Volkswagen Group of America - Business and Product Update including Preview of the All-New Jetta

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Empowered local Management, increases decision-making autonomy and customer focus based on local requirements
US Portfolio Strategy: Growing in core segments, optimization and a major transfer to electrification

**Strengthening position in core segments**
- SEDAN
  - Jetta
- SUV
  - Tiguan
- Compact
  - Passat
  - Atlas
  - Compact/Midsize SUV and Sedan with >1m units per segment
  - Best in Class B-to-B Warranty successfully launched
  - Competitive Pricing strategy to be implemented by MY19 for all core models
  - Localized production and shorter life cycles

**Enlarging Product portfolio and optimizing powertrain**
- Midsize-SUV 5-seater
- Compact-SUV
  - Core segments / SUV-offensive
  - launches in 2017 Atlas and Tiguan LWB
  - Midsize-SUV 5-seater and Compact SUV derivate to double up in Compact - and Midsize-SUV segments
  - Streamlining / Downsizing of engine and transmission portfolio

**Transfer to Electrification / new customer experience**
- ID Buzz
- ID Crozz
  - Introduce MEB BEVs as key pillar of brand transformation
  - Competitive HEV powertrains to contribute to compliance and to support smooth transition to electrification

**Improved customer value and strengthened sweet-spot positioning**

**Healthy product portfolio as basis for profitable growth plans**

**E-Mobility rollout**

**Strong profitable product cadence, compliance and successful transformation into e-mobility**
Volkswagen with strong performance in the period until November 2017

Monthly Volkswagen Sales Performance 2017 versus 2016

<table>
<thead>
<tr>
<th>Month</th>
<th>000 units</th>
<th>vs. previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>23.5</td>
<td>+17%</td>
</tr>
<tr>
<td>Feb</td>
<td>25.1</td>
<td>+13%</td>
</tr>
<tr>
<td>Mar</td>
<td>27.6</td>
<td>+3%</td>
</tr>
<tr>
<td>Apr</td>
<td>27.6</td>
<td>+3%</td>
</tr>
<tr>
<td>May</td>
<td>30.0</td>
<td>+4%</td>
</tr>
<tr>
<td>Jun</td>
<td>27.4</td>
<td>+15%</td>
</tr>
<tr>
<td>Jul</td>
<td>27.1</td>
<td>-6%</td>
</tr>
<tr>
<td>Aug</td>
<td>32.0</td>
<td>+9%</td>
</tr>
<tr>
<td>Sep</td>
<td>32.1</td>
<td>+33%</td>
</tr>
<tr>
<td>Oct</td>
<td>27.7</td>
<td>+12%</td>
</tr>
<tr>
<td>Nov</td>
<td>29.2</td>
<td>-2%</td>
</tr>
</tbody>
</table>

Industry versus Volkswagen YTD¹)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Volkswagen Share</th>
<th>vs. previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market</td>
<td>8%</td>
<td>-2%</td>
</tr>
<tr>
<td>Passenger Cars</td>
<td>1%</td>
<td>-10%</td>
</tr>
<tr>
<td>Light Trucks</td>
<td>51%</td>
<td>5%</td>
</tr>
</tbody>
</table>

¹) Period from January to November 2017 compared to same period of previous year
Volkswagen brand – starting the turnaround in the US with several new products in 2017

Deliveries to US customers, ‘000’ units

- **SUV offensive #1**
  - 2017: Atlas, Tiguan, Refreshed Golf
- **New Sedans**
  - 2018-19: Jetta, Passat, Halo, Arteon
- **SUV offensive #2**
  - 2019-21: Midsize SUV 5s, Compact SUV, MEB SUV

At least 2 major product launches per year to ensure continuous product news and sustainable growth

<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>
</tr>
<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>
North American Market 2017/2020

Stagnation in USA and Canada is expected, however at a high level; Mexico will probably increase slightly.

<table>
<thead>
<tr>
<th>North America 1)</th>
<th>Actuals</th>
<th>Forecast</th>
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<tbody>
<tr>
<td>2016</td>
<td>21.0</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>20.4</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>20.0</td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Canada 1)</th>
<th>Actuals</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>1.9</td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Mexico</th>
<th>Actuals</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>1.7</td>
<td></td>
</tr>
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<th>USA</th>
<th>Actuals</th>
<th>Forecast</th>
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<tr>
<td>2016</td>
<td>17.4</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>16.8</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>16.5</td>
<td></td>
</tr>
</tbody>
</table>

Data source: IHS Automotive (10.2017)
1) Volume for North America includes light commercial vehicles (definition 'Light Vehicles') | growth 2017-2020 = CAGR
Positioned for success: Jetta`s competitiveness significantly improved - trigger points match Volkswagen brand values

**SMART TO OWN**

- Customer value improved with competitive pricing and optimized vehicle content: majority of volume in A-sedan sweet spot
- Perceived reliability improves with 6-year Bumper-to-Bumper Warranty
- Improved fuel consumption contributes to achieving Total Cost of Ownership on par with competitors (in Top 3)

**FUN TO BE IN**

- Advanced technology offered with BIC connectivity & infotainment
- Innovative standard safety and driver assistance features, e.g. Front Assist & Blind Spot detection
- Enhanced driving dynamics and superior comfort features

**WELL CRAFTED**

- Combination of progressive design and everyday usability with a high quality touch and feel
- Shorter lifecycle to match competitors and finance cycles
- The only German-engineered sedan in the segment
Volkswagen brand quality ratings improve supported by Jetta

2017 J.D. Power Initial Quality Study (IQS)

- Jetta second best model in the compact segment (out of 17)
- Jetta improved by 18 problems per 100 vehicles (18%) to 82 ppH
- Jetta receives all 5 Power Circles (rated “Among the Best”) for Overall Quality, Mechanical Quality, Interior and Exterior Quality

<table>
<thead>
<tr>
<th>Year</th>
<th>IQS 2014</th>
<th>IQS 2015</th>
<th>IQS 2016</th>
<th>IQS 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>128</td>
<td>123</td>
<td>104</td>
<td>93</td>
</tr>
</tbody>
</table>

IQS Trend - VW vs. Industry

2017 J.D. Power Vehicle Dependability Study (VDS)

- Jetta’s dependability improved 11% YoY, now above industry average
Responsibilities for Toolkit Architecture shared within the Volkswagen Group

Range of MQB: From Sub-Compact (Polo) up to Midsize-SUV (Atlas)
Rollout of MQB in the North American region to realize economies of scale and efficiencies

Local MQB production is increasing from around 10% to > 80% midterm, positive impacts:

• Increasing capacity utilization
• Improving fixed costs
• Higher investment efficiency as MQB basic investments are already complete

- Golf Sportswagen
- All-new Atlas
- All-new Tiguan
- Refreshed Golf
- All-new Jetta
- All-new SUV
- All-new SUV

NAR production volume using MQB (units)
In international comparison, the U.S. have the strictest, most complex fuel economy regulations

<table>
<thead>
<tr>
<th>Legislation</th>
<th>One regulation for CO₂</th>
<th>Two regulations: GHG (CO₂) and CAFE (fuel economy)</th>
<th>One regulation for CO₂</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit</td>
<td>[g/km]</td>
<td>[g/mile and mpg]</td>
<td>[l/100km]</td>
</tr>
<tr>
<td>Penalty</td>
<td>95€ per gram over the limit per vehicle</td>
<td>GHG: Negative account for more than 3 years: homologation stop CAFE: $140 per mpg*</td>
<td>Name &amp; Shame List, Homologation stop</td>
</tr>
</tbody>
</table>

* Subject of mid-term review in 2018
Upstream regulation adds CO₂ value to electric vehicles

- All electric vehicles with 0 g/km
- First 200k* vehicles with 0 g/km after that vehicles have upstream

- **After 200k**, the upstream value adds CO₂ to an electric vehicle
- CO₂ amount is based on power consumption of the vehicle
- With the upstream regulation, electric vehicles have a CO₂ value of approximately 50-70 g/km

*Exceptions apply*
Battery costs will decrease significantly by 2020

Target: < 100€ / kWh

- MQB
- MEB

€ / kWh

2013 2020

battery system
battery cell
The Modular Electrification Architecture (MEB) is highly flexible to the benefit of customers.
The Modular Electric Architecture offers a higher range

- **Increases** amount of space in the interior
- **Offers** variable Battery Capacity based on different driving demands
- **Guarantees** the best design and positioning for the batteries
- **MEB** is Volkswagen’s flexible modular system exclusively for Battery Electric Vehicles (actually a matrix of common parts)
- **Electrical range** starting roughly at 200 miles with higher battery ranges optional + High Performance Charging
- Ensures optimal vehicle equipment for electric vehicle requirements by taking into account what axles, drive units, wheelbases, and weight ratios need to look like

Ensures optimal vehicle equipment for electric vehicle requirements by taking into account what axles, drive units, wheelbases, and weight ratios need to look like.
Volkswagen brand in the U.S. will continually expand the BEV lineup starting in 2020.

1. BEV: Battery electric vehicle
Our customers need different charging solutions for their typical journeys.

**Charging Use Cases**

- **Daily short/medium use**
  - Typical usage: ~70%
  - Charging @home & @work

- **Long distance driving**
  - Typical usage: ~10%
  - High power charging along highways

- **Destination charging**
  - Potential compensation to home & work
  - High power charging in inner cities

- **Next envisioned HPC use case**
  - Typical usage: ~5%
The BEVs\textsuperscript{1}) will include all features of Volkswagen’s future mobility strategy

**Smart Sustainability**
- Development of innovative high-volume electric car models
- Zero-emissions electric powered vehicle by using the MEB

**Automated Driving**
- Safer and more comfortable by means of autonomous driving
- Detect road users with laser sensors, ultrasonic sensors, radar sensors, side area view & front cameras

**Intuitive Usability**
- Intuitive to operate displays and control concepts
- Augmented reality head-up display, touch sensitive steering wheel, Intuitively operated cockpit (no mechanical controls/buttons)

**Connected Community**
- Interconnect humans, cars and the environment with a Volkswagen user identity (Cloud Storage)
- Digital Key + Driver Recognition, Guide & Inform, App Connect, Security & Services

\textsuperscript{1)} BEV: Battery electric vehicle
Summary

• We work to regain trust and rebuild the brand.

• We want to grow in the US and become a relevant volume brand, with a full line of cars and SUVs.

• We expect to break even in 2020.

• Volkswagen’s electric mobility plans are among the most extensive in the industry. We have the global reach to become a leader in e-mobility.