

“The fascination of sustainability – speeding towards the future”

**Speech by Dr. Bernd Pischetsrieder
at the VW Group evening in Geneva,
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Major quotes Dr. Bernd Pischetsrieder:

- „For us, economic sustainability involves long-term planning on both the cost and the performance side.”
- “A large corporation that does not invest in environmentally sound methods and products, or in training and qualifying its workforce will lose value on the stock exchange in the long run.”
- “Lower energy consumption and more driving fun – for us, these are not opposites, but two sides of the same coin!”
- “We can’t ignore the signs of the times: even if oil will remain the key source of energy for the foreseeable future, there is nevertheless growing evidence that the fossil fuel era has passed its peak.”
- “Our strategy not only involves developing and building very economical cars – we are also strongly committed to developing second-generation biofuels.”

- “Our concept for a sustainable energy policy centers on fuels from renewable raw materials.”

- “I would like to make it equally clear that there will be no “hire and fire” policy at Volkswagen. That, too, is part of our strategy: the knowledge capital of our employees remains our most important resource – a vital foundation for our success today and tomorrow.”

- The three-point program:
 1. Every Volkswagen Group model developed in the future will use less fuel than its predecessor.

 2. We will continue our efforts to popularize the three-liter car. You can take a look at our latest achievement, the three-liter Polo, at this Motor Show.

 3. Today, all our engines are already designed to take a 10% blend of bioethanol or SunFuel. By the end of this decade, all our powertrains will be designed to run on both conventional fossil fuels as well as renewables such as fuels produced from biomass.

Welcome to the VW Group evening here in Geneva!

Allow me to begin by taking a brief look back. When we met here a year ago, the price of crude was 45 Dollars a barrel. You might be tempted to say: “Those were the days!” Today, the situation has changed dramatically. A barrel of crude now costs about 60 Dollars, and is still rising – and at the same time the price of other raw materials, particularly steel, has risen sharply, too.

There’s no doubt about it – we’re living in exciting times. But we won’t let the latest headlines distract us from pursuing a sustainable Group strategy.

For us, sustainability has three dimensions:

- Sustainability is about lasting economic success.
- Sustainability is about protecting the environment.
- And last but not least, sustainability is about taking care of our most precious resource. By that I mean the knowledge and skill of our employees – their experience, their wealth of ideas and their ready acceptance of innovative solutions.

“The Creative Imperative” was the big theme at the World Economic Forum in Davos at the end of January – or to put it another way, the “same procedure as last year” philosophy has outlived its usefulness.

As one of the world’s leading automakers, we are obviously not a philanthropic institution. We want to succeed in global competition – more than that, we want to be right up there at the forefront. So for us, the priority lies in building first-class, attractive products that can be sold at a profit on the world market.

That’s why, for us, economic sustainability involves long-term planning on both the cost and the performance side. This is where our ForMotion program really came into its own over the last 24 months. We are continuing along this path with restructuring in the Volkswagen brand. We know the only road to success – and thus to secure jobs – lies in new products that inspire our customers. That is why our Group model

initiative continues undiminished. In 2006 and 2007 alone, our brands will be launching a total of 28 new models.

But we also know that there can be no lasting economic success if everything only centers on the company's current share price. A large corporation that does not invest in environmentally sound methods and products, or in training and qualifying its workforce will lose value on the stock exchange in the long run. You can't get something for nothing.

Whoever opens the way forward now, whoever sets themselves new targets now, will be that vital step ahead. And – I am certain of this – will have excellent prospects. And that is precisely what the Volkswagen Group's sustainability philosophy is all about: thinking ahead.

Lower energy consumption and more driving fun – for us, these are not opposites, but two sides of the same coin!

A great deal can grow and prosper if it is nurtured by this optimistic philosophy – as you will find out at the Motor Show tomorrow. So why not come and see for yourselves!

Theme I “Challenges”

As I have already said, we're living in exciting times. Let's take a closer look at the general set-up for automakers today:

The resources we depend on have reached the limits of their – seemingly boundless – availability. Non-renewable energy reserves are slowly running out, and the same applies for other raw materials, too.

More important still: the environmental burden cannot increase any further. Don't worry – you are still a guest at the Volkswagen Group evening and have not been spirited away to a meeting of Wolfsburg's friends of nature association! You don't

need to convince me that automobiles are by no means the only source of environmental pollution.

But we can't ignore the signs of the times: even if oil will remain the key source of energy for the foreseeable future, there is nevertheless growing evidence that the fossil fuel era has passed its peak.

We could come to the conclusion that this is not good news for global automakers! I wouldn't agree with that at all: Volkswagen is in excellent shape for mastering these challenges. We are developing solutions where driving fun, fascination and emotion continue to play the key role.

Theme II "Fuels"

The Volkswagen Group is a pioneer in the field of advanced diesel technology – I know I don't need to go into that in any further detail this evening. We find it rather gratifying to note that this technology is beginning to catch on outside Europe as well.

In the USA, for example, sales of the diesel-engine Jetta rose from 10% in 2004 to over 17% last year. Incidentally, it is also interesting to note that considerably more diesel-powered models than hybrid vehicles are sold in the USA. And our TDI engines prove that economy and driving fun are the very best of friends. It's fun to save – with our models at least!

Our strategy not only involves developing and building very economical cars – we are also strongly committed to developing second-generation biofuels. Together with *Shell* and *logen Corporation* we are currently investigating the feasibility of cellulose ethanol production in Germany.

Over the last 25 years, *logen* has developed a method for producing cellulose ethanol from agricultural residue. The biofuel represents an extremely cost-effective way of reducing greenhouse gas emissions. Compared with conventional fuels, CO₂ emissions are cut by over 90 percent!

That is an excellent ecological balance. The much-vaunted fuel cell technology, for instance, is still miles away from this kind of performance. Undoubtedly, it's possible to produce hydrogen in the desert cheaply and without emitting greenhouse gases. But then the ecological problems really start:

- You have to cool the gas until it has liquefied
- And then you have to transport it thousands of kilometers

Both steps involve high energy consumption. If you use natural gas or another fossil fuel, the bottom line is that hydrogen technology loses its ecological benefits. And at the end of the day, you have cut CO₂ emissions by only 10 or 20 percent. That's a pretty poor showing!

Our concept for a sustainable energy policy centers on fuels from renewable raw materials. We are backing the medium- to long-term diversification of energy sources. That includes SunFuel fuels made of biomass as well as synthetic fuels produced from coal or natural gas. I am very much in favor of mixing such fuels with conventional fuels to ensure quality, and distributing them via the existing filling station infrastructure.

Incidentally, the more pronounced use of biomass for fuel production has one advantage that should electrify political circles: this would be one way of partially solving the problem of agricultural surpluses. We have noticed recently that politicians are taking a new interest in energy research. We very much welcome this political tailwind.

Theme III "Innovation"

Our customers are, of course, at the center of all our deliberations. And we have noticed a marked change in values on their part:

- They have developed a new sensitivity for the environment – and are voicing stronger demands for particularly economical and environmentally sound vehicles
- At the same time, though, they are not willing to lower their expectations as regards the familiar standard of our cars: environmental protection – yes; economy – definitely; but with the icing on the cake, too, please. In other words, without foregoing dynamics, comfort and driving fun

That's the homework our customers have given us. They have confronted our developers with completely new challenges. But even so, we are still on the right track.

The best example is our TSI engine. This concept symbolizes maximum power at minimum consumption. A logical step in downsizing, in reducing engine size to save fuel. At the same time, though, there's plenty of driving fun, as the combination of compressor and turbocharger ensures optimum performance in any speed range.

As I have already said, for us, economy and driving pleasure are not opposites!

The shift in consumer thinking strengthens our conviction that we are moving in the right direction with our innovative developments. Apart from the TSI engine, these developments also include our ultra-efficient TDI powertrains and our DSG gearbox. Our innovations uncover entirely new dimensions in the fascination for new technologies.

Theme IV “ Competitiveness”

Products like these consolidate and strengthen our competitiveness. To use a metaphor – we remain weatherproof in stormy times. That is how we safeguard the future of Volkswagen – and thus the future of tens of thousands of jobs in Germany.

I am deliberately emphasizing this fact because – like others, too – we must be prepared to make cuts in manpower in the interests of competitiveness.

However, I would like to make it equally clear that there will be no “hire and fire” policy at Volkswagen. That, too, is part of our strategy: the knowledge capital of our employees remains our most important resource – a vital foundation for our success today and tomorrow.

And precisely this resource needs sustained care. It cannot be activated at the touch of a switch, but grows over a period of several years. That is why we will continue to invest substantial funds in the training and qualification of our employees in future, too.

We know we can only achieve long-lasting success if we don't live hand-to-mouth, if our plans are consistently focused on a meaningful time horizon, and if we make intelligent use of ever-scarcer resources.

With this success, we will also be doing justice to our responsibility. We do not solely create economic value. Our success is always synonymous with ecological and social added value as well. By that, I mean:

- The prudent use of non-renewable energy sources
- Environmental relief
- Affordable top technology for all drivers – both male and female
- More safety on the road and, not least
- Secure jobs

If, on this basis, we can offer our customers products that are simply fun to drive, then the whole thing works for everyone.

Theme V “Sustainability”

Our big goal as an automotive group can be expressed in one sentence:

We want to secure sustainable mobility.

That’s one of our specialties. After all, our Beetle brought individual mobility to many, many people for the first time – more than 21 million times in all. And, as you are aware, on a very sustainable basis.

I am familiar with the saying that if you’re resting on your laurels, you’re wearing them in the wrong place. So let’s venture a look at the future. The Volkswagen concept of “sustainable mobility” can be summarized by a three-point program:

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Ladies and gentlemen,

Some of you may have been surprised by our focus on “sustainability” here in Geneva. For many, “sustainability” sounds like “airing doubts” or “putting a brake on progress”.

I hope I have been able to convince you that precisely the reverse is the case: “sustainability” and “automobile” are in fact an excellent match.

I would go even further: sustainability, properly understood, is the motor of innovation, competitiveness and success. And it is thus a guarantor for secure jobs.

Not only that: sustainability can be fascinating. You are cordially invited to convince yourselves of that here in Geneva!