Volkswagen Group in Russia

Marcus Osegowitsch
General Director, Volkswagen Group Rus
ŠKODA & Eastern Europe Capital Market Day, Mladá Boleslav, 7 June 2013
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 Such statements are valid on the date of publication and can be superceded.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.
Agenda

1. A Glance on Russian Macroeconomics: Expansive but Volatile Environment

2. Car Market Situation Russia

3. Volkswagen Group Rus – Who we are

4. Outlook

5. Questions and Answers
Agenda

1. A Glance on Russian Macroeconomics: Expansive but Volatile Environment

2. Car Market Situation Russia

3. Volkswagen Group Rus – Who we are

4. Outlook

5. Questions and Answers
Russia – Impressions
Russian macroeconomics: Expansive but volatile environment
Huge dimensions offer substantial upside but also pose significant challenges

Demanding geographical conditions
- With 17 million km² Russia is the largest country in the world
- The country extends to 9 time zones and all climate zones (except for the tropics)
- Temperatures reach a level of +40° and fall to -50° Celsius

Comparing some demographic statistics

<table>
<thead>
<tr>
<th></th>
<th>Russia</th>
<th>Germany</th>
<th>France</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (mn)</td>
<td>143</td>
<td>81</td>
<td>66</td>
<td>63</td>
</tr>
<tr>
<td>Population per km²</td>
<td>8</td>
<td>227</td>
<td>120</td>
<td>255</td>
</tr>
<tr>
<td>Average age (years)</td>
<td>38.8</td>
<td>45.7</td>
<td>40.6</td>
<td>40.3</td>
</tr>
<tr>
<td>Birth rate (per 1,000 inh.)</td>
<td>12.1</td>
<td>8.4</td>
<td>12.6</td>
<td>12.3</td>
</tr>
<tr>
<td>Ratio Male / Female</td>
<td>0.86</td>
<td>0.97</td>
<td>0.96</td>
<td>0.99</td>
</tr>
<tr>
<td>Life expectancy (male)</td>
<td>64.4</td>
<td>78.0</td>
<td>78.4</td>
<td>78.1</td>
</tr>
<tr>
<td>Illiterate persons (&gt;14 years)</td>
<td>0.4%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

- As of today, 7 out of 10 Russians are living in an urban area or city
- While 75% of the country is on the Asian continent, 75% of the population is living in the European part

Source: The CIA World Factbook
Russian macroeconomics: Expansive but volatile environment

Demographic trends and average income dynamics are supportive for the car industry

- Population expected to decrease slightly from 143 m to 142 m in 2018
- Percentage of population aged 15–64 (working age) will decrease by 3.1% by 2018

Average prosperity is increasing

- Rapid expansion of middle class (2010: 30% → 2020: 55%)
- >10 m households with annual income over US$50k by 2018

Source: IHS Global Insight - Global Consumer Markets Service
Russian macroeconomics: Expansive but volatile environment
Slowing but still above average GDP growth, heavily relying on resources

- GDP growth is expected to slow down
- Sluggish domestic investment in combination with the weak global economy have been major contributors to this development
- Pace of structural reform to boost productivity from the government has been slow

Source: Rosstat, IMF, MED, EBRD

- >20% of Russian GDP and 64% of export revenues stem from the oil & gas industry
- Oil price trend is extremely important for overall economic health
- Current forecast assumes a continued oil price below $100/ barrel

Source: Bloomberg, Finmarket
Russian macroeconomics: Expansive but volatile environment
Despite considerable annual inflation the Russian Rouble is relatively stable

- YTD inflation rate reached 2.4% (+0.6% vs. 2012 on annualized basis)
- Future development of inflation uncertain
- Significant challenge for production cost (wage increases)

- RUR depreciated slightly ytd on the wave of negative oil price development
- Risk for further devaluation if crisis occurs

Source: Ministry of Economic Development, RBC, WSJ, Oanda
Source: Oanda, WSJ
Agenda

1. A Glance on Russian Macroeconomics: Expansive but Volatile Environment

2. Car Market Situation Russia

3. Volkswagen Group Rus – Who we are

4. Outlook

5. Questions and Answers
Strong growth, but also high volatility possible

Deliveries to customers (’000 units)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliveries</td>
<td>1,305</td>
<td>1,680</td>
<td>2,336</td>
<td>2,684</td>
<td>1,347</td>
<td>1,750</td>
<td>2,443</td>
<td>2,721</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>+29%</td>
<td>+39%</td>
<td>+15%</td>
<td>-50%</td>
<td>+30%</td>
<td>+40%</td>
<td>+11%</td>
<td></td>
</tr>
</tbody>
</table>

Source: AEB, VGR

Domestic brands losing market share

Share of domestic brands in deliveries to customers

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share</td>
<td>55%</td>
<td>41%</td>
<td>32%</td>
<td>25%</td>
<td>28%</td>
<td>31%</td>
<td>25%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: AEB, VGR

Russian passenger car market: 2005 – 2012 development
### Russian passenger car market: Segment and bodystyle matrix

**January – December 2012**

<table>
<thead>
<tr>
<th>Bodystyle</th>
<th>Segment</th>
<th>A00</th>
<th>A0</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Sedan</td>
<td>149,479</td>
<td>70,400</td>
<td>10,564</td>
<td>6,528</td>
<td>1,073</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hatch</td>
<td>243,175</td>
<td>399,082</td>
<td>112,454</td>
<td>78,835</td>
<td>14,080</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SUV</td>
<td>53,083</td>
<td>293,754</td>
<td>229,507</td>
<td>749</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>585,889</td>
<td>302,541</td>
<td>125,924</td>
<td>37,794</td>
<td>6,046</td>
<td></td>
</tr>
</tbody>
</table>

Source: AEB, VGR

Largest sub-segments with Volkswagen Group Rus presence
Agenda

1. A Glance on Russian Macroeconomics: Expansive but Volatile Environment

2. Car Market Situation Russia

3. Volkswagen Group Rus – Who we are

4. Outlook

5. Questions and Answers
Volkswagen Group Rus

Key Figures Volkswagen Group Rus

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Sales (’000 units)</td>
<td>94.0</td>
<td>131.3</td>
<td>316.2</td>
<td>180.0</td>
</tr>
<tr>
<td>Production (’000 units)</td>
<td>49.0</td>
<td>95.0</td>
<td>135.0</td>
<td>180.0</td>
</tr>
<tr>
<td>Employees</td>
<td>3,000</td>
<td>4,700</td>
<td>6,500</td>
<td>6,537</td>
</tr>
<tr>
<td>Dealers</td>
<td>287</td>
<td>303</td>
<td>356</td>
<td>413</td>
</tr>
</tbody>
</table>

1) 2011/2012: Including export

Friends & Family in Russia:

ŠKODA & Eastern Europe Capital Market Day
**Volkswagen Group Rus further improved its market position**

**Group Ranking 2012 (incl. Light Commercial Vehicles)**

### Deliveries in '000 units

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Deliveries</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AvtoVAZ</td>
<td>538</td>
<td>(-7%)</td>
</tr>
<tr>
<td>2</td>
<td>Hyundai-KIA</td>
<td>362</td>
<td>(+14%)</td>
</tr>
<tr>
<td>3</td>
<td>Renault-Nissan</td>
<td>353</td>
<td>(+17%)</td>
</tr>
<tr>
<td>4</td>
<td>Volkswagen Group Rus</td>
<td>315.6</td>
<td>(+38%)</td>
</tr>
<tr>
<td>5</td>
<td>GM Group</td>
<td>288</td>
<td>(+19%)</td>
</tr>
<tr>
<td>6</td>
<td>Toyota Group</td>
<td>169</td>
<td>(+27%)</td>
</tr>
<tr>
<td>7</td>
<td>Ford</td>
<td>131</td>
<td>(+11%)</td>
</tr>
<tr>
<td>8</td>
<td>GAZ Group</td>
<td>90</td>
<td>(+0%)</td>
</tr>
<tr>
<td>9</td>
<td>Daewoo</td>
<td>88</td>
<td>(-5%)</td>
</tr>
<tr>
<td>10</td>
<td>PSA Peugeot Citroen</td>
<td>77</td>
<td>(+7%)</td>
</tr>
</tbody>
</table>

Source: AEB  

### Market share 2012

100% equals 2.934 m passenger cars & light commercial vehicles

- **AvtoVAZ**, 18.3%
- **Hyundai-KIA**, 12.3%
- **Renault-Nissan**, 12.0%
- **Volkswagen Group Rus**, 10.8%
- **GM Group**, 9.8%
- **PSA Peugeot Citroen**, 2.6%
- **Daewoo**, 3.0%
- **Ford**, 4.5%
- **Toyota Group**, 5.7%
- **Others**, 17.8%

1) Includes Volkswagen Passenger Cars, ŠKODA, Audi, SEAT, Bentley, Lamborghini and Volkswagen Commercial Vehicles
Above-average growth momentum of Volkswagen Group brands
Brand Ranking 2012 (vs. 2011)

Volkswagen Group brands with good progress

<table>
<thead>
<tr>
<th>Deliveries in ’000 units</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (1) Lada</td>
<td>538 (-7%)</td>
</tr>
<tr>
<td>2 (2) Chevrolet</td>
<td>205 (+18%)</td>
</tr>
<tr>
<td>3 (4) Kia</td>
<td>187 (+23%)</td>
</tr>
<tr>
<td>4 (5) Renault</td>
<td>186 (+22%)</td>
</tr>
<tr>
<td>5 (3) Hyundai</td>
<td>172 (+8%)</td>
</tr>
<tr>
<td>6 (7) Volkswagen</td>
<td>165 (+40%)</td>
</tr>
<tr>
<td>7 (6) Nissan</td>
<td>151 (+11%)</td>
</tr>
<tr>
<td>8 (8) Toyota</td>
<td>146 (+25%)</td>
</tr>
<tr>
<td>9 (9) Ford</td>
<td>118 (+8%)</td>
</tr>
<tr>
<td>10 (11) ŠKODA</td>
<td>99 (+34%)</td>
</tr>
<tr>
<td>17 (20) Audi</td>
<td>34 (+44%)</td>
</tr>
<tr>
<td>37 (39) Porsche</td>
<td>3.6 (+64%)</td>
</tr>
<tr>
<td>40 (44) SEAT</td>
<td>2.5 (+122%)</td>
</tr>
</tbody>
</table>

Source: AEB

Market share 2012 by brand

100% equals 2.721 m passenger cars

- Lada: 19.8%
- Chevrolet: 7.5%
- ŠKODA: 3.6%
- Ford: 4.3%
- Toyota: 5.4%
- Nissan: 5.6%
- Volkswagen: 6.1%
- Hyundai: 6.8%
- Renault: 6.3%
- Kia: 6.9%
- Others: 27.7%

ŠKODA & Eastern Europe Capital Market Day
History of Volkswagen Group Rus

1994
Foundation – sales company

2006
Merger of sales + production to Volkswagen Group Rus

2007
Official plant opening in Kaluga

2009
Merger of sales + production to Volkswagen Group Rus

2010
Official start of CKD assembly (Volkswagen Tiguan and ŠKODA Octavia)

2011
Signing of new agreement within Decree 166

2012
Integration of brands SEAT, Bentley and Lamborghini

2014
Volkswagen Group Rus sells 1,000,000th car

2015
Start of production of new engine factory

2016
Official partner of Winter Olympics in Sochi 2014

2011
Approval of Kaluga as production location and construction start

2012
500,000th car produced in Kaluga, production start in Nizhny Novg.

2012
Contract with GAZ signed (contract manufacturing in Nizhny Novg.)

2014
Official start of CKD assembly (Volkswagen Tiguan and ŠKODA Octavia)

2015
500,000th car produced in Kaluga, production start in Nizhny Novg.

2016
Official partner of Winter Olympics in Sochi 2014

2017
Start of production of new engine factory

2018
Volkswagen Group Rus sells 1,000,000th car
Locations of Volkswagen Group Rus and Volkswagen Group companies

MOSCOW / ST. PETERSBURG
MAN & Scania

KALUGA
HQ and car production

MOSCOW
Sales and Service

MOSCOW
Porsche Russia

NIZHNY NOVGOROD
Contract manufacturing

MOSCOW
VW FS – Bank, Leasing and Insurance
Production in Kaluga

KALUGA
HQ and car production

- Logistics
- Assembly
- Paint Shop
- Quality Control
- Body Shop
- Press Shop
- KALUGA
  HQ and car production

ŠKODA & Eastern Europe Capital Market Day
**Volkswagen Group Rus in Kaluga**

### Key figures

- **Investment:** €774 m project, thereof €570 m plant, €95 m press shop
- **Capacity:** CKD*: 225,000 units/year in 2012
  - SKD**: 45,000 units/year in 2012
- **Staff:** 5,761 employees (status December 2012)
- **Production:** 670 cars in 3 shifts/day

* Complete Knocked Down  
** Semi Knocked Down

### Models produced

- **ŠKODA Octavia**  
  (SOP 2009 - EOP 2013)
- **Volkswagen Tiguan**  
  (SOP 2009)
- **ŠKODA Fabia**  
  (SOP 2010)
- **Volkswagen Polo**  
  (SOP 2010)
- **ŠKODA Rapid**  
  (SOP 2014)
New engine plant in Kaluga
Production of new engine generation for own use as well as Volkswagen Group brands

Key figures

- **Investment:** ca. €250 m
- **SOP:** Start of production in 2015
- **Capacity:** 600 engines per day
- **Staff:** >400 employees in 2015
- **Vertical Integration:** Crankcase, cylinder head with integrated assembly, crankshaft, engine assembly including engine test

Engine to be produced

- **Engine:** EA 211
- **Type:** 1.6L
- **Output:** 81 kW
- **Torque:** 160 Nm
- **Displacement:** 1,598 cm³
- **Fuel:** Gasoline
Improvement in production

2011

NIZHNY NOVGOROD
Contract manufacturing

2013
Overview

Business model: Contract manufacturing
Capacity: CKD: 132,000 units/year from 2013
Investment: €320 m
thereof €135 m plant (VGR)
€85 m plant (GAZ)
Staff: >3,000 employees GAZ (2014e)
311 employees VGR
Work system: 3 shifts (from 2013)

Key figures

Models produced (CKD)

ŠKODA Yeti (SOP 2012)
Volkswagen Jetta (SOP 2013)
ŠKODA Octavia (SOP 2013)
Volkswagen Group Rus
National Sales Company

VOLKSWAGEN

GROUP RUS

MOSCOW
Sales and Service

- Group Academy
- Technical Service Centre
- Warehouse

ŠKODA & Eastern Europe Capital Market Day
Continuous expansion of dealer network
Volkswagen Group Rus – General Partner of Sochi 2014 Games

07/02 – 23/02/14 Sochi Olympics
07/03 – 16/03/14 Sochi Paralympics

27 Partner Companies
80 Participating Nations
10 Olympic Venues
5,000 Cars
13,000 Media
1 million Anticipated Visitors
3 billion Global Viewers
Our brands have a long tradition of supporting sports

Proud Sponsor of Fans

Putting Dreams in Reach

Commercial Vehicles
Putting Dreams in Reach

Road to Sochi

Sochi – Home of Quattro

One Family. One Team.

Sochi. Home of quattro
Agenda

1. A Glance on Russian Macroeconomics: Expansive but Volatile Environment
2. Car Market Situation Russia
3. Volkswagen Group RUS – Who we are
4. Outlook
5. Questions and Answers
**Russia catching up in terms of passenger car density**

<table>
<thead>
<tr>
<th>Country</th>
<th>Light vehicle density (per 1,000 inhabitants, as per 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>762</td>
</tr>
<tr>
<td>1) Europe</td>
<td>577</td>
</tr>
<tr>
<td>Germany</td>
<td>561</td>
</tr>
<tr>
<td>2) Russia</td>
<td>557</td>
</tr>
<tr>
<td>Poland</td>
<td>496</td>
</tr>
<tr>
<td>Hungary</td>
<td>388</td>
</tr>
<tr>
<td>3) Moscow</td>
<td>282 (327)</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td>380 by 2020² (314)</td>
</tr>
<tr>
<td>Brazil</td>
<td>178</td>
</tr>
<tr>
<td>China</td>
<td>83</td>
</tr>
<tr>
<td>India</td>
<td>22</td>
</tr>
</tbody>
</table>

- While expected to catch up significantly, car density in total Russia remains far below Western European and US levels as well as other Eastern European countries such as Hungary, Czech Republic or Poland.
- Moscow (327) and St. Petersburg (314) have the highest density among Russian cities.

Source: WinFor Study Dec 2012 (Cars & Trucks); Volkswagen Group; IHS (as per 15 March 2013; rounded numbers.

1) Equals Western Europe
2) 2020 forecast, Source: Autostat, VGR
Russian car market on a continuous growth path with domestic manufacturers expected to lose further market share

Source: VGR

CAGR 2012-18: +3.5 %

`000 units

International Brands
Domestic Brands

2007 2008 2009 2010 2011 2012 2013 2015 2018

2,336 2,684 1,347 2,443 2,721 2,650 2,990 3,350

68% 75% 28% 75% 79% 80% 82% 18%

32% 25% 31% 21% 20% 25% 21% 20%

CAGR 2012-18: +3.5 %
Negative short-term momentum in Russian car market

Total market growth has been losing its pace over the last several months with only temporary relief in January.

April 2013 result was 8.6% below April 2012 confirming worsening market sentiment.

Negative trend expected to continue into May with over 10% decline, taking into account especially low traffic in the first half of the month.
Volkswagen Group Rus – Deliveries to customers by brands
January to April 2013 vs. 2012

Passenger Car Market Russia

-0.9 %

January - April 2012

January - April 2013

-2.2 %

Volkswagen Group Rus

ŠKODA & Eastern Europe Capital Market Day

Includes Volkswagen Passenger Cars, ŠKODA, Audi, SEAT, Bentley, Lamborghini and Volkswagen Commercial Vehicles

-2.1 %

-6.7 %

+14.0 %

>-100 %

-3.7 %
Strategy 2018 Targets

- Improve customer satisfaction
- Dealer network → 650 dealers
- At least TOP 3 in Russia in CSS
- High employee loyalty
- High level of employee qualification
- Further improved employee satisfaction
- >500,000 units sales - passenger cars and light commercial vehicles
- At least 14% passenger car market share
- Invest another €1 bn in Russia

1) Customer Satisfaction Survey
Volkswagen Group in Russia

Marcus Osegowitsch
General Director, Volkswagen Group Rus
ŠKODA & Eastern Europe Capital Market Day, Mladá Boleslav, 7 June 2013