VOLKSWAGEN

AKTIENGESELLSCHAFT

We are redefining mobility.

Volkswagen Group

Volkswagen AG / Volkswagen Financial Services

Kepler Cheuvreux & UniCredit: 17th German Corporate Conference

Frankfurt, 16-17 January 2018

Volkswagen AG

Volkswagen Financial Services

Disclaimer

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

Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, will have a corresponding impact on the development of our business. The same applies in the event of a significant shift in current exchange rates relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

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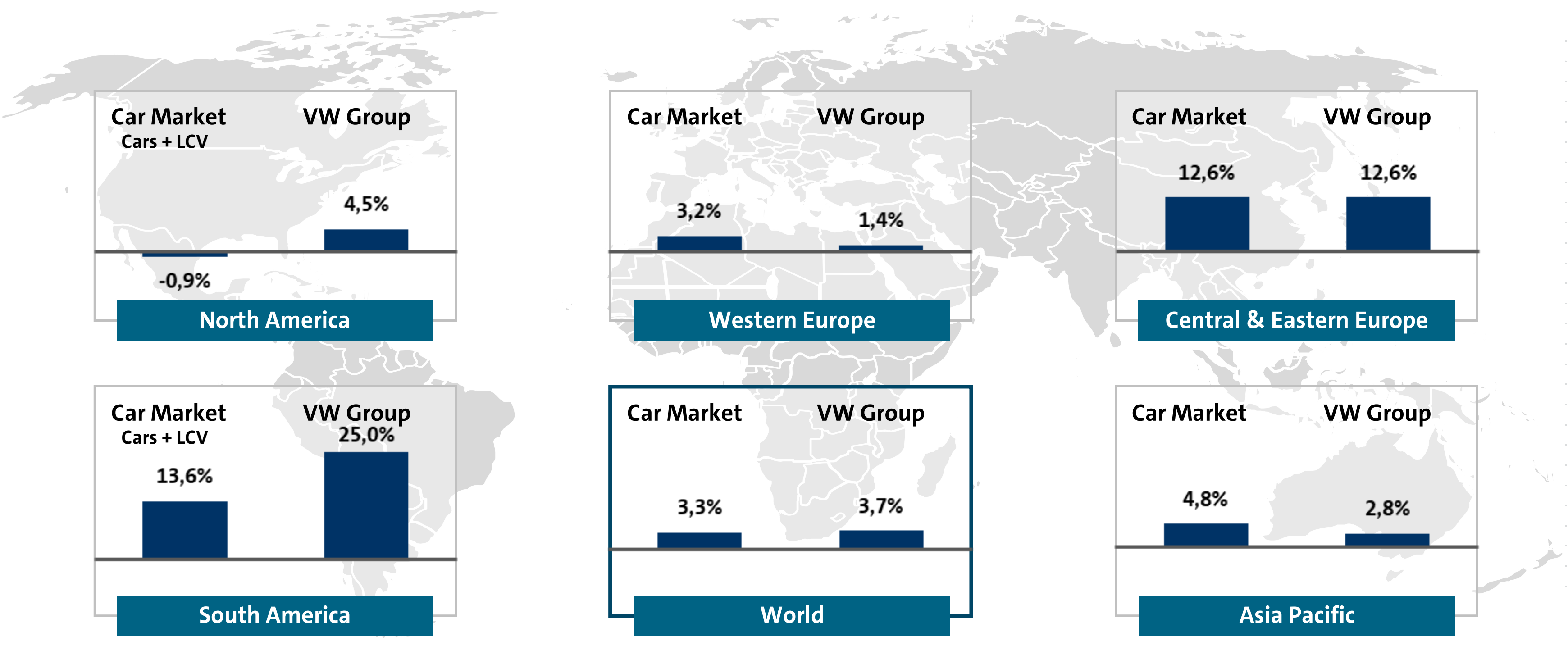
Development World Car Market vs. Volkswagen Group Car Deliveries to Customers[1)]

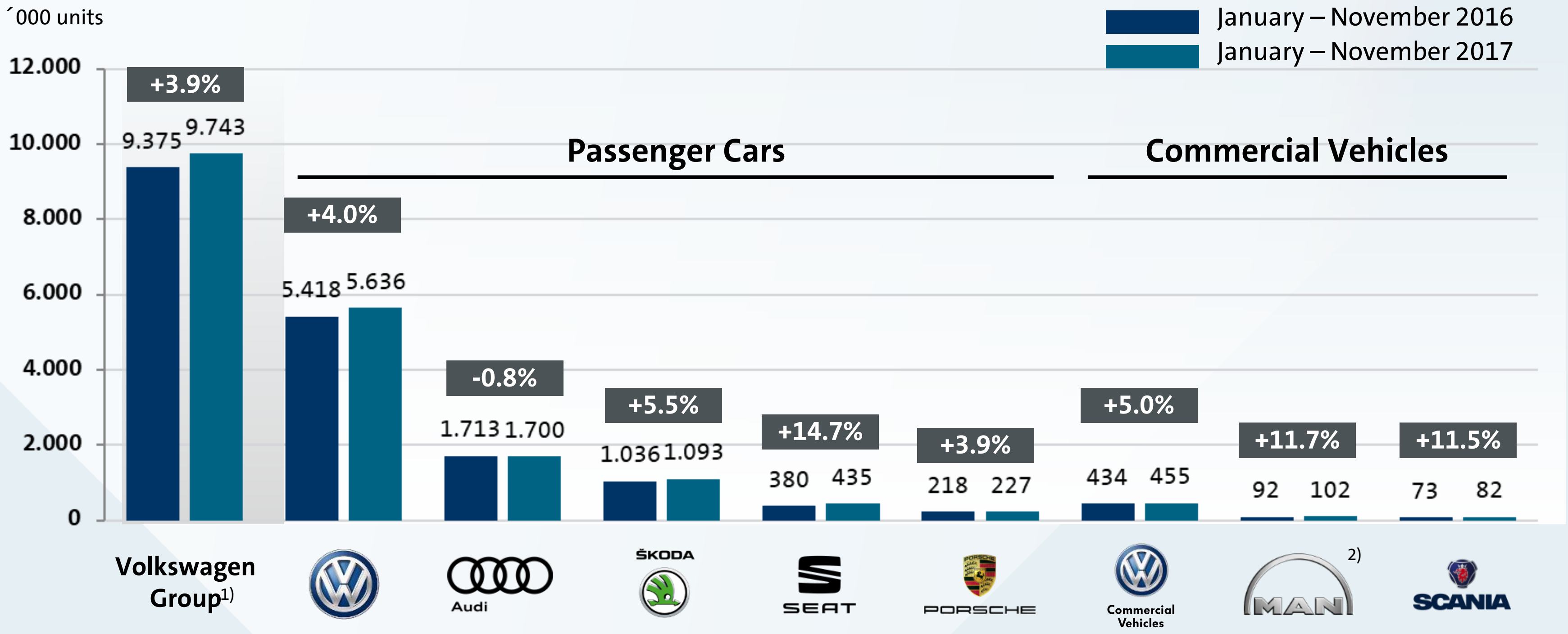
(Growth y-o-y in deliveries to customers, January to November 2017 vs. 2016)



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

Volkswagen Group – Deliveries to Customers by Brands

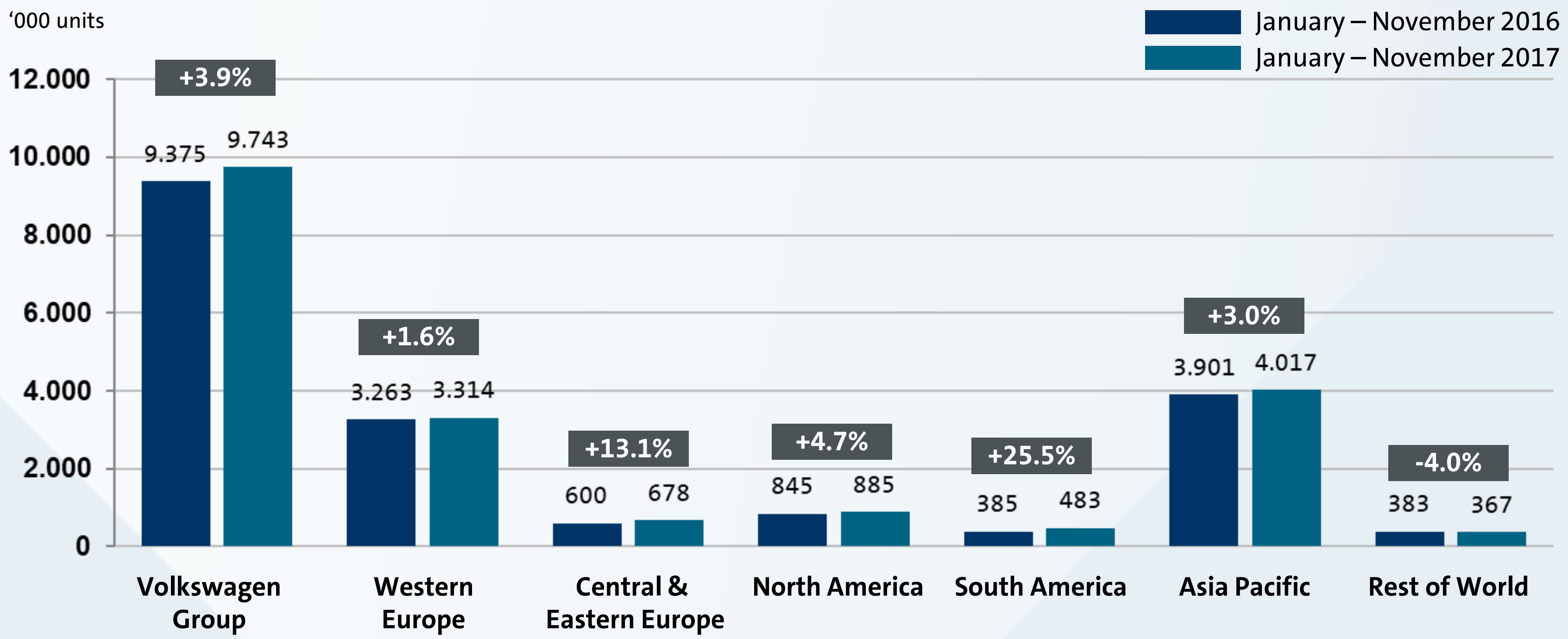
(January to November 2017 vs. 2016)



[1] Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +3.7% excl. Volkswagen Commercial Vehicles, Scania and MAN.
[2] MAN incl. MAN Latin America Trucks and Busses GVW > 5t.

Volkswagen Group – Deliveries to Customers by Markets[1)]

(January to November 2017 vs. 2016)

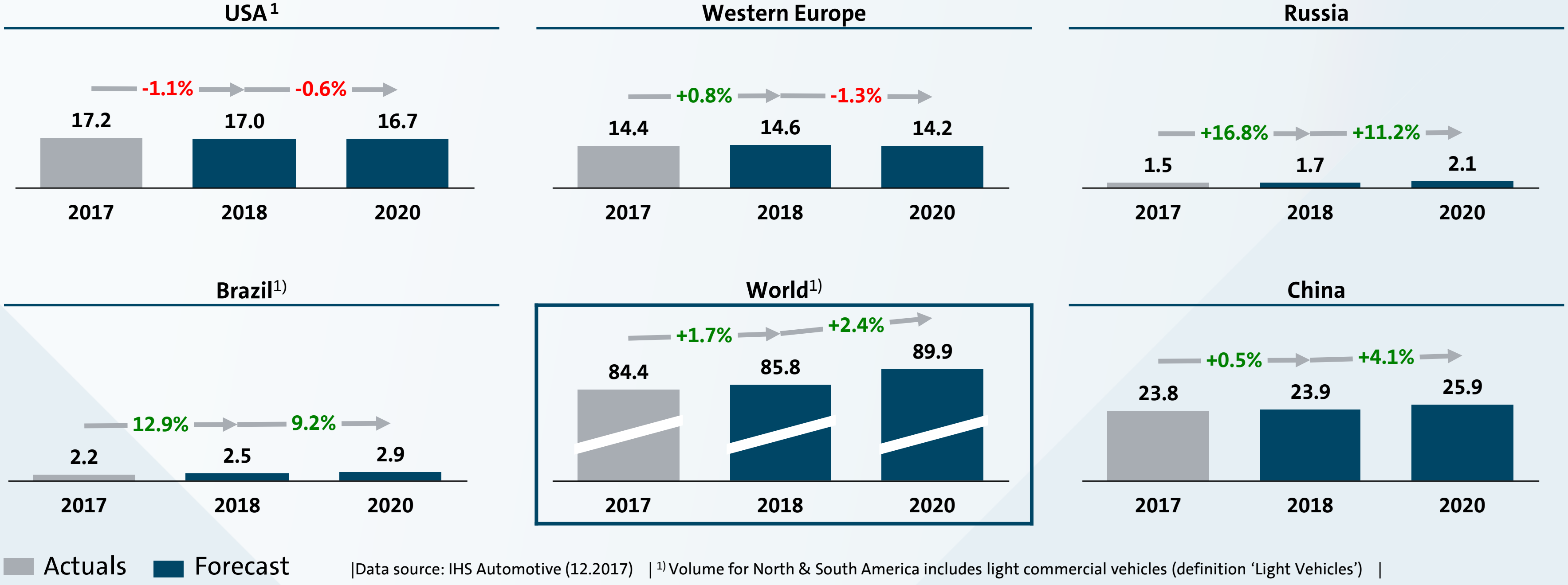


[1)] Incl. all brands of Volkswagen Group (Passenger Cars and Commercial Vehicles); +3.7% excl. Volkswagen Commercial Vehicles, Scania and MAN.

Global Passenger Car Market 2017/2020

Slowdown in Western Europe due to falling demand in UK; Stagnation in USA at a high level; Recovery in Brazil and Russia from a low level; China remains largest driver of passenger car demand

million units



|Data source: IHS Automotive (12.2017) | [1)] Volume for North & South America includes light commercial vehicles (definition 'Light Vehicles') |
growth 2017-2020 = CAGR

Volkswagen Group – Key Financial Figures[1)]

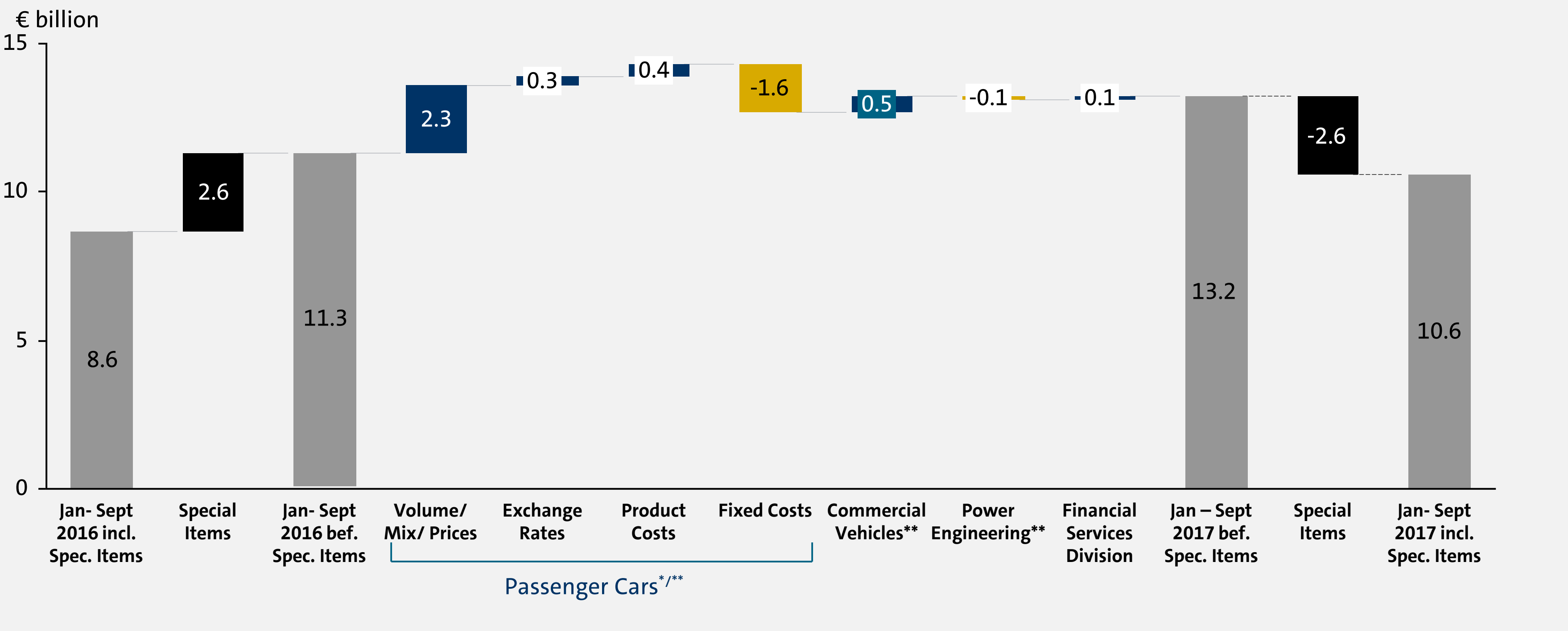
(January to September 2017 vs. 2016)

Thousand vehicles / € million	2017	2016	+/- (%)
Vehicle Sales[2)]	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
% of sales revenue	7.7	7.0	
Operating profit	10,636	8,647	+23.0%
% of sales revenue	6.2	5.4	
Financial result	-84	-488	X
of which: At-equity result[2)]	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
% Return on sales before tax	6.2	5.1	
Profit after tax	7,735	5,915	+30.8

1) All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. Incl. allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2) Volume data incl. 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[1)]

(January to September 2017 vs. 2016)



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

Volkswagen Group – Analysis by Business Line[1)]

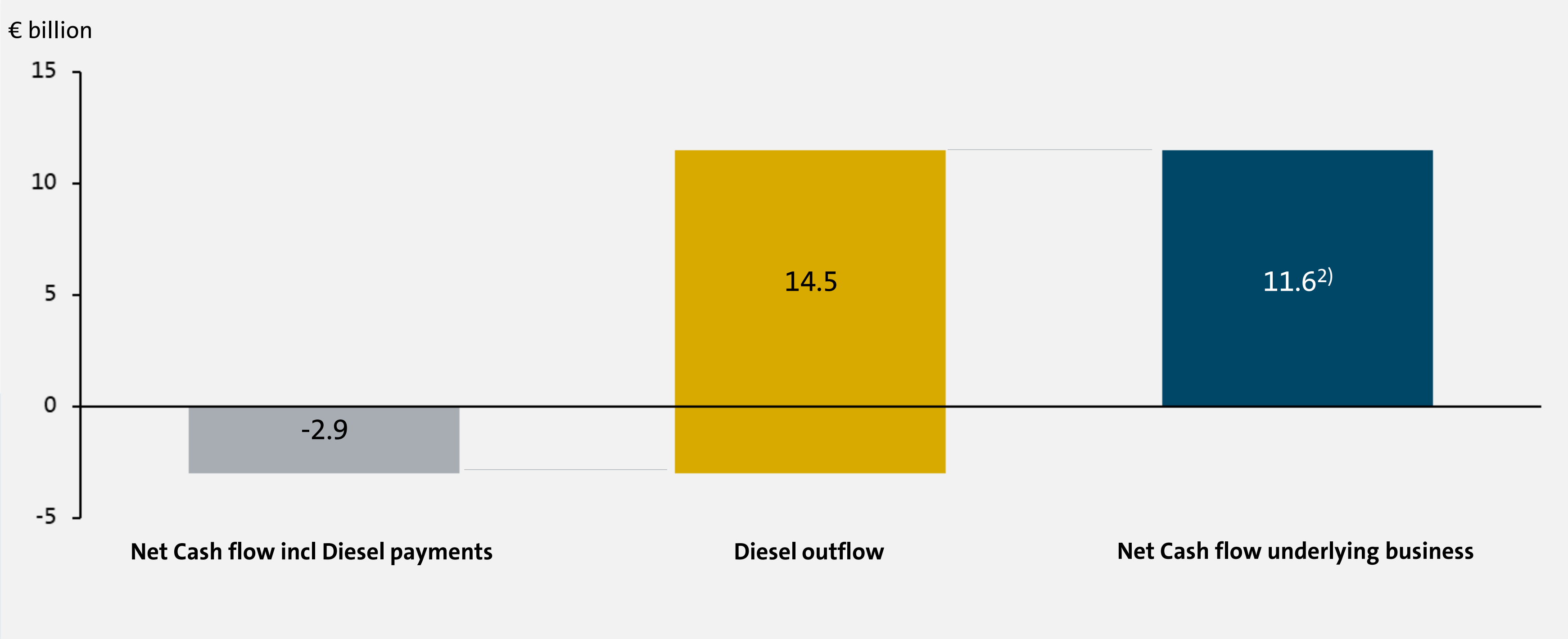
(January to September 2017 vs. 2016)

Thousand vehicles/ € million	Vehicle sales		Sales revenue		Operating profit		Margin	
	2017	2016	2017	2016	2017	2016	2017	2016
Volkswagen Passenger Cars[2)]	2,632	3,234	58,871	77,725	2,504	1,244	4.3%	1.6%
Audi	1,147	1,166	44,235	44,017	3,941	3,918	8.9%	8.9%
ŠKODA	700	606	12,338	10,113	1,206	940	9.8%	9.3%
SEAT	436	400	7,255	6,535	154	137	2.1%	2.1%
Bentley	7	8	1,321	1,411	31	54	2.3%	3.8%
Porsche Automotive[3)]	180	177	15,703	15,291	2,890	2,760	18.4%	18.0%
Volkswagen Commercial Vehicles	371	342	8,919	8,045	698	392	7.8%	4.9%
Scania[4)]	65	60	9,304	8,272	947	802	10.2%	9.7%
MAN Commercial Vehicles	80	74	7,970	7,213	269	204	3.4%	2.8%
MAN Power Engineering	-	-	2,355	2,567	107	176	4.5%	6.9%
VW China[5)]	2,917	2,803	-	-	-	-	-	
Other[6)]	-623	-1,217	-21,272	-41,592	-1,277	-896	-	
Volkswagen Financial Services[7)]	-	-	23,864	20,337	1,763	1,534	-	
Volkswagen Group before Special Items	-	-	-	-	**13,231**	**11,267**	**7.7%**	**7.0%**
Special Items	-	-	-	-	-2,595	-2,620	-	
Volkswagen Group	**7,913**	**7,653**	**170,864**	**159,932**	**10,636**	**8,647**	-	
Automotive Division[8)]	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	-	

[1)] All figures shown are rounded, minor discrepancies may arise from addition of these amounts. [2)] 2017 figures take account of the reclassification of companies; prior-year figures were not adjusted. [3)] Porsche (Automotive and Financial Services): sales revenue €17,120 (16,470) million, operating profit €3,006 (2,858 million). [4)] Incl. financial services. [5)] The sales revenue and operating profits of the joint venture companies in China are not included in the figures for the Group. These Chinese companies are accounted for using the equity method and recorded a proportionate operating profit of €3,305 (3,594) million. [6)] Prior year adjusted. In operating profit mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation for Scania, Porsche Holding Salzburg, MAN and Porsche. [7)] Starting January 1, 2017, Porsche's financial services business is reported as part of Volkswagen Financial Services. Prior-year figures were not adjusted. [8)] Incl. allocation of consolidation adjustments between the Automotive and Financial Services divisions.

'Best ever' Automotive Division Net Cash Flow (ex Diesel payments)[1)]

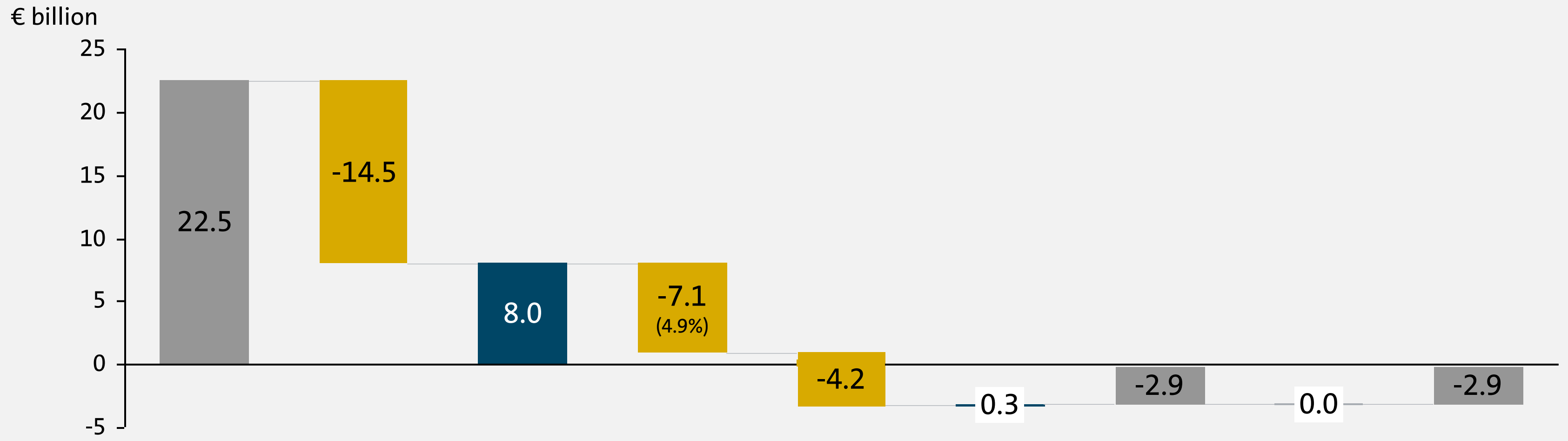
(January to September 2017)



[1)] Incl. allocation of consolidation adjustments between Automotive and Financial Services divisions.
[2)] Incl. Chinese dividends in the amount of €3bn.

Automotive Division Net Cash Flow Development[1)2)]

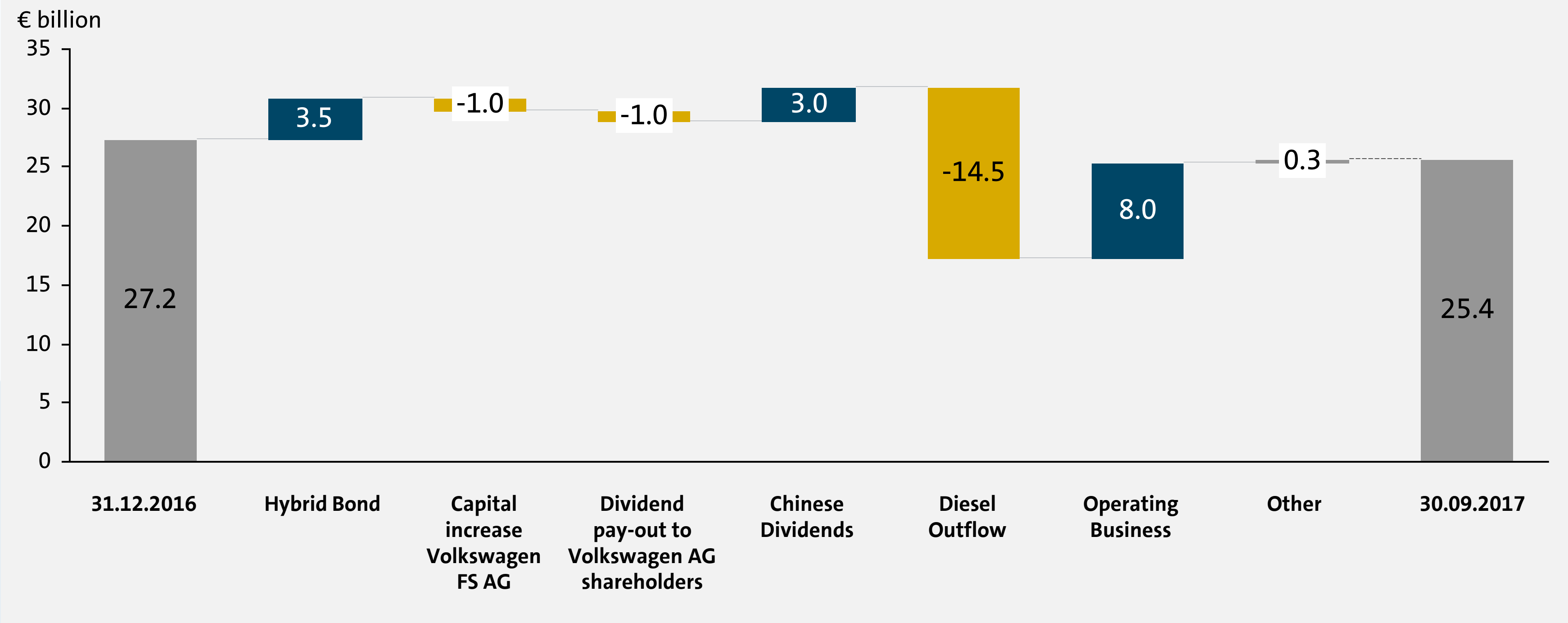
(January to September 2017)



	Cash flow before Diesel Outflow	Diesel Outflow	Cash flow from operating activities	Capex [3)]	Capitalized development costs	Other	Net cash flow before equity investments	Acquisition and disposal of equity investments	Net cash flow
2016[3)]	17.0	0.0	17.0	-7.8 (5.7%)	-4.2	0.2	5.2	2.3	7.5

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

Automotive Division - Net Liquidity on a robust level at September 30th 1)



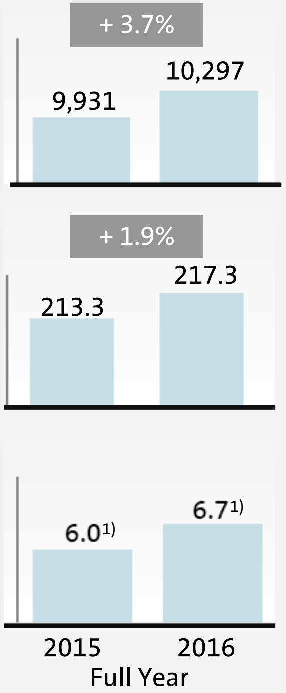
[1] All figures shown are rounded, minor discrepancies may arise from addition of these amounts.

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

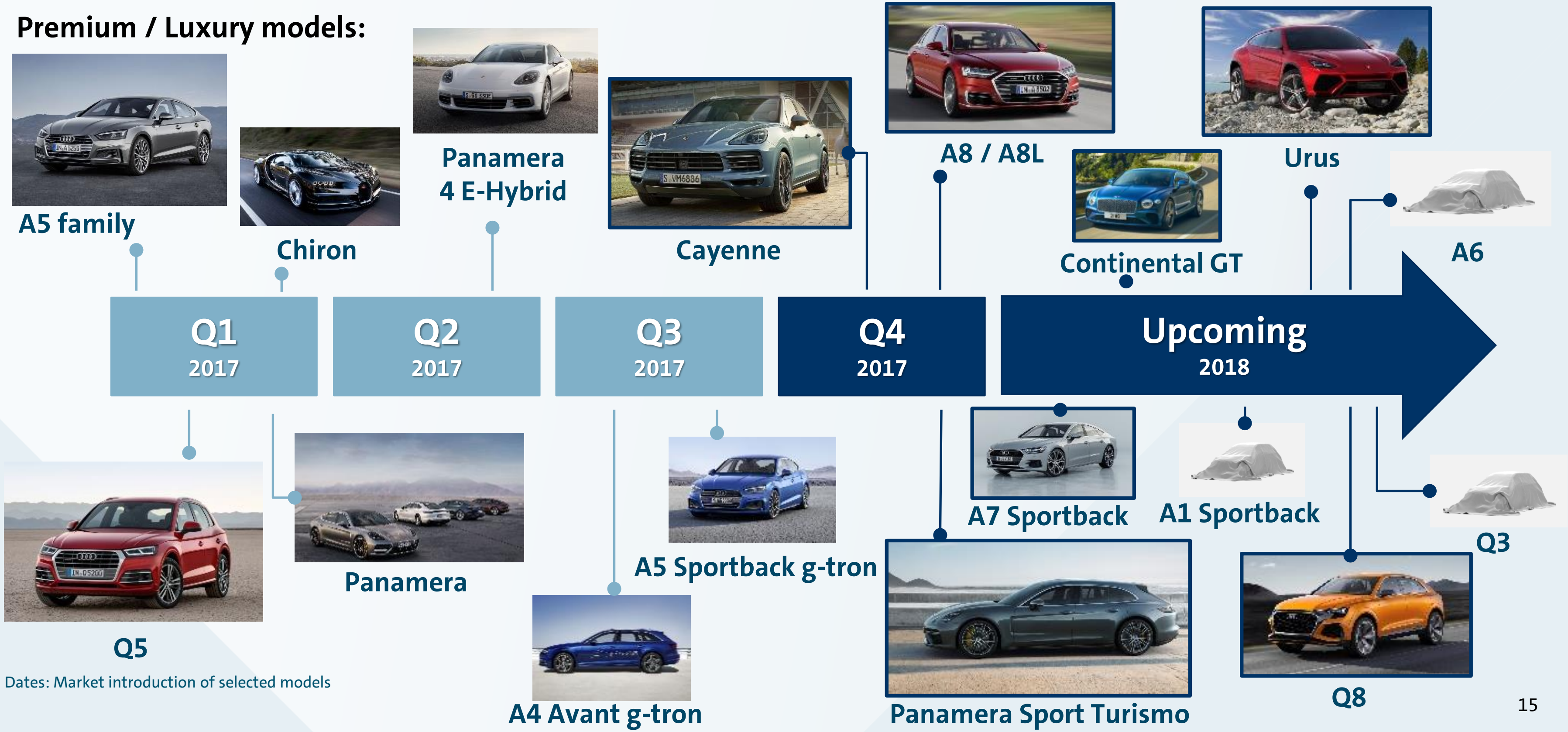
Operating return on sales

Moderately above range of 6.0% to 7.0%

[1] before Special Items.

Upcoming Premium and Luxury models enhancing our portfolio offer

Premium / Luxury models:



Dates: Market introduction of selected models

Strong product momentum continues in Volume segments

Volume models:

Dates: Market introduction of selected models

Improving Group results despite significant challenges

Return on Sales

6.7%

moderately exceed

6.0 - 7.0%

- **Industry transition**
  - e-mobility
  - Digitalization
  - Autonomous Driving
  - Mix Trend (+SUV‘s/-diesel)
- **Emission costs**
  - EU -27% CO_2 emission
  - US -35% CO_2 emission
  - CN -40% l/km consumption

6.5 - 7.5%

2016 Base

2017 Outlook

2020 Target

Clear Financial Targets and Milestones

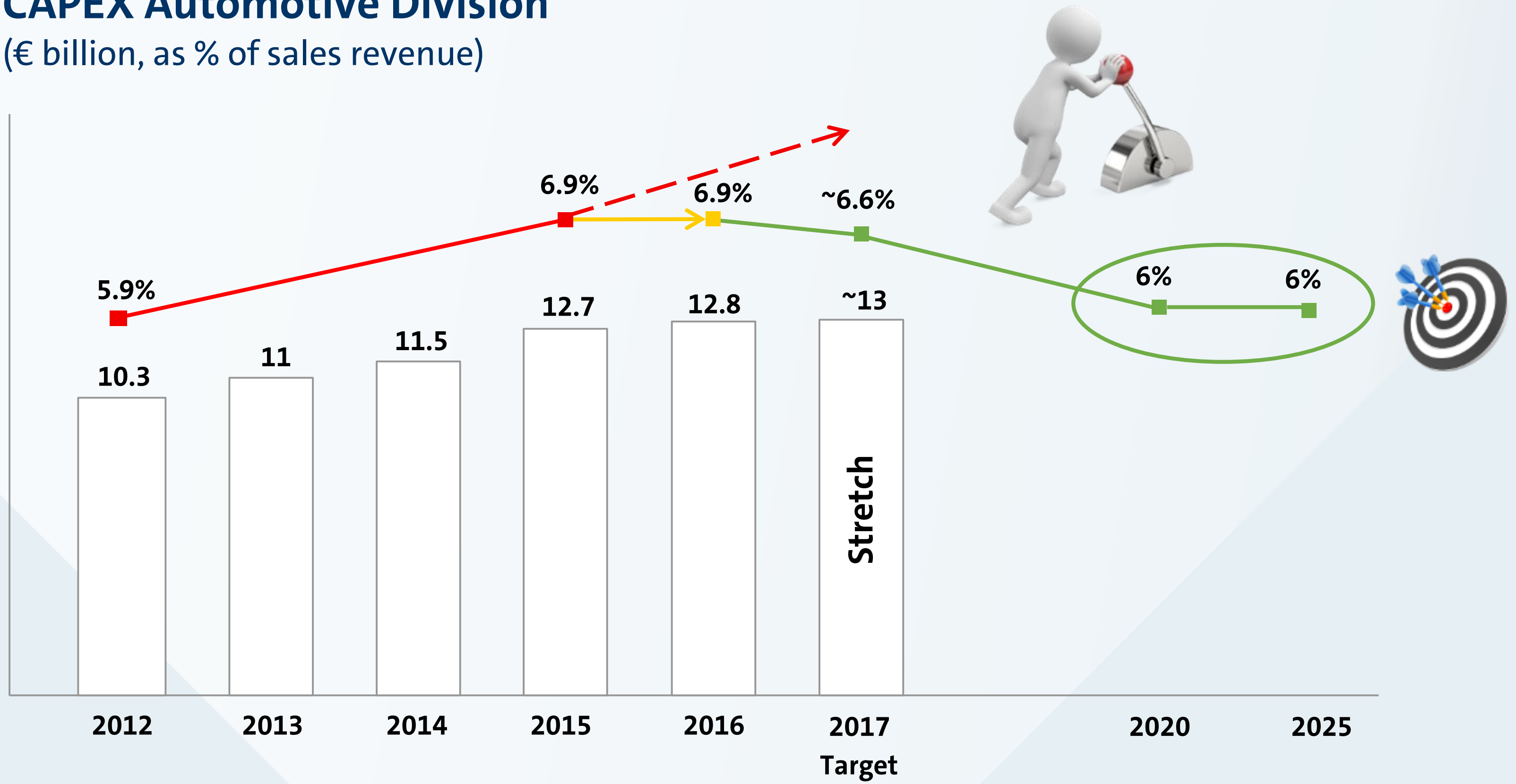
Key financial targets	**2016 Actual**	**2017 Targets** CMD March	**2017 Outlook**	**2020 Targets**	**2025 Targets**
Operating return on sales Before Special Items	6.7%	6-7%	**moderately exceed 6-7%**	6.5-7.5%	7-8%
Return on investment Automotive Division before Special Items	13.9%	11-13%	**moderately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

Updating Guidance Group Financial Performance 2020

	Result 2016		2020 Update CMD March		2020 Update PR 66
Sales revenue (€ bn)	217.3		+ > 20 %	↗	+ > 25 %
	after Special Items	before Special Items			
Operating profit (€ bn)	7.1	14.6	+ 25 %	↗	+ ≥ 25 %
Profit before tax (€ bn)	7.3	14.8	+ ≥ 25 %	↗	+ ≥ 30 %
Earnings per Pref. Share	10.3 €		+ ≥ 25 %	↗	+ > 25 €

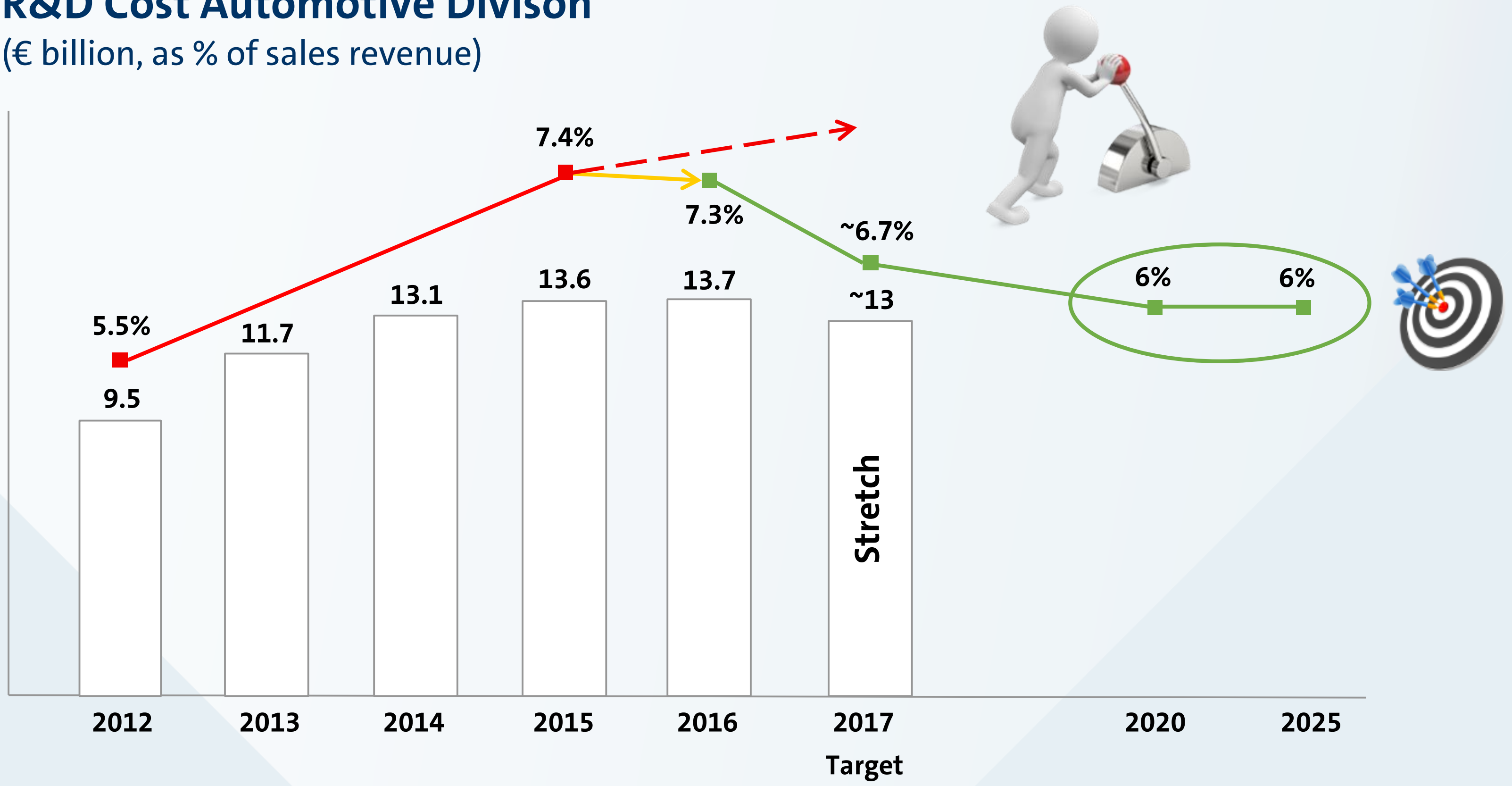
CAPEX Automotive Division

(€ billion, as % of sales revenue)



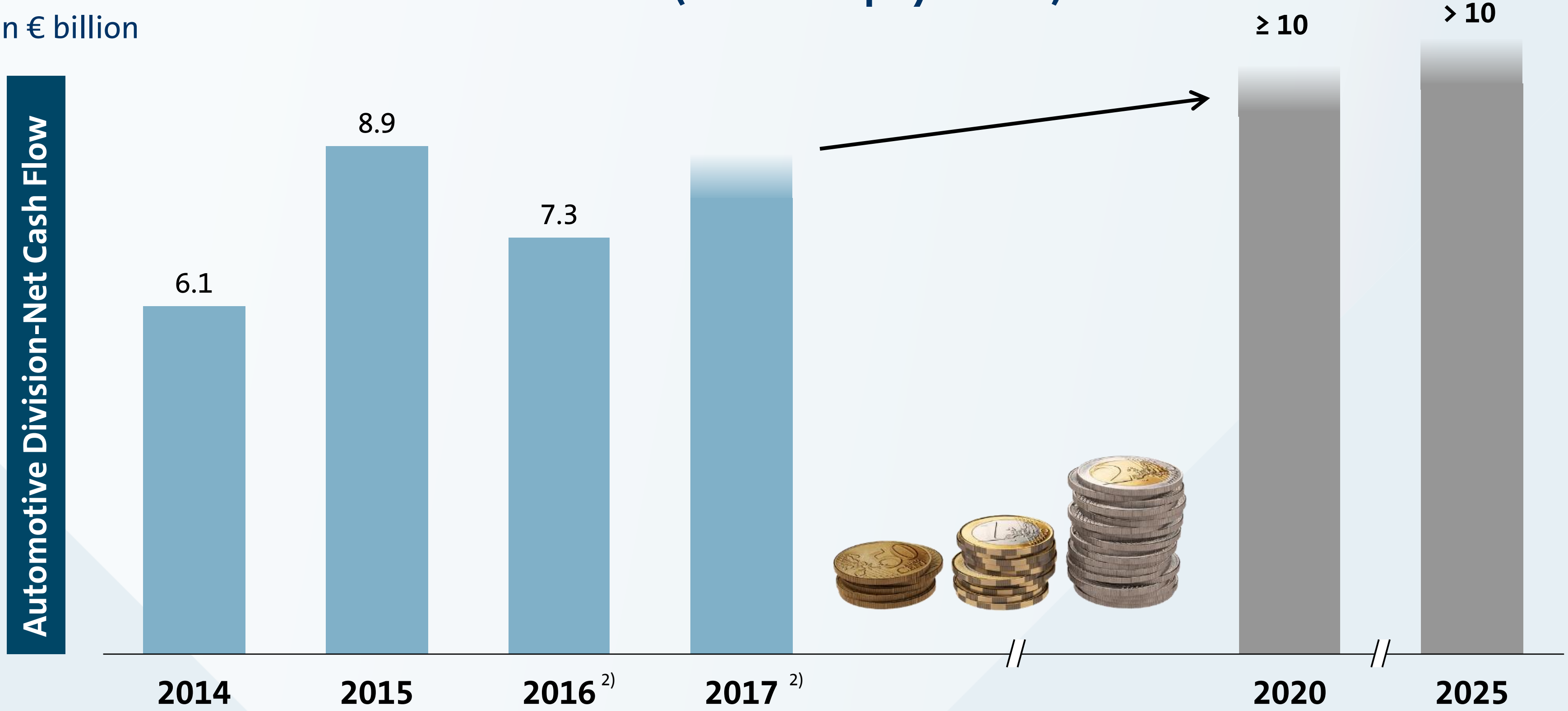
R&D Cost Automotive Divison

(€ billion, as % of sales revenue)



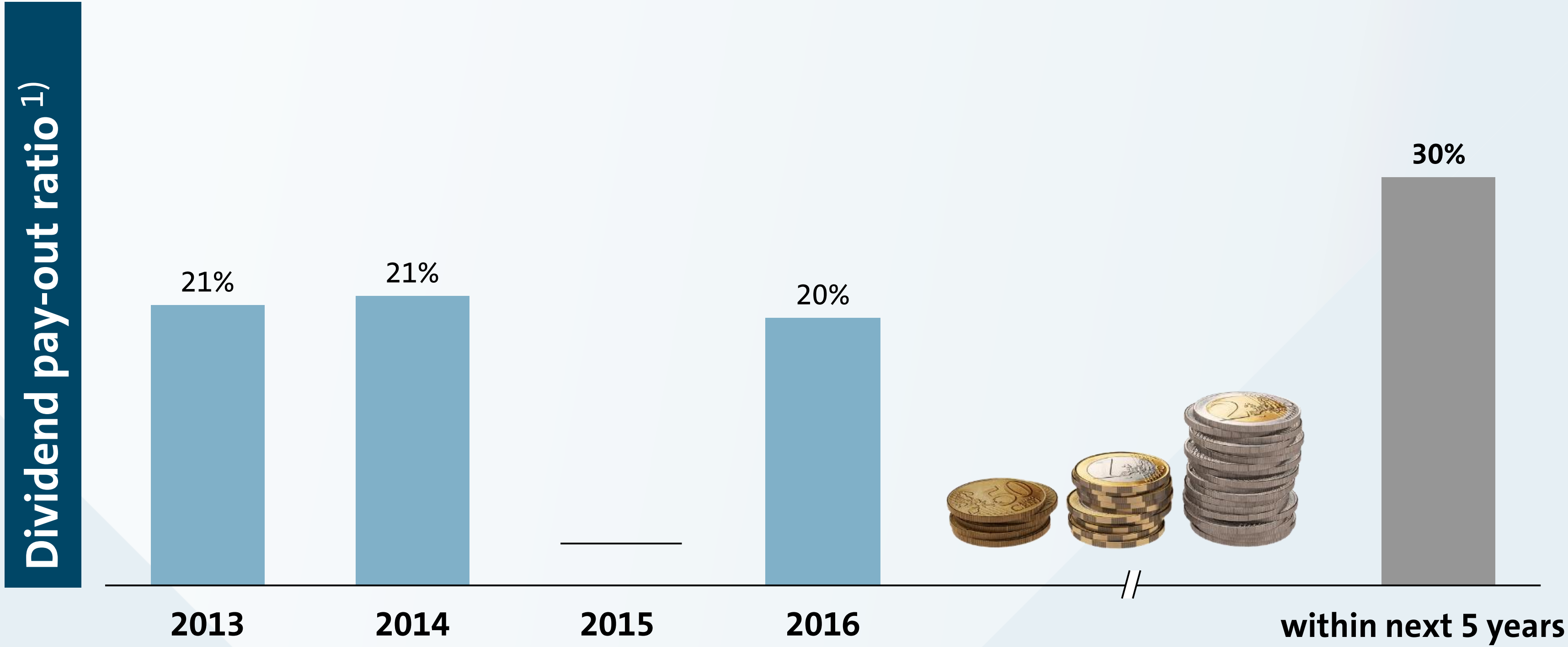
Automotive Division-Net Cash Flow (ex Diesel payments) 1)

in € billion



1) Incl. allocation of consolidation adjustments between Automotive and Financial Services divisions.
2) 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



1) Total dividend in percent of net income attributable to shareholders.

STRATEGY 2025 – Initiatives at a glance

Transform core business

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

DEVELOP STRATEGIC CAPABILITIES
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

ENHANCE ENTREPRE-NEURIAL SPIRIT
8. Implement model line organization
9. Realign "Components" business

Build mobility solutions business

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

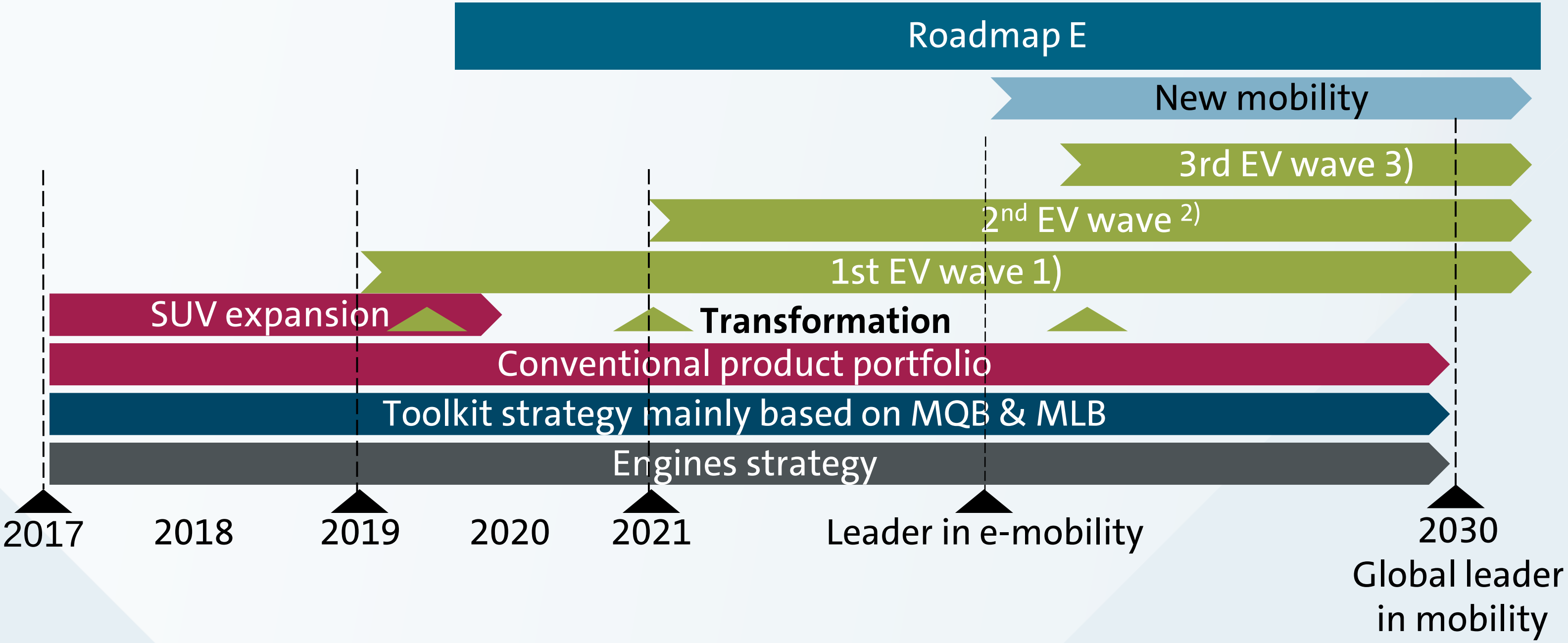
Secure funding

12. Improve operational excellence
13. Optimize business portfolio

Strengthen innovation power

14. Drive digital transformation
15. Create organization 4.0
16. Better integrated and strategic planning process

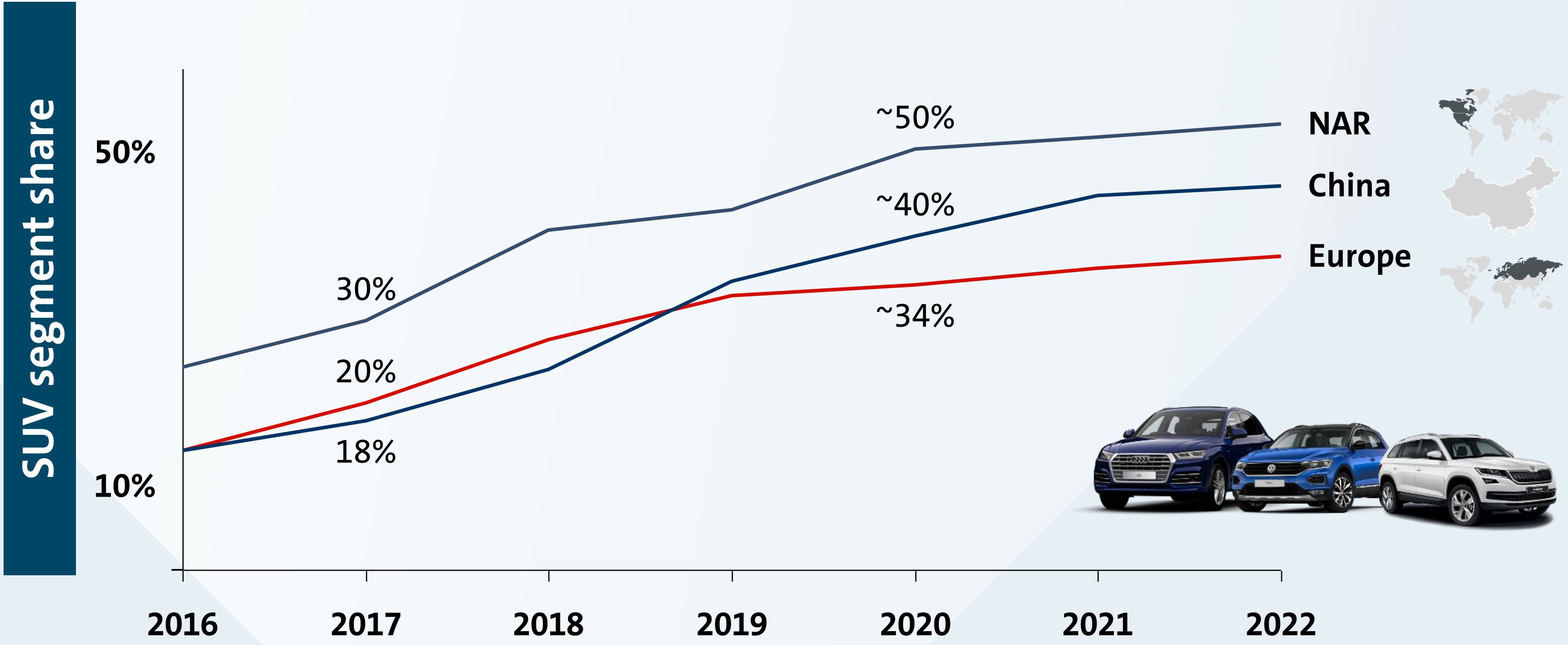
Modular Architecture: Key to profitability and delivery of our strategy



1) Mainly based on MEB. 2) Based on PPE (dedicated Architecture for premium segment developed by Audi and Porsche). 3) 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

MOIA
NEW MOBILITY MODES

Gett

Battery

Sustainable Mobility

E-mobility

Self Driving System

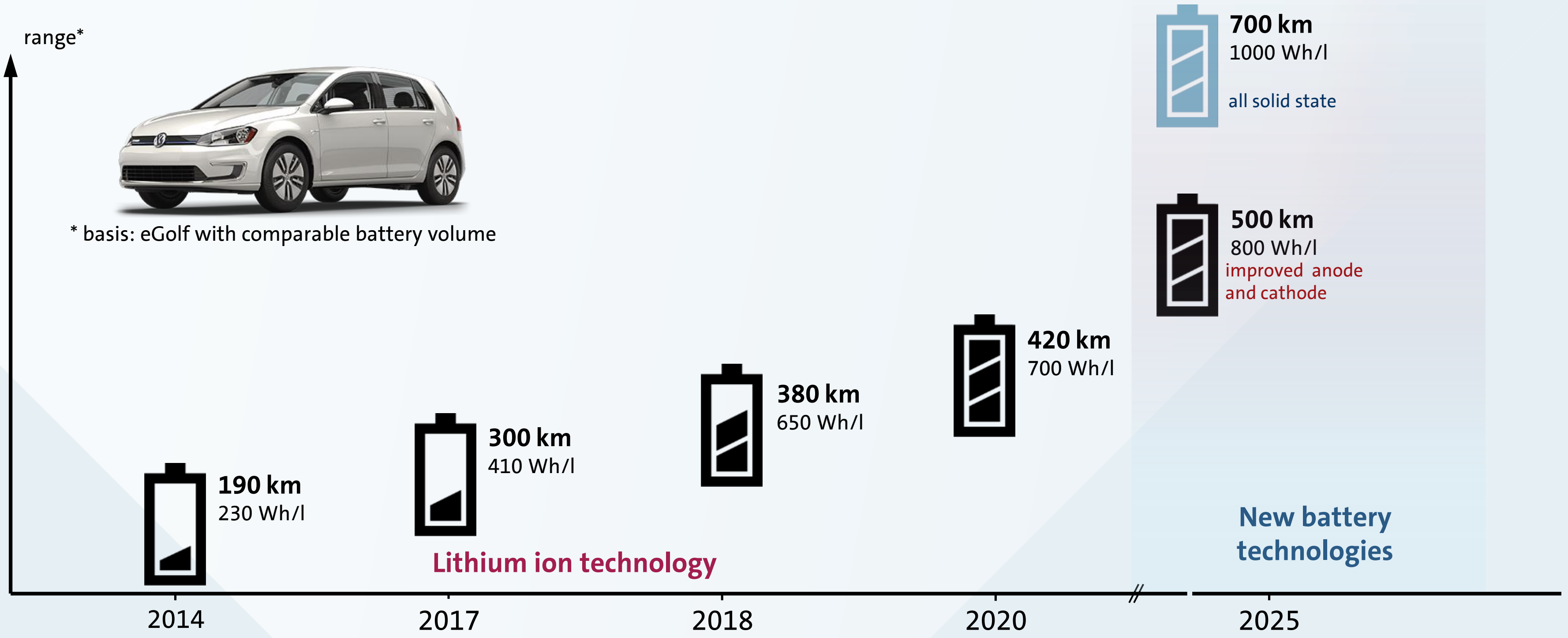
Charging infrastructure

All electric platform: The basis for profitable electric cars

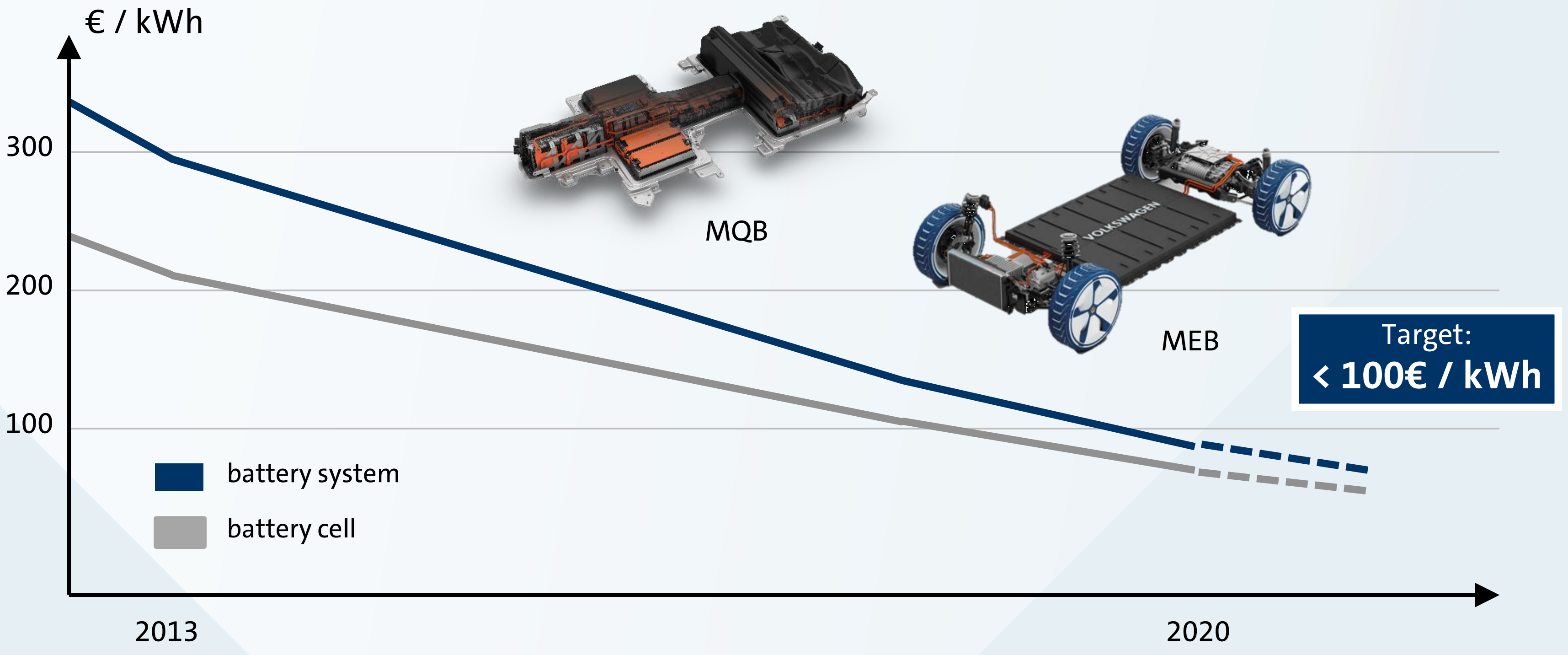
- Concept determined by:
  customer benefit and package for cost-optimized design of e-components
- Economies of scale from use of MEB across entire Group
- “Design for manufacturing“:
  higher productivity, shorter manufacturing time
- Lower material and distribution costs
- Significant reduction in variants
- Early involvement of suppliers

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[1)] – 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

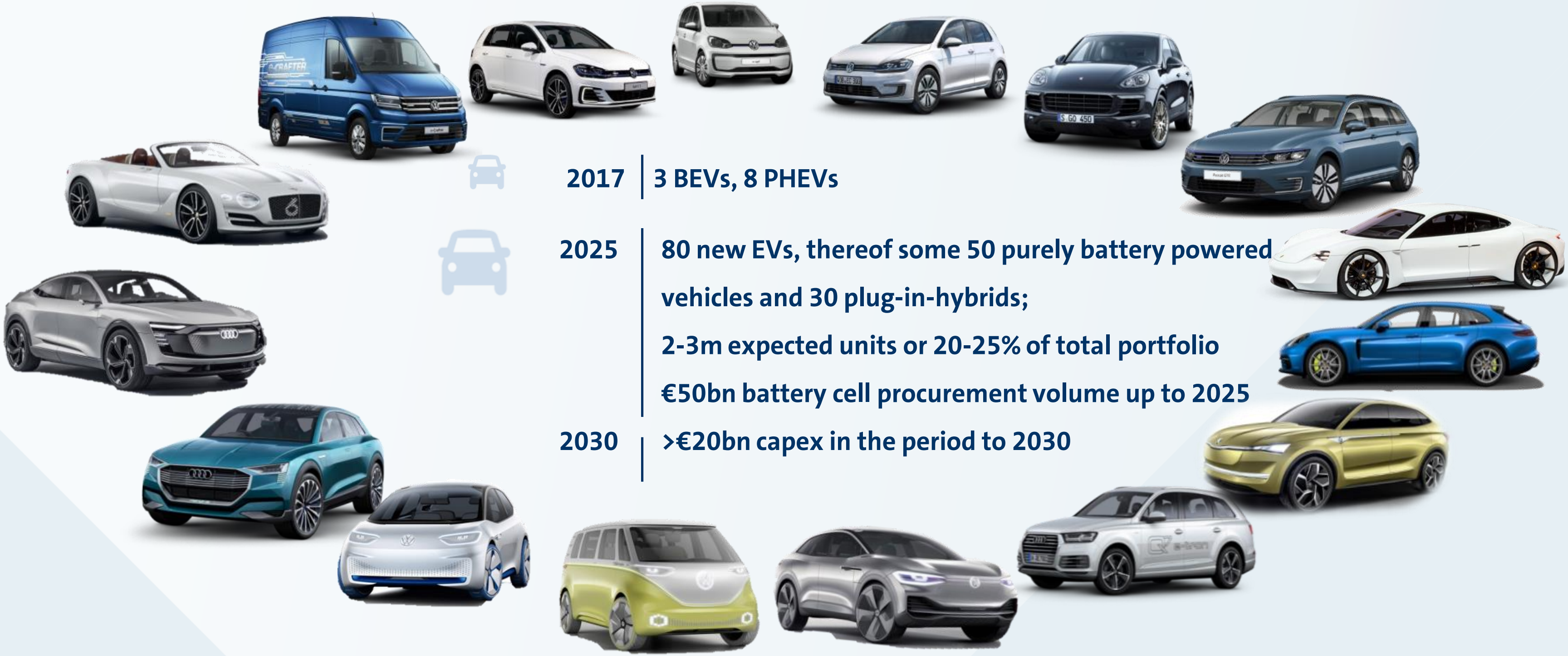
Completely new electronics, to be updated over the air

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

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

[1)] PPE = Premium Platform Electric.

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



2017 | 3 BEVs, 8 PHEVs

2025 | 80 new EVs, thereof some 50 purely battery powered vehicles and 30 plug-in-hybrids;
2-3m expected units or 20-25% of total portfolio
€50bn battery cell procurement volume up to 2025

2030 | >€20bn capex in the period to 2030

Launch of Pan-European High-Power Charging Network IONITY[1)]

- 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)

[1)] 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 - Powering electric mobility from coast to coast and everyday stops in between.

Investment of $2 billion over the next 10 years in Zero Emission Vehicle (ZEV) infrastructure and education programs in the U.S.

Open network for all (even group external) OEMs and business partners

Highway sites every 70 miles on average, but **no more than 120 miles apart**, so shorter range ZEVs available today will be able to use this network

1st cycle:
We will establish a **network of ~4.700+** non-proprietary electric vehicle **chargers in 17 metros and on highways in 39 states**

Public access for all ZEV drivers will be **ensured through multiple technologies (Level 2 and DC fast charging: CCS Combo** and Chademo connectors)

Station chargers will be **extremely powerful, capable of delivering 150 kW or 350 kW** to vehicles

Intensified efforts to develop autonomous vehicles

2005 Winner Darpa Grand Challenge

2010 Autonomous Audi TTS "Shelley" climbes Pikes Peak

2016 Volkswagen Group >200 AV related patents

2017 SEDRIC is Volkswagen Group´s first Level 5 vehicle

2018 Battery Electric Special Purpose Shuttle

2021 Production-ready by 2021: Self-Driving System

2025: More to come...

Cascading Group Targets to Brands

Group KPIs

RoS | RoI | Capex | R&D | CF/Liquidity

Commitment

Volkswagen | Audi | SEAT | ŠKODA | BENTLEY | BUGATTI | LAMBORGHINI | PORSCHE | DUCATI | Commercial Vehicles | SCANIA | MAN

VOLKSWAGEN FINANCIAL SERVICES
Specific KPIs

Brand KPIs

Top-Down Targets + Committed in Planning

Overview Brand Targets (RoS, RoE)

Return on Sales in %	2016		2017	2020	2025
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[1]					
• Scania	9.5		6-7	9[2]	9[2]
• MAN Commercial Vehicles	2.3				
Return on Equity (norm. 8%)	2016		2017	2020	2025
Volkswagen Financial Services	15.6%		14-16%	14-16%	20%

[1] For peer-group analysis: Truck & Bus Business RoS is calculated as the sum of Scania and MAN Commercial Vehicles (equals ~6.1% in 2016).
[2] Through-cycle Target.

Clear Financial Targets and Milestones

	Outlook 2017	Target 2020	Target 2025
Operating return on sales Before Special Items	moderately exceed 3.5 %	4 - 5 %	≥ 6 %
Capex ratio	4.7 %	4 – 5 %	4 - 5 %
R&D cost ratio	4.3 %	4 %	4 %
Net Cashflow	negative	> € 1 bn	>> € 1 bn

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

1 Radical restructuring

- Brand positioning „top of volume“
- SUV offensive
- Regions (China, NAR, SAM)
- Economy markets
- Zukunftspakt
- Product margins
- Agile organisation

2 Leap to the top of electric mobility

- Electro offensive
- Digital ecosystem
- Operational excellence

3 Major transformation

- Automated driving
- New fields of mobility

2015
Diesel crisis
2% RoS[1)]

2020
Leading & profitable volume manufacturer
4-5% RoS

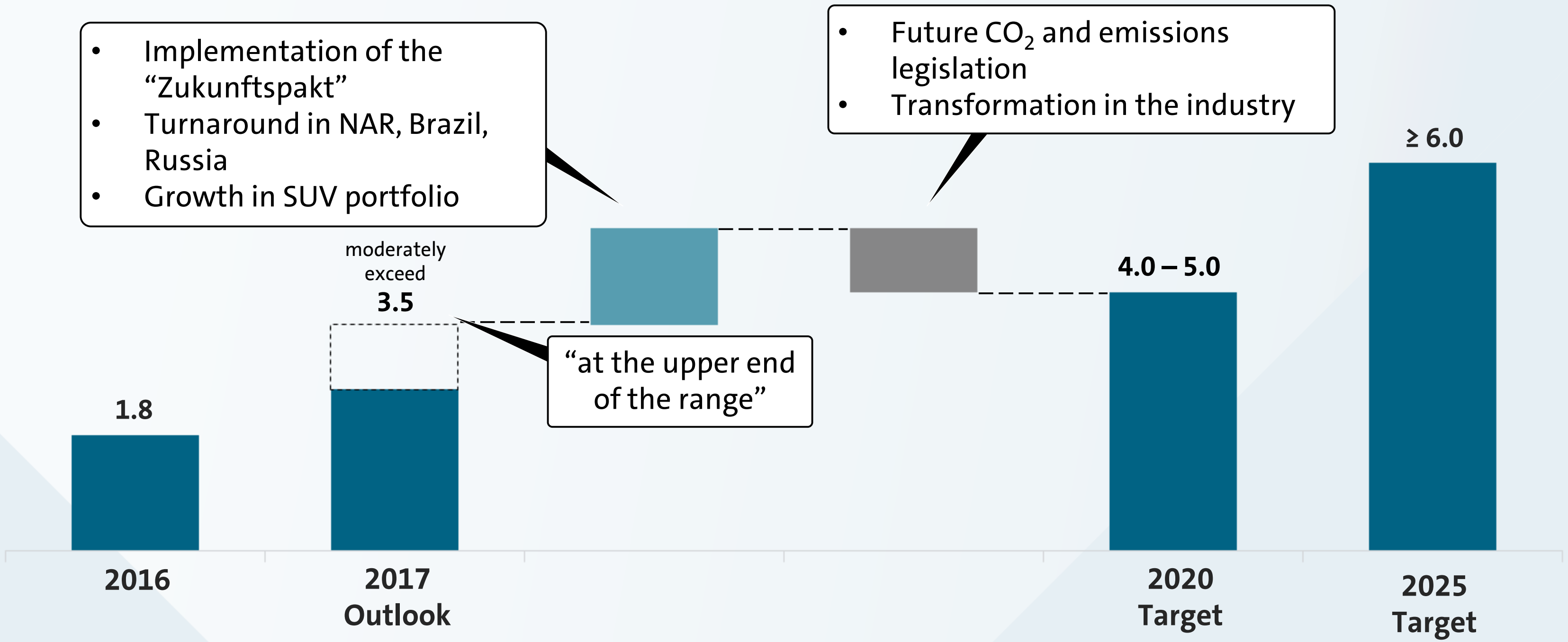
2025
Global leader in e-mobility
≥6% RoS

2030
Global leader in auto-mobility
>6% RoS

[1)] 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

		Secure the Future
Working Group 1 Production	• Increase of productivity by 25% • Reduction of plant costs	• 4 additional models: 2 conventional and 2 MEB vehicles

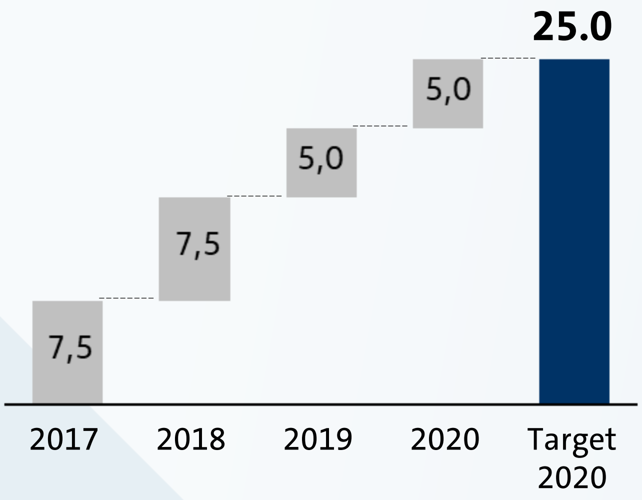
Working Group 2
Components
	• Increase of productivity by 25%
	• Discontinuation of unprofitable products
		• Investments in:
		  • Electric drive trains
		  • Pilot facility battery cell
		  • Battery system

Working Group 3 Technical Development	• Reduction of hardware-oriented development work • Increased efficiency in development processes	• Competency/capacity increase in autonomous driving, electrification, connectivity etc.
Working Group 4 Administration	• Reduction of bureaucracy	• Creation of employment in new business segments

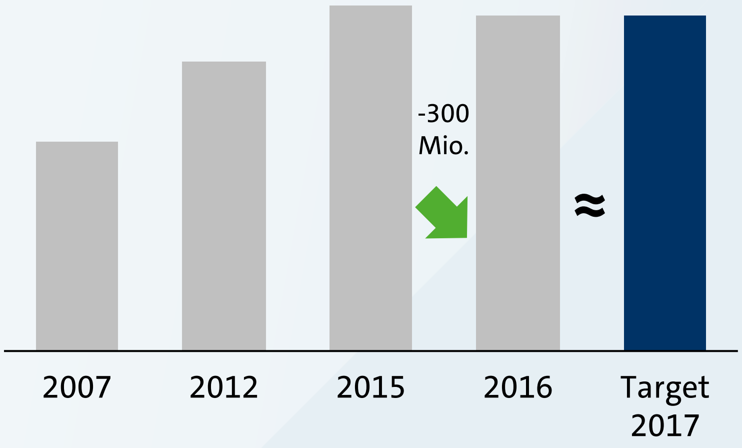
Reduction in workforce based on demographic curve

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

NAR production volume using MQB (units)

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)

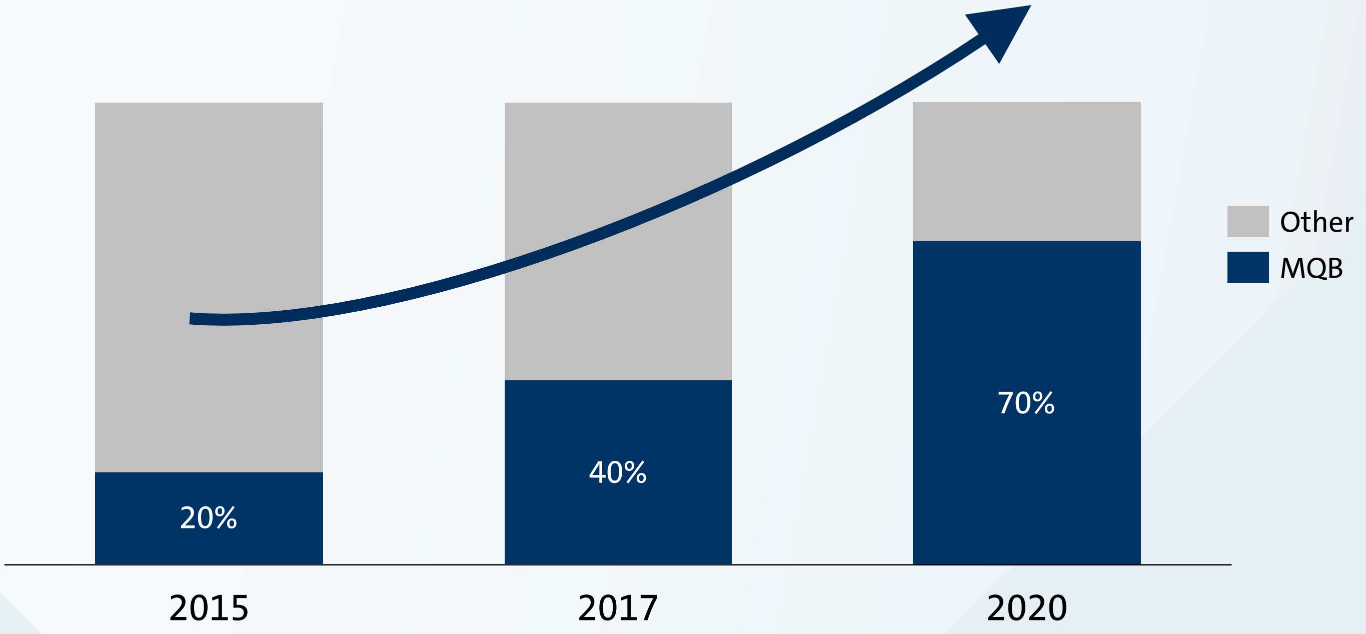
T-Roc (EU)

Virtus (SAM)

Jetta (NAR)

Dates: Start of Production

Further roll-out of MQB offers substantial benefits



Current Performance

Sales Figures

- 1.7 million deliveries worldwide (as of Nov)
- One-offs in China at the beginning of 2017 had a negative impact on deliveries
- However since June Audi is gaining back its leading position in the Chinese premium market
- 83rd record-breaking month in a row in the US
- For full year slight increase is expected

Model Launches

- New compact SUV Q2 sold 86.000 units in his first full year
- New version of the A5 family with 96.000 units up 53%
- FBU version of the new Q5 generation provides fresh impetus for the already strong SUV Portfolio (SUV ratio ~ 37%)
- New Audi A8 sets milestones with 48V/Mild Hybrid, Audi AI and is developed for Level 3 SAE
- Lamborghini SUV Urus introduces a new era of luxury

Financial Figures

Key financial targets	Q1-Q3 2015	Q1-Q3 2016	Q1-Q3 2017
Revenue	€ 43,695	€ 44,017 m	€ 44,235 m
Operating Result [1)]	€ 4,024	€ 3,033 m	€ 3,941 m
Return on Sales [1)]	9.2%	6.9%	8.9%
Net-Cash-Flow [2)]	€ 2,061 m	€ 3,086 m	€ 2,489 m
CAPEX	4.6%	4.6%	4.2%
R&D	7.4%	7.6%	6.8%

Highlights

- Strategic Realignment in China (05/2017) sets course for future growth
- New design philosophy by Marc Lichte delights Audi customers
- Audi Summit (07/2017) – Vorsprung as a promise
- Audi Aicon concept car (Frankfurt IAA) – autonomous on course for the future

[1)] Q1-Q3 2016 Operating Result incl. special items of € 885 m (Diesel issue, Takata); Return on Sales adjusted for special items 8.9%.
[2)] Q1-Q3 2017 incl. cash outflow of approx. € 1 bn in the context of the Diesel issue.

Outlook and Strategic Position

Product Outlook

- Further impetus from latest and upcoming product launches: new A8, A7, A6 will excite our high-end customers
- 2nd generation Audi A1 will capture young customers
- SUV portfolio: all new Audi Q8 and next generation of our bestseller Audi Q3 will boost our SUV-ratio additionally
- Audi e-tron will change the electric game in 2018 - from 2020 move towards 100% use of Group EV-platforms PPE and MEB

Production and Efficiency

- We enhance efficiency by using synergies with the VW Group strategically - Audi and Porsche team up for future premium electric mobility with the joint **Premium Platform Electric (PPE)**
- **“Angriffsplan”** will create €10 bn. headroom for Audi’s transfor-mation path: optimize processes, reduce costs, set clear focusses
- Unlocking potential 30% from revenue growth, 70% from cost savings

Financial Targets

Key financial targets	2017	2025
Revenue	slight increase	n.a.
Operating Return on Sales	8 – 10%	8 – 10%
Return on Investment	15 – 18%	21%
Net-Cash-Flow	positive, significantly below the previous year due to diesel issue	positive
CAPEX	moderately above 5.0 – 5.5%	5.0 – 5.5%
R&D	slightly above 6.0 – 6.5%	6.0 – 6.5%

Industry Transformation

- **Autonomous** driving – Audi is leading a dual approach towards development of Level 4/5 SAE focusing on scale effects for the group
- **Digitalization –** effortless us, commercial success; e.g „function on demand“ starting with the Audi e-tron, Online Used-car platform
- **Sustainability –** creating value with electric and new energy vehicles but also leveraging VW Group synergies for EV batteries
- **g-tron and 48V/mild hybrid technology** - unique strength in CNG and electrification of ICE as potential diesel “bridging”

Core challenges in the commercial vehicle industry ...

Cyclical markets

Strong correlation to GDP in developed world

Not all regions hit by economic downturns at the same time

Further globalization

Local OEMs dominating in BRIC markets

Improving infrastructure, stronger regulations open opportunities for Volkswagen

Emission regulations

Europe with aggressive regulations, focus shifting to diesel lock-outs

BRIC trailing behind, but with ambitious roadmap

Connectivity & digitalization

Platooning and partly-autonomous driving as transition solutions

Data management for customers and traffic of broad interest

After sales and new business opportunities

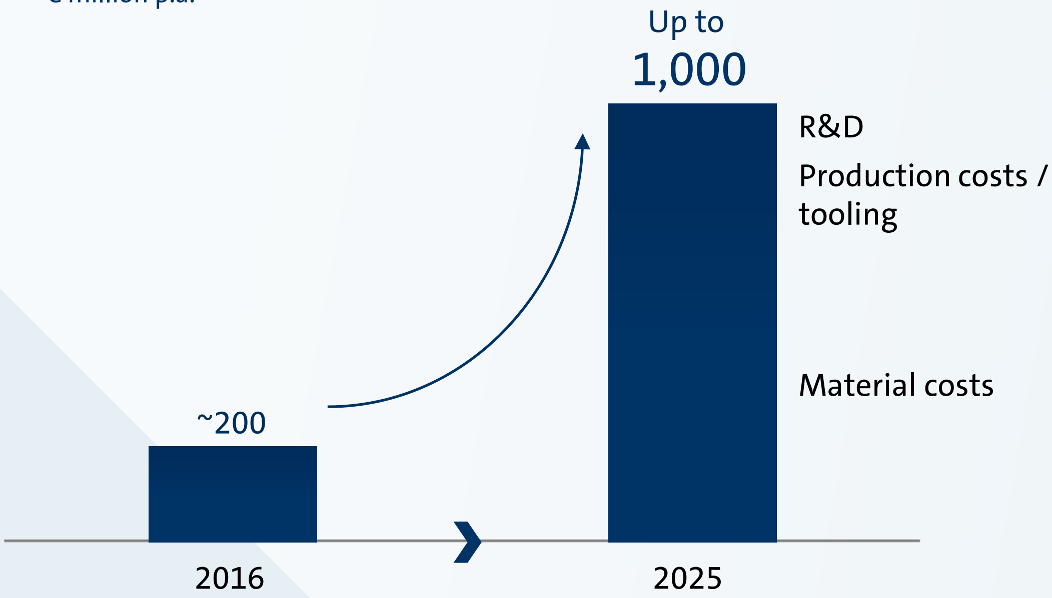
After sales increasingly important as alternative source of revenues

New business models (e.g. enhanced telematics) can stabilize revenues

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

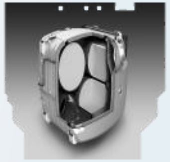
Synergy potential from brand collaboration and expanded platform strategy

€ million p.a.



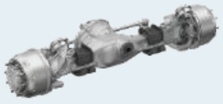
Key common powertrain platforms

Base engine



After-treatment

Transmission



Axles

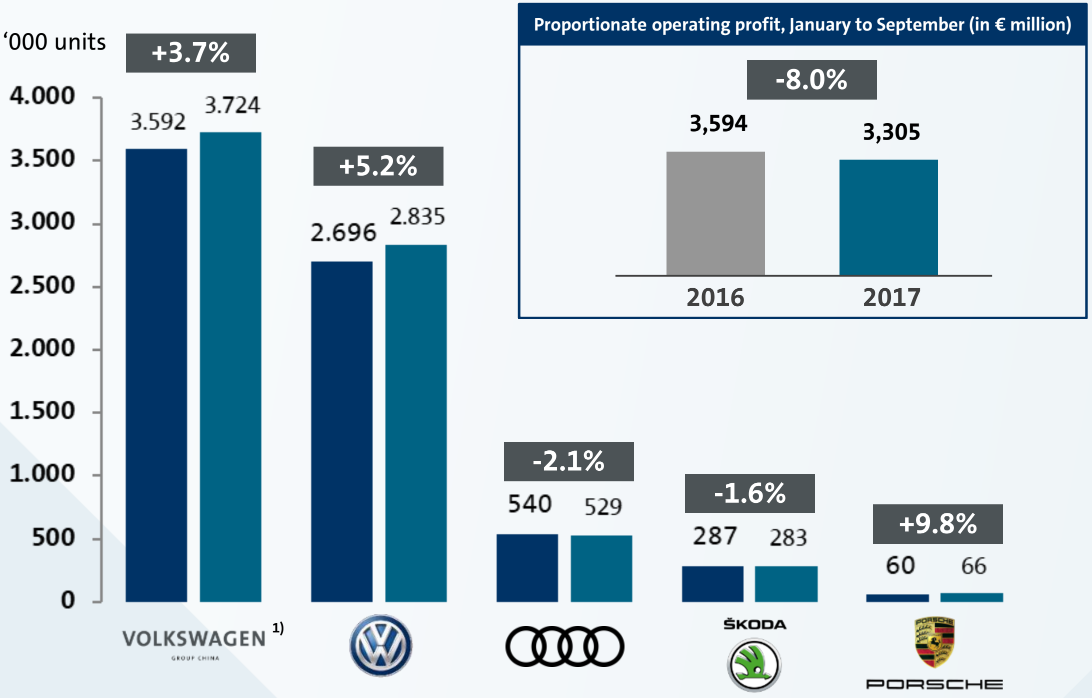
Global expansion on track with Navistar alliance

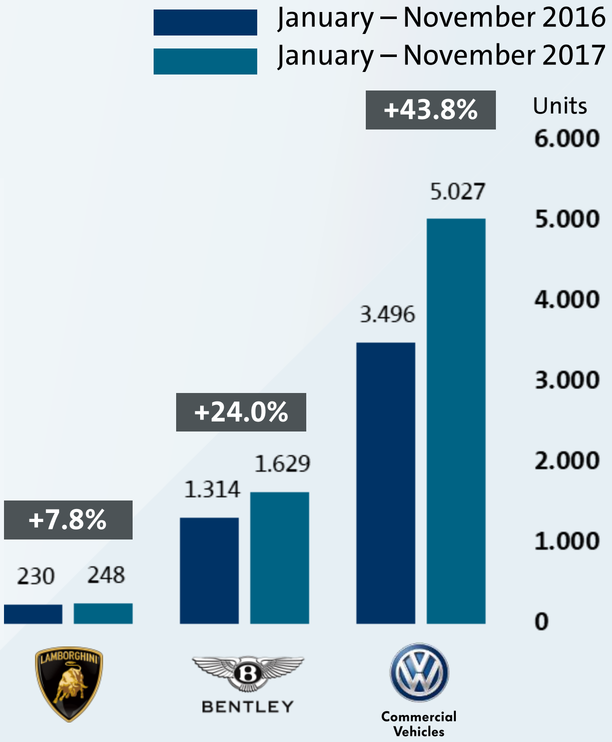
1	Equity investment		**16.9% equity stake** in Navistar by way of **capital increase**[1)]
2	Strategic technology and supply cooperation		Companies to **collaborate on technology** for powertrain systems, as well as other advanced technologies
3	Procurement joint venture		**Procurement joint venture** 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

[1)] As at 30.09.2017.

Volkswagen Group China performance

(January to November 2017 vs. 2016)





1) 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[1] and NEV credits**
- Companies need to fulfill **both requirements**

CAFC[1] 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[2] draft for NEV Credit Calculation

min. NEV credit points = ICE[3] Volume x NEV credit point ratio

2018	2019	2020
None	10%	12%

Example 2019:
1 million ICEs need
100,000 NEV credit points

NEV Credit Point Attribution per NEV Type

BEV[4]: Basic credit = 0.012 x Range + 0.8 (max. 5 basic credits)
BEV additional factor for low electric consumption up to 1.2

PHEV[5]: Basic credit = 2 (min. e-Range 50km)
PHEV credit = 1 if e-range 50-80km and consumption ≥70% ICE

[1] CAFC – Corporate Average Fuel Consumption. [2] MIIT – Ministry of Industry and Information Technology. [3] ICE – Internal Combustion Engine. [4] BEV – Battery Electric Vehicle.
[5] 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

Phase 1

Plug-in hybrids based on current toolkits

Phase 2

Pure electric vehicles based on current toolkits

Phase 3

Pure electric vehicles based on scalable electric toolkit

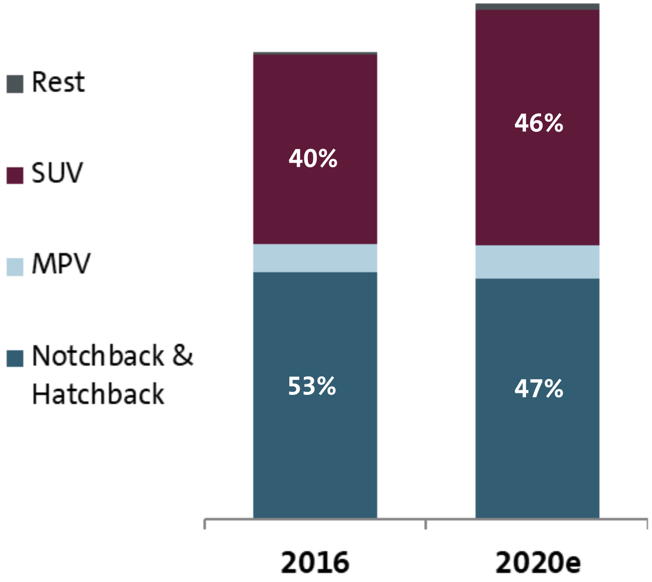
Mass market BEV cooperation

VOLKSWAGEN GROUP CHINA

JAC 江淮汽车

New product offering with an expanded SUV line-up 1)

Body style trends until 2020[1)]



New vehicle launches 2017 and to follow[2)]

SUV


Teramont


Q5


KODIAQ


Tiguan LWB


KAROQ


...

Others

imported


Panamera Turbo


A5 Coupé


TT


Q7 e-tron


R8 Spyder


Panamera LWB


Variant GTE

locally produced


Phideon PHEV


Lavida

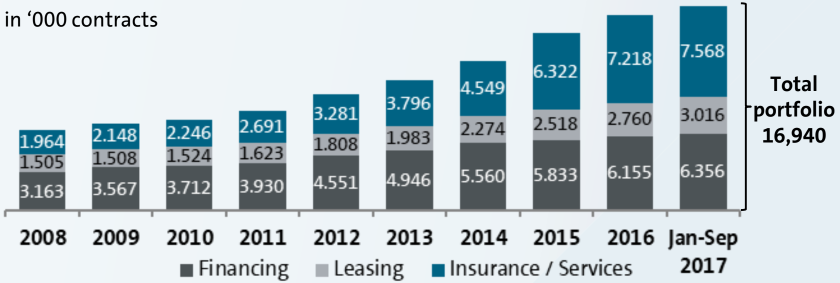

Bora

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

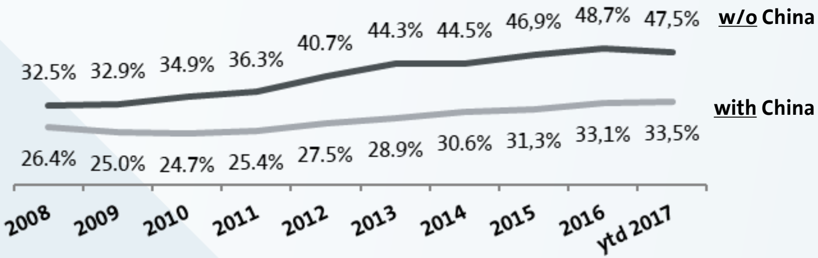
Volkswagen Financial Services[1)]: global, well diversified and successful

Strong global presence

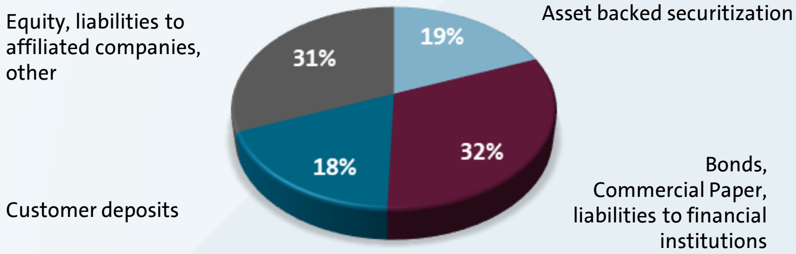
Continuous portfolio expansion



Rising penetration rates



Diversified funding structure



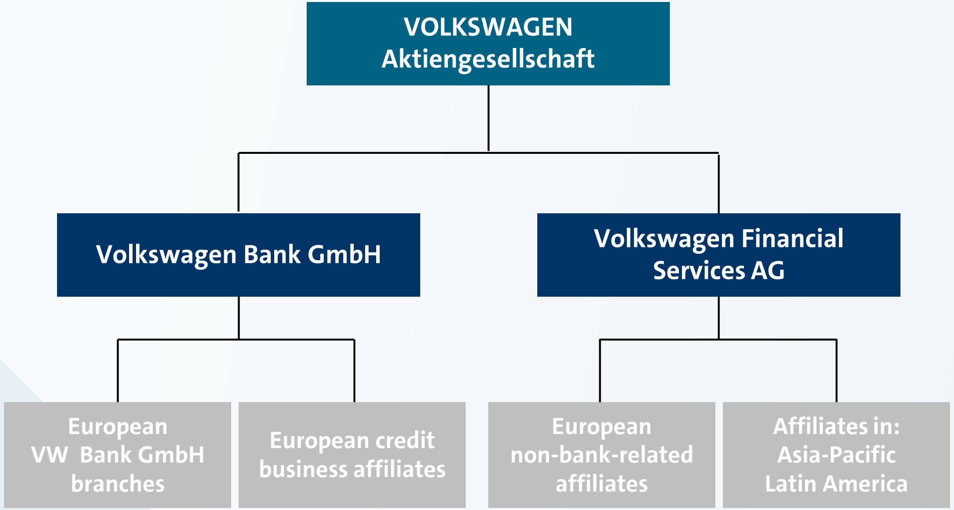
30.09.2017: €181.1 bn

[1)] Excl. activities of Scania and Porsche Holding Salzburg; incl. 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 Other items 9.2 **16.2**	Restructuring: Truck Business 0.2 Passenger Cars South America 0.2 Airbags Takata 0.3 **0.7**	**16.9**
2016	Mainly legal risks **6.4**	Scania Anti-Trust Proceedings 0.4 Others 0.7 **1.1**	**7.5**
Jan-Sept 2017	Buyback/retrofit program 2.1 Legal 0.5 **2.6**		**2.6**
Total to date	**25.2**	**1.8**	**27.0**

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

- Technical solution already generally confirmed for all concepts by KBA[1)]
- Gradual approval of clusters after cluster-specific KBA inspection[1)]
- 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.

Update status

Over 6.5m units have been updated (status 07 December 2017)

[1)] 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:

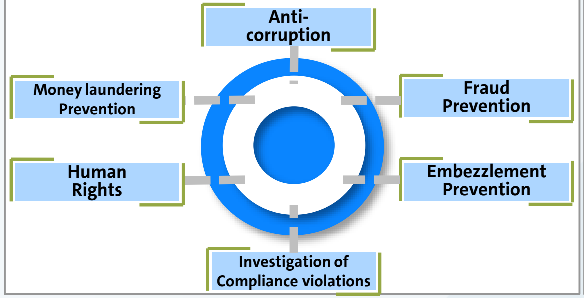
Six action fields form the basis for a holistic integrity programme:

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[1)]

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

[1)] Held in Nov/Dec 2017.

Upcoming tasks to master challenges and make use of opportunities

Improving the core business

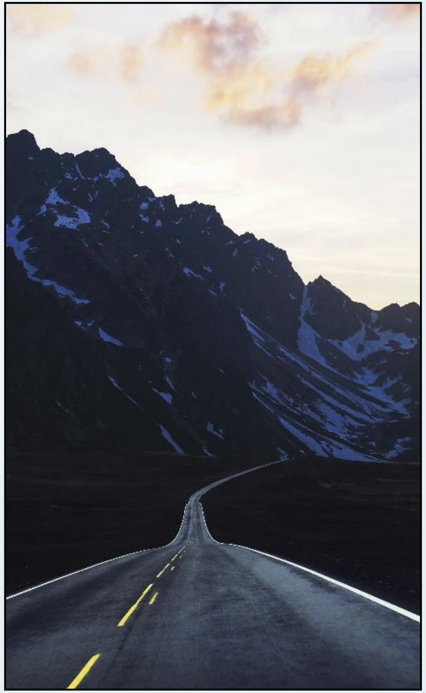
- Safeguarding the profitability in core regions; ongoing recovery in NAR/SAM/Russia
- Future pact continues to be implemented
- Strong cash generation and capex/R&D discipline as a precondition

Transformation towards more E-Mobility

- Working on CO_2 Compliance / WLTP implementation
- Profitability of Electric Vehicles

Strengthen innovation power

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



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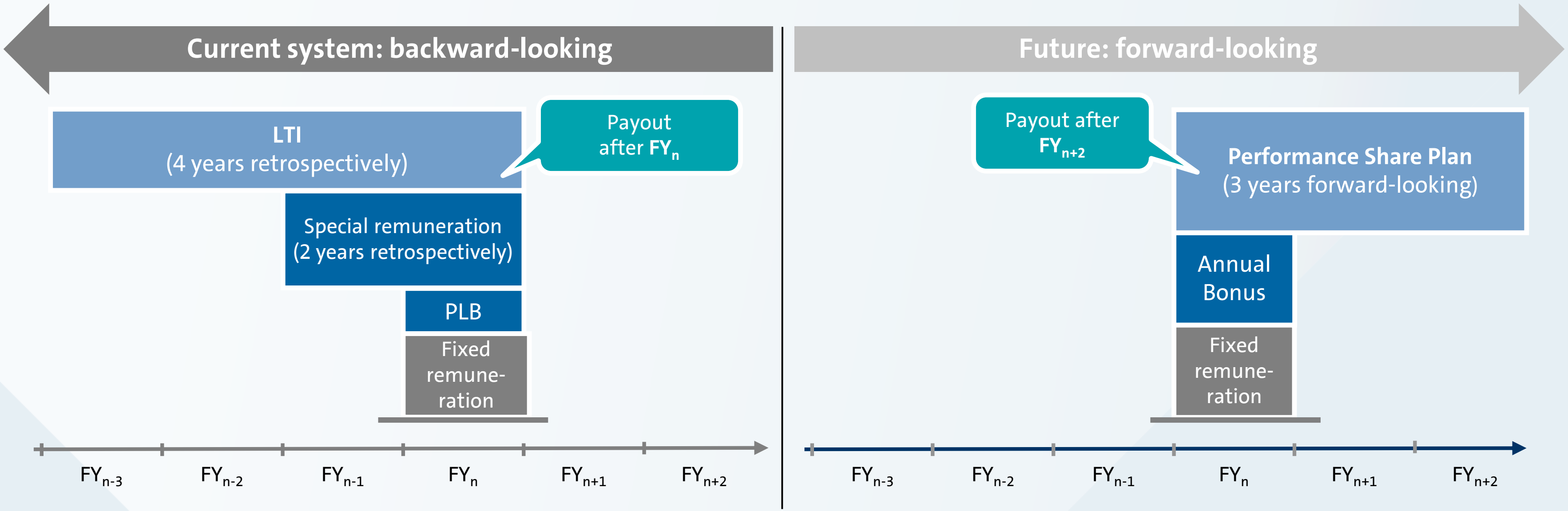
The new remuneration system is designed to be completely forward-looking



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
LION INSIDE!
MAN
M AN 2922

Scania G 450 XT 8x4

Volkswagen AG

Volkswagen Financial Services

VOLKSWAGEN

AKTIENGESELLSCHAFT

We are redefining mobility.

Volkswagen Group

Volkswagen AG / Volkswagen Financial Services

Kepler Cheuvreux & UniCredit: 17th German Corporate Conference

Frankfurt, 16-17 January 2018