Volkswagen Group China Investor Presentation
7 September 2016, Beijing, Audi China Building
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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.

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 Such statements are valid on the date of publication and can be superceded.

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Volkswagen Group China Investor Presentation

Weiming Soh
Executive Vice President, Group Corporate Strategy and Group Sales & Marketing, Volkswagen Group China

Volkswagen Group China – Introduction to China and Volkswagen Group China

Carsten Isensee
Executive Vice President, Finance, Volkswagen Group China

Volkswagen Group China – Balancing the “New Normal”

Joachim Wedler
President, Audi China

Audi – Premium market leader in China
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Volkswagen Group China – Introduction to China and Volkswagen Group China

1. Chinese Market
2. Volkswagen Group in China
3. Strategy and Future Development
**Volkswagen’s second home market in comparison**

### Size of the countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>9,562,911 km²</td>
</tr>
<tr>
<td>Germany</td>
<td>357,021 km²</td>
</tr>
</tbody>
</table>

### Population

<table>
<thead>
<tr>
<th>Country</th>
<th>Inhabitants</th>
<th>Density (People per km²)</th>
<th>Average Age</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1,370 million</td>
<td>139.6</td>
<td>37 years</td>
<td>4.1 %</td>
</tr>
<tr>
<td>Germany</td>
<td>81 million</td>
<td>232.1</td>
<td>44 years</td>
<td>6.4 %</td>
</tr>
</tbody>
</table>

### Economy

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP</th>
<th>GDP Per Capita</th>
<th>GDP Growth Rate</th>
<th>Inflation</th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$ 10,916 billion</td>
<td>$ 7,833</td>
<td>6.9 %</td>
<td>1.4 %</td>
<td>$ 682.3 billion</td>
</tr>
<tr>
<td>Germany</td>
<td>$ 3,353 billion</td>
<td>$ 41,106</td>
<td>1.5 %</td>
<td>0.2 %</td>
<td>$ 291.7 billion</td>
</tr>
</tbody>
</table>

### Car industry

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Car Park</th>
<th>Total Market</th>
<th>Production Sites</th>
<th>Density (Cars per 1,000 Inh.)</th>
<th>Average Car Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>83 million</td>
<td>19.7 million</td>
<td>172</td>
<td>84</td>
<td>3.3</td>
</tr>
<tr>
<td>Germany</td>
<td>44 million</td>
<td>3.2 million</td>
<td>23</td>
<td>548</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Sources: Data for FY 2015, Statistisches Bundesamt, National Bureau of Statistics of China; IMF; UN DESA: Bundesagentur fuer Arbeit; WTO; IHS; PWC Autofacts, VDA, IHS
Chinese economy – Declining growth rate towards new normalization

China’s economic growth

Real GDP growth comparison

Source: IHS

Volkswagen Group in China
Strategy and Future Development

Chinese Market

Volkswagen Group China – Introduction to China and Volkswagen Group China
Strong historical car market growth changing towards normalization

**Chinese total car market (in ‘000 units)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>12,644</td>
<td>13,641</td>
<td>16,185</td>
<td>18,071</td>
<td>19,717</td>
<td>21,417</td>
<td>21,670</td>
<td>22,256</td>
<td>23,295</td>
<td>24,421</td>
</tr>
</tbody>
</table>

**Car market growth comparison**

- 2011: 8.1%
- 2012: 7.9%
- 2013: 9.1%
- 2014: 8.6%
- 2015: 4.8%
- 2016e: 2.7%
- 2017e: 4.7%
- 2018e: 4.8%
- 2019e: 2.7%
- 2020e: 4.7%

Source: IHS

1) 2017 estimate under the assumption of no specific tax cut for cars in China.
Chinese market grows outside tier 1 cities

Sales growth by tier city in 2015

- Tier 1: -9.1%
- Tier 2: 9.2%
- Tier 3: 10.7%
- Tier 4: 17.6%
- Tier 5: 17.9%

Source: EIU (Economist Intelligence Unit)

Market development 2016 vs. 2015 (in ‘000 units)

Q1: +8.9%
Q2: +10.0%

Share of total passenger car market sales by tier city in 2015

- Tier 1: 15%
- Tier 2: 29%
- Tier 3: 28%
- Tier 4: 19%
- Tier 5: 9%

Source: EIU (Economist Intelligence Unit)
Less developed cities provide new opportunities

**Level I cities**
- Beijing
- Shanghai
- Guangzhou
- 135 cars/1,000 inhabitants
- 9 cities
- Average # of inhabitants: 17.2

**Level II cities**
- Dalian
- Xi’an
- Changsha
- 136 cars/1,000 inhabitants
- 26 cities
- Average # of inhabitants: 8.5

**Level III cities**
- Shantou
- Hengshui
- Jingdezhen
- 94 cars/1,000 inhabitants
- 68 cities
- Average # of inhabitants: 4.9

**Level IV cities**
- Guyuan
- Yanyi
- Zigong
- 47 cars/1,000 inhabitants
- 47 cities
- Average # of inhabitants: 109

**Level V cities**
- Haibei
- Jinchang
- Turpan
- 39 cars/1,000 inhabitants
- 39 cities
- Average # of inhabitants: 135

**Share of total market**
- **Level I share**: 44%
- **Level II share**: 41%
- **Level III share**: 56%
- **Level IV share**: 60%
- **Level V share**: 63%

**Number of cities**
- Level I: 9
- Level II: 26
- Level III: 68
- Level IV: 47
- Level V: 39

**Average # of inhabitants**
- Level I: 17.2
- Level II: 8.5
- Level III: 4.9
- Level IV: 109
- Level V: 135

**Source**: EIU (Economist Intelligence Unit)
Volkswagen Group is taking considerable efforts to meet the legal requirements of average fleet fuel consumption.

To achieve the legal requirements in China, Volkswagen will:

- Develop further emission reducing technologies
- Actively engage in the NEV market

**Legal requirement**

<table>
<thead>
<tr>
<th>Requirement 2015:</th>
<th>Requirement 2020:</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.9l / 100 km = 164g CO₂/km</td>
<td>5.0l / 100 km = 117g CO₂/km</td>
</tr>
</tbody>
</table>
China 6 regulation – Worldwide toughest emission legislation

**NOx emission legislation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Bench test (mg/km)</th>
<th>RDE (mg/km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>2016</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>2017</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>2018</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>2019</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>2020</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

**Highlights**

Emission regulation **China 6 for gasoline engines** – Latest draft was published in April 2016

Implementation on national level planned **beginning 2019** (Beijing and Shanghai may start with similar regulation 2018)

Roller bench test **NOx** emission should fall **below 35 mg/km**

Measurement of **real driving emissions (RDE)** will be implemented – RDE target for **NOx** emission at **75 mg/km**

Further driving emissions need to be reduced dramatically – e.g. CO, THC, PM
New Energy Vehicle strategy supported by Chinese Government

**Subsidies for local NEVs**
- National subsidies for NEVs
- Purchase tax exemption (10% Net Selling Price)
  - No „circulation tax“
  - Direct subsidy (up to 55,000 RMB for BEV, 30,000 RMB for PHEV)
- Additional subsidies from local provinces

**Infrastructure investments**
- Target: Charging infrastructure for 5 million NEVs by 2020
  - 12,100 charging stations (mainly along the east coast)
  - 4,800,000 charging pillars

**Number plate access**
- Easier access to number plates in some restricted cities
- Free number plates for a certain amount of NEVs
- Free parking space for NEVs (in discussion)
- Free NEV driving lanes (in discussion)

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1) Subsidies are supposed to run until 2020.
1. Chinese Market

2. Volkswagen Group in China

3. Strategy and Future Development
Volkswagen Group in China – A long-term success story

Volkswagen Group development of deliveries to customers (in ‘000 units)
Deliveries to customers by brand January to July 2016

Volkswagen Group in China

Strategy and Future Development

1) incl. Hong Kong, excl. Ducati.
Great range of locally produced vehicles…

Volkswagen Group in China

Strategy and Future Development

Volkswagen Group China – Introduction to China and Volkswagen Group China

Chinese Market

Volkswagen Group in China

Strategy and Future Development
… and imported passenger cars serving Chinese customers’ demand

- Volkswagen Group
  - Scirocco
  - Sharan
  - Tiguan
  - Magotan Variant
  - Touareg
  - Phaeton

- Audi
  - A1
  - TT
  - A3
  - A4 Allroad
  - A5
  - Q5
  - A6
  - A6 Allroad
  - A7/S7
  - Q7
  - R8
  - A8

- Porsche
  - Boxster
  - Cayman
  - 911
  - Macan
  - Panamera
  - Cayenne

- Bentley
  - Flying Spur
  - Continental GT
  - Bentayga
  - Mulsanne

- Lamborghini
  - Huracan Coupe
  - Aventador Roadster
  - Aventador

- Bugatti
  - Veyron
Volkswagen Group – No. 1 in the Chinese passenger vehicle market

Passenger vehicles market share, YTD Jul 2016

- Volkswagen Group: 18%
- Comp. 1: 11.3%
- Comp. 2: 7.9%
- Comp. 3: 6.2%
- Comp. 4: 5.5%
- Others: 29.6%

<table>
<thead>
<tr>
<th>Rank</th>
<th>Group</th>
<th>Market share (Delta vs YTD Jul 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Volkswagen Group</td>
<td>- 0.7%</td>
</tr>
<tr>
<td>2</td>
<td>Comp.1</td>
<td>+ 0.7%</td>
</tr>
<tr>
<td>3</td>
<td>Comp. 2</td>
<td>- 0.6%</td>
</tr>
<tr>
<td>4</td>
<td>Comp. 3</td>
<td>0%</td>
</tr>
<tr>
<td>5</td>
<td>Comp. 4</td>
<td>- 0.3%</td>
</tr>
</tbody>
</table>

Source: CKD from China Passenger Car Association (CPCA), CAAM; FBU from insurance data
Volkswagen Group sales well is leading the market in all tier cities

<table>
<thead>
<tr>
<th>Total market performance (Sales share by tier level in %)</th>
<th>Volkswagen Group sales performance (Sales share by tier level in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Graph showing market performance and sales performance" /></td>
<td><img src="image" alt="Graph showing market performance and sales performance" /></td>
</tr>
</tbody>
</table>

All figures shown are rounded. Source: EIU (Economist Intelligence Unit)
Strong focus on growth of our well diversified dealer network

Dealer network

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2019e</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,586</td>
<td>1,770</td>
<td>1,835</td>
<td>&gt;3,400</td>
<td></td>
</tr>
</tbody>
</table>

Well diversified through tier cities

- Tier 1: Share of Volkswagen Group dealers, 2015 = 18%, Share of Volkswagen Group sales volume, 2015 = 19%
- Tier 2: Share of Volkswagen Group dealers, 2015 = 29%, Share of Volkswagen Group sales volume, 2015 = 26%
- Tier 3: Share of Volkswagen Group dealers, 2015 = 30%, Share of Volkswagen Group sales volume, 2015 = 28%
- Tier 4: Share of Volkswagen Group dealers, 2015 = 18%, Share of Volkswagen Group sales volume, 2015 = 17%
- Tier 5: Share of Volkswagen Group dealers, 2015 = 8%, Share of Volkswagen Group sales volume, 2015 = 7%

All figures shown are rounded. Source for market share by tier city: EIU (Economist Intelligence Unit)
Strong residual values of Volkswagen Group models

Residual value ranking 1)

<table>
<thead>
<tr>
<th>CKD Models</th>
<th></th>
<th>FBU Models</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A0</strong></td>
<td>Polo HB</td>
<td><strong>A0</strong></td>
<td>Beetle</td>
</tr>
<tr>
<td><strong>A</strong></td>
<td>Lavida</td>
<td><strong>A</strong></td>
<td>Golf Variant</td>
</tr>
<tr>
<td><strong>B</strong></td>
<td>Magotan</td>
<td><strong>A</strong></td>
<td>SUV-A</td>
</tr>
<tr>
<td><strong>B</strong></td>
<td>Passat</td>
<td><strong>D</strong></td>
<td>Panamera</td>
</tr>
<tr>
<td><strong>C</strong></td>
<td>A6L</td>
<td><strong>MPV</strong></td>
<td>Touran</td>
</tr>
<tr>
<td><strong>C</strong></td>
<td>Q5</td>
<td><strong>MPV</strong></td>
<td>Multivan</td>
</tr>
<tr>
<td><strong>B</strong></td>
<td>Tiguan</td>
<td><strong>B</strong></td>
<td>Cabriolet/Variant</td>
</tr>
<tr>
<td><strong>B</strong></td>
<td>Magotan Variant</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1) China Automotive Residual Value Research Committee - RV Report 2016; Rankings based on the 3-year residual value

Importance of residual values

High and stable residual values are important due to
- Reduced total cost of ownership
  - leading to attractive leasing
  - important argument for sales team
- Increased new car sales volume
  - while stabilizing new car prices
- Increased pre-owned car business and its competitiveness

High and stable residual values finally lead to higher
- Brand value
- Customer loyalty
- Revenue & Profit
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Volkswagen Group China – Introduction to China and Volkswagen Group China

1. Chinese Market

2. Volkswagen Group in China

3. Strategy and Future Development
New product offering aligned with expected future market trends

Body group trends until 2020

- Total market volume in 2015 (in million vehicles)
  - Sedan
  - SUV
  - Van
  - Others

Growth until 2020
- Sedan: +7%
- SUV: +38%

New vehicle launches 2016 and to follow

- Sedan: New Bora, Magotan, Phideon, Phideon PHEV
- SUV: Bentayga, Q7 e-tron, Tiguan LWB, Kodiaq
- Others: Touran L, R8 Coupé, Bora Derivative, Golf Sportsvan, 911, Boxster, A5 Coupé

1) Source: IHS
2) Schematic overview – does not show all models
Strong growth in SUV segment – 10 additional locally produced SUVs planned over the next three to four years

Passenger Car deliveries by body style (in '000 units)

<table>
<thead>
<tr>
<th>Body Style</th>
<th>Total market</th>
<th>Volkswagen Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>10,540</td>
<td>2,141</td>
</tr>
<tr>
<td>SUV</td>
<td>33%</td>
<td>14%</td>
</tr>
<tr>
<td>MPV</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>Hatchback</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Sedan</td>
<td>52%</td>
<td>69%</td>
</tr>
</tbody>
</table>


Current SUV portfolio of Volkswagen Group in China

Significant SUV portfolio expansion planned in 2016 - 2020

A0 A B C D/E
Volkswagen Group China is actively engaging in the New Energy Vehicle market with locally produced cars.

**Phase 1**
- Locally produced plug-in hybrids based on current toolkits
  - Range: up to 1,000km
  - Pure electric: up to 60km
- Audi A6 L e-tron
- Volkswagen Phideon PHEV

**Phase 2**
- Locally produced pure electric vehicles based on current toolkits
  - Pure electric: up to 300km

**Phase 3**
- Locally produced pure electric vehicles based on scalable electric toolkit (MEB) for different vehicle classes
  - Pure electric: up to 650km
  - Speed charging of 80% in just 15min
Urban Mobility is evolving from traditional transportation to “New Mobility” trends

Traditional Transportation

- Car Ownership
- Limited Choices
- Government funded Public Transit
- Unconnected and suboptimal

New Urban Mobility

- Multimodal and Shared Transport
- More Choices
- Public and private transit operate in parallel
- On-demand and Connected
- Technology Financing New Business Model

Source: McKinsey “Urban mobility at a tipping point”, September 2015
Volkswagen Group is exploring business opportunities through strategic partnerships in 4 key areas

1. Ride Sharing
   - Driver Partnership Program
   - Customized vehicles for on-demand mobility
   - R&D Autonomous Driving

2. Mobility Club
   - Premium Mobility Club
   - Executive Mobility Club
   - Car-sharing Mobility Club

3. Car Sharing
   - New business model is to be adopted for the rollout nationwide

4. Financial Leasing and PoC e-Commerce
   - Proactive Sourcing
   - Financial Leasing
Strategy 2025 – We are addressing key opportunities

Vision
“We are a leading provider of sustainable mobility in China with our partners”

Mission
In close cooperation with our partners, we …
… offer tailor-made mobility solutions to our customers
… serve our customers’ diverse needs with a portfolio of strong brands
… assume responsibility regarding the environment, safety and social issues
… act with integrity and build on reliability, quality and passion as the foundation for our work
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Volkswagen Group China – Balancing the “New Normal”

1. Financials
2. Investments
3. Financial Services
Strong volume and profit development of Volkswagen Group China

Volkswagen Group deliveries to customers and proportionate operating profit in China

<table>
<thead>
<tr>
<th>Year</th>
<th>Deliveries to Customers (in '000)</th>
<th>Proportionate Operating Profit (in € million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2,259</td>
<td>€ 2,616</td>
</tr>
<tr>
<td>2012</td>
<td>2,813</td>
<td>€ 3,678</td>
</tr>
<tr>
<td>2013</td>
<td>3,271</td>
<td>€ 4,296</td>
</tr>
<tr>
<td>2014</td>
<td>3,675</td>
<td>€ 5,182</td>
</tr>
<tr>
<td>2015</td>
<td>3,549</td>
<td>€ 5,214</td>
</tr>
<tr>
<td>H1 2016</td>
<td></td>
<td>€ 2,366</td>
</tr>
</tbody>
</table>

Volkswagen Group China – Balancing the “New Normal”

Financials

Investments

Financial Services
Chinese Joint Ventures generate substantial, self-funded growth and at the same time robust dividend pay-out

Total amount of dividends paid out to Joint Venture partners (in € billion)

- Total amount of dividend Chinese Joint Ventures
- thereof paid to Volkswagen Group
- * Dividend for the year 2015 declared

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Paid Out</th>
<th>Dividends to Volkswagen Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2.8</td>
<td>1.2</td>
</tr>
<tr>
<td>2012</td>
<td>4.6</td>
<td>2.0</td>
</tr>
<tr>
<td>2013</td>
<td>6.5</td>
<td>2.8</td>
</tr>
<tr>
<td>2014</td>
<td>6.7</td>
<td>3.0</td>
</tr>
<tr>
<td>2015</td>
<td>10.0</td>
<td>4.5</td>
</tr>
<tr>
<td>2016</td>
<td>8.1*</td>
<td>3.6*</td>
</tr>
</tbody>
</table>
Chinese Joint Ventures with strong financial performance in 2015\(^1\)
(January to December 2015 vs. 2014, in € million)

\(^1\) Financial data on a 100% basis; Volkswagen Group equity interest in brackets; SAIC VOLKSWAGEN sales revenue is mostly generated from its business with SAIC VOLKSWAGEN, which sells passenger cars for SAIC VOLKSWAGEN.

\(^2\) Including sales revenue from sales of imported Audi models

\(^3\) Dividends received by the Volkswagen Group related to the previous year’s local result of our joint ventures.
Another solid operating result for the Volkswagen Group in China

<table>
<thead>
<tr>
<th></th>
<th>Deliveries to customers ('000 units)</th>
<th>Production (100%)* ('000 units)</th>
<th>Proportionate Operating Profit (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>3,675</td>
<td>3,528</td>
<td>5,182</td>
</tr>
<tr>
<td>2015</td>
<td>3,549</td>
<td>3,420</td>
<td>5,214</td>
</tr>
<tr>
<td>H1 2015</td>
<td>1,743</td>
<td>1,817</td>
<td>2,744</td>
</tr>
<tr>
<td>H1 2016</td>
<td>1,862</td>
<td>1,846</td>
<td>2,366</td>
</tr>
</tbody>
</table>

Proportionate operating profit development H1 2016 vs 2015

- Volume increase
- Material cost improvements
- Improved efficiency with specific programs

- Mix effect (eg. Passat ramp-up)
- Major impact due to lower pricing
- Negative currency effect

\[ \text{Δ} \text{2016 vs 2015} = 2,366 \text{ m} - 2,774 \text{ m} = -408 \text{ m} \]
Euro decreased significantly vs. Chinese Renminbi over the last decade but is increasing year-to-date

**EUR/CNY long-term development**

**CNY decreased 6% on average YTD vs. EUR**
Efficiency program to support our margins in a market characterized by increased competition

**China efficiency program**

**Production & Logistics optimization**
- Change focus from “production volume maximization” to “cost-efficiency”
  - Improved production processes
  - Optimized maintenance
- Shift from “trucks only” to train and ship transportation within China
- Investment plan adjustment

**Review of product portfolio**
- Variance Reduction
  - Decrease number of overlapping models
  - Reduce number of component variances
- Add models in major growth segments

**Implementation of new culture & lean decision making processes**
- New organizational structure
  - Enhance responsibility in China
  - Flexible and decision-oriented structure
  - Improved information flow and lead-time
  - Entrepreneurial spirit
  - Project house working environment e.g. NEVs
Volkswagen Group China Investor Presentation

Carsten Isensee
Executive Vice President Finance, Volkswagen Group China

Volkswagen Group China – Balancing the “New Normal”

1. Financials

2. Investments

3. Financial Services
Investments of our Joint Ventures in China are fully self-funded

Joint Venture investments

<table>
<thead>
<tr>
<th>Prior planning as of November 2014</th>
<th>Planning as of November 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>€22 bn</td>
<td>~ €4.4 bn per year</td>
</tr>
</tbody>
</table>

Prioritization and focus on investments

- Increased investments in development for digitalization, new energy vehicle technology and autonomous driving
- New attractive models to address the needs of our discerning Chinese customers
- Ongoing investment plan adjustment process to take latest market developments into account
- Capacity expansion through investments in existing and future factories for vehicles as well as components

Prior planning as of November 2014

- €22 bn

Planning as of November 2015

- ~ €4.4 bn per year

Ongoing investment plan adjustment process to take latest market developments into account
Volkswagen and its partners invest in capacity expansion and modernization of factories to lower the CO₂ emission output

**Production sites and capacity**

- **New vehicle plants**
- **Vehicle plants expansions**
- **New component plants**
- **Component plant expansion**
- **Existing plants**

**New plants and capacity expansions**

- **Vehicle plants**
  - **New plants**
    - Tianjin (FAW-VW)
    - Qingdao (FAW-VW)
  - **Capacity increase**
    - Foshan (FAW-VW)
    - Chengdu (FAW-VW)
    - Ningbo (SAIC VW)

- **Component plants**
  - **New plants**
    - Changchun (FAW-VW)
    - Qingdao (FAW-VW)
  - **Capacity increase**
    - Tianjin (VW ATJ)

**CO₂ measures in place to reduce emissions**

**CO₂ measures in place to reduce emissions**

- **ŠKODA**
- **Volkswagen**
- **Audi**

<table>
<thead>
<tr>
<th></th>
<th>ŠKODA</th>
<th>Volkswagen</th>
<th>Audi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production 2015</td>
<td>268</td>
<td>2,662</td>
<td>490</td>
</tr>
<tr>
<td>Capacity 2015</td>
<td>~110%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity 2020</td>
<td></td>
<td>~5 million</td>
<td></td>
</tr>
</tbody>
</table>

1) Actual production volume in '000 vehicles
2) Installed capacity on the basis of 250 working days.
Sustainable and efficient production is supporting the environment and is giving us a competitive advantage.

**Volkswagen Group’s global environmental standards throughout the whole production process**

**Philosophy of our environmental management**

- **We build and extend production facilities according to advanced environmental technologies, e.g.**
  - Wastewater treatment & reuse systems
  - Online energy metering systems
  - Waste management systems
  - etc.

- **We continue to reconstruct our existing plants and upgrade the production technology, e.g.**
  - Natural gas boiler
  - Photovoltaic power generation systems
  - Combined heat & power systems
  - Water-base paint shops
  - etc.
Investment in attractive new products – 10 additional SUVs and 15 NEVs to be produced locally within the next 3-4 years

10 additional locally produced SUVs in China within the next 3-4 years

15 locally produced New Energy Vehicles in China within the next 3-4 years

Phase 1
- Audi A6 L e-tron
- Volkswagen Phideon PHEV

Phase 2
- Pure Electric Vehicles
- further Plug-in Hybrids
Core components of our plug-in hybrids and pure electric vehicles to be localized

Electric powertrain components

- Battery Electric Vehicle (BEV)
- Plug-in Hybrid Electric Vehicle (PHEV)
- Power electronics
- Modified Engine
- Gear box & E-Machine
- Battery system

Further components

- High Voltage Heater
- Air cond. compressor
- Electric Break booster

We plan to localize all our core components for NEVs in China
Volkswagen is making digital transformation a top priority with focus on digitalization and autonomous driving

**Volkswagen Group Future Centers**

- Three new Volkswagen Group Future Centers in Silicon Valley, Potsdam and Beijing
- **Approach**: Designers and digitalization experts work hand in hand to create the car of the future

**Our Goal**

Best in class customer experience, interface design and user friendliness, new interior concepts, integration of infotainment and entertainment systems

| 20th Century: Engine is the core of the automobile | 21st Century: Self-driving system is the core of the automobile |

**Top fields of use**

- Individual urban mobility
- Commercial vehicles
- Premium cars
- Public transportation

Group is building on strong knowledge base – initiative started to get to market ahead of competitors
Volkswagen Group China Investor Presentation

Carsten Isensee
Executive Vice President Finance, Volkswagen Group China

Volkswagen Group China – Balancing the “New Normal”

1. Financials
2. Investments
3. Financial Services
Volkswagen Finance (China) – Gaining share in an expanding market

Growing penetration of financing business

Retail finance penetration (% of deliveries to customers for Volkswagen Group)

- 2007
  - Cash: 90%
  - Finance: 10%
  - VW FS: 8%
  - Others: 2%
- 2016 H1
  - Cash: 63%
  - Finance: 37%
  - VW FS: 25%
  - Others: 12%
- 2018e
  - Cash: 2016 H1
  - Finance: 2016 H1

Highest customer satisfaction

- Total Average
- Volkswagen Finance
- Other AFC
- Banks
- Credit Cards
- 57
- 69
- 50
- 55
- 69

Financial Services China: Strategic growth dimensions

- Leasing / Credits
- Fleet Management
- Used Cars
- New Mobility
- After Sales / Insurance

1) 2014-2015 China Auto Finance Consumer Behavior Report (Conducted by Ipsos and VWFC)
2) Other Automotive Finance Companies
Volkswagen Finance (China) is establishing a well diversified funding structure

**Strategic funding sources**
- Deposits
- ABS
- Capital Markets

**Actual funding allocation**
- Bank Lines: RMB17.1 bn (37%)
- DCM: RMB6.0 bn (13%)
- ABS: RMB6.1 bn (13%)
- Automotive: RMB8.2 bn (18%)
- Others: RMB1.2 bn (2%)
- Equity: RMB7.3 bn (16%)
- Dealer Deposits: RMB0.4 bn (1%)
### Successful capital market transactions in the local market

#### Asset Backed Securities

**Driver China one:** RMB 0.8bn (08/2014)

**Driver China two:** RMB 1.9bn (07/2015)

**Driver China three:** RMB 3.0bn (01/2016)

**Driver China four:** RMB 3.0bn (07/2016)

- First ABS transaction in China with international ratings;
- Driver China one was placed with both, national and international investors
- First ABS transaction in China certified by TSI (True Sale International).

#### Debt Capital Markets

**1st bond:** RMB 2bn (05/2016), due 05/2019

- The issue was oversubscribed 2.2 times

"Our business in China has grown strongly during the last few years. The fact that we are now also active in the unsecured capital market in China following the establishment of our ABS programme is a consequence of our clearly defined refinancing strategy.”

(Frank Fiedler, CFO Volkswagen Financial Services AG)
Weiming Soh
Executive Vice President, Group Corporate Strategy and Group Sales & Marketing, Volkswagen Group China

Volkswagen Group China – Introduction to China and Volkswagen Group China

Carsten Isensee
Executive Vice President, Finance, Volkswagen Group China

Volkswagen Group China – Balancing the “New Normal”

Joachim Wedler
President, Audi China

Audi – Premium market leader in China
Audi – Premium market leader in China
Joachim Wedler, President of Audi China
September 7, 2016, Beijing
Disclaimer

This presentation contains forward-looking statements and information on the business development of the Audi 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 China or the USA, 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 and Chinese renminbi.

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 superseded.
Audi in China

- **Beijing**
- **Changchun**
- **Foshan**
- **Tianjin**

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

**Audi China**
with Audi R&D Beijing

**Volkswagen Automatic Transmission Tianjin**
Audi transmission plant

**FAW-Volkswagen**
Audi Production
(A3 Sportback, A3 Sedan)
Premium leader in localization

First localized long-wheel base versions

- Audi A6 L (since 1999)
- Audi A4 L (since 2009)

First localized premium SUV

- Audi Q5 (since 2008)

First localized premium transmission

- 7 speed S tronic (since 2016)

First localized premium engine

- 2.0 TFSI 140/185 KW (since 2007)
Audi continues to lead the premium market in China
Most successful first seven months in company history for Audi in China

Audi deliveries to customers in China (incl. Hong Kong), vehicles

<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>492,000</td>
</tr>
<tr>
<td>2014</td>
<td>578,900</td>
</tr>
<tr>
<td>2015</td>
<td>570,900</td>
</tr>
<tr>
<td>2016</td>
<td>336,600</td>
</tr>
</tbody>
</table>

Jan. – Jul. 2016: 336,600 units (+6.5%)
Audi plans to continue the growth in 2016
Every third delivery in China

Audi deliveries to customers worldwide, vehicles
Over 60% of sales volume updated
New Audi A4 L to be launched on September 10, 2016

Share of models updated between December 2015 and September 2016

<table>
<thead>
<tr>
<th>[in %]</th>
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</table>

**New models**
- CKD: A4 L
- FBU: Q7, RS7 plus, TTS Coupe, TTS Cabrio, R8 Coupe

**Facelifts**
- CKD: Q3, A6L
- FBU: RS6 Avant

Audi A4 L

Audi Q3
Audi leads the SUV growth segment

<table>
<thead>
<tr>
<th>SUV share of the premium market</th>
<th>Segment leaders</th>
<th>Since 2015: New Audi Q7</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 18% 82%</td>
<td>Audi Q3 (43% share*)</td>
<td>*January to July 2016</td>
</tr>
<tr>
<td>Jan-Jul 2016 40% 60%</td>
<td>Audi Q5 (31% share*)</td>
<td></td>
</tr>
</tbody>
</table>

Since 2015: New Audi Q7
Leading a diverse market: Private buyers dominate

**Audi in China, customer mix**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>1 %</td>
<td>0 %</td>
</tr>
<tr>
<td>Fleet customers</td>
<td>&lt;10 %</td>
<td>&lt;10 %</td>
</tr>
<tr>
<td>Private customers</td>
<td>&gt;90 %</td>
<td>&gt;90 %</td>
</tr>
</tbody>
</table>
Verified Top Service: Audi in J.D. Power Rankings China

SSI 2016
(Sales Satisfaction Index)

CSI 2016
(After Sales Service Index)

NO. 1 since 2010

NO. 1 since 2013
Financial services business is growing

Financing in percent of Audi car sales in China:

- 2011: 22%
- 2012: 28%
- 2013: 36%
- 2014: 39%
- 2015: 46%
- 2016 Jan.-Jul: 48%
Sustainable expansion of sales network

Number of Audi dealerships in China

- 2009: ~150
- 2010: ~170
- 2011: ~230
- 2012: ~290
- 2013: ~340
- 2014: ~400
- 2015: ~430
- Aug. 2016: ~450
Paving the way for Audi’s future
Strategic key areas for Audi in China

New Energy Vehicles | Automated Driving | Digitalization
Leading into the future: Strong focus on efficiency

Efficiency programme

Technology
Over 20 percent reduction of average fuel consumption of local models since 2011

Efficient components

Localized 7-speed S tronic
Best-in-class efficiency (with 2.0 T engine)

First localized e-tron

Audi A6 L e-tron produced in China and to be launched in 2016

Developed for Asia

Audi Q7 e-tron
Special TFSI version to be launched in China in 2017
Audi is the leader for piloted driving

AUDI AG

• The next generation Audi A8 will be the first series model to master piloted driving up to a speed of 65 km/h

Audi R&D Beijing

• Testing Advanced Driver Assistance Systems in China since 2013
• Adaption to Chinese traffic conditions
• Predevelopment of next generation driver assist systems.
Audi cooperates with China’s leading digital companies

Audi is the first premium manufacturer to offer high-resolution 3D maps in its navigation systems in China. Map data supplied by Alibaba

Integration of Wechat functions into the Audi MMI under development

Baidu Car Life to be integrated into the Audi MMI in 2017
Thank you