

November 9, 2017

*The spoken word takes precedence*

## **Opel/Vauxhall Future Plan Press Conference Speech Michael Lohscheller, CEO Opel Automobile GmbH**

Good morning Ladies and Gentlemen.

Thanks a lot for following our invitation and joining us today here in Rüsselsheim and wherever you are online across the world.

We took the commitment to present our future plan within 100 days after becoming part of the Groupe PSA and I'm delighted to unveil it exactly 100 days after the closing. We are driving at full speed with a new mindset that will give Opel/Vauxhall a sustainable future.

I would first of all like to thank my Opel/Vauxhall colleagues who have been working hard to build this plan in a record time. I am very proud of our committed team. I would also like to thank our colleagues from Paris who have always been in support since the closing date.

Very importantly – and I want to address this at the very beginning – our objective is to achieve our goals without plant closures and without forced redundancies in Europe thanks to strong improvements in competitiveness.

*PACE!* will unleash Opel/Vauxhall's full potential and turn Opel/Vauxhall into a sustainable and profitable company.

*PACE!* is not just a word, each letter embodies our new state of mind as you can see on the screen.

It expresses our new competitive mindset and willingness to focus on the execution of this plan. Simply because the situation at Opel/Vauxhall is very difficult after many years of losses. There is no doubt: The Status quo is not an option.

Why not? First, because the company did not manage to return to profitability since 1999.

And secondly, we see dramatic shifts for the entire automotive industry. Among the headwinds are the new regulations and targets regarding CO<sub>2</sub> that will play a major role going forward.

Let me be very clear: When we started working on this plan in early August, we quickly came to the conclusion that Opel was not ready to reach the CO<sub>2</sub> targets set by the EU for 2020 and 2021. The potential consequences for the future of the company would have been dramatic.

The good news is that the plan that I am presenting here today allows us to meet the CO<sub>2</sub> targets which is an absolute key pillar for sustainable success and return to profitability.

What we have ahead of us is not an easy task. Opel/Vauxhall needs to change. And we will change. Our mindset will be focused on performance and profitability. This is the best protection for our people and the future as well as against any headwinds. We will build this new Opel with a level of agility that will allow us to move fast and manage all the upcoming challenges of the industry extremely efficient.

I can say firsthand that our talented people are the perfect foundation to build our recovery on. I trust our employees and our management and I'm convinced that we will achieve this altogether with the support of our partners and stakeholders. This is about collaboration and teamwork!

*"PACE!"* will unleash the individual and collective potential. The power is inside! This is also reflected in the way this plan has been established. It is built on expertise of employees from various functions, levels and countries.

Since August 1, our teams did the benchmarking, defined how to close any detected gaps and framed this plan – on top of their regular jobs. Please allow me to say THANK YOU for this great performance.

Seeing the teams preparing this plan, has convinced me that Opel/Vauxhall is ready for big changes throughout our company – from the engineer to the designer, from the marketer to the worker in the paintshop.

Nevertheless, I can't be bearer of good news only. As the CEO, I am transparent and realistic: Reduction of cost in all areas including labor cost will be part of our future plan. It is necessary and unavoidable. But we will do this in a responsible and thoughtful way. And - as I mentioned earlier-, with the intention to refrain from forced redundancies and without plant closures. This is a very important message and shows the commitment not only of Opel/Vauxhall but the entire Groupe PSA.

It goes without saying that we will – as it is good practice within Opel/Vauxhall – consult and negotiate required actions with our employee representatives, especially the works council and the union IG Metall in Germany. We have of course initiated the dialogue right away. Our current thinking goes along the lines of innovative working time concepts, shortwork in selected areas, voluntary programs or early retirement schemes, through a responsible human resources management.

Opel/Vauxhall is a proud part of the Groupe PSA now – which has created a new European champion.

The market share makes us the continent's second largest carmaker with first or second place in the most important markets.

Global sales of the enlarged company amounts to 4.3 million units per annum and automotive revenue sums up to € 55 billion based on 2016 figures. The Groupe PSA now operates more than 40 plants, 10 R&D centers and has over 200,000 employees. The combined purchasing power sums up to almost € 39 billion.

These are impressive figures! We are sure that our employees, business partners and of course our customers will benefit from this strength. We want to make the best use of this new potential.

We have set ourselves crystal clear objectives.

In a first phase, we are targeting to become profitable again and to reach an automotive recurring operating margin of 2% as well as a positive operational free cash flow by 2020.

However, we will not stop there and instead have set ourselves a much more ambitious goal for the second phase of our "*PACE*" plan in which we improve and accelerate profitable growth: By 2026, we intend to reach an automotive recurring operating margin of 6%.

The Groupe PSA has proven that it is possible to reach such ambitious targets in record time coming from minus 2.8% operating margin in 2013 to more than 7% positive in the first half of 2017.

And there is no reason why Opel/Vauxhall can't achieve this, too.

All of us at Opel/Vauxhall are truly committed to fulfilling this plan and we will be proud to deliver these goals. This will require a strong focus on execution which is 95 per cent of the entire work.

The first action that I want to point out to achieve these targets is a significant reduction of our financial break-even point to 800,000 units per year before 2026.

It does not at all mean that we are planning to reduce sales to 800,000 vehicles. We have growth ambitions as you will see later on. Reducing the financial breakeven point to 800,000 vehicles means that we are putting Opel Vauxhall in a position to make a profit from this level of sales. This lowering of the financial break-even point creates a shield to protect the company and its employees from the headwinds generated by the challenging environment that the automotive industry is facing these days.

The focus of our “*PACE!*” plan is not to grow at any cost but to build an efficient and profitable company for a successful sustainable future. Our employees and our stakeholders deserve this.

We have defined four key levers that will enable us to reach our goals:

We have a clear roadmap to become a leader in CO<sub>2</sub> emissions. One important contributor will be electrification. I can proudly say today: “Opel will go electric”.

We will enhance competitiveness by reducing costs while continuing to invest.

We will strengthen our powerful brands.

And we will foster profitable sales.

Coming to the first lever...

We have now a clear CO<sub>2</sub> roadmap to close the previous gap and meet the 95g target set by the EU for 2020.

Measures to reach our goals are set:

- Quick shift of the existing portfolio ahead of 2020
- Full utilization of Groupe PSA technology, making electrification across the portfolio possible.
- This will also be supported by more eco innovations, like smart LED lighting or low resistance tires.

We will have 4 electrified car lines on the market by 2020, including the Grandland X PHEV and the next generation Corsa that will also be available as a fully electric vehicle.

And even more, every new passenger car line in Europe will get an electrified option – offering also a BEV or a hybrid version alongside efficient internal combustion engines.

With that, Opel/Vauxhall will be a leader in CO<sub>2</sub> and a fully electrified European passenger car brand by 2024.

Opel/Vauxhall goes electric.

Let's come to the second lever and how we will improve our competitiveness.

Big contributors to the improved efficiencies are reduced complexity and increased synergies.

Combining strengths will unleash annual synergies on Groupe PSA level of €1.1 bn by 2020 and €1.7 bn by 2026.

About one third of synergies are expected in purchasing, another quarter in R&D and 20 percent in manufacturing.

We are certain that these announced synergies will be reached and we are obviously analyzing further potential.

We will in addition release working capital of € 1.2 billion. The working capital result is mainly driven by changes in the business processes resulting in lower inventory levels and better payment flow. The full working capital effect will be realized by 2022.

We will leave no stone unturned in our quest to reduce costs across all functions. Internal benchmarks within Groupe PSA help Opel/Vauxhall to realize joint savings in multiple areas.

Overall, we will reduce the costs per car by €700 by 2020.

Another good example of the joined forces is that we will significantly improve fixed marketing expenses efficiency by more than 10% by 2020.

General and administration costs will be reduced from a cost to net sales ratio of 5.6% to 4.7% in 2020. Contributors here are for example a reduction of outside supplier costs, savings in IT costs and also a rigorous cut of travel costs.

One other major lever is that we will lower the ratio of wage costs to revenues to industry benchmark – like PSA did in the last few years.

My executive team and I will of course also contribute to the savings. Efficiencies start at the top: A leaner leadership team and simplified processes will also lead to faster decisions: This is why I have reduced the number of my direct reports from 20 to 10. And the board of directors now consists of 6 members, instead of 9. Changes have to start at the top of the company. Or as we say in German: Die Treppe wird von oben gekehrt.

We will reduce the complexity in engineering dramatically. We will capitalize on a common platform strategy. Complexity and parts reduction will significantly increase efficiency.

100% of all passenger car models of Opel/Vauxhall will be based on joint Groupe PSA architectures by 2024 at the latest bringing scale effects.

We will have reduced the number of passenger car architectures from 9 to 2 by 2024. Powertrain families will be reduced from 10 to 4 in the same timeframe.

Additionally, we will lower the number of engine-transmission applications by 40% by 2023.

This major technical shift will be fully managed by Opel engineering, which will be an integral part of the Global Groupe PSA R&D network.

Ladies and gentlemen, I also want to present to you today in detail how the future of this Engineering Center will look like and how we will strengthen the DNA of every Opel/Vauxhall going forward.

Based on Groupe PSA technologies like platforms and powertrains all new Opel/Vauxhall vehicles will be engineered in Rüsselsheim – ensuring that an Opel will always be an Opel and a Vauxhall will always be a Vauxhall.

We will engineer our cars with the same focus on the key differentiators that our customers love – with German precision, quality and reliability. This includes our unique design, the German chassis tuning, very precise shifting and steering and of course our leading light technology, the healthy ergonomic seats and a low noise and vibration level – tested at high-speed on German Autobahn.

Overall we will benefit from a stronger and increased joined Groupe PSA R&D capacity. The joint R&D and capex spendings will amount to 7-8% of the automotive revenue.

We have now a clear vision of the strong contribution of Rüsselsheim R&D center with the creation of core competencies for the entire Groupe PSA. This is a clear proof point how the competence and capabilities of our engineers are recognized.

At the beginning the engineering center will have the lead for the following areas beyond design and conception of all future Opel/Vauxhall vehicles:

- US market federalization for vehicles and powertrains
- Fuel cells
- Alternative fuels
- Certain automated driving and driver assistance developments
- Electric and electronic test automation
- And Software configuration & release

Of course, our engineers will work closely with the other Groupe PSA R&D centers across the World.

With this setup the future of Opel engineering in Rüsselsheim is at the heart of the Groupe PSA R&D network which will benefit to a maximum from the highly recognized competence of our engineers.

Status quo is not an option in manufacturing and our goal is to enhance competitiveness as we want to bring Opel/Vauxhall plants to industry benchmarks.

We target to improve efficiency of our manufacturing and logistics by more than € 400 per car by 2020.

We will use several levers like the reduction of the component diversity by 50% or rightsizing the plant space and improve logistics efficiency. We target space savings of around 25%.

Our goal is to increase utilization of our European plants to more than 100% by 2020; e.g. by moving volumes from Korea to Europe. By 2020, we will import nearly 200,000 vehicles less per year.

Another lever is that we will be able to reduce our capex from 6% of revenue in 2017 to 4% in 2020 through improvement in carry over of tools.

All of those measures will contribute to reduce the performance gaps as quickly as possible. This is also a prerequisite for additional workload and investments.

Top performance leads to new vehicle allocations for the manufacturing sites. For each plant we are building a roadmap to make the plants competitive again and to secure their future with the allocation of Groupe PSA brands models, as per existing cross-manufacturing principle.

For strategic reason, we can't inform in detail about future vehicle allocations, but I can unveil first parts of the global investment plan for the modernization of the following plants. We target:

- The localization of the EMP2 platform
- in Eisenach for the production of an SUV in 2019 and
- Rüsselsheim for a D segment vehicle.
- The allocation of new powertrains in Opel/Vauxhall manufacturing sites will accompany the shift from GM to Groupe PSA engines and gearboxes.

Let me now guide you through the actions of our third lever: We will strengthen our two strong brands and improve in pricing power and quality.

Our Opel/Vauxhall brands are clearly positioned.

The Opel brand promise is: Opel offers German precision, engineering and high-tech for all; we ensure that the latest and most relevant innovations are accessible to everyone.

The brands Opel, Vauxhall, Peugeot, Citroën and DS Automobiles already differentiate themselves very strongly today with a very low cannibalization risk.

There is one thing we have made clear from the beginning: Opel will remain a true German brand. It adds "Germanness" to the Groupe PSA portfolio.

The Grandland X, which you see at the back of this room, is a prime example for the brand differentiation within Groupe PSA.

The Grandland X and its cousin the Peugeot 3008 are jointly developed within the Groupe PSA on the cutting edge EMP2 platform. And even though the Grandland X shares the platform with the Peugeot 3008 everybody can see that these are two very different vehicles addressing two different kind of customers. The Grandland X is a true Opel, the 3008 is a real Peugeot.

This brand DNA is reflected in our new brand claim, which we introduced this summer: "Die Zukunft gehört allen"/"The future is everyone's"

Let's have a closer look.

The same what applies to the Opel brand obviously is also true for the Vauxhall brand: Every Vauxhall will be a true Vauxhall. And Vauxhall will remain a true British brand.

The Opel/Vauxhall design philosophy, manifested in our creations, is defined as “German precision” meets “sculptural artistry”.

The Germanness of the Opel brand represents technology, precision, quality and a structured purity in both design expression and execution. The sculptural aspect of our design highlights the important exciting and emotional side of Opel/Vauxhall.

Our Design philosophy will stay consistent but be reinterpreted over time with established design cues evolving to express the boldness of our brand.

On the chart behind me you get a first glimpse of what you can expect of Opel/Vauxhall in the future.

Design will remain one of our core strengths and brand differentiators going forward, showcasing innovative visionary ideas and technologies that will be exciting and relevant for all our customers.

Based on even stronger brands and high quality products, we will focus on enhancing our pricing power. We will also focus on communicating these values even stronger to our customers.

A better sales mix and price positioning are key pillars to make progress in this area. Key focus is to capitalize on our young product portfolio in the fast growing SUV segment:

By 2021, 40% of our sales volume will be in this booming and very profitable market segment. Next year, our three SUVs Crossland X, Mokka X and Grandland X will be available for the first time for a full year.

Let me name just a few further examples how we reach a higher pricing power:

We will reduce drastically non-profitable sales and will be very disciplined in terms of sales channel mix. We aim to grow our market share in retail with our new product offerings and fleet with improved Total Costs of Ownership thanks to CO<sub>2</sub> forthcoming leadership.

The introduction of the top of the line trim level “Ultimate” will position our cars higher. Our overall pricing power target is a three-year improvement by 4 percentage points versus the benchmark.

We are convinced that quality must be at the core of our DNA.

Substantial improvements in quality performance have already been achieved in recent years but we will not stop in improving every day. We want to be among the best in industry with regards to quality, customer satisfaction and loyalty.

We have set ourselves clear targets:



Our goal is to achieve a leading position in quality and customer satisfaction for each new product we bring to the market.

In Manufacturing, we are moving from a purely manufacturing-focused quality approach to a holistic enterprise approach. The Direct Run Rate is a key performance indicator for first time quality in the manufacturing process. Our goal is to close the gap versus industry benchmark level by 2020.

Furthermore, we will improve our brand loyalty through actions and incentives at a dealer level to close the gap to the benchmark by more than 50% by 2020 and achieve benchmark levels by 2024.

We will support increased residual value of our products by improving reliability & durability – totally in line with the brand claim that stood for Opel over decades: “Opel – Der Zuverlässige”.

Let's come to the fourth lever: We will put a stronger focus on profitable sales – with new models, markets and a LCV offensive.

As you all know, 2017 was an exceptional year for Opel/Vauxhall with the launch of seven new models.

We will continue our product offensive and on the short terms, this includes two major launches: The new Combo in 2018 and the next generation Corsa in 2019. In total, we will launch 9 new vehicles until 2020 including body styles and mid-cycle enhancements.

To put even more focus on profitability, we will reduce complexity and focus on key profit pools, options and versions.

Beyond our passenger car offensive, the light commercial vehicle business will be an even stronger contributor for Opel/Vauxhall in the new set-up as we will benefit from synergies with the European market leader – which is Groupe PSA!

We will develop our footprint in this financially attractive business, where we are currently underrepresented.

Enablers will be:

- The strengthening of the attractiveness of the LCV business for our dealers.
- The launch of the new Combo in 2018 which is jointly developed with Peugeot and Citroën brands. This very competitive product will lead to higher sales thanks to a strong, exciting vehicle, both in the commercial and the Family Mover Segment.
- Exploration of new markets potential, starting with Turkey.
- Start of the electrification of our LCV portfolio in 2020 to address customers' needs and fulfill the cities' requirements for the future.

We have set ourselves ambitious targets: The total LCV volume will be increased by more than 25% between 2017 and 2020.

Another driver of profitable sales will be the increase of export sales outside Europe as there is a clear potential for a German brand.

Our plan foresees to double overseas sales by 2020 and achieve more than 10% of our annual sales volume outside of Europe by mid of next decade.

To reach this, we will further strengthen our brand in the 15 export markets in Asia, Africa and South America where we are already present today.

Beyond that, we will enter more than 20 new export markets by 2022 by leveraging Groupe PSA sales and industrial footprint around the globe.

The fact that Groupe PSA operates plants around the world gives us many opportunities to expand our international footprint quickly and without huge investments in green fields.

Additionally, we will explore worldwide mid-term opportunities for the launch of Opel in important global markets such as China and Brazil. Of course each export business must make money.

Opel will go global! Finally!

We have identified additional profit and revenue drivers:

We will develop our aftersales business which will lead to an improvement in operating profit of more than €100 million until 2020.

One important aspect is finding synergies in the warehouse and logistic footprint across Europe.

Learning the best way to market our parts and accessories to our customers in Europe together in our new constellation will lead to further profit improvements.

Another important cornerstone of our future plan is the strengthening of our financial services activities. The closing of Opel Bank is effective since November 1<sup>st</sup> and will lead to new possibilities for us.

- We will introduce full service leasing offers – in a first step in Germany starting in 2018.
- We will be able to offer benchmark financial services via Opel Bank and Vauxhall Finance, leveraging BNP Paribas' very competitive cost of funds and Banque PSA expertise.
- Overall, we will increase the penetration of financial offers, services and insurance products.

Furthermore we will continue to professionalize our dealer network. We will enable our dealers to become more performance oriented. We will also foster the digitalization in sales – a good example is our CAYU pilot store that we just opened in a mall in Stuttgart.

You have just seen a comprehensive overview of the most decisive measures we plan to implement in the coming months and years to make Opel/Vauxhall profitable and sustainable.

Through “*PACE!*” we commit to deliver clear targets:

- In the first phase, positive operational free cash flow and 2% automotive recurring operating margin by 2020 and then 6% by 2026.

Let me summarize how we want to achieve these targets:

The levers for our turnaround are:

A clear roadmap to become a CO<sub>2</sub> Leader and a fully electrified brand by 2024.

We will enhance our competitiveness and implement synergies of €1.1 billion p.a. by 2020 respectively €1.7 billion p.a. by 2026 on a Group level. And we will release €1.2 billion working capital by 2022.

We will lower our financial break-even point significantly to 800,000 units before 2026.

One of the key elements is a drastic reduction of complexity. We will lower the number of platforms for passenger cars to two and reduce the number of powertrain families to four by 2024.

Furthermore we will improve efficiency and reduce complexity in our plants as increased competitiveness is a precondition to secure the future of our plants.

We intend to achieve all our goals without plant closures and without forced redundancies.

While we aim to become significantly more efficient we also invest into our production sites. New products will be allocated to our plants – starting with Rüsselsheim and Eisenach.

Our Engineering center in Rüsselsheim will be a key contributor to Groupe PSA Global R&D. All new Opel/Vauxhall vehicles will be engineered in Rüsselsheim. First Opel/Vauxhall competence centers for Groupe PSA are already identified.

We will continue to strengthen our brands and increase our pricing power. We are targeting an improvement by four percentage points vs. benchmark by 2020.

Last but not least we will foster profitable sales. In total, we will launch nine new vehicles until 2020 - including body styles and mid-cycle enhancements.

We will increase our LCV sales by more than 25% until 2020.

We will enlarge our frontiers and increase overseas sales to more than 10% of sales by the mid-2020s.

Additionally, we will capitalize on new possibilities thanks to the strengthening of our financial services activities.

Today is the first day of the execution of *PACE!* and we are all committed to deliver! I trust my team and all Opel Vauxhall employees and know that I can rely on the support of the entire Groupe PSA. Altogether with our stakeholders and partners, we tackle every key area of our business.

Opel/Vauxhall will go profitable, electric and global!

Thank you!

And now I would like to handover to Carlos Tavares for some further remarks.