

3676

VOLKSWAGEN AG



Annual Report 1991



Key Figures

| | | Volkswagen Group | | | Volkswagen AG | | |
|--|-------------------|------------------|-----------|----------|---------------|-----------|----------|
| | | 1991 | 1990 | Change % | 1991 | 1990 | Change % |
| Sales | DM million | 76,315 | 68,061 | + 12.1 | 47,328 | 41,112 | + 15.1 |
| Vehicle Sales | units | 3,126,007 | 3,030,179 | + 3.2 | 1,747,300 | 1,715,073 | + 1.9 |
| Production | units | 3,128,338 | 3,057,598 | + 2.3 | 1,576,086 | 1,598,346 | - 1.4 |
| Workforce | average over year | 260,137 | 261,038 | - 0.3 | 126,802 | 127,062 | - 0.2 |
| Capital Investments | DM million | 9,910 | 5,372 | + 84.5 | 5,406 | 3,702 | + 46.0 |
| Additions to Leasing and Rental Assets | DM million | 4,961 | 4,419 | + 12.3 | - | - | - |
| Cash Flow | DM million | 7,133 | 5,701 | + 25.1 | 4,750 | 4,070 | + 16.7 |
| Depreciation and Write-down | DM million | 4,021 | 3,756 | + 7.1 | 2,655 | 2,847 | - 6.8 |
| Depreciation on Leasing and Rental Assets | DM million | 2,362 | 2,159 | + 9.4 | - | - | - |
| Net Earnings | DM million | 1,114 | 1,086 | + 2.6 | 447 | 670 | - 33.2 |
| Dividend of Volkswagen AG | DM million | | | | 369 | 369 | - |
| of which on Ordinary Shares | DM million | | | | 297 | 297 | - |
| Preferred Shares | DM million | | | | 72 | 72 | - |

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

The consolidated figures for 1991 do not include the figures for ŠKODA, automobilová a. s.

The sales of Audi vehicles and the related sales proceeds are no longer included in the corresponding figures for Volkswagen AG.

Production figures

| Volkswagen | 1991 | 1990 | Overseas Operations | 1991 | 1990 | Audi | 1991 | 1990 |
|------------------|-----------|-----------|------------------------|---------|---------|--------------------|---------|---------|
| Golf | 712,754 | 811,677 | Gol | 117,137 | 101,118 | Audi 80/90 | 261,055 | 299,914 |
| Passat | 398,429 | 358,981 | Golf | 88,201 | 76,061 | Audi 100/200 | 166,538 | 100,407 |
| Polo | 133,582 | 82,056 | Beetle | 85,681 | 84,716 | Audi Coupé/quattro | 13,033 | 16,241 |
| Jetta | 110,818 | 160,592 | Jetta | 62,345 | 60,102 | Audi Convertible | 6,567 | - |
| Caravelle, Kombi | 77,196 | 62,756 | Voyage | 58,641 | 78,368 | Audi V8 | 3,126 | 4,816 |
| Corrado | 17,058 | 21,893 | Apollo, Gacel, VW 1500 | 35,505 | 22,155 | | 450,319 | 421,378 |
| Scirocco | 6,036 | 7,970 | Passat | 28,966 | 34,241 | | | |
| LT Kombi | 3,494 | 2,893 | Caravelle, Kombi | 20,289 | 22,808 | SEAT | 1991 | 1990 |
| Vento | 3,230 | - | Audi 100/200 | 1,557* | 3,156 | Polo | 191,700 | 143,750 |
| | | | Golf pick-up | 749 | 779 | Ibiza | 173,236 | 202,157 |
| Transporter | 73,787 | 50,297 | Voyage pick-up | 22,608 | 19,872 | Marbella | 80,005 | 90,903 |
| Heavy van (LT) | 21,289 | 20,849 | Transporter | 19,279 | 17,712 | Toledo | 76,336 | 41 |
| Taro, Hilux | 12,017 | 10,025 | VW trucks | 5,996 | 8,288 | Malaga | 8,735 | 33,098 |
| Caddy | 6,396 | 8,357 | Gol Furgao | 2,769 | 3,119 | Terra | 22,198 | 35,430 |
| | 1,576,086 | 1,598,346 | | 549,723 | 532,495 | | 552,210 | 505,379 |

* Excluding 687 assembly kits supplied by AUDI AG to Volkswagen of South Africa

The annual report consists of the financial statements of the Volkswagen Group, the management report of the Volkswagen Group and the Volkswagen AG and other information voluntarily made available.

The financial statements of the Volkswagen AG will be published in the Bundesanzeiger and submitted to the Register of Companies at the Wolfsburg District Court. Copies of the financial statements can be requested without charge from Volkswagen AG, Finanz-Publizität und Statistik, Postfach, W-3180 Wolfsburg 1.

Table of Contents

| | |
|----|---|
| 2 | Supervisory Board, Board of Management of Volkswagen AG and Marque Management Bodies |
| 4 | Report of the Supervisory Board |
| 6 | Letter to Stockholders |
| | Report of the Board of Management |
| 8 | Management Report: Volkswagen Group and Volkswagen AG |
| | Additional Information about the Fiscal Year |
| 14 | The Major Companies within the Volkswagen Group |
| 16 | Volkswagen |
| 30 | Audi |
| 36 | SEAT |
| 40 | ŠKODA |
| 44 | Overseas Operations |
| 50 | Financial Services |
| 52 | Environmental Protection |
| 54 | The Volkswagen Share |
| 56 | Finance |
| | Financial Statements of the Volkswagen Group for 1991 |
| 59 | Balance Sheet |
| 60 | Statement of Earnings |
| 60 | Notes on the Financial Statements |
| 72 | The Volkswagen Group in Figures |

Supervisory Board, Board of Management of Volkswagen AG and Marque Management Bodies

Supervisory Board

Dr. jur. Klaus Liesen (60)
Essen
Chairman
Chairman of the Board of Management of Ruhrgas AG
July 2, 1987*

Franz Steinkühler (54)
Frankfurt
Deputy Chairman
Chairman of the Metalworkers Union
July 2, 1987

Josef Bauer (52)
Ingolstadt
Member of the Works Committee of AUDI AG
July 2, 1987

Rolf Diel (69)
Düsseldorf
Chairman of the Supervisory Board of Dresdner Bank AG
June 30, 1988

Wilhelm Hemer (48)
Frankfurt
Trade Union Secretary to the Executive Committee of the Metalworkers Union
May 3, 1989

Walter Hiller (59)
Hanover
Minister for Social Affairs of Lower Saxony
From April 9, 1986 to June 20, 1990 and since July 17, 1990

Albert Hoffmeister (63)
Wolfsburg
Senior Executive of Volkswagen AG
July 5, 1977

Hans-Günter Hoppe (69)
Berlin
Former Member of the Berlin Senate
July 9, 1974

Jann-Peter Janssen (47)
Norden
Chairman of Works Council of Volkswagen AG
Emden Plant
April 9, 1986

Walther Leisler Kiep (66)
Frankfurt
General partner,
Gradmann & Holler
From March 3, 1976 to July 1, 1982 and since January 26, 1983

Dr. jur.
Otto Graf Lambsdorff (65)
Düsseldorf
President
Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (German stockholders' association)
July 2, 1987

Klaus-Peter Mander (49)
Wolfsburg
Departmental Manager
Volkswagen Finanz GmbH
March 25, 1985

Karl Heinrich Mihr (56)
Kassel
Chairman of Works Council of Volkswagen AG
Kassel Plant
November 27, 1972

Gerhard Mogwitz (58)
Hanover
Chairman of Works Council of Volkswagen AG
Hanover Plant
July 5, 1977

Dr.-Ing. E. h.
Günther Saßmannshausen (61)
Hanover
Member of the Supervisory Board of Preussag AG
July 2, 1987

Dr. rer. pol.
Friedrich Schiefer (53)
Munich
Managing Director of Robert Bosch GmbH
July 4, 1991

Gerhard Schröder (48)
Hanover
Minister President of the State of Lower Saxony
July 17, 1990

Dr. rer. pol. Albert Schunk (50)
Frankfurt
Head of the International Department on the Executive Committee of the Metalworkers Union
July 5, 1977

Klaus Volkert (49)
Wolfsburg
Chairman of the Group and Joint Works Council of Volkswagen AG
July 2, 1990

Dr. rer. pol. Ulrich Weiss (55)
Frankfurt
Member of the Board of Management of Deutsche Bank AG
June 30, 1988

Changes on the Supervisory Board:

Dr. jur. Wolfgang Schieren (64)
Munich
Former Chairman of the Board of Management of Allianz Aktiengesellschaft Holding
June 30, 1988 to July 4, 1991

Board of Management of Volkswagen AG

Dr. rer. pol.
Carl H. Hahn (65)**
Chairman
(since January 1, 1982)
Member of the Board of Management from May 1, 1964 to December 31, 1972

Dr. jur. Peter Frerk (61)**
Legal Matters, Government Relations, Auditing and Economics
December 7, 1971

Daniel Goeudevert (50)**
Chairman of the Volkswagen Management Body
September 1, 1989

Dr.-Ing. E. h.
Günter Hartwich (56)**
Production (Group Logistics)
July 1, 1972

Dr. jur. Martin Posth (48)**
Human Resources
August 1, 1988

Dr. rer. pol.
Werner P. Schmidt (59)**
Overseas Operations 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 (46)**
Controlling and Finance
August 1, 1987



Marque Management Bodies

Daniel Goeudevert (50)**
Chairman of the Volkswagen
Management Body
January 1, 1991

Johannes-Josef Baumhardt
(55)
Controlling and Accounting
January 1, 1991

Dr.-Ing. E. h.
Günter Hartwich (56)**
Production and Logistics
January 1, 1991

Hans-Jörg Hungerland (50)
Sales
March 1, 1991

Alexander Kowling (52)
Deputy, Human Resources
January 1, 1991

Dr.-Ing. Wolfgang Lincke (57)
Deputy, Development
January 1, 1991

Dr. jur. Martin Posth (48)**
Human Resources
January 1, 1991

Prof. Dr.-Ing.
Ulrich Seiffert (50)**
Development
January 1, 1991

Prof. Dr. oec.
Ulrich Steger (48)
Environment and Transportation
September 1, 1991

Werner Svetlik (53)
Purchasing
January 1, 1991

Folker Weißgerber (51)
Deputy, Production and Logi-
stics
December 1, 1991

Juan Antonio
Díaz Alvarez (53)**
Chairman of the Board of
Management of SEAT, S.A.
June 18, 1986

Ricardo Ibarreche Balda (44)
Human Resources
October 1, 1989

Dr. rer. pol.
Eberhard Müller (58)
Finance
July 1, 1986

Juan José Diaz Ruiz (48)
Sales
March 1, 1988

Prof. Dr.-Ing.
Peter Walzer (54)
Technology and Engineering
November 1, 1990

Ing. Ludvik Kalma (50)**
Chairman of the Board of
Management of ŠKODA,
automobilová a. s.
April 16, 1991

Volkhard Köhler (48)
Deputy Chairman
Commercial Affairs
April 16, 1991

Dr. jur. Pavel Nováček (43)
Human Resources
April 16, 1991

Detlev Schmidt (50)
Sales
July 1, 1991

Dr.-Ing. Gerald Weber (42)
Technology and Engineering
June 7, 1991

Dr. techn. h. c.
Ferdinand Piëch (54)**
Chairman of the Board of
Management of AUDI AG
August 1, 1975

Dr. phil. Kurt Lauk (45)
Deputy Chairman
Finance and Business
Administration
October 1, 1989

Gunnar Larsson (50)
Technical Development
January 16, 1991

Andreas Schleef (48)
Human Resources and Social
Matters
March 27, 1985

Dr.-Ing. E. h.
Hermann Stübig (58)
Production
September 1, 1981

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

** Member of the 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.

Report of the Supervisory Board

The Board of Management provided the Supervisory Board with comprehensive regular reports about the situation of the Company, business trends and corporate policy in 1991. Measures of particular importance or 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. The Supervisory Board continuously monitored the Company's management on the basis of the written and oral reporting by the Board of Management and was thus able to perform in full this function assigned to it by law.

At the Annual Meeting of Stockholders held on July 4, 1991, TREUARBEIT Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover, was appointed auditor for the fiscal year 1991 with 99.80 % 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, had requested the Wolfsburg District Court to appoint a second auditor. This application was granted and – as in 1990 – Wollert-Elmendorff Deutsche Industrie-Treuhand GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, was appointed as a second independent auditor for the fiscal year 1991. Final settlements in favour of Volkswagen AG have in the meantime been reached in the actions brought for setting aside the resolutions concerning the appointment of auditors and the resolutions on ratification of the actions of the Supervisory Board and Board of Management passed by the

Annual Meeting of Stockholders in 1989, 1990 and 1991.

The financial statements for Volkswagen AG and the Group as at December 31, 1991, along with the Management Report for Volkswagen AG, the Group Management Report for the fiscal year 1991 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 and therefore confirms the financial statements and approves the proposal put forward by the Board of Management regarding appropriation of net earnings available for distribution.

Dr. jur. Wolfgang Schieren retired from the Supervisory Board on July 4, 1991. With effect from the same date, Dr. rer. pol. Friedrich Schiefer was elected by the Annual Meeting of Stockholders to succeed him for the remainder of the Supervisory Board's period of office. The Supervisory Board would like to thank Dr. Schieren for the valuable contribution which he made to its work.

Volkswagen lost an outstanding figure on September 5, 1991 with the death of Dr.-Ing. Hans-Jürgen Ehmer, a man whose initiative, imagination and consideration for others will be greatly missed. Dr. Ehmer had worked for the Volkswagen Group since 1971. From 1985 to 1989 he was in charge of

production at Volkswagen de Mexico and in April 1991 he was appointed a deputy member of the Volkswagen Management Body with responsibility for Production and Logistics. We shall always honour his memory.

At its meeting on April 10, 1992 the Supervisory Board appointed Dr. techn. h. c. Ferdinand Piëch, Chairman of the Board of Management of AUDI AG, as the successor to Dr. rer. pol. Carl H. Hahn in the post of Chairman of the Board of Management of Volkswagen AG with effect from January 1, 1993. Daniel Goeudevert, Chairman of the Volkswagen Management Body, was appointed Deputy Chairman, also with effect from January 1, 1993.

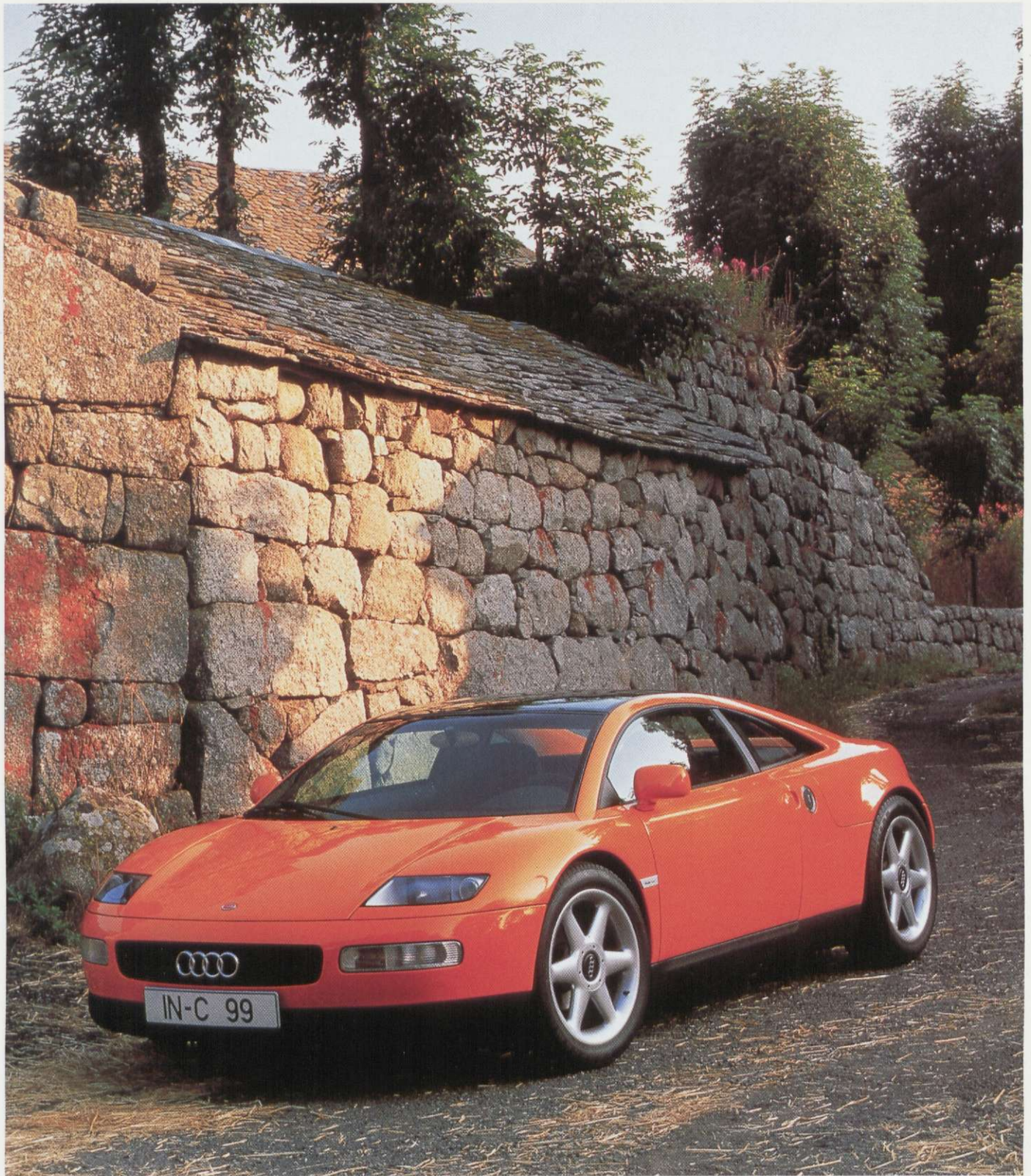
In addition the Supervisory Board appointed Dr. Piëch member of the Board of Management in the recreated post of "Audi, Chairman of the Board of Management" with effect from April 10, 1992. Juan Antonio Díaz Alvarez was appointed to the new Board post of "SEAT, Chairman of the Board of Management", also with effect from April 10, 1992.

Wolfsburg, April 10, 1992



Dr. Klaus Liesen
Chairman of the Supervisory Board

*The Audi quattro Spyder –
the dynamically styled two-seater*



Letter to Stockholders



Dear Stockholder,

The political developments which have been proceeding at an almost breathtaking pace since October 1989 continued to dominate the scene in 1991. Yet more frontiers have been opened and the concept of the free market has increasingly become the prevailing economic philosophy. At the same time, however, the risks inherent in these epoch-making changes are now also readily apparent.

1991 was a difficult year for the world automobile industry, with the three major vehicle-manufacturing regions – North America, Japan and Europe – all experiencing a decline in both production and earnings. The exceptional economic situation prevailing in western Germany as a result of German unification enabled the Volkswagen Group – in marked contrast to its foreign competitors – to increase both production and vehicle sales and to record earnings on a par with the 1990 figure. Although such success is highly gratifying, it must not cause us to lose sight of the disadvantages suffered by companies in Germany in terms of factors such as company taxation and cost levels.

Within the Volkswagen Group, particular attention was focussed in 1991 on a number of strategically important future-oriented projects in many different parts of the world – in China, Mexico, Portugal, Spain, Czechoslovakia and the new German federal state of Saxony. In addition to these strategic measures, the year also saw the launching of attractive new generations of trend-setting Audi, SEAT and Volkswagen models. Our efforts centred above all on two areas: making our vehicles and production methods still more environment-friendly, and further enhancing both the active and passive safety of our vehicles. This forward-looking corporate policy meant that our capital investments in manufacturing facilities and new products almost touched DM 10 billion for the first time, with a further DM 5 billion invested in the leasing and rental sector. It is indicative of the high internal financing capabilities of the Company that the investments can to a very large extent be financed by self-generated funds – the cash flow. Including the leasing and rental sector this reached 15.1 % of turnover, one of the highest levels in manufacturing industry. This record investment volume, involving substantial initial depreciation, inevitably affected our 1991 earnings. While the trend reversal experienced by a number of key subsidiaries had a beneficial effect on results, the decline in business in the USA gave rise to high costs. Our 1991 earnings will nevertheless enable us to pay what we consider to be a competitive dividend equalling last year's.

We are currently realizing major projects on three continents. The related investment programmes have a sound financial base; they promise to yield good returns and will help to strengthen the Group's competitive structure. Taking all relevant factors into account, we are moving into new product segments and new markets with growth potential, while at the same time optimizing our worldwide interlinked supply and services system through our efforts to create an increasingly efficient and cost-cutting set-up. Our attention and activities nevertheless continue to focus above all on Europe, which represents the base for our worldwide operations.

The recent political changes have opened up immense opportunities for us in eastern Germany. The construction of a new vehicle-manufacturing plant in Mosel near Zwickau is proceeding on schedule, while the engine plant in Chemnitz – which plays an important role in our overall project in the new federal states – is currently being modernized and expanded. Our cooperation with ŠKODA should enable us to further improve our position on the East European market and at the same time consolidate our position as the market leader in Western Europe. Since assuming management responsibility at ŠKODA – now the fourth marque in the Volkswagen Group – we have been able to significantly improve the quality standard of this renowned Czech manufacturer's products; the success which ŠKODA has in the meantime achieved on the market is clear proof that we have adopted the right course. Apart from

ŠKODA, we have a further production facility in Czechoslovakia in the shape of Volkswagen Bratislava, where we shall be setting up – on a step-by-step basis – a vehicle-assembly plant to meet demand in Central Europe and an ultra-modern gearbox-manufacturing facility. The first Volkswagen to be built in Bratislava came off the production line on December 21, 1991.

It is not just our external structures which are being systematically developed. Equal attention is being devoted to our internal structures – in other words, the spirit and atmosphere prevailing within the Volkswagen Group. It is our aim to do away with attitudes and ways of thinking that are no longer in tune with present-day needs; if we can accomplish this, we shall be able to mobilize our employees' creative potential still more effectively. This will make it possible for us to achieve the necessary progress in boosting productivity and – working in cooperation with our suppliers – to improve our competitive position still further by better meeting the demands imposed by the time factor.

The Volkswagen Group's policy must be to focus on the automobile and the worldwide growth potential of the automobile market. In pursuing this strategy, it is essential that we devote by far the greatest proportion of our efforts to developing new vehicles and components as well as to creating the necessary sales structures. With models such as the new Volkswagen Golf, the new Audi 100 and the SEAT Toledo, we are exceptionally well prepared for meeting the demands of the market. Such vehicles – tailored to fulfil our customers' wishes and the requirements of this modern age – represent the mainstay of our existence. Our four marques enable us to offer a broad range of models covering every conceivable category, from the economical second family car to the luxury saloon. The Volkswagen Group is thus now better equipped than ever to meet today's increasingly varied requirements in all market and model segments.

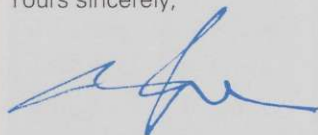
The advances which we have made in the fields of safety and environmental protection demonstrate our determination to make use of every opportunity offered by present-day technology, to the benefit of our customers and the advantage of all concerned. It is the Volkswagen Group which is setting the new standards in these areas.

When we developed the new Golf, the criteria which we applied with respect to passive safety were those which are currently valid in the USA or are scheduled to come into force there by 1996. This means that the world's most stringent regulations on the protection of vehicle occupants have now also become the standard which vehicle manufacturers competing on the European market must seek to emulate. In addition to the new Golf, Audi too already complies with these regulations.

Our thanks are due to all employees of the Volkswagen Group, to the executives, to the works councils and to the entire dealer organization for all that they have achieved during this momentous era in the Group's history. However, we are well aware that both the increasingly tough competition and our own strategic goals will make still greater demands on us in the future than has been the case hitherto.

I would like to thank you for the trust which you as stockholders have placed in us and I am confident that Volkswagen will in 1992 again be able to fulfil your expectations.

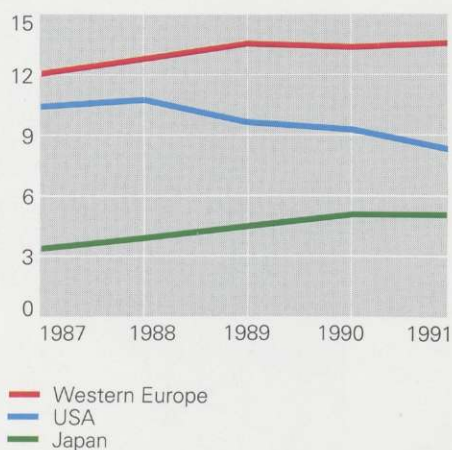
Yours sincerely,



Carl H. Hahn

Management Report: Volkswagen Group and Volkswagen AG

The major world automobile markets (million units)



World economy exhibits diverging trends

The economic situation in the Western industrialized nations in 1991 was characterized by diverging trends, with the adverse effects of factors such as the continuing recession in North America contrasting markedly with a high level of economic activity in the reunified Germany in particular. Most Western European economies experienced a slowing-down of growth and it was not until the end of the year that signs of a gradual upturn started to become apparent in a few countries.

The Central and Eastern European countries undergoing fundamental changes continued to face immense problems created by the transition to market-economy structures. The economic situation in the disintegrating Soviet Union in particular deteriorated to an alarming extent.

The market-economy reforms now under way in Latin America helped to improve the region's medium-term growth prospects. Argentina staged a marked economic recovery after several years of recession, while Mexico's gross national product grew by over 4 %. The economic crisis in Brazil continued to worsen, however, as the country was unable to implement an efficient policy of stabilization and reform.

The People's Republic of China recorded one of the highest growth rates in Asia.

Although western Germany experienced a continuation of the economic upsurge which has prevailed since 1983, higher

taxes and levies coupled with reduced export growth as a result of the general slowdown in international economic activity meant that the growth rate fell from 4.5 % to 3.1 %. The late summer of 1991 saw the economic situation in Germany's new federal states stabilize at a low level.

Varying situations on individual automobile markets

1991 witnessed a substantial decline in demand for automobiles both on the American market and on major West European markets. Japan too experienced a decline in vehicle sales. World-wide automobile production dropped by 4 % to 46.8 million vehicles, the largest fall recorded since the 1980 recession. In Germany, however, 1991 brought a hitherto unparalleled boom in vehicle sales which more than offset the downward trend on the other West European markets and meant that the number of new vehicle registrations in Germany rose by no less than 27 %. With all production facilities operating at full capacity, the Volkswagen Group was able to participate in this growth to an above-average extent, although even then it did not prove possible to make use of every opportunity offered by the market.

Record number of vehicles delivered to customers by the Volkswagen Group

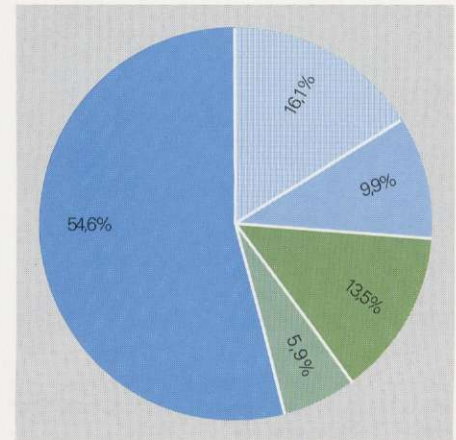
The total of 3,131,135 passenger cars and commercial vehicles delivered to customers worldwide by the Volkswagen Group in 1991 represents a new record, 2.5 % up on the previous year; if ŠKODA sales are included as well, this

| Vehicles delivered to customers | 1991 | 1990 | Change % |
|---------------------------------|------------------|------------------|--------------|
| Western Europe | 2,361,122 | 2,267,281 | + 4.1 |
| Germany | 1,197,171 | 939,267 | + 27.5 |
| Italy | 310,178 | 313,593 | - 1.1 |
| France | 185,485 | 251,479 | - 26.2 |
| Spain | 178,967 | 220,729 | - 18.9 |
| Great Britain | 104,913 | 136,959 | - 23.4 |

figure increases to 3.3 million vehicles. The number of commercial vehicles delivered to customers rose by 14.1% to 286,066. With a total of 2,361,122 vehicles – a rise of 4.1% – delivered to customers in Western Europe, the Volkswagen Group achieved a 16.0% share of the European market in 1991, thereby further consolidating its leading position; the market share increases to

16.4% if sales of ŠKODA models are also taken into account. This means that we have now maintained our position as the leaders on the world's major automobile market for the past seven years – a record in itself. Our largest export market was once again Italy. The Volkswagen Group was particularly successful on the German market, with sales rising by 27.5% to 1,197,171 vehicles.

Sales by division (before consolidation)



- Volkswagen
- Audi
- SEAT
- Overseas operations
- Financial Services/Financing

Vehicle sales by divisions

| | 1991 | 1990 | Change % |
|---------------------|-----------|-----------|----------|
| Volkswagen | 1,815,822 | 1,814,773 | + 0.1 |
| Audi | 451,604 | 416,714 | + 8.4 |
| SEAT | 617,481 | 584,667 | + 5.6 |
| Overseas operations | 631,196 | 657,519 | - 4.0 |

Significant increase in sales revenue and unit sales

The Volkswagen Group's sales rose by 12.1% in 1991 to DM 76.3 billion. This can be attributed to the 3.2% increase in unit sales to the dealer organization – which amounted to 3,126,007 vehicles – accompanied by customer demand for more upmarket features, as well as to the continuing expansion of the rental and leasing business. While domestic sales were well up on 1990 at DM 36.4 billion (+ 35.0%), foreign sales fell by 2.9% to DM 40.0 billion and accounted for 52.4% of total sales.

Volkswagen AG's sales increased by 15.1% to DM 47.3 billion, with foreign sales making up 46.8% of this total.

Sales to the dealer organization amounted to 1,747,300 vehicles, an increase of 1.9% on the previous year. The sales of Audi vehicles and the related sales proceeds are no longer included in the corresponding figures for the Volkswagen AG.

New production record for the Volkswagen Group

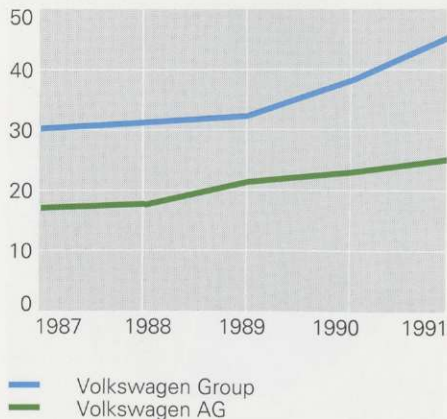
The total of 3,128,338 vehicles manufactured by the Volkswagen Group in 1991 was 2.3% up on the previous year's figure and represents a new production record. Out of this total, Volkswagen AG produced 1,576,086 vehicles (- 1.4%), including 211,462 assembly kits for Volkswagen Bruxelles S.A. Although average production per working day

Production

| | units | 1991 | 1990 | Change % |
|---------------------|-------|------------------|------------------|--------------|
| Worldwide | | 3,128,338 | 3,057,598 | + 2.3 |
| Passenger cars | | 2,941,250 | 2,882,870 | + 2.0 |
| Commercial vehicles | | 187,088 | 174,728 | + 7.1 |
| In Germany* | | 1,814,256 | 1,815,423 | - 0.1 |
| Abroad | | 1,314,082 | 1,242,175 | + 5.8 |

* Excluding assembly kits for Volkswagen Bruxelles and Volkswagen of South Africa.

Development of the volume of purchasing of the Volkswagen Group and Volkswagen AG (billion DM)



within the Group rose by 75 vehicles to a figure of 13,596, model changes and capacity shortages meant that it was impossible to avoid extended delivery times. The proportion of total output accounted for by vehicles manufactured abroad rose slightly to 42.0 %.

Significant increase in volume of purchasing

As a result of the increase in production, the Volkswagen Group's volume of purchasing – excluding sales tax and purchasing by AUTOLATINA – rose from DM 37.9 billion in 1990 to DM 46.8 billion in 1991. Purchasing by Volkswagen AG totalled DM 25.9 billion as against DM 22.2 billion in 1990, with DM 17.3 billion accounted for by raw materials and supplies as well as semi-finished and finished products and DM 8.6 billion spent on capital goods and services. The large number of foreign companies supplying the Volkswagen Group reflects the increasingly international nature of our purchasing activities and the trend towards what has come to be known as "global sourcing".

The situation on the purchasing markets in 1991 was influenced by the Gulf crisis and the low level of economic activity in the Western industrialized nations. The prices of industrial raw materials continued to fall as the year progressed and in the case of oil-based products prices were lower in the second half of 1991 than they had been in the early part of the year.

Decrease in the Volkswagen Group's workforce

The average number of employees in the Volkswagen Group fell by 0.3 % in 1991 to 260,137. While the workforce employed by the German part of the Group increased by 0.7 % to 166,880, the number of people working at Group companies abroad decreased by 2.2 % to an average over the year of 93,257, primarily as a result of cuts in the workforce at Autolatina in Brazil. At 126,802, the average number of people employed by Volkswagen AG in 1991 was 0.2 % down on the corresponding 1990 figure; at the end of the year the company's workforce totalled 125,882, a drop of 2.2 % compared with the previous year.

European Volkswagen Group Works Council

The Group management has concluded an agreement on consultation and exchange of information at European level with the European Volkswagen Group Works Council, which is made up of employee representatives from Volkswagen AG, AUDI AG, SEAT, S.A. and Volkswagen Bruxelles S.A. Under the terms of this agreement the Group management will meet regularly with the European Works Council, above all in order to discuss European issues of economic and social importance to the Company.

Research and development activities further stepped up

In 1991 the Volkswagen Group spent a total of DM 2.7 billion on research and development work, 6.7 % more than in the previous year. Out of this overall figure, DM 1.5 billion was accounted for by Volkswagen AG (+ 7.0 %). Activities focussed above all on development of new vehicles incorporating exemplary safety and recycling concepts as well as particularly environment-friendly engines. The Volkswagen Group employed a total of 12,991 staff in the research and development sector, 6,961 of them at Volkswagen AG alone.

As far as actual products of this research and development work are concerned, 1991 was dominated by the start of series production of the new Golf, the Vento, the Transporter and Caravelle with long wheelbase and the Passat VR6 together with the upgrading of the Corrado, which is now also available with a six-cylinder engine. Audi and SEAT likewise impressively demonstrated their innovative capacity with new models.

The outstanding quality of our research and development work is also reflected in the three environment-friendly vehicles presented at the 1991 International Motor Show in Frankfurt – the Eco-Golf, the Hybrid-Golf and the City-STROMer. All three models were developed in only a short time to the point of readiness for large-scale road tests under normal conditions.

The most extensive investment programme in the Volkswagen Group's history

The total of DM 9,910 million invested by the Volkswagen Group in 1991 represented an increase of 84.5 % over the previous year's figure and marked the beginning of the most extensive investment programme in the Group's history. Tangible and intangible assets accounted for DM 8,529 million, with the funds devoted above all to new models – Golf III, Vento, Audi Convertible, Audi 80, SEAT Toledo – as well as to optimizing manufacturing structures and introducing environment-friendly production methods. Sizeable sums were also invested in the Volkswagen Sachsen project, the construction of the Martorell plant in Spain and the creation of additional production capacity in Mexico. With rental and leasing business continuing to expand, investments in this sector rose by 12.3 % to DM 4,961 million. Volkswagen AG invested a total of DM 5,406 million, 46.0 % more than in 1990. Investments in tangible assets, which amounted to DM 3,510 million as against DM 2,171 million in the previous year, were devoted primarily to measures in connection with the start of production of the Golf III and the Vento as well as to expanding manufacturing facilities and enhancing their flexibility. Financial investments totalled DM 1,879 million, with the major proportion of this sum relating to the acquisition of shares in ŠKODA and payment of capital contributions in respect of various subsidiaries.

Volkswagen by far the largest investor helping to rebuild Saxony's economy

Volkswagen's activities in Saxony can be seen as our contribution to the process of rebuilding the economy in Germany's new federal states. During the period up to the end of 1996 it is planned to invest a total of DM 4.7 billion in our projects in this region, which comprise three companies – Sächsische Automobilbau GmbH, Volkswagen Sachsen GmbH and Volkswagen Sachsen Immobilienverwaltungs GmbH. Volkswagen Sachsen GmbH, a wholly-owned subsidiary of Volkswagen AG, acquired all the shares

in the cylinder-head production company Zylinderkopffertigung Eisenach GmbH on October 1, 1991 and also took over the engine manufacturer Motorenwerk Chemnitz GmbH on January 1, 1992. A sum of over DM 700 million is being invested up to 1994 in the creation of an engine production facility with a planned annual output of 460,000 units. When completed, the production plant in Mosel near Zwickau – which belongs to Volkswagen Sachsen GmbH – will be capable of turning out 250,000 vehicles annually from 1994 onwards. A total of 3,195 people – including 36 apprentices – participated in the training measures offered in 1991 by Volkswagen-Bildungsinstitut GmbH, a service enterprise which aims to provide basic and further training for employees in both the automobile industry and other sectors.

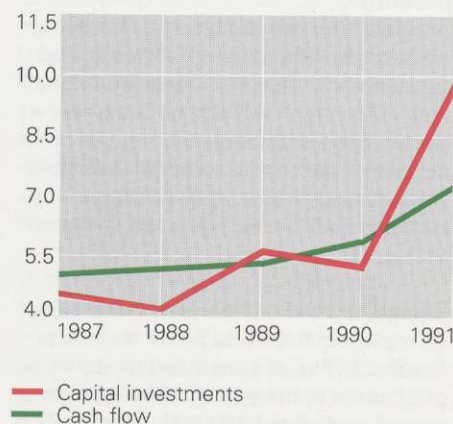
ŠKODA now the fourth independent marque in the Volkswagen Group

On April 16, 1991 Volkswagen AG acquired a 31% interest in ŠKODA, automobilová a.s. through contribution of capital and purchase of shares. Volkswagen has assumed management responsibility from the outset and it has been agreed that our holding will be increased to 70 % by 1995. In addition to the development of new models, the investment programme for ŠKODA will focus in particular on measures to boost the company's annual production capacity from the present figure of 190,000 to around 400,000 vehicles. ŠKODA will be included in the Volkswagen Group's consolidated financial statements for the first time in 1992.

Establishment of Volkswagen Bratislava rounds off our activities in Czechoslovakia

The agreement setting up Volkswagen Bratislava, spol. s r. o., concluded on April 29, 1991 between the Slovakian Republic, the firm of Bratislavské Automobilové Závody (BAZ) and Volkswagen AG, means that Volkswagen has gained a modern production plant in an advantageous location. It is planned that this plant should produce middle-range vehicles as well as gearboxes for the Group's interlinked supply system. All in all, Volkswagen will be investing a

Capital investments and cash flow within the Volkswagen Group (billion DM)



total of DM 7.0 billion in Czechoslovakia over the next five years.

Volkswagen expands production capacities in Asia

On January 1, 1992 Shanghai-Volkswagen Automotive Company Ltd. in the People's Republic of China took over the Shanghai Car Plant, where it is now planned to increase annual output to 150,000 vehicles by 1995. In addition the FAW-Volkswagen Automotive Company Ltd. commenced operations on September 1, 1991. A Jetta plant with an initial annual production capacity of 150,000 vehicles is currently being set up in Changchun in Jilin province. It is also envisaged that this plant should manufacture gearboxes and engines for the interlinked supply system in China and for export to Europe.

In order to also gain a foothold in the Asian market in the commercial-vehicle sector, we have joined forces with Ching Fong Investment Co. Ltd., Taiwan, in setting up a company – to be known as Ching Chung Motor Co. Ltd. – which will produce and market the new Volkswagen Transporter. Two thirds of the new company's capital is held by Ching Fong Investment Co., Ltd. and the remaining third by Volkswagen AG. It is planned to manufacture a total of 30,000 vehicles annually.

Management Report: Volkswagen Group and Volkswagen AG

People-carrier project opens up a market segment with major growth potential

Another new company came into being on July 15, 1991 when the Portuguese Government, the Ford Motor Company and Volkswagen AG signed the contracts setting up a joint venture to produce a people-carrier. Ford and Volkswagen each have a 50 % holding in the new company, which goes by the name of AutoEuropa Automóveis Lda.

Together with Ford we are now setting up a plant in the Portuguese town of Setúbal, which is scheduled to start production at the end of 1994 with an annual capacity of 180,000 vehicles. The foundation stone was laid on December 3, 1991 in the presence of the Portuguese Prime Minister Anibal Cavaco Silva. It is planned to invest a total of US \$ 2.8 billion in this plant, making it currently the largest investment project financed by foreign capital in Portugal – unquestionably a high-potential growth region within Europe. All in all, this project will create – both directly and indirectly – up to 15,000 new jobs. In realizing this project together – which at the same time means sharing the risks involved – Ford and Volkswagen are moving into a market segment which promises to offer major new opportunities, with forecasts indicating that by

the end of this decade around 500,000 vehicles in the people-carrier category will be sold in Europe each year.

Board of Management proposes payment of an unchanged dividend

The Volkswagen Group closed the fiscal year 1991 with net earnings of DM 1,114 million, 2.6 % up on the previous year's figure. Volkswagen AG achieved net earnings of DM 447 million as against DM 670 million in 1990. The principal factors contributing to this decline were the expenses incurred in connection with launching the new Golf and the Vento as well as increased depreciation on account of the phasing-out of preferential treatment for investments in areas near the former border between East and West Germany.

The earnings situation enables the Board of Management and the Supervisory Board, after transferring DM 80 million to free reserves, to propose to the Annual Meeting of Stockholders the payment of an unchanged dividend amounting to DM 11 on each ordinary share and DM 12 on each preferred share.

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

| Proposal on appropriation of net earnings available for distribution | DM |
|---|--------------------|
| Dividend distribution on subscribed capital of DM 1,656.5 million* | 369,000,000 |
| of which: | |
| on ordinary shares | 297,000,000 |
| on preferred shares | 72,000,000 |
| Balance (carried forward) | 3,565,081 |
| Not earnings available for distribution | 372,565,081 |

* DM 6.5 million deriving from the capital increase effected in November 1991 carried no dividend rights for fiscal year 1991.

Prospects

The beginning of 1992 found many industrialized Western nations experiencing reduced economic growth. There are as yet few signs of an economic recovery in the USA, while growth in Japan has slowed down to a marked degree.

With both world trade and economic activity in the USA expected to pick up as the year progresses, 1992 seems likely to bring a gradual economic upturn in Western Europe, accompanied by lower inflation. Most Latin American countries will experience vigorous growth in the next few years by virtue of having adopted economic policies geared more strongly to the demands of competition and the market. The Mexican economy will remain one of the strongest in the region, whereas Brazil will still be faced with a continuing recession and the problem of a renewed increase in inflation. With the annual growth rate averaging 6–8 %, the economy of the People's Republic of China will continue to expand at a rapid pace.

The economic situation in Germany's old and new federal states still exhibits diverging trends. While the new states will benefit from a sustained upswing and will probably record a growth rate of 10–15 % in 1992, the economic climate in western Germany will initially continue to cool off. Although the expected revival of international economic activity should also prompt an upward trend in western Germany, such a development requires, amongst other things, a change of direction in monetary policy, which was only significantly tightened up in December 1991 in view of the growing danger of inflation. Relaxation of monetary policy is only likely if fiscal and wage policy is geared to the demands of the economy as a whole and in particular to the burdens created by the unification process. Medium-term development is also at considerable risk on account of the disadvantages – which could well become still more serious – suffered by the German economy in terms of costs and Germany's attractiveness as a location for companies. As a result of these influences, Germany is in danger of losing its position as the economic

leader and driving force within the European Community.

Although the systematic adoption of market-economy principles is confronting the countries of Central and Eastern Europe with greater problems than expected, the prospects for economic recovery and growth are now considerably brighter, in particular in Hungary, Czechoslovakia and Poland. By contrast, the new states which emerged from the collapse of the Soviet Union are still at the beginning of what will undoubtedly be a lengthy process of political and economic reorientation.

In investing in Czechoslovakia, Volkswagen is contributing to the development of a country which is energetically pursuing the market-economy concept and – having already concluded an association agreement – is seeking to establish still closer links with the European Community. We anticipate that Czechoslovakia's determined adherence to this course will also have noticeable effects on its Central European neighbours.

Our totally renewed model range means that the Volkswagen Group can face 1992 with confidence. A total of 556,862 vehicles of all four marques were delivered to customers in the first two months of 1992, 3.5 % more than in the corresponding period in 1991. Our grea-

test hopes of course rest on the new Golf and the Vento. Only a short time after its launch, the number of orders received for the new Golf was twice as high as the total received at the same point for the predecessor model, which was itself outstandingly successful. In order to relieve the delivery backlogs for the Golf and Vento, twelve extra shifts are to be run during the first half of 1992. SEAT, ŠKODA and Audi are also to run extra shifts.

The numerous projects in which we are currently involved open up opportunities for us on both new and existing markets. At the same time, however, we are well aware that the reforms now being realized in Eastern Europe involve considerable risks – and not just of an economic nature.

The strategic decisions taken in 1990 and 1991 have, in the meantime, been translated into concrete projects which are continuing to be realized to plan in the current year. The major inputs and investments required by these measures will inevitably affect the Volkswagen Group's financial situation in 1992 as well, with the costs involved in launching our new models also continuing to have an effect during the first half of the year. We nevertheless anticipate that our products and projects will significantly strengthen our competitive position.

In the course of 1992 we shall be taking further steps to optimize our worldwide interlinked production and supply system and thus to strengthen the Group as a whole. One of the measures planned is the expansion of our production capacities in Mexico, which will enable us to meet demand for the Golf – and later on the Vento as well – on the North American market by way of vehicles manufactured in this low-cost location.

With vehicle sales on the Spanish market now reviving and exports being stepped up, SEAT will continue to experience vigorous growth in 1992. The same applies to Audi, whose attractive and innovative model range should ensure that 1992 is as impressively successful a year for the company as 1991.

As the fourth marque in the Volkswagen Group, ŠKODA will step up marketing of the Favorit range in Western Europe and further improve its position on the Central and Eastern European market, thereby securing an established place within the Group set-up.

Wolfsburg, March 10, 1992

The Board of Management



Volkswagen AG
Wolfsburg
Capital stock:
DM 1,656,450,000

Plant locations:
Wolfsburg
Hanover
Kassel
Emden
Salzgitter
Brunswick

Volkswagen Sachsen GmbH
Mosel
DM 10,000,000
100 %

Volkswagen Bruxelles S.A.
Brussels, Belgium
BEC 1,925,000,000
100 %

V.A.G France S.A.
Paris, France
FRF 50,000,000
100 %

AUTOGERMA S.p.A.
Verona, Italy
ITL 90,000,000,000
100 %

AutoEuropa Automóveis Lda.
Palmela, Portugal
ESC 4,000,000,000
50 %

**TAS Tvoronica
Automobila Sarajevo GmbH**
Vogosca, Yugoslavia
YUD 1,375,139,000
50 %

V.A.G Sverige AB
Södertälje, Sweden
SEK 84,000,000
33.33 %

**Volkswagen Bratislava,
spol. s r. o.**
Bratislava, Czechoslovakia
CSK 1,054,800,000
80 %

**V.A.G Transport
GmbH & Co. OHG**
Wolfsburg
DM 1,000,000
81 % Volkswagen AG
19 % AUDI AG

VOTEX GmbH
Dreieich
DM 1,000,000
100 %

**Sociedad Española de
Automóviles de
Turismo, S.A.**
Madrid, Spain
ESP 84,000,000,000
99.99 %

ŠKODA, automobilová a. s.
Mladá Boleslav
Czechoslovakia
CSK 9,642,000,000
31 %

■ Producing Companies
■ Distributing Companies
■ Other Companies

Overseas Operations

Financial Services

Financing Companies

AUDI AG
Ingolstadt
DM 215,000,000
98.99 %

**Volkswagen of America,
Inc.,** Auburn Hills, Mi., USA
USD 242,422,222.92
100 %

Volkswagen Canada Inc.
Toronto, Ontario, Canada
CAD 500,000
100 %

**Autolatina
Comércio, Negócios e
Participações Ltda.**
São Paulo, SP, Brazil
BRC 31,481,998,000
51 %*

Autolatina Brasil S.A.
São Paulo, SP, Brazil
BRC 71,867,345,310
42.58 %*

Autolatina Argentina S.A.
Buenos Aires, Argentina
ARP 600,718,701,000
51 %*

**Volkswagen de Mexico,
S.A. de C.V.**
Puebla/Pue., Mexico
MXP 304,343,224,000
100 %

**Volkswagen of
South Africa (Pty.) Ltd.**
Uitenhage, C.P.
South Africa
ZAR 9,362,650
100 %

Volkswagen of Nigeria Ltd.
Lagos, Nigeria
NGN 23,000,000
40 %

**Shanghai-Volkswagen
Automotive Company Ltd.**
Shanghai, China
CNY 350,000,000
50 %

**Volkswagen Audi Nippon
K.K.**
Tokyo, Japan
JPY 15,360,000,000
100 %

V.A.G Bank GmbH
Brunswick
DM 600,000,000
100 %

V.A.G Leasing GmbH
Brunswick
DM 300,000,000
100 %

V.A.G Financement S.A.
Paris, France
FRF 95,000,000
99.68 % V.A.G France S.A.
0.32 % Volkswagen AG

Financiera Seat, S.A.
Madrid, Spain
ESP 8,207,390,000
100 % SEAT S.A.

VW Credit, Inc.
Auburn Hills, Mi., USA
USD 100,000
100 % Volkswagen of
America, Inc.

**Coordination Center
Volkswagen S.A.**
Brussels, Belgium
BEC 10,000,000,000
60 % Volkswagen AG
40 % Volkswagen Bruxelles S.A.

**Volkswagen International
Finance N.V.**
Amsterdam, Netherlands
NLG 226,000,000
100 %

Volkswagen Investments Ltd.
Dublin, Ireland
DM 465,000,000
100 %

**VW-GEDAS & Co. Projekt-
management OHG**
Berlin
DM 300,000,000
99.97 %

* Volkswagen AG's direct or indirect holding



Volkswagen

The new Golf – Car of the Year 1992

The third generation of the Golf – the epitome of the “classless” car – was presented to the public at the 1991 Frankfurt International Motor Show. The total of no fewer than thirteen million Golfs sold since 1974 testifies to this best-selling model’s popularity and high degree of competitiveness.

The Golf III is set to continue this long tradition. The market for compact cars in the Golf class has been growing steadily for many years. This vehicle category accounted for 31% of the more than four million new cars sold in Germany in 1991 and we anticipate that this proportion will increase in the coming years.



Taking the European market as a whole, compact cars in the lower middle range represented 29 % of the total of around 13.5 million cars sold in 1991.

The Golf was once again the best-selling model in this segment of the German automobile market in 1991, with sales totalling 353,700 vehicles and an 8.5 % share of the market enabling it to maintain the leading position which it has held since it was launched in 1974. Around 63 % of over thirteen million Golfs manufactured to date have been sold abroad.

Many factors have contributed to the continuing success of the Golf. Apart from being extremely practical and economical to run, the Golf is available in a wide variety of versions catering to every conceivable need and this is undoubtedly one of the secrets behind its popularity. The Golf range offers something for every taste, from the diesel engine version to the six-cylinder engine and from the Convertible to the Caddy.

The new Golf satisfies even the toughest crash test requirements

The Golf III sets new standards in safety

The Golf III unquestionably sets new standards in terms of safety and environment-friendliness. Where safety is concerned, the Golf far surpasses anything achieved so far in this vehicle class. A system of effective protection features in the totally redesigned passenger cell means that it already satisfies future crash requirements as regards preservation of survival space for the vehicle occupants and absorption of energy in the deformation zones. The Golf not only incorporates a degree of safety considerably higher than that demanded by the current European safety standards, but also more than satisfies the American regulations, which are considered the most stringent in the world. In addition to withstanding the 30 and 35 mph frontal crashes, it already fulfils the requirements laid down for the side impact test conducted at a speed of 33.5 mph (54 km/h), compliance with which will not become mandatory in the USA until 1996. Important elements of the protective system incorporated in the new Golf include reinforced side and cross members, side impact protection integrated into the

doors and stronger door sills. From mid-1992 onwards, moreover, the Golf will also be available with air bags for both driver and front passenger.

The inclusion of all these safety features in the new Golf means that this model designed for the mass market matches the standards already set by Audi in the upper range. As the individual models are gradually upgraded, this safety concept will be extended to cover the entire Volkswagen range.

Environmental protection a priority concern

When the new Golf was being developed, particular importance was attached to ensuring that both the vehicle itself and the production methods used to manufacture it are environment-friendly. The Golf III was designed with recycling in mind, enabling Volkswagen to become the first vehicle manufacturer in the world to give a guarantee that old vehicles will be taken back when they reach the end of their useful life. The emphasis placed on minimizing the environmental pollution caused by the production process is highlighted by measures such as the use of solvent-free paints and elimination of CFCs in parts manufacturing. What is more, the new Golf has been available throughout Europe since autumn 1991 with catalytic converter as standard. Its environment-friendliness is further enhanced by a range of low-emission high-tech engines.

New engine range caters to every requirement

The new Volkswagen Golf features a restructured range of engines designed to meet today's more demanding requirements in terms of output, fuel economy and robustness. The four-cylinder engines available range from the basic 1.4 litre version delivering 44 kW (60 bhp) to the 2.0 litre GTI engine with an output of 85 kW (115 bhp). All Golf engines save one have an improved performance or a larger cubic capacity than the predecessor versions. In addition to significantly improving fuel economy, these high-torque engines also help to cut pollutant and noise emissions.





The Vento, the saloon for the discerning buyer – independent styling, high-grade equipment, excellent aerodynamics

The new top-of-range model is unrivalled in the Golf class. The 2.8 litre six-cylinder engine in the Golf VR6 produces 128 kW (174 bhp), with a power characteristic guaranteeing sizeable safety reserves thanks to excellent torque. The car can accelerate from 0 to 100 km/h in 7.6 seconds and – in fifth gear – from 60 to 100 km/h in 11.0 seconds. The Golf VR6 at the same time combines this outstanding performance with good fuel economy.

In addition to the five fuel-injection engines, two new diesel engines with catalytic converter are also available. Both of these 1.9 litre engines fall into the "low-emission" category under the applicable US standard and the "extra-low emission" category laid down in German legislation. The naturally aspirated engine has an output of 47 kW (64 bhp) and gives the Golf a top speed of 156 km/h, while the second engine features a turbo-charger which boosts its output to 55 kW (75 bhp).

Power steering and a five-speed gearbox are standard on all new Golfs with an engine delivering 47 kW (64 bhp) or more.

The Golf's running gear has also been re-designed. Irrespective of tyre width, the outboard side of the tyre is always flush with the body, something which has numerous advantages. The increased track width has a beneficial effect on driving characteristics. In particular, the vehicle's neutral self-steering behaviour – with a slight tendency to understeer – has been further improved. The new axle design gives all model versions a powerful appearance and helps to cut fuel consumption by reducing the drag coefficient.

The GTI versions and the VR6 feature a new high-performance running gear which makes it possible to achieve a degree of stability hitherto unknown in



high-performance vehicles with front-wheel drive.

The new Vento – an attractive newcomer in the middle range

In January 1992 Volkswagen launched a new four-door notchback saloon – the Vento. This is the successor to the Jetta, production of which reached a total of 2,436,120 vehicles over a period of more than thirteen years. The Vento fills the gap between the compact Golf and the decidedly spacious Passat. It too satisfies the aforementioned stringent safety standards and is exceptionally environment-friendly. With its elegant and stylish design, the Vento is an attractive newcomer in the middle range. The large number of orders already received for the Vento shortly after its launch are clear proof that it has met with an outstanding reception on the market.

The Chico – more than just a city vehicle

At the 1991 Frankfurt International Motor Show, Volkswagen presented a vehicle study which does not fall into any of the current automobile categories. Designed as a compact 2+2-seater, the Chico features the comfort and safety standards normally associated with middle-range vehicles, while at the same time requiring a minimum of space. Electronic guidance systems and a specially equipped radio allow the Chico to be integrated with ease into interlinked traffic concepts incorporating both public and private transport.

Volkswagen wins numerous awards

The national and international awards won by Volkswagen in 1991 reflect the immense popularity of Volkswagen models with the vehicle-buying public.

Soon after it was launched the new Golf was awarded the prestigious title "Car of the Year 1992", with an international jury made up of sixty motoring journalists voting it the clear winner ahead of sixteen other contenders.

The "Safety Award 1991" given by the renowned British automobile magazine "Autocar & Motor" likewise went to the new Golf. In the magazine's opinion, the Golf III has set safety standards which the other manufacturers of compact and middle-range cars must now seek to emulate.

The Golf also won the "Golden Steering Wheel 1991" awarded by the German newspaper "Bild am Sonntag". In the compact-car class it came out well ahead of its competitors in seven of the nine rating criteria.

In a new international contest organized by the German magazine "Auto Bild" and five associated European publications, the Golf was the runaway winner of the title "Europe's Number One Car". The readers of the magazine "auto motor und sport" voted the new Golf "Best Car in the World" in its class in 1992. With a 61.5 % share of the vote, the Golf thus carried off this title for the ninth year in succession. The Golf's triumph was matched by the Polo, which was awarded the title in the subcompact category. The Polo also won the "city car" category in the "Automobile Prize

'91" contest run by the German magazine "Neue Revue".

Volkswagen emerged the clear winner in the "Auto-Trophy '92" contest organized by the German magazine AUTO-ZEITUNG, taking first place in five out of ten categories. The new Golf did outstandingly well, winning no fewer than three awards. In addition, the Passat Variant came out top for the third year in succession in the category for "family cars in the price range up to DM 35,000", voted into first place by almost 50 % of the thirty-member jury of experts.

Since the beginning of 1991 Volkswagen models have won twenty-two awards, thirteen of them going to the new Golf.

*Prizes and awards –
an incentive for the future*





Production

Breaking new ground in the production of the new Golf

The launch of the new Golf also provided an opportunity to break new ground with further improvements in production technology and manufacturing processes. While based on the experience gained and the technology used in manufacturing the predecessor model, the new production concept incorporates radical changes of a technical, organizational and personnel-related nature. This new approach not only permits major advances in terms of quality and productivity, but also helps to make conditions at the workplace less burdening and ensure that our manufacturing operations have a minimal impact on the environment.

An important element of this concept is its use of modular construction. When the new Golf was being developed, particular emphasis was placed on combining vehicle components to form complex assemblies. In addition to the dashboard, for example, the cockpit module also includes components such as the heater or air conditioner, the steering column, the pedals and the central electrics. These modules are preassembled on separate production lines or by suppliers, checked to ensure that they meet Volkswagen's high quality standards and then delivered direct to the assembly line. This concept makes it possible to increase production capacity and at the same time enhance quality.

Volkswagen promotes teamwork

Well-trained, highly motivated employees are essential if a company is to hold its own in the face of international competition. The aim at Volkswagen is to improve existing production structures by promoting flexible teamwork which encourages a sense of personal responsibility on the part of every individual. Responsibility for production quality has been "decentralized", which means that every employee is responsible for the quality of the products which he or she makes. The start of Golf III production was backed up by the launching of a special

integration programme, featuring numerous information and training measures in which over 34,000 employees participated.

The launch of the new Golf was accompanied by the initiation of a continuous-improvement programme – an in-company learning process in which the employees themselves work out ways of enhancing quality and productivity.

Emphasis on quality from the development phase onwards

The high quality of our vehicles is one of the factors behind their success on the international market. When designing the Golf III, we set ourselves even higher standards than we have done in the past. Special emphasis was placed on quality right from the beginning of the development phase, with all divisions concerned with product quality – such as development, purchasing, production and service – playing an active and responsible part in every decision-making process. The close cooperation between these divisions and the involve-

ment of our suppliers from an early stage ensured that the Golf III encountered no problems in meeting high quality standards from the very outset.

New approaches in the logistical field as well

The new Golf has also enabled us to explore new approaches in the logistical sector and systematically improve on our existing strategies. Particular emphasis is being placed on production programme stability (in other words improvement of planning accuracy), expansion of the direct-supply system based on the just-in-time concept, joint utilization of opportunities for rationalization by Volkswagen and its suppliers and increased use of new information technologies. Our logistics concept attaches special importance to environment-friendliness; Volkswagen is already the European railways' largest customer and it is our intention to make still greater use of the railways in our supply operations.

Using modular construction for cockpit assembly



Personnel

High level of employment

1991 was a year which demanded much of the Volkswagen employees at home and abroad to achieve a record sales level, the launch of new models and to implement numerous new projects. This is reflected in the fact that the level of employment remained high. While there was virtually no change in the number of people employed in the direct sector at Volkswagen AG (71,321, 0.4 % fewer than in 1990), the workforce in the indirect sector decreased significantly by 4.9 % to 49,801. This development was accompanied by optimization of the organizational set-up. A special company scheme enabled 3,300 employees to take early retirement.

Management with an international orientation

The increasing globalization of competition in evidence today means that it is essential for management personnel to possess international experience. The tasks with which we will be confronted in the future determine the nature of the skills and qualifications required by our employees and by the company's management. It is vital today to become

familiar with other cultures, mentalities, markets and consumer habits at an early stage, as well as to be capable of thinking in global terms and acting with local needs in mind.

The international exchange of personnel is still the most effective way of enabling employees to gain this experience and to feel at home on all continents and on every market – in other words, the best way of encouraging them to think and act in international terms. Only someone who is familiar with all the markets can analyse them, forecast their development and elaborate strategies which can then be put into practice worldwide. A corporate culture with an international orientation represents the essential basis for success in any country – whether it be Germany, China, Spain or anywhere else. Volkswagen therefore aims to ensure that an increasing number of specialists, management personnel and rising young managers have the opportunity to work together in international teams to tackle specific problems.

Our international trainee programme, which was stepped up in 1991, is also breaking new ground in this area. Graduates wishing to be admitted to the

programme must have taken an internationally oriented course of studies as well as having spent time studying or undergoing practical training abroad. Particular emphasis has been placed on recruiting more graduates from foreign institutions of higher education. The trainee programme now also includes the opportunity to spend several months at a Group company abroad in countries such as China, Mexico, the USA and Japan or at other Group locations. Among the sixty trainees participating in the programme at the end of 1991 were twenty from countries other than Germany. Twelve trainees have already spent a period of time working abroad under the programme.

Opportunities to spend time working abroad form part of development programmes for management personnel and rising young managers in all the Group's companies. In 1991 over 400 employees normally based in Germany were working at Group companies abroad under such schemes, while employees of foreign Group companies were able to gain new experience working at Volkswagen AG.

International exchanges for young people

Our vocational training too promotes intercultural learning, the ability to think in worldwide dimensions and contexts and a trend towards greater mobility. Long-standing links and trainee exchange programmes – involving Russia, Poland, Hungary and Czechoslovakia in particular – have been stepped up and further expanded. Over ninety apprentices and instructors participated in exchange measures with other companies in 1991 and forty apprentices attended seminars in Auschwitz.

In the light of the single European market scheduled to come into being in 1993, and with a view to harmonization of the varying education systems in Europe, a general agreement has been concluded between Volkswagen AG and the French Ministry of Vocational Educa-

Over 100,000 people came to the Wolfsburg factory for the Golf presentation





tion. In this agreement, both sides undertake to create the necessary conditions for improved mutual understanding, to promote the exchange of instructors and apprentices, and to organize joint measures in the fields of basic vocational training and further training for employees. To begin with, 48 French apprentices spent 21 days in Volkswagen's vocational training department in order to become acquainted with Germany's "dual" training system combining in-company training with parallel instruction at a vocational school. It is planned to organize exchange schemes involving apprentices at all the Volkswagen plants in western Germany. Alongside the development and exchange programmes for employees, 1991 also saw the completion of planning for a scheme – organized in cooperation with the American Field Service – which will enable the children of employees to spend a year abroad experiencing everyday life and attending school in any of the countries where Volkswagen Group companies are located. The Volkswagen Group is awarding 45 grants for the 1992/93 school year, with ten of them intended specifically for children of Volkswagen employees.

Development of managers and superiors

Managers and superiors must face the challenges created by today's ever tougher competition, take up these challenges and devise practical, competitive strategies. In 1991 Volkswagen took an important step in this area by deciding to realize extensive new planning and development programmes for management personnel and the rising young generation of managers as well as for employees paid above the collectively agreed rates. The 32 "VW orientation seminars" held since 1990 for the purpose of pinpointing young employees with potential have produced around 200 such candidates for a management career, who have then been included in special development programmes.

Major importance was once again attached in 1991 to seminars and workshops for management personnel and the rising young generation of managers, with over 2,000 employees participating in such measures.

If managers are to encourage creativity and commitment on the part of other employees, it is essential that they develop their own abilities to the neces-

sary extent. The existing development concept has therefore now been supplemented by a new Group Management Development Programme, which prepares management personnel for assuming key posts within the Group.

On the basis of a new job description for foremen, Volkswagen made a number of fundamental changes in 1991 to the related organizational set-up. The aims of these measures were to produce a less marked hierarchy, create smaller, more efficient units and improve the relationship between the foreman in his function as supervisor and the employees in his charge.

In his role as "team leader", the foreman now has a variety of supervisory tasks, with greater emphasis on initiative and overall responsibility.

The new demands mean that a great deal of importance must be attached to ensuring that this target group acquires the necessary abilities in terms of technical, social and educational skills. A recruitment and development concept has been designed in order to select future foremen on the basis of specified requirements and aptitudes and prepare them individually for their new responsibilities.

Over 50 % of our present forewomen and foremen will have reached retirement age by the year 2000. This means that suitable development programmes must each year prepare around 220 younger employees to take their place.



Jacques Guyard, Minister for Vocational Education, visiting French apprentices in the training workshop

Increased emphasis on personnel planning and development

The progressive modernization of our company necessitates up-to-date personnel planning geared specifically to our requirements. This means that it is essential to ascertain the personnel-related impacts of all investments in good time and to use suitable planning instruments to make sure that all personnel-specific changes – whether they be of a quantitative or qualitative nature – are in line with our needs. Volkswagen has developed instruments which are designed to enable it to identify requirements in terms of skilled workers and salaried employees in good time, initiate and conduct the necessary planning and accurately meet these requirements.

Demand-oriented personnel planning must include targeted personnel marketing, particularly with a view to recruiting well-qualified young people. In 1991 Volkswagen therefore stepped up personnel-marketing activities aimed at presenting the company as an attractive employer and targeting well-qualified young people as potential employees.

Meetings with students and lectures at institutions of higher education, as well as personnel-recruitment stands at trade fairs and international forums, were systematically used as ways of inform-

ing interested individuals about the wide variety of job opportunities and career development possibilities which Volkswagen can offer. Around forty such events in 1991 brought us into contact with some 14,000 young people and allowed us to present Volkswagen as an attractive company to work for. Thanks not least to these contacts, we were able to recruit over 600 well-qualified employees during 1991.

The fact that Volkswagen devotes particular attention to promoting women's interests has meant that women are increasingly coming to view the company as an attractive employer. In addition to making the promotion of women an established part of our personnel-development policy, we have also set up special departments at our German plants with the aim of catering still more effectively to the specific requirements and wishes of women employees.

Volkswagen attaches major importance to the key area of personnel development. In 1991 the further-training opportunities offered by Volkswagen AG assumed larger dimensions than ever before, with some 37,000 participants and training measures comprising a total of 1.7 million participant-hours. We must maintain this high level of training if we wish to successfully face up to the chal-

lenges of the future, for it is our employees who will continue to represent the key factor in all the Company's activities and efforts.

Employee participation and involvement

Volkswagen AG's personnel policy focuses above all on enhancing employees' efficiency and motivation. In order to achieve these goals, it is essential to progress from in-company training to a concept of overall personnel development.

The provision of opportunities for personal development through the creation of new forms of organization, such as teamwork and measures to promote greater employee participation and involvement, is becoming an increasingly important element of personnel work. Around 18,000 employees have so far participated in the various teamwork projects which, in addition to boosting productivity, have in particular helped to enhance motivation and job satisfaction.

In addition, integrated personnel-development measures are being implemented to back up the continuous-improvement processes in the production sector. At the Salzgitter plant, for example, 25 % of the wage-earners are involved in projects aimed at realizing continuous improvements at the work-

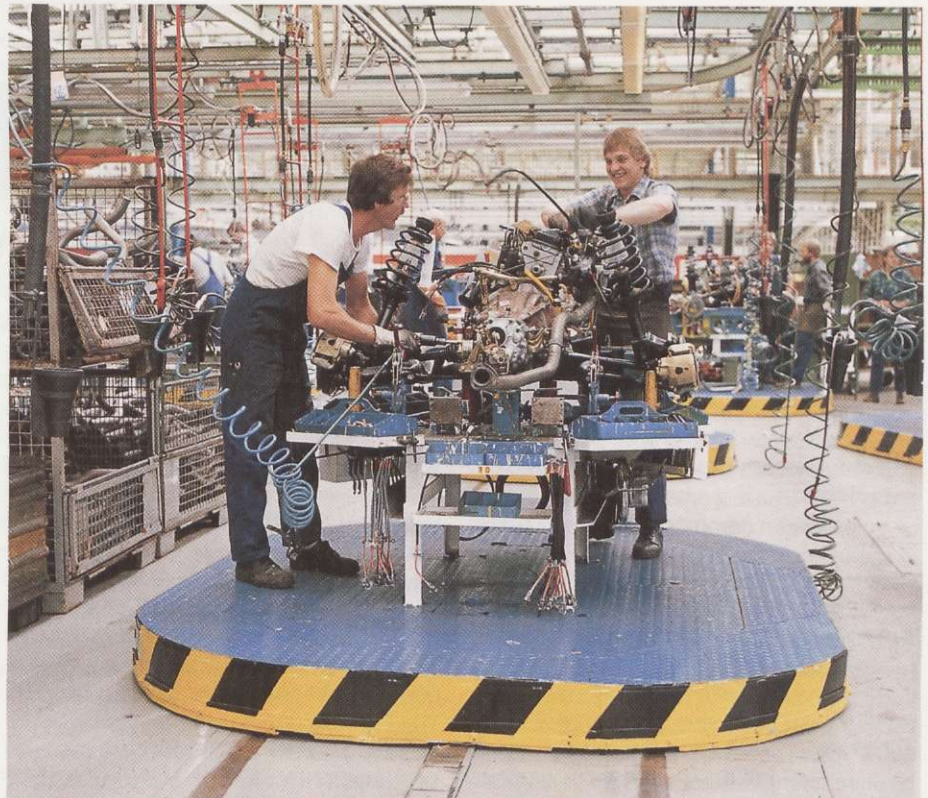


Personnel marketing with the slogan "Together we can move mountains"

Employees in the Emden factory working on assembly of the drive unit

place and in the working environment. Extensive information sessions, multiplier training and optimization measures on the shop floor have enabled the employees – supported by the personnel development department – to make an important contribution to ensuring that the Company is equipped to meet the demands of the future.

A similar role is played by the highly successful "VW circle" system. Some 50,000 Volkswagen AG employees have now been acquainted with this concept. Roughly 1,000 employees have been trained as moderators, around 230 of them in 1991. Approximately 90 % of all measures realized by the circles last year were translated into practical problem solutions. In the context of the continuous-improvement processes, further development of the circles' work remains a key element of Volkswagen's employee-participation strategy.



The first step towards a common pay structure

In November 1991, Volkswagen AG and the Metalworkers Union concluded a new collective agreement. In addition to pay increases averaging 6.7 % and applying for a twelve-month period, this agreement also provides for the beginnings of a common pay structure for wage-earners and salaried employees. Several wage brackets were combined into one, an extra wage group was added at the top of the wage scale and the gaps between the salary groups were reduced. This represents an important step towards a single collective pay agreement covering both wage-earners and salaried employees.

New fringe benefits

Total expenses incurred in connection with the company pension scheme - including allocations to undetermined liabilities - rose by 18.8 % in 1991 to DM 911.7 million. All in all, a total of DM 145 million (+ 15.0 %) was paid out to 37,000 recipients of a company pension (+ 7.5 %).

In addition to the pension scheme, the key element of the Company's fringe benefits, a scheme enabling employees to accumulate capital by acquiring Volkswagen shares was introduced in 1991. The law allows the Company to offer employees the opportunity to purchase preferred shares on special terms over a period of five years. Around 26 % of employees availed themselves of this offer during its first year.

Volkswagen is also breaking new ground in its promotion of health education and preventive health care, with company "health circles" and special fitness programmes for potential risk groups designed to back up employees' personal efforts to look after their health. Targeted personnel-deployment planning is intended to ensure that employees are integrated into individual work groups on as permanent a basis as possible, a step which should have a beneficial effect on their general well-being.

Cooperation at European level

Today's international competition calls for coordinated action on the part of the Group's European plants. The Company has therefore concluded an agreement providing for cooperation, exchange of information and consultation with and between the employees' representative bodies at European level. The new European Volkswagen Group Works Council comprises representatives of the Volkswagen plants in Germany and Belgium as well as from Audi and SEAT. In the preamble to the agreement, the company management and the employees' representative bodies expressed their common conviction "that international competitiveness by virtue of high productivity and flexibility is a prerequisite for successful social development and that the ever more demanding requirements in terms of our products' quality and environment-friendliness must be fulfilled".

Commercial Vehicle Sector

Continuing growth in the commercial vehicle sector

Business in the commercial vehicle sector continued to expand in 1991. In Germany, total sales of light commercial vehicles with a gross weight up to six tonnes (including commercial vehicles eligible for registration in the passenger/estate car category) rose by 50.5 % to 361,862; Volkswagen was able to participate in this growth to an above-average extent, selling a total of 108,930 vehicles and increasing its share of the market to 30.1 %. Despite the general downward trend in evidence on the other major European markets, sales of Volkswagen commercial vehicles rose in these countries as well, increasing by 11.3 % to 66,251.

At 183,845, the number of European-manufactured Volkswagen commercial vehicles delivered to customers worldwide in 1991 was 29.1 % up on the 1990 figure. Although production at the Hanover plant was stepped up, it still proved impossible to meet the high level of demand for these models.

The new Transporter and Caravelle generation was rounded off by the launch of the model versions with long wheelbase and with four-wheel drive. Its wide variety of models means that Volkswagen can offer vehicles tailored to meet every conceivable requirement in the industrial and trade sector. What is more, the Caravelle is an ideal family vehicle.

The new Transporter and the Caravelle have also already been launched on a number of overseas markets. Their modern safety features, high degree of comfort and outstanding quality make them potential winners on the North American market in particular.

Volkswagen is successful in Formula 3 racing

genesis
presented by
VOLKSWAGEN

Motor Sport

A successful motor sport season for Volkswagen

Volkswagen impressively demonstrated its strength in the motor sport sector by carrying off the 1991 Formula 3 titles in Germany, Italy, Austria and France as well as the German Hill-Climbing Championship. This success was undoubtedly due in large measure to our Golf engine. The Formula 3 racing version delivers 125 kW (172 bhp) and permits a top speed of 245 km/h with a vehicle weight of 455 kg. Its durability, robustness and reliability under even the toughest conditions make it the most successful engine in Formula 3 racing.

In the German Rally Championship, Volkswagen won both the manufacturers' title and – with Erwin Weber – the drivers' title as well. A major role in this triumph was played by the G-charger engine, which has a cubic capacity of 1,764 cm³ and produces 206 kW (280 bhp). With its four-wheel drive, six-speed gearbox and comparatively low weight of 1,060 kg, the Golf is an ideal rally car.

All in all, Volkswagen was the most successful manufacturer in the 1991 German motor sport season.





Sponsorship

Culture, sport and concern for the environment – all three supported by Volkswagen

Volkswagen's public relations activities employ a wide variety of modern techniques designed to anchor the Group's marques in the public consciousness both at home and abroad. Sponsorship is an established part of our strategy in this area.

In 1992 Volkswagen is sponsoring something particularly spectacular in the world of pop music: the first tour since 1987 by the super-group Genesis, complete with lead singer and drummer Phil Collins. With a total of thirty concerts in twelve European countries, this tour marks a return to the scene long awaited by the group's many fans.

Among other things, Volkswagen is also lending its support to an art foundation, a television series on road safety training for children and the UN Environment and Development Conference taking place in Brazil in June 1992.

Sporting events likewise feature in Volkswagen's sponsorship activities. In 1991 Leipzig staged its second Ladies' Tennis Grand Prix tournament – the Volkswagen Cup – with a field including top players such as Stefanie Graf and Arantxa Sanchez-Vicario. Volkswagen is also sponsoring Germany's team for the 1992 Olympic Games under the "Team Olympia" scheme.

Companies

Volkswagen Sachsen GmbH

Construction of the new production plant in Mosel near Zwickau is proceeding on schedule. Volkswagen Sachsen GmbH and Volkswagen Sachsen Immobilienverwaltungs GmbH – which is providing the land and buildings – were able to hold the topping-out ceremony for the body-shell shop on May 2, 1991.

This section of the plant is now almost complete and will commence operations in the second half of 1992. The second

major stage of the construction work comprises the paintshop and the assembly shop. The plant is scheduled for completion in 1994, when it will have an annual production capacity of 250,000 Golfs.

Pending completion of the new plant, Volkswagen models are being assembled on a CKD basis by Sächsische Automobilbau GmbH. Volkswagen AG has a 12.5 % minority interest in this company set up as a subsidiary of the Treuhandanstalt, the agency responsible for administering and gradually privatizing what were formerly state-owned East German companies. After ceasing to produce Polos in October 1991, Sächsische Automobilbau GmbH has been turning out special models of the Golf II and is to start Golf III assembly in mid-1992. Introduction of a third shift has enabled the company to achieve an output of 350 vehicles per working day. In 1991 it produced a total of 48,000 cars, made up of 33,000 Golfs and 15,000 Polos.

The new plant in Saxony will be one of the most modern vehicle-manufacturing facilities in the world. The development

of an efficient supplier industry in the region is therefore essential to enable production to be optimized to the fullest extent possible, for our advanced manufacturing concepts and high quality standards can be realized only if our operations are backed up by reliable suppliers.

From the very outset Volkswagen has thus done everything in its power to ensure that the necessary conditions are created and contacts established between local manufacturers and West European companies. A number of well-known firms have in the meantime set up subsidiaries and commenced production in Saxony, a development which has significantly improved the employment situation in the region.

A total of 1,500 Golfs were produced in Mosel at the beginning of 1992 for the German Federal Post Office, Volkswagen AG's largest public-sector customer. These vehicles are intended to replace the Trabants used by the Post Office up to now in the new federal states.

Volkswagen Bruxelles S.A.

| Key figures | | 1991 | 1990 | Change % |
|---------------------------------|-------------|---------|---------|----------|
| Sales | DM million | 3,948 | 3,438 | + 14.8 |
| Production | Units | 211,462 | 204,301 | + 3.5 |
| Vehicle sales to dealers | Units | 211,462 | 204,301 | + 3.5 |
| Workforce | At year end | 7,695 | 7,321 | + 5.1 |
| Capital investments | DM million | 271 | 168 | + 61.0 |

The Passat/Golf production mix at Volkswagen Bruxelles was altered in 1991 in response to the high level of demand for the Passat. Total production comprised 134,219 Passats and 77,243 Golfs, with 940 vehicles being manufactured per working day.

The rise in output and the change in the production mix made it necessary to increase the workforce by 5.1 % to 7,695.

Up to 1993 Volkswagen Bruxelles will be investing around DM 390 million in a new paintshop, which will reduce the environmental impact of the company's production operations still further by permitting the use of water-based paints along with new spraying techniques and dryers.

Our Belgian subsidiary closed the fiscal year with a profit.

V.A.G France S.A.

| Key figures* | | 1991 | 1990 | Change % |
|---------------------------------|-------------|---------|---------|----------|
| Sales | DM million | 3,855 | 4,750 | - 18.8 |
| Vehicle sales to dealers | Units | 138,888 | 196,600 | - 29.4 |
| Workforce | At year end | 1,020 | 1,027 | - 0.7 |
| Capital investments | DM million | 292 | 303 | - 3.9 |

* Including consolidated subsidiaries

After four years of steady growth, the French automobile market declined sharply in 1991, with passenger car sales falling by 12.0 % and sales of light commercial vehicles down by 12.3 %. V.A.G France's business was inevitably hit by this trend; a total of 144,282 Volkswagen and Audi models were delivered to customers in France in 1991, 27.9 % fewer than in the previous year. Sales of the Polo were down by 29.8 %, while Golf sales fell by 34.8 %. However, this decline can also be ascribed in part to a shortage of available vehicles on account of the high level of demand in eastern

Germany and the launch of the new Golf.

Our distributing company's share of the passenger car market in France decreased by 1.6 percentage points to 6.6 %. At the same time, however, the launch of the new Transporter enabled it to almost maintain its share of the market for light commercial vehicles at 2.4 % as against 2.5 % in 1990.

V.A.G France achieved a positive result in 1991.

AUTOGERMA S.p.A.

| Key figures | | 1991 | 1990 | Change % |
|---------------------------------|-------------|---------|---------|----------|
| Sales | DM million | 5,169 | 4,903 | + 5.4 |
| Vehicle sales to dealers | Units | 254,344 | 240,060 | + 6.0 |
| Workforce | At year end | 457 | 431 | + 6.0 |
| Capital investments | DM million | 11 | 6 | x |

Although the passenger car market in Italy exhibited a slight decline in 1991, AUTOGERMA was nevertheless able to increase its share by 0.2 percentage points to 10.3 %. In the commercial vehicle sector the company achieved a 5.5 % share of the market as against 3.2 % in 1990. With a total of 209,742 Volkswagens (+ 6.2 %) and 40,331 Audi models (- 8.8 %) delivered to customers, AUTOGERMA recorded its highest sales ever.

In order to expand our financial-services operations on our largest European export market, we have set up the financing company FINGERMA S.p.A. in Italy as a wholly-owned subsidiary of AUTOGERMA.

AUTOGERMA once again returned a profit.



Europcar International S.A.

| Key figures* | | 1991 | 1990 | Change % |
|----------------------------|-------------|-------|-------|----------|
| Sales | DM million | 1,279 | 1,076 | + 18.8 |
| Workforce | At year end | 2,426 | 2,282 | + 6.3 |
| Capital investments | DM million | 792 | 632 | + 25.3 |

* Proportionate figures, including consolidated subsidiaries

The Gulf crisis had an adverse effect on vehicle rental business in Europe in 1991, with demand remaining low during the early part of the year. The second half of 1991 brought an improvement in the situation, however, enabling the Europcar group to record an increase in sales for the year as a whole.

Volkswagen AG and Compagnie Internationale des Wagons-Lits et du Tourisme S.A. each have a 50 % interest in the holding company Europcar International S.A. With subsidiaries in nine European countries, the Europcar group operates a rental fleet of 54,000 vehicles. Cooperation agreements with other rental firms also enable it to offer a comprehensive worldwide service in over 120 countries.

Business in Germany was particularly satisfactory in 1991. The firm of inter-

Rent-Europcar Autovermietung GmbH recorded a 34.9 % increase in sales and thus once again maintained its leading position on the German rental market. In the new federal states the company now has a network of 47 offices and a rental fleet comprising some 2,000 vehicles. Restructuring measures were initiated in Great Britain in view of the continuing low level of demand on the British rental market, a state of affairs attributable to the country's general economic situation.

The costs incurred in connection with these measures and the exceptional influences prevailing as a result of the Gulf conflict meant that the Europcar group closed the fiscal year with a loss.

Volkswagen Bratislava, spol. s r. o.

Volkswagen AG currently holds 80 % of the capital stock of Volkswagen Bratislava, spol. s r. o., which was set up on May 30, 1991. This figure is to be increased to 94 % by 1994.

In Bratislava we have at our disposal a manufacturing complex with a well-developed infrastructure. A vehicle-assembly facility capable of turning out 30,000 middle-range cars annually is to be set up at this plant by 1993, together

with a production facility manufacturing 1,400 gearboxes a day. As the first stage of our operations in Bratislava, assembly of Passats on an SKD basis began in December 1991. The first Volkswagen to be assembled in Bratislava came off the production line on December 21, 1991 in the presence of the Prime Minister of the Slovakian Republic, Dr. Jan Čarnogursky, members of his cabinet, other leading public figures and representatives from Group companies.

Audi

Audi demonstrates its exceptional capacity for innovation with major new products

The autumn of 1990 saw Audi take the decisive step towards becoming firmly established as a manufacturer of upper-range cars with a distinctive image. Following the successful launch of the new Audi 100, Audi once again demonstrated its exceptional capacity for innovation in 1991 with a series of other major new products. The presentation of the Audi S4 and the start of production of the Audi Convertible were followed in the autumn by the launch of the new Audi 80 generation and the completion of the Audi 100 range with the new Avant. Last but not least, a powerful 4.2 litre V8 engine is now also available. Audi has thus renewed almost its entire model range within a single year.



Audi

The Audi S4 blends elegant design with high performance and outstanding safety

The new Audi S4, designed as a high-performance, top-of-the-range model in the Audi 100 series, was unveiled at the Barcelona Motor Show in spring 1991. This sporty saloon with quattro drive as standard derives its power from a 2.2 litre twenty-valve five-cylinder engine, which incorporates a turbo-charger and delivers 169 kW (230 bhp). Apart from producing outstanding performance, the S4 also offers unparalleled fuel economy. A new six-speed manual gearbox is available for the Audi S4 upon request.

The Audi Convertible combines fun at the wheel and enjoyment of the open air

The Audi Convertible presented to the public in March 1991 at the Geneva Motor Show marks Audi's arrival in a steadily growing market segment. It fascinates through its sporty elegance and technical perfection, with its smooth lines, well-designed interior and high-quality workmanship making it a particularly attractive open-top car which is great fun to drive.

The fully concealable folding top can be operated quickly and easily using the "one-hand" system specially developed for the Audi Convertible. In addition to ensuring effective acoustic and thermal insulation of the vehicle interior, the carefully thought-out design of the convertible top creates generous headroom for the rear passengers as well. The four electric side windows can

be fully lowered, with a central switch making it possible to actuate them simultaneously.

The particularly sturdy body structure and careful overall coordination of the Audi Convertible ensure a high degree of torsional and flexural rigidity, thereby guaranteeing exceptionally smooth driving characteristics. Specially designed body members and reinforcements help to optimize deformation of the body in the event of a crash, while additional side impact protection consisting of high-strength bars integrated into the doors provide improved safety for the vehicle occupants. In order to further enhance passive safety, the Convertible – like all other Audi models – features as standard the "procon-ten" system, which tautens the front seat belts in the event of a head-on collision and simultaneously pulls the steering wheel towards the dashboard.

The new Audi Convertible – technical perfection for wind-in-the-hair enjoyment



Audi V8 quattros triumphing in the German Saloon Car Championship

The Audi Convertible is powered by a 2.3 litre engine delivering 98 kW (133 bhp), which is characterized by excellent pulling power and extremely smooth running.

The new Audi 80 – powerful design coupled with optimum safety and comfort

In September 1991 Audi launched the fourth generation of the Audi 80. Its typical Audi front-end design, new 15-inch running gear, longer chassis with increased wheelbase and wider track all combine to give it a striking and powerful appearance.

A new rear-axle design now permits a level, easily accessible and variable boot with a capacity of 430 litres, which can be increased to 712 litres by folding down the split rear seat backrest.

The vehicle's already high safety standards have been further enhanced by improved body rigidity, additional side impact protection and the "procon-ten" system.

A new addition to the engine range for the Audi 80 is the V6 engine delivering 128 kW (174 bhp) which has already proved its worth in the Audi 100. The outstanding features of this high-torque 2.8 litre engine are its exceptionally smooth running and excellent pulling power. A further five engines producing between 55 kW (75 bhp) and 98 kW (133 bhp) are also available, among them a particularly environment-friendly turbo-diesel engine.

The Audi 80 sets new standards in terms of equipment features, safety and value for money. Power steering, folding split rear seat backrest, procon-ten, side impact protection, fully galvanized body-work with a ten-year guarantee against perforation rusting and many other features are all provided as standard.



The new Audi 100 Avant

Another new model which made its first appearance at the 1991 Frankfurt International Motor Show was the Audi 100 Avant, which offers spaciousness and comfort combined with an elegant design. The less sharply angled rear end on the new Avant means that this model now has a loading capacity of up to 1,300 litres when the rear seat backrest is folded down.

quattro Spyder

One of the main attractions at the Frankfurt International Motor Show was the Audi quattro Spyder study. The striking feature of this two-seater sports car is its dynamic design, which is further emphasized by the vehicle's height of only 1.17 metres and its 18-inch wheels. The quattro Spyder's low weight and its 2.8 litre V6 mid-engine delivering 128 kW (174 bhp) enable it to produce outstanding performance. It can accelerate from 0 to 100 km/h in less than six seconds and has a top speed of 250 km/h.

The AVUS quattro – a study in aluminium

Another striking new Audi model was presented for the first time at the Tokyo Motor Show: the AVUS quattro. The flowing lines of this sports car – which features a twelve-cylinder sixty-valve double-V engine delivering 374 kW (509 bhp), active rear-axle steering and quattro drive – are reminiscent of the racing cars of the thirties, the era when Auto Union's famous "Silver Arrows" notched up one victory after another on the Avus circuit in Berlin.

These innovative studies impressively demonstrate Audi's pioneering role where the use of aluminium in vehicle design is concerned, while at the same time showing how active and passive safety, sports-car comfort and timeless elegance can be brought together in a single vehicle. Above all, however, the light-weight construction permitted by the use of aluminium helps to conserve resources and minimize the environmental impact, for aluminium is lighter than conventional sheet steel and can be fully recycled.

Audi 100 comes out ahead of its competitors in crash test

The new Audi 100 was put through a crash test as part of a vehicle comparison conducted by the magazine "auto motor und sport" and the Bavarian Technical Supervisory Authority. In a simulated offset crash – the most common type of accident and also the most serious – the Audi came out ahead of other comparable models with regard to almost all assessment criteria. The injury risk for the occupants of the Audi 100 was considered to be "exceptionally low". With the quattro drive ensuring excellent driving characteristics, the Audi 100 thus guarantees optimum active and passive safety.

Audi wins German Saloon Car Championship for the second time

The 1991 motor racing season ended in Hockenheim with a triumph for the Audi V8 quattros. Audi won the German Saloon Car Championship for the second year in succession, with Frank Biela taking the drivers' title and thus repeating the success achieved by Hans-Joachim Stuck in 1990. This championship carries a great deal of international prestige and is currently regarded as the most attractive saloon car race series in the world.

Their four-wheel drive gave our cars a decisive advantage, particularly in wet weather, thereby demonstrating that the quattro concept can be of immense benefit to Audi drivers not only in snow and ice but in every type of critical situation.

Sponsorship – linking industry with culture and sport

For some years now Audi has been involved in sponsoring a variety of sports and cultural events. In addition to being the major sponsor of the German Ski Federation, Audi once again devoted particular efforts in 1991 to assisting and supporting young German golfers.

The Schleswig-Holstein Music Festival, which has taken place each summer for the past five years, has been sponsored by Audi from the very beginning. Special emphasis is placed on supporting young musicians as demonstrated by the establishment of the Bavarian Youth Orchestra Academy. What is more, leading figures in the music world such as Sir Colin Davis and Sir Yehudi Menuhin have participated in the academy's work.

A successful year for Audi

1991 was a year of continuing success for AUDI AG. The total of 448,309 passenger cars delivered to customers worldwide represents a new record, 5.9 % up on the 1990 figure. Audi was able to benefit from the demand boom on the German market, selling 227,525 vehicles (+ 26.0 %) to customers in Germany and increasing its share of the market in the old federal states by 0.4 percentage points to 5.9 %. One of the major factors behind this development was the outstanding reception given on the market to the new Audi 100.

By contrast, sales on the export markets fell by 9.1% to 220,784. With the general economic situation in much of

Western Europe remaining weak, only 175,584 Audis – 7.6 % fewer than in 1990 – were delivered to customers in this region. Sales in North America fell sharply, dropping by 40.4 % to 13,410 vehicles. The already difficult situation in the USA was made still worse by the introduction of a tax on luxury articles and growing competition from Japanese manufacturers in the upper market segment. On the other export markets, however, passenger car sales were up by 4.7 % at a total of 31,790.

Although 1991 saw various new models go into series production, the total number of Audis manufactured at the Ingolstadt and Neckarsulm plants rose to 450,319. In addition, Audi assembled 946 (1990: 8,219) units of the Porsche 946 model between the beginning of the year and the end of its successful cooperation with Porsche AG in March. All in all, the Neckarsulm plant produced over 313,000 units of the Porsche 924/944 models from 1975 onwards.

Capital investments by AUDI AG in 1991 centred primarily on further development of the model range as well as on measures to modernize production facilities and protect the environment.

Net earnings rose substantially from DM 284 million in 1990 to DM 370 million, half of which was transferred to Volkswagen AG under the profit assumption agreement.

| Key figures | | 1991 | 1990 | Change % |
|---------------------------------|-------------|---------|---------|----------|
| Sales | DM million | 14,814 | 12,125 | + 22.2 |
| Production* | Units | 451,265 | 429,597 | + 5.0 |
| Vehicle sales to dealers | Units | 451,604 | 416,714 | + 8.4 |
| Workforce | At year end | 38,331 | 38,118 | + 0.6 |
| Capital investments | DM million | 1,097 | 1,012 | + 8.3 |

* Including 946 Porsche vehicles (1990: 8,219)

The Audi 80 quattro presents itself anew





SEAT

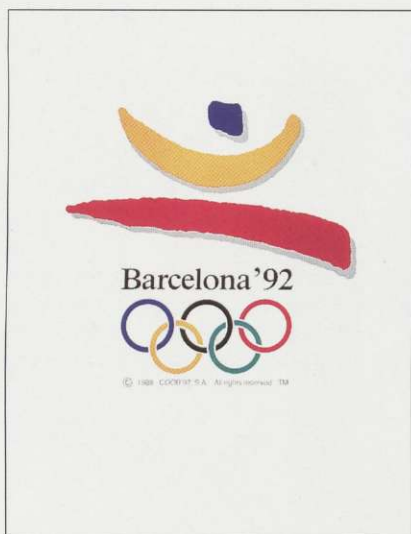
The Toledo – the beginning of a new era at SEAT

Following its presentation at the Barcelona Motor Show, the SEAT Toledo was launched with great success on the Spanish market in May 1991 and subsequently on the major European export markets as well.

The Toledo marks the beginning of a new era for our Spanish subsidiary. It is not only the first model developed by SEAT itself, but also the first vehicle to be developed in Spain since the twenties. With the Toledo, SEAT has gained access to the hotly contested market for middle-range saloons.

The Toledo's aesthetically pleasing outward appearance combines elegance with striking design. Its high degree of practicality is also reflected in its exceptionally spacious interior. When the asymmetrically split rear seat backrest is folded down, the boot capacity of 550 litres can be increased to 1,360 litres. The large boot opening extends down to the bumpers, enabling the vehicle to be easily loaded and unloaded.





The SEAT engineers have also attached particular importance to active and passive safety. An extremely rigid passenger cell, excellent road holding and ABS are just three elements of the safety concept featured in this comfortable saloon.

The attractive Toledo range incorporated six different drive units and four equipment versions on its launch. It extends from the CL 1.6i with 1.6 litre engine delivering 50 kW (72 bhp) to the sporty Toledo GT 1.8i 16V featuring a 1.8 litre 16-valve engine with an output of 100 kW (136 bhp). Depending on the engine, the Toledo has a top speed of between 165 and 208 km/h. In addition to the fuel-injection engines, two economical 1.9 litre diesel engines are also available: the naturally aspirated version with an output of 50 kW (68 bhp) and the turbo-charged version producing 55 kW (75 bhp). All Toledo models marketed in Germany have a catalytic converter. Power steering is also a standard feature in all models with the exception of the CL 1.6i. The Toledo rounds off the top end of SEAT's range and will help to further strengthen the market position of Spain's largest automobile manufacturer.

Sponsorship activities in the sports sector

SEAT's sponsorship of women's tennis has proved extremely successful, with some of the world's top players featuring in the SEAT team.

SEAT is one of the main sponsors of 1992's most important sporting event: the XXV Summer Olympic Games. The

Toledo will be the principal car used in the official Olympic vehicle fleet, which is to consist solely of Volkswagen Group models.

SEAT prepares for the single European market through targeted expansion

The economic boom experienced by Spain until comparatively recently continued to wane in 1991. The gross national product increased to a smaller extent than had been the case in 1990, rising by 2.5 %. The automobile industry found itself facing a decline in demand, with the overall passenger car market decreasing in size by 9.8 % to 886,300 vehicles.

The total of 360,591 SEAT vehicles delivered to customers in 1991 was on a par with the previous year's figure. Sales of Group models in Spain amounted to 178,967 vehicles, comprising 100,310 SEAT (- 14.8 %) together with 78,657 Volkswagen and Audi vehicles (- 23.6 %). The SEAT group was able to maintain its leading position on the Spanish passenger car market, accounting for 18.7 % of new registrations as against 20.3 % in 1990.

The situation on major export markets also remained difficult. Although the number of vehicles delivered to customers in Italy fell by 16.4 % to 60,105 and sales in France were down by 19.9 % to a total of 41,203, these developments were nevertheless more than offset by business in Germany, where sales of SEAT models rose by 82.9 % to 105,506.

| Key figures* | | 1991 | 1990 | Change % |
|---------------------------------|-------------|---------|---------|----------|
| Sales | DM million | 9,380 | 7,979 | + 17.6 |
| Production | Units | 552,210 | 505,379 | + 9.3 |
| Vehicle sales to dealers | Units | 617,481 | 584,667 | + 5.6 |
| Workforce | At year end | 28,666 | 24,694 | + 16.1 |
| Capital investments | DM million | 1,927 | 1,003 | + 92.0 |

* Including consolidated subsidiaries



In 1991 SEAT, S.A. was once again the largest automobile manufacturer and exporter in Spain. Total production comprised 360,510 SEAT vehicles (- 0.3 %) together with 191,700 Volkswagen Polos (+ 33.4 %). The large rise in Polo output was made possible by the introduction of a third shift at the Pamplona plant, which boosted the number of Polos produced per working day from 648 to 864.

The increase in the workforce was occasioned primarily by stepping-up of production in Pamplona and the preparations for the start of vehicle production at the new Martorell plant.

SEAT continued its ambitious investment programme throughout 1991. A new plant with an annual production capacity of 350,000 vehicles is currently being built in Martorell near Barcelona, along with a research and development centre. The major proportion of the DM 1.8 billion invested by SEAT last year in tangible assets was devoted to this construction project and to the production facilities for the Toledo.

With effect from May 31, 1991 SEAT, S.A. acquired the remaining shares in its Italian importer Bepi Koelliker Importazioni S.p.A., Milan. Having set up a new company to be known as Seat Italia S.p.A., SEAT has thus now also assumed direct responsibility for operations on this major market.

Despite the difficult situation prevailing on the European markets and its extensive investment programme, SEAT, S.A. was able to show an increased profit for 1991.

The SEAT Ibiza – southern flair finds favour in the North





ŠKODA

The largest foreign investment project in Czechoslovakia

In terms of the capital expenditure involved, the ŠKODA project represents the largest investment by a foreign company in Czechoslovakia. It is helping to comprehensively modernize the country's automobile industry, a process which involves new technical facilities, new organizational set-ups and new model-related measures. Major progress has been made in record time as far as improving vehicle quality standards is concerned. Our long-term planning envisages the launch of an additional model series which, besides ensuring better capacity utilization, will give ŠKODA access to a further market segment. ŠKODA will thus develop into a truly European manufacturer.

Cooperation at all levels has been highly fruitful from the very beginning. The same applies to our contacts with the relevant government agencies in both of Czechoslovakia's republics. Our project has attracted a great deal of attention and can be seen as pointing the way for other international ventures of a similar nature. Above all, it is of major significance for Czechoslovakia's economic development and will help to enhance the mutual understanding between our two countries.

A model range with the potential to open up new markets

ŠKODA has an up-to-date model range which exhibits considerable potential and should also prove competitive on export markets. The four-door Favorit was developed by the Italian body designer Bertone and has been on the market since summer 1988, with a variety of equipment versions now available. The aluminium four-cylinder transverse engine incorporates advanced technology; it has a cubic capacity of 1.3 litres and – with regulated catalytic converter – delivers an output of 40 kW (55 bhp). The latest addition to the range was presented to the public at the 1991 Frankfurt International Motor Show: the Forman, a five-door estate version of the Favorit. In addition, the Favorit is also available as a pick-up.

We believe that this up-to-date model range has an excellent chance of doing well on the export markets. There is also still considerable pent-up demand for automobiles in Czechoslovakia itself and this will undoubtedly start to make itself felt once the country has successfully

achieved the transition from a planned economy to a market economy.

Sponsorship activities in the field of sport

Various forms of sport sponsorship play a prominent role in ŠKODA's marketing concept. Among the most important are ŠKODA's sponsorship of Czechoslovakia's National Olympic Committee in connection with the 1992 Olympic Games and the support being given to the Czechoslovakian Ice Hockey Federation.

Difficult conditions to begin with

Following the collapse of Communism in Czechoslovakia, the new democratic governments in Prague and Bratislava recognized that the only way to bring about an economic upturn was to systematically adopt market-economy principles. However, this process of adjustment also necessitates a number of painful yet essential changes. In 1991 Czechoslovakia's federal government set itself the goal of improving the country's finances by raising taxes, a measure which inevitably had an adverse effect on purchasing power and on the domestic market. Now that the basic conditions for a market economy have been created, however, Czechoslovakia's overall economic situation should exhibit a sustained improvement in the years to come. The economic policy pursued has already proved notably successful, with the external value of the koruna stabilizing to a large extent and the inflation rate falling significantly.

In the whole of 1991, ŠKODA sold around 172,000 Favorits, Formans and

pick-ups. Increased sales on West and Central European markets compensated for the downward trend on the domestic market. While the outbreak of civil war in Yugoslavia and large-scale import of used cars in Hungary curbed exports to these countries, sizeable increases in sales were recorded in Germany, Poland, France, Norway, Greece, Portugal and the Netherlands.

The fall in sales made it necessary to adjust production temporarily until the end of the year.

The difficult economic situation in Czechoslovakia meant that the company showed a loss for 1991 which was, however, no larger than expected.

The new firm of ŠKODA Automobile Deutschland GmbH, with its head office in Biebesheim, has now been set up to market ŠKODA models on a larger scale in Germany. This company replaced ŠKODA's previous importer – a subsidiary of Czechoslovakia's former state-owned foreign-trading company – on January 1, 1992.

ŠKODA is acting as the Volkswagen and Audi importer in Czechoslovakia, opening up the market through the creation of a network of exclusive dealerships extending all over the country.

ŠKODA's capital investments in the first year of Volkswagen's involvement totalled DM 61 million. These funds were devoted primarily to maintaining and modernizing production facilities as well as to enhancing product quality.

Key figures*

| | | 1991 |
|---------------------------------|-------------|---------|
| Sales | DM million | 803 |
| Production | Units | 109,686 |
| Vehicle sales to dealers | Units | 110,799 |
| Workforce | At year end | 16,359 |
| Capital investments | DM million | 61 |

* For the abbreviated fiscal year commencing April 16, 1991

The ŠKODA Favorit – three popular versions



Overseas Operations

The creation of the new Overseas Operations Division represents a systematic realization of our corporate strategy. What has been done is to establish a management unit with supervisory and controlling functions, while operational responsibility lies with the regions to be created as part of Group reorganization and with the companies in the individual countries. In realizing this concept, we are aiming to exploit even more effectively the existing worldwide market potential.

The first step was taken on March 1, 1991, when the three companies Volkswagen de Mexico, Volkswagen of America and Volkswagen Canada were brought together to form the North America region in order to permit overall control of our activities on this continent.

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

| Key figures* | | 1991 | 1990 | Change % |
|---------------------------------|-------------|---------|---------|----------|
| Sales | DM million | 3,285 | 2,629 | + 24.9 |
| Production | Units | 208,939 | 192,587 | + 8.5 |
| Vehicle sales to dealers | Units | 209,898 | 186,972 | + 12.3 |
| Workforce | At year end | 18,643 | 20,196 | - 7.7 |
| Capital investments | DM million | 677 | 254 | x |

* Including consolidated subsidiaries

The economic and fiscal policy pursued by the Mexican government has helped to stabilize the country's economy and restore the national budget to a state of financial soundness. A number of major successes were achieved in 1991, with the inflation rate falling to its lowest level since 1979 and the gross national product rising by 4.5 % thanks to a policy of economic liberalization and privatization of state-owned enterprises. The planned creation of a free-trade area with the USA and Canada is also expected to stimulate the Mexican economy.

With the Mexican passenger car market growing by 11.2 %, the number of Group passenger cars delivered to customers in Mexico rose by 5.8 % to 143,144. Supply shortages as a result of increased exports meant that Volkswagen de Mexico was unable to participate fully in the growth of the passenger car market. Although its share of this market thus fell slightly to 37.9 %, the company nevertheless maintained its position as the market leader, well ahead

of its competitors. Taking commercial vehicles into account as well, a total of 154,481 Volkswagen vehicles were delivered to customers in Mexico in 1991, an increase of 6.0 % over the previous year. Exports to North America rose by 5.5 % to 48,590 vehicles. As a result of the good sales situation, output per working day was increased by 45 units to 909 vehicles. If it is borne in mind that the company's workforce decreased in 1991, it becomes clear that this represents a significant improvement in productivity. Annual production capacity in Mexico is to be stepped up from 240,000 to 390,000 vehicles by 1994 for production of the new Golf and the Vento, which in Mexico will continue to be marketed as the Jetta. This capacity increase is intended both to help meet growing demand on the Mexican market and to ensure that sufficient vehicles are available for export to the USA and Canada.

Volkswagen de Mexico returned a positive result for 1991 before currency translation.

Volkswagen of America, Inc.

| Key figures* | | 1991 | 1990 | Change % |
|---------------------------------|-------------|--------|---------|----------|
| Sales | DM million | 3,019 | 4,120 | - 26.7 |
| Vehicle sales to dealers | Units | 99,044 | 152,986 | - 35.3 |
| Workforce | At year end | 1,749 | 1,827 | - 4.3 |
| Capital investments | DM million | 247 | 481 | - 48.6 |

* Including consolidated subsidiaries

New passenger car registrations in the USA exhibited a substantial drop of 11.5 % in 1991, falling to 9.03 million. This decline can be ascribed to the country's continuing economic problems. Volkswagen of America too was affected by this adverse trend, with the number of Volkswagen and Audi vehicles delivered to customers in the USA decreasing by 30.8 % to 109,005.

The new Audi 100 was launched on the American market in October 1991. We anticipate that this model will help to boost sales during 1992.

The company was able to return a small profit.

Caravelle – the multi-purpose vehicle for the most demanding



Volkswagen Canada Inc.

| Key figures* | | 1991 | 1990 | Change % |
|---------------------------------|-------------|--------|--------|----------|
| Sales | DM million | 1,167 | 1,208 | - 3.4 |
| Vehicle sales to dealers | Units | 33,380 | 37,707 | - 11.5 |
| Workforce | At year end | 1,003 | 957 | + 4.8 |
| Capital investments | DM million | 41 | 29 | + 42.1 |

* Including consolidated subsidiaries

Although signs of a slight recovery were in evidence towards the end of 1991, the Canadian economy remained in recession. The general economic situation also had an effect on the automobile market, with overall sales at virtually the same level as in 1990. At 34,283, the number of Group vehicles delivered to customers in Canada was 3.6 % down

on the corresponding figure for the previous year.

The company closed the fiscal year with a profit before currency translation.

AUTOLATINA Group

| Key figures* | | 1991 | 1990 | Change % |
|------------------------------------|-------------|---------|---------|----------|
| Sales** | DM million | 3,529 | 4,043 | - 12.7 |
| Production*** | Units | 290,463 | 289,887 | + 0.2 |
| Vehicle sales to dealers*** | Units | 295,992 | 287,860 | + 2.8 |
| Workforce** | At year end | 25,863 | 29,585 | - 12.6 |
| Capital investments** | DM million | 337 | 272 | + 23.8 |

*Including consolidated subsidiaries **Proportionate figures *** Volkswagen models only

Brazil's economic situation remained extremely difficult in 1991, with the inflation rate reaching 459 %. A variety of economic-policy measures were introduced in an effort to prevent hyperinflation, including wage and price controls, cuts in public spending and a reduction of the volume of money in circulation. Although wages were increased following repeated nationwide strikes and the cost of purchasing goods from suppliers also rose, the government initially allowed the automobile manufacturers to put up their prices on only a small scale, which meant that sales revenue failed to cover costs.

The controls on automobile prices and on most other prices requiring official approval were lifted in September 1991, permitting a return to an economic policy based more on market-economy principles. The latter part of the year brought an improvement in the selling price/cost ratio, which nevertheless still remained lower than in 1990.

In Argentina the recognition of the US dollar in April 1991 as an official means of payment with a fixed exchange rate against the austral signalled a change in economic policy. The Argentinian economy was further stabilized by the

"social pact" between the automobile industry, suppliers, trade unions, franchised dealers and the Ministry for Economic Affairs. This pact provides for price reductions in return for tax concessions and preservation of jobs in return for wage restraint on the part of the unions. During the second half of the year the new economic-policy measures started to have a stimulating effect on the automobile market, with sales rising to a level far higher than that recorded in 1990.

The AUTOLATINA group's sales increased by 4.6 % in 1991 to 462,918 vehicles. Of this total, 295,992 (+ 2.8 %) were Volkswagens and 166,926 (+ 7.9 %) were Fords.

Sales of Volkswagen passenger cars and light commercial vehicles in Brazil rose by 1.8 % to 261,658, enabling us to maintain our leading position with a market share of 36.5 % as against 39.9 % in 1990. By contrast, the Brazi-

lian truck market declined. AUTOLATINA too was affected by this development, with sales of Volkswagen trucks up to 22 t falling by 23.8 % to 5,513. Excluding assembly kits destined for Argentina, Autolatina exported a total of 14,795 Volkswagen models from Brazil.

In terms of vehicle sales, Autolatina Argentina S.A. experienced a marked upward trend in 1991. With the automobile market as a whole expanding on a large scale, the company's sales rose by 66.9 % to 43,137 vehicles, a figure which includes 14,026 Volkswagens.

While Autolatina in Brazil returned a small profit, Autolatina in Argentina suffered a loss.

Volkswagen of South Africa (Pty.) Ltd.

| Key figures | | 1991 | 1990 | Change % |
|---------------------------------|-------------|--------|--------|----------|
| Sales | DM million | 1,304 | 1,119 | + 16.6 |
| Production | Units | 51,008 | 50,021 | + 2.0 |
| Vehicle sales to dealers | Units | 50,026 | 49,074 | + 1.9 |
| Workforce | At year end | 8,214 | 8,440 | - 2.7 |
| Capital investments | DM million | 95 | 88 | + 7.9 |

The South African economy continued to be plagued by crises in 1991. The introduction of a general value added tax triggered numerous strikes which also affected the country's automobile industry. Although this meant that the number of Group vehicles delivered to customers in South Africa fell by 0.5 % to 48,889, the company was able to increase its share of the passenger car market from 19.5 % to 20.0 %. With the market continuing to decline as the year

progressed, short-time working was introduced at Volkswagen of South Africa in September 1991.

The company returned a small profit for the fiscal year 1991.

Overseas Operations

Volkswagen, the largest passenger-car manufacturer in the People's Republic of China

China's continuing policy of expanding its economic ties with the rest of the world once again produced notable results in 1991. The country recorded an economic growth rate of 7 %, the inflation rate was only 5 % and the trade balance showed a surplus. The private sector in particular has grown rapidly; some four million companies employing roughly 120 million people have been set up since the end of the seventies.

We regard China as the market with the largest growth potential in Asia and, at the same time, see our projects in China as a springboard enabling us to gain future access to other markets in this region. Vehicle production in China increased by over one third in 1991, rising to around 650,000 units. Volkswagen is China's leading passenger-car manufacturer; in 1991 we had a 47.4 % share of the Chinese market.

Santana production in Shanghai



Shanghai-Volkswagen Automotive Company Ltd.

| Key figures | | 1991 | 1990 | Change % |
|----------------------------|-------------|--------|--------|----------|
| Sales | DM million | 1,073 | 548 | + 96.0 |
| Production | Units | 35,000 | 18,537 | + 88.8 |
| Vehicle sales | Units | 33,851 | 18,523 | + 82.8 |
| Workforce | At year end | 3,064 | 2,994 | + 2.3 |
| Capital investments | DM million | 48 | 44 | + 9.1 |

1991 was an impressively successful year for Shanghai-Volkswagen, with output per working day reaching a new record figure of 147 vehicles at the end of the year. The "local content" of production increased to 70.4 %, which meant that in June 1991 the company became the first automobile-industry joint venture in China to no longer require a licence to import vehicle kits. Shanghai-Volkswagen also commenced engine production on the planned scale,

supplying 37,561 short engines to the Group's interlinked production system. The Chinese company First Automobile Works (FAW) purchased engines from Shanghai-Volkswagen for use in assembly of the Audi 100.

On January 1, 1992 Shanghai-Volkswagen took over the Shanghai Car Plant from the Shanghai Automobile Industries Corp. To date, this plant has each year turned out 8,000 units of the Shanghai Sedan, China's oldest passenger car model. Over the next few years, Shanghai-Volkswagen will be increasing the annual production capacity – through its own resources – from 60,000 to 150,000 vehicles in order to manufacture a new model representing a further development of the Santana. With a view to developing the automobile industry into the most important sector of the economy in the Shanghai region, the city administration is promoting investment by the supplier industry on a large scale.

Shanghai-Volkswagen closed the fiscal year with a profit.

FAW-Volkswagen Automotive Company Ltd.

In addition to our joint venture in Shanghai, we have also linked up with the First Automobile Works (FAW) in Changchun to realize another major project in China. We have already been cooperating successfully for some time with FAW, which produces the Audi 100 under licence. It has so far assembled 15,452 units of this model, which is the only upper-range car available on the Chinese market. FAW-Volkswagen Automotive Company Ltd. – in which Volkswagen AG has a 40 % holding – commenced operations in September 1991. Production of the Jetta on a CKD basis began at the end of 1991, with the new manufacturing facility having a planned annual capacity of 150,000 Jettas.

The fact that the company has only just commenced operations meant that it showed a loss which, however, was no larger than anticipated.

Volkswagen Audi Nippon K.K.

Japan has become an increasingly important export market for the Volkswagen Group in recent years. However, 1991 saw a decline in the output and sales of the Japanese automobile industry. Overall production fell by 1.8 % to 13.2 million vehicles, a figure which included 9.7 million passenger cars (- 2.0 %). The passenger car market decreased in size by 4.6%, with imported vehicles hit particularly severely. The number of Volkswagen and Audi models delivered to customers in Japan fell by 16.7 % in 1991 to 43,621, a drop which can be ascribed both to the general economic situation and to model changes. The Volkswagen Group remains the leading vehicle importer in Japan. Our success is all the more striking in view of the fact that Japan itself produces more vehicles than any other country in the world. We are thus doing exceptionally well on a market where the competition is very tough indeed.

Establishment of our Japanese importing company, Volkswagen Audi Nippon K.K.,

is continuing at a rapid pace. Activities in 1991 focused on preparations for setting-up of a sales centre in Toyohashi and on building up a distribution network. Eighteen direct dealers had been appointed by the end of 1991 and Volkswagen Audi Nippon K.K. sold a total of 1,586 vehicles to dealers in the course of the year.

An agreement has been concluded with the Toyota Motor Corporation under which Volkswagen and Audi models are to be sold on an exclusive basis via one of Toyota's marketing channels from 1992 onwards. This step is intended to enable us to expand our operations on the Japanese market as planned. The agreement envisages a total of 100 franchised dealers, 36 of whom will start selling Volkswagen and Audi vehicles in 1992.

In view of the fact that it has only recently commenced business operations, Volkswagen Audi Nippon K.K. closed the fiscal year with a loss.

The Golf Convertible – pure driving pleasure



Financial Services – an important means of sales promotion

The Volkswagen Group is the largest industrial concern offering financial services in Europe and is the market leader in Germany. In 1991, 20.8 % of all new Volkswagen, Audi and SEAT vehicles sold in Germany were financed or leased via Group companies. This underscores the important role played by financial services as a sales promotion instrument helping to further reinforce our relationship with our customers. Our worldwide financial services operations had an overall balance-sheet volume of DM 18.5 billion in 1991 and accounted for 26.4 % of the consolidated balance-sheet total.

A successful start on the credit card market

Since the end of 1990, Volkswagen and Audi have been offering their own credit cards. This card system was the first in Germany to offer the two most popular credit cards – EUROCARD/MasterCard and VISA – together in a single package, which also includes attractive services in banking, insurance and other areas.

Volkswagen has thus added another innovative product to its range of financial services in the automobile sector. Our first full year on the hotly-contested credit card market proved to be successful, with almost 60,000 card pack-

ages sold via Volkswagen and Audi dealers and through direct marketing by the end of 1991.

This success confirms that the Group has adopted the right course with its service concept designed to ensure that all our customers, both present and future, can enjoy mobility and truly carefree motoring at all times.

Reorganization of the financial services sector

Our financial services sector in Germany has now been restructured. At the end of last year the shares in V.A.G Bank GmbH and V.A.G Leasing GmbH were transferred from Volkswagen AG to the new firm of Volkswagen Finanz GmbH set up in March 1991, which means that the activities of these companies for all Group marques have now been combined under "one roof". The establishment of Volkswagen Finanz GmbH will help to realize potential synergistic effects, harmonize marketing operations and optimize the services offered by its subsidiaries, which will remain independent companies. The new organizational structure also enables us to react more flexibly to new customer requirements and changes in the competitive situation.

Financial Services Division*

| Balance-sheet structure DMmillion | Dec. 31, 1991 | | Dec. 31, 1990 | |
|---|---------------|--------------|---------------|--------------|
| | | % | | % |
| Assets | 18,522 | 100.0 | 15,510 | 100.0 |
| Fixed assets | 5,985 | 32.3 | 5,524 | 35.6 |
| Current assets | 12,537 | 67.7 | 9,986 | 64.4 |
| Stockholders' equity and liabilities | 18,522 | 100.0 | 15,510 | 100.0 |
| Stockholders' equity | 1,989 | 10.7 | 1,693 | 10.9 |
| Liabilities | 16,533 | 89.3 | 13,817 | 89.1 |

* Worldwide



The advantageous and versatile Volkswagen/Audi credit card scheme

An excellent year for V.A.G Bank and V.A.G Leasing

1991 was an exceptionally successful year for our operations in both the banking and leasing sectors.

In the banking sector, 179,800 new customer financing contracts were concluded in 1991, an increase of 11.2 % over 1990. This meant that a total of 366,200 such contracts were in effect at the end of the year. The overall number of dealer and customer financing contracts in effect at the end of 1991 was 467,200, 19.4 % up on the corresponding figure for 1990.

Vehicle leasing is also becoming increasingly important as a means of promoting sales, with 13.7 % of the Volkswagen Group vehicles delivered to customers in Germany in 1991 being leased from V.A.G Leasing. The total of 162,900 leasing contracts concluded in 1991 meant that business expanded on a considerable scale despite tough competition in this market. Contracts concluded with fleet and single-vehicle customers in the industrial and commer-

cial sector exhibited an exceptionally large increase of 35.3 %. This was due above all to a high level of demand in Germany's new federal states, where a total of 25,514 leasing contracts were concluded in the course of the year.

In 1991 V.A.G Leasing invested DM 3.5 billion in new vehicles. With a fleet comprising 348,800 Volkswagen, Audi and SEAT models, it maintained its leading position on the European vehicle-leasing market.

Development of sales in the leasing sector (DM billion)



| V.A.G Bank | DM million | 1991 | 1990 |
|--|------------|--------------|--------------|
| Balance-sheet total | | 5,846 | 4,174 |
| Receivables in respect of dealer financing | | 2,950 | 1,646 |
| customer financing | | 2,783 | 2,394 |



Volkswagen's consistent strategy for protecting the environment

Effective environmental protection is one of the most important tasks facing our modern industrial society. In 1991 Volkswagen became the first automobile manufacturer in Europe to appoint a management-body member with special responsibility for "Environment and Transportation". This step underscores the importance attached to environmental protection as an integral component of our activities which combines with our safety strategy and consideration of medical aspects in the industrial setting to form a comprehensive policy.

To put its environmental philosophy into practice, Volkswagen has developed a consistent concept which covers every area of the company's operations and extends over the entire life cycle of a product, from the research and development stage through production and use to environment-friendly recycling.

Environmental protection begins in the research and development phase

Research into drive concepts which reduce both energy consumption and environmental pollution has a long tradition at Volkswagen.

Drawing upon the experience gained in developing the three-way catalytic converter for petrol engines, Volkswagen was able to present the first diesel engine with catalytic converter. This drive unit represented a major technological step on the way towards reducing pollutant emissions. It exhibits

excellent fuel economy and complies with the stringent US exhaust-gas and particulate limits, in some cases with emission levels well below those permitted by the relevant standards.

A representative survey conducted in 1991 revealed that Volkswagens have the lowest exhaust emission levels of any vehicles in the USA. The emissions generated by vehicles produced in model years 1981 to 1988 and driven up to 50,000 miles (around 80,000 km) were below the levels that have to be guaranteed as a maximum by the manufacturer and were in some cases considerably lower than those recorded for the models of other companies.

An alternative drive concept is featured in the Eco-Golf with inertia-utilization system, in which automatic switching-off of the diesel engine cut fuel consumption in a city-driving test by around 20 % (to about only 4 l/100 km with the 1.6 litre diesel engine with catalytic converter) and at the same time reduced emissions of individual exhaust-gas components by between 10 and 50 %. The Eco-Golf will become available to the vehicle-buying public in 1993.

Another pioneering vehicle concept for the future is the Golf with diesel/electric hybrid drive, which combines the flexibility and range of the internal combustion engine with the advantages of low noise and no exhaust emissions characteristic of electric vehicles. The internal combustion engine is used primarily for acceleration and speeds over 60 km/h, while at lower speeds the electronics automatically switch on the electric motor.

The CitySTROMer is an electric vehicle equipped with a lead-acid traction battery. As it has a range of only 40 to 60 kilometres, however, the Golf CitySTROMer is at present suitable mainly for use in urban traffic. The 1992 production run of this model has already been sold in full.

Environment-friendly production methods save on resources and reduce emissions

Environmental protection is not confined to the product development and design stages. Sparing use of resources and avoidance or reduction of emissions are essential during the production process as well.

Volkswagen has always regarded water as a precious resource that must be treated with great care. When the Wolfsburg plant was built over fifty years ago Volkswagen created the basis for a water management system which at that time was unique in Germany and which still serves as a model today. Central and decentralized purification and treatment facilities together with an ingenious system of circuits ensure that drinking water accounts for only a tiny proportion of the water used by the plant. Out of the total of 366.5 million cubic metres of water required in 1991, a mere 5.6 million cubic metres were drinking water, which means that we achieved a 98% recycling rate.

Continual improvements in waste-water treatment and efforts to expand the circulation system still further have helped to cut drinking-water consumption at the Wolfsburg plant by 40 % since 1973.

In the past few years Volkswagen has spent a total of DM 1.7 billion on equipping the Wolfsburg, Hanover and Emden plants with new paintshop facilities for the use of environment-friendly painting techniques. The method employed involves application of a water-soluble primer, filler and base coat, followed by a clear top coat containing only a small proportion of solvents. While conventional paints have a solvent content of up to 87 %, the new water-based paints require a maximum of 15 % and the filler less than 10 %. This has enabled us to reduce overall emissions in our paintshops by over 60 %.

In automatic painting operations, a small proportion of the paint sprayed misses the target surface. This "overspray" is collected and treated to permit recycling of the resultant paint residues. These are dried in a pilot installation at the Wolfsburg plant to produce fine granules which can be used as a filler or additive in insulating materials. They can, however, also be put to use as a fuel in coal-fired power stations. Measurements conducted at the Wolfsburg plant's power station have shown that the addition of paint granules reduces pollutant emissions.

We have totally dispensed with the use of solvents in the measures taken to protect finished vehicles during transportation. Back in 1989 Volkswagen became the only vehicle manufacturer in the world to protect the paintwork of vehicles on their way to the customer by means of a wax/water dispersion. Volkswagen and Audi also both went over to solvent-free cavity sealing more than ten years ago.

Chlorofluorocarbons, which destroy the vital ozone layer, have already been banished almost totally from Volkswagen's production operations. Once CFC-containing refrigerants have been eliminated in mid-1992, the new Golf will be completely CFC-free.

Recycling helps to conserve resources and reduce waste

Alongside the development and environment-friendly production of low-emission automobiles, the recycling of old vehicles is another essential aspect of environmental protection activities.

Around two million vehicles, containing many valuable components and materials, are scrapped in Germany each year. Metals such as iron, copper and aluminium account for 75 % of vehicle weight and are already being reused today. Since 1947 Volkswagen has been reconditioning units such as engines and gearboxes and making them available to customers at low cost. Reuse of plastics is still generally considered to present certain problems, as recycling is only possible in this case if the individual

types of plastic are carefully separated. When designing the Golf III, therefore, Volkswagen adopted a totally new approach. From the very outset, recycling potential was a prime consideration during the development of components and selection of materials. This resulted in a vehicle design which permits faster disassembly and easier separation of plastic and metal components at the end of the car's useful life. It also means that a larger proportion of the plastic parts can be recycled. For example, all thermoplastics – and these represent the majority of all plastics employed by Volkswagen – can now be reused.

Many plastic components in Volkswagen models are already made of recycled material. The bumpers on the Polo, for instance, contain 20 % recycled plastic from old bumpers. Trials are also currently being conducted with a view to making fuel tanks out of recycled plastic.

At the beginning of 1990 Volkswagen AG became the first vehicle manufacturer in the world to set up a pilot project investigating recycling possibilities for old vehicles. This project aims to come

up with optimum disassembly techniques and ways of ensuring that all materials can be reused.

Environmental protection – a global responsibility

As a multinational group, Volkswagen is conscious of its global responsibilities. We are thus contributing our experience and know-how to the United Nations Conference on Environment and Development (UNCED) taking place in Rio de Janeiro in June 1992.

As part of the preparations for the conference, Volkswagen is participating in the elaboration of concepts for environment-friendly industrial production. It is also placing twenty ethanol-powered vehicles at the disposal of the UNCED secretariat. An Eco-Golf has already been handed over to the UNCED General Secretary, Maurice Strong, in the presence of Germany's Minister for the Environment, Klaus Töpfer.

The water retaining basin at the Wolfsburg factory – effective environmental protection in the water cycle



The Volkswagen Share

Payment of an unchanged dividend

Volkswagen AG's net earnings of DM 447 million allow us to continue to pursue a dividend policy which places particular emphasis on taking account of our stockholders' interests. Including the tax credit, eligible holders of ordinary shares will receive DM 17.19 per share and holders of preferred shares DM 18.75.

Stock-market trends

While the German stock market exhibited a positive trend during the first six months of 1991, the second half of the year brought a decline in share prices, attributable among other things to the restrictive policy pursued by the German Federal Bank and the absence of stimulating influences from abroad. The slowdown in economic activity witnessed in Germany also had an adverse effect.

The prices of automobile-company stocks also showed a downward trend in the second half of 1991. This can be ascribed not only to the above-mentioned factors but also to the gradually waning demand boom in Germany's new federal states.

Although Volkswagen share prices were affected by this development, the beginning of 1992 marked the start of a sustained upward trend. On April 10, the ordinary-share price stood at DM 373.50, an increase of 23.7 % over the price at the end of 1991. The Volkswagen share's performance thus far surpassed overall market development, a clear indication of investors' confidence in the Company's model policy and strategic measures.

Listing on Milan stock exchange forms part of strategy for achieving broad international placement of shares

At the end of July 1991, 80,000 Volkswagen ordinary shares were successfully placed on the Milan stock exchange. This listing rounds off our strategy for achieving as broad an international distribution of shares as possible. The Volkswagen share is now traded on eight German and sixteen foreign stock exchanges. We are also represented with a share programme in New York in the form of sponsored unlisted American Depositary Receipts (ADRs).

Development of average monthly share prices

— Volkswagen ordinary shares
 — Volkswagen preferred shares
 — FAZ Index





Stock exchanges on which the Volkswagen share is traded

| | | | |
|------------|------|------------|------|
| Berlin | 1961 | Basle | 1967 |
| Bremen | 1961 | Geneva | 1967 |
| Düsseldorf | 1961 | Zürich | 1967 |
| Frankfurt | 1961 | Vienna | 1978 |
| Hamburg | 1961 | Antwerp | 1979 |
| Hanover | 1961 | Brussels | 1979 |
| Munich | 1961 | Luxembourg | 1979 |
| Stuttgart | 1961 | Amsterdam | 1980 |
| | | London | 1988 |
| | | Paris | 1988 |
| | | Tokyo | 1988 |
| | | New York* | 1988 |
| | | Madrid | 1990 |
| | | Barcelona | 1990 |
| | | Bilbao | 1990 |
| | | Valencia | 1990 |
| | | Milan | 1991 |

* Traded in the form of sponsored unlisted American Depository Receipts (ADRs)

Issue of shares to Volkswagen employees gives workforce an interest in the Company's productive assets

In October 1991, the employees of Volkswagen AG and a number of domestic subsidiaries were given the opportunity to acquire preferred shares on special terms. Altogether, employees subscribed to a total of 129,000 shares, which meant that the capital stock of Volkswagen AG rose by DM 6,450,000. Taking into account the premium of DM 240.50 per share, this increased the stockholders' equity by DM 37.5 million.

Since being privatized in 1960, Volkswagen has always considered that the creation of opportunities for employees to share in the company's productive assets represents a cornerstone of modern personnel policy. The issue of shares to employees on preferential terms is not only intended to enable employees to accumulate capital, but also demonstrates the Company's appreciation of the dedication and commitment displayed by its workforce.

| Key figures | 1991 | 1990 |
|--------------------------------------|--------|--------|
| Number of shares in thousands | | |
| Ordinary shares Dec. 31 | 27,000 | 27,000 |
| Preferred shares Dec. 31 | 6,129 | 6,000 |
| Dividend in DM | | |
| Ordinary share | 11.00 | 11.00 |
| Preferred share | 12.00 | 12.00 |
| Tax credit in DM | | |
| Ordinary share | 6.19 | 6.19 |
| Preferred share | 6.75 | 6.75 |

| Ratios (per share) | 1991 | 1990 |
|-------------------------------|--------|--------|
| Net earnings DM | 33.76 | 32.91 |
| Earnings acc. to DVFA-SG** DM | 36.00 | 36.00 |
| Cash flow DM | 216.15 | 172.76 |
| Stockholders' equity DM | 547.71 | 502.64 |

** German Association for Financial Analysis and Investment Consultancy – Schmalenbach Society

Finance

| Development of short-term liquidity of the Volkswagen Group | DM million | | |
|--|------------|---------|-----------------|
| Additions to tangible assets and intangible assets | | - 8,529 | |
| Additions to financial assets (excluding liquidity placed with subsidiaries) | | - 1,054 | |
| Additions to leasing and rental assets | | - 4,961 | |
| Increase in inventories | | - 346 | |
| Increase in long and medium-term receivables | | - 256 | |
| Use of funds | | | - 15,146 |
| Net earnings | | + 1,114 | |
| Depr. of fixed assets, write-down of finan. assets and disp. of assets minus write-ups | | + 4,249 | |
| Depreciation and disposal of leasing and rental assets | | + 4,378 | |
| Increase in undetermined liabilities for pensions and similar obligations | | + 806 | |
| Increase in special items with an equity portion and special item for investment subs. | | + 947 | |
| Changes in reserves not affecting liquidity | | + 16 | |
| Current operations | | | + 11,510 |
| Dividend payments to stockholders of Volkswagen AG in 1991 | | - 368 | |
| Dividend payments to minorities | | - 13 | |
| Increase in long and medium-term liabilities | | + 2,164 | |
| Capital increase in 1991 and transfer to reserves | | + 37 | |
| Decrease in other items | | - 82 | |
| Financial transactions | | | + 1,738 |
| Change in liquidity position | | | - 1,898 |

| | Automobile sector Dec.31,91 | Financ. serv./ Financing Dec.31,91 | Volkswagen Group Dec.31,91 | Volkswagen Group Dec.31,90 | Change |
|---|--------------------------------|--|-------------------------------|-------------------------------|----------------|
| Liquid funds | 7,050 | 2,205 | 9,255 | 11,842 | - 2,587 |
| Securities | 2,323 | 6 | 2,329 | 2,764 | - 435 |
| Liquidity placed with subsidiaries* | 1,797 | 378 | 2,175 | 1,167 | 1,008 |
| | 11,170 | 2,589 | 13,759 | 15,773 | - 2,014 |
| Short-term receivables and financial assets | 9,668 | 12,251 | 13,370 | 10,361 | 3,009 |
| | 20,838 | 14,840 | 27,129 | 26,134 | 995 |
| Short-term liabilities and undetermined liabilities (excluding liabilities due to banks) | - 19,265 | - 5,403 | - 17,388 | - 16,225 | - 1,163 |
| Liabilities due to banks | - 4,530 | - 9,475 | - 14,005 | - 12,275 | - 1,730 |
| | - 23,795 | - 14,878 | - 31,393 | - 28,500 | - 2,893 |
| Total financial funds | - 2,957 | - 38 | - 4,264 | - 2,366 | - 1,898 |
| Net liquidity (liquidity minus due to banks) | 6,640 | - 6,886 | - 246 | 3,498 | - 3,744 |

* Includes financial-assets items

An increasingly international financing policy

The progressive internationalization of the Volkswagen Group is being backed up by a global financing policy. Our medium-term planning for the years up to 1996 assumes that the major proportion of the investment programme will be financed out of cash flow and liquid funds, with additional borrowing necessary only in cases where exceptionally large funding requirements have to be met. Binding credit assurances have already been received for a large proportion of the planned borrowing.

The Volkswagen Group's liquidity reserve comprises syndicated credit facilities and unutilized bilateral credit lines amounting to DM 3.3 billion and US \$ 1.5 billion.

In the past few years, the Volkswagen Group has increasingly availed itself of innovative forms of international financing. In addition to making use of the international capital markets by issuing bonds in DM and Euro-currencies, Volkswagen maintains business connections with supranational institutions such as the European Investment Bank (EIB), the International Finance Corporation (IFC) – a subsidiary of the World Bank – and the newly established European Bank for Reconstruction and Development (EBRD). The EIB, for example, has given credit assurances for our projects in Spain, Portugal and eastern Germany. We are currently negotiating with the IFC, EIB and EBRD about funding for the hard-currency portions of our projects in Czechoslovakia. Our commercial-paper programme has proved extremely successful, with the original issue volume of DM 500 million increased in two stages to DM 2 billion.

This wide range of financing instruments provides the Volkswagen Group with a sound financial basis enabling it to meet the challenging demands of the future.

Sound financial ratios

With business operations expanding on a considerable scale in 1991, the Volkswagen Group's financial ratios were once again sound. Cash flow increased by 25.1 % to DM 7,133 million, making it possible to finance over two thirds of the total investment volume of DM 9,910 million (+ 84.5 %) out of cash flow. If depreciation and disposal of leasing and rental assets are included, the overall cash flow figure rises to DM 11,510 million. Working on this basis, 77.4 % of capital investments, including additions to leasing and rental assets, were covered by cash flow. Substantial liquidity was also available, derived above all from the automobile sector. At DM 6.6 billion, net liquidity – comprising liquidity minus liabilities due to banks – in the automobile sector presented a considerably more favourable picture than was the case in the financial services/financing sector.

The fact that the debt ratio remained almost unchanged at 2.2 represents an excellent achievement in the light of the increased volume of capital investments

and acquisitions. This means that the net indebtedness can be covered by around two years' self-generated funds.

Cash flow as a percentage of sales reached 9.3 % in 1991 compared with 8.4 % in the previous year. If depreciation and disposal of leasing and rental assets are included, the figure rises to 15.1 % (1990: 14.5 %). This reflects the Volkswagen Group's strong internal financing capacity.

At DM 1,228 million, the Volkswagen Group's interest results were 5.8 % up on 1990 – a further indication of the Group's sound financial structure.

Added value of Volkswagen AG

The added value indicates the increase in value generated by a company during a specific period and represents its contribution to the gross national product. In 1991 Volkswagen AG's added value rose by 3.9 % to DM 12,822 million.

| Sources | | DM million | | 1991 | 1990 |
|--------------------|--|------------|--|---------------|---------------|
| Sales | | | | 47,328 | 41,112 |
| plus other income | | | | 4,421 | 3,893 |
| less expenditures | | | | 38,927 | 32,659 |
| Added value | | | | 12,822 | 12,346 |

| Distribution | | DM million | | 1991 | % | 1990 | % |
|--------------------|-------------------------------|---------------|--------------|---------------|--------------|------|---|
| To: | In the form of: | | | | | | |
| The Workforce | Wages, salaries, fringe costs | 11,497 | 89.6 | 10,434 | 84.6 | | |
| The State | Taxes, levies | 484 | 3.8 | 906 | 7.3 | | |
| Creditors | Interest | 392 | 3.1 | 337 | 2.7 | | |
| The Company | Transfers to reserves | 80 | 0.6 | 300 | 2.4 | | |
| Stockholders | Dividends | 369 | 2.9 | 369 | 3.0 | | |
| Added value | | 12,822 | 100.0 | 12,346 | 100.0 | | |

Structure of the Volkswagen AG balance sheet (DM million)

| Assets | Dec.31,'91 | % | Dec.31,'90 | % |
|---|---------------|--------------|---------------|--------------|
| Fixed assets | 18,332 | 51.0 | 15,658 | 44.6 |
| Inventories | 4,205 | 11.7 | 3,882 | 11.0 |
| Receivables | 7,432 | 20.7 | 5,558 | 15.8 |
| Liquid funds | 5,959 | 16.6 | 10,037 | 28.6 |
| Total assets | 35,928 | 100.0 | 35,135 | 100.0 |
| Stockholders' equity and liabilities | Dec.31,'91 | % | Dec.31,'90 | % |
| Stockholders' equity | 13,194 | 36.7 | 12,208 | 34.7 |
| Long-term liabilities | 6,047 | 16.8 | 5,857 | 16.7 |
| Medium-term liabilities | 5,321 | 14.8 | 5,212 | 14.8 |
| Short-term liabilities | 11,366 | 31.7 | 11,858 | 33.8 |
| Total capital | 35,928 | 100.0 | 35,135 | 100.0 |

**Structure of the Volkswagen AG statement of earnings (DM million)
January–December**

| | 1991 | % | 1990* | % |
|---|----------------|--------------|----------------|--------------|
| Sales | 47,328 | 100.0 | 41,112 | 100.0 |
| Cost of sales | 44,932 | 94.9 | 38,787 | 94.3 |
| Gross profit | + 2,396 | 5.1 | + 2,325 | 5.7 |
| Selling, distribution and administration expenses | 3,538 | 7.5 | 3,189 | 7.8 |
| Other operating income and expenses | + 257 | 0.5 | + 1,012 | 2.5 |
| Financial results | + 1,596 | 3.4 | + 1,220 | 3.0 |
| Results from ordinary business activities | + 711 | 1.5 | + 1,368 | 3.3 |
| Taxes | 264 | 0.6 | 698 | 1.7 |
| Net earnings | 447 | 0.9 | 670 | 1.6 |

* The figures for 1990 have been adjusted to take account of the sales and related sales proceeds of new Audi vehicles no longer being included in the corresponding figures for Volkswagen AG.

Financial Statements of the Volkswagen Group for the Fiscal Year
Ended December 31, 1991

Balance Sheet of the Volkswagen Group, December 31, 1991 – DM million –

| Assets | Note | Dec. 31, 1991 | Dec. 31, 1990 |
|--|-------|------------------|------------------|
| Fixed assets | (1) | | |
| Intangible assets | | 372 | 261 |
| Tangible assets | | 21,126 | 16,826 |
| Financial assets | | 2,655 | 1,418 |
| Leasing and rental assets | | 6,293 | 5,834 |
| | | 30,446 | 24,339 |
| Current assets | | | |
| Inventories | (2) | 9,049 | 8,703 |
| Receivables and other assets | (3) | 18,675 | 14,725 |
| Securities | (4) | 2,329 | 2,764 |
| Cash on hand, deposits at German Federal Bank and postal giro balances, cash in banks | | 9,255 | 11,842 |
| | | 39,308 | 38,034 |
| Prepaid and deferred charges | (5) | 336 | 340 |
| Balance-sheet total | | 70,090 | 62,713 |
| Stockholders' equity and liabilities | | | |
| Stockholders' equity | | | |
| Subscribed capital of Volkswagen AG | (6) | 1,656 | 1,650 |
| Ordinary shares | 1,350 | | |
| Non-voting preferred shares | 306 | | |
| Potential capital | 498 | | |
| Capital reserve | (7) | 4,223 | 4,192 |
| Revenue reserves | (8) | 7,875 | 7,298 |
| Net earnings available for distribution | | 373 | 374 |
| Minority interest in consolidated subsidiaries | | 176 | 178 |
| | | 14,303 | 13,692 |
| Special items with an equity portion | (9) | 3,823 | 2,882 |
| Special item for investment subsidies | (10) | 19 | 13 |
| Undetermined liabilities | (11) | 20,282 | 19,791 |
| Liabilities | (12) | 31,046 | 25,809 |
| Deferred income | | 617 | 526 |
| Balance-sheet total | | 70,090 | 62,713 |

Financial Statements of the Volkswagen Group for the Fiscal Year Ended December 31, 1991

Statement of Earnings of the Volkswagen Group for the Fiscal Year Ended December 31, 1991 – DM million –

| | Note | 1991 | 1990 |
|--|------|----------------|----------------|
| Sales | (13) | 76,315 | 68,061 |
| Cost of sales | | 68,805 | 61,890 |
| Gross profit | | + 7,510 | + 6,171 |
| Selling and distribution expenses | | 6,081 | 5,295 |
| General administration expenses | | 2,185 | 2,013 |
| Other operating income | (14) | 4,406 | 5,182 |
| Other operating expenses | (15) | 3,104 | 2,567 |
| Results from participations | (16) | + 97 | + 36 |
| Interest results | (17) | + 1,228 | + 1,162 |
| Write-down of financial assets and securities classified as current assets | | 86 | 284 |
| Results from ordinary business activities | | + 1,785 | + 2,392 |
| Taxes on income | | 671 | 1,306 |
| Net earnings | (18) | 1,114 | 1,086 |

Notes on the Financial Statements of the Volkswagen Group for the Fiscal Year Ended December 31, 1991

Financial statements in accordance with commercial law

The financial statements of the Volkswagen Group 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 comparability, the statement of earnings has

been prepared according to the cost of sales method.

For the purpose of simplification, all figures are now given in full 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 management control of the parent company. Apart from Volkswagen AG, this involves 23 German Group companies and 55 foreign Group companies.

Volkswagen Sachsen GmbH i.G., which has been set up in consequence of restructuring measures, was included in the consolidated financial statements for the first time in the year under report, as were two other newly established companies. In addition, the companies making up the Italian SEAT importing group, which were previously included as associated companies, were fully consolidated for the first time. A distributing company was likewise fully consolidated for the first time in the year under report following commencement of business operations. One American company has transferred its operating assets to

the parent company and has ceased to be consolidated. Three financial-services companies have been merged with their parent company. Six subsidiaries have been included in the consolidated financial statements on the basis of the proportionate stockholders' equity.

Seven German and 18 foreign subsidiaries were not consolidated. The companies in question are subsidiaries whose inclusion in the 1991 consolidated financial statements would have given rise to disproportionately high costs or considerable delays – as in the case of ŠKODA – and companies which conduct little or no business.

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 and in line with the provisions to be applied for full consolidation. Altogether, this involves 38 companies consolidated on a pro rata basis.

New associated companies essentially comprise newly established joint ventures in China, Portugal and Switzerland.

27 German and ten 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 stockholders' equity.

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 14 and 15. A list detailing all interests held by the Volkswagen Group is deposited in the Wolfsburg register of companies under HRB 215. It can also be obtained direct from Volkswagen AG*).

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 accounts and valuations 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.

Goodwill or badwill 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.

For the fiscal year ended December 31, 1991, leasing and rental assets – with the exception of leasing assets in countries with high inflation – have been translated for the first time at the middle rate for the balance-sheet date, as the related liabilities are likewise translated at the rate applying on the balance-sheet

date. This change in the translation method increased net earnings for the year by DM 49 million.

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 full address is given on the last page of this Annual Report.

Notes on the Financial Statements of the Volkswagen Group for the Fiscal Year Ended December 31, 1991

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. To improve the information value of the financial statements, the inflation-related components of interest expenses and interest income have been set aside and combined with the exchange rate differences and translation differences under "Other operating expenses" and "Other operating income".

Accounting and valuation principles

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. Planning services furnished within the Group in connection with the construction of a complete plant for a subsidiary in Southern Europe have been capitalized.

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 – in contrast to the principle applied in the financial statements of Volkswagen AG – 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. The straight-line method has been applied since 1990 to assets on which special depreciation is charged. Group companies abroad 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.

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.

Holdings in affiliated and associated companies – if not valued on the basis of the equity method – and other **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. In contrast to the principle applied in the financial statements of Volkswagen AG, receivables in foreign currencies are valued at the rates applying on the balance-sheet date or the rates agreed in respect of these receivables.

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. In contrast to the principle applied in the financial statements of Volkswagen AG, liabilities in foreign currencies are valued at the rates applying on the balance-sheet date or the rates agreed in respect of these liabilities.

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

In the statement of earnings, 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 totalling DM 336 million (1990: DM 341 million) are allocated to the individual functional areas.

Notes on the Balance Sheet

(1) Fixed assets

A breakdown of the fixed-asset items condensed in the balance sheet and their development during the year under report can be found on pages 64 and 65.

The book value of the Volkswagen Group's fixed assets, totalling DM 30,446 million, comprises intangible, tangible, financial and leasing and rental assets.

Additions to fixed assets were as follows:

| | 1991 DM million | 1990 DM million |
|---------------------------|--------------------|--------------------|
| Intangible assets | 178 | 212 |
| Tangible assets | 8,351 | 4,989 |
| Financial assets | 1,381 | 171 |
| Leasing and rental assets | 4,961 | 4,419 |

The additions to fixed assets also include the amounts brought forward in respect of companies consolidated for the first time. Additions to intangible assets include

goodwill arising from the acquisition of additional shares in Group companies.

Extraordinary depreciation and discounting were as follows:

| | 1991 DM million | 1990 DM million |
|------------------|--------------------|--------------------|
| Tangible assets | 8 | 90 |
| Financial assets | 80 | 219 |
| | 88 | 309 |

Notes on the Balance Sheet

Development of Fixed Assets of the Volkswagen Group – DM million –

| | Acquisition or manufacturing cost Jan. 1, 1991 | Amounts brought forward ¹⁾ |
|--|--|---------------------------------------|
| Intangible Assets²⁾ | | |
| Concessions, industrial and similar rights (e. g. patents) and licences in such rights | 128 | 1 |
| Payments on account | 187 | - |
| | 315 | 1 |
| Tangible Assets | | |
| Land, land rights and buildings incl. buildings on land owned by others | 12,700 | 2 |
| Technical equipment and machinery | 18,118 | 0 |
| Other equipment and factory and office equipment | 14,678 | 11 |
| Payments on account and construction in progress | 3,005 | - |
| | 48,501 | 13 |
| Financial Assets | | |
| Holdings in affiliated companies | 10 | - |
| Loans to affiliated companies | 1 | - |
| Holdings in associated companies | 262 | - |
| Participations | 668 | - |
| Loans to associated companies and companies linked through participation | 7 | - |
| Long-term financial investments | 681 | - |
| Other loans | 930 | - |
| Other financial assets | 52 | - |
| | 2,611 | - |
| | 51,427 | 14 |
| Leasing and Rental Assets | | |
| | 9,039 | - |

¹⁾ Amounts brought forward in respect of companies consolidated for the first time.

²⁾ Acquired goodwill has been set off against the revenue reserves.

³⁾ Including exchange rate differences in the amount of DM - 9 million.

⁴⁾ Including exchange rate differences in the amount of DM 7 million.

⁵⁾ Including exchange rate differences in the amount of DM 208 million.

⁶⁾ Including exchange rate differences in the amount of DM - 85 million.

| Additions | Transfers | Disposals | Acquisition or manufacturing cost Dec. 31, 1991 | Accumulated depreciation | Write-ups (current year) | Book-values Dec. 31, 1991 | Depreciation (current year) |
|--------------|------------|---------------------------|---|---------------------------|--------------------------|---------------------------|-----------------------------|
| 56 | 96 | 19 | 262 | 90 | - | 172 | 55 |
| 107 | - 94 | 0 | 200 | - | - | 200 | - |
| 163 | 2 | 19 | 462 | 90 | - | 372 | 55 |
| 393 | 116 | 66 | 13,145 | 6,932 | - | 6,213 | 465 |
| 1,505 | 1,207 | 426 | 20,404 | 15,378 | - | 5,026 | 1,540 |
| 2,429 | 919 | 680 | 17,357 | 12,157 | - | 5,200 | 1,881 |
| 4,011 | - 2,244 | 61 | 4,711 | 24 | - | 4,687 | - |
| 8,338 | - 2 | 1,233 | 55,617 | 34,491 | - | 21,126 | 3,886 |
| 681 | - | 0 | 691 | 3 | - | 688 | - |
| - | - | 0 | 1 | - | - | 1 | - |
| 170 | 3 | 25 | 410 | 26 | 0 | 384 | 0 |
| 66 | - 3 | - | 731 | 621 | - | 110 | 57 |
| 13 | - | 2 | 18 | 7 | 0 | 11 | 1 |
| 376 | - | 0 | 1,057 | 19 | - | 1,038 | 0 |
| 63 | - | 51 ³⁾ | 942 | 560 ⁴⁾ | 34 | 416 | 14 |
| 12 | - | 15 | 49 | 42 | - | 7 | 8 |
| 1,381 | - | 93 | 3,899 | 1,278 | 34 | 2,655 | 80 |
| 9,882 | 0 | 1,345 | 59,978 | 35,859 | 34 | 24,153 | 4,021 |
| 4,961 | 0 | 4,202⁵⁾ | 9,798 | 3,505⁶⁾ | - | 6,293 | 2,362 |
| | | | | | | 30,446 | |

Notes on the Balance Sheet

(2) Inventories

| | Dec. 31, 1991 DM million | Dec. 31, 1990 DM million |
|--------------------------------|-----------------------------|-----------------------------|
| Raw materials and supplies | 2,247 | 2,160 |
| Work in progress | 2,325 | 2,241 |
| Finished goods and merchandise | 4,445 | 4,281 |
| Advance payments | 32 | 21 |
| | 9,049 | 8,703 |

(3) Receivables and other assets

| | Dec. 31, 1991 DM million | Dec. 31, 1990 DM million |
|---|-----------------------------|-----------------------------|
| Trade receivables | 3,325 | 2,571 |
| – of which amounts due in more than one year | (1) | (2) |
| Receivables from affiliated companies | 25 | 2 |
| – of which trade receivables | (8) | (–) |
| Receivables from companies in which participations are held | 299 | 362 |
| – of which trade receivables | (71) | (98) |
| Other current assets | 15,026 | 11,790 |
| – of which amounts due in more than one year | (4,195) | (3,884) |
| | 18,675 | 14,725 |

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

(4) Securities

| | Dec. 31, 1991 DM million | Dec. 31, 1990 DM million |
|------------------|-----------------------------|-----------------------------|
| Treasury stock | 6 | 5 |
| Other securities | 2,323 | 2,759 |
| | 2,329 | 2,764 |

Volkswagen AG holds treasury stock in the form of 76,569 shares, comprising 76,469 ordinary shares and 100 preferred shares with a total nominal value of DM 3,828,450; this corresponds to 0.2 % of the capital stock. The ordinary shares were acquired in 1971 in connection with a conversion offer to Audi stockholders on the occasion of a capital increase. The preferred shares represent the residual shares in connection with the issue of 129,000 shares with a value of DM 50 each – giving a total nominal value of DM 6,450,000 (= 0.4 % of the

subscribed capital) – to employees in November 1991. The subscription price for employees was DM 165.50 and the acquisition price DM 290.50 per share.

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.

"Other securities" 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 amount in question here is DM 176 million (1990: DM 197 million).

(6) Subscribed capital

Following the capital increase effected in 1991 – utilizing part of the existing authorized capital stock – through the issue of preferred shares with a total value of DM 6 million, the subscribed capital now amounts to DM 1,656 million. The subscribed capital is composed of 27 million ordinary shares with nominal value of 50 DM and 6,129,000 non-

voting preferred shares with nominal value of 50 DM. In addition, there is an authorized capital stock of DM 150 million expiring on June 30, 1994, a second authorized capital stock of DM 150 million expiring on June 30, 1995 and a third authorized capital stock of DM 144 million expiring on June 30, 1996. A potential capital stock of DM

98 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 194 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

(7) Capital reserve

The capital reserve comprises exclusively premiums on capital increases and the issue of option bonds. A total of DM 31 million was transferred to

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.

the capital reserve in 1991 in connection with the increase in the capital stock of Volkswagen AG.

(8) Revenue reserves

| | Dec. 31, 1991 DM million | Dec. 31, 1990 DM million |
|----------------------------|-----------------------------|-----------------------------|
| Legal reserve | 60 | 60 |
| Reserve for treasury stock | 6 | 5 |
| Other revenue reserves | 7,809 | 7,233 |
| | 7,875 | 7,298 |

A total of DM 80 million was transferred from the net earnings of the parent company to "Other revenue reserves" in accordance with § 58 subsection 2 of the German Corporation Act. The goodwill of

DM 14 million deriving from acquisition of additional shares in three Group companies has been set off against "Other revenue reserves".

(9) Special items with an equity portion

| | Dec. 31, 1991 DM million | Dec. 31, 1990 DM million |
|-------------------------------|-----------------------------|-----------------------------|
| Reserves for tax purposes | 597 | 158 |
| Depreciation for tax purposes | 3,226 | 2,724 |
| | 3,823 | 2,882 |

The Volkswagen Group has reserves in accordance with § 3 subsection 2a of the Border Area Promotion Act, § 52 subsection 8 of the Income Tax Act, § 1 of the Developing Countries Tax Act, § 2 of the East German Investments 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 subsection 2 of the Border Area Promotion Act, § 4 of the Development Area Act, § 7d of the Income Tax Act, § 6b of the Income Tax Act/Section 35 of the Income Tax Guidelines, § 14 of the Berlin Promotion Act, § 82d of the Income Tax Directive, § 82a of the Income Tax Directive, § 7c of the Income Tax Act

and § 80 of the Income Tax Directive.

The approval of the Commission of the European Communities is required for the creation of special items with an equity portion in accordance with § 3 of the Border Area Promotion Act. The necessary applications have been submitted to the German fiscal authorities but no decision has yet been reached. The accounting treatment of these items observes the principle that the treatment applied for tax purposes must correspond to that applied in the published balance sheet. 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 19 million (1990: DM 13

million), stems from the financial statements of two foreign companies.

(11) Undetermined liabilities

| | Dec. 31, 1991 DM million | Dec. 31, 1990 DM million |
|---|-----------------------------|-----------------------------|
| Undetermined liabilities for pensions and similar obligations | 8,089 | 7,283 |
| Undetermined liabilities in respect of taxes | 2,032 | 1,828 |
| Other undetermined liabilities | 10,161 | 10,680 |
| | 20,282 | 19,791 |

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

which have already been occasioned, among other things in connection with model changes and reorganization. The settling of the undetermined liabilities led to reduced expenses in 1991. Without these measures pre-tax earnings would have been 17 % lower (1990: 11 % higher).

Notes on the Balance Sheet

(12) Liabilities

| | Total Dec. 31, 1991 DM million | of which payable within up to 1 year DM million | Total Dec. 31, 1990 DM million | of which payable within up to 1 year DM million |
|--|---|---|---|---|
| Loans | 3,436 | 722 | 2,362 | – |
| – of which convertible | (50) | (0) | (–) | (–) |
| Liabilities due to banks | 16,219 | 13,283 | 13,804 | 12,275 |
| Advance payments received | 127 | 127 | 179 | 179 |
| Trade payables | 5,769 | 5,743 | 5,195 | 5,194 |
| Notes payable | 97 | 93 | 151 | 144 |
| Amounts payable to affiliated companies | 6 | 6 | 4 | 4 |
| Amounts payable to companies in which participations are held | 69 | 69 | 103 | 103 |
| Other liabilities | 5,323 | 3,654 | 4,011 | 3,042 |
| – of which taxes | (504) | (504) | (563) | (563) |
| – of which in respect of social insurance | (493) | (484) | (450) | (441) |
| | 31,046 | 23,697 | 25,809 | 20,941 |

The total liabilities payable within more than five years amount to DM 3,813 million (1990: DM 1,840 million).

Of the liabilities shown in the consolidated balance sheet, a total of DM 1,392 million

(1990: DM 764 million) is secured, for the most part, through 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.

Contingencies and commitments

| | Dec. 31, 1991 DM million | Dec. 31, 1990 DM million |
|---|-----------------------------|-----------------------------|
| Contingent liabilities with respect to notes | 536 | 550 |
| Contingent liabilities with respect to guarantees | 132 | 131 |
| Contingent liabilities with respect to warranties | 62 | 77 |
| Pledges on company assets to secure another party's liabilities | 15 | 15 |

The Commission of the European Communities has opened proceedings to investigate the legality of the investment subsidies granted to two subsidiaries in the new federal states of Germany. 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 374 million (1990: DM 150 million).

Other financial obligations

Financial obligations totalling DM 1,915 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 Portugal.

In addition, the Volkswagen Group's other financial obligations from long-term rental and leasing contracts amount annually to some DM 637 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 291 million for 1992 and

are matched by corresponding claims on customers.

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

Notes on the Statement of Earnings

(13) Sales

| | 1991 | | 1990 | |
|------------------------|---------------|--------------|---------------|--------------|
| | DM million | Share % | DM million | Share % |
| Germany | 36,360 | 47.6 | 26,929 | 39.6 |
| Europe (excl. Germany) | 26,825 | 35.2 | 26,680 | 39.2 |
| North America | 3,984 | 5.2 | 5,243 | 7.7 |
| Latin America | 5,706 | 7.5 | 5,595 | 8.2 |
| Africa | 1,504 | 2.0 | 1,342 | 2.0 |
| Asia/Oceania | 1,936 | 2.5 | 2,272 | 3.3 |
| Total | 76,315 | 100.0 | 68,061 | 100.0 |

Vehicle sales of the Volkswagen Group in 1991 accounted for 78 % of sales proceeds, and parts sales for 8 %. 14 % related to other sales. Other

sales include the proceeds from the sale of used assets of leasing and rental companies.

(14) Other operating income

| | 1991 DM million | 1990 DM million |
|--|--------------------|--------------------|
| Other operating income | 4,406 | 5,182 |
| – of which income from elimination of special items with an equity portion | (678) | (700) |

Apart from income from elimination of special items with an equity portion, other operating income 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, and receipt of rent payments.

Notes on the Statement of Earnings

(15) Other operating expenses

| | 1991 DM million | 1990 DM million |
|--|--------------------|--------------------|
| Other operating expenses | 3,104 | 2,567 |
| – of which transfers to special items with an equity portion | (1,619) | (657) |

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

Depreciation for tax purposes was charged in the amount of DM 1,112 million (1990: DM 617 million), solely in respect of fixed assets.

(16) Results from participations

| | 1991 DM million | 1990 DM million |
|--|--------------------|--------------------|
| Income from participations | 111 | 74 |
| – of which from affiliated companies | (0) | (1) |
| – of which from associated companies | (109) | (64) |
| Income from profit assumption agreements | 1 | 2 |
| Expenses from holdings in associated companies | 13 | 40 |
| Expenses from loss assumptions | 2 | 0 |
| | 97 | 36 |

(17) Interest results

| | 1991 DM million | 1990 DM million |
|--|--------------------|--------------------|
| Income from other securities and long-term loans | 102 | 47 |
| Other interest and similar income | 2,808 | 2,557 |
| – of which from affiliated companies | (0) | (–) |
| Interest and similar expenses | 1,682 | 1,442 |
| – of which to affiliated companies | (0) | (–) |
| | 1,228 | 1,162 |

(18) Net earnings

The net earnings have been influenced by expenses attributable to other fiscal years amounting to DM 396 million (1990: DM 217 million) and income not relating to the period under report totalling DM 1,547 million (1990: DM 1,251 million).

The net earnings of the Volkswagen Group have been reduced as a result of tax-related measures. These mainly involve the creation of special items in accordance with § 3 subsections 2 and 2a of the Border Area Promotion Act. As a consequence of the

measures taken in 1991 and in earlier years as well as the resultant influence on tax expenses, the net earnings shown for the Volkswagen Group are around 26 % lower (1990: 2 % higher) than the figure which would otherwise have been shown.

Net earnings include minority interests in profit totalling DM 18 million (1990: DM 32 million) and minority shares in losses amounting to DM 7 million (1990: none).

Total expenses for the period

| | 1991 DM million | 1990 DM million |
|---|--------------------|--------------------|
| Cost of materials | | |
| Raw materials and supplies, purchased goods | 42,138 | 36,700 |
| Purchased services | 4,901 | 3,769 |
| | 47,039 | 40,469 |
| Labour cost | | |
| Wages and salaries | 14,967 | 13,488 |
| Social insurance and pension costs | 3,905 | 3,568 |
| – of which in respect of pensions | (1,186) | (1,098) |
| | 18,872 | 17,056 |

Other Particulars

Average numbers of employees during the year

| | 1991 | 1990 |
|------------------|----------------|----------------|
| Wage-earners | 139,731 | 139,576 |
| Salaried workers | 63,516 | 66,064 |
| Salaried staff | 56,890 | 55,398 |
| | 260,137 | 261,038 |
| Apprentices | 6,872 | 6,959 |
| | 267,009 | 267,997 |

The AUTOLATINA group employed an average of 51,386 people (1990: 59,545). The average number of persons employed by the Europcar group was 4,700 (1990: 4,483). 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.

The members of the Board of Management and the Supervisory Board, together with changes in the membership of these bodies, are listed on pages 2 and 3 of this Annual Report.

The remuneration of the members of the Board of Management for the fiscal year 1991 in respect of the

Volkswagen Group totalled DM 11,446,676.

Retired members of the Board of Management and their surviving dependants received DM 8,197,600. These payments are covered by undetermined liabilities for current pensions, amounting to DM 74,213,555.

The remuneration of the Supervisory Board amounted to DM 1,072,250.

Loans totalling DM 189,000 have been granted to members of the Supervisory Board (amount redeemed in 1991: DM 18,000). The loans have an interest rate of 4 % and an agreed term of 12.5 years.

Wolfsburg, March 10, 1992

VOLKSWAGEN AKTIENGESELLSCHAFT

The Board of Management

Audit certificate

"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 consolidated financial statements give a true and fair view of the Group's assets, liabilities, financial position and profit or loss. The Group management report is consistent with the consolidated financial statements."

Hanover, March 12, 1992

TREUARBEIT Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

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

Siepe
Wirtschaftsprüfer

Audit certificate

"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 consolidated financial statements give a true and fair view of the Group's assets, liabilities, financial position and profit or loss. The Group management report is consistent with the consolidated financial statements."

Düsseldorf/Hanover, March 12, 1992

Wollert-Elmendorff

Deutsche Industrie-Treuhand GmbH
Wirtschaftsprüfungsgesellschaft

Thoennes
Wirtschaftsprüfer

Prof. Dr. Emmerich
Wirtschaftsprüfer

The Volkswagen Group in Figures

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|--|--------|--------|--------|--------|--------|
| Sales (DM million) | 37,434 | 40,089 | 45,671 | 52,502 | 52,794 |
| Change on previous year in % | - 1 | 7 | 14 | 15 | 1 |
| Domestic | 12,027 | 14,453 | 14,638 | 16,171 | 18,839 |
| Abroad | 25,407 | 25,636 | 31,033 | 36,331 | 33,955 |
| Export of domestic Group companies | 15,733 | 15,460 | 20,108 | 24,025 | 23,414 |
| Net contribution of foreign Group companies | 11,346 | 11,812 | 12,864 | 14,698 | 14,127 |
| Vehicle Sales (thousand units) | 2,120 | 2,127 | 2,145 | 2,398 | 2,758 |
| Change on previous year in % | - 7 | 0 | 1 | 12 | 15 |
| Domestic | 672 | 750 | 708 | 722 | 838 |
| Abroad | 1,448 | 1,377 | 1,437 | 1,676 | 1,920 |
| Production (thousand units) | 2,130 | 2,116 | 2,148 | 2,398 | 2,777 |
| Change on previous year in % | - 5 | - 1 | 2 | 12 | 16 |
| Domestic | 1,381 | 1,413 | 1,474 | 1,635 | 1,654 |
| Abroad | 749 | 703 | 674 | 763 | 1,123 |
| Workforce (thousand employees) ¹⁾ | 239 | 232 | 238 | 259 | 276 |
| Change on previous year in % | - 3 | - 3 | 3 | 9 | 7 |
| Domestic | 158 | 156 | 160 | 170 | 169 |
| Abroad | 81 | 76 | 78 | 89 | 107 |
| Capital Investments (DM million) ²⁾ | 4,892 | 4,858 | 2,782 | 3,388 | 6,371 |
| Change on previous year in % | 1 | - 1 | x | 22 | 88 |
| Domestic | 3,654 | 3,476 | 1,889 | 2,508 | 3,849 |
| Abroad | 1,238 | 1,382 | 893 | 880 | 2,522 |
| Additions to Leasing and Rental Assets (DM million) | | | 2,021 | 3,217 | 2,738 |
| Change on previous year in % | | | | 59 | - 15 |
| Cash Flow (DM million) ³⁾ | 3,452 | 5,207 | 4,081 | 4,558 | 4,285 |
| Change on previous year in % | - 12 | 51 | x | 12 | - 6 |
| Net Earnings/Loss (DM million) | -300 | -215 | 228 | 596 | 580 |
| Dividend of Volkswagen AG (DM million) | - | - | 120 | 240 | 306 |
| Ordinary shares (DM million) | - | - | 120 | 240 | 240 |
| Preferred shares (DM million) | - | - | - | - | 66 |

¹⁾ Workforce at year end; as of 1986 average over year.

²⁾ Up to 1983 including additions to leasing and rental assets.

³⁾ Up to 1983 including depreciation on and disposal of leasing and rental assets.

| | 1987 | 1988 | 1989 | 1990 | 1991 | |
|--|--------|--------|--------|--------|--------|--|
| Sales (DM million) | 54,635 | 59,221 | 65,352 | 68,061 | 76,315 | Sales (DM million) |
| Change on previous year in % | 3 | 8 | 10 | 4 | 12 | Change on previous year in % |
| Domestic | 22,555 | 22,653 | 23,682 | 26,929 | 36,360 | Domestic |
| Abroad | 32,080 | 36,568 | 41,670 | 41,132 | 39,955 | Abroad |
| Export of domestic Group companies | 22,898 | 24,395 | 27,601 | 28,323 | 28,093 | Export of domestic Group companies |
| Net contribution of foreign Group companies | 13,080 | 15,961 | 18,256 | 18,242 | 18,809 | Net contribution of foreign Group companies |
| Vehicle Sales (thousand units) | 2,774 | 2,854 | 2,941 | 3,030 | 3,126 | Vehicle Sales (thousand units) |
| Change on previous year in % | 1 | 3 | 3 | 3 | 3 | Change on previous year in % |
| Domestic | 921 | 848 | 849 | 945 | 1,246 | Domestic |
| Abroad | 1,853 | 2,006 | 2,092 | 2,085 | 1,880 | Abroad |
| Production (thousand units) | 2,771 | 2,848 | 2,948 | 3,058 | 3,128 | Production (thousand units) |
| Change on previous year in % | 0 | 3 | 4 | 4 | 2 | Change on previous year in % |
| Domestic | 1,666 | 1,694 | 1,783 | 1,816 | 1,814 | Domestic |
| Abroad | 1,105 | 1,154 | 1,165 | 1,242 | 1,314 | Abroad |
| Workforce (thousand employees) ¹⁾ | 260 | 252 | 251 | 261 | 260 | Workforce (thousand employees) ¹⁾ |
| Change on previous year in % | - 6 | - 3 | - 1 | 4 | 0 | Change on previous year in % |
| Domestic | 170 | 165 | 161 | 166 | 167 | Domestic |
| Abroad | 90 | 87 | 90 | 95 | 93 | Abroad |
| Capital Investments (DM million) ²⁾ | 4,592 | 4,251 | 5,606 | 5,372 | 9,910 | Capital Investments (DM million) ²⁾ |
| Change on previous year in % | - 28 | - 7 | 32 | - 4 | 84 | Change on previous year in % |
| Domestic | 4,000 | 3,546 | 4,477 | 3,016 | 6,311 | Domestic |
| Abroad | 592 | 705 | 1,129 | 2,356 | 3,599 | Abroad |
| Additions to Leasing and Rental Assets (DM million) | 3,318 | 3,447 | 4,069 | 4,419 | 4,961 | Additions to Leasing and Rental Assets (DM million) |
| Change on previous year in % | 21 | 4 | 18 | 9 | 12 | Change on previous year in % |
| Cash Flow (DM million) ³⁾ | 4,874 | 5,018 | 5,412 | 5,701 | 7,133 | Cash Flow (DM million) ³⁾ |
| Change on previous year in % | 14 | 3 | 8 | 5 | 25 | Change on previous year in % |
| Net Earnings/Loss (DM million) | 598 | 780 | 1,038 | 1,086 | 1,114 | Net Earnings/Loss (DM million) |
| Dividend of Volkswagen AG (DM million) | 306 | 306 | 336 | 369 | 369 | Dividend of Volkswagen AG (DM million) |
| Ordinary shares (DM million) | 240 | 240 | 264 | 297 | 297 | Ordinary shares (DM million) |
| Preferred shares (DM million) | 66 | 66 | 72 | 72 | 72 | Preferred shares (DM million) |

The Volkswagen Group in Figures

Balance-sheet Structure (DM million)

| December 31 | 1982 | 1983 | 1984 | 1985 | 1986 ¹⁾ | 1987 ¹⁾ |
|---|---------------|---------------|---------------|---------------|--------------------|--------------------|
| Assets | | | | | 2 | 29 |
| Tangible assets | 11,474 | 11,801 | 9,082 | 8,740 | 12,111 | 13,406 |
| Financial assets | 449 | 464 | 544 | 574 | 1,099 | 1,125 |
| Leasing and rental assets | | | 2,433 | 3,717 | 4,106 | 4,919 |
| Fixed Assets | 11,923 | 12,265 | 12,059 | 13,031 | 17,318 | 19,479 |
| Inventories and advance payments to suppliers | 5,662 | 5,878 | 6,654 | 6,348 | 6,802 | 6,618 |
| Receivables and the like | 5,065 | 6,269 | 7,388 | 7,157 | 8,675 | 9,403 |
| Liquid funds, trade accept. | 1,953 | 1,815 | 5,253 | 4,326 | 364 | 426 |
| Securities, treasury stock | 1,290 | 2,528 | 1,588 | 3,960 | 8,553 | 8,135 |
| Current Assets | 13,970 | 16,490 | 20,883 | 21,791 | 24,394 | 24,582 |
| Total Assets | 25,893 | 28,755 | 32,942 | 34,822 | 41,712 | 44,061 |
| Stockholders' Equity a. Liab. | | | | | | |
| Capital stock | 1,200 | 1,200 | 1,200 | 1,200 | 1,500 | 1,500 |
| Reserves of the Group | 4,911 | 5,227 | 5,165 | 5,929 | 7,891 | 8,496 |
| Minority inter. i. consol. subs. | 223 | 281 | 320 | 266 | 408 | 405 |
| Stockholders' Equity | 6,334 | 6,708 | 6,685 | 7,395 | 307 | 308 |
| Undetermined liabilities in respect of old-age pensions | 3,626 | 4,235 | 4,739 | 5,029 | 3 | 17 |
| Other undetermined liabilities | 4,570 | 5,597 | 7,417 | 9,343 | 1,828 | 2,203 |
| | | | | | 10 | 9 |
| Undetermined Liabilities | 8,196 | 9,832 | 12,156 | 14,372 | 11,947 | 12,938 |
| Liabilities payable within more than 4 years | 847 | 1,283 | 992 | 947 | 8,228 | 8,050 |
| 1 to 4 years | 990 | 1,004 | 1,411 | 1,291 | 14,514 | 14,864 |
| up to 1 year | 9,485 | 9,925 | 11,570 | 10,569 | | |
| Liabilities | 11,322 | 12,212 | 13,973 | 12,807 | | |
| Net earnings available for distribution (Volkswagen AG) | 38 | - | 124 | 244 | 1,344 | 1,217 |
| Minority interest in earnings to be distributed | 3 | 3 | 4 | 4 | 1,456 | 1,999 |
| | | | | | 12,451 | 13,043 |
| Outside Capital | 19,559 | 22,047 | 26,257 | 27,427 | 29,765 | 31,123 |
| Total Capital | 25,893 | 28,755 | 32,942 | 34,822 | 41,712 | 44,061 |

Statement of Earnings (Condensed)

(DM million) January-December

| | | | | | | |
|---|--------|--------|--------|--------|--------|--------|
| Gross performance | 38,030 | 40,680 | 46,772 | 52,709 | 52,794 | 54,635 |
| Cost of materials | 19,573 | 20,852 | 23,824 | 26,623 | 46,746 | 48,526 |
| Labour cost | 12,069 | 12,371 | 13,227 | 13,913 | | |
| Depreciation and write-down | 3,038 | 3,689 | 2,961 | 3,411 | 5,380 | 5,498 |
| Depreciation on leasing and rental assets | | | 1,060 | 1,259 | 632 | 931 |
| Taxes | 543 | 580 | 1,368 | 2,124 | 295 | 68 |
| on income, earnings and property | 458 | 494 | 1,266 | 1,993 | 1,595 | 1,610 |
| Sundry expenses less sundry income | 3,107 | 3,403 | 4,104 | 4,783 | - 473 | - 443 |
| Net earnings/Loss | - 300 | - 215 | 228 | 596 | 580 | 598 |

| 1988 ¹⁾ | 1989 ¹⁾ | 1990 ¹⁾ | 1991 ¹⁾ | Change 1990/91 in % | Balance-sheet Structure (DM million) December 31 |
|--------------------|--------------------|--------------------|--------------------|---------------------|--|
|--------------------|--------------------|--------------------|--------------------|---------------------|--|

| | | | | | |
|--------|--------|--------|--------|--------|--|
| 76 | 134 | 261 | 372 | 42.6 | Assets |
| 13,836 | 15,493 | 16,826 | 21,126 | 25.6 | Intangible assets |
| 1,304 | 1,621 | 1,418 | 2,655 | 87.2 | Tangible assets |
| 5,427 | 5,561 | 5,834 | 6,293 | 7.9 | Financial assets |
| 20,643 | 22,809 | 24,339 | 30,446 | 25.1 | Leasing and rental assets |
| 6,506 | 7,301 | 8,703 | 9,049 | 4.0 | Fixed Assets |
| | | | | | Inventories |
| 11,848 | 14,472 | 15,065 | 19,011 | 26.2 | Receivables and other assets |
| 488 | 2,360 | 2,764 | 2,329 | - 15.8 | Securities |
| 10,809 | 9,929 | 11,842 | 9,255 | - 21.8 | Liquid funds |
| 29,651 | 34,062 | 38,374 | 39,644 | 3.3 | Current Assets |
| 50,294 | 56,871 | 62,713 | 70,090 | 11.8 | Total Assets |
| | | | | | Stockholders' Equity and Liabilities |
| 1,500 | 1,500 | 1,650 | 1,656 | 0.4 | Subscribed capital |
| 9,040 | 9,667 | 11,491 | 12,098 | 5.3 | Reserves of the Group |
| 405 | 439 | 145 | 164 | 13.0 | Minority interest in consolidated subsid. |
| 308 | 339 | 374 | 373 | - 0.3 | Net earnings available for distribution |
| | | | | | Minority interest in net earnings to be distributed |
| 42 | 54 | 33 | 12 | - 64.9 | Special items with an equity portion |
| 2,452 | 2,925 | 2,882 | 3,823 | 32.6 | Special item for investment subsidies |
| 9 | 12 | 13 | 19 | 44.7 | Stockholders' Equity |
| 13,756 | 14,936 | 16,588 | 18,145 | 9.4 | Undetermined liabilities (pensions) |
| 6,314 | 6,652 | 7,283 | 8,089 | 11.1 | Undetermined liabilities (taxes) |
| 1,358 | 2,001 | 1,828 | 2,032 | 11.2 | Other undetermined liabilities |
| 9,418 | 10,454 | 10,680 | 10,161 | - 4.9 | Undetermined Liabilities |
| 17,090 | 19,107 | 19,791 | 20,282 | 2.5 | Liabilities payable within more than 5 years |
| | | | | | 1 to 5 years |
| 1,929 | 1,934 | 1,840 | 3,813 | x | up to 1 year |
| 2,121 | 3,289 | 3,339 | 3,900 | 16.8 | Liabilities |
| 15,398 | 17,605 | 21,155 | 23,950 | 13.2 | Outside Capital |
| 19,448 | 22,828 | 26,334 | 31,663 | 20.2 | Total Capital |
| 36,538 | 41,935 | 46,125 | 51,945 | 12.6 | Statement of Earnings (Condensed) |
| 50,294 | 56,871 | 62,713 | 70,090 | 11.8 | (DM million) January-December |
| | | | | | Sales |
| 59,221 | 65,352 | 68,061 | 76,315 | 12.1 | Cost of sales |
| 51,315 | 56,196 | 61,890 | 68,805 | 11.2 | |
| | | | | | Selling and administration expenses |
| 6,321 | 7,151 | 7,308 | 8,266 | 13.1 | Other operating income less other operating expenses |
| 38 | 209 | 2,615 | 1,302 | - 50.2 | Financial results |
| 513 | 773 | 914 | 1,239 | 35.7 | Results |
| | | | | | from ordinary business activities |
| 2,136 | 2,987 | 2,392 | 1,785 | - 25.3 | Extraordinary results |
| | | | | | Taxes on income |
| 1,356 | 1,949 | 1,306 | 671 | - 48.6 | Net earnings |
| 780 | 1,038 | 1,086 | 1,114 | 2.6 | |

¹⁾ As of 1986 presentation in accordance with the new Accounting and Reporting Law.

Published by:

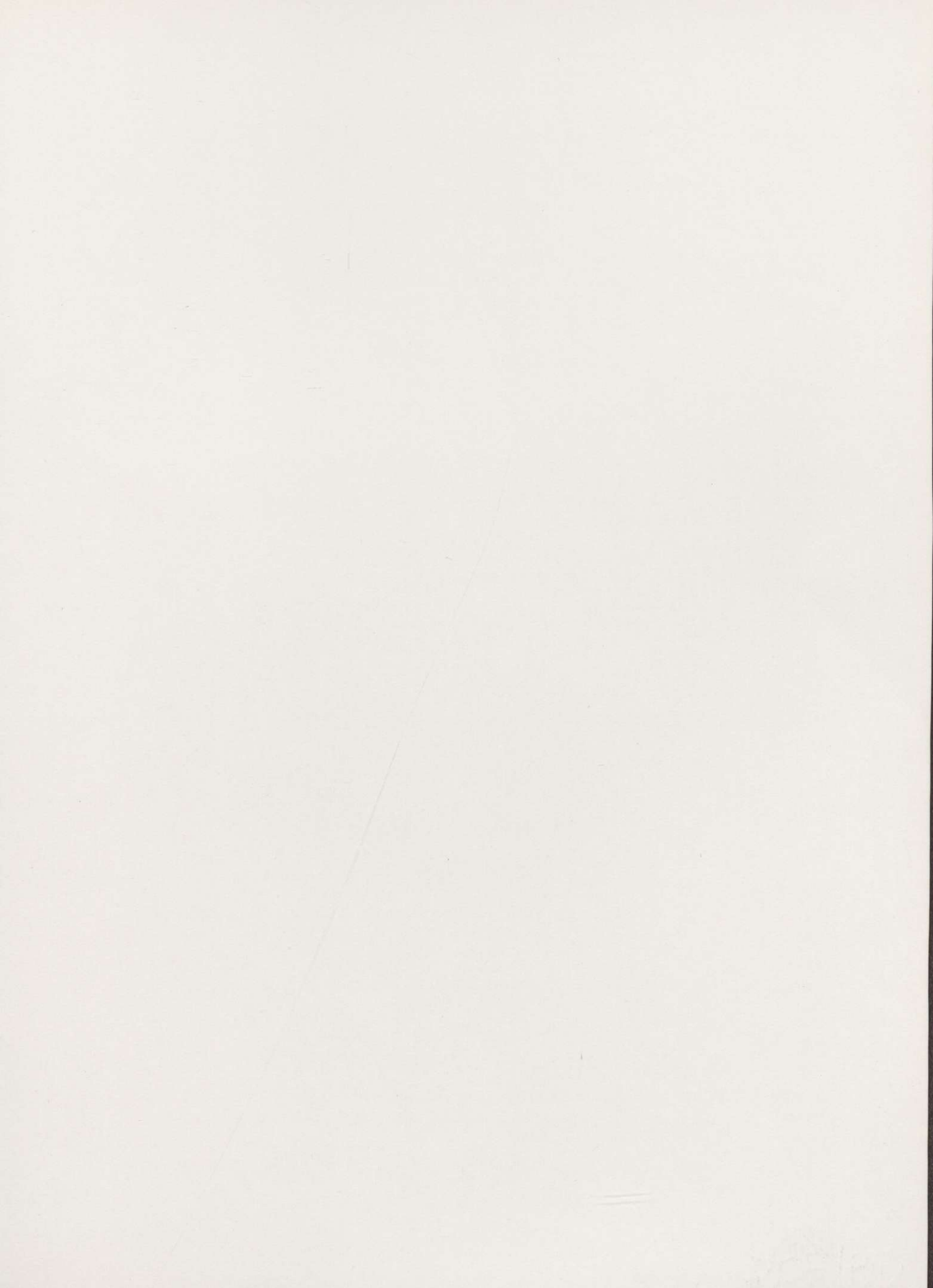
Volkswagen AG
Finanz-Publizität und Statistik
Postfach
W-3180 Wolfsburg 1
Germany
Telephone (5361) 9-0
Telefax (5361) 9-28282

In addition to the English version, the 1991 Annual Report is published in German, Chinese, French, Italian, Japanese, Portuguese, Slovakian, Spanish and Czech. If you desire further information on the Annual Report, please contact the above address.

ISSN 0933-7504

258.809.408.20
Printed in Germany

The Annual Report is printed on paper bleached without the use of chlorine and on recycled paper.





WOB-CD 315

Golf
VR6

WOB-CD 315