

**VOLKSWAGEN**

GROUP CHINA

# 引领变革

Leading the Transformation.

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**Carsten Isensee**

CFO, Volkswagen Group China

Morgan Stanley Conference, 15.04.2019, Shanghai

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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** REVIEW 2018 & OUTLOOK 2019

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# **2** LOOKING INTO THE FUTURE

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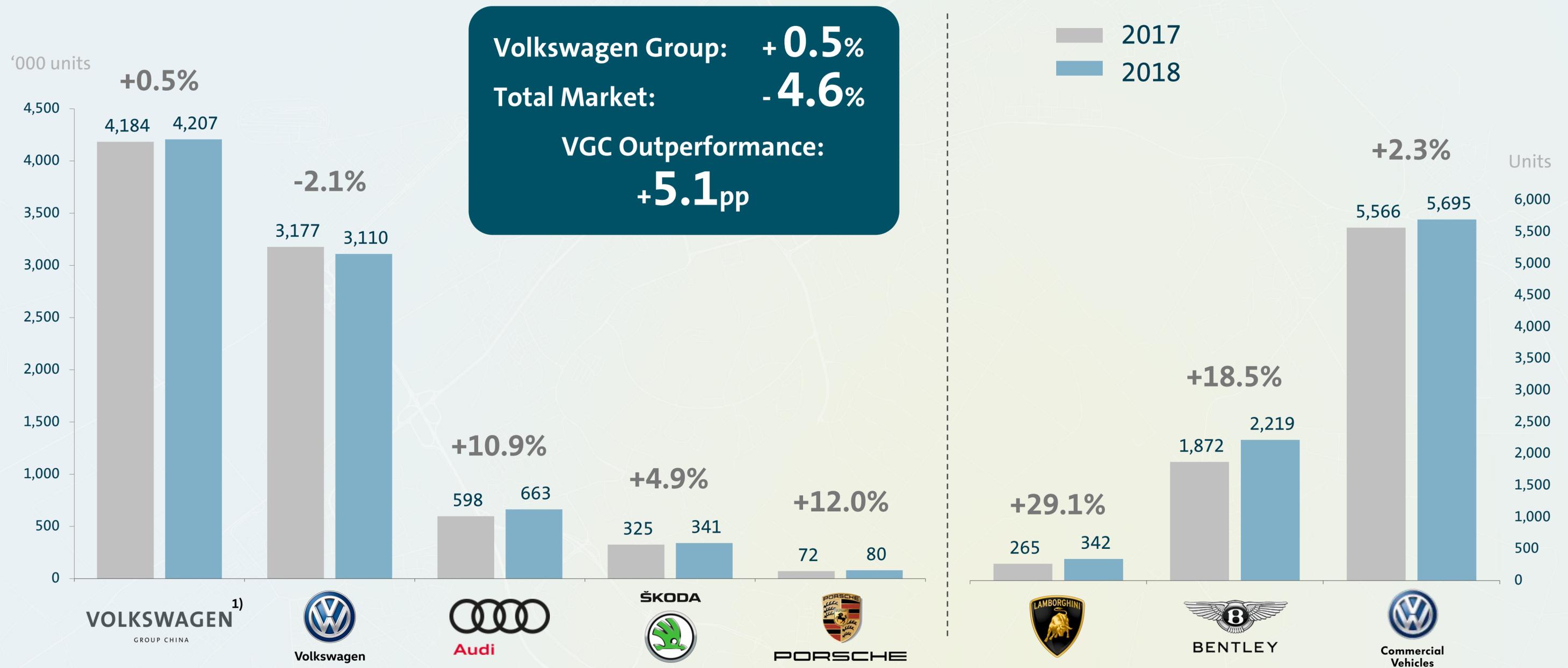
CHINA: 22.7 MILLION PASSENGER CARS SOLD IN THE WORLDWIDE BIGGEST MARKET IN 2018

Total market development  
(in '000 units)



Source: CPCA, Insurance data

## ALL BRANDS OUTPERFORMED THE MARKET IN A CHALLENGING ENVIRONMENT

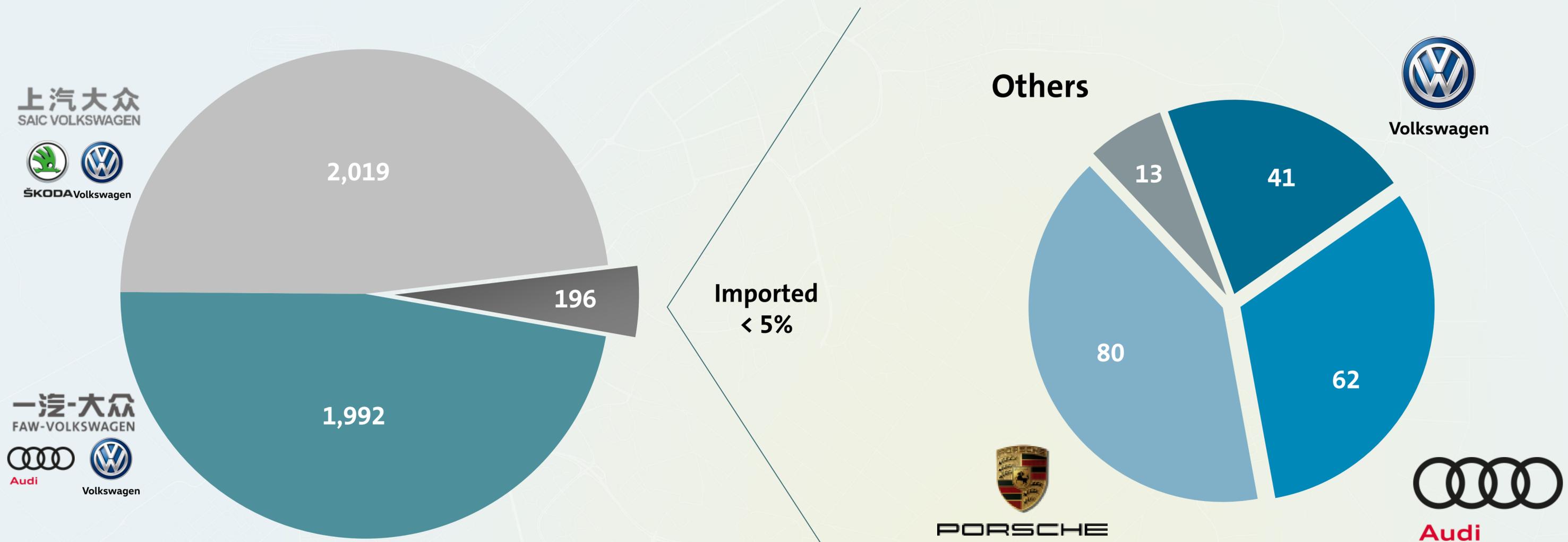


<sup>1)</sup> incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania. All figures are rounded.

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

Deliveries to customers Jan-Dec 2018 (in '000 veh.)

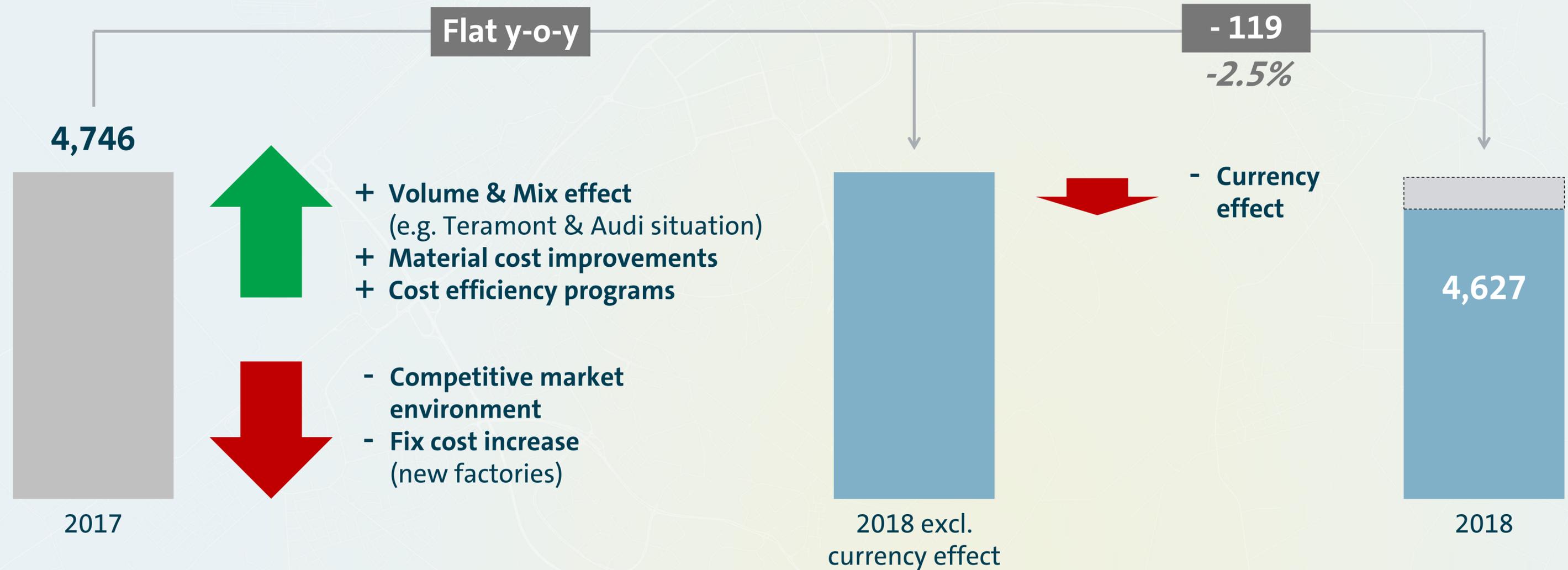
Import business Jan-Dec 2018 (deliveries in '000 veh.)



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

EXCLUDING THE NEGATIVE CURRENCY EFFECT THE OPERATING RESULT WAS ON LAST YEAR'S LEVEL

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



**JOINT VENTURE FINANCIALS 2018 – HIGHLIGHTS ON 100% LEVEL  
DOUBLE-DIGIT PRE-TAX PROFIT MARGINS SUSTAINED**



**Deliveries to customers**  
(in '000 units)

**1,992 (+2.2%)**  
of which 1,391 Volkswagen and 601 Audi<sup>2)</sup>

**2,019 (-1.3%)**  
of which 1,678 Volkswagen and 341 ŠKODA

**Sales revenue**  
(in € million)

**41,607 (+1.9%)**

**28,862 (+0.3%)**

**Pre-tax profit**  
(in € million)

**4,851 (-1.1%)**

**4,588 (+0.7%)**

**Pre-tax profit margin**  
(in %)

**11.7% (-0.1pp)**

**15.9% (+0.1pp)**

<sup>1)</sup> SAIC Volkswagen financials do not include the SAIC Volkswagen Sales Company.

<sup>2)</sup> Excluding deliveries of imported cars.

## FURTHER KEY ACHIEVEMENTS OF VOLKSWAGEN GROUP CHINA IN 2018

1. Start of production in **4 new factories**
2. **Increase of SUV offering**  
from 6 to 14 locally produced SUVs
3. **Reduction of fleet consumption** to 6.1l/100km<sup>1)</sup>  
and **factory CO<sub>2</sub> output -13%**
4. **JAC and SEAT step forward as partners** to  
intensify e-mobility development
5. **Ground breaking for MEB production** in China



<sup>1)</sup> FAW-Volkswagen and SAIC VOLKSWAGEN locally produced vehicle fleet.

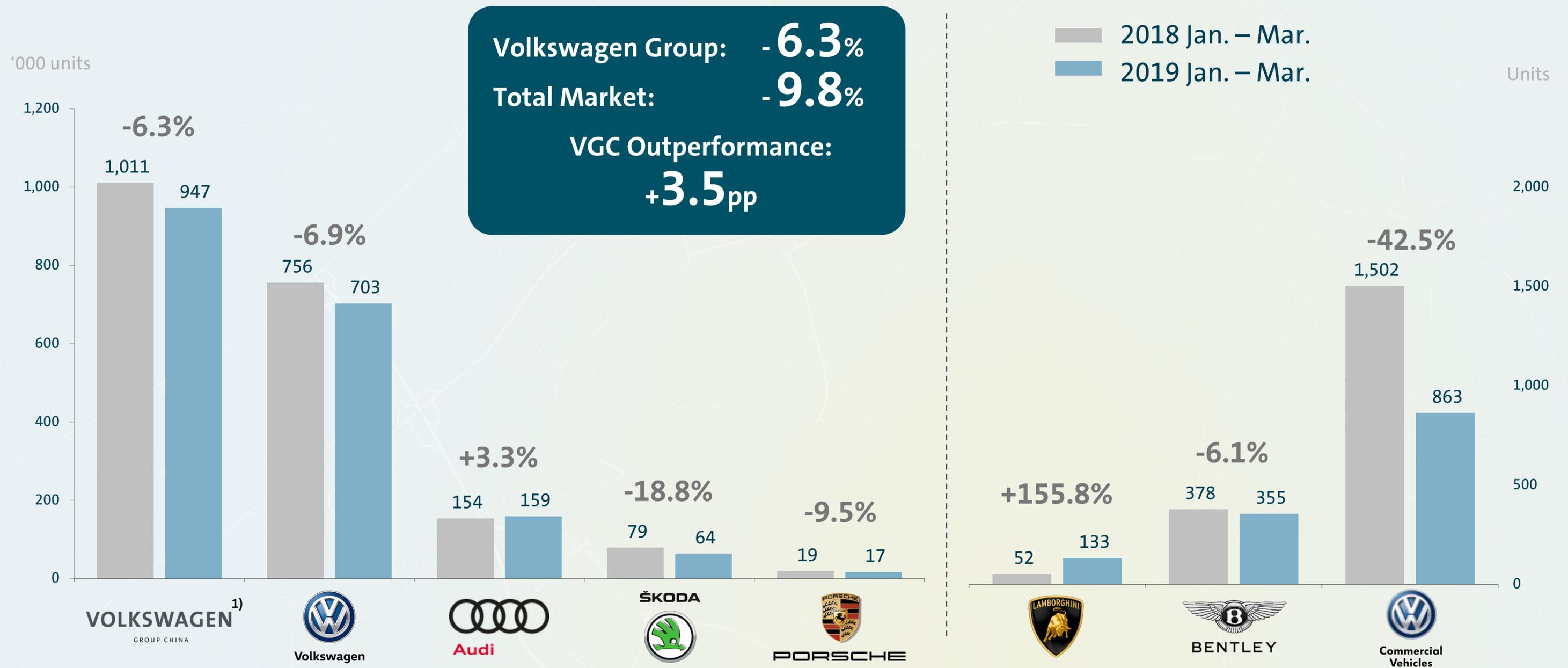
## VOLKSWAGEN GROUP CHINA LOOKS FORWARD TO A SUCCESSFUL YEAR 2019

	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!**

VOLKSWAGEN GROUP CHINA OUTPERFORMED THE MARKET IN A CHALLENGING FIRST QUARTER



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

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# **1** REVIEW 2018 & OUTLOOK 2019

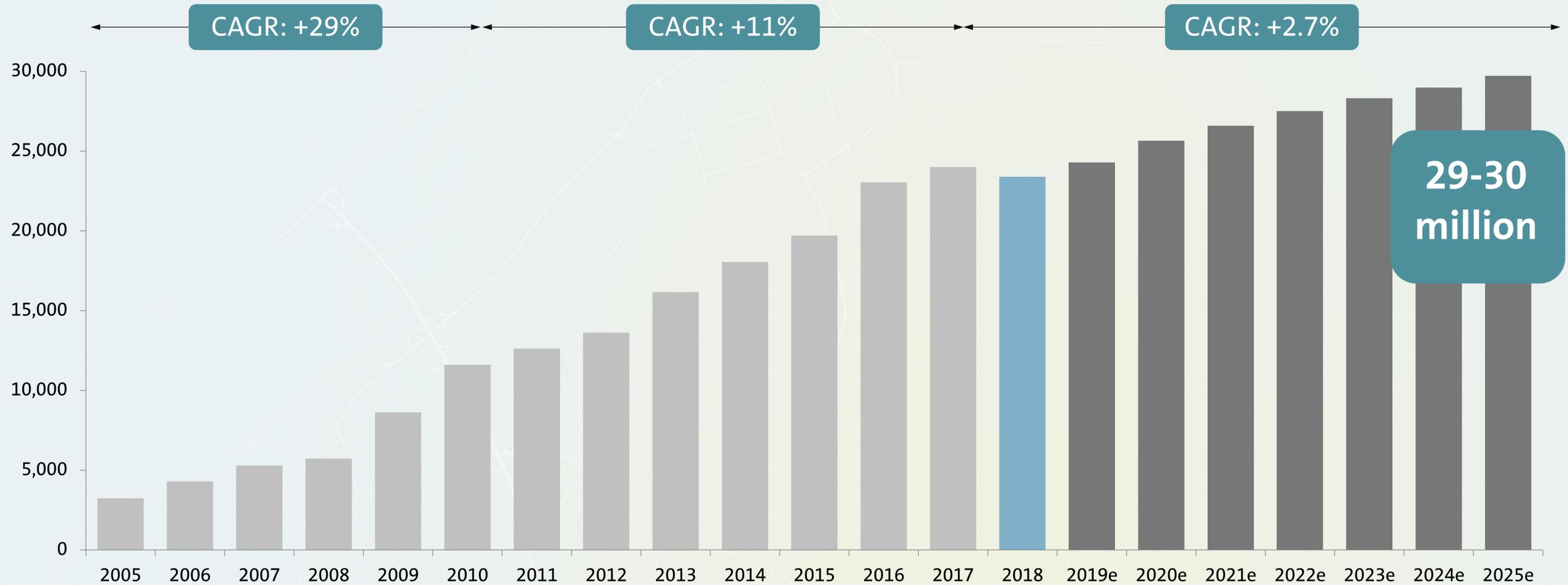
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# **2** LOOKING INTO THE FUTURE

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## CHINESE MARKET SHOWS A NORMALIZATION AND OFFERS SUBSTANTIAL GROWTH POTENTIAL

### Passenger vehicle market



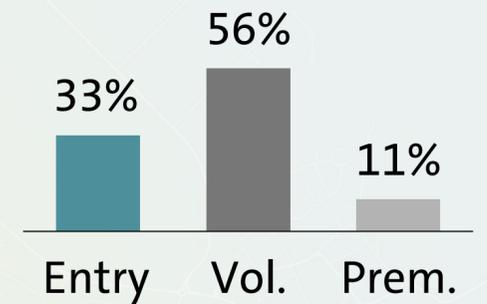
Source: Forecast by IHS (as of Jan 2019)

## MAJOR OPPORTUNITIES FOR THE FUTURE



### Body style trend - SUV

### Entry segment



### New Energy Vehicles

### New technologies



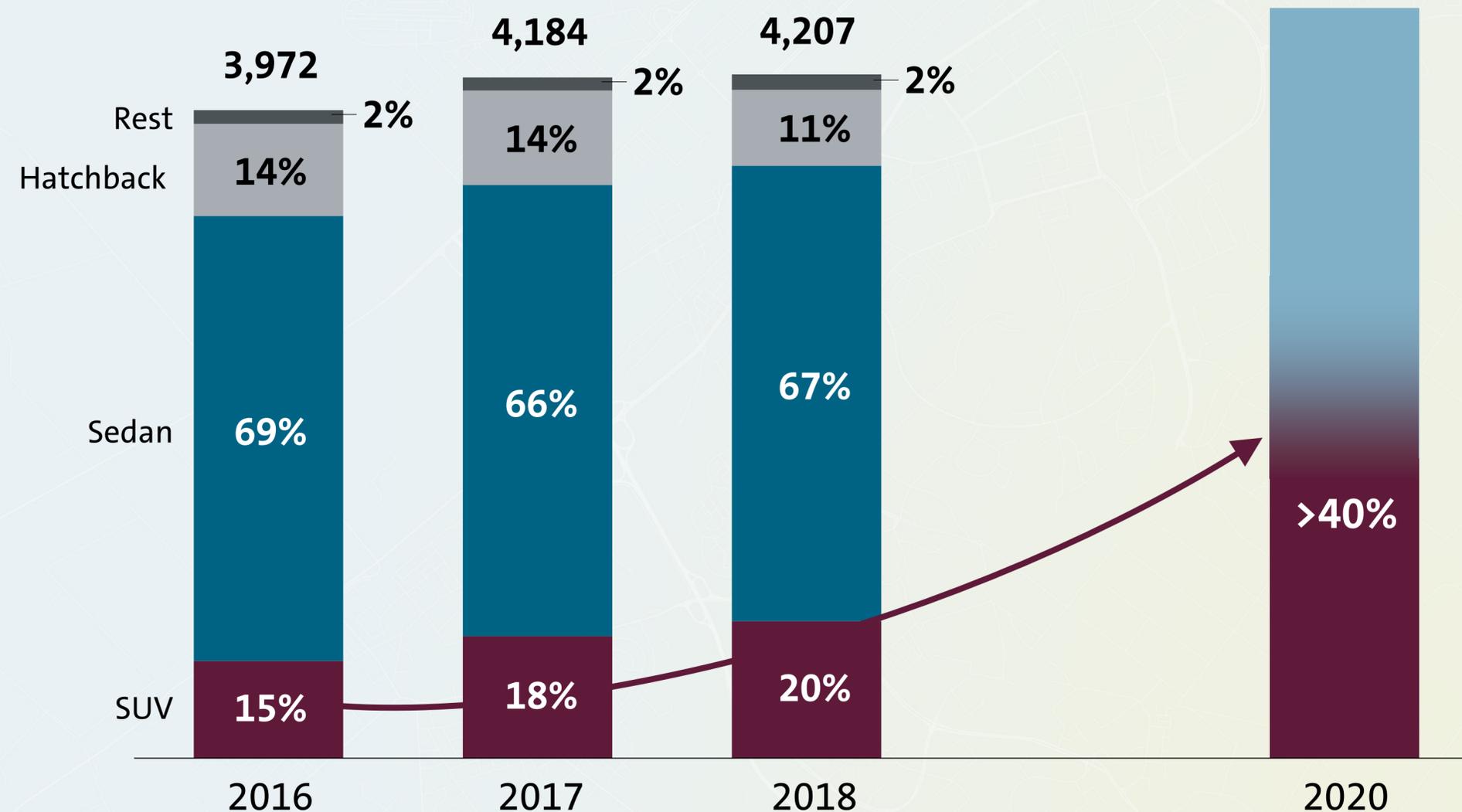
### Mobility services

### Autonomous driving



## WE CONTINUE WITH OUR SUV OFFENSIVE TO INCREASE OUR PRODUCT MIX AND SECURE PROFITS

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



In **2018** Volkswagen Group China increased **SUV deliveries** by **12%** to a SUV share of **20%**

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**.

VOLKSWAGEN

GROUP CHINA

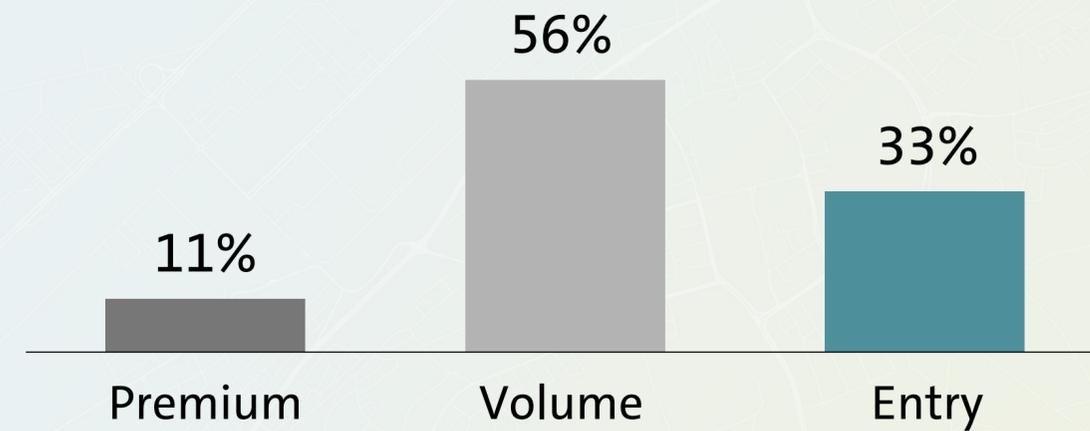
## VOLKSWAGEN BRAND SUV NIGHT- GOING BEYOND



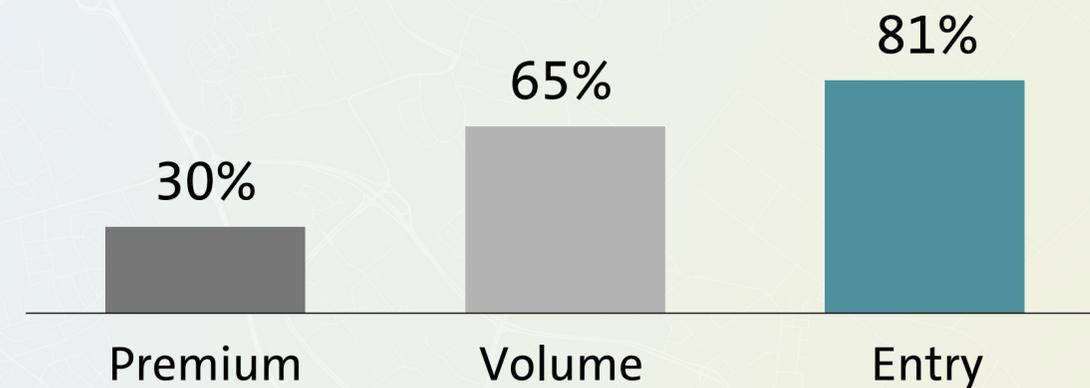
JETTA – THE NEW BRAND WITH OUTSTANDING PRICE-VALUE-RATIO FOR THE YOUNG, ASPIRING CHINESE CAR BUYER



Chinese total market 2018 by segment



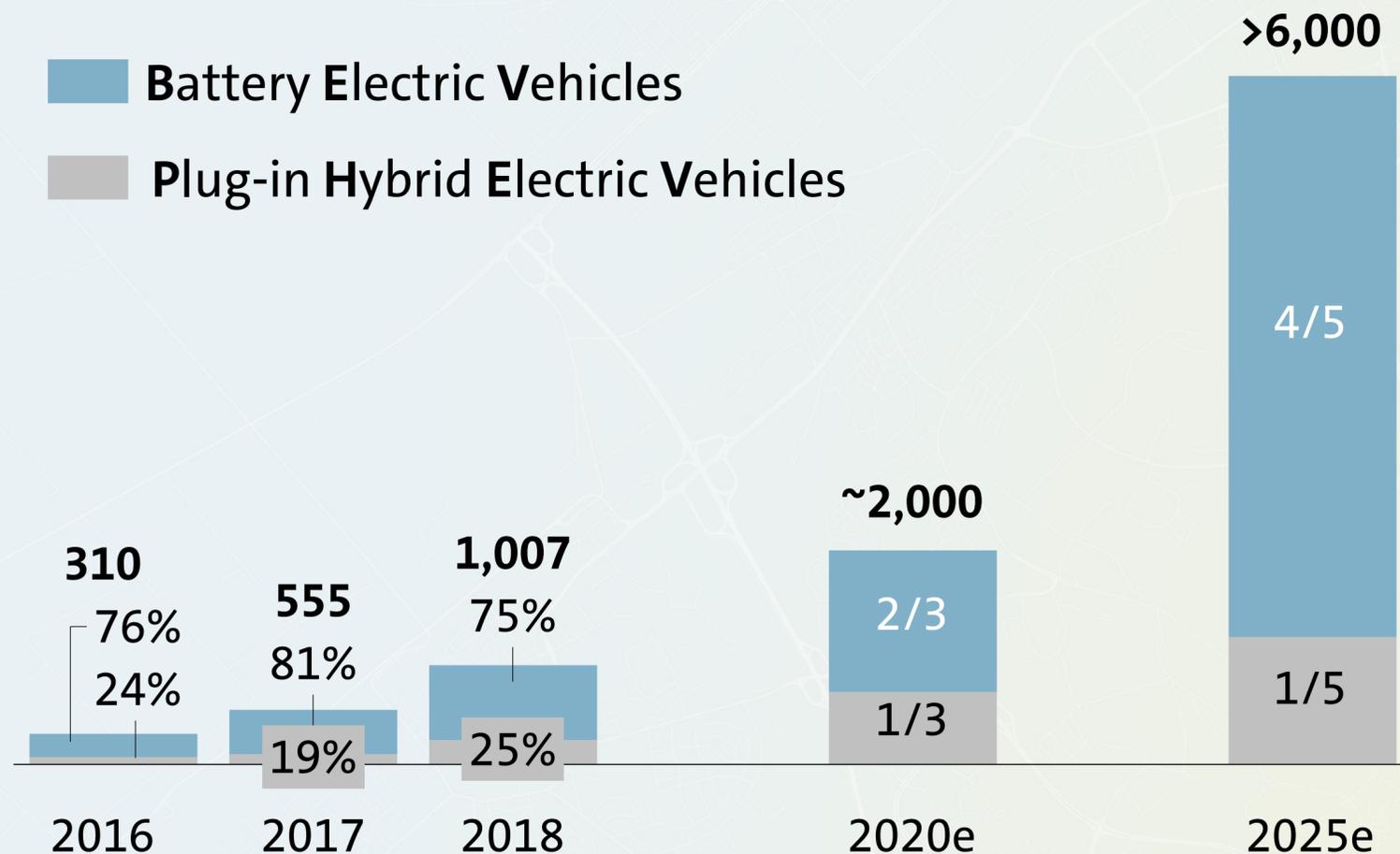
First-time car buyers per segment



- **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**

## 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 STARTS THE BATTERY ELECTRIC VEHICLES OFFENSIVE 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)

# VOLKSWAGEN GROUP WILL FURTHER STRENGTHEN THE RESEARCH & DEVELOPMENT CAPABILITIES IN CHINA



More **competencies in China**

**Development in China**  
together with Europe

**Future Center China**

**Strong skill set** in new technologies

Encourage **exchange**



**WE ESTABLISHED MOBILITY ASIA AS 100% VOLKSWAGEN GROUP ENTITY TO DRIVE THE TRANSFORMATION TOWARDS A LEADING PROVIDER OF SUSTAINABLE MOBILITY**

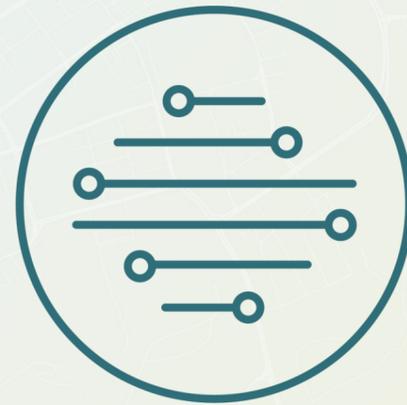
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Connectivity



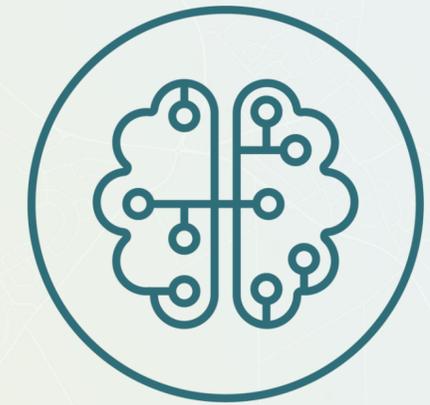
Smart mobility  
eco-system



Services/  
Data  
Monetization



Autonomous  
projects



Smart  
infrastructure  
ecosystem

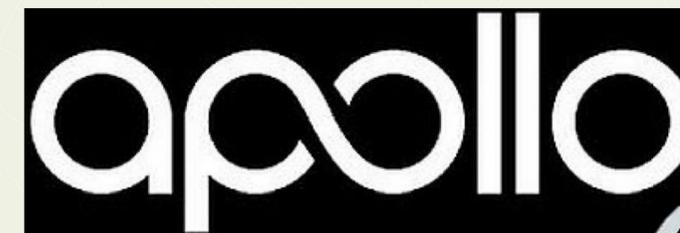
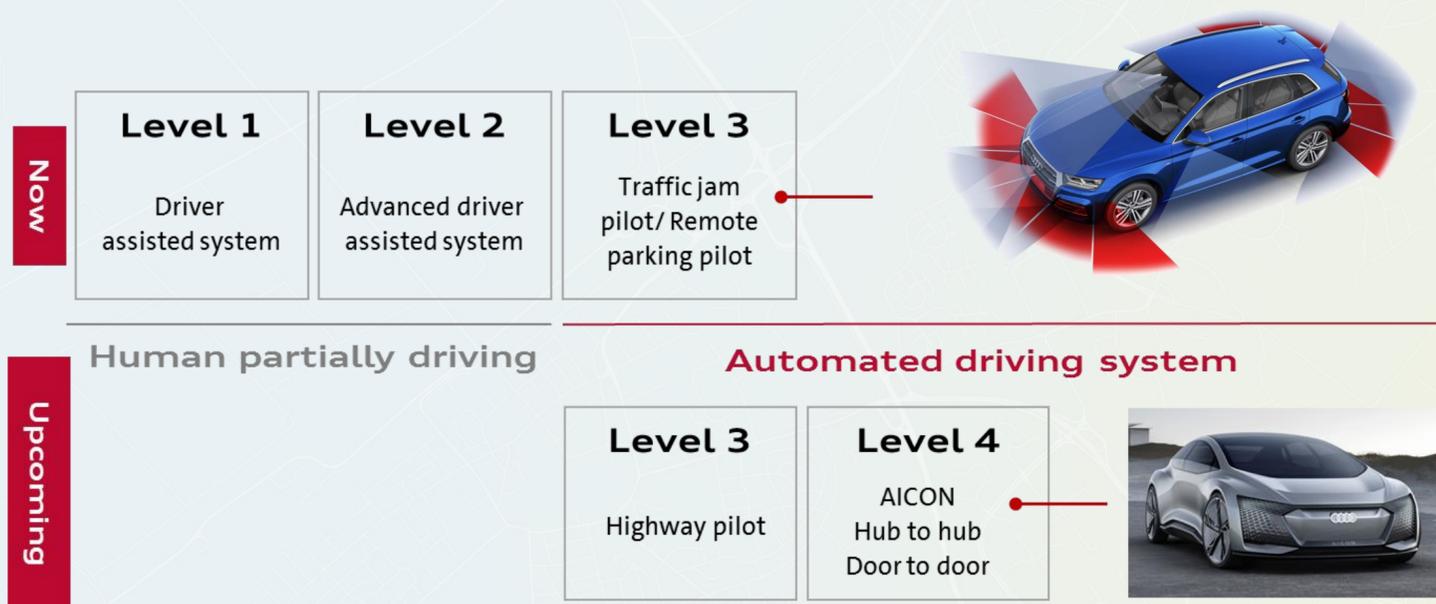
# WE HEAVILY FOCUS IN-HOUSE AND TOGETHER WITH STRONG PARTNERS ON AUTONOMOUS DRIVING

## In-house focus

- Audi, Volkswagen brand and Group R&D work together
- Test licenses for Level 4 highly automated driving received

## Strong partners e.g. Apollo project

- Audi and Volkswagen joining Baidu's open-source-project
- >100 global members
- 1<sup>st</sup> project: automated parking service, Valet parking

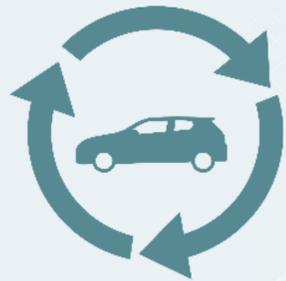


## VOLKSWAGEN GROUP CHINA IS WELL ON TRACK TO TACKLE THE TRANSFORMATION IN CHINA

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Improve the **core business & secure funding**



Transform towards **more electrification**



Strengthen **innovation power**



Build **mobility solution business**

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