

VOLKSWAGEN

AKTIENGESELLSCHAFT

Press Conference
Planning Round 67

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**Laying the Strategic Foundation
for the Volkswagen Group**

November 16, 2018



Hans Dieter Pötsch

Speech at the

Press Conference

Planning Round 67

- Check against delivery -

Ladies and Gentlemen,

Thank you for taking the time to join us here in Wolfsburg.

After extensive consultations, the Board of Management and the Supervisory Board would now like to present the outcomes of this year's Planning Round for the Group. Every year, investment planning is a particularly important milestone for Volkswagen. What was at stake today was nothing less than the future viability of our Group.

Bearing in mind the big challenges we will be facing in the coming years, the financial basis for making the Volkswagen Group fit for the future is rock solid and robust. The figures for the first nine months of the fiscal year also made that clear.

Our Group strategy sets out to make us a world-leading provider of sustainable mobility – and to keep us in that position.

Achieving this strategic goal calls for very substantial financial efforts in the coming years, and today we have once again fleshed out those efforts.

The key points we discussed and resolved today include:

- Investments of almost €44 billion in electro-mobility, autonomous driving, new mobility services and digitalization. That is roughly one third of our planned total expenditure for the next five years.
- Volkswagen is systematically continuing with its Group-wide electric offensive: with investments running into billions, with a broad MEB model range, and with a review exploring the potential for establishing our own battery cell production.
- We are also getting our plants ready for the future: we are converting a further two German plants to produce electric vehicles and adding further multi-brand plants with a view to increasing efficiency and reducing complexity in production. A new multi-brand plant – probably in Eastern Europe – is to cater for additional planned growth.
- And: strategic partnerships enable us to create synergies and secure profitable growth. Under the planned extensive alliance with Ford, we will lower costs, increase performance via scales and expand our offer to commercial customers.

Mr. Diess will give you the details in a moment.

Minister President Weil and Bernd Osterloh will also provide you with further information on the impact of our decisions on our sites in Lower Saxony and on our employees.

Ladies and Gentlemen,

I am convinced that the Board of Management and the Supervisory Board have today come up with good answers to make Volkswagen fit for the future.

The result is a farsighted complete package with a clear creative drive.

With the investments for the period 2019 to 2023 approved today, Volkswagen will position itself at the forefront of the transformation in the automotive industry in the coming years.

Thank you very much!

Dr. Herbert Diess
Speech at the
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Ladies and Gentlemen,

Planning Round 67 demonstrates that Volkswagen is systematically implementing the electric offensive. We are stepping up the pace with regard to future technologies and the necessary conversion of our plants. By the end of 2023, we are planning to invest almost €44 billion alone in the future topics of e-mobility, autonomous driving, new mobility services and digitalization. That corresponds to roughly one third of total expenditure during the planning period.

This transformation brings big opportunities and challenges for us: new technologies are revolutionizing the automobile and creating new mobility offerings. But we also know that the transformation from internal combustion engines to e-mobility will initially curb earning strength in the automotive business.

Volkswagen must become more efficient, more productive and more profitable in order to finance the high expenditure in the future and stay competitive:

That is why the Volkswagen Group is working hard on improving earnings in all brands and companies. Programs have been initiated to safeguard the agreed targets.

In production we are focusing more closely than before on the potential of our brand alliance. We are also harnessing the advantages of our platform strategy. In other words, an increasing number of vehicles from different brands based on the same platform will be built at the same plant. That makes production, logistics and cooperation with suppliers more efficient. The number of multi-brand plants will grow over the coming years. Our target is a 30 percent increase in productivity in our production network by 2025.

Both the capital expenditure ratio and the research and development ratio in the Group's Automotive Division are to continue to decline to a competitive level of 6.0 percent from 2020 onward – despite the extensive investments in future technologies. The net cash flow target of a minimum of €10 billion by 2020 remains valid.

Ladies and Gentlemen,

In recent weeks we have held extensive discussions with the Supervisory Board and employee representatives about the challenges that lie ahead. We are sending new signals with Planning Round 67:

First: with our electric offensive we are focusing Volkswagen more intensively on clean mobility. We are increasing our investments in this field. We are launching new MEB models. And we are exploring a participation in battery production.

The Paris climate agreement with its long-term target of zero emissions by 2050 is one of our yardsticks. To that end, we want to make Volkswagen the global number one in e-mobility. The time has come to take further technology and product decisions to achieve that goal: Today, we have 6 battery electric vehicles in our program. By 2025, there will be more than 50.

The Volkswagen ID. will mark the start of a new era: it is the first model based on the new Modular Electric Toolkit (MEB). The ID. has a range of up to 550 km and its price will be comparable to that of a present-day diesel-powered Golf. That makes the electric car an affordable option for millions of people. We will be launching the ID. as a 100-percent emission-neutral electric vehicle – that applies to the entire production process including battery cell production. And, if the customer so wishes, throughout the entire life cycle of some 200,000 kilometers.

To safeguard our electric offensive we have defined SKI, CATL, LG Chem and Samsung as our strategic battery cell suppliers for our most important markets and the first MEB models.

For the Volkswagen Group alone, we forecast annual demand of almost 150 gigawatt hours through 2023. At present, Europe only has a capacity of 20 gigawatt hours. That is why we took the decision today to review participating in battery production.

Second: by converting a further two German plants to electric vehicle production we are creating additional capacity.

We are converting Emden into a dedicated MEB plant. Going forward, electric small cars and sedans from several brands will be built in Emden, thus ensuring a sustainable perspective for this plant

We have also found a good solution for Hanover: The plant will be gradually converted to e-mobility – and will remain the home of the “Bulli”. For this purpose, Hanover’s main specialty will be the ID. Buzz family. Several modern variants of our icon will begin rolling off the assembly line there from 2022. So we will continue to write the decades-long success story of the VW Bus and Transporter at this plant in the electric era.

That leaves the way open for the competitive and forward-looking alignment of our light commercial vehicle business in a partnership with Ford. This offers potential for continuing our Amarok series on a profitable basis and for further robust SUV derivatives.

We will define a solution for building the other models currently produced in Hanover at other plants in the near future.

For Volkswagen, the plants and our workforce these decisions by the Supervisory Board in favor of Germany are a major success: Zwickau, Emden and Hannover will become the largest electric vehicle production network in Europe. Another thing that is clear is that building electric vehicles is much less complex. The depth of value added for an electric vehicle is up to 30 percent lower than for conventional vehicles.

We have therefore reached agreement with the Works Council that the employment volume will be reduced in a socially compatible way along the demographic curve in line with structural change. That means there will be no compulsory redundancies. We signed off works agreements running until 2028 for Emden and Hanover at today's Supervisory Board meeting.

We will be focusing more closely than in the past on multi-brand plants in order to improve our competitiveness: the Volkswagen Passat family is to be moved from Emden to the less cost-intensive ŠKODA plant in Kvasiný, Czech Republic, and will be built there together with the ŠKODA Superb from 2023.

The ŠKODA Karoq and the SEAT Ateca, currently produced in Kvasiný, will be transferred to a new, additional Group multi-brand plant. We are looking for a new location in Eastern Europe.

Third: the transformation of our business presents us with challenges that are easier to shoulder in partnerships. We are currently talking to Ford about an alliance in the light commercial vehicle business.

Our two companies complement each other very well in terms of both products and regions. The joint development and manufacture of a range of light commercial vehicles is at the core of the envisaged cooperation. That offers the potential to lower costs, increase performance via scales and broaden our offer for commercial customers. We expect significant synergy effects.

Ford and Volkswagen will of course remain competitors. The proposed cooperation does in no way concern commercial, marketing or pricing strategies. Finally, we have identified additional fields of cooperation outside the light commercial vehicle segment where we also see potential for cooperation.

Ladies and Gentlemen,

Together with shareholders, employee representatives and the State of Lower Saxony, we have achieved a great deal for Volkswagen in the past weeks.

I would like to take this opportunity to thank everyone who bears responsibility for Volkswagen for the constructive dialog and the decisive decision-making.

Planning Round 67 demonstrates that Volkswagen has charted its course for the future and is resolutely driving the transformation of the Group. With the path we have mapped out, Volkswagen can and will continue to play a decisive role in shaping and defining individual mobility in the future.