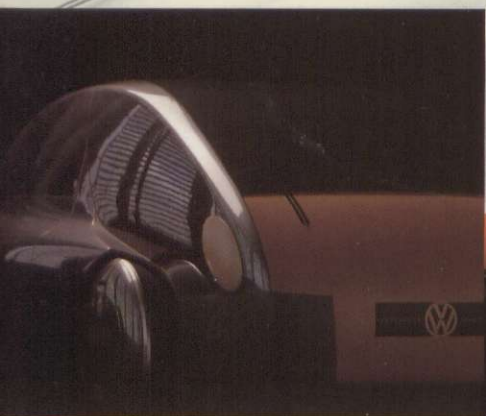


VOLKSWAGEN AG



Annual Report 1995

Key Figures

	Volkswagen Group			Volkswagen AG			
	1995	1994	%	1995	1994	%	
Sales	DM million	88,119	80,041	+ 10.1	44,598	41,886	+ 6.5
Vehicle Sales	Units	3,441,946	3,107,797	+ 10.8	1,575,535	1,399,348	+ 12.6
Production	Units	3,408,422	3,042,383	+ 12.0	1,317,656	1,246,392	+ 5.7
Workforce	Average over year	242,285	243,638	- 0.6	104,000	108,963	- 4.6
of which apprentices		5,652	6,137	- 7.9	3,599	4,035	- 10.8
Capital Investments	DM million	6,863	5,651	+ 21.5	5,618	5,282	+ 6.3
Additions to Leasing and Rental Assets	DM million	7,278	5,781	+ 25.9	-	-	-
Cash Flow*							
excl. Leasing/Rental Assets	DM million	6,922	8,819	- 21.5	4,156	5,291	- 21.5
incl. Leasing/Rental Assets	DM million	10,400	11,797	- 11.8	-	-	-
Depreciation and Write-Down	DM million	6,452	7,104	- 9.2	3,285	4,372	- 24.9
Depreciation on Leasing and Rental Assets	DM million	3,479	2,978	+ 16.8	-	-	-
Results after Taxes	DM million	336	150	x	410	165	x
Dividend of Volkswagen AG	DM million				207	107	+ 94.4
of which on Ordinary Shares	DM million				162	81	x
Preferred Shares	DM million				45	26	+ 76.6

* Cash flow was determined based on the recommendations of the Schmalenbach Society. Previous year's figures adjusted accordingly.

Production figures

Volkswagen Cars	1995	1994
Golf	717,873	767,609
Polo	379,957	151,993
Passat	214,254	228,352
Vento	65,250	79,619
Jetta	13,632	4,776
Corrado	2,424	3,787
	1,393,390	1,236,136

Volkswagen Commercial Vehicles	1995	1994
Caravelle, Kombi	71,362	70,554
Transporter	69,993	64,590
LT	14,439	12,909
Taro, Hilux	7,831	7,249
LT-Kombi	1,035	1,120
	164,660	156,422

Audi	1995	1994
Audi A4/80	290,653*	221,195
Audi A6/100	131,825	117,104*
Audi A8/V8	12,705	5,016
Audi Convertible	8,783	7,415
Audi Coupé	3,717	3,880
	447,683	354,610

Seat	1995	1994
Ibiza	158,284	140,974
Cordoba	79,793	84,128
Toledo	55,493	47,965
Marbella	29,621	27,102
City-Golf, Polo Classic, Derby	12,477	7,004
Inca Kombi	104	-
Caddy Kombi	23	-

Inca	1995	1994
delivery van	3,921	-
Caddy delivery van	3,730	-
Terra	-	6,517
	343,446	313,690

Škoda	1995	1994
Felicia	189,358	10,602
Forman	3,805	66,951
Favorit	-	74,776
Pickup	15,116	21,257
	208,279	173,586

North America	1995	1994
Jetta (Vento)	106,911	98,918
Golf	61,187	66,182
Beetle	15,933	78,276
Derby	4,570	13
Caravelle, Kombi	497	4,598
Transporter	2,396	8,330
	191,494	256,317

South America/Africa	1995	1994
Gol	312,116	247,891
Logus, Pointer	61,700	51,472
Voyage, Senda, Gacel, Parati	55,034	69,385
Caravelle, Kombi	48,666	41,377
Passat, Santana	45,915	25,824
Golf	35,463	19,204
Jetta (Vento)	19,057	22,327
Beetle	17,428	17,324
Audi A4/80	2,532	-
Audi A6/100	82	1,290
Voyage Saveiro	37,026	36,242
VW trucks	14,552	8,820
Transporter	11,028	8,181
Omnibus	2,048	1,244
Golf Pick-up	1,352	945
Gol Furgao	-	956
	663,999	552,482

* Including 4,529 (860) assembly kits for Volkswagen of South Africa.

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

In addition 185,000 (124,000) vehicles - including 18,000 (13,000) from assembly kits - were produced by the not-fully-consolidated vehicle-producing companies Shanghai-Volkswagen, FAW-Volkswagen and Chinchun Motor, and 20,000 vehicles by the joint venture AUTOEUROPA.

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

The financial statements of 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 are available free of charge from Volkswagen AG, Finanz-Publizität und Statistik, D-38436 Wolfsburg, Germany.

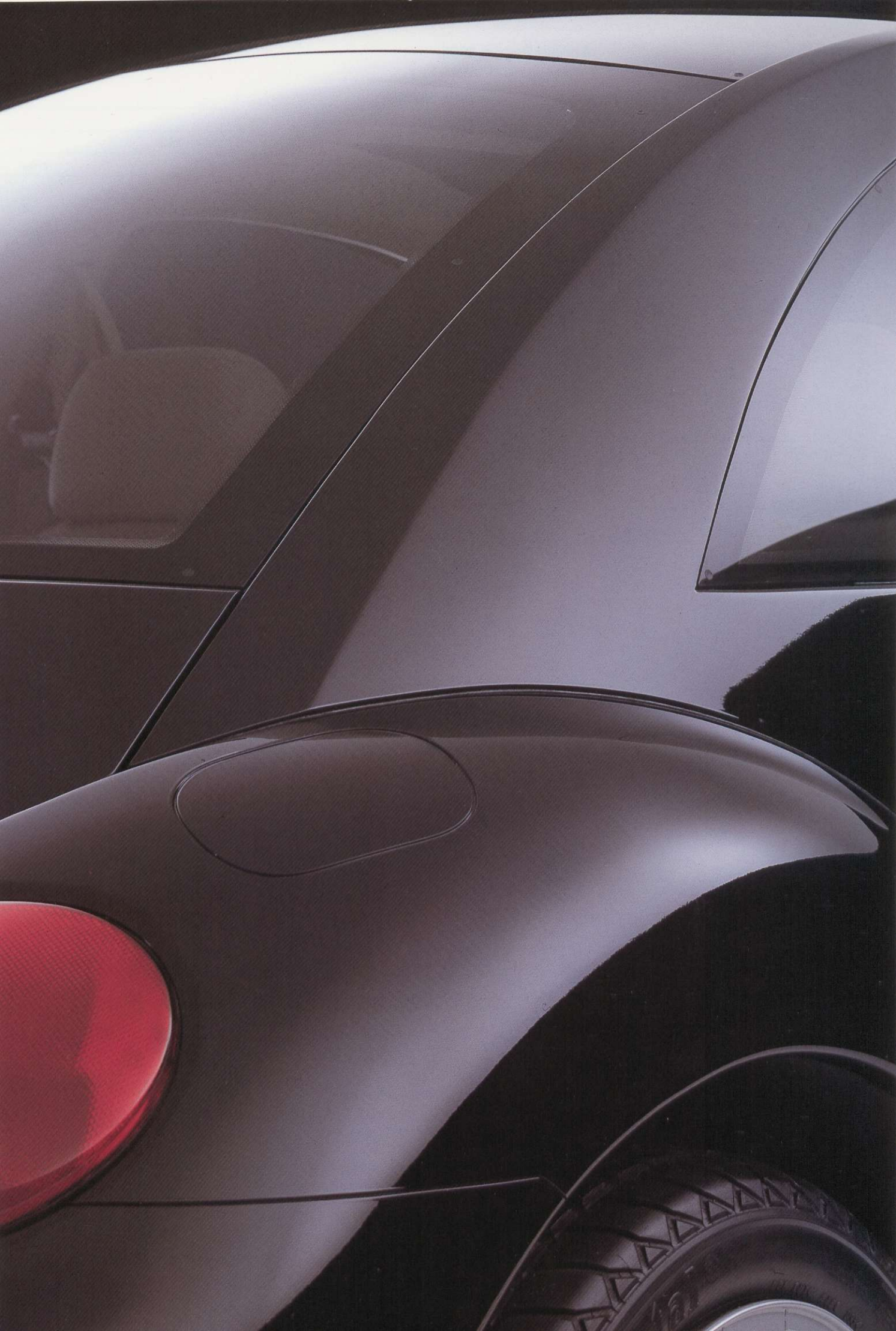


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Dr. Klaus Lohse



Dr. Klaus Liesen

The Supervisory Board was able to monitor the development of the Volkswagen Group closely throughout the fiscal year 1995 by means of regular contact and, in particular, at its meetings. In addition, the Board of Management provided it with monthly detailed reports on significant developments throughout the Group, within the various marques, and in the regions. The Supervisory Board was also provided with special reports where appropriate, in addition to the routine reporting process. Written and verbal questions from the Supervisory Board were answered directly by the Board of Management. The Supervisory Board consulted in detail on all decisions and undertakings of the Board of Management which were of significance for the future of the Group.

Four scheduled Supervisory Board meetings were held in the reporting period. The Presidium of the Supervisory Board, comprising four of its members, was convened prior to each meeting. The Balance Sheet and Personnel Committee and the Finance and Investment Committee each met once in the course of the past year. They each comprise five representatives of the stockholders and five employee representatives. The four-person Mediation Committee was not required to convene.

A major topic at the meetings of the Supervisory Board was the transformation process of the Volkswagen Group; the plans for the years 1996 to 2000 were presented, discussed in detail and approved.

Further topics of importance dealt with at Supervisory Board meetings in the past year were:

- Progress made and results achieved in connection with the termination of the former joint venture between Volkswagen and Ford, AUTOLATINA;
- The construction of a VW plant in Brazil to expand commercial vehicle production capacity;
- The recovery of Seat;
- The start of production of the Sharan by the Portuguese joint venture AUTOEUROPA, accompanied by a plan to improve its cost and earnings situation;
- Developments at Europcar;
- Investment in Israel in the form of a joint venture with a magnesium producer.

At its Spring 1996 meeting the Supervisory Board examined the financial statements of the Group and of Volkswagen AG for 1995, as well as the accompanying Management Report of the Group and of Volkswagen AG, which, together with the accounts, had previously been examined by the auditors and approved without qualification. At the Annual Meeting of Stockholders held on June 1, 1995, C&L Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, were appointed auditors for the fiscal year 1995. The auditors were present at the relevant meeting of the Balance Sheet and Personnel Committee. The Supervisory Board accepted the results of the audit.

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 approved and therefore confirmed the financial statements, and approved the proposal put forward by the Board of Management regarding appropriation of net earnings available for distribution.

After more than nine years as a member, Mr. Jann-Peter Janssen retired from the Supervisory Board on October 1, 1995. He was replaced by Mr. Wolfgang Klever.

The Supervisory Board would like to thank Mr. Janssen for his many years of valuable service and untiring commitment.

Professor Dr. Ulrich Seiffert, who had been with the Volkswagen Group for almost 30 years and a member of the Board of Management of Volkswagen AG for almost seven years, retired from his post on November 30, 1995. The Supervisory Board would like to express its thanks to Professor Seiffert for his many years of outstanding service to the company.

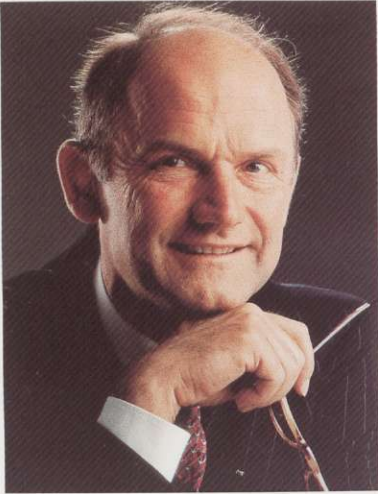
At its meeting on November 30, 1995 the Supervisory Board assigned to the Chairman of the Board of Management of Volkswagen AG, Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand Piëch, additional responsibility for the field of "Research and Development", with effect from December 1, 1995, replacing Professor Seiffert.

Wolfsburg, March 15, 1996



Dr. Klaus Liesen
Chairman of the Supervisory Board

Letter to Stockholders



Dr. Ferdinand Piëch

Dear Stockholder,

The world economy lost some of the previous year's momentum in 1995. Growth also slowed in Germany in the second half of the year. Conditions were further exacerbated by the weakness of the currencies of major industrial nations.

The Volkswagen Group was nevertheless able to record an increase in the number of vehicles delivered to customers worldwide – even in stagnating or in some cases declining European markets – due to the high regard in which its models are held and, in particular, to the continuing upward trend in the South America/Africa and Asia Pacific Regions.

A decisive factor in the improved competitiveness of the Volkswagen Group is our concentration on the core business processes of product creation, production and procurement, and marketing. With this structure, which the layout of this Annual Report also reflects, we are exploiting potential for lasting improvement throughout the company.

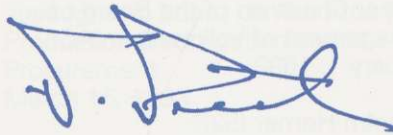
We take it still one step further: the concept of the "breathing" company is intended to provide for a substantial reduction in response times to market changes across all core business processes. This means, firstly, that lead times between ordering and delivery are being dramatically tightened up by means of extensive changes in the fields of logistics, production and sales; and, secondly, that simultaneous engineering is being applied in order both to accelerate the development process and to ensure greater orientation to the needs of production and the market at the design stage. This optimization of working practices calls for greater flexibility in employees' working hours, as was agreed in a major step forward in the course of the 1995 collective bargaining round.

As in the previous year, the safeguarding of jobs was one of the central tasks of Volkswagen AG in 1995. The intensification of the "Continuous Improvement Process" (CIP²) – with 5,771 workshops being held throughout the added-value chain in the reporting year – brought further progress in productivity and quality, leading to a further structural reduction in labour requirements. Socially responsible measures were required to adjust for this. They included the four-day week, the gradual retirement of older employees, an early retirement scheme and voluntary redundancies.

Volkswagen is a step closer to achieving its vision of being the most successful vehicle manufacturer. Against a background of increased competition and a structural crisis which has still not yet been overcome, the figures presented here show that in the past fiscal year the result was above that of the previous year. This allows us to pay a higher dividend of 6 DM on ordinary shares and 7 DM on preferred shares.

Although successes have been recorded, great efforts are still needed in order to achieve our objective. It is therefore vital to forge ahead with the transformation process, and we ask you as stockholders of Volkswagen AG to lend us your full support in this.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'F. Piëch', with a stylized flourish at the end.

Ferdinand Piëch

Supervisory Board

Dr. jur. Klaus Liesen (64)^{1) 2) 3)}
Essen
Chairman
Chairman of the Board of
Management of Ruhrgas AG
July 2, 1987*

Klaus Zwickel (56)^{1) 2)}
Frankfurt
Deputy Chairman
Chairman of the Metalworkers
Union
October 21, 1993

Josef Bauer (56)³⁾
Ingolstadt
Member of the Works
Committee of AUDI AG
July 2, 1987

Dr. rer. pol. Carl H. Hahn (69)³⁾
Wolfsburg
Former Chairman of the Board of
Management of Volkswagen AG
January 1, 1993

Wilhelm Hemer (52)³⁾
Frankfurt
Trade Union Secretary to the
Executive Committee of the
Metalworkers Union
May 3, 1989

Walter Hiller (63)³⁾
Hanover
Minister for Social Affairs of Lower
Saxony
From April 9, 1986 to June 20, 1990
and since July 17, 1990

Gerhard Kakalick (49)²⁾
Kassel
Chairman of Works Council of
Volkswagen AG Kassel Plant
June 3, 1993

Walther Leisler Kiep (70)
Frankfurt
General partner,
Gradmann & Holler
From March 3, 1976 to July 1, 1982
and since January 26, 1983

Wolfgang Klever (55)²⁾
Brunswick
Chairman of Works Council of
Volkswagen AG Brunswick Plant
October 1, 1995

Dr. rer. pol.
Jürgen Krumnow (51)²⁾
Frankfurt
Member of the Board of
Management of Deutsche Bank AG
June 1, 1994

Dr. jur.
Otto Graf Lambsdorff (69)³⁾
Düsseldorf
President, Deutsche
Schutzvereinigung für
Wertpapierbesitz e.V. (German
stockholders' association)
July 2, 1987

Dr. jur. Manfred Pilgrim (54)³⁾
Wolfsburg
Senior Executive of Volkswagen AG
June 3, 1993

Dr.-Ing. E. h.
Günther Saßmannshausen (65)²⁾
Hanover
Chairman of the Supervisory Board
of Deutsche Bahn AG
July 2, 1987

Dr. rer. pol.
Friedrich Schiefer (56)²⁾
Stuttgart
Deputy Chairman of the
Board of Management of
Robert Bosch GmbH
July 4, 1991

Siegfried Schinowski (55)²⁾
Hanover
Chairman of Works Council of
Volkswagen AG Hanover Plant
July 2, 1992

Gerhard Schröder (51)^{1) 2)}
Hanover
Minister President of the State of
Lower Saxony
July 17, 1990

Board of Management of Volkswagen AG

Dr. rer. pol. Albert Schunk (54)³⁾
Frankfurt
Head of the International
Department on the Executive
Committee of the Metalworkers
Union
July 5, 1977

Bernd Sudholt (49)³⁾
Wolfsburg
Deputy Chairman of the
Group and Joint Works Councils
of Volkswagen AG
July 2, 1992

Klaus Volkert (53)^{1) 2)}
Wolfsburg
Chairman of the Group and Joint
Works Councils of Volkswagen AG
July 2, 1990

Dr. rer. pol. Bernd W. Voss (56)³⁾
Frankfurt
Member of the Board of
Management of Dresdner Bank AG
July 22, 1993

Changes on the Supervisory Board:

Jann-Peter Janssen (51)²⁾
Norden
Member of Works Council of
Volkswagen AG Emden Plant
April 9, 1986 to October 1, 1995

Dr. techn. h. c. Dipl.-Ing. ETH
Ferdinand Piëch (58)
Chairman
January 1, 1993
Research and Development
December 1, 1995
Member of the Board of
Management
April 10, 1992

Bruno Adelt (56)
Controlling and Accounting
January 1, 1995

Dr. Robert Büchelhofer (53)
Sales and Marketing
April 1, 1995

Dr. rer. pol. h. c. Peter Hartz (54)
Human Resources
October 1, 1993

José Ignacio López de Arriortúa (55)
Production Optimization and
Procurement
March 16, 1993

Dr. jur. Jens Neumann (50)
Group Strategy, Treasury, Legal
Matters and Organization
January 1, 1993

Dr. jur. Martin Posth (52)
Asia Pacific
January 13, 1993
Human Resources
August 1, 1988 to January 13, 1993

Changes on the Board of Management:

Prof. Dr.-Ing.
Ulrich Seiffert (54)
Research and Development
September 3, 1993 to
November 30, 1995
Research and Development
(Group Purchasing Strategy and
Coordination)
September 3, 1988 to
March 16, 1993

¹⁾ Member of the Presidium and the Mediation
Committee in accordance with § 27 subsection 3
of the Co-Determination Act

²⁾ Member of the Finance
and Investment Committee

³⁾ Member of the Balance Sheet
and Personnel Committee

*This indicates since when the person in question
has been a member of the body concerned, or the
period for which the person was a member.

Marque Management Bodies

Volkswagen

Dr. techn. h. c. Dipl.-Ing. ETH
Ferdinand Piëch (58)
Chairman of the Volkswagen
Management Body
August 1, 1993*

Dr. Robert Büchelhofer (53)
Sales
April 1, 1995

Dr. rer. pol. h. c.
Peter Hartz (54)
Human Resources
October 1, 1993

Dr. jur. Jens Neumann (50)
Organization and Systems
September 3, 1993

Lothar Sander (45)
Controlling and Accounting
January 1, 1995

Folker Weißgerber (54)
Production and Logistics
March 16, 1993
Deputy, Production and Logistics
December 1, 1991 to
March 16, 1993

Dr. rer. nat. Martin Winterkorn (48)
Technical Development
January 1, 1996

Changes on the Volkswagen Management Body:

Herbert Schuster (54)
Technical Development
September 3, 1993 to
December 31, 1995

Volkswagen Commercial Vehicles

Bernd Wiedemann (53)
Chairman of the Management
Body of Volkswagen
Commercial Vehicles
August 1, 1995

Seat

Dr. Juan Llorens Carrió (61)
Chairman of the Board of
Management of SEAT, S.A.
November 4, 1993

Dr. rer. pol. Utz Claassen (32)
Finance
May 12, 1994

Francisco Garcia Sanz (38)
Procurement
September 6, 1995

Detlev Schmidt (51)
Sales
January 1, 1994

Dr. rer. nat.
Barthel Schröder (46)
Technology and Engineering
May 12, 1994

Jochen Schumm (48)
Human Resources
May 12, 1994

Škoda

Ing. Ludvík Kalma (54)
Chairman of the Board of
Management of ŠKODA,
automobilová a. s.
April 16, 1991

Volkhard Köhler (52)
Deputy Chairman
Commercial Affairs
April 16, 1991

Dr. jur. Pavel Nováček (47)
Human Resources
April 16, 1991

Detlef Wittig (53)
Sales and Marketing
July 1, 1995

Rolf Zimmermann (49)
Technology and Engineering
February 1, 1996

Changes on the Škoda Management Body:

Detlev Schmidt (51)
Sales
July 1, 1991 to June 30, 1995

Dr.-Ing. Gerald Weber (46)
Technology and Engineering
June 7, 1991 to January 31, 1996

Audi

Dr. techn. Herbert Demel (42)
Chairman of the Board of
Management of AUDI AG
March 22, 1995
Spokesman of the Board of
Management of AUDI AG
February 2, 1994 to March 21, 1995
Marketing and Sales
February 4, 1994 to March 31, 1995
Technical Development
March 1, 1993 to March 21, 1995

Jürgen Gebhardt (51)
Production
February 1, 1993

Graham John Morris (46)
Marketing and Sales
April 1, 1995

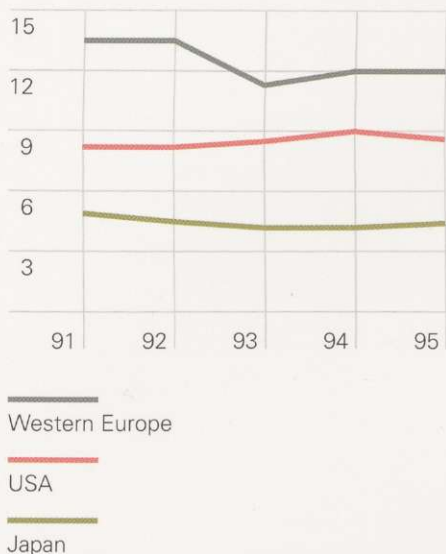
Dr.-Ing.
Franz-Josef Paefgen (49)
Technical Development
March 22, 1995

Andreas Schleef (52)
Human Resources
March 27, 1985

Erich Schmitt (49)
Purchasing, Finance and
Organization
November 25, 1992

*This indicates since when the person in question
has been a member of the body concerned, or the
period for which the person was a member.

The major world passenger car markets (million units)



Worldwide economic slowdown in the past year

Growth in the Western industrial nations slowed in the course of 1995, while the dynamic development in Asia continued; in Japan, however, not even a number of far-reaching government recovery programmes were able to overcome economic stagnation. The severe crisis in Mexico affected other Latin American countries. In Argentina gross national product fell in the course of the year; in Brazil growth slowed, with inflation at a significantly lower level. Western Europe also saw a slowdown in economic growth accompanied by falling inflation rates. Of the reforming countries in Central and Eastern Europe, Poland, Slovakia and the Czech Republic in particular made progress. The German economy lost much of the previous year's momentum; development in the new federal states also slowed.

Uneven development in the international automobile business

Passenger car sales in Germany during 1995 rose by 3.3 % to 3.3 million new registrations. More substantial growth in demand for automobiles was curbed by the increase in taxes and other contributions at the start of the year. In Western Europe outside Germany passenger car sales were at 8.7 million on a level with the previous year. The expiry of government bonus schemes to encourage the scrapping of old vehicles brought about a fall in demand in Spain (-9.1 %), Denmark (-3.9 %) and France (-2.1 %) in particular. The US passenger car market, too, declined by 3.6 %. In Japan new registrations increased by 5.6 %, although the strength of the yen meant that the benefit was felt mainly by importers.

In response to the increasing world-wide significance of the commercial and leisure vehicle market, the Volkswagen Commercial Vehicles marque has been established.

Increase in worldwide sales of the Volkswagen Group

In the fiscal year 1995 the Volkswagen Group delivered 3,567,259 passenger cars and commercial vehicles to customers worldwide. This represented an increase of 8.2 % over the previous year, against an international background of stagnating overall market volumes, worldwide overcapacities and price wars. 2,309,655 vehicles were delivered by Volkswagen (+ 9.0 %), 273,839 by Volkswagen Commercial Vehicles (- 0.9 %), 448,518 by Audi (+ 19.2 %), 325,656 by Seat (- 4.1 %) and 209,591 by Škoda (+ 14.1 %).

We should like to express our sincere thanks to our customers all over the world for their confidence in our products. We shall continue to direct all our efforts towards developing and selling vehicles which are world leaders in their class in terms of quality, service and price.

Bundling of worldwide commercial and leisure vehicle business in the Volkswagen Group: Creation of the Volkswagen Commercial Vehicles marque

The activities of the Volkswagen Group have to date been distributed across the four marques, Volkswagen, Audi, Seat and Škoda. Outside Europe the three Group Regions, North America, South America/Africa and Asia Pacific, provide the coordinating functions.

This structure will in essence be maintained, but in response to the increasing worldwide significance of the commercial and leisure vehicle market, the Volkswagen Commercial Vehicles marque has been established as the fifth Group marque in commercial and organizational terms, alongside the Volkswagen marque. It will bundle together all available worldwide expertise and resources in that sector.

Improved market position in Europe

The Western European passenger car market grew by 0.7 % in the reporting year. The highest volumes were recorded in Germany, Great Britain, France, Italy and Spain. The Volkswagen Group further strengthened its market leadership and increased its market share from 15.8 to 16.8 %. 2,143,086 cars and commercial vehicles were delivered (+ 4.6 %).

In Western Europe the Volkswagen marque increased sales by 4.8 % to 1,252,518 automobiles; it achieved a 10.7 (10.2) % share of the passenger car market. Volkswagen Commercial Vehicles sold 143,327 units (- 2.9 %), achieving a 10.8 (11.7) % share of the light commercial vehicles market. Audi's sales in Western Europe were 378,963 passenger cars (+ 18.2 %), increasing their market share to 3.1 (2.6) %. Seat delivered 299,083 units to customers (- 6.8 %); its share of new passenger car registrations in Western Europe was 2.4 (2.5) %. With 69,195 passenger and light commercial vehicles delivered (+ 8.3 %), Škoda's share of the passenger car market was 0.5 (0.5) %.

In Germany, the largest automobile market in Europe, the Volkswagen Group sold 944,556 vehicles (+ 0.5 %), with a passenger car market share of 28.1 (28.6) %; the passenger car market share in the new federal states rose to 26.9 (25.7) %. The Volkswagen Group is thus once again the market leader both in the old and new federal states.

Economic problems in the North America region

Growth in the American economy weakened from the beginning of 1995. The passenger car market fell by 3.6 %. Volkswagen of America was nevertheless able to increase deliveries to customers, on the basis of improved selling offers, by 21.7 % to a total of 133,241 automobiles. The Volkswagen Group share of total new registrations of imported vehicles in the country was 4.1 (3.3) %.

The slowdown in economic growth in Canada had a significant effect on the passenger car market, which fell by 10.2 %. The impact felt by Volkswagen Canada was disproportionately severe, due primarily to the weakness of the Canadian dollar against the D-mark, which necessitated price increases and meant that sales fell by 14.3 % to 23,181 units. This reduced the company's share of the passenger car market to 3.4 (3.6) %.

In the reporting period Mexico continued to suffer from the effects of the drastic devaluation of the peso at the end of 1994 and beginning of 1995. A heavy fall in gross national product, high inflation and falling consumer purchasing power were the consequences. Furthermore, interest rates climbed to extremely high levels, and the financial services business, which is of particular importance to Volkswagen de Mexico, came to a standstill. The heavy falls in consumer purchasing power led to a collapse in demand especially in the small car class, in which Volkswagen

The Volkswagen Group further strengthened its market leadership in Western Europe, increasing its market share from 15.8 to 16.8 %.

The Volkswagen Group is once again market leader in both the old and the new federal states.

Vehicles delivered to customers	1995	1994	%
Western Europe	2,143,086	2,048,067	+ 4.6
of which:			
Germany	944,556	940,089	+ 0.5
Italy	231,380	217,841	+ 6.2
France	196,162	170,874	+ 14.8
Spain	176,229	171,548	+ 2.7
Great Britain	139,001	135,315	+ 2.7

has a strong presence with the Beetle. The passenger car market fell by 65.5 % in 1995. Volkswagen de Mexico's new car business was correspondingly poor, and the company recorded a fall in the number of vehicles delivered to customers of 71.3 %, to 46,241. Volkswagen's share of the passenger car market was 30.2 (35.7) %.

The capital of our Mexican subsidiaries had to be increased to comply with legally required minimum equity ratios as a result of these developments.

Sales fell by 31.9 % to 202,663 vehicles in the North America Region as a whole, because of the crisis in Mexico. A total of 183,860 Volkswagens were sold, 35.3 % less than in the previous year; against this, Audi was able to increase sales by 39.7 % to 18,803 automobiles, based on its successful trading in the US.

Changed framework conditions in the South America/Africa region

The policy of stabilization pursued by the Brazilian Government since mid-1994, with its "Real Plan", meant that in 1995 the country saw its lowest inflation rate since 1958, at 22 %. A reduction in import duties in autumn 1994 brought about a dramatic increase in imports, so that the reduction was rescinded in April 1995 and additional measures were taken to reduce the trade deficit. Changed background conditions led the two partners in the AUTOLATINA Group, Volkswagen and Ford, to conclude that the original external preconditions for a cooperation no longer existed. As a result, since April 1995 the two companies have once again been operating separately on the Brazilian and Argentinian markets. Since December 1, 1995 and January 1, 1996 respectively the automobile divisions of Volkswagen and Ford in Brazil and Argentina have also been legally separate corporations. The Brazilian passenger car market recorded an increase of 19.8 %, and the truck market including buses and light commercial vehicles increased by 13.8 %. The Volkswagen Group sold

553,549 cars and light commercial vehicles (+ 22.6 %) and achieved a 34.5 (33.1) % share of the passenger car market. In the sector up to 22 tonnes, deliveries of 11,912 trucks and buses were made (+ 20.4 %). The Volkswagen share of Brazilian new truck registrations was 18.3 (16.1) %.

Argentina, Brazil's major partner in the Mercosur association, suffered from Brazilian Government measures to limit its trade deficit, as well as from the effects of high levels of debt and unemployment. The impact of the crisis in Mexico was also felt. Recessionary trends grew more pronounced in the course of the year; the Argentinian passenger car market fell by 38.4 %. The impact of this reduction in volume was not, however, felt by our Argentinian subsidiary, due to its counter-measures in the product and marketing sectors; sales increased by 2.5 % to 55,052 units. The company's share of new car registrations in the country rose to 15.6 (11.1) %.

On September 18, 1995 the President of Brazil, Prof. Dr. Fernando Henrique Cardoso, visited the Volkswagen plant in Wolfsburg. In the course of his visit the special importance of Volkswagen for the future industrial development of Brazil, but also the importance of the Brazilian market for the Volkswagen Group, was highlighted. 11 million vehicles have rolled off Volkswagen's Brazilian production lines in the past 42 years; Volkswagen has been market leader for the last 31 years.

The South African Government under Nelson Mandela made further progress towards political stability. Overall economic growth slowed, but the automobile market recorded a strong rise of 23.6 %. Volkswagen of South Africa was part of that development and sold 62,128 vehicles, 50.7 % more than in the previous year. A 22.9 (18.6) % share of the passenger car market meant that Volkswagen was the market leader.

11 million vehicles have rolled off Volkswagen's Brazilian production lines in the past 42 years; Volkswagen has been market leader for the last 31 years.

Since April 1995 Volkswagen and Ford have once again been operating separately on the Brazilian and Argentinian markets.

A total of 705,586 vehicles (+ 25.3 %) were delivered to customers in the South America/Africa Region, of which 587,429 were Volkswagen cars (+ 27.3 %), 6,824 Audi, 3,113 Seat and 63 Škoda models. The overall figure included 108,157 Volkswagen commercial vehicles (+ 9.7 %).

Sustained growth in the Asia Pacific region

Strong economic growth continued in the People's Republic of China. Inflation was also significantly reduced in the course of the year. 221,748 Volkswagen, Audi and Škoda vehicles were delivered to customers in China, representing an increase of 49.3 %. In 1996 Audi will be incorporating the manufacture under licence of the Audi 100 by First Automobile Works (FAW) into the FAW-Volkswagen joint venture, taking a 10 % share in the operation; this will reduce Volkswagen's share to 30 %. The Group's share will thus remain at 40 %.

In contrast to the rapid development seen in many other countries of the Asia Pacific region, Japan is having problems overcoming its economic difficulties. A number of far-reaching government programmes to kick-start the economy did not generate the desired impetus. Particular burdens resulted from the strength of the yen and the lack of confidence in the Japanese banking system. The passenger car market nevertheless expanded by 5.6 %. The strength of the Japanese currency meant that it was mainly the importers who benefited from this rise. Volkswagen Audi Nippon K.K. delivered 44,876 vehicles to customers (+ 32.9 %) and achieved a 12.7 (12.5) % share of the import market.

Strong growth in the other markets of the region helped to push total Volkswagen Group sales in the Asia Pacific region to 295,086 units, exceeding the previous year's figure by 44.8 %.

Expansion of the Financial Services Division

Customer-oriented finance and leasing offers brought about an increase in the Group Financial Services Division's outstanding credit agreements of 11.5 % to a total of 1,884,300 agreements. A total of 809,400 new agreements were signed. 22.7 (23.5) % of the Group's total deliveries were of leased or financed new vehicles. The balance-sheet total of the Financial Services Division increased by 10.9 % to 27.6 billion DM in the reporting year.

Volkswagen Leasing concluded leasing agreements for 200,100 vehicles in the reporting year. As per year end, the company held 469,700 outstanding agreements (+ 7.4 %).

Volkswagen Bank increased its customer credit business to 336,300 new agreements, which meant that the total outstanding agreements as per December 31, 1995 amounted to 752,200 (+ 13.4 %). Receivables in respect of dealer financing on the balance-sheet date amounted to 2,664 million DM. Direct-banking operations led to an increase in deposits of 45.1 % to 1,383 million DM as per year end.

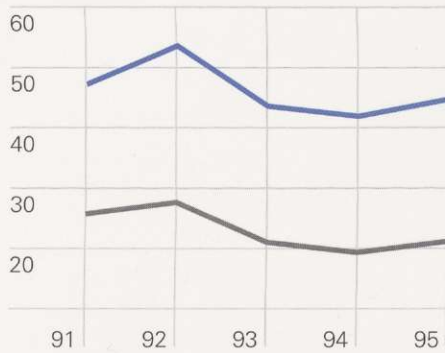
As from December 31, 1995, the 5th Amendment to the German Banking Act (Kreditwesengesetz) stipulates that all companies in which Volkswagen Financial Services AG has a direct or indirect holding must comply with the banking provisions of that Act. Accordingly, all risk assets must be backed by at least 8 % guarantee capital. Furthermore, loans of 3 million DM or more, large exposures and loans to managers and affiliated companies are subject to statutory notification and limitation. Volkswagen Bank GmbH had already complied with these requirements in the past; Volkswagen Financial Services AG will implement the legal requirements within the period specified.



Audi will take a 10 % share in the First Automobile Works (FAW) joint venture.

Direct-banking operations of Volkswagen Bank led to an increase in deposits of 45.1 % to 1,383 million DM as per year end.

Volume of purchasing of the Volkswagen Group and Volkswagen AG (billion DM)



Volkswagen Group

Volkswagen AG

The proportion of Group sales proceeds generated outside Germany increased to 60.8 % from a level of 58.9 % in the previous year.

A control and profit transfer agreement, effective from January 1, 1995, was signed between Volkswagen AG and Volkswagen Financial Services AG on November 30, 1995. The object of this is the framing in company law of the existing link between the sale of vehicles and the financing of such sales.

After termination of the joint venture with the Ford Motor Company in South America, the joint Financial Services function is also being demerged. In Argentina Volkswagen has founded Volkswagen Compañía Financiera S.A.; independent Volkswagen leasing and financing companies are to be established in Brazil in the spring of 1996.

Increasing unit sales and sales proceeds

The tried and proven models, as well as the new vehicles and upgrades of vehicles in the Group's model range in 1995, especially the new Volkswagen Sharan, the Golf Convertible TDI, the Polo Classic, Harlequin and "Open Air", the Caddy, the Seat Inca and the Felicia Combi and Pickup from Škoda, all helped to increase shipments to Volkswagen

Group dealers by 10.8 %, to 3,441,946 units. Sales proceeds grew by 10.1 % to 88.1 billion DM, both in Germany, where sales reached 34.5 billion DM (+ 4.9 %), and on the international market, with sales of 53.6 billion DM (+ 13.7 %). As a result, the proportion of total revenue generated by sales outside Germany increased to 60.8 %, from a level of 58.9 % in the previous year.

Unit sales of Volkswagen AG increased by 12.6 % to 1,575,535. Sales proceeds increased by 6.5 % to 44.6 billion DM. 53.7 (49.4) % of this figure was generated by export business.

Increased volume of purchasing

The increased unit sales in 1995 were accompanied by an increase in the volume of purchasing of the Volkswagen Group – excluding sales tax – to 44.8 (40.7) billion DM. Purchasing for Volkswagen AG amounted to 21.3 (19.5) billion DM, with 14.8 billion DM attributable to raw materials and supplies and 6.5 billion DM to capital goods and services.

Unit sales (by product line)	1995	1994	%
Worldwide	3,441,946	3,107,797	+ 10.8
Germany	937,323	901,239	+ 4.0
Abroad	2,504,623	2,206,558	+ 13.5
Volkswagen Cars	2,289,532	2,094,761	+ 9.3
Volkswagen Commercial Vehicles	160,433	149,236	+ 7.5
Audi	451,611	362,707	+ 24.5
Seat	324,419	328,784	- 1.3
Škoda	215,951	172,309	+ 25.3

Research and development at a high level

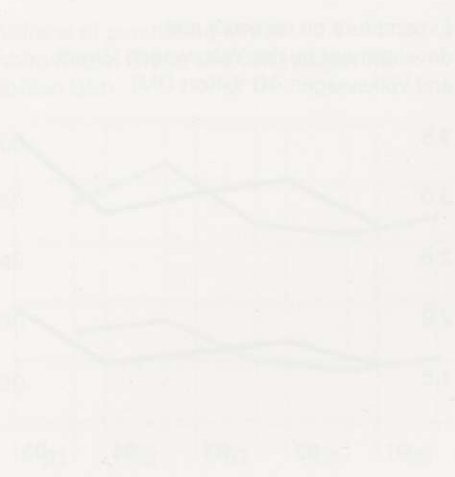
Quality leadership in numerous vehicle classes and pioneering work in many fields, especially devoted to environmental protection and vehicle safety, has its price: In 1995 the Volkswagen Group spent 3.4 billion DM on research and development to

safeguard its technology base (+ 23.4 %); this represented 3.9 (3.5) % of sales proceeds. The Group employed a total of 14,089 people in this sector. Volkswagen AG employed 7,592 people in research and development, spending a total of 2.0 billion DM (+ 30.4 %) on that sector.

Expenditure on research and development by the Volkswagen Group and Volkswagen AG (billion DM)



Sales proceeds (before consolidation)	%	1995
Volkswagen Cars		44.0
Volkswagen Commercial Vehicles		5.1
Audi		15.3
Seat		8.8
Škoda		2.3
North America Region		5.2
South America/Africa Region		10.2
Asia Pacific Region		1.7
Financial Services/Financing		7.4



The proportion of Group vehicles manufactured abroad rose from 53.2 % to 54.8 %.

Production (by product line)	Units	1995	1994	%
Worldwide		3,408,422	3,042,383	+ 12.0
Germany*		1,539,212	1,424,721	+ 8.0
Abroad		1,869,210	1,617,662	+ 15.6
Volkswagen Cars		2,262,764	2,057,605	+ 10.0
Volkswagen Commercial Vehicles		164,395	149,466	+ 10.0
Audi		445,768	355,040	+ 25.6
Seat		327,216	306,686	+ 6.7
Škoda		208,279	173,586	+ 20.0

* Excluding assembly kits for Volkswagen Brussels, Volkswagen of South Africa and Volkswagen Bratislava.

Production boosted by improved unit sales

Based on improved unit sales, the Volkswagen Group produced 3,408,422 automobiles, 12.0 % more than in the previous year. Of these, Volkswagen AG produced 1,317,656 units (+ 5.7 %). The proportion of Group vehicles manufactured abroad rose from 53.2 % to 54.8 %. The average number of vehicles produced per working day stood at 14,902 units (+ 7.1 %).

In the reporting year the AUTO-EUROPA plant in Palmela/Portugal was taken into operation, and scheduled expansions of capacity were completed in developing marques and regions, notably at Škoda and in the Asia Pacific region. The discontinuation of the joint venture with Ford in South America meant that the production base of our companies in that region had to be restructured. In Brazil work was started on the construction of a truck and bus plant; a new engine

plant will start production in autumn 1996. In Argentina a new car plant was taken into operation at the existing location close to the capital, Buenos Aires.

Volkswagen workforce improves productivity

The average number of employees (not including apprentices) in the Volkswagen Group in 1995 was 236,633 (- 0.4 %). The workforce in Germany fell by 2.1 % to 137,997. The number of employees abroad increased by 2.1 % to 98,636 as a result of the full inclusion of the workforces of the subsidiaries in Brazil and Argentina after the termination of the joint venture with Ford. The increased production was accompanied by an increase in vehicle output per employee of 12.4 % against the previous year.

Workforce	Employees	1995	1994	%
Worldwide average over year				
Excluding apprentices		236,633	237,501	- 0.4
Including apprentices		242,285	243,638	- 0.6
Worldwide as per Dec. 31 incl. apprentices		242,420	242,318	0
Germany		142,195	145,773	- 2.5
Abroad		100,225	96,545	+ 3.8

The workforce of the Volkswagen Group (including apprentices) totalled 242,420 people on December 31, 1995; Volkswagen AG employed 100,698 people (- 4.5 %) as at the balance-sheet date.

The most significant event in the field of personnel policy in the past fiscal year was the Volkswagen AG 1995 collective pay agreement which, in addition to an increase in pay and the renewal of measures to safeguard jobs, also included the progression of the 4-day week into the so-called "Volkswagen Week". This further improvement in flexible working hours established the collective agreement basis for the creation of a "breathing" company.

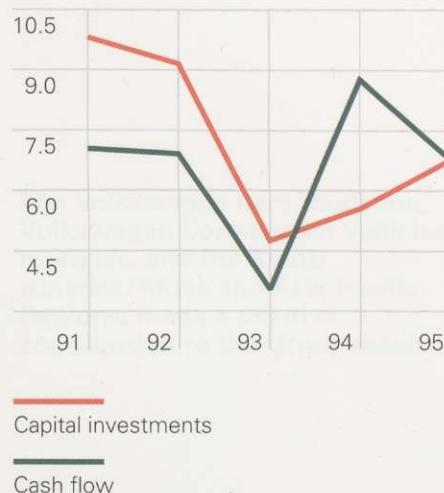
Increased capital investments covered by cash flow

In the past fiscal year the capital investments of the Volkswagen Group increased by 21.5 % to 6,863 million DM. 100.9 % of capital investments was covered by cash flow. A large portion of the capital investments undertaken was by

Volkswagen AG, Volkswagen do Brasil Ltda. and AUDI AG. Additions to fixed assets also resulted from the termination of the joint venture with Ford in South America. Investments in tangible assets were primarily devoted to new products and model upgrading measures, as well as to further improvement and, especially in South America, expansion of the production base. Additions to leasing and rental assets totalled 7,278 million DM (+ 25.9 %).

Volkswagen AG invested a total of 5,618 million DM (+ 6.3 %) in 1995. Of this figure, 1,187 million DM was invested in tangible assets mainly for new models and the optimization of manufacturing structures. Financial investments totalling 4,431 million DM (- 5.6 %) were attributable mainly to additions to financial assets resulting from the termination of joint business activities with Ford in South America, capital contributions in respect of subsidiaries and the purchase of long-term securities.

Capital investments and cash flow within the Volkswagen Group (billion DM) (excluding leasing and rental assets)



The increased flexibility in working hours established the collective agreement basis for implementing the objective of the "breathing" company.

Capital investments	billion DM	1996-2000	%
Group		68.4	100.0
of which:			
Volkswagen Cars		12.2	17.8
Volkswagen Commercial Vehicles		1.1	1.6
Audi		6.8	9.9
Seat		1.2	1.8
Škoda		1.6	2.3
North America Region		1.3	1.9
South America/Africa Region		3.0	4.4
Asia-Pacific Region*		0.1	0.1
Financial Services/Financing		37.8	55.3

*Excluding capital investments of the companies in China consolidated at equity in the proportional amount of 0.8 billion DM.

Capital increase at Europcar

Europcar International S.A. again returned a loss in 1995. The cooperation with the co-shareholder, the French hotel group Accor, is being continued with the object of returning the Europcar Group to profit in the medium term by means of structural measures. The two shareholders increased the company's capital at the end of 1995 for that purpose.

Magnesium joint venture in Israel

On June 6, 1995, in the presence of the then Israeli Prime Minister Yitzhak Rabin and the German Chancellor Dr. Helmut Kohl, the Chairman of the Dead Sea Works, Uri Ben Noon, and the Chairman of the Board of Management of Volkswagen AG, Dr. Ferdinand Piëch, signed a Memorandum of Understanding in respect of a joint project in Israel. A joint venture agreement followed on December 19, 1995. The object of this project, in which the Dead Sea Works corporation has a 65 % share and Volkswagen AG 35 %, is to mine, process and distribute magnesium, an essential material in lightweight construction, as well as to conduct research into it. Our company is thus contributing to the economic safeguarding of the peace process in the Middle East.

On November 4, 1995 the Prime Minister of Israel Yitzhak Rabin fell victim to an assassination. We shall honour the memory of this outstanding statesman and Nobel Peace Prize laureate.

On January 17, 1996 the President of Israel, Ezer Weizman, was a guest of Volkswagen AG in Wolfsburg in the course of his state visit to the Federal Republic of Germany. This visit to Wolfsburg paid particular tribute to the creation of the magnesium joint venture with the Dead Sea Works, which is the largest joint Israeli-European project to date.

Seat recovery programme pursued

The recovery programme necessary at our Spanish subsidiary Seat was initiated in late 1993. Its object was to optimize performance throughout the entire value-added chain by reducing the workforce, hiving off the Pamplona plant and VOLKSWAGEN FINANCE, S.A., and concentrating the production of all Seat models – with the exception of the Marbella – at the Martorell plant. This production location is at the top of the European league in terms of work organization and productivity. Despite the significant progress in cost-cutting and the improvement in product results, the performance of SEAT, S.A. was nevertheless adversely affected by high depreciation and financing costs in connection with the Martorell plant. Consequently, the company continues to suffer from a narrow equity base, even taking account of the support provided by the Spanish central government and the Catalan regional government. The loss has been reduced and a positive cash flow has now been achieved. The company still requires assistance from Volkswagen AG, however.

Scheduled capital injection at Škoda

A capital injection of 350 million DM and a stock purchase totalling 40 million DM at the end of 1995 increased the Volkswagen AG share in the voting capital of ŠKODA, automobilová a.s. from 60.3 % to 70.0 %. This increase in capital stock implemented the final phase of the agreed capital measures.

The joint venture in Israel will mine, process and distribute the lightweight construction material magnesium, and conduct research.

The Volkswagen AG share in the voting capital of ŠKODA, automobilová a. s. increased from 60.3 % to 70.0 %.

1995 profits up on previous year

The Volkswagen Group improved its after-tax result from 150 million DM in the previous year to 336 million DM in 1995. Volkswagen AG achieved net earnings of 410 million DM, after returning only 165 million DM in 1994.

The Volkswagen Cars, Audi and Volkswagen Commercial Vehicles marques, and the South America/Africa and Asia-Pacific Regions, contributed to Group profit; the result was adversely affected by losses in the North America Region and at the Seat and Škoda marques.

The following companies in particular returned net earnings in accordance with uniform Group accounting and valuation methods:

- Volkswagen do Brasil Ltda.
- Volkswagen companies in Saxony
- Shanghai-Volkswagen Automotive Company, Ltd. (consolidated at equity)
- Volkswagen Financial Services AG
- Volkswagen Bruxelles S.A.
- Volkswagen Audi Nippon K.K.
- Volkswagen of South Africa (Pty.) Ltd.
- V.A.G Sverige AB (consolidated at equity)
- Groupe VOLKSWAGEN France s.a.
- AUTOGERMA S.p.A.
- Volkswagen Bratislava, spol. s r.o.

Losses according to German accounting methods were recorded by:

- Volkswagen de Mexico, S.A. de C.V.
- Volkswagen of America, Inc. and Volkswagen Canada Inc.
- FAW-Volkswagen Automotive Company, Ltd. (consolidated at equity)
- Europcar International S.A. (consolidated at equity)
- Volkswagen Navarra, S.A.
- VOLKSWAGEN Group United Kingdom Ltd.
- Volkswagen Argentina S.A.

The improved result enables the Supervisory Board and the Board of Management, after transferring 205 million DM to free reserves, to propose to the Annual Meeting of Stockholders the payment of an increased dividend of 6 DM per ordinary share and 7 DM on each preferred share. Taking into account the tax credit of 2.57 DM per share, eligible holders of ordinary shares will receive a total of 8.57 DM per share. Holders of preferred shares will be entitled to 10 DM per share, including the tax credit of 3 DM.

The Volkswagen Cars, Audi and Volkswagen Commercial Vehicles marques, and the South America/Africa and Asia-Pacific Regions, made a positive contribution to the Group result.

Proposal on appropriation of net earnings available for distribution

	DM
Dividend distribution on subscribed capital of 1,714.2 million DM*	207,301,970
of which	
on ordinary shares	162,000,000
on preferred shares	45,301,970
Balance (carried forward)	2,192,772
Net earnings available for distribution	209,494,742

* 3.2 million DM deriving from the capital increase effected in November 1995 and 37.5 million DM deriving from the exercise of option rights in 1995 carried no dividend rights for the fiscal year 1995.

Prospects

The Volkswagen Group started 1996 with 268,000 orders on hand from Western Europe, including Germany. We expect to see a total market volume of 12.4 million vehicles in this region. In the USA we forecast 10.0 million units, and in Japan a market volume of 4.5 million.

The major points of emphasis of our capital investments of 68.4 billion DM through to the year 2000, with financing covered by cash flow, will be the expansion of the leasing business and the broadening and improvement of our model range. 66.0 % of investment will be made within Germany, representing a substantial contribution to the strengthening of the German economy. The 1996 model innovations, together with the new distribution structure in Europe, will help us to improve our competitive position. However, it is essential that we counteract the still increasing price competition by means of appropriate measures on the cost side.

The extensive restructuring of the Volkswagen Group is intended to help achieve our objective of substantial and lasting improvement of our market position, which is still a long way from being realized. The restructuring also includes continuation of the platform strategy, the Continuous Improvement Process (CIP²) and a socially responsible reduction in personnel levels. We furthermore expect a boost in terms of customer satisfaction and our internal efficiency from our concentration on core business processes, as well as from implementation of the concept of the "breathing" company; progress has already been made in respect of greater flexibility of working hours.

In addition to the implementation of these measures, the development of our business in 1996 will depend to a large degree on the further recovery of the world economy. Growth is forecast to slow in the USA and in Western Europe, including Germany, in the course of 1996. The impetus of previous upturns in the economic cycle will not be sustained. The Japanese economy, which in the past was an engine for growth, will expand only modestly. In Western Europe growth is being curbed by the expenditure cuts being implemented by many governments in order to comply with the preconditions of the planned European single currency. Risks remain in Latin America, where major countries are still susceptible to crises.

In terms of their growth dynamic and framework conditions, our global markets will develop at different rates in fiscal year 1996. This affects the reliability of any forecast. Nonetheless we anticipate a slight increase in sales and production figures for the year as a whole and – depending on these – a somewhat improved result for both Volkswagen AG and the Group.

The major points of emphasis of our capital investments will be the expansion of the leasing business and the broadening and improvement of our model range.

From our concentration on the core business processes and implementation of the concept of the "breathing" company we expect a boost in terms of customer satisfaction and our internal efficiency.

VOLKSWAGEN AG



From left to right: Dr. Neumann, Dr. Piëch, Mr. López de Arriortúa, Mr. Adelt, Dr. Posth, Dr. Büchelhofer, Dr. Hartz

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R. Büchelhofer

López

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Volkswagen

Volkswagen AG
Wolfsburg
Subscribed capital:
DM 1,714,198,350

Plant locations:
Wolfsburg
Hanover
Kassel
Emden
Salzgitter
Brunswick

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

Sächsische Automobilbau GmbH
Mosel
DM 10,000,000
100 % Volkswagen AG

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

Volkswagen Navarra, S.A.
Arazuri, Spain
ESP 68,500,000,000
100 % Volkswagen AG

AUTOEUROPA-AUTOMÓVEIS LDA.
Palmela, Portugal
ESC 60,000,000,000
50 % Volkswagen AG

Volkswagen Bratislava, spol. s r.o.
Bratislava, Slovak Republic
SKK 1,983,855,000
100 % Volkswagen AG

Groupe VOLKSWAGEN France s.a.
Villers Cotterêts, France
FRF 50,000,000
100 % Volkswagen AG

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

VOLKSWAGEN Group United Kingdom Ltd.
Milton Keynes, Great Britain
£ 9,710,000
100 % Volkswagen AG

V.A.G Sverige AB
Södertälje, Sweden
SEK 84,000,000
50 % Volkswagen AG

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 % Volkswagen AG

Europcar International S.A.
St. Quentin Yvelines, France
FRF 1,000,000,000
50 % Volkswagen AG

VW Kraftwerk GmbH
Wolfsburg
DM 65,000,000
100 % Volkswagen AG

Seat

SEAT, S.A.
Barcelona, Spain
ESP 10,000,000
100 % Volkswagen AG

Gearbox del Prat, S.A.
El Prat de Llobregat, Spain
ESP 9,800,000,000
100 % SEAT, S.A.

Seat Deutschland GmbH
Mörfelden-Walldorf
DM 10,000,000
100 % SEAT, S.A.

Škoda

ŠKODA, automobilová a. s.
Mladá Boleslav, Czech Republic
CZK 16,708,850,000
70.0 % Volkswagen AG

ŠKODA Automobile Deutschland GmbH
Weiterstadt
DM 4,000,000
100 % ŠKODA, automobilová a. s.

Audi

AUDI AG
Ingolstadt
DM 215,000,000
98.99 % Volkswagen AG

Audi Hungária Motor Kft.
Győr, Hungary
DM 2,000,000
100 % AUDI AG

Regions

North America

Volkswagen de Mexico, S.A. de C.V.
Puebla/Pue., Mexico
MXN 2,783,378,615
100 % Volkswagen AG

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

Volkswagen Canada Inc.
Ajax, Ontario, Canada
CAD 500,000
100 % Volkswagen AG

South America/Africa

Volkswagen do Brasil Ltda.
São Bernardo do Campo, SP, Brazil
BR 387,884,917
100 % Volkswagen AG¹⁾

Volkswagen Argentina S.A.²⁾
Buenos Aires, Argentina
ARS 50,822,453
100 % Volkswagen AG

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

Asia Pacific

Shanghai-Volkswagen Automotive Company, Ltd.
Shanghai, China
CNY 1,200,000,000
50 % Volkswagen AG

FAW-Volkswagen Automotive Company, Ltd.
Changchun, China
CNY 1,680,000,000
40 % Volkswagen AG

Volkswagen Audi Nippon K.K.
Toyohashi, Japan
JPY 23,174,100,000
100 % Volkswagen AG

Financial Services

Volkswagen Financial Services AG
Brunswick
DM 863,066,500
100 % Volkswagen AG

Volkswagen Bank GmbH
Brunswick
DM 622,500,000
100 % Volkswagen Financial Services AG

Volkswagen Leasing GmbH
Brunswick
DM 100,000,000
100 % Volkswagen Financial Services AG

Volkswagen Finance s.a.
Villers Cotterêts, France
FRF 95,000,000
99.68 % Volkswagen Financial Services AG³⁾
0.32 % Volkswagen AG

VOLKSWAGEN FINANCE, S.A.
Madrid, Spain
ESP 8,207,390,000
100 % Volkswagen Financial Services AG

FINGERMA S.p.A.
Verona, Italy
ITL 15,000,000,000
100 % Volkswagen Financial Services AG

ŠkoFIN s.r.o.
Prague, Czech Republic
CZK 445,000,000
100 % Volkswagen Financial Services AG

Volkswagen Financial Services (UK) Ltd.
Milton Keynes, Great Britain
£ 60,000,000
100 % Volkswagen Financial Services AG

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

Volkswagen Financial Services, S.A. de C.V.
Puebla/Pue., Mexico
MXN 872,699,000
99.9995 % Volkswagen de Mexico, S.A. de C.V.
0.0005 % Volkswagen Comercial, S.A. de C.V.

Financing Companies

Coordination Center Volkswagen S.A.
Brussels, Belgium
BEF 14,000,000,000
60 % Volkswagen AG
40 % Volkswagen Bruxelles S.A.

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

Volkswagen Investments Ltd.
Dublin, Ireland
DM 600,000,000
100 % Volkswagen AG

■ Producing Companies
■ Distributing Companies
■ Other Companies

¹⁾ Indirect holding via Volkswagen Comércio e Participações Ltda.

²⁾ As of January 1, 1996

³⁾ Indirect holding via Volkswagen Holding Financière s.a.

Step 2: Volkswagen following the pulse of the market – the “breathing” company

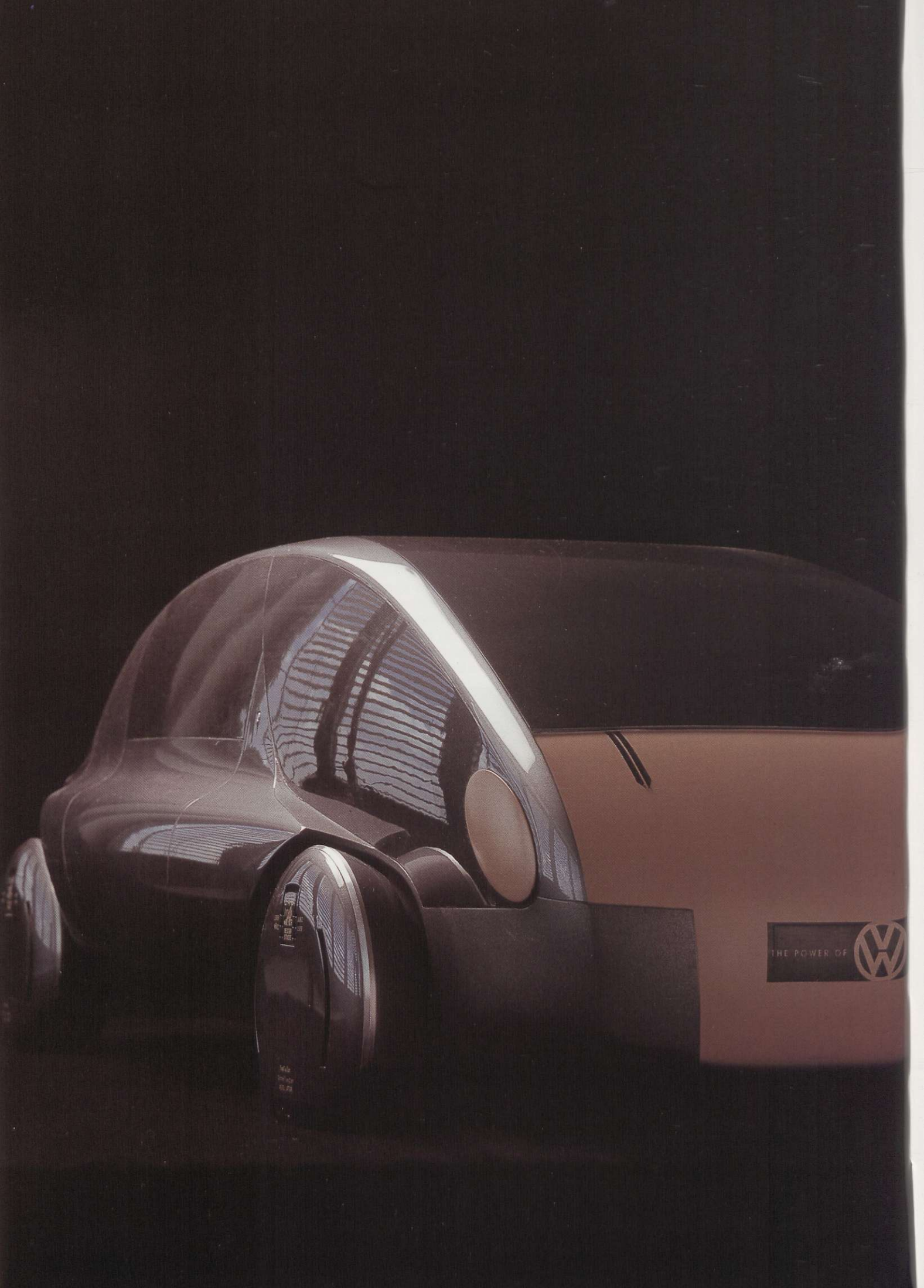
We are looking to bring about far-reaching changes and innovations on the road to greater customer satisfaction, across all core business processes, with the concept of the “breathing” company. This means that we are turning away from the old employment policy based on evenly distributed capacity utilization in favour of a market-oriented process characterized by efficient, rapid and comprehensive response to customer orders received. The implications of this new corporate philosophy are a new mental approach by all employees, suppliers and dealers of the Volkswagen Group, as well as a restructuring of the entire process chain starting, and of course ending, with the customer.

In a large number of projects incorporating all marques, regions and divisions, wide-ranging measures are being drawn up to enable customers to take delivery of their vehicles sooner and closer to specified delivery dates, and to relieve suppliers, manufacturers and dealers of unnecessary costs. Logistics, production and sales, especially, will need to be intelligently interlinked; production of vehicles to be held in stock is to be avoided as far as possible. The heart of this programme comprises two elements: the efficient orientation of all parts of the company firstly to customer wishes, and secondly to seasonal fluctuations in demand.

Wide-ranging measures are being drawn up to enable customers to take delivery of their vehicle sooner and closer to specified delivery dates.

Golf Convertible TDI – open to suggestion





THE POWER OF 

Process- and team-oriented thinking in research and development

The "product creation process" covers all stages from the initial market study through to successful market launch. It calls for an efficient project organization with cross-divisional responsibility, based on teamwork and cooperation with the line departments: simultaneous engineering. This demands responsible and effective cooperation between all the functions involved in research and development, product planning, product development and marketing. It enables the objectives to be laid down, tracked and achieved more quickly within a project-specific, success-oriented framework. This kind of structured process allows us to respond more rapidly to market changes and to be more production-oriented in developing our products.

A key to greater efficiency – the platform strategy

Our new model launches in 1995 were based consistently on the platform strategy. The Audi A4 established the Group's B-platform for middle-range vehicles on the market, resulting in a further reduction in complexity and in synergy and volume effects.

Major emphases of our work

A company of our stature bears a particular social responsibility. Against this background, it has long been our aim in all our activities to minimize impact on the environment and to commit our own resources to the solving of regional and global environmental problems. That is why increasing the environmental compatibility of automobiles and manufacturing processes was once again a major element of the research and development activities of the Volkswagen Group, alongside the development of new products. The major areas on which we concentrated were:

- Further refinement of spark-ignition and diesel engines
- Electronic monitoring and control systems
- Future-oriented drive systems, including electric and hybrid vehicles
- Improved aerodynamics
- Light-weight construction from steel, light metals and plastics
- Recycling-oriented design
- Use of environmentally compatible materials and components, such as CFC-free air conditioners and low-solvent paints
- Still more efficient catalytic converter technology.

In addition to the continuous improvement of the environmental compatibility of its vehicles and manufacturing processes, the Volkswagen Group worked intensively on optimizing the traffic and transportation system in general. Research and testing was carried out into new communication and traffic guidance systems, integrated transportation concepts and an improved transport infrastructure.

Increasing the environmental compatibility of automobiles and manufacturing processes was a major element of the research and development activities of the Volkswagen Group, alongside the development of new products.

The diesel engine – the best for the environment
Volkswagen – the best for diesel technology

A highly-developed diesel engine consumes a good third less fuel than a petrol engine with the same performance. This consequently reduces carbon dioxide emissions, which are directly linked to fuel consumption. The design of diesel

Furthermore, from mid-1996 Volkswagen will be the first automobile manufacturer in the world to approve the use of biodiesel (plant methyl ester = PME) in all its diesel models. These vehicles can use biodiesel, conventional mineral-oil-based diesel fuel, or any combination of the two. The plus-points of using biodiesel are that it protects our limited fossil fuel resources, utilizes indigenous raw



Noah – study for a people-carrier of the future

engines means that uncombusted hydrocarbons or carbon monoxide hardly occur anyway. Nitrogen oxides and particles are reduced by an exhaust gas recirculation system and by the downstream oxidation catalyst.

The latest direct-injection diesel engines provide fuel savings of at least 12 % over conventional pre-chamber or swirl-chamber diesel engines. The Volkswagen Group is a world pioneer in this technology, and now offers a low-cost naturally aspirated diesel direct-injection engine (SDI) in addition to the turbodiesel direct-injection engine (TDI).

materials, and produces lower emissions of greenhouse gases, particles and polyaromatic hydrocarbons (PAH).

An 81 kW / 110 bhp variant, based on the existing 1.9 litre 66 kW / 90 bhp TDI, was added to the range of turbodiesel direct-injection engines. The improved performance figures were achieved without adverse impact on emission levels or durability; consumption was even reduced somewhat in comparison to the 66 kW / 90 bhp TDI. This achievement required modifications to the combustion process, the charging, and the drive unit.

Volkswagen is a world pioneer in turbodiesel direct-injection technology.

Ongoing development of spark-ignition engines

Cutting fuel consumption and reducing pollutant emissions are the primary concerns in the ongoing development of spark-ignition engines. The deployment of multi-valve technology, measures to reduce friction loss, variable intake manifolds, adjustable timing, and the use of new materials are all being examined in this context. Developments in catalytic converter technology are focused on designs which permit operating temperatures to be reached sooner, and on optimized catalyst coatings. The object is to create designs which even reduce nitrogen oxides at high excess-air levels, so-called lean-burn designs. This key technology is enabling further innovative steps in spark-ignition engines to be made.

In the small four-cylinder series, a 1.4 litre MPI (Multi-Point Injection) engine is replacing the existing 1.3 litre engine in the Polo and the 1.4 litre unit in the Golf. The charge cycle and the injection system of the 1.6 litre Polo and Golf unit have also been completely redeveloped. Improvements in consumption, torque, weight, smooth running and long-time quality in particular are to be seen in comparison with the conventional SPI (Single-Point Injection) engines.

Furthermore, spark-ignition engines provide a suitable basis for the development of variants powered by natural gas. Such engines contribute to a significantly lesser degree to the creation of ozone and smog, and produce no evaporation emissions. The wider spread of natural gas driven vehicles will also help to reduce the waste of resources caused by burning off natural gas in petroleum production; Volkswagen is the market leader in Germany in this sector.

Our commitment: A "3-litre" Volkswagen by the end of the decade

A Volkswagen offering fuel consumption of just 3 litres per 100 kilometres will arrive by the end of the decade; our engineers are working intensively on the project. The result will be a typical four-seater Volkswagen, with variable usage, high safety and comfort, economical, and providing acceptable levels of acceleration, elasticity and maximum speed. This vehicle will need to be unique and revolutionary in many technical details in order to still achieve the target consumption of 3 litres per 100 kilometres.

If such vehicles are to find broad acceptance, and so contribute to reducing environmental impact, our customers' demands in terms of safety and comfort must not be neglected. These conflicting aims of full adequacy of use and low consumption can only be reconciled from today's standpoint by further development of the diesel direct-injection engine, further refinement of aerodynamics and rolling resistance, and above all in conjunction with the effective and sustained deployment of lightweight construction materials. We see the "3-litre" low-consumption car as a symbol of a new movement in automobile manufacture; the technologies developed in reducing consumption in this sector will be incorporated into other classes of vehicle and thus contribute to reducing consumption across the range.

To this end, research is being carried out into the possibilities of aluminium in body construction and of magnesium in the drive unit and running gear area. The Volkswagen Group already has experience in the use of aluminium in mass production, with the Audi A8. New and innovative paths are also being trodden with the exploitation of magnesium resources and further research into that material. But conventional sheet steel also offers potential for further development, namely in reducing sheet thickness while increasing material rigidity. And not least, plastics can be ideally

The main emphasis of the further development of spark-ignition engines is the reduction of fuel consumption and of pollutant emissions.

The fuel-saving technologies developed for the "3-litre" car will be incorporated into other classes of vehicle and thus contribute to reducing consumption across the range.

adapted to a multitude of tasks as a lightweight construction material for special parts.

Noah: Our commitment to a new way of thinking

The Noah study, presented at the 1995 Frankfurt International Motor Show, takes us even further into the future. Noah looks ahead to the trends in automobile manufacture in the next century: low fuel consumption, almost complete recyclability, high variability and user-friendliness, and interlinking with all channels of communication.

The new Beetle – an idea takes shape

At the 1995 Tokyo Motor Show Volkswagen presented the new Beetle, a refinement of the study presented in January 1994 at the Detroit Motor Show and, not long after, at the Geneva Motor Show. With this vehicle, Volkswagen has translated the unmistakable functional and aesthetic styling

language of the Beetle into the modern idiom. The thoroughly positive response from the press and public, whose needs and desires Volkswagen is incorporating in the development, led us to decide to put the vehicle into series production by the end of the millennium.

Extensive modifications were made, especially at the front end, in order to fit the vehicle into the platform strategy, and in terms of passive safety features in particular. The new Beetle now offers generous space for four passengers and meets all demands of active and passive safety.

The stars in Frankfurt and Tokyo: Audi TT Coupé and TTS Roadster studies

Audi surprised the public with its Audi TT Coupé study at the 1995 Frankfurt Motor Show and its TTS Roadster study at the Tokyo Motor Show. The TT Coupé radiates unadulterated driving pleasure at the first glimpse. Its exterior lines follow

With the new Beetle Volkswagen has translated the unmistakable styling language of the original into the modern idiom.

The new Beetle – unique and unmistakable





The Audi TT Coupé study – powerful and sporty in German design tradition

the traditions of German design. Its interior is as sportily functional as its exterior. Open design with an integral roll-over bar distinguishes the Roadster study from the Coupé. It is small, manoeuvrable, economical and quick. Due to the excellent response, we have decided to put these studies into series production.

Škoda plans second product line for lower middle-range

The future of the Škoda marque is to be safeguarded with a second product line in the lower mid-range sector. An assembly plant is being constructed in parallel with development activities. Škoda intends to implement the latest concepts of work organization, teamwork, workplace design and supplier integration in this new factory. This, in conjunction with the production-oriented design of the new vehicle, will provide for high quality, short delivery times and a good price/benefit ratio.

Research and development objectives of the new Volkswagen Commercial Vehicles marque

The objectives of the Commercial Vehicles Division are to develop demand-oriented, economical and ecologically sound vehicles, and to improve our market position through model facelifting and updates.

The highlights of 1995 were the completion of the major upgrade of the Transporter series, together with the cooperation with Mercedes-Benz AG in the development of the new generation of the LT 2 heavy van, which will replace the LT 1 in the spring of 1996.

In 1995, too, a major project in which Volkswagen Commercial Vehicles was responsible for development activities also reached its conclusion: the Sharan people-carrier, in the framework of the joint venture with Ford. Development and process flows were optimized and a superior product was created through the formation of Simultaneous Engineering teams, the early incorporation of suppliers, and the consistent application of CAD (Computer Aided Design) in the process chain.

The Audi TTS Roadster is small, manoeuvrable, economical and quick.

Volkswagen Commercial Vehicles was responsible for development of the Sharan.



The customer dictates the production rhythm – the concept of the “breathing” company

The concept of the “breathing” factory involves the optimization of all phases of the process chain. The main objectives are improving delivery adherence, shortening delivery times, reducing vehicle stocks, and adapting to fluctuations in the market.

From receipt of the customer order, through highly flexible manufacturing, to faster delivery to the customer, all those involved in the process must orient their actions and thinking more intensively to the customer. Vehicles are produced only on the basis of firm orders.

Step by step to success with CIP²

The Continuous Improvement Process (CIP²) as a method of optimizing working processes saw 5,771 workshops held by the end of 1995, and is now an integral part of Volkswagen Group practice. The object of CIP² is to increase customer satisfaction and the company's competitiveness through market-oriented service, quality and pricing of products while at the same time paying attention to employee satisfaction. CIP² workshops are held throughout the added-value chain, from the supplier, via our plants, right through to the dealers. The high demand for such optimization instruments in the German economy has led us to offer this method to other companies, through our company Volkswagen Coaching GmbH; all the workshops held by it have been a great success.

CIP² itself is also being continuously developed. We are increasingly involving our suppliers in Creativity Teams to draw up and implement proposals for new modules and new materials, as well as complete systems. Furthermore, in almost all European plants of the Volkswagen Group pilot projects were initiated involving Total Productive Maintenance (TPM), that is to say, the elimination of waste in connection with the usage of production plant.

Lean Manufacturing and Benchmarking

Lean Manufacturing is the umbrella term for efficient organization of the entire manufacturing process. The concept was developed step-by-step within the Volkswagen Group in 1995, with the aim of improving the cost and productivity situation. In the plants of the Volkswagen marque, overall productivity was increased by more than 15 %. As well as the implementation of the results of the Continuous Improvement Process (CIP²) and other measures, the increased deployment of teamwork alone accounted for an increase in productivity of around 4 %. These measures were accompanied by restructuring of the assembly lines, including the introduction of through-going responsibilities, which also had a positive effect on productivity. In addition, new flexible shift patterns contributed to improved plant capacity utilization.

The object of CIP² is to increase customer satisfaction and the company's competitiveness through market-oriented quality, service and pricing of products, while at the same time taking account of employee satisfaction.

*Quality in detail –
measurement of the rear light
cluster on the Golf*

Production (by marque and Region)	Units	1995	1994	%
Group		3,408,422	3,042,383	+ 12.0
Volkswagen Cars		1,393,390	1,236,136	+ 12.7
Volkswagen Commercial Vehicles		164,660	156,422	+ 5.3
Audi*		447,683	354,610	+ 26.2
Seat		343,446	313,690	+ 9.5
Škoda		208,279	173,586	+ 20.0
North America Region		191,494	256,317	- 25.3
South America/Africa Region		663,999	552,482	+ 20.2

* Including 4,529 (860) assembly kits for Volkswagen of South Africa.

The Platform Strategy, Simultaneous Engineering, and Design for Manufacturing and Assembly provide the basis for improvement in the manufacture of future models. This, together with the unification of production and logistics concepts and the application of the target-cost principle for new projects, enables cost structures to be substantially tightened up.

Benchmarking, a comparison with the world's best, is deployed as a tool for measuring, classifying and improving production and logistics processes in addition to CIP² and company-developed future-oriented production concepts. The object of benchmarking is to design the major processes within the company in such a way that they are superior to those of the best in their class in automobile production. In addition, internal benchmarking activities allow all Volkswagen plants to learn from each other. This concept thus takes on a multiplier function in terms of achieving the fastest possible improvement of productivity.

The object of benchmarking is to design the major processes within the company in such a way that they are superior to those of the best in their class in automobile production.

An ongoing trend: Global and forward sourcing

Global and forward sourcing, involving worldwide calls for bids and coordination with suppliers right from the development phase, have proved to be effective instruments of supplier selection. Consequently, global sourcing processes were applied in issuing calls for bids worldwide, aimed at attaining lasting improvements in production parts. The primary concern in forward sourcing was the search for suitable development and production suppliers for new projects. This involved incorporating partners from the supplier industry in Group projects from an early stage in the product creation process. This brought about a change in the form of supplier integration, too. Whereas the past scenario involved the manufacturer issuing its design specification to the supplier, the future will be marked by a high degree of responsibility incumbent upon selected system suppliers, to whom we offer contracts for the full term of a product life cycle. We have also gone down new roads in the purchasing of manufacturing supplies and plant, in order to be able to nominate our prototype and production tooling suppliers at an early stage within the framework of simultaneous engineering.

The structure and origin of our suppliers underwent no major changes in the past fiscal year. In the past, by far the largest purchasing volumes were placed within Germany, and this remained the case in 1995 within the framework of Global Sourcing agreements. German suppliers accounted for around 70 % of total supplies to the Group, again underlining their international competitiveness.

implementation of the optimization measures. With the aid of VCTs, more environment-friendly manufacturing processes were devised, alternative materials were found, and technological progress was made in other areas.

In the field of value analysis, interdisciplinary work on projects with suppliers was intensified in the fiscal year 1995. It was again seen

With the aid of "Value to the Customer" teams more environment-friendly manufacturing processes have been devised, alternative materials found, and technological progress made.



The Golf – feeling good even in bad weather

A decisive factor in efficient procurement: Dialogue with all concerned

The cross-divisional "Value to the Customer" Teams (VCT), involving suppliers, became a major element in Volkswagen procurement strategy. The common aim of all concerned is to respond rapidly to the wishes of our customers. Improvement suggestions are drawn up and implemented in teamwork. The representatives from the procurement, sales, logistics, research and development, quality assurance, production and finance functions are directly responsible for

that with this procedure quality and cost risks can be revealed as early as the product creation phase, and avoided by means of modifications. Value analysis also proved to be an effective means of reducing complexity; that is, more savings were made due to reduced component diversity. The most lasting results, however, were again achieved through timely product planning based on the TQM (Total Quality Management) philosophy; that is to say, thoroughgoing awareness of the importance of quality.

**Awards for the best suppliers:
"Formula Q" and "Value to the
Customer Award"**

Since 1989 Volkswagen has been awarding its Formula Q Trophy to those suppliers who have delivered outstanding quality performance over a number of years. Some 1,500 production locations were pre-selected for the 1994 award, of which around 450 were shortlisted. The award ultimately went to 24 suppliers from four countries. The Audi, Seat and Škoda marques likewise presented quality awards to their best suppliers.

**All European production
locations certified**

By the end of 1995 all Volkswagen's European plants had obtained certification confirming that their production processes, quality conditions and the specialist knowledge and skills of their employees complied with the requirements of DIN ISO 9000, stipulating the systematic, reproducible and verifiable creation of quality. We also plan to apply for certification of all our non-European production locations in compliance with the relevant standards.



On the road with the L80

114 suppliers were presented with the "Value to the Customer" award in recognition of their special commitment in terms of quality, service and price.

The Volkswagen Group's "Value to the Customer Award" was again presented in the past year, in recognition of the best global supplier performance in the service of our customers. Brazil was the venue for the award to 114 suppliers, who were in this way to be specially commended for their commitment in terms of quality, service and price.

**Optimization of processes
incorporating ecological aspects**

Volkswagen is committed to the continuous improvement of its processes and products, also and especially in terms of their impact on the environment. The practical application of this commitment is a long-term task which the company is pursuing by means of systematic environmental management throughout the life cycles of its products. This also includes the procurement and production optimization process, where great progress has already been made in past years. In 1995 the Emden plant was the first German automobile

Volume of purchasing (by marque and Region)	billion DM	1995	%
Group		44.8	100.0
Volkswagen Cars		21.0	46.8
Volkswagen Commercial Vehicles		3.0	6.7
Audi		10.0	22.3
Seat		3.9	8.7
Škoda		2.2	4.9
North America Region		2.0	4.5
South America/Africa Region		0.7	1.6
Asia-Pacific Region		2.0	4.5

The Emden plant was the first German automobile plant to be certified in accordance with the EU Eco Audit directive by the TÜV Rheinland.

plant to be certified in accordance with the EU Eco Audit directive, by the Rhineland Technical Inspectorate (TÜV).

Environmental protection concerns stretch not only across geographical boundaries, but also beyond the confines of the Volkswagen Group; in close cooperation with our

suppliers, we are strongly promoting the re-use of recycled materials and manufacturing supplies, including packaging. All parts must be marked with material and manufacturer identification for fast and appropriate sorting prior to recycling. The purpose of this is to ensure an efficient materials cycle. The subsequent re-usability of the

*The Taro –
ideal for sport and leisure*



Products and Services for People all over the World Production and Procurement

recycled material, in terms of resource conservation, plays a key role right from the planning and draft design stage of new models.

One of the critical elements of automobile manufacture in environmental terms is bodyshell painting. Today, however, modern water-based paint technologies release just a fraction of the solvents common in previous times, and even this residual amount is eliminated by intensive aftertreatment. In this way, water has become the most important medium in the painting process, with its consumption limited by sophisticated water recycling.

Major areas of ecological activity in 1995 were research into the

possibilities of thermal exploitation of suitable residual materials by VW Kraftwerk GmbH, as well as research projects on the recycling of phosphating sludge, and direct recycling of filler and swarf.

Major production launches in the Volkswagen Group

The most important new Volkswagen models to start production in the course of the year were the Sharan in Palmela/Portugal, the Polo Classic and the Caddy in Martorell, the Polo "Open Air" in Wolfsburg, the Derby in Puebla/Mexico, the European version of the L 80 in Ipiranga/Brazil, the Parati in Taubaté/Brazil, the bus in Resende/Brazil, the Gol in Pacheco/Argentina, the Santana 2000 in Shanghai/China, and

The Audi A8 – a clever combination of charm and elegance





the Jetta in Changchun/China. Beyond the Volkswagen marque, production of the Audi A4 Avant was started in Ingolstadt, the Seat Inca in Martorell, the Škoda Felicia Combi in Mladá Boleslav and Vrchlabí, and the Škoda Pickup in Kvasiny.

The Volkswagen mainstays: Yesterday the Beetle, today and tomorrow the Golf

Two of the most-manufactured models in the history of the automobile come from Volkswagen, and both have reason to celebrate: the top seller, the Beetle, was 60 years old in 1995, and is still being built today – in Mexico and Brazil; a total of more than 21 million of the legendary Beetle had been produced by the end of 1995. On July 4, 1995 the 16 millionth Golf rolled off the production line in Wolfsburg, and a few weeks later the two millionth Volkswagen to be sold to company employees since 1948 was delivered – a Golf "Rolling Stones" estate.

Topping-out ceremony of the AUTOEUROPA plant in Palmela

At a ceremony on April 26, 1995 attended by the Prime Minister of Portugal, Prof. Dr. Aníbal Cavaco Silva, as well as numerous guests of honour, the new production plant of AUTOEUROPA-AUTOMOVEIS LDA, was taken into operation. This company is a joint venture between the Ford Motor Company and Volkswagen AG, in which each holds a 50 % share. Production at the new plant will be mainly of the Sharan people-carrier.

Optimization and extension of Volkswagen production companies

The extension of German production companies was continued above all in the new federal states. The highlight of 1995 in that region was the commissioning of the new cylinder-head line for four-valve engines in Chemnitz; the Minister President of the state of Saxony, Prof. Dr. Kurt Biedenkopf,

*The Audi A8 –
beauty and top technology*

**Two of the highest-volume
models in the history of the motor
car come from Volkswagen:
the Beetle and the Golf.**

Based on its outstanding quality level, Volkswagen Bratislava was assigned sole responsibility for production of the Golf syncro series.

performed the launch ceremony on March 3rd.

Of the production companies for the Volkswagen marque outside Germany, optimization at Volkswagen Bruxelles S.A. and at Volkswagen Navarra, S.A. is worthy of note, as are in particular the developments at Volkswagen Bratislava spol. s.r.o. Based on its outstanding quality level, this company was assigned sole responsibility for production of the technically highly demanding Golf syncro series – in addition to the increase in production volume which

Suppliers relocating right next to the Audi factory

The early incorporation of high-performing suppliers right from the planning and design phase is already a matter of course at Audi. The novelty is that suppliers are relocating right next to the factory. The first to do so was the French company, ECIA, which pre-assembles the front end of the Audi A4.

The new form of cooperation is to be extended. Suppliers can set up facilities in the immediate vicinity of the plants, in the Ingolstadt Freight

*Škoda makes hearts
beat faster*



had already been planned. It is also planned to transfer the production of parts for automatic gearboxes to Bratislava.

New paintshop at the Audi Neckarsulm plant

With an investment volume of some 300 million DM, Audi constructed in Neckarsulm what is currently the most modern paintshop for water-based finishes in Germany. More than 600 bodyshells can be finished per day, in a two-shift operation. This paintshop sets new standards in terms of environmental protection, as well as quality and productivity.

Transport Centre and the Neckarsulm Trading and Industrial Estate. In conjunction with the new railhead at the Neckarsulm plant, this will permit Audi to save time and money in a large number of logistical processes. The direct rail connection will substantially relieve the strain on the area's roads.

The Neckarsulm paintshop sets new standards in terms of environmental protection, as well as quality and productivity.

Audi Hungária increases capacity

The Hungarian subsidiary of Audi, Audi Hungária Motor Kft., produced 104,206 four-cylinder engines in the reporting year. The extension of daily production from 750 to 2,150 units is planned in the next two years. The five-valve technology already seen in the A4 has been deployed as an extension of the engine programme of the Audi A6 since autumn 1995.

Audi A4 assembly in South Africa, Indonesia and Malaysia

Since 1995 the successful Audi A4 has also been produced by Volkswagen of South Africa in Uitenhage. The assembly of Audi A4 models was also launched at Auto Dunia in Kuala Lumpur, Malaysia. As from mid-1996, the Audi A4 is also to be assembled in Jakarta, for the Indonesian domestic market.

Major production launches at the Martorell plant

In 1995 production of the Inca van, the Volkswagen Caddy and the Polo Classic, the notchback version of the Polo, was successfully launched at the Martorell plant. Further enduring productivity and quality improvements were also achieved.

In the presence of the Spanish Crown Prince, Felipe, the 10 millionth Seat since 1953 rolled off the production line in Martorell on September 27, 1995.

Scheduled extension of Škoda production locations

After the successful launch of the Felicia in 1994, production was started of the Felicia Combi and of the Pickup in 1995. A further major step was the start of pre-assembly of Felicias, which are then put through final assembly at Volkswagen Poznan Sp.zo.o.

At Audi Hungária the extension of daily production from 750 to 2,150 engines is planned in the next two years.

The Škoda Pickup – simply strong



The first test bodies were finished in the paintshop constructed at Mladá Boleslav at the end of 1995. The water-based paints used at this location have less impact on the environment while retaining excellent quality. Also, on February 14, 1995, in the presence of the President of the Czech Republic, Václav Havel, the foundation stone was laid for a new assembly shop in Mladá Boleslav.

The SKO-ENERGO s.r.o. corporation will be making yet another valuable contribution to protecting the environment. This joint venture company, involving the experienced partners OBAG ("Energieversorgung Ostbayern AG", electricity suppliers to Eastern Bavaria), RWE Energie AG, STREDOCESKÁ ENERGETICKÁ a. s. and VW Kraftwerk GmbH, is to construct a low-emission power station in Mladá Boleslav.

**The gateway to NAFTA:
Our plant in Puebla, Mexico**

The Volkswagen Derby launched on the Mexican market in 1994 and based on the technical features of the Seat Cordoba, was originally supplied as a finished article from Seat. Since January 1995 the vehicle has been produced by Volkswagen de Mexico, with the scope of parts supply from Seat being reduced in order to increase the local or NAFTA content. The consequences of this were reduced costs and the elimination of exchange rate uncertainties. Preparations were made in Mexico for production of the Golf Convertible, with the aim of servicing the North American market starting in summer 1996.

In Mexico preparations were made for production of the Golf Convertible.

New production plants in South America

The policy of consolidation and step-by-step liberalization undertaken by the Brazilian Government has altered the conditions which in 1987 saw the creation of the joint venture with Ford, AUTOLATINA. As a consequence, Ford and Volkswagen decided to terminate their collaboration in South America. This meant that the Group needed to establish its own additional production facilities in the promising markets of Brazil and Argentina.

The major projects include expansions of capacity at the Anchieta and Taubaté plants and, especially, the construction of a new engine plant in São Carlos in the Brazilian state of São Paulo and a new truck and bus plant in Resende in the state of Rio de Janeiro planned for 1996. The first bus chassis rolled off the production line in Resende on November 1, 1995, just a few months after the decision had been made to establish the plant; the site will be fully operational by the end of 1996.

On November 17, 1995, in the presence of the President of Argentina, Dr. Carlos Saúl Menem, a new vehicle plant with an annual capacity of 150,000 units was taken into operation in Pacheco near Buenos Aires, where production of the successful Gol was launched. Like the new truck and bus plant in Brazil, it was built on the modular principle, with suppliers assembling modules such as instrument panels, doors or fuel tanks on-site and then installing them in the vehicles under their own responsibility. From 1996 the Polo Classic is being produced at this location for the South American market.

Volkswagen expanding in the world's most dynamic growth region: Asia-Pacific

The Shanghai-Volkswagen Automotive Company, Ltd. celebrated the tenth anniversary of its production start-up on April 20, 1995 by commissioning the final production area of its Car Plant II, the new paintshop. This plant produces the upgraded Santana 2000 model. A further increase in capacity to around 300,000 automobiles, as well as the construction of an additional engine plant, is planned by 1997.

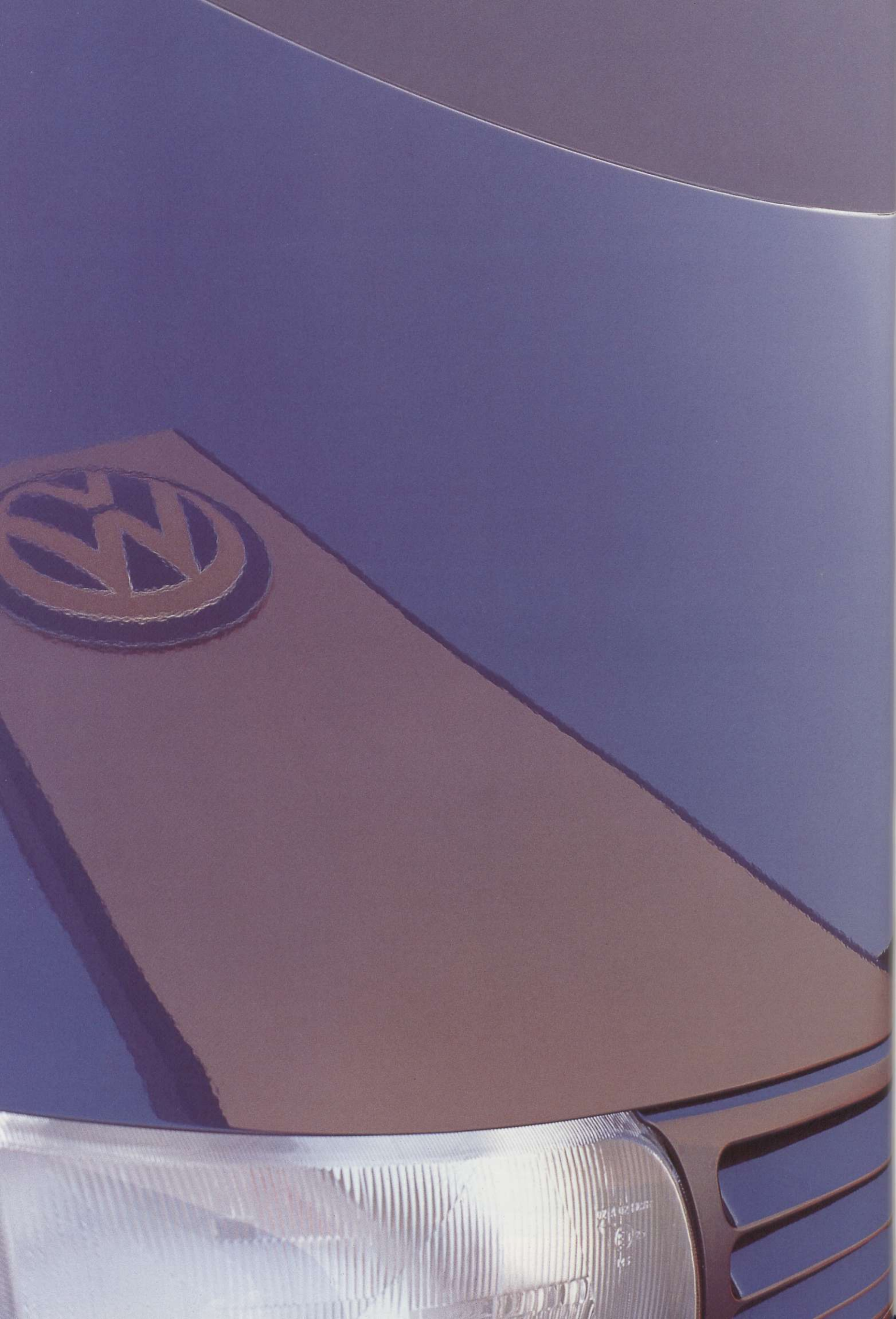
The FAW-Volkswagen Automotive Company, Ltd. in Changchun, our second joint venture in the People's Republic of China, has an annual capacity of 150,000 Jettas, 270,000 engines and 180,000 gearboxes, with an option on further expansion.

In November 1995 manufacture under licence of the Audi 100 was integrated into the operations of FAW-Volkswagen by a contract signed in the course of a state visit of the German Chancellor, Dr. Helmut Kohl, in Beijing. The assembly of a new Audi 100 model will be launched on the basis of that contract in the second half of 1996.

Capacities are being increased at Shanghai-Volkswagen to 300,000 units.

Shanghai-Volkswagen celebrated the tenth anniversary of its production start-up





**Volkswagen as a global player:
the world market is the key**

In 1995 the Volkswagen Group was able to increase its worldwide sales to dealers by 10.8 %, to 3,441,946 units, and its worldwide deliveries to customers by 8.2 % to 3,567,259 units. A major factor in this success was our early commitment in future growth markets and regions such as Asia, South America and Eastern Europe. We shall be extending this policy of capturing new markets with new projects including the establishment of sales and service centres in the CIS states, and in India, where we are planning a joint venture. Our success justifies the policy: In 1995 the Volkswagen Group's share of the world passenger car market increased from 8.7 % to 9.4 %.

We were able to sustain the success of all our marques in the particularly important and highly competitive markets of Western Europe. Our coordinated product policy, combined with a differentiated pricing strategy, brought us closer to our goal of fully exploiting important market segments and niches. Operational sales and marketing activities in 1995 ranged from financing and leasing, exchange bonuses for used cars, pricing measures on specific markets and sponsoring, through to the launch of attractive special models. The multi-marque strategy, aimed at exploiting existing market potentials, continues to be our long-term approach. Exploitation of internal synergy effects is combined with differentiated presentation of the various marques to the customer.

In 1995 the Volkswagen Group's share of the world passenger car market increased from 8.7 to 9.4 %.

**Passenger car market shares
of the Volkswagen Group**

%	1995	1994
Worldwide	9.4	8.7
Western Europe total	16.8	15.8
Germany	28.1	28.6
France	9.2	8.0
Great Britain	6.8	6.4
Italy	11.8	10.3
Spain	20.1	17.9
USA (import market share)	4.1	3.3
Canada	3.4	3.6
Mexico	30.2	35.7
Brazil	34.5	33.1
Argentina	15.6	11.1
South Africa	22.9	18.9
China	59.5	50.3
Japan (import market share)	12.7	12.5

*The new visual appearance
of the marque*

With the "Customer-to-Customer" concept Volkswagen has begun to optimize the factors of quality, economy and service in a unified approach.

*The new Sharan –
life on the move*

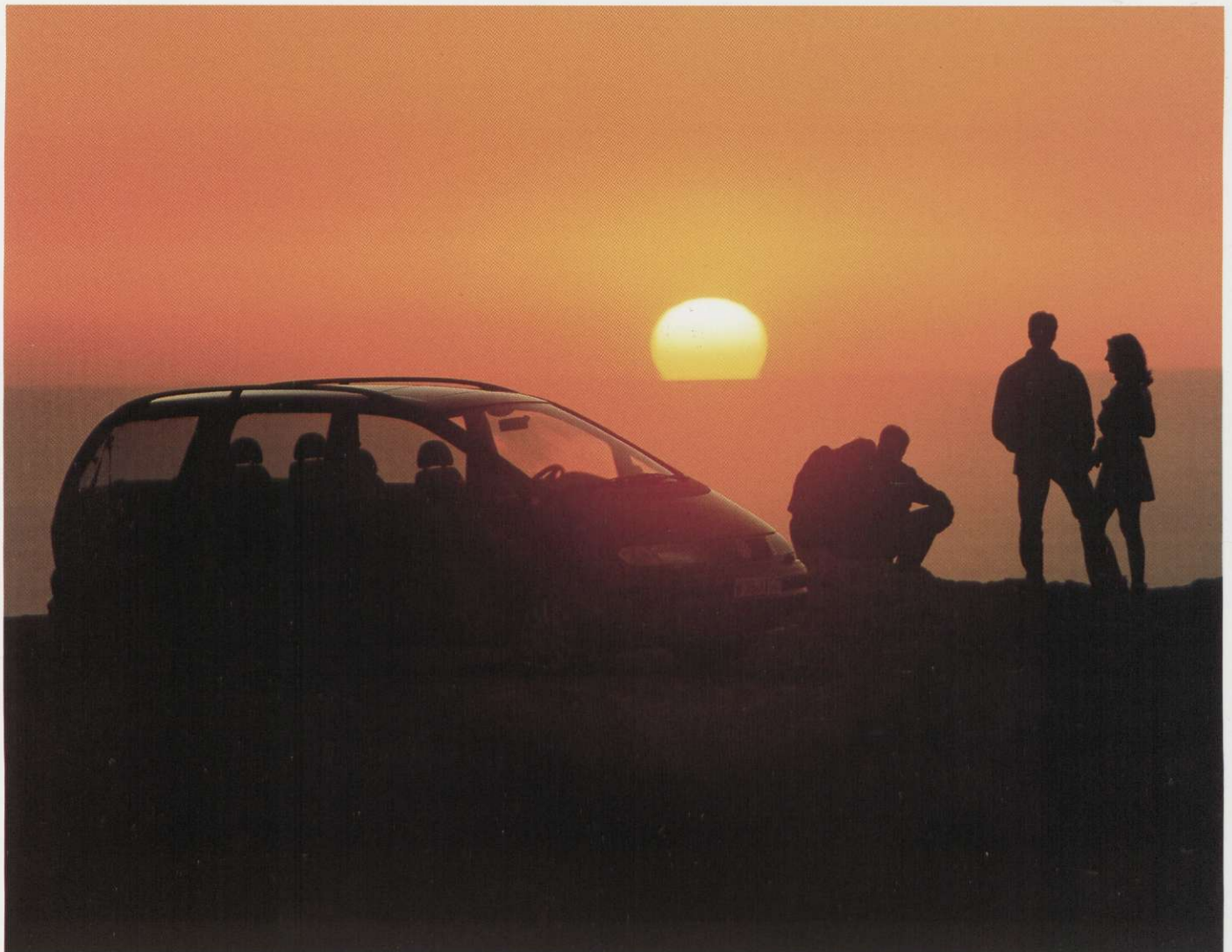
Faster response to customer needs: The "breathing" company on the selling front

The customer perceives our company through its products, their quality and economy, and through the service of our sales organization. With the "Customer-to-Customer" concept, Volkswagen has begun to optimize these factors in a unified approach. Customer satisfaction is not a matter of coincidence: the customer is, after all, at the start and at the end of a long process chain, and his or her satisfaction is determined by the smooth running of those processes.

The tasks dictated by this concept within the framework of the "breathing" company are to re-align

the sales and marketing function and to optimize the support function and parts logistics. Modern computer-aided and interlinked processes allow Sales – in collaboration with Production and Logistics – to respond more directly to customer wishes, both in terms of vehicle specification and delivery time. At the same time, the available resources can be more efficiently adjusted to seasonal fluctuations.

Including consumption taxes, about one third of the selling price of a vehicle is due to the marketing process. In addition to the cross-functional measures to reduce this cost block, we are tightening our distribution structures by merging the importer functions of our marques in major countries, and





through a fundamental reorganization of the Volkswagen/Audi dealer network in Europe.

Unified distribution structure in Italy, France and Great Britain

After the incorporation of Seat and Škoda importers in Italy into AUTOGERMA S.p.A in 1994, the past year saw the concentration of the selling function for all Group marques in France under the V.A.G France umbrella, which was renamed "Groupe VOLKSWAGEN France s.a.", as well as in Great Britain, where V.A.G (United Kingdom) Ltd. was renamed "VOLKSWAGEN Group United Kingdom Limited".

Reorganization of the Volkswagen and Audi sales network in Europe

The aim of ongoing development of the sales and marketing strategy in Europe is to improve customer satisfaction and loyalty, dealer orientation, market exploitation, and the profitability of dealers and the Volkswagen Group. Action was also needed to adapt dealership contracts as a result of the amendment of the block exemption directive for motor vehicle sales adopted by the Commission of the European Union.

The core elements of the reorganization of Volkswagen and Audi's European sales network are the upholding of the contract dealership system, the introduction of performance-based mark-up and bonus systems, marque-specific contract structuring, and the optimization of the sales network to ensure full coverage. This demanded a redefinition of our dealership categories, with appropriate sales standards. In Germany, for example,

The new T4 – still more personality

The core elements of the reorganization of the sales network are the upholding of the contract dealership system and the introduction of performance-based mark-up and bonus systems.

The Sharan meets the demands placed on a versatile vehicle for family, leisure and business pursuits.

these various outlet categories include:

- Single-marque centres for Volkswagen and Audi
- Specialized marque dealerships with special functions for the Volkswagen and Audi marques
- Dealerships for Volkswagen and Audi
- Volkswagen dealerships, and
- Service workshops for Volkswagen and Audi.

Major steps towards restructuring were accomplished within a short space of time, in cooperation with our sales organization. We would like to take this opportunity to thank our dealers and their staff most sincerely for their commitment and cooperation.

**The Volkswagen Sharan:
The product event of 1995**

Volkswagen launched the Sharan people-carrier, the result of its joint venture with Ford, onto the market in 1995. The object of this joint venture was to achieve synergy through the division of tasks: development by Volkswagen, purchasing and production planning by Ford. The vehicles are produced by the joint venture AUTOEUROPA-AUTOMOVEIS LDA. in Portugal.

With the Sharan, Volkswagen offers an entirely newly developed people-carrier. Its variable seating system and compact external dimensions are ideally suited to the demands placed on a versatile vehicle for family, leisure and business pursuits. Car-like handling, comfort and high standards of active and passive safety were also essential factors in developing the Sharan. The engines range in power from 66 kW / 90 bhp to 128 kW / 174 bhp, with a direct-injection diesel engine and two spark-ignition engines. Greater

*The Polo Harlequin –
the multi-coloured small car for the
young and the young at heart.*



Unit sales (by marque and Region)	1995	1994	Change %
Group*	3,441,946	3,107,797	+ 10.8
Volkswagen Cars	1,673,957	1,419,984	+ 17.9
Volkswagen Commercial Vehicles	164,314	157,450	+ 4.4
Audi	444,434	356,825	+ 24.6
Seat	636,907	539,836	+ 18.0
Škoda	227,705	179,442	+ 26.9
North America Region	242,010	310,926	- 22.2
South America/Africa Region	661,979	551,379	+ 20.1
Asia-Pacific Region**	46,263	33,749	+ 37.1

* Adjusted for intra-Group supplies of 655,623 (441,794) vehicles.

** Only Volkswagen Audi Nippon K.K.

demands in terms of comfort were fulfilled by means of a number of features in the area of the engine mounting, running gear and interior fittings. Environmental requirements are met through the use of carefully selected materials, integration into Volkswagen's recycling concept, and compliance with strict US exhaust emission limits and future European limits.

New Polo variant: the Polo Classic

Since November 1995 the Volkswagen marque has been offering the Polo in a notchback version – the Polo Classic. It has a substantial boot capacity of 455 litres, and the range of features includes the new 47 kW / 64 bhp naturally aspirated direct-injection diesel engine.

Three special models have met with great interest. The large folding sunroof of the Polo "Open Air" imbues the vehicle with all the fun of a convertible. The blue, red, green and yellow bodywork of the Polo Harlequin is ideal for anyone who likes plenty of colour in their life, and the Colour Concept meets the requirements of those whose desire is for an individual and special motor car.

Extension of the A8 range

In the upper range the Audi A8 is holding its own in excellent fashion against the competition. Two variants were added to the A8 range: the new 3.7 litre V8 engine delivering 169 kW / 230 bhp is available both with front-wheel drive and quattro drive. It has an electronic differential lock as standard. In the A8 3.7 quattro a self-locking Torsen differential distributes the drive to the front and rear wheels. The traction control system provides the front-wheel drive version with outstanding power transmission to the road.

The sum of all our experience: The Audi A6

The Audi A6 2.5 TDI quattro is the first upper-middle-range car in the world with a direct-injection diesel engine and quattro drive. The 103 kW / 140 bhp diesel unit of the saloon consumes only 6.5 litres per 100 km in the one-third mix; the figure for the Avant version is 6.8 litres. Application of the quattro principle offers the maximum possible traction.

A further model variant is the Audi A6 2.8, with a V6 engine and five-valve specification, variable valve timing and twin-path intake manifold. The large six-cylinder engine's five valves per cylinder provide it with even higher power and torque, while still managing to be more economical and cleaner.

The Audi A6 2.5 TDI quattro is the first upper-middle-range car in the world with a direct-injection diesel engine and quattro drive.

The Audi A4 2.8 quattro can now also be combined with a five-speed automatic gearbox.

**Trendsetters:
The Audi A4 and A4 Avant**

An 81 kW / 110 bhp version was added to the range of economical TDI engines for the Audi A4. Furthermore, the Audi A4 2.8 quattro can now also be combined with a five-speed automatic gearbox.

Audi began 1996 with the launch of the new A4 Avant. The model is available in four engine variants with front-wheel drive or quattro drive. It shares the high quality and safety

estate version are to be incorporated into the range in 1996.

The Seat Inca is supplied in two body shapes: a robust, compact, closed van specially equipped to meet the needs of tradespeople; and the Inca estate, offering a versatile, roomy estate car version with rear seats, a large luggage compartment and windows in the rear. Both versions are available with the new 1.4 MPI spark-ignition engine and the 1.9 litre naturally aspirated direct-injection diesel

The Alhambra marks the beginning of a new era in the history of the Spanish business and leisure market.

The Seat Toledo TDI – the big, economical Spanish saloon

When driven with restraint, the Seat Toledo TDI is already a "3-litre" car.

When driven with restraint, the Seat Toledo TDI is already a "3-litre" car.



levels of the saloon. The dynamic design of the Avant is especially attractive to the younger generation. The A4 Avant fulfils the desire for a sporty, elegant vehicle, offering high levels of comfort and outstanding versatility based on its variable interior.

Facelift and extension of the Seat range

At Seat, the past year was marked by a major redesign of its range. The chief events were the launch of the new generation of light commercial vehicles under the Inca badge, as well as the new Toledo TDI. The Alhambra people-carrier, the two-door Cordoba SX and a Cordoba

engine, as well as with the conventional units. This vehicle meets current and future safety standards with its telescopic steering column, reinforced frame in the passenger area, side impact bars and – as an optional extra – anti-lock braking.

The unmatched economy and agility of the turbodiesel direct-injection engine is now available from Seat, in the Toledo TDI. This model not only offers the familiar qualities of the top-of-the-range Seat model, it also has a fuel consumption of 4.8 litres of diesel per 100 km (DIN one-third mix). When driven with the appropriate restraint, it already achieves the 3 litres per 100 kilometres consump-

tion figure today: The 1,320 kilometres between the Martorell plant and the headquarters of Seat Germany in Mörfelden-Walldorf were covered, at an average speed of 82.5 km/h, using only 36.4 litres of diesel: an average consumption of just under 2.8 litres per 100 km!

Product offensive at Škoda

The launch of the Felicia in 1994 was followed, in mid-1995, by the roomy Felicia Combi and the practical new Pickup. The driver's and passenger side airbags, belt tensioners and modern 4-channel anti-lock braking system, together with structural safety elements such as a special front-end design and door stiffeners, make the Felicia one of the safest vehicles in its class. This was a major factor in the level of acceptance of the vehicle by customers, and in the resulting better production capacity utilization.

An important addition was made to the engine range. The 1.6 litre spark-ignition engine was redesigned and fitted with a modern multi-point injection system, increasing torque while reducing consumption. This unit represents a significant addition to the tried and proven Škoda alloy engines, which cover the upper segment of the power range.

To celebrate its centenary, Škoda presented the special model "Laurin & Klement", named after the company's founders. This model is being built as a limited-edition top-of-the-range Felicia version, with high levels of equipment and comfort. The Škoda marque expanded its range of optional extras to include air conditioning and power-assisted steering, in response to the general trend towards higher-specification vehicles.

The launch of the Felicia in 1994 was followed, in the reporting year, by the roomy Felicia Combi and the practical new Pickup.

The Combi was designed as an extension of the Felicia's already high reputation for space and practicality. Volkswagen Commercial Vehicles

The new Škoda Felicia Combi – plenty of room there



**Volkswagen Commercial Vehicles
extending and updating its range**

The Volkswagen Commercial Vehicles marque was boosted by the launch onto the market of the L 80, a 7.5 tonne truck, in Germany in October 1995 and the launch of the Volkswagen Caddy in December 1995, as well as by the major product facelift to the Transporter series at the end of 1995/beginning of 1996. This in particular involves a clear visual distinction between commercial vehicles and people-carriers, and the extension of the engine range to include a five-cylinder TDI and a six-cylinder VR6 unit.

The Caddy extends our model range in the important class of up to 1.8 tonnes gross weight. It was devised as an element of the platform strategy, in cooperation between Seat and Volkswagen Commercial Vehicles. The result of this cooperation is a compact vehicle of modern design, offering a maximum loading capacity of 2.9 m³

with a payload of between 550 and 625 kg.

Difficult trading in North America

The Volkswagen Group is working hard to build on its position in North America, and to withstand the fall in automobile market volumes. Substantial increases in sales were achieved in the USA through further additions to the product range, attractive leasing offers, extensive customer and dealer incentives, and increased promotional expenditure. Further momentum is expected in the coming years, based on attractive model changes.

The Caddy was devised as an element of the platform strategy, in cooperation between Seat and Volkswagen Commercial Vehicles.

*The Taro –
enjoying a whiff of freedom*



Exciting new product developments in the South America/Africa Region

In Argentina, the new Gol, built at the new Pacheco plant near Buenos Aires commissioned in November 1995, was launched onto the market. This vehicle has been on sale in Brazil since September 1994; the estate version of the Gol, the Parati, was launched in the course of the reporting year.

Expansion of the sales network in the Asia-Pacific Region

The Volkswagen Group is further expanding its sales network in the Asia-Pacific region. Our experience in recent years leads us to expect continuing high growth rates. These positive developments are being seen in the major markets of China and Japan, but also in Thailand, Taiwan, Hong Kong, Singapore, Malaysia, Indonesia, Australia and New Zealand. However, government



*The L80 –
more tonnage, more power,
more economy*

The Volkswagen model range in South Africa was updated by product and marketing measures on the Citi-Golf and in the minibus series, and extended by the importation of Golf Convertibles. Since the late summer of 1995, the new Audi A4 has been on sale in South Africa alongside the Audi A8, A6, A6 Avant and S6. The launch of the A4 also marked the start of the restructuring of the Volkswagen and Audi sales network.

intervention or economic uncertainty may cause brief periods of stagnation in some countries. In previous periods of this kind, it was seen that the marques of the Volkswagen Group were able to make ground against the downward trend of the market as a whole, and gain greater market shares.

In the People's Republic of China the reasons for our success lie in our service network coverage, the confidence in the quality of our products, and the high familiarity level of our marques: The Volkswagen Group holds a 59.5 % share of the passenger car market, based on its local production resources and the substantial increase in imports in 1995.

The Volkswagen Group holds a 59.5 % share of the passenger car market in China, based on its local production facilities and the substantial increase in imports in 1995.

**VOLKSWAGEN presented
THE ROLLING STONES**

A highlight in corporate communication in the course of the reporting year was the partnership in "VOLKSWAGEN presents THE ROLLING STONES". Volkswagen went on tour with the legendary rock band in South America and Europe, and in addition to positive reporting in the media reached a total of over 3.5 million concert visitors. The climax for the main sponsor was the concert in Wolfsburg on August 25, 1995, which thrilled more than 90,000 fans. The success of this communication and marketing strategy was also demonstrated by the more than 100,000 orders placed for the "Rolling Stones Collection" special Golf models. Surveys showed that Volkswagen enjoyed by far the highest level of recognition among sponsors of rock and pop concerts.

**Closer to the customer – with the
new offers from Volkswagen
Financial Services AG**

Volkswagen Financial Services AG and its subsidiaries made a major contribution to sales promotion and customer loyalty within the Volkswagen Group, with the introduction of target-group-specific products. In Germany, in particular, the use of modern means of communication, the "ALF" and "ALF on-line" systems, brought competitive advantages, with contract specification, costing and approval procedures now being completed within a very short time.

The Volkswagen Bank successfully tested its "AutoCredit" product in the field of customer financing in the course of the year; this offer is characterized by particularly low instalment payments over the term of the contract and a maximum degree of flexibility at the end of the term. The Dealer Financing department has been offering trading partners modified parts financing

The Carby was devised as an element of the platform strategy in cooperation between VW and Volkswagen Commercial Services.

*Their business is professionalism –
Rolling Stones and Volkswagen*





*The Audi A4 Avant –
the right mixture of
fun and function*

since the start of 1995. The new "Auto-Ansparplan" savings plan presented customers with a new individual form of saving in the field of direct banking.

Volkswagen Leasing expanded and improved its European Service facilities. For example, all customers who have agreed services in their leasing agreement are given a marque-specific Service card, which they can use to pay for such services without cash. The basic concept of the leasing business – carefree motoring – is reflected in the "Happy Leasing" offer, which was tested during 1995. The inclusion of services in the leasing agreement means that private customers can be sure of having constant and calculable costs throughout the term of their agreement.

FINGERMA, in Italy, offers the "Conto Vivo" revolving credit. In Spain, VW FINANCE introduced the "Financiación operativa" credit plan, as well as a new combined interest

rate scheme for dealers. ŠkoFIN, in the Czech Republic, has been offering used car leasing to its customers since 1995, and has developed a new customer card, the "Identifkčni Karty". In Great Britain, Volkswagen Financial Services (UK) Ltd. expanded its "Solutions" credit scheme to include used car financing of a variety of marques.

**The convenience package
"Happy Leasing" provides carefree
motoring for the private
customer.**



The Group in a period of change

"Transformation Management" is bringing about a profound and all-embracing process of changing awareness. The associated move towards integrated added-value creation within the Volkswagen Group based on agreed strategic objectives is leading to greater process orientation and closeness to customer needs. This mode of working strengthens interdisciplinary teamwork and promotes creativity and innovation. In this way, traditional Volkswagen values such as employee advancement, environmental awareness and social responsibility are gaining new substance for the future. The international activities which have been an integral part of Volkswagen operations for decades are developing into a global network of merchandise and financial flows. Volkswagen is changing on the basis of its own internal dynamism, is openly confronting the challenges of the future, and is creating valuable perspectives for people all over the world through its attractive products and services.

Understanding based on open communication

The main concern both in internal communication and in public relations activities was to elicit and sustain understanding for the sometimes drastic, but essential, measures involved in our company's process of renewal, also against the background of the 1995 collective agreement negotiations. In view of the continuing strength of the D-Mark and rising overcapacity levels, in conjunction with price wars in the world automobile industry, it needed to be made clear to employees and to the public at large that:

- the German plants must further strengthen their efforts to cut costs and increase productivity
- the continued globalization of our company is nevertheless vital, and
- the concept of the "breathing" company is intended to bring about a shortening of delivery times and better adaptation to seasonal fluctuations in the market.

6th Group Management Conference 1995 with the theme: "Building the Future"

A total of 132 representatives of the top management of 34 different Volkswagen Group companies from 21 nations gathered in Munich between April 28 and May 1, 1995 to devise strategic solutions, together with the Group management, for the future of the Volkswagen Group. The principal subject areas were the core business processes of product creation, production/procurement and marketing, as well as the subject of "People and Management".

1995 collective agreement: "Performance for the sake of security"

The collective agreement negotiations in relation to the safeguarding of jobs and increased pay were the focus of Volkswagen personnel policy in 1995. The starting point for negotiations was a master plan put forward by the company covering a number of subject areas, all of which were included in the collective agreement of September 12, 1995. The central element was the further refinement of the policy, in force since the start of 1994, aimed at safeguarding jobs – and thus involving the 4-day week – and its extension for a further two years until the end of 1997.

The main concern both in internal communication and in public relations activities was to elicit and sustain understanding for the sometimes drastic, but essential, measures involved in our company's process of renewal.

The individual is at the centre of our corporate thinking and action

People and Management

Workforce on Dec. 31* (by marque and Region)	Employees	1995	1994	%
Group		242,420	242,318	0
Volkswagen Cars		106,001	109,804	- 3.5
Volkswagen Commercial Vehicles		15,234	15,433	- 1.3
Audi		33,001	31,790	+ 3.8
Seat		15,111	15,383	- 1.8
Škoda		15,736	16,051	- 2.0
North America Region		13,340	15,652	- 14.8
South America/Africa Region		40,491	35,052	+ 15.5
Asia-Pacific Region**		336	328	+ 2.4
Other/Financing***		594	252	x
Financial Services		2,576	2,573	+ 0.1

* Including apprentices

** Only Volkswagen Audi Nippon K.K.

*** The workforce of VW-GEDAS mbH was included for the first time in 1995 after fusion with VW-GEDAS mbH/VW-GEDAS & Co. Projektmanagement OHG.

*The best-selling Seat model –
the nippy and compact Ibiza*

The basis of weekly working time is the continuation of the 28.8-hour week. The "Volkswagen Week" arising from the collective agreement includes the possibility of extending working hours to up to

38.8 hours per week without payment of overtime supplements. Furthermore, the demand-based inclusion of 12 Saturdays per year, specific to plant and according to production requirements, is deemed



permissible on the basis of an in-company agreement. The flexitime schemes applicable to part of the workforce were extended with effect from January 1996. The agreement now provides for a daily maximum timeframe of 13 hours, in which a minimum of 4 and a maximum of 9.5 hours have to be worked. Time is no longer recorded; the emphasis is on the fulfilment of tasks according to agreed targets. Wages and salaries were increased by 4 % as from January 1996 for a term of 19 months. For the months of August to December 1995 flat-rate payments in the amount of 200 DM per month were agreed. Holiday bonuses and Christmas gratuities were also increased.

The collective agreement was preceded by difficult rounds of negotiation. The agreement was ultimately made possible, among other factors, as a result of performance contributions by the workforce in order to safeguard jobs (in the form of a global 2.5 minutes of paid rest time per hour which were

cancelled for wage-earners, or through 1.2 hours unpaid overtime per week in the case of salaried workers and salaried staff). In addition, the supplements for Saturday and overtime working, previously 50 % and 40 % respectively, were reduced to a uniform 30 %.

Above and beyond the provisions already mentioned, agreement was also made to introduce a uniform collective pay agreement and an additional (contributory) pension scheme, which represents a further element of company old-age pensions provision. A "time banking" scheme was also introduced. Each employee now has a working hours account to which overtime hours are credited in the form of "work cheques". Working hours credits can be used, for example, in respect of a possible early retirement package. Since the beginning of 1996 an agreement on progressive reduction of working hours for older employees approaching retirement has also been in force.

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The Audi A4 – a welcome companion

The Audi A4 – a welcome companion

Concentration of all personnel development activities in the Volkswagen Coaching GmbH.

Employee pay and benefits at Volkswagen AG

million DM	1995	%	1994	%
Direct pay incl. fringe benefits in cash	6,041.5	53.9	5,788.0	54.7
Payment for hours not worked	1,609.7	14.4	1,613.5	15.2
Social insurance contributions	1,421.1	12.7	1,381.7	13.1
Early retirement	887.4	7.9	949.8	9.0
Pensions	1,246.5	11.1	851.9	8.0
Total	11,206.2	100.0	10,584.9	100.0
The total labour cost includes:				
Welfare services	66.4	0.6	64.4	0.6
Education and training	93.8	0.8	143.7	1.4

In-company agreement on environmental protection

On November 16, 1995 representatives of Volkswagen AG and of the Joint Works Council of Volkswagen AG signed an in-company agreement relating to environmental protection. This was the first such agreement between the corporate management and workforce in the German automotive industry.

The agreement essentially involves rules for the careful and controlled use of raw materials and energy, and the responsible handling of waste, emissions, waste water and hazardous materials. The principle of "avoidance before reduction, reduction before recycling, recycling before disposal" was laid down as a guiding principle. The company management undertakes to inform the Joint Works Council in full of all activities affecting environmental concerns. The management and Joint Works Council also agreed on a plant- and problem-oriented joint approach in all measures to protect the environment at the company's various locations, as well as in organizational matters.

Further refinement of management staff policy

In view of the increasing demands placed on salaried staff outside of standard pay scales, in terms of their responsibilities and qualification, the decision was made to combine this non-graded staff category with

senior company executives to form the management level. All such staff are now subject to a concentrated management policy. The object of this reorganization is to provide for more individual support and development of employees, as well as to facilitate the creation of non-hierarchical teams and to assist in filling future-oriented project positions.

In connection with the incorporation of non-graded salaried staff into the management level of Volkswagen AG, a uniform selection procedure, based on the tried and proven orientation sessions, is being developed as the future means of access to the management level.

The measures initiated to internationalize the management of Volkswagen AG were promoted further through inter-company personnel development programmes within the Group. The worldwide deployment of contract employees was reviewed and further improved in the course of a benchmarking project involving over 100 international companies.

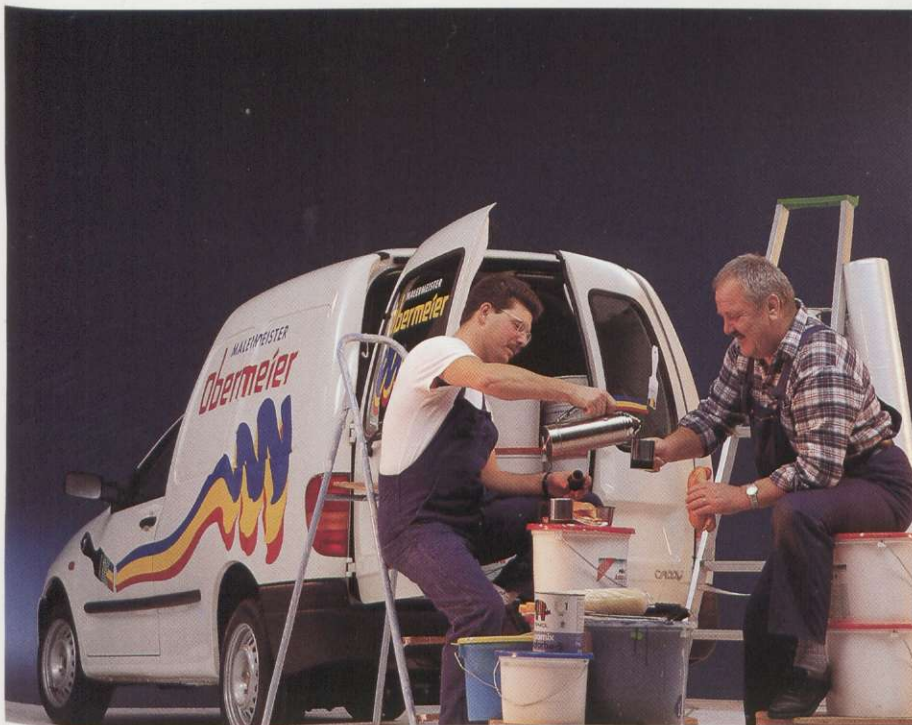
The "Personal Development Plan" was introduced for more than 500 employees. Individual development and measures are discussed in order to better integrate company and personal interests through appropriate planning. On the basis of the experience thus gained, the Personal Development Plan will be extended progressively to suitable target groups.

The factory agreement relating to environmental protection follows the principle of "avoidance before reduction, reduction before recycling, recycling before disposal".

Some 320 key positions throughout the Group have been defined and adopted as elements of corporate policy. These positions are in organizational units which are key to the creation of strategic competitive advantages for the Group and, consequently, represent particular positions of trust. Further refined selection, development and appointment procedures for key position holders provide Top Management level support for the

1995, has paved the way for those requirements to be fulfilled.

Volkswagen Coaching GmbH is a service centre created with the object of promoting top performance at all levels, and safeguarding the company's future through appropriate qualification of the workforce, in the traditional areas of basic and further training and management training and development, as well as in the new fields of individual



The new Caddy – a versatile van for trade and tradesmen

optimization processes already being undertaken over a number of years.

In the past year the new pension scheme was also prepared for Management staff, and passed for implementation in 1996.

Centre of Competence for Coaching

The harder the international competition for know-how, the more expertise in all automotive questions is required to provide our customers with the top performance they expect. We are convinced that the concentration of all personnel development activities in Volkswagen Coaching GmbH, which started operation on January 1,

coaching, international benchmarking and personnel research, and process optimization consultancy.

This is not all, however; the function of Volkswagen Coaching GmbH also includes the implementation of a personnel policy which opens up long-term personal development perspectives for employees. To this extent, the Volkswagen Coaching represents an interface between the company concerned and the local labour market, based on projects such as the establishment of practical training posts for young engineers.

Volkswagen Coaching GmbH offers proven and innovative know-how to companies and public bodies in the

Concentration of all personnel development activities in the Volkswagen Coaching GmbH.

region and the country, beyond the limits of the Volkswagen Group. The market for staff qualification services continues to decline, however; Volkswagen Coaching GmbH was nevertheless able to establish a firm footing on the market, and achieved seven-figure external sales in the very first year of its existence.

Comprehensive healthcare: Improvement in health standards combined with increased cost-effectiveness

The protection and promotion of employees' health was further optimized, with a number of new instruments, in 1995. The object of these measures was to combine improved healthcare with more cost-effective working.

Project-based ergonomic workplace design, incorporating health aspects right from the planning phase of new plant and equipment, was systematically extended. The Healthcare department was also involved in product development and in questions of environmental medicine. Means to promote greater active participation of employees in the design of their workplaces were particularly strong, and included measures such as the conducting of employee surveys and the establishment of health circles. The development of a qualitative health analysis created a procedure which helps to detect possible causes of illness stemming from the workplace.

The decentralization of the healthcare function was extended with the establishment of secondary on-site medical centres. This provided for a significant improvement in the level of on-site employee healthcare.

Employee healthcare programmes were further intensified and extended. Examples included exercise classes, posture training and wellness programmes.

Health record of Volkswagen AG (in %)

1991	1992	1993	1994	1995
91.6	92.7	95.4	95.2	95.1

Audi employees at home all over the world

International activities are gaining ever greater significance at Audi. For example, the establishment of Audi Hungária Motor Kft. and participation in the FAW-Volkswagen joint venture is creating new opportunities for Audi staff in Hungary and China. Furthermore, AUDI AG is providing Chinese engineers and management staff with state-of-the-art training in Germany, based on a technology transfer agreement.

Seat recovery programme in the Personnel sector

Within the framework of the recovery process, particular attention was focused on those employees who had been on short-time working for a substantial period since the beginning of the reporting year. Appropriate solutions were found for those employees by means of age-related retirement schemes, occupational disability pensions and through functional mobility, that is to say, mobility between employee groups. These measures helped to reduce the workforce at SEAT, S.A. in 1995 by some 9 % overall, and by approximately 35 % in the indirect sector.

The optimization processes initiated are also reflected in personnel policy. Measures included strategic reorganization into core business units and other functions, increased flexibility of work organization and the introduction of ongoing dialogue with employee representatives, as well as a delayering of the management structure down to just three hierarchy levels. An additional instrument of personnel policy was the introduction of personal development plans, offering the possibility of specific career planning for the individual employee.

Seat made significant progress in implementing the concept of the "breathing" company. 23 Saturdays

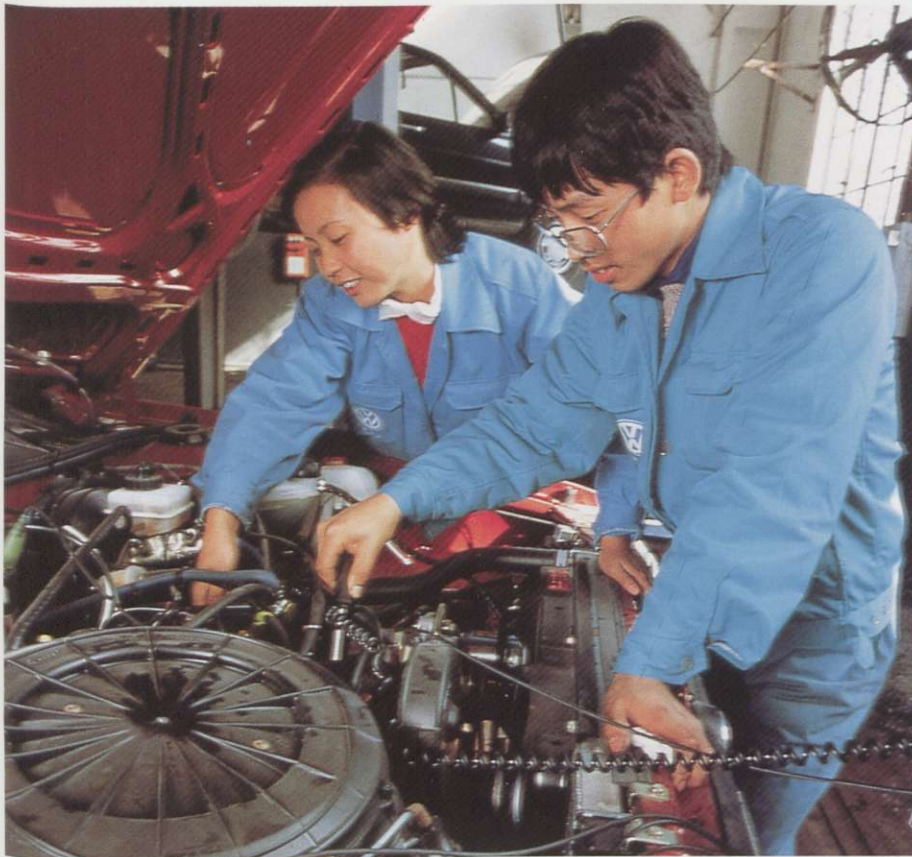
Through employee surveys and health circles the employees were more closely involved in the design of their workplaces.

At Seat too a management delayering was effected, bringing the number of levels down to three.

are now available, of which 10 are compulsory working days. A breakthrough was also achieved in the implementation of the concept of the modular factory, with the commissioning of the "VANEMA Paintshop" operator model.

New FAW-Volkswagen Training Centre in Changchun

The new Training Centre of FAW-Volkswagen Automotive Company, Ltd., constructed in just six months, was taken into operation in May 1995. This provided further proof of Volkswagen's commitment to the qualification of the Chinese workforce and the establishment of an



Training is a core element of our commitment in China

Downsizing of administrative functions in the USA and Canada

The workforces of Volkswagen of America, Inc. and Volkswagen Canada Inc. were substantially reduced. This was made possible by the merger of the core business processes of the two companies and the outsourcing of services in order to cut costs.

efficient supplier industry as two of its primary objectives in China. The Centre, like those at the German locations, is equipped with modern CNC machines and training facilities for hydraulics, pneumatics and electrical engineering, as well as computer workstations, electronic control systems and industrial robots. In addition to specific trade skills, language courses and training in management techniques and skills are also offered.

The qualification of the Chinese workforce and the establishment of an efficient supplier industry are two of the primary objectives in China.

$$\begin{array}{r} 5.762 \\ 426 \\ \hline 52 \\ \hline 5.284 \end{array}$$

$$\begin{array}{r} 29.797 \\ 25.859 \\ \hline 25.859 \\ \hline 29.797 \end{array}$$

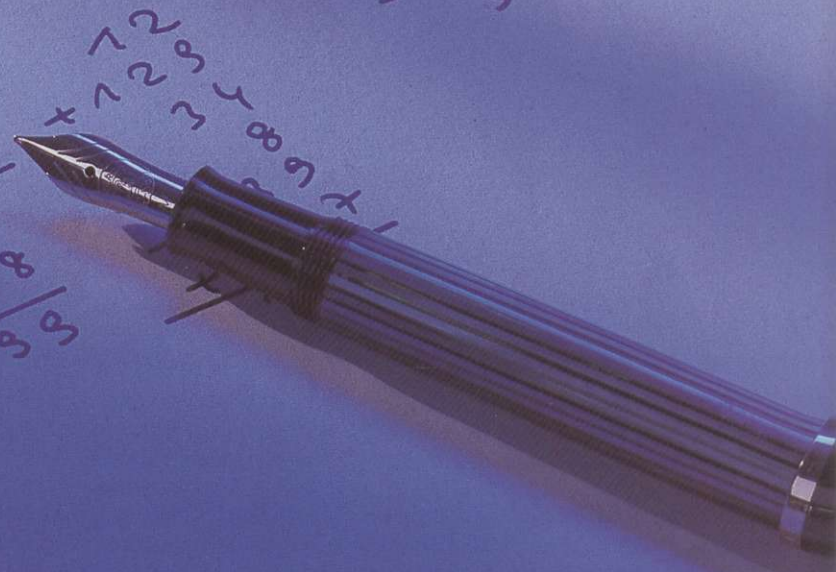
$$\begin{array}{r} 44767 \\ 11223 \\ \hline 11223 \\ \hline 44767 \end{array}$$

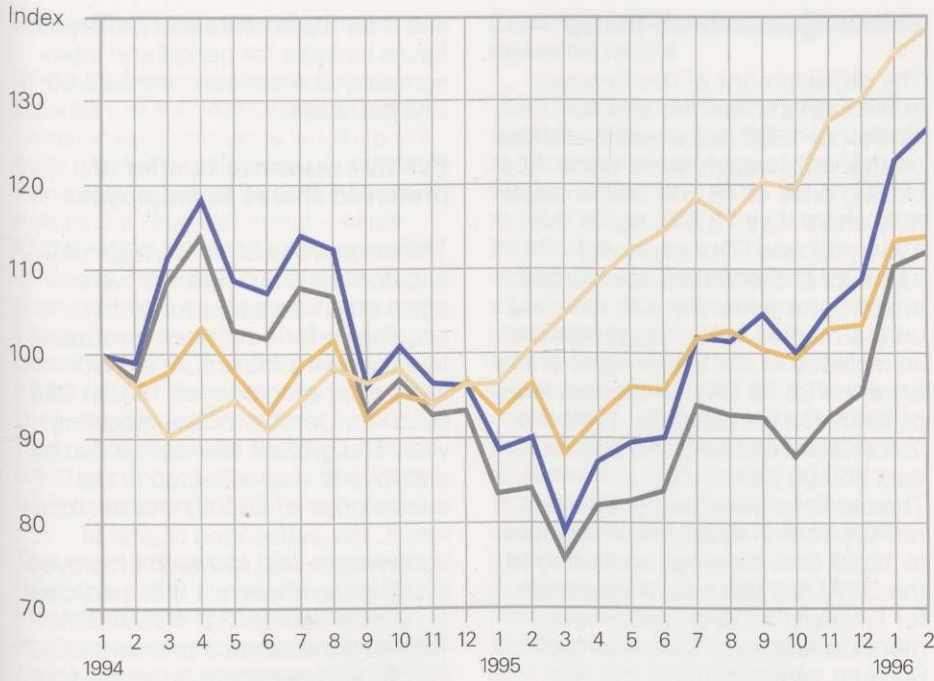

$$\begin{array}{r} 42.356 \\ 25.433 \\ \hline 2 \times 8.543 \\ \hline 17.086 \\ 384.725 \\ \hline 3.547 \\ \hline 876.627 \end{array}$$

$$\begin{array}{r} 22.793 \\ 2.483 \\ \hline 4.286 \\ \hline 28.462 \\ \hline 27.077 \\ \hline 1.385 \end{array}$$

$$\begin{array}{r} 100\% \\ 37.98\% \\ \hline 62.02\% \end{array}$$

$$\begin{array}{r} 22.856 \\ 3.258 \\ \hline 23.666 \\ \hline 39.860 \end{array}$$

$$\begin{array}{r} 278.345 \\ 5.769 \\ \hline 278.345 \\ \hline 278.345 \\ \hline 278.345 \\ \hline 278.345 \end{array}$$




Development of end-of-month share prices

- Volkswagen ordinary shares
- Volkswagen preferred shares
- DAX Index
- Dow Jones Index

German stock market holds firm

Uncertainties in exchange rates, the appreciation of the deutschmark and the consequent impact on exports initially held back the German stock market in the first quarter of 1995. In March, exchange rate turmoil – due in particular to the weakness of the dollar and the currencies of major European countries – led to massive share price falls. The German Share Index (known as the DAX) fell to 1,911 points, its lowest level of the year. A low but stable dollar rate and the reduction of key interest rates by

the Deutsche Bundesbank supported an upward trend on the German stock market as the year progressed; the trend was further boosted by strong growth on US stock exchanges. In September 1995 the German Share Index reached its highest level of the year at 2,317 points, exceeding the closing high recorded in 1994. On the last trading day of the reporting year the DAX index was at 2,254 points. Overall the market profited from the positive interest rates trend in 1995.

The reduction of key interest rates supported an upward trend on the German stock market.

The development of the German stock market from the second quarter of 1995 had a positive effect on the Volkswagen share price.

Volkswagen share on the up

The development of the German stock market from the second quarter of 1995 had a positive effect on the Volkswagen share price. At a closing price of 481.00 DM, the ordinary share was 13.0 % up on the 1994 year end. The improved earnings of the Volkswagen Group, which were generally well received on the market, led in September to an increase in the Volkswagen share price to 485.70 DM, its highest level of 1995. On February 29, 1996 the Volkswagen ordinary share price was 559.00 DM.

The earnings per share under the terms of commercial law amounted to 10.03 DM. Earnings according to the DVFA/SG (German Association for Financial Analysis and Investment Consultancy/Schmalenbach Society), which express the net earnings adjusted by special effects

and thus represent a profitability figure suitable for period and inter-company comparison, were 22.00 DM per share.

Positive response to offer of preferred shares to employees

The employees of Volkswagen AG and domestic subsidiaries were again given the opportunity to acquire preferred shares on attractive terms – a maximum of two shares per employee at 183.50 DM each – in October of the reporting year. The greater interest shown by employees was reflected in the subscription of 63,250 shares. As a result, the subscribed capital of Volkswagen AG, in which employee stockholders have a 1.6 % participation, increased by 3.2 million DM. Taking into account a premium of 283.50 DM per share, stockholders' equity rose by 21.1 million DM.

Key figures

		1991	1992	1993	1994	1995
Number of shares at 31.12.*						
Ordinary shares	in thousands	27,000	27,000	27,000	27,000	27,749
Preferred shares	in thousands	6,129	6,289	6,413	6,472	6,535
Dividend						
per ordinary share	DM	11.00	2.00	2.00	3.00	6.00
per preferred share	DM	12.00	2.00	2.00	4.00	7.00
Tax credit						
per ordinary share	DM	6.19	1.13	1.13	1.29	2.57
per preferred share	DM	6.75	1.13	1.13	1.71	3.00

Ratios per share

Result of the year	DM	33.76	4.44	- 58.28	4.50	10.03
Result acc. to DVFA/SG	DM	36.00	5.00	- 51.00	9.50	22.00
Cash flow**	DM	216.15	211.42	109.24	263.94	206.79
Stockholders' equity	DM	547.71	544.90	463.30	425.41	369.09*

Development of share prices

Highest prices

Ordinary share	DM	415.60	411.50	439.20	548.00	485.70
Preferred share	DM	357.00	352.00	362.50	438.00	354.20

Lowest prices

Ordinary share	DM	282.50	235.20	243.00	404.00	335.50
Preferred share	DM	248.00	203.00	210.00	324.00	265.50

* Including the shares issued to employees which do not carry dividend rights until January 1, 1996 and the new shares issued in connection with the exercise of option rights.

** Since 1994 cash flow has been determined on the basis of the recommendations of the Schmalenbach Society.

Intensified investor relations

In view of the worldwide financial activities of the Volkswagen Group, investor relations work is taking on ever greater significance. A regular, frank and targeted flow of information to the financial world – since March 1995 under the responsibility of Group Treasury – is an essential prerequisite for safeguarding our capital requirements on the best possible terms. Furthermore, investors expect the company to reward their investments not only in the form of appropriate dividend returns on their funds, but also in the form of appreciation in their share value.

The most important task of investor relations is the communication of information on corporate strategy and results, with the aim of strengthening the bond of trust with investors and thus making a contribution to the positive long-term development of the value of Volkswagen AG.

The target groups of our activities are private and institutional investors and financial analysts all over the world. We provide our target groups with the necessary information by means of roadshows, corporate presentations for specific groups, one-to-one meetings and telephone conferences with investors and analysts. Presentation activities are concentrated on DVFA (German Association for Financial Analysis and Investment Consultancy) events and on the financial and stock market centres which are of the most importance to us, namely London, Paris, Zurich, Milan, Madrid, Geneva, New York, Boston and Tokyo.

Expansion of business reflected in financial ratios

The expansion of business in 1995 was also reflected in the increase of the balance-sheet total of the Volkswagen Group from 81.1 billion DM to 84.1 billion DM. The change in the balance-sheet structure on the assets side is characterized by a significant increase in leasing and rental assets, coupled with a reduction in tangible assets. Business expansion resulted in an increase in receivables, primarily in respect of supplies and services and of the financial services sector. Against this, stockholders' equity fell as a result of the elimination of special items from border area promotion, compensation payments arising from the dissolution of the joint venture with Ford in South America and the takeover of minority holdings. In conjunction with the increase in the balance-sheet total this led to a reduction in the equity ratio from 17.6 % to 15.1 %. The increase in provisions, in particular, led to an increase in outside capital in the past fiscal year. Interest-bearing liabilities remained at last year's level of 27.6 billion DM.

The changed balance-sheet ratios also reflect a cautious policy of provision. This is in compliance with Volkswagen's long-established practice of prudent risk assessment.

Some ratios developed less favourably than in the previous year, due to the expansion of business, the full incorporation of the South American subsidiaries and the creation of provisions within the Group. Thus, the ratio of stockholders' equity and long-term liabilities to fixed assets, which indicates the degree to which the latter are financed by the former, fell, but still reached a sound level of 81.5 %. The degree of indebtedness, expressed as a quotient of actual indebtedness and cash flow, rose from 2.8 to 3.4.

In view of the world-wide financial activities of the Volkswagen Group, investor relations work is taking on ever greater significance.

The changed balance-sheet ratios are also the expression of a prudent policy of provision.

Again in the past fiscal year, capital investments were fully financed from cash flow.

The Group's liquidity range, which is the period over which day-to-day liquidity requirements can be met out of readily convertible assets, continued high. Again in the past fiscal year, capital investments were fully financed from cash flow. Self-generated funds were sufficient to finance 100.9 % of investments in 1995, against a figure of 156.1 % in 1994.

Further increase in Volkswagen Group funds

At the end of 1995 the overall liquidity of the Volkswagen Group reached 17.0 billion DM. Whereas the sum of liquid funds, securities and long-term financial investments rose, the short-term liabilities to banks fell, leading to a significant rise in total funds to 2.4 billion DM. This development was attributable entirely to the automobile sector, which also holds the greater part of the Group's overall funds. The Financial Services Sector shows funds of - 6.7 billion DM, consistent with the different nature of the business; funds in this sector reduced slightly against the previous year.

Key financial ratios of the Volkswagen Group

	1991	1992	1993	1994	1995
Return on sales (%)	1.5	0.2	- 2.5	0.2	0.4
Equity ratio (%)					
- Automotive	28.9	27.1	22.2	20.8	19.3
- Financial Services	11.0	8.3	8.3	6.9	7.0
- Group	25.9	24.1	19.5	17.6	15.1
Return on equity (%)	6.4	0.8	- 11.5	1.0	2.5
Cash flow as % of capital investments*	72.0	75.7	75.1	156.1	100.9
Cash-flow as % of sales*	9.3	8.2	4.7	11.0	7.9

* Since 1994 cash flow has been determined on the basis of the recommendations of the Schmalenbach Society.

Development of short-term liquidity of the Volkswagen Group million DM

Net earnings	+ 336	
Depreciation and write-up of tangible assets	+ 6,345	
Depreciation and write-up of leasing and rental assets	+ 3,479	
Change in medium and long-term provisions	+ 1,307	
Other expenses and income not affecting payments	- 1,067	
Cash flow	+ 10,400	
Change in short-term provisions	+ 2,038	
Change in inventories and trade receivables	- 3,111	
Change in liabilities (excluding liabilities to banks and customer deposits)	+ 2,085	
Change in other items	+ 175	
Inflow of funds from current operations		+ 11,587
Inpayments from disposal of fixed assets	+ 2,344	
Outpayments for additions to fixed assets	- 13,072	
Outflow of funds in respect of capital investments		- 10,728
Inpayments in respect of capital increases	+ 294	
Outpayments to stockholders (dividends)	- 137	
Change in medium and long-term liabilities to banks	- 341	
Outflow of funds in respect of financing operations		- 184
Change in funds		+ 675
Funds at start of period		+ 1,717
Funds at end of period		+ 2,392

Million DM	Automotive	Automotive	Financial	Financial	Volkswagen	Volkswagen	Change
	Dec. 31, 95	Dec. 31, 94	Services	Services	Group	Group	
	Dec. 31, 95	Dec. 31, 94	Dec. 31, 95	Dec. 31, 94	Dec. 31, 95	Dec. 31, 94	
Liquid funds	12,987	12,830	187	487	13,174	13,317	- 143
Securities	2,156	2,595	-	0	2,156	2,595	- 439
Long-term financial investments	2,255	959	-	-	1,706	959	+ 747
	17,398	16,384	187	487	17,036	16,871	+ 165
Short-term liabilities to banks and customer deposits	- 7,786	- 8,064	- 6,858	- 7,091	- 14,644	- 15,154	+ 510
Total funds	+ 9,612	+ 8,320	- 6,671	- 6,604	+ 2,392	+ 1,717	+ 675

Effects of exchange rate changes

In 1995 the Volkswagen Group felt the negative effects of the appreciation of the deutschmark, in particular against the US dollar (+ 11.7 %), the Italian lira (+ 12.0 %) and the pound Sterling (+ 8.9 %). The deployment of hedging measures by the Currency Management function, and price adjustments, were able to lessen the negative currency effects. We also expect the regional shift in procurement sources likewise to equalize exchange rate fluctuations in the medium term.

Active interest rate and currency management in the Volkswagen Group

High demands were again placed on the management of interest rate and currency positions based on underlying commercial transactions in the past year. High standards were again maintained especially in the deployment of derivative financial instruments, primarily in respect of the

credit rating of contract partners and the ensuring of proper internal procedures.

Due to favourable market conditions, we decided at the end of 1995 to replace before term our two syndicated Euro credit lines (1.5 billion DM and 1.5 billion US dollars respectively) with a new 5 billion DM facility, again with a 7-year term. This new credit line is a key element of the strategic liquidity reserve and is intended to safeguard the solvency of the Group at all times, on first-class terms.

At the year end, the nominal values of the derivative financial instruments used were as follows:

High demands were again placed on the management of interest rate and currency positions based on underlying commercial transactions in the past year.

million DM	31.12.1995	31.12.1994
Forward foreign exchange transactions	19,472	10,981
Interest swaps and combined interest/currency swaps	11,702	10,406
Interest/currency options	2,549	3,753
Other forward transactions	280	600
Total	34,003	25,740

Pre-tax result up on previous year

The trend seen in 1994 was continued in the result of the past fiscal year. Gross profit increased by 1.4 % to 7.4 billion DM, although as a percentage of sales proceeds it fell from 9.1 % to 8.4 %. This reflects the burdens which had to be surmounted in the past year, resulting primarily from the unfavourable foreign exchange rates and the strongly-increased, though relatively low-yielding, foreign business. This development overshadowed our sales success, which was reflected in a marked increase in sales proceeds, the successes achieved in the ongoing process of restructuring, and the considerable improvements in productivity and quality.

With other operating income and expenses taken into account, the Volkswagen Group posted an operating profit of 115 million DM in 1995, against a loss of 150 million DM in the previous year.

A considerably improved financial result – in particular from Volkswagen AG – contributed to the substantial improvement in results from ordinary business activities, which reached 1,113 million DM. After deduction of taxes for the Group amounting to 777 million DM, an annual profit of 336 million DM resulted, as against 150 million DM in 1994. The high tax proportion resulted above all from the relationship of profits to losses of the individual Group companies.

The favourable development of pre-tax profits of the Volkswagen Group was generated mainly from the Volkswagen and Audi marques. Seat again posted a loss due to the market situation and the high depreciation and financing costs in connection with the Martorell plant, although this loss was markedly smaller than in the previous year. Earnings at Škoda were impaired by the new model launches; nevertheless the marque reduced the loss made in the previous year. In the North America Region results were fundamentally affected by the economic crisis in Mexico. In contrast the South America/Africa Region again posted a profit. As in the previous year, the Financial Services Division also made a positive contribution.

The favourable development of pre-tax profits of the Volkswagen Group was generated mainly from the Volkswagen and Audi marques.

Sales revenue by region

million DM

	1995	%	1994	%
Germany	57,808	65.6	53,097	66.3
Rest of Europe	14,923	16.9	13,238	16.6
North America	1,607	1.8	2,100	2.6
Latin America	12,157	13.8	10,500	13.1
Other countries	1,624	1.9	1,106	1.4
Total	88,119	100.0	80,041	100.0

Sales revenue originating in the region

	1995	%	1994	%
Germany	34,504	39.2	32,907	41.1
Rest of Europe	29,974	34.0	26,953	33.7
North America	5,258	6.0	4,875	6.1
Latin America	11,062	12.5	9,867	12.3
Other countries	7,321	8.3	5,439	6.8
Total	88,119	100.0	80,041	100.0

Sales revenue achieved in the region

	1995	%	1994	%
Germany	34,504	39.2	32,907	41.1
Rest of Europe	29,974	34.0	26,953	33.7
North America	5,258	6.0	4,875	6.1
Latin America	11,062	12.5	9,867	12.3
Other countries	7,321	8.3	5,439	6.8
Total	88,119	100.0	80,041	100.0

Finance

Balance-sheet structure by Divisions (before consolidation)

million DM			Automotive		Financial Services				Volkswagen Group			
	1995	%	1994	%	1995	%	1994	%	1995	%	1994	%
Fixed assets	25,769	37.0	25,879	38.6	10,845	39.3	8,832	35.5	31,857	37.9	31,372	38.7
Current assets	43,850	63.0	41,119	61.4	16,750	60.7	16,043	64.5	52,220	62.1	49,712	61.3
Total assets	69,619	100.0	66,998	100.0	27,595	100.0	24,875	100.0	84,077	100.0	81,084	100.0
Stockholders' equity	13,460	19.3	13,916	20.8	1,923	7.0	1,717	6.9	12,654	15.1	14,239	17.6
Outside capital	56,159	80.7	53,082	79.2	25,672	93.0	23,158	93.1	71,423	84.9	66,845	82.4
Total capital	69,619	100.0	66,998	100.0	27,595	100.0	24,875	100.0	84,077	100.0	81,084	100.0

The book value of the leasing and rental assets contained in the Group's fixed assets totalled 10.3 billion DM at the end of 1995, as against 8.2 billion DM in 1994.

Financial Services Division sustains strong growth

The expansion of financial services was reflected in a disproportionately high increase in the balance-sheet total of the Financial Services Division. The proportion of the Group balance-sheet total accounted for by the Division increased from 30.7 % at the end of 1994 to 32.8 % as at December 31, 1995.

The book value of the leasing and rental assets contained in the Group's fixed assets totalled 10.3 billion DM at the end of 1995, against 8.2 billion DM in 1994. The increase resulted mainly from the positive business development and the inclusion of Volkswagen Leasing Anlagen GmbH in the scope of consolidation. Included in "Other current assets" are receivables with a value of 15.3 billion DM (+ 4.0 %) in respect of sales and dealer financing.

Of the Group's liabilities to banks, 8.9 billion DM or some 46 % relate to financial services operations. Other liabilities, provisions and deferred income relating to this sector have a total value of 5.1 billion DM. The stockholders' equity of the Financial Services Division increased by 206 million DM to 1.9 billion DM, improving its equity ratio in the published financial statements from 6.9 to 7.0 %.

Broadening of the refinancing base of the Financial Services Division

To broaden its refinancing base, Volkswagen Financial Services AG will in the course of 1996 be issuing a programme of Multi-Currency Euro Medium-Term Notes (EMTN). The issuers will be Volkswagen Financial Services AG and Volkswagen Financial Services N.V., a company with its registered office in Amsterdam which was acquired on December 30, 1994 and renamed in the reporting year. With this programme, Volkswagen Financial Services AG is creating an instrument by which bonds can be issued within the framework of a constant issue in various currencies and in a number of different tranches, up to a total amount of 1.5 billion DM. In this way we will be able to react flexibly to the refinancing requirements of our European financial services companies.

ŠkoFIN s.r.o. has successfully issued a bond in the Czech Republic, under guarantee from Volkswagen Financial Services AG, covering a total of 2 billion crowns (some 120 million DM). This bond has been quoted on the Prague Stock Exchange since December 7, 1995.

Added value of Volkswagen AG up on previous year

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 the past year Volkswagen AG's added value increased by 8.8 % to 12.2 billion DM.

Sources	million DM	1995	1994
Sales		44,598	41,886
plus other income		4,643	2,118
less expenditures		37,022	32,778
Added value		12,219	11,226

Distribution	million DM	1995		1994	
To:	In the form of:	1995	%	1994	%
the workforce	wages, salaries, fringe costs	11,206	91.7	10,585	94.3
the State	taxes, levies	254	2.1	192	1.7
creditors	interest	349	2.8	284	2.5
the Company	transfer to reserves	203	1.7	59	0.5
stockholders	dividend	207	1.7	106	1.0
Added value		12,219	100.0	11,226	100.0

Structure of the Volkswagen AG balance sheet

Assets	million DM	31.12.1995	%	31.12.1994	%
Fixed assets		17,196	43.7	15,883	44.1
Inventories		2,892	7.4	2,577	7.1
Receivables		13,079	33.3	10,476	29.1
Liquid funds		6,146	15.6	7,117	19.7
Total assets		39,313	100.0	36,053	100.0

Stockholders' equity and liabilities	million DM	31.12.1995	%	31.12.1994	%
Stockholders' equity		11,248	28.6	11,458	31.8
Long-term liabilities		9,381	23.9	7,640	21.2
Medium-term liabilities		6,862	17.4	7,560	21.0
Short-term liabilities		11,822	30.1	9,395	26.0
Total capital		39,313	100.0	36,053	100.0

**Structure of the Volkswagen AG statement of earnings
January 1 – December 31, 1995**

	million DM	1995	%	1994	%
Sales		44,598	100.0	41,886	100.0
Cost of Sales		42,202	94.6	38,745	92.5
Gross profit		+ 2,396	5.4	+ 3,141	7.5
Selling, distribution and administration expenses		3,940	8.8	3,685	8.8
Other operating income and expenses		+ 2,197	4.9	+ 1,698	4.0
Financial results		- 93	0.2	- 934	2.2
Results from ordinary business activities		+ 560	1.3	+ 220	0.5
Taxes		150	0.4	55	0.1
Net earnings		+ 410	0.9	+ 165	0.4

Key Figures of the Marques and Regions

	Vehicle sales		Production		Workforce		Sales		Capital investments	
	000 units 1995	Change %	000 units 1995	Change %	31.12. 1995	Change %	DMm 1995	Change %	DMm 1995	Change %
Volkswagen Cars¹⁾	1,674	+ 17.9	1,393	+ 12.7	106,001	- 3.5	48,127	x	6,305	+ 8.1
Volkswagen cars	1,411	+ 13.6	1,153	+ 5.8	85,464	- 5.0	40,364	x	5,416	+ 3.9
Volkswagen Saxony companies ²⁾	100	+ 10.8	100	+ 11.1	3,067	- 4.1	2,198	+ 10.6	108	- 71.4 ³⁾
Volkswagen Bruxelles S.A.	203	+ 19.4	203	+ 19.4	5,755	- 1.1	3,637	+ 12.7	45	+ 15.2
Groupe VOLKSWAGEN France s.a.	193	+ 38.9	-	-	653	- 8.2	4,468	+ 22.6	3	+ 43.7
AUTOGERMA S.p.A.	240	+ 21.3	-	-	547	+ 0.7	4,594	+ 9.9	9	- 90.4
VOLKSWAGEN Group United Kingdom Ltd.	141	+ 29.9	-	-	431	- 0.5	3,711	+ 12.2	7	x
Volkswagen Commercial Vehicles	164	+ 4.4	165	+ 5.3	15,234	- 1.3	5,597	x	202	x
Audi	444	+ 24.6	448	+ 26.2	33,001	+ 3.8	16,678	+ 23.9	865	- 42.5
Seat⁴⁾	637	+ 18.0	343	+ 9.5	15,111	- 1.8	9,646	+ 7.6	208	- 35.3
Škoda	228	+ 26.9	208	+ 20.0	15,736	- 2.0	2,412	+ 35.4	270	- 18.0
North America Region¹⁾	242	- 22.2	191	- 25.3	13,340	- 14.8	5,600	- 25.3	340	x
Volkswagen de Mexico, S.A. de C.V.	192	- 24.8	191	- 25.3	11,900	- 15.3	3,408	- 29.5	266	x
Volkswagen of America, Inc.	139	+ 20.8	-	-	703	- 12.6	3,881	+ 8.9	61	- 22.1
Volkswagen Canada Inc.	21	- 18.6	-	-	737	- 6.8	635	- 25.1	12	+ 31.0
South America/Africa Region¹⁾	662	+ 20.1	664	+ 20.2	40,491	+ 15.5	11,178	+ 45.4	1,803	x
Volkswagen do Brasil Ltda.	551	+ 19.5	549	+ 23.4	30,951	+ 29.7	9,011	-	1,722	-
Volkswagen Argentina S.A. ⁵⁾	55	- 17.7	49	- 16.9	2,944	- 24.8	1,198	-	42	-
Volkswagen of South Africa (Pty.) Ltd.	71	+ 56.3	66	+ 36.2	6,596	- 9.2	1,664	+ 34.4	39	x
Asia-Pacific Region										
Shanghai-Volkswagen Automotive Company, Ltd. ⁶⁾	160	+ 38.5	160	+ 38.8	9,318	+ 28.1	3,245	+ 34.5	173	- 27.6
Volkswagen Audi Nippon K.K.	46	+ 37.1	-	-	336	+ 2.4	1,878	+ 20.9	30	x
Volkswagen Group¹⁾	3,442	+ 10.8	3,408	+ 12.0	242,420	0	88,119	+ 10.1	6,863	+ 21.5

¹⁾ Adjusted by internal Group, marque and regional transactions

²⁾ Shown in consolidated form.

³⁾ The previous year's figure includes additions to fixed assets resulting from the initial consolidation of Sächsische Automobilbau GmbH.

⁴⁾ The Polo models produced by Volkswagen Navarra, S.A. are no longer included in the Seat production figure, but continue to be sold by Seat to Volkswagen AG.

⁵⁾ As from January 1, 1996.

⁶⁾ This company is consolidated at equity.

Balance Sheet of the Volkswagen Group, December 31, 1995 – DM million –

Assets	Note	Dec. 31, 1995	Dec. 31, 1994
Fixed assets	(1)		
Intangible assets		91	101
Tangible assets		18,271	20,429
Financial assets		3,198	2,608
Leasing and rental assets		10,297	8,234
		31,857	31,372
Current assets			
Inventories	(2)	9,392	9,246
Receivables and other assets	(3)	27,248	24,254
Securities	(4)	2,156	2,595
Cash on hand, deposits at German Federal Bank and Post Office Bank, cash in banks		13,174	13,317
		51,970	49,412
Prepaid and deferred charges	(5)	250	300
Balance-sheet total		84,077	81,084
Stockholders' equity and liabilities			
Stockholders' equity			
Subscribed capital of Volkswagen AG	(6)	1,714	1,674
Ordinary shares	1,387		
Non-voting preferred shares	327		
Potential capital	453		
Capital reserve	(7)	4,557	4,303
Revenue reserves	(8)	4,038	4,899
Net earnings available for distribution		209	111
Minority interests		472	734
		10,990	11,721
Special items with an equity portion	(9)	1,649	2,498
Special item for investment subsidies	(10)	15	20
Provisions	(11)	31,742	28,398
Liabilities	(12)	37,823	37,299
Deferred income		1,858	1,148
Balance-sheet total		84,077	81,084

Statement of Earnings of the Volkswagen Group for the Fiscal Year Ended December 31, 1995 – DM million –

	Note	1995	1994
Sales	(13)	88,119	80,041
Cost of sales		80,699	72,720
Gross profit		+ 7,420	+ 7,321
Selling and distribution expenses		7,089	6,341
General administration expenses		2,368	2,445
Other operating income	(14)	6,811	5,587
Other operating expenses	(15)	4,659	4,272
Results from participations	(16)	+ 229	- 27
Interest results	(17)	+ 979	+ 877
Write-down of financial assets and securities classified as current assets		210	239
Results from ordinary business activities		+ 1,113	+ 461
Taxes on income		777	311
Net earnings	(18)	+ 336	+ 150

Financial statements in accordance with commercial law

The consolidated 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 items in the balance sheet and 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.

Scope of consolidation

The fully consolidated Group companies comprise all companies in which Volkswagen AG has a direct or indirect interest of over 50 % or which are under management control of the parent company. Apart from Volkswagen AG, this involves 28 German Group companies and 77 foreign Group companies.

The joint venture between Ford and Volkswagen in Brazil and Argentina, which had been established in 1987, was terminated by the dissolution agreement signed between the two companies in the reporting year, effective from 28.11.1995. The joint venture had been discontinued in commercial terms on April 1, 1995. After the reorganization, Volkswagen Comércio e Participações Ltda., São Paulo, SP, with a total of seven subsidiaries and second-tier subsidiaries in Brazil, and Volkswagen Argentina with two subsidiaries in Argentina, are now incorporated in the Volkswagen Group as fully consolidated companies.

The reorganization of the Volkswagen Group begun in the previous year was continued with further transfers of holdings to other Group companies and the renaming of a number of companies. Consequent to these restructuring measures, one previously fully consolidated subsidiary was merged into an existing Group company, and has thus formally ceased to be consolidated. After the merger of the previously fully consolidated company VW-Gesellschaft für technische Datenverarbeitungssysteme mbH (data processing systems) / VW GEDAS & Co. Projektmanagement OHG, Berlin, into VW-Gesellschaft für technische Datenverarbeitungssysteme mbH, Berlin, a company previously incorporated on the basis of the proportionate stockholders' equity in the Volkswagen Group, this company is now consolidated.

Two companies have been sold, and are therefore no longer consolidated. One other company is now accounted for at book value because liquidation proceedings have been initiated in respect of it.

In addition, two German companies previously valued at acquisition cost are now fully consolidated.

Two companies previously valued at acquisition cost and one newly established affiliated company are now incorporated in the Volkswagen Group on the basis of the proportionate stockholders' equity. As a result, nine domestic and 11 foreign affiliates, as well as two foreign associated companies, are valued on the basis of the proportionate stockholders' equity.

Eight German and 25 foreign subsidiaries are not consolidated. The companies in question are subsidiaries which are omitted under the provisions of

§ 296 subsection 1 item 2 and subsection 2 of the German Commercial Code, or which conduct little or no business.

A list of the main fully-consolidated Group companies, joint ventures, associated companies and other participations is given on pages 24 and 25.

Six joint ventures in Germany and 22 abroad are included in the consolidated financial statements on the basis of the proportionate stockholders' equity. A further seven joint ventures are valued at acquisition cost.

25 German and five foreign companies in which participations are held and on which Volkswagen AG or other Group companies exert a significant influence are included in the consolidated financial statements as associated companies at book value, since they are not of major significance.

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.

*The full address is given on the back cover.

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 at the time of acquisition 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 the 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.

Leasing and rental assets, together with the related liabilities, are translated at the middle rate for the balance-sheet date.

In countries with high inflation, the raw materials and supplies, work in progress, finished goods and merchandise shown under inventories are translated into DM at historical rates.

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

The change in currency translation differences which results from the exchange rate development in the current year is treated as having an effect on the result. Previous-year provisions have been utilized in the amount of the resultant expenses from countries with low inflation.

Average monthly rates are used for the most part in the statement of earnings. However, write-downs of financial assets are taken over on a historical basis. The depreciation of tangible assets which is included in cost of sales, selling and distribution expenses and general administration expenses is likewise translated at historical rates. The net earnings/losses of foreign subsidiaries are determined by translating the relevant amounts in local currency at the rate applying on the balance-sheet date, taking into account the balance-sheet currency translation with an effect on results.

The inventory consumption incorporated in cost of sales in the financial statements of companies in countries with high inflation is included in the statement of earnings of the

Group 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 written down over 3 years as regular depreciation.

Tangible assets and leasing and rental 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.

The regular depreciation is based on the following useful lives:

Buildings 25–50 years

Buildings and site utilities
10–18 years

Technical equipment and
machinery 5–8 years

Power generators 14 years

Factory and office equipment
including special tools, jigs and
fixtures 3–8 years

To the extent permissible for tax purposes, Group companies in Germany charge regular depreciation on movable 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, taking account of multi-shift operation. The straight-line method is applied 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. Special tools, jigs and fixtures are depreciated by the straight-line method as from the model launch.

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 on the stockholders' equity and liabilities side of the balance sheet 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 lower applicable value.

Non and low-interest-bearing **loans** are stated at cash value; interest-bearing loans at the nominal value.

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

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. For the first time, the manufacturing cost to be stated in accordance with tax law provisions is now taken into account across the board – including foreign companies – to adjust to the procedure applied for German companies.

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 middle 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 the retention of lower values from previous years is permissible.

Provisions 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. The generally higher life expectancies have been included in the calculation of pension provisions and have led to an increased allocation, differing from the value applicable under tax law.

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

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 middle 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 340 million DM (1994: 475 million DM) are allocated to the individual functional areas.

(1) Fixed assets

A breakdown of the fixed-assets items condensed in the balance sheet and their development during the year under report can be found on pages 84 and 85.

The book value of the Volkswagen Group's fixed assets, totalling 31,857 million DM, comprises intangible, tangible, financial and leasing and rental assets.

Additions to fixed assets were as follows:

	1995 DM million	1994 DM million
Intangible assets	1,278	295
Tangible assets	4,434	4,013
Financial assets	1,151	1,343
Leasing and rental assets	7,278	5,781

The additions to fixed assets also include the amounts brought forward in respect of companies consolidated for the first time. Furthermore, additions to intangible assets include goodwill arising from the demerger of the Autolatina companies, as well as from the acquisition of additional shares in three fully consolidated companies.

Increases in value of associated companies valued on the basis of the proportionate stockholders' equity are shown in the Additions/Write-ups column.

Extraordinary depreciation was charged for the most part on inadequately utilized capacities. In the case of financial assets, the lasting depletion of the proportionate net worth of three associated companies was the principal factor necessitating adjustment of the book value of the relevant holdings.

	1995 DM million	1994 DM million
Tangible assets	841	1,109
Financial assets	208	261
	1,049	1,370

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

Gross Book Values						
	Acquisition or manufacturing cost Jan. 1, 1995	Amounts brought forw. in resp. of comps. consol. for the first time	Additions	Transfers	Disposals	Acquisition or manufacturing cost Dec. 31, 1995
Intangible Assets¹⁾						
Concessions, industrial and similar rights and licences in such rights	758	4	39	27	51	777
Payments on account	92	-	13	- 30	15	60
	850	4	52	- 3	66	837
Tangible Assets						
Land, land rights and buildings incl. buildings on land owned by others	16,736	241	318	113	204	17,204
Technical equipment and machinery	25,161	154	814	268	919	25,478
Other equipment and factory and office equipment	23,385	21	1,559	393	717	24,641
Payments on account and construction in progress	1,564	3	1,396	- 795	152	2,016
	66,846	419	4,087	- 21	1,992	69,339
Financial Assets						
Holdings in affiliated companies	84	3	17	0	19	85
Loans to affiliated companies	1	-	9	-	0	10
Holdings in associated companies	1,138	-	273	0	25	1,386
Participations	376	-	12	-	151	237
Loans to associated companies and companies linked through participation	18	-	-	-	12	6
Long-term financial investments	991	-	746	-	-	1,737
Other loans	1,143	-	90	-	694 ²⁾	539
Other financial assets	45	-	1	-	2	44
	3,796	3	1,148	-	903	4,044
	71,492	426	5,287	- 24	2,961	74,220
Leasing and Rental Assets	12,969	-	7,278	24	4,766⁴⁾	15,505

¹⁾Acquired goodwill has been set off against the revenue reserves.

²⁾Including exchange rate differences in the amount of 49 million DM

³⁾Including exchange rate differences in the amount of - 28 million DM

⁴⁾Including exchange rate differences in the amount of 206 million DM

⁵⁾Including exchange rate differences in the amount of - 58 million DM

Depreciation

Accumulated depreciation Jan. 1, 1995	Amounts brought forw. in resp. of comps. cons. for the first time	Depreciation current year	Transfers	Disposals	Write-ups	Accumulated depreciation Dec. 31, 1995	Book values Dec. 31, 1995	Book values Dec. 31, 1994
667	2	58	28	50	-	705	72	91
82	-	2	- 29	14	-	41	19	10
749	2	60	- 1	64	-	746	91	101
8,359	25	589	4	141	-	8,836	8,368	8,377
19,856	30	2,290	- 27	830	-	21,319	4,159	5,305
18,011	17	3,284	24	627	0	20,709	3,932	5,374
191	-	21	0	8	-	204	1,812	1,373
46,417	72	6,184	1	1,606	0	51,068	18,271	20,429
1	-	1	-	0	-	2	83	83
-	-	-	-	-	-	-	10	1
311	-	190	-	1	4	496	890	827
336	-	-	-	134	-	202	35	40
0	-	-	-	-	0	0	6	18
32	-	0	-	-	0	32	1,705	959
468	-	17	-	397 ³⁾	11	77	462	675
40	-	-	-	-	3	37	7	5
1,188	-	208	-	532	18	846	3,198	2,608
48,354	74	6,452	0	2,202	18	52,660	21,560	23,138
4,735	-	3,479	0	3,006 ⁵⁾	-	5,208	10,297	8,234
							31,857	31,372

Development of Asset Sides of the Volkswagen Group – DM million –

(2) Inventories

	Dec. 31, 1995 DM million	Dec. 31, 1994 DM million
Raw materials and supplies	1,868	1,781
Work in progress	1,835	1,582
Finished goods and merchandise	5,652	5,867
Advance payments	37	16
	9,392	9,246

(3) Receivables and other assets

	Dec. 31, 1995 DM million	Dec. 31, 1994 DM million
Trade receivables	5,592	4,495
– of which amounts due in more than one year	(4)	(3)
Receivables from affiliated companies	812	447
– of which trade receivables	(131)	(145)
Receivables from companies in which participations are held	1,332	1,004
– of which trade receivables	(248)	(98)
Other current assets	19,512	18,308
– of which amounts due in more than one year	(6,594)	(5,878)
	27,248	24,254

Significant items under "Other current assets" are the receivables relating to financing and leasing operations.

(4) Securities

	Dec. 31, 1995 DM million	Dec. 31, 1994 DM million
Treasury stock	5	5
Other securities	2,151	2,590
	2,156	2,595

Volkswagen AG holds treasury stock in the form of 76,493 shares, comprising 76,467 ordinary shares and 26 preferred shares with a total nominal value of DM 3,824,650; this corresponds to 0.2 % of the subscribed capital. 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 stock in connection with the issue of 63,250 shares with a nominal value of DM 50 each – giving a total nominal value of DM 3,162,500 (= 0.2 % of the subscribed capital) – to employees in November 1995. The issue price was DM 333.50 per share. The selling price for 61,312 shares to employees was fixed at DM 183.50 per share, the difference being debited to the

result for the year. A further 1,912 shares have been issued to employees of subsidiaries at the original issue price. The 47 preferred shares held at 31.12.1994 stemming from the capital increase in 1994 have been sold, together with two shares returned by employees. The profit on the sale of the 49 shares has been treated as income, based on quotations slightly higher than the historical prices and averaging DM 336.60 per share.

The reserve required by law for treasury stock exists in the amount of the relevant balance-sheet value.

„Other securities“ relate primarily to readily cash-convertible capital-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 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 90 million (1994: DM 112 million).

(6) Subscribed capital

Following the capital increases effected in the fiscal year – utilizing part of the existing potential capital stock and authorized capital stock – through the issue to employees of 63,250 non-voting preferred shares at a nominal value of DM 50 per share, with

a total value of DM 3,162,500, and 10 non-voting preferred shares at a nominal value of DM 50 per share, with a total value of DM 500, and 748,997 ordinary shares at a nominal value of DM 50 per share, with a total value of DM 37,449,850, through the exer-

cise of option rights, the subscribed capital now amounts to DM 1,714 million. The subscribed capital is composed of 27,748,997 bearer ordinary shares with nominal value of DM 50 and 6,534,970 non-voting preferred shares with nominal value of DM 50. In addition, there is an authorized capital stock of DM 300 million expiring on May 31, 2000, and a second authorized capital stock of DM 97 million for the issue of preferred shares to employees.

A potential capital stock of DM 60 million can be utilized in full by August 1, 2001 by the holders of the 72,000 warrants

(7) Capital reserve

The capital reserve exclusively comprises premiums on capital increases and the issue of option bonds. A total of DM 254 million was transferred to

attaching to the option bond issued in 1986. A further potential capital stock can be utilized up to a total of DM 193 million by October 27, 1998 by the holders of the 943,980 warrants attaching to the option bonds issued in 1988. There is an additional potential capital stock of DM 200 million arising from the issue of up to 4,000,000 ordinary and/or preferred shares. This potential capital increase will only be carried out to the extent that the holders of the option bonds and convertible bonds to be issued up to May 31, 2000, with a nominal value of up to DM 1.5 billion, exercise their subscription rights.

the capital reserve in 1995 in connection with the increase in subscribed capital of Volkswagen AG.

(8) Revenue reserves

	Dec. 31, 1995 DM million	Dec. 31, 1994 DM million
Legal reserve	60	60
Reserve for treasury stock	5	5
Other revenue reserves	3,973	4,834
	4,038	4,899

A total of DM 205 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. In the current year differences mainly on the assets side resulted from the demerger of the Autolatina companies and from the acquisition of additional shares in

three fully-consolidated companies. Furthermore, differences have arisen on the assets side and on the stockholders' equity and liabilities side deriving from initial consolidation and from one merger and one capital repatriation. A total of DM 1,224 million has been set off against "Other revenue reserves".

(9) Special items with an equity portion

	Dec. 31, 1995 DM million	Dec. 31, 1994 DM million
Reserves for tax purposes	51	63
Depreciation for tax purposes	1,598	2,435
	1,649	2,498

The Volkswagen Group has reserves in accordance with § 6b of the Income Tax Act/Section 35 of the Income Tax Guidelines and § 1 of the Developing Countries Tax Act. 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, § 6b of the Income Tax Act/Section 35 of the Income Tax Guidelines, § 7d of the Income Tax Act, § 82d of the Income Tax Direc-

tive, § 82a of the Income Tax Directive, § 80 of the Income Tax Directive, and § 14 of the Berlin Promotion Act. The European Union authorization required in accordance with the "Community Framework for State Aid to the Motor Industry" for special depreciation under § 4 of the Development Area Act has not yet been granted.

Two foreign companies 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 15 million (1994: DM 20

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

(11) Provisions

	Dec. 31, 1995 DM million	Dec. 31, 1994 DM million
Provisions for pensions and similar obligations	11,531	10,160
Provisions in respect of taxes	1,902	1,762
Other provisions	18,309	16,476
	31,742	28,398

In accordance with § 249 subsection 2 of the Commercial Code, provisions 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 allowance for specific financial burdens which have already been occasioned, among other things in connection with

model changes and ongoing restructuring measures. These provisions led to increased expenses in 1995. Without these measures, pre-tax earnings would have been 15 % higher (1994: 68 % higher).

Part of the amounts shown in the previous year as provisions for expenses has been stated under "Provisions for uncertain liabilities".

(12) Liabilities

	Dec. 31, 1995	of which payable within up to 1 year	Dec. 31, 1994	of which payable within up to 1 year
	DM million	DM million	DM million	DM million
Bonds	4,205	419	4,422	683
– of which convertible	(1,161)	(250)	(1,240)	(–)
Liabilities to banks	19,150	12,841	20,215	13,519
Advance payments received	674	674	612	612
Trade payables	5,636	5,592	5,148	5,098
Notes payable	402	76	100	98
Amounts payable to affiliated companies	94	94	108	108
Amounts payable to companies in which participations are held	665	665	522	522
Other liabilities	6,997	4,564	6,172	3,717
– of which taxes	(536)	(532)	(466)	(466)
– of which in respect of social insurance	(479)	(479)	(484)	(483)
	37,823	24,925	37,299	24,357

The total liabilities payable within more than five years amount to DM 2,293 million (1994: DM 4,426 million).

Of the liabilities shown in the consolidated balance sheet, a

total of DM 1,720 million (1994: DM 1,751 million) is secured, for the most part, through charges on real estate. In the case of supply of goods, the usual retention of title exists.

Contingencies and commitments

	Dec. 31, 1995 DM million	Dec. 31, 1994 DM million
Contingent liabilities with respect to notes	872	724
Contingent liabilities with respect to guarantees	476	236
Contingent liabilities with respect to warranties	950	827
Pledges on company assets to secure another party's liabilities	12	14

The trust assets and liabilities not included in the consolidated balance sheet in respect of the savings associations and

trust companies belonging to the South American subsidiaries amount to DM 1,611 million (1994: DM 747 million).

Other financial obligations

	Dec. 31, 1995 DM million	Dec. 31, 1994 DM million
Obligations in respect of capital contributions	260	271
Annual obligations in respect of long-term rental and leasing contracts	790	920

Financial obligations in respect of capital contributions exist in 1996 in respect of our joint project with Ford in Portugal and our commitments in China and Poland.

The other financial obligations in respect of leasing and rental contracts include payment obligations towards two associated leasing companies in the form of future leasing instalments on the basis of average terms of 36 months and 8 months; these obligati-

ons amount to DM 524 million for 1996 and are matched by corresponding claims on customers.

Obligations towards third parties may arise from the demerger of the Autolatina companies, matched by claims on the former co-shareholder in the same amount.

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

Notes on the Statement of Earnings

(13) Sales

	1995		1994	
	DM million	Share %	DM million	Share %
Germany	34,504	39.2	32,907	41.1
Europe (excl. Germany)	29,974	34.0	26,953	33.7
North America	5,258	6.0	4,875	6.1
Latin America	11,062	12.5	9,867	12.3
Africa	1,784	2.0	1,346	1.7
Asia/Oceania	5,537	6.3	4,093	5.1
Total	88,119	100.0	80,041	100.0

Vehicle sales of the Volkswagen Group accounted for 78 % of sales proceeds, parts sales for 8 % and other sales for

14 %. Other sales include the proceeds from the sale of used assets of leasing and rental companies.

(14) Other operating income

	1995 DM million	1994 DM million
Other operating income	6,811	5,587
- of which income from elimination of special items with an equity portion	(909)	(1,049)

Apart from income from elimination of special items with an equity portion, other operating income resulted primarily from the handling of foreign exchange transactions and differ-

ences from the translation of the items in the statements of earnings of consolidated foreign companies, and from the elimination of provisions.

(15) Other operating expenses

	1995 DM million	1994 DM million
Other operating expenses	4,659	4,272
– of which transfers to special items with an equity portion	(52)	(180)

In addition to transfers to the special items with an equity portion, other operating expenses include in particular expenses incurred in connection with handling of foreign exchange transactions, depre-

ciation of current assets, and expenses for various risks.

Depreciation for tax purposes was charged in the amount of DM 38 million (1994: DM 157 million), solely in respect of fixed assets.

(16) Results from participations

	1995 DM Million	1994 DM Million
Income from participations	392	193
– of which from affiliated companies	(18)	(6)
– of which from associated companies	(51)	(40)
– of which from valuation of holdings in associated companies	(322)	(144)
Income from profit assumption agreements	1	0
Expenses from holdings in associated companies	87	191
Expenses from loss assumptions	77	29
	229	- 27

(17) Interest results

	1995 DM million	1994 DM million
Income from other securities and long-term loans	119	102
Other interest and similar income	3,204	2,947
– of which from affiliated companies	(54)	(46)
Interest and similar expenses	2,344	2,172
– of which to affiliated companies	(3)	(8)
	979	877

(18) Net earnings

The difference between the net earnings and the net earnings available for distribution has been absorbed in the consolidated revenue reserves. The consolidated net earnings available for distribution consequently correspond to the parent company's net earnings available for distribution.

The net earnings have been influenced by expenses attributable to other fiscal years amounting to DM 352 million (1994: DM 603 million) and income not relating to the period under report totalling DM 1,677 million (1994: DM 1,128 million).

The changes of valuation in the pension provisions and inventories have affected the assets and financial position only to a minor degree. The pre-tax result has been redu-

ced by approximately 1/3 as a result of those changes.

The net earnings of the Volkswagen Group have been increased as a result of tax-related measures. These mainly involve the necessary elimination of special items in accordance with § 3 subsection 2 of the Border Area Promotion Act and § 4 of the Development Area Act, which were matched by special depreciation in accordance with § 4 of the Development Area Act and § 6b of the Income Tax Act. Without these measures the Volkswagen Group would have posted a loss.

Net earnings include minority interests in profit totalling DM 17 million (1994: DM 63 million) and minority shares in losses amounting to DM 35 million (1994: DM 62 million).

Total expenses for the period

	1995 DM million	1994 DM million
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Cost of materials

Raw materials and supplies, purchased goods and purchased services	52,166	48,230
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Labour cost

Wages and salaries	14,319	14,359
Social insurance, pension costs and benefits	4,686	4,005
– of which in respect of pensions	(1,841)	(1,128)
	19,005	18,364

Average numbers of employees during the year

	1995	1994
Wage-earners	125,784	124,676
Salaried workers	53,313	55,466
Salaried staff	57,536	57,359
	236,633	237,501
Apprentices	5,652	6,137
	242,285	243,638

The members of the Board of Management and the Supervisory Board, together with changes in the membership of these bodies, are listed on pages 8 to 11 of this Annual Report.

The remuneration of the members of the Board of Management for the fiscal year 1995 in respect of the Volkswagen Group totalled DM 12,341,454.

Retired members of the Board of Management and their surviving dependants received DM 13,889,615. These payments are covered by provisions for current pensions amounting to DM 136,002,928.

Loans totalling DM 410,600 have been granted to members of the Supervisory Board (amount redeemed in 1995: DM 27,700). The loans have an interest rate of 4 % and an agreed term of 12.5 years.

The remuneration of the Supervisory Board amounted to DM 505,500.

Wolfsburg, February 20, 1996

VOLKSWAGEN AKTIENGESELLSCHAFT
The Board of Management

Independent auditors' report

"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, February 22, 1996

C&L Deutsche Revision

Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Siepe
Wirtschaftsprüfer

Dr. Heine
Wirtschaftsprüfer

	1986	1987	1988	1989	1990
Sales (DM million)	52,794	54,635	59,221	65,352	68,061
Change on previous year in %	1	3	8	10	4
Domestic	18,839	22,555	22,653	23,682	26,929
Abroad	33,955	32,080	36,568	41,670	41,132
Export of domestic Group companies	23,414	22,898	24,395	27,601	28,323
Net contribution of foreign Group companies	14,127	13,080	15,961	18,256	18,242
Vehicle Sales (thousand units)	2,758	2,774	2,854	2,941	3,030
Change on previous year in %	15	1	3	3	3
Domestic	838	921	848	849	945
Abroad	1,920	1,853	2,006	2,092	2,085
Production (thousand units)	2,777	2,771	2,848	2,948	3,058
Change on previous year in %	16	0	3	4	4
Domestic	1,654	1,666	1,694	1,783	1,816
Abroad	1,123	1,105	1,154	1,165	1,242
Cost of materials (DM million)	28,656	31,331	32,888	37,533	40,469
Change on previous year in %	8	9	5	14	8
As % of sales	54	57	56	57	59
Workforce (thousand employees) ¹⁾	276	260	252	251	261
Change on previous year in %	7	- 6	- 3	- 1	4
Domestic	169	170	165	161	166
Abroad	107	90	87	90	95
Labour cost (DM million)	14,747	15,192	15,144	16,107	17,056
Change on previous year in %	6	3	0	6	6
As % of sales	28	28	26	25	25
Capital Investments (DM million)	6,371	4,592	4,251	5,606	5,372
Change on previous year in %	88	- 28	- 7	32	- 4
Domestic	3,849	4,000	3,546	4,477	3,016
Abroad	2,522	592	705	1,129	2,356
Additions to Leasing and Rental Assets (DM million)	2,738	3,318	3,447	4,069	4,419
Change on previous year in %	- 15	21	4	18	9
Cash Flow (DM million) ²⁾	4,285	4,874	5,018	5,412	5,701
Change on previous year in %	- 6	14	3	8	5
Result after Taxes (DM million)	580	598	780	1,038	1,086
Dividend of Volkswagen AG (DM million)	306	306	306	336	369
Ordinary shares (DM million)	240	240	240	264	297
Preferred shares (DM million)	66	66	66	72	72

¹⁾ Workforce (excl. apprentices) as average over year.

²⁾ Since 1994 cash flow has been determined on the basis of the recommendations of the Schmalenbach Society.

	1991	1992	1993	1994	1995	
Sales (DM million)	76,315	85,403	76,586	80,041	88,119	Sales (DM million)
Change on previous year in %	12	12	- 10	5	10	Change on previous year in %
Domestic	36,360	39,508	34,326	32,907	34,504	Domestic
Abroad	39,955	45,895	42,260	47,134	53,615	Abroad
Export of domestic Group companies	28,093	33,884	26,797	27,090	32,038	Export of domestic Group companies
Net contribution of foreign Group companies	18,809	15,412	23,104	26,944	30,311	Net contribution of foreign Group companies
Vehicle Sales (thousand units)	3,237	3,433	2,962	3,108	3,442	Vehicle Sales (thousand units)
Change on previous year in %	7	6	- 14	5	11	Change on previous year in %
Domestic	1,264	1,211	914	901	937	Domestic
Abroad	1,973	2,222	2,048	2,207	2,505	Abroad
Production (thousand units)	3,238	3,500	3,019	3,042	3,408	Production (thousand units)
Change on previous year in %	6	8	- 14	1	12	Change on previous year in %
Domestic	1,814	1,929	1,411	1,425	1,539	Domestic
Abroad	1,424	1,571	1,608	1,617	1,869	Abroad
Cost of materials (DM million)	47,039	54,817	47,530	48,230	52,166	Cost of materials (DM million)
Change on previous year in %	16	17	- 13	2	8	Change on previous year in %
As % of sales	62	64	62	60	59	As % of sales
Workforce (thousand employees) ¹⁾	277	273	253	238	237	Workforce (thousand employees) ¹⁾
Change on previous year in %	6	- 1	- 7	- 6	0	Change on previous year in %
Domestic	167	164	150	141	138	Domestic
Abroad	110	109	103	97	99	Abroad
Labour cost (DM million)	18,872	20,753	18,887	18,364	19,005	Labour cost (DM million)
Change on previous year in %	11	10	- 9	- 3	3	Change on previous year in %
As % of sales	25	24	25	23	22	As % of sales
Capital Investments (DM million)	9,910	9,254	4,840	5,651	6,863	Capital Investments (DM million)
Change on previous year in %	84	- 7	- 48	17	21	Change on previous year in %
Domestic	6,311	4,853	2,675	3,899	4,053	Domestic
Abroad	3,599	4,401	2,165	1,752	2,810	Abroad
Additions to Leasing and Rental Assets (DM million)	4,961	6,139	5,438	5,781	7,278	Additions to Leasing and Rental Assets (DM million)
Change on previous year in %	12	24	- 11	6	26	Change on previous year in %
Cash Flow (DM million) ²⁾	7,133	7,004	3,636	8,819	6,922	Cash Flow (DM million) ²⁾
Change on previous year in %	25	- 2	- 48	x	- 22	Change on previous year in %
Result after Taxes (DM million)	1,114	147	- 1,940	150	336	Result after Taxes (DM million)
Dividend of Volkswagen AG (DM million)	369	66	67	107	207	Dividend of Volkswagen AG (DM million)
Ordinary shares (DM million)	297	54	54	81	162	Ordinary shares (DM million)
Preferred shares (DM million)	72	12	13	26	45	Preferred shares (DM million)

Balance-sheet Structure (DM million)

December 31	1986	1987	1988	1989	1990	1991
Assets						
Intangible assets	2	29	76	134	261	372
Tangible assets	12,111	13,406	13,836	15,493	16,826	21,126
Financial assets	1,099	1,125	1,304	1,621	1,418	2,655
Leasing and rental assets	4,106	4,919	5,427	5,561	5,834	6,293
Fixed assets	17,318	19,479	20,643	22,809	24,339	30,446
Inventories	6,802	6,618	6,506	7,301	8,703	9,049
Receivables and other assets	8,675	9,403	11,848	14,472	15,065	19,011
Securities	364	426	488	2,360	2,764	2,329
Liquid funds	8,553	8,135	10,809	9,929	11,842	9,255
Current Assets	24,394	24,582	29,651	34,062	38,374	39,644
Total Assets	41,712	44,061	50,294	56,871	62,713	70,090
Stockholders' Equity and Liabilities						
Subscribed capital	1,500	1,500	1,500	1,500	1,650	1,656
Reserves of the Group	7,891	8,496	9,040	9,667	11,491	12,098
Minority interest	408	405	405	439	145	164
Net earnings available for distribution	307	308	308	339	374	373
Minority interest in results after taxes	3	17	42	54	33	12
Special items with an equity portion	1,828	2,203	2,452	2,925	2,882	3,823
Special item for investment subsidies	10	9	9	12	13	19
Stockholders' Equity	11,947	12,938	13,756	14,936	16,588	18,145
Provisions for pensions	5,294	5,889	6,314	6,652	7,283	8,089
Provisions for taxes	992	925	1,358	2,001	1,828	2,032
Other provisions	8,228	8,050	9,418	10,454	10,680	10,161
Provisions	14,514	14,864	17,090	19,107	19,791	20,282
Liabilities payable within more than 5 years	1,344	1,217	1,929	1,934	1,840	3,813
1 to 5 years	1,456	1,999	2,121	3,289	3,339	3,900
up to 1 year	12,451	13,043	15,398	17,605	21,155	23,950
Liabilities	15,251	16,259	19,448	22,828	26,334	31,663
Outside Capital	29,765	31,123	36,538	41,935	46,125	51,945
Total Capital	41,712	44,061	50,294	56,871	62,713	70,090

Statement of Earnings (Condensed)
(DM million) January–December

Sales	52,794	54,635	59,221	65,352	68,061	76,315
Cost of sales	46,746	48,526	51,315	56,196	61,890	69,472
Selling and general administration expenses	5,380	5,498	6,321	7,151	7,308	7,599
Other operating income less other operating expenses	632	931	38	209	2,615	1,302
Financial results	295	68	513	773	914	1,239
Results from ordinary business activities	1,595	1,610	2,136	2,987	2,392	1,785
Extraordinary results	- 473	- 443	-	-	-	-
Taxes on income	542	569	1,356	1,949	1,306	671
Results after taxes	580	598	780	1,038	1,086	1,114

Balance-sheet Structure (DM million)

December 31	1992	1993	1994	1995	Change 1995/94 in %
Assets					
Intangible assets	631	646	101	91	- 9.5
Tangible assets	24,050	23,067	20,429	18,271	- 10.6
Financial assets	2,747	1,823	2,608	3,198	22.6
Leasing and rental assets	7,393	7,517	8,234	10,297	25.1
Fixed assets	34,821	33,053	31,372	31,857	1.5
Inventories	9,736	11,026	9,246	9,392	1.6
Receivables and other assets	21,394	22,943	24,554	27,498	12.0
Securities	1,497	1,119	2,595	2,156	- 16.9
Liquid funds	7,836	11,157	13,317	13,174	- 1.1
Current Assets	40,463	46,245	49,712	52,220	5.0
Total Assets	75,284	79,298	81,084	84,077	3.7
Stockholders' Equity and Liabilities					
Subscribed capital	1,664	1,671	1,674	1,714	2.4
Reserves of the Group	11,800	9,521	9,202	8,595	- 6.6
Minority interest	859	905	733	490	- 33.1
Net earnings available for distribution	71	71	111	209	89.2
Minority interest in results after taxes	68	98	1	- 18	x
Special items with an equity portion	3,659	3,191	2,498	1,649	- 34.0
Special item for investment subsidies	18	23	20	15	- 28.1
Stockholders' Equity	18,139	15,480	14,239	12,654	- 11.1
Provisions for pensions	9,113	9,553	10,160	11,531	13.5
Provisions for taxes	1,773	1,784	1,762	1,902	8.0
Other provisions	11,323	14,575	16,476	18,309	11.1
Provisions	22,209	25,912	28,398	31,742	11.8
Liabilities payable within more than 5 years	4,557	4,289	4,426	2,293	- 48.2
1 to 5 years	6,222	8,707	9,271	11,782	27.1
up to 1 year	24,157	24,910	24,750	25,606	3.5
Liabilities	34,936	37,906	38,447	39,681	3.2
Outside Capital	57,145	63,818	66,845	71,423	6.9
Total Capital	75,284	79,298	81,084	84,077	3.7

Statement of Earnings (Condensed)
(DM million) January–December

Sales	85,403	76,586	80,041	88,119	10.1
Cost of sales	79,155	71,117	72,720	80,699	11.0
Selling and general administration expenses	7,977	8,278	8,786	9,457	7.6
Other operating income less other operating expenses	1,612	782	1,315	2,152	63.7
Financial results	719	391	611	998	63.2
Results from ordinary business activities	602	- 1,636	461	1,113	x
Extraordinary results	-	-	-	-	-
Taxes on income	455	304	311	777	x
Results after taxes	147	- 1,940	150	336	x



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