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Volkswagen Group reduces level of capex

- **CEO Matthias Müller: "We will strictly prioritize all investments and expenditures"**
- **Even greater focus on alternative drive technologies and digitalization**

Wolfsburg, November 20, 2015 – The Volkswagen Group is aligning investment activity in its Automotive Division with the current situation. The aim is for planned investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex), to be capped at approximately EUR 12 billion next year. The average figure for the previous planning period was about EUR 13 billion per year.

"We are operating in uncertain and volatile times and are responding to this", said Matthias Müller, Chairman of the Board of Management of Volkswagen Aktiengesellschaft, in Wolfsburg on Friday, after a regular meeting of the Company's Supervisory Board. "We will strictly prioritize all planned investments and expenditures. As announced, anything that is not absolutely necessary will be cancelled or postponed."

In this context, Müller announced the intention to increase expenditure on alternative drive technologies by approximately EUR 100 million next year. "We are not going to make the mistake of economizing on our future. For this reason we are planning to further increase spending on the development of e-mobility and digitalization", he said. The core focus will be on rapidly developing electric drive systems for the Volkswagen Passenger Cars, Audi and Porsche brands.

Most of the capex is earmarked for new products, the continuing rollout and enhancement of the modular toolkits, and the completion of ongoing investments to expand capacity. Examples include product start-ups such as the next-generation Golf, the Audi Q5, the new Crafter plant in Poland, as well as upfront expenditures for the modular electric toolkit (MEB). Approximately 50 percent of capex will be spent on the Group's 28 locations in Germany.

Müller also outlined the first projects as examples where investments are being spread out to a greater extent or cut back. For example, construction of the planned new design center in Wolfsburg is being put on hold, saving approximately EUR 100 million. In addition, the construction of a paint shop in Mexico will be reviewed. In the model range, the successor to the Phaeton – a pure-play electric model – is being delayed. "We will review and potentially cancel further expenditures or spread them out to a greater extent in the next few weeks, but without putting our future viability at risk", explained Müller. He added: "Together with the works council representatives we will make every effort to keep our core workforce on board."

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The joint ventures in China are not consolidated and are therefore not included in the above figures. These companies will maintain their previously announced investment levels and are planning expenditures in the amount of approximately EUR 4.4 billion in 2016. These investments will be financed from the joint ventures' own funds.

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