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Volkswagen brand's biggest performance program on track, with earnings contribution of up to four billion euros expected for 2024

- Company and Works Council agree on key measures paper
- Performance program to optimize costs and performance in order to achieve the 6.5 percent profitability target for 2026
- Agreement reached after constructive negotiations: new policies for staff reduction measures aim to reduce personnel costs especially in the administrative units by 20 percent
- Volkswagen AG extends its partial retirement scheme to staff born in 1967, from January 2024, and maintains hiring freeze

Wolfsburg – The Volkswagen brand has achieved an important milestone in the “Accelerate Forward/ Road to 6.5” global performance program, with management and employee representatives reaching agreement on key points to streamline the company, following intensive negotiations. The objective of the three-year program is to secure the Volkswagen Group’s core brand competitiveness, ensure it is future-proof and sustainable in the long term. The Volkswagen brand aims to make a positive earnings contribution totaling ten billion euros by 2026, also to offset negative effects such as inflation and higher raw material costs. The operating return on sales is expected to improve sustainably to 6.5 percent in 2026. The Volkswagen brand projects that the program will deliver positive earnings contributions of up to four billion euros as early as 2024. To achieve this, the Company concentrates on performance-enhancing and cost-saving measures in the program’s three focus areas: optimizing material and product costs, reducing fixed and manufacturing costs and increasing revenues. The Company and the employee representatives have also reached agreement on staff reduction measures to cut personnel and labor costs. These measures will apply throughout Volkswagen AG. As such, from January 2024 the Company will extend its partial retirement schemes to all employees born in 1967 (and for severely handicapped employees born in 1968), to reduce administrative staff costs in particular. The current hiring freeze and access freeze to the Tarif Plus salary group will continue until further notice.



Company and Works Council agree on key measures paper (from left: Gunnar Kilian, Daniela Cavallo and Thomas Schäfer)

Thomas Schäfer, CEO of the Volkswagen Passenger Cars brand and Group Board Member responsible for the Core brand group, said: “With its current and future car models, the Volkswagen brand is on track with executing on its strategy. We will now strengthen our economic foundation to support our success in years to come. This will boost our efforts to make VW the world’s leading volume brand. In recent weeks we’ve made good progress in detailing the most comprehensive program the brand has ever launched. The precise contributions for all the action areas have been defined, the measures have been agreed and are

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already being implemented. Our efforts will in part start to bear fruit as early as 2024. This is crucial if we are to withstand the increasingly tough competition in extremely challenging market conditions. The agreement with the employee representatives is key to be able to rapidly advance on our chosen path. It is testament to how much commitment, solidarity and innovation are embedded in the VW brand and present in our teams."

Group Chief Human Resources Officer Gunnar Kilian: "With the agreement on the key measures we are taking a decisive step to move Volkswagen back to a leadership position. This requires not only structural but also personnel reduction measures. As a leading employer, it goes without saying that our actions will be socially responsible. In addition to the company's hiring freeze and stabilization of higher pay grades in the Tarif Plus bracket, which will continue, we agreed with the employee representatives to extend our partial retirement option to all employees born in 1967, thereby reducing the workforce as much as possible along the demographic curve, especially in the administrative units of Volkswagen AG. We will also selectively offer termination agreements at all levels, if necessary. The agreement reached will give us the required flexibility from 2024 to safeguard profitability and long-term job security."

General Works Council Chairwoman Daniela Cavallo said: "We expect 2024 to be a very challenging year, especially for our volume brands. In defining the key points for the performance program, we have now created the basis for ambitious improvements at the right time. The path we have embarked on together will make us more competitive long term without this impacting unilaterally on our workforce. Reducing collectively agreed wages or impacting agreed job security was no option for us. The billion-euro improvements we are now targeting show quite clearly which impactful tools are available to our core brand to unlock further efficiency gains within our strong Group network. We emphatically welcome the fact that we will systematically and consistently offer the attractive partial retirement scheme in the future. However, we will continue to ensure that processes, structures and tasks actually become easier and faster, because these efforts must not increase employees' workload. We will also closely monitor the further refinement of the targets for the core brand and its divisions in the coming months."

Performance program focuses on performance improvements and cost savings

The "Accelerate Forward/ Road to 6.5" program is being implemented in all areas and at all levels of Volkswagen. Measures that have already been adopted and are currently being implemented include the following:

- Development times for new Volkswagen models will be cut from 50 to 36 months so that vehicles are brought to market faster without sacrificing quality or safety. This will save more than one billion euros over the period covered by the planning round through 2028.
- The number of test vehicles in Technical Development will be reduced by up to 50 percent as digitalization and technological advances enable more



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testing to be carried out on test rigs. This could save around 400 million euros per year without compromising quality.

Other measures include improved procurement services, which will enable annual savings of over 320 million euros to be generated, enhanced after-sales business, which will generate more than 250 million euros per year, and the optimization of production time along the agreed site pacts, which will save over 200 million euros each year. All of these measures will be implemented as early as 2024.

Socially acceptable job cuts

Volkswagen AG's performance program is also focusing on selective administrative job cuts with the goal of sustainably improving cost structures and safeguarding jobs in Germany at the same time. The demographic curve – which will see baby boomers retiring in the next few years – will also be leveraged to the maximum with partial retirement being offered to employees born in 1967 (1968 for severely handicapped persons). Workforce reduction measures that are already being used such as the hiring freeze and the stabilization of Tarif Plus will be continued.

Volkswagen AG aims to reduce its administrative staff costs in particular by 20 percent. The Company will also offer selective termination agreements at all levels if necessary. There is no general termination-agreement program. Open positions in the future will not be filled or will only be filled in exceptional cases. For this, the Company will also facilitate transfers within the Group via an internal job market. The workforce reduction measures will take effect for Volkswagen AG from January 2024, seamlessly following on from the "Digital Transformation Roadmap" agreement concluded between the Company and the employee representatives in 2019.

The Volkswagen Passenger Cars brand is present in more than 140 markets worldwide and produces vehicles at 29 locations in twelve countries. In 2022, Volkswagen delivered around 4.6 million vehicles. These include bestsellers such as the Polo, T-Roc, T-Cross, Golf, Tiguan or Passat as well as the successful all-electric models ID.3, ID.4, ID.5 and ID.6. Last year, the company handed over more than 330,000 all-electric vehicles to customers worldwide. Around 170,000 people currently work at Volkswagen worldwide. With its ACCELERATE strategy, Volkswagen is consistently advancing its further development into the most desirable brand for sustainable mobility.
