Start of the Circular economy: Zwickau vehicle plant launches business areas

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Zwickau vehicle plant to become Volkswagen AG's centre of excellence for the circular economy

- From 2030, up to 15,000 vehicles are to be disassembled and recycled annually

- The Free State of Saxony is funding the project with around eleven million euros

- The results of the 2024 collective agreement will be consistently implemented

Start of the Circular economy:

Zwickau vehicle plant launches business areas

The Zwickau vehicle plant is now taking on the role of central competence centre for the circular economy within the Volkswagen Group. In Zwickau, new business areas in the circular economy will be examined for economic viability, standards will be set and the knowledge gained will be made available to other locations worldwide. Volkswagen plans to invest a total of up to 90 million euros in the site over the next few years. The Free State of Saxony is funding the overall project with up to 10.7 million euros. In addition to its central function, Zwickau will initially start with the systematic disassembly of vehicles to recover valuable raw materials and reuse components. A gradual increase in capacity to 15,000 vehicles per year is planned by 2030. The implementation of the circular economy at the Zwickau site was decided during collective bargaining negotiations in December 2024.

The Volkswagen Group's circular economy strategy follows the principle of ‘REDUCE & GROW’: the use of primary raw materials and

emissions are consistently reduced, while at the same time new value creation, resilience and innovative business models are established. In this way, Volkswagen secures its own value creation in the long term and develops it further – both ecologically and economically. New business models such as recycling, refurbishment (vehicle reconditioning) and second-life applications open up additional market and revenue potential.

The Zwickau vehicle plant is playing a pioneering role for the Volkswagen Group in the field of circular economy. Technical innovations and the use of AI are being developed and standardised. By using data platforms and AI, Volkswagen can efficiently track and control material flows, recycling processes and business models, and set new standards. In addition, Zwickau will play a central role in the training and further education of employees in the circular economy.

In a first step, dismantling processes will be defined, tested and validated at the site in order to set standards for all other sites. This will give Volkswagen access to parts and components that, after proper testing and processing, can be returned to the cycle, e.g. for used vehicles. Another focus is on separating materials cleanly in order to obtain pure recyclates.

Andreas Walingen, Head of Group Circular Economy: "The circular economy will become increasingly important for Volkswagen AG in the coming years. It addresses key challenges facing the automotive industry: raw material resilience, decarbonisation, economic efficiency and employment. Specifically, we are pursuing the goal of reusing raw materials for the construction of new vehicles. This will make Volkswagen less dependent on the global raw materials trade, reduce the CO2 footprint of its vehicles and create new business models. The circular economy promotes technological and digital innovation and secures jobs at the site and value creation in Germany. That is the mission of the Zwickau vehicle plant. Here, we define, test and review all the necessary processes and standards. In the medium term, we will need a CE value creation network with additional locations and partnerships throughout Europe in order to scale the circular economy successfully in economic terms.

To get started with the circular economy, up to 90 million euros will be invested in conversion work, technical equipment and AI applications at the site over the next few years. This year, 500 pre-series vehicles

(test vehicles) are already being processed. From 2027, the number of vehicles will increase. A modular dismantling concept will allow capacity to be gradually increased to 15,000 vehicles per year by 2030.

Danny Auerswald, spokesperson for the management board of Volkswagen Saxony:

> Volkswagen Saxony is once again taking on a pioneering role. We were the first plant to switch completely to e-mobility. Now we are tapping into the important business area of the circular economy. With our experience in large-scale production and the excellent university landscape in Saxony, we will examine these new business areas for the Group, present them in an economically viable manner and expand them.

Dirk Panter, Minister for Economic Affairs in the Free State of Saxony:

> With the recycling topic here in Zwickau, we are breaking new ground for VW as a whole. The plant in Mosel is thus taking on an important function and pioneering role within the Group. Saxony can once again prove that it has solutions for the future of the automotive industry. The new project highlights the responsible use of existing resources and also offers new prospects for employees in Mosel. The diversification of the Zwickau location thus strengthens the future viability of this Saxon automotive region.

The circular economy will play a greater role in future apprenticeships and university courses. In close cooperation with the Volkswagen Education Institute and the West Saxon University of Applied Sciences, existing career paths and courses of study will be supplemented with content on the circular economy. The Zwickau site will thus also take on the training and further education of employees at future locations.

The move into the circular economy was agreed for the Zwickau site during collective bargaining negotiations in December 2024. In addition to vehicle production, this business area is a second pillar for securing sustainable employment and building expertise in the Central Germany region.

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