Carsten Isensee
CFO, Volkswagen Group China
Morgan Stanley Conference, 15.04.2019, Shanghai

Leading the Transformation.
The following presentations contain 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, 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. These assumptions relate in particular to the development of the economies of individual countries and markets, the regulatory framework and the development of the automotive industry. Therefore the estimates given involve a degree of risk, and the actual developments may differ from those forecasts. The Volkswagen Group currently faces additional risks and uncertainty related to pending claims and investigations of Volkswagen Group members in a number of jurisdictions in connection with findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The degree to which the Volkswagen Group may be negatively affected by these ongoing claims and investigations remains uncertain.

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, and trade disputes among major trading partners 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 in particular 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.

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1. REVIEW 2018 & OUTLOOK 2019

2. LOOKING INTO THE FUTURE
CHINA: 22.7 MILLION PASSENGER CARS SOLD IN THE WORLDWIDE BIGGEST MARKET IN 2018

Total market development (in '000 units)

2018 vs. 2017

Q1: +6.7%
Q2: +3.9%
Q3: -7.5%
Q4: -16.3%

Source: CPCA, Insurance data
ALL BRANDS OUTPERFORMED THE MARKET IN A CHALLENGING ENVIRONMENT

Volkswagen Group: +0.5%
Total Market: -4.6%
VGC Outperformance: +5.1 pp

1) incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania. All figures are rounded.
MORE THAN 95% OF VEHICLES SOLD IN CHINA ARE LOCALLY PRODUCED\(^1\)

Deliveries to customers Jan-Dec 2018 (in ‘000 veh.)

<table>
<thead>
<tr>
<th></th>
<th>1,992</th>
<th>2,019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imported</td>
<td>196</td>
<td>&lt; 5%</td>
</tr>
</tbody>
</table>

Import business Jan-Dec 2018 (deliveries in ‘000 veh.)

<table>
<thead>
<tr>
<th>Others</th>
<th>Volkswagen</th>
<th>Audi</th>
<th>Porsche</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>80</td>
<td>62</td>
<td>41</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania. All figures are rounded.
Proportionate operating profit of Chinese Joint Ventures (in € million)

Excluding the negative currency effect, the operating result was on last year’s level.

Flat y-o-y:
- 4,746

- 119
-2.5%

2017

Volume & Mix effect
(e.g. Teramont & Audi situation)
+ Material cost improvements
+ Cost efficiency programs

- Competitive market environment
  - Fix cost increase
    (new factories)

2018 excl. currency effect:
4,627

2018

4,627

Currency effect:
- 119
-2.5%
## JOINT VENTURE FINANCIALS 2018 – HIGHLIGHTS ON 100% LEVEL

DOUBLE-DIGIT PRE-TAX PROFIT MARGINS SUSTAINED

<table>
<thead>
<tr>
<th></th>
<th>FAW-VOLKSWAGEN</th>
<th>SAIC VOLKSWAGEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliveries to customers (in '000 units)</td>
<td>1,992 (+2.2%) of which 1,391 Volkswagen and 601 Audi(^2)</td>
<td>2,019 (-1.3%) of which 1,678 Volkswagen and 341 ŠKODA</td>
</tr>
<tr>
<td>Sales revenue (in € million)</td>
<td>41,607 (+1.9%)</td>
<td>28,862 (+0.3%)</td>
</tr>
<tr>
<td>Pre-tax profit (in € million)</td>
<td>4,851 (-1.1%)</td>
<td>4,588 (+0.7%)</td>
</tr>
<tr>
<td>Pre-tax profit margin (in %)</td>
<td>11.7% (-0.1pp)</td>
<td>15.9% (+0.1pp)</td>
</tr>
</tbody>
</table>

\(^1\) SAIC Volkswagen financials do not include the SAIC Volkswagen Sales Company.  
\(^2\) Excluding deliveries of imported cars.
FURTHER KEY ACHIEVEMENTS OF VOLKSWAGEN GROUP CHINA IN 2018

1. Start of production in **4 new factories**

2. **Increase of SUV offering** from 6 to 14 locally produced SUVs

3. **Reduction of fleet consumption** to 6.1l/100km and **factory CO₂ output** -13%

4. **JAC and SEAT step forward as partners** to intensify e-mobility development

5. **Ground breaking for MEB production** in China

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1) FAW-Volkswagen and SAIC VOLKSWAGEN locally produced vehicle fleet.
VOLKSWAGEN GROUP CHINA LOOKS FORWARD TO A SUCCESSFUL YEAR 2019

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Growth</td>
<td>22.7m (-4.6%)</td>
<td></td>
</tr>
<tr>
<td>Volkswagen Group China Deliveries</td>
<td>4.2m (+0.5%)</td>
<td></td>
</tr>
<tr>
<td>Prop. Operating Profit</td>
<td>€ 4.6bn (-2.5%)</td>
<td></td>
</tr>
</tbody>
</table>

We, together with our Joint Venture partners, plan investments of more than **EUR 4 billion in 2019**!
VOLKSWAGEN GROUP CHINA OUTPERFORMED THE MARKET IN A CHALLENGING FIRST QUARTER

Volkswagen Group: -6.3%
Total Market: -9.8%
VGC Outperformance: +3.5 pp

1) incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania. All figures are rounded.
1 REVIEW 2018 & OUTLOOK 2019

2 LOOKING INTO THE FUTURE
CHINESE MARKET SHOWS A NORMALIZATION AND OFFERS SUBSTANTIAL GROWTH POTENTIAL

Passenger vehicle market

CAGR: +29%
CAGR: +11%
CAGR: +2.7%

29-30 million

Source: Forecast by IHS (as of Jan 2019)
MAJOR OPPORTUNITIES FOR THE FUTURE

Body style trend - SUV
Entry segment
New Energy Vehicles
New technologies
Mobility services
Autonomous driving
WE CONTINUE WITH OUR SUV OFFENSIVE TO INCREASE OUR PRODUCT MIX AND SECURE PROFITS

Volkswagen Group deliveries by body style in China (in ‘000 units)

<table>
<thead>
<tr>
<th>Year</th>
<th>Hatchback</th>
<th>Sedan</th>
<th>SUV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3,972</td>
<td>69%</td>
<td>14%</td>
</tr>
<tr>
<td>2017</td>
<td>4,184</td>
<td>66%</td>
<td>18%</td>
</tr>
<tr>
<td>2018</td>
<td>4,207</td>
<td>67%</td>
<td>20%</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td>&gt;40%</td>
</tr>
</tbody>
</table>

In 2018 Volkswagen Group China increased SUV deliveries by 12% to a SUV share of 20%.

In 2019 we will launch 8 SUV – 5 locally produced.

We expect that in the year 2020 at least 40% of all Volkswagen Group vehicles sold in China will be SUVs.
VOLKSWAGEN BRAND SUV NIGHT - GOING BEYOND
JETTA – THE NEW BRAND WITH OUTSTANDING PRICE-VALUE-RATIO FOR THE YOUNG, ASPIRING CHINESE CAR BUYER

Chinese total market 2018 by segment

- **Volume**: 56%
- **Premium**: 11%
- **Entry**: 33%

First-time car buyers per segment

- **Volume**: 65%
- **Premium**: 30%
- **Entry**: 81%

- Born from Volkswagen and built in China
- Part of FAW-Volkswagen
- Increase of **market coverage**
- **Entrance** to individual mobility
- Focus on Chinese **entry market segment** and **first-time car buyers**
- 2 SUVs and 1 Sedan
- **Market launch in 3rd quarter**
VOLKSWAGEN GROUP CHINA STARTS ITS NEV OFFENSIVE IN 2019

New Energy Passenger Vehicles Market (in ‘000 units)

Volkswagen Group China

In 2020
Target >400,000 NEV sales
>30 NEV models of all our brands
50% of them locally produced

In 2025
Almost 40 locally produced NEV models
Prepared to deliver 1.5 million NEVs

Source for data: CPCA, Insurance Data
VOLKSWAGEN GROUP CHINA STARTS THE BATTERY ELECTRIC VEHICLES OFFENSIVE IN 2019

• We will launch 5 BEV models that we produce locally
• In addition we will import high-end BEVs e.g. Audi e-tron
• More PHEVs will broaden our NEV offer
• In China 14 NEVs will be available for our customers (imported and locally produced PHEVs and BEVs)
VOLKSWAGEN GROUP WILL FURTHER STRENGTHEN THE RESEARCH & DEVELOPMENT CAPABILITIES IN CHINA

- Approx. 4,200 engineers in R&D in China
- About 90% are Chinese employees

More competencies in China
Development in China together with Europe

Future Center China
Strong skill set in new technologies
Encourage exchange
WE ESTABLISHED MOBILITY ASIA AS 100% VOLKSWAGEN GROUP ENTITY TO DRIVE THE TRANSFORMATION TOWARDS A LEADING PROVIDER OF SUSTAINABLE MOBILITY
WE HEAVILY FOCUS IN-HOUSE AND TOGETHER WITH STRONG PARTNERS ON AUTONOMOUS DRIVING

**In-house focus**

- **Audi, Volkswagen brand and Group R&D** work together
- **Test licenses for Level 4** highly automated driving received

**Strong partners e.g. Apollo project**

- Audi and Volkswagen joining Baidu’s **open-source-project**
- >100 global members
- 1st project: automated parking service, Valet parking
VOLKSWAGEN GROUP CHINA IS WELL ON TRACK TO TACKLE THE TRANSFORMATION IN CHINA

- Improve the **core business** & secure funding
- Transform towards **more electrification**
- Strengthen **innovation power**
- Build **mobility solution business**
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