



Annual Media Call

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Speech

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**Member of the Board of Management of the Volkswagen Brand responsible for
“Finance”**

CHECK AGAINST DELIVERY



Ladies and gentlemen, I would also like to extend a warm welcome to the annual press conference of the Volkswagen Passenger Cars brand. For those who do not know me yet, I am Patrik Andreas Mayer and it is my pleasure to welcome you today for the first time in my new role as CFO of the Volkswagen brand.

Thomas Schäfer has just presented the key successes and events of the past financial year. I would now like to go into a little more detail on how our financial figures have developed and offer an initial outlook for 2023.

The Volkswagen Passenger Cars brand sold roughly 2.2 million vehicles in 2022. That is 62,000 fewer vehicles than the previous year. Unlike in the preceding years, the sales reported refer solely to the sale of passenger cars with the Volkswagen logo. Third-party products – cars produced in our plants for other brands – and, as always, any vehicles manufactured and sold in the China region, are not included in this overview.

Volume development remains supply-driven and can be ascribed to a shortage of semiconductors, a tense logistical situation, and the war in Ukraine.

Before I go into the key financial figures, I would like to give you a brief explanation of our new reporting structure. To understand them, it is important to correctly evaluate the previous year's figures.

What is new: In the previous structure, the Volkswagen brand disclosed its own core business, as well as part of the component activities – our Group components.

In 2022, we changed the control model. We develop, build and sell vehicles that best serve the customer's needs! And our reporting is now even more strongly focussed on the core business of a car manufacturer. For this reason, we have removed the component activities within the Volkswagen Passenger Cars brand from our reporting.

This structural adjustment allows us to achieve even greater transparency. It also helps management to concentrate on the brand's key activities: as such, relevant component articles are no longer shown in the Volkswagen Passenger Cars brand. In order to still be able to ensure comparability with the previous year, we have

hereafter removed Group components from the respective previous year's figures for you.

Now to the numbers.

In 2022, despite the aforementioned decline in sales, we were able to increase our revenue to € 74 billion. That is 9 percent, or € 6 billion, more than the previous year. Furthermore, we generated an operating profit of roughly € 2.6 billion before exceptional items, and a return on sales of 3.6 percent before exceptional items. Compared to the previous year, the result was primarily affected by a roughly € 500 million effect caused by value adjustments to our Russian business. Without these costs, the return on sales for the Volkswagen Passenger Cars brand, before exceptional items, lies well above 4 percent.

A look at the way each quarter developed shows that we had achieved a solid first-half result by the summer.

In the second half of the year, we were battling a strong headwind: yes, we were still able to record stable sales, but the operating result before exceptional items in the third and fourth quarters was affected by supply downtimes and significant price increases, resulting from the rise in the cost of raw materials, materials and energy.

Last, but not least, the aforementioned value adjustments to Russian business reduced the operating result before exceptional items – these were primarily registered in the fourth quarter.

Looking at the influencing factors on the 2022 profit before exceptional items, it is clear that the significant rise in product costs had a big impact on the result. Particularly for steel, we had to pay much more than last year. But raw material and energy prices, as well as the cost of semiconductors, also increased compared to the previous year.

Despite the aforementioned pressures, our revenue side dominated with an improvement of over € 4 billion. This optimisation was largely achieved through margin improvements, mix optimisations and reductions in sales assistance.

In the case of fixed costs and other effects, the effect of the value adjustments (shaded in this image) and the increased depreciation on capital goods and development work were reflected.

I now come to overheads on the following page.

In light of the higher product costs, it would be easy to overlook the fact that we again improved our overheads in the past financial year.

Due to the regional footprint in North and South America, we did have to register a financial burden resulting from developments in local inflation and exchange rates – however, these could be offset in the regional results through pricing measures and margin optimisations.

Once these regional effects have been removed, the overheads were well below the target for 2022 and once again lower than the previous year.

For 2022, the Volkswagen brand set itself a target corridor of 3 to 4 percent for capital expenditure – also known as CAPEX. As it stands, we are achieving a quota of 3.5 percent, putting us well within the anticipated corridor.

In total, we invested € 2.6 billion. The majority of investments in 2022 were targeted at the production start of the ID.4 in Emden and North America, which has since been completed, as well as the planned new start-ups for the ID.7 in Emden and the successors to the Passat in Bratislava and the Tiguan in Wolfsburg this year.

As you can see, we are continuing to invest heavily in our transformation.

At € 3.7 billion, development costs were far higher than the previous year. However, for the first time, roughly € 500 million of the disclosed development costs can be put down to the adapted balancing of our development activities for our China joint ventures. Without this adaptation, the research and development quota would be at roughly the same level as the previous year.

In development, the focus last year was on the further development of our existing ICE and MEB models.

The focus for our vehicles with combustion engines was on a competitive further development of our platform, with new driver assistance systems, bigger displays and new connectivity and mobility services, which comply with the new UN-ECE guidelines among others. Furthermore, we developed hybrid vehicles with considerably larger ranges.

When it came to developing our MEB models, we leveraged customer feedback more intensively: this year will see a much-upgraded version of the ID.3, as well as the new ID.7 – our long-range champion, capable of 700 kilometres.

That shows that we have invested significantly in our future projects!

For 2022, the Volkswagen Passenger Cars brand had undertaken to achieve a clean net cash flow – a net cash flow without influences associated with diesel – of € 1 billion to € 2 billion. This figure was € 1.9 billion in 2022. As such, we achieved a result at the top end of the expected range. This was based, on the one hand, on the solid operating profit and, on the other hand, on positive effects in working capital.

The net cash flow is the money that ultimately remains. Money that we need to be able to invest.

Our 2022 result shows that we are well placed to be able to finance our future!

We next look to our two biggest regions: North and South America. Both regions recorded a turnaround in 2021 with significant contributions to the brand result, and they backed up their forecast growth path in 2022.

The team in North America successfully continued their path of transformation in a turbulent environment with rising raw material prices and major challenges in the supply chains. The foundation has been laid for sustainable growth in North America. The start-up and successful market launch of the ID.4 in Chattanooga marked the first steps in the implementation of the local electric strategy.

Our South America region also shone, not only with another improved regional result, but also as the “Top Employer” yet again. In Brazil, we are the biggest automobile manufacturer and are looking forward to the company’s 70th anniversary this year.

We now come to the summary and outlook for 2023.

In 2022, we continued to increase our return on sales, kept the expenditure ratio for capital expenditure and research and development stable, and are looking at a solid cash situation. The fact that we have achieved this result despite the challenges described underlines the resilience of the Volkswagen brand. We have laid the foundations to consistently drive forward the growth and transformation of the Volkswagen Passenger Cars brand in 2023.

However – 2023 remains challenging. Our forecast assumes a cautiously optimistic appraisal of supply conditions with semiconductors, raw material and energy prices, and the logistics situation. At the same time, we are expecting the economy to weaken further and for there to be a significant increase in pressure from competitors. In this volatile environment, we are striving to improve the ROS to above 4% and confirm the target corridors for overheads and development costs. The net cash flow for financing the transformation will also remain at the same level as last year.

On that note, I hand you back over to Thomas Schäfer, who will now present the upcoming new models.
