

**VOLKSWAGEN**

GROUP CHINA

# 引领变革

Leading the Transformation.

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Senior Manager Investor Relations, Volkswagen Group China  
Volkswagen Group China Business Update, Beijing, 3 July 2019

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## DISCLAIMER

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The following presentations contain forward-looking statements and information on the business development of the Volkswagen Group. These statements may be spoken or written and can be recognized by terms such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or words with similar meaning. These statements are based on assumptions, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. These assumptions relate in particular to the development of the economies of individual countries and markets, the regulatory framework and the development of the automotive industry. Therefore the estimates given involve a degree of risk, and the actual developments may differ from those forecast. The Volkswagen Group currently faces additional risks and uncertainty related to pending claims and investigations of Volkswagen Group members in a number of jurisdictions in connection with findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The degree to which the Volkswagen Group may be negatively affected by these ongoing claims and investigations remains uncertain.

Consequently, a negative impact relating to ongoing claims or investigations, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, and trade disputes among major trading partners 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 in particular relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

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# **1 BUSINESS DEVELOPMENT & OUTLOOK 2019**

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# **2 LOOKING INTO THE FUTURE**

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**CHINA: 22.7 MILLION PASSENGER CARS SOLD IN THE WORLDWIDE BIGGEST MARKET IN 2018  
Q1 2019 WAS A CHALLENGING QUARTER WITH A SIGNIFICANT MARKET DECLINE**

Total market development  
(in '000 units)

2018 vs. 2017

**Q1: +6.7%**

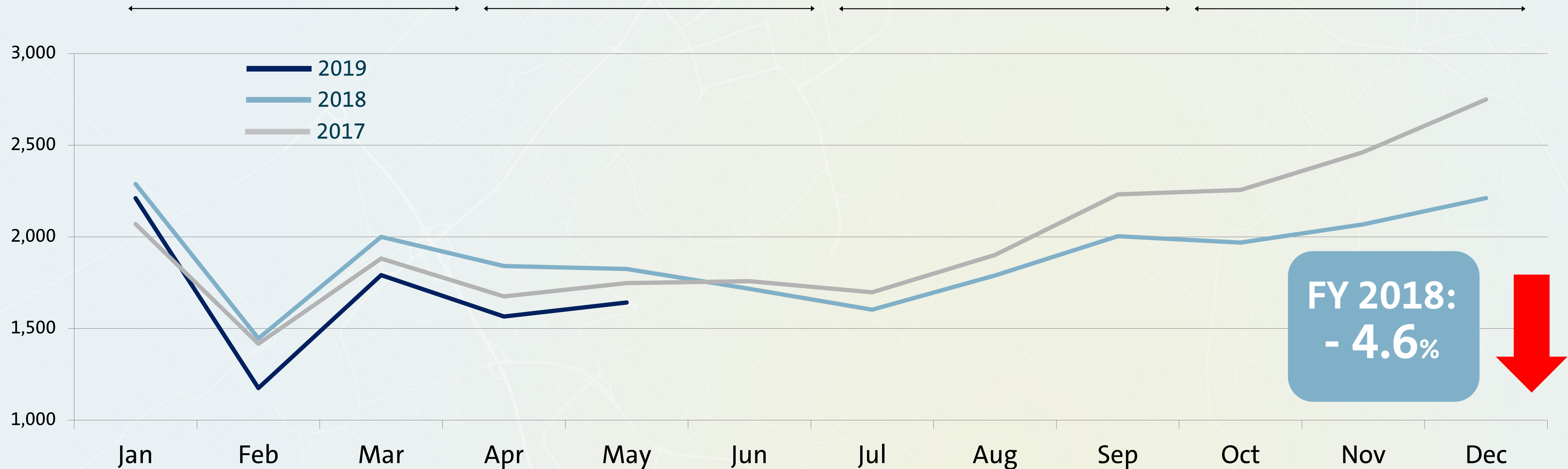
**Q2: +3.9%**

**Q3: -7.5%**

**Q4: -16.3%**

2019 vs. 2018

**Q1: -9.8%**



Source: CPCA, Insurance data

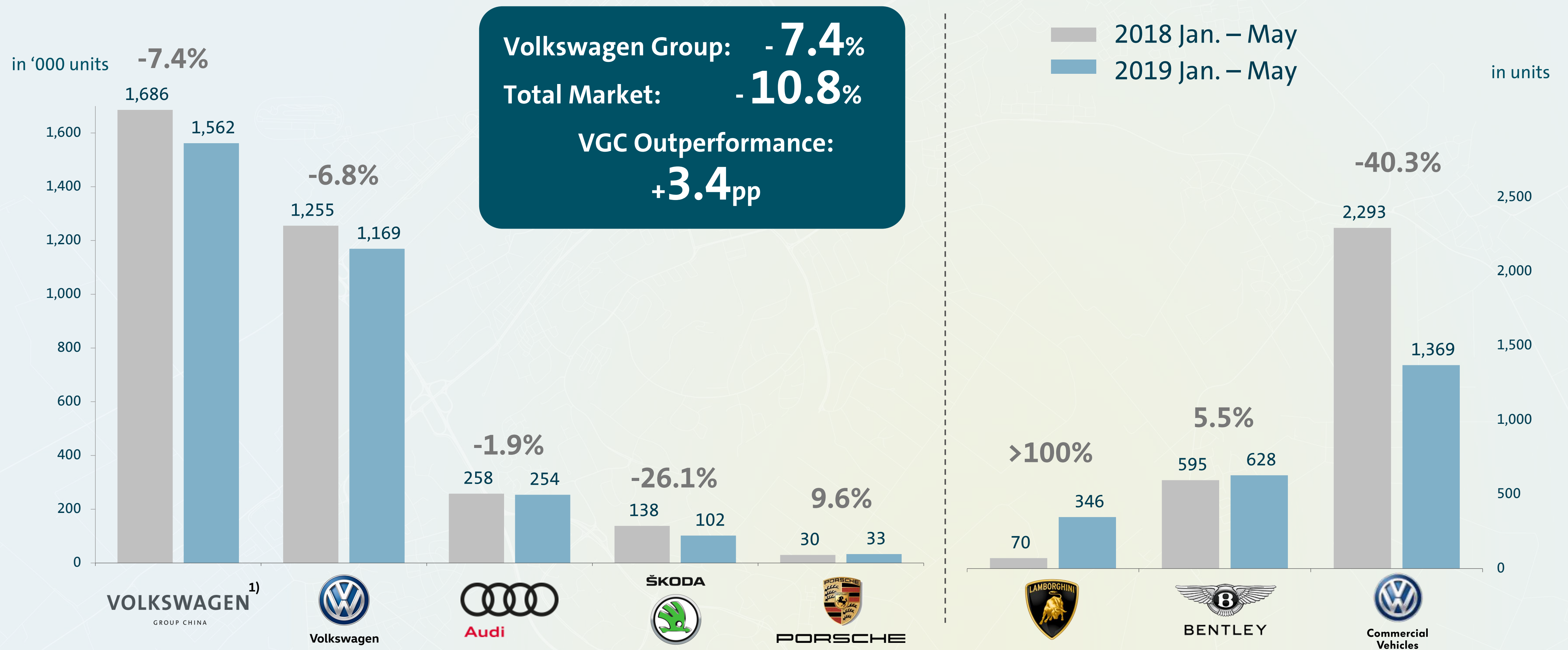
**AROUND 60% OF THE TOTAL MARKET WILL IMPLEMENT CHINA 6 EMISSION STANDARD FROM JULY 1, 2019**



**No. Province/City**

1	Shenzhen
2	Hainan
3	Shandong
4	Tianjin
5	Guangzhou
6	Rest of Guangdong
7	Shanghai
8	Henan
9	Jiangsu
10	Zhejiang
11	Shaanxi
12	Hebei
13	Anhui
14	Chengdu
15	Chongqing

## VOLKSWAGEN GROUP CHINA IS OUTPERFORMING THE MARKET

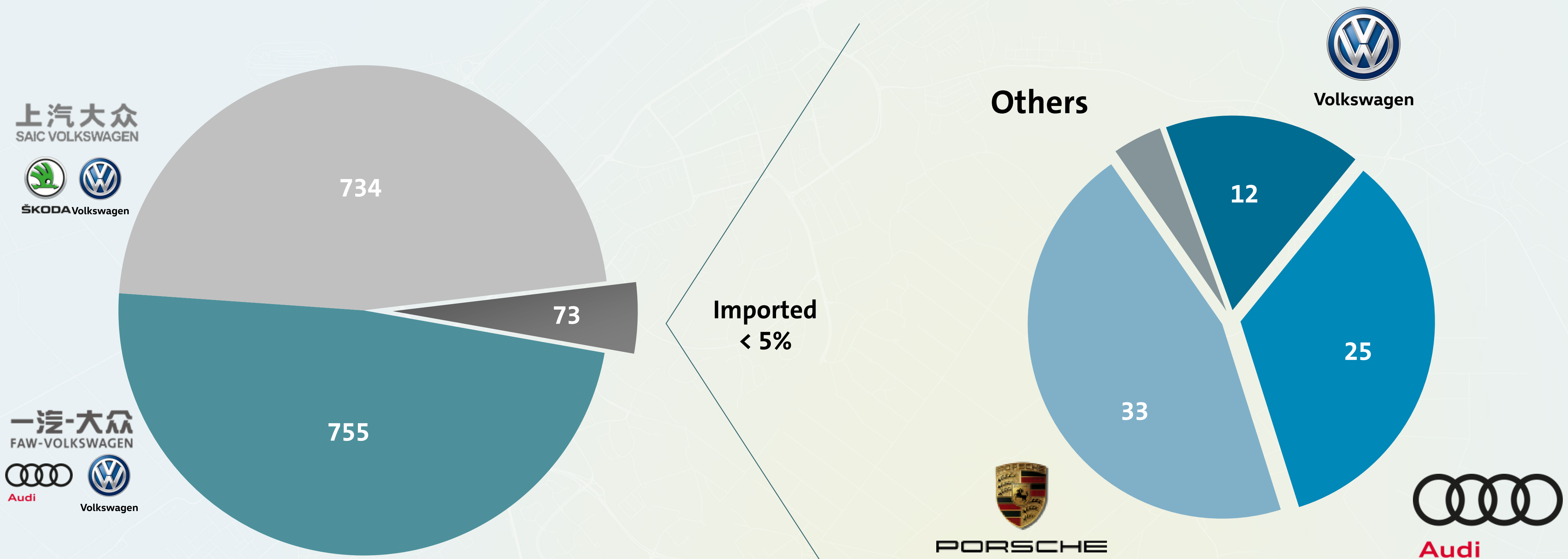


<sup>1)</sup> incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania. All figures are rounded.

**MORE THAN 95% OF VOLKSWAGEN GROUP VEHICLES SOLD IN CHINA ARE LOCALLY PRODUCED<sup>1)</sup>**

Deliveries to customers Jan-May 2019 (in '000 units)

Import business Jan-May 2019 (deliveries in '000 units)

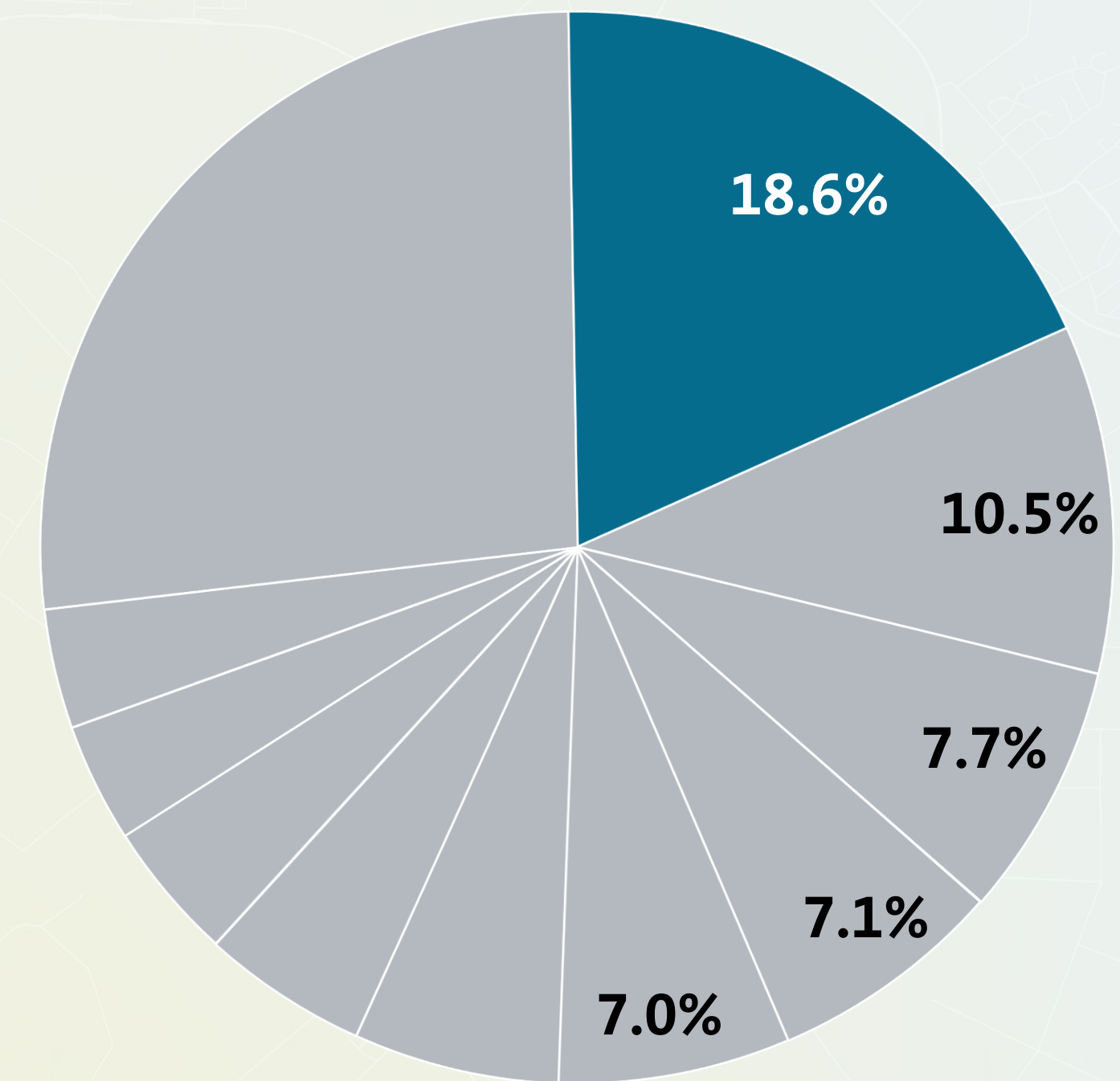


<sup>1)</sup> incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania. All figures are rounded.

## VOLKSWAGEN GROUP – NO. 1 IN THE CHINESE PASSENGER VEHICLE MARKET

### Market share passenger cars

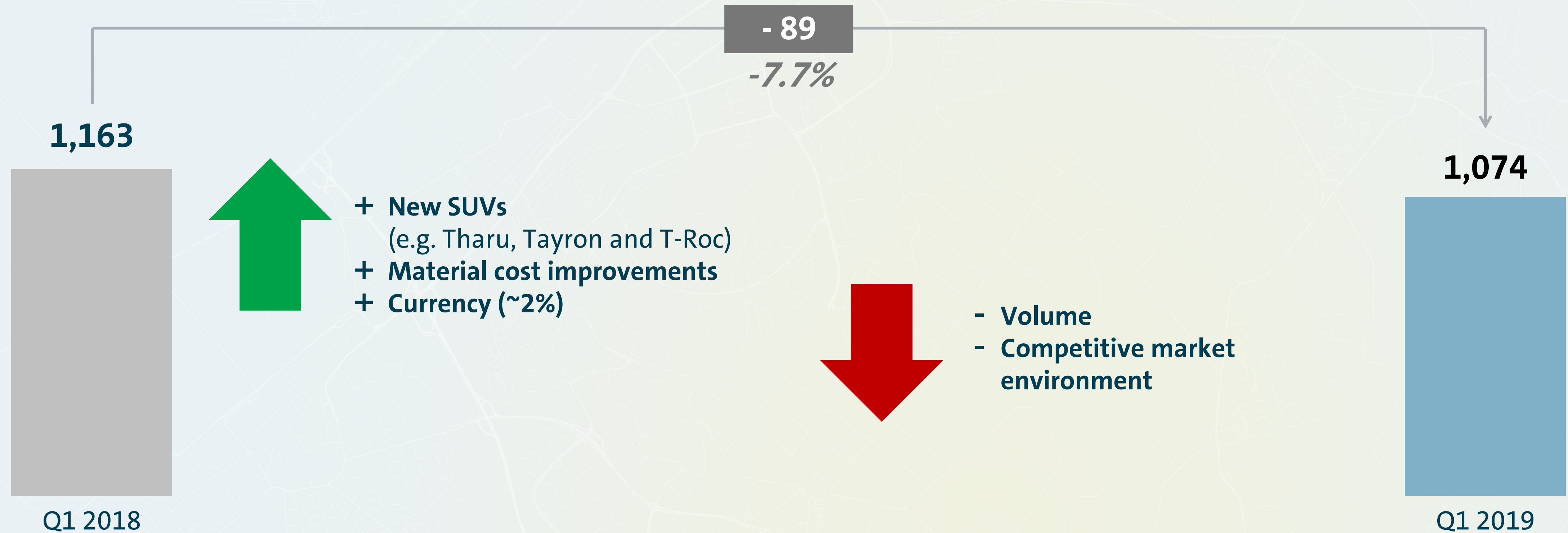
Rank	Group	Jan-May 2019	Jan-May 2018	Delta
1	Volkswagen Group	18.6%	17.9%	0.7 pp
2	Competitor 1	10.5%	12.0%	- 1.5 pp
3	Competitor 2	7.7%	6.3%	1.4 pp
4	Competitor 3	7.1%	5.3%	1.8 pp
5	Competitor 4	7.0%	7.4%	- 0.4 pp





## THE OPERATING RESULT HELD UP WELL DESPITE CHALLENGING MARKET CONDITIONS

Proportionate operating profit of Chinese Joint Ventures  
(in € million)



## VOLKSWAGEN GROUP CHINA LOOKS FORWARD TO A SUCCESSFUL YEAR 2019

	2018	2019
Total Market Growth	22.7m (-4.6%)	
Volkswagen Group China Deliveries	4.2m (+0.5%)	
Prop. Operating Profit	€ 4.6bn (-2.5%)	



We, together with our Joint Venture partners,  
plan investments of more than **EUR 4 billion in 2019!**

# **1** REVIEW 2018 & OUTLOOK 2019

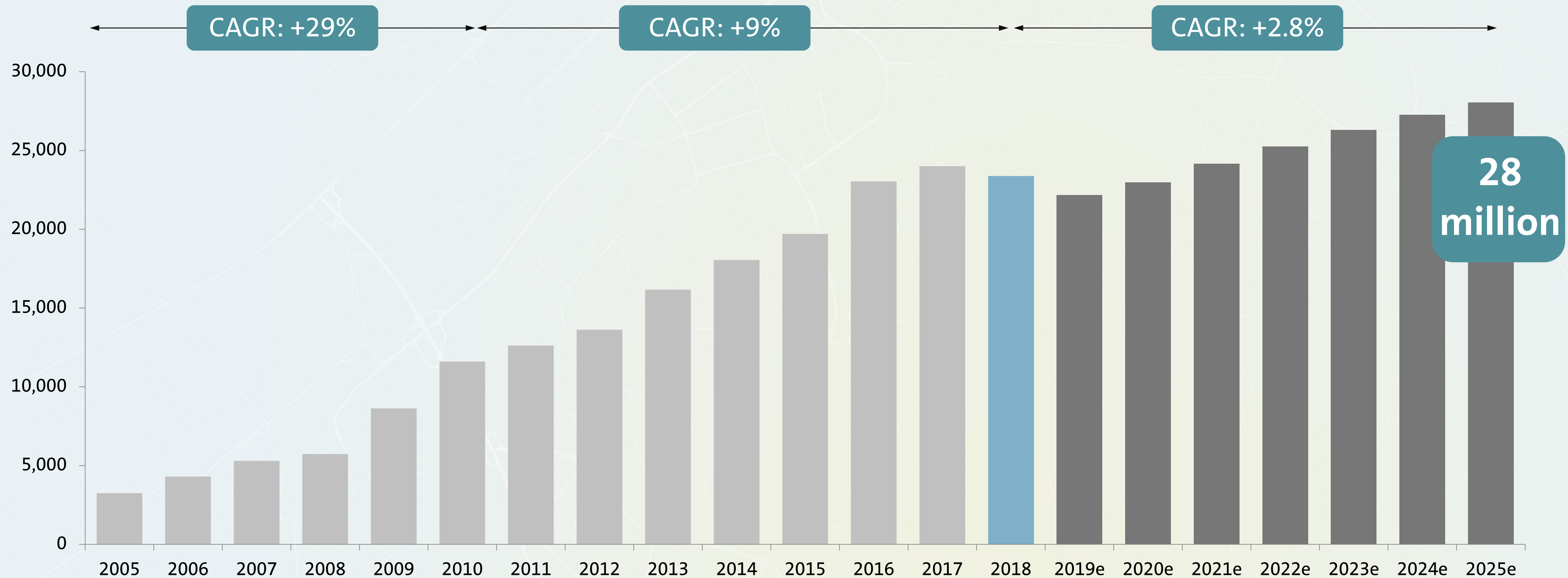
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# **2** LOOKING INTO THE FUTURE

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## CHINESE MARKET OFFERS SUBSTANTIAL GROWTH POTENTIAL

### Passenger car market



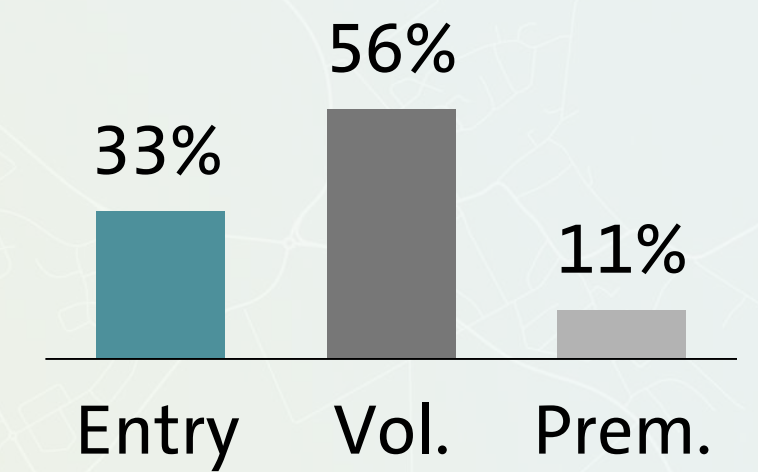
Source: Forecast by IHS (as of June 2019)

## MAJOR OPPORTUNITIES FOR THE FUTURE



### SUV body style

### Entry segment



### New Energy Vehicles

### Local R&D

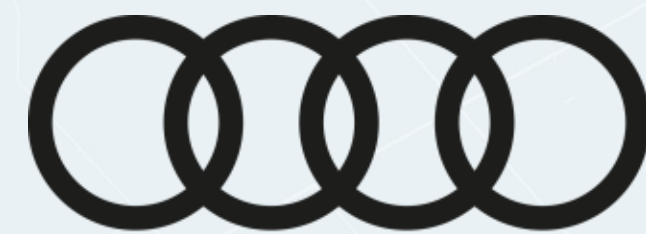


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WE HAD A STRONG LOCALLY PRODUCED SUV OFFERING ALREADY END OF 2018 BUT...

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Audi

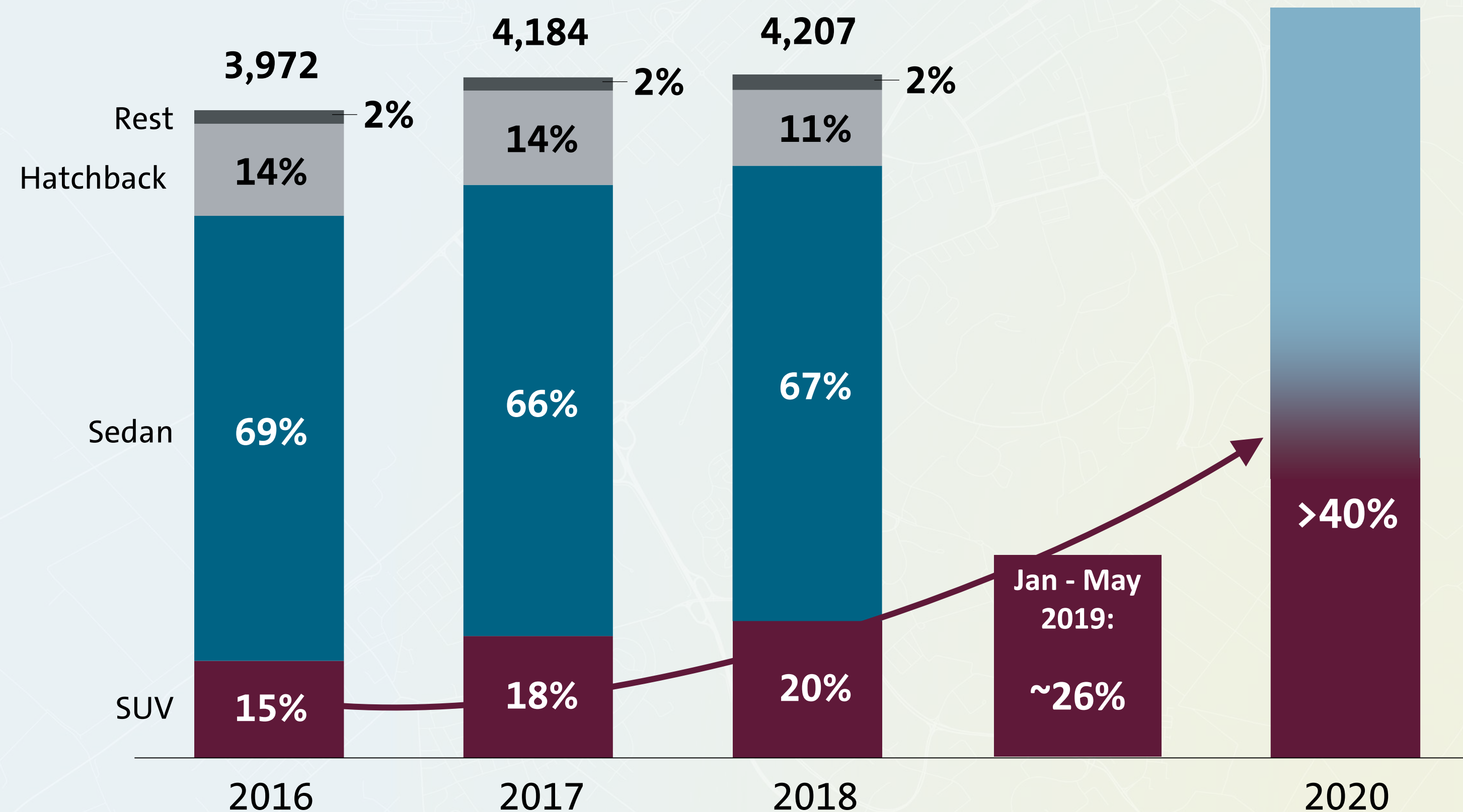


ŠKODA



... WITH OUR SUV OFFENSIVE WE WILL CONTINUE TO INCREASE OUR PRODUCT MIX

Volkswagen Group deliveries by body style in China  
(in '000 units)



In **2019 Jan to May** Volkswagen Group China increased **SUV deliveries** by **30%** to a SUV share of **~26%**

In **2019** we will launch **8 SUV** – **5 locally** produced

We expect that in the year **2020** **at least 40%** of all Volkswagen Group vehicles sold in China will be **SUVs**.

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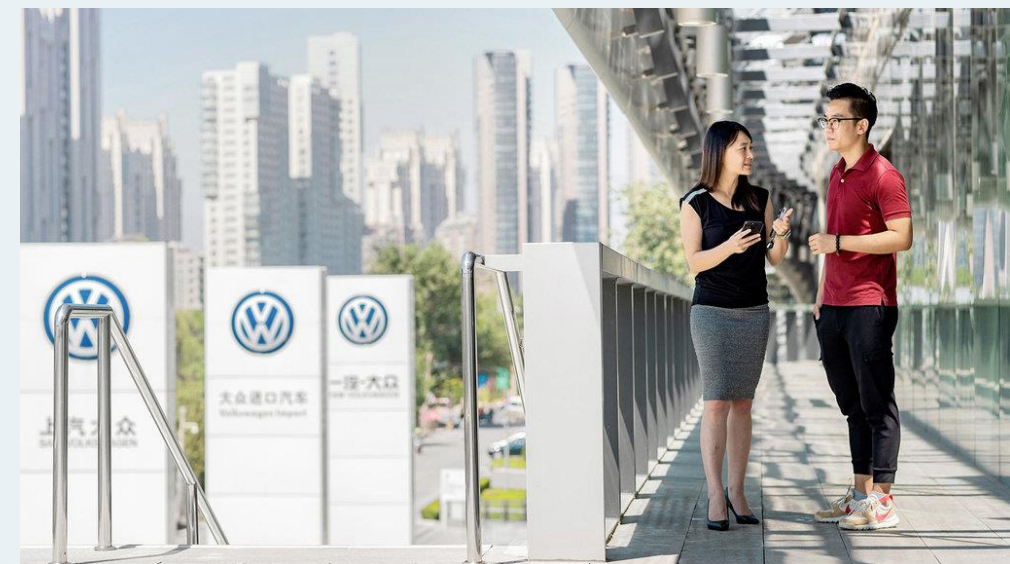
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## VOLKSWAGEN BRAND SUV NIGHT- GOING BEYOND

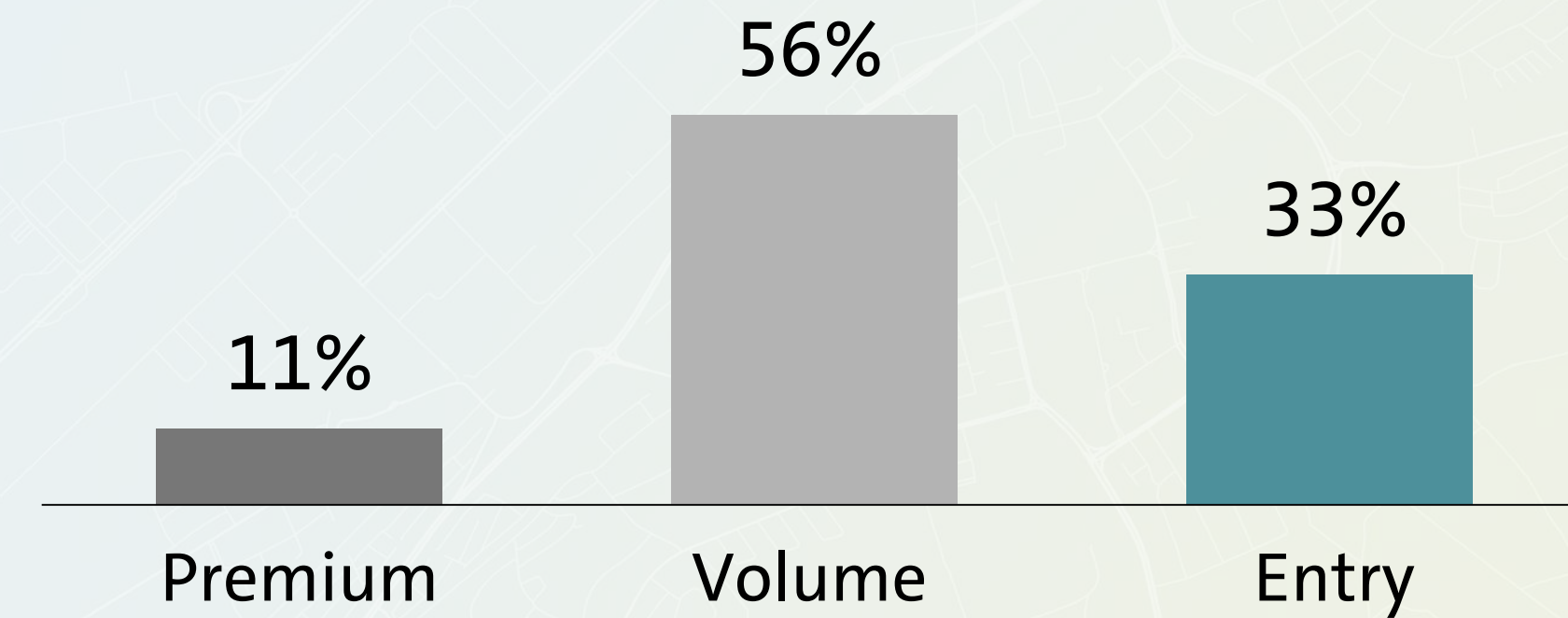




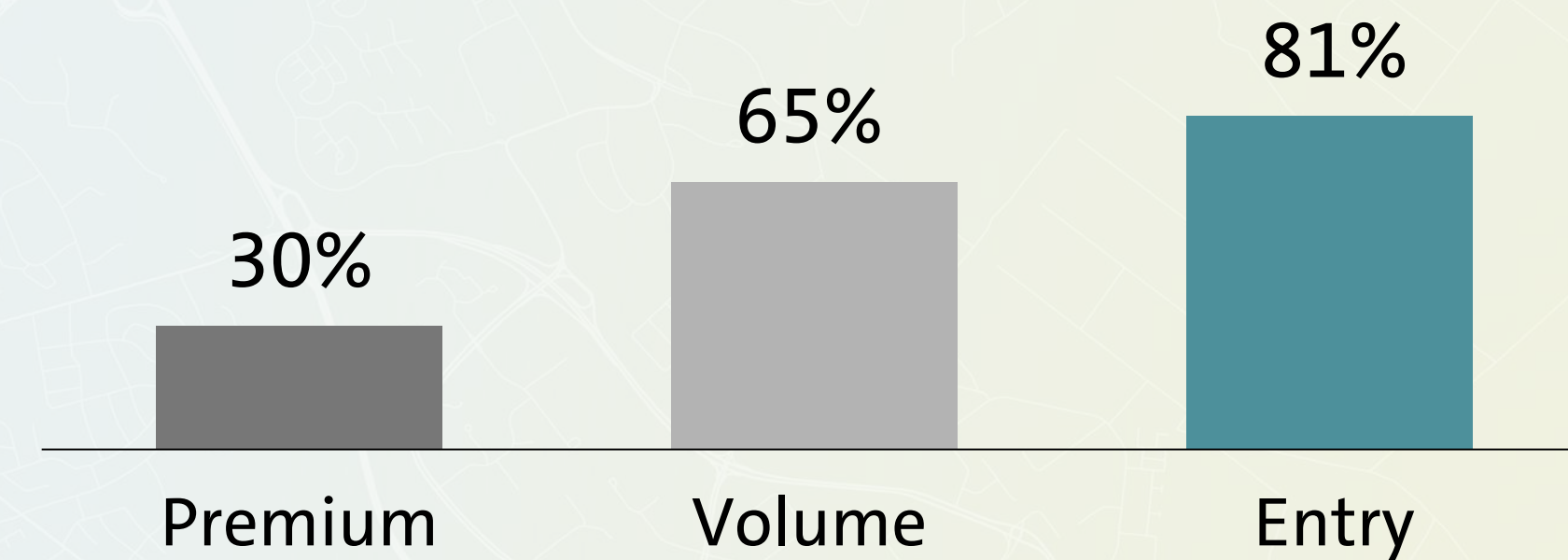
**JETTA – THE NEW BRAND WITH OUTSTANDING PRICE-VALUE-RATIO FOR THE YOUNG, ASPIRING CHINESE CAR BUYER**



**Chinese total market 2018 by segment**

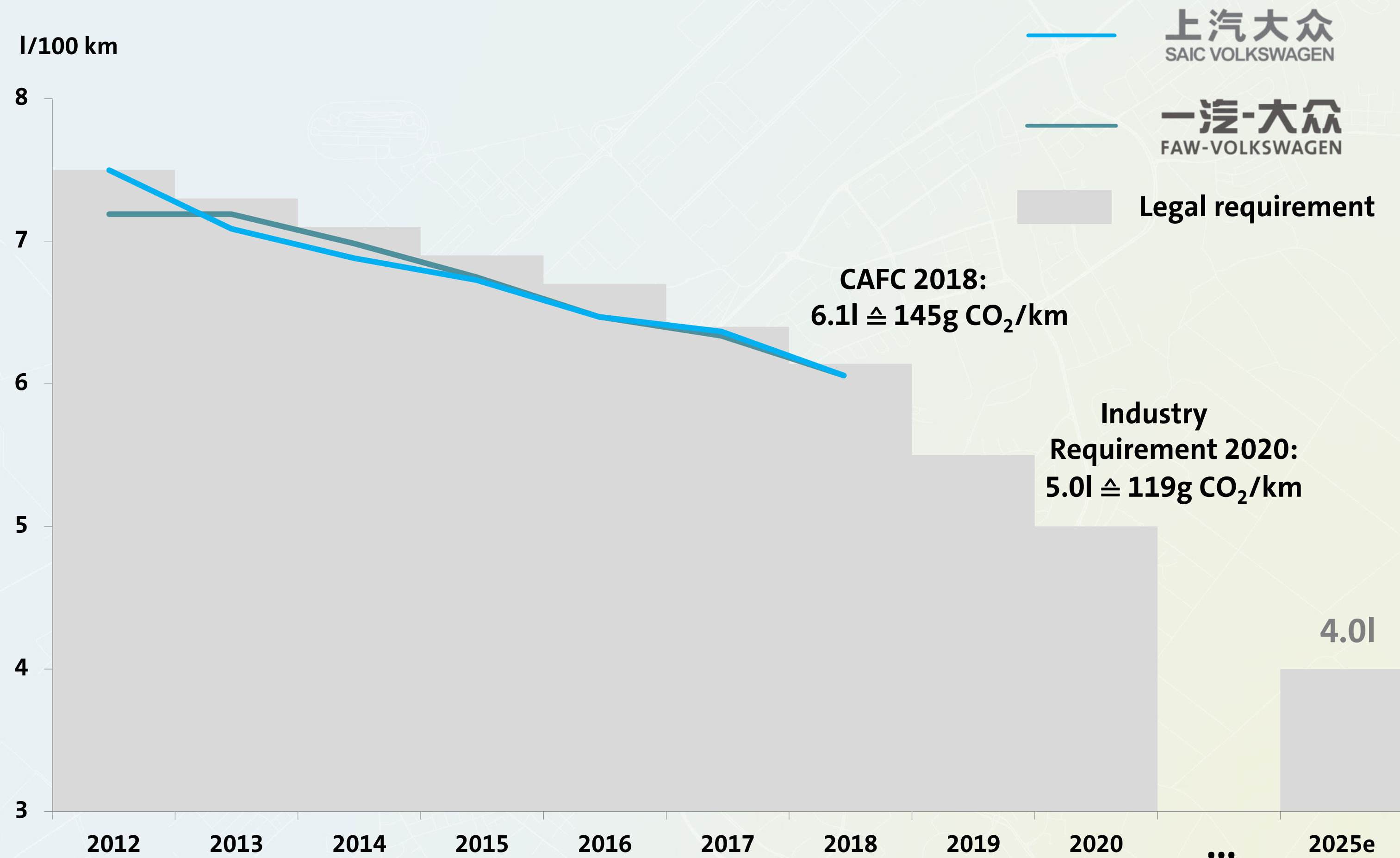


**First-time car buyers per segment**



- **Born from Volkswagen and built in China**
- **Part of FAW-Volkswagen**
- **Increase of market coverage**
- **Entrance to individual mobility**
- **Focus on Chinese entry market segment and first-time car buyers**
- **2 SUVs and 1 Sedan**
- **Market launch in 3<sup>rd</sup> quarter 2019**

# LEGAL REQUIREMENTS OF AVERAGE FUEL CONSUMPTION TARGETS FOR FLEETS IN CHINA



## Challenges

- Almost no diesel passenger cars in China
- Preference for larger cars in the market
- CAFC<sup>1)</sup> Calculation based on “separate fleets” (locally produced & import)

## CURRENT REGULATORY FRAMEWORK FOR NEV CREDITS

### CAFC<sup>1)</sup> and NEV Credit System

- Independent calculation of **CAFC<sup>1)</sup>** and **NEV credits**
- Companies need to fulfill **both requirements**

#### CAFC<sup>1)</sup> Credits:

- Transfer between affiliated companies only
- Credit carry-over to next 3 years with depreciation
- Negative results can be offset by NEV credits (own or free trading in market)

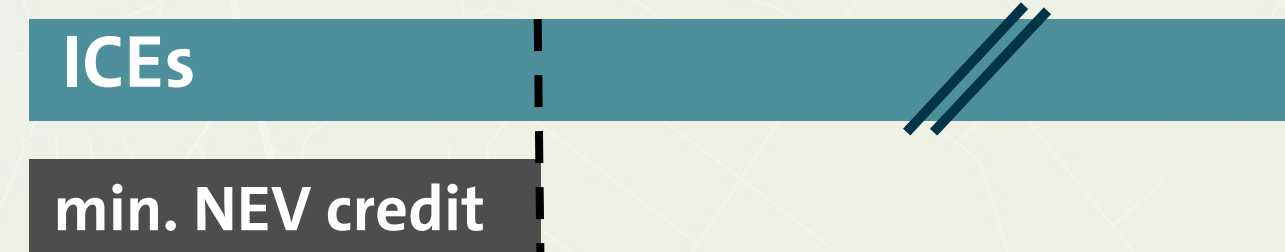
#### NEV Credits:

- No transfer from CAFC<sup>1)</sup> credits to NEV credits
- No Carry-over except for year 2016 and 2019
- Free Trading of NEV credits allowed

### MIIT<sup>2)</sup> for NEV Credit Calculation

$$\text{min. NEV credit points} = \text{ICE}^3) \text{ Volume} \times \text{NEV credit point ratio}$$

2018	2019	2020
None	10%	12%



**Example:**  
4 m ICEs need 12% Quota 2020 = 480,000 NEV credit points (CP)

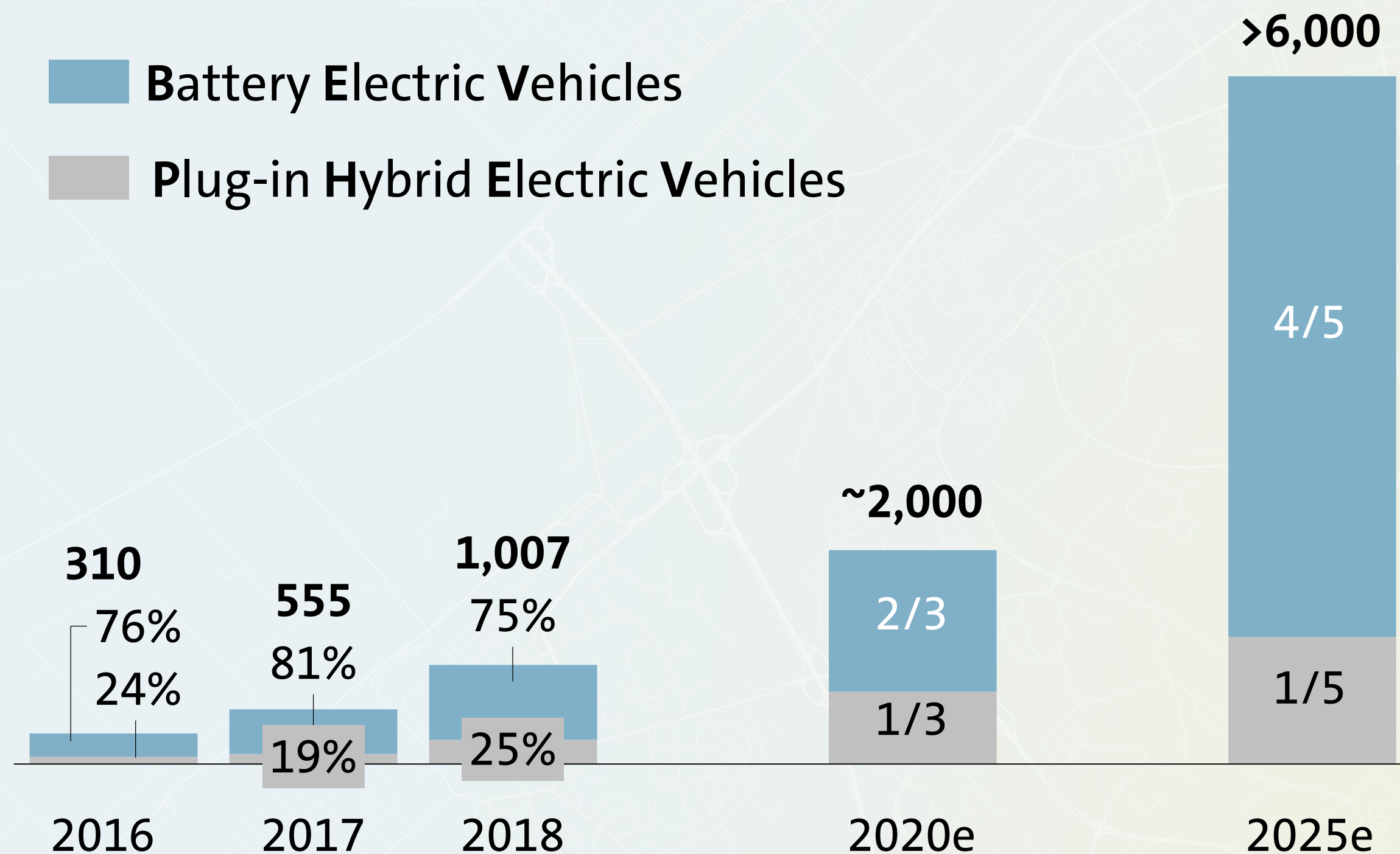
#### NEV Credit Point Attribution per NEV Type up to 2020

**BEV<sup>4)</sup>:** Basic credit =  $0.012 \times \text{Range} + 0.8$  (max. 5 basic credits)  
BEV additional factor for low electric consumption up to 1.2

**PHEV<sup>5)</sup>:** Basic credit = 2 (min. e-Range 50km)  
PHEV credit = 1 if e-range 50-80km and consumption under B-Test  $\geq 70\%$  ICE; or e-range  $\geq 80$ km but high electric consumption

## VOLKSWAGEN GROUP CHINA STARTS ITS NEV OFFENSIVE IN 2019

### New Energy Passenger Vehicles Market (in '000 units)



### Volkswagen Group China

#### In 2020

Target **>400,000** NEV sales

**>30** NEV models of all our brands

**50%** of them locally produced

#### In 2025

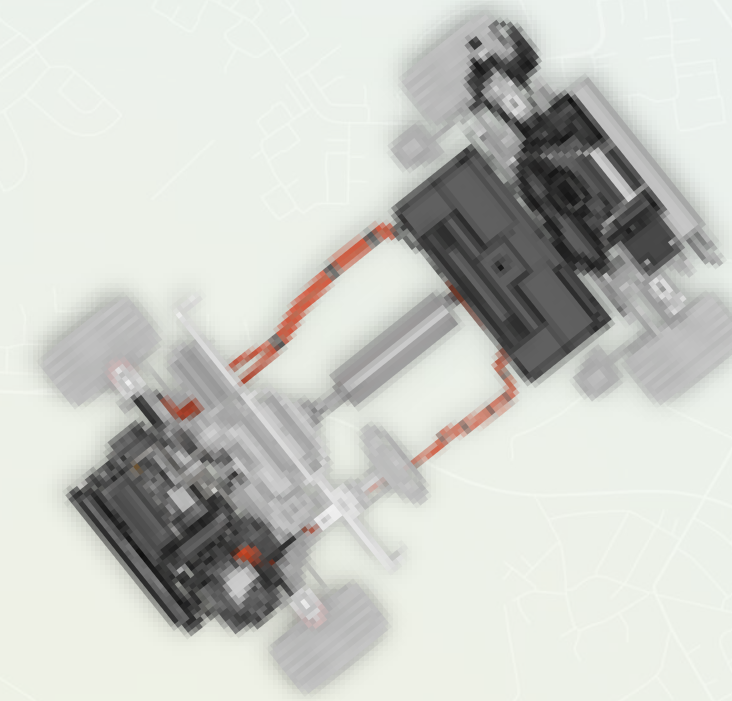
Almost **40** locally produced NEV models

Prepared to deliver **1.5 million** NEVs

# VOLKSWAGEN GROUP CHINA FOLLOWS THREE PHASES OF INTRODUCING LOCALLY PRODUCED NEW ENERGY VEHICLES IN CHINA

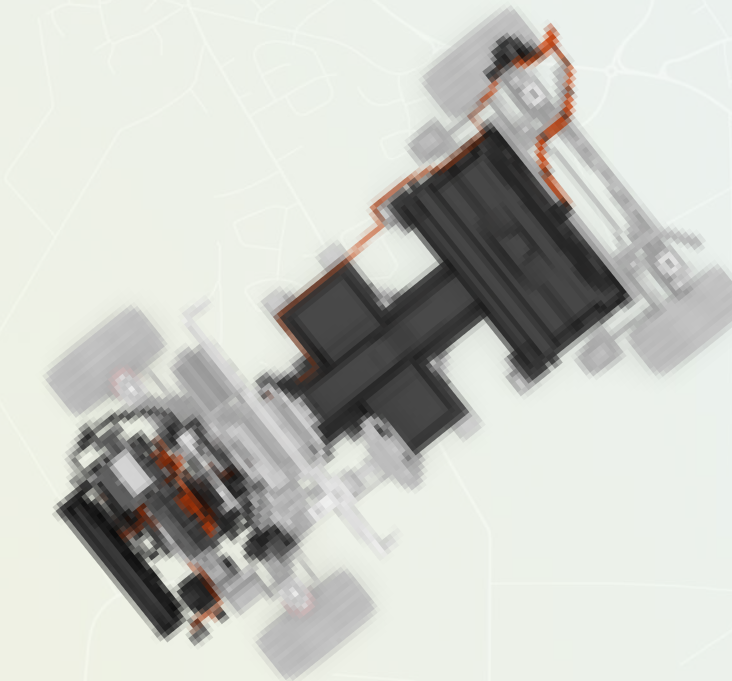
## Phase 1

Plug-in hybrids based on current toolkits



## Phase 2

Pure electric vehicles based on current toolkits

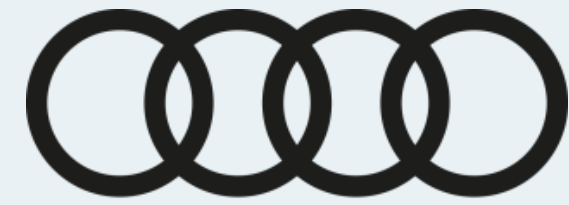


## Phase 3

Pure electric vehicles based on dedicated electric toolkit



## BATTERY ELECTRIC VEHICLE OFFENSIVE STARTS IN 2019



Audi

Q2 L e-tron



e-tron (Imp.)



Volkswagen

e-Lavida



e-Bora



e-Golf



E20X



Volkswagen Group China

In 2019

- We will launch **5 BEV** models that we produce locally
- In addition we will import high-end BEVs e.g. Audi e-tron
- More **PHEVs** will broaden our NEV offer
- In China **14 NEVs** will be available for our customers (imported and locally produced PHEVs and BEVs)

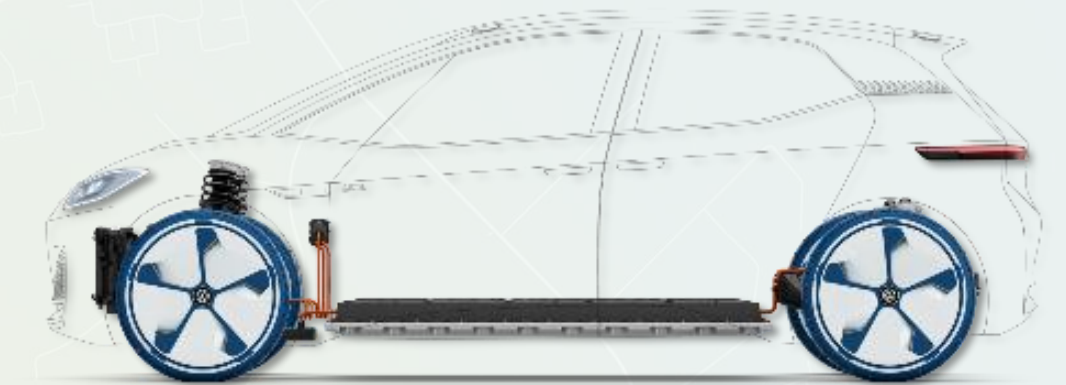
WITH THE MEB VOLKSWAGEN GROUP TAKES FULL ADVANTAGE OF ALL BENEFITS THAT E-MOBILITY PROVIDES – START OF PRODUCTION IN CHINA IN 2020



Larger wheelbase  
Short overhangs



Central computing unit



Bigger wheel diameter



No center tunnel



New innovations  
e.g. Augmented Reality  
head up



Rear wheel drive  
+ 4WD



More space in driver's area  
and in the back



OUR E-MOBILITY STRATEGY COMES WITH AN HOLISTIC APPROACH

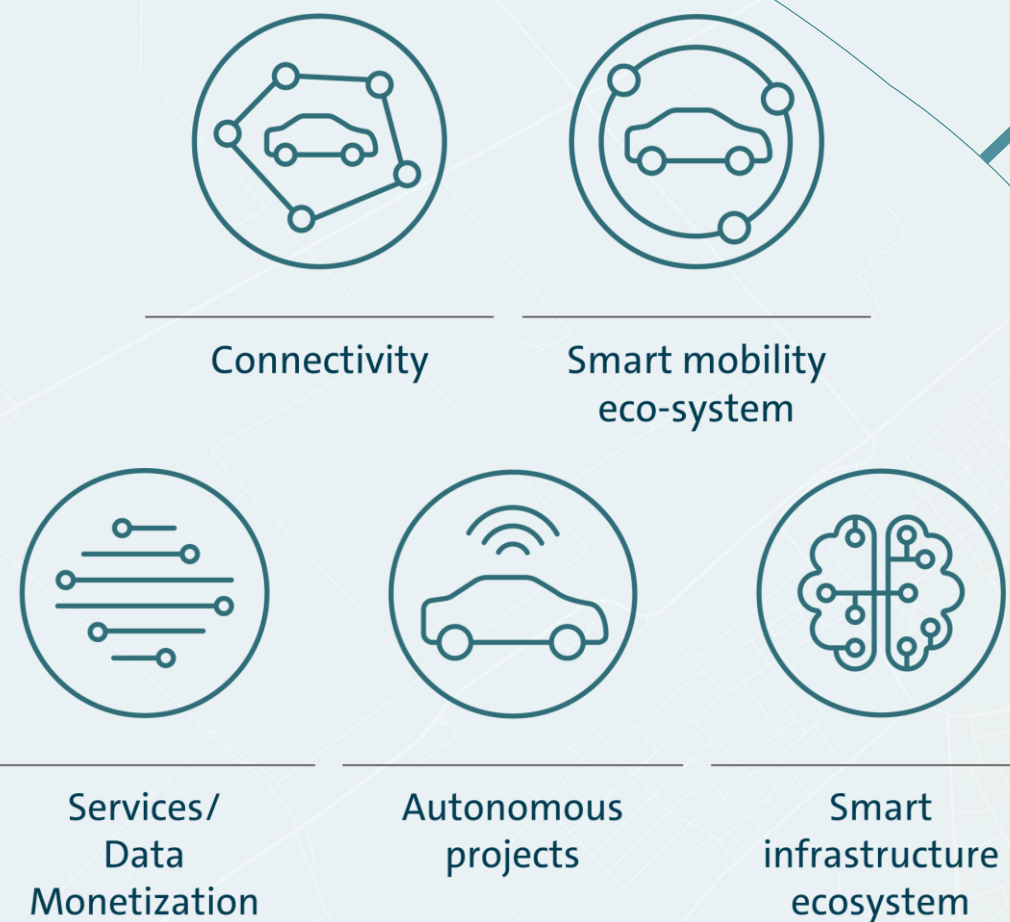
PREMIUM



VOLUME



HOLISTIC APPROACH





## VOLKSWAGEN GROUP CHINA ADVANCES E-MOBILITY STRATEGY WITH NEW NEV COMPONENTS



DQ400e Hybrid Transmission



APP290 E-drive

## E-drive and Hybrid Transmission locally produced

- **100% owned** Volkswagen Automatic Transmission (Tianjin)
- Strong workforce with **over 4,600 skilled workers**
- **Highly flexible production** facility
- NEV component **SOP Ceremony in June 2019**
- **Smart Digital Factory**
- Production of **components for MEB** in the future

“ONE R&D” BRINGS TOGETHER INTERNAL RESEARCH AND DEVELOPMENT EXCELLENCE

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Audi



Volkswagen

# ONE R&D

Power of **two brands** and **Group R&D**

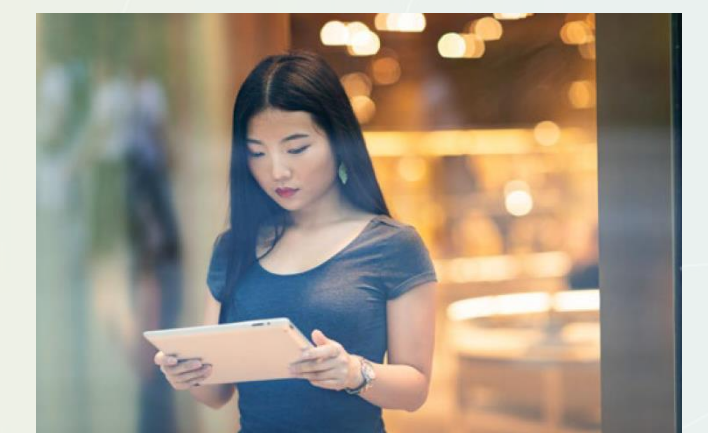
more than **4,500 R&D employees**

strengthening our **national R&D capacity**

develop **in China for China**

some areas will develop **technologies for the rest of the world**

create greater **synergies**



## VOLKSWAGEN GROUP IS WELL ON TRACK TO TACKLE CURRENT CHALLENGES AND THE TRANSFORMATION IN CHINA

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Deliver **sales performance** in challenging environment



Improve product offering and mix to **secure funding**



Transform towards **more electrification**



Strengthen **innovation power** with **ONE R&D**

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