

VOLKSWAGEN
GROUP CHINA



China: The second home market of the Volkswagen Group

Carsten Isensee Executive Vice President Finance,
Volkswagen Group China
Beijing, 08 June 2015



Business overview and sales performance

Market development

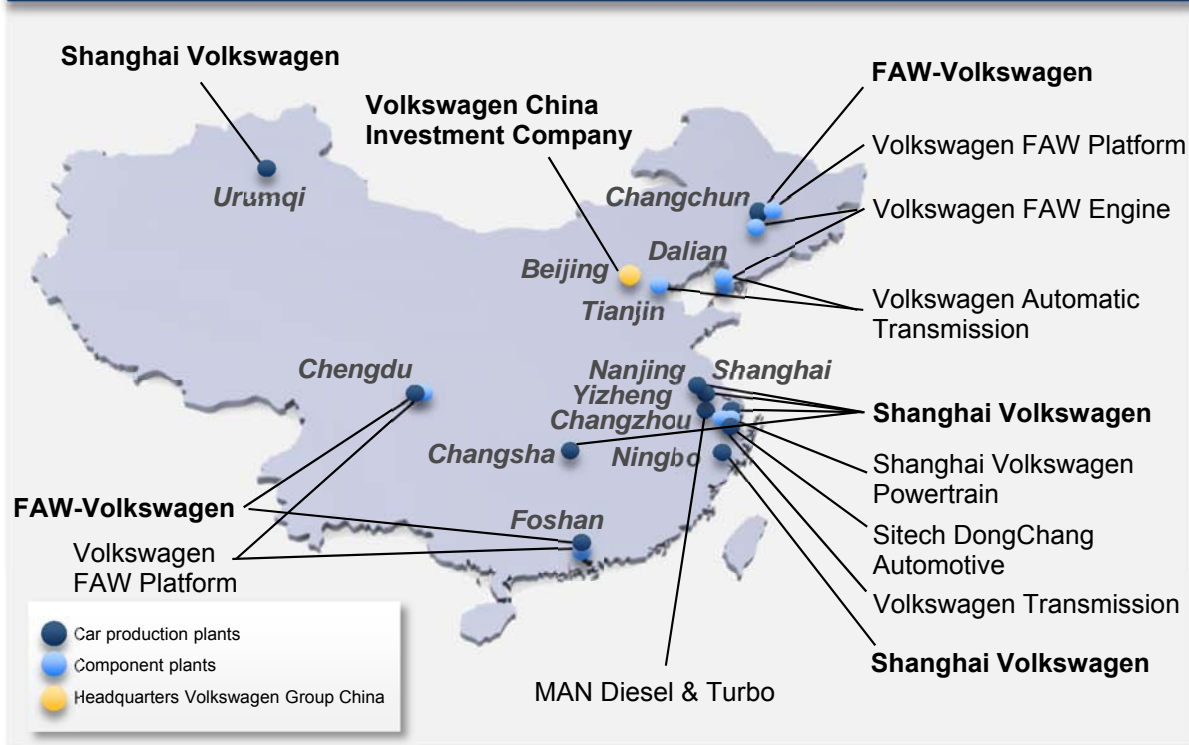
Investments Volkswagen Group China

Our products

Emerging business fields and financial results

Volkswagen Group China (VGC) at a glance

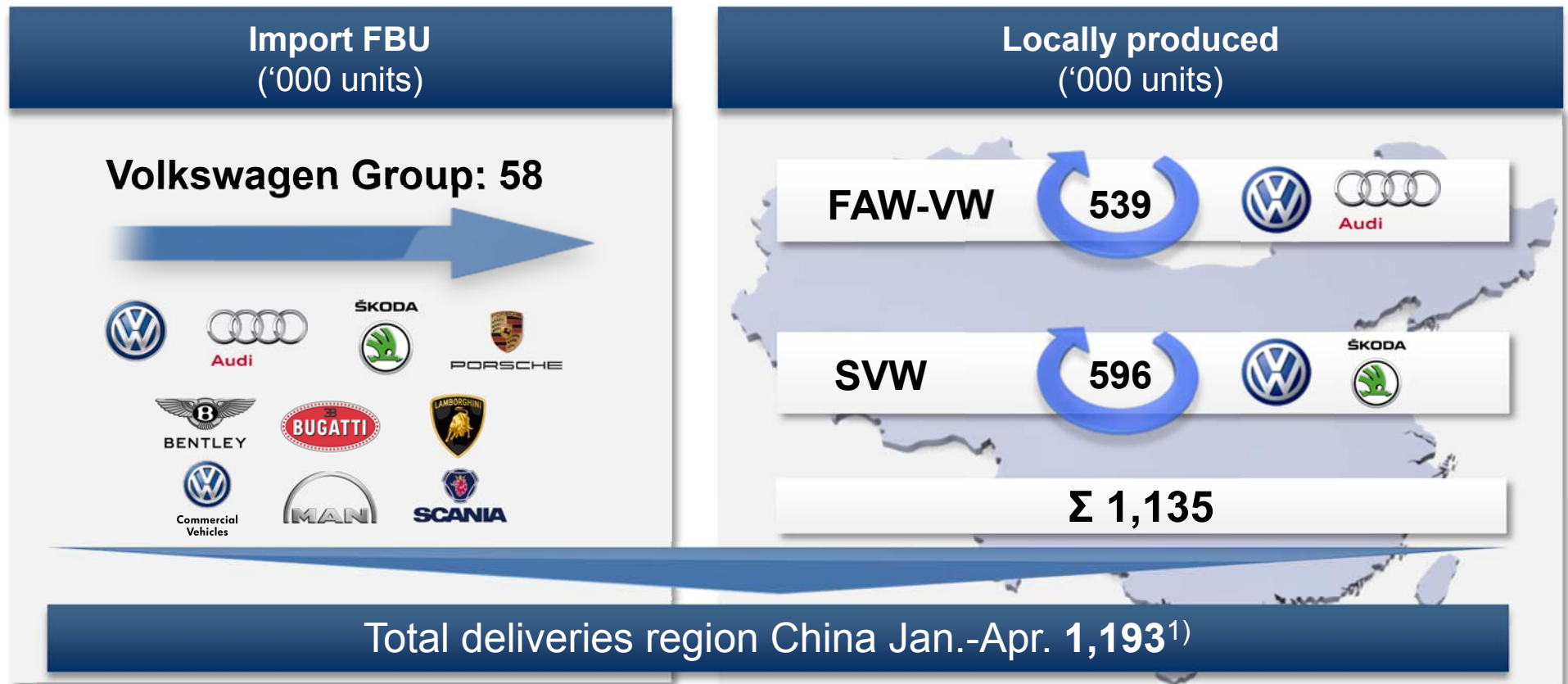
Volkswagen production facilities in China



Facts 2014

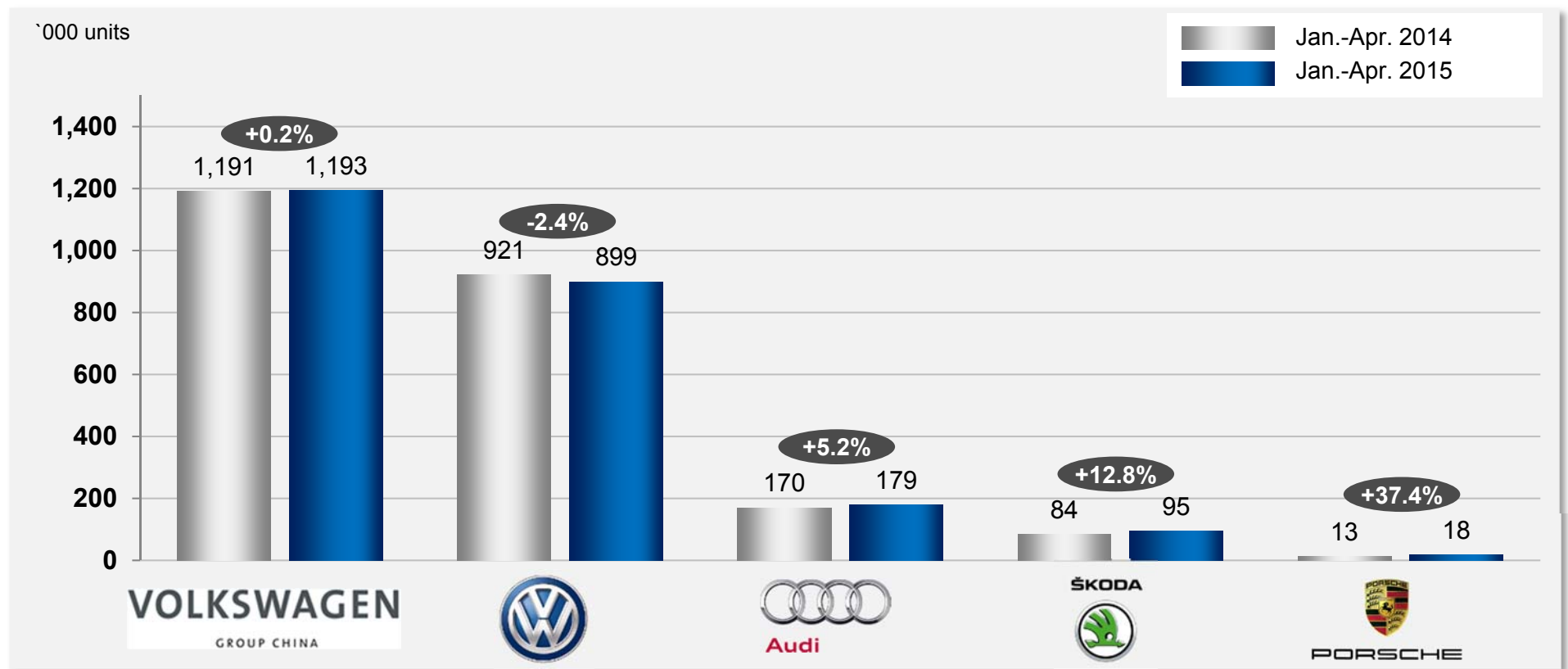
- Volkswagen Group ventured into China more than **30 years** ago
- **Over 22 million cars** delivered to Chinese customers since market entry
- Around **90,000 employees** work for the Volkswagen Group in China
- Another **360,000 employees** work within our dealer network
- Volkswagen Group China is represented by more than **40 entities** in China
- People are the center of Volkswagen Group China's strategy '**Ren Wei Ben**'.

Deliveries to customers Volkswagen Group in China Jan. – Apr. 2015



¹⁾ incl. Hong Kong, excl. Ducati. All figures shown are rounded.

Deliveries to customers by brand Jan. – Apr. 2015



¹⁾ incl. Hong Kong, excl. Ducati.

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Chinese government reacts with pro-growth policies on economic slowdown

Indicator	Proxy	Mar	Q1	Apr	Trend
Economic growth	GDP (%)	7.0	7.0		
	Industrial Value Added (%)	5.6	6.4	5.9	↓
	Electricity Output (%)	-3.7	-0.1	1.0	↑
Three major demands	Retail Sales (%)	10.2	10.6	10.0	↓
	Fixed Asset Investment (%)	13.5	13.5	12.0	↓
	Export (%)	-15.0	4.7	-6.4	↓
Price & Money	CPI (%)	1.4	1.2	1.5	↑
	M2(%)	11.6	11.6	10.1	↓

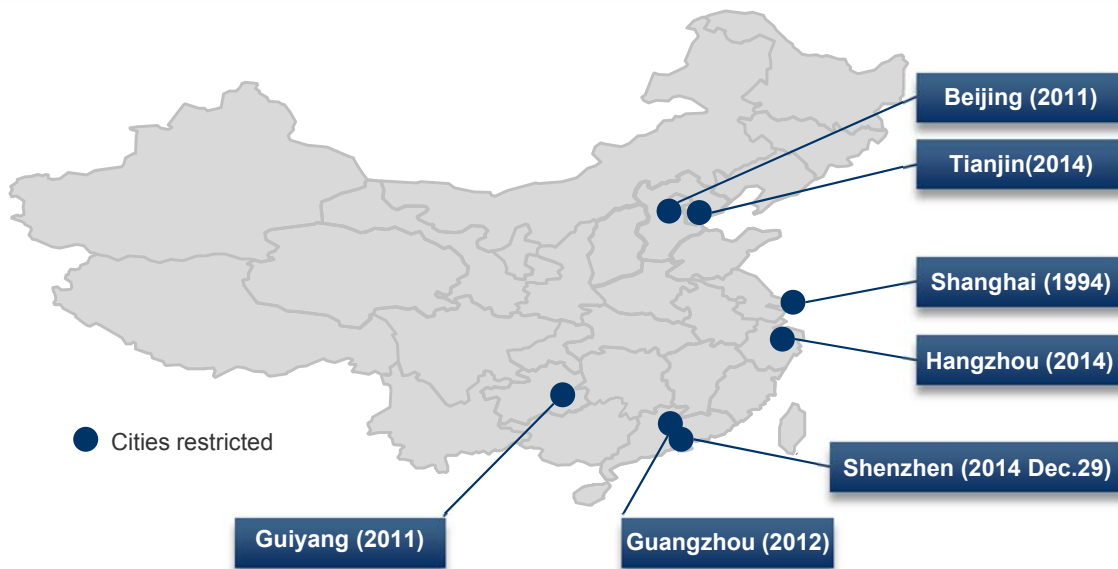
Key points

- Although some indicators showed signs of a slight rebound in April vs March, the total economy, however, is deteriorating with depressed capital, real estate and export
 - **Capital:** the previous pro-growth measures to solve financing difficulty proved to be ineffective. Money released by relaxed monetary policies was attracted to the stock market; Fiscal policies were not powerful enough due to the shortage of fiscal revenue from tax exemption and cut
 - **Real estate:** real estate investment accelerated to decline, nearly zero growth in Apr.
 - **Export:** weak external demand and RMB appreciation together led to the higher-than-expected decline in export.
- **To stabilize the economy, the central government continued to release incentive policies:** cutting interest rate, requiring banks to buy local debts and increasing credit limits of banks. With “3.30” policy gradually taking effect, the house sales recovered slightly and price growth m-o-m turned positive.
- **Judging from the current situation, more pro-growth policies are expected to be released by the government, and China’s economy is expected to see a more stable trend in the second half of 2015.**

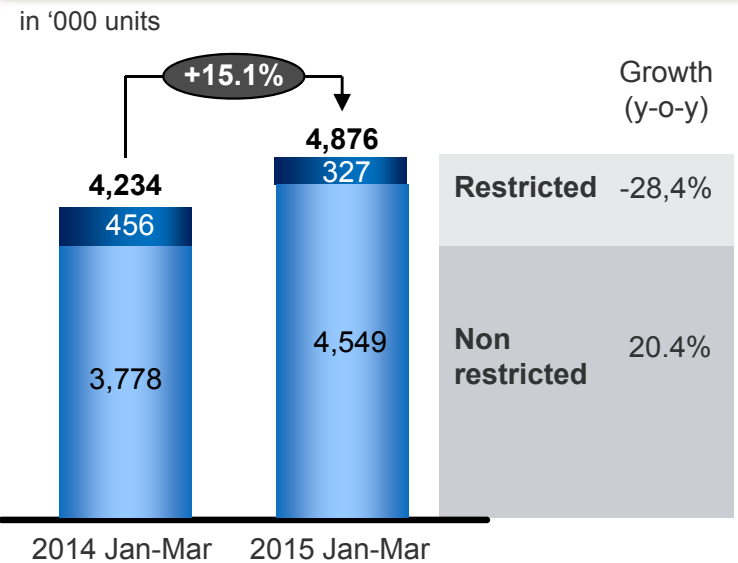
Source: NBS, PBOC

Traffic restrictions reduce local deliveries, however, non restricted cities are still growing strongly

Cities with restriction policy

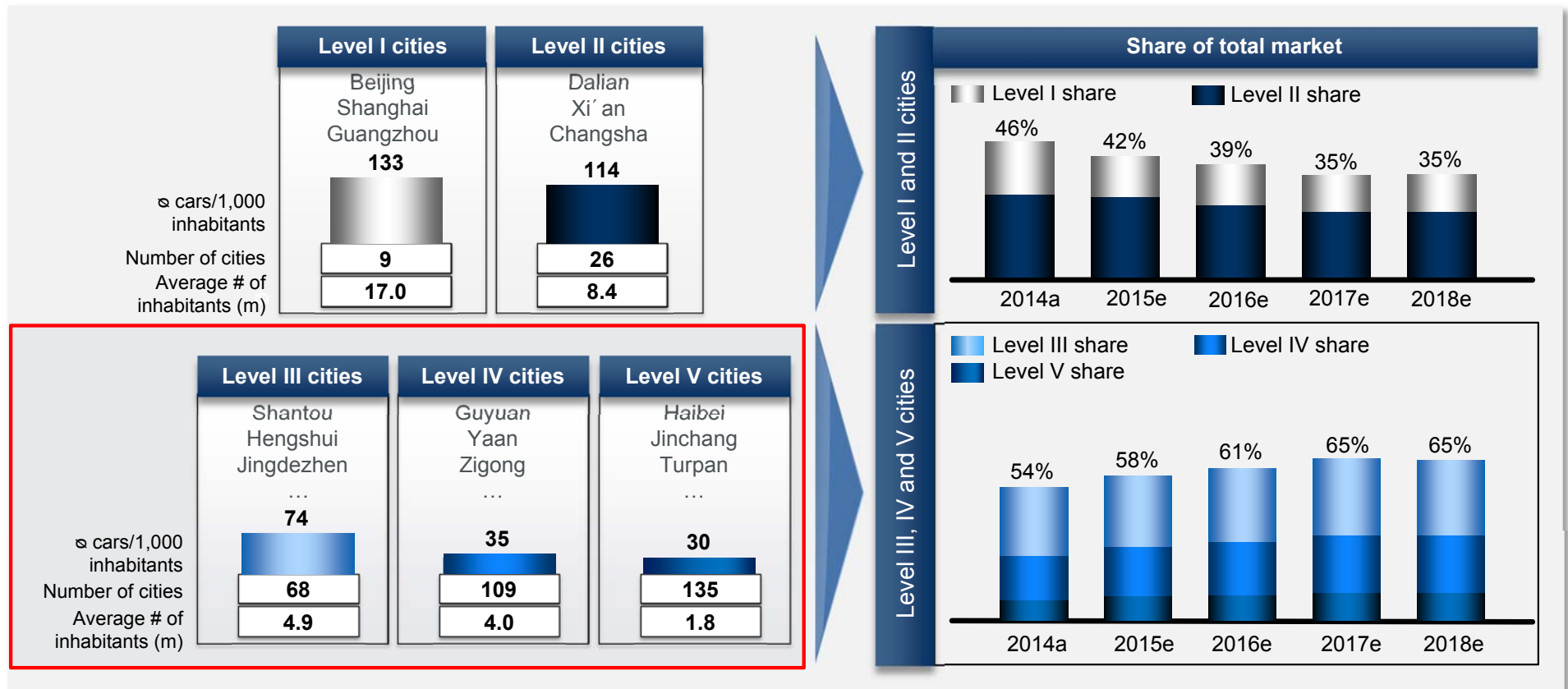


Performance comparison by different city type



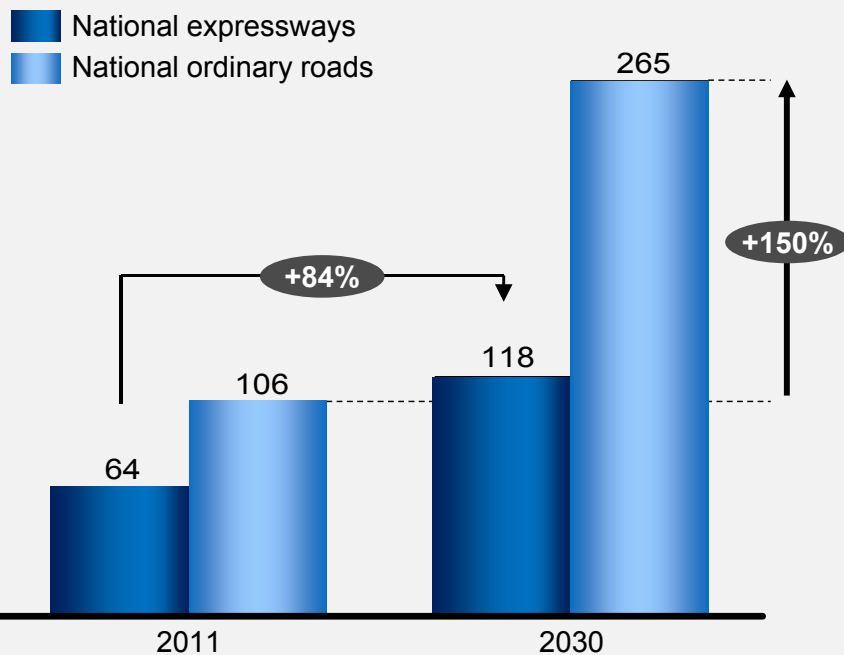
Source: Registration data and AaK
Remark: City type performance (AaK) is calculated by Registration data

Less developed cities provide new opportunities



China will invest further in the construction of road infrastructure

Length of national roads in China ('000 km)



National Road Network Construction Plan

Urgent need to expand the current road network:

- more than 900 counties¹⁾ in China are not connected to the national road network
- more than 18 cities with >200,000 population and 29 regional administrative centers are not connected to expressways

The Central Government Plan:

- By 2030, all cities above 200,000 inhabitants will be connected to the national expressway network, and all counties will be connected to the national ordinary road network

Source: National Road Network Construction Plan (2013-2030)

¹⁾ There are 2,856 counties in China

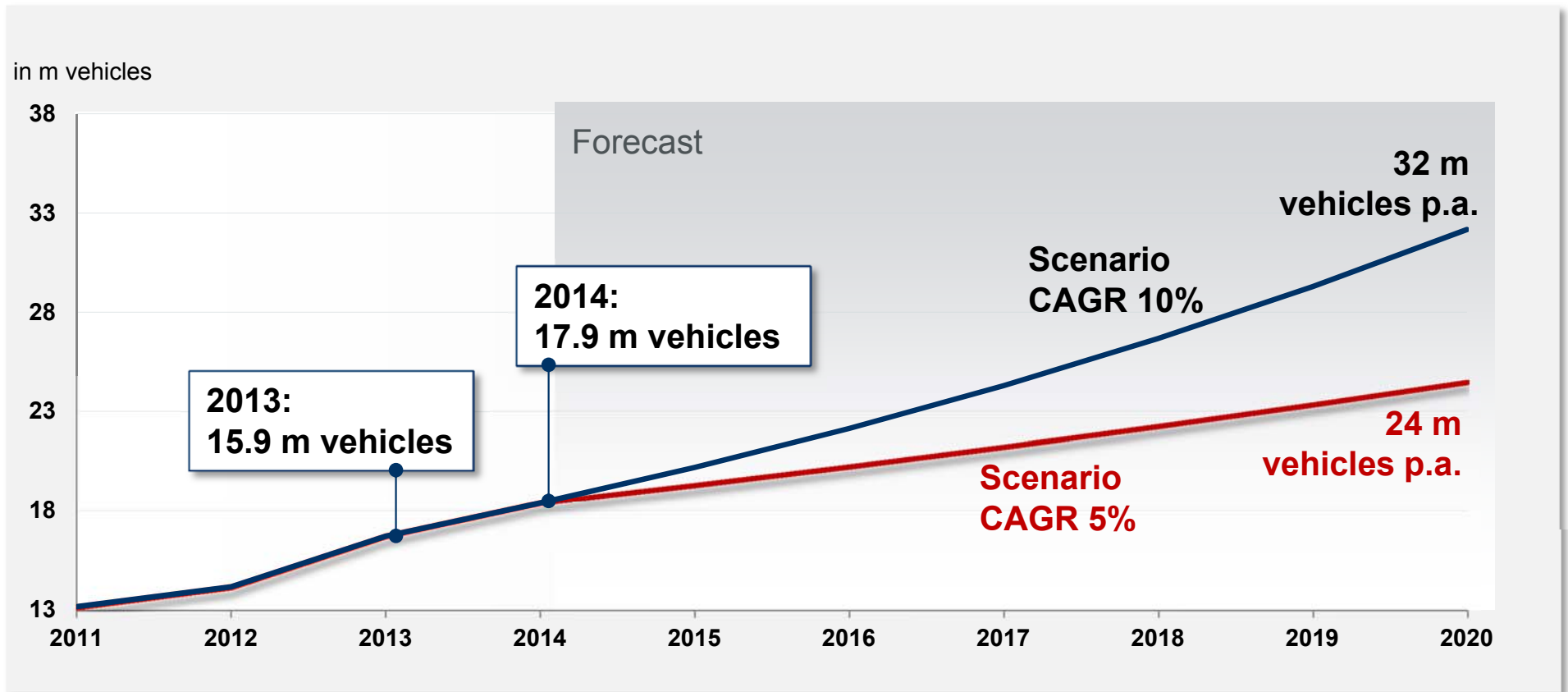
Southern and Western regions show above average growth supporting our Go South and Go West Strategy

Regional share of total market sales (2013 vs. 2014 in %)



Source: Registration data

How big will the Chinese passenger vehicle market be in 2020?



Source: Volkswagen Group China scenario calculation

Business overview and sales performance

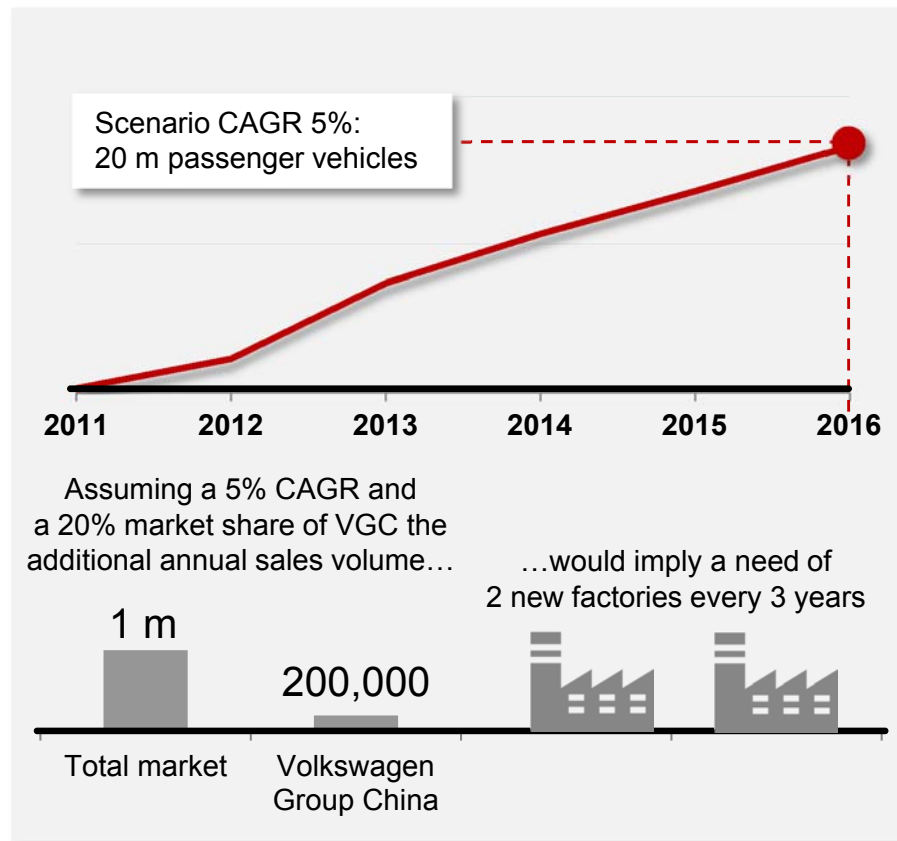
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Investment program and core projects



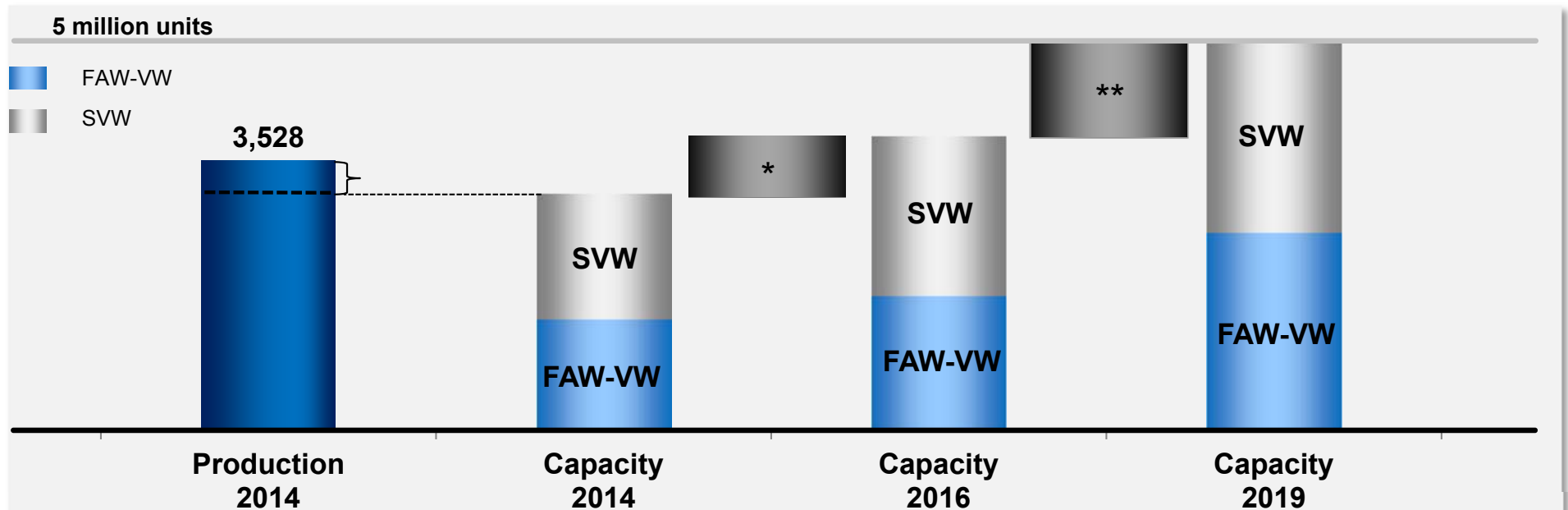
Total investment of €22.0 bn in 2015 - 2019		
Vehicle plants	Component plants	Products
<p>New plants</p> <ul style="list-style-type: none"> Changsha (SVW) Tianjin (FAW-VW) Qingdao (FAW-VW) <p>Capacity increase</p> <ul style="list-style-type: none"> Foshan (FAW-VW) Chengdu (FAW-VW) Ningbo (SVW) Yizheng (SVW) 	<p>New plants</p> <ul style="list-style-type: none"> Changchun (FAW-VW) Qingdao (FAW-VW) Yizheng (VWPT) <p>Capacity increase</p> <ul style="list-style-type: none"> Changchun (VWED) Tianjin (VWATJ) 	<p>New models</p> <p>NEV products¹⁾</p> <p>MQB products</p> <p>Mobile Online Services</p>
CO ₂ measures for plants and products		

¹⁾ PHEVs and BEVs

Go West and Go South strategies are core drivers for future growth



Capacity expansion plans – on the way to over 5 million units in 2019 (Standard capacity of 250 working days)

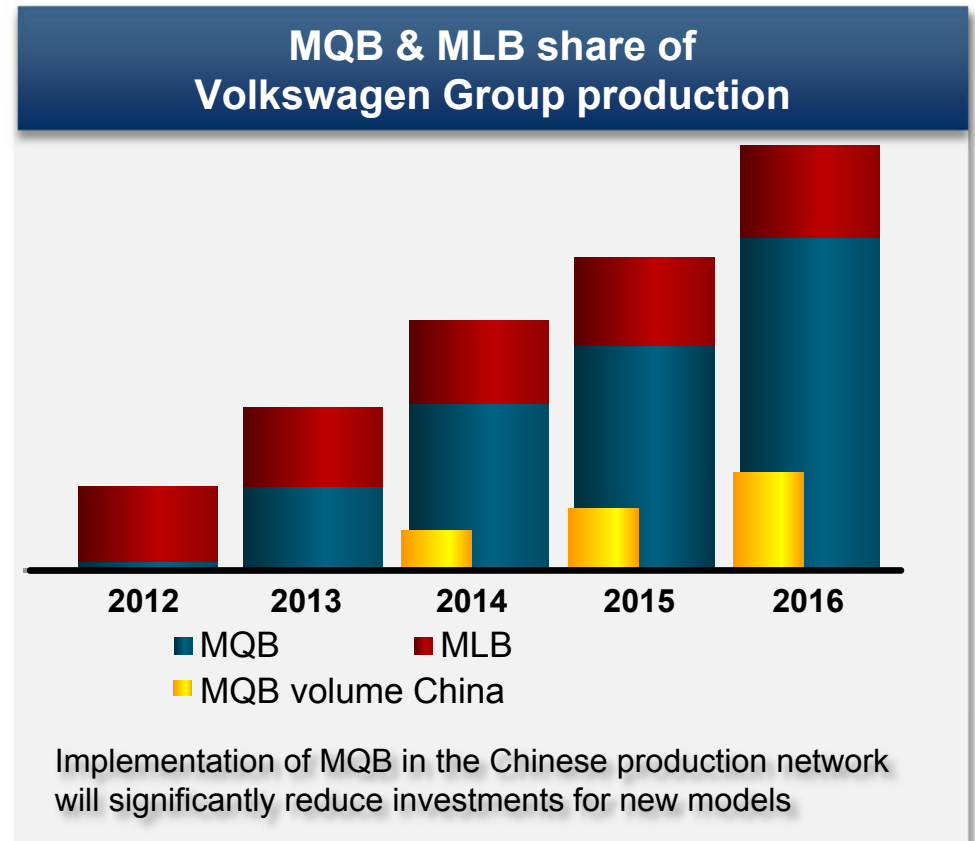
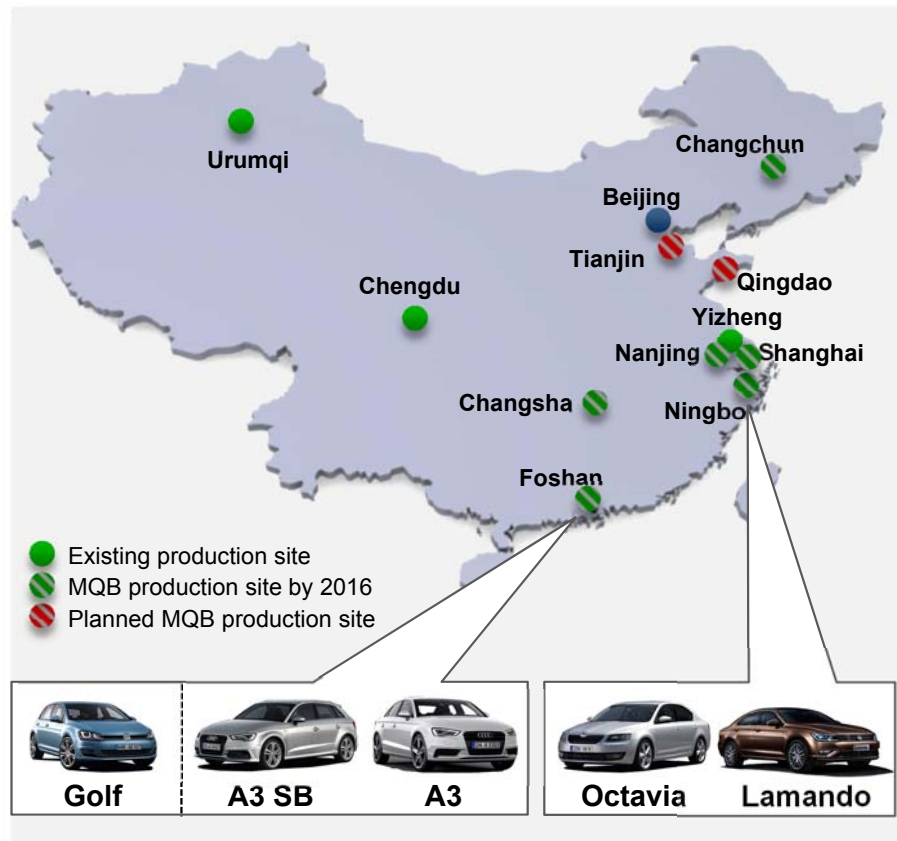


Capacity expansion plans are based on the expected growth in unit sales, upward flexibility (e.g. additional working days) and downward flexibility (e.g. postponement of expansion steps).

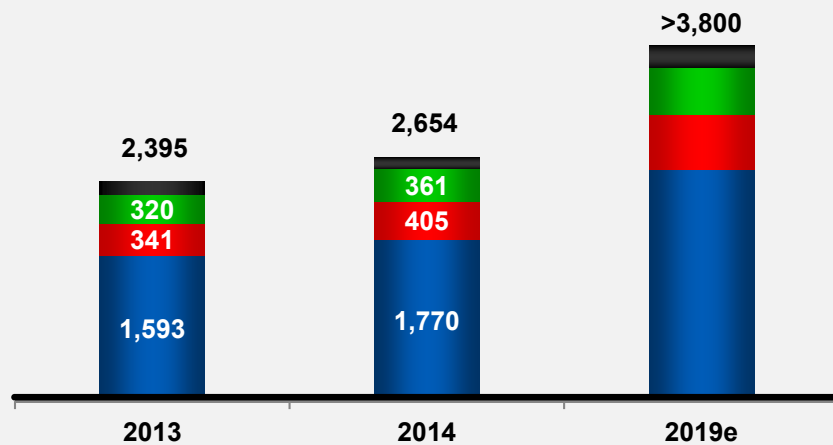
*New plant Changsha + Expansion steps in Chengdu, Ningbo, Foshan

**New plant Tianjin, Qingdao + Expansion steps in Ningbo, Foshan, Yizheng a.o.

Implementation of the MQB toolkit in the Chinese production network



Strong focus on qualitative growth of our dealer network



Active support for a professional dealer network development

For Dealer Group Investors:

Volkswagen Group China offers *customized executive education programs* for VGC Strategic Dealer Group Investors with the objective to strengthen their competitiveness, sales and profitability.

For Retail Management:

Volkswagen Group China introduced the *Auto Retail Talent Program* in order to grow the best dealer employees from today into the dealership leaders of tomorrow.



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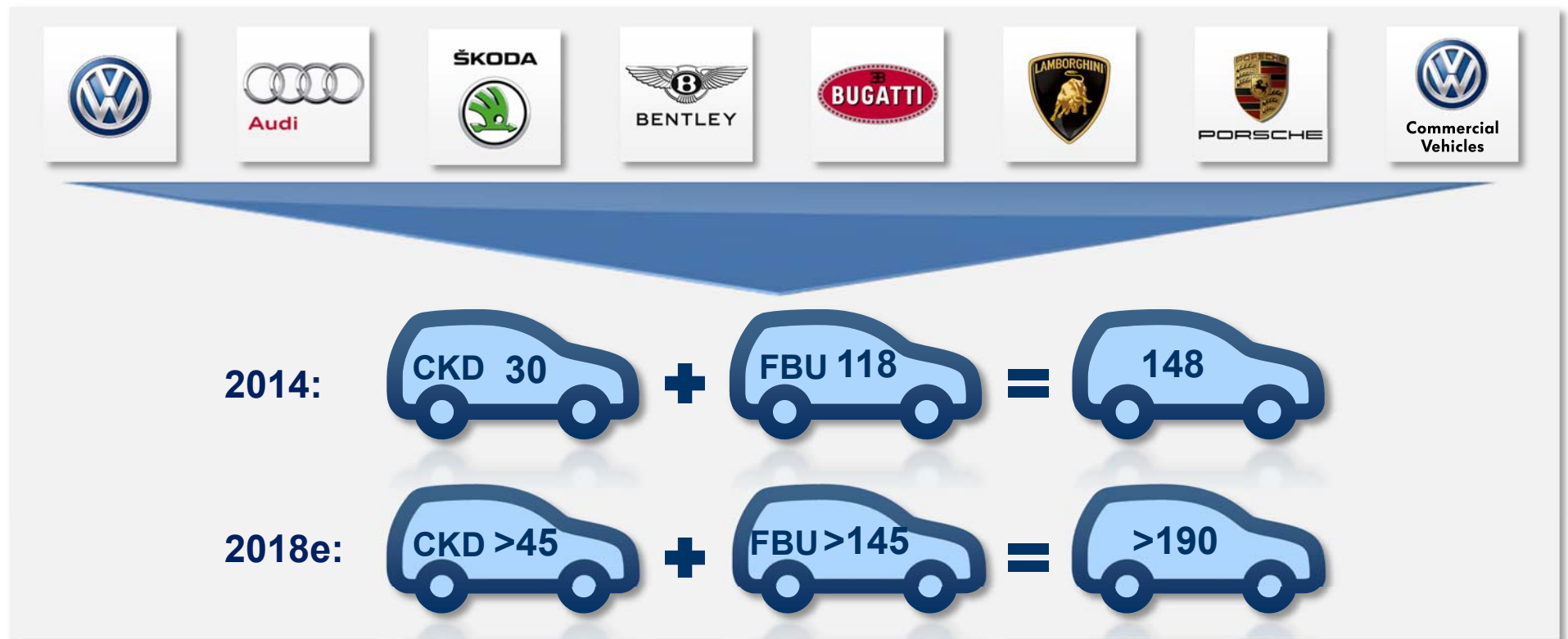
Emerging business fields and financial results

Broad local product portfolio at FAW-Volkswagen and SVW

		 一汽-大众 FAW - VOLKSWAGEN				上海大众汽车 SHANGHAI VOLKSWAGEN			
Volkswagen		New Bora 	Sagitar 	Magotan 	Jetta 	Gran Lavid 	Santana 	Passat 	Tiguan 
		CC 	Golf 			Polo 	Touran 	Lavida 	Lamando 
	Audi	A4L 	A6L 	Q3 	Q5 	Yeti 	Fabia 	Superb 	Octavia 
		A3 SB 	A3 			Rapid 	Rapid SB 		

Note: Status as per July 2014

Significant extension of product portfolio planned: More than 190 models by 2018



Note: updated counting method, number of models including derivatives

SUVs are already the second largest body type in the Chinese market – and the growth is expected to continue



Source: Volkswagen Group China, % share of body type in total passenger car market

Volkswagen China – Product solutions to match our customers’ needs

China special detail solutions

Passat USA



Passat China



China specific wheelbase extensions, trim and colors

A6 Europe



A6 L China



Yeti Europe

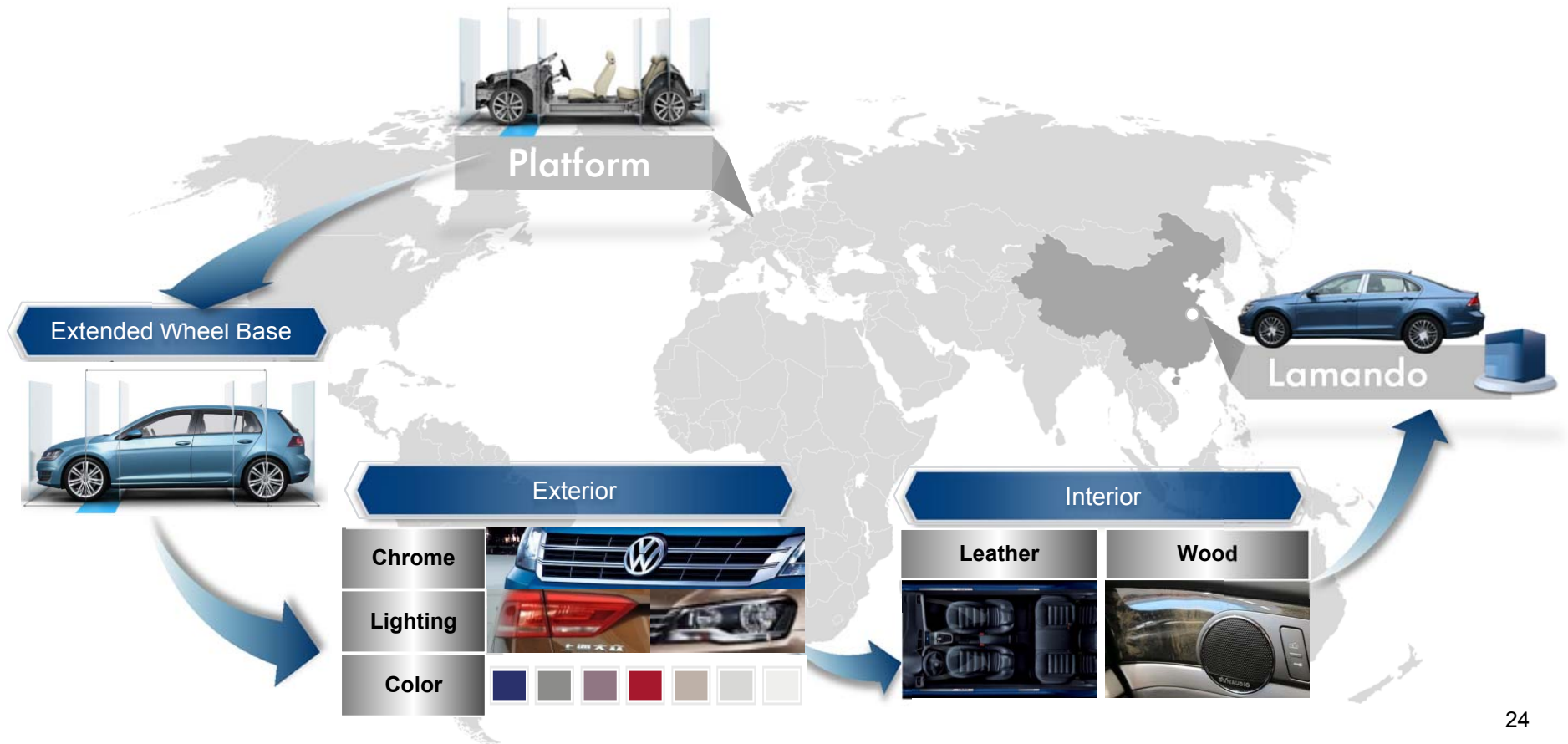


Yeti China

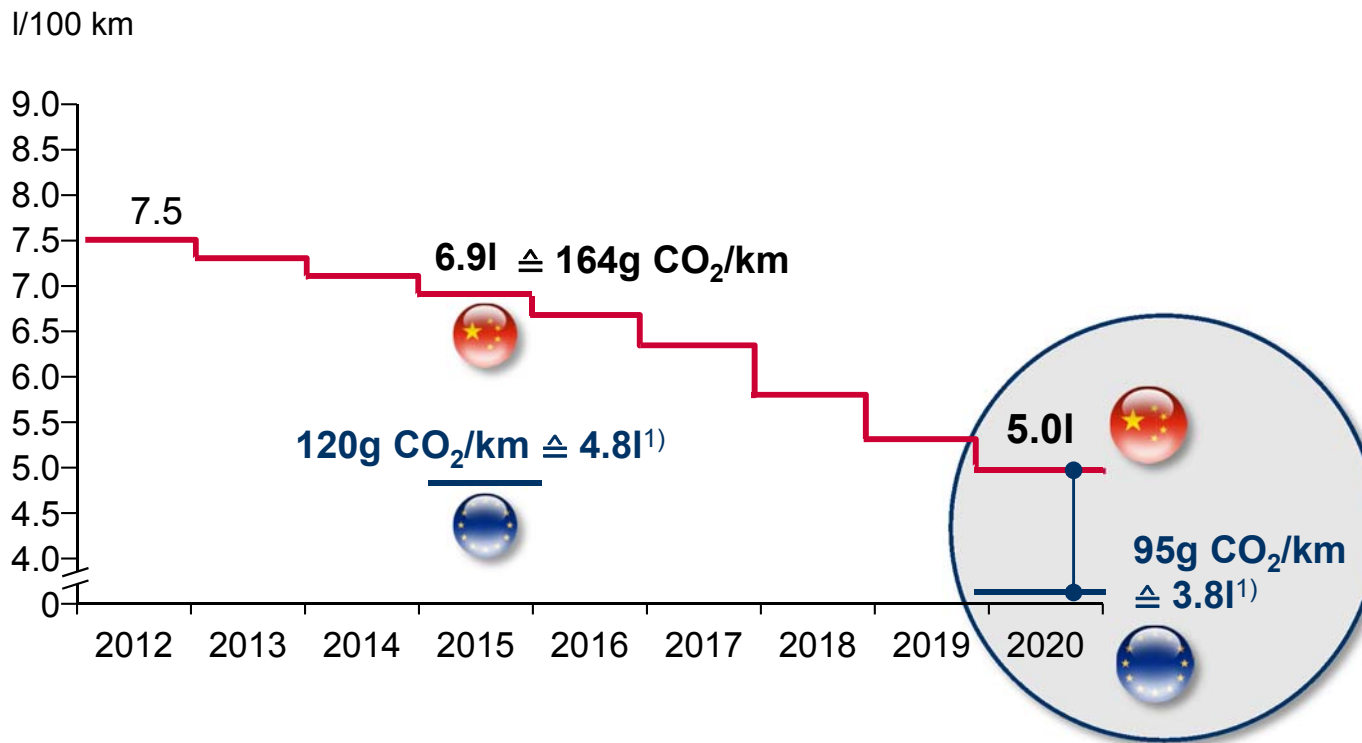


China
exclusive
spare wheel

Toolkits support the localization of our products



Legal requirements of average fuel consumption targets for fleets in China



¹⁾ Committed EU targets of the Volkswagen Group

The Chinese target is challenging due to

► the low proportion of diesel cars in China of only ~1%



► customers' preference for larger vehicles



Volkswagen Group China to actively engage in the New Energy Vehicle market with locally produced cars as well as the localization of technology



Expansion of Research & Development know-how in China



Design

Powertrain development

Body development

Electric & Electronics development

3D CA-X development environment

Prototype workshops

Vehicle and components testing facilities

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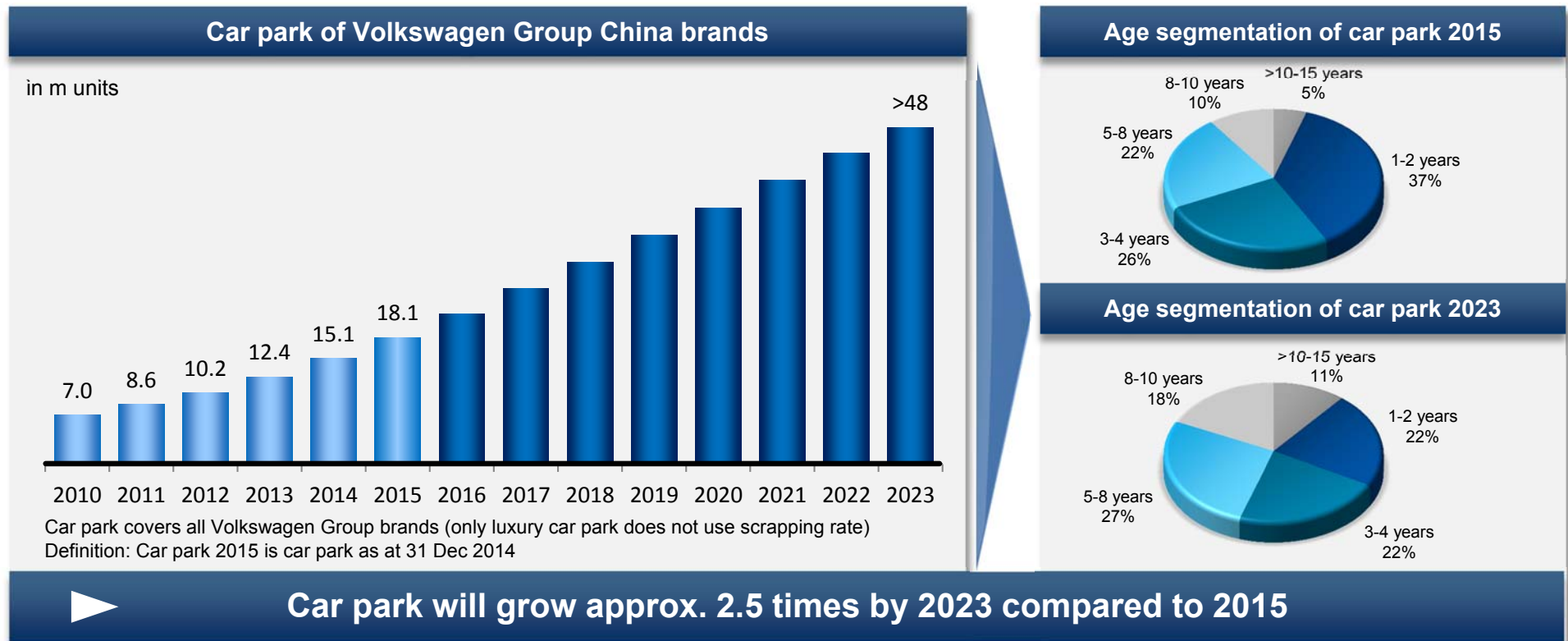
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Car park development of Volkswagen Group China shows substantial opportunities for growth in the service and spare parts businesses



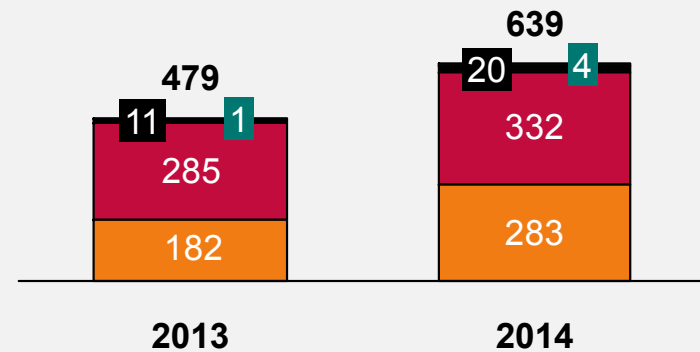
Roll out of pre-owned car dealer business

Volkswagen Group's pre-owned car brands



Group pre-owned car dealer roll-out

- Bentley PO
- Audi Refined Rec.
- Porsche PO
- Das Weltauto (VW & Skoda)

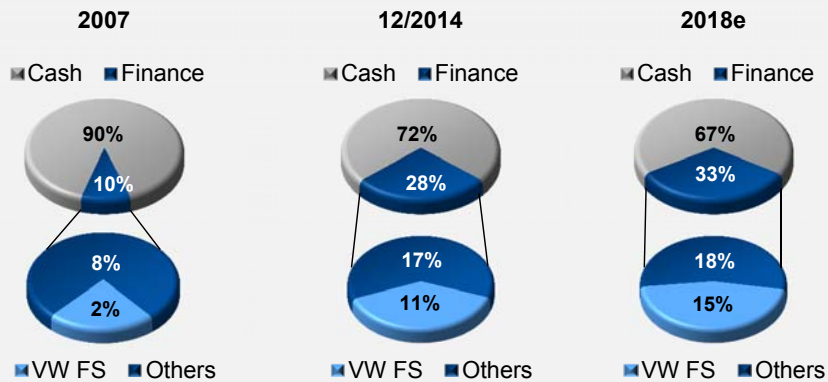


Our Group pre-owned car programs are market leaders in China

Volkswagen Financial Services: continued growth

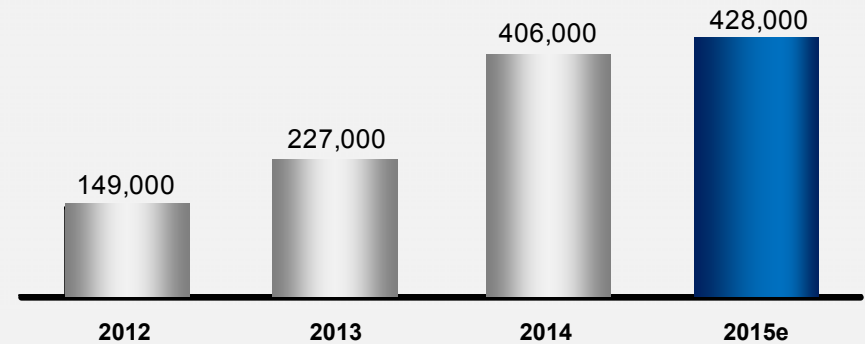
Gaining share in an expanding retail financing market

Volkswagen Finance (China) retail finance penetration in the Volkswagen Group China network
(% of deliveries to customers)



Strong retail finance development

New retail finance contracts (number of units)



Financial Services China: Strategic growth dimensions

Leasing / Credits

Fleet Management

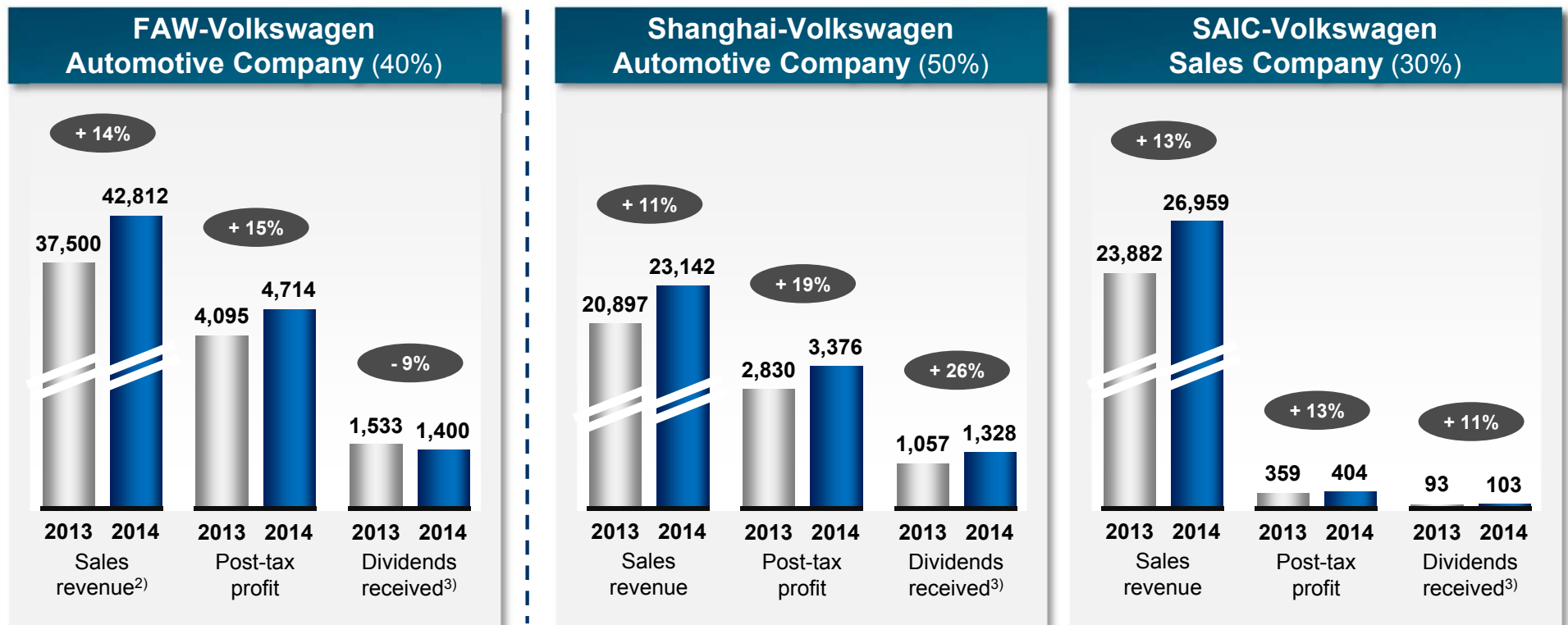
Used Cars

New Mobility

After Sales / Insurance

Chinese Joint Ventures with strong financial performance in 2014¹⁾

(January to December 2014 vs. 2013, in € million)



¹⁾ Financial data on a 100% basis, Volkswagen Group equity interest in brackets; Shanghai-Volkswagen (SVW) sales revenue is mostly generated from its business with SAIC-Volkswagen, which sells passenger cars for SVW
²⁾ Including sales revenue from sales of imported Audi models ³⁾ Dividends received by the Volkswagen Group

Another strong operating result for the Volkswagen Group China in Q1 2015

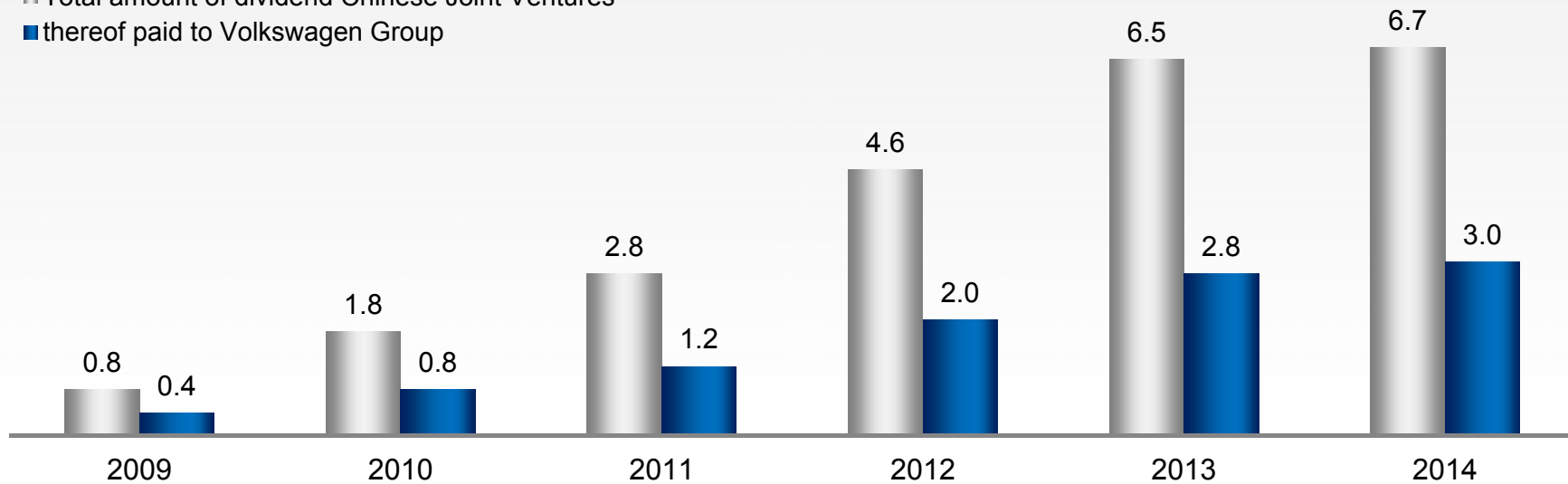
		2011	2012	2013	2014	Q1 2015
Deliveries to Customers	('000 Units)	2,259	2,815	3,271	3,675	898
Production (100%)¹⁾	('000 Units)	2,202	2,643	3,135	3,528	958
Operating profit (100%)	(€ m)	6,134	8,424	9,569	12,077	3,605
Operating profit (proportionate)	(€ m)	2,616	3,678	4,296	5,182	1,598

¹⁾ SVW Group / FAW-VW Group

Chinese Joint Ventures generate substantial, self-funded growth and at the same time sustainably rising dividends

Total amount of dividends paid out to Joint Venture partners (in € bn)

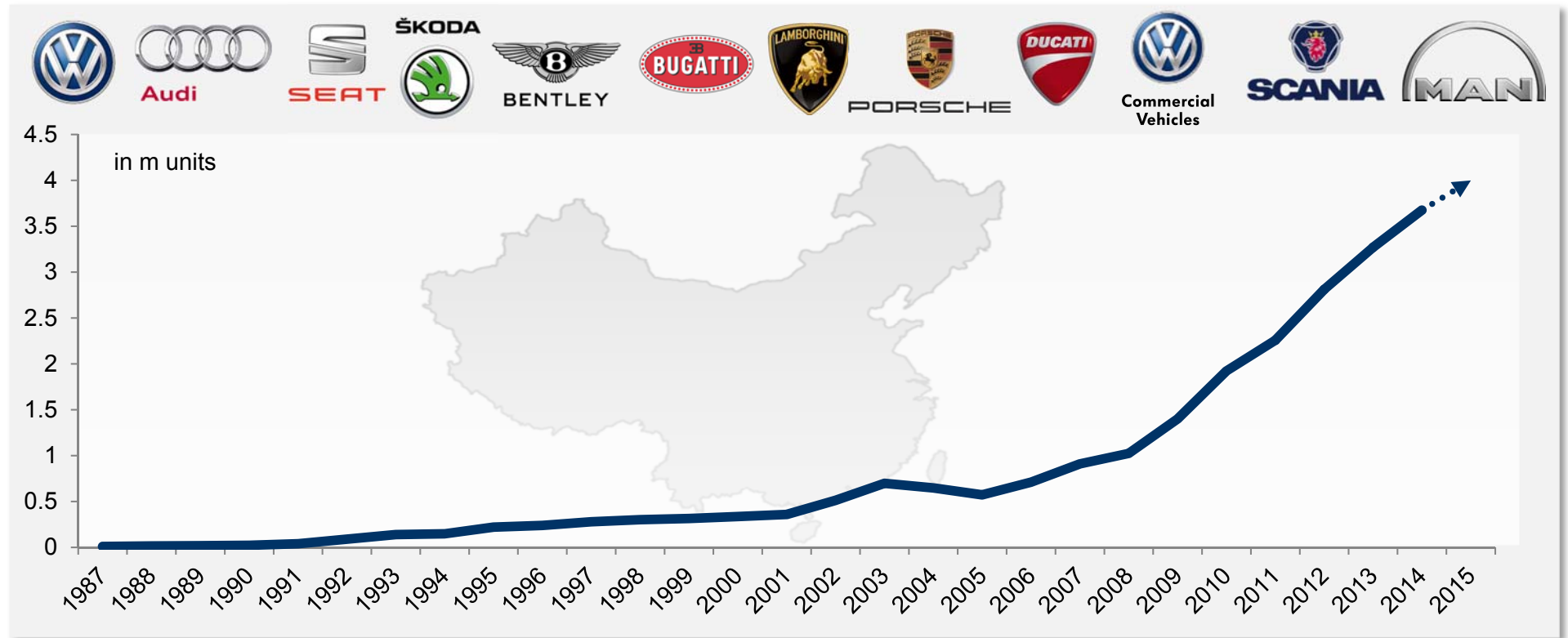
■ Total amount of dividend Chinese Joint Ventures
■ thereof paid to Volkswagen Group



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Volkswagen Group China is well positioned to maintain its number one position in the market and seize additional opportunities in the future



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