DR. MATTHIAS ERB
Chief Engineering Officer North American Region, Volkswagen of America

Roadshow with Kepler Cheuvreux, Toronto, December 8 2016
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Consequently, a negative impact relating to ongoing claims or investigations, an unexpected fall in demand or economic stagnation in our key sales markets, such as the USA 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 Euro, US dollar, sterling, yen or other currencies.

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**HOW OUR INDUSTRY IS CHANGING**

The key trends in the automotive world at a glance

### Future vehicle concepts
- Autonomous
- Electrified
- Connected

### Advanced mobility solutions
- Robotaxi
- PRT, GRT, FRT*

### Today’s vehicle concepts
- SUV/CUV trends
- Budget cars

### Sharing & Mobility On Demand
- Shared
- Conventional drive system

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*PRT = Personal Rapid Transit; GRT = Group Rapid Transit; FRT = Freight Rapid Transit
NEW CHALLENGES FOR THE AUTOMOTIVE INDUSTRY

90% of product innovations in the automotive industry will occur in the electronics & electrical field.

The sales revenue for “connected cars” will quadruple to €110 billion from 2015 to 2020.

Source: PWC, IBM, BMBF, ATZ, Springer
WE ARE TAKING UP THE CHALLENGE ... 

Faster **transformation** from **hardware producer** to a focus on...

...autonomous driving & parking

... digitalization

... electrification
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DRIVER ASSISTANCE SYSTEMS AND NETWORKING IN PRODUCTION

ACC/Stop & Go
Lane assist with adaptive lane tracking
Traffic jam assist
Park assist

Unlocking and locking
Vehicle status
Volkswagen Car Net
Remote control
Climate control
CarPlay
MirroLink
App Connect
Android Auto
Hotspot
Wi-Fi
Rear Seat Entertainment
U.S. PORTFOLIO STRATEGY: GROWING IN CORE SEGMENTS, OPTIMIZATION AND A MAJOR TRANSFER TO ELECTRIFICATION

I. Growth in Core Segments / “double up”
- Compact/Midsize SUV and Sedan with >1.5 mil. per segment
- Increase segment coverage/volume by
  - Proven Reliability
  - Competitive pricing
  - NAR oriented lifecycles
  - Derivatives/multiple entries

II. Portfolio Optimization / enter new segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>2015 (m units)</th>
<th>Market share 2015 (%)</th>
<th>FC Volume &amp; until 2019 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sedan</td>
<td>5.9</td>
<td>33.6</td>
<td>-12.6</td>
</tr>
<tr>
<td>Hatchback</td>
<td>0.9</td>
<td>5.0</td>
<td>+8.6</td>
</tr>
<tr>
<td>Coupe</td>
<td>0.5</td>
<td>2.8</td>
<td>+2.1</td>
</tr>
<tr>
<td>Waqon</td>
<td>0.1</td>
<td>0.3</td>
<td>+6.5</td>
</tr>
<tr>
<td>Cabrio/Roadster</td>
<td>0.2</td>
<td>0.9</td>
<td>+17.5</td>
</tr>
<tr>
<td>SUV</td>
<td>6.4</td>
<td>36.6</td>
<td>+10.9</td>
</tr>
<tr>
<td>Pick-Up</td>
<td>2.5</td>
<td>14.6</td>
<td>+1.7</td>
</tr>
<tr>
<td>MPV</td>
<td>0.7</td>
<td>3.8</td>
<td>-15.9</td>
</tr>
<tr>
<td>Transporter</td>
<td>0.3</td>
<td>1.9</td>
<td>-2.3</td>
</tr>
<tr>
<td>City Van</td>
<td>0.1</td>
<td>0.5</td>
<td>-0.0</td>
</tr>
</tbody>
</table>

Source: IHS 2016, all figures rounded

III. Transfer to Electrification / new customer experience
- Expand e-Golf
- Introduce BEVs as key pillar of brand transformation
- Introduce HEV to ensure compliance and appeal to customers seeking high fuel economy & performance

IV. Strong product cadence and sustainable profitability
COMPACT+MIDSIZE SUV AND COMPACT+MIDSIZE SEDAN REMAIN CORE SEGMENTS WITH >1.7 MIL. VEHICLES PER YEAR

Forecasted US Market Segment Matrix 2019, the volume figures represent the total market volume

<table>
<thead>
<tr>
<th>Volume 2019</th>
<th>Sedan</th>
<th>Hatchback</th>
<th>MPV</th>
<th>SUV</th>
<th>Wagon</th>
<th>Coupe</th>
<th>Cabrio/Roadster</th>
<th>Pick-Up</th>
<th>Transporter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Sub-compact</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>Subcompact</td>
<td>192</td>
<td>327</td>
<td>58</td>
<td>681</td>
<td>11</td>
<td>0</td>
<td>5</td>
<td>18</td>
<td></td>
<td>1,292</td>
</tr>
<tr>
<td>Compact</td>
<td>1,708</td>
<td>585</td>
<td>37</td>
<td>3,532</td>
<td>25</td>
<td>129</td>
<td>38</td>
<td>91</td>
<td>6</td>
<td>6,144</td>
</tr>
<tr>
<td>Midsize</td>
<td>2,500</td>
<td>463</td>
<td>(Atlas 2017)</td>
<td>1,798</td>
<td>16</td>
<td>316</td>
<td>92</td>
<td>471</td>
<td>6</td>
<td>5,663</td>
</tr>
<tr>
<td>Fullsize</td>
<td>663</td>
<td>0</td>
<td></td>
<td>871</td>
<td>7</td>
<td>9</td>
<td>10</td>
<td>1,494</td>
<td>315</td>
<td>3,369</td>
</tr>
<tr>
<td>Luxus</td>
<td>76</td>
<td></td>
<td></td>
<td>201</td>
<td>4</td>
<td>43</td>
<td>30</td>
<td>605</td>
<td></td>
<td>966</td>
</tr>
<tr>
<td>Total</td>
<td>5,139</td>
<td>956</td>
<td>558</td>
<td>7,083</td>
<td>63</td>
<td>496</td>
<td>181</td>
<td>2,588</td>
<td>412</td>
<td>17,477</td>
</tr>
</tbody>
</table>

Source: IHS 2016, all figures rounded
LINE-UP OF HYBRID AND ELECTRIC VEHICLES TO HELP REDUCE EMISSIONS

Greenhouse emission targets for VW Group in the U.S.

CO₂ in g/km

130
100

2018
2025

TIME

Schematic Overview

PRESENT

2020...

Several new models based on MEB

e-Golf

GTE*

USA

Concept car

*several projects under consideration
Empowered Local Management - Responsible for almost the entire value chain

- Solid line: disciplinary
- Dotted line: functional

**VW Brand**
- F: Finance
- S: Sales
- R&D: Research & Development
- Prod: Production
- HR: Human Resources
- G: General

**Regional Board**
- Head of NAR
- F: Finance
- S: Sales
- R&D: Research & Development
- Prod: Production
- HR: Human Resources
- G: General

**Country**
- USA
  - CEO VWoA
  - F: Finance
  - S: Sales
  - R&D: Research & Development
  - Prod: Production
  - HR: Human Resources
  - Q: Quality
  - PR: Public Relations
  - GE: General
  - G2: Region

- Mexico
  - CEO VWM
  - F: Finance
  - S: Sales
  - Pur: Purchasing
  - Prod: Production
  - HR: Human Resources
  - GE: General
  - G2: Region

- Canada
  - CEO VWC
  - F: Finance
  - S: Sales
  - Pur: Purchasing
  - Prod: Production
  - HR: Human Resources
  - Q: Quality
  - PR: Public Relations
  - IT: Information Technology

**By Invitation**

**Breakdowns**
- NAR: North America Region
- Region: Management Board
- Country: VW Brand

**PLANT**
- Test Center
- Headquarters

**TEST CENTER**
- Puebla
- Silao
- Puebla
- Silao
**WHAT DO THE 2.0L US SETTLEMENT AGREEMENTS COVER?**

<table>
<thead>
<tr>
<th>With whom?</th>
<th>U.S. Federal and State Regulators (DOJ, CARB, FTC), and Private Plaintiffs represented by the Plaintiffs’ Steering Committee to resolve civil claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which engines?</td>
<td>2.0L TDI Diesel engines approx. 475,000 (thereof 460,000 Volkswagen and 15,000 Audi vehicles)</td>
</tr>
<tr>
<td>Granted Final Approval on October 25, 2016</td>
<td>Volkswagen establishes a maximum funding pool of $10,033bn for vehicles currently in use and eligible for: Buyback/Lease terminations; OR Emissions modifications (if approved by regulators) + Cash payments for affected customers</td>
</tr>
<tr>
<td>States resolution</td>
<td>Pay $2.7bn over 3 years to an environmental trust to remediate excess NOx emissions Invest $2bn over 10 years in Zero emission infrastructure, access and awareness initiatives</td>
</tr>
<tr>
<td>Agreement with 44 states, the District of Columbia and Puerto Rico to resolve existing and potential state consumer protection claims regarding both 2.0L and 3.0L engines (approx $603m)</td>
<td></td>
</tr>
</tbody>
</table>

- Regarding the 3.0l TDI engines, the Court set the next status hearing for December 16.
- The Court has filed its order granting preliminary approval to the settlement with VW-branded franchise dealers on October 18. The Court will hold a fairness hearing to consider granting final approval on January 18, 2017.