



**Key Figures**

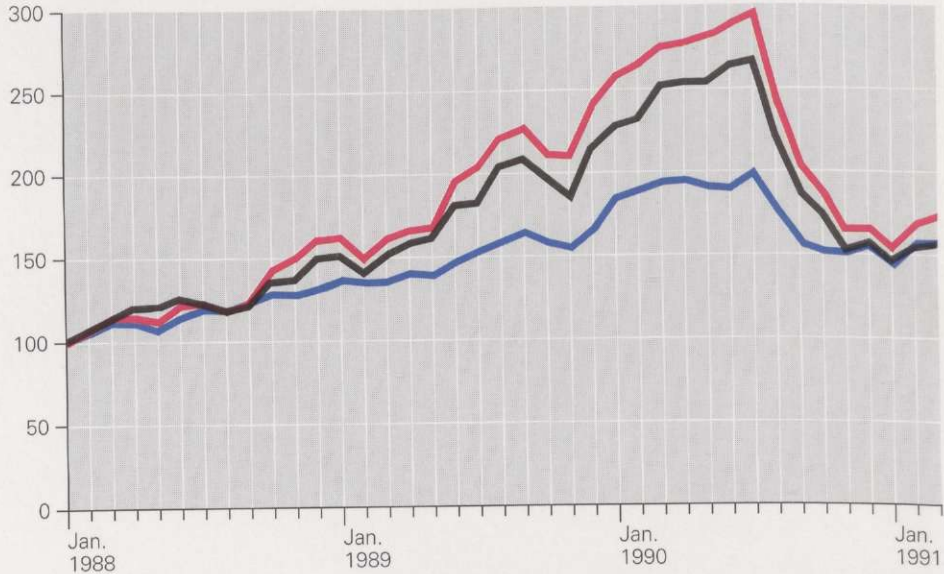
		Volkswagen Group			Volkswagen AG		
		1990	1989	Change %	1990	1989	Change %
Sales	DM million	68,061	65,352	+ 4.1	51,493	48,533	+ 6.1
Vehicle Sales	units	3,030,179	2,940,950	+ 3.0	2,131,787	2,066,189	+ 3.2
Production	units	3,057,598	2,947,569	+ 3.7	1,598,346	1,548,175	+ 3.2
Workforce	average over year	261,038	250,616	+ 4.2	127,062	123,991	+ 2.5
Capital Investments	DM million	5,372	5,606	- 4.2	3,702	4,278	- 13.5
Additions to Leasing and Rental Assets	DM million	4,419	4,069	+ 8.6	-	-	-
Cash Flow	DM million	5,701	5,412	+ 5.3	4,070	3,730	+ 9.1
Depreciation and Write-down	DM million	3,756	3,230	+ 16.3	2,847	2,257	+ 26.1
Depreciation on Leasing and Rental Assets	DM million	2,159	2,088	+ 3.4	-	-	-
Net Earnings	DM million	1,086	1,038	+ 4.6	670	655	+ 2.2
Dividend of Volkswagen AG	DM million				369	336	+ 9.8
of which on							
Ordinary Shares	DM million				297	264	+ 12.5
Preferred Shares	DM million				72	72	-

Unless otherwise stated, quantitative data for Germany refer to what was formerly West Germany.

This version of the Annual Report is a translation from the German original. The German text is authoritative.

**Development of average monthly share prices (Index in %)**

- Volkswagen ordinary shares
- Volkswagen preferred shares
- FAZ Index



Cover pictures: The sporty top-of-range model Polo Coupé G40 with high-performance drive unit, and the practical Polo CL squareback, both from the new Polo family. Quality and reliability in the compact car class.

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## Ordinary Annual Meeting of Stockholders of Volkswagen Aktiengesellschaft

### Agenda

for the Ordinary Annual Meeting of Stockholders of Volkswagen Aktiengesellschaft to be held at 10.00 a.m. on Thursday, July 4, 1991 at the Internationales Congress Centrum in Berlin

1. Presentation of the confirmed financial statements, the consolidated financial statements, the Management Report and the Group Management Report for the year ended December 31, 1990 together with the Report of the Supervisory Board
2. Resolution on appropriation of net earnings available for distribution
3. Ratification of the actions of the Board of Management
4. Ratification of the actions of the Supervisory Board
5. Election to fill a vacancy on the Supervisory Board
6. Resolution on the creation of authorized capital stock for the purpose of issuing shares to employees and the appropriate amendment of the Articles of Association
7. Resolution on modification of the share structure of the capital stock and amendment of the Articles of Association
8. Appointment of auditors for the fiscal year 1991

With respect to item 6 the holders of non-voting preferred shares will decide on the passing of a resolution at a separate meeting to be held at 3.00 p.m. on the same day regarding their approval of the resolutions passed at the Ordinary Annual Meeting of Stockholders.

The full text of the agenda with the proposals for resolutions, together with the invitation to the Ordinary Annual Meeting of Stockholders, is set out in the Bundesanzeiger No. 85 of May 8, 1991 and in the "Condensed Version of the Annual Report 1990" which will be forwarded to stockholders at the beginning of June.

## Separate Meeting of Holders of Preferred Shares of Volkswagen Aktiengesellschaft

### Agenda

for the Separate Meeting of Holders of Preferred Shares of Volkswagen Aktiengesellschaft to be held at 3.00 p.m. on Thursday, July 4, 1991 at the Internationales Congress Centrum in Berlin. The start of this separate meeting of holders of preferred shares may be subject to delay depending on the length of the immediately preceding Ordinary Annual Meeting of Stockholders.

1. Announcement of the resolutions passed by the Ordinary Annual Meeting of Stockholders on July 4, 1991 regarding authorization to create authorized capital stock for the purpose of issuing shares to employees

2. Special resolution by the holders of preferred shares regarding approval of authorization of the Board of Management to create authorized capital stock in accordance with the resolutions passed by the Ordinary Annual Meeting of Stockholders and announced under item 1 of the agenda

The full text of the agenda with the proposals for resolutions, together with the invitation to the Separate Meeting, is set out in the Bundesanzeiger No. 85 of May 8, 1991 and in the "Condensed Version of the Annual Report 1990" which will be forwarded to stockholders at the beginning of June.

## Supervisory Board

Dr. jur. Klaus Liesen (60) Essen Chairman Chairman of the Board of Management of Ruhrgas AG July 2, 1987*)	Jann-Peter Janssen (46) Norden Chairman of Works Council of Volkswagen AG Emden Plant April 9, 1986	Dr. jur. Wolfgang Schieren (63) Munich Chairman of the Board of Management of Allianz Aktiengesellschaft Holding June 30, 1988
Franz Steinkühler (53) Frankfurt Deputy Chairman Chairman of the Metalworkers Union July 2, 1987	Walther Leisler Kiep (65) Frankfurt General partner, Gradmann & Holler from March 3, 1976 to July 1, 1982 and since January 26, 1983	Gerhard Schröder (46) Hanover Minister President of the State of Lower Saxony July 17, 1990
Josef Bauer (51) Ingolstadt Member of the Works Committee of AUDI AG July 2, 1987	Dr. jur. Otto Graf Lambsdorff (64) Düsseldorf President Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (German stockholders' association) July 2, 1987	Dr. rer. pol. Albert Schunk (49) Frankfurt Head of the International Department on the Executive Committee of the Metalworkers Union July 5, 1977
Rolf Diel (68) Düsseldorf Chairman of the Supervisory Board of Dresdner Bank AG June 30, 1988	Klaus-Peter Mander (48) Wolfsburg Deputy Chairman of the Group and Joint Works Council of Volkswagen AG March 25, 1985	Klaus Volkert (48) Wolfsburg Chairman of the Group and Joint Works Council of Volkswagen AG July 2, 1990
Wilhelm Hemer (47) Frankfurt Trade Union Secretary to the Executive Committee of the Metalworkers Union May 3, 1989	Karl Heinrich Mihr (55) Kassel Chairman of Works Council of Volkswagen AG Kassel Plant November 27, 1972	Dr. rer. pol. Ulrich Weiss (54) Frankfurt Member of the Board of Management of Deutsche Bank AG June 30, 1988
Walter Hiller (58) Hanover Minister for Social Affairs of Lower Saxony from April 9, 1986 to June 20, 1990 and since July 17, 1990	Gerhard Mogwitz (57) Hanover Chairman of Works Council of Volkswagen AG Hanover Plant July 5, 1977	Changes on the Supervisory Board:  Birgit Breuel (53) Berlin President of Treuhandanstalt October 10, 1978 to June 20, 1990
Albert Hoffmeister (62) Wolfsburg Senior Executive of Volkswagen AG July 5, 1977	Dr.-Ing. E. h. Günther Saßmannshausen (60) Hanover Member of the Supervisory Board of Preussag AG July 2, 1987	Walter Hirche (50) Potsdam Minister for Economic Affairs, Technology and Small and Medium-Sized Businesses of the State of Brandenburg September 18, 1986 to June 20, 1990
Hans-Günter Hoppe (68) Berlin Former Member of the Berlin Senate July 9, 1974		

## Board of Management of Volkswagen AG

Dr. rer. pol.  
Carl H. Hahn (64)  
Chairman  
(since January 1, 1982)  
Member of the Board of  
Management from May 1,  
1964 to December 31,  
1972

Dr. jur. Peter Frerk (60)  
Legal Matters, Govern-  
ment Relations, Auditing  
and Economics  
December 7, 1971

Daniel Goeudevert (49)  
Chairman of the  
Volkswagen Management  
Body  
January 1, 1991  
(Member of the Board of  
Management of  
Volkswagen AG  
since September 1, 1989)

Dr.-Ing. E. h.  
Günter Hartwich (55)  
Production  
(Group Logistics)  
July 1, 1972

Dr. jur. Martin Posth (47)  
Human Resources  
October 1, 1988  
(Member of the Board of  
Management since  
August 1, 1988)

Dr. rer. pol.  
Werner P. Schmidt (58)  
Overseas Business and  
Sales Strategy  
August 1, 1975

Prof. Dr.-Ing.  
Ulrich Seiffert (50)  
Research and  
Development (Group  
Purchasing Strategy and  
Coordination)  
September 3, 1988

Dieter Ullsperger (45)  
Controlling and Finance  
August 1, 1987

### Group management

Group management is the responsibility of the Board of Management of Volkswagen AG with the participation of the chairmen of the marque management bodies.

\*) This indicates since when the person in question has been a member of the Supervisory Board or the Board of Management, or the period for which the person was a member.

## Marque Management Bodies

Daniel Goeudevert (49)\*  
Chairman of the  
Volkswagen Management  
Body

Dr.-Ing. E. h.  
Günter Hartwich (55)\*  
Production and Logistics

Dr.-Ing.  
Hans-Jürgen Ehmer (49)  
Deputy, Production  
and Logistics

Dr. jur. Martin Posth (47)\*  
Human Resources

Alexander Kowling (51)  
Deputy,  
Human Resources

Prof. Dr.-Ing.  
Ulrich Seiffert (50)\*  
Development

Dr.-Ing.  
Wolfgang Lincke (56)  
Deputy, Development

Hans-Jörg  
Hungerland (49)  
Sales

Johannes-Josef  
Baumhardt (54)  
Controlling and  
Accounting

Werner Svetlik (52)  
Purchasing

Dr. techn. h.c.  
Ferdinand Piëch (53)\*  
Chairman of the Board  
of Management of  
AUDI AG

Dr. phil. Kurt Lauk (44)  
Deputy Chairman  
Finance and Business  
Administration

Andreas Schleef (47)  
Human Resources and  
Social Matters

Gunnar Larsson (48)  
Technical Development

Dr.-Ing. E. h.  
Hermann Stübiger (57)  
Production

Juan Antonio Díaz  
Alvarez (52)\*  
Chairman of the Board  
of Management of  
SEAT, S.A.

Ricardo Ibarreche  
Balda (43)  
Human Resources

Juan José Díaz Ruiz (47)  
Sales

Dr. rer. pol.  
Eberhard Müller (57)  
Finance

Prof. Dr.-Ing.  
Peter Walzer (53)  
Technology and  
Engineering

\*) Member of the Group  
management



1990 Volkswagen Caravelle

The new Caravelle – setting new standards in spaciousness, versatility and elegance.



## Report of the Supervisory Board

The Supervisory Board was kept continuously informed about the situation of the Company, business trends and corporate policy through comprehensive reporting by the Board of Management. Measures requiring the Supervisory Board's prior approval by law or under the Company's Articles of Association were discussed in detail at meetings of the Supervisory Board and its committees. On the basis of the written and oral reporting by the Board of Management the Supervisory Board was able to perform in full its designated function of monitoring the Company's management.

At the Annual Meeting of Stockholders held on July 19, 1990, TREUARBEIT Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover, was appointed auditor for the fiscal year 1990 with 99.86 % of the votes cast. In view of the fact that – as had been the case in the previous year – a stockholder brought an action before the Brunswick Regional Court to have this resolution set aside, the Board of Management, acting in agreement with the Chairman of the Supervisory Board, requested the Wolfsburg District Court to appoint a second auditor. This application was granted and – as in 1989 – Wollert-Elmendorff Deutsche Industrie-Treuhand GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, appointed as a second independent auditor for the fiscal year 1990.

The financial statements for Volkswagen AG and the Group as at December 31, 1990, along with the Management Report for Volkswagen AG and the Group Management Report for the fiscal year 1990 and the accounts, were examined by each of the auditors independently and approved by both without qualification. The Supervisory Board accepts the results of these audits. The Supervisory Board's examination of the financial statements, the Management Report and the proposal regarding appropriation of net earnings available for distribution gave rise to no objections. The Supervisory Board approves the financial statements prepared by the Board of Management, which are thereby confirmed in accordance with § 172 of the German Corporation Act, and approves the proposal put forward by the Board of Management regarding appropriation of net earnings available for distribution.

Frau Birgit Breuel, former Minister of Finance of Lower Saxony, and Herr Walter Hirche, formerly Minister for Economic Affairs, Technology and Transport of Lower Saxony, ceased to be members of the Supervisory Board on June 20, 1990. The Supervisory Board would like to thank Frau Breuel for the valuable contribution which she made to its work over a period of more than twelve years. Through her expert advice and flair for thinking in entrepreneurial terms, she also played a key role in the activities of the executive committee. Thanks are likewise due to Herr Hirche, who had been a member of the Supervisory Board since 1986, for his dedication and constructive participation in the Board's work.

Herr Walter Hiller, formerly Chairman of the Group and Joint Works Council of Volkswagen AG, has ceased to hold office as an employee representative on the Supervisory Board. Following his appointment as Minister for Social Affairs of Lower Saxony, he was delegated by the State of Lower Saxony as a stockholder representative on the Supervisory Board. The other member of the Supervisory Board delegated by the State of Lower Saxony is now its Minister President, Herr Gerhard Schröder, who joined the Board on July 17, 1990.

Herr Klaus Volkert, who in 1990 was elected Chairman of the Group and Joint Works Council of Volkswagen AG, was appointed a member of the Supervisory Board by the Wolfsburg District Court on July 2, 1990 in accordance with §104 of the German Corporation Act.

Dr. Wolfgang Schieren has informed us that he intends to retire from the Supervisory Board of Volkswagen AG at the end of the Annual Meeting of Stockholders on July 4, 1991.

Wolfsburg, April 12, 1991



Dr. Klaus Liesen  
Chairman of the Supervisory Board

**Report of the Board of Management  
Management Report:  
Volkswagen AG and Volkswagen Group  
Economic Trend in the Fiscal Year 1990**

**1990 – the beginning  
of a new era**

1990 was a year which brought many new challenges. The opening of the frontiers between East and West, permitting the free movement of people, ideas and goods, has created the basis for a new European order founded on peace and constructive cooperation, a development whose far-reaching effects will continue to be felt well after the end of the twentieth century. The people of Central Europe have opted for democracy and the market economy. The resultant structural changes and new tasks call for investment on a vast scale and immense efforts on the part of the individuals involved. A new era of cooperation, offering unprecedented opportunities, has begun.

**New market structures  
require strategic  
decisions**

With the automobile markets currently in a state of flux as a result of the worldwide implications of the political and economic developments now being witnessed in Europe, Volkswagen has taken a number of far-reaching decisions with the aim of ensuring that we are ready to meet the demands of the new situation. The adaptation of our corporate strategy to take account of these changed circumstances and the measures implemented with the intention of giving the Group a more flexible structure can be seen as steps in this direction. Our aim is to reinforce the Volkswagen Group's position as a truly international enterprise in order to ensure that we remain competitive in the next century, particularly in the light of the opportunities offered by the Europe of the future. With this end in view, we have undertaken a number of important projects.



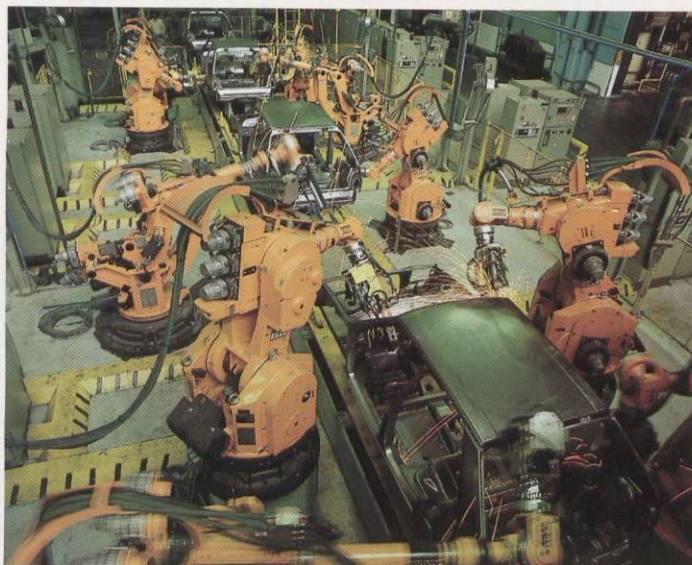
The Corrado – a car which is fun to drive and combines innovative technology with exceptional comfort.

**ŠKODA – the fourth independent marque in the Volkswagen Group**

Our cooperation in Czechoslovakia with the Czech company ŠKODA in Mlada Boleslav will play a particularly important role in paving the way for opening up the new markets in Central and Eastern Europe. ŠKODA, a company with a long history dating back to 1899, will now join Volkswagen, Audi and SEAT as the fourth independent marque in the Volkswagen Group. With operations spanning the globe, the Volkswagen Group is today a truly European manufacturer, characterized by a division of market activities between the individual Group companies.

Our successful acquisition of the Spanish company SEAT in 1986 is an example of the smooth integration of a major European vehicle manufacturer into the Volkswagen Group. There are numerous parallels between SEAT and ŠKODA which indicate that the concept that proved so effective in Barcelona can also be employed in Mlada Boleslav.

ŠKODA can offer all the factors essential for efficient, modern vehicle production in Central Europe. Foremost among these are the company's highly skilled, well-trained workforce and its outstanding engineering flair. In addition, it produces a model – the Favorit – which is also sold on West European markets. The decision taken by the Czech Government in December 1990 to enter into cooperation with the Volkswagen Group and integrate ŠKODA into the interlinked Group set-up will bring immense benefits for both sides and play a key role in furthering Czechoslovakia's economic development.



ŠKODA – modern robot manufacturing in the body shell shop.

**Management Report:  
Volkswagen AG and Volkswagen Group  
Economic Trend in the Fiscal Year 1990**

Capital investments totalling DM 9.5 billion are planned for ŠKODA up to the year 2000. This investment programme will focus on the following measures:

- Increasing of annual production capacity from the present figure of around 180,000 to roughly 390,000 vehicles
- Step-by-step creation of engine production facilities by the mid-nineties
- Further development of the ŠKODA vehicle range
- Expansion of the ŠKODA sales network
- Integration of Czechoslovakia's supplier industry into the Volkswagen Group's interlinked service and supply system.

Just as SEAT's success has played a large part in making the Volkswagen Group the leader on the European automobile market, our cooperation with ŠKODA too is designed to place our European activities on a still broader basis and help consolidate our leading position. We are well aware, however, of the dimensions of the task which we have taken on and the challenges which it involves.

Immediately after the border between East and West Germany was opened on November 9, 1989, Volkswagen took the initiative with a view to realizing a vehicle-manufacturing project in what was formerly East Germany, thereby clearly signposting the way for the future. An important step towards transforming this intention into reality was the establishment of

**Volkswagen –  
the largest private  
investor in the new  
federal states**

The ŠKODA Favorit – a familiar model in Central and Eastern Europe.



VOLKSWAGEN IFA-Pkw GmbH in December 1989 to prepare the ground for vehicle production. Volkswagen was well-placed to realize this project. Since the mid-seventies Volkswagen has each year purchased goods with a total value of around DM 50 million from what was formerly East Germany and since 1988 a plant in Chemnitz has also been supplying engines to the Group's interlinked production system. Of the 231,000 short engines turned out by this plant in 1990, 141,000 were destined for Volkswagen. All in all, the engines, automobile accessories and capital goods purchased from the new federal states in 1990 had a total value of DM 175 million.

Over the years, this cooperation founded on mutual trust has proved to be of immense value and has given Volkswagen a clear lead over its competitors. Excellent cooperation with the authorities and the Treuhandanstalt – the agency responsible for administering and gradually privatizing what were formerly state-owned East German enterprises – also played a major part in enabling us to realize our project so quickly.

The first VW Polo assembled in Mosel near Zwickau came off the production line on May 21, 1990. This plant, which at that time had been only partly completed, was originally intended for production of the Trabant. A total of 2,879 Polos had been produced by the end of 1990 and assembly of Golf models began in February 1991.

The foundation stone for a new vehicle-manufacturing plant in Mosel was laid on September 26, 1990. With capital investments totalling around DM 4.6 billion planned for the years up to 1994, Volkswagen is the largest private investor in the new states.

In order to create as quickly as possible the capacities necessary to meet market demand, two new companies were set up in December 1990. The first of these, Sächsische Automobilbau GmbH, is a subsidiary of the Treuhandanstalt, with Volkswagen holding a 12.5 % minority interest. This company is to carry out assembly of Group vehicles until the new assembly plant has been completed.

The second new company, Volkswagen Sachsen GmbH, is the successor to VOLKSWAGEN IFA-Pkw GmbH and is a wholly-owned subsidiary of Volkswagen AG. It is scheduled to commence vehicle production upon completion of the new plant – designed for an annual output of 250,000 vehicles – in 1994. By the end of 1991, Volkswagen Sachsen GmbH is also to take over the engine plant in Chemnitz, which plays an important role in the overall project.

**Management Report:  
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Since mid-1990, marketing of Volkswagen and Audi vehicles in the new federal states has been handled by a newly established company, AVZ Automobil-Vertriebszentrum Chemnitz GmbH. With over 400 Volkswagen and Audi dealers as well as 180 SEAT dealers, the Volkswagen Group has established a sales network extending throughout the new states, where it has already become the market leader. This testifies to the immense popularity of the Volkswagen Group's entire model range in the whole of Germany.

Volkswagen is backing up its activities in Saxony by promoting the development of an efficient supplier industry. We have already organized two suppliers' conventions attended by VW suppliers and firms from the new states, which have led to contacts and in some cases to joint ventures.

In December 1990, we set up Volkswagen-Bildungsinstitut GmbH, which runs training centres in Zwickau and Chemnitz. In this way Volkswagen AG is actively contributing to enhancing the skills of the workforce in the new states on a scale significantly greater than our own requirements for vehicle production in Mosel. At any given time, around 300 people are participating in the further-training measures. Provision is also to be made for vocational training, with up to 240 places available. The training is given by around fifty Volkswagen staff and external instructors.

Our joint venture with the First Automobile Works (FAW) in China, which was established on February 6, 1991 on the basis of the contracts signed on November 20, 1990 is strategically important for Volkswagen's commitment in eastern Asia. In realizing this project, the Volkswagen Group is taking another step towards achieving a leading position on the Chinese market in

**Establishment  
of Volkswagen-  
Bildungsinstitut GmbH**

**Expansion of our  
activities in China**

The vehicle production plant at Changchun – CKD assembly will start up here before the end of this year.





the long term and establishing a low-cost production location in Asia. The experience gained in the course of Santana production at Shanghai-Volkswagen Automotive Company Ltd. can provide a valuable basis for this new undertaking. The FAW has already proved itself an efficient cooperation partner, producing the Audi 100 under licence. During the first phase of operations, the new joint venture in Changchun will have an annual production capacity of 150,000 VW Golfs and VW Jettas. It is also planned to manufacture engines and gear-boxes for the interlinked supply system in China and for export to Germany.

### **Production of a people-carrier**

Volkswagen's decision to join forces with the Ford Motor Company in Portugal to produce a people-carrier represents yet another strategic step. The purpose of this project is – while keeping costs low and allowing the risks involved to be shared – to enable the participants to open up a market segment which, although it already accounts for 9 % of the US passenger car market, has hitherto played only a minor role in Europe.

### **New management structure for the Volkswagen Group**

Over the past decade the Volkswagen Group's sales have doubled and its annual output has increased from 2.6 to 3.1 million vehicles. Indeed, we are now well on the way to reaching the four million mark. This success is due not least to the cooperation between Volkswagen, Audi and SEAT, soon to be joined by ŠKODA. At the same time the competitive situation has undergone radical changes. New competitors are finding their way onto the international markets, offering low prices and competitive products. What is more, the increasing pace of technical progress and the demands made by society of the automobile are resulting in an ever more varied product range and development of new market segments. The integration of ŠKODA into the Volkswagen Group, and the fundamental changes in the competitive environment now emerging as the Central and Eastern European markets are opened up, are confronting us with new tasks of considerable dimensions. All these developments are taking place against the background of preparations for the single European market destined to become a reality in 1993.

The new challenges now facing us in Europe, and projects such as our joint ventures AUTOLATINA in South America, Shanghai-Volkswagen and FAW-Volkswagen in China or the people-carrier project in Portugal, require continuous adaptation and reformulation of our strategic approaches. This calls for a management structure which is geared to the new realities, interlinked on a worldwide scale and characterized by a clear-cut allocation of responsibilities.

**Management Report:  
Volkswagen AG and Volkswagen Group  
Economic Trend in the Fiscal Year 1990**

The key element of the organizational changes is the separation between Group management and the managements of the individual marques – Volkswagen, Audi, SEAT and in future ŠKODA. Unified direction and strategic orientation of the Group are in the hands of the Board of Management of Volkswagen AG, with the chairmen of the management bodies of the individual marques also playing an integral role. The marque managements are responsible for the operational aspects of the companies' activities. In important regions such as North America and Mexico, the Group's business concerns are coordinated by regional managements, which report to the member of the Volkswagen AG Board of Management responsible for "Overseas Business and Sales Strategy". Activities in the field of financial services come under the "Controlling and Finance" sector.

In its role as management body of the parent company, the Board of Management of Volkswagen AG performs two functions. It is responsible – in accordance with Corporation Law – for Group management and also has responsibility for the Volkswagen marque. Handling of the operational aspects of Volkswagen's business, however, has been delegated to the management body for the Volkswagen marque. The chairman and certain other members of this body perform a dual function in that they are also on the Board of Management of Volkswagen AG. On the management body for the Volkswagen marque they then deal with operational aspects in cooperation with Volkswagen managers responsible for the individual fields of activity.

With this restructuring of Group and marque management, we have created the organizational basis essential to ensure our continuing success. To this end, it is vital that all companies in the worldwide Volkswagen Group should put the Group's interests first and play an equal part in formulating international strategies and guidelines on a basis of mutual understanding.

The international economic situation in 1990 was characterized by diverging regional trends with a slowing-down of economic activity in the USA and much of Europe contrasting with growth increases in Japan and western Germany. A stability-oriented monetary policy significantly curbed economic development in many industrialized countries, a state of affairs which inevitably affected the automobile industry.

Worldwide motor vehicle production was consequently 1.9 % down on the previous year's figure, totalling 48.6 million units. In the USA alone output fell by 10.0 % to 9.8 million. The continuing increase in the US budget deficit had a particularly adverse effect on the country's economy, leading to a decline in demand.

**World automobile  
industry faced with  
declining demand and  
tougher competition**

Economic trends in Europe varied from one country to another. Measures to combat inflation caused economic activity to slow down in Great Britain, Sweden, Spain and Portugal; demand in France and Italy also slackened off in the course of the year. By contrast, the old federal states of Germany continued to experience growth and – to a very large extent – stability. The gross national product of what was formerly West Germany increased in 1990 by 4.5 % in real terms, the highest growth rate recorded since 1976. This development can be ascribed in particular to the boost provided by additional demand from the five new federal states. As a consequence, Germany assumed a principal role in sustaining the European economy as a whole, producing effects extending well beyond Europe itself.

The pent-up demand for motor vehicles which had accumulated over the past forty years in what was formerly East Germany made itself felt for the first time following the introduction of the DM as the official currency in the east, which led to a sharp increase in purchasing power. Around one million additional new and used vehicles were registered in the new states in the second half of 1990. New passenger car registrations in Germany in 1990 totalled 3,040,783, 7.4 % up on the previous year's figure. With a number of Germany's major trading partners experiencing a flagging economy, however, exports fell by 4.6 % in 1990 to 2.8 million vehicles. The high level of domestic demand nevertheless made it possible to achieve a new production record of 5.0 million vehicles (+ 2.6 %) in the former West Germany. A total of 16.2 million vehicles was manufactured in Western Europe as a whole, representing 33 % of worldwide production.

**New production record  
for the Volkswagen  
Group**

Vehicle production (units)	1990	1989	Change %
<b>Worldwide</b>	<b>3,057,598</b>	<b>2,947,569</b>	<b>+ 3.7</b>
Passenger cars	2,882,870	2,790,840	+ 3.3
Commercial vehicles	174,728	156,729	+ 11.5
<b>In Germany</b> (excl. assembly kits for Volkswagen Bruxelles S.A.)	<b>1,815,423</b>	<b>1,783,208</b>	<b>+ 1.8</b>
Volkswagen AG	1,394,045	1,361,965	+ 2.4
AUDI AG	421,378	421,243	0
<b>Abroad</b>	<b>1,242,175</b>	<b>1,164,361</b>	<b>+ 6.7</b>

With a total of 3,057,598 Volkswagen, Audi and SEAT models manufactured worldwide, production was 3.7 % up on the previous year's already high level. Out of this total, Volkswagen AG produced 1,598,346 vehicles (+ 3.2 %), including 204,301 assembly kits for Volks-

**Management Report:  
Volkswagen AG and Volkswagen Group  
Economic Trend in the Fiscal Year 1990**

wagen Bruxelles S.A. Introduction of a third shift at the Wolfsburg parent plant helped to boost average production per working day within the Group by 789 vehicles to a figure of 13,521. Although all available capacity was utilized to the full, the high level of demand for the Group's models resulted in exceptionally large order backlogs on the domestic market and led – despite overtime and extra shifts – to extended delivery times.

Output abroad rose by 6.7 % to 1,242,175 vehicles, above all as a result of increases in production at Volkswagen de Mexico (+ 78.6 %) and SEAT, S.A. (+ 6.6 %). The proportion of total output accounted for by vehicles manufactured abroad thus increased by 1.1 percentage points to 40.6 %.

**Vehicle sales exceed  
three million for the  
first time**

Deliveries to customers	1990	1989	Change %
<b>Worldwide</b>	<b>3,055,536</b>	<b>2,935,305</b>	<b>+ 4.1</b>
<b>Western Europe</b>	<b>2,243,572</b>	<b>2,189,040</b>	<b>+ 2.5</b>
Germany	915,558	853,836	+ 7.2
Italy	313,593	297,756	+ 5.3
France	251,479	242,186	+ 3.8
Spain	220,729	242,672	- 9.0
Great Britain	136,959	151,364	- 9.5

For the first time ever, the Volkswagen Group's vehicle sales topped the three million mark. Volkswagen AG delivered a total of 2,419,258 vehicles to customers, a rise of 4.9 %. Special thanks are due to the worldwide Volkswagen, Audi and SEAT sales organization which, with its 16,000 dealerships and over 250,000 employees, played a major part in this success.

The Volkswagen Group achieved a 15.4 % share of the European market in 1990, thereby consolidating the leading position which it has held for six years in succession.

While sales on the West European export markets were 0.5 % down on the 1989 total at 1,328,014 vehicles, the number of vehicles delivered to customers in Germany by the Volkswagen Group rose by 7.2 % to 915,558. The extent of this increase was limited by the available production capacities.

We were able to achieve sales increases of 5.3 % and 3.8 % respectively in Italy and France, our largest European export markets. Although the Volkswagen Group too was affected by the general decline in the demand for motor vehicles in Spain and Great Britain, we were nevertheless able to improve our position on these markets as well.

Sizable sales increases were also achieved in Mexico (+ 72.4 %) and Japan (+ 6.4 %). By contrast, sales in South Africa were down by 17.5 % and South American sales fell by 3.8 %.

The VW Passat Variant – the ideal all-round vehicle for trips with the family, leisure activities and business travel – was once again the best-selling German estate car in 1990.



**Management Report:  
Volkswagen AG and Volkswagen Group  
Economic Trend in the Fiscal Year 1990**

**Worldwide research  
and development**

In 1990 the Volkswagen Group spent a total of DM 2.5 billion on worldwide research and development work, 8.7 % more than in the previous year. Out of this overall figure, DM 1.4 billion was accounted for by Volkswagen AG (+ 7.7 %). Activities focussed in particular on development of new vehicles, environment-friendly engine concepts and automobile electronics. In the USA, for example, tests are in progress on particularly low-emission engines which can run on any methanol/petrol mixture. Volkswagen is also actively involved in formulating concepts for solving traffic problems, a field in which it is both realizing projects of its own and working together with associates from all over Europe. Worldwide cooperation between the various development departments within the Group has been considerably stepped up. The Volkswagen Group employed a total of 12,390 staff in the research and development sector, 6,777 of them at Volkswagen AG alone.

**Increased volume of  
purchasing**

The high sales level and the trend towards more upmarket vehicle features were the principal factors behind the increase in the Group's volume of purchasing. Excluding sales tax and purchasing by AUTOLATINA, the overall volume amounted to DM 37.9 billion as against DM 31.6 billion in 1989. Purchasing by Volkswagen AG totalled DM 22.2 billion, with DM 16.2 billion accounted for by raw materials and supplies and DM 6.0 billion spent on capital goods and services.

**Over 261,000 Group  
employees**

The average number of employees in the Volkswagen Group rose by 4.2 % in 1990 to 261,038, while the workforce of 127,062 employed by Volkswagen AG was 2.5 % up on the previous year's figure.

The German part of the Group employed a total of 165,711 people, an increase of 3.1 % over the previous year. At 95,327, the workforce at our subsidiaries abroad was 6.1 % up on the 1989 total, primarily on account of the additional staff recruited to meet the needs of expanded production operations at Volkswagen Bruxelles and Volkswagen de Mexico.

**Investments reinforce  
competitive position**

Investments are a means of strengthening the competitive position in the future. The Volkswagen Group's investments remained at a high level in 1990, totalling DM 5,372 million (DM 5,606 million). Tangible and intangible assets accounted for DM 5,201 million, while DM 171 million were invested in financial assets. Group investments in Germany amounted to DM 3,016 million, 32.6 % down on the 1989 total. Investments abroad had an overall value of DM 2,356 million, more than double the corresponding figure for the previous year.

The continuing expansion of leasing and rental business meant that investments in this sector rose by 8.6 % to DM 4,419 million.

Volkswagen AG invested a total of DM 3,702 million, 13.5 % less than in 1989. Investments in tangible assets amounting to DM 2,200 million were devoted above all to renewal of the product range and continued plant modernization measures centring on the vehicle paintshops. In addition, increasing requirements in terms of employee training made it necessary to construct new buildings and implement expansion measures for the training centres at all the plants.

Financial investments related primarily to acquisition of the remaining shares in SEAT, S.A. and a capital increase at this company, as well as to payment of capital contributions in respect of Volkswagen Investments Ltd., Dublin, Volkswagen International Finance N.V., Amsterdam, and Volkswagen Audi Nippon K.K., Tokyo.

#### **International finance activities**

Volkswagen continued its national and international finance-sector activities in 1990.

In October 1990, SEAT, S.A. concluded a loan agreement with the European Investment Bank (EIB) in Luxembourg for the purpose of financing its extensive investment programme. The EIB is also financing the construction of the paintshop at the new Mosel plant of Volkswagen Sachsen GmbH.

The capital stock of Volkswagen AG was increased by a nominal total of DM 150 million to DM 1,650 million in spring 1990, producing an influx of equity resources amounting to DM 1.3 billion. This capital increase was exceptionally well received on both national and international stock exchanges, with the subscription right traded everywhere at a price above the arithmetical value.

At the end of June 1990, the Volkswagen share was admitted to trading on four Spanish stock exchanges. Volkswagen thus became the first foreign industrial company to be granted the relevant authorization by the Spanish stock-exchange supervisory authority. This represents further confirmation of the Volkswagen share's position as an internationally recognized leading stock, which is now listed on 23 stock exchanges in ten countries.

#### **Increase in sales**

The Volkswagen Group's sales rose by 4.1 % in 1990, totalling DM 68.1 billion. This can be attributed to the 3.0 % increase in unit sales – which amounted to 3,030,179 vehicles – accompanied by demand for more upmarket models and features, as well as to the expansion of rental and leasing business. While domestic sales were up by 13.7 % to DM 26.9 billion, foreign sales exhibited a slight drop of 1.3 % and totalled

**Management Report:  
Volkswagen AG and Volkswagen Group  
Economic Trend in the Fiscal Year 1990**

DM 41.2 billion. The proportion of total sales accounted for by foreign markets decreased by 3.4 percentage points, falling to 60.4 %.

As a result of the high level of demand for our models, Volkswagen AG's sales increased by 6.1 % to DM 51.5 billion. Foreign sales made up 54.8 % of the total as against 56.6 % in 1989.

The Volkswagen Group closed the fiscal year 1990 with net earnings of DM 1,086 million. Although it represents a rise of 4.6 % by comparison with the previous year's figure, this result is not of the same quality as that achieved in 1989. Factors contributing to this state of affairs included the tougher competition, the price and product adaptations which this necessitated, the marked worsening of currency parities – particularly with respect to the US dollar – and the difficult economic situation in South America.

Volkswagen AG was able to improve slightly on the previous year's result. Our net earnings of DM 670 (655) million enable us to transfer DM 300 million to free reserves and to propose to the Annual Meeting of Stockholders, as we did last year, the payment of a dividend of DM 11.00 per DM 50 ordinary share. Taking into account the DM 6.19 tax credit per DM 50 ordinary share, eligible holders of ordinary shares will be entitled to a total of DM 17.19. Each preferred share attracts an extra dividend of DM 1.00. Including the DM 6.75 tax credit, holders of preferred shares will receive a total of DM 18.75 per DM 50 share.

The Board of Management proposes that the net earnings available for distribution of Volkswagen AG be appropriated as follows:

Dividend distribution on subscribed capital of DM 1,650 million	369,000,000 DM
of which:	
on ordinary shares	297,000,000 DM
on preferred shares	72,000,000 DM
Balance (carried forward)	4,560,474 DM
Net earnings available for distribution	<u>373,560,474 DM</u>

The Board of Management would like to express its thanks to all employees of the Volkswagen Group, the management bodies at the subsidiaries and all executives in Germany and abroad for their immense efforts and dedication. Thanks are also due to the bodies representing the workforce for their commitment and constructive cooperation.

**Group result up on 1989 figure**

**Same dividend as in 1989**

**Proposal on appropriation of net earnings available for distribution**

**Acknowledgement to employees**

**Management Report:  
Volkswagen AG and Volkswagen Group  
Development in the Current Year and Prospects**

Even though hostilities have now come to an end, it is still impossible to assess with any degree of reliability the effects which the Gulf crisis is likely to have on the world economy in the short and medium term. The burdens on national budgets must be set against the economic stimulation which will accompany reconstruction activities in the Middle East and the improved climate of private consumption. Although the current year will witness a continued slowing-down of economic activity in many Western industrialized nations, there is no likelihood of a global recession.

However, certain recessive tendencies meant that the first quarter of 1991 saw a continuing decline in automobile business in the USA and on major European export markets such as France, Spain and Great Britain. The economic situation in South America was particularly strained during this period.

In Germany, however, demand for motor vehicles remained brisk in the early months of 1991. The large volume of orders on hand – attributable not least to the additional demand for vehicles in the new states – indicates that production capacity utilization will be maintained at a high level in 1991 and that the Volkswagen Group can look forward to a successful year. It is nevertheless possible that demand could be curbed as a result of the difficult economic situation in the new federal states, the tax measures recently passed and the prevailing high interest rates.

The production facility of BAZ in Slovakia is to be expanded into a modern gearbox and assembly plant.





**Management Report:  
Volkswagen AG and Volkswagen Group  
Development in the Current Year and Prospects**

Our Czechoslovakian project started to take concrete shape in spring 1991. Following conclusion of a general agreement on cooperation with ŠKODA in December 1990, the definitive agreement on establishment of a new company, to be known as ŠKODA, automobilová akciová společnost, will shortly be signed by the Czech Republic and Volkswagen AG. Volkswagen AG will take over 31 % of this company's capital stock as of April and it is planned to increase this holding to 70 % by 1995. Irrespective of the size of its interest, Volkswagen will assume management responsibility from the outset and will therefore be including this company in the consolidated financial statements from 1991 onwards.

Volkswagen has also concluded a general agreement with the Slovakian Government concerning cooperation with the Slovakian company Bratislavské Automobilové Závody (BAZ). This agreement, signed on March 12, 1991, envisages annual production of up to 30,000 vehicles along with a daily output of 1,300 gearboxes for the Group's interlinked supply system. Volkswagen AG will be investing around DM 900 million in this project in Bratislava, which can be seen as rounding off our activities in the CSFR. It makes it possible to establish a strategic position for the Volkswagen Group and the products of the Volkswagen marque under very favourable conditions which will have a positive medium and long-term effect. However, both commitments in the CSFR must first get to grips with the problems arising in conjunction with the transition from planned economy to market-economic structures.

Financial services are playing an increasingly important role as a means of sales promotion. The major significance of this sector within the Volkswagen Group is emphasized by the fact that our worldwide financing and leasing activities have an overall volume of around DM 16 billion and account for 25 % of the consolidated balance-sheet total. In order to optimize organizational structures in this field and enable us to cater still more effectively to customers' wishes, Volkswagen has therefore combined all relevant activities under "one roof". To this end, Volkswagen Finanz GmbH was set up in Germany in March 1991 to act as a parent company for the two wholly-owned subsidiaries V.A.G Leasing GmbH and V.A.G Bank GmbH, whose activities were expanded in November 1990 to include operation of a credit card system.

In addition to further improving our market position through innovations in our attractive model range, all our efforts are directed towards enhancing our earning power and ensuring that we are able to hold our own in the face of future competition. A key role in this strategy is played not only by our new projects but also by the measures to develop our activities in the services sector and the changes made in the management structure in order to gear it to new realities. Provided that business in the automobile sector does not experience any drastic slump in the Western industrialized countries, the Volkswagen Group's sales should remain at a high level in 1991. During the first two months of the year, the Volkswagen Group delivered 500,000 vehicles to customers worldwide, 6.7 % up on the total recorded for the corresponding period in 1990.

Wolfsburg, March 12, 1991

The Board of Management

*Felix Frankfurter*

*Herfried Ullrich*

*H. Christmann J. Wulff*

**Report of the Board of Management  
Additional Information about the Fiscal Year  
Finance**

**A solid foundation  
for the future**

Key balance-sheet ratios continued to improve in 1990. The expansion of business boosted the balance-sheet total by 10.3 % to DM 62,713 million, while at the same time the proportion of this total accounted for by stockholders' equity increased by 0.2 percentage points to 26.5 %. The ratio of stockholders' equity and long-term liabilities to fixed assets also rose to stand at 101.8 % as against 101.5 % in 1989.

The Volkswagen Group's cash flow increased by 5.3 % to DM 5,701 million. With capital investments remaining at a high level, it was thus possible to finance 106.1 % out of self-generated funds as against 96.5 % in 1989. This reflects the Group's strong internal financing capacity and provides a sound basis for future investments.

**Structure of the  
consolidated balance  
sheet**

	Dec. 31, 1990		Dec. 31, 1989	
<b>Assets</b>	DM mil.	%	DM mil.	%
Fixed assets	24,339	38.8	22,809	40.1
Inventories	8,703	13.9	7,301	12.8
Receivables	15,065	24.0	14,472	25.5
Liquid funds	14,606	23.3	12,289	21.6
<b>Total assets</b>	<b>62,713</b>	<b>100.0</b>	<b>56,871</b>	<b>100.0</b>

	Dec. 31, 1990		Dec. 31, 1989	
<b>Stockholders' equity and liabilities</b>	DM mil.	%	DM mil.	%
Stockholders' equity	16,588	26.5	14,936	26.3
Long-term liabilities	8,197	13.1	8,226	14.5
Medium-term liabilities	9,427	15.0	9,624	16.9
Short-term liabilities	28,501	45.4	24,085	42.3
<b>Total capital</b>	<b>62,713</b>	<b>100.0</b>	<b>56,871</b>	<b>100.0</b>

**Development of  
short-term liquidity of  
the Volkswagen Group  
(DM million)**

Additions to tangible assets and intangible assets	- 5,201.0	
Additions to financial assets	- 170.6	
Additions to leasing and rental assets	- 4,419.3	
Increase in inventories	- 1,402.2	
Increase in long and medium-term receivables	- 565.3	
<b>Use of funds</b>		<b>- 11,758.4</b>
Net earnings	+ 1,085.9	
Depreciation of fixed assets, write-down of financial assets and disposal of assets minus write-ups	+ 4,010.7	
Depreciation and disposal of leasing and rental assets	+ 4,162.5	
Increase in undetermined liabilities for pensions and similar obligations	+ 630.4	
Decrease in special items with an equity portion and special item for investment subsidies	- 41.8	
Changes in reserves not affecting liquidity	+ 16.3	
<b>Current operations</b>		<b>+ 9,864.0</b>
Dividend payments to stockholders of Volkswagen AG in 1990	- 335.2	
Dividend payments to minorities	- 13.2	
Decrease in long and medium-term liabilities	- 784.0	
Capital increase in 1990 and transfer to reserves	+ 1,322.3	
Decrease in other items	- 383.8	
<b>Financial transactions</b>		<b>- 193.9</b>
<b>Change in liquidity position</b>		<b>- 2,088.3</b>

	Dec. 31, 1990	Dec. 31, 1989	Change
Liquid funds	11,841.9	9,929.2	+ 1,912.7
Securities	2,764.5	2,360.0	+ 404.5
Short-term receivables and financial assets	10,967.9	10,958.1	+ 9.8
Short-term liabilities and undetermined liabilities	28,500.5	24,085.2	+ 4,415.3
<b>Change in financial funds</b>	<b>-2,926.2</b>	<b>- 837.9</b>	<b>- 2,088.3</b>

**Additional Information about the Fiscal Year Finance**

**Added value of Volkswagen AG**

The added value indicates the increase in value generated by an enterprise during a specific period and represents the company's contribution to the gross national product. In 1990 Volkswagen AG's added value increased by 4.0 % to DM 12,346 million. This amount is distributed in compliance with legal and contractual obligations, with 84.6 % going to the workforce, 7.3 % to the State, 2.7 % to creditors, 2.4 % to the Company itself and 3.0 % to stockholders.

**Sources (DM million)**

	1990	1989
Sales	51,493	48,533
plus other income	4,285	3,657
less expenditures	43,432	40,322
<b>Added value</b>	<b>12,346</b>	<b>11,868</b>

The new Audi Coupé S2 – the top model in the Audi Coupé range.



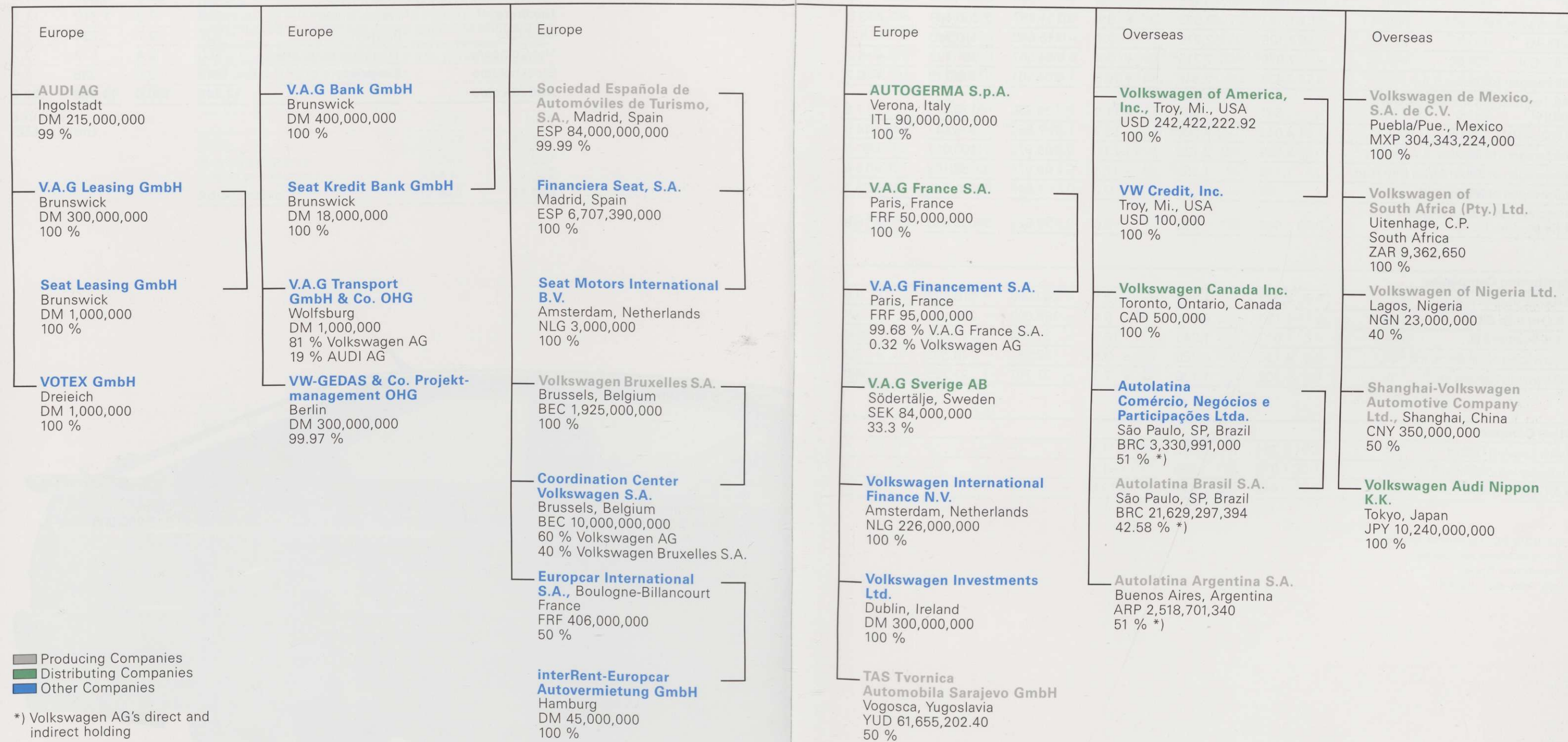
**Distribution (DM million)**

To:	In the form of:	1990	%	1989	%
The Workforce	Wages, salaries, fringe costs	10,434	84.6	9,660	81.4
The State	Taxes, levies	906	7.3	1,319	11.1
Creditors	Interest	337	2.7	234	2.0
The Company	Transfers to reserves	300	2.4	319	2.7
Stockholders	Dividends	369	3.0	336	2.8
<b>Added value</b>		<b>12,346</b>	<b>100.0</b>	<b>11,868</b>	<b>100.0</b>

**Additional Information about the Fiscal Year**  
**The Major Companies within the Volkswagen Group**  
**(December 31, 1990)**

**Volkswagen AG**

Subscribed capital: DM 1,650,000,000 Plant locations: Wolfsburg, Hanover, Kassel, Emden, Salzgitter, Brunswick



Producing Companies  
 Distributing Companies  
 Other Companies

\*) Volkswagen AG's direct and indirect holding

**Additional Information about the Fiscal Year**  
**Salient Figures**  
**of Major Companies**

Producing Companies	Sales			Vehicle Sales		
	DM million 1990	DM million 1989	Change %	Units 1990	Units 1989	Change %
Volkswagen AG	51,493	48,533	+ 6.1	2,131,787	2,066,189	+ 3.2
AUDI AG	12,125	12,215	- 0.7	415,688	419,780	- 1.0
SEAT, S.A.	7,979 <sup>2)</sup>	7,715 <sup>2)</sup>	+ 3.4	584,667	561,122	+ 4.2
Volkswagen Bruxelles S.A.	3,438	2,846	+ 20.8	204,301	186,210	+ 9.7
TAS Tvornica Automobila Sarajevo GmbH	541	484	+ 11.8	39,236	36,472	+ 7.6
AUTOLATINA group <sup>2)</sup>	4,043 <sup>3)</sup>	4,686 <sup>3)</sup>	- 13.7	287,860 <sup>4)</sup>	336,647 <sup>4)</sup>	- 14.5
Volkswagen de Mexico, S.A. de C.V. <sup>2)</sup>	2,629	2,129	+ 23.5	186,972	103,017	+ 81.5
Volkswagen of South Africa (Pty.) Ltd.	1,119	1,355 <sup>2)</sup>	- 17.4	49,074	58,168	- 15.6
Volkswagen of Nigeria Ltd.	49	49	- 0.2	1,946	1,541	+ 26.3
Shanghai-Volkswagen Automotive Company Ltd.	548	596	- 8.0	18,523	15,580	+ 18.9
<b>Distributing Companies</b>						
AUTOGERMA S.p.A.	4,903	4,336	+ 13.1	240,060	218,522	+ 9.9
V.A.G France S.A. <sup>2)</sup>	4,750	4,507	+ 5.4	196,600	204,124	- 3.7
V.A.G Sverige AB	1,013	1,240	- 18.3	31,654	42,742	- 25.9
Volkswagen of America, Inc. <sup>2)</sup>	4,120	4,285	- 3.9	152,986	149,592	+ 2.3
Volkswagen Canada Inc. <sup>2)</sup>	1,208	1,126	+ 7.3	37,707	27,725	+ 36.0
<b>Other Companies</b>						
V.A.G Leasing GmbH	3,304	3,076	+ 7.4	-	-	-
Europcar International S.A. <sup>2)3)</sup>	1,076	1,065	+ 1.1	-	-	-
V.A.G Bank GmbH	442	370	+ 19.5	-	-	-

<sup>1)</sup> Incl. 8,219 (10,012) Porsche models

<sup>2)</sup> And consolidated subsidiaries

<sup>3)</sup> Proportionate figures

<sup>4)</sup> Only Volkswagen models

Production	Capital Investments			Workforce				
	Units 1990	Units 1989	Change %	DM million 1990	DM million 1989	Change %	Dec. 31 1990	Dec. 31 1989
1,598,346	1,548,175	+ 3.2	3,702	4,278	- 13.5	128,680	128,305	+ 0.3
429,597 <sup>1)</sup>	431,255 <sup>1)</sup>	- 0.4	1,012	520	+ 94.9	38,118	36,020	+ 5.8
505,379	474,149	+ 6.6	1,003 <sup>2)</sup>	339 <sup>2)</sup>	x	24,694 <sup>2)</sup>	25,426 <sup>2)</sup>	- 2.9
204,301	186,210	+ 9.7	168	90	+ 87.3	7,321	6,564	+ 11.5
37,411	35,459	+ 5.5	17	6	x	3,471	3,189	+ 8.8
289,887 <sup>4)</sup>	337,421 <sup>4)</sup>	- 14.1	272 <sup>3)</sup>	227 <sup>3)</sup>	+ 19.7	29,585 <sup>3)</sup>	30,987 <sup>3)</sup>	- 4.5
192,587	107,815	+ 78.6	254	159	+ 60.0	20,196	16,985	+ 18.9
50,021	58,766	- 14.9	88	85 <sup>2)</sup>	+ 4.0	8,440	8,523	- 1.0
1,466	1,686	- 13.0	1	0	x	1,284	1,291	- 0.5
18,537	15,688	+ 18.2	44	136	- 67.6	2,994	2,684	+ 11.5
-	-	-	6	4	+ 35.9	431	382	+ 12.8
-	-	-	303	576	- 47.3	1,027	1,007	+ 2.0
-	-	-	252	243	+ 3.9	364	377	- 3.4
-	-	-	481	469	+ 2.6	1,827	1,962	- 6.9
-	-	-	29	29	- 0.1	957	865	+ 10.6
-	-	-	2,909	2,294	+ 26.8	392	367	+ 6.8
-	-	-	632	792	- 20.1	2,282	2,173	+ 5.0
-	-	-	7	23	- 70.4	465	409	+ 13.7

Mosel Plant





**Additional Information about the Fiscal Year  
Producing Companies  
Volkswagen AG**

**VW Golf production  
reaches twelve-million  
mark**

On November 27, 1990 the twelve-millionth Golf left the main factory at Wolfsburg – a clear demonstration of the lasting popularity enjoyed by this model, which sets the standards for the entire vehicle class to which it has given its name. The German automobile magazine "mot – Die Autozeitschrift" awarded it the title "Commonsense Car" in 1990, and it was also voted "Best Car in the World" in its class for the eighth time in succession by the readers of the magazine "auto, motor, sport". The Golf is thus continuing the tradition of success established by the immensely popular and already legendary Beetle, over twenty million of which have been produced and which was voted "Car of the Century" last year in France by motoring journalists from 37 countries.

**New Transporter  
generation  
sets standards**

The Volkswagen tradition has been continued in the commercial vehicle sector as well with the launch of the new Transporter range in September 1990. The new model range met with acclaim and exceptionally great interest from the outset on the part of both customers and the automotive Press. It is notable that all available stocks of the predecessor model had been sold by the time the new Transporter range came onto the market. Production of this model – including the "syncro" version – is therefore being continued at Steyr-Daimler-Puch in Graz, Austria.

The new Transporter and Caravelle models are based on a totally new design and technical concept, incorporating a transverse front engine and front-wheel drive.

The new VW Transporter – economical, safe and reliable.

With a choice of two different wheelbases, three payload classes and a variety of modern, environment-friendly engines, the new Transporter range can offer the right vehicle for every conceivable purpose.

While the commercial vehicle version – available in numerous different forms, from pick-up to delivery van – is designed to meet every possible business requirement, the saloon-like Caravelle model is an ideal family and leisure vehicle offering the enjoyment and advantages of a passenger car.

Its attractive appearance, the comfortable, generously dimensioned interior, high safety standards and an advanced running-gear design ensuring that handling remains largely unaffected by whether or not the vehicle is laden are just a few of the features making this model a trend-setter.



**Additional Information about the Fiscal Year  
Producing Companies  
Volkswagen AG**

The two naturally aspirated diesel engines and two petrol-injection engines – with controlled three-way catalytic converter – available for this model range all exhibit outstanding fuel economy. The combination of low fuel consumption and a low drag coefficient gives the diesel-engined versions with 80-litre safety tank a range of up to 1,200 km.

With the aim of minimizing environmental pollution, Volkswagen uses only asbestos-free brake and clutch linings and for the most part recyclable plastics. What is more, water-based paints cut down the use of solvents and it has been possible to dispense altogether with heavy-metal compounds in top-coat paints.

The trend-setting models making up our new Transporter range offer a combination of practicality and all the many other features desired by our customers. They impressively demonstrate our declared intention to continue making the best vehicles in this market segment.

**Advanced production  
technology strengthens  
competitive position**

Modernization of the production facilities at the Volkswagen plants continued in 1990, calling once again for capital investments on a large scale. New, efficient machines, increased automation and rationalization and improved work processes are all helping to boost productivity and thereby ensure that Volkswagen remains competitive.

Particular attention centred on restructuring of the Hanover plant. Completely new production facilities were commissioned to coincide with the start of mass production of the new Transporter range, making



The new VW Polo Coupé – a chic, sporty design plus an attractive range of engine options featuring Volkswagen's accustomed high quality standards.

our Hanover plant one of the most modern and environment-friendly vehicle production plants in the world. Measures included boosting press-shop productivity, increasing the degree of mechanization in bodyshell production by trebling the use of robots, and introducing advanced process technology in the new paintshop. What is more, automated installation of axles, engines and gearboxes obviates the need for tiring overhead work and thus helps to further reduce the burden on employees.

We have continued to realize our concept of decentralized responsibility at all levels, from the shop floor to plant management. By combining this with appropriate production segmentation, we are able to operate along the lines of "just-in-time" systems. The resultant flexibility in decision-making and the employees' increased willingness to contribute through personal efforts help to improve the cost structure and further enhance quality standards.

### **New approaches to quality assurance**

Volkswagen is breaking new ground in the field of quality assurance. The switch from an inspection system to a system of "planned quality" represents a new approach designed to achieve further improvements by realizing appropriate quality-oriented measures in the course of development, planning, purchasing and actual vehicle production. The related steps essentially involve use of modern methods such as "simultaneous engineering" during the development phase, systematic improvement of production processes, employee training and quality assurance measures in connection with purchasing.

This new concept is intended to improve the high quality standard of Volkswagen products still further and permit more economical quality assurance systems.

This new strategy also includes our suppliers. Volkswagen purchases one-half of the volume of parts required for vehicle construction from domestic and foreign suppliers. The quality of these components determines to a not inconsiderable degree the success of our products. The committed partnership with the suppliers is underlined by the "FORMEL Q" quality prize which was awarded by Volkswagen for the first time in February 1991 to 22 suppliers.

### **Sophisticated technology for the new Polo**

In addition to witnessing the launch of the new Transporter range, 1990 was also the year in which a new VW Polo appeared on the market. Customers can choose between four petrol engines – all incorporating fuel injection and a controlled catalytic converter – and a still more economical diesel engine, which likewise complies with the stringent US emission limits.

## **Additional Information about the Fiscal Year Producing Companies Volkswagen AG**

The smallest Polo engine, which has a cubic capacity of 1.05 litres and features ignition and injection electronics, now offers significantly improved performance, its fuel consumption having been reduced at the same time by 11 % to 6.4 litres per 100 kilometres in the one-third mix.

The most powerful drive-unit option for the new Polo is the 1.3 litre G40 engine delivering 83 kW (113 bhp), which combines good fuel economy with optimum performance in terms of acceleration and speed. Volkswagen engineers have also developed a new 1.4 litre naturally aspirated diesel engine which – in addition to having excellent pulling power – is exceptionally economical and environment-friendly, with fuel consumption of only 5.3 litres per 100 kilometres.

### **A broad spectrum of environmental protection activities**

We at Volkswagen have always attached immense importance to effective environmental protection where both our vehicles and our production technologies are concerned. Indeed, we can justifiably claim to be one of the pioneers in this field, not only in Germany but worldwide. Working on the principle "avoid – reduce – reuse", we have developed a broad spectrum of environmental protection activities including use of water-based paints to cut solvent emissions, recycling of plastics, recovery of materials with the aid of suitable waste collection and sorting techniques, and a pilot project involving a vehicle disassembly plant in Leer, East Friesland, which has provided valuable pointers as regards future recycling possibilities.

Examples of Volkswagen's product-oriented environmental protection measures include our low-emission engines incorporating advanced catalyst technology – among them the very first diesel engine with catalytic converter ever to go into mass production, which won yet another environmental award in 1990 – and the particularly economical Eco-Golf, which has proved highly successful in large-scale road tests. Other independent, trail-blazing projects are the IRVW-Futura research vehicle, the electric vehicle known as the VW Jetta CitySTROMer, the distinctly pro-environmental VW Golf with diesel/electric hybrid drive and the Audi duo drive concept. We are also devoting major efforts to designing new, environment-friendly traffic systems. At the 1990 Hanover Fair, for example, we presented a concept which, by employing an expanded park-and-ride system, is intended to promote integrated use of private and public transport. In recognition of our achievements in the environmental protection sector, Volkswagen was awarded the title "Most Environmentally Aware Manufacturer in 1990" by the British magazine "Autocar & Motor".

**Strategic personnel work has priority**

Our "human capital" plays an even more important role than our technical resources in enabling us to meet the challenges of the future. Personnel work today encompasses strategic personnel planning, modern forms of management and up-to-date training. A procedure for analysing the personnel-related effects of investments – known for short as API – is therefore now being introduced at Volkswagen within the framework of personnel planning. This will enable us to cope effectively with the demands imposed by the rapid technological and organizational changes taking place today.

**International personnel development programme**

The increasingly international orientation of the Volkswagen Group's activities calls for appropriate management training. In 1990 we consequently launched our international staff development programme, with participants from all over the world. This programme promotes the development of suitable, well-qualified employees with management potential by enabling them to spend time working and enhancing their knowledge at Group companies abroad, thereby preparing them for internationally oriented posts within the Volkswagen Group.

**New collective agreement**

In December 1990 the bargaining committees of Volkswagen AG and the Metalworkers Union reached agreement on higher wages and salaries as well as introduction of the 35-hour week. The negotiations, which were accompanied by several short token strikes, yielded a 6 % wage and salary increase effective for twelve months as of November 1, 1990. In addition, the length of the collectively agreed working week is to be reduced to 36 hours as of April 1, 1993, with a further cut to 35 hours effective from October 1, 1995. The collective agreement thus matches those concluded in the metalworking and electrical engineering industries in spring 1990.

**Additional Information about the Fiscal Year  
Producing Companies  
AUDI AG**

**The new Audi 100 –  
now also  
available with V6 engine**

In December 1990 AUDI AG launched the new generation of the Audi 100, an upper-range model which now offers even greater comfort. Its powerful, aerodynamic shape featuring the typical Audi design and its wide-track running gear combine with its extensive range of upmarket equipment features to produce a car with a highly individual and exclusive note. The Audi "procon-ten" safety system is standard in all Audi 100 models, while side panel reinforcements made of high-strength extruded sections and integrated into all four doors help to create a torsionally rigid body and thus further enhance passive safety. The new Audi 100 is now also available with a powerful V6 engine and it was this model that emerged the winner in a comparative test conducted by the magazine "auto, motor, sport". Its excellent handling and exceptionally wide range of sophisticated features, along with the outstanding power development and extremely smooth running exhibited by the highly compact V6 engine, all helped to put it well ahead of its competitors. With an output of 128 kW (174 bhp), the new engine produces an impressively high torque at a low engine speed. Currently five other engines delivering between 60 kW (82 bhp) and 98 kW (133 bhp) are also available.

The new Audi 100 – dynamic,  
powerful and elegant.

**The new Audi  
Coupé S2**

The Audi Coupé S2 launched by AUDI AG in 1990 is a high-performance top-of-the-range model with a sporty note and all the advantages of a comfortable saloon. The striking front end in a design reminiscent of the Audi V8 ensures that the Coupé S2 stands out from other coupé models. The 2.2 litre 20-valve engine delivers 162 kW (220 bhp) and enables the car to accelerate from 0 to 100 km/h in only 6.1 seconds. The tried and tested quattro drive and sports running gear matched to the vehicle's high performance guarantee optimum dynamic behaviour and excellent road holding.

**Ten years of the  
successful quattro  
drive concept**

It was back in 1980 that AUDI AG first presented the concept of permanent four-wheel drive in the Audi quattro. The spectacular rallying successes achieved by this "original quattro" convinced both experts and the general public of this technology's immense advantages



**Additional Information about the Fiscal Year  
Producing Companies  
AUDI AG**

for vehicle handling. Four-wheel drive was available for the entire Audi model range within four years, impressively demonstrating Audi's motto "Vorsprung durch Technik". In 1990 Audi competed for the first time ever in the German Saloon Car Championship. Driving an Audi V8 quattro, Hans-Joachim Stuck notched up seven victories which made him the most successful driver and the winner of the title.

**Continued improvement  
in earnings**

1990 was a successful year for AUDI AG, with a total of 423,309 cars delivered to customers worldwide (+ 0.5 %).

A sustained high level of demand meant that domestic sales rose by 8.7 % to 177,096 vehicles, giving AUDI AG a 5.5 % share of the market compared with 5.6 % in 1989. By contrast, sales on the West European export markets fell by 7.4 % to 189,927. Sales of Audi models in the USA remained at virtually the same level as in 1989 despite a declining automobile market, dropping by 0.8 % to 21,106 vehicles. All in all, foreign sales were down by 4.8 % at a total of 246,213.

At 421,378, the total number of Audis produced in 1990 was almost the same as the 1989 figure. In addition, Audi assembled 8,219 (1989: 10,012) units of the 944 model for Porsche AG at the Neckarsulm plant.

AUDI AG employed a total of 38,118 people at the end of 1990, as against 36,020 at the end of the previous year. This increase in the workforce was occasioned by the large volume of orders on hand and the need to recruit additional staff for production of the new Audi 100.

Unfavourable exchange rates for the dollar, pound and yen meant that sales were slightly down on the 1989 figure, totalling DM 12,125 million.

Despite the additional financial burdens imposed by the model change in the Audi 100 series, net earnings were up from DM 228 million in 1989 to DM 284 million, half of which was transferred to Volkswagen AG under the profit assumption agreement.

**Additional Information about the Fiscal Year  
Producing Companies  
SEAT, S.A.**

**Continuing success  
in 1990 –  
market leader in Spain**

Although a growth rate of 3.5 % in 1990 once again made Spain's economy one of the most dynamic in the European Community, economic-policy measures severely restricted the development of the country's automobile industry, with the result that the overall passenger car market decreased in size by 12.6 % to 1.0 million vehicles.

The SEAT group was able to maintain its leading position on the Spanish market in 1990, accounting for 20.1 % of new passenger car registrations. Our subsidiary delivered a total of 117,752 SEAT models to customers in Spain, 8.8 % fewer than in 1989. Sales of Volkswagen and Audi vehicles in Spain were down by 9.3 %, totalling 102,977.

Exports of SEAT models rose by 13.5 % to 243,043 vehicles. The major markets were Italy with sales totalling 71,884 (– 14.1 %), Germany with 57,673 (+ 139.9 %) and France with 51,421 (+ 19.5 %). Sizable sales increases were also recorded in other European countries.

The SEAT Toledo – the first Group vehicle developed by SEAT.





**Additional Information about the Fiscal Year  
Producing Companies  
SEAT, S.A.**

Output of SEAT models was up by 3.3 % at 361,629 vehicles, while production of VW Polos rose by 15.8 % to 143,750. The total output of 505,379 vehicles represents an increase of 6.6 % over 1989 and made SEAT, S.A. once again the largest motor manufacturer in Spain.

In November 1990 the five-hundred-thousandth Polo produced in Spain was delivered to the VW sales organization. This clearly demonstrates how effectively SEAT has been integrated into the Volkswagen Group's worldwide interlinked supply system.

At the end of 1990, the workforce at SEAT, S.A. totalled 21,592, 9.5 % down on the 1989 figure. Apart from the expiry of limited-term contracts, the principal reason for this decrease was the fact that the workforce employed in Prat (around 1,300 people) is no longer classified as belonging to SEAT, S.A. These employees have been taken over by Gearbox del Prat, S.A., a wholly-owned subsidiary of SEAT, S.A.

As in 1989, SEAT, S.A. returned a positive result.

The production facilities of SEAT at Martorell near Barcelona include, besides the new vehicle plant, a research and development centre and a parts store.



## Additional Information about the Fiscal Year Producing Companies

### **Volkswagen Bruxelles S.A.**

#### **Expanded production range**

In response to increased demand, the production range at Volkswagen Bruxelles S.A. was expanded at the beginning of 1990 to include the VW Passat Variant. Passat models now make up almost 50 % of the company's output. Production capacity was increased to around 1,000 vehicles per working day in the course of the year, with the company switching over in April from two-shift operation to continuous three-shift working.

Output rose by 9.7 % to a total of 204,301 vehicles, comprising 111,446 VW Golfs and 92,855 VW Passats.

The rise in output meant that the workforce was also increased to a total of 7,321 as against 6,564 in 1989.

Volkswagen Bruxelles closed the fiscal year with a profit.

### **TAS Tvoronica Automobila Sarajevo GmbH**

#### **New production record**

Despite the fact that economic conditions in Yugoslavia remained difficult, TAS was able to achieve a new production record in 1990 with output totalling 37,411 vehicles (+ 5.5 %). Of this total, 22,265 vehicles (+ 34.8 %) were destined for export to Volkswagen AG. Unit sales in Yugoslavia fell by 11.8 % to 17,217.

On the basis of the opportunities offered by changes in Corporation Law in Yugoslavia, TAS was transformed into a private limited company, or "GmbH", in 1990.

The company showed a surplus for the year.

### **AUTOLATINA group**

#### **Sales affected by economic situation in South America**

Although the economic reforms implemented in Brazil in 1990 initially led to a considerable drop in the inflation rate, the effects of the Gulf crisis and the related rise in the price of oil boosted inflation once again during the last quarter of the year. The drastic reduction in the volume of money in circulation imposed by the economic-policy measures, coupled with uncertain short-term economic prospects, meant that demand for motor vehicles fell to a low level for a time. Along with strikes at supplier companies, this resulted in frequent production stoppages in the Brazilian automotive industry. The situation on the automobile market initially returned to normal as the year progressed, but the end of 1990 brought another drop in sales.

At the cost of a severe recession, Argentina was able to reduce its inflation rate towards the end of the year by means of stabilizing measures.

## **Additional Information about the Fiscal Year Producing Companies**

Against this background, the AUTOLATINA group's sales fell by 16.3 % to 442,613 vehicles. Of this total, 287,860 were Volkswagen models and 154,753 were Fords.

Sales of Volkswagen passenger cars and light commercials in Brazil rose by 0.7 % to 257,032, enabling us to further consolidate our leading position with a market share of 39.9 % as against 37.5 % in 1989. Volkswagen sales on the truck market up to 22 t totalled 7,238 vehicles, an increase of 10.4 %. Overvaluation of the cruzeiro against the US dollar and a declining US market meant that exports by the Brazilian AUTOLATINA group fell by 54.2 % to 34,337 Volkswagen and Ford models.

The unit sales of Autolatina Argentina S.A. were affected by the overall market slump and decreased by 29.6 % to 25,841 vehicles, a figure which includes 7,620 Volkswagen models.

At 446,294 vehicles, the AUTOLATINA group's output was 15.8 % lower than in 1989. The workforce totalled 58,010, 4.5 % down on the previous year.

While Autolatina in Brazil was able to return a positive result under Brazilian law, application of conservative German accounting principles meant that it showed a loss. The result returned by Autolatina Argentina S.A. was also very negative.

### **Volkswagen de Mexico, S.A. de C.V.**

#### **Sales and lead over competitors substantially increased**

The economic recovery which Mexico has been experiencing since 1988 continued in 1990. Relatively favourable economic conditions, including a 3.2 % increase in the gross national product and a comparatively low inflation rate of 29.9 %, encouraged a generally high level of demand on the Mexican automobile market.

With the overall market in Mexico growing by 23.4 %, the total of 145,705 vehicles – including commercials – sold by Volkswagen de Mexico represented a rise of 72.4 % and meant that our subsidiary was able for the first time ever to become the leader on the overall vehicle market. The extent of this increase was limited by the available production capacity. The company's share of the passenger car market also rose by 10.3 percentage points to 38.4 %, enabling Volkswagen de Mexico to emphatically consolidate its leading position in this sector. A major contribution to this success was made by the VW Beetle, sales of which increased to 84,701. Volkswagen de Mexico also exported 46,122 VW Golfs and VW Jettas to the dollar area, twice as many as in 1989. In stepping up deliveries in this direction, we have started to take account of the planned creation of a free-trade area comprising the USA, Canada and Mexico. In addition to finished vehicles, a sizable proportion of the company's exports comprised components – including 342,000 engines and 141,000 axles – destined for the Group's interlinked production system.

In order to meet the high level of demand, production was increased by 78.6 % to 192,587 vehicles. The company was able to celebrate a notable event in October 1990 with the production of the one-millionth Beetle made in Mexico – bringing the grand total within the Group to 20.9 million Beetles – and its two-millionth vehicle overall. Volkswagen has thus made a major contribution to Mexico's economic development.

While vehicle production and manufacture of components for the interlinked Group system were expanded to a considerable degree, the workforce increased at the same time by only 18.9 % to 20,196, bringing a further improvement in productivity.

Volkswagen de Mexico showed a loss in 1990. This can be ascribed to the continuing existence of certain government price controls on the domestic market, competition-dictated reductions in revenue from vehicle exports to North America and the worsening of currency parities.

**Shanghai-Volkswagen  
Automotive Company  
Ltd.**

**Further increase in  
production**

Output at Shanghai-Volkswagen rose by 18.2 % to 18,537 VW Santanas, enabling the company to retain its position as China's leading passenger car manufacturer. Commissioning of the new press shop, the start of engine production and greater use of locally supplied components all helped to further increase the "local content" of production. The company also started to supply short engines to the Group's worldwide inter-linked production system.

On account of the higher output and greater vertical range of manufacture, the company's workforce was increased by 11.5 % to 2,994.

Shanghai-Volkswagen Automotive Company Ltd. once again showed a surplus.

## Additional Information about the Fiscal Year Producing Companies

### **Volkswagen of South Africa (Pty.) Ltd.**

#### **Output down as a result of production stoppages**

The economic situation in South Africa weakened further in 1990. This also had a negative effect on the motor vehicle market.

Production stoppages at Volkswagen of South Africa – attributable for the most part to factors outside the company itself – and local material procurement problems caused by strikes at supplier companies meant that output fell by 14.9 % to 50,021 vehicles. The resultant shortage of new vehicles and the decline in the overall market caused sales to drop by 17.5 % to 49,128. The workforce at Volkswagen of South Africa totalled 8,440, 1.0 % down on the 1989 figure.

The company returned a negative result in 1990.



The VW Golf Country – an off-road vehicle offering the comfort of a saloon.

## **Additional Information about the Fiscal Year Distributing Companies**

### **AUTOGERMA S.p.A.**

#### **Sales up once again**

After expanding during the first half of 1990, the overall passenger car market in Italy declined sharply in the second half of the year, with the result that new registrations were down on the 1989 total. Despite the general downward trend on the market, AUTOGERMA was able to increase its sales by 12.9 % and delivered a total of 241,709 vehicles to customers. Sales of Volkswagen models amounted to 197,469 vehicles (+ 24.3 %), while Audi sales totalled 44,240 (- 19.9 %). AUTOGERMA increased its share of the market by 1.3 percentage points to 10.1 %.

AUTOGERMA once again returned a profit.

### **V.A.G France S.A.**

#### **1989 sales record broken**

With sales totalling 200,058 vehicles, V.A.G France beat the previous year's already high figure by 0.5 %. Our distributing company further consolidated its leading position among vehicle importers in France, delivering 168,548 Volkswagens (+ 2.5 %) and 31,510 Audi models (- 9.3 %) to customers in 1990. Its share of the passenger car market increased from 7.5 % to 8.2 %.

The company achieved a positive result.

### **V.A.G Sverige AB**

#### **Still the largest vehicle importer in Sweden**

Although a declining motor vehicle market meant that new passenger car registrations in Sweden fell by 25.1 % in 1990 to 230,000, V.A.G Sverige was once again able to maintain its position as the country's largest vehicle importer. With a total of 34,540 vehicles delivered to customers (- 23.2 %), the company's 12.1 % share of the market was virtually the same as that achieved in 1989. A significant role in the company's success was played by the continuing expansion of leasing business.

V.A.G Sverige showed a surplus in 1990.

### **Volkswagen of America, Inc.**

#### **Sales up despite declining overall market**

The situation on the US automobile market remains characterized by declining demand and excess capacities, with competition based to a large extent on prices. Despite large-scale sales promotion campaigns by almost all manufacturers, new passenger car registrations fell by 3.7 % in 1990 to 10.2 million. Volkswagen of America delivered a total of 157,454 Volkswagen and Audi models to customers and thereby increased its sales by 1.6 % in spite of the market's general downward trend.

In October 1990 we sold our former production plant in Westmoreland to the state of Pennsylvania.

The company closed the fiscal year with a positive result under American law.

## Additional Information about the Fiscal Year Distributing Companies

### **Volkswagen Canada Inc.**

#### **Parts production increased**

The Canadian automobile market is likewise the scene of fierce competition. The overall passenger car market decreased in size by 10.4 % in 1990 to 885,000 vehicles.

This general market trend was not reflected in Volkswagen Canada's sales, with the number of vehicles delivered to customers rising by a sizable 21.2 % in 1990 to 35,608. The company's share of the market increased to 4.0 %, making it once again the third largest importer in Canada.

Alongside the production of catalytic converters, the Barrie parts-manufacturing plant in Ontario also stepped up its production of aluminium wheels for the Volkswagen Group's interlinked supply system.

The company made a small profit in 1990.

### **Volkswagen Audi Nippon K.K.**

#### **First direct dealers appointed**

Volkswagen Audi Nippon K.K., set up in October 1989 as an importing and distributing company, appointed its first direct dealers in November 1990.

To back up the activities of Volkswagen Audi Nippon K.K., the financing company VANS Finance Corporation was established in September 1990 as a joint venture with the Tokyo-based firm Nippon Shinpan Co., Ltd., which has a 49 % holding in the new company. Nippon Shinpan Co., Ltd. is the largest non-bank financing institution in Japan and at the same time the country's leading credit card company.

Due to the fact that it has only just commenced business operations, the company closed the fiscal year with a loss.



The Golf GTI G60 – the most powerful version of what has been the best-selling car in Europe for the last eight years.

## **Additional Information about the Fiscal Year Other Companies**

### **V.A.G Bank GmbH**

#### **New marketing strategy**

Already the European market leader when it comes to financial services in the automotive sector, the Volkswagen Group has now entered the hotly-contested credit card market. In November 1990, V.A.G Bank GmbH – formerly V.A.G Kredit Bank GmbH – launched the Volkswagen/Audi credit card system. This is the first time that the two most popular credit cards – EUROCARD/Master Card and VISA – have been offered together in Germany in a single package. The company's VW Bank and Audi Bank branches attend to the card-holders' needs, and financial services are also available through the dealers in the V.A.G Organization. In addition to European V.A.G dealers, over eight million companies throughout the world accept the Volkswagen/Audi credit card system, guaranteeing card-holders a high degree of financial flexibility. Other elements of the attractive financial services package include automobile-related insurance and the "Plus-Minus account", which offers both a revolving credit line and high-interest investment possibilities.

In 1990 vehicle financing once again played a key role in promoting the Volkswagen Group's sales. The number of customer vehicles financed increased by 6.1 % to 304,756 Volkswagens and Audis, enabling V.A.G Bank GmbH to further reinforce its position as the largest institution specializing in vehicle financing in Germany.

The company achieved a positive result in 1990.

### **V.A.G Leasing GmbH**

#### **Fleet exceeds 300,000 vehicles for the first time**

V.A.G Leasing GmbH consolidated its position as the European market leader in 1990. The total number of vehicles leased out by the company rose by 7.2 % and exceeded 300,000 for the first time ever, while sales increased by 7.4 % to DM 3,304 million.

SEAT Leasing GmbH, a wholly-owned subsidiary of V.A.G Leasing GmbH, also considerably expanded its business in 1990.

V.A.G Leasing GmbH returned a profit.



## **Additional Information about the Fiscal Year Other Companies**

### **Europcar International S.A.**

#### **Leading position in Europe maintained**

Europcar International S.A., in which Volkswagen AG and Compagnie Internationale des Wagons-Lits et du Tourisme S.A. each have a 50 % holding, is Europe's leading vehicle rental company, operating through subsidiaries in Germany and eight other countries. Through cooperation agreements with other rental firms, it is also represented in over 120 countries worldwide. In 1990 the Europcar group expanded its rental fleet by 17 % to a total of 55,000 vehicles.

The excellent business trend witnessed in Germany, which can be ascribed not least to the expansion of rental activities to include the new federal states, meant that intèrRent-Europcar Autovermietung GmbH was able to consolidate its leading position on the domestic market.

The Europcar group returned a loss, attributable above all to the negative business trend in Great Britain.

### **V.A.G Transport GmbH & Co. OHG**

#### **Reorganization of transport operations**

V.A.G Transport GmbH & Co. OHG was established on January 1, 1990 for the purpose of reorganizing the Group's transport operations, which had hitherto been handled by various departments of Volkswagen AG, AUDI AG and V.A.G Transport GmbH. Concentration of control responsibility for all transport activities in a single company created the basis for optimizing transport operations. The partners in the new company are Volkswagen AG with an 81 % holding, AUDI AG with 19 % and V.A.G Transport GmbH (no capital contribution) as managing partner.

V.A.G Transport GmbH & Co. OHG recorded sales totalling DM 1,509 million in 1990.

The company made a profit.

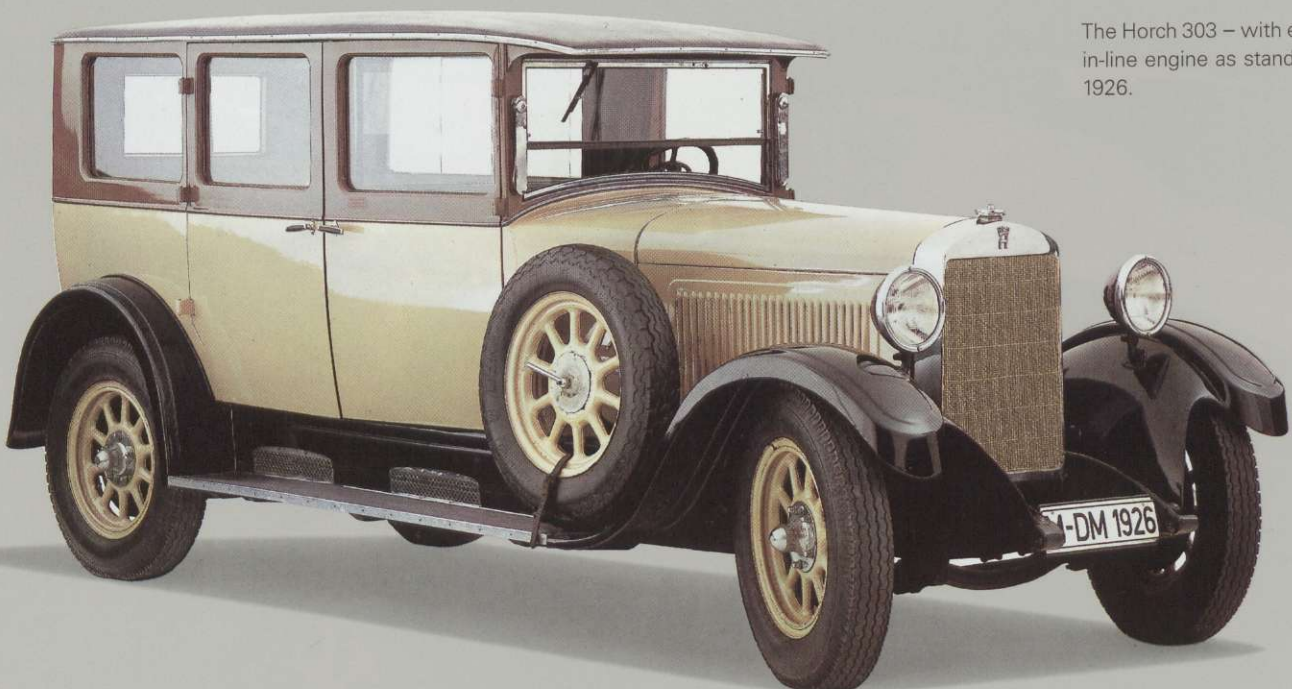


## First motor works in Saxony 1903

Throughout the 20th century Saxony – now one of the new federal German states – has played a major role in the development of the German automobile industry. Some famous automotive pioneers and marques are closely associated with the industry in Saxony, and provide impressive evidence of its long tradition. August Horch (1868–1951) established the first motor vehicle factories as early as 1903 in Reichenbach and in 1904 in Zwickau, followed in 1909 by the Audi factories. These enterprises earned Horch the title of “Father of the motor vehicle industry in Saxony”. Among the automotive pioneers of the day he was regarded as a commercially-minded engineer who not only exerted an influence on the technical design of the motor vehicle but also created an initial industrial structure in the region.

From these beginnings, as the twentieth century progressed companies grew up in Saxony with the innovative power to exert a strong influence on contemporary motor vehicle engineering: Audi, DKW, Elite, Horch, Phänomen, Vomag, Wanderer and many others.

The potential for development in the passenger car sector was particularly impressive. In 1926, the Horch works in Zwickau became one of the first in Germany to manufacture straight-eight engines for their cars, becoming the only German manufacturer in later years to specialise exclusively in this type of engine. In 1933, the company introduced a V8 engine, and between 1932 and 1934 achieved the ultimate in automotive luxury with a V12 engine.



The Horch 303 – with eight-cylinder in-line engine as standard back in 1926.



The Audi Front, Type UW – trend-setting engineering under the skin of a middle-range car.

The Horch company acquired more experience and know-how in producing and selling these large engines than any of its commercial rivals. Success was not long in coming: the Horch engines' long reliable operating life and the outstanding workmanship of the cars' bodies soon made the Horch 8 in particular synonymous with quality. More than 40,000 of this model were built – a figure which no German competitor came anywhere near to equalling.

**1909: August Horch sets up the Audi works in Zwickau**

In 1909, the Audi automobile works established themselves only a stone's throw from Horch in Zwickau. Here too, the philosophy, ideas and thinking of August Horch were to be felt for decades: "My aim was always to build only large, high-quality cars from first-class materials". The great automotive industry pioneer's maxim could be clearly seen to apply to almost every Audi model. Nor was this the only significant feature of the brand image. On the contrary, Horch urged his designers to remember that matching competitors' achievements was one thing; what mattered was to be ahead of them. Many people built large, satisfactory cars, he would say, but by no means all of them were capable of meeting really high technical standards. The Audi designers saw this indeed as their foremost task. In 1921, for instance, their company pioneered the introduction of left-hand-drive cars in Germany; in 1923 it launched the first Audi six-cylinder model, which was also one of Germany's first production cars to use efficiently filtered air for its combustion mixture. The very same Audi 6-cylinder model, the Type M, was also one of the first German cars to have hydraulic four-wheel brakes. The company designed its own brakes, which were among the first in Germany to use the hydraulic principle.



Contemporary advertising poster

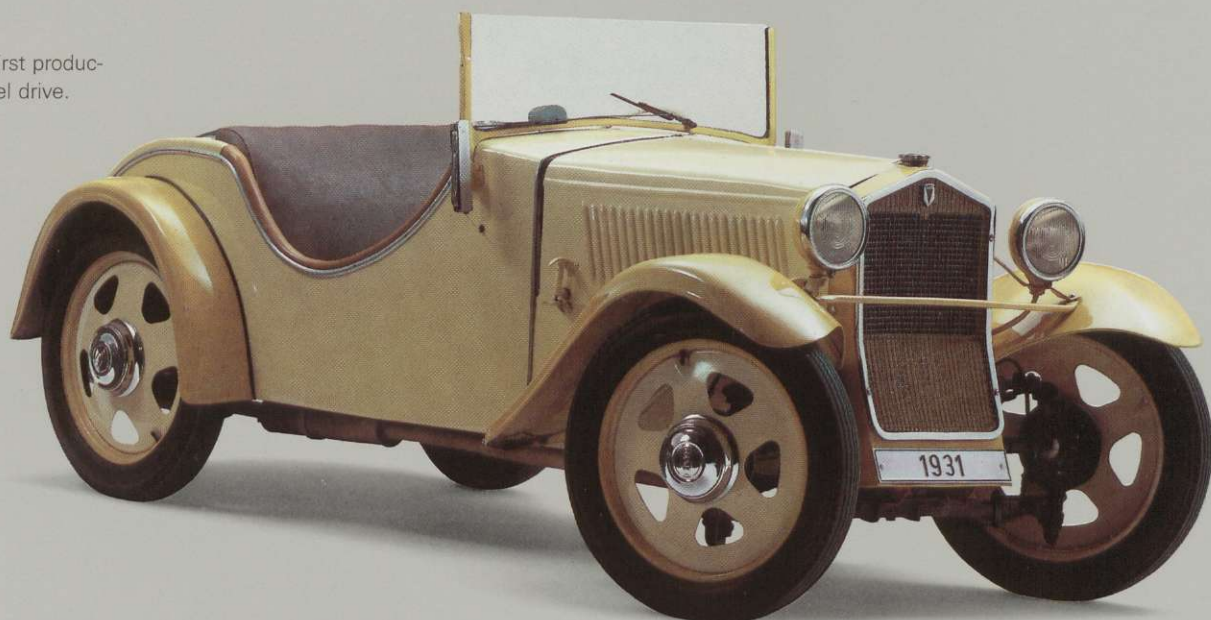


The DKW F 8 set new standards in mass production.

Last but not least, the Audi name will always be closely associated with the development of front-wheel drive for passenger cars. Launched in 1933, the Audi Front was renewed evidence of how actively the designers in Zwickau pursued their policy of "Vorsprung durch Technik" (which means having the edge on the competition in engineering terms): as well as front-wheel drive it had a central box-type chassis frame and independent suspension – advanced engineering features concealed under the skin of a typical family car of the time.

Audi's engineers developed their front-wheel drive originally for a much smaller car, but after the DKW motorcycle company became part of Audi at the end of the nineteen-twenties, it was adopted for the DKW Front; which appeared in 1931. Conceived against the backdrop of the world economic crisis, this model represented an attempt to rescue the automobile industry by offering smaller models for sale. It was developed in the incredibly short time of 36 working days – again, evidence of the immense creativity to be found within Saxony's automobile industry at the time.

The DKW Front – the first production car with front-wheel drive.





DKW E 200 Luxus, made in 1930

**DKW Front – up to 1939  
Germany's top-selling  
small car**

As models F 1 to F 8, 275,000 of these cars had been built by 1939, making it not only Germany's top-selling small car, but also one which established new standards. For the first time, front-wheel drive and a transverse engine had been featured in a car intended for volume production by modern industrial methods. Today, now that this drive train layout has been adopted for two-thirds of all passenger cars, it seems appropriate to recall this pioneering achievement from Saxony, which can be said to have led directly to the worldwide standard set by the VW Golf.

The DKW marque – the German public interpreted these initials in its own language to mean "The Little Wonder" – appeared in 1921, when motorcycles of this make were first produced in the town of Zschopau, in the Erz Mountains. By 1928, the largest motorcycle factory in the world was located there, and the Saxons were market leaders in Germany, with every third motorcycle a DKW.

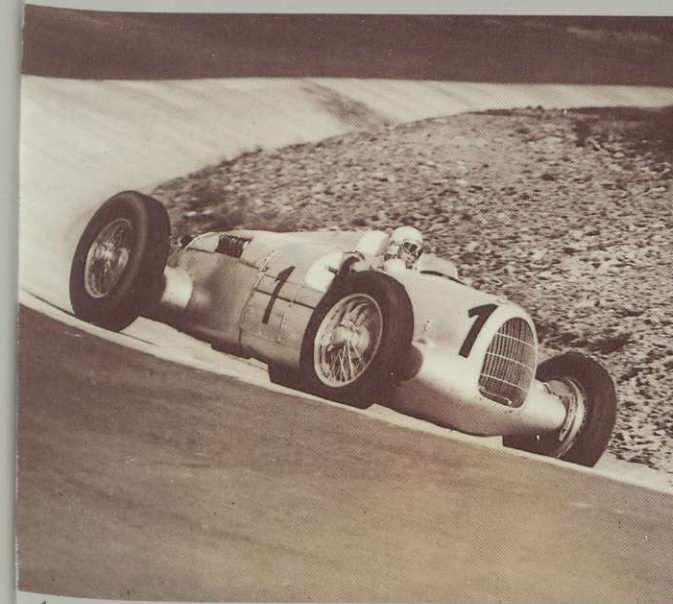
DKW's triumphal progress was a tribute both to the marque's engineering and to its management. At an early stage, the company recognised that sales successes needed to be carefully planned. It set up a widespread network of authorised dealers and not only gave them regular technical and commercial training but also invited them to attend large-scale dealer congresses each year. Purchasing concessions, generous loans and assistance in financing the credit-purchase transactions which DKW pioneered in Germany all meant greater security and better chances of survival in difficult times for the company's dealers, who tended to be craftsmen rather than business people. In terms of registration figures DKW became Germany's second-largest motor manufacturer within only a few years.



Wanderer W 23 Cabriolet, made in 1938



As a consequence of the worldwide depression, the surviving makes in Saxony – Audi, DKW, Horch and Wanderer – together with the DKW motorcycle works in Zschopau, amalgamated to form the Auto Union. Their joint activities were symbolised by a new company emblem, the four rings, which have long since become known all over the world. The Auto Union had its headquarters in Chemnitz, a traditional automobile industry centre associated with such names as Moll, Presto and Wanderer. The new industrial conglomerate was to have precisely seven years at its disposal before the outbreak of war – the period in which mass motoring reached Germany. The resulting explosion in demand meant that the ordering of new cars on a one-off basis had to give way to the most careful preparations, undertaken well in advance, for their manufacture in large numbers. This naturally led to new development and experimental methods being adopted. Not for nothing was the DKW F 8 one of the first German automobiles of which a genuine batch of prototypes and even a preproduction run were built. Once again, the Saxons led the way, and their sales successes proved them correct: in 1938, more than 25 percent of the new cars registered in Germany originated from the state with the white and green colours in its flag – and bore the four-ring marque emblem. Spectacular racing successes also contributed to Auto Union's fame. The racing cars designed by Ferdinand Porsche and Eberan von Eberhorst won 38 international events and set up numerous world records. Many of their advanced technologies found their way into standard production cars.



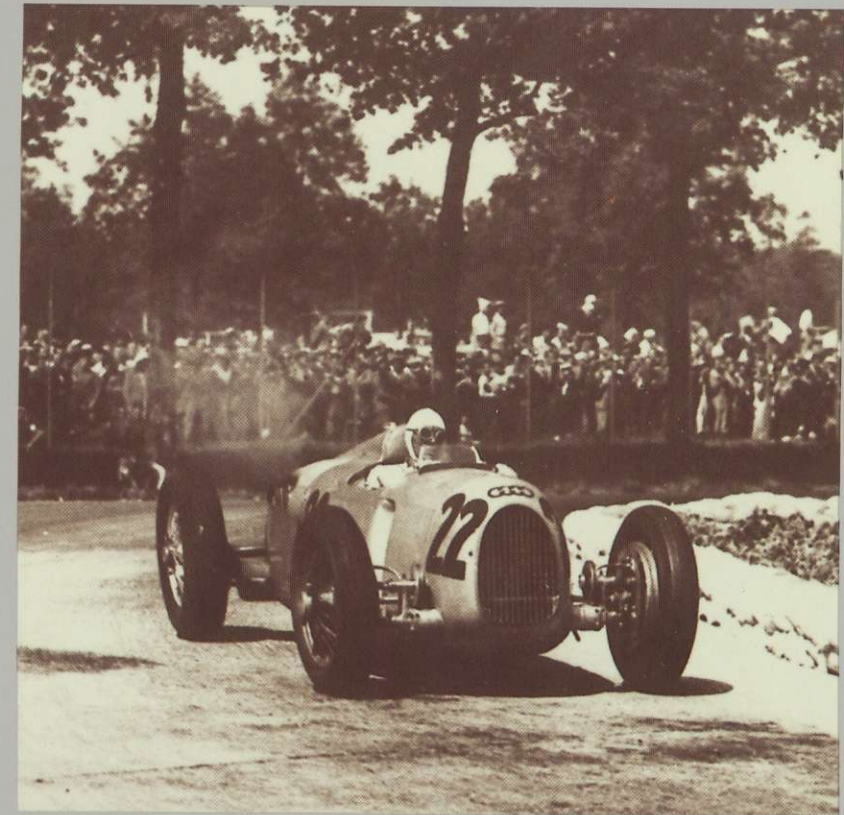
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2



3



4



5

- 1 Nürburgring – Eifel Race, 1937
- 2 Nürburgring – German Grand Prix, 1936
- 3 Hanover – Eilenriede Race, 1937
- 4 Monza – Italian Grand Prix, 1935
- 5 Hanover – Eilenriede Race, 1937

## Production in a planned economy

The war put an abrupt stop to this flourishing pattern of development. The production facilities were largely dismantled after 1945, and it was not until 1949/50 that used machine tools were allocated to the various factories and motor vehicle production gradually recommenced.

The first post-war vehicles to appear were identical to those being made at the outbreak of war, and even bore the same model designations. This new start was very similar to the situation which applied in Germany's western zones of occupation: everywhere, the models taken out of production when hostilities commenced were dusted off and revived.

In East Germany, however, the dismantling of the factories and the absence of suitable component suppliers were both very severe handicaps. Electrical equipment, injection pumps, steering gear, propeller shafts, gearboxes, ball bearings and many other items had formerly been obtained from companies now located to the west of the demarcation line. Saxony's automobile manufacturers found themselves obliged to improvise, and immense efforts were made to build up new sources of supply.

In the late nineteen-fifties, the pre-war models were steadily superseded by a second design generation. This too confirmed that the creative powers of the region's automobile engineers had lost little of their brilliance. Old traditions began to be revived, for instance the P 240 Sachsenring, which bore the Horch emblem on its radiator, luggage compartment and wheel covers and was conceived as a luxury model with a six-cylinder spark-ignition engine developing 80 hp. Sheet steel was always in short supply at this time, and in the early fifties the Zwickau company therefore developed a body made of thermoplastic material for the DKW F 8 chassis. Launched in 1955 as



The P 240 Sachsenring was produced in small numbers up to the end of the fifties.





The P 50 Trabant – a familiar sight in East Germany for over thirty years.

the P 70, it was the first German vehicle sold for general use to have a plastic body. The P 70 was the forerunner of the P 50 Trabant, which went into production three years later; it was a small car design with transverse two-stroke twin-cylinder engine, derived from the concept which was so successful in the 1930's. Originally intended only as a provisional model until a "proper" car could be developed, the Trabant was to survive far longer than anyone had anticipated.

#### **1984: Licence agreement with Volkswagen**

From the 1960's onwards, the automobile industry in the German Democratic Republic stagnated completely, as did output levels. The outcome was that even the "Trabi", to give the Trabant its nickname, had a waiting list which eventually grew to be more than 13 years in length. The individual automobile manufacturing plants were given very little scope for independent decision-taking in the GDR's increasingly centralised economic structure, either in the technical or in the commercial areas. A sign of better times ahead for the entire industry was the licence agreement concluded with Volkswagen in 1984 for the manufacture of 1.1 l and 1.3 l VW engines as power units for projected new models. Unfortunately, this new departure was effectively quashed by the country's political leaders, who issued instructions for the new engines to be installed in the existing models. Even the investment needed to build these engines was far more than the planned socialist economy could handle as the threat of national bankruptcy became increasingly acute.



**October 3rd, 1990:  
German unity  
re-established**

Restrictions on individual creativity and refusal to permit the individual to express opinions of his own were typical symptoms of the situation prevailing in this part of Germany. They were to culminate in the peaceful revolution which led in only a few months to German reunification on October 3rd, 1990. This series of events has changed the face of Germany as a nation, enlarged the European Community and affected the whole world. Scenes recalled from this short but epoch-making period are hard to forget. In less than a year, two opposing worlds combined to create a new Germany with a future full of promise.

The market economy practised in the West is the target of all the hopes expressed by people in Germany's new federal states. These people need our help in the form of investment, the creation of secure jobs and the building up of a new infrastructure, so that they can attain the standard of living to which we have grown accustomed.

Volkswagen has accepted this challenge and took the decision at an early stage to cooperate actively in building up an efficient automobile industry on the territory of the former GDR. Shortly after the wall between the two halves of Germany was breached on November 9th, 1989, the company announced plans for a series of joint projects. These were able to draw on experience gained from the joint engine production venture in Chemnitz, the agreement for which was signed in 1984.

**Assembly of the first  
VW Polo at Mosel near  
Zwickau**

Developments during 1990 confirm the sheer speed and determination with which the automobile industry in Saxony is also changing. Two events which took place in Mosel near Zwickau on the same day, May 21st, 1990, bear this out.

Two cars of historic significance left the assembly lines almost simultaneously: the three-millionth Trabant and the first VW Polo to be assembled in Mosel. Past and future were visible together on this notable occasion.



**Laying the foundation stone of the new Mosel plant**

Only four months later, on September 26th, 1990, Federal German Chancellor Dr. Helmut Kohl and VW's chairman Dr. Carl H. Hahn laid the foundation stone for a new plant in Mosel. From 1994 onwards it is to produce up to 250,000 Golf cars annually. This ushers in a new phase in the history of the automotive industry in Saxony.

The resulting production capacity will be needed to satisfy the demand which the new federal German states are expected to generate. The market for passenger cars in this region is expected to reach about 550,000 per year by 1995, and to rise further by the year 2000 to at least 700,000 new cars annually.





The Volkswagen Group already heads the sales figures in eastern Germany. This is a sure indication of the appeal exerted by our models in this part of Germany too, where demand is currently so high that there is insufficient production capacity to satisfy it.

In parallel with our joint production activities, work has started on building up a sales and service organization for the Volkswagen, Audi and SEAT marques which will cover the entire territory of the new German states, and also on establishing an efficient supplier industry. More than 40 companies in the new German states will be supplying parts and materials for the joint product – a partnership based on mutual trust and economic benefit. Altogether, Volkswagen's commitment will directly and indirectly create at least 35,000 new jobs.



**Structural change  
demands new training  
measures**

At the same time, the radical change in the economic structure of eastern Germany imposes new demands in terms of personnel training. Satisfying these demands also calls for suitable facilities to be set up. Here again, Volkswagen is providing active assistance. It has established the Volkswagen Bildungsinstitut in Zwickau, which began its teaching work in September 1990 and is already able to offer training measures which easily exceed those required for the company's own activities.



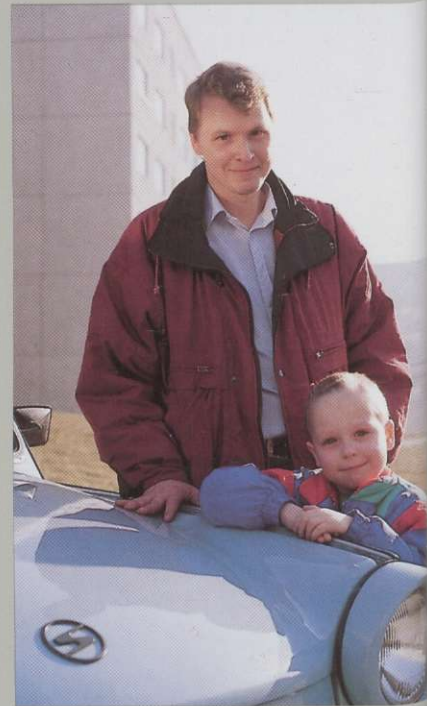
Volkswagen's workforce in Saxony is noted for dedication to the task and a high level of motivation. These employees have familiarised themselves very rapidly with previously unknown work processes. Offers of instruction and further training are taken up actively and with great interest.

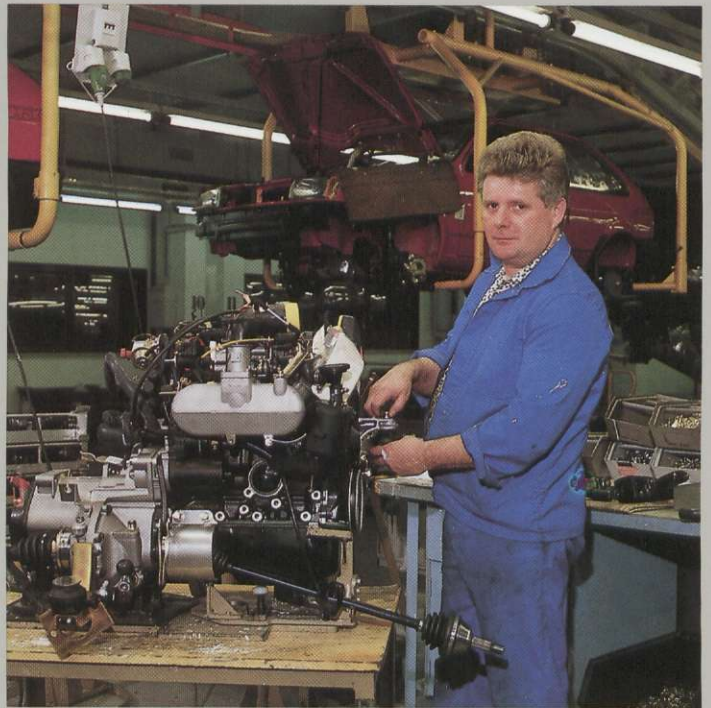
Throughout the world, the Volkswagen name stands for an innovative, pro-environmental model policy, for functional efficiency, economical use of fuel and an



acceptable price/benefit relation. All these attributes can be summed up in one term: quality. Quality is derived from the individual efforts of many thousands of people. They are our capital. By offering all the opportunities and prospects associated with a multinational group of companies to our employees in Zwickau and Chemnitz, indeed to every member of the big family which makes up the Volkswagen Group including those about to join us from ŠKODA as it becomes our new fourth marque, we believe that we render ourselves more attractive and establish the creative climate which is essential for success when faced with the level of competition we encounter today.

In this way Saxony will once again supply internationally competitive vehicles of a high technical and qualitative standard, forging fresh links with the great traditions of the past.





Consolidated Balance Sheet of the Volkswagen Group  
December 31, 1990 – DM million –

	Note	Dec. 31, 1990	Dec. 31, 1989
<b>Assets</b>			
<b>Fixed assets</b>	(1)		
Intangible assets		260.7	134.1
Tangible assets		16,825.9	15,492.7
Financial assets		1,418.3	1,621.2
Leasing and rental assets		5,833.5	5,561.6
		<b>24,338.4</b>	<b>22,809.6</b>
<b>Current assets</b>			
Inventories	(2)	8,703.1	7,300.9
Receivables and other assets	(3)	14,724.9	14,155.1
Securities	(4)	2,764.5	2,360.0
Cash on hand, deposits at German Federal Bank and postal giro balances, cash in banks		11,841.9	9,929.2
		<b>38,034.4</b>	<b>33,745.2</b>
<b>Prepaid and deferred charges</b>	(5)	<b>339.9</b>	<b>316.6</b>
<b>Balance-sheet total</b>		<b>62,712.7</b>	<b>56,871.4</b>
<b>Stockholders' equity and liabilities</b>			
<b>Stockholders' equity</b>			
Subscribed capital of Volkswagen AG	(6)	1,650.0	1,500.0
Ordinary shares	1,350.0		
Non-voting preferred shares	300.0		
Potential capital	497.5		
Capital reserve	(7)	4,192.3	3,020.0
Revenue reserves	(8)	7,298.5	6,647.3
Net earnings available for distribution		373.5	338.5
Minority interest in consolidated subsidiaries		177.8	493.0
		<b>13,692.1</b>	<b>11,998.8</b>
<b>Special items with an equity portion</b>	(9)	<b>2,882.3</b>	<b>2,925.3</b>
<b>Special item for investment subsidies</b>	(10)	<b>13.2</b>	<b>12.0</b>
<b>Undetermined liabilities</b>	(11)	<b>19,790.9</b>	<b>19,107.4</b>
<b>Liabilities</b>	(12)	<b>25,808.6</b>	<b>22,318.1</b>
<b>Deferred income</b>		<b>525.6</b>	<b>509.8</b>
<b>Balance-sheet total</b>		<b>62,712.7</b>	<b>56,871.4</b>

Consolidated Statement of Earnings of the Volkswagen Group  
for the year ended December 31, 1990

	Note	1990 DM million	1989 DM million
<b>Sales</b>	(13)	<b>68,061.1</b>	<b>65,352.2</b>
Cost of sales		61,890.4	56,195.7
<b>Gross profit</b>		<b>+ 6,170.7</b>	<b>+ 9,156.5</b>
Selling and distribution expenses		5,294.8	5,202.6
General administration expenses		2,012.7	1,948.8
Other operating income	(14)	5,182.2	3,732.3
Other operating expenses	(15)	2,567.3	3,523.9
Results from participations	(16)	+ 36.0	- 130.4
Interest results	(17)	+ 1,161.6	+ 998.5
Write-down of financial assets and securities classified as current assets		284.0	94.8
<b>Results from ordinary business activities</b>		<b>+ 2,391.7</b>	<b>+ 2,986.8</b>
Taxes on income		1,305.8	1,948.7
<b>Net earnings</b>	(18)	<b>1,085.9</b>	<b>1,038.1</b>



**Balance Sheet of Volkswagen AG  
December 31, 1990 – DM million –**

	Note	Dec. 31, 1990	Dec. 31, 1989
<b>Assets</b>			
<b>Fixed assets</b>	(1)		
Intangible assets		50.5	44.9
Tangible assets		8,542.3	8,721.2
Financial assets		7,065.2	6,104.8
		<b>15,658.0</b>	<b>14,870.9</b>
<b>Current assets</b>			
Inventories	(2)	3,882.2	3,129.1
Receivables and other assets	(3)	5,419.1	5,057.6
Securities	(4)	1,860.6	1,035.3
Cash on hand, deposits at German Federal Bank and postal giro balances, cash in banks		8,176.3	5,493.3
		<b>19,338.2</b>	<b>14,715.3</b>
<b>Prepaid and deferred charges</b>	(5)	<b>138.8</b>	<b>154.7</b>
<b>Balance-sheet total</b>		<b>35,135.0</b>	<b>29,740.9</b>
<b>Stockholders' equity and liabilities</b>			
<b>Stockholders' equity</b>			
Subscribed capital	(6)	1,650.0	1,500.0
Ordinary shares	1,350.0		
Non-voting preferred shares	300.0		
Potential capital	497.5		
Capital reserve	(7)	4,192.3	3,020.0
Revenue reserves	(8)	3,388.4	3,088.6
Net earnings available for distribution		373.5	338.5
		<b>9,604.2</b>	<b>7,947.1</b>
<b>Special items with an equity portion</b>	(9)	<b>2,604.5</b>	<b>2,665.4</b>
<b>Undetermined liabilities</b>	(11)	<b>14,108.5</b>	<b>13,307.1</b>
<b>Liabilities</b>	(12)	<b>8,817.8</b>	<b>5,821.3</b>
<b>Balance-sheet total</b>		<b>35,135.0</b>	<b>29,740.9</b>

**Statement of Earnings of Volkswagen AG  
for the year ended December 31, 1990**

	Note	1990 DM million	1989 DM million
<b>Sales</b>	(13)	<b>51,493.5</b>	<b>48,532.7</b>
Cost of sales		49,104.8	44,539.2
<b>Gross profit</b>		<b>+ 2,388.7</b>	<b>+ 3,993.5</b>
Selling and distribution expenses		2,544.1	2,807.5
General administration expenses		803.9	779.4
Other operating income	(14)	2,728.0	1,926.0
Other operating expenses	(15)	1,620.9	2,039.6
Results from participations	(16)	+ 1,175.0	+ 1,126.9
Interest results	(17)	+ 563.7	+ 449.8
Write-down of financial assets and securities classified as current assets		518.5	80.1
<b>Results from ordinary business activities</b>		<b>+ 1,368.0</b>	<b>+ 1,789.6</b>
Taxes on income		698.0	1,134.3
<b>Net earnings</b>	(18)	<b>670.0</b>	<b>655.3</b>

**Notes on the Financial Statements of the  
Volkswagen Group and Volkswagen AG for the  
Fiscal Year ended Dec. 31, 1990**

**Financial statements  
in accordance with  
commercial law**

The financial statements of the Volkswagen Group and Volkswagen AG have been prepared in accordance with the provisions of the German Commercial Code, with due regard to the provisions of the Corporation Act.

In order to improve clarity, we have combined certain individual items in the balance sheet and the statement of earnings. These items are shown separately in the notes on the financial statements. In the interest of improved international comparabi-

lity, the statements of earnings have been prepared according to the cost of sales method.

All figures for the Volkswagen Group and Volkswagen AG are given in DM million.

**Scope of consolidation**

The fully consolidated Group companies comprise all companies in which Volkswagen AG has a direct or indirect interest of over 50 % and which are under unified direction. Apart from Volkswagen AG, this involves 23 German Group companies and 52 foreign Group companies.

Eleven companies were included in the consolidated financial statements as fully consolidated subsidiaries for the first time in the year under report. Thirteen subsidiaries which had hitherto been fully consolidated have ceased to be consolidated companies; five of these are now included in the consolidated financial statements on the basis of the proportionate net worth.

Four German and twelve foreign subsidiaries were not consolidated. These companies do not conduct any business and/or it is not intended to maintain a permanent interest in them.

The AUTOLATINA companies and Europcar International S.A., Boulogne-Billancourt, which are run as joint ventures, are included in the consolidated financial statements, along with their subsidiaries, on a pro rata basis in accordance with the percentage holding of Volkswagen AG. Altogether, this involves 36 companies consolidated on a pro rata basis.

28 German and 18 foreign companies in which participations are held and on which Volkswagen AG or another Group company exerts a significant influence are included in the consolidated financial statements as associated companies on the basis of the proportionate net worth (equity method).

An overview of the major fully consolidated Group companies, joint ventures, associated companies and other companies in which participations are held is given on pages 30 and 31. A list detailing all interests held by the Volkswagen Group and Volkswagen AG is deposited in the Wolfsburg register of companies under HRB 215. It can also be obtained direct from Volkswagen AG\*).

\*) The full address is given on the last page of this Annual Report.

## Consolidation principles

The assets and liabilities of the German and foreign companies included in the consolidated financial statements are shown in accordance with the uniform accounting and valuation methods used within the Volkswagen Group. In the case of the associated companies, their own figures are used as the basis for determining the proportionate stockholders' equity, except in cases where the figures for foreign Group companies have to be adjusted to bring them into line with German accounting regulations.

Capital consolidation for the companies included in the consolidated financial

statements for the first time and determination of figures for associated companies are carried out on the basis of the revaluation method. The companies of the AUTO-LATINA and Europcar groups are included in the consolidated financial statements pro rata in accordance with the provisions to be applied for full consolidation.

Goodwill arising from the acquisition of shares in consolidated and associated companies is set off against the revenue reserves.

Receivables, liabilities, expenses and income arising between individual consolidated companies are eliminated. Group inventories and fixed assets are adjusted to eliminate intra-Group profits and losses.

Consolidation operations affecting results are subject to apportionment of deferred taxes. Deferred tax liabilities in connection with consolidation operations are set off against the assets-side balance of deferred taxes from the individual companies' financial statements, although these last-mentioned deferred taxes are not shown in the balance sheets.

## Translation of currencies

For the purpose of the consolidated financial statements, additions to tangible assets in the individual financial statements of foreign companies and the amounts brought forward in respect of companies consolidated for the first time are translated at the average rates for the months of acquisition. Depreciation and disposals are translated at middle rates weighted in line with the monthly additions (historical rates).

With the exception of loans, financial assets are translated at the rates applying on the date of acquisition and are carried forward on this basis. Loans are translated at the middle rate for the balance-sheet date.

In countries with high inflation, the raw materials and supplies, work in

progress, finished goods and merchandise shown under inventories are translated into DM at historical rates.

The other assets and liabilities are translated at the middle rate for the balance-sheet date.

The change in currency translation differences which results from the exchange rate development in the current year is treated as having an effect on the result.

Average monthly rates are used for the most part in the statement of earnings. However, write-downs of financial assets are taken over on a historical basis. The depreciation of tangible assets which is included in cost of sales, selling and distribution expenses and general administration expenses is likewise

translated at historical rates. The net earnings/losses of foreign subsidiaries are determined by translating the relevant amounts in local currency at the rate applying on the balance-sheet date, taking into account the balance-sheet currency translation with an effect on results.

The inventory consumption incorporated in cost of sales in the financial statements of companies in countries with high inflation is included in the consolidated statement of earnings in the form of historical values. The inflation-related components of interest expenses and interest income have been combined with the exchange rate differences and translation differences under "Other operating expenses" and "Other operating income".

## Accounting and valuation principles

In the individual financial statements of Volkswagen AG, transactions in foreign currencies are valued at the rate applying on the day on which they were effected or at the

rate agreed. Anticipated exchange losses at the balance-sheet date are taken into account in valuation. Where receivables are matched by liabilities in the same

amount and with the same maturity, both are translated at the same rate. Participations are stated on the basis of the rate applying at the time they were acquired.

The accounting and valuation methods used in the previous year have been retained.

**Intangible assets** are shown at acquisition cost and depreciated pro rata temporis.

**Tangible assets** are valued at acquisition or manufacturing cost minus depreciation. Investment subsidies are deducted or depreciated. 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.

The regular depreciation is based on the following useful lives:

Buildings 25–50 years

Technical buildings and site utilities 8–20 years

Production machinery 6–8 years

Power generators 14 years

Factory and office equipment 4–8 years

Special tools, jigs and fixtures are amortized using unit rates based on expected production quantities.

On the basis of the opportunities offered by tax law, Group companies in Germany charge regular depreciation on tangible assets pro rata temporis using the declining-balance method with a scheduled changeover to the straight-line method at a later date, in each case taking account of the number of shifts run. As a result of a change in the law, the straight-line method was applied for the first time in the year under report to assets on which special border-area depreciation is charged. Group companies abroad are continuing to use the straight-line method. Application of the different depreciation methods takes account, among other things, of the differing decreases in value resulting from technical progress. In the financial statements of Volkswagen AG, depreciation on additions during the first half of the year is charged at the full annual rate and depreciation on additions during the second half of the year is charged at half

the annual rate, on the basis of the provisions for simplification contained in tax law.

Low-value assets are fully depreciated and deleted from the accounts in the year of acquisition.

Differences between the values required under commercial law and those permitted under tax law are shown under the special items with an equity portion. The value of the tangible assets is thus increased by an amount corresponding to this total.

**Holdings in affiliated companies and participations** are shown at acquisition cost or the lower applicable value.

**Long-term financial investments** are shown at acquisition cost or, in the event of a probably permanent reduction in value, at the applicable lower value.

**Loans** are stated at cash value.

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

For German Group companies, possible deductions from the value of imported goods as provided for in § 80 of the Income Tax Directive are allocated to the special items with an equity portion.

In addition to direct materials, the values given for work in progress and finished goods also comprise direct labour, material overheads and production overheads including depreciation and commensurate administration expenses. In the case of German companies, only the manufacturing cost to be stated in accordance with tax-law provisions is taken into account.

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

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

Securities classified as current assets are stated at acquisition cost or at the lower applicable value on the balance-sheet date, unless lower values are permissible in order to prevent future value fluctuations.

**Undetermined liabilities for pensions and similar obligations** are based on actuarial computation and the going-value method for German companies, taking an interest rate of 6 %, and on comparable principles for foreign companies.

Provision is made for discernible risks and uncertain liabilities by way of adequate allocations to **undetermined liabilities**.

**Liabilities** are shown at the amount at which they must be repaid or the amount required for fulfilment of the obligation in question.

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

In the statements of earnings prepared according to the cost of sales method, 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.

**Selling and distribution** expenses 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.

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

**Other taxes** are allocated to the individual functional areas.

**(1) Fixed assets**

A breakdown of the fixed-asset items condensed in the balance sheets and their development during the year under report can be found on pages 80 to 83.

The book value of the Group fixed assets, total-

Intangible assets	
Tangible assets	
Leasing and rental assets	

ling DM 24,338.4 million, comprises intangible, tangible, financial and leasing and rental assets.

The book value of the fixed assets of Volkswagen AG on balance-sheet date was DM 15,658.0 million.

<b>Volkswagen Group</b>	
	DM million
	212.2*)**)
	4,988.8**)
	4,419.3

This figure comprises intangible, tangible and financial assets.

Additions to intangible and tangible assets and additions to leasing and rental assets were as follows:

<b>Volkswagen AG</b>	
	DM million
	29.7
	2,170.6
	-

\*) Incl. goodwill arising from acquisition of additional shares in subsidiaries and acquisition of a company

\*\*\*) Incl. amounts brought forward in respect of companies consolidated for the first time

Depreciation for the fiscal year was as follows:

Intangible assets	
Tangible assets	
Leasing and rental assets	

<b>Volkswagen Group</b>	
	DM million
	38.5
	3,459.8
	2,158.5

<b>Volkswagen AG</b>	
	DM million
	25.6
	2,314.4
	-

In addition to two other newly established companies, the following companies became fully consolidated Group companies in the last fiscal year:

V.A.G Transport GmbH & Co. OHG, Seat U.K., Ltd. Four dealer companies in the SEAT group have likewise been fully consolidated following commen-

cement of business operations. V.A.G Vertriebszentrum Westfalen GmbH & Co. KG, which was previously an associated company, the company acting as general partner in the

aforementioned enterprise and VOLKSWAGEN IFA-Pkw GmbH, in which Volkswagen AG had previously held part of the capital stock, have been fully consolidated following acquisition of all shares in these companies. VOLKSWAGEN IFA-Pkw GmbH was renamed Volkswagen Sachsen GmbH with effect from February 26, 1991.

VW Wohnungsbau Gemeinnützige Gesellschaft mbH has been absorbed by VW Siedlungsgesellschaft mbH, which has now been renamed VW Wohnungs GmbH. Two SEAT dealerships in Spain have likewise been merged. Ten companies have ceased to be fully consolidated on account of their minor significance. One American company has been liquidated.

Volkswagen do Brasil S.A. – run as a joint venture – has been renamed Autolatina Brasil S.A. and has absorbed the operating assets of Ford Brasil S.A.

The group of associated companies now additionally includes five newly established or newly acquired companies.

The long-term financial investments with a total value of DM 661.8 million consist almost exclusively of long-term investments in special security funds.

The Volkswagen Group's "Other loans" relate above all to loans to employees and loans by our American subsidiary which arose from the sale of plant and equipment.

**Development of Fixed Assets of the Volkswagen Group  
(DM million)**

	Acquisition or manufac- turing cost Jan. 1, 1990	Amounts brought forward <sup>1)</sup>
<b>Intangible Assets<sup>2)</sup></b>		
Concessions, industrial and similar rights (e.g. patents) and licences in such rights	95.5	0.1
Payments on account	75.9	-
	<b>171.4</b>	<b>0.1</b>
<b>Tangible Assets</b>		
Land, land rights and buildings incl. buildings on land owned by others	12,581.8	0.1
Technical equipment and machinery	17,021.5	-
Other equipment and factory and office equipment	13,192.6	4.3
Payments on account and construction in progress	2,175.0	-
	<b>44,970.9</b>	<b>4.4</b>
<b>Financial Assets</b>		
Holdings in affiliated companies	10.2	-
Loans to affiliated companies	1.3	-
Holdings in associated companies	228.7	0.2
Participations	662.1	-
Loans to associated companies and companies linked through participation	7.0	-
Long-term financial investments	657.1	-
Other loans	998.3	-
Other financial assets	55.9	-
	<b>2,620.6</b>	<b>0.2</b>
	<b>47,762.9</b>	<b>4.7</b>
<b>Leasing and Rental Assets</b>		
	<b>8,728.0</b>	<b>-</b>

<sup>1)</sup> Amounts brought forward in respect of companies consolidated for the first time.

<sup>2)</sup> Acquired goodwill has been set off against the revenue reserves.

<sup>3)</sup> Including exchange rate differences in the amount of DM 84.3 million.

<sup>4)</sup> Including exchange rate differences in the amount of DM -49.6 million.

Additions	Transfers	Disposals	Acquisition or manufac- turing cost Dec. 31, 1990	Accumu- lated depre- ciation	Write-ups (current year)	Book- values Dec. 31, 1990	Deprecia- tion (current year)
46.8	6.9	20.9	128.4	54.9	-	73.5	38.5
112.8	- 1.2	0.3	187.2	-	-	187.2	-
<b>159.6</b>	<b>5.7</b>	<b>21.2</b>	<b>315.6</b>	<b>54.9</b>	<b>-</b>	<b>260.7</b>	<b>38.5</b>
474.0	191.8	547.9	12,699.8	6,502.0	-	6,197.8	549.5
901.5	618.0	422.5	18,118.5	14,250.4	-	3,868.1	1,490.5
1,454.8	426.9	400.4	14,678.2	10,904.4	-	3,773.8	1,418.8
2,154.1	- 1,259.2	65.3	3,004.6	18.4	-	2,986.2	1.0
<b>4,984.4</b>	<b>- 22.5</b>	<b>1,436.1</b>	<b>48,501.1</b>	<b>31,675.2</b>	<b>-</b>	<b>16,825.9</b>	<b>3,459.8</b>
4.9	-	5.0	10.1	0.9	-	9.2	-
-	-	0.2	1.1	-	-	1.1	-
39.7	-	6.6	262.0	24.9	-	237.1	0.5
6.1	-	0.3	667.9	563.5	-	104.4	96.1
-	-	0.2	6.8	6.0	0.1	0.9	1.4
23.4	0.2	0	680.7	18.9	-	661.8	13.3
78.1	0.9	147.2 <sup>3)</sup>	930.1	553.6 <sup>4)</sup>	9.6	386.1	134.5
18.2	- 1.1	20.9	52.1	34.4	-	17.7	12.2
<b>170.4</b>	<b>-</b>	<b>180.4</b>	<b>2,610.8</b>	<b>1,202.2</b>	<b>9.7</b>	<b>1,418.3</b>	<b>258.0</b>
<b>5,314.4</b>	<b>- 16.8</b>	<b>1,637.7</b>	<b>51,427.5</b>	<b>32,932.3</b>	<b>9.7</b>	<b>18,504.9</b>	<b>3,756.3</b>
<b>4,419.3</b>	<b>16.8</b>	<b>4,125.4</b>	<b>9,038.7</b>	<b>3,205.2</b>	<b>-</b>	<b>5,833.5</b>	<b>2,158.5</b>
						<b>24,338.4</b>	



**Development of Fixed Assets of Volkswagen AG  
(DM million)**

	Acquisition or manufac- turing cost Jan. 1, 1990	Additions
<b>Intangible Assets</b>		
Concessions, industrial and similar rights (e.g. patents) and licences in such rights	70.2	29.7
Payments on account	0.7	-
	<b>70.9</b>	<b>29.7</b>
<b>Tangible Assets</b>		
Land, land rights and buildings incl. buildings on land owned by others	5,998.5	177.3
Technical equipment and machinery	10,630.8	473.1
Other equipment and factory and office equipment	8,161.5	839.4
Payments on account and construction in progress	1,389.6	680.8
	<b>26,180.4</b>	<b>2,170.6</b>
<b>Financial Assets</b>		
Holdings in affiliated companies	7,170.9	1,458.4
Loans to affiliated companies	343.2	0
Participations	1,016.5	5.1
Loans to companies linked through participation	6.8	-
Long-term financial investments	200.0	-
Other loans	238.9	38.6
	<b>8,976.3</b>	<b>1,502.1</b>
<b>Total Fixed Assets</b>	<b>35,227.6</b>	<b>3,702.4</b>

Transfers	Disposals	Acquisition or manufac- turing cost Dec. 31, 1990	Accumu- lated depre- ciation	Write-ups (current year)	Book- values Dec. 31, 1990	Deprecia- tion (current year)
2.3	16.6	85.6	35.1	-	50.5	25.6
- 0.7	-	-	-	-	-	-
<b>1.6</b>	<b>16.6</b>	<b>85.6</b>	<b>35.1</b>	<b>-</b>	<b>50.5</b>	<b>25.6</b>
132.9	59.0	6,249.7	3,582.2	-	2,667.5	272.0
378.8	325.7	11,157.0	9,092.6	-	2,064.4	1,062.4
221.4	178.7	9,043.6	6,543.9	-	2,499.7	980.0
- 734.7	25.0	1,310.7	-	-	1,310.7	-
<b>- 1.6</b>	<b>588.4</b>	<b>27,761.0</b>	<b>19,218.7</b>	<b>-</b>	<b>8,542.3</b>	<b>2,314.4</b>
2.3	-	8,631.6	2,702.6	-	5,929.0	400.1
-	35.3	307.9	1.7	0	306.2	0
- 2.3	0.1	1,019.2	587.7	-	431.5	96.1
-	0.2	6.6	5.9	0.1	0.8	1.4
-	-	200.0	-	-	200.0	-
-	32.5	245.0	55.9	8.6	197.7	9.8
<b>-</b>	<b>68.1</b>	<b>10,410.3</b>	<b>3,353.8</b>	<b>8.7</b>	<b>7,065.2</b>	<b>507.4</b>
<b>-</b>	<b>673.1</b>	<b>38,256.9</b>	<b>22,607.6</b>	<b>8.7</b>	<b>15,658.0</b>	<b>2,847.4</b>

Notes on the Balance Sheet

(2) Inventories

	Volkswagen Group		Volkswagen AG	
	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million
Raw materials and supplies	2,160.4	1,947.6	881.6	729.7
Work in progress	2,241.0	1,923.9	1,455.0	1,221.7
Finished goods and merchandise	4,280.9	3,402.7	1,461.9	1,148.9
Advance payments	20.8	26.7	83.7	28.8
	<b>8,703.1</b>	<b>7,300.9</b>	<b>3,882.2</b>	<b>3,129.1</b>

(3) Receivables and other assets

	Volkswagen Group		Volkswagen AG	
	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million
Trade receivables	2,571.2	2,914.5	771.9	640.3
– of which amounts due in more than one year	( 1.8)	( 4.0)	( 0.2)	( 1.0)
Receivables from affiliated companies	2.2	0.2	3,000.0	2,925.5
– of which trade receivables	( –)	( 0.2)	( 287.7)	( 589.4)
– of which amounts due in more than one year	( –)	( –)	( 651.1)	(1,026.1)
Receivables from companies in which participations are held	362.1	445.8	156.8	214.4
– of which trade receivables	( 97.5)	( 141.1)	( 77.1)	( 105.6)
– of which amounts due in more than one year	( –)	( –)	( –)	( –)
Other current assets	11,789.4	10,794.6	1,490.4	1,277.4
– of which amounts due in more than one year	(3,883.9)	(3,295.3)	( 490.2)	( 531.6)
	<b>14,724.9</b>	<b>14,155.1</b>	<b>5,419.1</b>	<b>5,057.6</b>

Significant items under the Group's "Other current assets" are the receivables relating to the business activities of our leasing and finance companies.

The "Receivables from affiliated companies" shown by Volkswagen AG include medium-term loans. Roughly three-quarters of the "Other current assets" relate to amounts

which do not come into being in law until after the balance-sheet date, such as interest claims as well as cost and tax refunds not yet due.

(4) Securities

	Volkswagen Group		Volkswagen AG	
	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million
Treasury stock	5.2	5.4	5.2	5.4
Other securities	2,759.3	2,354.6	1,855.4	1,029.9
	<b>2,764.5</b>	<b>2,360.0</b>	<b>1,860.6</b>	<b>1,035.3</b>

Treasury stock was acquired in 1971 in connection with a conversion offer to Audi stockholders on the occasion of a capital increase. The average price was DM 190.04 per share. Volkswagen AG holds treasury stock in the form of 76,470 shares with a nominal value of DM 3,823,500; this cor-

responds to 0.2 % of the capital stock. Treasury stock decreased on account of the fact that the subscription right was split off in connection with the capital increase effected in 1990.

The reserve required by law for treasury stock exists in the amount of

the relevant balance-sheet value. It has been adjusted to take account of the change in the holding of treasury stock.

The "Other securities" shown for the Volkswagen Group relate primarily to short-term money market papers held by various Group companies.

(5) Prepaid and deferred charges

This item comprises for the most part those amounts not yet dissolved and charged to interest expenses in respect of

the contra items to the transfers to the capital reserve made in connection with the issue of warrants with low-interest

bonds. The amounts in question are DM 197.1 million for the Volkswagen Group and DM 137.0 million for Volkswagen AG.

(6) Subscribed capital

Following the capital increase effected in 1990 – utilizing part of the existing authorized capital stock – through the issue of ordinary shares with a total value of DM 150 million, the subscribed capital now amounts to DM 1,650 million. The subscribed capital is composed of 6 million bearer shares with nominal value of 100 DM, 15 million bearer shares with nominal value of 50 DM and 6 million non-voting preferred shares with nominal value of 50 DM. In addition, there is an authorized capital stock – following partial utilization of the original

sum in connection with the capital increase effected in 1990 – of DM 150 million expiring on June 30, 1994 and a further authorized capital stock of DM 150 million expiring on June 30, 1995.

A potential capital stock of DM 97.5 million can be utilized in full by the holders of the 192,000 warrants attaching to the option bonds issued in 1986. A further potential capital stock of DM 200 million can be utilized up to a total of DM 193.5 million by the holders of the 944,000 warrants attaching to the option bonds

issued in 1988. In addition, capital stock has been raised conditionally by DM 200 million through the issuing of up to 4,000,000 bearer ordinary shares and/or bearer preferred shares with nominal value of 50 DM each. The potential capital increase will be effected only to the extent that the holders of the convertible and option bonds to be issued up to July 13, 1994 in a total amount of up to DM 800 million exercise the conversion and option rights attaching to these bonds.

Notes on the Balance Sheet

(7) Capital reserve

	Volkswagen Group		Volkswagen AG	
	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million
	<b>4,192.3</b>	<b>3,020.0</b>	<b>4,192.3</b>	<b>3,020.0</b>

The capital reserve was increased by DM 1,172.3 million through transfer of the premium on the subscribed capital.

It consists of the premium of DM 3,763.0 million on the capital increases and

the premium of DM 429.3 million on the issue of option bonds.

(8) Revenue reserves

	Volkswagen Group		Volkswagen AG	
	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million
Legal reserve	60.0	60.0	60.0	60.0
Reserve for treasury stock	5.2	5.4	5.2	5.4
Other revenue reserves	7,233.3	6,581.9	3,323.2	3,023.2
	<b>7,298.5</b>	<b>6,647.3</b>	<b>3,388.4</b>	<b>3,088.6</b>

A total of DM 300 million was transferred from the net earnings of Volkswagen AG to "Other revenue reserves" in accordance with § 58 subsection 2 of

the German Corporation Act.

The goodwill of DM 54.7 million deriving from acquisition of additional

shares in three subsidiaries and acquisition of a company has been set off against "Other revenue reserves".

(9) Special items with an equity portion

	Volkswagen Group		Volkswagen AG	
	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million
Reserves for tax purposes	157.7	165.6	93.3	120.3
Depreciation for tax purposes	2,724.6	2,759.7	2,511.2	2,545.1
	<b>2,882.3</b>	<b>2,925.3</b>	<b>2,604.5</b>	<b>2,665.4</b>

Volkswagen AG has reserves in accordance with § 52 subsection 8 of the Income Tax Act, § 1 of the Developing Countries Tax Act and § 6b of the Income Tax Act/Section 35 of the Income Tax Guidelines. Depreciation for tax purposes comprises value adjustments in accordance with § 3 of the Border

Area Promotion Act, § 7d of the Income Tax Act, § 6b of the Income Tax Act/Section 35 of the Income Tax Guidelines, § 82d of the Income Tax Directive and § 80 of the Income Tax Directive.

The consolidated financial statements also include special items with an

equity portion deriving from value adjustments in accordance with § 7c of the Income Tax Act, § 82a of the Income Tax Directive and § 14 of the Berlin Promotion Act. Three foreign subsidiaries have created special items with an equity portion on the basis of corresponding regulations.

(10) Special item for investment subsidies

The special item for investment subsidies, amounting to DM 13.2 million (1989: DM 12.0

million), stems from the financial statements of a foreign company.

(11) Undetermined liabilities

	Volkswagen Group		Volkswagen AG	
	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million
Undetermined liabilities for pensions and similar obligations	7,283.0	6,652.6	6,262.4	5,732.8
Undetermined liabilities in respect of taxes	1,828.2	2,000.7	1,496.9	1,352.1
Other undetermined liabilities	10,679.7	10,454.1	6,349.2	6,222.2
	<b>19,790.9</b>	<b>19,107.4</b>	<b>14,108.5</b>	<b>13,307.1</b>

Other undetermined liabilities comprise among other things undetermined liabilities for warranty obligations, miscellaneous selling and distribution expenses, early retirement schemes, long-service awards and other workforce-related costs.

In accordance with § 249 subsection 2 of the Commercial Code, undetermined liabilities for expenses – which are non-deductible for tax purposes – have been created in the consolidated financial statements in respect of various Group companies

to make provision for financial burdens which have already been occasioned, among other things in connection with model changes and reorganization. Without these measures, pre-tax earnings would have been 11 % higher.

## (12) Liabilities

Type of liability	Volkswagen Group			
	Total Dec. 31, 1990	of which payable within up to 1 year	Total Dec. 31, 1989	of which payable within up to 1 year
	DM million	DM million	DM million	DM million
Loans	2,362.4	-	2,541.9	26.0
- of which convertible	( -)	( -)	( -)	( -)
Liabilities due to banks	13,803.7	12,275.0	11,007.3	9,426.7
Advance payments received	178.8	178.8	147.8	147.8
Trade payables	5,195.0	5,194.4	4,674.4	4,673.9
Notes payable	151.2	144.2	121.5	121.2
Amounts payable to affiliated companies	3.9	3.9	8.3	8.3
Amounts payable to companies in which participations are held	103.2	103.2	64.6	64.6
Other liabilities	4,010.4	3,041.7	3,752.3	2,893.5
- of which taxes	( 563.0)	( 563.0)	( 668.1)	( 668.1)
- of which in respect of social insurance	( 450.1)	( 441.4)	( 440.7)	( 431.5)
	<b>25,808.6</b>	<b>20,941.2</b>	<b>22,318.1</b>	<b>17,362.0</b>

The Volkswagen Group's total liabilities payable within more than five years amount to DM 1,840.2 million (1989: DM 1,934.3 million). Of this total, DM 1,190.2 million are accounted for by loans, DM 206.0 million by liabilities due to banks and DM 444.0 million by other liabilities. For Volkswagen AG, liabilities

payable within more than five years total DM 579.0 million (1989: DM 579.2 million). Liabilities due to banks account for DM 16.5 million, while DM 562.5 million consists of amounts payable to affiliated companies.

Of the liabilities shown in the consolidated balance sheet, a total of DM 764.1

million is secured through pledges or similar. In most cases, the securities furnished take the form of assignment or charges on real estate. There are also securities in the form of transfer of ownership and, in the case of supply of goods, the usual retention of title.

Type of liability	Volkswagen AG			
	Total Dec. 31, 1990	of which payable within up to 1 year	Total Dec. 31, 1989	of which payable within up to 1 year
	DM million	DM million	DM million	DM million
Loans	-	-	-	-
- of which convertible	( -)	( -)	( -)	( -)
Liabilities due to banks	3,691.1	3,654.9	1,286.5	1,252.3
Advance payments received	20.0	20.0	55.5	55.5
Trade payables	2,530.3	2,530.3	2,229.7	2,229.7
Notes payable	-	-	-	-
Amounts payable to affiliated companies	1,004.1	441.6	786.4	223.9
Amounts payable to companies in which participations are held	48.0	48.0	34.2	34.2
Other liabilities	1,524.3	1,517.0	1,429.0	1,428.9
- of which taxes	( 326.6)	( 326.6)	( 398.0)	( 398.0)
- of which in respect of social insurance	( 462.6)	( 462.6)	( 398.8)	( 398.8)
	<b>8,817.8</b>	<b>8,211.8</b>	<b>5,821.3</b>	<b>5,224.5</b>

## Notes on the Balance Sheet

### Contingencies and commitments

	Volkswagen Group		Volkswagen AG	
	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million	Dec. 31, 1990 DM million	Dec. 31, 1989 DM million
Contingent liabilities with respect to notes	549.7	288.6	1,267.2	1,320.4
Contingent liabilities with respect to guarantees	131.5	319.2	635.4	376.5
Contingent liabilities with respect to warranties	76.6	84.3	2,752.4	2,920.4
Pledges on company assets to secure another party's liabilities	15.3	16.3	-	-
Other contingent liabilities	5.4	0.9	-	-

For the loans granted to Volkswagen AG by Volkswagen International Finance N.V. and stemming from bond issues by this company, Volkswagen AG has given guarantees to the bondholders in the same amount. The guaran-

tees are for DM 250 million in the case of a DM bond and for US\$ 150 million in the case of a US dollar bond, the total figure amounting to DM 475 million.

The contingent liabilities with respect to warranties shown by Volkswagen AG relate for the most part to guarantees for subsidiaries in respect of bond issues by these companies and swap transactions involving banks concluded in this connection.

### Additional details

Of the real estate, about 64 hectares (balance-sheet value DM 2.7 million) are encumbered with building leases. Out of the total securities classified as current assets, Volkswagen AG has pledged securities at a nominal value of DM 2.7 million to safeguard routine handling of imports.

For affiliated companies, Volkswagen AG has furnished letters of support not subject to compulsory reporting in the amount of DM 127.2 million.

The trust assets and liabilities not included in the consolidated balance sheet in respect of the savings associations and trust companies belonging to the AUTOLATINA group amount to DM 150.0 million.

In compliance with § 5 subsection 10 of the articles of association of the Deposit Guarantee Fund, Volkswagen AG has undertaken to discharge the Federation of the German Banking Industry 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.

**Other financial obligations**

Financial obligations totalling DM 3,178.6 million and relating primarily to capital contributions exist up to 1996 in connection with our commitments in the new federal states of Germany, Czechoslovakia and China as well as our joint project with Ford.

In addition, the Volkswagen Group's other financial obligations from long-term rental and leasing contracts amount annually

to some DM 529.1 million. This figure includes payment obligations towards an associated leasing company in the form of future leasing instalments on the basis of average terms of 36 months; these obligations amount to DM 276.6 million for 1991 and are matched by corresponding claims on customers. The other financial obligations of Volkswagen AG arising from long-term rental and leasing contracts with

terms of up to four years amount annually to some DM 65.6 million. Of this total, DM 3.8 million is in the form of obligations to affiliated companies.

The obligations in respect of capital investment projects have remained at the usual level in the case of both the Volkswagen Group and Volkswagen AG.

## Notes on the Statement of Earnings

### (13) Sales in 1990

	Volkswagen Group		Volkswagen AG	
	Total DM million	Share %	Total DM million	Share %
Germany	26,929.4	39.6	23,293.6	45.2
Europe (excl. Germany)	26,680.4	39.2	21,478.2	41.7
North America	5,242.5	7.7	2,991.6	5.8
Latin America	5,594.8	8.2	1,000.8	2.0
Africa	1,341.6	2.0	547.1	1.1
Asia / Oceania	2,272.4	3.3	2,182.2	4.2
<b>Total</b>	<b>68,061.1</b>	<b>100.0</b>	<b>51,493.5</b>	<b>100.0</b>

Vehicle sales of the Volkswagen Group in 1990 accounted for 78 % of sales proceeds, and parts sales for 9 %. 13 % related to

other sales. As in 1989, other sales include the proceeds from the sale of used assets of leasing and rental companies.

In the case of Volkswagen AG, 79 % of sales were accounted for by vehicle business, 7 % by parts sales and 14 % by other sales.

### (14) Other operating income

	Volkswagen Group		Volkswagen AG	
	1990 DM million	1989 DM million	1990 DM million	1989 DM million
Other operating income	5,182.2	3,732.3	2,728.0	1,926.0
– of which income from elimination of special items with an equity portion	( 700.2)	( 559.9)	( 616.6)	( 484.4)

Apart from income from elimination of special items with an equity portion, the other operating income of the Volkswagen Group resulted primarily from elimination of undetermined liabilities, differences from the translation of the items in the

statements of earnings of consolidated foreign companies, handling of foreign exchange transactions, receipt of investment subsidies and rebilling of expenses. In addition to income from the elimination of special items with an equity por-

tion, the other operating income of Volkswagen AG resulted mainly from rebilling of costs to affiliated companies, elimination of undetermined liabilities and receipt of investment subsidies.

**(15) Other operating expenses**

	Volkswagen Group		Volkswagen AG	
	1990 DM million	1989 DM million	1990 DM million	1989 DM million
Other operating expenses	2,567.3	3,523.9	1,620.9	2,039.6
– of which transfers to special items with an equity portion	( 657.2)	(1,032.4)	( 555.7)	( 955.6)

In addition to transfers to the special items with an equity portion, the other operating expenses of the Volkswagen Group include in particular depreciation of current assets and expenses for various risks.

In the case of Volkswagen AG, this item additionally includes expenses rebilled to subsidiaries.

Depreciation for tax purposes was charged by the Volkswagen Group in the

amount of DM 617.4 million and by Volkswagen AG in the amount of DM 554.7 million, in both cases solely in respect of fixed assets.

**(16) Results from participations**

	Volkswagen Group		Volkswagen AG	
	1990 DM million	1989 DM million	1990 DM million	1989 DM million
Income from participations	74.4	46.1	698.5	611.3
– of which from affiliated companies	( 1.2)	( 0.1)	(652.5)	(571.4)
– of which from associated companies	( 64.1)	( 36.1)	( –)	( –)
Income from profit assumption agreements	1.7	–	487.8	516.6
Expenses from holdings in associated companies	39.6	176.5	–	–
Expenses from loss assumptions	0.5	–	11.3	1.0
	<b>36.0</b>	<b>– 130.4</b>	<b>1,175.0</b>	<b>1,126.9</b>

The income from participations shown for Volkswagen AG and the income from profit assumption

agreements include on-debited result-dependent taxes.



## Notes on the Statement of Earnings

### (17) Interest results

	Volkswagen Group		Volkswagen AG	
	1990 DM million	1989 DM million	1990 DM million	1989 DM million
Income from other securities and long-term loans	47.3	18.1	24.5	28.4
– of which from affiliated companies	( – )	( – )	( 19.3 )	( 23.4 )
Other interest and similar income	2,556.4	2,588.4	876.2	655.8
– of which from affiliated companies	( – )	( – )	( 167.1 )	( 186.3 )
Interest and similar expenses	1,442.1	1,608.0	337.0	234.4
– of which to affiliated companies	( – )	( – )	( 289.1 )	( 197.0 )
	<b>1,161.6</b>	<b>998.5</b>	<b>563.7</b>	<b>449.8</b>

To improve the information value of the financial statements, inflation-related components of interest have once again been set aside in the case of companies in countries

with high inflation and have been combined with the inflation-related components of other operating expenses and other operating income.

The interest results of Volkswagen AG include expenses in connection with the sale of non-interest-bearing trade receivables.

### Other taxes

The other taxes of the Volkswagen Group amount to DM 340.6 mil-

lion, while those of Volkswagen AG total DM 207.9 million.

**(18) Progression from net earnings to net earnings available for distribution in the financial statements of the Volkswagen Group and Volkswagen AG**

	Volkswagen Group		Volkswagen AG	
	1990 DM million	1989 DM million	1990 DM million	1989 DM million
Net earnings	1,085.9	1,038.1	670.0	655.3
Net earnings of Volkswagen AG brought forward	+ 3.3	+ 3.2	+ 3.3	+ 3.2
Transfer from Volkswagen AG's reserve for treasury stock	+ 0.2	0	+ 0.2	0
Change in revenue reserves (Volkswagen AG: Transfer to other revenue reserves)	- 704.9	- 681.6	- 300.0	- 320.0
Minority interest in change in revenue reserves and minority interest in net earnings brought forward minus advance dividends	+ 21.4	+ 32.8	-	-
Minority interest in profit	- 32.4	- 54.0	-	-
Minority share in loss	-	0	-	-
<b>Net earnings available for distribution</b>	<b>373.5</b>	<b>338.5</b>	<b>373.5</b>	<b>338.5</b>

**Total expenses for the period**

	Volkswagen Group		Volkswagen AG	
	1990 DM million	1989 DM million	1990 DM million	1989 DM million
<b>Cost of materials</b>				
Raw materials and supplies, purchased goods	36,700.2	34,716.9	35,432.3	32,028.2
Purchased services	3,768.5	2,815.6	1,194.1	1,051.6
	<b>40,468.7</b>	<b>37,532.5</b>	<b>36,624.4</b>	<b>33,079.8</b>
<b>Labour cost</b>				
Wages and salaries	13,488.2	12,880.0*)	8,402.4	7,952.6
Social insurance and pension costs	3,568.2	3,227.3*)	2,031.5	1,707.3
- of which in respect of pensions	(1,098.3)	( 895.9)*)	( 740.2)	( 470.4)
	<b>17,056.4</b>	<b>16,107.3</b>	<b>10,433.9</b>	<b>9,659.9</b>

\*) 1989 figures have been modified.

## Other Particulars

The net earnings of the Volkswagen Group and Volkswagen AG have been reduced as a result of tax-related measures. These mainly involve the creation of a special item in accordance with § 3 of the Border Area Promotion Act, particularly in the financial statements of Volkswagen AG.

As a consequence of the measures taken in earlier years and the resultant influence on tax expenses, the net earnings shown for Volkswagen AG are around 4 % higher than the figure which would otherwise have been shown, while those of the Volkswagen Group are around 2 % higher.

Expenses attributable to other fiscal years amounted to DM 217.3 million for the Volkswagen Group and DM 159.1 million for Volkswagen AG. Income not relating to the period under report – derived primarily from the elimination of undetermined liabilities – totalled DM 1,413.9 million for the Volkswagen Group and DM 707.3 million for Volkswagen AG.

### Extraordinary depreciation

	Volkswagen Group		Volkswagen AG	
	1990 DM million	1989 DM million	1990 DM million	1989 DM million
Depreciation of tangible assets	89.8	25.2	1.4	5.4
Write-down of participations and discounting of financial assets	219.6	90.5	507.4	71.4
	<b>309.4</b>	<b>115.7</b>	<b>508.8</b>	<b>76.8</b>

### Average numbers of employees during the year

	Volkswagen Group		Volkswagen AG	
	1990	1989	1990	1989
Wage-earners	139,576	130,165	70,514	66,318
Salaried workers	66,064	65,963	33,367	34,553
Salaried staff	55,398	54,488	23,181	23,120
	<b>261,038</b>	<b>250,616</b>	<b>127,062</b>	<b>123,991</b>
Apprentices and trainees	6,959	6,945	4,325	4,499
	<b>267,997</b>	<b>257,561</b>	<b>131,387</b>	<b>128,490</b>

The AUTOLATINA group employed an average of 59,545 people (1989: 58,663). The average number of persons employed

by the Europcar group was 4,483 (1989: 4,336). The numbers of people employed by these companies have been included in

the Group figure pro rata on the basis of Volkswagen AG's percentage holding.

**Workforce at the  
Volkswagen AG plants**

Wolfsburg	63,075
Hanover	18,967
Brunswick	7,042
Kassel	20,108
Emden	12,479
Salzgitter	9,716
	<b>131,387</b>

The members of the Board of Management and the Supervisory Board, together with changes in the membership of these bodies, are listed on pages 4 and 5 of this Annual Report.

The remuneration of the members of the Board of Management for the fiscal year 1990 totalled DM 11,344,364 in respect of Volkswagen AG and the Group.

Retired members of the Board of Management

and their surviving dependants received DM 8,171,114 in respect of Volkswagen AG and the Group. These payments are covered by undetermined liabilities for current pensions, amounting to DM 66,864,778, set up by Volkswagen AG and the Group.

The remuneration of the Supervisory Board amounted to DM 1,083,068 in respect of Volkswagen AG and the Group.

Interest-free loans granted to members of the Board of Management totalled DM 90,000 in respect of Volkswagen AG. They have an agreed term of four years. DM 90,000 were redeemed in 1990.

Loans totalling DM 107,000 have been granted to members of the Supervisory Board (amount redeemed in 1990: DM 18,000). The loans have an interest rate of 4 % and an agreed term of 12.5 years.

Wolfsburg, March 12, 1991

**VOLKSWAGEN AKTIENGESELLSCHAFT**

The Board of Management

**Audit certificate**

"The accounting, the annual financial statements and the consolidated financial statements, which we have audited in accordance with professional standards, comply with the German legal provisions. With due regard to the generally accepted accounting principles, the annual financial statements and the consolidated financial statements give a true and fair view of the company's and the Group's assets, liabilities, financial position and profit or loss. The management report on the company and the Group is consistent with the annual financial statements and the consolidated financial statements."

Hanover, March 18, 1991

**TREUARBEIT Aktiengesellschaft**

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Prof. Dr. Dr. h.c. Forster  
Wirtschaftsprüfer

Siepe  
Wirtschaftsprüfer

**Audit certificate**

"The accounting, the annual financial statements and the consolidated financial statements, which we have audited in accordance with professional standards, comply with the German legal provisions. With due regard to the generally accepted accounting principles, the annual financial statements and the consolidated financial statements give a true and fair view of the company's and the Group's assets, liabilities, financial position and profit or loss. The management report on the company and the Group is consistent with the annual financial statements and the consolidated financial statements."

Düsseldorf/Hanover, March 18, 1991

**Wollert-Elmendorff**

**Deutsche Industrie-Treuhand** GmbH  
Wirtschaftsprüfungsgesellschaft

Thoennes  
Wirtschaftsprüfer

Prof. Dr. Emmerich  
Wirtschaftsprüfer

## The Volkswagen Group in Figures

The Group manufactured the following numbers of each model:

	<b>1990</b>	<b>1989</b>
<b>Passenger cars</b>	<b>2,882,870</b>	<b>2,790,840</b>
VW Golf	887,738	879,981
VW Passat	393,222	346,442
Audi 80/90	299,914	299,402
VW Polo	225,806	228,867
VW Jetta	220,694	199,850
SEAT Ibiza	202,157	208,210
Audi 100/200	103,563	101,743
VW Gol	101,118	105,328
SEAT Marbella	90,903	82,935
VW Bus	85,564	84,175
VW Beetle	84,716	32,421
VW Voyage	78,368	114,448
SEAT Malaga	33,098	36,882
VW Corrado	21,893	24,389
Audi Coupé/quattro	16,241	17,604
VW Scirocco	7,970	8,865
Audi V8	4,816	6,918
Other passenger cars	25,089	12,380
<b>Commercial vehicles</b>	<b>174,728</b>	<b>156,729</b>
VW Transporter	68,009	63,442
SEAT Terra pick-up	35,430	22,007
VW heavy van (LT)	20,849	22,338
VW Voyage pick-up	19,872	19,295
VW Golf pick-up	9,136	10,177
VW trucks	8,288	8,484
Other commercial vehicles	13,144	10,986

The Vario I – a design study on the basis of the Golf syncro.



	1981	1982	1983	1984	1985
<b>Sales</b> (DM million)	37,878	37,434	40,089	45,671	52,502
Change on previous year in %	14	- 1	7	14	15
Domestic	12,064	12,027	14,453	14,638	16,171
Abroad	25,814	25,407	25,636	31,033	36,331
Export of domestic Group companies	14,957	15,733	15,460	20,108	24,025
Net contribution of foreign Group companies	12,398	11,346	11,812	12,864	14,698
<b>Vehicle Sales</b> (thousand units)	2,279	2,120	2,127	2,145	2,398
Change on previous year in %	- 9	- 7	0	1	12
Domestic	738	672	750	708	722
Abroad	1,541	1,448	1,377	1,437	1,676
<b>Production</b> (thousand units)	2,246	2,130	2,116	2,148	2,398
Change on previous year in %	- 13	- 5	- 1	2	12
Domestic	1,410	1,381	1,413	1,474	1,635
Abroad	836	749	703	674	763
<b>Workforce</b> (thousand employees) <sup>1)</sup>	247	239	232	238	259
Change on previous year in %	- 4	- 3	- 3	3	9
Domestic	160	158	156	160	170
Abroad	87	81	76	78	89
<b>Capital Investments</b> (DM million) <sup>2)</sup>	4,851	4,892	4,858	2,782	3,388
Change on previous year in %	13	1	- 1	x	22
Domestic	3,089	3,654	3,476	1,889	2,508
Abroad	1,762	1,238	1,382	893	880
<b>Additions to Leasing and Rental Assets</b> (DM million)				2,021	3,217
Change on previous year in %					59
<b>Cash Flow</b> (DM million) <sup>3)</sup>	3,936	3,452	5,207	4,081	4,558
Change on previous year in %	25	- 12	51	x	12
<b>Net Earnings/Loss</b> (DM million)	136	-300	-215	228	596
<b>Dividend of Volkswagen AG</b> (DM million)	120	-	-	120	240
Ordinary shares (DM million)	120	-	-	120	240
Preferred shares (DM million)					

<sup>1)</sup> Workforce at year end; as of 1986 average over year

<sup>2)</sup> Up to 1983 including additions to leasing and rental assets

<sup>3)</sup> Up to 1983 including depreciation on and disposal of leasing and rental assets

	1986	1987	1988	1989	1990	
	52,794	54,635	59,221	65,352	68,061	<b>Sales</b> (DM million)
	1	3	8	10	4	Change on previous year in %
	18,839	22,555	22,653	23,682	26,929	Domestic
	33,955	32,080	36,568	41,670	41,132	Abroad
	23,414	22,898	24,395	27,601	28,323	Export of domestic Group companies
	14,127	13,080	15,961	18,256	18,242	Net contribution of foreign Group companies
	2,758	2,774	2,854	2,941	3,030	<b>Vehicle Sales</b> (thousand units)
	15	1	3	3	3	Change on previous year in %
	838	921	848	849	945	Domestic
	1,920	1,853	2,006	2,092	2,085	Abroad
	2,777	2,771	2,848	2,948	3,058	<b>Production</b> (thousand units)
	16	0	3	4	4	Change on previous year in %
	1,654	1,666	1,694	1,783	1,816	Domestic
	1,123	1,105	1,154	1,165	1,242	Abroad
	276	260	252	251	261	<b>Workforce</b> (thousand employees) <sup>1)</sup>
	7	- 6	- 3	- 1	4	Change on previous year in %
	169	170	165	161	166	Domestic
	107	90	87	90	95	Abroad
	6,371	4,592	4,251	5,606	5,372	<b>Capital Investments</b> (DM million) <sup>2)</sup>
	88	- 28	- 7	32	- 4	Change on previous year in %
	3,849	4,000	3,546	4,477	3,016	Domestic
	2,522	592	705	1,129	2,356	Abroad
	2,738	3,318	3,447	4,069	4,419	<b>Additions to Leasing and Rental Assets</b> (DM million)
	- 15	21	4	18	9	Change on previous year in %
	4,285	4,874	5,018	5,412	5,701	<b>Cash Flow</b> (DM million) <sup>3)</sup>
	- 6	14	3	8	5	Change on previous year in %
	580	598	780	1,038	1,086	<b>Net Earnings/Loss</b> (DM million)
	306	306	306	336	369	<b>Dividend of Volkswagen AG</b> (DM million)
	240	240	240	264	297	Ordinary shares (DM million)
	66	66	66	72	72	Preferred shares (DM million)

<b>Balance-sheet Structure</b> (DM million) December 31	1981	1982	1983	1984	1985	1986 <sup>1)</sup>
<b>Assets</b>						2
Tangible assets	10,205	11,474	11,801	9,082	8,740	12,111
Financial assets	414	449	464	544	574	1,099
Leasing and rental assets				2,433	3,717	4,106
<b>Fixed Assets</b>	10,619	11,923	12,265	12,059	13,031	17,318
Inventories and advance payments to suppliers	5,996	5,662	5,878	6,654	6,348	6,802
Receivables and the like	4,771	5,065	6,269	7,388	7,157	8,675
Liquid funds, trade accept.	2,822	1,953	1,815	5,253	4,326	364
Securities, treasury stock	1,129	1,290	2,528	1,588	3,960	8,553
<b>Current Assets</b>	14,718	13,970	16,490	20,883	21,791	24,394
<b>Total Assets</b>	25,337	25,893	28,755	32,942	34,822	41,712
<b>Stockholders' Equity a. Liab.</b>						
Capital stock	1,200	1,200	1,200	1,200	1,200	1,500
Reserves of the Group	4,990	4,911	5,227	5,165	5,929	7,891
Minority inter. i. consol. subs.	198	223	281	320	266	408
<b>Stockholders' Equity</b>	6,388	6,334	6,708	6,685	7,395	307
Undetermined liabilities in respect of old-age pensions	3,475	3,626	4,235	4,739	5,029	3
Other undetermined liabilities	4,232	4,570	5,597	7,417	9,343	1,828
<b>Undetermined Liabilities</b>	7,707	8,196	9,832	12,156	14,372	11,947
Liabilities payable within more than						5,294
4 years	1,053	847	1,283	992	947	992
1 to 4 years	712	990	1,004	1,411	1,291	8,228
up to 1 year	9,351	9,485	9,925	11,570	10,569	14,514
<b>Liabilities</b>	11,116	11,322	12,212	13,973	12,807	1,344
Net earnings available for distribution (Volkswagen AG)	124	38	-	124	244	1,456
Minority interest in earnings to be distributed	2	3	3	4	4	12,451
<b>Outside Capital</b>	18,949	19,559	22,047	26,257	27,427	15,251
<b>Total Capital</b>	25,337	25,893	28,755	32,942	34,822	29,765

**Statement of Earnings** (Condensed)  
(DM million) January-December

	1981	1982	1983	1984	1985	1986 <sup>1)</sup>
Gross performance	38,197	38,030	40,680	46,772	52,709	52,794
Cost of materials	19,752	19,573	20,852	23,824	26,623	46,746
Labour cost	11,779	12,069	12,371	13,227	13,913	
Depreciation and write-down	2,934	3,038	3,689	2,961	3,411	5,380
Depreciation on leasing and rental assets				1,060	1,259	632
Taxes on income, earnings and property	848	543	580	1,368	2,124	295
Sundry expenses less sundry income	772	458	494	1,266	1,993	1,595
Net earnings / Loss	136	- 300	- 215	228	596	- 473

	1987 <sup>1)</sup>	1988 <sup>1)</sup>	1989 <sup>1)</sup>	1990 <sup>1)</sup>	Change 1990/89 in %	<b>Balance-sheet Structure</b> (DM million) December 31
	29	76	134	261	94.4	<b>Assets</b>
	13,406	13,836	15,493	16,826	8.6	Intangible assets
	1,125	1,304	1,621	1,418	- 12.5	Tangible assets
	4,919	5,427	5,561	5,834	4.9	Financial assets
	19,479	20,643	22,809	24,339	6.7	Leasing and rental assets
	6,618	6,506	7,301	8,703	19.2	<b>Fixed Assets</b>
						Inventories
						Receivables and other assets
	9,403	11,848	14,472	15,065	4.1	Securities
	426	488	2,360	2,764	17.1	Liquid funds
	8,135	10,809	9,929	11,842	19.3	<b>Current Assets</b>
	24,582	29,651	34,062	38,374	12.7	<b>Total Assets</b>
	44,061	50,294	56,871	62,713	10.3	<b>Stockholders' Equity and Liabilities</b>
	1,500	1,500	- 1,500	1,650	10.0	Subscribed capital
	8,496	9,040	9,667	11,491	18.9	Reserves of the Group
	405	405	439	145	- 66.9	Minority interest in consolidated subsid.
	308	308	339	374	10.3	Net earnings available for distribution
						Minority interest in net earnings to be distributed
	17	42	54	33	- 39.9	Special items with an equity portion
	2,203	2,452	2,925	2,882	- 1.5	Special item for investment subsidiaries
	9	9	12	13	10.2	<b>Stockholders' Equity</b>
	12,938	13,756	14,936	16,588	11.1	Undetermined liabilities (pensions)
	5,889	6,314	6,652	7,283	9.5	Undetermined liabilities (taxes)
	925	1,358	2,001	1,828	- 8.6	Other undetermined liabilities
	8,050	9,418	10,454	10,680	2.2	<b>Undetermined Liabilities</b>
	14,864	17,090	19,107	19,791	3.6	Liabilities payable within more than 5 years
	1,217	1,929	1,934	1,840	- 4.9	1 to 5 years
	1,999	2,121	3,289	3,339	1.5	up to 1 year
	13,043	15,398	17,605	21,155	20.2	<b>Liabilities</b>
	16,259	19,448	22,828	26,334	15.4	<b>Outside Capital</b>
	31,123	36,538	41,935	46,125	10.0	<b>Total Capital</b>
	44,061	50,294	56,871	62,713	10.3	<b>Statement of Earnings</b> (Condensed) (DM million) January-December
	54,635	59,221	65,352	68,061	4.1	Sales
	48,526	51,315	56,196	61,890	10.1	Cost of sales
	5,498	6,321	7,151	7,308	2.2	Selling and administration expenses
						Other operating income less other operating expenses
	931	38	209	2,615	x	Financial results
	68	513	773	914	18.1	Results from ordinary business activities
	1,610	2,136	2,987	2,392	- 19.9	Extraordinary results
	- 443	-	-	-	-	Taxes on income
	569	1,356	1,949	1,306	- 33.0	Net earnings
	598	780	1,038	1,086	4.6	

<sup>1)</sup> As of 1986 presentation in accordance with the new Accounting and Reporting Law



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