Best Brand Equity

Brand Positioning within Volkswagen Group to reach the targets of Together 2025+

December 2020
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The recent outbreak of COVID-19 (commonly referred to as coronavirus) has negatively impacted and may continue to impact economic and social conditions in some of Volkswagen’s primary markets, including China and Europe, as public, private, and government entities implement containment and quarantine measures. The continued spread of COVID-19 may cause shortages of necessary materials and parts from suppliers directly or indirectly affected by the outbreak and may cause operational disruptions and interruptions at Volkswagen’s production facilities, leading to significant production downtimes.

A negative development relating to ongoing claims or investigations, the continuation of COVID-19, an unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, and trade disputes among major trading partners will have a corresponding impact on the development of our business. The same applies in the event of a significant shift in current exchange rates in particular relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

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PROJECT FRAMING: BEST BRAND EQUITY
We are convinced that we have a strong Investment Proposition

TOGETHER 2025+
FOCUS AND SPEED

- Strong brands with clear positioning and great products that inspire customers
- A leading position in China with global footprint and value creating growth
- Fully committed to "Go to Zero" and shaping e-mobility
- Transforming to one of the leading automotive software players
- Taking complexity out and pushing for industry-leading economies of scale
- Delivering on demanding financial targets and committed to dividend pay out ratio

Integrity as the foundation of a successful business
In 2020 only the VW Group and LVMH have 3 of their brands within Interbrand's Top 100 Best Global Brands ranking.

**Brand equity 2020 (€ Mrd., Interbrand)**

### Automotive

<table>
<thead>
<tr>
<th>Brand</th>
<th># brands in Top 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple</td>
<td>1</td>
</tr>
<tr>
<td>Toyota</td>
<td>1</td>
</tr>
<tr>
<td>Daimler</td>
<td>1</td>
</tr>
<tr>
<td>BMW</td>
<td>2</td>
</tr>
<tr>
<td>VW</td>
<td>3</td>
</tr>
<tr>
<td>Honda</td>
<td>1</td>
</tr>
<tr>
<td>Hyundai</td>
<td>2</td>
</tr>
<tr>
<td>Coca Cola</td>
<td>1</td>
</tr>
<tr>
<td>LVMH</td>
<td>3</td>
</tr>
<tr>
<td>P&amp;G</td>
<td>2</td>
</tr>
<tr>
<td>Nestle</td>
<td>2</td>
</tr>
<tr>
<td>AbInBEV</td>
<td>2</td>
</tr>
</tbody>
</table>

### Consumer Goods

<table>
<thead>
<tr>
<th>Brand</th>
<th># brands in Top 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple</td>
<td>1</td>
</tr>
<tr>
<td>Nestle</td>
<td>2</td>
</tr>
<tr>
<td>Coca Cola</td>
<td>3</td>
</tr>
<tr>
<td>Dior</td>
<td>&gt;500</td>
</tr>
<tr>
<td>Gillette</td>
<td>&gt;2k</td>
</tr>
<tr>
<td>LVMH</td>
<td>&gt;500</td>
</tr>
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<td>65</td>
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<td>&gt;500</td>
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</table>

**Note:** Exchange rate 1 EUR = 1.15 USD; 1 Consumer facing brands; 2) Acquisition of >100 further software and service companies

Source: Interbrand Best Global Brands Ranking 2019
PROJECT FRAMING: BEST BRAND EQUITY

Our new strategic framework: The Brand Strategy NAVIGATOR
All layers of the pyramid contribute to brand equity

The Brand Strategy NAVIGATOR is continuously applied across all brands and regions globally

1. Customer Segments & (Future) profit pools
2. Ideal Volkswagen brand portfolio 2030
3. Vision, mission, brand values
4. (Target) customer oriented product design
5. Governance model

How to maximize share of profit pools
Streamlined brand portfolio with clear roles
Distinct brand positioning with limited overlaps
Differentiated product portfolio, design and services
Effective brand strategy process and governance
PROJECT FRAMING: BEST BRAND EQUITY

The Brand Strategy Navigator enables us to “speak one language” in our Multi-Brand Strategy implementation.

Roll-out Brand Strategy NAVIGATOR for all VW Group brands

Regional Roll-out Best Brand Equity

<table>
<thead>
<tr>
<th>2019</th>
<th>2020/2021</th>
<th>Coming...</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU5</td>
<td>China</td>
<td>Russia</td>
</tr>
<tr>
<td></td>
<td>USA</td>
<td>Brazil</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Middle East</td>
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<tr>
<td></td>
<td></td>
<td>South Africa</td>
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<tr>
<td></td>
<td></td>
<td>Rest of World</td>
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</tbody>
</table>
Customer Vehicle Demands

Clustering according to joint car demands
1. Rational
2. Emotional

Demographic characteristics
Clustering according to life stages
1. Young
2. Mature

Customer Vehicle Demand Spaces (CVDS)

SIGMA Milieus

Market research on new car buyers
SIGMA SENSOR: The values, living environments and lifestyles of our customers can be globally described in their social milieus

Example: Europe

Customer segmentation with SIGMA Milieus

Social status
upper

medium

low

Value orientation

Traditional

Modern

Post-modern

Traditional

Mainstream

Progressive
Modern
Mainstream

Counter
Culture

Upper
Conservative

Social
Climber

Upper
Liberal

Post-modern

Upper
Conservative

Socio-
Critical

Progressive
Modern
Mainstream

Counter
Culture

Conventional
Modern
Mainstream

Pragmatic
Strivers

Traditional

Blue Collar

Traditional

Mainstream

Traditional

Mainstream

Source: SIGMA Sensor Europe 2019
SIGMA SENSOR: The values, living environments and lifestyles of our customers can be globally described in their social milieus.

Source: SIGMA Sensor USA 2019

Source: SIGMA Sensor China 2019
In EU5, the Volkswagen Group Multi-Brand Strategy is targeting lower overlap and maximum profit pool exploitation.
Brand Territories ensure an ideal differentiation for all Volkswagen Group brands within the new “Customer Vehicle Demand Spaces (CVDS)”-Tool

Vehicle prices (in €)

<table>
<thead>
<tr>
<th>Functionality-seeking</th>
<th>Self-rewarding</th>
<th>Image-seeking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y</td>
<td>F</td>
<td>M</td>
</tr>
</tbody>
</table>

**High**

- **Audi**
- **ŠKODA**
- **Volkswagen**
- **SEAT**
- **CUPRA**

**Low**

- **Porsche**
Brand Territories ensure an ideal differentiation for all Volkswagen Group brands within the new “Customer Vehicle Demand Spaces (CVDS)”-Tool.

<table>
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<tr>
<th>Vehicle prices (in RMB)</th>
<th>Rational</th>
<th>Functional</th>
<th>Status-driven</th>
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- **Rational**
  - Y
  - F
  - M

- **Functional**
  - Y
  - F
  - M

- **Status-driven**
  - Y
  - F
  - M

- **Self-expressive**
  - Y
  - F
  - M

- **Vehicle brands**
  - **Porsche**
  - **Audi**
  - **Škoda**
  - **Jetta**

- **Legend**
  - **Rational**
  - **Functional**
  - **Status-driven**
  - **Self-expressive**

- **Legend icons**
  - **Porsche**
  - **Audi**
  - **Škoda**
  - **Jetta**
**EXAMPLE: With the CVDS Tool, the VW Passat and Skoda Superb are systematically differentiated based on clear customer research**

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<tr>
<td></td>
<td>Youngsters</td>
<td>Families</td>
<td>Matures</td>
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<tr>
<td><strong>high</strong></td>
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Source: SENSOR EUS, 2018/2019
EXAMPLE: With the CVDS Tool, the VW Passat and Skoda Superb are systemically differentiated based on clear customer research.

### Clear differentiation based on 3 dimensions:

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### Price

- B-Segment

### Design

- B-Segment

### Equipment

- B-Segment

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Source: SENSOR EUS, 2018/2019
Ideal coverage of all price segments: example price class analysis Passat Estate vs. Superb Estate
New “Orchestration”: The VW Group has taken over a new steering and systematic global management role within the new Multi-Brand Strategy collaboratively with all brands.