

Matthias Müller
Speech at the
Annual General Meeting on June 22, 2016

– Check against delivery –

Ladies and Gentlemen,
Dear Shareholders,

A warm welcome to your company – Volkswagen Aktiengesellschaft – here in Hanover.

This is my first Annual General Meeting as Chief Executive Officer of our Company. It is a role I assumed last September, with great respect for the task in hand but also with optimism. My respect stems from the fact that our Company is facing one of the greatest challenges in its history. My optimism is grounded in my knowledge of the Company – after more than 30 years at Volkswagen, I know the power and potential of our Group, of its brands and its employees.

Volkswagen is a great company, despite what has happened over the past few months, and everything that has been said and written. What motivates and drives me forward is a desire to help create a bright future for this Group and all the people connected with it.

From discussions I have had, from many letters and e-mails, I am fully aware that for many of you, Volkswagen represents much more than just a simple investment. Many shareholders feel a profound attachment to the Group and its employees. This is because our products have accompanied people throughout their lives and will continue to do so. And because Volkswagen has always been a whole lot more than just a big commercial enterprise.

So it is all the more painful – for you, for us, and for me personally – that rules were broken and ethical boundaries transgressed by the software manipulations on diesel engines. This behavior contradicts everything Volkswagen stands for. It has damaged our most valuable asset: the trust people place in our Company and our products. On behalf of the Volkswagen Group – and everyone who works here – I would like to apologize to you, our shareholders, that the trust you, too, placed in Volkswagen has been disappointed.

What's done cannot be undone. But what does lie in our power is ensuring we act in a responsible manner. What this means in concrete terms is:

- Finding good solutions for our customers.
- Systematically investigating how the situation could happen in the first place.
- And deriving lessons from past mistakes in order to do things right in future.

This is our commitment. What unites all of us with a role to play here at Volkswagen – whether it be the Supervisory Board, Board of Management, executives, employee representatives or workers on the production lines – is the desire to do everything we can to win back trust. That is what it is all about for us, for me personally. Also here and today.

The diesel issue has cast a shadow over many other events of the last few months, and this is completely understandable. But, ladies and gentlemen, there is one thing I want you to know: there is far more to Volkswagen than this crisis. Our Group has qualities that have not disappeared overnight, and we can continue to build on them for the future: strong brands and great vehicles, a high level of technological expertise and innovation power, our global presence, millions of customers worldwide who remain loyal to us. And, most importantly, a workforce of 610,000 employees throughout the world who strive tirelessly to satisfy these very customers. I have the greatest possible respect for the achievements, loyalty and dedication of our employees – especially in the present circumstances. For all this, my colleagues and I are extremely grateful.

Ladies and gentlemen,

Last October, I presented a five-point plan intended to lead Volkswagen out of the current situation and realign the Group for the future. This involves providing effective technical solutions for our customers and uncovering the complete truth about what happened. It also involves new structures, a new mindset that we want to establish throughout the entire Group, and a new strategic focus for this major global enterprise. Even though your – and our own – patience may have sometimes been put to the test, we have made substantial progress with all five priorities over the last few months.

This is also true with regard to technical solutions for the affected diesel vehicles. Solving these problems in the best interests of our customers continues to be our most important priority. In consultation with the Federal Motor Transport Authority (KBA), we have developed a detailed plan for the measures necessary in Germany, and subsequently in Europe, and have mobilized the relevant resources. The refit campaign in Germany started in January.

Yesterday, we received KBA approval for a further approx. one million vehicles. In the meantime, then, approval has been granted for more than 3.7 million vehicles, including the VW Passat, Tiguan and Caddy, all variants of the Golf, the SEAT Exeo and the ŠKODA Superb plus the Audi A3, A4 and Q5. We expect the recall campaign to really pick up speed now. Our customers can rest assured we will continue to make every effort to execute the recall campaign as quickly, professionally and satisfactorily as possible. We would like to thank all the customers affected for their patience. In the U.S. as well, the agreement in principle reached on April 21 represents a major step forward in resolving the diesel issue and the associated legal disputes as well as in our efforts to provide customers there with technical solutions, too. Many of the details have been fleshed out over the past few weeks.

At the request of the Settlement Master Robert S. Mueller, the competent court has given the parties involved a further week to submit the relevant documents. The deadline is now June 28. As the drafting of the final agreements progresses, we would like to thank our U.S. customers and all partners in the dialog for their patience, too.

Ladies and gentlemen, despite the progress that has been made, we still have a long way to go before all aspects of the diesel issue have been comprehensively processed. We are addressing this task with diligence, sincerity and determination. And we will not rest until we have uncovered the whole truth about how the situation came about. Above all, we will draw the right conclusions for the future.

I. Looking back: What we have already changed at Volkswagen

Mr. Pötsch has already brought you up-to-date about the status of the external investigation commissioned by Volkswagen. These activities have the wholehearted support of the Board of Management. A second thrust of the overall investigation was the internal audit ordered by the Supervisory Board and the Board of Management immediately after the misconduct came to light.

This exhaustive report was completed in mid-December 2015 and we presented the main findings to the public at a press conference held at the time. The audit focused on three clusters; first: processes, second: reporting and control systems, and third: infrastructure.

Based on what we now know, in the past there were certain process deficits in some technical subdivisions in addition to misconduct on the part of individuals. This was true of the testing and release processes for the engine management systems, for example. The audit identified weaknesses and proposed remedial measures to improve workflows.

These focus on creating more clearly structured and systematic processes. For example, the workflows and structures used for approving the software for engine management systems are being realigned with more clearly defined and binding powers and responsibilities. Measures include multi-stage approval processes, an extended "four eyes" principle, clear functional separation between development, approval and quality assurance, and escalation procedures in the event of problems.

Room for improvement was also identified with regard to our reporting and control systems. A more concrete definition of responsibilities was one of the recommendations here. We immediately responded to this by revising our rules of procedure, one example being the "Change Control Board".

The audit also revealed that parts of our IT infrastructure are in need of adaptation. In the future, the relevant areas will be using electronically-supported processing and control systems that are seamlessly integrated into our workflows. Funds for appropriate IT investments amounting to several million euros have been requested, and the approval process has been already started by the Board.

Tracking processes, identifying errors and determining those responsible – that's only part of what we have to do. What's even more important in moving forward is learning the right lessons.

- We have therefore decided that emissions tests at our Company will, as a general principle, be externally evaluated by independent third parties in future. Real-world random testing of vehicle emissions behavior on the road will also be introduced. I strongly believe that our industry requires more transparency and openness in dealing with this issue. And this is why we firmly support political initiatives in this area.
- Learning the right lessons also means that all 31 measure sets identified by the internal audit will be systematically implemented. In some cases, this has already been completed.
- Currently, other departments within the Group are also checking their processes against a handbook of "golden rules" derived from the audit's findings. In numerous projects groups, representatives from several brands are coming together to work on the design of optimized and more robust processes.
- Moreover, the full results of the internal audit have been passed on to Jones Day, and can therefore contribute to clarifying responsibilities. While on this topic of "responsibility", I would like to add that so far 10 employees from management who were possibly involved in the manipulations have been suspended or left the Company.
- Of course, in a country governed by the rule of law, individuals are presumed innocent until proven guilty. Based on the results of the ongoing investigations we will be able to decide whether, and if so, what further legal measures are appropriate.

Ladies and gentlemen,

What our experience over the last few months has shown with absolute clarity is that long-term success is only possible where law-abiding and value-driven behavior – integrity – forms the basis for our daily actions and decision-making. We need to anchor this principle even more firmly throughout the entire Group, and, even more importantly, put it into practice on a daily basis. The appointment of Christine Hohmann-Dennhardt to the Board of Management was a first important step. Her experience is helping to strengthen our compliance management, engaging local employees even better.

The Board of Management will receive detailed risk reports on a quarterly basis in addition to event-related risk reviews. This will enable us to control risks in a faster and more targeted manner. We are also refining our internal whistleblower system. Our employees must be supported in reporting mistakes and violations of the law without the fear of personal repercussions. We want to promote a culture in which frank and constructive criticism is not only possible, but is actively encouraged.

Volkswagen's success is based on technological progress, top-quality products and sustainable practices. No business deal in the world justifies breaking the law, and we will not tolerate any violations of this principle. We are working hard on improving our processes and structures to ensure even stricter compliance with valid rules and regulations in future.

Spearheaded by Dr. Hohmann-Dennhardt and myself, we have initiated various measures to eliminate events like the diesel issue – as far as possible – in the future. These measures include in particular better guarantees of product compliance during the development and production process and under quality assurance. What's more, development processes will in future be designed in such a way that the attempt to bypass binding regulations can be more effectively identified and prevented at an early stage.

No system in the world can guarantee the prevention or elimination of infringements by individuals. However, with this optimization we are making sure that our systems and structures are best equipped to identify such infringements. Our goal and my personal aspiration is to make Volkswagen a model of how compliance should be implemented in a modern, transparent and successful company. In doing so, we are also mindful of the fact that not everything that is legal is also justified.

Ladies and gentlemen,

When people race from one success to the next, the urge to question their own behavior is often less pronounced. The same holds true for companies, especially when they are large and operate in a more tradition-oriented industry such as ours. Unfortunately, as we came to discover, this was also true of Volkswagen itself.

But a shock like the diesel issue can also have a salutary effect. The crisis has opened doors at Volkswagen. It has encouraged us to accelerate the introduction of overdue changes and set new priorities. From the very beginning, my goal has been to turn the crisis into an opportunity for our Company.

The creation of a new structure and a new management model for the Group are building blocks in the change process. Size and growing complexity, not just in our Company itself, made this step overdue, quite apart from the diesel issue. The environment in which we do business has also fundamentally changed. I will come back to that later.

Anyone who believes that a global company like ours, with its myriad offshoots, can be steered from the plains of Lower Saxony is harboring an illusion. In essence, this is about the right balance between more independence on the one hand and the synergies within our unique brand alliance on the other. A basic principle for the "new" Volkswagen will therefore be to strengthen entrepreneurial responsibility and independence in our brands and regions.

We also need to make faster and more courageous decisions. Give greater responsibility to our managers. Design structures and processes that make our company more agile. This also means spending less time being preoccupied with ourselves and more time concentrating on our customers and the competition. So we will do away with reports that nobody reads and committees that bring no added value.

What's more, the Group Board of Management is also taking on a new and different role in Volkswagen's new management model: dealing with product design details is not my job, nor that of any other Board member – it's the job of the brands. As the Group Board of Management, we are more concerned with major topics of the future. With leveraging synergies, and setting the strategic guidelines for the future. All this will ensure that this big company can be managed in a solid and sustainable manner, even when conditions change.

But structures and processes are only one aspect. The transformation we are striving for will not succeed without the right attitude, the right mentality. To be quite clear: Volkswagen has a good and mature corporate culture. I only need to think about our deeply ingrained quality consciousness, the identification of our employees with the vehicles they produce, or the high degree of social responsibility that has always been a watchword for Volkswagen.

But our management culture needs to improve: openness, the courage to make innovations and speak one's mind, as well as true willingness to cooperate are all essential elements. 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. Last but not least, we need 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 people at our Company are recognizing and taking advantage of the opportunities that come with change. And it is my firm conviction that if we as executives set good examples, then that is what will prevail.

It is also important to send clear signals in this regard: for example, the special elevator rides for Board members in our admin building have now been scrapped. And we are in the process of selling the Airbus we used to have in our fleet. But symbolic gestures of this kind are not enough. This is why we have invited all our employees, brands and regions to contribute their opinions in defining the values that should guide the future cooperation within the Group.

I would like to point out, however, that we are not trying to replace the identities and individual characteristics of our brands. This diversity is our strength. What we are striving for is a common roof under which all those belonging to our Group can cooperate in a spirit of partnership.

II. Key figures: What we achieved in 2015 and what we envisage for 2016

Ladies and gentlemen,

A look at the way our business developed as well as the figures for 2015 – which proved to be an extremely challenging year, especially at the end – reveals once again the extent to which Volkswagen benefits from the interplay between its parts.

The figures for 2015 show what a negative impact the current crisis is having. But they also show that our operating business remains intact. The Volkswagen Group is solidly positioned – from the financial point of view as well.

In fiscal year 2015, we again delivered some 10 million vehicles to customers worldwide. Even though, in my opinion, high volumes are not an end in themselves, this figure highlights the fact that we have the right product line ups in many countries and segments.

We once again succeeded in increasing Group sales revenue, with notable gains both in the automotive sector, with our 12 brands, and particularly in financial services. Now more than ever, it is paying off for us to have built our business on several sustainable pillars. This can also be seen in our operating profit, which, before special items, was at the high level of the previous year.

China, our largest and most important market, is a key factor in the strength of our Group. This was also the case in 2015, when we once again sold more than 3.5 million vehicles there. Proof of the high earnings power of our Chinese joint ventures is the share of operating profit amounting to €5.2 billion, on the high level of the previous year and recognized in the financial result.

On the other hand, however, our figures have been significantly impacted by the diesel issue. The resulting negative special items add up to €16.2 billion. This figure includes all repercussions which were identified and measurable by the closing of the fiscal year. It particularly includes provisions for pending technical modifications, customer-related measures and global legal risks. After reviewing our provisions for the diesel issue once again at the end of the first quarter of 2016, we were able to reduce the amount by €0.5 billion, the adjustments being mainly due to currency-related factors.

Ladies and gentlemen,

There is no doubt that the exceptional charges included in the financial statements for 2015 were a real body blow for the Company. And this blow has been dealt at a time when we really need to be investing all our resources in our future. As a consequence, we reported a negative operating result for 2015 and the biggest loss in the Group's history.

As painful as these exceptional charges are, the good news is that the Volkswagen Group is robust enough to withstand this financial burden. We have a strong basis. In the 2015 calendar year alone, the net liquidity of the Automotive Division increased by nearly 40 percent to €24.5 billion. As you can see, ladies and gentlemen, Volkswagen is financially robust. And, without these special items, we would have been talking about another successful year.

In light of this, and despite the negative Group result, the Board of Management and the Supervisory Board are today proposing payment of a dividend of €0.11 per ordinary share and €0.17 per preferred share. We are fully aware that this fails to meet our and your expectations, and is extremely disappointing to many of you. But it remains our declared goal to allow you, our shareholders, to participate to a substantial degree in the success of the Company. The payout ratio is to be sustained at around 30 percent of net profit. We stand by this and will do our utmost to meet our commitment.

In this regard, the current fiscal year 2016 will be no less challenging than the previous one. But we have made an encouraging start. In the first quarter, the Group achieved respectable results in a demanding market and competitive environment.

- At 2.5 million vehicles, the delivery figure was up around 0.8 percent on the prior year.
- The Group sales revenue of €51 billion was 3.4 percent down on the prior year. This was caused, among other things, by negative currency effects.
- Operating result rose slightly to €3.4 billion. This, however, was exclusively the result of positive special items amounting to €0.3 billion. As mentioned, the main factor here was the currency-related adjustment of provisions in connection with the diesel issue.

All this gives us grounds for some optimism as we go into the coming months, although we also remain realistic. We expect deliveries to customers in 2016 as a whole 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. 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 are in full swing throughout the Group. And with regard to capital expenditure, we will set the necessary priorities and maintain strict discipline. However, there is one thing that goes without saying for us: even in difficult times, we will stand by our social responsibility to our employees. This is what sets Volkswagen apart from many other companies. And, ladies and gentlemen, it will definitely remain the case in the future.

Admittedly, this type of forecast is not the "faster, higher, further" that you were accustomed to from Volkswagen. To be quite clear: that doesn't bother me in the least. Our most important currency is credibility and trust in our brands, our products and Volkswagen as a whole. Winning back this trust is absolutely paramount. All else takes second place to this at the moment.

That does not mean, of course, that we have buried our ambition. Quite the opposite. We do not plan to make it easy for the competition. The 60 or so innovations that we are launching – or have already launched – on the market this year will play a role as well. These include vehicles like the new VW Tiguan, the Audi Q2 or the new SEAT Ateca, which have been extremely well received and for which we have high expectations.

Ladies and Gentlemen,

2016 will be a year of transition for Volkswagen. However, it will also be a year in which we accelerate the ongoing transformation. In which we set the stage for the future of the Group. In which we lay the foundation for a new, better Volkswagen.

III. Strategy 2025: How we will shape the future of Volkswagen

This leads us to possibly the most important question: how do we shape the future of Volkswagen against the backdrop of a radically and ever faster changing world? One in which the parameters for our industry are permanently shifting.

The automotive industry is on the cusp of the next big innovative leap. In conjunction with e-mobility and autonomous driving, digitalization will revolutionize our business as well, and to an extent that many people still fail to appreciate.

But it is not just the automobile itself that will see massive changes in the years ahead: mobility as a standalone product, as our promise to people, is being redefined – and not primarily by us, but by our customers themselves.

On behalf of Volkswagen, I can tell you that we are ready for change. The revolutionary transformation currently underway is our ally, not our enemy. It opens up tremendous opportunities that we plan to harness for profitable growth.

Our future program "TOGETHER – Strategy 2025", announced last Thursday, will lay the foundations. The new Group strategy clears the way for transforming one of the world's best carmakers into one of the world's leading providers of sustainable mobility. This is the vision that guides us. This is fundamentally what it is about for us, for me.

Despite all the weaknesses we have identified and are now addressing with all our energy, Volkswagen has many strengths. I talked about these at the beginning of my speech. Our "Strategy 2018" was also a success – in spite of all the justified criticism about a certain fixation on size, and indeed about a dash of complacency that had crept in over the years.

The fact is, we met the targets we set ourselves back in 2007 ahead of schedule or, at the very least, were well on track to do so if it had not been for the diesel issue. That is true for customer and employee satisfaction, it is equally true for delivery figures and, with certain caveats, it is even true for profitability. Therefore, in setting ourselves new goals, there is no need to throw everything we have overboard. It's more a matter of systematic evolution with visibly different emphases.

Our aspiration is clear: just as we have long enriched the lives of millions of people the world over with our products, Volkswagen now aims to play a leading role in shaping auto-mobility for future generations, too. This is admittedly a lofty aspiration. But our "TOGETHER – Strategy 2025" tells you how we aim to achieve it.

The 2025 time horizon in the title stands for the long-term mindset and approach that has set Volkswagen apart since day one.

The prefix in our title – "TOGETHER" – stands for a way of thinking, a mindset that will become even more vital in this Group moving forward: in the long term, we know we can only succeed if we all pull together – together with our employees, together with and for our customers, together with our shareholders and business partners. And in full awareness of our responsibility toward society and the environment. So "TOGETHER" embodies our understanding of sustainability, which in its broadest sense will guide our future actions.

To some people, "sustainability" has become an overworked or banal concept, but that does not mean it has lost anything of its relevance. When correctly understood and put into practice, sustainability is the key to lasting commercial success – especially for a company that bears the name "Volkswagen".

Ladies and gentlemen,

Our new strategy is anything but "business as usual". We have launched the biggest change process in Volkswagen's history.

In "TOGETHER – Strategy 2025", we have formulated a clear vision for the next decade: "Volkswagen is to be a globally leading provider of sustainable mobility."

This vision describes how we are going to carry over our leadership aspiration from yesterday's world to tomorrow's world of mobility. We will do everything we can to make this vision a reality.

To get there, we have also given ourselves a new mission to guide our day-to-day actions:

- We inspire customers with tailor-made mobility solutions.
- We meet their diverse needs with a portfolio of strong brands.
- We acknowledge and live up to our responsibility for the environment, safety and society, day in, day out.
- We act with integrity and make reliability, quality and passion the basis of our work.

Setting this out so clearly and unambiguously is hugely important to us at this point in time. I give you my word that we will live up to this mission. Then, and only then, will we be reach our strategic goals. Only then will we:

- Truly earn our customers' loyalty – and constantly inspire them with our products.
- Only then will we be an excellent employer – meaning one that is reliable, safe, modern and open-minded.
- Only then can Volkswagen once again set an example as a good corporate citizen that does its share for the good of society and an intact environment.
- And only then will we generate competitive returns to remain an attractive investment for you, our owners, and at the same time be a good employer for our workforce.

We need to achieve all of this if we want to reach our central, overarching goal: sustainable growth – for our stakeholders and together with them. What we are presenting to you today is only a framework, the starting point for the further elaboration that now needs to be done. In other words, we have defined the "what" and know where we are headed. Now, we have to implement all this successfully. In other words, it's about the "how". In doing so, we have identified four major action areas as the basis of the "TOGETHER – Strategy 2025" program:

- Firstly, we are transforming our core business.
And this will be a radical overhaul. Of course, developing, building and selling vehicles will remain essential for Volkswagen going forward, but the face of this business will change fundamentally.
- Secondly, we are building up a new business with services and solutions for the mobility of the future – as a cross-brand, autonomous unit. We are doing this to make sure that we can develop this additional new growth driver with the necessary agility and with an entrepreneurial focus.
- Thirdly, we are strengthening Volkswagen's innovation power in existing technologies, and in the new ones in particular. To attain this, we are mobilizing in-house resources and harnessing outside impetus.
- Fourthly, we are securing the finance for the massive investments that lie ahead. We will adjust all available levers to achieve this.

These four elements form a coherent whole: The transformation of the core business and the new mobility solutions business are the cornerstone for tomorrow's growth. Both will only be successful, however, if we establish a true innovation culture within our Group and if we are sufficiently profitable to finance it all.

So what exactly are we planning? We have combined the four action areas with 15 corresponding key strategic initiatives on Group level. These initiatives can be seen as the core of our new strategy. Explaining all the initiatives to you in detail would not be possible within the framework of my speech today. I will therefore focus on a few examples that I believe demonstrate how we will think and act at Volkswagen in future.

In our Strategy 2025, we are launching an electrification initiative second to none in the industry. The combustion engine remains important. It will be with us for some time to come and will still account for around two-thirds of the new vehicles market volumes in 2030. But that also means the other third will be electrically powered. By then, in other words, the breakthrough for e-mobility will long be a reality. And we are determined to make e-mobility a new hallmark of Volkswagen.

Along this path, the Volkswagen Group is going to launch over 30 fully electric new vehicles by 2025. We expect that by then we will be selling about 2 to 3 million pure-electric automobiles a year. This will account for a significant share – an estimated 25 percent – of our total sales volume. We are stepping up our efforts accordingly and will launch a multi-billion euro investment program.

As far as the development of fuel cells is concerned, let me emphasize that we intend to stay on the ball in this area too. And we will be ready when the time is ripe. We are also continuing our intensive efforts to enhance the environmental compatibility of our diesel and petrol models. In this connection, I am delighted to announce a milestone today: we will be successively equipping all of the Group's new TSI and TSFI engines with a gasoline particulate filter, starting with the 1.4-liter TSI engine in the new Volkswagen Tiguan, and the Audi A5 from June 2017. This will reduce particulate emissions by up to 90 percent. Up to 7 million vehicles from the Volkswagen Group could be equipped with this technology each year by 2022.

Autonomous driving is another key issue in the transformation of our core business. Admittedly, as someone who likes to have his hands on the wheel, I was skeptical at first. Meanwhile, I – we – have no doubt whatsoever that this revolutionary technology will be reality just a few years from now.

Our aspiration is to serve all relevant segments, with autonomous vehicle concepts for private transport as well as last-mile solutions for shifting people and freight in major cities. We are working on these topics. Fully autonomous vehicles with a self-driving system developed in-house will enter the market by the beginning of the next decade.

Cumulative investment in new autonomous mobility solutions will amount to several billion euros. We will develop the necessary expertise and are planning to hire around 1,000 additional software specialists, among other measures. I am certain that this will give us substantial clout in this field.

A similar goal is being pursued in another of our initiatives: establishing battery technology as one of the Volkswagen Group's core competencies. Battery technology is the key to e-mobility. It accounts for 20 to 30 percent of value-added for fully electric vehicles. We will need 150 gigawatt hours of battery capacity by 2025 for our own e-fleet alone – which would make for a massive procurement volume.

So the economic importance of this issue is plain to see. And the technological expertise would certainly be a good fit with the Volkswagen Group. We will examine in detail all strategic options for developing battery technology as a new competency for the Volkswagen Group. In doing so, we will be scrutinizing the entire process chain – from raw material right through to battery production. One of the Volkswagen Group's little-known strengths is the manufacture of first-rate components. We have one of the world's biggest automotive parts suppliers within our Group. Our components business today boasts a workforce of some 67,000 at 26 locations across five continents and belonging to various brands.

We have decided to strategically realign and combine these activities across the Group. The realignment will give the components business greater entrepreneurial freedom. We anticipate that this will improve transparency while boosting internal competition. It will also contribute substantially to future topics such as e-mobility.

Anyone familiar with Volkswagen will know that the realignment of the components business is a big step for our Company – as is the transformation of our core business as a whole. In all of this, we will proceed responsibly and in a spirit of cooperation. That, too, is part of Volkswagen. We owe it to our workforce, who are doing such a great job in these turbulent times.

Ladies and gentlemen,

The second building block of our Strategy 2025 is the creation of the new mobility services business. The new business will be based in Berlin – at a safe distance from Wolfsburg, Ingolstadt and Stuttgart. This again reflects our commitment to its autonomy.

Our goal is clear: the Volkswagen Group aims to exploit the opportunities in this growth market. With our investment in Gett, we have already taken a key first step. This strategic partnership with a company that already has more than 50 million users in the fast-growing ride hailing market is the nucleus for expanding the business. In the years ahead, we will group other services such as robotaxis, carsharing or on-demand transport in quick succession around this core service.

In a rapidly expanding and hotly contended market, our aim is for it to generate sales revenue in the multi-billion range by 2025. I think that is a clear illustration of what we have in mind: the creation of a strong second pillar for our business.

One more comment at this point: the initiatives I have mentioned mainly center on the passenger cars business. But that does not mean that we will not continue to develop our commercial vehicles business with the same ambition.

On the contrary, Andreas Renschler and his team have formulated the strategic goal of creating a global champion. The plan for Volkswagen Truck & Bus, as a multi-brand provider across the cycle, is to make it the most profitable company in the sector. This will also mean evolving from a pure-play commercial vehicles manufacturer to a leading provider of intelligent transport solutions – a similar development therefore to the one we plan in the passenger cars segment.

Ladies and gentlemen,

I have talked a lot about new revenue streams. But we will only be able to tap into that potential if we can shoulder the necessary investment.

The Volkswagen Group has high earnings power. But that is not enough to provide the necessary funding security for everything. So we need to generate extra funds. The best way to do that is for us to boost efficiency. There is ample scope for this in virtually every business unit. This is what we plan to do:

- To significantly boost the efficiency of our capital expenditure. We will achieve this with a significant but moderate reduction in the capex ratio (relative to sales revenue in the automotive business) to 6.0 by 2025.
- We likewise aim for a significant improvement in the efficiency of our research and development costs.

That means we will spend our money more judiciously and with greater focus. We will scale back the R&D ratio to 6.0 percent, which fits in with our peers.

- Finally, we are aiming for a significant improvement in selling, general and administrative expenses, which have recently shown a sharp increase relative to sales revenue. Our long-term target is a reduction in the SG&A ratio to below 12 percent.

In total, based on these substantial efficiency gains, we aim to realize the potential for a significant multi-billion euro increase in earnings in the next ten years relative to 2015.

To coin a phrase, the next few years will see us working off the fat to build muscle. All brands and business areas will play their part – at every link in the value chain. In light of its major importance, the Volkswagen brand will be highly instrumental here. The "pact for the future", which the Brand Board of Management led by Dr. Diess and the Works Council have been working on since early June, is key.

Ladies and gentlemen,

Rather than leaving things vague, we are backing our Strategy 2025 with clear, binding targets. We are not setting volume or sales revenue targets, however. Size is not an end in itself.

Rather, it follows automatically if we are successful. And as we envision good opportunities for that, we forecast significant – and in particular profitable – growth.

We plan to gradually dial up operating return on sales to between 7 and 8 percent by 2025. The return on capital employed in the Automotive Division is then intended to be more than 15 percent. For a company of our structure in the future market and competitive environment, we consider these targets to be appropriate, ambitious and at the same time realistic. They will enable us to continuously create value for you our shareholders as well. At the same time, despite the extensive transformation of our Group, we remain committed to sound financial policies.

Ladies and gentlemen,

Something I have said many times since last fall is that we cannot allow the crisis to slow us down. Indeed, this may sometimes have sounded like a mantra. But I sincerely hope that what I have said today has allayed any doubts you may still have had.

The Volkswagen Group is strong and full of vigor. We are tackling the challenges of the times and are in the process of making ourselves more focused, efficient, innovative, customer-driven, sustainable – and systematically geared to generating profitable growth. "TOGETHER – Strategy 2025" provides the framework and compass for all this.

What I have presented to you today marks the starting point for the fine-tuning process. We are under no illusions here, the real work has only just begun. Strategy 2025 will be fleshed out over the months ahead with corresponding strategies for the Group brands. We will be in a position to present to you the full strategic program, broken down into brands and functions and backed up with specific measures and figures, by the end of the year.

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 firmly believe that we will emerge from this situation all the stronger. Because our operating business is solid and well positioned. Because we know where we came from and where we are headed. And because, with our "Strategy 2025", we are doing what is right and necessary.

Dear shareholders,

I am now coming to the end of my first speech at the Annual General Meeting. This is the point at which I would normally be asking you for your trust. But now, more than ever, that trust must be earned. And we are working on that. With great diligence and wholehearted determination.

Which is why, in closing this year, I am asking above all for your continued loyalty to the Volkswagen Group, to your and our Company, and hope you remain at our side as we make the journey into the future. You won't regret it.

Many thanks for your attention.