Volkswagen Group China
Carsten Arntz, Head of JV Controlling and Special Projects

Macquarie Investor Visit
Beijing, June 17th 2013
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**
  - Volkswagen FAW Platform
  - Volkswagen Transmission
  - Shanghai Volkswagen Powertrain

- **FAW-Volkswagen**
  - FAW-Volkswagen (Volkswagen, ŠKODA)
  - Volkswagen FAW Engine
  - Volkswagen Automatic Transmission

- **Volkswagen FAW Platform**
  - Volkswagen FAW Platform

- **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). **9 million vehicles** produced as of April 2013.


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

**Total investments 1985-2012**

- **€ 15.7 Billion**

**Planned Investments 2013-2015**

- **€ 9.8 Billion**

**Employees 2012**

- **74,500**
Volkswagen as a pioneer in China

1985

2011

[Map showing automotive brands in China from 1985 and 2011]
**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 2012</td>
<td>1,319,000 units</td>
</tr>
</tbody>
</table>

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

**Volkswagen**

- Jetta
- Sagitar
- Magotan
- New Bora
- CC
- Golf
- Polo
- Touran
- Tiguan

**Audi**

- A4L
- A6L
- Q3
- Q5

**Škoda**

- Fabia
- Rapid
- Octavia
- Superb
Deliveries of Volkswagen in China from January to May 2013

VW Group: 83

Import FBU* (‘000 Units)

Locally Produced (‘000 Units)

FAW-VW 437
VW 151

SVW 510
VW 99

Σ 1,197

Total Deliveries Region China 1,280

* incl. Hongkong; Source: Volkswagen Group China
The overall sales performance is significantly better than 2012!
In Jan-May 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

11th 5-year-plan 2006-2010

12th 5-year-plan 2011-2015
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>
</tr>
</thead>
<tbody>
<tr>
<td>Mega (10M+)</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Big (5-10M)</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Mid-sized (1.5-5.0M)</td>
<td>61</td>
<td>85</td>
</tr>
<tr>
<td>Small (0.5-1.5M)</td>
<td>282</td>
<td>335</td>
</tr>
<tr>
<td>Big town (&lt;0.5M)</td>
<td>473</td>
<td>424</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2020</td>
</tr>
<tr>
<td>22</td>
<td>27</td>
</tr>
<tr>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>27</td>
<td>26</td>
</tr>
<tr>
<td>13</td>
<td>10</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Province</th>
<th>GDP Growth 2013E (in %)</th>
<th>Total GDP 2012 (Trillion RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guizhou</td>
<td>14</td>
<td>0.68</td>
</tr>
<tr>
<td>Shaanxi</td>
<td>12.5</td>
<td>1.45</td>
</tr>
<tr>
<td>Gansu</td>
<td>12</td>
<td>0.57</td>
</tr>
<tr>
<td>Jilin</td>
<td>12</td>
<td>1.19</td>
</tr>
<tr>
<td>Inner Mongolia</td>
<td>12</td>
<td>1.60</td>
</tr>
<tr>
<td>Ningxia</td>
<td>12</td>
<td>0.23</td>
</tr>
<tr>
<td>Qinghai</td>
<td>12</td>
<td>0.19</td>
</tr>
<tr>
<td>Tianjin</td>
<td>12</td>
<td>1.29</td>
</tr>
<tr>
<td>Tibet</td>
<td>12</td>
<td>0.07</td>
</tr>
<tr>
<td>Yunnan</td>
<td>12</td>
<td>1.03</td>
</tr>
<tr>
<td>Chongqing</td>
<td>12</td>
<td>1.15</td>
</tr>
<tr>
<td>Fujian</td>
<td>11</td>
<td>1.97</td>
</tr>
<tr>
<td>Guangxi</td>
<td>11</td>
<td>1.30</td>
</tr>
<tr>
<td>Heilongjiang</td>
<td>11</td>
<td>1.37</td>
</tr>
<tr>
<td>Sichuan</td>
<td>11</td>
<td>2.38</td>
</tr>
<tr>
<td>Xinjiang</td>
<td>11</td>
<td>0.75</td>
</tr>
<tr>
<td>Anhui</td>
<td>10</td>
<td>1.72</td>
</tr>
<tr>
<td>Hainan</td>
<td>10</td>
<td>0.29</td>
</tr>
<tr>
<td>Henan</td>
<td>10</td>
<td>2.98</td>
</tr>
<tr>
<td>Hubei</td>
<td>10</td>
<td>2.23</td>
</tr>
<tr>
<td>Hunan</td>
<td>10</td>
<td>2.22</td>
</tr>
<tr>
<td>Jiangsu</td>
<td>10</td>
<td>5.41</td>
</tr>
<tr>
<td>Jiangxi</td>
<td>10</td>
<td>1.29</td>
</tr>
<tr>
<td>Shanxi</td>
<td>10</td>
<td>1.21</td>
</tr>
<tr>
<td>Liaoning</td>
<td>9.5</td>
<td>2.48</td>
</tr>
<tr>
<td>Shandong</td>
<td>9.5</td>
<td>5.00</td>
</tr>
<tr>
<td>Hebei</td>
<td>9</td>
<td>2.66</td>
</tr>
<tr>
<td>Beijing</td>
<td>8</td>
<td>1.78</td>
</tr>
<tr>
<td>Guangdong</td>
<td>8</td>
<td>5.71</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>8</td>
<td>3.46</td>
</tr>
<tr>
<td>Shanghai</td>
<td>7.5</td>
<td>2.01</td>
</tr>
</tbody>
</table>

Data Source: Provincial Government Report / Regional Government Media
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1. Our Momentum in China
2. Outlook Market Development
3. Investments Volkswagen Group China
4. Driven by Design and Technology
5. Financial results, challenges and opportunities
Go West and Go South Strategy for further growth

Existing vehicle production site
- Beijing
- Shanghai
- Ningbo
- Yizheng
- Nanjing
- Changsha
- Foshan
- Changchun
- Chengdu
- Urumqi

New vehicle production site
- Changsha
Capacity expansion plans – on the way to 4 million units in 2018

Standard capacity of 250 working days

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*) 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

*) MQB: Modularer Querbaukasten / modular transversal toolkit

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TOOLKIT RESULTS
- Significant weight and emission reduction
- Flexibility in length, height, width
- Significant economies of scale
- Opportunity for low volume niche models
- Alternative powertrain concepts

Golf
A3
Octavia

Start: 2013
Further strengthening of partnerships with SAIC and FAW

- Signing ceremony on April 23rd, 2012, in Wolfsburg
- Agreement about the Urumqi plant
- Signing ceremony on 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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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 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
- ...
Optimization of resource consumption in production process

- Example Chengdu -

- Factories

  - Press Shop
  - Body Shop
  - Paint Shop
  - Infrastructure

Less:
- Energy
- CO₂
- Water
- Waste

Think Blue. Factory.
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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</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)</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)</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
- Shanghai
- Guangzhou

Quota
- 240k cars/year
- < 120k cars/year (not fixed)
- 120k cars/year

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

Demanding requirements for fleet consumption

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

- **Engine and transmission technology**
  - TSI
  - Downsizing
  - Dual clutch transmission

- **Vehicle measures**
  - Recuperation
  - Start-Stop
  - Optimal ATM
  - 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**

- 2010: 2.4 million units
- 2012: 2.4 million units
- 2014E: 2.4 million units
- 2016E: 4.0 million units
- 2018E: 20.0 million units

+30% p.a.

**Financial Services expects increase in retail finance share**

- 2012: 15% Finance, 85% Cash
- 2018: min. 30% Finance, max. 70% Cash

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.
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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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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 May 2013 decreased slightly to 1.7 months

<table>
<thead>
<tr>
<th>Current stock level (in months) of major OEMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comp. 1</td>
</tr>
<tr>
<td>6.9 (6.4)</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