

Volkswagen Brand | Annual Media Conference 2021 | Speech by CEO Ralf Brandstätter

Check against delivery

Ladies and Gentlemen,

Welcome to the Volkswagen Brand's Annual Media Conference.

2020 was a challenging year. But we demonstrated strength.

- Volkswagen succeeded in mitigating the effects of the **coronavirus pandemic** by acting quickly and implementing extensive protective measures for the workforce. Following a decline in profits in the first half of the year, we then fought back with strict cost discipline and a strong sales performance.



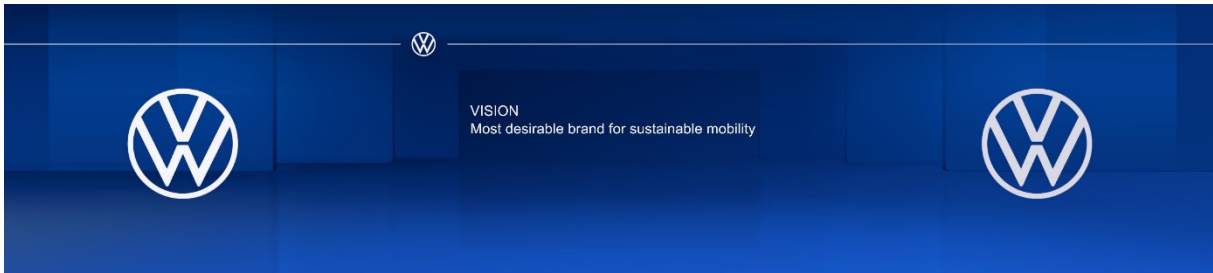
- At the same time, we continued to press ahead with our **electric offensive**. 2020 marked **the breakthrough** for us.
- We've also taken the next big step forward in enhancing the **digital customer experience in the vehicle**: with customizable infotainment systems, augmented reality and now over-the-air updates.

Disclaimer:

The following presentations as well as remarks/comments and explanations in this context contain forward-looking statements on the business development of the Volkswagen Group. These statements are based on assumptions relating to the development of the economic, political and legal environment in individual countries, economic regions and markets, and in particular for the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given entail a degree of risk, and actual developments may differ from those forecast. Any changes in significant parameters relating to our key sales markets, or any significant shifts in exchange rates or commodities relevant to the Volkswagen Group or deviations in the actual effects of the Covid-19 pandemic from the scenario presented will have a corresponding effect on the development of our business. In addition, there may be departures from our expected business development if the assessments of the factors influencing value enhancement and of risks and opportunities presented develop in a way other than we are currently expecting, or if additional risks and opportunities or other factors emerge that affect the development of our business.

We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superseded.

This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.



- And we've strengthened the brand. We must always offer more than the competition. We're delivering on that promise. Our vision: We will make Volkswagen the "most attractive brand for sustainable mobility" in the coming years.



Ladies and Gentlemen,

Last year, we proved ourselves to be resilient and efficient overall. That achievement is the result of hard, dedicated teamwork under difficult conditions. Every one of our employees played their part in this.

I would like to take this opportunity to express my sincere gratitude to all colleagues on behalf of the entire Board of Management.



Let's come now to the key figures from fiscal year 2020.

- Volkswagen **delivered a total of 5.3 million vehicles to customers**, 15 percent fewer than in the previous year. We therefore produced a respectable showing in what has been one of the toughest economic crises. We were even able to cement our market position further.



- **Sales revenue amounted to €71.1 billion**, compared with €88.4 billion the year before. The decline is mainly attributable to lower unit sales.
- With **operating profit** before special items of around €454 million, we **remained profitable even in the crisis year 2020**. This was better than expected in the spring.



- A crucial factor in our positive net income was a strong **rally at the end of the year**. The full effect of our strict cost management and a strong sales performance was felt in the third and, in particular, the fourth quarter. At €1.4 billion, our operating profit in the **fourth quarter** was even significantly above the level recorded in the same period of 2019.



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

Ladies and Gentlemen,

Times are particularly challenging due to the coronavirus pandemic. In addition, we have to earn our transformation.

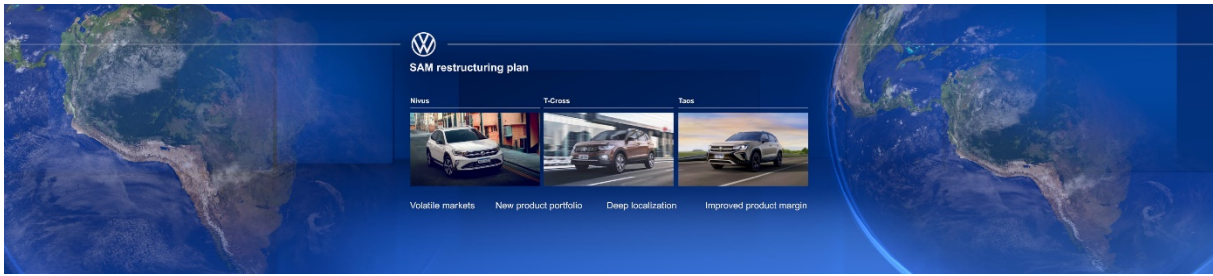
That's why we are working intensively to **optimize our break-even point**. We're now bolstering our resilience step by step – by cutting fixed and material costs further and increasing productivity.

One component in reducing fixed costs will be the joint benchmark paper with the Works Council. We'll freeze our headcount at this January's level. At the same time, however, we'll recruit people in cutting-edge fields. This combined with partial retirement arrangements will enable us to accelerate our transformation.

All regions worldwide must operate profitably.



Without question, China plays an important role for us, accounting for more than 50 percent of our unit sales. As you know, the profit of **our Chinese joint venture** is consolidated in the Group's financial result.

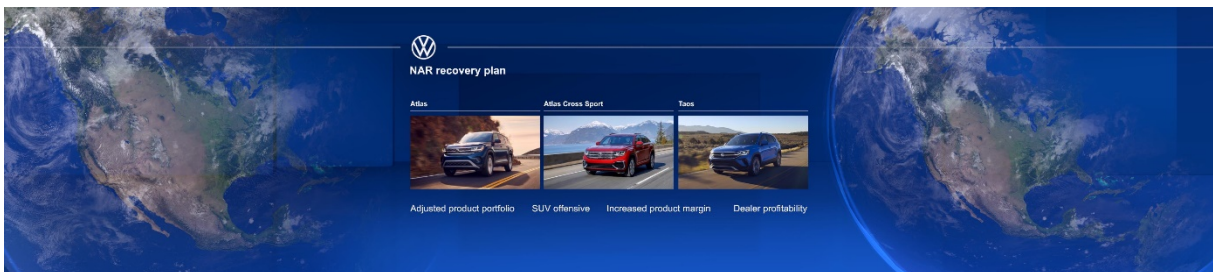


Nivus and Taos are not sold in Germany.

In **South America**, our product strategy is bearing its fruit. We've launched a raft of new vehicles there in the shape of the Polo, Virtus¹, Nivus and T-Cross that are specifically tailored to the needs of South American customers. Now we're adding the Taos, a compact SUV with a large interior – making it ideal for families as well.

- All vehicles are based on MQB. Now we are seeing the economies of scale which will make us profitable in the long term.

In addition, consistent deep localization will make us independent of exchange rate fluctuations. At the same time, we have initiated an extensive restructuring program. Our strategy is beginning to gain traction. In fact, we have managed to break even in each of the last five months.



These vehicles are not sold in Germany.

We also pursued our recovery program in **North America**. As part of that, we continued to gear our product portfolio to the high-margin SUV segments, which are popular in the United States. We are now strongly positioned with the Tiguan, Atlas, Atlas Cross Sport and, in the future, the Taos.

In conjunction with strict cost discipline and the optimization of administrative processes, we also aim to generate a profit in the United States this year.

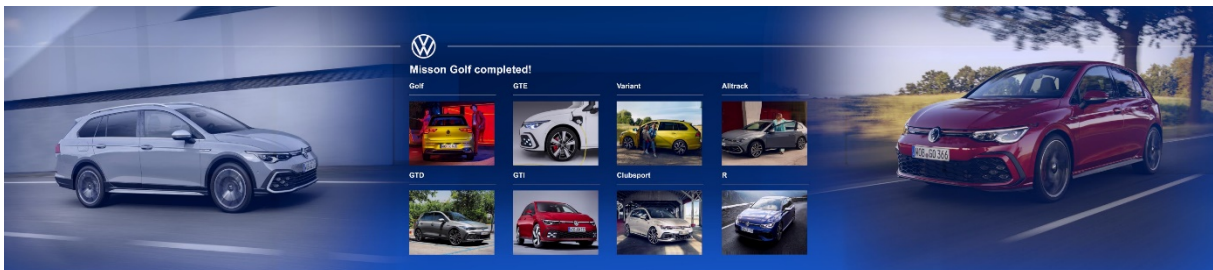
Alexander Seitz will soon provide you with more details on the regions.



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Ladies and Gentlemen,

A vital success factor in 2020 was our **strong product substance**. There was particularly high demand for the Tiguan and, of course, the new Golf. Following the gradual launch of our emotional and high-margin derivatives in the second half of the year, our Golf family is now complete with the GTI, GTE, GTD, Variant, Alltrack, Clubsport and our absolute performance model, the Golf R.



Golf GTI fuel consumption in l/100 km: urban 9.0-8.6 / extra-urban 5.6-5.3 / combined 6.9-6.5; CO₂-emissions combined in g/km: 157-149; efficiency class D-C
Golf GTE fuel consumption in l/100 km: 1.5 (combined); power consumption in kWh/100 km: 11.4 (combined); CO₂-emissions in g/km: 34 (combined), efficiency class: A+
Golf GTD fuel consumption in l/100 km: urban 5.4 / extra-urban 3.9 / combined 4.4; CO₂-emissions combined in g/km: 117; efficiency class A
Golf Variant fuel consumption in l/100 km: urban 6.6-4.7 / extra-urban 4.6-3.2 / combined 5.3-3.9; CO₂-emissions combined in g/km: 130-98; efficiency class B-A+
Golf Alltrack fuel consumption in l/100 km: urban 6.6-4.7 / extra-urban 4.6-3.2 / combined 5.3-3.9; CO₂-emissions combined in g/km: 130-98; efficiency class B-A+
Golf Clubsport fuel consumption in l/100 km: urban 8.4 / extra-urban 5.6 / combined 6.6; CO₂-emissions combined in g/km: 151; efficiency class C
Golf R fuel consumption in l/100 km: urban 9.0 / extra-urban 5.9 / combined 7.0; CO₂-emissions combined in g/km: 161; efficiency class D

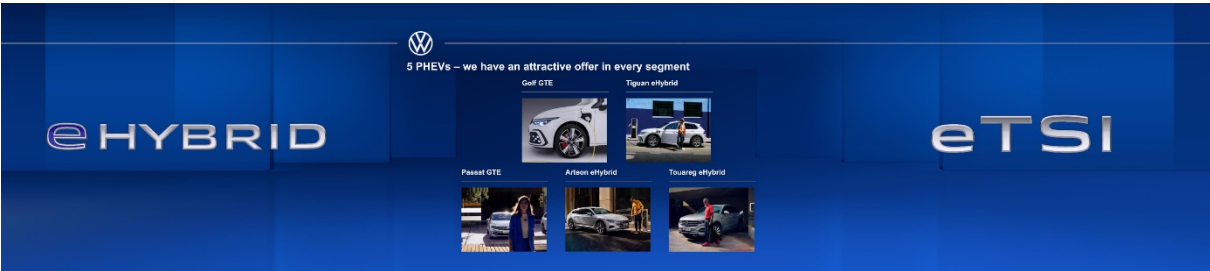
Once again in 2020 – and despite coronavirus and the ongoing market launch – the Golf was by far the best-selling model in Germany and Europe as a whole. Now that the Golf derivatives are fully available, and on the

back of high order levels, we are embarking on the first full sales year for our bestseller.



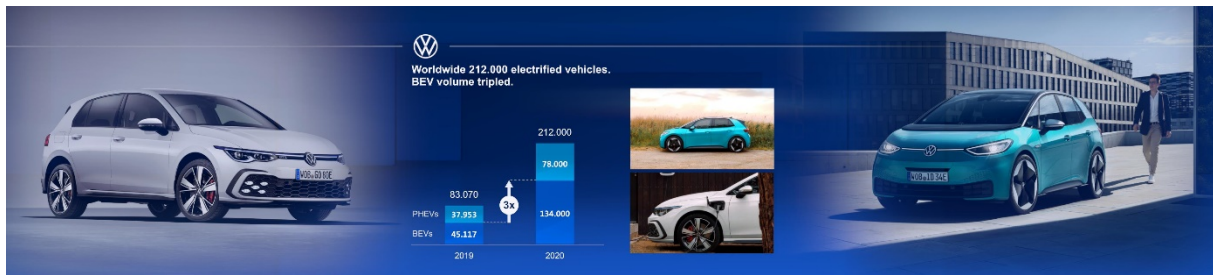
ID.3 - power consumption in kWh/100 km (combined): 15.4-13.1 (NEDC); CO2-emissions in g/km: 0 (combined); efficiency class: A+
 ID.4 - power consumption in kWh/100 km (NEDC): combined 16.9-15.5; CO2 emissions in g/km: 0; efficiency class: A+

But, of course, electric mobility was the dominating issue at Volkswagen in 2020. We shipped a total of 56,500 ID.3 vehicles. The ID.3 **leaped straight to the top of the sales charts** in many European countries, including Norway, Sweden and the Netherlands.



Golf GTE fuel consumption in l/100 km: 1.5 (combined); power consumption in kWh/100 km: 11.4 (combined); CO₂-emissions in g/km: 34 (combined), efficiency class: A+
 Tiguan eHybrid fuel consumption in l/100 km: 1.7-1.5 (combined); power consumption in kWh/100 km: 14.1-13.5 (combined); CO₂-emissions in g/km: 38-33 (combined), efficiency class: A+
 Passat GTE fuel consumption in l/100 km: 1.3-1.2 (combined); power consumption in kWh/100 km: 11.8-11.5 (combined); CO₂-emissions in g/km: 29-28 (combined), efficiency class: A+
 Arteon eHybrid fuel consumption in l/100 km: 1.4-1.3 (combined); power consumption in kWh/100 km: 12.8-12.0 (combined); CO₂-emissions in g/km: 33-30 (combined), efficiency class: A+
 Touareg eHybrid fuel consumption in l/100 km: 2.6 (combined); power consumption in kWh/100 km: 24.2 (combined); CO₂-emissions in g/km: 59 (combined), efficiency class: A+

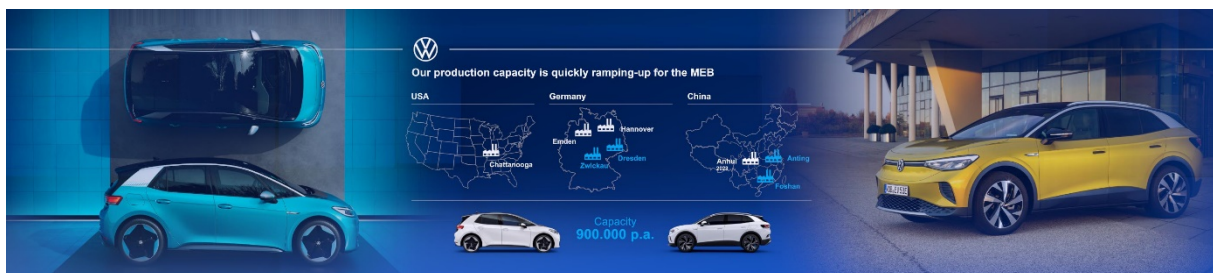
We also **hybridized** virtually our entire model range last year. We now have an offering to suit needs in almost every segment. The Golf, Tiguan, Passat, Arteon and Touareg ranges include cutting-edge plug-in hybrid models.



Golf GTE fuel consumption in l/100 km: 1.5 (combined); power consumption in kWh/100 km: 11.4 (combined); CO₂-emissions in g/km: 34 (combined), efficiency class: A+
 ID.3 - power consumption in kWh/100 km (combined): 15.4-13.1 (NEDC); CO₂-emissions in g/km: 0 (combined); efficiency class: A+

We've therefore achieved the breakthrough for electric mobility. We delivered a total of 212,000 electric vehicles last year. 134,000 of them were all-electric – almost **three times the number of the previous year**. Or to put it another way: Electric mobility is now normality.

The Volkswagen brand considerably outperformed the strict **European fleet targets** for CO₂ emissions. Our vehicles produced around six million grams of CO₂ less than required by law. In the space of a year, we've **cut our fleet's CO₂ emissions by 22 percent**. That means we are making a major contribution to achieving the Group's fleet targets.



ID.3 - power consumption in kWh/100 km (combined): 15.4-13.1 (NEDC); CO₂-emissions in g/km: 0 (combined); efficiency class: A+
 ID.4 - power consumption in kWh/100 km (NEDC): combined 16.9-15.5; CO₂ emissions in g/km: 0; efficiency class: A+

Along with the rollout of our electric offensive, we're also pressing ahead with transforming our plants. The plants in Zwickau and Dresden have been fully converted to electric mobility and MEB production there is already in full swing.

Since the end of 2020, we've also produced the ID.4 at our Chinese joint ventures in Anting and Foshan.

And re-equipping for electric mobility has already commenced at Emden, Hanover and Chattanooga.



ID.3 - power consumption in kWh/100 km (combined): 15.4-13.1 (NEDC); CO₂-emissions in g/km: 0 (combined); efficiency class: A+
Tiguan eHybrid fuel consumption in l/100 km: 1.7-1.5 (combined); power consumption in kWh/100 km: 14.1-13.5 (combined); CO₂-emissions in g/km: 38-33 (combined), efficiency class: A+

All that shows: Volkswagen is a company that shoulders responsibility and delivers answers. We're following up our commitment to the Paris climate goals with actual deeds. We aim to be fully carbon neutral by 2050 at the latest. This applies to our vehicles and to the company as a whole. That is our "Way to Zero."

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Ladies and gentlemen,

2020 was a challenging year for all of us in many ways.

Thanks to strict cost management and spending discipline, we achieved an operating profit of €454 million.

At the same time, we made **investments** of €2.7 billion in pioneering future projects.

- With the new Golf, we've rolled out a completely **new electronics architecture**.
- We developed a new fully electric platform – the **MEB** – to production readiness for the Group.
- The **E³ software architecture** for the ID. family raises digitalization to the next level – ready for over-the-air updates.
- **Zwickau** is the first large car factory to be fully converted to the production of electric vehicles.

Virtually in parallel with the coronavirus pandemic, we've successfully achieved the largest technological transformation to electromobility.

I'll return to that later. First Alexander Seitz will explain the key financials for 2020 in detail.



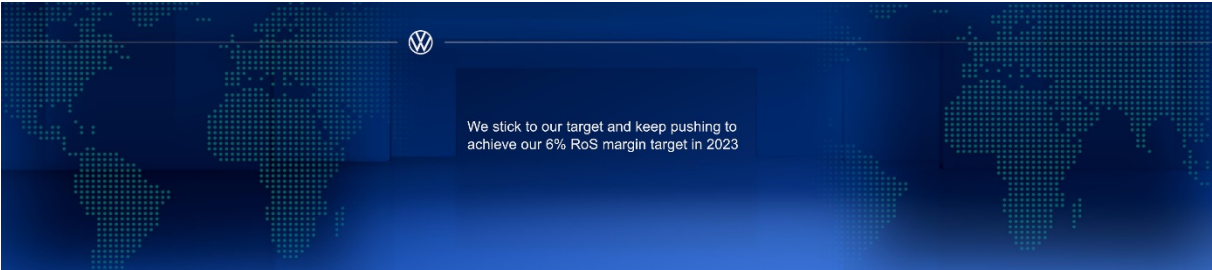
Ladies and Gentlemen,

The figures for the exceptional year that was 2020 show that Volkswagen has done the right groundwork. And we've steered the company successfully through the coronavirus pandemic.



But we're not resting content. We aim to grow more strongly than the market as a whole this year and significantly improve unit sales and profit.

We've got off to a buoyant start in the new year: In the first two months, the brand delivered over 10 percent more vehicles year on year. In February alone, we even increased our deliveries by around 30 percent.



We're also keeping our sights firmly set on our margin target of 6 percent after the dent due to the coronavirus.



Ladies and Gentlemen,

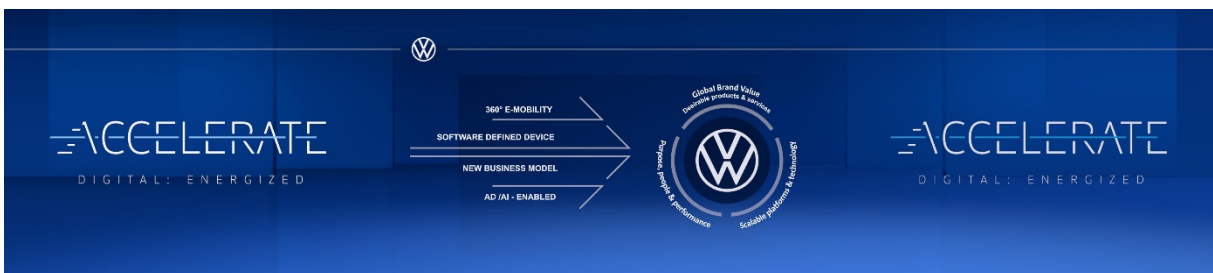
The situation in our sales markets is gradually normalizing. At the same time, the environment for the automotive industry is changing at an ever-greater pace. In the coming years, we will therefore change Volkswagen as never before.



We'll further speed up transformation in all areas through the implementation of *ACCELERATE*, our new strategy that we presented at the beginning of March.

Just as we boldly blazed a trail in e-mobility, now we are also tackling the other great issues of the future. We have now mastered the electric drivetrain. Now there are three further big innovation boosters.

Software-defined products, new business models and autonomous driving – these major forces will drive the future development of vehicles.



Only companies that are technologically proficient in all three will have a chance in the future. Volkswagen's mission is to be the leader in the new world of mobility as well.

Our vision will become reality with *ACCELERATE*: Volkswagen will be the “most attractive brand for sustainable mobility.”

To achieve that, we’re focusing on three strategic value drivers:

- **Our brand’s value**
- **Scalable platforms**, both physical and digital
- **A responsible company**

To this end, we’re pursuing specific projects. We’ll achieve important milestones already this fiscal year.



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

We are increasing the pace of our electric offensive even further and pursuing our ambition with *ACCELERATE* By 2030, at least 70 percent of our unit sales in Europe – and at least 50 percent in North America and China – will be electric vehicles.



ID.4 - power consumption in kWh/100 km (NEDC): combined 16.9-15.5; CO₂ emissions in g/km: 0; efficiency class: A+
ID.4 GTX concept car

Our “world car”, the ID.4, will play a key role in our electric offensive. Our first fully-electric SUV will be built and sold in Europe, China and the U.S.

We’ll start delivering the ID.4 to our customers throughout Europe from next week. Delivery in the U.S. and China will commence at the end of March. The ID.4 will then be available as a four-wheel drive model in Europe under the name GTX in the first half of the year. This year, we are likely to deliver some 150,000 vehicles and more than 2 million over the cycle.



With the ID.4, we are now rapidly increasing our BEV volume 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. Already today, around 80 percent of the Group’s volume is based on Volkswagen technology.



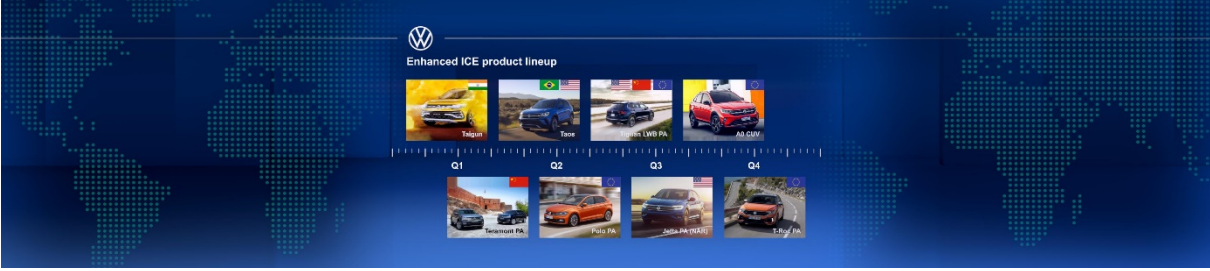
ID.4 - power consumption in kWh/100 km (NEDC): combined 16.9-15.5; CO₂ emissions in g/km: 0; efficiency class: A+
ID.6 X/CROZZ not sold in Germany.
ID.4 GTX concept car
ID.5 concept car

In 2021, we will launch further model based on the MEB platform in addition to the ID.4. In the second half of the year, we’ll launch the ID.6 X or Crozz, a seven-seater electric SUV developed specially for the Chinese market. In Europe, we’ll add the sporty and very exciting ID.5 in the further course of the year.

Overall, we expect to more than double our electrified vehicle sales this year to about 450,000 units.

As a result, we're making good progress to becoming the world market leader in electric mobility.

It goes without saying that we will continue to consistently develop our current product portfolio during this key phase of our transformation.



Taigun, Taos, Tiguan LWB PA, Teramont, Jetta PA (NAR) not sold in Germany.
A0 SUV, Polo PA, T-Roc PA concept cars

In 2021, too, we will therefore be launching exciting new products in all regions of the world.

A sporty new CUV model will be introduced in Europe in the second half of the year. We will also be updating our successful T-Roc and Polo models in terms of design, quality and digitalization.

In South and North America, we'll be adding the Taos, a new SUV model. And in the United States, the updated Jetta will be rolled out to customers.

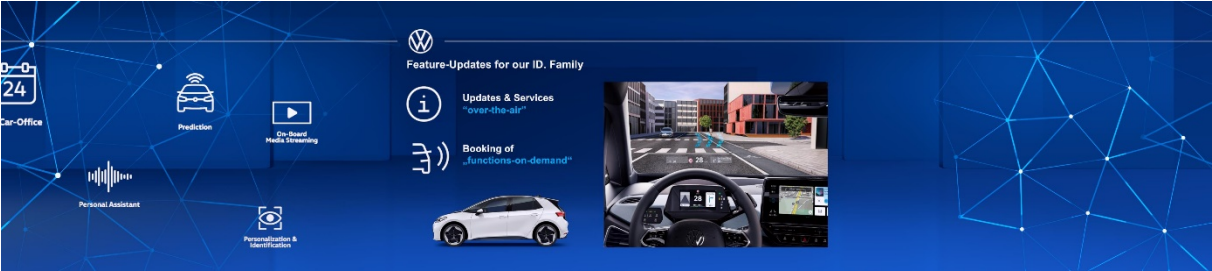
In India, we're on the starting blocks with the Taigun, a compact but roomy SUV. This model is based on MQB and our T-Cross world model.

In China, our product range will be upgraded with the addition of two key SUV models – the Teramont and the Tiguan.

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Ladies and Gentlemen,

We are convinced that we have put electrification on a successful course. However, the real game changer in our industry will be digitalization.



ID.3 - power consumption in kWh/100 km (combined): 15.4-13.1 (NEDC); CO₂-emissions in g/km: 0 (combined); efficiency class: A+
ID.4 - power consumption in kWh/100 km (NEDC): combined 16.9-15.5; CO₂ emissions in g/km: 0; efficiency class: A+

That's why, with the aid of *ACCELERATE*, we aim to evolve from a hardware-centric manufacturer of high-quality cars to a software-driven provider of sustainable mobility.

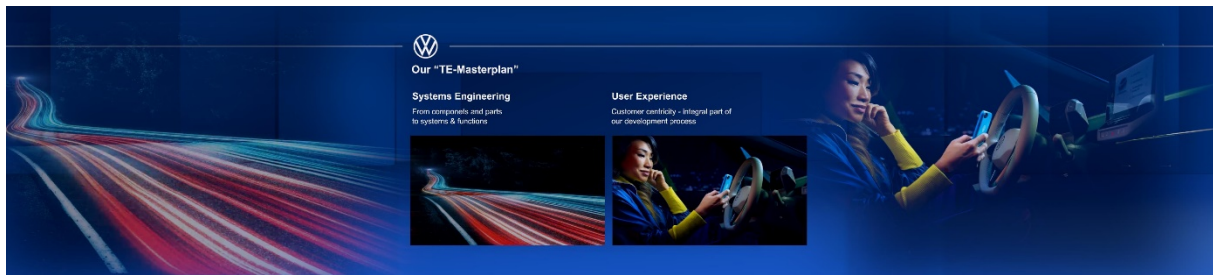
We announced a key step toward that two weeks ago: The ID.3 and ID.4 are now technologically ready to obtain regular updates and new functions over the air. People know that feature from their smartphone – and now it will be part and parcel of Volkswagen vehicles.



ID.4 - power consumption in kWh/100 km (NEDC): combined 16.9-15.5; CO₂ emissions in g/km: 0; efficiency class: A+

To enable that, we've founded **ID.Digital**, an agile project unit that works hand in hand with Software.Org. Customer-centric over-the-air updates will be provided to the entire ID. family. That means a new digital customer experience every 12 weeks. It's our new magic loop.

At the same time, our Technical Development department is creating the foundation for us to speed up digitalization.



ID.4 - power consumption in kWh/100 km (NEDC): combined 16.9-15.5; CO₂ emissions in g/km: 0; efficiency class: A+

We are changing our internal collaboration model with our “Technical Development Master Plan.” We no longer think in terms of components and parts, but functions and systems. We are putting the digital user experience at the heart of our deliberations. And we’re gearing our structures and development processes to that – a genuine **paradigm shift** for Volkswagen.

We’ve already begun implementing it. Thomas Ulbrich will intensively drive the process in the coming months in his capacity as the member of the Board of Management with responsibility for Technical Development.

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Ladies and Gentlemen,

To date, we as a manufacturer were mainly focused on the moment when a new car is sold to the first customer. With *ACCELERATE* we are now developing new, data-driven business models. These will enable us to generate additional revenues with high margins over the service life of the vehicles. We call this Business Model 2.0.

In this way, we are aiming to achieve revenues in the three-digit million range by 2025.

With the rollout of our electric vehicles and the greatly increasing digitalization of our fleet, we will scale up our new service offerings by

many millions by 2030. By then at the latest, we will thus be able to access a new and profitable source of revenue for Volkswagen.

That is why it's important to set the right course now.



ID.4 - power consumption in kWh/100 km (NEDC): combined 16.9-15.5; CO₂ emissions in g/km: 0; efficiency class: A+

We're not going to wait until 2030. In the second half of the year, we'll launch a pilot project with our ID.3 in six German cities to gather experience with various models.

Customer contacts will enable us to evaluate our customers' preferences in three areas:

- Subscription models as a means of offering customers individual mobility for the first time
- Pay-per-mile billing
- Additional on-demand features, such as a charging flat rate or navigation services that can be booked when needed.

On the basis of this experience, we will be able to drive the development of new services for the entire vehicle fleet.

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ID.3 - power consumption in kWh/100 km (combined): 15.4-13.1 (NEDC); CO2-emissions in g/km: 0 (combined); efficiency class: A+
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Ladies and Gentlemen,

Selling new vehicles online will now become increasingly important.

Volkswagen therefore has a clear target vision and a solid strategy for online sales.

Piloting of our digital sales platform started last fall. Since this week, customers can start the process of buying their ID.3 and ID.4 online, prepare key steps in that digitally and complete it quickly and easily at the dealer.

In a next step starting this summer, our customers will be able to complete the entire purchase process, including financing, for the ID. family online.

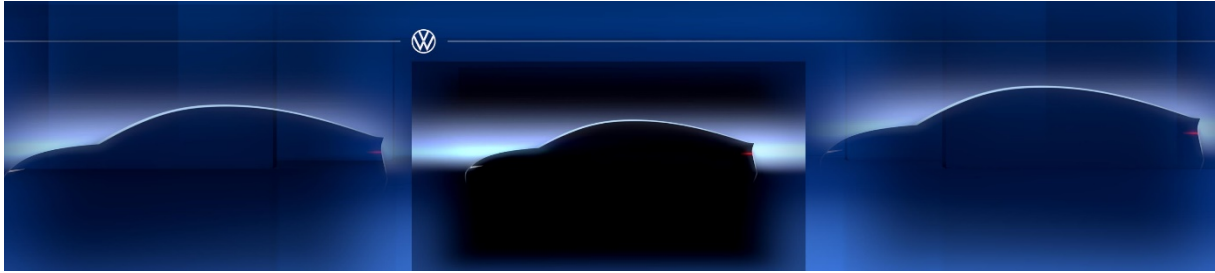
Also in summer, together with our dealers, we'll be opening a digital marketplace on the Volkswagen.de website.

We'll gather experience with the new digital sales models in our home market and then roll out online sales quickly to our European markets.

Klaus Zellmer, his team and our dealers will drive the Business Model 2.0 and gradually tap new earnings potential in the markets.



As you can see, a lot is happening at Volkswagen. And year by year, our transformation becomes a little more visible and tangible.



The highlight will be in 2026, when we put the Trinity on the road. This car is the sort of crystallization point of our *ACCELERATE* strategy, a lighthouse project, our "software dream car."

Trinity – as we've often discussed in the past weeks – stands for everything we can do and will be in the future. That future starts now. Our goals are clearly defined, the project team is in place – work has begun.

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Ladies and Gentlemen,

Wherever I look around Volkswagen these days: The brand is on the move. Change is in the air. The positive energy *ACCELERATE* is imbuing at the company can be felt everywhere.

We know what needs to be done. And we're tackling it.

Many thanks for your attention.

1) Vehicle not sold in Germany