

- Check against delivery -

**Speech Manuscript  
Hans Dieter Pötsch  
Annual General Meeting  
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- Part II -

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**Chart "Highlights"**

Ladies and Gentlemen,

I, too, would like to extend a warm welcome to you.

Last year, I reported to you here in Hamburg about the first successes of our restructuring program, and confirmed that we would record profit before tax of at least €5.1 billion at the latest in fiscal year 2008. Over the course of 2007, the encouraging development of our business then prompted us to indicate to you that we would actually accomplish this ambitious objective a year earlier than we originally expected. Today, we can tell you that we not only achieved profit before tax of €5.1 billion in 2007, but even significantly exceeded it, at €6.5 billion. Moreover, with a return on investment of 9.5 percent, we not only earned our cost of capital – as announced for 2007 – but also exceeded our minimum required rate of return of 9 percent.

I'm sure you'll recall the difficult decisions we had to make in recent years as part of our restructuring program to enable us to increase our productivity enough to weather the dramatic increase in international competitive pressure. Today, you can see the success of these efforts.

The positive development of the global automotive market also made itself felt in 2007 – although growing markets don't necessarily mean that a manufacturer's own sales will also grow. However, with just under 6.2 million vehicles delivered

worldwide, the Volkswagen Group succeeded in capturing an above-average portion of this market growth, allowing us to extend our share of the global market from 9.5 percent to 9.8 percent. There are a number of reasons for this: in addition to the internal process improvements I already mentioned, coupled with strict cost discipline, they include our broad regional line-up and our product offering. This encompasses all vehicle classes, and our clients worldwide regard it as particularly attractive.

Nevertheless, there's still a lot to do. The latest consolidated financial statements are also only another step towards a considerably higher level of earnings. We are continuing to push ahead with our plans to increase the Group's competitiveness so that Volkswagen can still present good results even if the business environment clouds over significantly.

Allow me to make a comment in this context on the current uncertainties in the international financial markets. We don't expect these to directly affect our business activities, not even in our Financial Services Division. The high cash surpluses at the Automotive Division and the broader equity base in both divisions allow us to limit the effects of these external factors on Volkswagen. You can see how solidly our Company is rated by the capital markets from the fact that in January – in other words right in the middle of the US mortgage crisis – Volkswagen Bank was able to securitize loan receivables from automotive financing in a €1.25 billion placement.

### **Chart "Income Statement"**

Ladies and Gentlemen,

Let's now take a look at the Volkswagen Group's income statement. In fiscal year 2007, it no longer contains any special items from restructuring measures. These still amounted to €2.4 billion in 2006, and were contained in cost of sales, distribution and administrative expenses, as well as the other operating result.

The Volkswagen Group's sales revenue rose by 3.8 percent last year to €108.9 billion. Because growth in the cost of sales was slower, at only 1.7 percent, we recorded a 17.6 percent increase in gross profit, while the gross margin rose from 13.2 percent in 2006 to 15.0 percent in 2007.

The increase in distribution expenses was less than sales revenue growth, while the increase in administrative expenses was slightly higher. The significant increase in the other operating result is due primarily to the discontinuation of special items I already mentioned, as well as to positive currency hedging effects.

Overall, we generated an operating profit of €6.2 billion, three times higher than the previous year's figure. This improved the operating margin from 1.9 to 5.6 percent.

The financial result also recorded healthy growth in 2007. This reflects firstly the increased income from the measurement of our equity-accounted investments, in particular the investments in our Chinese joint ventures, in MAN and in Scania. Secondly, it echoes the higher interest and securities income resulting not only from our improved liquidity, but also from one-time factors in 2007.

The operating result and financial result together produce profit before tax of €6.5 billion. This is not only a considerable increase compared with the previous year: above all, it also means that we significantly exceeded the target of €5.1 billion we originally set for 2008.

Our income tax expense last year was €2.4 billion, corresponding to a tax rate of 37 percent. The positive figure of €162 million in 2006 was attributable to extraordinary tax income of €951 million resulting from a change in German corporation tax law.

The Volkswagen Group generated profit after tax of €4.1 billion in fiscal year 2007, more than double its 2006 profit from continuing operations. Including the 2006 profit from discontinued operations, which was mainly a result of the disposal of Europcar, the year-on-year increase in profit after tax in 2007 was still around 50 percent.

## **Chart "Sales Revenue"**

Ladies and Gentlemen,

Last year, we recorded consolidated sales revenue of €108.9 billion, a €4 billion increase compared with 2006. At €3.1 billion, volume growth was the largest factor driving this development. Prices and product mix together accounted for around €700 million. The stronger euro caused an offsetting effect from exchange rate movements amounting to €1.1 billion, although the corresponding currency hedges had a positive effect on other operating income. With an increase of €1.3 billion, the Financial Services Division again made an important contribution to the Group.

## **Chart "Sales Revenue – by Market"**

If we look at the regional breakdown of sales revenue, we can see that growth in Europe, including the Remaining markets, equals the average for the Group, at 3.9 percent. We recorded above-average growth of 18.2 percent in the South American and South African markets, and 12.8 percent in Asia-Pacific. In North America, on the other hand, we recorded a decline of 9.5 percent, due firstly to a change in the model mix and secondly to less favorable exchange rates.

I would like to note at this point that the sales revenue figure for Asia-Pacific contains only the deliveries to our Chinese joint ventures, and not their own sales revenue in the Chinese market.

### **Chart "Operating Profit – by Brand and Business Field"**

Operating profit grew at a much faster pace than sales revenue, more than trebling in 2007. Even eliminating the special items of minus €2.4 billion in 2006 still produces an increase of 40.3 percent.

It is not only the absolute amount of this growth that is remarkable, but above all the fact that all divisions and brands – without exception – succeeded in improving their operating profit compared with 2006 and making positive contributions to the Group's operating profit. This applies in equal measure to Volkswagen Passenger Cars, SEAT and Commercial Vehicles, which recorded significant increases over a low prior-year figure, and to Audi, Škoda and Bentley, as well as the Financial Services Division, which again exceeded the already high level recorded in 2006.

Please note that the figures for the brands and divisions also include intra-Group transactions, mainly intercompany profits, whose elimination is contained in the "Other" category.

### **Chart "Change in Operating Profit"**

An analysis of the reasons for this encouraging growth in operating profit shows that, at €2.0 billion, positive volume, product mix and price effects made a particular contribution. These were partly offset by negative exchange rate effects of around €500 million.

Product cost savings of €1.4 billion more than exceeded our target for 2007. The €1.2 billion negative effect of fixed costs and depreciation and amortization is due largely to development costs incurred to expand our product portfolio.

With an addition of approximately €100 million to its already high level of earnings, the Financial Services Division again contributed to the improvement in the Group's operating profit.

Because there were no special items in 2007, operating profit increased to a total of €6.2 billion.

Ladies and Gentlemen,

Such a significant improvement in earnings is not a coincidence. It is a result firstly of the success of our products, and secondly of the tough restructuring program with which we addressed the Group's structural problems. We have recorded considerable progress not only in Europe, but also in Brazil and China, although we still have some way to go in North America and at SEAT. Overall, we have by no means exhausted all the opportunities available to us, and we still see considerable potential for enhancing efficiency that can and must be leveraged.

#### **Chart "Automotive Division ROI after Tax"**

ROI, the return on investment, is the ratio of operating profit (after tax) to invested capital. ROI increased substantially in the Automotive Division last year from 2.1 to 9.5 percent. This figure means that for the first time since 2001, we not only earned more than our current cost of capital of 7.6 percent – and thus generated a positive value contribution of €717 million – we were also able to exceed our minimum required rate of return of 9 percent. And we have now reached a level that allows us to aim for double-digit ROI going forward. A condition for this is that we maintain our strict cost and investment discipline.

#### **Chart "Financial Services Division ROE"**

We were able to record a further slight improvement in the Financial Services Division, whose earnings are traditionally subject to less pronounced fluctuations and already reached a high level in the previous years. Measured by the broader equity base, however, the return on equity before tax decreased slightly from 16.9 to 16.1 percent.

### **Chart "Equity Ratio by Division"**

The broader equity base produced a further significant improvement in our already sound balance sheet ratios last year. Group equity rose by €5 billion, primarily as a result of the higher earnings, and the equity ratio increased correspondingly from 19.7 percent in 2006 to 22.0 percent in 2007.

The Financial Services Division's equity ratio also improved from 9.6 percent at the end of 2006 to 10.4 percent. In the Automotive Division, the equity ratio increased appreciably from 28.8 to 32.3 percent. In addition to earnings growth, the conversion of stock options and higher fair values of hedging instruments played a role here. In addition, higher capital market rates resulted in the recognition of lower actuarial losses from pension obligations directly in equity.

### **Chart "Provisions"**

The pension provisions decreased accordingly by €1.3 billion year-on-year to €12.6 billion. Overall, however, the Volkswagen Group's provisions were 5.6 percent higher than in the previous year, at €34.3 billion. This level adequately reflects all risks that we can currently identify for our Company.

### **Chart "Automotive Division Net Liquidity"**

Ladies and Gentlemen,

The steady upwards trend in net liquidity in recent years continued in 2007. At €13.5 billion in the Automotive Division, the already high figure at the end of 2006 increased by a further €6.3 billion. In a time of persistent uncertainty in the global capital markets, this figure is indicative of the soundness of our Group's finances that should not be underestimated.

Gross cash flow improved by €4.2 billion in line with the increased earnings. Following the release of substantial funds tied up in working capital in 2006, the Automotive Division again recorded a cash inflow. At €1.8 billion, however, this was €2.3 billion lower than in the previous year, when provisions were increased by the effects of the restructuring measures.

Cash flows from operating activities, which are calculated as gross cash flow net of changes in working capital, thus increased by €1.9 billion. Together with the cash outflows from investing activities, which were almost half a billion euros higher, this improved our net cash flow by €1.5 billion to a total of €7.1 billion.

The investments in property, plant and equipment included in investing activities rose by a quarter in 2007 to €4.6 billion. This means that we have left the particularly low level of the previous year and have now increased the ratio of investments in property, plant and equipment to sales revenue from 3.8 percent to a still moderate 4.6 percent. Our future expectations for this indicator are for a competitive level of around 6 percent.

Our disciplined approach to cost management is not affecting our products. This is only possible especially because the modularization of vehicle concepts that we are driving forward is cutting one-time costs for developing individual models, and at the same time enabling savings in unit costs.

#### **Chart "Net Liquidity – by Division"**

Although the Automotive Division's net liquidity has continued to record positive growth, the expansion of business in the Financial Services Division resulted in an increase in its structurally negative net liquidity to minus €52.4 billion.

The figure for the Group, as the total of the two divisions, amounted to minus €38.9 billion, and was thus €3.4 billion better than the previous year's figure.

### **Chart "Earnings per Ordinary Share"**

Ladies and Gentlemen,

The Volkswagen Group generated profit after tax of €4.1 billion in fiscal year 2007, corresponding to basic earnings per ordinary share of €10.43.

The Board of Management and the Supervisory Board are therefore proposing to today's Annual General Meeting to increase the dividend of Volkswagen Aktiengesellschaft and to pay a dividend of €1.80 per ordinary share and €1.86 per preferred share.

Many thanks for your attention.