Volkswagen Group China
Dr. Jörg Mull, Executive Vice President, Finance

Investor Conference Call with Deutsche Bank
Beijing, December 03rd, 2012
Content

- Our Momentum in China
- Outlook Market Development
- Investments Volkswagen Group China
- Driven by Design, Technology and Brand Image
- Financial results, challenges and opportunities
Introduction of Volkswagen Group China (VGC)

Volkswagen production facilities in China

- **FAW-Volkswagen (Volkswagen, Audi)**
- **Volkswagen FAW Platform**
- **Volkswagen FAW Engine**
- **Volkswagen Automatic Transmission**
- **Shanghai Volkswagen**
- **Shanghai Volkswagen (Volkswagen, ŠKODA)**
- **Volkswagen Transmission**
- **Shanghai Volkswagen Powertrain**
- **Volkswagen China Investment Company**
- **Volkswagen Transmission**
- **Shanghai Volkswagen**
- **Volkswagen FAW Platform**
- **Volkswagen FAW Engine**
- **Volkswagen Automatic Transmission**
- **Shanghai Volkswagen Powertrain**
- **Volkswagen China Investment Company**

Total investments 1985-2012: €15.7 Billion
Planned Investments 2013-2015: €9.8 Billion
Employees 2011: 48,058

History

- 1985: Founding of **Shanghai Volkswagen Automotive Co. (SVW)** as joint venture with Shanghai Automotive Industrial Corporation (SAIC). 8 million vehicles produced as of June 2012.
- 2004: Founding of **Volkswagen Group China** for coordination and management of activities of Volkswagen Group within China.
- Today: 17 Volkswagen companies and subsidiaries respectively (including finance and sales companies).
Volkswagen as a pioneer in China
Successful partnership with FAW and SAIC

<table>
<thead>
<tr>
<th>Foundation</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share</td>
<td>FAW 60%, VW AG 30%, AUDI AG 10%</td>
</tr>
<tr>
<td>Deliveries 2011</td>
<td>993,000</td>
</tr>
</tbody>
</table>

Volkswagen
- Jetta
- Sagitar
- Magotan
- New Bora
- CC
- Golf

Audi
- Audi A4L
- Audi A6L
- Audi Q3
- Audi Q5

Škoda
- Fabia
- Rapid
- Octavia
- Superb

SAIC Motor
- Lavida
- Santana
- Passat
- Polo
- Touran
- Tiguan

FAW
- FAW 50%
- VW AG 50%

Foundation 1985
Share SAIC Motor 50%, VW AG 50%
Deliveries 2011 1,141,000
Deliveries of Volkswagen in China January to October 2012

<table>
<thead>
<tr>
<th>Import FBU¹</th>
<th>Locally Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>VW, VWN</td>
<td>FAW-VW</td>
</tr>
<tr>
<td>69.1</td>
<td>785.3</td>
</tr>
<tr>
<td>Audi</td>
<td>265.5</td>
</tr>
<tr>
<td>Other Brands</td>
<td>SVW</td>
</tr>
<tr>
<td>10.6</td>
<td>858.7</td>
</tr>
<tr>
<td></td>
<td>204.8</td>
</tr>
<tr>
<td>Σ 147.2</td>
<td>Σ 2,114.3</td>
</tr>
</tbody>
</table>

Total Deliveries Region China 2,262

¹ incl. Hongkong; Source: Volkswagen Group China
Deliveries to customers by brand from January – October*

Strong sales performance of all main brands continuing!

* Figures including Porsche AG as from 1 August 2012
In Jan-Oct 2012, the Volkswagen Group maintained its Number 1 position by market share in China Mainland*

* Figures including Porsche AG as from 1 August 2012.
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Our Momentum in China

Outlook Market Development

Investments Volkswagen Group China

Driven by Design, Technology and Brand Image

Financial results, challenges and opportunities
Q3 2012 GDP reached 7.4% growth year on year, and the economy is now on a path of stable growth.

Source: Deutsche Bank, last update September 2012
After a strong boom in the past two years, passenger car market growth in China is stabilizing.

Total Passenger Car Market – China (incl. HK) ('000 Units)

1) Estimate; Data Source: CKD – CPCA; FBU - Registration
Total passenger car market in China will develop further in the future

**Total Passenger Car Market – China (incl. HK)**  
(’000 Units)

- **2011:** 12,386  
- **2012E:**  
- **2013E:**  
- **2020E:** >20,000

**Average Annual Growth Rate**

- 5-10%
- >7%*

* Estimate  
Source: Volkswagen Group China / IHS Global Insight
Current 5-year-plan: New growth model with focus on domestic market

To date:
Focus on export and quantitative growth

Now:
Focus on domestic market and qualitative growth

11th 5-year-plan 2006-2010
- Multi-National-Companies and infrastructure projects as growth generator
- Big growth in manufacturing trade
- Jobs in cities to keep unemployment low
- Internationally comparable price stability and well-adjusted foreign trade balance

12th 5-year-plan 2011-2015
- Domestic consumption as growth accelerator
- Megacities as growth generator
- Focus on environmental protection and energy efficiency
- Encouragement of Chinese innovations
- Social stability due to balanced allocation of prosperity
- Selective policies for foreign investment as well as globalization of Chinese companies
### Mega and small cities will be the engine of GDP growth

**Distribution by city size**

<table>
<thead>
<tr>
<th>City Level (Urban Population)</th>
<th>2005</th>
<th>2020</th>
<th>% of GDP 2005</th>
<th>% of GDP 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mega (10M+)</td>
<td>3</td>
<td>7</td>
<td>13</td>
<td>27</td>
</tr>
<tr>
<td>Big (5-10M)</td>
<td>12</td>
<td>6</td>
<td>22</td>
<td>12</td>
</tr>
<tr>
<td>Mid-sized (1.5-5.0M)</td>
<td>58</td>
<td>33</td>
<td>27</td>
<td>26</td>
</tr>
<tr>
<td>Small (0.5-1.5M)</td>
<td>202</td>
<td>169</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>Big town (&lt;0.5M)</td>
<td>544</td>
<td>378</td>
<td>15</td>
<td>10</td>
</tr>
</tbody>
</table>

- **New cities**

Remarks: 6 mega cities in 2010 (Shanghai, Beijing, Chongqing, Shenzhen, Tianjin, Guangzhou)
GDP Growth development is expected to differentiate more strongly between the various Chinese regions

Source: Provincial Government Report
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Financial results, challenges and opportunities
Go West and Go South Strategy for further growth

- Existing production site
- New production site
Further strengthening of partnerships with SAIC and FAW

- Signing ceremony April 23rd, 2012 in Wolfsburg
- Agreement about Urumqi plant

- Signing ceremony April 23rd, 2012 in Wolfsburg
- Intention to extend JV contract with FAW
Volkswagen Group China: Planned product portfolio in 2015 with 94 models

Note: number of product models
Significant growth of dealer networks planned

VOLKSWAGEN
GROUP CHINA

~3,000
>500
>500
>1,900

1,590
240
230
1120

2011
Mid-term

Significant growth of dealer networks planned
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Financial results, challenges and opportunities
Volkswagen Passat – Special design elements for Chinese customers

Radiator grill
Tail lamps
Speaker covering
Wheel program

Passat USA
Passat China
Latest TSI- and DSG-technologies of Volkswagen Group for China

- Optimized gears
- Recuperation
- Start-stop
- Low rolling friction
- New engine generation
- New TSI generation
- Prototypes with innovative Technologies
- e-Traction
- Fleet emissions

[CO₂/km] [Volume]

2010

Future's technology
Awards for brands and products of Volkswagen Group China

<table>
<thead>
<tr>
<th>Volkswagen</th>
<th>Audi</th>
<th>ŠKODA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Best Import Brand</td>
<td>„The Best Cars 2012“: 3 brand awards and 3 model awards</td>
<td>The Best Branding of 2011 (China Times and Auto Business)</td>
</tr>
<tr>
<td>(Motor Trend)</td>
<td>(Auto Motor Sport)</td>
<td>The Champion of Joint Venture Brand (Lian Xin Tian Xia)</td>
</tr>
<tr>
<td>2010-2011 Best Innovative Brand</td>
<td>2012 Annual Luxury Car – Audi A8L (China Auto Pictorial)</td>
<td>Customer Loyalty &amp; ŠKODA “Human Touch” (Auto Driving and Service, Sohu Auto, Business Unit, Shanghai Evening Post)</td>
</tr>
<tr>
<td>(General Assembly On China Brands and Communications 2011, Top Brands Contributors Awarding Ceremony)</td>
<td>Most Popular Import – Audi A1 (Car and Driver)</td>
<td></td>
</tr>
<tr>
<td>2011 China Low-Carbon Emission Auto Brand – VW Touareg Hybrid</td>
<td></td>
<td></td>
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<tr>
<td>(Xinhua Agency, International Herald Leader)</td>
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Financial results, challenges and opportunities
Volkswagen Group China reported another strong operating result for the first three quarters of 2012

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Q1-Q3 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliveries to Customers ('000 Units)</td>
<td>1,024</td>
<td>1,400</td>
<td>1,923</td>
<td>2,259</td>
<td>2,005</td>
</tr>
<tr>
<td>Production (100%)¹) ('000 Units)</td>
<td>975</td>
<td>1,387</td>
<td>1,914</td>
<td>2,202</td>
<td>1,953</td>
</tr>
<tr>
<td>Operating profit (quotal) (€ m)</td>
<td>395</td>
<td>831</td>
<td>1,907</td>
<td>2,616</td>
<td>2,806</td>
</tr>
</tbody>
</table>

¹) SVW Group/FAW-VW Group

Source: Volkswagen Group China
Challenges in a regulatory environment

Risk of restrictive policies for new car sales in developed Eastern Megacities

- **Quota**
  - Beijing: 240k cars/year
  - Shanghai: < 120k cars/year (not fixed)
  - Guangzhou: 120k cars/year

Additional megacities like Hangzhou, Shenzhen, Xi'An et al. are expected to introduce similar restriction measures.

Demanding requirements for fleet consumption

- **Phase III** (weight-based)
- **Phase IV with Phase-In** (fixed target)

Details for Phase IV still under review.
Volkswagen Group China has relevant strategies in place

Future growth prospects also coming from less developed regions and Tier 2-3 cities

Production and Dealer network extension will support Growth in Western and Southern provinces

Different measures in place to realize the ambitious fleet consumption targets

| Engine and transmission technology | Recuperation | TSI
| Start-Stop | Downsizing |
| Optimal ATM | Dual clutch transmission |

| Vehicle measures | Weight reduction |
| Aerodynamic optimization |
| Reduction of electric consumption |

**E-Traction**
- Hybrid EVs
- BEVs
- Plug-in hybrid EVs

New technologies and products will help to achieve targets
## Additional business opportunities

### Growing Chinese used car market

**Total Used Car Market forecast\(^1\)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.4</td>
</tr>
<tr>
<td>2012E</td>
<td></td>
</tr>
<tr>
<td>2014E</td>
<td></td>
</tr>
<tr>
<td>2016E</td>
<td></td>
</tr>
<tr>
<td>2018E</td>
<td>20.0</td>
</tr>
</tbody>
</table>

+30% p.a.

Roll out and Implementation of the successful Volkswagen Group used car brand “Das WeltAuto” in the Chinese dealer network

### Financial Services expects increase in retail finance share\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Finance Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>15%</td>
</tr>
<tr>
<td>2018</td>
<td>min. 30%</td>
</tr>
</tbody>
</table>

Cash: 85%
Finance: 15%

Cash buyer dominance

stronger finance demand expected

Volkswagen Financial Services also aims to establish
- Mobility packages
- Long Term Rental & Fleet Business
- Insurance Related & After Sales Services

\(^1\) Source: China Automotive Dealer Association

\(^2\) based on the total passenger car sales in the market China
Volkswagen Group China is well positioned to maintain its number one position in the market and seize additional opportunities in the future.
Disclaimer

This presentation contains 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 relating to the development of the economies of individual countries, and in particular of the automotive industry, 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. The estimates given involve a degree of risk, and the actual developments may differ from those forecast.

Consequently, 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 relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

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Industrial stock level by end of October 2012 decreased slightly to 2.3 month

Current stock level (in months) of major OEMs

Source: CPCA, VGC stock figures based on internal report.
*Stock level = month-end stock / average 3 month AaK.
All brands refer to CKD only