

– Check against delivery –

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– Part III –

Ladies and Gentlemen,

You'll recall the chart we started out with today, tracking how far Volkswagen has traveled since the onset of the diesel crisis.

Now, it's time to move on to the next stages of the journey. This marks the start of what is possibly the most exciting phase of our transformation – the future of mobility is gradually taking shape, as is the future of the Volkswagen Group. We will be giving our transformation a further boost in the current year. We know that must happen in order to achieve our goals. "Strategy 2025" will remain our guiding framework for the rest of our journey. Our priorities remain the already familiar 1+4 Group goals.

As far as the further resolution of the diesel crisis is concerned, the priorities are clear: as far as possible, we aim to conclude the worldwide recall campaigns for all brands by the end of this year. At the same time, we are striving to achieve greater clarity in the various legal proceedings.

Naturally, we are looking to continue our operating business success in 2018 as well. Not least because we must generate the revenue we will need for our enormous future investments.

We will also be initiating a wide range of cooperation projects between the brands or intensifying existing ones. The realignment of Group Components that I mentioned earlier, with its 56 plants and around 80,000-strong workforce, will also be a driver for greater efficiency. We are working toward implementation of the next milestone here in early 2019.

We will be stepping on the gas even harder to drive our “Strategy 2025” further forward. This will also involve more concrete planning for the next phase from 2020 to 2025. And as far as our new corporate culture goes, we won’t be letting up. You have my word on that! In the course of this year, we’ll be implementing a range of measures that will breathe life into the Code of Cooperation and anchor the role model function of managers in the ongoing transformation even more firmly.

All in all, it’s another massive program. But I’m convinced: we’ll see it through this time, too. Because more and more people in the Group are pulling together. And because it’s becoming ever clearer that we’ve opted for the right course.

As far as operating business is concerned, the encouraging start to the current year has bolstered our confidence. We expect to achieve a further moderate increase in our deliveries to customers. To be perfectly frank with you, whether that new record will be enough to stay in pole position in terms of global vehicle deliveries is of no real consequence to me. We are planning further growth of up to 5 percent in sales revenue. To give you a better idea of what this means: if you look at this projected rise for a single year in absolute terms, it’s a higher figure than some DAX companies achieve in total sales revenue.

We have, of course, set our sights on a continuous improvement in our operating result, too. But there are a number of uncertainties and adverse factors that will not make this easy. One issue that will be a serious challenge for the Group and our entire industry is the changeover to the new WLTP standard.

So we expect 2018 to bring both opportunities and risks. Notwithstanding this, we have slightly lifted the target corridor for our operating margin compared with the previous year, from 6.5 to 7.5 percent.

We expect a tailwind from the continuation of our model offensive. The large number of new SUV models we launched in 2017 are now spending their first full year on the road, and will be rolled out in further markets. 2018 will also bring around 80 novelties from across the Group to our customers – in all markets, segments and regions. These include new models such as the Audi Q8 and two small new Volkswagen SUVs for China, as well as important successor models like the VW Touareg or the Audi A6. For me, this chart is clear proof of the unrivaled depth and diversity of our offerings.

The majority of these vehicles will be equipped with highly-efficient conventional drive systems. Developing these drives further and constantly improving their performance is one of the key areas we will be addressing this year and in the years to come in our efforts to redefine what sustainable mobility can achieve.

In addition to improving conventional combustion engines, this area also includes the further development of alternative drives. Our current Euro 6 engines are among the best and cleanest on the market. Here, too: Volkswagen has got the message. And our developers are already working on the next generation of diesel and gasoline engines, which will come to market from 2019 onwards.

We are investing a great deal of money and effort in making further significant reductions in consumption and emissions. So I can only hope that the diesel engine hasn't been talked to death by then. Because the modern diesel is part of the solution and not part of the problem. That is valid from a climate protection perspective, too. Incidentally, the same can be said of CNG drives – their full market potential is far from exhausted.

A further area is the expansion of e-mobility, with its key issues of battery technology and charging infrastructure. Here, too, we are not waiting around for the politicians or the energy sector. By 2020, the Ionity joint venture plans to set up a network of 400 fast charging stations along major routes across Europe. We're taking action on the home front as well. There are already more than 1,000 charging stations for employees and visitors at our Group sites in Germany. Throughout Europe, the number is due to increase to over 5,000 by 2020.

However, I think we all recognize that as a manufacturer, we cannot solve the problem alone. People's confidence in e-mobility will only grow once the necessary infrastructure has been put into place – and quickly. In my opinion, this will require a master plan for Europe – coupled with an enormous effort. Not only on the part of industry, but also from the public sector.

The new services are another area for sustainable mobility. Our brands are active in many ways in this field. And we have also founded MOIA as the nucleus for an independent mobility solutions business within the Group. The final pillar of our strategy is the development of a self-driving system, known as an SDS, to put autonomous driving into series production. I'll be talking more about this and MOIA later on.

Ladies and Gentlemen,

You know our vision is to make the Volkswagen Group a world-leading provider of sustainable mobility. We are underpinning this vision with a robust plan for the next five years – covering investments, vehicle projects and plant capacities. In concrete figures, we will be investing more than €34 billion in e-mobility, autonomous driving, new mobility services and digitalization up to the end of 2022. This relates solely to R&D costs and capex for products. We will be spending €6.6 billion under this investment program in 2018. In other words, we are already hard at work.

We are making massive investments in the mobility of tomorrow – but without neglecting current technologies and vehicles that will continue to play an important role for decades to come. This is why we are putting almost €20 billion into our conventional vehicle and drive portfolio in 2018, with a total of more than €90 billion scheduled over the next five years.

“Roadmap E” is by far the most important of the Volkswagen Group’s core projects. You are already familiar with the key figures: by 2025, we plan to build and sell up to 3 million battery electric vehicles annually. We intend to develop 80 new electrified Group models by 2025 – 50 of which will be purely electric-powered. And we are planning to electrify our entire portfolio of over 300 models by 2030 at the latest. Over the last few months, we have pulled out all the stops to implement “Roadmap E” with the necessary speed and determination.

This year, the eight battery electric vehicles and plug-in hybrids we already have in our portfolio will be joined by a further nine new models. Three of these will be purely electric-powered – along with the first vehicle we are developing in collaboration with JAC. This year’s highlight will be rolling off the assembly line at the Brussels plant in the summer: the Audi e-tron – the first fully-electric Audi, with a range of 500 kilometers. The Porsche Mission E and the first member of the Volkswagen I.D. family will follow in 2019. From then on, there will be a new launch virtually every month. By 2020, we will be bringing another 25 new electric-powered vehicles and 24 plug-in hybrids to the roads. This is how we intend to offer the largest fleet of electric vehicles in the world, across all brands and regions, in just a few years.

We sense that demand is growing, and the VW brand has just responded by doubling production of the e-Golf in Dresden. The absolute figures are still quite modest. But that will change, at the very latest when the first models from the next generation of electric-powered vehicles start to hit the market. The platform for all the Group’s large-volume vehicles – developed by Volkswagen and called the modular electrification toolkit, or MEB for short – will give us an excellent springboard for future market success.

Our designers, too, are fascinated by the new opportunities that are emerging for interior and exterior features. Something entirely new is being created – that will fascinate and excite us and our customers in equal measure.

The successive expansion of our portfolio of electric vehicles is accompanied by far-reaching changes for many of our production locations. At the current time, we manufacture battery electric vehicles at three locations. But there is a steep upward trend. And a further 9 plants are scheduled to join these by 2020. Based on current planning, we will have at least 16 locations around the globe by the end of 2022.

The good news for Germany is that our “Roadmap E” has an extremely strong German dimension: Zwickau will be converted to run exclusively as an e-mobility hub. The Volkswagen I.D. family will be rolling off the production line there from 2019, with further MEB models from other brands to follow step by step. The preparations are in full swing. Porsche’s main plant in Zuffenhausen will enter the electric era in 2019 as well.

The battery accounts for a significant share of the added value for a BEV. At our Center of Excellence in Salzgitter, we are consolidating responsibility for the development, procurement and quality assurance of all the Group’s battery cells. Operations there have already started, with an initial 100-strong workforce. Preparations for pilot production from 2019 onwards are progressing as planned. However, building up expertise and mastering the technology does not necessarily imply that we want to start large-scale manufacturing of batteries ourselves. This is not one of our core competencies, and others can do it better than we can.

Let me just remind you of the dimensions involved here. We are talking about a battery capacity of 150 GWh per year by 2025, for our MEB fleet alone. The order volume of more than €50 billion over the cycle makes this one of largest procurement projects in the history of our industry.

We have made significant progress in this area, too. In the meantime, we have contracted our MEB partners in Europe with the build-up of the necessary capacities for “Roadmap E”. We have chosen our first partner to supply batteries in China, too. The contracts already awarded have a total volume of around €20 billion. A supplier decision for North America will be taken shortly. Parallel to this, and also together with the partners already selected, we are systematically addressing the issue of safeguarding supplies of raw materials. And we have already commenced work on the next generation of lithium-ion batteries for the time after 2021/22. We expect to make significant progress with regard to energy density, and therefore range, as well as reducing the amount of cobalt.

Ladies and Gentlemen,

Our “Strategy 2025” is crystal clear: we are transforming our core business as a car manufacturer. At the same time, we are establishing a second pillar with new mobility services. The app-based ride pooling service from MOIA, for example, closes the gap between taxis and buses. In the service test phase with over 2,000 users in Hanover, more than 100,000 rides were booked. At the end of this year, MOIA will be putting its entire system on the road for the first time in Hamburg. It will be using its own fully-electric MOIA shuttle for six passengers. Plans call for the Hamburg fleet to be expanded to 200 vehicles in the first phase. Deployment in further cities is in the planning stage.

Autonomous driving is a further area with great future potential. Here, however, it will take longer for today’s concept vehicles to actually hit the roads – not least because of regulatory hurdles. Nevertheless, we are already able to showcase the technical possibilities. With the Audi AICON, for example. Or the I.D. Vizzion, recently unveiled in Geneva. And with our SEDRIC, a vehicle we plan to turn into a model family for a wide range of possible applications – from private and public transport right through to the last mile of freight transportation. SEDRIC was born as a child of the Group, but will soon be leaving us for further refinement into a series product at one of our brands.

Even better synchronization of existing activities will be a focus in this year. And we will be stepping up the pace, particularly with regard to system development. The new partnership with Aurora Technologies will also help us here.

Incidentally, independent surveys of patent activities also confirm the momentum we have gained with regard to autonomous driving. In 2017, we added more than 150 applications to our patent portfolio for this key technology. This shows that our Group has what it takes to play a leading role in this area, too.

Ladies and Gentlemen,

I now come to my final topic. Any company that makes sustainable mobility its declared goal and has ambitious plans for electrification cannot afford to ignore the issue of its own energy generation.

By 2025, we aim to reduce the environmental impact at our Group plants by a further 20 percent. With this in mind, a landmark decision was taken last week. Volkswagen is realigning its energy supply. We will be converting the two large power stations in Wolfsburg from hard coal to natural gas. The six largest Volkswagen plants in western Germany, for instance, take electricity from these power stations. We will be investing more than €430 million in the conversion. And will be reducing CO₂ emissions by 1.5 million tonnes per year, equivalent to the annual CO₂ emissions of 870,000 vehicles. Here, too, we are sending a powerful signal for sustainability – with more to follow.

As you can see, Ladies and Gentlemen,

Things are really moving in the Volkswagen Group. And we have plans for much more. We have achieved something that, only a short time ago, most people thought we could never manage: a change of course for the Volkswagen supertanker. Full speed ahead to the future!

- We are on the right track and picking up speed.
- We are operating successfully, financially robust and strategically well-positioned.
- We have a strong team on board.
- We are facing the challenges of the future with a healthy combination of courage and humility.

Courage because we are leaving familiar territory and treading new paths. Humility because we are confronted by massive challenges and are aware of the special responsibility we carry.

We still have much to do. But I am confident we can achieve our objective: making the Volkswagen Group not only a leading provider of sustainable mobility, but also an even better company.

Many thanks for your attention.