

# Volkswagen Delivers on NEW AUTO Strategy, Laying Basis for 2022



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BY [VOLKSWAGEN](#)

CEO Herbert Diess said at Volkswagen's annual earnings press conference in Wolfsburg:

„The war in the Ukraine is dramatic and causes human tragedy and economic upheaval that we thought we had overcome throughout years of multilateralism and diplomacy,“ Diess said. „Volkswagen has proven its resilience over the past years and will manage this crisis, too. At the same time, we will keep clear focus on implementation of our NEW AUTO strategy, which will enable us for an emission-free, autonomous future of mobility.“

Strong regions: turnarounds in North and South America, leading market position in China

The Volkswagen Group has made significant progress in its business across all regions in 2021. Its global footprint combined with the right local strategies and product mixes was key.

In North America, the Volkswagen brand returned to profitability after several years in all three markets: Canada, the United States and Mexico. The updated model portfolio of five SUVs including the all-electric ID.4 was well received. These models accounted for more than 75 percent of sales in the United States (375,030 units). The upcoming battery-powered ID. Buzz will be the emotional driver for the brand's rebirth in this region.

The Volkswagen brand achieved a turnaround in South America as well. The consequent customer-orientation with new models like Taos and Nivus laid the ground for reaching profitability and a positive net cash flow.

In Europe, the Group's early decision to go electric and start the largest e-offensive of the industry paid off further. It was the market leader in 2021: every fourth battery-electric vehicle was from Volkswagen Group. Thus, it overfulfilled its CO fleet target in the European Union including Norway and Iceland based on preliminary figures.

In China, the most important growth market worldwide, the Group

continues to be very profitable and is in a strong market position. With 16 percent market share, it has almost twice the size of the second biggest competitor. The Volkswagen brand is the most successful brand with a market share of 11 percent. Porsche, Bentley and Lamborghini achieved sales records. The Group could have sold significantly more vehicles in 2021, but was unable to meet the high demand due to semiconductor shortages.

Successful e-run up: No. 1 in Europe, No. 2 in the US, China increased more than fourfold

The Volkswagen Group's successful e-run-up picked up further speed last year. The deliveries of battery-electric vehicles (BEVs) almost doubled in 2021 to more than 450,000 units. Thus, the company was No. 1 in this segment in Europe and No. 2 in the United States. In both markets, it has achieved higher market shares in the BEV market than in the total market. BEV deliveries in China increased more than fourfold last year to 93,000 units. A new sales approach targeting younger customers, including 120 pop-up stores in Chinese malls, successfully paved the way to at least double BEV sales in the Group's largest single market this year.

The iconic new ID. Buzz, which has been revealed by the Volkswagen brand last week, will give the e-offensive additional momentum. The icon is not only full electric but will also be used in future autonomous mobility concepts such as ridepooling.

Solid financial performance: resilience of business model further enhanced

Volkswagen already announced the Group's key figures for the past fiscal year and an outlook for 2022 last week. The Annual Report published today presents detailed figures on the business performance of the brands and regions.

With volumes down 6 percent on prior year, sales revenue increased by 12 percent to EUR 250.2 billion. Operating profit before special items almost doubled compared to 2020 and reached a solid level of EUR 20.0 billion. The operating return on sales before special items also climbed to 8.0 percent after 4.8 percent in prior year. Key to this financial performance was a better mix and favorable pricing as well as reduced overhead costs.

Capex discipline, a firm grip on working capital and the positive contribution from the Group's operative business drove the clean Automotive Division's net cash flow to EUR 15.5 billion – a EUR 5.5

billion increase vs. prior year. Net liquidity stood at EUR 26.7 billion at the end of 2021.

Volkswagen has also initiated last year an overheads cost program to improve competitiveness and to finance its ambitious transformation towards electrification and digitalization. The target of a 10 percent cut in overhead costs (without R&D and capex) initially set for 2023 has already been achieved. This important milestone is contributing a EUR 4 billion cost relief vs. 2019.

Arno Antlitz, CFO of the Volkswagen Group, said: "The Volkswagen Group enhanced its overall robustness in 2021 and achieved solid results and cash flows despite strong headwinds from the semiconductor shortage. This performance was driven by all our brands and regions. We achieved important turnarounds in North and South America for Volkswagen Brand and especially our premium brands and Financial Services delivered strong contributions. These achievements give us confidence, that we are able to robustly finance our transformation to NEW AUTO also in these difficult times."

Progress on NEW AUTO strategy: Significant proof points in all four platforms

With its NEW AUTO strategy presented last July, the Volkswagen Group aims to tap into future profit pools across four globally leading technology platforms that offer cutting-edge technology and unparalleled scale. In 2021, significant progress was made in all four platforms.

Herbert Diess, CEO of the Volkswagen Group, said at the presentation of the financial statements for the past fiscal year: "Last July, we presented the NEW AUTO strategy that will lead our way to become a sustainable and software-driven mobility provider by 2030. Less than one year later, we have already achieved major milestones in all four strategic platforms. We are well on track to tap future profit pools and are fully committed to shape the future of mobility."

Regarding the Mechatronics platform, the current modular electric drive toolkit (MEB) takes another step towards becoming the industry standard for e-mobility. The cooperation with Ford has just been expanded to another BEV model which will be built on the MEB, doubling Ford's MEB volume to 1.2 million units over the six-year term.

Major decisions for Wolfsburg, the Group's headquarter, were taken.

Trinity, the first model of the Volkswagen brand based on the SSP

(Scalable Systems Platform) will be built in a new EUR 2 billion process-optimized factory close by the main site. It will use the most innovative production methods and will have a net neutral CO footprint. Thus, it will become a blueprint for the gradual conversion of production at the Wolfsburg main plant and all other Volkswagen plants.

Furthermore, a new EUR 800 million R&D center will be built for the development of the SSP. This will be the only Group platform going forward, it is ready for electric and autonomous mobility.

The Software platform has been strengthened further with new members of the management team at CARIAD. CARIAD will now focus even more on organic growth and M&A for its next growth phase. It already successfully integrated the Camera software division of Hella and partnered with BOSCH for Level 3 Automated Driving. In 2022, CARIAD will come to the US and China. This gives the Volkswagen Group the chance to tailor its software development to the needs of its worldwide markets and further speed up the processes.

Already today, customers can experience CARIAD's software solutions. Vehicles have been supplied with over-the-air updates and new functions by CARIAD since autumn. The Group has already carried out more than 56.000 updates over the air. In the course of 2022, a software update with the newly updated travel Assist 2.5, Plug & Charge, multi-stop-route planning and updated voice control will be launched. The Volkswagen Travel Assist is already the best performing driver assistance system in Europe and will become even better, due to the cooperation with Mobileye.

CARIAD is also well underway to launch the unified software platform 2.0 for all Group brands, coming in 2025. A minimum viable product of this platform has been successfully developed. Never before has a basic software architecture been tested and completed four years before the start of production. This is a completely new approach for software-centric vehicle development.

The third platform deals with Battery & Charging. As charging is a key enabler for e-mobility, the Volkswagen Group is working on one charging network that spawns Europe, the US and China.

Overall, 45,000 high power charging points are planned worldwide by 2025. Around 10,000 of them are already live, and many more will be put into operation this year. In Europe, a joint venture with Enel was founded and the cooperation with BP will also start with the first high power chargers soon. In China, the Group's charging joint venture CAMS is

continuously expanding. Electrify America in the US has a new, additional boost plan, targeting 10,000 high power charging points by 2025.

Building a leading platform for Mobility Solutions is another important cornerstone of the NEW AUTO strategy. Last year, the Group together with partners initiated a takeover bid for Europcar as key element of this platform. The transaction is expected to be completed in the second quarter of 2022.

Autonomous shuttle services will also be an integral part of this mobility portfolio. Here, the new ID. Buzz AD will play an important role. With the software from ARGO AI, the ID Buzz AD is already road testing its autonomous functions in Munich. The tests are also planned to start in the US in 2023. The goal is to launch the commercial AD-ridepooling services in Hamburg in 2025.

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