Volkswagen in the U.S.: An Evolving Growth Story
Deutsche Bank Global Auto Industry Conference

Michael Lohscheller – EVP & CFO, Volkswagen Group of America, Inc.
Detroit, 10 January 2012
Disclaimer

This presentation contains 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 Such statements are valid on the date of publication and can be superseded.
Agenda

Volkswagen Group sales update

Volkswagen’s profitable growth in the U.S. market
Agenda

Volkswagen Group sales update

Volkswagen’s profitable growth in the U.S. market
World car markets and Volkswagen Group deliveries to customers\textsuperscript{1,2)

January to December 2011 vs. 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Car market</th>
<th>VW Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>9.3%</td>
<td>21.4%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>-1.5%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>26.1%</td>
<td>30.5%</td>
</tr>
<tr>
<td>South America</td>
<td>6.7%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>11.4%</td>
<td>22.6%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>2.5%</td>
<td>19.8%</td>
</tr>
</tbody>
</table>

World Car market: 5.1%  VW Group: 14.4%

\textsuperscript{1} incl. Scania (Jan-Sept)

\textsuperscript{2} preliminary figures
Volkswagen Group – deliveries to customers by market\(^1,2\)
January to December 2011 vs. 2010

\(^1\) incl. Scania (Jan-Sept)   \(^2\) preliminary figures

\[\begin{array}{cc}
\text{Volkswagen Group} & 8,216 \\
\text{Western Europe} & 3,150 \\
\text{Central & Eastern Europe} & 667 \\
\text{North America} & 948 \\
\text{South America} & 2,569 \\
\text{Asia Pacific} & 22.6% \\
\text{Rest of World} & 324 \\
\end{array}\]
Volkswagen Group – deliveries to customers by brands¹,²)
January to December 2011 vs. 2010

<table>
<thead>
<tr>
<th>Brand</th>
<th>January to December 2010</th>
<th>January to December 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Group</td>
<td>8,216</td>
<td>7,183</td>
</tr>
<tr>
<td>Volkswagen Passenger Cars</td>
<td>5,091</td>
<td>4,503</td>
</tr>
<tr>
<td>Audi</td>
<td>1,303</td>
<td>1,092</td>
</tr>
<tr>
<td>ŠKODA</td>
<td>876</td>
<td>763</td>
</tr>
<tr>
<td>SEAT</td>
<td>350</td>
<td>340</td>
</tr>
<tr>
<td>Bentley</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>529</td>
<td>436</td>
</tr>
<tr>
<td>Scania</td>
<td>59</td>
<td>44</td>
</tr>
</tbody>
</table>

¹ incl. Scania (Jan-Sept)
² preliminary figures
Agenda

Volkswagen Group sales update

Volkswagen’s profitable growth in the U.S. market
## Volkswagen Group of America – Overview

### Brands

- VOLKSWAGEN
- Audi
- BUGATTI
- Lamborghini
- Bentley

![Brands](image)

- Group Sales 2011: > 444,000 units in USA / + 23% vs. YTD 2010[^1]
- Group Market share YTD 2011: 3.5% in USA / + 0.4 percentage points vs. YTD 2010[^1]
- Over 4,300 employees
- Finance company: VW Credit, Inc.

### Locations

- Corporate Headquarters in Herndon, Virginia
- Group Quality/Technical Facilities Auburn Hills, MI
- New factory in Chattanooga, Tennessee
- Corporate Design Center and Electronic Research Laboratory (ERL) in California
- Ports and post production facilities in California, Georgia, Rhode Island and Texas
- Parts distribution centers in California, Florida, New Jersey, Texas and Wisconsin
- Financial Service Center in Auburn Hills (Remarketing & Auction) as well as in Illinois and Oregon

Expected Overall U.S. Market Development

Gradual economic recovery
Job growth
Housing market recovery
Improved consumer confidence
Fleet renewal; more fuel efficient vehicles
Population growth, immigration

Source: Volkswagen Group of America, Inc., PwC/Autofacts
Business Objectives 2012

- Build on fundamentals that contribute to sustainable and profitable growth
- Out-perform market with double-digit growth
- Volkswagen Group of America to continue sales momentum in 2012 and aim to sell over 500,000 units – the first time in 39 years.
- Market forecast between 13.5 – 14 million units in 2012 depending on economic conditions.
- Achieve profit at an operating level in 2012 for the second consecutive year for U.S. Sales Operations
- Passat and Beetle with first full-year of sales. Refreshed CC to hit the market this spring, followed later by the all-new Jetta Hybrid.
Volkswagen Group in America – Writing a New Chapter

- Clear global vision
- New chapter in U.S. story
- Product, technologies and people

1 Global Volkswagen Group Targets
Volkswagen in America – Then and …

Flashback to the 1960s...  
Then to the 1990s...
Key Messages

- U.S. car market is recovering, but at a slower pace
- Executing 2018 Growth Strategy
- Broad-based Momentum established
- Volkswagen brand improvements beginning to emerge across Business
  - Brand, Quality, Customer Experience
  - Financial – move towards Break-even
U.S. Volkswagen Brand Sales Development 2010-2011

December YTD 2010
Market Share: 2.2%

December YTD 2011
Market Share: 2.5%

Source: Autodata Motor Intelligence, Jan. 2012
### Total Market Segmentation 2011 vs. 2010

**Changes in Units**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Volume [in 1,000]</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-Hatchback</td>
<td>(33,277)</td>
<td>(31,523)</td>
<td>(30,101)</td>
<td>(8,181)</td>
<td>(7,304)</td>
<td></td>
</tr>
<tr>
<td>C-Sedan</td>
<td>4,183</td>
<td>4,575</td>
<td>12,244</td>
<td>17,088</td>
<td>20,876</td>
<td>31,669</td>
</tr>
<tr>
<td>A-Coupe</td>
<td>(8,181)</td>
<td>(7,304)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Autodata Motor Intelligence, Jan. 2012

### VW Growth Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Volume [in 1,000]</th>
<th>Growth 2011</th>
<th>Growth 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-SUV</td>
<td>149,791</td>
<td>100.0%</td>
<td>153,757</td>
</tr>
<tr>
<td>C-Pick-up</td>
<td>202,536</td>
<td>100.0%</td>
<td>223,228</td>
</tr>
<tr>
<td>B-Sedan</td>
<td>214,256</td>
<td>100.0%</td>
<td>244,944</td>
</tr>
<tr>
<td>A-Sedan</td>
<td>261,086</td>
<td>100.0%</td>
<td>282,128</td>
</tr>
<tr>
<td>A-SUV</td>
<td>324,345</td>
<td>100.0%</td>
<td>347,757</td>
</tr>
</tbody>
</table>

### Changes in %

<table>
<thead>
<tr>
<th>Segment</th>
<th>Change 2011</th>
<th>Change 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-Hatchback</td>
<td>-6.5%</td>
<td>-3.4%</td>
</tr>
<tr>
<td>C-Sedan</td>
<td>-23.3%</td>
<td>-28.5%</td>
</tr>
<tr>
<td>A-Coupe</td>
<td>-28.5%</td>
<td>-4.1%</td>
</tr>
<tr>
<td>B-Wagon</td>
<td>1.4%</td>
<td>11.8%</td>
</tr>
<tr>
<td>B-Coupe</td>
<td>11.8%</td>
<td>2.7%</td>
</tr>
<tr>
<td>A-Wagon</td>
<td>11.8%</td>
<td>8.3%</td>
</tr>
<tr>
<td>B-MPV</td>
<td>20.1%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Ao-Hatchback</td>
<td>13.4%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Ao-Sedan</td>
<td>14.9%</td>
<td>11.3%</td>
</tr>
<tr>
<td>B-Pick-up</td>
<td>10.4%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Ao-SUV</td>
<td>13.4%</td>
<td>10.4%</td>
</tr>
<tr>
<td>C-SUV</td>
<td>13.4%</td>
<td>14.9%</td>
</tr>
<tr>
<td>B-SUV</td>
<td>14.9%</td>
<td>11.3%</td>
</tr>
<tr>
<td>C-Pick-up</td>
<td>18.2%</td>
<td>17.3%</td>
</tr>
<tr>
<td>B-Sedan</td>
<td>11.3%</td>
<td>10.4%</td>
</tr>
<tr>
<td>A-Sedan</td>
<td>22.1%</td>
<td>17.3%</td>
</tr>
<tr>
<td>A-SUV</td>
<td>17.3%</td>
<td>11.3%</td>
</tr>
</tbody>
</table>

Source: Autodata Motor Intelligence, Jan. 2012
Volkswagen U.S. Sales Development 1952 - 2011 & Target

Source: Internal
Foundations to Fix Underperformance in U.S. Market

Volkswagen Group of America, Inc.
Product Portfolio Continues to Develop

- Passat
- Beetle
- Jetta GLI
- Golf R
- Tiguan
- CC
Passat Delivers Volkswagen Core Values

**Brand Positioning**

- **Human Insight:** People want permission to buy what they desire.
- **Brand Insight:** People love our brand. They just don’t buy our cars.
- **Product Insight:** Giving people a ration alibi, by delivering better engineering at an affordable price.

**Core Tenets**

- Elevating Every Segment
- Committed to Delivering “Better“
  - Engineering
  - Technology
  - Fit and Finish
  - Handling and Driver Experience

*...Priced within Reach*
Creating Brand Momentum Prior to the Passat Launch
Key 2011 Brand Momentum Moments

- Think Blue
- Brand Campaign
- Chattanooga
- Global Beetle
- Jetta
- Oprah
- Super Bowl

Metric | Results '11 vs. '10
---|---
Brand Sales | +26%
Jetta Sales | +54%
Jetta Leads | +79%
Brand Leads | +57%

Source: Volkswagen Group of America, Inc., Polk, Urban Science
Passat – Priced for the Market

$32,950

$19,995

Passat
Passat
Passat
Passat
Camry
Accord
Altima
Fusion
Malibu
Sonata
2.5L
TDI
V6
2010
## Quality & Safety Awards

<table>
<thead>
<tr>
<th>Award Type</th>
<th>Category</th>
<th>Model(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best Full-line Manufacturer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Multi-Function — Golf</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-Size Car — Jetta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entry Utility — Tiguan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volkswagen ranks 2(^{nd}) among Volume Makes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compact Sporty Car — GTI &amp; EOS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compact Car — Golf &amp; Jetta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compact Crossover SUV — Tiguan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entry Premium Car — CC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-Size Premium Crossover SUV — Touareg</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIHS Top Safety Pick Award:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 Volkswagen Passat</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Key Profit Drivers

<table>
<thead>
<tr>
<th>Category</th>
<th>Profit Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td>- Introduction of products in the sweet spot of their segments</td>
</tr>
<tr>
<td><strong>Pricing</strong></td>
<td>- Competitive entry prices while maintaining price premium</td>
</tr>
<tr>
<td><strong>Localization of cars and components</strong></td>
<td>- Increase of localized cars to 75% for Volkswagen Brand</td>
</tr>
<tr>
<td><strong>Parts &amp; Accessories</strong></td>
<td>- Localized MDO (Market Delivery Options) strategy</td>
</tr>
<tr>
<td><strong>Cost Efficiencies</strong></td>
<td>- Leveraging efficiencies of the group:</td>
</tr>
<tr>
<td></td>
<td>- Marketing/IT/Facilities</td>
</tr>
<tr>
<td><strong>Financial Services</strong></td>
<td>- Integrated customer approach</td>
</tr>
<tr>
<td></td>
<td>- Local funding</td>
</tr>
</tbody>
</table>
## Financial Highlights 2011

- Jetta Success
- Passat and Beetle Launch
- Revenue per Car Increase
- Incentive Reduction
- Marketing Efficiencies
- Parts Business
- Increase of Used Car Proceeds
- Successful Local Funding
- Improved Dealer Profitability
Local Content of Passat, Jetta, Beetle

Passat

85%

Jetta / Beetle

85%
Volkswagen incentives are 16% lower year over year and 29% below the industry average (December YTD)

Source: AutoData Motor Intelligence; Jan. 2012
Dealer Profitability & Value of the Volkswagen Brand Franchise

<table>
<thead>
<tr>
<th>Return on Sales</th>
<th>Volkswagen brand ranks 3 in dealer confidence in the value of the franchise (next 12 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VW National '10 vs. '11 in %</td>
<td></td>
</tr>
<tr>
<td>2.4%</td>
<td>Nov. YTD 2011</td>
</tr>
<tr>
<td>2.2%</td>
<td>Nov. YTD 2010</td>
</tr>
</tbody>
</table>

Source: Volkswagen Group of America, Inc.; National Automobile Dealers Association, 2011
Volkswagen in the U.S.: An Evolving Growth Story
Deutsche Bank Global Auto Industry Conference

Michael Lohscheller – EVP & CFO, Volkswagen Group of America, Inc.
Detroit, 10 January 2012