

VOLKSWAGEN AG

**Conference Call regarding co-operation with
Porsche**

Dr Bernd Pischetsrieder

Chairman of the Board of Management

Mr Hans Dieter Pötsch

Member of the Board of Management

Wolfsburg, 11 October 2005

Participants



Dr Bernd Pischetsrieder
Chairman of the Board
of Management,
Volkswagen AG



Hans Dieter Pötsch
Member of the Board
of Management,
Volkswagen AG

Press coverage: company press releases

Volkswagen welcomes Porsche's interest in a strategic participation

Germany's position as an automotive and technology basis strengthened

Porsche AG, Stuttgart, today announced its interest in acquiring some 20 percent of the voting capital of Volkswagen AG. For Porsche, the move is motivated by the fact that Volkswagen has not only become an important development partner, but also a major technology and production partner for some 30 percent of sales. [more...](#)

(64 kb) 

Wolfsburg, 25.09.2005

9/25/2005
Porsche AG

Current Press releases

Acquisition of Stock to Secure Porsche's Business Operations

Porsche Seeks to Acquire Share in Volkswagen

Stuttgart. Dr. Ing. h.c. F. Porsche AG, Stuttgart, seeks to acquire a share of

Volkswagen AG: Extraordinary Supervisory Board meeting ended

The Supervisory Board and Board of Management of Volkswagen AG welcome the commitment of Porsche AG, Stuttgart, to the company. At its meeting today the Supervisory Board of Volkswagen instructed the company's Board of Management to negotiate a basic agreement aimed at a fair balance of interests for future operational cooperation with Porsche. [more...](#)

(16 kb) 

Wolfsburg, 10.10.2005

Historical co-operation between Volkswagen and Porsche

- **Longstanding co-operation partners**
- **Concentrated on premium segment: < 5% of Volkswagen Group's volume**
- **Co-operation to date includes joint development projects and supplier contracts**
- **Best example: highly successful Touareg / Cayenne project**
- **Hybrid development project announced**
- **All existing co-operations have been on a commercial basis and met financial targets**

The next step

- **For past few months discussions regarding extending technical agreement**
- **Previously on a model by model basis; looking to extend to modules and components**
- **Porsche announced intention to acquire stake in Volkswagen**
- **Since Porsche's announcement principles of co-operation to be set out explicitly in a governing agreement**
- **Principles of commercial basis and arm's length to be maintained**

Industrial logic

- **Co-operation agreements can represent commercially intelligent use of existing resources in the automotive industry**
- **Mutual dependence also represents risks on both sides**
- **Volkswagen has already had successful experience with Porsche, DCX and Ford**
- **Technical benefits: electronics and components in luxury sector**
- **Financial benefits: better capacity utilisation / reduces fixed costs / reduced development costs**
- **Touareg / Cayenne project meets Volkswagen's financial return requirements**

Challenges and Risks

Cost

Revenues and Performance

current

- Increasing product costs
- High investments
- Inadequate capacity utilization
- Raw material prices

- Price pressure
- Weak economy
- €/ \$ exchange rate

future

- Depreciation
- Legislation
- Investments in future markets
- Raw material prices
- Labour costs

- Further price pressure
- Chinese operations
- €/ \$ exchange rate

Targets 2008 unchanged

**€4 Billion improvement in pre-tax profit
in 2008 versus 2004**

Free automotive cash flow

Principles of a governing agreement as decided on 10.10.2005 by Management and Supervisory Boards – to be negotiated with Porsche

- **Volkswagen remains independent in decision making process**
- **Co-operations (past and future) with third parties not affected**
- **No influence on Volkswagen strategy by competitors**
- **Volkswagen not committed to one single manufacturer**
- **Any co-operation must be mutually beneficial**

Governance

- **Independent special audit of the co-operation agreements already conducted today and to be extended to any further co-operation agreements**
- **Volkswagen may have other partners in different market segments**
- **Synergy projects must be mutually beneficial**

Conclusion

- **Volkswagen welcomes Porsche shareholding**
- **Porsche's investment does not change Volkswagen's strategy**
- **2008 targets remain intact / need to improve competitiveness**
- **Governing agreement will underpin all future co-operations**

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Disclaimer English

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 and the yen.

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.

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