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Agreement for Volkswagen plant in India signed

Pötsch: Play proactive role in shaping dynamic growth in country

Wolfsburg/Pune, November 29, 2006 – Following approval of the Group’s India project from the Volkswagen Supervisory Board, the path for swift market entry is now clear: Volkswagen AG is to build a new production plant in Pune in the Indian state of Maharashtra. The Member of the Board of Management of Volkswagen AG responsible for Finance, Hans Dieter Pötsch, and the Chairman of the Board of Management of Skoda Auto, Detlef Wittig, signed the relevant investment agreement together with the Secretary Industries, V.K. Jairath, in New Delhi on Wednesday. Pötsch announced that the Group would be bringing other locally produced Volkswagen brand and Audi brand vehicles to market from the middle of next year to complement the present Skoda product offering. Pötsch commented: “India is one of the most interesting future markets for the global automotive industry. We are determined to develop the market potential without delay.”

According to present plans, the new plant in the Chakan industrial park near Pune will commence producing up to 110,000 vehicles a year as of 2009. With investment totaling some 410 million euros, a full production plant with a press shop, body shop, paint shop and assembly lines is to be built on the 230 hectare site.

As the Volkswagen Passenger Cars product offering increases, starting 2007 the Group is to set up an independent Indian sales company initially for the Audi and Volkswagen brands. “Volkswagen Group Sales India Private Limited” registered in Mumbai will be responsible for the sale of locally produced models and imported vehicles.

Volkswagen Group activities in India will be spearheaded by Vice-President India Dr. Tobias Busch. “Volkswagen India P.L.” headquartered in Pune will be managed by Peter Wolters and Dr. John Chacko.

Some of the components for vehicle construction will be delivered to India from other Volkswagen Group plants. Furthermore, a significant share of the material required will come from local suppliers. The new plant in India will create some 2,500 new jobs. Chakan near Pune emerged as the optimum location from a comprehensive and exhaustive analysis of a total of 17 potential sites.

Synergies with the nearby plant operated by the Skoda Group subsidiary will begin to come into effect as early as the middle of next year. “In recent years, we have gained experience of producing in India and of the special demands made by this market,” commented Volkswagen brand board member Wittig, who is also Chairman of the Skoda board of management.

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From mid-2007, Volkswagen brand vehicles are to be produced at the existing plant in Aurangabad in addition to the Skoda models. "This is how we can bring locally produced vehicles promptly to the Indian market. We will start by producing models such as the Passat which will allow us to offer a strong model at an attractive price," Pötsch said. Imported vehicles such as the Volkswagen Touareg and Phaeton will complement the range.

At the signing ceremony, Pötsch underlined the significance of the Indian market for the Volkswagen Group: "From our view, growth perspectives are very positive. As Europe's largest automaker, we intend to play a proactive role in shaping this dynamic growth." He stressed that Volkswagen would be entering the Indian market with the right products to meet the rapidly-growing demand for mobility. "Volkswagen will be developing a vehicle in the foreseeable future specifically tailored to the needs of the Indian market. This model will have a very attractive price while offering all the essential features of a genuine Volkswagen with all the benefits of our brand. That is how we will make sure that 'Volkswagen quality built in India' is a genuine unique selling proposition and a symbol of quality."

Wittig explained that exclusive dealer networks for Volkswagen and Audi would be set up in India and the existing Skoda dealer network further developed. "With an attractive model range available from efficient dealer networks in the country's main areas of demand, we are not only laying the foundations for a substantial increase in sales, but also doing the groundwork for offering a first-class all-round service, taking customer satisfaction to the highest level."

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