



Volkswagen

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Volkswagen concludes pact for greater economic viability and a more secure future

- **Positive impact on annual earnings of €3.7 billion from 2020**
- **Compulsory redundancies excluded; socially compatible reduction in workforce**
- **Investments of €3.5 billion in future-oriented areas**

Wolfsburg, November 18, 2016 – The Board of Management and General Works Council of Volkswagen have signed a pact for the future in Wolfsburg following constructive negotiations. This pact will initiate the return of the Volkswagen brand to a path of profitable growth. The program for the German plants with about 120,000 employees is to significantly improve the competitiveness of the Volkswagen brand and to make the company fit for the future. It will lay the foundation for the transformation of Volkswagen from a pure automaker into a successful mobility service provider in the age of digitalization and increasing e-mobility. The main focus is on reorientation across the entire value stream. By 2020, the Volkswagen brand intends to be completely repositioned. Compulsory redundancies are to be excluded and the workforce is to be reduced in a socially compatible way. At the same time, new jobs are to be created in future-oriented areas. Specifically, the pact for the future is to have a positive impact on earnings of €3.7 billion per year by 2020. Of this figure, the German facilities will account for €3.0 billion. Over the next few years, investments of about €3.5 billion in future-oriented areas of these facilities are planned. This will result in the creation of 9,000 jobs. On the other hand, there is to be a loss of up to 23,000 jobs in conventional areas in Germany, which will be accomplished in a socially compatible way.

The **Chairman of the Brand Board of Management, Dr. Herbert Diess**, said: "With the pact for the future, Volkswagen will be taking a major step forwards. The pact represents a fundamental transformation of the value stream, the development of new competences and strategic investment. We will be strengthening the company's economic viability and competitiveness and will be safeguarding the future of our plants. The socially compatible loss of jobs will be offset by the creation of jobs in other units." Diess emphasized that Volkswagen would be concentrating consistently on the future of the automotive industry. "We will be transforming the entire brand and making it fit for the fundamental transformation of our industry. At Volkswagen, we are taking our future into our hands."

General Works Council Chairman Bernd Osterloh said: "The most important news is that the workplaces of our permanent workforce will be safeguarded."

We have agreed that compulsory redundancies are to be excluded up to the end of 2025. In view of what is happening at other companies, this is a considerable success in troubled times. With the pact for the future, we will be entering the field of next-generation e-mobility. The new cars based on the Modular Electric Drive Kit and electric components from our plants will make our German locations pioneers of electrification within the Volkswagen Group. The Works Council has ensured that these future-oriented vehicles will be made in Germany and not in other countries. Of course, the pact for the future has positive and negative aspects. However, it represents an acceptable compromise for both parties, reached after a long struggle. We have now achieved a reasonable result."

Dr. Karlheinz Blessing, Member of the Board of Management responsible for Human Resources, said: "The implementation of the pact for the future will bring major changes for many of our employees. They will need to obtain additional qualifications, learn new ways of working and assume new responsibilities. But the effort will be worthwhile: we will make Volkswagen slimmer, faster and stronger, safeguarding employment in Germany in the long term."

The pact for the future which has now been agreed will be a prerequisite for the successful turnaround of the Volkswagen brand and a milestone in achieving and safeguarding a secure future in the long term.

In detail, Volkswagen's pact for the future includes the following items:

- Thanks to savings and efficiency improvements in all areas and at all locations in Germany, the company expects a positive annual impact on earnings of about €3 billion from 2020 onwards. The regions outside Germany will also achieve sustainable improvements in earnings. Through their own plans of action, they will contribute about €700 million per year to the pact for the future. As a result, the total improvement in earnings will be about €3.7 billion.
- The pact for the future is to improve the productivity of the German plants by about 25% and to increase the operating margin to four percent by 2020.
- To bring Volkswagen to the forefront of the industry in the future-oriented areas of e-mobility and digitalization, the company will be making a massive investment in new technologies. The German plants are to enter the field of developing and producing electric vehicles and components. A pilot plant for battery cells and cell modules is to be developed. At the same time, the future of the conventional units is to be safeguarded. All in all, Volkswagen will be investing €3.5 billion in the transformation of the company.
- New competences in future-oriented areas are to be developed at the various locations. About 9,000 additional jobs with a secure future are to be created. Volkswagen will mainly be filling these vacancies with existing employees and will also be recruiting specialists from outside the Group. Over the next few years, Volkswagen will be cutting up to 23,000 jobs via natural fluctuation and partial early retirement, taking the demographic

curve into account. It is expressly stated that this reduction in the workforce will be accomplished without compulsory redundancies.

- The pact for the future includes agreements on new future-oriented vehicle products. The plants at Wolfsburg and Zwickau are to assume responsibility for the production of electric vehicles based on the Modular Electric Drive Kit (MEB). By investing in e-mobility, Volkswagen will create jobs with a secure future at these locations. In order to ensure efficient capacity deployment, a further model is to be produced at the Emden plant. At Wolfsburg, an additional Volkswagen Group vehicle will also be produced.
- Future-oriented work is to be divided between the main German components plants. Brunswick will continue to produce the battery system for the Modular Transverse Toolkit and will also be developing and producing the battery system for the Modular Electric Drive Kit (MEB). Kassel is to develop the MEB drive system and to be responsible for the assembly of the entire system in addition to electric transmission production. Salzgitter will produce and supply MEB drive system components. In addition, the plant will be building a pilot facility for battery cells and cell modules.

Implementation of the pact for the future is to start immediately and the targets mentioned are binding. Progress with the efficiency improvement measures and the agreed investment in the future will be continually reviewed over the next three years.

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