

**VOLKSWAGEN**

GROUP CHINA

# Shaping the transformation together.

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Morgan Stanley 4<sup>th</sup> Annual China Summit, Beijing, 1 June 2018

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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, 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 VOLKSWAGEN GROUP CHINA - OVERVIEW

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## 2 GOOD START TO 2018

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## 3 STRATEGY

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## Volkswagen Group China at a glance



More than 170 models



12 fascinating brands



1984: first Joint Venture Shanghai  
VW was founded



1990: FAW-VW was founded in Changchun



Around 100,000 employees end of 2017



~380,000 employees within dealer network in 2017



30 production plants end of 2017



Around €4 billion investments planned for 2018



17.5% market share in China's passenger car market in 2017



Over 34 million cars delivered since market entry



4.18 million deliveries in 2017



Around €4.7 billion proportionate operating profit in 2017

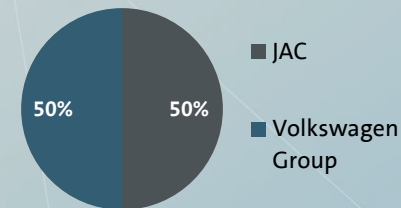
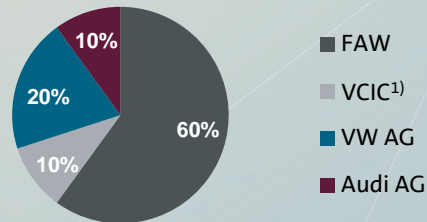
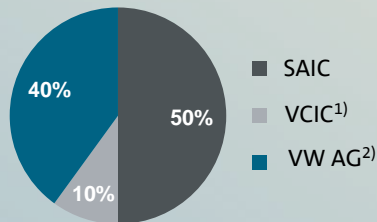
## Joint Venture structure of Volkswagen Group in China



Start of production	1983 (Santana B2)	1991 (Jetta)	2018
1 <sup>st</sup> JV contract signed	1984	1990	2017
JV contract runs until	2035	2041	2042

Production in 2017 (in '000 vehicles)	Volkswagen	1,722	Volkswagen	1,435	Start of production in 2018
	ŠKODA	332	Audi	553	
	Total	2,054	Total	1,988	

### Ownership structure

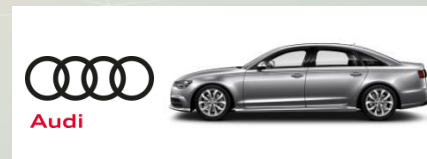


<sup>1)</sup> Volkswagen (China) Investment Co., Ltd. 100% owned by Volkswagen AG. <sup>2)</sup> Including a stake hold by ŠKODA AUTO a.s.

# VOLKSWAGEN

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## Strong brands and products





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## The Chinese market started strong into 2018

Total market development (in '000 units)

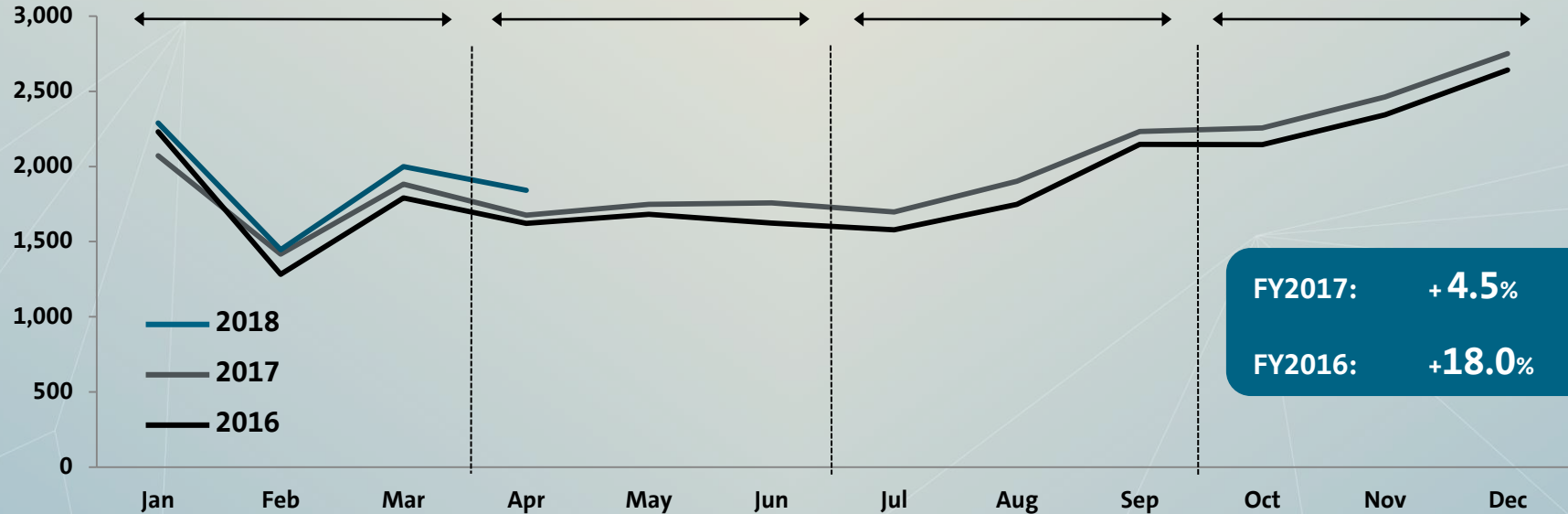
2017 vs. 2016  
2018 vs. 2017

Q1: +1.3%  
Q1: +6.7%

Q2: +5.2%

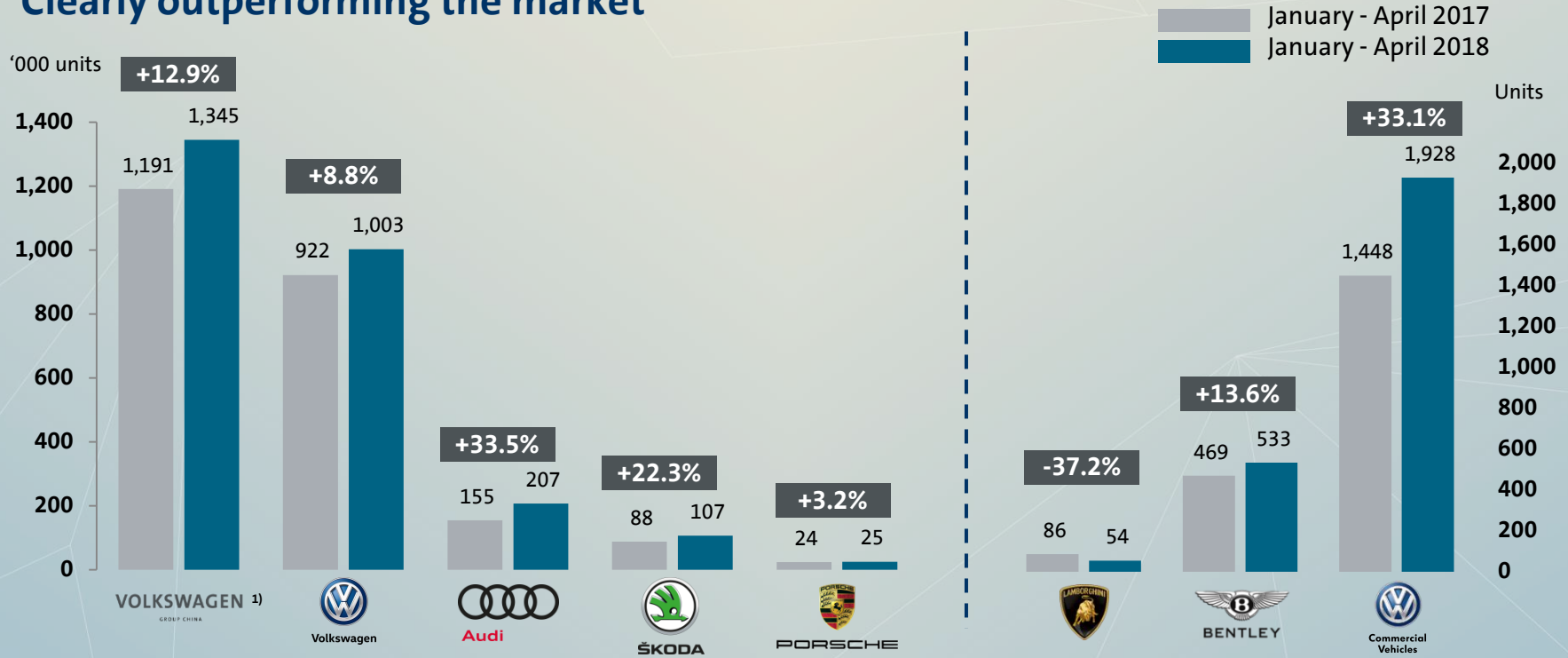
Q3: +6.5%

Q4: +4.7%





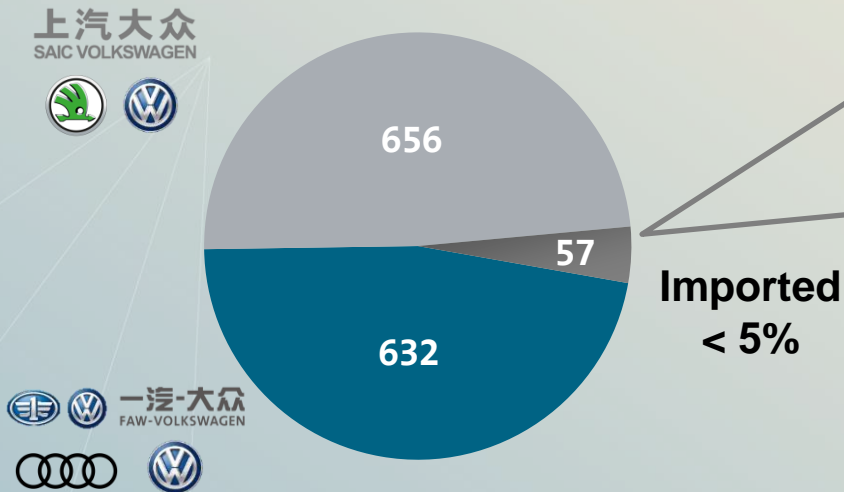
## Volkswagen Group China with a good start to 2018 Clearly outperforming the market



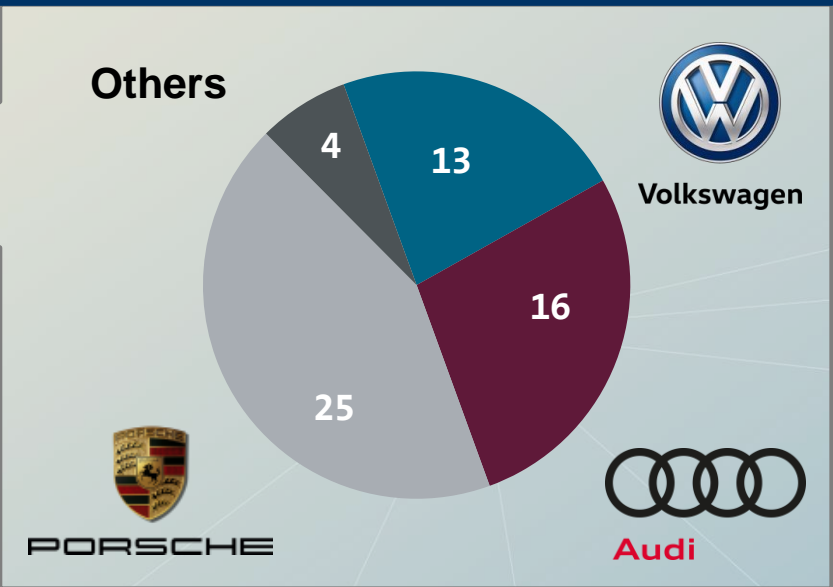
<sup>1)</sup> incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania. All figures are rounded.

## Highly localized product offering of our JVs is complemented by import business<sup>1)</sup>

Deliveries to customers Jan-Apr 2018 (in '000 vehicles)



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

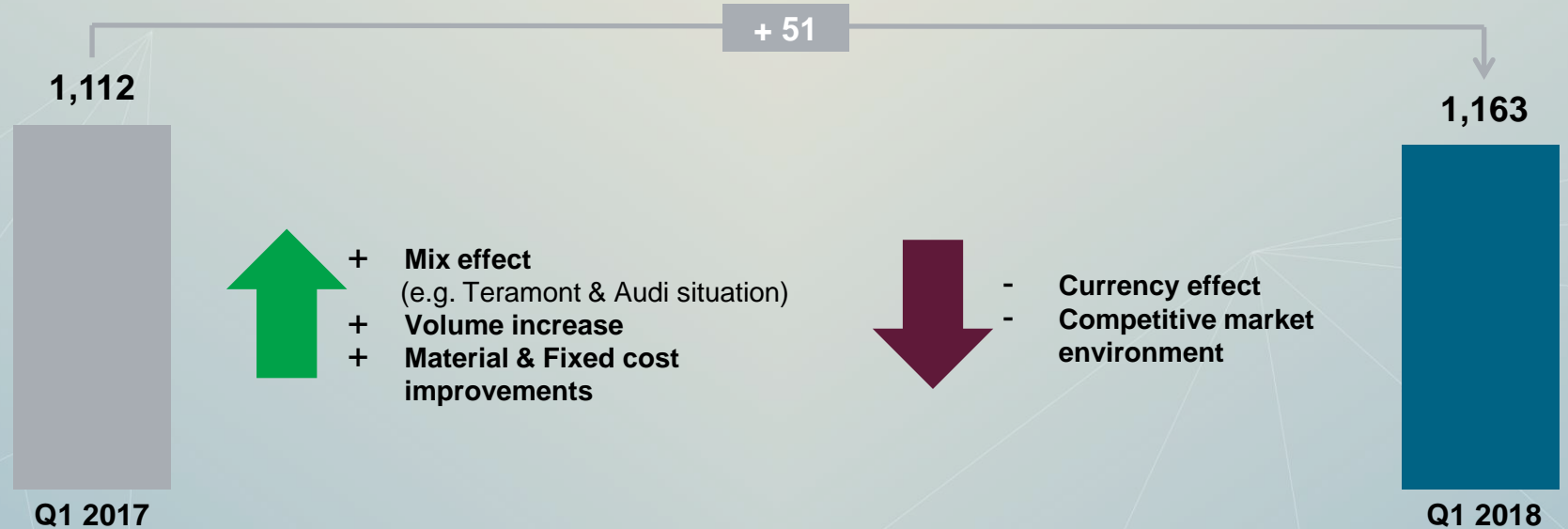


» Total deliveries in the region China amounted to 1,345 thousand in Jan-Apr 2018

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

## Proportionate operating profit of our Joint Ventures increased in Q1

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



## Volkswagen Group China looks forward to a successful year 2018



### Vehicles Sales Chinese Market

Growth around the level of last year

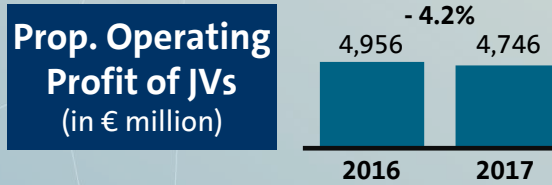
## VOLKSWAGEN

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### Deliveries to Customers

Growth around the level of last year



### Prop. Op. Profit of Joint Ventures

Around the level of last year

Outlook 2018

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Key building blocks of our global strategy are complemented by China-specific block

# TOGETHER

STRATEGY 2025

*CHINA-SPECIFIC*



**TRANSFORM CORE  
BUSINESS**



**BUILD MOBILITY  
SOLUTIONS  
BUSINESS**



**SECURE FUNDING**



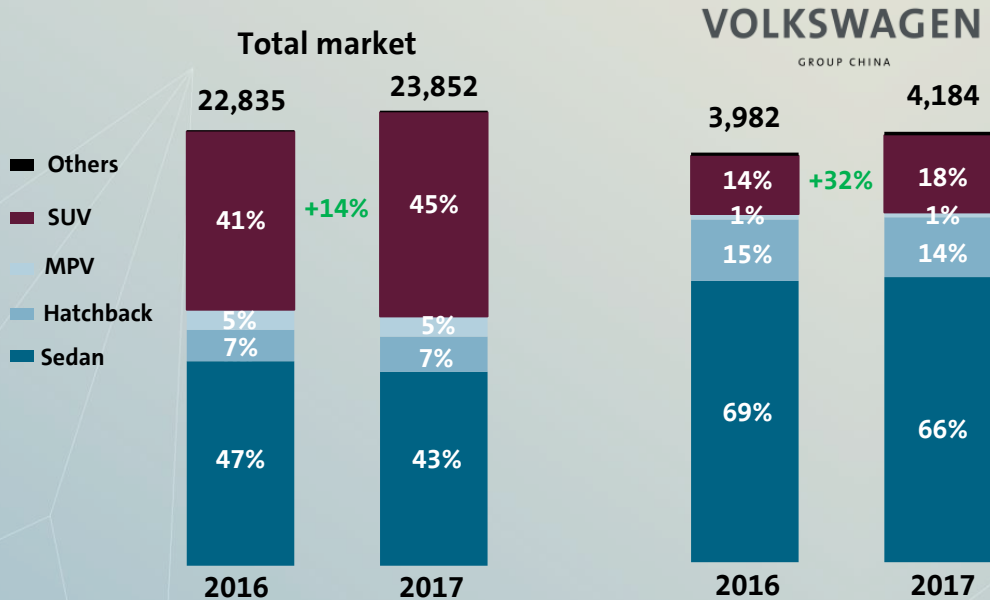
**STRENGTHEN  
INNOVATION POWER**



**MOVE CHINA  
PARTNERSHIP  
FORWARD**

## Key focus on the development of the SUV market in China

Deliveries by body style in China (in '000 units)



Volkswagen Group China SUV share



In **2017** Volkswagen Group China increased **SUV deliveries** by **32%** to a SUV share of **18%**

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



## Our SUV offensive in China accelerates significantly



Volkswagen



**12** Volkswagen brand SUV models by 2020  
Full portfolio in both Joint Ventures



Audi



**10** Audi additional SUV variances  
without predecessor until 2022



ŠKODA



**6** ŠKODA SUVs until 2020

## Volkswagen Group China and its Joint Ventures expand into exports

First step to South East Asia markets  
with pilot shipment to the Philippines



上汽大众  
SAIC VOLKSWAGEN



Pioneering effort for Volkswagen Group China

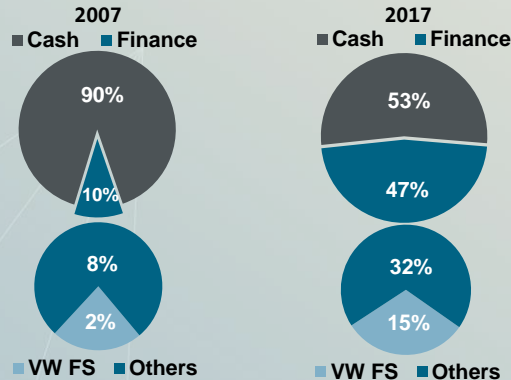
- Next step in the ongoing expansion and development of our Joint Ventures
- Target is to deliver several thousand cars to customers annually in this region
- Export of Volkswagen Group vehicles will be coordinated by Volkswagen Group Import Co.<sup>1)</sup>
- Vehicles will be sold through Volkswagen Group's existing sales channels

<sup>1)</sup> Volkswagen Group China Import Co. Ltd. is a 100% owned subsidiary of Volkswagen Group.

## Volkswagen Finance (China) – Gaining share in an expanding market

### Growing penetration of financing business

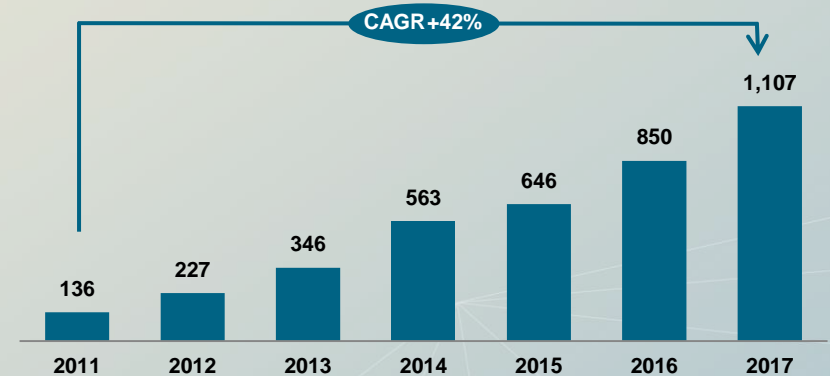
Retail finance penetration (% of deliveries to customers for Volkswagen Group)



Target 2025

20%  
of VW Group cars  
financed by VWFS

### Number of contracts of Volkswagen Finance (China) (in '000)



### Financial Services China: Strategic growth dimensions

Retail Finance

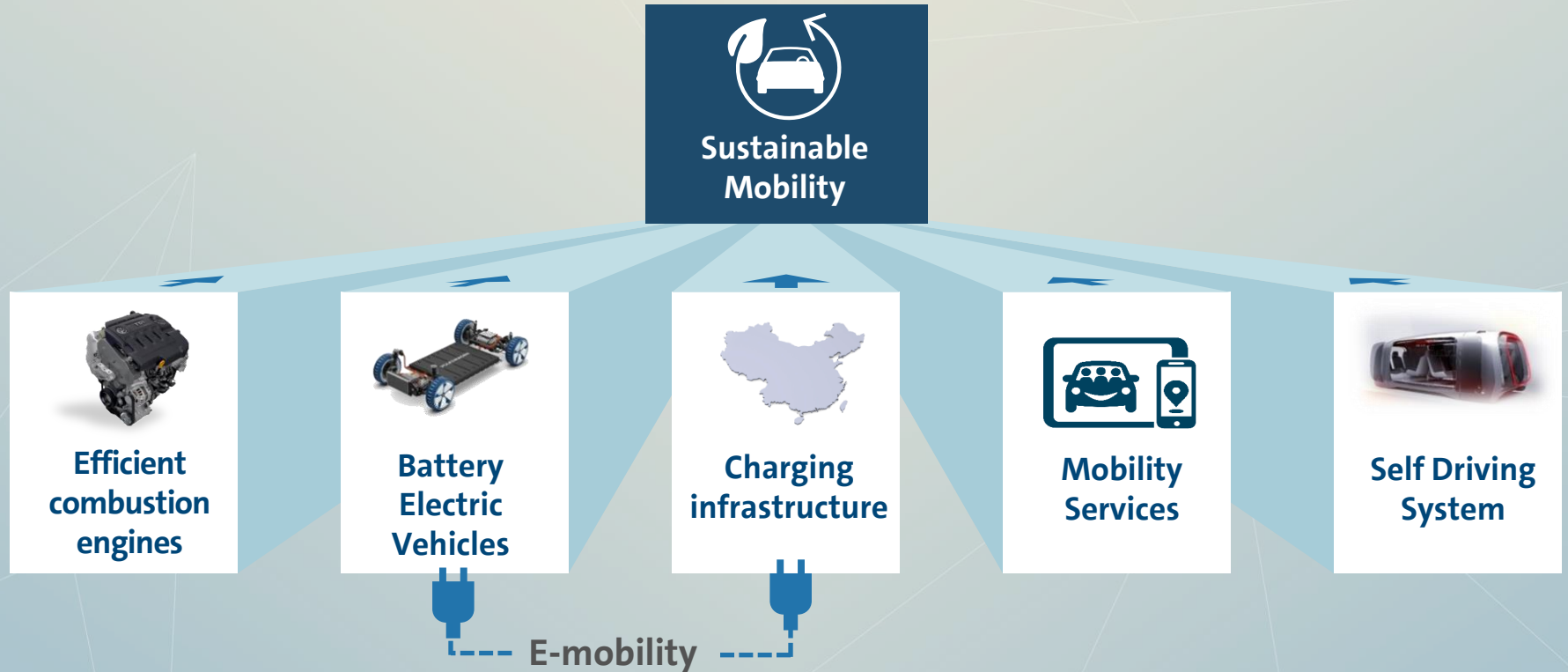
Financial Leasing

Used Cars

Digitalization

NEV Strategy

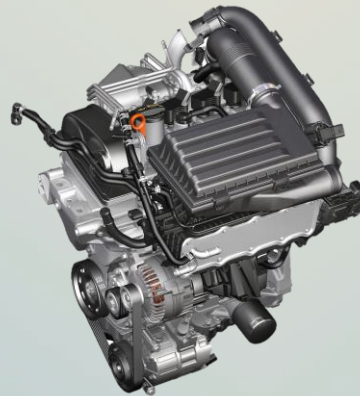
## We address all building blocks to provide sustainable mobility solutions



## Efficient combustion engines play a major role for the future of sustainable mobility

The future is electric and green.

- ◆ Significant improvements in consumption and emissions of gasoline engines



- ◆ Its possible to change from MPI to TSI engines

- ◆ All new gasoline engines will be ready to fulfill the latest emission standards (C6B with RDE)

- ◆ All new gasoline engines will be ready for electrification (mHEV)

- ◆ All new gasoline engines will use the “EVO” technology

# We will be prepared to deliver around 1.5 million zero emission cars to Chinese customers by 2025

## Introduction of locally produced NEV

### Phase 1

Plug-in hybrids based on current toolkits



### Phase 2

Pure electric vehicles based on current toolkits



### Phase 3 (start 2020/21)

Pure electric vehicles based on scalable electric toolkit



## Mass market BEV cooperation

江淮大众  
JAC VOLKSWAGEN



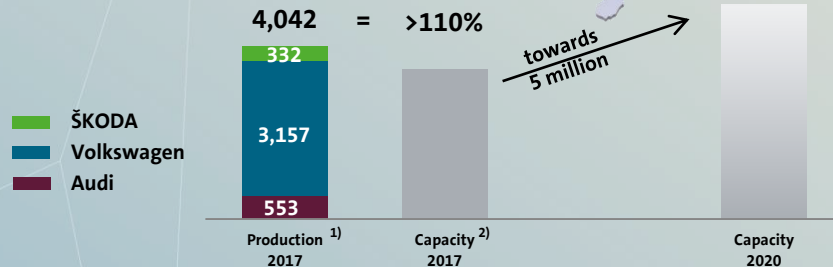
SOL



# Volkswagen Group China opens new factories to strengthen SUV offensive and e-Mobility

## Production capacity will increase

- New vehicle plants
- Vehicle plants expansions
- New component plants
- Component plant expansion
- Existing plants



<sup>1)</sup> Actual production volume in '0000 vehicles <sup>2)</sup> Available capacity on the basis of 250 working days.

## Factories starting in 2018

- Tianjin** Start in August

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- Qingdao** Opening ceremony on May 28  
New Bora & 2 Audi models on MQB platform  
ICE & EV production on one production line  
Production of battery systems

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- Hefei** First production model unveiled May 25  
Production of JAC Volkswagen's SOL brand

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- Foshan** Start in June  
Focus on the SUVs (Audi & VW)  
Additional factory at the production site  
MQB platform will be electrified  
Battery system assembly and MEB to follow



## E-mobility model offensive of the Volkswagen Group in China



Until 2025

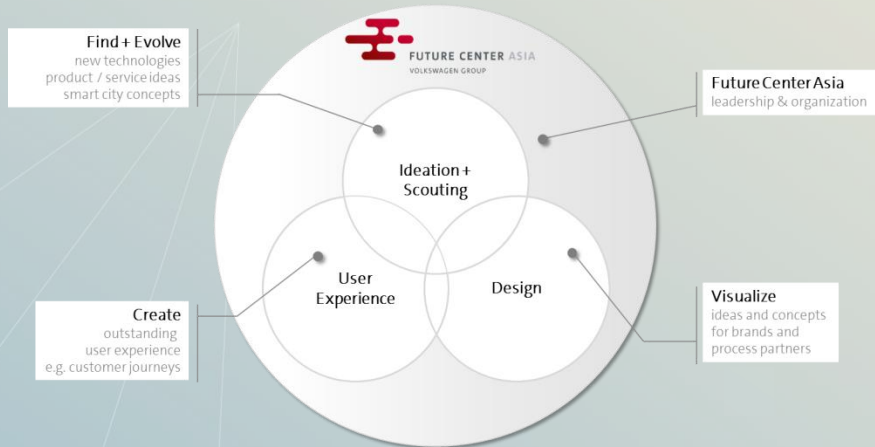
Almost **40** locally produced NEV models

Plan to invest around **€10 bn** in e-mobility

Prepared to deliver **1.5 million** NEVs in 2025

# Future Center Asia is envisioning people's mobility needs of the future and creating visionary solutions

## Future Center Asia



## Our Goal

Future Center Asia will provide mobility solutions specifically for the Chinese and Asia market

**Visionary Products & Services**

**Disruptive Technology**

**Urban Solution**

**Scouting**

- **Three new Volkswagen Group Future Centers** in Beijing, Potsdam Silicon Valley
- **Approach:** Designers and digitalization experts work hand in hand to create the mobility of the future

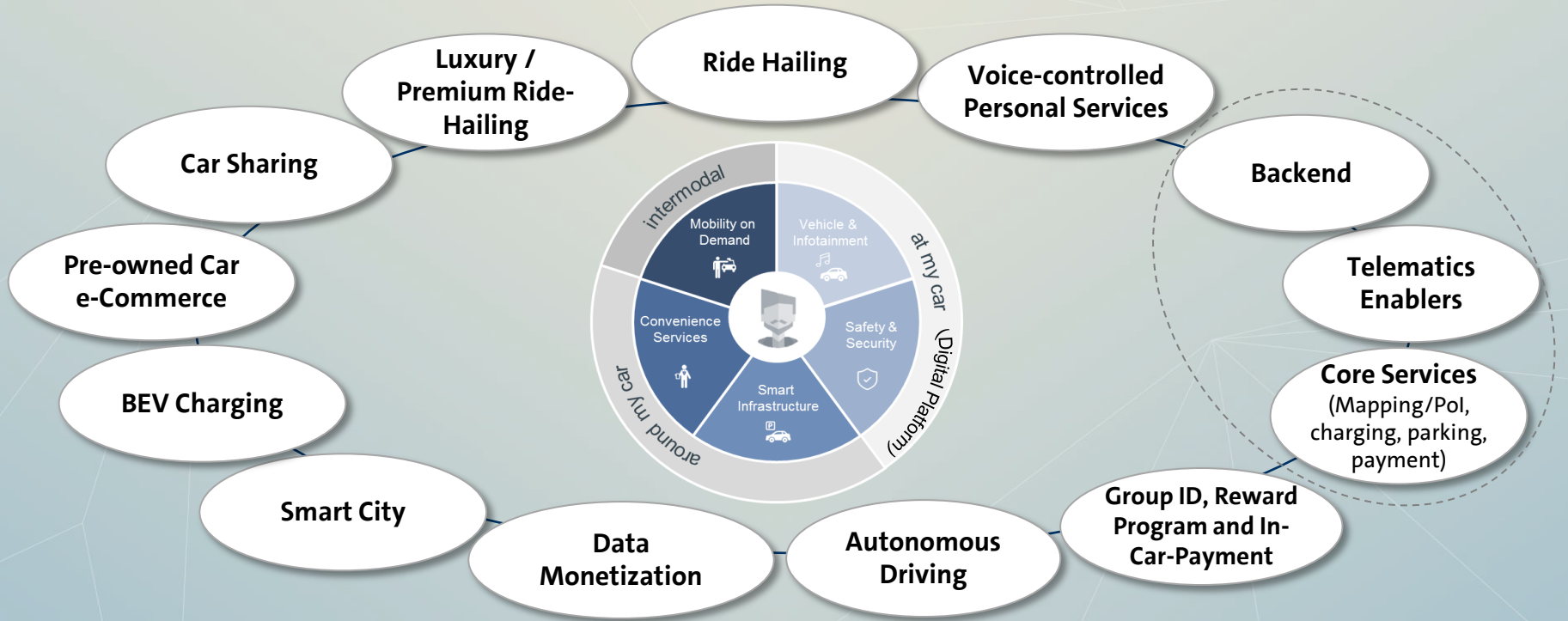
## Mobility ecosystem linking Volkswagen Group users' in-car and mobile experiences



**Mobility Asia**

*Close gap between ecosystems to provide  
the best integrated customer experience  
and best service offering*

# Core strategic areas of Volkswagen Group China to build its mobility ecosystem



## We work on the strategic topics to master the challenges and make use of opportunities arising in the Chinese market



### IMPROVE THE CORE BUSINESS AND SECURE FUNDING

- **Safeguarding the profits** in China
- Accelerating **SUV offensive**
- Use opportunities with **Export, Financial Services** business etc.
- **Invest local Cash Flows** with our partners in China while **securing strong dividends**



### TRANSFORM TOWARD MORE ELECTRIFICATION

- Achieve **fuel consumption** and **NEV credit compliance**
- Start producing and selling **first BEVs with JAC-VW** in 2018 followed by first BEVs from SAIC VW and FAW-VW
- Work with **local partners** on **battery cell technology** and **charging infrastructure**
- **Secure profitability** of Electric Vehicles



### BUILD MOBILITY SOLUTIONS BUSINESS & STRENGTHEN INNOVATION POWER

- **Future Center** - Envision Chinese' mobility needs of the future and create visionary solutions
- **Mobility Asia** – Build ecosystems for our customers and deliver profitable Mobility Services

**VOLKSWAGEN**

GROUP CHINA

# Shaping the transformation together.

**Carsten Isensee**

**Executive Vice President Finance, Volkswagen Group China**

Morgan Stanley 4<sup>th</sup> Annual China Summit, Beijing, 1 June 2018