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Chief Engineering Officer North American Region & Head of Product Strategy, Volkswagen of America
Evercore ISI Global Autos Conference, New York, May 9 2017
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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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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>2016 (m units)</th>
<th>Market share 2016 (%)</th>
<th>Volume A ytd 17 vs 16 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sedan</td>
<td>5.4</td>
<td>30.9</td>
<td>-12.6</td>
</tr>
<tr>
<td>Hatchback</td>
<td>0.8</td>
<td>4.4</td>
<td>-11.5</td>
</tr>
<tr>
<td>Coupe</td>
<td>0.5</td>
<td>2.7</td>
<td>-11.6</td>
</tr>
<tr>
<td>Wagon</td>
<td>0.0</td>
<td>0.2</td>
<td>+61.0</td>
</tr>
<tr>
<td>Cabrio/Roadster</td>
<td>0.1</td>
<td>0.6</td>
<td>+1.7</td>
</tr>
<tr>
<td>SUV</td>
<td>6.9</td>
<td>39.3</td>
<td>+8.3</td>
</tr>
<tr>
<td>Pick-Up</td>
<td>2.7</td>
<td>15.3</td>
<td>+2.8</td>
</tr>
<tr>
<td>MPV</td>
<td>0.7</td>
<td>3.8</td>
<td>-19.2</td>
</tr>
<tr>
<td>Transporter</td>
<td>0.4</td>
<td>2.5</td>
<td>-5.4</td>
</tr>
<tr>
<td>City Van</td>
<td>0.0</td>
<td>0.1</td>
<td>-38.9</td>
</tr>
</tbody>
</table>

Source: Autodata May 2017

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
Volkswagen brand – starting the turnaround in the US with several new products in 2017

Deliveries to US customers, ‘000’ units

The all-new Atlas:
- Sales start in May
- Priced at a competitive level, starting $30,500
- Two engine options: four cylinder TSI® turbo or VR6®, both with eight-speed automatic transmissions
- Best transferable bumper-to-bumper warranty among SUVs in America (6 years or 72K miles)

The all-new Tiguan
- Sales start in late summer
- Best transferable bumper-to-bumper warranty among SUVs in America (6 years or 72K miles)

The refreshed Golf
- Sales start in fall
- The entire Golf family will receive interior and exterior styling, technology and driver assistance updates across the lineup

Market Share %

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3.0</td>
</tr>
<tr>
<td>2013</td>
<td>2.6</td>
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<tr>
<td>2014</td>
<td>2.2</td>
</tr>
<tr>
<td>2015</td>
<td>2.0</td>
</tr>
<tr>
<td>2016</td>
<td>1.8</td>
</tr>
<tr>
<td>2017</td>
<td></td>
</tr>
</tbody>
</table>
Rollout of toolkits in the North American region to realize economies of scale and to become more cost efficient

Increase of local production volume leads to
- Increase of capacity utilization
- Improving fix cost allocations
- More investment efficiency as MQB basic investments are done
- Optimized logistics
- Increasing suppliers base

Investments in Chattanooga (Tennessee):
- $900 Mio. for plant expansion for the Atlas and centralized R&D
- Moving from 2 platforms (PQ35, MQB) towards MQB only
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
LINE-UP OF HYBRID AND ELECTRIC VEHICLES TO HELP REDUCE EMISSIONS

**e-Golf**

**GTE**

**PRESENT 2020...**

**USA**

**2018**

**Schematic Overview**

**2025**

**CO₂ in g/km**

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

**e-Golf**

**GTE**

**USA**

**PRESENT 2020...**

**Several new models based on MEB**

*several projects under consideration*
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

*PRT = Personal Rapid Transit; GRT = Group Rapid Transit; FRT = Freight Rapid Transit
WE ARE TAKING UP THE CHALLENGE ...

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

... **autonomous driving & parking**

... **digitalization**

... **electrification**
## Four future Fields of Innovation

<table>
<thead>
<tr>
<th>Smart Sustainability</th>
<th>Automated Driving</th>
<th>Intuitive Usability</th>
<th>Connected Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of innovative high-volume electric car models</td>
<td>Safer &amp; more comfortable by means of autonomous driving</td>
<td>Intuitive to operate displays and control concepts</td>
<td>Interconnect humans, cars &amp; the environment with a Volkswagen user identity</td>
</tr>
</tbody>
</table>

### Smart Sustainability
- Zero-emissions and autonomous driving
- Digitally connected world inside an electric powered vehicle

![Image of electric car]

### Automated Driving
- Manual control can switch to fully autonomous “I.D. Pilot” mode
- Detect road users with laser sensors, ultrasonic sensors, radar sensors, side area view & front cameras
- Fully autonomous driving function deactivates when touching the steering wheel or when pressing the brake or accelerator pedal.
- Emergency Assist - Autonomous stop if Driver e.g. should be incapacitated

![Image of automated driving]

### Intuitive Usability
- Intuitively operated cockpit (no mechanical controls / buttons)
- Touch-sensitive steering wheel (multifunction with capacitive surfaces)
- Augmented reality head-up display
- “I.D. Box” center console (incl. tablet usable outside the vehicle)

![Image of intuitive usability]

### Connected Community
- Volkswagen User-ID (Cloud storage)
- Digital Key + Driver Recognition
- Personal seating position
- Air conditioning settings
- Favorite radio stations and songs/sound system settings
- Contact information etc.

![Image of connected community]
Clear Strategy for the introduction of new technologies for the next levels of Automated Driving

<table>
<thead>
<tr>
<th>Technology Examples</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Level 4</th>
<th>Level 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Cruise Control (ACC)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lane Assist</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Assist</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Laser sensors, ultrasonic sensors, radar sensors that detect road users</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>“I.D. Pilot”</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

* Levels according to NHTSA
Empowered Local Management - Responsible for almost the entire value chain

By Invitation

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Solid line: disciplinary  Dotted line: functional