Audi in China – Enhancing leadership

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Volkswagen Group China Investor Update
Foshan, 11 July 2014
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Since 2007, Audi deliveries in China increased five-fold

Audi in China, deliveries (including Hong Kong)

<table>
<thead>
<tr>
<th>Year</th>
<th>Deliveries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>102,000</td>
</tr>
<tr>
<td>2008</td>
<td>119,600</td>
</tr>
<tr>
<td>2009</td>
<td>158,900</td>
</tr>
<tr>
<td>2010</td>
<td>227,900</td>
</tr>
<tr>
<td>2011</td>
<td>313,000</td>
</tr>
<tr>
<td>2012</td>
<td>405,800</td>
</tr>
<tr>
<td>2013</td>
<td>491,989</td>
</tr>
<tr>
<td>2014</td>
<td>268,666</td>
</tr>
</tbody>
</table>

Jan-June 2014: 268,666 +18%
Audi in China

**FAW-Volkswagen**
Audi Production and Audi Sales Division (A6 L, A4 L, Q5, Q3)

**Audi China**
with R&D Center Asia

**FAW-Volkswagen**
Audi Production Foshan (A3 Sportback, A3 Sedan)
Flexible capacity expansion, adjusted to market demand
Up to 700,000 units per annum by 2017 in China

Annual production capacity, vehicles

- 2008: 100,000
- 2010: 200,000
- 2013: 400,000
- 2017: up to 700,000

Production
The upper middle class is growing
Change in social strata influences the premium market

Disposable income
Household p.a.

- affluent (> RMB229,000)
- upper middle class (RMB106,000 – 229,000)
- mass middle class (RMB60,000 – 106,000)
- below middle class (< RMB60,000)

Social strata in China

- 2012: 14%
- 2020: 54%

Premium segments

Source: McKinsey in *Finanz und Wirtschaft* article ‘Chinas Mittelklasse wächst’
China’s premium market is changing
Segment distribution moves towards the pattern of developed markets

Premium segment China, 2013
Volume, vehicles
Total: 1,404,000

Premium segment Europe, 2013
Volume, vehicles
Total: 2,442,000

Segments with above-average growth
Increasing market share of compact cars
Compact cars generate the fastest growth within the premium segment

A-Segment market share

A-Segment growth [in `000 units]

2012 2013 Jan-May 2013 Jan-May 2014

109 156 92

+43% +78%
Audi pioneers the compact segment
Only Audi offers three locally produced compact models

Audi Q3
- Segment leader
- 48% market share (Jan-May 2014)

Audi A3 Sedan
- 1st local premium compact sedan
- to be launched autumn 2014

Audi A3 Sportback
- 1st local premium compact hatchback
- launched in March 2014
Audi leads the premium SUV market in China
Highest deliveries, strongest growth (1 imported and 2 local models)
Audi A8 L gains market share in China
Segment market share in China, 2010 - 2014 (in %)
36 Audi models in China by 2014 compared to 9 in 2008
S/RS/R models increase from 2 in 2008 to 15 by 2014

- A1
  - A1
  - A1 Sportback
  - A3
  - A3 Sportback
  - A3 Sedan
  - A4
  - A4 L
  - A4 allroad quattro
  - A5
  - A5 Coupé
  - A5 Cabriolet
  - S3
  - S5 Coupé
  - S5 Sportback
  - S5 Cabriolet
  - A6
  - A6 L
  - A6 hybrid
  - A7
  - A7 Sportback
  - S7 Sportback
  - A8
  - S8
  - A8 L
  - A8 L hybrid
  - A8 L W12
  - Q3
  - Q3
  - TT
  - R8 Coupé
  - R8 Spyder
  - Q5
  - Q5
  - TTS Coupé
  - TTS Roadster
  - Q7
  - Q7

(Produced in China)
Changing customer structure
Private customers dominate. More families and women

- Over 90% private customers
- 2/3 families
- 1/3 women
- ø age: mid-thirties
- Over 1/3 are first-time buyers

- Government customers
- Senior managers
Less black: Audi becomes more colorful in China
~60% of customers choose lighter colors, +100% vs. 2008
Audi is the most fuel efficient premium brand in China

► More than 20 percent reduction of average fuel consumption of local models since 2011

► 1st to equip all local models with - efficient start-stop technology
   - brake energy recovery (recuperation)

► First to introduce lightweight components into car production in China (new Audi A6 L)

► Weight-based targets of the Chinese fuel consumption regulation exceeded in 2013 (No.1 premium brand). Audi will exceed these targets again in 2014.

► Local production of engines according to the future EU6 European emission standard

► Audi wins “Environment-Friendly Cars” category at “Best Cars 2014” in China
Audi is shaping the future of electric mobility in China
In 2015, the e-tron era starts in China

<table>
<thead>
<tr>
<th>Three Audi hybrid cars available</th>
<th>Audi will bring the e-tron Plug-In-Hybrid technology to China</th>
</tr>
</thead>
<tbody>
<tr>
<td>A6 hybrid</td>
<td>A3 Sportback e-tron ▶ to be imported from 2015</td>
</tr>
<tr>
<td>A8 L hybrid</td>
<td>A6 L e-tron ▶ to be produced with FAW-Volkswagen in Changchun</td>
</tr>
<tr>
<td>Q5 hybrid</td>
<td></td>
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</tbody>
</table>
Pioneering customer experience
Service tailored to local preferences
Latest J.D. Power Rankings China
Verified Audi customer satisfaction

SSI 2014
(Sales Satisfaction Index)

CSI 2013
(After Sales Service Index)
Expansion of sales network
Audi is focusing on future growth in the hinterland

- 12 out of the top 15 fastest growing urban premium markets are located in China’s hinterland
- Chengdu: 3rd largest premium car market at 53,000 units in 2013, +34% vs. 2012
- Chongqing: 7th largest premium car market at 34,000 units in 2013, +32% vs. 2012
- 60% of the Audi sales network growth in 2013 took place in hinterland cities
- Terminal S: New dealership concept for developing markets
100% 4S dealer coverage in level 1-3 cities year-to-date 2014
Strong focus on training in China
Five training centers, including the two largest worldwide

- Each training center in Beijing and Chengdu can train around 10,000 people/year

**Dealer network, Audi training man days**
Unit: TMD (‘000 man days)

<table>
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<tr>
<th></th>
<th>Sales</th>
<th>Aftersales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2014e</td>
</tr>
<tr>
<td>+40%</td>
<td>82</td>
<td>116</td>
</tr>
</tbody>
</table>

**5 regional Audi Training Centers**
- Opening soon
- Open since March 2014
Expansion of sales network
Audi opens about one new dealership in China every week

2009 2010 2011 2012 2013 2017
~150 ~170 ~230 ~290 ~340 ~500
Audi in China focuses on ...

- **Sustainable Growth**
  - Audi will continue to grow faster than the overall car market

- **Guarantee of Service Quality** (J.D. Power SSI 2014)
  - Largest Audi Training Center worldwide in Chengdu

- **Stringent Localization Strategy**
  - Localization of compact models and import of sporty and top models

- **A-Segment Growth**
  - Audi offers the right compact models, e.g. A3 Sedan, A3 Sportback, Q3
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