

# VOLKSWAGEN

AKTIENGESELLSCHAFT

JANUARY – MARCH 2007

## Interim Report



## KEY FIGURES

## VOLKSWAGEN GROUP

Volume Data <sup>1)</sup>	Q1		%
	2007	2006	
Deliveries to customers ('000 units)	1,470	1,362	+ 7.9
of which: in Germany	235	247	- 4.9
abroad	1,235	1,115	+ 10.8
Vehicle sales ('000 units)	1,501	1,391	+ 8.0
of which: in Germany	237	254	- 6.9
abroad	1,265	1,137	+ 11.3
Production ('000 units)	1,558	1,454	+ 7.2
of which: in Germany	564	524	+ 7.5
abroad	994	929	+ 7.0
Employees ('000 on March 31, 2007/Dec. 31, 2006)	324.2	324.9	- 0.2
of which: in Germany	168.0	168.9	- 0.6
abroad	156.2	155.9	+ 0.2

Financial Data (IFRSs), € million	Q1		%
	2007	2006 <sup>2)</sup>	
Sales revenue	26,640	25,337	+ 5.1
Operating profit before special items	1,085	688	+ 57.7
Special items	-	- 89	x
Operating profit	1,085	599	+ 81.1
as a percentage of sales revenue	4.1	2.4	
Profit before tax from continuing operations	1,069	412	+ 159.3
as a percentage of sales revenue	4.0	1.6	
Profit from continuing operations	740	334	+ 121.6
Loss from discontinued operations <sup>3)</sup>	-	- 7	x
Profit after tax	740	327	+ 126.6
Cash flows from operating activities	3,926	3,821	+ 2.8
Cash flows from investing activities	3,643	2,170	+ 67.9
Automotive Division <sup>4)</sup>			
Cash flows from operating activities	3,553	3,021	+ 17.6
Cash flows from investing activities <sup>5)</sup>	1,669	785	+ 112.6
of which: investments in property, plant and equipment	767	693	+ 10.6
as a percentage of sales revenue	3.2	3.0	
capitalized development costs <sup>6)</sup>	330	359	- 8.3
as a percentage of sales revenue	1.4	1.5	
Net cash flow	1,884	2,236	- 15.7
Net liquidity at March 31	9,418	3,670	+ 156.6

<sup>1)</sup> Volume data including the vehicle production investments Shanghai-Volkswagen Automotive Company Ltd. and FAW-Volkswagen Automotive Company Ltd. These companies are not fully consolidated. All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. 2006 deliveries updated on the basis of statistical extrapolations.

<sup>2)</sup> Restated.

<sup>3)</sup> Loss after tax of the Europcar group for January to March 2006.

<sup>4)</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

<sup>5)</sup> Excluding acquisition and disposal of equity investments: Q1 €913 million (€1,124 million).

<sup>6)</sup> See table on page 25.

## KEY FACTS

- Volkswagen Group operating profit for January to March 2007 up significantly year-on-year at €1.1 billion
- Consolidated pre-tax profit from continuing operations considerably higher year-on-year, also at €1.1 billion
- At €740 million, consolidated profit after tax exceeds previous year's figure by €413 million
- Group sales revenue of €26.6 billion rises by 5.1% year-on-year, primarily due to higher volume
- Ratio of investments in property, plant and equipment (capex) to sales revenue in the Automotive Division at 3.2% in first three months of 2007 (previous year: 3.0%); cash flows from operating activities €0.5 billion higher year-on-year at €3.6 billion
- At €9.4 billion, net liquidity in the Automotive Division recorded a further significant improvement compared with the end of 2006
- Share of voting rights (equity interest) in MAN AG increased to 29.9% (28.67%) and in Scania AB to 36.4% (20.03%)
- Product rollout successfully continued:
  - Worldwide deliveries to customers up by 7.9% compared with prior-year period; slight increase in Group's market share in Western Europe
  - All Group brands increase their sales in the first quarter compared with the previous year
  - SEAT reports increased sales, with a particularly positive development in Central and Eastern Europe
  - Year-on-year increase in deliveries in China, Brazil, and Central and Eastern Europe
  - Volkswagen Golf continues to be the most popular vehicle in Germany
  - Successful launch of the Audi TT Roadster and the Škoda Fabia; CrossGolf and CrossTouran complete the Cross product series
  - World premiere for Golf Variant and Passat BlueMotion at the Geneva International Motor Show; Audi impresses with new A5 series; SEAT presents Altea Freetrack study
  - 25 millionth Golf rolls off the production line in Wolfsburg

# Key Events

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## VOLKSWAGEN GROUP CONTINUES ITS NEW MODEL INITIATIVE IN 2007

The Volkswagen Group is expanding its product range in 2007 with a large number of new highlights. It is presenting world premieres of a range of new models and concepts at international motor shows.

### INTERNATIONAL MOTOR SHOW IN GENEVA

The Volkswagen Passenger Cars brand celebrated two world premieres at the International Motor Show in Geneva. Firstly, the third generation Golf Variant, whose attractive design and ideal ratio of load space to external dimensions make it a compelling vehicle. Secondly, the brand presented the Passat BlueMotion\*, the second vehicle under the BlueMotion eco-label, which stands for fuel-efficiency without compromising driving pleasure. With an average consumption of 5.1 liters of diesel per 100 km, the Passat BlueMotion is one of the most fuel-efficient mid-range vehicles and has extremely favorable CO<sub>2</sub> emissions of 136 g per km.

The highlight on the Audi stand was the new A5\*. This series enables Audi to combine the brand's typical design and quality in a touring coupé with thrilling driving dynamics and innovative features. The particularly sporty Audi S5 model\* has also been added to the line up.

The Škoda brand presented the world premiere of the new Fabia. This model captivates with its significantly increased room for passengers and luggage, despite no more than a marginal change in its external dimensions compared with its predecessor.

The SEAT Altea Freetrack caught visitors' eyes on the SEAT brand's stand. This aerodynamic prototype offroader – which is close to series production – offers a sporty look for the road and robustness for offroad driving. Leather and aluminum in the interior create an exclusive ambience.

In Geneva the Bentley brand presented the Havanna, a coupé study that will go into series production in 2008 as the Bentley Brooklands, and will be the third model in the Arnage series.

The Lamborghini brand attracted visitors' attention in particular with its Gallardo Superleggera\*. The new top model in the Gallardo series offers higher engine performance, and its weight was substantially reduced thanks to especially lightweight materials.

The Commercial Vehicles business line presented the Caddy Life Edition and Multivan PanAmericana studies. The sporty Caddy Life Edition's lowered suspension, aluminum rims, and accessories painted in the car color underline the typical passenger car features offered by this successful model. The Multivan PanAmericana is characterized by its offroad capability, which is created by its raised suspension, wide-tread tires and underbody protection.

## CROSSGOLF AND CROSSTOURAN COMPLETE THE CROSS-MODEL SERIES

After the CrossPolo was launched as the first member of the Cross family at the beginning of 2006, the CrossGolf became the second model to enter the market in early 2007. The product brand will be completed by the CrossTouran in spring 2007. With increased ground clearance, robust body accessories and a redesigned front, the CrossTouran also has the stylistic elements of an offroad vehicle that are typical of this series. The interior is particularly compelling due to its high degree of variability. As an optional extra, the CrossTouran can also be fitted with the "Park Assist" technology highlight, an electronic automatic parking system.

## 25 MILLIONTH GOLF PRODUCED

The Volkswagen Passenger Cars brand celebrated a special anniversary on March 23, 2007. The 25 millionth Golf rolled off the production line at the Wolfsburg plant around 33 years after production began. The plant's management and Works Council thanked all the employees who contributed to the Golf's success story during this period and made it Volkswagen's core model. The Wolfsburg plant alone has produced 15 million Golfs from 1974 to the present day.

\* Consumption and emission data can be found on page 11 of this Report.

## VOLKSWAGEN GROUP WINS SEVERAL AWARDS

The Volkswagen Group achieved top places in several categories when the “Golden Angel 2007” awards were presented by the German automobile club ADAC on January 18, 2007. In the “Car” category, the new Audi TT was voted the most popular vehicle in Germany by readers of “ADAC Motorwelt”. The Volkswagen Group also took two of the top three places in the “Brand” category: first place went to the Audi brand, with the Volkswagen brand finishing third, just behind another German competitor. Volkswagen is also the number 1 volume manufacturer. The key assessment criteria for this award were brand image, customer satisfaction, product quality and the continuing excellence of a company’s technology and brand. The “Park Assist” system launched for the first time in the new Touran achieved second place in the “Innovation” category.

The Volkswagen Group received five out of ten awards in the readers’ choice of “The Best Cars of 2007” presented by the “auto, motor und sport” trade journal: the Polo beat its competitors in the small car segment, and the other winners were the Audi A3 in the lower mid-range, the Audi A6 in the upper mid-range and the Audi Q7 in the offroad vehicle segment. The Multivan remains the most popular van.

The Eos came first in the “Cabriolets and Roadsters” category in the “Auto1 Award” presented by the AutoBild Group’s European magazines.

The high-temperature fuel cell developed by Volkswagen received the special “Innovation of Reason” prize awarded by the “Guter Rat” consumer magazine. At the heart of the fuel cell is an innovative membrane that enables a smaller, more efficient and more cost-effective overall system to be created.

## VOLKSWAGEN INITIATIVES TO REDUCE CONSUMPTION AND EMISSIONS

The Volkswagen Group has significantly expanded its initiatives to reduce consumption and emissions. To mark the opening of an engine plant in the Chinese city of Dalian, Volkswagen unveiled new environmental targets for China. The aim is to reduce fuel consumption and emissions by models produced at the plants operated by the two joint ventures FAW-Volkswagen and Shanghai Volkswagen by more than 20% by 2010. Volkswagen intends to use state-of-the-art TFSI engines, an innovative automatic gearbox, lightweight technology and other initiatives to become

the most environmentally friendly automobile manufacturer in China. The Company is also ensuring that all production locations in China are certified to the ISO 14001 environmental management standard.

Volkswagen supplied 102 Polo BlueMotion\* models as shuttle vehicles for journalists and industry visitors on the press days at the Geneva Motor Show. 50 Polo BlueMotion vehicles also provided a shuttle service at this year’s “Echo” German music awards in Berlin, allowing the national and international guests to experience the benefits of this model. Average consumption of 3.9 liters of diesel per 100 km and CO<sub>2</sub> emissions of 102 g per km make this economical five-seater one of the world’s most environmentally friendly vehicles. Production figures have trebled since its market launch last year, and we will shortly be reducing its CO<sub>2</sub> emissions to below 100 g per km.

During the EU Bürgerfest (Citizens’ Party) in Berlin, Volkswagen offered interested drivers free fuel economy training. Professional driving instructors used vehicles from Volkswagen’s current range – including the Polo and Passat BlueMotion – to give participants advice on how to reduce fuel consumption and emissions by up to 25% by taking simple measures.

## PRODUCTION ANNIVERSARY IN CHEMNITZ

Volkswagen Sachsen GmbH’s engine plant in Chemnitz produced the 8 millionth engine from the federal state of Saxony on February 14, 2007. Since series production began in 1988, the Chemnitz plant has built state-of-the-art engine technology, including FSI and TDI engines. The plant has also manufactured Volkswagen’s innovative TSI engine series since November 2005, and is an exclusive supplier of engines with a twin supercharger. The anniversary engine is a 1.4 liter TSI with 125 kW (170 PS) and direct petrol injection.

## VOLKSWAGEN INCREASES ITS EQUITY INTERESTS IN MAN AND SCANIA

Volkswagen AG increased its interest in MAN AG and Scania AB. Volkswagen AG held 29.9% of MAN’s voting rights and 36.4% of Scania AB’s voting rights on March 31, 2007.

Volkswagen AG’s Supervisory Board had previously rejected MAN’s offer to acquire Scania and instructed Volkswagen AG’s Board of Management to work towards an amicable merger of MAN and Scania.

\* Consumption and emission data can be found on page 11 of this Report.

The equity interests in MAN and Scania are designed to safeguard the Group's strategic interest in the commercial vehicles business. The Group's goal remains to find a friendly and mutually acceptable solution to merging the two companies and Volkswagen's Brazilian commercial vehicles business to leverage the high potential synergies of such a combination.

#### **PORSCHE AG INCREASES ITS EQUITY INTEREST IN VOLKSWAGEN**

Dr. Ing. h.c. F. Porsche AG notified us as of March 28, 2007 that its share of voting rights in Volkswagen AG amounted to 30.93% on this date and thus exceeded the 30% threshold.

Volkswagen welcomed the increase in Porsche AG's equity interest and underlined the major importance of a stable shareholder structure for the long-term automotive business. The increased equity interest also safeguards the cooperation between the two companies on the basis of the existing governing agreement.

After exceeding the 30% threshold, Porsche AG has announced that it will make a mandatory bid to all shareholders of Volkswagen AG. The relevant bid document must be published after its approval by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – Federal Financial Supervisory Authority). The Board of Management and the Supervisory Board of Volkswagen AG will then prepare and publish a statement and the reasons for their recommendation in response to the bid.

#### **AUDI AG ASSUMES MANAGEMENT RESPONSIBILITY FOR BRUSSELS PLANT**

AUDI AG will require additional production capacity to continue its strong growth in the coming years. To this end, the company assumed management responsibility for Volkswagen's Brussels plant in March 2007 and will produce a new, small Audi model at this plant from the end of 2009/beginning of 2010. In addition to Volkswagen models, the Audi A3 will also be built in Brussels during a transitional period from 2007 to 2009.

In a letter of intent signed on March 12, 2007 in Ingolstadt, management and the Belgian trade unions agreed the framework for a new collective wage

agreement with competitive wage and cost structures. Personnel costs were reduced by 20% and the working week increased from 35 to 38 hours, thus safeguarding around 2,200 jobs.

#### **ANNUAL GENERAL MEETING**

Volkswagen AG's 47<sup>th</sup> Ordinary General Meeting was held in the Congress Center Hamburg on April 19, 2007. With 61.0% of the voting capital present, the ordinary shareholders approved management's proposals relating to the formal approval of the actions of the members of the Board of Management and Supervisory Board for fiscal year 2006, the formal non-approval of the actions of the former member of the Board of Management, Dr. Peter Hartz, for fiscal year 2005, an amendment to the Articles of Association to reflect the Transparenzrichtlinie-Umsetzungsgesetz (TUG – Transparency Directive Implementation Act), the authorization to purchase and utilize own shares and the election of the auditors for fiscal year 2007. Dr. Michael Frenzel, Roland Oetker and Prof. Dr. Ferdinand Piëch were re-elected to the Supervisory Board for a full term of office. The Annual General Meeting also resolved to pay a dividend of €1.25 per ordinary share and €1.31 per preferred share for fiscal year 2006. The results of the votes are available on the Internet at [www.volkswagen-ir.de](http://www.volkswagen-ir.de)

#### **SUPERVISORY BOARD MATTERS**

After the 47<sup>th</sup> Ordinary General Meeting, Volkswagen AG's Supervisory Board elected Prof. Dr. Ferdinand Piëch as the Chairman of the Supervisory Board for a full term of office at its constituent meeting on April 19, 2007.

In the election of the employee representatives to the Supervisory Board by around 500 delegates of the Volkswagen Group on April 12, 2007, Peter Jacobs, Chairman of the Works Council of the Emden plant, was elected to Volkswagen AG's Supervisory Board for the first time as the successor to Andreas Blechner and Wolfgang Ritmeier, Chairman of the Volkswagen Management Association, was elected to Volkswagen AG's Supervisory Board for the first time as the successor to Ulrich Neß. The remaining employee representatives on the Supervisory Board were re-elected for a further term of office.

# Volkswagen Share

The European stock markets got off to a good start in 2007. The upward trend recorded in 2006 continued at first, with shares reaching their highest levels in several years in February. Turbulence on the Chinese stock exchanges at the end of February triggered significant price declines around the world within a very short time. Profit taking after a long period of growth and fears of an economic downturn in the USA fueled the bearish tendency. In March, prices recovered from the correction, climbing again at the end of the reporting period, due in particular to the easing of the US economic situation and sustained takeover speculation in the financial and automotive sector.

The DAX closed at 6,917 points on March 31, 2007, representing a 4.9% increase over December 31, 2006. At 336 points at the end of the first quarter, the DJ Euro STOXX Automobile was up 18.2% as against the end of 2006.

Volkswagen shares significantly outperformed the market as a whole in Q1 2007. This development was primarily driven by the success of the Volkswagen Group's performance enhancement and restructuring measures, as well as better than expected results last year.

The increase in our interest in MAN Aktiengesellschaft and Scania AB was also received positively by the markets. Demand for Volkswagen shares firmed again towards the end of the period under review, leading to significant price jumps.

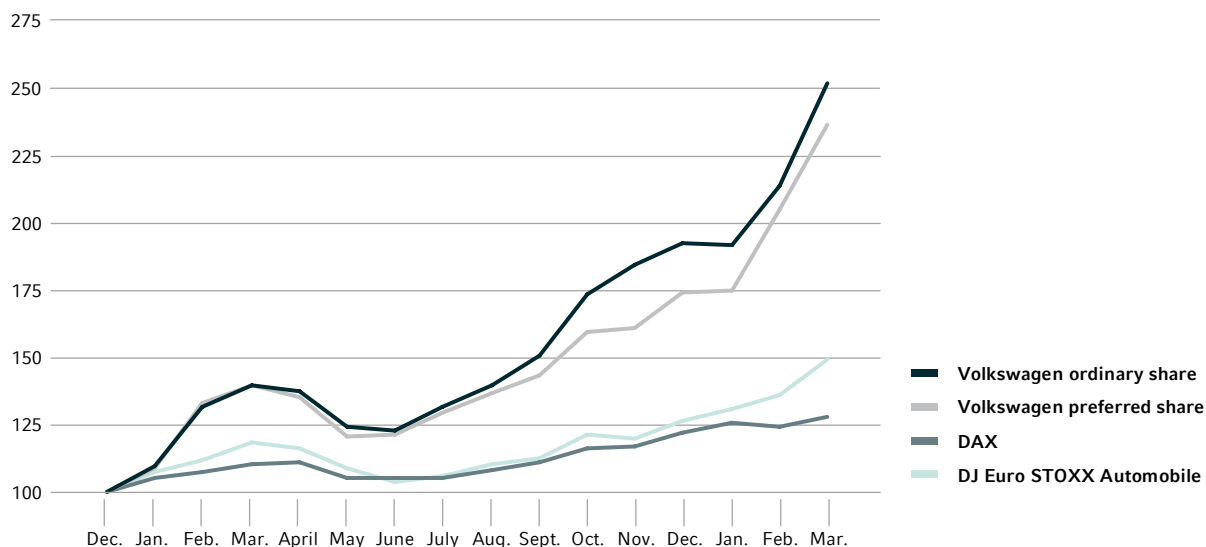
Volkswagen AG ordinary shares recorded a new all-time high of €117.70 on March 23, 2007. Their lowest price was €82.60 on January 10, 2007. Ordinary shares closed the period at €112.50, up 31.0% on December 31, 2006. Volkswagen AG preferred shares also recorded a peak of €84.24 on March 23, 2007. Their lowest price was €54.14 on January 10, 2007. At the end of March they stood at €77.03. This corresponds to growth of 36.2% as against the figure on December 31, 2006.

Information and explanations on earnings per share can be found in the notes to the consolidated interim financial statements.

Additional Volkswagen share data, plus corporate news, reports and presentations can be downloaded from our website at [www.volkswagen-ir.de](http://www.volkswagen-ir.de)

## SHARE PRICE DEVELOPMENT FROM DECEMBER 2005 TO MARCH 2007

INDEX BASED ON MONTH-END PRICES, DECEMBER 31, 2005 = 100





# Business Development

## GENERAL ECONOMIC DEVELOPMENT

Global economic growth slowed slightly in the first three months of the year. A significant reason for this was the more restrictive monetary policy in some industrialized countries. Oil prices have again increased significantly since the middle of January.

The US economy has been on a moderate growth path since the second half of 2006. Until now, dampening effects from the residential property market have been offset by robust private consumer demand and vigorous investment activity. Following a brief recovery at the beginning of the year, the US dollar again weakened significantly against the euro at the end of the reporting period. Despite sustained high oil prices, growth slowed somewhat in the Mexican economy.

There have been signs of an economic slowdown in Argentina in recent months. The strong inflationary pressure softened slightly at the beginning of the year. In Brazil, the successful fight against inflation and a significantly more relaxed monetary policy paved the way for stronger economic growth. South Africa continued to profit from sharply increased commodity

prices, although the rand also fell substantially versus the euro and the US dollar due to high trade deficits.

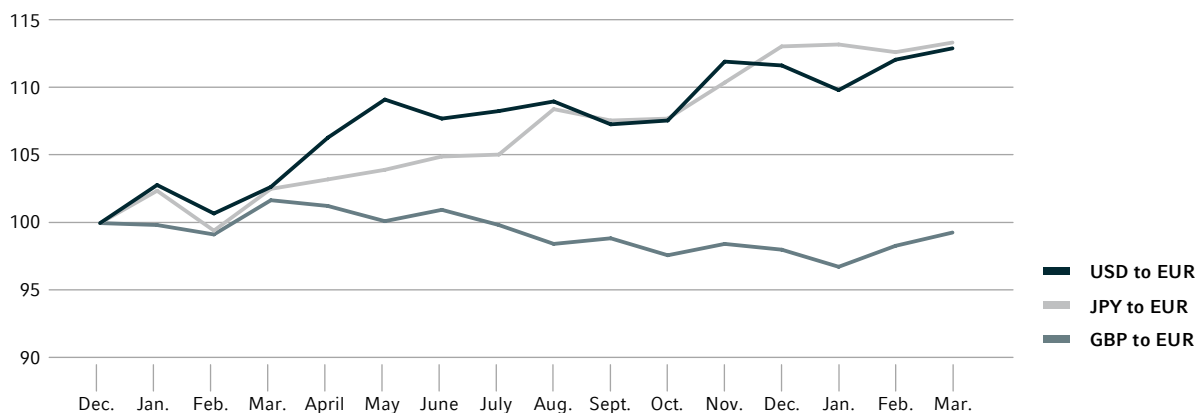
Output continued to grow in China at an extremely sharp pace during the first quarter. The Japanese economy continues to experience a moderate upturn, driven primarily by exports and corporate investment. However, the most recent economic indicators are showing signs that the danger of deflation has yet to be staved off for the long term.

The economic upturn continued in Western Europe. Output growth remained strong in the reporting period in the Central European countries as well. The Slovak economy grew at a particularly dynamic pace.

During the first quarter, the slower economic growth in Germany, triggered primarily by the value added tax increase and rising interest rates, was less severe than expected. Current economic indicators point to a continuation of the economic upturn. Domestic demand will continue to gain significance. Private consumption will pick up due to the sustained positive labor market trend and increasing disposable income.

## EXCHANGE RATE DEVELOPMENT FROM DECEMBER 2005 TO MARCH 2007

INDEX BASED ON MONTH-END PRICES, DECEMBER 31, 2005 = 100





**Business Development**Net Assets, Financial Position  
and Results of Operations

Outlook

**DEVELOPMENT OF AUTOMOTIVE MARKETS**

In the first quarter of 2007, new passenger car registrations worldwide rose year-on-year. The growth drivers for passenger car demand were China and India in particular, as well as South America and Central and Eastern Europe. However, new passenger car registrations fell in North America, Western Europe and Japan.

During the first quarter, vehicle sales in the US automotive market continued to weaken, with both passenger cars and light trucks recording slight losses. While sales of US-manufactured vehicles declined significantly, imported vehicles – particularly from Japan – were on the rise. Following the previous year's growth, passenger car sales in Canada declined from January to March 2007. The downturn in passenger car registrations continued for the third year in a row in Mexico.

The recovery in the South American automotive markets continued in the first quarter of 2007. In Brazil, the number of new passenger car and new heavy truck registrations was higher year-on-year in the first three months. Passenger car registrations in Argentina also rose in the first three months of 2007. The previous year's record in the South African passenger car market was exceeded slightly between January and March 2007.

In China, passenger car registrations again recorded high growth rates in the first three months of 2007. As in previous years, the Chinese automotive market thus remains the main driver of global automotive demand. In contrast, new passenger car registrations in Japan overall fell below the previous year's level. The share of sales attributable to small cars again increased due to persistently high fuel prices. The above-average sales growth of 2006 continued in the Indian automotive market during the reporting period.

Demand for passenger cars in Europe was mixed in Q1 2007. The Western European automotive market outside Germany recorded a slight increase, primarily due to growth in Italy – encouraged by a government-sponsored scrapping premium – and a slight increase in the UK. The percentage of diesel vehicles in the overall passenger car market in Western Europe increased again. The recovery of the Polish passenger car market is a significant reason for the significant expansion of the market volume in Central European EU countries. In contrast, pulled-forward vehicle sales to private customers in Germany due to the value added tax increase in 2006 are the main cause for the sharp decline of the passenger car market compared with the previous year.

### VEHICLE DELIVERIES WORLDWIDE

The Volkswagen Group delivered 1,469,879 vehicles to customers worldwide from January to March 2007, thus increasing its sales by 7.9% year-on-year. All Volkswagen Group brands exceeded the prior-year delivery figures. March was the strongest single month in Audi's history, and a 9.4% year-on-year growth rate was achieved in the first quarter of 2007. Škoda and

Volkswagen Commercial Vehicles recorded all-time high growth rates of 15.5% and 10.6%, respectively in the reporting period. The Bentley, Lamborghini and Bugatti brands also recorded impressive increases in their delivery figures.

The table on this page gives an overview of deliveries to customers by market and the respective passenger car market share in the first three months.

### DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY TO MARCH<sup>1)</sup>

	Deliveries (units)		Change (%)	Share of passenger car market (%)	
	2007	2006		2007	2006
<b>Europe/Remaining markets</b>	<b>918,625</b>	<b>883,440</b>	<b>+ 4.0</b>		
<b>Western Europe</b>	<b>777,139</b>	<b>762,651</b>	<b>+ 1.9</b>	<b>18.5</b>	<b>18.5</b>
of which: Germany	234,631	246,819	- 4.9	31.6	31.9
United Kingdom	112,395	103,471	+ 8.6	15.1	13.9
Spain	93,530	92,594	+ 1.0	21.5	21.2
Italy	77,511	74,715	+ 3.7	10.4	10.8
France	62,292	57,502	+ 8.3	11.7	10.7
<b>Central and Eastern Europe</b>	<b>108,829</b>	<b>86,459</b>	<b>+25.9</b>	<b>12.9</b>	<b>12.3</b>
of which: Czech Republic	18,831	18,623	+ 1.1	58.9	63.6
Poland	17,306	12,248	+41.3	21.8	19.2
<b>Remaining markets</b>	<b>32,657</b>	<b>34,330</b>	<b>- 4.9</b>		
of which: Turkey	12,419	17,374	-28.5	16.1	13.3
<b>North America</b>	<b>123,284</b>	<b>122,400</b>	<b>+ 0.7</b>	<b>2.8<sup>2)</sup></b>	<b>2.8<sup>2)</sup></b>
of which: USA	72,728	72,191	+ 0.7	1.9 <sup>2)</sup>	1.8 <sup>2)</sup>
Mexico	40,705	41,896	- 2.8	22.9	22.7
Canada	9,851	8,313	+ 18.5	5.6	4.7
<b>South America/South Africa</b>	<b>188,087</b>	<b>154,761</b>	<b>+21.5</b>	<b>20.7</b>	<b>18.1</b>
of which: Brazil	119,816	98,733	+21.4	25.4	25.6
Argentina	30,307	22,970	+31.9	26.2	26.5
South Africa	28,054	24,506	+14.5	22.5	19.9
<b>Asia-Pacific</b>	<b>239,883</b>	<b>201,214</b>	<b>+19.2</b>	<b>6.3</b>	<b>5.6</b>
of which: China	202,572	164,659	+23.0	16.9	17.0
Japan	19,087	20,426	- 6.6	1.4	1.4
<b>Worldwide</b>	<b>1,469,879</b>	<b>1,361,815</b>	<b>+ 7.9</b>	<b>9.7</b>	<b>9.2</b>
Volkswagen Passenger Cars	850,193	795,922	+ 6.8		
Audi	248,164	226,802	+ 9.4		
Škoda	149,926	129,778	+ 15.5		
SEAT	108,160	107,116	+ 1.0		
Bentley	2,788	2,315	+20.4		
Lamborghini	527	342	+54.1		
Volkswagen Commercial Vehicles	110,103	99,535	+ 10.6		
Bugatti	18	5	+ 260.0		

<sup>1)</sup> Deliveries and market shares for 2006 have been updated to reflect subsequent statistical trends.

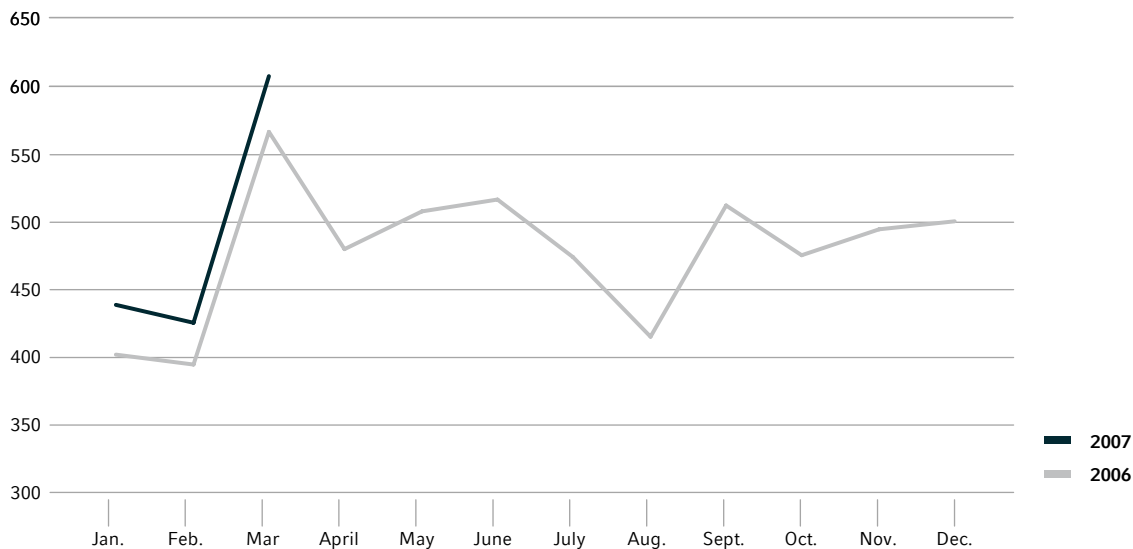
<sup>2)</sup> Overall US market, includes passenger cars and light trucks.

# Business Development

Net Assets, Financial Position  
and Results of Operations

Outlook

## VOLKSWAGEN GROUP DELIVERIES BY MONTH VEHICLES IN THOUSANDS



Sales trends in the individual markets are as follows.

### DELIVERIES IN EUROPE/REMAINING MARKETS

In Western Europe, deliveries by the Volkswagen Group increased slightly year-on-year in Q1 2007. From January to March 2007, at 52.9% (56.0%) we delivered the largest proportion of our vehicles to customers there. With the exception of the Volkswagen Passenger Cars brand, all Group brands increased their deliveries year-on-year. The Touran, Audi A4 Cabriolet, Škoda Fabia, SEAT Ibiza, and Multivan/Transporter models recorded the highest growth rates. We also recorded increased demand for the Golf and the Caddy. Deliveries of our new Eos, Audi TT Coupé, Audi Q7, Škoda Roomster, SEAT Altea XL and Crafter models also increased. We maintained the previous year's market share of 18.5% this year, despite a declining overall Western European passenger car market.

Demand for new vehicles decreased significantly in Germany in the reporting period. A primary reason was the value added tax increase at the beginning of 2007, which pulled sales forward to 2006.

The Volkswagen Group's deliveries fell by 4.9% year-on-year in the first quarter of 2007. However, the Audi A8, Škoda Fabia, and Multivan/Transporter models recorded rising sales figures. Demand for the new Group models also increased. Five of the Group's models led the registration statistics in their respective segment: the Fox, Golf, Passat, Touran and Multivan/Transporter. The Golf, Volkswagen's core model, continues to head the list of all newly registered passenger cars in Germany. The Volkswagen Group's market share in Germany was 31.6% (31.9%).

We recorded significantly greater demand for Group models in the key Central and Eastern European markets, with the strongest growth in Romania and Russia. Demand was particularly strong for the Golf and Golf Plus, Jetta, Passat saloon and Passat Variant, Audi A4, Škoda Octavia, Škoda Roomster, as well as Caddy and Multivan/Transporter.

#### DELIVERIES IN NORTH AMERICA

Deliveries to customers in the US passenger car market increased by 0.7% year-on-year in the first quarter of 2007. Demand increased above all for our Golf, Eos, Audi A4 and Audi Q7 models. In the premium vehicle classes, the Bentley and Lamborghini brands also recorded high growth rates.

Our sales figures improved in Canada during the reporting period, thanks to the significantly increased demand for Golf models. In Mexico, we recorded an overall decline in deliveries. However, demand for the Fox, Golf, New Beetle and Jetta experienced positive growth.

#### DELIVERIES IN SOUTH AMERICA/SOUTH AFRICA

The positive trend of 2006 continued in all major South American passenger car markets in Q1 2007. The Volkswagen Group's deliveries increased by 21.4% year-on-year in Brazil due to increased demand for the Fox, Polo and Gol models. The Saveiro and T2 light commercial vehicles, included in the total deliveries number, also increased significantly. Sales of heavy commercial vehicles manufactured in Brazil (trucks in the 5 to 45 tonnes weight classes) were up by 21.7% year-on-year. Volkswagen thus remained the market leader in this segment in Brazil, with a 30.9% share. In addition, we delivered 1,704 (1,399) buses.

Growth in the Argentinian passenger car market continued unabated in the first quarter of 2007. Volkswagen Group deliveries increased by 31.9% year-on-year. This was attributable in particular to increased demand for the Fox, Gol, Jetta and Saveiro models.

Volkswagen thus remained the market leader in Argentina. The number of heavy trucks and buses sold during the reporting period amounted to 600 (495) units.

The South African passenger car market continued to record positive growth. The Volkswagen Group was able to significantly outperform the market trend during the period and increased its deliveries to customers by 14.5% year-on-year. The Polo, Golf, Jetta and Caddy models recorded above-average growth rates. The Volkswagen Group's market share in South Africa increased to 22.5% (19.9%), enabling us to extend our market leadership significantly.

#### DELIVERIES IN ASIA-PACIFIC

In the passenger car markets in the Asia-Pacific region, deliveries by the Volkswagen Group rose by 19.2% year-on-year from January to March 2007, primarily as a result of increased demand for Group models in the Chinese passenger car market. The highest growth was recorded by the Polo, Jetta, Touran and Audi A6 models. In a market characterized by sales incentives offered by other manufacturers, the Volkswagen Group's market share declined to 16.9% (17.0%). Despite sustained competitive pressure, Volkswagen maintained its market leadership in China. In Q1, we delivered 6.6% fewer vehicles than in the previous year to customers in Japan. We recorded increased demand for the Golf and Passat models.

Demand for Group models was extremely mixed in the remaining markets in the Asia-Pacific region. Sales growth in India and Australia offset declines in deliveries in the Taiwanese passenger car market.

## WORLDWIDE DEVELOPMENT OF INVENTORIES

As a result of seasonal factors, inventories held by Group companies and the dealership organization worldwide on March 31, 2007 were up slightly compared with the end of 2006, but down substantially year-on-year. Inventories remained at the level required to supply our customers.

## UNIT SALES, PRODUCTION AND EMPLOYEES

In the period from January to March 2007, the Volkswagen Group sold a total of 1,501,396 vehicles worldwide to the dealership organization, corresponding to an 8.0% increase compared with the prior-year period. The volume of vehicles sold outside Germany increased by 11.3%, primarily as a result of increased demand for Group models in China. Sales in Germany were down 6.9% on the previous year. The proportion of total sales generated in Germany fell to 15.8% (18.3%).

The Volkswagen Group produced a total of 1,557,622 vehicles during the reporting period. This represents a 7.2% year-on-year increase. The joint venture companies in China recorded the highest growth rates. The share of vehicles manufactured in Germany rose slightly to 36.2% (previous year: 36.1%).

As of March 31, 2007, the Volkswagen Group had 306,926 active employees. In addition to the active workforce, the Group employed 9,439 people in the first quarter of this year who were in the passive phase of their early retirement, as well as 7,851 apprentices. The total workforce employed by the Volkswagen Group as of March 31, 2007 was 324,216, and was thus 0.2% lower than the 2006 year-end figure.

The number of employees in Germany declined by 0.6% to 167,969. The proportion of employees in Germany fell slightly as against the figure at December 31, 2006 to 51.8% (52.0%).

## OPPORTUNITY AND RISK REPORT

There were no significant changes to the risk situation compared with the presentation in the Risk Report and Report on Expected Developments of the 2006 Annual Report.

Model	Output in kW (PS)	Fuel consumption (l/100 km)			CO <sub>2</sub> emissions (g/km)
		urban	extra-urban	combined	
Passat saloon BlueMotion	77 (105)	6.7	4.2	5.1	136
Passat Variant BlueMotion	77 (105)	6.8	4.4	5.2	137
Polo BlueMotion	59 (80)	5.1	3.2	3.9	102
Audi A5 3.0 TDI quattro	176 (240)	9.9	5.7	7.2	191
Audi S5 4.2 quattro	260 (354)	17.8	9.2	12.4	298
Lamborghini Gallardo Superleggera	390 (530)	24.8	12.4	17.0	400

# Net Assets, Financial Position and Results of Operations

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## RESTATED PRIOR-PERIOD FIGURES

The expected return on plan assets (IAS 19) has been included in the financial result since the 2006 financial statements. The prior-year amounts have been restated accordingly.

## AUTOMOTIVE DIVISION BALANCE SHEET STRUCTURE

At March 31, 2007 noncurrent assets in the Automotive Division were up 1.7% on the level recorded at the end of 2006 due to the increased interest in MAN Aktiengesellschaft and Scania AB. Property, plant and equipment declined by 3.2%. Current assets rose 10.2% due to higher inventories and receivables as a result of seasonal factors, and to higher cash and cash equivalents and securities.

At €21.4 billion, the Automotive Division's equity as of March 31, 2007 exceeded the level at year-end 2006, in particular due to the profit for the period. Noncurrent liabilities were up year-on-year. We were able to reduce noncurrent financial liabilities by 6.5%, however. Higher trade payables as a result of spring business and increased other liabilities meant that current liabilities rose by 13.8%.

Overall, total assets in the Automotive Division rose by 5.8% compared with the figure recorded on December 31, 2006.

## FINANCIAL SERVICES DIVISION BALANCE SHEET STRUCTURE

At the end of the first quarter of 2007, total assets in the Financial Services Division were up by 1.8% on the end of 2006.

In the wake of the expansion of business, there was an increase in financial services receivables and leasing and rental assets. This resulted in an increase in noncurrent and current assets. At March 31, 2007, the Financial Services Division accounted for approximately 46% of the Volkswagen Group's total assets.

At the end of March 2007, the Financial Services Division recorded equity of €6.3 billion (€6.2 billion). There was an increase in financial liabilities, in particular those with short maturities.

At the end of the first quarter, deposits at Volkswagen Bank *direct* amounted to €8.9 billion, up 0.5% on December 31, 2006.

## INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT, AND CASH FLOW IN THE AUTOMOTIVE DIVISION

During the reporting period, investments in property, plant and equipment in the Automotive Division rose by 10.6% year-on-year, to €767 million. However, at 3.2%, the ratio of investments in property, plant and

equipment to sales revenue (capex ratio) only slightly exceeded the previous year's low level (3.0%). This clearly illustrates that we are continuing to pursue a policy of disciplined investment, although this in no way compromises our new model rollout. In the first quarter of 2007, we invested primarily in models that we will launch this year or next year. These are primarily the new Tiguan compact SUV, the Audi A5 and Q5, as well as the successors to the Gol, the Audi A4, the SEAT Ibiza and the Škoda Fabia.

At €2.2 billion, gross cash flow in the Automotive Division nearly doubled in comparison to the previous year, due to the improved results in the reporting period. At €1.4 billion, cash flows from working capital were lower compared with the previous year due to increases in receivables. Cash flows from operating activities amounted to €3.6 billion (€3.0 billion). Net cash used in investing activities was greater in the first three months of 2007 than in the prior-year period, due in particular to the acquisition of equity interests. At €1.9 billion in Q1 2007, net cash flow in the Automotive Division was therefore €0.4 billion less than in the previous year.

#### NET LIQUIDITY

Net liquidity in the Automotive Division was €9.4 billion at the end of the reporting period. This corresponds to an increase of €2.3 billion compared with December 31, 2006.

At March 31, 2007, the increased business volume in the Financial Services Division caused the negative net liquidity, common to the industry, to increase by €1.7 billion as against the end of 2006, to €51.1 billion.

At the end of Q1, the Volkswagen Group's net liquidity improved as against the end of December 2006, to €-41.7 billion.

#### SALES REVENUE OF THE VOLKSWAGEN GROUP

In the first quarter of 2007, the Automotive Division generated sales revenue of €26.6 billion. Compared with the prior-year period, this represents an increase of 5.1%, resulting primarily from greater sales volumes in the Automotive Division. Sales revenue improved here by 4.6% year-on-year, reaching €24.3 billion. The Group's sales revenue only reflects the positive development of our sales in the Chinese passenger car market in the form of increased deliveries of vehicle parts, because our Chinese joint ventures are accounted for using the equity method. In the reporting period, the sales revenue of the Financial Services Division amounted to €2.4 billion (+ 11.1%). The proportion of the Group's sales revenue generated outside Germany was 76.5% (75.1%).



### EARNINGS DEVELOPMENT

From January to March 2007, the Volkswagen Group generated gross profit of €3.7 billion, 10.5% more than in the prior-year period. The previous year's gross margin of 13.1% improved to 13.7% as a result of increased sales revenue and cost savings from the systematic continuation of performance enhancement measures.

Gross profit in the Automotive Division rose by +12.8% to €3.1 billion. Gross profit in the Financial Services Division amounted to €0.6 billion, thus matching the high level of the previous year. Despite the increase in sales volume, distribution expenses also remained at the same level as the previous year, at €2.2 billion. We significantly reduced the ratio of distribution expenses to sales revenue. Administrative expenses remained unchanged at €0.6 billion, and the ratio of these expenses to sales revenue was also reduced. At €0.2 billion, the Group's other operating result in the reporting period was €0.1 billion higher year-on-year.

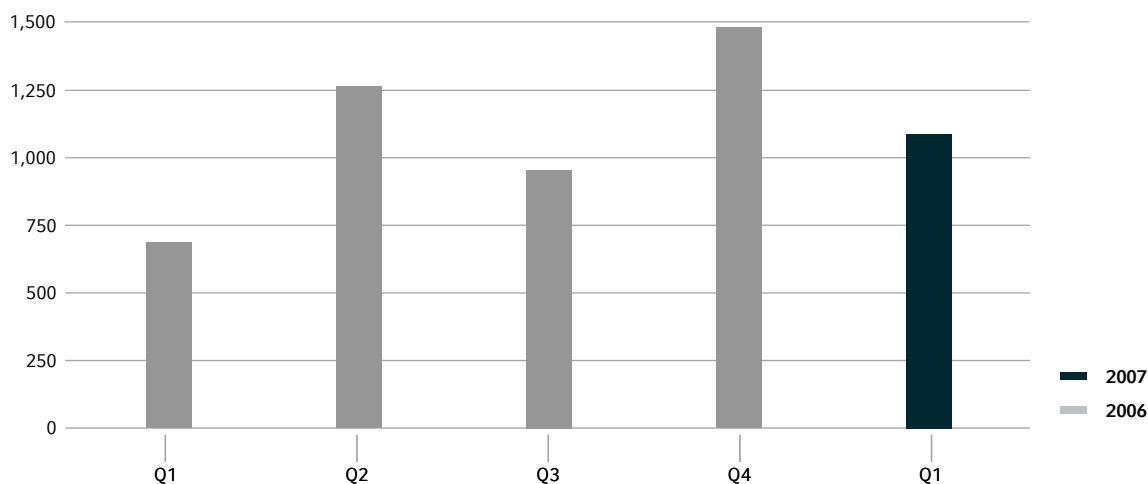
In the first three months of 2007, the Volkswagen Group generated an operating profit of €1.1 billion, thus exceeding the previous year's operating profit before special items by 57.7%.

The financial result is significantly impacted by expenses from the scheduled interest cost added back on discounted noncurrent provisions. At €-16 million, this figure improved by €171 million year-on-year. The improvement was a result in particular of the increase in investment income from joint ventures included using the equity method in the consolidated financial statements, and of lower interest expenses and higher interest and securities income.

In the first quarter of 2007, the Volkswagen Group generated significantly improved profit before tax compared with the previous year at €1.1 billion. Europcar's loss after tax is recorded in the loss from discontinued operations for January to March 2006. After deducting income taxes, profit after tax amounted to €0.7 billion for the reporting period.

### OPERATING PROFIT BEFORE SPECIAL ITEMS BY QUARTERS

VOLKSWAGEN GROUP IN € MILLION



# Outlook

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The most important automotive markets started 2007 with different prospects. As expected, growth in global automotive demand slowed somewhat in the first three months of the year. In particular, the continued high energy and commodity prices had a dampening effect on market growth. For full-year 2007, we are continuing to forecast global new registrations slightly higher than in the previous year, provided there is no significant change in the overall environment. We are expecting only slight growth in the North American markets, while a decline in the volume of new registrations cannot be ruled out in Western Europe – in particular for Germany and Spain. Growth in the Chinese and South American markets is likely to be lower than in the previous year.

We will add a large number of new models to our attractive range this year and thus further improve our good competitive position. We therefore believe that we will slightly exceed last year's worldwide deliveries to customers in 2007. We are forecasting increased delivery figures in all key markets, especially in South America, Asia-Pacific and Central and Eastern Europe.

Within the context of 2007 as a whole, the high positive rates of change in the first quarter of 2007 should be seen in the light of the relatively low comparative figures for the first quarter of 2006; however, the success of the restructuring measures led to higher results in the second to fourth quarters of 2006.

Driven by the higher volume, the Volkswagen Group's 2007 sales revenue will exceed the figure for 2006. Together with the further optimization in our cost structures and the success of the steps we undertook in 2006 to improve our competitiveness, we expect an operating profit for 2007 in excess of the 2006 operating profit before special items. Significant efforts will continue to be necessary to modernize and expand our product portfolio. For this reason, the ratio of investments in property, plant and equipment to sales revenue (capex ratio), year-on-year will be higher in 2007. We again expect a positive net cash flow in the Automotive Division.

This report contains forward-looking statements on the business development of the Volkswagen Group. These statements are based on assumptions relating to the development of the economies of individual countries, and in particular of the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given entail a degree of risk, and the actual developments may differ from those forecast.

Consequently, any unexpected fall in demand or economic stagnation in our key sales markets, such as Western Europe (and especially Germany) or in the USA, Brazil or China, will have a corresponding impact on the development of our business. The same applies in the event of a significant shift in current exchange rates relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

# Brands and Business Fields

## SALES REVENUE AND OPERATING PROFIT BY BRAND AND BUSINESS FIELD

We dissolved the former brand groups at the beginning of fiscal year 2007. The individual Group brands have now been placed on an equal, independent footing. For the first time, we are reporting financial indicators separately for the key brands in this report.

From January to March 2007, the Volkswagen Group generated sales revenue of €26.6 billion. This represents a 5.1% year-on-year increase, mainly due to improved unit sales. Operating profit also rose by 57.7% to €1.1 billion, due in particular to increased volume.

The Volkswagen Passenger Cars brand increased its sales revenue to €18.0 billion in the reporting period, thereby exceeding the previous year's figure by 5.2%. Operating profit increased by €435 million to €386 million. This was primarily attributable to the success of the restructuring measures undertaken in the previous year, the systematic continuation of performance enhancement measures and positive volume effects. Demand increased for the Polo, Golf, Touran and Jetta models. The sales volume rose for the Eos due to its full availability.

In the first quarter of 2007, the Audi brand significantly increased its sales year-on-year, generating revenue of €8.7 billion (+13.1%). At €401 million, operating profit exceeded the previous year's figure by €56 million. The figures for Lamborghini contained in those for the Audi brand recorded positive growth.

## VOLKSWAGEN GROUP

Division/Segment	Automotive Division							Financial Services Division
Brand/Business Field	Volkswagen Passenger Cars	Audi	Škoda	SEAT	Bentley	Volkswagen Commercial Vehicles	Other	Dealer and customer financing Leasing Insurance Fleet business

During the reporting period, the Škoda brand recorded a 5.5% year-on-year increase in unit sales, thanks primarily to the success of the Octavia series and the new Roomster model. Sales revenue amounted to €2.0 billion (+ 6.7 %). At €172 million, the operating profit for the Škoda brand improved by €29 million year-on-year.

In the first three months of 2007, sales revenue for the SEAT brand (€1.5 billion) remained at the same level as the previous year, although unit sales figures were slightly down year-on-year due to heavy destocking. The operating loss was €11 million, although this was significantly lower than the previous year. The measures introduced to improve SEAT's earnings performance thus showed the first signs of success.

The Bentley brand increased its sales revenue during the reporting period by 31.1% year-on-year, to €353 million. Its operating profit increased by €33 million to €38 million due to volume growth. The sales success of the Bentley Continental GT Cabriolet played a significant role in this.

From January to March 2007, sales of Volkswagen Commercial Vehicles were up 13.0% year-on-year. In addition to the Caddy and Multivan/Transporter models, demand increased in particular for heavy commercial vehicles. Operating profit increased by €15 million to €66 million.

In the first quarter of 2007, the Financial Services Division generated an operating profit of €258 million. The division thereby exceeded the previous year's high level by €22 million, again making a significant contribution to the Group's result.

#### KEY FIGURES BY BRAND AND BUSINESS FIELD FROM JANUARY 1 TO MARCH 31

thousand vehicles/€ million	Vehicle sales		Sales revenue		Sales to third parties		Operating result	
	2007	2006	2007	2006	2007	2006	2007	2006 <sup>1)</sup>
Volkswagen Passenger Cars	891	840	18,010	17,125	14,597	14,226	386	- 49
Audi	309	283	8,679	7,673	5,389	4,875	401	345
Škoda	160	151	2,031	1,903	1,494	1,371	172	143
SEAT	101	107	1,486	1,501	1,093	1,133	- 11	- 32
Bentley	2	2	353	269	331	250	38	5
Volkswagen Commercial Vehicles	107	94	2,204	1,970	1,505	1,365	66	51
VW China <sup>2)</sup>	209	148	-	-	-	-	-	-
Other	- 278	- 234	- 8,478	- 7,223	153	190	- 225 <sup>3)</sup>	- 11 <sup>3)</sup>
<b>Automotive Division</b>	<b>1,501</b>	<b>1,391</b>	<b>24,285</b>	<b>23,218</b>	<b>24,562</b>	<b>23,410</b>	<b>827</b>	<b>452</b>
<b>Financial Services Division</b>			<b>2,355</b>	<b>2,119</b>	<b>2,078</b>	<b>1,927</b>	<b>258</b>	<b>236</b>
<b>Group before special items</b>			<b>26,640</b>	<b>25,337</b>	<b>26,640</b>	<b>25,337</b>	<b>1,085</b>	<b>688</b>
Special items								- 89
<b>Volkswagen Group</b>	<b>1,501</b>	<b>1,391</b>	<b>26,640</b>	<b>25,337</b>	<b>26,640</b>	<b>25,337</b>	<b>1,085</b>	<b>599</b>

<sup>1)</sup> Restated.

<sup>2)</sup> The sales revenue and operating results of the joint venture companies in China are not included in the figures for the Group. The Chinese companies are accounted for using the equity method and recorded an operating profit (proportionate) of €34 million (€15 million).

<sup>3)</sup> Mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits.

**UNIT SALES AND SALES REVENUE BY MARKET**

In the first three months of 2007, the Volkswagen Group increased its unit sales in Europe/Remaining markets by 3.2% year-on-year, to 944 thousand units. Sales revenue rose accordingly by €1.3 billion to €19.3 billion.

In North America, unit sales during the reporting period were down slightly year-on-year. The Jetta, the Group's biggest seller in North America, enjoyed growing popularity. Sales revenue declined from €3.7 billion in the previous year to €3.3 billion, primarily due to exchange rate factors.

Due to the sustained positive trend in the passenger car markets in South America/South Africa, the number of vehicles sold rose by 16.4% year-on-year in the first quarter of 2007, to 192 thousand vehicles. As a result, sales revenue (€2.3 billion) increased by €124 million year-on-year.

At 246 thousand vehicles, we sold approximately 30.7% more vehicles in the Asia-Pacific region, including our Chinese joint ventures, between January and March 2007 than in the prior-year period. Sales revenue rose by €176 million to €1.7 billion. This figure does not include the sales of the Chinese joint ventures, as these are accounted for using the equity method.

**KEY FIGURES BY MARKET FROM JANUARY 1 TO MARCH 31**

thousand vehicles/€ million	Vehicle sales <sup>1)</sup>		Sales revenue	
	2007	2006	2007	2006
Europe/Remaining markets	944	915	19,321	17,984
North America	120	123	3,317	3,651
South America/South Africa	192	165	2,291	2,167
Asia-Pacific <sup>2)</sup>	246	188	1,711	1,535
<b>Volkswagen Group<sup>2)</sup></b>	<b>1,501</b>	<b>1,391</b>	<b>26,640</b>	<b>25,337</b>

<sup>1)</sup> All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

<sup>2)</sup> The sales revenue of the joint venture companies in China are not included in figures for the Group and the Asia-Pacific market.

## FINANCIAL SERVICES DIVISION

The Financial Services Division remained on its successful course in the first quarter of 2007. Through Volkswagen Financial Services AG, the Volkswagen Group is in a position to offer its customers financial mobility on top of automotive mobility, in the form of financing, leasing and insurance packages.

In a survey by the magazine “auto motor und sport”, over 100,000 readers voted Volkswagen Bank GmbH as best automotive bank. The award for “Best Brand 2007” demonstrated that our innovative mobility packages and direct banking products optimally fulfill our customers’ needs. Volkswagen Bank is Europe’s largest automotive bank and also offers its customers the opportunity to invest money at good conditions thanks to a full banking license.

Volkswagen Financial Services AG’s successful package solutions were expanded to another Group brand during the reporting period. Škoda Bank now offers its customers the Easy Life Package for the new Škoda Roomster. The offer is based on three-way financing with low monthly payments. At the end of the contract term, the customers can decide if they would prefer to return the vehicle or purchase it in full. Follow-up financing is also available. The package is supplemented by free maintenance and inspection. In addition, the manufacturer’s guarantee is extended by a maximum of 24 months.

The number of new contracts in the financing, leasing and insurance businesses in the reporting period was up 15.2% year-on-year, at 0.6 million. The number of contracts as of March 31, 2007 increased by 5.6% year-on-year in the Customer Financing/Leasing area and by 16.7% in the Service/Insurance area to a total of 6.4 million contracts. Leased and financed vehicles accounted for 30.0% (29.6%) of the Group’s world-wide deliveries, with unchanged credit eligibility criteria. Receivables relating to dealer financing increased by 8.5% compared with December 31, 2006. Deposits at Volkswagen Bank *direct* amounted to €8.9 billion (+0.5%) at the end of the first quarter. Volkswagen Bank *direct* managed 898,709 accounts, around 4.9 % more than the previous year. On March 31, 2007, 7,228 people were employed by the Financial Services Division (up 1.0% compared with December 31, 2006).

In our fleet management business, the number of contracts of our LeasePlan joint venture was slightly higher at the end of the reporting period as compared with the end of 2006. At March 31, 2007, it managed a total of around 1.3 million vehicles, representing an increase of approximately 1.7% as against the figure on December 31, 2006.

## INCOME STATEMENT OF THE VOLKSWAGEN GROUP (CONDENSED)

### INCOME STATEMENT BY DIVISION FOR THE PERIOD FROM JANUARY 1 TO MARCH 31

€ million	Volkswagen Group		Automotive <sup>1)</sup>		Financial Services	
	2007	2006 <sup>2)</sup>	2007	2006 <sup>2)</sup>	2007	2006 <sup>2)</sup>
<b>Sales revenue</b>	<b>26,640</b>	<b>25,337</b>	<b>24,285</b>	<b>23,218</b>	<b>2,355</b>	<b>2,119</b>
Cost of sales	22,985	22,030	21,203	20,487	1,782	1,543
<b>Gross profit</b>	<b>3,655</b>	<b>3,307</b>	<b>3,082</b>	<b>2,731</b>	<b>573</b>	<b>576</b>
Distribution expenses	2,210	2,214	2,090	2,106	120	108
Administrative expenses	569	581	449	455	120	126
Other operating income/expense	209	87	284	193	-75	-106
<b>Operating profit</b>	<b>1,085</b>	<b>599</b>	<b>827</b>	<b>363</b>	<b>258</b>	<b>236</b>
Financial result	-16	-187	-61	-252	45	65
<b>Profit before tax from continuing operations</b>	<b>1,069</b>	<b>412</b>	<b>766</b>	<b>111</b>	<b>303</b>	<b>301</b>
Income tax expense	329	78	214	-33	115	111
<b>Profit from continuing operations</b>	<b>740</b>	<b>334</b>	<b>552</b>	<b>144</b>	<b>188</b>	<b>190</b>
Loss from discontinued operations	-	-7				
<b>Profit after tax</b>	<b>740</b>	<b>327</b>				
<b>Earnings per ordinary share (€)<sup>3)</sup></b>	<b>1.87</b>	<b>0.83</b>				
<b>Diluted earnings per ordinary share (€)<sup>3)</sup></b>	<b>1.85</b>	<b>0.83</b>				
<b>Earnings per preferred share (€)<sup>3)</sup></b>	<b>1.93</b>	<b>0.89</b>				
<b>Diluted earnings per preferred share (€)<sup>3)</sup></b>	<b>1.91</b>	<b>0.89</b>				

<sup>1)</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

<sup>2)</sup> Restated.

<sup>3)</sup> From continuing and discontinued operations.



Income Statement
Balance Sheet
Statement of Recognized Income and Expense
Cash Flow Statement
Notes to the Financial Statements

## BALANCE SHEET OF THE VOLKSWAGEN GROUP (CONDENSED)

### BALANCE SHEET BY DIVISION AS OF MARCH 31, 2007 AND DECEMBER 31, 2006

€ million	Volkswagen Group		Automotive <sup>1)</sup>		Financial Services	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
<b>Noncurrent assets</b>	<b>76,785</b>	<b>75,374</b>	<b>38,467</b>	<b>37,817</b>	<b>38,318</b>	<b>37,557</b>
Intangible assets	7,129	7,193	7,048	7,110	81	83
Property, plant and equipment	19,700	20,340	19,503	20,148	197	192
Leasing and rental assets	8,220	7,886	67	61	8,153	7,825
Financial services receivables	26,714	26,450	220	322	26,494	26,128
Noncurrent investments and other financial assets <sup>2)</sup>	15,022	13,505	11,629	10,176	3,393	3,329
<b>Current assets</b>	<b>65,107</b>	<b>61,229</b>	<b>37,777</b>	<b>34,268</b>	<b>27,330</b>	<b>26,961</b>
Inventories	13,188	12,463	13,104	12,377	84	86
Financial services receivables	23,988	23,426	114	179	23,874	23,247
Receivables and other financial assets	12,726	10,882	10,317	8,571	2,409	2,311
Marketable securities	5,672	5,091	5,602	5,024	70	67
Cash and cash equivalents	9,533	9,367	8,640	8,117	893	1,250
Noncurrent assets and disposal groups held for sale	–	–	–	–	–	–
<b>Total assets</b>	<b>141,892</b>	<b>136,603</b>	<b>76,244</b>	<b>72,085</b>	<b>65,648</b>	<b>64,518</b>
<b>Equity and liabilities</b>						
<b>Equity</b>	<b>27,702</b>	<b>26,959</b>	<b>21,389</b>	<b>20,774</b>	<b>6,313</b>	<b>6,185</b>
Equity attributable to shareholders of Volkswagen AG	27,644	26,904	21,331	20,719	6,313	6,185
Minority interests	58	55	58	55	–	–
<b>Noncurrent liabilities</b>	<b>56,872</b>	<b>56,159</b>	<b>29,308</b>	<b>28,861</b>	<b>27,564</b>	<b>27,298</b>
Noncurrent financial liabilities	28,626	28,734	4,246	4,539	24,380	24,195
Provisions for pensions	13,892	13,854	13,756	13,719	136	135
Other liabilities <sup>3)</sup>	14,354	13,571	11,306	10,603	3,048	2,968
<b>Current liabilities</b>	<b>57,318</b>	<b>53,485</b>	<b>25,547</b>	<b>22,450</b>	<b>31,771</b>	<b>31,035</b>
Current financial liabilities	30,323	30,023	887	1,759	29,436	28,264
Trade payables	9,753	8,190	8,889	7,288	864	902
Other liabilities	17,242	15,272	15,771	13,403	1,471	1,869
Liabilities included in disposal groups classified as held for sale	–	–	–	–	–	–
<b>Total equity and liabilities</b>	<b>141,892</b>	<b>136,603</b>	<b>76,244</b>	<b>72,085</b>	<b>65,648</b>	<b>64,518</b>

<sup>1)</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions, primarily intra-Group loans.

<sup>2)</sup> Including investments in companies accounted for using the equity method and deferred taxes.

<sup>3)</sup> Including deferred taxes.

## STATEMENT OF RECOGNIZED INCOME AND EXPENSE OF THE VOLKSWAGEN GROUP

### STATEMENT OF RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD FROM JANUARY 1 TO MARCH 31

€ million	2007	2006
Actuarial gains or losses	14	15
Available-for-sale financial instruments (securities):		
Fair value changes taken directly to equity	303	221
Transferred to profit or loss	-267	5
Cash flow hedges:		
Fair value changes taken directly to equity	135	336
Transferred to profit or loss	-93	33
Foreign exchange differences	-31	-13
Deferred taxes	-42	-227
<b>Income and expense recognized directly in equity</b>	<b>19</b>	<b>370</b>
Profit after tax attributable to shareholders of Volkswagen AG	740	327
<b>Total recognized income and expense for the period</b>	<b>759</b>	<b>697</b>

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## CASH FLOW STATEMENT OF THE VOLKSWAGEN GROUP (CONDENSED)

### CASH FLOW STATEMENT BY DIVISION FOR THE PERIOD FROM JANUARY 1 TO MARCH 31

€ million	Volkswagen Group		Automotive <sup>1)</sup>		Financial Services	
	2007	2006	2007	2006	2007	2006
Profit before tax <sup>2)</sup>	1,069	409	766	111	303	298
Income taxes paid	-221	-251	-317	-262	96	11
Depreciation and amortization expense	2,178	2,188	1,751	1,725	427	463
Change in pension provisions	42	43	40	43	2	0
Other noncash income/expense and reclassifications <sup>3)</sup>	-126	-501	-52	-473	-74	-28
<b>Gross cash flow</b>	<b>2,942</b>	<b>1,888</b>	<b>2,188</b>	<b>1,144</b>	<b>754</b>	<b>744</b>
<b>Change in working capital</b>	<b>984</b>	<b>1,933</b>	<b>1,365</b>	<b>1,877</b>	<b>-381</b>	<b>56</b>
Change in inventories	-802	-796	-803	-805	1	9
Change in receivables	-1,995	-392	-1,748	-391	-247	-1
Change in liabilities	2,998	2,092	3,178	2,054	-180	38
Change in other provisions	783	1,029	738	1,019	45	10
<b>Cash flows from operating activities</b>	<b>3,926</b>	<b>3,821</b>	<b>3,553<sup>4)</sup></b>	<b>3,021<sup>4)</sup></b>	<b>373</b>	<b>800</b>
<b>Cash flows from investing activities</b>	<b>-3,643</b>	<b>-2,170</b>	<b>-1,669</b>	<b>-785</b>	<b>-1,974</b>	<b>-1,385</b>
of which: acquisition of property, plant and equipment	-787	-721	-767	-693	-20	-28
capitalized development costs	-330	-359	-330	-359	-	-
change in leasing and rental assets (excluding depreciation)	-844	-824	-18	-7	-826	-817
change in financial services receivables	-917	-573	166	9	-1,083	-582
acquisition and disposal of equity investments	-808	336	-756	339	-52	-3
<b>Net cash flow</b>	<b>283</b>	<b>1,651</b>	<b>1,884</b>	<b>2,236</b>	<b>-1,601</b>	<b>-585</b>
Change in investments in securities	-497	-293	-498	-291	1	-2
<b>Cash flows from financing activities</b>	<b>396</b>	<b>-727</b>	<b>-846</b>	<b>-1,243</b>	<b>1,242</b>	<b>516</b>
Change in cash and cash equivalents due to exchange rate changes and to changes in consolidated Group structure	-16	-10	-17	-10	1	0
<b>Net change in cash and cash equivalents</b>	<b>166</b>	<b>621</b>	<b>523</b>	<b>692</b>	<b>-357</b>	<b>-71</b>
<b>Cash and cash equivalents at March 31</b>	<b>9,533</b>	<b>8,584</b>	<b>8,640</b>	<b>7,877</b>	<b>893</b>	<b>707</b>
Securities and loans	7,695	6,761	5,911	4,885	1,784	1,876
<b>Gross liquidity</b>	<b>17,228</b>	<b>15,345</b>	<b>14,551</b>	<b>12,762</b>	<b>2,677</b>	<b>2,583</b>
Total third-party borrowings	-58,949	-61,238	-5,133	-9,092	-53,816	-52,146
<b>Net liquidity at March 31</b>	<b>-41,721</b>	<b>-45,893</b>	<b>9,418</b>	<b>3,670</b>	<b>-51,139</b>	<b>-49,563</b>
For information purposes: at Jan. 1	-42,293	-48,200	7,133	706	-49,426	-48,906

<sup>1)</sup> Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

<sup>2)</sup> Previous year: Profit/loss before tax from continuing and discontinued operations.

<sup>3)</sup> Relate mainly to fair value measurement of financial instruments, application of the equity method and reclassification of gains/losses on disposal of noncurrent assets to investing activities.

<sup>4)</sup> Before consolidation of intra-Group transactions €3,989 million (€ 3,679 million).

## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Volkswagen AG has prepared its consolidated financial statements for fiscal year 2006 in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). This Interim Report for the period ended March 31, 2007 was therefore also prepared in accordance with IAS 34.

The accompanying consolidated interim financial statements were not reviewed by auditors.

### ACCOUNTING POLICIES

The same consolidation methods and accounting policies were applied to the preparation of the interim financial statements and the presentation of the prior-year comparatives as for the 2006 consolidated financial statements. A detailed description of the methods applied is published in the notes to the consolidated financial statements in the 2006 Annual Report. This can also be accessed on the Internet at [www.volkswagen-ir.de](http://www.volkswagen-ir.de)

The expected return on plan assets (IAS 19) is included in the financial result as of the 2006 financial statements. The prior-year amounts have been restated accordingly.

### BASIS OF CONSOLIDATION

In addition to Volkswagen AG, which is domiciled in Wolfsburg and registered at the Braunschweig local court under the number HRB 100484, the consolidated financial statements include all significant companies at which Volkswagen AG is able, directly or indirectly, to control the financial and operating policies in such a way that the Group companies obtain benefits from the activities of these companies (subsidiaries).

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## DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

### [ 1 ] SALES REVENUE

#### STRUCTURE OF GROUP SALES REVENUE

€ million	Q1	
	2007	2006
Vehicles	21,409	20,334
Genuine parts	1,489	1,494
Other sales revenue	1,766	1,676
Rental and leasing business	1,178	1,056
Interest and similar income	798	777
	<b>26,640</b>	<b>25,337</b>

### [ 2 ] COST OF SALES

Cost of sales includes interest expenses of €568 million (€501 million) attributable to the financial services business.

### [ 3 ] RESEARCH AND DEVELOPMENT COSTS IN THE AUTOMOTIVE DIVISION

€ million	Q1		%
	2007	2006	
Total research and development costs	1,211	978	+ 23.9
of which capitalized development costs	330	359	– 8.3
Capitalization ratio in %	27.2	36.8	
Amortization of capitalized development costs	365	333	+ 9.7
Research and development costs recognized in the income statement	1,246	952	+ 31.1

## [ 4 ] EARNINGS PER SHARE

Undiluted earnings per share are calculated by dividing profit attributable to shareholders of Volkswagen AG by the weighted average number of ordinary and preferred shares outstanding during the reporting period. Earnings per share are diluted by potential shares. These include stock options, although these are only dilutive if they result in the issuance of shares at a value below the average market price of the shares. A potential dilutive effect arose in the period under review from the fourth, fifth, sixth, seventh and eighth tranches of the stock option plan.

		Q1	
		2007	2006
Weighted average number of shares outstanding			
Ordinary shares: basic	million	287.2	280.3
diluted	million	290.5	282.1
Preferred shares: basic	million	105.2	105.2
diluted	million	105.2	105.2
Profit after tax from continuing operations	€ million	740	334
Loss after tax from discontinued operations	€ million	–	–7
Profit after tax from continuing and discontinued operations	€ million	740	327
Minority interests	€ million	0	0
Profit attributable to shareholders of Volkswagen AG	€ million	740	327
Earnings per share from continuing operations			
Ordinary shares: basic	€	1.87	0.85
diluted	€	1.85	0.85
Preferred shares: basic	€	1.93	0.91
diluted	€	1.91	0.91
Earnings per share from continuing and discontinued operations			
Ordinary shares: basic	€	1.87	0.83
diluted	€	1.85	0.83
Preferred shares: basic	€	1.93	0.89
diluted	€	1.91	0.89

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## [ 5 ] NONCURRENT ASSETS

### CHANGES IN SELECTED NONCURRENT ASSETS BETWEEN JANUARY 1 AND MARCH 31, 2007

€ million	Carrying amount at Jan. 1, 2007	Additions	Disposals/Other changes	Depreciation and amortization	Carrying amount at Mar. 31, 2007
Intangible assets	7,193	357	17	404	7,129
Property, plant and equipment	20,340	760	47	1,353	19,700
Leasing and rental assets	7,886	1,499	745	420	8,220

## [ 6 ] INVENTORIES

€ million	Mar. 31, 2007	Dec. 31, 2006
Raw materials, consumables and supplies	2,104	2,061
Work in progress	1,238	1,343
Finished goods and purchased merchandise	9,834	9,050
Payments on account	12	9
	<b>13,188</b>	<b>12,463</b>

## [ 7 ] CURRENT RECEIVABLES AND OTHER FINANCIAL ASSETS

€ million	Mar. 31, 2007	Dec. 31, 2006
Trade receivables	6,200	5,049
Miscellaneous other receivables and financial assets	6,526	5,833
	<b>12,726</b>	<b>10,882</b>

## [ 8 ] STATEMENT OF CHANGES IN EQUITY

€ million	Mar. 31, 2007	Dec. 31, 2006
Subscribed capital	1,005	1,004
Capital reserves	4,963	4,942
Accumulated profit	24,248	23,549
Income and expense recognized directly in equity	-2,572	-2,591
Equity attributable to shareholders of VW AG	27,644	26,904
Minority interests	58	55
<b>Total equity</b>	<b>27,702</b>	<b>26,959</b>

## [ 9 ] NONCURRENT FINANCIAL LIABILITIES

€ million	Mar. 31, 2007	Dec. 31, 2006
Bonds, commercial paper and notes	22,654	22,487
Liabilities to banks	2,674	2,864
Deposits from direct banking business	1,063	1,114
Other financial liabilities	2,235	2,269
	<b>28,626</b>	<b>28,734</b>



**[ 10 ] CURRENT FINANCIAL LIABILITIES**

€ million	Mar. 31, 2007	Dec. 31, 2006
Bonds, commercial paper and notes	15,853	15,645
Liabilities to banks	5,151	5,225
Deposits from direct banking business	7,806	7,713
Other financial liabilities	1,513	1,440
	<b>30,323</b>	<b>30,023</b>

**[ 11 ] CASH FLOW STATEMENT**

The cash flow statement presents the cash inflows and outflows in the Volkswagen Group and in the Automotive and Financial Services divisions. Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits. The net liquidity is presented on page 13 of this report.

**[ 12 ] RELATED PARTY DISCLOSURES**

€ million	Supplies and services rendered		Supplies and services received	
	2007	Q1 2006	2007	Q1 2006
Unconsolidated subsidiaries	118	76	84	72
Joint ventures	379	310	80	63
Associates	23	29	6	8
Other related parties	1,026	869	16	10

**GERMAN CORPORATE GOVERNANCE CODE**

The current declarations in accordance with section 161 of the Aktiengesetz (AktG - German Stock Corporation Act) on the German Corporate Governance Code by the Board of Management and Supervisory Board of Volkswagen AG, as well as those by the Board of Management and Supervisory Board of Audi AG, are available on the Internet at [www.volkswagen-ir.de](http://www.volkswagen-ir.de) and [www.audi.de](http://www.audi.de) respectively.

**SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE**

There were no significant events after the end of the first three months of 2007.

Wolfsburg, May 2007

Volkswagen Aktiengesellschaft  
The Board of Management

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### Financial Calendar

**July 27, 2007**

Interim Report January to June

**October 26, 2007**

Interim Report January to September

The Interim Report is also available on the Internet, in German and English, at: [www.volkswagen-ir.de](http://www.volkswagen-ir.de)