

Volkswagen Group China

In the Chinese market, Volkswagen continued to put all its energies into the strategic direction of e-mobility in 2020. The negative impact of the Covid-19 pandemic on business operations remained limited.

BUSINESS DEVELOPMENT

China remained the largest single market for Volkswagen in 2020. In the Chinese market, the Group offers more than 160 imported and locally produced models from the Volkswagen Passenger Cars, JETTA, Audi, ŠKODA, Porsche, Bentley, Lamborghini, Bugatti, Volkswagen Commercial Vehicles, MAN, and Scania brands as well as motorcycles by the Ducati brand. At 3.8 (4.2) million units (including imports), we delivered fewer vehicles to customers in 2020 than in the previous year in a Chinese market distinctly weakened by the pandemic. However, the Volkswagen Group remained the clear number one with Chinese customers with a market share of 19.3%. New models achieved a good market performance, including the new Volkswagen Passenger Cars flagship Touareg e-hybrid, the Viloran, the JETTA SUV VS7, the Porsche Taycan and the Audi Q2 and Q3 models. The new Tayron and Tharu models quickly took the lead in the A-SUV market. As part of the SUV campaign, we launched ten new models in 2020. They contributed to increased deliveries in the SUV segment and helped us to maintain our number one position. The new energy vehicle (NEV) segment was the fastest growing segment in China in 2020. The seven new NEV models increased the Group's portfolio to 22 electrified models in China. The premium brands Audi, Porsche and Bentley again delivered strong sales figures, and the young entry-level brand JETTA also attracted a large number of customers in its first full year of sales.

In spite of the Covid-19 pandemic, Volkswagen continued to put all its energies into the strategic direction of e-mobility in China in 2020: the two MEB plants in Foshan and Anting celebrated the start of production on schedule, adding a production capacity of 600,000 units per year to the Group. The ID.4 X model from SAIC VOLKSWAGEN and the ID.4 CROZZ model from FAW-Volkswagen are the first vehicles whose production started in 2020. Three further models in the ID. family are to follow in 2021. By 2023, Volkswagen Passenger Cars will offer eight models in the ID. family on the Chinese market, which plays a decisive role in the Group's global e-mobility strategy. In 2020, Volkswagen increased its stake in Volkswagen (Anhui), formerly JAC Volkswagen, from 50 to 75%. The investment also included the acquisition of 50% of the shares in JAG, the parent company of Volkswagen's joint venture partner JAC. The Volkswagen (Anhui) plant for all-electric vehicles has a maximum production capacity of 350 thousand units per year and should be finished by the end of 2022. Series production of MEB-based models should start there in 2023. Volkswagen has found another partner to secure future requirements for battery capacity for its Chinese e-models: with a 26% stake, Volkswagen (China) Investment Co. Ltd. wants to become the largest shareholder in Gotion High-Tech Co., Ltd. and thus the first international automotive manufacturer to directly invest in a Chinese battery supplier. The Audi brand is working with joint venture partner FAW to jointly establish a company for the production of all-electric vehicles based on the Premium Platform Electric (PPE) from 2024, the next major step for local production of e-vehicles. The Group also strengthened the production of electric drive components in China in 2020 in order to be prepared for rapidly growing demand for e-mobility.

19.3%

The Group's share of the market in China

EARNINGS

Thousand units	2020	2019	%
Deliveries	3,849	4,234	-9.1
Vehicle sales ¹	3,577	4,048	-11.6
Production	3,575	3,948	-9.5

1 Produced locally.

€ million	2020	2019
Operating result (100%)	9,744	11,110
Operating result (proportionate)	3,602	4,425

Our joint ventures produced a total of 3.6 (3.9) million vehicles in fiscal year 2020. The joint ventures produce both established Group models and those specially modified for Chinese customers (e.g. with extended wheelbases), as well as vehicles developed exclusively for the Chinese market (such as the Volkswagen Lamando, Lavida, New Bora, New Santana and Teramont).

The proportionate operating result of the joint ventures in the reporting year stood at €3.6 (4.4) billion. The negative impacts of pandemic-related lower unit sales and more intense market competition were offset by improvements in the mix and cost optimization.

The figures of the Chinese joint venture companies are not included in the operating profit of the Group as they are accounted for using the equity method. Their profits are included solely in the Group's financial result on a proportionate basis.

ID.4 family



LOCAL PRODUCTION

Units	2020	2019
Volkswagen Passenger Cars	2,751,717	3,066,807
Audi	671,659	614,753
ŠKODA	151,245	266,377
Total	3,574,621	3,947,937