

Key Quotes Speech Matthias Müller

Fiscal Year 2016

- “In the crisis year of 2016, the Volkswagen Group was able to increase deliveries by 4 percent to 10.3 million vehicles. I see that above all as a vote of confidence from our customers all over the world, for which we are extremely grateful. And we will continue to work hard to live up to that trust.” *[page 2]*

Dividend

- “Volkswagen is in very robust shape, in both operating and financial terms. Our dividend must – and will – reflect this. For fiscal 2016, the Board of Management and Supervisory Board are proposing a dividend of €2.00 per ordinary share and €2.06 per preferred share. [...] We see this as a stepping stone en route to a distribution ratio of 30 percent.” *[page 3f]*

“TOGETHER – Strategy 2025”

- “‘TOGETHER’ is our plan for realigning Volkswagen, transforming it from an automaker into a globally leading mobility provider. [...] Anyone seeking change must have the courage to strike out in new directions, even in the face of opposition – becoming a role model and acting with conviction. As the Board of Management, we must be living examples of the spirit of change.” *[page 5f]*
- The Volkswagen Group is opening up *[page 9f]*: “Part of becoming the ‘new’ Volkswagen involves opening up as a company. A core element of ‘TOGETHER’ is partnerships – to develop new business opportunities or advance new technologies.”
- The Volkswagen Group drives electric *[page 11f]*: “Over the last five years, our Group has invested around €3 billion in alternative drive technologies. We will be tripling this amount in the course of the next five years, investing a total of around €9 billion. [...] Our goal is for the Volkswagen Group to gradually assume the position of world market leader in e-mobility.”

- “However, the internal combustion engine will be with us for quite some time to come. [...] By 2020, we will have made our internal combustion engines between 10 and 15 percent more efficient, and therefore also cleaner. [...] In total, the Volkswagen Group will be investing around €10 billion in these technologies by 2022. Because the internal combustion engine primarily is part of the solution, not part of the problem.”
- The Volkswagen Group drives autonomously [page 13]: “We are the first automaker to give a concrete insight into a vehicle created for the highest level of autonomous driving. [...] We expect the first autonomous Group vehicles modeled on Sedric to be on the roads as early as the beginning of the next decade.”
- The Volkswagen Group is moving closer to customers [page 13f]: “Nowadays, however, just building great cars is not enough. New customer requirements mean that we also need to change. [...] We think it feasible that we will be achieving a substantial part of our sales revenue with new mobility solutions by 2025.”
- The Volkswagen Group is becoming more innovative [page 15]: “What we need to do even more intensively with all our vehicles and services is look at things from the customer’s perspective, and not primarily from the point of view of our engineering logic. To this end, we have established three competence centers in Europe, Asia and the USA, where designers and digitalization experts work hand-in-hand.”
- The Volkswagen Group is becoming more efficient [page 16f]: “Putting all ideas into action will take a great deal of money. [...] We are striving to become considerably more efficient and productive across the entire Group. [...] Audi and Porsche are already demonstrating how to exploit synergies and avoid expensive parallel activities. In future, these two brands will be collaborating on the joint development of vehicle architectures, modules and components. We expect this to result in annual savings in the triple-digit million range.”

Volkswagen in the Year 2025 [page 17f]:

- “The transformation we are facing can be described in one single sentence: we don't need to reinvent the wheel, but we do need to reinvent everything else. In the last fiscal year, we laid the foundations for the most extensive transformation in the history of Volkswagen.”

- “If our plan succeeds, our company has a very good future. It means Volkswagen will still be one of the world's largest car manufacturers in 2025. It means we will be No. 1 in e-mobility. It means we will set standards in new mobility services. And, at least as important as everything else, it means we will be a role model in environmental protection, safety, and integrity. That is our vision. And we will do everything in our power to achieve it. Together.”

Matthias Müller

Speech at the

Annual General Meeting on May 10, 2017

– Check against delivery –

"I'm disappointed in Volkswagen. But I'm sure that this company and its employees have a bright future". This was a message I recently received from one of our Group's long-standing shareholders. I haven't forgotten his words. They are a mixture of rebuke and motivation. And they go right to the heart of our current endeavors: dealing responsibly with the errors of the past. And, at the same time, doing everything we can to ensure Volkswagen remains successful. All this at a time of fundamental change in the world and within our industry.

Dear Shareholders, Ladies and Gentlemen,

I would like to welcome you to the Annual General Meeting of Volkswagen Aktiengesellschaft – your company. Our company.

I am grateful that you are taking the time to look back with us over the past fiscal year. Above all, though, I am inviting you to look ahead, to an industry undergoing radical change. And to the objectives the Volkswagen Group has set itself in this new world. Our plan for the future is called "TOGETHER – Strategy 2025". TOGETHER we are redefining mobility.

So let's start with our review. At our Annual General Meeting last summer, nobody was really in a position to predict with any accuracy what 2016 might bring. What was clear, though, was that it would be an extremely challenging year for Volkswagen. And, without question, it was just that.

On the one hand, 2016 was dominated by the diesel crisis – which continues to demand the utmost of us. On the other hand, the economic environment was also proving extremely challenging: core markets such as Brazil and Russia were in crisis mode. Competition in both Western Europe and China was – and still is – brutal.

The key financial indicators show that the Volkswagen Group enjoyed a remarkably successful year in spite of everything. Being the world's biggest automaker in terms of unit sales may make a few headlines for VW. But, in my opinion, size is never an end in itself – at most it's the outcome of good work.

In the crisis year of 2016, the Volkswagen Group was able to increase deliveries by 4 percent to 10.3 million vehicles. I see that above all as a vote of confidence from our customers all over the world, for which we are extremely grateful. And we will continue to work hard to live up to that trust.

In 2016, we were able to deliver more cars and earn more money. Our sales revenue rose by 2 percent to more than €217 billion. Operating result before special items increased by 14 percent to €14.6 billion. The Group's operating result does not contain the impressive business from our two Chinese joint ventures. This performance is included in the financial result. A proportionate operating profit of almost €5 billion shows that profitability in our second home market was strong in 2016 as well.

At €7.1 billion, the Group's operating result after special items returned to clearly positive territory, despite the fact that special items again impacted our earnings, this time to the tune of €7.5 billion. The lion's share went once again to dealing with the consequences of the diesel crisis.

Ladies and Gentlemen,

There's no question that the consequences of this crisis hurt us last year, not only in financial terms. But we kept on course and put up one of our best operating performances in spite of it all.

This makes us proud – although chasing records is not what drives us. Our goal is to keep on making our products better and better. That is how we secure the future of our company. This is what the entire Volkswagen Group has been working extremely hard to achieve. All the brands contributed to our success. And all the brands were profitable. We launched around 60 new vehicle models. Many of these have the potential to be best-sellers: like the SEAT Ateca, the Audi A5, the ŠKODA Kodiaq and the new Volkswagen Tiguan, which has already convinced over 300,000 customers.

Just as important is the fact that the Group and all its brands are boldly addressing the major trends of the future – with a raft of new projects and initiatives. I will be presenting some of these to you shortly.

This is above all thanks to truly excellent teamwork. For me, that is another of our Company's strengths. I would like to thank all 620,000 employees in the Volkswagen Group for their outstanding personal commitment, continuing loyalty and readiness to embrace change!

I also want to express my gratitude to you, our shareholders. We know we have asked much of you recently. Last year's dividend, for example, was disappointingly low. But we have made a great deal of progress in the meantime, and Volkswagen is in very robust shape, in both operating and financial terms.

Our dividend must – and will – reflect this. For fiscal 2016, the Board of Management and Supervisory Board are proposing a dividend of €2.00 per ordinary share and €2.06 per preferred share. This will involve distributing 19.7 percent of our net profit. This figure takes account of our financial situation and the significant payments as a consequence of the diesel crisis. So we see this as a stepping stone en route to a distribution ratio of 30 percent. That is our goal, and one that remains firmly in our sights.

Ladies and Gentlemen,

We also made substantial progress last year over and above the bare figures. As you'll remember, we launched a 5-point program shortly after the diesel crisis broke. This helped us tackle the most pressing issues as swiftly as possible and in the best structured way. We have made significant progress in all five areas of this program.

Customers are responding very well to the recall campaign for the affected diesel vehicles. In Germany alone, we have modified more than 1.7 million Group vehicles. Worldwide, the figure already stands at around 4.7 million vehicles. By the fall of 2017, we aim to have given all customers the opportunity to have their vehicles modified. We are gratified that our customers are satisfied with the technical modifications: very few customers have contacted us with a query or problem following the update. And we have normally been able to rectify these issues quickly.

The agreements reached in the United States and Canada have taken us a major step forward in overcoming the diesel crisis. As you will recall, in January Volkswagen AG reached a

settlement with the U.S. government that resolved criminal liability and environmental claims at Federal level as well as other civil claims. These settlement agreements were officially confirmed a short time ago. You will find the details starting on page 91 of the Annual Report.

At the same time, as Mr. Pötsch has described, we also implemented a comprehensive investigation, both internally and externally. This has made considerable progress. The main findings as seen from the perspective of the U.S. authorities have been on the table since publication of the Statement of Facts by the Department of Justice. These include the results of the extensive external investigations carried out by the law firm Jones Day, who reported direct to the Department of Justice.

As regards ongoing investigations, we will continue to give the authorities our full and unconditional support. This also applies to the work of the monitor. The Department of Justice appointed Larry D. Thompson to this position. Mr. Thompson and his team will also be tasked with ensuring that we implement our obligations under the settlement agreements with the U.S. authorities. This means that Volkswagen will be under close scrutiny over the next three years.

I see this as an opportunity: The work of the monitor can and will contribute to bringing risk management, compliance and integrity within the Group to new levels. And to anchoring these topics even more deeply in the minds of our managers and all our employees.

We have already taken significant steps along this road over the last few months. The new whistleblower system encourages our employees to report any misconduct as early as possible. We have also refined and reinforced our internal control systems. With regard to engine development, we have introduced 31 "Golden Rules" to do everything humanly possible to prevent misconduct. What's more, we have made "integrity" a core element of our strategy. Never before has our company engaged in a more intensive debate on how no business deal in the world is worth damaging Volkswagen's good reputation. Or that not everything that is legal is also morally correct.

Ladies and Gentlemen,

It was clear to me from day one that we need to seize this decisive turning point in our history to realign Volkswagen for the future: in our structures, in our mindset, and in our strategy. This, too, forms part of the 5-point program.

The new Group structure reinforces our brands and our regions. Not all decisions need to be taken in Wolfsburg any more; responsibilities are being redistributed across more shoulders. This means Volkswagen is becoming faster, more focused, and more customer-driven. And we are also finally getting serious about reducing bureaucracy: we are pruning the scope of our Group-wide regulations – from 800 to 150 pages. We are also reducing the number of top corporate committees by one-third. In addition, the number of legendary "Konzernabnahmefahrten" – test drives with members of the Board of Management – will be halved and held on a much smaller scale.

The most important milestone of the past year was our plan for the future, the Group strategy 2025. "TOGETHER" is our plan for realigning Volkswagen, transforming it from an automaker into a globally leading mobility provider. I'll come back to this later.

Volkswagen needs to transform. Not because everything in the past was bad, but because our industry will see more fundamental changes in the coming decade than we have experienced over the past 100 years. New technologies and structures are only part of the answer. Above all, a new era calls for new ways of thinking: more agile and courageous. More entrepreneurial and pragmatic.

But that's easier said than done. Anyone seeking change must have the courage to strike out in new directions, even in the face of opposition – becoming a role model and acting with conviction. As the Board of Management, we must be living examples of the spirit of change. And we must also shape the framework in which the change takes place.

One building block is to redefine what executives and managers at Volkswagen need to bring to their work: how they are trained, the experience they need, the values they must hold dear. Put in simple terms: Volkswagen must become more international, more entrepreneurial, and more female – especially at management level. To this end, we have defined a new profile for the selection, promotion, and remuneration of our management. We are also stepping up exchange within the Group and accelerating a change in perspective. In the future, experience working in multiple Group companies, brands and regions will be a prerequisite for promotion within management.

Moreover, our new Code of Cooperation sets out the rules of the game: "Genuine." "Straightforward." "Open-minded." "Act as Equals." "United." These values are intended to shape cooperation within the Group – making it better, more effective and more synergetic.

This wasn't always the case in the past. But we are changing it now. What sounds great on paper must become part and parcel of everyday behavior. As you will have gathered, this is a subject very dear to my heart. I am convinced that an open culture, strong values, and integrity in our actions are essential for the future of Volkswagen. For our acceptance in society. And for sustained economic success.

Let's now turn our attention to the future, and to the question: what are our plans for 2017 and beyond? We have a clear timetable here, too. We have transitioned our "5-point program" – initially conceived for the acute crisis management phase – to new, Group-wide targets.

We have called these goals "1+4". The "1+" stands for continuing our work on overcoming 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. Because dealing with the consequences of the crisis will still take a lot of time and effort. And, above all, because we need to continue working hard to restore trust: the trust of our customers, the public, and, last but definitely not least, the trust of you, our shareholders.

At the same time, we can and must concentrate on our operative business and the major topics of the future. To that end, we have formulated four Group-wide goals:

- First, we must keep our operating business successful in a highly volatile economic and political environment. This will involve fighting for every customer and every vehicle.
- Second, we must make further efficiency gains and leverage synergies throughout the entire Group. This is the only way we will be able to release the funds needed to invest in future technologies and the structural transformation.
- Third, we need to drive our Strategy 2025 boldly forward and realign our Group for the challenges of the future.
- Fourth and last, we must bring our new corporate culture to life. And make Volkswagen a role model for value-based action and integrity. In essence, that is the basis for everything else. Only if we succeed in this will we be able to achieve our other goals, too.

As far as the first goal is concerned, success in our operating business, the current situation is very encouraging: Group sales revenue rose by over 10 percent to more than €56 billion in the first quarter of 2017. At €4.4 billion, operating result also significantly exceeded expectations.

Net liquidity in the Automotive Division remained at a robust €23.6 billion at the end of March. The consequences of the diesel crisis will lead to a cash outflow in the double-digit billion euro range in the current fiscal year. However, we have the financial stability and flexibility to overcome this challenge. And we will ensure that this continues to be the case in the future.

One very good sign was our successful return to the European bond market. The high demand for our bond underlines the level of trust the financial markets have in the Volkswagen Group.

In our business, you can only enjoy success when you offer the right products. And we definitely have the right products. In the current year, we will once again be putting around 60 new vehicle models on the road. Cars that will thrill our customers. Like the VW Arteon and T-Cross, the next Audi A8, the new Porsche Panamera Sport Turismo, the ŠKODA Yeti and the new SEAT Ibiza. This is another reason why we are confident that – despite all the challenges – 2017 will turn out even better than 2016. We have therefore confirmed our outlook for fiscal year 2017.

Ladies and Gentlemen,

Behind me you can see the legendary VW Bulli, together with its modern reinterpretation, the I.D. BUZZ. Both vehicles are the same color. Both have four wheels. But there the similarities end. The I.D. BUZZ is a fully-connected electric vehicle with a range of 600 kilometers. It will turn into a self-driving vehicle at the touch of a button. It is crammed full with innovative technology, with laser scanners, ultrasonic sensors, radar systems and cameras constantly monitoring the vehicle's surroundings. Traffic data is obtained from the cloud – more specifically from data centers to which the I.D. is connected via Internet.

Vehicles like this show how profoundly our industry is changing. And they underscore Volkswagen's aspiration: as Europe's largest industrial enterprise, we need to play our role in charting and shaping the future of automobility, too. The guiderail for all this is "TOGETHER – Strategy 2025", the Volkswagen Group's program for the future.

I explained the main elements of this program at last year's Annual General Meeting.

I believe it is important that we continue to build on our traditional strengths in the future, too: on the quality and design of our vehicles. On the emotions our brands embody. On our innovative strength in traditional technologies.

But we will also be deliberately setting new standards: in e-mobility and battery technology. In digital services. In autonomous driving and artificial intelligence. In new solutions for connected mobility.

As you may remember, we defined four core areas of action for our TOGETHER strategy. 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. This is why transforming our core automotive business is at the heart of Strategy 2025.

Parallel to this, we are expanding our mobility solutions business to become a new, strong pillar for the Group. Although much of this is admittedly still a long way off, the potential is definitely there. Today, people around the world are already spending 50 billion US dollars a year on what is known as "shared mobility". This refers to services where mobility can be booked for a specific purpose over a specific period. By 2030, this market could increase by a figure far beyond 20 percent – every single year.

In the future, it will become completely normal to top up the horsepower for your vacation via an app. Or to have a sports car delivered directly to your door for the weekend. With its broad range of brands and vehicles, Volkswagen is predestined to play a leading role.

Ladies and Gentlemen,

The transformation of the core automotive business and the new mobility services business unit will enable profitable growth of tomorrow. However, these two elements will only be successful if we establish a new, even stronger culture of innovation at Volkswagen. And if we are sufficiently profitable to finance it as well. Over the past few months, a lot has happened in all four core areas of action.

The times when we in Wolfsburg thought we knew everything, could do everything and manage everything on our own are long gone. Part of becoming the "new" Volkswagen involves opening up as a company.

A core element of TOGETHER is partnerships – to develop new business opportunities or advance new technologies. In recent months, we have forged many such partnerships.

- We are entering the "economy segment" – the booming business with small, budget-priced cars – and many would say it's high time. We have chosen the best partners to do so: from 2019 onwards, we will be developing vehicles for the Indian market together with Tata Motors. In China, we are working on an economy car with our partner FAW. And, starting next year, we aim to build attractively-priced electric cars in China for the domestic market together with the Chinese automaker JAC. The negotiations are in the final stages.
- In the commercial vehicles sector, Volkswagen Truck & Bus has acquired shares in the U.S. manufacturer Navistar, thus opening up the door to the North American market. This is a partnership and not just a capital investment, involving close cooperation on core components such as engines, collaboration on future technologies such as autonomous driving, as well as joint purchasing.
- Artificial intelligence is another area. In our cooperation with NVIDIA, one of the largest developers of graphics processing units, we are working on a cockpit based on artificial intelligence. Just a few days ago, Volkswagen also established a joint venture in China with the high tech firm Mobvoi, investing 180 million US dollars. This partnership is also about integrating artificial intelligence and voice recognition solutions into our vehicles.

One final example still sounds a bit like science fiction from today's perspective: at the Geneva International Motor Show, our subsidiary Italdesign presented a spectacular joint project together with Airbus – the PopUp. This is a self-driving two-seater that can be docked onto a drone when necessary. This flying car is admittedly futuristic, but by no means unrealistic. It is my firm belief that a Group like ours also needs to pursue ideas that may only be of benefit to future generations.

Naturally, we are making an impact under our own steam as well, especially when it comes to e-mobility. At the Shanghai Auto Show, our brands showed what fully-connected, fully-electric vehicles of the future will look like – with the I.D. CROZZ from Volkswagen, the Audi e-tron sportback concept, and the ŠKODA Vision E.

We have been working on e-mobility for quite some time now. Over the last five years, our Group has invested around €3 billion in alternative drive technologies. We will be tripling this amount in the course of the next five years, investing a total of around €9 billion. This is how the Group will be rolling out more than 10 new electrified models by the end of 2018. By 2025, we will be adding over 30 more BEVs. We expect volumes to increase significantly each year in the meantime. Our goal is for the Volkswagen Group to gradually assume the position of world market leader in e-mobility.

With the VW brand playing lead role, we are currently developing the architecture that will be used in almost all the Group's future electric vehicles. The first of these, the I.D., will go into series production in 2020. This technical platform will enable us to offer our customers electric vehicles with ranges of up to 600 kilometers. The price tag will be the same as a comparable diesel vehicle.

In combination with the electric motor, the battery will come to shape the character of our future vehicles. It will become a vehicle's automotive heart. In this connection, Volkswagen has drawn up a multi-stage "battery" plan with which we intend to achieve technological leadership in Europe by 2025. For this purpose, we have established a Center of Excellence in Salzgitter that assumes Group-wide responsibility for development, procurement and quality assurance related to battery cells and modules. We will also be developing manufacturing competence at this location, starting in 2018 with a laboratory line and, later, our own pilot line. At the same time, we are conducting intensive negotiations to establish partnerships in the field of battery cells in Europe and China. You will soon be hearing more about this.

It is true there are still not enough charging stations for electric cars. But progress is being made on this front as well. Together with BMW, Daimler and Ford, we will be setting up a powerful network of charging stations along the main traffic routes. 400 locations across Europe are planned in the first phase. By 2020, customers will be able to charge their cars at thousands of stations directly on the main highways.

Ladies and Gentlemen,

The future is electric. Of that there can be no doubt. However, the internal combustion engine will be with us for quite some time to come. Even by the year 2025, three out of four new cars will still be fueled by petrol or diesel.

So we will still be deploying the complete spectrum of drive types – from conventional to fully electric – in order to provide affordable, sustainable mobility on a large scale. Modern internal combustion engines will remain indispensable for the foreseeable future. They are fuel-efficient and low on emissions. This applies also and especially to the Euro 6 diesel, despite the current heated debate.

124 years after it was invented, the diesel engine still has plenty of potential. And we intend to exploit that potential. By 2020, we will have made our internal combustion engines between 10 and 15 percent more efficient, and therefore also cleaner. This will help protect the environment and conserve resources. Plus we are also preparing to meet the upcoming stricter emission limits in the USA, Europe and China. In total, the Volkswagen Group will be investing around €10 billion in these technologies by 2022. Because the internal combustion engine primarily is part of the solution, not part of the problem.

Ladies and Gentlemen,

"Autonomous driving" is always a topic that comes up in any discussion about the car of the future. According to a recent study, more than 12 million autonomous vehicles could be sold per year by 2035. Anyone wanting to know what this future will look like should take a look at Sedric: the Volkswagen Group's first self-driving car. With Sedric, we are the first automaker to give a concrete insight into a vehicle created for the highest level of autonomous driving – level 5. That means: Sedric no longer requires a human driver, and has no pedals or steering wheel.

En route to this vision we will be building partly automated cars that make driving safer and more comfortable. Like the new Audi A8, due to be launched in the second half of this year. Stuck in a traffic jam on the highway, at speeds of less than 60 km/h, drivers can take their hands from the steering wheel and let the A8 take over. Audi has just established a dedicated subsidiary to develop the technology for self-driving cars for the entire Group. Based in Munich, "Autonomous Intelligent Driving GmbH" has already commenced operations. Discussions with possible partners are also already ongoing. We expect the first autonomous Group vehicles modeled on Sedric to be on the roads as early as the beginning of the next decade.

Ladies and Gentlemen,

The Volkswagen Group has always been "car crazy" in the best sense of the word. That's who we are. That's why we are successful. Nowadays, however, just building great cars is not enough. Today's customers expect more with regard to mobility. And these new customer requirements mean that we also need to change.

An important milestone in this transition was the establishment of MOIA, our new business unit for mobility solutions. MOIA's main job is to develop and market our own mobility services. The biggest short-term potential is ride hailing by app. Together with our partner Gett, we will continue to develop this business.

A second focus area for MOIA is what is known as "pooling". This involves using an app to combine individual rides, thus making more efficient use of the available infrastructure in our cities. We plan to do this by developing our own shuttle service that will combine the features of regular bus lines and shared taxi services in big cities. This year and next will see the launch of pilot projects in two German cities. And we are planning to have services of this kind in over 20 cities by 2021. Over the long term, we also aim to deploy autonomous mini buses for these services.

Around 50 colleagues are currently working at MOIA in Berlin. The team is growing rapidly, and bursting with energy and fresh ideas. That's why I am so optimistic that our newest subsidiary will meet our expectations.

New forms of mobility are booming in China as well. DiDi, the country's leading ride-hailing provider, is one of our partners there. Let me give you some idea of the dimensions involved: DiDi already operates in over 400 Chinese cities today and is used by 400 million customers – this is more than the entire population of the USA.

Intelligent, data-based solutions are also in demand for transport and logistics. With RIO, Volkswagen Truck & Bus has developed the first open and cloud-based operating system for the entire commercial vehicle sector, so optimizing transport and handling processes. This is good news for our customers because it makes their operations more profitable. It's also good news for the environment because it means fewer empty trucks on the roads.

I could go on and on with this list of examples. We have many ideas. Of course, not all of them will work at the first attempt. That's what entrepreneurship is all about. But what we can

already say is that our decision to make targeted investments in new mobility solutions has triggered great momentum throughout the Group. We think it feasible that we will be achieving a substantial part of our sales revenue with such new services by 2025.

Ladies and Gentlemen,

What we need to do even more intensively with all our vehicles and services is look at things from the customer's perspective, and not primarily from the point of view of our engineering logic. The key word here is what is termed "user experience". In other words, understanding how customers perceive and relate to our products. To this end, we have established three competence centers in Europe, Asia and the USA, where designers and digitalization experts work hand-in-hand.

The Group Future Centers in Potsdam and in Silicon Valley have got off to a good start and are already producing the first design studies and prototypes. Much of Sedric, for example, is the brainchild of Potsdam in collaboration with Corporate Research in Wolfsburg. Our third Future Center in Beijing will soon be opening its doors.

Greater agility, customer proximity and innovative strength – that's exactly what we are striving to achieve in our Group-wide network of 37 competence centers and digital labs. These are located in cities ranging from San Francisco and Barcelona to Berlin and Beijing, employing a total of over 2,000 specialists working on the mobility of tomorrow. All unshackled by the often too rigid Group structures. The spectrum of activities ranges from car sharing and solutions for connected mobility right through to 3D printing for our manufacturing facilities.

With my background in computer science, I find one other pilot project particularly exciting: Volkswagen is the first automotive company in the world to test the use of quantum computers. These machines can solve highly complex problems many times faster than conventional supercomputers. Up to now, they have been mainly used in scientific research and the aerospace industry.

In cooperation with the specialists at D-Wave, we are now exploiting the potential of quantum computers in the area of mobility. In a first research project, working with data from 10,000 taxis in Beijing, we have developed an algorithm that optimizes traffic flow – leading to considerably shorter journeys, fewer traffic jams and lower emissions. Further projects are in the pipeline.

Ladies and Gentlemen,

At times, "digitalization" seems to have become just another buzz word. But blindly following every trend is not how we do things at Volkswagen. We seize the opportunities offered by digitalization wherever they bring real added value for our customers and our company.

One example is the "Virtual Engineering Lab" in Wolfsburg. Here, we use computers to simulate key work processes in technical development, enabling engineers to work interactively on a virtual vehicle, change the equipment in any way they like, completely redesign components in real-time. This allows us to cut costs, save time and offer the best solutions to our customers faster than ever before as we move forward.

Putting all ideas into action will take a great deal of money. We are transforming our core business and, at the same time, establishing new mobility services. For these endeavors alone, investments in the double-digit billion range will be required up to 2025. For that reason, securing the necessary funding is the fourth action area in our strategy.

We are striving to become considerably more efficient and productive across the entire Group. An example that reverberates far beyond the boundaries of our own company is the VW brand's "Zukunftspakt". With this pact for the future, Volkswagen is facing up to a challenge that still lies ahead for many of its competitors: we are making our core brand fit for the structural transformation, thus laying the foundations for economic success and secure jobs in the future.

This also involves cutting jobs in areas that have no long-term perspective. Unlike others, however, we will not be using dismissals to achieve this. We are employing socially responsible instruments such as partial retirement and retraining schemes. That, too, belongs to the special Volkswagen philosophy. At the same time, the VW brand is converting its production facilities for future requirements, investing in e-mobility and digitalization, and making its workforce fit for the changes ahead. Other Group brands have put similar programs in place.

Our path is undoubtedly challenging. It causes friction, and sometimes even conflict. But all those involved are clearly aware of what is at stake. And they know that their endeavors are truly worthwhile: we are already seeing the first positive effects of our excellence programs. And these are also reflected in the figures for the first quarter of this year.

We will be continuing along this path. In R&D, we aim to boost our efficiency by a third by 2020. That is how we will be able to free up the necessary cash for investments in electrification, digitalization and autonomous driving. At the same time, we are aiming to reduce the R&D ratio as planned.

Audi and Porsche are already demonstrating how to exploit synergies and avoid expensive parallel activities. In future, these two brands will be collaborating on the joint development of vehicle architectures, modules and components. We expect this to result in annual savings in the triple-digit million range. Previously, joint projects of this kind between Audi and Porsche were difficult, to say the least. For me, the fact that they are now happening is a sign of real cultural change.

And it also shows the power and potential still waiting to be tapped within the Volkswagen Group – from a financial perspective as well. We are therefore reaffirming our financial targets for 2025: an operating return on sales of 7 to 8 percent for the Group and a return on investment of more than 15 percent. We also plan to reduce the capex and R&D ratios by 6 percent each. These are ambitious yet realistic targets – targets that everyone throughout the Group is committed to.

Ladies and Gentlemen,

The transformation we are facing can be described in one single sentence: we don't need to reinvent the wheel, but we do need to reinvent everything else.

Our course is clear. In the last fiscal year, we laid the foundations for the most extensive transformation in the history of Volkswagen. And we put up an operative performance that was much better than many people had thought possible.

For 2017, it's now "full speed ahead": we will build on our successes of the past year, and will gain further momentum in implementing our Strategy 2025. The next few years will be dominated by the transformation I have described to you.

We have set the bar high. There is no doubt about that. But the rewards will be worthwhile. And everyone at Volkswagen is working toward our goals with creativity, passion, and perseverance. Because if our plan succeeds, our company has a very good future. It means Volkswagen will still be one of the world's largest car manufacturers in 2025. It means we will be No. 1 in e-mobility. It means we will set standards in new mobility services. And, at least as

important as everything else, it means we will be a role model in environmental protection, safety, and integrity.

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

Dear shareholders,

Thank you for supporting us in these turbulent times. Thank you for accompanying us – Volkswagen, your company – along the path to a new world of mobility.