Leading the Transformation.

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Senior Manager Investor Relations, Volkswagen Group China
Volkswagen Group China Business Update, Beijing, 3 July 2019
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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, 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.

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1 BUSINESS DEVELOPMENT & OUTLOOK 2019

2 LOOKING INTO THE FUTURE
CHINA: 22.7 MILLION PASSENGER CARS SOLD IN THE WORLDWIDE BIGGEST MARKET IN 2018
Q1 2019 WAS A CHALLENGING QUARTER WITH A SIGNIFICANT MARKET DECLINE

Total market development
(in '000 units)

<table>
<thead>
<tr>
<th>Period</th>
<th>Q1 2019 vs. Q1 2018</th>
<th>Q2 2019 vs. Q1 2018</th>
<th>Q3 2019 vs. Q1 2018</th>
<th>Q4 2019 vs. Q1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 vs. 2017</td>
<td>Q1: +6.7%</td>
<td>Q2: +3.9%</td>
<td>Q3: -7.5%</td>
<td>Q4: -16.3%</td>
</tr>
<tr>
<td>2019 vs. 2018</td>
<td>Q1: -9.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CPCA, Insurance data

FY 2018: -4.6%
AROUND 60% OF THE TOTAL MARKET WILL IMPLEMENT CHINA 6 EMISSION STANDARD FROM JULY 1, 2019

<table>
<thead>
<tr>
<th>No.</th>
<th>Province/City</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Shenzhen</td>
</tr>
<tr>
<td>2</td>
<td>Hainan</td>
</tr>
<tr>
<td>3</td>
<td>Shandong</td>
</tr>
<tr>
<td>4</td>
<td>Tianjin</td>
</tr>
<tr>
<td>5</td>
<td>Guangzhou</td>
</tr>
<tr>
<td>6</td>
<td>Rest of Guangdong</td>
</tr>
<tr>
<td>7</td>
<td>Shanghai</td>
</tr>
<tr>
<td>8</td>
<td>Henan</td>
</tr>
<tr>
<td>9</td>
<td>Jiangsu</td>
</tr>
<tr>
<td>10</td>
<td>Zhejiang</td>
</tr>
<tr>
<td>11</td>
<td>Shaanxi</td>
</tr>
<tr>
<td>12</td>
<td>Hebei</td>
</tr>
<tr>
<td>13</td>
<td>Anhui</td>
</tr>
<tr>
<td>14</td>
<td>Chengdu</td>
</tr>
<tr>
<td>15</td>
<td>Chongqing</td>
</tr>
</tbody>
</table>
VOLKSWAGEN GROUP CHINA IS OUTPERFORMING THE MARKET

Volkswagen Group: -7.4%
Total Market: -10.8%
VGC Outperformance: +3.4 pp

2018 Jan. – May
2019 Jan. – May

-7.4% -6.8% -1.9% -26.1% 9.6%
1,686 1,562 1,255 1,169 258 254 138 102 70 346

>100% 5.5% -40.3%
2,293 1,369

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

Deliveries to customers Jan-May 2019 (in ‘000 units)

- 755
- 734
- 73

Import business Jan-May 2019 (deliveries in ‘000 units)

- Volkswagen: 25
- Porsche: 33
- Others: 12
- Imported < 5%

\(^1\) incl. Hong Kong, excl. Ducati. Group numbers incl. MAN and Scania. All figures are rounded.
## Market share passenger cars

<table>
<thead>
<tr>
<th>Rank</th>
<th>Group</th>
<th>Jan-May 2019</th>
<th>Jan-May 2018</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Volkswagen Group</td>
<td>18.6%</td>
<td>17.9%</td>
<td>0.7 pp</td>
</tr>
<tr>
<td>2</td>
<td>Competitor 1</td>
<td>10.5%</td>
<td>12.0%</td>
<td>-1.5 pp</td>
</tr>
<tr>
<td>3</td>
<td>Competitor 2</td>
<td>7.7%</td>
<td>6.3%</td>
<td>1.4 pp</td>
</tr>
<tr>
<td>4</td>
<td>Competitor 3</td>
<td>7.1%</td>
<td>5.3%</td>
<td>1.8 pp</td>
</tr>
<tr>
<td>5</td>
<td>Competitor 4</td>
<td>7.0%</td>
<td>7.4%</td>
<td>-0.4 pp</td>
</tr>
</tbody>
</table>
THE OPERATING RESULT HELD UP WELL DESPITE CHALLENGING MARKET CONDITIONS

Proportionate operating profit of Chinese Joint Ventures (in € million)

Q1 2018: 1,163
Q1 2019: 1,074

-89
-7.7%

1,163

1. New SUVs (e.g. Tharu, Tayron and T-Roc)
2. Material cost improvements
3. Currency (~2%)

1,074

- Volume
- Competitive market environment

Q1 2018
Q1 2019
## 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!**
1 REVIEW 2018 & OUTLOOK 2019

2 LOOKING INTO THE FUTURE
CHINESE MARKET OFFERS SUBSTANTIAL GROWTH POTENTIAL

Passenger car market

CAGR: +29%
CAGR: +9%
CAGR: +2.8%

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

SUV body style

Entry segment

New Energy Vehicles

Local R&D
WE HAD A STRONG LOCALLY PRODUCED SUV OFFERING ALREADY END OF 2018 BUT...
... WITH OUR SUV OFFENSIVE WE WILL CONTINUE TO INCREASE OUR PRODUCT MIX

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>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3,972</td>
<td>69%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>2017</td>
<td>4,184</td>
<td>66%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>2018</td>
<td>4,207</td>
<td>67%</td>
<td>11%</td>
<td>20%</td>
</tr>
</tbody>
</table>

In 2019 Jan to May Volkswagen Group China increased SUV deliveries by 30% to a SUV share of ~26%

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

- 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 2019
LEGAL REQUIREMENTS OF AVERAGE FUEL CONSUMPTION TARGETS FOR FLEETS IN CHINA

Challenges

• Almost no diesel passenger cars in China

• Preference for larger cars in the market

• CAFC\(^1\) Calculation based on “separate fleets” (locally produced & import)
CURRENT REGULATORY FRAMEWORK FOR NEV CREDITS

CAFC\(^1\) and NEV Credit System

- Independent calculation of CAFC\(^1\) and NEV credits
- Companies need to fulfill both requirements

CAFC\(^1\) Credits:
- Transfer between affiliated companies only
- Credit carry-over to next 3 years with depreciation
- Negative results can be offset by NEV credits (own or free trading in market)

NEV Credits:
- No transfer from CAFC\(^1\) credits to NEV credits
- No Carry-over except for year 2016 and 2019
- Free Trading of NEV credits allowed

MIIT\(^2\) for NEV Credit Calculation

\[
\text{min. NEV credit points} = \text{ICE}^{3)} \text{Volume} \times \text{NEV credit point ratio}
\]

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
<td>10%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Example:
4 m ICEs need 12% Quota 2020 = 480,000 NEV credit points (CP)

NEV Credit Point Attribution per NEV Type up to 2020

BEV\(^4\): Basic credit = 0.012 x Range + 0.8 \hspace{1cm} (max. 5 basic credits)
BEV additional factor for low electric consumption up to 1.2

PHEV\(^5\): Basic credit = 2 \hspace{1cm} (min. e-Range 50km)
PHEV credit = 1 if e-range 50-80km and consumption under B-Test ≥70% ICE; or e-range ≥ 80km but high electric consumption

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\(^1\) CAFC – Corporate Average Fuel Consumption  \(^2\) MIIT – Ministry of Industry and Information Technology  \(^3\) ICE – Internal Combustion Engine  \(^4\) BEV – Battery Electric Vehicle  \(^5\) PHEV – Plug-in Hybrid Electric Vehicle
VOLKSWAGEN GROUP CHINA STARTS ITS NEV OFFENSIVE IN 2019

New Energy Passenger Vehicles Market (in ’000 units)

- Battery Electric Vehicles
- Plug-in Hybrid Electric Vehicles

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 follows three phases of introducing locally produced new energy vehicles in China.

**Phase 1**
Plug-in hybrids based on current toolkits

**Phase 2**
Pure electric vehicles based on current toolkits

**Phase 3**
Pure electric vehicles based on dedicated electric toolkit
BATTERY ELECTRIC VEHICLE OFFENSIVE STARTS IN 2019

Volkswagen Group China

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)
WITH THE MEB VOLKSWAGEN GROUP TAKES FULL ADVANTAGE OF ALL BENEFITS THAT E-MOBILITY PROVIDES – START OF PRODUCTION IN CHINA IN 2020

- Larger wheelbase
- Short overhangs
- Central computing unit
- Bigger wheel diameter
- No center tunnel
- Rear wheel drive + 4WD
- More space in driver’s area and in the back
- New innovations e.g. Augmented Reality head up
OUR E-MOBILITY STRATEGY COMES WITH AN HOLISTIC APPROACH

PREMIUM

VOLUME

HOLISTIC APPROACH

Connectivity
Smart mobility eco-system
Services/ Data Monetization
Autonomous projects
Smart infrastructure ecosystem
VOLKSWAGEN GROUP CHINA ADVANCES E-MOBILITY STRATEGY WITH NEW NEV COMPONENTS

E-drive and Hybrid Transmission locally produced

- **100% owned** Volkswagen Automatic Transmission (Tianjin)
- Strong workforce with **over 4,600 skilled workers**
- **Highly flexible production** facility
- NEV component **SOP Ceremony in June 2019**
- **Smart Digital Factory**
- Production of **components for MEB** in the future
“ONE R&D” BRINGS TOGETHER INTERNAL RESEARCH AND DEVELOPMENT EXCELLENCE

ONE R&D

Power of **two brands** and **Group R&D**
more than **4,500 R&D employees**
strengthening our **national R&D capacity**
develop **in China for China**
some areas will develop **technologies for the rest of the world**
create greater **synergies**
VOLKSWAGEN GROUP IS WELL ON TRACK TO TACKLE CURRENT CHALLENGES AND THE TRANSFORMATION IN CHINA

- Deliver **sales performance** in challenging environment
- Improve product offering and mix to **secure funding**
- Transform towards **more electrification**
- Strengthen **innovation power** with **ONE R&D**
Leading the Transformation.