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

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

### History

- **1985:** Founding of **Shanghai Volkswagen Automotive Co. (SVW)** as joint venture with Shanghai Automotive Industrial Corporation (SAIC). 9 million vehicles produced as of April 2013.

- **1991:** Founding of **FAW-Volkswagen Automotive Co. Ltd. (FAW-VW)** as second joint venture with First Automotive Work (FAW). 7 million vehicles produced as of February 2013.

- **2004:** Founding of **Volkswagen Group China** for coordination and management of activities of Volkswagen Group within China.

- **Today:** 23 Volkswagen companies and **subsidiaries** respectively (incl. finance and sales but excl. retail companies).

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**Total investments 1985-2012**

- € 15.7 Billion

**Planned Investments 2013-2015**

- € 9.8 Billion

**Employees 2012**

- 74,500
Volkswagen as a pioneer in China
Successful partnership with FAW and SAIC

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>1985</th>
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<tbody>
<tr>
<td>Foundation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share</td>
<td>FAW 60%, VW AG 30%, AUDI AG 10%</td>
<td>SAIC Motor 50%, VW AG 50%</td>
</tr>
<tr>
<td>Deliveries 2012</td>
<td>1,319,000 units</td>
<td>1,304,000 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

- **Volkswagen**
  - Lavida
  - Santana
  - Passat
  - Polo
  - Touran
  - Tiguan
Deliveries of Volkswagen in China from January to March 2013

<table>
<thead>
<tr>
<th>Import FBU*</th>
<th>Locally Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>(‘000 Units)</td>
<td>(‘000 Units)</td>
</tr>
<tr>
<td>VW, VWN</td>
<td>FAW-VW 261.8</td>
</tr>
<tr>
<td>20.3</td>
<td>Audi 85.2</td>
</tr>
<tr>
<td>Audi</td>
<td>SVW 316.7</td>
</tr>
<tr>
<td>17.6</td>
<td>Volkswagen 57.4</td>
</tr>
<tr>
<td>Porsche</td>
<td>Other Brands 1.1</td>
</tr>
<tr>
<td>8.8</td>
<td></td>
</tr>
<tr>
<td>Other Brands</td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td></td>
</tr>
</tbody>
</table>

Σ 47.8

Σ 721.1

Total Deliveries Region China 768.9

* incl. Hongkong; Source: Volkswagen Group China
Deliveries to customers by brand from January – March 2013*

The overall sales performance is significantly better than 2012!

* Figures including Porsche AG as from 1 August 2012
In Jan-Mar 2013, 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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Q1 2013 GDP reached 7.7% growth year on year, and the economy is now on a path of stable growth.
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

### Past:
**Focus on export and quantitative growth**

- **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

### Now:
**Focus on domestic market and qualitative growth**

- **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

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

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

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

“Go West Strategy”
- Urumqi
- Chengdu
- Beijing
- Yizheng
- Shanghai
- Changsha
- Foshan

“Go South Strategy”
- Nanjing
- Ningbo
- Shanghai

Legend:
- Green circle: Existing vehicle production site
- Red circle: New vehicle 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{*}) 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{*}) MQB: Modularer Querbaukasten / modular transversal toolkit

Start: 2013
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*)

*) 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  Passat China
Latest powertrain and vehicle technologies of the Volkswagen Group for China

**Powertrain Technologies**
- TSI®
- Downsizing
- DSG®
- Optimized Automatic-Gearbox
- E-Mobility

**Vehicle Technologies**
- Weight Reduction
- Optimized Aerodynamics
- Reduced electric power consumption
- Start-Stop
- ...

![Powertrain Image](image1.png)
![Vehicle Image](image2.png)
Optimization of resource consumption in production process

- Factories

- Press Shop
- Body Shop
- Paint Shop
- Infrastructure

Less:
- Energy
- CO₂
- Water
- Waste

– Example Chengdu –
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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>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Q1/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliveries to Customers (‘000 Units)</td>
<td>1,400</td>
<td>1,923</td>
<td>2,259</td>
<td>2,813</td>
<td>769</td>
</tr>
<tr>
<td>Production (100%)1) (‘000 Units)</td>
<td>1,387</td>
<td>1,914</td>
<td>2,202</td>
<td>2,643</td>
<td>733</td>
</tr>
<tr>
<td>Operating profit (quotal) (€ m)</td>
<td>831</td>
<td>1,907</td>
<td>2,616</td>
<td>3,678</td>
<td>1,156</td>
</tr>
</tbody>
</table>

1) SVW Group/FAW-VW Group
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

\[ \text{Details for Phase IV still under review} \]
Volkswagen Group China has relevant strategies in place

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

“Go West Strategy”

“Go South Strategy”

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

Different measures in place to realize the ambitious fleet consumption targets

<table>
<thead>
<tr>
<th>Engine and transmission technology</th>
<th>Recuperation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Start-Stop</td>
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<tr>
<td></td>
<td>Optimal ATM</td>
</tr>
<tr>
<td>TSI</td>
<td>Downsizing</td>
</tr>
<tr>
<td></td>
<td>Dual clutch transmission</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Vehicle measures</th>
<th>Weight reduction</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Aerodynamic optimization</td>
</tr>
<tr>
<td></td>
<td>Reduction of electric consumption</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>E-Traction</th>
<th>Hybrid EVs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BEVs</td>
</tr>
<tr>
<td></td>
<td>Plug-in hybrid EVs</td>
</tr>
</tbody>
</table>

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 (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.

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 share²)

- **2012**
  - Cash: 15%
  - Finance: 85%

- **2018**
  - Cash: min. 30%
  - Finance: max. 70%

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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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 March 2013 remained at 1.8

Current stock level (in months) of major OEMs

<table>
<thead>
<tr>
<th>Comp.</th>
<th>Industry</th>
<th>Skoda</th>
<th>FAW-VW</th>
<th>SVW</th>
<th>Audi</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>4.3 (3.3)</td>
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<tr>
<td>2</td>
<td>4.0 (2.6)</td>
<td></td>
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<tr>
<td>3</td>
<td>3.2 (2.6)</td>
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<tr>
<td>4</td>
<td>1.9 (1.6)</td>
<td>1.8 (1.8)</td>
<td>1.7 (1.7)</td>
<td>1.7 (1.4)</td>
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<tr>
<td>5</td>
<td>1.6 (1.6)</td>
<td>1.6 (1.3)</td>
<td>1.6 (1.5)</td>
<td>1.5 (1.2)</td>
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</tr>
<tr>
<td>6</td>
<td>1.4 (1.2)</td>
<td>1.3 (1.2)</td>
<td>1.3 (1.2)</td>
<td>1.2 (1.1)</td>
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<tr>
<td>7</td>
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<td>1.1 (1.0)</td>
<td>1.1 (1.0)</td>
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<td>1.1 (1.1)</td>
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<tr>
<td>15</td>
<td>1.1 (1.1)</td>
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</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