



Volkswagen Passenger Cars Corporate Strategy:

**Benefitting from transformation –
Moving resolutely and vigorously to
the top of the new automotive industry**

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Volkswagen Passenger Cars – Strategy TRANSFORM 2025+

1.

**Initial
situation**

2.

**Strategy
components**

3.

Implementation



Four radical trends set the framework for the Volkswagen strategy TRANSFORM 2025+

Connectivity

> 600 million

Number of fully connected vehicles worldwide in 2025

- The car becomes the most important internet exchange point
- The manufacturer is in direct contact with its customers

- The car performs even more tasks for the driver

Autonomous Driving

> 90 minutes

Average time spent by drivers in their cars each day in Europe and the USA

Electrification

< 90g CO₂/km

Global environmental standards expected to be intensified drastically after 2020

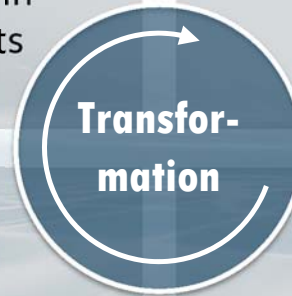
- Electric mobility is experiencing a breakthrough

- The car is put to better use

Shared Mobility

> 10%

Proportion of usage-based automobility in urban areas in 2025



Volkswagen passenger cars has significant potential for improvement

- **No recipe for success for US automobile market**
- **Eroding market shares in price-sensitive markets of Brazil, India and ASEAN**
- **Inconsistent brand image** in the regions
- **High increase in fixed costs**
- **Growing productivity gap** compared to competitors
- **High product complexity** (similar to premium segment) is weakening ability to compete in volume segment
- **Product portfolio** is lagging behind **international trends** and **requirements of local customers**
- **High level of vertical integration / need for investment** in fields without **differentiation** from competitors
- **Centralised, functional and hierarchical organisation**
- **Insufficient generation of returns/cash**



Volkswagen has important qualities that enable it to take the lead in the volume segment

- Globally **acknowledged and established brand** and **strong customer loyalty**
- **High-quality portfolio – cars with character**
Golf, GTI, Tiguan, Passat, Jetta and Magotan
- **Global presence** and scalable platforms:
Volkswagen Group backbone
- **Unsurpassed market leadership** in China, market leadership in Europe,
and corresponding **better price position of products**
- Committed, highly qualified **workforce** that **identifies with the brand**
- **Quality orientation, an eye for detail, and superb technical expertise**



High additional costs increase urgency and need for action

The sudden tightening of **emissions standards** worldwide and even stricter fleet consumption targets are increasing the technical work involved

The transformation of the automotive industry requires new abilities and high **investment**

Investment in products and the market is needed to win back shares in the BRIC markets

The diesel crisis has resulted in a **strong loss of trust in the brand**



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Strategic realignment of brand will take place in three phases



*) before special items

**) Operating return based on adjusted sales revenue (without turnover from multi brand sales companies)



We have defined central fields of action for each phase

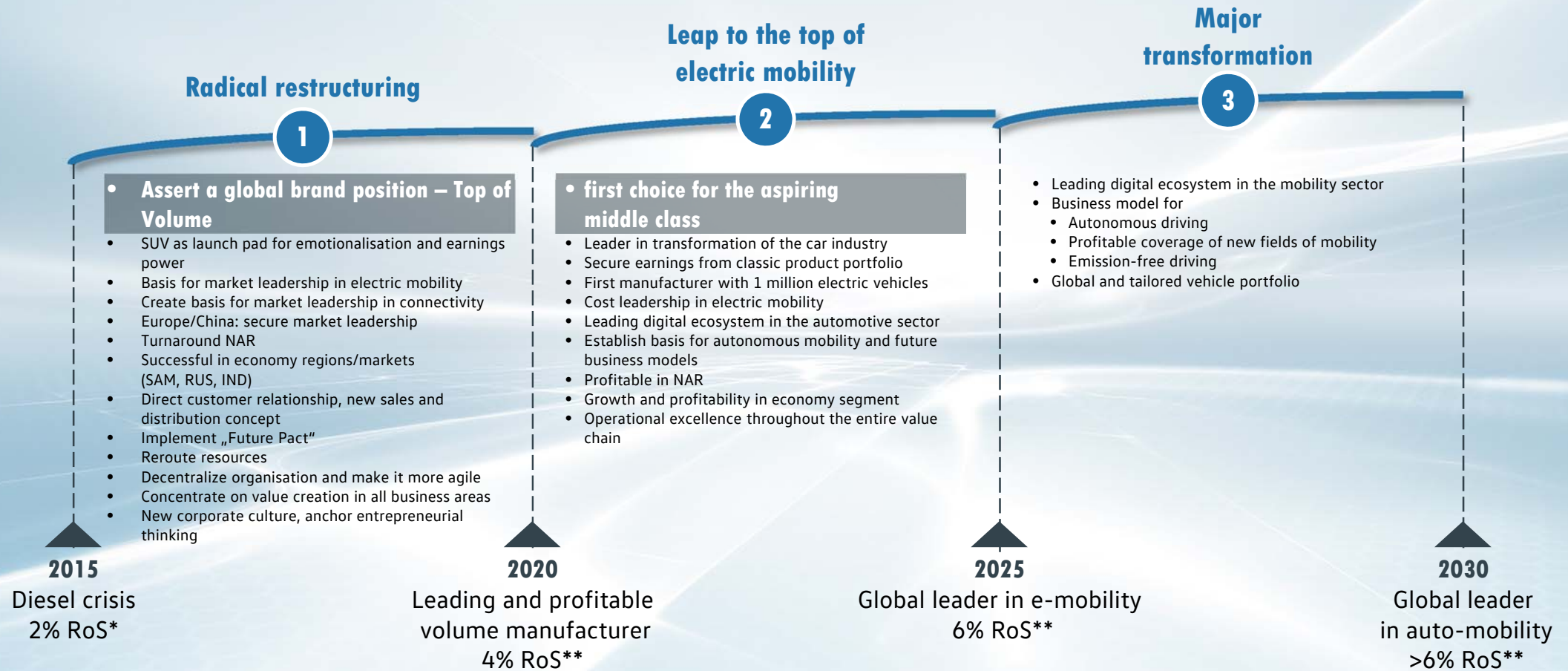


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Goal: Volkswagen becomes the strongest brand in the volume segment

Premium

Competitor A



Competitor B



Competitor C

Top of Volume



Volume

Competitor D

Competitor E

Competitor F

Competitor G

Competitor H

Top of Volume means:

- Leadership in volume segment in key world markets
- Products that set the standard in the volume segment concerning innovation, quality and retention of value



Brand image in critical markets will be improved step by step and brought in line with Europe



Measures for a globally consistent brand positioning

- SUV and BEV offensive
- Customer-relevant innovation
- Price positioning depending on brand strength and purchasing power in the target group of the aspiring middle class
- Strengthen brand image by means of uniform brand leadership across the world



New brand positioning is built on a likeable image and focus on trend-setting topics

People-oriented



Trend-setting



Reliable



A radically changed product plan focusses resources on the strategic goals

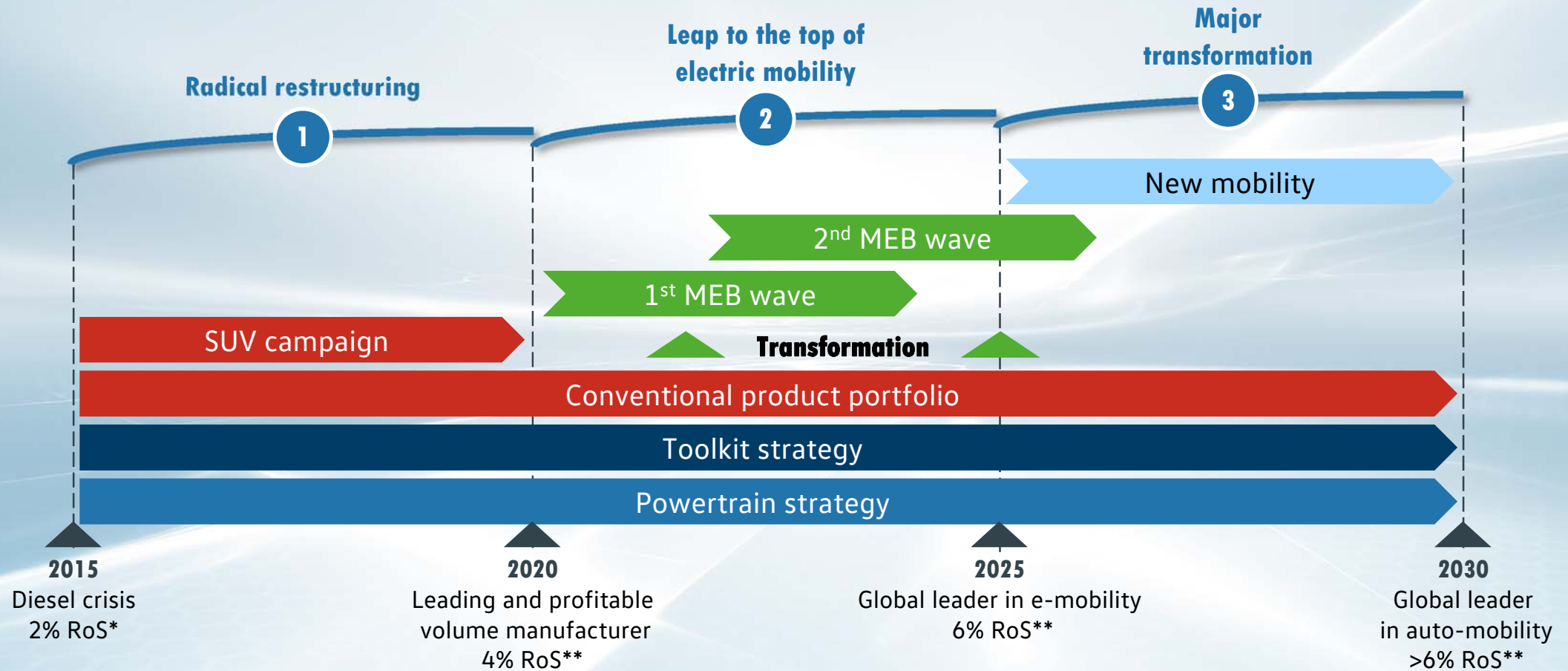


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Realignment of product strategy oriented towards the three phases of the Transform 2025+ corporate strategy



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The SUV offensive has a global impact: Investment channeled into high earnings and high growth segments

Small SUV

New



T-Roc

New



Compact SUV

New



Compact SUV

New



Tiguan

New Gen.



Tiguan LWB

New



Touareg

New Gen.



Atlas

New



Volkswagen

Reducing complexity leads to lower expenditure, frees up resources and increases productivity

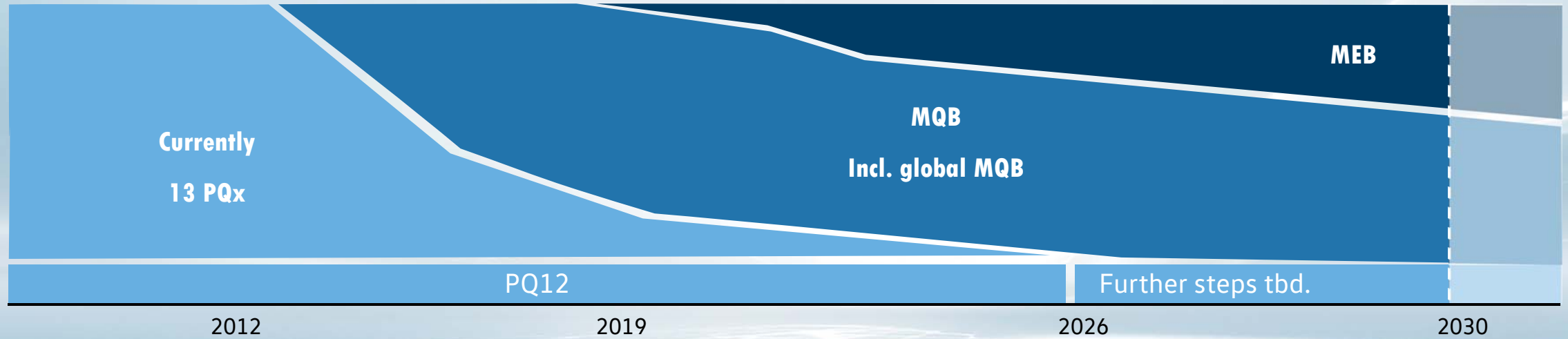
Business field	Reduced number of variants
Successors / new vehicles	-30 to -60%
Platforms	-40%
Drive trains	-30 to -40%

>15,000
fewer component
variants

>€700 Mn
lower initial investment



The number of platforms will be reduced consistently to create economies of scale worldwide



New toolkit (MEB)	MEB enables cost and concept leadership for electric vehicles
Conventional toolkit (MQB)	Using MQB for second product life cycle minimises the expenditure necessary for the transformation (no further changes to platform basis necessary)
Old platforms (PQx)	Avoiding expenses for maintaining and upgrading vehicles by discontinuing eleven PQ platforms (except the two PQ12x platforms)



The I.D. begins a new era for Volkswagen Design



The purely electric vehicle architecture allows for new proportions and a significantly larger interior



Horizontal structure | Optical height reduction | New graphical elements



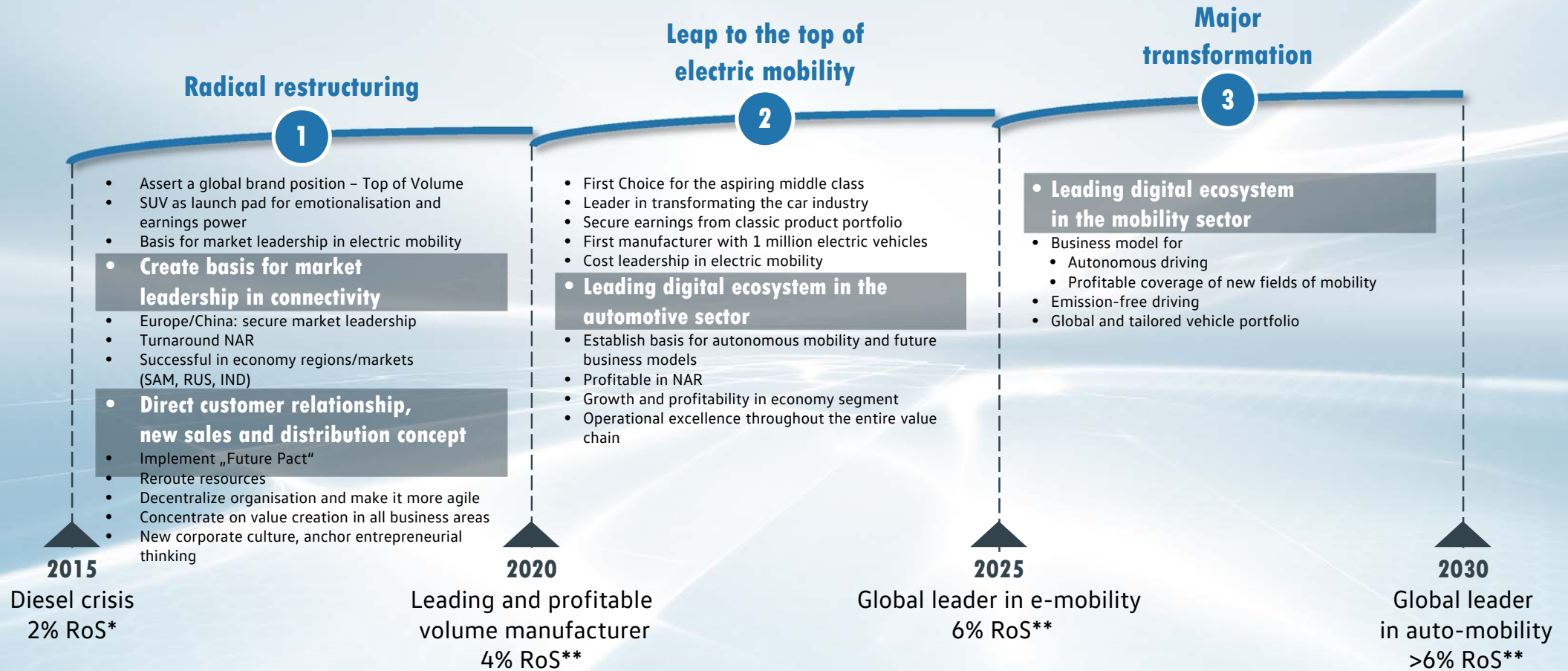
Volkswagen will make electric vehicles affordable and profitable

Key measures

- Concept determined by: customer benefit and package for cost-optimized implementation of e-components
- MEB: economies of scale from use of MEB across entire Group
- “Design for manufacturing”: higher productivity, shorter manufacturing time
- Lower material and distribution costs
- Significant reduction in variants
- Early involvement of suppliers



Direct customer contact and services from the Volkswagen cloud set Volkswagen apart in the volume segment



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Volkswagen passenger cars is planning an industry-leading ecosystem



Platform

<p>Alexander Brauns</p> <p>VW Profile Registrierung vollständig. ✓</p> <p>100%</p>	<p>Digital Key</p> <p>Meine • Emma</p>	<p>Golf 7</p> <p>Eigenes Fahrzeug •</p> <p>Akt. Reichweite 432 km</p> <p>Car-Net Dienste ✓</p>
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Apps/ Services

<p>Meine letzten Fahrten</p> <p>Fahrtüberblick</p> <p>0 L/100KM 5.9</p>	<p>Weitere Apps</p> <p>Die besten Apps anderer Anbieter. Parkplatz finden, GPS-Ort mit Freunden teilen, Spotify hören und viel mehr!</p>	<p>VW Apps für Dich</p> <p>Hier findest du alle VW Apps für dein Fahrzeug, die du noch nicht ausprobiert hast. Lass dich überraschen!</p>
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Volkswagen passenger cars earning strength will be significantly improved by aggressive regional programs



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Volkswagen passenger cars is planning a strong comeback in the USA

Focus on US Core Segments



Atlas



Tiguan



Jetta



Passat

Key measures

- Extend SUV offering, focus on US core segments (SUVs, sedans)
- Market-oriented pricing
- Market-oriented alignment to local standards and customer expectations
- Reduce material, product and fixed costs
- "Electrify America": infrastructure and locally produced cars from 2021



A product offensive will initiate a new growth phase in South America

Product offensive in South America



Polo Global



Polo Sedan Global



Small SUV Global

Key measures

- reduce capacities and fixed costs
- Increase productivity, align products to local requirements
- Product offensive, €2.5 bn investment
- New brand positioning
- New growth strategy for Latin America



The “Future Pact” is an important building block for the radical realignment of the brand



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What the “Future Pact” will achieve

1. Restore the financial competitiveness of the Volkswagen brand
2. Shift value creation to future-orientated areas and jobs



Increase in competitiveness and safeguarding of the future are the focus points of the agreement

Competitiveness

WG 1 Production

- Increase of productivity by 25%
- Reduction of plant costs

WG 2 Components

- Increase of productivity by 25%
- Discontinuation of unprofitable products

WG 3 Technical Development

- Reduction of hardware-oriented development work
- Increased efficiency in development processes

WG 4 Administration

- Reduction of bureaucracy

Secure the Future

- 4 additional models:
2 conventional and 2 MEB vehicles

- Investments in:
 - Electric drive trains
 - Pilot facility battery cell
 - Battery system

- Competency/capacity increase in autonomous driving, electrification, connectivity etc.

- Creation of employment in new business segments

Reduction in workforce based on demographic curve



New leadership culture and more agile organizational forms speed up decisions, processes and implementation



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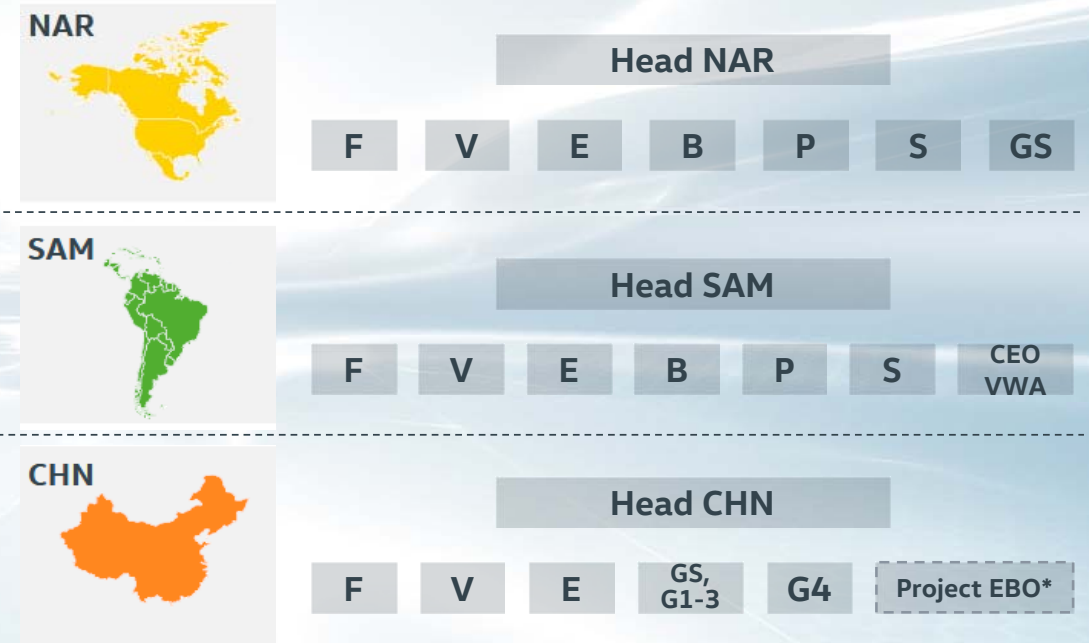
Product line organisation and regionalisation are making us faster and more entrepreneurial

Product line organisation



New organisation model implemented in all product lines

Regionalisation



New organisation model implemented for the regions

*) EBO = Budget Car Organisation



Our new mission statement



12 KPIs measure the achievement of the strategy in four targets

Enthusiastic customers

- Best-in-class recommendation from enthusiastic customers
- Top quality for the customer
- Direct customer contact in a digital environment

Secure earnings power

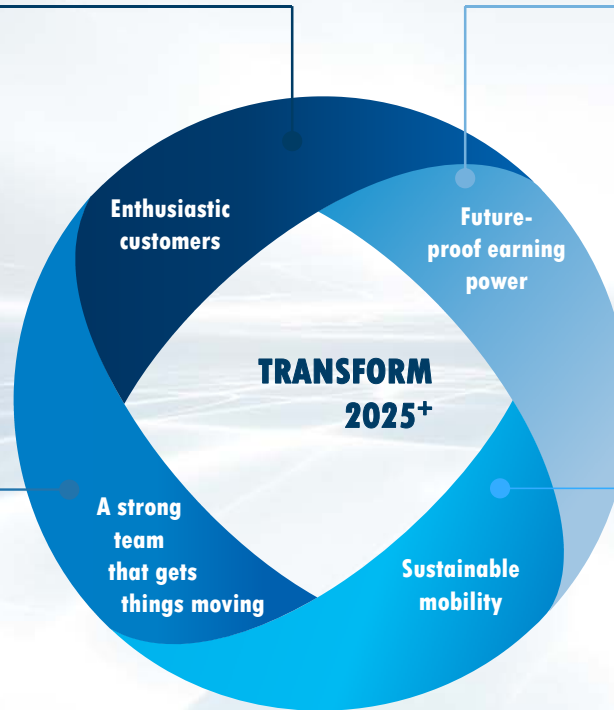
- Secure operating return
- Secure return on investment
- Ensuring financial viability

A strong team that gets things moving

- Vibrant corporate culture and dedicated employees
- Employer of choice for top talents
- Great diversity and expertise in our team

Sustainable mobility

- Global market leader in electric mobility
- Integrity as a guiding principle
- Reducing our carbon footprint



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Brand initiatives are mentored by the Board of Management

I

We have globally reached the brand position "**Top of volume**" with our emotional and attractive **products, services and mobility services**



J.
Stackmann



Dr. F.
Welsch

II

We are globally competitive in the **volume segment**



Dr. A.
Antlitz



Th.
Ulbrich



T.
Schmall

III

We are the global leader in **e-mobility**



Dr. F.
Welsch



R.
Brandstätter

IV

We have **direct customer contact** thanks to our superior **digital ecosystem**



J.
Stackmann



Dr. K.
Blessing

V

We are strengthening our market leadership in **Europe** and securing it in **China**



J.
Stackmann



Th.
Ulbrich

VI

We are successful in **North America**



Dr. H.
Diess



Dr. A.
Antlitz

VII

We are successful in **economy markets**



Dr. F.
Welsch



R.
Brandstätter

VIII

We are an agile **organization** and act with integrity



Dr. K.
Blessing



Dr. A.
Antlitz





 TRANSFORM 
2025