

– Check against delivery –

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– Part III –

Ladies and Gentlemen,

Now that we've reviewed the past fiscal year, I'd like you to join me in looking ahead. What do we at the Volkswagen Group plan to undertake in the current year, and beyond?

We have transitioned our 5-point plan, initially conceived for the acute crisis management phase – to new, Group-wide targets, in a first step for 2017, and then for subsequent years as well. We have called these goals “1+4.” The “1+” stands for continuing to work through the diesel crisis – a task that still has top priority. Because we have not yet modified all vehicles. Because legal questions have not yet been fully resolved. And above all, because we still have a good way to go in completely regaining the trust of our customers and the public.

Nevertheless, the diesel topic is no longer demanding as much time and capacities as in the past year, even though numerous members of our team are still working on it. The rest of our organization is now able to concentrate fully on operating business and our key priorities for the future. To that end we have formulated four Group-wide goals:

- First, we must keep our operating business successful in a highly volatile environment.
- Second, we must make further efficiency gains and leverage synergies throughout the Group, in part to release the funds needed to invest in the necessary structural transformation.
- Third, we must systematically implement our Strategy 2025 and continue to drive forward the realignment of the Group.

- And fourth, we must be authentic in living our new corporate culture – which I have already outlined for you – making Volkswagen a role model for value-based action and integrity. Only if we succeed in this will we be able to achieve our other goals, too.

Regarding the first goal of a successful operating business, we see good chances of being able to ride the wave of last year's positive performance in 2017. It's true that global economic growth in 2017 is only expected to be slightly up on the prior-year level. On top of that, we are also experiencing a general phase of great political and economic uncertainty all over the world.

Nevertheless, we expect our deliveries to customers to rise moderately in the current year compared with 2016. Our sales revenue is predicted to increase by up to 4 percent over the prior year. In terms of the Group's operating result, we anticipate a return on sales of between 6.0 and 7.0 percent. You can rest assured that we will do everything in our power to make 2017 an even better year than 2016.

Our long-term aspiration is also ambitious. We have formulated a clear-cut objective of playing a leading role in shaping the future of automobility. Our TOGETHER – Strategy 2025 lays the foundation for this. It was just under nine months ago that I presented our new Group strategy to you for the first time. The momentum we triggered with TOGETHER has come as a surprise to many, both inside and outside the Group. Even though we do hit occasional snags, and things can't move quickly enough for someone as impatient as I am anyway – a spirit of renewal prevails among us. I personally experience the high level of energy and creativity that has spread throughout the Group on a daily basis, and I am grateful for that. And this makes me optimistic that together, we at Volkswagen will succeed in achieving anything we set our minds to.

In the meantime, our Group brands have also developed corresponding strategies for success. The outcome is a strategy "house" consisting of a stable roof, strong walls, and a solid foundation of values. To remain with this image, our plans for the interior of our house are quite far along, and some are already in full swing. The process of change that we have initiated is taking place not only in our heads, but also in our factories, our development laboratories, and our offices.

As you may recall, we have defined four areas of action for our strategy, and underpinned them with specific Group initiatives:

- First, we are transforming our core automotive business. Developing, building, and selling cars will always be a part of our DNA. But the face of that business will change fundamentally, as will the automobile itself.
- Second, we are expanding our mobility solutions business to become a new, strong pillar for the Group.
- Third, we are strengthening our innovation power and putting it on an even broader footing.
- Fourth, we are securing the funding we will need to make the extensive investments in the future required to implement the transformation.

These four elements form a coherent whole: transformation of our core business and the new mobility solutions business unit will enable the profitable growth of tomorrow. However, these two elements will only be successful if we establish a new culture of innovation and are sufficiently profitable to finance it as well.

What have we already achieved in relation to these four elements, and what will our focus be in the future? There are too many initiatives either already underway or in the pipeline to discuss here. So I will concentrate on those topics that I believe to be particularly important.

The first area of action is the transformation of our core business. We are moving full speed ahead in all of the topics we have chosen to tackle, and are already seeing the first tangible results.

Implementation of our model line organization for all major passenger car brands was a major step forward. This will shorten decision-making paths, allocate responsibilities more clearly, and give us a much more results-driven focus. Another core element of our strategy is partnerships, for instance to develop new business opportunities or advance new technologies. In recent months, we have forged many such partnerships.

Now – and some might say “finally” – we are entering the booming economy segment. And we have chosen the very best partners for this.

Together with Tata Motors, we plan to develop budget cars for the Indian market. Our colleagues at ŠKODA are leading the planned alliance for the Group. In China, we are working on an economy car with FAW, our long-standing joint venture partner. We are also in the advanced stage of negotiations with JAC to cooperate in putting inexpensive electric cars on the road in the Chinese market.

Our strategic alliance with Navistar, which I referred to a little earlier, is of outstanding significance for our global ambitions in the commercial vehicle segment. In particular, we are working intensively with external partners to establish new competences. One example is our cooperation with NVIDIA, where we are jointly developing a cockpit based on artificial intelligence. In addition, our subsidiary Italdesign just presented a spectacular joint project together with Airbus in Geneva: the “PopUp” could shift urban mobility from the road to the air.

We are also making an impact under our own steam with respect to the key topics of the future. One example is the Volkswagen I.D., which showcases our ideas for the fully connected, fully electric series vehicle of the future. Another example is Sedric, the Volkswagen Group’s first self-driving car, which met with a very enthusiastic welcome in Geneva. Sedric is the embodiment of our objective to continue implementing the steps needed to bring self-driving cars to series production for our customers.

Another milestone fits in very well with this: the founding of our own company to develop a self-driving system – the technological basis for self-driving vehicles – for the entire Group. Autonomous Intelligent Driving GmbH has docked with Audi and is headquartered in Munich. More on that tomorrow from our colleagues at Audi.

Innovations such as these are not an end in themselves. The vehicle concepts of tomorrow require us to think from the customer’s perspective, not from our own engineers’ logic. The keyword here is “user experience,” meaning all aspects of customer interaction with our products. To this end, we are establishing global competence centers where designers and digitalization experts work hand-in-hand.

The Group Future Centers in Potsdam and in Silicon Valley got off to a good start and have already realized the first design studies and prototypes. Much of Sedric, for instance, was developed at the Europe Future Center. The Asia Future Center in Beijing will soon open its doors.

We regard battery technology as another future core competence. In recent months we developed and approved a concrete phased plan to achieve technological leadership in Europe by 2025.

What we need to do during the current year is to keep working on all of these areas with all our energy. We will forge ahead with transforming and focusing on our vehicle and drivetrain portfolios. The Volkswagen Group's SUV offensive is also gathering pace fast with a total of seven new models. The economy car partnerships I just mentioned are expected to begin operating in 2017, with the first JAC model scheduled for 2018. The first vehicle developed jointly with Tata could be launched in India as early as 2019 as part of an entire model family in the A0 segment, designed for India and export markets.

This year, we will also start rolling out our battery phased plan. The center of excellence headed up by our lead VW brand is expected to begin operating in the second quarter of 2017. It will assume responsibility for the development, procurement, and quality assurance of all of the Group's battery cells and models. We will also be gradually developing process competence within the center of excellence, starting in 2018 with a laboratory line and, probably from 2020 onward with our own pilot line. At the same time, negotiations to establish partnerships in the field of battery cells are at an advanced stage. We expect to conclude these negotiations this year.

Last but not least, we intend to move forward with a very important topic for us in 2017: the realignment of our components activities. We have already started streamlining the product portfolio to give it a stronger focus on e-mobility. The first steps towards creating a separate business unit could be implemented by this summer. Since the entire endeavor is highly complex in every respect, we will complete the pooling of component activities in multiple stages, beginning in Europe.

The fields we are focusing on in 2017 as we transform our core business also define the main lines of action for the coming years. We will not be neglecting conventional drivetrain technology, which will continue to dominate the market for many years to come. Instead, we will continue to work hard on optimizing our drivetrains while at the same time significantly expanding the Group's e-mobility portfolio. Both of these are key to meeting the ambitious carbon emission standards that present a great challenge to our entire industry. As a Group, we plan to launch more than ten electric vehicle models by the end of 2018 and more than 30 new BEVs by 2025. We expect volumes to increase significantly each year until then. The Volkswagen Group will thus gradually assume the position of world market leader in electromobility. To that end, we will systematically develop and expand our battery expertise as I have described, from lithium-ion batteries through to technology leadership in solid-state batteries, which we aim to achieve by 2025.

We will also continue to work on making the Volkswagen Group an innovation leader in other key areas for the future of automobility: our own self-driving system should be ready for series production as early as 2021. The Group's first self-driving vehicles without a steering wheel or pedals are expected to be on the roads from the start of the next decade.

Ladies and Gentlemen,

The transformation of the automotive industry is a mammoth undertaking. We are very aware of that. But we must and will make a success of it. That also applies to the second area of action in our Strategy 2025: the creation of our own, separate business unit for mobility solutions. Here too, we made very good progress in past months.

MOIA has been established as our new business unit for mobility solutions and begun operating. The main job of MOIA is to develop and market our own mobility services. The biggest short-term potential is ride hailing by app. Together with Gett, we are developing and expanding the ride-hailing business. We started our joint expansion strategy in Europe with the market launch in Moscow in fall 2016.

The MOIA crew in Berlin, which currently comprises a team of 50 is growing rapidly. It is bursting with energy and fresh ideas. That is why I am so optimistic that MOIA can meet all the expectations that we have placed in our newest subsidiary.

We want to solve traffic issues where they are the most urgent. For that reason, we are looking to team up with major cities. For example, we concluded a strategic mobility alliance with the city of Hamburg with the goal of making Hamburg a model city for sustainable and integrated urban mobility. We are gathering valuable experience that will benefit both partners. We have also agreed new mobility services collaborations in China. One of these involves DiDi, the region's leading ride-hailing provider. Another is GoFun, one of China's biggest car-sharing enterprises.

Intelligent, digital-based concepts are also in demand for transport and logistics. Volkswagen Truck & Bus is at the forefront of this movement, having developed RIO, the first cloud-based operating system for the entire commercial vehicle sector spearheaded by MAN.

I could go on and on with the list of examples. We have so many ideas. Of course, not all of them will work at the first attempt. That is what entrepreneurship is all about. But we can already say that our decision to make targeted investments in new mobility solutions has brought great momentum throughout the company.

This year, we will focus on successively developing and expanding a mobility-on-demand portfolio at MOIA. One focus here will be what is known as "pooling." This involves using an app to combine individual rides to make more efficient use of the available infrastructure in urban areas. We plan to do this by developing our own shuttle service that will combine the features of regular city bus lines and shared taxi services. Another focus for us in 2017 will be to accelerate the growth of Gett in Russia, the United Kingdom, the USA, and Israel and to push expansion in Germany, France, Spain, and Italy.

Data-based concepts involving intelligent, urban mobility are also the focus of the "Metropolis:Lab Barcelona" from SEAT and Group IT, which will be launched shortly.

Notwithstanding all of our eagerness to try out new ideas, we have set clear priorities, and we will not get bogged down. We will not follow every trend but focus on the most promising areas for the medium- to long-term. In doing so, we will keep a close eye on making sure that expertise is transferred between Group brands and on leveraging synergies. At Volkswagen Financial Services, for example, we are pooling our Group-wide initiatives for smart parking solutions.

We have already lined up the program for the coming year as well: Our goal is to achieve market leadership in ride-hailing services in Europe. This will involve expanding shuttle and pooling services to more than 20 cities by 2021. Over the long term, we also want to deploy autonomous mini busses and operate one of the world's biggest driverless vehicle fleets by 2025. The first pilot projects have already been initiated. In addition, we will be developing a comprehensive portfolio of smart mobility services at the Group brands as well as combining our mobility and transport services into a truly integrated product offering.

This is how we plan to become one of the global top three providers of efficient, convenient, and sustainable mobility solutions by 2025. But to put it very clearly: the new business unit is not just a "nice to have." Our plans are based on sound projections. A market for mobility services is currently emerging, and there is good money to be made in this field over time. We believe that we as a Group will be able to generate billions in earnings in the mobility services business in the long term.

This brings me to the third action area of our strategy. Volkswagen and its brands have always stood for strong innovation power. However, we will need to go the extra mile in the new world of mobility, both with respect to traditional technologies and above all as regards the topics of the future. Our innovation thrust takes the form of 37 Group centers of excellence and digital labs, in cities ranging from San Francisco and Barcelona to Berlin and Beijing, that are working on all aspects of tomorrow's automobility. But those are not the only places.

We believe it is very important to make sure we do not create islands of innovation and creativity. What we are aiming for is to effect a digital mind change throughout the Volkswagen Group.

As with the Group itself, nearly all brands now have Chief Digital Officers to drive forward the transformation. But that alone is not enough. Our aim is to increase our innovation power, systematically and permanently. One way to achieve this is by making our entire organization more agile and flexible and bringing our employees up to speed with the changes. We have implemented programs for this, but we still have a good deal of work ahead of us.

That's why we will use the coming months not only to continue rolling out the numerous ongoing digitalization initiatives. We also plan to define a common roadmap for our comprehensive digitalization offensive for the Group and its brands by 2020 as one of our main priorities.

We intend to forge ahead with digitalization of our core processes in our development activities, in our factories and office buildings, and in our commercial operations – wherever we can add value for our customers and our company. The long-term objective is clear: the digital transformation of the Group to enhance our agility, proximity to customers, and innovation power. We must succeed in this if we want to achieve our objectives in the operating business. And precisely that is our goal.

Ladies and Gentlemen,

Putting all of our ideas into action will take a great deal of money. The investments needed to transform our core business and build up new mobility services will be in the double-digit billion range.

Consequently, securing the necessary funding is the fourth action area in our strategy. Here too, we have already made good progress. Group liquidity is very robust. We have also created the prerequisites for implementing the necessary efficiency gains, including the Volkswagen brand's Future Pact that I mentioned earlier. Other brands have put similar measures in place. We are seeing the first positive effects of the Group-wide excellence programs.

We have also launched an integrated strategy and planning process for the Volkswagen Group that will help us to prioritize better, leverage synergies more systematically, and raise our planning quality.

As far as the ongoing efficiency gains are concerned, everyone in the Group is making a contribution; for example, we intend to raise efficiency in research and development by 30 percent. This is important so that we can make the necessary investments in future technologies and at the same time reduce the R&D ratio as planned. All our brands will also continue working on capex and fixed costs. Our headquarters in Wolfsburg won't be left out either: Group functions will have to become more efficient and more productive, too. I see long-term savings potential of €200 million per year in this area.

We are keeping to our financial targets for 2025: We aim to achieve an operating return on sales of 7 to 8 percent and a return on investment of more than 15 percent. And we plan to reduce the capex and R&D ratios by 6 percent each. Those targets, ladies and gentlemen, are very ambitious in light of the fundamental transformation of our industry. But they are also realistic. They are targets that the entire Group feels committed to. And we plan to deliver on what we promise!

Ladies and Gentlemen,

After nearly nine months of TOGETHER – Strategy 2025, I have a positive take on all areas: I am very pleased with the pace at which we are progressing. And also with the interim results: the transformation of our core business is right on schedule. Our new mobility services business unit is taking shape. Our traditionally high innovation power has been given yet another solid boost. And financially, we have the realignment process well under control.

All of this is why 2016 was much more than just “diesel” for us. We set the course for the biggest transformation in the history of Volkswagen – while at the same time performing better in our operating business than many thought possible. For 2017, it's now “full speed ahead.” We will pick up on our operating success of the past year, and will gain further momentum in implementing our Strategy 2025.

The coming years will be characterized by the transformation of our Group: we will develop fascinating new mobility solutions that will enrich our customers' lives and make them much easier. We will launch new vehicles that will set benchmarks for the future. We will establish new business models, develop new markets, and move step by step toward a top position in the automotive world of tomorrow.

If our plan succeeds – and that is what everyone in the Group is working on with creativity, passion, and perseverance – then Volkswagen will still be one of the world's largest automakers in 2025. By then we will be No. 1 in e-mobility. We will set standards in new mobility services. And what is at least just as important as everything else: we will be a role model for protecting the environment, for safety, and integrity.

That is our vision. And we will do everything in our power to achieve it. Together.

Many thanks for your attention.

We are now looking forward to your questions.