

- The spoken word is valid -

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Speech held at the Annual General Meeting on 24 April 2003

- Part 2 -

Chart "Highlights"

Ladies and Gentlemen,

The financial statements presented by our Group for 2002 are among the best in our history. They are characterized by a healthy earnings structure, sound capital ratios and significant improvements in product and process costs.

This performance represents a special achievement in view of the difficult political and economic conditions. The 2002 financial statements are a firm platform towards attaining our goal of long-term value enhancement.

Chart "Transparency and Continuity"

Before analysing the 2002 financial year in detail, I would like to say a few words about the guiding principle behind our latest Annual Report: transparency. As a consequence of the spectacular and wide-ranging financial and accounting crises of the past year, the credibility and reliability of corporate accounts has become the focus of shareholders' attentions more than ever before. We are responding to that growing need for information. We did not invent the idea of transparency, but we have enhanced it substantially. As one example of that, we are providing a more detailed breakdown of the cash flow statement – a key element in assessing the development of liquidity. Our management report has included a breakdown of the cash flow statement by the Automotive and Financial Services segments since 1999.

In our latest Annual Report we present the cash flow, the change in working capital and the cash flows from investing activities of both segments in greater detail. We have also replaced the previous reporting of our subgroups - the brands and regions - with an analysis by product line, based on volume and earnings performance, as well as presenting a sales and earnings analysis by market. This additional information represents a greater level of detail than is provided by many of our competitors.

The concept of reliability is also reflected within the Volkswagen Group by the valuation continuity of asset and capital structures. No changes were made to accounting and valuation principles nor to the consolidation rules in the financial year 2002. Moreover, changes to the scope of consolidated Group companies had no significant effect on the net assets, financial position and earnings performance of the Volkswagen Group. This ensures full comparability with prior years.

Transparency is a goal which we also attain within our business. A major element of this is the joint declaration, issued by the Supervisory Board and Board of Management, of compliance in principle to the recommendations contained in the "German Corporate Governance Code". Steps to implement the Code included the formation of an Audit Committee, whose primary task is to scrutinize accounting practices as well as risk management. At its first meeting on February 24, 2003, also attended by representatives of our auditors, the Audit Committee consulted in detail on the risk report contained in the Annual Report and on the associated risk limitation measures. Another major item on the meeting's agenda was the Group's consolidated financial statements for 2002, which I now present to you.

Chart "Development of Result before Tax 1993-2002"

In 2002 we achieved the second best result in our history. The graph shown here underscores that fact. Our earnings target of around 4 billion €, which we set while presenting our half-yearly results and reaffirmed at the end of the third quarter, was met. This demonstrates the reliability of our cautious forecasting against a background of unpredictable conditions, particularly with regard to market growth

and currency fluctuation – an important factor influencing income from our significant export business.

Chart "Income Statement"

Moving on, I would like to draw your attention to the income statement expressed as a percentage of sales. You will see that the gross profit, representing the difference between revenue and cost of sales, has remained the same as the previous year at 16.1 percent. In view of the reduction in capacity utilization, and the resultant pressure on fixed costs, this represents a considerable positive achievement.

As demonstrated in the following analyses, our cost of sales has developed favourably, bringing us an important step further in our efforts to cut costs. We will be sustaining our efforts in this direction with regard to all areas of the business. We will be focussing more closely on fixed costs as we strive, among other objectives, to bring about a substantial reduction in the investment ratio. According to our investment and financial planning for the years 2003 to 2007, the investment ratio will be cut to an average of 6.9 percent from its 2002 level of 8.6 percent. This will be done without compromising our product strategy or our innovative potential, and will achieve two things: firstly, it will improve earnings; and secondly, it will bring down the break-even point, providing us with even greater financial protection against a decline in capacity utilization in future.

In the following analyses I set out the key influencing factors in the income statement.

Chart "Sales Revenue"

The sales revenue of the Volkswagen Group totalled 86.9 billion €. Increases in sales revenue of 0.9 billion € were generated respectively from improvements in mix in the automotive business and from the growth of the leasing business, and a 0.5 billion € increase resulted from price adjustments. Sales revenue was burdened

by 1.9 billion € as a result of the decline in unit sales, and a 2.0 billion € decrease resulted from less favourable exchange rates.

Chart "Sales Revenue by Market"

In the past financial year developments in the major vehicle markets varied. Strong growth in the Asian region – especially China – was offset by stagnation in Western Europe, a decline in volumes in the USA and the crisis in South America.

The Volkswagen Group was unable to escape the effects of those developments, and that trend is reflected in our regional sales figures.

Chart "Cost of Sales"

Ladies and Gentlemen,

Our cost of sales developed favourably. Product and process costs were reduced by a substantial 1.0 billion €, reflecting material price reductions and optimization of product costs due to technical modifications. Savings were also made on logistics costs in the purchasing processes.

Chart "Total Gross Profit"

The gross profit as the difference between sales revenue and costs of sales totalled 14 billion €, 0.3 billion € down on the prior year comparative. Consequently – as already mentioned – the gross margin remained stable at a healthy level.

Chart "Distribution Costs/Administrative Expenses"

Distribution costs of 7.6 billion € were held at the previous year's level. Cost reductions in the distribution process linked to rationalization measures and the decrease in unit sales were cancelled out by higher marketing and sales promotion costs in difficult market conditions.

Within administrative expenses, personnel costs increased by 71 million € as a result of collective pay agreements, though that increase was offset by savings on other administrative expenses.

Chart "Other Operating Result"

The other operating result comprises very varied – in some cases extraordinary and aperiodic – factors. Consequently, it is subject to large fluctuations from year to year, difficult to plan and not sustainable.

In 2002 the positive balance of the other operating result decreased by 372 million € to 478 million €. A major portion of that decrease resulted from a higher level of value adjustments on receivables. Additional burdens were due to exchange rate movements in current account activities as well as lower income from the reversal of provisions.

Chart "Financial Result"

Ladies and Gentlemen,

The financial result of the Volkswagen Group is negative, primarily because of the accumulation of provisions. It did, however, improve from minus 1,015 million € in the previous year to minus 775 million € in 2002. The refinancing measures taken in South America had a positive effect in that the high level currency losses in the previous year were not repeated and gains were made on US Dollar indexed

securities. Those positive factors were, however, offset in the operating result by valuation adjustments of liabilities in foreign currencies.

The balance sheet date valuation of securities held by our German companies imposed a special burden: in line with the declines on international stock markets, their value was reduced substantially. We expect this negative impact to be only of a temporary nature, in line with our expectations of a stock market upturn. The value adjustments totalled 526 million €; 448 million € more than in the previous year.

In contrast, higher income was recorded within the income from investments based on the valuation of our successful at-equity consolidated joint ventures in China. I would at this point like to say a few words about the inclusion of those companies in our consolidated financial statements.

We have now decided against consolidating those companies on a pro rata basis, although plans and preparations had been well under way, because the ever closer convergence of IAS and US-GAAP accounting standards is likely to mean that consolidation option will no longer be available. It should nevertheless be stated that the form of consolidation has no influence on the profit after tax. Differences do arise, however, in the structure of the income statement. In addition to increasing the recorded sales revenue and cost of sales, a pro rata consolidation would have improved the operating result and reduced the financial result.

Chart "Hedging Policy"

Ladies and Gentlemen,

As already mentioned in the analysis of sales revenue and other operating result, the development of exchange rates had a significant impact on the 2002 financial statements. Consequently, I would like to provide you with some supplementary information with regard to our exchange rate hedging policy.

The globalization of business means the earnings of the Volkswagen Group are significantly influenced by developments on international currency markets. However, the exchange rate risk arising from the appreciation of the Euro is limited by the natural hedging resulting from mutual trade flows between the different monetary regions. The practical limits to this theoretically safest form of hedging of exchange rate risk are set by the speed of adjustment of the purchasing sources and the local value added. As a result some currency exposure remains, which we cover by means of our financial exchange rate hedging policy. In recent years we have pursued a conservative hedging strategy, which has proved successful. This has enabled us to exploit opportunities on the market in a non-speculative way. Hedging – against the US Dollar, the British Pound and the Japanese Yen in particular – is generally put in place according to fixed quotas based on foreign exchange forward contracts and options, entered into up to 18 months in advance.

The fall in the value of the US Dollar, in particular, was not foreseeable to the extent to which it occurred, nor in the duration of its downward trend. It negatively impacted the 2002 result to an amount of 0.5 billion €. We have adjusted our policy to market trends, gradually increasing our hedging rate, but retaining the opportunity to benefit from a rise in the US Dollar.

Chart "Operating Profit by Business Line (Brand Group)"

Ladies and Gentlemen,

The Volkswagen brand group, comprising Volkswagen Passenger Cars, Skoda, Bentley and Bugatti, was by far the largest contributor to the Group's operating profit, generating 2.5 billion €. Declines in volume due to reduced demand and burdens imposed by exchange rate changes could not be fully offset by pricing adjustments and cost optimization, and as a consequence the operating profit was 541 million € lower than in the previous year. Similarly in the case of the Audi brand group, comprising Audi, SEAT and Lamborghini, an operating profit of 1.4 billion € was achieved, against 1.5 billion € in the previous year.

Whereas the figures for the Commercial Vehicles business line were impacted by increased upfront expenditures for the successor of the Transporter in particular, Financial Services – including Europcar – achieved an increase on the previous year. The expansion of this business continued again successfully in 2002, and Financial Services is gaining in importance within the Volkswagen Group. Its product range has been gradually shifted from that of a financial services provider to a full-service mobility provider. As well as expanding geographically, its portfolio has been successively extended to cover products which provide customers with financial solutions in addition to automotive mobility. A particularly satisfying development in this division is the rise in the return on equity from 14.8 percent to 19.2 percent.

Taking advantage of market opportunities in the financial services sector requires a substantial capital investment, and consequently entails risk. For this reason, a global risk management system for this area of the business was established some time ago. One example of this system in action is the management of residual value risk in the growing US operating lease market. The relevant contracts are monitored against used vehicle price trends and revalued at regular intervals within the year, on a contract-specific basis. This ensures that adequate provision is made for any potential risk.

Chart "Operating Profit by Market"

Ladies and Gentlemen,

As mentioned at the beginning, we have enhanced the depth of our reporting. This also entails an analysis of the operating profit by market, as a second tier of reporting alongside the analysis by business line.

The key point of note is that in 2002, despite difficult economic conditions, all markets except South America/South Africa returned a high level of operating profit. In Europe, the burdens arising from the decreased unit sales relative to the prior year were almost entirely offset by substantial cuts in production and process costs. The financial services business also made a positive contribution, so that a virtually

unchanged operating profit was achieved. In North America the high level of earnings of the previous year could not be sustained. The changes in exchange rates already mentioned, and increased distribution costs in response to market resistance, were the main causes of the fall in earnings. In South America/South Africa a substantial loss was made due to the economic crisis and the associated value adjustments. The satisfying growth in the Asia-Pacific market brought an improved operating profit in that region. As already mentioned, that figure does not include the operating results of the joint venture companies in China.

Chart "Total Assets - Growth and Structure"

Ladies and Gentlemen,

After dealing with the income statement, I now turn to the balance sheet.

The total assets of the Volkswagen Group have been growing steadily for many years. As per December 31, 2002 they totalled 109 billion €. The increase in total assets is primarily due to the Financial Services Division, which again reported disproportionately high growth, both in absolute terms and relative to the Automotive Division. Its share of the Group's total assets increased to 45 percent.

Chart "Capital Ratio by Division"

The balance sheet structures are sound. The capital and reserves of the Volkswagen Group increased to 24.6 billion € in 2002. However, much of the increase from the net profit was cancelled out by the negative effects of exchange rate movements.

The capital ratio in the Automotive Division rose by 0.3 percentage points to 35.1 percent. However, the reduction in the capital ratio of the Financial Services Division from 8.1 percent to 7.6 percent resulting from the expansion of its business meant the Group capital ratio fell slightly to 22.6 percent.

Chart "Provisions"

The development of provisions shows that our profit derived from operative business and that risks are adequately covered. The provisions totalling 22.3 billion € include a provision for warranty which has been increased by 13.2 percent to 4.4 billion €.

The largest item within provisions, totalling 10.3 billion €, relates to pension obligations which are financed by the assets of the Group companies. The Volkswagen Group currently manages only around 14 percent of its pension commitments to employees through pension funds, mainly concentrated in Group companies in the English-speaking countries. In Germany a pension fund was only launched at the beginning of 2001, so the volumes are still low. Overall, our consolidated financial statements take adequate account of obligations in respect of pensions. We have no problems in this regard.

Chart "Net Liquidity by Division"

Ladies and Gentlemen,

The net liquidity of the Volkswagen Group has decreased in the past financial year.

One reason for this is the expansion of business of the Financial Services Division. The additional refinancing requirement meant that the negative net liquidity, in line with standard industry practice, increased to minus 39.2 billion €.

In the Automotive Division, including the intra-Group factoring business, the net liquidity decreased to 4.1 billion €. I will address the causes of that decrease in some detail.

Chart "Cash Flow Statement - Automotive Division"

In the past year the Volkswagen Group has incurred high levels of upfront expenditure for new products in order to secure future earnings potential. The expenditure was focussed in particular on the Touareg, the new Audi A8, the next generation of the Transporter, the Touran, the new Audi A3 and the Phaeton. We are also investing in the next product generation of our Golf model, which we will be launching in a few months.

The investments and development expenditure involved in this are, however, substantial. The Automotive Division invested a total of 9.2 billion € in 2002.

Of that figure, 2.5 billion € related to capitalized development costs. The capitalization ratio has remained virtually unchanged relative to the previous year. Total research and development costs increased by 11.4 percent to 4.4 billion € in 2002.

Since not all investments could be financed from the gross cash flow of 8.3 billion €, and the dividend payment of Volkswagen AG consumed 0.5 billion € and the fair value valuation of our securities consumed a further 0.5 billion €, the net liquidity of the Automotive Division fell to the level of 4.1 billion € previously quoted.

Overall the Moody's and Standard & Poor's rating agencies rate the balance sheet of the Volkswagen Group as sound, evidencing a high level of creditworthiness. In conjunction with the unused credit lines totalling over 40 billion €, this continues to provide the Group with strong potential sources of outside financing at favourable terms. We will continue to implement our Medium Term Notes programs according to our ongoing financing requirements.

Chart "Return on Investment - Automotive Division"

Ladies and Gentlemen,

The key management variable of the Volkswagen Group and its operating units is the operating result. In relation to the invested capital, and including pro rata consolidation of the joint venture companies in China, the resulting return on investment achieved by the Automotive Division was 7.4 percent, against 9.4 percent in the previous year.

Chart "Value Contribution and Return on Investment 2002 - Automotive Division"

With a cost of capital of 7.7 percent, this means a negative value contribution in the past financial year of 134 million €. In other words, the "economic value added" decreased in the period.

The main reasons for the decrease against the previous year were the primarily market-driven decline in operating profit after tax and higher investments linked to the substantial upfront expenditures for new products.

Chart "Earnings per Ordinary Share"

Taking into account the taxes on income totalling 1.4 billion €, representing a virtually unchanged tax rate of 34.9 percent, the Volkswagen Group achieved a profit after tax of 2.6 billion €, against 2.9 billion € in the previous year. That means undiluted earnings of 6.72 € per ordinary share and 6.78 € per preferred share.

Chart "Development of Dividend of Volkswagen AG"

In order to preserve dividend continuity, and in view of the fact that the fall in our earnings relative to the previous year resulted mainly from factors beyond our short-term control, the Board of Management and Supervisory Board propose to the Annual General Meeting that a dividend of 1.30 € per ordinary share and 1.36 € per preferred share be paid, as in the previous year.

The strategy of the Volkswagen Group – to the benefit of its shareholders – is a long-term one. We will not base our strategy on short-term views such as those which often dictate stock market trends. For that reason, we are convinced that the Volkswagen share offers a great deal of potential for the future.

Thank you for your attention.