

VOLKSWAGEN
GROUP

ANNUAL REPORT

2024

INVESTMENT AND FINANCIAL PLANNING

To meet people's needs for individual, sustainable, fully connected mobility and thus increase the Volkswagen Group's future viability, we continue to mobilize our strengths in innovation and technology and push Volkswagen's transformation towards becoming a global automotive tech driver. We intend to unleash our full business potential through efficient portfolio management and by leveraging synergies within the Group.

In our current planning for 2025, most of the capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) will be spent on the production of electric vehicles as well as on associated battery technologies, and electric toolkits and platforms as key components of the transformation within the mobility industry. Examples include the all-electric platform for our volume brands – the Modular Electric Drive Toolkit (MEB) and the Premium Platform Electric (PPE) for our vehicles in the premium and sports segment. Furthermore, we are currently concentrating our energies on designing the Scalable Systems Platform (SSP), the successor platform for our future all-electric vehicles. The strategic goals of this SSP platform are to further reduce variance by consistently enhancing synergies and thus tapping into considerable savings potential. Other focus areas of our capex are the digitalization of our products and sites, measures to cut carbon emissions, the promotion of sustainable production processes, and the expansion of our presence in markets such as North America (with the Scout brand) and China, where we will likewise step up our activities at local level.

Besides capex, investing activities also cover additions to capitalized development costs. Like capex, they reflect, among other things, upfront expenditures in connection with updating and electrifying the model range as well as for digitalization and technologies of the future. Additionally included are expenditures for the software architectures of the future, with a synergistic approach for use within the Group.

Through these investments in our facilities and models, as well as in the development of electrified drives, platforms and in digitalization, we are laying the foundation for profitable, sustainable growth at Volkswagen with a view to safeguarding our future viability. These investments also include commitments arising from decisions taken in previous fiscal years. In the Automotive Division, we are expecting an investment ratio of between 12% and 13% in 2025.

We aim to finance the investments in our Automotive Division from our own capital resources and expect cash flows from operating activities to exceed the Automotive Division's investment requirements. We expect net cash flow for 2025 to be between €2 and €5 billion. This includes cash outflows for investments for the future as well as for restructuring measures. Net liquidity in the Automotive Division in 2025 is expected to be between €34 billion and €37 billion.

These plans are based on the Volkswagen Group's current structures.

Our equity-accounted joint ventures in China are not included in the figures above. For 2025, these joint ventures plan to invest in e-mobility, further optimization of the model portfolio, the development of new mobility solutions and digitalization (especially in software). Their capex will probably exceed the 2024 level and be financed from the companies' own funds.

In the Financial Services Division, we are planning lower investment in 2025 than in the previous year. We expect the development of lease assets and of receivables from leasing, customer and dealer financing to lead to funds tied up in working capital, of which around half will be financed from the gross cash flow. As is common in the sector, the remaining funding requirements will be met primarily through unsecured bonds on the money and capital markets, the issuing of asset-backed securities, customer deposits from the direct banking business, and through the use of international credit lines.

There is also a risk of global freight deliveries being shifted from trucks to other means of transport, and the resulting drop in demand for Group commercial vehicles.

Below, we present the regions and markets with the greatest growth potential for the Volkswagen Group.

> China

Demand for vehicles is expected to further increase in the coming years due to the need for individual mobility. This also applies to the fast-growing e-mobility market, which is already dominated by high-volume domestic manufacturers, among others. Furthermore, it is expected that demand will shift from the coastal metropolises to the country's interior and that competitive pressure from local manufacturers will generally increase further. In order to leverage the opportunities offered by this market – especially with regard to e-mobility – and to defend our market position in China over the long term, we are continuously expanding our product range to include models that have been specially developed for this market. We are increasingly entering into partnerships in this growing market to be able to meet the requirements of regional customers as effectively as possible.

> India

The demand for new vehicles is likely to increase over the coming years in this important future market, partly due to demographic change. The Volkswagen Group has consolidated its activities in India and offers a range of models tailored to customers' needs: the Virtus and Taigun from the Volkswagen Passenger Cars brand and the Škoda Kushaq, Slavia and Kylaq.

> USA

In the saturated US market, we expect the proportion of light trucks (particularly SUVs and pickups) to further increase slightly in the coming years. In addition, we assume that the electrification of mobility will probably accelerate due to support measures and legally prescribed fleet emission and fuel consumption targets. These factors depend, however, on which administration is in office. In the USA, Volkswagen Group of America is steadfast in its pursuit to become a full-fledged volume supplier and expand its market share. The expansion of local production capacity – including production for electric vehicles since 2022 – will allow the Group to better serve the market in the North America region. We are also working intensively on offering additional products specifically tailored to the US market. By developing and producing a full-size pick-up and a robust SUV, the Volkswagen Group plans to tap into the electric vehicle market with the US brand icon Scout.

> Brazil

Due to the need for individual mobility, demand for vehicles in Brazil is expected to slightly increase in the coming years, particularly in the low-price, small-vehicle segments. Given existing trade barriers, local production is an important factor in ensuring competitiveness. The growing number of automobile manufacturers with local production has resulted in a sharp increase in price pressure and competition. To strengthen our competitive position in Brazil, we offer vehicles tailored specially to this market that are locally produced, such as the Nivus and the new Polo Track.

> Middle East

Political and economic uncertainty in the region is increasingly taking its toll on the passenger car markets. In spite of this volatility, the Middle East region offers short-term and long-term growth potential. We aim to leverage the potential for growth with a range of vehicles that has been specifically tailored to this market, without operating our own production facilities there.

NORTHVOLT AB

The Swedish company Northvolt AB, Stockholm/Sweden (Northvolt), in which the Volkswagen Group holds an equity investment, filed for bankruptcy protection under US law in November 2024. This had been preceded by reports regarding financial difficulties at the company. When the bankruptcy protection proceedings opened, the remaining net carrying amounts of the equity investment and the loan receivables from Northvolt were written down in full. Exempted are loan receivables from funds granted to Northvolt only after the opening of bankruptcy protection proceedings and backed by separate collateral. The write-down resulted in a non-cash expense totaling €661 million in fiscal year 2024; it is presented in the other financial result.

MATERIAL TRANSACTIONS OF THE PREVIOUS FISCAL YEAR**SCOUT MOTORS INC.**

Under the Volkswagen Group's North America strategy, Scout Motors Inc., Tysons/USA, a wholly owned subsidiary in the Volkswagen Group, was established in fiscal year 2022. A new vehicle brand is to be created under the name of Scout to manufacture electrified all-terrain vehicles and pickups in the USA from 2027. In order to finance the creation of the Scout brand, as well as vehicle development and production planning, an amount of USD 493 million was contributed to the company in fiscal year 2023. The company has been included in the Volkswagen consolidated financial statements since January 1, 2023.

QUANTUMSCAPE CORPORATION

Due to the share price performance, the Volkswagen Group conducted an impairment test on the shares in QuantumScape Corporation, San José/USA (QuantumScape). The carrying amount was adjusted on the basis of the impairment test. This adjustment led to a non-cash expense of €0.4 billion in fiscal year 2023 which was presented in the other financial result.

XPENG INC.

On December 6, 2023, Volkswagen acquired 4.99% of the ordinary shares of the electric vehicle company XPeng Inc., Cayman Islands (XPeng), at a purchase price totaling USD 706 million. The realization of a forward transaction dating from July 26, 2023 resulted in a non-cash gain of €74.2 million in fiscal year 2023, which was recognized in the other financial result under gains and losses from fair value changes of hedging instruments/derivatives not included in hedge accounting. Along with the agreement to acquire the shares, a technological framework agreement was signed with Guangdong Xiaopeng Motors Technology Co. Ltd., Guangzhou/China, a subsidiary of XPeng, for the joint development of electric vehicles in China, among other things.

The investment in XPeng is measured at fair value through other comprehensive income.