



March 18, 2020

Volkswagen brand about to leap into the electric era

- Rise in deliveries to 6.3 million in 2019, despite declines in overall market
 - Operating margin before special items increased to 4.3 percent
 - Start of second phase of TRANSFORM 2025+ strategy with focus on e-mobility and digitalization
 - COO Ralf Brandstätter: “2019 was a successful year for the Volkswagen brand. We made progress in all major areas. Our strategy is gaining traction.”
 - Outlook for the current business performance is complicated by uncertainty in connection with the ongoing coronavirus crisis
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The Volkswagen Passenger Cars brand is entering the next phase of its transformation stronger. In a declining overall market, in the past year the Volkswagen Group’s core brand achieved a new delivery record of 6.3 million units, thus delivering more vehicles than ever before. In all key markets, Volkswagen was able to gain market share. The key driver was the model initiative, with growth particularly in the high-margin SUV segment stemming from the T-Cross, T-Roc and Atlas. With more than 700,000 vehicles sold, the Tiguan was once again the brand’s global bestseller. Like the Golf, it is also one of the top ten cars worldwide in terms of sales.

The market success is also reflected in significantly improved business figures: The brand’s sales revenue increased by 5 percent year on year to EUR 88.4 billion. Operating profit before special items grew by 17 percent to EUR 3.8 billion. Operating return increased to 4.3 percent (previous year: 3.8 percent) and was thus within the forecast range of 4 to 5 percent. Just as in the previous year, special items recognized in operating profit relating to the diesel issue amounted to EUR 1.9 billion in the past fiscal year.

“2019 was a successful year for the Volkswagen brand. Our products inspire customers worldwide. We made progress in all major areas. Our strategy is gaining traction. We’re delivering on our promises,” said Ralf Brandstätter, Chief Operating Officer of the Volkswagen brand. “In 2020, we will face major challenges, particularly against the backdrop of the coronavirus pandemic. However, backed by last year’s good results, we are able to face this crisis with courage and confidence. Volkswagen is a strong company with a strong team. And we have already impressively proven several times what we can achieve, if we work as a team,” added Brandstätter.

The first phase of the TRANSFORM 2025+ strategy successfully implemented

The pact for the future made a substantial contribution to increasing the competitiveness of Volkswagen. Of the planned annual cost savings of EUR 3.0 billion, we already achieved EUR 2.7 billion by the end of 2019, representing more than was planned. The reduction in the workforce of more than 10,900 jobs was carried out in a socially responsible manner. In cutting-edge fields Volkswagen has created over 4,500 new jobs, in the areas of digitalization and e-mobility, for example.

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The brand systematically implemented its SUV campaign. The number of SUV models has risen from four in 2016 to 14 in the meantime. In Europe, SUVs now account for 37 percent of sales, and in the United States, even more than 50 percent. Due to the adjustment of the product portfolio and consistent cost management, Volkswagen is also making good progress in turning the regions around.

Ralf Brandstätter: “We’ve successfully implemented the first phase of the TRANSFORM 2025+ strategy. In the second phase, we’re making Volkswagen the number one in e-mobility. And we’re transforming ourselves into a digital tech business.”

2020: a key year for the brand’s electrification initiative

Despite the current situation surrounding the coronavirus crisis, Volkswagen is starting with the second phase of its TRANSFORM 2025+ strategy, thus marking the beginning of a new era for the brand. The large-scale electrification initiative will now also be visible on the roads. The ID.3, the first all-electric car based on the new MEB electric platform, is set to be delivered to customers starting this summer. The brand’s first all-electric SUV, the ID.4, will follow afterwards. The continuing electrification of our conventional portfolio will further complement our product range.

In doing so, Volkswagen is embarking on the path toward zero-emission mobility for all. By 2022, the brand will offer electric cars based on the MEB platform in all key vehicle segments. By 2025, at least 1.5 million electric cars should be sold per year. The long-term goal is the complete decarbonization of the fleet and the Group by 2050. The fleet’s average CO₂ emissions should be reduced by 25 grams per kilometer in the current year. The brand is confident of complying with the 2020 EU limits.

Volkswagen is changing into a software-driven tech business

In addition to electrification, the brand will also vigorously press ahead with digitalization in the next few years. The focus here is on two core areas: the implementation of the digital transformation roadmap and the establishment of the Car.Software organization.

After the conclusion of the pact for the future, the digital transformation roadmap is the follow-up program to make the brand fit for the digital age. This means new digital competencies will be built up and the organization will become faster, leaner and more competitive in all areas. By 2023, up to 4,000 administrative positions will be eliminated this way. At the same time, 2,000 digital jobs are planned.

Some of the new jobs will be created in the new Car.Software organization, with which the brand has taken Group responsibility for the area of car software. All software activities, from the operating system in the car through digital ecosystems to new mobility services, will be combined in the new unit. Around 3,000 digital experts have already been brought together in the first step. By 2025, more than 10,000 software engineers will work in the unit.



Financial outlook for 2020 depends on the duration and progression of the coronavirus crisis

The outlook for the current business performance is complicated by uncertainty in connection with the ongoing coronavirus crisis. Given the increasingly challenging and dynamic situation for suppliers and in terms of logistics, it is no longer possible to continually provide factories with a stable supply. At the same time, there are signs of declining sales in Europe. Therefore, the Volkswagen brand will suspend production at European factories initially for an estimated ten business days.

Alexander Seitz, CFO of the Volkswagen brand, said: "The coronavirus crisis is unprecedented and will undoubtedly have an impact on the business performance of the Volkswagen brand. At the moment, we cannot gauge the extent of the impact. We will do everything to protect our employees and stabilize our business. We are closely monitoring the situation and whenever necessary, will take measures to mitigate negative effects as much as possible. Volkswagen has proved in the past that this team can handle difficult situations."



Full-year 2019 key figures for Volkswagen Passenger Cars

	2019	2018	%
Deliveries (thousand vehicles)	6,278	6,245	+0.5
Sales revenue (€ million)	88,405	84,585	+4.5
Operating result before special items (€ million)	3,785	3,239	+16.9
Operating return on sales (%)	4.3	3.8	+0.5
Net cash flow before special items (€ million)	2,827	-446	