

Financial Statements
as at December 31, 2002

Balance Sheet

Income Statement

Notes to the Financial Statements

List of Investments Held

Balance Sheet of Volkswagen Aktiengesellschaft as at December 31, 2002

	Note	Dec. 31, 2002	Dec. 31, 2001
		million Euro	million Euro
Assets			
Non-current assets	(1)		
Intangible assets		308	240
Tangible assets		5,386	4,139
Financial assets		13,803	12,947
		19,497	17,326
Current assets			
Inventories	(2)	2,604	2,302
Receivables and other assets	(3)	6,521	9,281
Securities	(4)	382	215
Cash on hand, deposits at German Federal Bank and cash in banks	(5)	760	1,983
		10,267	13,781
Prepaid and deferred charges		6	8
Total assets		29,770	31,115
Equity and Liabilities			
Capital and reserves			
Subscribed capital	(6)	1,089	1,087
Ordinary shares	820		
Preferred shares	269		
Authorized capital	207		
Capital reserve	(7)	4,451	4,415
Revenue reserves	(8)	4,249	3,731
Net earnings available for distribution		565	552
		10,354	9,785
Special items with an equity portion	(9)	114	115
Provisions	(10)	13,888	13,058
Liabilities	(11)	5,414	8,157
Total assets		29,770	31,115

Income Statement of Volkswagen Aktiengesellschaft for the period January 1 to December 31, 2002

	Note	2002	2001
		million Euro	million Euro
Sales revenue	(12)	43,087	44,197
Cost of sales		40,412	41,136
Gross profit		+ 2,675	+ 3,061
Distribution costs		2,568	2,378
Administrative expenses		428	436
Other operating income	(13)	1,616	1,450
Other operating expenses	(14)	1,010	854
Net financial result	(15)	+ 1,548	+ 884
Depreciation of financial assets		6	14
Profit from operating activities		+ 1,827	+ 1,713
Extraordinary expenses	(16)	-	96
Taxes on income		791	699
Net earnings		+ 1,036	+ 918

Notes to the Financial Statements of Volkswagen Aktiengesellschaft as at December 31, 2002

Financial statements in accordance with commercial law

The financial statements of Volkswagen AG have been prepared in accordance with the provisions of the German Commercial Code (HGB), with due regard to the provisions of the German Stock Corporation Act (AktG).

In order to improve clarity, we have combined certain items in the balance sheet and income statement. These items are shown separately in the Notes to the financial statements. In the interests of improved international comparability, the income statement has been prepared according to the cost of sales method.

A list detailing all investments held is deposited in the Wolfsburg register of companies under HRB 1200 (commercial register page). It can also be obtained directly from Volkswagen AG.*

Declaration on German Corporate Governance Code in accordance with Section 161 AktG/Section 285 No. 16 HGB

On November 15, 2002 the Board of Management and Supervisory Board of Volkswagen AG issued their declaration of compliance with the German Corporate Governance Code as required by Section 161 of the German Stock Corporation Act (AktG).

The declaration can be read on the Internet at www.volkswagen-ir.de.

Accounting and valuation principles

The accounting and valuation methods used in the previous year have been generally retained. Specific changes are detailed separately in the following.

Intangible assets are shown at cost, generally amortized as planned over a three-year period.

Tangible assets are valued at cost minus depreciation. Investment grants are deducted.

Manufacturing cost is determined on the basis of the directly attributable cost of materials and labour cost as well as proportionate material overheads and production overheads including depreciation. Administration expenses are not taken into account. Subsidies paid in respect of assets owned by third parties are immediately recognized as pro rata tooling costs under expenses.

Scheduled depreciation is based mainly on the following useful lives, derived from the updated official AfA (depreciation) tables:

- Buildings 25-50 years
- Building and site improvements 10-25 years
- Technical equipment and machinery 5-12 years
- Factory and office equipment (including special tools, jigs and fixtures) 3-14 years

On the basis of the opportunities offered by tax law, scheduled depreciation is carried out on movable tangible assets using the declining-balance method with a scheduled changeover to the straight-line method at a later date, taking account of multiple-shift operation.

For the purpose of simplification, depreciation of additions to movable tangible assets during the first half of the year is based on the full annual rate and depreciation of additions during the second half of the year is based on half the annual rate. Low-value assets are fully depreciated and written off in the year of acquisition. Furthermore, some factory and office equipment assets with unit costs of up to 1,500 Euro which had reached the end of their useful lives were treated as disposals.

Differences between the values required under commercial law and the lower valuations permitted under tax law are shown under the special items with an equity portion on the Equity and Liabilities side of the balance sheet.

Subsidiaries and Investments are shown at cost or the lower applicable value.

Long-term financial investments are shown at cost or at the lower market value.

Interest-free and low-interest-bearing loans are stated at present value. Other loans are stated at nominal value.

Within **inventories**, raw materials and supplies as well as merchandise are valued at average acquisition cost or the lower replacement cost.

The work in progress and finished goods includes direct materials and labour as well as the pro rata material and production overheads, including depreciation in the amount necessary by tax law.

Provision is made for all discernible storage and inventory risks by way of adequate value adjustments.

Receivables and other assets are shown at the nominal amount. Provision is made for discernible individual risks and general credit risks by way of appropriate value adjustments.

Receivables in foreign currencies are translated at the current rate when first recognized. A lower rate on the balance sheet date is reflected in a lower valuation of the receivable with an income statement effect, while a higher rate (appreciation) is ignored. Rate-hedged receivables are not valued as per the balance sheet date.

Acquired interests rate options are shown at cost or at the lower fair value through to maturity.

Securities classified as current assets are disclosed at cost, unless they are written down to the lower end-of-year closing market price.

Allowance is made, on the basis of reasonable commercial judgement, for discernible risks and uncertain obligations by way of adequate allocations to **provisions**. They cover all discernible risk from future utilization.

Provisions for pensions and similar obligations are shown according to the actuarial going concern value method of Section 6a of the German Income Tax Act, taking into account the latest guide tables and an interest rate of 6%. Since the 2001 financial year, pension obligations in respect of employees within the collective pay framework have been linked to a pension fund model.

Provisions for long-service gratuities are discounted at 5.5 %, taking account of regulations governing accounting and valuation for tax purposes.

The provisions for warranty obligations are created on the basis of historical claims or estimated claim volume in relation to vehicles sold.

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For the valuation of forward foreign exchange transactions, the agreed rate for the transaction is compared against the corresponding forward rate on the same due date as of the balance sheet date. Provisions are made for any unrealized losses. Positive differences (appreciation) are ignored. Profits and losses are not offset.

Liabilities are shown at the amount at which they must be repaid or the amount required for fulfillment of the obligation in question. Bonds with a higher agreed repayment amount are shown at their issue price plus pro rata interest.

Liabilities in foreign currencies are valued at the current rate when first recognized. If the rate is higher on the balance sheet date, the liability is valued more highly with an income statement effect. A lower rate (appreciation) is ignored.

The figures given for **contingent liabilities** correspond to the extent of the liability.

In the income statement, expenses are allocated to the fields of production, selling/distribution and general administration on the basis of cost-accounting rules.

Cost of sales comprises all expenses relating to production and material procurement, all expenses relating to merchandise, research and development costs and expenses in connection with warranties and product liability.

Distribution costs comprise labour cost and cost of materials for our selling and distribution departments as well as costs in connection with freight, advertising, sales promotion, market research and service.

Administrative expenses comprise the labour cost and cost of materials for the administration departments.

The **“Other taxes”** are allocated to the individual functional areas.

Translation of currencies

Transactions in foreign currencies are valued at the rate applying on the date on which they were effected or at the rate agreed. Impending exchange losses at the balance sheet date are taken into account in the valuation.

Investments are disclosed on the basis of the rate applying at the time they were acquired.

In order to secure our foreign currency cash flows - principally from expected future sales, material purchases and credit transactions - against exchange rate and interest rate fluctuations, Volkswagen AG deploys derivative financial instruments including forward foreign exchange and option transactions, as well as interest rate transactions such as caps. These transactions are valued on a strict imparity basis. Assets or liabilities backed by cross currency swaps and forward transactions are translated at contractually agreed rates when first recognized.

Notes to the Balance Sheet

(1) Non-current assets

A breakdown of the asset items condensed in the balance sheet and their development during the reporting year can be found on page 8. The carrying amount of the non-current assets at the balance sheet date, totalling 19,497 million Euro, comprises the intangible, tangible and financial assets.

The **additions to non-current assets** were as follows:

million Euro	2002	2001
Intangible assets	131	79
Tangible assets	2,641	1,662
Financial assets	1,098	2,552
Total	3,870	4,293

Depreciation was carried out as follows:

million Euro	2002	2001
Intangible assets	64	43
Tangible assets	1,369	1,409
Financial assets	142	16
Total	1,575	1,468

The **depreciation of financial assets** mainly includes value adjustments to share holdings in securities funds. Based on current estimates, we assume that the shares forming part of the funds will not in the foreseeable future recover the value reflected in their price at the time of their acquisition. The **write-ups of financial assets** relate primarily to the book value of a subsidiary in Asia. The **depreciation and write-ups of financial assets**, where attributable to **long-term financial investments**, are included in the net interest result.

The additions to **subsidiaries and investments** relate mainly to the acquisition of shares in Södertälje Bil Invest AB and in Din Bil Holding AB, as well as capital contributions to VW Beteiligungs-Gesellschaft mbH, VW Poznan

Notes to the Balance Sheet

Development of fixed Assets of Volkswagen Aktiengesellschaft – in million Euro –

	Gross Book Values				Acquisition or manu- facturing cost Dec. 31, 2002
	Acquisition or manu- facturing cost Jan. 1, 2002	Additions	Transfers	Disposals	
Intangible Assets					
Concessions, industrial and similar rights and licences in such rights	143	131	176	17	433
Payments on account	175	–	- 175	–	0
	318	131	1	17	433
Tangible Assets					
Land, land rights and buildings incl. buildings on land owned by others	3,979	67	48	45	4,049
Technical equipment and machinery	8,351	557	253	318	8,843
Other equipment and factory and office equipment	9,129	1,314	198	287	10,354
Payments on account and construction in progress	735	703	- 500	14	924
	22,194	2,641	- 1	664	24,170
Financial Assets					
Holdings in subsidiaries	8,207	555	21	1	8,782
Loans to subsidiaries	982	182	–	131	1,033
Investments	2,053	4	- 21	0	2,036
Loans to companies, in which an investment is held	30	0	–	3	27
Long-term financial investments	2,773	310	–	100	2,983
Other loans	188	47	–	23	212
	14,233	1,098	–	258	15,073
Total fixed Assets	36,745	3,870	–	939	39,676

Value Adjustments							
Accu- mulated depre- ciation Jan. 1, 2002	Depre- ciation (current year)	Transfers	Disposals	Write-ups	Accu- mulated depre- ciation Dec. 31, 2002	Book values Dec. 31, 2002	Book values Dec. 31, 2001
78	64	-	17	-	125	308	65
-	-	-	-	-	-	0	175
78	64	-	17	-	125	308	240
2,826	93	-	44	-	2,875	1,174	1,153
7,414	486	0	315	-	7,585	1,258	937
7,815	790	0	281	-	8,324	2,030	1,314
-	-	-	-	-	-	924	735
18,055	1,369	-	640	-	18,784	5,386	4,139
1,104	-	-	-	153	951	7,831	7,103
1	-	-	1	0	0	1,033	981
152	4	-	-	-	156	1,880	1,901
2	-	-	0	0	2	25	28
2	136	-	-	1	137	2,846	2,771
25	2	-	0	3	24	188	163
1,286	142	-	1	157	1,270	13,803	12,947
19,419	1,575	-	658	157	20,179	19,497	17,326

Notes to the Balance sheet

and VW (China) Investment, while the additions to **long-term financial investments** primarily relate to additional investments in securities funds.

The **long-term financial investments** also include participating certificates issued by a subsidiary in the amount of 407 Euro. They also include the shares in securities funds held in trust by Volkswagen Pension Trust e. V. on behalf of Volkswagen AG in the amount of 618 million Euro. These represent the consideration transferred to the Pension Trust corresponding to the Time Asset credits of the employees as well as the contribution of the annual benefit expenditure to the pension fund.

(2) Inventories

million Euro	Dec. 31, 2002	Dec. 31, 2001
Raw materials and supplies	505	419
Work in progress	645	648
Finished goods and purchased merchandise	1,453	1,228
Payments on account	1	7
	2,604	2,302

(3) Receivables and other assets

million Euro	Dec. 31, 2002	Dec. 31, 2001
Trade receivables	1,397	1,275
– of which with a remaining term of more than one year	(46)	(46)
Receivables due from subsidiaries	3,528	6,860
– of which trade receivables	(752)	(571)
– of which with a remaining term of more than a year	(426)	(647)
Receivables due from companies in which an investment is held	451	281
– of which trade receivables	(258)	(130)
– of which with a remaining term of more than one year	(–)	(38)
Other assets	1,145	865
– of which with a remaining term of more than one year	(304)	(125)
	6,521	9,281

In addition to the trade receivables, the receivables due from subsidiaries mainly comprise receivables in respect of dividend payments, including charged-on income tax, as well as short- and medium-term loans.

Other assets relate for the most part to amounts not yet due in respect of tax and cost refunds (426 and 252 million Euro respectively), loans to third parties (130 million Euro) and deferred interest claims (21 million Euro). They also include a claim for tax reduction (75 million Euro) which is attributable in commercial terms to the current year's results but will only legally come into existence in the following year on payment of the dividend.

(4) Securities

million Euro	31.12.2002	31.12.2001
Other securities	382	215
	382	215

Other securities comprise readily cash-convertible capital market papers, including bonds from subsidiaries totalling 14 million Euro.

(5) Cash on hand, deposits at German Federal Bank and cash in banks

A credit balance arising from fixed-term deposit investments totalling 9 billion Yen (= hedged 70 million Euro) is pledged as security against a bank loan in favour of a Japanese subsidiary.

(6) Subscribed capital

The **subscribed capital** of Volkswagen AG is backed by bearer shares without nominal value. One share represents a share of 2.56 Euro of the Company's capital.

Following the capital increase effected in the financial year - utilizing part of the existing authorized share capital - through the issue of 819,860 ordinary shares (2.1 million Euro) based on the exercising of conversion rights from the second tranche of the share option plan, the subscribed capital as at the year-end now amounts to 1,089 million Euro.

The subscribed capital is composed of 320,289,940 ordinary shares without nominal value and 105,238,280 preferred shares. Of the ordinary shares, 41,719,353 were held as per December 31, 2002 by Volkswagen Beteiligungs-Gesellschaft mbH as a dependent company under our sole ownership.

In addition, there is an **authorized share capital** of 400 million Euro, expiring on June 1, 2004. Based on the resolution of the Annual General Meeting on June 7, 2001, further authorized share capital of up to 130 million Euro, expiring on June 6, 2006, was approved for the issue of new ordinary bearer shares.

There is additional **authorized share capital** of 100 million Euro for the issue of up to 39,062,500 ordinary and/or preferred shares. This potential capital increase will only occur to the extent that the bearers of the option and convertible bonds to be issued up to June 1, 2004 exercise their conversion rights.

Share option plan

There is **authorized share capital** of 66.9 million Euro for the bearers of rights arising from convertible bonds issued by Volkswagen AG on the basis of the authorization given by the Annual General Meeting on June 19, 1997 for the purpose of share issues to the Board of Management, Group senior management and management, as well as employees of Volkswagen AG for whom remuneration is collectively agreed.

The Board of Management has utilized this authorization and, with the consent of the Supervisory Board, implemented the fourth tranche of a stock option plan in 2002. The plan entitles the beneficiaries to acquire options for the purchase of shares in Volkswagen AG based on their take-up of convertible bonds at a unit price of 2.56 Euro. The initial conversion price, reflecting the price of the VW share at the time of the resolution in 2002, was set at 51.52 Euro per Volkswagen ordinary share. It will increase by 5 percentage points per year in the following years. After a 24-month minimum waiting period, the conversion rights can be exercised between June 19, 2004 and June 11, 2007. For the first conversion period starting on June 19, 2004 the conversion price will be 56.67 Euro. It will then increase on publication of each quarterly report for the period January to September 2004 to 59.25 Euro, for January to September 2005 to 61.82 Euro and for January to September 2006 to 64.40 Euro.

The subscription rights arising from the first tranche in 1999 can be exercised beginning on June 11, 2001 at a price of 76.43 Euro. In such case the conversion price will increase by the end of the subscription period on June 4, 2004 to 86.85 Euro. The conversion right was not exercised in the financial year.

The subscription rights arising from the second tranche in 2000 can be exercised beginning on July 14, 2002 at a price of 46.00 Euro. In such case the conversion price will increase by the end of the subscription period on July 6, 2005 to 52.28 Euro. For the holders of convertible bonds who exercised their conversion rights in 2002, a capital increase of 2.1 million Euro was executed by the issue of 819,860 ordinary shares.

For the third tranche, conversion rights can be exercised between July 14, 2003 and July 6, 2006. For the first conversion period the conversion price will be 65.37 Euro per Volkswagen ordinary share. It will then increase on publication of each quarterly report for the period January to September 2003 to 68.34 Euro, for January to September 2004 to 71.32 Euro and for January to September 2005 to 74.29 Euro.

The total value of the convertible bonds issued as at December 31, 2002, at 2.56 Euro each, was 6,126,515.20 Euro (= 2,393,170 bonds), entitling the bearers to purchase 23,931,700 ordinary shares. The liabilities arising from convertible bonds are recognized under "Other liabilities". In the financial year, 38,025 convertible bonds to a value of 97,344.00 Euro were returned by employees who have since left the Company.

Development in rights to share options granted (1st-4th tranche):

	Nominal value of convertible bonds	Number of conversion rights	Number of convertible ordinary shares
	Euro	Quantity	Quantity
Year opening	5,384,606.72	2,103,362	21,033,620
In financial year:			
Granted	1,049,136.64	409,819	4,098,190
Exercised	209,884.16	81,986	819,860
Returned	97,344.00	38,025	380,250
Year closing	6,126,515.20	2,393,170	23,931,700

There is also an **authorized capital** of 39.7 million Euro resulting from the issue of ordinary shares. This potential capital increase will only occur to the extent that the bearers of the convertible bonds issued pursuant to the authorization given by the Annual General Meeting on April 16, 2002 to implement a share option plan exercise their conversion rights.

(7) Capital reserve

million Euro	31.12.2002	31.12.2001
	4,451	4,415

The capital reserve increased by 36 million Euro as a result of allocation of the premium on the increase in subscribed capital arising from the exercising of options.

It comprises the premium of a total of 4,232 million Euro from the capital increases and the premium on the issue of option bonds totalling 219 million Euro.

No amounts were withdrawn from the capital reserve.

Notes to the Balance Sheet

(8) Revenue reserves

million Euro	31.12.2002	31.12.2001
Statutory reserve	31	31
Other revenue reserves	4,218	3,700
	4,249	3,731

A total of 420 million Euro was transferred from the net earnings of the parent company to the other revenue reserves in accordance with Section 58 subsection 2 of the German Stock Corporation Act (AktG).

(9) Special items with an equity portion

million Euro	31.12.2002	31.12.2001
Reserves for tax purposes	8	0
Depreciation for tax purposes	106	115
	114	115

Volkswagen AG has tax-free reserves in accordance with Section 35 of the German Income Tax Guidelines, Section 6b of the German Income Tax Act and Section 52 subsection 16 of the German Income Tax Act. Depreciation for tax purposes comprises value adjustments in accordance with Section 3 subsection 2 of the Border Area Promotion Act, Section 6b of the German

Income Tax Act/Section 35 of the German Income Tax Guidelines, Section 7d of the German Income Tax Act and Section 82d of the German Income Tax Directive.

(10) Provisions

million Euro	31.12.2002	31.12.2001
Provisions for pensions and similar obligations	6,973	6,690
Provisions in respect of taxes	1,195	1,112
Other provisions	5,720	5,256
	13,888	13,058
of which		
short-term (up to 1 year)	3,668	3,359
medium-term	3,807	3,385
long-term (over 5 years)	6,413	6,314
	13,888	13,058

“Other provisions” includes warranty provisions (1.6 billion Euro), personnel provisions (1.6 billion Euro for long-service awards, part-time scheme for employees near to retirement, Time Asset commitments and other workforce-related costs) as well as provisions for miscellaneous selling and distribution expenses (0.8 billion Euro) and provisions to cover risks in connection with the disposal of end of life vehicles (0.4 billion Euro).

(11) Liabilities

million Euro	Remaining term up to 1 year	Total 31.12.2002	Total 31.12.2001	Remaining term up to 1 year
Category of liability				
Bonds	–	–	105	105
Liabilities to banks	15	15	28	28
Payments on account received	50	50	20	20
Trade payables	1,481	1,481	1,350	1,350
Payables due to subsidiaries	2,693	2,705	1,898	1,898
Payables due to companies in which an investment is held	94	94	101	101
Other liabilities	1,014	1,069	4,655	4,599
– of which taxes	(184)	(184)	(185)	(185)
– of which in respect of social security	(166)	(166)	(165)	(165)
	5,347	5,414	8,157	8,101

Of the payables due to subsidiaries and to companies in which an investment is held, 923 million Euro (previous year 542 million Euro) and 54 million Euro (previous year 64 million Euro) respectively relate to trade payables.

Of the liabilities, 1,658 million Euro (previous year 4,986 million Euro) bear interest. Other liabilities include short term bonds totalling 250 million Euro (previous year 3,876 million Euro).

In the case of liabilities from the supply of goods, the usual retention of title exists.

Contingencies and commitments

million Euro	31.12.2002	31.12.2001
Liabilities from the issue and transfer of bills of exchange	–	568
Liabilities from guarantees	70	86
Liabilities from warranty contracts	8,330	9,091
- of which due to subsidiaries	(1,917)	(1,878)
Pledges on Company assets as security for third party liabilities	56	116
Total	8,456	9,861

The contingent liabilities with respect to warranties relate for the most part to guarantees given to creditors of subsidiaries in respect of bond issues by those companies and associated swap transactions. Further commitments arose from the factoring business through Coordination Center Volkswagen.

Pledges on company assets by Volkswagen AG as security for third party liabilities relate to the charges on real estate and on a fixed-term cash deposit in favour of loan creditors of various subsidiaries outside Germany.

Other financial obligations

Financial obligations totalling some 6.7 billion Euro in connection with agreed loans to subsidiaries exist through to 2007.

Financial obligations arising from leasing and rental contracts with terms of up to four years are expected to amount 54 million Euro, with expenses in 2003 of 39 million Euro (of which 8 million Euro to subsidiaries). Obligations totalling around 550 million Euro over the term (in 2003 an additional 67 million Euro) exist in respect of contracts of this type with terms of up to 24 years.

Of the real estate, about 34 hectares (balance-sheet value: 2 million Euro) are encumbered with heritable building rights.

In compliance with Section 5 subsection 10 of the statutes of the deposit guarantee fund, Volkswagen AG has undertaken to discharge the Federation of the German Banking Industry, Cologne, from liability in relation to any losses occurring as a consequence of measures in favour of a credit institution in which a majority interest is held.

Volkswagen AG is liable in respect of its investments in partnerships.

The obligations in respect of capital investment projects have remained at the usual level.

Notes to the Income Statement

(12) Sales revenue

By region	2002		2001	
	million Euro	%	million Euro	%
Germany	14,345	33.3	15,038	34.0
Europe (excl. Germany)	20,361	47.3	20,648	46.7
North America	4,309	10.0	4,488	10.2
South America	433	1.0	510	1.2
Africa	541	1.2	545	1.2
Asia-Pacific	3,098	7.2	2,968	6.7
Total	43,087	100.0	44,197	100.0

By segment	2002		2001	
	million Euro	%	million Euro	%
Vehicle sales	29,870	69.3	31,107	70.4
Spare parts	3,533	8.2	3,197	7.2
Other sales	9,684	22.5	9,893	22.4
Total	43,087	100.0	44,197	100.0

The "Other sales" relate mainly to intra-Group supplies to our subsidiaries and engine and component sales to third parties.

(13) Other operating income

million Euro	2002	2001
Other operating income	1,616	1,450
– of which income from reversal of special items with an equity portion	(9)	(10)

In addition to income from the reversal of special items with an equity portion, other operating income resulted mainly from rebilling of costs to subsidiaries (0.5 billion Euro), changes in exchange rates pertaining to supplies and services (0.3 billion Euro) and income from the reversal of provisions (0.3 billion Euro).

(14) Other operating expenses

million Euro	2002	2001
Other operating expenses	1,010	854
– of which transfers to special items with an equity portion	(10)	(0)

Other operating expenses primarily include expenses arising from foreign exchange rate changes in respect of supplies and services, including the strict valuation of our exchange rate hedging transactions on the principle of imparity (0.3 billion Euro), after offsetting against the provisions created in the previous year and expenses for subsidiaries charged on to such companies (0.5 billion Euro).

The transfers to special items with an equity portion in respect of the reserves created under tax law are attributable entirely to the non-current assets.

(15) Net financial result

million Euro	2002	2001
Income and expenses from investments	1,745	1,815
Income and expenses from interests	- 202	242
Other financial result	5	- 1,173
	1,548	884

In detail, this item includes:

Income and expenses from investments

million Euro	2002	2001
Income from investments	642	1,034
– of which from subsidiaries	(480)	(866)
Income from profit transfer agreements	1,395	892
Other investment income	153	70
Other investment expenses	222	0
Expenses from loss transfer	223	181
	1,745	1,815

The **income from investments** (primarily from Volkswagen Beteiligungs-Gesellschaft mbH and VW Transport GmbH) and **income from profit transfer agreements** (primarily from VW Financial Services AG, AUDI AG and VW companies in Saxony) also includes taxes charged further, which are result dependant.

The **other investment income** relates to the write-up of the book value of a subsidiary.

The **other investment expenses** include a subsequent loss from the sale of shares in a subsidiary in previous years.

Income and expenses from interest

million Euro	2002	2001
Income from other securities and long-term loans	155	207
– of which from subsidiaries	(61)	(76)
Other interest and similar income	210	537
– of which from subsidiaries	(102)	(371)
Interest and similar expenses	567	502
– of which to subsidiaries	(105)	(202)
	- 202	242

The income and expenses from interest includes expenses from the factoring business (financing of non-interest-bearing trade receivables within the Group) through our subsidiary Coordination Center Volkswagen. The income and expenses from interest rate hedging transactions and the write-down and write-up of the carrying amounts of securities are also disclosed here.

Other financial result

million Euro	2002	2002
Loss from sale of treasury shares	–	- 728
Loss from sale of other securities	5	- 245
Waiver of debt due from a subsidiary	–	- 200
	5	- 1,173

Other taxes

The other taxes allocated to the individual functional areas total 21 million Euro (previous year 20 million Euro). They relate primarily to real property tax.

Disclosure of the existence of an investment in accordance with Section 21 WpHG

On April 2, 2002 we were notified in accordance with Section 41 subsection 2 of the German Securities Trading Act (WpHG) that one shareholder controls 18.20 % of the voting rights of Volkswagen AG.

Development from profit after tax to net earnings available for distribution

million Euro	2002	2001
Profit after tax	1,036	918
Profit brought forward	47	51
Transfer from reserve for treasury shares	–	3
Transfers to revenue reserves	- 518	- 420
– to other revenue reserves	(- 518)	(- 420)
Net earnings available for distribution	565	552

Total expenditure for the period

million Euro	2002	2001
Cost of materials		
Expenses for raw materials and supplies and purchased merchandise	29,530	30,572
Expenses for purchased services	1,988	1,789
	31,518	32,361
Labour cost		
Wages and salaries		
Social insurance, pension costs and benefits	5,050	5,060
– of which in respect of pensions	1,624	1,186
	(706)	(271)

Other Particulars

Tax expenses were incurred only in respect of the profit from operating activities.

Earnings have been improved as a result of tax-related measures taken in the financial year and in earlier years. These mainly involve the reversal of special items for depreciation under tax law. Without these measures earnings would have been approximately 1 million Euro less. In the following year, the scheduled reversal of the special items is likely to have a positive effect on net earnings of approximately 5 million Euro.

Expenses attributable to other financial years, mainly in respect of warranties, amount to 495 million Euro (previous year 164 million Euro). Out-of-period income totals 331 million Euro (previous year 353 million Euro). The said income is mainly shown under "Other operating income", and primarily includes income from the reversal of provisions allocated in previous years.

Non-scheduled depreciation

million Euro	2002	2001
Depreciation of tangible assets	1	0
Write down of financial assets		
Investments	4	12
Securities	136	0
Loans	2	2
	142	14

The write-down of securities is recognized in the net interest result.

Average number of employees of Volkswagen AG during the year

By category	2002	2001
Performance-related wage-earners	56,602	57,106
Time-rate wage-earners	20,345	20,573
Salaried staff	27,564	27,031
	104,511	104,710
Apprentices	3,708	3,671
	108,219	108,381

By plant	2002	2001
Wolfsburg	53,865	53,883
Hannover	15,108	15,158
Braunschweig	6,714	6,739
Kassel	15,554	15,478
Emden	9,652	9,796
Salzgitter	7,326	7,327
	108,219	108,381

The members of the Board of Management and the Supervisory Board, together with changes in the membership of those bodies and the memberships of the said members of the Board of Management and the Supervisory Board on other statutory supervisory boards and comparable supervisory bodies, are listed on the following pages.

The remuneration of the members of the Board of Management for the financial year 2002 totalled 16,469,831 Euro of which 11,754,263 Euro was variable. As part of the fourth tranche of the share option plan, the members of the Board of Management subscribed to a further 4,000 convertible bonds entailing the right to purchase ordinary shares in Volkswagen AG. In total, the members of the Board of Management hold rights to purchase 260,000 ordinary shares in Volkswagen AG.

Retired members of the Board of Management and their surviving dependants received 7,190,756 Euro. Provisions for pensions exist for this group of people amounting to 84,958,333 Euro.

The remuneration of the members of the Supervisory Board of Volkswagen AG amounted to 2,343,000 Euro.

Loans totalling 70,437 Euro have been granted to members of the Supervisory Board (amount redeemed in 2002: 34,608 Euro). The loans have an interest rate of 4.0 % and an agreed term of up to 12.5 years.

Wolfsburg, February 19, 2003

Volkswagen Aktiengesellschaft

The Board of Management

Auditors' report

We have audited the financial statements prepared by VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, for the financial year ending December 31, 2002, including the bookkeeping and the Management Report, which forms part of the Group Management Report.

Bookkeeping and the preparation of financial statements and a Management Report in accordance with German commercial law is the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the financial statements, including the bookkeeping, and the Management Report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code and the generally accepted standards for the auditing of financial statements promulgated by the German Institute of Auditors (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with German principles of proper accounting and in the Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the financial statements and the Management Report are

examined primarily on a test basis within the framework of the audit. The audit includes assessment of the accounting principles used and significant estimates made by the Company's Board of Management, as well as evaluation of the overall presentation of the financial statements and the Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. On the whole the Management Report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Hanover,
February 20, 2003

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Winkeljohann
Wirtschaftsprüfer

Klinnert
Wirtschaftsprüfer

Corporate Bodies: Board of Management of Volkswagen AG

Members and mandates of the Board of Management (as per December 31, 2002)

Dr. Ing. e. h. Bernd Pischetsrieder (55)

Chairman (from April 17, 2002)
Group Quality, Research and Development
July 1, 2000*

Mandates:

- Dresdner Bank AG, Frankfurt am Main
- Metro AG, Düsseldorf
- Münchener Rückversicherungs-Gesellschaft AG, Munich
- ▲ Tetra Laval Group, Pully, Board Member

Dr. rer. pol. h. c. Bruno Adelt (63)

Controlling and Accounting
Jan. 1, 1995*

Mandates:

- Dresdner Bank Lateinamerika AG, Hamburg
- Gerling-Konzern Allgemeine Versicherungs-AG, Cologne

Dr. Robert Büchelhofer (60)

Sales and Marketing
April 1, 1995*

Mandates:

- ▲ Generali Holding Vienna AG, Vienna

Francisco Javier Garcia Sanz (45)

Procurement
July 1, 2001*

Mandates:

- ThyssenKrupp Serv AG, Düsseldorf

Dr. rer. pol. h. c. Peter Hartz (61)

Human Resources
Oct. 1, 1993*

Dr. jur. Jens Neumann (57)

Group Strategy, Treasury, Legal Matters, Organization
Jan. 1, 1993*

Mandates:

- ESSO Deutschland GmbH, Hamburg
- ExxonMobil Central Europe Holding GmbH, Hamburg
- Frankfurter Versicherungs-AG, Frankfurt am Main
- Hapag-Lloyd AG, Hamburg
- ING BHF-Bank AG, Frankfurt am Main
- ING BHF Holding AG, Frankfurt am Main

Dr. Ing. h. c. mult. Folker Weißgerber (61)

Production
March 1, 2001*

Dr. rer. nat. Martin Winterkorn (55)

Chairman of the Board of Management of AUDI AG
July 1, 2000*

Mandates:

- Infineon Technologies AG, Munich
- Salzgitter AG, Salzgitter

The former Chairman **Dr. techn. h. c. Dipl. Ing. ETH Ferdinand K. Piëch** retired from the Board of Management on conclusion of the Annual General Meeting on April 16, 2002, and since that date has been Chairman of the Supervisory Board of Volkswagen AG. His mandates are listed under "Mandates of the Supervisory Board".

The Members of the Board of Management hold other mandates on the supervisory boards of consolidated Group companies and major investment holdings as part of their duty to manage and supervise the Group's business.

- Memberships of statutory supervisory boards in Germany.
- ▲ Comparable mandates in Germany and abroad.

* The Date signifies the beginning of membership of the Board of Management.

Corporate Bodies: Supervisory Board of Volkswagen AG

Members and mandates of the Supervisory Board (as per December 31, 2002)

Dr. techn. h. c. Dipl. Ing. ETH

Ferdinand K. Piëch (65)

Chairman

April 16, 2002*

Mandates:

- Dr. Ing. h. c. F. Porsche AG, Stuttgart
- ▲ Porsche Ges.m.b.H, Salzburg
- ▲ Porsche Holding GmbH, Salzburg
- ▲ Scania AB, Södertälje

Klaus Zwickel (63)

Deputy Chairman

1st Chairman of the Metalworkers Union

October 21, 1993*

Mandates:

- Vodafone AG, Düsseldorf (Dep. Chairman)

Heinrich Aller (55)

Finance Minister of the State of Lower Saxony

April 16, 2002*

Mandates:

- ▲ Bremer Landesbank, Bremen
- ▲ Norddeutsche Landesbank, Hanover (Chairman)

Andreas Blechner (45)

Chairman of the Works Council of the Volkswagen AG

Salzgitter Plant

April 16, 2002*

Dr. jur. Gerhard Cromme (59)

Chairman of the Supervisory Board of ThyssenKrupp AG

June 19, 1997*

Mandates:

- Allianz AG, Munich
- Axel Springer Verlag AG, Berlin
- Deutsche Lufthansa AG, Cologne
- E.ON AG, Düsseldorf
- Ruhrgas AG, Essen
- ThyssenKrupp AG (Chairman)
- ▲ Suez S.A., Paris

Elke Eller-Braatz (40)

Head of the Business Policy Department of the

Metalworkers Union

August 20, 2001*

Mandates:

- DASA DaimlerChrysler Aerospace AG, Munich

Dr. rer. pol. Peter Fischer (61)

Minister (ret.)

Nov. 19, 1998-April 16, 2002*

Dr. jur. Michael Frenzel (55)

Chairman of the Board of Management of TUI AG

June 7, 2001*

Mandates:

- AXA Konzern AG, Cologne
- Continental AG, Hanover
- Deutsche Bahn AG, Berlin (Chairman)
- E.ON Energie AG, Munich
- ING BHF-Bank AG, Frankfurt
- ING BHF Holding AG, Frankfurt
- Hapag-Lloyd AG, Hamburg (Chairman)
- Hapag-Lloyd Flug GmbH, Hanover (Chairman)
- TUI Deutschland GmbH, Hanover (Chairman)
- ▲ Norddeutsche Landesbank, Hanover
- ▲ Preussag North America, Inc., Greenwich (Chairman)

Sigmar Gabriel (43)

Minister President of the State of Lower Saxony

Jan. 28, 2000*

Dr. jur. Hans Michael Gaul (60)

Member of the Board of Management of E.ON AG

June 19, 1997*

Mandates:

- Allianz Versicherungs-AG, Munich
- Deutsche Krankenvers. AG, Cologne
- RAG AG, Essen
- STEAG AG, Essen
- Degussa AG, Düsseldorf
- E.ON Energie AG, Munich
- Vitterra AG, Essen (Chairman)
- ▲ E.ON North America Inc., New York
- ▲ LG&E Energy Corp., Louisville
- ▲ Powergen plc., London

Gerhard Kakalick (56)

Chairman of the Works Council of the Volkswagen AG

Kassel Plant

June 3, 1993*

Wolfgang Klever (62)

Chairman of the Works Council of the Volkswagen AG

Braunschweig Plant

Oct. 1, 1995-April 16, 2002*

Dr. rer. pol. Jürgen Krumnow (58)

Member of the Advisory Board of Deutsche Bank AG

June 1, 1994-April 16, 2002*

Olaf Kunz (43)

Head of Works and Co-determination Policy on the

Executive Committee of the Metalworkers Union

April 16, 2002*

Mandates:

- Bosch Sicherheitssysteme GmbH, Stuttgart

Corporate Bodies: Supervisory Board of Volkswagen AG

Günter Lenz (43)

Chairman of the Works Council of the Commercial Vehicles Division
July 1, 1999*

Dr. jur. Klaus Liesen (71)

Chairman of the Supervisory Board
(to April 16, 2002)
July 2, 1987*

Mandates:

- Allianz AG, Munich (Chairman)
- E.ON AG, Düsseldorf (Chairman)
- Ruhrgas AG, Essen (Chairman)
- TUI AG, Hanover

Xaver Meier (58)

Chairman of the General Works Council of AUDI AG
July 1, 1999*

Mandates:

- AUDI AG, Ingolstadt (Dep. Chairman)
- ▲ BRG-Jahreswagenvermittlung e.G., Ingolstadt

Roland Oetker (53)

President, Deutsche Schutzvereinigung für Wertpapierbesitz e. V.
(German Shareholders' Association)
June 19, 1997*

Mandates:

- Degussa AG, Düsseldorf
- IKB Deutsche Industriebank AG, Düsseldorf
- Mulligan BioCapital AG, Hamburg (Chairman)
- ▲ Gamma Holding, N.V., Helmond
- ▲ Dr. August Oetker KG-Gruppe, Bielefeld
- ▲ Scottish Widows Pan European Smaller Companies OEIC, London

Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer (62)

Chairman of the Board of Management of Siemens AG
June 27, 1996*

Mandates:

- Bayer AG, Leverkusen
- Hochtief AG, Essen
- Münchener Rückversicherungs-Gesellschaft AG, Munich
- Siemens AG, Austria

- Memberships of statutory supervisory boards in Germany.
- Group mandates on statutory supervisory boards.
- ▲ Comparable mandates in Germany and abroad.

Dr. rer. pol. Albert Schunk (61)

Head of the International Department on the Executive Committee of the Metalworkers Union
July 5, 1977-April 16, 2002*

The Lord David Simon of Highbury, CBE (63)

April 16, 2002*

Mandates:

- ▲ Advisory Director, Fortis, Brussels
- ▲ Advisory Director, Morgan Stanley Dean Witter (Europe)
- ▲ Director, Suez Group, Paris
- ▲ Director, Unilever plc., London
- ▲ Director, Unilever N.V., Rotterdam

Bernd Sudholt (56)

Deputy Chairman of the Group and General Works Councils of Volkswagen AG
July 2, 1992*

Mandates:

- Autostadt GmbH, Wolfsburg
- Volkswagen Financial Services AG, Braunschweig (Dep. Chairman)
- ▲ Neuland Wohnungsgesellschaft mbH, Wolfsburg (Chairman)
- ▲ VfL Wolfsburg Fußball GmbH

Dr. rer. pol. h. c. Klaus Volkert (60)

Chairman of the Group and General Works Councils of Volkswagen AG
July 2, 1990*

Mandates:

- Autostadt GmbH, Wolfsburg
- Wolfsburg AG, Wolfsburg
- ▲ VfL Wolfsburg Fußball GmbH
- ▲ Volkswagen Coaching GmbH, Wolfsburg
- ▲ VW Immobilien GmbH

Dr. rer. pol. Bernd W. Voss (63)

Member of the Supervisory Board of Dresdner Bank AG
July 22, 1993-April 16, 2002*

Dr. rer. pol. Ekkehardt Wesner (63)

Senior Executive of Volkswagen AG
June 18, 1996*

Mandates:

- ▲ VW Kraftwerk GmbH, Wolfsburg

* The date signifies the beginning of period of membership of the Supervisory Board.

Corporate Bodies: Supervisory Board of Volkswagen AG

Committees of the Supervisory Board

Members of the Presidium and Mediation Committee as per Section 27 Subsection 3 of the Co-determination Act

Dr. techn. h. c. Dipl. Ing. ETH
Ferdinand K. Piëch (Chairman)
Klaus Zwickel
Sigmar Gabriel
Dr. rer. pol. h. c. Klaus Volkert

Members of the Finance and Investment Committee (to Nov. 15, 2002)

Dr. techn. h. c. Dipl. Ing. ETH
Ferdinand K. Piëch (Chairman)
Andreas Blechner
Dr. jur. Michael Frenzel
Sigmar Gabriel
Dr. jur. Hans Michael Gaul
Gerhard Kakalick
Günter Lenz
Dr. jur. Dr.-Ing. E. h. Heinrich von Pierer
Dr. rer. pol. h. c. Klaus Volkert
Klaus Zwickel

Members of the Balance sheet and Personnel Committee (to Nov. 15, 2002)

Dr. techn. h. c. Dipl. Ing. ETH
Ferdinand K. Piëch (Chairman)
Heinrich Aller
Dr. jur. Gerhard Cromme
Elke Eller-Braatz
Olaf Kunz
Xaver Meier
Roland Oetker
The Lord David Simon of Highbury, CBE
Bernd Sudholt
Dr. rer. pol. Ekkehardt Wesner

Members of the Audit Committee (from Nov. 15, 2002)

Dr. jur. Klaus Liesen (Chairman)
Dr. techn. h. c. Dipl. Ing. ETH
Ferdinand K. Piëch
Dr. rer. pol. h. c. Klaus Volkert
Bernd Sudholt

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