

- Check against delivery -

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Speech held at the Annual General Meeting on 16 April 2002

- Part 3 -

Dear shareholders, guests and ladies and gentlemen of the press,

From me too, a very warm welcome to today's Annual General Meeting. In the following I would like to outline the current situation and briefly look at the prospects for the current financial year. I shall also be setting forth how the Volkswagen Group has been preparing for the challenges of this year, and the coming years, in order to maintain its success in the competitive marketplace.

Chart "Economic conditions 1st quarter of 2002"

Automotive markets continued to decline in the first quarter of 2002. Current deliveries to customers confirm our mid-March forecasts, and are anything but satisfactory. This applies in particular to Western Europe, where the German market remains very weak. The Group has nevertheless been able to maintain its market position.

Even though the March sales figures in the USA show a positive development, the overall trend remains downward. The Group continues to reap the rewards of not involving itself in the discounting wars in which other manufacturers have become embroiled.

Earnings development in the South America region remains unsatisfactory. Though sales volumes have increased slightly, the growth has been in the less profitable mini segment.

In China, the situation for Volkswagen has changed with the country's admission to the World Trade Organization (WTO). At present the immediate consequence is that customers are putting off buying locally manufactured vehicles to await the anticipated positive effects of greater competition in the market. In preparation for China's admission to the WTO, we upgraded our entire model range and successfully positioned a large number of new products (Polo, Passat and Bora models) in the market.

With our Chinese partner SAIC we extended our cooperation agreement last Friday. The original contract signed in 1984 until 2009 was extended for another 20 years to 2029.

Chart "Market development - Forecast 1st quarter of 2002"

The development of global markets expressed in figures looks like this:

In Western Europe, particularly in Germany, and in the USA the forecast market downturns have indeed occurred. We do not expect growth until the second half of the year.

In what is a difficult economic environment altogether, we expect the Japanese and Chinese markets to stagnate. We believe the overall market in China will remain stable, despite its entry into the World Trade Organization.

Chart "Deliveries - 1st quarter of 2002"

In the first quarter deliveries of the Audi Brand Group were 0.3 percent up on the comparative prior year period. Deliveries of the Volkswagen Brand Group fell by 9.0 percent to 817,000 units. Volkswagen Commercial Vehicles delivered 8.8 percent fewer vehicles. For the Group overall, these figures represent a fall in deliveries to customers of 6.8 percent.

The outlook for the Volkswagen Group is nevertheless better than the market forecast and the performance over the first quarter may indicate.

Chart "New Models - SEAT Ibiza"

At the end of last year and in the first three months of this year a large number of new models have been launched, including updates of established bestsellers such as the Ibiza in Europe and the global Polo model.

Chart "New Models - Volkswagen Polo"

The Polo is built and sold in Europe, Asia and South America. This widespread production network provides us with a new kind of flexibility in responding to fluctuations in demand in entire regions as well as in individual markets. I will come back to that later.

Chart "New Models - AUDI A4 Cabriolet"

With the new A4 Cabriolet, Audi has set new standards in the four-seater convertible segment. With its powerful V6 engines and fully automatic soft top, it was recently presented to the press in Tenerife.

Chart "New Models - Volkswagen Phaeton"

Volkswagen's new top model, the Phaeton, was presented to the world's public at the Geneva Motor Show. With this product, and the services accompanying the Phaeton, Volkswagen is starting out in an entirely new direction.

Chart "Upcoming Models"

More models are scheduled for this year and in the immediate future in order to drive forward the announced segment migration. Examples are the new Volkswagen MPV and the Touareg offroader, which will both be launched this year. The New Beetle convertible will be at the dealer on time for next years spring season.

Chart "Flexible structures in the Volkswagen Group"

In order to succeed in the competitive environment, Volkswagen has created a portfolio of technology, process and human resources instruments which have already proved their worth and which allow us to respond flexibly to changing market and competitive conditions. I would like to outline three of these to you as examples:

Chart "Example: Online negotiations"

Since online negotiations were introduced with our partner e-Breviate in mid-2000, over 1,100 invitations to tender in procurement have been published and concluded with suppliers. The resulting sales volume handled has amounted to over 15.7 billion €.

The use of a web-based negotiation system and the systematic further processing of data through all Volkswagen AG systems has helped to reduce ordering costs, throughput time and process costs comprehensively and with lasting effect.

This applies not only to production materials but to consumables too: as many as around 600,000 items, are ordered as required from external suppliers on the Internet and supplied just in time without Volkswagen having to keep its own stocks.

This reduces throughput and ordering times up to 75 percent and the process costs of procurement by two thirds.

Chart "Example: turntable-concept"

A further example of the company's high flexibility is the turntable concept. In conventionally designed factories with one or two basic models, production is only able to follow the market and the fluctuating requirements of the market sluggishly and with little scope for variation.

The production mix between two models is specified to a large extent by the installed capacity and not by the market. The concept of the flexible turntable on the other hand makes it possible to achieve almost 100 percent flexibility. Volkswagen has put this concept into practice at its Mosel plant, for example, where the Passat and the Golf are built.

If the demand for certain models fluctuates, this flexibility model pays off immediately. In this case, in conjunction with our flexible working hours models, we can take preventive action and quickly adjust the production volume of individual models. This avoids a costly build-up of stocks.

This concept has already proved successful at several Volkswagen plants and has become established as a sensible business management proposition.

Chart "Innovative HR concepts: Project 5,000x5,000"

The intelligent use of new technologies cannot compensate for the higher location-related costs that exist in Germany. In cooperation with employee representatives new concepts have therefore been devised, not only to save jobs but also to create new competitive jobs, even in difficult times.

Within the context of the 5,000 x 5,000 project, where the first employees have just been taken on and are currently undergoing training, 3,500 new jobs have been created with a gross wage of DM 5,000 (around 2,560 €) for the production of the new MPV in Wolfsburg. Employees partaking in this scheme also agree to participate in further training measures in their spare time.

Plenty has already been written about this project, but one thing that is at least as important is the fact that employees will build this MPV in a new integrated work organization which we believe will be exemplary.

The number and standard of applicants is overwhelming and confirms our belief that it must also be possible to successfully implement new approaches of this kind in Germany.

Ladies and Gentlemen,

We believe that Volkswagen, as a global corporation with local product and manufacturing presence in the various markets, is well prepared to meet the challenges of the coming months and of the broader future.

We thank you, the shareholders, most sincerely for the trust and confidence you place in Volkswagen AG; we thank our customers for their faith in our products; we thank our employees for the outstanding successes achieved in the past year; and we thank Dr. Piëch who, in the years during which he has chaired the Board of Management, has steered the Company out of an existential crisis to the record results achieved in 2001.

Thank you very much for coming today, and thank you for your attention.