

**VOLKSWAGEN**  
GROUP CHINA

# Shaping the transformation together.

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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.

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# 1 RESULTS 2017 AND OUTLOOK 2018

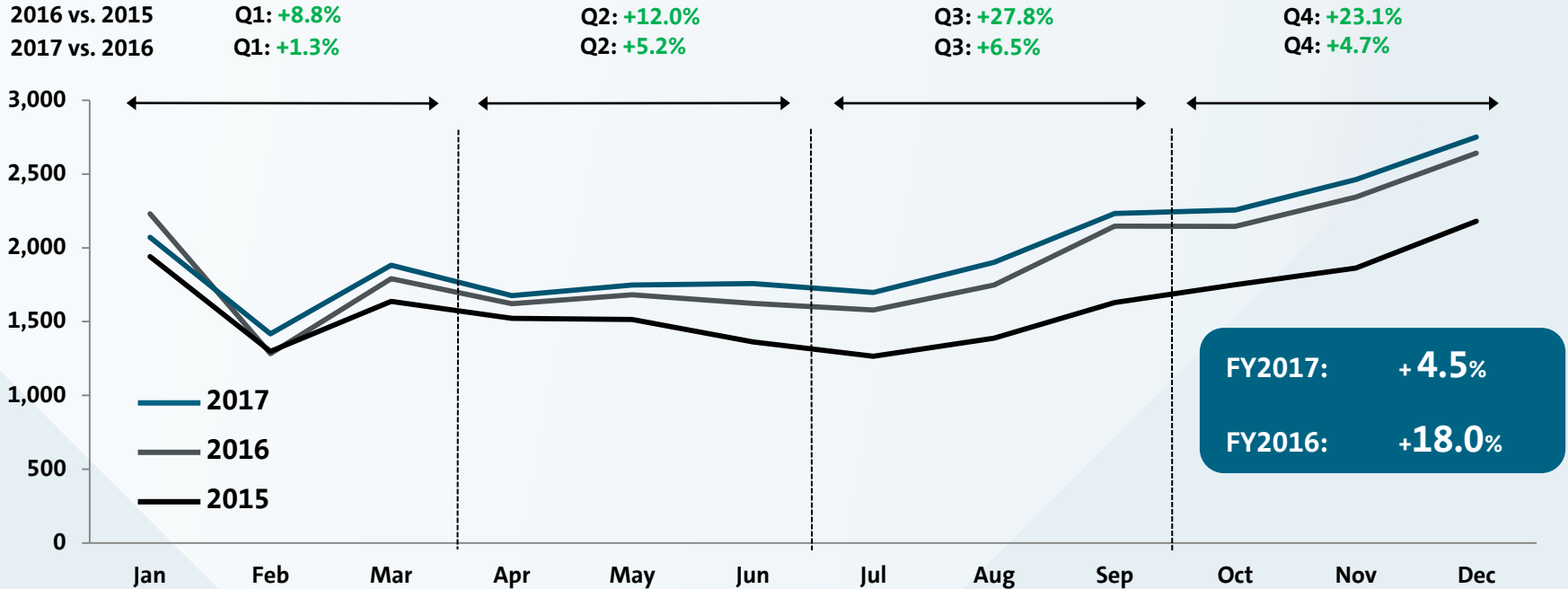
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# 2 STRATEGY

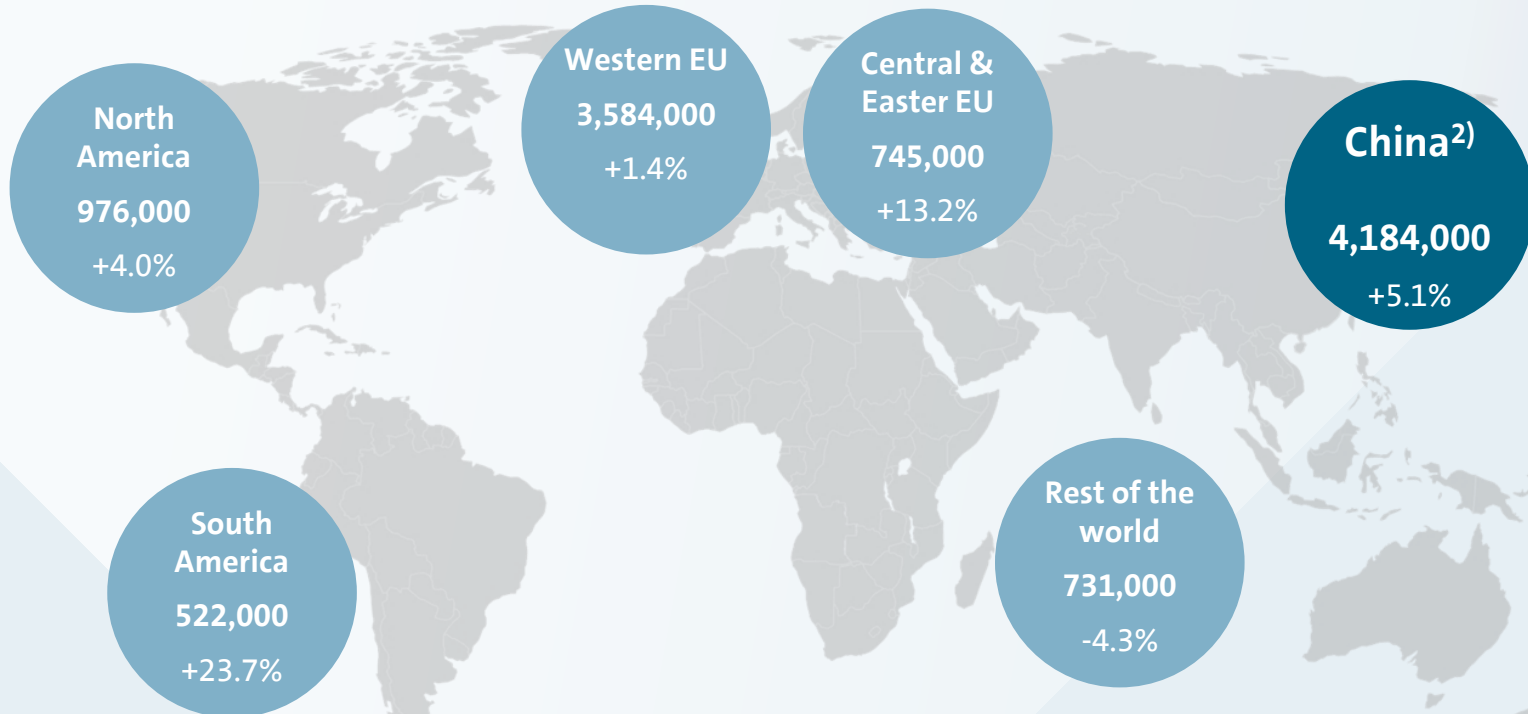
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## In 2017 the total car market grew 4.5% to 24.7 million vehicles

### Total market development (in '000 units)

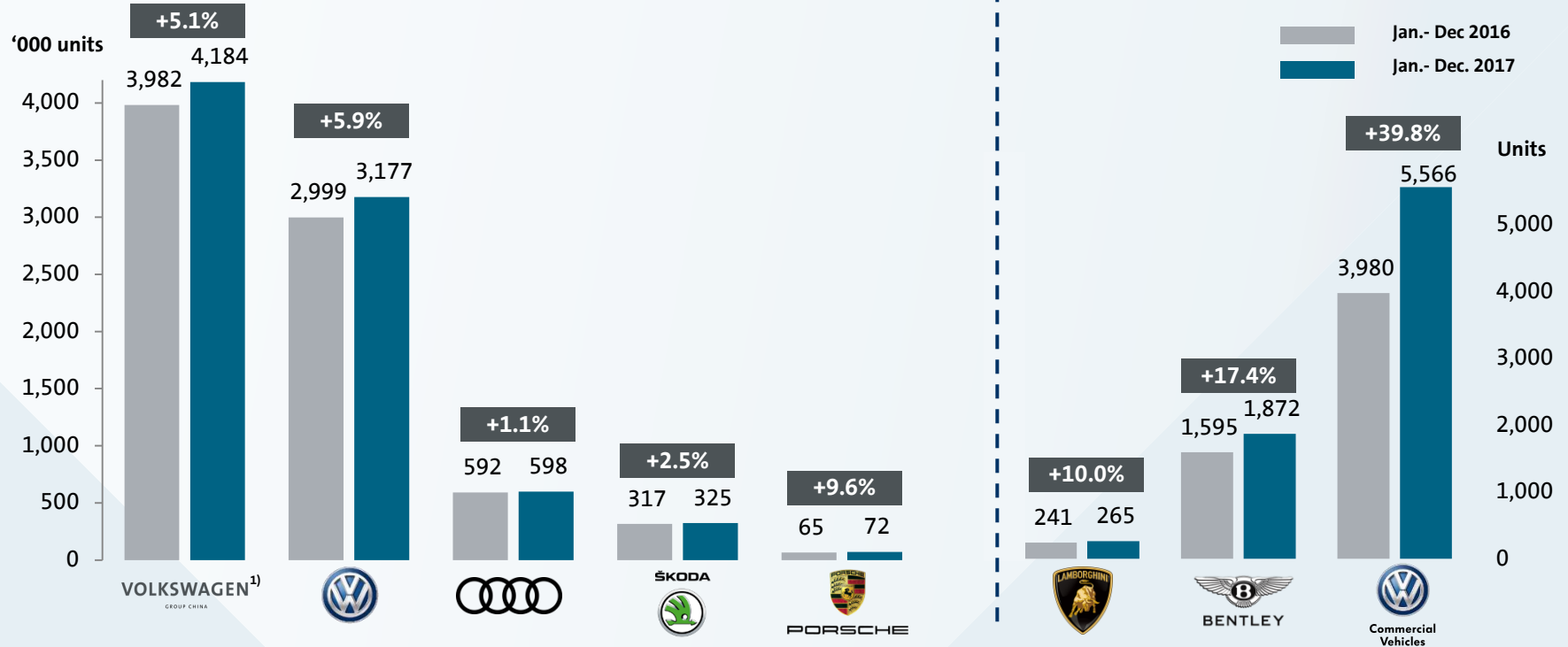


## China is the biggest single market for the Volkswagen Group<sup>1)</sup>



<sup>1)</sup> Volume data for the year 2017 in deliveries to customers; percentage year on year comparison 2017 vs 2016. All figures are rounded. <sup>2)</sup> incl. Hong Kong, excl. Ducati.

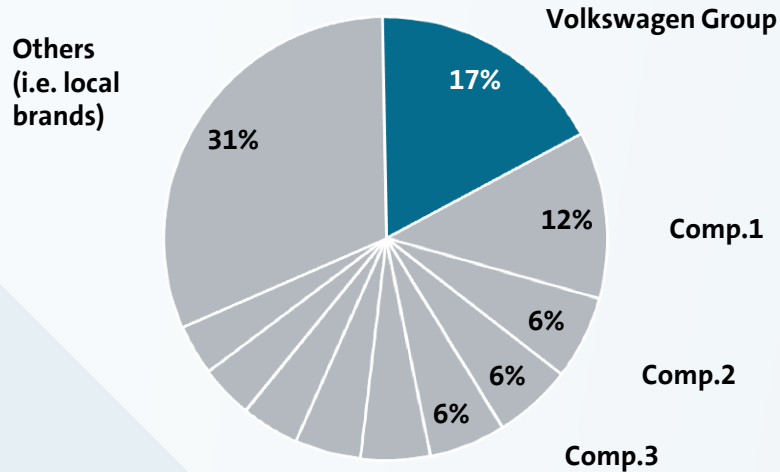
## Volkswagen Group China deliveries to customers outperformed the market in 2017



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

## Volkswagen Group – No. 1 in the Chinese passenger vehicle market

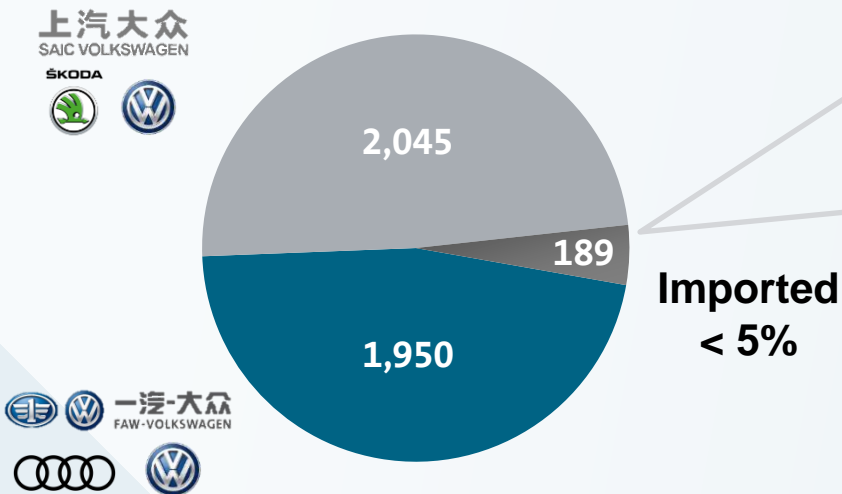
### Passenger vehicles market share 2017



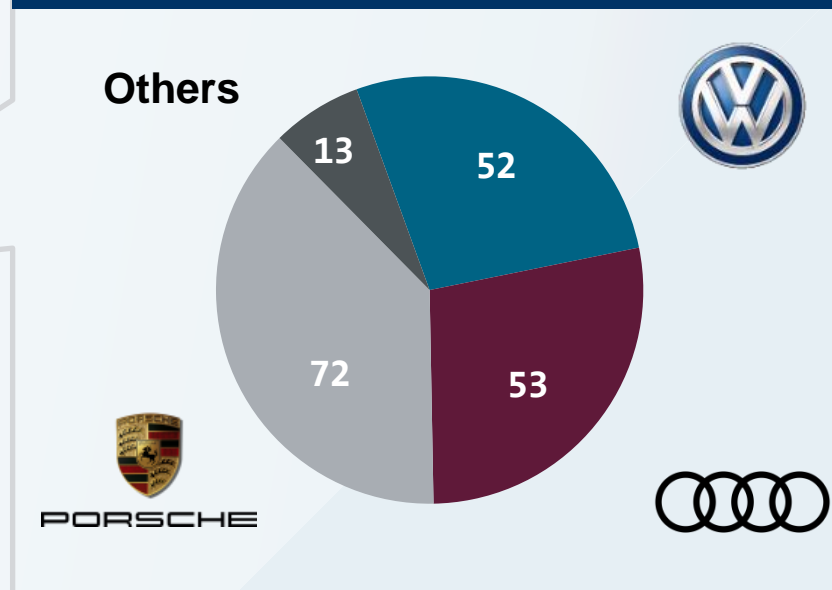
Rank	Group	Market share (Delta vs 2016)
1	Volkswagen Group	+ 0.1%
2	Competitor 1	+ 1.0%
3	Competitor 2	+ 0.6%
4	Competitor 3	+ 0.5%
5	Competitor 4	+ 1.8%

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

Deliveries to customers 2017 (in '000 vehicles)



Import business 2017 (deliveries in '000 vehicles)



Total deliveries in the region China amounted to 4,184 thousand in 2017

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



## Strong operating result for the Volkswagen Group in China

	2012	2013	2014	2015	2016	2017
Deliveries to customers (in '000 units)	2,815	3,271	3,675	3,549	3,982	4,184
Production (in '000 units)	2,643	3,135	3,528	3,420	3,897	4,042
Operating profit (100% level; in € million)	8,424	9,569	12,077	11,937	11,094	11,191
Prop. Operating profit (Joint Ventures; in € million)	3,678	4,296	5,182	5,214	4,956	4,746

## Joint Venture financials 2017 – Highlights on 100% level



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

**1,950 (+5.2%)**

of which 1,405 Volkswagen and 545 Audi

**2,045 (+4.9%)**

of which 1,720 Volkswagen and 325 ŠKODA

**Sales revenue**  
(in € million)

**40,828 (-0.1%)**

**28,767 (+10.4%)**

**Pre-tax profit**  
(in € million)

**4,907 (-11.5%)**

**4,555 (-0.7%)**

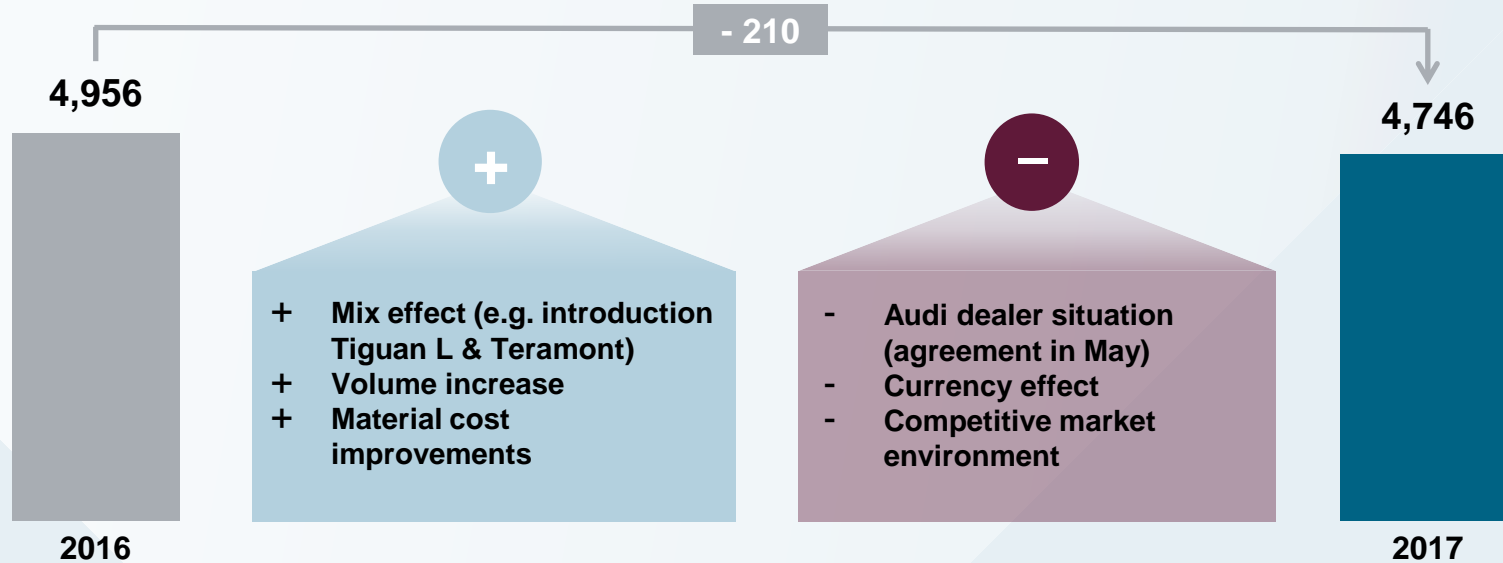
**Margin**

**12.0%**

**15.8%**

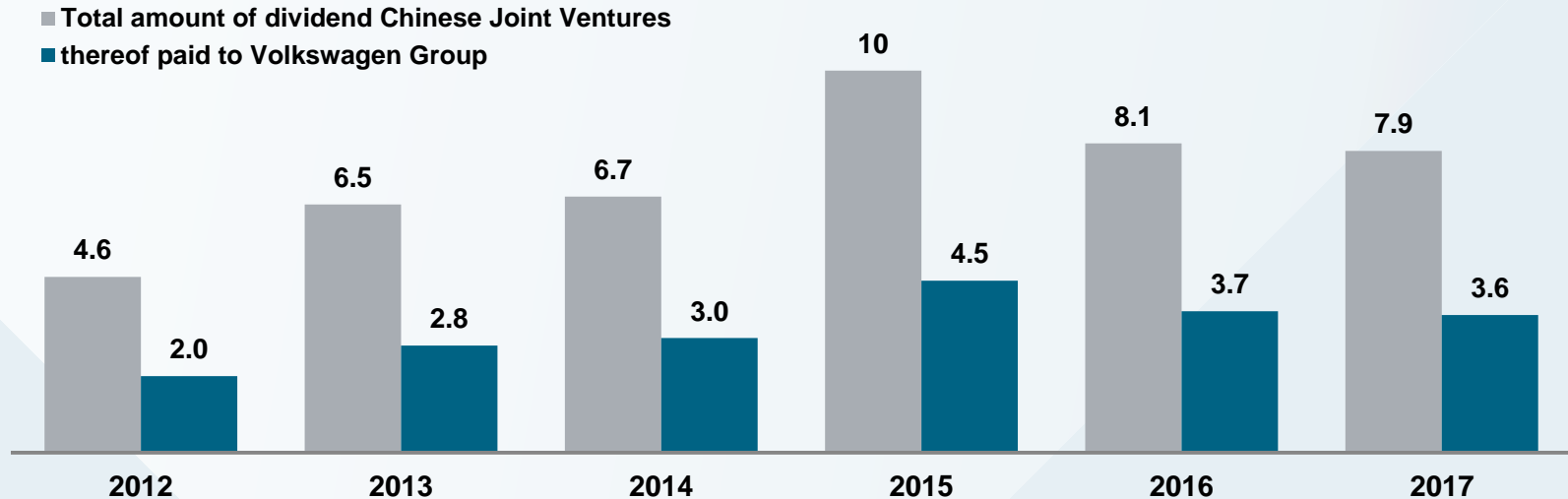
## Strong operating performance despite negative effects in 2017

Proportionate operating profit (in € million)



## 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 and Volkswagen Group (in € billion)

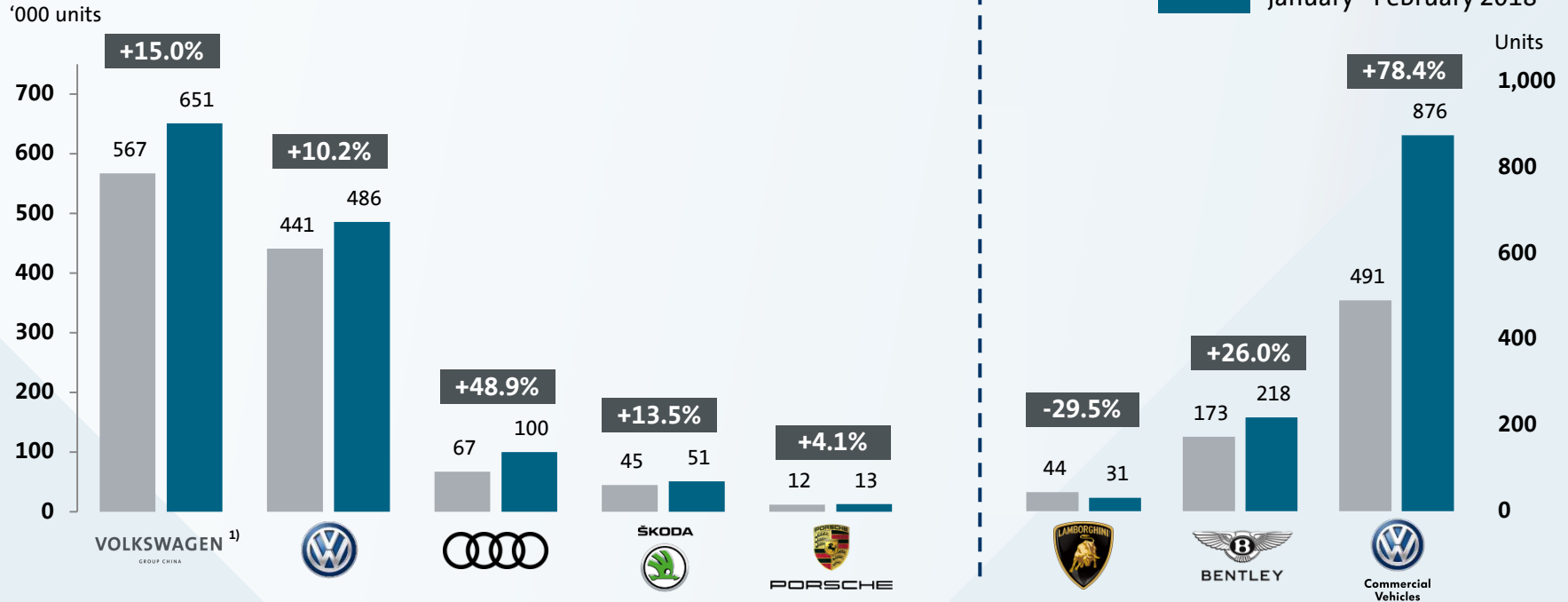


## Chinese government set major targets of economic & social development for 2018

Government targets		
	TARGETS 2018	RESULTS 2017
GDP GROWTH	~ 6.5 %	6.9%
FISCAL DEFICIT	RMB 2.38 tri	RMB 2.38 tri
M2 GROWTH	n.a	8.2%
CPI GROWTH	~3%	1.6%
NEW EMPLOYMENT	> 11 m	13.51 m
UNEMPLOYMENT	< 5.5%	< 5%
ENERGY CONSUMPTION PER UNIT OF GDP	Down more than 3%	Down 3.7%

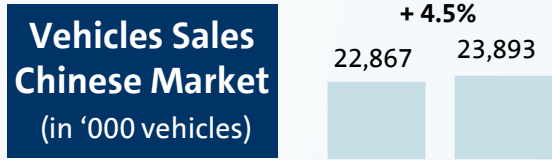
Highlights
<ul style="list-style-type: none"> <li>China's economy is transitioning from a phase of rapid growth to a stage of <b>high-quality</b> development.</li> <li>Primary target is to maintain <b>stable economic growth</b> and <b>employment</b></li> <li>Continue pursuing a <b>proactive fiscal policy</b> while the <b>prudent monetary policy will remain neutral, with easing or tightening only as appropriate</b>. However, the <b>monetary policy</b> should be <b>not looser than 2017</b>.</li> <li>Promote the steady and healthy development of <b>real estate markets</b>.</li> <li>Pursue better-quality new <b>urbanization</b></li> <li>Government administration reform and opening up: deepen the reforms designed to delegate powers, improve regulation, and provide better services.; <b>negative list</b> will be instituted nationwide</li> <li>Reduction of overcapacity (Steel, Coal, etc.) . Principally, establishment of <b>new ICE vehicle</b> manufacturing company will <b>NOT be ratified</b></li> <li><b>3 key tasks</b> <ul style="list-style-type: none"> <li>✓ strive for notable progress in forestalling and defusing <b>economic and financial risks</b>.</li> <li>✓ make greater progress in <b>addressing pollution</b></li> <li>✓ step up targeted <b>poverty alleviation</b></li> </ul> </li> </ul>

# Volkswagen Group China with a good start to 2018



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

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



### Vehicles Sales Chinese Market

Growth around the level of last year

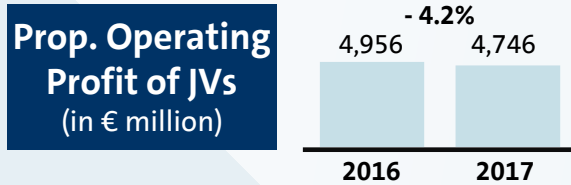
## VOLKSWAGEN

GROUP CHINA



### Deliveries to Customers

Growth around the level of last year



### Prop. Op. Profit of Joint Ventures

Around the level of last year

# 1 RESULTS 2017 AND OUTLOOK 2018

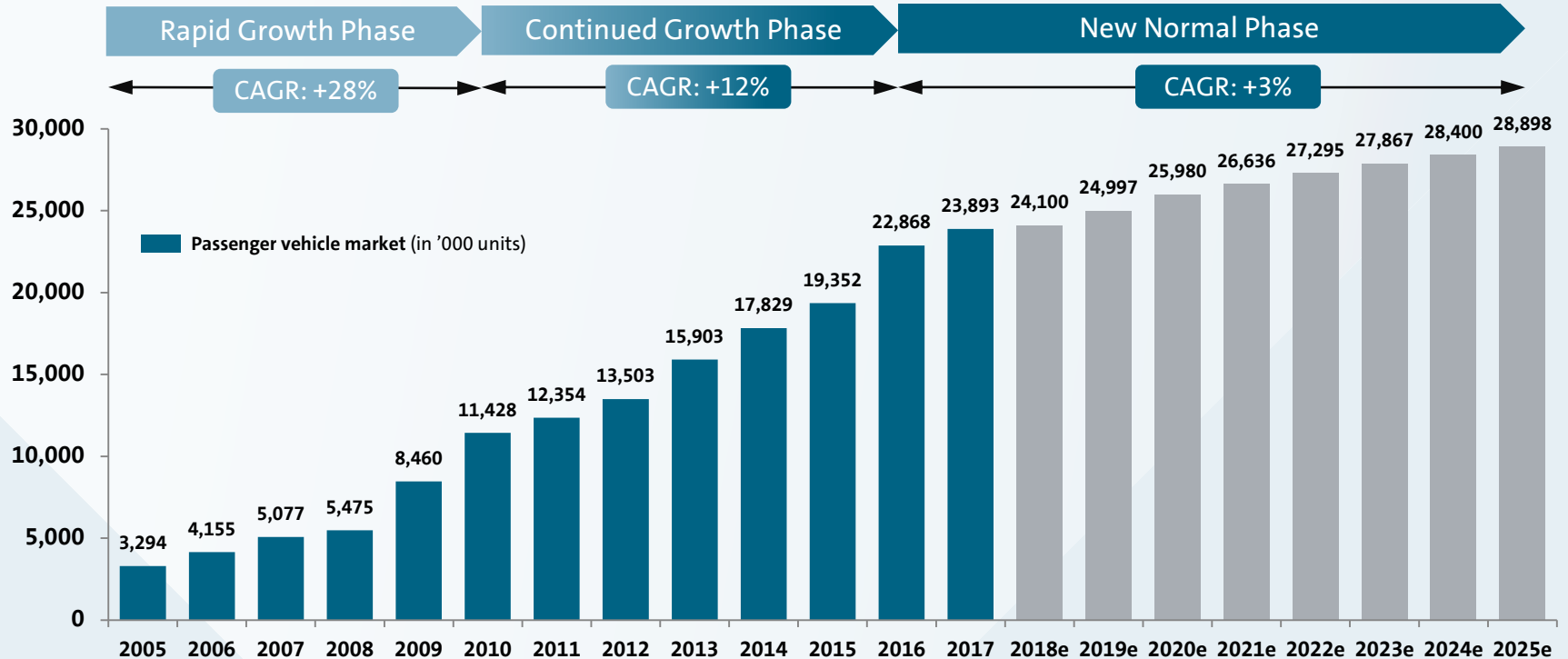
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# 2 STRATEGY

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## The rapid growth phase of China's market is over - We expect a normalized growth



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

# TOGETHER

STRATEGY 2025



**TRANSFORM CORE  
BUSINESS**



**BUILD MOBILITY  
SOLUTIONS  
BUSINESS**



**SECURE FUNDING**



**STRENGTHEN  
INNOVATION POWER**

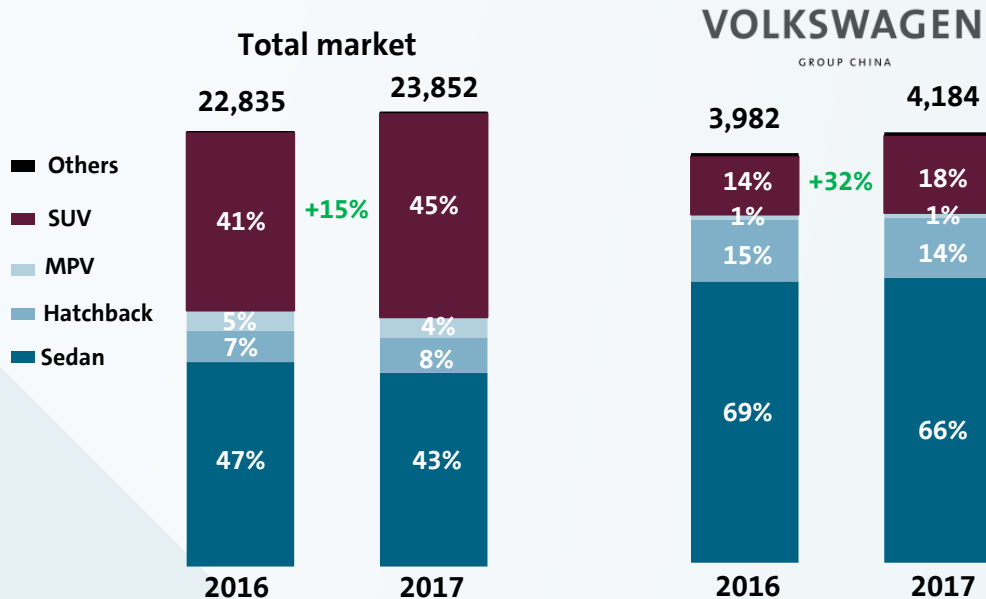
## *CHINA-SPECIFIC*



**MOVE CHINA  
PARTNERSHIP  
FORWARD**

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

Deliveries by bodystyle 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



T-ROC LWB



**4** Volkswagen brand SUVs in 2018  
3 of which are new models



**6** additional Audi SUVs in  
the next 2-3 years

ŠKODA

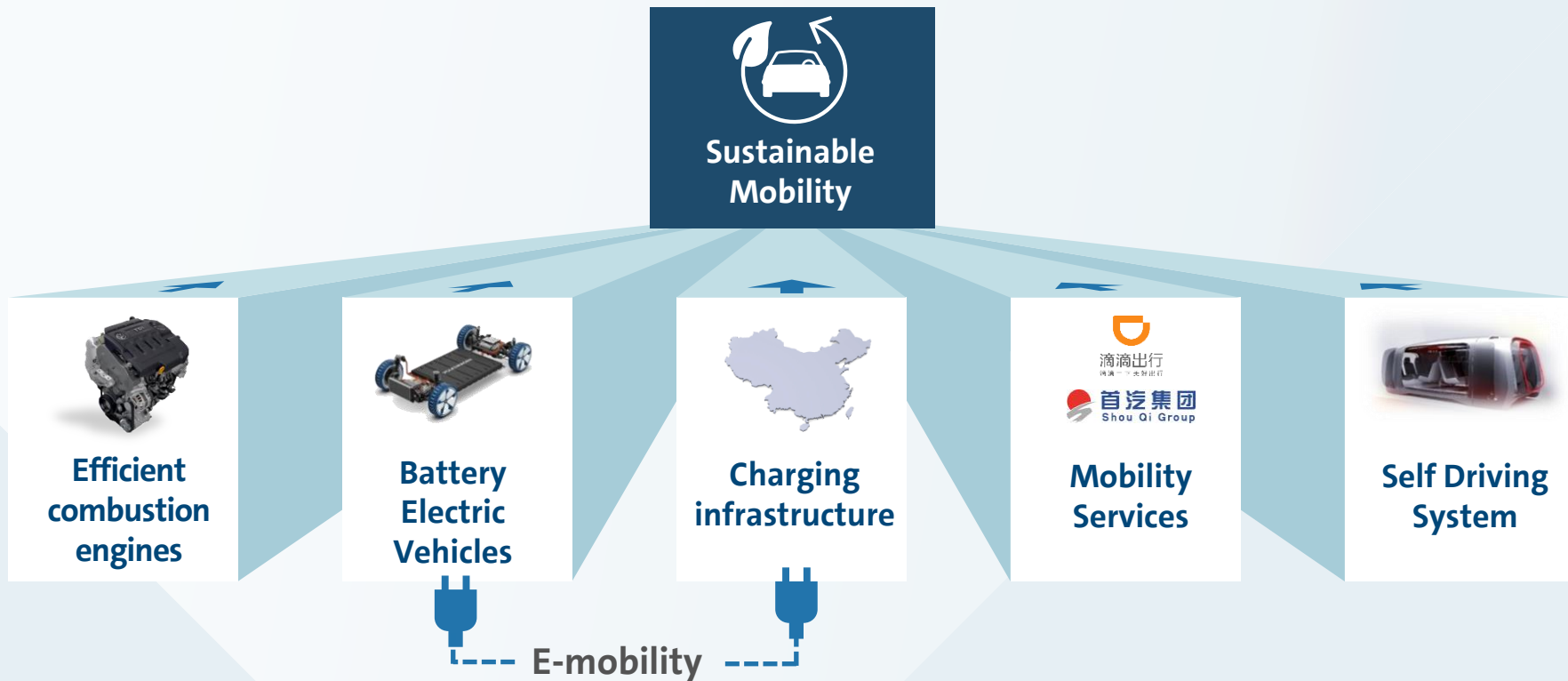


KAROQ



**3** new ŠKODA SUVs in 2018

## 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

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



- ◆ It's possible to change from MPI to TSI engines

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

- ◆ All new gasoline engines will use the "EVO" technology

# We will introduce locally produced New Energy Vehicles for the Chinese customers together with our Joint Venture Partners

## 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

Pure electric vehicles based on scalable electric toolkit



## Mass market BEV cooperation

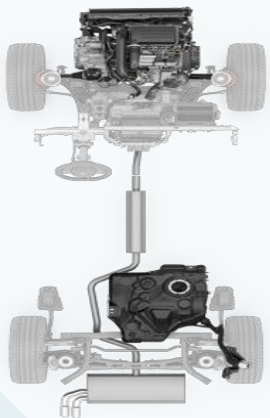
VOLKSWAGEN  
GROUP CHINA

JAC 江淮汽车



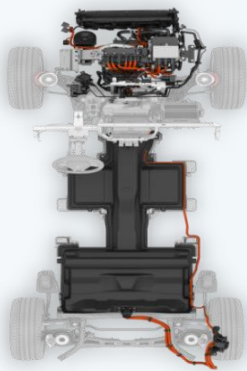
## The MQB's flexible design is able to accommodate alternative drives

### Conventional

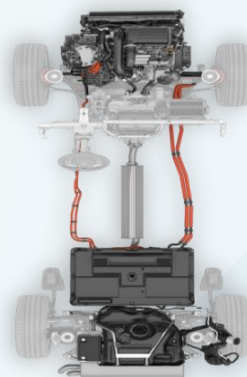


### NEVs

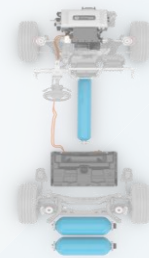
#### Battery Electric



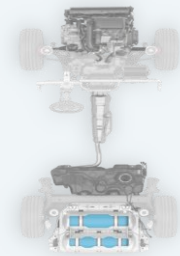
#### Plug-in Hybrid



### Fuel Cell



### Alternative/ Regenerative





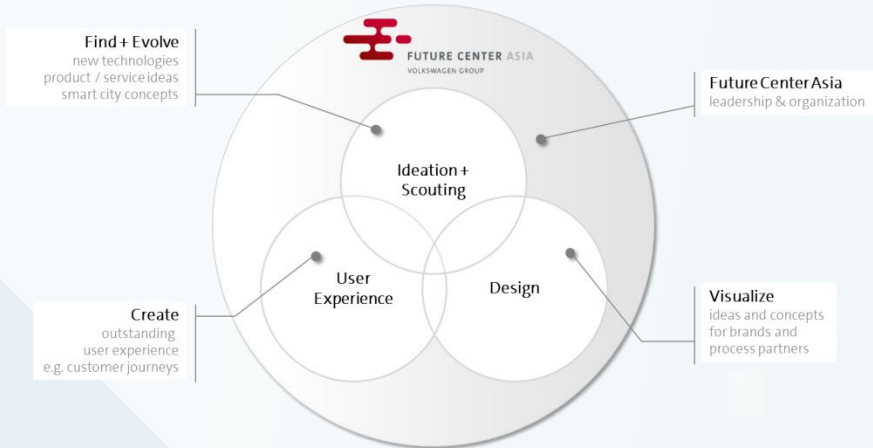
## All electric platform: The basis for future electric cars



- Concept determined by:  
customer benefit and package for cost-optimized design of e-components
- Economies of scale from use of MEB across entire Group
- “Design for manufacturing“:  
higher productivity, shorter manufacturing time
- Lower material and distribution costs
- Significant reduction in variants
- Early involvement of suppliers

# 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

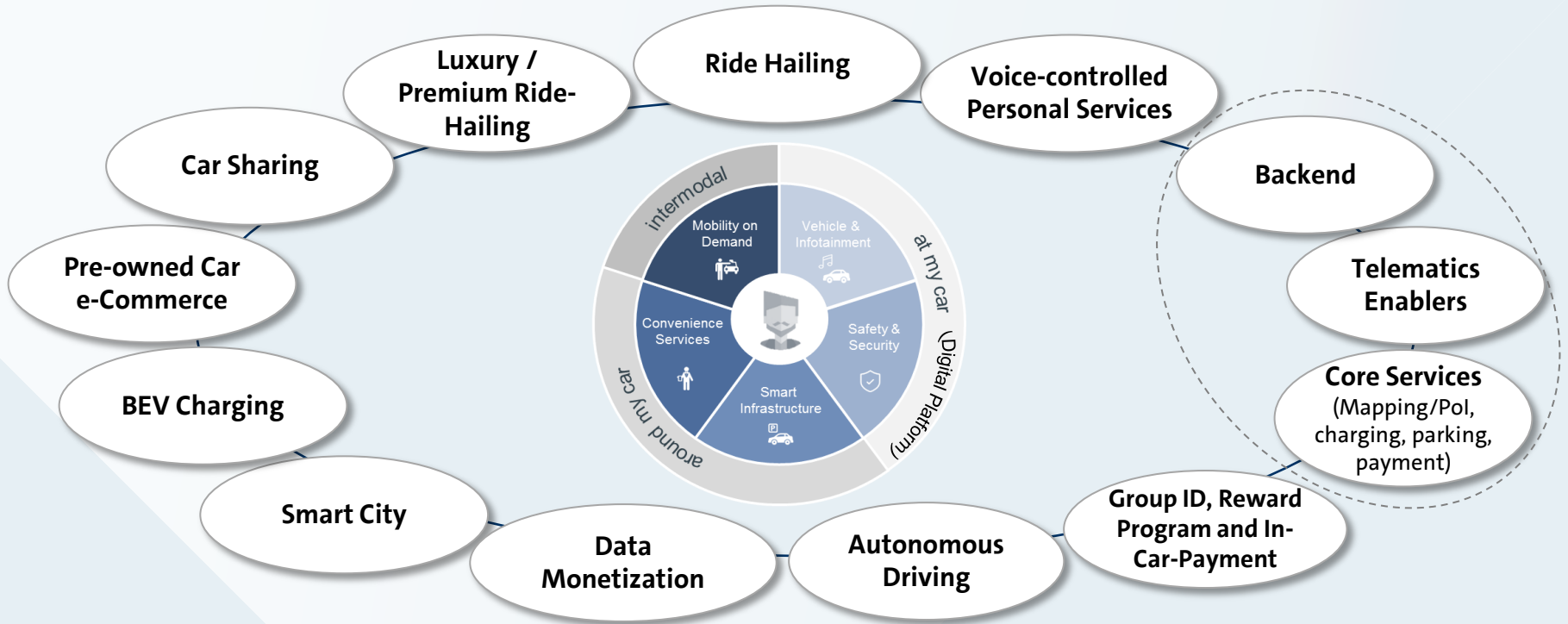
## Mobility ecosystem linking Volkswagen Group users' in-car and mobile experiences



**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



## 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

一汽-大众  
FAW-VOLKSWAGEN



Pioneering effort for Volkswagen Group China

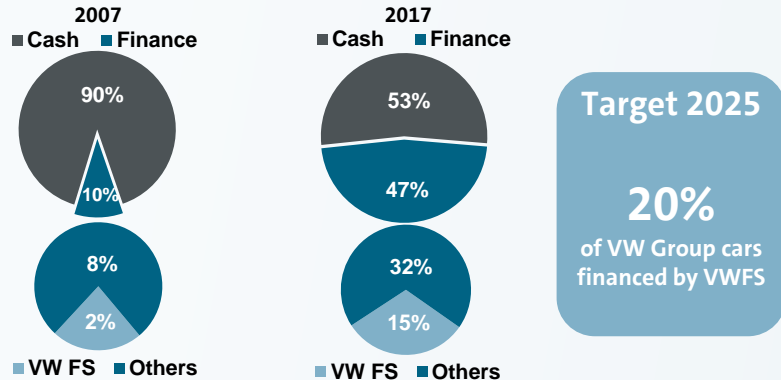
- Next step in the ongoing expansion and development of our Joint Ventures
- Target is to deliver several thousand cars to customers annually in this region
- Export of Volkswagen Group vehicles will be coordinated by Volkswagen Group Import Co. Ltd.<sup>1)</sup>
- Vehicles will be sold through Volkswagen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

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

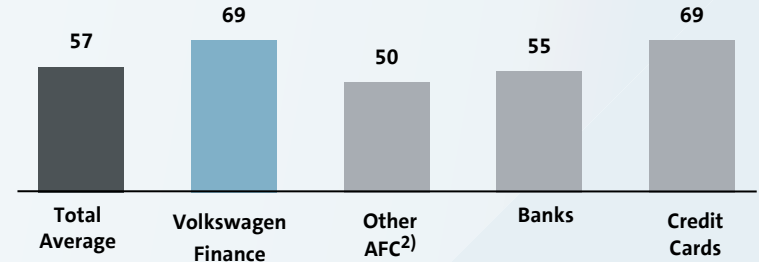
## Volkswagen Finance (China) – Gaining share in an expanding market

### Growing penetration of financing business

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



### Highest customer satisfaction<sup>1)</sup>



<sup>1)</sup> 2014-2015 China Auto Finance Consumer Behavior Report (Conducted by Ipsos and VWFC)

<sup>2)</sup> Other Automotive Finance Companies

### Financial Services China: Strategic growth dimensions

Retail Finance

Financial Leasing

Used Cars

Digitalization

NEV Strategy

## 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
- Growing localized R&D - around **4,000 engineers in R&D in China**

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GROUP CHINA

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