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More e-models for fast-growing e-mobility market in China: VW brand and Audi agree strategic cooperations with local automakers

- **The VW brand concludes technological framework agreement for long-term cooperation with XPENG**
- **In addition, the Volkswagen Group is investing approximately US\$700 million in XPENG via way of capital increase and will ultimately hold about 4.99 percent of the shares for a price of US\$15 per ADS (*)**
- **Audi and SAIC sign memorandum expanding existing cooperation**
- **Both partnerships provide for the joint development of intelligent, fully connected electric vehicles (ICV) for the Chinese market**
- **Additional models will supplement the existing product portfolio and tap into further market and customer segments in China's fast-growing e-mobility market**
- **New strategic cooperations increase local development capacities as part of the Volkswagen Group's "in China for China" strategy and strengthen alignment with the wishes of Chinese customers**

Beijing/Wolfsburg, 26 July 2023. The Volkswagen Group is strengthening its position on the Chinese automotive market with cooperations between the VW brand and XPENG and between Audi and SAIC. The Group is thus forging ahead with its local electrification strategy. The aim is to swiftly tap into new customer and market segments, thereby systematically leveraging the potential of China's dynamically growing e-mobility market.

The VW brand has concluded a technological framework agreement with XPENG. The initial stage of the cooperation shall provide for the joint development of two VW brand electric models for the mid-size segment in the Chinese market. The China-specific vehicles will supplement the MEB product portfolio and are to be rolled out in 2026 in China. This is subject to the conclusion of final agreements.

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As part of the close and long-term strategic cooperation, the Volkswagen Group is to invest approximately US\$700 million in the Chinese manufacturer of intelligent electric cars. Volkswagen is thus acquiring 4.99 percent stake in XPENG at US\$15 per ADS (*) by way of a capital increase, and will hold a seat as an observer on the XPENG board of directors. The share issuance will be subject to customary closing conditions including applicable regulatory approvals.

Audi has signed a strategic memorandum with its Chinese joint venture partner SAIC to further expand existing cooperation. Joint development activities are to extend the portfolio of fully connected electric vehicles on offer in the premium segment swiftly and efficiently. It is planned to start with electric models in a segment where Audi does not as yet have a presence in China.

The jointly developed e-models are to be equipped with state-of-the-art software and hardware, in order to offer Chinese customers an intuitive, connected digital experience. All parties are contributing their respective core competences to the development effort.

Both agreements also envisage a planned, future joint development of new local platforms for the next generation of intelligent, fully connected vehicles (ICV). The partnerships aim to swiftly expand the Group's product range with further models from China for China in particularly promising customer and market segments. The details of cooperation on future e-platforms are the subject of further negotiations between the partners.

Ralf Brandstätter, Volkswagen AG Board Member for China, commented: "Local partnerships are an important building block in the Volkswagen Group's 'in China for China' strategy. We are now accelerating the expansion of our local electric portfolio and at the same time preparing for the next innovation step. With XPENG, we now have another strong partner that is one of the leading manufacturers in China in key technology areas. In a competitive and dynamic market environment, we are leveraging the strengths of Volkswagen and our partners to create synergies to bring additional products to market faster. In doing so, we focus on the specific needs of our customers in China. At the same time, we want to significantly optimize development and procurement costs."

Volkswagen Group (China) Technology Company assumes development responsibility for new Volkswagen models

The recently founded Volkswagen Group China Technology Company (VCTC) is the development partner for XPENG. The new development, innovation and procurement center is the Group's largest

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development location outside Wolfsburg. Going forward, this is where over 2,000 development and procurement experts will work on new intelligent, fully connected electric vehicles.

Optimizing development and procurement volumes generates significant synergy potential with cost advantages compared with current vehicle projects.

Partnerships are next important step in the Group's "in China for China" strategy

The cooperations tie in with the Group's "in China for China" strategy to address market-defining trends in China at an early stage and leverage the growth dynamics and innovative strength of the Chinese market more effectively. In order to speed up decision-making and development processes in the region, Volkswagen is strengthening its local capacities for e-mobility as well as digitalization and autonomous driving.

To this end, Volkswagen is expanding its Hefei plant in east China's Anhui Province into a state-of-the-art production, development and innovation hub. Production at Volkswagen Anhui's new vehicle plant will commence this year. VW Anhui Component Company is building a manufacturing facility for high-voltage battery systems in Hefei. Furthermore, Volkswagen Group China Technology Company is setting up a development and procurement center for fully connected, intelligent electric vehicles in Hefei.

At the same time, the Volkswagen Group is also focusing on partnerships with local high-tech companies. For Volkswagen Group China, high technology localization and systematic customer orientation are the key to playing a leading role in the new era of intelligent connected vehicles (ICV).

(*) ADS = American Depositary Share, 1 ADS represents 2 Class A Shares

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Quotes from the partners

VW brand and XPENG

He Xiaopeng, Chairman and CEO of XPENG: “The Volkswagen Group and XPENG each brings in highly complementary strengths into this long-term strategic partnership. We will share Smart EV technologies and world-class design and engineering capability with each other and learn from each other. Since the founding of XPENG, we have been developing full-stack technologies from EV platform

to connectivity and ADAS software in house. We are excited about the opportunity to contribute our expertise to the strategic partnership and create value for XPENG and our shareholders.”

Stefan Mecha, CEO VW Brand Region China: “The VW brand has a long-term electrification-strategy for the Chinese market. In doing so, we continue to consistently rely on our high-performance MEB and SSP architectures. With the strong growth of the electric segment, there are now further market opportunities that we want to exploit. We are also focusing on joint development projects with strong local partners in order to rapidly expand our product portfolio. Together with XPENG, we aim to put two additional fully connected electric vehicles on the road from early 2026 onwards, thus opening up new customer groups for the VW brand.”

AUDI AG and SAIC

Jürgen Rittersberger, Member of the Board of Management of AUDI AG responsible for Finance, IT and Legal Affairs: “Audi has strong plan electrification plan for the world’s largest automotive market. This step marks the systematic continuation of this plan. Following on from the first two successful years of cooperation, we are now strengthening our long-term commitment to SAIC. Our aim is to jointly develop next-generation premium ICV swiftly and efficiently ‘in China for China’. Even closer cooperation with a local partner such as SAIC supports Audi’s ambition to create a premium market segment for all-electric and fully connected cars in China.”

Zu Sijie, Vice President and Chief Engineer of SAIC Group: “SAIC and Audi have signed a memorandum of understanding. Both parties will accelerate SAIC Audi’s electrification of the model portfolio development, leveraging the advantages of both sides to meet the needs of Chinese customers for premium electric intelligent connected vehicles. With SAIC contributing technology, and actively participating in the joint product development, together we are opening a new chapter in joint venture cooperation, aiming to create a win-win situation.”

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About the Volkswagen Group:

The Volkswagen Group, with its headquarters in Wolfsburg, is one of the world's leading automobile manufacturers and the largest carmaker in Europe. The Group comprises ten core brands from seven European countries: Volkswagen Passenger Cars, Audi, SEAT, CUPRA, ŠKODA, Bentley, Lamborghini, Porsche, Ducati and Volkswagen Commercial Vehicles. The passenger car portfolio ranges from small cars all the way to luxury-class vehicles. Ducati offers motorcycles. In the light and heavy commercial vehicles sector, the products range from pick-ups to buses and heavy trucks. Around 675,800 employees around the globe are involved in vehicle-related services or work in other areas of business. With its brands, the Volkswagen Group is present in all relevant markets around the world.

In 2022, the total number of vehicles delivered to customers by the Group globally was 8.3 million (2021: 8.9 million). Group sales revenue in 2022 totaled EUR 279.2 billion (2021: EUR 250.2 billion). The operating result before special items in 2022 amounted to EUR 22.5 billion (2021: EUR 20.0 billion).
