Prospects for 2017

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.

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.

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 Car Business Area and Commercial Vehicles Business Area to grow by up to 4% year-on-year in 2017. In terms of the Group's operating profit, we anticipate an operating return 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.

Wolfsburg, February 24, 2017
The Board of Management