

VOLKSWAGEN

OF AMERICA



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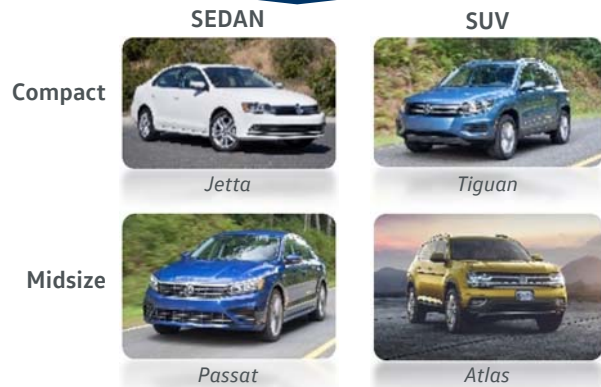
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U.S. PORTFOLIO STRATEGY: GROWING IN CORE SEGMENTS, OPTIMIZATION AND A MAJOR TRANSFER TO ELECTRIFICATION

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

➔ Build profitable volume base

II Portfolio Optimization / enter new segments

US total market

Segment	2016 (m units)	Market share 2016 (%)	Volume Δ ytd 17 vs 16 (%)
Sedan	5.4	30.9	-12.6
Hatchback	0.8	4.4	-11.5
Coupe	0.5	2.7	-11.6
Wagon	0.0	0.2	+61.0
Cabrio/Roadster	0.1	0.6	+1.7
SUV	6.9	39.3	+8.3
Pick-Up	2.7	15.3	+2.8
MPV	0.7	3.8	-19.2
Transporter	0.4	2.5	-5.4
City Van	0.0	0.1	-38.9

Source: Autodata May 2017

- Leverage portfolio opportunities based on
 - Segment opportunities
 - Portfolio fit
 - Contribution to brand
 - Chances for profitability
- Check currently offered models with insufficient contribution

➔ Improved portfolio for market

III Transfer to Electrification / new customer experience



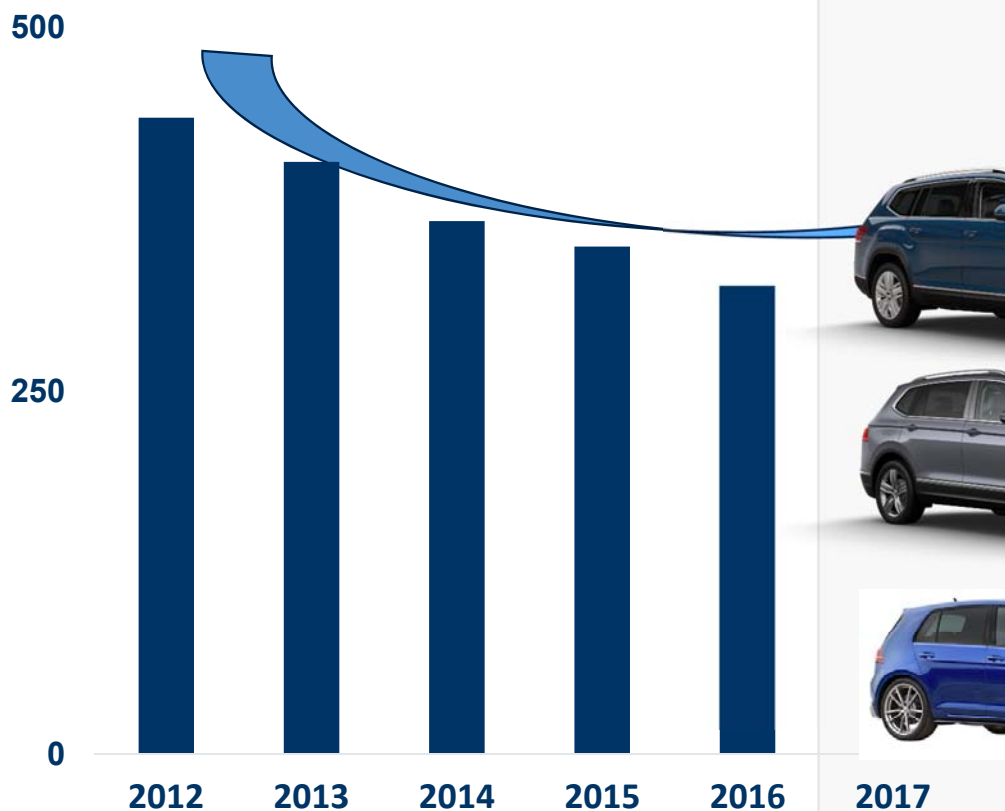
- Expand e-Golf
- Introduce BEVs as key pillar of brand transformation
- Introduce HEV to ensure compliance and appeal to customers seeking high fuel economy & performance

➔ E-Mobility rollout

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



Year	Market Share %
2012	3.0
2013	2.6
2014	2.2
2015	2.0
2016	1.8
2017	→



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)



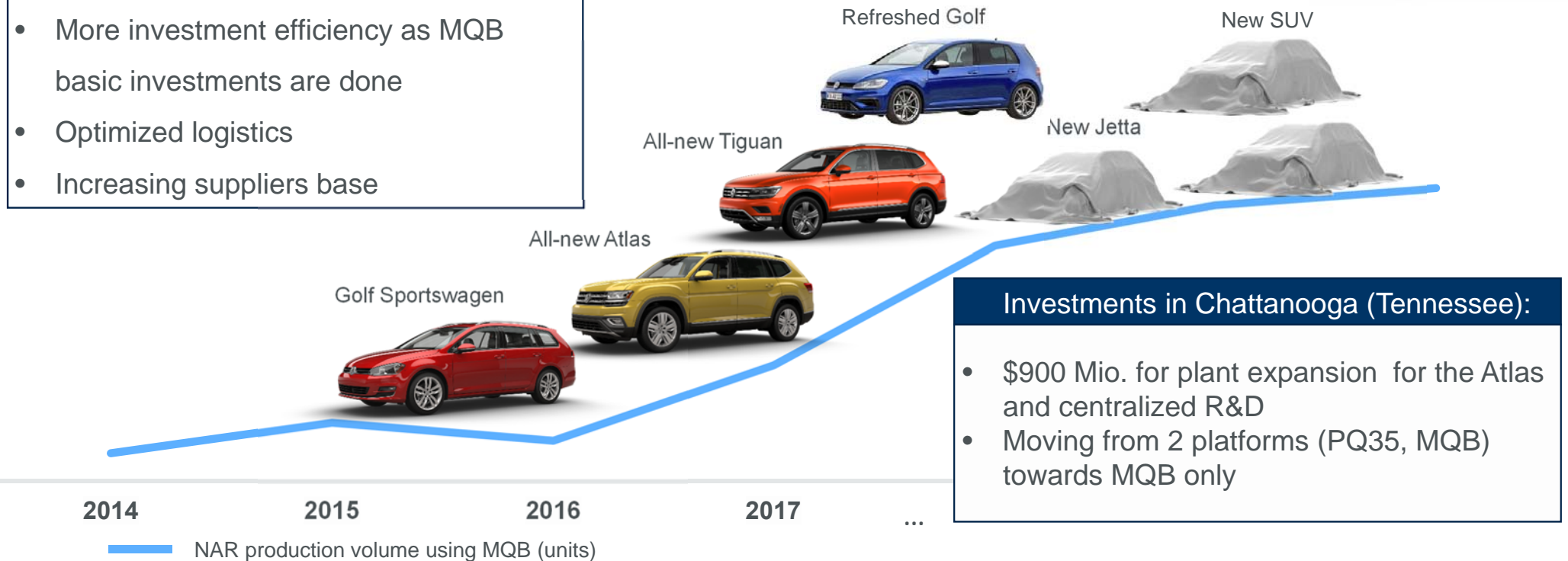
The refreshed Golf

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

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



NEW CHALLENGES FOR THE AUTOMOTIVE INDUSTRY

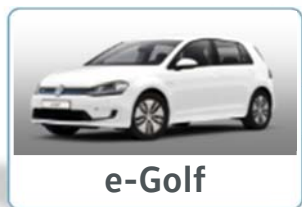
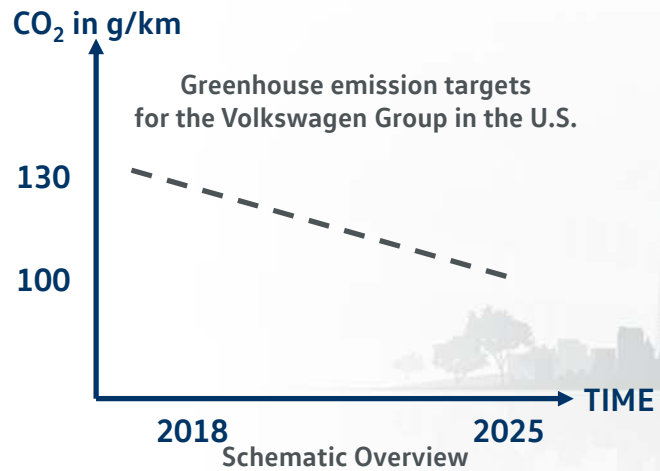
90% of **product innovations** in the automotive industry will occur in the **electronics & electrical field**

The sales revenue for **"connected cars"** will quadruple to **€110 billion** from **2015 to 2020**

Source: PWC, IBM, BMBF, ATZ, Springer



LINE-UP OF HYBRID AND ELECTRIC VEHICLES TO HELP REDUCE EMISSIONS



PRESENT

2020...

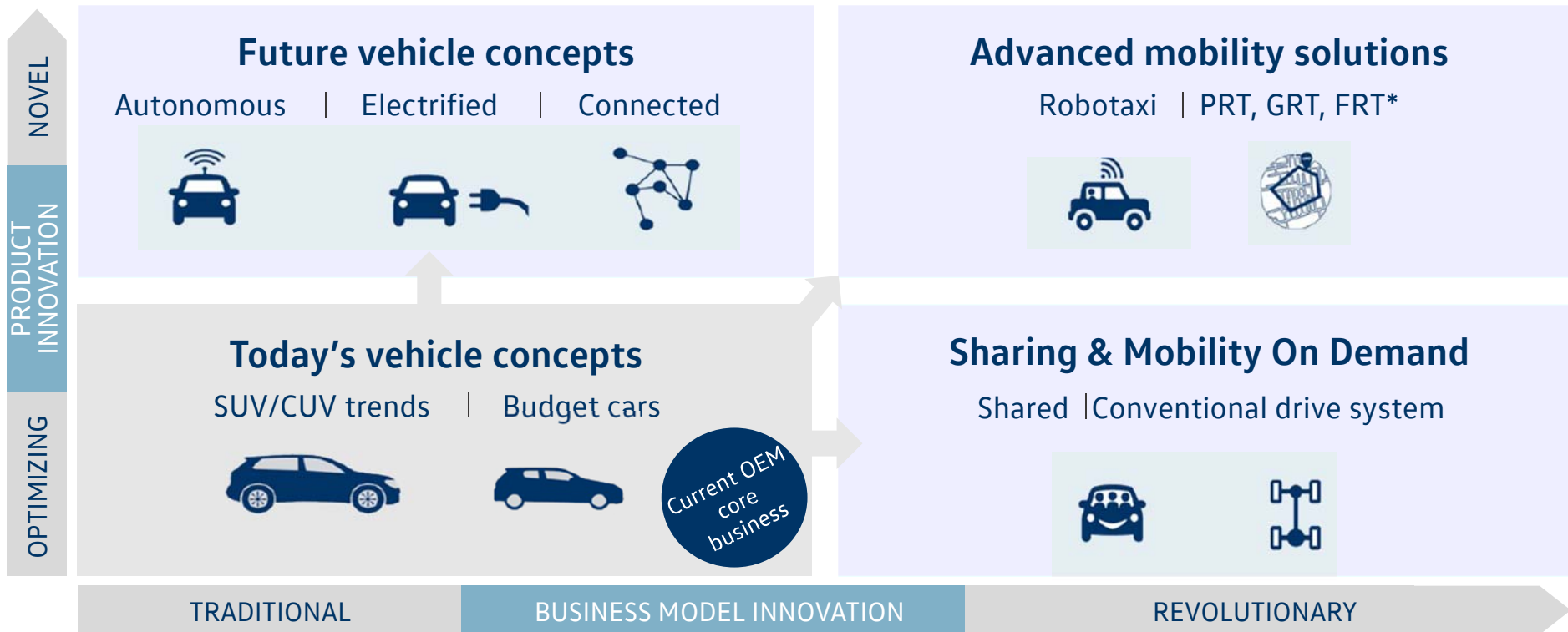
Several new models based on MEB



*several projects under consideration

HOW OUR INDUSTRY IS CHANGING

The key trends in the automotive world at a glance



*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

Smart Sustainability

Development of innovative high-volume electric car models

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



Automated Driving

Safer & more comfortable by means of autonomous 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

Intuitive Usability

Intuitive to operate displays and control concepts

- 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)



Connected Community

Interconnect humans, cars & the environment with a Volkswagen user identity

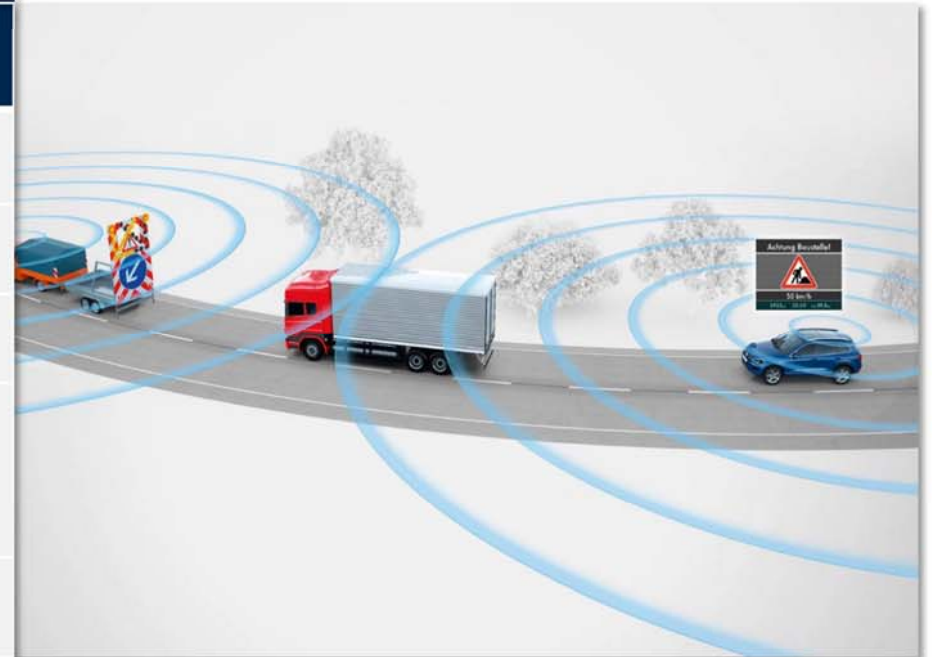
Volkswagen User-ID (Cloud storage)

- Digital Key + Driver Recognition
- Personal seating position
- Air conditioning settings
- Favorite radio stations and songs/sound system settings
- Contact information etc.



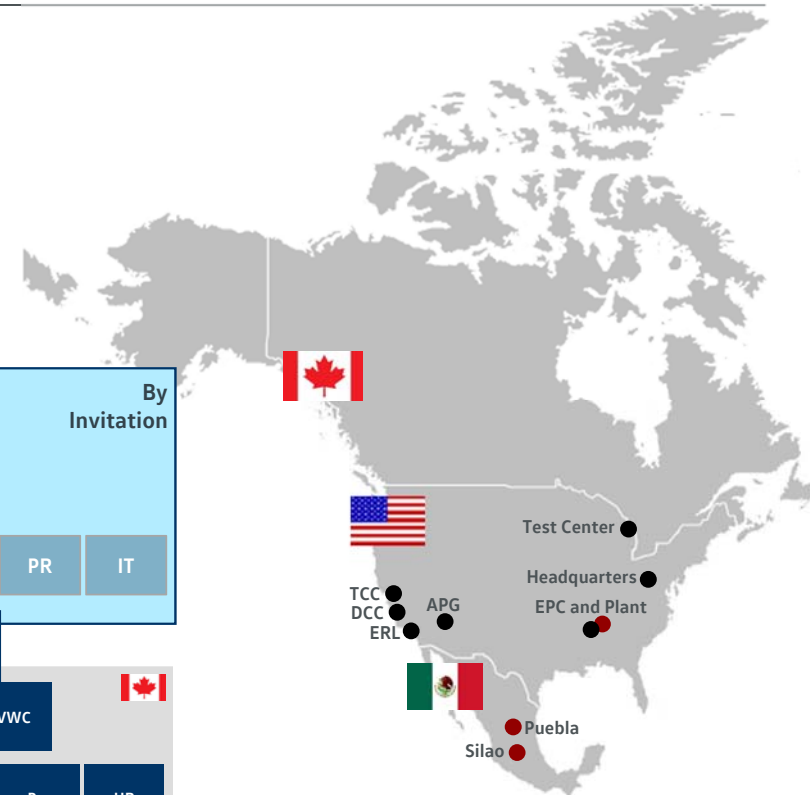
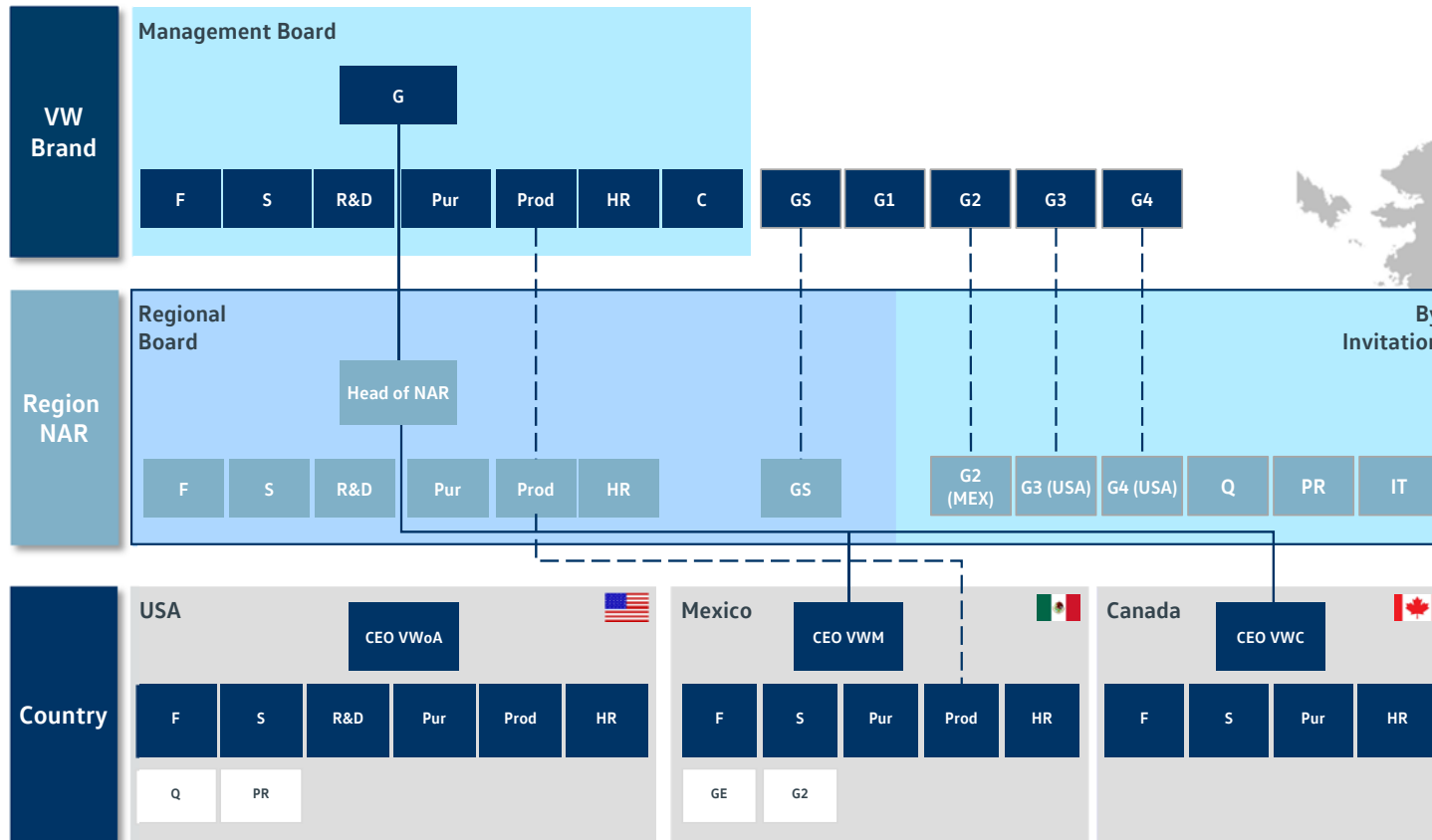
Clear Strategy for the introduction of new technologies for the next levels of Automated Driving

Technology Examples	Level of Autonomous Driving*				
	Level 1	Level 2	Level 3	Level 4	Level 5
Active Cruise Control (ACC)	X				
Lane Assist	X	X			
Emergency Assist	X	X	X	X	X
Laser sensors, ultrasonic sensors, radar sensors that detect road users	X	X	X	X	X
"I.D. Pilot"	X	X	X	X	X



*: Levels according to NHTSA

Empowered Local Management - Responsible for almost the entire value chain



- PLANT
- TEST CENTER

— Solid line: disciplinary - - - Dotted line: functional

Brand VW Region Country