

– Check against delivery –

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– Part III –

Ladies and Gentlemen,

The challenging fiscal year of 2015 now lies behind us. 2016 is already well underway, and this year will not be any less demanding. According to our original planning we would have presented you today with our first-quarter results. This was not possible due to the postponement of the adoption of last year's financial statements. We will present you with the statements for January to March on May 31, as announced.

We ask for your understanding that until that time, we will not be able to comment in any detail on our financial performance in the first quarter of the year. I can say this much, however: given the difficult circumstances, we are satisfied with our start to the year.

Apart from Volkswagen Passenger Cars, all brands increased deliveries – in some cases substantially. Regional performance varied greatly, as expected, in line with the heterogeneous picture currently offered by the global economy. For example, Russia and Brazil persist as problem areas for all automakers, ourselves included. And no one will be surprised that our position in the U.S. has become more difficult, at least with regard to the Volkswagen brand. However, the sales decline in the U.S. has been kept in check on the whole, above all thanks to the sustained success of Audi and Porsche.

In contrast to the trend in the U.S., the sales trend in Europe and Asia-Pacific was very solid in the first quarter of 2016. In China, we had the best start to the year since we entered the market in 1984.

Our sales performance gives us grounds for some optimism as we go into the next few months, although we are also accordingly realistic.

We know that 2016 will be another highly demanding year for the Volkswagen Group. Because we have to process the diesel crisis and its consequences. Because the realignment process currently underway will tie up capacities. Because competition is becoming increasingly tougher – and because others will attempt to gain from our situation.

We do not expect much of a boost from the demand side. Our assumption is that global economic growth will persist at last year's moderate level. Developments on the passenger car markets in 2016 will again be very mixed, with Asia continuing to offer the best prospects. All in all, worldwide demand for new cars is likely to rise, albeit more slowly than in the past year. For the commercial vehicle business, we are anticipating a slight improvement in the market as a whole.

For the Volkswagen Group that means we expect deliveries to customers in 2016 to remain more or less at the high level of the prior year overall which translates into deliveries of around 10 million vehicles.

From a current perspective, Group sales revenue will fall below the figure for the previous year. We do not expect the decline to be dramatic. But depending on economic conditions, particularly in South America and Russia, and exchange rate trends and given the emissions issue, the decrease could be up to 5 percent. In terms of the Group's operating result, we anticipate an operating return on sales of between 5.0 and 6.0 percent in 2016.

In 2016, we will naturally be paying very close attention to our costs. The ongoing efficiency programs in the Group and among the brands are in full swing. With regard to capital expenditure, we will set the necessary priorities and maintain strict discipline.

There is one thing that goes without saying for us: Even in tough times, we will meet our social responsibility to our employees. This is the difference between Volkswagen and many other companies. And that will remain the case in the future.

All in all, from today's perspective we have good chances of again recording solid growth in our operating business in fiscal 2016. Admittedly, this type of annual forecast is not the "faster, higher, further" that you are familiar with from Volkswagen.

The drive to break the records set in past years has at minimum been interrupted. To be quite clear: that doesn't disturb me in the least. We are pursuing a different agenda this year – and are adjusting our priorities anyway. More than ever, our most important currency is our credibility and the trust in our brands, in our products and in Volkswagen itself.

Regaining that trust will be our most important task over the next few months. All else takes second place to this at the moment. But that does not mean that we have buried our ambition. Quite the opposite. We do not plan to make it easy for the competition to weaken us. We will fight for every customer and every car.

The 60 or so innovations that we are launching on the market this year will contribute to this. Some of them are already on the road, for instance the new Volkswagen Tiguan, for which we have high expectations.

In our new model rollout, we are first of all placing our focus on especially high-growth segments such as small SUVs. We are also launching the new Audi Q2, the SEAT Ateca and an A+SUV from ŠKODA. Secondly, we are responding to the specific needs of local markets, for example with a mid-sized SUV for the U.S. market that will be rolled out this year, and with spacious sedans such as the Phideon designed especially for China. Of course, e-mobility is also a core element of our model policy. I will come back to that later.

As you see, ladies and gentlemen, we are not letting the crisis slow us down, but are stepping on the gas – in all of our brands, and in all relevant markets. And in realigning our Group too.

2016 will be a year of transition for Volkswagen – that much is clear today. However, it will also be a year in which we accelerate our transformation. In which we set the stage for the future of the Group. In which we lay the foundation for a new, better Volkswagen.

To address all of this now is not a luxury, but an absolute necessity. The automotive industry is on the cusp of the next big innovative leap. The car of the future is more efficient, more intelligent, more comfortable and also safer than ever before. It will be powered by electricity, and in a few years will drive itself. It will be connected via next-generation wireless technology and will always be up to the latest technological standards thanks to continuous software updates.

At the same time, customer preferences are changing, which is changing the automotive business model. The foundation remains the sale and leasing of vehicles. But that foundation will also serve new software-based solutions and services being developed around our core product of “mobility”.

We are in a good starting position for this epochal transformation, which will also become a race against time. And we have many strengths to throw into the mix:

- Twelve fascinating brands with a longstanding tradition and just as much charisma.
- Our technological competence paired with an innovative strength in the Group alliance that knows no equal.
- Our global presence, which we are expanding strategically and with the requisite sense of.
- A focus on quality that is firmly entrenched in the identity of all companies in the Group.
- A team of 610,000 employees who give their all every day for our customers.
- The trust and loyalty of the millions of customers all over the world who stand behind us.
- And last but not least our solid finances, which will enable our ambitious investment program in spite of all setbacks.

That is, if you will, the positive side. But we also see room for improvement, however. This is the purpose of the realignment I mentioned at the outset:

- This is about even more efficient structures in the Group.
- A new mindset of candor, courage and cooperation.
- And about a new objective for this global group, i.e. to develop a persuasive, forward-looking strategy for the coming 10 to 15 years.

The goal of both you and I is to make Volkswagen more efficient and faster, more entrepreneurial and courageous, more sustainable and technologically more progressive. That is without question an enormous task. But we are making good progress. I would like to give you a few examples.

If the main thing is to make the Group more efficient, faster and more entrepreneurial, then introduction of a series organization will be among our biggest – and most important – projects, apart from our decentralized positioning and greater independence for the brands and the regions. Why?

In the past, our work was strictly separated by function. R&D developed, Procurement procured, Production produced, and so forth. Even minor decisions were frequently made by the Board of Management or its Chairman. In the future, many corporate decisions will be delegated to the series, which will bear full responsibility for a vehicle project, from design and engineering all the way to cost and scheduling discipline.

For us, this is equivalent to a paradigm shift. But it will be well worth the effort, because this is how we will strengthen our corporate eye for the big picture and promote a results focus. We are making our decision-making processes much faster and shorter. We are promoting teamwork and avoiding a silo mentality. Porsche has had very good experience with this principle for some time now. The Volkswagen brand will be rolling out a series structure by mid-year. Audi, ŠKODA and SEAT are also ready to realign themselves by series.

At this juncture, please allow me to say a few words on our core Volkswagen brand, about which much has been said and written in recent weeks. Under the leadership of Herbert Diess and his Board of Management team, the Volkswagen brand is in the process of fundamentally reinventing itself, which will include the new series organization. The aim is to leverage the full potential of this outstanding brand. To reach this goal, everyone who holds responsibility for Volkswagen is working with great dedication – and side to side.

Ladies and Gentlemen,

Right from the start, I have always insisted that apart from more efficient structures, what our Group needs is a new mindset and a new leadership culture. This has been misunderstood by some as a mere reflex in response to the shortcomings which resulted in the diesel issue. What I mean is something else: We can have the best minds and a great organization – but without the right attitude and mentality, that gets us nowhere. This applies more than ever to the new automotive world that is currently evolving.

An open culture, the courage to make innovations and speak your mind, as well as true willingness to cooperate are all part of this. As is a constructive approach to dealing with mistakes. It goes without saying that curiosity and an entrepreneurial mindset are part of the package, too. And last but not least: a solid system of values as a compass for our daily work.

It's good to see how this new mindset has already begun to take hold. More and more of our people are recognizing and taking advantage of the opportunities that come with change. And it is my conviction that if we as executives set good examples, then that is what will prevail.

However, no such deep-rooted change can happen all by itself, of course. We are therefore taking the next step and have initiated a systematic discussion process on the values that should guide our actions in future. A core element of this is revisiting our Group values, which are more than ten years old. We want to make integrity the basis for all of our actions, anchored deeply throughout the entire Group.

Not only that: we need a Code of cooperation that describes the collaboration within the Group and sets general guidelines based on clear, convincing values. The process of developing these new values is designed to be broad in scope, to ensure acceptance of the results. The new Group values and the Code of cooperation will probably be communicated and take effect in mid-2016.

Closely associated with the theme of values is giving even greater substance to our focus on sustainability. The first step was to appoint Christine Hohmann-Dennhardt to the Board of Management with responsibility for integrity and legal affairs. We also pooled responsibility for the topic of sustainability in the area for which the Chairman of the Board of Management is responsible. The next step will be to establish an external Sustainability Council for the Volkswagen Group. It will be made up of seven to a maximum of nine international figures from science and society. The board will address the topics of social responsibility and integrity, sustainable mobility and climate protection, as well as the future of work and digitalization.

What is important to me is that this board will not be for mere show nor will it be a purely symbolic organization. It will bring fresh momentum for the Group, and above all for us as Board of Management. It will influence the way we present ourselves to the world as well as impacting the awareness for the significance of sustainability throughout the entire Group.

Ladies and Gentlemen,

It will not surprise you that we are devoting special attention to the major technological challenges for our business. This summer, we will present how we plan to anchor this in our strategy. Today I can at least give you a taste of what is to come.

The fact is that we have many brilliant minds on board – and are already working on a raft of promising solutions. We already introduced one major initiative at the Geneva Motor Show: we are realigning ourselves for the digital era. To this end, we are establishing three Volkswagen Group Future Centers in Europe, California and Asia. The locations are already set: Potsdam, Beijing and Belmont in Silicon Valley.

Designers and digitalization experts will work hand-in-hand on the car of the future at these new centers. We have already initiated this new way of working at the European Future Center. The teams will be established in Silicon Valley and China by the end of the year. Volkswagen is thus changing the way in which we design and develop our vehicles. Previously, new technology was for the most part integrated into existing vehicle concepts. Now, design, technology and the digital customer experience are being closely interwoven, developed simultaneously and given equal weight.

For a proud, technology-driven enterprise such as ours, the idea that not everything can be developed by us is a new one. Especially in the case of digital solutions, we are placing even greater emphasis on partnerships with universities, start-ups and technology partners.

We are already experiencing this in our Digital Labs in Berlin, San Francisco and Munich, where we have created a space in which we can experiment with new technologies away from the line organization – together with external experts and in an open creative atmosphere like that of Silicon Valley. Our Digital Labs give fresh incentive to the Group and act as consultants for questions relating to the future of IT. Additional labs are already being developed in Wolfsburg and in China.

I would like to give you one specific example of the new alliances: At the Digital:Lab in Berlin, we are working with Pivotal, a U.S. software developer, in a strategic partnership. Together with specialists from Sales & Marketing and Technical Development, the IT experts at Volkswagen and Pivotal are developing new kinds of software and mobility solutions for connected customers.

In addition, the Volkswagen brand has entered into a partnership with Singularity University in Palo Alto, California, to take even more systematic advantage of the opportunities presented by digitalization. Singularity University is one of the digital world's most prolific think tanks. Our goal is to improve the connections between high-tech founders, managers, researchers and inventors. I am convinced that this will also provide vital momentum and fresh impetus to our enterprise.

We have particularly high hopes for innovative mobility services. This is a field with great earnings potential for our industry in the coming years. And we want to participate in this as much as we can. We are currently taking a very close look to see which new services will deliver true added value for our customers while at the same time opening up attractive business opportunities for the Group. Like this, we plan to generate a substantial portion of our revenue from these new types of business models by 2025.

The same applies here as well: we will not succeed with yesterday's mindset and behavior. The era in which our industry kept itself apart from everything – from both competitors and the outside world – is now over, once and for all. Reservations, solo efforts, or even the illusion of knowing and doing everything better will not help us reach our goals. What is needed is the right mentality to create change.

That is why the Volkswagen Group is opening up to new partnerships and strategic investments. We are working hard on very promising ideas in the field of new mobility services. The discussions on this are already in an advanced stage. In addition, we will soon form a legally independent, Group-wide company to promote business in the mobility services of the future with the necessary speed, entrepreneurial focus and the required agility. This is another important step in ensuring that the Group moves ahead quickly in this arena.

Ladies and Gentlemen,

Just like digitalization and mobility services, the third focus of our investments in the future – e-mobility – deserves its own press conference.

We have invested many billions of euros in alternative drives in recent years. Based on this, our Group has nine electric cars and plug-in hybrids in its portfolio. By 2020, more than 20 additional new models will be added. This is how we plan to make electric cars one of Volkswagen's new hallmarks. Models such as the Mission E from Porsche and a pure-play electric flagship from the Volkswagen brand will be key milestones on this path. This also applies for the e-tron quattro concept – Audi's upcoming electric SUV with a range of more than 500 km that will roll off the production line in Brussels starting in 2018 and for which a separate battery production operation is being established.

The Volkswagen brand is developing an architecture especially for e-vehicles in the form of its Modular Electrification Toolkit, or MEB for short. The MEB will enable entirely new vehicle concepts as well as ranges in excess of 500 kilometers. The first vehicles produced on this basis will hit the streets at the end of the decade.

However, there is another problem to be solved before then. For electro-mobility to advance more quickly, an area-wide charging infrastructure is needed, particularly quick charging stations on the highways. We also have many ideas for this that we are currently discussing with various players. Customers will only accept e-mobility if it comes as a complete package consisting of technology for everyday use, as well as an area-wide charging infrastructure and intelligent incentives. In that sense, the “e-summit” in the German Federal Chancellery on Tuesday laid the right foundations. Now it will take staying power to see things through.

The new automotive world will not be limited to cars alone. Digital innovation will also bring fundamental changes to the transport sector. One example is semitrailer units that are digitally linked to form “platoons”. This involves two or more trucks driving closely behind one another to take optimum advantage of the reduction in drag. The driver of the first vehicle sets the speed and the direction. The other trucks follow in semi-automated manner. Platooning lowers fuel consumption and CO₂ emissions by up to 10 percent. It can also significantly reduce the number of accidents.

Digitalization is in a focus of research & development at both MAN and Scania. Our Group subsidiaries lead the way in this field in Europe with more than 200,000 connected trucks. To further expand on this position, Volkswagen Truck & Bus will be investing an amount in the mid-three-digit million range in digital innovations over the next five years.

Ladies and Gentlemen,

One thing is clear from the brief foray we have undertaken together during the past few minutes: The Volkswagen Group has already positioned itself in all major fields of importance in the automotive industry of tomorrow. In the future, however, we will do this in a much more and focused manner. Our Strategy 2025 will provide the framework for this.

The process of designing this strategy is proceeding as planned – and above all in close coordination between the Group, the brands and our business divisions. We are currently in a phase in which ideas are being transformed into initiatives, concepts are becoming business models and possibilities are turning into objectives. This is how everything will all come together to form a whole: A vision which shows the Group the way to the next decade. A mission that will guide our actions. And goals by which we want our stakeholders to measure us. Today, I would like to leave it at that. You will find out more at mid-year, as announced.

Ladies and Gentlemen,

The Volkswagen Group undoubtedly finds itself in an extremely challenging situation. We are still in the midst of working through the diesel issue and must shoulder a heavy burden because of this. But I am confident that we will emerge from this situation stronger than before. Because our operating business is solid well positioned. Because our financial substance is strong. Because we know what needs to be done. And because we will do whatever is necessary.

Together, we will create a new Volkswagen and play a key role in designing the mobility world of tomorrow. That, and nothing less, is our aspiration.

Many thanks for your attention. We are now looking forward to your questions.