

# Annual General Meeting 2021

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**Annual General Meeting 2021**  
**July 22, 2021**

*Dr. Herbert Diess*  
*Chairman of the Board of Management Volkswagen AG*  
*Speech manuscript*

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*- Check against delivery -*  
*- Translated from German -*

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**Dear Shareholders,**  
**Ladies and Gentlemen,**  
**Dear Colleagues,**

I, too, would like to wish you a very warm welcome to our 2021 Annual General Meeting. This is the second time it has been held virtually. Thank you for your interest in Volkswagen.

All of us are still reeling from the shock of last week's devastating floods. More than 160 people have lost their lives in this disaster. Many livelihoods have been shattered. Our thoughts and prayers go to those who have lost family and friends. Once again, we've seen a wave of solidarity in this crisis. Volkswagen already donated one million euros in emergency aid to the German Red Cross last Friday. Colleagues whose volunteering commitments require their presence in the region have been granted leave of absence.

Climatologists have long predicted that climate change is leading to more extreme weather events. Each degree of global warming means the air can absorb seven

percent more water vapor. Heavy rains, transformed overnight into raging torrents that sweep away entire streets, can be one of the repercussions.



The European Commission has just presented its “Fit for 55” climate package, under which the European Union aims to cut greenhouse gas emissions by at least 55 percent by 2030. Electric vehicles are then expected to account for some 60 percent of the new fleet.

Combating climate change is the challenge of the century. As regards road traffic, electric mobility is the only way we can significantly reduce CO<sub>2</sub> emissions in the next ten years.

Volkswagen laid the foundation for electric mobility six years ago. Our goal is to become the world market leader for e-vehicles. With a market share of 26 percent, the Volkswagen Group sold more electric cars in the first half of the year in Europe than any other company.



ID.4 GTX: Power consumption in kWh/100 km: 16,3 (combined); CO2-emissions in g/km: 0; Efficiency class: A+  
 Q4 e-tron: Power consumption combined in kWh/100 km: 18,2–15,8; CO2-emissions combined in g/km: 0; Efficiency class: A+  
 Taycan Turbo S: Power consumption combined in kWh/100 km: 28,5; CO2-emissions combined in g/km: 0; Efficiency class: A+

2020 marked a turning point among the general public. The German government doubled the purchase premiums for electric vehicles under the economic stimulus package it launched in response to Covid-19. Since then, we've seen a sharp boost to electric mobility. Demand worldwide is also rising: In the first six months of this year we sold 171,000 all-electric cars, twice as many as in the previous year.



Economically, 2020 was dominated by the coronavirus pandemic. Our 660,000 employees worldwide did a great job during the crisis. They got behind our crisis management efforts, stabilized supply chains and kept production up and running. A task force headed by Murat Aksel, our board member responsible for procurement, continues to work tirelessly to this day to limit the impact of the semiconductor shortages. They are also a consequence of the pandemic. My thanks go to the entire team.

Our Chief Human Resources Officer Gunnar Kilian and his team ensure that our employees stay safe. We've already vaccinated 60,000 people. Our objective is to set up vaccination centers at all other major Group locations worldwide outside of Germany. We will fulfill our responsibility as one of the world's largest employers.



Group sales revenue in 2020 declined by 11.8 percent to €223 billion due to the pandemic. Business recovered in the second half of the year. In the fourth quarter alone, we generated an operating profit before special items of €8.2 billion, giving a return on sales of 12.2 percent. The net cash flow for the Automotive Division came in at €6.4 billion thanks to the very strong second half of the year. Net liquidity increased by €5.5 billion to €26.8 billion in 2020.

Despite coronavirus, we achieved a solid result in calendar year 2020. The Board of Management and the Supervisory Board are proposing to our shareholders an unchanged dividend of €4.80 per ordinary share and of €4.86 per preferred share.

We've also benefited from the market recovery in the first half of this year. The impacts of the semiconductor shortages are more likely to become visible in the second half of the year.

By the end of June we were able to increase deliveries by 28 percent to around five million vehicles. Based on preliminary figures, we expect the Group to post an operating profit of around €11 billion and a net cash flow in the automotive business of around €10 billion.

We will present our detailed half-yearly financials on July 29.

Ladies and Gentlemen,

The automotive industry is undergoing a transformation – away from the internal combustion engine and toward electric mobility. As a result, our sector is making a key contribution to combating climate change.

However, it's not only the drive type that is changing. The way we use cars will also change radically in the coming decade, in a similar way to the move from the landline phone to the smartphone.

The car, too, will become a mobile device by 2030 – although the functionality is many times more complex than that of our smartphones. The requirements also far exceed those demanded of smartphones – as regards in-use safety, for instance.

We're on the brink of a paradigm shift. The experience, expertise and parameters from 100 years of automotive history will change fundamentally. We face the biggest transformation since the switch from the horse and cart to the automobile at the beginning of the 20th century.

It's time for us to reinvent.

The cars on our roads will be sustainable, safe, smart and ultimately autonomous within the next ten years.

The car will become more popular than ever. Because it stands for individual freedom and satisfies the need for mobility. In particular, the pandemic has made many of us aware of the fact that mobility is a basic human need.

Grandchildren will be able to visit their grandparents in the future without having to be driven there by mom or dad. You can spend your time in the car working, playing with your children, talking to friends, watching movies or playing video games.

Traffic will be safer. Most accidents nowadays occur because drivers make a mistake, are distracted or are fatigued. The virtual driver will be much safer than any human being.

Electric mobility will even make SUVs eco-friendly. In many regions of the world, individual mobility will become affordable for the first time – especially in areas where electric energy is already cheaper than gasoline.

Cities and municipalities will use cars as a means of storing energy and so equalizing excess capacities. As a result, driving with e-vehicles will become cheaper as well.

Autonomous driving will also become available to many people over time. And it will be cheaper. Because the costs of computers, software and sensors fall as the number of vehicles increases.

Autonomous driving will become a mass market.



We presented our strategy for 2030 nine days ago.

It's our roadmap for what is also the biggest transformation in the history of the Volkswagen Group. The Volkswagen Beetle and Golf have shaped the lifestyle of entire generations. The AUDI Quattro and Porsche 911 have set technological benchmarks worldwide.

With the ID. family, AUDI e-trons or Porsche Taycan, we have now laid the foundation for fascinating and valuable, future-proof brands.

We call our strategy "NEW AUTO." Because it's our conviction that the car will still account for around 85 percent of traffic in the future. Whether it is purchased, leased, rented, used as part of car sharing or driven autonomously is of secondary importance.



Our market will change gradually over the next ten years. The internal combustion engine market will contract by more than 20 percent. That's why we'll increase efficiency further in our ICE business. We'll cut our fixed costs by five percent in the next two years. We aim to reduce material costs by seven percent over the same period. We'll also keep on streamlining our portfolio of models and drivetrains.

We'll continue to generate large cash flows to finance the transformation.

We assume that our margins in e-mobility and ICE business will already be at the same level in two to three years. By 2030, the global electric vehicle market will be on par with ICE sales. Electric cars will then be much cheaper than vehicles with an ICE.

We're aiming to keep on growing our profitability. That will also be aided by greater vertical integration in our new business segments of Battery and Charging. Direct contact with customers will also be vital. That will enable us to constantly offer our customers new services and thus retain their loyalty longer.

Our ambitions go further than that: As part of our annual Planning Round in November, we aim to increase the corridor for our operating return on sales from 7 to 8 percent to 8 to 9 percent by 2025.

We assume that the global mobility market will more than double from €2 trillion at present to €5 trillion by 2030.



Innovativeness, technological expertise, speed and size will gain importance in this market. Backed by our ability to scale platforms globally, we intend to further expand our share of the electric mobility market.

One of the Volkswagen Group's strengths is its unique brands. Our brands have built a distinct image and earned the trust of customers over decades. These are important factors for purchasing decisions. In 2030, too, brand differentiation, design and a first-rate customer experience will play a key role in customers' decisions when they buy or use a vehicle. The differences are being increasingly defined by software and services.

We have organized our brands in strong brand groups. We intend to enhance and modernize them, with a clear value proposition and tailored customer solutions.



AUDI has taken over leadership of the premium brands. With Markus Duesmann and his team at the helm, the portfolio of AUDI, Bentley, Lamborghini and Ducati is now organized efficiently.

No other manufacturer of premium brands offers a similar range of electric cars: The AUDI e-tron is the industry's first all-electric premium SUV, while the Q4 e-tron<sup>1</sup> is the first AUDI based on the Group-wide Modular Electric Drive Toolkit MEB. The new AUDI e-tron GT<sup>2</sup> boasts impressive performance and design.

Deliveries in the first six months of the year alone rose by 39 percent to 982,000 vehicles. That made the first half of the year the most successful in AUDI's history.

The Artemis high-tech project will be the first car in which the Group's own operating system VW.OS is used. It's all-electric and ready for autonomous driving. Yet again, AUDI is thus developing the most cutting-edge technology for the whole Group.

AUDI will also use the technology in the most sophisticated luxury Bentley – and so advance into segments that have not been accessible for the brand to date. AUDI can now position its technology in an even higher price segment. And benefit from greater economies of scale.

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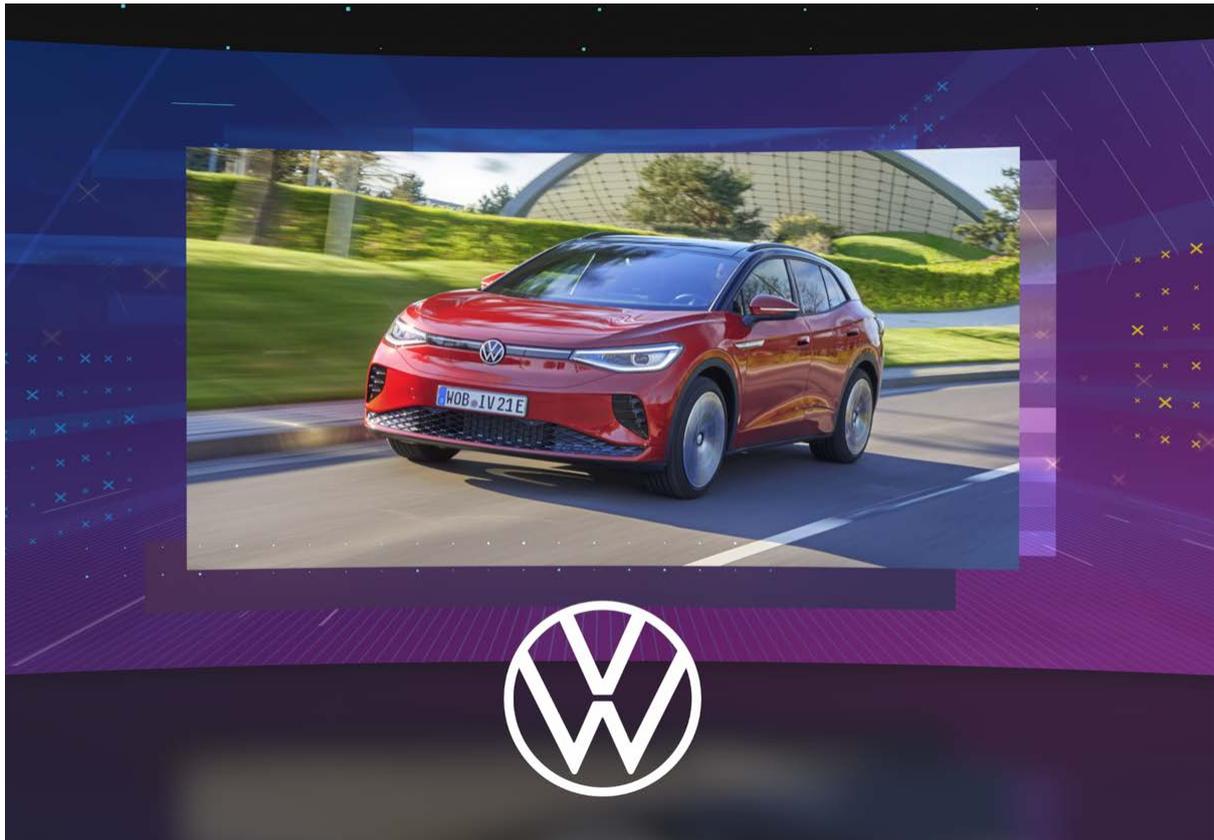
<sup>1</sup> Q4 e-tron: Power consumption combined in kWh/100 km: 18,2–15,8; CO2 emissions combined in g/km: 0; Efficiency class: A+

<sup>2</sup> e-tron GT: Power consumption combined in kWh/100 km: 20,2–18,8; CO2 emissions combined in g/km: 0; Efficiency class: A+



Bentayga Hybrid: Fuel consumption combined in l/100 km: 3,4; CO2 emissions combined in g/km: 77  
Superleggera V4: Fuel consumption combined in l/100 km: 8; CO2 emissions combined in g/km: 185  
Huracán: Fuel consumption combined in l/100 km: 14,2 – 13,7 (WLTP); CO2 emissions combined in g/km: 338 - 330

We have created a powerful brand portfolio by bringing Bentley, Lamborghini and Ducati under the AUDI roof. This means we'll be able to leverage synergies even better in the premium segment.



ID.4 GTX: Power consumption in kWh/100 km: 16,3 (combined); CO2 emissions in g/km: 0; efficiency class: A+

The Volkswagen brand headed by Ralf Brandstätter is in charge of the volume segment with ŠKODA, SEAT and CUPRA and Volkswagen Commercial Vehicles.

In the first six months of the year, Volkswagen delivered half a million more cars than in the same period of the previous year.



Volkswagen grew its share in its home market of Germany to around 20 percent – its strongest market position since 2016. The four top-selling cars across Germany were the Golf and Tiguan, followed by the Passat and T-Roc.

Volkswagen is likewise pressing ahead vigorously with electrifying its product portfolio. Volkswagen will be market leader in the volume segment by 2025 with the Group-wide Modular Electric Drive Toolkit MEB.



On the basis of the broad ID. family with the ID.3, ID.4, ID.5<sup>3</sup> and ID.6<sup>4</sup>, plus the successor to the Bulli van – the ID.BUZZ<sup>5</sup> – next year, Volkswagen is creating the most extensive portfolio of electric vehicles in the industry to date.

More than 110,000 customers have ordered an ID.3 so far. The ID.4 has already surpassed the 50,000 mark five months after its launch, with orders currently totaling 57,000. Two-thirds of deliveries go to Europe and the remaining third is split evenly between the U.S. and China. The ID.4 is a world car.

One of the factories that build the ID.3 and ID.4 is located in Zwickau. The facility is now a net carbon-neutral multi-brand plant for the electric cars from VW, AUDI and CUPRA.

Our Wolfsburg site will also be converted to electric mobility in the coming years. The car with the project name Trinity will be all-electric and offer functions for autonomous driving.

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<sup>3</sup> Car not on sale yet

<sup>4</sup> Car is not sold in Europe

<sup>5</sup> Concept car

Volkswagen is thus introducing AUDI's Artemis technology into the volume segment – as it has already done for e-mobility with the Modular Electric Drive Toolkit MEB.



The CUPRA BORN<sup>6</sup> is an emotional car based on the MEB. The electric car is part of the €5 billion e-mobility investment plan SEAT and CUPRA presented last year.

The brand boasts an attractive portfolio of models with the CUPRA Formentor. SEAT increased deliveries by 45 percent to 281,000 in the first half of the year.

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<sup>6</sup> CUPRA Born: Power consumption combined in kWh/100 km: 15,4; CO2 emissions in g/km: 0; efficiency class: A+



ŠKODA continues to press ahead with its product offensive, too. The new OCTAVIA with hybrid drives and its Internet capability is the paragon in its class. ŠKODA has also advanced into the era of electric mobility with the ENYAQ. Deliveries in the first half of the year rose by 21 percent to 515,000 vehicles.

In the international arena, ŠKODA assumed responsibility for the regional markets of Russia and North Africa this year.



Grand California 680 – Fuel consumption combined in l/100 km: 9,4 – 8,3; CO2 emissions combined in g/km: 248 – 218; efficiency class: B – A

Volkswagen Commercial Vehicles is evolving more and more into a lifestyle brand. The new T7 is innovative and digital, comfortable and functional. We will launch our most emotional electric car so far, the ID. BUZZ<sup>7</sup>, next year. With the ID. BUZZ AD<sup>8</sup>, Volkswagen Commercial Vehicles will prepare the ground for the future of autonomous robotaxis.

Volkswagen Commercial Vehicles will become truly competitive in the light commercial vehicles sector for the first time through the cooperation with FORD.

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<sup>7</sup> Concept Car

<sup>8</sup> Concept Car



Taycan Turbo S: Power consumption combined in kWh/100 km: 28,5; CO2 emissions combined in g/km: 0; efficiency class: A+

With sustainable profit margins of more than 15 percent, Porsche is in a league of its own. Porsche even maintained its double-digit profitability in the difficult year of 2020.

The brand is stronger than ever before. The Taycan is the brand's first all-electric sports car. There is currently an order backlog of four to five months.

All in all, Porsche adopted electrification early on and its aim is for 80 percent of the vehicles it sells to be electric models by 2030. Porsche intends to be net carbon-neutral at that point as well.

In the Sports brand group headed by Oliver Blume, Porsche has redefined Bugatti's future. Porsche has pooled Bugatti's expertise in the hypercar business with the electrification competence of Rimac.



TRATON sales revenue in the first half of the year is expected to amount to €13.6 billion, and therefore at the level of the same period in the pre-crisis year 2019. Incoming orders were at a record level of 170,000 vehicles in the first half year.

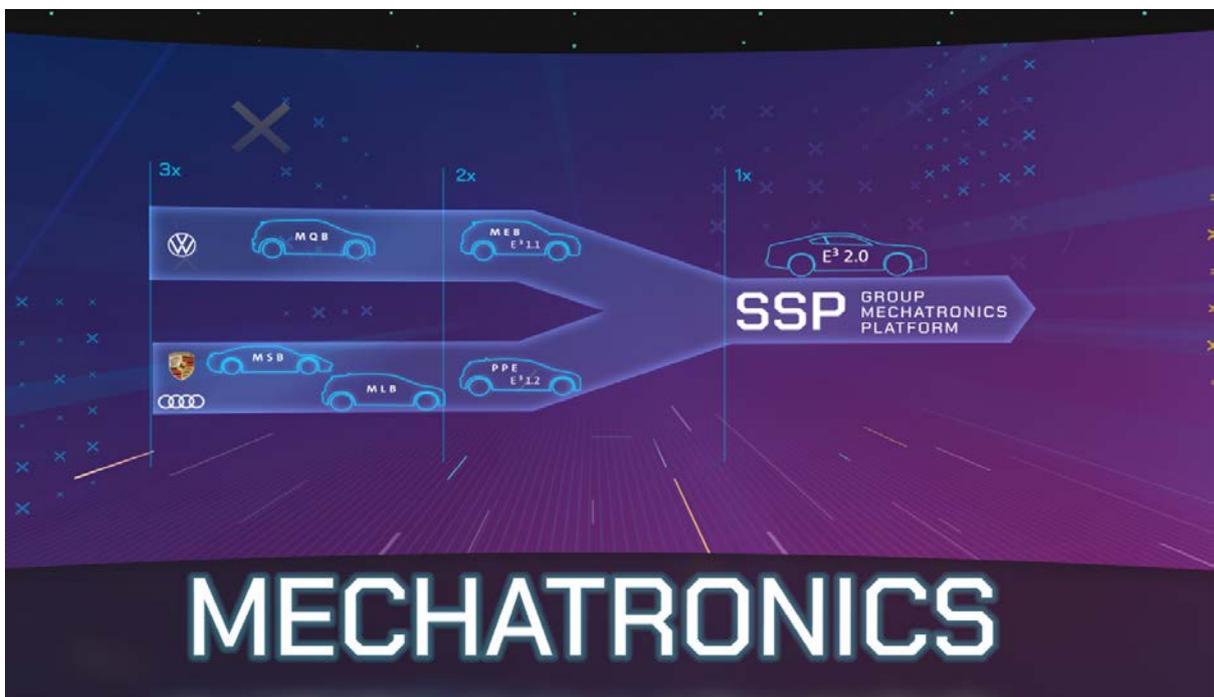
TRATON has further expanded its global footprint through the takeover of Navistar. As a result, the company is on the finishing straight as part of its Global Champion Strategy. TRATON will focus more strongly on the Chinese market moving ahead.

Our trucks and buses operation aims to speed up its transition toward electric mobility, too: TRATON will invest a total of €1.6 billion in research and development in the field of electric mobility by 2025.

Series production of battery electric urban buses was launched successfully at MAN's Starachowice plant in Poland in October 2020. The all-electric Lion's City E is already in service in Hamburg and other European cities.



The Volkswagen Group's brands will benefit even more strongly from unified technology platforms in the new world of mobility. These enable the global use of the latest technology of a high quality standard and at competitive costs.



The mechatronics platform forms the technical foundation of the car: the chassis, drives and electronics architecture. From 2026 on, the unified platform will be the sole platform for electric vehicles.

We are currently planning to produce more than 40 million cars on this platform – in all segments, for all models and with the full design diversity of the Group brands. And, of course, also for other manufacturers who wish to use our platform.

We are investing €800 million in a new research and development center at Wolfsburg, where our engineers will create the platform in a state-of-the-art working environment.



The aim of our software platform is to enable seamless integration of the car in our customers' digital ecosystem. We are thereby ensuring that the cars can be updated anytime, anywhere.

That's why we pooled our IT experts from AUDI, Porsche and Volkswagen in an agile, independent unit – CARIAD – a year ago.

We've also hired 1,000 new software developers. We've already integrated around 15 software companies in CARIAD.

Thanks to CARIAD's software solutions, Volkswagen can already offer automatic software updates just like on a smartphone.



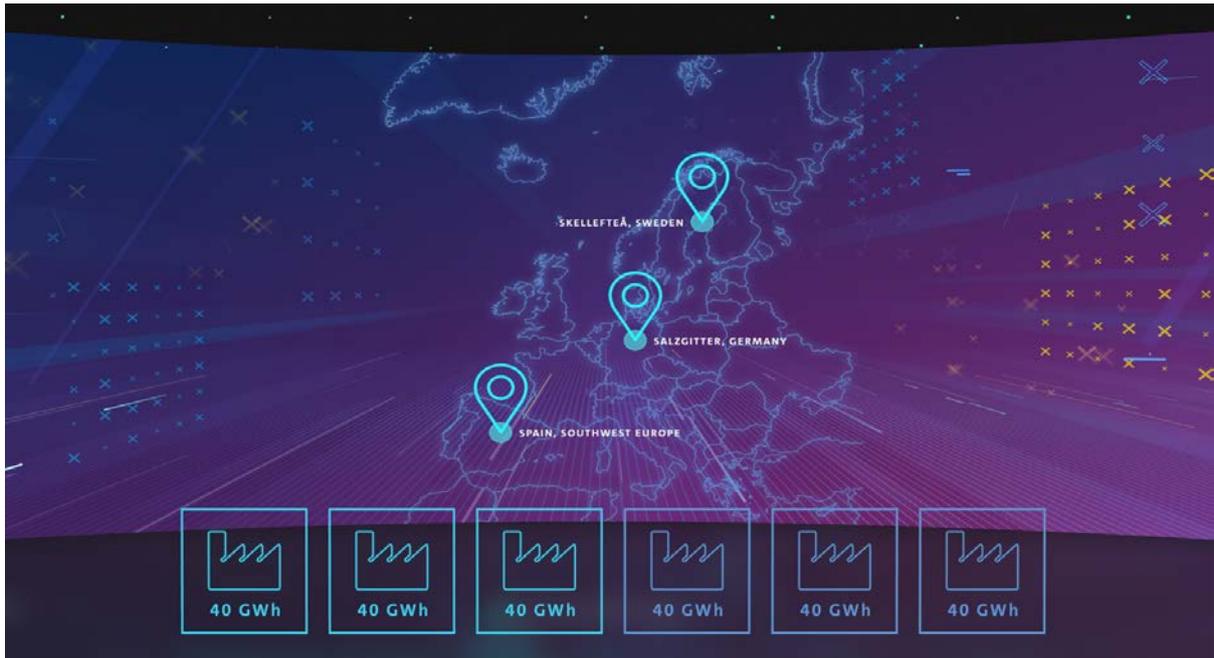
With CARIAD, we intend to develop the leading software alternative to Tesla and Google by 2030. By then, around 40 million vehicles are to be using our own operating system. That will enable us to offer new services on a daily basis.



With electrification of our vehicle fleet, we are building up core competencies for new areas of business: battery technology, charging and energy.

The core element of our battery strategy is the unified cell. A standardized cell format that is to be installed in up to 80 percent of our e-vehicles by 2030.

Together with its partners, Volkswagen will be one of the biggest battery cell manufacturers worldwide. In this way, we will be able to secure our battery cell needs beyond 2025.



Six giga-factories are to be set up in Europe by the end of the decade. The first two will be in Skellefteå, Sweden, and in Salzgitter. The third is expected to be built in Spain as a mainstay of our electric strategy.

In order to industrialize cell production in Salzgitter, we intensified our partnership with the Chinese battery manufacturer Gotion High-Tech two weeks ago.



Volkswagen is also driving global expansion of the public fast charging network. As part of that, we've agreed cooperation deals with the energy companies BP for Germany and Iberdrola for Spain. A few days ago we founded a joint venture with Enel with the goal of creating a fast charging network in Italy by 2025.

Volkswagen is also expanding the charging network internationally with Electrify America in the U.S. and the joint venture CAMS in China.



Mobility services will also gain importance in times of the platform economy. The basis for that is big data, which we can leverage to offer our customers what they want at all times.

The business model will consist of four pillars in the future:

- A booking platform, similar to the system for hotels, that matches supply and demand. It stores customer data and handles payments. Such platforms can be operated very profitably.
- Operation of the fleet, a services business, which we are currently testing with our MOIA brand in Hamburg.

- The autonomous vehicle. Our first car will be the ID.BUZZ AD<sup>9</sup>, and we will begin tests with this vehicle at Munich Airport this year.
- The virtual driver we're developing with Ford at our joint venture Argo AI. It's the most complex software system the world has seen so far. The system is an active neural network which keeps on learning. Such artificial intelligence also has the potential to be very profitable.

Our two home markets Europe and China, as well as the U.S., will also be our most important markets in 2030. Europe can become the trailblazer in climate protection. The U.S. and China will remain technology drivers.

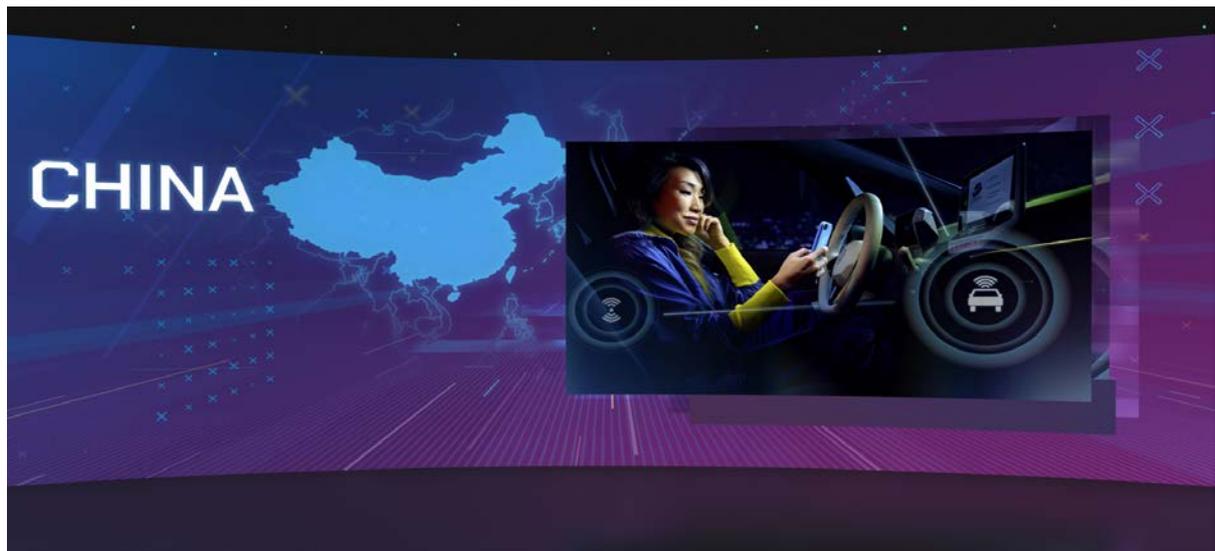


In the U.S., the Biden Plan gives us a historic opportunity to double our market share. We aim to expand our open charging network and install more than 1,800 fast charging stations and 10,000 individual charging points by 2025. We are converting our plant in Chattanooga to electric mobility.

More than 6,000 ID.4 cars have already been sold in the U.S. since March. With the ID.BUZZ<sup>10</sup>, we will celebrate the comeback – after 30 years – of the legendary flower power Bulli van of the 1970s. That will charge the brand with emotion and boost our EV campaign in the U.S.

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<sup>9</sup> Concept Car  
<sup>10</sup> Concept Car



China will play a crucial role in the success of our entire strategy through 2030. We've been the unrivaled market leader in China in the past decades. We maintained our position in the first half of this year with a market share of 18 percent. And profitability is high.

Our goal is to achieve the same position in the electric world, too.

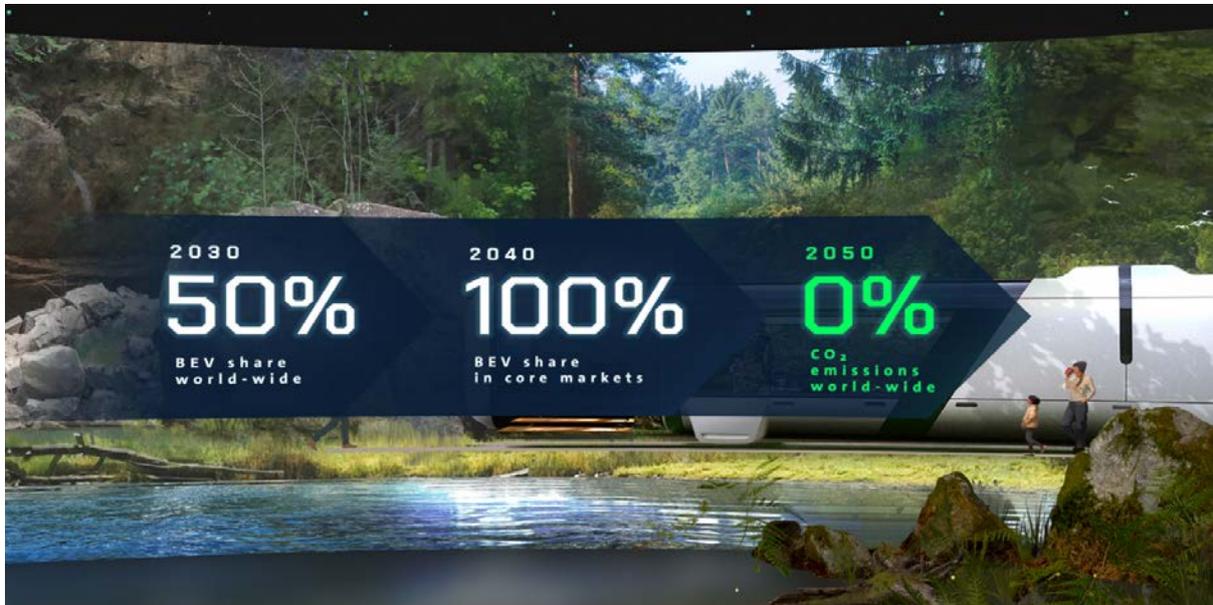
To enable that, we've secured majority stakes in electric mobility companies for AUDI and Volkswagen for the first time. We are strengthening our key electric joint venture Volkswagen Anhui with a new factory and a new research and development center. Sales of the ID. are expected to double compared with the previous month – from 3,000 in June to about 6,000 in July. And initial sales figures for the ID.6<sup>11</sup> are highly promising. We aim to sell a total of 80,000 to 100,000 electric cars from the ID. family in China by the end of the year.

AUDI will produce electric vehicles for the Chinese market in Changchun under a joint venture with FAW starting in 2024. AUDI ended 2020, the year of the pandemic, with a sales record – for the fifth year in succession.

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<sup>11</sup> Car is not sold in Europe

We've invested in local battery production with our participation in Gotion. And with CARIAD we're systematically building our software skills in China, too, so that we can offer digital solutions tailored to the needs of our Chinese customers.



As one of the world's largest car makers, we intend to live up to our responsibility to combat climate change.

Our target is to reduce the average CO<sub>2</sub> footprint per car over its entire lifecycle by 30 percent to 34 tons of CO<sub>2</sub> by 2030.

We expect that the global share of electric vehicles sales will increase to around 50 percent by then.

In some regions, internal combustion engines will be sold longer. The pace of the shift toward electric mobility differs worldwide. Key factors are local legislation and the availability of clean, CO<sub>2</sub>-free primary energy.



We co-founded the CEO Alliance in 2020. Under this alliance, we've teamed up with 11 other European industrial companies to develop cross-sector solutions that will help underpin the EU Green Deal. With the CEO Alliance, we and leading European companies are advocating CO<sub>2</sub> pricing across industries and internationally for the first time.

We've also extended our cooperation with the Volkswagen Sustainability Council for a further two years.

Ladies and Gentlemen,

Individual mobility has a bright future. In 2030, people won't want to do without the experience of driving safely, comfortably and sustainably. Just as no one today would want to say goodbye to their smartphone.

With our strong brands and global technology platforms, we have a clear plan to play a leading role in the new world of mobility, too.

The new Board of Management team is competent and highly motivated. It's ready to drive the topics vigorously forward. And the team is spurred on by the pleasure of delivering mobility for the next generation. As befits our purpose: Mobility for generations to come. Many thanks for that!

I personally wish to thank our shareholders, the Porsche and Piëch families, the state of Lower Saxony and the Emirate of Qatar, as well as our employee representatives, for the trust they have placed in me by approving my new contract for a further four years.

A transformation at this pace would not be possible without a reliable relationship between the employee representatives and company management. I am convinced that, with Daniela Cavallo heading the Works Council, we have a solid basis of trust on which to continue our successful work.

My thanks also go to you, our shareholders, for your trust.

We look forward to continuing our journey together with you!

Thank you.