

VOLKSWAGEN  
GROUP CHINA



## China: The second home market of the Volkswagen Group

Carsten Isensee Executive Vice President Finance,  
Volkswagen Group China  
Beijing, 14 April 2015



## **Business overview and sales performance**

**Market development**

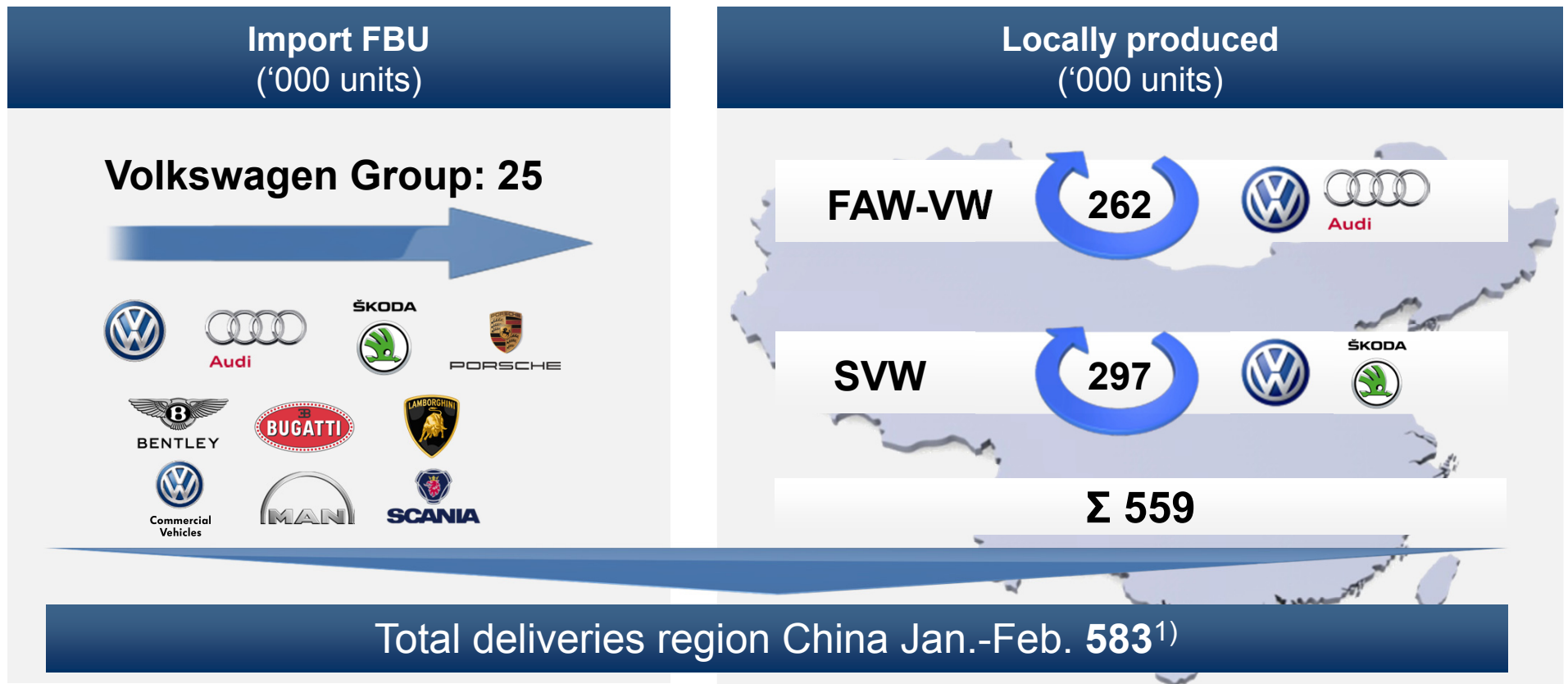
**Investments Volkswagen Group China**

**Our products**

**Emerging business fields and financial results**

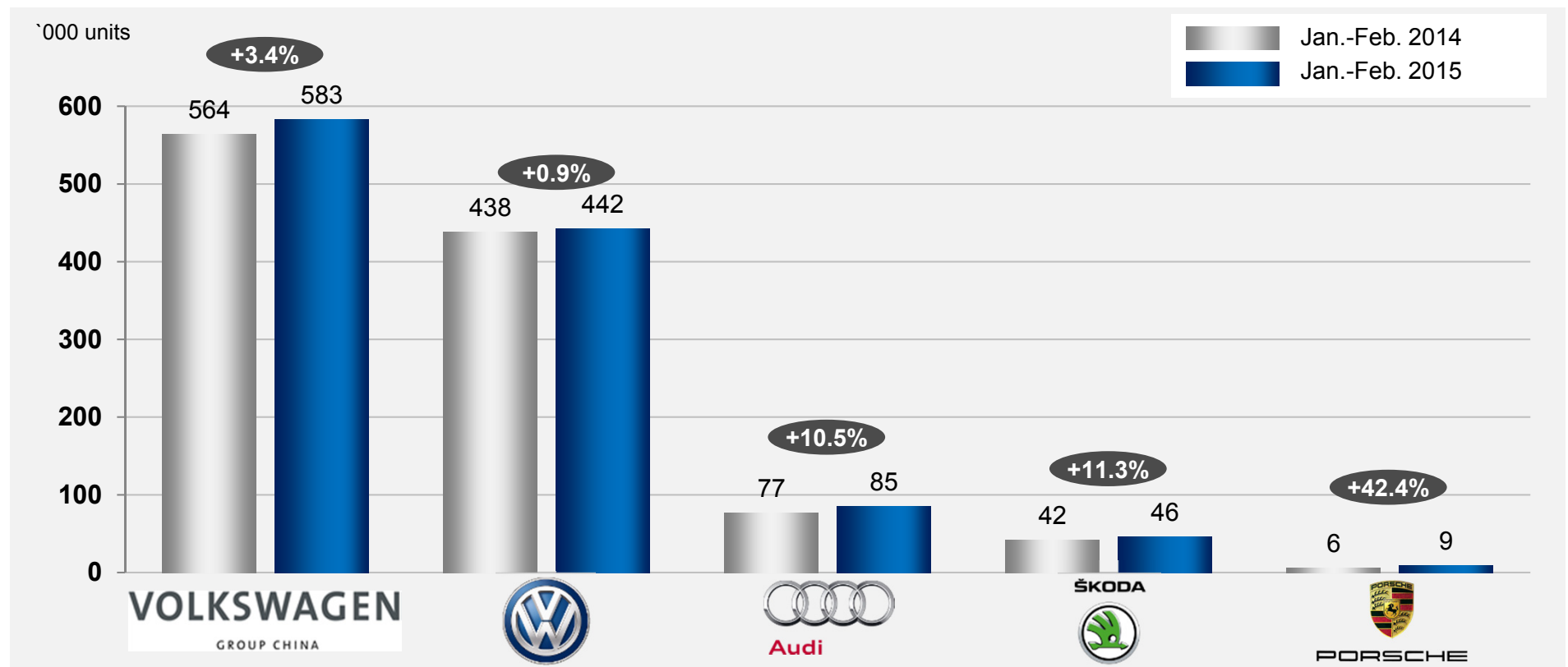


## Deliveries to customers Volkswagen Group in China Jan.-Feb. 2015



<sup>1)</sup> incl. Hong Kong, excl. Ducati. All figures shown are rounded.

## Deliveries to customers by brand Jan.-Feb. 2015



<sup>1)</sup> incl. Hong Kong, excl. Ducati.

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## Chinese government reacts with pro-growth policies on economic slowdown

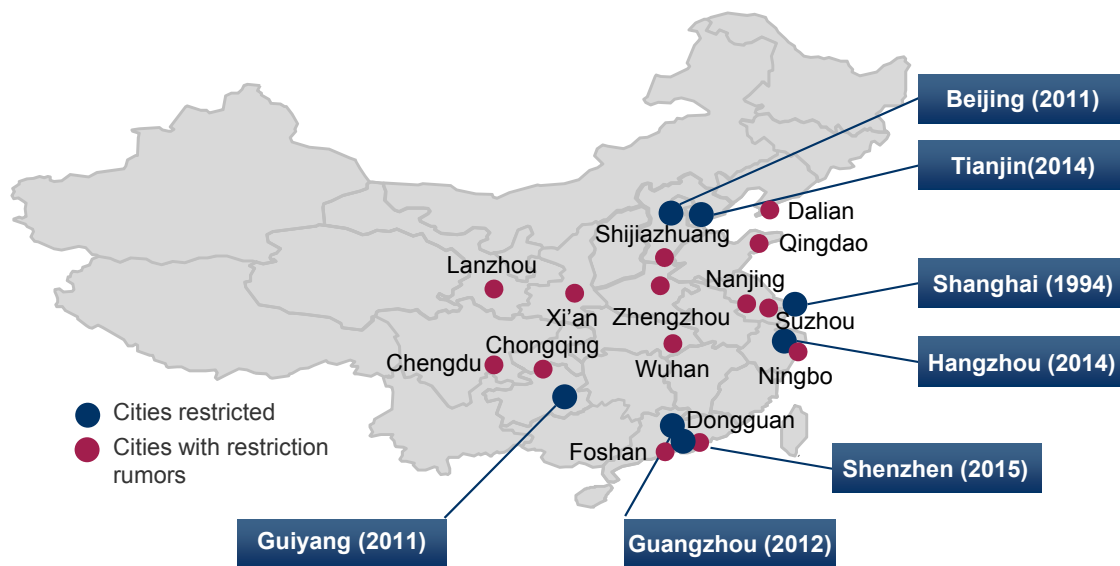
Indicator	Proxy	Dec	Jan	Feb	Trend
Economic growth	GDP (%)	7.3			
	Industrial Value Added (%)	7.9	6.8		↓
	Electricity Output (%)	1.3	1.9		↑
Three major demands	Retail Sales (%)	11.9	10.7		↓
	Fixed Asset Investment (%)	15.7	13.9		↓
	Export (%)	9.7	-3.3	48.3	↑
Price & Money	CPI (%)	1.5	0.8	1.4	↑
	M2(%)	12.2	10.8	12.5	↑

### Key points

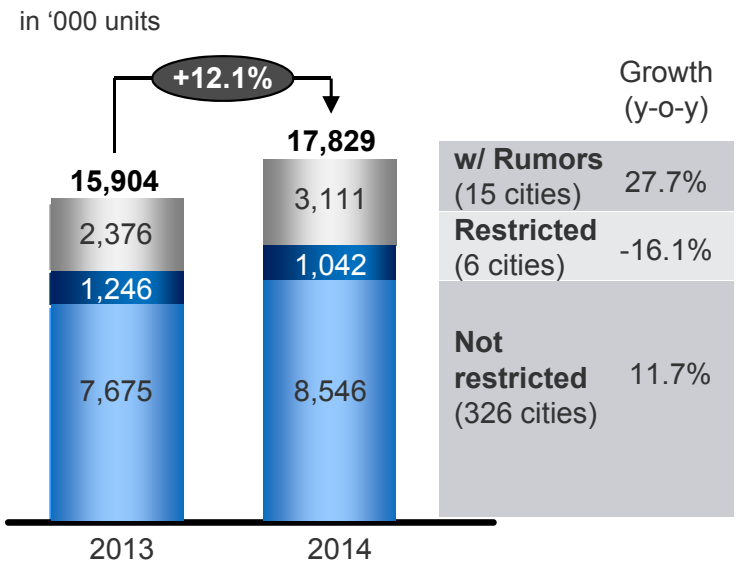
- **China's economy is facing a further downward trend as both demand and supply declined in the first 2 months:**
  - **Demand:** Sluggish domestic demand, as indicated by investment and consumption slip and import plunge, will lead to further economic slowdown.
  - **Supply:** Overcapacity issues in the up and mid-stream industries led to production slump, as shown by the record low PPI reading.
  - **Money:** The interest rate and RRR cuts since Feb failed to inject liquidity into real economy; funds available for business investment and production were seriously inadequate.
  - According to 2015 Government Work Report delivered by Premier Li Keqiang at National People's Congress, **the GDP GR in 2015 is expected to reach around 7.0%, CPI at around 3.0%, M2 GR at around 12.0%, investment GR at around 15%, retail sales at around 13% and import & export at around 6%.** Under the great pressure of economic slowdown, the pro-growth policies will be focused on **"monetary easing", "housing market" and "infrastructure construction"**.

# Traffic restrictions reduce local deliveries, however, rumors on future restrictions lead to front loading of car sales

Cities with either restriction policy in place or rumors on future restrictions



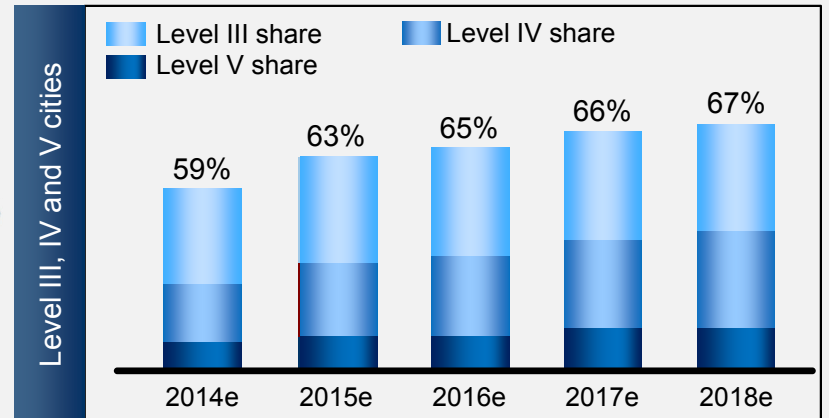
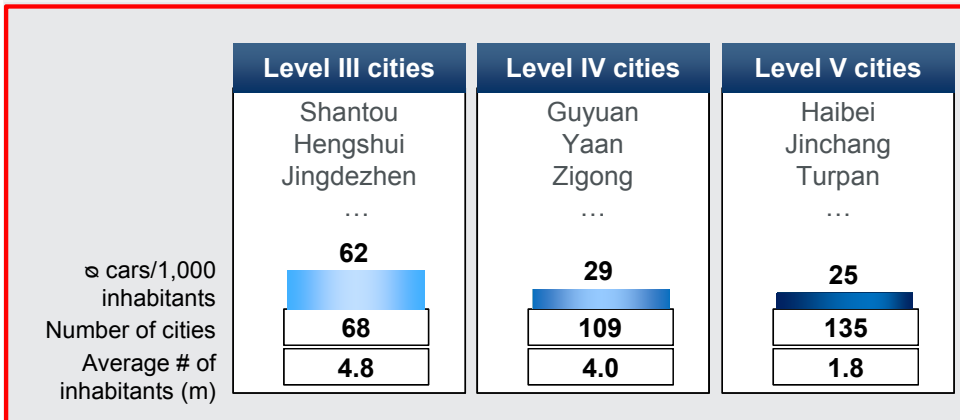
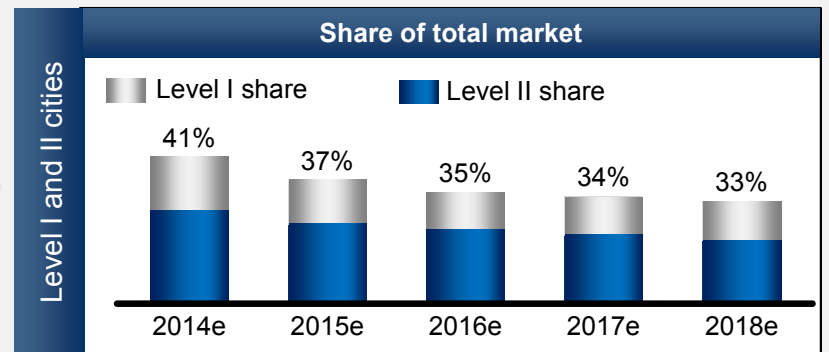
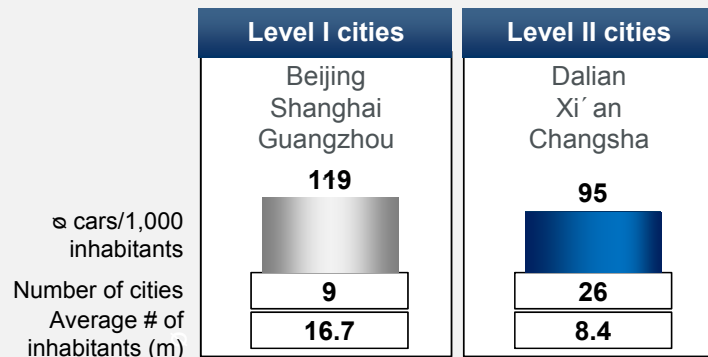
Deliveries in cities with or without restrictions<sup>1)</sup>



1) converted to deliveries to customers from registration data; cities w/ rumors 2013/2014 include Chengdu, Chongqing, Dalian, Dongguan, Foshan, Lanzhou, Nanjing, Ningbo, Qingdao, Shijiazhuang, Suzhou, Wuhan, Xi'an, Zhengzhou and Shenzhen

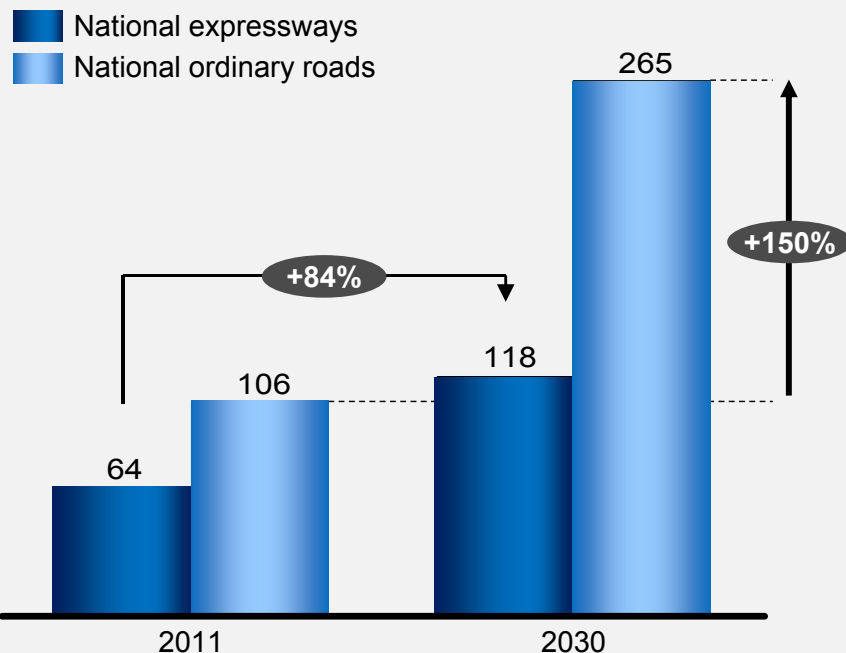


## Less developed cities provide new opportunities



## 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 counties<sup>1)</sup> 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)

<sup>1)</sup> There are 2,856 counties in China

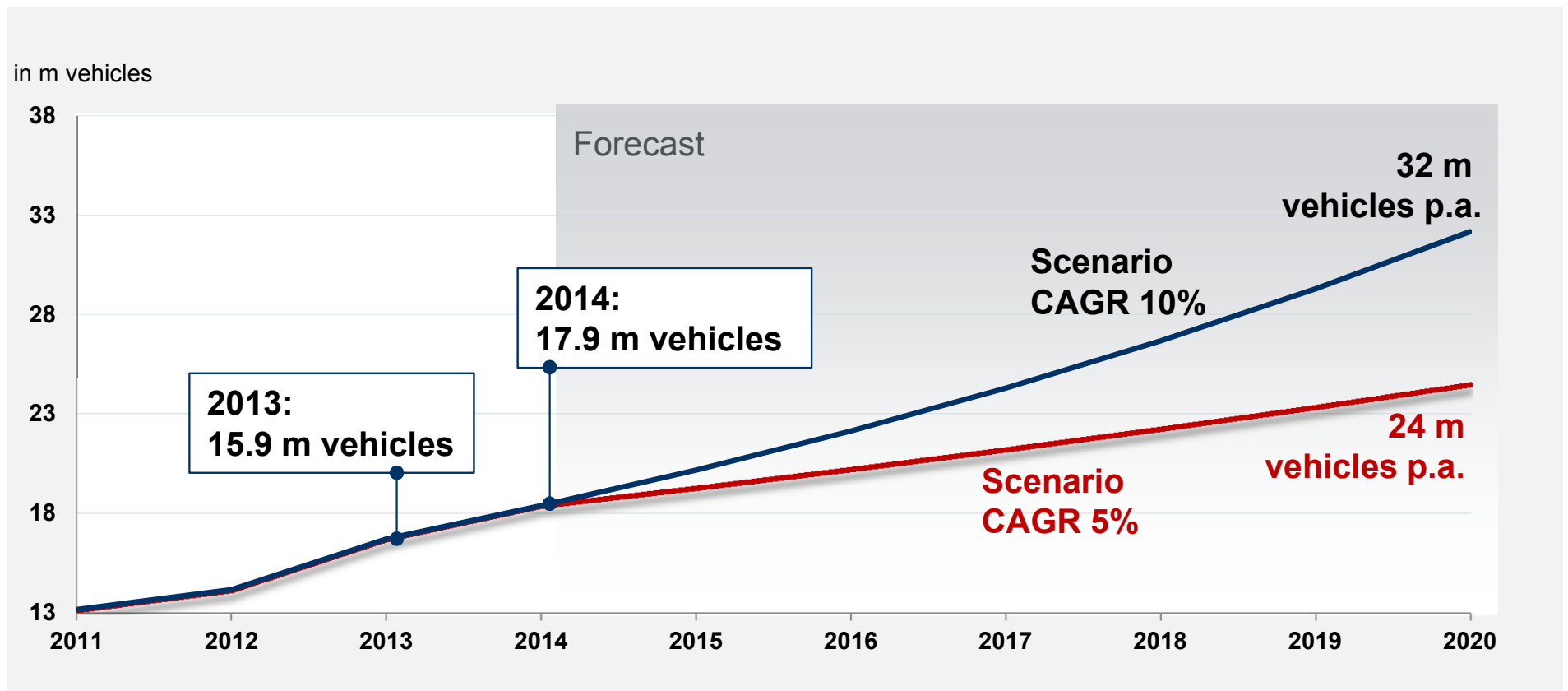
## Southern and Western regions show above average growth supporting our Go South and Go West Strategy

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

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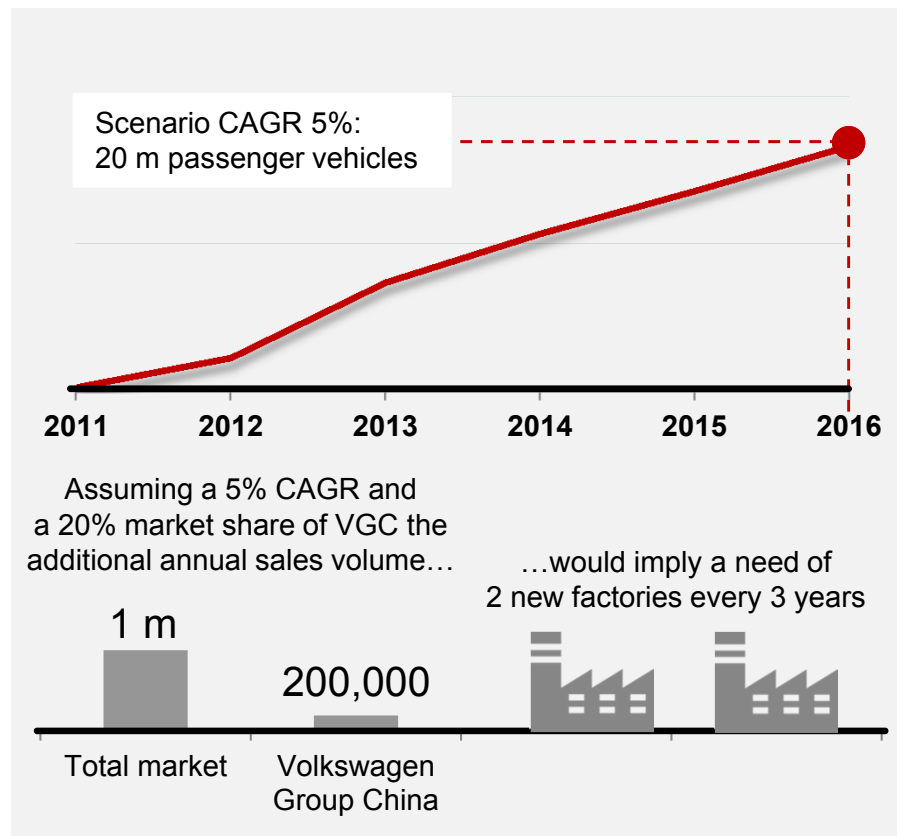
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## Investment program and core projects



### Total investment of €22.0 bn in 2015 - 2019

Vehicle plants	Component plants	Products
<p><b>New plants</b></p> <ul style="list-style-type: none"> <li>Changsha (SVW)</li> <li>Tianjin (FAW-VW)</li> <li>Qingdao (FAW-VW)</li> </ul> <p><b>Capacity increase</b></p> <ul style="list-style-type: none"> <li>Foshan (FAW-VW)</li> <li>Chengdu (FAW-VW)</li> <li>Ningbo (SVW)</li> <li>Yizheng (SVW)</li> </ul>	<p><b>New plants</b></p> <ul style="list-style-type: none"> <li>Changchun (FAW-VW)</li> <li>Qingdao (FAW-VW)</li> <li>Yizheng (VWPT)</li> </ul> <p><b>Capacity increase</b></p> <ul style="list-style-type: none"> <li>Changchun (VWED)</li> <li>Tianjin (VWATJ)</li> </ul>	<p><b>New models</b></p> <p><b>NEV products<sup>1)</sup></b></p> <p><b>MQB products</b></p> <p><b>Mobile Online Services</b></p>

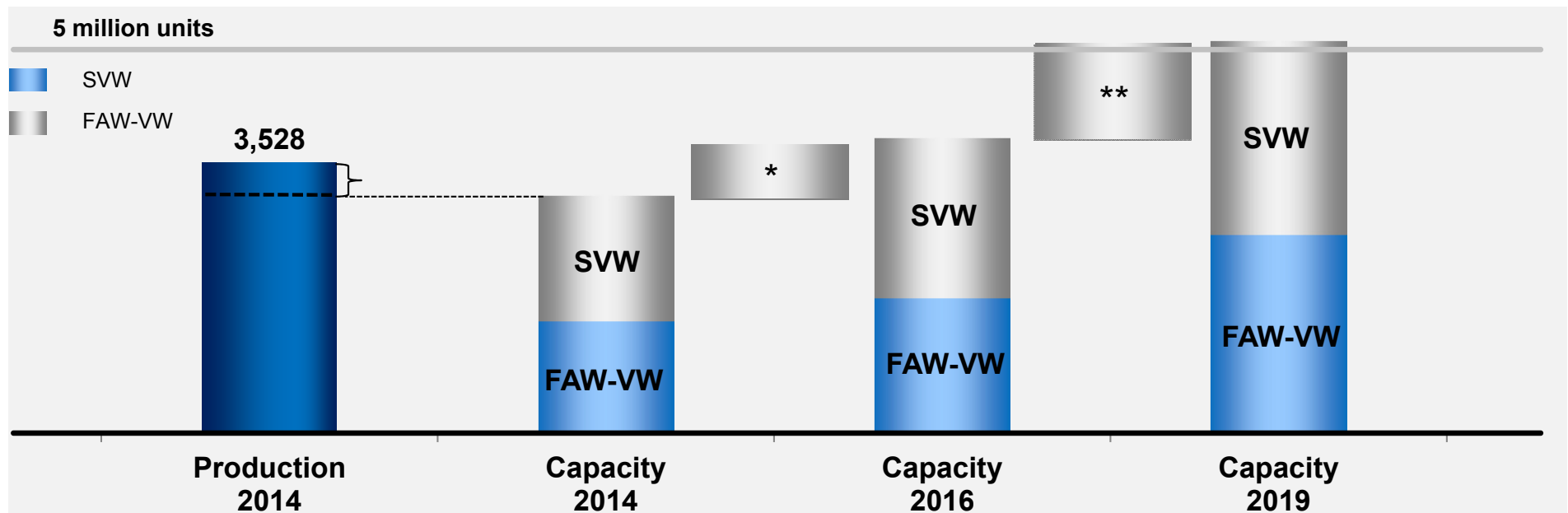
CO<sub>2</sub> measures for plants and products

<sup>1)</sup> 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)



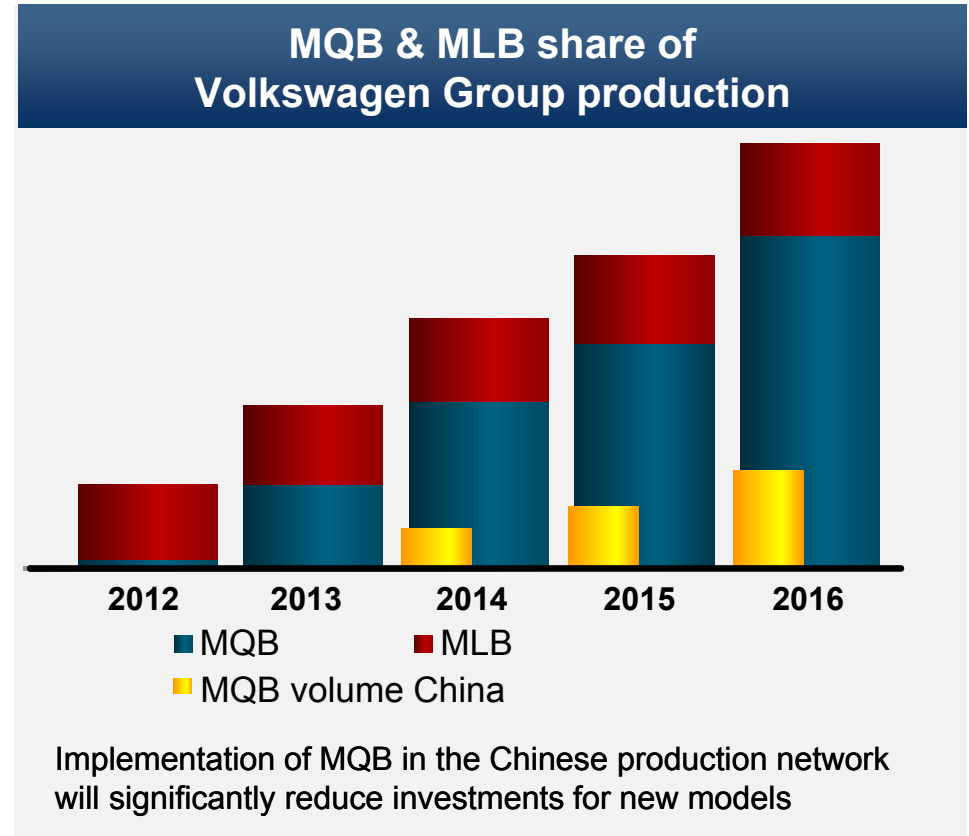
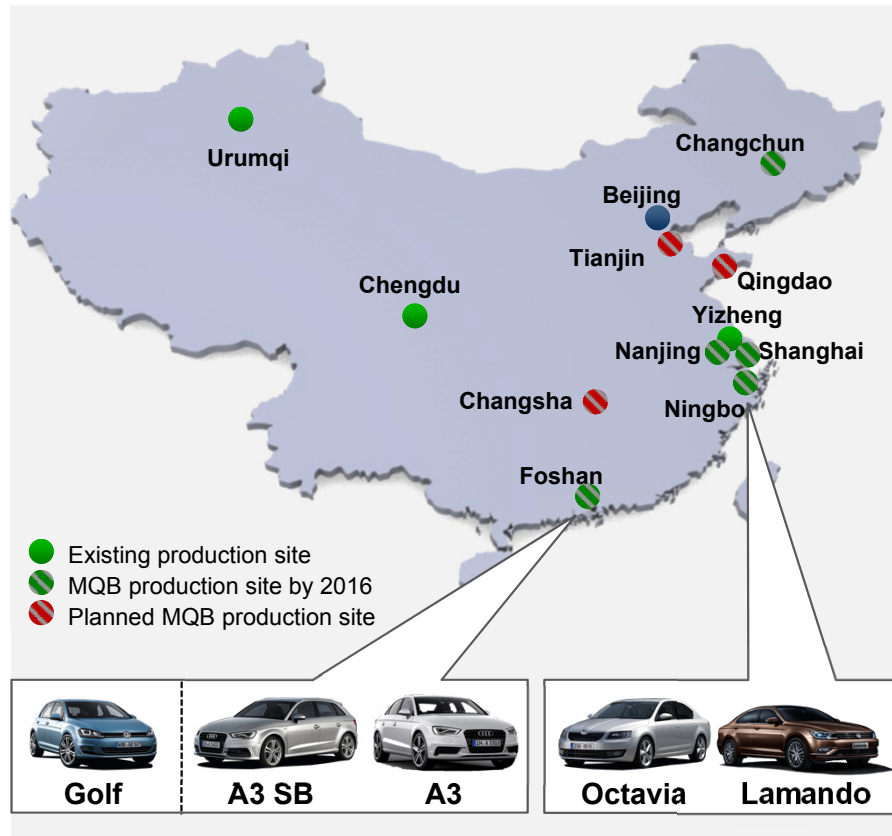
Capacity expansion plans are based on the expected growth in unit sales, upward flexibility (e.g. additional working days) and downward flexibility (e.g. postponement of expansion steps).

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

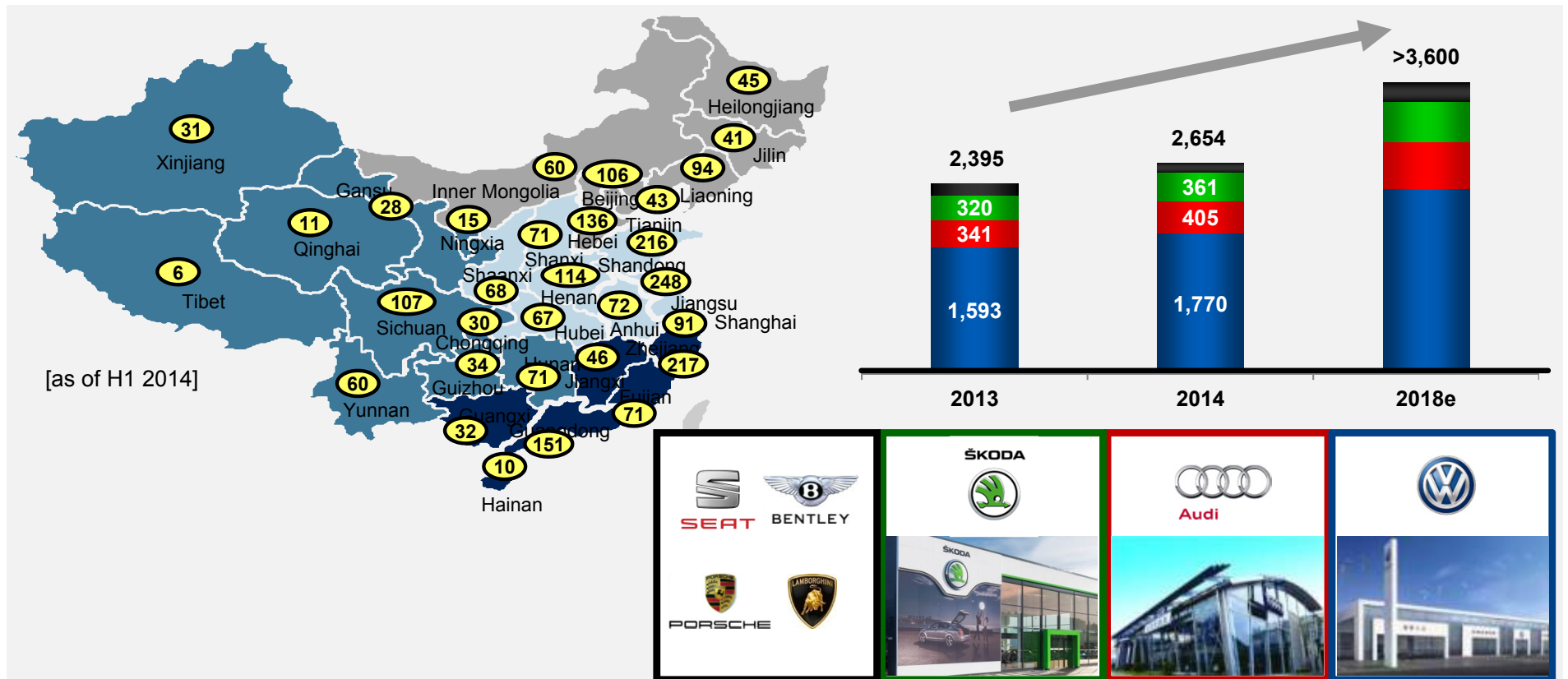
\*\*New plant Tianjin, Qingdao + Expansion steps in Ningbo, Foshan, Yizheng a.o.



## Implementation of the MQB toolkit in the Chinese production network



## Significant growth of dealer networks planned<sup>1)</sup>



<sup>1)</sup> Map includes only Volkswagen, Audi and ŠKODA dealers; discrepancies may occur due to reporting backlog

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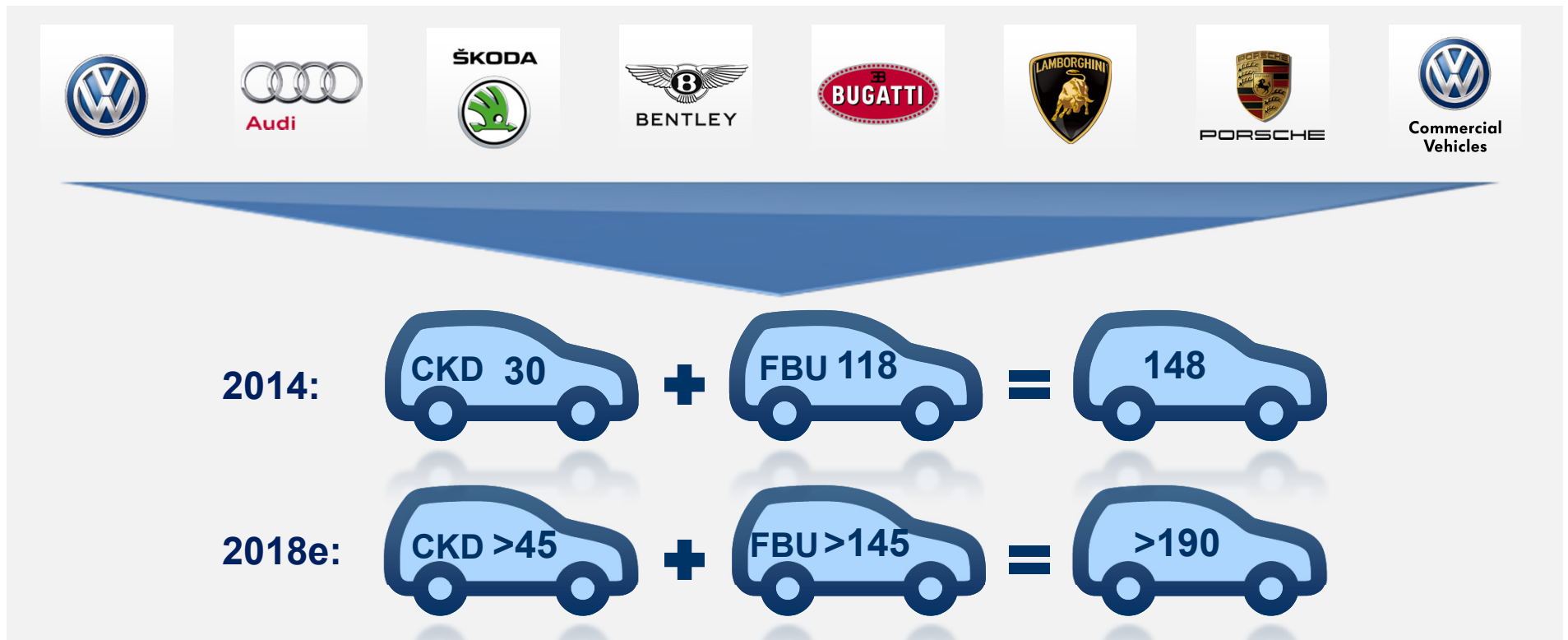
**Emerging business fields and financial results**

## Broad local product portfolio at FAW-Volkswagen and SWV

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

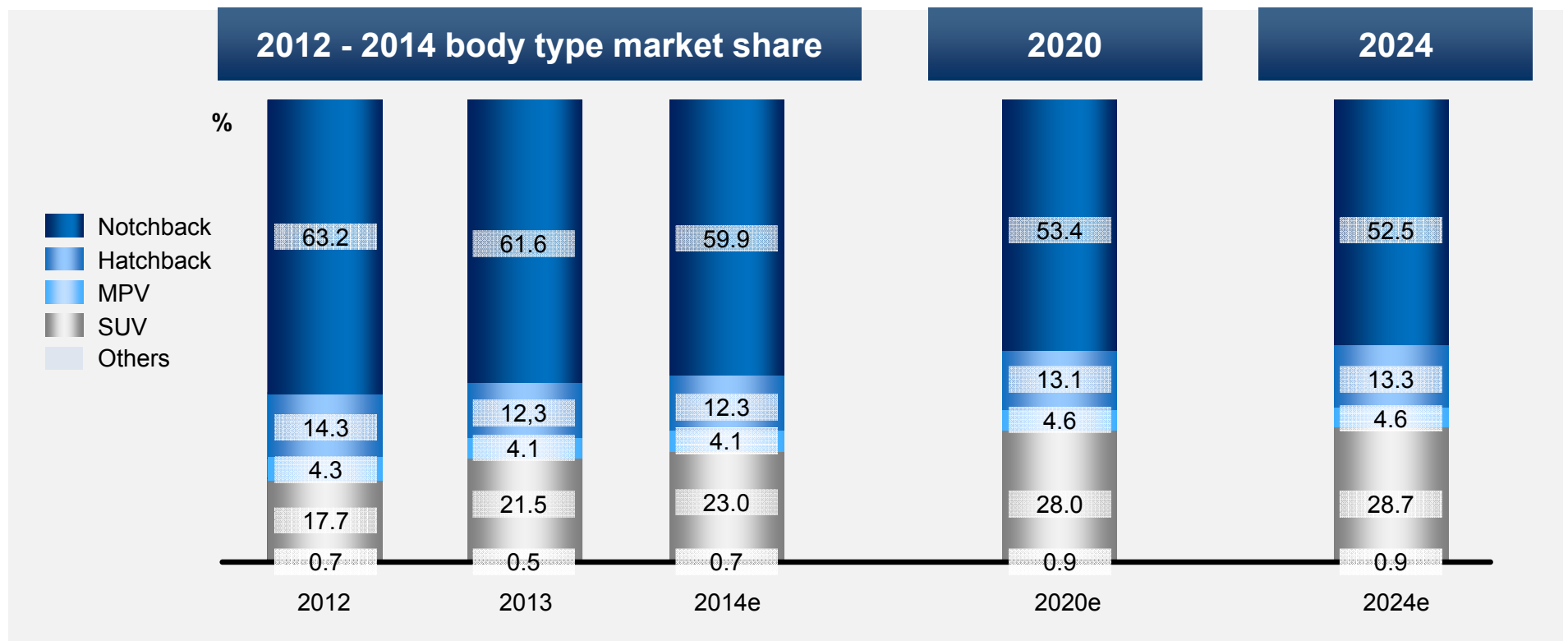
Note: Status as per July 2014

## 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



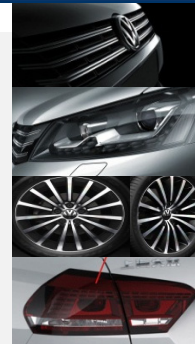
Source: Volkswagen Group China, % share of body type in total passenger car market



# 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

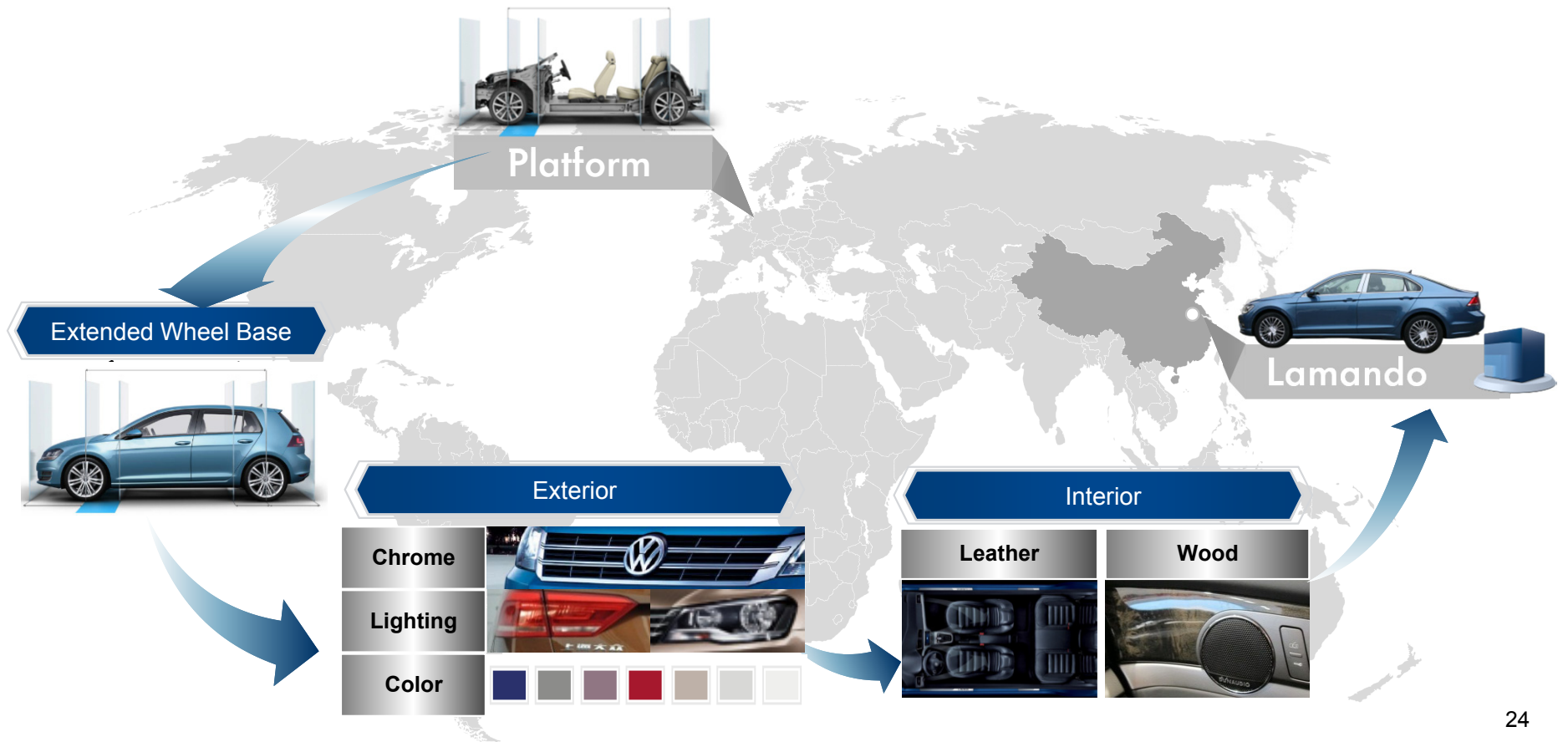


Yeti China



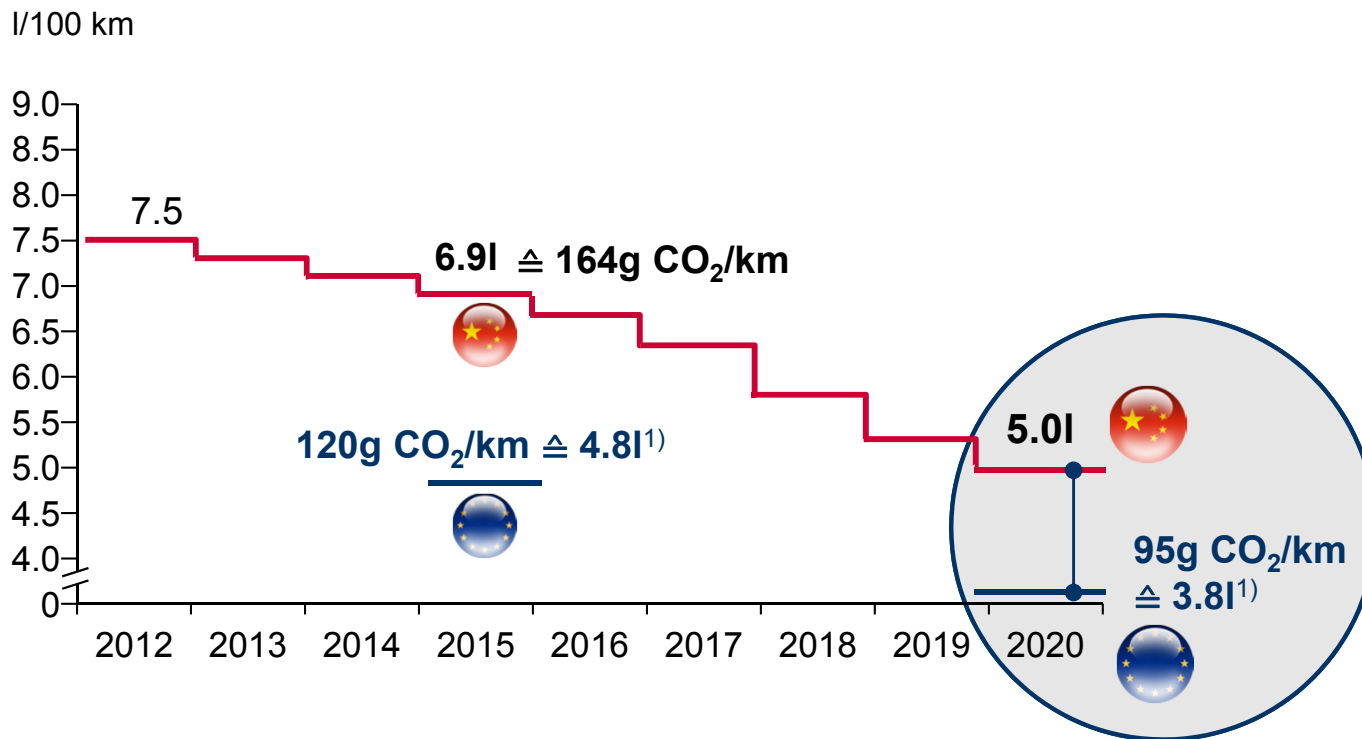
China  
exclusive  
spare wheel

## Toolkits support the localization of our products





## Legal requirements of average fuel consumption targets for fleets in China



<sup>1)</sup> 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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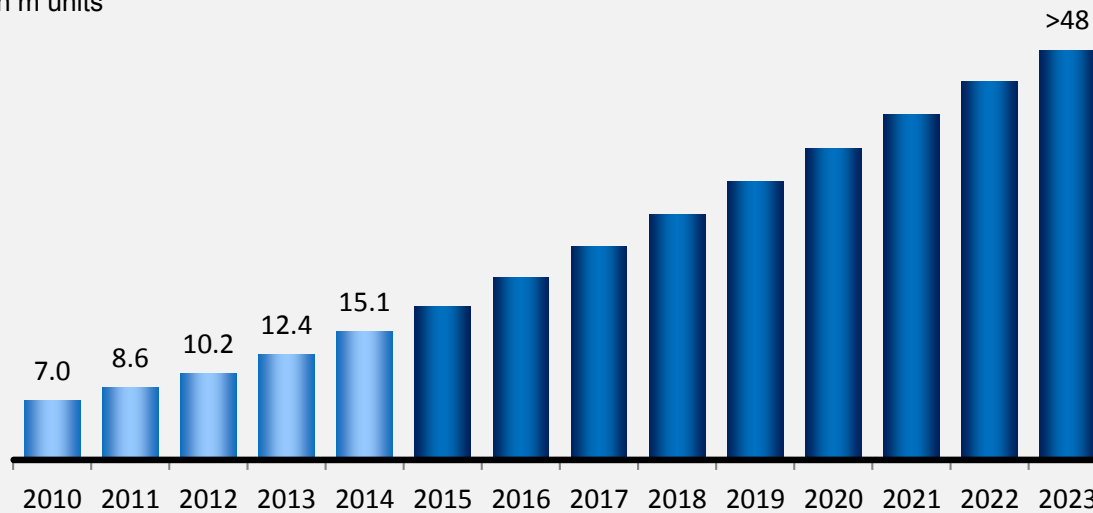
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## Car park development of Volkswagen Group China shows substantial opportunities for growth in the service and spare parts businesses

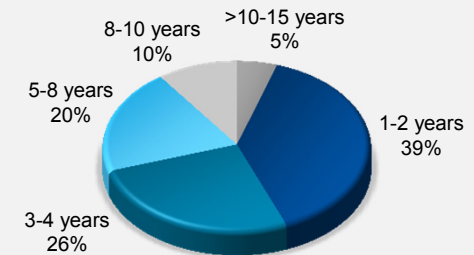
Car park of Volkswagen Group China brands

in m units

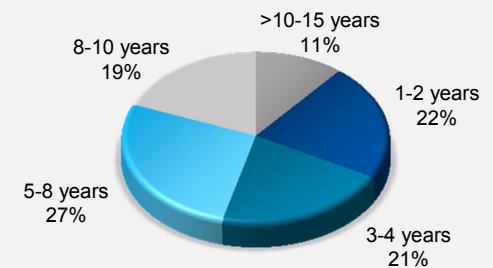


Car park covers all Volkswagen Group brands (only luxury car park does not use scrapping rate)  
Definition: Car park 2014 is car park as at 31 Dec 2013

Age segmentation of car park 2014

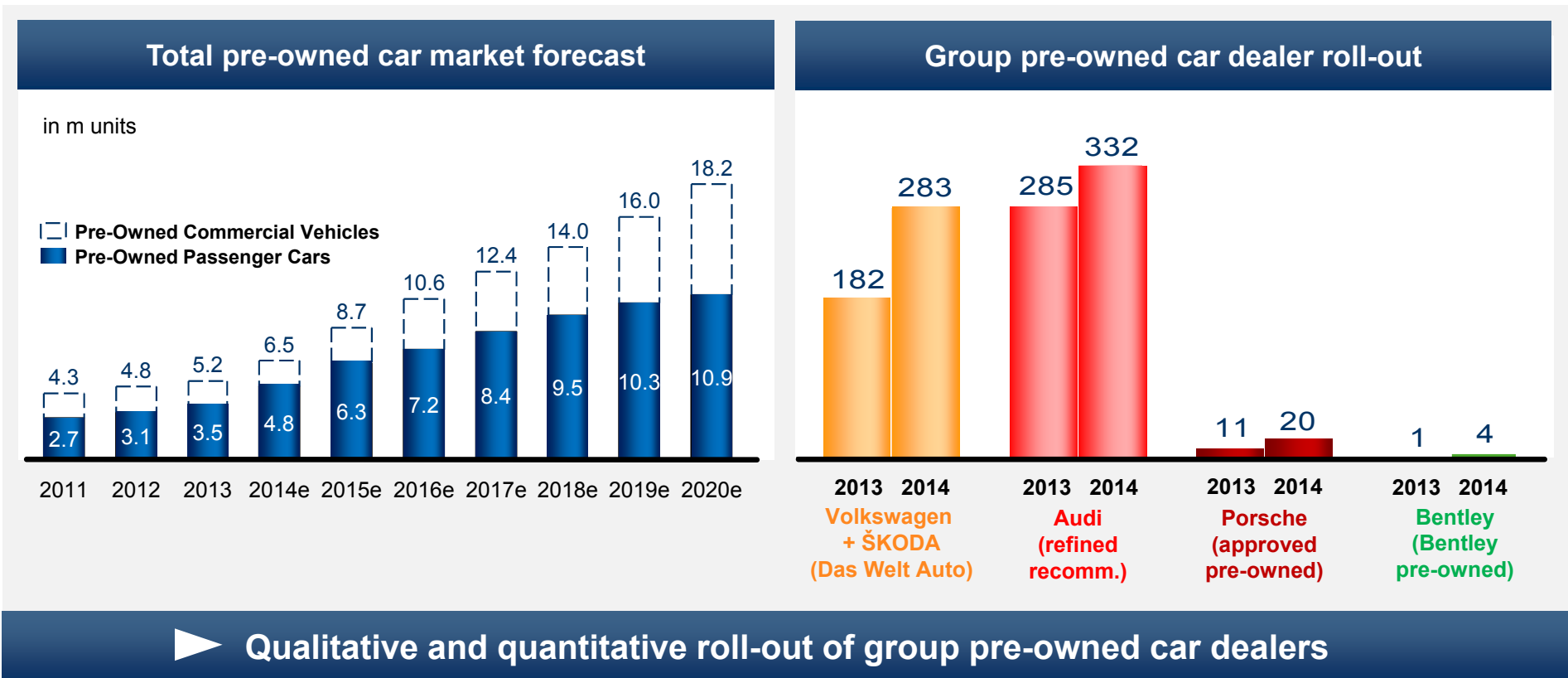


Age segmentation of car park 2023

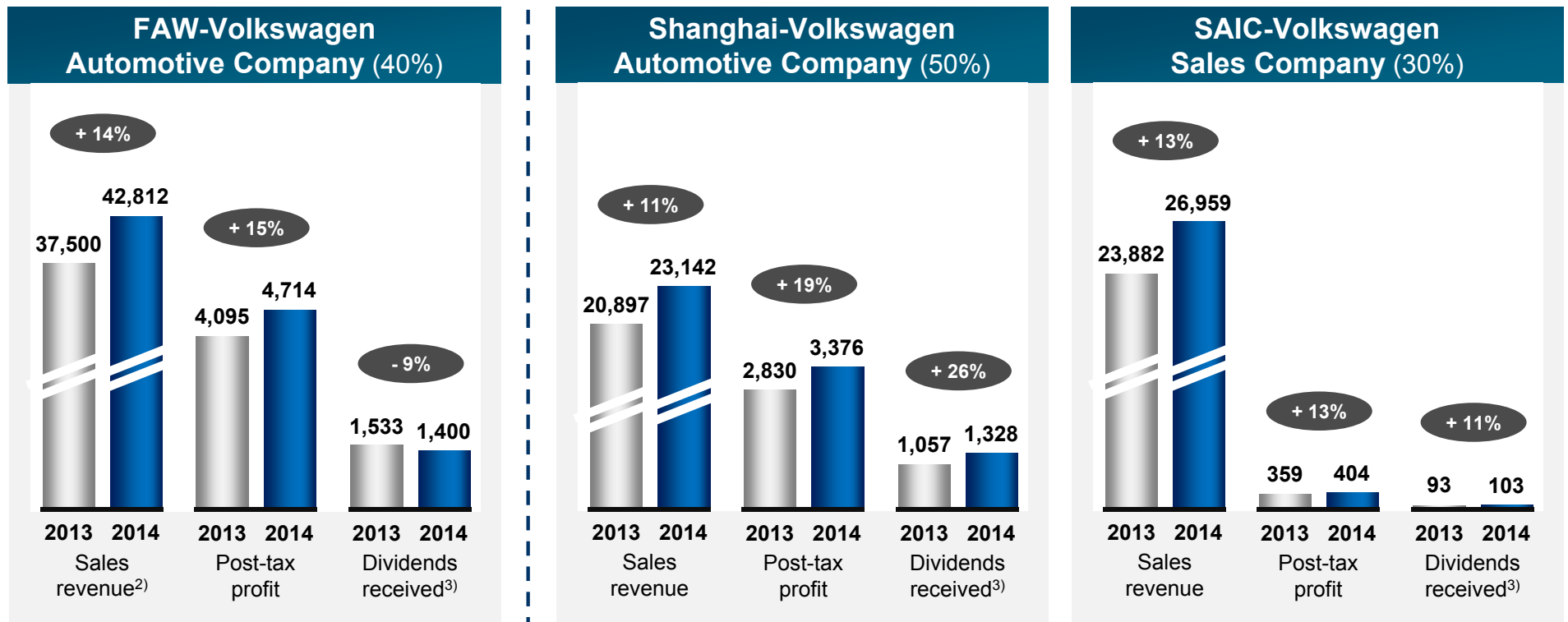


▶ Car park will grow approx. 2 times by 2018 and 3 times by 2023 compared to 2014

## Development of pre-owned car dealer business



## Chinese Joint Ventures with strong financial performance in 2014<sup>1)</sup> (January to December 2014 vs. 2013, in € million)



<sup>1)</sup> 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  
<sup>2)</sup> Including sales revenue from sales of imported Audi models <sup>3)</sup> Dividends received by the Volkswagen Group

## Another strong operating result for the Volkswagen Group in China in 2014

		2010	2011	2012	2013	2014
<b>Deliveries to Customers</b>	('000 Units)	1,923	2,259	2,815	3,271	3,675
<b>Production (100%)<sup>1)</sup></b>	('000 Units)	1,914	2,202	2,643	3,135	3,528
<b>Operating profit (100%)</b>	(€ m)	4,389	6,134	8,424	9,569	12,077
<b>Operating profit (proportionate)</b>	(€ m)	1,907	2,616	3,678	4,296	5,182

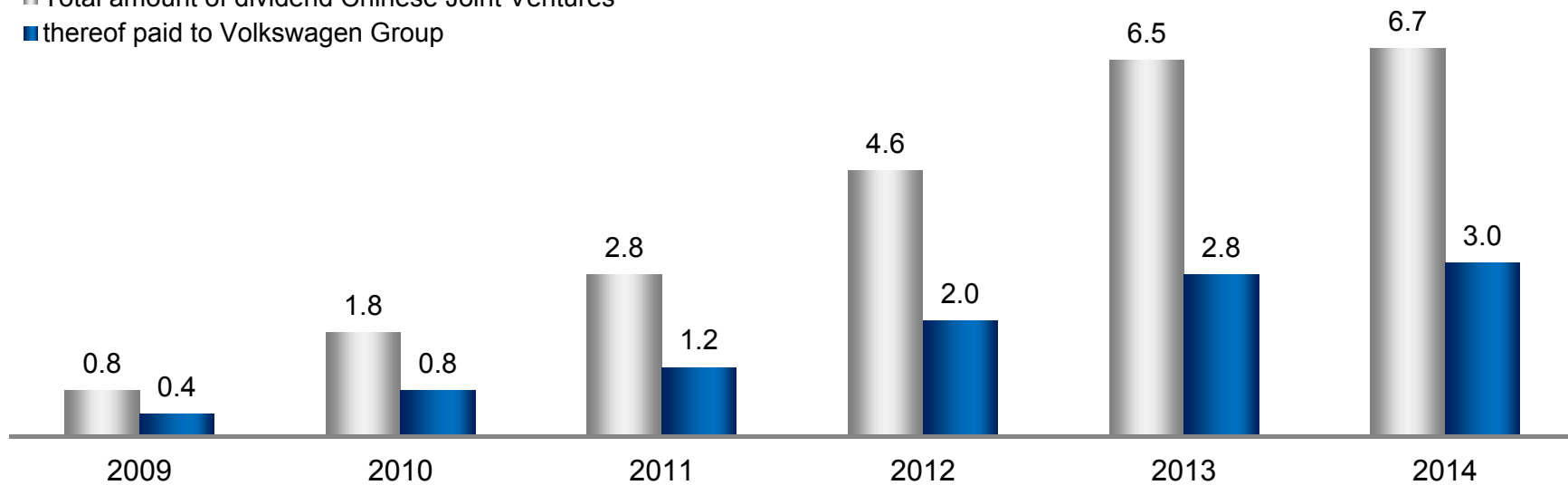
<sup>1)</sup> SVW Group / FAW-VW Group



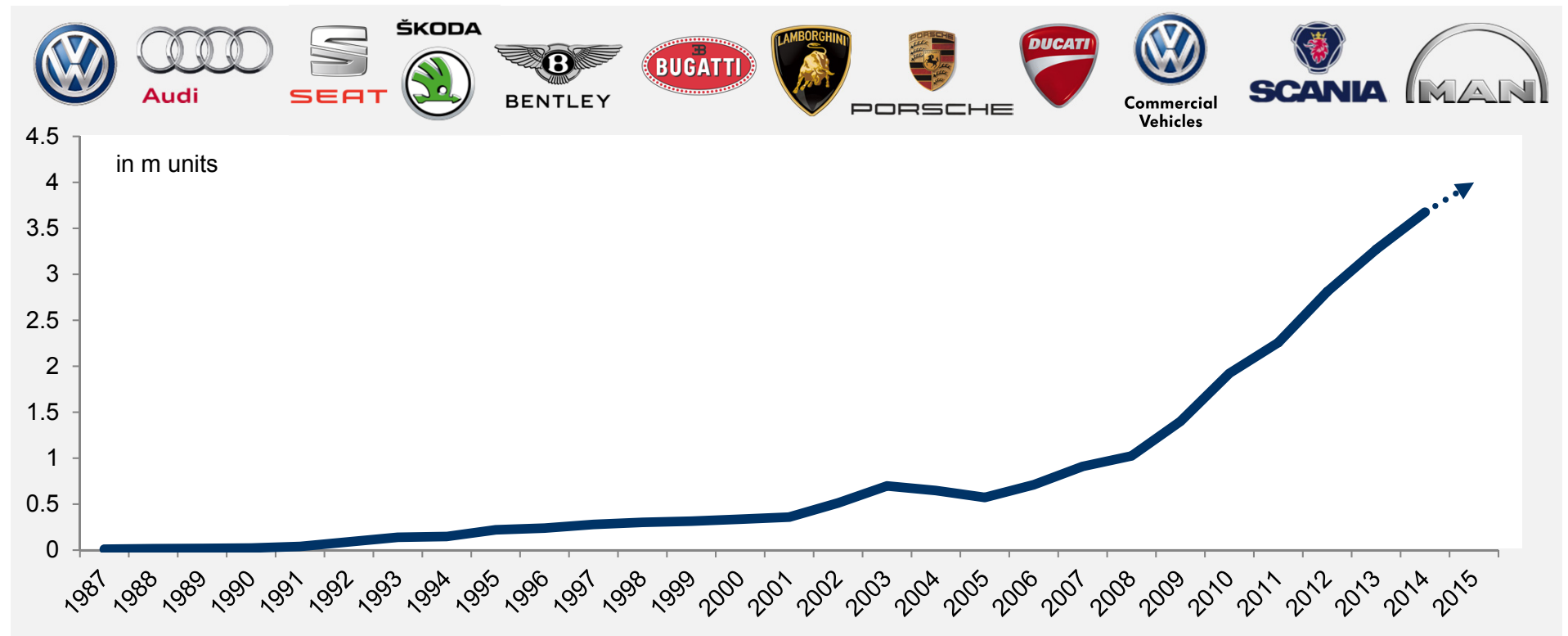
## Chinese Joint Ventures generate substantial, self-funded growth and at the same time sustainably rising dividends

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

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



## 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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