

# Value Creation

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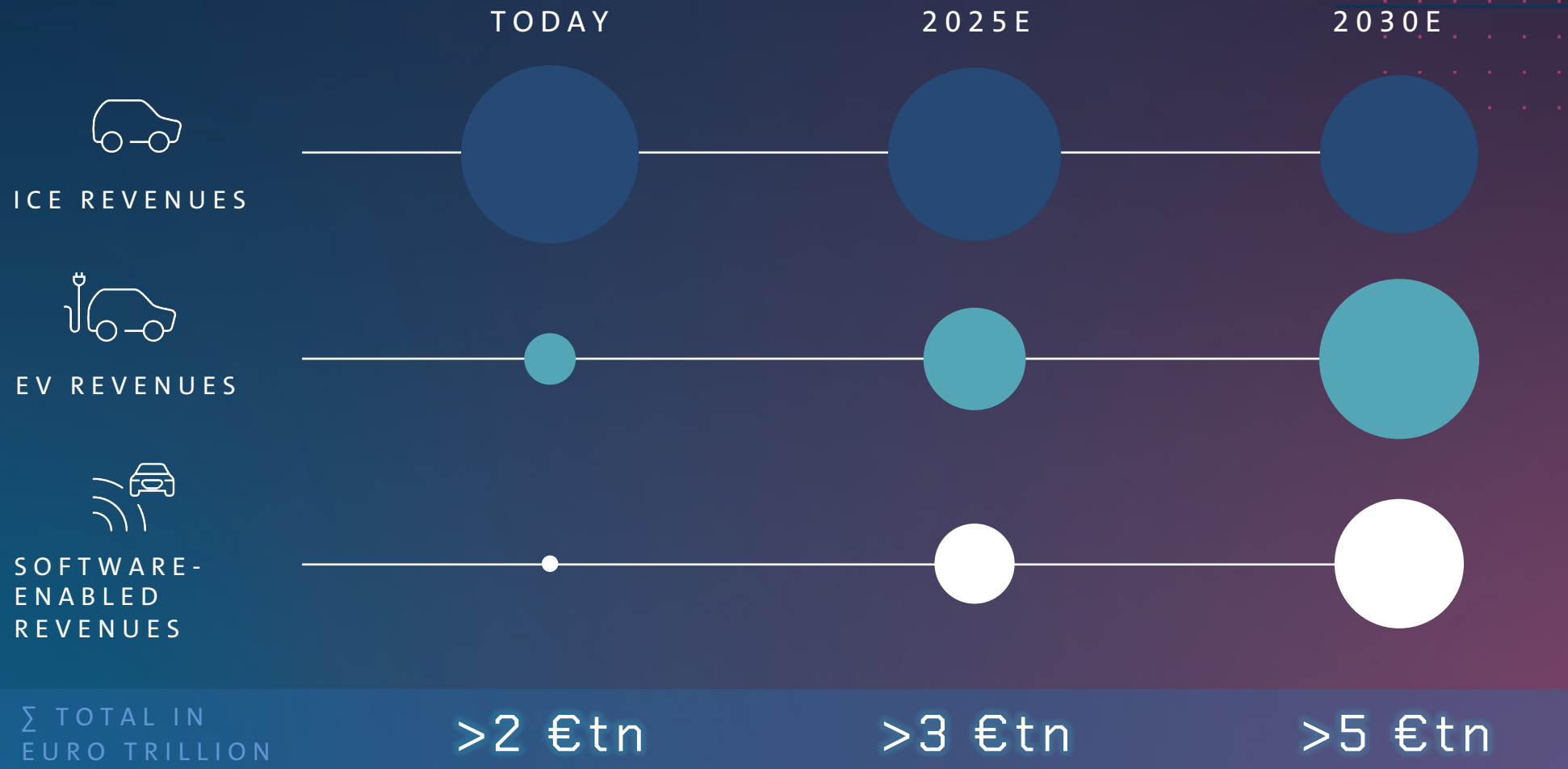
“NEW AUTO – MOBILITY FOR GENERATIONS TO COME”, 13 July 2021

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# Automotive new car revenue pools are expected to shift fundamentally due to new technologies



Schematic overview based on internal and external analysis



# Financial steering of the transformation

## We intend to ...



- \_ keep ICE cars competitive and ICE cashflows stable to finance the transformation
- \_ effectively reallocate resources to EV/software



- \_ enable a world-class BEV platform in terms of performance and competitiveness
- \_ secure margins along the BEV value chain



- \_ establish a business model for a unified software stack and scale up to 10 million cars p.a.
- \_ develop a relevant mobility platform and prepare for the opportunities of reoccurring revenue pools, e.g. autonomous driving

# Volkswagen Groups' ambition – keeping the relative scale with MQB



Declining demand for ICE

Tightening emissions regulations (e.g. EU7)

Tax disadvantages



2025 / 2030

ICE complexity reduction

-60 % of models by 2030, EU



Product Substance MQB

2nd hardware life cycle  
minimal additional structural funding



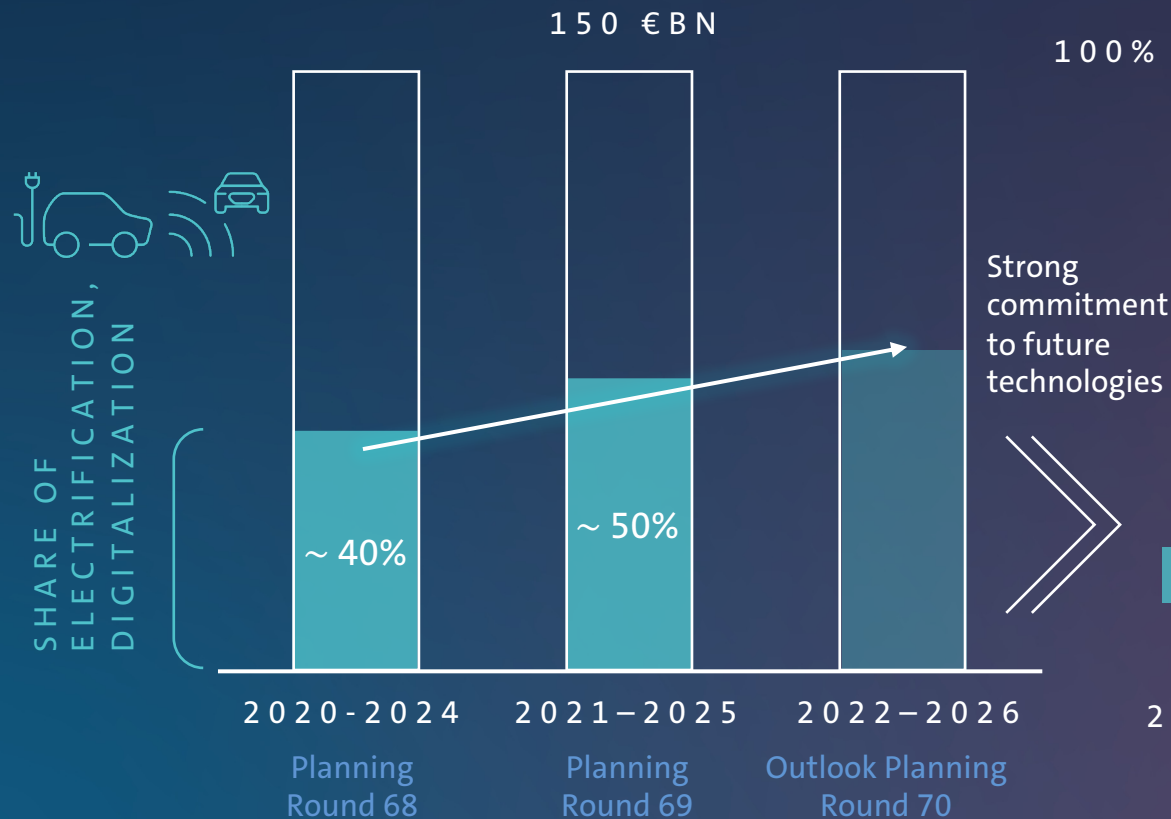
MQB-Scale

Factory utilization to bundle production of multi-brand ICEs

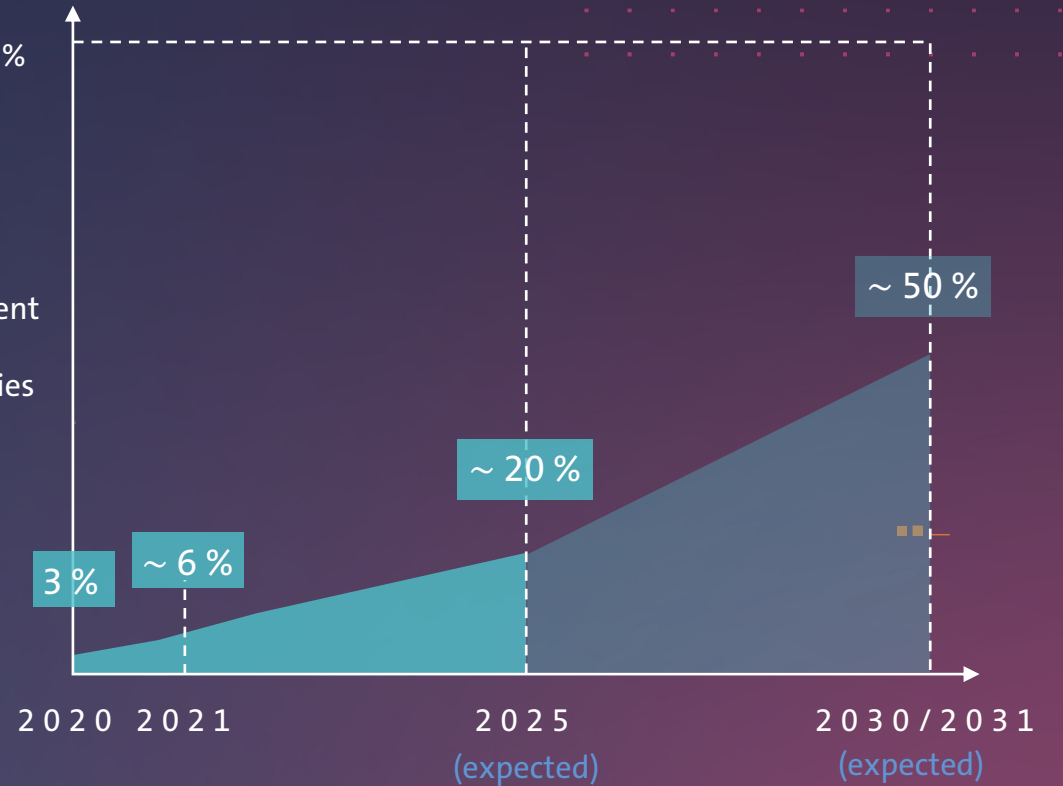


# Reallocation of resources towards future technologies

## INVESTMENT IN R&D/ CAPEX, IN €BN



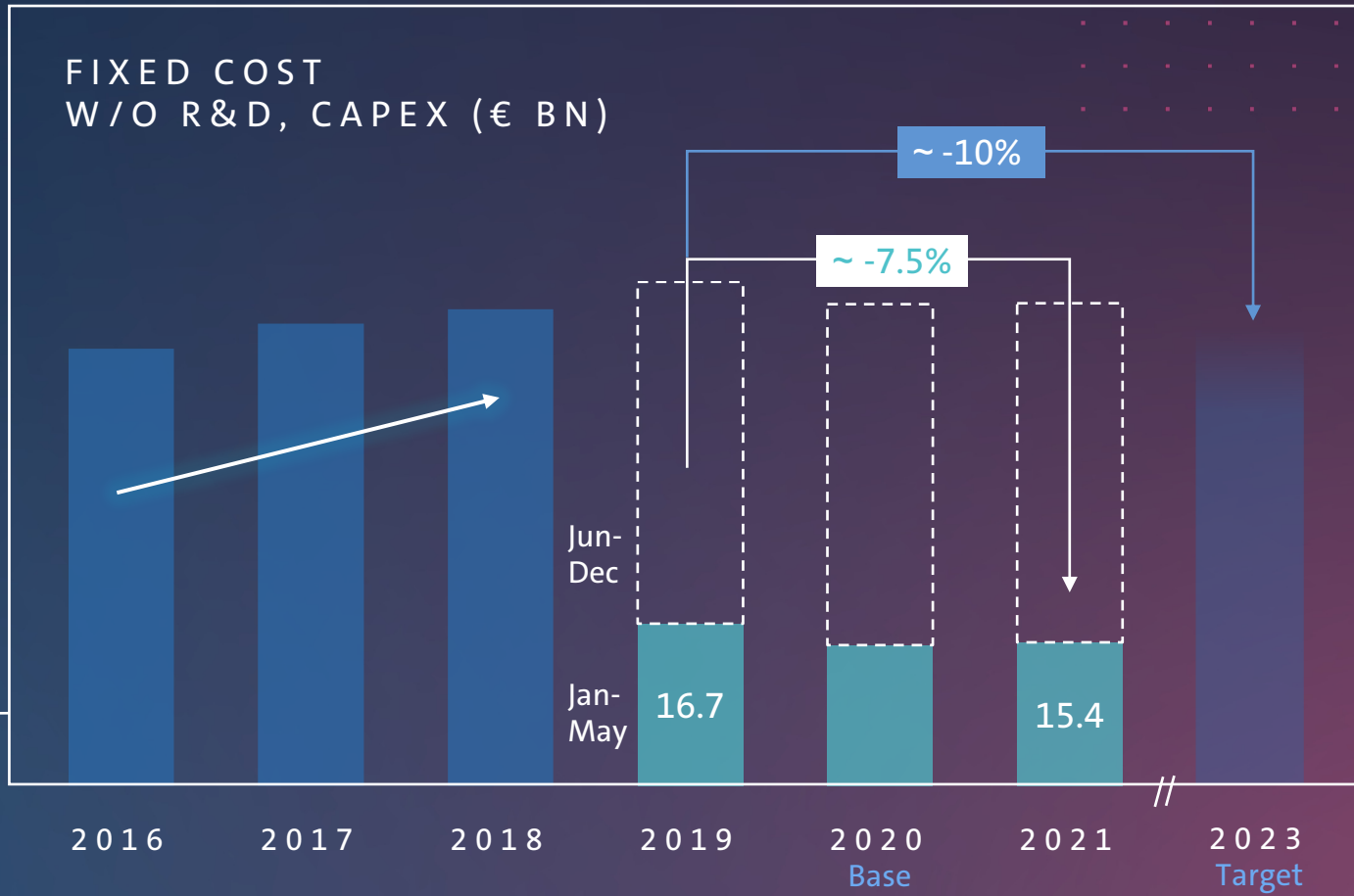
## BEV SHARE VOLKSWAGEN GROUP, WORLDWIDE, IN % OF SALES



# Financing the Transformation: Cost & efficiency programs well under way

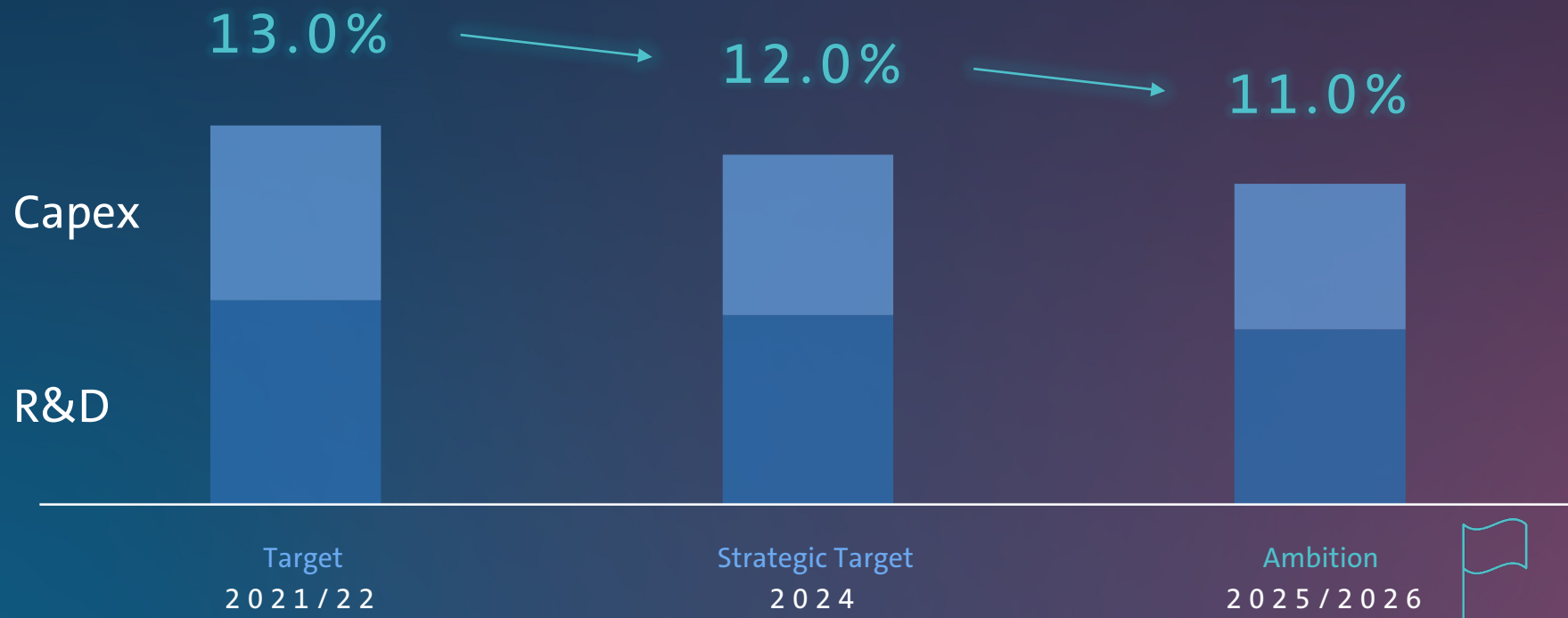
## COST & EFFICIENCY PROGRAMS

- Product-related Cost Optimization R&D, Capex
- Plant Program (Productivity & Overhead)
- Working Capital Management/Cashflow Orientation
- Purchasing Program (7 % until 2023)
- Fixed Cost (w/o R&D, Capex)



# Capturing groupwide synergies leads to more competitive R&D/Capex ratios

R&D COST/CAPEX RATIO (AUTOMOTIVE)



Capex includes funding for one giga factory

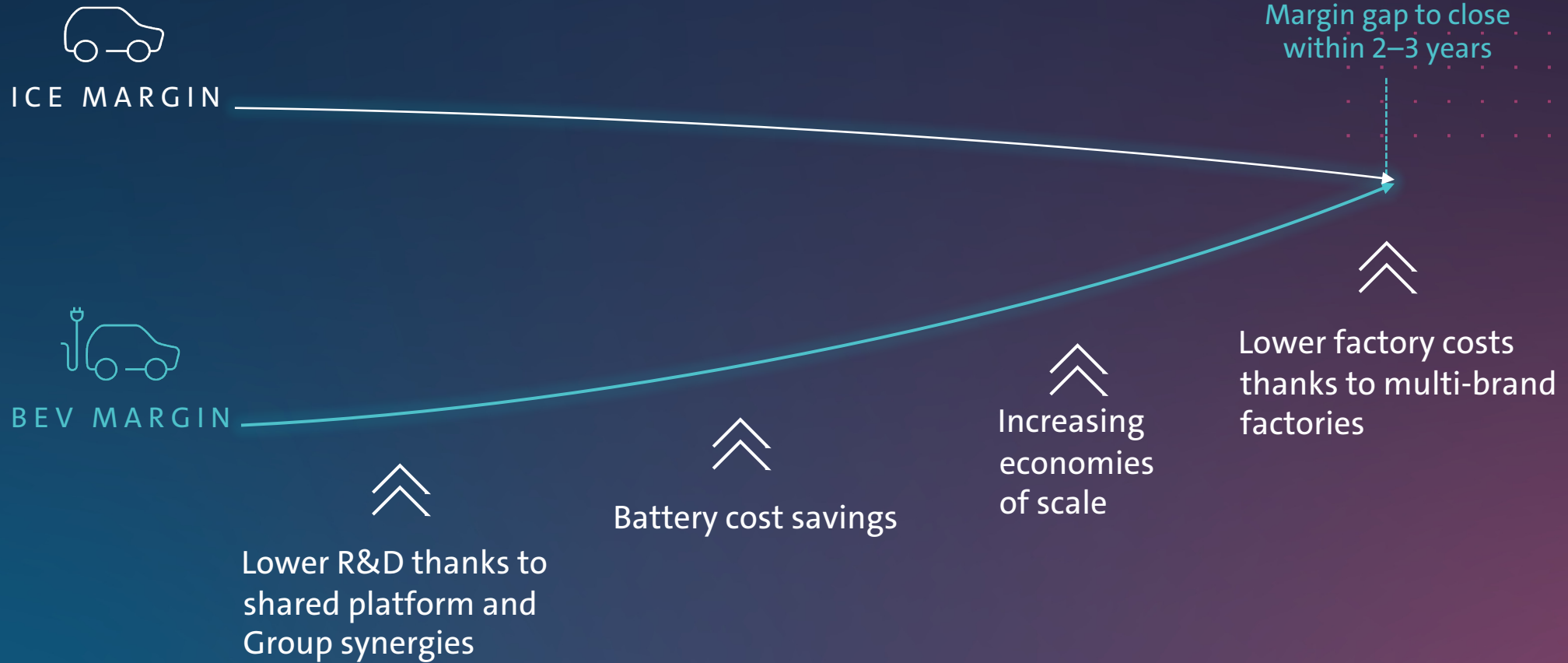


R&D includes ~1% p.a. for CARIAD/software



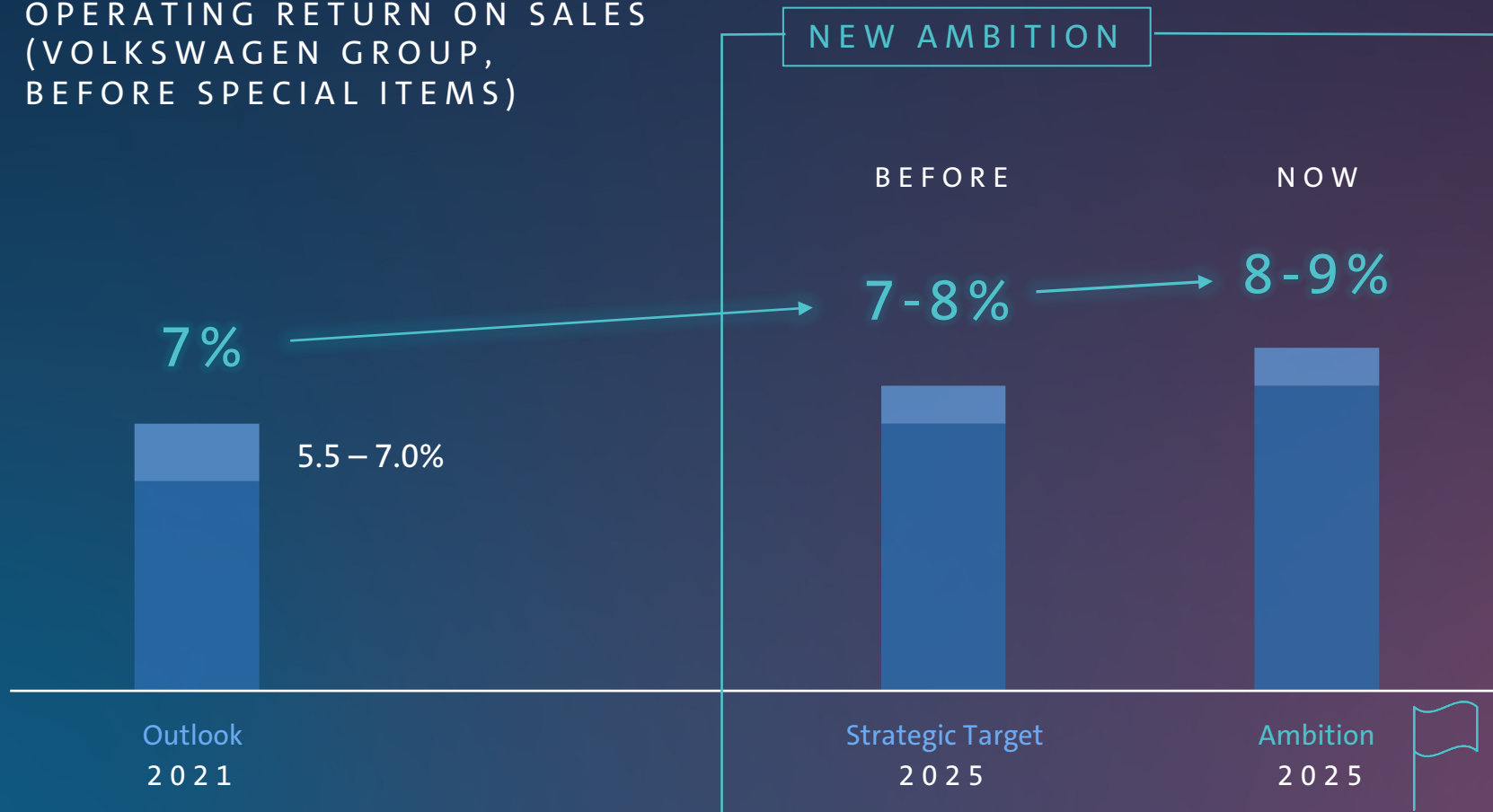


# Ambition: Achieving margin parity between BEV and ICE within 2-3 years



# Raising our KPI ambitions for 2025 to reflect sharpened strategy

OPERATING RETURN ON SALES  
(VOLKSWAGEN GROUP,  
BEFORE SPECIAL ITEMS)



higher operating return on sales as foundation for our upcoming planning round

Update cash flow guidance end of November with PR 70

# Step-by-step we will steer our individual brand performance with focus along value drivers

## VALUE DRIVERS

MECHATRONICS (BEV PLATFORM)

SOFTWARE

BATTERY & CHARGING

MOBILITY SOLUTIONS

TECH. COMPONENTS

GROUP / FINANCIAL SERVICES



+ CHINA  
Strong positioning of our China JV's



Focus on Technology, software roadmap and mobility services

CUSTOMERS, BRAND POSITIONING, PERFORMANCE PROGRAMS, SYNERGIES, DELIVERY




# Group lays foundation to tap into future profit pools



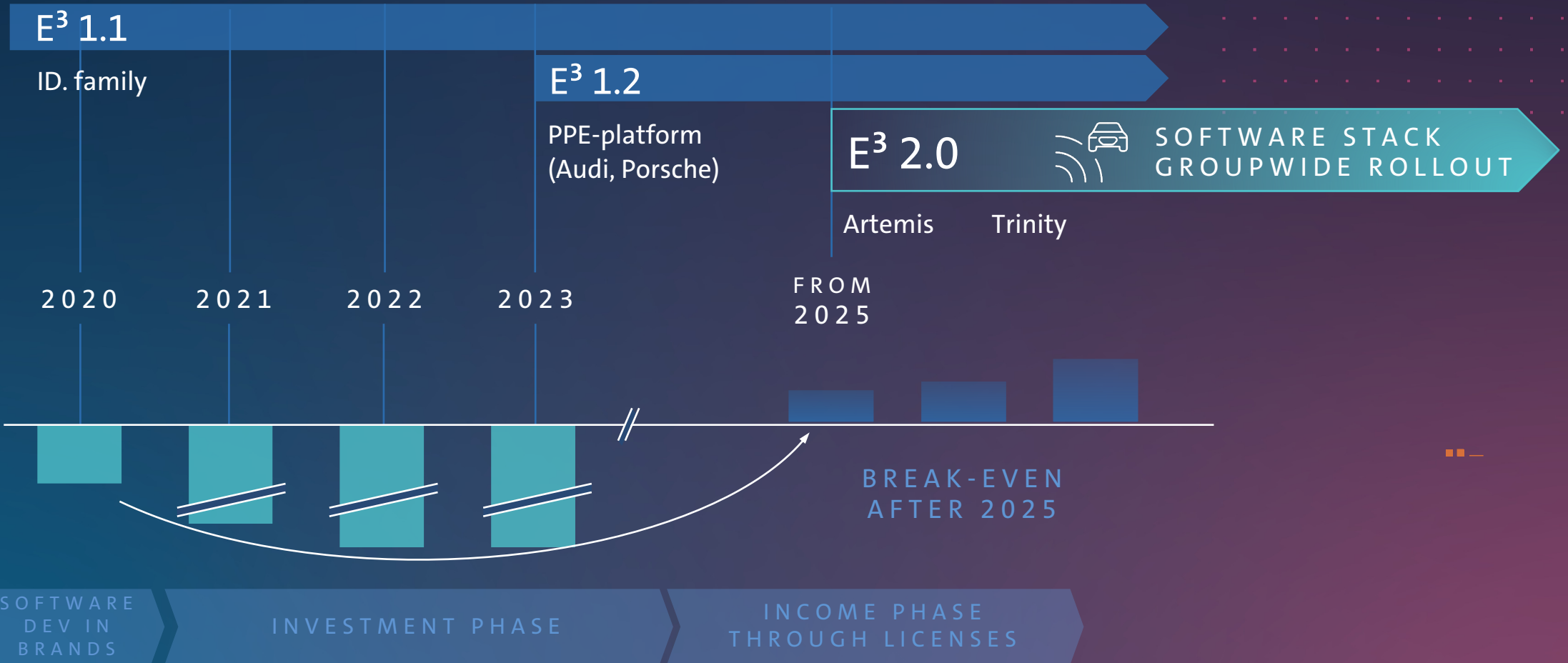
## Guiding principles:

- \_ stand-alone entities where suitable
- \_ organic growth or through partnerships and cooperation's to keep balance sheet lean
- \_ open for third party business where it makes strategic sense

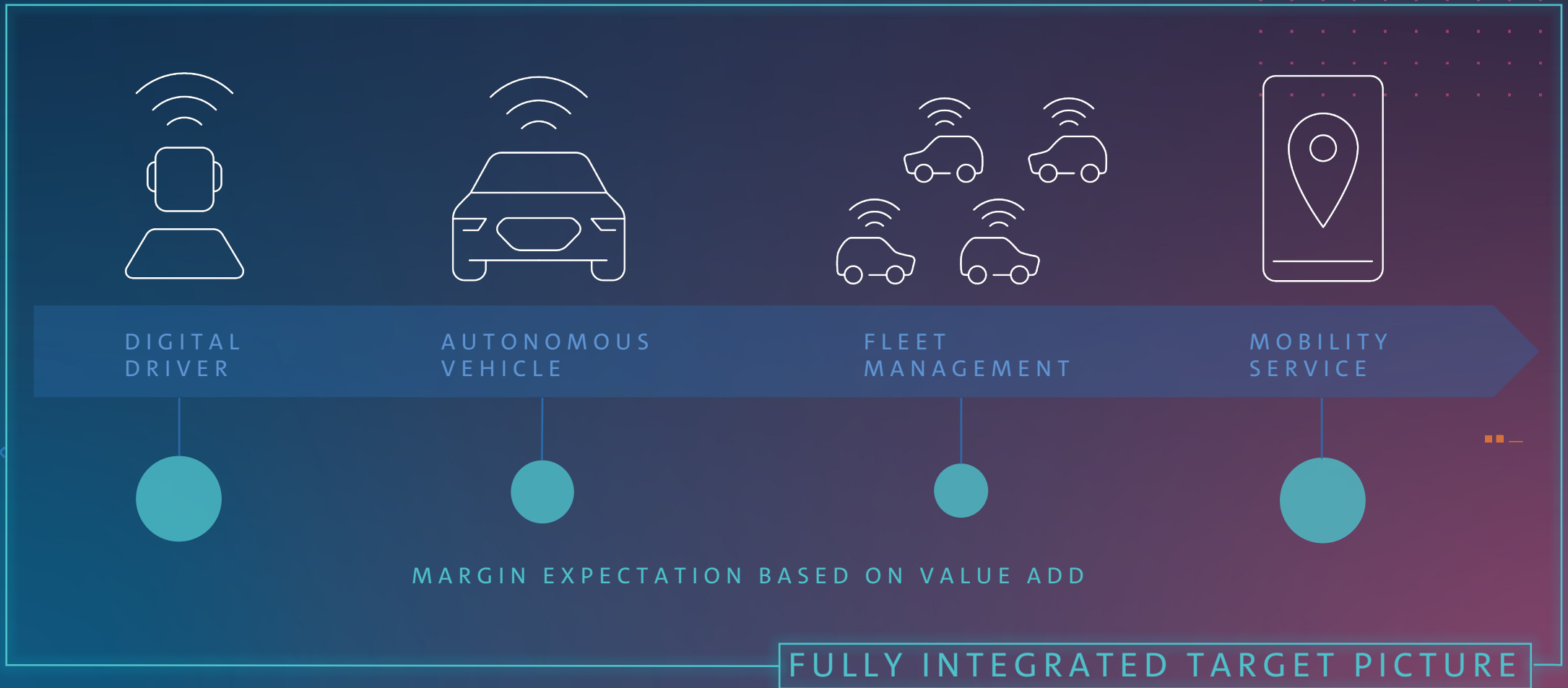
 in brand P&L



# CARIAD business model: Software is the key differentiator for the future, scale is key



Volkswagen Group will shape mobility offerings along the entire value chain – independently or jointly with strategic partners



# Levers for value creation: Execution of transformation

## PERFORMANCE KPI driven, short/mid-term

- Strong Brands in regions
- Margin management
  - Cost reduction
  - Economies of Scale
  - Investment efficiencies/ synergies
  - Complexity reduction
  - Pricing Power
- Cash generation
  - Working Capital management

MARKET  
CAPITALIZATION  
124 €bn (status 07/07/2021)

VALUE

NEW AUTO  
↑ Market capitalization

TRANSFORMATION  
TO MOBILITY  
TECH COMPANY  
longer term

- Strong technological platforms
- New business models
- New profit pools