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Speech Manuscript
Dr. Bernd Pischetsrieder
Annual General Meeting
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- Part 1 -

Ladies and Gentlemen,
Shareholders of Volkswagen AG,

I would like to wish you a warm welcome to the 2005 Annual General Meeting of Volkswagen AG in Hamburg.

How did the Volkswagen Group cope with what was a difficult 2004? There are five points I would like to emphasize:

1. Despite difficult macroeconomic conditions, we exceeded the earnings guidance we published in July 2004 thanks to the success of our ForMotion program. At more than €2.0 billion, our operating profit before special items was better than the forecast €1.9 billion.
2. Despite the LeasePlan acquisition, the Automotive Division recorded a clearly positive net cash flow of €1.9 billion.
3. Cash flows from investing activities in the Automotive Division were reduced by around 17 percent, despite the 26 model start-ups at 15 plants, and without curtailing our product programs.
4. Our new model initiative was successful. The Group's target to deliver more than 5 million vehicles was exceeded.

5. And finally: our "Volkswagen Excellence" quality strategy achieved a sustained improvement in the quality of our Group products and further enhanced the reliability of our vehicles.

Ladies and Gentlemen,
Shareholders of Volkswagen AG,

Despite these success stories, we cannot be satisfied. 2004 was a difficult year for both the Volkswagen Group and the automotive industry as a whole. Consumer reluctance to buy, stiff price competition, unfavorable exchange rates, steps taken by the Chinese government to cool economic growth and increased prices for commodities and materials, such as oil and especially steel, are factors with which you are already familiar.

We moved early to define the foundations and goals needed to secure your Company's competitive performance, and thus its future success, with the Group Strategy 2015 and the Group Guidelines which were already adopted in 2002.

We also achieved considerable progress in operational implementation: in addition to the success of our ForMotion program – the basis of lean and integrated workflows within the Group – we drove forward Group-wide process optimization. A key requirement for this – the unbundling of Group and brand functions – is now largely completed, and this is an issue I'll return to later.

At this point, though, I'd like to make some introductory comments on the course of business in 2004.

2004 started off as a year of hope for our entire industry – hope for an upturn. But this upturn, which has been expected for many years, especially in Germany, again failed to materialize.

Nevertheless, the Volkswagen Group was able to deliver 5.079 million vehicles to customers worldwide in 2004, a 1.3 percent year-on-year increase. However, the

operating profit of €1.6 billion after special items reflects the negative external factors. Even though our 2004 earnings were better overall than originally forecast, I'd like to reiterate that this is certainly not a result we can be satisfied with.

And now to the individual markets:

Chart "Volkswagen Group – Deliveries to Customers January – December 2003/2004"

Despite this difficult situation, we were able to defend our market leadership in Western Europe, China and Germany. In 2004, almost one in three newly registered vehicles in the German market was a product of the Volkswagen Group. With the Golf, Audi A4, Touran, Passat and Polo, five models from the Volkswagen Group alone were among the ten strongest-selling vehicles in Germany.

Ladies and Gentlemen, this was primarily a result of our new models in 2004: the Golf GTI, Audi A3 Sportback, Audi A4, Audi A6 Limousine, SEAT Altea and Toledo, Škoda Octavia and Octavia Combi, Caddy Life and the Bentley Continental GT are all impressive testimony to the diversity of our new product range in 2004.

The Touran and Touareg recorded double-digit growth, and the Golf also contributed substantially to this success: since April 2004, the Golf has again led the West European registration statistics.

The Volkswagen Group was also able to defend its market leadership in the Chinese market. However, the wide variety of new vehicle models from competitors led to aggressive sales promotion measures and to substantial price reductions by other vehicle manufacturers. This meant that the Volkswagen Group was unable to benefit from the upward trend on the Chinese market to the same extent. Market share is important for us, but not at any price. Because we did not copy our competitors' sales promotion campaigns, loss of market share was inevitable.

Despite the tougher market conditions in 2004, the Group delivered 648,500 vehicles in China. China thus remains the Group's second most important market – despite the difficult joint venture structures and a distribution network that was developed under market conditions which have subsequently completely changed.

That is why, Ladies and Gentlemen, we are working intensively to reorient the Volkswagen Group in China, to maintain our market leadership and to profit more clearly from the growing demand in China. This reorientation extends to all business processes, but focuses in particular on sharper market positioning, more effective distribution networks and a product program that is even better tailored to Chinese requirements.

In Brazil, the restructuring measures implemented in 2003 bore fruit: capacity adjustments, an accurate market assessment and the sales success of the Fox in South America resulted in more than 25 percent unit sales growth to 533,000 vehicles in 2004.

Market developments in the USA were characterized by massive rebates. There was also a further negative impact for our products from the unfavorable euro/dollar exchange rate. In addition, the model change scheduled this year for both best-selling Volkswagen brand models in the USA, the Jetta and the Passat, meant that our American customers were reluctant to buy beforehand. Due to the simultaneous phasing-out and launch of our two volume models in 2005, sales promotion measures could not be avoided in 2004, although their level was significantly lower than that of our competitors.

It is not only the strength of demand in the worldwide markets that is changing: the requirements of our customers are, too. The ever-increasing diversity of customer needs is driving the creation of a growing number of new vehicle segments, while established segments continue to shrink. There were nine segments in 1987, and this year there will be 40. For us, this means offering a growing number of body variants.

Last year, eleven market launches meant that we came significantly closer to our goal of covering 85 percent of passenger car segments across the Group by the end of 2005. But diversity also means a higher financial cost that we absorb through our modular strategy. A wide range of variants can be created from identical Group-wide modules at a low additional cost. And each brand embodies its own identity and presents its own "face".

Chart "New Faces – Volkswagen Golf GTI"

Chart "New Faces – Audi A6"

Chart "New Faces – SEAT Altea"

The product launches in 2004 were very much under the motto of "New Faces", the new, more emotional faces of the Volkswagen Group brands: from the dynamic face of the Golf GTI, with its large, red-framed radiator grille, through the expressive front view of the SEAT Altea, to the striking Audi "singleframe" radiator grille.

The press also acknowledged our products and their striking designs. But for us, the most important prize is the approval of our customers: in the German readers' choice for the "Best Cars of 2005", our vehicles won awards in seven of the total of ten categories. The Audi brand was particularly successful here, with the Audi A3, A4, A6 and A8 each picking up the award for the most popular vehicle in its segment.

We are confident that our new model initiative will again be successful in 2005, but before I address this in detail, Mr. Pötsch will give you more in-depth information about the financial results for fiscal year 2004.