Volkswagen Group China – Pioneering the Future

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Investor Visit, 1 December 2016, Beijing
Disclaimer

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Consequently, a negative impact relating to ongoing claims or investigations, 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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Volkswagen Group China

1. Chinese Market
2. Volkswagen Group in China
3. Sales
4. Financials
5. Strategy and Future Development
# Volkswagen's second home market in comparison

## Size of the countries

<table>
<thead>
<tr>
<th></th>
<th>CHINA: 9,562,911 km²</th>
<th>GERMANY: 357,021 km²</th>
</tr>
</thead>
</table>

## Population

<table>
<thead>
<tr>
<th></th>
<th>CHINA: 1,370 million</th>
<th>GERMANY: 81 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>INHABITANTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DENSITY (People per km²)</td>
<td>139.6</td>
<td>232.1</td>
</tr>
<tr>
<td>AVERAGE AGE</td>
<td>37 years</td>
<td>44 years</td>
</tr>
<tr>
<td>UNEMPLOYMENT</td>
<td>4.1 %</td>
<td>6.4 %</td>
</tr>
</tbody>
</table>

## Economy

<table>
<thead>
<tr>
<th></th>
<th>CHINA: $ 10,916 billion</th>
<th>GERMANY: $ 3,353 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>$ 7,833</td>
<td>$ 41,106</td>
</tr>
<tr>
<td>GDP PER CAPITA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP GROWTH RATE</td>
<td>6.9 %</td>
<td>1.5 %</td>
</tr>
<tr>
<td>INFLATION</td>
<td>1.4 %</td>
<td>0.2 %</td>
</tr>
<tr>
<td>TRADE BALANCE</td>
<td>$ 682.3 billion</td>
<td>$ 291.7 billion</td>
</tr>
</tbody>
</table>

## Car industry

<table>
<thead>
<tr>
<th></th>
<th>CHINA: 83 million</th>
<th>GERMANY: 44 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL CAR PARK</td>
<td>19.7 million</td>
<td>3.2 million</td>
</tr>
<tr>
<td>PRODUCTION SITES</td>
<td>172</td>
<td>23</td>
</tr>
<tr>
<td>DENSITY (Cars per 1,000 Inh.)</td>
<td>84</td>
<td>548</td>
</tr>
<tr>
<td>AVERAGE CAR AGE</td>
<td>3.3</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

Nominal GDP (in billion $)

Real GDP growth comparison

Source: Worldbank & Wind and IHS
Strong historical car market growth changing towards normalization

Chinese total car market (in ‘000 units)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>12,644</td>
<td>13,641</td>
<td>16,071</td>
<td>18,717</td>
<td>21,583</td>
<td>21,689</td>
<td>22,377</td>
<td>23,432</td>
<td>24,598</td>
<td></td>
</tr>
</tbody>
</table>

Source: HIS, 11/2016

Car market growth comparison

Source: IHS, 11/2016

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

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

- **Q1:** +8.9%
- **Q2:** +10.0%
- **Q3:** +20.1%

### 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%

### 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)
Less developed cities provide new opportunities

**Level I cities**
- Beijing
- Shanghai
- Guangzhou
- Dalian
- Xi’an
- Changsha
- Shantou
- Hengshui
- Jingdezhen
- Guyuan
- Zigong
- Haibei
- Jinchang
- Turpan

**Number of cities**
- 9
- 26
- 94
- 68
- 109
- 39

**Average # of inhabitants (m)**
- 17.2
- 8.5
- 4.9
- 4.0
- 1.7

**Cars/1,000 inhabitants**

**Share of total market**
- Level I share
- Level II share

**Level I and II cities**

**Level III cities**
- Shantou
- Hengshui
- Jingdezhen
- Guyuan
- Zigong
- Haibei
- Jinchang
- Turpan

**Number of cities**
- 56
- 59
- 60
- 61
- 62
- 63

**Average # of inhabitants (m)**
- 94
- 68
- 109
- 39

**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

**Chinese Market**

<table>
<thead>
<tr>
<th>Year</th>
<th>Requirement 2015</th>
<th>Requirement 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>6.9l ≈ 164g CO₂/km</td>
<td>5.0l ≈ 117g CO₂/km</td>
</tr>
<tr>
<td>2013</td>
<td>6.8l ≈ 157g CO₂/km</td>
<td>4.9l ≈ 113g CO₂/km</td>
</tr>
<tr>
<td>2014</td>
<td>6.6l ≈ 150g CO₂/km</td>
<td>4.8l ≈ 107g CO₂/km</td>
</tr>
<tr>
<td>2015</td>
<td>6.4l ≈ 144g CO₂/km</td>
<td>4.7l ≈ 101g CO₂/km</td>
</tr>
<tr>
<td>2016</td>
<td>6.2l ≈ 138g CO₂/km</td>
<td>4.6l ≈ 95g CO₂/km</td>
</tr>
<tr>
<td>2017</td>
<td>6.0l ≈ 132g CO₂/km</td>
<td>4.5l ≈ 89g CO₂/km</td>
</tr>
<tr>
<td>2018</td>
<td>5.8l ≈ 126g CO₂/km</td>
<td>4.4l ≈ 83g CO₂/km</td>
</tr>
<tr>
<td>2019</td>
<td>5.6l ≈ 120g CO₂/km</td>
<td>4.3l ≈ 77g CO₂/km</td>
</tr>
<tr>
<td>2020</td>
<td>5.4l ≈ 114g CO₂/km</td>
<td>4.2l ≈ 71g CO₂/km</td>
</tr>
<tr>
<td>…</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td>4.0l ≈ 71g CO₂/km</td>
</tr>
</tbody>
</table>

**Notes:**
- The requirement for 2015 is 6.9 liters per 100 km and 164 grams of CO₂ per km.
- The requirement for 2020 is 5.0 liters per 100 km and 117 grams of CO₂ per km.
China 6 regulation – Worldwide toughest emission legislation

**NOx emission legislation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Pre-introduction BJ, SH &amp; other key regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Bench test</td>
</tr>
<tr>
<td>2016</td>
<td>Bench test</td>
</tr>
<tr>
<td>2017</td>
<td>Bench test</td>
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<td>2018</td>
<td>Bench test</td>
</tr>
<tr>
<td>2019</td>
<td>Bench test</td>
</tr>
<tr>
<td>2020</td>
<td>Bench test</td>
</tr>
</tbody>
</table>

**Highlights**

- Emission regulation **China 6 for gasoline engines** – WTO draft was published in October 2016 – not final
- Implementation on national level planned for 2020
- Beijing and Shanghai may start with similar regulation in 2018 and other key regions in 2019
- Roller bench test **NOx emission should fall below 35 mg/km**
- Further driving emissions need to be reduced dramatically – e.g. CO, THC, PM

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1) Schematic overview
2) USA fleet average for NMOG+NOx per model year
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.
Volkswagen Group China

1. Chinese Market

2. Volkswagen Group in China

3. Sales

4. Financials

5. Strategy and Future Development
Volkswagen Group China at a glance\(^1\)

- More than 95,000 employees end of 2015
- 29 production plants end of 2015
- Around €4.4 billion investments planned for 2016
- More than 18% market share in China's passenger car market in 2015
- More than 150 models
- 12 fascinating brands
- 1984: first Joint Venture Shanghai VW was founded
- 1990: FAW-VW was founded in Changchun
- More than 95,000 employees end of 2015
- Over 25 million cars delivered since market entry
- 3.55 million deliveries in 2015
- Proportionate operating profit of €5.2 billion in 2015
- ~320,000 employees within dealer network in 2015

\(^1\) Data as of end 2015.
# Joint Venture structure of Volkswagen Group in China

## Start of production

<table>
<thead>
<tr>
<th>Year</th>
<th>Model</th>
<th>Deliveries to customers (in ‘000 vehicles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>Santana B2</td>
<td>1,455</td>
</tr>
<tr>
<td>1991</td>
<td>Jetta</td>
<td>1,121</td>
</tr>
</tbody>
</table>

## 1st JV contract signed

<table>
<thead>
<tr>
<th>Year</th>
<th>1984</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td></td>
</tr>
</tbody>
</table>

## JV contract runs until

<table>
<thead>
<tr>
<th>Year</th>
<th>2035</th>
</tr>
</thead>
<tbody>
<tr>
<td>2035</td>
<td></td>
</tr>
</tbody>
</table>

## Deliveries to customers in 2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Model</th>
<th>Deliveries to customers (in ‘000 vehicles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Ownership structure

**SAIC VOLKSWAGEN**

- VW AG: 50%
- SAIC: 40%
- VCIC: 10%

**FAW-VOLKSWAGEN**

- FAW: 60%
- VW AG: 20%
- Audi: 10%
- VCIC: 10%

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1) Excluding imported vehicles of respective brands. 2) Volkswagen (China) Investment Co., Ltd. 100% owned by Volkswagen AG. 3) Including a stake of ŠKODA AUTO a.s.
Further entities in China

1) Selection of major companies in the region China.

2) Direct and indirect holdings.
Volkswagen Group in China – A long-term success story

Volkswagen Group development of deliveries to customers (in ‘000 units)
Great range of locally produced vehicles…

**Volkswagen Group in China**

- Polo
- Santana
- Gran Santana
- Lavida
- Gran Lavida
- Lamando
- Touran L
- Tiguan
- Passat
- Fabia
- Rapid
- Octavia
- Superb
- Yeti
- Golf
- Golf Sportsvan
- Jetta
- Bora
- Sagitar
- Magotan
- CC
- A3
- A3 Limousine
- A4L
- A6L
- Q3
- Q5

Data as of June 2016.
... and imported passenger cars serving Chinese customers’ demand

Data as of June 2016.

Chinese Market

Volkswagen Group in China

Sales

Financials

Strategy and Future Development

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

Boxster  Cayman  911  Macan  Panamera  Cayenne

Bentley

Flying Spur  Continental GT  Bentayga  Mulsanne

Lamborghini

Huracan Coupe  Aventador Roadster  Aventador

Bugatti

Veyron
Volkswagen Group production sites all over China

**Facts 2015**

- 29 production plants in China
  - 4 FAW-Volkswagen vehicle plants
    - Changchun (2 plants)
    - Chengdu
    - Foshan
  - 8 SAIC VOLKSWAGEN vehicle plants
    - Shanghai (3 plants)
    - Nanjing
    - Yizheng
    - Ningbo
    - Urumqi
    - Changsha
  - 17 Component plants

- 3,420 thousand produced cars
- 3,270 thousand produced engines
Volkswagen Group China

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Deliveries to customers by brand January to October 2016

1) incl. Hong Kong, excl. Ducati.
Volkswagen Group – No. 1 in the Chinese passenger vehicle market

Passenger vehicles market share, YTD October 2016

<table>
<thead>
<tr>
<th>Rank</th>
<th>Group</th>
<th>Market share (Delta vs YTD Oct 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Volkswagen Group</td>
<td>- 0.8%</td>
</tr>
<tr>
<td>2</td>
<td>Comp. 1</td>
<td>+ 0.3%</td>
</tr>
<tr>
<td>3</td>
<td>Comp. 2</td>
<td>- 0.7%</td>
</tr>
<tr>
<td>4</td>
<td>Comp. 3</td>
<td>+ 0.4%</td>
</tr>
<tr>
<td>5</td>
<td>Comp. 4</td>
<td>- 0.1%</td>
</tr>
</tbody>
</table>

Source: CKD from China Passenger Car Association (CPCA), CAAM; FBU from insurance data
Split between locally produced and imported vehicles

Deliveries to customers (in ‘000 vehicles)

- Imported: 1,497
- Others: 146
- Total: 1,643

Import business 2016 YTD (deliveries in ‘000 vehicles)

- Others: 43
- Audi: 41
- Porsche: 55
- Total: 140

Total deliveries in the region China amounted to 3,218 thousand in Jan to Oct 2016

1) incl. Hong Kong, excl. Ducati. All figures shown are rounded.
Strong focus on growth of our well diversified dealer network

**Dealer network**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tier 5</th>
<th>Tier 4</th>
<th>Tier 3</th>
<th>Tier 2</th>
<th>Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,586</td>
<td>2,364</td>
<td>2,657</td>
<td>2,779</td>
<td>&gt;3,400</td>
</tr>
</tbody>
</table>

All figures shown are rounded. Source for market share by tier city: EIU (Economist Intelligence Unit)

**Well diversified through tier cities**

<table>
<thead>
<tr>
<th>Tier</th>
<th>Share of Volkswagen Group dealers, 2015</th>
<th>Share of Volkswagen Group sales volume, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>26%</td>
<td>29%</td>
</tr>
<tr>
<td>Tier 3</td>
<td>30%</td>
<td>28%</td>
</tr>
<tr>
<td>Tier 4</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>Tier 5</td>
<td>8%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Chinese Market Volkswagen Group in China Sales Financials Strategy and Future Development
Strong residual values of Volkswagen Group models

Residual value ranking\(^1\)

<table>
<thead>
<tr>
<th>CKD Models</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A0</td>
<td>Polo</td>
</tr>
<tr>
<td>A</td>
<td>Lavida</td>
</tr>
<tr>
<td>A</td>
<td>Golf</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FBU Models</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A0</td>
<td>A1 5-doors</td>
</tr>
<tr>
<td>A0</td>
<td>Beetle</td>
</tr>
<tr>
<td>A0</td>
<td>A1 3-doors</td>
</tr>
</tbody>
</table>

Legend:
- Ranking No.1
- Ranking No.2
- Ranking No.3

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

\(^1\) China Automotive Residual Value Research Committee - RV Report 11/2016; Rankings based on the 3-year residual value
Volkswagen Group China

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4. Financials

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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>Q1-3 2016</td>
<td>2,852</td>
<td>€ 3,594</td>
</tr>
</tbody>
</table>
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>Dividends Paid Out to Joint Venture Partners (in € billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2.8</td>
</tr>
<tr>
<td>2012</td>
<td>4.6</td>
</tr>
<tr>
<td>2013</td>
<td>6.5</td>
</tr>
<tr>
<td>2014</td>
<td>6.7</td>
</tr>
<tr>
<td>2015</td>
<td>10.0</td>
</tr>
<tr>
<td>2016</td>
<td>8.1*</td>
</tr>
</tbody>
</table>

* Dividend for the year 2015 declared
Chinese Joint Ventures with strong financial performance in 2015¹
(January to December 2015 vs. 2014, in € million)

<table>
<thead>
<tr>
<th>Company</th>
<th>2014 Sales revenue</th>
<th>2015 Sales revenue</th>
<th>Post-tax profit 2014</th>
<th>Post-tax profit 2015</th>
<th>Dividends received 2014</th>
<th>Dividends received 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAW-Volkswagen Automotive Company (40%)</td>
<td>42,812</td>
<td>40,462</td>
<td>4,714</td>
<td>4,705</td>
<td>1,400</td>
<td>2,170</td>
</tr>
<tr>
<td></td>
<td>- 5.5%</td>
<td>- 0.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAIC VOLKSWAGEN Automotive Company (50%)</td>
<td>23,142</td>
<td>26,018</td>
<td>3,376</td>
<td>3,558</td>
<td>1,328</td>
<td>2,048</td>
</tr>
<tr>
<td></td>
<td>+ 12.4%</td>
<td>+ 5.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAIC VOLKSWAGEN Sales Company (30%)</td>
<td>30,035</td>
<td>26,956</td>
<td>404</td>
<td>449</td>
<td>103</td>
<td>143</td>
</tr>
<tr>
<td></td>
<td>+ 11.4%</td>
<td>+ 11.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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></td>
<td>2014</td>
<td>2015</td>
<td>Q1-3 2015</td>
</tr>
<tr>
<td>Deliveries to customers</td>
<td>3,675</td>
<td>3,549</td>
<td>2,577</td>
</tr>
<tr>
<td>Production (100%)*</td>
<td>3,528</td>
<td>3,420</td>
<td>2,427</td>
</tr>
<tr>
<td>Proportionate Operating Profit</td>
<td>5,182</td>
<td>5,214</td>
<td>3,777</td>
</tr>
</tbody>
</table>

**Proportionate operating profit development Q1-3 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**

<table>
<thead>
<tr>
<th>Q1-3 2015</th>
<th>€ 3.777 m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-3 2016</td>
<td>€ 3.594 m</td>
</tr>
</tbody>
</table>
Euro decreased significantly vs. Chinese Renminbi over the last decade but is increasing year-to-date

**EUR/CNY long-term development**

**CNY decreased 5% 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
Investments of our Joint Ventures in China are fully self-funded

Joint Venture investments

- **Planning November 2014**: €22 bn
- **Planning November 2015**: ~ €4.4 bn
- **Planning November 2016**: ~ €4.4 bn

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**

2015 - 2019: Ø per year

- **2016**:
- **2017**:
Volkswagen Group China

1. Chinese Market
2. Volkswagen Group in China
3. Sales
4. Financials
5. Strategy and Future Development
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
New product offering aligned with expected future market trends

Body group trends until 2020

- **Total market volume in 2015** (in million vehicles)
- **Growth until 2020**

<table>
<thead>
<tr>
<th>Body Group</th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sedan</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>SUV</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Van</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>15</td>
</tr>
</tbody>
</table>

**Source:** IHS

New vehicle launches 2016 and to follow

- **Sedan**
  - New Bora
  - Magotan
  - Phideon
  - Phideon PHEV
  
  - A4L
  - A6 L PHEV

- **SUV**
  - Bentayga
  - Tiguan LWB
  - Teramont
  
  - Q7 e-tron
  - Tiguan
  - Kodiaq

- **Others**
  - Golf Sportsvan
  - Touran L
  - R8 Coupé
  - C-TREK
  
  - 911
  - Boxster
  - A5 Coupé

**Notes:**

1) Schematic overview – does not show all models

2) Source: IHS
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>15,308</td>
<td>17,849</td>
</tr>
<tr>
<td>SUV</td>
<td>34%</td>
<td>40%</td>
</tr>
<tr>
<td>MPV</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Hatchback</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>Sedan</td>
<td>52%</td>
<td>48%</td>
</tr>
</tbody>
</table>

### Current SUV portfolio of Volkswagen Group in China

- **Others**: 14%
- **SUV**: 15%
- **MPV**: 69%
- **Hatchback**: 69%
- **Sedan**: 7%

### Significant SUV portfolio expansion planned in 2016 - 2020

- **A0**
- **A**
- **B**
- **C**
- **D/E**
Volkswagen Group China will be prepared to deliver around 1.5 million zero emission cars to Chinese customers by 2025

**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

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

**Phase 3**
- Locally produced pure electric vehicles based on scalable electric toolkit (MEB) for different vehicle classes
  - Pure electric: up to 600km
  - 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
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

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**Volkswagen in China**

**Strategy and Future Development**

- Sales
- Financials
- Strategy and Future Development
Volkswagen and its partners invest in capacity expansion and modernization of factories to lower the CO$_2$ emission output

Production sites and capacity

<table>
<thead>
<tr>
<th>Weighted plants</th>
<th>Vehicle plants</th>
<th>Component plants</th>
</tr>
</thead>
<tbody>
<tr>
<td>New vehicle plants</td>
<td>Foshan (FAW-VW)</td>
<td>Tianjin (VW ATJ)</td>
</tr>
<tr>
<td>Vehicle plants expansions</td>
<td>Qingdao (FAW-VW)</td>
<td></td>
</tr>
<tr>
<td>New component plants</td>
<td>Capacity increase</td>
<td></td>
</tr>
<tr>
<td>Component plant expansion</td>
<td>Foshan (FAW-VW)</td>
<td></td>
</tr>
<tr>
<td>Existing plants</td>
<td>Chengdu (FAW-VW)</td>
<td></td>
</tr>
</tbody>
</table>

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)

CO$_2$ measures in place to reduce emissions

<table>
<thead>
<tr>
<th>Year</th>
<th>ŠKODA</th>
<th>Volkswagen</th>
<th>Audi</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>268</td>
<td>490</td>
<td>2,662</td>
</tr>
<tr>
<td>2015</td>
<td>3,420</td>
<td>~110%</td>
<td></td>
</tr>
</tbody>
</table>

1) Actual production volume in '000 vehicles
2) Installed capacity on the basis of 250 working days.
Volkswagen Finance (China) – Gaining share in an expanding market

Growing penetration of financing business

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash</th>
<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>2016 H1</td>
<td>37%</td>
<td>63%</td>
</tr>
<tr>
<td>2018e</td>
<td>12%</td>
<td>88%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Source</th>
<th>2014-2015 China Auto Finance Consumer Behavior Report (Conducted by Ipsos and VWFC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other AFC</td>
<td>Other Automotive Finance Companies</td>
</tr>
</tbody>
</table>

Highest customer satisfaction

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Average</th>
<th>Volkswagen Finance</th>
<th>Other AFC</th>
<th>Banks</th>
<th>Credit Cards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>57</td>
<td>69</td>
<td>50</td>
<td>55</td>
<td>69</td>
</tr>
</tbody>
</table>

Financial Services China: Strategic growth dimensions

- Leasing / Credits
- Fleet Management
- Used Cars
- New Mobility
- After Sales / Insurance
Volkswagen Group Investor Relations – Your point of contact

Worldwide offices
- Herndon/ USA
- London/ UK
- Wolfsburg/ GER
- Beijing/ CN

Investor Relations in China
- Lennart Schmidt
  - CIIA/CEFA, CIRO
  - Investor Relations Manager

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www.volkswagenag.com/ir
SAIC VOLKSWAGEN TERAMONT
SAIC VOLKSWAGEN PHIDEON
C-TREK
Volkswagen Group China – Pioneering the Future

Carsten Isensee
Executive Vice President Finance, Volkswagen Group China
Investor Visit, 1 December 2016, Beijing