

Dr. Herbert Diess

Annual Session 2017 – Part 3

Ladies and Gentlemen,

Our achievements in the first quarter show that we are on the right track. That gives us a tailwind for the coming months.

However, we see significant risks for 2017:

- The market environment continues to be challenging. In particular, developments in North and South America remain uncertain.
- In important markets such as the UK and Turkey, there are additional political risks.
- Foreign exchange rates remain an additional risk factor.
- We have a number of ramp-ups ahead that all must be implemented trouble-free.
- And we are still feeling the effects of the diesel crisis.

This year, then, cannot be taken for granted. It is now crucial that we resolutely stay the course and continue to carry out our tasks.

First and foremost, we must further strengthen our competitiveness.

I already spoke about the progress made so far in the Zukunftspakt at the beginning of my remarks. We have planned further steps for the coming months.

We intend to increase productivity both in this and next year by 7.5 percent. Then, in 2019 and 2020, we plan a further 5 percent.

We will improve collaboration between development, procurement and production in order to optimize ramp-ups. The launch of the Arteon has so far run very smoothly. We plan to do the same for the Polo, the T-ROC and the other ramp-ups we have planned for this year.

And we will maintain the strictest cost discipline. Our goal for this year is to keep fixed costs at least stable.

In North America, two key vehicles – the Atlas and the new Tiguan – are being launched in the core segments of the US market. We anticipate positive effects on sales as of the second quarter.

We are able to better utilize the Chattanooga plant with the production of the Atlas. We intend to make further progress in fixed costs and material costs.

Up to 2020, we will introduce two new models to the market every year: sedans follow in 2018, and two more SUVs in both 2019 and 2020. We are also working on a sporty option for the Atlas with five seats.

All in all, we will significantly reduce losses this year. We plan to reach a break-even point in 2020.

In South America, we will continue to implement the restructuring program. At the same time, we are rejuvenating and broadening our product portfolio.

The Polo and the Virtus will be the first vehicles based on the MQB A0 Global platform – a local version of the MQB – starting in the second half of the year. In this way, we are bringing cutting-edge technology at competitive prices to South America.

Additionally, we will significantly expand exports to other South American countries. We therefore expect sustained positive growth for the rest of the year.

We are highly profitable in China. It is vital that we defend our market leadership there and bring a new shine to the brand there ahead of the changes facing us.

In the recent months, we already introduced three new SUVs and crossovers with the Teramont, the long-wheel-base Tiguan and the C-Trek. Up until the end of 2018, nine more new products will be launched, of which another three are SUVs.

A key focus is on locally produced new energy vehicles. The Phideon plug-in hybrid will be launched this year, followed by two all-electric vehicles in the coming year.

Across all regions, we have started the biggest product offensive in Volkswagen's history.

This chart sums it all up: More than ten new models are being launched this year alone. Five of those are genuine new products without predecessors.

The Arteon and the Tiguan Allspace have already been launched for the European market. In June, we will introduce you to the new Polo – one of our most important models. And two more SUVs, the T-Roc and the Touareg, will follow in the second half of the year.

The T-Roc in particular will contribute to an increase in volumes and earnings. In total, the program up to the end of 2018 includes 7 new SUVs.

All of the new models have one thing in common: they not only stand for high quality and technical perfection. They are also becoming more sporty, more dynamic and more emotional.

The objective of our product offensive:

- To stabilize and regain market share.
- To restore brand appeal.
- And win back confidence in the brand.

Ladies and Gentlemen,

Competitiveness and profitability are not an end in themselves. They are a prerequisite to financing the major trends of the future – especially e-mobility and digitalization.

This includes the development of a digital ecosystem.

Services and apps will become an important additional offering for our customers over the coming years. This ranges from infotainment

features to vehicle updates and new mobility services and solutions. With this, customers will communicate with Volkswagen directly 24/7.

As a first step, we are launching the new generation of Car-Net this year and will begin with the first mobility services, such as a parking app.

What's more, VW customers will soon be able to have their vehicles retrofit to the system. As a result, we aim to have up to 2 million users on our platform by the end of the year.

When it comes to the electric car, our long-term objective is: by 2025, we intend to be the global market leader in e-mobility and sell 1 million electric vehicles a year.

In recent months, we have already given you some true-to-life insights into our I.D. family. It will initially consist of four members and will be introduced in the market starting from 2020.

This year, we are defining the technical concept and the design for the two most important vehicles. In addition, we are outsourcing key components and determining the production concept.

The I.D. will be the first electric car to be produced at the Zwickau plant. Compared with present-day vehicles, it will be produced 25% more efficiently, which thus leads to additional significant improvements in productivity.

In this context, the costs continue to be a key task. As you know, we have set ourselves a double challenge:

- The I.D. should be affordable – costing roughly the same as a comparable diesel.
- At the same time, the entire electric fleet is to be profitable from the very beginning.

Ladies and Gentlemen,

As you can see, Volkswagen is making progress with realigning the brand.

We made a good start to the new year. For us, the first quarter was rather like making a successful start to the new soccer season.

We've played the first game and now have a tough series of matches ahead of us. We feel fit, but we know we still have plenty of training to do.

Our plan for 2017 has been drawn up. And, despite significant risks, we are confident that we will be able to continue our positive performance, meet our demanding schedule and also achieve our financial targets.

Thank you very much!
