VOLKSWAGEN GROUP

AMC25

Speech Arno Antlitz

Speech at the 2025 Annual Media Conference by Arno Antlitz, CFO & COO of Volkswagen Group, published on March 11, 2025.

Ladies and gentlemen,

In 2024, we took important strategic decisions and achieved key milestones.

With the progress we have made in the various fields ranging from software to China and labor costs, we have laid the foundation for making the Volkswagen Group more competitive and financially robust.

I would like to take this opportunity to thank all our employees for their dedication and commitment.

Against the backdrop of a challenging competitive environment, we have succeeded in delivering a decent overall result.

Vehicle sales in the full year 2024 totalled 9.0 million units, slightly below the previous year's figure. We are feeling the effects of intense price competition in China. In the rest of the world, our vehicle sales were at about the prior-year level.

Despite the fall in vehicle sales, our **sales revenue** rose to about €325 billion as a result of the improved sales revenue of our Financial Services Division.

Our operating profit was €19.1 billion, corresponding to an operating margin of 5.9%.

The operating result was burdened by costs for the ongoing renewal of our product range, an increase in fixed costs and restructuring expenses.

Expenses for the restructuring of our business reached a total amount of €2.6 billion net.

Key elements in these expenses were severance pay programs of the Brand Group Core and the decision to discontinue production at the Audi plant in Brussels.

On the other hand, we benefited from the reversal of provisions for employee expenses formed by Volkswagen AG.

Without the non-operating effects, we achieved an operating margin of 6.7% for the full year 2024.

Passenger Cars achieved an operating result of €11.4 billion.

The operating margin stood at 5.3% - about one and a half percentage points below the previous year's level.

Traton continued its strong trend and was able to further increase its operating result to €4.2 billion. The return on sales was 9.1%.

The **Financial Services** Division achieved an operating result of €3.1 billion, as expected, corresponding to a fall of 18% compared with the previous year.

Let us take a look at the various factors which drove developments in the operating result of the Passenger Cars segment:

Volume, price and mix effects had a slightly positive impact of €0.3 billion. €1.1 billion are related to **volume effects**.

The slightly negative **mix effect** is chiefly due to the decline in vehicle sales at Porsche and Audi in the full year.

Price effects were slightly negative in 2024, with an impact of half a billion euros. We achieved sustained positive effects from list price increases. However, these could not fully compensate for higher discounts – particularly for electric vehicles in Europe and the USA.

This trend stabilized significantly in the second half of the year and our many great new product launches had a positive effect.

The main driver of the Passenger Cars segment's earnings performance was the significant increase of over €8 billion in **fixed costs**. The three main factors were:

- higher expenses for research and development as well as depreciation and amortisation,
- an increase in expenses for wages and salaries, and
- the expenses for restructuring measures which I have already mentioned.

Within the Passenger Cars segment, the **Brand Group Core** recorded a slight growth in sales of 2% to €140 billion.

The operating result was €7 billion, 4% below the prior-year figure.

The margin at **Brand Group Core** was 5%.

The margin of the Volkswagen brand, the key brand of the Brand Group Core, was 2.9%, again underlining the urgent need for restructuring.

Škoda achieved a margin of 8.3%, impressively demonstrating what can be achieved on the basis of Volkswagen Group platforms with a competitive cost base.

Sales revenue for the **Brand Group Progressive** was 8% below the previous year's level. Operating profit fell by 38% to €3.9 billion, corresponding to a margin of 6.0%.

Residual value effects and expenses in connection with the Brussels plant had a total negative impact of €2.0 billion.

Adjusted for these two effects, the margin would have been at a solid level of over 9%.

The **Brand Group Sport Luxury** closed the financial year with an operating margin of 14.5%, 4.1 percentage points below the previous year's figure.

Here, lower sales volumes, especially in China, higher costs in connection with the large number of model launches and delivery bottlenecks had a negative impact.

The trend towards a significant increase in **overhead costs** already apparent in 2023 continued in the 2024 financial year.

Higher personnel costs as a result of collective wage increases from 2022 contributed significantly to the increase.

In addition, the expansion of our activities in the battery business, the development of Scout in the USA and the ramp-up of the fully consolidated operating units in China led to a significant increase.

One thing is clear: in order to ensure the robustness of Volkswagen in a challenging market environment, we must counteract this development decisively.

We can only invest strongly in the future if we significantly reduce overhead costs and considerably improve the quality of our earnings.

We have therefore launched extensive initiatives across all brand groups and brands to improve efficiency and productivity and to establish competitive cost structures.

In this context, we achieved significant progress through the “**Future Volkswagen” agreement**, including

- a new wage agreement for Volkswagen AG,
- structural measures to reduce overcapacity at the plants in Germany, and
- a reduction of more than 35,000 in the workforce at the German locations up to 2030.

The “Future Volkswagen” agreement is the decisive prerequisite for making Volkswagen AG and its businesses in Germany sustainably competitive and profitable.

However, the agreement we reached just before Christmas marks not the end but just the beginning of this process.

Only by consistently implementing the agreed bundle of measures over the next few years will Volkswagen AG be able to realize the necessary net cost effects of over €4 million in the medium term.

Through the software partnerships with Rivian and X-Peng, we have established key prerequisites for improving the competitiveness of our software platforms at the same time as reducing future costs.

CARIAD recorded a significant increase in license income due to its business model and the successful launch of the 1.2 software platform. Sales rose accordingly by 23% to about €1.3 billion.

The earnings performance of our **battery business** was characterized by the ongoing ramp-up of production capacities, particularly in Salzgitter and Valencia.

Volkswagen Group Mobility recorded a slight increase in contract volume of 3% in the financial year.

The operating result in the **Financial Services Division** fell to around €3.1 billion despite higher volumes in 2024.

The continued normalization of used-car prices, an inverted yield curve and an increase in risk costs had a negative impact on earnings.

As expected, our **proportional share in the operating result of our joint venture activities in China** fell to €1.7 billion in the 2024 financial year.

In a highly competitive market environment, we found a healthy compromise between profitability on the one hand and volume on the other hand.

As a result, deliveries in China fell by 10% and the market share declined by 2 percentage points, as anticipated at the beginning of the year.

Expenses for the expansion of our local development activities and upfront expenditure for the upcoming renewal of the model portfolio had a negative impact on earnings in 2024 but will pay off in the medium-term.

Over the next two years, we will be focusing on **the development and market launch of new local models that we expect to be absolutely competitive in terms of design, technology and costs.**

Against this backdrop, we expect earnings in China initially to decline to between €0.5 billion and €1.0 billion in the 2025 financial year before stabilizing from the end of 2025 onwards and showing a clearly positive trend over the next few years.

The **consolidated profit after tax** fell by 31% to €12.4 billion.

This was due to the lower operating profit and a significant decline in the financial result, which was driven by our lower proportional share in the operating result of our Chinese joint ventures and necessary impairment losses on equity investments.

On this basis, we will propose a dividend of €6.36 per preference share and €6.30 per ordinary share to the Annual General Meeting.

The dividend proposal corresponds to a payout ratio of about 30%.

It is in line with our communicated dividend policy and is a clear signal that our shareholders can rely on our promises, even in difficult times.

At €5 billion, the **net cash flow** in the Automotive Division significantly exceeded our forecast of about €2 billion, updated in September, and was in line with our original expectations of €4.5 to €6.5 billion.

This was due to factors which once again included strong working capital management at the end of the year, and a fourth quarter which was therefore strong, with net cash flow of about €1.7 billion

The net cash flow includes payments totalling €2.3 billion in connection with the establishment of the joint venture with Rivian.

Net liquidity in the Automotive Division remained at a solid level at the end of 2024.

At €36.1 billion, it continued to significantly exceed our target of 10% of consolidated sales revenue.

As announced, our capital expenditure reached a peak in 2024.

Expenditure on property, plant and equipment and R&D in the Automotive Division increased by about 5% to €37.9 billion in 2024.

We are keeping our combustion vehicles competitive while investing in the transformation of our core business towards e-mobility and software.

At the same time, we are investing in the battery business and in strengthening our position in the USA through Scout.

In the 2025 to 2029 planning round, we expect investments to total €165 billion, €15 billion less than in the prior 2024 to 2028 planning round.

Four factors will be crucial:

- Firstly, we will utilize synergies within the Group and within the brand groups even more efficiently.
- Secondly, we will gradually reduce investments in combustion models at the same time as maintaining our flexibility and continuing to meet the wishes of our customers.

- Thirdly, we will continue to adapt the ramp-up of our battery business to the market environment.

- Fourthly, we expect that the Rivian Joint Venture will allow us to achieve our technological goals faster and at significantly lower cost.

This brings me to the **financial outlook** for the 2025 financial year.

We expect a significant tailwind from our r**evamped model portfolio of exciting vehicles** and a slightly positive volume trend in the markets outside China.

We expect the implementation of "Future Volkswagen" and continued cost discipline to have a significant positive impact on the cost side.

On the other hand, the expansion of BEV volumes, especially in Europe, and the ramp-up costs of the new models and our battery activities will have a negative impact on our earnings in 2025.

On this basis, we expect the Volkswagen Group's sales revenue to increase by up to 5%.

The operating return on sales is expected to be in the range of 5.5% to 6.5% with a significantly weaker Q1 in terms of margin and cash flow.

This outlook does not include possible effects from the introduction or adjustment of trade tariffs or possible further restructuring expenses.

On the other hand, the possible **relaxation** of CO2 regulations in Europe has also not been taken into consideration.

Net cash flow should be in the range of €2 billion to €5 billion.

This takes into consideration payments of about €2 billion in connection with the implementation of restructuring measures.

We expect net liquidity to be in the range of €34 to €37 billion.

Ladies and gentlemen,

We have strong brands, great products and a global scale. In view of these advantages, we cannot be satisfied with this financial outlook.

It reflects the current challenges in the global economy and an industry that is in the midst of a fundamental transformation.

We need to keep our combustion vehicles technologically competitive while investing in exciting electric models and software solutions and achieving a robust regional positioning with a clear growth and investment approach for the USA.

To achieve this, it will be crucial to continue to offer our customers highly attractive vehicles at the same time as consistently reducing costs and continually improving our earnings power.

This will be precisely our main focus in the coming months and years.

Thank you very much