

VOLKSWAGEN AG

Interim Report January – March 2001



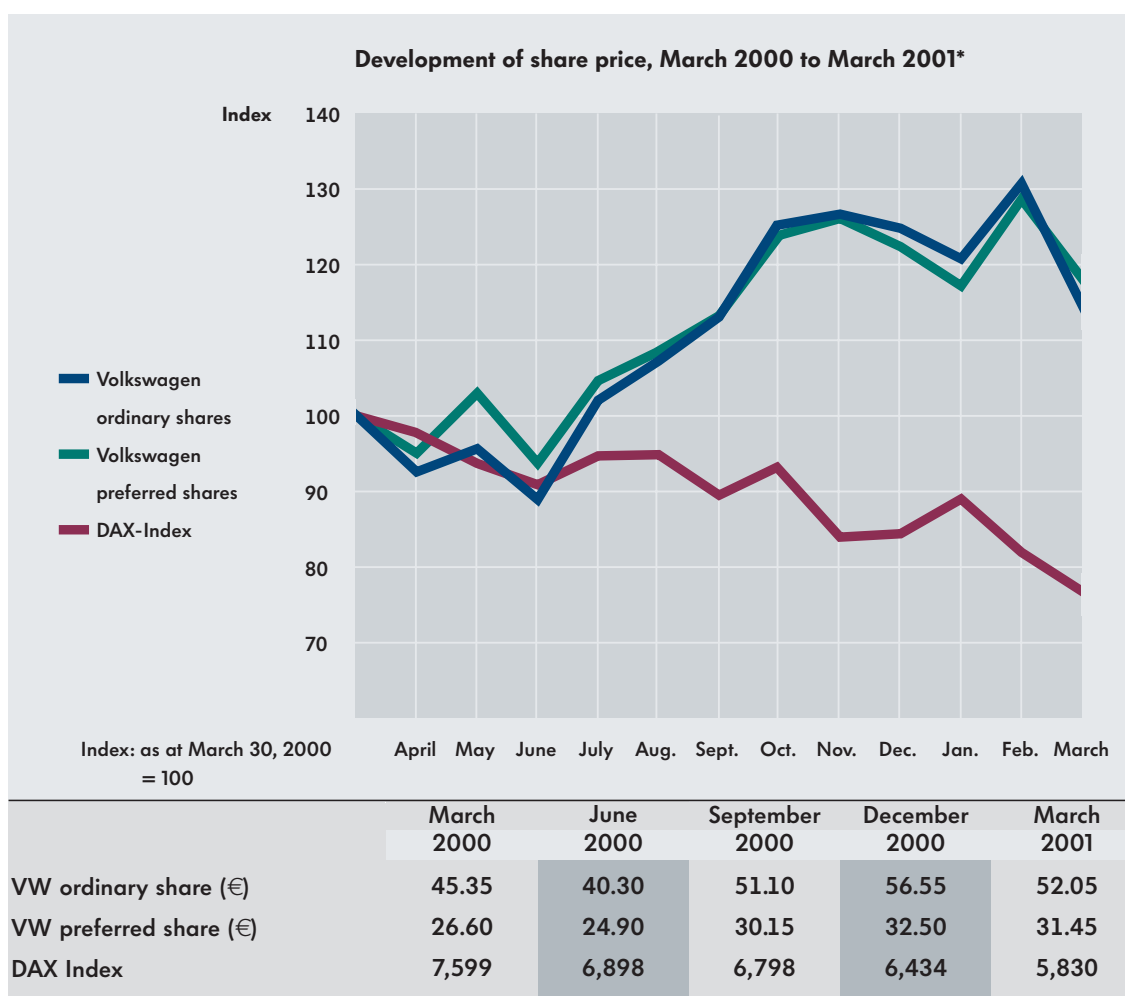
Key figures January 1 to March 31

thousand units/million €	1st quarter		
	2001	2000	%
Volkswagen Group			
Unit sales	1,356	1,295	+ 4.6
of which: Germany	248	258	- 3.7
abroad	1,107	1,037	+ 6.7
Production	1,412	1,247	+ 13.2
of which: Germany	521	467	+ 11.6
abroad	891	780	+ 14.2
Workforce (‘000 as per 31.03.01/31.12.00)	323.8	324.4	- 0.2
of which: Germany	164.9	164.1	+ 0.5
abroad	158.9	160.3	- 0.8
Automotive Division			
Investments in tangible fixed assets	1,282	1,146	+ 11.8
Depreciation	1,132	1,069	+ 5.9
Cash flow	1,802	1,704	+ 5.8
Volkswagen Group			
HGB figures:			
Sales proceeds	23,030	20,941	+ 10.0
Pre-tax profit	708	616	+ 14.9
- as % of sales	3.1	2.9	
Net earnings	389	247	+ 57.3
IAS figures:			
Sales proceeds	22,657	n. a.	
Pre-tax profit	1,245	n. a.	
- as % of sales	5.5	n. a.	
Net earnings	830	n. a.	
Quarterly earnings per share in €*			
HGB	1.03	0.59	+ 73.9
IAS	2.20	n. a.	

* The calculation is based on the following average numbers of ordinary and preferred shares: 1st quarter 2001 = 376.6 million shares
1st quarter 2000 = 416.4 million shares.
Dilution by future exercising of options was not taken into account.

Continuing positive business trend:

- Pre-tax profit up 14.9 % to 708 million €
- International success more than compensates for market weakness in Germany
- IAS earnings higher than HGB earnings
- Measures to further improve cost and revenue structures continued
- Full-year sales proceeds and earnings again expected to be up on previous year



* Month-end prices.

Economic development

In the first quarter of 2001 worldwide economic growth slowed, primarily because of the marked downturn in the USA and the still hesitant progress being made by the Japanese economy. As a consequence, economic growth in the Euro zone – and thus also in Germany – slowed. Automobile demand in Germany declined 6.6 % in the first quarter of 2001.

Deliveries to customers

With 1,266,343 units delivered worldwide (+ 0.6 %), the Volkswagen Group further built on its market position in the first quarter, increasing its share of the world market by 0.4 percentage points to 11.9 %.

The Volkswagen Group maintained its clear lead over the competition in **Germany**, with sales of

246,706 (- 9.4 %) units. The Group's market share increased on the basis of new passenger car registrations to 30.4 (30.0) %.

In the **Western European export markets**, new vehicle registrations fell by 4.3 % in the first three months of the year 2001. Bucking that trend, the Volkswagen Group sold substantially more units, particularly in France and Great Britain. Sales totalled 523,673 units (- 0.3 %), almost reaching the previous year's record level once again. In the Western European market as a whole, including Germany, Group deliveries to customers of 770,379 units were 3.4 % down on the previous year's figure. On account of overall declining

Deliveries to customers January 1 to March 31

'000 units	1st quarter		
	2001	2000	%
Western Europe overall	770	798	- 3.4
- Germany	247	272	- 9.4
- Western Europe excl. Germany	524	525	- 0.3
Central/Eastern Europe	80	68	+ 17.5
North America	147	154	- 4.6
- USA	95	102	- 6.8
South America/Africa	143	126	+ 13.4
- Brazil	113	93	+ 21.9
Asia-Pacific	106	86	+ 22.4
- Japan	20	17	+ 13.0
Volkswagen Group	1,266	1,259	+ 0.6
Volkswagen passenger cars	779	780	- 0.1
Volkswagen commercial vehicles	74	78	- 5.6
Audi*	170	165	+ 2.9
Seat	125	136	- 8.4
Škoda	118	99	+ 19.6
Rolls-Royce/Bentley (units)	514	481	+ 6.9

* Including Lamborghini.

demand, Volkswagen strengthened its position in this market with a share of 18.5 (17.8) %.

In **Central and Eastern Europe**, Volkswagen achieved sales of 79,502 units, up a markedly higher 17.5 % on the previous year. On the Czech and Slovakian markets the Group recorded strong growth, selling 24,818 (+ 10.9 %) and 9,793 (+ 34.5 %) units respectively. In Poland, too, deliveries bucked the market trend (- 33.1 %), rising by 5.4 % to 19,955 units.

Deliveries in the **North America Region** totalled 146,711 units, 4.6 % down on the high level of the previous year. In the USA, the passenger car import market was virtually unchanged against the first quarter of 2000 (- 0.1 %). While Volkswagen sold 75,028 units, 9.2 % fewer than in the previous year, Audi increased its deliveries to 19,478 units (+ 3.7 %). Volkswagen Canada's sales of 9,767 units were below the previous year's figure (- 12.6 %). The passenger car market in Mexico grew further (+ 24.8 %). Volkswagen de Mexico sold 42,212 units, 2.8 % up on first quarter 2000.

In the **South America/Africa Region** the pattern in terms of new vehicle registrations remained inconsistent. The Brazilian passenger car market grew by a substantial 33.2 %, whilst in Argentina the decline continued (- 45.1 %). The deliveries of the Volkswagen Group in the region increased to 143,036 units (+ 13.4 %): with Volkswagen do Brasil improving sales in its home market by 21.9 % over the comparable period in the previous year to 113,037 units. In Argentina, local market conditions meant that the deliveries to customers of 8,825 units were 44.9 % down on the previous year's figure. In a South African passenger car market up 14.8 %, Volkswagen increased its deliveries to 13,601 units (+ 14.1 %).

In the **Asia-Pacific Region** the Volkswagen Group sold 105,720 vehicles, up by a strong 22.4 %. In China, primarily based on sales of the Passat and Audi A6 models, the sales of 78,268 units were up 26.9 %. The Japanese import market continued to stagnate at the low level of the previous year. Against the trend, Volkswagen recorded a substantial 13.0 % increase in sales, to 19,709 units.

Unit sales, production and workforce

In the period under review the Volkswagen Group sold 1,355,509 (+ 4.6 %) units to its dealership organization. The proportion of the total sold in Germany fell to 18.3 (19.9) %.

In the first three months of 2001 the Group increased its worldwide production to 1,411,541 units (+ 13.2 %), of which 36.9 (37.4) % were produced in Germany. The breakdown by product line was: Volkswagen passenger cars 877,197 (+ 12.2 %); Audi 193,121 (+ 17.4 %); Seat 141,826 (+ 5.1 %); Škoda 124,667 (+ 26.3 %); Volkswagen commercial vehicles 58,995 (+ 16.7 %); Rolls-Royce/Bentley 560 (+ 21.2 %); and Lamborghini 87 (+ 38.1 %). Total Group production figures also include 15,088 Ford Galaxy units (- 4.6 %) not included in the figures reported as deliveries to customers.

The workforce of 323,837 people at March 31, 2001 remained virtually unchanged compared with the year-end figure (- 0.2 %). The number of people employed in Germany increased slightly, by 0.5 %, to 164,896.

Sales proceeds and earnings

The Volkswagen Group increased its sales proceeds by 10.0 % to 23,030 million € in the first quarter of 2001, in particular based on the sustained growth in international business. As a result, the proportion of total sales proceeds generated outside Germany increased to 72.7 % (previous year: 70.8 %). Mainly owing to higher cost of materials, cost of sales was 9.1 % up on the comparable period in the previous year. Gross profit was 2,815 million €. The gross margin improved to 12.2 (11.5) %.

Selling and distribution costs rose by 130 million € to 1,699 million €. The substantial increase in administration costs resulted in particular from the consolidation of the Europcar group and of Volkswagen-Versicherungsdienst GmbH. The other operating result increased to 48 million €. Taken together with the financial result – which includes an obligatory write-down of treasury stock as per the balance sheet date in the amount of 155 million € – the Volkswagen Group recorded

results from ordinary business activities of 708 million € (+ 14.9 %). The net earnings for the first quarter were 389 million € (+ 57.3 %). VOLKSWAGEN AG generated net earnings of 240 million €, up 80.6 % on the same period in the previous year.

Statement of earnings of the Volkswagen Group January 1 to March 31

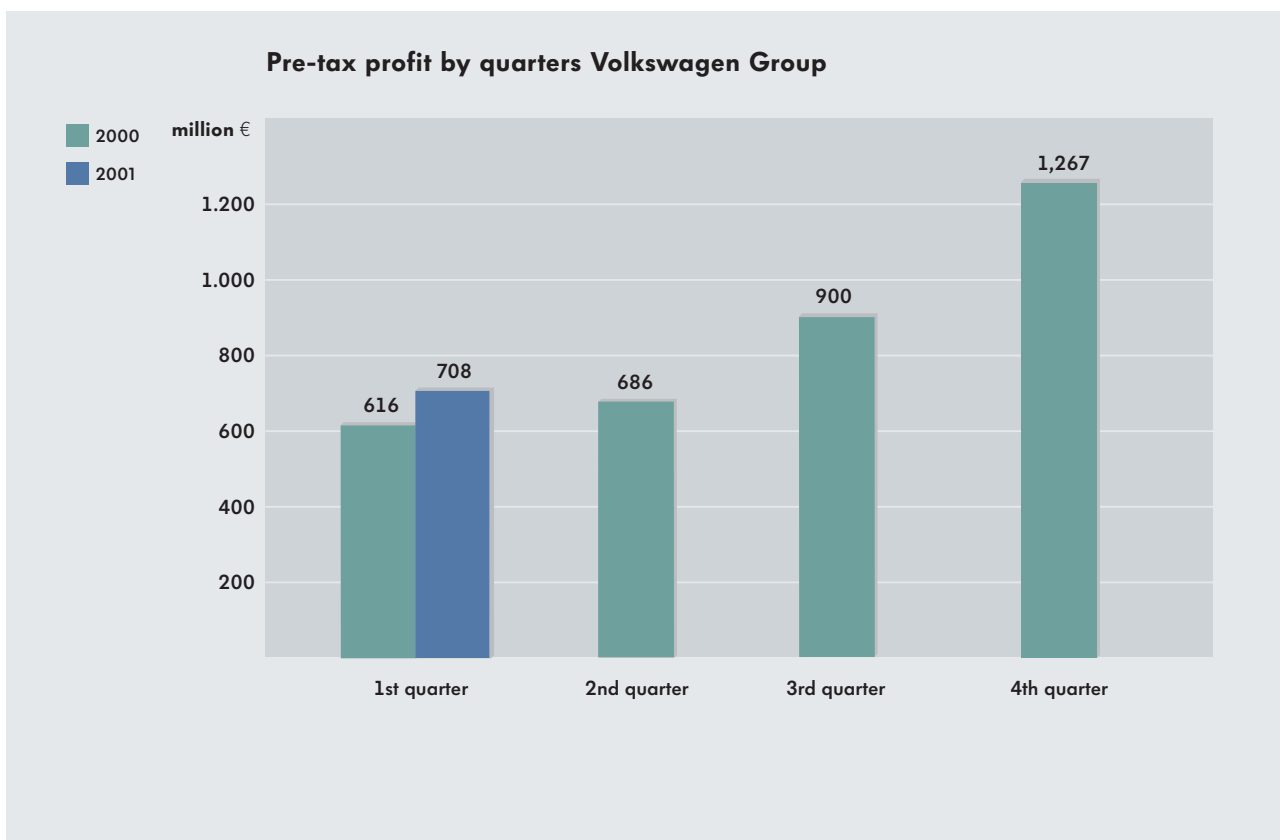
million €	1st quarter				Change in %
	2001	%	2000	%	
Sales	23,030	100.0	20,941	100.0	+ 10.0
Cost of sales	20,215	87.8	18,529	88.5	+ 9.1
Gross profit	2,815	12.2	2,412	11.5	+ 16.7
Selling and distribution costs	1,699	7.4	1,569	7.5	+ 8.3
General administration costs	497	2.1	386	1.8	+ 28.7
Other operating result	48	0.2	- 64	- 0.3	x
Operating result	667	2.9	393	1.9	+ 69.9
Financial result	41	0.2	223	1.0	- 81.7
Results from ordinary business activities	708	3.1	616	2.9	+ 14.9
Taxes on income	319	1.4	369	1.7	- 13.5
Net earnings	389	1.7	247	1.2	+ 57.3

Segmental results

The Volkswagen Passenger Cars and Audi brands and the North America and Asia-Pacific regions were once again the major earnings drivers contributing to the positive business trend of the Volkswagen Group in the first quarter of 2001.

Škoda recorded an almost break-even result, despite the impact of exchange rate deterioration in the Czech Republic and the expense of model changes. The earnings of Rolls-Royce/Bentley are still burdened by the cost of developing a new model series, but nevertheless losses were substantially reduced according to plan relative to the first quarter of the year 2000. The earnings of the South America/Africa Region were negatively affected in Brazil by the devaluation of the national currency and the trend towards lower price class models, and in Argentina by the still difficult economic conditions.

The Volkswagen Commercial Vehicles and Seat brands and the Financial Services and Financing divisions improved their earnings on the previous year.



Automotive Division

Investments in tangible fixed assets in the Automotive Division in the first quarter totalled 1,282 million € (+ 11.8 %). With a cash flow of 1,802 million €, up by 5.8 %, the investments were financed in full from internally generated funds. Net liquidity totalled 7.8 billion €, including loans to subsidiaries of the Financial Services and Financing divisions totalling 10.1 billion €.

Financial Services

The Financial Services Division reported continued good business developments in the first three months of 2001. The number of finance and leasing contracts worldwide increased in the period under review by 11.0 % against the previous year, to 3,421,800. Including insurance contracts, the total number of outstanding contracts at the end of March was 4,539,090. Of all new vehicles delivered,

28.7 % were financed or leased. The deposits of Volkswagen Bank *direct* increased significantly against the 2000 year-end figure, to 3,783 million € (+ 10.9 %).

The expanding business required additional funding, which was financed primarily by borrowings on capital markets as is common practice in the industry.

Development of short-term liquidity January 1 to March 31, 2001

million €	Auto- motive ¹⁾	Financial Services	Volkswagen Group ²⁾
Cash flow	1,802	1,060	2,808
Other internal financing	1,665	- 1,018	- 768
Cash flow from current operations	3,467	42	2,040
Investment activity	- 1,259	- 1,727	- 2,990
Net cash flow	2,208	- 1,685	- 950
Financing operations	620	2,622	3,511
Change in gross liquidity	2,828	937	2,561
Gross liquidity at 31.03.	17,685	1,681	8,630
Total third-party borrowings	- 9,932	- 34,820	- 38,089
Net liquidity	7,753	- 33,139	- 29,459

¹⁾ Excluding the capital tie-up arising from intra-Group loans to the Financial Services and Financing divisions.

²⁾ The consolidated figures include the Automotive and Financial Services divisions, the Financing Division as well as companies not assigned to the aforementioned divisions, and the consolidation.

Balance sheet at March 31, 2001 and December 31, 2000

Assets million €	Automotive		Financial Services		Volkswagen Group	
	2001	2000	2001	2000	2001	2000
Fixed assets	27,697	27,459	14,210	13,531	36,363	35,437
Tangible assets	16,531	16,596	240	249	16,754	16,824
Financial assets	11,165	10,862	87	108	6,239	5,951
Leasing and rental assets	1	1	13,883	13,174	13,370	12,662
Current assets	35,437	31,140	27,127	24,763	51,997	46,156
Inventories	10,282	9,069	77	69	9,496	8,389
Receivables	18,284	16,456	25,369	23,949	34,069	31,544
Liquid funds	6,871	5,615	1,681	745	8,432	6,223
Total assets	63,134	58,599	41,337	38,294	88,360	81,593
Stockholders' equity and liabilities million €						
Stockholders' equity	14,933	14,597	1,534	1,531	11,776	11,521
Liabilities	48,201	44,002	39,803	36,763	76,584	70,072
long-term	9,076	9,226	1,519	1,462	11,060	11,148
medium-term	5,796	5,593	11,670	10,965	15,428	14,186
short-term	33,329	29,183	26,614	24,336	50,096	44,738
Total capital	63,134	58,599	41,337	38,294	88,360	81,593

Third tranche of the stock option plan issued

The Board of Management of VOLKSWAGEN AG, with the approval of the Supervisory Board, has issued a third tranche of stock from the existing stock option plan. The subscription period for the convertible bonds offered to the Board of Management and the employees, with an entitlement to purchase up to 15.7 million ordinary shares, runs from June 6 to July 13, 2001. For the first conversion period starting on July 14, 2003 the conversion price will be 65.37 € per ordinary share. It will then increase on publication of the respective quarterly report for the period January to September 2003 to 68.34 €, for January to September 2004 to 71.32 €, and for January to September 2005 to 74.29 €. The five-year term of the third tranche ends on July 13, 2006.

Transition from HGB to IAS earnings

million €	1st quarter 2001
HGB pre-tax profit	708
Capitalization of development cost (balanced against depreciation)	194
Depreciation on tangible fixed assets	27
Valuation of leasing and rental contracts	77
Valuation of inventories	116
Valuation of pension provisions	- 32
Change in other provisions	28
Other changes	127
IAS pre-tax profit	1,245
Effective taxes	319
Deferred taxes as per IAS	96
IAS net earnings	830
- in € per share (for the quarter)	2.20

Earnings according to IAS

For the fiscal year 2001 we shall for the first time publish full consolidated financial statements in accordance with International Accounting Standards (IAS). As part of the transition to the new accounting standards, our year 2000 Annual Report contained provisional, condensed IAS financial statements. The transition for the first quarter of 2001 resulted in an IAS pre-tax profit totalling 1,245 million €, 537 million € higher than the pre-tax profit figure in accordance with the German Commercial Code (HGB). Net earnings were 830 million €. Earnings per share were 2.20 €. The IAS stockholders' equity totalled 23.0 billion €, 95.6 % higher than the HGB figure. The equity ratio was 21.9 %, against 13.3 % according to HGB.

Prospects

For 2001, further improvements in sales and pre-tax profit are expected. At present we are not relying upon support from the development of the world automobile markets. In order to safeguard our projected earnings, we are carrying out comprehensive measures within all brands and regions in order to optimize cost and revenue structures.

**VOLKSWAGEN
AKTIENGESELLSCHAFT**

The Board of Management
Wolfsburg, May 2001

Scheduled dates:

Annual Meeting of Stockholders 2001:
Interim Report January to June 2001:
Interim Report January to September 2001:
Annual Meeting of Stockholders 2002:

June 7
End of July
End of October
April 16

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