

Purchasing Strategy of Volkswagen Group

Supplier Management as a Key Element of Performance

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Group Purchasing Strategy and Cost Management

Copenhagen, October 2007

Volkswagen Group



- Volkswagen Group is one of the leading motor vehicle manufacturers in the world and the largest car maker in Europe
- Volkswagen Group delivered more than 5.7 million vehicles to customer in 2006
- The Group operates 44 production and assembly facilities worldwide
- A workforce of over 324,000 employees all around the globe produces over 24,500 vehicles per working day
- Volkswagen Group products are sold in more than 150 countries

Volkswagen Group Fleet International – All-embracing solution for International Fleets



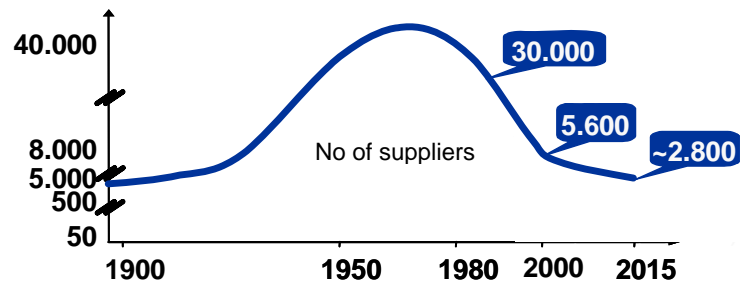
- An established Group Network of more than 18,000 Dealers, Service Outlets and Fleet Customer Centres worldwide
- Leader in the European Fleet Business
- More than 10,000 Fleet Customers benefit from professional, exclusive Services and favourable Purchasing Conditions
- International Bonus-Agreement for Fleet Customers of Volkswagen Group

Conventional Sourcing Process

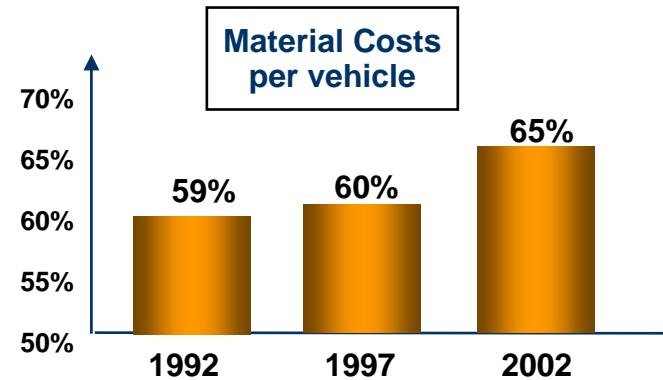


Trends in the Automotive Supply Chain

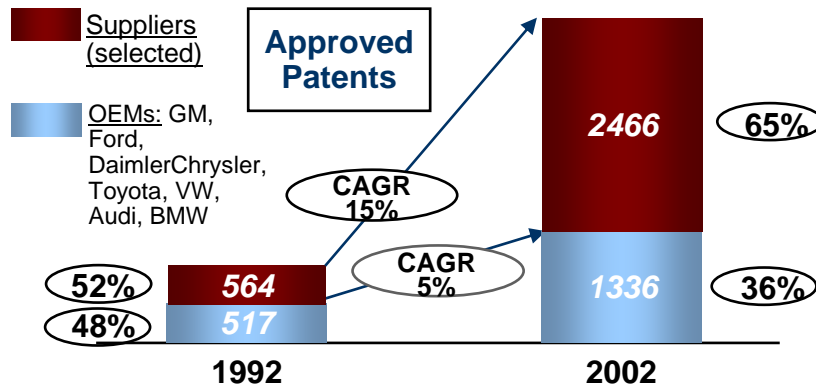
Supplier Consolidation



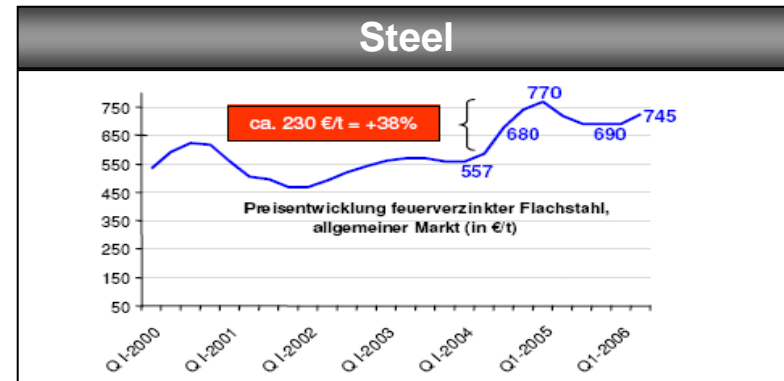
Increase in Material Cost Share



Innovation



Development of Raw Materials



Matching of Internal and External Factors as Term of Performance

Internal Factors

- ▶ Group Strategy and Functional Strategy
- ▶ Resources and Processes
- ▶ Equity of Group and Brands

Upstream

- ▶ Supplier Consolidation and Intensification of Innovation Efforts
- ▶ Increasing Added Value by Suppliers
- ▶ Development of Macro Economics (e.g. Volatility in Raw Material, Wages and Currencies)

Purchasing Strategy

Downstream

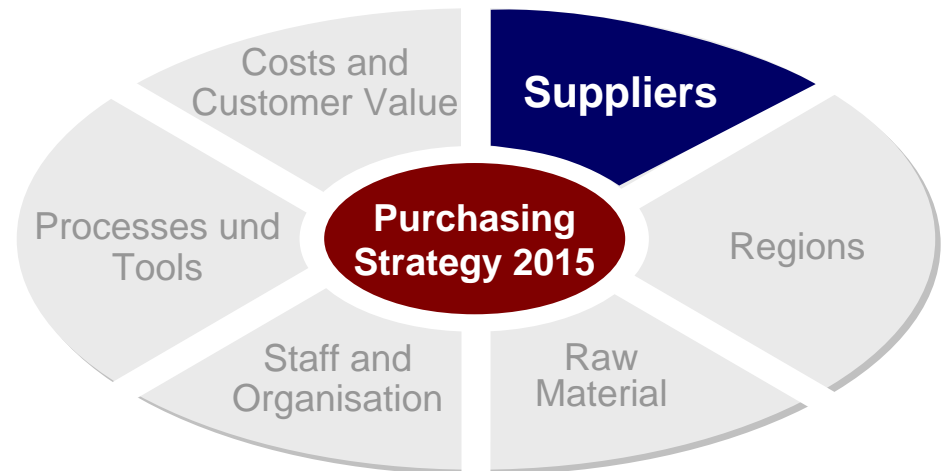
- ▶ Saturation in the USA and Western Europe
- ▶ Customer Requirements Changes
- ▶ Niche Markets
- ▶ Emerging Markets
- ▶ Low Brand Loyalty
- ▶ High Competition

Purchasing Strategy 2015 - Suppliers

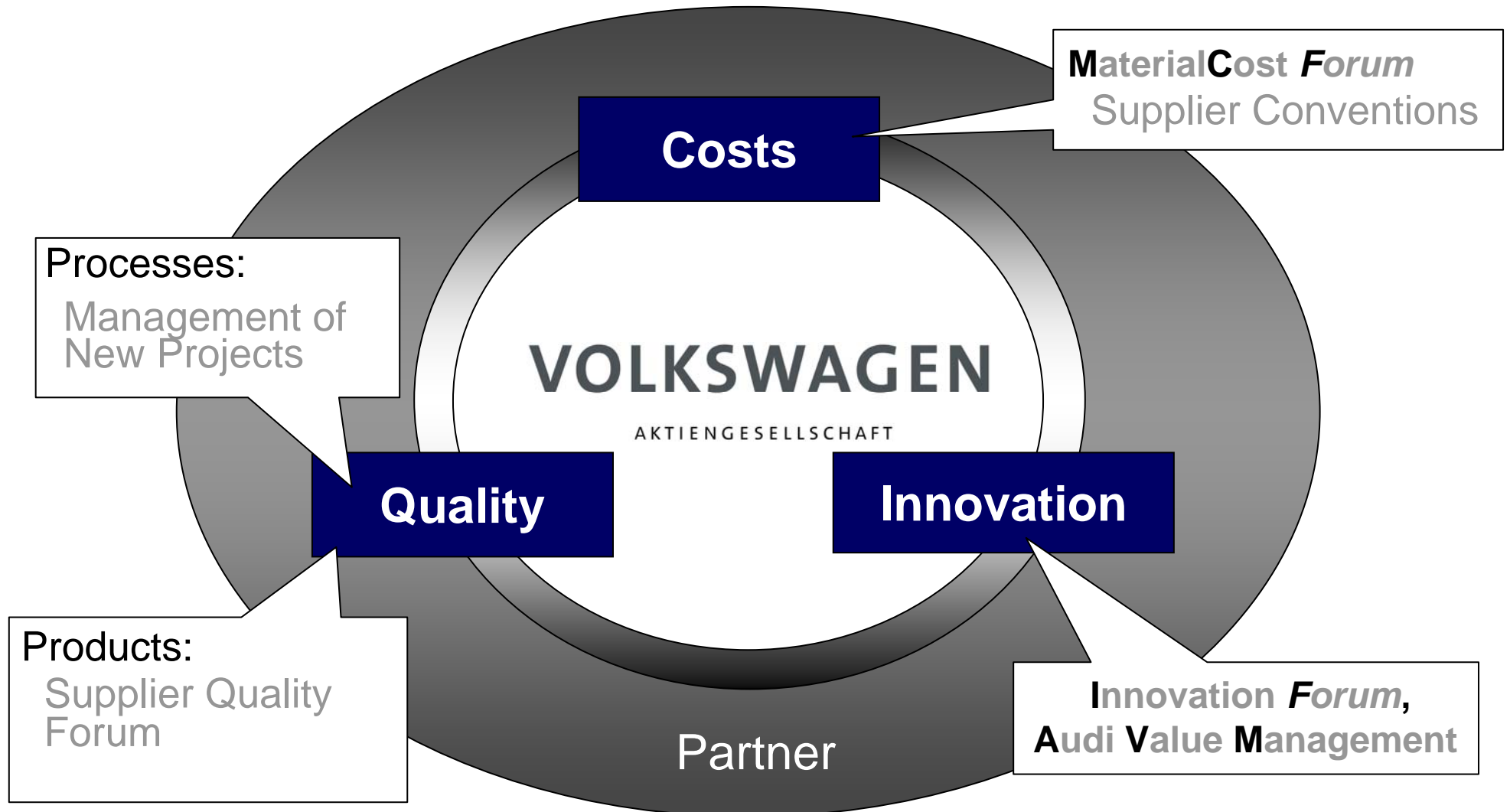
Vision

**Together – best in class,
in customer value and costs**

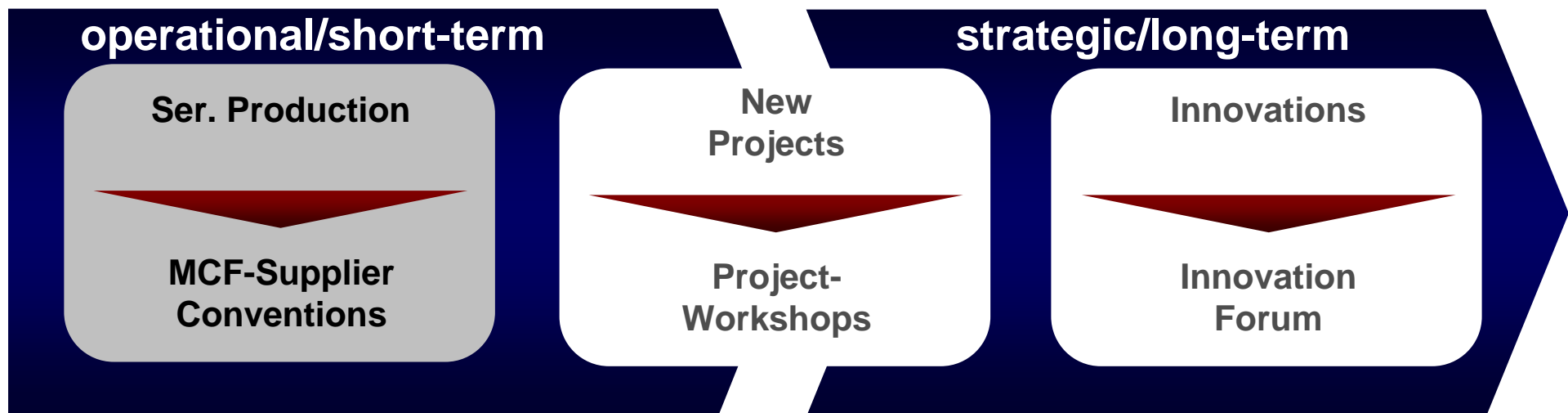
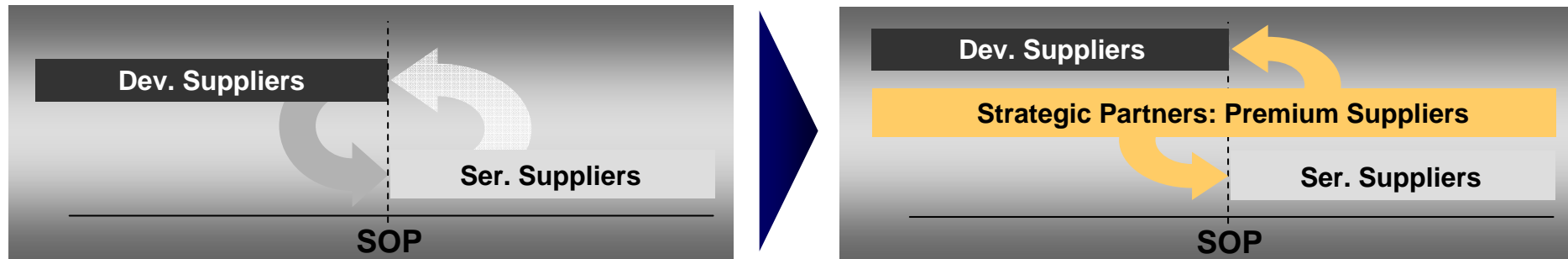
Strategy



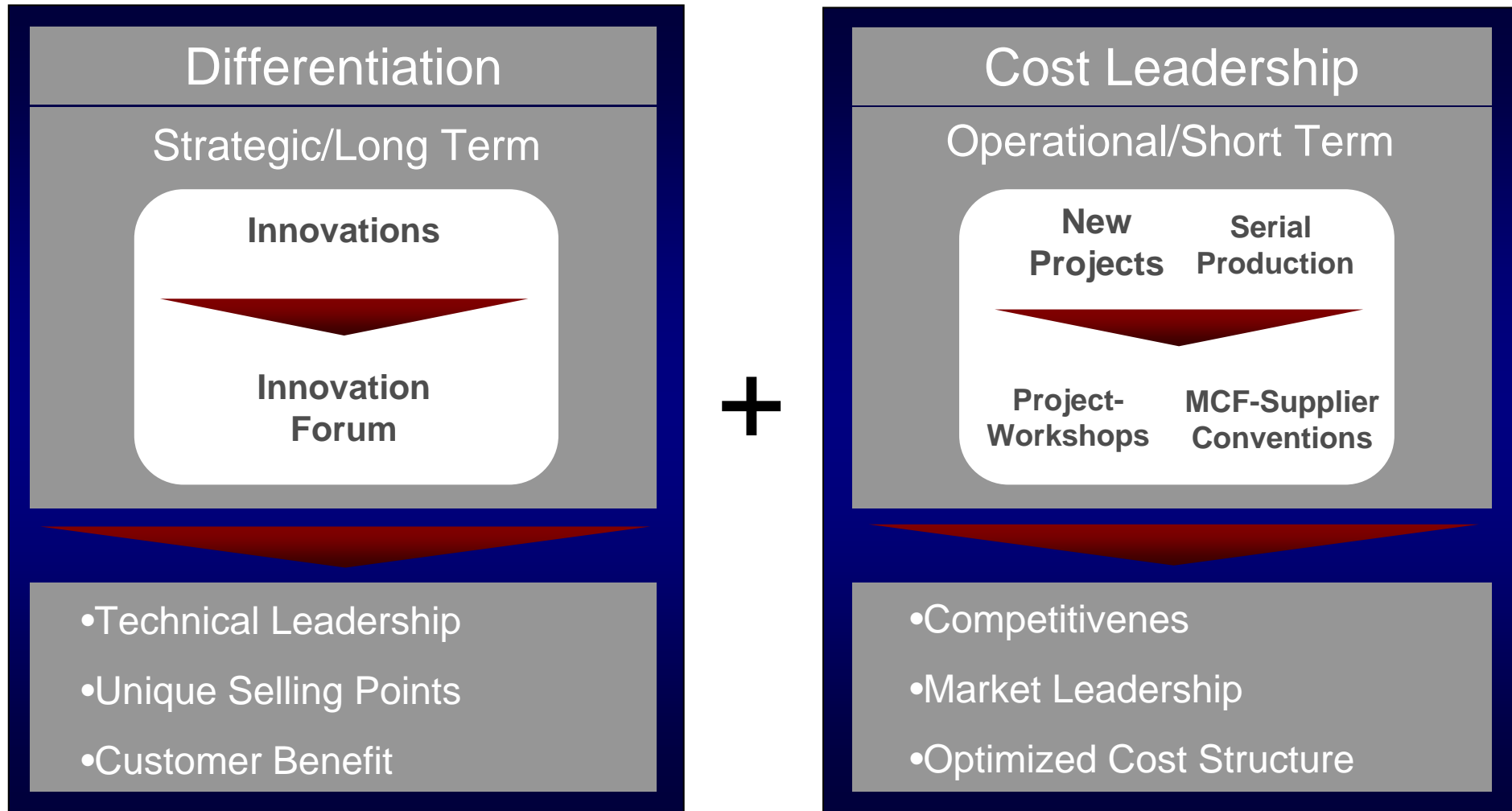
Supplier Management in Volkswagen Group



Strategic Partnerships with suppliers



Procurement – Support for Differentiation and Cost Leadership



Conditions for Successful Achievements

- **Holistic Implementation and Strictly Use of the Methodologies in the Group**
- **Implementation of Measures into Action on Schedule**
- **Tracking of Introduced Processes**
- **Controlling of Defined Potential**
- **Improvement of Tools and Processes**

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