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## Volkswagen brand steps up pace of transformation

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- **2019 is key year: electric offensive set for launch, significant efficiency increases planned**
  - **Earnings improvement program to make sustained €5.9 billion contribution from 2023**
  - **Investment from 2019 to 2023 rises to €19 billion**
  - **€4.6 billion investment to implement digitalization roadmap for administration**
  - **Outlook 2019: growth in sales revenue of up to 5 percent – corridor of 4 to 5 percent for operating return on sales**
  - **COO Brandstätter: “We will significantly step up the pace of our transformation so as to make our company fit for the electric and digital era.”**
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Wolfsburg – Volkswagen will be boosting the pace of its transformation following a solid fiscal year 2018. The brand is taking important steps this year to strengthen competitiveness on a sustained basis. This includes the start of the electric offensive, efficiency measures in production and further progress in productivity and margins. At the same time, the brand is rolling out an earnings improvement program aimed at achieving a sustained contribution of €5.9 billion from 2023. Measures include reducing complexity and optimizing material costs. The program will gradually start delivering results in the period from 2019 to 2022. Furthermore, efficiencies in administration are to be leveraged by a stronger focus on process digitalization. Furthermore, efficiencies in administration are to be leveraged by a stronger focus on process digitalization.

Ralf Brandstätter, Chief Operating Officer of the Volkswagen brand, said: “We have already achieved a great deal with the pact for the future: but there is still much more to do if we are to manage the challenges facing us beyond 2020 as well. We will significantly step up the pace of our transformation so as to make Volkswagen fit for the electric and digital era. Volkswagen is to become more efficient and agile and a more attractive and modern employer, especially in administration. Initial constructive talks with the Works Council on the planned implementation of the digitalization roadmap in the administrative areas of the company have already taken place.”

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## Key year 2019: focus on future topics

The current year will be a key year for the transformation of the brand. Investments in future topics totaling €19 billion will be ramped up through 2023. That is €8 billion more than originally planned for the period 2019 - 2023.

The aim is to undertake these investments using the brand's own resources and to mitigate the rising costs of more stringent CO<sub>2</sub> and exhaust regulations. That requires a sustained improvement in earnings of €5.9 billion per year from 2023. To that end, the Volkswagen brand is reducing material costs and the number of variants. Furthermore, productivity at plants is to increase by five percent per year. Increases in earnings and margins in Sales are also planned.

"The measures from the earnings improvement program will enable our brand to achieve a competitive return level of six percent in 2022. This improvement is the basis for financing the necessary upfront expenditures for our transformation and live up to our strategic aspirations in the electric age," Dr. Arno Antlitz, Volkswagen Brand Board Member for Controlling and Accounting, explained.

Nonstaff overheads and personnel requirements in administration are to be cut by 15 percent each. The focus is increasingly moving towards the digital transformation. Implementation of a digitalization roadmap is designed to prepare employees for the digital world of work. Volkswagen will be investing €4.6 billion in IT systems to digitize administrative processes

The company estimates that the automation of routine tasks will result in the loss of between 5,000 and 7,000 jobs by 2023. That can be absorbed by not recruiting replacements for employees who leave the company for retirement reasons. The potential number of employees born during the next three defined periods eligible for partial retirement totals about 11,000. Restructuring along the demographic curve is therefore possible. At the same time some 2,000 new jobs are to be created in Technical Development, which relates to electronics architecture and software. With regard to all measures, Volkswagen has given its workforce a job security guarantee until at least 2025.

The brand is making good progress with its second transformation towards a greater focus on e-mobility. In the next ten years, the brand will manufacture over 10 million electric vehicles based on the MEB. First off is the ID.<sup>1)</sup>, to be presented at the IAA. Customers can pre-book the launch edition of the ID. from May 8. "Given the interest in the ID. family shown by our dealers, I think it is possible that the launch edition will already have



sold out before we unveil the ID. in September," Board Member for Sales, Jürgen Stackmann, said.

### **Outlook for 2019: profitable growth targeted**

The brand is targeting an operating margin in the range of four to five percent for the current fiscal year. Despite the subdued economic outlook in key markets, further growth in sales revenue of up to five percent is expected. Deliveries by the brand are expected to be on a similar level to last year, with momentum becoming increasingly positive as the year progresses.

This text together with images and further material is available from:

[www.volkswagen-newsroom.com](http://www.volkswagen-newsroom.com)

<sup>1)</sup> Near-production concept car

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#### **About the Volkswagen brand:**

The Volkswagen Passenger Cars brand is present in more than 150 markets throughout the world and produces vehicles at over 50 locations in 14 countries. In 2017, Volkswagen delivered 6.24 million vehicles including bestselling models such as the Golf, Tiguan, Jetta or Passat. Currently, 195,878 people work for Volkswagen across the globe. The brand also has over 10,000 dealerships with 86,000 employees.

Volkswagen is forging ahead consistently with the further development of automobile production. E-mobility, smart mobility and the digital transformation of the brand are the key strategic topics for the future.

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