Report on Expected Developments

The momentum of the global economy is expected to be somewhat stronger in 2017 than in the previous year. We assume that global demand for vehicles will be mixed and increase at a slightly slower rate than in the reporting period. Thanks to its brand diversity, global presence and pioneering technologies, the Volkswagen Group is well prepared to deal with the diverse conditions in the regional markets.

In the following, we describe the expected development of the Volkswagen Group and the general framework for its business activities. Risks and opportunities that could represent a departure from the forecast trends are presented in the Report on Risks and Opportunities.

Our assumptions are based on current estimates by third-party institutions. These include economic research institutes, banks, multinational organizations and consulting firms.

GLOBAL ECONOMIC DEVELOPMENT

In our forecasts, we assume that global economic growth in 2017 will be slightly above the previous year's level. We believe risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will continue to be hurt by geopolitical tensions and conflicts. We expect the economic upturn to continue in the large majority of industrialized nations, with stable rates of expansion overall. Most emerging markets will probably see faster growth than in the previous year. We expect the strongest rates of expansion in Asia's emerging economies.

Furthermore, we anticipate that the global economy will also continue to grow in the period 2018 to 2021.

Europe/Other Markets

In Western Europe, the economic recovery is expected to decelerate to some extent in 2017 compared with the reporting period. Resolving structural problems and the uncertain outcome of the Brexit negotiations between the EU and the United Kingdom represent major challenges.

For Central Europe, we estimate that growth rates in 2017 will be similar to those of the past fiscal year. In Eastern Europe, the economic situation should stabilize further, providing the smoldering conflict between Russia and Ukraine does not worsen. Following its decline in recent years, Russia's economic output is likely to increase slightly.

Political uncertainty and social tensions resulting primarily from high unemployment levels will probably continue to weigh on the South African economy in 2017 and keep growth down.

Germany

In Germany, GDP is slated to rise in 2017 at a similar pace as in the reporting period. The situation in the labor market is expected to remain stable, bolstering consumer spending.

North America

For North America, we expect that the economy will expand in 2017 at a faster rate than in the previous year. Growth in the USA and in Canada is forecast to rise year-on-year, while the rate of growth in the Mexican economy is projected to decrease.

South America

Brazil is very likely to come out of recession in 2017, showing a modest growth trend. In spite of persistently high inflation, the Argentinian economy should pick up speed again.

Asia-Pacific

In 2017, the Chinese economy is expected to continue growing on a high level, but year-on-year this growth will lose momentum. For India, we anticipate an expansion rate at around the prior-year level. The economic situation in Japan is likely to remain essentially unchanged compared to the reporting period.

TRENDS IN THE PASSENGER CAR MARKETS

We expect trends in the passenger car markets in the individual regions to be mixed in 2017. Overall, growth in global demand for new vehicles will probably be slower than in the reporting period.

The Volkswagen Group is well positioned to deal with the mixed developments in automotive markets around the world. Our broad, selectively expanded product range featuring the latest generation of engines as well as a variety of alternative drives puts us in a good position globally compared with our competitors. Our goal is to offer all customers the mobility and innovations they need, sustainably strengthening our competitive position in the process.

We estimate that demand for passenger cars worldwide will continue to increase in the period 2018 to 2021.

Europe/Other Markets

For 2017, we anticipate that unit sales volumes in Western Europe will fall somewhat short of the level seen in the reporting period. Pre-crisis levels are not expected to be reached, even in the medium term. The continuing uncertainty among consumers precipitated by the debt crisis is likely to be exacerbated by the uncertain outcome of the Brexit negotiations between the EU and the UK, putting a damper on demand. In Italy and Spain, the recovery will probably continue in 2017 but at a much slower pace; for France, we expect growth to be only slightly positive. We anticipate that the market volume in the United Kingdom will be considerably lower than the high level seen in the previous year.

In the Central and Eastern European markets, demand for passenger cars in 2017 should exceed the weak prior-year figure. Following significant declines in some of the previous years, the volume of demand in Russia is estimated to increase moderately. We expect to see further growth in demand in the Central European markets.

We are projecting that the volume of demand in the South African passenger car market in 2017 will be up slightly year-on-year.

Germany

Following the positive trend of recent years, we forecast that the volume of the German passenger car market in 2017 will be slightly lower than in the previous year.

North America

We expect that the market volume for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America as a whole and in the USA will be a little lower in 2017 than in the prior year. Demand will probably remain highest for models in the SUV, pickup and van segments. In the Canadian market, the number of new registrations is likely to be slightly below the previous year's high level as well. This stands in contrast to Mexico, where we anticipate that demand will be noticeably higher than in the reporting period.

South America

Owing to their dependence on demand for raw materials, the South American markets for passenger cars and light commercial vehicles are heavily influenced by developments in the global economy. Protectionist tendencies are adversely affecting the performance of the region's vehicle markets, especially in Brazil and Argentina, which have imposed restrictions on vehicle imports. Nevertheless, compared with the previous year, demand in the South American markets as a whole will probably edge up in 2017. In Brazil, the largest market in South America, the volume is expected to rise moderately following substantial losses in the previous years. We anticipate that volumes in the Argentinian market in 2017 will be up slightly year-on-year.

Asia-Pacific

The passenger car markets in the Asia-Pacific region look set to continue their growth trajectory in 2017, however at a weaker pace. In China, the steady increase in individual mobility requirements will push up demand, though the rate of growth is likely to be slower than in the previous year because the tax break for vehicles with engine sizes of up to 1.6 l was reduced by half at the end of 2016. Strong demand is still forecast for attractively priced entry-level models in the SUV segment in particular. In India, we expect demand for passenger cars to slightly exceed the previous year. We believe that demand in the Japanese passenger car market will continue to taper off in 2017.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

We expect trends in the markets for light commercial vehicles in the individual regions to be mixed again in 2017. Overall, we envisage modest growth in demand, a trend that is likely to continue in the period 2018 to 2021.

Due to the uncertainty caused by the United Kingdom's European Union membership referendum in June 2016, we estimate that demand for light commercial vehicles in Western Europe in 2017 will be slightly below the previous year's level. The United Kingdom is expected to register the biggest decline in the region. We anticipate that registrations in Germany will be around the previous year's level.

In the Central and Eastern European markets, registrations of light commercial vehicles in 2017 will probably be higher than in the previous year. Also in Russia we expect the market volume to rise compared with 2016.

In North and South America, the light vehicle market is reported as part of the passenger car market, which includes both passenger cars and light commercial vehicles.

The market volume in the Asia-Pacific region in 2017 will probably record a slight increase year-on-year. We are expecting demand in the Chinese market to match the prior-year level. For India we are forecasting a considerably higher volume in 2017 than in the reporting period. In the Japanese market, the downward trend is likely to continue in 2017 at a slower pace.

In the markets for mid-sized and heavy trucks that are relevant for the Volkswagen Group, new registrations in 2017 are set to be somewhat up on the level in 2016. For the period 2018 to 2021 we anticipate a positive trend.

We expect to see demand in Western Europe and Germany decrease slightly year-on-year in 2017.

Central and Eastern European markets should record a significant increase in demand. For Russia, we anticipate a substantial recovery in demand in 2017, in contrast to the low level recorded in 2016.

Owing to a cyclical decline in the truck market, registrations in North America will probably be down substantially in 2017 on the figure for 2016.

Demand in the Brazilian market will recover in 2017 from the low level of the previous year, as the first signs of an economic recovery suggest.

Registrations in China, the world's largest truck market, are projected to be moderately higher in 2017 than in 2016. In India, we expect significant growth in the market on the strength of the positive economic climate and the implementation of numerous infrastructure measures.

In the bus markets that are relevant for the Volkswagen Group, we expect to see a moderate increase in demand in 2017. We anticipate that demand in Western Europe in 2017 will be below the 2016 level. For Central and Eastern Europe, we are forecasting higher demand than in the previous year. In South America, new registrations will probably be noticeably higher than the prior-year level.

For the period 2018 to 2021, we expect moderate growth overall in the demand for buses in the markets that are relevant for the Volkswagen Group.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

We expect the overall difficult market environment and thus the price pressure in the power engineering segment to persist undiminished in 2017.

We anticipate that the order volume in 2017 for two-stroke engines used in merchant shipping will be similar to the prior-year figure. Calls for greater energy efficiency and low pollutant emissions will have a significant influence on ship designs in the future. We expect to see continuing high demand for special-purpose ships such as cruise ships, ferries and government vessels. In the offshore segment, new orders are expected to be at a very low level due to overcapacities, despite the recent slight increase in the oil price. Our assumption is that the volume of the marine market will persist at last year's level on the whole. The competitive pressure will continue unabated.

Demand for energy correlates strongly with macroeconomic and demographic trends, especially in developing countries and emerging markets. The global trend toward decentralized power stations and gas-based applications shows no sign of slowing down. We predict that demand will increase slightly year-on-year in 2017, but will remain at a low overall level.

In spite of the slight increase in the oil price, the market for turbomachinery is expected to experience a persistently difficult market environment in fiscal year 2017, resulting in high prices and competitive pressure. This is due to expectations that unfavorable economic and political conditions will prevail in some relevant markets. We consequently envisage that in 2017 the market for turbomachinery will also settle at the previous year's low level.

Due to the fact that new construction capacity is not being utilized in full, the after-sales area is also expected to witness mounting competitive pressure.

For the period 2018 to 2021, we expect to see growing demand in the power engineering markets. The extent and timing of this growth will vary in the individual business fields, however.

DEMAND FOR FINANCIAL SERVICES

We believe that automotive financial services will continue to be very important for vehicle sales worldwide in 2017. We expect to witness further increasing demand in emerging markets in which market penetration is currently low, such as China. Regions with developed automotive financial services markets will see a continuation of the trend towards enabling mobility at a manageable total cost. Integrated end-to-end solutions, comprising mobility-related service modules such as insurance and innovative packages of services, will become increasingly important. In addition, demand for new mobility services such as carsharing will also grow; we estimate that this trend will continue in the period 2018 to 2021.

In the mid-sized and heavy commercial vehicles category, we expect rising demand for financial services products in emerging markets. There in particular, financing solutions support vehicle sales and are thus an essential component of the sales process. We anticipate increased demand in 2017 in the developed markets for services that reduce the total cost of ownership. This trend is also expected to continue in the period 2018 to 2021.

EXCHANGE RATE TRENDS

The global economy lost a little of its momentum in 2016. Energy and commodity prices recovered as the reporting period went on, albeit at a relatively low level. Confidence in the economic stability of crisis-hit emerging markets partially returned and led to a gradual appreciation of the currencies of these countries. The euro lost ground slightly against the US dollar, but gained ground slightly against the Chinese renminbi. In the wake of the United Kingdom's Brexit referendum in June 2016, the sterling slumped against the European single currency. The Russian ruble and the Brazilian real turned around their preceding downtrend at the beginning of the reporting period and have since recorded significant price gains. For 2017, we are forecasting that the euro will gain some strength against the US dollar, Chinese renminbi, sterling and other key currencies. The expectation is that the Russian ruble and Brazilian real will remain relatively weak. We currently assume that these trends will continue in the period 2018 to 2021. There is still a general event risk – defined as the risk arising from unforeseen market developments.

INTEREST RATE TRENDS

Interest rates remained extremely low in fiscal year 2016 due to the continuation of expansionary monetary policy and the challenging overall economic environment. In the major Western industrialized nations, key interest rates persisted at a historic low level. While it became apparent in the USA that the extremely loose monetary policy was gradually drawing to an end, the European Central Bank continued to pursue this course. In light of further expansionary monetary policy measures in the eurozone, we therefore consider it unlikely that interest rates will rise in 2017. In the USA, however, we can expect to see a moderate increase in interest rates. For the period 2018 to 2021, we anticipate a successive rise in interest rates, though the pace will vary from region to region.

COMMODITY PRICE TRENDS

Political and economic uncertainty in different forms caused the prices for many raw and input materials, such as crude oil, steel and rare earths, to move sideways or upwards in 2016 amid high volatility in some cases. In light of these individual factors, we expect mixed developments in the commodity markets in 2017 with an increase in most commodity prices. We believe that this trend will continue in the period 2018 to 2021. Forward-looking, system-based and individual procurement methods enable us to mitigate risks arising from this volatility in commodity prices. Long-term supply agreements ensure that the Group's needs are satisfied and thus ensure a high degree of supply reliability.

NEW MODELS IN 2017

In the course of transforming our core business, we will define the positioning of our Group brands more clearly and further optimize the vehicle and drive portfolio with a view to the most attractive and fastest-growing market segments. We will unveil additional SUV models, integrate digitalization into our products more systematically and provide important stimuli for the future with e-mobility offerings.

The Volkswagen Passenger Cars brand will launch the revamped Golf on the market in 2017. The brand's best-selling model, which will also be available as the Golf Estate, Golf GTI and Golf GTE, boasts a polished design, efficient engine technology, innovative driver assist systems and a new generation of infotainment systems. The latest battery technology extends the range of the new e-Golf by around 50% to up to 300 km in the New European Driving Cycle. The Polo was completely overhauled based on the MQB and now offers customers an even greater level of comfort. Its features include a wide range of affordable innovations, more spacious interior and outstanding design. The already large up! family will be joined by the sporty up! GTI in late 2017. The brand will continue its SUV initiative with the T-Roc, a compact crossover model. In addition, Volkswagen will demonstrate the brand's value, quality and power of innovation in 2017 with the sporty four-door coupé Arteon, which will complete the portfolio above the Passat. Three new electric vehicles will be rolled out in China – the plug-in versions of the Phideon and the Passat Estate as well as the e-Golf. The Teramont, a mid-class SUV that comfortably seats seven passengers, will also be introduced to the market, setting new standards in the segment with the latest driver assist systems and a masculine off-road design. In addition, Volkswagen will introduce the long version of the new Tiguan in China. In the USA, we aim to win over customers with the new Tiguan, which features a longer wheelbase. Volkswagen will cater to one of the largest segments in the American market with the SUV Atlas produced at our Chattanooga plant. The vehicle concept is specially tailored to meet the special demands of our customers here. In Brazil the face-lifted up! will be launched in 2017. The Golf and Golf Estate will also be refreshed. The new Polo is also expected to boost sales figures in Brazil.

At the new Audi plant in San José Chiapa, Mexico, production of the second generation of the best-selling SUV, the Q5, began at the end of 2016. This will be successively launched on the markets in 2017. The A5 family will be supplemented by the revamped A5 Sportback and A5 Cabriolet. Audi's new flagship will be launched towards the end of the year: the successor to the Audi A8 thrills with numerous new driver assist systems and infotainment features, raising the bar in its segment. The RS 3 Saloon will be launched in North America in 2017 along with the R8 Spyder and the TT RS. The new A5 Sportback will also make its debut in the US market.

ŠKODA will launch the bold, powerful Kodiaq in 2017 – a new series based on the MQB. The SUV combines all qualities that are synonymous with the ŠKODA brand: an exceptional amount of space, strong design and excellent value for money. In addition, the new generation of the robust Yeti will be unveiled. The popular Octavia will receive an upgrade. The Citigo, the Rapid and the Rapid Spaceback will also be given a face-lift.

SEAT will continue its product initiative with the new Leon. The fifth generation of the Ibiza will also be presented. SEAT is making its debut in the crossover segment with the Arona.

Starting in 2017, Porsche will produce the Panamera 4 E-Hybrid and the Panamera Executive models. The Panamera Sport Turismo will complement the model series in the second half of the year. The new generation of the 911 GT3 and the GTS models from the 911 series will also be delivered to customers.

In 2017, Bentley will launch the Bentayga – the first model with a diesel engine in Europe and selected international markets as well as the Continental GT Supersports high-performance variant. The next generation of the Continental GT will be unveiled in the second half of the year.

Lamborghini will launch the new Huracán Spyder RWD and the Huracán Performante in 2017, along with the upgraded Aventador S Coupé.

Bugatti will commence delivery of its new Chiron, the world's most powerful, fastest, most luxurious and most exclusive production super sports car. With a power output of 1,500 PS, a torque value of 1,600 Nm and a wide variety of technical innovations, the Chiron will set new standards in every respect.

In 2017, Volkswagen Commercial Vehicles will start selling the completely redeveloped Crafter, which was designed with customers' specific preferences in mind. Boasting a large variety of drives and derivatives, the new Crafter offers customer-oriented functionality and everyday solutions for individual transport tasks in all areas of use.

Scania will launch further variants of its new generation of trucks.

MAN will enter the world of vans for the first time in 2017 with the TGE. The light commercial vehicle will be MAN's primary solution in future for everyday lighter tasks in the transport and haulage sector. The models from the TG series will be redesigned. In the bus segment, the NEOPLAN Tourliner will be launched. Furthermore, new services and product innovations will be presented in all business areas in 2017.

Ducati will roll out a total of seven new models in 2017: the Ducati SuperSport, the Monster 797 and Monster 1200, the Multistrada 950, two new Scrambler models – the Scrambler Café Racer and the Scrambler Desert Sled – and the 1299 Superleggera, of which only 500 will be produced.

STRATEGIC SALES FOCUS

The multibrand structure, comprising largely independent, strong brands that nevertheless achieve maximum synergies, is one of the defining features of the Volkswagen Group. The structures in the Group have been designed for managing a multibrand organization.

To facilitate the entry into new markets for more Group brands, we will further expand our multibrand structure, particularly in the growth markets. We will also strengthen our customer focus across all sales levels and in customer service, for which we are continually enhancing employee qualifications in addition to optimizing our processes and systems to reflect shifts in customer requirements as well as changing markets and technologies, in particular digitalization. The focus of our sales strategy remains the same – the integrated marketing of new and used vehicles, financial and other services, as well as genuine parts and accessories. Mobility services are gradually being added.

TECHNICAL EXPERTISE AND MOTIVATION IN THE TRANSFORMATION PROCESS

Our staff's dedication and high level of expertise provide important prerequisites for the transformation process to one of the world's leading providers of sustainable mobility, while ensuring our professional excellence in the field of classical automobile manufacturing.

The dual vocational training and a university degree are the basis for professional development in the vocational groups at Volkswagen. Employees then obtain further qualifications throughout their working lives. To always meet current requirements, the broad offering of qualifications is continuously being enhanced. For example, employees are prepared for the changes associated with the advancing digitalization and the use of new technologies under Industry 4.0. An important pillar of this strategy is the transfer of knowledge and experience by internal experts to other staff. Qualifications are provided in the form of dual vocational training that closely integrates theoretical and practical forms of learning.

INVESTMENT AND FINANCIAL PLANNING

In our current planning for 2017, investments of a total of €18 billion will be made in the Automotive Division.

Scheduled capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) will amount to €13 billion. The ratio of capex to sales revenue in 2017 will be at a level of 6–7%. The majority of capex will be spent on new products and the continued rollout and development of the modular toolkit. The focus is on the electrification and digitalization of our vehicles, in particular through the advancement of the Modular Electric Toolkit (MEB). At the same time, primarily the SUV range will be further expanded.

Besides capex, investing activities will include additions of €5 billion to capitalized development costs. Among other things, these reflect upfront expenditures in connection with environmental standards and the extension and updating of our model range.

The investments in our facilities and models, as well as in the development of alternative drives and modular toolkits, are laying the foundations for profitable, sustainable growth at Volkswagen. These investments also include commitments arising from decisions taken in previous fiscal years.

We anticipate significant cash outflows in 2017 because of expenses from the diesel issue. Cash flows from operating activities are not expected to cover the Automotive Division's investment requirements. We therefore expect a negative net cash flow in 2017.

These plans are based on the Volkswagen Group's current structures. They do not take into account the possible settlement payable to other shareholders associated with the control and profit and loss transfer agreement with MAN SE. Our joint ventures in China are not consolidated and are therefore also not included in the above figures. These joint ventures will invest €4 billion in capex in 2017, to be financed from the companies' own funds.

In the Financial Services Division we are planning lower investments in 2017 than in the previous year. We expect the growth in lease assets and in receivables from leasing, customer and dealer financing to lead to funds tied up in working capital, of which around 55% will be financed from the gross cash flow. As is common in the sector, the remaining funds needed will be met primarily through unsecured bonds on the money and capital market, asset-backed securities, customer deposits from direct banking business, as well as through the use of international credit lines.

TARGETS FOR VALUE-BASED MANAGEMENT

Based on long-term interest rates derived from the capital market and the target capital structure (fair value of equity to debt = 2:1), the minimum required rate of return on invested capital defined for the Automotive Division remains unchanged at 9%. Due in particular to the adverse effects of the special items on earnings, we did not achieve the minimum required rate of return in the reporting period, with a return on investment (ROI) of 8.2% (see also page 133). Invested capital will increase in 2017 as a result of investments in new models, the development of alternative drives and modular toolkits, as well as in future technologies. The return on investment will be up substantially year-on-year, above the minimum required rate of return on invested capital of 9%.

FUTURE ORGANIZATIONAL STRUCTURE OF THE GROUP

As part of the future program TOGETHER – Strategy 2025, we are setting up a new mobility solutions business with which we will press ahead with our transformation into a global leader in sustainable mobility. We will develop and market mobility services independently or in partnership with others. In addition to ride provision via an app (ride hailing), the focus will be on holistic transport solutions that shape personal and public transport more efficiently. The mobility solutions business will be reported in the Financial Services segment.

SUMMARY OF EXPECTED DEVELOPMENTS

The Volkswagen Group's Board of Management expects the global economy to record slightly higher growth in 2017 than in the previous year. We believe risks will arise from protectionist tendencies, turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects will continue to be hurt by geopolitical tensions and conflicts. We expect the economic upturn to continue in the large majority of industrialized nations, with stable rates of expansion overall. Most emerging markets will probably see faster growth than in the previous year. We expect the strongest rates of expansion in Asia's emerging economies.

The trend in the automotive industry closely follows global economic developments. We expect competition in the international automotive markets to intensify further.

We expect trends in the passenger car markets in the individual regions to be mixed in 2017. Overall, growth in global demand for new vehicles will probably be slower than in the reporting period. We anticipate that sales volume in Western Europe and the German passenger car market will be slightly lower than in the previous year. In the Central and Eastern European markets, demand for passenger cars should exceed the weak prior-year figure. We expect that the market volume for passenger cars and light commercial vehicles (up to 6.35 tonnes) in North America in 2017 will be a little lower than the prior-year figure. On the South American market for passenger cars and light commercial vehicles, overall demand is expected to rise slightly compared with the previous year. The passenger car markets in the Asia-Pacific region look set to continue their growth trajectory at a slightly weaker pace.

We expect trends in the markets for light commercial vehicles in the individual regions to be mixed again in 2017. Overall, we envisage a slight increase in demand.

In the markets for mid-sized and heavy trucks that are relevant for the Volkswagen Group, new registrations in 2017 are set to rise slightly above the prior-year level, while a moderate year-on-year increase is expected in new registrations of buses in the relevant markets.

We believe that automotive financial services will continue to be very important for vehicle sales worldwide in 2017.

The Volkswagen Group is well positioned to deal with the mixed developments in automotive markets around the world. Our broad, selectively expanded product range featuring the latest generation of engines as well as a variety of alternative drives puts us in a good position globally compared with our competitors. The Group's further strengths include in particular its unique brand portfolio, its steadily growing presence in all major world markets and its wide selection of financial services. Our range of models covers almost all key segments, with offerings from small cars to super sports cars in the passenger car segment, and from pickups to heavy trucks and buses in the commercial vehicles segment, as well as motorcycles. The Volkswagen Group brands will further optimize their vehicle and drivetrain portfolio in 2017 to concentrate on the most attractive and fastest-growing market segments. The Group's new structure with more decentralized responsibility will strengthen our brands and regions and increase our proximity to customers. In addition, we are working to make even more focused use of the advantages of our multibrand group by continuously developing new technologies and our toolkits. Our goal is to offer all customers the mobility and innovations they need, sustainably strengthening our competitive position in the process.

We expect that deliveries to customers of the Volkswagen Group in 2017 will moderately exceed the prior-year volume amid persistently challenging market conditions.

Challenges will arise particularly from the economic situation, intense competition in the market, exchange rate volatility and the diesel issue.

We expect the sales revenues of the Volkswagen Group and of the Passenger Cars Business Area and Commercial Vehicles Business Area to grow up to 4% year-on-year in 2017. In terms of the Group's operating result, we anticipate an operating profit on sales of between 6.0% and 7.0% in 2017. In the Passenger Cars Business Area, we expect an operating return on sales in the range of 6.5 – 7.5%. For the Commercial Vehicles Business Area, we anticipate an operating return on sales of between 3.0 and 5.0%. In the Power Engineering Business Area, we expect a substantial year-on-year decline in sales revenue but also a lower operating loss. For the Financial Services Division, we are forecasting sales revenue and the operating profit at the prior-year level.

In the Automotive Division, the R&D ratio and the ratio of capex to sales revenue will fluctuate in the range of 6 – 7% in 2017. As a result of the effects of the diesel issue, net cash flow will be negative and significantly lower than in the previous year. Net liquidity will decline considerably as a result. The return on investment (ROI) will be up markedly year-on-year and will exceed our minimum required rate of return on invested capital of 9%. Our unchanged stated goal is to continue our solid liquidity policy.

The commitment and considerable technical expertise of our staff are key prerequisites to successfully shaping the transformation into a leading international provider of sustainable mobility. With our future program, TOGETHER – Strategy 2025, we are attaching even greater importance to our responsibility in relation to the environment, safety and society. We are also aiming for operational excellence in all business processes and intensifying our focus on profitable growth.