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Volkswagen is accelerating transformation into software-driven mobility provider

- Strategy *ACCELERATE*: Volkswagen is resolutely tackling big issues of the future – digitalization, new business models and autonomous driving
- Software integration and digital customer experience to become core competencies
- Data-based business models will tap into additional sources of income
- Volkswagen will make autonomous driving widely available by 2030
- Further acceleration of e-campaign: all-electric vehicles expected to exceed 70 percent of European and 50 percent of Chinese and US sales volumes by 2030
- Financial targets confirmed: operating return on sales of at least 6 percent from 2023; fixed and material costs to be reduced further
- Ralf Brandstätter, CEO of Volkswagen: "We are stepping up the pace. In the coming years, we will change Volkswagen as never before. Now, with *ACCELERATE* we will give the brand's digitalization a further push."

Wolfsburg – Volkswagen is accelerating its transformation into a software-driven mobility provider. By rolling out the *ACCELERATE* strategy that it has just unveiled, the company will systematically prepare for the profound changes in the automotive industry in good time. Just as Volkswagen resolutely led the way with its global electric offensive, now it is also accelerating the other big issues of the future: integration of software into the vehicle and the digital customer experience will become crucial core competencies. In implementing data-based business models, the company is seeking to attract new groups of customers and tap additional sources of income. Volkswagen also will make autonomous driving available to many people before the end of the decade. "E-mobility was just the beginning: the real disruption has yet to come. With our strategy we will *ACCELERATE* towards the digital future," said Ralf Brandstätter, CEO of Volkswagen. "In the coming years, we will change Volkswagen as never before."

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Back in 2016, Volkswagen kicked off its far-reaching transformation and the industry's biggest electric offensive with the TRANSFORM 2025+ strategy. With *ACCELERATE* Volkswagen now aims to transform itself into "the most attractive brand for sustainable mobility". The company is pursuing three strategic value drivers for the accelerated transformation – "brand value", "scalable platforms" and "valuable enterprise", each of which is underpinned by specific measures and ambitious goals.

Software integration to become a Volkswagen core competency

The company's high volumes will ensure the necessary scaling of the software in the Group. Integration of software into the vehicle and the digital customer experience will thus become core competencies of Volkswagen. To this end, Volkswagen is spearheading the development of the customer-centric digital ecosystem, with the ID. Family blazing the trail. For this, Volkswagen has established the ID. Digital agile project unit that will provide "over-the-air" updates every 12 weeks starting in summer 2021. These will enable the vehicle to remain up to date throughout its life cycle and become better and better with new functions. A fully networked fleet of over 500,000 vehicles is expected to be on the road in just two years' time, through which Volkswagen will be able to transmit direct customer feedback to new functions.

Business model 2.0: new customers and additional sources of income

By turning the vehicle into a software-based product, Volkswagen is setting the scene for new, data-based business models aimed at lowering entry barriers to individual mobility while offering very attractive service packages for the customers. Volkswagen thus aims to generate additional revenue over the service life of the vehicle through charging and energy services, through software-based functions that customers can reserve as needed, or through automated driving.

The company will also make the structure of the vehicle portfolio much less complex. Future vehicle generations will be produced with a much smaller number of versions. The individual configuration will no longer be set through the hardware when the vehicle is purchased. The vehicle will have virtually everything on board and customers can add desired functions on demand at any time using the digital ecosystem in the vehicle. This will significantly reduce production complexity.

Clear plan for driving up profitability

Volkswagen has earmarked around 16 billion euros for investment in the future trends of e-mobility, hybridization and digitalization up to 2025. To be able to finance the sizable future investments, the company will systematically work on increasing its efficiency with *ACCELERATE*. The targeted operating margin of at least 6 percent is expected to be achieved by 2023 and also secured long term.

The focus here will be on becoming more resilient to fluctuations in the market. To achieve this, Volkswagen is seeking to trim its fixed costs by 5 percent before 2023, increase factory productivity by 5 percent per year, optimize material costs by 7 percent and bring all regions into the black in the long term. In South America and



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the United States, Volkswagen is striving to break even in the current fiscal year. The company can now post a profit in North America with a decrease in sales volumes of around 15 percent and in South America with sales volumes down by as much as 30 percent.

Faster e-mobility expansion

Volkswagen plans to rapidly accelerate the global e-campaign once again: by 2030, the brand will increase the share of its all-electric deliveries in Europe to over 70 percent – double the previous planning target of 35 percent. In the United States and China, the brand is targeting an EV share of over 50 percent in the same period.

To achieve this, Volkswagen will bring out at least one new BEV model every year. The all-wheel-drive ID.4 GTX¹ will kick things off in the first half of 2021, followed by the sporty ID.5¹ in the second half of the year. The ID.6 X / CROZZ¹, a seven-seater electric SUV for the Chinese market, will be launched in autumn. Plans for an electric car under the ID.3² are pushed up by two years to 2025.

Volkswagen will continuously optimize the Modular Electric Drive Toolkit (MEB) with improvements in acceleration, charging capacity and range. Volkswagen will also play to its strengths as a platform champion in the next generation of a high-performance all-electric drive toolkit for flat vehicles – the Scalable Systems Platform . This will be deployed in 2026 for the first time in the Volkswagen's flagship project, Trinity.

The combustion engine fleet will also be developed further in parallel to the acceleration of the e-campaign. All of the core models, including the Golf, Tiguan, Passat, Tayron and T-ROC, will get another successor. Ralf Brandstätter: "We will still need combustion engines for a while, but they should be as efficient as possible, which is why the next generation of our core products – all of which are world models – will also be fitted with the latest generation of plug-in hybrid technology, with an electric range of up to 100 kilometers."

Trinity will expand autonomous driving

Everything Volkswagen has planned for the future, customers will be able to experience in a vehicle for the first time in 2026. In Trinity, all of the elements will come together. The vehicle will set new standards in three respects: technologically, in terms of the business model 2.0, and with new production approaches at the Wolfsburg plant.

Trinity will enable Level 2+ automated driving from the outset and Level 4 in the future. "Trinity will become a kind of time machine for our customers, saving them time and stress. However, this technology must not become the preserve of a select elite, which is why we are scaling it to make it available for many people," Ralf Brandstätter said.

Selling around 6 million units per year gives the company the critical mass it needs to scale autonomous driving, whose development is sophisticated, and to roll it out worldwide. Starting with Trinity in 2026, Volkswagen will therefore take the lead in the



Volkswagen Group by establishing a neural network across its fully networked vehicle fleet over which vehicles will continuously exchange data, for example on the traffic situation, obstacles or accidents. This will enable Volkswagen to create a self-learning system with millions of vehicles that will benefit customers of all of the Group's brands.

Ralf Brandstätter: "Volkswagen will undergo profound changes. We will epitomize not only climate-friendly e-mobility, but especially fascinating digital customer experiences, new business models and autonomous driving for many people. We have built up a strong basis for this over the last few years. Now, with *ACCELERATE* we will give digitalization a further push."

¹⁾ Vehicles are not offered for sale.

²⁾ ID.3 - power consumption (combined) in kWh/100 km (NEDC): 17.7 -- 14.5; CO2 emissions (combined) in g/km: 0; efficiency class: A+

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 2020, Volkswagen delivered 5.3 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.
