VOLKSWAGEN

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News

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Record Year 2008: Volkswagen Reports Record Unit Sales, Sales Revenue and Profit

First Ever Double-digit Return on Investment

Winterkorn: “We remain committed to our goals for 2018”

Focus on development of environmentally friendly vehicles and drives

Despite the dramatic deterioration in its business environment, the Volkswagen Group met its unit sales, sales revenue and earnings targets last year and recorded the best figures in its history. Sales revenue grew by 4.5 percent to €113.8 billion on the back of a 1.3 percent rise in unit sales to 6.3 million vehicles. At €6.3 billion, operating profit was up by 3.0 percent year-on-year. Profit after tax amounted to €4.7 billion (+13.7 percent). “2008 was a good, a very successful year for Volkswagen. We made tremendous efforts throughout the entire Company to achieve our ambitious targets, and we achieved them. The Volkswagen Group kept its word”, said Prof. Dr. Martin Winterkorn, Chairman of the Board of Management of Volkswagen Aktiengesellschaft, on Thursday at the presentation of the Company’s 2008 financial results in Wolfsburg. This was also the result of a strong team performance, said Winterkorn. “The Volkswagen Group has proved that it can remain firmly on track even when the terrain is slippery. And that's also our goal for the current year,” he continued. “We are already looking ahead to the period after the crisis. Because one thing is certain: the automotive markets will pick up again. And the Volkswagen Group is preparing very systematically for when this happens.”

With the Automotive Division recording its first-ever double-digit return on investment of 10.9 percent – following 9.5 percent in the previous year – Volkswagen again earned its cost of capital in 2008 and therefore also exceeded its own minimum required rate of return of 9 percent. “Our ability to develop new models with innovative technologies and our solid financial base mean that we are very well positioned compared with our competitors in the current crisis-ridden environment”, said CFO Hans Dieter Pötsch. “For the first time in the history of the Volkswagen Group, we reached a double-digit return on investment. This is an excellent achievement for our Company and impressively underscores the fact that we have systematically increased our operating earnings power, while maintaining our disciplined approach to investments”, said Pötsch.

Despite the considerable challenges posed by the significant deterioration in the economic environment, the Group improved its operating profit from €6.2 billion in the previous year to €6.3 billion in 2008. This was driven primarily by the €1 billion improvement in product costs. “This is a good basis for meeting the challenges currently facing the automotive industry and further reinforcing our efforts”, said Pötsch. ”Thanks in particular to our systematic cost management and the optimization of our processes, we have been able to safeguard our earnings power and hence ensure the Group’s competitiveness in the long term”, he stressed. “Without the dramatic slump on the automotive markets, we would have lifted our results into an entirely new dimension”, added Winterkorn. Profit after tax rose by 13.7 percent to €4.7 billion. The Group’s income tax expense decreased due to changes resulting from business taxation reform in Germany.

The Board of Management and Supervisory Board will propose to the Annual General Meeting to increase the dividend to €1.93 (€1.80) per ordinary share and €1.99 (€1.86) per preferred share.

In 2008, the Volkswagen Group invested approximately €6.8 billion in expanding its product range and in its new production facilities in Russia and India. Its activities focused on the further development of the BlueMotion range and the development of low-consumption technologies for the environmentally friendly car of the future.

Markets

In the past year, the Group launched 52 new models, successors and product enhancements. “The Volkswagen Group today has the most attractive and most successful range of models in the automotive world”, said Winterkorn. In a global automotive market that has contracted by 6 percent, Europe’s largest automobile manufacturer increased its deliveries and gained additional share in key markets. The strongest-growing regions were South America, Asia-Pacific and China, where over a million vehicles (+12.5 percent) were delivered for the first time. In Germany, the Group delivered 1.06 million vehicles (+0.5 percent) and thus outperformed the market as a whole (-1.8 percent). At the same time, its market share rose by 0.9 percentage points to 33.6 percent. Volkswagen’s third-largest market, Brazil, contributed 633,300 deliveries (+8.9 percent) to the strong Group total. With sales of 314,500 (-4.5 percent), Volkswagen of America held its own despite the downturn in the overall market (18.0 percent). The decision to build a new plant in Tennessee and relocate to Virginia has enabled Volkswagen of America to establish the key conditions for further future success in the USA.

Brands and business fields

In addition to the launch of new models such as the Passat CC and Scirocco, the focus of activities for the Volkswagen Passenger Cars brand was on the new Golf. In the past fiscal year, operating profit increased by 40 percent to €2.7 billion (€1.9 billion). The impact of exchange rates was more than offset by lower fixed costs and improved product costs. The premium brand Audi delivered over a million vehicles for the first time in the company's history. This was due to the new A4, among other models. Operating profit rose to €2.8 billion (€2.7 billion).

Škoda's most important new model was the Superb. The Group's Czech company recorded an operating profit of €565 million (€712 million), down by €147 million year-on-year due to the continued unfavorable exchange rate of the Czech krone. The focus at SEAT was on the new Ibiza, which was successfully launched. Despite the systematic implementation of its performance enhancement program, SEAT recorded a loss of €78 million (profit of €8 million) due to the exceptionally difficult conditions in its core sales market, Spain.

Bentley recorded a profit of €10 million (€155 million) amid a substantial decline in unit sales for premium vehicles. Volkswagen Commercial Vehicles lifted its profit by 23 percent to €375 million (€305 million) on the back of increased deliveries, cost optimization and productivity enhancements. In a difficult overall economic environment, Volkswagen Financial Services made another strong earnings contribution of €893 million (€957 million). The increase in the number of contracts by 8 percent to 7.1 million was particularly encouraging.

Scania generated an operating profit of €417 million for the period since its initial consolidation on July 22, 2008. The integration of this new Group brand has been successfully initiated, said Winterkorn. "We have identified a large number of opportunities for closer cooperation and are working to implement them." At the same time, the decision to sell the Brazilian heavy trucks business to MAN AG means that the Group has now secured two strong pillars for its truck and bus activities: its successful investments in MAN and Scania.

Outlook

The Volkswagen Group remains committed to the goals it has set for 2018. "We want to ensure the Company 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", said Winterkorn. Innovative and environmentally friendly products will continue to be the key to the Company's future. "You can only prepare for life after the current period if you keep your innovation activities running at top speed", said Winterkorn. The Group will launch more than 20 additional completely new models by 2010 alone. Volkswagen's company-wide modular toolkits are the technical backbone for the successful multibrand Group. They ensure competitive costs despite a high level of model and brand diversity. The modular longitudinal matrix has already been successfully anchored. In the coming years, the Group will develop over 40 models on the basis of the modular transverse matrix (MQB).

The Board of Management believes that the business outlook for 2009 remains highly uncertain and entails considerable risks. The highly volatile market situation does not currently allow any reliable predictions to be made about the further development of this fiscal year. "An extremely difficult year lies ahead of us", stressed Winterkorn. At the same time, however, he is confident that Europe's largest automobile manufacturer will emerge stronger from the current phase.

"The strengths of our multibrand Group are now paying off, and that's why I believe that Volkswagen will take pole position in the period after the crisis when the markets pick up again", said Winterkorn. "We're continuing in the fast lane and our tank is full". The most important argument will continue to be the Group's vehicle offering. In 2009, the Group will launch some 60 new models, product enhancements and successors in the market. "Our stated goal remains for the Volkswagen Group to outperform the market as a whole and to gain additional market share worldwide", said Winterkorn. The Group will bundle all its strengths and financial resources to continue to add innovative and environmentally friendly vehicles to its product range. The Group already offers 132 models with emissions below 140 g CO_2/km.

The Group's sales revenue in 2009 will be below that of the previous year due to the declining unit sales situation. Rising refinancing costs and a worsening of the country mix will serve as an additional drag on earnings. In such a situation, it will not be possible to reach the high level of earnings achieved in previous years. The Company will counter this trend primarily through disciplined cost and investment management and the continuous optimization of its processes.

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