



Media Information

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Volkswagen Group Components well-positioned for the future

- **New brand with five newly organized business areas since January 1, 2019**
 - **Group Board of Management Member Dr. Stefan Sommer: “Group Components is assuming end-to-end responsibility for the battery, from competence development for the cells through to recycling.”**
 - **Group Components CEO Thomas Schmall: “€2 billion of cost savings of up to 2025 combined with higher investments in e-mobility”**
 - **Future-oriented product decision: components plant in Hanover is to produce the new flexible charging station in future**
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Wolfsburg – Since January 1, 2019, the Volkswagen Group has had a new brand. With the realignment of Volkswagen Group Components, the Group is reinforcing its in-house supplier of components including engines, gearboxes, electric drive systems, steering systems and seats – at the same time as consistently leveraging synergy effects. 80,000 Group employees at 61 components plants throughout the world develop and produce vehicle components. Right from the start, the units will therefore be among the world’s largest automotive industry suppliers.



Dr. Stefan Sommer (l.) and Thomas Schmall

Dr. Stefan Sommer, Member of the Volkswagen Group Board of Management responsible for Components and Procurement: “We are consistently developing cross-brand positioning for Group Components, strengthening its competitiveness. Thanks to our manufacturing depth and product strength, we can measure ourselves with our best competitors. We are now sharpening our profile in the e-mobility field. Group Components is assuming end-to-end responsibility for the battery – from the development of cell production competence through to recycling. This is a key step for the entire Group.”

The Chairman of the Board of Management of Volkswagen Group Components, Thomas Schmall, says: “We are leveraging efficiency effects in our current business areas and aligning Group Components in a future-oriented way with new activities in the field of e-mobility. The new Group-wide steering system will ensure that efficiency and synergy effects are realized more effectively, networking between the plants is promoted and plant capacity is deployed in the optimum way across the Group brands. On the basis of the pact for the future, we already achieved considerable cost savings totaling more than €750 million at the German plants from 2016 to the end of 2018. By 2025, we will be able to increase this positive effect on earnings to a total of €2 billion. At the same time, we are investing massively in e-mobility. In 2019 and

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2020 alone, investment in the production of e-mobility components will reach €870 million throughout the Group. The share of investment in e-mobility components has risen from five percent to the current figure of 40 percent. All in all, we are investing a total of €3.8 billion in the production of e-mobility components up to 2023 within the framework of the current planning round.”

Independent brand within the Volkswagen Group

With future-oriented business areas, efficient board control and a Group-wide added value strategy, Group Components has independent, competitive positioning. A Board of Management with three members is responsible for the business operations of the new brand under the umbrella of Volkswagen AG: Thomas Schmall as Chairman, Thomas Eichenberg as Board Member responsible for Finance and Wolfgang Fueter as Board Member responsible for Human Resources. The management team also includes the heads of the newly organized business areas, which extend across several plants: “engine and foundry”, “gearbox and electric drive”, “chassis”, “seats” and “e-mobility”. As the Group Board of Management Member responsible for Components and Procurement, Dr. Stefan Sommer is a member of the Supervisory Board of Group Components, a body with equal representation of the Board of Management and the Works Council.

Over the past three years, consistent preparations have been made for the establishment of Group Components as an independent brand. This development is based on the orientation of the product portfolio towards volume and scale effects and an increase in the efficiency and productivity of the plants. In 2015, the product portfolio was already analyzed with a view to focusing on products which would be competitive in the long term both in development and in production. Products which did not have a viable future or were uneconomical were deleted from product plans. On the basis of the pact for the future, fixed costs at the German component plants have been considerably reduced and productivity has been significantly improved since 2016. In order to earn the funds needed for future investments, for example in e-mobility, from the present product portfolio, investment efficiency was further improved. Partnerships or cooperation arrangements with other companies are also being considered, with a view to allowing economies of scale for lower-volume products.

The key topic of transformation

The changeover from conventional powertrains to e-mobility is an issue that is more important for Group Components than for any other unit of the Volkswagen Group, as the new brand produced more than 10 million conventional vehicle engines and over 8 million gearboxes, for example, in 2018. This is why the structure of the business areas was also slimmed down in connection with the establishment of the brand. The business areas “engine and foundry” have been merged and the “e-mobility” business area has been newly established. The portfolio is rounded off by the three business areas “gearbox and electric drive”, “chassis” and “seats”. The plastics business area has been transformed and integrated into the production organization of the Volkswagen brand. Each of the five business areas is responsible for its portfolio strategy and the overall process: “Networking of the various departments such as development, procurement and production planning at an early stage enhances competitiveness and innovative power,”

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says Thomas Schmall. In addition to conventional engines and gearboxes, Group Components already develops and produces electric motors and battery systems for a variety of Group brands and will be massively boosting these capacities over the next few years. In addition, a cross-brand ramp-up strategy for the production of electric drive systems has been developed. Group Components will now implement this strategy in cooperation with Audi, Porsche, Volkswagen and other Group brands.

Shaping the future

In future, Group Components will complete key value addition stages in the context of end-to-end responsibility for batteries itself. At the Salzgitter components plant, developers and production planners are already building up sustainable battery cell competences for the Group in the Center of Excellence (CoE). Battery systems are being developed and produced at the Brunswick components plant – in future the production portfolio will include batteries for MEB vehicles of various Group brands. When batteries reach the end of their service lives in vehicles, some of them will be transferred to other applications – for example in new products such as the flexible fast charging station which Group Components will be producing at the Hanover plant from 2020 onwards. In future, Group Components is also to be responsible for recycling end-of-life batteries. In the first half of 2020, a pilot plant is to be opened at Salzgitter for the further development of the recycling process for high-voltage batteries. This plant will be based on processes that have already been researched with a view to validating the technical feasibility and economic viability of series operation.

Thomas Schmall: “Conventional powertrains will continue to be important over the next few years. Vehicle components such as engines, gearboxes, steering systems, axles and seats are cornerstones of our success. With further activities in the growing area of e-mobility and new strategic partnerships, we will ensure a successful future for our product portfolio.”

About Volkswagen Group Components.

As of January 1, 2019, Volkswagen Group Components is an independent business unit under the umbrella of Volkswagen AG responsible for the development and manufacture of strategic components for the vehicle-producing brands of the Group. In five business areas – engine and foundry, gearbox and electric drive, chassis, seats and e-mobility – 80,000 employees work in 61 plants worldwide at 47 production sites. They develop and manufacture vehicle components, shape future topics such as charging infrastructure or battery recycling, and thus make a crucial and valuable contribution to the Volkswagen Group, its brands and products. The Chairman of the Board of Management of Group Components is Thomas Schmall. .

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