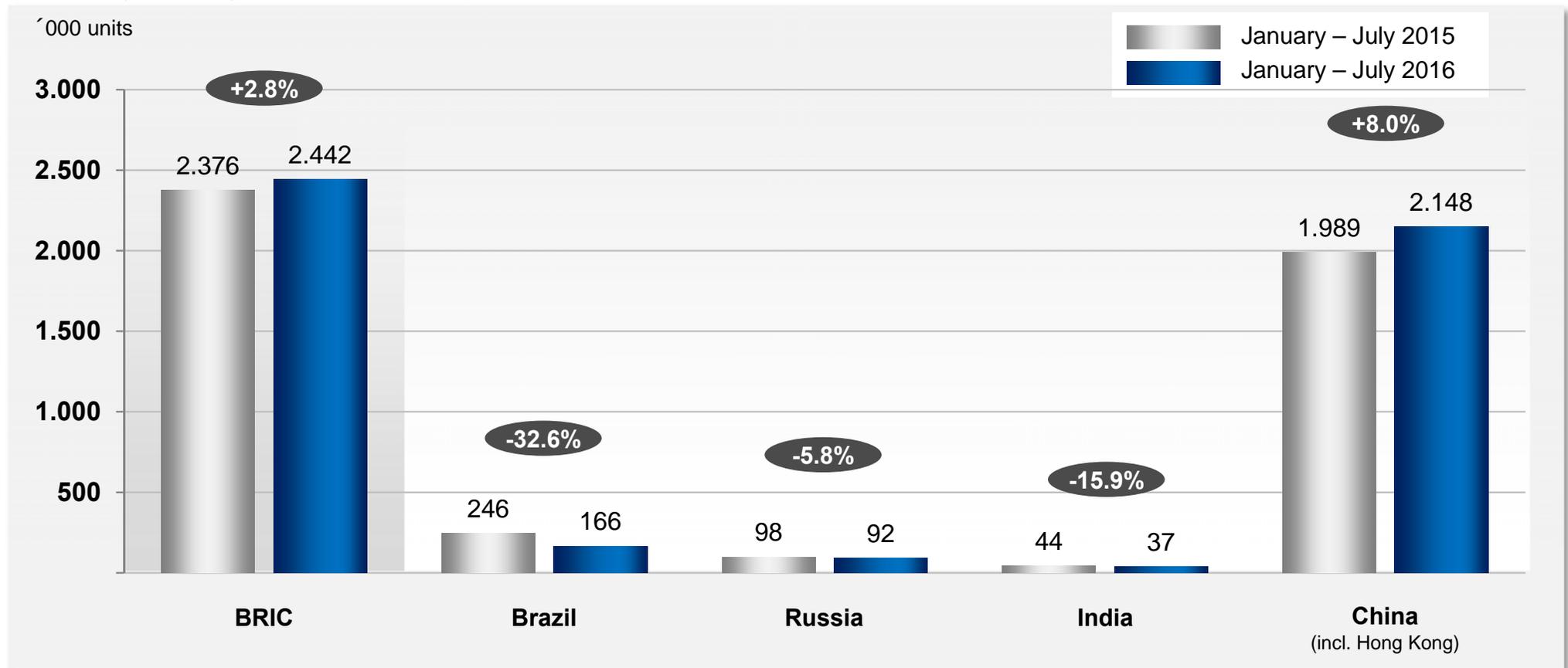
		MOODY'S		 STANDARD & POOR'S RATINGS SERVICES McGRAW HILL FINANCIAL	
Investment grade	Aaa			AAA	
	Aa1			AA+	
	Aa2			AA	
	Aa3	Volkswagen Bank GmbH (N)		AA-	
	A1			A+	
	A2	VW FS AG (N)		A	
	A3	Volkswagen AG (N)		A-	Volkswagen Bank GmbH (N)
	Baa1			BBB+	Volkswagen AG (N), VW FS AG (N)
	Baa2			BBB	
Baa3			BBB-		
Subinvestment grade	Ba1			BB+	
	Ba2			BB	
	Ba3			BB-	
	B1			B+	
	B2			B	
	- - -			B- - -	

Outlook -> (P)ositive, (S)table, (N)egative, **RfD** = Ratings under review for Downgrade, **RfU** = Ratings under review for Upgrade

as of: August 4th, 2016

Volkswagen Group – Deliveries to Customers BRIC-Markets¹⁾

(January to July 2016 vs. 2015)



Volkswagen Group – Key financial figures¹⁾

(January to June 2016 vs. 2015)

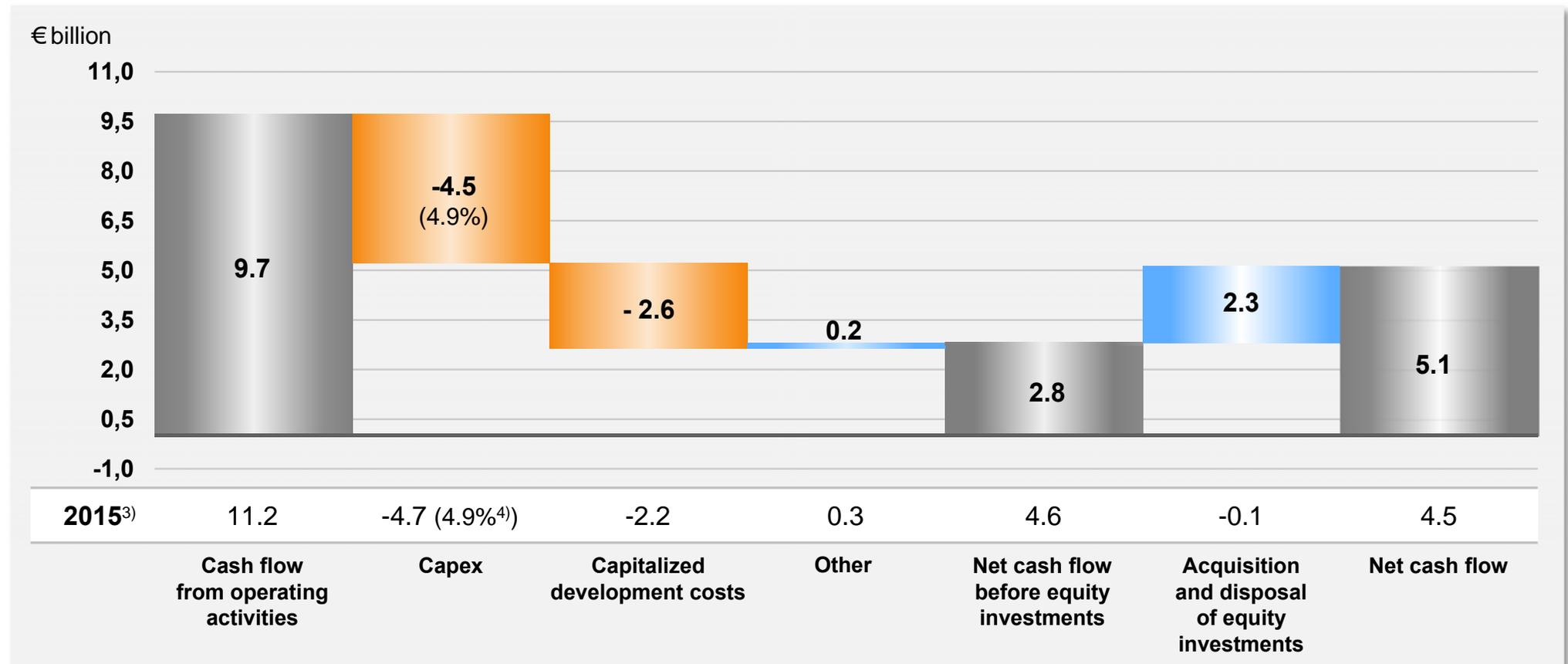
thousand vehicles / € million	2016	2015	+/- (%)
Vehicle Sales ²⁾	5,199	5,090	+2.1
Sales revenue	107,935	108,776	-0.8
Operating profit before special items	7,517	6,990	+7.5
<i>% of sales revenue</i>	7.0	6.4	
Operating profit	5,339	6,820	-21.7
<i>% of sales revenue</i>	4.9	6.3	
Financial result	-528	843	x
of which: At-equity result ²⁾	1,715	2,241	-23.5
of which: Other financial result	-2,243	-1,397	60.6
Profit before tax	4,810	7,664	-37.2
<i>% Return on sales before tax</i>	4.5	7.0	
Profit after tax	3,579	5,663	-36.8

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⁾ Volume data including the unconsolidated Chinese joint ventures. The joint venture companies in China are accounted for using the equity method and recorded an operating profit (proportionate) of €2,366 million (€2.744 million).

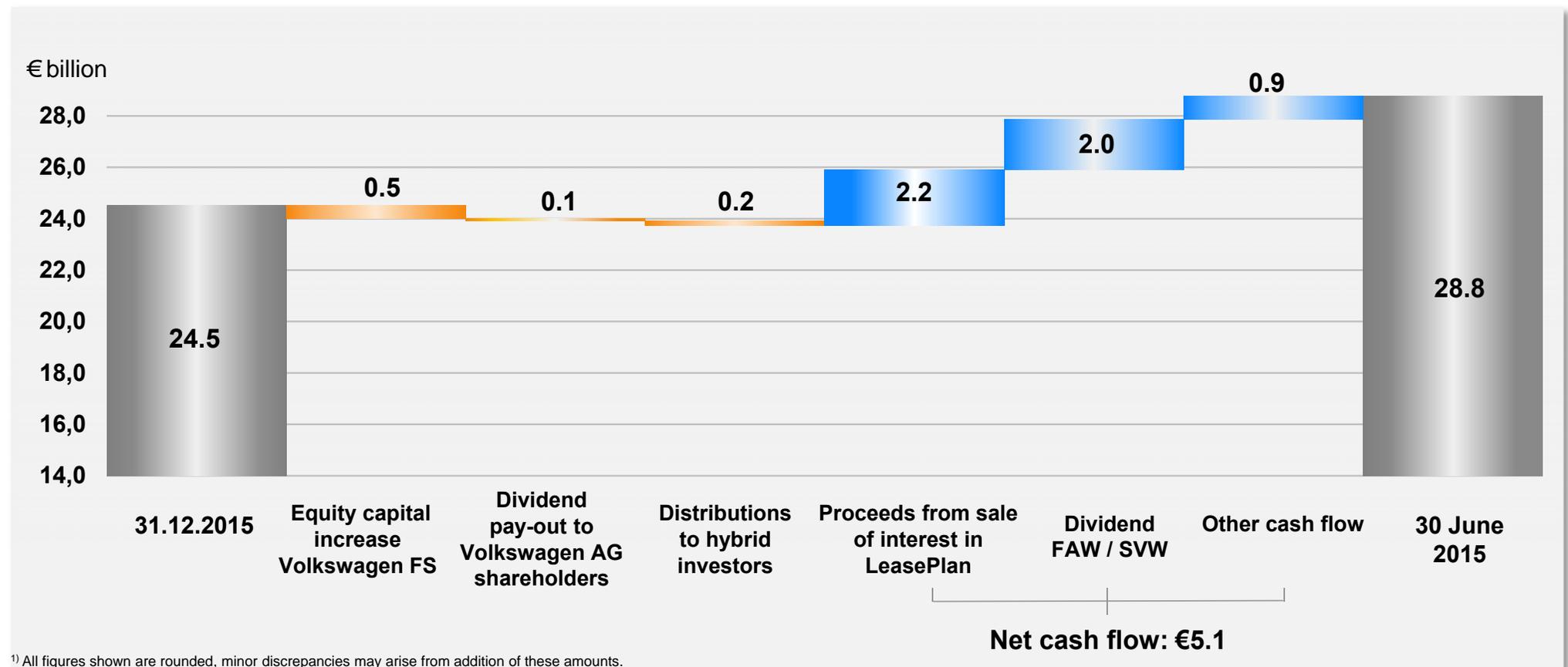
Automotive Division – Strong cash generation^{1) 2)}

(January to June 2016)



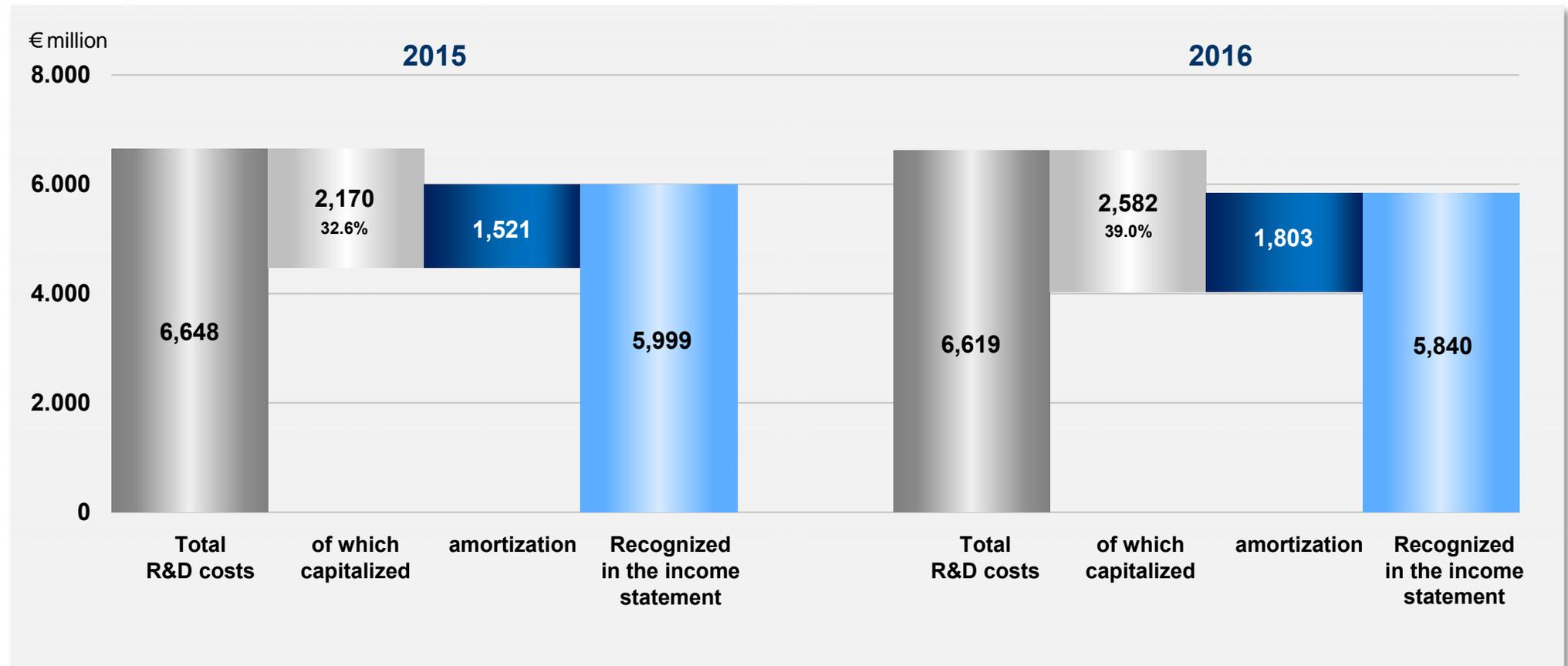
¹⁾ All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ²⁾ Including allocation of consolidation adjustments between Automotive and Financial Services divisions. ³⁾ prior- year figures adjusted ⁴⁾ Capital expenditure for property, plant and equipment in% of Automotive sales revenue.

Automotive Division – Analysis of net liquidity¹⁾



Automotive Division – Research and Development Costs

(January to June 2016 vs. 2015)



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AKTIENGESELLSCHAFT

Volkswagen Beetle Dune



VOLKSWAGEN
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Audi A5 Coupé



VOLKSWAGEN
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people

Volkswagen Group

Frank Witter

Member of the Board of Management, Finance and Controlling

Commerzbank Sector Conference 2016, Frankfurt, 31st of August 2016