
****From****: Diess, Herbert, Dr. (K-G)
****Sent****: Wednesday, February 2, 2022, 8:30 PM
****To****: Nikollaj, Gredi (I/FV-4)
****CC****: Brandstaetter, Ralf (K-M); Woellenstein, Stephan (VW-China 1)
****Subject****: Re: CHINA BUSINESS IN DANGER

"Thank you for your open feedback, Mr. Gredi – we need a constructive culture of debate. We will certainly discuss these issues."

****HD****

****From****: Nikollaj, Gredi (I/FV-4)
****Sent****: Wednesday, February 2, 2022, 3:57 PM
****To****: Diess, Herbert, Dr. (K-G); Antlitz, Arno, Dr. (K-F); Duesmann, Markus (GJ); Rittersberger, Juergen (F)
****Subject****: RE: CHINA BUSINESS IN DANGER

_"Dear Mr. Diess,
Dear Mr. Antlitz,
Dear Mr. Duesmann,
Dear Mr. Rittersberger,"_

Please note that the China business is slowly but surely going down the drain due to the incompetence of middle management.

- ****PPE factory**** → absolute chaos. The management at OE1 level is asleep.
- ****Two-partner strategy**** → not working. FAW-VW personally called Mr. Duesmann to complain, noting that the OE1 level is completely clueless – they even laughed about it.
- ****CKD negotiation result B10****: disastrous – nearly 1 billion euros wasted so far. Today's justification: losses are within the planning framework, so it's fine – moving on.
- ****Negotiations on Q5 & A6 (bread-and-butter vehicles)****: same fate as B10, as the values of KPE have been partially written off.

When these issues are addressed explicitly, no one knows what's going on. It is justified and glossed over to a ridiculous degree.

****Solutions****:

- Move the PPE factory over to Volkswagen-JAC
- Within the two-partner strategy, integrate Volkswagen-JAC
- Insulate Q5 & A6 from the B10 negotiation results and absorb losses elsewhere_

****Management in China needs to be replaced****: The current management in China is too self-absorbed. They are only focused on maintaining and justifying their own positions. This is evident from the level of GJ and FV. The discussions and topics miss the essential points. These leaders have been in place for far too long without any fresh perspective. A new team is urgently needed, as the China business has changed and is on the verge of total collapse!

I therefore recommend the immediate introduction of a cross-brand task force for China that can take over these issues without being hindered by personal sensitivities. If nothing is done now, the Chinese market will crash for the entire group. And let me remind you: if you don't act now, the Chinese will stop buying, or worse, steer out of fear and uncertainty, just like us. We need them just as much as they need us.

I am writing this email because I care about the company and because middle management is currently placing personal interests above those of the company. Should this message cause discomfort, I am happy to discuss.

Best regards,
Gredi Nikollaj"
