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

Credit Suisse Asia Investment Conference
Hongkong, March 18th, 2013
Content

Our Momentum in China

Outlook Market Development

Investments Volkswagen Group China

Driven by Design and Technology

Financial results, challenges and opportunities
Introduction of Volkswagen Group China (VGC)

Volkswagen production facilities in China

- Shanghai Volkswagen
- FAW-Volkswagen (Volkswagen, Audi)
- Volkswagen FAW Platform
- Volkswagen FAW Engine
- Volkswagen Automatic Transmission
- Shanghai Volkswagen (Volkswagen, ŠKODA)
- Volkswagen Transmission
- Shanghai Volkswagen Powertrain
- Volkswagen Transmission
- Volkswagen China Investment Company
- Beijing
- Shanghai
- Dalian
- Changchun
- Chengdu
- Yizheng
- Nanjing
- Shanghai

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).

Total investments 1985-2012

- € 15.7 Billion

Planned Investments 2013-2015

- € 9.8 Billion

Employees 2011

- 48,058
Volkswagen as a pioneer in China
Successful partnership with FAW and SAIC

<table>
<thead>
<tr>
<th>Foundation</th>
<th>Share</th>
<th>Deliveries 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>FAW 60%, VW AG 30%, AUDI AG 10%</td>
<td>1,319,000 units</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

Foundation | Share | Deliveries 2012 |
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>1985</td>
<td>SAIC Motor 50%, VW AG 50%</td>
<td>1,304,000 units</td>
</tr>
</tbody>
</table>

Volkswagen
- Lavida
- Santana
- Passat
- Polo
- Touran
- Tiguan

Skoda
- Fabia
- Rapid
- Octavia
- Superb
Deliveries of Volkswagen in China January to December 2012

**Import FBU**

- VW, VWN: 88.4
- Audi: 83.1
- Porsche: 13.0
- Other Brands: 5.2

**Locally Produced**

- FAW-VW: 995.9
- SVW: 1,068.5
- Total Deliveries Region China: 2,813

1) incl. Hongkong; Source: Volkswagen Group China
2) Porsche imports only from August-December, FY import units totaled to 31,200
2012 GDP reached 7.7% growth year on year, and the economy is now on a path of stable growth

Source: Deutsche Bank, last update December 2012.
After a strong boom in the past years, passenger car market growth in China is stabilizing and will develop further in the future.

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

* Estimate
Data 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>2012 832 cities</th>
<th>2020 865 cities</th>
<th>% of GDP 2012</th>
<th>% of GDP 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mega (10M+)</td>
<td>7</td>
<td>10</td>
<td>22</td>
<td>27</td>
</tr>
<tr>
<td>Big (5-10M)</td>
<td>9</td>
<td>11</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Mid-sized (1.5-5.0M)</td>
<td>61</td>
<td>85</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Small (0.5-1.5M)</td>
<td>282</td>
<td>335</td>
<td>27</td>
<td>26</td>
</tr>
<tr>
<td>Big town (&lt;0.5M)</td>
<td>473</td>
<td>424</td>
<td>13</td>
<td>10</td>
</tr>
</tbody>
</table>

New cities

GDP Growth development is expected to differentiate more strongly between the various Chinese regions

<table>
<thead>
<tr>
<th>Province</th>
<th>Q1 – Q3 Growth 2012</th>
<th>Total GDP 2011 (trillion RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tianjin</td>
<td>13.9%</td>
<td>1.10</td>
</tr>
<tr>
<td>Guizhou</td>
<td>13.8%</td>
<td>0.56</td>
</tr>
<tr>
<td>Chongqing</td>
<td>13.8%</td>
<td>1.00</td>
</tr>
<tr>
<td>Sichuan</td>
<td>12.8%</td>
<td>2.00</td>
</tr>
<tr>
<td>Shanxi</td>
<td>12.7%</td>
<td>1.20</td>
</tr>
<tr>
<td>Yunnan</td>
<td>12.6%</td>
<td>0.88</td>
</tr>
<tr>
<td>Gansu</td>
<td>12.3%</td>
<td>0.52</td>
</tr>
<tr>
<td>Qinghai</td>
<td>12.3%</td>
<td>0.16</td>
</tr>
<tr>
<td>Jilin</td>
<td>12.1%</td>
<td>1.04</td>
</tr>
<tr>
<td>Anhui</td>
<td>12.0%</td>
<td>1.50</td>
</tr>
<tr>
<td>Inner Mongolia</td>
<td>11.8%</td>
<td>1.40</td>
</tr>
<tr>
<td>Xinjiang</td>
<td>11.5%</td>
<td>0.66</td>
</tr>
<tr>
<td>Fujian</td>
<td>11.4%</td>
<td>1.75</td>
</tr>
<tr>
<td>Tibet</td>
<td>11.4%</td>
<td>0.06</td>
</tr>
<tr>
<td>Hunan</td>
<td>11.2%</td>
<td>1.96</td>
</tr>
<tr>
<td>Guangxi</td>
<td>11.2%</td>
<td>1.20</td>
</tr>
<tr>
<td>Hubei</td>
<td>11.2%</td>
<td>1.80</td>
</tr>
<tr>
<td>Ningxia</td>
<td>11.0%</td>
<td>0.21</td>
</tr>
<tr>
<td>Jiangxi</td>
<td>10.6%</td>
<td>1.20</td>
</tr>
<tr>
<td>Jiangsu</td>
<td>10.1%</td>
<td>4.80</td>
</tr>
<tr>
<td>Shanxi</td>
<td>10.0%</td>
<td>1.10</td>
</tr>
<tr>
<td>Henan</td>
<td>10.0%</td>
<td>2.70</td>
</tr>
<tr>
<td>Shandong</td>
<td>9.7%</td>
<td>4.54</td>
</tr>
<tr>
<td>Heilongjiang</td>
<td>9.6%</td>
<td>1.10</td>
</tr>
<tr>
<td>Liaoning</td>
<td>9.3%</td>
<td>2.20</td>
</tr>
<tr>
<td>Hebei</td>
<td>9.3%</td>
<td>2.40</td>
</tr>
<tr>
<td>Hainan</td>
<td>8.4%</td>
<td>0.25</td>
</tr>
<tr>
<td>Guangdong</td>
<td>7.9%</td>
<td>5.30</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>7.7%</td>
<td>3.18</td>
</tr>
<tr>
<td>Beijing</td>
<td>7.5%</td>
<td>1.60</td>
</tr>
<tr>
<td>Shanghai</td>
<td>7.4%</td>
<td>1.92</td>
</tr>
</tbody>
</table>

Data Source: Provincial Government Report
Go West and Go South Strategy for further growth

- Urumqi
- Chengdu
- Changchun
- Beijing
- Yizheng
- Nanjing
- Shanghai
- Ningbo
- Foshan

“Go West Strategy”
“Go South Strategy”

- Existing production site
- New production site
Capacity expansion plans – on the way to 4 million units in 2018
Standard capacity of 250 working days

4 million units

Capacity expansion plans are based on certain assumptions for the development of unit sales growth, upward flexibility (e.g. additional working days) and downward flexibility (e.g. postponement of expansion steps) are given.
Implementation of MQB\textsuperscript{1}) toolkit in Chinese production network

MQB provides substantial efficiency gains
- Reduction of unit costs
- Lower one-off expenditure
- Less engineered hours per vehicle
- Significant weight and emission reduction

Toolkit affords
- Flexibility in length, height, width
- Significant economies of scale
- Opportunity for low volume niche models
- Alternative powertrain concepts

\textsuperscript{1}) MQB: Modularer Querbaukasten / modular transversal toolkit
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 more than 90 models

Note: number of product models
Significant growth of dealer networks planned\(^1\)

\(^1\) Map includes only Volkswagen, Audi and Škoda dealers, discrepancies may occur due to reporting backlog.
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Volkswagen Passat – Special design elements for Chinese customers

Radiator grill | Tail lamps | Speaker covering | Wheel program
--- | --- | --- | ---
![Passat USA](image1) | ![Passat China](image2) | ![Passat China](image3) | ![Passat China](image4)
Latest powertrain and vehicle technologies of the Volkswagen Group for China

<table>
<thead>
<tr>
<th>Powertrain Technologies</th>
<th>Vehicle Technologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSI®</td>
<td>Weight Reduction</td>
</tr>
<tr>
<td>Downsizing</td>
<td>Optimized Aerodynamics</td>
</tr>
<tr>
<td>DSG®</td>
<td>Reduced electric power consumption</td>
</tr>
<tr>
<td>Optimized Automatic-Gearbox</td>
<td>Start-Stop</td>
</tr>
<tr>
<td></td>
<td>…</td>
</tr>
<tr>
<td>E-Mobility</td>
<td></td>
</tr>
</tbody>
</table>
Optimization of resource consumption in production process

- Example Chengdu

Less:
- Energy
- CO₂
- Water
- Waste

Think Blue. Factory.
Content

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Financial results, challenges and opportunities
Volkswagen Group China reported another strong operating result for the business year 2012

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>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>2,813</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>2,643</td>
</tr>
<tr>
<td>Operating profit (quotal) (€ m)</td>
<td>395</td>
<td>831</td>
<td>1,907</td>
<td>2,616</td>
<td>3,678</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

- 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
  - Start-Stop
  - Optimal ATM
  - TSI
  - Downsizing
  - 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 forecast¹)

<table>
<thead>
<tr>
<th>Year</th>
<th>Units (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.4</td>
</tr>
<tr>
<td>2012</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.

Financial Services expects increase in retail finance share²)

<table>
<thead>
<tr>
<th>Year</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>15%</td>
</tr>
<tr>
<td>2018</td>
<td>min. 30%</td>
</tr>
<tr>
<td></td>
<td>max. 70%</td>
</tr>
</tbody>
</table>

Cash buyer dominance

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

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.

If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superceded.

This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.
**Industrial stock level by end of January 2013 decreased to 1.4**

**Current stock level (in months) of major OEMs**

<table>
<thead>
<tr>
<th>Component</th>
<th>VW</th>
<th>FAW-VW</th>
<th>Industry Average</th>
<th>Audi</th>
<th>Skoda</th>
<th>Volkswagen Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3.9 (3.1)</td>
<td>2.2 (2.7)</td>
<td>1.5 (1.4)</td>
<td>1.4 (0.9)</td>
<td>1.3 (1.3)</td>
<td>1.1 (1.4)</td>
</tr>
<tr>
<td>2</td>
<td>2.1 (1.9)</td>
<td>2.1 (1.9)</td>
<td>1.4 (1.1)</td>
<td>1.4 (1.1)</td>
<td>1.3 (1.3)</td>
<td>1.0 (1.2)</td>
</tr>
<tr>
<td>3</td>
<td>1.8 (3.7)</td>
<td>1.7 (2.0)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.2)</td>
<td>1.3 (1.3)</td>
<td>0.9 (0.8)</td>
</tr>
<tr>
<td>4</td>
<td>1.7 (2.3)</td>
<td>1.7 (2.0)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.5)</td>
<td>1.3 (0.9)</td>
<td>0.9 (1.1)</td>
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<tr>
<td>5</td>
<td>1.8 (3.7)</td>
<td>1.7 (2.0)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.5)</td>
<td>1.3 (0.9)</td>
<td>0.9 (1.1)</td>
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<td>6</td>
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<td>1.7 (2.0)</td>
<td>1.4 (1.6)</td>
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<td>0.9 (1.1)</td>
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<td>8</td>
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<td>9</td>
<td>1.3 (1.3)</td>
<td>1.3 (1.3)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
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<tr>
<td>10</td>
<td>1.3 (1.3)</td>
<td>1.3 (1.3)</td>
<td>1.4 (1.6)</td>
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<td>1.4 (1.6)</td>
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<td>11</td>
<td>1.1 (1.4)</td>
<td>1.1 (1.4)</td>
<td>1.4 (1.6)</td>
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<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
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<tr>
<td>12</td>
<td>1.0 (1.2)</td>
<td>1.0 (1.2)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
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<tr>
<td>13</td>
<td>0.9 (0.8)</td>
<td>0.9 (0.8)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
</tr>
<tr>
<td>14</td>
<td>0.9 (1.1)</td>
<td>0.9 (1.1)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
</tr>
<tr>
<td>15</td>
<td>0.8 (1.5)</td>
<td>0.8 (1.5)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
<td>1.4 (1.6)</td>
</tr>
</tbody>
</table>

**Source:** CPCA, VGC stock figures based on internal report.

(x.x) stock level by end of December 2012

*Stock level = month-end stock / average 3 month AaK.

All brands refer to CKD only.