

- The spoken word is valid -

Dr. Bernd Pischetsrieder

Speech held at the Annual General Meeting on 24 April 2003

- Part 1 -

Ladies and Gentlemen,
Volkswagen shareholders,

Welcome to the Volkswagen AG Annual General Meeting 2003 in Hamburg.

Given the external circumstances, 2002 was a successful year for Volkswagen. We believe we did a good job of making our company weatherproof in 2002, and we face the future with confidence despite the somewhat depressed short-term outlook. Dr. Adelt will describe how we managed to cut costs by a net 1 billion € last year compared with 2001. We will continue along this path.

I would like to begin this morning with an overview of 2002. Dr. Adelt will then provide you with detailed information on the annual financial statements. And finally, I will be taking a look at 2003 and presenting some of the activities your company will be undertaking during the remainder of the year.

2002 was a difficult year, as we are all aware. The media often reported on ever-changing forecasts and mood swings in the German, European and world economy.

At our Annual General Meeting last year, we initially indicated that Volkswagen's target for 2002 was to match the 2001 performance. This target assumed, however, that the market situation would pick up in the second half of the year. Today, we all know that this was not the case. For this reason, our forecast was corrected.

In 2002, Volkswagen delivered 4.984 million vehicles to customers. Europe is still the most important region, accounting for 1.887 million vehicles, followed by North America with 663,000 units, with the Asia-Pacific region already taking third place with 621,000 vehicles. The Asia-Pacific region is the only region to have shown substantial growth last year.

Over the last few years, China has become one of the most successful and important single markets for the Volkswagen Group, and now ranks second behind Germany in terms of sales volumes. I will look at the opportunities this market offers in more detail later, but I would now like to return to key data for 2002.

Chart "Key Data of the Volkswagen Group in 2002"

With a profit before tax of 3.986 billion €, we were within a hair's breadth of our target. Despite the balance sheet date valuation adjustment to the 2001 valuation on equity fund assets managed by third parties amounting to 526 million €, we still reported the second best result in the history of our company. We are therefore proposing to the Annual General Meeting today a dividend at last year's level of 1.30 € per ordinary share.

Apart from economic turbulence, 2002 also brought many other challenges for us. External factors such as tougher price competition, the passing of the Block Exemption Regulation ("GVO" in German) and China's entry into the WTO (World Trade Organization) gave us plenty to do in addition to the internal further development of products, organisation and structures. Even though the increase in company car taxation is no longer an issue, it still led to a discernible restraint in purchasing behaviour in this segment for six months.

Thanks to targeted cost-cutting measures - I would like to emphasise once again that there is no specific programme, but that cost cutting is rather a continuous process - we have been able to reduce costs by a net 1 billion € and make more effective use of internal resources and, by extension, synergies between brands and production sites. Without our flexible labour systems, this would not have been possible.

You will have noticed that the investment ratio is once again higher than in 2001 and above the level of our competitors. This is due to the expansion of our product programme. Investment centred on ramp-ups and upcoming model changes.

We will be again reducing the high investment ratio, as is reflected by our planning for 2003. In other words, we will be reducing the capital tie-up that comes in for frequent criticism from analysts. Through the systematic use of our "turntable" concept we can streamline production line capacity at our sites, as we can respond faster and more flexibly to demand peaks for individual models and thereby enhance capacity utilisation at existing plants and increase productivity even further – without having to install new capacity. At the same time, synergies from the Group-wide application of development resources come into play. Dr. Adelt will deal with this in his presentation.

In the past, the Group has created a variety of options for flexibility in working hours and is now profiting from them. Since the end of last year, the latest addition to the Volkswagen family – the Touran – is being built in Wolfsburg using a new and pioneering labour model. In close co-operation with the Works Council, we have succeeded in keeping the door for a competitive automotive industry in Germany wide open.

Chart "New Products 2002 - Phaeton"

Chart "New Products 2002 - Touareg"

Last year, the brands within the Group launched important vehicles on the market. Examples for the Volkswagen brand include the Phaeton and the Touareg. Both vehicles are available with the V10 TDI engine, the world's most powerful diesel engine, which celebrated its premiere in the Touareg last year and has been available in the Phaeton since the beginning of this month.

Chart "New Products 2002 - Audi A8"**Chart "New Products 2002 - SEAT Cordoba"**

Audi has launched the sporty A8 successor and SEAT has premiered the new Cordoba.

Chart "New Products 2002 - Audi A4 Cabriolet"**Chart "New Products 2002 - New Beetle Cabriolet"**

The Audi A4 Cabriolet also made its debut in 2002. The response to and demand for this model has been very good. In autumn last year, the New Beetle Cabriolet was presented in the USA and has been fascinating our customers there ever since. The New Beetle Cabriolet was launched in Europe in time for this spring and the response is excellent.

Vehicles such as the Phaeton, the Touareg or the Touran move the Group into new segments. Thanks to them, we have made considerable progress towards our target of increasing segment coverage from 75 percent to 85 percent within five years.

An important focus of our sales policy is preserving the retained value of our products. A targeted pricing policy and product offering is just as important as functionality and design in order to preserve the value of our products vis-à-vis the competition – particularly by avoiding discount battles and daily or provisional registrations. For our competitors, provisional registrations in Germany last year accounted for up to 15 percent of all new registrations. At Volkswagen, provisional registrations were only about one-tenth of those of our competitors.

Our success in 2002 is in part due to the global orientation of brands, production sites and Group companies. At present in particular, we are reaping the benefits of the "apprenticeship" phase of an essentially strategic presence in China. Following WTO opening, we are still the market leader in the country and have even extended our competitive edge further.

Our results for 2002 confirm our belief that we have done all that is necessary and possible to make our company weatherproof.

Dr. Adelt will now give you the details of the 2002 financial year.