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## Volkswagen lays the foundations for success in 2021

- Volkswagen spent around EUR 2.7 billion on future technologies in 2020, a year overshadowed by Covid-19
- This will enable the first milestones in the *ACCELERATE* strategy to be achieved in 2021
- Big e-mobility push: over 450,000 electric vehicles to be delivered to customers in 2021, more than double the 2020 figure
- Business model 2.0 to reach first milestone in summer: online car sales launched and test of subscription models with optional services will provide additional revenue potential
- Outlook for 2021: Deliveries, sales revenue and profit expected to increase year on year; operating return on sales of 3 to 4 percent targeted
- Volkswagen CEO Ralf Brandstätter: "We successfully managed the coronavirus pandemic with strict cost discipline and a strong sales performance. This enabled us to vigorously drive our transformation in this exceptional year as well."

**Wolfsburg – Volkswagen again invested heavily in future technologies in 2020, spending a total of EUR 2.7 billion during a year overshadowed by Covid-19. The brand is thus laying the foundations for getting its new *ACCELERATE* strategy off to a successful start. The first milestones will be achieved this year. Volkswagen anticipates a big e-mobility push, with over 450,000 electric vehicles being delivered to customers in 2021, more than double the 2020 figure. Digitalization is being continuously driven forward and Volkswagen will reach the first customers with its business model 2.0 by the summer: testing with subscription models and optional additional functions on demand will begin in six German cities. The brand also expects this to generate hundreds of millions of euros in revenue over the coming years. Online vehicle sales will also start in the summer.**

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**ACCELERATE**  
DIGITAL: ENERGIZED

"We successfully managed the coronavirus pandemic. After a challenging first half of the year, we fought back with strict cost discipline and a strong sales performance. Volkswagen posted an operating profit of EUR 454 million before special items and so even operated profitably in the crisis year 2020. Even in the exceptionally challenging times of the pandemic, we were therefore able to make substantial investments in the



future. As a result, we retained the freedom we needed to continue driving our transformation vigorously in spite of all the challenges we faced. This will enable us to continue to step on the gas in 2021 with our new *ACCELERATE* strategy," said Ralf Brandstätter, CEO of the Volkswagen Passenger Cars brand.

## **Cost and investment discipline cushions effects of coronavirus pandemic**

In order to counteract the negative effects of the coronavirus pandemic, Volkswagen last year implemented a large number of additional cost-reducing measures. The company achieved a year-on-year reduction in fixed costs of around EUR 1 billion. Particularly in the third and especially in the fourth quarter, the strict cost management took full effect. At EUR 1.4 billion, the operating profit in the fourth quarter was significantly above the level recorded in the same period of 2019. In addition, by strictly aligning production with customer demand, it was possible to reduce net inventories by 10 percent compared with the prior year. Overall, a positive net cash flow was achieved, despite the impacts of the Covid-19 pandemic. Sales revenue came to EUR 71.1 billion (2019: EUR 88.4 billion), with 5.3 million vehicles being delivered (2019: 6.3 million). The company was able to sustain or even expand its market shares in all main regions of the world.

The sizable future investments were only made possible by strict cost management. "In 2020, which was an exceptional year, safeguarding our financial freedom was a critical success factor. We carefully scrutinized all our projects and made a rigorous list of priorities. The strong performance in the second half of the year shows that we implemented the right measures," said Volkswagen CFO Alexander Seitz.

## **Accelerated digitalization: initial milestones with subscription models and online purchasing**

With its new *ACCELERATE* strategy, Volkswagen will achieve important milestones in digital sales and the development of data-based business models in addition to the faster ramp-up of e-mobility in 2021.

This summer, Volkswagen will be piloting a subscription model for the ID.3<sup>1</sup> in six German cities. These pilot projects will offer and test the acceptance of use-based billing and optional functions such as navigation services. A key prerequisite for the success of the additional digital functions is that Volkswagen will become the only volume manufacturer to provide over-the-air updates for the ID.3 and ID.4<sup>2</sup> every 12 weeks, also starting in the summer. Looking ahead, the company expects to generate additional revenue during the service life running into hundreds of millions of euros over the coming years.

Volkswagen will also reach a milestone in online sales in the current fiscal year: as of this week, customers can already prepare key steps in the purchase of their ID.3 and ID.4 online and then complete the purchase process at their local dealership. From the summer, customers will have the chance to carry out the entire purchasing process for the ID. family online – from configuration to conclusion of a lease agreement. Volkswagen will thus be one of the first car makers to enable its customers in Germany to purchase electric vehicles entirely online.

Also in summer, together with its dealers, Volkswagen will be opening a digital marketplace for stock vehicles and used cars. Customers will be able to choose from a broad range and buy their vehicle online. Online selling will subsequently be rolled out successively to the European markets. However, dealers will remain an integral part of the online sales process and the most important link to customers.



## **Volkswagen accelerates its electric campaign**

Before the end of March, the first ID.4 vehicles will be delivered to customers in many European markets. Deliveries in Germany will begin on March 26. By the end of February, 23,500 orders had already been received for this model across Europe. This year, too, Volkswagen will add the four-wheel drive ID.4 GTX<sup>3</sup>, the ID.5 coupé<sup>3</sup> and the ID.6 X/CROZZ<sup>3</sup> for the Chinese market.

With the additional models, the company is now rapidly increasing volumes of electric vehicles and scaling up MEB use around the world. "In this way, we are again highlighting that the Volkswagen brand is the Group's modular champion. Around 80 percent of the Group's volume is already based on Volkswagen technology," said Ralf Brandstätter. Volkswagen is planning to deliver a total of some 300,000 fully electric vehicles to customers this year as well as around 150,000 hybrids.

Volkswagen got off to a good start: in the first two months of 2021, 15,500 BEVs were delivered worldwide despite the Covid-19-related restrictions in many markets – an increase of 51 percent compared with the same period in 2020. Germany saw growth of as much as 143 percent. In the case of hybrid vehicles, 16,300 PHEVs were delivered to give increases of 174 percent worldwide and 291 percent in Germany.

## **Outlook for 2021: Return to a profitable growth path**

Going forward, Volkswagen will continue to focus squarely on efficiency to finance the planned future investments of EUR 16 billion in electrification and digitalization by 2025. The company has defined four levers for this purpose. Building on the successes achieved in the past fiscal year, the aim is to realize a 5 percent reduction in fixed costs by 2023. Measures such as freezing the size of the workforce at the January 2021 level combined with partial retirement arrangements in accordance with the joint set of guidelines with the Works Council will help to achieve this goal. Other goals are to increase factory productivity by 5 percent each year, reduce material costs by 7 percent and sustainably improve profitability in the regions. Despite the coronavirus crisis, Volkswagen is on track to break even in the United States and South America this year already.

Volkswagen expects a sharp rise in deliveries in the coming year and is also aiming for a significant year-on-year increase in sales revenue. In terms of operating return on sales, Volkswagen is looking at a target corridor of 3 to 4 percent in 2021. Alexander Seitz: "Despite the setbacks caused by the coronavirus pandemic, we will continue to work consistently on achieving our margin target of 6 percent in 2023."

However, achievement of these targets is dependent on the course of the Covid-19 pandemic in the company's key markets, as well as on the availability of semiconductors.

<sup>3</sup>) ID.3: power consumption (combined) in kWh/100 km (NEDC): 15.4 - 13.1; CO2 emissions (combined) in g/km: 0; efficiency class: A+

# Media information



<sup>2)</sup> ID.4: power consumption in kWh/100 km (NEDC): combined 16.9-15.5; CO<sub>2</sub> emissions in g/km: 0; efficiency class: A+.

<sup>3)</sup> ID.4 GTX, the ID.5 coupé, ID.6 X/CROZZ: Vehicles are not offered for sale.

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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 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.

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