

VOLKSWAGEN AG

Treasury and Funding

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**Global Head of Money and Capital Markets,
Volkswagen AG**

Volkswagen Group

Debt Capital Market activities

VW Automotive

vs

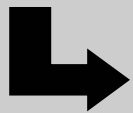
VW Financial Services



- ample cash reserves
- in principle financing out of cash flow
- optimization of liquidity position

- self-funding principle (rating separation)
- funding requirements (funding asset-led)
- main future issuers: VW Leasing, VW Bank

Balance sheet total as of 31 Mar. 2006 = €135.83 bn



of which Financial Services = €64.95 bn
(47% of the total balance sheet)

Volkswagen Group

Liquidity position as of 31 Mar 2006

**Cash, time deposits
and marketable securities** €11.5 bn.

Borrowed funds €48.9 bn.

↳ of which sales financing €41.8 bn.

➔ positive net cash position in automotive sector

➔ Treasury position vs. published data

Volkswagen Group Funding Instruments

Internal
cash
generation

Shares

Convertible
bonds

Credit lines

Financial flexibility

Asset
Backed
Securities

Debt Issuance
Programmes
(CP/BT/MTN)

Private Placements
+ Market window
bonds

Supranational
institutions

Volkswagen Group

Financial Flexibility

Euro Billion, as of 31 March 2006

Internal Limit

Outstandings

Commercial Paper programmes

17.7

6.1

- EUR-zone (Multi-Currency), Poland
- USA, Canada, Mexico, Japan, Australia and NZ

Medium Term Note programmes

54.4

22.0

- EUR-zone (Multi-Currency), Poland
- USA, Canada, Mexico, Singapore, Australia,
New Zealand

Other capital market programmes

8.0

0.8

ABS programmes

27.2

13.4

Volkswagen Group

Financial Flexibility (continued)

Euro Billion, as of 31 Mar. 2006

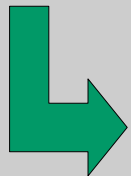
Internal Limit

Outstandings

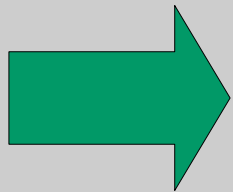
Credit Lines

26.1

4.8

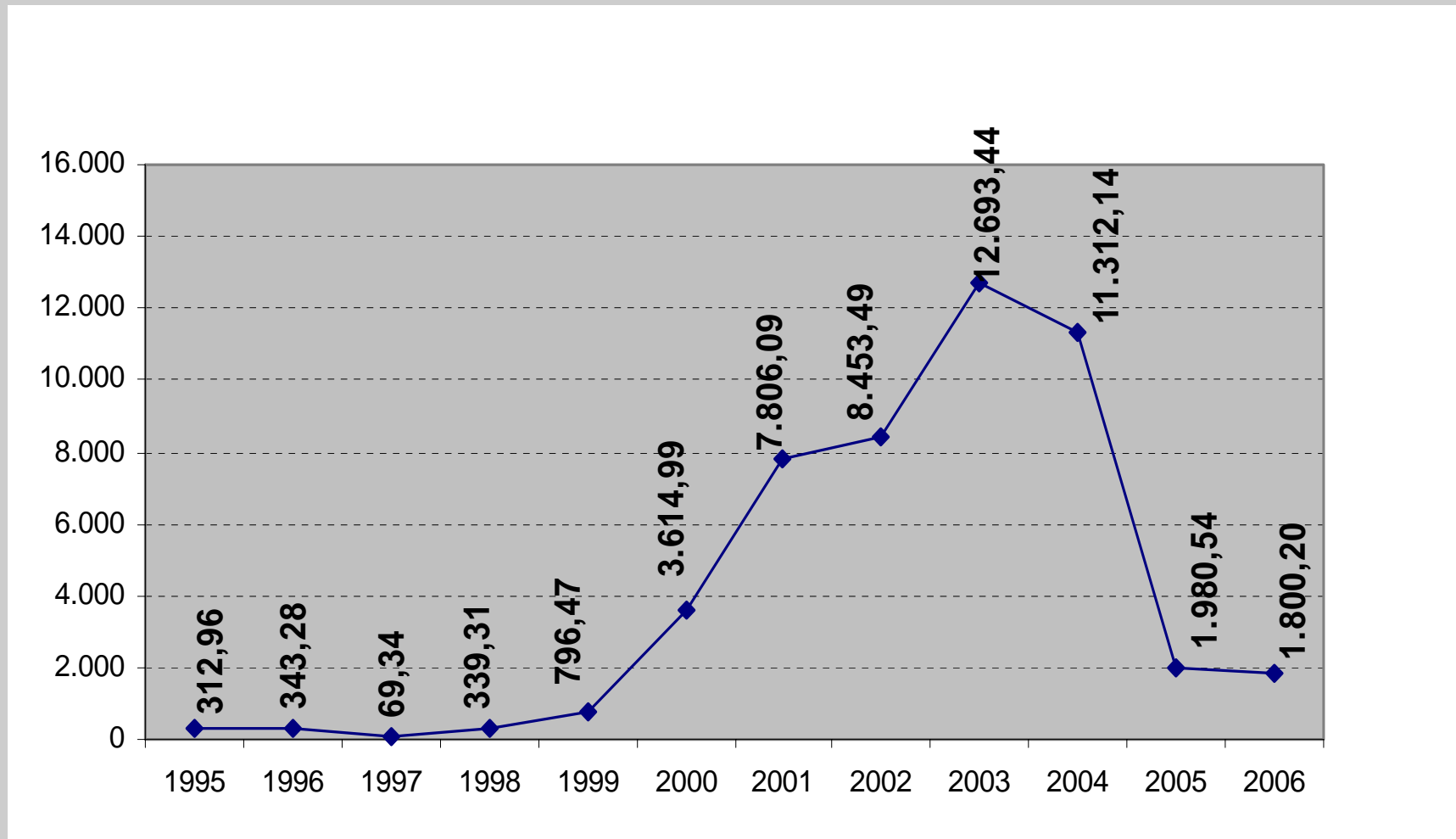


of which €12.5 billion Syndicated Credit Facility
no utilization - CP-backup including FX swinglines and
strategic liquidity reserve only



high degree of financial flexibility

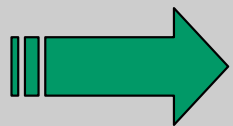
VOLKSWAGEN GROUP Issuance under the EUR MTN Programmes (mln Euro)



Volkswagen Group

Current Ratings (long-term)

<u>Moody's</u>		<u>S&P</u>	
Aaa		AAA	■ Volkswagen AG
Aa1		AA+	■ Volkswagen Bank GmbH
Aa2		AA	■ Volkswagen FS AG
Aa3		AA-	
A1		A+	
A2	Outlook stable	A	
A3	Outlook stable	A-	Outlook stable Outlook negative
Baa1		BBB+	
Baa2		BBB	
Baa3		BBB-	



Next Rating Reviews scheduled for June 2006

VOLKSWAGEN AG

Overview

Mr. Oliver Larkin

Global Investor Relations Manager,
Volkswagen AG

Mr. Alex Hunger

Global Investor Relations Officer,
Volkswagen AG

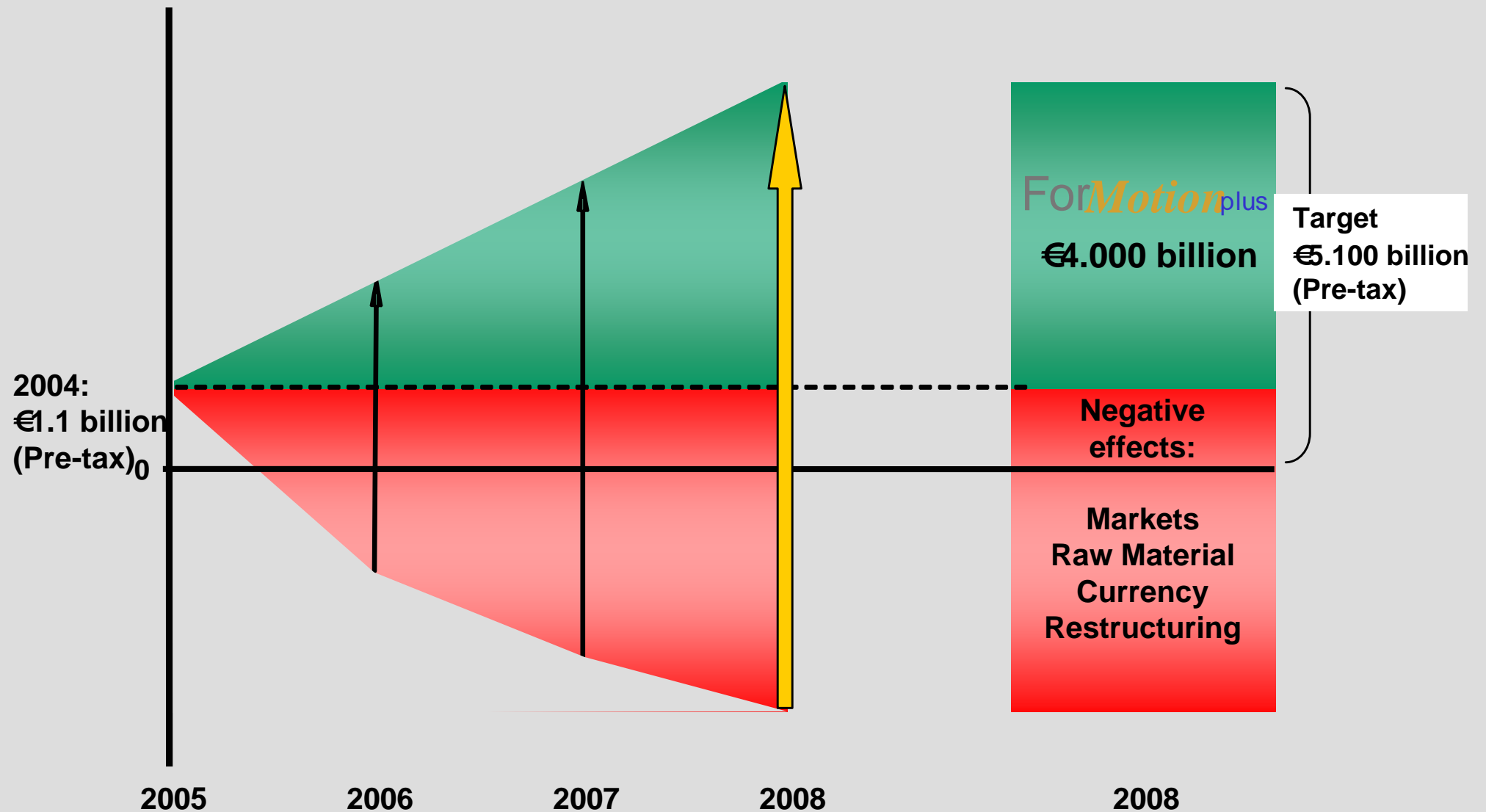
Volkswagen Group 2008 Group Targets

**€4 billion improvement in pre-tax profit
in 2008 versus 2004 on Group level**

Capex ratio: around 6%

Positive net automotive cash flow

Volkswagen Group 2008 Group Targets - ForMotion Plus



Volkswagen Brand Targets

2008 targets stand firm

**Covering cost of capital a medium term
target for Volkswagen Brand**

2008 is not a spike, must be sustainable

Volkswagen Brand Manufacturing

Assembly

- Labour costs of up to €55 per hour
- Productivity gap of up to 50%
- Capacity utilization of ca. 80%

Components

- Some component plants far from being competitive

Volkswagen Brand Key Objectives – Manufacturing

- **Productivity improvements in all vehicle assembly plants**
- **Full capacity utilization at the plants, including capacity adjustments where necessary**
- **More competitive labour costs**
- **Restructuring of component production**
- **Up to 20,000 jobs could be affected**

Appendix

Volkswagen Brand Targets

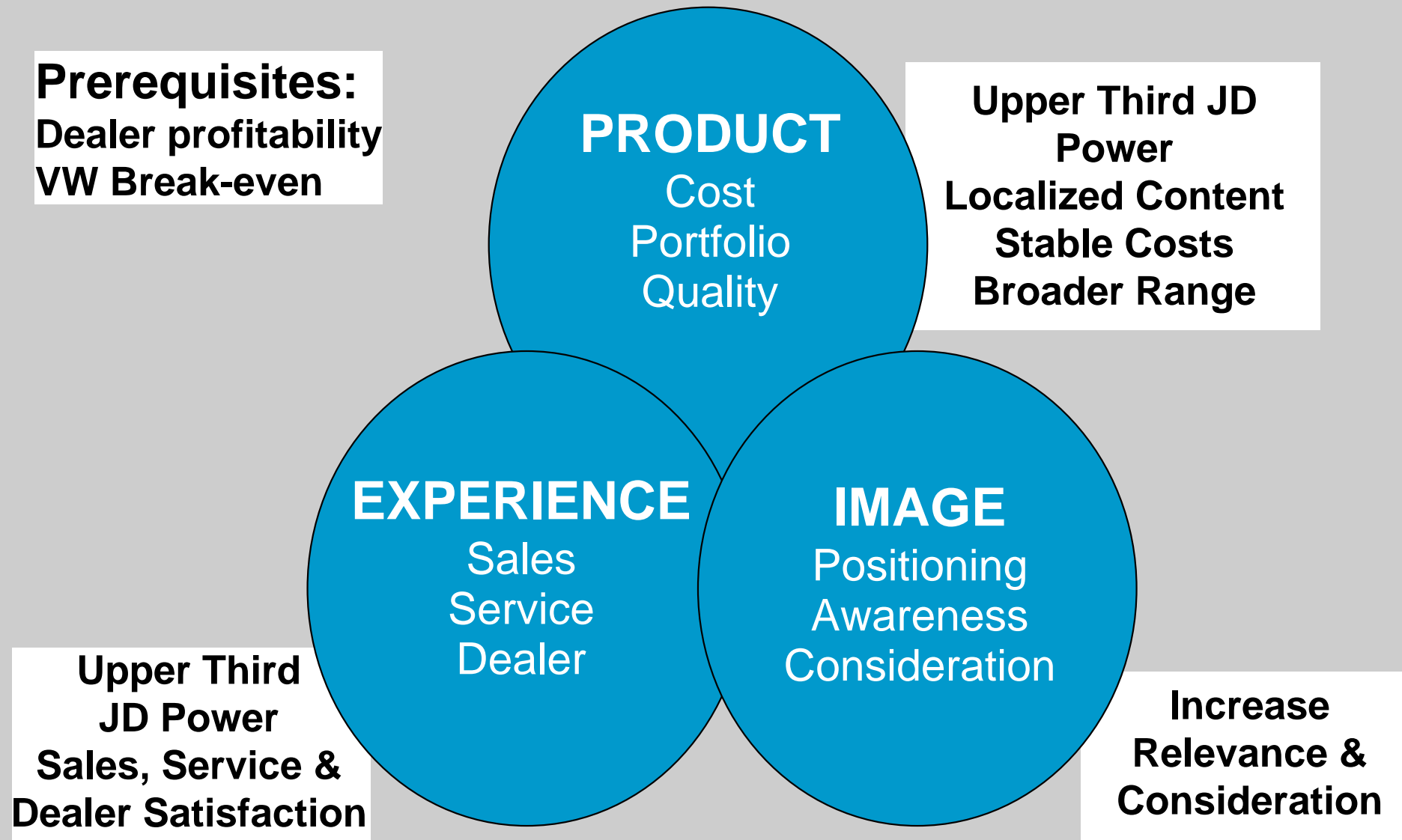


We need to improve our results by €7 billion (gross) to achieve acceptable earnings in 2008.

Main contributors

➤ Sales and Distribution	> €2 billion
➤ Material costs	> €3 billion
➤ Production costs	> €1 billion
➤ Overhead	€0.5 billion
➤ Warranty costs	< €0.5 billion
Gross improvement	<hr/> ca. €7 billion

Volkswagen Brand Regions – North America Key Priorities



January – March 2006 Overview

- **Group operating profit before special items up 55.1% to €726 million;**
- **Automotive operating profit improved, but below medium-term target;**
- **Financial Services operating profit on high prior-year level;**
- **Positive special items from the sale of gedas AG and Volkswagen Bordnetze GmbH and negative special items from restructuring measures reduce Automotive operating profit by a net €89 million;**
- **Group profit before tax up substantially to €412 million (€125 million);**
- **Group sales revenue up 21.4% to €25.3 billion;**
- **Capex down to 3.0% (5.2%) in Q1;**
- **Net cash flow improves to €2.2 billion (€–0.6 billion);**
- **Net liquidity in the Automotive Division positive at €3.7 billion;**
- **New model initiative successful.**

Volkswagen Group Analysis by Business Line

January – March €million	Sales Revenue			Operating Result		
	2006	2005 ¹⁾	%	2006	2005 ¹⁾	%
Volkswagen brand group	13,410	10,711	+25.2	134	-53	x
Audi brand group	7,733	6,521	+18.6	318	303	+5.0
Commercial Vehicles	1,993	1,643	+21.3	36	-39	x
Remaining companies ²⁾	82	68	+20.6	1	23	x
Financial Services	2,119	1,922	+10.2	237	234	+1.3
Business lines before special items	25,337	20,865	+21.4	726	468	+55.1
Special Items				-89		
Volkswagen Group	25,337	20,865	+21.4	637	468	+36.3

1) Restated. In accordance with IFRS 5 assets, liabilities and profit attributable to Europcar are reported separately as "discontinued operations". 2005 figures were restated accordingly in the income statement.

2) Primarily Volkswagen Group Service SCS, Volkswagen International Finance N.V., Volkswagen Investments Ltd., VW Kraftwerk GmbH, Volkswagen Immobilien, gedas group.

Volkswagen Group Analysis by Market

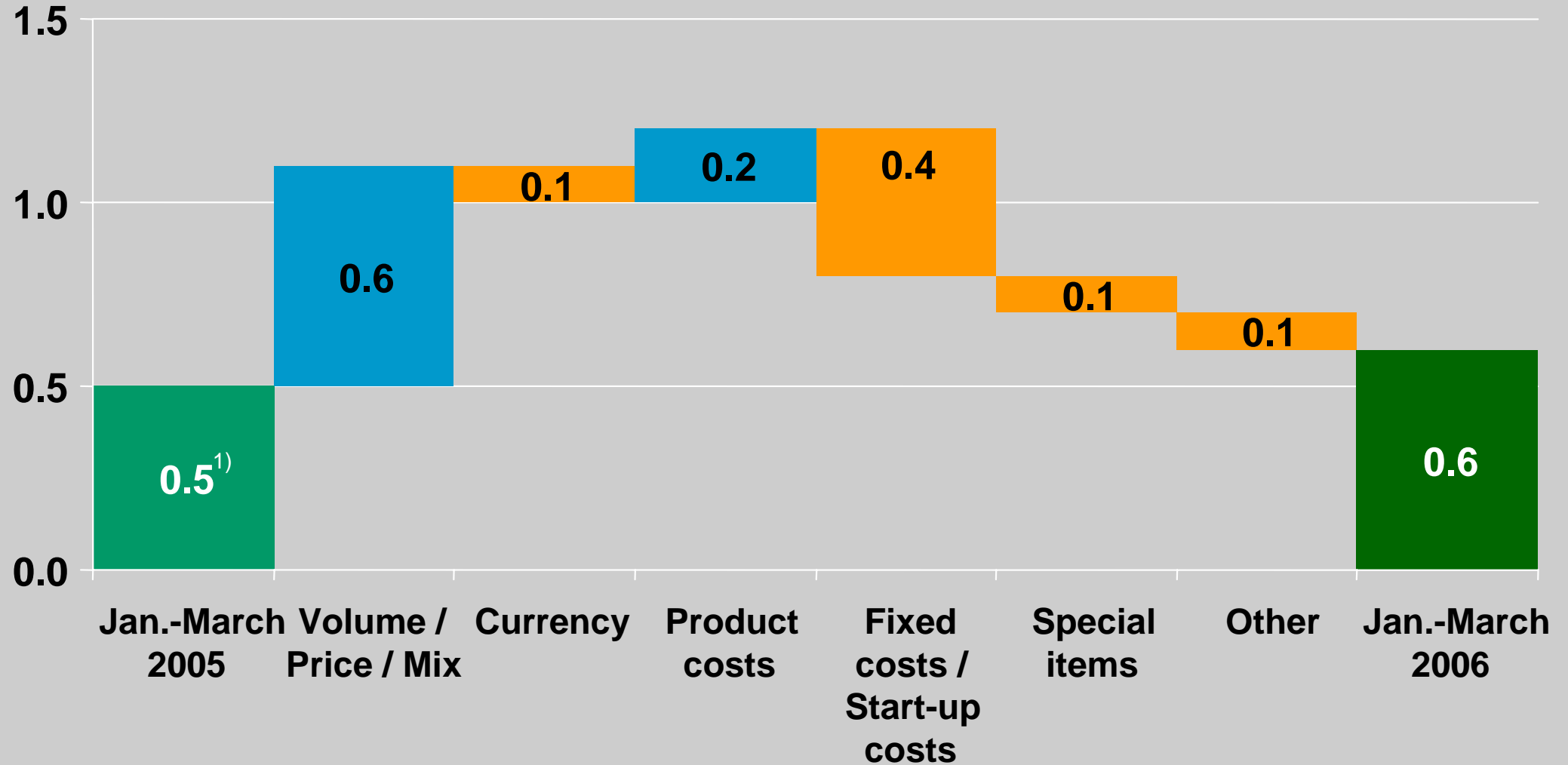
January – March	Sales Revenue			Operating Result		
	2006	2005 ¹⁾	%	2006	2005 ¹⁾	%
€million						
Europe / Remaining markets	17,984	15,677	+14.7	1,003	777	+29.1
North America	3,648	2,689	+35.7	-233	-332	x
South America / South Africa	2,169	1,394	+55.6	31	44	-29.5
Asia- Pacific ²⁾	1,536	1,105	+39.0	-75	-21	x
Markets before special items	25,337	20,865	+21.4	726	468	+55.1
Special Items				-89		
Volkswagen Group²⁾	25,337	20,865	+21.4	637	468	+36.3

1) Restated.

2) The sales revenue and operating results of the joint venture companies in China are not included in the figures for the Group and the Asia-Pacific market. The Chinese companies are consolidated using the equity method, and recorded an operating result (proportional) of €15 million (€-17 million).

Volkswagen Group Analysis of Operating Profit

€billion



1) Restated.

Outlook Interim Report January – March 2006

- Important markets started 2006 with a positive trend, but risks continue: high energy and commodity prices and no support from currency. We forecast a modest increase in global passenger car markets, stable demand in the US and Western Europe and slight growth in the German market from a low base.
- For 2006 we expect an increase in deliveries in Western Europe to improve our market position, as all brands are present with new models. For the US we expect a continued improved competitive position on account of the new models. For China and South America/South Africa we expect moderate volume growth. Thus we expect a slight increase in our deliveries globally.
- The resulting increase in sales revenues, as well as measures to reduce material costs and to optimize production processes under ForMotion plus, will help achieve a year-on-year improvement in operating profit before special items. For the Automotive Division we expect a positive net cash flow and a further improvement in net liquidity in 2006.