

- Check against delivery -

Prof. Dr. Martin Winterkorn
Speech at the
49th Annual General Meeting of Shareholders
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- Part III -

Ladies and Gentlemen,

When we met here in Hamburg twelve months ago, nobody could have suspected how this dramatic financial and economic crisis would shake the automotive industry to the core.

Markets have collapsed around the globe, and this massive downturn continued in the first quarter of 2009. The prospects for the global economy are deteriorating, and Germany is in the middle of the worst recession in the past 60 years.

Nobody knows better how to cope with market cycles than the people in the automotive industry. However, the current situation outstrips everything I personally have experienced in 30 years in the industry.

- The simultaneous dramatic slide in *all* major global markets.
- The prolonged loss of confidence at banks, in industry and among consumers.
- The high refinancing costs and the effects of the credit crunch on manufacturers, dealers and suppliers.

This mixture really does present our industry with the challenge of the century.

For the record, though: the financial crisis, and its brutal spillover into the real economy, is largely self-inflicted. After fundamental flaws in the financial markets, a

lack of moderation and a continuous stream of excesses, we are now seeing the return of realism.

Everybody should by now have understood that responsibility, reliability and a healthy sense of proportion are the basis for everything, especially in business. Real values are experiencing a renaissance now. This is something we at Volkswagen welcome, because this is the policy we have been successfully pursuing out of conviction for many years. And I promise you: we will continue to do so in future.

Ladies and Gentlemen,

It's a good thing that the political leadership is demonstrating its ability to act in this critical phase. The German government has launched the largest economic program in postwar history, and similar initiatives are underway in many other countries.

The committed, pragmatic course adopted by the government is both right and necessary. Government can and should build bridges for industries and companies that are capable of surviving. This should be done selectively and for a limited period. However, we must avoid distortion of competition and protectionism at all costs, because this would ultimately damage the entire European automotive industry.

The scrapping premium in Germany shows how government can effectively stimulate demand. It is the best program for safeguarding jobs and protecting the environment because it benefits everybody: customers, companies and employees. In particular, though, the environment wins out because the best way to invest in environmental protection is and will continue to be to buy a new car.

Contrary to what the critics say, the scrapping premium is helping the German automotive industry through very direct support. For example, although the Volkswagen Polo is built in Spain and Belgium, around 60 percent of its outsourced and manufactured components come from Germany. A similar story applies to the Group's Škoda and SEAT brands.

We therefore welcome the fact that the Federal Government intends to continue this sensible initiative in Germany. Many other countries are now also looking at this successful model.

Ladies and Gentlemen,

Volkswagen has fared better than its competitors so far. But we, too, are part of this world and cannot decouple ourselves from the markets for any prolonged period.

We know it and we can feel it: 2009 will be an extreme year, a hard year – for us as well. However, we also know that new rounds of negative forecasts, each more gloomy than the last, don't help anybody. Self-proclaimed and genuine experts alike are still in the dark about how long this crisis will last and whether we have already reached the bottom. That's why at Volkswagen, we have adopted a policy of sober realism instead of spreading panic, a healthy sense of proportion instead of gestures.

In doing so, we are using all the instruments at our disposal to adapt our production flexibly. We want to and must keep our stocks at normal levels because every vehicle that is produced but not sold ties up liquidity and endangers residual values.

We are now reaping the benefits of our highly flexible Group-wide production system and the fact the Volkswagen has the right working time instruments.

- We responded appropriately with an extended Christmas break,
- by using flexible working time accounts
- and by introducing short-time working where necessary.

Our collective bargaining structures contain additional flexibilization options, such as cutting weekly working hours, and we can deploy these if needed. At the same time, we can and must respond extremely flexibly to peaks in demand, for example for the Golf, as a result of the scrapping premium. Special shifts in the second quarter and the internal transfer of employees to Wolfsburg for limited periods will help us achieve this.

Our most important goal is to keep our core workforce on board. This demands a great deal of flexibility from all sides. And at this point, I would like to expressly thank our employees and the workforce representatives for their cooperative, issues-driven approach.

The skills, creativity and commitment of our 370,000 employees are required now more than ever. We must continue to make every effort to win the best brains for Volkswagen. Forgetting about this during the crisis would be a big mistake. That's why we are sticking to our plans and aim to recruit more than 2,800 new vocational trainees and 2,100 graduates across the Company as a whole this year. As you can see, Volkswagen is meeting its responsibilities.

Nevertheless, what's also clear is that the current situation demands hard, drastic decisions. These include our decision not to prolong the contracts for many agency workers. We know that this is painful for those affected by this decision, who have performed well. However, temporary work contracts are a core instrument that allow us to adapt production to the change in demand.

Ladies and Gentlemen,

Especially now, we must become even more competitive, because this will decide our economic success and our ability to safeguard jobs in the long term. That's why we are systematically continuing to pursue the "Volkswagen Way". In the current year, we will again hold 7,300 workshops alone at our plants with the aim of improving workflows and processes, and avoiding inefficiencies of all sorts.

This goal applies across the entire company, including in non-production functions. Duplication of work and inefficiencies in administration will therefore be systematically identified and eliminated. Here, too, Volkswagen will become leaner, faster and more efficient.

In the Volkswagen Group, cost-effectiveness is and will remain a permanent mission for every brand and every area. That's why we don't need any additional cost-cutting

programs right now. However: we are rigorously scrutinizing all costs and every single investment.

- Investments in additional capacity and base loads are being postponed or cancelled.
- And we're putting the brakes on all expenditures that are not directly product-related.

What we will not be cutting back on, however, are our strategic vehicle projects, because the success of the Volkswagen Group depends on them. Let me put it this way: we are resolutely cutting costs, but not at the expense of our future!

Despite the current situation: the ambitious goals that we have set ourselves up to 2018 continue to apply without any cutbacks!

- We want to ensure the Volkswagen Group takes pole position in the automotive industry.
- We want the most satisfied customers and the best employees.
- And we want to grow very profitably worldwide.

We have reiterated our strategy and focused it on the current challenges with our Group-wide "18 Plus" program. "18 Plus" stands for:

- A more entrepreneurial approach: through an uncompromising orientation on our customers, disciplined cost management and a focus on our core future projects.
- Greater cooperation within the Group – in development, production and procurement, as well as in sales and marketing.
- And finally, more ecology – meaning environmentally friendly models and technologies.

Our goal is to become the number 1 automobile manufacturer – in both economic and environmental terms. To ensure that the Group is in an optimum position when

the crisis ends, we are therefore bundling all our strengths and resources in three clear focus areas:

- Firstly: further expansion in our range of vehicles.
- Secondly: our commitment to the automotive growth markets.
- And thirdly: state-of-the-art technologies for environmentally friendly mobility.

Ladies and Gentlemen,

Innovative, attractive and environmentally friendly vehicles are and will continue to be the key to the future of the Volkswagen Group. That's why we are continuing to budget more than eight billion euros a year for development expenditures and investments in new models and environmental technologies.

We remain committed to our product rollout and will launch around more than 20 additional completely new models by 2010.

We will continue to occupy new segments and niches highly selectively. Successful models such as the Volkswagen Tiguan and Scirocco, as well as the Audi Q5, show how much sense this strategy makes.

And we're working intensively to diversify our regional portfolio, because the "world car" is a thing of the past. Vehicles such as the Polo that we have adapted for the emerging economies, and the new midsize sedan for the USA, are the basis for growth. Starting in 2010, the New Small Family will create an attractive new offering in the A00 segment for both urban drivers in the West and for the emerging markets.

Ladies and Gentlemen,

Our modular matrices are the technical backbone for profitable growth. They ensure competitive costs despite a high level of model and brand diversity. We have already successfully anchored the modular toolkit philosophy at Audi. The A5, the A4 and the new Q5 are all based on the "modular longitudinal" matrix.

The modular transverse matrix (MQB) is the technical basis for the Group's future vehicle fleet in the A0, A and B segments. We're talking about around three million units a year here. In the Group, we will develop more than 40 models on this basis over the next few years.

Our modular toolkits offer us a high level of flexibility. At the same time, they bring double-digit percentage savings in development, procurement and production, in other words for both one-time and unit costs.

Ladies and Gentlemen,

Personal mobility is and remains the engine of progress and economic development. People want to be mobile, and their mobility must continue to be assured. Despite all the prophecies of doom, the crisis will not change this.

The appetite for mobility is still huge in China, Russia and India. That's why we're investing in our own plants throughout these markets, as well as in efficient supplier structures and local distribution networks. Radical localization and a powerful distribution system are pivotal for profitable growth.

Experts believe that Russia will be the world's third-largest automotive market by 2015. Starting in 2010, a version of the Polo that is specially tailored to the needs of the Russian market will be rolling off the assembly line at our new plant in Kaluga.

We officially opened our second plant in Pune, India, at the end of March, with a capacity of 110,000 vehicles for the Indian market.

In our second home market of China, 2008 saw the opening of our eighth plant in Nanjing. We are launching more vehicles developed in China, for China, such as the new Passat Lingyu. This strategy is designed to double our unit sales there to around 2 million by 2018.

In the USA, we are sticking to our goal of selling around 800,000 Volkswagen and 200,000 Audi vehicles a year by 2018. Our new plant in Chattanooga will start producing vehicles specially tailored to the needs of our US customers in 2011. And I'm sure that, by then at the latest, the US market will have recovered and Volkswagen will be among the leaders of the pack.

Ladies and Gentlemen,

The desire for efficient, environmentally friendly models is not simply a fad. We have uncompromisingly aligned ourselves to this trend. That's why I can say with confidence: the future of the Volkswagen Group is green.

- We have 132 models in our range emitting less than 140 grams of CO₂/km. That's more than any other manufacturer. 29 of today's Group models already emit less than 120 grams of CO₂/km.
- In Germany, BlueMotion is by far and away the best-known eco-label.
- And our four efficiency-driven model series – Volkswagen's BlueMotion Technologies, the e-models from Audi, SEAT's Ecomotive and Škoda's GreenLine – are spearheading a movement for "fuel savings without sacrifices".

This aspect is important, because when people buy cars in future, it won't just be their minds that make the decision, it will still be their hearts as well. People want the whole range: from clever subcompacts, through spacious family vans, to luxury saloons. And the Volkswagen Group is positioned like no other automaker to meet these needs.

Ladies and Gentlemen,

There won't be any single "car of the future": in the medium term, we will see a mix of various drive concepts.

- Efficient combustion engines,
- lightweight construction and intelligent electronics,
- natural gas vehicles,
- second generation biofuels,
- fuel cells,
- electric traction, hybrids and battery technology.

These are the issues that will determine our future. And Volkswagen must set the technological pace in all of them.

The further optimization of our TDI, TSI and TFSI engines is at the top of our agenda, because combustion engines will remain the dominant technology for the foreseeable future.

Volkswagen is driving forward the trend toward downsizing with small but powerful 3-cylinder engines, as well as its 8- and 12-cylinder engines. And yes: we will break new ground and also introduce SUVs and large saloons with modern turbo- and supercharged 4-cylinder engines.

In the long run, the future belongs to e-mobility. I urge the industry to come clean about this, because no new technology ever hit the streets based on announcements alone. We are still a long way off from having the "electric car for everybody" that is affordable, designed for day-to-day use, and above all safe. In the field of battery technology in particular, manufacturers and suppliers have to overcome enormous challenges.

The development and production of electric engines is one of Volkswagen's unique core competencies. Together with partners such as Sanyo and Toshiba, we are rapidly expanding our expertise in battery technology.

What we want to achieve is not necessarily the fastest, but the *best* solution for our customers. The first large-series Volkswagen electric car will appear in the next decade with the New Small Family.

Ladies and Gentlemen,

- We will systematically and prudently continue our product rollout.
- We are continuing to invest in our strategic growth markets such as the USA, China, Russia and India.
- And we are investing massively, but selectively, in research and environmental technologies.

We can do all this because the Volkswagen Group rests on solid financial foundations. And because we have two strong, major shareholders on board with a long-term orientation.

Let me put it this way: we're continuing in the fast lane – and our tank is full. For this reason, I believe that the Volkswagen Group will take pole position in the period after the crisis when the markets pick up again.

However, the most important and best argument is and will continue to be our vehicle offering. In 2009, we will be launching a total of around 60 new models, product enhancements and successors in the market. With vehicles such as the Škoda Yeti, the SEAT Exeo Sporttourer and the Audi A5 convertible, we are raising the bar another notch.

Chart "Volkswagen Polo"

This also applies to the fifth generation of the Volkswagen Polo. This is a car that's tailor-made for these times: compact, high-quality, efficient and yet emotional. And all of this starting at just €12,150. In its BlueMotion II version, the Polo will also be the most economical 5-seater in the world at only 3.3 liters/100 km.

Orders received so far have proved us right: even before the "official" market launch in June, we have already received well over 10,000 orders for the new Polo.

Chart "Deliveries to Customers by Brand – January to March 2009"

Ladies and Gentlemen,

The first quarter shows just how dramatic the situation is and will continue to be on the markets. The global market slumped by 21 percent, and our Group recorded a decline of around 11 percent.

Germany is one ray of hope. The scrapping premium here has resulted in a run on the dealers. Measured by orders received, the first quarter was by far the best quarter for the Volkswagen Group since German reunification. Our order intake was 73 percent up on the previous year.

But we shouldn't fool ourselves: the encouraging development in Germany at the moment stands in contrast to the continued dramatic collapse of the markets in the USA, Japan and the rest of Europe. For 2009, we are therefore currently assuming an overall market of below the 47 million mark. Last year, the market was still 55 million new vehicles, while in 2007 it was around 59 million.

Nobody can seriously predict how the markets will develop over the rest of the year and thereafter. In the best case, we have already reached the bottom. One thing is

certain, though: the business outlook remains uncertain and entails considerable risks.

The Volkswagen Group's sales revenue will be below that of the previous year due to the declining unit sales situation. Rising refinancing costs and a deterioration in the country mix will serve as an additional drag on earnings. In such a situation, we will not be able to reach the high level of earnings we achieved in previous years. However: we expect the Volkswagen Group to close 2009 with a profit.

Ladies and Gentlemen,

A difficult 2009 lies ahead of us – one of the most difficult years in our Company's history.

Our stated goal remains for the Volkswagen Group to outperform the market as a whole and to gain market share worldwide.

We have laid the foundations for achieving this:

- Together, our nine brands not only have the necessary size, but also a technical, ecological and economic potential that cannot be matched by any other automaker.
- With almost 180 models, we cover all customer groups and wishes across the globe.
- We have a unique, highly efficient and diverse range of models in the pipeline.
- And, last but not least, we have the financial basis for shaping our future ourselves.

Dear Shareholders,

Volkswagen is now playing in the Champions League, so there's no reason for us to be afraid of the difficult tasks that lie ahead.

I'm absolutely convinced that the Volkswagen Group will be one of the winners of the crisis.

We will continue to play an attacking game.

And we have our sights set firmly on our goal: to be at the top of the automotive industry.

On our way there, we are asking you for your support and your trust. We will make every effort to continue to earn it.

Thank you very much.