

The Volkswagen Group is moving ahead: Investigation, customer solutions, realignment

Press Conference, December 10, 2015

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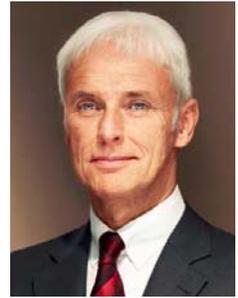
Agenda

1. Introduction
2. Investigation status
3. Solutions for our customers
4. Volkswagen is changing –
structure, mindset, destination
5. Summary and outlook



Hans Dieter Pötsch

Chairman of the
Supervisory Board
of Volkswagen AG



Matthias Müller

Chairman of the
Board of Management
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What challenges do we need to overcome

- **Gaining back trust** – through credible and decisive action in overcoming the current crisis
- **Protecting operational business and defending market position** – through concerted efforts to promote sales and wise business decisions and foresight
- **Securing the Group's future success** – through effective minimizing of financial impact of the crisis and continuing on with the change processes at all levels



The Volkswagen Group is in the midst of one of the greatest trials in the company's history.

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What the Supervisory Board has done since the crisis broke

- **Comprehensive and relentless investigation pushed ahead** – in order to obtain reliable findings as fast as possible and to put all facts on the table
- **Management Board closely assisted** – in order to support the Group management
- **New structure passed** – in order to strengthen leadership through clearer accountability and allow for increased decentralized responsibility
- **Staff reorganization** – in order to set new impetus for necessary changes and to position the Group for the future
- **Stakeholder dialog strengthened** – in order to ensure transparency and re-establish trust



The Volkswagen Group is fully able to act even in this difficult phase.

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How we initiated the staff reorganization process



New members of the Group Management Board: 6 new members since the beginning of 2015

M. Müller
Chairman of the
Board of Management



F. Witter
Finance & Controlling



Dr. K. Blessing¹
HR & Organization



Dr. C. Hohmann-Dennhardt¹
Integrity & Legal Affairs



Dr. H. Diess
VW Passenger Cars



A. Renschler
Commercial
Vehicles



¹: From January 1, 2016

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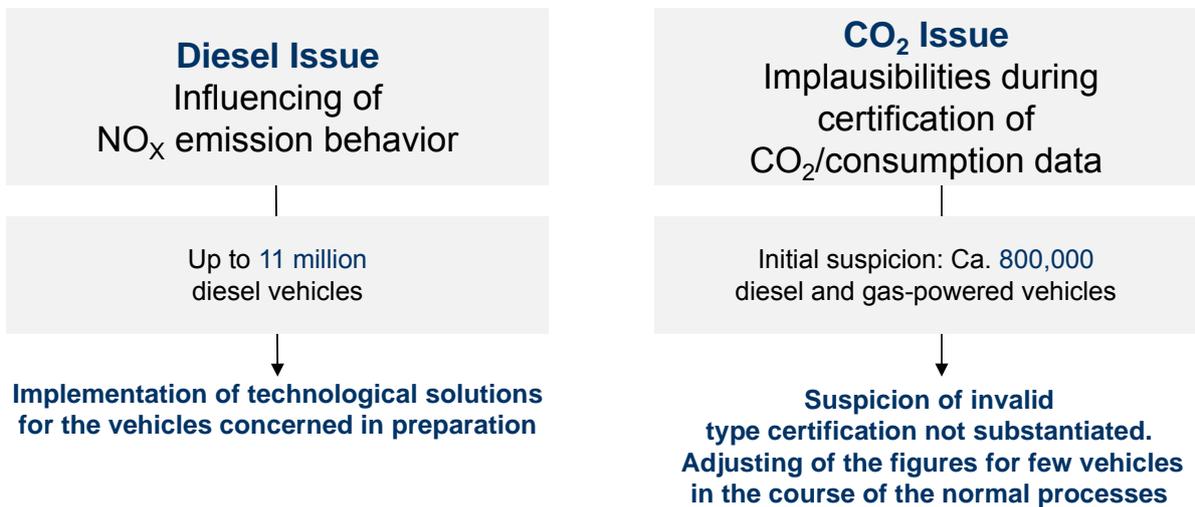
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What happened in the Volkswagen Group



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How are we driving investigation

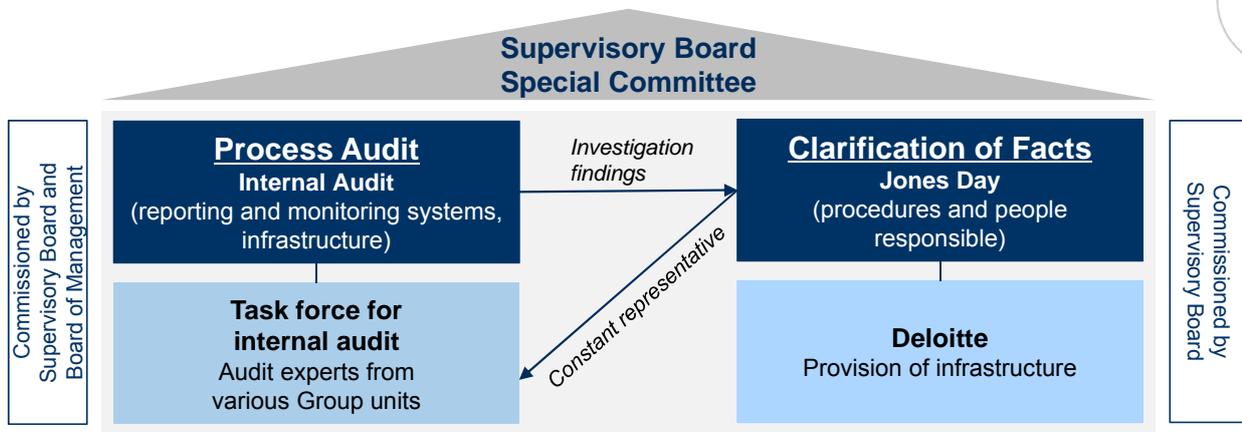


Approach & mission are clear: Everything needs to be put on the table.

Comprehensive	We are identifying and analyzing all relevant processes from the source of the problem until today.
Independent	External experts and internal auditors are inspecting everything irrespective of the persons concerned.
Cooperative	We are working with all authorities.
Relentless	We are determined to clarify responsibilities and draw the right lessons.
Thorough	We are examining masses of data – and leaving no stone unturned. Diligence comes before speed.

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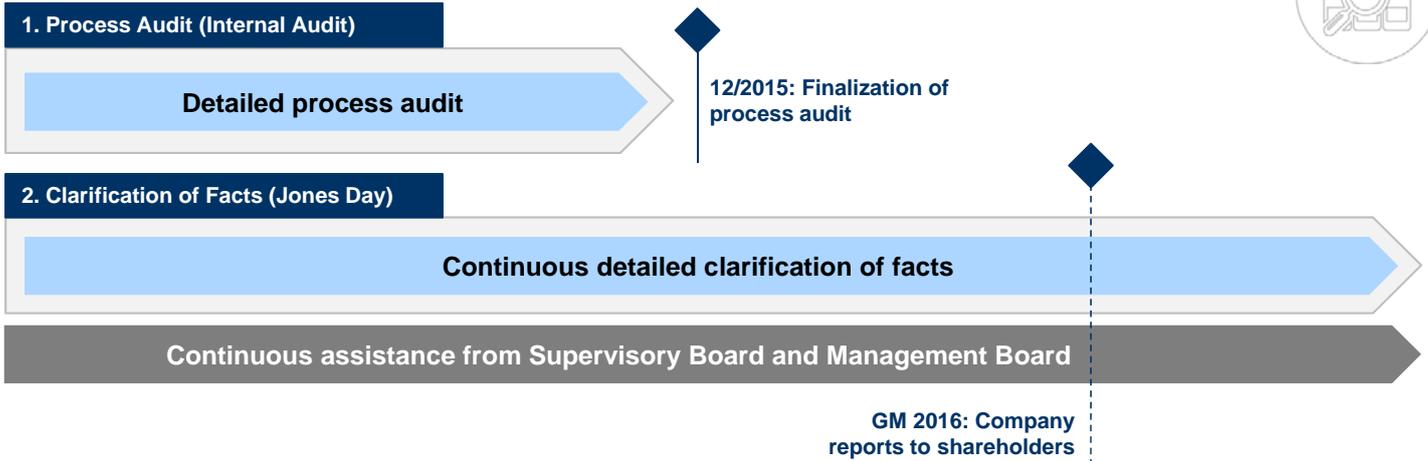
How have we structured the investigation



Dual structure and independence of investigation ensure objective analysis and comprehensive findings. In total, about 450 experts are deployed in the investigation.

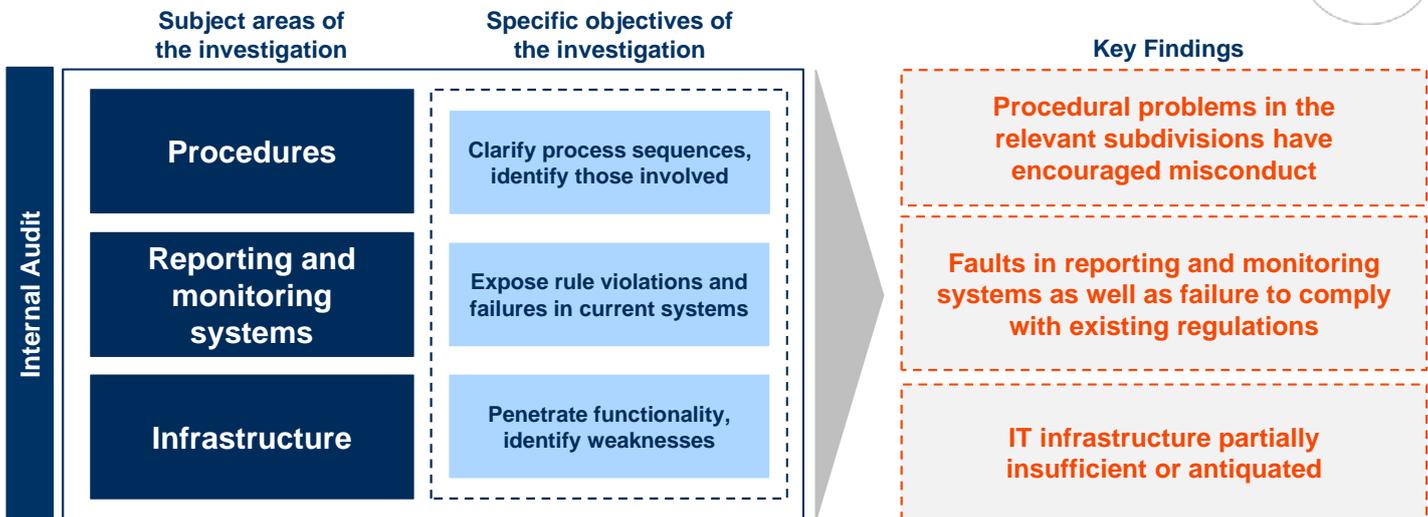
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Where we stand in the investigations



▶ The process analysis is about to be finalized, the question about responsibilities still needs time.

Process audit: What are the audit findings on the procedures in the relevant subdivisions to date



Clarification of facts: What the external auditors have managed to accomplish thus far



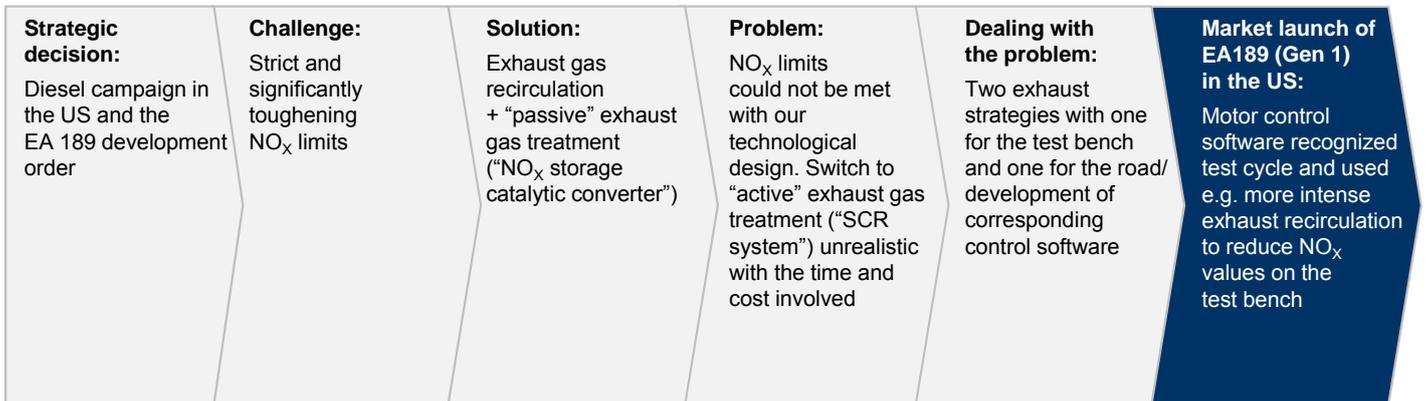
Jones Day

- **102 terabytes** of data were secured (equal to about 50 million books)
- **87 extensive interviews** were held, with several dozen to follow
- More than **1,500 electronic data carriers from approximately 380 employees** have been secured
- **2,000 letters** to Group employees (litigation hold letters), to prevent data loss or deletion

We now have a more specific understanding about the origins of the NO_x manipulation and about the CO₂ Issue

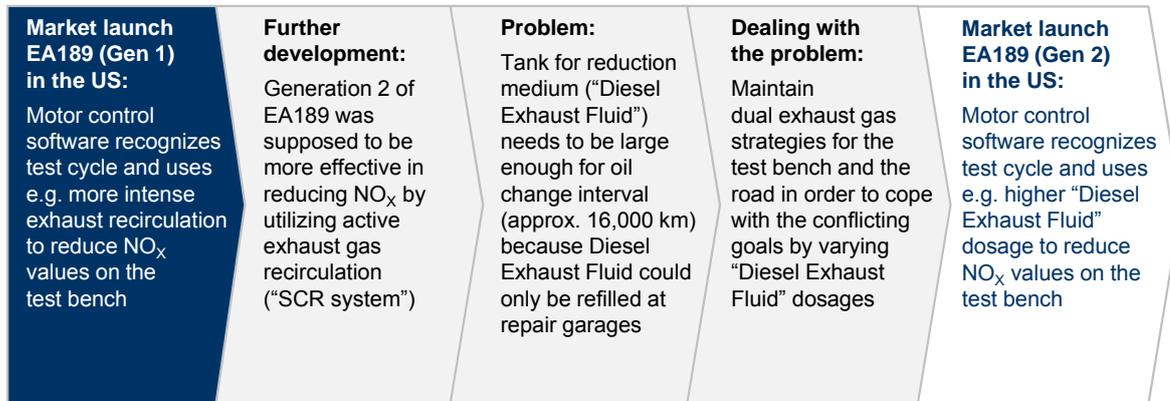
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What have we already learned about the origins of the NO_x Issue

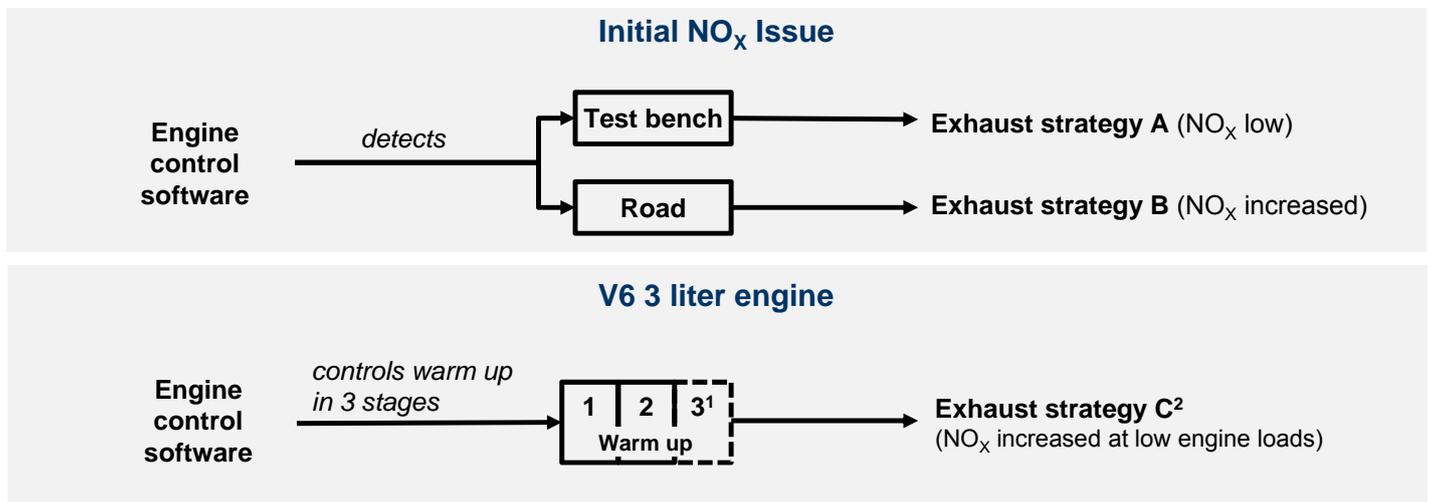


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What have we already learned about the origins of the NO_x Issue (continuation)



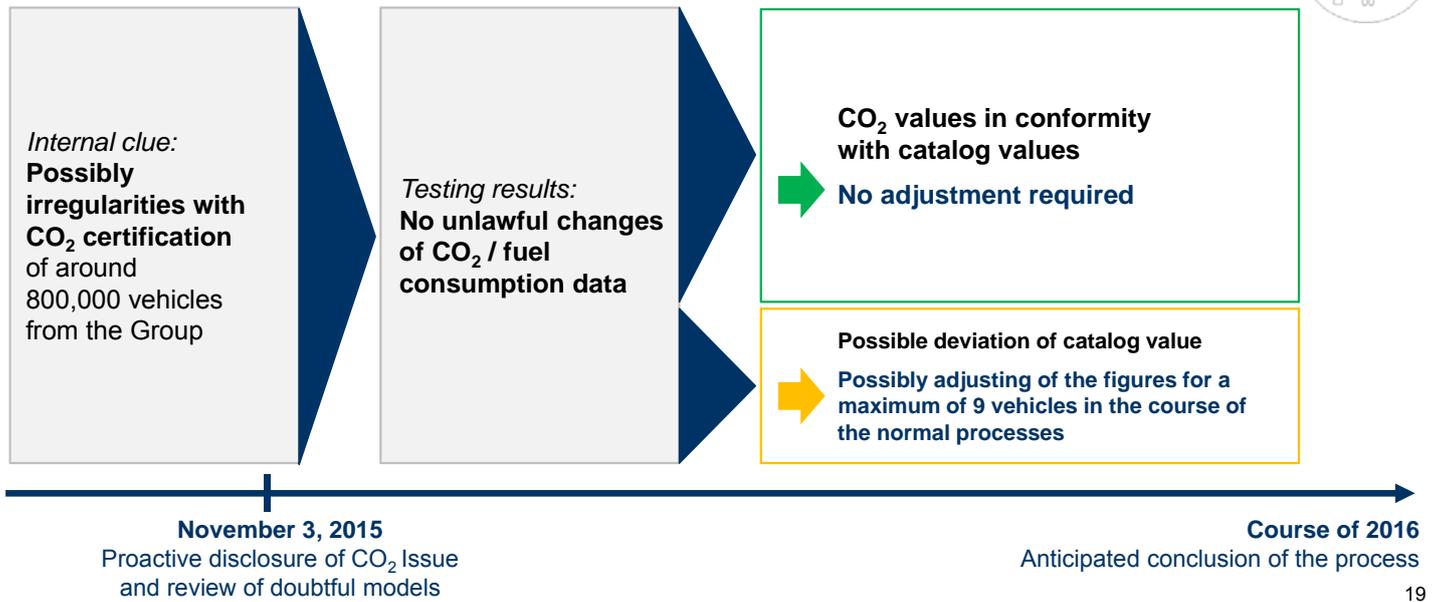
What is the fundamental difference between the V6 engine Issue and the initial NO_x Issue



¹: Stage 3 very rarely activated on the road, which ends warm up too early

²: Under same operating conditions

How we have approached the CO₂ Issue and how the matter has developed



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What consequences we have already drawn



- Decisions of the Board taken: **Going forward, emission tests of the Volkswagen Group will as a standard be verified based on spot checks by external and independent third parties**, therefore universal introduction of on road emissions measurements during real-life driving (2016)
- Implementation of more measures out of the about **30 essential optimization and measure sets identified by the internal audit** already initiated (close monitoring of implementation by internal audit), e.g. introduction of effective clearance and monitoring processes, among others through corresponding committee structures; process support through use of appropriate IT systems
- Findings** from the internal audit **submitted to Jones Day**
- So far 9 possibly involved managers **released from work**

**We will work to quickly implement the measures suggested by the audit.
 We will be just as consistent in the implementation of the findings of Jones Day.**

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As a reminder: Which subjects are given priority



Helping our customers

Communicating & providing effective technical solutions



Uncovering what happened

Finding out the truth and learning from it



New structure

Launching a more entrepreneurial & decentralized Group structure



New mindset

Profoundly changing the way we do things



New destination

Re-evaluating what we do & re-defining our targets for 2025



We are not only decisively pushing ahead the investigation, but are working on the other priority subjects with the same intensity.

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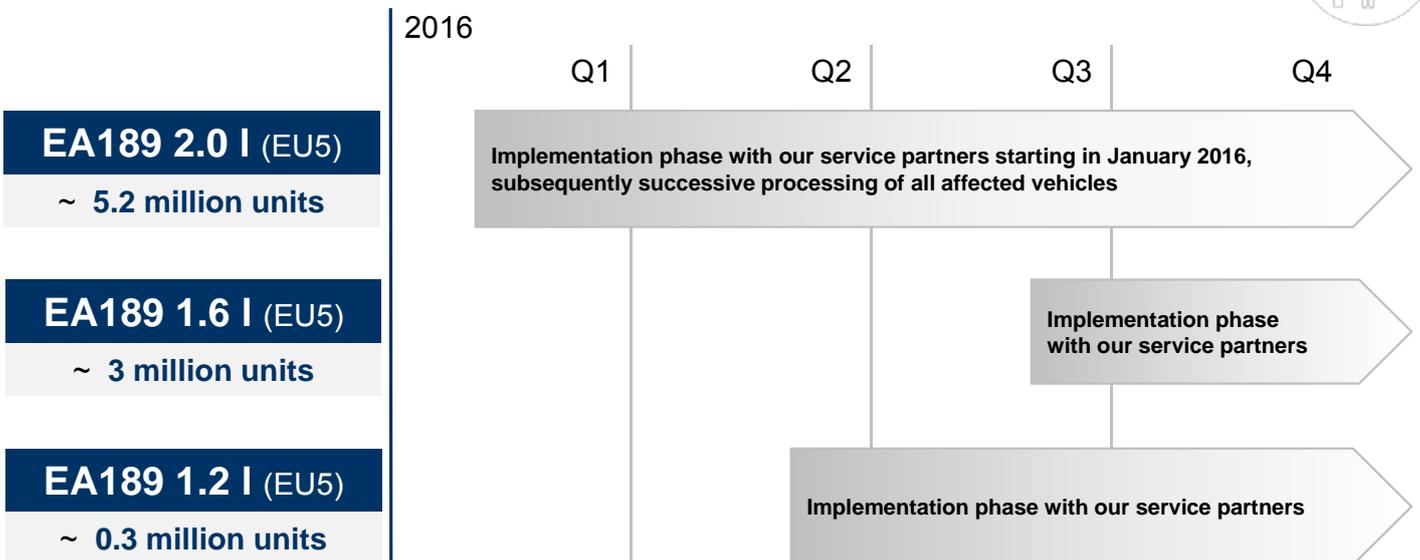
How we resolve the NO_x Issue for our customers in Europe



	EA189 2.0 I (EU5) ~ 5.2 million units	EA189 1.6 I (EU5) ~ 3 million units	EA189 1.2 I (EU5) ~ 0.3 million units
			
Status KBA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Software	X	X	X
Hardware		X	
Working time	approx. 30 min.	< 1h	approx. 30 min.

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When we will resolve the NO_x Issue for our customers in Europe



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How we will resolve the NO_x Issue for our customers in the US and in Canada



EA189 2.0 I (Gen 1)	EA189 2.0 I (Gen 2)	EA288 2.0 I (Gen 3)
~ 0.4 million units	~ 0.1 million units	~ 0.1 million units
		

Currently coordinating viable solution concepts and time lines with the responsible authorities EPA and CARB

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What we guarantee all our customers



- Implementation of technical solutions free of charge
- Waiver of a statute of limitations regarding the technical solutions
- Provision of substitute mobility if needed
- Transparent information that will soon be more tailored to individual needs
- Payment of possible back taxes

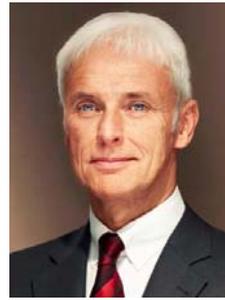


Volkswagen will not rest before we have resolved this issue once and for all to the satisfaction of our customers.

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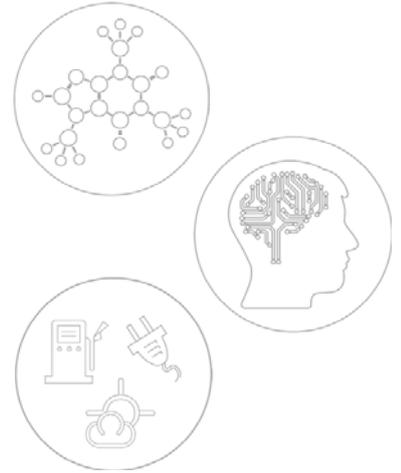
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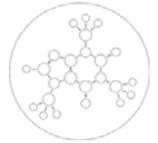
New structure: Why we are further developing the leadership model of the Group



- Strengthen **entrepreneurial responsibility** in brands and regions
- Adequately take into account **technological** developments with a potential impact on the business model (e.g. digitization)
- Increase **decision-making speed** and **agility**
- Give Group Management Board more **space** for urgent strategic considerations
- Improve **cost efficiency** in the Group with leaner structures, enhance cost transparency
- Secure **synergies** within the Group
- Reduce **complexity** of steering functions, brands and regions, ensure sustainable manageability of the Group

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Which leadership structures are implementing in the Volkswagen Group



Chair	Functions				Brand Groups				Regions
Müller	Witter	Garcia Sanz	Blessing ¹	Hohmann-Dennhardt ¹	Diess	Stadler	Blume ²	Renschler	Heizmann
Among others: <ul style="list-style-type: none"> • Strategy • Digitization • Production • Sales • Research & Development 	Finance & Controlling	Procurement	HR & Organization	Integrity & Legal Affairs				VOLKSWAGEN TRUCK & BUS	
					Budget Car				
		Responsibility Diesel Issue							

¹: From January 1, 2016
²: Currently guest on Group Management Board

How we have changed our leadership team



	New Members					
Group Management Board 6 out of 10 members new since early 2015	M. Müller CEO	F. Witter Finance & Controlling	Dr. K. Blessing¹ HR & Organization	Dr. C. Hohmann-Dennhardt¹ Integrity & Legal	Dr. H. Diess VW Passenger Cars	A. Renschler Commercial Vehicles
CEOs for brands/business units 7 out of 13 new	H. Henriksson Scania	B. Maier SKODA	L. de Meo SEAT	Dr. O. Blume² Porsche	Dr. H. Diess VW Cars	J. Drees MAN
						L.-H. Santelmann Financial Services

¹: From January 1, 2016 ²: Currently guest on Group Management Board

Which new mindset we want to establish



What we
want to preserve

„Quality consciousness“
„Identification with products“
„Social responsibility“

What we additionally
whish for going forward

„More openness“
„More cooperation“
„More capacity for criticism“

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How we will establish a new mindset at Volkswagen



2015

2016

Leadership

(„More role models“)

Self conception

(„More down to earth“)

Structures und formats

(„More interaction“)

Design and implementation
of new corporate philosophy
and leadership principles

First initiatives

Structured process

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New destination: How we will develop further our strategy



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Where we stand today with our realignment



Helping our customers

Technical solutions developed, implementation close to launch



Uncovering what happened

Investigations are proceeding, first consequences are drawn



New structure

Team is in place, committees and processes to follow



New mindset

Needed change defined, transformation initiated



New destination

Focus topics identified, process for “Strategy 2025“ launched



We are working hard on all of these five topics – and we are making good progress.

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Where we stand economically today



- **Operational business:** Development within expectations
We confirm our adjusted annual forecast.
- **Finances:** Provisions sufficient for now, financing secured
We have a very solid financial basis.
- **Investments:** Targeted reduction, shorter planning horizon – saving without sacrificing the future
We are driving by sight for the time being.
- **Vehicle sale and production:** so far moderate impact of the exhaust gas issue
We are capable of reacting to a possible tightening at any time.
- **Share price:** Recovery by about 40 percent since lowest point after the disclosure of the Diesel Issue
We are working on regaining investors’ trust bit by bit.



Volkswagen has the situation under control and will master the crisis out of its own strength.

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Volkswagen Group is changing: Our mission



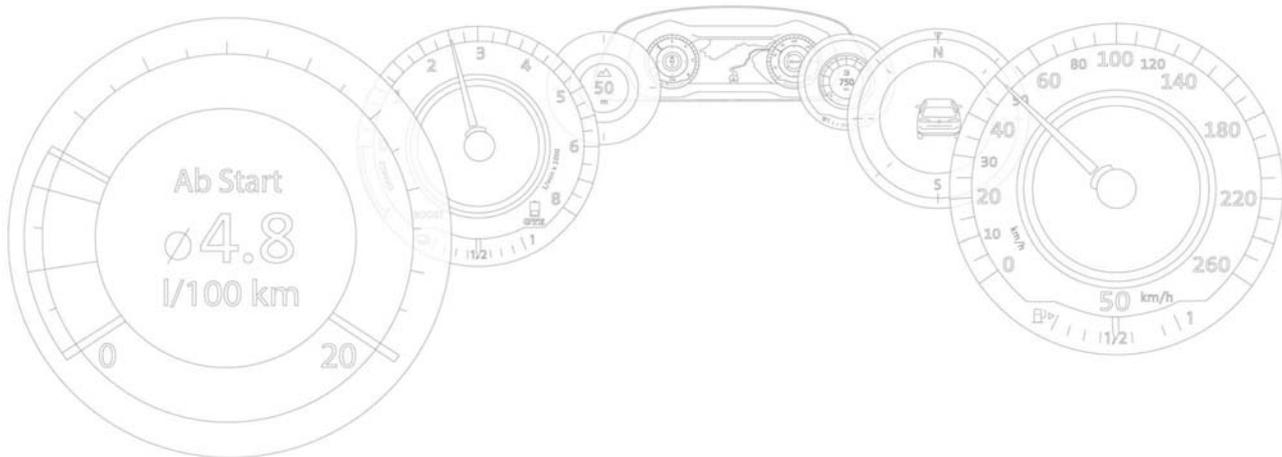
We are creating a new, better and stronger Volkswagen through...

...step-by-step transformation of the Group, while preserving its cultural roots and strengths.

...releasing new strengths and mobilizing new potential.

...value-based actions as precondition for sustained economic success.

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