



VOLKSWAGEN

GROUP CHINA

**We are
redefining
mobility.**

Weiming Soh

**Executive Vice President, Group Corporate Strategy and Group Sales & Marketing,
Volkswagen Group China**

JP Morgan Investor Visit, Beijing, 06 June 2017

1 Volkswagen Group China at a glance

2 Review 2016 and Jan – Apr 2017

3 Future development

Volkswagen Group in China



More than
150 models



12 fascinating
brands



1984: first Joint
Venture Shanghai
VW was founded



1990: FAW-VW was
founded in
Changchun



Around 95,000
employees end of
2016



~330,000 employees
within dealer network
in 2016



30 production
plants end of 2016



Around €4 billion
investments
planned for 2017



More than 17%
market share in
China's passenger
car market in 2016



Over 30 million
cars delivered
since market entry



3.98 million
deliveries in 2016



Around €5 billion
proportionate
operating profit
in 2016

Volkswagen's second home market in comparison

Size of the countries



CHINA: 9,596,960 km²

GERMANY: 357,021 km²

Population

	CHINA	GERMANY
INHABITANTS	1,382 million	83 million
DENSITY (People per km ²)	144.0	231.6
AVERAGE AGE	37 years	47 years
UNEMPLOYMENT	4.1 %	6.1 %

Economy

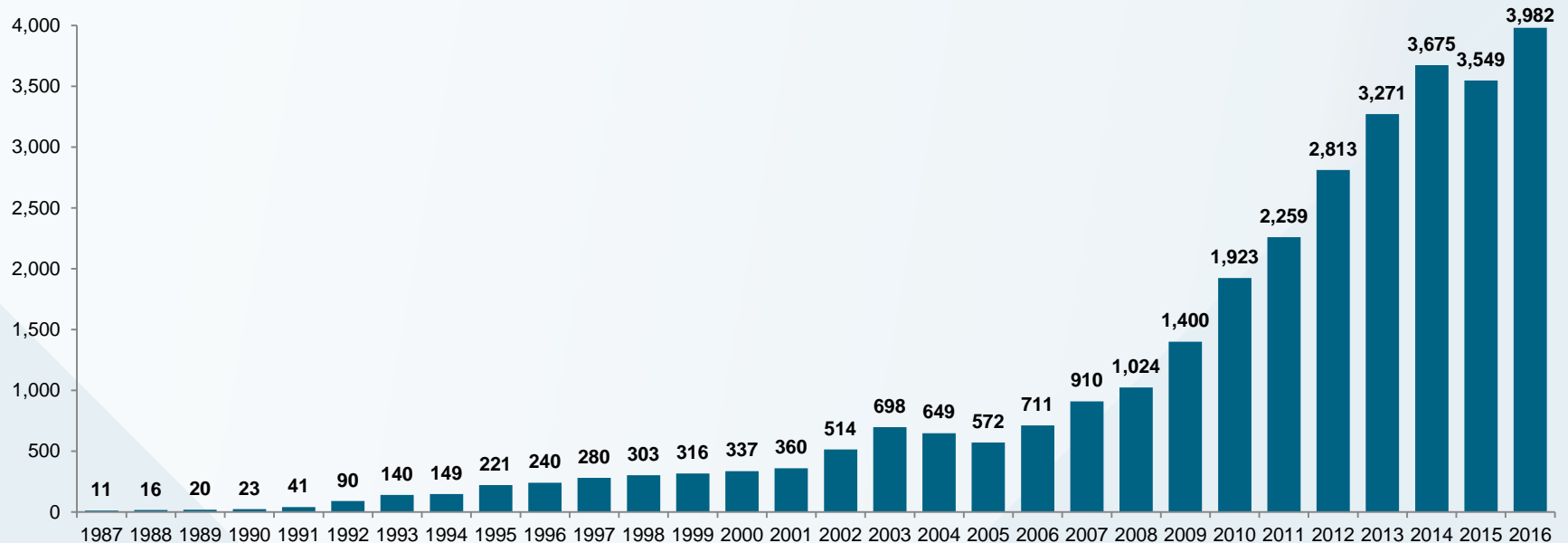
	CHINA	GERMANY
GDP	\$ 9,485 billion	\$ 3,763 billion
GDP PER CAPITA	\$ 6,862	\$ 45,498
GDP GROWTH RATE	6.7 %	1.8 %
INFLATION	2.0 %	0.5 %
TRADE BALANCE	\$ 530.6 billion	\$ 316.8 billion

Car industry

	CHINA	GERMANY
TOTAL CAR PARK	95 million	45 million
TOTAL MARKET	22.8 million	3.4 million
PRODUCTION SITES	163	25
DENSITY (Cars per 1,000 inh.)	69.2	549
AVERAGE CAR AGE	3.3	9.2

Volkswagen Group in China – A long-term success story

Volkswagen Group development of deliveries to customers (in '000 units)



Volkswagen Group production sites all over China

Volkswagen Group production facilities



- FAW-Volkswagen vehicle plants
- SAIC VOLKSWAGEN vehicle plants
- Component plants
- MAN Diesel & Turbo
- Headquarters Volkswagen Group China

Facts 2016

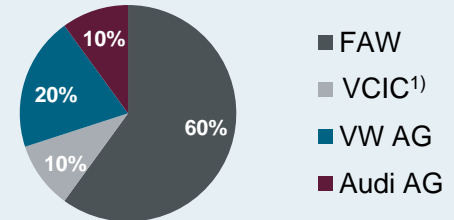
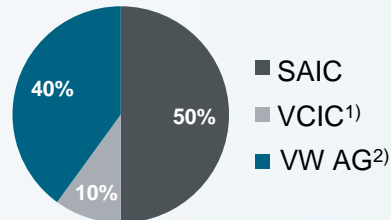
- 30 production plants in China
 - 4 FAW-Volkswagen vehicle plants
 - Changchun (2 plants)
 - Chengdu
 - Foshan
 - 8 SAIC VOLKSWAGEN vehicle plants
 - Shanghai (3 plants)
 - Nanjing
 - Yizheng
 - Ningbo
 - Urumqi
 - Changsha
 - 18 Component plants
- 3,897 thousand produced cars
- 3,784 thousand produced engines
- 2,196 thousand produced transmissions
- 1,919 thousand produced axle systems

Joint Venture structure of Volkswagen Group in China



Start of production	1983 (Santana B2)		1991 (Jetta)	
1 st JV contract signed	1984		1990	
JV contract runs until	2035		2041	
Production in 2016 (in '000 vehicles)	Volkswagen	1,652	Volkswagen	1,361
	ŠKODA	328	Audi	556
	Total	1,980	Total	1,917

Ownership structure



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

Further entities in China¹⁾



¹⁾ Selection of major companies in the region China.

²⁾ Direct and indirect holdings.

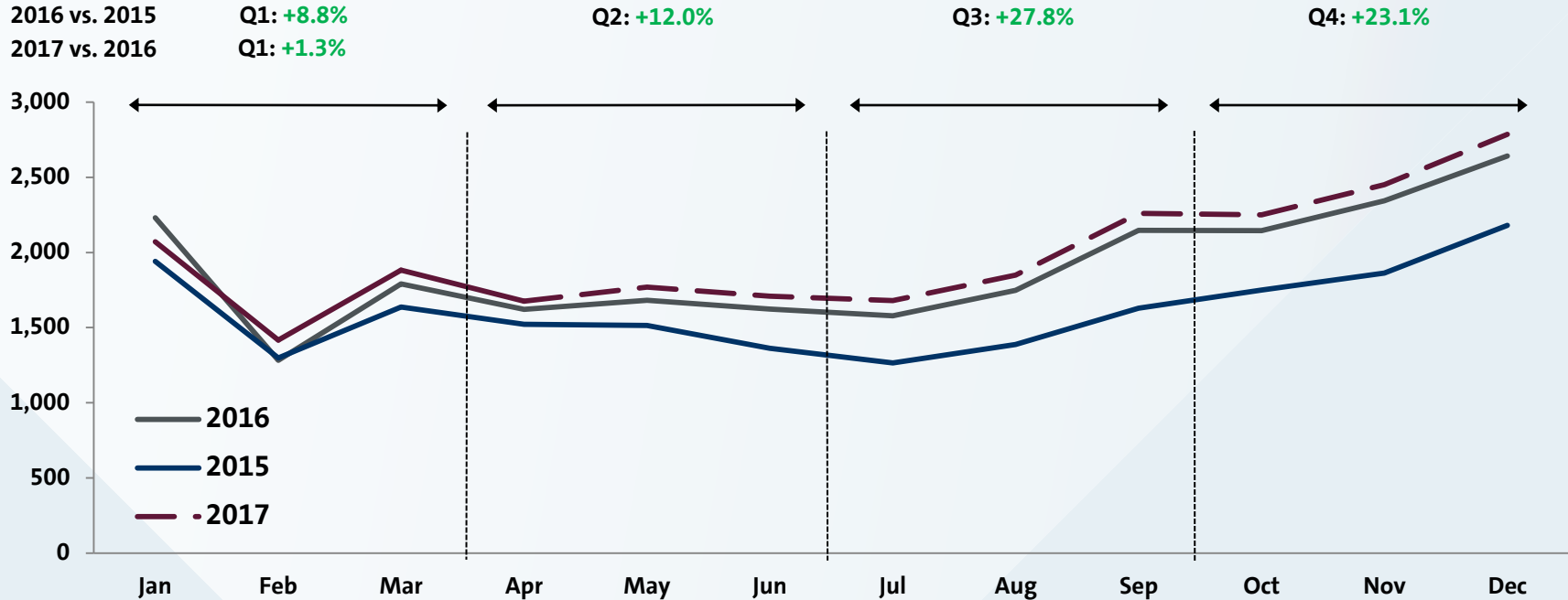
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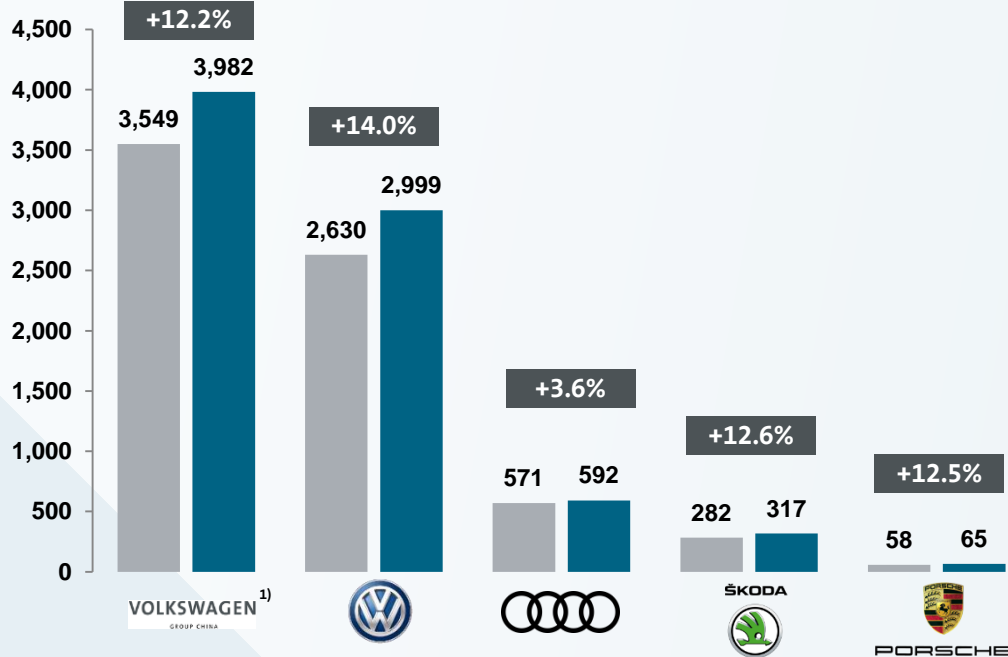
Strong market growth and pre-buy effect end of 2016 lead to slower start in 2017

Total market development (in '000 units)

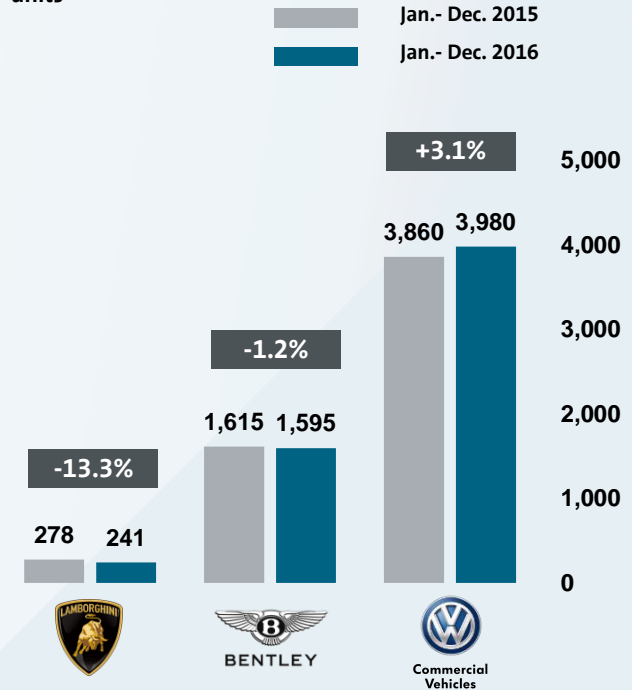


Volkswagen Group China deliveries to customers grew by 12.2% in 2016

'000 units














units



¹⁾ incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania

Top models of Volkswagen Group in respective segments in 2016

A0 HB		Polo	
<hr/>			
A HB		Golf	
<hr/>			
A NB		Gran Lavalida	
		Lavalida	
		Jetta	

B NB		Passat	
		Magotan	
<hr/>			
B SUV		Audi Q5	
<hr/>			
C NB		Audi A6	

Legend :

-  Ranking No.1
-  Ranking No.2
-  Ranking No.3

















Strong residual values of Volkswagen Group models

Residual value ranking¹⁾

CKD Models

A0	 Polo		B	 CC		MPV	 Touran	
A	 Lavida		B	 Passat		Legend:  Ranking No.1  Ranking No.2  Ranking No.3		
A	 Golf		SUV-A	 Tiguan				

FBU Models

A0	 A1 5-doors		A	 A3		C	 S7	
A0	 Beetle		B	 CC		D	 Panamera	
A0	 A1 3-doors		B	 Magotan Variant				

Importance of residual values

High and stable residual values are important due to

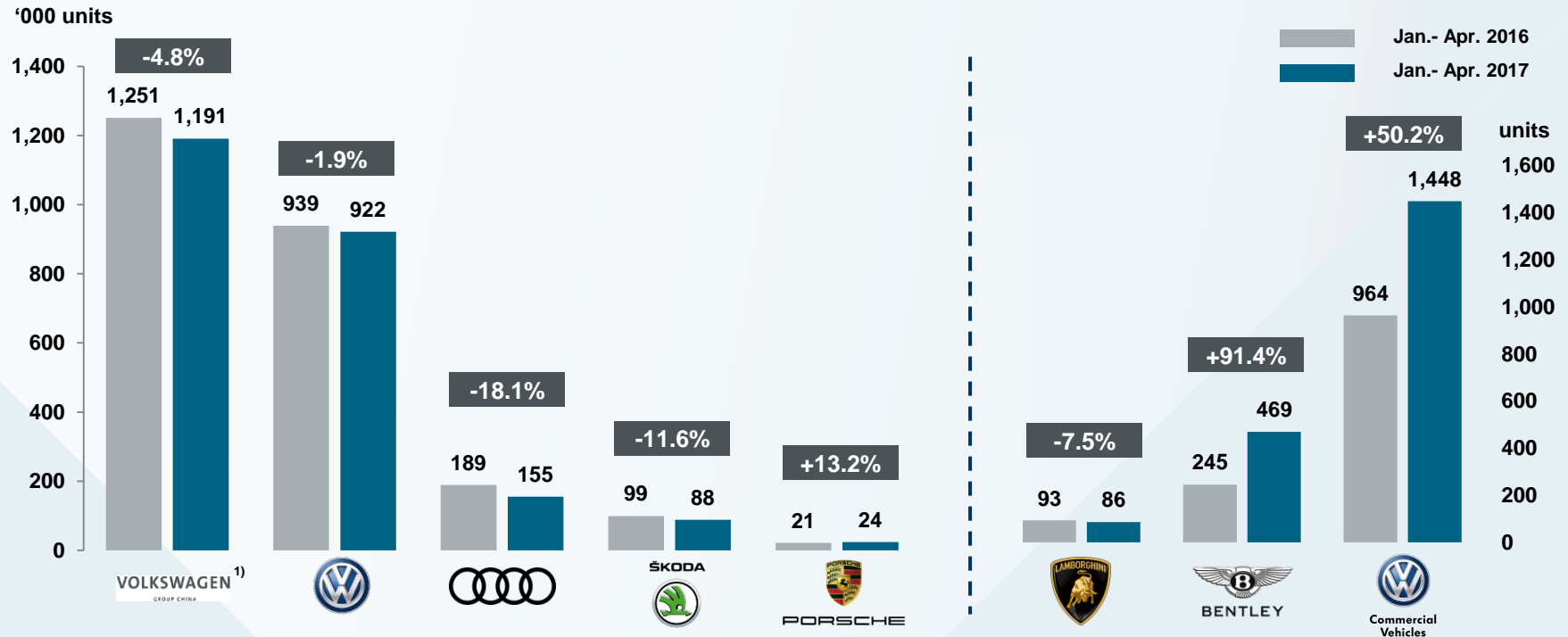
- Reduced total cost of ownership
 - › leading to attractive leasing
 - › important argument for sales team
- Increased new car sales volume
 - › while stabilizing new car prices
- Increased pre-owned car business and its competitiveness

High and stable residual values finally lead to higher

- Brand value
- Customer loyalty
- Revenue & Profit

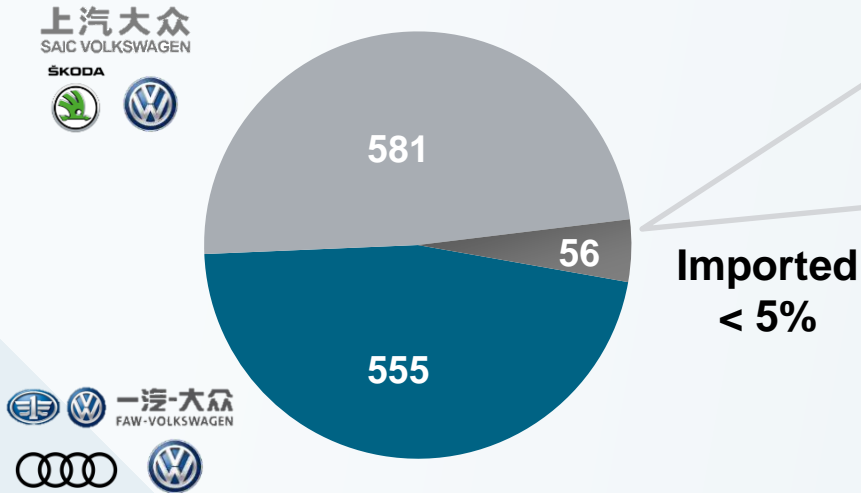
¹⁾ China Automotive Residual Value Research Committee - RV Report 11/2016; Rankings based on the 3-year residual value

Volkswagen Group China deliveries to customers until April 2017



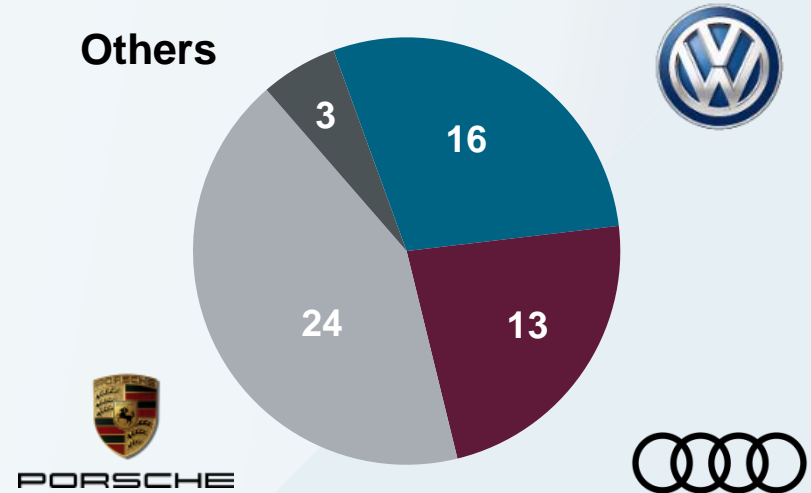
Split between locally produced and imported vehicles until April 2017¹⁾

Deliveries to customers (in '000 vehicles)



Import business 2017 (deliveries in '000 vehicles)

Others



Total deliveries in the region China amounted to 1,191 thousand until April in 2017

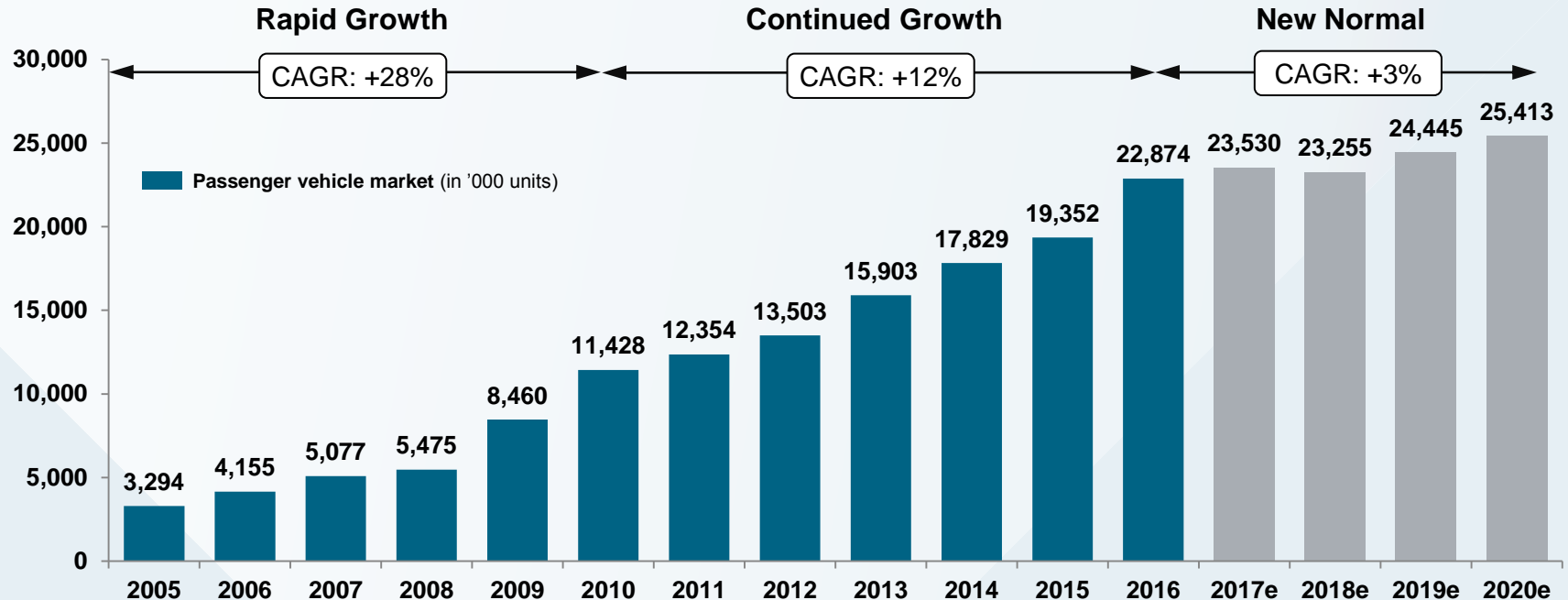
¹⁾ incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania

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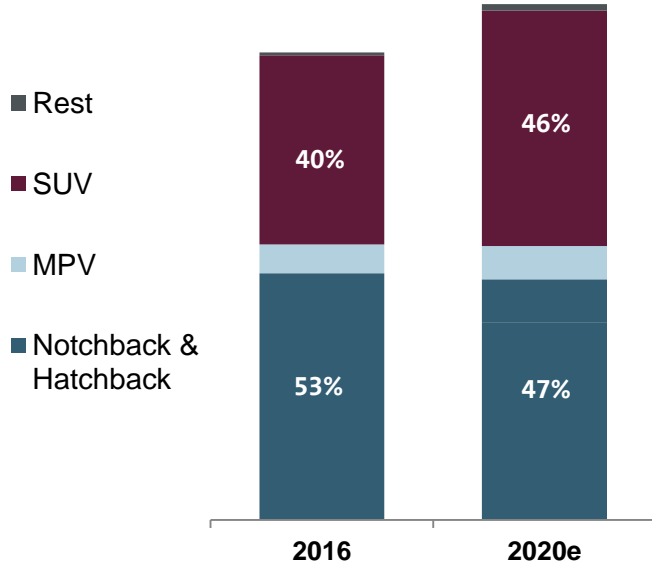
The continued rapid growth phase of China's market is over,
looking into the future we expect normalized growth



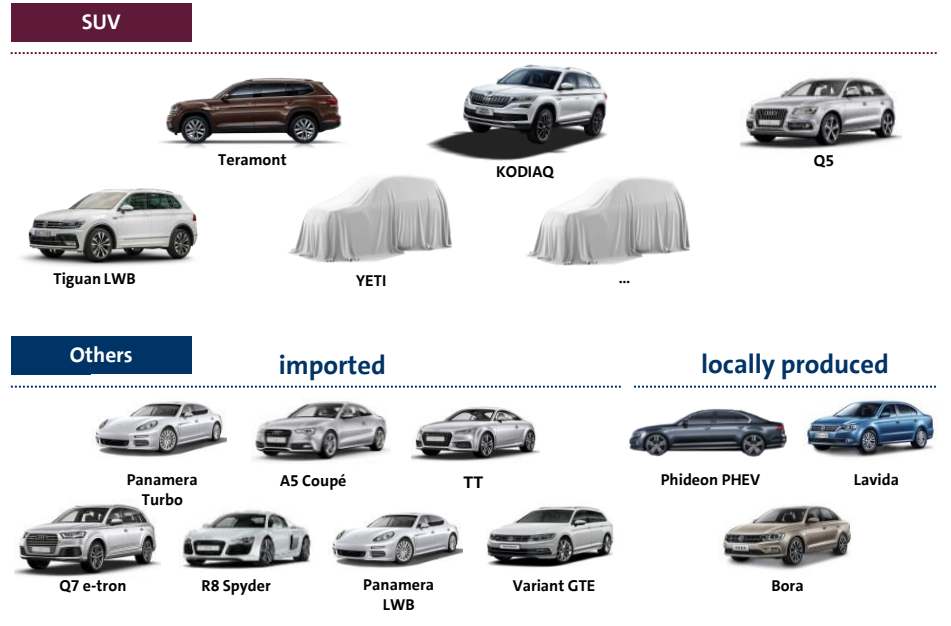
Source: Forecast by IHS (as of Jan. 2017)

New product offering with an expanded SUV offering ¹⁾

Body style trends until 2020¹⁾



New vehicle launches 2017 and to follow²⁾



¹⁾ Source: IHS ²⁾ Schematic overview – does not show all models

Audi paves the way for the new two-partner strategy in China



Audi on the road to 2025

Further localization with focus on electrified cars with FAW-Volkswagen

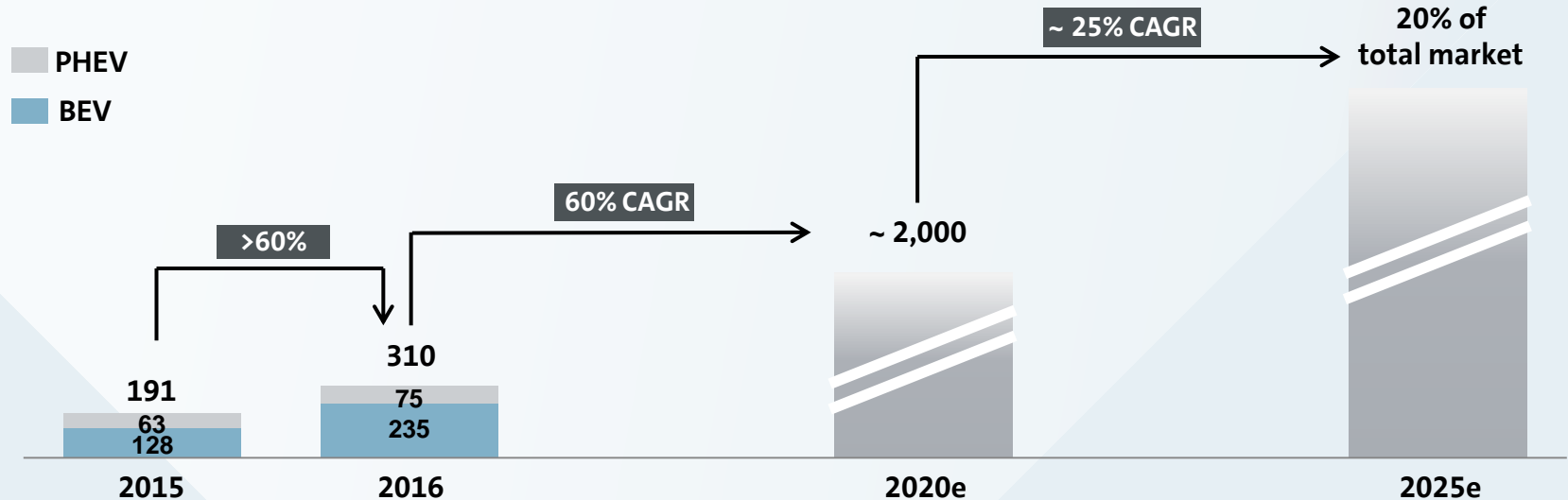
- › Strengthen development competencies in the area of electric mobility
- › 5 new localized e-tron models within the next 5 years
- › To advance localization, the collaboration in the field of tool making will be enhanced
- › Establish new joint company with FAW-Volkswagen focusing on mobility and digital services

New business potential through planned collaboration with SAIC Motor

- › Evaluating long-term collaboration for the production and distribution of Audi models and establishing data and mobility services
- › Audi models from planned SAIC Audi collaboration to be distributed through existing dealer network
- › New sales steering structure planned for unified distribution of Audi products

Mid- to Long-Term Development Plan for Automobile Industry foresees fast growing NEV market

New Energy Passenger Vehicles (in '000 units)



We will be prepared to deliver around 400,000 NEVs by 2020 and 1,500,000 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

Pure electric vehicles based on scalable electric toolkit



Mass market BEV cooperation

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JAC 江淮汽车



Volkswagen Group and JAC enter a 50:50 Joint Venture to develop, produce and sell new energy vehicles and mobility services



JV with an **initial term of 25 years**, will utilize the technical and commercial advantages of the two parties in a fully-fledged cooperation



Very attractively priced BEVs for Chinese consumers to promote the development of the Chinese NEV sector



We aim to have first cars in the **first half of 2018**



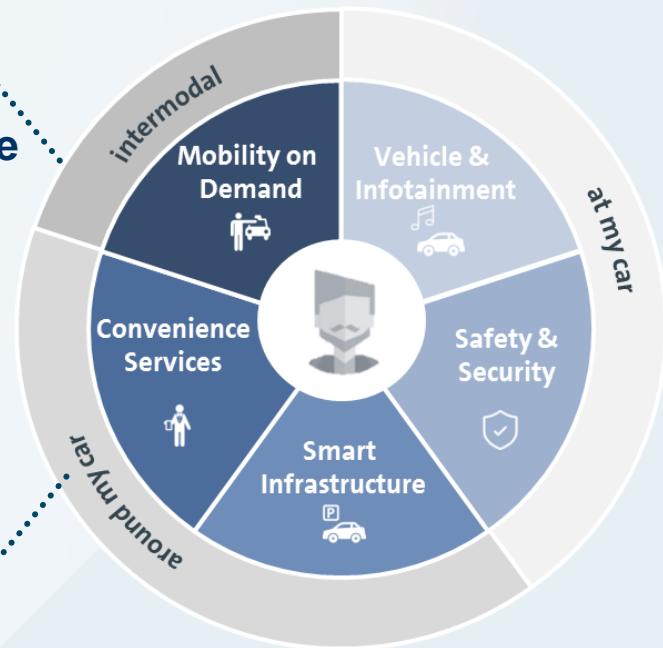
Initial capacity of the new plant is **100,000 vehicles per year**



As a first step, the joint venture entails a **total investment** by both JV parties of **around RMB 6 billion** over a period of several years

The Volkswagen Group China strives for a leading position in Mobility Services

- > **Goal: Top Provider of Mobility Services**
- > We are in the process of developing a **comprehensive portfolio of digital services** for all brands
- > To generate a sustainable **competitive advantage**, we **build up new core competences**



Goal: transformation from car manufacturer to leading mobility provider

Announced agreements for potential strategic partnerships

Ride-hailing



滴滴出行
滴滴一下 美好出行

Didi Chuxing

Pre-owned car market



Youxin

Car-sharing



Shouqi



Volkswagen Group China and Mobvoi join forces to develop and implement Artificial Intelligence technologies in cars

Significant milestone of Artificial Intelligence technologies for Chinese car owners

50:50 Joint venture to develop automotive applications



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AI MEETS AUTO



Volkswagen Group committed an overall investment of USD 180m into the joint automotive activities and further growth story of Mobvoi Inc.

Mobvoi Inc. overview

Founded	2012
Headquarters	Beijing, China
No. of employees	310
R&D quota	50% engineers (Master or higher)
No. of patents	>50 (thereof 10 in Deep Learning)

Mobvoi Technology & Products

- Voice recognition
- Natural Language Processing
- Search
- Text-to-speech





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Appendix

Strong operating result for the Volkswagen Group in China

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

Financials 2016 by car manufacturing JV – on 100% level



Deliveries to customers
(in '000 units)

1,854 (+13.5%)
of which 1,315 Volkswagen and 539 Audi

1,949 (+12.3%)
of which 1,632 Volkswagen and 317 ŠKODA

Sales revenue
(in € million)

40,875 (+1.0%)

26,064 (+0.2%)

Pre-tax profit
(in € million)

5,546 (-10.1%)

4,589 (+4.1%)

Margin

13.6%

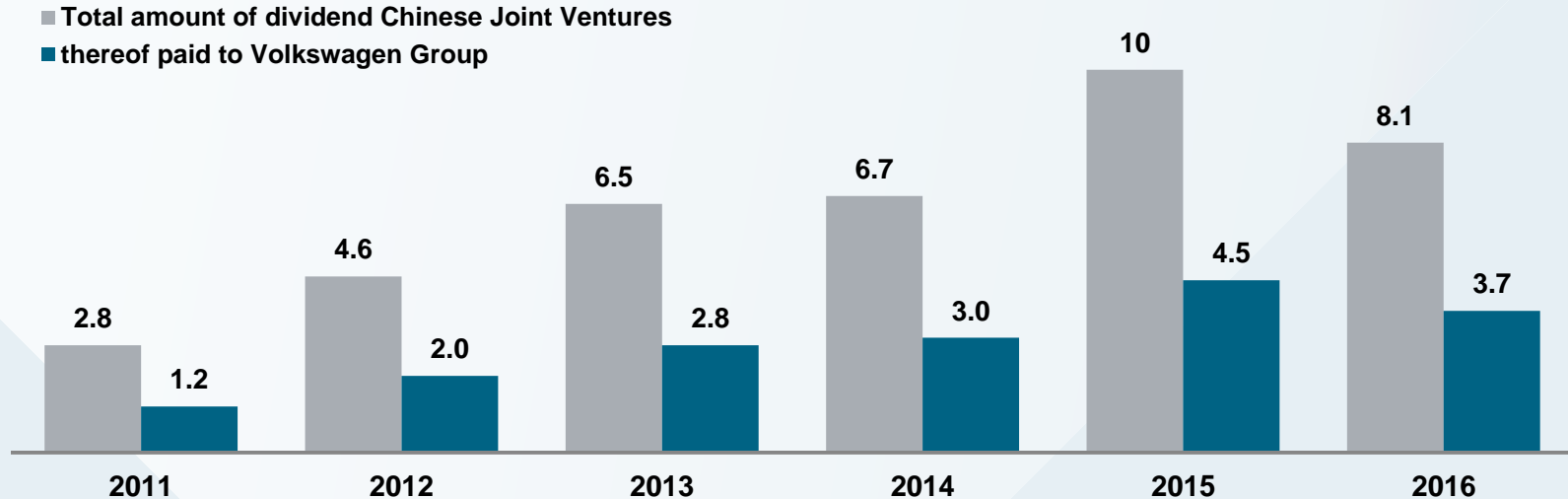
17.6%

Summarized financial information on our Joint Ventures

		FAW-Volkswagen Automotive Company			SAIC VOLKSWAGEN Automotive Company			SAIC VOLKSWAGEN Sales Company		
		2016	2015	+/- (%)	2016	2015	+/- (%)	2016	2015	+/- (%)
Equity interest		40%	40%		50%	50%		30%	30%	
Deliveries to customers¹⁾										
	'000 units	1,854	1,634	+13.5%	1,949	1,736	+12.3%			
Sales revenue	€ million	40,875	40,462	+1.0%	26,064	26,018	+0.2%	30,707	30,035	+2.2%
Depreciation, amortization, and impairment losses	€ million	1,120	1,033	+8.4%	1,091	907	+20.3%	4	4	
Interest income	€ million	82	64	+28.1%	40	79	-49.4%	-	-	
Pre-tax profit from continuing operations	€ million	5,546	6,169	-10.1%	4,589	4,408	+4.1%	614	600	+2.3%
<i>Pre-tax margin</i>		13.6%	15.2%		17.6%	16.9%		2.0%	2.0%	
Income tax	€ million	1,576	1,464	7.7%	1,127	850	+32.6%	154	151	+2.0%
Post-tax profit from continuing operations	€ million	3,970	4,705	-15.6%	3,462	3,558	-2.7%	460	449	+2.4%
<i>Pre-tax margin</i>		9.7%	11.6%		13.3%	13.7%		1.5%	1.5%	
Dividend received (as per equity interest)										
	€ million	1,631	2,170	-24.8%	1,661	2,048	-18.9%	127	143	-11.2%

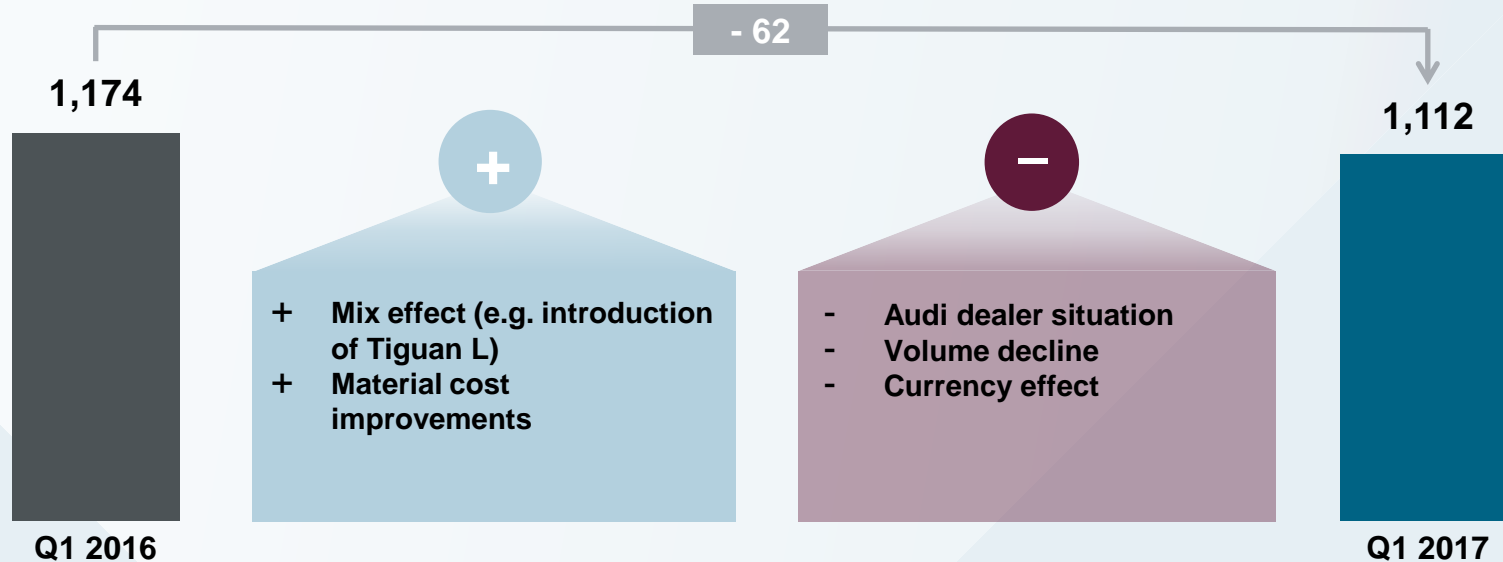
Chinese Joint Ventures generate substantial, self-funded growth and at the same time sustainably rising dividends

Total amount of dividends paid out to Joint Venture partners and Volkswagen Group (in € billion)



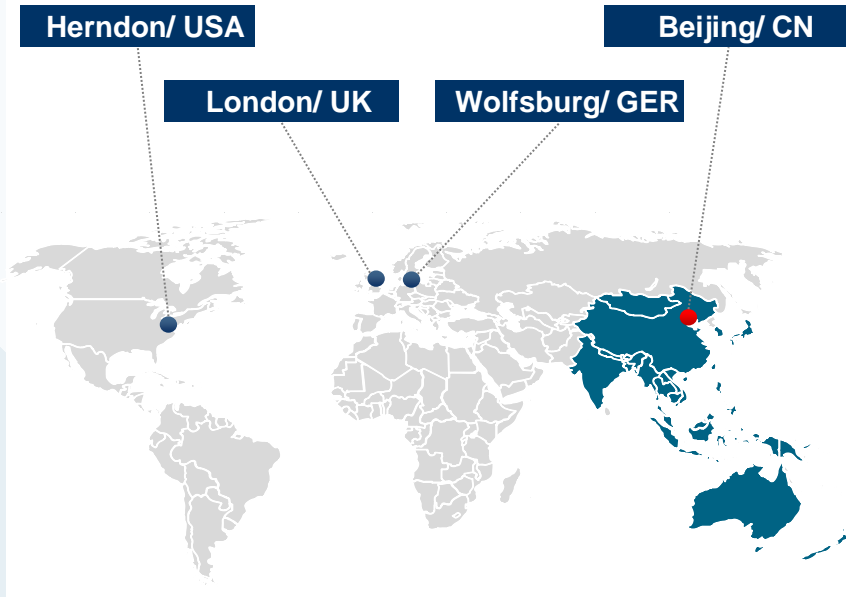
Positive effect through better mix and material cost improvements did not offset the negative effects in Q1 2017

Proportionate operating profit (in € million)



Volkswagen Group Investor Relations – Your point of contact

Worldwide offices



Investor Relations in China



Lennart Schmidt

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The background features a large, abstract geometric design composed of several overlapping triangles. A prominent teal triangle points upwards from the bottom center. To its right, a darker teal triangle points downwards. A small maroon triangle is visible at the top left. The Volkswagen logo is centered at the top.

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