

**– Check against delivery –**

**Matthias Müller**

**Speech at the  
Annual Media and Investor Conference  
on April 28, 2016**

---

**– Part I –**

---

Ladies and Gentlemen,

A warm welcome from me as well on behalf of the entire Board of Management to this Annual Media Conference of Volkswagen AG. For reasons of which you are aware, this conference is being held somewhat later in the year than you are accustomed to. However, you may rest assured that this shall remain an exception. We are pleased that so many of you have been able to join us here today – although we would prefer to be greeting you under more favorable circumstances.

We know you have brought many questions with you to Wolfsburg today – including questions about the diesel issue. With the software manipulation of diesel engines at Volkswagen, rules were broken and ethical boundaries overstepped. That is very painful, and we apologize sincerely. Because we know we have disappointed so many people who have placed their trust in Volkswagen. We recognize our responsibility. And we are doing everything in our power to regain trust. That is the main thing for us – the main thing for me.

We would also like to take the opportunity of this Annual Media Conference to demonstrate to you that in spite of everything, Volkswagen remains a strong and vibrant company. There is no better place to do that than here in Wolfsburg, the heart of the Group. And what better place is there in Wolfsburg than here in the Autostadt, where Volkswagen meets its customers every day in person. Where the unbroken fascination that our brands and our vehicles evoke in customers all over the world can be felt and experienced directly.

Ladies and Gentlemen,

Let us begin with a brief overview of the past year. You are already familiar with the key figures. They demonstrate that the Volkswagen Group's operating business is in good shape – despite all of the difficulties of recent months.

In fiscal year 2015, we again delivered some 10 million vehicles to customers worldwide. This was just short of the level for the previous year, despite the headwinds in some key markets. And for the second time in a row, we recorded a sales target that we had originally not expected to achieve until 2018. Even though high volumes are not an end in themselves for us, the figures highlight the fact that we have the right products lined up in many countries and market segments.

We once again succeeded in increasing Group sales revenue, with notable gains both in the automotive sector, with our 12 brands, and in financial services. Now more than ever, it is paying off for us to have built our business on several sustainable pillars. To put it clearly: The Volkswagen Group's broad portfolio is not a burden, but a big strength – especially now.

This can also be seen in our operating profit. Before deducting special items, it was actually slightly higher than the excellent figure of the prior year. This is proof of the Volkswagen Group's high earnings power.

Let me present a few encouraging examples to demonstrate this:

- AUDI delivered 1.8 million vehicles to set a new sales record and remain the market leader in Europe and in China. Operating profit before special items nearly reached the high level of the prior year.
- Porsche increased its deliveries to customers once again with a rise of some 19 percent to 225,000 vehicles – and remains the world's most profitable automobile manufacturer with a return on sales before tax of 15.8 percent.
- The ŠKODA brand, which celebrated its 120<sup>th</sup> anniversary last year, delivered more than one million vehicles for the second time in a row. Just a few years ago, no one would have thought it possible that ŠKODA would contribute more than €900 million to Group earnings in fiscal 2015.
- Another area not often in the limelight is our financial services division, which is in fact a fundamental pillar of the Group – now more than ever. In 2015, Volkswagen Financial Services contributed €2.2 billion to the operating result, more than ever before.

I would have no trouble continuing the list. I could add SEAT, for example. Our Spanish subsidiary is well on its way to sustainable profitability. The commercial vehicle segment is another example. Here, the collaboration between MAN and Scania is picking up steam. We are now projecting long-term savings from synergy effects of up to €1 billion per year. All of this goes to show that our Group is built on many strong pillars. And we benefited from that once again in 2015.

Ladies and Gentlemen,

We are aware that in recent months much has been said about our business in the U.S., for obvious reasons. And justifiably so. Nevertheless, at this juncture I would also like to direct your attention towards other regions of importance to us.

Germany and the other countries in Western European have made up the Volkswagen Group's core market right from the start. That is why the increase in passenger car deliveries of 5 percent in our home market and 5.1 percent in the rest of Western Europe in 2015 is so encouraging, and also very significant.

With regard to China, much has been said and written in the past year. The global economy has been shaken by concern about a potential major slowdown in economic momentum there. Such a scenario – which, incidentally, we do not regard as probable – would certainly have serious repercussions, especially for the automotive industry, and of course for us as well. As you know, China has been the Volkswagen Group's most important sales market for a long time. This was also the case in 2015, when we once again sold more than 3.5 million vehicles there. The share of operating profit amounting to €5.2 billion attributable to the Chinese joint ventures, accounted for in the financial result, is proof of the high earnings power.

We are making every effort to maintain our position in China in increasingly tough competition. Only, recently at the Beijing Motor Show, we made this very clear: Volkswagen Group China and our joint venture partners are fully committed to their ambitious investment plans. In the current year alone, we plan to invest more than €4 billion in China – above all in highly efficient, environmentally friendly vehicles and production processes.

Ladies and Gentlemen,

We are talking about strong brands with tradition – and with fascinating products that technologically pave the way to the future. That is the Volkswagen Group. Returning to our roots is not a mere ritual for us. Our history is part of our identity, and we take pride in cultivating it. That is why occasions such as the 40th birthday of the Golf GTI and the 100th anniversary of MAN commercial vehicles were among the highlights of our fiscal year.

Tradition is founded on tenacity and continuity. But it also requires the willingness to embrace constant change and the ability to innovate. Nowhere is this more evident than in the vehicles that we are launching on the market. The year 2015 saw around 60 premiers across all brands, of which we are very proud. These are outstanding vehicles that embody the commitment to quality that people all over the world have come to associate with our products. Here you can see some of the milestones we reached in 2015.

My personal highlight of 2015 has nothing to do with figures or technology, however, but with the people at Volkswagen. Since my appointment, I have met and talked with many of our employees. And I have every reason to thank them. For their untiring efforts – especially now. For the devotion and passion that inspires them to give their best to the company and its customers, day in and day out. And for their loyalty and trust. All of us – my colleagues on the Board of Management and I – are well aware of what this company owes to its team.

Ladies and Gentlemen,

All of this gives good reason to conclude that Volkswagen is far more than crisis. But we can nonetheless hardly avoid saying that the current situation demands everything of us, in every respect – including financially.

In fiscal year 2015, the diesel issue generated a negative financial impact of a magnitude never before seen at Volkswagen. The resulting exceptional charges recognized in our operating result add up to €16.2 billion. This figure includes all known repercussions, particularly the provisions recognized for pending technical modifications, customer-related measures and global legal risks.

Our operating business was not strong enough to cover this enormous burden. As a consequence, we are reporting a negative operating result and a Group loss for 2015. That is very painful. Because it negates the success of an entire fiscal year that would otherwise have gone down in our annals as another good year. Because ultimately, the harm was the fault of our company itself. And because the cause of the problem contradicts everything Volkswagen and its people stand for and work to achieve on a day-by-day basis: for outstanding, safe and environmentally friendly products that deliver on what they promise.

The good news is that the Volkswagen Group is robust enough to withstand this financial burden. We have a strong financial basis. In the 2015 calendar year alone, the net liquidity of the Automotive Division increased by nearly 40 percent to €24.5 billion. Frank Witter will discuss the financial aspects in more detail in a few moments.

For my part, I now would like to explain to you where we stand in overcoming the crisis – beyond the financial issues already described. I would also like to outline how far we have come in realigning the Group – an endeavor we embarked upon regardless of the crisis to create the conditions for Volkswagen to keep growing successfully on a sustainable basis.

You may remember that last October I presented to you the five points that are in the foreground of our efforts. Those five points continue to form our agenda. And we are doing all that we can to make progress as quickly as possible, but also to proceed with the requisite caution.

Our first priority is to assist the affected customers by offering convincing technical solutions. This will remain our most important task until the very last vehicle has been put in order. I admit that we are not as far as we would like to be in this. We have developed a detailed plan for the measures necessary in Germany, and as a result in Europe, and have mobilized the necessary resources. And as planned, we were able to start the refit campaign in Germany in January with the Volkswagen Amarok.

But there has been an unexpected delay in the further rollout of the plan. While we are making progress with Audi and SEAT, we are still working at full speed to develop a final solution for the Volkswagen Passat. We may, however, give priority to another model. The decision on this will be made soon in close consultation with the German Federal Motor Transport Authority. Nevertheless, the fact remains that we will continue to make every effort to execute the recall campaign as quickly, professionally and satisfactorily as possible for the benefit of our customers.

In the U.S., the agreement in principle reached last Thursday represents a major step forward in resolving the diesel issue and the associated legal disputes as well as in our efforts to provide the affected customers with technical solutions. Please understand, however, that we cannot provide any further information on the specifics. The court has ordered all parties to maintain strict confidentiality. We will comply with that. We have a good bit of work ahead of us. Working out the details will involve time, care and strict confidentiality.

As regards our second priority – an exhaustive investigation into the events in question – we presented the results of our internal audit to you last December. More recently, we issued a statement last week on the status of the external investigation by Jones Day commissioned by our Supervisory Board. The investigation is already far advanced. Based on the current assessment, Jones Day expects the investigation to conclude in the fourth quarter of 2016.

As you know, we had originally announced that the interim results would be published this month. To our regret, our legal counsels have strongly advised against such a disclosure. We explained the reasons for this last week as well. Disclosure of interim results at this point in time would present unacceptable risks for Volkswagen, especially in view of the situation in the U.S. and the ongoing talks there.

Consequently, I have no other option but to ask once again for your understanding. At the same time, I would like to assure you that despite comments to the contrary, nothing is being hushed up or concealed at Volkswagen. We ourselves have the closest interest in learning everything possible about both the causes and the responsibilities. That is the only way we can learn the appropriate lessons from this. And the only way we can ensure that nothing like this will ever happen at Volkswagen again.

In terms of making progress with points 3 to 5 on our list of priorities, that lies – as opposed to the first two points – entirely in our own hands. These issues are not directly connected with the diesel issue, but have simply taken on more urgency because of it.

The core of the matter is the realignment of the Volkswagen Group – its structures, the mindset here and our strategic objectives. I will go into more detail on this in the second part of my speech. But I can say this much here: With the new leadership team in place, we are working full steam ahead to decentralize our structures and make our processes more efficient. Our goal remains to have implemented all facets of the new structure by the start of 2017.

With reference to the “new mindset”, we have implemented numerous individual changes aimed at revamping our leadership culture and have initiated a discussion process enabling employees at all levels to engage in defining the values that will guide the company’s actions in future. Development of our "Strategy 2025" is also making good progress. We are working within the Group and hand-in-hand with the brands to be able to offer compelling solutions to the great challenges of the future by mid-year, as announced.

To conclude, I can say that we will not be deterred from completing any of these five core tasks. We are making gradual progress in dealing with the diesel issue. And we are repositioning ourselves for the future. More on this later.

First, I would like to hand over to Frank Witter, who will now discuss the figures for fiscal year 2015 in detail.