Ladies and Gentlemen,

I too would like to extend a warm welcome to the Annual Media Conference of the Volkswagen Group. This year, we have left our home base in Wolfsburg to meet up here in Berlin. As a hub and incubator of digital disruption, Berlin’s standing in Germany is unique. And it is the city where many of the social debates about sustainable mobility, our key topic of the future, converge.

We need this debate. And here at DRIVE, we deliver a steady stream of ideas and insights. We showcase new perspectives for the mobility of tomorrow. True to our goal: “SHAPING THE TRANSFORMATION TOGETHER”. The transformation of our industry, but also our own transformation. Changing Volkswagen from a leading automobile manufacturer into a company that will play a major role in shaping the mobility of tomorrow, too.

That’s what we want to talk about with you today. We’ll first be looking back at our achievements in the last fiscal year. And, of course, we’ll be moving on to what lies ahead of us – to everything we’re planning for 2018 and beyond.

As usual, I’d like to start with the past fiscal year. But I think it’s worth backtracking a little further. Because that is the only way to gage how far we have come.
Speaking in a somewhat offhand way, the journey we have taken since the fall of 2015 could be referred to as “a round trip to Crisisland”! Back then, we suffered probably the most serious SETBACK this company has ever experienced. The diesel crisis stretched us to the absolute limit – in every possible way. And, to some extent, it continues to do so to this very day.

But the crisis was also an unmistakable wake-up call – a warning that things couldn’t stay the way they were, despite all Volkswagen’s strengths and virtues down the years. It told us there was a need for radical change.

In this sense too, the crisis had a catalyzing effect. It made change possible. Change that would have previously been unthinkable or, at the very least, impossible to implement. Our NEW BEGINNING in a new era – heralded in 2016 by “TOGETHER – Strategy 2025” – would probably have been less bold and less resolute without the diesel crisis.

2017 can be seen as the year we changed our perspective and turned our attention once more to the future. It was the year our Group returned to the OFFENSIVE, with an abundance of new models from our brands in all markets. With major strategic initiatives. With renewed optimism. Buoyed by the knowledge that our company is strong enough to cope with even the most serious setbacks and still play a role in shaping the auto-mobility of the future. But also with an awareness that Volkswagen has a level of responsibility shared by few other companies – particularly in view of the bitter experiences of the last few years.

Ladies and Gentlemen,

After such a journey – which sometimes felt more like a roller coaster ride – the fact we can say Volkswagen is in excellent shape cannot be taken for granted. We are a company with an operative business that is stronger than ever before. A company that is vigorously driving its strategic projects forward.
A company that – despite all difficulties – is continuing to change its culture step by step. In short – a company that is making great strides toward achieving its goals.

A year ago, we presented these 1+4 Group targets. And I would like to briefly outline what we were able to achieve in each of these five areas in 2017.

Let’s start with the topic that has probably been utmost in our minds – and many of yours – over the last 30 months: resolving the diesel crisis. There are still many strands that I cannot comment on in any detail at this time. Most importantly, however, we are making progress in all areas. First and foremost, we have already come a long way with the technical solutions we owe to our customers.

Control over the various legal aspects that still haven’t been finally clarified is only limited. Our only course of action here is to work conscientiously and remain patient. We are of course aware that the legal processes may be ongoing for quite some time yet.

The situation is compounded by the broad social debate about the future of the diesel engine, particularly in Germany. At Volkswagen, we are fully aware that we share responsibility for the way in which this debate has escalated. And we are aware that our company – and indeed our industry – can and must be part of the solution.

We will stand up to our responsibilities. In addition to the 2.1 million Euro 5 diesel vehicles in Germany that have already received the mandated software updates, the Volkswagen Group will be voluntarily upgrading up to four million vehicles with new software. This could cut nitrogen oxide emissions by up to 30 percent, bringing a fast, direct and effective improvement in the quality of air in cities. The same applies to the environmental incentive – also a resounding success. Over 160,000 customers have already decided to switch to a modern, environmentally-friendly vehicle from our Group, and scrap their old car at the same time. We should not underestimate the improvement in air quality this brings.
Over the medium and long term, the situation will be considerably alleviated by progressively more efficient conventional drives and, above all, the efforts to achieve the final breakthrough in e-mobility. At the current point in time, nobody can say with any degree of certainty whether and to what extent bans on vehicles will actually be implemented in German cities. It is also impossible to predict any other political consequences. Just as we have up to now, Volkswagen will continue to adopt a constructive approach and help prevent any further escalation of the situation.

Ladies and Gentlemen,

The situation is much clearer – and probably less controversial from your perspective, too – with regard to our other Group goals in 2017. This applies particularly to our operating business. The fact that I am more than satisfied with our performance in fiscal year 2017 will come as no surprise to you. We posted record figures for unit sales and sales revenue. I am pleased to report that this was also the case for our operating profit before special items – which rose even more sharply than the volume figures. Even after the special items for the resolution of the diesel crisis have been taken into account, our operating profit is at a level never previously attained by our Group.

It is worth noting that, at €22.4 billion, net liquidity in the Automotive Division – our financial “cushion”, so to speak – was only some €2 billion lower at the end of 2017 than it was at the end of 2015. And that is notwithstanding the double-digit billion cash outflows attributable to the diesel crisis since then. There can scarcely be better proof of the financial robustness of the Volkswagen Group.

The records we achieved in 2017 are not an end in themselves. Above all, they are the result of the dedicated and sustained efforts of the Volkswagen Group’s entire workforce on behalf of our customers and our company. I am extremely grateful for this. And I am tremendously proud of this great team – particularly in view of the turbulence experienced over the last few years.
What is particularly important for me is that our customers around the globe have remained loyal to our brands. In our opinion, the delivery figures cannot be interpreted in any other way. The impressive record figure of 10.7 million vehicles is based on substantial growth across all important regions of the world. Deliveries in Europe are up again, with particularly strong momentum in Central and Eastern Europe. We once again posted a delivery record in China, our most important market. In North America, too, where the crisis had its origins in 2015, there is a clear upward trend, with the Group clearly outperforming the market in this region.

We are doing everything in our power to meet the expectations of our customers all over the world. And, wherever possible, to exceed these expectations. That applies to all twelve brands and our financial services division – they put in an excellent performance in 2017, almost without exception. This chart shows some of the highpoints of our operating business successes, the product highlights, and the strategic decisions of the last fiscal year. Frank Witter will have more to say about this shortly.

What I see here is further clear confirmation that the diversity and breadth of our brands is no burden on the company. Quite the contrary – it is THE great strength of this Group. Provided we make better use of this diversity – as we have now started to do. It is apparent that we are reaping the rewards of the greater freedom our brands now enjoy in their operating business. At the same time, we are collaborating much more effectively than before in many of our projects. And this brings benefits for everyone involved.

In light of all this positive news, my verdict at this point is: “2017 was an excellent year for the Volkswagen Group and its brands. We’re back on the offensive – and we intend to remain there!”
Ladies and Gentlemen,

The third of our 1+4 Group targets – efficiency gains and synergies – may sound like a very run-of-the-mill commercial goal. But it’s a particularly hard nut to crack. That’s especially true at a company like Volkswagen which became accustomed to having resources in abundance.

It’s therefore all the more gratifying to see that we are making progress in this regard, too. Our measures are increasingly taking hold. The efficiency programs at our brands and at Group level are on target. What’s more, despite their independence, the willingness of the brands to cooperate with each other has significantly increased. The silos are definitely crumbling. We are leveraging more and more synergies, particularly in the major development projects. For example, in the collaboration between Audi and Porsche on the platform for premium electric cars. We now expect to achieve efficiency gains of 30 percent in this key project. And that’s just one example. The extent of the potential that still lies dormant in our brand alliance is something that becomes clearer to me with every passing day. And we are determined to tap this vast resource.

What is also important is that we practice a new investment discipline at Volkswagen. We are moving forward towards our 6 percent target for capex and R&D ratios by 2020. In spite of the massive pressure for innovation across our entire industry. In spite of the costs for achieving the CO₂ goals. And without neglecting a single one of our key future topics. On the contrary, we are driving our strategic initiatives forward at full speed. The implementation of “TOGETHER – Strategy 2025” is really gaining momentum. Our plan for the future is becoming more concrete, tangible and discernible with every passing day.

This applies particularly to e-mobility. With “Roadmap E”, we have sent a powerful message of our resolve. And it has also served to generate tremendous momentum within the company itself. I’ll come back to this in the second part of my speech.
The launch of “Roadmap E” was certainly THE strategic milestone in 2017 – together with all related topics, such as creation of the Center of Excellence for battery technology. The electric joint venture with JAC in China. Or our commitment to setting up a fast charging infrastructure in Europe.

We have showed great determination in driving our other future topics forward as well. With SEDRIC, we became the first car manufacturer to demonstrate the potential of fully-autonomous driving. Our new MOIA subsidiary is ready to go and will soon be rolling out its first solutions for new urban mobility. We are on the lookout for – and are finding – new partners in specific fields outside our traditional areas of competence: partners such as Google for quantum computing, NVIDIA for artificial intelligence, or Aurora for the development of future self-driving systems. And incidentally, a separate Group Committee, under my chairmanship, has now been set up to deal with the mega-issue of digitalization. We are thus demonstrating just how vital this topic is for us.

We are building new structures, but not neglecting what we already have. The transformation of our core automobile business continued to be one of our top priorities in 2017. Important strategic steps were taken here as well, with sharpened positioning for our Group brands or the decision to realign the Group Component business.

All this shows that “TOGETHER – Strategy 2025” has brought precisely the shake-up that Volkswagen needed. At the same time, it has heightened awareness that the Group can only be successful if we all pull together.

That takes us to the fifth of our Group goals – fostering a new corporate culture. I am aware that many of you doubt this can ever actually succeed at Volkswagen. And I can’t really blame you for thinking that. Because this is the area in which we are still the farthest from our goal. Because I, too, feel a sense of disappointment when something crops up that fundamentally contradicts our principles – and my personal values. Because I, too, often feel that the transformation isn’t fast enough or bold enough.
In these situations, I need to remind myself that it takes time to change the culture of a large organization. It also takes endurance and determination. There are setbacks along the way. What’s important is how we deal with these setbacks, what we learn from them. For me personally, each setback only strengthens my resolve to keep working on the transformation at Volkswagen. Because it’s worth it. And because it’s the only path to our future success.

Integrity, compliance, and an open, pragmatic close-up culture are not esoteric principles. They have concrete consequences and a measurable impact on our reputation, capital market ratings, financing costs, active risk management, and ability to attract the best young talent around. Ultimately, these factors are vital to our commercial success. That’s why I won’t tire in my efforts. And it’s not as if we’re not making any progress. Quite the opposite. In many areas of our Group, our values are already a firm part of working life. And over the last year, too, we did much to help us become a better company.

The change is gaining breadth and depth. The campaigns and training courses, the codes of conduct and values guidelines – all these are having an impact comparable to the changes we have made to our compliance systems and processes. A slow but constant transformation.

Ladies and Gentlemen,

Our extremely successful operating business, our broad process of transformation which is gathering speed – all this shows that Volkswagen is on track towards the future. And we are not going to let up halfway there. We are stepping on the gas. I will return to this later on. Now though, Frank Witter will present last year’s figures in detail.