VOLKSWAGEN

AKTIENGESELLSCHAFT

Driving ideas.

ANNUAL REPORT 2008

driving pleasure

new drivetrain concepts

flexibility

brand diversity

classlessness

performance

DRIVING IDEAS. The nine brands in the Volkswagen Group develop and implement pioneering ideas for tomorrow's mobility under this slogan. Find out more on page 14.

Commercial Vehicles

VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

Key Figures

VOLKSWAGEN GROUP

Volume Data[1]	2008	2007	%
Vehicle sales (units)	6,271,724	6,191,618	+ 1.3
Production (units)	6,346,515	6,213,332	+ 2.1
Employees at Dec. 31	369,928	329,305	+ 12.3
Financial Data (IFRSs), € million	2008	2007	%
Sales revenue	113,808	108,897	+ 4.5
Operating profit	6,333	6,151	+ 3.0
Profit before tax	6,608	6,543	+ 1.0
Profit after tax	4,688	4,122	+ 13.7
Profit attributable to shareholders of Volkswagen AG	4,753	4,120	+ 15.4
Cash flows from operating activities	10,799	15,662	– 31.0
Cash flows from investing activities	19,710	13,474	+ 46.3
Automotive Division[2]			
Cash flows from operating activities	8,771	13,675	– 35.9
Cash flows from investing activities[3]	11,450	6,550	+ 74.8
of which: investments in property, plant and equipment	6,762	4,555	+48.5
as a percentage of sales revenue	6.6	4.6	
capitalized development costs	2,216	1,446	+ 53.3
as a percentage of sales revenue	2.2	1.5	
Net cash flow	– 2,679	7,125	x
Net liquidity at Dec. 31	8,039	13,478	– 40.4
Return ratios in %	2008	2007	
Return on sales before tax	5.8	6.0	
Return on investment after tax (Automotive Division)	10.9	9.5	
Return on equity before tax (Financial Services Division)[4]	12.1	16.1	

1 Including volume data for the vehicle-production investments Shanghai-Volkswagen Automotive Company Ltd. and FAW-Volkswagen Automotive Company Ltd., which are accounted for using the equity method.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Excluding acquisition and disposal of equity investments: € 8,879 million (€ 5,681 million).
4 Profit before tax as a percentage of average equity.

VOLKSWAGEN AG

Volume Data	2008	2007	%
Vehicle sales (units)	2,388,014	2,365,617	+ 0.9
Production (units)	1,137,145	1,075,997	+ 5.7
Employees at Dec. 31	90,363	90,468	– 0.1
Financial Data (HGB), € million	2008	2007	%
Sales	56,710	55,218	+ 2.7
Net income	827	1,455	– 43.2
Dividends (€)			
per ordinary share	1.93	1.80	
per preferred share	1.99	1.86	

This version of the Annual Report is a translation of the German original. The German takes precedence.

What moves us worldwide

370,000 EMPLOYEES

The Volkswagen Group employs just under 370,000 people all over the world.

61 PRODUCTION FACILITIES

The Volkswagen Group has 61 production facilities in 21 countries worldwide.

342 GROUP COMPANIES

342 Group companies that produce vehicles or offer related services are included in Volkswagen's consolidated financial statements.

151 COUNTRIES

The Group's vehicles are sold via importers and dealers in 151 countries.

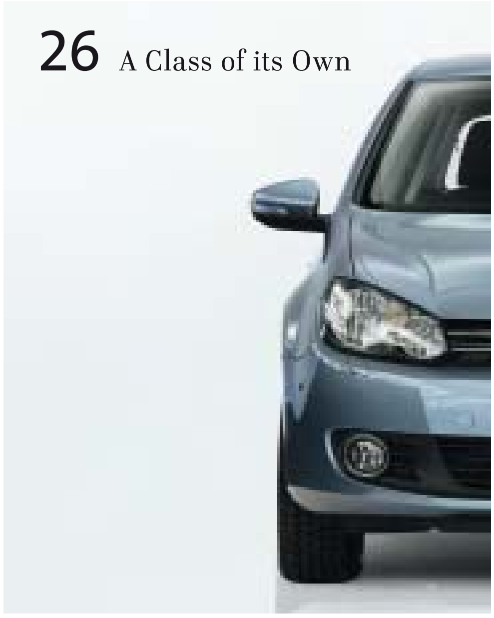
6.3 MILLION VEHICLES SOLD

In 2008, the Group delivered some 6.3 million vehicles to customers worldwide, exceeding the prior-year figure by 1.1 percent.

9 BRANDS

9 brands from 7 European countries belong to the Group.

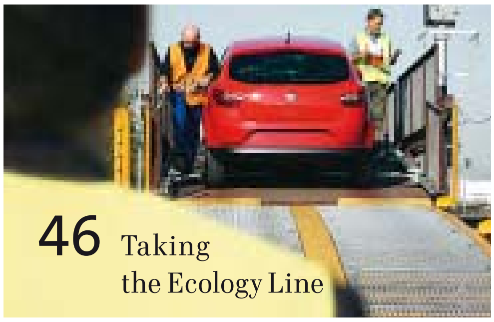
58 Charged with Excitement



26 A Class of its Own

16 “Good Ideas are what Fuel our Success”

32 Life in the Fast Lane

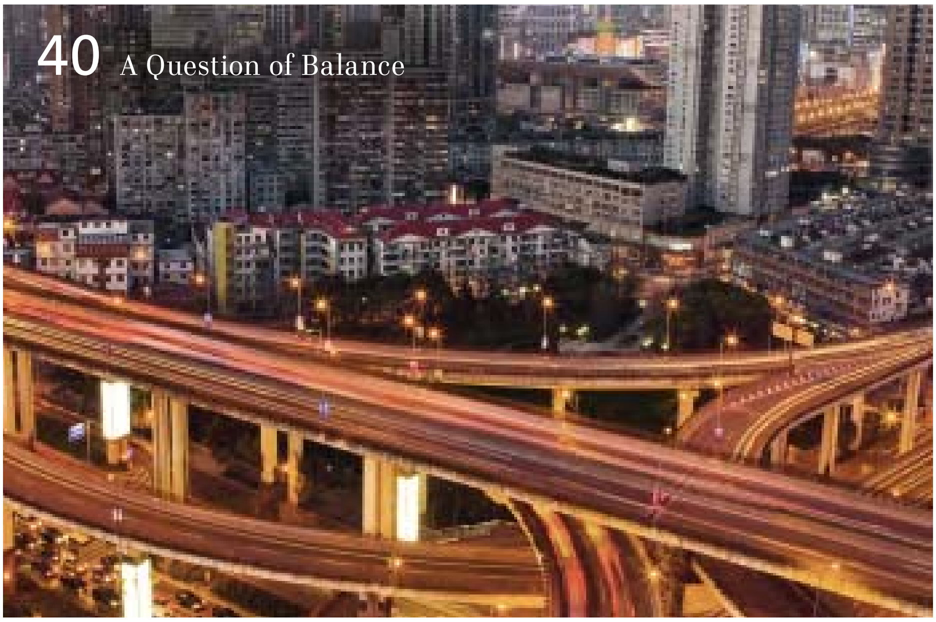


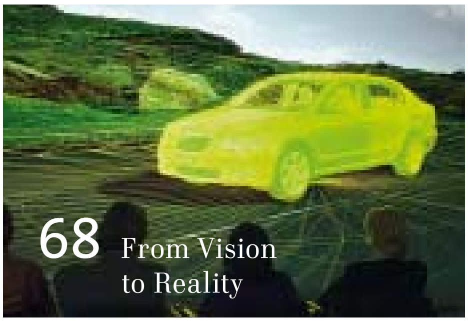
46 Taking the Ecology Line

Contents

BRAND DIVERSITY

The enclosed brochure provides an overview of all Volkswagen Group models.





Facts and Figures 2008

This Annual Report was published on the occasion of the Annual Press Conference on March 12, 2009.

Report of the Supervisory Board

(in accordance with section 171(2) of the AktG)

Ladies and Gentlemen,

During fiscal year 2008, the Supervisory Board dealt regularly and in detail with the situation and the development of the Volkswagen Group. In compliance with legal requirements and the German Corporate Governance Code, we provided advice and support to the Board of Management in questions relating to the running of the Company. The Supervisory Board was consulted directly with regard to all decisions of fundamental significance to Volkswagen. In addition, current strategic considerations were discussed with the Board of Management at regular intervals.

The Board of Management provided us with regular, complete and prompt verbal and written reports on all key issues for the Company relating to planning, the development of business, the position of the Group including the risk situation and risk management, current matters and compliance. Documents relevant to our decisions were always made available to us in good time prior to each Supervisory Board meeting. Furthermore, the Board of Management provided the Supervisory Board with detailed monthly reports on the current business position and a forecast for the year as a whole. The Board of Management explained any variations from the defined plans and targets in a comprehensive verbal or written account. We held detailed discussions with the Board of Management about the reasons for these variations to allow appropriate measures to be initiated.

The Supervisory Board held five ordinary meetings in 2008. There were no extraordinary meetings. Average attendance by Supervisory Board members was 99%. All members attended more than half of the meetings. In addition, resolutions regarding urgent business transactions were also adopted in writing by means of a circulated document.

COMMITTEE ACTIVITIES

In order to perform its duties, the Supervisory Board has established six committees: the Presidium and the Mediation Committee in accordance with section 27(3) of the Mitbestimmungsgesetz (MitbestG – German Codetermination Act) as well as the Audit Committee and the Shareholder Business Relationships Committee (AfGA), the Committee for Special Business Relationships (AfbG) and a Nomination Committee. According to their rules of procedure, the Presidium and the Committee for Special Business Relationships should each be composed of three shareholder representatives and three employee representatives; the members of the Nomination Committee are the same persons as the shareholder representatives in the Presidium; the remaining committees are each composed of two shareholder and two employee representatives. Membership of the committees at the end of 2008 is indicated in the list on page 113.

In 2008, the Presidium of the Supervisory Board met five times. In particular, it prepared the resolutions by the Supervisory Board and also decided on issues relating to contracts with the Board of Management.

The Mediation Committee was not required to convene during the year.

The Audit Committee met four times in 2008 and was primarily concerned with the consolidated financial statements, risk management and progress in the implementation of a compliance organization. In addition, the Audit Committee dealt with the quarterly reports, the half-yearly financial report, as well as current matters relating to financial reporting and the audit of the financial statements by the auditors.

One of the Shareholder Business Relationships Committee's tasks is to supervise Volkswagen AG's and its Group companies' business relationships with Volkswagen AG shareholders who hold at least 5% of voting rights. In addition, the committee monitors compliance with the business processes established by the Board of Management which were put in place to structure legal relationships with shareholders in accordance with agreements. The Shareholder Business Relationships Committee met four times in 2008.

The Shareholder Business Relationships Committee addressed in detail accusations made by a former employee against members of the Board of Management and the Supervisory Board. It commissioned comprehensive examinations by auditors and external experts. The accusations proved to be unfounded.

The Committee for Special Business Relationships (AfbG) is responsible in particular for dealing with business transactions between Porsche Automobil Holding SE and its Group companies on the one hand, and companies of the Volkswagen Group on the other, that require the approval of the Supervisory Board. The AfbG met once in 2008. At its meeting on February 13, 2009, the AfbG authorized the Board of Management to acquire the Scania shares from the mandatory bid by Porsche Automobil Holding SE at the offer price. This relates to approximately 4.4 million Scania A shares at a price of SEK 68.52/share and approximately 59 million Scania B shares at a price of SEK 67.10/share.

At our meeting on November 21, 2008, the Supervisory Board agreed to optimize the working methods of both the Shareholder Business Relationships Committee and the Committee for Special Business Relationships, and instructed the Board of Management to prepare appropriate proposals.

The Nomination Committee is responsible for the proposal of suitable candidates for the Supervisory Board to recommend for election to the Annual General Meeting. The Committee did not convene during the reporting period.

TOPICS DISCUSSED BY THE SUPERVISORY BOARD

At the Supervisory Board meeting on February 29, 2008, we thoroughly examined and subsequently approved the annual financial statements of Volkswagen AG and the consolidated financial statements prepared by the Board of Management for 2007. At this meeting, we also agreed to the Board of Management's plans to increase the share of voting rights in Scania AB. One of the topics at the meeting was the need to prepare a dependent company report for fiscal year 2007. A majority of Supervisory Board members concurred with the opinion of the Board of Management that Volkswagen AG was not a dependent company of Porsche Automobil Holding SE in fiscal year 2007.

At its meetings on April 23, 2008, July 15, 2008, and September 12, 2008, the Supervisory Board concerned itself predominantly with strategic issues. Further focuses were on the current development of the Volkswagen Group as well as of the individual subgroups and companies. We also addressed in detail the general development of the automotive sector in connection with the financial and economic crisis. The Board of Management presented its strategy to gain a sustained foothold in the US market to us at the Supervisory Board meeting on July 15, 2008. We concurred with this strategy and approved the Board of Management's plans to build a plant in Chattanooga, Tennessee.

Because the Articles of Association of Volkswagen AG contain provisions that correspond to the wording of the three provisions of the VW-Gesetz that were reviewed by the European Court of Justice, Porsche Automobil Holding SE proposed a motion at the Annual General Meeting of Volkswagen AG on April 24, 2008 to delete these provisions from the Articles of Association. In turn, Hannoversche Beteiligungsgesellschaft mbH proposed an alternative motion that only the rights to appoint shareholder representatives and the restrictions on voting rights be deleted. Neither motion was approved by the required majority at the Annual General Meeting, not least because each of the parties proposing the motions voted against the motion proposed by the other party. The lawsuits filed against this are currently pending appeal hearings at the Celle Higher Regional Court. At its meeting on September 12, 2008, the Supervisory Board resolved to amend the Articles of Association to reflect the change in the legal position by deleting the Supervisory Board appointment rights of the Federal Republic of Germany and the State of Lower Saxony, as well as the provision restricting voting rights to 20%. The Braunschweig Local Court refused to enter these amendments to the Articles of Association. The matter is currently pending at the Braunschweig Regional Court.

On November 21, 2008, we formed a Nomination Committee as recommended by the German Corporate Governance Code and adopted resolutions regarding the remuneration system for the Board of Management, including the key contractual elements. More detailed information on the remuneration system and on the remuneration paid to the Board of Management and the Supervisory Board can be found in the Remuneration Report on pages 102 to 105 of this Annual Report. Because of the unclear market situation, we postponed the resolutions on long-term investment and financial planning that were originally planned for this meeting.

During the course of the Supervisory Board's work, an evident potential conflict of interest arose for the members of the Supervisory Board who are related parties of Porsche Automobil Holding SE at the time of the establishment of the Committee to Approve Transactions with Porsche Automobil Holding SE (including its dependent companies) (AfbG). As a result, the AfbG was established by a majority of the votes of the unaffected members of the Supervisory Board. Two of the affected members of the Supervisory Board exercised their voting right, while one member abstained.

In the course of the work of the AfbG, evident potential conflicts of interest again arose in the case of one member in the context of decisions to approve the supply of goods and services to Dr. Ing. h.c. F. Porsche AG. The outcome was that the decisions were approved unanimously, including the vote of the affected member.

Another potential conflict of interest arose in connection with the resolution concerning the need for a dependent company report for fiscal year 2007. The employee representatives on the Supervisory Board had a potential interest in such a report due, among other factors, to the controversial issue of dependency in the context of the dispute about the codetermination agreement at Porsche Automobil Holding SE, while the members of the Supervisory Board who are related parties of Porsche Automobil Holding SE could have no interest under certain circumstances in the preparation of such a report due, among other factors, to the same reasons. The relevant interests were evident. All members of the Supervisory Board participated in the vote with no abstentions. The outcome of the vote was that the Supervisory Board rejected the need to prepare a dependent company report for 2007 in line with the resolution adopted by the Board of Management.

Following the Annual General Meeting of the Company on April 24, 2008, both the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, whose sole shareholder is the State of Lower Saxony, and Porsche Automobil Holding SE – as decribed above – filed actions for avoidance of the resolutions by the Annual General Meeting on agenda items 9.1 and 9.2. Since, in accordance with section 246(2) sentence 2 of the AktG, the Company is represented jointly in actions for avoidance by the Board of Management and the Supervisory Board, and members of the governing bodies and shareholders of Porsche Automobil Holding SE, as well as members of the State Government of the State of Lower Saxony are members of the Company's Supervisory Board, a potential conflict of interest affecting the related parties of the various plaintiffs arose in the vote on the resolution as to whether the Company should defend itself against the actions for avoidance. This conflict of interest was evident. The conflict was resolved by the affected members abstaining from the vote and the Supervisory Board resolving, together with the Board of Management, that the Company should defend itself against both actions. The Supervisory Board members who are related parties of Porsche SE abstained from the above-mentioned vote by the Supervisory Board on the resolution to amend the Articles of Association in view of the legal position advanced by Porsche SE in the actions for avoidance and the associated potential conflict of interest.

The Supervisory Board members Minister-President Wulff and Minister Hirche abstained from the vote by the Supervisory Board on the resolution on the acquisition of the equity interests in Flughafen Braunschweig-Wolfsburg GmbH held by the State of Lower Saxony because of a potential conflict of interest.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The current version of the German Corporate Governance Code and its implementation at Volkswagen was the focus of our meeting on November 21, 2008. In this context, we also dealt in particular with the changes published by the "Government Commission on the German Corporate Governance Code" on August 8, 2008. On November 21, 2008, together with the Board of Management, we issued the declaration required under section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) regarding compliance with the recommendations of the Code. The Board of Management and the Supervisory Board comply with all recommendations of the Code with one exception. The exception affects the recommended introduction of a cap on severance payments in Board of Management agreements. Professional circles doubt the effectiveness of such caps. In addition, such caps reduce the ability of the Supervisory Board of Volkswagen AG to act without offering significant advantages in view of the applicable legal situation.

A consensus was reached on the new recommendation that the full Supervisory Board should decide and regularly review the remuneration system for the Board of Management, including the essential elements of their contracts, with the result that the Supervisory Board approved a resolution at its meeting on November 21, 2008 to follow this recommendation. The remuneration system was reviewed at this meeting and no amendments were resolved.

The joint declaration of conformity by the Board of Management and the Supervisory Board is permanently available on the Volkswagen AG website at www.volkswagenag.com/ir. Further information regarding the implementation of the recommendations and suggestions of the German Corporate Governance Code can be found in our Corporate Governance Report starting on page 98 and in the Notes to the Consolidated Financial Statements on page 274.

AUDIT OF ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Annual General Meeting on April 24, 2008 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for fiscal year 2008. The auditors audited the annual financial statements of Volkswagen AG, the consolidated financial statements of the Volkswagen Group and the combined management report. They issued unqualified audit reports on all of these documents. The auditors also assessed the risk management system, concluding that the Board of Management had taken the measures required by section 91(2) of the AktG to ensure early detection of any risks endangering the continued existence of the Company. The "Report by Volkswagen AG on Relationships with Affiliated Companies in accordance with section 312 of the AktG" (dependent company report) submitted by the Board of Management was also reviewed by the auditors, who issued the following opinion: "On completion of our review and assessment in accordance with professional standards, we confirm that the actual disclosures contained in the report are accurate, and that the consideration paid by the Company for the transactions listed in the report was not inappropriately high."

The documentation relating to the annual financial statements, including the dependent company report, and the audit reports were made available to the members of the Audit Committee and the Supervisory Board in good time for their meetings on February 26, 2009 and March 2, 2009 respectively. At both meetings, the auditors reported extensively on the principal findings of their audit and were available to provide additional information if required.

Taking into consideration the audit reports and the discussion with the auditors as well as their own conclusions, the Audit Committee prepared the documents for our own review of the consolidated financial statements, the annual financial statements of Volkswagen AG, the combined management report and the dependent company report and reported on this at our meeting on March 2, 2009. Furthermore, the Audit Committee recommended that we approve the annual financial statements. We rigorously examined the documents on the basis of this report and the audit report as well as in talks and discussions with the auditors. We came to the conclusion that the assessment of the position of the Company and the Group presented by the Board of Management in the management report corresponds to the assessment by the Supervisory Board. At our meeting on March 2, 2009, we therefore concurred with the auditors' findings and approved the annual financial statements prepared by the Board of Management and the consolidated financial statements. The annual financial statements are thus adopted. Our examination of the dependent company report did not result in any objections to the concluding declaration by the Board of Management in the dependent company report. We reviewed the proposal on the appropriation of net profit submitted by the Board of Management, taking into account in particular the interests of the Company and its shareholders. We endorsed the proposal by the Board of Management due above all to the Company's good business development in fiscal year 2008, despite the negative development in the operating environment that has now emerged.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

At the 48th Annual General Meeting on April 24, 2008, Christian Wulff, Minister-President of the Federal State of Lower Saxony, and Walter Hirche, Minister of Economic Affairs, Labor and Transport for the Federal State of Lower Saxony, were elected to the Supervisory Board for a full term of office. Prof. Dr. Heinrich von Pierer stepped down from his position on the Volkswagen AG Supervisory Board as of the end of the Annual General Meeting. The Annual General Meeting elected Dr. Wolfgang Porsche as his successor for a full term of office.

Olaf Kunz stepped down from his position on the Supervisory Board effective December 30, 2008. He was replaced by Hartmut Meine effective December 30, 2008, by way of a decision by the Registry Court.

No changes were made to the composition of the Board of Management of Volkswagen AG during fiscal year 2008.

The Supervisory Board would like to thank the members of the Board of Management, the Works Council, the management and all the employees of Volkswagen AG and its affiliated companies for their efforts and achievements. They have all worked very hard to ensure the positive positioning of the Volkswagen Group.

Wolfsburg, March 2, 2009

Dr. Ferdinand K. Piëch
Chairman of the Supervisory Board

"The Volkswagen Group again kept its word last year: despite an increasingly tough environment, we achieved our main goals and beat the record unit sales, sales revenue and earnings figures set in 2007."

Dear Shareholder,

The Volkswagen Group again kept its word last year: despite an increasingly tough environment, we achieved our main goals and beat the record unit sales, sales revenue and earnings figures set in 2007.

Our nine Group brands delivered 6.3 million vehicles to their customers worldwide – corresponding to growth of 1.1 percent. We lifted operating profit, to which the Financial Services Division also made a significant contribution, by 3.0 percent to € 6.3 billion. In the light of this, we are proposing a dividend of € 1.93 for ordinary shares and € 1.99 for preferred shares.

Looking to the stock markets, 2008 was certainly an exceptional year for Volkswagen, although the performance of our ordinary and preferred shares differed sharply. 2008 was also an eventful year in other respects: the automotive industry was hit by the full force of the financial and economic crisis in the fourth quarter. Markets have slumped worldwide – and there is no end in sight to the crisis. Our Group performed better than our competitors in this environment, as is illustrated by the fact that we were able to gain additional market share in many regions.

Of course, Volkswagen is also facing huge challenges in 2009. Our goal is to lead the Group through this difficult phase safely and with a sense of proportion, although we do not know today how long it will last. Applying the strictest discipline to managing investments and current costs, systematically adjusting production to reflect market developments and leveraging all available flexibility options to safeguard our core workforce will help us achieve this objective.

The Volkswagen Group is a strong business: financially, we rest on solid foundations. Today, we offer our customers the youngest, most attractive and most efficient range of models in the Group's history. Good examples are vehicles such as the sixth generation of the Volkswagen Golf, the new Audi Q5, the SEAT Ibiza and the Škoda Superb, which we launched with great success in 2008. And, last but not least, we can rely on a motivated, highly qualified workforce. My colleagues on the Board of Management and I would like to express our sincere thanks to all employees for their tremendous commitment, without which our many successes in the past year would not have been possible.

These are all good reasons why the Volkswagen Group can emerge stronger and more powerful from the current crisis. A key factor is that we will continue to invest selectively in the future of the Company a part of our "18 plus" strategy: in attractive new models and pioneering environmental technologies such as ever more fuel-efficient combustion engines, hybrid and electric vehicles, and second-generation biofuels.

Our mission remains the same: going forward, the Volkswagen Group will continue to act responsibly in the interests of its customers, shareholders, employees and society. For us, economic success, an intact environment and social responsibility are inseparably linked. That is also why the Group remains committed to the United Nations Global Compact.

2009 will be a very difficult year for the Volkswagen Group. Nonetheless, I am confident that our Company brings with it all the conditions necessary to continue its profitable growth path in the long term. I would like to thank you for your trust and support last year, and I hope that you will continue to accompany the Volkswagen Group on its way to the top of the automotive industry.

Sincerely,

Martin Winterkorn

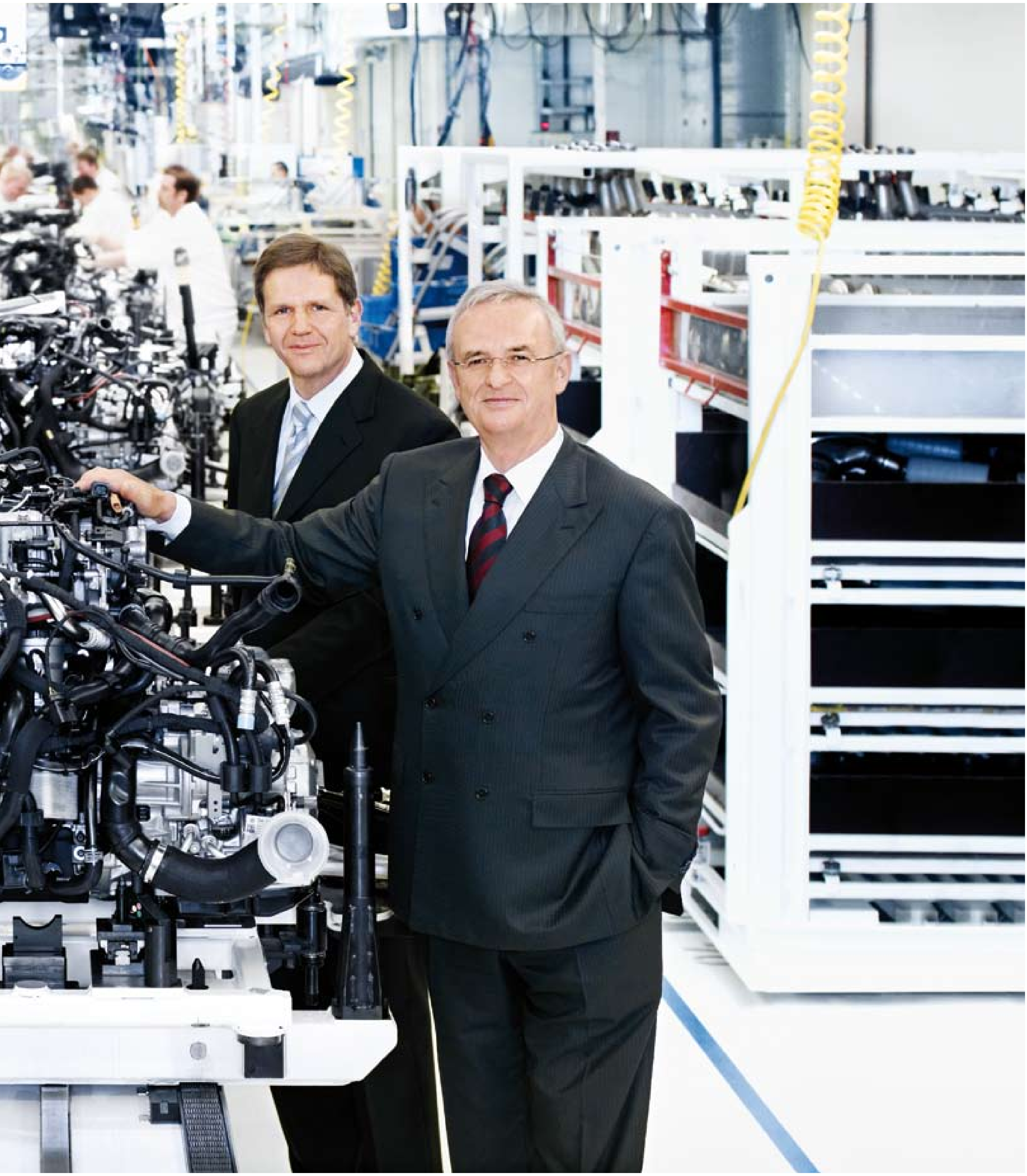
Prof. Dr. Martin Winterkorn

The Board of Management of Volkswagen Aktiengesellschaft

**DIPL. WIRTSCH.-ING.
HANS DIETER PÖTSCH**
Finance and Controlling

**DR. RER. POL. H.C.
FRANCISCO JAVIER GARCIA SANZ**
Procurement

**DR. RER. POL.
HORST NEUMANN**
Human Resources and Organization



CURRICULUM VITAE www.volkswagenag.com > The Group > Senior Management > Management Board

PROF. DR. RER. POL.
JOCHEM HEIZMANN
Production

PROF. DR. RER. NAT.
MARTIN WINTERKORN
Chairman of the Board of Management of Volkswagen Aktiengesellschaft
Research and Development, Sales

Driving ideas.

For the Volkswagen Group, an innovation is only really good if it brings technical progress, benefits people and can be implemented in harmony with the environment. Technology, people and the environment dominate the philosophy and actions of Europe's largest automaker.

“Good Ideas are what Fuel our Success”

Innovative ideas and technologies are the basis for the Volkswagen Group’s growth and business success. “Driving ideas” is the motto dominating the philosophy and actions of Europe’s largest automaker, as can be seen from the way Prof. Dr. Martin Winterkorn, Chairman of the Board of Management, spends his days. The focus is not just on what’s technologically possible – an innovation is only truly good if it generates real added value for the customer and can be implemented in harmony with the environment.

“We’ve got what it takes to emerge stronger than before from the crisis, because we have a global presence with strong brands and the right vehicles.”

DECEMBER 2008 Dresden Trade Fair, Hall No. 1, six days before Christmas: Martin Winterkorn has rolled onto the stage in a white Golf VI. He is surrounded by 1,800 executives from Volkswagen locations all round the world, who have come to discuss the future of the Volkswagen brand with the Board of Management. It is one of Winterkorn’s last major engagements in what has been a turbulent year. In his first brief discussion with the moderator, he sums up the current situation without beating about the bush: “Our sector is experiencing the most severe crisis that I personally have seen in my 30 years in the automotive industry. We have a brutal year ahead of us.” Costs must be cut and processes streamlined. “There is no room any more for things that are merely ‘nice to have’”, he says, setting the tone for the management meeting.

And nevertheless he manages to generate a spirit of optimism in the hall, a feeling that when the going gets tough, the tough get going. If the Chairman of the Board of Management were to take off his dark blue jacket on stage, no one would be surprised if he had rolled-up shirtsleeves underneath. At the end of the day, Winterkorn will fire on his team with the rallying cry of “let’s do it”. And every manager in the hall will go along with him, because he looks and sounds as if he believes it, too.

Winterkorn’s determination can also be seen from the fact that he is maintaining the Group’s strategy for the period up to 2018, which was launched last year at the same venue, “with no ifs and buts”. “Our goals are unchanged”, he says – which means they remain ambitious: by 2018, the Group aims to be the number one worldwide in terms of unit sales, profit, quality and employer image. The CEO is convinced that “we’ve got what it takes to emerge stronger than before from the crisis, because we have a global presence with strong brands and the right vehicles”.

SPRING 2008 Martin Winterkorn is spending a lot of his time at the moment in the Design Center, part of the manufacturing facility in Wolfsburg, Germany. It is the Company’s creative nerve center, where Chief Designer Walter De Silva gives Group brands their unmistakable look. The German engineer and the high-octane Italian designer get on well with each other; they already formed a winning team at Audi. They are now repeating this success with vehicles such as the Golf VI, due to be launched in a

German Chancellor Angela Merkel talks to employees at Volkswagen do Brasil in Anchieta. Together with Martin Winterkorn, she opened the new "Virtual Reality Center" there, the first development center of its kind in South America.

Wolfsburg Design Center: Head of Group Design Walter de Silva describes his design philosophy – "Simplicity and character, esthetics and precision. These are Volkswagen's DNA."

couple of months. Their conversations are a lively mixture of German, English and Italian – but they speak a common language when it comes to the design for the new edition of this iconic Volkswagen. "The uncluttered, clear, precise design will be a hard act for

"The uncluttered, clear, precise design will be a hard act for our competitors to follow."

our competitors to follow", is how Winterkorn describes the "future face of the Volkswagen brand". "Simplicity and character, esthetics and precision – these are Volkswagen's DNA", says De Silva, who calls the new Golf his "signature piece for Volkswagen". A few months later, when the vehicle is unveiled in Iceland, the assembled press representatives agree. "Timeless design", says "Auto Zeitung", while "Auto Bild" says the car is "fresher, more technical and more desirable than its predecessor".

MID-MAY 2008 The Gol – tailored specifically to the South American market, where it has sold millions of units – is another model. In June 2008, the Brazilian president visits São Paulo for the presentation of the fifth generation of the car, which has been manufactured in the country since 1983. A few weeks before, German Chancellor Angela Merkel and Martin Winterkorn also meet up there for the inauguration of the "Virtual Reality Center", the first development center of its kind in South America. The Chancellor, who has a doctorate in physics, and the metallurgist discuss the finer points of how 3D technologies are used in automotive design. "This center is an investment in South America, one of the markets of the future, and represents a new chapter in Volkswagen's Brazilian-German success story", says Winterkorn. A short time later he talks with workers at the Brazilian factories in a number of works meetings. The employees appreciate the gesture – never before has a CEO taken this much time for them. Winterkorn receives particularly warm applause when he underlines the similarities between the two countries: "We are

The CEO himself puts on his boots for a benefit match in the Volkswagen Arena. The proceeds of the game go to help street children projects in South Africa and Mexico.

The test track in Ehra-Lessien: Group researchers provide the CEO with information on new vehicle components, materials and concepts. The central issue: ecology.

> “Volkswagen aims to be a good, honest and reliable partner for people.”

both passionate about automobiles. And we’re both strong soccer nations.”

END OF MAY 2008 Two weeks later the Volkswagen Group CEO himself dons a soccer jersey – as the goalkeeper in a charity match between the celebrity team “Wolfsburg United” and former professionals such as world champions Guido Buchwald and Fredi Bobic. Football fan Winterkorn, who nowadays hardly misses a home game for local soccer team VfL Wolfsburg, loses the match in the Volkswagen Arena, letting in nine goals. Nevertheless, the 8,500-strong crowd has a good time, as can be seen from their donations: helpers collect €117,000 during the match to help street children projects in South Africa and Mexico. “For us, business success and social responsibility go hand in hand”, says Winterkorn after the match. “Volkswagen aims to be a good, honest and reliable partner for people.” Including those who may never be able to afford a Volkswagen.

MID-JUNE 2008 Although Martin Winterkorn loves football, his passion for cars is even stronger. This can clearly be seen from the 2008 Research Drive, held at the Volkswagen test grounds in Ehra-Lessien near Wolfsburg. Every year, Group researchers present their ideas for the automotive world of the future at the circuit – and an inquisitive CEO grills them on every last detail. “We invest approximately €5 billion a year in research and development – which for me are the heart and brains of the Group. This is where we turn futuristic ideas into added value for our customers”, says Winterkorn. The Group’s innovative ability can clearly be seen from visionary safety features such as the “pyrobrake” – a pyrotechnically actuated braking system. Other examples are pioneering driver assistance systems, such as the Passat CC’s Adaptive Chassis Control, or the Adaptive Cruise Control that is now also being used in the new Golf to ensure greater safety and comfort.

However, the focus of research is on ecological issues. The Group is pursuing a two-pronged strategy here. On the one hand it is optimizing combustion engines and downsizing, even in the case of SUVs and large saloons, which in future will also use supercharged four-cylinder engines. On the other, Volkswagen is working on alternative drive technologies, especially for the “New Small Family”, the Group’s key strategic vehicle project. “It is clear that the future belongs to electric drives”, says Winterkorn with conviction, “but there are many challenges that still need to be solved before we get there: the biggest stumbling block is the battery technology”. Winterkorn also wants the Group to drive innovations in other forward-looking areas such as lightweight construction, gas-powered vehicles,

In Berlin, Federal Environmental Minister Sigmar Gabriel and Martin Winterkorn present a concept for the future of mobility: the Golf twinDRIVE. The plug-in hybrid will be put to the test in real-life conditions starting in 2010.

Kick-off for the Olympics in Beijing: “Our commitment to the Olympics is a conscious investment in the Chinese growth market and Chinese society”, underscores Winterkorn before the event.

“It is clear that the future belongs to electric drives.”

or second-generation biofuels. There’s no doubt about it: putting the pedal to the metal. These are challenging times for R&D staff – but good times as well.

END OF JUNE 2008 Camera teams and photographers are crowded into the Volkswagen’s Group representative office in Berlin. The reason? The future of the automobile is hitting the streets: Federal Environment Minister Sigmar Gabriel and Martin Winterkorn are presenting the Golf twinDRIVE. In the city, the car runs on electricity from the grid, producing zero emissions, while for longer journeys it uses a fuel-efficient combustion engine. The Golf twinDRIVE is part of a trial fleet being used by Volkswagen and the federal government to test the concept of electro-mobility; a total of seven companies and research institutes are involved in the project. “To achieve environmentally friendly mobility we must become less dependent on oil”, warns Winterkorn, recalling that more than 100 Group models already today emit less than 140 grams of CO_2 per kilometer. The future belongs to vehicles such as the new Golf BlueMotion, with CO_2 emissions of 99 grams, and the forthcoming Polo BlueMotion with a mere 87 grams of CO_2 per kilometer.

AUGUST 2008 The Olympic Games are being held in China, and Volkswagen is in the thick of the action. Winterkorn visits a number of events and is impressed by “people’s unbelievable enthusiasm and the strength of the Olympic ideal”. Above all, though, he’s flying the flag for the Group, at interviews and in countless discussions with politicians and business partners. The Group’s presence is also clearly visible: it is making 5,000 vehicles available to serve athletes and the media, and it is presenting its brands and its vision of sustainable mobility to ten thousands of visitors in and around its pavilion on the Olympic site. “We have pulled out all the stops for the Olympic Games in Beijing”, says Winterkorn. “This is a sensible investment in the future at the world’s largest sporting event, which is seeing an unparalleled media presence.” China was one of the Volkswagen Group’s largest markets in 2008, with more than one million vehicles sold.

NOVEMBER 2008 Swabian-born Martin Winterkorn generally takes a down-to-earth, rational approach – he’s a man who admires scientists such as Isaac Newton or James Watt. But he can also be emotional – where soccer or cars are concerned, for example, or on a day such as November 6 in Berlin, when the Volkswagen Group is awarded four “Golden Steering Wheel” prizes for the best new vehicles in 2008 at the automotive industry summit. “I am extremely proud of what we have achieved with our team”, says Winterkorn, adding that “today, we have the youngest,

The Audi Q5 is presented with the "2008 Golden Steering Wheel". Rupert Stadler (left), Chairman of the Board of Management of AUDI AG, accepts the award. All in all, the Volkswagen Group won four golds.

The 2008 Volkswagen management conference in Dresden: despite the crisis, Winterkorn is maintaining the Group's ambitious growth strategy for the period up to 2018.

most environmentally friendly and most attractive range of models in the Group's history." The proof of this assertion can be seen on the podium: four out of the five award winners are produced by the Volkswagen Group – the SEAT Ibiza, the Škoda Superb, the Audi Q5 and the new Golf, the winner in the compact class. For Winterkorn, whose first car was a 1962 VW Beetle, the Golf VI is, quite simply, "the hero". "The new Golf is more comfortable, safer, more fuel-efficient, more environmentally friendly, more attractive to look at, quieter – it's simply better", he says. "Customers get more for their money. And, what's more, the car is ideally suited to the current market situation: in a crisis like this, customers want enduring value."

DECEMBER 2008 Which brings us back to the crisis. It's not just Winterkorn who mentions it during the award ceremony – it's also discussed in the round table featuring the CEOs of the major German automakers that follows the prizegiving. And again a few weeks later during Volkswagen's management meeting at Dresden's trade fair. In an interview shortly before the end of the year, Martin Winterkorn underscores that the Group is in a strong position and that the Board of Management has long since started focusing on the longer term: his response to the question whether the production plant planned for the USA is now on ice is clear: "Of course we're going ahead with it. People in the United States will still need cars. And Volkswagen is aiming for profitable growth in North America. This is why our strategy of investing in our future is the right one. We want to be in a strong position when the recession comes to an end."

SPRING 2009 That explains why there has been an important date in Martin Winterkorn's diary for some time now: in spring he will visit Chattanooga, Tennessee, to attend the stone-laying ceremony for the new Volkswagen plant. The goal: to be "up there with the leaders" in the United States, the land of the automobile, in the foreseeable future as well.

ADDITIONAL INFORMATION
www.driving-ideas.de

"Today, we have the youngest, most environmentally friendly and most attractive range of models in our Group's history."

At Home Abroad

The Volkswagen Group is one of the world's most international automakers. A staff development program known as "Wanderjahre" (years abroad), launched in 2006, allows qualified young employees to experience the Group's international operations at an early stage of their career. Participating in the program plays a key role in their personal and professional development.

38°43' N, 9°10' W – Lisbon

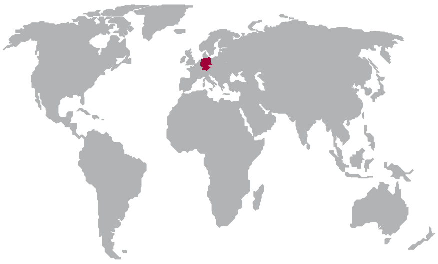
Sarah Ratajczak, 24, is on a 12-month placement at Autoeuropa in Portugal

Sarah Ratajczak loves Portuguese espressos. Until recently she drank up to five cups a day. "Fortunately I've stopped doing that now", says the 24-year-old. "They do taste unbelievably good, but of course it's not good for you to keep drinking that many." The local coffee isn't the only thing that the office clerk has grown fond of in her new home of Portugal during the past few months. Sarah will miss strolling down the narrow alleyways of Lisbon's old town or going to the beach after work when she returns to Wolfsburg. But several busy weeks lie ahead before that. Since February last year, Sarah Ratajczak has been living in Palmela, around 30 minutes' drive from Lisbon, and working at Volkswagen's subsidiary Autoeuropa. She obtained a foreign placement on the "Wanderjahre" program that Volkswagen established two years ago. Sarah is one of 102 young employees gaining experience abroad thanks to the initiative.

> "I only realized that Volkswagen is such a big international family when I came here." SARAH RATAJCZAK, LISBON

Employees are eligible to participate during the first five years after they have completed vocational training or an StIP integrated degree and traineeship scheme at Volkswagen. Placements last between 6 and 18 months, with most participants staying with their host company for a year. At present, young people like Sarah can join Autoeuropa in Portugal or Bentley in the UK, Škoda in the Czech Republic, SEAT in Spain, Volkswagen de Mexico, Volkswagen of South Africa, or Volkswagen Group China. This year, two more destinations are being added – Volkswagen do Brasil and Volkswagen Group Australia. "In times of global change, we need employees who want to broaden their horizons, are flexible and ready for new experiences. They will become part of the outstanding team that we need for our future", says Dr. Horst Neumann, member of Volkswagen Group's Board of Management responsible for Human Resources.

Sarah Ratajczak applied for a placement in Portugal because she wanted to learn another foreign language in addition to English. Like all participants in the Volkswagen program, she was offered a local language course to help her. "I only realized that Volkswagen is such a big international family when I came here. It's an opportunity that's definitely worth taking", sums up Ratajczak. There's



"I've learned a lot professionally. Swapping experiences is probably the best way to learn from each other."

ANDREAS BASTOS, BRUNSWICK

52°16' N, 10°31' E – Brunswick

Andreas Bastos, 24, from Portugal, is on a 12-month placement at Volkswagen's Brunswick plant

only one typically Portuguese experience that she is happy to live without: eating snails with a beer after work.

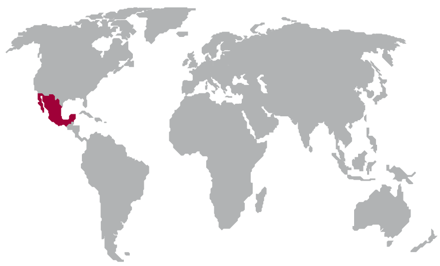
THINKING AND ACTING INTERNATIONALLY

Andreas Bastos, however, disagrees: "Beer and snails are a really delicious snack." And he should know: the 24-year-old from Portugal is on a foreign placement like Sarah. Since 2008, young people from foreign subsidiaries have been offered the chance to come to Germany. This enabled Bastos to get to know Volkswagen in Brunswick – culinary experiences included: "I've now stopped eating so much Currywurst, the traditional German delicacy featuring sausage in a curry sauce – I probably overdid it a bit at the beginning", he says. Andreas Bastos lived in Germany as a child and therefore already had very good German skills before he came to Brunswick. As an industrial engineer, Bastos works in the area of production systems, where he and his colleagues ensure that workflows are optimized. "I've learned a lot professionally. Seeing how problems are solved elsewhere will definitely be a great help to me when I go back", says Bastos, adding: "Swapping experiences is probably the best way to learn from each other."

This is exactly what the program aims to achieve: participants learn new working practices and get to know different countries, develop personally and professionally, and promote the international connections within the Company. "Both sides profit from this training program", stresses Dr. Horst Neumann. "The 'Wanderjahre' are an attractive development opportunity for young people starting their careers. They also help the

19°3' N, 98°13' W – Puebla

Gesualdo Amore, 20, is on a 12-month placement at Volkswagen de Mexico



"I am certainly quite proud to be working for Volkswagen. In particular when you see the opportunities that such a large group offers us."

GESUALDO AMORE, PUEBLA

Company to acquire and retain employees who have international experience, and are open-minded and motivated." These mobile employees contribute to safeguarding the international Group's competitiveness by ensuring uniform production and organizational standards, and to developing networks between locations and countries.

Gesualdo Amore is also part of this network. The process mechanic is already on his second placement. After spending a year in Portugal, he has been working in Puebla, a city in Central Mexico with over a million inhabitants, since September 2008. The 20-year-old German with Italian roots was born and raised in Wolfsburg, and his father also works for Volkswagen. "I am certainly quite proud to be working for Volkswagen", says Amore. "In particular when you see the opportunities that such a large group offers us." Amore now speaks five languages – having recently learned Portuguese and Spanish in addition to German, English and Italian. However, he acquired more than just language skills during his time abroad: "Of course I learned a lot professionally, too, and became more independent", he explains. "And the chance to learn from Volkswagen de Mexico is simply priceless." He is also impressed by the country's hospitality. When asked what he would most like to take back home with him, he immediately replies: "All Mexicans!" Amore can see himself doing more foreign placements in the future. However, when he returns, he would like to continue his professional development in Germany for a while – at Volkswagen of course.

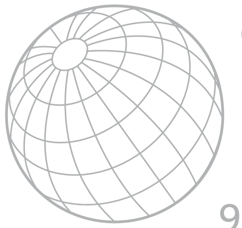
WELL PREPARED FOR GOING ABROAD

Tomke Schönfeld will also take home a great many experiences of her host country, South Africa. Most of all, she will probably remember the impressions she gained every day on her way into work. Her journey to the Volkswagen plant in Uitenhage takes her past metal huts in the townships of Port Elizabeth. "Of course it's very different to just seeing poverty on television", says the 21-year-old, adding: "There are a lot of things we take for granted in Germany that I have learned to appreciate more." Of course, she did not come unprepared for such experiences: all participants in the "Wanderjahre" program receive in-depth training on their host country. Tomke Schönfeld, an electronics technician specializing in automation technology, has been living in the port city by the Indian Ocean since October last year. "It was always my dream to spend a longer period abroad, but before I arrived I couldn't imagine what it would be like living in South Africa day to day", she explains. "And now I almost feel a bit at home." Her new workplace is the paintshop at the South African Volkswagen plant. "I work in a very young team and everyone is helpful. We really learn a lot from each other and I think it shows in our results", says Tomke Schönfeld. She also says it's easy to overcome the distance between South Africa and her friends and family in Germany: "I call them or write e-mails. They're not going to run away." Coming from Emden, there's only one thing she misses: "So far I haven't found anywhere that sells East Frisian tea."

Very close to the markets

BEING INTERNATIONAL IS ROUTINE FOR THE VOLKSWAGEN GROUP

The Volkswagen Group is a company whose international focus is virtually unique. The Volkswagen Group operates 61 production facilities in 15 European countries and six other countries in the Americas, Asia and Africa. Its vehicles are sold in more than 150 countries. Just under 370,000 employees build almost 25,400 vehicles every working day or are involved in related services.



21 PRODUCTION COUNTRIES

61 PRODUCTION FACILITIES

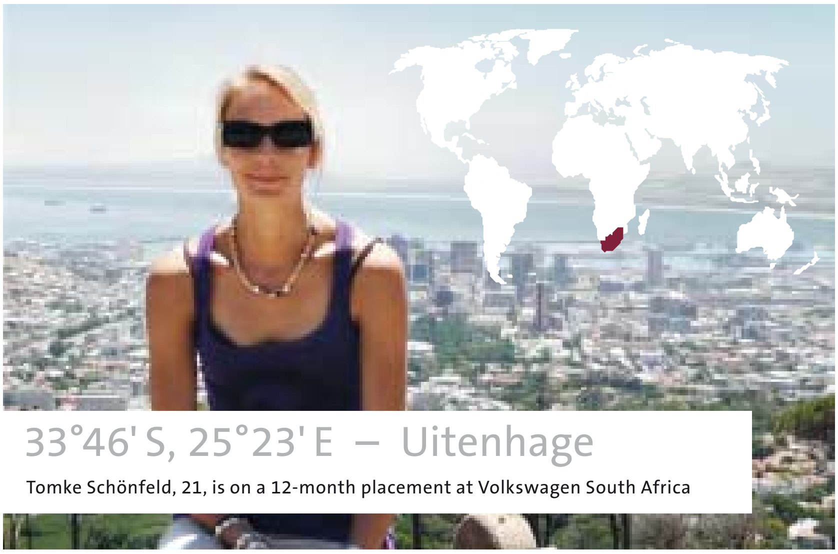
151 SALES OUTLETS

9,884 VOCATIONAL TRAINEES PER YEAR

370,000 EMPLOYEES

"It was always my dream to spend a longer period abroad, but before I arrived I couldn't imagine what it would be like living in South Africa day to day."

TOMKE SCHÖNFELD, UITENHAGE



33°46' S, 25°23' E – Uitenhage

Tomke Schönfeld, 21, is on a 12-month placement at Volkswagen South Africa

ADDITIONAL INFORMATION
www.volkswagenag.com > Sustainability and Responsibility > Employees > Vocational Training

"The Golf is tailor-made for me.
I can turn up in it to all my customers."

ELIAS ABDELHEDI, 39, FINANCIAL ADVISER, PARIS

A Class of

"It really is a great feeling to say that I am part of the new generation Golf."

ASTRID KRUPPA, 49, MASTER CRAFTSWOMAN, VOLKSWAGEN PAINTSHOP, GIFHORN

No other car can compete with the Volkswagen Golf's success story: since its launch in 1974, more than 26 million have been sold worldwide. The Golf is driven by students as well as by blue-collar workers and managers, by singles and families. The new generation Golf VI continues the car's established tradition of classless mobility – and is the best and most environmentally friendly Golf ever.

its Own

> "Once I've passed my driving test,
> I will definitely get a Golf. It suits me."
>
> JIE PAN, 31, BUSINESS STUDENT, MARBURG

Astrid Kruppa has been in the business for quite a while now. She has worked at Volkswagen's paintshop in Wolfsburg for 22 years. Of course she knew that the first body shells of the new Golf would be rolling past her and her colleagues on the painting line in spring 2008. She was trained and prepared – and yet, as the first new generation car approached, it was still an inspiring moment for the Volkswagen employee and her colleagues: "Even from a distance, we could see from the headlight recesses on the body shell that a new Golf was on its way", said the 49-year-old, who is proud to be working on the sixth series. "It really is a great feeling to say that I am part of the new generation Golf." Naturally she now drives the Golf VI herself – in mid-December 2008 she bagged one with a TDI engine and even returned the Golf V that she and her family had enjoyed so much in recent years. Astrid Kruppa has long been a loyal Golf driver because, as she says, "it's a Wolfsburg car through and through".

BUILT OVER 26 MILLION TIMES

The Golf represents more than just a series of automobiles. It created and gave its name to an entire vehicle segment: the Golf class. It can be all things to all people: a family carrier or a single person's runabout. First or second car. Economical or sporty. An evergreen that truly deserves its name – Volkswagen: the people's car. In the Golf's 35-year history, its five series have recorded global sales of more than 26 million. Since fall 2008, the sixth generation has again promised

classless mobility for all. When the original, angular Golf was launched in 1974 as the successor to the legendary VW Beetle, its design was revolutionary – and a bold step for Volkswagen: the engine was suddenly at the front and was water- instead of air-cooled, the car had front-wheel drive and a large tailgate. All its competitors at the time were notchbacks.

ICONS OF AUTOMOBILE CONSTRUCTION

"A Golf must be recognizable at first glance from a hundred meters", insists Andreas Mindt, the team leader who developed the Golf VI design. "A Golf must be iconic." Its key features since the first series have been a wide C-pillar that is positioned virtually on the rear wheel, prominent wheel arches, and a "fast", steep A-pillar, which is "flat and robust", explains Mindt. The Volkswagen Group's Chief Designer, Walter De Silva, and his colleagues faced a difficult challenge: a new Golf cannot make its predecessors look old. After all, they have long lives: there are more than 1.3 million used Golfs on the road in Germany alone. "It's a highly sensitive product that everyone knows and is deep-rooted in people's collective memory", says De Silva. "You have to take that into consideration. That's why the Golf's development has been evolutionary, rather than revolutionary." De Silva's Golf VI design was based on two traditions in particular: "The Golf I had a totally clear, simple architecture", explains the designer. "And the Golf IV was a very good ambassador for the precision and perfection of the design."

"I bought my Golf 23 years ago.
To this day it has never let me down."

SIGRUNN REED BUGGE, 81, RETIREE, ÅLESUND

60 Jahre Wertigkeit

SYMBOLS OF GERMANY'S ECONOMIC MIRACLE

The Federal Republic of Germany is turning sixty – and Volkswagen is using the occasion to celebrate "60 years of quality" in style. After all, few brands epitomize the "Made in Germany" seal of quality in the same way as Volkswagen. TV spots and print advertisements are being used to present the brand icons the Beetle, the VW Bus and the Golf – plus future models such as the "New Small Family" – in all their glory under the slogan "We've seen a lot together – and we've great plans for the future". And because Volkswagen would be nothing without its dedicated fan community, the company is inviting them to recount their personal experiences with the cars from Wolfsburg. Volkswagen friends can publish their texts, photos, and video clip at www.volkswagen-60-jahre.de.

PRECISION IN A NEW FORM

Volkswagen has produced a classic Golf that makes subtle references to its sporty talents. And Golf fans are more than taken with this exciting mix of recognition value and modernity: "The Golf is famous in China, too. It's seen as reliable and appealing", says Jie Pan from the beer-making city of Qingdao, who is currently writing her business studies dissertation. "And the new model still has that unmistakable face." The 31-year-old from China is learning to drive in Germany and has already completed ten hours of lessons – in a Golf of course. She hasset out her plan: Once I've

The one and only

THE TECHNOLOGY BEHIND THE GOLF VI IS FULL OF INNOVATIONS.

The new Golf sets standards in its class. Not only because it offers assistance systems, such as adaptive distance control and adaptive chassis control. Inside, seven airbags including a knee airbag as standard give the driver even more security. For the first time, seat belt detection sensors are also available for the rear: the driver can use the multifunction instrument panel to check whether small children have unfastened their belts unnoticed, for example.

The Golf VI also sets standards in acoustics: 120 soundproofing elements, a special damping film in the windshield and new, low-vibration diesel engines make it the quietest Golf ever. And the Golf VI's engines are economical, too, using up to 28 percent less fuel than their predecessors. All models meet the limits set by the future EU 5 standard.

passed my driving test, I will definitely get a Golf. It suits me." Richard Masters, a Volkswagen fan from the UK, is also devoted to his Golf. He even owns an entire fleet of Golf I classics, including a red 1980s GTI and a 1979 1.5 LS automatic with only 67,529 kilometers on its original odometer. Over the past five years he has refurbished old Volkswagen spare parts and sold them worldwide. Masters even sells Golf I accessories to the USA from his shop in Wallingford, Oxfordshire. "The Golf has a huge fan base in the UK. And the new model is bound to be just as big a success as the previous five generations", says Masters, who travels to a Golf meet somewhere in the UK almost every weekend.

"A Golf must be iconic. It should be recognizable at first glance from a hundred meters."

ANDREAS MINDT, 44, GOLF VI DESIGN TEAM, BINGEN

MORE ECONOMICAL THAN EVER

Designer Andreas Mindt sums up the Golf's particular appeal: "The Golf is the status symbol for people who don't need status symbols." That's why it has become the epitome of motoring for physicians and small businessman, teachers and managers, craftsmen and blue-collar workers.

And the same applies to the people who build it, confirms Rüdiger Winkler, shift manager in body shell production at Volkswagen's main plant in Wolfsburg, full of pride that he worked on the Golf II back in 1990. "In those days we used to weld by hand", remembers the 48-year-old. "There was a lot more physical work." Today, robots handle the strenuous and monotonous tasks, while Winkler and his colleagues slide into the empty body shells on mobile assembly line seats to add the finishing touches. Although it only takes half the time to assemble a complete Golf VI than it did to build a Golf IV, working conditions have improved – despite tighter deadlines. And the model has also got better each year, as Winkler can tell from small, yet decisive details: "The gap widths have improved greatly", says the Volkswagen worker. "You could throw a coin in them before, but now you couldn't get a leaf in there." When it comes to consumption, the new model is also more economical than its predecessor: its even more efficient engines use up to 28 percent less fuel. Winkler swears by his Golf IV convertible: "That's the one with the fabric top." He also owned the predecessor model; his wife and daughter drive the current Polo, and his parents-in-law have a Golf like him. "The Golf is outstanding value for money. And its workmanship is superb", enthuses Winkler, who should know, after all.

ADDITIONAL INFORMATION
www.volkswagen.com >
Volkswagen International > Golf

Life in the Fast Lane

Valentino Balboni has one of the most coveted jobs in the world: he has been a test driver at Lamborghini for over 40 years. Driving along the roads of Bologna's hinterland, Balboni – arguably the world's most famous test driver – talks about his dream job, the sound of twelve-cylinder engines and the fascination that Lamborghini never fails to exude.

It is eight in the morning and the sun is doing its best to penetrate the early morning fog that is hanging like a blanket over Emilia Romagna. Quiet reigns over the hills and houses – there are no markets or church services in progress and there is not a soul to be seen. The only sound to break the silence is a distant rumbling that grows louder by the second until it becomes a breathtaking, infernal growl. The twelve cylinders of the Miura SV roar once, twice, and then a third time as Valentino Balboni double declutches down. The four-liter engine bellows like a bull, the 385 PS pound away behind the seats, and the thunderous exhaust calls to mind a heavy metal band at full blast. Balboni, pressed into his seat, allows himself a satisfied grin: "I've never understood the need for car radios. The music that comes from those engines beats everything else hands down."

FROM ENGINE CLEANER TO TEST DRIVER

Valentino Balboni (59) is the longest-serving employee at Lamborghini and could well claim to be the best-known test driver in the world. Steering the lemon-colored 1972 Miura SV through Bologna's hinterland, he recalls how he first came in contact with the exclusive Italian brand: "I had just finished school and was driving by the Lamborghini plant when I saw Miura body shells being unloaded. I wanted to take a closer look at those fabulous cars, so I simply helped the guys unloading them." The gate guard who asked him what he was doing recognized his enthusiasm and gave him a job application form. "A week later, I did my first day's work there. It was actually company founder Ferruccio Lamborghini himself, cigarette in the corner of his mouth, who hired me." Balboni worked his way up from cleaning engines, tools and floors to the position of mechanic and eventually to the status of test driver – albeit taking a somewhat unorthodox route: "Rather than bringing the cars directly into the workshop from outside, I always drove once around the whole building, engine howling and tires squealing. My bosses complained about me to Ferruccio, so I asked him to make me a test driver."

In a career spanning almost 40 years, Balboni has tested every Lamborghini model – from the Miura and the equally legendary Countach to the Gallardo LP 560-4 Spyder that is due to be launched in summer 2009. "But the Miura has always remained my favorite", he said. This, after all, was the car with which he ventured out on the roads on his own for the very first time: "I was 23, the barrier outside the plant went up, the September sun was shining and the freedom of the open road lay ahead of me – you don't ever forget a feeling like that." Balboni, who claims to be able to recognize each Lamborghini model just by the sound of its engine, is well aware that any car enthusiast would give his eyeteeth for his job. However, he also knows that times have changed: "In the old days, we developed the cars on country roads and had as much fun as possible. That doesn't happen any more – but I have great respect for my younger counterparts and their sense of responsibility."

Valentino Balboni has arranged to meet up with two of the latest generation of test drivers in the market square of the small town of Crevalcore, not far

"... and the freedom of the open road lay ahead of me – you don't ever forget a feeling like that." VALENTINO BALBONI, 59, TEST DRIVER AT LAMBORGHINI

UNDERNEATH THE ARCADES IN CREVALCORE (ABOVE)
Valentino Balboni chats with Mario Fasanetto and Giorgio Sanna (from left). In the background: a red Lamborghini 350 GT.

THE 1960S DREAM SPORTS CAR
Named after a race of Spanish fighting bulls, the Miura is Balboni's great love.

from Lamborghini's headquarters in Sant'Agata Bolognese. When Giorgio Sanna and Mario Fasanetto park their cars – a black Murciélago and a snow-white Gallardo – across from the church, a crowd forms around the cars immediately: teenagers whip out their cell phones to take pictures of the vehicles from all angles, while old men with gleaming eyes turn their hats in their hands. After all, the sensual design of a Lamborghini sets hearts of all ages racing.

The two younger test drivers greet Balboni with a hearty "Ciao! Come stai?" In a café in the stone arcades, Mario Fasanetto orders an espresso for his two colleagues and himself. Now 43 years old, Fasanetto started out as a mechanic, spending eight years assembling V12 engines for the Countach before seizing the opportunity to speed around the globe as a Lamborghini test driver. Fasanetto and Sanna test their cars all over the world, from the icy roads of Scandinavia to the deserts of California. This was not the case with their mentor Balboni, as Fasanetto explains: "95 percent of testing used to be done on the open road – nowadays, 95 percent is done on the racetrack. This is because there is too much traffic and cars are much faster now. At a speed of 350 km/h, the only option is the racetrack.

For Giorgio Sanna (33), responsibility is also a central part of the job. Originally from Rome, Sanna has been a test driver for Lamborghini since 2001 and even spends his weekends behind the wheel – as a racing driver representing Lamborghini parent Audi in the Italian Touring Car Championship. He also has more than a dozen international speed records under his belt. "When tuning a Lamborghini, we always have to approximate a real racing car as closely as possible and often push the engines to their absolute limits during test drives – when you're dealing with over 600 PS, that takes quite a bit of skill", he says with a due measure of self-confidence. "But it's not just a question of driving fast – having a responsible approach to development times and costs is more important than it used to be." All three test drivers agree that measuring technology has also changed: "In the old days, everything depended on the driver – it was all registered on my emotional meter – not on computers or data loggers", recalls Valentino Balboni with a laugh. However, Senna is quick to defend himself and his colleagues: "It goes without saying that we have better computer technology today, but our experience driving the car is ultimately more important than even the best measuring instruments. What still counts in this job is having a feel and a passion for cars. And the engineers trust our instincts – if our instincts are at odds with the computer, then we simply take the developers on a test drive with us."

A FEEL FOR "LA MACCHINA"

All three are in agreement about what makes a good test driver, both then and now. On the one hand, they must have in-depth knowledge of "la macchina" – the car that they will be commanding – and on the other, they must have an intuitive

COME RAIN, SNOW, OR SHINE
Test drivers are always on the move. In this case in a Gallardo lP 560-4 with 560 PS.

"A responsible approach to development times and costs is more important than it used to be." GIORGIO SANNA, 33, LAMBORGHINI TEST DRIVER AND RACING DRIVER

understanding of what customers are looking for. "You have to learn to push the limits of the car and your own limits too. You need to have plenty of confidence in yourself and to be able to stand by your opinions", says Giorgio Sanna as his two colleagues nod in agreement. After talking football for a while, they get into their extreme sports cars, which are still being ogled by passers-by. A flock of pigeons flutters away as the three engines roar to life and it is only when the trio have disappeared around the next corner that the group of onlookers disperses too.

We head back to Lamborghini headquarters, gliding past cypress trees and farms, and through romantic avenues and historic town centers, the Miura squealing with relish as Balboni moves like lightning up through the five gears on the gate shift. "You have to drive like this or the spark plugs get dirty", he jokes, as he pushes the gas pedal to the floor again. The legendary test driver witnessed at first hand how Lamborghini grew from a factory with eighty employees into a modern company with a workforce of over a thousand people. Today, the brand with the charging bull logo is well on its way to becoming the most profitable super sports car in the world. And its strategy is geared towards further growth: for instance, Lamborghini aims to conquer the South American market from its base in Mexico starting this spring.

NO PLANS TO RETIRE

Valentino Balboni is proud to work for Lamborghini – and it shows. After all, his experience behind the wheel has helped to develop the most uncompromising sports cars ever built. Even though he regularly conducts endless series of tests preparing the cars for life on the road, test drives now only make up a small part of his work. These days, at least as much time is devoted to public events, to driver training at the Lamborghini Academy, or to the restoration department in which he and two mechanics restore customers' old cars to their former glory. Certainly, for Balboni, the father of three children, retirement is still a very long way away.

ADDITIONAL INFORMATION
www.lamborghini.com

THE BEST JOB IN THE WORLD
LAMBORGHINI TEST DRIVER
VALENTINO BALBONI
and the full history of the brand

Matthias Pfannmüller,
Motorbuch Verlag,
600 pages, 350 photos,
ISBN 978-3-613-02865-4,
to be published in spring 2009.

WOLFGANG KADEN: **Mr. Pötsch, why does an automaker such as Volkswagen need its own financial services provider?**

HANS DIETER PÖTSCH: Financing and automobiles are inseparable. Facilitating mobility for today's customers often also means offering them an attractive way of financing their vehicle. Only one in three customers in Germany pays cash for their new vehicles – everyone else finances or leases them. So this is an extremely attractive business area.

For years, management doctrine has preached focusing on your core business …

And we see financial services as part of our core business. It allows us to cover yet another major link in the automotive value chain. Customers receive a full-service package that not only includes the actual financing, but also additional car-related services such as insurance, servicing, or extended warranties.

What role does financing play for the relationship between the customer and the brand?

It's of fundamental importance. Customer loyalty is extremely important for our brands. And it's substantially stronger if customers lease or finance and insure their vehicles through Volkswagen Financial Services, and therefore continue their relationship with us over a longer period of time.

Does this also create closer links to Volkswagen's authorized workshops?

Definitely. Our financial services encourage access to our authorized workshops. We have also found that our financing customers are more likely to use

genuine parts when servicing their vehicles than other customers.

To what extent can you tailor your mobility packages to the wishes of individual customers?
Our goal is to give each customer group real added value. For example, we can offer buyers of small vehicles special deals, without which this customer category would be unable to own a car. And at the other end of the spectrum, we can create tailored packages for customers who want to have allround service.

What role do financial services play in general in the Group's global growth strategy?
A crucial one. For example, we recently established a Financial Services subsidiary in India. However, financing behavior varies greatly from country to country: the percentage of people who pay cash in China is very high. The reverse is true in India, where they already have a lot of experience with financial services. These cultural differences must be taken into account in financing. This is why we always move into new markets together with our colleagues from the automotive brands, thus helping them to sell more vehicles.

Does this also apply to setting up distribution networks?
Yes. This is another area that is particularly important in addition to customer financing. We have to set up a highly efficient distribution network within a short period of time in countries such as India and Russia. And of course this depends on our providing attractive financing offerings for our partner dealers.

In Touch with Customers

In addition to the automotive business, financial services form an important pillar of the Volkswagen Group. Volkswagen Financial Services AG supports the Company's growth path by providing customized mobility packages and through systematic internationalization. Hans Dieter Pötsch, CFO of the Volkswagen Group and Chairman of Volkswagen Financial Services AG's Supervisory Board, talks about the significance of this area for Europe's largest automaker with journalist Wolfgang Kaden.

"Customer loyalty is extremely important for our brands. And it is substantially stronger if customers lease or finance and insure their vehicles through Volkswagen Financial Services." HANS DIETER PÖTSCH, CFO OF THE VOLKSWAGEN GROUP

The global financial crisis is making it much more difficult for banks to obtain refinancing. To what extent do you, as the financial services arm of an automobile manufacturer, feel its effects?
Of course we can't entirely escape the effects of the crisis. But we continue to have access to the capital markets, even if the costs are significantly higher than they used to be. In the past few months, we have managed to place some not insignificant issues in both the USA and Europe. The terms and conditions were better than those offered to our competitors. In other words, we continue to enjoy the confidence of the capital markets.

Volkswagen Bank not only finances car purchases, it is also a very successful direct bank. Why are you active in this business field? After all, this is pure banking.
Our direct bank, with its 700,000 customers and current total deposits in excess of €12.8 billion, is a key customer retention instrument. Here, we use the appeal of the Volkswagen brand and the trust our customers place in it. And of course the direct bank plays a key role in refinancing.

Let's turn to the leasing business: automakers everywhere are complaining about falling prices for used cars. Do you currently have problems with residual values?
Our brands' residual values are considerably more stable than those of most of our competitors. That's true even for a market such as the USA, where our vehicles have some of the most stable values. Of course, the deciding factor is the quality of our vehicles and the strength of our brands. But it is true that we cannot entirely escape the market trend.

How happy are you with the development of Volkswagen Financial Services AG in the past fiscal year?
The Financial Services Division made another sub-

stantial contribution to consolidated profit in 2008 despite the difficult environment. We are pleased with the volume and earnings contributions achieved by our operating units. However, we expect the financial crisis to have a more pronounced effect in the current fiscal year. We must, and will, respond to these challenges with intelligent products.

From the perspective of the Supervisory Board Chairman, where should Volkswagen Financial Services AG be in five years' time?
We have enormous growth potential: our own financial services providers already account for 70 percent of all financed or leased Group vehicles in Germany. The figure for Europe, for example, is approximately 30 percent. Our goal is therefore clear: in addition to Germany, where we are already on an excellent footing, we aim to establish a strong position in the emerging foreign markets, and in this way to contribute to the Group's profitable growth path. We can only succeed by working closely together with the Volkswagen Group's markets. This is the key challenge for the coming years and will take us a good deal closer to our goal of becoming the best automobile financial services provider.

ADDITIONAL INFORMATION
www.vwfs.com

Interview with **DR. WOLFGANG KADEN**
The business journalist was a member of the editorial team of magazine "Der Spiegel" for more than 20 years and editor-in-chief of "manager magazin". Today, the 69-year-old is a journalist in Hamburg.

LOOKING TO THE FUTURE
Hans Dieter Pötsch (above) discusses Volkswagen Financial Services AG's continuing internationalization strategy with Wolfgang Kaden.

Mobility to go

130,000

CUSTOMERS WITH MOBILITY PACKAGES IN 2008

ALL YOU HAVE TO DO IS ORDER THE CAR – and forget about the rest. Thanks to the mobility packages that Volkswagen Financial Services provides for Volkswagen Group brands: "Das Vertrauens-Paket" ("The Trust Package") for Volkswagen, "Carlife Plus" for Audi, and "Mobilitätsservice" ("Mobility Service") for SEAT. In addition, the "BestService" mobility package was introduced in July 2008 for both new and used vehicles.

These packages offer customers low-cost financing in return for a fixed monthly payment. Also included – depending on the variant selected – is liability and fully comprehensive insurance, servicing and inspection costs, extended manufacturer's warranties, or loan insurance for the event that customers lose their jobs through no fault of their own.

The mobility packages are highly popular: some 130,000 customers chose this all-round service in 2008. This means that half of all customers in the financing and leasing business chose a mobility package. The advantage from the car buyers' point of view: they have a reliable basis of calculation for a foreseeable period, and they can obtain financing, insurance, and servicing cover at an attractive all-in price. The advantage from the Company's point of view: the all-round mobility packages protect it from the discount wars and pave the way for customers to use Volkswagen's authorized workshops.

A Question of Balance

Volkswagen has been active in China for over 30 years. In 2008, the Group sold more than one million vehicles there for the first time. This means that China is and will remain both a core market and a growth market for the Volkswagen Group. Environmental protection is a key challenge for China's fast-growing economy. And it is a challenge the country's biggest carmaker has taken up with great determination.

The Volkswagen Group operates production facilities in seven different cities.

China will remain one of the fastest-growing automobile markets in the long term.

A sea of uniformed workers riding their bicycles to work, with the red flags of Communist China and Mao's portrait in the background. This was the picture that sprang to mind for decades whenever Westerners thought of China. However, thirty years of change and economic reform have left their mark on the world's most populous country. And nothing symbolizes the nation's new prosperity more strongly than owning a car. The role that automobiles play in China's definition of its progress can hardly be exaggerated.

ENORMOUS MOBILITY BACKLOG

In the past thirty years of change, Volkswagen has contributed significantly to mobility in China – from the very first days of the now legendary Santana down to the New Bora. However, this prosperity has also come at a price: many Chinese cities are grappling with traffic problems and severe atmospheric pollution. As a result, Volkswagen Group China (VGC) also measures its success in the country in terms of the environmental compatibility of its products and factories. Its goal: by 2010, Volkswagen aims to be the most environmentally friendly automaker in China. "Environmental protection is a global challenge. The Chinese car market is recording enormous growth rates and is already the number two in the world today. This is why we, as a market leader, must take responsibility and ensure that our twin goals of growth and environmental protection above and beyond the legal requirements can be reconciled going forward", says Dr. Winfried Vahland, President and CEO of Volkswagen Group China.

–20 %

CO_2 EMISSIONS FROM NEW VEHICLES BY 2010

The number of vehicles on the streets of the People's Republic is growing rapidly by an average of six percent per year. Further support for this trend comes from the fact that the government has declared individual mobility to be the benchmark for growth and prosperity. The automotive industry is considered a key sector for the enormous growth of the Chinese economy, and Volkswagen plays a major part in this: in 2008, the Group had a market share of approximately 19 percent in China and Hong Kong. Volkswagen, Audi and Škoda brand vehicles are particularly popular in China, although the premium Bentley and Lamborghini brands are also finding buyers in the growing luxury segment. Ever since it entered the market, Volkswagen has worked closely together with local joint venture partners at all levels of production. Some of the models that are now rolling off the production lines in China, such as the Volkswagen Jetta or the

All Volkswagen Group production locations are certified to ISO 14001, the international environmental management standard.

"We will introduce the latest generation of European engines and gearboxes in China."

DR. WINFRIED VAHLAND, PRESIDENT AND CEO OF VOLKSWAGEN GROUP CHINA (VGC)

Golf, are almost identical to their Western cousins. Others, such as the Lavida or the New Bora, have been specially developed for China. The Chinese car market is now extremely competitive: all international top-tier manufacturers have set up joint ventures, with around 80 brands being present overall. Nevertheless, China is still a significant driver for the Volkswagen Group's total sales. In full-year 2008, VGC and its partners sold 1.02 million vehicles in the country, an increase of 12.5 percent. This meant that Volkswagen Group China topped the one million mark for the first time in its history.

Despite these dizzying figures, though, the Group has kept a cool head. The company takes its corporate social responsibility seriously and is a pioneer when it comes to striking a viable long-term balance between economic and ecological aspects. The dramatic expansion of the Chinese economy and the increase in mobility have come at a price. The government itself puts the cost of environmental pollution at USD 200 billion a year. While the continued use of coal as a source of energy is certainly one of the main causes of environmental pollution, the rapid increase in the number of cars on the road is another contributing factor. This is one reason why, in the run-up to the Olympic Games in August, the government banned 1.3 million out of the total of 3 million cars from the streets of Beijing for the duration of the event.

MANY ENVIRONMENTAL ACTIVITIES IN CHINA

Today, Volkswagen and China can look back on a long tradition of partnership. Deng Xiaoping's reforms opened up the country to the rest of the world and hence to foreign firms, which have contributed to the continuous economic boom since then. Photographs showing German Chancellor Helmut Kohl signing the first treaty at the beginning of the 1980s are a reminder of these early beginnings, which have now grown into far-reaching economic ties. To drive forward its growth, China was dependent on expertise from abroad. Since Shanghai Volkswagen opened its doors a quarter of a century ago in 1984, Volkswagen has invested €6.8 billion in China's automotive industry. This corresponds to one fifth of all investments in the sector. The second major joint venture, FAW-Volkswagen, was established six years later in Changchun in the North of China. Since then, there have been a series of other partnerships, some of them with manufacturers of engines, gearboxes and drivetrain components. The Volkswagen locations in China are at the heart of efforts to improve sustainability in manufacturing.

UNIFORM ENVIRONMENTAL STANDARDS

The first step towards becoming China's most environmentally friendly automaker is compliance with environmental protection legislation. Above and beyond this, Volkswagen Group China undertook in the spring of 2007 to reduce fuel consumption and emissions for the fleet produced in the country by more than 20 percent in comparison to 2005 in the period up to 2010. To achieve these ambitious goals, Volkswagen-FAW Motorenwerke Ltd. started manufacturing the latest TSI engine range in the eastern Chinese city of Dalian in 2007. Volkswagen Group China intends to invest approximately 1.5 billion renminbi (RMB) in the production facility in the period up to 2011, bringing total production capacity to 300,000 direct-injection petrol engines per year. "Together with our partners, we have resolved to introduce the latest generation of European engines and gearboxes in China", says Vahland. The move enables Volkswagen to comply with government fuel regulations, which specify that service stations must supply petrol and diesel that conforms to the Euro 4 standard. Beijing's Ministry of the Environment hopes that the amended regulations will help cut sulfur dioxide emissions, which are responsible for 1,840 tonnes of acid rain per year.

When the New Bora was launched in the market by FAW-Volkswagen at the Laoshan Olympic Velodrome in Beijing in October 2008, Vahland emphasized the car's advantages: not only does the New Bora meet China's emission standard IV – the local equivalent of the Euro 4 standard – it is also tailored to meet Chinese customers' specific wishes. "Both the New Bora and the Lavida are self-confident vehicles that offer outstanding value. They combine Chinese lifestyle elements with the Volkswagen genes for outstanding workmanship, quality and environmental protection", says Vahland. However, sustainability doesn't stop at the factory gate – VGC also expects it of its network of more than 1,000 dealers. Together with "DEKRA Umwelt", the independent German environmental protection advisory agency, Volkswagen developed

> "We want to help ensure sustainable development in China."
>
> DR. SUIXIN ZHANG, EXECUTIVE VICE PRESIDENT VGC

Road safety training

Car drivers and cyclists, police, government officials and pedestrians – in China everyone agrees that road safety training is important. Particularly since many of the drivers on China's streets don't have much experience yet. As a result, solving China's traffic problems often means going right back to first principles. This is why Volkswagen has revived the format used in "Der 7. Sinn" ("The Seventh Sense"), a road safety TV program broadcast decades ago in Germany. This served as the model for the Chinese TV series "Volkswagen Road Safety", which has now become quite a hit. The popular spots explain the basics: why safety belts are important, for example, how to travel safely with children, what to do in an emergency, or why you should show consideration for weaker road users. The program has been broadcast since the beginning of 2008 in the key cities of Beijing, Shanghai, Guangzhou and Dalian.

Volkswagen Group –
Automobile partner of the 2008 Olympic Games.

The green fleet

The Olympic Games gave Volkswagen an opportunity to present itself as the most environmentally friendly automaker in China. A total of 5,000 vehicles were deployed. In June 2004, Volkswagen was appointed the first official partner of the "Green Olympics". There could hardly have been a more suitable motto for presenting achievements in the areas of environmental protection, culture, social welfare, and scientific and technological progress. And it was impossible to miss the Volkswagen Group at the Games: Volkswagen, Audi and Škoda cars chauffeured athletes, organizers and VIPs to the contests and events. The 10,000 drivers received special training from Volkswagen on safety issues and environmentally friendly driving techniques.

A considerable effort was made during the Olympic Games to improve the air and water quality. Volkswagen also took part in the "Olympic Heart Forest Plan", planting a tree for each Volkswagen sold. Nor did activities stop once the Games were over. In October 2008, Volkswagen again toured the country, this time with the "Green Classroom Tour", which was sponsored jointly by the Chinese Ministry of the Environment and Volkswagen Group China. The goal of the campaign was to increase children's knowledge of environmental protection. Olympic Games winners and torchbearers took part in the tour as speakers, acting as role models for the children.

For every vehicle sold, Volkswagen Group finances the planting of a tree.

> "I only drive Volkswagen cars. They are fuel-efficient and their environmental performance is also good." JIN WEIHUA, POLO DRIVER, BEIJING

the "Volkswagen Dealership Environmental Certification System" in 2007, in order to ensure uniform environmental protection standards among the country's dealers and workshops. The certification is awarded to all participating dealers who have introduced an environmental management system based on best practice. 650 local suppliers have also signed up to Volkswagen's environmental goals. These quality controls and environmental standards along the entire value chain are decisive, since approximately 90 percent of the components that are required for production in China are manufactured locally.

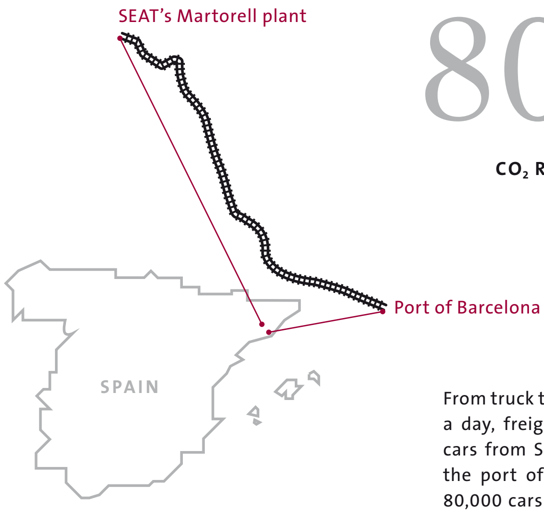
CORPORATE SOCIAL RESPONSIBILITY

Environmental awareness among the Chinese population has also increased significantly. "I only drive Volkswagen cars. They are fuel-efficient and their environmental performance is also good", says 28-year-old Jin Weihua, who works in the advertising business in Beijing and drives a Polo. The Chinese government has also taken note of Volkswagen's efforts – in January 2009, Volkswagen Group China was awarded the title of "Most Responsible Company" in the Chinese auto industry at a ceremony held in the Great Hall of the People in Beijing. The prize was presented jointly by China Newsweek and the Chinese Red Cross. "For as long as Volkswagen has been doing business in China, our aim has been not only to build excellent cars together with our partners, but also to discharge our corporate social responsibility. We want to do our bit to help ensure sustainable development in China", says Dr. Suixin Zhang, Executive Vice President of VGC. This objective will continue to guide Volkswagen's activities in China in the future, too.

ADDITIONAL INFORMATION
www.volkswagenag.com > The Group > Production Plants > Asia

The Ibizas, Leons and Cordobas roll quickly over the large ramp to their parking spaces on the SEAT car transporter train, which is almost 400 meters long and has space for 170 vehicles. Two to three times a day, a diesel locomotive pulls the empty freight cars to the SEAT plant in Martorell. A few hours later, fully loaded and on schedule, it departs on its one-hour journey to the port of Barcelona, from where the brand-new SEAT models are shipped throughout the world.

Manuel Medina stands on the tracks and watches the cars being loaded. “I always enjoy coming here”, he says, “a lot of passion went into this.” Medina, who is responsible for distribution planning, is one of the hard core team that supported the train project from the beginning – despite a lot of the skepticism: “When we presented our plan to the port authority, we had to do a lot of convincing.”



800 t

CO_2 REDUCTION

From truck to rail: two to three times a day, freight trains transport new cars from SEAT’s Martorell plant to the port of Barcelona. As a result, 80,000 cars arrive in the Catalonian capital by rail each year – cutting 25,000 truck journeys a year and saving 800 tonnes of CO_2.

Taking the Ecology Line

SEAT now transports new cars from its Martorell plant by train to the port of Barcelona. This innovative project protects the environment and reduces the risk of traffic congestion. It has enabled the Spanish automaker to switch 25,000 truck loads per year to rail. The Catalan regional government sees this as a model initiative – and SEAT is already working on follow-up projects.

The people in charge have since changed their position. And SEAT has even won the "Outstanding Loader 2008" award for the initiative, which entails switching new car transportation from the Martorell plant to the port of Barcelona from road to rail. This is the second award that SEAT's new car transporter train has won: in 2007 the project – which was still under construction – was named the "Best Logistics Initiative" of the year at the International Logistics & Material Handling Exhibition (SIL) in Barcelona. Both prizes were accepted by SEAT's logistics director, Juan Ramón Rodríguez. "We were pioneers in this area", says Rodríguez, "because we believe in the potential of rail as an economically viable means of transport". He produces a map of Barcelona and the surrounding area, highlighting the central access roads and their capacity limits. Almost all of them are at well over 100 percent. "Five years ago", explains Rodríguez, "it sometimes took our trucks eight hours to travel the 70 kilometers from the plant to the port and back. Instead of the three return trips we do today, we could often only manage one."

€6.8 MILLION INVESTMENT

There had always been a rail track built by Catalan railway company FGC in the immediate vicinity of SEAT's production facility. However, the train link did not come about for many years because there was no access route to the plant and the only FGC track at the port had to be prepared for SEAT. In addition, new car transporter trains were required for the Catalan rail gauge. But that wasn't the only drawback: "The general view was that a rail transportation route must be at least 400 kilometers to be profitable", remembers Rodríguez. "Our route is only a good 35 kilometers." It was therefore clear to the logistics specialists at SEAT from the outset that they would need the support of the Generalitat de Catalunya, the Catalan regional government.

"We forecast to the government that we would remove more than 25,000 truck loads from the road each year."

JUAN RAMÓN RODRÍGUEZ GONZÁLEZ , LOGISTICS DIRECTOR AT SEAT

"We forecast to the government that we would remove more than 25,000 truck loads from the road each year", says Rodríguez. "Our trump card was that this would lead to a dramatic reduction in CO_2 emissions and road traffic would become safer and more fluid."

After the government had given the initiative the green light, the railway company and the port authority followed suit. Finally, all parties came to an understanding and signed an investment agreement in June 2005. The port authority bore the cost of renewing the track on its land, and SEAT made all the necessary preparations for the rail link on its site. The link itself was funded by the Generalitat, while FGC purchased the freight cars. SEAT's partners invested a total of €6.8 million in the project. The ground-breaking ceremony took place on January 10, 2007, and only eleven months later, on December 15, the first test train set off from Martorell to the port.

MODEL PROJECT FOR OTHER COMPANIES

The journeys have now become routine and everything runs like clockwork at SEAT. When the new cars have left the last inspection hall ("Count point 8"), they are allocated to various parking zones. The cars destined for the train to the port are positioned right next to the hall – immediately in front of the track. "This is where lean manufacturing extends to distribution", says Manuel Medina, casting a last look at the freight documents for the cars that will be loaded today. The majority of the multicolored rows of cars are headed for the UK, with others going to Mexico, Belgium, Algeria and Turkey. A short time later, the last one is safely secured on the freight car and it's time to go. Five men perform a balancing act by rolling the giant mobile ramp to one side to make room for the diesel locomotive that's about to be connected to the freight cars.

This is how 80,000 new SEAT cars are transported by rail to the port of Barcelona every year. The use

New Ibiza goes a board.

Before departure: checking and updating the transportation documents.

of car transporter trains significantly cuts pollution: CO_2 emissions are reduced by 800 tonnes per year, and sulfur dioxide levels also fall. And this is how a SEAT initiative became a Catalan success story – one which the Catalan transport ministry is now happy to use as a model project in its discussions with other companies.

However, SEAT doesn't want to stop here: it is currently negotiating further agreements with the Generalitat. Its next goal is to transport sheet metal parts made at the SEAT press shop near the port to Martorell by rail instead of by road. SEAT then aims to build a new commuter line to allow employees who live in Barcelona to take the train to work.

In the meantime, the almost 400 meter-long train sets off for the port, driven by 1,600 PS of locomotive power. The journey through the surroundings of Barcelona takes it past olive groves, fruit trees, market gardens and suburbs. At many points, the route runs parallel to the Llobregat, the region's most important river. Soon afterwards Barcelona's very own Montjuic mountain comes into view, and the train enters the port. Seagulls screech in the sky, while down below the team at the port begins driving the sparkling cars off the train. Two mighty car carriers have moored at the quayside – but they are already full. The fresh load will have to wait a night before setting sail on the high seas. Only the train heads back to Martorell – for its next congestion-free and environmentally friendly trip.

Green thinking right from the start

THE "CO_2 TEAM" AT VOLKSWAGEN'S SPANISH PLANT IN MARTORELL ENSURES PRODUCTION PROCESSES THAT ARE PARTICULARLY RESOURCE-FRIENDLY.

Innovative car transportation methods are one way of reducing CO_2 emissions, new ways of developing and producing vehicles are another. This is why SEAT's "CO_2 Team" was formed in an initiative that is still unique in the Spanish automotive industry. Representatives from all the company's divisions meet regularly in the Centro Técnico at SEAT's Martorell plant near Barcelona to drive forward the reduction of greenhouse gases. "We want to act rather than react", says team leader Sascha Pilz. "The team's work allows us to tackle upcoming challenges at a very early stage." The team in Martorell is modeled on the Volkswagen Group's "CO_2 Control Group" in Wolfsburg, whose suggestions and decisions are aired at SEAT by Sascha Pilz. However, SEAT's task force also discusses home-grown initiatives, such as the expansion of the "ECOMOTIVE" series. The ECOMOTIVE version of the current Ibiza is a pioneer in extremely economical and low-emission mobility: the 80 PS (59 kW) turbo diesel uses only 3.7 liters of fuel, which corresponds to CO_2 emissions of just 98 grams per kilometer. Model calculations predict that all ECOMOTIVE vehicles in the SEAT Ibiza and Leon series will achieve a total reduction of more than 500,000 tons of CO_2 over their lifetime (based on 15,000 kilometers a year).

At the plant itself, the team lowered CO_2 emissions by 750 tons a year by taking measures in the paintshop, as well as in other areas. In the assembly plant, too, process and system optimization is already producing an annual saving of 1,500 tons. At the same time, SEAT is working on the use of new engine technologies, smaller engines with the same performance and the start-stop system. Sascha Pilz is certain that the CO_2 Team at SEAT won't run out of ideas for sustainable products and production processes in a hurry.

ADDITIONAL INFORMATION
www.seat.com > Company > Environment

170 vehicles fit on the freight cars.

At the port of Barcelona. From here, the vehicles will be shipped as far away as Mexico.

The Efficiency Principle

Smaller engine capacity, fewer cylinders, lower fuel consumption but the same or even better performance: Audi is adopting the principle of downsizing for its petrol engines. This combines the fuel efficiency of small engines with the power of larger ones. As a result, Audi also offers premium-quality vehicles for environmentally conscious drivers – without compromising driving pleasure.

For a fraction of a second the intake and exhaust valves in the cylinder are both open, allowing fresh air to flood into the combustion chamber. It propels the exhaust gas swiftly towards the exhaust manifold, helping the turbocharger to press fresh oxygen into the cylinder. During this process the injection valve stands still, before pumping the fuel under high pressure directly into the cylinder when the other valves have closed. The effect: even at low speeds, the engine has a rich supply of oxygen and provides an impressive torque. In other words, you can cut back on engine capacity – if you use sophisticated technology.

Audi's development engineers have turned to downsizing in order to reconcile fuel consumption, environmental impact, and driving pleasure. The principle: a reduction in the engine volume and number of cylinders, while fuel consumption drops as a result of lower frictional losses. At the same time, the turbocharger or compressor ensures solid performance – thanks to technical highlights such as direct fuel injection and variable valve timing. This concept is allowing Audi to make petrol engines fit for the years to come. "Given the technology available today, the thing that makes most sense from an environmental perspective is to enhance the internal combustion engine", says Axel Eiser, Head of Petrol Engine Development at Audi. "To achieve this, we are adopting a downsizing strategy, the approach which in our opinion offers the greatest potential."

The star performer among the new generation of engines is the 2.0 TFSI. Depending on the precise version concerned, the four-cylinder engine offers

more than 100 PS per liter of engine capacity. At the same time, it demonstrates that the concept of downsizing in fact comprises a number of different innovations: for example, it is the first large-series turbocharged direct injection petrol engine in the world.

FUEL CONSUMPTION DROPS BY ABOUT 20 PERCENT

In addition, this latest step in the evolutionary process offers the new Audi Valvelift System, which uses two cam profiles for variable valve timing, pulling the air into the combustion chamber at low engine speeds as already described. As a result, the engine delivers its maximum torque of 350 newton meters to the crankshaft at only 1,500 revolutions per minute. This is an absolute record for vehicles in this engine capacity class, and one that puts even substantially larger conventional six-cylinder engines in the shade. What's more, fuel consumption drops by about 20 percent at the same time. And the new models also have a longer gear ratio, which ensures fuel-efficient transfer of power to the drive wheels at lower engine speeds. Launched in the market in 2004, the 2.0 TFSI has won the hearts of customers and industry audiences alike: the Group has already fitted the technology in more than 2.2 million cars, while leading international motor journalists have voted the four-cylinder engine the "International Engine of the Year" four times in a row in its size category since it was unveiled.

Andreas Bach shares their enthusiasm: for several months now, the freelance architect from Munich has been driving the latest two-liter A4 Avant model every day on his visits to building sites and

“The larger the engine capacity, the greater the potential savings offered by the new technologies.”

AXEL EISER, HEAD OF PETROL ENGINE DEVELOPMENT AT AUDI

Clean and fuel-efficient as never before

Audi currently has a large number of models in its range that already comply with the strict Euro 5 emission standards (scheduled to come into force on September 1, 2009). From the Audi A3 1.4 TFSI, which has 125 PS (92 kW) but only emits 140 grams of CO_2 per 100 kilometers, to the Audi A6 3.0 TFSI with 290 PS (213 kW), which produces a competitive 219 grams. The Audi TT shows that sportiness and environmental awareness can go hand in hand: even in its most powerful TTS version, with 272 PS (200 kW), the coupé only emits 188 grams. All in all, Audi currently has 95 Euro 5 models on offer – more than any other automaker.

customers. In addition to the ample room provided by the estate, he is particularly happy with the engine: “The car accelerates powerfully at low revolutions and goes easy on fuel”, he says. “The combination of these two features makes for a great deal of fun, especially when you’re out on the road a lot.”

BETTER FUEL SUPPLY MANAGEMENT

The revolutionary effect that the TFSI engines are having on petrol engine construction – comparable to the impact that TDI technology had on diesels in the past – is due to a whole series of innovations. For a long time turbocharged petrol engines were not really fuel-efficient, but this changed with the development of direct fuel injection for petrol engines. Whereas conventional engines inject the fuel into the inlet tube, from where the final mix of fuel and oxygen travels to the combustion chamber, direct injection technology uses a valve in the combustion chamber to inject the fuel into the inflowing air. The advantage of this approach is obvious: the fuel supply can be managed more precisely, making for enhanced combustion control. In addition, the fact that the fuel is vaporized in the combustion chamber improves chamber filling and reduces knocking. Components such as the Audi Valvelift System increase the efficiency of the engines even further.

The principle of downsizing has now been applied to a large proportion of the engine range. At the lower end is the 1.4 TFSI. Offering 125 PS (92 kW) and a torque of 200 newton meters, starting at 1,500 revolutions per minute, the engine sets new standards for both power and fuel efficiency: with an average fuel consumption of a mere 5.9 liters and CO_2 emissions of only 140 grams per kilometer, the smallest TFSI is one of the most fuel-efficient and cleanest engines in its class today. The next engine in the TFSI series is the 1.8 TFSI, with 160 PS (118 kW). At a technical level, this is essentially based on the somewhat larger 2.0 TFSI, but offers a further reduction in fuel consumption.

MORE DRIVING PLEASURE FOR CUSTOMERS

Audi is also successfully applying the principle of downsizing at the upper end of the engine range. “The larger the engine capacity, the greater the potential savings offered by the new technologies”, says Eiser. For example, the new Audi S4 has a three-liter V6 motor with 333 PS (245 kW), whereas its predecessor relied on a 4.2 liter V8 engine. The new model has a minor sensation tucked away snugly between its banks of cylinders: a mechanical supercharger that gives the engine a real boost. Despite having 11 PS less, the new engine outguns its S4 predecessor by several tenths of a second in terms of both acceleration and elasticity – thanks to an additional 30 newton meters of torque. According to Eiser, Audi uses a compressor instead of a turbocharger for this engine, which is also used in the A6 but with somewhat different performance data, because of the features of the cars concerned: “The V6 is basically used for larger, heavier cars, where we need a particularly high torque at low engine speeds to ensure powerful acceleration. This is what the compressor does.” Since it is driven directly via the crankshaft, it responds more quickly than a turbocharger, which is powered by the exhaust gas flow. At 9.7 liters per 100 kilometers in the 300 PS class, the S4 has a fuel consumption to be proud of. In comparison to the V8 engine used by its predecessor model, the engine uses around 27 percent less fuel on average. Something that is not only extremely efficient but also a source of great pleasure for Audi customers.

ADDITIONAL INFORMATION
www.audi.com

ENGINES
The newest generation of TSFI engines offers even more efficient combustion thanks to variable valve timing. This cuts fuel consumption by an additional five percent. The TDI engines already comply with the limits laid down by the Euro 6 standard, which will not come into force until 2014.

TAILORED BLANKS
Laser-welded chassis components made from single sheets of metal of different material thicknesses and strengths improve crash safety while reducing weight.

OPTIMIZED AERODYNAMICS
Achieved at Audi using simulations and wind tunnel tests. Increasingly, the focus is on the underbody – which accounts for 40 percent of a vehicle's total air resistance.

START – STOP AUTOMATIC
Reduces fuel consumption by an average of 0.4 liters per 100 kilometers. This is an advantage in urban areas in particular, since the vehicle does not emit any CO_2 in standing traffic.

LOW ROLLING RESISTANCE TIRES
A special blend of rubber and an unusual profile achieve fuel savings between three and five percent without impacting safety.

GEAR SHIFT INDICATOR
Shows which is the most economical gear in all situations. This helps to optimize individual driving styles, which account for up to 30 percent of fuel consumption.

DIRECT SHIFT GEARBOX
Ensures extremely rapid gear changes (0.2 seconds) with nearly no loss of traction. The automatic mode keeps the engine speed low, which saves fuel.

HIGHLY EFFICIENT AIR CONDITIONING
Cuts additional fuel consumption to only 0.2 liters per 100 kilometers. This makes it substantially more efficient than conventional air conditioning systems, which increase consumption by at least one liter.

LED DAYTIME RUNNING LIGHTS
Use 90 percent less energy than conventional dipped beams.

Altogether extremely fuel-efficient

Audi engineers take a top-down approach to their cars, looking at them as end-to-end energy systems when working out the best way to reduce fuel consumption. This approach has allowed them to identify a large number of areas to tweak so they can improve efficiency, including innovative drive and gearbox components, chassis made out of light yet extremely strong materials, and more efficient auxiliary units and driver assistance systems. All are contributing to the ongoing process of making vehicles of the Audi brand more and more fuel-efficient.

No Compromises

The Swedish truck and bus manufacturer Scania has been part of the Volkswagen Group since July 2008, the date of the official acquisition of the majority voting stake. However, the two companies have been partners for much longer than that: ever since 1948, when exclusive importer Scania-Vabis brought the first four VW Beetles to Sweden. Then as now, the Volkswagen Group and its ninth brand both had a mission to develop cutting-edge vehicles for their customers – vehicles that are also pioneers when it comes to being environmentally friendly.

Scania has for many years been considered to be the most profitable premium brand in the commercial vehicles business. This champion of Swedish industry extends and complements the Volkswagen Group's portfolio of vehicles in the heavy commercial vehicles segment with its wide range of trucks weighing 16 tons and more, as well as large buses and coaches. But Scania is also active in the market for powerful engines for ships, power plants and other industrial applications. In addition to Western Europe, the primary sales market where it generates more than half of its sales revenue, products made by the Scandinavian technology leader are exported to markets around the world – to Central and Eastern Europe, Asia, Australia and South America.

Scania is a pioneer in particular in the development of heavy vehicles and engines that help conserve the environment and natural resources: since 2007, all Scania models have complied with the strict Euro 5 emission standards for newly registered trucks and buses that come into force in October 2009. The engineers at Scania's Research and Expertise center in Södertälje near Stockholm achieved this in their own, very special way: not through developmental leaps once in a while, but through the continuity they apply to improving all components that make Scanias the best vehicles for local distribution operations, reliable long-haul trucks, or robust workhorses in difficult terrains.

FOCUSING ON CUSTOMERS

Scania customers really appreciate this systematic focus on their specific needs. It has made the Swedish manufacturer become the truck brand that's trusted by trucking companies and drivers around the world. Hasse Johansson, Executive Vice President Research and Development, says that this success is rooted in a simple but effective principle: "Our objective is to always be a little bit better than the competition in all areas. We don't cut any corners when it comes to customer focus, efficiency and sustainability".

> “The transport sector is part of the global environmental problem, but we’re making a major contribution to the solution.” HASSE JOHANSSON, EXECUTIVE VICE PRESIDENT RESEARCH AND DEVELOPMENT

This is what helps researchers and developers at the headquarters in Södertälje regularly achieve technological breakthroughs – such as the development of the new engine platform with exhaust gas recirculation (EGR). EGR engines recirculate the cooled exhaust gases mixed with intake air to the combustion chamber, thereby ensuring a precisely calculated reduction in the combustion temperature. This in turn reduces nitrous oxide emissions; fine particulate emissions are markedly reduced with the help of the Scania XPI (extra high-pressure injection), a common rail injection system with the highest injection pressures available on the market. The inline engines in the 230 to 480 PS output range easily comply with the Euro 5 emissions targets. No other manufacturer of heavy commercial vehicles has been able to comply with Euro 5 without using exhaust gas aftertreatment. Scania also uses SCR technology (selective catalytic reduction) for its powerful engines: an additive is injected into the exhaust gases before they reach the catalytic converter. Scania is continuing to research and develop both EGR and SCR technologies, as they will enable the company to comply with the requirements of the upcoming – and even stricter – Euro 6 emission standards.

Scania is the world’s only manufacturer of heavy commercial vehicles that can run on ethanol. Ethanol-powered vehicles have been very popular in Sweden

> "Many of our customers spend 25 percent - 35 percent of their total costs on fuel."

MARTIN LUNDSTEDT, EXECUTIVE VICE PRESIDENT FRANCHISE AND FACTORY SALES

ETHANOL BUSES AND TRUCKS:

Green technology for cities

The first heavy trucks powered by a low-emission ethanol/diesel engine attracted a lot of industry attention in 2008 – and secured a flood of inquiries at Scania from prospective buyers. The engine combines the performance of proven diesel technology with an unprecedented standard of environmental compatibility. Fueled by high-quality ethanol, the new Scania engine emits up to 90 percent less CO_2 than conventional diesel engines.

The underlying technology may be new to trucks, but it has been tried and tested in practice: Scania has been producing ethanol-powered city buses since 1989. These have helped improve air quality in major cities in Sweden and Norway, just as they have done in Italy, Spain, Poland, the United Kingdom, Brazil, China and Australia.

The first ethanol-powered buses started running in Stockholm in 1985. Today, more than 600 ethanol-fueled buses from Scania are in operation throughout Europe.

for 20 years: most public transport buses in the capital city of Stockholm are Scania ethanol buses. This alternative fuel is also widely used in cars on Swedish roads.

PIONEER IN ETHANOL TECHNOLOGY

Depending on the specific production processes used, biofuels such as ethanol can reduce fossil CO_2 emissions by up to 90 percent. Scania is the only provider of ethanol engines in heavy commercial vehicles, and the only one to transfer the tried-and-tested ethanol/diesel technology used in city buses to truck engines. In the future, trucks over 16 tons will also be able to use this renewable fuel (see "Green technology for cities" box). At the same time, Scania developers are working on energy-saving hybrid technologies for trucks and buses: in 2009, a fleet of ethanol-powered city buses with hybrid technology will be used for the first time in scheduled service on Stockholm's public transport system. Fuel consumption will fall by at least an additional 25 percent thanks to the energy the bus recovers from frequent braking in inner city traffic.

Scania's stated goal is to remain the technology leader in the area of fuel savings. "Many of our customers spend 25 percent – 35 percent of their total costs on fuel", says Scania's Martin Lundstedt, Executive Vice President Franchise and Factory Sales. Potential fuel savings are therefore a pivotal argument for buying a Scania truck – especially given the strong competitive pressure in the transport sector. The decisive factors here are not just engine performance, transmission, or loading capacity. "High levels of efficiency arise only

Different outer panels are tested in the wind tunnel to improve aerodynamics and reduce fuel consumption. Fuel-efficient driving is also guaranteed by the engines, which are equipped with the latest combustion technology.

Engines featuring advanced combustion technology also guarantee fuel-efficient driving.

when the three factors of technology, service and driver come together. Long-term test series show that well trained drivers with an energy-efficient driving style can save their companies a good 10 percent of fuel costs." This means reducing the annual fuel consumption of a 40-ton truck-trailer combination driving 200,000 kilometers a year by around 6,000 liters.

Scania identified these potential savings at an early stage: the truck maker has offered its customers professional driver training for 20 years. Originally, the focus was on the safety of heavy commercial vehicles, while today the programs also focus on efficiency and fuel consumption. The degree to which the company appreciates its direct customers – the drivers – is also apparent in the demanding "Young European Truck Driver" competition. This most coveted trophy for professional drivers has now been awarded three times since 2003. More than 40,000 drivers entered for this "Oscar" among truck drivers in 2007. Scania's three core values that define the company's corporate culture are also evident in this initiative: "Customer first", "Respect for the individual" and "Quality". An excellent basis for a successful future as part of the Volkswagen Group.

ADDITIONAL INFORMATION
www.scania.com

Driver training saves money and protects the environment.

Scania identified the importance of driver behavior for vehicle profitability 20 years ago. Since then, the manufacturer has offered professional driver training in 40 countries worldwide. A new international platform for this offering was launched in 2007. "Our customers can send their drivers on the same courses regardless of where they are – in France or Poland, as well as in India or Argentina", explains Claes Åkerlund, who is responsible for driver training at Scania.

The program is an extremely worthwhile investment for Scania customers: even experienced drivers can learn how to make fuel savings of up to 10 percent, and thus significantly reduce exhaust emissions as well. In addition, the courses cut the risk of accidents, repair costs and insurance premiums.

Charged with Excitement

It's clear that cars with electric drives won't go into mass production overnight – vehicles with combustion engines will continue to dominate our roads in the coming 20 years. But all experts agree: the electric car will shape the future. For a long time now, the Volkswagen Group has been working on a drivetrain strategy that will take the Company and its customers into the future step by step.

It's already possible today to get a taste of the future of motoring: you can hear a pin drop when you turn the Golf twinDRIVE's ignition key. The car moves off without a jolt and only a slight hum.

As a hybrid, this prototype has both a conventional combustion engine as well as an electric one. More precisely, there are actually two other electric engines working in the twinDRIVE – in the rear wheel hubs. According to project manager Dr. Lars Hofmann, the car can actually "really drive electrically", and not just short distances "but 30 to a maximum of 50 kilometers with a full power output of 60 to 70 kW" which is also good for consumption and environmental data: "Our prototype consumes two and a half liters of diesel and eight kilowatt-hours of electricity for 100 or so kilometers. This equates to CO_2 emissions of around 94 grams per kilometer", explains Hofmann. This means that the hybrid vehicle significantly undercuts the future EU emission limit of 120 grams per kilometer. With its environmentally friendly technology, the twinDRIVE can reach a top speed of 170 kph on the motorway, thus demonstrating its sporting prowess.

> "I believe that starting with plug-in hybrid vehicles and then building on this to develop purely electric cars is the right approach." DR. MARTIN PEHNT, HEIDELBERG INSTITUTE FOR ENERGY AND ENVIRONMENTAL RESEARCH

ZERO-EMISSION URBAN DRIVING

But the twinDRIVE is no conventional hybrid car. Hofmann describes the special feature: "Normally it's the electric engine that supplements the combustion engine, but it's the other way round with the twinDRIVE: the diesel engine fills the gaps left by the electric engine." The electric engine ensures an emission-free and silent drive in town. If necessary, the economical diesel engine charges the lithium ion battery and provides the power for longer journeys. In addition, the twinDRIVE is a "plug-in hybrid". This means that it can be charged using any conventional 220-volt electrical outlet.

"The twinDRIVE is one of our answers to the question of how to reduce both the fuel consumption of our vehicles and CO_2 emissions", explains Hanno Jelden. As head of Drivetrain Electronics at Volkswagen, he is responsible for all hybrid and electric engine developments. This is not the first time that Jelden has been involved with e-mobility: the Group offered its first electric vehicles in the nineties with the "Golf III Citystromer" and the "Audi duo" and supervised fleet trials: "Battery technology has now advanced to the point where we can seriously think about and work on electric cars."

Experts don't doubt that lithium ion batteries, rather than today's nickel-metal hydride ones, are the future. Lithium ion cells are used in their millions in laptops and mobile phones. The battery manufacturers' development engineers now face the challenge of massively increasing the battery's energy content at the same time as significantly cutting production costs. This is because car batteries have to last much longer than mobile phone batteries – at least ten to 15 years. Such high-capacity batteries do not yet exist for the automotive industry.

BATTERY PROBLEMS: COSTS AND SAFETY

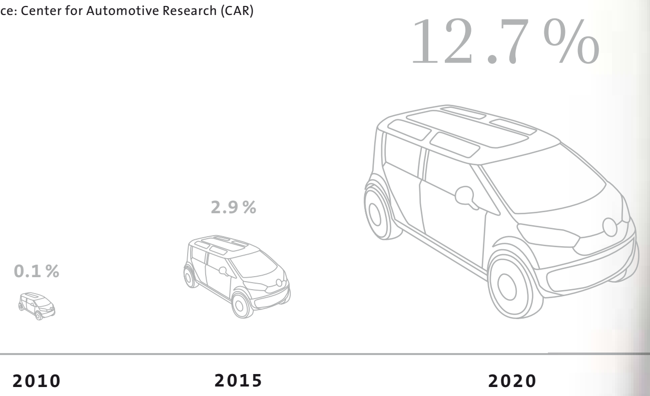
Dr. Matthias Ullrich, head of Volkswagen Group's Battery Systems Development, explains the challenges facing the battery generation of tomorrow: "Costs for a single battery cell today are around €1,000 per kWh. Our goal is to cut these costs in the medium term to €500, and to €200 in the long term." A further key problem is that the chemical processes involved in charging and discharging generate heat in the battery, without which the process could not take place. If the temperature in the battery reaches the region of 140°C – for example because of overcharging or mechanical damage – the cell's membrane will melt like a plastic bag on a hotplate. This releases all of the energy in one fell swoop. As well as increasing the battery's lifetime and reducing costs, the Volkswagen Group is also working with various partners on a 100 percent

“We are working on materials that do not spontaneously combust and do not trigger any unwanted chemical reactions.” DR. MATTHIAS ULLRICH, HEAD OF BATTERY SYSTEMS DEVELOPMENT

safe storage battery. This is because fires can result from the high energy density in the small space inside lithium ion batteries. “We are working on materials that do not spontaneously combust and do not trigger any unwanted chemical reactions.

THE CARS OF TOMORROW WILL BE POWERED BY ELECTRICITY

Share of hybrid and electric vehicles in Europe, in percent
Source: Center for Automotive Research (CAR)



In addition, we are focusing on improving battery production processes in order to eliminate defects”, explains Ullrich.

Ullrich talks about the “magic triangle of lifetime, cost and safety” for lithium ion batteries. The market launch of electric cars depends on how quickly these problems can be solved. This is why the Volkswagen Group is working together with Japanese electronics group Sanyo, which is developing a battery system for both the Touareg Hybrid and the Golf twinDRIVE to Volkswagen’s specifications as a first step. In addition, Volkswagen has entered into a long-term cooperation with electronics group Toshiba for electronics modules and electric traction components. In cooperation with the University of Münster’s Institute of Physical Chemistry, Volkswagen is also studying battery cells and electrode materials for lithium ion batteries. Battery expert Matthias Ullrich explains the aim of this cooperation: “By the end of the next decade, it may be possible to double the range of lithium ion batteries to 200 kilometers. However, we need new technologies in order to reach 400 kilometers.”

BACK TO THE BEGINNINGS

These developments and plans don’t all come by chance: no other form of power has triggered such a hype in recent years as the electric engine. Almost all automobile manufacturers are now working on developing electric cars – a trend reminiscent of the very beginnings of automobile history: in 1881, five years before Carl Benz filed a patent for his “Motorwagen”, Frenchman Gustave Trouvé presented a three-wheeled vehicle with an electric engine and a rechargeable lead-acid battery. What is almost forgotten today is that one in four cars in the USA around the year 1900 was powered by electricity. Petrol, which quickly became cheap, consigned these vehicles to history.

The days of cheap fuel are gone, even if prices on the petroleum exchanges dropped by more than 50 percent in the second half of 2008 – probably a temporary development, as underscored by the International Energy Agency’s (IEA) “World Energy Outlook 2030”.

The search for new drive technologies and fuels remains the order of the day for the automotive industry. And this isn’t just due to price pressure. “It’s a hard fact that fossil fuel resources are limited”, says Wolfgang Müller-Pietralla, head of the

Hybrid technology

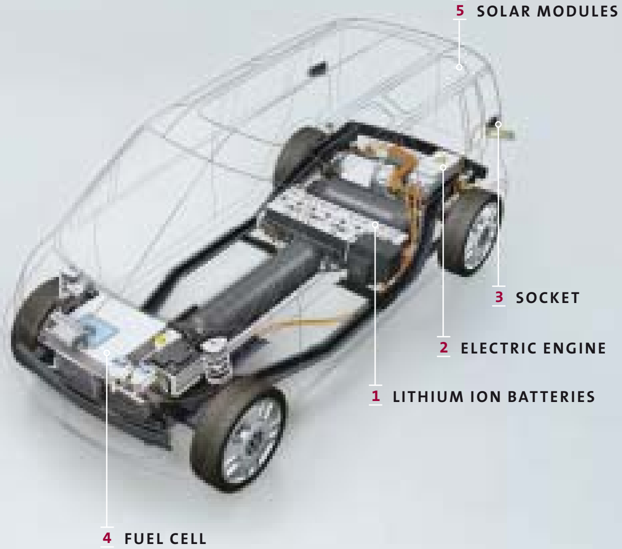
SCHEDULED LAUNCHES IN THE NEAR FUTURE

Volkswagen plans to present a hybrid version of its Touareg as early as 2010, with a 38 kW electric motor on board as a second drive unit. Volkswagen will be launching a fleet of 20 prototypes of the Golf twinDRIVE in the same year with a view to making electric mobility available for the mass market.

A hybrid variant of the new premium subcompact Audi A1 is also planned as of 2009. Thanks to its hybrid drive, start-stop automatic and braking energy recovery, the A1 Sportback concept study requires just 3.9 liters of petrol per 100 kilometers – with CO_2 emissions of 92 g/km.

The Volkswagen Golf twinDRIVE's lithium ion batteries can be recharged at any socket.

More fuel-efficient than any other small car with a petrol engine: thanks to its hybrid drive, the Audi A1 Sportback concept only gets through 3.9 liters of petrol.



Space Up! Blue

THE VISION OF THE ELECTRIC VOLKSWAGEN

"Space Up! Blue", which is powered exclusively by a battery, gives a taste of the Volkswagen Group's more distant electric future. The four-seater minibus is a concept vehicle from the "New Small Family" series. Twelve lithium ion batteries 1 powering a 45 kW electric engine 2 are stored under the rear seat. If it is driven by the batteries alone, the vehicle could travel up to 100 kilometers, more than enough for travelling through town. If the battery runs out, the Space Up! can be recharged by simply plugging it in. 3 But that's not all: a high-temperature fuel cell 4 – the first of its kind – is housed under the front engine hood. It can convert up to 3.3 kilograms of hydrogen into electricity without any emissions. Part of the energy is drawn from a 150 kW solar module 5 on the vehicle's roof. With its combination of batteries and fuel cell, the 1,090 kilogram microvan can travel up to 350 kilometers with a top speed of 120 kph. Hanno Jelden, head of the Drivetrain Electronics department, does not want to speculate as to when this vehicle will be built: "What the rest of the timetable looks like all depends on when series production of the fuel cells begins. The question of hydrogen efficiency cannot currently be predicted, either".

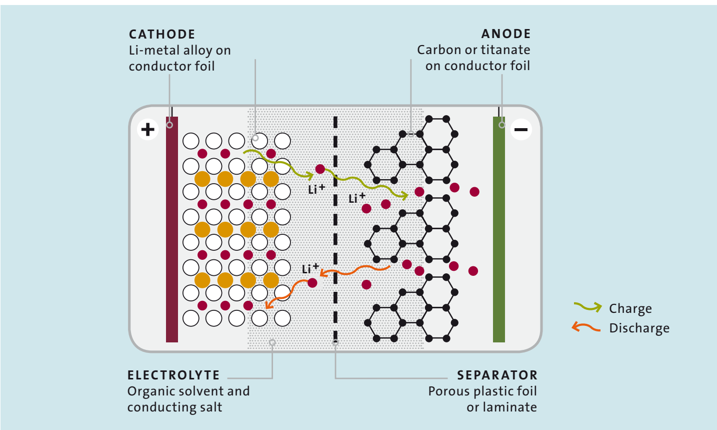
"It's a hard fact that fossil fuel resources are limited."

WOLFGANG MÜLLER-PIETRALLA, HEAD OF THE FUTURE RESEARCH AND TREND TRANSFER DEPARTMENT

Powerhouse with a future

HOW A LITHIUM ION BATTERY WORKS.

Lithium ion batteries are more powerful than other rechargeable batteries because of their high voltage and light weight. Other plus points include their high energy density, long lifetime and very low self-discharge. And this is how the batteries work: lithium is contained in a compound at the positive pole (cathode). When the battery gets charged, the electricity fed in causes the lithium to move to the negative pole (anode). The anode contains carbon, which captures and thus stores the lithium. If this energy is used to operate electrical consumers, the lithium ions travel back to the positive pole, thus generating electricity. This process can be repeated thousands of times.



Future Research and Trend Transfer department at the Volkswagen Group, explaining another reason why the Group invests in emission-free e-mobility.

MOBILITY FOR MEGACITIES

The reason why electricity is now again being treated as an alternative to petrol and diesel also has to do with climate protection. "The calls by society and policymakers to reduce carbon dioxide emissions on the roads of course drives us to look hard for alternatives", says Müller-Pietralla. He also sees two further developments that make electric vehicles necessary: "The global population will grow to around nine billion by 2030. At the same time, emerging and developing countries in particular are seeing the growth of ever more megacities with more than ten million residents." Smog problems would be inevitable if only cars with combustion engines were used in these gigantic city complexes.

Prof. Martin Wietschel, project leader at the Energy Policy and Energy Systems Competence Center at the Fraunhofer Institute for Systems and Innovation Research in Karlsruhe, knows of another concrete environmental advantage of plug-in hybrid and electric vehicles that is overlooked for the most part. He calculates that unacceptable noise levels affect around 80 million Europeans today, with traffic playing a major role. Wietschel highlights another major plus point for electric vehicles: “Engine noises, which drown out other driving noise at speeds of up to 60 kph, are very low when driving on electricity only.”

BY 2020: NEARLY 13 PERCENT ELECTRIC CARS

Expectations for the electric drive are high. The Center Automotive Research (CAR) at Gelsenkirchen University of Applied Sciences estimates that electric cars and hybrids will already account for 12.7 percent of new registrations in 2020. Mobility expert Christof Zeiss, from the Wuppertal Institute for Climate, Environment and Energy, says that the electric drives “will appear in greater numbers much earlier than experts believed possible only two or three years ago”. However, Zeiss does not want to pin himself down about the share that new registrations of electric vehicles will take in 2020. But the scientist is certain that it “will be a significant share”.

Conversely, what these predictions also mean is that there is no way round more efficient diesel and petrol vehicles in the medium term. Even if the increasing electrification of drive technology is foreseeable, the transport sector in particular will continue to depend on more efficient combustion engines.

The kind of electricity that will power electric vehicles is another core question for the future. Electric cars will only ever be completely emission-free if the electricity comes from renewable sources such as wind, sun, or biomass. Experts from the German Wind Energy Association (BWE) say that ten million vehicles in Germany could use wind power today. Dr. Martin Pehnt from the Heidelberg Institute for Energy and Environmental Research (ifeu) is also aware of these figures. The scientist believes that “the integration of electric cars and renewable energy has potential”. But first, the technological hurdles have to be overcome: “I believe that Volkswagen’s strategy of starting with plug-in hybrid vehicles and then building on this to develop cars that run purely on electricity is the right approach.”

ADDITIONAL INFORMATION
www.volkswagenag.com> Innovation> Future and Mobility

“Mass production will cut prices”

INTERVIEW WITH PROF. DR. MARTIN WINTER, AN EXPERT FOR LITHIUM ION TECHNOLOGY AT THE UNIVERSITY OF MÜNSTER’S INSTITUTE OF PHYSICAL CHEMISTRY.

Why is there no getting round lithium ion batteries in the area of e-mobility?

This type of battery offers the unique opportunity to combine a long lifetime with the practical range of an electric vehicle.

What main problems still exist?

Energy content needs to be increased in order to extend the range further. We also don’t know how such batteries will perform in fleet operations.

What proposals do you have to increase the safety of lithium ion batteries?

At the moment, these batteries are largely safeguarded by an electronic management system for the individual cells. A steel housing provides a second safety layer. I believe it is important that the materials used in the cells as backups react more safely in the case of thermal or mechanical loads. We need a chemical safety feature in addition to the existing electronic and mechanical measures.

How can the costs of tomorrow’s batteries be reduced?

Here, too, mass production will lower costs. But we also need cheaper and, at the same time, better materials. Higher petrol prices in the future will also make batteries more cost-competitive.

The Very Best in High-tech Luxury

For decades now, the “Mulliner” badge has stood for the crème de la crème of the Bentley range. The company’s master craftsmen produce custom-built chassis and interiors that are truly unique. A perfect combination of state-of-the-art technology and hallowed tradition made in Crewe, in central England.

Alligator leather, he just had to have alligator leather. For the driver’s seat, the front passenger seat, and the back seats as well. Kevin Challenger can still clearly remember how the customer – an alligator farmer from Georgia in the United States – mentally upholstered his new automobile with the leather from his animals.

Kevin Challenger is the Commercial Manager at Mulliner, the Bentley brand’s custom coachbuilders in Crewe. Challenger sits in Mulliner’s showroom, with a bordeaux-colored Bentley in the background. It is a one-to-one model of a custom-built car, only two of which were ever built: the vehicles in which Queen Elizabeth II travels around England. Dozens of swatches are strewn about, allowing Challenger to let customers choose the color they want to paint their Bentley and select from the numerous different options available for seat belts, foot mats, wooden and metal interior fittings, seat covers, and gear levers. Alligator leather is not among the samples, though. “Of course we did our best to find a way of implementing what our customer wanted”, says Challenger, “but heat and cold tests revealed that the leather simply isn’t suitable”.

MAKING WISHES COME TRUE

"We take a long, hard look at all ideas to see whether there are any safety or legal issues that might prevent their implementation", says Challenger. Otherwise, though, Bentley Motors and its custom coachbuilders Mulliner are a place where auto lovers can live their dreams – of exquisite seat coverings, customized roof heights, champagne coolers, microwaves, flat screens, humidors, or electric blinds. No other brand stands for customized car manufacture in the same way as Bentley does. "We don't give our customers a list of available extras so they can tick off the ones they want", says Kevin Challenger. "Instead, we discuss personally with them exactly what they want, work out how to solve the problem in principle, and then – if at all possible – put this into practice." "It's like having your own private car company", is how one impressed Bentley customer once described the results.

The process can be seen in action just a few paces behind Kevin Challenger's display table, where an inconspicuous door leads to the Mulliner workshop. It smells of leather and wood, and you can hear a faint hammering and the craftsmen's low voices. Each automobile is in its place, protected by mats, plastic sheeting and adhesive tape, surrounded by specialists whose movements reflect how much they are concentrating on the work in hand.

150 cars

THE LIMITED EDITION OF THE "ARNAGE FINAL SERIES"* SPECIAL MODEL

TRADITION (LEFT): The Bentley flying B insignia has adorned every vehicle since 1921. Over the years it has come to stand for the freedom that Bentley offers.

WORLD CLASS (ABOVE): Each "Naim for Bentley" system has a 1,100 watt amplifier — the world's most powerful amplifier output stage for cars.

A RICH CHOICE OF COLORS
The leather comes in a total of 17 different colors – and is sourced from Northern European cows due to the smaller number of insect bites.

COMFORT AT THE PRESS OF A BUTTON
Drivers can activate the telephone, navigation system and MP3 player from the multifunctional steering wheel.

DETAILED FINAL CHECKS
Staff check the chassis for perfect workmanship in a special light chamber.

> "Once you've heard the system, you don't want to be without it."

MIKE HANKS, SENIOR INFOTAINMENT ENGINEER AT BENTLEY

At one car, Senior Designer Brett Boydell watches craftsmen installing a folding table in the back of a Bentley Arnage RL. Boydell designed the bespoke piece. "We started with nothing more than a sketch by our customer", says Boydell. "He's a business-man who spends a lot of his time on the road busy with his computer and didn't wanted to have to pack away his laptop and the table every time he got out." So Boydell designed a table that can simply be pushed to one side together with the open laptop. For a designer like him, says Boydell, it's fantastic to see how his initial design is translated into a product in a matter of weeks. "What's more, throughout the project I don't need to go more than a couple of paces to find the right colleague to discuss the next stage of the development process."

IMPECCABLE BRITISH CRAFTSMANSHIP

There is a particular rhythm to the series production of luxury automobiles. A dozen small cars could be produced elsewhere in the time it takes to manufacture a single Bentley here. The measured pace is dictated in particular by the areas where craftsmanship rules supreme: women who sit at sewing machines or spend hours stitching the leather around steering wheels; men who take days to apply five coats of varnish to fine veneers with small brushes, sanding the results down in between each coat before giving the wood a final wax polish; specialists who run their eyes and their fingers over cowhide, finding even the scars left by insect bites and marking the blemished areas with adhesive tape so that they can be replaced.

Allan Powell used to work here in the leather shop, before he started providing support for customers visiting Crewe. "Where else can car salesmen be so close to the development process apart from here at Bentley?", asks Powell, who has seen and heard many examples of the company's uncompromising customer orientation over the years. Take the case of the owner of a forest who provided

Happy birthday, Bentley!

NINETY YEARS OLD and still fighting fit. That's luxury car maker Bentley nine decades after brothers Walter Owen and Horace Bentley started building their first prototype – a car with a three liter engine and around 65 horsepower (48 kW). Since then, the brand has consistently defended its reputation for making cars that offer an elegant combination of luxury and performance.

CREWE, ENGLAND
This is where Bentley's success story began 90 years ago.

The Continental R Type, launched in 1952, remains unforgotten to this day. Not only was it the epitome of style, it was also the fastest four-seater coupé of its time. It was followed by milestones such as the Mulsanne and the Arnage. More recently, pride of place went to the Continental GT Speed* with its 610 PS (449 kW). Until 2007, this was the fastest car that Bentley ever built. Then, in 2008, Bentley presented the Arnage Final Series*.

The traditional British brand has been part of the Volkswagen Group since 1998, with unit sales increasing several times over during this period. In 2009, the company will unveil the successor to the Arnage as well as an extension to the Continental series. These are the next steps in Bentley's ambitious development program, which aims to gradually reduce fuel consumption and emissions.

the wood for his dashboard himself, or the hardcore Bentley fan from the USA, who wanted a stainless steel fuel filler cap with Bentley wings – a one-off at the time but now a detail appreciated by four-fifths of all Bentley buyers.

The "Naim for Bentley" audio system – a technical masterpiece developed specially for and with Bentley by British hi-fi specialist Naim introduced in 2008 – now seems set to share the same fate: originally designed as the "icing on the cake" for music lovers for whom nothing but the best is good enough, the premium audio system is now finding favor with more and more customers and is ordered by one in three Bentley drivers. As Mike Hanks explains: "Actually, it's not at all surprising: once you've heard the system, you don't want to be without it." Hanks, the Senior Infotainment Engineer at Bentley, sits in a Continental Flying Spur Speed* in front of Bentley's main entrance in Crewe and turns up the volume slightly. His face expresses the confidence of someone who knows that all most people can manage before being struck completely speechless is simply "wow".

A TRULY UNIQUE AUDIO EXPERIENCE

Hanks turns up the volume a bit further. "The amplifier has 1,100 watts – there's no other series vehicle that can match this", he says with a certain emphasis, running through the eight modes on the display. "The digital audio processor and 15 loudspeakers allow the listening experience to be tailored individually to the driver, front passenger, or rear passengers." "What's more", says Hanks, pointing to the special feature, "the processor automatically adapts the volume to the speed. And in the case of the Continental GTC* it even takes into account whether the roof is down or up."

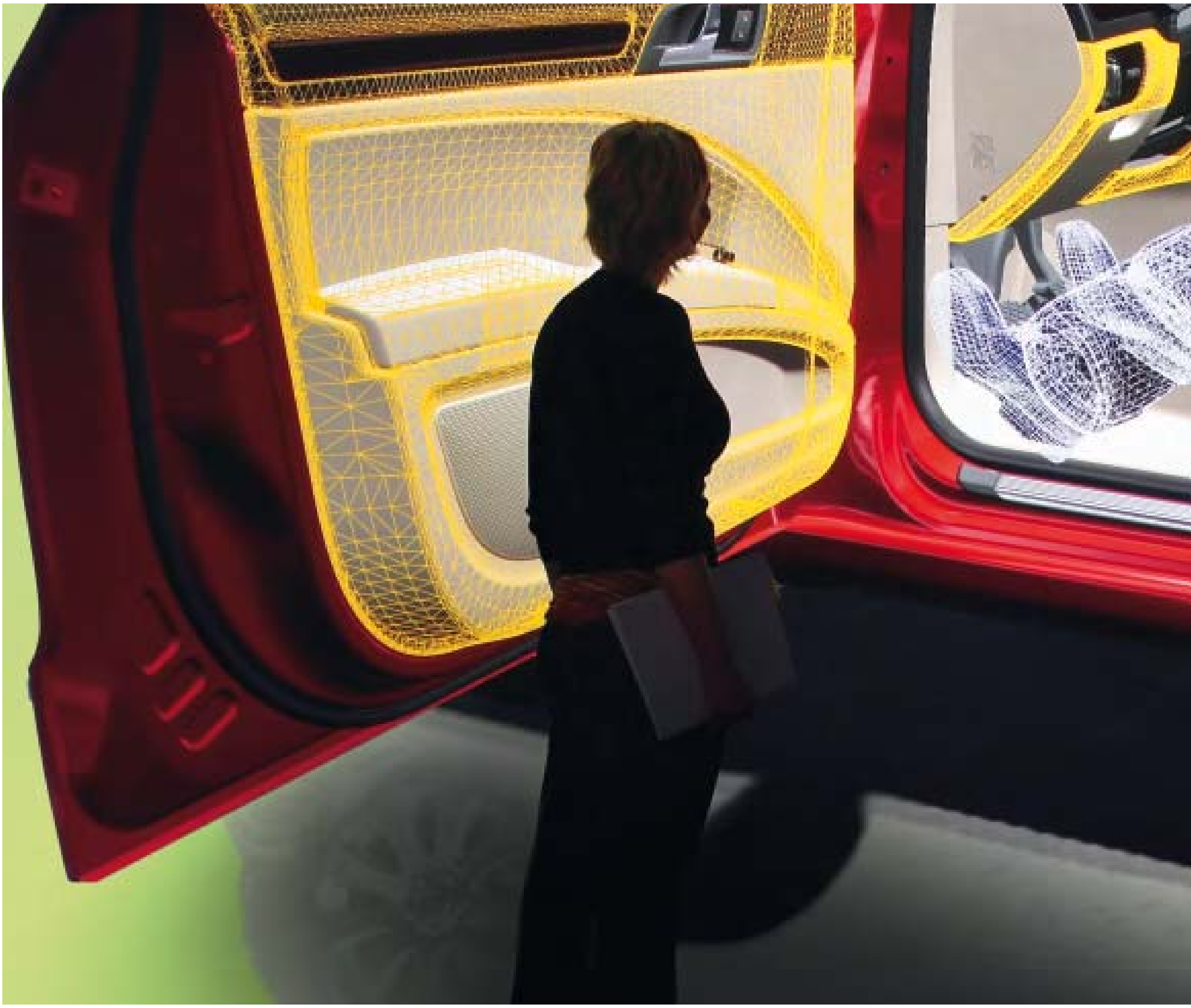
Mike Hanks is now completely in his element as an engineer: "In theory there are ways of adapting this to meet individual customers' wishes. For example, for customers who may hear certain frequencies worse than others, or who prefer specific styles of music. We could program the system to take these requirements into account." Hanks turns up the volume even higher. An acoustic guitar cuts in – blues in a minor key, a woman's voice. "Just listen to how rich that sound is. Isn't it just like sitting on stage among the band members?" For a few moments it isn't the engineer Mike Hanks, but the connoisseur who comes to the fore. The sound. The car. The moment. If he wasn't a Senior Engineer at Bentley and didn't have the next meeting coming up in a few minutes, he would fasten his seat belt, put his foot down on the accelerator and drive for miles and miles.

ADDITIONAL INFORMATION
www.bentleymotors.com > Mulliner

* Consumption and emission data can be found on page 282 of this Report.

From Vision to Reality

In order to minimize development time and costs, Škoda engineers at the Cesana Development Center in the Czech Republic applied the frontloading concept when designing the new Superb. Two factors that were instrumental in the success of this approach were the early exchange of information and the highly realistic virtual simulation of the vehicle long before the first prototype was produced.



To understand how the new Škoda Superb combines striking design with unique technology, you only need to look at the vehicle's tailgate. Apart from the large company logo that takes pride of place in the center, it is the two-part rear lights that catch the eye. These optically extend the tailgate at the sides so that it seems to merge into the wings, and also light up in the shape of a "C" in the dark – the typical Škoda night design. Opening the tailgate then reveals a worldwide first: the "TwinDoor" can be opened in two different ways – as a small boot lid or as a large tailgate. "With the new Superb, you can see that we have come up with a whole new take on the traditional saloon", enthuses Eckhard Scholz, the member of the Board of Directors of Škoda Auto responsible for Technical Development. "Thanks to the TwinDoor concept, the Superb combines superior usability with undeniable elegance."

THE SUPERB TAKES VIRTUAL SHAPE

Although the TwinDoor is the standout feature of the new Superb, the flagship model of the Škoda fleet also has a whole host of other technical innovations on offer. For instance, the new "Adaptive Front Light" headlight system increases safety when driving fast at night by allowing the driver to widen the beam to light up the edge of the road more effectively. As well as this, the choice of engines that are available for the current Superb sets new standards in terms of acceleration, top speeds, fuel consumption and CO_2 emissions. However, as even the most innovative technology is bound by

WORKING HAND IN HAND (FROM LEFT): Karel Švábek, Head of the TF Engineering Department and Roman Havelka, Project Manager for the Superb.

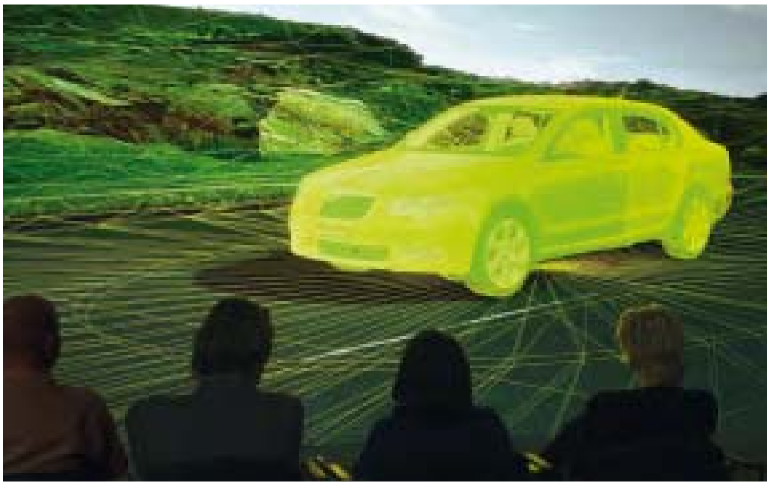
time and budget constraints, the Škoda engineers looked to the frontloading concept when designing the new Superb. Frontloading involves the digital modeling of functionality, performance, technical features and other vehicle attributes early on in the development process without having to conduct tests with prototypes beforehand. This simulation-based approach means that key product decisions can be validated using virtual tests, thereby keeping costs to a minimum. "This allowed us to shorten the entire vehicle development process and, of course, to reduce costs at the same time", explains Karel Švábek, Head of the TF Engineering Department responsible for this development work.

> "During the development stage, we examine thousands of parameters until the final shape of the model is created."
>
> KAREL ŠVÁBEK, HEAD OF THE TF ENGINEERING DEPARTMENT

INTENSIVE COMMUNICATION IS THE KEY

As the Czech development center is to assume important functions within the Volkswagen Group going forward, it is currently being expanded substantially. Škoda is investing a total of €45 million – for example in order to fit out the laboratories for vehicle electronics, chassis and engine development with state-of-the-art equipment and to increase the size of working areas by 70 percent. Because the trend is towards shorter and shorter development cycles, Škoda used the new Superb to begin streamlining processes with a view to avoiding inefficiencies during development work. For instance, frontloading involves collecting and evaluating as much and as detailed information as possible in the early stages of vehicle development. "In practice", stresses Karel Švábek, "this means that – right at the start of the development process – we are in a position to pinpoint the individual targets that we wish to achieve with the new vehicle's features and to check their feasibility on an ongoing basis."

Nevertheless, frontloading on its own does not guarantee a successful outcome. If targets are to be met, the first requirement is for an early and intensive exchange of information between all departments responsible for development, design, marketing and brand strategy. They need to work together to continually evaluate and coordinate their requirements for the optical and technical features of a new model. In addition, technical questions relating to production play a central role.



BIG SCREEN (ABOVE): Broadband projection technology allows models to be viewed in real size.

VIRTUAL WORLD (BELOW): Viewers can get a near-realistic impression of a vehicle's interior in the "Cave" projection room. This allows the ergonomics of the controls or even the view from the car to be tested.

What are the actual cost limits for producing a vehicle? And how long will it take? Thanks to modern information technology, both ideas and information can be exchanged more quickly. Sophisticated methods and powerful computers are capable of calculating and graphically visualizing highly complex geometries, airflows, or crash scenarios; this gives virtual insights at an early stage into how the vehicle would actually appear and behave. All of this is done at such a speed that the search for optimum shapes and combinations is no longer hampered by the sheer volume of input data. As Karel Švábek explains: "During the development stage, we examine hundreds and thousands of parameters until the final shape of the model is created, and this is then followed by the first real prototype."

TESTING SEATS IN CYBERSPACE

The virtual reality studio, which opened in 2004 at the same time as development work started on the new Superb in Cesana, is another factor that is instrumental in the success of frontloading. In the "Cave" projection room, the studio's virtual "interior mock-up", it is even possible to simulate the ergonomics of a vehicle interior. The first "test drives" are conducted here without the need for a physical car body. The test driver gets into a real car seat, where he or she can digitally adjust and change the colors and features of the vehicle interior, such as radio or navigation systems. The impact of this on his or her driving behavior is then measured, documented and evaluated, for instance based on fingertip movement.

The Cave is also able to simulate the assembly of individual components in a three-dimensional, highly realistic way. This allows development engineers to take a close look beneath the virtual bonnet to determine whether individual components fit in their intended positions or collide with other components. If the latter is the case, the Cave issues an alarm. The positive public feedback that followed the market launch of the new Superb showed how well the components ultimately dovetail in the final product. For example, the "Bild am Sonntag" awarded the saloon the "Golden Steering Wheel" – one of the most high-profile German awards for new automobiles – in the upper mid-range segment. Furthermore, German automobile club ADAC gave the Superb 2.0 TDI (DPF) four stars in its EcoTest. In other words: no competing model in the current upper mid-range segment is as environmentally friendly as the Czech brand's flagship model.

ADDITIONAL INFORMATION
www.skoda-auto.com

The TwinDoor concept

PREMIERE OF AN AUTOMOTIVE INNOVATION

THE SUPERB
Škoda's flagship model combines elegant design with clever innovations.

With its new Superb, Škoda has unveiled a whole new technological concept: the TwinDoor. "When developing the new Superb, we aimed to take up where the predecessor model left off with regard to its exceptionally spacious luggage area", explains project manager Roman Havelka. "At the same time, we wanted to increase the usability and, in turn, the utility value of the car."

The TwinDoor was developed and patented by Škoda engineers. Small amounts of luggage can be stowed easily by opening up the lower part of the notchback like a boot lid, while large luggage or bulky items can be accommodated by lifting the entire tailgate. To do this, the upper and lower parts of the rear end are locked together and then raised – simply by activating two switches on the lower edge of the boot lid. The third brake light in the rear window lights up briefly to signal that both tailgate elements can be opened at the same time.

In combination with the folding rear seat backrest, the TwinDoor doubles the space in the loading hatch and triples the load volume available in the luggage compartment compared with when the seat backrests are upright: 1,670 liters compared with 565 liters. Even estates in this vehicle segment are hard put to match this kind of spaciousness.

ADDITIONAL INFORMATION
www.skoda-auto.com > Model > Škoda Superb

FREEDOM OF CHOICE
Thanks to the TwinDoor principle, either the boot lid or the entire tailgate can be opened.

The VW Bus Principle:
From Myth to Multitalent

Everyone has their own idea about how they will use their Volkswagen Transporter – whether for business or pleasure. That's why it comes with versatility as standard – so that every customer gets exactly the right vehicle for their needs. This is the "VW Bus Principle".

The first thing Jochen Eilert does when he arrives at a trade fair site in his silver Volkswagen California is to extend the electric high roof. He then mounts a large construction plan on the inside of the roof at the front. In the next few days, the lines and areas marked out on the plan that Eilert is looking at will be turned into the set for a shareholders' meeting, a trade fair booth, or the pavilion for an event. "I like being able to stand up in the vehicle. It means I can look at the entire construction plan", says Eilert.

"I like being able to stand up in the vehicle. It means I can look at the entire construction plan." JOCHEN EILERT, MANAGING DIRECTOR OF THE TRADE FAIR/EXHIBITION CONTRACTOR MAEDEBACH

AN OFFICE ON FOUR WHEELS

Eilert is managing director of trade fair/exhibition contractor Maedebach. The company, whose headquarters and workshops are in Brunswick, has 58 employees. Carpenters and graphic designers, planners and electricians, fitters and painters build the required components sometimes months in advance. These are then transported by truck to locations ready for assembly. "Sometimes it's like working on a major building site", says Eilert. "When we built Volkswagen's stand at the last IAA Commercial Vehicles Show in Hanover, we carried 100 truck loads", he adds.

The Volkswagen California serves as a mobile office on the building site and is the first port of call for the staff there. In next to no time, Eilert can turn the motorhome's kitchen unit into storage space, and when he calls his staff in for a meeting, he can fold the table out and turn the front seats around to make the back of the vehicle into a conference room. Eilert also uses the California for pleasure. In the winter, he stows his skis on board and heads for the Alps. In the summer, he takes his children on weekend trips to the Harz mountains. "Sleeping in the bus is always an adventure for the little ones", says Eilert.

Being versatile is exactly what the T5 was invented for. "The Transporter's flexibility has made it a big success for decades", says Stephan Schaller, who has been spokesman for the Board of Management of Volkswagen Commercial Vehicles for two years. "It has become a real icon over the years." Harald Schomburg, senior brand manager at Volkswagen Commercial Vehicles responsible for sales and marketing, believes that the versatility of today's Transporter confirms the basic idea behind the vehicle: "The Transporter has always

Loading, reloading and unloading – no problem thanks to the large double-wing doors.

Color by color, the body shells make their way through the painting line.

been an all-rounder: be it a fire truck, a transporter for craftsmen, or a tuned classic version – there is barely another vehicle that can be tailored so flexibly to customers' wishes. This is what we call the 'VW Bus Principle'." In fact, this versatility is even reflected in the German nickname for the VW Bus given to the vehicle way back in the days of Germany's economic miracle. It has always been affectionately known as the "Bulli", an abbreviation of the two German terms for "bus" and "delivery van".

THE BEGINNING OF A SUCCESS STORY

In addition to the California and a Multivan, Maedebach's fleet includes five new Transporters. When they're out and about in these vehicles, the trade fair contractors have their tools with them: circular saws, compressors, carpentry tools and lift trucks. The two long-wheelbase T5s made a particular impression on the company's staff: "These vehicles have a loading space that's 2.65 meters long – which is good because 2.50 meters is a standard measure in trade fair construction", says Eilert. The particleboard that is used to build the walls of trade fair stands is the same height, as are the frames that go with it.

After production began in 1950, the VW Bus quickly became the ideal solution when an agile, reliable and flexible transporter was required. For example, the German Federal Railways had a version built that was suitable for running on rail tracks, and the Transporter was even used under ground: after the war, the VW Bus served as a people and goods transporter in salt mines, as a locomotive pulling freight cars and as a canteen bus. Around ten million Transporters have now been sold. Despite being in the shadow of the VW Beetle, the Transporter has written its own success story. Unlike the Beetle, which was only available in one type, the success of the VW Bus is based on the diversity of its models.

THE CUSTOMER IS KING

Today, the Transporter comes with short and long wheelbases, as a van, bus, or flatbed truck with single or twin cabs, and with left- and right-hand drive. Including all the various engine types, Volkswagen's Hanover plant alone is responsible for series production of 460 basic variants of the Transporter. State-of-the-art technology also means that retooling does not take long on the production line – a model with a short wheelbase is followed by another with a long one, and a van is followed by a pickup truck with one or two side windows. "We are driven by our will to listen to what customers want. Our motto is 'Build a vehicle around a task'", explains Schomburg. This philosophy is taken to extremes by the specialists at Volkswagen Commercial Vehicles, whose job is to adapt the Transporter to cater for highly individual needs. Their workshop at the Hanover plant produces taxis, bakery vans, police vehicles, customs vans and fire trucks, courier vehicles, delivery vans and craftsman's vehicles. Their department builds the California motorhome, equips the exclusive Multivan Business and makes an all-

Volkswagen Commercial Vehicles offers tailor-made conversions and special fittings.

> "The Transporter's flexibility has made it a big success for decades."
>
> STEPHAN SCHALLER, SPOKESMAN FOR THE BOARD OF MANAGEMENT OF VOLKSWAGEN COMMERCIAL VEHICLES

wheel drive version of the Transporter suitable for offroad driving. The specialist workshop has tool racks featuring vises and screw clamps, chrome roll bars, emergency vehicle lights and externally mounted 230-volt sockets.

LOYAL FAN BASE

Some customers order entire small series, for example Deutsche Post, the police, or the customs authorities. Initially, a prototype vehicle is built in close cooperation with the purchaser, and is then reproduced. "Sometimes the police come in a bus to collect 25 vehicles at a time", says Thomas Terasa. He wears a white coat over a shirt and tie and is the workshop manager responsible for specialist vehicles. "Employees from authorities are just as happy to pick up their company vehicles from the plant as private individuals who come to collect their cars", he adds. In any case, commercial vehicle drivers seem to have a special relationship with their automobiles. In addition to basic features such as payload or length of loading space, it's worthwhile for drivers to have a lot of equipment options at their disposal. The T5 used by Jochen Eilert's company is fitted with air conditioning, electric windows and seats with arm rests. "Our staff appreciate these things", says Eilert. "They often spend the whole day in the Transporter. It's like their little island."

ADDITIONAL INFORMATION
www.volkswagen-commercial-vehicles.com

Rock legend swaps old VW Bus for new one

PETE TOWNSHEND IS A VOLKSWAGEN TRANSPORTER FAN. Back in the sixties his band The Who toured in a VW Bus. The guitarist and singer recently exchanged his own T2 model for a new Volkswagen Transporter Sportline with a 174 PS (128 kW) TDI engine. "I was really sad to part with my old Bus because my partner Rachel and I had some good times with it", said the musician after doing the swap in London. "But my new Transporter is a much better drive – it's modern and a lot faster." Townshend uses it to take guitars and keyboards to his studio and back. "Sometimes I take all my six dogs with me, too", he said. His old VW Bus is now available to look at – Volkswagen Commercial Vehicles puts it on display at trade fairs and events.

Rock legend Pete Townshend with his new Volkswagen Transporter.

Divisions

Brands and Business Fields

Volkswagen Group's vehicles and financial services inspire customers worldwide

GROUP STRUCTURE

The Volkswagen Group consists of two divisions: Automotive and Financial Services. The Automotive Division is responsible for the development of vehicles and engines, the production and sale of passenger cars, commercial vehicles, trucks and buses, and the genuine parts business. The Financial Services Division's portfolio of services includes dealer and customer financing, leasing, banking and insurance activities, and fleet management.

On July 22, 2008, the Volkswagen Group increased its share of voting rights in Scania to 68.6%. As a result, Scania has been consolidated as the Group's ninth brand. While the commercial vehicles and buses business has been included in the figures for the Automotive Division, Scania's financial services business is reported in the Financial Services Division.

On the following pages, we explain the key volume and financial data relating to the individual brands and to Volkswagen Financial Services, reflecting the Group structure in 2008. Production figures and deliveries to customers are presented by product line, while unit sales figures refer to models sold by each brand company, including vehicles of other Group brands.

In addition, we explain the unit sales and sales revenue on our markets: Europe/Remaining markets, North America, South America/South Africa and Asia-Pacific.

KEY FIGURES BY MARKET

Despite the increasingly tough environment, the Volkswagen Group's unit sales in fiscal year 2008 were 6.3 million vehicles, 1.3% higher than the year before. Sales revenue rose by 4.5% to €113.8 billion.

3.7 million units were sold last year in the Europe/Remaining markets region, a decline compared with the previous year. At €81.1 billion, sales revenue was 4.4% higher than in the previous year. One of the reasons for this was the improved financial services business.

We sold 500,000 vehicles in North America in fiscal year 2008, exceeding the previous year's level by 4.3%. The continued unfavorable exchange rates in particular were responsible for reducing sales revenue by 3.8% year-on-year to €12.7 billion.

VOLKSWAGEN GROUP

Division/ Segment	Automotive Division								Financial Services Division
Brand/Business Field	Volkswagen Passenger Cars	Audi	Škoda	SEAT	Bentley	Volkswagen Commercial Vehicles	Scania	Other	Dealer and customer financing Leasing Directbank Insurance Fleet business

Group sales in the South American/South African markets increased by 6.3% to 0.9 million units. Once again, the greatest growth rates were generated in Brazil and Argentina, although growth weakened considerably in the second half of the year. Sales revenue increased by 10.0% year-on-year to €11.5 billion because of the increased sales volume and a further increase in the external value of the Brazilian real.

In the Asia-Pacific region, including the joint ventures in China, a total of 1.2 million Group vehicles were sold during fiscal year 2008, 8.1% more than in the year before. As a result, sales revenue rose by 12.2% to €8.5 billion. This figure does not include the sales revenue of the Chinese joint ventures, as these are accounted for using the equity method.

KEY FIGURES BY BRAND AND BUSINESS FIELD

thousand vehicles/€ million	VEHICLE SALES 2008	VEHICLE SALES 2007	SALES REVENUE 2008	SALES REVENUE 2007	SALES TO THIRD PARTIES 2008	SALES TO THIRD PARTIES 2007	OPERATING RESULT 2008	OPERATING RESULT 2007
Volkswagen Passenger Cars	3,648	3,664	72,928	73,944	58,806	60,201	2,715	1,940
Audi	1,275	1,200	34,196	33,617	22,052	21,078	2,772	2,705
Škoda	626	620	8,039	8,004	5,783	5,925	565	712
SEAT	375	411	5,196	5,899	3,807	4,375	–78	8
Bentley	8	10	1,084	1,376	1,016	1,294	10	155
Volkswagen Commercial Vehicles	439	427	9,607	9,297	7,246	6,548	375	305
Scania[1]	31	–	3,865	–	3,865	–	417	–
VW China[2]	989	930	–	–	–	–	–	–
Other	–1,119	–1,070	–32,036	–33,385	1,040	750	–1,336[3]	–631[3]
Volkswagen Financial Services			10,929	10,145	10,193	8,726	893	957
Volkswagen Group	**6,272**	**6,192**	**113,808**	**108,897**	**113,808**	**108,897**	**6,333**	**6,151**
of which: Automotive Division	6,272	6,192	102,632	98,752	103,368	100,171	5,428	5,194
Financial Services Division			11,176	10,145	10,440	8,726	905	957

1 Vehicles & Services and Financial Services; period from July 22, 2008 to December 31, 2008.
2 The sales revenue and operating results 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 €395 million (€294 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 identifiable assets as part of the purchase price allocation for Scania.

KEY FIGURES BY MARKET

thousand vehicles/€ million	VEHICLE SALES[1] 2008	VEHICLE SALES[1] 2007	SALES REVENUE 2008	SALES REVENUE 2007
Europe/Remaining markets	3,659	3,743	81,149	77,703
North America	534	512	12,716	13,219
South America/South Africa	911	857	11,490	10,443
Asia-Pacific[2]	1,168	1,080	8,453	7,532
Volkswagen Group[2]	**6,272**	**6,192**	**113,808**	**108,897**

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 The sales revenue of the joint venture companies in China are not included in figures for the Group and the Asia-Pacific market.

Volkswagen Passenger Cars brand
New vehicles that inspire emotions expand model portfolio

The Volkswagen Passenger Cars brand unveiled the new edition of its best-seller in 2008: the new Golf. Further models that impressed customers were introduced in the shape of the Scirocco and the Passat CC. Operating profit rose considerably year-on-year.

Golf

BUSINESS DEVELOPMENT

In 2008, the Volkswagen Passenger Cars brand made substantial progress towards its goal of becoming the most innovative volume manufacturer in the world within the space of a few years. With the Scirocco and the Passat CC, the brand presented two fascinating new models under its theme “Volkswagen – Das Auto”. The highlight was the sixth generation of the Golf.

Deliveries to customers worldwide totaled 3.7 million in 2008, on a level with the previous year despite the difficult operating environment. Deliveries to customers in Western Europe fell by 5.2%. Growth slowed significantly in the markets in Central and Eastern Europe (+17.5%) and South America (+5.6%). Growth also declined significantly in China (+8.6%). Demand for vehicles in North America declined by 4.5% compared with the previous year.

Unit sales by the Volkswagen Passenger Cars brand amounted to 3.6 million vehicles in the reporting period, slightly below the previous year. Brazil and China both saw growth. The Gol, Golf Variant, Jetta and Tiguan models all saw their global popularity increase. Our new Golf, Scirocco and Passat CC also met with a positive reception from the market.

The Volkswagen Passenger Cars brand produced 3.8 million vehicles last year, up 1.1% year-on-year. The Wolfsburg plant and the production facilities in Mexico, Spain and Russia recorded the highest growth increases. The production figures for the new Routan are not included in the figure for the Group as it is produced in Canada at Chrysler’s plant in Windsor, Ontario.

Passat CC

VOLKSWAGEN PASSENGER CARS BRAND

	2008	2007	%
Deliveries (thousand units)	3,668	3,663	+ 0.1
Vehicle sales	3,648	3,664	– 0.4
Production	3,757	3,717	+ 1.1
Sales revenue (€ million)	72,928	73,944	– 1.4
Operating profit	2,715	1,940	+ 39.9
as % of sales revenue	3.7	2.6	

SALES REVENUE AND EARNINGS

In 2008, sales revenue for the Volkswagen Passenger Cars brand was 1.4% below the previous year's level at €72.9 billion. Operating profit increased by €0.8 billion to €2.7 billion. The impact of exchange rates was more than offset by product cost optimization measures and fixed cost reductions. The operating return on sales improved from 2.6% in 2007 to 3.7% in 2008. Despite the difficult operating environment, the Volkswagen Passenger Cars brand is holding firmly to its goal of selling 6.6 million vehicles worldwide in approximately ten years, thereby increasing its global market share to 9%.

PRODUCTION

Vehicles	2008	2007
Golf	764,776	763,491
Passat/Santana	764,321	751,764
Jetta/Bora	616,013	630,355
Polo	408,679	449,602
Gol	388,763	320,604
Fox	170,596	206,125
Tiguan	150,416	16,272
Touran	148,196	197,941
Touareg	62,230	72,477
Polo Classic/Sedan	62,167	86,861
Suran	52,600	45,690
Eos	43,578	55,560
New Beetle	37,893	40,124
Parati	22,874	23,953
Scirocco	20,442	–
Sharan	19,703	23,807
New Beetle Cabriolet	17,100	26,752
Phaeton	6,189	5,711
	3,756,536	**3,717,089**

FURTHER INFORMATION
www.volkswagen.com

Audi brand

Deliveries to customers pass one million for the first time

The Audi brand sold more than one million vehicles for the first time in fiscal year 2008. The new A4 Avant and the new Audi A3 Cabriolet contributed to this success.

BUSINESS DEVELOPMENT

In the reporting period, the Audi brand continued its successful growth and again reported record key financial indicators. In the SUV segment, Audi inspired with the debut of the new Audi Q5. The Audi A3 Cabriolet adds a further model to the fleet of convertibles. Other new models introduced include the new A4 Avant.

Audi Q5

Thanks to the current product range's good reception on the market, the Audi brand was able to record more than one million deliveries to customers worldwide for the first time in 2008. At 1,006 thousand vehicles, this was 4.1% higher than the year before. Sales figures recorded strong growth rates especially on the markets in Central and Eastern Europe and in the Asia-Pacific region. In Western Europe, deliveries to customers were 2.6% higher than the previous year.

The Audi brand sold 1,275 thousand units in the reporting period, 1,002 thousand of which were Audi and Lamborghini vehicles, exceeding the figures for 2007 by 6.2%. Demand was particularly strong for the Audi A4 saloon, Audi A4 Avant and Audi A5 models. Unit sales by Automobili Lamborghini S.p.A. amounted to 2,458 vehicles (+1.6%).

The number of vehicles produced in fiscal year 2008 by the Audi brand (1,022 thousand) was 4.5% higher than in the previous year. Lamborghini produced 2,424 vehicles, 6.0% down on the previous year. Nonetheless, the coupé models of the Gallardo* and Murciélago* series recorded an increase.

* Consumption and emission data can be found on page 282 of this Report.

Audi A3 Cabriolet

SALES REVENUE AND EARNINGS

The Audi brand generated sales revenue of €34.2 billion in the reporting period. The 1.7% increase is attributable above all to the improved sales volume. Unfavorable exchange rates had a negative effect. As a result of the growth in unit sales, and driven by further productivity gains, process improvements and optimized material costs, operating profit increased by 2.5% year-on-year to €2.8 billion. The operating return on sales amounted to 8.1% (8.0%). The key figures for Lamborghini, which are contained in the figures for the Audi brand, also developed positively.

AUDI BRAND

	2008	2007	%
Deliveries (thousand units)	1,006	967	+ 4.1
Vehicle sales	1,275	1,200	+ 6.2
Production	1,022	978	+ 4.5
Sales revenue (€ million)	34,196	33,617	+ 1.7
Operating profit	2,772	2,705	+ 2.5
as % of sales revenue	8.1	8.0	

PRODUCTION

Vehicles	2008	2007
Audi		
A4	361,894	289,806
A6	203,791	227,502
A3	203,594	230,901
Audi Q7	59,008	77,395
A5	57,650	25,554
TT Coupé	31,101	40,417
Audi Q5	20,324	162
A8	20,140	22,182
A3 Cabriolet	18,570	216
A4 Cabriolet	16,991	24,341
TT Roadster	10,688	16,349
A6 allroad quattro	10,283	16,340
R8	5,656	4,125
	1,019,690	**975,290**
Lamborghini		
Gallardo	1,206	936
Gallardo Spyder	581	1,015
Murciélago	454	423
Murciélago Roadster	183	206
	2,424	**2,580**
Audi brand	**1,022,114**	**977,870**

FURTHER INFORMATION
www.audi.com

Škoda brand

Continued successful growth with clever vehicle concepts

Despite the difficult operating environment, the Škoda brand was able to increase its deliveries year-on-year and thus generate record sales. The new Škoda Superb also contributed to this success.

Škoda Superb GreenLine

BUSINESS DEVELOPMENT

The traditional Škoda brand was able to continue the success story of recent years in fiscal year 2008 thanks to its strategy of designing "simply clever" vehicles.

The Czech brand revealed the new edition of its flagship model in 2008: the new Škoda Superb. The GreenLine version of the Superb* adds a further model to the environmentally friendly model series. In addition, Škoda fundamentally revised the Octavia in 2008.

At 675 thousand vehicles, deliveries to customers last year were 7.1% higher than in the previous year. The highest growth rates were recorded in Central and Eastern Europe, especially in Russia and the Ukraine. Škoda was able to more than double its sales in China.

In the reporting period, Škoda sold 626 thousand vehicles, an increase of 1.0% compared with the year before. Sales of the Fabia hatchback, Fabia Estate, Octavia saloon, Praktik and Superb models recorded a positive performance.

The number of vehicles produced worldwide in fiscal year 2008 by the Škoda brand (677 thousand) was 2.4% higher than in the previous year. There was a significant increase in production figures for vehicles manufactured in Russia, India and China.

* Consumption and emission data can be found on page 282 of this Report.

Škoda Fabia Estate

SALES REVENUE AND EARNINGS

Sales revenue for the Škoda brand in fiscal year 2008 was €8.0 billion, up slightly on the 2007 level due to the positive volume growth. However, operating profit decreased by €147 million to €565 million. Cost optimization and the increased volume were unable to offset the impact of the continued unfavorable exchange rate of the Czech koruna against the euro. The operating return on sales was 7.0% (8.9%).

ŠKODA BRAND

	2008	2007	%
Deliveries (thousand units)	675	630	+ 7.1
Vehicle sales	626	620	+ 1.0
Production	677	661	+ 2.4
Sales revenue (€ million)	8,039	8,004	+ 0.4
Operating profit	565	712	– 20.6
as % of sales revenue	7.0	8.9	

PRODUCTION

Vehicles	2008	2007
Octavia	355,037	319,893
Fabia	244,981	243,576
Roomster	49,535	75,875
Superb	27,264	21,339
	676,817	**660,683**

FURTHER INFORMATION
www.skoda-auto.com

SEAT brand

Venturing into the mid-range with a sporty saloon

SEAT launches the new Ibiza in a difficult competitive environment. In particular the critical situation in the Spanish market impacted the sales situation. SEAT presented the world premiere of the new Exeo.

BUSINESS DEVELOPMENT

The SEAT brand introduced the new Ibiza in fiscal year 2008 and attracted a positive reception from the market. The second-generation Ibiza ECOMOTIVE*, the new edition of which is even more economical and produces even lower emissions, was launched in 2008.

SEAT Ibiza

SEAT also attracted a lot of attention in the reporting period with the unveiling of the new Exeo. This sporty mid-sized saloon will be available from spring 2009 and will be the sixth series of the Spanish brand going forward.

At 368 thousand vehicles, deliveries by the SEAT brand to customers in fiscal year 2008 were 14.6% lower than in the previous year. Sales figures fell dramatically year-on-year, especially in the Spanish passenger car market. The positive demand for the new SEAT Ibiza was unable to offset the negative effects of the financial crisis.

SEAT sold 375 thousand vehicles to the dealer organization in 2008, 8.7% fewer than in the previous year.

Because of the deteriorating market situation, the number of vehicles produced by SEAT in fiscal year 2008 (381 thousand) was 7.8% lower than in the previous year.

* Consumption and emission data can be found on page 282 of this Report.

SEAT Exeo

SEAT BRAND

	2008	2007	%
Deliveries (thousand units)	368	431	–14.6
Vehicle sales	375	411	–8.7
Production	381	413	–7.8
Sales revenue (€ million)	5,196	5,899	–11.9
Operating result	–78	8	x
as % of sales revenue	–1.5	0.1	

SALES REVENUE AND EARNINGS

As a result of the difficult sales situation, the SEAT brand's sales revenue decreased by 11.9% to €5.2 billion in the reporting period. As the systematic focus on the performance enhancement program was unable to offset this, the operating result fell by €86 million year-on-year to €–78 million. The operating return on sales fell to –1.5%, compared with 0.1% in 2007. Despite the difficult operating environment, the SEAT brand is sticking firmly to its long-term strategic goals.

PRODUCTION

Vehicles	2008	2007
Ibiza	192,470	172,206
Leon	96,761	120,630
Altea/Toledo	60,254	76,121
Cordoba	20,439	29,747
Alhambra	10,282	14,242
Exeo	369	–
	380,575	**412,946**

FURTHER INFORMATION
www.seat.com

Bentley brand

Speed version of the Continental Flying Spur makes its debut

The Bentley Continental GT Coupé recorded growth in sales figures despite the difficult situation in the premium vehicle segment. The exclusive Arnage Final Series special edition closes the Arnage era.

Bentley Brooklands

BUSINESS DEVELOPMENT

The traditional British brand has been part of the Volkswagen Group for over ten years now. Bentley heralded the end of the Arnage era in 2008 with the exclusive Arnage Final Series* special edition. A new generation of the flagship is currently at the planning stage. In addition, Bentley launched the high-performance Speed Version* of the Continental Flying Spur and unveiled the Brooklands* in the reporting period.

After a very good start in the first half of the year, Bentley was unable to escape the gradual deterioration in the operating environment in fiscal year 2008, which caused a significant decline in volumes in the premium vehicle segment. As a result, sales figures fell in almost all markets. All in all, deliveries to customers were down 24.1% year-on-year at 7,605 vehicles.

Bentley sold 7,685 vehicles in the reporting period, down 19.9% year-on-year. However, sales figures for the coupé series were significantly higher than the previous year due to the strong market acceptance for the Continental GT Speed Coupé* (+26.9%).

The Bentley brand produced a total of 7,674 vehicles in fiscal year 2008, 23.0% fewer than the year before.

* Consumption and emission data can be found on page 282 of this Report.

Bentley Continental Flying Spur Speed

SALES REVENUE AND EARNINGS

The Bentley brand generated sales revenue of €1.1 billion in 2008, down 21.2% on the previous year. Operating profit decreased by 93.5% to €10 million. This decline was mainly the result of the lower sales volume, particularly in North America and the UK, as well as the adverse exchange rate situation. The operating return on sales decreased from 11.2% in 2007 to 0.9% in 2008.

BENTLEY BRAND

	2008	2007	%
Deliveries	7,605	10,014	–24.1
Vehicle sales	7,685	9,600	–19.9
Production	7,674	9,972	–23.0
Sales revenue (€ million)	1,084	1,376	–21.2
Operating profit	10	155	–93.5
as % of sales revenue	0.9	11.2	

PRODUCTION

Vehicles	2008	2007
Continental GT Coupé	2,699	2,140
Continental GT Cabriolet	2,408	4,847
Continental Flying Spur	1,813	2,270
Brooklands	312	8
Arnage	277	357
Azure	165	350
	7,674	**9,972**

FURTHER INFORMATION
www.bentleymotors.com

Commercial Vehicles

Volkswagen Commercial Vehicles

Deliveries exceed the 500,000 mark for the first time

Despite the tight market condition, Volkswagen Commercial Vehicles increased its sales year-on-year. Productivity improvements and cost optimization also had positive effects on the operating result.

BUSINESS DEVELOPMENT

Volkswagen Commercial Vehicles continued its successful growth path during the reporting period despite the difficult operating environment. The successful Caddy series was supplemented by the environmentally friendly Caddy BlueMotion*, the leisure-oriented Caddy Tramper and the all-wheel-drive Caddy 4Motion* version. A total of 503 thousand vehicles were delivered to customers (+2.9%); this was the first time that more than 500,000 vehicles have been sold. The sales figures in Europe increased mainly due to the positive trend in the German market. The growth rate in Brazil was again impressive, with a 23.7% surge in demand there.

Caddy Tramper

Sales to the dealer organization (439 thousand vehicles) during the fiscal year were up 2.7% year-on-year. The Caddy was able to record continuing rising sales in the reporting period and is making a significant contribution to the success of the commercial vehicle's business. Sales of the Caddy, which is available both as a commercial vehicle and as the Caddy Life, a passenger car, amounted to 156 thousand vehicles (+7.2%). A total of 204 thousand Caravelle/Multivan and Transporter models were sold, a decrease of 4.0% compared with the previous year.

Volkswagen's heavy commercial vehicles produced in Brazil recorded a 13.4% increase in sales to 53,523 units in 2008. 43,770 trucks were sold in the 5 to 45 tonnes weight classes, an increase of 11.1% year-on-year. Volkswagen Commercial Vehicles remains the market leader in Brazil. Sales of buses were 8,975 (7,314) thousand units.

Volkswagen Commercial Vehicles produced 470 thousand vehicles during the reporting period, 8.2% more than the previous year. This figure does not include the Crafter models manufactured at the Daimler plants in Düsseldorf and Ludwigsfelde. The main production facility in Hanover manufactured a total of 167 (162) thousand units of the Caravelle/Multivan and Transporter models. At the Poznan plant in Poland, the production figures were up on the previous year thanks to the success of the Caddy models. The Brazilian plant in Resende produced 55,917 heavy trucks and bus chassis, 18.8% more than in the previous year.

* Consumption and emission data can be found on page 282 of this Report.

Transporter

VOLKSWAGEN COMMERCIAL VEHICLES

	2008	2007	%
Deliveries (thousand units)	503	489	+ 2.9
Vehicle sales	439	427	+ 2.7
Production	470	435	+ 8.2
Sales revenue (€ million)	9,607	9,297	+ 3.3
Operating profit	375	305	+ 23.0
as % of sales revenue	3.9	3.3	

SALES REVENUE AND EARNINGS

Sales revenue at Volkswagen Commercial Vehicles increased by 3.3% year-on-year to €9.6 billion. The main reasons for this increase were the good sales figures for the Caddy and heavy commercial vehicles.

Driven by the positive sales situation, additional productivity improvements and cost optimization, operating profit increased by €70 million year-on-year to €375 million. The operating return on sales improved from 3.3% in 2007 to 3.9% in 2008.

PRODUCTION

Vehicles	2008	2007
Caravelle/Multivan, Kombi	123,630	119,535
Transporter	90,207	90,762
Caddy	82,414	79,830
Caddy Kombi	77,642	65,675
Trucks	46,138	39,083
Saveiro	40,367	31,221
Omnibus	9,889	7,771
Golf Pick-up	–	812
	470,287	**434,689**

FURTHER INFORMATION
www.volkswagen-commercial-vehicles.com

Scania brand
Maximum quality and consistent customer orientation

Scania has built more than 1.3 million heavy trucks and buses since the company was formed in 1891, selling them in more than 100 countries throughout the world. In 2008, the Swedish company was consolidated as the ninth brand in the Volkswagen Group.

BUSINESS DEVELOPMENT

Formed in 1891, today Scania designs, manufactures and sells trucks with a gross vehicle weight in excess of 16 tonnes, buses and coaches, and industrial and marine engines. Its business activities always focus on putting the customer first and on product quality.

Scania R 500 6x4 Topline

Volkswagen and Scania have a common history stretching back more than 60 years. After the Volkswagen Group increased its share of voting rights in Scania from 38.0% to 68.6% on July 22, 2008, Scania was consolidated as the Group's ninth brand. The key figures contained in this section relate to the heavy trucks and buses business, including customer service activities, and to financial services; they cover the period from July 22, 2008 to December 31, 2008.

30,527 vehicles were delivered to Scania brand customers in this period. Approximately 50% of these were sold in Western Europe, with another 20% or so going to Central and Eastern Europe. In Brazil, Scania sold 4,187 units. The total number of buses delivered was 3,411.

The Scania brand produced a total of 32,430 vehicles. This figure includes 3,345 buses.

Scania Irizar Century

SCANIA BRAND

	2008
Deliveries	30,527
Vehicle sales	30,527
Production	32,430
Sales revenue (€ million)	3,865
Operating profit	417
as % of sales revenue	10.8

SALES REVENUE AND EARNINGS

The Scania brand recorded a positive performance in fiscal year 2008 despite the tight market situation. This was also due to the positive market reception for Scania's latest generation of engines.

Sales revenue amounted to €3.9 billion in the consolidation period. Operating profit was €417 million, €12 million of which was attributable to the financial services business. At 10.8%, the operating return on sales was encouragingly high. Scania will continue its success story in the future, too, with an even greater focus on customers and high quality awareness.

PRODUCTION

Vehicles	2008
Trucks	29,085
Buses	3,345
	32,430

FURTHER INFORMATION
www.scania.com

VOLKSWAGEN FINANCIAL SERVICES
AKTIENGESELLSCHAFT

Volkswagen Financial Services
Innovative service products are the key to mobility

Volkswagen Financial Services continues to set standards in the industry, increasing the attractiveness of its successful mobility packages with safety-focused insurance offerings.

STRUCTURE OF VOLKSWAGEN FINANCIAL SERVICES

Volkswagen Financial Services' portfolio of services includes dealer and customer financing, leasing, banking and insurance activities, and fleet management. Volkswagen's global financial services activities – excluding Scania – are coordinated by Volkswagen Financial Services AG. The principal companies in this division include Volkswagen Bank GmbH and Volkswagen Leasing GmbH in Europe, and VW CREDIT, INC. in North America.

BUSINESS DEVELOPMENT

Volkswagen Bank GmbH's mobility packages again met with a good response from our customers in fiscal year 2008. Because of this positive response, the offering – which was originally only designed for Volkswagen Passenger Cars brand vehicles in Germany – was extended internationally to additional Group brands.

The insurance products are a key component of the mobility packages and were expanded by adding new elements during the reporting period. Premium rebates now create incentives to choose innovative safety equipment. The added driver and passenger protection, coupled with falling costs, is true added value for customers. In addition, the new safety features verifiably contribute to reducing the loss ratio and help preserve the vehicles' value.

After Volkswagen Financial Services AG had been granted a license to operate its own automotive bank in Mexico in 2007, the Mexican banking supervisory authorities issued the necessary licenses to operate as a direct bank in 2008. Volkswagen Bank Mexico started operating on April 1, 2008 and has since provided the private customer segment there with direct bank products, meeting with a positive response.

In November 2008, Volkswagen Leasing GmbH introduced the new "Fleet Competence eCO_2" product and signed a related cooperation agreement with Naturschutzbund Deutschland e.V. (NABU). This cooperation is designed to encourage local environmental projects and make an active contribution to CO_2-optimized vehicle fleets. Volkswagen Leasing GmbH will offer low-emission vehicles at particularly attractive lease terms as well as eco-driver training in the future.

Rating agencies Moody's Investors Service and Standard & Poor's carried out their regular update of credit ratings in 2008. In light of the further improvement in the financial data, Moody's upgraded its outlook for Volkswagen Financial Services AG's long-term credit rating from stable to positive. Standard & Poor's also recognized Volkswagen Financial Services AG's positive trend and retained the existing ratings despite the emerging signs of a weakening in the overall market. Both agencies continue to award Volkswagen Bank GmbH a credit rating one notch higher than Volkswagen Financial Services AG and Volkswagen AG.

2.5 million new finance, leasing and insurance contracts were signed in fiscal year 2008; this was a similar level to that of the previous year. The number of contracts as of December 31, 2008 was 7.1 million. The number of contracts increased by 5.3% year-on-year in the Customer Financing/Leasing area and by 13.1% in the Service/Insurance area to a total of 2.5 million contracts. The share of vehicles leased or financed as a proportion of total delivery volumes was 32.5% (30.1%) based on unchanged credit criteria. The direct banking business at Volkswagen Bank GmbH also continued its positive development in fiscal year 2008. As of December 31, 2008, Volkswagen Bank *direct* managed around 1,226,889 accounts, a year-on-year increase of 26.1%.

In our fleet management business, the number of contracts recorded by our LeasePlan joint venture as of December 31, 2008 was 1.4 million, and was thus 5.8% higher than the year before.

SALES REVENUE AND EARNINGS

In the reporting period, Volkswagen Financial Services generated sales revenue of €10.9 billion, representing a year-on-year increase of 7.7%. Despite the impact of the financial crisis and the growing pressure on margins, the operating profit of €893 million (€957 million) was only slightly lower than the previous year. This means that the Volkswagen Financial Services Division was again a major contributor to the Volkswagen Group's profit.

FURTHER INFORMATION
www.vwfsag.com

VOLKSWAGEN FINANCIAL SERVICES

		2008	2007	%
Number of contracts	thousands	7,120	6,602	+ 7.9
Customer financing		3,162	3,097	+ 2.1
Leasing		1,506	1,336	+ 12.7
Service/insurance		2,452	2,169	+ 13.1
Receivables[1] from	€ million			
Customer financing		29,251	28,002	+ 4.5
Dealer financing		10,952	10,565	+ 3.7
Leasing agreements		15,064	13,775	+ 9.4
Direct banking deposits	€ million	12,835	9,620	+ 33.4
Total equity and liabilities	€ million	74,690	68,603	+ 8.9
Equity	€ million	7,991	7,136	+ 12.0
Liabilities[2]	€ million	63,380	58,630	+ 8.1
Equity ratio	%	10.7	10.4	
Return on equity before tax[3]	%	12.1	16.1	
Leverage[4]		7.9	8.2	
Operating profit	€ million	893	957	– 6.7
Profit before tax	€ million	919	1,069	– 14.1
Employees at Dec. 31		7,587	7,298	+ 4.0

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Excluding provisions and deferred tax liabilities.
3 Profit before tax as % of average equity.
4 Liabilities as % of equity.

Corporate Governance

Corporate Governance Report (Part of the Management Report)

Transparent and Responsible Corporate Governance

We consider increasing our enterprise value on a sustainable basis to be our most important task. The trust of our customers and investors is crucial to achieve this. We gain this trust by managing the Company in a transparent and responsible manner. This takes the highest priority in our daily work. That's why the Board of Management and the Supervisory Board comply with the recommendations of the current German Corporate Governance Code as issued on June 6, 2008 with only one exception.

RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE GUIDE OUR CORPORATE MANAGEMENT

The German Corporate Governance Code incorporates recommendations and suggestions that have been prepared, and are regularly updated, by the responsible Government Commission on the basis of significant statutory provisions as well as nationally and internationally recognized standards of corporate governance. Compliance with the recommendations and suggestions set out in the Code is designed to ensure good corporate governance and supervision. The recommendations of the German Corporate Governance Code therefore provide an important basis for the activities of the Board of Management and Supervisory Board of Volkswagen AG.

Sustainably increasing our enterprise value has the highest priority at Volkswagen. We achieve this goal by strengthening the trust of all stakeholders through our responsible and transparent corporate governance and by meeting national and international stakeholders' steadily increasing demands for information.

DECLARATION OF CONFORMITY

On November 21, 2008, the Board of Management and Supervisory Board of Volkswagen AG issued the statutorily required declaration of conformity with the German Corporate Governance Code as required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act). In it they declared that they had complied with the recommendations of the Government Commission on the German Corporate Governance Code as issued on June 14, 2007 until the release of the revised version on August 8, 2008, with the exception of article 5.3.3 (formation of a Nomination Committee). This means that until the Supervisory Board's November meeting (on November 21, 2008) which regularly deals with the recommendations and suggestions of the Code, the Company had largely complied with the Code as amended on June 6, 2008. Departures from it related to the resolution by the full Supervisory Board on the remuneration system for the Board of Management (article 4.2.2(1) of the Code), the cap on severance payments (article 4.2.3(4) and (5) of the Code) and the Nomination Committee (article 5.3.3 of the Code).

The Board of Management and Supervisory Board have moreover declared that, in issuing the current declaration of conformity dated November 21, 2008, they have complied with the recommendations of the German Corporate Governance Code as amended on June 6, 2008 without qualification except for the provision on a cap on severance payments (article 4.2.3(4) and (5) of the Code).

A Nomination Committee was initially not formed as Volkswagen AG's Supervisory Board already has a Presidium, which is above all responsible for preparing the resolutions for the Supervisory Board. Volkswagen AG's Supervisory Board then decided in February 2008 to deal with the formation of such a committee at its November meeting. By way of a resolution dated November 21, 2008, a Nomination Committee was formed with responsibility for suggesting suitable candidates for the Supervisory Board to propose for election at the Annual General Meeting. The Nomination Committee is made up of the shareholder representatives in the Presidium of the Supervisory Board.

The recommended caps on severance payments in contracts for members of the Board of Management were not introduced, as there are doubts about the effectiveness of such contractual clauses in professional circles and this would reduce the ability of the Supervisory Board to act without offering significant advantages in view of the applicable legal situation.

A consensus was reached on the new recommendation that the full Supervisory Board should decide and regularly review the remuneration system for members of the Board of Management, including the essential elements of their contracts, with the result that the Supervisory Board approved a resolution at its meeting on November 21, 2008 to follow this recommendation.

The current joint declaration of conformity by the Board of Management and the Supervisory Board under section 161 of the AktG has been published on our website, www.volkswagenag.com/ir, under the heading "Corporate Governance", menu item "Declarations of Conformity".

In addition, the Volkswagen Group will largely comply with the suggestions of the Code. However, it still has no plans to implement the suggestion made in the Code to the effect that one-time variable components tied to business performance should be taken into account in setting the remuneration of the Board of Management (article 4.2.3, clause 3 of the Code) and that long-term performance should be taken into account in setting the remuneration of the Supervisory Board (article 5.4.6, clause 5 of the Code). We intend to continue pursuing the debate on this matter in professional circles.

Since all members of the Board of Management exercised all their conversion rights under the Stock Option Plan at the end of 2008, a new Long-Term Incentive Plan (LTI) is being prepared. This remuneration component will be oriented on the Company's long-term performance. The planned implementation means that the suggestion in paragraph 2, sentence 2 of article 4.2.3. of the Code regarding "long-term incentives containing risk elements" will again be complied with.

In their declaration of conformity with the German Corporate Governance Code on November 24, 2008, the Board of Management and Supervisory Board of AUDI AG declared that the recommendations of the Code as issued on June 14, 2007 until the release of the revised version on August 8, 2008 had largely been complied with. However, there were qualifications: the Supervisory Board has not formed a Nomination Committee (article 5.3.3 of the Code), members are not elected to the Supervisory Board on an individual basis (article 5.4.3, clause 1 of the Code), and the remuneration of the members of the Supervisory Board is not reported individually, classified by components (article 5.4.7(3), clause 1 of the Code). The Board of Management and the Supervisory Board of AUDI AG also declared that they complied and continue to comply with the recommendations as amended on June 6, 2008 and issued on August 8, 2008. However, the aforementioned qualifications applied and continue to apply, with the additional qualification that article 4.2.3 (4) and (5) of the Code (cap on severance payments) has not been complied with. The declaration of conformity is published at www.audi.com

The following qualifications apply to AUDI AG with regard to the suggestions contained in the Code: the Annual General Meeting of AUDI AG is not broadcast on the Internet (article 2.3.4 of the Code). There is therefore no need to enable absent shareholders to contact the company's proxies (article 2.3.3, sentence 3, 2nd half-sentence of the Code) during the Annual General Meeting. In addition, all qualifications stated with regard to Volkswagen AG also apply to AUDI AG.

DECLARATION OF CONFORMITY OF VOLKSWAGEN AG
www.volkswagenag.com/ir

DECLARATION OF CONFORMITY OF AUDI AG
www.audi.com

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The Board of Management agreed the strategic orientation of the Company with the Supervisory Board and discussed progress on the implementation of the strategy with it at regular intervals. The Supervisory Board was provided by the Board of Management with regular, complete and prompt verbal and written reports on all key issues for the Volkswagen Group relating to planning, the development of business and the position of the Group, including the risk situation and risk management. In addition, the Audit Committee, as provided for under article 3.4 of the German Corporate Governance Code, dealt intensively with compliance issues.

REMUNERATION REPORT

Extensive details of the remuneration of all members of the Board of Management and the Supervisory Board may be found in the Remuneration Report on pages 102 to 105 of this Annual Report.

COMPLIANCE

Article 4.1.3 of the German Corporate Governance Code defines the duties of the Board of Management in respect of compliance: the Board of Management must ensure compliance with all statutory provisions and the Company's internal policies and ensures compliance with them by Group companies. The conformity of our actions with both legal and internal requirements and ethical principles forms an integral part of Volkswagen's corporate culture. In order to ensure compliance with statutory requirements, the Company's internal rules and voluntary obligations, we have appointed a Chief Compliance Officer. His task is to advise the Board of Management on all compliance issues and, additionally, to integrate appropriate preventive measures into the existing management system, and to manage and control these measures to ensure compliance. In 2008, we completed the establishment of a central Compliance Office and drew up a preventive concept for ensuring compliance within the Volkswagen Group by defining the organizational structure and workflows required. We also made further progress in implementing a Group-wide compliance organization.

RISK MANAGEMENT

We are paying closer attention to carefully managing potential risks to the Company. A systematic risk management system helps us to identify risks and optimize risk positions. The Volkswagen Group's risk management system is continually adapted to reflect the changing environment. Extensive details of this system may be found in the Risk Report chapter on pages 170 to 177.

The Supervisory Board has established an Audit Committee, which deals in particular with accounting issues, compliance and risk management. As recommended by the German Corporate Governance Code, the Chairman of the Audit Committee, Mr. Holger P. Härter, Chief Financial Officer and Deputy President of Porsche Automobil Holding SE and of Dr. Ing. h.c. F. Porsche AG, has particular expertise and experience in applying accounting standards and internal control systems.

COMMUNICATION AND TRANSPARENCY

We publish a financial calendar listing all the important dates for our shareholders in the Annual Report, in the interim reports and on our website at www.volkswagenag.com/ir. In addition, we also publish on our website the invitation to and the agenda of the Annual General Meeting. At the Annual General Meeting, shareholders have the option of exercising their voting rights themselves, having this right exercised on their behalf by a third-party proxy granted power of attorney, or by a proxy designated by the Company who will vote on their behalf in accordance with their voting instructions. Moreover, we offer our shareholders the option of following the entire AGM on the Internet.

The Company's ad hoc releases are also published without delay on our website at www.volkswagenag.com/ir under the heading "Mandatory Publications", menu item "Ad-hoc releases". The website also provides additional advice and information about the Volkswagen Group. All releases and other information are available in both English and German. A detailed list of all communications published in 2008 relating to the capital markets is included in the annual document required by section 10 of the Wertpapierprospektgesetz (WpPG – German Securities Prospectus Act), which can also be accessed on the website described above under the heading "Mandatory Publications".

Directors' dealings (section 15a WpHG) can be accessed at www.volkswagenag.com/ir under the heading "Mandatory Publications", menu item "Directors' Dealings".

In addition, details of the notifications filed in compliance with sections 21 ff. of the WpHG during the reporting period can be found on the same website under the heading "Mandatory Publications", menu item "Reporting of voting rights according to WpHG".

Notifications relating to other legal issues may be downloaded there under the heading "Mandatory Publications", menu item "Other legal issues".

The supervisory body offices held by Board of Management members and Supervisory Board members are listed on pages 110 to 113 of this Annual Report.

Since January 2006, Volkswagen AG has had a global anti-corruption system with independent lawyers as ombudsmen and an internal Anti-Corruption Officer. They can also be contacted by persons wishing to provide information on suspected instances of corruption within the Group. In 2008, the ombudsmen passed on information provided by persons who remained anonymous to Volkswagen AG's internal Anti-Corruption Officer in 38 cases. All information is followed up.

MANDATORY PUBLICATIONS OF VOLKSWAGEN AG
www.volkswagenag.com/ir

Remuneration Report

(Part of the Management Report)

The Remuneration Report details the individualized remuneration of the Board of Management and the Supervisory Board of Volkswagen AG, broken down into components, as well as individualized pension provision disclosures for the members of the Board of Management. In addition, we explain in this chapter the main elements of the remuneration system for the Board of Management and the structure of the stock option program.

BOARD OF MANAGEMENT REMUNERATION

The remuneration of the members of the Board of Management conforms to the requirements of the Aktiengesetz (AktG – German Stock Corporation Act) and to most of the recommendations and, to a large extent, the suggestions set out in the German Corporate Governance Code. A consensus was reached on the new recommendation that the full Supervisory Board should decide and regularly review the remuneration system for members of the Board of Management, including the essential elements of their contracts, with the result that the Supervisory Board resolved at its meeting on November 21, 2008 to follow this recommendation. The remuneration system was discussed at this meeting; no amendments were resolved.

The members of the Board of Management receive a fixed remuneration of a total of €5,346,622 (previous year: €4,810,736). The fixed remuneration also includes differing levels of remuneration for the assumption of appointments at Group companies and noncash benefits, which consist in particular of the use of company cars and the grant of insurance cover. Taxes due on the noncash benefits were mainly borne by Volkswagen AG.

The fixed components of the package ensure firstly a basic level of remuneration enabling the individual members of the Board of Management to perform their duties in the interests of the Company and to fulfill their obligation to act with proper business prudence without needing to focus on merely short-term performance targets.

On the other hand, variable components, dependent among other criteria on the financial performance of the Company, serve to balance the interests of the Board of Management and the other stakeholders.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT

€	FIXED	VARIABLE	STOCK OPTIONS EXERCISED	TOTAL 2008	TOTAL 2007
Martin Winterkorn	1,636,572	4,500,000	6,575,800	12,712,372	5,145,496
Francisco Javier Garcia Sanz	931,189	2,000,000	6,575,800	9,506,989	2,868,426
Jochem Heizmann	942,546	2,000,000	3,927,650	6,870,196	2,588,936
Horst Neumann	891,774	2,000,000	3,880,700	6,772,474	2,673,472
Hans Dieter Pötsch	944,541	2,000,000	6,575,800	9,520,341	2,676,989
Members of the Board of Management who left in the previous year	–	–	–	–	544,567
	5,346,622	**12,500,000**	**27,535,750**	**45,382,372**	**16,497,886**

The additional annual variable amount paid to each member of the Board of Management contains annually recurring components tied to the business success of the Company. The amount is primarily oriented on the results achieved and the financial position of the Company.

Long-term incentive components resulted from the convertible bonds issued until 2006 to the Board of Management, Group senior executives and the employees of Volkswagen AG; these incentive continued to be effective into 2008. The benefits under the conversion rights were linked to the development of the price of Volkswagen ordinary shares. All tranches of the stock option plan entitled members of the Board of Management to subscribe for a maximum of 500 nontransferable convertible bonds at a price of €2.56 per bond, conveying the right to acquire a maximum of 5,000 ordinary shares. If a member of the Board of Management was a member of top management at the date of grant for each tranche, they could – like all other members of top management – subscribe for a maximum of 500 nontransferable convertible bonds at a price of €2.56 per bond, conveying the right to acquire a maximum of 5,000 ordinary shares. The precondition for participation in this stock option plan was a contribution of between €5,000 and €25,000 in Time Assets, depending on the number of convertible bonds being acquired. The benefits under the stock option plan were essentially as follows: the basis for determining the conversion price (base conversion price) of a tranche was the average Xetra closing price of Volkswagen ordinary shares on the five trading days prior to the respective decision on the issue of convertible bonds. Conversion was possible for the first time after a vesting period of 24 months, and then for a period of five years as from the date of issue of the convertible bonds. The conversion price was initially set at 110% of the base conversion price, and then increased by five percentage points each year. The members of the Board of Management were only permitted to exercise their conversion rights three times a year, within four-week windows beginning on public reporting dates of Volkswagen AG. The stock option plan was thus based on demanding, relevant comparative parameters as set out in the German Corporate Governance Code. Further details were contained in the agenda of the Annual General Meeting held on April 16, 2002, at which the authorization to implement the stock option plan was granted. A detailed description of the stock option plan is contained in note 24 Equity.

The stock option plan was designed to provide the members of the Board of Management – like all other employees – with an element of their total remuneration package that was oriented on an increase in the share price, and thus encourage them to increase value added and the enterprise value. Furthermore, the stock option plan was also a commonly employed instrument in recruiting and assuring the long-term loyalty of members of the Board of Management. There was no possibility of subsequently modifying the performance targets or comparative parameters underlying the stock option plan.

Since all members of the Board of Management exercised all their conversion rights under the stock option plan at the end of 2008, a new Long-Term Incentive Plan (LTI) is being prepared. This remuneration component will be oriented on the Company's long-term performance. The planned implementation means that the suggestion in paragraph 2, sentence 2 of article 4.2.3. of the Code regarding "long-term incentives containing risk elements" will again be complied with.

STOCK OPTION GRANTS

	Brought forward Jan. 1	Contributed	Exercised	Returned	Held at Dec. 31	Fair value of options 2008 in €	Fair value of options 2007 in €
Martin Winterkorn	2,000	–	2,000*	–	–	–	2,010,600
Francisco Javier Garcia Sanz	2,000	–	2,000*	–	–	–	2,010,600
Jochem Heizmann	1,000	–	1,000	–	–	–	965,950
Horst Neumann	1,000	–	1,000	–	–	–	952,400
Hans Dieter Pötsch	2,000	–	2,000*	–	–	–	2,010,600
	8,000	**–**	**8,000**	**–**	**–**	**–**	**7,950,150**

* Including 500 options converted automatically after the expiration of each conversion period.

POST-EMPLOYMENT BENEFITS

The members of the Board of Management are entitled to a pension and to a surviving dependents' pension as well as the use of company cars in the event of termination of their service on the Board of Management.

The old-age pension to be granted after leaving the Company is payable immediately if their membership of the Board of Management is terminated by the Company, and in other cases on reaching the age of 63. Any remuneration received from other sources until the age of 63 is deductible from the benefit entitlement up to a certain fixed amount.

The old-age pension is calculated as a percentage of the fixed basic salary, which accounts for most of the fixed individual remuneration of the Board of Management shown in the table on page 102. Mr. Winterkorn and Mr. Garcia Sanz have an old-age pension entitlement of 70%, Mr. Heizmann of 64% and Mr. Neumann and Mr. Pötsch of 62% of their fixed basic salaries as of the end of 2008.

Starting at 50%, the individual percentage increases by 2 percentage points for each year of service up to the maximum of 70% defined by the Presidium of the Supervisory Board.

The members of the Board of Management are entitled to the retirement pension in the event of disability, and to payment of their normal remuneration for six months in the event of illness. Their surviving dependents receive a widows' pension of 66 2/3% and orphans' benefits of 20% of the former member of the Board of Management's pension.

On December 31, 2008 the pension obligations for members of the Board of Management in accordance with IAS 19 amounted to €32,732,521 (previous year: €30,334,447). Current pensions are index-linked in accordance with the index-linking of the highest collectively agreed salary insofar as the application of section 16 of the Gesetz zur Verbesserung der betrieblichen Altersversorgung (BetrAVG – German Company Pension Act) does not lead to a larger increase.

Retired members of the Board of Management and their surviving dependents received €8,269,973 (previous year: €8,688,685). Obligations for pensions for this group of persons were recognized in the amount of €102,789,267 (previous year: €107,971,788).

SUPERVISORY BOARD REMUNERATION

The remuneration of the members of the Supervisory Board of Volkswagen AG amounts to €4,574,665 (previous year: €4,276,167) and is dependent on the dividend to be paid for fiscal year 2008. It is composed of fixed components (including attendance fees) of €273,000 (previous year: €307,192) and variable components of €4,301,665 (previous year: €3,968,975), in accordance with the provisions of the Articles of Association prevailing at the time.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

€	FIXED	VARIABLE	TOTAL 2008	TOTAL 2007
Ferdinand K. Piëch	22,000	445,000	467,000	437,500
Jürgen Peters[1]	17,000	296,667	313,667	294,000
Michael Frenzel	14,000	222,500	236,500	222,250
Babette Fröhlich[1]	14,000	222,500	236,500	36,277
Hans Michael Gaul	14,000	222,500	236,500	222,250
Jürgen Großmann	11,000	148,333	159,333	149,500
Holger P. Härter	17,000	296,667	313,667	294,000
Walter Hirche[2]	11,000	148,333	159,333	150,500
Peter Jacobs[1]	11,000	148,333	159,333	103,051
Olaf Kunz (until December 29, 2008)[1]	10,983	147,922	158,905	150,500
Hartmut Meine (since December 30, 2008)[1]	17	411	428	–
Peter Mosch[1]	11,000	148,333	159,333	150,500
Roland Oetker	17,000	296,667	313,667	294,000
Bernd Osterloh[1]	14,000	222,500	236,500	222,250
Heinrich von Pierer (until April 24, 2008)	3,891	46,767	50,658	149,500
Wolfgang Porsche (since April 24, 2008)	7,109	101,566	108,675	–
Wolfgang Ritmeier	14,000	222,500	236,500	154,077
Heinrich Söfjer[1]	11,000	148,333	159,333	60,994
Jürgen Stumpf[1]	11,000	148,333	159,333	149,500
Bernd Wehlauer[1]	14,000	222,500	236,500	222,250
Wendelin Wiedeking	14,000	222,500	236,500	222,250
Christian Wulff[2]	14,000	222,500	236,500	222,250
Supervisory Board members who retired in the prior year	–	–	–	368,768
Total	**273,000**	**4,301,665**	**4,574,665**	**4,276,167**

1 These employee representatives have stated that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines issued by the German Confederation of Trade Unions (DGB).

2 Under section 5(3) of the Niedersächsisches Ministergesetz (Act Governing Ministers of the State of Lower Saxony), these members of the Supervisory Board are obliged to transfer their Supervisory Board remuneration to the State of Lower Saxony as soon as and to the extent that it exceeds €5,500 per annum. Remuneration is defined for this purpose as Supervisory Board remuneration and attendance fees exceeding the amount of €200.

Structure and Business Activities

(Part of the Management Report)

The following section describes the legal and organizational structure of the Volkswagen Group and explains the material changes in 2008 with respect to equity investments. This is followed by the disclosures relating to takeover law in accordance with sections 289(4) and 315(4) of the HGB.

OUTLINE OF THE LEGAL STRUCTURE OF THE GROUP

Volkswagen AG is the parent company of the Volkswagen Group. It develops vehicles and components for the Group, but also produces and sells vehicles, in particular Volkswagen brand passenger cars and commercial vehicles. In its function as parent company, Volkswagen AG holds interests in AUDI AG, Scania AB, SEAT S.A., Volkswagen Financial Services AG and numerous other companies in Germany and abroad. An overview of the significant Group companies can be found in the Notes to the Consolidated Financial Statements on pages 276 to 278.

Volkswagen AG's Board of Management is the ultimate body responsible for managing the Group. The Supervisory Board appoints, monitors and advises the Board of Management and is consulted directly on decisions that are of fundamental significance for the Company.

Information on the remuneration structure for the Board of Management and the Supervisory Board can be found in the Remuneration Report on pages 102 to 105 and in the Notes to the Consolidated Financial Statements of Volkswagen AG on page 275.

ORGANIZATIONAL STRUCTURE OF THE GROUP

Volkswagen AG and the Volkswagen Group are managed by Volkswagen AG's Board of Management in accordance with the Volkswagen AG Articles of Association and the rules of procedure for Volkswagen AG's Board of Management issued by the Supervisory Board. Within the framework laid down by law, the Group Board of Management ensures that Group interests are taken into account in decisions relating to the Group's brands and companies. This body consists of Board members and selected top managers with Group management functions.

Each brand in the Volkswagen Group is managed by a senior brand manager. The Group targets and requirements laid down by the Board of Management of Volkswagen AG or the Group Board of Management must be complied with in accordance with the applicable legal framework. Matters that are of importance to the Group as a whole are submitted to the Group Board of Management in order – to the extent permitted by law – to reach agreement between the parties involved. The rights and obligations of the statutory supervisory bodies of the relevant brand companies remain unaffected.

The companies of the Volkswagen Group are managed separately by their respective managements. In addition to the interests of their own companies, each individual company management takes into account the interests of the Group and of individual brands in accordance with the framework laid down by law.

MATERIAL CHANGES IN EQUITY INVESTMENTS

The acquisition of the Scania shares previously held by Investor AB and the Wallenberg foundations was completed on July 22, 2008. This increased Volkswagen AG's voting rights in Scania from 37.98% to 68.60% and its equity interest from 20.89% to 37.73%. This equity interest is designed to safeguard the Group's strategic interest in the commercial vehicles business. In addition, additional shares of Scania, held in trust by a credit institution, with voting rights amounting to 0.87% and an equity interest of 3.63% are attributable to Volkswagen.

Effective December 1, 2008, Volkswagen AG acquired from Porsche Automobil Holding SE the shares of AUDI AG (0.41%) that had been tendered to the latter under the terms of a mandatory bid, thereby increasing Volkswagen AG's interest in AUDI AG to 99.55%.

On December 15, 2008, Volkswagen AG announced the sale of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda. (VW CO), Resende, Brazil, to MAN AG, Munich, effective January 1, 2009 at an enterprise value of €1.175 billion. This concentrates the Volkswagen Group's commitment to the truck business on its existing equity interests in MAN and Scania along with its own light commercial vehicles business, which remains unaffected by the transaction. Volkswagen expects the sale to be completed in the first quarter of 2009.

LEGAL FACTORS INFLUENCING BUSINESS

Volkswagen companies are affected – as are other international companies – by numerous laws in Germany and abroad. In particular, there are legal requirements relating to development, production and distribution, but that also include tax, company, commercial and capital market law, as well as labor, banking, state aid and insurance regulations.

DISCLOSURES REQUIRED UNDER TAKEOVER LAW

The disclosures required under takeover law as specified by sections 289(4) and 315(4) of the Handelsgesetzbuch (HGB – German Commercial Code) are presented in the following.

Capital structure

On December 31, 2008, the share capital of Volkswagen AG amounted to €1,024,405,726.72 (previous year: €1,015,233,400.32); it was composed of 294,920,207 ordinary shares and 105,238,280 preferred shares. Each share conveys a notional interest of €2.56 in the share capital.

Shareholder rights and obligations

Shareholders have pecuniary and administrative rights. The pecuniary rights include in particular the right to participate in profits (section 58(4) of the Aktiengesetz (AktG – German Stock Corporation Act)), to participate in liquidation proceeds (section 271 of the AktG) and preemptive rights on shares in the event of capital increases (section 186 of the AktG). Administrative rights include the right to attend the Annual General Meeting and the right to speak there, to ask questions, to propose motions and to exercise voting rights. Shareholders can enforce these rights in particular through actions seeking disclosure and actions for avoidance.

Each ordinary share grants the holder one vote at the Annual General Meeting. The Annual General Meeting elects shareholder representatives to the Supervisory Board and elects the auditors; in particular, it resolves the appropriation of net profit, formally approves the actions of the Board of Management and the Supervisory Board, resolves amendments to the Articles of Association, capitalization measures, authorizations to purchase treasury shares and, if required, the conduct of a special audit; it also resolves premature removal of Supervisory Board members and the winding-up of the Company.

Preferred shareholders generally have no voting rights. However, in the exceptional case that preferred shareholders are granted voting rights by law (for example, when preferred share dividends were not paid in one year and not compensated for in full in the following year), each preferred share also grants the holder one vote at the Annual General Meeting. Furthermore, preferred shares entitle the holder to a €0.06 higher dividend than ordinary shares (further details on this right to preferred dividends are specified in Article 28(2) of the Articles of Association).

The Gesetz über die Überführung der Anteilsrechte an der Volkswagenwerk Gesellschaft mit beschränkter Haftung in private Hand (VW-Gesetz – Act on the Privatization of Shares of Volkswagenwerk Gesellschaft mit beschränkter Haftung) of July 21, 1960 contained in the version amended in 1970 included various provisions in derogation of the Aktiengesetz (AktG – German Stock Corporation Act), for example on exercising voting rights by proxy (section 3 of the VW-Gesetz), on majority requirements (section 4(3) of the VW-Gesetz) and on restrictions on voting rights (section 2(1) of the VW-Gesetz) when resolutions are adopted by the Annual General Meeting. Furthermore, it included provisions governing the right of the German federal government and the State of Lower Saxony to appoint shareholder representatives (section 4(1) of the VW-Gesetz) to the Supervisory Board. The Articles of Association of Volkswagen AG also include similar provisions.

On October 23, 2007, the European Court of Justice (ECJ) ruled that the Federal Republic of Germany had breached its obligations under Article 56(1) of the EC Treaty (restrictions on the movement of capital) by retaining section 4(1) and section 2(1) in conjunction with section 4(3) of the VW-Gesetz applicable at that time.

Following this ruling by the ECJ, the Federal Republic of Germany was obliged in accordance with Article 228 of the EC Treaty to remedy its breach of Community law. In December 2008, the German legislature accordingly lifted the restrictions on voting rights (section 2(1)) and the rights to appoint shareholder representatives (section 4(1)) in the VW-Gesetz. The European Commission, however, is of the opinion that the majority requirements included in section 4(3) of the VW-Gesetz should also have been revoked.

As the Articles of Association of Volkswagen AG include provisions that conform to the wording of the three provisions of the VW-Gesetz reviewed by the European Court of Justice, Porsche Automobil Holding SE proposed a motion at the Annual General Meeting of Volkswagen AG held on April 24, 2008 that these rules be deleted. Hannoversche Beteiligungsgesellschaft mbH proposed an alternative motion that only the rights to appoint shareholder representatives and the restrictions on voting rights be deleted. Neither motion was approved by the required majority at the Annual General Meeting, not least because each of the parties proposing the motions voted against the motion proposed by the other party. Although the Supervisory Board then resolved at the meeting it held on September 12, 2008 to delete the rights to appoint shareholder representatives and the restrictions on voting rights from the Articles of Association, the commercial register responsible for Volkswagen AG at the Braunschweig Local Court refused to enter this resolution in the commercial register. At the time of printing this Annual Report, the Regional Court in Braunschweig, which is responsible for such matters, had not ruled on the objection filed by the Company to this decision.

Along with Porsche Automobil Holding SE, the State of Lower Saxony, Hannoversche Beteiligungsgesellschaft mbH and various other shareholders, Volkswagen AG has instituted a number of legal proceedings to determine the extent to which the aforementioned provisions in the Articles of Association were deleted at the Annual General Meeting held on April 24, 2008 and/or at the meeting of the Supervisory Board held on September 12, 2008. On November 27, 2008, the Regional Court in Hanover decided that the ruling dated October 23, 2007 by the ECJ did not include the requirement for greater majorities to adopt special resolutions at Annual General Meetings (section 4(3) of the VW-Gesetz) as also being in breach of the EC Treaty. Even if such a breach had been declared, the Regional Court doubted whether this meant that the requirement for greater majorities to adopt special resolutions at Annual General Meetings, as stipulated in the Articles of Association (article 26(2) of the Articles of Association), would not be effective. The Court ruled that the motion proposed by Hannoversche Beteiligungsgesellschaft had been approved. The action brought by Porsche Automobil Holding SE to obtain a ruling that the motion it had proposed at the time had been approved was, however, rejected. Both rulings are now subject to appeal. The Higher Regional Court in Celle, acting as court of appeal, had not given its ruling at the time of printing of this Annual Report.

Shareholdings exceeding 10% of voting rights

Shareholdings in Volkswagen AG that exceed 10% of voting rights are shown in the Notes to the Annual Financial Statements of Volkswagen AG and in the Notes to the Volkswagen Consolidated Financial Statements on pages 270 to 274.

Composition of the Supervisory Board

The Supervisory Board consists of 20 members, half of whom are shareholder representatives elected by the Annual General Meeting. The other half of the Supervisory Board consists of employee representatives elected by the employees in accordance with the Mitbestimmungsgesetz (German Codetermination Act). A total of seven of these employee representatives are Company employees; the other three employee representatives on the Supervisory Board are representatives of the trade unions. The Chairman of the Supervisory Board, generally a shareholder representative on the Supervisory Board who is elected by his Supervisory Board colleagues, has a casting vote in the Supervisory Board, in accordance with the Mitbestimmungsgesetz (German Codetermination Act).

Statutory requirements and requirements of the Articles of Association with regard to the appointment and removal of Board of Management members and to amendments to the Articles of Association

The appointment and removal of members of the Board of Management are governed by sections 84 and 85 of the AktG, whereby members of the Board of Management are appointed by the Supervisory Board for a maximum of five years. Board of Management members may be reappointed or have their term of office extended for a maximum of five years in each case. In addition, Article 6 of the Articles of Association states that the number of Board of Management members is stipulated by the Supervisory Board and that the Board of Management must consist of at least three persons.

Powers of the Board of Management, in particular concerning the issue of new shares and the repurchase of treasury shares

According to German stock corporation law, the Annual General Meeting can, for a maximum of five years, authorize the Board of Management to issue new shares. It can also authorize the Board of Management, for a maximum of five years, to issue convertible bonds on the basis of which new shares are to be issued. The Annual General Meeting also decides the extent to which shareholders have preemptive rights for the new shares. The highest amount of authorized share capital or contingent capital available for these purposes is determined by Article 4 of the Articles of Association of Volkswagen AG, as amended.

Opportunities to acquire treasury shares are governed by section 71 of the AktG. At the most recent Annual General Meeting in Hamburg on April 24, 2008, the Board of Management was authorized, in accordance with section 71(1) no. 8 of the AktG and with the consent of the Supervisory Board, to acquire ordinary shares and/or non-voting preferred shares of Volkswagen AG on one or more occasions, up to a maximum of 10% of the share capital – i.e. up to a maximum of 39,660,097 shares – via the stock market or by way of a public purchase offer to all shareholders. This authorization came into effect on October 20, 2008 and applies until October 24, 2009. Details on the issue of new shares and their permitted uses may be found in the Notes to the Volkswagen Consolidated Financial Statements on page 238.

Material agreements of the parent company that take effect in the event of a change of control following a takeover bid

On June 14, 2005, a banking syndicate granted Volkswagen AG a syndicated credit line initially amounting to €12.5 billion until June 2012, which was reduced to €10.0 billion in 2007. In the event of an individual shareholder gaining control of Volkswagen AG (as defined in the EU Merger Regulation), the agreement grants each of the members of the syndicate the right to terminate their portion of the credit line prematurely.

Once Porsche Automobil Holding SE had announced such an increase in its equity interest in September 2008, a number of syndicate members took advantage of their right to terminate their portion of the credit line, which accordingly reduced to €7.8 billion. Agreement was reached with the remaining syndicate members whereby they have the right to terminate their portion of the credit line with immediate effect in the event of a control and profit transfer agreement being signed between Porsche Automobil Holding SE and Volkswagen AG and to require repayment of any amounts drawn down. In view of the significance of the signing of such an intercompany agreement, it was appropriate to agree such a right of termination.

Executive Bodies

(Part of the Notes to the Consolidated Financial Statements)

Members of the Board of Management and their Appointments

APPOINTMENTS: AS OF DECEMBER 31, 2008

PROF. DR. RER. NAT.
MARTIN WINTERKORN (61)
Chairman (since January 1, 2007),
Research and Development,
Sales
July 1, 2000*
Appointments:
- ○ FC Bayern München AG, Munich
- ○ Infineon Technologies AG, Munich
- ○ Salzgitter AG, Salzgitter
- ○ TÜV Süddeutschland Holding AG, Munich

DR. RER. POL. H.C.
FRANCISCO JAVIER
GARCIA SANZ (51)
Procurement
July 1, 2001*

PROF. DR. RER. POL.
JOCHEM HEIZMANN (57)
Production
January 11, 2007*
Appointments:
- ○ Lufthansa Technik AG, Hamburg

DR. RER. POL.
HORST NEUMANN (59)
Human Resources and Organization
December 1, 2005*
Appointments:
- ○ Wolfsburg AG, Wolfsburg

HANS DIETER PÖTSCH (57)
Finance and Controlling
January 1, 2003*
Appointments:
- ○ Allianz Versicherungs-AG, Munich
- ○ Bizerba GmbH & Co. KG, Balingen

As part of their duty to manage and supervise the Group's business, the members of the Board of Management hold other offices on the supervisory boards of consolidated Group companies and other significant investees.

○ Membership of statutory supervisory boards in Germany.
⦿ Comparable appointments in Germany and abroad.

* The date signifies the beginning or period of membership of the Board of Management.

Members of the Supervisory Board and their Appointments

APPOINTMENTS: AS OF DECEMBER 31, 2008

**HON.-PROF. DR. TECHN. H.C.
DIPL.-ING. ETH
FERDINAND K. PIËCH (71)**
Chairman
April 16, 2002*
Appointments:
○ AUDI AG, Ingolstadt
○ Dr. Ing. h.c. F. Porsche AG, Stuttgart
○ MAN AG, Munich (Chairman)
○ Porsche Automobil Holding SE, Stuttgart
⦿ Porsche Ges.m.b.H., Salzburg
⦿ Porsche Holding GmbH, Salzburg

JÜRGEN PETERS (64)
Deputy Chairman;
President International Metalworkers' Federation – IMF
November 1, 2003*
Appointments:
○ Salzgitter AG, Salzgitter (Deputy Chairman)

DR. JUR. MICHAEL FRENZEL (61)
Chairman of the Board of Management of TUI AG
June 7, 2001*
Appointments:
○ AWD Holding AG, Hanover
○ AXA Konzern AG, Cologne
○ Continental AG, Hanover
○ E.ON Energie AG, Munich
● Hapag-Lloyd AG, Hamburg (Chairman)
● Hapag-Lloyd Fluggesellchaft mbH, Hanover (Chairman)
● TUI Cruises GmbH, Hamburg
● TUI Deutschland GmbH, Hanover (Chairman)
⦿ Norddeutsche Landesbank, Hanover
⦿ Preussag North America, Inc., Atlanta (Chairman)
⦿ TUI China Travel Co. Ltd., Beijing
⦿ TUI Travel PLC, Crawley

BABETTE FRÖHLICH (43)
IG Metall,
Member of Executive Committee 01 with responsibility for Strategic Planning
October 25, 2007*
Appointments:
○ MTU Aero Engines Holding AG, Munich

DR. JUR. HANS MICHAEL GAUL (66)
June 19, 1997*
Appointments:
○ Evonik Industries AG, Essen
○ HSBC Trinkaus & Burkhardt AG, Düsseldorf
○ IVG Immobilien AG, Bonn
○ Siemens AG, Munich
○ VNG – Verbundnetz Gas AG, Leipzig

DR. ING. JÜRGEN GROSSMANN (56)
Chairman of the Board of Management of RWE AG;
Partner, Georgsmarienhütte Holding GmbH
May 3, 2006*
Appointments:
○ BATIG Gesellschaft für Beteiligungen mbH, Hamburg
○ British American Tobacco (Germany) GmbH, Hamburg
○ British American Tobacco (Industrie) GmbH, Hamburg
○ Deutsche Bahn AG, Berlin
○ Surteco AG, Buttenwiesen-Pfaffenhofen (Chairman)
⦿ Hanover Acceptances Ltd., London

DR. JUR. KLAUS LIESEN (77)
July 2, 1987 – May 3, 2006*
Honorary Chairman of the Supervisory Board of Volkswagen AG (since May 3, 2006)

○ Membership of statutory supervisory boards in Germany.
● Group appointments to statutory supervisory boards.
⦿ Comparable appointments in Germany and abroad.

* The date signifies the beginning or period of membership of the Supervisory Board.

HOLGER P. HÄRTER (52)
Chief Financial Officer, Deputy President of Porsche Automobil Holding SE;
Chief Financial Officer, Deputy President of Dr. Ing. h.c. F. Porsche AG
May 3, 2006[1]
Appointments:
○ AUDI AG, Ingolstadt
○ Boerse-Stuttgart AG, Stuttgart (Chairman)
○ EUWAX AG, Stuttgart (Chairman)
⦿ Porsche Cars Great Britain Ltd., Reading
⦿ Porsche Cars North America Inc., Wilmington
⦿ Porsche Enterprises Inc., Wilmington (Chairman)
⦿ Porsche Financial Services, Inc., Wilmington (Chairman)
⦿ Porsche Ibérica S.A., Madrid
⦿ Porsche Italia S.p.A., Padua
⦿ Porsche Japan K.K., Tokyo

WALTER HIRCHE (68)
Minister of Economic Affairs, Labor and Transport for the Federal State of Lower Saxony
April 8, 2003[1]
Appointments:
○ Deutsche Messe AG, Hanover (Chairman)

PETER JACOBS (51)
Chairman of the Works Council at the Volkswagen AG Emden plant
April 19, 2007[1]
Appointments:
○ Volkswagen Belegschaftsgenossenschaft für Regenerative Energien am Standort Emden eG, Emden
⦿ Volkswagen Coaching GmbH, Wolfsburg

OLAF KUNZ (49)
April 16, 2002 – December 29, 2008[1]

HARTMUT MEINE (56)
Director of the Lower Saxony and Saxony-Anhalt Regional Office of IG Metall
December 30, 2008[1]
Appointments:
○ Continental AG, Hanover
○ KME Germany AG, Osnabrück

PETER MOSCH (37)
Chairman of the General Works Council of AUDI AG
January 18, 2006[1]
Appointments:
○ AUDI AG, Ingolstadt

ROLAND OETKER (59)
Managing Partner of ROI Verwaltungsgesellschaft mbH;
Hon. President of Deutsche Schutzvereinigung für Wertpapierbesitz e.V.
June 19, 1997[1]
Appointments:
○ Deutsche Post AG, Bonn
⦿ Dr. August Oetker KG-Gruppe, Bielefeld (Deputy Chairman)
⦿ RAG Foundation, Essen

BERND OSTERLOH (52)
Chairman of the General and Group Works Councils of Volkswagen AG
January 1, 2005[1]
Appointments:
○ Auto 5000 GmbH, Wolfsburg
○ Autostadt GmbH, Wolfsburg
○ Wolfsburg AG, Wolfsburg
⦿ Projekt Region Braunschweig GmbH, Braunschweig
⦿ Volkswagen Coaching GmbH, Wolfsburg

PROF. DR. JUR. DR.-ING. E.H. HEINRICH V. PIERER (68)
June 27, 1996 – April 24, 2008[1]

DR. WOLFGANG PORSCHE (65)
Diplom-Kaufmann
April 24, 2008[1]
Appointments:
○ Dr. Ing. h.c. F. Porsche AG, Stuttgart (Chairman)
○ Porsche Automobil Holding SE, Stuttgart (Chairman)
⦿ Eterna S.A., Grenchen (Chairman)
⦿ Familie Porsche AG Beteiligungsgesellschaft, Salzburg (Chairman)
⦿ Porsche Bank AG, Salzburg (Deputy Chairman)
⦿ Porsche Ges.m.b.H., Salzburg (Chairman)
⦿ Porsche Holding GmbH, Salzburg (Chairman)
⦿ Porsche Cars Great Britain Ltd., Reading
⦿ Porsche Cars North America Inc., Wilmington
⦿ Porsche Ibérica S.A., Madrid
⦿ Porsche Italia S.p.A., Padua

WOLFGANG RITMEIER (60)
Chairman of the Board of Management of Volkswagen Management Association (VMA)
April 19, 2007[1]
Appointments:
⊙ Volkswagen Pension Trust e.V., Wolfsburg

HEINRICH SÖFJER (57)
Chairman of the Works Council Volkswagen Commercial Vehicles
August 3, 2007[1]

JÜRGEN STUMPF (54)
Chairman of the Works Council at the Volkswagen AG Kassel plant
January 1, 2005[1]

BERND WEHLAUER (54)
Deputy Chairman of the General and Group Works Councils of Volkswagen AG
September 1, 2005[1]
Appointments:
○ Wolfsburg AG, Wolfsburg
⊙ Volkswagen Pension Trust e.V., Wolfsburg

DR. ING. WENDELIN WIEDEKING (56)
Chairman of the Executive Board of Porsche Automobil Holding SE;
President and Chief Executive Officer of Dr. Ing. h.c. F. Porsche AG
January 28, 2006[1]
Appointments:
○ AUDI AG, Ingolstadt
⊙ Novartis AG, Basel
⊙ Porsche Cars Great Britain Ltd., Reading
⊙ Porsche Cars North America Inc., Wilmington
⊙ Porsche Enterprises Inc., Wilmington
⊙ Porsche Ibérica S.A., Madrid
⊙ Porsche Italia S.p.A., Padua
⊙ Porsche Japan K.K., Tokyo

CHRISTIAN WULFF (49)
Minister-President of the Federal State of Lower Saxony
April 8, 2003[1]

COMMITTEES OF THE SUPERVISORY BOARD
As of December 31, 2008

Members of the Presidium
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Jürgen Peters (Deputy Chairman)
Bernd Osterloh
Bernd Wehlauer
Dr. Ing. Wendelin Wiedeking
Christian Wulff

Members of the Mediation Committee in accordance with section 27(3) of the Mitbestimmungsgesetz (German Codetermination Act)
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Jürgen Peters (Deputy Chairman)
Bernd Osterloh
Christian Wulff

Members of the Audit Committee
Holger P. Härter (Chairman)
Bernd Wehlauer (Deputy Chairman)
Babette Fröhlich
Dr. jur. Hans Michael Gaul

Members of the Nominating Committee
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Dr. Ing. Wendelin Wiedeking
Christian Wulff

Members of the Shareholder Business Relationships Committee
Roland Oetker (Chairman)
Wolfgang Ritmeier (Deputy Chairman)
Dr. jur. Michael Frenzel
Bernd Wehlauer

Members of the Committee for Special Business Relationships
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch
Bernd Osterloh
Jürgen Peters
Bernd Wehlauer
two members still be elected[2]

○ Membership of statutory supervisory boards in Germany.
● Group appointments to statutory supervisory boards.
⊙ Comparable appointments in Germany and abroad.

1 The date signifies the beginning or period of membership of the Supervisory Board.

2 At the first meeting of the Committee for Special Business Relationships on November 21, 2008, Dr. Wiedeking and Mr. Wulff took part as members of the Committee for Special Business Relationships at the proposal of the Presidium and with the consent of the Supervisory Board on November 21, 2008.

Management Report

Business Development
Deliveries to Group customers climb to 6.3 million vehicles

The international financial and economic crisis depressed worldwide passenger vehicle demand in fiscal year 2008. Despite this difficult environment, the Volkswagen Group was able to increase the number of vehicles delivered compared with the previous year.

INTERNATIONAL FINANCIAL CRISIS LEADS TO WORLDWIDE ECONOMIC DOWNTURN

The global economy continued growing until mid-2008. However, the subsequent dramatic worsening of the international financial crisis led to recessionary trends in the major industrial countries and to a marked decline in the pace of economic growth in the emerging economies. Inflation rates, which had risen worldwide until then, cooled due to the considerable decrease in commodity and energy prices. In total, global economic growth was only around 1.7%, compared with 3.5% in 2007.

North America

In the United States, economic growth slowed to 1.3% from 2.0% in the previous year. Despite generous support measures targeted at the banking and housing sectors, negative growth could not be prevented in the second half of the year. The US dollar recovered substantial ground against the euro after hitting a low in July. Canada’s gross domestic product (GDP) only grew by 0.6% (previous year: 2.7%). Mexican economic expansion slowed from 3.2% to 1.5%.

South America/South Africa

In the two largest South American countries, Brazil and Argentina, the economy continued to grow at a fast pace in the first three quarters. In the fourth quarter, the pace of economic growth decelerated substantially. Nonetheless, Brazil still recorded somewhat higher growth, at 5.7% in 2008 as a whole (previous year: 5.4%). The Argentinian economy grew at a rate of 6.2% compared with 8.7% in 2007. In South Africa, problems in the energy sector, among other factors, led to a decline in economic expansion there from 5.1% to 3.1%.

Asia-Pacific

Economic growth in the Asian emerging markets also slowed considerably during 2008, particularly due to deteriorating export prospects. However, the Chinese economy saw continued substantial growth of 9.0% (previous year: 13.0%). Despite the long-term weakness of the yen and the very low interest and inflation rates in Japan, the economy there contracted by 0.4% (previous year: growth of 2.4%). India continued its strong economic expansion with a growth rate of 7.0% (previous year: 9.0%).

Europe

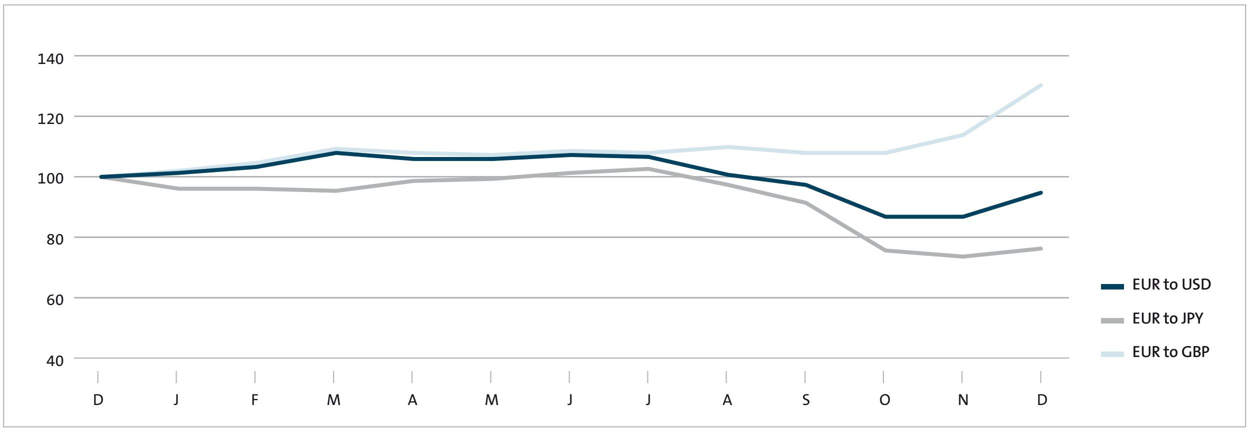
In Western Europe, growth fell sharply in the last two quarters of 2008. Many countries experienced recessionary trends. On average, GDP rose by 0.9% (previous year: 2.7%). The unemployment rate in the euro zone dropped to a record low of 7.2% early in the reporting period, but rose again to 8.0% by the end of the year. By mid-year, the euro had hit new highs against the US dollar and the yen, but in the second half of the year lost considerable ground against both currencies. In Central and Eastern Europe, economic growth slackened considerably in the second half of the year, but still remained robust at 4.6% (previous year: 6.4%).

Germany

The pace of economic growth in Germany slowed to 1.3% from 2.5% in 2007. Despite the high-flying euro, the main impetus for this growth continued to come from exports and capital spending, whereas consumer spending remained weak due to decreasing purchasing power and rising economic uncertainty. The positive performance of

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2007 TO DECEMBER 2008

Index is based on month-end rates, December 31, 2007 = 100



the labor market was unable to change this trend. In October 2008, unemployment fell below the three-million mark for the first time in 16 years.

WORLDWIDE AUTOMOTIVE INDUSTRY SITUATION WEAKENS

After record vehicle registrations in the previous year, global demand for passenger cars declined by 5.8% to 55.7 million vehicles in 2008. The effects of the international financial crisis became ever more noticeable during the year and culminated in an increasingly pronounced unwillingness to buy among consumers for reasons including the strained credit market situation. This development was intensified by the massive increase in commodity and energy prices in the first half of the year. The North American, Western European and South African markets in particular experienced above-average declines. In contrast, the positive demand for passenger vehicles in Central and Eastern Europe, South America and the Asia-Pacific region initially remained strong, but lost significant momentum during the second half of the year. In the 2008 reporting period, global automotive production decreased by 3.9% to 69.2 million units, of which 57.5 million were passenger cars (–4.8%).

North America

In North America, the volume of the passenger car and light commercial vehicles market in the reporting period was significantly lower than in the previous year (–15.9%).

In the US automotive market, which was particularly hard hit by the financial crisis, vehicle sales declined to 13.2 million units (–18.0%), the lowest level since 1992. Reluctance to buy vehicles due to heavily shaken consumer confidence and difficulties in obtaining credit led to a drastic drop, particularly in the light commercial vehicles segment, which fell by 24.7% to 6.5 million units. The decrease in new passenger car registrations to 6.8 million vehicles (–10.4%) was slower.

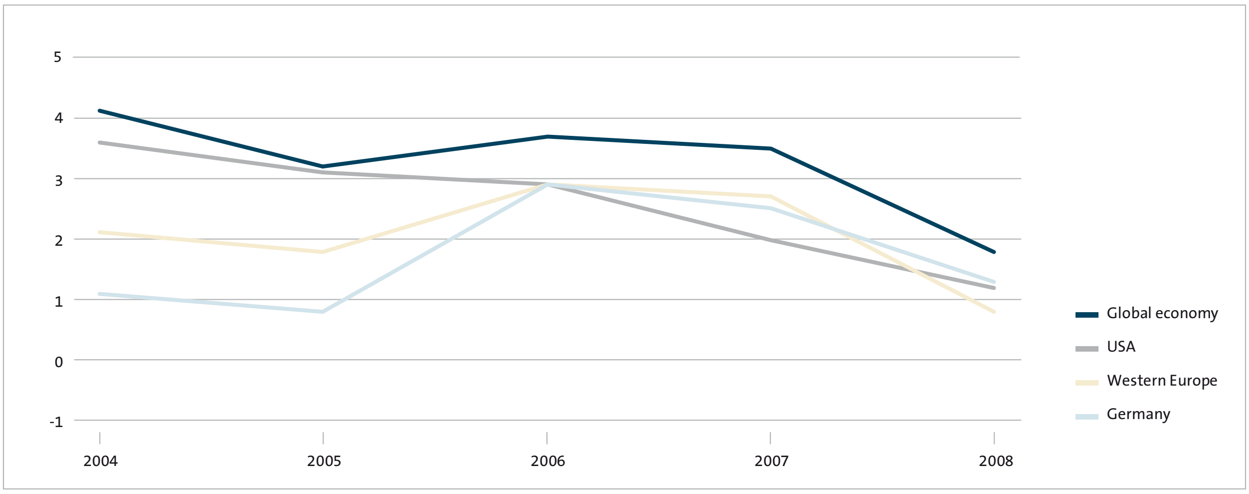
In Canada, sales during the period fell slightly by 1.1% to 1.6 million vehicles. In Mexico, demand declined by 6.7% versus the prior year to 1.0 million units.

South America/South Africa

The positive market development in South America continued in 2008, the fifth year in a row. Vehicle sales reached a new record high in Brazil during the reporting period. A total of 2.7 million passenger cars and light commercial vehicles were newly registered (+14.1%), well above the previous high from the prior year. Truck sales also hit a new high with growth of 24.2% to 122 thousand units compared with 2007. In contrast, exports fell 7.0% below the previous year's figure to 734 thousand vehicles. In Argentina, the overall volume of the passenger car market reached 429 thousand units, topping the previous record achieved in 2007 (+6.7%). Due to high key interest rates and a rise in inflation, demand in South Africa slid to 329 thousand passenger cars (–24.3%).

ECONOMIC GROWTH

Percentage change in GDP



Asia-Pacific

In the Asia-Pacific region, demand continued to grow in the past fiscal year. In China, the world's second largest automotive market, 5.5 million passenger cars (+7.8%) were newly registered during the reporting period. However, the pace of growth of the Chinese passenger vehicle market slowed considerably during the year due to higher fuel prices and inflation-curbing measures in particular. The Japanese market shrank further in 2008: at 4.2 million passenger cars, this figure fell 3.9% below the prior-year figure. Total new registrations during the period dropped to their lowest level since 1980. In India, the passenger car market saw its sales volume increase slightly by 2.1% year-on-year to 1.2 million passenger vehicles. The rise in credit interest rates and high inflation put a damper on growth.

Europe/Remaining markets

Demand for passenger cars in Western Europe decreased by 8.4% to 13.6 million vehicles in the reporting period. The share of diesel vehicles hovered around the previous year's high level at nearly 53% (previous year: 53.3%) due to more expensive fuel. A drastic drop in sales was seen in the volume markets of Spain (–28.1%), Italy (–13.4%) and the UK (–11.3%), which were particularly hard hit by the financial crisis. In France (–0.7%), tax incentives introduced at the start of the year to encourage the purchase of vehicles with low CO_2 emissions prevented a larger decline in sales. In contrast, Central and Eastern Europe new passenger car registrations increased again, but growth dropped off considerably in the second half of the year. As in the previous year, the main growth drivers were Russia (+15.5%) and Ukraine (+14.9%). The passenger car markets in the Central European EU countries recorded a decline of 2.6%. In Turkey, passenger car sales in the reporting period dropped markedly below the previous year's level (–14.4%).

Germany

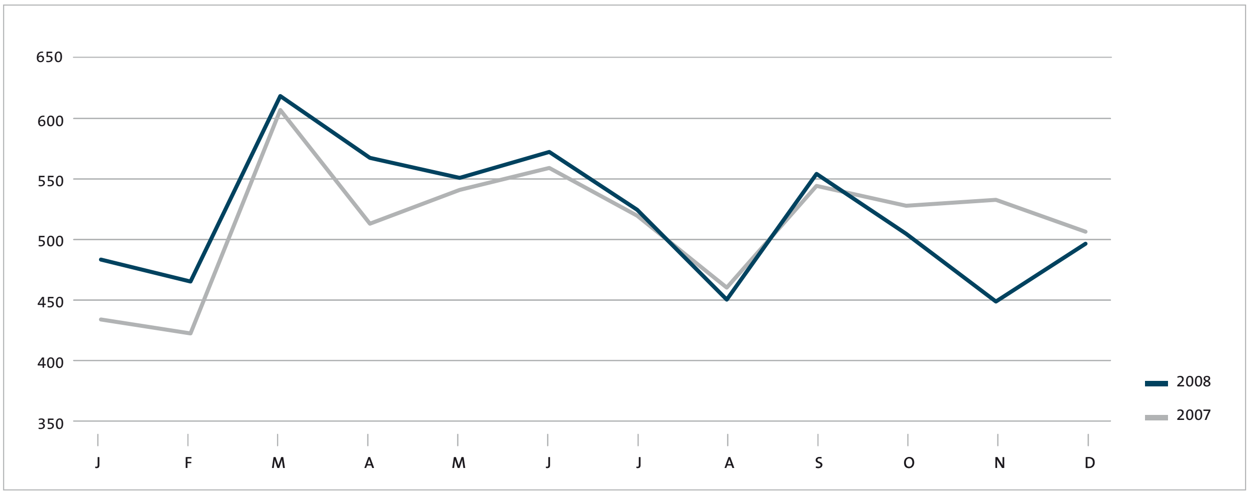
In 2008, the automotive market in Germany fell below the prior-year level by 1.6% for a total of 3.4 million vehicles. While new registrations of commercial vehicles amounted to 335 thousand (+0.3%), remaining at the previous year's high level, passenger car demand decreased by 1.8% to 3.1 million vehicles for the lowest level since reunification. The main reasons for this decline were high fuel prices and uncertainty among customers due to the financial crisis, along with the announced CO_2-based vehicle tax. New registrations of trucks with a gross vehicle weight of up to six tonnes increased by 0.9% to 224 thousand units. The weak demand in Germany and abroad led to a decline, compared with the records achieved in the previous year, at German manufacturers in both domestic production (–2.7% to 6.0 million automobiles) and exports (–3.5% to 4.5 million automobiles).

THE VOLKSWAGEN GROUP'S NEW MODELS IN 2008

The Volkswagen Group expanded its model range considerably in 2008 to include well over 170 passenger and commercial vehicle models in all key segments: from small cars to super sports cars in the passenger car sector, and from small pick-ups to heavy trucks in the commercial vehicles sector. We will successively move into open market segments that offer profitable opportunities for us. The

VOLKSWAGEN GROUP DELIVERIES BY MONTH

Vehicles in thousands



number of vehicles in Germany that emit less than 140 g/km CO_2 was increased to 91 in fiscal year 2008.

The Volkswagen Passenger Cars brand launched a new edition of the Golf, its most important volume model. The sleek design, perfect workmanship and excellent quality of the new Golf are again setting standards in the compact class. In addition, the brand expanded its range by adding two particularly emotional vehicles, the Passat CC and the Scirocco. The Passat CC, a dynamic four-door coupé, stands out on the strength of its unique design. The Scirocco is a true sports coupé featuring state-of-the-art technologies. In the key US market, Volkswagen began the planned rollout of new models with the Routan MPV. In China, the Lavida and New Bora volume models were both launched successfully. These cars perfectly fit Chinese demand for compact, inexpensive saloon cars. The most important model in Brazil, the Gol, was completely reengineered in 2008 and thus continued to defend its top market position. The market launch of the Voyage also supplemented the model range by a vehicle in the key A0 notchback segment in Brazil.

The Audi brand expanded its product range by adding the Audi A3 Cabriolet and Audi Q5 models, thereby forging ahead in high-growth segments. The Audi A3 Cabriolet is a compact convertible that offers maximum open-air driving enjoyment and has stylish lines whether the classic fabric top is up or down. The new Audi Q5 is a sports car in the SUV segment that combines strong performance with efficient fuel consumption. Moreover, Audi has expanded its model range to include attractive derivatives: the Avant version of the new A4 series was introduced, and the Audi RS6 models extend the successful Audi A6 product family.

In 2008, Škoda set new trends with the successor to the Superb in a hatchback version with a hinged Twindoor tailgate system. The new concept of the Czech brand's flagship model offers added comfort and utility and thus is aimed in particular at comfort-focused customers in Europe. This car is also available in an environmentally friendly GreenLine version*.

The SEAT brand fundamentally redesigned its key model in the subcompact segment, the Ibiza. The Ibiza series holds its own in Europe's largest market segment as an especially sporty and well-designed model. The number of cars sold exceeded the previous year's figure.

The luxury Lamborghini, Bentley and Bugatti brands developed fascinating new derivatives and editions based on well-known models and successfully launched these cars in 2008.

Volkswagen Commercial Vehicles showcased appealing new versions of its successful series: the sporty Caddy Life Style, the environmentally friendly Caddy BlueMotion*, the leisure-focused Caddy Tramper and the Caddy 4Motion* all-wheel-drive version.

Scania launched its new Euro 5 engine platform in the market in 2008. These engines feature both EGR (exhaust gas recirculation) and SCR (selective catalytic reduction) to accommodate all types of customer demand and market conditions. The new engines are the first in the industry to

* Consumption and emission data can be found on page 282 of this Report.

meet the tough Euro 5 emission standard without the need for exhaust gas aftertreatment and additives, making them more efficient and environmentally friendly to use.

In 2008, Volkswagen Financial Services AG continued to develop its successful mobility packages, thereby helping to supplement the innovative range of products offered by the Group.

VEHICLE DELIVERIES WORLDWIDE

The Volkswagen Group was able to continually improve its competitive position in the past fiscal year despite the increasingly more difficult market environment, allowing it to move into the ranks of the world's top three automakers during the period. Deliveries to customers worldwide amounted to 6,257,385 vehicles in fiscal year 2008, which was 1.1% over the previous year's figure. The chart on page 119 indicates that each of the delivery figures for the first six months of the reporting period exceeded the figure for the respective month in the previous year. In the second six months, the considerable deterioration in global economic conditions caused our deliveries to decline. Nonetheless, the Volkswagen Passenger Cars, Audi, Škoda and Volkswagen Commercial Vehicles brands increased their sales year-on-year. At 7.1%, the Škoda brand posted an impressive growth rate despite the difficult market environment. SEAT sales fell by 14.6% compared with 2007 mainly due to the problematic situation in the Spanish passenger car market. In the premium vehicle segments, Lamborghini shipped 1.0% more vehicles than in the previous year, but Bentley was unable to keep pace with the prior-year figure. The table on page 121 gives an overview of deliveries to customers by market and of the respective passenger car market shares in the 2008 fiscal year. We explain the particular conditions in individual markets in the following sections.

Deliveries in Europe/Remaining markets

In fiscal year 2008, deliveries to customers of the Group in Western Europe fell below the previous year's level. This region accounted for the largest proportion of our vehicles sold, amounting to 47.8% (previous year: 50.3%) of the Group's total delivery volume. The Audi, Škoda and Volkswagen Commercial Vehicles brands were able to exceed 2007 sales figures. The Golf Variant, Tiguan, Audi A4, Audi A5, Škoda Fabia Hatchback and Škoda Fabia Estate, Škoda Octavia saloon, Caddy and Crafter models saw positive growth figures. Demand was also robust for our new Golf, Scirocco, Passat CC, Audi A3 Cabriolet, Škoda Superb and SEAT Ibiza models. Despite the difficult market environment in Western Europe, the Volkswagen Group improved its share of the overall passenger car market to 20.3% (previous year: 19.5%). The Group's sales figuresin Central and Eastern Europe were up by 12.9% on the previous year. The strongest growth was generated in Russia and Ukraine. Demand was healthy for the Golf, Golf Plus, Golf Variant, Tiguan, Jetta, Passat saloon, Touareg, Audi A3, Audi A4, Audi A5, Škoda Octavia, Škoda Superb, Škoda Fabia Hatchback, and SEAT Ibiza models, as well as all Volkswagen Commercial Vehicles models. Demand for Group models in the Remaining markets was 1.7% higher than in the previous year.

Deliveries in Germany

In the German passenger car market, we delivered 0.5% more vehicles to customers in the past fiscal year than in the year before. Demand for the Golf Variant, Tiguan, Audi A4, Audi A5, Audi R8, Škoda Fabia Estate, Caddy and Crafter models developed positively. Our Golf, Scirocco, Passat CC, Audi A3 Cabriolet, Škoda Superb and SEAT Ibiza models met with a positive reception from the market. In 2008, eight Group models topped German registration statistics in their respective segments: the Polo, Golf, Audi A4, Audi A6, Touran, Tiguan, Audi TT and the Multivan/Transporter. The Golf again took first place among all registered passenger cars in Germany. Despite the difficult market conditions, we were able to boost our market share in Germany to 33.6% in 2008 (previous year: 32.7%) and further cement our market leadership.

Deliveries in North America

In the US passenger car market, which continues to decline substantially, the Volkswagen Group's sales figures fell below the previous year's figure during the reporting period (–4.5%). Sales of the Eos, Audi TT Roadster, Audi A4 and Audi R8 models grew. In Canada, we delivered 9.2% more vehicles to customers than in the previous year. The Golf, Eos, Touareg, Audi A3, Audi TT, Audi A4 and Audi A5 models generated the highest growth rates. In the Mexican passenger car market, demand for Group models dropped by 10.8%. Compared with the previous year, the Touareg, Audi A3, Audi A4, Audi A5, Saveiro and Crafter models experienced stronger demand.

Deliveries in South America/South Africa

In fiscal year 2008, the positive performance of key passenger car markets in South America continued, but the pace of growth slowed considerably. Deliveries to customers of the Group there were 7.9% higher overall than in the previous year. Our sales in Brazil rose by 9.7% year-on-year, mainly due to robust demand for the Gol, New Beetle, Golf, Bora, Passat saloon and Touareg models. The total delivery number also includes sales figures for the Saveiro and T2 light commercial vehicles. Demand for these models grew by 19.1% overall. In an increasingly difficult market environment, demand for heavy commercial vehicles that are produced in Brazil (trucks in the 5 to 45 tonnes weight classes), including the Scania models, increased to 42,927 (29,387) units.

In the passenger car market in Argentina, we delivered 10.7% more vehicles to customers in the reporting period than in 2007. The Fox, Gol, Golf, Jetta and Audi A3 models saw disproportionately high demand. With a market share

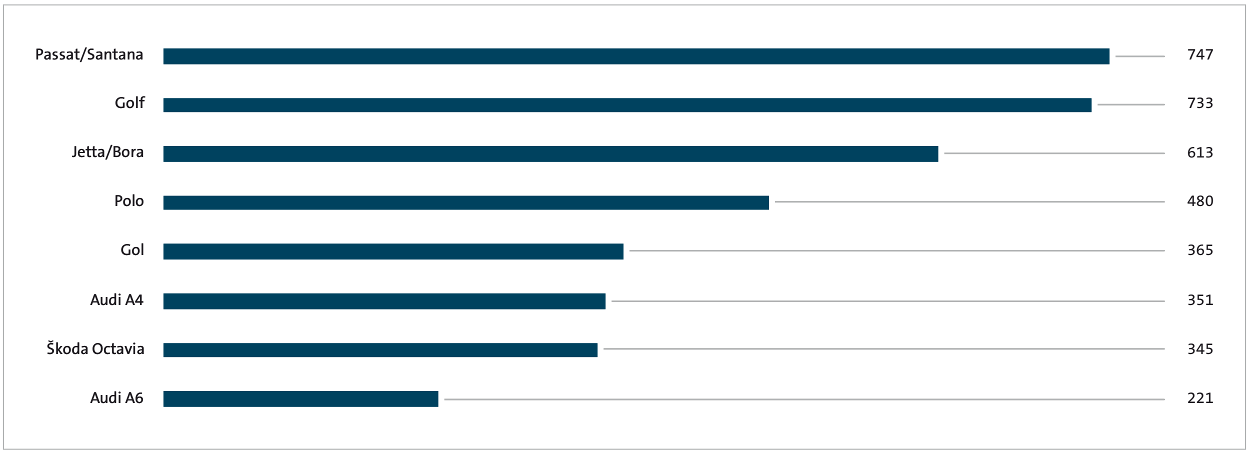
DELIVERIES TO CUSTOMERS BY MARKET[1]

	DELIVERIES (UNITS)		CHANGE (%)	SHARE OF PASSENGER CAR MARKET (%)	
	2008	2007		2008	2007
Europe/Remaining markets	**3,705,119**	**3,760,943**	**–1.5**		
Western Europe	**2,988,980**	**3,111,601**	**–3.9**	**20.3**	**19.5**
of which: Germany	1,060,349	1,055,037	+0.5	33.6	32.7
United Kingdom	380,048	403,158	–5.7	16.3	15.6
Spain	278,322	366,391	–24.0	23.0	21.4
Italy	264,978	280,459	–5.5	11.1	10.4
France	270,341	262,564	+3.0	11.9	12.0
Central and Eastern Europe	**561,055**	**496,785**	**+12.9**	**10.6**	**10.5**
of which: Russia	132,918	80,917	+64.3	4.5	3.2
Czech Republic	79,626	86,881	–8.4	51.2	61.4
Poland	77,478	71,876	+7.8	21.4	22.1
Remaining markets	**155,084**	**152,557**	**+1.7**		
of which: Turkey	54,818	69,387	–21.0	11.0	11.8
North America[2]	**503.134**	**530,630**	**–5.2**	**3,1**	**2.8**
of which: USA	314,513	329,234	–4.5	2.4	2.0
Mexico	139,252	156,186	–10.8	13.5	14.0
Canada	49,369	45,210	+9.2	3.0	2.7
South America/South Africa	**876,764**	**845,510**	**+3.7**	**19.4**	**19.2**
of which: Brazil	637,480	581,292	+9.7	24.0	24.9
Argentina	127,186	114,929	+10.7	25.4	25.8
South Africa	73,321	101,181	–27.5	20.8	22.1
Asia-Pacific	**1,172,368**	**1,052,505**	**+11.4**	**8.0**	**7.3**
of which: China	1,024,183	910,494	+12.5	18.6	17.8
Japan	61,626	67,469	–8.7	1.5	1.5
Worldwide	**6,257,385**	**6,189,588**	**+1.1**	**10.3**	**9.6**
Volkswagen Passenger Cars	3,667,624	3,663,154	+0.1		
Audi	1,003,469	964,151	+4.1		
Škoda	674,530	630,032	+7.1		
SEAT	368,104	431,024	–14.6		
Bentley	7,605	10,014	–24.1		
Lamborghini	2,430	2,406	+1.0		
Volkswagen Commercial Vehicles	503,025	488,726	+2.9		
Scania[3]	30,527	–	–		
Bugatti	71	81	–12.3		

1 Deliveries and market shares for 2007 have been updated to reflect subsequent statistical trends.
2 Overall markets in the USA, Mexico and Canada include passenger cars and light trucks.
3 July 22, 2008 to December 31, 2008.

WORLDWIDE DELIVERIES OF THE GROUP'S MOST SUCCESSFUL MODELS IN 2008

Vehicles in thousands



of 25.4% (previous year: 25.8%), we maintained our leadership position in the Argentinian market. The number of heavy trucks and buses sold amounted to 3,353 (previous year: 3,308) units.

In addition to the deterioration in business conditions, restrictive lending conditions in South Africa led to a substantial decline in the passenger car market in fiscal year 2008. The Volkswagen Group's deliveries fell by 27.5% compared with the previous year, with demand for entry-level models dropping sharply. The market share held by the Volkswagen Group was 20.8% (previous year: 22.1%).

Deliveries in the Asia-Pacific region

The pace of growth in the Asia-Pacific region's passenger car markets slowed significantly in the 2008 fiscal year as a result of the troubled global economic climate and inflation-curbing measures. The Volkswagen Group delivered 11.4% more vehicles there than in the previous year, mainly due to strong demand from the Chinese passenger car market. The Polo, Golf Variant, Jetta, Touran, Passat, Santana, Touareg, Audi TT, Audi A4, Audi A6, Audi A8, Audi Q7, Škoda Fabia and Škoda Octavia models were highly popular. In the Chinese passenger car market, which was affected by incentives offered by other automakers, we delivered more than one million vehicles for the first time. We thus increased our market share to 18.6% and strengthened our position at the top of the market. In Japan, the Group's sales figures decreased by 8.7%. However, sales of the Golf Variant and Audi A4 models grew.

Delivery figures recorded a significant increase in the remaining markets in the Asia-Pacific region, particularly India and Australia.

ORDERS RECEIVED BY THE VOLKSWAGEN GROUP IN WESTERN EUROPE

In Western Europe (including Germany), demand for Group models in 2008 was far more muted than in the previous year, although it was stronger than the market average. The significant downturn in demand for automobiles was triggered by the global financial market crisis. This is also reflected in the level of orders received by the Group in Western Europe, which decreased by 9.0% compared with the previous year.

In Western Europe excluding Germany, the Group recorded a 12.2% drop in the level of orders received.

At December 31, 2008, the Volkswagen Group held orders for 154,988 vehicles within Germany and for 179,208 units from the rest of Western Europe excluding Germany. This means that the level of orders was thus 23.3% lower than in the previous year.

SALES TO THE DEALER ORGANIZATION

In the reporting period, the Volkswagen Group – including the Chinese joint ventures – sold 6,271,724 vehicles to the dealer organization worldwide, 1.3% more than in the previous year. The growth in demand for Group models in China, Brazil, Russia and the Ukraine led to the share of vehicles sold abroad rising to 83.8% (previous year: 83.4%). Sales in Germany declined slightly by 1.7% compared with the previous year to 1,013,096 units.

At 734,259 vehicles sold worldwide, the Golf was once again our biggest seller, accounting for 11.7% of Group sales. The Gol, Golf Variant, Tiguan, Škoda Fabia Estate, Škoda Superb, Audi A4 saloon and Saveiro models recorded the strongest growth rates. In particular as a result of completed or planned model changes and updates, there was a decline in sales of the Polo, Golf Plus, Audi A6 Avant, Audi Q7, SEAT Altea and SEAT Leon.

PRODUCTION

The Volkswagen Group produced 6,346,515 vehicles worldwide in fiscal year 2008. This corresponds to a year-on-year increase of 2.1%. The healthy demand for our new models in particular led to an improvement in the capacity utilization at the plants. The production figures of our Chinese joint venture companies were 2.0% over the previous year's figure, while Volkswagen do Brasil manufactured 4.8% more vehicles. The Audi brand production facilities also increased their output considerably. The share accounted for by production in Germany amounted to 33.8% (previous year: 33.6%). Each workday, our plants worldwide produced an average of 26,603 vehicles; this corresponds to an increase of 4.8% compared with the previous year. Production figures do not include the highly successful Crafter models produced in the Daimler plants in Düsseldorf and Ludwigsfelde, or the Routan, which is manufactured in cooperation with Chrysler in the USA.

INVENTORIES

Worldwide inventories were higher at the end of 2008 than in the previous year in the Group companies and the dealer organization. In addition to the increase in business volume, the reasons for this included the lag in adjusting production to the negative market development, which was unexpectedly pronounced, particularly in the second half of the year.

NUMBER OF EMPLOYEES

Including the Chinese joint venture companies, the Volkswagen Group had an average of 357,207 employees (+8.7%) during the reporting period. Our companies in Germany employed an average of 177,884 people and thus 49.8% (previous year: 53.3%) of the total headcount. The Volkswagen Group had 351,203 active employees as of December 31, 2008. In addition, 8,841 employees were in the passive phase of their early retirement and 9,884 young persons were in vocational traineeships (+6.3%). The total headcount of the Volkswagen Group amounted to 369,928 employees (+12.3%) as of the reporting date. This increase is mainly attributable to the consolidation in full of Scania. Excluding Scania, the number of employees was 337,298, only 2.4% more than in the previous year. A total of 174,342 people were employed in Germany (+3.3%). The number of employees abroad was 195,586 (+21.8%).

SUMMARY OF BUSINESS DEVELOPMENT

The assessment of the Company's business development during the reporting period by the Board of Management of Volkswagen AG is positive. Despite the dramatic deterioration in the business environment during the year, the Volkswagen Group reached its main targets. Thanks to our attractive model range, the global orientation of the Group, continuous process improvement and systematically applied cost management, we were able to reach new financial highs and capture market share worldwide. More detailed information on our achievement of financial targets can be found in the chapter entitled "Net Assets, Financial Position and Results of Operations" on page 140.

The following table gives an overview of the targets for key figures in the reporting period and the extent to which they were achieved.

The effects of the acquisition of additional shares of Scania and the inclusion of Scania in the consolidated financial statements were not reflected in the targets set at the beginning of the fiscal year.

Measure	Forecast for 2008	Actual 2008 excl. Scania	Actual 2008 incl. Scania
Deliveries	> 6.19 million	6.23 million	6.26 million
Sales revenue	> €108.9 billion	€109.9 billion	€113.8 billion
Operating profit	> €6.2 billion	€6.5 billion	€6.3 billion
Capex/sales revenue	approx. 6 %	6.6 %	6.6 %
Net cash flow in the Automotive Division	positive	€141 million	– €2.7 billion
Net liquidity in the Automotive Division	> €13.5 billion	€11.6 billion	€8.0 billion

Shares and Bonds
Eventful year for shareholders of Volkswagen AG

For shareholders of Volkswagen AG, 2008 was probably the most compelling year in the Company's history. The performance of ordinary shares and preferred shares diverged widely. And for a short while, Volkswagen was even the most valuable company in the world.

GLOBAL EQUITY MARKETS

For investors, 2008 was a year marked by major fluctuations and in some cases steep plunges in share prices in the international equity markets. At the beginning of the year, prices slid significantly within a short period of time, leading to one of the weakest starts to a year in history. Global economic performance was overshadowed all year by the crisis stemming from the US mortgage and credit markets, with uncertainty in global capital markets growing significantly in the second half of the year.

After share prices bounced back for a short while in the second and third quarters, prices again dropped considerably in each case. The strength of the euro and high oil prices had a dampening effect mid-year. Both trends weakened again in the fourth quarter.

At the start of the fourth quarter, additional negative news from the financial and business sectors again caused share prices to plunge, a trend that could not be stopped initially even by government intervention attempts. It was not until mid-quarter that a sideways movement took hold and then continued until the end of the year.

The DAX closed 2008 at 4,810 points, 40.4% below the previous year's figure. The DJ Euro STOXX Automobile closed at 198 points on December 31, 2008 for a decline of 44.2% compared with end-2007.

DEVELOPMENT OF THE VOLKSWAGEN SHARE PRICE

In the first quarter, Volkswagen ordinary shares clearly outperformed the DAX. The satisfactory sales and financial data from fiscal year 2007 contributed materially to this performance.

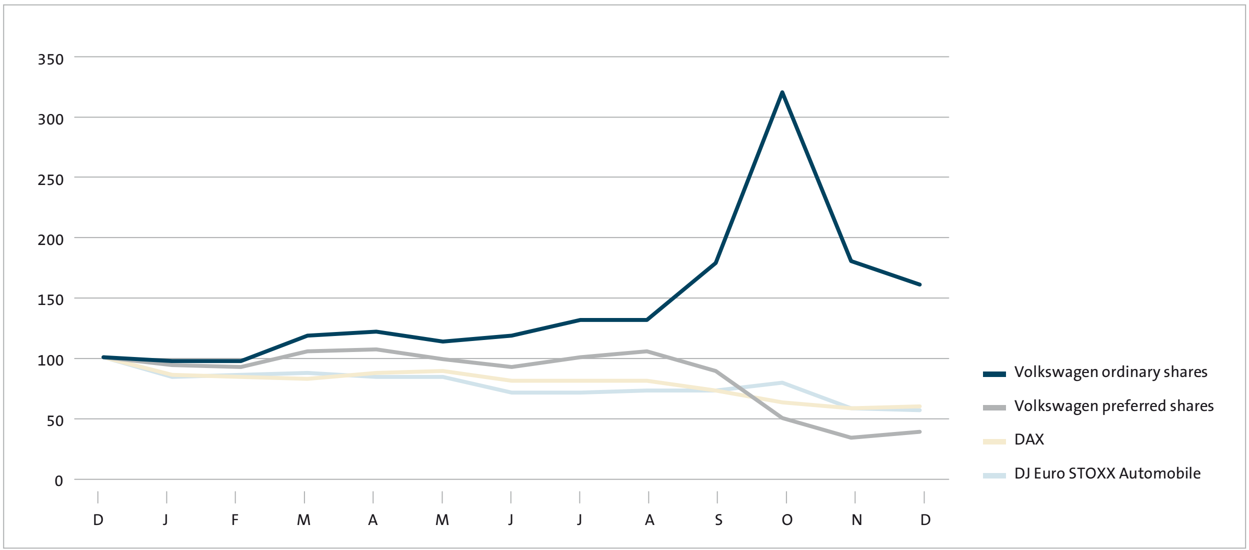
The positive trend mostly continued throughout the second quarter of 2008, bolstered by factors including share purchases by the State of Lower Saxony.

The performance of Volkswagen AG's ordinary and preferred shares was widely divergent in the third quarter: although the price of preferred shares fell at the end of the quarter, the price of ordinary shares rose sharply. In addition to the good half-yearly results, the reasons for this development are likely to have included acquisitions of additional shares by Porsche Automobil Holding SE and the market's expectations of further purchases.

In the fourth quarter, Porsche Automobil Holding SE announced that it had increased its interest in Volkswagen AG to 42.6% of the ordinary shares and that it held cash-settled options on ordinary shares of Volkswagen for hedging purposes. Many market players were surprised by this announcement, and the price of Volkswagen's ordinary shares rose to €1,005.01 for a short period. At this time, Volkswagen was the most valuable company in the world.

SHARE PRICE DEVELOPMENT FROM DECEMBER 2007 TO DECEMBER 2008

Index based on month-end prices: December 31, 2007 = 100



The announcement by Porsche that it would unwind hedging transactions amounting to up to 5% of the ordinary shares and the further deterioration in underlying economic conditions led to a subsequent substantial drop in the share price. Deutsche Börse reacted to this share price turbulence with an extraordinary reweighting of the 30 companies represented in the DAX and a reduction in the percentage of the leading German index accounted for by Volkswagen's shares from 27% to 10% in November 2008. The price of preferred shares, which fell in the third quarter, continued its downward trend in the last quarter of the year.

On October 28, 2008, Volkswagen AG ordinary shares recorded their highest daily closing price in the fiscal year, namely €945.00. This was also the highest closing price in the Company's entire history. At their low on January 21, 2008, the shares were trading at €148.43. On the last trading day of the year, they were quoted at €250.00, representing a 60.2% increase compared with the end of 2007.

Volkswagen AG preferred shares recorded their highest closing price of the reporting period, €108.30, on April 22, 2008. Their lowest price was €29.30 on November 12, 2008. At the end of the year, preferred shares were quoted at €38.02, or 62.0 % below the price on December 31, 2007.

DIVIDEND YIELD

Based on the dividend proposal for the reporting period, the dividend yield on Volkswagen ordinary shares is 0.8%. The dividend yield on preferred shares is 5.2%. Details of the current dividend proposal can be found in the chapter entitled Volkswagen AG (condensed, according to German Commercial Code) on page 145 of this Annual Report.

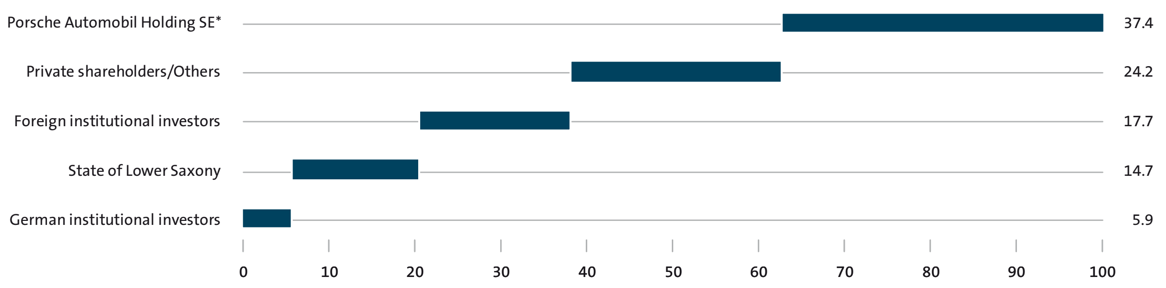
EARNINGS PER SHARE

Basic earnings per ordinary share were €11.92 in 2008 (2007: €10.43). In accordance with IAS 33, the calculation is based on the average number of ordinary shares outstanding in the fiscal year (see also note 11 to the Volkswagen Consolidated Financial Statements).

FURTHER INFORMATION ON VOLKSWAGEN SHARES
www.volkswagenag.com/ir

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2008

as a percentage of subscribed capital



* In accordance with notification by Porsche Automobil Holding SE on January 5, 2009.

SHAREHOLDER STRUCTURE

The shareholder structure of Volkswagen AG as of December 31, 2008, is shown in the chart above. Because of the exercise of conversion rights under the stock option plan, the number of shares increased by 0.9%. At the end of 2008, the subscribed capital of Volkswagen AG thus comprised 294,920,207 ordinary shares and 105,238,280 preferred shares.

In June 2008, the Finance Ministry of the State of Lower Saxony announced that the State of Lower Saxony had purchased 500,000 Volkswagen shares. The purchase was intended to maintain the State's share in Volkswagen AG above 20% of the voting rights.

Porsche Automobil Holding SE announced in September 2008 that it had purchased an additional 4.89% of Volkswagen's ordinary shares, bringing its equity interest to a total of 35.14%.

On October 26, 2008, Porsche Automobil Holding SE publicly announced that it had increased its holding of Volkswagen AG's ordinary shares to 42.6%.

On January 5, 2009, Porsche Automobil Holding SE notified us that its share of the voting rights of Volkswagen AG had exceeded the 50% threshold and amounted to 50.76% as of that date.

This means that Porsche Automobil Holding SE is the largest single shareholder of Volkswagen AG. The State of Lower Saxony held 20.0% of the ordinary shares on December 31, 2008, corresponding to 14.7% of the subscribed capital. The proportion of Volkswagen shares held by foreign institutional investors was 11.9% (previous year: 25.6%), while German institutional investors held 3.8% (previous year: 6.2%).

Notifications of changes in voting rights in accordance with the Wertpapierhandelsgesetz (German Securities Trading Act) are published on our website www.volkswagenag.com/ir

VOLKSWAGEN SHARE KEY FIGURES

Dividend development		2008	2007	2006	2005	2004
Number of no-par value shares at Dec. 31						
Ordinary shares	thousands	294,920	291,337	286,980	321,930	320,290
Preferred shares	thousands	105,238	105,238	105,238	105,238	105,238
Dividend						
per ordinary share	€	1.93	1.80	1.25	1.15	1.05
per preferred share	€	1.99	1.86	1.31	1.21	1.11
Dividend paid[1]						
per ordinary share	€ million	569	524	359	322	292
per preferred share	€ million	209	196	138	128	117
Share price development[2]		2008	2007	2006	2005	2004
Ordinary shares						
Closing	€	250.00	156.10	85.89	44.61	33.35
Annual high	€	945.00	197.90	85.89	54.01	44.65
Annual low	€	148.43	82.60	45.10	31.88	30.71
Preferred shares						
Closing	€	38.02	100.00	56.55	32.50	24.41
Annual high	€	108.30	131.00	56.55	40.00	28.97
Annual low	€	29.30	54.14	32.85	24.00	21.20
Beta factor	factor	0,89[3]	0.88	1.03	1.00	1.05
Market capitalization at Dec. 31	€ billion	77.7	56.0	30.6	15.9	11.9
Equity at Dec. 31	€ billion	35.0	31.9	26.9	23.6	22.6
Ratio of market capitalization to equity	factor	2.22	1.75	1.14	0.67	0.52
Key figures per share		2008	2007	2006	2005	2004
Earnings per ordinary share[4]						
basic	€	11.92	10.43	7,07[5]	2.90	1.79
diluted	€	11.88	10.34	7,04[5]	2.90	1.79
Operating profit[6]	€	15.91	15.60	5.18	6.60	4.28
Cash flows from operating activities[6]	€	27.13	39.72	37.32	27.86	29.85
Equity[7]	€	87.49	80.38	68.59	55.25	53.19
Price/earnings ratio[8]	factor	21.0	15.0	12.1	15.4	18.6
Price/cash flow ratio[8]	factor	9.2	3.9	2.3	1.6	1.1
Dividend yield						
ordinary share	%	0.8	1.2	1.5	2.6	3.1
preferred share	%	5.2	1.9	2.3	3.7	4.5
Price development (excluding dividends)						
ordinary share	%	60.2	81.7	92.5	33.8	– 24.5
preferred share	%	– 62.0	76.8	74.0	33.1	– 15.1
Turnover on German stock exchanges[9]		2008	2007	2006	2005	2004
Turnover of Volkswagen ordinary shares	€ billion	136.5	103.1	50.5	30.9	24.3
	million shares	562.8	877.3	770.4	735.7	682.0
Shares per trading day (average)	million shares	2.2	3.5	3.0	2.9	2.7
Volkswagen share of total DAX turnover	%	8.0	5.3	3.9	3.3	3.1

1 Figures for the years 2004 to 2007 relate to dividends paid in the following year. For 2008, the figures relate to the proposed dividend.
2 Xetra prices.
3 See page 142 for the calculation.
4 See note 11 to the Consolidated Financial Statements (Earnings per share) for the calculation.
5 For 2006 from continuing and discontinued operations.
6 Based on the weighted average number of ordinary and preferred shares outstanding (basic).
7 Based on the total number of ordinary and preferred shares on December 31.
8 Using closing prices of the ordinary shares.
9 Order book turnover on German exchanges.

CONVERSION OF STOCK OPTIONS

Due to the very positive performance of Volkswagen ordinary shares in 2008, many of our employees took advantage of the attractive opportunity to convert previously subscribed bonds into ordinary shares. During the reporting period, some 47,000 employees exercised their conversion rights under the subscribed bonds in the fifth, sixth, seventh and eighth tranches of the stock option plan. This resulted in the creation of 3,582,940 new ordinary shares, or €9.2 million in subscribed capital. Further details of our stock option plan can be found in the Notes to the Volkswagen Consolidated Financial Statements, starting on page 238.

ANNUAL GENERAL MEETING

Volkswagen AG's 48th Ordinary General Meeting was held in the Congress Center Hamburg on April 24, 2008. With 57.86% of the voting capital present, the ordinary shareholders voted in favor of resolutions including formal approval for the actions of the Board of Management and the Supervisory Board, and the authorization to purchase and utilize own shares. As in previous years, shareholders were able to follow the entire AGM and issue instructions online. Many shareholders also took advantage of the opportunity to exercise their voting rights through an authorized proxy of Volkswagen AG. This service will also be offered to shareholders for the 49th Annual General Meeting on April 23, 2009. All shareholders of Volkswagen AG will receive further information together with their invitation to the AGM.

VOLKSWAGEN IN SUSTAINABILITY INDICES

The Volkswagen Group's shares are represented in a number of sustainability indices, including the London FTSE4Good Index and the Dow Jones STOXX Sustainability Index. Details are provided in the Value-Enhancing Factors section on page 168.

ANNUAL DOCUMENT IN ACCORDANCE WITH SECTION 10 OF THE WPPG

The Annual Document containing a list of the publications from fiscal year 2008 (and thereafter) in accordance with section 10(1) of the Wertpapierprospektgesetz (WpPG – German Securities Prospectus Act) can be accessed at www.volkswagenag.com/ir. If it is not possible to access the document, a document in printed form can be requested.

FURTHER INFORMATION ON SUSTAINABILITY
www.volkswagenag.com/sustainability

VOLKSWAGEN SHARE DATA

Securities identification codes	Market indices ordinary shares	Market indices preferred shares	Exchanges
Ordinary shares ISIN: DE0007664005 WKN: 766400 Deutsche Börse/Bloomberg: VOW Reuters: VOWG.DE Preferred shares ISIN: DE0007664039 WKN: 766403 Deutsche Börse/Bloomberg: VOW3 Reuters: VOWG_p.DE	DAX, HDAX, CDAX, Prime All Share, Prime Automobile, DJ Euro STOXX 50, DJ Euro STOXX Automobile, FTST Eurotop 100 Index, S&P Global 100 Index, DJ Sustainability Index World, DJ Sustainability Index STOXX, FTSE4Good, Advanced Sustainability Performance Index, MSCI Euro	CDAX, Prime All Share, Prime Automobile, Classic All Share	Berlin, Bremen, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, Xetra, London, Luxembourg, New York*, SIX Swiss Exchange

* Traded in the form of "sponsored unlisted American Depositary Receipts" (ADRs). Five ADRs correspond to one underlying Volkswagen ordinary share.

INVESTOR RELATIONS ACTIVITIES

In 2008, the Volkswagen Investor Relations team again informed analysts and investors in all the major global financial centers about the business development and progress of the Volkswagen Group and its individual brands comprehensively and in a timely manner. To this end, the team organized and conducted a total of more than 500 roadshows, conferences, presentations and one-on-one discussions worldwide. Scheduled conference calls were held to explain the quarterly results, which were also broadcast on the Internet. Some events were held together with Group Treasury.

The team was also available to answer investor questions about the Volkswagen Group and Volkswagen's shares at numerous events organized specially for our private shareholders.

The presence of the Investor Relations department at the Autostadt in Wolfsburg was redesigned in 2008. Film clips and interactive components are used to present the Volkswagen Group as a stock corporation in an entertaining and informative way, as well as providing explanations of the importance of stock markets for the Company, tailored to each target group.

HIGHLIGHTS IN THE INVESTOR RELATIONS CALENDAR

Deutsche Bank's German Corporate Conference on June 5, 2008 in Frankfurt am Main offered the Volkswagen Group the opportunity to outline its strategic goals for profitable growth. The topics covered included the growing importance of emerging markets, efficient new production systems and sustainability, with an emphasis on fuel and drivetrain strategies.

More than 1,500 journalists and analysts representing 46 countries attended the unveiling of the new Golf in Reykjavik in September 2008. At this event, they had the opportunity to extensively test drive the sixth generation of Europe's most successful automobile and see for themselves that the new Golf sets completely new standards in terms of value and comfort. In addition to providing information about the Golf, Volkswagen also outlined the strategic goals of the Group.

The Volkswagen Investor Relations team was recognized twice by Institutional Investor magazine as part of the 2008 European Investor Relations Study. In the automotive sector, the team took first place in both the “Best Investor Relations” as well as the “Most Improved Investor Relations” categories.

Investor Relations activities in 2009 will also focus on strategy and product presentations with the participation of the members of the Board of Management and the management of the Volkswagen Group.

All presentations that were given as part of events were published online at www.volkswagenag.com/ir shortly afterwards.

Compared with 2007, the number of visits to the Investor Relations website increased by more than 30% in the reporting period. The website recorded the most visits in October 2008 at 55,000, and the average visit lasted 30 minutes. In total, the Investor Relations team's website was visited 420,000 times in 2008. This underscores the growing importance of online media for disseminating information to investors.

NEW ISSUES

The financial crisis, which grew steadily worse in the course of 2008, had a significant effect on refinancing conditions on the money and capital markets. In the second half of the year in particular, the sharp rise in uncertainty despite massive governmental interventions led to a liquidity bottleneck never before experienced, along with a dramatic increase in refinancing costs.

The Volkswagen Group was able to more than hold its own in this environment thanks to the Group's financial flexibility. The Group's solid liquidity position and the large number of available money and capital market instruments allowed us to cover liquidity requirements even in difficult periods. This put us in the position to avoid particularly price-sensitive markets and absorb the general rise in refinancing costs. We took advantage of stable market phases in 2008 for a series of public capital market transactions. Two asset-backed securities (ABSs) were issued for Volkswagen Bank GmbH with a volume of approximately €2.2 billion from the Driver Program, along with a fixed-rate bond amounting to €700 million. We placed two ABSs for USD 2.0 billion and two European fixed-rate bonds for a total of €1.75 billion for Volkswagen Credit Inc. to refinance our financial services activities in the USA. Moreover, we raised an additional 3.4 billion Mexican pesos in the local capital market for the financial services business in Mexico.

The following overview provides information about the utilization of our money and capital market programs as of December 31, 2008:

Programs	Authorized volume € billion	Amount utilized on Dec. 31, 2008 € billion
Commercial Paper	17.2	5.0
Medium Term Notes	54.0	20.7
Other capital market programs	8.0	0.3
Asset Backed Securities	23.9	18.1

We have a broad range of confirmed credit lines anchored by the as yet unused syndicated facility for the Group above and beyond our money and capital market programs. After Porsche Automobil Holding SE publicly announced the increase in its shareholding in Volkswagen AG in September 2008, some members of the syndicate providing this facility exercised their contractual right of termination. The credit line due in June 2012 thus decreased from €10.0 billion to €7.8 billion.

The cash holdings, short- and long-term credit lines, and the available money and capital market programs supplemented by the guarantees applied for from the German government's Sonderfonds Finanzmarkt-stabilisierung (SoFFin – German Financial Markets Stabilization Fund) continue to give the Volkswagen Group a very high degree of financial flexibility, thereby enabling it to cover its refinancing requirements and ensuring that it remains solvent at all times.

RATINGS

In 2008, rating agencies Moody's Investors Service and Standard & Poor's carried out their regular update of credit ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH. Moody's Investors Service lifted the long-term rating outlook for Volkswagen AG and Volkswagen Financial Services AG from "stable" to "positive", thus recognizing the further improvement in the Volkswagen Group's financial indicators and business outlook. Despite the emerging weakening of the market as a whole, Standard & Poor's also recognized the positive performance of Volkswagen AG and Volkswagen Financial Services AG, and maintained its existing ratings unchanged. The credit rating awarded to Volkswagen Bank GmbH by Moody's Investors Service and Standard & Poor's is one notch higher than that of Volkswagen AG and Volkswagen Financial Services AG. We are using this to our advantage in the refinancing of our financial services activities. Moody's Investors Service confirmed its rating of "stable" for Volkswagen Bank GmbH, while Standard & Poor's cut its rating from "stable" to "negative". The following table gives an overview of our current ratings and their development in past years.

OUR INVESTOR RELATIONS TEAM IS AVAILABLE FOR QUERIES AND COMMENTS.

WOLFSBURG OFFICE (VOLKSWAGEN AG)
Phone +49 53 61 9–8 66 22 IR-Hotline
Fax +49 53 61 9–3 04 11
E-mail investor.relations@volkswagen.de
Internet www.volkswagenag.com/ir

LONDON OFFICE (VOLKSWAGEN AG)
Phone +44 20 72 90 7820
Fax +44 20 76 29 2405

INVESTOR RELATIONS LIAISON OFFICE (VOLKSWAGEN GROUP OF AMERICA, INC.)
(Questions relating to American Depositary Receipts)
Phone +1 703 364 7000
Fax +1 703 364 7080

RATINGS

	VOLKSWAGEN AG			VOLKSWAGEN FINANCIAL SERVICES AG			VOLKSWAGEN BANK GMBH		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Standard & Poor's									
short-term	A–2	A–2	A–2	A–2	A–2	A–2	A–1	A–1	A–1
long-term	A–	A–	A–	A–	A–	A–	A	A	A
Outlook	stable	stable	stable	stable	stable	stable	negative	stable	stable
Moody's Investors Service									
short-term	P–2	P–2	P–2	P–2	P–2	P–2	P–1	P–1	P–1
long-term	A3	A3	A3	A3	A3	A3	A2	A2	A2
Outlook	positive	stable	stable	positive	stable	stable	stable	stable	stable

Net Assets, Financial Position and Results of Operations

Facing the financial crisis with systematic cost management and attractive models

In spite of the difficult conditions in fiscal 2008, the Volkswagen Group lifted its sales revenue and its operating profit year-on-year. Scania was consolidated as the Group's ninth brand.

On July 22, 2008, the Volkswagen Group increased its share of voting rights in Scania from 38.0% to 68.6%. As a result, Scania has been consolidated as the Group's ninth brand. Prior to that date, income from this investment was included in the Group's financial result using the equity method. Since July 22, 2008, Scania's commercial vehicles and buses business has been reflected in the figures for the Automotive Division. Scania's financial services business is included in the figures for the Financial Services Division.

The 2008 consolidated financial statements were not affected by the adoption of new or amended accounting standards.

CONSOLIDATED BALANCE SHEET STRUCTURE

Due to the sale of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda. (VW CO), Resende, Brazil, to MAN AG, Munich, effective January 1, 2009, we have reported the assets and liabilities of VW CO contained in the consolidated balance sheet as "assets held for sale and associated liabilities" in accordance with IFRS 5.

The Volkswagen Group's total assets amounted to €167.9 billion on December 31, 2008, an increase of 15.5% versus the previous year. The Automotive and Financial Services divisions contributed equally to this development.

The structure of the consolidated balance sheet as of December 31, 2008 can be seen from the chart on page 134. The Volkswagen Group's equity ratio was 22.3% (22.0%).

AUTOMOTIVE DIVISION BALANCE SHEET STRUCTURE

Scania's consolidation led to an increase in noncurrent assets in particular – mainly intangible assets – as well as current liabilities and equity.

Noncurrent assets in the Automotive Division were 23.5% higher at the balance sheet date than on December 31, 2007. The carrying amount of property, plant and equipment rose by 19.5%. Current assets were up by 8.1% year-on-year as a consequence of higher inventories resulting from the massive market turbulence in the second half of the year and increased receivables. Marketable securities and cash and cash equivalents decreased, principally as a result of the acquisition of the Scania shares. Marketable securities were also increasingly converted into cash and cash equivalents as part of our liquidity management activities.

The Automotive Division's equity attributable to shareholders of Volkswagen AG amounted to €26.8 billion at the end of the reporting period, 8.5% higher than the year before. This was primarily due to positive earnings growth. After adjustment for minority interests, which chiefly relate to minority interests in Scania, equity rose by 16.8% to €29.0 billion. The equity ratio was 32.6% (32.3%).

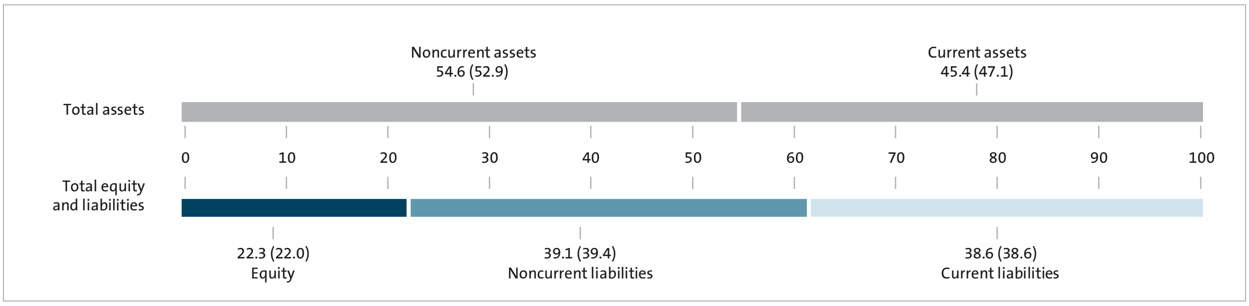
CONSOLIDATED BALANCE SHEET BY DIVISION AS OF DECEMBER 31

€ million	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
	2008	2007	2008	2007	2008	2007
Assets						
Noncurrent assets	**91,756**	**76,841**	**46,378**	**37,564**	**45,378**	**39,277**
Intangible assets	12,291	6,830	12,186	6,736	105	94
Property, plant and equipment	23,121	19,338	22,879	19,151	242	187
Leasing and rental assets	9,889	8,179	410	75	9,479	8,104
Financial services receivables	31,855	27,522	–	–	31,855	27,522
Noncurrent receivables and other financial assets[2]	14,600	14,972	10,903	11,602	3,697	3,370
Current assets	**76,163**	**68,516**	**42,370**	**39,190**	**33,793**	**29,326**
Inventories	17,816	14,031	16,732	13,319	1,084	712
Financial services receivables	27,035	24,914	–103	231	27,138	24,683
Current receivables and other financial assets	17,061	12,844	13,340	10,002	3,721	2,842
Marketable securities	3,770	6,615	3,730	6,503	40	112
Cash and cash equivalents	9,474	10,112	7,664	9,135	1,810	977
Assets held for sale	1,007	–	1,007	–	–	–
Total assets	**167,919**	**145,357**	**88,748**	**76,754**	**79,171**	**68,603**
Equity and Liabilities						
Equity	**37,388**	**31,938**	**28,964**	**24,802**	**8,424**	**7,136**
Equity attributable to shareholders of Volkswagen AG	35,011	31,875	26,841	24,739	8,170	7,136
Minority interests	2,377	63	2,123	63	254	–
Noncurrent liabilities	**65,729**	**57,351**	**30,688**	**28,509**	**35,041**	**28,842**
Noncurrent financial liabilities	33,257	29,315	2,240	3,645	31,017	25,670
Provisions for pensions	12,955	12,603	12,829	12,481	126	122
Other noncurrent liabilities[3]	19,517	15,433	15,619	12,383	3,898	3,050
Current liabilities	**64,802**	**56,068**	**29,096**	**23,443**	**35,706**	**32,625**
Current financial liabilities	36,123	28,677	2,865	–1,139	33,258	29,816
Trade payables	9,676	9,099	9,085	8,202	591	897
Other current liabilities	18,237	18,292	16,380	16,380	1,857	1,912
Liabilities associated with assets held for sale	766	–	766	–	–	–
Total equity and liabilities	**167,919**	**145,357**	**88,748**	**76,754**	**79,171**	**68,603**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions, primarily intra-Group loans.
2 Including equity-accounted investments and deferred taxes.
3 Including deferred taxes.

CONSOLIDATED BALANCE SHEET STRUCTURE 2008

in percent



Noncurrent liabilities increased by 7.6%. As a result of changes in maturities, there was a shift in certain financial liabilities from noncurrent to current maturities in fiscal year 2008. Current liabilities increased by 24.1% in particular as a result of the inclusion of Scania.

Total assets in the Automotive Division amounted to €88.7 billion on December 31, 2008, an increase of 15.6% year-on-year. Scania accounted for €11.1 billion of total assets, including the effects of purchase price allocation.

FINANCIAL SERVICES DIVISION BALANCE SHEET STRUCTURE

Financial services receivables and liabilities in particular increased as a result of the consolidation of Scania's financial services business. On December 31, 2008, total assets in the Financial Services Division were up €10.6 billion on the end of 2007, €4.5 billion of which was attributable to Scania. On the assets side, noncurrent assets rose by 15.5% and current assets by 15.2%, primarily because of increased financial services receivables. Overall, the Financial Services Division accounted for approximately 47% of the Volkswagen Group's assets as of December 31, 2008.

At the balance sheet date, the Financial Services Division's equity amounted to €8.4 billion, an 18.0% increase on December 31, 2007. This was due to the profit for the period and a capital increase by Volkswagen AG. The equity ratio was 10.6% (10.4%). Noncurrent liabilities were 21.5% higher than in the previous year, mainly on account of higher financial liabilities due to the expansion of business. Deposits at Volkswagen Bank *direct* increased by €3.2 billion to €12.8 billion. The debt/equity ratio remained unchanged at 8:1.

PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT

Financial management at the Volkswagen Group comprises the areas of liquidity management, currency, interest rate and commodity risk management, as well as credit and country default risk management. This is performed centrally for all Group companies by Group Treasury, based on internal directives and risk parameters.

For more information on the principles and goals of financial management, please refer to the Notes to the 2008 Consolidated Financial Statements on pages 255 to 264 as well as to the Risk Report on pages 175 to 176.

CASH FLOW STATEMENT BY DIVISION

€ million	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
	2008	2007	2008	2007	2008	2007
Profit before tax	6,608	6,543	5,677	5,474	931	1,069
Income taxes paid	−2,075	−1,172	−1,973	−1,290	−102	118
Depreciation and amortization expense	8,438	9,238	6,680	7,429	1,758	1,809
Change in pension provisions	140	103	132	99	8	4
Other noncash income/expense and reclassifications[2]	893	−50	591	190	302	−240
Gross cash flow	**14,004**	**14,662**	**11,107**	**11,902**	**2,897**	**2,760**
Change in working capital	**−3,205**	**1,000**	**−2,336**	**1,773**	**−869**	**−773**
Change in inventories	−3,056	−1,856	−2,688	−1,219	−368	−637
Change in receivables	−1,333	−942	−1,130	−555	−203	−387
Change in liabilities	815	2,244	1,100	2,092	−285	152
Change in other provisions	369	1,554	382	1,455	−13	99
Cash flows from operating activities	**10,799**	**15,662**	**8.771[3]**	**13.675[3]**	**2,028**	**1,987**
Cash flows from investing activities	**−19,710**	**−13,474**	**−11,450**	**−6,550**	**−8,260**	**−6,924**
of which: acquisition of property, plant and equipment	−6,883	−4,638	−6,762	−4,555	−121	−83
capitalized development costs	−2,216	−1,446	−2,216	−1,446	–	–
change in leasing and rental assets (excluding depreciation)	−3,055	−2,763	−277	−80	−2,778	−2,683
change in financial services receivables	−5,053	−3,588	297	251	−5,350	−3,839
acquisition and disposal of equity investments	−2,596	−1,224	−2,571	−869	−25	−355
Net cash flow	**−8,911**	**2,188**	**−2,679**	**7,125**	**−6,232**	**−4,937**
Change in investments in securities and loans[4]	430	−2,338	496	−2,020	−66	−318
Cash flows from financing activities	**8,123**	**787**	**942**	**−4,204**	**7,181**	**4,991**
Changes in cash and cash equivalents due to exchange rate changes	−113	−90	−57	−81	−56	−9
Net change in cash and cash equivalents	**−471**	**547**	**−1,298**	**820**	**827**	**−273**
Cash and cash equivalents at Dec. 31[5]	**9,443**	**9,914**	**7,639**	**8,937**	**1,804**	**977**
Securities and loans	7,875	9,178	5,679	7,047	2,196	2,131
Gross liquidity	**17,318**	**19,092**	**13,318**	**15,984**	**4,000**	**3,108**
Total third-party borrowings	−69,555	−57,992	−5,279	−2,506	−64,276	−55,486
Net liquidity	**−52,237**	**−38,900**	**8,039**	**13,478**	**−60,276**	**−52,378**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 These relate mainly to fair value measurement of financial instruments, application of the equity method and reclassification of gains/losses on the disposal of noncurrent assets to investing activities.
3 Before consolidation of intra-Group transactions: €8,876 million (€13,897 million).
4 Including loan receivables previously reported in financing activities. Prior-period amounts have been adjusted.
5 Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.

FINANCIAL POSITION AND CASH AND CASH EQUIVALENTS IN THE GROUP

The financial position of the Volkswagen Group in 2008 was dominated by extensive investing activity and the acquisition of the Scania shares. The following sections give an overview of the Group's liquidity development and outline the operating factors by division.

The Volkswagen Group recorded gross cash flow of €14.0 billion (€14.7 billion) in the reporting period.

After working capital recorded a cash inflow of €1.0 billion in the previous year, the Group posted a cash outflow of €3.2 billion in 2008. Consequently, cash flows from operating activities fell to €10.8 billion (€15.7 billion).

Net cash used in investing activities increased by 46.3% year-on-year to €19.7 billion; as a result, net cash flow fell by €11.1 billion to €–8.9 billion.

The Volkswagen Group reported cash and cash equivalents of €9.4 billion (€9.9 billion) as of December 31, 2008. At €17.3 billion, gross liquidity was down €1.8 billion on the previous year. Net liquidity in the Group decreased by €13.3 billion to €–52.2 billion.

FINANCIAL POSITION IN THE AUTOMOTIVE DIVISION

At €11.1 billion (€11.9 billion), the Automotive Division's gross cash flow fell short of the high prior-year figure, principally due to higher income tax payments. Following the release of funds recorded in previous years, funds tied up in working capital came to €2.3 billion; this was largely attributable to higher receivables and inventories as a consequence of the difficult market situation. Cash flows from operating activities therefore fell by 35.9% to €8.8 billion.

Investments in property, plant and equipment in the Automotive Division during the reporting period were up 48.5% year-on-year to €6.8 billion. The ratio of investments in property, plant and equipment to sales revenue (capex) was at the upper end of our expectations at 6.6% (4.6%). The majority of investments related to the new production facilities and to models that we launched in 2008 or are planning to launch in 2009, primarily the new Audi Q5 and the successors to the Polo, Gol, Golf, Audi A4, Škoda Superb, SEAT Ibiza and Multivan/ Transporter. Capitalized development costs, at €2.2. billion, were significantly higher than in 2007 due to the large number of new products. Furthermore, the acquisition of additional shares in Scania led to an increase in net cash used in investing activities of €4.9 billion year-on-year to a total of €11.5 billion. As a result, the net cash flow generated by the Automotive Division fell by €9.8 billion to €–2.7 billion. Adjusted for the inclusion of Scania, the net cash flow would have been slightly positive.

With regard to financing activities, the Automotive Division recorded a cash inflow of €0.9 billion following the outflow in the previous year. Cash and cash equivalents decreased by a total of €1.3 billion to €7.6 billion (€8.9 billion) at the end of the reporting period. At €8.0 billion (€13.5 billion), the net liquidity of the Automotive Division remained at a high level as of December 31, 2008.

FINANCIAL POSITION IN THE FINANCIAL SERVICES DIVISION

The Financial Services Division's gross cash flow rose slightly year-on-year to €2.9 billion in 2008. Increased reductions in liabilities in particular led to funds of €0.9 billion (€0.8 billion) tied up in working capital. Cash flows from investing activities rose to €8.3 billion (€6.9 billion) due to the increase in receivables from customer and dealer financing. Additional miscellaneous financial liabilities attributable to the growth in business volume pushed up financing activities to €7.2 billion (€5.0 billion). Cash and cash equivalents amounted to €1.8 billion at the end of the reporting period. After accounting for securities and loans, the gross liquidity of the Financial Services Division was €4.0 billion (€3.1 billion). Third-party borrowings rose to €64.3 billion (€55.5 billion); this year-on-year increase is mainly attributable to the expansion of business and the consolidation of Scania. The negative net liquidity – common to the industry – in the Financial Services Division thus increased by €7.9 billion to €–60.3 billion.

RESULTS OF OPERATIONS OF THE GROUP

The Volkswagen Group generated sales revenue of €113.8 billion in 2008. This 4.5% increase is primarily attributable to the consolidation of Scania from July 22, 2008. The positive business development also contributed to this increase. The largest proportion of sales revenue was generated outside Germany, at 75.7% (75.3%). The cost of sales rose by 4.3%, while the gross margin was 15.1%, marginally higher than in the previous year. The Group's operating profit was €6.3 billion (€6.2 billion). In spite of the difficult economic climate, we exceeded our high level of earnings in fiscal year 2007 as we had set out to do. The operating return on sales remained constant at 5.6%.

CONSOLIDATED PROFIT

The Volkswagen Group's profit before tax in 2008 amounted to €6.6 billion (€6.5 billion), up slightly on the high level recorded in the previous year. The return on sales before tax slipped back to 5.8% (6.0%). The Volkswagen Group's profit after tax was €4.7 billion and thus 13.7% higher than in 2007.

RESULTS OF OPERATIONS IN THE AUTOMOTIVE DIVISION

Sales revenue in the Automotive Division rose by 3.9% year-on-year to €102.6 billion. This improvement was mainly due to the initial consolidation of Scania and the increased sales volume. As the cost of sales rose at a slower pace, at 3.8%, the gross margin remained improved slightly to 14.4% (14.3%). The gross profit was €14.7 billion (€14.1 billion). Distribution expenses rose to €10.1 billion because of the intensified marketing activities. Administrative expenses were higher than in the previous year, at €2.3 billion.

Net other operating income rose by €1.1 billion to €3.0 billion, primarily because of positive effects from currency hedging activities. In particular because of the traditionally high write-downs resulting from purchase price allocation in the initial phase following the acquisition, the inclusion of Scania made a negative contribution of €0.2 billion to the Volkswagen Group's operating profit.

The Automotive Division generated an operating profit of €5.4 billion in the reporting period, an improvement of 4.5% on the previous year. The ratio of operating profit to sales revenue was unchanged at 5.3%.

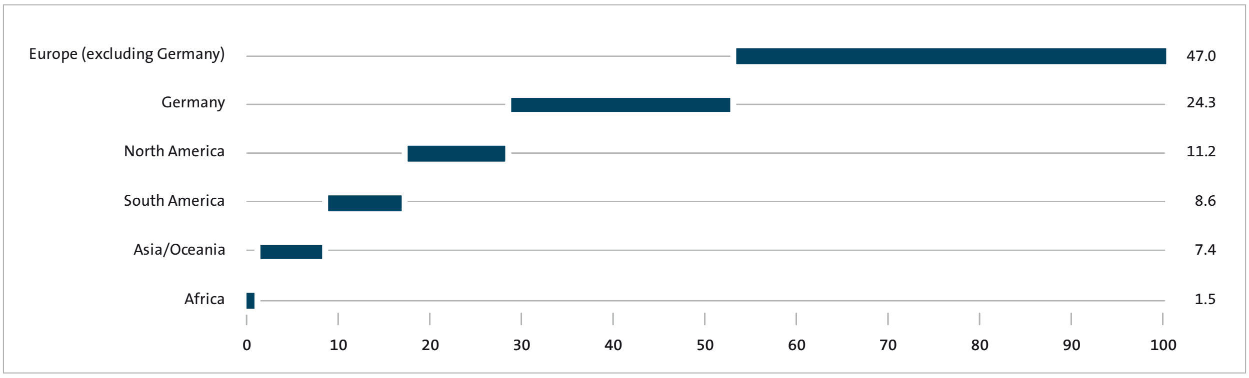
INCOME STATEMENT BY DIVISION

	VOLKSWAGEN GROUP		AUTOMOTIVE*		FINANCIAL SERVICES	
€ million	2008	2007	2008	2007	2008	2007
Sales revenue	**113,808**	**108,897**	**102,632**	**98,752**	**11,176**	**10,145**
Cost of sales	96,612	92,603	87,895	84,674	8,717	7,929
Gross profit	17,196	16,294	14,737	14,078	2,459	2,216
Distribution expenses	10,552	9,274	10,061	8,781	491	493
Administrative expenses	2,742	2,453	2,254	1,970	488	483
Net other operating income	2,431	1,584	3,006	1,867	–575	–283
Operating profit	**6,333**	**6,151**	**5,428**	**5,194**	**905**	**957**
Share of profits and losses of equity-accounted investments	910	734	809	580	101	154
Other financial result	–635	–342	–560	–300	–75	–42
Financial result	**275**	**392**	**249**	**280**	**26**	**112**
Profit before tax	**6,608**	**6,543**	**5,677**	**5,474**	**931**	**1,069**
Income tax expense	1,920	2,421	1,668	2,254	252	167
Profit after tax	**4,688**	**4,122**	**4,009**	**3,220**	**679**	**902**
Minority interests	–65	2	–71	2	6	–
Profit attributable to shareholders of Volkswagen AG	**4,753**	**4,120**	**4,080**	**3,218**	**673**	**902**

* Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

SEGMENT REPORTING – SHARE OF SALES REVENUE BY MARKET 2008

in percent



The financial result decreased by €31 million to €249 million on account of effects from the measurement of financial instruments.

RESULTS OF OPERATIONS IN THE FINANCIAL SERVICES DIVISION

The Financial Services Division generated sales revenue of €11.2 billion in 2008, 10.2% more than in the previous year. This improvement was driven by the rental business and dealer and customer financing. At €2.5 billion, gross profit was up 11.0% year-on-year. Both distribution and administrative expenses remained on a level with the previous year at €491 million and €488 million respectively. Their respective proportions of sales revenue declined, however. Higher valuation adjustments on receivables meant that net other operating income was €292 million lower than in the previous year, at €–575 million. Although the financial crisis considerably impacted business development in the reporting period, the Financial Services Division achieved an operating profit of €905 million, only moderately lower than the high prior-year figure of €957 million. As a result, the division once again made a substantial contribution to consolidated profit.

The return on equity before tax was 12.1% (16.1%).

KEY FINANCIAL FIGURES

%	2008	2007	2006	2005	2004
Volkswagen Group					
Gross margin	15.1	15.0	13.2	13.0	11.8
Personnel expense ratio	13.9	13.4	16.6	15.7	15.8
Return on sales before tax	5.8	6.0	1.7	1.7	1.2
Return on sales after tax	4.1	3.8	2.6	1.2	0.8
Equity ratio	22.3	22.0	19.7	17.8	17.8
Dynamic gearing[1] (years)	0.2	0.3	0.2	0.2	0.2
Automotive Division[2]					
Change in unit sales[3]	+ 1.3	+ 8.2	+ 10.2	+ 1.0	+ 2.5
Change in sales revenue	+ 3.9	+ 2.9	+ 12.0	+ 6.8	+ 5.0
Operating profit as a percentage of sales revenue	5.3	5.3	1.2	2.0	0.9
Return on investment after tax[4]	10.9	9.5	2.1	2.4	1.3
Cash flows from operating activities as a percentage of sales revenue	8.5	13.8	12.2	9.5	11.1
Cash flows from investing activities as a percentage of sales revenue	11.2	6.6	6.4	6.7	8.8
Investments in property, plant and equipment as a percentage of sales revenue	6.6	4.6	3.8	5.0	6.8
Ratio of noncurrent assets to total assets[5]	26.2	25.0	28.0	32.9	35.5
Ratio of current assets to total assets[6]	19.2	17.4	17.2	18.3	17.1
Inventory turnover	6.3	7.4	7.3	6.8	6.4
Equity ratio	32.6	32.3	28.8	25.3	26.1
Financial Services Division					
Increase in total assets	15.4	6.3	0.4	4.7	17.9
Return on equity before tax[7]	12.1	16.1	16.9	18.2	20.0
Equity ratio	10.6	10.4	9.6	9.7	8.8

1 Ratio of cash flows from operating activities to current and noncurrent financial liabilities.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Including the vehicle-production investments Shanghai-Volkswagen Automotive Company Ltd. and FAW-Volkswagen Automotive Company Ltd. These companies are accounted for using the equity method.
4 For details, see Value-based management on page 143.
5 Ratio of property, plant and equipment to total assets.
6 Ratio of inventories to total assets.
7 Profit before tax as a percentage of average equity (in 2006: continuing operations).

SUMMARY OF ECONOMIC POSITION

Based on the Company's success in 2008, the Board of Management of Volkswagen AG believes that the Group's economic position is positive in spite of the substantial impact of the financial crisis. Optimized processes and cost structures have enabled us to safeguard our earnings power and reinforce the Group's competitiveness in the long term. Volkswagen thus achieved its objective of increasing sales revenue and operating profit year-on-year.

The acquisition of further shares in Scania in 2008 reduced net cash flow in the Automotive Division. Adjusted for the effects of the Scania transaction, the Automotive Division was able to generate a slightly positive net cash flow. We were unable to secure a further improvement in the Automotive Division's liquidity position even after adjustment for the Scania effects. This was due among other things to the capital increase implemented at Volkswagen Financial Services AG to strengthen equity and the build-up of inventories in the second half of 2008 as a result of the difficult market situation. An overview of the development of the Volkswagen Group over the past five years can be found in the tables on pages 139 and 141. More information on the economic position of the Volkswagen Group by brand and business field can be found in the Divisions chapter starting on page 78.

VALUE ADDED STATEMENT

The value added statement indicates the added value generated by a company in the past fiscal year as its contribution to the gross domestic product of its home country, and how it is appropriated. In 2008, the added value generated by the Volkswagen Group was 7.1% higher than in the previous year. Added value per employee was €83.0 thousand (–1.0%).

VALUE ADDED GENERATED BY THE VOLKSWAGEN GROUP

Source of funds in € million	2008		2007	
Sales revenue	113,808		108,897	
Other income	9,992		7,050	
Cost of materials	−75,954		−72,340	
Depreciation and amortization	−8,438		−9,238	
Other upfront expenditures	−12,554		−9,289	
Value added	**26,854**		**25,080**	

Appropriation of funds in € million	2008	%	2007	%
to shareholders (dividend)	779	2.9	720	2.9
to employees (wages, salaries, benefits)	15,784	58.8	14,549	58.0
to the state (taxes, duties)	2,503	9.3	2,950	11.8
to creditors (interest expense)	3,879	14.4	3,459	13.7
to the Company (reserves)	3,909	14.6	3,402	13.6
Value added	**26,854**	**100.0**	**25,080**	**100.0**

FIVE-YEAR REVIEW

	2008	2007	2006	2005	2004
Volume Data (thousands)					
Vehicle sales (units)	**6,272**	**6,192**	**5,720**	**5,193**	**5,143**
Germany	1,013	1,030	1,093	1,019	940
Abroad	5,259	5,162	4,627	4,174	4,203
Production (units)	**6,347**	**6,213**	**5,660**	**5,219**	**5,093**
Germany	2,146	2,086	1,935	1,913	1,832
Abroad	4,201	4,127	3,725	3,306	3,261
Employees (yearly average)	**357**	**329**	**329**	**345**	**343**
Germany	178	175	174	179	179
Abroad	179	154	155	166	164
Financial Data in € million					
Income Statement					
Sales revenue	**113,808**	**108,897**	**104,875**	**93,996**	**88,963**
Cost of sales	96,612	92,603	91,020	81,733	78,430
Gross profit	**17,196**	**16,294**	**13,855**	**12,263**	**10,533**
Distribution expenses	10,552	9,274	9,180	8,628	8,167
Administrative expenses	2,742	2,453	2,312	2,225	2,309
Net other operating expense/income	2,431	1,584	–354	1,128	1,585
Operating profit	**6,333**	**6,151**	**2,009**	**2,538**	**1,642**
Financial result	275	392	–216	–917	–554
Profit before tax	**6,608**	**6,543**	**1,793**	**1,621**	**1,088**
Income tax expense	1,920	2,421	–162	571	391
Profit after tax	**4,688**	**4,122**	**1,955**	**1,050**	**697**
Cost of materials	**75,954**	**72,340**	**66,935**	**62,620**	**58,239**
Personnel expenses	**15,784**	**14,549**	**17,400**	**14,796**	**14,038**
Balance Sheet at December 31					
Noncurrent assets	91,756	76,841	75,374	75,235	72,212
Current assets	76,163	68,516	61,229	57,846	55,391
Total assets	**167,919**	**145,357**	**136,603**	**133,081**	**127,603**
Equity	37,388	31,938	26,959	23,647	22,681
of which: minority interests	2,377	63	55	47	47
Noncurrent liabilities	65,729	57,351	56,159	56,125	56,230
Current liabilities	64,802	56,068	53,485	53,309	48,692
Total equity and liabilities	**167,919**	**145,357**	**136,603**	**133,081**	**127,603**
Cash flows from operating activities	**10,799**	**15,662**	**14,470**	**10,709**	**11,457**
Cash flows from investing activities	**19,710**	**13,474**	**11,911**	**10,365**	**15,078**
Cash flows from financing activities	**8,123**	**787**	**–114**	**–1,794**	**6,004**

VALUE CONTRIBUTION AS A CONTROL VARIABLE

The Volkswagen Group's financial target system focuses on continuously and sustainably increasing the value of the Company. In order to allocate our financial resources efficiently in the Automotive Division, we have been using value contribution*, a control variable linked to the cost of capital, for a number of years.

The concept of value-based management allows the success of our innovative, environmentally oriented product portfolio to be evaluated. This concept also enables the earnings strength of individual business units and projects, such as the new plants in India, Russia and North America, to be measured.

COMPONENTS OF VALUE CONTRIBUTION

Value contribution is calculated using operating profit after tax and the opportunity cost of invested capital. Operating profit reflects the economic performance of the Automotive Division and is initially a pre-tax figure.

Using the various international income tax rates of the relevant companies, in the past we assumed an overall average tax rate of 35% when calculating the operating profit after tax. The business tax reform in Germany reduced this tax rate to an average of 30% in 2008.

The opportunity cost of capital is calculated by multiplying the cost of capital by the invested capital. Invested capital is calculated as total operating assets (property, plant and equipment, intangible assets, inventories and receivables) less non-interest-bearing liabilities (trade payables and payments on account received).

Assets relating to investments in subsidiaries and associates and the investment of cash funds are not included when calculating invested capital because the concept of value-based management is applied solely to our operating activities. Interest charged on these assets is reported in the financial result.

DETERMINING THE CURRENT COST OF CAPITAL

The cost of capital is calculated as the weighted average of the required rates of return on equity and debt. The cost of equity is determined using the Capital Asset Pricing Model (CAPM).

This uses the yield on long-term risk-free Bunds, increased by the risk premium attaching to investments in the equity market. The general risk premium, which reflects the general risk of a capital investment in the equity market and focuses on the DAX, was reduced from 6% to 5% for 2008 to reflect the changes in German tax law. Allowance is made for the individual risk to which Volkswagen's shares are exposed using a beta factor that reflects the fluctuations in the price of Volkswagen shares in comparison with the equity market (DAX). As Volkswagen shares experienced considerable price fluctuations in 2008, leading to extreme beta factors in individual months, a multi-year average figure of 0.89 was used for the first time to determine the current beta factor for 2008 as a whole.

The cost of debt is based on the average yield for long-term debt. As borrowing costs are tax-deductible, the cost of debt is also adjusted to account for the current tax rate of 30%.

A weighting on the basis of a fixed ratio for the fair values of equity and debt gives an effective cost of capital for the Automotive Division of 7.2% (7.6%) for 2008.

COST OF CAPITAL AFTER TAX
AUTOMOTIVE DIVISION

%	2008	2007
Risk-free rate	4.1	4.3
DAX market risk premium	5.0	6.0
Volkswagen-specific risk premium	– 0.6	– 0.7
(Volkswagen beta factor)	(0.89)	(0.88)
Cost of equity after tax	**8.5**	**9.6**
Cost of debt	6.7	5.5
Tax	– 2.0	– 1.9
Cost of debt after tax	**4.7**	**3.6**
Proportion of equity	66.7	66.7
Proportion of debt	33.3	33.3
Cost of capital after tax	**7.2**	**7.6**

* The value contribution corresponds to the Economic Value Added (EVA®).
EVA® is a registered trademark of Stern Stewart & Co.

VALUE CONTRIBUTION AND RETURN ON INVESTMENT IN THE CURRENT FISCAL YEAR

To maintain comparability with 2007, we initially calculated the 2008 figures for value-based management excluding the consolidation of Scania. The operating profit after tax of the Automotive Division (excluding Scania) was €4,185 million (€3,567 million) in fiscal year 2008. The year-on-year improvement is attributable in particular to sales growth and to the further optimization of our revenue and cost structures.

Invested capital rose by an annual average of €1,207 million in connection with the renewal and expansion of our product portfolio plus a temporary increase in inventories. As the cost of capital has fallen, the cost of invested capital remained at the previous year's level at €2,787 million. The 17.3% increase in operating profit after tax once again resulted in a positive value contribution of €1,398 million (€717 million).

The return on investment is the return on invested capital for a particular period based on the operating profit after tax. This also improved year-on-year to 10.8% (9.5%). As a result, we also clearly exceeded our minimum required rate of return of 9% in 2008.

After the Volkswagen Group increased its share of voting rights in Scania to 68.6% on July 22, 2008, Scania was consolidated as the Group's ninth brand. In line with the internal management and control of the brands and companies in the Automotive Division, Scania and its core operations (development, production and sale of commercial vehicles and buses) were included in the concept of value-based management on the basis of uniform definitions. The effects of purchase price allocation on assets and earnings are not taken into account as they lie outside the scope of operational management.

Including Scania's earnings and assets from July 22 to December 31, 2008, the return on investment was 10.9% and the value contribution was €1,519 million.

More information on value-based management is contained in our publication "Financial Control System of the Volkswagen Group", which can be downloaded from our Investor Relations website.

VALUE CONTRIBUTION BY THE AUTOMOTIVE DIVISION*

€ million	2008 incl. Scania	2008 excl. Scania	2007
Operating profit (starting point)	5,428	5,428	5,194
Adjustment for operating profit from Scania's core business	–	–406	–
Adjustment for effects of Scania purchase price allocation	575	575	–
Plus share of operating profit of vehicle-producing Chinese joint ventures	381	381	294
Tax expense	–1,915	–1,793	–1,921
Operating profit after tax	**4,469**	**4,185**	**3,567**
Invested capital (average)	40,966	38,707	37,500
Return on investment (ROI) in %	**10.9**	**10.8**	**9.5**
Cost of capital in %	7.2	7.2	7.6
Cost of invested capital	**2,950**	**2,787**	**2,850**
Value contribution	**1,519**	**1,398**	**717**

* Including proportionate inclusion of vehicle-producing Chinese joint venture companies and allocation of consolidation adjustments between the Automotive and Financial Services divisions.

Volkswagen AG (condensed, according to German Commercial Code)

Vehicle sales volume increases again

NET INCOME FOR THE YEAR

In fiscal year 2008, Volkswagen AG's sales rose by 2.7% year-on-year to €56.7 billion on the back of stronger vehicle sales worldwide. 60.6% (61.5%) of sales revenue was generated outside Germany. As the cost of sales increased disproportionately to €55.8 billion, gross profit declined to €930 million. The rise in selling, general and administrative expenses is mainly attributable to the increase in sales promotion measures necessitated by the tougher competitive situation.

The ratio of selling, general and administrative expenses to sales also increased year-on-year. The other operating result improved by 11.8% to €1.5 billion. The financial result increased by 17.7% to €4.5 billion, chiefly due to higher income from investments and interest.

Overall, Volkswagen AG's result from ordinary activities slipped to €2.5 billion (€2.8 billion) in 2008. After deducting income taxes, net income amounted to €0.8 billion.

INCOME STATEMENT OF VOLKSWAGEN AG

€ million	2008	2007
Sales	56,710	55,218
Cost of sales	55,780	53,652
Gross profit on sales	**+930**	**+1,566**
Selling, general and administrative expenses	4,341	3,863
Other operating result	+1,463	+1,309
Financial result*	+4,472	+3,799
Result from ordinary activities	**+2,524**	**+2,811**
Taxes on income	1,697	1,356
Net income for the year	**827**	**1,455**
Retained profits brought forward	24	10
Appropriations to revenue reserves	70	720
Net retained profits	**781**	**745**

* Including write-downs of financial assets.

BALANCE SHEET OF VOLKSWAGEN AG AS OF DECEMBER 31

€ million	2008	2007
Fixed assets	34,017	27,072
Inventories	3,680	3,189
Receivables	14,826	12,238
Cash and bank balances	4,162	5,933
Total assets	**56,685**	**48,432**
Equity	11,818	11,499
Long-term debt	10,484	8,901
Medium-term debt	9,260	6,892
Short-term debt	25,122	21,140

NET ASSETS AND FINANCIAL POSITION

During the reporting period, Volkswagen AG's total assets increased by 17.0% to €56.7 billion. At €1.4 billion, investments in tangible assets were 36.4% higher than in the previous year. Investments were made primarily in new products. Financial investments increased by 42.6% year-on-year, mainly as a result of the increased investment in Scania AB. Fixed assets grew by 25.7% compared with December 31, 2007 to €34.0 billion.

Current assets increased by 6.1% to €22.7 billion. Increased receivables and inventories were offset by a lower level of securities and – due in particular to the Scania acquisition – lower cash funds.

Many employees took advantage of the extremely positive price performance of Volkswagen ordinary shares to exercise the conversion rights from their previously subscribed bonds in the reporting period. Together with higher capital and revenue reserves, this increased equity (including special tax-allowable reserves) slightly by 2.8% to €11.8 billion. The equity ratio fell to 20.8% (23.7%).

At the end of 2008, provisions increased by 9.5% year-on-year to €23.4 billion. Liabilities rose by 37.8% to €21.5 billion, of which €15.9 billion (€11.0 billion) was interest-bearing.

DIVIDEND PROPOSAL

In accordance with section 58(2) of the Aktiengesetz (AktG – German Stock Corporation Act), €70 million of the net income for the year was appropriated to other revenue reserves. The Board of Management and Supervisory Board are proposing to the Annual General Meeting to pay a dividend of €779 million from net retained profits, i.e. €1.93 per ordinary share and €1.99 per preferred share.

PROPOSAL ON THE APPROPRIATION OF NET PROFIT

€	2008
Dividend distribution on subscribed capital (€1,024 million)	778,620,176.71
thereof on: ordinary shares	569,195,999.51
preferred shares	209,424,177.20
Balance (carried forward to new account)	2,322,846.40
Net retained profits	**780,943,023.11**

EMPLOYEE PAY AND BENEFITS AT VOLKSWAGEN AG

€ million	2008	%	2007	%
Direct pay including cash benefits	4,133	64.7	3,957	57.4
Social security contributions	861	13.5	919	13.3
Compensated absence	750	11.8	728	10.6
Old-age pensions	639	10.0	1,288*	18.7
Total expense	**6,383**	**100.0**	**6,892**	**100.0**

* Provisions for pensions and similar obligations are recognized at their actuarial present value calculated using the German entry age normal method and reflecting current mortality tables. A discount rate of 5.5% was applied for the first time in 2007 (6% until 2006).

SALES TO THE DEALER ORGANIZATION

Volkswagen AG sold 2,388,014 vehicles to the dealer organization in the reporting period. This was 0.9% more than in the previous year. The percentage of vehicles sold outside Germany increased to 69.7% (69.5%).

PRODUCTION

Volkswagen AG's vehicle production plants (Emden, Hanover and Wolfsburg), including Auto5000 GmbH, which manufactures vehicles at the Wolfsburg plant, increased their output by 5.7% to a total of 1,137,145 vehicles. This was primarily due to the increased number of Tiguan and Passat CC models produced. Average daily production at Volkswagen AG increased by 4.1% to 4,656 units.

NUMBER OF EMPLOYEES

At December 31, 2008, a total of 90,363 people were employed at the sites of Volkswagen AG, excluding staff employed at subsidiaries. This figure included 4,459 vocational trainees. 4,872 employees were in the passive phase of their early retirement. The workforce was 0.1% smaller than during the previous year.

The percentage of female employees was 13.8% (13.2%) of the total headcount. The Company employed 2,487 part-time workers (2.8%). The percentage of foreign employees was 6.1% (6.3%). A total of 68.0% (66.5%) of employees held a vocational qualification in an area relevant to Volkswagen, while 11.6% (11.2%) were graduates. The average age of Volkswagen employees in the reporting period was 42.1 years.

RESEARCH AND DEVELOPMENT

Volkswagen AG's research and development costs according to the German Commercial Code rose by 31.1 % year-on-year to €3.0 billion. On December 31, 2008, 8,954 people were employed in this area.

PURCHASING VOLUME

The purchasing volume across the six Volkswagen AG sites in Germany amounted to €20.4 billion (€19.6 billion) in the reporting period, of which 72.4% (75.0%) was sourced from German suppliers. Of the total purchasing volume, €17.2 billion was spent on production materials and €3.2 billion on capital goods and services.

EXPENDITURE ON ENVIRONMENTAL PROTECTION

Investments for environmental protection are broken down into cumulative and integrated environmental protection measures. They are defined as investments made with the sole or primary objective of protecting the environment. Only production-related investments are now reported; disclosures of product-related investments were discontinued in 2008.

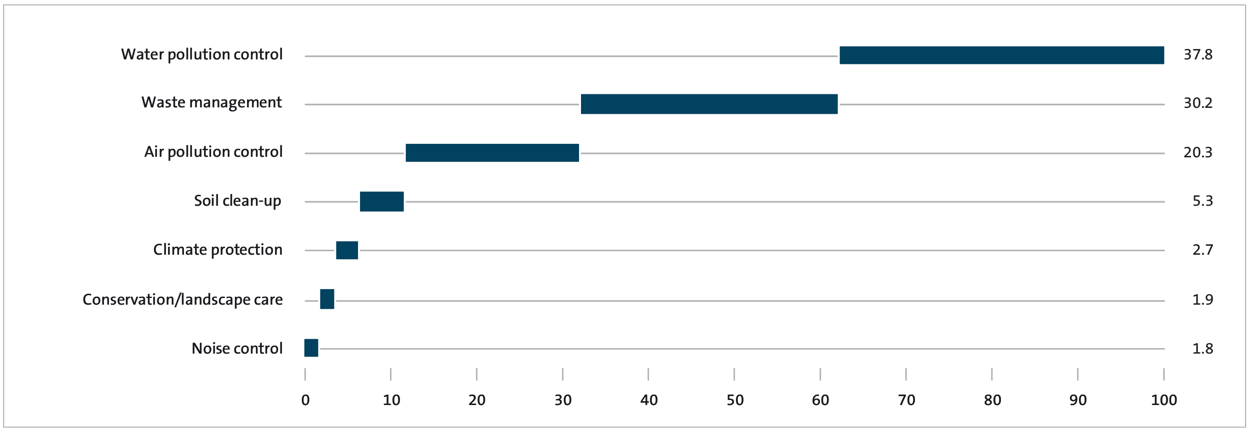
Operating costs relating to environmental protection comprise expenditures for the operation of environmental protection equipment and expenditure on measures not relating to such equipment. Expenditure on water pollution control and waste management made up the bulk of the operating costs in 2008.

VOLKSWAGEN AG EXPENDITURE ON ENVIRONMENTAL PROTECTION

€ million	2008	2007	2006	2005	2004
Investments	8	20	19	27	16
Operating costs	185	177	170	194	202

OPERATING COSTS FOR ENVIRONMENTAL PROTECTION AT VOLKSWAGEN AG IN 2008

Share of environmental protection areas as percent



BUSINESS DEVELOPMENT RISKS AT VOLKSWAGEN AG

The business development of Volkswagen AG is exposed to essentially the same risks as the Volkswagen Group. These risks are explained in the Risk Report on pages 170 to 177 of this Annual Report.

RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risks for Volkswagen AG arising from the use of financial instruments are the same as those to which the Volkswagen Group is exposed. An explanation of these risks can be found on pages 175 to 176 of this Annual Report.

DEPENDENT COMPANY REPORT

The Board of Management of Volkswagen AG has submitted to the Supervisory Board the report required by section 312 of the AktG and issued the following concluding declaration:

"We declare that, based on the circumstances known to us at the time when the transactions with affiliated companies within the meaning of section 312 of the German Stock Corporation Act (AktG) were entered into, our Company received an appropriate consideration for each transaction. No transactions or measures were either undertaken or omitted on the instructions of or in the interests of Porsche or other affiliated companies in the reporting period."

The Annual Financial Statements of Volkswagen AG (in accordance with the HGB) can be accessed from the electronic companies register at www.unternehmensregister.de

Value-Enhancing Factors

An outstanding team develops and manufactures innovative products that evoke passion

Developing and manufacturing vehicles efficiently with responsible use of environmental resources is the challenge our specialist, highly motivated employees face day after day. The result – first-class vehicles that captivate our customers worldwide.

The key financial indicators for the Volkswagen Group have already been explained in detail in the “Net assets, financial position and results of operations” chapter. In addition to these, however, the non-financial performance indicators also illustrate the efficiency of our Company’s value drivers. The Group’s non-financial performance indicators include processes in the areas of research and development, procurement, production, sales and marketing, and quality assurance, but also the behavior of corporate management towards employees, our contribution to environmental protection and the social responsibility we assume. In the following we explain how these value drivers contribute to the sustainable increase in Volkswagen’s enterprise value.

RESEARCH AND DEVELOPMENT

In 2008, research and development activities were dedicated entirely to expanding our product portfolio and improving the functionality, quality, safety and environmental compatibility of Group products. Both the proposals for improvement and ideas contributed by our staff and the technical expertise of external partners played a key role here.

Innovative products for a stronger future

Innovation management at Volkswagen developed an integrated process in 2008 – the goal of which was to strengthen the Group’s customer focus. This spans the Research, Development, Procurement, Production, Finance and Sales divisions. It covers all stages in the product development process from forward-looking research to series development. On the basis of its outstanding innovation management, Volkswagen won the 2008 “Best Innovator” competition in November 2008 organized by management consultants A.T. Kearney and the German magazine WirtschaftsWoche. This highlighted in particular the clear strategy with which Volkswagen is establishing itself as the world’s most innovative volume manufacturer.

In the following paragraphs we present the most important innovations – new models or systems launched during the past fiscal year.

The Volkswagen Passenger Cars brand excelled in 2008 with the launch of the new Passat CC, which features the latest technology for driver assistance systems. The sports coupé has a Dynamic Drive Control feature with which damper parameters are adapted to suit the road surface and driving conditions at all times. At just the touch of a button, the driver can choose between three programs: “normal”, “sport” and “comfort”. The sportiness of a coupé is thus combined with the comfort of a luxury saloon. The Passat CC also provides customers with innovative highlights such as the Optical Parking System (OPS) – an enhancement of the Park Pilot steering assistant in which the acoustic signal emitted when the car is being parked is supplemented by live pictures on the display. Furthermore, the vehicle is the first Volkswagen to be fitted with Continental’s “mobility tires” as standard. With its “ContiSeal” technology, the German tire manufacturer has developed a system that allows the vehicle to be driven further even if objects such as nails or screws have penetrated the tire. Around 85% of normal flat tires can be avoided in this way.

The Group is continuing along its forward-looking path with the new edition of the Golf, the best-selling model of the Volkswagen Passenger Cars brand. Its excellent value is reflected in its unmistakable design and superior acoustics. The new Golf thus meets the high quality standards of its predecessors and is significantly raising the bar in its class. Driver assistance systems such as Dynamic Drive Control or Adaptive Cruise Control, which used to be available only in vehicles from much higher classes, are offered in the new Golf.

In 2008, Audi unveiled the follow-up to the successful Audi A6, which boasts a multitude of innovations. One of the features of this sporty business saloon car is the “Audi side assist” system. This new lane change assistant helps the driver by recognizing vehicles behind using radar sensors and warning the driver of a dangerous lane change through an optical signal on the wing mirror. In addition to its innovative headlights, which provide all the standard functions based on LED technology, the new A6 is the first Audi to come with the high-beam headlamp assist system that independently switches the headlights on and off depending on exterior conditions. Another highlight in the Audi A6 is the next generation of the MMI operating system for navigation and entertainment, which enables the driver to move around the user interface intuitively using a joystick.

The Škoda brand presented the new Superb in 2008. Its innovative Twindoor system, which allows the tailgate lid to be opened on its own or in tandem with the rear window, is particularly impressive. The new Superb is also the first vehicle manufactured by this brand to feature the Adaptive Frontlight System (AFS) as an “intelligent light”. This adapts the vehicle’s light settings to the driving situation, speed and weather conditions. The environmenttally friendly GreenLine model range developed by Škoda was extended in 2008 to include the Octavia[1], the Octavia Estate[1] and the new Superb[2].

SEAT also expanded its range of eco-friendly vehicles in 2008, adding the second generation of the Ibiza ECOMOTIVE[2] to its portfolio, which already comprised the Leon ECOMOTIVE[2] and the Alhambra ECOMOTIVE[2]. This vehicle sets new sustainability standards with CO_2 emissions of as little as 98 g/km. Fuel consumption also averages just 3.7 l per 100 km.

Volkswagen’s BlueMotion family stands for fuel efficiency and environment compatibility, but without compromising driving pleasure. After considerably expanding its BlueMotion model range in 2007, Volkswagen Commercial Vehicles continued its success story in 2008 and supplemented the BlueMotion offensive by presenting the Caddy BlueMotion[2].

With its EGR Euro 5 engines, Scania was the first manufacturer worldwide to introduce a generation of engines that comply with the Euro 5 standards for heavy commercial vehicles that will come into force in 2009 – a breakthrough in engine technology. Compared with conventional engines, they are convenient and extremely cost-efficient in day-to-day use because they do not require exhaust gas aftertreatment or additives.

Innovative studies generate considerable interest

In addition to the host of new series vehicles it presented, the Volkswagen Group attracted considerable attention in 2008 with many innovative concept vehicles and studies.

Volkswagen Passenger Cars debuted the new Golf BlueMotion concept car at the same time as premiering the new Golf. The BlueMotion consumes an average of 3.8 l of fuel per 100 km and emits 99 g/km CO_2, the first time a compact class vehicle has reached such figures. The Passat BlueMotion II study was unveiled at the Paris Motor Show. This vehicle marries the technology components of the BlueMotion concept with the advantages of the new BlueTDI system, giving fuel consumption of just 4.1 l per 100 km and CO_2 emissions of as little as 109 g/km.

Volkswagen presented an innovative drive concept in 2008 as a plug-in version with the Golf twinDRIVE, proving that e-mobility works with electric power combined with the long-haul mobility of a combustion engine. A fleet test with the twinDRIVE is being prepared for the period 2010 to 2012.

FOR MORE INFORMATION ON E-MOBILITY
Pages 58 to 63

1 No binding consumption and emission data is currently available for these models.
2 Consumption and emission data can be found on page 282 of this Report.

The Audi brand showcased the Audi A1 Sportback concept vehicle at the Paris Motor Show. A five-door four-seater in the sub-compact segment, this follows the Audi A1 project quattro study presented in 2007. As a hybrid, this vehicle has not only a TFSI engine but also a 20 kW electric engine drive that delivers additional torque during acceleration and also helps to recover energy.

One of the highlights of the IAA Commercial Vehicles show in Hanover was the unveiling of the new Volkswagen Pick-up by Volkswagen Commercial Vehicles as the upcoming fourth series model. The first pick-up of its kind to be manufactured by a European automaker, this vehicle will set new standards in its segment and is designed for the South American, South African and Australian markets in particular. Production is due to begin in fall 2009 at the Volkswagen plant in Pacheco, Argentina.

Volkswagen Commercial Vehicles is focusing squarely on fuel efficiency and environmental compatibility with its Crafter BlueMotion concept vehicle. This 3.5-tonne truck uses just 9.1 l of diesel per 100 km and already meets the Euro 5 standards. A pioneering innovation: it is the first time that nitrogen oxides are significantly reduced in a commercial vehicle produced by Volkswagen through a catalytic converter using AdBlue technology.

At the IAA Commercial Vehicles show, Scania became the first manufacturer to present a truck powered by an ethanol engine that runs on renewable bioethanol fuel. This engine, which will be launched on the market in 2009, allows Scania to meet customers' requirements for ecologically sustainable transport in cities and conurbations.

Synergies increase efficiency

The large number of new vehicles that we will develop for existing and future markets demands a high degree of economy in design. This is why the Volkswagen Group's individual brands make use of modular platforms, which ensure that the synergy effects that exist both between models in one series and across all series can be optimized and increased at the same time. For vehicles with longitudinally mounted engines, there is a Modular Longitudinal Platform (MLB). The Audi brand has already developed the new Audi A4 and Audi A5 models based on the MLB platform. The modular platform approach – a strict extension of the cross-brand platform and modular strategy – reduces complexity, costs incurred and time required for development.

Volkswagen presented the New Bora and the Lavida at the Auto China 2008 in Beijing – two A-class vehicles for the Chinese market that were developed on the basis of the same platform. Efforts concentrated on designing a separate body for each car. By using a homogeneous platform, Volkswagen was able to reduce the cost of materials in the face of stiffer competition and growing cost pressure. The vehicles are also fitted with engines that are already used in China.

Pooling strengths through strategic alliances

Cooperation arrangements with other vehicle manufacturers are becoming increasingly important as a means of tapping new market segments. Pooling skills and know-how can keep development costs low and spread investment costs across several partners. In 2008, we continued a number of successful joint projects, for example working with Dr. Ing. h.c. F. Porsche AG on the development and production of the Volkswagen Touareg, Audi Q7 and Porsche Cayenne models, and with Daimler AG on the production of the Volkswagen Crafter and Mercedes-Benz Sprinter models. Production of the Routan, an MPV for the US market, also started last year in cooperation with the Chrysler Group.

To promote rapid market launch of SunFuel, a renewable second-generation biofuel, Volkswagen is seeking to form cooperation arrangements with and make direct investments in companies that are dedicated to producing these fuels. Already in 2002, Volkswagen and CHOREN Industries decided to encourage and drive forward the development of new fuels. In 2007, Volkswagen then made a financial investment in CHOREN. Our long-term aim is to produce SunDiesel in Germany in accordance with minimum sustainability standards. The first commercial plant, with an annual output of 15,000 tonnes, is scheduled to come on stream starting in 2009. In addition, construction work is due to start on the first large-scale plant with an annual output of 200,000 tonnes.

In the area of biofuels, Volkswagen also has a longstanding partnership with IOGEN, the objective of which is to produce cellulose ethanol in Germany. IOGEN is the world's leading producer of cellulose ethanol, a fully renewable second-generation biofuel.

In 2008, we sought and intensified cooperative arrangements with many expert battery manufacturers to promote the development of high-voltage battery systems for hybrid drives and electric vehicles.

In cooperation with the Institute of Physical Chemistry of the University of Münster, we are also studying battery cells and electrode materials for the lithium ion batteries used in electric drives.

Employees come up with the ideas for numerous patents

In 2008, the Volkswagen Group secured 1,424 patents, 1,051 of them in Germany and 373 abroad. The majority of these innovations related to electronic aids and measures to reduce emissions in drivetrain systems. Once again, our employees demonstrated their exceptional innovative strength through the large range and the technological quality of the applications.

Forward-looking research in the automotive industry

Megatrends in the automotive industry that will affect our products and processes in the future make up a substantial part of our research work. The strong growth of megacities in some markets and the challenges this development presents for infrastructure are just as much part of this as the increasing importance of environmental and climate protection. Micromarkets will grow up alongside established mass markets. Also, as the average age of the population rises, new customer requirements emerge, for example relating to quality and comfort. In addition, customer requirements are diverging due to growing differences in income levels. Another focal point of our research is tomorrow's world of work with the tasks to be performed and the way in which work is organized. Working hours and places where people work will also be more flexible than is the case today. As a result of these trends, our products will be shaped to an even greater extent by intelligent and networked technology, and ease of use by people. That is why the number of assistance systems will grow and provide the driver with greater safety, while new vehicle materials will offer enhanced functionality and comfort.

Integrating external R&D know-how

In addition to its internal development capacity, the Volkswagen Group needs the expertise of its suppliers in the development process to continue its model initiative systematically in the coming years. We can only successfully complete projects to the standard required and within reduced development times if synergy between internal and external capacity is guaranteed. Creative processes and virtual technologies are pivotal when it comes to integrating external expertise. We also believe that it is very important to build up the core competencies required to meet the challenges posed by coming megatrends.

Using external know-how makes sense for us in support services, in downstream processes such as series production management and in activities that are not customer-facing and generate improvements. The expertise of subsequent system suppliers is also particularly useful when developing modules and components. As a general rule, however, we endeavor to increase the share of the development process accounted for by our own work.

Increase in capitalized development costs

In fiscal year 2008, research and development costs in the Automotive Division decreased by 4.1% year-on-year. The capitalization ratio rose to 37.4% (29.4%), mainly due to the increase in the number of new products as part of the model initiative. The ratio of research and development costs to sales revenue recognized in the income statement in accordance with IFRSs in the Automotive Division was 5.0% (5.4%).

RESEARCH AND DEVELOPMENT COSTS IN THE AUTOMOTIVE DIVISION

€ million	2008	2007	2006	2005	2004
Total research and development costs	5,926	4,923	4,240	4,075	4,164
of which capitalized development costs	2,216	1,446	1,478	1,432	1,501
Capitalization ratio in %	37.4	29.4	34.9	35.1	36.1
Amortization of capitalized development costs	1,392	1,843	1,826	1,438	1,134
Research and development costs recognized in the income statement	**5,102**	**5,320**	**4,588**	**4,081**	**3,797**

The Research and Development function employed 22,821 people (+5.3%) Group-wide at December 31, 2008, corresponding to 6.2% of the total headcount. This figure includes the staff at the vehicle production investments Shanghai-Volkswagen Automotive Company Ltd. and FAW-Volkswagen Automotive Company Ltd. These companies are accounted for using the equity method.

PROCUREMENT

In 2008, the main challenges to our procurement activities were the sharp rise in commodity prices, the optimization of capacity and supply of procured components, as well as the development of new markets. As in previous years, our procurement activities concentrated once again on enhancing supplier management in an effort to ensure sustainable supplier relationships. We also extended the management system for procured components introduced in 2007 to other regions and countries.

Challenge of high commodity prices

2008 saw a continuation of the global increase in commodity prices. The already fast-paced trend accelerated particularly in the first half of the year, principally due to the spike in iron ore prices.

Volkswagen was quick to take steps to counteract the strain on the commodities market with specific strategies and is continuing systematically in this vein. The strategic orientation of our supplier portfolio will be the focus of attention in the future, with our local plants in India, Russia and the United States playing a key role.

Capacity and supply situation for procured components

The capacity and supply situation for procured components developed very encouragingly in 2008 and made us more flexible than in the previous year. This is due in no small part to the newly established planning and decision-making processes as well as to new systems installed throughout the Group for planning and safeguarding capacity. In spite of higher production volumes, the number of components in critical supply was reduced. We will continue to extend this successful strategy to ensure the flow of parts worldwide for future projects. It will be implemented at all locations – both existing plants and new sites that are under development.

Systematic development of new markets

The new production facilities in India, Russia and the United States will provide a double opportunity for Group procurement. Firstly, our local procurement activities allow us to identify cost advantages and cut costs in addition to complying with legal requirements (including local content requirements). Secondly, suppliers at these locations may prove to be a low-cost supply source for other regions as well. Both opportunities are being carefully reviewed in the procurement activities for the new plants. To optimize the cost of materials for our products in new growth markets, we make intensive use of these markets for production. One of the factors to be ascertained is the extent to which specifications can be adapted to local requirements. We also achieve a higher real net output ratio in these markets through radical localization; in other words, we try for example to find economical supply sources for raw materials in the relevant regions at an early stage in the process.

The C3 Sourcing (Cost Competitive Countries Sourcing) program systematically builds on these areas of action, aiming to harness the cost advantages in competitive procurement markets for European vehicle projects. This enables us to leverage and further expand synergies from local production for export while maintaining our quality standards. Procured component management in the various regions worldwide is an integral part of this program, supporting suppliers at the individual Group sites both in radical localization in the country in question and when exporting their components to Group production facilities in other countries. The C3 Sourcing program is thus instrumental in meeting cost targets for new vehicle projects at the start of series production.

PURCHASING VOLUME BY BRAND* AND MARKET

€ billion	2008	2007	%
Volkswagen Passenger Cars	44.5	41.8	+ 6.2
Audi (incl. Lamborghini)	19.8	18.7	+ 5.5
Škoda	5.0	5.0	+ 1.7
SEAT	3.2	3.6	– 9.3
Bentley	0.6	0.6	+ 3.8
Volkswagen Commercial Vehicles	2.3	2.3	+ 1.6
Volkswagen Group	**75.4**	**72.0**	**+ 4.8**
Europe/Remaining markets	58.4	56.7	+ 3.1
North America	3.0	3.2	– 7.1
South America/South Africa	6.0	5.1	+ 17.8
Asia-Pacific	8.0	7.0	+ 14.7

* Scania's purchasing volume in 2008 is not included because of the initial consolidation date for Scania.

Sustainability in supplier relationships

As part of the strategy of integrating the vision of sustainability into the processes and structures of the Volkswagen Group, it is the task of Procurement to transfer the values of environmental protection and the perception of social responsibility as defined in the corporate policy to supplier management. Besides its primary function of generating competition among suppliers and obtaining the best possible prices for products and services, Procurement must not lose sight of Volkswagen's mission to protect the environment and respect international human rights. This can only be achieved through joint action with business partners.

It is therefore important to us that suppliers not only deliver flawless quality, but also comply with minimum environmental and social standards worldwide. To step up to the challenge of achieving sustainability in supplier relationships, Procurement developed a concept for integrating environmental and occupational health and safety criteria, as well as social rights, into the global procurement management system, based on a dialog with our business partners and support from the academic community. The concept comprises four main pillars: sustainability standards for suppliers, an early-warning system to minimize risk, acknowledgement of our standards by the suppliers together with self-assessment, and finally a monitoring and supplier development process. This concept has been embedded in our business processes since 2006 and increasingly used in our brands and regions since 2008. The corresponding pilot project in China marks the start of the implementation of the sustainability standards for suppliers in the Group's regions.

Procured component management ensures quality

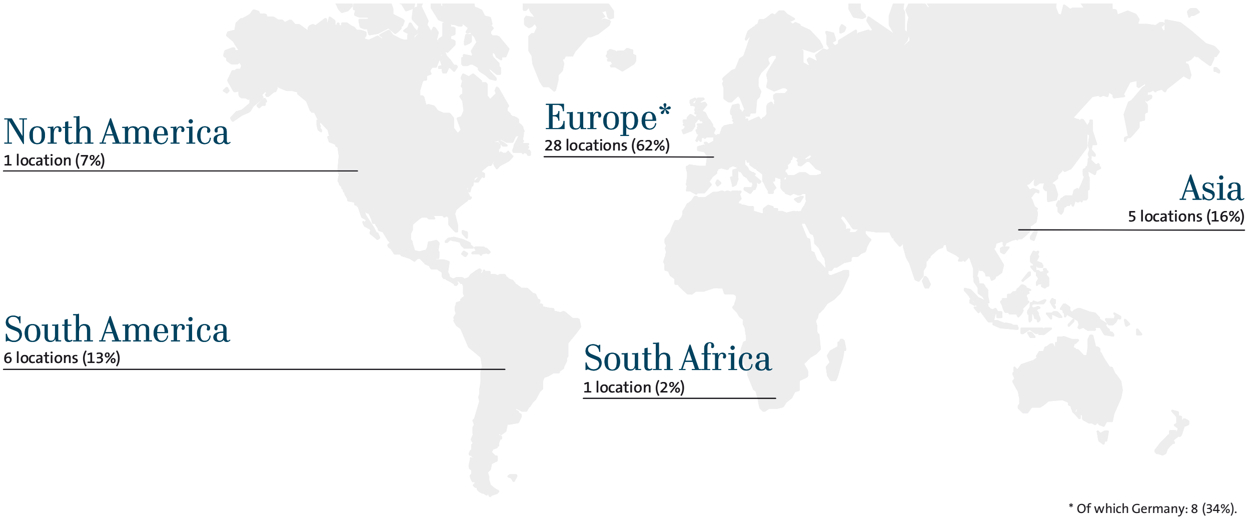
2008 saw the roll-out of not only the Passat CC and the new Scirocco, but also the sixth generation of the Golf. The very steep ramp-up curve at the start of production of the new Golf presented a particular challenge. Our project purchasing organization mastered this task in collaboration with the newly established procured component management, which comprises a team made up of Procurement and Quality Assurance employees. The idea of having a team of experts on hand to help in the supplier selection process was also extended worldwide last year to the other brands and regions and is now entrenched in our organizational structure.

Increased purchasing volume

In 2008, the Volkswagen Group's purchasing volume increased by 4.8% year-on-year to €75.4 billion. The proportion attributable to German suppliers was 48.0% (49.7%).

VEHICLE PRODUCTION LOCATIONS OF THE VOLKSWAGEN GROUP

Share of total production 2008 in percent



PRODUCTION

In 2008, the Volkswagen Group opened additional production facilities and handled a large number of start-ups. Given the tense situation in the markets, productivity increases are nevertheless imperative. The worldwide implementation and refinement of Volkswagen's production system with uniform methods and standards for all brands and locations of the Volkswagen Group will drive forward this progress.

Large number of start-ups in 2008

Our model initiative gave rise to numerous production start-ups in 2008. The new flagship models under the Volkswagen Passenger Cars brand included the Passat CC, the Gol, the Scirocco, the Routan and the new Golf, which is the Group's highest-volume model. For the Audi brand, the principal start-ups were the Audi A3 Cabriolet, the Audi A4 Avant and the Audi Q5. The SEAT brand began producing the new Ibiza, the Ibiza Sport Coupé and the Exeo, while Škoda launched the Superb and the Fabia saloon. The start of production of the Brooklands was one of the most important events of the year for the Bentley brand.

Flexible use of production locations

Following the consolidation of Scania, the Volkswagen Group has 61 production facilities spread across Europe, North and South America, Africa and Asia. Vehicles are manufactured at 41 of these plants. Our primary objective is with a firm focus on value creation, while at the same time ensuring in particular that resources are used efficiently. We secure key advantages in terms of competitive production with our turntable concept, for example, which enables us to flexibly adapt production at our plants to suit demand. In the future, the ability to produce several models on a single production line will become a critical success factor.

The modular component concepts, which accelerate the development of new vehicle models and derivatives, allow the same modules and subassemblies to be used in different vehicles. These concepts give us the flexibility we need to react to fluctuations in demand in good time.

The Scania brand's unique modular system ensures cost-effectiveness, growth and competitiveness. In addition, it enables highly flexible production: for example, a truck is a combination of a driver's cab, the engine, a drivetrain and the chassis. The modular system allows a huge number of models to be made using only a small number of different components, permitting vehicles to be tailored to meet customers' individual wishes. The system is aligned with the brand's core competencies and has now been rolled out to all production locations. This has created a uniform framework for manufacturing, allowing production volumes to be switched flexibly between sites. The modular system also allows uniform environmental standards to be complied with at all production locations.

Volkswagen's production system delivers process and organizational advantages

In view of the current economic situation and the growing intensity of competition, it is becoming increasingly important for us to ramp up productivity throughout the entire Company. In order to ensure the competitiveness of our brands and facilities and thus protect jobs for the long term, we have set ourselves the goal of raising our productivity by 10% per year. We are calling on all employees to become actively involved in developing innovative solutions and make concrete proposals for improving the organization of their workplace in order to help safeguard the future of the Volkswagen Group.

The "Volkswagen Way" works agreement describes the end-to-end development process of the Volkswagen Passenger Cars brand as a means of improving quality and productivity in particular and increasing satisfaction among our customers and employees. At the heart of the Volkswagen Way is a consistent, systematic organization of work and processes that we will achieve through a uniform Group-wide production system and the continuous improvement process.

The uniform Group-wide production system will be developed and introduced on the basis of the best insights and results that we obtained in internal and external peer comparisons. The goal is to make the Group a more efficient company with a lasting focus on process chains and to steer it in the direction of a self-learning organization. This primarily involves standardizing and refining products, workflows and equipment, as well as structures – based on best practice in the Group in each case.

The production system is based on the continuous improvement process (CIP) methodology: with the mandate of being more efficient than the competition, the CIP is aimed at eliminating waste permanently and optimizing working methods. This tool uses the expert knowledge and skills of all employees involved to improve business processes continuously in line with the Company's objectives. In the CIP cascade, processes are optimized directly and indirectly during four stages – this also applies in the early project phase to product design and investments. To this end, CIP workshops were conducted at the Group's facilities worldwide and moderators were specially trained.

Production research

To enhance the value and benefit of our products for customers and also increase customer satisfaction as a result, the production research and process development areas are tasked with creating innovations that are reliable, high quality and economically viable. Examples of these can be found in the electronics area, in innovations for reducing fuel consumption or CO_2 emissions, or in lightweight construction.

In the future, vehicles will not only have to demonstrate good fuel economy; they will also have to be increasingly efficient as regards energy, raw materials and emissions in the production stage as well. To meet this challenge, we set up a center of excellence for automotive production in Chemnitz in cooperation with the Fraunhofer Institute. Here, scientists and engineers from Volkswagen and Fraunhofer will research innovative and energy-efficient production technologies and processes in the future to develop competitive advantages for the Volkswagen Group.

Production milestones in 2008

The series of anniversary celebrations kicked off in January at the SEAT plant in Martorell, Spain, which celebrated the production of the 16 millionth vehicle on January 25, 2008. February 2008 proved to be a particularly eventful month in terms of production milestones: in the first week, Volkswagen de Mexico produced the one millionth New Beetle in Puebla and the one millionth direct shift gearbox rolled off the production line in Kassel. AUDI AG's engine plant in Györ, Hungary, produced its 15 millionth engine. On May 7, 2008, the one hundred thousandth Golf destined for export was produced in South Africa. In October 2008, the Škoda plant in Mladà Boleslav, Czech Republic, built the five millionth vehicle since joining the Group. Volkswagen AG's engine plant in Salzgitter also reached the 45 million mark in November 2008.

SALES AND MARKETING

Each of the nine brands in the Volkswagen Group has a distinctive image with which it excites millions of customers every year. In 2008, we further sharpened the profiles of our brands and improved the performance of our sales force.

Brand diversity in the Volkswagen Group

With its "Volkswagen – Das Auto" slogan, the Volkswagen Passenger Cars brand combines the three core values: "innovative", "providing enduring value" and "responsible". Year after year, millions of customers all around the world place their trust in this brand profile, which stands for quality and reliability made in Germany. This is the reason global brand management activities will continue to revolve around their preferences. The goal of the Volkswagen Passenger Cars brand is to become the most innovative volume manufacturer with the best quality in its specific classes in the medium to long term. Innovations that are oriented on customer requirements as well as affordable will be the primary focus. Volkswagen shows that it is living up to this claim through the success of and the awards it has received for its TDI and TSI engines, the direct shift gearbox and the BlueMotion models. BlueTDI, the new environmental technology that already complies with the Euro 6 standard due to come into effect in 2014, can now be added to the list of successes. Yet it is not only new product technologies that reflect the consistent, successful implementation of the brand image – in the reporting period, Volkswagen secured the ÖkoGlobe 2008 award for the most innovative and best advertising campaign "Erst wenn ein Auto Innovationen allen zugänglich macht, ist es: Das Auto".

The theme "Vorsprung durch Technik" made the Audi brand one of the strongest automotive brands in the premium segment. With a brand image centered around sportiness, high quality and progressiveness, Audi is striving to become the market leader in this segment over the medium term. The outstanding acceptance of the Audi models as well as the awards and number one spots it has won in image and brand studies show that Audi is pursuing this objective with determination and has become a premium brand with a high prestige value. Increased use of innovative technology, the large number of new models, careful brand management and a consistent design language are among the factors that have led to its success. According to studies conducted by market research institute TNS, one in eight Germans consider an Audi to be their dream car.

"Simply clever" is the slogan under which the Škoda brand is growing into one of the most dynamic brands in Europe and other markets worldwide. This brand embodies a combination of intelligent concepts for the use of space, providing technically simple yet sophisticated and practical detailed solutions, plus appealing designs and extremely good value for money. Its vehicles, which have received multiple awards for their attractive appearance as well as sophisticated and innovative engineering, ensure that the success story of this brand concept will continue.

The SEAT brand employs the core values "sporty", "lively" and "design-oriented". The new Ibiza and Leon models are particularly representative of its brand image. The Ibiza captivates through its design and precision, while the Ibiza SC, a compact sport coupé, exemplifies the core brand value of "sportiness". Besides its compact models, SEAT will expand its model range upwards in 2009 with the new Exeo saloon. The elegant, dynamic Exeo combines state-of-the-art technology with high quality and also reflects SEAT's brand values.

In the luxury vehicle segments, Bugatti, Bentley and Lamborghini round off the wide range of Volkswagen Group brands embodying exclusivity, elegance and power.

With a portfolio of vehicles from light commercial vehicles, vans and motor homes through to heavy trucks and buses, Volkswagen Commercial Vehicles provides a suitable and high-performance solution for all transport needs.

The consolidation of Scania in 2008 made this the ninth brand in the Volkswagen Group. Guided by the core values of "customer first", "respect for the individual" and "quality", the over 100-year-old Swedish company manufactures high-performance trucks and buses that feature highly innovative technology, as well as offering its customers service packages and financial services.

Customer satisfaction and customer loyalty

The satisfaction of our customers with the Group brands is regularly measured in a number of countries with the help of special questionnaires, though when conducting these studies we concentrate primarily on product and service quality. The results are analyzed and assessed in terms of their contribution to target achievement, and appropriate measures for improvement are then developed. In terms of satisfaction with product and service quality, the Audi and Škoda brands occupy a leading position in the core European markets when ranked against competitors. The scores of the other Group brands for overall satisfaction are also on a par with or higher than competitors' results.

Customer satisfaction provides the basis for customer loyalty. Loyal customers demonstrate their confidence in our brands, and this confidence is clearly reflected in the loyalty figures. Volkswagen was able to maintain brand loyalty in its core European markets at a high level in 2008. Škoda also ranks among the leaders for brand loyalty – as it has done for many years.

Sales structure and sales channels

Constant changes in customer expectations and economic conditions make it necessary for us to design our sales channels actively and continuously optimize sales structures and sales processes. In this way, we increase our profitability along the entire sales chain. One of the Volkswagen Group's strategic goals is to enhance flexible multichannel management, which develops innovative sales channels, strengthens brand positionings and boosts the attractiveness of brands along with customer satisfaction. The multichannel strategy is designed differently for each brand, depending on the specific customer groups and market segments. However, it always remains within the scope of our defined Group targets.

Key sales business processes

In 2008, we pushed ahead with the optimization and reorganization of sales operations begun in 2007, our primary goal being to improve sales performance and continue to cut costs across all sales levels. The IT systems were standardized further at both the wholesale and retail level, and the number of systems used in Europe was reduced again. The support functions in wholesaling and retailing were consequently streamlined or scaled back and the capacity freed up is then used in the processes that add value.

In our foreign sales companies, we initiated market-specific and cross-brand projects for optimizing business processes. The focus is on using synergies better at all levels of business, increasing efficiency and minimizing costs. This led, for example, to cross-brand service agreements being centralized and standardized. Concepts for optimizing storage and logistics were also developed. The resulting decrease in overheads and improved productivity are helping to increase overall profitability and make the sales system used in the Volkswagen Group more attractive.

Fleet customer business

Volkswagen Group Fleet International, the business unit set up to serve as the central point of contact for the international fleet business, further cemented its presence in the market in 2008. In addition to successful customer acquisitions, the system introduced in 2007 to process international tenders was deployed in other countries. A processing system was also set up for the national fleet customer business that will be gradually rolled out in 2009 at all our importers, starting with the United Kingdom. This system will allow the national fleet customer business to be networked in the future, creating an international platform for the fleet business, which is growing in importance. In line with our Group strategy, we have consciously added countries from the world's growth regions to our international network.

Remarketing activities

The resale value of a vehicle is a major factor influencing customer purchase decisions and therefore also determines the competitiveness of our products to a significant extent. The Volkswagen Group's remarketing strategy helps to ensure that the residual value of our used vehicles remains competitive. As soon as the product development process begins, the Group's brands take into account factors relevant to the sale of the used car, such as quality, durability, design and equipment features. The brands' sales policy guarantees a constant supply of used cars without adversely affecting the residual value. Used car programs create the framework for the brands' contract partners to approach customers effectively and ensure that high quality standards are met in the sale of used vehicles.

Regular customer surveys give us pointers regarding the needs of our customers when buying used vehicles and help us provide a customized range of products and services. In 2008, the Volkswagen Group began to implement the remarketing strategy in the BRIC markets so as to be able to guarantee stable residual values in the growth phase of these key markets. The Group also aims to meet the needs of our contract partners and customers as regards used vehicles in these growth markets.

QUALITY ASSURANCE

In fiscal year 2008, the Volkswagen Group launched a large number of new models in its European markets, as well as in China and South America. Group Quality Assurance played a key role in the successful ramp-up of these models.

Product quality

The key to customer satisfaction and loyalty to our Company lies in exceeding their expectations of our products. The perceived quality of the product is particularly important here, above all its reliability and appeal, but also the service provided for the product. Only if we positively surprise and captivate our customers in all these different aspects can we claim to provide them with superb quality in all brands and vehicle classes. This, after all, is the objective of the Volkswagen Group.

The intensive efforts being made throughout the Group to achieve this quality objective are clearly taking effect: the number of defects has fallen by 41% since January 2006. The Volkswagen Group's vehicles rank among the best in the long-term quality tests carried out by the ADAC and TÜV. New models also consistently receive high marks.

A vehicle manufactured by the Volkswagen Group must be an all-round success if it is to convince our customers. Clients must be able to feel the quality and excellent value both on the outside of the vehicle and inside it, and also experience the precision and attention to detail. All of the Group's brands are increasingly focusing on this appeal, which is very much determined by the use of innovative, high-quality materials. Here we are also setting standards for the future. The sixth generation of the Golf is the latest model to define itself by this quality standard. As the highest-quality vehicle in its class, it sets the benchmark for quality in the compact class – thanks, among other things, to its exceptional acoustic properties.

Service quality

In 2008, we tailored quality assurance processes and organization to our customers' standards even more efficiently where this was necessary, further enhancing service quality in the process. The improvement can be seen, for example, in the lower number of repeat repairs, which has increased customer satisfaction. As the service provided by our dealerships substantially influences customer satisfaction, we will also continue to improve our repair and servicing solutions in the future.

Challenges facing Quality Assurance

Quality Assurance is facing enormous challenges because of the growing number of customer-related features and innovations. Safety, comfort and electronics systems, as well as new drive technologies, are increasingly being included in vehicles. The integration of these systems must be tested early on in the concept phase so that reliability, safety and trouble-free functionality are guaranteed.

To provide our customers with an optimized product, Quality Assurance has been restructured and reorganized – including in the pre-series process. It now works more closely with the Engineering and Production divisions as well as with suppliers. Together with our suppliers, we assess and analyze material and tool concepts, as well as production processes. This is an important, useful procedure, especially when the suppliers are based locally.

New Group production facilities and sales markets are making it necessary to adapt products to the requirements of local customers without losing sight of Volkswagen's customary quality standards. By introducing new concepts and taking fresh approaches – in cooperation with all divisions – we can meet the volume targets, the needs of the rapidly growing markets and the constantly changing customer requirements.

EMPLOYEES

Including the Chinese joint ventures, the Volkswagen Group employed a total of 369,928 people worldwide at the end of fiscal year 2008. This figure includes 32,630 employees from the Scania brand, which was consolidated in the Group from July 22, 2008. The increase in the Group's production and sales figures last year is largely attributable to our employees' commitment. Hard-working, motivated staff are instrumental in the development and production of high-quality, state-of-the-art vehicles. The staff development initiative launched in 2007 was continued last year to further improve employees' performance and expertise and will serve to safeguard the Volkswagen Group's long-term future. The main emphasis of this initiative was on vocational training processes, improved development paths for skilled workers and university graduates, plus a substantial increase in technical expertise.

Vocational development in the Volkswagen Group

Vocational training is a key element of Volkswagen's human resources work. Volkswagen AG provides training in a total of 34 different vocations to around 4,500 trainees at its six western German locations. By the end of 2008, 9,884 young people had completed vocational training in the Volkswagen Group worldwide. We will continue our training drive in 2009 in spite of the difficult environment.

Among other things, internationalization is helping to establish uniform plant structures and modularize products, which is creating increasingly homogeneous production processes at the Volkswagen Group's facilities around the world. As a result, production specialists are now required to meet internationally comparable requirements as regards expertise to a greater extent than before. This is leading to the development of international standards for vocational training in the Company, with the consequence that training is being systematized to a greater extent and its quality is being standardized. In the future, these standards will also reflect the expertise required of production specialists and are the basis for training and development programs in the Volkswagen Group. This is the reason training is increasingly being conducted at local company training centers that are integrated into the value creation process – an important step on the path to ensuring a first-class team of dedicated individuals for tomorrow.

At a ceremony in Kassel in October 2008, the Board of Management conferred the eighth "Best Apprentice Award" on the Group's most outstanding vocational trainees worldwide. Twenty vocational trainees from ten countries and three continents received a certificate in recognition of their excellent achievements.

Staff development in the Volkswagen Group

The start of a person's career shapes his entire working life, which is why Volkswagen has developed a special new entrants' program for university graduates that gives them the best possible start in our Company. Over a two-year period, participants in the StartUp Direct program not only familiarize themselves with the Company and their own department but also attend a large number of individual training and networking modules. Part of the program additionally includes multiple-week placements in production and the commercial area as well as an optional, department-specific foreign placement. All trainees have a personal mentor from their own department whom they can consult at any time.

Suitable university graduates with a strong international focus can demonstrate their skills in the StartUp Cross program with placements in different areas of the Company. Here, the emphasis is on gaining broad global experience and insights into the complex interrelationships of an international corporation. The range of content of this 18-month trainee program is also rounded off by a large number of seminars and networking opportunities.

The Student Talent Database is Volkswagen's development program for people who are still at university. Here, students who have already done an internship in the Volkswagen Group with exceptional results are encouraged in their particular disciplines and on an individual basis. The students chosen not only receive further training; their long-term loyalty to Volkswagen is also secured. In addition, the Student Talent Database assists the individual departments in filling their vacancies with highly qualified graduates who are familiar with the Group.

By providing these attractive offerings for university graduates, the Volkswagen Group is increasingly focusing its attention on aiding employees in developing their talents at an early stage and honing their skills with the goal of safeguarding Volkswagen's technical expertise.

Last year, we introduced "talent groups", which contribute to the consistent selection and advancement of particularly high achievers at Volkswagen at all levels of development, preparing them for future tasks and responsibilities. The talent groups comprise several elements: a training program, networking events and specific services from the relevant department or vocational group.

A talent group for young specialists has been set up for vocational trainees to manage the smooth transition from vocational training to professional work. This ensures that the highest achievers among the vocational trainees are deployed in production as needed, bringing about a lasting improvement in the quality of the workforce. Talented individuals are picked out in the last stage of their vocational training on the basis of defined performance criteria and transferred to their future areas of activity, where they undergo specialist and multidisciplinary training over a period of 24 months in line with their personal development plan. This personal development plan is reviewed at periodic meetings. The creation of the talent group for young specialists improves the transition from vocational training to professional work. This systematic identification and fostering of talent enables outstanding performance during vocational training to be identified and rewarded.

The “Wanderjahre” (years abroad) program is an established pillar of employee development at Volkswagen in which apprentices from all vocational groups and young university graduates are given the opportunity to work abroad and organize their working day in a foreign culture. Participants are placed in one of our companies around the world for an average period of twelve months. This program benefits employers and employees alike: the Volkswagen Group gains motivated employees with international experience, while these have the opportunity to develop on both a professional and individual level.

Continuous professional development

To develop their skills, both employees and the specialist areas can draw on a broad range of training opportunities consisting of personal development programs, specialist seminars and courses, as well as training measures that are geared towards the specific requirements of individual departments. In order to have an up-to-date offering available at all times, 292 new qualification measures were developed in the reporting period.

During 2008, a total of 42,300 employees of Volkswagen AG received training in 5,700 training seminars lasting 158,800 participant days.

While 11,900 employees received further training in the area of “overarching skills development” (e.g. leadership and personality development) in 1,100 seminars lasting 34,300 participant days, 30,400 employees were trained in the area of “specialist skills development” (e.g. factory automation, robot and application technology, and business) in 4,600 training seminars lasting 124,500 participant days.

Refocusing the AutoUni

In establishing the AutoUni, the Volkswagen Group again substantially broadened its already extensive training program in 2002. Following a refocusing exercise, the courses offered by the AutoUni are now mainly geared towards Volkswagen Group employees. Selected lectures may also be attended by members of the interested public, however. There has been a huge response to the program, with around 10,000 participants attending the seminars organized by the AutoUni in 2008.

The AutoUni courses are held in the form of lectures, conferences or further education programs lasting several months in eight areas: sales and marketing, products, production, procurement, quality, human resources and organization, finance and controlling, and corporate issues. Additional institutes have been set up that combine the teaching and research at the AutoUni with the Group’s specialist areas and with external partners. The Volkswagen Labor Institute, for example, deals with important human resources policy topics such as employer branding and company success, with which it supports the Group’s Strategy 2018.

The AutoUni also conducts research projects in conjunction with individual departments and external partners to identify and analyze the future challenges facing the Volkswagen Group and develop solutions, concepts and alternative action. This may provide the basis for the development of new products, services, processes and business models.

Nurturing specialist talent and junior management

Volkswagen has universal, transparent development paths leading up to management level. Specialist talent and junior managers, but also young executives, are specifically chosen and nurtured.

The management selection procedure was overhauled as part of the reorganization of staff development at Volkswagen. The focus now lies on management’s specialist tasks and responsibilities and the skills required for these. Apart from technical expertise, staff development is focusing more and more on leadership functions. In the future, management personnel will be prepared more intensively for their work and receive greater support.

The recently introduced management license prepares selected Volkswagen employees to take over management duties and was designed along the lines of the master craftsman recruitment and development program. This comprises training modules and an examination and is geared towards all staff who are to take on managerial functions for the first time as heads of organizational units comprising staff covered by collective agreements or management.

ADDITIONAL INFORMATION ON THE WANDERJAHRE PROGRAM
Pages 22 to 25

ADDITIONAL INFORMATION ON THE AUTOUNI
www.autouni.de

EMPLOYEE BREAKDOWN

	2008	2007	2006	2005	2004
Percentage of female employees in the Group	14.0	13.7	13.9	12.4	12.0
Vocational trainees in the Group	9,884	9,302	9,199	9,001	8,796
Number of accidents at work	1,819	1,684	1,713	2,163	2,265
Frequency of accidents* (factor)	4.0	4.2	4.5	5.4	5.7

* Calculated as the number of accidents at work x 1 million / number of hours worked.

Personnel planning, staffing and the advancement of key employees – especially specialists – are based on uniform standards in the human resources systems, such as short profiles for all managers and junior managers. This makes the potential of the entire Group visible in a systematic planning process.

It is essential for local managers to have country-specific knowledge when it comes to tapping and developing growth markets. This is why we are increasingly strengthening our management in the different regions. To this end, we also encourage key employees from our international companies to seek temporary assignments in Germany in order to increase their expertise, improve their intercultural skills and build professional networks. Likewise, secondments between international Group companies play a key role when filling management vacancies.

Gender equality

The Volkswagen Group has been promoting equality between men and women since the 1980s. We will use targeted measures to further increase the proportion of female employees and make the Company more attractive to women on the road to becoming an outstanding employer.

Volkswagen sent a clear signal about this objective in Germany when it held the second woman driving award. Under the slogan "Innovation ist weiblich" (Innovation needs a woman's touch), the competition aims to secure the best female engineers for Volkswagen. After being advertised at 15 universities across Germany, a high-caliber panel of judges chose the winners.

Volkswagen cannot do without women's specialist expertise and creativity in the field of sustainability and ever-growing customer requirements. Targeted enhancement of female talent is therefore an integral part of Volkswagen's staff development strategy and system. In its commercial and technical vocational training, for example, Volkswagen Commercial Vehicles offers a one-year program to motivate young women to develop a clear idea of their profession and career. Volkswagen AG is implementing a mentoring program aimed at increasing the number of master craftswomen. Running in parallel to the work-related industrial master craftsman training, a training program with individual modules will be offered with mentoring by experienced master craftsmen. The Group-wide mentoring program aimed at increasing the number of women in managerial positions has also been an established feature in the systematic nurturing of female talent over the past ten years.

Another key issue for Volkswagen in its quest to become an outstanding employer is promoting compatibility between work and family. One means of achieving this is through teleworking, for which Volkswagen stipulated arrangements in an agreement signed in 2001. These include opportunities for qualified employees returning from parental leave, such as parental leave meetings or seminars. The most recent example in the Volkswagen Group is from April 2008, when Volkswagen Financial Services AG opened its own kindergarten. The "Frech Daxe" children's house offers employees facilities to cater for up to 170 children.

Group-wide occupational safety policy

One of the Volkswagen Group's primary goals is to maintain and improve its employees' health, performance and job satisfaction. To realize its mission, occupational safety is systematically integrated in all relevant Group processes in line with standards that are applicable worldwide. By doing so, we are not merely complying with our social obligation, but making a sustainable contribution to boosting our Company's success. Volkswagen's occupational safety policy is firmly established throughout the Group and will therefore be driven forward and communicated in the various divisions. For instance, employees from the international locations of all Group brands frequently exchange knowledge and experience and together develop new concepts to improve occupational safety on an ongoing basis. The decline in the number of accidents shows just how effective our occupational safety program is.

Positive response to the opinion survey

Because the goal of establishing Volkswagen as an outstanding employer is entrenched in the corporate strategy of the Volkswagen Group, the employee opinion survey was introduced Group-wide in 2008 as a standardized tool for gathering employees' opinions. Employees anonymously answer ten standard questions relating to communication, quality and work processes, collaboration and employee satisfaction. The results are discussed in the departments by management personnel and staff, and appropriate measures for improvement are instigated.

The opinion survey gives employees the opportunity to express their opinions and actively shape events in the Company. Last year, this opportunity was taken by 77% of the some 270,000 people surveyed including, for example, all employees from the facilities of Volkswagen AG, Audi AG, Volkswagen Financial Services AG, Škoda Auto a.s., SEAT S.A., Volkswagen Slovakia a.s., Volkswagen do Brasil as well as employees from the equity investments in China. The response that can be seen from the participation rate is already gratifyingly high, though in the future we intend to include all employees of the Group worldwide in the survey.

The results of last year's survey show an overwhelmingly positive mood among employees. At the same time, they are the reason for continuing to develop our strengths and tap any potential identified. The proposals for improvement derived from the opinion survey were analyzed in workshops and projects. The fact that this survey will be repeated annually means that trends can be observed and it will be possible to check which measures have been implemented successfully. The employees have accepted this tool as an expression of the value placed in them, and thus help the Company continue to grow.

Employees' ideas rewarded

In 2008, our employees throughout the Group submitted a total of 214,829 improvement ideas. 124,049 of these suggestions were implemented, thereby helping to improve the quality of our products and the efficiency of our processes. Implementing the proposals also reduced costs in the Group by a total of €329.9 million. Bonuses worth some €30.5 million were awarded to staff whose ideas were implemented in acknowledgement of their creativity and active involvement.

Volkswagen school serves as a model

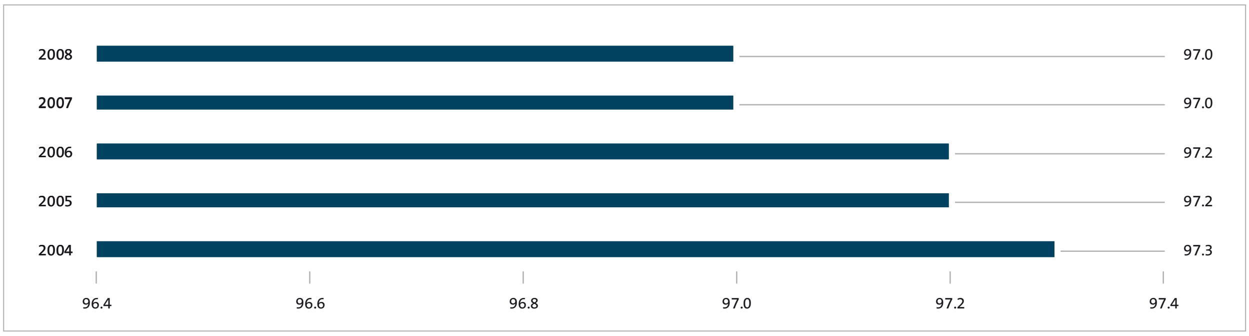
The Volkswagen Group has anchored the goal of becoming an "attractive employer" in its 2018 corporate strategy. Expanding the Group's educational infrastructure is an important step on the road to achieving this objective, which is why a Company-sponsored school with an international focus and national presence will be founded in Wolfsburg as a joint venture between Volkswagen AG and the City of Wolfsburg. It will feature excellence at every level and focus on individualized learning, enhancing and positively influencing the local school system in the long term. As a "learning organization", the new school will be open to new developments at all times and networked both horizontally with the Company (e.g. via extracurricular learning centers) and other schools and vertically with preschool and further training institutions.

A founding committee comprising renowned national and international experts has already defined the cornerstones of the concept for the new school. The school's special profile will be built on the pillars of an international focus, natural sciences and technology, and business, as well as art and culture.

The German International School in Changchun, China, is an example of how Volkswagen also gets involved in schooling outside Germany. Originally founded as a company school, this institution has now become the third German international school in China to be subsidized by the federal government after those in Beijing and Shanghai. The pupils are not only the children of Group employees on temporary assignments in China, but also the children of employees of suppliers or external companies. The school currently has 50 students ranging from 1st to 10th grade.

HEALTH STATUS OF MANUFACTURING PLANTS IN THE VOLKSWAGEN GROUP

as percent



The international focus is reflected above all in the variety of languages offered by this still relatively small school: in addition to German and English, students can also take Spanish, French, or Latin. Chinese is also offered as a compulsory elective subject and will be included in the list of obligatory foreign languages starting in the 2009/10 school year.

ENVIRONMENTAL MANAGEMENT IN THE GROUP

To safeguard our Company's long-term future, we are committed to integrated environmental protection that assesses and takes into account the environmental impact of manufacturing processes and products at an early stage.

To this end, we have clearly defined all responsibilities and procedures relating to environmental protection worldwide in the Volkswagen environmental management system and, taking the environmental impact of our facilities into consideration, implemented a continuous improvement process. The environmental requirements of the EU Eco-Management and Audit Scheme (EMAS) and those of the international standard DIN ISO 14001 are met in the process; this is evidenced by corresponding certificates following regular audits by internal auditors and external testing companies.

We also regularly conduct special workshops on topical environmental issues with our foreign plants for knowledge transfer purposes. The measures for improvement developed at these workshops are subsequently approved at regional environmental conferences together with local management and the Group's Environment unit.

The continuous improvement process for all locations is supported by the uniform environment principles across the Group, our strategic guidelines and technical specifications. This enables us to ensure that comparable environmental standards are in force in manufacturing processes throughout the whole Company.

Biodiversity

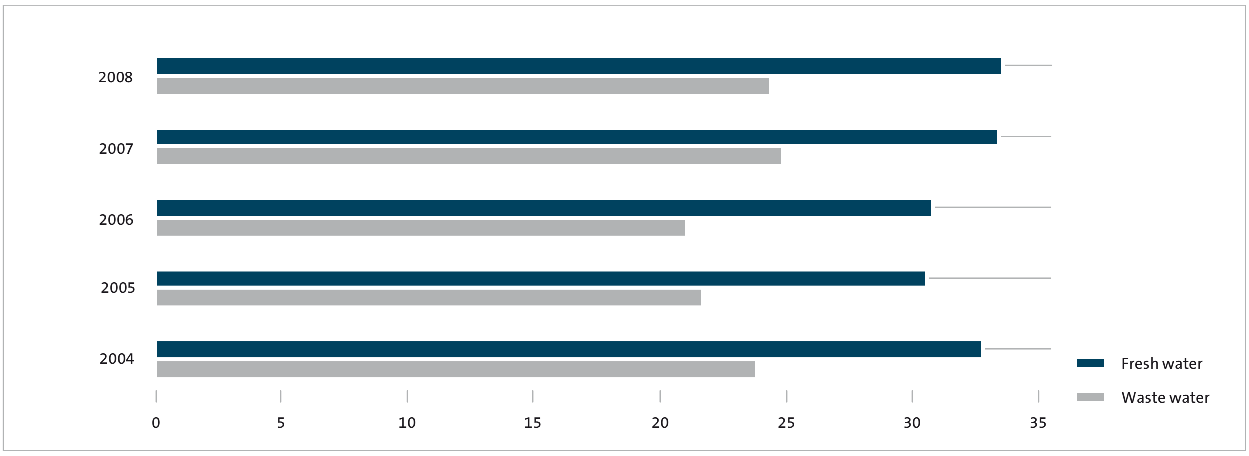
Volkswagen AG continued to actively support the preservation of biodiversity in 2008, joining the "Business & Biodiversity" initiative ahead of the 9th UN conference on the International Convention on Biological Diversity held in Bonn in May 2008. This initiative aims to get companies from different sectors more involved in nature conservation. In a letter to the Federal Environment Minister, Sigmar Gabriel, dated February 11, 2008, Prof. Martin Winterkorn stated that Volkswagen AG was prepared to share responsibility for ensuring that the global community does in fact meet the targets set out in the Convention on Biological Diversity.

In April 2008, the Volkswagen Group notified its stakeholders and the general public that it had published a mission statement on biodiversity, in which it states that species conservation is one of its priorities. In this statement, which is applicable to all companies in the Group, Volkswagen expresses its commitment to climate protection – as an indirect contribution to the conservation of biological diversity – and to species conservation at its facilities worldwide. To add weight to its commitment to protection of the species, Volkswagen also launched an extensive action plan in which, for example, its suppliers will also share responsibility.

Volkswagen AG presented its national and international activities in the area of nature conservation during the past year at podium discussions, lectures and information booths, e.g. at the UN nature conservation conference in Bonn and at the "Biodiversity Day" in Braunschweig.

FRESH WATER PROCUREMENT AND WASTE WATER IN THE VOLKSWAGEN GROUP

in millions of cubic meters per year



The Umweltschadensgesetz (USchG – German Environmental Damage Act), which transposes the EU Environmental Liability Directive into national law, came into force on November 14, 2007. This increases the liability of companies, businesspeople and the self-employed for emissions or incidents that cause damage to protected species and natural habitats as well as to water bodies and soil. In the event of damage, companies are held liable either directly or by way of recovery and are then required to bear the costs of the return of the species or clean-up. As conventional professional liability, employer's liability and environmental liability insurance concepts are tailored to civil law claims and therefore at best cover parts of the new law, additional cover is required for any claims that may arise. The HDI-Gerling insurance group offers this kind of insurance for damage to the environment on the basis of a risk analysis in which a company's emissions such as used air, waste water, waste, noise or vibration are compared with protected assets such as water, soil and, in particular, biodiversity. In 2008, experts from the insurance group and Volkswagen AG carried out a risk analysis of this nature for all German facilities of the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles and Audi brands assisted by scientists from the University of Hanover. All relevant parameters were recorded on site and the risks are then measured. These measurements are taken as the basis for agreement on the terms of the policy.

Our commitment to avoiding emissions and safeguarding protected assets is highlighted by the example of fresh and waste water volumes:

Although the Volkswagen Group's production volume was higher in 2008 than in 2007, fresh water procurement was almost at the same level as the previous year. This is attributable mainly to the resource-saving strategy defined at many of the Group's locations. We even managed to cut the volume of waste water slightly compared with the previous year.

Cooperation between Volkswagen and NABU

With 400,000 members in 1,500 chapters, district groups and professional groups as well as its international "Bird Life" network, Naturschutzbund Deutschland (Nature and Biodiversity Conservation Union, NABU) is Germany's largest and best-known nature conservation organization. Volkswagen and NABU have cooperated closely throughout the past eight years, their joint projects helping to make tangible progress on the path to sustainable development. On the basis of a cooperation agreement, NABU regularly advises Volkswagen on fundamental issues of environmentally compatible mobility, which includes the testing and assessment of new models by NABU. Volkswagen also supported the "Willkommen Wolf" (Welcome, Wolf) species conservation initiative in 2008 and conducted the large-scale "Aktiv im Artenschutz" (Active species conservation) campaign in conjunction with NABU in May.

The "Mobil im Dialog" (Mobility through dialog) series of events developed by the cooperation partners provides a forum for the exchange of standpoints and debates with politicians and experts as well as public discussion of the relationship between climate protection and transport. Two of these forums took place in 2008 – one on the future of e-mobility, the other on species conservation and the wild.

This cooperation's flagship projects involve informing the general public about the potential of sustainable vehicle use and training drivers in the ground rules of fuel-efficient driving ("Change over – just save fuel"). Volkswagen and NABU jointly developed a training concept for this that has been in place for the past six years and met with a great deal of success. Local NABU groups, Volkswagen dealers and a professional team of trainers are working hand in hand to implement this concept. The training sessions are open to everyone and participation is free of charge. Last year, 20 training seminars were held throughout Germany.

Cooperation for environmental protection

The production of vehicles and components generates waste, which is subject to special legal requirements. These stipulate that any party who generates waste has a duty of care to check the journey it takes until final use or disposal at the different waste disposal companies so as to prevent recourse claims and a loss of image for the Company. To minimize the effort and expense this involves and facilitate rapid exchange of experience, Volkswagen and seven other German automakers and suppliers – including BMW, Ford, Opel and MAN – set up an Internet portal through which collective audits of disposal contractors can be planned and the results documented in order to avoid multiple inspections of a single disposal company by different manufacturers.

First Europe-wide internal environmental award presented

The internal Volkswagen Environmental Award, which honors employees who take a proactive approach to environmental protection in their particular field of work, was presented for the fifth time in 2008. Due to the positive response in past years, since 2008 the award is being made annually on a European basis for both production and products, instead of nationally every two years.

An employee from the Pamplona facility in Spain took first place in the production category. Thanks to the device he developed and built single-handedly for using remaining quantities of an adhesive transported in barrels, around 5,800 kg of hazardous waste can be prevented each year.

First prize in the product category went to the team that developed the Passat TSI EcoFuel, which put huge effort into using Volkswagen's twincharger technology to create a consumption- and performance-optimized natural gas engine. The thin-walled and thus lighter gas tank of the Passat EcoFuel also helps reduce the vehicle's CO_2 emissions to as little as 129 g/km.

Increased use of renewable energies

In light of recent debates about CO_2 and energy, Volkswagen has introduced various measures to reduce power consumption at its production facilities. These measures are designed to curb rising energy costs and comply with anticipated legal requirements. For example, the tried-and-tested network of plant energy officers will be expanded further and the exchange of specialized information at Group level intensified. We are also conducting benchmark studies and analyses of potential with experts for our facilities. In addition, use of the existing internal communications portals such as the "e-room" or "Massnahmen@web" for promoting the exchange of technical and organizational innovations will be stepped up and standards set for energy-saving technologies and methods.

The Volkswagen Group is placing increasing emphasis on using energy from renewable sources and generating this energy itself. Utilizing this energy contributes towards the responsible use of resources and helps to reduce CO_2 emissions in our plants at the same time. Some examples: in 2007, the Pamplona facility met all its power requirements with renewable energy sources and is again seeking corresponding certification for its entire power consumption for 2008. The plant in Emden meets its base load requirements with energy from the biomass CHP plant owned by the City of Emden, in which wood is used to generate power. This only releases as much CO_2 as the plants had previously taken from the atmosphere or had bonded.

To facilitate power generation from solar energy, Volkswagen AG has made roof areas available at the Emden and Wolfsburg facilities for the installation of photovoltaic systems. The systems have a total output of around 3.6 MW.

Fuel and drivetrain strategy

On the basis of our fuel and drivetrain strategy, we are pointing the way towards sustainable mobility and contributing to cutting global CO_2 emissions. We are also reducing our local nitrous oxide and particulate emissions and lowering our dependence on oil.

Our strategic considerations are aimed at the use of renewable CO_2-neutral energy sources, though we also focus on optimizing the properties of conventional, oil-derived fuels and their emissions.

As part of our drivetrain strategy, our use of TSI technology – a petrol direct injection with turbo- or supercharger – builds on the successful TDI engine concept. TSI engines have consumption levels of up to 20% less than other fuel injection engines, while retaining the same driving dynamics. A further example of highly efficient drive technology is the direct shift gearbox (DSG), which is considerably more effective than conventional automatic gearboxes, offering fuel consumption gains of around 15%. Our natural gas models, which are also capable of running on petrol, emit up to 25% less CO_2 in natural gas mode and eliminate sulfur dioxide, soot and other particulate emissions almost completely. Following the Touran EcoFuel* and Caddy EcoFuel*, we presented the Passat TSI EcoFuel in 2008, the first turbo direct-injection engine designed to run on natural gas.

Hybrid technology will play a central role in our drivetrain strategy in the medium term in addition to petrol and diesel engines. We have entered into strategic partnerships to integrate hybrid drives in future series products.

With regard to engine development, petrol and diesel engines are becoming increasingly similar. Following the introduction of direct injection in petrol engines, which marked a milestone in engine development, further developments in combustion processes also highlight the growing similarity between the two technologies. On the diesel side, work continues on homogeneous mixture formation as in petrol engines. Meanwhile, attempts are underway to make the spark plugs on petrol engines superfluous, at least in certain parts of the engine map, using a homogeneous compression ignition system. Volkswagen has developed a new combustion system for this based on today's diesel engines that allows limited pollutants such as nitrous oxides and particulates to be reduced, while at the same time significantly improving efficiency and reducing fuel consumption.

In the long term, the main focus of our drivetrain strategy will be on emission-free electric drives, which we believe will be the most important development in the future of automobility. Although electric vehicles have the best energy rating, their low range does not yet satisfy customer requirements: today's storage technology only allows them to negotiate a maximum distance of 100 km.

Pure electric traction will therefore not become possible until there have been significant advances in fundamental research into battery storage technology. We intensified cooperative arrangements with battery manufacturers in 2008 for this purpose. Last year we presented an option for emission-free mobility in everyday use with the Golf twinDRIVE, which is participating in the federal government's "Fleet trial: electric drive vehicles" ("Flottenversuch Elektromobilität") initiative. In addition to innovative concepts for plug-in hybrids like the twinDRIVE, Volkswagen is also devoting itself to developing energy supply concepts for the nascent e-mobility based on sustainably generated power.

One focus of our fuel strategy is research into biofuels, principally second-generation biofuels, which we refer to collectively as "SunFuel". These harbor considerable potential in terms of reducing CO_2, do not represent competition for food production and are compatible with the existing infrastructure. SunEthanol is one example of a biofuel optimized for petrol engines. It is derived from straw using a biochemical process developed by IOGEN. SunDiesel, the corresponding synthetic fuel for diesel engines, can be manufactured from a number of primary sources such as biomass or residual biomaterials. The quality and chemical composition of the end product do not depend on those of the primary energy used. Synthetic fuels can be used in both current and future combustion engines. SunFuel can also be adapted to the requirements of enhanced engine technology more easily than conventional fuels. Due to its purity of composition and the fact that its properties can be tailored, it offers considerable potential for further reducing harmful emissions. Furthermore, it can be ideally adapted to new combustion systems, thereby further increasing such systems' potential in terms of fuel consumption and exhaust emissions.

ADDITIONAL INFORMATION ON E-MOBILITY
Pages 58 to 63

* Consumption and emission data can be found on page 282 of this Report.

THE VOLKSWAGEN GROUP'S INVOLVEMENT IN REDUCING FLEET CONSUMPTION

Reducing fleet consumption

MODEL RANGES	HYBRID	E-MOBILITY	FUEL CELLS	FUELS	TRANSMISSION	DIESEL ENGINES	PETROL ENGINES
BlueMotion	Start / stop	Extended range	High-temperature cell	SunFuel	DSG	TDI	TSI / TFSI
e-models	Electrification	e-vehicle		SynFuel	S tronic	BlueTDI	Natural gas
ECOMOTIVE		twinDRIVE			Manual		LPG
GreenLine							Ethanol

We believe that the importance of local emission-free mobility will grow in the long term. This may take the form of battery-powered electric vehicles or vehicles with a fuel cell drive, for example. At present, vehicles with a hydrogen-based fuel cell are the only means of achieving emission-free mobility over an acceptable range. Our research unit has developed a high-temperature fuel cell that is one of a kind and, thanks to the use of electrodes that allow a higher operating temperature for fuel cells, is more efficient, smaller and also more economical than existing fuel cells.

Environmental Ratings for an ecological advantage

The "Umweltprädikat" (Environmental Rating) recognizes Volkswagen vehicles and technologies that have a particular ecological advantage over predecessors or comparable models. The label informs our customers, shareholders and other interested parties in and outside the Company that vehicles, components and processes at Volkswagen are more environmentally friendly over their entire lifecycle and also mentions the successes we achieve as a result. The information in the Environmental Rating is based on an environmental impact study conducted by the German inspection organization TÜV NORD and certified according to ISO 14040/44. It considers not only the pure "driving time" of a vehicle, but also its entire lifecycle from the delivery chain through manufacture and usage to its disposal. The new Golf received the "Umweltprädikat" in 2008. So far, the Golf predecessor model, the Passat and the direct shift gearbox have all been awarded this Environmental Rating.

ADDITIONAL INFORMATION ON THE UMWELTPRÄDIKAT (ENVIRONMENTAL RATING)
www.umweltpraedikat.de

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

The perception of corporate social responsibility (CSR) and sustainable action serve to increase the value of an enterprise and safeguard it in the long term. CSR at the Volkswagen Group means that social and ecological issues are an integral part of our actions. Closely intertwined with the core economic processes, CSR has the task of avoiding risks, identifying opportunities for development early on and improving the Company's reputation.

As a good corporate citizen, social involvement constitutes a key element of our entrepreneurial activities. The same maxims apply at all Volkswagen Group locations worldwide: Volkswagen supports social development, culture and education. At its facilities the Group is involved in the development of regional infrastructure and research, setting up projects in the fields of health promotion, sport and nature conservation.

Vision of sustainability

Our vision of sustainability outlines the principles of sustainable action, something which we believe that constitutes the benchmark of a corporate policy with a long-term focus that takes on not just economic, but also ecological and social challenges. The Volkswagen Group develops, produces and markets vehicles and services worldwide to give its customers access to individual mobility with attractive solutions. In these processes, we consistently follow our goal of making progressive technology available worldwide, taking aspects of environmental compatibility and social responsibility into account.

Volkswagen is a company with German roots, European values and global responsibility. The rights, personal development, social provision and economic participation of our employees are core elements of our corporate policy. In our eyes, a culture of cooperation and partnership thus forms the basis for the successful collaboration between corporate management and employee representatives – in Germany, Europe and worldwide. The maxim of economically compatible and socially responsible management also applies in our collaboration with suppliers. We see ourselves as a partner to society and policymakers at all Group locations.

CSR Coordination and Sustainability office

In 2006, we set up a "CSR Coordination and Sustainability" office whose main task is to strategically align and optimize CSR and sustainability management in the Volkswagen Group, for which it networks the internal units and improves exchange processes between the line departments. The office reports to the CSR steering group, which includes all central Group departments and the Group Works Council. There is also an interdisciplinary CSR project team that meets regularly. The data and KPI system that Volkswagen is building will enable it to organize internal management processes more efficiently in the future.

Since December 2008, the office has supported an online portal launched by the CSR Europe corporate network that is designed to help companies make ecological and social improvements in the supplier chain. Volkswagen will contribute to increasing the awareness of the portal through its media contacts, training activities and events.

Volkswagen in sustainability rankings and indices

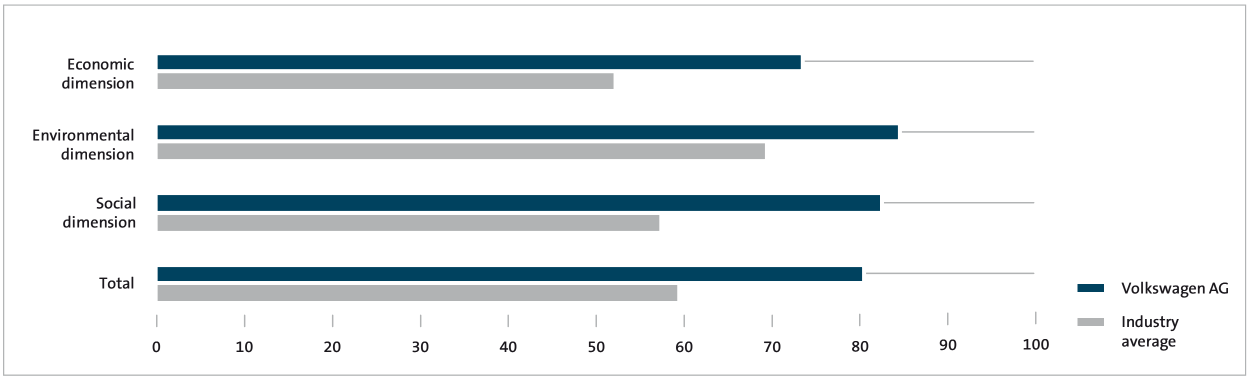
The players in the financial markets – analysts and investors – increasingly expect companies to provide them not solely with economic indicators, but also information about the company's sustainability profile – as an indicator of forward-looking corporate management – on which they will base their recommendations and decisions. Sustainability ratings are therefore a vital means of illustrating a company's performance in the environmental, social and economic/governance dimensions. Volkswagen was able to maintain and actually improve its position among the leaders in its sector in the most important international ratings and indices.

Following a reassessment of the Company in 2008 by Swiss asset management company SAM on behalf of Dow Jones, Volkswagen was the only representative of the automobile industry to be included in the European Dow Jones STOXX Sustainability Index. In addition to recognized achievements for highly efficient technological solutions and environmental protection, special emphasis was placed on the advances in human resources work and social responsibility.

Volkswagen is represented in the following sustainability indices (at December 31, 2008): ASPI (Advanced Sustainability Performance Indices), Dow Jones STOXX Sustainability Index, Dow Jones Sustainability World Index, Ethibel Sustainability Index, FTSE4Good and FTSE4Good Environmental Leaders Europe 40.

RESULTS OF THE SAM 2008 ASSESSMENT

in percent



German sustainability award

Volkswagen is the only German automaker to have received the German sustainability award in the category "Germany's Most Sustainable Brand". The prize, which is awarded under the patronage of German Federal President Horst Köhler, honors companies that combine financial success with social responsibility and environmental compatibility in an exemplary manner. At the award ceremony, the panel of distinguished judges composed of representatives of academia, industry, policies and non-governmental organizations underlined in particular Volkswagen's specific sustainability goals and corresponding sustainability strategy. Elements of this strategy include sustainable supplier management, anti-corruption initiatives and codes of ethics for business processes, as well as product-related involvement reflected in the Group's fuel and drivetrain strategy. External certifications, the inclusion in sustainability indices and the work of the "CSR Coordination and Sustainability" office convinced the jurors. 350 international companies and over half of the companies listed on the DAX30 took part in the competition.

Global Compact

Since 2002, Volkswagen has supported the Global Compact initiated by former UN Secretary General Kofi Annan, the largest and most important CSR alliance comprising over 5,000 companies from all around the world. Volkswagen's aim in participating is to help realize the collective vision of a more sustainable and inclusive global economy.

The Global Compact is based on ten principles in the areas of human rights, labor standards, environmental protection and the fight against corruption. Volkswagen continued to focus on these principles at all its plants in 2008 and provided its expertise to enable others to accept global responsibility.

Volkswagen is actively involved in the German Global Compact network, one of the many "local" networks that have sprung up as local learning and dialog platforms. In 2008, we took part in a series of workshops on sustainable consumption moderated by the United Nation's environmental program and the Wuppertal Institute Collaborating Centre on Sustainable Consumption and Production (CSCP).

Risk Report
Systematic risk management delivers sustainable success

A forward-looking approach to identifying and controlling risk is pivotal for ensuring sustainable business success. Our comprehensive risk management system enables us to deal responsibly with potential risks.

In this chapter, we first describe how the Volkswagen Group updates the risk documentation it uses. The Company's risk situation is documented annually in accordance with the requirements of the Gesetz zur Kontrolle und Transparenz im Unternehmensbereich (KonTraG - German Act on Control and Transparency in Business). The adequacy of this documentation is assessed by the auditors. We then introduce the risk management system that – as an operational element of our business processes – enables risks to be identified in a timely manner, the extent of those risks to be assessed and appropriate countermeasures to be introduced. Risk management at the Scania brand, which has been consolidated in the Group since July 22, 2008, has not yet been integrated into the Volkswagen Group's risk management system. However, it is our understanding that it is organized along similar lines. We give details of the opportunities arising from our work in the "Report on Expected Developments" on pages 178 to 184.

UPDATING THE RISK DOCUMENTATION

We carry out standardized surveys of both the risk managers of the individual divisions and the managing directors of investees on an annual basis. In answering the questions, they update the overall picture of the potential risk situation in their area of responsibility. At the same time, the qualitative likelihood of occurrence and the relative extent of any loss are allocated to each risk identified, and appropriate measures are specified in the shape of guidelines and organizational instructions to counter the respective risk. The continuous updating of the risk documentation is coordinated centrally by Group Controlling in conjunction with Group Internal Audit. Under the guidance of the auditors, the plausibility and adequacy of the risk reports are examined on a test basis in detailed interviews with the divisions and companies concerned. The auditors assessed the effectiveness of our risk management system based on this information and established both that the risks identified were presented in a suitable manner and that measures and rules were assigned to the risks adequately and in full. We accordingly meet the requirements of the KonTraG. In addition, the Financial Services Division is subject to regular special audits by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin - the German Federal Financial Supervisory Authority) in accordance with section 44 of the Gesetz über das Kreditwesen (KWG – German Banking Act) and controls by association auditors.

Workflow rules, guidelines, instructions and descriptions are systematically recorded and can for the most part be accessed online. Adherence to these rules is assured by internal controls by the heads of the Group Internal Audit, Quality Assurance, Group Treasury, Brand Controlling and Group Controlling organizational units.

GOALS AND FUNCTIONING OF THE RISK MANAGEMENT SYSTEM

The Group's risk management system is designed to identify potential risks at any early stage so that suitable countermeasures can be taken to avert the threat of loss to the Company, and any risks that might jeopardize its continued existence can be ruled out.

The risk management system is an integral part of the Volkswagen Group's structure and workflows and is embedded in its daily business processes. Events that may entail a potential risk are identified and assessed on a decentralized basis in the divisions and at the investees. Countermeasures are introduced immediately, their effects are assessed and the information is incorporated into the plans in a timely manner. This means that the Board of Management always has access to an overall picture of the current risk situation through the documented reporting channels.

We are prepared to enter into transparent risks that are proportionate to the benefits expected from the business.

SPECIFIC RISKS

In the following section we explain the specific risks arising from our business activities.

Macroeconomic risk

The main risk for global economic development over the medium term is the risk that the recessionary tendencies caused by the global financial crisis could last for a longer period. The macroeconomic risk situation again deteriorated significantly in 2008 compared with the prior year. The main risks continue to be high energy and commodity prices, lasting liquidity bottlenecks, growing protectionism and ongoing imbalances in foreign trade. Changes in legislation, taxes, or customs duties and a lasting increase in state intervention may also have a substantial adverse effect on the Volkswagen Group's international business.

Sector-specific risk

Even if growth rates in the markets in Asia, South America, and Central and Eastern Europe fell sharply towards the end of 2008, these markets were still the main drivers of growth in global demand for passenger cars. However, in some of the countries in these regions, there are high customs barriers or minimum local content requirements for domestic production. These factors make it difficult to achieve a larger increase in sales volumes. Our substantial market coverage in the most important markets entails risks that relate mainly to price levels. Massive discounts, used mainly to promote sales in the US automotive market, but also in Western Europe and China, continue to put the entire sector under pressure. As a supplier of volume models, we would be particularly affected if competing manufacturers were to further step up their sales incentives. We continue to approve loans for vehicle finance on the basis of the same cautious principles applied in the past, taking into account the regulatory requirements of section 25a(1) of the Kreditwesengesetz (KWG – German Banking Act).

We sell most of our vehicles in Western Europe. Consequently, a sustained drop in demand or in prices in this region would have a particularly strong impact on us. We counter this risk with a clear, customer-oriented and innovative product and pricing policy. Outside Western Europe, however, our overall delivery volume is widely diversified across the markets of North America, South America/South Africa, Asia Pacific, and Central and Eastern Europe. In addition, we enjoy, or are aiming to attain, a leading position in a number of established and emerging markets. Moreover, strategic partnerships give us the opportunity to cater to regional requirements.

Current developments on the financial markets have substantially increased the cost to our dealerships and sales companies of financing their business through bank loans. We minimize the risk of their insolvency by offering automotive dealers and outlets financing on attractive terms via our financial services companies, as part of a dedicated Group support system.

The European Commission plans to end design protection for visible vehicle parts. If this plan is actually implemented, it could adversely affect the Volkswagen Group's genuine parts business.

Research and development risk

We counter the risk that customers may not accept new products by conducting extensive trend analyses, customer surveys and scouting activities. These measures ensure that trends can be recognized at an early stage and that their relevance for our customers is verified in good time.

In addition, there is a risk that it may not be possible to develop products or modules in accordance with the specified deadlines, costs, or quality standards. To avoid this risk, we continuously and systematically monitor the progress of all projects and compare this with the original targets. This means that countermeasures can be initiated in good time in the case of deviations. Our project organization supports all areas involved in the process, ensuring that they work together effectively. This enables specific requirements to be presented at the earliest possible stage and their implementation planned in good time.

Risks are not concentrated on particular patents or licenses due to our wide variety of research and development activities.

Procurement risk

Prices on the commodity markets again remained volatile over the last fiscal year. It is not certain whether the oil price, which has been falling most recently, will stagnate in 2009 or whether the trend will reverse again, for instance as a result of an artificially created shortage. Volkswagen takes suitable steps to counter the risks of rising commodity prices: as well as strategically aligning our portfolio of suppliers, Procurement cooperates closely with the internal development department in order to continuously optimize the use of materials and increase utilization rates. Substituting traditional materials with alternatives that have been optimized for a specific usage is another core element of this strategy.

Against the background of the latest developments on international markets, Group Procurement has reoriented its risk management activities. It is now focusing on expanding the early-warning system for supplier crises. The aim is to be able to initiate suitable measures in good time to safeguard production in the event of individual suppliers becoming insolvent.

Production risks relating to demand

The global recession that started to emerge in the third and fourth quarters of 2008 and the related shifts in global demand for passenger cars led to fluctuations in the volumes of specific models. We do not expect any substantial change in this situation in 2009. Furthermore, changes in demand for special features or components lead to an increased risk of delivery bottlenecks. We counter this risk using flexible capacity management at our vehicle and component factories, and especially with the aid of our turntable concept, and through timely support by external suppliers. Flexible working time models provide additional opportunities to adjust production in line with current market demand.

Risks arising from changes in demand

Consumer demand depends not only on real factors such as disposable income, but also to a significant extent on psychological factors that are impossible to plan for. A combination of higher fuel prices and the uncertainty surrounding future CO_2 emission taxation may lead to unexpected consumer reluctance to purchase vehicles, which may be further exacerbated by media reports. The current financial crisis is also having significant effects on global economic development and, accordingly, on the whole automotive sector. After a certain time lag, all the world's automotive markets are now seeing what is in some cases a dramatic downward trend – a development that has also affected the Volkswagen Group. This is particularly the case in saturated markets such as North America and Western Europe, where demand has plummeted as a result of owners keeping their vehicles for longer periods. We are attempting to counter this consumer reluctance to purchase vehicles by offering attractive new models and by maintaining an intense customer focus. Nevertheless, it is not possible at this time to know how long this crisis will last nor how extensive it will be. This applies all the more since state incentives (for instance, incentives for replacing old cars with more fuel-efficient ones) are expected in some countries, which will have a positive impact on the demand for cars.

Moreover, the implementation of a CO_2-based vehicle tax in the European countries and a renewed rise in oil prices could lead to a switch in demand towards smaller segments and smaller engines, with a resulting detrimental effect on the Group's financial results.

We are countering these risks by developing fuel-efficient vehicles and alternative fuels as part of our fuel and drivetrain strategy.

In the rapidly expanding markets of Asia and Eastern Europe, risks can also arise due to government intervention in the form of lending restrictions and tax increases having an adverse effect on private consumption.

Dependence on fleet customer business

In fiscal year 2008, the percentage of all registrations accounted for by commercial fleet customers rose to 12%. At the same time we increased our market share slightly to 44.7%. Thanks to its lower dependence on the macroeconomic environment, our fleet customer business helped stabilize business in Germany. The availability throughout the entire year of the Golf Variant and the launch of the new Golf and Audi A4 Avant as key fleet vehicles are particular worthy of note.

As in the past, the fleet customer business is experiencing increasing concentration and internationalization. Owing to its extensive product range and target group-oriented customer care, the Volkswagen Group succeeded in extending its market leadership in Europe. Market share in 2008 in the five main European markets was approximately 24.0% (previous year: 23.8%). Default risks are not concentrated on individual corporate customers.

At cost-driven fleet operators, the CO_2 issue could have a disproportionate effect in the fleet customer business because of the shorter fleet ownership period. A trend towards downsizing is evident that parallels the trend in the private customer business.

Quality risk

Customers' perceptions of a product's quality are becoming more and more important in the face of growing competitive pressure. In addition, the ever-increasing complexity of the vehicles and the introduction of new environmentally friendly technologies such as hybrid drives present new challenges for the quality assurance function. To minimize potential risks arising from poor quality from the outset, we are developing new expertise and more extensive safety mechanisms. This is being done in close cooperation with all the divisions and with our suppliers.

Personnel risk

The individual skills and knowledge of our employees are a major factor contributing to the Volkswagen Group's success. Our aim of becoming top employer improves our chances of recruiting and retaining talented new employees. Of equal importance is our strategic, end-to-end personnel development. For this reason, Volkswagen offers committed workers attractive employment and development opportunities. Workers with specialist skills are also increasingly being offered attractive career paths that are independent of the management track. We use intensive knowledge management to counter the risk of corporate amnesia as a result of employee fluctuation and retirement. In addition to the standard twin-track vocational training, our established StIP integrated degree and traineeship scheme ensures that we always have access internally to highly qualified new employees.

Environmental protection regulations

On July 1, 2002, the Altfahrzeuggesetz (German End-of-Life Vehicles Act) transposed the European End-of-Life Vehicles Directive into German law. The Act guarantees that end-of-life vehicles will be disposed of free of charge through the collection points designated by manufacturers and importers. This initially applied only to vehicles registered after the law came into force, but as of January 2007, it was extended to all end-of-life vehicles. At present, we are unable to conclusively assess the impact of the EU's eastward enlargement on the collection of end-of-life vehicles. As a result, no clear forecast can be made regarding the likely financial burden on the Volkswagen Group in individual EU member states. We have reviewed our existing provisions. In addition, our systems and cooperation arrangements for disposing of end-of-life vehicles offer us the opportunity to manage this risk.

As regards emissions legislation, the EU decided on a wide range of stricter requirements, primarily affecting diesel technology. However, in the case of light and medium passenger cars, these requirements will be met by upgrading and optimizing current technology. In the case of heavy passenger vehicles, the rules as they currently stand require that an after-treatment system for nitrogen oxide be introduced. The cost difference compared with petrol engines will increase further. In future, petrol and diesel engines will also have to reposition themselves with regard to the obligation to add biofuels to fossil fuels, since diesel particulate filter technology does not permit any significant increase in the amount of biofuels added.

The G8 member states aim to reduce global greenhouse gases by 50% in the period up to 2050 in order to hold global warming to a manageable level. According to analyses by the International Energy Agency and the UN's Intergovernmental Panel on Climate Change (IPCC), this goal can only be achieved by a reduction in greenhouse gases in all sectors – power generation, industry, households, agriculture and transport. Some countries are already in the process of introducing the necessary policies. We can assume that these will be significantly tightened in future throughout the world. Both Volkswagen's production facilities and its products are affected: the former in particular through provisions on energy efficiency, a general increase in the price of energy and the system of greenhouse gas emissions trading. This last mechanism involves companies being issued with a limited number of emission certificates; they will then have to demonstrate that they have sufficient certificates if they cause CO_2

emissions. Volkswagen has been participating directly in the relevant EU system since 2005 with its heating and power plants. The current trading period is the second one and runs out in 2012. The EU has resolved substantial changes that are due to take effect in the third trading period that follows. In particular, emission certificates will no longer – as has largely been the case to date – be allocated free of charge but will increasingly be auctioned. In addition, the scope of application has been extended significantly, so that more locations than before are covered by the trading system. Along with higher costs for internally generated power, administrative and monitoring expenses will also increase sharply in the near future. Higher prices for energy and emissions rights do not only apply to our own facilities but will also increase materials prices, especially in the case of steel and aluminum. Volkswagen is using an energy management system and energy conservation programs to counteract the possible financial repercussions and risks to its image. In addition, Volkswagen operates its own highly efficient power plants for generating power and heat, and is therefore able to secure part of its energy supplies itself.

The EU Regulation capping CO_2 emissions from passenger cars is one of the first product-related CO_2 regulations in the EU for the period from 2012 to 2020. As a result, it is extremely significant both in terms of future trends in greenhouse gas emissions in the EU and of the economic and technological repercussions on vehicle manufacturers and their suppliers, and the European economy as a whole, particularly in view of the radically changed economic environment.

The EU Regulation sets targets for carmakers selling passenger cars in the European market (the EU 27). The aim is to reduce average CO_2 emissions in European fleets to 130g/km starting in 2012/2015 by means of drivetrain and other vehicle technology. A further reduction of 10 g/km is to be achieved by flanking measures such as gear-change indicators, low-resistance tires and the use of biofuels.

There are risks involved in the amount of the penalties, which may be up to €95 per g/km, to be imposed if the manufacturer fails to meet the target for its vehicles sold by an average of more than 3 g/km.

In addition to the minimum reduction targets being introduced from 2012/2015, the long-term goal of €95 per g/km will have considerable effects on the number of products, the breakdown across specific segments and the results of operations in the European market. The basis for measurement will be energy efficiency, which will help to maintain the diversity of the European product offering.

The political decision-making process has resulted in additional improvements to the Regulation proposed by the European Commission. In particular, the automotive industry's product and development cycles are taken into account by an appropriate phase-in period between 2012 and 2015. The improvements also include possible credits for innovative technologies in the shape of "eco-innovations". Innovative measures such as intelligent vehicle communications and navigation systems enable additional reductions to be achieved over and above the vehicle and drive technology measures. This links innovations to climate protection in a particularly effective way.

Volkswagen intends to make intensive use of these opportunities. With its leading technologies and products, the Group is excellently prepared for the challenges of the future.

In 2007, the federal government launched an ambitious bundle of measures for achieving national and international targets on climate protection in the form of its integrated energy and climate program. A major component of the program is improving energy efficiency and expanding the use of renewable forms of energy. The statutory measures that have already been introduced will impact key areas in which the Volkswagen Group is involved in a number of ways:

As of January 1, 2009, the Erneuerbare-Energien-Wärmegesetz (EEWärmeG – Act on the Promotion of Renewable Energies in the Heating Sector) entered into force. The aim of this Act is to enable the sustainable development of energy supplies and to promote the further development of technologies for generating heat from renewable energies. Depending on the type of energy supply system concerned, this Act may have consequences for the way Volkswagen's industrial buildings are constructed.

One element in the federal government's integrated energy and climate program is the intention to introduce a legally binding energy management system for medium-sized and large operating plants. The objective is to realize the potential for improving efficiency in industry and to link the agreement on reductions in energy and electricity taxes with the introduction of an energy management system.

Volkswagen is taking a variety of measures to actively prepare for the future challenges presented by the shortage of primary energy sources. For instance, we are expanding our centralized energy management at our production facilities and integrating it with our environmental management, so as to reinforce the effect of the energy savings measures being taken by the various areas of production. In addition, we are driving forward the use of renewable sources of energy on a worldwide basis.

Legal cases

In the course of their operating activities, Volkswagen AG and the companies in which it is directly or indirectly invested become involved in legal disputes and official proceedings in Germany and internationally. In particular, such proceedings may occur in relation to suppliers, dealers, customers, or investors.

For the companies involved, these may result in payment or other obligations. Particularly in cases where US customers assert claims for vehicle defects individually or by way of a class action, highly cost-intensive measures may have to be taken and substantial compensation or punitive damages paid.

Where transparent and economically viable, adequate insurance cover is taken out for these risks and appropriate provisions recognized for the remaining identifiable risks. The Company does not believe, therefore, that these risks will have a sustained effect on the economic position of the Group.

However, as some risks cannot be assessed or can only be assessed to a limited extent, the possibility of loss or damage not being covered by the insured amounts and provisions cannot be ruled out.

Risks arising from financial instruments

The Executive Committee for Liquidity and Foreign Currency approves risk limits, authorized financial instruments, and hedging methods and horizons. Risk management is the responsibility of Group Treasury. The Group Board of Management is informed of the current risk situation on a regular basis.

Our business activities entail financial risks that may arise from changes in interest rates, exchange rates, commodity prices and fund prices. We manage these risks by employing primary and derivative financial instruments. Internal limits are set on the volume of business per counterparty, when entering into financial transactions, in order to limit the default risk by means of diversification. In setting these limits, various rating criteria are taken into account, including the ratings awarded by independent agencies and the equity base of potential counterparties. Interest rates and currencies are mainly managed centrally by Group Treasury. The Group hedges interest rate risk and risks arising from fluctuations in the value of financial instruments by means of interest rate swaps, cross-currency swaps and other interest rate contracts with matching amounts and maturity dates. This also applies to financing arrangements within the Volkswagen Group.

Foreign currency risk is reduced primarily through natural hedging, i.e. by flexibly adapting our production capacity at our locations around the world and establishing new production facilities in the most important currency regions, currently for instance in India, Russia and the USA. We hedge the residual foreign currency risk using hedging instruments. These include currency forwards, currency options and cross-currency swaps. We use these transactions to limit the currency risk associated with forecasted cash flows from operating activities and intra-Group financing in currencies other than the respective functional currency. These contracts may have a term of up to five years. They are primarily used to hedge the euro against the US dollar, sterling, the Mexican peso, the Russian rouble, the Swedish krone, the Czech koruna, the Swiss franc and the Japanese yen. These eight currencies are responsible for most of the foreign currency risk from forecasted cash flows. The purchasing of raw materials gives rise to risks relating to availability and price trends. We limit these risks mainly by entering into forward transactions. We have used appropriate contracts to hedge some of our requirements for commodities such as aluminum, copper, platinum, rhodium and palladium over a period of up to five years. We added additional hedging transactions in 2008, such as for CO_2 certificates and coal prices.

Liquidity risks

We ensure that the Company is solvent at all times by providing sufficient liquidity reserves, access to confirmed credit lines and by our tried-and-tested money market and capital market programs.

We cover the capital requirements of the growing financial services business mainly through borrowings at matching maturities raised in the national and international financial markets. Refinancing costs have risen significantly since the beginning of the financial crisis. However, in view of the broadly diversified structure of our refinancing sources, we continued to be able to raise sufficient liquidity in the various markets. For example, despite the difficult market environment, Volkswagen Bank GmbH succeeded in placing the "Driver VI" ABS transaction with a volume of €1.0 billion in October 2008.

Credit lines from banks are generally only ever used within the Group to cover short-term working capital requirements. Projects are financed by, among other things, loans provided at favorable interest rates by development banks such as the European Investment Bank or the European Bank for Reconstruction and Development (EBRD), but also by national development banks, such as Kreditanstalt für Wiederaufbau (KfW) or the Brazilian National Economic and Social Development Bank (BNDES). This extensive range of options means that any liquidity risk to the Volkswagen Group is extremely low. In addition, Volkswagen Financial Services AG and Volkswagen Bank GmbH have each applied to the Sonderfonds Finanzmarktstabilisierung (SoFFin – German Financial Market Stabilization Fund) for a guarantee facility to refinance their financial services business.

A rating downgrade could adversely affect the terms attached to the Volkswagen Group's borrowings. However, both the ratings for Volkswagen AG and for Volkswagen Financial Services AG are as stable as ever. The long- and short-term ratings given to Volkswagen Bank GmbH by both Standard & Poor's and Moody's Investors Service remain one notch higher than those for Volkswagen AG and Volkswagen Financial Services AG. Moody's Investors Service raised the outlook for the long-term ratings of Volkswagen AG and Volkswagen Financial Services AG in 2008 from "stable" to "positive", thus giving credit to the further improvement in the Volkswagen Group's key financial figures and business prospects. The outlook for Volkswagen Bank GmbH's rating set by Moody's Investors Service continues to be "stable". In view of the economic developments expected in 2009, Standard & Poor's lowered the outlook for the bank to "negative". For the current ratings of Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH, plus information on our new issues in the capital market in fiscal year 2008, please see the Shares and Bonds chapter on pages 130 to 131 of this Report.

The Treasury department of Volkswagen Financial Services AG safeguards the liquidity of the Financial Services Division as well as managing credit, default and market risks. Risk Controlling is responsible for measuring, analyzing and monitoring market risk positions.

In the Notes on pages 255 to 264, we explain our hedging policy, the hedging rules and default and liquidity risks, quantify the hedging transactions mentioned. Additionally, we outline the market risk within the meaning of IFRS 7.

Residual value risk in the financial services business

In the financial services business, we agree in selected cases to buy back selected vehicles at a residual value that is fixed at inception of the contract in order to realize market opportunities. We evaluate these lease contracts at regular intervals. We take the necessary precautions in the event of potential risks.

Management of the residual value risk is based on a defined feedback loop ensuring the full assessment, monitoring, management and communication of risks. The process design ensures not only professional management of residual risks but also that we systematically improve and enhance our handling of residual value risks.

As part of our risk management, we use residual value forecasts to regularly assess the appropriateness of the provisions for risks and the potential for residual value risk. In so doing, we compare the contractually agreed residual values with the fair values obtainable. These are produced from data from external providers and our own marketing data. We do not take account of the upside in residual market values when making provisions for risks.

IT risk

Redundant firewalls and intrusion prevention systems safeguard our IT systems against unauthorized access. We achieve additional protection with virus scanners as well as restricted physical and data access rights. The systems used for safeguarding information are constantly checked and continuously updated. In addition, we back up all data resources daily. We consider the likelihood of a threat to our information systems and the security of our data to be very low thanks to the measures taken.

Other factors

Going beyond the risks already outlined, there are other factors that cannot be predicted and are therefore difficult to manage. Should these transpire, they could have an adverse effect on the further development of the Volkswagen Group. These factors include natural disasters, epidemics and terror attacks.

SUMMARY OF THE RISK SITUATION OF THE GROUP

The Volkswagen Group's overall risk situation results from the specific risks shown above. Our comprehensive risk management system ensures that these risks are controlled. Furthermore, taking into account all the information known to us at present, no risks exist which could pose a threat to the continued existence of the Volkswagen Group.

REPORT ON POST-BALANCE SHEET DATE EVENTS

Porsche Automobil Holding SE notified us on January 5, 2009 that it had increased its share of the voting rights in Volkswagen AG to 50.76%.

Volkswagen AG expects to acquire from Porsche Automobil Holding SE on February 20, 2009 the shares of Scania AB, Södertälje, Sweden, acquired by Porsche Automobil Holding SE under the terms of a mandatory bid procedure (2.34% of the voting rights and 7.93% of the share capital) and thus to increase its interest in Scania to 49.29% of the share capital and 71.81% of the voting rights.

On February 17, 2009, the SoFFin notified us that Volkswagen Bank GmbH had received a guarantee facility to refinance vehicle loans of up to €2.0 billion.

There were no other significant events after the end of the fiscal year.

Report on Expected Developments
Considerable market risks – New models offer opportunities

The global economy will experience recession in 2009. The sharp drop in demand for automobiles in almost all markets will also impact the Volkswagen Group's business growth.

After presenting the significant risks to the Volkswagen Group's operating activities in the previous chapter, in the following we will explain the opportunities arising from expected future developments. The potential identified by the Group is continually incorporated into its plans so that market opportunities can be leveraged as they arise. These emerge mainly as a result of our moving into new markets, developing new and additional products, and implementing technical innovations.

GENERAL ECONOMIC DEVELOPMENT

Our plans assume that global economic growth in 2009 will be negative. Despite the worldwide support measures put in place for the financial sector and the real economy, a sustained recovery is not expected until 2010. The strongest growth is anticipated in the emerging nations in Asia, particularly China and India, whereas gross domestic product (GDP) growth in Latin America will decline slightly. In the major industrialized countries, recessionary trends will continue at least through mid-year.

We prepared our forecast taking into consideration the most recent assessments by external institutions, including economic research institutes, banks, multinational organizations and consulting firms.

North America

In the USA, GDP is expected to shrink in 2009 compared with the previous year. The same is true for the Canadian and Mexican economies.

South America/South Africa

We are expecting no more than slight economic growth for Brazil. After very rapid growth in previous years, the GDP growth rate in Argentina is likely to be negative. We are predicting slight economic growth in South Africa.

Asia-Pacific

Growth in China in 2009 is anticipated to be in the single digits, as in 2008. For Japan, a further sharp decline in macroeconomic activity is likely. India's growth will weaken further.

Europe

GDP in Western Europe will decline in 2009 compared with 2008. In Central and Eastern Europe as well, we are expecting negative growth after the strong expansion of previous years.

Germany
The recessionary trend in the German economy will continue well into 2009. After hitting a record low in fall 2008, unemployment will rise again appreciably.

DEVELOPMENT OF AUTOMOTIVE MARKETS
2009 will be a year dominated by crisis management. The number of new vehicle registrations is expected to fall in nearly all of the world's markets. Only in the increasingly important Indian market is a slight increase predicted.

North America
In the USA, we expect that the economic climate will continue to cool significantly due among other reasons to the financial crisis. The ongoing uncertainty about the future development of fuel prices can also have a negative effect on demand for new vehicles. We also expect demand to shrink in the Canadian and Mexican markets for passenger cars and light commercial vehicles.

South America/South Africa
The South American markets will also suffer from the effects of the global financial crisis. We expect this region to experience a sharp drop in demand in 2009. After a weak 2008, South Africa is likely to see a further decline in registration numbers in 2009.

Asia-Pacific
In 2009, we anticipate weaker overall demand in markets in the Asia-Pacific region, but particularly in China and Japan, after several high-growth years. In India, the market as a whole is forecast to grow moderately.

Europe
In Western Europe (excluding Germany), we assume that demand for passenger cars will drop sharply due to the financial crisis. Central and Eastern Europe will also be affected.

Germany
After a weak year in Germany in 2008, we expect 2009 to be difficult. The major uncertainty arising from the financial crisis is seriously impacting consumer spending and therefore the automotive market. It remains to be seen how much the economic rescue package resolved by the German federal government and particularly the program to promote demand for cars will revive vehicle sales. Overall, we expect the rescue package to stimulate demand. This is also true of the economic aid programs resolved or announced in other countries.

EXCHANGE RATE TRENDS
The tone of the second half of fiscal 2008 in particular was set by the financial crisis, which led to strong increases in the external value of the US dollar and Japanese yen against the euro. Once the financial markets have calmed down and taking the economic environment into consideration, we expect to see renewed gradual reductions in the exchange rates for the above-mentioned export currencies.

INTEREST RATE TRENDS
We are expecting to see additional interest rate cuts in Europe in 2009. In the USA, we anticipate that the currently low interest rate levels will be maintained.

COMMODITY PRICE TRENDS
Commodity prices fell further in the second half of 2008 following the expected sharp increase in the first half of the year. In the period through to mid-2009, we expect prices to remain stable at a level considerably lower than in 2008. In the second half of the year, prices are anticipated to rise again, even though they are unlikely to reach the speculative highs of 2008.

STRATEGY 2018

A key element in our "Strategy 2018" is to position the Volkswagen Group as an economic and environmental leader among automobile manufacturers worldwide. By launching the "18 plus" program, the Board of Management has reinforced efforts to remain on track with this, even in economically difficult times. Against this backdrop, all planned vehicle projects were reviewed, and high priority was given to aspects of ecological relevance and profitability. In this way, the company can grow with the right products even in the current difficult economic environment, while at the same time keeping capital expenditure at a manageable level. An environmentally oriented range of vehicles and our excellent position in the markets worldwide enable us to leverage the strengths of the Group and to systematically increase our competitive advantage. We are aiming for new environmental standards in vehicles, powertrains and lightweight construction. In addition, extensive marketing and customer relationship management measures are being undertaken to win new customers worldwide and to further increase customer satisfaction. Despite the current economic climate, the measures introduced to improve productivity and quality will be continued unchanged. The core elements here are standardization and the reduction of throughput times. This, combined with disciplined cost and investment management, creates the basis for reaching our long-term profitability targets and securing a high level of liquidity for the long term.

INNOVATIVE TECHNOLOGIES BRING OPPORTUNITIES

In fiscal year 2009, we will continue to enhance the entire vehicle range with a view to reducing fuel consumption and emissions. More than 100 Volkswagen Group models already fall below the CO_2 emissions threshold of 140g/km, and we aim to increase this number even further in the future. The focus of activities is on the implementation throughout the Group of the new generation of common rail diesel engines and the particularly fuel-efficient TSI direct-injection engines. With the help of these technologies, the combination of turbochargers and efficient engine displacement allows us to achieve significantly better fuel efficiency.

Volkswagen is successfully continuing its strategy of offering particularly fuel-efficient vehicles in every model series with the BlueMotion versions of the Polo[1], Passat[1], Jetta[1], Touran[1] and Golf Variant[1]. For example: the latest generation of the Golf will again set an absolute record in its class. Featuring average fuel efficiency of 3.8 l per 100 km, the new Golf BlueMotion[2], which will be available in mid-2009, will fall below the magical threshold of 4.0 l for the first time in its segment. In line with this, its CO_2 emissions will drop to 99 g/km – also unbeaten in its class. The Passat BlueMotion II concept car also provides a glimpse into future developments: With fuel consumption of only 4.1 l and CO_2 emissions of only 109 g/km, emissions have been lowered by another 30 g/km from the current figure. Developments to the Audi brand are taking the same direction. The A4 TDI concept e features the typical agility of an Audi A4 but requires only 3.99 l of fuel per 100 km and produces only 105 g/km of CO_2.

1 Consumption and emission data can be found on page 282 of this Report.
2 No binding consumption and emission data is currently available for these models.

The pace of innovation in reducing other harmful emissions also remains high. The new milestone in environmental technology is the Passat BlueTDI. Although the Euro-6 emissions standard will not enter into force until 2014, one range of new Volkswagen models already meets this standard. The BlueTDI name stands for a significant reduction in nitrous oxides in exhaust gas. These outstanding results are achieved thanks to an innovative catalytic converter in conjunction with the AdBlue additive. The Passat will be launched in some European markets at the beginning of 2009 and additional Volkswagen BlueTDI models will follow. In the American market, Volkswagen is the first manufacturer to offer a diesel car approved in all 50 states, the Jetta TDI CleanDiesel. This example illustrates the future potential of diesel technology in this market.

NEW MODELS

In fiscal year 2009, numerous new and attractive models will be added as logical complements to the Volkswagen Group's vehicle range.

The new Polo is the focus for the Volkswagen Passenger Cars brand in 2009. The completely redesigned vehicle will be launched in the first half of the year and will redefine the subcompact segment with its quality and design standards. The Polo BlueMotion[1] will follow in the second half of the year. The Golf family will be expanded to include the roomy high-roofed Golf Plus version, the Golf Variant, Golf GTD and Golf GTI, along with the particularly fuel-efficient Golf BlueMotion[1].

The Audi brand will supplement the Audi A5 series with a convertible and a sportback model, thus setting new standards in this segment. At the end of 2009, the success story will continue in the premium class with the unveiling of the new Audi A8.

SEAT will upgrade its model range with the Exeo, which was presented at the 2008 Paris Motor Show and which represents its entry into the important mid-range saloon and estate car segment.

For the first time, Škoda is introducing a compact SUV model to the market, again underscoring the brand's talent for offering smart vehicle solutions at affordable prices.

Volkswagen Commercial Vehicles will completely revamp the Multivan/Transporter, Caravelle and California models.

Bentley will expand its range to include the Continental GTC Speed[2] and the Azure T[2].

Bugatti will cap its leading position among sports cars with the Veyron Grand Sport[2].

The Volkswagen Group will also continue its model rollout beyond 2009. Key growth segments are being developed with the Audi A1 concept car, a compact saloon car with a global reach presented at the 2008 Paris Motor Show, and Volkswagen Commercial Vehicles' entry into the pick-up segment.

STRATEGIC SALES FOCUS

In the European markets we are preparing for the expected changes to the EU's Block Exemption Regulation in 2010 by gradually reducing non-value-adding activities in our sales structure, thus cutting costs, increasing the attractiveness of our wholesaler and dealer system and boosting our profitability overall. With our brands, we are preparing to exploit possible opportunities resulting from further liberalization of the European single market and to promptly identify and avert possible risks.

The business fields will expand their activities not only purely in vehicles sales, but also in areas such as customer service and financial and insurance services.

1 No binding consumption and emission data is currently available for these models.
2 Consumption and emission data can be found on page 282 of this Report.

MARKET OPPORTUNITIES

From the point of view of the Volkswagen Group, the greatest growth potential in the future will be in the Indian, Russian, US and ASEAN markets, in addition to China. However, attention will have to be paid to the extent to which the global financial crisis affects these markets as well.

India is one of the most important emerging markets in the world. Passenger car sales will grow from 1.2 million units in 2008 to more than double that figure in the next ten years. India will therefore be one of the world's key automotive markets in the future. The construction of new manufacturing capacity in Pune, India, offers us particularly strong growth opportunities. Production of Škoda and Volkswagen Passenger Cars brand models is expected to begin there in 2009. Moreover, the Volkswagen Passenger Cars brand will also manufacture a vehicle that is specially tailored to the needs of Indian customers in Pune.

In Russia, vehicle sales will continue to grow in the medium term, which will make Russia one of the largest automotive markets in the world. Since 1996, the Volkswagen Group has been importing and distributing vehicles successfully there via its own sales company. In order to leverage the opportunities offered by the Russian market, we have built a plant in Kaluga, 160 km southwest of Moscow. Volkswagen Passenger Cars and Škoda brand cars are already being assembled there. Full production will begin with body construction, painting and assembly in 2009.

One of the Volkswagen Group's goals is to sustainably develop the ASEAN market. The automotive markets in the region as a whole possess enormous growth potential. The various automotive markets in the ASEAN region are extremely heterogeneous. Whereas the Thai market is dominated by pick-up models, the multi-purpose vehicles (MPV) segment is particularly prominent in Indonesia. Due to the legal framework in the region, these markets can only be developed sustainably through local assembly or production. We are therefore investigating various options for achieving our goals in this region.

The US automotive market is the largest in the world. Vehicle sales in 2008 amounted to 13.2 million units (passenger cars and light commercial vehicles). The Volkswagen Group aims to transform its operations here from a niche player to a volume supplier offering local production of market-specific products and efficient sales structures. The Routan MPV marked the start of a model initiative in 2008 that is being driven forward with additional vehicles specially developed for the US market. The construction of a local manufacturing plant in Chattanooga, Tennessee, is designed to ensure the sustainable development of the US dollar area. Among other things, this move aims to minimize sales risks arising from exchange rate fluctuations. Production at the Chattanooga plant is scheduled to begin in 2011.

INVESTMENT PLANNING

On November 21, 2008, the Supervisory Board of Volkswagen AG discussed the current situation and the outlook for 2009.

Due to the significant deterioration in business conditions in the fourth quarter of 2008 and the uncertainty about the further development of the global economy and demand for vehicles, the Board of Management has not presented a new investment budget to the Supervisory Board for approval.

As a matter of principle, the Volkswagen Group will continue to invest in an environmentally oriented range of vehicles based on the investment budget for 2008 to 2010 approved to date in order to leverage its strength in markets worldwide with its nine brands and to systematically increase its competitive advantage. Our investments in the new plants in Russia, India and North America will be made as planned.

In view of the deterioration in the situation in the international sales markets, development expenses and spending on property, plant and equipment for new models and technologies will be reviewed on the basis of the competitiveness of the sites and against the backdrop of a concentration on fuel-efficient cars. The priority here will be on engine developments that set new standards for efficiency and environmental friendliness, as well as alternative drives, whereas investments to expand capacity or overhaul structures will be postponed.

The discussion of the investment and financial plan was postponed to the Supervisory Board meeting in March 2009.

TARGETS OF VALUE-BASED MANAGEMENT

Based on long-term interest rates derived from the capital market and the target capital structure (fair value of equity to debt = 2:1), the minimum required rate of return on invested assets defined for the Automotive Division remains unchanged at 9%.

As in 2007, we again generated our current cost of capital last year and exceeded the minimum required rate of return. Over the medium term, we are aiming for a return on investment of more than 10% under our "18 plus" program, which is part of our "Strategy 2018". As a consequence of the global financial crisis, however, we will have to accept a temporary decline in our return on investment and will be unable to reach our 9% minimum required rate of return.

SUMMARY OF EXPECTED DEVELOPMENTS

The Board of Management of Volkswagen AG expects 2009 to be a very difficult year for the automotive industry. Volkswagen will be unable to escape this trend, but will still perform better than the market as a whole. It is not possible to make reliable forecasts at present because of the continued substantial uncertainty about future market developments. For this reason, we will take a flexible and forward-looking approach to current developments and address them comprehensively as they arise.

In past years, we have made good progress in increasing our competitiveness and profitability as well as improving our processes. This has led to higher margins and earnings contributions by our products and provided a solid financial base.

Along with our unique brand portfolio, young model range, broad international operations with local value added in key regions, synergies in the Group-wide development of models and new technologies, and financial strength, we believe that we are well positioned for this difficult situation.

We are reacting to the decline in sales volumes with our flexible working time models. This is flanked by a reduction in temporary employment and the introduction of short-time working in specific areas. The cutback in production also serves to shrink stockpiled inventories and thus reflects the unexpectedly strong decline in demand in the second half of 2008.

Despite the uncertain operating environment in 2009, we are holding fast to the goals of our "Strategy 2018".

This report contains forward-looking statements on the business development of the Volkswagen Group. These statements are based on assumptions relating to the development of the economic and legal environment in individual countries and economic regions, and in particular for 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 entail 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 Western Europe (and especially Germany) or in the USA, Brazil, China, or Russia 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, Mexican peso, yen, Brazilian real, Chinese renminbi and Czech koruna. In addition, expected business development may vary if this report's assessments of value-enhancing factors and risks develop in a way other than we are currently expecting.

PROSPECTS

As a result of the financial crisis, global economic growth in 2009 is likely to be negative. Based on current estimates, only China and India will be able to escape this trend. The ongoing uncertainty among market players will have a particularly negative effect on consumer demand and investments. The world's automotive markets will be particularly affected by this development and will decline substantially compared with the previous year. Negative growth will be seen in almost all regions. We expect to see the largest drop in South America and Europe, with demand being likely to shrink more in Central and Eastern Europe than in Western Europe. We are also expecting considerable declines for the North America region. By contrast, the Asia-Pacific region will only decline slightly.

With its nine brands and young model range, the Volkswagen Group is well prepared for this situation in terms of segment coverage, customer-focused technological innovations and models for growth markets. In 2009, the individual brands will again introduce numerous new and low-consumption models that will further extend the Group's product portfolio and cover new market segments. For this reason, although we assume that the Volkswagen Group will be unable to escape the downward trend, we believe that it will perform better than the market as a whole and will be able to gain additional market share during the crisis.

The Group's sales revenue in 2009 will be lower than in the previous year because of the decline in volume sales. Rising refinancing costs and a worsening of the country mix will serve as an additional drag on earnings. Volkswagen will counter this trend in particular through disciplined cost and investment management and the continuous optimization of its processes. Ecological relevance and the return on our vehicle projects are the core elements of the "18 plus" strategy.

The high volatility of market developments does not currently permit any reliable forecasts to be made for fiscal year 2009. Based on the extremely weak business at the beginning of the year, earnings will not reach the high levels of previous years.

Wolfsburg, February 17, 2009
The Board of Management

Martin Winterkorn

Francisco Javier Garcia Sanz

Jochem Heizmann

Horst Neumann

Hans Dieter Pötsch

DECLARATION BY THE BOARD OF MANAGEMENT OF VOLKSWAGEN AG

The Board of Management of Volkswagen AG is responsible for preparing the consolidated financial statements and the Group management report. Reporting is governed by International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The Group management report was prepared in compliance with the provisions of the German Commercial Code (HGB). Volkswagen AG is required by section 315a of the HGB to prepare its consolidated financial statements in accordance with the standards issued by the International Accounting Standards Board (IASB).

The accuracy of the consolidated financial statements and of the Group management report is safeguarded by internal control systems, the implementation of uniform Group-wide directives and by employee training and continuing education measures. Compliance with legal requirements and internal Group directives, and the reliability and proper functioning of the control systems, are continuously reviewed across the Group.

The early-warning function stipulated by law is implemented by a Group-wide risk management system that enables the Board of Management to identify potential risks at an early stage and to initiate appropriate countermeasures where necessary.

In accordance with the resolution adopted by the Annual General Meeting, the independent auditors PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, have audited the consolidated financial statements and the Group management report, and have issued their unqualified auditors' report reproduced following the notes to the financial statements.

The consolidated financial statements, the Group management report, the audit report and the measures to be taken by the Board of Management to ensure early identification of going concern risks have been reviewed in detail by the Supervisory Board Audit Committee and by the Supervisory Board of Volkswagen AG in the presence of the auditors. The result of this review is presented in the report of the Supervisory Board.

Consolidated Financial Statements

Consolidated Financial Statements of the Volkswagen Group

Income Statement of the Volkswagen Group for the Period January 1 to December 31, 2008

€ million	Note	2008	2007
Sales revenue	**1**	**113,808**	**108,897**
Cost of sales	2	96,612	92,603
Gross profit		**+17,196**	**+16,294**
Distribution expenses	3	10,552	9,274
Administrative expenses	4	2,742	2,453
Other operating income	5	8,770	5,994
Other operating expenses	6	6,339	4,410
Operating profit		**+6,333**	**+6,151**
Share of profits and losses of equity-accounted investments	7	+910	+734
Finance costs	8	1,815	1,647
Other financial result	9	+1,180	+1,305
Financial result		**+275**	**+392**
Profit before tax		**+6,608**	**+6,543**
Income tax income/expense	10	1,920	2,421
current		2,338	2,744
deferred		–418	–323
Profit after tax		**+4,688**	**+4,122**
Minority interests		–65	+2
Profit attributable to shareholders of Volkswagen AG		+4,753	+4,120
Basic earnings per ordinary share in €	**11**	**11.92**	**10.43**
Basic earnings per preferred share in €	**11**	**11.98**	**10.49**
Diluted earnings per ordinary share in €	**11**	**11.88**	**10.34**
Diluted earnings per preferred share in €	**11**	**11.94**	**10.40**

Balance Sheet of the Volkswagen Group as of December 31, 2008

€ million	Note	Dec. 31, 2008	Dec. 31, 2007
Assets			
Noncurrent assets			
Intangible assets	12	12,291	6,830
Property, plant and equipment	13	23,121	19,338
Leasing and rental assets	14	9,889	8,179
Investment property	14	150	152
Equity-accounted investments	15	6,373	7,795
Other equity investments	15	583	548
Financial services receivables	16	31,855	27,522
Other receivables and financial assets	17	3,387	2,416
Noncurrent tax receivables	18	763	952
Deferred tax assets	18	3,344	3,109
		91,756	**76,841**
Current assets			
Inventories	19	17,816	14,031
Trade receivables	20	5,969	5,691
Financial services receivables	16	27,035	24,914
Other receivables and financial assets	17	10,068	6,653
Current tax receivables	18	1,024	500
Marketable securities	21	3,770	6,615
Cash and cash equivalents	22	9,474	10,112
Assets held for sale	23	1,007	–
		76,163	**68,516**
Total assets		**167,919**	**145,357**
Equity and Liabilities			
Equity	24		
Subscribed capital		1,024	1,015
Capital reserves		5,351	5,142
Retained earnings		28,636	25,718
Equity attributable to shareholders of Volkswagen AG		35,011	31,875
Minority interests		2,377	63
		37,388	**31,938**
Noncurrent liabilities			
Noncurrent financial liabilities	25	33,257	29,315
Other noncurrent liabilities	26	3,235	2,245
Deferred tax liabilities	27	3,654	2,637
Provisions for pensions	28	12,955	12,603
Provisions for taxes	27	3,555	2,275
Other noncurrent provisions	29	9,073	8,276
		65,729	**57,351**
Current liabilities			
Current financial liabilities	25	36,123	28,677
Trade payables	30	9,676	9,099
Current tax payables	27	59	98
Other current liabilities	26	8,545	7,084
Provisions for taxes	27	1,160	1,828
Other current provisions	29	8,473	9,282
Liabilities associated with assets held for sale	23	766	–
		64,802	**56,068**
Total equity and liabilities		**167,919**	**145,357**

Statement of Recognized Income and Expense of the Volkswagen Group for the Period January 1 to December 31, 2008

€ million	2008	2007
Actuarial gains	190	1,427
Available-for-sale financial instruments (securities):		
Fair value changes taken directly to equity	–330	123
Transferred to profit or loss	100	–498
Cash flow hedges:		
Fair value changes taken directly to equity	1,054	1,572
Transferred to profit or loss	–1,427	–577
Foreign exchange differences	–1,445	–228
Deferred taxes	145	–740
Share of profits and losses of equity-accounted investments recognized directly in equity, after tax	–188	47
Income and expense recognized directly in equity	**–1,901**	**1,126**
Profit after tax	4,688	4,122
Total recognized income and expense for the period	**2,787**	**5,248**
of which attributable to		
shareholders of Volkswagen AG	3,310	5,246
minority interests	–523	2

This statement has been expanded to include total recognized income and expense attributable to minority interests. Prior-period figures were adjusted.

Explanatory notes on equity are presented in note 24.

DISCLOSURES ON THE ACCOMPANYING CASH FLOW STATEMENT

To enhance comparability, as from fiscal year 2008 we are reporting liquidity movements resulting from changes in loans (previously reported in cash flows from financing activities) and cash and cash equivalents of companies that were not included in consolidation in previous years due to immateriality in cash flows from investing activities. In addition, capital transactions with minority interests performed in the course of the acquisition of additional shares in subsidiaries that are already consolidated are recognized in a separate line item within cash flows from financing activities. The prior-year figures were adjusted.

Explanatory notes on the cash flow statement are presented in note 31.

Cash Flow Statement of the Volkswagen Group for the Period January 1 to December 31, 2008

€ million	2008	2007
Cash and cash equivalents at beginning of period	**9,914**	**9,367**
Profit before tax	6,608	6,543
Income taxes paid	–2,075	–1,172
Depreciation and amortization expense*	5,191	5,435
Amortization of capitalized development costs	1,392	1,843
Impairment losses on equity investments*	32	180
Depreciation of leasing and rental assets and investment property*	1,823	1,780
Gain on disposal of noncurrent assets	347	32
Share of profit or loss of equity-accounted investments	–219	–71
Other noncash income/expense	765	–11
Change in inventories	–3,056	–1,856
Change in receivables (excluding financial services)	–1,333	–942
Change in liabilities (excluding financial liabilities)	815	2,244
Change in provisions	509	1,657
Cash flows from operating activities	**10,799**	**15,662**
Acquisition of property, plant and equipment, and intangible assets	–6,883	–4,638
Additions to capitalized development costs	–2,216	–1,446
Acquisition of equity investments	–2,597	–1,238
Disposal of equity investments	1	14
Change in leasing and rental assets and investment property	–3,055	–2,763
Change in financial services receivables	–5,053	–3,588
Proceeds from disposal of noncurrent assets (excluding leasing and rental assets and investment property)	93	185
Change in investments in securities	2,041	–1,742
Change in loans	–1,611	–596
Investing activities	**–19,280**	**–15,812**
Capital contributions	218	211
Dividends paid	–722	–497
Capital transactions with minority interests	–362	–
Other changes	–3	–12
Proceeds from issue of bonds	7,671	9,516
Repayment of bonds	–8,470	–8,484
Change in other financial liabilities	9,806	93
Finance lease payments	–15	–40
Cash flows from financing activities	**8,123**	**787**
Effect of exchange rate changes on cash and cash equivalents	–113	–90
Net change in cash and cash equivalents	**–471**	**547**
Cash and cash equivalents at end of period	**9,443**	**9,914**
Cash and cash equivalents	9,443	9,914
Securities and loans	7,875	9,178
Gross liquidity	**17,318**	**19,092**
Total third-party borrowings	–69,555	–57,992
Net liquidity	**–52,237**	**–38,900**

* Net of impairment reversals.

Notes to the Consolidated Financial Statements of the Volkswagen Group for the Fiscal Year ended December 31, 2008

Basis of presentation

Volkswagen AG is domiciled in Wolfsburg and entered in the commercial register at the Braunschweig Local Court under no. HRB 100484. The fiscal year corresponds to the calendar year.

In accordance with Regulation No. 1606/2002 of the European Parliament and of the Council, Volkswagen AG has prepared its consolidated financial statements for 2008 in compliance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union. We have complied with all the IFRSs adopted by the EU and required to be applied for periods beginning on or after January 1, 2008.

The accounting policies applied in the previous year were retained, with the exception of the changes due to the new or amended standards.

In addition, we have complied with all the provisions of German commercial law that we are also required to apply, as well as with the German Corporate Governance Code.

The consolidated financial statements were prepared in euros. Unless otherwise stated, all amounts are given in millions of euros (€ million).

The income statement was prepared using the internationally accepted cost of sales method.

Preparation of the consolidated financial statements in accordance with the above-mentioned standards requires management to make estimates that affect the reported amounts of certain items in the consolidated balance sheet and in the consolidated income statement, as well as the related disclosure of contingent assets and liabilities. The consolidated financial statements give a true and fair view of the net assets, financial position and results of operations as well as the cash flows of the Volkswagen Group.

Effects of new and amended IFRSs

The following standards and interpretations adopted by the IASB were required to be applied for the first time in fiscal year 2008:

- IAS 39: Reclassification of Financial Assets
- IFRS 7: Reclassification of Financial Assets

The initial application of the standards had no effect on the presentation of the consolidated financial statements.

New and amended IFRSs not applied

In its 2008 consolidated financial statements, Volkswagen AG did not apply the following accounting standards or interpretations that have already been adopted by the IASB but were not required to be applied for fiscal year 2008.

Standard/Interpretation[1]		Issued by the IASB	Effective date[2]	Adopted by the EU[1]	Expected effects
IFRS 1	First-time Adoption of IFRSs	Nov. 25, 2008	Jan. 1, 2010	No	None
IFRS 1/ IAS 27	Cost of an Investment in a Subsidary, Jointly Controlled Entity or Associates	May 22, 2008	Jan. 1, 2009	No	None
IFRS 2	Share-based Payment – Vesting Conditions and Cancellations	Jan. 17, 2008	Jan. 1, 2009	Yes	None
IFRS 3/ IAS 27	Business Combinations/Consolidated Financial Statements	Jan. 10, 2008	Jan. 1, 2010	No	Change in the presentation of business combinations
IFRS 8	Operating Segments	Nov. 30, 2006	Jan. 1, 2009	Yes	Segment reporting
IAS 1	Presentation of Financial Statements	Sept. 6, 2007	Jan. 1, 2009	Yes	Reclassification of components of the financial statements
IAS 1/ IAS 32	Puttable Financial Instruments and Obligations Arising on Liquidation	Feb. 14, 2008	Jan. 1, 2009	No	None
IAS 23	Borrowing Costs	March 29, 2007	Jan. 1, 2009	Yes	Increase in carrying amount of qualifying assets
IAS 39	Exposures Qualifying for Hedge Accounting	July 31, 2008	Jan. 1, 2010	No	None
IAS 39/ IFRS 7	Reclassification of Financial Assets – Effective Date	Nov. 27, 2008	Jan. 1, 2009	No	None
	Improvements[3]	May 22, 2008	Jan. 1, 2009/ Jan. 1, 2010	No	Insignificant
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	Nov. 2, 2006	Jan. 1, 2009	Yes	None
IFRIC 12	Service Concession Arrangements	Nov. 30, 2006	Jan. 1, 2009	No	None
IFRIC 13	Customer Loyalty Programmes	June 28, 2007	Jan. 1, 2009	Yes	None
IFRIC 14	IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	July 4, 2007	Jan. 1, 2009	Yes	No material effects
IFRIC 15	Agreements for the Construction of Real Estate	July 3, 2008	Jan. 1, 2009	No	None
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	July 3, 2008	Jan. 1, 2009	No	None
IFRIC 17	Distributions of Non-cash Assets to Owners	Nov. 27, 2008	Jan. 1, 2010	No	None

1 In the period up to December 31, 2008.
2 Required to be applied for the first time by Volkswagen AG.
3 Minor amendments to a large number of standards (IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41).

Basis of consolidation

In addition to Volkswagen AG, the consolidated financial statements comprise all significant companies at which Volkswagen AG is able, directly or indirectly, to govern the financial and operating policies in such a way that they can obtain benefits from the activities of these companies (subsidiaries). The subsidiaries also comprise investment funds and other special purpose entities whose net assets are attributable to the Group under the principle of substance over form. Consolidation of subsidiaries begins at the first date on which control exists, and ends when such control no longer exists.

Subsidiaries whose business is dormant or of low volume and that are insignificant for the presentation of a true and fair view of the net assets, financial position and results of operations as well as the cash flows of the Volkswagen Group are not consolidated. However, they are carried in the consolidated financial statements at the lower of cost or fair value since no active market exists for those companies and fair values cannot be reliably ascertained without undue cost or effort. The aggregate equity of these subsidiaries amounts to 0.8% (previous year: 0.9%) of Group equity. The aggregate profit after tax of these companies amounts to –0.1% (previous year: 0.3%) of the profit after tax of the Volkswagen Group.

Significant companies where Volkswagen AG is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or directly or indirectly shares control (joint ventures), are accounted for using the equity method. Joint ventures also include companies in which the Volkswagen Group holds the majority of voting rights, but whose articles of association or partnership agreements stipulate that important decisions may only be resolved unanimously. Insignificant associates and joint ventures are generally carried at the lower of cost or fair value.

The composition of the Volkswagen Group is shown in the following table:

	2008	2007
Volkswagen AG and consolidated subsidiaries		
Germany	54	42
International	288	133
Subsidiaries carried at cost		
Germany	56	63
International	79	77
Associates, joint ventures and other equity investments		
Germany	25	24
International	52	45
	554	**384**

The list of all shareholdings can be downloaded from the electronic companies register at www.unternehmensregister.de and from www.volkswagenag.com/ir under the heading "Mandatory Publications" and the menu item "Annual Reports".

The following consolidated German subsidiaries with the legal form of a corporation or partnership meet the criteria set out in section 264(3) or section 264b of the Handelsgesetzbuch (HGB – German Commercial Code) due to their inclusion in the consolidated financial statements and have exercised the option not to publish annual financial statements:

- Audi Retail GmbH, Ingolstadt
- Audi Vertriebsbetreuungsgesellschaft mbH, Ingolstadt
- Audi Zentrum Berlin-Charlottenburg GmbH & Co. KG, Berlin
- Audi Zentrum Hamburg GmbH, Hamburg
- Auto 5000 GmbH, Wolfsburg
- Automobilmanufaktur Dresden GmbH, Dresden
- Autostadt GmbH, Wolfsburg
- AutoVision GmbH, Wolfsburg
- Bugatti Engineering GmbH, Wolfsburg
- Eduard Winter Automobilbetriebe GmbH Co. & KG, Berlin
- Kommanditgesellschaft „MTH" Motor-Technik-Handelsgesellschaft m.b.H. & Co., Hamburg
- quattro GmbH, Neckarsulm
- Raffay GmbH & Co. KG, Hamburg
- Volim Volkswagen Immobilien Vermietgesellschaft für VW-/Audi-Händlerbetriebe mbH, Braunschweig
- Volkswagen Business Services GmbH, Braunschweig
- Volkswagen Financial Services Beteiligungsgesellschaft mbH, Braunschweig
- Volkswagen Gebrauchtfahrzeughandels und Service GmbH, Hanover
- Volkswagen Individual GmbH, Wolfsburg
- Volkswagen Logistics GmbH & Co. OHG, Wolfsburg
- Volkswagen Original Teile Logistik GmbH & Co. KG, Baunatal
- VOLKSWAGEN Retail GmbH, Wolfsburg
- Volkswagen Sachsen GmbH, Zwickau
- Volkswagen Sachsen Immobilienverwaltungs GmbH, Zwickau
- Volkswagen Zubehör GmbH, Dreieich
- VW Wohnungs GmbH & Co. KG, Wolfsburg

FULLY CONSOLIDATED SUBSIDIARIES

After receiving the key antitrust approvals, on July 22, 2008 Volkswagen completed the acquisition of all the shares of Scania AB, Södertälje, Sweden, that were previously held by Investor AB and the Wallenberg foundations. As a result, Volkswagen's share of the voting rights increased by a further 30.62% from 37.98% to 68.60%. Volkswagen's equity interest also rose by 16.84% from 20.89% to 37.73%. Together with 167 subsidiaries, Scania AB has been included in Volkswagen's consolidated financial statements since that date. Further information on Scania can also be found in the chapter entitled "Brands and Business Fields" on page 92.

The cost of the business combination that was paid in cash amounted to €2,756 million, including all costs directly attributable to the acquisition. The precise allocation of the purchase price to the assets acquired and liabilities assumed requires detailed examination in view of the size of Scania and is therefore preliminary at present.

€ million	IFRS carrying amounts at the acquisition date	Purchase price allocation (preliminary)	Fair values at the acquisition date (preliminary)
Total assets	**10,282**	**3,739**	**14,021**
Customer relationships	–	374	374
Brand name	–	1,027	1,027
Intangible assets[1]	245	1,179	1,424
Property, plant and equipment	2,027	688	2,715
Leasing and rental assets	1,085	127	1,212
Inventories	1,482	380	1,862
Cash	206	–	206
Other assets	5,237	–36	5,201
Total liabilities	**8,096**	**1,062**	**9,158**
Pension provisions	428	–	428
Other noncurrent provisions	110	–	110
Current provisions	224	–	224
Noncurrent liabilities[2]	2,729	1,062	3,791
Current liabilities	4,605	–	4,605
Equity[1]	**2,186**	**2,677**	**4,863**
Equity attributable to shareholders of Volkswagen AG[1]	825	1,010	1,835
Minority interests	1,361	1,667	3,028

1 Excluding goodwill of Volkswagen AG.
2 Including deferred taxes.

The preliminary goodwill identified at a carrying amount of €2,952 million (translated at the closing rate at the acquisition date) includes non-separable amounts, such as employee knowledge and synergy effects in technology and purchasing.

Goodwill was calculated separately for the individual tranches acquired. The hidden reserves and liabilities relating to the legacy shares acquired in 2000 cannot be measured reliably in accordance with the current version of IFRS 3. As a result, the originally calculated goodwill for these shares was used on the basis of impairment already recognized.

More recent findings as of the balance sheet date have led to the reduction of the fair values of the assets by €341 million (primarily intangible assets) compared with the figures disclosed in the interim financial statements for the third quarter of 2008. At the same time, adjustments to the fair values of liabilities led to a reduction of €149 million. Preliminary goodwill fell from €3,084 million to €2,952 million due to the effects of the change in purchase price allocation and the treatment of the legacy tranche described above.

Excluding the effects of purchase price allocation, Scania contributed sales revenue of €3,865 million and a proportionate profit after tax of €288 million to the Volkswagen Group's figures. The adjustment of the purchase price allocation figures leads to a loss after tax of €398 million. This is primarily due to expenses of €524 million associated with the settlement of current assets such as finished goods and orders. The average useful life of finite-lived noncurrent assets is 5 to 20 years. If Scania had been included in the consolidated financial statements as of January 1, 2008, sales revenue and profit after tax would have amounted to €9,560 million and €925 million respectively, excluding the effects of purchase price allocation.

As well as the addition of the Scania Group to the consolidated Group, in 2008 two companies that were not consolidated in the previous year and two newly formed companies in Germany were initially consolidated, as were one unconsolidated and seven newly formed foreign companies. The initial inclusion of these subsidiaries, either individually or collectively, did not have a significant effect on the presentation of the Company's situation. The number of consolidated subsidiaries was also reduced by the merger of eleven and the sale of two foreign companies.

Volkswagen acquired a further 3.63% interest in the capital of Scania by the balance sheet date.

In addition, Volkswagen acquired 0.41% of the shares of AUDI AG, Ingolstadt, from Porsche Automobil Holding SE, Stuttgart. Porsche Automobil Holding SE had previously acquired the shares as part of a mandatory bid to the shareholders of AUDI AG published on September 29, 2008.

INVESTMENTS IN ASSOCIATES

Volkswagen AG continued to hold 29.9% of the voting rights and 28.7% of the subscribed capital of MAN AG, Munich, at the balance sheet date. The market value of this interest was €1,632 million at December 31, 2008 (previous year: €4,797 million).

The following carrying amounts are attributable to the Volkswagen Group from its proportionate interest in MAN and Scania (in fiscal year 2008, contained in revenue and profit for the period until the date of acquisition):

€ million	2008	2007
Noncurrent assets	1,723	3,147
Current assets	3,016	3,480
Noncurrent liabilities	816	1,359
Current liabilities	2,376	3,242
Revenues	5,407	6,327
Profit for the period	486	540

INTERESTS IN JOINT VENTURES

The following carrying amounts are attributable to the Volkswagen Group from its proportionate interest in joint ventures:

€ million	2008	2007
Noncurrent assets	9,022	7,551
Current assets	7,145	6,528
Noncurrent liabilities	6,045	4,326
Current liabilities	7,097	6,861
Income	7,926	5,869
Expenses	7,435	5,437

Consolidation methods

The assets and liabilities of the German and foreign companies included in the consolidated financial statements are recognized in accordance with the uniform accounting policies used within the Volkswagen Group. In the case of companies accounted for using the equity method, the same accounting policies are applied to determine the proportionate equity, based on the most recent audited annual financial statements of each company.

In the case of subsidiaries consolidated for the first time, assets and liabilities are measured at their fair value at the date of acquisition. Their carrying amounts are adjusted in subsequent years. Goodwill arises when the purchase price of the investment exceeds the fair value of identifiable net assets. Goodwill is tested for impairment once a year to determine whether its carrying amount is recoverable. If the carrying amount of goodwill is higher than the recoverable amount, an impairment loss must be recognized. If this is not the case, there is no change in the carrying amount of goodwill compared with the previous year. If the purchase price of the investment is less than the identifiable net assets, the difference is recognized in the income statement in the year of acquisition. Goodwill is accounted for at the subsidiaries in the functional currency of those subsidiaries. Any difference that arises from the acquisition of additional shares of an already consolidated subsidiary is taken directly to equity.

Receivables and liabilities, and expenses and income, between consolidated companies are eliminated. Intercompany profits or losses are eliminated in Group inventories and noncurrent assets. Deferred taxes are recognized for consolidation adjustments recognized in the income statement, with deferred tax assets and liabilities offset where taxes are levied by the same tax authority and relate to the same tax period.

Currency translation

Transactions in foreign currency are translated in the single-entity financial statements of Volkswagen AG and its consolidated subsidiaries at the rates prevailing at the transaction date. Foreign currency monetary items are recorded in the balance sheet using the middle rate on the balance sheet date. Foreign exchange gains and losses are recognized in the income statement. The financial statements of foreign companies are translated into euros using the functional currency concept. Asset and liability items are translated at the closing rate. With the exception of income and expenses recognized directly in equity, equity is translated at historical rates. The resulting foreign exchange differences are taken directly to equity until disposal of the subsidiary concerned, and are presented as a separate item in equity.

Income statement items are translated into euros at weighted average rates using the modified closing rate method. The rates applied are presented in the following table:

		BALANCE SHEET MIDDLE RATE ON DECEMBER 31,		INCOME STATEMENT AVERAGE RATE	
	1 € =	2008	2007	2008	2007
Argentina	ARS	4.80624	4.63638	4.63951	4.27103
Australia	AUD	2.02740	1.67570	1.74162	1.63557
Brazil	BRL	3.24360	2.61445	2.67428	2.66318
Canada	CAD	1.69980	1.44490	1.55942	1.46895
Czech Republic	CZK	26.87500	26.62800	24.94632	27.75824
India	INR	67.39307	57.85353	63.59206	56.39206
Japan	JPY	126.14000	164.93000	152.45406	161.24064
Mexico	MXN	19.23330	16.07430	16.29157	14.97495
People's Republic of China	CNY	9.49560	10.75240	10.22361	10.41860
Poland	PLN	4.15350	3.59350	3.51210	3.78314
Republic of Korea	KRW	1,839.13000	1,377.96000	1,606.08719	1,273.33290
Russia	RUB	41.28300	35.98600	36.42072	35.02037
Slovak Republic	SKK	30.12600	33.58300	31.26167	33.77502
South Africa	ZAR	13.06670	10.02980	12.05899	9.66135
Sweden	SEK	10.87000	9.44150	9.61524	9.25214
United Kingdom	GBP	0.95250	0.73335	0.79628	0.68455
USA	USD	1.39170	1.47210	1.47103	1.37064

Accounting policies

INTANGIBLE ASSETS

Purchased intangible assets are recognized at cost and amortized over their useful life using the straight-line method. This relates in particular to software, which is amortized over three years.

In accordance with IAS 38, research costs are recognized as expenses when incurred.

Development costs for future series products and other internally generated intangible assets are capitalized at cost, provided manufacture of the products is likely to bring the Volkswagen Group an economic benefit. If the criteria for recognition as assets are not met, the expenses are recognized in the income statement in the year in which they are incurred.

Capitalized development costs include all direct and indirect costs that are directly attributable to the development process. Borrowing costs are not capitalized. The costs are amortized using the straight-line method from the start of production over the expected life cycle of the models or powertrains developed – generally between five and ten years.

Amortization recognized during the year is allocated to the relevant functions in the income statement.

Brand names from business combinations have an indefinite useful life and are not amortized.

Goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested for impairment at least once a year. Assets in use and other intangible assets with finite useful lives are tested for impairment only if there are specific indications that they may be impaired. The Volkswagen Group generally applies the value in use of the relevant cash-generating unit (brands or products) to determine the recoverable amount of goodwill and indefinite-lived intangible assets. This is based on management's current planning. The planning period generally extends to a horizon of five years, with reasonable assumptions about future development being made for the subsequent years. The planning assumptions are adapted to reflect the current state of knowledge. They include reasonable assumptions on macroeconomic trends and historical developments. Estimation of cash flows is generally based on the expected growth trends for the automobile markets concerned. The estimates for the cash flows following the end of the planning period are based on a maximum growth rate of 2.0% per annum. We apply a discount rate of 7.9% when determining value in use for the purpose of impairment testing of goodwill at Scania and Škoda, and of indefinite-lived intangible assets at Scania. We apply country-specific discount factors of at least 9.9% when determining value in use for the purpose of impairment testing of intangible assets. County-specific discount rates of at least 9% were used in the previous year.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost less depreciation and – where necessary – write-downs for impairment. Investment grants are generally deducted from cost. Cost is determined on the basis of the direct and indirect costs that are directly attributable. Borrowing costs are recorded as current expenses. Special tools are reported under other equipment, operating and office equipment. Property, plant and equipment is depreciated using the straight-line method over its estimated useful life. The useful lives of items of property, plant and equipment are reviewed at each balance sheet date and adjusted if required.

Depreciation is based mainly on the following useful lives:

	Useful life
Buildings	25 to 50 years
Site improvements	10 to 18 years
Technical equipment and machinery	6 to 12 years
Other equipment, operating and office equipment, including special tools	3 to 15 years

Impairment losses on property, plant and equipment are recognized in accordance with IAS 36 where the recoverable amount of the asset concerned has fallen below the carrying amount. Recoverable amount is the higher of value in use and fair value less costs to sell. Value in use is determined using the principles described for intangible assets. If the reasons for impairments recognized in previous years no longer apply, the impairment losses are reversed accordingly.

Where leased items of property, plant and equipment are used, the criteria for classification as a finance lease as set out in IAS 17 are met if all material risks and rewards incidental to ownership have been transferred to the Group company concerned. In such cases, the assets concerned are recognized at cost or at the present value of the minimum lease payments (if lower) and depreciated using the straight-line method over the asset's useful life, or over the term of the lease if this is shorter. The payment obligations arising from the future lease payments are discounted and recorded as a liability in the balance sheet.

Where Group companies are the lessees of assets under operating leases, i.e. if not all material risks and rewards incidental to ownership are transferred, lease and rental payments are recorded directly as expenses in the income statement.

LEASING AND RENTAL ASSETS

Vehicles leased out under operating leases are recognized at cost and depreciated to their estimated residual value using the straight-line method over the term of the lease. Impairment losses identified as a result of an impairment test in accordance with IAS 36 are recognized and the depreciation rate is adjusted. The forecast residual values are adjusted to include constantly updated internal and external information on residual values, depending on specific local factors and the experiences gained in the marketing of used cars.

INVESTMENT PROPERTY

Real estate and buildings held in order to obtain rental income (investment property) are carried at amortized cost; the useful lives applied to depreciation correspond to those of the property, plant and equipment used by the Company itself. The fair value of investment property must be disclosed in the notes if it is carried at amortized cost. Fair value is estimated using an income capitalization approach. This involves determining the income value for a specific building on the basis of gross income, taking into account additional factors such as land value, remaining useful life and a multiplier specific to residential property.

EQUITY-ACCOUNTED INVESTMENTS

The cost of equity-accounted investments is adjusted to reflect the share of increases or reductions in equity at the associates and joint ventures that is attributable to the Volkswagen Group after the acquisition. Additionally, the investment is tested for impairment if there are indications of impairment and written down to the lower recoverable amount if necessary. Recoverable amount is determined using the principles described for other intangible assets. If the reason for impairment ceases to apply at a later date, the impairment loss is reversed to the carrying amount that would have been determined had no impairment loss been recognized.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset of one company and a financial liability or an equity instrument of another. Regular way purchases or sales of financial instruments are accounted for at the settlement date – that is, at the date on which the asset is delivered.

IAS 39 classifies financial assets into the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity financial assets;
- loans and receivables; and
- available-for-sale financial assets.

Financial liabilities are classified into the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities carried at amortized cost.

We recognize financial instruments at amortized cost or at fair value.

The amortized cost of a financial asset or liability is the amount:

- at which a financial asset or liability is measured at initial recognition;
- minus any principal repayments;
- minus any write-down for impairment or uncollectibility;
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable at maturity (premium), amortized using the effective interest method over the term of the financial asset or liability.

In the case of current receivables and liabilities, amortized cost generally corresponds to the principal or repayment amount.

Fair value generally corresponds to the market or quoted market price. If no active market exists, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate, or by using recognized option pricing models, and verified by confirmations from the banks that handle the transactions.

The fair value option is not used in the Volkswagen Group.

LOANS AND RECEIVABLES AND FINANCIAL LIABILITIES

Loans, receivables and liabilities, as well as held-to-maturity investments, are measured at amortized cost, unless hedged. Specifically, these relate to:

- receivables from financing business;
- trade receivables and payables;
- other receivables and financial assets and liabilities; and
- financial liabilities.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets (securities) are carried at fair value. Changes in fair value are recognized directly in equity, net of deferred taxes.

Shares in unconsolidated subsidiaries and other equity investments that are not accounted for using the equity method are also classified as available-for-sale financial assets. However, they are generally carried at cost, since no active market exists for those companies and fair values cannot be reliably ascertained without undue cost or effort. Fair values are recognized if there are indications that fair value is lower than cost.

DERIVATIVES AND HEDGE ACCOUNTING

Volkswagen Group companies use derivatives to hedge balance sheet items and future cash flows (hedged items). Derivatives, such as swaps, forward transactions and options, are used as the primary hedging instruments. The criteria for the application of hedge accounting are that the hedging relationship between the hedged item and the hedging instrument is clearly documented and that the hedge is highly effective.

The accounting treatment of changes in the fair value of hedging instruments depends on the nature of the hedging relationship. In the case of hedges against the risk of change in the carrying amount of balance sheet items (fair value hedges), both the hedging instrument and the hedged risk portion of the hedged item are measured at fair value. We used a fair value portfolio hedge for the first time in the past fiscal year. Changes in the fair value of portfolio hedges are accounted for in the same way as for fair value hedges. Gains or losses from remeasurement are recognized in profit or loss. In the case of hedges of future cash flows (cash flow hedges), the hedging instruments are also measured at fair value. Gains or losses from remeasurement of the effective portion of the derivative are initially recognized in the reserve for cash flow hedges directly in equity, and are only recognized in the income statement when the hedged item is recognized in profit or loss; the ineffective portion of a hedge is recognized immediately in profit or loss.

Derivatives used by the Volkswagen Group for financial management purposes to hedge against interest rate, foreign currency, commodity, or price risks, but that do not meet the strict criteria of IAS 39, are classified as financial assets or liabilities at fair value through profit or loss. External hedges of intra-Group hedged items that are subsequently eliminated in the consolidated financial statements are also assigned to this category.

RECEIVABLES FROM FINANCE LEASES

Where a Group company is the lessor – generally of vehicles – a receivable in the amount of the net investment in the lease is recognized in the case of finance leases, in other words where substantially all the risks and rewards incidental to ownership are transferred to the lessee.

OTHER RECEIVABLES AND FINANCIAL ASSETS

Other receivables and financial assets (except for derivatives) are recognized at amortized cost.

IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

Default risk on loans and receivables in the financial services business is accounted for by recognizing specific valuation allowances and portfolio-based valuation allowances.

More specifically, in the case of significant individual receivables (e.g. dealer finance receivables and fleet customers) specific valuation allowances are recognized in accordance with Group-wide standards in the amount of the incurred loss. A potential impairment is assumed in the case of a number of situations such as delayed payment over a certain period, the institution of enforcement measures, the threat of insolvency or overindebtedness, application for or the opening of bankruptcy proceedings, or the failure of reorganization measures.

In the case of non-significant receivables (e.g. customer finance receivables) specific valuation allowances are recognized using a generalized procedure once a default has been identified.

Portfolio-based valuation allowances are recognized by grouping together non-significant receivables and significant individual receivables for which there is no indication of impairment into homogeneous portfolios on the basis of comparable credit risk features and allocating them by risk class. As long as no definite information is available as to which receivables are in default, average historical default probabilities for the portfolio concerned are used to calculate the amount of the valuation allowances.

As a matter of principle, specific valuation allowances are recognized on receivables in the Automotive segment.

Valuation allowances on receivables are regularly recognized in separate allowance accounts.

An impairment loss is recognized on financial assets held for sale if there is objective evidence of permanent impairment. In the case of equity instruments, evidence of impairment is taken to exist, among other things, if the fair value decreases below cost significantly (by more than 20%) or the decrease is prolonged (by more than 10% of the average market prices over one year). If impairment is identified, the cumulative loss is withdrawn from the reserve and recognized in profit and loss. In the case of equity instruments, reversals of impairment losses are taken directly to equity. Impairment losses are recognized on debt instruments if a decrease in the future cash flows of the financial asset is expected. An increase in the risk-free interest rate or an increase in credit risk premiums is not in itself evidence of impairment.

DEFERRED TAXES

Deferred tax assets are generally recognized for tax-deductible temporary differences between the tax base of assets and their carrying amounts in the consolidated balance sheet, as well as on tax loss carryforwards and tax credits provided it is probable that they can be used in future periods. Deferred tax liabilities are generally recognized for all taxable temporary differences between the tax base of liabilities and their carrying amounts in the consolidated balance sheet.

Deferred tax liabilities and assets are recognized in the amount of the expected tax liability or tax benefit, as appropriate, in subsequent fiscal years, based on the expected enacted tax rate at the time of realization. The tax consequences of dividend payments are not taken into account until the resolution on appropriation of earnings available for distribution has been adopted.

Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by valuation allowances.

Deferred tax assets and deferred tax liabilities are offset where taxes are levied by the same taxation authority and relate to the same tax period.

INVENTORIES

Raw materials, consumables and supplies, merchandise, work in progress and self-produced finished goods reported in inventories are carried at the lower of cost or net realizable value. Cost is determined on the basis of the direct and indirect costs that are directly attributable. Borrowing costs are not capitalized. The measurement of same or similar inventories is based on the weighted average cost method.

NONCURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Under IFRS 5, noncurrent assets or groups of assets and liabilities (disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such assets are carried at the lower of their carrying amount and fair value less costs to sell, and are presented separately in current assets and liabilities in the balance sheet.

Discontinued operations are components of an entity that have either been disposed of or are classified as held for sale. The assets and liabilities of operations that are held for sale represent disposal groups that must be measured and reported using the same principles as noncurrent assets held for sale. The income and expenses from discontinued operations are presented in the income statement as “profit or loss from discontinued operations” below the profit or loss from continuing operations. Corresponding disposal gains or losses are contained in the profit or loss from discontinued operations. The prior-year figures in the income statement are restated accordingly.

PENSION PROVISIONS

The actuarial valuation of pension provisions is based on the projected unit credit method in respect of defined benefit plans in accordance with IAS 19. The valuation is based not only on pension payments and vested entitlements known at the balance sheet date, but also reflects future salary and pension trends. Actuarial gains and losses are recognized directly in equity, net of deferred taxes.

PROVISIONS FOR TAXES

Tax provisions contain obligations resulting from current taxes. Deferred taxes are presented in separate items of the balance sheet and income statement.

OTHER PROVISIONS

In accordance with IAS 37, provisions are recognized where a present obligation exists to third parties as a result of a past event; where a future outflow of resources is probable; and where a reliable estimate of that outflow can be made.

Provisions not resulting in an outflow of resources in the year immediately following are recognized at their settlement value discounted to the balance sheet date. Discounting is based on market interest rates. A discount rate of 6.0% (previous year: 5.2%) was used in Germany. The settlement value also reflects cost increases expected at the balance sheet date.

Provisions are not offset against claims for reimbursement.

As part of the Financial Services Division's insurance business, we recognize insurance contracts in accordance with IFRS 4. Reinsurance acceptances are accounted for on an accrual basis. Estimation techniques based on assumptions about future changes in claims are used to calculate the claims provision. Minority interests in provisions are reported under other assets.

LIABILITIES

Noncurrent liabilities are recorded at amortized cost in the balance sheet. Differences between historical cost and the repayment amount are amortized using the effective interest method.

Liabilities to members of partnerships from the provision of capital are carried at the fair value of the redemption amount at the balance sheet date.

Liabilities under finance leases are carried at the present value of the lease payments.

Current liabilities are recognized at their repayment or settlement value.

REVENUE AND EXPENSE RECOGNITION

Sales revenue, interest and commission income from financial services and other operating income are recognized only when the relevant service has been rendered or the goods delivered, that is, when the risk has passed to the customer. Income from assets for which a Group company has a buy back obligation is recognized only when the assets have definitively left the Group. If a fixed repurchase price was agreed when the contract was entered into, the difference between the selling and repurchase price is recognized as income ratably over the term of the contract. Prior to that time, the assets are carried as inventories.

Cost of sales includes the costs incurred to generate the sales revenue and the cost of goods purchased for resale. This item also includes the costs of additions to warranty provisions. Research and development costs not eligible for capitalization in the period and amortization of development costs are likewise carried under cost of sales. Reflecting the presentation of interest and commission income in sales revenue, the interest and commission expenses attributable to the financial services business are presented in cost of sales.

Government grants are generally deducted from the cost of the relevant assets.

Personnel expenses are recognized in respect of the issue of convertible bonds to employees conveying the right to purchase shares of Volkswagen AG.

Dividend income is recognized on the date when the dividend is legally approved.

ESTIMATES AND ASSUMPTIONS BY MANAGEMENT

Preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and income and expenses, as well as the related disclosure of contingent assets and liabilities of the reporting period. Such estimates and assumptions relate primarily to the assessment of the recoverability of intangible assets, the standard definition throughout the Group of useful lives of items of property, plant and equipment and of leasing and rental assets, the collectability of receivables, and the recognition and measurement of provisions.

The estimates and assumptions are based on underlying assumptions that reflect the current state of available knowledge. Specifically, the expected future development of business was based on the circumstances known at the date of preparation of these consolidated financial statements and a realistic assessment of the future development of the global and sector-specific environment. Our estimates and assumptions are currently subject to a high degree of uncertainty due to the present crisis in the financial and sales markets. This applies in particular to short- and medium-term cash flow forecasts and to the discount rates used. In view of the unusual developments in the price of Volkswagen AG's ordinary shares, we used a multi-year view when estimating our own systemic risk (market risk).

Developments in this environment that differ from the assumptions and that cannot be influenced by management could result in amounts that differ from the original estimates. If actual developments differ from the expected developments, the underlying assumptions and, if necessary, the carrying amounts of the assets and liabilities affected are adjusted.

The underlying estimates and assumptions were subject to a high degree of uncertainty at the date of preparation of these consolidated financial statements. Overall, we expect to see a clear decline in unit sales in the global automobile markets in fiscal year 2009. Volkswagen will be unable to escape this trend, but we expect that it will still perform better than the market as a whole and that we shall be able to further increase our market share during the crisis. Regular reviews of our hedges revealed no need for adjustments. As a result, from today's perspective, we are not expecting any material adjustment in the carrying amounts of the assets and liabilities reported in the consolidated balance sheet in the following fiscal year.

Estimates and assumptions by management were based on assumptions that are explained in the Report on Expected Developments.

Segment reporting

BY DIVISION

€ million	AUTOMOTIVE 2008	2007	FINANCIAL SERVICES 2008	2007	CONSOLIDATION 2008	2007	VOLKSWAGEN GROUP 2008	2007
Sales to third parties	103,368	100,171	10,440	8,726	–	–	113,808	108,897
Intersegment sales revenue	3,363	2,357	736	1,419	−4,099	−3,776	–	–
Segment sales revenue	106,731	102,528	11,176	10,145	−4,099	−3,776	113,808	108,897
Impairment losses[1]	657	1,081	94	76	–	–	751	1,157
Reversals of impairment losses[1]	8	–	0	0	–	–	8	0
Operating profit	5,787	5,909	905	957	−359	−715	6,333	6,151
Share of profits and losses of equity-accounted investments	809	580	101	154	–	–	910	734
Cash flows from operating activities	8,876	13,897	2,028	1,987	−105	−222	10,799	15,662
Segment assets	86,773	73,008	76,340	66,140	−7,406	−6,839	155,707	132,309
Equity-accounted investments	4,938	6,313	1,435	1,482	–	–	6,373	7,795
Segment liabilities	61,552	55,046	67,947	59,255	−7,396	−7,721	122,103	106,580
Investments in property, plant and equipment and other intangible assets	6,778	4,559	121	83	−16	−4	6,883	4,638
Capitalized development costs	2,216	1,446	–	–	–	–	2,216	1,446
Investments in leasing and rental assets and investment property	182	76	5,166	5,119	–	–	5,348	5,195
Investing activities[2]	11,837	8,242	8,326	7,242	−883	328	19,280	15,812

1 Intangible assets, property, plant and equipment, leasing and rental assets, investment property and inventories.
2 The prior-year figures were adjusted in line with the amended presentation in the cash flow statement.

BY MARKET 2008

€ million	Germany	Rest of Europe	North America	South America	Africa	Asia/ Oceania	Consoli- dation	Total
Sales to third parties	27,682	53,467	12,716	9,784	1,706	8,453	–	113,808
Investments in property, plant and equipment, and other intangible assets	3,203	2,490	393	497	126	231	–57	6,883
Segment assets	85,446	61,976	20,212	8,606	939	4,310	–25,782	155,707

BY MARKET 2007

€ million	Germany	Rest of Europe	North America	South America	Africa	Asia/ Oceania	Consoli- dation	Total
Sales to third parties	26,864	50,839	13,219	8,340	2,103	7,532	–	108,897
Investments in property, plant and equipment, and other intangible assets	2,792	1,243	205	296	20	40	42	4,638
Segment assets	77,932	44,048	17,671	8,501	1,095	2,908	–19,846	132,309

The internal organizational and management structure and the internal reporting lines to the Board of Management and the Supervisory Board form the basis for identifying the primary format of segment reporting within the Volkswagen Group by the two divisions Automotive and Financial Services. The secondary reporting format is geographically based.

As a matter of principle, business relationships between the companies within the segments of the Volkswagen Group are transacted at arm's length prices.

Income Statement Disclosures

1 | Sales revenue

STRUCTURE OF GROUP SALES REVENUE

€ million	2008	2007
Vehicles	87,850	86,159
Genuine parts	7,254	6,512
Other sales revenue	8,528	7,714
Rental and leasing business	5,819	5,311
Interest and similar income from financial services business	4,357	3,201
	113,808	**108,897**

For segment reporting purposes, the sales revenue of the Group is presented by division and market. Other sales revenue relates primarily to parts and engine deliveries.

2 | Cost of sales

Cost of sales also includes interest expenses of €2,871 million (previous year: €2,429 million) attributable to the financial services business. This item includes impairment losses on intangible assets, property, plant and equipment, and leasing and rental assets. Impairment losses are based on updated impairment tests and reflect market and exchange rate risks in particular.

3 | Distribution expenses

Distribution expenses amounting to €10,552 million (previous year: €9,274 million) include non-staff overheads and personnel costs, and depreciation and amortization applicable to the distribution function, as well as the costs of shipping, advertising and sales promotion.

4 | Administrative expenses

Administrative expenses of €2,742 million (previous year: €2,453 million) mainly include non-staff overheads and personnel costs, as well as depreciation and amortization applicable to the administrative function.

5 | Other operating income

€ million	2008	2007
Income from reversal of valuation allowances on receivables and other assets	424	369
Income from reversal of provisions and accruals	1,532	877
Income from foreign currency hedging derivatives	2,445	1,390
Income from foreign exchange gains	2,254	1,093
Income from sale of promotional material	175	177
Income from cost allocations	770	903
Income from investment property	60	56
Gains on asset disposals	29	47
Miscellaneous other operating income	1,081	1,082
	8,770	**5,994**

Foreign exchange gains mainly comprise gains from changes in exchange rates between the dates of recognition and payment of receivables and liabilities denominated in foreign currencies, as well as exchange rate gains resulting from measurement at the closing rate. Foreign exchange losses from these items are included in other operating expenses.

6 | Other operating expenses

€ million	2008	2007
Valuation allowances on receivables and other assets	1,021	610
Losses from foreign currency hedging derivatives	1,209	780
Foreign exchange losses	2,555	1,410
Expenses from cost allocations	223	202
Expenses for termination agreements	27	94
Miscellaneous other operating expenses	1,304	1,314
	6,339	**4,410**

7 | Share of profits and losses of equity-accounted investments

€ million	2008	2007
Share of profits of equity-accounted investments	914	820
of which from: joint ventures	(532)	(443)
of which from: associates	(382)	(377)
Share of losses of equity-accounted investments	4	86
of which from: joint ventures	(4)	(86)
of which from: associates	–	(0)
	910	**734**

The share of profits and losses of equity-accounted investments includes the amounts for the Scania shares accounted for using the equity method for the period until the investment was consolidated.

8 | Finance costs

€ million	2008	2007
Other interest and similar expenses	998	1,032
Interest cost included in lease payments	10	9
Interest expenses	**1,008**	**1,041**
Interest component of additions to pension provisions	669	579
Interest cost on other liabilities	138	27
Interest cost on liabilities	**807**	**606**
Finance costs	**1,815**	**1,647**

9 | Other financial result

€ million	2008	2007
Income from profit and loss transfer agreements	20	17
Cost of loss absorption	36	16
Other income from equity investments	45	38
Other expenses from equity investments	35	182
Income from securities and loans*	15	505
Other interest and similar income	1,475	976
Gains and losses from fair value remeasurement and impairment of financial instruments	–244	–49
Gains and losses from fair value remeasurement of ineffective derivatives	–52	45
Gains and losses on hedges	–8	–29
Other financial result	**1,180**	**1,305**

* Including disposal gains/losses.

10 | Income tax income/expense

COMPONENTS OF TAX INCOME AND EXPENSE

€ million	2008	2007
Current tax expense, Germany	1,355	1,873
Current tax expense, abroad	1,087	1,000
Current tax expense	**2,442**	**2,873**
of which prior-period income/expense	(– 41)	(148)
Income from reversal of tax provisions	– 104	– 129
Current income tax expense	**2,338**	**2,744**
Deferred tax income/expense, Germany	– 86	104
Deferred tax income, abroad	– 332	– 427
Deferred tax income	**– 418**	**– 323**
Income tax income/expense	**1,920**	**2,421**

In Germany, current tax expense is calculated on the basis of a uniform corporation tax rate of 15% (previous year: 25%) plus a solidarity surcharge of 5.5%. In addition to corporation tax, trade tax is levied on profits generated in Germany. Due to the non-deductibility of trade tax as a business expense from fiscal year 2008, the average trade tax rate is 13.7%, which results in a total domestic tax rate of 29.5%.

The change in the tax rates due to the Unternehmenssteuerreformgesetz 2008 (German Business Taxation Reform Act 2008) was already reflected in the calculation of the German companies' deferred tax assets and liabilities for fiscal year 2007.

This resulted in deferred tax income of €75 million. The change in deferred tax assets and liabilities to be recognized directly in equity increased retained earnings by €58 million.

The local income tax rates applied for companies outside Germany vary between 0% and 42%. In the case of split tax rates, the tax rate applicable to undistributed profits is applied.

The realization of tax benefits from tax loss carryforwards from previous years resulted in a reduction in current income taxes in 2008 by €77 million (previous year: €405 million).

Previously unused tax loss carryforwards amounted to €2,172 million (previous year: €1,658 million). Tax loss carryforwards amounting to €808 million (previous year: €960 million) can be used indefinitely, while €95 million (previous year: €54 million) must be used within the next ten years. There are additional tax loss carryforwards amounting to €1,268 million (previous year: €645 million) that can be used within a period of 15 to 20 years. Tax loss carryforwards of €112 million (previous year: €483 million) are estimated not to be usable.

The decrease in tax loss carryforwards estimated not to be usable amounting to €371 million resulted primarily from the tax position of the US and Brazilian companies.

Deferred taxes are recognized where income from subsidiaries was tax-exempt in the past due to specific local regulations, but the tax effects on discontinuation of the temporary tax exemption are foreseeable. Tax benefits amounting to €73 million (previous year: €83 million) were recognized because of tax credits granted by various countries to compensate for the loss of tax relief where the amounts involved were unlimited.

No deferred tax assets were recognized for tax credits of €371 million (previous year: €313 million) that would expire in 2011 or 2017.

Due to the change in the statutory provisions in Germany, a refund claim for corporation tax was recognized as a current tax asset for the first time in fiscal year 2006. It was recognized in the balance sheet at a present value of €951 million. The present value of the refund claim was €965 million at the balance sheet date.

Deferred tax income resulting from changes in tax rates amounted to €54 million (previous year: deferred tax expenses of €76 million).

€1 million of the deferred taxes recognized in the balance sheet was charged to equity (previous year: €144 million charged to equity) without being recognized in the income statement. This amount includes €44 million (previous year: –) of deferred taxes credited to equity that are attributable to minority interests and a €2 million (previous year: –) reduction in deferred taxes resulting from changes in the consolidated Group. Recognition of actuarial gains or losses directly in equity in accordance with IAS 19 resulted in a decrease in equity from the recognition of deferred taxes of €57 million in 2008 (previous year: decrease by €610 million). Changes in deferred taxes on reserves for cash flow hedges increased equity by €134 million (previous year: decrease by €233 million). The deferred taxes required to be recognized on the fair value measurement of securities increased equity by €68 million (previous year: increase of €103 million).

DEFERRED TAXES CLASSIFIED BY BALANCE SHEET ITEM

The following recognized deferred tax assets and liabilities were attributable to recognition and measurement differences in the individual balance sheet items and to tax loss carryforwards:

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
€ million	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Intangible assets	235	177	2,271	1,532
Property, plant and equipment, and leasing and rental assets	4,123	3,958	2,729	2,153
Noncurrent financial assets	1,059	178	2	1
Inventories	335	190	321	448
Receivables and other assets (including Financial Services Division)	771	413	5,749	4,862
Other current assets	129	43	41	41
Pension provisions	1,050	1,039	8	5
Other provisions	2,723	2,490	530	123
Liabilities	1,708	1,507	1,853	1,198
Tax loss carryforwards	663	313	0	0
Valuation allowances on deferred tax assets	0	0	0	0
Gross value	**12,796**	**10,308**	**13,504**	**10,363**
of which noncurrent	(8,871)	(7,134)	(8,941)	(6,653)
Offset	9,885	8,229	9,885	8,229
Consolidation	433	1,030	35	503
Amount recognized	**3,344**	**3,109**	**3,654**	**2,637**

In accordance with IAS 12, deferred tax assets and liabilities are offset if, and only if, they relate to income taxes levied by the same taxation authority and relate to the same tax period.

The tax expense of €1,920 million reported for 2008 (previous year: expense of €2,421 million) was €29 million (previous year: €85 million) lower than the expected tax expense of €1,949 million that would have resulted from application of a tax rate applicable to undistributed profits of 29.5% to the profit before tax of the Group.

RECONCILIATION OF EXPECTED TO EFFECTIVE INCOME TAX

€ million	2008	2007
Profit before tax	6,608	6,543
Expected income tax expense (tax rate 29.5%; previous year: 38.3%)	**1,949**	**2,506**
Reconciliation:		
Effect of different tax rates outside Germany	−141	−456
Proportion of taxation relating to:		
tax-exempt income	−286	−306
expenses not deductible for tax purposes	183	365
effects of loss carryforwards and tax credits	−47	−287
temporary differences for which no deferred taxes were recognized	422	486
Tax credits	−23	−85
Prior-period current tax expense	−41	148
Effect of tax rate changes	−54	−76
Other taxation changes	−42	126
Effective income tax income/expense	**1,920**	**2,421**
Effective tax rate (%)	29.1	37.0

11 | Earnings per share

Basic earnings per share are calculated by dividing profit attributable to shareholders of Volkswagen AG by the weighted average number of ordinary and preferred shares outstanding during the reporting period. Earnings per share are diluted by potential shares. These include stock options, although these are only dilutive if they result in the issuance of shares at a value below the average market price of the shares. The fifth, sixth, seventh and eighth tranches of the stock option plan were dilutive.

	ORDINARY		PREFERRED	
Quantity	2008	2007	2008	2007
Weighted average number of shares outstanding – basic	292,852,751	289,099,603	105,238,280	105,238,280
Dilutive potential ordinary shares from the stock option plan	1,613,743	3,391,442	–	–
Weighted average number of shares outstanding – diluted	294,466,494	292,491,045	105,238,280	105,238,280

€ million	2008	2007
Profit after tax	4,688	4,122
Minority interests	–65	2
Profit attributable to shareholders of Volkswagen AG	4,753	4,120
Basic earnings attributable to ordinary shares	3,492	3,016
Basic earnings attributable to preferred shares	1,261	1,104
Diluted earnings attributable to ordinary shares	3,497	3,025
Diluted earnings attributable to preferred shares	1,256	1,095

€	2008	2007
Basic earnings per ordinary share	11.92	10.43
Basic earnings per preferred share	11.98	10.49
Diluted earnings per ordinary share	11.88	10.34
Diluted earnings per preferred share	11.94	10.40

Additional Income Statement Disclosures in Accordance with IFRS 7 (Financial Instruments)

CLASSES OF FINANCIAL INSTRUMENTS

Financial instruments are divided into the following classes at the Volkswagen Group:
- Financial instruments measured at fair value,
- Financial instruments measured at amortized cost and
- Financial instruments not falling within the scope of IFRS 7.

Financial instruments not falling within the scope of IFRS 7 include in particular investments in associates and joint ventures accounted for using the equity method.

NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY UNDER IAS 39

€ million	2008	2007
Financial instruments at fair value through profit or loss	–4	342
Loans and receivables	3,297	2,610
Available-for-sale financial assets	–288	329
Financial liabilities measured at amortized cost	–3,319	–3,268
	–314	**13**

Net gains and losses from financial instruments are composed of interest, fair value measurement gains and losses on financial instruments, gains and losses on currency translation, impairment losses and disposal gains/losses. Interest also includes interest income and expenses from the Financial Services Division's lending and leasing business. Financial instruments measured at fair value do not include any dividend income.

TOTAL INTEREST INCOME AND EXPENSES OF FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

€ million	2008	2007
Interest income	4,239	3,354
Interest expenses	3,462	3,386
	777	**–32**

IMPAIRMENT LOSSES ON FINANCIAL ASSETS BY CLASS

€ million	2008	2007
Measured at fair value	266	–
Measured at amortized cost	1,156	818
	1,422	**818**

Impairment losses relate to write-downs of financial assets, such as valuation allowances on receivables, securities and unconsolidated subsidiaries. Interest income on impaired financial assets amounted to €82 million in fiscal year 2008 (previous year: €83 million).

€9 million (previous year: €15 million) was recognized in fiscal year 2008 as an expense for fees and commissions that are not accounted for using the effective interest method and €3 million (previous year: €4 million) as income.

Balance Sheet Disclosures

12 | Intangible assets

CHANGES IN INTANGIBLE ASSETS BETWEEN JANUARY 1 AND DECEMBER 31, 2007

€ million	Concessions, industrial and similar rights, and licenses in such rights and assets	Goodwill	Capitalized costs for products under development	Capitalized development costs for products currently in use	Other intangible assets	Total
Cost						
Balance at Jan. 1, 2007	**63**	**195**	**1,872**	**10,146**	**1,286**	**13,562**
Foreign exchange differences	– 3	6	7	– 65	– 12	– 67
Changes in consolidated Group	–	5	–	–	2	7
Additions	5	–	1,135	311	193	1,644
Transfers	3	–	– 1,042	1,042	22	25
Disposals	1	5	34	964	121	1,125
Balance at Dec. 31, 2007	**67**	**201**	**1,938**	**10,470**	**1,370**	**14,046**
Amortization and impairment						
Balance at Jan. 1, 2007	**57**	**–**	**113**	**5,405**	**794**	**6,369**
Foreign exchange differences	– 2	–	–	– 37	– 6	– 45
Changes in consolidated Group	–	–	–	–	2	2
Additions to cumulative amortization	7	–	–	1,428	154	1,589
Additions to cumulative impairment losses	–	5	175	240	3	423
Transfers	0	–	– 18	18	1	1
Disposals	1	5	41	957	119	1,123
Balance at Dec. 31, 2007	**61**	**–**	**229**	**6,097**	**829**	**7,216**
Carrying amount at Dec. 31, 2007	**6**	**201**	**1,709**	**4,373**	**541**	**6,830**

Sensitivity analyses have shown that it is unnecessary to recognize impairment losses on goodwill and indefinite-lived intangible assets, including where realistic variations are applied to key assumptions.

CHANGES IN INTANGIBLE ASSETS BETWEEN JANUARY 1 AND DECEMBER 31, 2008

€ million	Concessions, industrial and similar rights, and licenses in such rights and assets	Goodwill	Capitalized costs for products under development	Capitalized development costs for products currently in use	Other intangible assets	Total
Cost						
Balance at Jan. 1, 2008	**67**	**201**	**1,938**	**10,470**	**1,370**	**14,046**
Foreign exchange differences	3	–384	–54	–366	–232	–1,033
Changes in consolidated Group	–	2,952	12	1,073	1,740	5,777
Additions	6	2	1,842	374	233	2,457
Transfers	14	–	–1,036	1,036	–29	–15
Held for sale	–	–	34	65	6	105
Disposals	1	–	3	1,023	117	1,144
Balance at Dec. 31, 2008	**89**	**2,771**	**2,665**	**11,499**	**2,959**	**19,983**
Amortization and impairment						
Balance at Jan. 1, 2008	**61**	**–**	**229**	**6,097**	**829**	**7,216**
Foreign exchange differences	3	–	–	–130	–14	–141
Changes in consolidated Group	–	–	–	–	0	0
Additions to cumulative amortization	7	–	–	1,359	374	1,740
Additions to cumulative impairment losses	0	–	18	15	8	41
Transfers	7	–	–8	8	–8	–1
Held for sale	–	–	–	20	6	26
Disposals	1	–	0	1,021	115	1,137
Balance at Dec. 31, 2008	**77**	**–**	**239**	**6,308**	**1,068**	**7,692**
Carrying amount at Dec. 31, 2008	**12**	**2,771**	**2,426**	**5,191**	**1,891**	**12,291**

€2,574 million of the goodwill reported as of December 31, 2008 relates to Scania and €151 million to Škoda (translated at the closing rate). The goodwill attributable to both companies is allocated to the Automotive Division. €32 million of the remaining amount relates to the Automotive Division and €14 million to the Financial Services Division. The recoverability of recognized goodwill is not affected by a variation in the growth forecast or in the discount rate by +/–0.5%.

Other intangible assets in the Automotive Division at the balance sheet date include Scania's brand name with a carrying amount of €895 million. This figure is not amortized because no useful life can be determined.

Of the total research and development costs incurred in 2008, €2,216 million (previous year: €1,446 million) met the criteria for capitalization under IFRSs.

The following amounts were recognized as expenses:

€ million	2008	2007
Research and non-capitalized development costs	3,710	3,477
Amortization of development costs	1,392	1,843
Research and development costs recognized in the income statement	**5,102**	**5,320**

13 | Property, plant and equipment

CHANGES IN PROPERTY, PLANT AND EQUIPMENT BETWEEN JANUARY 1 AND DECEMBER 31, 2007

€ million	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Cost					
Balance at Jan. 1, 2007	**14,141**	**24,538**	**31,311**	**1,518**	**71,508**
Foreign exchange differences	2	−69	−48	−3	−118
Changes in consolidated Group	32	–	34	1	67
Additions	299	820	1,760	1,602	4,481
Transfers	120	563	532	−1,240	−25
Disposals	170	804	969	42	1,985
Balance at Dec. 31, 2007	**14,424**	**25,048**	**32,620**	**1,836**	**73,928**
Depreciation and impairment					
Balance at Jan. 1, 2007	**7,214**	**18,801**	**25,146**	**7**	**51,168**
Foreign exchange differences	−7	−29	−28	1	−63
Changes in consolidated Group	9	–	11	–	20
Additions to cumulative depreciation	472	1,730	2,628	–	4,830
Additions to cumulative impairment losses	2	24	414	–	440
Transfers	−2	−2	3	–	−1
Disposals	143	784	877	–	1,804
Reversal of impairment losses	–	–	0	–	0
Balance at Dec. 31, 2007	**7,545**	**19,740**	**27,297**	**8**	**54,590**
Carrying amount at Dec. 31, 2007	**6,879**	**5,308**	**5,323**	**1,828**	**19,338**
of which assets leased under finance lease contracts					
Carrying amount at Dec. 31, 2007	197	–	19	–	216

Call options on buildings and plant leased under the terms of finance leases exist in most cases, and are normally exercised. Interest rates on the leases vary between 2.9% and 14%, depending on the market and the date of inception of the lease.

Future finance lease payments due, and their present values, are shown in the following table:

€ million	2008	2009 – 2012	from 2013	Total
Finance lease payments	31	97	133	261
Interest component of finance lease payments	10	22	15	47
Carrying amount/present value	**21**	**75**	**118**	**214**

CHANGES IN PROPERTY, PLANT AND EQUIPMENT BETWEEN JANUARY 1 AND DECEMBER 31, 2008

€ million	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Cost					
Balance at Jan. 1, 2008	**14,424**	**25,048**	**32,620**	**1,836**	**73,928**
Foreign exchange differences	−174	−495	−308	−117	−1,094
Changes in consolidated Group	1,389	959	110	294	2,752
Additions	437	1,118	2,420	2,676	6,651
Transfers	216	700	629	−1,523	22
Held for sale	44	30	111	6	191
Disposals	71	747	1,433	71	2,322
Balance at Dec. 31, 2008	**16,177**	**26,553**	**33,927**	**3,089**	**79,746**
Depreciation and impairment					
Balance at Jan. 1, 2008	**7,545**	**19,740**	**27,297**	**8**	**54,590**
Foreign exchange differences	−33	−238	−239	−8	−518
Changes in consolidated Group	0	0	0	–	0
Additions to cumulative depreciation	487	1,705	2,415	18	4,625
Additions to cumulative impairment losses	3	7	84	90	184
Transfers	3	−4	−9	11	1
Held for sale	25	25	72	2	124
Disposals	57	712	1,356	–	2,125
Reversal of impairment losses	–	0	–	−8	−8
Balance at Dec. 31, 2008	**7,923**	**20,473**	**28,120**	**109**	**56,625**
Carrying amount at Dec. 31, 2008	**8,254**	**6,080**	**5,807**	**2,980**	**23,121**
of which assets leased under finance lease contracts Carrying amount at Dec. 31, 2008	177	–	16	–	193

Call options on buildings and plant leased under the terms of finance leases exist in most cases, and are normally exercised. Interest rates on the leases vary between 2.9% and 13.6%, depending on the market and the date of inception of the lease.

Future finance lease payments due, and their present values, are shown in the following table:

€ million	2009	2010 – 2013	from 2014	Total
Finance lease payments	39	77	124	240
Interest component of finance lease payments	7	10	15	32
Carrying amount/present value	**32**	**67**	**109**	**208**

For assets leased under operating leases, payments recognized in the income statement amounted to €366 million in the reporting period (previous year: €408 million).

Government grants of €49 million (previous year: €10 million) were deducted from the cost of property, plant and equipment.

14 | Leasing and rental assets and investment property

CHANGES IN LEASING AND RENTAL ASSETS AND INVESTMENT PROPERTY BETWEEN JANUARY 1 AND DECEMBER 31, 2007

€ million	Leasing and rental assets	Investment property	Total
Cost			
Balance at Jan. 1, 2007	**10,478**	**300**	**10,778**
Foreign exchange differences	– 803	0	– 803
Changes in consolidated Group	41	–	41
Additions	5,185	11	5,196
Transfers	–	0	0
Disposals	3,998	10	4,008
Balance at Dec. 31, 2007	**10,903**	**301**	**11,204**
Depreciation and impairment			
Balance at Jan. 1, 2007	**2,592**	**147**	**2,739**
Foreign exchange differences	– 199	– 1	– 200
Changes in consolidated Group	8	–	8
Additions to cumulative depreciation	1,700	7	1,707
Additions to cumulative impairment losses	73	–	73
Transfers	–	–	–
Disposals	1,450	4	1,454
Reversal of impairment losses	0	–	0
Balance at Dec. 31, 2007	**2,724**	**149**	**2,873**
Carrying amount at Dec. 31, 2007	**8,179**	**152**	**8,331**

The following payments from non-cancelable leases and rental agreements were expected in 2007 to be received over the coming years:

€ million	2008	2009 – 2012	from 2013	Total
	1,235	1,240	41	2,516

CHANGES IN LEASING AND RENTAL ASSETS AND INVESTMENT PROPERTY BETWEEN JANUARY 1 AND DECEMBER 31, 2008

€ million	Leasing and rental assets	Investment property	Total
Cost			
Balance at Jan. 1, 2008	**10,903**	**301**	**11,204**
Foreign exchange differences	–78	1	–77
Changes in consolidated Group	1,286	–	1,286
Additions	5,335	13	5,348
Transfers	–	–7	–7
Disposals	4,751	3	4,754
Balance at Dec. 31, 2008	**12,695**	**305**	**13,000**
Depreciation and impairment			
Balance at Jan. 1, 2008	**2,724**	**149**	**2,873**
Foreign exchange differences	–27	1	–26
Changes in consolidated Group	75	–	75
Additions to cumulative depreciation	1,724	7	1,731
Additions to cumulative impairment losses	92	–	92
Transfers	–	0	0
Disposals	1,782	2	1,784
Reversal of impairment losses	0	–	0
Balance at Dec. 31, 2008	**2,806**	**155**	**2,961**
Carrying amount at Dec. 31, 2008	**9,889**	**150**	**10,039**

Leasing and rental assets include assets leased out under the terms of operating leases.

Investment property includes apartments rented out and leased dealerships, with a fair value of €399 million (previous year: €402 million). Operating expenses of €45 million (previous year: €45 million) were incurred for the maintenance of investment property in use. Expenses of €2 million (previous year: €2 million) were incurred for unused investment property.

The following payments from non-cancelable leases and rental agreements are expected to be received over the coming years:

€ million	2009	2010 – 2013	from 2014	Total
	1,193	1,233	41	2,467

15 | Equity-accounted investments and other equity investments

CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS BETWEEN JANUARY 1 AND DECEMBER 31, 2007

€ million	Equity accounted investments	Other equity investments	Total
Cost			
Balance at Jan. 1, 2007	**7,020**	**613**	**7,633**
Foreign exchange differences	–18	–1	–19
Changes in consolidated Group	–	0	0
Additions	1,904	438	2,342
Transfers	–10	10	–
Disposals	883	159	1,042
Reversal of impairment losses	–	–	–
Balance at Dec. 31, 2007	**8,013**	**901**	**8,914**
Impairment losses			
Balance at Jan. 1, 2007	**144**	**203**	**347**
Foreign exchange differences	–1	0	–1
Changes in consolidated Group	–	–	–
Additions to cumulative impairment losses	78	174	252
Transfers	–3	3	–
Disposals	–	27	27
Reversal of impairment losses	–	–	–
Balance at Dec. 31, 2007	**218**	**353**	**571**
Carrying amount at Dec. 31, 2007	**7,795**	**548**	**8,343**

CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS BETWEEN JANUARY 1 AND DECEMBER 31, 2008

€ million	Equity accounted investments	Other equity investments	Total
Cost			
Balance at Jan. 1, 2008	**8,013**	**901**	**8,914**
Foreign exchange differences	47	2	49
Changes in consolidated Group	–1,518	–229	–1,747
Additions	979	194	1,173
Transfers	–7	7	–
Disposals	1,120	5	1,125
Reversal of impairment losses	–	–	–
Balance at Dec. 31, 2008	**6,394**	**870**	**7,264**
Impairment losses			
Balance at Jan. 1, 2008	**218**	**353**	**571**
Foreign exchange differences	18	0	18
Changes in consolidated Group	–	–98	–98
Additions to cumulative impairment losses	–	32	32
Transfers	–	–	–
Disposals	109	0	109
Reversal of impairment losses	–106	–	–106
Balance at Dec. 31, 2008	**21**	**287**	**308**
Carrying amount at Dec. 31, 2008	**6,373**	**583**	**6,956**

Equity-accounted investments include joint ventures in the amount of €2,980 million (previous year: €2,789 million).

As a result of improved earnings prospects, impairment losses amounting to €106 million on several joint ventures attributable to the Automotive Division that were recognized in previous years were reversed in the past fiscal year. Value in use was estimated using a discount factor of 9.4% (previous year: 13%).

Significant joint ventures and associates are detailed in the listing of significant Group companies at the end of the notes to the consolidated financial statements.

16 | Noncurrent and current financial services receivables

€ million	current	non-current	Carrying amount Dec. 31, 2008	Fair value Dec. 31, 2008	current	non-current	Carrying amount Dec. 31, 2007	Fair value Dec. 31, 2007
Receivables from financing business								
customer financing	9,534	20,302	29,836	30,144	9,531	18,471	28,002	28,196
dealer financing	10,147	981	11,128	11,166	9,791	774	10,565	10,565
direct banking	133	–	133	133	94	0	94	94
	19,814	**21,283**	**41,097**	**41,443**	**19,416**	**19,245**	**38,661**	**38,855**
Receivables from operating lease business	125	–	125	125	103	–	103	103
Receivables from finance leases	7,096	10,572	17,668	17,833	5,395	8,277	13,672	13,675
	27,035	**31,855**	**58,890**	**59,401**	**24,914**	**27,522**	**52,436**	**52,633**

Noncurrent receivables from the customer financing business mainly bear fixed interest at rates of between 0.0% and 22.1% (previous year: 0.1% and 19.5%), depending on the market concerned. They have terms of up to 84 months (previous year: 84 months). The noncurrent portion of dealer financing is granted at interest rates of between 3.8% and 20% (previous year: 2% and 20%), depending on the country.

Financial services receivables of €58.9 billion contain a fair value adjustment from portfolio hedging amounting to €151 million.

The receivables from customer and dealer financing are secured by vehicles or real property liens.

The receivables from dealer financing include an amount of €173 million (previous year: €202 million) receivable from affiliated companies.

The receivables from finance leases – almost entirely in respect of vehicles – were or are expected to generate the following cash flows as of December 31, 2007 and December 31, 2008:

€ million	2008	2009 – 2012	from 2013	Total
Future payments from finance lease receivables	5,919	8,985	14	14,918
Unearned finance income from finance leases (discounting)	– 524	– 721	– 1	– 1,246
Carrying amount/present value of minimum lease payments outstanding at the balance sheet date	**5,395**	**8,264**	**13**	**13,672**

€ million	2009	2010 – 2013	from 2014	Total
Future payments from finance lease receivables	7,806	11,586	44	19,436
Unearned finance income from finance leases (discounting)	– 710	– 1,056	– 2	– 1,768
Carrying amount/present value of minimum lease payments outstanding at the balance sheet date	**7,096**	**10,530**	**42**	**17,668**

17 | Noncurrent and current other receivables and financial assets

€ million	current	non-current	Carrying amount Dec. 31, 2008	Fair value Dec. 31, 2008	current	non-current	Carrying amount Dec. 31, 2007	Fair value Dec. 31, 2007
Other receivables from								
affiliated companies	152	15	167	167	208	12	220	220
joint ventures	2,935	590	3,525	3,548	1,250	646	1,896	1,905
associates	22	–	22	22	9	–	9	9
other investees and investors	4	106	110	110	20	101	121	121
Recoverable income taxes	1,369	40	1,409	1,409	1,193	97	1,290	1,290
Positive fair values of derivatives	2,919	1,666	4,585	4,585	2,127	711	2,838	2,838
Other assets	2,667	970	3,637	3,644	1,846	849	2,695	2,698
	10,068	**3,387**	**13,455**	**13,485**	**6,653**	**2,416**	**9,069**	**9,081**

Other assets include plan assets to fund post-employment benefits in the amount of €69 million (previous year: €101 million). This item also includes the share of the technical provisions attributable to reinsurers amounting to €100 million (previous year: €78 million).

There are no material restrictions on title or right of use in respect of other receivables and financial assets. Default risks are accounted for by means of valuation allowances.

Other receivables and financial assets include loans to joint ventures, associates and other equity investments, and bear interest at rates of up to 22.1% (previous year: 19.5%).

Other receivables from affiliated companies include loans with terms of up to 11 years (previous year: 12 years), which were lent at interest rates of between 3.4% and 11.2% (previous year: 0.9% and 4.8%).

Current other receivables are predominantly non-interest-bearing.

The positive fair values of derivatives relate to the following items:

€ million	Dec. 31, 2008	Dec. 31, 2007
Transactions for hedging against		
foreign currency risk from assets using fair value hedges	240	52
foreign currency risk from liabilities using fair value hedges	348	39
interest rate risk using fair value hedges	255	135
interest rate risk using cash flow hedges	82	53
foreign currency and price risk from future cash flows (cash flow hedges)	3,159	1,914
Hedging transactions	**4,084**	**2,193**
Assets arising from ineffective hedging derivatives	501	645
	4,585	**2,838**

The positive fair value of transactions for hedging against price risk from future cash flows (cash flow hedges) amounted to €2 million.

Positive fair values of €1 million were recognized from transactions for hedging against interest rate risk (fair value hedges) used in portfolio hedges.

Further details on derivative financial instruments as a whole are given in note 32 Financial risk management and financial instruments.

18 | Tax assets

€ million	current	noncurrent	Carrying amount Dec. 31, 2008	current	noncurrent	Carrying amount Dec. 31, 2007
Deferred tax assets	–	3,344	3,344	–	3,109	3,109
Tax receivables	1,024	763	1,787	500	952	1,452
	1,024	**4,107**	**5,131**	**500**	**4,061**	**4,561**

€1,333 million (previous year: €1,782 million) of the deferred tax assets is due within one year.

19 | Inventories

€ million	Dec. 31, 2008	Dec. 31, 2007
Raw materials, consumables and supplies	2,009	2,225
Work in progress	1,656	1,365
Finished goods and purchased merchandise	12,396	8,880
Current leased assets	1,703	1,545
Payments on account	52	16
	17,816	**14,031**

Of the total inventories, €2,484 million (previous year: €1,770 million) is recognized at net realizable value. At the same time as the relevant revenue was recognized, inventories in the amount of €90,617 million were included in cost of sales (previous year, adjusted: €86,871 million). Valuation allowances recognized as expenses in the reporting period amounted to €435 million (previous year: €221 million). Vehicles amounting to €94 million (previous year: €98 million) were assigned as collateral for partial retirement obligations.

20 | Trade receivables

€ million	Dec. 31, 2008	Dec. 31, 2007
Trade receivables from		
third parties	5,481	5,176
affiliated companies	157	175
joint ventures	318	329
associates	11	4
other investees and investors	2	7
	5,969	**5,691**

The fair values of the trade receivables correspond to the carrying amounts.

21 | Marketable securities

The marketable securities serve to safeguard liquidity. Marketable securities are quoted, mainly short-term fixed-income securities, and shares allocated to the available for sale financial instruments category.

22 | Cash and cash equivalents

€ million	Dec. 31, 2008	Dec. 31, 2007
Bank balances	9,018	9,857
Checks, cash-in-hand and call deposits	456	255
	9,474	**10,112**

Bank balances are held at various banks in different currencies.

23 | Assets held for sale and associated liabilities

Assets held for sale relate to Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., Resende, Brazil. The company was a wholly owned subsidiary of the Volkswagen Group at the reporting date and was allocated to the Automotive Division. In an agreement dated December 23, 2008, Volkswagen sold all shares of the company to a Brazilian subsidiary of MAN AG, Munich, effective January 1, 2009. The shares are expected to be transferred in the first quarter of 2009 after official approval has been obtained.

The key groups of assets held for sale and associated liabilities are as follows:

€ million	Dec. 31, 2008
Intangible assets	79
Property, plant and equipment	67
Inventories	164
Cash and cash equivalents and marketable securities	282
Other assets	415
Assets held for sale	**1,007**

€ million	Dec. 31, 2008
Provisions	313
Current financial liabilities	175
Other current liabilities	278
Liabilities associated with assets held for sale	**766**

Cumulative income and expense recognized directly in equity that is directly associated with the disposal groups is as follows:

€ million	Dec. 31, 2008
Actuarial gains	– 1
Cash flow hedges	– 60
Foreign exchange differences	– 52
Deferred taxes	21

24 | Equity

€ million	Subscribed capital	Capital reserves	RETAINED EARNINGS: Accumulated profit	Currency translation reserve	Reserve for actuarial gains and losses	Cash flow hedge reserve	Fair value reserve for securities	Equity-accounted investments	Equity attributable to shareholders of VW AG	Minority interests	Total equity
Balance at Jan. 1, 2007	**1,004**	**4,942**	**23,532**	**–1,272**	**–1,640**	**502**	**242**	**–406**	**26,904**	**55**	**26,959**
Capital increase	11	200	–	–	–	–	–	–	211	–	211
Dividend payment	–	–	497	–	–	–	–	–	497	0	497
Recognized income and expense	–	–	4,120	–228	1,427	995	–375	47	5,986	2	5,988
Deferred taxes	–	–	–	–	–610	–233	103	–	–740	–	–740
Other changes	–	–	11	–	–	–	–	–	11	6	17
Balance at Dec. 31, 2007	**1,015**	**5,142**	**27,166**	**–1,500**	**–823**	**1,264**	**–30**	**–359**	**31,875**	**63**	**31,938**
Balance at Jan. 1, 2008	**1,015**	**5,142**	**27,166**	**–1,500**	**–823**	**1,264**	**–30**	**–359**	**31,875**	**63**	**31,938**
Capital increase	9	209	–	–	–	–	–	–	218	–	218
Dividend payment	–	–	720	–	–	–	–	–	720	2	722
Recognized income and expense	–	–	4,753	–1,113	214	–227	–230	–188	3,209	–567	2,642
Deferred taxes	–	–	–	–	–63	96	68	–	101	44	145
Other changes	–	–	323	–108	0	5	–	108	328	2,839	3,167
Balance at Dec. 31, 2008	**1,024**	**5,351**	**31,522**	**–2,721**	**–672**	**1,138**	**–192**	**–439**	**35,011**	**2,377**	**37,388**

The other changes in fiscal year 2008 are largely attributable to the initial consolidation of Scania.

The subscribed capital of Volkswagen AG is denominated in euros. The shares are no-par value bearer shares. Each share has a notional value of €2.56. As well as ordinary shares, there are preferred shares that entitle the bearer to a €0.06 higher dividend than ordinary shares, but do not carry voting rights.

The subscribed capital is composed of 294,920,207 no-par value ordinary shares and 105,238,280 preferred shares, and amounts to €1,024 million (previous year: €1,015 million).

CHANGE IN ORDINARY AND PREFERRED SHARES AND SUBSCRIBED CAPITAL

	SHARES		€	
	2008	2007	2008	2007
Balance at January 1	**396,575,547**	**392,218,347**	**1,015,233,400**	**1,004,078,968**
Issued shares (stock option plan)	3,582,940	4,357,200	9,172,326	11,154,432
Balance at December 31	**400,158,487**	**396,575,547**	**1,024,405,726**	**1,015,233,400**

Based on the resolution by the Annual General Meeting on May 3, 2006, authorized capital of up to €90 million, expiring on May 2, 2011, was approved for the issue of new ordinary bearer shares. Additional authorized capital of up to €400 million was adopted by a resolution by the Annual General Meeting on April 22, 2004, expiring on April 21, 2009.

There is also contingent capital of €7 million (originally €40 million) resulting from the resolution by the Annual General Meting on April 16, 2002. This contingent capital increase will be implemented only to the extent that the holders of convertible bonds issued before April 15, 2007 exercise their conversion rights.

There is also contingent capital of €100 million for the issue of up to 39,062,500 ordinary and/or preferred shares. This contingent capital increase will be implemented only to the extent that the holders of convertible bonds to be issued before April 21, 2009 exercise their conversion rights.

The capital reserves comprise the share premium of a total of €5,025 million from the capital increases, the share premium of €219 million from the issue of bonds with warrants and an amount of €107 million appropriated on the basis of the capital reduction implemented in 2006. Capital reserves rose by €209 million in fiscal year 2008 as a result of the share premium from the capital increase due to the exercise of convertible bonds under the stock option plan. No amounts were withdrawn from the capital reserves.

STOCK OPTION PLAN

The stock option plan entitles the optionees – the Board of Management, Group senior executives and management, as well as employees of Volkswagen AG covered by collective pay agreements – to purchase options on shares of Volkswagen AG by subscribing for convertible bonds at a price of €2.56 each. Each bond is convertible into ten ordinary shares.

The convertible bonds are measured at fair value at the date of grant to the employees. The convertible bonds measured at fair value are recognized in personnel expenses and in equity.

The conversion prices and periods following the expiration of the first four tranches are shown in the following table. The information on the fifth tranche is presented as data for the reporting period, although this tranche has now also expired.

CONVERSION PRICES AND PERIODS FOR EACH TRANCHE OF THE STOCK OPTION PLAN

€	5th tranche	6th tranche	7th tranche	8th tranche
Base conversion price per share	36.54	38.68	37.99	58.18
Conversion price				
as from July 12, 2005	40.19			
as from publication of interim report for Jan. – Sept. 2005	42.02			
as from July 10, 2006		42.55		
as from publication of interim report for Jan. – Sept. 2006	43.85	44.48		
as from July 09, 2007			41.79	
as from publication of interim report for Jan. – Sept. 2007	45.68	46.42	43.69	
as from July 8, 2008				64.00
as from publication of interim report for Jan. – Sept. 2008		48.35	45.59	66.91
as from publication of interim report for Jan. – Sept. 2009			47.49	69.82
as from publication of interim report for Jan. – Sept. 2010				72.73
Beginning of conversion period	July 12, 2005	July 10, 2006	July 9, 2007	July 8, 2008
End of conversion period	July 4, 2008	July 2, 2009	July 1, 2010	June 30, 2011

Changes in the rights to stock options granted are shown in the following table:

	NOMINAL VALUE OF CONVERTIBLE BONDS	NUMBER OF CONVERSION RIGHTS	NUMBER OF POTENTIAL ORDINARY SHARES
	€	Rights	Shares
Balance at Jan. 1, 2007	**2,109,539.84**	**824,039**	**8,240,390**
In fiscal year			
exercised	1,115,443.20	435,720	4,357,200
returned	29,447.68	11,503	115,030
Balance at Dec. 31, 2007	**964,648.96**	**376,816**	**3,768,160**
Balance at Jan. 1, 2008	**964,648.96**	**376,816**	**3,768,160**
In fiscal year			
exercised	917,232.64	358,294	3,582,940
returned	3,875.84	1,514	15,140
Balance at Dec. 31, 2008	**43,540.48**	**17,008**	**170,080**

MEASUREMENT OF CONVERTIBLE BONDS IN THE FIFTH TO EIGHT TRANCHES

Those convertible bonds granted after publication of the draft IFRS 2 on November 7, 2002 were measured in accordance with the transitional provisions of IFRS 2.

The fair value of the convertible bonds is estimated using a binomial option pricing model based on the issuance and conversion conditions described above. In terms of the optionees' conversion behavior, it was assumed that they will convert when the share price is 50% higher than the conversion price. Historical and implied volatilities based on the expected remaining term of the conversion rights were used to estimate the fair value of the convertible bonds. The assumptions used and the fair value estimated are presented in the following table:

	5th tranche	6th tranche	7th tranche	8th tranche
Volatility (%)	27.50	27.50	27.50	27.50
Risk-free rate (%)	3.00	3.49	2.57	3.77
Dividends (%)	3.20	3.20	3.20	3.20
Fair value per convertible bond (€)	48.25	39.66	48.71	63.49

The fair value of the convertible bonds is recognized ratably as a personnel expense over the two-year vesting period. This produced expenses of €5 million (previous year: €15 million) in 2008.

Changes in the number of convertible bonds in issue and their exercise prices are shown in the following table.

	AVERAGE EXERCISE PRICE PER CONVERTIBLE BOND* €	CONVERTIBLE BONDS Quantity
Balance at Jan. 1, 2007	**519.72**	**703,074**
In fiscal year		
granted	–	–
returned	553.30	11,418
exercised	423.99	314,840
Balance at Dec. 31, 2007	**603.70**	**376,816**
of which available for exercise	449.76	71,895
Balance at Jan. 1, 2008	**603.70**	**376,816**
In fiscal year		
granted	–	–
returned	629.58	1,514
exercised	609.24	358,294
Balance at Dec. 12, 2008	**556.27**	**17,008**
of which available for exercise	556.27	17,008

* Conversion price per ten shares.

For 50,357 convertible bonds, the average conversion price increased by €241.50 in 2008.

2008	EXERCISE PRICE PER CONVERTIBLE BOND* €	CONVERTIBLE BONDS Quantity
5th tranche	456.80	0
6th tranche	483.50	6,127
7th tranche	455.90	3,667
8th tranche	669.10	7,214
		17,008

* Conversion price per ten shares.

DIVIDEND PROPOSAL

In accordance with section 58(2) of the Aktiengesetz (AktG – German Stock Corporation Act), the dividend payment by Volkswagen AG is based on the net retained profits reported in the annual financial statements of Volkswagen AG. Based on the annual financial statements of Volkswagen AG, net retained profits of €781 million are eligible for distribution. The Board of Management and Supervisory Board of Volkswagen AG will propose to the Annual General Meeting that a dividend of €1.93 per ordinary share and €1.99 per preferred share be paid, for a total of €779 million, and that the remaining amount of €2 million be carried forward to new account.

A dividend of €1.80 per ordinary share and €1.86 per preferred share were distributed in fiscal year 2008.

MINORITY INTERESTS

The minority interests in equity are attributable primarily to shareholders of Scania AB.

25 | Noncurrent and current financial liabilities

The details of noncurrent and current financial liabilities are presented in the following table:

€ million	current	noncurrent	Carrying amount Dec. 31, 2008	current	noncurrent	Carrying amount Dec. 31, 2007
Bonds	7,125	19,672	26,797	6,943	20,364	27,307
Commercial paper and notes	9,274	4,877	14,151	6,924	2,901	9,825
Liabilities to banks	7,918	4,662	12,580	5,082	2,777	7,859
Deposits from direct banking business	10,877	1,958	12,835	8,421	1,199	9,620
Loans	762	1,912	2,674	1,058	1,881	2,939
Bills of exchange	0	–	0	0	–	0
Finance lease liabilities	32	176	208	21	193	214
Financial liabilities to						
affiliated companies	130	–	130	190	–	190
joint ventures	–	–	–	16	–	16
associates	5	–	5	6	–	6
other investees and investors	–	–	–	16	–	16
	36,123	**33,257**	**69,380**	**28,677**	**29,315**	**57,992**

Of the liabilities reported in the consolidated balance sheet, a total of €526 million (previous year: €325 million) is secured, for the most part by real estate liens.

Asset-backed securities transactions amounting to €13,117 million (previous year: €13,015 million) entered into to refinance the financial services business via consolidated special purpose entities are included in bonds, commercial paper and notes, and liabilities from loans. Receivables of €15,880 million (previous year: €14,208 million) from the customer financing and leasing businesses are pledged as collateral.

All public and private asset-backed securities transactions can be repaid in advance if less than 9% of the original transaction volume is outstanding. The ABS transactions of Volkswagen Financial Services (UK) and Volkswagen Financial Services Japan are private transactions that can be terminated at any time.

26 | Noncurrent and current other liabilities

€ million	current	noncurrent	Carrying amount Dec. 31, 2008	current	noncurrent	Carrying amount Dec. 31, 2007
Payments on account received in respect of orders	1,158	35	1,193	1,215	21	1,236
Other liabilities to						
affiliated companies	141	–	141	71	0	71
joint ventures	25	–	25	31	–	31
associates	0	–	0	0	–	0
other investees and investors	0	–	0	1	–	1
Negative fair values of derivative financial instruments	1,189	1,150	2,339	419	258	677
Liabilities relating to						
other taxes	751	391	1,142	783	372	1,155
social security	261	28	289	232	30	262
wages and salaries	1,444	297	1,741	1,344	243	1,587
Miscellaneous liabilities	3,576	1,334	4,910	2,988	1,321	4,309
	8,545	**3,235**	**11,780**	**7,084**	**2,245**	**9,329**

The negative fair values of derivatives relate to the following items:

€ million	Dec. 31, 2008	Dec. 31, 2007
Transactions for hedging against		
foreign currency risk from assets using fair value hedges	8	5
foreign currency risk from liabilities using fair value hedges	296	243
interest rate risk using fair value hedges	210	47
interest rate risk using cash flow hedges	240	38
foreign currency and price risk from future cash flows (cash flow hedges)	1,178	201
Hedging transactions	**1,932**	**534**
Liabilities arising from ineffective hedging derivatives	407	143
	2,339	**677**

The negative fair value of transactions for hedging against price risk from future cash flows (cash flow hedges) amounted to €216 million.

Negative fair values of €151 million were recognized from transactions for hedging against interest rate risk (fair value hedges) used in portfolio hedges.

Further details on derivative financial instruments as a whole are given in note 32 Financial risk management and financial instruments.

27 | Tax liabilities

€ million	current	noncurrent	Carrying amount Dec. 31, 2008	current	noncurrent	Carrying amount Dec. 31, 2007
Deferred tax liabilities	–	3,654	3,654	–	2,637	2,637
Provisions for taxes	1,160	3,555	4,715	1,828	2,275	4,103
Current tax payables	59	–	59	98	–	98
	1,219	**7,209**	**8,428**	**1,926**	**4,912**	**6,838**

€1,573 million (previous year: €1,790 million) of the deferred tax liabilities is due within one year.

28 | Provisions for pensions and other post-employment benefits

Provisions for pensions are recognized for benefits in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits provided by the Group vary according to the legal, tax and economic circumstances of the country concerned, and usually depend on the length of service and remuneration of the employees.

Group companies provide occupational pensions under both defined contribution and defined benefit plans. In the case of defined contribution plans, the Company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the Company. Current contributions are recognized as pension expenses of the period concerned. In 2008, they amounted to a total of €966 million (previous year, adjusted: €853 million) in the Volkswagen Group. Of this figure, contributions to the compulsory state pension system in Germany amounted to €804 million (previous year: €746 million).

Most pension plans are defined benefit plans, with a distinction made between pensions financed by provisions and externally funded plans.

The pension provisions for defined benefits are measured using the internationally accepted projected unit credit method in accordance with IAS 19, under which the future obligations are measured on the basis of the ratable benefit entitlements earned as of the balance sheet date. Measurement reflects assumptions as to trends in the relevant variables affecting the level of benefits. All defined benefit plans require actuarial calculations. Actuarial gains or losses arise from changes in the number of beneficiaries and differences between actual trends (for example, in salary and pension increases or changes in interest rates) and the assumptions on which calculations were based. Actuarial gains and losses are taken directly to equity.

Owing to their benefit character, the obligations of the US Group companies in respect of post-employment medical care in particular are also carried under provisions for pensions and other post-employment benefits. These post-employment benefit provisions take into account the expected long-term rise in the cost of healthcare. A one percentage point increase or decrease in the assumed healthcare cost trends only marginally affects the amount of the obligations. €17 million was recognized in fiscal year 2008 as an expense for healthcare costs (previous year: €10 million). The related carrying amount was therefore €174 million as of December 31, 2008 (previous year: €160 million).

Since 1996, the occupational pension arrangements of the Volkswagen Group in Germany have been based on a specially developed expense-related pension model that is classified as a defined benefit plan under IAS 19. With effect from January 1, 2001, this model was further developed into a pension fund, with the annual remuneration-linked contributions being invested in funds by Volkswagen Pension Trust e.V. as the trustee. By investing in funds, this model offers an opportunity for increasing benefit entitlements, while at the same time fully safeguarding them. For this reason, almost all Group companies in Germany have now joined the fund. Since the fund investments held by the trust meet the criteria of IAS 19 for classification as plan assets, they are deducted from the obligation.

Where the foreign Group companies provide collateral for obligations, this mainly takes the form of shares, fixed-income securities and real estate. These do not include any financial instruments issued by companies of the Volkswagen Group, or any investment property used by Group companies.

The following amounts were recognized in the balance sheet for defined benefit plans:

€ million	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Present value of funded obligations	3,240	3,330	3,235	2,959	2,455
Fair value of plan assets	3,153	3,422	3,159	2,690	2,068
Funded status (net)	87	−92	76	269	387
Present value of unfunded obligations	12,743	12,532	13,652	13,618	12,169
Unrecognized past service cost	22	31	23	39	−31
Amount not recognized as an asset because of the limit in IAS 19	34	31	42	47	33
Net liability recognized in the balance sheet	**12,886**	**12,502**	**13,793**	**13,973**	**12,558**
of which provisions for pensions and other post-employment benefits	12,955	12,603	13,854	14,003	12,633
of which other assets	69	101	61	30	75

The present value of the obligations is calculated as follows:

€ million	2008	2007
Present value of obligations at January 1	**15,862**	**16,887**
Current service cost	324	336
Interest cost	884	796
Actuarial gains	−687	−1,522
Employee contributions to plan assets	17	12
Pension payments from company assets	576	540
Pension payments from plan assets	121	97
Past service cost	17	10
Losses/gains from plan curtailments and settlements	1	−25
Changes in consolidated Group	485	37
Other changes	17	56
Foreign exchange differences	−240	−88
Present value of obligations at December 31	**15,983**	**15,862**

Changes in the composition of the plan assets are shown in the following table:

€ million	2008	2007
Fair value of plan assets at January 1	**3,422**	**3,159**
Expected return on plan assets	215	217
Actuarial losses	−473	−95
Employer contributions to plan assets	277	281
Employee contributions to plan assets	12	12
Pension payments from plan assets	121	97
Changes in consolidated Group	120	2
Other changes	−4	37
Foreign exchange differences	−295	−94
Fair value of plan assets at December 31	**3,153**	**3,422**

Investment of the plan assets to cover future pension obligations resulted in losses in the amount of €258 million (previous year: income of €122 million).

The rate for the expected long-term return on plan assets is based on the long-term returns actually generated for the portfolio, historical overall market returns and a forecast of expected returns on the securities classes held in the portfolio. The forecasts are based on detailed analyses by actuaries and experts in the investment industry. As the remaining period of service is used as the investment horizon, no major changes were made to assumptions regarding the expected return.

Employer contributions to plan assets are expected to amount to €237 million next year.

Plan assets consist of the following components:

%	2008	2007
Equities	20.1	35.6
Fixed-income securities	54.8	52.4
Cash	18.7	5.0
Real estate	2.5	3.1
Other	3.9	3.9

The following amounts were recognized in the income statement:

€ million	2008	2007
Current service cost	324	336
Interest cost	884	796
Expected return on plan assets	215	217
Past service cost	17	10
Losses/gains from plan curtailments and settlements	2	−25
Losses/gains as a result of application of limit under IAS 19.58(b)	14	−8
Net income and expenses recognized in profit or loss	**1,026**	**892**

The above amounts are generally included in the personnel costs of the functions in the income statement. Interest cost on pension provisions and the expected return on plan assets are presented in Finance costs (note 8).

The net liability recognized in the balance sheet has changed as follows:

€ million	2008	2007
Net liability recognized in the balance sheet at January 1	**12,502**	**13,793**
Changes in consolidated Group	365	35
Net expense recognized in the income statement	1,026	892
Benefit payments from company assets and contributions to funds	848	821
Actuarial gains	−214	−1,427
Other changes	9	30
Foreign exchange differences	46	0
Net liability recognized in the balance sheet at December 31	**12,886**	**12,502**

The experience adjustments, meaning differences between changes in assets and obligations expected on the basis of actuarial assumptions and actual changes in those assets and obligations, are shown in the following table:

	2008	2007	2006	2005	2004
Differences between expected and actual developments:					
as % of present value of the obligation	–1.04	–0.48	0.03	0.25	2.63
as % of fair value of plan assets	–10.47	–2.44	2.57	2.12	–0.27

Calculation of the pension provisions was based on the following assumptions:

	GERMANY		ABROAD	
%	2008	2007	2008	2007
Discount rate at December 31	5.75	5.50	2.00 – 9.00	2.00 – 9.00
Expected return on plan assets	5.00	5.00	2.00 – 11.30	2.00 – 9.80
Salary trend	2.50	2.50	1.50 – 10.00	2.00 – 7.60
Pension trend	1.00 – 1.60	1.00 – 1.60	0.80 – 5.25	2.20 – 5.25
Employee turnover rate	0.75 – 1.20	0.75 – 1.40	1.50 – 5.75	3.00 – 5.25
Annual increase in healthcare costs	–	–	4.50 – 7.25	4.50 – 7.75

29 | Noncurrent and current other provisions

€ million	Obligations arising from sales	Employee expenses	Other provisions	Total
Balance at Jan. 1, 2007	**9,152**	**3,680**	**3,169**	**16,001**
Foreign exchange differences	–102	–5	5	–102
Changes in consolidated Group	0	6	99	105
Utilized	4,062	1,656	579	6,297
Additions/New provisions	5,445	1,093	2,011	8,549
Interest cost	41	–14	–4	23
Reversals	339	75	307	721
Balance at Jan. 1, 2008	**10,135**	**3,029**	**4,394**	**17,558**
Foreign exchange differences	–70	–23	–183	–276
Changes in consolidated Group	148	3	120	271
Held for sale	90	7	127	224
Utilized	4,375	1,143	1,173	6,691
Additions/New provisions	5,097	1,079	1,867	8,043
Interest cost	118	4	7	129
Reversals	458	122	684	1,264
Balance at Dec. 31, 2008	**10,505**	**2,820**	**4,221**	**17,546**

The obligations arising from sales contain provisions covering all risks relating to the sale of vehicles, components and genuine parts through to the disposal of end-of-life vehicles. They primarily comprise warranty claims, calculated on the basis of losses to date and estimated future losses. They also include provisions for discounts, bonuses and similar allowances incurred after the balance sheet date, but for which there is a legal or constructive obligation attributable to sales revenue before the balance sheet date.

Provisions for employee expenses are recognized for long-service awards, time credits, the part-time scheme for employees near to retirement, severance payments and similar obligations, among other things.

Other provisions relate to a wide range of identifiable risks and uncertain obligations and are measured in the amount of the expected settlement value.

Other provisions include technical provisions (insurance) amounting to €139 million (previous year: €115 million).

48% of the other provisions are expected to result in cash outflows in the following year, 42% between 2010 and 2013, and 10% thereafter.

30 | Trade payables

€ million	Dec. 31, 2008	Dec. 31, 2007
Trade payables to		
third parties	9,571	9,014
affiliated companies	68	39
joint ventures	21	30
associates	9	1
other investees and investors	7	15
	9,676	**9,099**

Additional Balance Sheet Disclosures in accordance with IFRS 7 (Financial Instruments)

CARRYING AMOUNT OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY UNDER IAS 39

€ million	Dec. 31, 2008	Dec. 31, 2007
Financial assets at fair value through profit or loss	878	1,522
Loans and receivables	52,751	47,053
Available-for-sale financial assets	13,450	16,398
Financial liabilities at fair value through profit or loss	407	143
Financial liabilities measured at amortized cost*	81,728	67,419

* Prior-period amount adjusted.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the reconciliation of the balance sheet items to the relevant classes of financial instruments, broken down by carrying amount and fair value of the financial instruments.

The fair value of financial instruments measured at amortized cost, such as receivables and liabilities, is calculated by discounting using a market rate of interest for a similar risk and matching maturity. For reasons of materiality, the fair value of current balance sheet items is deemed to be their carrying amount.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2007

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		NOT WITHIN SCOPE OF IFRS 7	OTHER – NOT FINANCIAL INSTRUMENTS	BALANCE SHEET ITEM AT DEC. 31, 2007
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	7,795	–	7,795
Other equity investments	–	548	548	–	–	548
Financial services receivables	–	27,522	27,719	–	–	27,522
Other receivables and financial assets	711	828	828	–	877	2,416
Current assets						
Trade receivables	–	5,691	5,691	–	–	5,691
Financial services receivables	–	24,914	24,914	–	–	24,914
Other receivables and financial assets	2,127	1,771	1,771	–	2,755	6,653
Marketable securities	6,615	–	–	–	–	6,615
Cash and cash equivalents	10,112	–	–	–	–	10,112
Noncurrent liabilities						
Noncurrent financial liabilities	–	29,315	29,405	–	–	29,315
Other noncurrent liabilities	258	1	1	–	1,986	2,245
Current liabilities						
Current financial liabilities	–	28,677	28,677	–	–	28,677
Trade payables	–	9,099	9,099	–	–	9,099
Other current liabilities	419	716	716	–	5,949	7,084

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2008

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		NOT WITHIN SCOPE OF IFRS 7	OTHER – NOT FINANCIAL INSTRUMENTS	BALANCE SHEET ITEM AT DEC. 31, 2008
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	6,373	–	6,373
Other equity investments	2	581	581	–	–	583
Financial services receivables	–	31,855	32,366	–	–	31,855
Other receivables and financial assets	1,666	1,456	1,456	–	265	3,387
Current assets						
Trade receivables	–	5,969	5,970	–	–	5,969
Financial services receivables	–	27,035	27,035	–	–	27,035
Other receivables and financial assets	2,919	4,104	4,104	–	3,045	10,068
Marketable securities	3,770	–	–	–	–	3,770
Cash and cash equivalents	9,474	–	–	–	–	9,474
Noncurrent liabilities						
Noncurrent financial liabilities	100	33,157	33,410	–	–	33,257
Other noncurrent liabilities	1,150	436	436	–	1,649	3,235
Current liabilities						
Current financial liabilities	–	36,123	36,123	–	–	36,123
Trade payables	–	9,676	9,676	–	–	9,676
Other current liabilities	1,189	2,544	2,544	–	4,812	8,545

CHANGES IN CREDIT RISK VALUATION ALLOWANCES ON FINANCIAL ASSETS

€ million	Specific valuation allowances	Portfolio-based valuation allowances	2008	Specific valuation allowances	Portfolio-based valuation allowances	2007
Balance at Jan. 1	**991**	**563**	**1,554**	**1,114**	**590**	**1,704**
Currency and other changes	58	5	63	1	−10	−9
Additions	741	115	856	437	88	525
Utilization	368	–	368	261	0	261
Reversals	182	149	331	295	111	406
Reclassification	−85	85	0	−5	6	1
Balance at Dec. 31	**1,155**	**619**	**1,774**	**991**	**563**	**1,554**

Starting in fiscal year 2008, the valuation allowances mainly relate to the credit risks associated with financial services. The prior-period amounts were adjusted to enhance comparability.

Other Disclosures

31 | Cash Flow Statement

Cash flows are presented in the cash flow statement classified into cash flows from operating activities, investing activities and financing activities, irrespective of the format of the balance sheet.

Cash flows from operating activities are derived indirectly from profit before tax. Profit before tax is adjusted to eliminate noncash expenses (mainly depreciation and amortization) and income. This results in cash flows from operating activities after accounting for changes in working capital.

Investing activities include additions to property, plant and equipment, and noncurrent financial assets, as well as to capitalized development costs. The changes in leasing and rental assets and in financial services receivables are also included here.

Financing activities include outflows of funds from dividend payments and redemption of bonds, as well as inflows from the issue of bonds and changes in other financial liabilities.

The changes in balance sheet items that are presented in the cash flow statement cannot be derived directly from the balance sheet, as the effects of currency translation and changes in the consolidated Group are noncash transactions and are therefore eliminated.

In 2008, cash flows from operating activities include interest received amounting to €4,576 million (previous year: €4,096 million) and interest paid amounting to €3,404 million (previous year: €2,934 million). In addition, the Share of profits and losses of equity-method investments (note 7) includes dividends amounting to €679 million (previous year: €667 million). Dividends amounting to €720 million (previous year: €497 million) were paid to Volkswagen AG shareholders.

€ million	Dec. 31, 2008	Dec. 31, 2007
Cash and cash equivalents as reported in the balance sheet	9,474	10,112
Cash and cash equivalents held for sale	11	–
Time deposit investments	–42	–198
Cash and cash equivalents as reported in the cash flow statement	9,443	9,914

32 | Financial risk management and financial instruments

1. HEDGING GUIDELINES AND FINANCIAL RISK MANAGEMENT PRINCIPLES

The principles and responsibilities for managing and controlling the risks that could arise from financial instruments are defined by the Board of Management and monitored by the Supervisory Board. General rules apply to the Group-wide risk policy; these are oriented on the statutory requirements and the "Minimum Requirements for Risk Management by Credit Institutions".

Group Treasury is responsible for operational risk management and control. The Executive Committee for Liquidity and Foreign Currency is regularly informed about current financial risks. In addition, the Group Board of Management and the Supervisory Board are regularly updated on the current risk situation.

For more information, please see the Management Report on page 175.

2. CREDIT AND DEFAULT RISK

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the claims under positive fair values receivable from them and the irrevocable credit commitments. The risk arising from non-derivative financial instruments is accounted for by recognizing bad debt losses. Cash and capital investments and derivatives are only entered into with prime-rated national and international counterparties. Risk is additionally limited by a limit system based on credit assessments by the international rating agencies and on the equity base of the counterparties concerned.

There were no material concentrations of risk in fiscal year 2008 due to the global allocation of the Group’s business activities and the resulting diversification.

CREDIT AND DEFAULT RISK RELATING TO FINANCIAL ASSETS BY GROSS CARRYING AMOUNT

€ million	Neither past due nor impaired	Past due and not impaired	Impaired	Dec. 31, 2008	Neither past due nor impaired	Past due and not impaired	Impaired	Dec. 31, 2007
Measured at amortized cost								
Financial services receivables	55,838	2,587	1,923	60,348	50,298	2,254	1,782	54,334
Trade receivables	4,724	1,136	388	6,248	4,747	873	286	5,906
Other receivables	11,158	161	242	11,561	14,402	205	406	15,013
	71,720	**3,884**	**2,553**	**78,157**	**69,447**	**3,332**	**2,474**	**75,253**

There are no overdue financial instruments measured at fair value in the Volkswagen Group. As a consequence of the fluctuations in fair value caused by the financial crisis, securities measured at fair value with a cost of €363 million were individually impaired in fiscal year 2008.

CREDIT RATING OF THE GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS THAT ARE NEITHER PAST DUE NOR IMPAIRED

€ million	Risk class 1	Risk class 2	Dec. 31, 2008	Risk class 1	Risk class 2	Dec. 31, 2007
Measured at amortized cost						
Financial services receivables	47,651	8,187	55,838	42,493	7,805	50,298
Trade receivables	4,724	0	4,724	4,747	0	4,747
Other receivables	11,153	5	11,158	14,401	1	14,402
Measured at fair value	7,395	–	7,395	8,882	–	8,882
	70,923	**8,192**	**79,115**	**70,523**	**7,806**	**78,329**

The Volkswagen Group performs a credit assessment of borrowers in all loan and lease agreements, using scoring systems for the high-volume business and rating systems for corporate customers and receivables from dealer financing. Receivables rated as good are contained in risk class 1. Receivables from customers whose credit rating is not good but have not yet defaulted are contained in risk class 2.

MATURITY ANALYSIS OF THE GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS THAT ARE PAST DUE AND NOT IMPAIRED

	PAST DUE BY:			GROSS CARRYING AMOUNT
€ million	up to 30 days	30 to 90 days	more than 90 days	Dec. 31, 2007
Measured at amortized cost				
Financial services receivables	1,898	351	5	2,254
Trade receivables	589	145	139	873
Other receivables	122	27	56	205
Measured at fair value	–	–	–	–
	2,609	**523**	**200**	**3,332**

	PAST DUE BY:			GROSS CARRYING AMOUNT
€ million	up to 30 days	30 to 90 days	more than 90 days	Dec. 31, 2008
Measured at amortized cost				
Financial services receivables	1,843	584	160	2,587
Trade receivables	668	278	190	1,136
Other receivables	74	29	58	161
Measured at fair value	–	–	–	–
	2,585	**891**	**408**	**3,884**

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS THAT WOULD OTHERWISE BE PAST DUE WHOSE TERMS HAVE BEEN RENEGOTIATED

€ million	Dec. 31, 2008	Dec. 31, 2007
Measured at amortized cost		
Financial services receivables	849	478
Trade receivables	–	12
Other receivables	–	–
Measured at fair value	–	–
	849	**490**

Collateral that met the recognition criteria under IFRSs was recognized in the balance sheet in the amount of €225 million in fiscal year 2008 (previous year: €174 million). This mainly relates to vehicles.

3. LIQUIDITY RISK

The solvency and liquidity of the Volkswagen Group is ensured at all times by rolling liquidity planning, a liquidity reserve in the form of cash, confirmed credit lines and globally available debt issuance programs.

The following overview shows the contractual undiscounted cash flows from financial instruments.

MATURITY ANALYSIS OF UNDISCOUNTED CASH FLOWS FROM FINANCIAL INSTRUMENTS

	REMAINING CONTRACTUAL MATURITIES:				REMAINING CONTRACTUAL MATURITIES:			
€ million	under one year	within one to five years	over five years	2008	under one year	within one to five years	over five years	2007
Financial liabilities	39,340	31,524	3,535	74,399	30,755	27,488	4,001	62,244
Trade payables	9,674	4	1	9,679	9,244	49	24	9,317
Other financial liabilities	2,531	666	538	3,735	2,367	868	806	4,041
Derivatives	23,666	17,460	14	41,140	21,912	6,205	660	28,777
	75,211	**49,654**	**4,088**	**128,953**	**64,278**	**34,610**	**5,491**	**104,379**

Derivatives comprise both cash flows from derivative financial instruments with negative fair values and cash flows from derivatives with positive fair values for which gross settlement has been agreed. The cash outflows from derivatives for which gross settlement has been agreed are matched in part by cash inflows. These cash inflows are not reported in the maturity analysis. If these cash inflows were also recognized, the cash flows presented would be substantially lower.

The cash outflows from irrevocable credit commitments are presented in note 36, classified by contractual maturities.

4. MARKET RISK

4.1 HEDGING POLICY AND FINANCIAL DERIVATIVES

During the course of its general business activities, the Volkswagen Group is exposed to foreign currency, interest rate, commodity price and fund price risk. Corporate policy is to limit or eliminate such risk by means of hedging. All necessary hedging transactions are executed or coordinated centrally by Group Treasury.

The following table shows the gains and losses on hedges:

€ million	2008	2007
Hedging instruments used in fair value hedges	424	21
Hedged items used in fair value hedges	–427	–34
Ineffective portion of cash flow hedges	–5	–16

The ineffective portion of cash flow hedges represents the income and expenses from changes in the fair value of hedging instruments that exceed the fair value of hedged items that are shown to be within the permitted range of 80% to 125% when measuring effectiveness. Such income or expenses are recognized directly in the financial result

In 2008, €–1,389 million (previous year: €–485 million) from the cash flow hedge reserve was transferred to the net other operating result and €–38 million (previous year: €–92 million) to the financial result.

The Volkswagen Group uses two different methods to present market risk from non-derivative and derivative financial instruments in accordance with IFRS 7. A value-at-risk model is used to measure foreign currency and interest rate risk in the Financial Services Division, while market risk in the Automotive Division is determined using a sensitivity analysis. The value-at-risk calculation entails determining potential changes in financial instruments in the event of variations in interest and exchange rates using a historical simulation based on the last 250 trading days. Other calculation parameters are a holding period of 10 days and a confidence level of 99%. The sensitivity analysis calculates the effect on equity and profit by modifying risk variables within the respective market risks.

4.2 MARKET RISK IN THE FINANCIAL SERVICES DIVISION

Exchange rate risk in the Financial Services Division is mainly attributable to assets that are not denominated in the functional currency and from refinancing within operating activities. Interest rate risk relates to refinancing without matching maturities and the varying interest rate elasticity of individual asset and liability items. The risks are limited by the use of currency and interest rate hedges.

A fair value portfolio hedge in accordance with IAS 39, under which fixed-rate receivables and liabilities are hedged against changes in the risk-free base rate, was used for the first time in fiscal year 2008. The assets and liabilities included in this hedging strategy are measured at fair value for the remaining term. The resulting effects in the income statement are offset by the corresponding gains and losses on the interest rate hedging instruments.

As of December 31, 2008, the value at risk for interest rate risk was €54 million (previous year: €14 million) and €95 million for foreign currency risk (previous year: €24 million).

The entire value at risk for interest rate and foreign currency risk at the Financial Services Division was €93 million (previous year: €37 million).

4.3 MARKET RISK IN THE AUTOMOTIVE DIVISION

4.3.1 Foreign currency risk

Foreign currency risk in the Automotive Division is attributable to investments, financing measures and operating activities. Currency forwards, currency options, currency swaps and cross-currency swaps are used to limit foreign currency risk. These transactions relate to the exchange rate hedging of all payments covering general business activities that are not made in the functional currency of the respective Group companies. The principle of matching currencies applies to the Group’s financing activities.

Hedging transactions performed as part of foreign currency risk management in 2008 related primarily to the US dollar, sterling, the Mexican peso, the Russian rouble, the Swedish krone, the Czech koruna, the Swiss franc, and the Japanese yen.

All non-functional currencies in which the Volkswagen Group enters into financial instruments are included as relevant risk variables in the sensitivity analysis in accordance with IFRS 7.

If the functional currencies concerned had appreciated or depreciated by 10% against the other currencies, the exchange rates shown below would have resulted in the following effects on the hedging reserve in equity and on profit before tax. It is not appropriate to add together the individual figures, since the results of the various functional currencies concerned are based on different scenarios. Due to the switch to a more meaningful presentation format, the figures for December 31, 2007 are not comparable with the aggregated individual figures for the previous year. In order to facilitate comparison nevertheless, the figures for the previous year were also calculated using the new presentation format and are given below.

€ million	Dec. 31, 2008 +10%	Dec. 31, 2008 −10%	Dec. 31, 2007 +10%	Dec. 31, 2007 −10%
Exchange rate				
EUR/USD				
Hedging reserve	1,147	−712	994	−906
Profit before tax	−433	203	−296	330
EUR/GBP				
Hedging reserve	748	−748	440	−429
Profit before tax	−30	55	−15	13
EUR/JPY				
Hedging reserve	147	−147	54	−54
Profit before tax	36	−36	32	−28
EUR/CZK				
Hedging reserve	118	−118	63	−63
Profit before tax	−27	27	−31	31
EUR/SEK				
Hedging reserve	−137	137	43	−43
Profit before tax	1	−1	18	−18
EUR/CHF				
Hedging reserve	97	−97	40	−40
Profit before tax	0	0	−1	1
EUR/RUB				
Hedging reserve	44	−44	31	−31
Profit before tax	−50	50	−2	2
GBP/USD				
Hedging reserve	79	−79	31	−25
Profit before tax	4	−3	7	−8
USD/MXN				
Hedging reserve	59	−59	36	−36
Profit before tax	−11	11	−56	56
EUR/AUD				
Hedging reserve	39	−39	46	−46
Profit before tax	−18	18	−9	9
CZK/USD				
Hedging reserve	53	−53	9	−9
Profit before tax	−2	3	−4	4
EUR/CAD				
Hedging reserve	36	−36	41	−41
Profit before tax	4	−4	4	−4

4.3.2 Interest rate risk

Interest rate risk in the Automotive Division results from changes in market interest rates, primarily for medium- and long-term variable interest receivables and liabilities. Interest rate swaps, cross-currency swaps and other types of interest rate contracts are entered into to hedge against this risk under fair value or cash flow hedges, depending on market conditions. Intra-Group financing arrangements are normally structured to match the maturities of their refinancing.

Interest rate risk within the meaning of IFRS 7 is calculated for the Automotive Division using sensitivity analyses. The effects of the risk variables in the form of market rates of interest on the financial result and on equity are presented.

The methodology used to calculate interest rate sensitivity was changed as compared with the previous year. The prior-year figures were recalculated and disclosed to facilitate comparability.

If market interest rates had been 100 bps higher as of December 31, 2008, equity would have been €39 million (previous year: €93 million) lower. If market interest rates had been 100 bps lower as of December 31, 2008, equity would have been €45 million higher (previous year: €104 million).

If market interest rates had been 100 bps higher as of December 31, 2008, profit would have been €12 million (previous year: €14 million) higher. If market interest rates had been 100 bps lower as of December 31, 2008, profit would have been €11 million lower (previous year: €14 million).

4.3.3 Commodity price risk

Commodity price risk in the Automotive Division results from price fluctuations and the availability of non-ferrous metals and precious metals, as well as of coal and CO_2 certificates. Forward transactions are entered into to limit these risks.

Hedge accounting in accordance with IAS 39 was applied for the first time in 2008 to the hedging of commodity risk associated with aluminum and copper.

Commodity price risk within the meaning of IFRS 7 is presented using sensitivity analysis. These show the effect on profit and equity of changes in risk variables in the form of commodity prices.

If the commodity prices of the hedged metals had been 10% higher (lower) as of December 31, 2008, profit would have been €26 million (previous year: €158 million) higher (lower).

If the commodity prices of the hedging transactions accounted for using hedge accounting had been 10% higher (lower) as of December 31, 2008, equity would have been €48 million higher (lower).

4.3.4 Fund price risk

The Spezialfonds (special funds) launched using surplus liquidity are subject in particular to equity and bond price risk, which can arise from fluctuations in quoted market prices, stock exchange indices and market rates of interest. The changes in bond prices resulting from variations in the market rates of interest are quantified in sections 4.3.1 and 4.3.2, as are the measurement of foreign currency and other interest rate risks arising from the special funds. As a rule, we counter the risks arising from the special funds by ensuring a broad diversification of products, issuers and regional markets when investing funds, as stipulated by our Investment Guidelines. In addition, we use exchange rate hedges in the form of futures contracts when market conditions are appropriate. The relevant measures are centrally coordinated by Group Treasury and implemented in operations by the special funds' risk management team.

As part of the presentation of market risk, IFRS 7 requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Potential risk variables here are in particular quoted market prices or indices, as well as interest rate changes as bond price parameters.

If share prices had been 10% higher (lower) as of December 31, 2008, equity would have been €35 million (previous year: €16 million) higher (lower).

5. METHODS FOR MONITORING HEDGE EFFECTIVENESS

In the Volkswagen Group, hedge effectiveness is assessed prospectively using the critical terms match method and using statistical methods in the form of a regression analysis. Retrospective analysis of effectiveness uses effectiveness tests in the form of the dollar offset method or a regression analysis.

Under the dollar offset method, the changes in value of the hedged item expressed in monetary units are compared with the changes in value of the hedging instrument expressed in monetary units.

Where regression analysis is used, the change in value of the hedged item is presented as an independent variable, and that of the hedging instrument as a dependent variable. Currency transactions are classified as effective hedge relationships if they have sufficient coefficients of determination and slope factors.

NOTIONAL AMOUNT OF DERIVATIVES

€ million	REMAINING TERM under one year	within one to five years	over five years	TOTAL NOTIONAL AMOUNT Dec. 31, 2008	TOTAL NOTIONAL AMOUNT Dec. 31, 2007
Notional amount of hedging instruments used in cash flow hedges:					
Interest rate swaps	5,801	9,014	506	15,321	12,983
Currency forwards	13,031	6,769	–	19,800	20,920
Currency options	4,435	10,421	–	14,856	4,723
Currency swaps	1,379	293	–	1,672	561
Commodity futures contracts	234	463	–	697	–
Notional amount of other derivatives:					
Interest rate swaps	11,271	30,620	409	42,300	34,094
Currency forwards	5,134	104	–	5,238	3,168
Currency swaps	3,224	1,578	–	4,802	2,039
Cross-currency swaps	822	636	–	1,458	2,689
Commodity futures contracts	280	151	–	431	1,502

The hedged items in cash flow hedges are expected to be realized in accordance with the maturity buckets of the hedges reported in the table.

The fair values of the derivatives are estimated using market data at the balance sheet date as well as by appropriate valuation techniques. The following term structures were used for the calculation:

in %	EUR	USD	GBP	MXN	RUB	SEK	CZK	CHF	JPY
Interest rate for six months	2.971	1.750	2.960	8.050	22.800	2.575	3.750	0.810	0.954
Interest rate for one year	3.049	2.004	3.074	7.930	16.750	2.669	3.930	1.095	1.088
Interest rate for five years	3.234	2.053	3.136	7.670	16.500	2.825	2.810	1.920	0.910
Interest rate for ten years	3.738	2.474	3.426	7.970	16.500	3.158	3.250	2.590	1.223

33 | Capital management

The goal of capital management is to ensure that the Group can effectively achieve its goals and strategies in the interests of shareholders, employees and other stakeholders. In particular, management focuses on generating the minimum return on invested assets in the Automotive Division that is required by the capital markets, and on increasing the return on equity in the Financial Services Division. In addition, the goals of the Financial Services Division are to meet the banking supervisory authorities' regulatory capital requirements, to support the external rating by ensuring capital adequacy and to procure equity for the growth planned in the next fiscal years. In the process, it aims overall to achieve the highest possible growth in the value of the Group and its divisions for the benefit of all the Company's stakeholder groups.

The Volkswagen Group's financial target system focuses systematically on continuously and sustainably increasing the value of the Company. In order to maximize the use of resources in the Automotive Division and to measure the success of this, we have been using value contribution, a control variable linked to the cost of capital, for a number of years.

The concept of value contribution not only allows overall performance to be measured in the Automotive Division, but also in the individual business units, projects and products. In addition, business units and product-specific investment projects can be managed operationally and strategically using the value contribution.

34 | Contingent liabilities

€ million	Dec. 31, 2008	Dec. 31, 2007
Liabilities from guarantees	78	76
Liabilities from warranty contracts	30	27
Pledges on company assets as security for third-party liabilities	15	12
Other contingent liabilities	642	369
	765	**484**

In the course of the acquisition of a 100% equity interest in LeasePlan Corporation N.V., Amsterdam, and the subsequent sale of 50% of the shares to two co-investors, Volkswagen AG reached an agreement with the co-investors on put options entitling these investors to sell their shares to Volkswagen AG. On December 22, 2008, the co-investors exercised this option. The selling price is the higher of (a) the fair value of the shares as calculated using a standard valuation method and (b) the original investment by the co-investors. The parties to the agreement have started negotiations in this regard. At present, Volkswagen AG is expecting a payment obligation of approximately €1.3 billion.

The trust assets and liabilities of the savings and trust entities belonging to the South American subsidiaries not included in the consolidated balance sheet amount to €501 million (previous year: €620 million).

35 | Litigation

Neither Volkswagen AG nor any of its Group companies is party to any legal or arbitration proceedings that may have a material effect on the economic position of the Group, or have had such an effect within the last two years. Equally, no such proceedings are foreseeable. Appropriate provisions are established by the Group company concerned for any potential costs arising from other legal or arbitration proceedings pending, or the company has adequate insurance cover.

36 | Other financial obligations

€ million	PAYABLE 2009	PAYABLE 2010 – 2013	PAYABLE from 2014	TOTAL Dec. 31, 2008	TOTAL Dec. 31, 2007
Purchase commitments in respect of					
property, plant and equipment	1,302	676	–	1,978	1,977
intangible assets	146	38	–	184	168
investment property	1	–	–	1	1
Obligations from					
loan commitments to subsidiaries	99	–	–	99	71
irrevocable credit commitments to customers	1,758	–	–	1,758	1,898
long-term leasing and rental contracts	478	676	1,597	2,751	2,109
Other financial obligations	1,817	1,050	9	2,876	1,932

The other financial obligations also contain the order volumes agreed with the purchaser of the gedas Group as well as obligations from the future acquisition of LeasePlan Corporation N.V.

37 | Auditors' fees recognized as expenses

Under the provisions of the German Commercial Code (HGB), Volkswagen AG is obliged to disclose the audit fees of the Group auditors in Germany that are recognized as expenses.

€ thousand	2008	2007
Audits of financial statements	5,675	4,751
Other assurance or valuation services	2,970	3,135
Tax advisory services	418	242
Other services	3,726	1,178
	12,789	**9,306**

38 | Total expense for the period

€ million	2008	2007
Cost of materials		
Cost of raw materials, consumables and supplies, purchased merchandise and services	**75,954**	**72,340**
Personnel expenses		
Wages and salaries	12,728	11,722
Social security, post-employment and other employee benefit costs	3,056	2,827
	15,784	**14,549**

39 | Average number of employees during the year

	2008	2007
Performance-related wage-earners	169,764	162,013
Salaried staff	153,742	137,095
	323,506	**299,108**
Vocational trainees	8,686	8,481
	332,192	**307,589**
Vehicle-producing investments not fully consolidated	25,015	21,005
	357,207	**328,594**

40 | Events after the balance sheet date

Porsche Automobil Holding SE, Stuttgart and its shareholders, to whom the voting rights in Volkswagen AG are attributable in accordance with section 22(1) sentence 1 no. 1 of the WpHG, notified us in accordance with section 21(1) of the WpHG that their share of the voting rights in Volkswagen AG exceeded the threshold of 50% on January 5, 2009 and amounted to 50.76% at this date. The voting rights attributable to the individuals subject to the disclosure requirement can be seen from the mandatory disclosure by Volkswagen AG on January 12, 2009, which is available online at www.volkswagenag.com/ir

Volkswagen AG expects to acquire from Porsche Automobil Holding SE, Stuttgart, on February 20, 2009 the shares of Scania AB, Södertälje, Sweden, acquired by Porsche Automobil Holding SE under the terms of a mandatory bid procedure (2.34% of the voting rights and 7.93% of the share capital) and thus to increase its interest in Scania to 49.29% of the share capital and 71.81% of the voting rights.

On February 17, 2009, the Sonderfonds Finanzmarktstabilisierung (SoFFin – German Financial Market Stabilization Fund) notified us that Volkswagen Bank GmbH had received a guarantee facility to refinance vehicle loans of up to €2.0 billion.

41 | Related party disclosures in accordance with IAS 24

Related parties as defined by IAS 24 are natural persons and entities that Volkswagen AG has the ability to control or on which it can exercise significant influence, or natural persons and entities that have the ability to control or exercise significant influence on Volkswagen AG, or are influenced by another related party of Volkswagen AG.

On March 13, 2008 Porsche Automobil Holding SE (previously Dr. Ing. h.c. F. Porsche AG) held 30.56% of the voting rights in Volkswagen AG. Two representatives of Porsche Automobil Holding SE were elected to the Supervisory Board. All transactions with Porsche Automobil Holding SE itself and with other companies affiliated with Porsche Automobil Holding SE are conducted on an arm's length basis. After the end of the reporting period, the interest held by Porsche Automobil Holding SE exceeded the 50% threshold and amounted to 50.76% of the voting rights as of January 5, 2009.

On January 26, 2009, the State of Lower Saxony held 20.01% of the voting rights of Volkswagen AG on December 31, 2008 and also appoints two members of the Supervisory Board. Transactions with private companies owned by the State of Lower Saxony are conducted on an arm's length basis.

All transactions with unconsolidated dated subsidiaries, joint ventures, associates and other related parties are conducted on an arm's length basis.

Members of the Board of Management and Supervisory Board of Volkswagen AG are members of supervisory and management boards or shareholders of other companies with which Volkswagen AG has relations in the normal course of business. All transactions with these companies are conducted on an arm's length basis.

The amounts of the supplies and services transacted, as well as outstanding receivables and liabilities, between consolidated companies of the Volkswagen Group and related parties (unconsolidated dated subsidiaries, joint ventures, associates, Porsche Automobile Holding SE, Porsche Holding Gesellschaft m.b.H., Salzburg/Austria and their affiliated companies as well as other related parties) are presented in the following tables:

RELATED PARTIES

€ million	SUPPLIES AND SERVICES RENDERED 2008	2007	SUPPLIES AND SERVICES RECEIVED 2008	2007
Supervisory Board members	0	0	0	0
Group Board of Management	0	0	1	–
Unconsolidated subsidiaries	1,583	1,124	739	411
Joint ventures	3,213	2,717	492	284
Associates	30	0	201	3
Pension plans	0	1	3	0
Other related parties	6	2	41	41
Porsche	6,317	5,528	389	178
State of Lower Saxony and majority-held interests	6	2	1	1

€ million	RECEIVABLES FROM 2008	2007	PAYABLES TO 2008	2007
Supervisory Board members	0	0	5	4
Group Board of Management	0	–	14	13
Unconsolidated subsidiaries	324	446	339	109
Joint ventures	3,843	1,497	46	17
Associates	33	1	14	0
Pension plans	0	0	0	0
Other related parties	0	0	1	0
Porsche	185	407	10	46
State of Lower Saxony and majority-held interests	0	1	–	0

The Board of Management and Supervisory Board of the Volkswagen Group are related parties within the meaning of IAS 24. The following benefits and remuneration were recorded for these persons:

€	2008	2007
Short-term benefits	22,508,592	19,936,903
Termination benefits	–	5,950,000
Post-employment benefits	3,237,434	1,647,415
Share-based payment	39,000	78,000
	25,785,026	**27,612,318**

There are outstanding balances for bonuses of the Board of Management members in the amount of €12,500,000 at the end of the fiscal year (previous year: €10,850,000). The post-employment benefits relate to additions to pension provisions for current members of the Board of Management. The expenses shown above do not correspond to the definition of remuneration of members of the Board of Management and the Supervisory Board in accordance with the German Corporate Governance Code.

42 | Notices and disclosure of changes regarding the ownership of voting rights in Volkswagen AG in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act)

PORSCHE

Porsche Automobil Holding SE, Stuttgart, Germany has notified us in accordance with section 21(1) of the WpHG that its share of the voting rights in Volkswagen Aktiengesellschaft, Wolfsburg, Germany, exceeded the threshold of 50% on January 5, 2009 and amounted to 50.76% (149,696,680 voting rights) at this date.

1) The following persons notified us in accordance with section 21(1) of the WpHG that their share of the voting rights in Volkswagen Aktiengesellschaft in each case exceeded the threshold of 50% on January 5, 2009 and in each case amounted to 50.76% (149,696,680 voting rights) at this date. All of the above-mentioned 149,696,680 voting rights are attributable to each of the persons making the notification in accordance with section 22(1) sentence 1 no. 1 of the WpHG. The voting rights attributable to the persons making the notifications are held via subsidiaries within the meaning of section 22(3) WpHG, whose attributable share of the voting rights amounts to 3% or more and whose names are given in brackets:

Mag. Josef Ahorner, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Mag. Louise Kiesling, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Prof. Ferdinand Alexander Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Dr. Oliver Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/

Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Kai Alexander Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Mark Philipp Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Gerhard Anton Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ing. Hans-Peter Porsche, Austria
(Familie Porsche Privatstiftung, Salzburg/Austria; Familie Porsche Holding GmbH, Salzburg/Austria; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Peter Daniel Porsche, Austria
(Familie Porsche Privatstiftung, Salzburg/Austria; Familie Porsche Holding GmbH, Salzburg/Austria; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Dr. Wolfgang Porsche, Germany
(Familie Porsche Privatstiftung, Salzburg/Austria; Familie Porsche Holding GmbH, Salzburg/Austria; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Wolfgang Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ferdinand Porsche Privatstiftung, Salzburg/Austria
(Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Familie Porsche Privatstiftung, Salzburg/Austria
(Familie Porsche Holding GmbH, Salzburg/Austria; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ferdinand Porsche Holding GmbH, Salzburg/Austria
(Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Familie Porsche Holding GmbH, Salzburg/Austria
(Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Louise Daxer-Piëch GmbH, Salzburg/Austria
(Louise Daxer-Piëch GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany),

Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria
(Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Gerhard Anton Porsche GmbH, Salzburg/Austria
(Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Louise Daxer-Piëch GmbH, Grünwald/Germany
(Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ferdinand Alexander Porsche GmbH, Grünwald/Germany
(Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Gerhard Porsche GmbH, Grünwald/Germany
(Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ing. Hans-Peter Porsche GmbH, Salzburg/Austria
(Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Hans-Peter Porsche GmbH, Grünwald/Germany
(Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Wolfgang Porsche GmbH, Grünwald/Germany
(Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Familie Porsche Beteiligung GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Porsche GmbH, Stuttgart/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Dr. Hans Michel Piëch, Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Hans Michel Piëch GmbH, Grünwald/Germany; Dr. Hans Michel Piëch GmbH, Salzburg/Austria),

Dr. Hans Michel Piëch GmbH, Salzburg/Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Hans Michel Piëch GmbH, Grünwald/Germany),

Hans Michel Piëch GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Dipl.-Ing. Dr. h.c. Ferdinand Piëch, Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Ferdinand Piëch GmbH, Grünwald/Germany; Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg/Austria; Ferdinand Karl Alpha Privatstiftung, Vienna/Austria),

Ferdinand Karl Alpha Privatstiftung, Vienna/Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Ferdinand Piëch GmbH, Grünwald/Germany; Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg/Austria),

Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg/Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Ferdinand Piëch GmbH, Grünwald/Germany),

Ferdinand Piëch GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany).

2) Porsche Holding Gesellschaft m.b.H., Salzburg/Austria, and Porsche GmbH, Salzburg/Austria, notified us in accordance with section 21(1) of the WpHG that their share of the voting rights in Volkswagen Aktiengesellschaft in each case exceeded the threshold of 50% on January 5, 2009 and in each case amounted to 53.13% (156,702,015 voting rights) at this date.

All the above-mentioned 156,702,015 voting rights are attributable to Porsche Holding Gesellschaft m.b. H. in accordance with section 22(1) sentence 1 no. 1 of the WpHG. The companies via which the voting rights are actually held and whose attributable share of the voting rights amounts to 3% or more are:
– Porsche GmbH, Salzburg/Austria;
– Porsche GmbH, Stuttgart/Germany;
– Porsche Automobil Holding SE, Stuttgart/Germany.

Of the above-mentioned 156,702,015 voting rights, 50.76% (149,696,753 voting rights) is attributable to Porsche GmbH, Salzburg/Austria, in accordance with section 22(1) sentence 1 no. 1 of the WpHG. The companies via which the voting rights are actually held and whose attributable share of the voting rights amounts to 3% or more are:
– Porsche GmbH, Stuttgart/Germany;
– Porsche Automobil Holding SE, Stuttgart/Germany.

STATE OF LOWER SAXONY

The State of Lower Saxony notified us on January 26, 2009 that it held a total of 59,022,310 ordinary shares as of December 31, 2008. It held 440 VW ordinary shares directly and 59,021,870 ordinary shares indirectly via Hannoversche Beteiligungsgesellschaft mbH (HanBG), which is owned by the State of Lower Saxony.

43 | German Corporate Governance Code

On November 21, 2008, the Board of Management and Supervisory Board of Volkswagen AG issued their declaration of conformity with the German Corporate Governance Code as required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) and made it permanently available to the shareholders of Volkswagen AG on the Company’s website at www.volkswagenag.com/ir

On November 24, 2008, the Board of Management and Supervisory Board of AUDI AG likewise issued their declaration of conformity with the German Corporate Governance Code and made it permanently available to the shareholders at www.audi.com

44 | Remuneration of the Board of Management and the Supervisory Board

€	2008	2007
Board of Management remuneration		
Non-performance-related remuneration	5,346,622	4,810,736
Performance-related remuneration	12,500,000	10,850,000
Stock options exercised or subscribed	27,535,750	837,150
Fair value of stock options held at reporting date	–	7,950,150
Supervisory Board remuneration		
Fixed remuneration components	273,000	307,192
Variable remuneration components	4,301,665	3,968,975
Loans to Supervisory Board members	17,500	21,218

The Board of Management's fixed remuneration also includes differing levels of remuneration for the assumption of appointments at Group companies as well as noncash benefits, which consist in particular of the use of company cars and the grant of insurance cover. The additional annual variable amount paid to each member of the Board of Management contains annually recurring components tied to the business success of the Company. It is primarily oriented on the results achieved and the financial position of the Company.

On December 31, 2008 the pension provisions for members of the Board of Management amounted to €32,732,521 (previous year: €30,334,447). Current pensions are index-linked in accordance with the index-linking of the highest collectively agreed salary insofar as the application of section 16 of the Gesetz zur Verbesserung der betrieblichen Altersversorgung (BetrAVG – German Company Pension Act) does not lead to a larger increase. The members of the Board of Management are entitled to payment of their normal remuneration for six months in the event of illness and to the retirement pension in the event of disability. Surviving dependents receive a widow's pension of 66 2/3% and a 20% orphan's pension per child based on the pension of the former member of the Board of Management.

Retired members of the Board of Management and their surviving dependents received €8,269,973 (previous year: €8,688,685). Provisions for pensions for this group of people were recognized in the amount of €102,789,267 (previous year: €107,971,788).

Loans in the total amount of €17,500 have been granted to members of the Supervisory Board (amount redeemed in 2007: €21,218). The loans generally bear interest at a rate of 4.0% and have an agreed term of up to 12.5 years.

The individual remuneration of the members of the Board of Management and the Supervisory Board is explained in the Remuneration Report in the Management Report (see page 102).

Significant Group Companies

Automotive Division

Name, location	Equity interest in %
VOLKSWAGEN AG, Wolfsburg	
Volkswagen Sachsen GmbH, Zwickau	100.00
VOLKSWAGEN SLOVAKIA, a.s., Bratislava/Slovak Republic	100.00
SITECH Sitztechnik GmbH, Wolfsburg	100.00
Volkswagen Navarra, S.A., Arazuri (Navarra)/Spain	100.00
AUTOEUROPA-AUTOMÓVEIS LDA., Palmela/Portugal	100.00
Volkswagen Motor Polska Sp.z o.o., Polkowice/Poland	100.00
Volkswagen-Audi España, S.A., El Prat de Llobregat (Barcelona)/Spain	100.00
Volkswagen Original Teile Logistik GmbH & Co. KG, Baunatal	52.96
VOLKSWAGEN Group United Kingdom Ltd., Milton Keynes/United Kingdom	100.00
Groupe VOLKSWAGEN France s.a., Villers-Cotterêts/France	100.00
Automobilmanufaktur Dresden GmbH, Dresden	100.00
Volkswagen Poznan Sp.z o.o., Poznan/Poland	100.00
Volkswagen Group Sverige Aktiebolag, Södertälje/Sweden	100.00
Auto 5000 GmbH, Wolfsburg	100.00
Volkswagen Group of America, Inc., Herndon, Virginia/USA	100.00
Volkswagen Group Canada, Inc., Ajax, Ontario/Canada	100.00
VOLKSWAGEN Group Japan K.K.,Toyohashi/Japan	100.00
VOLKSWAGEN Group Rus OOO, Kaluga/Russia	100.00
OOO VOLKSWAGEN Rus, Kaluga/Russia	87.83
AUDI AG, Ingolstadt	99.55
AUDI BRUSSELS S.A., Brussels/Belgium	100.00
AUDI HUNGARIA MOTOR Kft., Györ/Hungary	100.00
Audi of America, LLC, Herndon, Virginia/USA	100.00
Audi Volkswagen Korea Ltd., Seoul/Korea	100.00
Audi Volkswagen Middle East FZE, Dubai/United Arab Emirates	100.00
Automobili Lamborghini Holding S.p.A., Sant' Agata Bolognese/Italy	100.00
VOLKSWAGEN GROUP ITALIA S.P.A., Verona/Italy	100.00
quattro GmbH, Neckarsulm	100.00

Automotive Division

Name, location	Equity interest in %
SEAT, S.A., Martorell, Barcelona/Spain	100.00
SEAT Deutschland GmbH, Mörfelden-Walldorf	100.00
Gearbox del Prat, S.A., El Prat de Llobregat (Barcelona)/Spain	100.00
ŠKODA AUTO a.s., Mladá Boleslav/Czech Republic	100.00
ŠkodaAuto Deutschland GmbH, Weiterstadt	100.00
ŠKODA AUTO Slovensko s.r.o., Bratislava/Slovak Republic	100.00
ŠKODA AUTO POLSKA, S.A., Poznan/Poland	51.00
Bentley Motors Ltd., Crewe/United Kingdom	100.00
Volkswagen de Mexico, S.A. de C.V., Puebla/Pue./Mexico	100.00
Volkswagen do Brasil Ltda., São Bernardo do Campo, SP/Brazil	100.00
Volkswagen Argentina S.A., Buenos Aires/Argentina	100.00
Volkswagen of South Africa (Pty.) Ltd., Uitenhage/South Africa	100.00
Scania AB, Södertälje/Sweden[1]	41.36
S.A.S. Scania Holding France, Angers/France	100.00
Scania Deutschland Holding GmbH, Koblenz	100.00
Scania Europe Holding B.V., Zwolle/The Netherlands	100.00
Scania CV AB, Södertälje/Sweden	100.00
Shanghai-Volkswagen Automotive Company Ltd., Shanghai/P.R. China[2]	50.00
FAW-Volkswagen Automotive Company, Ltd., Changchun/P.R. China[2]	40.00
Volkswagen (China) Investment Company Ltd., Beijing/ P.R. China	100.00
Volkswagen Group Services S.A., Brussels/Belgium	100.00
Volkswagen International Finance N.V., Amsterdam/The Netherlands	100.00
MAN Aktiengesellschaft, Munich[3]	28.67

1 The share of the voting rights in Scania is 69.47% and thus differs from the equity interest.
2 Joint ventures are accounted for using the equity method.
3 The share of the voting rights in MAN is 29.9% and thus differs from the equity interest.

Financial Services Division

Name, location	Equity interest in %
VOLKSWAGEN FINANCIAL SERVICES AG, Braunschweig	100.00
Volkswagen Leasing GmbH, Braunschweig	100.00
Volkswagen Bank GmbH, Braunschweig	100.00
Volkswagen Reinsurance AG, Braunschweig	100.00
Volkswagen-Versicherungsdienst GmbH, Wolfsburg	100.00
VOLKSWAGEN FINANCE, S.A., Alcobendas (Madrid)/Spain	100.00
Volkswagen Financial Services (UK) Ltd., Milton Keynes/United Kingdom	100.00
Volkswagen Financial Services N.V., Amsterdam/The Netherlands	100.00
Volkswagen Financial Services Japan Ltd., Tokyo/Japan	100.00
ŠkoFIN s.r.o., Prague/Czech Republic	100.00
Global Mobility Holding B.V., Amsterdam/The Netherlands[1,2]	50.00
LeasePlan Corporation N.V., Amsterdam/The Netherlands	–
Volkswagen Pon Financial Services B.V., Amersfoort/The Netherlands[1]	60.00
VW CREDIT, INC., Wilmington, Delaware/USA	100.00
VOLKSWAGEN LEASING SA DE CV, Puebla/Mexico	100.00
VOLKSWAGEN BANK SA INSTITUCION DE BANCA MULTIPLE, Puebla/Mexico	100.00
Financial services companies in Brazil, São Paulo/Brazil	100.00
Financial services companies in Argentina, Buenos Aires/Argentina	100.00

1 Joint ventures are accounted for using the equity method.

2 Global Mobility Holding B.V., Amsterdam, holds all shares of LeasePlan Corporation N.V., Amsterdam.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Wolfsburg, February 17, 2009

Volkswagen Aktiengesellschaft

The Board of Management

Martin Winterkorn

Francisco Javier Garcia Sanz

Jochem Heizmann

Horst Neumann

Hans Dieter Pötsch

Auditors' Report

On completion of our audit, we issued the following unqualified auditors' report dated February 18, 2009. This report was originally prepared in German. In case of ambiguities the German version takes precedence:

Auditors' Report

We have audited the consolidated financial statements prepared by VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, comprising the income statement, the balance sheet and the statements of recognized income and expense and cash flows as well as the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the Company for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Article 315a paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, February 18, 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser
Wirtschaftsprüfer

ppa. Martin Schröder
Wirtschaftsprüfer

Consumption and Emission Data

MODEL	OUTPUT kW (PS)	FUEL CONSUMPTION (l/100km) urban	extra-urban	combined	CO_2 EMISSIONS (g/km)
Bentley Arnage Final Series	373 (507)	28.8	14.1	19.5	465
Bentley Azure T	373 (507)	28.8	14.1	19.5	465
Bentley Brooklands	395 (537)	28.8	14.1	19.5	465
Bentley Continental Flying Spur Speed	449 (610)	25.3	11.6	16.6	396
Bentley Continental GT Speed	449 (610)	25.3	11.6	16.6	396
Bentley Continental GT Speed Coupé	449 (610)	25.3	11.6	16.6	396
Bentley Continental GTC	412 (560)	25.3	11.6	16.6	396
Bentley Continental GTC Speed	449 (610)	25.3	11.6	16.6	396
Bugatti Veyron Grand Sport	736 (1001)	41.9	15.6	24.9	596
Lamborghini Gallardo Spyder	382 (520)	24.8	12.4	17.0	400
Lamborghini Gallardo Superleggera	390 (530)	24.8	12.4	17.0	400
Lamborghini Murciélago LP 640	471 (640)	32.3	15.0	21.3	495
Lamborghini Murciélago LP 640 Roadster	471 (640)	32.3	15.0	21.3	495
SEAT Alhambra ECOMOTIVE	103 (140)	7.8	4.9	6.0	159
SEAT Ibiza ECOMOTIVE	59 (80)	4.9	3.0	3.7	98
SEAT Leon ECOMOTIVE	77 (105)	5.7	3.9	4.5	119
Škoda Superb GreenLine	77 (105)	6.5	4.2	5.1	136
Volkswagen Caddy BlueMotion	77 (105)	7.2	4.8	5.7	149
Volkswagen Caddy EcoFuel	80 (109)	12.1*	6.8*	8.8*	157
Volkswagen Caddy 4Motion	77 (105)	8.2	5.8	6.7	176
Volkswagen Golf Variant BlueMotion	77 (105)	5.9	3.9	4.6	122
Volkswagen Jetta BlueMotion	77 (105)	5.9	3.9	4.6	122
Volkswagen Touran BlueMotion	77 (105)	7.0	4.7	5.4	144
Volkswagen Touran EcoFuel	80 (109)	12.0*	6.6*	8.6*	154
Volkswagen Passat BlueMotion	81 (110)	6.3	4.1	4.9	128
Volkswagen Polo BlueMotion	59 (80)	4.9	3.2	3.8	99

* In kg/100 km.

Glossary

SELECTED TERMS AT A GLANCE

Adaptive Cruise Control (ACC)
Enhanced cruise control system incorporating a distance control function that uses radar sensors. ACC additionally identifies potential accident risks and activates the brakes as a precaution.

ASEAN
Association of Southeast Asian Nations. An international organization established on August 8, 1967 consisting of Southeast Asian states with political, economic and cultural objectives.

Benchmarking
Comparative analysis of the products, services, processes, or financial data of a company with those of the leading competitors in an industry.

BRIC
Is an acronym that refers to the four emerging growth markets of Brazil, Russia, India and China.

CCS
An efficient drivetrain and fuel system that combines the advantages of diesel and petrol engines and uses the newest generation of fuels.

Compliance
Observing statutory provisions, internal company policies and ethical principles.

Continuous Improvement Process (CIP)
CIP aims to ensure the continuous optimization of product, process and service quality focused on corporate objectives. Inefficiencies are eliminated gradually and permanently and work methods are optimized through the systematic incorporation of employees' abilities and practical knowledge.

Corporate Governance
International term for responsible corporate management and supervision driven by long-term value added.

Direct shift gearbox (DSG)
Gearbox that consists of two gearboxes with a dual clutch and so combines the agility, driving pleasure and low consumption levels of a manual gearbox with the comfort of an automatic.

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Hybrid drive
Drive combining two different types of engine and energy storage system (usually an internal combustion engine and an electric motor).

Modular Longitudinal Platform (MLB)
The use of a modular strategy in vehicle platforms in which the drivetrain is mounted longitudinally to the direction of travel. This modular arrangement of all components enables maximum synergies to be achieved between the vehicle families.

MPV
Multi Purpose Vehicle

Rating
Systematic evaluation of companies in terms of their creditworthiness. Ratings are expressed by means of rating classes, which are defined differently by the individual rating agencies.

SUV
Sports Utility Vehicle

Turntable concept
Concept of flexible manufacturing enabling the production of different models in variable daily volumes within a single plant, as well as offering the facility to vary daily production volumes of one model between two or more plants.

Value drivers
Factors and measures that determine the earnings and value of a company. The efficiency of a company's value drivers can be measured by means of financial and non-financial performance indicators.

Index

Contact Information

PUBLISHED BY
Volkswagen AG
Finanzpublizität
Brieffach 1848-2
38436 Wolfsburg
Germany
Phone +49 5361 9-0
Fax +49 5361 9-28282

Volkswagen AG
Konzernkommunikation
Brieffach 1970
38436 Wolfsburg
Germany
Phone +49 5361 9-0
Fax +49 5361 9-28282

This Annual Report is published in English and German.
Both versions of the Report are available on the Internet at:
www.volkswagenag.com/ir

INVESTOR RELATIONS
Volkswagen AG
Investor Relations
Brieffach 1849
38436 Wolfsburg
Germany
Phone +49 5361 9-86622 IR Hotline
Fax +49 5361 9-30411
E-mail investor.relations@volkswagen.de
Internet www.volkswagenag.com/ir

Volkswagen AG
Investor Relations
17C Curzon Street
London W1J 5HU
United Kingdom
Phone +44 20 7290 7820
Fax +44 20 7629 2405

Volkswagen Group of America, Inc.
Investor Relations Liaison Office
(Questions relating to American Depositary Receipts)
2200 Ferdinand Porsche Drive
Herndon, Virginia 20171
USA
Phone +1 703 364 7000
Fax +1 703 364 7080

Contact Information

CONCEPT, DESIGN AND REALIZATION
3st kommunikation, Mainz

EDITORIAL | MAGAZINE SECTION "DRIVING IDEAS."
BurdaYukom Publishing GmbH, Munich

Dr. Wolfgang Kaden, Journalist, Hamburg (p. 36 – 39)

ENGLISH TRANSLATION
Fry & Bonthrone Partnerschaft, Mainz-Kastel

PHOTOGRAPHY | PICTURE CREDITS
Ingo Barenschee (p. 32 – 35)
Getty Images (p. 41, p. 42 center, p. 44 – 45)
Claudia Kempf (p. 10, p. 12 – 13, p. 16)
Karl Otto Kristiansen (p. 29)
Dieter Meyer (p. 73 – 74)
Hartmut Nägele (p. 67 left)
Andreas Pohlmann (p. 64 – 66)
Reuters pictures (p. 61)
Peter Rigaud (p. 26 – 28, p. 31)
Shutterstock (p. 40, p. 72)
Karsten Thormaehlen (p. 58, p. 60, p. 62)
University of Münster, Press Office (p. 63)
Manfred Zimmermann, EUROMEDIAHOUSE (p. 36 – 39, p. 46 – 49, p. 68 – 70)
Volkswagen AG

PRINTER
Kunst- und Werbedruck, Bad Oeynhausen

PAPER (EXCEPT COVER)
Heaven 42, Papierfabrik Scheufelen, Lenningen

ISSN 958.809.512.20
Printed in Germany

Scheduled Dates 2009

MOTOR SHOWS

> **MARCH 5 – 15**
International Motor Show,
Geneva

> **MARCH 28 – APRIL 5**
Auto Mobil International, Leipzig

> **APRIL 11 – 19**
New York International Auto Show,
New York

> **APRIL 20 – 28**
Auto China, Shanghai

> **SEPTEMBER 17 – 27**
International Motor Show,
Frankfurt am Main

> **OCTOBER 24 – NOVEMBER 8**
Tokyo Motor Show, Tokyo

> **DECEMBER 4 – 13**
Los Angeles Auto Show, Los Angeles

> **DECEMBER 5 – 13**
Bologna Motor Show, Bologna

FINANCIAL CALENDAR

> **MARCH 12**
Volkswagen AG Annual Press Conference
and Investor Conference

> **APRIL 23**
Volkswagen AG Annual General Meeting
(Congress Center Hamburg)

> **APRIL 29**
Interim Report January – March

> **JULY 30**
Interim Report January – June

> **OCTOBER 29**
Interim Report January – September

Chronicle 2008

JANUARY

January 17

"2008 Golden Angel" award for two Group brands

The ADAC honors the latest TSI motor and the 7-speed direct shift gearbox of the Volkswagen Passenger Cars brand this year in the "Innovation and Environment" category. The prize for the best image goes to the Audi brand.

January 19

North American International Auto Show, Detroit

Volkswagen unveils its premium midsize model – the new Passat CC – at the North American International Auto Show in Detroit.

January 25

16 millionth SEAT

The 16 millionth SEAT rolls off the production line at the Martorell plant: a silver Leon ECOMOTIVE.

January 29

Volkswagen receives award for increasing enterprise value

Audit firm PricewaterhouseCoopers presents Volkswagen with the "Global Automotive Shareholder Value Award" for the highest increase in shareholder value of all listed competitors in the global automotive industry over the past three years.

January 30

"Best Cars of 2008"

The readers of magazine "auto motor und sport" named Volkswagen as the winner: cars from the Volkswagen Group collect six out of ten awards.

FEBRUARY

February 1

Volkswagen de Mexico celebrates ten years of the New Beetle

Ten years after production began, the one millionth Volkswagen rolls off the production line at Volkswagen de Mexico in Puebla.

February 5

1 million DSGs

Employees and management of the Kassel plant celebrate the production of its one millionth direct shift gearbox (DSG).

MARCH

March 4

International Motor Show in Geneva

In addition to numerous innovative concept cars, the new Scirocco, Audi A4 Avant, Škoda Superb and Lamborghini Gallardo LP 560-4 models were introduced to the global public.

March 17

"Most Rational Car 2008"

Readers of Germany's largest consumer magazine "Guter Rat" vote the Golf Estate as "Most Rational Car 2008" in the Estate/Van category. The new Audi A4 secures first place in the Saloon category.

March 20

Passat BlueMotion is one of the most environmentally friendly vehicles worldwide

The Passat BlueMotion is chosen as one of the top three "World Green Cars 2008" by the international panel of the "World Car of the Year Award".

APRIL

April 4

Group vehicles successfully voted "All-Wheel-Drive Cars 2008"

Readers of specialist journal "AutoBild Allrad" vote the Tiguan, the Audi A4 quattro, the Audi R8 and the Multivan 4Motion as top of their segments.

April 20

Double world premiere in Beijing

Volkswagen unveils the New Bora and the Lavida to the world at the Auto China 2008 in Beijing. Both vehicles are specially focused on the automotive needs of Chinese customers.

MAY

May 7

Volkswagen Passenger Cars and Audi honored in the "International Engine of the Year Awards 2008"

The dual charged engines of the Volkswagen Passenger Cars and Audi brands win the "International Engine of the Year Award" for the third and fourth time respectively.

May 25

Volkswagen Group Awards 2008

Volkswagen honors the Group's top 15 suppliers for their outstanding overall performance. The award winners meet all the demands that Europe's leading automobile manufacturer places on its premium suppliers.

JUNE

June 6

Volkswagen models voted Best Company Car of the Year

The award of the title "Firmenauto des Jahres 2008" (Best Company Car 2008) by industry journal "Firmenauto" and the DEKRA organization makes Volkswagen the most successful company with seven first places.

June 30

Volkswagen and Fraunhofer-Gesellschaft establish the Center of Excellence for Automotive Production in Chemnitz

This alliance is designed to develop solutions for flexible and resource-saving production.

JULY

July 1

New Gol launched in Brazil

Start of the next generation of the most successful car for 21 years in South America, after more than 5.7 million produced units: Volkswagen's Gol.

July 15

Volkswagen builds plant in Tennessee, USA

Volkswagen AG's Supervisory Board approves the construction of an automotive plant in Chattanooga and agrees an investment volume of up to USD 1 billion. The new plant will give the Group a sustainable solution to exchange rate fluctuations in the long term and thus fulfill a key requirement for economic success in the dollar area.

July 22

Volkswagen acquires voting majority in Scania

Following antitrust approvals, Volkswagen acquires a majority voting stake in Swedish truck manufacturer Scania.

AUGUST

August 8

German Commercial Vehicle Prize (Deutscher Nutzfahrzeugpreis) for Caddy and Škoda Praktik

The success of these two models underscores the Volkswagen Group's competency in the commercial vehicles sector.

August 8 – 24

Volkswagen supports the Olympic Games

As a national partner of the 2008 Olympic Summer Games in Beijing, Volkswagen provides a comprehensive fleet of vehicles to the Games' Organizing Committee.

August 26

Moscow Motor Show

The Volkswagen Group unveils a large number of new vehicles at the Motor Show in Moscow, including the new Audi A6 and the Audi RS6.

SEPTEMBER

September 4

Volkswagen workshops in top three in ADAC test

Volkswagen's service partners win an outstanding third place with a total score of "very good" in this year's ADAC workshop test.

September 8

Unveiling the new Golf

Volkswagen introduces the new edition of its best-selling Golf to a global audience from September 8 to 27 in Iceland. The subsequent Golf Conference in Berlin from September 24 to October 16 was attended by approximately 14,000 Volkswagen dealers and importers from 125 countries.

September 23

IAA Commercial Vehicles 2008, Hanover

Volkswagen Commercial Vehicles launches a new model rollout at the IAA Commercial Vehicles show: the highlight of the five world premieres is the pick-up study. Scania unveils a diesel-ethanol engine.

September 29

Opening of the "Lean Center" at the Wolfsburg plant

Improvements in the areas of efficiency, ergonomics and quality in the production workflow can be tested under practical conditions in the new pilot plant. The resulting leaner and cleaner process flows serve as a model for the entire Group.

OCTOBER

October 1

Paris Motor Show, Paris

Volkswagen Group stands out with numerous world premieres of its brands: As well as the study of the new Golf GTI, the new Audi S4, Škoda Octavia FL, SEAT Exeo, Bentley Arnage Final Series models and the study of the Lamborghini Estoque round off the Group's successful motor show appearance.

October 2

Scirocco wins "AutoBild Design Award 2008"

More than 40,000 readers of "AutoBild" magazine have decided: Volkswagen's new Scirocco is the best looking car in the sports car and coupé category.

October 31

The best vocational trainees

The Volkswagen Group presents its "Best Apprentice Award 2008" to its best vocational trainees worldwide. The prize goes to 20 young people from ten countries.

NOVEMBER

November 6

"Golden Steering Wheel 2008"

The "Bild am Sonntag" jury awards four Group models the "Golden Steering Wheel" award: the new Golf, the Audi Q5, the SEAT Ibiza and the Škoda Superb.

November 21

Los Angeles Auto Show, Los Angeles

The Jetta TDI CleanDiesel, introduced at the Los Angeles Auto Show, wins the "Green Car of the Year" award. The newly developed CleanDiesel technology is one of the world's lowest-emission diesel technologies.

November 26

"Auto Trophy 2008"

Readers of specialist magazine "Auto Zeitung" vote numerous models from the Volkswagen Passenger Cars, Audi, Škoda and Volkswagen Commercial Vehicles brands each as the best in their respective categories.

DECEMBER

December 5

"German Sustainability Award 2008"

Volkswagen is the only automobile manufacturer to be honored in the category "Germany's most sustainable brand".

December 11

"Top Gear Awards 2008"

British "Top Gear" magazine's prominent jury names Volkswagen's third generation Scirocco its car of the year.

December 15

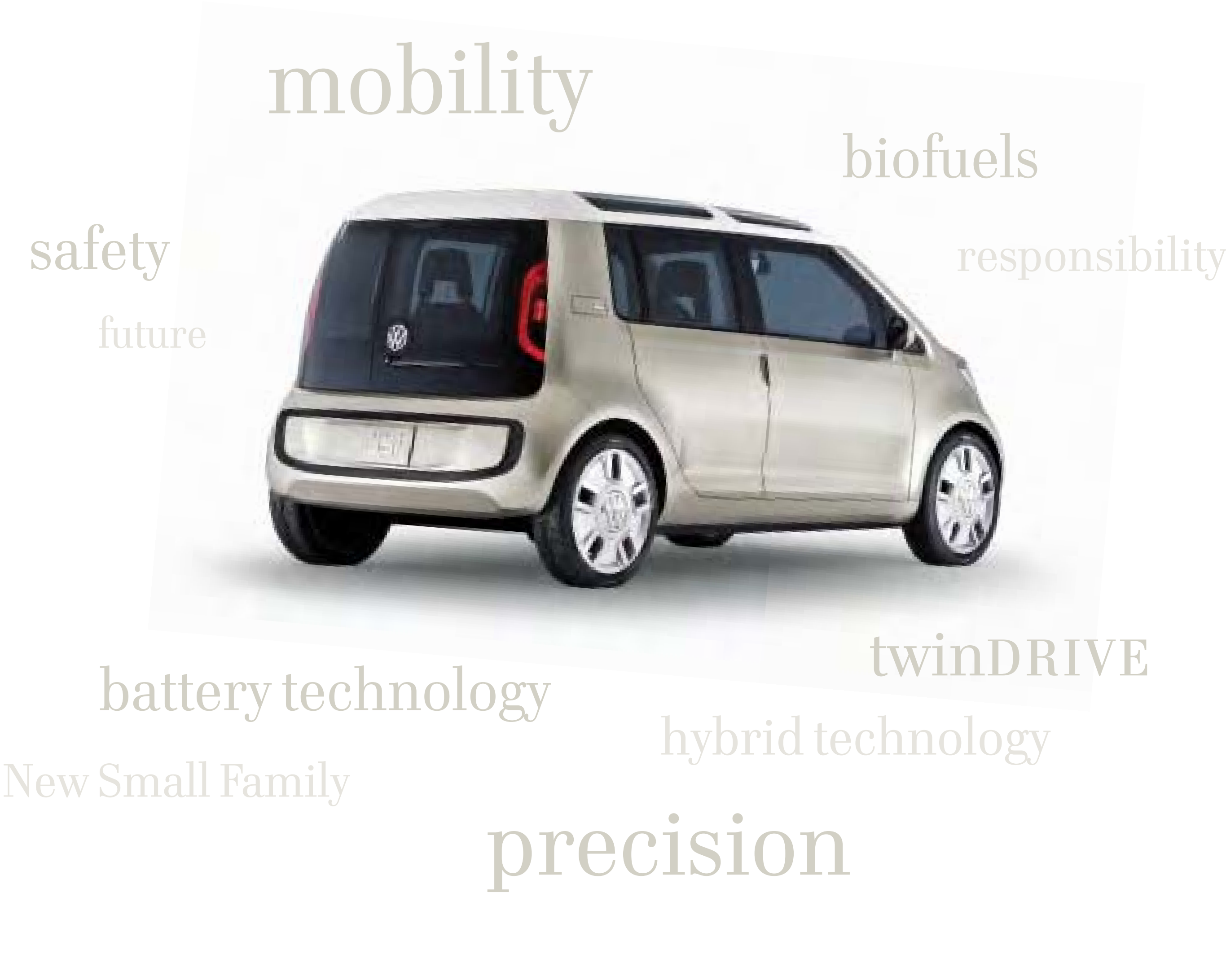
Volkswagen sells commercial vehicles business in Brazil to MAN

This sale allows Volkswagen Group to concentrate its commitment to the truck business on existing investments in MAN and Scania, as well as on its own light commercial vehicles business, which remains unaffected by this transaction.

December 19

Autostadt welcomes 17.5 millionth visitor

The Autostadt in Wolfsburg welcomes its 17.5 millionth visitor since it opened in 2000.


mobility
biofuels
safety
responsibility
future
twinDRIVE
battery technology
hybrid technology
New Small Family
precision