

---

## Media information

---

NO. 160/2018

# Annual General Meeting: The Volkswagen Group is stepping up the pace of its transformation

- **CEO Diess: “The longest part of our journey still lies ahead. The crucial years in our transformation have yet to come.”**
- **Program to accelerate cultural change has been launched**
- **Goals for fiscal year 2018 reaffirmed in spite of risks from WLTP transition**

**Berlin, May 3, 2018 – After a very successful year in 2017 and a strong start to the current year, the Volkswagen Group is stepping up the pace of its comprehensive realignment under the leadership of its new CEO, Dr. Herbert Diess. “The Volkswagen Group is in robust shape in both operational and financial terms. Our strategy is gaining traction. We are systematically tackling the major automotive issues of the future. However, the longest part of our journey still lies ahead. The crucial years in our transformation have yet to come,” Diess said at the Annual General Meeting of Volkswagen Aktiengesellschaft in Berlin. As the speed of change in the auto industry continues to accelerate, the Volkswagen Group’s realignment based on Strategy 2025 must gather even greater momentum, Diess added. This is particularly the case for the cultural change at Volkswagen, which the new CEO believes is crucial for future corporate success. “In this regard, Volkswagen has to become more honest, more open, and more truthful. In other words: an upstanding corporate citizen,” the CEO underlined.**

Lasting economic success was only possible with a healthy corporate culture, Diess said. Consequently, his first and prime concern was to lay the groundwork for this, especially in light of the experiences of recent years. “We need robust structures, processes and programs. But, most importantly, we must act accordingly, too. Besides abiding by the rules and obeying the law, the key here is always ethics – a clear moral compass,” Diess explained. Every large organization experienced unethical conduct and instances of non-compliance. At Volkswagen, however, there clearly had been too much of that until recently. “Changing this is the top priority for my colleagues on the Board of Management and for me personally,” Diess said, and added that making rapid progress in this matter was the reason why the Board of Management had launched a comprehensive program called “Together4Integrity”.

Among other things, Volkswagen will expand its internal whistleblower system further. The Company will also reinforce the compliance organization and make it even more professional. One specific example is supplier relationships, which will be aligned more closely with compliance principles. In addition to further improving structures and processes, the program will focus on permanently embedding ethical conduct in the corporate culture. This is a role that managers, in particular, are called on to perform, Diess explained: “As managers, we are role models for our employees. Regardless of our level in the hierarchy, we have to be trustworthy, honest, and reliable. That means: at Volkswagen, we do what we say. And we say what we’re doing. Any time. Anywhere in the world.”

According to the CEO, the envisaged “culture of constructive dissent” also means an uncompromising approach to sanctioning misconduct. “For me, good corporate governance also includes taking responsibility, penalizing misconduct – and then communicating transparently,” Diess explained. He also emphasized that the independent US monitor, Larry D. Thompson, had called for compliance and integrity to be accorded the same importance in the Group as vehicle development, production, or sales, for instance. “I unreservedly agree with this,” Diess said.

## **Further development of the management structure**

The new CEO also took the opportunity offered by the Annual General Meeting to explain to shareholders the further development of the Volkswagen Group management structure announced at the time he took office on April 13. “Volkswagen must act more quickly, systematically and efficiently – in making decisions and in implementing them. In other words, we must transform the Group from a slow and somewhat cumbersome supertanker into a powerful fleet of speedboats,” the CEO said, outlining the objective of the new corporate structure, which will lay the foundations for this and will be fleshed out and implemented in the coming months.

In essence, the new model provides for the creation of brand groups that will be organized by customer segment or price range. The Group expects this to result in greater accountability, speed and synergies. The second core element is the distribution of coordination tasks in the Group among more people than before. “This will increase mutual responsibility and interdependence – in a positive sense – which will in turn lead to greater collaboration as well as reinforcing the binding nature of decisions and their implementation,” Diess explained. The overriding principle in the further developed structure is subsidiarity. That means: decisions will be made at the lowest responsible level closest to operations.

The CEO commented that, going forward, the motto at Volkswagen would be “a lean Group drives strong brands”. However, the new leadership model also means a more decentralized approach to working in the Group. “The responsibilities for Group steering will be spread across more shoulders. This will create freedom for the unified management of the Group and the core VW brand,” Diess told the shareholders.

## **Optimism for fiscal year 2018; risk factor WLTP**

At the Annual General Meeting, the CEO also reiterated the Group’s fundamental optimism for fiscal year 2018. The records for vehicle sales and sales revenue at the start of the year and, once again, very good results for the first quarter were promising, he said. In light of this, the Volkswagen Group is reaffirming its forecast for fiscal year 2018: in the current year, deliveries to customers are expected to moderately exceed last year’s record figure. Sales revenue is expected to increase by up to five percent. The Volkswagen Group anticipates an operating return on sales of between 6.5 and 7.5 percent for the operating profit.

According to Diess, Volkswagen expects a tailwind from the continuation of its cross-brand model offensive, among other things. This year, the Group will bring around 70 innovations to customers. Nevertheless, there were also risks, Diess said, and referred to the transition to the new WLTP test procedure, a challenge for the entire industry. He explained that the Volkswagen Group had prepared very thoroughly and as early as possible for the new test procedure for determining pollutant and CO<sub>2</sub> emissions as well as fuel consumption that will take effect on September 1, 2018, and added that the aim was to collect all the necessary data within the very short transition phase. Factors such as the availability of technical services and the capacity of the relevant regulatory authorities also played a role, however. For the Volkswagen Group the transition required an enormous effort due to the wide range of models in its portfolio. “Should we encounter unfavorable circumstance, this could lead to temporary bottlenecks in our sales program,” Diess explained.

Nevertheless, “we expect 2018 to be another good year for the Volkswagen Group,” the CEO stated. Volkswagen will not only keep its operating business on track, but will also continue its realignment, “focused, with more energy and more momentum”. “Our goal and my goal is to transform the Volkswagen Group into one of our industry’s leading companies in terms of profitability, innovative power and sustainability,” Diess said.

# VOLKSWAGEN

AKTIENGESELLSCHAFT

---



**Volkswagen AG**

**Director Global Group Communications**

**Contact** Peik von Bestenbostel

**Phone** +49-5361-9-266 55

**E-mail** [peik.bestenbostel@volkswagen.de](mailto:peik.bestenbostel@volkswagen.de) | [www.volkswagen-media-services.com](http://www.volkswagen-media-services.com)



**Volkswagen AG**

**Global Group Communications | Director Global Media Relations**

**Contact** Eric Felber

**Phone** +49-5361-9-875 75

**E-mail** [eric.felber@volkswagen.de](mailto:eric.felber@volkswagen.de) | [www.volkswagen-media-services.com](http://www.volkswagen-media-services.com)

