

VOLKSWAGEN Group China

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**Shanghai Volkswagen
Automotive Co., Ltd.**

Analyst/Investor Conference
Shanghai, 24 May 2006

Overview

1. Shanghai as an Automotive City

2. History of Shanghai Volkswagen (SVW)

3. Key Data SVW

4. Olympic Program SVW

5. SKODA Introduction

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2. History of Shanghai Volkswagen (SVW)

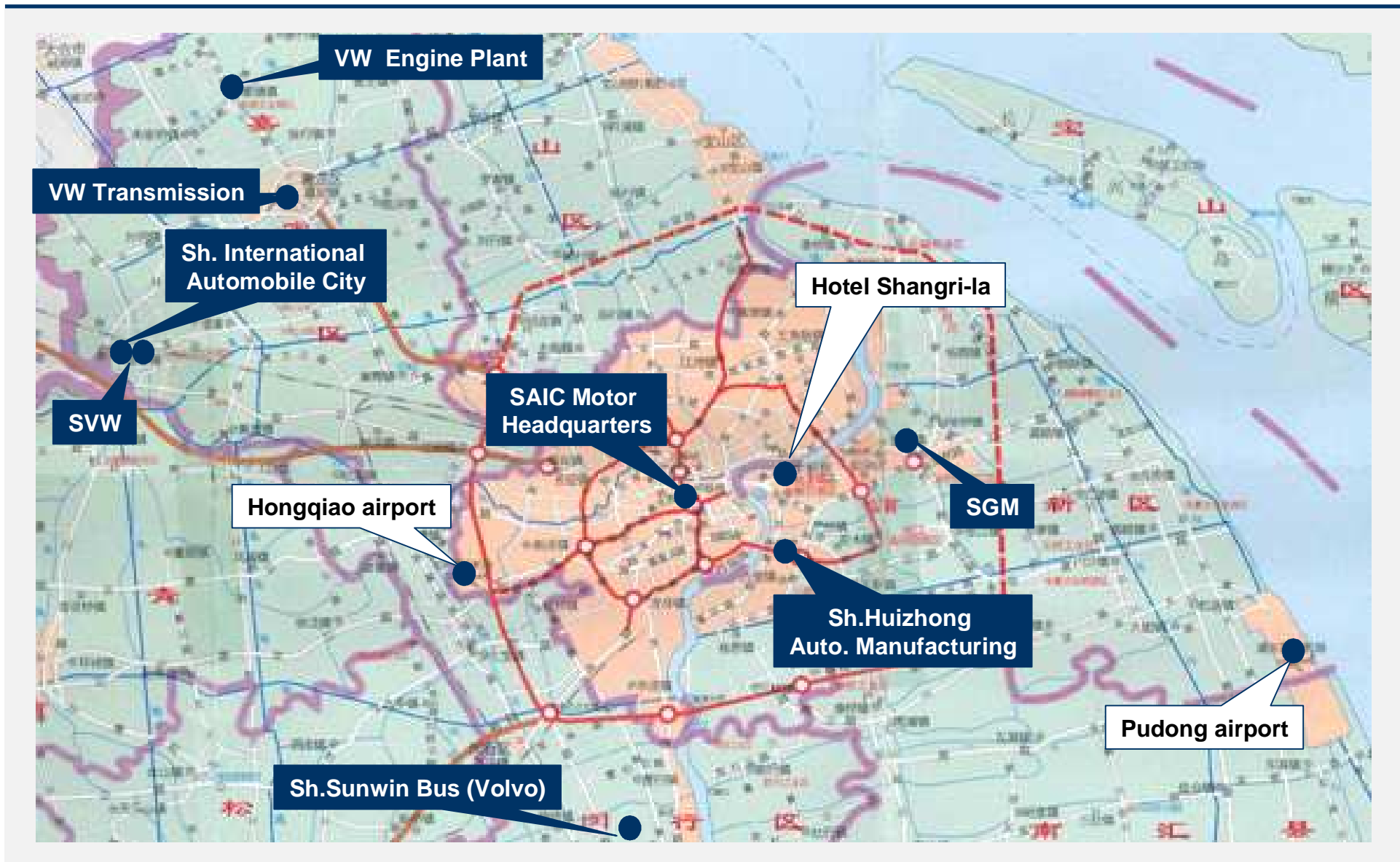
3. Key Data SVW

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Shanghai as an Automotive City

Location of Automotive Industry in Shanghai



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Shanghai as an Automotive City



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History of Shanghai Volkswagen (SVW) Joint-Venture Contract

The Joint-venture Contract of SVW with a duration of 25 years was signed on 10 October 1984 in the People's Congress Hall in Peking.



On 12 April 2002 the SVW Joint-venture Contract was extended by 20 years. (2030)

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Key Data

Current Product Line-up



Passat Lingyu



Santana B2



Santana Variant



Touran



Passat Classic



Santana 3000



Polo Hatchback



Gol 4 doors



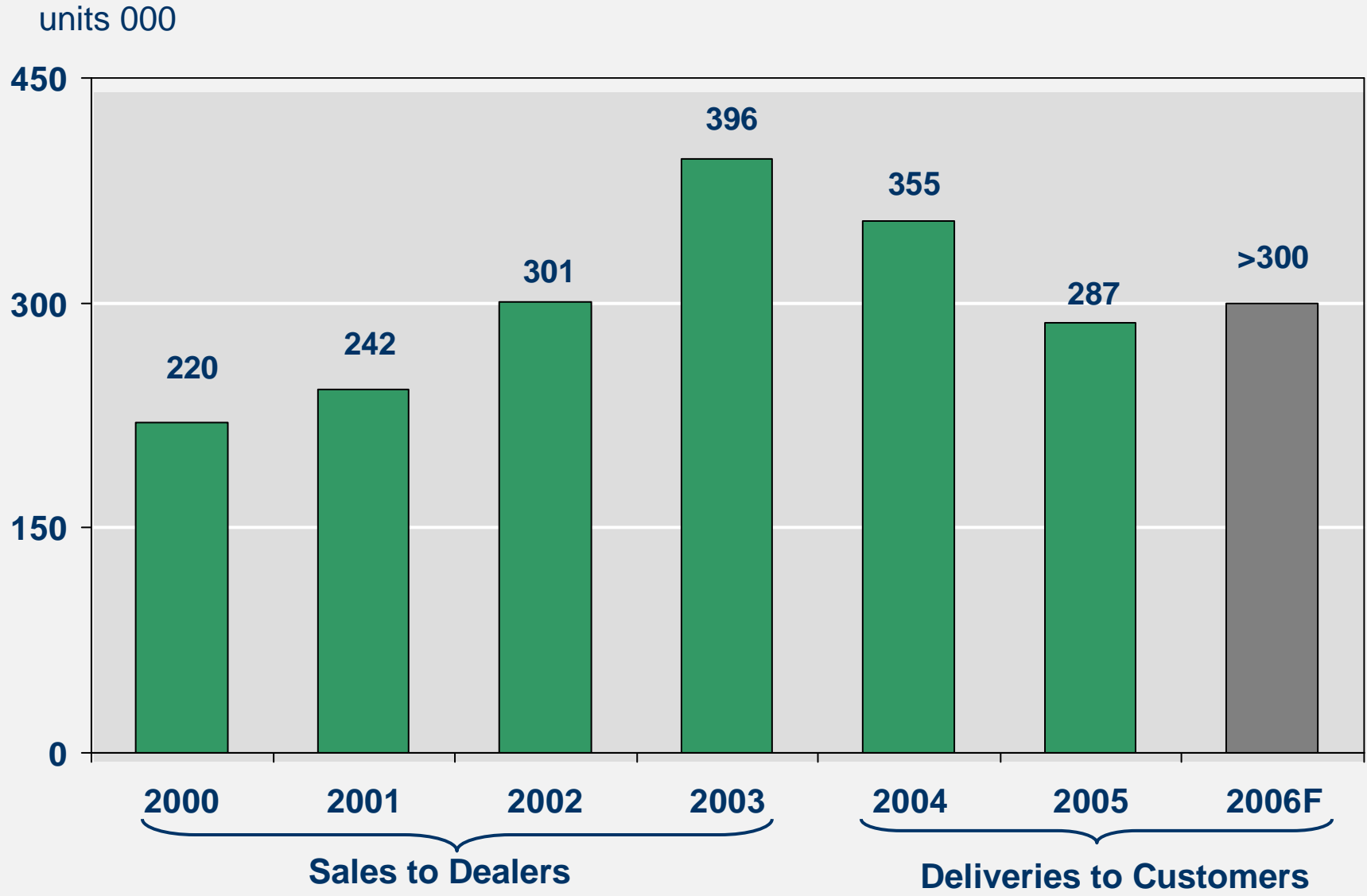
Gol 2 doors



Polo Notchback

Key Data

Sales Volume since 2000



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Key Data

Productivity and headcount

Productivity will improve through various measures of the Olympic programme :

- Higher production**
- Process optimisation in the factory**

Key Data

Labor Cost 2005/2006

**Measures to achieve
competitive labour cost.**

**Special measures to recruit
talented management.**

Key Data

Development Capability

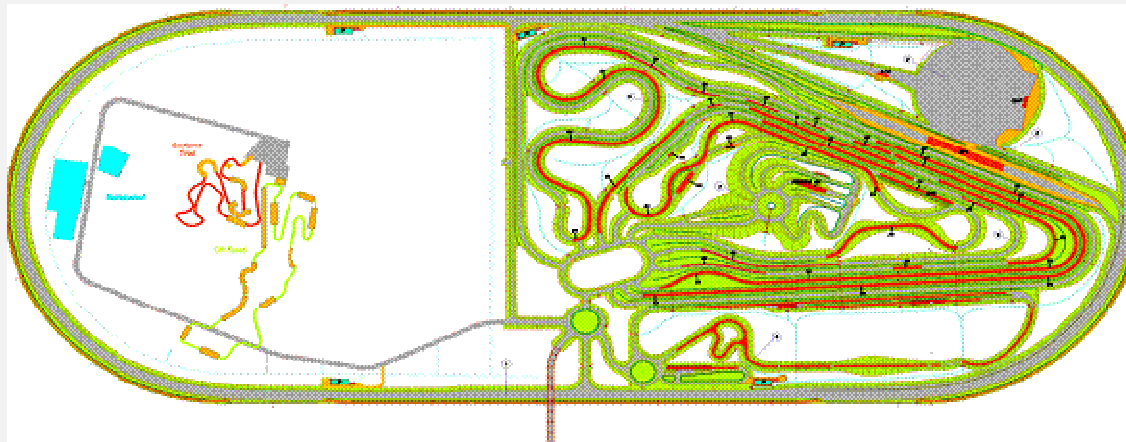
Acoustic test



Hydroplus test stand



Electro-magnetic Interference test



Proving ground of 1.43 km²



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Olympic Program VW China: Implementation at SVW

Branding/
Positioning

The strongest market portfolio within China

Product

10 - 12 new models until end of 2009

Costs

Competitive cost structure

Capacity

Capacity utilization > 90%

Sales &
Marketing

Best in class sales network
and evaluation of users

Corporate
Culture

Speeding up of decision processes
local management

Olympic Program SVW

A. Branding & Positioning : VGC Forecast Market Size 2010

		in ,000 RMB					
Price Segment	Total	7%	23%	37%	21%	12%	100%
	>300				1%	5%	6%
	230-300			0%	6%	5%	11%
	150-230			5%	10%	2%	17%
	90-150		4%	23%	3%	0%	30%
	<90	7%	19%	9%	1%		36%
		A00	A0	A	B	C/D	Total

Percentages based on total car market

Olympic Program SVW

B. Product Strategy SKODA

**A class
Market Launch
H1 07**



Additional cars are planned

Olympic Program SVW

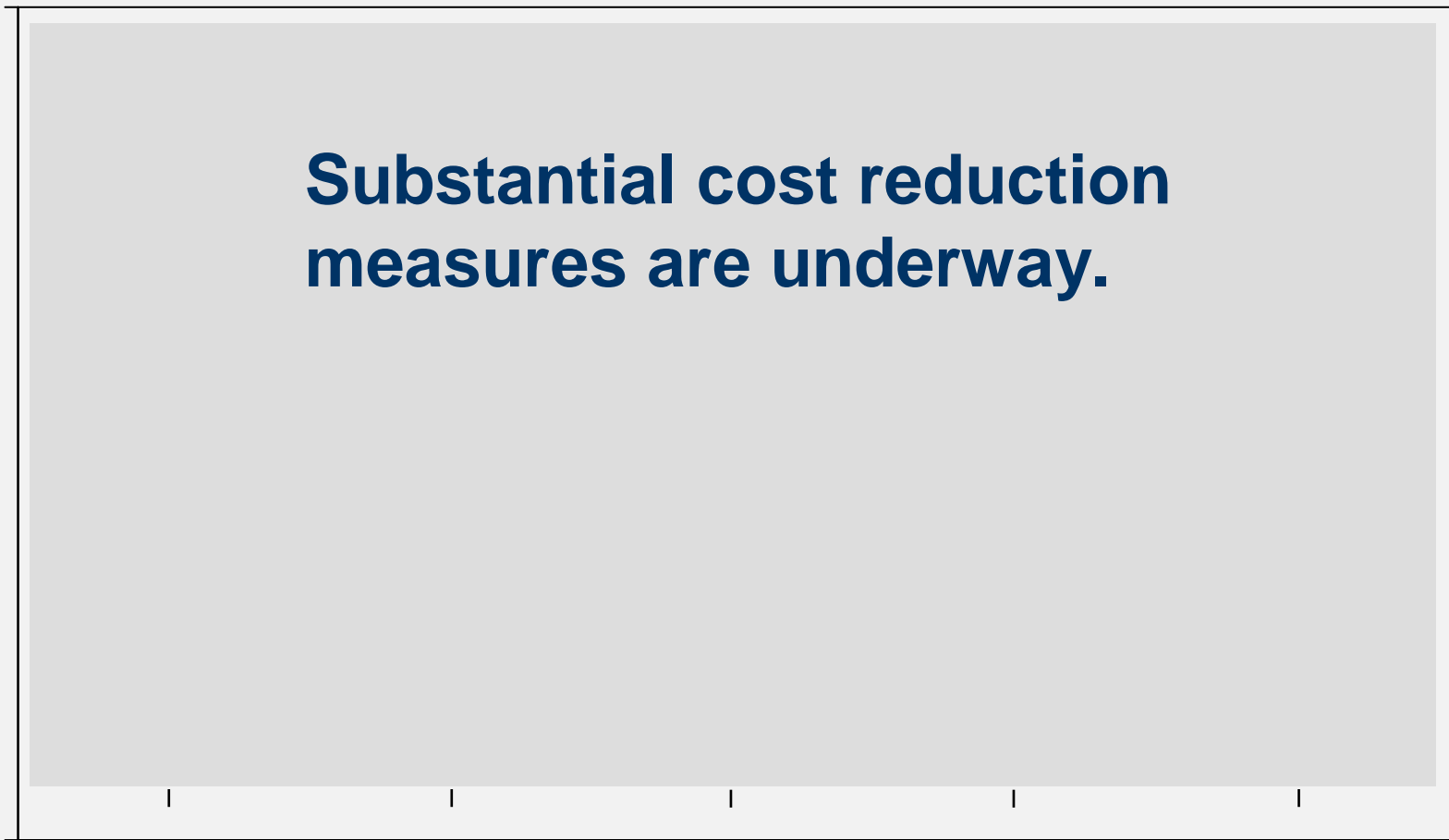
B. Product Strategy VW

Future models are planned

Olympic Program SVW

C. Material Cost Reduction (VW Brand Target)

Material Cost / Car



12/2004

12/2005

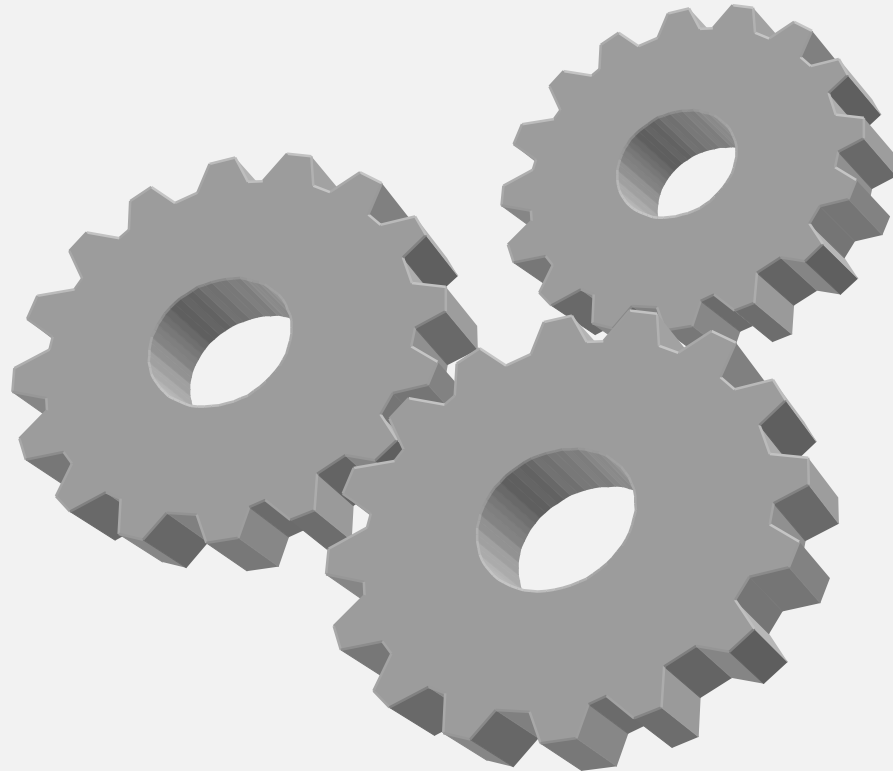
12/2006

12/2007

12/2008

Olympic Program SVW

D. Capacity, Structure & Synergies



- **Common sourcing**
- **Internal parts supply**
- **Common development**
- **Export of components**

VW + SVW + FAW-VW + Other VW JVs

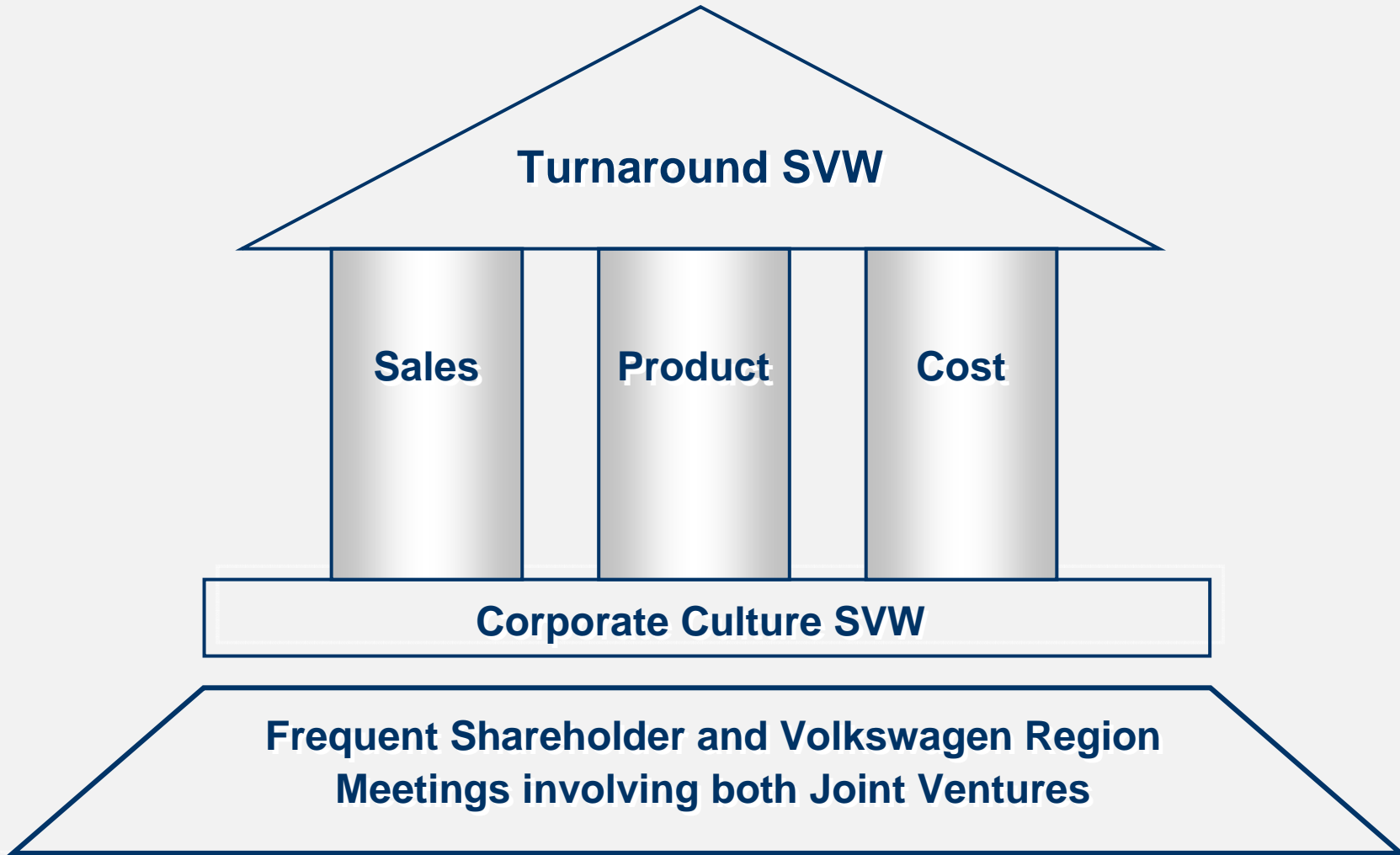
Olympic Program SVW

E. Sales & Marketing

- **Restructuring of organization (especially Regional Sales and Service Centers)**
- **Dealer training and improvement program**
- **Dealer financing program**
- **Integration of business process (Optimization of working process, Performance evaluation model)**
- **Introduction of Dealer Order Management System**
- **Bonus on retail**
- **Recruit high potentials from outside**
- **Focus marketing activities on specified customer groups**

Olympic Program SVW

F. Corporate Culture and Teamwork



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- 04.2005** Agreement between Škoda Auto and SVW regarding Octavia
- 12.2005** Skoda Auto and SVW signed a joint statement for a strategic partnership of cooperation in the presence of the Chinese Premier Wen Jiabao
- 03.2006** Investor conference for potential dealers (over 500 participants)
- 11.2006** Beijing Motor show – Debut Škoda Octavia from SVW
- H1 2007** SVW Škoda Octavia market launch



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