

VOLKSWAGEN

AKTIENGESELLSCHAFT



moving
people

Volkswagen Group

Frank Witter

Member of the Board of Management, Finance and Controlling
Evercore ISI Roadshow, London, 4th of May 2016

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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.

We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superceded.

This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.

2015 highlights (I): Strong brands, consistent profit drivers



Audi

Sales record in hotly contested premium segment



PORSCHE

New records in deliveries, sales revenue and profit

ŠKODA



Stronger than ever in anniversary year

VOLKSWAGEN FINANCIAL SERVICES
THE KEY TO MOBILITY

Record contribution to Group profit

2015 highlights (II): Strong in Europe, robust in China



Western Europe



China

Core statements

Fiscal year 2015 in particular dominated by special items resulting from the diesel issue:

- ✓ Sales revenue rises by 5.4% to €213.3 billion; positive effects from mix, exchange rates and Financial Services
- ✓ Operating result excluding the special items was on a level with the previous year at €12.8 billion (€12.7 billion)
- Operating result including the special items declined sharply to €-4.1 billion

Special items of €16.9 billion in operating result:

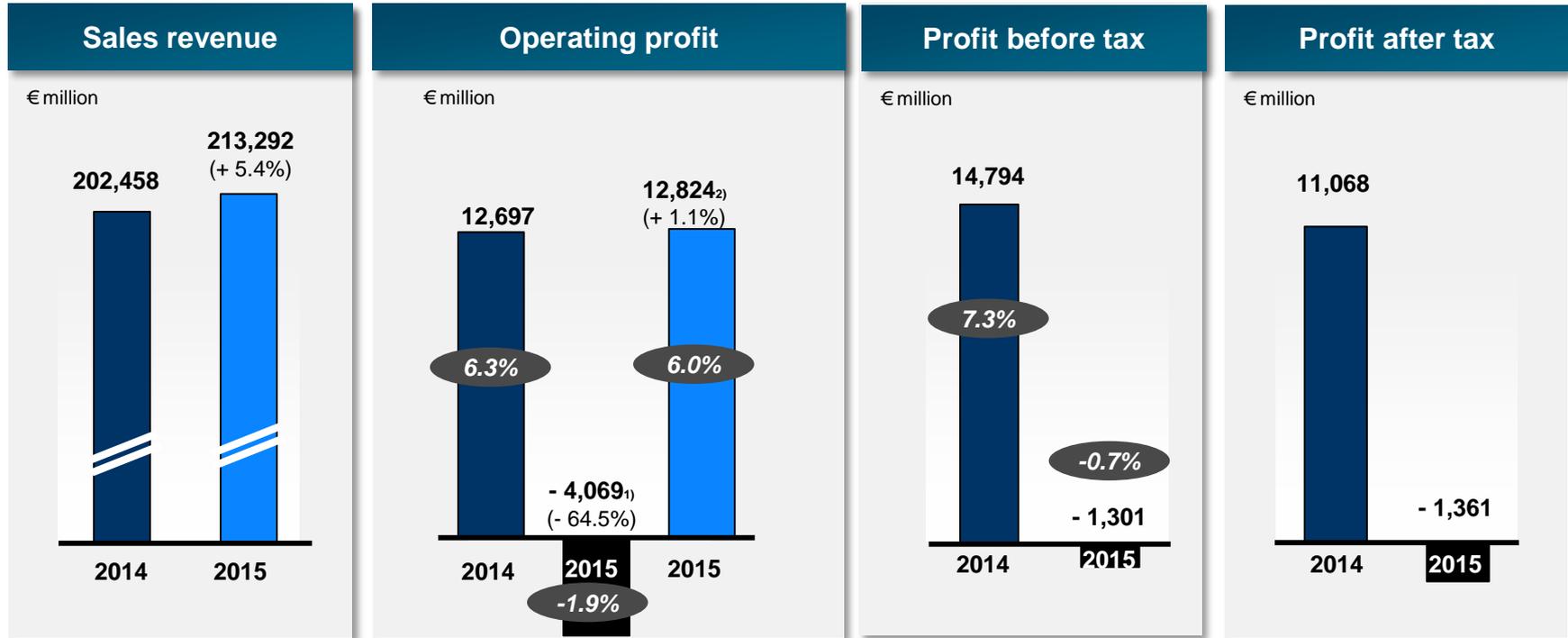
- ✓ Diesel issue: All known risks are covered in particular technical measures planned for the diesel engines affected, repurchases and legal risks result in exceptional charges of €16.2 billion
- Restructuring expenses in the area of commercial vehicles and in the passenger cars area in South America of €0.2 billion respectively

Solid liquidity position:

- ✓ Net liquidity of the Automotive Division increases to €24.5 billion (€17.6 billion)
- ✓ Successful placement of hybrid notes (€2.5 billion)
- Dividend proposal for fiscal year 2015: €0.11 per ordinary share and €0.17 per preferred share

Financial Highlights – Volkswagen Group

(January to December 2015 vs. 2014)



1) After Special items
2) Before Special items

x.x%

Operating profit / profit before tax in % of sales revenue

Income Statement

€ million	January - December			
	2014	%	2015	%
Sales revenue	202,458	100.0	213,292	100.0
Cost of sales	- 165,934	- 82.0	- 179,382	- 84.1
Gross profit	36,524	18.0	33,911	15.9
Distribution expenses	- 20,292	- 10.0	- 23,515	- 11.0
Administrative expenses	- 6,841	- 3.4	- 7,197	- 3.4
Net other operating result	3,306	1.6	- 7,267	- 3.4
Operating result	12,697	6.3	- 4,069	- 1.9
Financial result	2,097	1.0	2,767	1.3
Earnings before tax	14,794	7.3	- 1,301	- 0.6
Income tax expense	- 3,726	- 1.8	- 59	- 0.0
Earnings after tax	11,068	5.5	- 1,361	- 0.6
Earnings attributable to noncontrolling interests	84	0.0	10	0.0
Earnings attributable to Volkswagen AG hybrid capital investors	138	0.1	212	0.1
Earnings attributable to Volkswagen AG shareholders	10,847	5.4	- 1,582	- 0.7

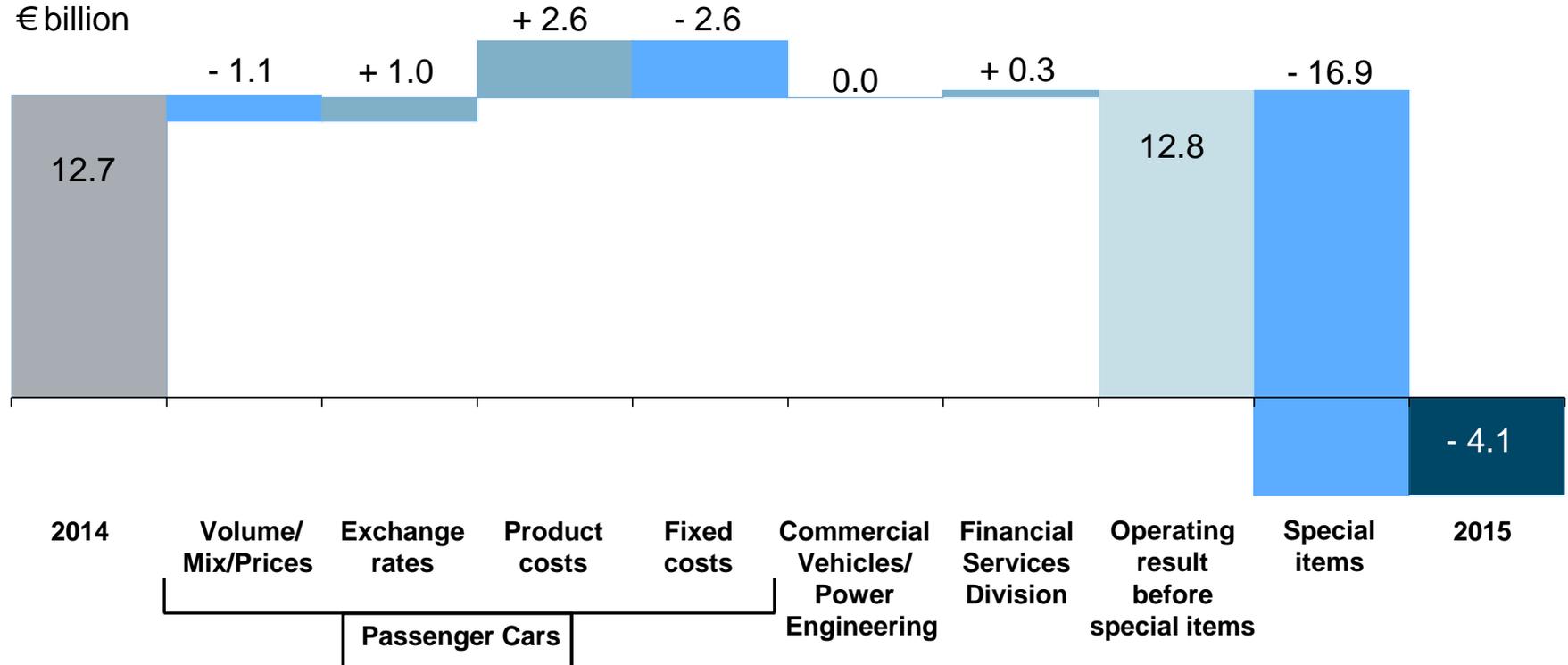
Operating Profit - by Brand and Business Field

€ million	January - December		Change	
	2014	2015	absolute	in %
Volkswagen Passenger Cars	2,476	2,102	- 374	- 15.1
Audi	5,150	5,134	- 16	- 0.3
ŠKODA	817	915	98	11.9
SEAT	- 127	- 10	117	92.0
Bentley	170	110	- 59	- 34.9
Porsche ¹⁾	2,718	3,404	686	25.2
Volkswagen Commercial Vehicles	504	382	- 122	- 24.2
Scania ¹⁾	955	1,027	71	7.5
MAN	384	277	- 107	- 27.9
Other ²⁾	- 2,052	- 2,437	- 385	- 18.8
Volkswagen Financial Services	1,702	1,921	219	12.9
Volkswagen Group before special items	12,697	12,824	127	1.0
Special items	-	- 16,893	- 16,893	xx
Volkswagen Group³⁾	12,697	- 4,069	- 16,766	xx
Automotive Division ⁴⁾	10,780	- 6,305	- 17,085	xx
<i>of which: Passenger Cars</i>	9,835	- 7,013	- 16,849	xx
<i>Commercial Vehicles/Power Engineering</i>	945	709	- 236	- 25.0
Financial Services Division	1,917	2,236	319	16.6

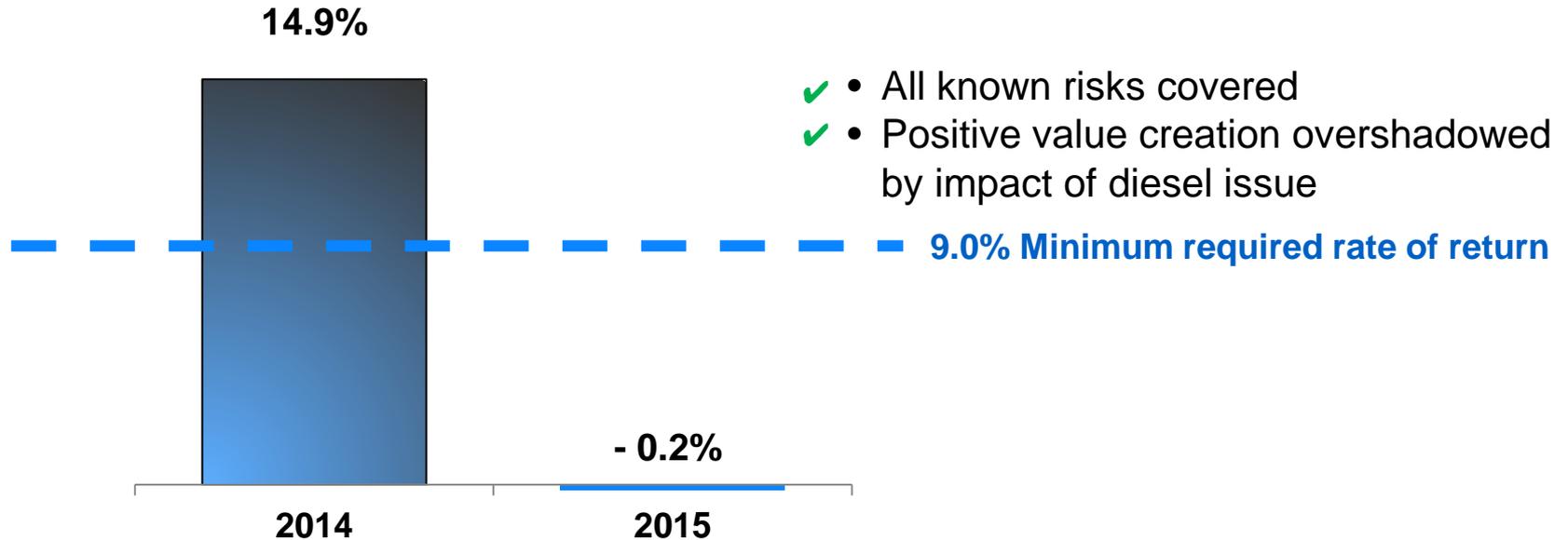
¹⁾ Including financial services. ²⁾ Mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of the purchase price allocations. ³⁾ The sales revenue and operating result of the joint venture companies in China are not included in the figures for the Group. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €5,214 million (€5,182 million). ⁴⁾ Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

Change in Operating Profit

€ billion

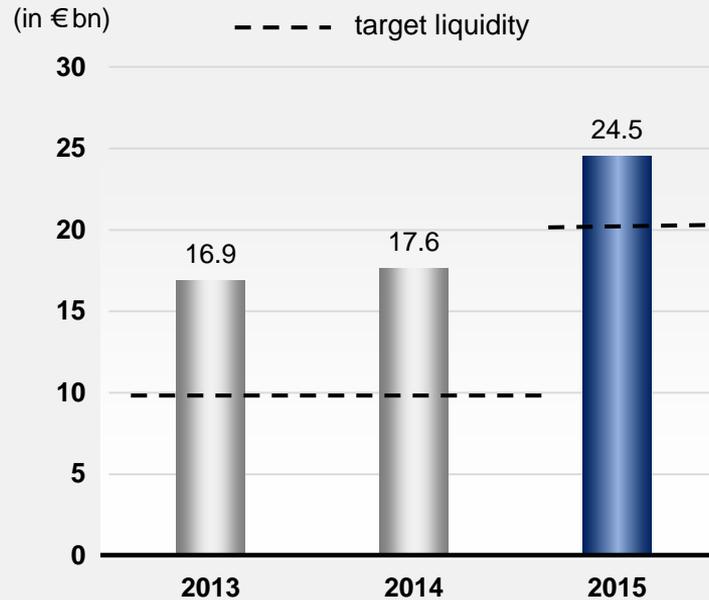


Automotive Division Return on Investment (ROI) after Tax



Volkswagen Group – Generating cash and robust financial position

Automotive Division - Net Liquidity



Funding programs as of 31 December 2015

(in € bn)

Money and Capital Markets

	Utilization
Commercial Papers	4.6
Medium Term Notes / Bonds	58.9
<i>thereof: Hybrid Bonds</i>	7.5
ABS ²⁾	29.4

Borrowings

Committed Lines	6.2
Uncommitted Lines	9.8
Supranationals, development banks, government, other	11.9
Direct Banking Deposits	23.5
Total Amount	141.4

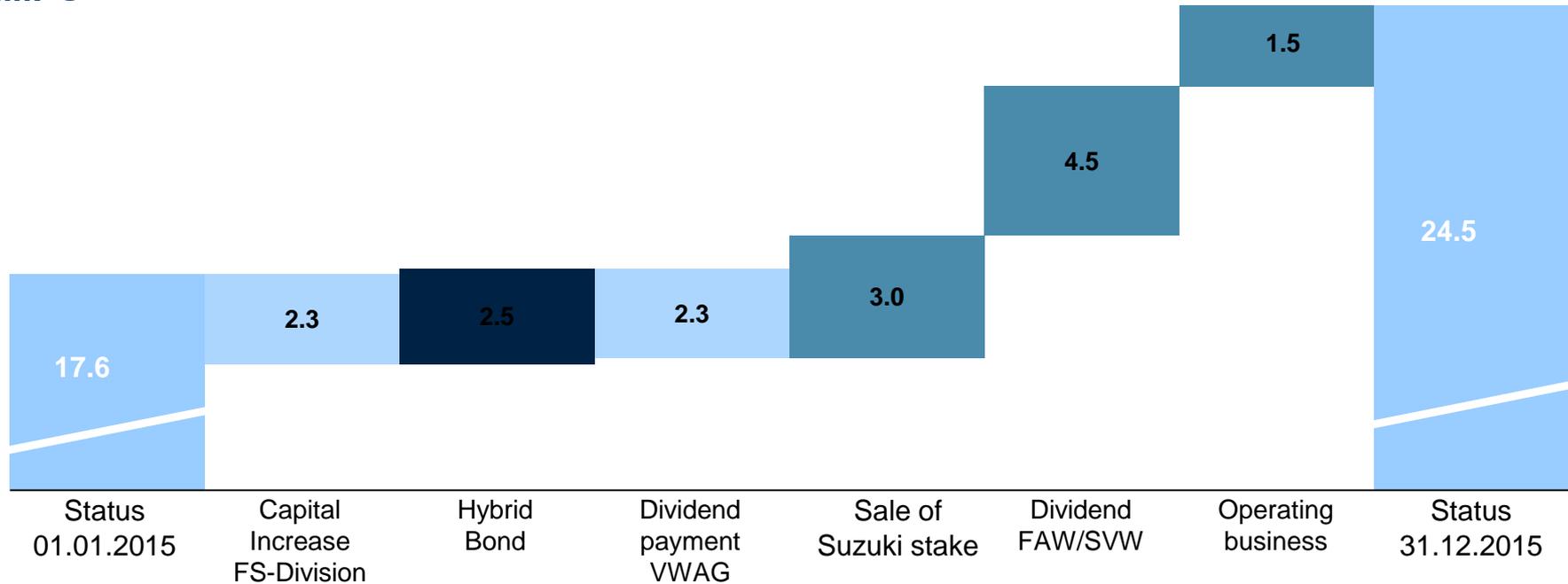
Bridge facility

up to €20 bn

²⁾ Including Porsche, MAN

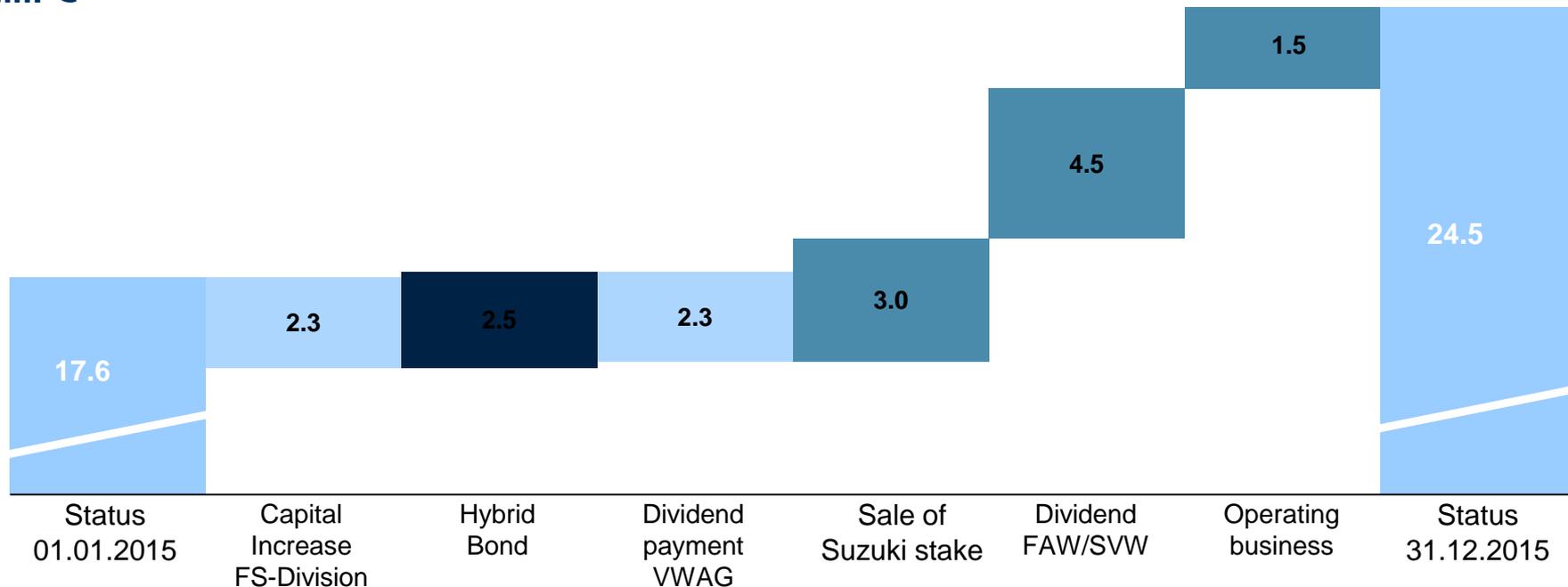
Net Liquidity in Automotive Division, January – December 2015

Mil. €



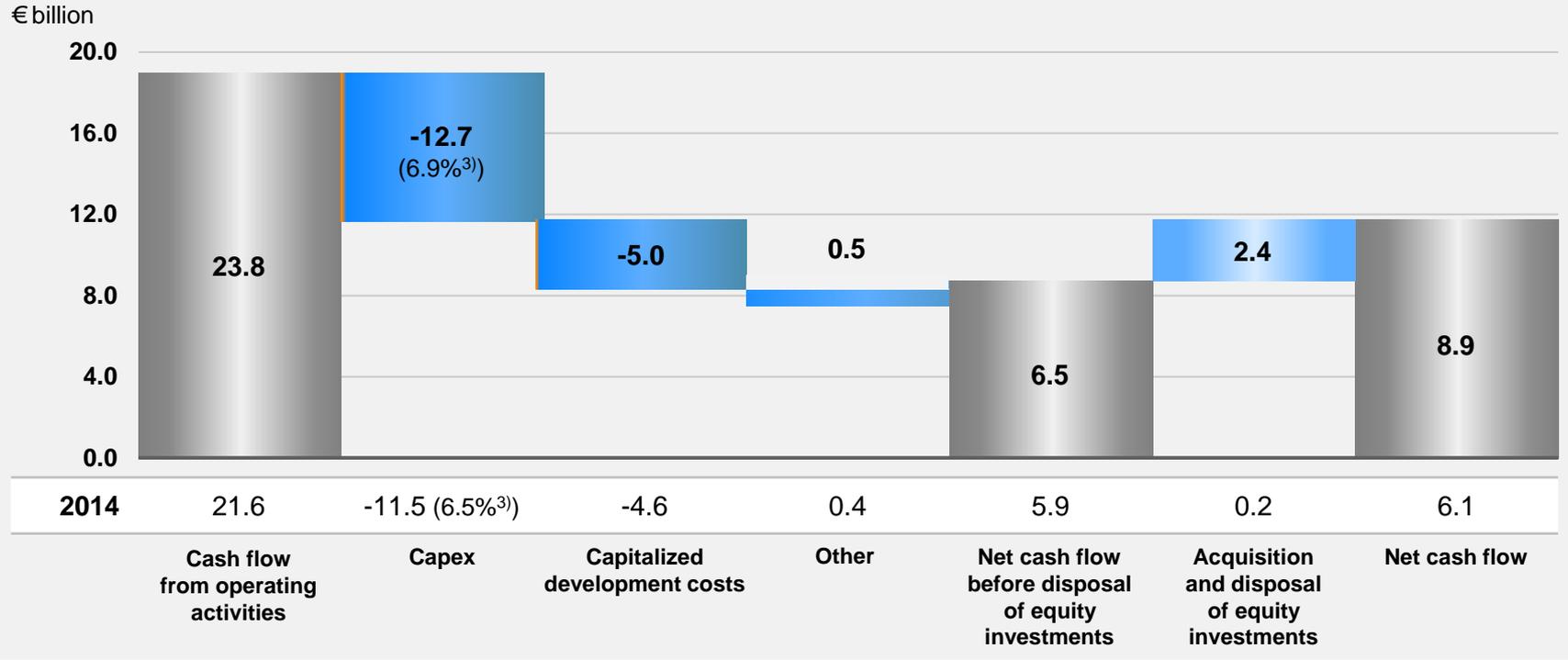
Net Liquidity in Automotive Division, January – December 2015

Mil. €



Automotive Division – Strong Cash Generation^{1) 2)}

(January to December 2015)



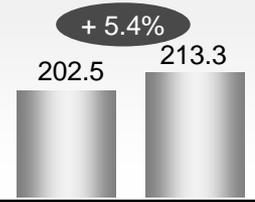
¹⁾ All figures shown are rounded, minor discrepancies may arise from addition of these amounts. ²⁾ Including allocation of consolidation adjustments between Automotive and Financial Services divisions. ³⁾ Capital expenditure for property, plant and equipment in % of Automotive sales revenue.

Volkswagen Group – Outlook for 2016

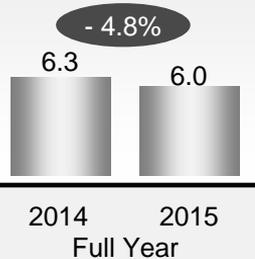
Deliveries to customers (‘000 vehicles)



Sales revenue (€ billion)



Operating return on sales (before special items) (%)



Deliveries to customers

stable at high level



Sales revenue

up to 5% below prior year



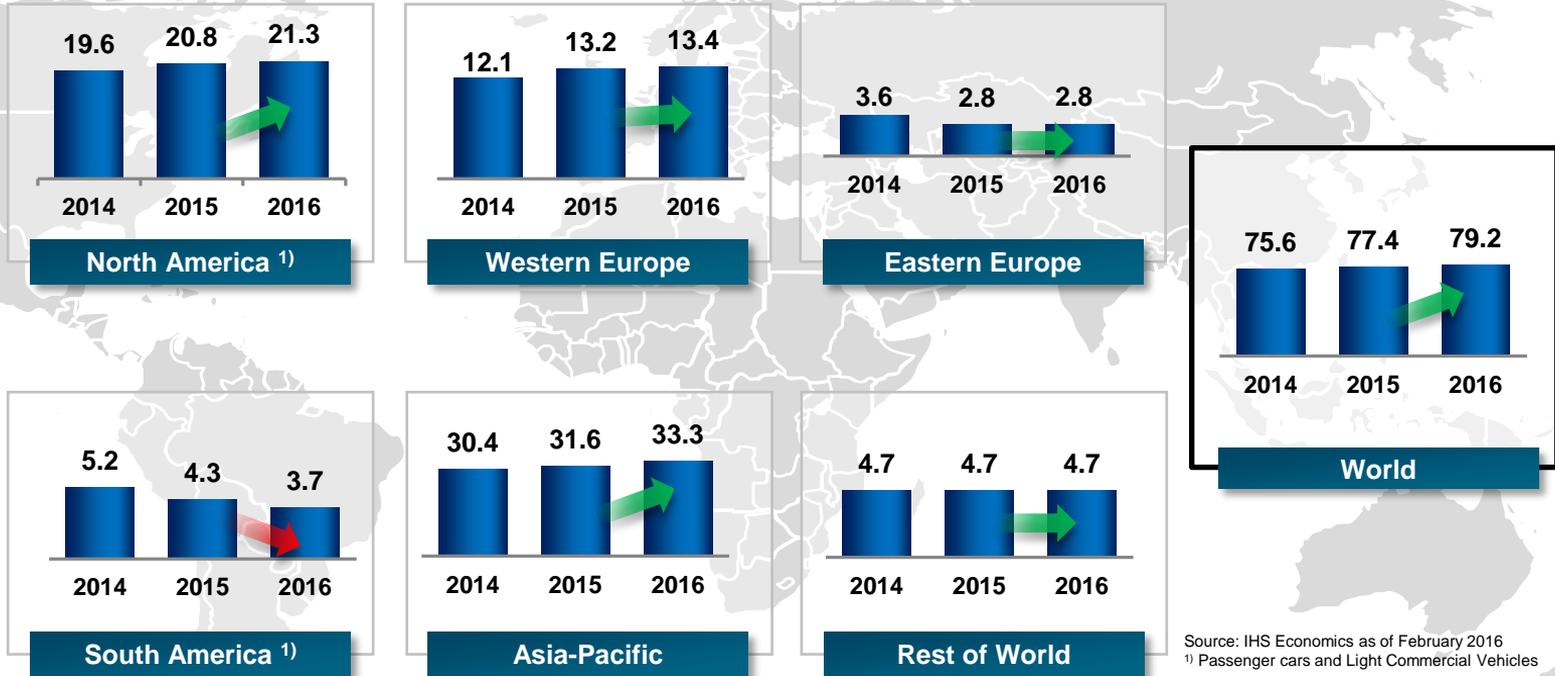
Operating return on sales

between 5.0% and 6.0%

Volkswagen Group – Outlook for 2016

- We are operating in an exceedingly challenging environment in which global demand for new vehicles is declining, exchange rates and interest rates remain highly volatile and competition in many of our markets is intensifying
- The extensive clarification of the emission issue will also be a dominant feature for the Volkswagen Group
- **Volkswagen Group sales revenue down as much as 5% on 2015**
- **Group operating result between 5% and 6%**
- **Financial Services Division, sales revenue and operating profit at the prior-year level**
- Disciplined cost and investment management and the continuous optimization of our processes are integral elements of the Volkswagen Group's strategy
- Further details – KPIs – available in 2025 strategy (mid-year)

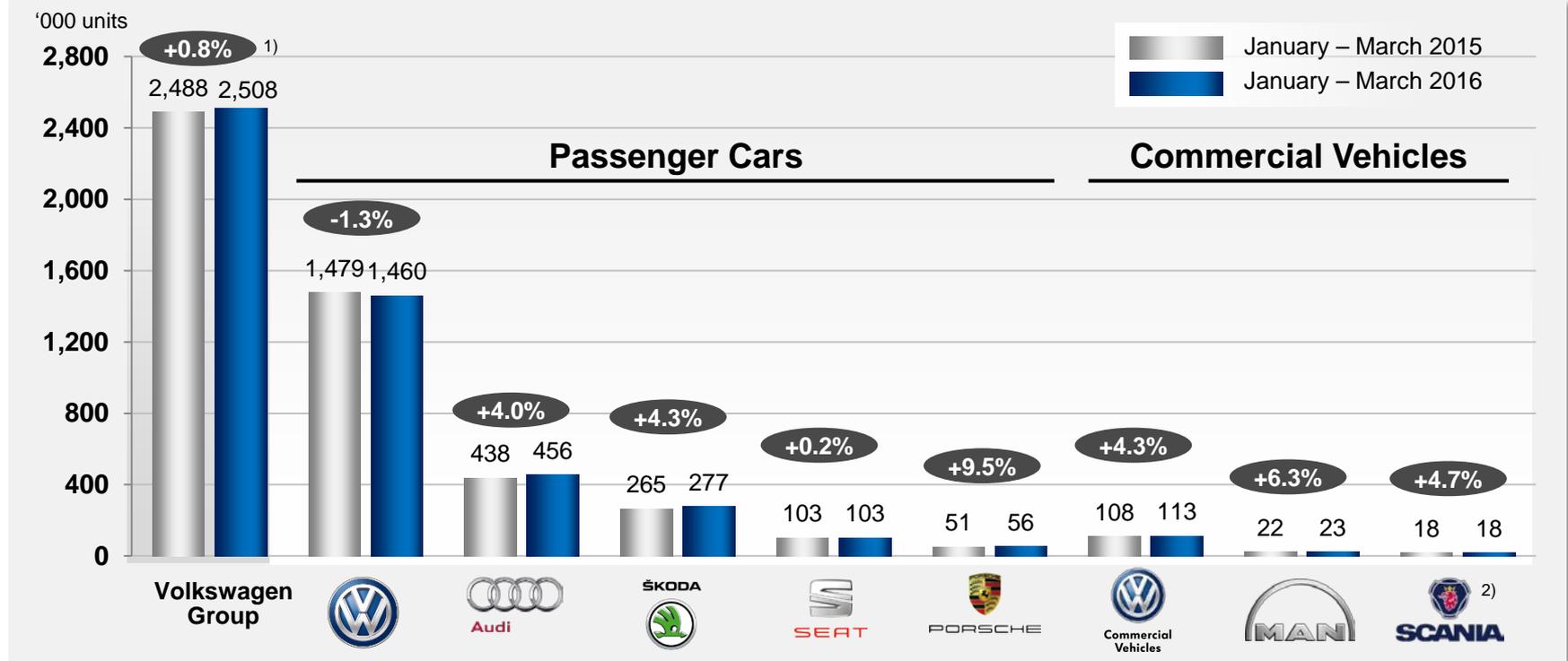
Passenger car market forecast 2016 – overall growth expected (in million units)



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

Volkswagen Group – grew deliveries in Q1 2016

(January to March 2016 vs. 2015)



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 "Strategy 2025" proceeding to plan
- Priorities and objectives to be presented mid-year as announced

How the NOx issue will be solved in the USA

EA189 2.0 I
(Gen 1):
~ 0.4m units

EA189 2.0 I
(Gen 2):
~ 0.1m units

EA288 2.0 I
(Gen 3):
~ 0.1m units



Diesel Status

- **Agreement in principle with US authorities:**
 - Dept. of Justice (Environmental Division)
 - Environmental Protection Agency (EPA)
 - California Air Resources Board (CARB)
 - Federal Trade Commission (FTC)
- Publication of Settlement by 21st June 2016
- Finalization of Settlement 26th July 2016

**Currently coordinating viable solution
concepts and time lines with the responsible
authorities EPA and CARB**

How the NOx issue will be solved in Europe

Diesel Status Europe (approved by KBA)

- Modifications started and effective

EA189 2.0 I (EU5): ~ 5.2m units

- Software fix only
- Working time ca 30 min.
- Fix started in Q1 2016



EA189 1.2 I (EU5): ~ 0.3m units

- Software fix only
- Working time ca 30 min.
- Fix starts in Q2 2016



EA189 1.6 I (EU5): ~ 3m units

- Soft- and Hardware fix required
- Working time < 1h
- Fix starts in Q3 2016



Q1

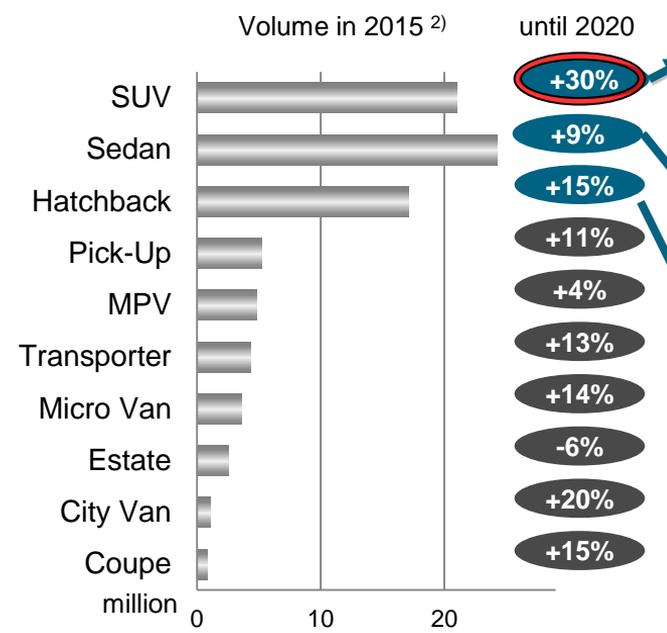
Q2

Q3

22

Product roadmap aligns with expected future market trends

Body group trends until 2020¹⁾



New models 2016 and to follow

SUV

Bentayga Tiguan Ateca Audi Q2 Skoda A+ SUV B-SUV Entry SUV Audi Q5

Sedan

A6L e-tron Panamera Phideon Magotan Voyage

Hatchback

A3 Leon Rapid (IND) Gol up!

Other

Beetle Amarok 911 Saveiro A5 Cayman Boxster

¹⁾ Source: IHS ²⁾ final figures

12 focus areas for a stronger Volkswagen Brand



NEW VOLKSWAGEN

- Volkswagen brand to develop to a mobility provider
- Electric, fully networked car as part of a complete ecosystem



CORPORATE CULTURE

- Board, management, staff to create modern corporate culture
- More responsibility, creativity and open exchange



POSITIONING

- Checking brand positioning in major markets and adapt product range



EFFICIENCY

- Strong focus in order to strengthen competitiveness
- e.g. large-scale launch of fast and fault free processes



STRATEGY HOUSE

- Successor of mach18 strategy
- Strategic planning strengthened (staff and organization)



REGIONAL STEERING

- Strengthen regional management and increase responsibility
- Regions will be given scope to make decisions



MARKETS OF OPPORTUNITY

- Special teams take care of better access in markets such as Asia, South America and Africa



COMMUNICATION

- Brand is establishing it's own communication
- Important to strengthen trust of customers, authorities and media



STRUCTURES

- Corporate responsibility strengthened
- New structures created



PROCESSES

- Accelerate decision making of management
- Reduce committees and bureaucracy, eradicate duplicate tasks



EXCELLENT LEADERSHIP

- Revamp management style
- New clearer mission statement focused on transparency, authenticity and openness

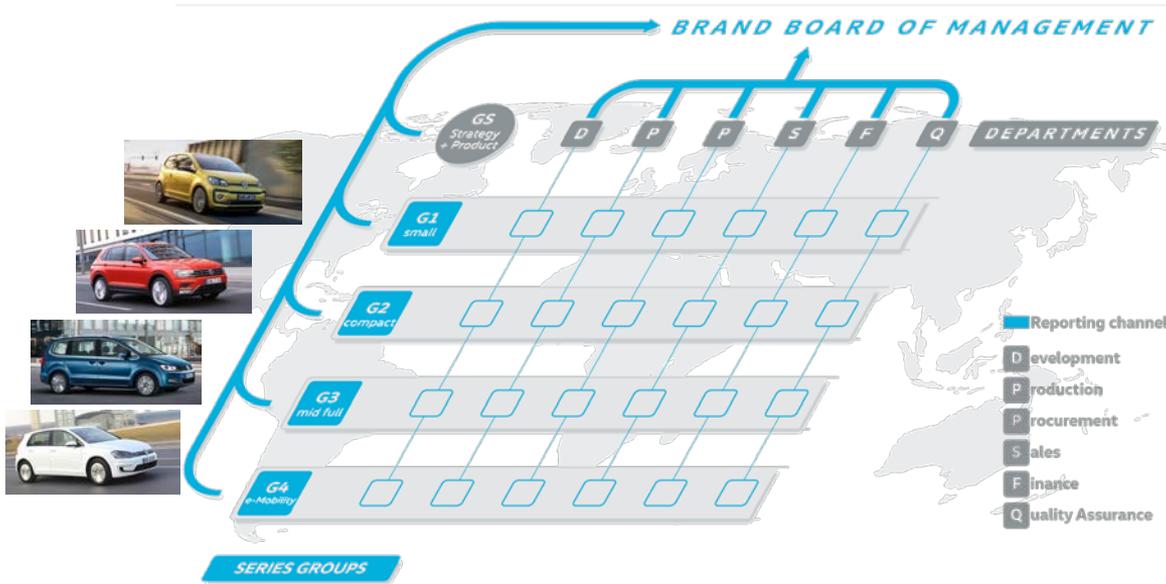


COSTS

- Scrutinize all costs and standards
- Thriftiness is imperative



More efficient and faster: New series organization – Example: Volkswagen brand



Nurtures big-picture entrepreneurial vision and results focus

Makes for significantly faster & leaner decision-making processes

Promotes teamwork and open mindedness

Improves overall process, especially at interfaces

Volkswagen brand vehicle development: bundling of competencies into four model series and pooling of responsibilities



Competencies bundled into four model series

Strategy division

- 1 Define lifecycles
- 2 Coordinate



Pooling responsibilities - entrepreneurial approach

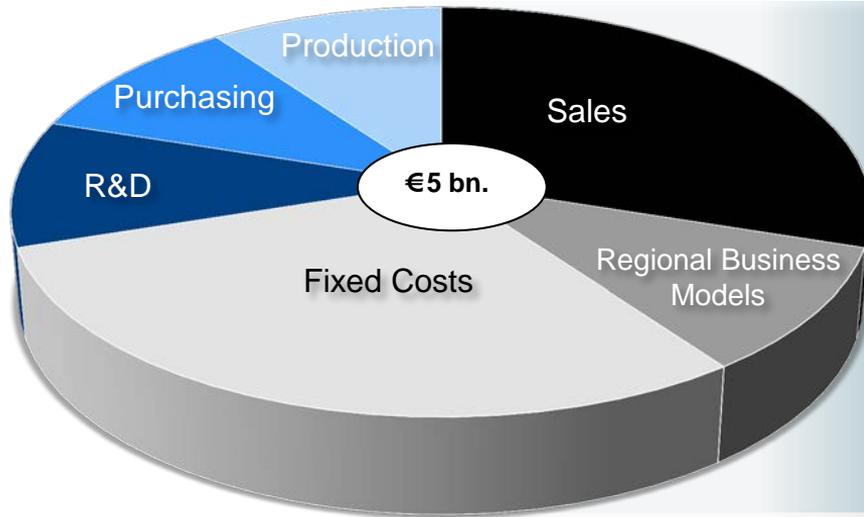


Core of “new Volkswagen” initiative

- Clear structures and responsibilities
- More time for workforce to focus on core tasks
- Strengthen personal responsibility, initiative and team spirit
- Stronger focus on profitability
- Acceleration of development



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

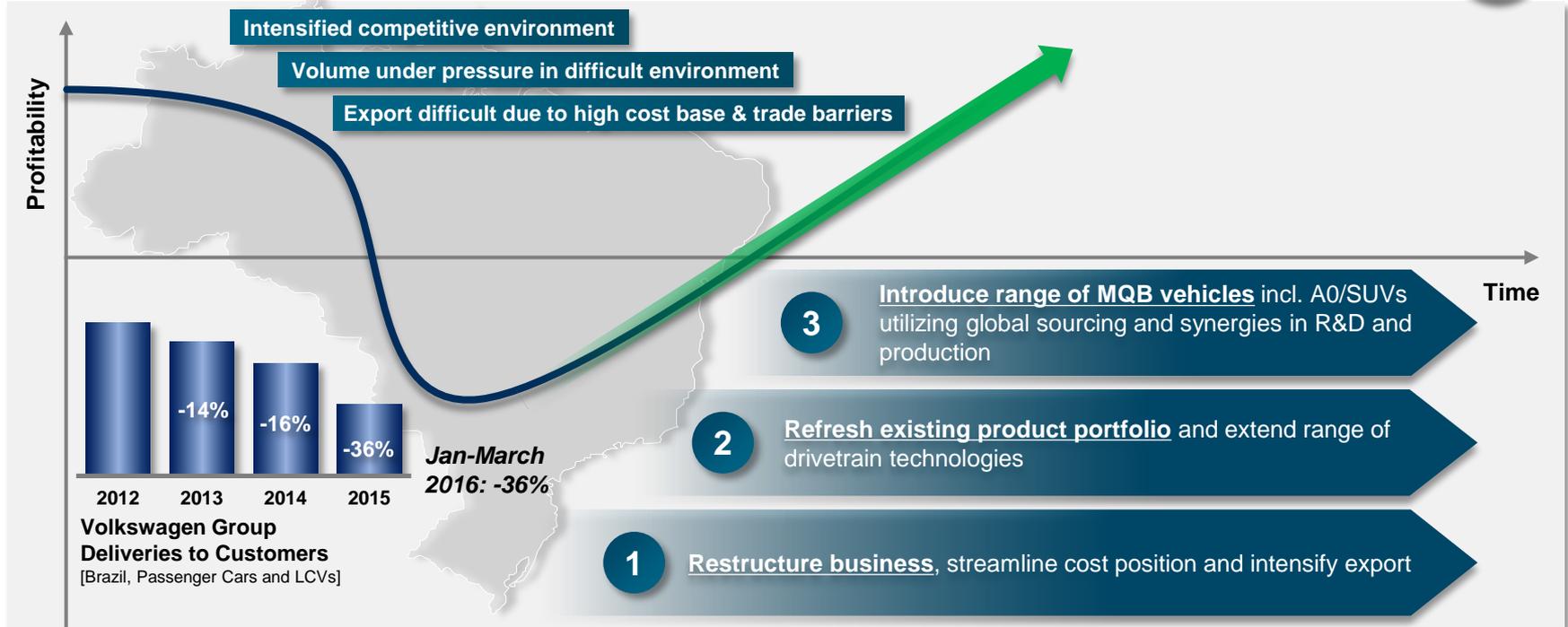
Close cooperation going forward

VOLKSWAGEN TRUCK & BUS



Caminhões
Ônibus

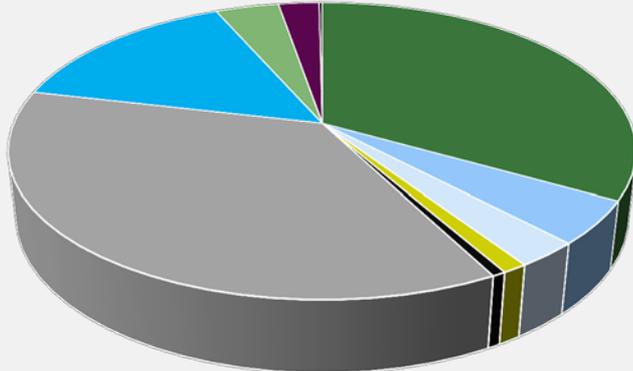
Product innovation and cost reduction are the key pillars of Volkswagen's strategy to cope with challenges in emerging markets



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



Total market segmentation ytd 2016



Segment	Market share ytd '16 (%)	Δytd '16 vs '15 (%)
Sedan	33	-2 ▼
Hatchback	5	-18 ▼
Coupe	3	-5 ▼
Wagon	1	-8 ▼
Cabrio/Roadster	1	-16 ▼
SUV	36	+10 ▲
Pick-Up	15	+7 ▲
MPV	4	+23 ▲
Transporter	3	+20 ▲
City Van	0	+177 ▲

- Sedan
- Hatchback
- Coupe
- Wagon
- Cabrio/Roadster
- SUV
- Pick-Up
- MPV
- Transporter
- City Van

Total volume ytd 2016: 4,087,766 units
Source: Autodata 4/1

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



Q7



A4



R8



Golf Alltrack



Midsize SUV



Q5



Tiguan

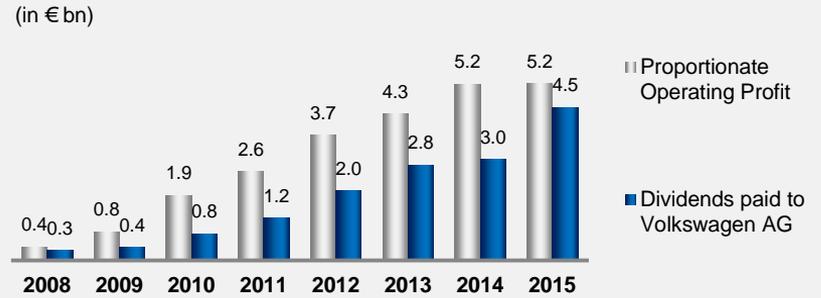
Deep roots and strong market position combined with further growth potential continues robust performance in China



Deliveries to customers – strong Jan-March 2016



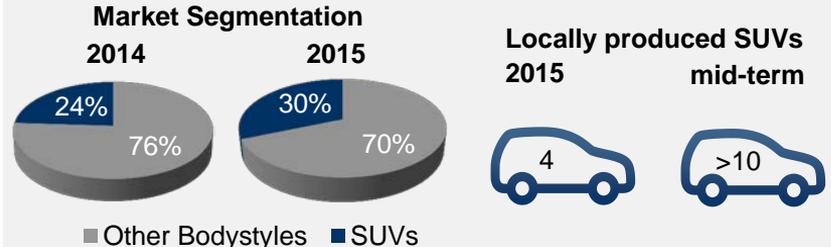
Strong operational & financial track record



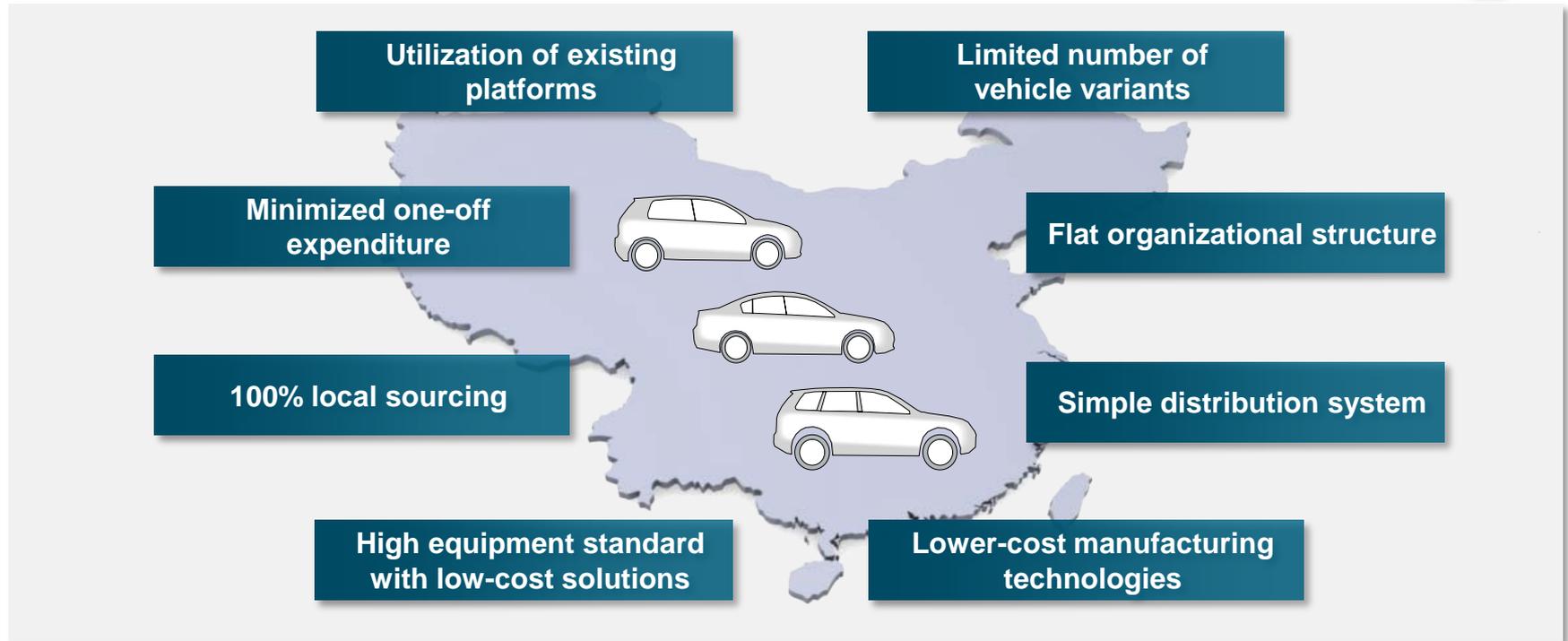
Localization of New Electric Vehicles



Significant extension of SUV portfolio until 2020



Volkswagen Group's 360° business model for the Budget Car Family



Volkswagen Financial Services¹⁾: A global, well diversified and successful business

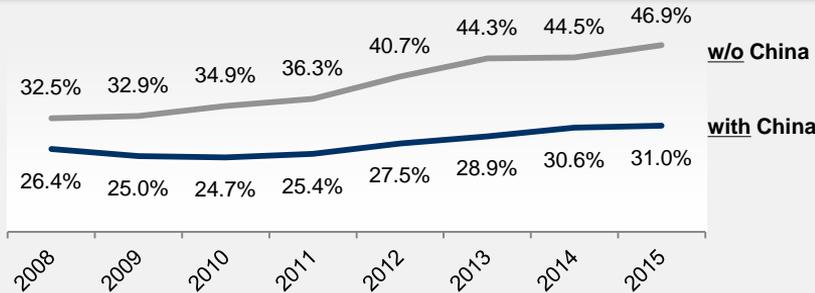
Strong global presence



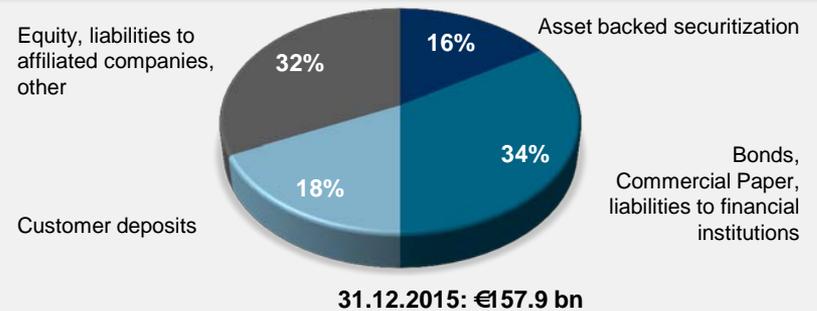
Continuous portfolio expansion



Rising penetration rates



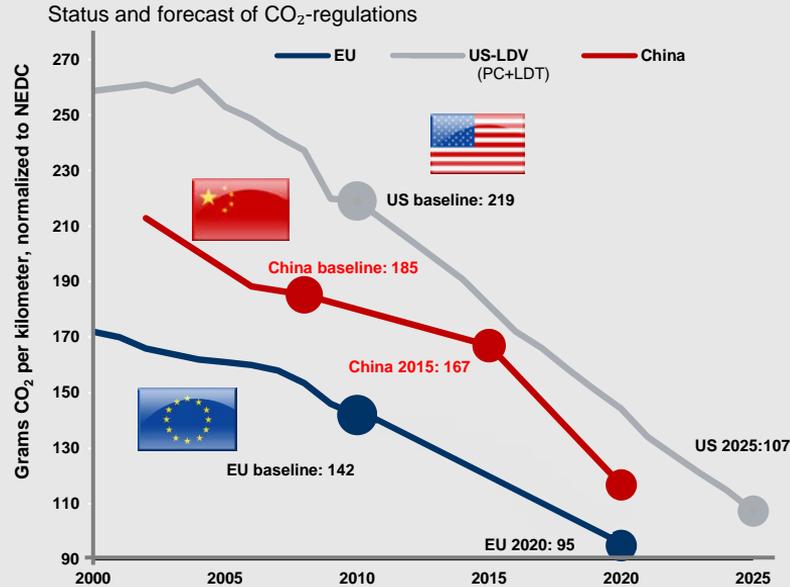
Diversified funding structure



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 Europe, California and Asia
- **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 Toolkit – Brand Responsibilities

MQB



MLB Evo



Audi



MSB



PORSCHE



MNB



Commercial Vehicles



MMB



PORSCHE



**Modular
Transverse
Toolkit**

**Modular
Longitudinal
Toolkit**

**Modular
Standard
Drivetrain
Toolkit**

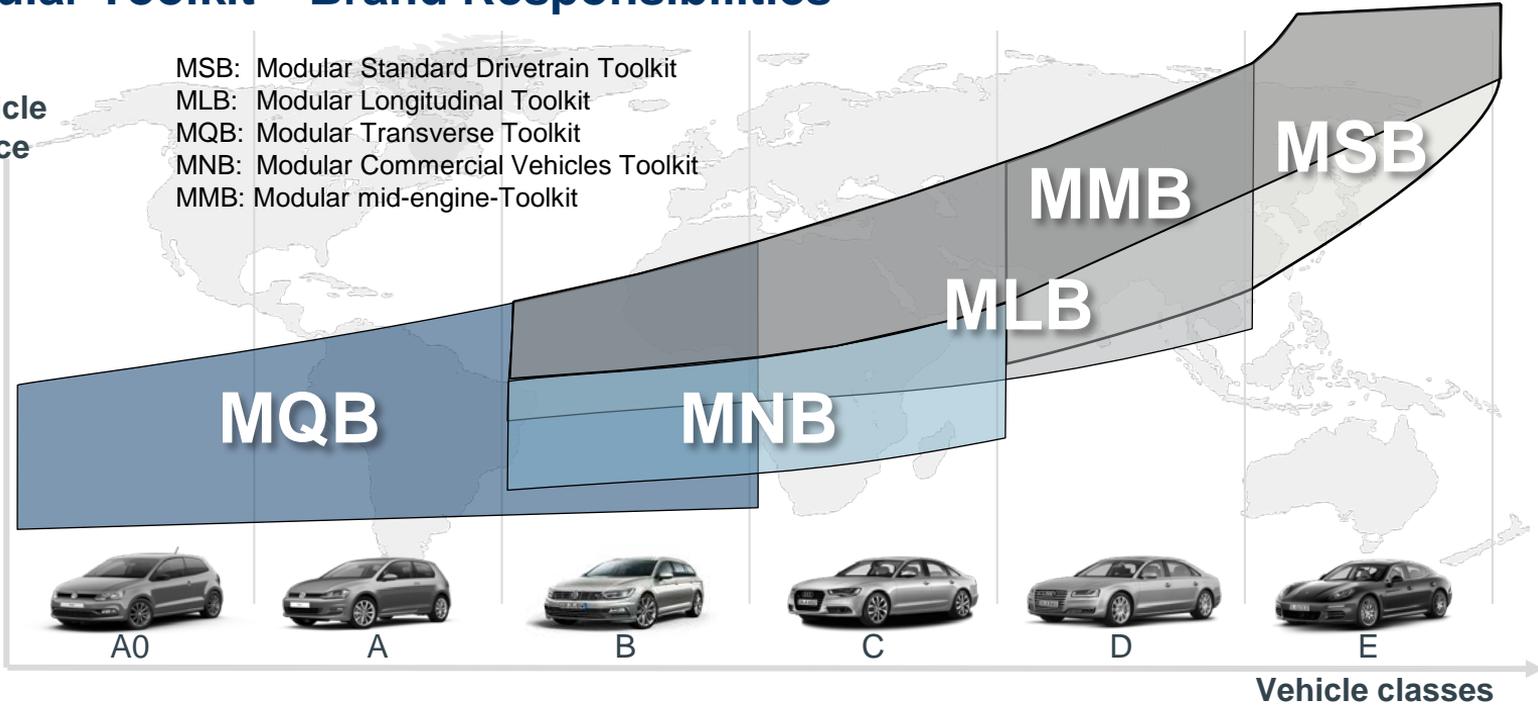
**Modular
Light
Commercial
Vehicle Toolkit**

**Modular
mid-engine
Toolkit**

Modular Toolkit – Brand Responsibilities

Vehicle Price

- MSB: Modular Standard Drivetrain Toolkit
- MLB: Modular Longitudinal Toolkit
- MQB: Modular Transverse Toolkit
- MNB: Modular Commercial Vehicles Toolkit
- MMB: Modular mid-engine-Toolkit



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

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

 **Digitalization**

 **Connectivity**

 **Sustainability**

 **Smart mobility**

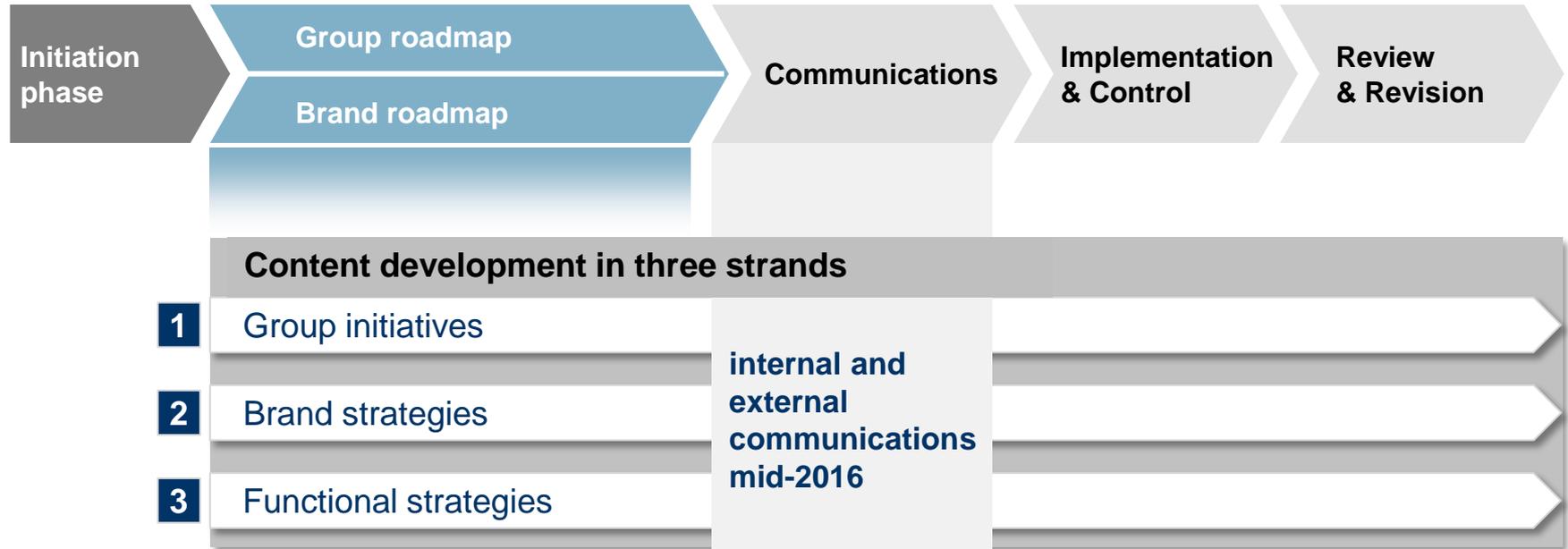
 **E-mobility**

 **Autonomous driving**

**Strategy
2025**

... and will deliver our new strategy mid-2016

Strategy process in five stages





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

Investor Relations Team



Oliver Larkin (Wolfsburg / London office)
Head of Investor Relations
E-Mail: Oliver.Larkin1@volkswagen.de
Telephone: +49 5361 9 49840



Helen Beckermann (Wolfsburg office)
Senior Investor Relations Manager
E-Mail: helen.beckermann@volkswagen.de
Telephone: +49 5361 9 49015



Alexander Hunger (Wolfsburg office)
Senior Investor Relations Officer
E-Mail: Alexander.Hunger@volkswagen.de
Telephone: +49 5361 9 47420



Andreas Kowalczyk (Wolfsburg office)
Investor Relations Officer
E-Mail: Andreas.Kowalczyk@volkswagen.de
Telephone: +49 5361 9 23183



Ulrich Hauswaldt (Wolfsburg office)
Investor Relations Officer
E-Mail: Ulrich.Hauswaldt@volkswagen.de
Telephone: +49 5361 9 42224



Alasdair Stewart (London office)
Senior Investor Relations Manager
E-Mail: Alasdair.Stewart@vwg.co.uk
Telephone: +1 908 548002

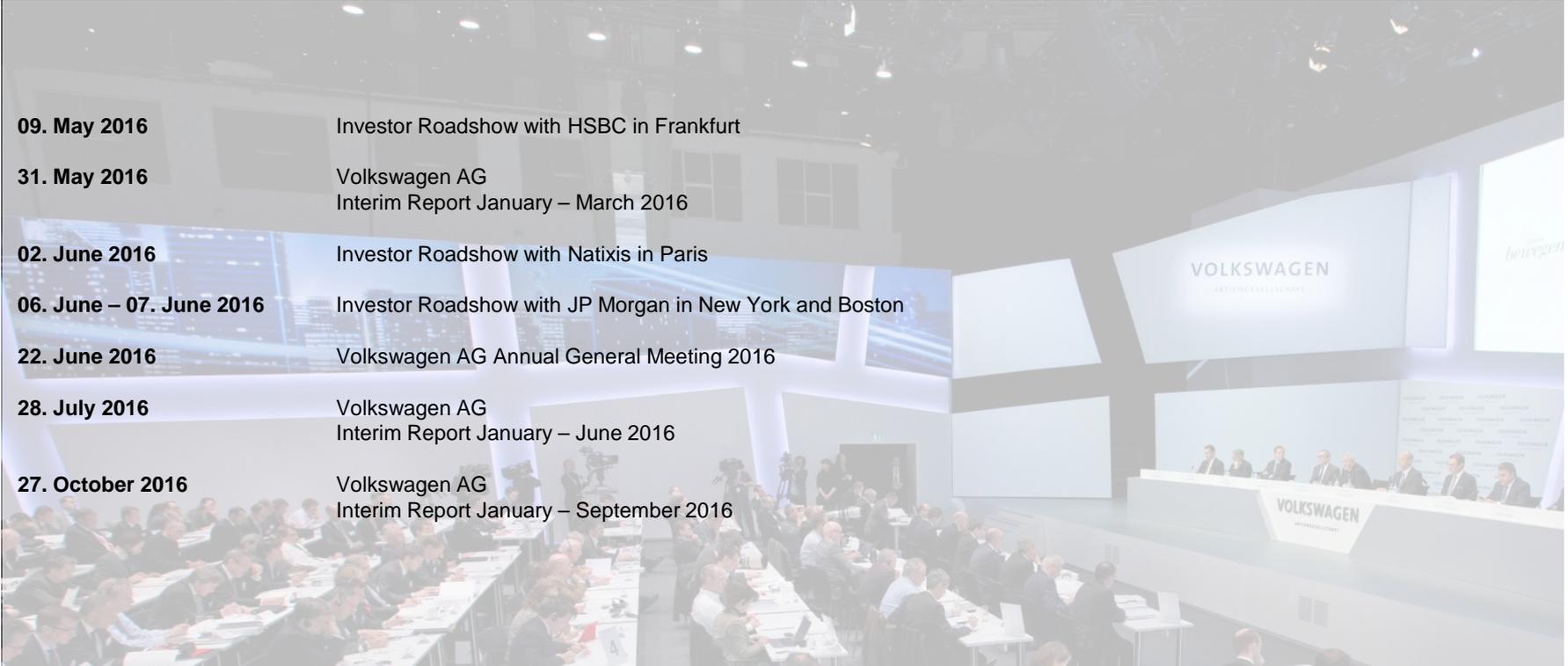


Lennart Schmidt (China office)
Investor Relations Manager
E-Mail: Lennart.Schmidt@volkswagen.com.cn
Telephone: + 86 10 6531 4732



Andreas Buchta (US office)
General Manager Investor Relations America
E-Mail: Andreas.Buchta@vw.com
Telephone: +1 703 364 7220

Events 2016

- 
- A large conference room with a stage and audience. The stage features a large screen displaying the Volkswagen logo and the text 'AKTIENGESELLSCHAFT'. Several people are seated at a long table on the stage. The audience is seated at long tables in the foreground, facing the stage. The room is well-lit with overhead lights.
- 09. May 2016** Investor Roadshow with HSBC in Frankfurt
 - 31. May 2016** Volkswagen AG
Interim Report January – March 2016
 - 02. June 2016** Investor Roadshow with Natixis in Paris
 - 06. June – 07. June 2016** Investor Roadshow with JP Morgan in New York and Boston
 - 22. June 2016** Volkswagen AG Annual General Meeting 2016
 - 28. July 2016** Volkswagen AG
Interim Report January – June 2016
 - 27. October 2016** Volkswagen AG
Interim Report January – September 2016

VOLKSWAGEN

AKTIENGESELLSCHAFT



Volkswagen Group Appendix

Rating Volkswagen Group



		MOODY'S			
Investment grade	Aaa			AAA	
	Aa1			AA+	
	Aa2			AA	
	Aa3			AA-	
	A1	VW FS AG (N), Volkswagen Bank GmbH (N)		A+	
	A2			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

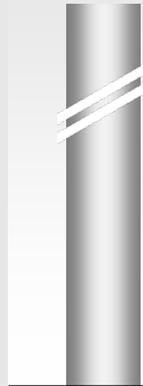
as of: April 05th, 2016

Volkswagen Group reduces level of capex and resets priorities

Investments in property, plant and equipment

Prior planning as of November 2014

€64.3 bn



2015 - 2019

~€13 bn



Ø per year

*New planning as of
November 2015*

max €12 bn



2016

Prioritization and focus on digitalization and e-mobility

Uncertainty requires
prioritization of
investments

Cancellation or delay of all
projects that are not
absolutely necessary

Not jeopardizing our future:
spending on digitalization
and alternative drive train
technologies will be
increased further

Focus on new products,
continuing rollout and
enhancement of toolkits,
completion of ongoing
capacity expansion

Volkswagen Budd-e



Audi Q2

Porsche 911 Turbo S Cabrio

Porsche 911 Turbo S



VOLKSWAGEN

AKTIENGESELLSCHAFT

ŠKODA VisionS



VOLKSWAGEN

AKTIENGESELLSCHAFT

SEAT Ateca



Bentley Bentayga



Lamborghini Huracán LP 610-4 Spyder



VOLKSWAGEN

AKTIENGESELLSCHAFT

Volkswagen Multivan



MAN TGX D38

Scania R 730 6x4 Streamline



VOLKSWAGEN

AKTIENGESELLSCHAFT



moving
people

Volkswagen Group

Frank Witter

Member of the Board of Management, Finance and Controlling
Evercore ISI Roadshow, London, 4th of May 2016