

SUMMARY OF BUSINESS DEVELOPMENT AND ECONOMIC POSITION

The Board of Management of Volkswagen AG considers business development and the economic position to have been satisfactory overall. In spite of the challenges resulting from the diesel issue and the persistently difficult conditions on the vehicle markets in Brazil and Russia, we were able to reach our forecast in 2016 and also set a new record, with 10.3 million vehicles delivered (+3.7%). The Group's sales revenue ultimately grew at a faster pace than expected over the course of the year and was higher than in the previous year, due among other factors to mix-related factors and the good business growth recorded by the Financial Services Division. As a result, operating profit before special items rose year-on-year to €14.6 billion and the operating return on sales before special items was 6.7%, exceeding expectations. As expected, operating profit and the operating return on sales after special items resulting in particular from the diesel issue were also clearly positive.

Sales revenue in the Passenger Cars Business Area was better than expected, exceeding the figure for 2015. Operating profit and the operating return on sales were within the fore-

cast ranges and exceeded the original expectations before special items. The Commercial Vehicles, Power Engineering and Financial Services Business Areas are confirming the current sales forecasts. The operating profit and operating return on sales recorded by the Commercial Vehicles Business Area was within the range originally forecasted, despite special items. In the Power Engineering Business Area, operating profit declined significantly because of special items. The Financial Services Division increased its operating profit markedly year-on-year.

The Automotive Division's ratio of capex to sales revenue was 6.9%, as in the previous year, and was thus inside the expected corridor. As forecast, the net cash flow in the Automotive Division was significantly lower than in the previous year, among other things because of expenses from the diesel issue. The Automotive Division's net liquidity at the end of the reporting period was a robust €27.1 billion. The return on investment (ROI) rose significantly as a result of the improved operating profit in the Automotive Division; however, the minimum rate of return on invested capital was not achieved because of the special items.

FORECAST VERSUS ACTUAL FIGURES

	Actual 2015	Original Forecast for 2016	Adjusted Forecast for 2016	Actual 2016
Deliveries to customers	9.9 million	on the prior-year level	slight increase	10.3 million
Volkswagen Group				
Sales revenue	€213.3 billion	decline up to 5%	on the prior-year level	€217.3 billion
Operating return on sales before special items	6.0%	5.0 – 6.0%	~ 6%	6.7%
Operating return on sales	-1.9%	5.0 – 6.0%	clearly positive, up to 5.0%	3.3%
Operating result before special items	€12.8 billion	within the forecast range	within the forecast range	€14.6 billion
Operating result	€-4.1 billion	within the forecast range	within the forecast range	€7.1 billion
Passenger Cars Business Area				
Sales revenue	€149.7 billion	noticeable decline	slight decline	€150.3 billion
Operating return on sales	-4.7%	5.5 – 6.5%	clearly positive, up to 5.5%	2.8%
Operating result	€-7.0 billion	within the forecast range	within the forecast range	€4.2 billion
Commercial Vehicles Business Area				
Sales revenue	€30.4 billion	on the prior-year level	moderate increase	€32.1 billion
Operating return on sales	1.9%	2.0 – 4.0%	slightly positive, up to 2%	2.2%
Operating result	€0.6 billion	within the forecast range	within the forecast range	€0.7 billion
Power Engineering Business Area				
Sales revenue	€3.8 billion	noticeable decline	noticeable decline	€3.6 billion
Operating Result	€0.1 billion	significant decline	significant decline	€-0.2 billion
Financial Services Division				
Sales revenue	€29.4 billion	on the prior-year level	noticeable increase	€31.3 billion
Operating result	€2.2 billion	on the prior-year level	noticeable increase	€2.4 billion
Capex/sales revenue in the Automotive Division	6.9%	6 – 7%	6 – 7%	6.9%
Net cash flow in the Automotive Division	€8.9 billion	significant decline	significant decline	€4.3 billion
Return on investment (RoI) in the Automotive Division	-0.2%	significant increase, > 9%	significant increase, > 9%	8.2%