

Volkswagen : Facing the Challenge

Oliver Larkin, Senior Investor Relations Manager

Volkswagen Aktiengesellschaft

New York, 12 January 2009

Volkswagen : Facing the Challenge



Highlights 2008

Deliveries to customers developed better than the world market

Q1 – Q3 Operating profit improved year-on-year

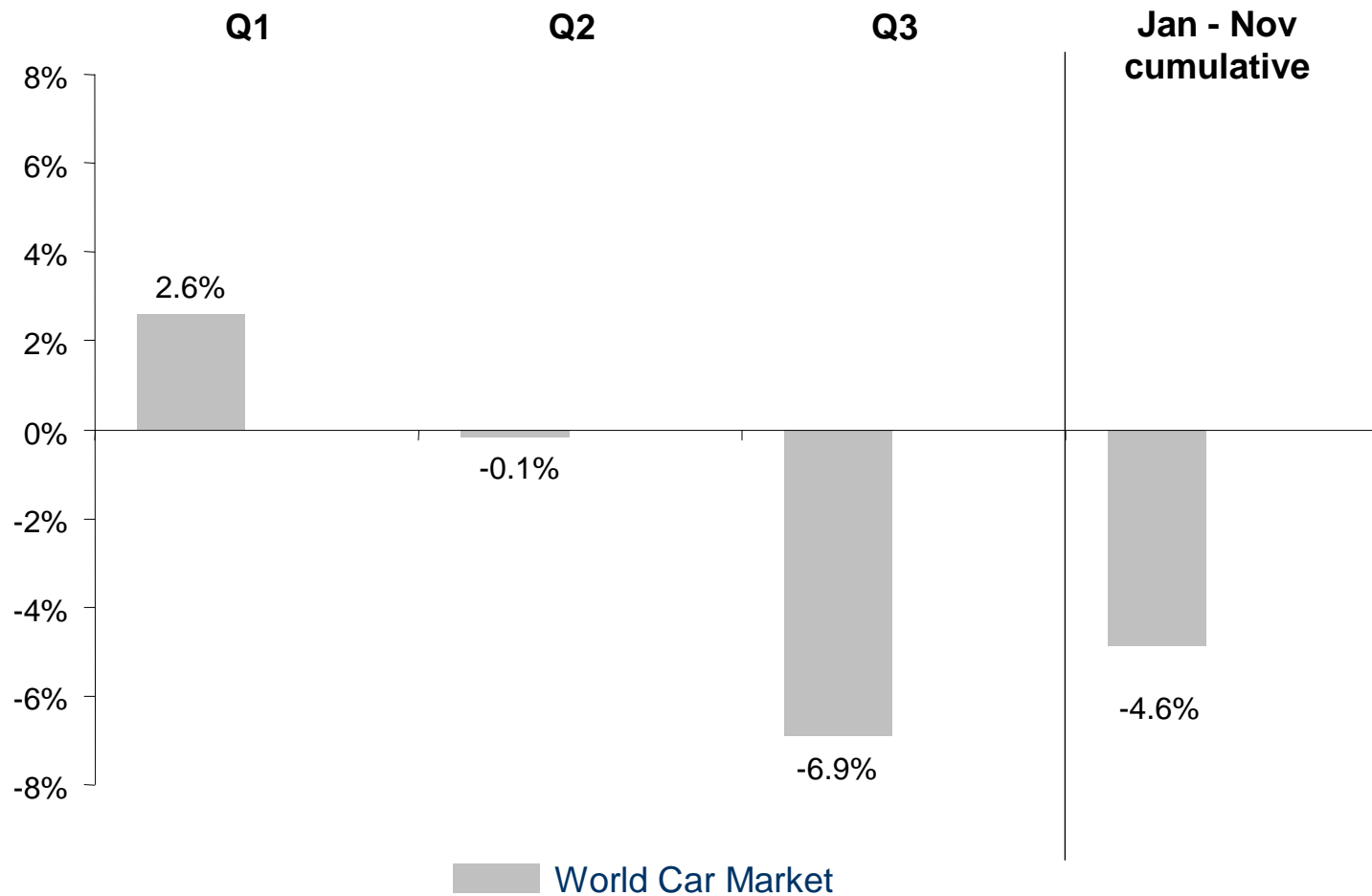
Strong cost control and capital discipline continued

We maintained our targets for 2008 throughout the year



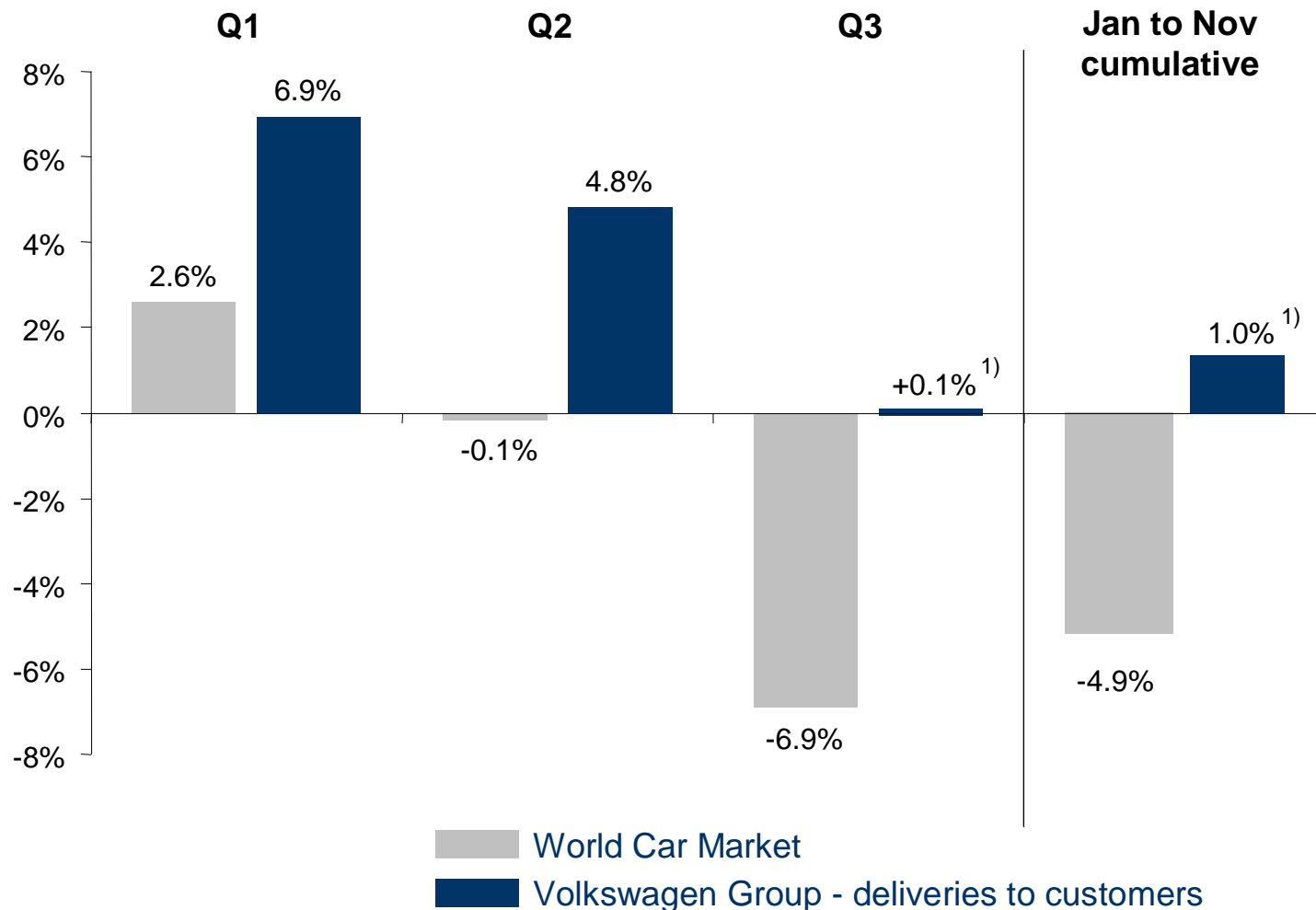
World car market

Q1 to Q3 / 2008 and January to November comparison to 2007 in %



World car market vs. Volkswagen Group deliveries to customers

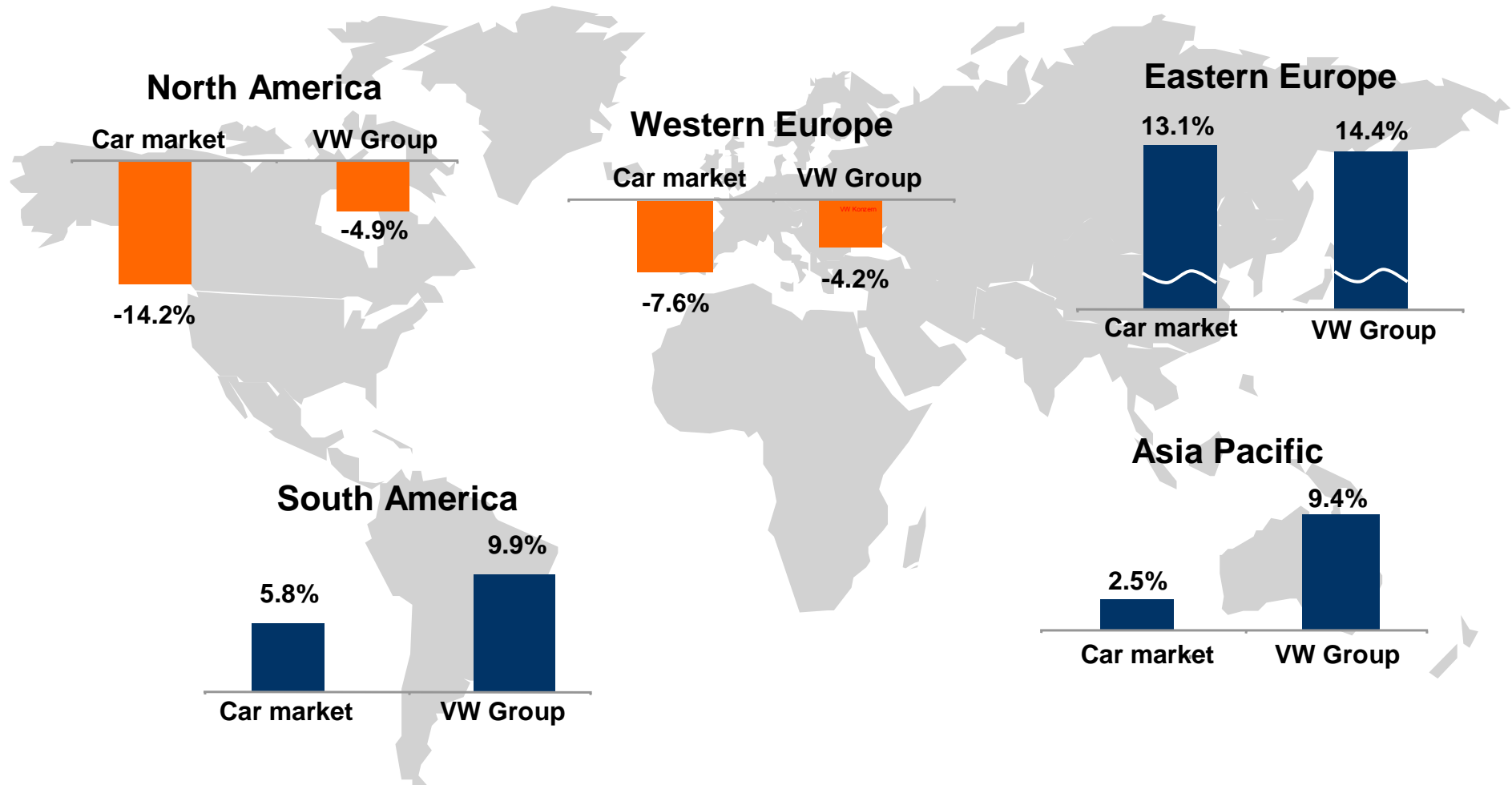
Q1 to Q3 / 2008 and comparison to 2007 in %



1) Scania: deliveries from July 22, 2008 to September 30, 2008 only.

World car markets and deliveries to customers

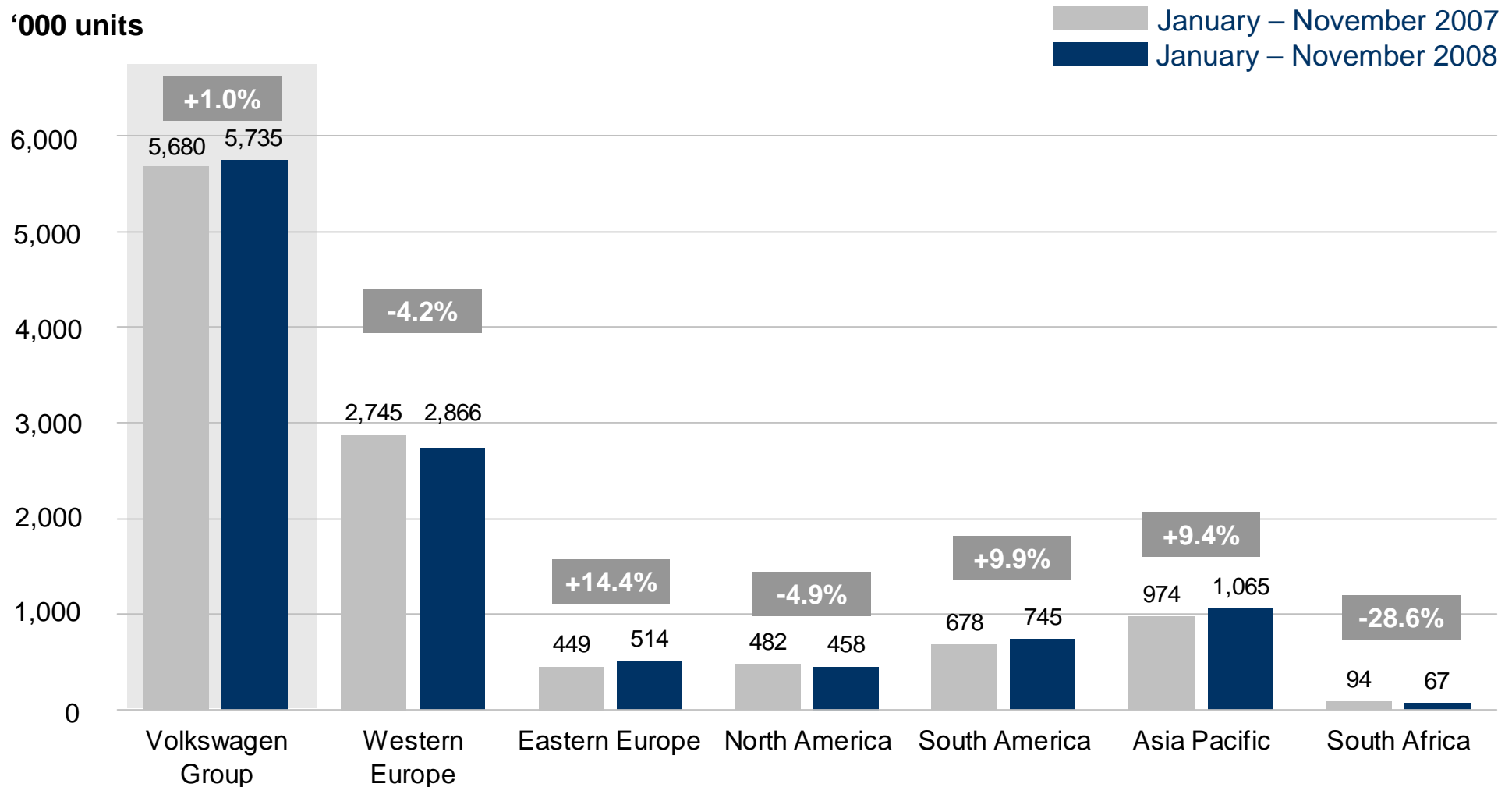
January - November 2008 (comparison to 2007 in %)



Volkswagen Group – deliveries to customers by market

January – November 2008 ¹⁾

'000 units



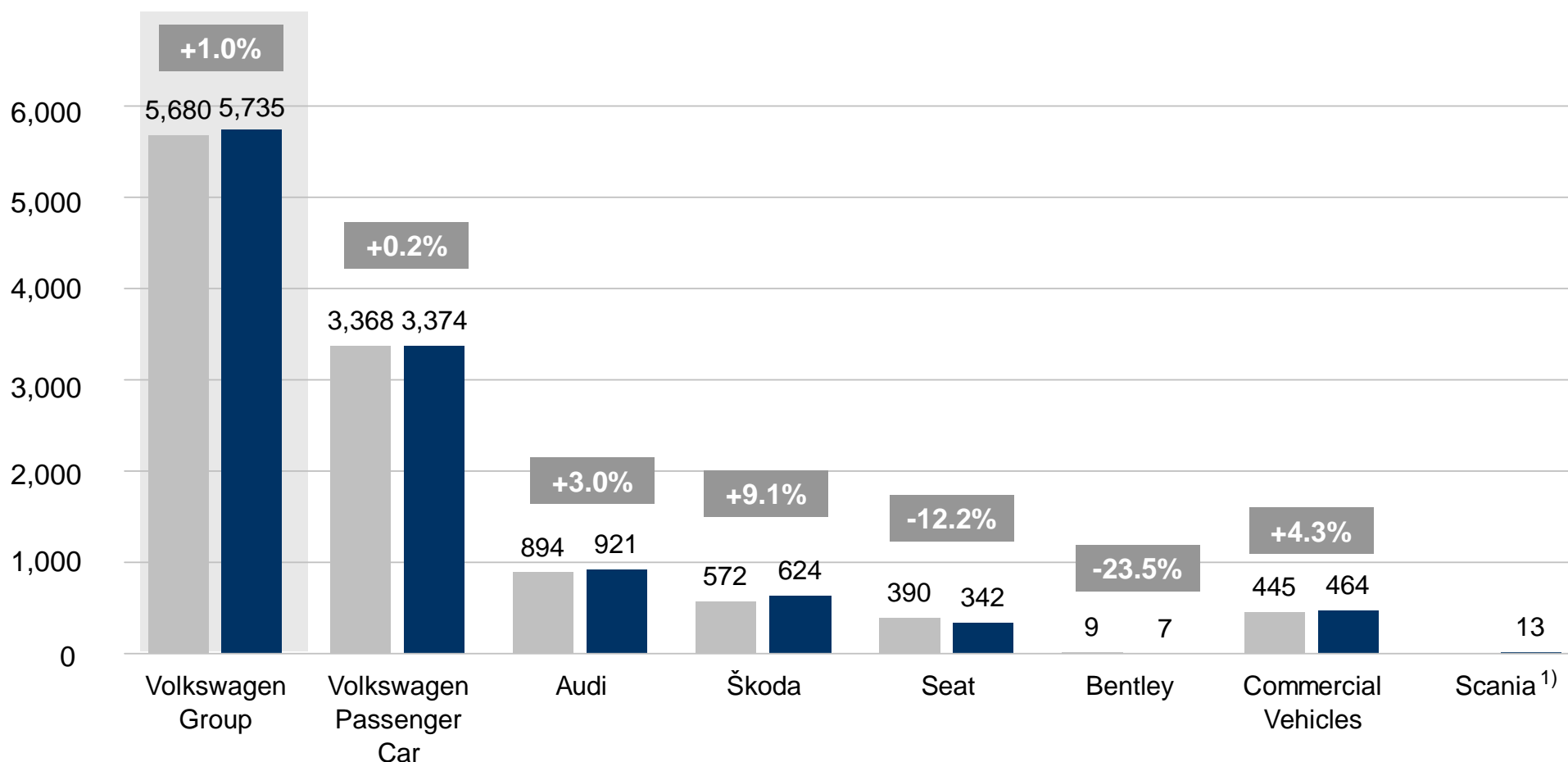
1) Scania: deliveries from July 22, 2008 to September 30, 2008 only.

Volkswagen Group – deliveries to customers by brands

January – November 2008

'000 units

January – November 2007
January – November 2008

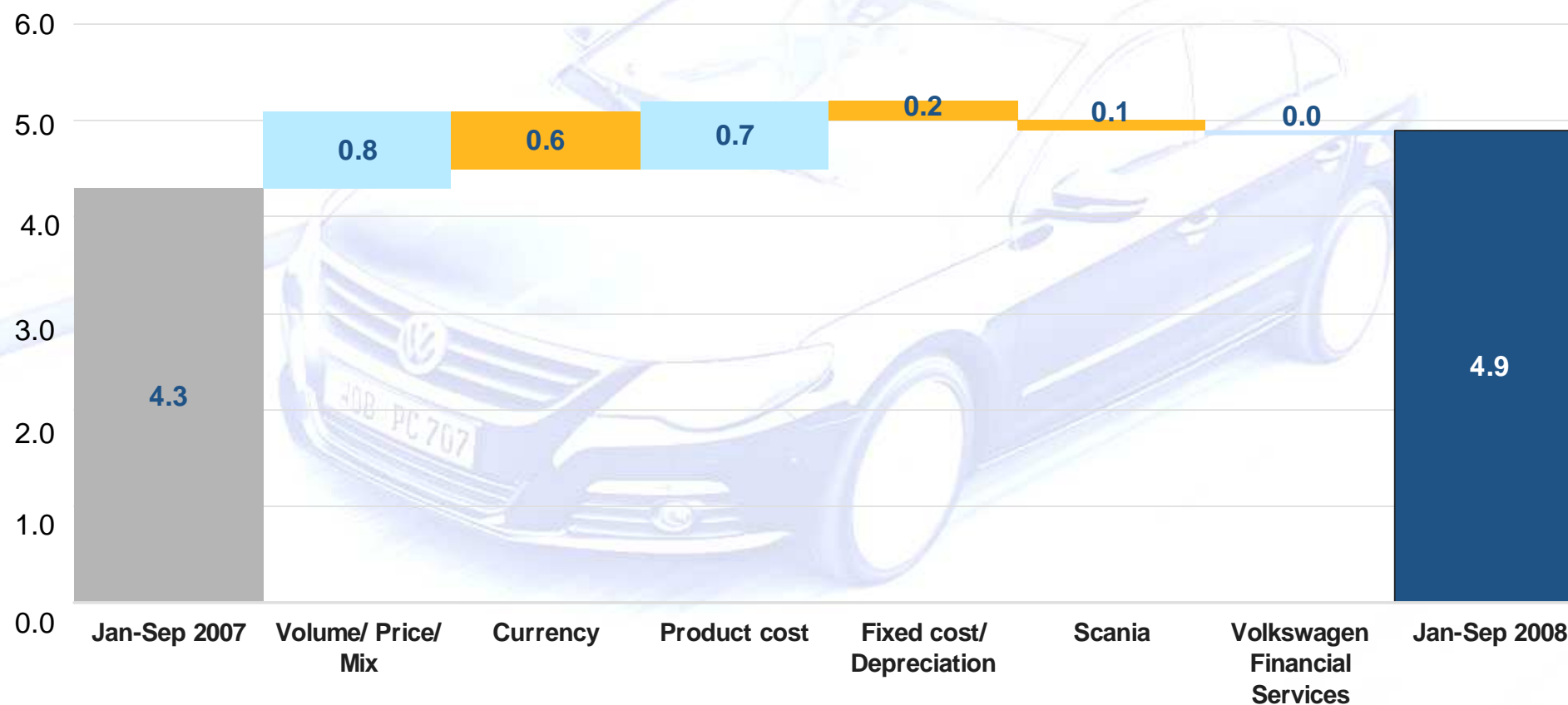


1) Scania: deliveries from July 22, 2008 to September 30, 2008 only.

Volkswagen Group

Analysis of Operating Profit January - September

€ billion



Volkswagen Group – Analysis by Business Line

January – September

	Sales			Sales revenues			Operating profit	
thousand vehicles/€ million	2008	2007		2008	2007		2008	2007
Volkswagen Passenger cars	2,820	2,756		55,806	54,712		1,889	1,383
Audi	970	902		25,799	25,260		2,059	1,813
Škoda	504	447		6,359	5,755		455	526
SEAT	291	306		4,046	4,439		-30	-12
Bentley	7	7		927	1,045		82	107
Commercial Vehicles	349	316		7,636	6,648		283	148
Scania ¹⁾	13	-		1,800	-		227	-
VW China ²⁾	769	683		-	-		-	-
Other	-867	-843		-25,023	-24,258		-790 ³⁾	-433 ³⁾
Volkswagen Financial Services				8,082	7,357		744	747
Volkswagen Group	4,856	4,574		85,432	80,958		4,919	4,279
thereof Automotive Division	4,856	4,574		77,241	73,601		4,168	3,532
Financial Services Division				8,191	7,357		751	747

1) Vehicles & Services and Financial Services; period from July 22, 2008 to September 30, 2008.

2) The sales revenue and operating profit of the joint venture companies in China are not included in the figures for the Group. The Chinese companies are accounted for using the equity method and recorded an operating profit (proportionate) of €250 million (€158 million).

3) Mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; 2008 figure includes depreciation and amortization of identified assets as part of the purchase price allocation for Scania.

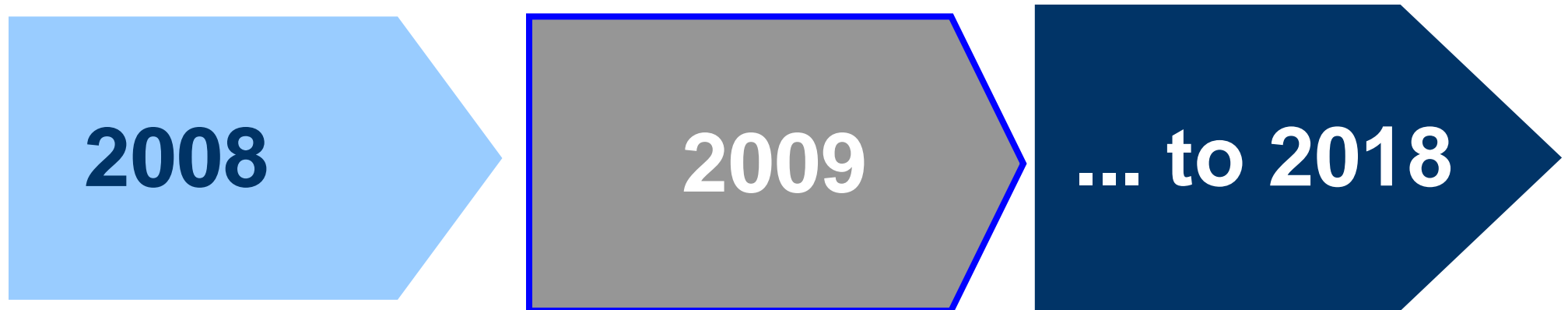
Outlook 2008 – Volkswagen Group

in '000 units / € million	2004	2005 ¹⁾	2006	2007	2008
Deliveries to customers	5,079	5,243	5,733	6,189	>6,189
Sales revenue	88,963	93,996	104,875	108,897	>108,897
Operating profit	2,037 ²⁾	2,889 ²⁾	4,383	6,151	>6,151

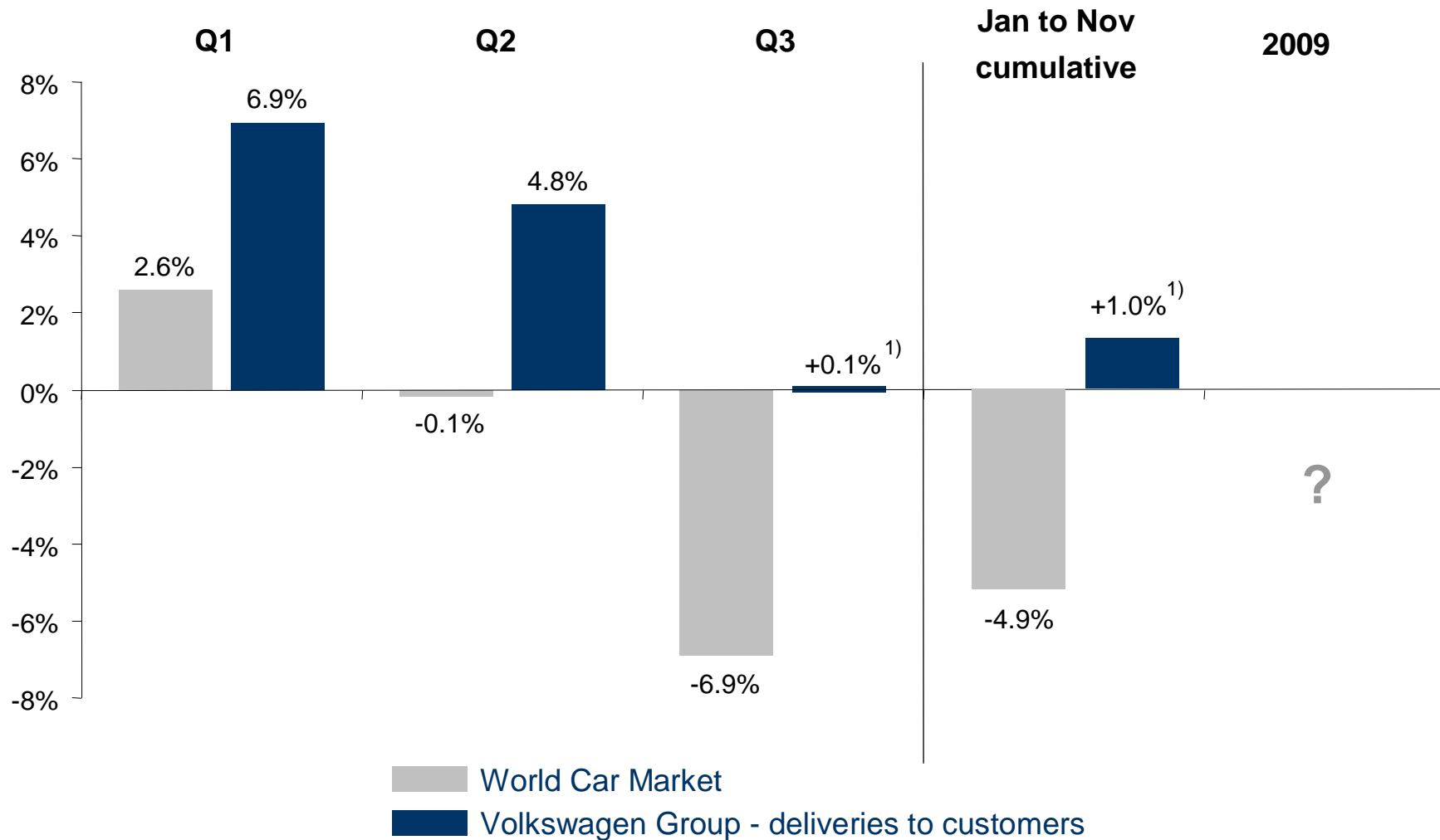
¹⁾ Restated; ²⁾ before special items.

- **Together with the higher sales revenue resulting from the expected increase in unit sales, this will help lift our operating profit for 2008 above the previous year's figure.**
- **As a result of upfront expenditures on new products, powertrains and production facilities, the ratio of investments in property, plant and equipment (capex) to sales revenue will be at a competitive level of around 6%.**

Volkswagen : Facing the Challenge



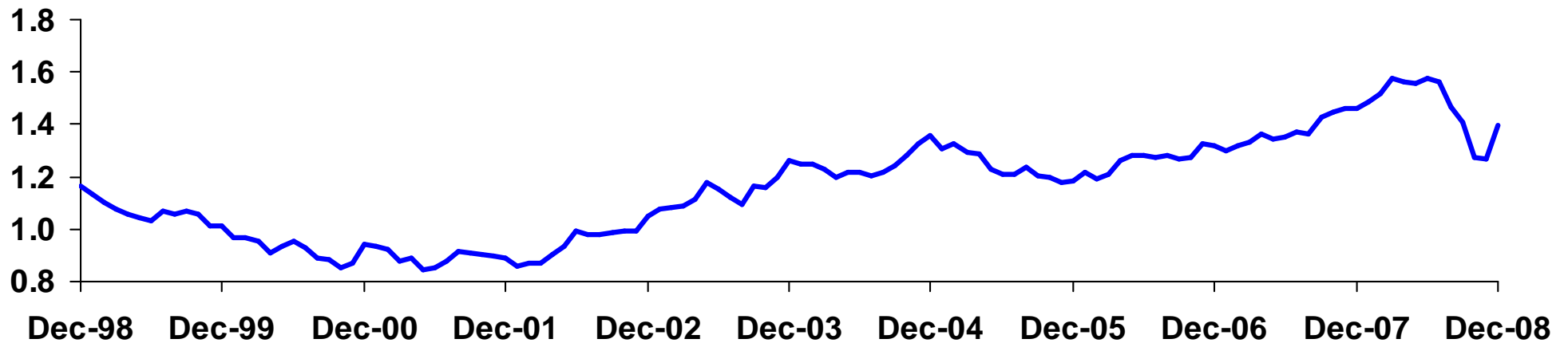
World car market vs. Volkswagen Group deliveries to customers



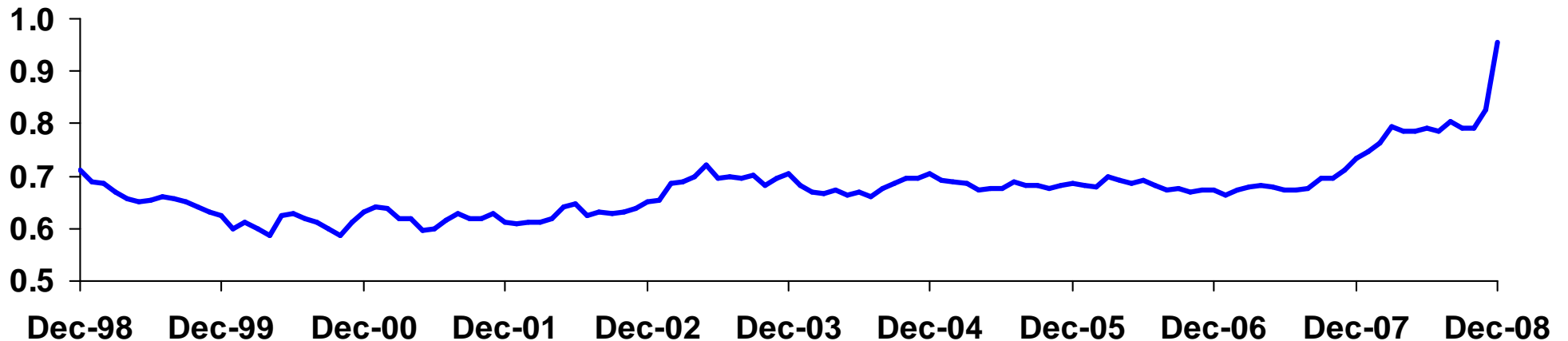
1) Scania: deliveries from July 22, 2008 to September 30, 2008 only.

Currency Impact from Weak Dollar and Weak Pound

\$ / Euro

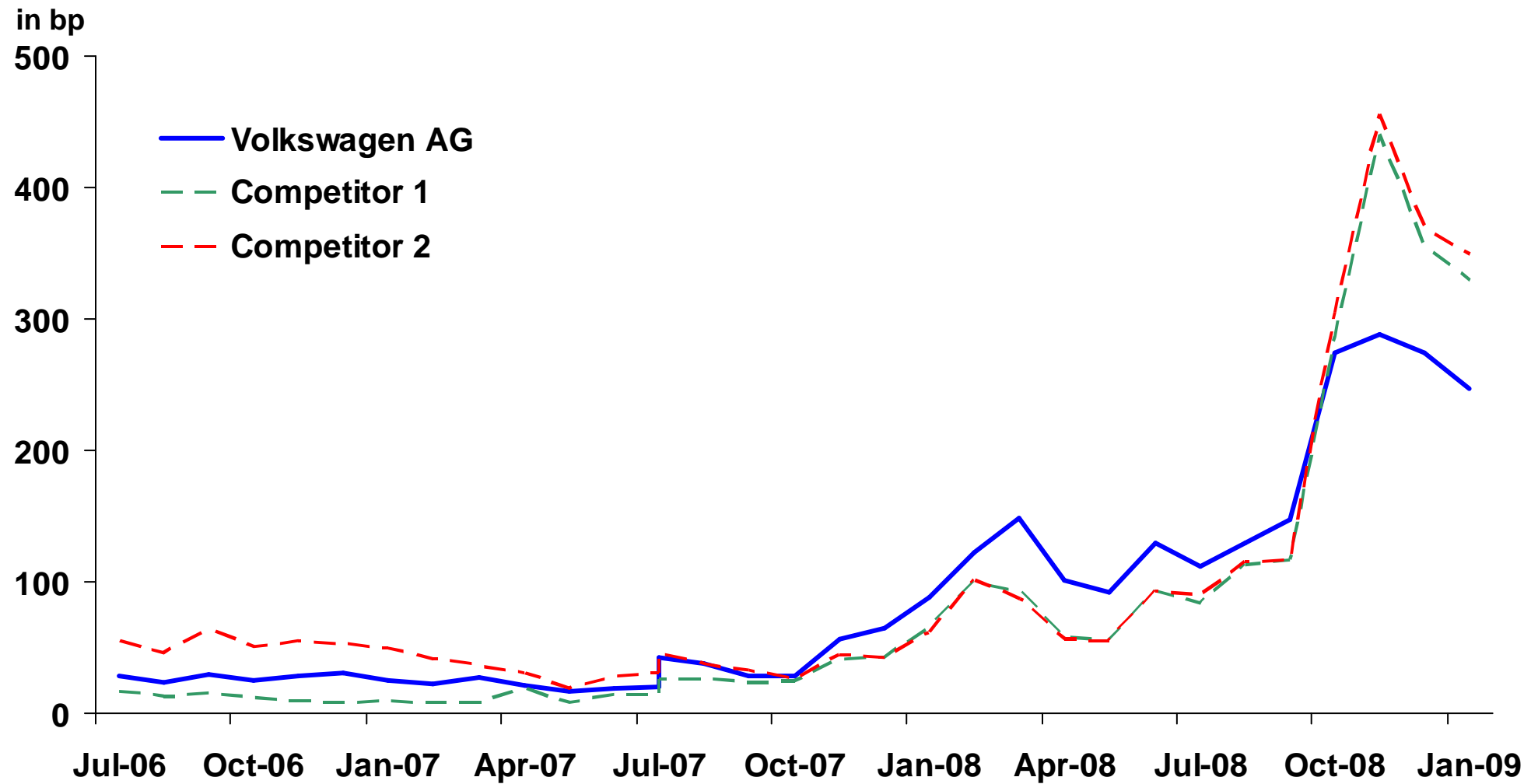


Euro / GBP



Funding In Difficult Times

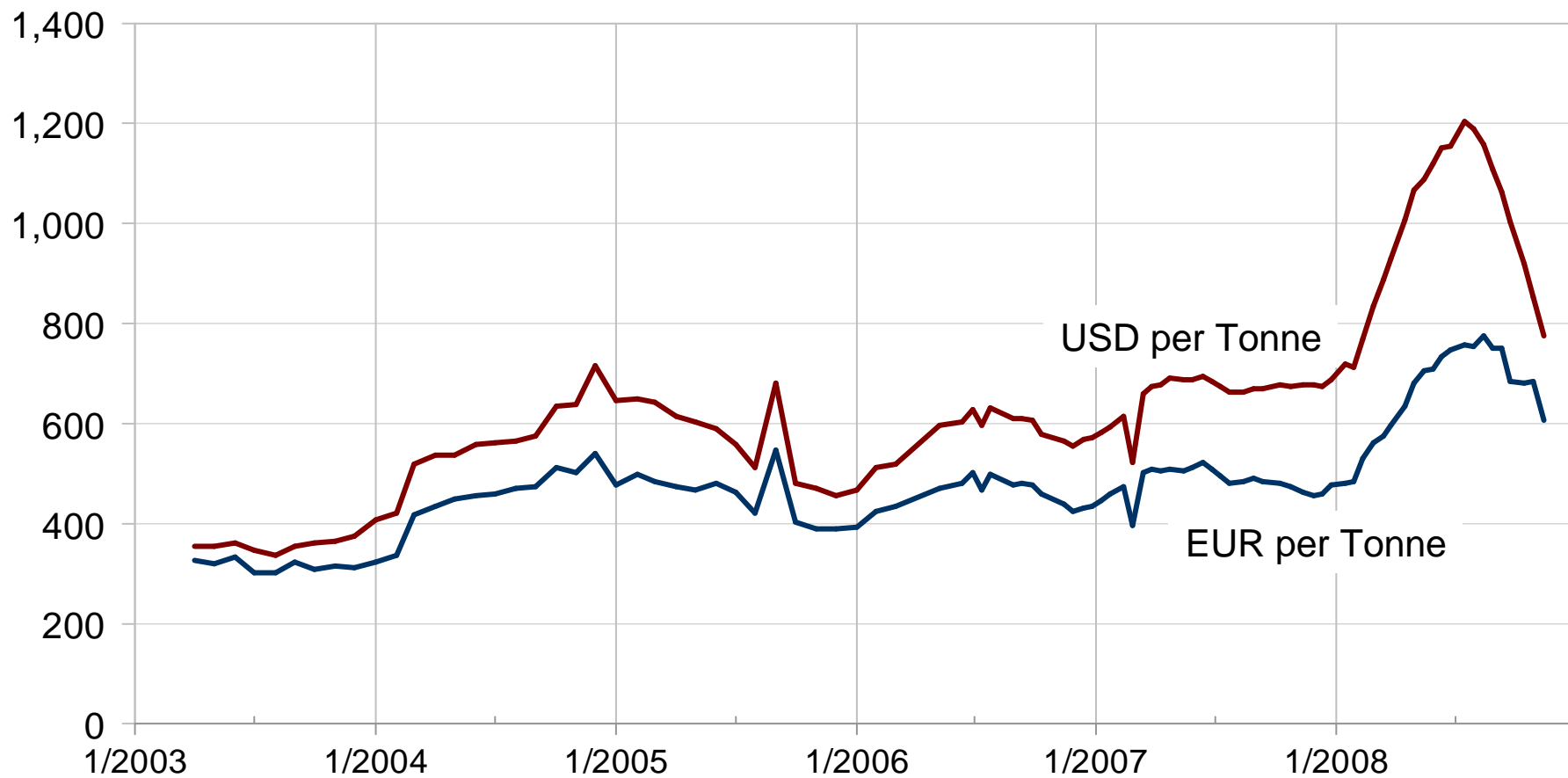
5-year Credit Default Swap Premiums



Source: Bloomberg

Evolution of Steel Price* 2003 – 2008

EUR, USD per Tonne



*) Hot-Rolled Band Western Europe

Status: 11/2008

Source : LME

Volkswagen Group - Fuel and Powertrain Strategy

Powertrain

- Combustion optimisation
- Charging
- Downsizing
- Friction reduction
- Transmission optimisation

Driver Assistance

- Fuel consumption optimised
Navigation route
- Anticipatory gear changes
on automatic transmissions
- Innovative shift indicator light
- Involvement of the customer

**Area of Expertise
CO₂-Reduction**

Vehicle Technology

- Lightweight construction,
Aerodynamics
- Energy management
- Optimisation of vehicle
electricity usage
- Energy reclamation

Energy Source

- Hybrid
- Flexfuel
- Natural Gas
- Fuel Cell
- Synfuel/Sunfuel



Golf VI : Higher Quality at Lower Cost & Greater Productivity



1974



1983



1991



1997



2003



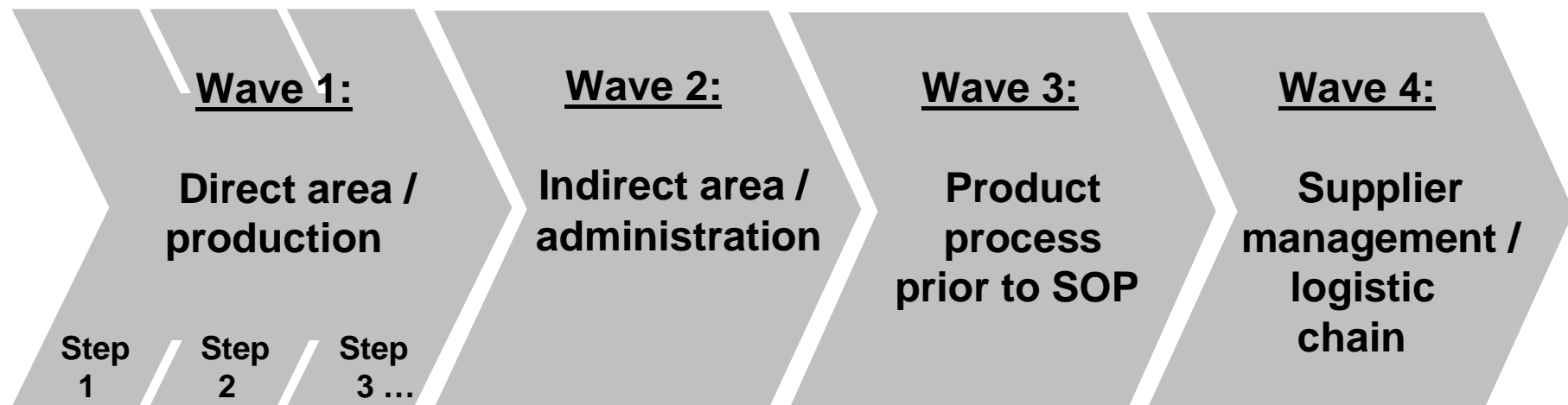
2008

Volkswagen Way: Value-driven, synchronized Group Production System

Continuous Improvement Process

Process Optimisation

Product Optimisation



Golf VI: Production Time Reduction

The new door-concept for the Golf VI saves

- production time,
- has a **higher quality** and
- costs less in comparison with the Golf V.

Golf V



Golf VI



The new inner door-concept for the Golf VI

Golf: Production Time Reduction



Golf VI material savings: improved design, higher quality and lower costs

The new navigation system costs less

Golf V



RNS 300

Golf VI



RNS 310

Improved functionality:

- Larger display 5" versus 3.8"
- SD-card reader
- Colour display etc.

Volkswagen : Facing the Challenge



Supervisory Board Meeting November 21 2008

Focus on becoming an economic and environmental leader in the auto sector





Goals established in Strategy 2018 reaffirmed despite economic conditions

Annual expenditure for R&D and investment for new models and technologies in excess of €8 bn pa

Focus on a marked increase in vehicles under 100 g CO₂/km in 2009 and 2010

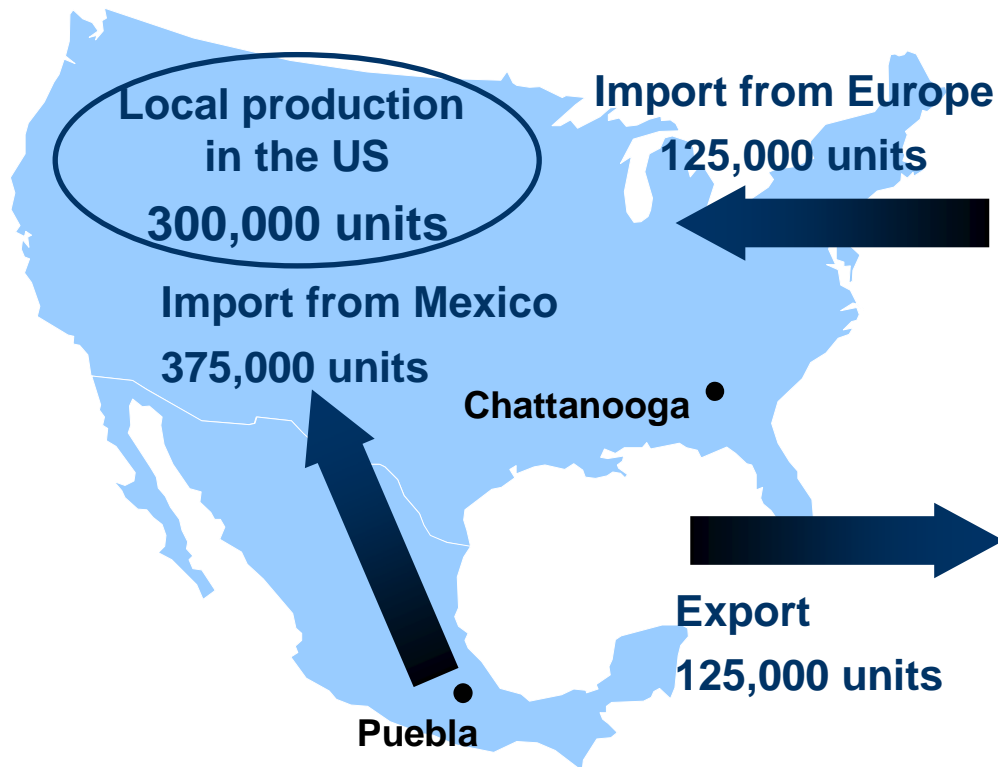
Further improving processes and raising productivity, as well as reviewing investment and expenditure throughout the Group

BRIC Markets: China and Brazil show the opportunity

VW Group	China	Brazil	Russia	India
Deliveries 2007 ('000)	910	581	81	13
Jan. – Nov. 2008	931	592	118	18
				
Plants	7	5	1	2
Top 3 sellers	Jetta Santana Passat	Gol Fox Saveiro	Octavia Passat Touareg	Fabia Octavia (new) Octavia
Localisation rate:	60-90%	80-90%	reduce imported components by 30%	80% until 2010

USA – a growth market for the Volkswagen Group

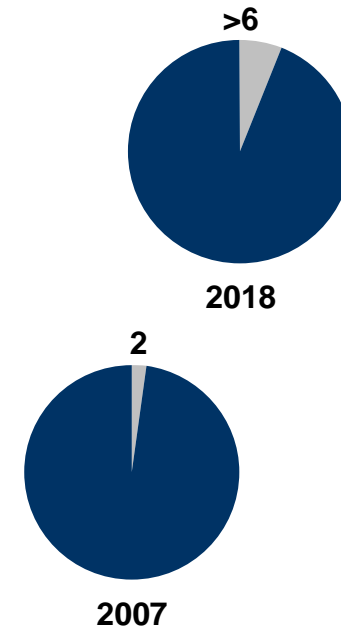
Volkswagen Brand USA 2018:
800,000 units



Total market
million units



Market share
VW Group
in %
























































Deliveries
million units



Heading towards a fully-fledged product portfolio

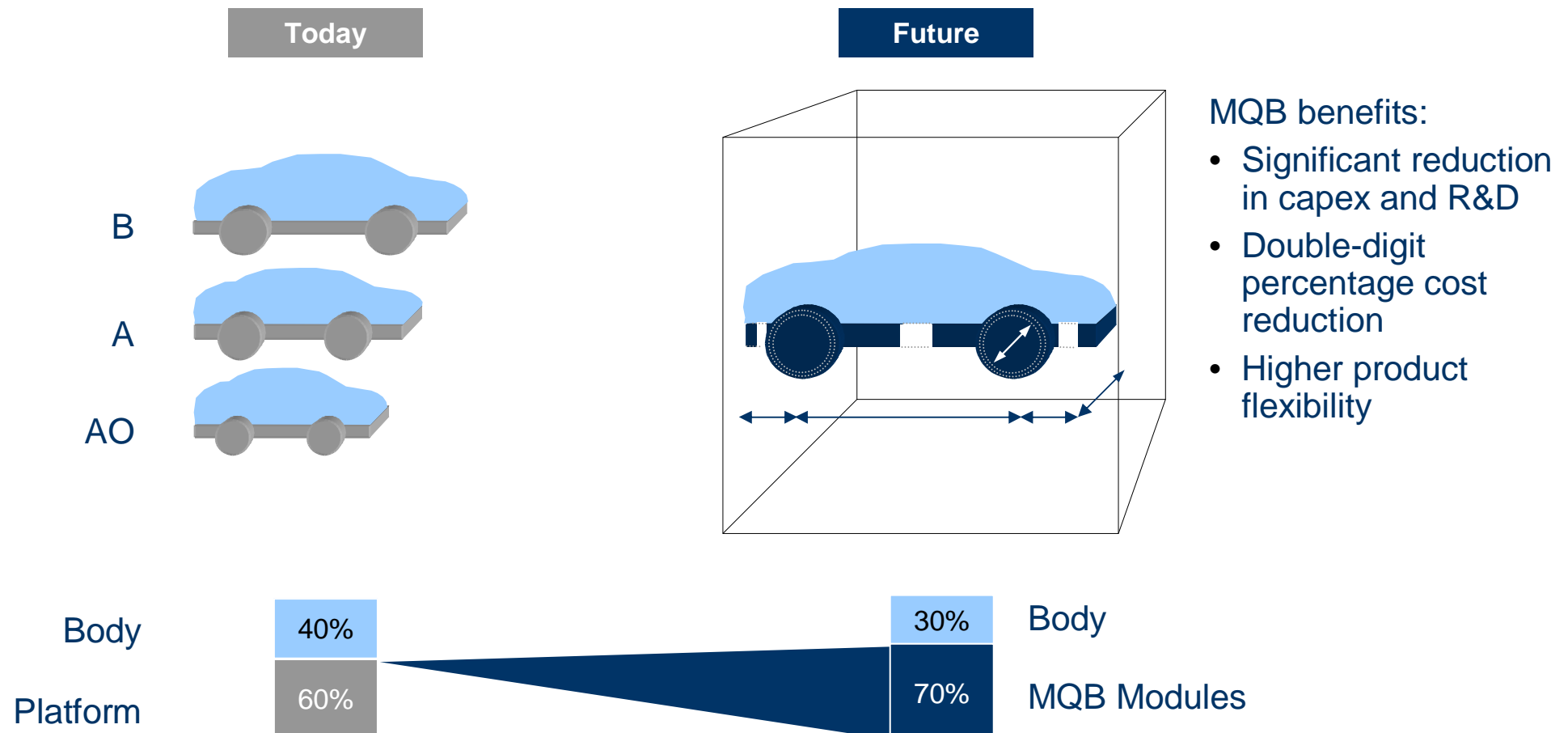
Product portfolio Western Europe 2008

	Hatchback	Notchback	Estate	MPV	Van	SUV	Coupé	Cabrio	Roadster
E							  		
D		  					  		 
C				 <small>Nutzfahrzeuge</small>		 			
B		  	 	 			 		
A	  	  	  		 <small>Nutzfahrzeuge</small>			 	
A0	  								
A00									

 New segments 2008

MQB as basis for profitable growth

Development from multi-platform strategy to one modular matrix



Volkswagen: facing the challenges

External challenges

- Growth in global demand slowing
- Credit crunch
- Changing consumer priorities
- Diverse emission regulations
- Unfavorable exchange rates
- High raw material and energy prices

Our opportunities

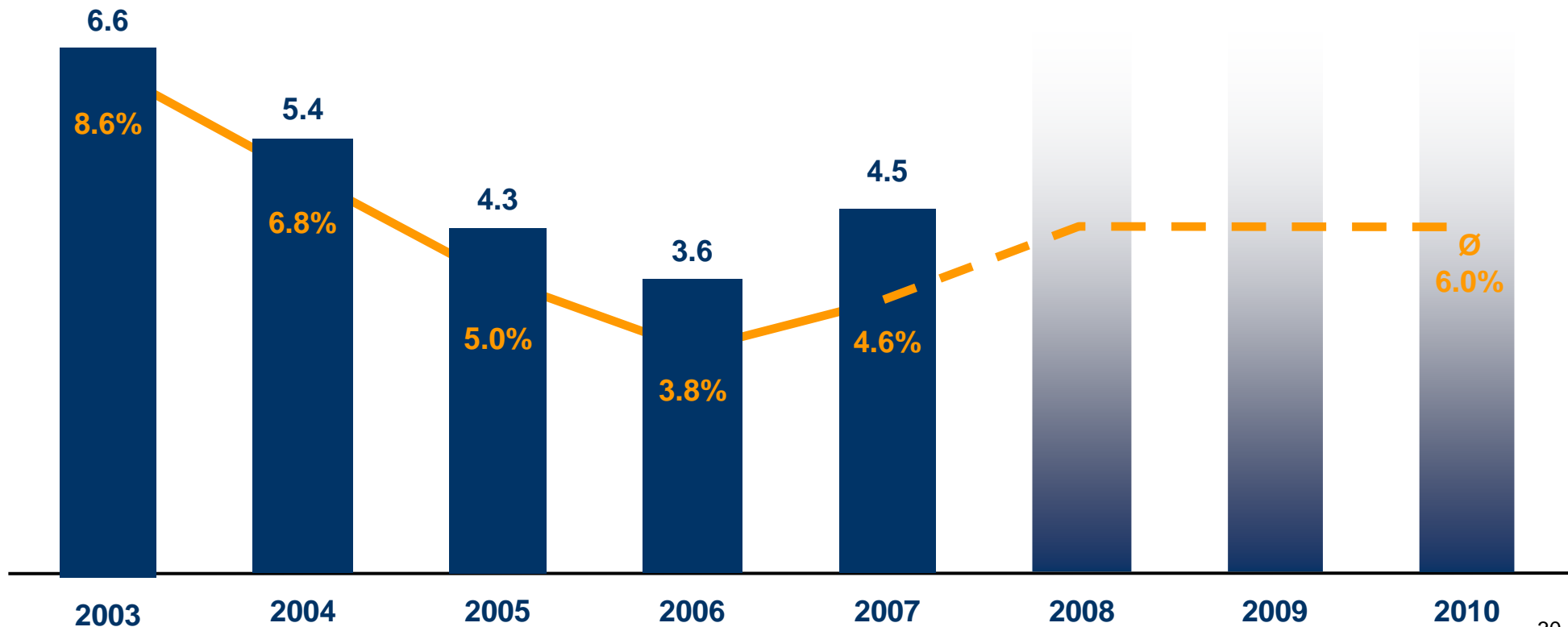
- Unique brand and product portfolio
- High quality standards
- Technological leadership
- Strong global footprint/good exposure to emerging markets
- FS extends automotive value chain
- Increased local production/natural hedge
- Product cost savings through toolkit systems, scale economies in purchasing, and productivity gains

Capital discipline – supporting profitable growth

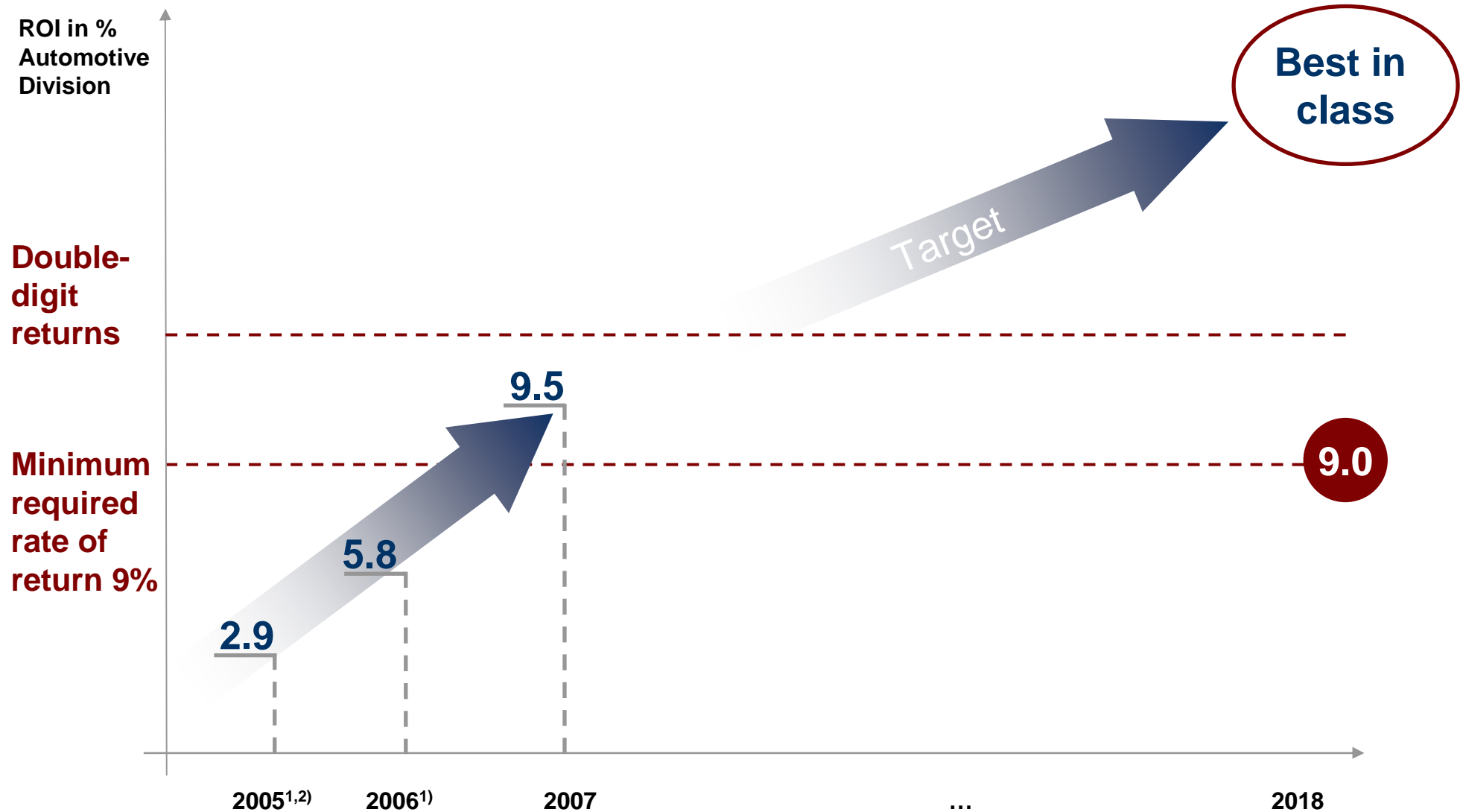
Investments in Property, Plant & Equipment – Automotive Division

€ bn

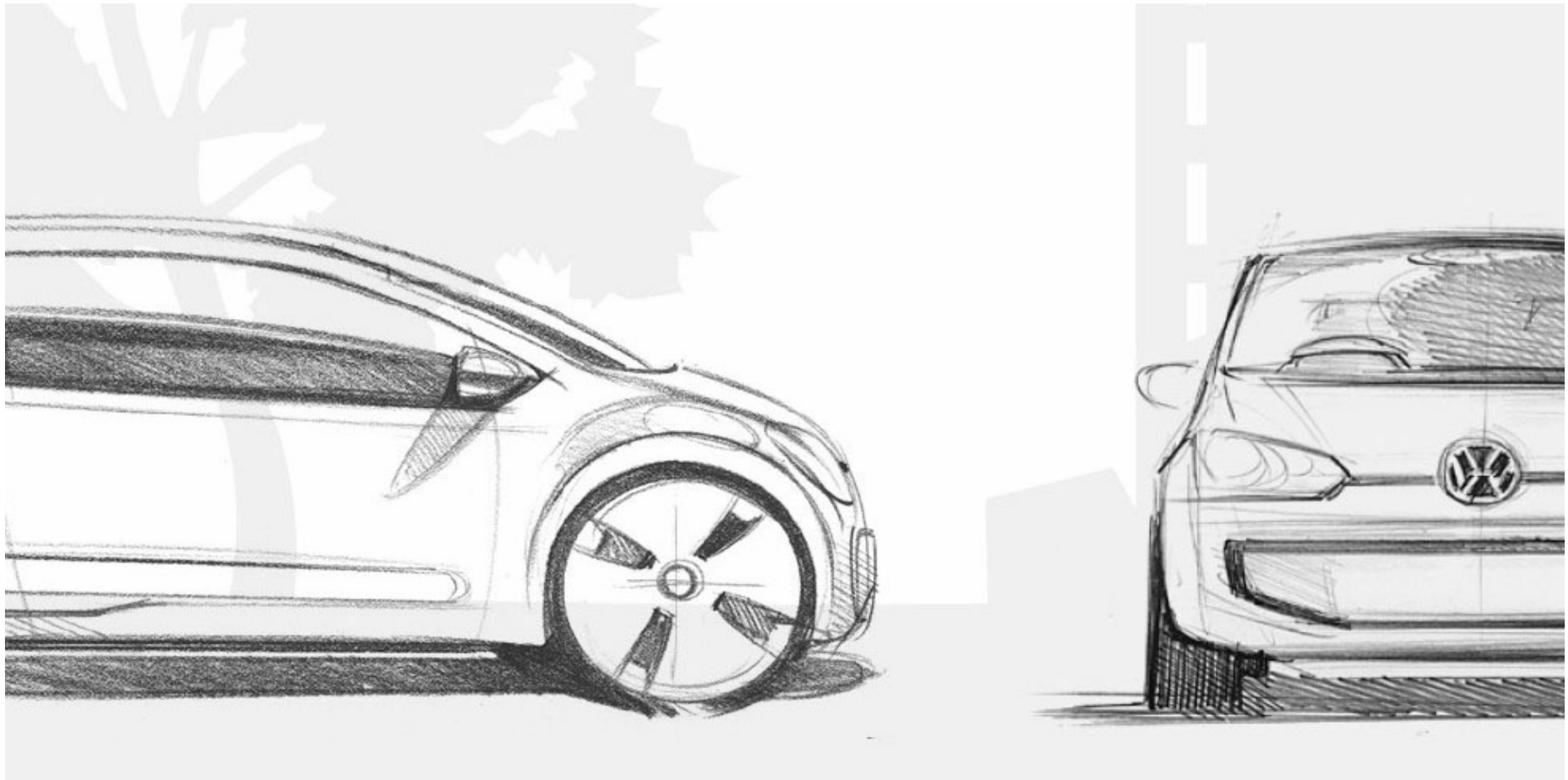
Capex ratio in % of sales revenue



Return on Investment on the way to double-digit returns



1) Before special items; 2) restated



Volkswagen : Facing the Challenge

Oliver Larkin, Senior Investor Relations Manager

Volkswagen Aktiengesellschaft

New York, 12 January 2009

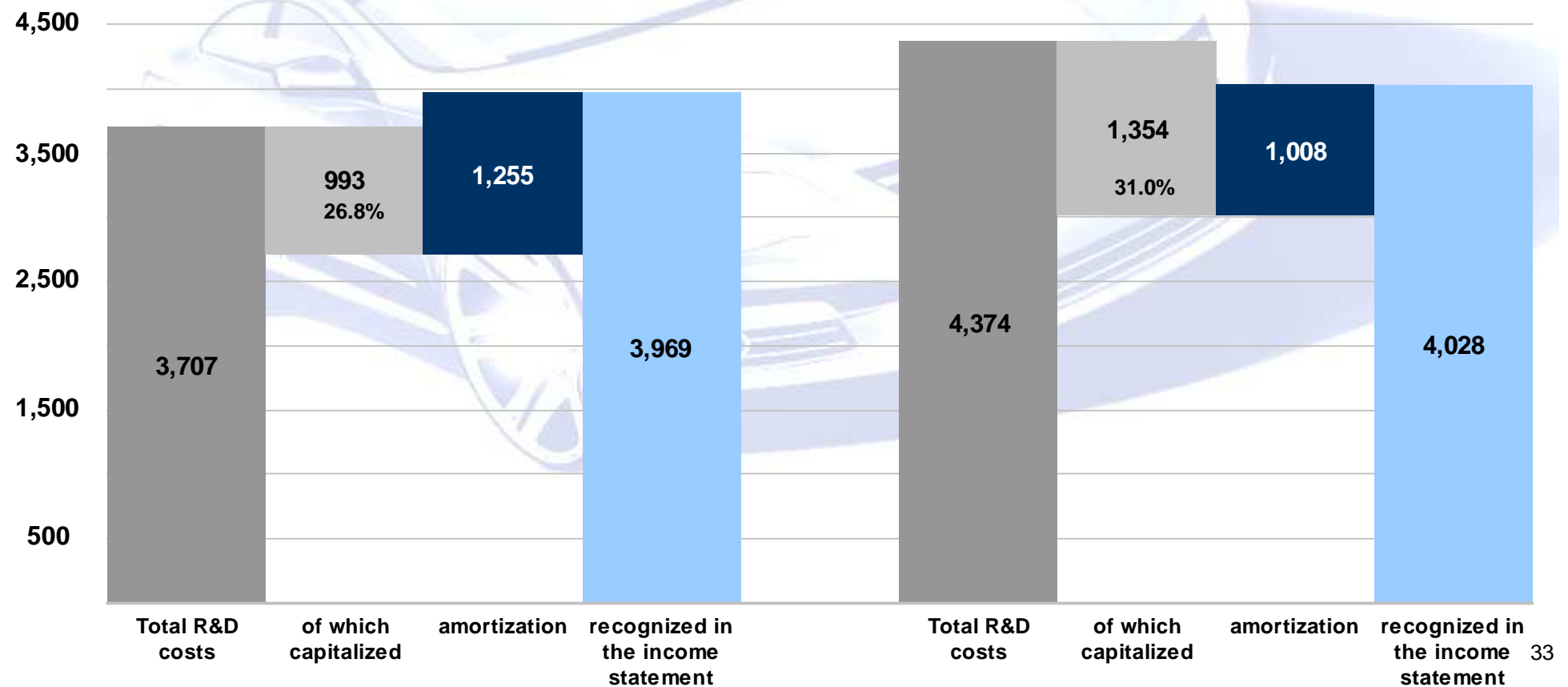
Volkswagen Group

Research and Development Costs

January – September 2007

January – September 2008

€ million, Automotive Division



Volkswagen Scirocco



Volkswagen Golf VI



Volkswagen Tiguan



Audi A1 Sportback concept



Audi A4 Avant



Audi Q5



Škoda Octavia



SEAT Ibiza





Bentley Arnage

Lamborghini Estoque



Volkswagen Pickup





Scania R 620

Disclaimer

This presentation contains forward-looking statements and information on the business development of the Volkswagen Group. These statements may be spoken or written and can be recognized by terms such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or words with similar meaning. These statements are based on assumptions relating to the development of the economies of individual countries, and in particular of the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given involve a degree of risk, and the actual developments may differ from those forecast.

Consequently, any unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, will have a corresponding impact on the development of our business. The same applies in the event of a significant shift in current exchange rates relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superseded.