

– Check against delivery –

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– Part I –

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Self-driving cars, fully connected, zero-emission vehicles, the momentum of the digital transformation: the automotive world is facing an epochal shift. Our company, which has steered its way through difficult times recently, is now positioning itself with its brands and products for the future. Our mission: to redefine mobility!

On that note, I would like to welcome you to the Annual Media Conference of the Volkswagen Group here at Autostadt in Wolfsburg. Today, it is time to reflect on the events of the past fiscal year. But we also want to look ahead to what we plan to achieve over the coming years with our TOGETHER – Strategy 2025. All of us here on the podium are looking forward to discussing this with you.

When we last met here a little over a year ago, no one was able to say with any certainty what 2016 would bring for Volkswagen. All we knew was that it would be a very challenging year. And, without question, it was just that. On the one hand, 2016 was shaped by working through the diesel crisis which called for every ounce of our attention. We also found ourselves – as did the entire industry – in an extremely challenging environment, with core markets such as Brazil and Russia in crisis mode, where they remain to this day. Competition in both Western Europe and China was – and still is – brutal.

That is why we pursued a twin-track agenda in 2016: to keep our operating business on course, while at the same time dedicating ourselves to overcoming the crisis and realigning for the future. We succeeded in both of these endeavors. 2016 was a remarkably successful year for the Volkswagen Group, as evidenced by the detailed figures that we are today presenting to you in our Annual Report.

It's easy to make the headlines as the world's biggest automaker in terms of vehicles delivered. But in my opinion, size is never an end in itself, but at most the outcome of a job well done.

I believe the fact that the Volkswagen Group was able to further increase deliveries by 4 percent to 10.3 million vehicles, in what many called the "crisis year" of 2016, is a vote of confidence from our customers all over the world. We are thankful for that. And we will continue to work hard to live up to that trust.

Our sales revenue in the past fiscal year also rose by 2 percent to more than €217 billion. Operating result before special items was up 14 percent to €14.6 billion. Operating result after special items, which had slipped into the red in 2015, was back in strongly positive territory at €7.1 billion in 2016. This occurred despite the fact that special items again impacted our earnings, this time to the tune of €7.5 billion.

There's no question that the consequences of the diesel 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. However, chasing records is not what drives us. To us, it is far more important to make our company and its products not only better and better, but also viable for the future.

We worked hard to achieve that. This chart brings you selected highlights of the past fiscal year. As a Group, we laid key foundations for our future success with our TOGETHER – Strategy 2025 and with the formation of MOIA, our new company for mobility solutions. At the same time, we did everything in our power to ensure a successful present. For instance, by launching about 60 new models for our customers, including quite a few that have the potential to become bestsellers.

All Group brands contributed to the success of the past year. Frank Witter will discuss this in more detail in a few moments. I'd just like to mention a couple more points that I find especially noteworthy.

The VW brand delivered around 6 million vehicles to its customers – despite all the pressures. In addition, the foundation for a powerful realignment of our core brand was laid in the form of TRANSFORM 2025+, the new brand strategy, and the Future Pact.

Audi beat its prior-year record with 1.9 million deliveries, and also made progress on the road to internationalization with the inauguration of its first plant on the North American continent.

Porsche remains the world's most profitable automaker. And the brand established its own digitalization center of excellence, called Porsche Digital GmbH, where in the medium term 500 employees will work on advancing connectivity, smart mobility, and autonomous driving.

ŠKODA also put up a strong operating performance, thanks to new models such as the Kodiaq. Its operating return on sales, on a par with premium brands, was particularly impressive.

SEAT achieved the return to profitability with convincing vehicles such as the new Ateca. And the upward trend at SEAT still goes on. Patience pays off!

Our colleagues at Volkswagen Truck & Bus formed a strategic alliance with Navistar, opening the door to the North American market. Moreover, the authorities approved our stake in the US commercial vehicle manufacturer at the start of this month. The purchasing alliance with Navistar is already in effect, collaboration in core components such as engines will commence shortly.

Volkswagen Financial Services remains a key profit driver for the Group and a sales engine for our brands. The number of contracts rose to a new record of more than 16 million. Investments of half a billion euros by 2020 will go towards fully digitalizing the business model.

I've already referred to the challenging market environment in 2016. Nonetheless, we succeeded in consolidating our strong position in our major core markets. The Group's broad lineup paid off once again in our very profitable home market of Western Europe. Group deliveries rose by 3 percent despite the headwind which hit the VW brand in particular.

We also expanded on our leadership in the fiercely competitive Chinese market. Deliveries rose by more than 12 percent to around 4 million vehicles. A total of more than 150 imported – and above all locally produced – models provided the basis for success. We will keep scaling up our product offering for the Chinese market by adding new SUVs, entry-level vehicles, and locally manufactured electric cars.

North America was without a doubt a particularly difficult terrain for Volkswagen to navigate in 2016. We nonetheless succeeded in slightly increasing Group deliveries in the North American market. Audi and Porsche performed especially well. The USA remains a strategic core market for the Group and the VW brand alike. We stand behind our investment and location decisions, and intend to play a much greater role in the USA over the long term than we have thus far. The double-digit growth rates for the first two months of the year give us grounds for optimism.

Ladies and Gentlemen,

As you can see from our brief overview, the Volkswagen Group is in very robust shape. Our operating business was highly successful in 2016. In addition, with net liquidity of more than €27 billion in the Automotive Division at year-end 2016, the Group's financial position was very sound. We are therefore optimistic about the difficult tasks that lie ahead – not only for us, but also for the entire industry.

We also made substantial progress over and above the bare figures. As you'll remember, we launched a 5-point plan shortly after the diesel crisis broke in October 2015 in order to tackle the most pressing issues as swiftly as possible and in the best structured way. We made considerable progress with all the points in the plan last year.

Customers are responding very well to the recall campaign for the affected diesel vehicles. We have now modified more than 1.5 million Group vehicles in Germany alone, and 4 million worldwide. At present we are processing 200,000 cars per week. Our goal is to complete the modifications on customers' vehicles by the fall of 2017.

At the same time, we also implemented – as promised – a comprehensive investigation, both internally and externally. This has made considerable progress. The main findings as seen from the perspective of the US authorities have been on the table since publication of the Statement of Facts by the Department of Justice. We are currently drawing further conclusions from these findings. As regards ongoing investigations, we will continue to give the authorities our full and unconditional support. That also goes for the work of the monitor for the Volkswagen Group soon to be appointed by the DOJ.

I see great opportunities here: we will work together with the monitor to take forward the ongoing optimization and expansion of our risk management, compliance, and integrity programs.

Ladies and Gentlemen,

It was clear to me from day one that we also need to seize this decisive turning point to realign Volkswagen for the future: in our structures, our mindset, and with a new strategic orientation.

The new, more decentralized Group structure reinforces our brands and our regions. Volkswagen is becoming faster, more focused, and more customer-driven. This will allow us to leverage the strengths of our multibrand Group and its synergy potential much more effectively than in the past. We are also getting serious about reducing bureaucracy. The scope of our Group-wide regulations will be reduced from nearly 800 pages to just over 150. We will also reduce the number of top corporate committees by one-third. In addition, the number of legendary “Konzernabnahmefahrten” will be halved and held on a much smaller scale.

The most important milestone of the past year was the development of a new strategic direction for the entire Group. Our TOGETHER – Strategy 2025 describes how we are realigning Volkswagen for the future, making the transformation from our position as a top automaker to becoming a globally leading provider of mobility solutions. Last summer, we presented the cornerstones of TOGETHER. In the second part of my speech, I would like to describe what we have achieved thus far and what we plan to undertake in the coming years.

Ladies and Gentlemen,

Volkswagen needs to transform. Not because everything in the past was bad, but because our industry will see more fundamental changes in the coming ten years than we have experienced over the past 100. 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.

However, you don't change a company such as Volkswagen by standing with a megaphone at the factory gates and announcing the big transformation. All of us up here on the podium and the entire management must be living examples of that change. And we must set the guideposts for the change we are striving for. We have worked very hard on this as well.

A key building block is the realignment of our leadership model and management development. 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 thus accelerating a change in perspective. In the future, experience working in multiple Group companies, brands and regions will be a prerequisite for management promotion.

Moreover, our new Code of Cooperation sets out the rules of the game: "Genuine." "Straightforward." "Open-minded." "Act as Equals." "Be United." – these values are intended to shape cooperation between the Group, the brands, and the regions, making us more efficient, better, and more synergetic.

I am fully aware that "soft" topics like these will not garner great acclaim at events such as this one. But I believe they still deserve a mention. Because I am convinced that a living and open corporate culture, strong common values, and integrity in our actions are essential for the future of Volkswagen. For our acceptance in society. And for our sustained economic success.

Compliance and integrity are not qualities that can be delegated to either a department or a single individual. We are working on anchoring awareness of these topics even more deeply in the Group, from our vocational trainees to our development engineers, and all the way up to the Board of Management. This is crucial: not just in light of recent events, but above all for the future of our company.

Ladies and Gentlemen,

2016 did not turn out to be the “nightmare” year that many predicted for Volkswagen. We achieved much – in our operating business and in setting the course for the future. Therefore, my personal conclusion is that even though much work lies ahead of us, Volkswagen is back on track.

This is above all thanks to our truly excellent teamwork. For me, that is another one great strength of our company. And that is why all of us on this podium, and I personally, would like to thank all 620,000 of our employees worldwide!

Now I'll hand over to Frank Witter, who will guide you through our key performance indicators.