

**Dr. Herbert Diess**  
**Speech at the**  
**Annual General Meeting**  
**on May 3, 2018**

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Dear Shareholders, Ladies and Gentlemen,

It is a great pleasure for me to be addressing you today for the first time as the CEO of the Volkswagen Group: to speak about the past fiscal year. About the next steps in realigning our Group. And about the outlook for 2018.

A great deal happened in this Company during the three years or so that I served as Chairman of the Volkswagen brand. The manipulation of diesel engines in the USA was uncovered at the end of September 2015. Since then, our Company has been working on dealing with the crisis, learning from mistakes, making good the damage. At the same time, we have been putting a great deal of effort into getting the Volkswagen Group and its brands ready for a fast-changing, new world of individual mobility.

In those three or so years, I have got to know and highly value the Volkswagen workforce. It is a strong team that develops, produces and sells cars, motorcycles and commercial vehicles with tremendous passion and great skill. We have one of the strongest teams in this industry. That is also obvious from the way our people have fought the diesel crisis, overcoming it step by step. And are acquiring further skills for a new, better world of individual mobility at the same time.

Since the onset of the diesel crisis, these qualities in our Company have frequently been overlooked. And given the numerous legal proceedings all over the world, at times it seemed as if a corral mentality prevailed at Volkswagen. This impression is

wrong and we must change it. I firmly believe our Company must be open and transparent. Such openness is important in enabling us to deal consistently with problems within our organization. But it is also crucial for successfully mastering the challenges in our industry. Technological change will demand much from us. Massive investments are required. The pressure to adapt is enormous. In the coming years, our industry will reinvent itself as it addresses electrification, digital networking, autonomous driving, and new mobility services. This will result in a raft of new opportunities for individual mobility.

I.) Where the Volkswagen Group stands today

We are tackling these tasks from a solid position. That is evident in our key figures from the past fiscal year, too. Our operating business set new records: around the world, 10.7 million customers chose a vehicle from one of our brands. Sales revenue rose to more than €230 billion. Operating profit was also better than ever, amounting to €17 billion before special items, and to €13.8 billion after special items. Even that was a new record.

Practically without exception, our brands performed very well. Our core VW brand also made excellent progress toward improved profitability and future viability. In addition, the Group's financial position is very robust – despite considerable negative effects of the diesel crisis: net liquidity in the Automotive Division today totals around €24 billion – back to the pre-crisis level. I am, therefore, taking over at the helm of a company in good shape. We are on the right track to strongly position Volkswagen for the future. These are things almost no one – not even us in the early stages of the crisis – thought we were capable of two-and-a-half years ago.

The most important impetus for our realignment is “TOGETHER – Strategy 2025”. We launched this plan for the future in 2016 to give the Volkswagen Group a new strategic direction. It was the right approach to take and retains its validity.

Key areas of Strategy 2025 include “Roadmap E,” the most far-reaching electrification initiative our industry has ever seen. Or innovative vehicle concepts such as SEDRIC, the Audi AICON, and the I.D. Vizzion – our way to demonstrate the potential of fully

autonomous driving. MOIA, our young mobility services subsidiary, will soon be rolling out the first solutions for new urban mobility in Hamburg. We have also made progress in collaboration between brands and in the necessary changes in corporate culture. I will come back to that later.

At this point, I would like to thank my predecessor Matthias Müller. It is due in large part to his leadership that Volkswagen did not falter during the crisis, but in fact embarked on a new phase in the Company's development. May I also take this opportunity to once again express my respect for him and thank him for his strong personal commitment and valuable service during this critical time for our Company.

My thanks also go to our entire team, our 640,000 employees, for their outstanding efforts on behalf of the Group in the past year. And for their willingness to embrace change, an absolutely essential ingredient for our Company's financial success and transformation.

We are above all grateful to our customers, who remained faithful to us. The 10.7 million vehicles we delivered last year are clear evidence of that. This all-time record was achieved because of substantial growth in all key regions of the world. My goal is to maintain and strengthen the confidence that our customers worldwide put in us.

Last, but not least, I would like to thank you, our shareholders: for your patience and for your support during a time when it was not always clear how Volkswagen would overcome this crisis. Meantime, the figures speak for themselves, our share price is back at the pre-crisis level. The Board of Management and the Supervisory Board are therefore pleased to be able to propose a significant dividend increase to €3.90 per ordinary share and €3.96 per preferred share. This means we are again approaching pre-diesel crisis levels. And we are also holding firm on our payout ratio of 30 percent.

II.) How are we transforming the Volkswagen Group: culture, new structure, technological change

Ladies and Gentlemen,

The Volkswagen Group is in robust shape in both operational and financial terms. Our strategy is gaining traction. We are systematically tackling the major automotive issues of the future. However, the longest part of our journey still lies ahead. The crucial years in our transformation have yet to come. This is particularly the case for the cultural change that Volkswagen needs as a prerequisite for financial success.

I am firmly convinced that sustainable financial success is only possible if we have a healthy corporate culture. My first and prime objective is therefore to lay the groundwork for this, as our experiences in recent years have clearly shown that action is needed here.

Much has already changed in the Volkswagen Group since the diesel crisis: “Golden Rules” have been introduced in vehicle development, for instance. For the first time, we implemented a Code of Conduct valid for the entire Group. And we have developed a Group-wide integrity program that is being rolled out across all brands and regions.

We need robust structures, processes and programs. But, most importantly, we must act accordingly, too. And besides abiding by the rules and obeying the law, the key here is always ethics – a clear moral compass. Internal guideposts that are followed by everyone at the company. In this regard, Volkswagen has to become more honest, more open, more truthful. In other words: an upstanding corporate citizen. For many reasons, one of them being that it makes us less vulnerable to attack.

Above all, this requires speaking uncomfortable truths. That not everything legal is also legitimate, for example. Or that we have too long underestimated the value of a more open corporate culture that does not repress dissent, but instead rewards it. Or that along with our self-confidence – however justified – we would do well to practice a little humility.

Every large organization experiences unethical conduct and instances of non-compliance. But to speak plainly: we clearly had too much of that going on until recently. Changing this is the top priority for my colleagues on the Board of Management and for me personally.

We are taking our orientation from the principles of the Ethics & Compliance Initiative (the ECI), which is a major standard widely used in the United States and recognized worldwide. On this basis, we launched the comprehensive, Group-wide “Together4Integrity” program.

The initial focus of this work is structures and processes. We will take steps such as expanding our internal whistleblower system further and making it even more effective. We also aim to reinforce our compliance organization and make it even more professional. A specific example is our supplier relationships, which we will align more closely with compliance principles. In addition, we will continue to work hard on ensuring that all of our products consistently conform to technical standards.

There is one other area that is just as important: we must permanently embed integrity- and value-based behavior in our corporate culture. This is a role that managers, in particular, are called on to perform: as managers, we are role models for our employees. Regardless of our level in the hierarchy, we have to be trustworthy, honest, and reliable. That means: at Volkswagen, we do what we say. And we say what we're doing. Any time. Anywhere in the world.

Despite all good intentions, this organization must also still learn how to bring a positive culture of criticism to life. Volkswagen needs to adopt a culture of constructive dissent that allows us to learn from our mistakes. And one in which we are uncompromising in dealing with serious misconduct. For me, good corporate governance also includes taking responsibility, penalizing misconduct – and then communicating transparently.

Stepping up the pace of our culture change is one of the main things we want to accomplish this year and beyond. As Larry D. Thompson, the independent U.S. monitor at Volkswagen, says, “compliance and integrity must have the same importance in the company as vehicle development, production, or sales.” I unreservedly agree with this.

Ladies and Gentlemen,

The diesel crisis was a difficult and painful watershed. It clearly demonstrated to us how dramatic the consequences of dishonest conduct could be. We must and will do everything humanly possible and create the conditions that will prevent something like this from ever happening again in our Company.

One of the responsible ways to address the consequences of the crisis is to quickly provide technical solutions for our customers. This year, we aim to conclude the recall for affected vehicles as far as possible. Currently, our processing rate is 94 percent in Germany, around 76 percent in Europe, and 69 percent worldwide. At the same time, we are striving to achieve a greater level of clarity in the various legal proceedings.

We are still dealing with many lawsuits and ongoing investigations as a result of the diesel crisis. These include civil cases, criminal proceedings and regulatory actions worldwide. A comprehensive overview is provided in our Annual Report starting on page 178. What is obvious is that working through these legal matters will take years. We are well prepared for this and are extremely serious about resolving all of these issues.

Ladies and Gentlemen,

Apart from this situation, it goes without saying that Volkswagen as Europe's largest automaker must move forward on the future of diesel technology itself. After all, it is in part due to us that this environmentally friendly and efficient drive system has – wrongfully – fallen into disrepute. Also because, like many others, we realized too late that nitrogen oxide emissions in metropolitan areas were not falling fast enough and that we could eventually face driving bans as a result.

We are doing everything we can to prevent this from happening, because we think bans are the worst possible solution. We have already upgraded 2.2 million EURO 5 diesel vehicles in Germany with new software. Further voluntary modifications will follow. This will cut nitrogen oxide emissions by up to 30 percent – quickly and effectively. Thanks to the environmental incentive, which was extended to the end of June 2018, we have already taken around 200,000 old diesel-powered vehicles off the road in Germany and replaced them with new, modern ones.

At the same time, we are investing a great deal of effort and money in increasingly efficient petrol, diesel and CNG drives. Our next generation of internal combustion engines will cut CO<sub>2</sub> emissions by a further 6 percent and emit up to 70 percent less pollutants in real-world driving conditions than our best engines today.

Ladies and Gentlemen,

Legal and ethical conduct is a cornerstone of sustainable corporate growth. And this kind of conduct is also indispensable for the transformation of the Volkswagen Group as we head for the future. We have successfully kicked off this transformation. But we must not let up. On the contrary, our realignment must gather even greater momentum now. After all, the pace of change in the auto industry continues to speed up, and pressure from all sides is growing:

- New, aggressive competitors are entering our established markets and throwing into question traditional business models.
- Although the global economy is humming along nicely right now, the picture is anything but rosy in view of growing geopolitical uncertainties and an unmistakable trend toward protectionism.
- In technological terms, we face a dual challenge: we must continue to improve current core technologies – the internal combustion engine in particular. And at the same time, we must massively develop and expand new technologies – including electromobility and battery technology.
- Finally, the regulatory environment is growing ever more demanding: for example, with the transition to the new Worldwide Harmonized Light-Duty Vehicles Test Procedure, or WLTP.

Given all these challenges, it is clear that Volkswagen must act more quickly, efficiently and systematically – in making decisions and in implementing them. In other words, we must transform our Group from the slow and somewhat cumbersome supertanker to a powerful fleet of speedboats. Our new Group structure creates the foundation for this. We presented a general outline three weeks ago. In the coming months, we will flesh out and implement this plan together with the brands.

Right now, processes in the Group are too complex and decision-making is too slow. In many cases, we are duplicating work. It's a fact that many decisions are taken too far removed from operations – and therefore from our customers. Lengthy approval processes between the Group and the brands create too many inefficiencies.

Our new leadership model will put an end to this. It is based on four principles:

First: We will structure the Group according to brand groups, which are divided by customer segment or price range. That creates more accountability along with synergies in the development and use of technologies, and in sales. This will make us much more agile.

Second: We will conduct our business according to the principle of subsidiarity. That means: decisions are made at the lowest responsible level closest to operations.

Anything a brand group can decide should no longer be discussed at Group level. This will streamline the Group's responsibilities while making Group management more efficient along the lines of the motto: "a lean Group drives strong brands".

Third: We will distribute coordination tasks in the Group among more people than before. In this way, the brand group chairmen will also have Group-wide duties. This will increase mutual responsibility and interdependence – in a positive sense – which will in turn lead to greater collaboration as well as reinforcing the binding nature of decisions and their implementation.

And fourth: Volkswagen Truck & Bus will be structured to be largely autonomous, rather than steered by the Group – and is to be capital-market ready in the foreseeable future. The heavy commercial vehicles business is fundamentally different from the passenger car business. We will take greater account of that in the future.

How will we implement these principles exactly? In future, the Volkswagen Group will be divided into six operating units and the China region. The six units are as follows:

- The first, the VOLUME brand group will comprise the Volkswagen Passenger Cars, ŠKODA, SEAT, Volkswagen Commercial Vehicles and MOIA brands.
- The second unit, the PREMIUM brand group, will include Audi, Porsche Holding Salzburg and initially Lamborghini and Ducati.
- In future, we intend to integrate Lamborghini into the SUPER PREMIUM brand group along with Porsche, Bentley and Bugatti.
- The fourth operating unit, Truck & Bus, comprises MAN and Scania heavy commercial vehicles and initially also Power Engineering.
- Going forward, the fifth unit will combine Procurement and Components. Placing them under joint leadership will generate synergies and reduce inefficiencies.
- The sixth unit will cover our financial services business with Volkswagen Financial Services.

With regard to non-core businesses such as Ducati, Renk and MAN Diesel & Turbo we will define sustainable perspectives. These could result in expansion and growth strategies. Spin-offs are also conceivable. We are taking our time and addressing these issues with the requisite thoroughness.

The new leadership model will be supplemented by a clear assignment of responsibility for core regions to the individual brands. And as already announced, each member of the Group Board of Management will additionally assume general Group responsibilities in future: Rupert Stadler will be in charge of Group Sales. Oliver Blume will be tasked with Group Production. Frank Witter will take care of Company IT. My responsibility will be top executive development, organizational development for the Group, as well as brand and product strategy. In addition, I will also be in charge of Vehicle IT and Group Research & Development, although the latter is expected to be taken over by AUDI in future.

All of this will make management of the Group a joint responsibility. Everyone will have to do their share. Operations will continue to be the responsibility of the individual brands and units, and we will continually improve cooperation between the Group and brands, and make adjustments wherever necessary.

Ladies and Gentlemen,

Our approach to the tasks that lie ahead is not based on the “lone wolf” principle, but rather on working as a team. Neither the Supervisory Board nor I are concerned with focusing the company on a single individual. Quite the opposite. We will work in a more decentralized manner through the brand groups. The responsibilities for Group steering will be spread across more shoulders. This will create freedom for the unified management of the Group and the core VW brand. We will work more smoothly together as a result and make many decisions faster and more efficiently. In both of my positions, I rely on strong teams. The Brand Board of Management will be supplemented in future by a chief operating officer, who will be responsible for daily operations. This is a newly created position that will be filled shortly.

Ladies and Gentlemen,

With our new positioning and structure, we have laid a foundation that will enable the Group and its brands to tackle the ongoing technological revolution. E-mobility is coming: it's the engine of the future. And Volkswagen will be at the forefront of this work – as the automaker that takes the electric car out of its niche and introduces it to the mass market. Our “Roadmap E” is the most ambitious electrification initiative our industry has ever seen: depending on market development, our Group aims to manufacture and sell up to 3 million all-electric cars per year by 2025. At that time, we will offer our customers more than 80 new electric models, including around 50 all-electric vehicles.

This year, the eight battery electric cars and plug-in hybrids we already have in our portfolio will be supplemented by ten additional models. The next highlight will begin rolling off the assembly line at the end of August: the Audi e-tron. The first premium electric car from our Group will set standards – and demonstrate just how fascinating electric mobility is.

This also holds true for the Porsche Mission E and the Volkswagen I.D. family that will be produced in Germany, respectively, starting in 2019. By 2020, we will offer our customers more than 25 new electric models and more than 20 plug-in hybrids. In just a few years' time, then, across all brands and regions we aim to put the world's largest fleet of electric vehicles on the road.

This includes our commitment to help expand the necessary charging infrastructure, for instance through the IONITY joint venture, which is setting up 400 fast-charging stations along major routes across Europe. Our commitment to systematically prepare our plants for the age of electromobility – particularly here in Germany. And our commitment to gain the necessary know-how for cell technology in our Center of Excellence in Salzgitter. At the same time, we will secure the battery capacity we will need for our electric fleet.

By 2025, we estimate that we will require 150 GWh per year. This will amount to a purchasing volume about 50 billion euros during this period, just for our volume models

based on the Modular Electrification Toolkit, or MEB. To date, the contracts awarded to suppliers have a volume of some €40 billion. As an aside, these figures clearly indicate that the industrial alliance needs to make a united effort to reopen an intensive dialog on setting up battery cell manufacturing capabilities in Europe.

We are moving full steam ahead on the other major future trends as well. By the end of 2022, we will have invested more than €34 billion: in electromobility, autonomous driving, new mobility services and the digitalization of our products and the entire company. In the coming years, our joint ventures in China will take up an additional €15 billion for these technologies.

### III.) What we expect in 2018

Ladies and Gentlemen,

That brings me to my final point, the current fiscal year and our expectations for operating business.

We made a very promising start to 2018. The first quarter closed out with a new delivery record. March was the best single month ever in the Group's history. Sales revenue climbed above 58 billion euros during the first three months of the year. At €4.2 billion, our operating profit again reached a very high level, only slipping slightly due to new measurement rules for derivatives.

We reaffirmed our forecast after the very satisfactory start to the year: The Group continues to expect deliveries to customers in 2018 to moderately exceeding the prior-year figure. Sales revenue is expected to be up by as much as five percent on the prior-year figure. An operating return on sales of between 6.5 and 7.5 percent is anticipated for the operating profit. We comfortably fit into this target corridor during the first quarter with a margin of 7.2 percent.

We expect a tailwind from the continuation of our model initiative. 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 more than 70 innovations from across the Group to our customers. These include all-new models such as the Audi Q8 and compact Volkswagen SUVs for China, as well as important successors like the VW Touareg or the Audi A6.

However, geopolitical uncertainties, volatile exchange rates, and the effects of the diesel crisis will continue to demand our attention. And speaking of risks, we are also faced with WLTP, the new testing procedure for determining emissions levels and fuel consumption. We prepared very thoroughly for this transition, which will take place on September 1, 2018, as early as possible. The considerably more complex measurements will be taken according to a schedule coordinated across the brands. Our aim is to make all the necessary technical adjustments and collect all of the necessary data within this very short transition phase. Nonetheless, external factors, such as the availability of technical services or the capacity of the relevant regulatory authorities, also play a role. Given our wide range of models, this requires an enormous effort by the Group. This could lead to temporary bottlenecks in our sales program should we encounter unfavorable circumstances. We are doing our utmost to minimize a potential negative impact on order activity and delivery.

Ladies and Gentlemen,

All in all, we expect 2018 to be another good year for the Volkswagen Group:

- A year in which we will make progress on our way to becoming a better Company – in every respect.
- A year in which we lay the foundation for more efficiency.
- A year in which our operations are set to remain successful.
- A year in which our electrification initiative will begin to take shape outside the Company.
- And generally a year in which we will systematically drive our transformation further forward: focused, with more energy and more momentum.

Our goal and my goal is to transform the Volkswagen Group into one of our industry's leading companies in terms of profitability, innovative power and sustainability.

Everyone in the Group is 100-percent motivated to make that happen. And I would ask you, our shareholders, for your support and trust during this process.