



**Report
for the Year 1979
Volkswagenwerk
Aktiengesellschaft
Wolfsburg**

The Volkswagen Group in Figures 1971 — 1979¹⁾

	1979	1978	1977	1976	1975	1974	1973	1972	1971
Sales (million DM)	30,707	26,724	24,152	21,423	18,857	16,966	16,982	15,996	16,473
Increase (Decrease) on previous year in %	15	11	13	14	11	0	6	(3)	9
Domestic	12,499	11,229	9,714	8,068	6,552	5,161	5,364	5,035	5,135
Abroad	18,208	15,495	14,438	13,355	12,305	11,805	11,618	10,961	11,338
Export of domestic Group companies	12,337	10,932	9,914	8,744	7,142	8,547	8,965	7,718	8,210
Net contribution of foreign Group companies	7,398	5,970	5,634	5,570	5,798	3,826	3,063	3,539	3,430
Vehicle Sales (thousand units)	2,539	2,393	2,240	2,142	2,038	2,052	2,281	2,197	2,317
Increase (Decrease) on previous year in %	6	7	5	5	(1)	(10)	4	(5)	5
Domestic	901	895	811	726	626	548	619	628	694
Abroad	1,638	1,498	1,429	1,416	1,412	1,504	1,662	1,569	1,623
Production (thousand units)	2,542	2,385	2,219	2,166	1,949	2,068	2,335	2,193	2,354
Increase (Decrease) on previous year in %	7	7	2	11	(6)	(11)	7	(7)	6
Domestic	1,558	1,569	1,561	1,436	1,229	1,359	1,720	1,673	1,867
Abroad	984	816	658	730	720	709	615	520	487
Labour Force at year end (thousand employees)	240	207	192	183	177	204	215	192	202
Increase (Decrease) on previous year in %	16	8	5	4	(13)	(5)	12	(5)	6
Domestic	157	139	133	124	118	142	161	149	160
Abroad	83	68	59	59	59	62	54	43	42
Capital Investments (million DM)	3,100	1,990	1,697	1,141	941	1,902	1,556	1,573	1,947
Increase (Decrease) on previous year in %	56	17	49	21	(51)	22	(1)	(19)	18
Domestic	2,374	1,559	969	657	594	1,313	928	1,183	1,545
Abroad	726	431	728	484	347	589	628	390	402
Cash Flow (million DM)	2,993	2,609	2,488	3,055	1,320	618	1,671	1,545	1,359
Increase (Decrease) on previous year in %	15	5	(19)	131	114	(63)	8	14	(9)
Net Earnings (million DM)	667	574	419	1,004 ²⁾	(157)	(807)	330	206	147
Dividend of Volkswagenwerk AG (million DM)	240	189	144 ³⁾	90	—	—	81	81	81

¹⁾ In the case of alterations to the items shown we have adjusted the figures for the previous year.

²⁾ Not comparable with other years because of loss brought forward

³⁾ Incl. bonus

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The Supervisory Board
and the Board of Management of
Volkswagenwerk Aktiengesellschaft
present the Report for the Year 1979
with their compliments.

Wolfsburg, April 1980

Volkswagen Group		1979	1978	Increase	% ¹⁾
Sales	million DM	30,707	26,724	3,983	14.9
Sales (comparable with previous year) ²⁾	million DM	29,296	26,724	2,572	9.6
Vehicle Sales	units	2,538,569	2,393,170	145,399	6.1
Production	units	2,541,761	2,384,563	157,198	6.6
Labour Force	at year end	239,714	206,948	32,766	15.8
Capital Investments (Additions)	million DM	3,100	1,990	1,110	55.8
Depreciation and Write-down	million DM	1,696	1,456	240	16.5
Cost of Materials	million DM	15,835	14,099	1,736	12.3
Labour Cost	million DM	9,113	7,656	1,457	19.0
Net Earnings	million DM	667	574	93	16.2
Dividend of Volkswagenwerk AG	million DM	240	189	51	27.0

¹⁾ All percentages are based on non-rounded figures.

²⁾ Excluding the companies Triumph Werke Nürnberg AG
and Chrysler Motors do Brasil consolidated for the first time in 1979

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Balance Sheet of Volkswagenwerk AG

Statement of Earnings of Volkswagenwerk AG

The Volkswagen Group in Figures 1971 – 1979 (front and back covers)

Agenda

for the
Annual Meeting of Stockholders
of
Volkswagenwerk
Aktiengesellschaft
to be held at 10:00 a.m.
on Thursday, July 3, 1980
at the Stadthalle in Wolfsburg

1. Presentation of audited financial statements, the annual report for 1979, together with the report of the Supervisory Board, the recommendations with respect to disposition of the current year's net earnings after reserve transfers shown in the financial statements, the financial statements of the Volkswagen Group and related comments for the year 1979

2. Resolution with respect to disposition of the net earnings after reserve transfers

The Supervisory Board and the Board of Management propose to distribute from the net earnings after reserve transfers of 240,195,316 DM a dividend of 10.— DM per share of nominal value 50.— DM on the capital stock of 1,200,000,000 DM, that is, 240,000,000 DM.

The balance and also the sum which should have been distributed in respect of own stock held by the Company on the day

of the Annual Meeting of Stockholders and which in accordance with § 71, section 6 of AktG (German Corporation Law) cannot be distributed, will be carried forward.

3. Resolution with respect to discharge of responsibility of the Board of Management for the year 1979

4. Resolution with respect to discharge of responsibility of the Supervisory Board for the year 1979

With respect to items 3 and 4, the Supervisory Board and the Board of Management propose to be discharged of responsibility.

5. Appointment of auditors for the year 1980

The Supervisory Board proposes to appoint TREUARBEIT Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft — Steuerberatungsgesellschaft, Hanover, as auditors for the year 1980.

Supervisory Board (Aufsichtsrat)

Karl Gustaf Ratjen (60), Frankfurt
Chairman as from 16.11.1979
Chairman of the Board of
Management of
Metallgesellschaft AG

Eugen Loderer (59), Frankfurt
Deputy Chairman
Chairman of the
Metalworkers' Union

Hans Birnbaum (68), Salzgitter
Chairman up to 16.11.1979

Rudolf Blank (46), Wolfsburg
Deputy Chairman of the
Group Works Council
of the Volkswagenwerk AG

Birgit Breuel (42), Hanover
Minister for Economic
Affairs and Transport of
Lower Saxony

Dr. jur. F. Wilhelm Christians (57)
Düsseldorf
Member of the Board of
Management of Deutsche Bank AG

Siegfried Ehlers (55), Wolfsburg
Chairman of the Group Works
Council of the
Volkswagenwerk AG

Albert Hoffmeister (51), Wolfsburg
Senior Executive of the
Volkswagenwerk AG

Hans-Günter Hoppe (57), Berlin
Former Member of the
Berlin Senate

Walther Leisler Kiep (54), Hanover
Minister of Finance of
Lower Saxony

Gerd Kühl (57), Frankfurt
Trade Union Secretary to the
Executive Committee of the
Metalworkers' Union

Manfred Lahnstein (42), Bonn
Undersecretary of State in the
Federal Ministry of Finance

Walter Martius (60)
Velbert-Langenberg
Business Consultant

Hans L. Merkle (67)
Gerlingen-Schillerhöhe
Chairman of the Management
of Robert Bosch GmbH

Karl Heinrich Mihr (44), Kassel
Chairman of the Volkswagenwerk
AG's Works Council representing
the Kassel Plant

Gerhard Mogwitz (46), Hanover
Chairman of the Volkswagen-
werk AG's Works Council
representing the Hanover Plant

Walter Neuert (54), Ingolstadt
Chairman of the Joint Works
Council of AUDI NSU
AUTO UNION AG

Dr. rer. pol. Otto Schlecht (54)
Bonn-Duisdorf
Undersecretary of State in the
Federal Ministry of Economics

Kurt Ernst Schmiedl (55), Emden
Chairman of the Volkswagen-
werk AG's Works Council represent-
ing the Emden Plant

Dr. rer. pol. Albert Schunk (38)
Frankfurt
Trade Union Secretary to
the Executive Committee of the
Metalworkers' Union

Board of Management (Vorstand)

Toni Schmücker (58)
Chairman of the Board of
Management

Claus Borgward (41)
as from 11 April 1980
Quality Assurance

Karl-Heinz Briam (57)
Personnel and Social Matters
(Labour Director)

Prof. Dr. techn. Ernst Fiala (51)
Research and Development

Dr. jur. Peter Frerk (49)
Legal Matters, Auditing
and National Economy

Dr. jur. Wolfgang R. Habbel (56)
AUDI NSU AUTO UNION AG

Günter Hartwich (44)
Production

Horst Münzner (55)
Purchasing and Material
Administration

Dr. rer. pol. Werner P. Schmidt (47)
Sales

Prof. Dr. rer. pol. Friedrich Thomée (59)
Finance and Business
Administration

Report of the Supervisory Board

During the year under review the Board of Management has kept the Supervisory Board currently informed as to the status of the Company, its business activity and its business policy. The transactions which are subject to the approval of the Supervisory Board in accordance with the law or the Company's charter were discussed in detail at the meetings of the Supervisory Board and its committees before a resolution was passed. A continuous control was exercised by the Supervisory Board on the conduct of the business with the written and oral reports from the Board of Management being used as a basis for this.

The Group's financial statements and the financial statements of the Volkswagenwerk AG as at December 31, 1979 as well as the Annual Report have been submitted to the Supervisory Board. The auditors, TREUARBEIT Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Hanover, have reviewed these financial statements as well as the Annual Report and the accounts and have expressed unqualified approval of the financial statements.

The Supervisory Board states that its own review of the financial statements of Volkswagenwerk AG and the Annual Report gave no cause for objections.

The Supervisory Board therefore concurs with the auditors' report and approves the financial state-

Wolfsburg, 11 April 1980



Chairman of the Supervisory Board

ments which are hereby confirmed. The proposal of the Board of Management concerning the disposition of the net earnings after reserve transfers has been approved by the Supervisory Board.

At the meeting of the Supervisory Board on 16 November 1979 Herr Birnbaum requested the Supervisory Board to release him from the chairmanship with immediate effect for personal reasons after a long illness, and proposed Herr Ratjen as his successor.

The Supervisory Board unanimously elected Herr Ratjen as the new Chairman of the Board. Herr Ratjen accepted his election. Herr Birnbaum will continue to be a member of the Supervisory Board of Volkswagenwerk AG.

The Supervisory Board thanks Herr Birnbaum for his long years of valuable work as Chairman, in particular his energetic commitment and his exceptional contribution to the consolidation of the Volkswagen Group.

The Supervisory Board heartily welcomes Herr Birnbaum's continued membership of this Board.

With effect from 11 April 1980 the Supervisory Board has appointed Herr Claus Borgward member of the Board of Management for the newly-created Quality Assurance Division.

Report of the Board of Management

The global economic situation in 1979 was primarily characterised by further increases in the price of raw materials and an accelerated price rise particularly in the second half of the year. In particular the drastic increases in mineral oil prices and politico-economic measures for the stemming of inflation resulted in economy-damping effects of varying intensity.

The economic recovery seen in the west European industrial countries in 1978 and characterised by increasing production and falling inflation rates did not continue in unrestricted form in the year under review. Endeavours towards a stability-aligned monetary and finance policy restricted demand, production and employment, with the result that in western Europe in the course of 1979 the economic upswing receded from its high point.

In the USA recessionary trends have been evident since the Spring of 1979. This negative development was further boosted by the effects of petrol price rises and temporary shortages.

Despite a considerable improvement in the balance of current transactions the US dollar came under renewed pressure above all in the second half of the year, falling even below

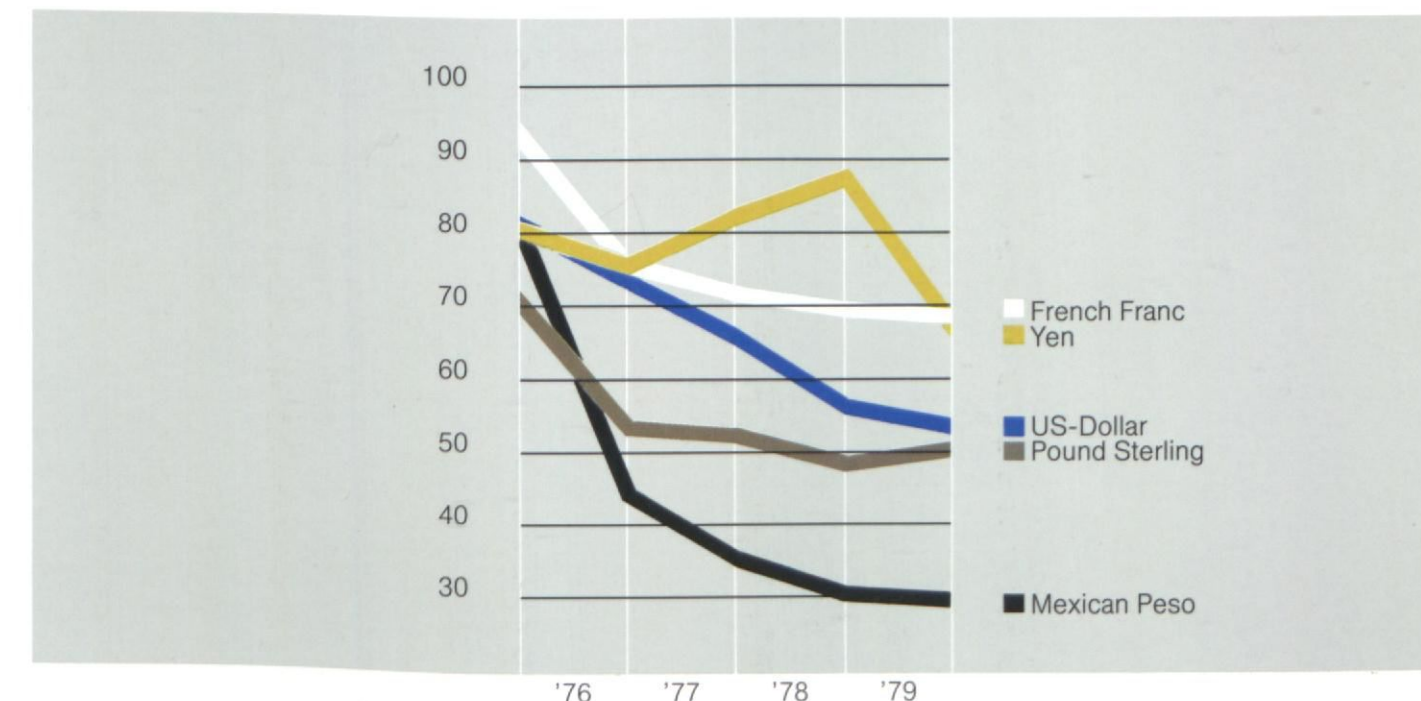
its previous low of 1978. Even greater was the fall in the value of the yen, which improved the competitiveness of the Japanese exporters. This led above all in the USA and the Federal Republic of Germany to distinct market share gains for Japanese motor manufacturers.

The overall economic development in the Federal Republic of Germany was marked in 1979 by a broad upward movement which led to a real growth in the gross national product of more than 4%. For the first time since 1974 the number of unemployed fell distinctly below the one-million mark, new jobs in the automotive sector contributing to this.

One of the most important contributions to the strengthening of economic upward forces was made by the significant increase in firms' investment activities.

The automotive industry continued to be a pillar of the domestic economic upswing, although the impulses from motor vehicle production weakened in the second half of 1979. The demand for passenger cars, after a domestic boom of more than four years, moved closer towards the long-term trend. The sales potential above all for vehicles of the upper capacity range worsened visibly.

Development of exchange rates of various currencies against the German Mark (index 1972 = 100)



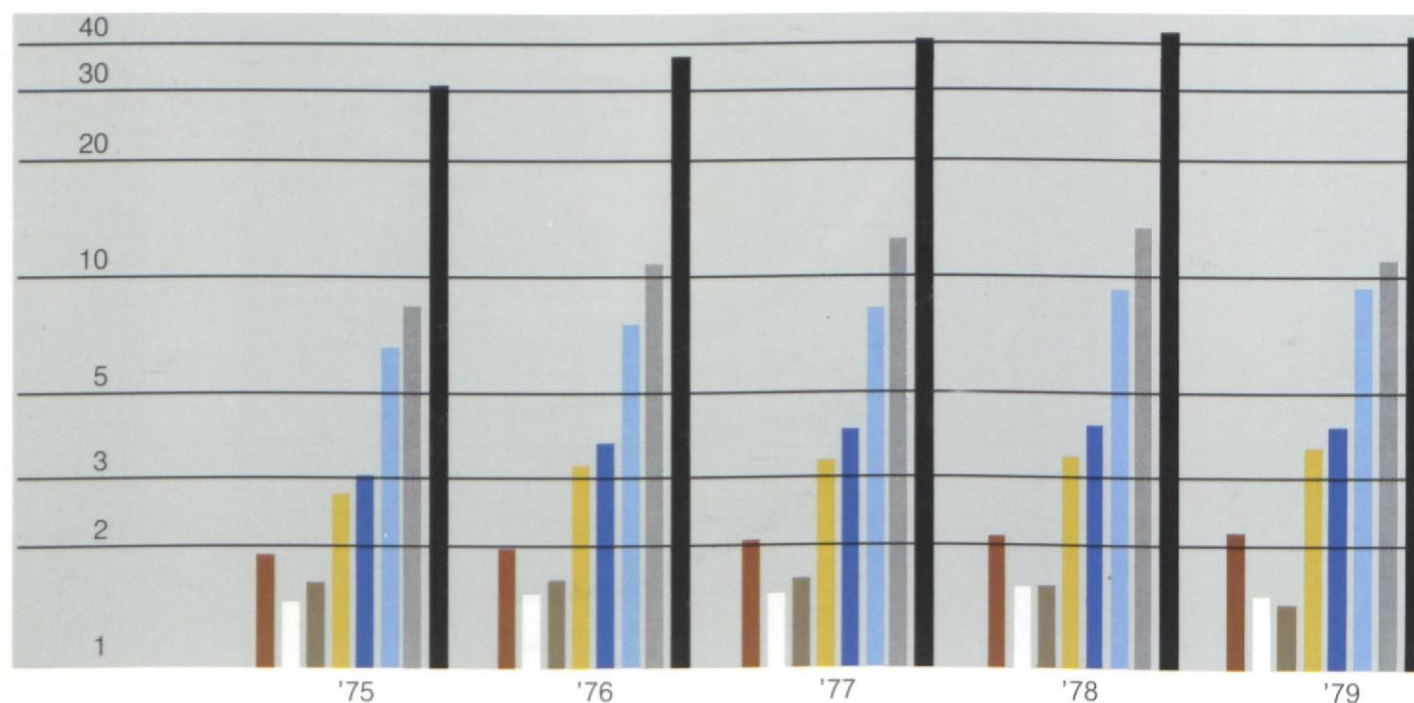
In spite of difficulties arising from exchange rate developments export sales again increased. This resulted in total vehicle production of German manufacturers in 1979 achieving a record level of 4.25 million units.

The Volkswagen Group had a higher than average participation in the good overall motor vehicle economy. Whereas in Germany total vehicle sales almost achieved the high level of the previous year the registrations of Volkswagen and Audi models exceeded the previous best result of 1978.

On the export markets the development for our companies was favourable despite loss of competitiveness through continuing revaluation of the DM. Demand for Group

Production development in the motor manufacturing industry in million vehicles (logarithmic scale)

- World-wide
- USA
- Japan
- Federal Republic of Germany
- France
- Great Britain
- Italy
- Soviet Union



vehicles could not always be fully satisfied since in accordance with the policy of controlled expansion we do not align our production capacity to demand peaks. The strongest increases in sales on the European export markets were achieved in France, Italy and Great Britain.

The problems of energy supply and the rising costs of running motor vehicles led in the report period to a fall in the US car market of 5.7%. American manufacturers were on the whole unable to maintain their position. Volkswagen of America however was able to extend both production and sales on the basis of products corresponding to market requirements. Sales of imported cars, especially Japanese, on the American market increased at a rate of 24%.

The heavier demand for low consumption, environmentally acceptable vehicles led to more cars of small capacity classes being produced. This development favoured the sales of Volkswagen and Audi models. The difficult delivery situation at Volkswagen of America was made easier by the start of Rabbit production (the American version of the Golf) at the Westmoreland plant. Even so demand considerably exceeded the production capacity of this factory.

Deliveries of Volkswagen Group vehicles in the USA were characterised above all by the strong growth of the Rabbit. Since August 1979 this model – with the exception of the Convertible – has been produced at the Westmoreland factory in all its US versions.

Our producing subsidiaries in Mexico and South Africa can also look back on a successful year. Demand for cars continued stable. In addition in both countries the recessive development of previous years was overcome.

In Brazil Volkswagen sales were slightly higher than in the previous year. This resulted on the one hand from production losses through strikes, on the other however from government measures for improving the balance of payments and fighting inflation. Harder hire purchase conditions for example led to a reduction in passenger car sales which affected all manufacturers on the Brazilian vehicle market.

The significant increase in the Volkswagen Group's labour force resulted both from the continued good health of the motor vehicle market in the year ended and from the incorporation of the Triumph-Adler group and Chrysler Motors do Brasil.

The Board of Management takes this opportunity of thanking all employees and employee representative committees for their strong personal involvement in their work. Responsible and good collaboration between management and works councils has led to a satisfactory fulfilment of the Group's tasks.

We honour the memory of those employees who passed away in the course of 1979.

The increasingly international nature of the Volkswagen Group was already reflected in the introduction of VW shares on the Vienna Stock Exchange in November 1978. Now the shares are also traded in Belgium and Luxembourg; the first official listing on the Brussels, Antwerp and Luxembourg exchanges occurred at the end of September last year.

In 1979 Volkswagenwerk AG acquired a holding of 53.8% in the Triumph Werke Nürnberg AG. The annual meeting of stockholders of Triumph Werke Nürnberg AG on 18 July 1979 resolved to increase capital stock by 34.5 million DM to 80.5 million DM.

Diversification on a regional basis lies behind the acquisition of 66.7% of the capital stock of Chrysler Motors

do Brasil. With this involvement, which began in March 1979, the Volkswagen Group will extend its activities on the Brazilian commercial vehicle market.

On 4 July 1979 the Annual Meeting of Stockholders of Volkswagenwerk AG approved the creation of an authorised capital of nominal value 300 million DM in accordance with the statutory provisions of § 202 AktG. This measure increases the financial flexibility of the Company, at the same time making it possible to assure the capital resources necessary in the long-term view. The existence of an authorised capital enables the Board of Management with the agreement of the Supervisory Board to carry out a corresponding capital increase at any time within a period of 5 years.

Despite the expected easing of demand in the second half of the year, the business year of 1979 was again a successful one for the Volkswagen Group. Net earnings of 667 million DM were achieved. This is above all the result of a model policy appropriate to the market, a high degree of exploitation of capacity and an improved results situation in the foreign subsidiaries.

The parent company achieved a surplus of 438 million DM.

This result makes possible the distribution of a dividend of 10.– DM per 50.– DM share on capital stock fully entitled in 1979. This means an increase of the total sum distributed by 51 million DM to 240 million DM, an increase of 27.0%.

Taking the tax credit of 5.63 DM into account, for an entitled taxpaying stockholder the revenue per share is 15.63 DM.

For reasons of the increasingly international nature of the Volkswagen Group and the concomitant growing dependence on world markets, increased financial demands are made of Volkswagenwerk AG as the parent company whose fulfilment requires sufficient capital resources.

Introduced in the second half of 1979, the Jetta was outstandingly well received on the market.



With regard to the continued financial security of the Company and maintenance of capital it is therefore necessary to transfer to reserves the sum of 201 million DM. For the first time at Volkswagenwerk AG this item contains a reserve for own stock of 21 million DM for the maintenance of capital; this transfer to reserves was made in accordance with the Capital Protection Directive of 13 December 1976 of the European Community and the § 150a additionally incorporated in the AktG.

Proposed distribution of net earnings after reserve transfers

The Board of Management proposes to distribute the net earnings after reserve transfers of Volkswagenwerk AG as follows:

Distribution on capital stock – 1,200 million DM –	240,000,000 DM
Balance (to be carried forward)	195,316 DM
Net earnings after reserve transfers	<u>240,195,316 DM</u>



With the Audi 200 the model range of the Volkswagen Group was given a new flagship whose advanced styling combines classical elegance with dynamism.

Business Developments during 1979

Vehicle Sales

In the year under review the Volkswagen Group world-wide sold 2,538,569 vehicles to the dealer organisation, exceeding the sales volume of the previous year by 6.1%. This renewed increase in sales resulted primarily from sales abroad.

Volkswagen Group deliveries to customers throughout the world at 2,505,750 vehicles achieved a new record in the year ended, the increase on the 1978 figure being 7.1%. In nearly all major sales regions the Volkswagen Group sold more vehicles in 1979 than in the previous year. The largest increases were in the west European markets and the USA.

In the Federal Republic of Germany deliveries of Volkswagen and Audi vehicles to customers at 868,820 units exceeded the record result of 1978 by 1.2%. The Golf remained the best-selling car on the German market. Second in domestic new car registrations in 1979 was the Audi 80. Compared with the previous year the Volkswagen Group increased its passenger car market share from 29.7% to 30.9%. This was the result of an increase in the Audi market share from 8.3% to 9.5%, whilst the Volkswagen model share remained unchanged at 21.4%.

On other European large-volume markets 520,531 Group vehicles were delivered to customers, 17.7% more than in 1978. The lively demand for the Golf and the Audi 80 was responsible for this, the best sales result to date.

As in the previous year Great Britain was our largest European market in 1979; Volkswagen Group deliveries rose here by 21.9% to 90,337 units. Distinct sales improvements were also achieved in France and Italy, where 86,667 and 78,722 units were delivered respectively. Only in Switzerland was there a slight reduction in sales compared with 1978.

In the USA the development on the energy markets and the temporary limitations of fuel supply have led to a greater interest in low-consumption models, from which the Volkswagen Group with its vehicle range profited considerably. Of total sales in the USA, which increased by 19.5% to 334,728 vehicles, 214,877 were Rabbits.

On the Brazilian motor vehicle market a quietening of demand resulted from a series of measures by the authorities which restricted sales. Domestic sales of Volkswagen do Brasil were slightly up on the previous year at 464,718 units. Since its acquisition in the Spring

of 1979 Chrysler Motors do Brasil has sold 12,398 units.

The favourable development in the motor vehicle trade in Mexico continued in 1979. Volkswagen de Mexico had a higher than average share in this market expansion with a growth rate of 28.8%. Vehicles sold on the domestic market numbered 93,269 units; exports totalled 19,242.

Deliveries by Volkswagen of South Africa amounted to 48,840 vehicles thus exceeding the previous year's total by 14.3%. Our South African subsidiary clearly profited from the general market trend towards low-consumption passenger cars.

Sales

The sales proceeds of the Volkswagen Group, including the companies Triumph Werke Nürnberg AG and Chrysler Motors do Brasil which had to be consolidated for the first time, increased in the year under review by 14.9% to 30.7 thousand million DM. Leaving aside these two companies sales would have amounted to 29.3 thousand million DM.

Of the total sales proceeds of 1979 12.5 thousand million DM related to domestic sales, giving an increase of 11.3%. Abroad an increase of 17.5% to 18.2

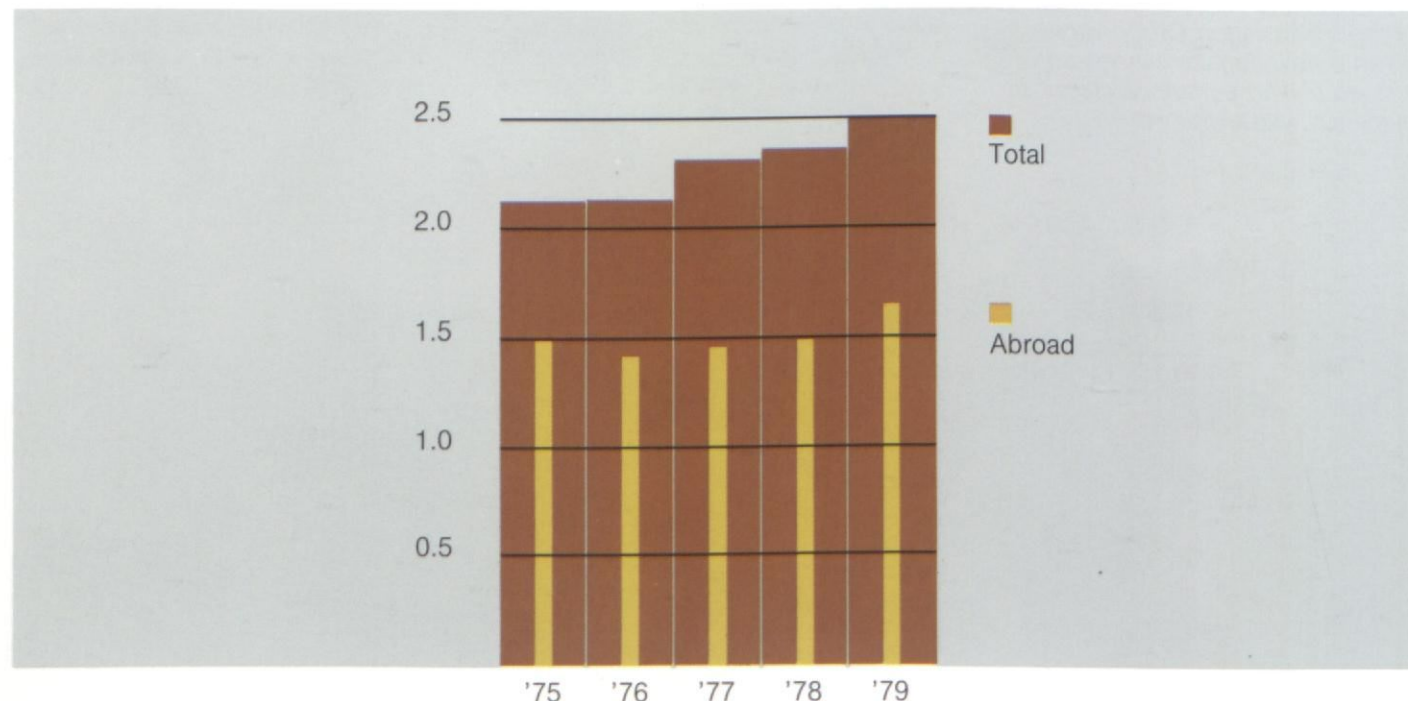
thousand million DM was achieved. As this growth was more than in domestic sales the foreign share of Group sales rose to 59.3 (58.0)%.

Purchasing and Material Administration

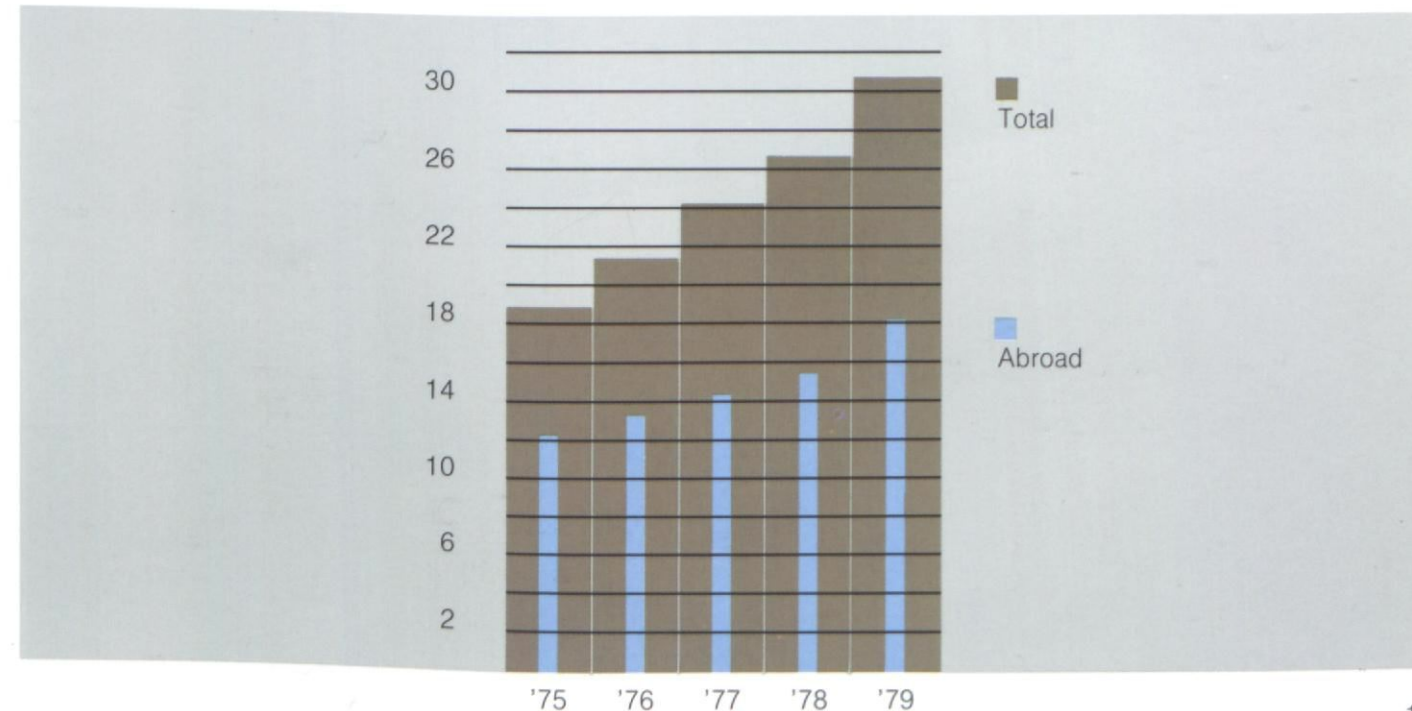
The purchasing volume of the Volkswagen Group rose in 1979 on account of the increased output of vehicles. Both an extension of production abroad and the introduction of new models made increased demands of materials acquisition. However, through the flexibility and capacity of our suppliers they were fully met. At the same time the high purchasing volume in the automotive sector made a considerable contribution to the generally good level of employment in the supply industry in which medium-sized firms are strongly represented.

Material prices again rose in 1979 as a result of heavy increases in raw material costs and increased labour and material costs at suppliers, the rate of increase lying above that of the previous year.

Volkswagen Group vehicle deliveries to customers (million vehicles)



Sales development of the Volkswagen Group (thousand million DM)



Research and Development

The activities of the research and development division in the business year ended were again essentially concentrated on consolidating and extending the position of the successful new vehicle generation both in the passenger car and in the commercial vehicle sector world-wide.

The development of further successor models and model variants of the new model generation, and reduction of the production costs for our vehicles while at the same time improving their utility value and quality, required the full use of our available capacity.

Further points of emphasis of our work were, in view of the energy situation, reduction of fuel consumption while at the same time retaining driving and transport performance. Requirements for the improvement of working conditions, automation of production and reduction of numbers of parts and of maintenance costs were met through the development of appropriate vehicle conceptions.

In addition to this, measures for meeting the stricter legal requirements for exhaust emissions, noise and safety accounted for a great deal of our activities.

In the Triumph-Adler group in 1979, in addition to technological improvements of the traditional business machine range, the emphasis was above all on the supplementation and rounding off of the computer and text processing system range. New developments here of particular interest are a high-capacity multiple-position system with screen displays, high-speed printers and magnetic disc units, and a modular screen text processing system developed by Diehl datensysteme GmbH, which was well received on the market.

In our climatic wind tunnel wind speeds of up to 180 km/h can be produced in the measuring section.



Production

Volkswagen Group production in the year under review totalled 2,541,761 vehicles; this is 6.6% more than in the previous year. 2,318,021 passenger cars and 223,740 commercial vehicles were manufactured, the overall increase being achieved above all by the foreign subsidiaries with a total production of 983,836 units, an increase of 20.5%. The highest growth rates were recorded in the USA and Mexico. Total production includes 12,945 vehicles produced at our new subsidiary Chrysler Motors do Brasil.

Among other things the introduction of two-shift operation at Volkswagen of America and the increase in personnel capacity at Volkswagen de Mexico were decisive for the development in the factories abroad. In addition Volkswagen do Brasil increased the scope of production at the Taubaté factory.

Last year the Group's vehicle range was extended by the new models Golf Convertible, Jetta, Audi 200 and the commercial vehicles developed jointly with M.A.N. in the 6 – 9 metric tons gross vehicle weight range. Also in 1979 production was started

of the successor types to the Commercial and of the Audi 100 with modified styling.

The new models and model updating measures demanded a continuous improvement and partial extension of technical capacities; this particularly applies to production of the Commercial and the Jetta. Along with this went restructuring measures for the improvement of productivity and of working conditions.

Particular attention was also paid to improving the quality of our products; this included measures for the reduction of maintenance costs.

Deliveries in the framework of the world-wide Group interlinked production increased considerably. Since August of last year for example Volkswagen de Mexico has been buying pressings for Golf production from Volkswagen of America who for their part receive a large volume of parts from our Mexican subsidiary.

In the year under review the world-wide production per working day of the Volkswagen Group increased by 8.2% to 11,022 vehicles.

Production broken down by model:

	1979	1978	Increase (Decrease) %
Golf	833,625	714,947	16.6
Polo/Derby/			
Audi 50	199,970	195,134	2.5
Jetta	28,278	—	x
Passat	291,575	340,884	(14.5)
Audi 80	238,563	143,681	66.0
Audi 100	182,981	208,508	(12.2)
Audi 200	162	—	x
Scirocco	87,014	88,964	(2.2)
Beetle	263,340	271,673	(3.1)
Brasilia	164,456	166,992	(1.5)
Other			
passenger cars	28,057	15,701	78.7
Commercial			
vehicles	223,740	238,079	(6.0)

Average production per working day at the Group companies:

	Vehicles/ day
Volkswagenwerk AG ¹⁾	5,307
AUDI NSU	
AUTO UNION AG ¹⁾	1,396
Volkswagen do Brasil ¹⁾	2,281
Volkswagen of America	755
Volkswagen de Mexico	467
Volkswagen of South Africa	206
Volkswagen Bruxelles	531
Chrysler Motors do Brasil	79

¹⁾ Excluding knocked-down vehicles delivered within the Group; AUDI NSU AUTO UNION AG excluding Porsche 924

Labour Force

The labour force of the Volkswagen Group increased in the year under review by 32,766 employees or 15.8% to 239,714 employees on 31 December 1979.

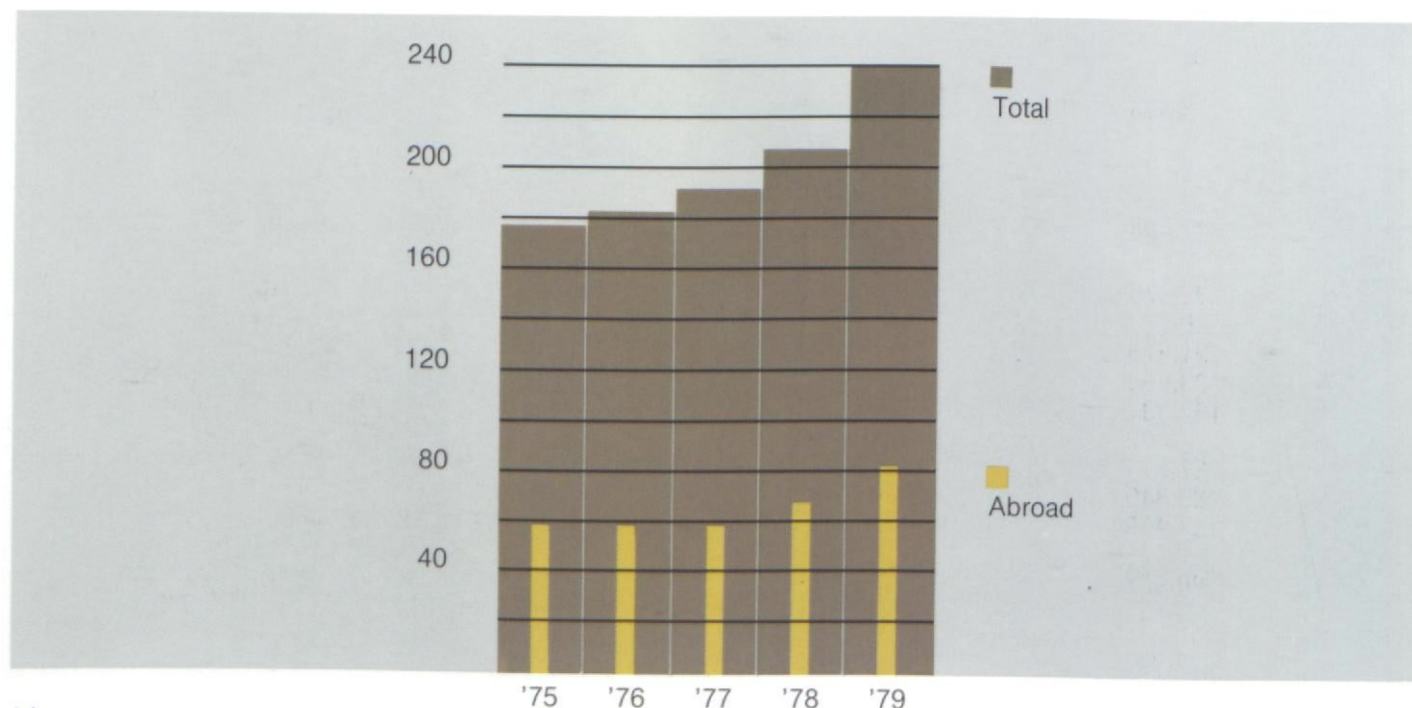
Of these at the end of the year 156,565 (+ 12.9%) were employed at the domestic Group companies and 83,149 (+ 21.8%) at the foreign subsidiaries.

The large increase resulted on the one hand from the good sales situation in the automotive sector, and on the other from the inclusion of the Triumph-Adler group and of Chrysler Motors do Brasil in the Group. The numbers employed increased through this extension of the corporate basis by 17,689.

Volkswagen of America showed a labour force increase of 43.1% or 2,742 employees. This, with the introduction of two-shift operation, considerably increased production in the year under review.

In the business year of 1979 the Volkswagen Group shows labour cost amounting to 9,113 million DM. This is 19.0% more than in the previous year. The increase results from the heavy increase in the labour force, in particular through the acquisition of new subsidiaries, and wage increases at home and abroad.

Labour force of the Volkswagen Group at year end (thousand employees)



Capital Investments

In the business year ended the capital investments of the Volkswagen Group increased on the previous year by 55.8% to 3,100 million DM. This includes the acquisition of the Triumph-Adler group and Chrysler Motors do Brasil.

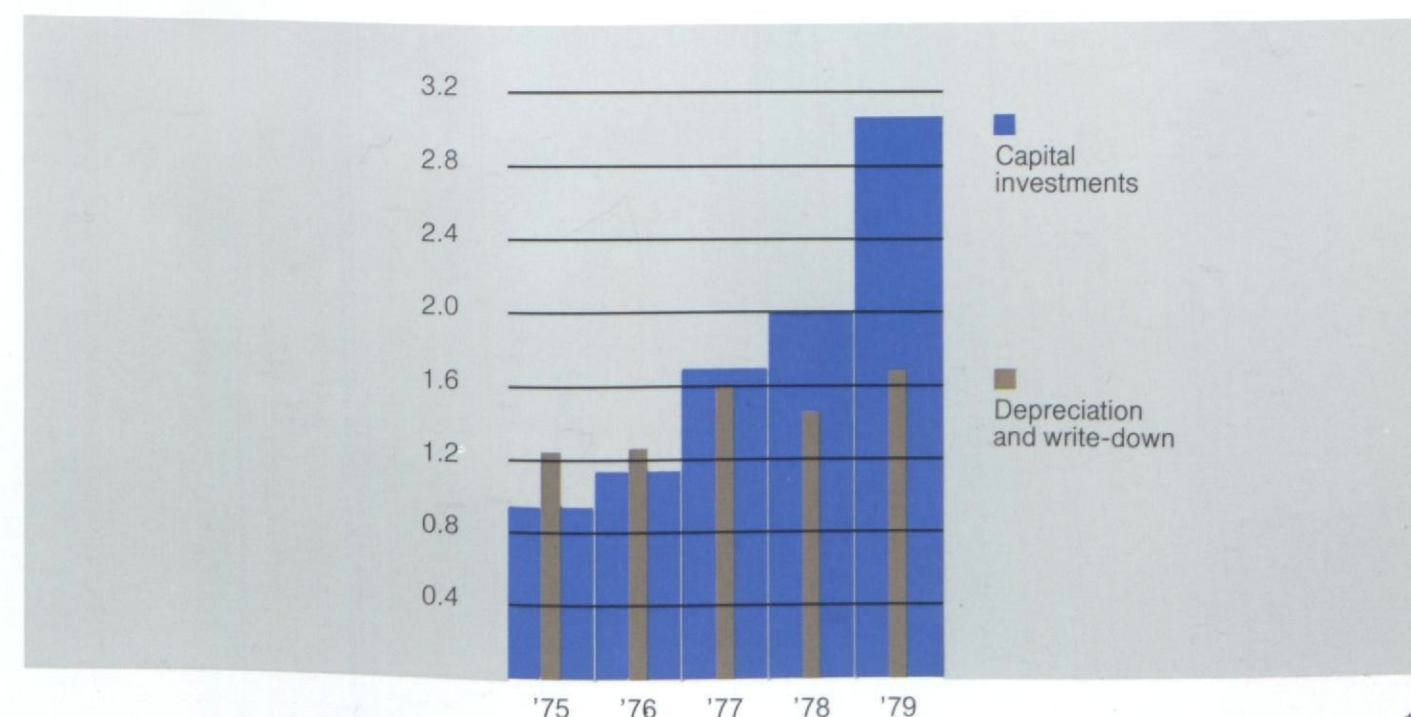
In the automotive sector the emphasis in investment activity lay in the further development of the product range, the modernisation and extension of production plants, and in the field of model updating. In this way the product quality, vehicle safety and production technology were improved to increase the competitiveness of our extended model range. In addition investments served the maintenance and replacement of plant and measures for rationalisation and restructuring, taking account of all possibilities for the improvement of working conditions.

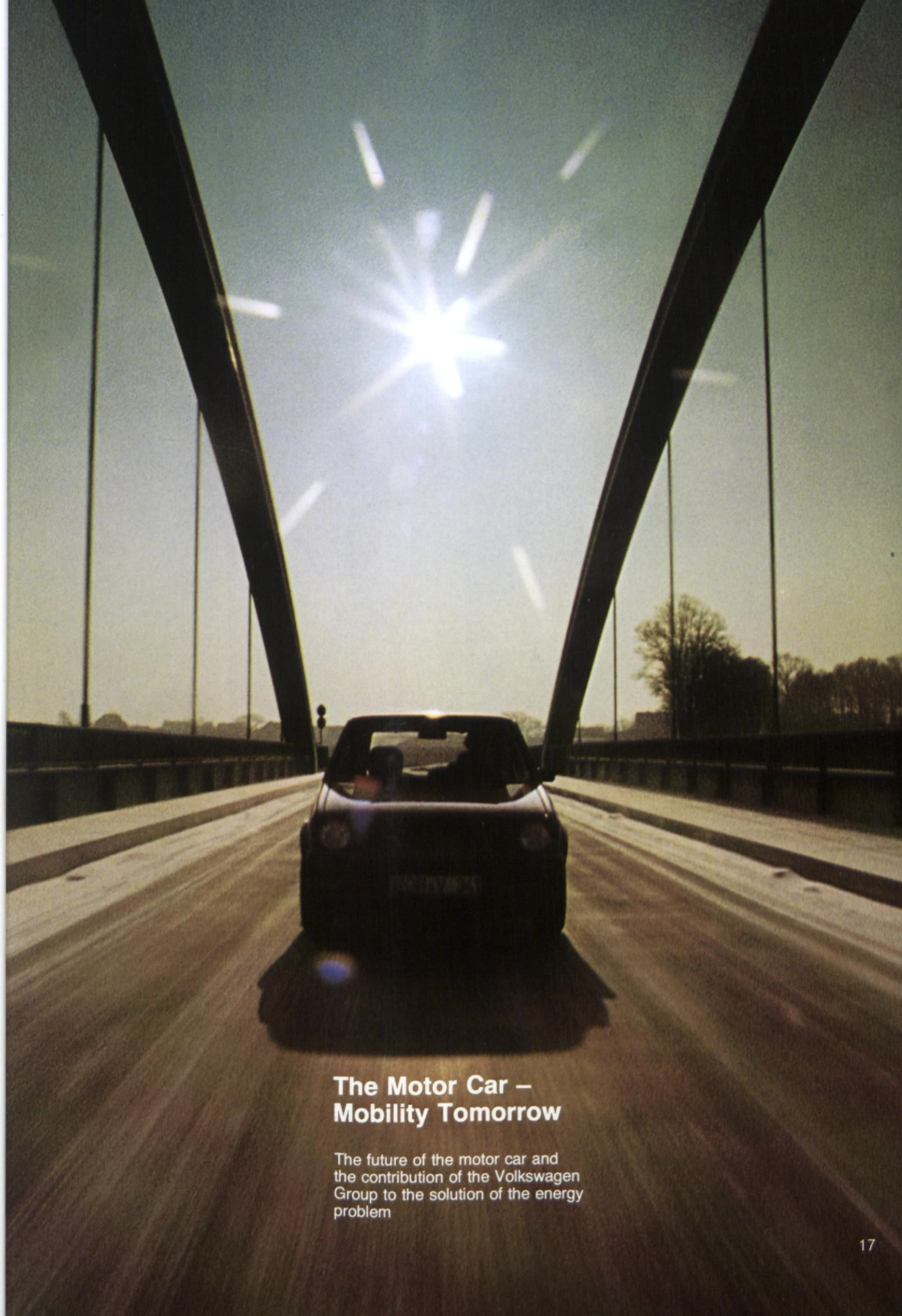
In the business machine and information technology sector the emphasis of capital investments in 1979 lay in the acquisition of a holding in the Pertec Computer Corp., the extension of the product range and of the copier hiring business in the USA.

2,374 (1,559) million DM, or 76.6 (78.4)% of the Group's capital investments were made in Germany.

The capital investments were almost completely financed from the cash flow of the Group.

Development of capital investments, depreciations and write-downs of the Volkswagen Group (thousand million DM)





The Motor Car – Mobility Tomorrow

The future of the motor car and
the contribution of the Volkswagen
Group to the solution of the energy
problem

Anyone who makes cars has a special obligation to the future. He has to come to terms with the problems that await us.

The future of the motor car is not only of importance to the Volkswagen Group itself, its employees and stockholders. All who work with the car, live with it and from it, have a right to clear statements on its chances for the future. Rose-tinted spectacles are no help. But then nor is the exaggerated pessimism expressed by some.

In the following pages the Volkswagenwerk AG gives an overall view of the prospects of the motor car against the background of the energy problem. In this way the Company would like to make a contribution to the factual and rational evaluation of the problems we shall have to deal with in the coming years and decades.

Mobility has become an element of life. The style and quality of life are closely bound up with the possibilities for change of location. Work, communication, recuperation – all these demand mobility.

The motor car developed hand in hand with requirements for mobility. In its flexibility and adaptability it is superior to all other means of transport. Between the short walk and the transatlantic journey it can take the place of any other. It is for this reason that it has become the most important means of individual transport.

The question of the necessity of the motor car is thus superfluous; it answers itself millions of times each day. The whole of society has recognised this now, at the beginning of the eighties, more clearly than ever before. A state of maturity has been achieved – worship of the motor car and the anti-car mentality have both been overcome. The important thing now is the problem of carrying this indispensable factor of our mobility into the future.

The solution to this problem is closely bound up with the solution of energy problems. The claim of the motor car to a share of the total consumption of energy is based on its close ties with our conditions of life: We generally do not live where we work, we do not shop where we live, we depend for holidays and weekends on covering longer distances.



It is not a hectic way of life which makes mobility indispensable. The structure of living areas and the pattern of life require changes of location and cause the number of journeys required each day to increase. Some 28 per cent of these journeys are still made on foot (mainly short journeys, average length 1 km). Public transport accounts for 10 per cent (average length 12 km), two-wheelers 15 per cent (2 km). With 47 per cent (average length 11 km) the car clearly leads. Of the total of person-kilometers covered, 80 per cent is by private car and 20 per cent by public transport.

We cannot in the eighties return to the idyll of earlier centuries. New developments such as neighbourhood models for living, working and shopping, or the revitalisation of city centres, can only lead to a gradual change. Nor can they influence the fact that for the majority of longer journeys the motor car is the most suitable means of transport.

Mobility is always individual. "I" wish to go here or there. A part of individual mobility requirements can be covered by public transport. This does of course give rise to additional journeys: One first has to get to the bus stop or railway station. And the tracery of communications is limited with public transport routes. But group transport can bring advantages in economy and in energy consumption. For this reason public transport is a reasonable alternative in many cases.

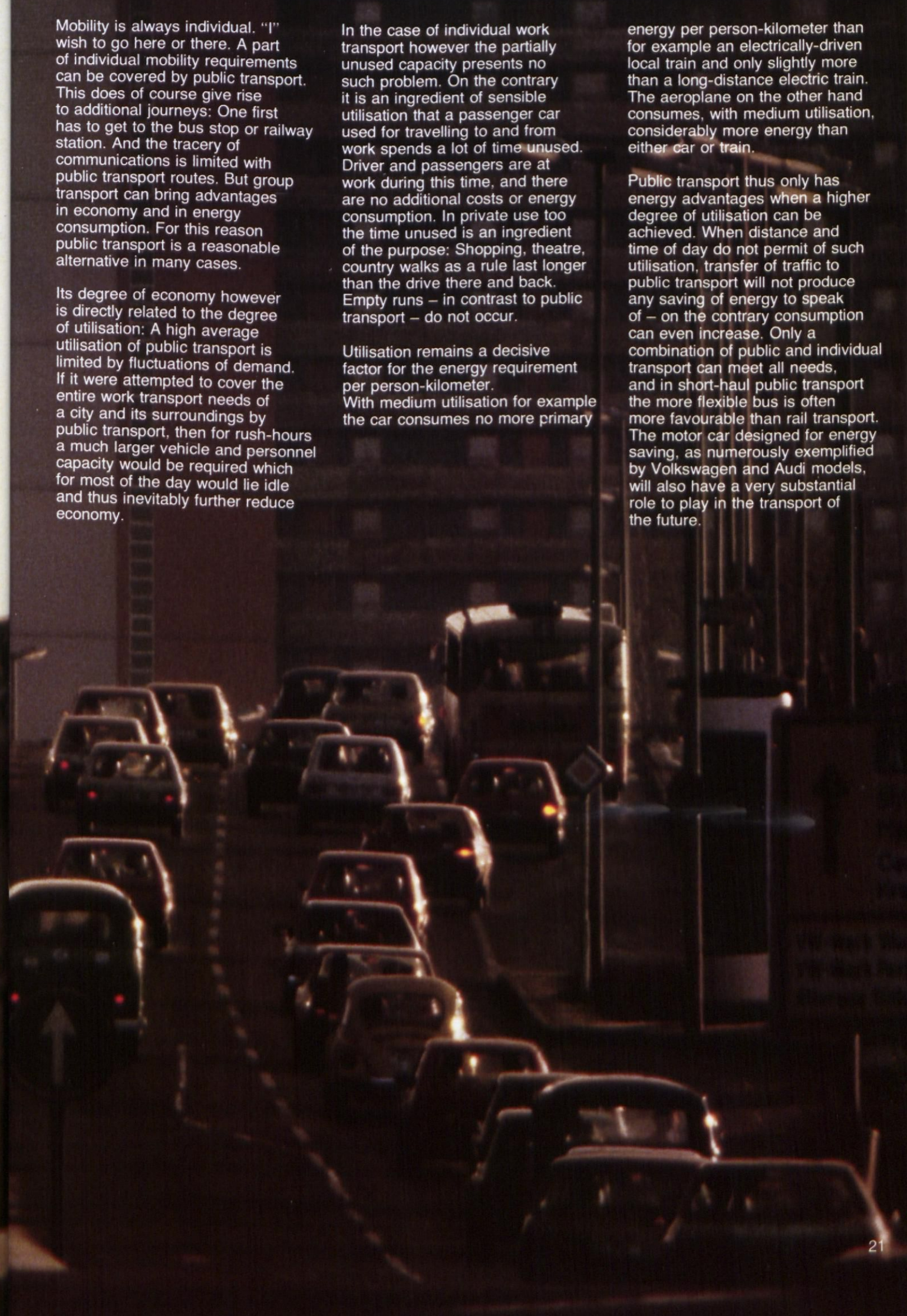
Its degree of economy however is directly related to the degree of utilisation: A high average utilisation of public transport is limited by fluctuations of demand. If it were attempted to cover the entire work transport needs of a city and its surroundings by public transport, then for rush-hours a much larger vehicle and personnel capacity would be required which for most of the day would lie idle and thus inevitably further reduce economy.

In the case of individual work transport however the partially unused capacity presents no such problem. On the contrary it is an ingredient of sensible utilisation that a passenger car used for travelling to and from work spends a lot of time unused. Driver and passengers are at work during this time, and there are no additional costs or energy consumption. In private use too the time unused is an ingredient of the purpose: Shopping, theatre, country walks as a rule last longer than the drive there and back. Empty runs – in contrast to public transport – do not occur.

Utilisation remains a decisive factor for the energy requirement per person-kilometer. With medium utilisation for example the car consumes no more primary

energy per person-kilometer than for example an electrically-driven local train and only slightly more than a long-distance electric train. The aeroplane on the other hand consumes, with medium utilisation, considerably more energy than either car or train.

Public transport thus only has energy advantages when a higher degree of utilisation can be achieved. When distance and time of day do not permit of such utilisation, transfer of traffic to public transport will not produce any saving of energy to speak of – on the contrary consumption can even increase. Only a combination of public and individual transport can meet all needs, and in short-haul public transport the more flexible bus is often more favourable than rail transport. The motor car designed for energy saving, as numerous exemplified by Volkswagen and Audi models, will also have a very substantial role to play in the transport of the future.




Absorption of cost increases

In the cost increases affecting the motorist a distinction must be made between driving costs and fixed costs. Increased fuel prices mean increased driving costs – a fact which at Volkswagen and Audi receives a lot of attention. The idea is to absorb this cost increase through a further reduction of fuel consumption. The promise made to the Federal Minister for Economic Affairs by the German motor manufacturers to reduce average consumption by 10–12 per cent of the 1978 level by 1985 is also a promise to the consumer to contribute to the reduction of his costs. Although Volkswagen and Audi models are already among the most economical cars on the world market, the Volkswagen Group will make this reduction a reality

Work is also being done on further reducing the cost of maintenance and repair. Here it is a question of combating the increased labour and materials costs through extended maintenance intervals and easier exchangeability of body parts and assemblies. In addition increased resistance to wear and corrosion contribute to the reduction of repair costs. In this connection too Volkswagen and Audi models are recognised leaders.

The Volkswagen Group is convinced that these measures will compensate for a large proportion of the increased burden, so that – if taxation and insurance costs remain within their previous framework – both driving and fixed costs will continue to be bearable for the motorist. In the eighties it can be expected that the vehicle population will continue to rise, particularly as a result of the trend towards second and third cars and the increasing motorisation of single people and the younger generation. Whereas the total vehicle population will rise, distances travelled per vehicle will fall slightly, since particularly in the case of second and third cars the motorist is less concerned with continuous usage than continuous availability. Overall distance travelled will as far as can be seen continue to increase – but the effect of this increase on energy requirements can be reduced or even compensated for by the reduction in fuel consumption.





Long-term energy supply

Developments on the world mineral oil market show energy supply in the eighties to be primarily a political problem: Prices and quantities depend on the behaviour of the supplying countries and the energy policy of the importing countries.

Since oil consumption in households and in industry can only be reduced gradually through savings and conversion to other kinds of energy, the idea of "getting away from oil" will remain in the 1980's a political goal which cannot yet lead to a genuine end to oil-dependence. It is thus the more important to create, in cooperation with the supplying countries, the preconditions for sufficient oil production. Indispensable for this are additional investments for the development of new technologies for the opening up of reserves. Under these conditions a sufficient supply of oil can be had even after the middle of the eighties. On the political side despite all critical occurrences serious shortages have up to now been avoided in Europe – a fact which justifies a guarded optimism for the next few years.

Of all the fossil energy sources mineral oil has a share of about 15 per cent. Oil sand and oil shale together have 12 per cent, natural gas 11 per cent and coal 62 per cent. Fuels of the kind at present in use can, given the necessary technologies, be got from oil sand and oil shale, so that they will also be available in the longer term.

Coal too can be a raw material for traditional fuels. Liquefaction of coal can be very economical if the heat required for the process is obtained not from the coal itself (thereby losing precious carbon) but from high-temperature reactors. Use of nuclear energy gives a broad range of possibilities for a careful exploitation of the fossil raw materials of the earth.

In addition to this there are the possibilities of reducing energy requirements in other areas to a greater extent than is possible today. In heating considerable amounts of energy can be saved through increased capital investment: in thermal insulation and the use of new, more economical heating systems. In recent years the Volkswagen Group has presented numerous results of research in this field, such as heat pumps. In the use of industrial waste heat too the Volkswagenwerk has gained experience which contributes to the exploitation of the savings potential in this area.

Successes in automobile technology

The building of economical vehicles has long been a commandment familiar to Volkswagen and Audi engineers. The Volkswagen Beetle itself was conceived with economy in mind. Even more firmly based from the start on low consumption were the newly-developed engine series. The Volkswagen and Audi range already achieves in the American calculation of the average consumption, which serves as the basis for consumption regulations, the figures laid down for 1985.

In addition to this a recognised pioneering step has been taken: the introduction of small-volume, light-weight passenger car diesel engines. The Golf Diesel has set new standards for energy-saving motoring in conjunction with good acceleration and quiet running. The Audi 100 with five-cylinder diesel engine fulfils demanding requirements of performance and comfort.

Economy has been increased in petrol engines through constant improvements. The Golf GTI proves that speed does not automatically mean high consumption. Aerodynamic innovations on practically all models have produced low drag coefficients. Five-speed gearboxes reduce consumption and noise at high cruising speeds. Consumption indicators make it easier for the motorist to drive economically. The early introduction of new computing methods, for example the computer-based rigidity calculations using the finite-element process, affects consumption through a reduction in weight.

Short-term possibilities

The intensive research carried out for years in the Volkswagen Group has led, for example in diesel technology, to numerous results which have already been introduced in series production.

In the field of vehicle design there is the possibility of reducing vehicle weight despite the improvement in comfort and sound insulation. Smaller engine dimensions,

space-saving axle designs, tank systems taking up little space, optimised radiators, aluminium and plastic parts contribute to fuel saving through reduction of weight.

The reserves lying in the body shape are investigated with the aid of basic bodies developed in the wind tunnel. The drag coefficient (c_w value) which depends on body shape lies for example on these extremely low-resistance bodies under 0.2. Experimental vehicles developed on the basis of these bodies had a figure of

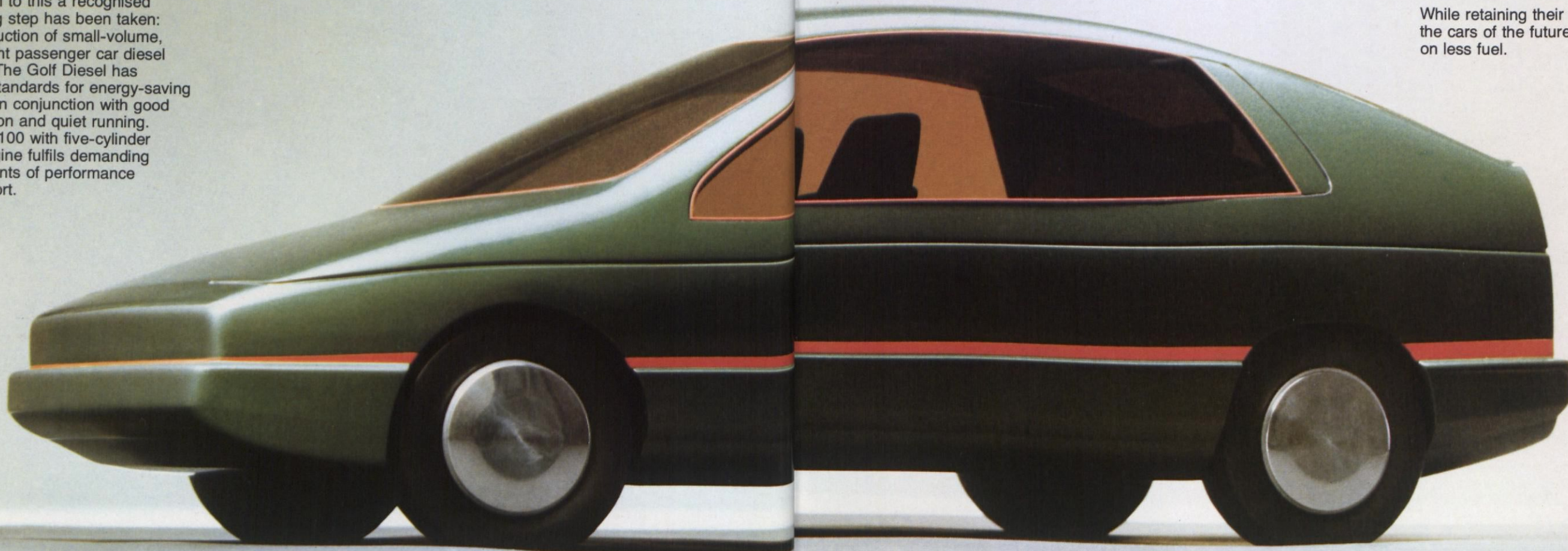
0.24, trial cars approximating to the real thing gave values of around 0.3. This means compared with present average values (Volkswagen/Audi 0.4, world market approx. 0.46) possibilities for further reductions in consumption.

The drive units of the future will be very different from our present engines, although the reciprocating piston engine in its spark-ignition and diesel forms will continue to play the dominant role. In addition to the fulfilment of the many and various statutory regulations for protection of the environment the remaining room for improvement

must be used for the optimisation of engines in the directions of low consumption and high comfort. Increased compression ratios in spark-ignition engines, improvement of the diesel process and matching of engines to fuel-saving transmission ratios are important considerations here.

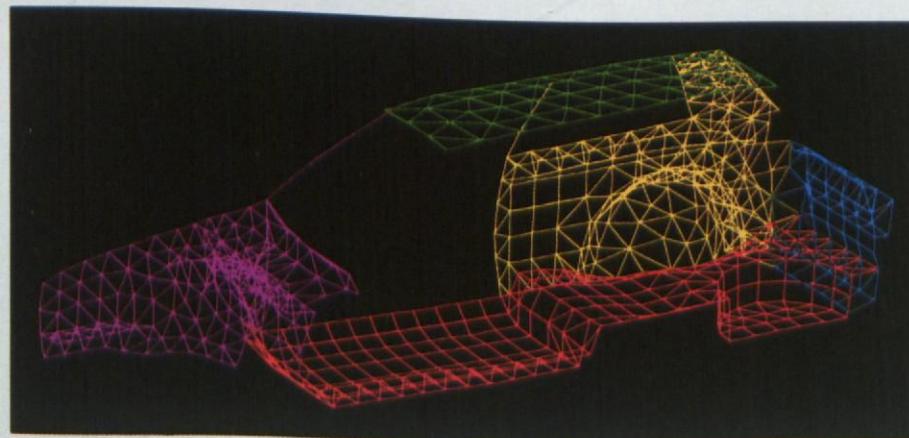
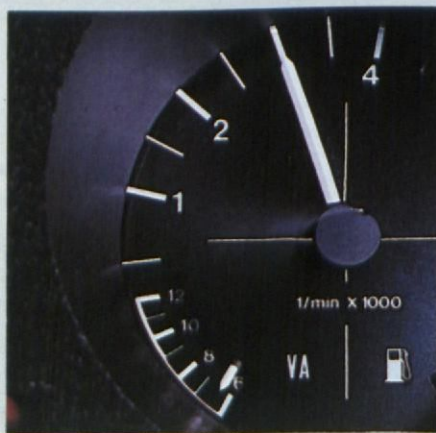
The increased introduction of electronic systems will also have an effect on consumption. Electronic ignition systems, in part with digital idling stabilisation (DIS), have already been introduced in series production; in the next few years electronics will continue to increase in importance.

While retaining their performance the cars of the future will manage on less fuel.



Consumption indicators (VA) make it easier to drive economically.

The five-speed gearbox enables reductions in consumption and noise to be made.



With computer-based rigidity calculations using the finite-element process we achieve reductions in weight, which have an advantageous effect on consumption.



Long-term developments

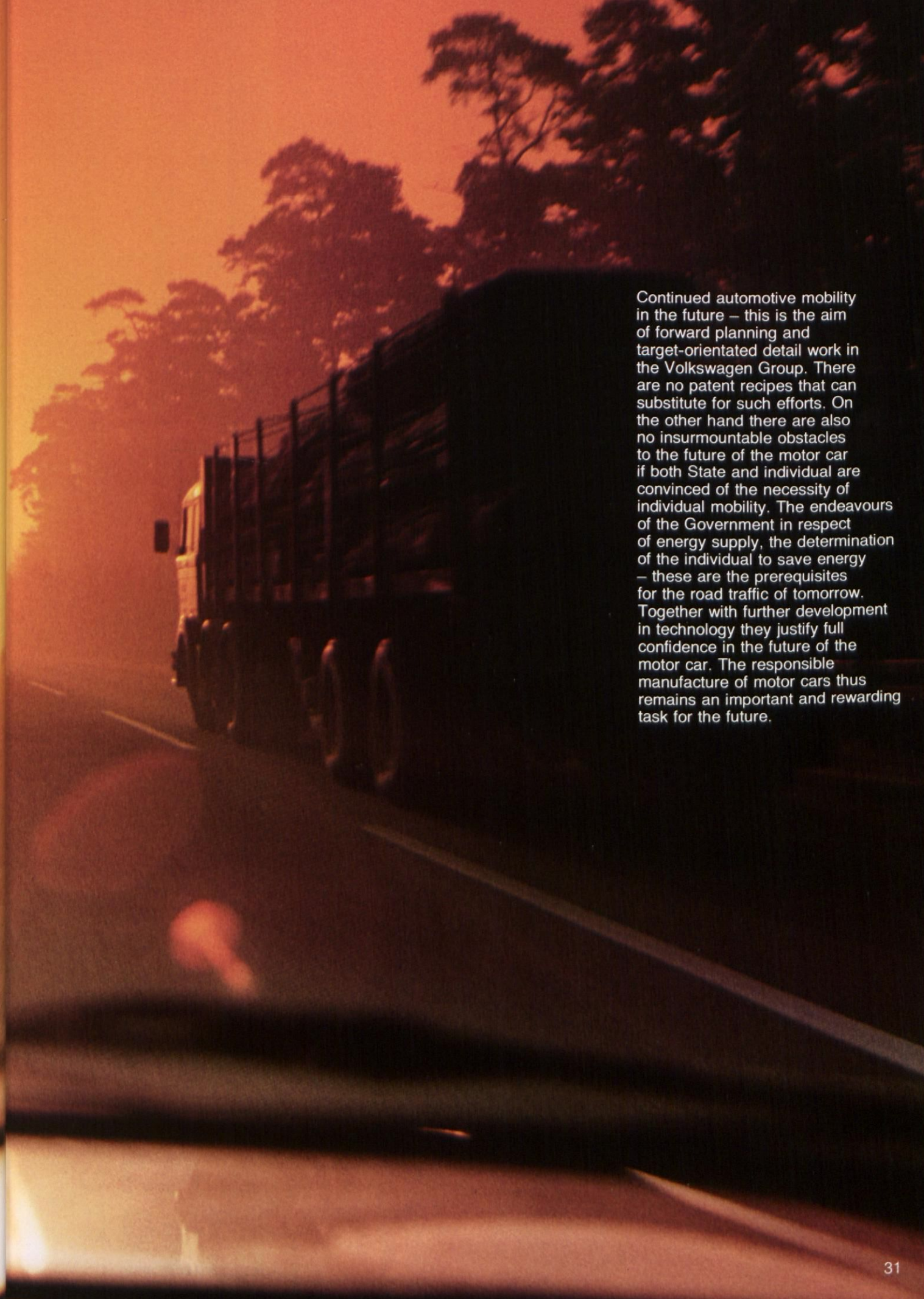
Developments for the eighties will be on the basis of mineral oil fuels which will remain the primary energy source for the motor car well beyond 1990. Nonetheless Volkswagen research has very early on begun to tackle the question of alternatives, alcohol fuels being of particular importance. As early as 1975 trials with methanol engines were taking place. Then, in cooperation with the Federal Ministry for Research and Technology, followed large-scale tests on the road. Methanol vehicles have been in private ownership since the end of 1979. They are driven on M 15, a mixture of petrol and 15% methanol. Cars are already on the road using pure methanol (M 100), although

extensive modifications to the vehicle are necessary. In industrial countries with coal and natural gas deposits methanol is a viable alternative. It can also be produced from urban waste. In more agriculturally-based countries ethanol is a possible fuel. It too can be used in mixtures or as pure alcohol and in its application in automobile technology is very similar to methanol. The Brazilian Volkswagen factory is already producing ethanol-driven vehicles. Ethanol is a substance which is produced from plant material such as sugar cane or sorghum.

A further alternative is synthetic petrol which can be produced by coal liquefaction or by coal gasification with subsequent synthesis. Coal petrol is essentially similar in its characteristics to conventional fuels. It can even be produced at a higher quality, so that an increased compression ratio is possible and thus reduced consumption. Experimental plants for coal liquefaction are already under construction. For certain purposes there is also the possibility of propelling vehicles electrically. However as a secondary energy form electricity requires power stations running on coal, natural gas, oil or nuclear energy. Batteries

are needed to store it, and their heavy weight limits the range and economy of electric vehicles. The Volkswagen Group already has years of practical experience with the electrically driven Commercial which with a payload of 800 kg can cover a distance of 50 to 80 km before the 850 kg battery has to be recharged or exchanged for a fully-charged one. Similar ranges have been achieved with an electric Golf. With lighter batteries now being developed the range can – at limited speed – be doubled or trebled. Non-polluting short-trip driving is one of the uses in which

the electric vehicle can show its advantages. Good prospects for reduction of consumption and pollution are offered by improvements in traffic guidance on which the Volkswagen research division has long been cooperating. In a large-scale experiment in the Ruhr district which is to run until the end of 1980 the possibility is being examined of avoiding stop-go situations and jams through electronic guiding and information systems. Such guiding systems can be included in vehicle electronics at a relatively low extra cost.



Continued automotive mobility in the future – this is the aim of forward planning and target-orientated detail work in the Volkswagen Group. There are no patent recipes that can substitute for such efforts. On the other hand there are also no insurmountable obstacles to the future of the motor car if both State and individual are convinced of the necessity of individual mobility. The endeavours of the Government in respect of energy supply, the determination of the individual to save energy – these are the prerequisites for the road traffic of tomorrow. Together with further development in technology they justify full confidence in the future of the motor car. The responsible manufacture of motor cars thus remains an important and rewarding task for the future.



Companies within the Volkswagen Group



The Major Companies within the Volkswagen Group

December 31, 1979

Producing Companies
Distributing Companies
Other Companies

Companies included in consolidated financial statements¹⁾

Volkswagenwerk AG
Capital Stock
DM 1,200,000,000

Plant Locations: Wolfsburg
Hanover Kassel
Emden Salzgitter
Brunswick

AUDI NSU
AUTO UNION AG
Neckarsulm
DM 215,000,000
99%

Volkswagen of Nigeria Ltd.
Lagos, Nigeria
N 10,000,000
40%

TAS Tvrnica
Automobila Sarajevo
Vogosca, Yugoslavia
Din. 981,768,000
49%

HOLAD Holding &
Administration AG
Basle, Switzerland
sfrs. 110,000
100%

Volkswagen do Brasil S.A.
São Bernardo do Campo
Brazil
Cr. \$ 7,550,000,000
80%

Financiadora
Volkswagen S.A.
São Bernardo do Campo
Brazil
Cr. \$ 235,664,319
100%

Volkswagen Leasing S.A.
São Paulo, Brazil
Cr. \$ 22,662,000
70%

Distrivols S.A.
São Paulo, Brazil
Cr. \$ 17,847,026
100%

Forjaria São Bernardo S.A.
São Bernardo do Campo
Brazil
Cr. \$ 145,092,237
33.3%

Companhia Vale do Rio
Cristalino S.A.
Santana do Araguaia, Pará
Brazil, Cr. \$ 328,095,776
86.7%, 10.1% Transalme
0.7% Var. Gp. cos.

Transalme Sociedade de
Representações Admini-
stração e Organização
Ltd., São Bernardo do
Campo, Brazil
Cr. \$ 35,000
100%

Chrysler Motors do
Brasil Ltda.
São Bernardo do Campo
Brazil
Cr. \$ 2,262,000,000
66.7%

Volkswagen
of South Africa (PTY) Ltd.
Uitenhage, C.P., South Africa
R 4,688,737
99.5%
0.5% Volkswagen
of America

South African Motor
Acceptance Corp. (PTY)
Ltd. (SAMAC)
Uitenhage, C.P., South Africa
R 10
100%

Volkswagen Bruxelles S.A.
Brussels, Belgium
bfrs. 425,000,000
100%

Volkswagen de Mexico,
S.A. de C.V.
Puebla/Pue., Mexico
Mex. \$ 3,590,308,000
100%

Volkswagen Comercial,
S.A. de C.V.
Puebla/Pue., Mexico
Mex. \$ 80,000,000
100%

Volkswagen Leasing,
S.A. de C.V.
Mexico/D.F., Mexico
Mex. \$ 30,000,000
49%

¹⁾ The following companies which
have been included in the
consolidation, do not appear
in this table:

V.A.G. Marketing-Management-
Institut GmbH, Brunswick,
Volkswagen Properties (PTY)
Ltd., Uitenhage and its
subsidiaries Volksprop
Algoa Road and
Volksprop Halfway House,
Votex, Inc., Englewood Cliffs,
Adler Business Machines (PTY)
Ltd., Sydney,

Volkswagen of America,
Inc.
Warren, Mi., USA
US \$ 92,000,000
100%

Vorelco, Inc.
Englewood Cliffs, N.J.
USA
US \$ 40,000,000
100%

Vorelco of California, Inc.
Culver City, Ca., USA
US \$ 5,000
100%

Volkswagen Canada, Inc.
Toronto, Ontario, Canada
Can. \$ 500,000
100%

Vorelco Ltd.
Toronto, Ontario, Canada
Can. \$ 10,000,000
30%
70% HOLAD

Triumph Adler Italia S.p.A.,
Milan,

Triumph Adler France S.A.,
Paris,

Adler Business Systems Ltd.,
London.

The Pertec Computer Corp.,
Los Angeles, acquired at year
change 1979/80, has not
been included in the con-
solidated financial
statements.

Volkswagen France S.A.
Paris, France
FF 22,000,000
100%

Société Volkswagen
de Financement S.A.
Paris, France
FF 17,500,000
72.1%
25.2% HOLAD

Volkswagen Bail S.A.
Paris, France
FF 7,500,000
100%

Svenska Volkswagen AB
Södertälje, Sweden
skr. 63,000,000
33.3%

Volkswagen i Stockholm
AB
Stockholm, Sweden
skr. 15,000,000
100%

WESER-EMS Vertriebs-
gesellschaft mbH
Bremen
DM 8,000,000
81.3%

V.A.G. Vertriebszentrum
WESER-EMS GmbH
Bremen
DM 50,000
58.6%
26% Volks-
wagenwerk AG

V.A.G. Vertriebszentrum
WESER-EMS GmbH +
Co. KG, Bremen
DM 5,250,000
58.6%
26% Volks-
wagenwerk AG

interRent
Autovermietung GmbH
Hamburg
DM 12,000,000
100%

Selbstfahrer Union
GmbH
Hamburg
DM 20,000
100%

DIRANUS Versicherungs-
Vermittlungs-GmbH
Hamburg
DM 30,000
100%

interRent S.A.
Brussels, Belgium
bfrs. 11,000,000
100%

interRent Trucks S.A.
Brussels, Belgium
bfrs. 1,250,000
50%

VOTEX Warenhandels-
gesellschaft mbH
Dreieich
DM 1,000,000
100%

Volkswagen International
Finance N.V.
Amsterdam, Netherlands
hfl. 1,000,000
100%

Volkswagen Overseas
Finance N.V.
Willemstad, Curaçao
Netherlands Antilles
hfl. 500,000
100%

V.A.G. Leasing GmbH
Wolfsburg
DM 36,000,000
100%

Deutsche Automobil-
gesellschaft mbH
Hanover
DM 5,000,000
50%

VW-Wohnungsbau
Gemeinnützige
Gesellschaft mbH
Wolfsburg
DM 2,000,000
100%

VW-Siedlungs-
gesellschaft mbH
Wolfsburg
DM 20,000,000
100%

V.A.G. Kredit Bank
GmbH
Wolfsburg
DM 92,500,000
100%

VW-Versicherungsver-
mittlung-GmbH
Wolfsburg
DM 500,000
66.7%

V.A.G. Transportge-
sellschaft mbH
Wolfsburg
DM 2,000,000
75%
25% interRent,
Hamburg

GmbH für ausl. Vertriebs-
beteiligungen
M.A.N.-Volkswagen
Munich
DM 6,000,000
50%

Triumph Werke Nürnberg
AG
Nuremberg
DM 80,500,000
53.8%

Adlerwerke vorm.
Heinrich Kleyer AG
Frankfurt (Main)
DM 20,000,000
92.1%

Nederlandse Adler
Fabrieken B.V., Leiden
Netherlands
hfl. 5,000,000
100%

Triumph-Adler Vertriebs-
GmbH
Nuremberg
DM 8,000,000
100%

Diehl datensysteme
GmbH
Nuremberg
DM 25,000,000
100%

Adler Royal Business
Machines, Inc.
Union, N.J., USA
US \$ 30,000,001
100%

Royal Business
Machines, Inc.
Reno, Nevada, USA
US \$ 1,000
100%

Producing Companies

Volkswagenwerk AG Wolfsburg

		1979	1978	Increase (Decrease) %
Sales	million DM	24,257	22,383	8.4
Vehicle sales	units	1,725,060	1,752,272	(1.6)
Production	units	1,396,916	1,439,048	(2.9)
Capital investments	million DM	1,709	1,046	63.5
Labour force	on Dec. 31	115,416	108,376	6.5

Despite the slight fall-off in domestic orders received in the second half of 1979, reflecting the general development in the motor vehicle market in Germany, the business year ended was again successful for Volkswagenwerk AG. The increase in sales also led to an improved result. Whilst unit sales almost achieved the high level of the previous year, production fell slightly, primarily on account of production losses due to bad weather at the beginning of 1979.

The positive business development led to net earnings of 438 million DM. This again makes it possible to pay an appropriate dividend. The amount to be distributed is 240 million DM, 51 million DM more than in the previous year. In addition it was possible to undertake a strengthening of the reserves to ensure the financial security

Regional breakdown of the sales of Volkswagenwerk AG in 1979

of the Company which is indispensable for the fulfilment of the tasks that lie ahead of us.

Vehicle Sales

Volkswagenwerk AG, which also markets the models of AUDI NSU AUTO UNION AG, sold 1,725,060 vehicles to the dealer organisation in the year under review. Since domestic sales increased by 5,508 units or 0.6% to 900,659 vehicles, the export share decreased, in the framework of slightly reduced export business, from 48.9% to 47.8%. As a result of the success of the Audi 80, sales of Audi models increased by 20.2% to 412,266 units, whereas sales of Volkswagen models to dealers decreased by 6.8% to 1,312,794 vehicles.

This result has to be seen against the background of continued delivery problems with the Golf, the large commercial (LT) and the newly developed Volkswagen Commercial which has had an outstanding reception on the market.

New car registrations remained almost unchanged, and the passenger car market share for Volkswagen models again reached the previous year's level of 21.4%. This success is primarily due to the Golf which, as in the previous year, was the best-selling car in the Federal Republic of Germany.

In 1979 the V.A.G Marketing-Management-Institut GmbH, Brunswick, was founded.

It will conceive and carry out for the V.A.G Sales Organisation training and information events on developments and research in the field of vehicle marketing. In addition the institute, which is still in the development phase, will concern itself with basic research in vehicle marketing. Costs of this activity which cannot be charged elsewhere will be met by Volkswagenwerk AG in the framework of a profit and loss assumption agreement.

Sales

In 1979 the sales proceeds of Volkswagenwerk AG, which also include proceeds from the sales of Audi models, increased by 8.4% on the previous year to 24.3 thousand million DM. The reasons for the increase in sales proceeds, apart from changes in model and equipment structure, were increased deliveries to subsidiaries.

In addition the growth in sales resulted from parts business and cost-related price increases.

Production

In the period under review Volkswagenwerk AG produced 1,396,916 vehicles, 42,132 units or 2.9% less than in 1978. Total production also includes 94,405 Audi 80s produced at the Emden factory. The main reasons for this decrease were production stoppages due to bad weather at the beginning of 1979 and shortages of personnel. However, the reduction in vehicles produced must also be seen against a background of increased deliveries of parts sets to subsidiaries which made necessary the utilisation of additional production capacities. This resulted in the average production per working day being reduced by 163 vehicles or 2.6% to 6,004 units.

1979 saw the start of production of the Jetta and Golf Convertible; production also began of trucks in the range of 6 – 9 metric tons gross vehicle weight. Of these commercial vehicles produced in cooperation with M.A.N. Volkswagenwerk AG manufactures among other things the gearboxes, rear axles and cabs. In addition our

Development of the labour force of Volkswagenwerk AG

Company introduced an attractive successor to the proven Commercial produced in Hanover. The most up-to-date production methods used here made it possible to achieve a higher flexibility in production and a distinct improvement in working conditions.

In addition to this, increased modernisation in the framework of a technology programme lasting several years was carried out in all production plants of Volkswagenwerk AG. The emphases were on restructuring in the press shop, body shell shop, assembly and paint shop sectors.

These measures will enable us successfully to meet the tasks facing us in the eighties.

Labour Force

The labour force continued to increase in the year under review. On 31 December 1979 Volkswagenwerk AG employed 115,416 people, 7,040 or 6.5% more than in the previous year. In this way the Company again made a considerable contribution to the relief of unemployment at factory locations.

On the basis of socio-political deliberations in 1979 the number of trainee places was also increased. In the year under review 1,187 young people began their training

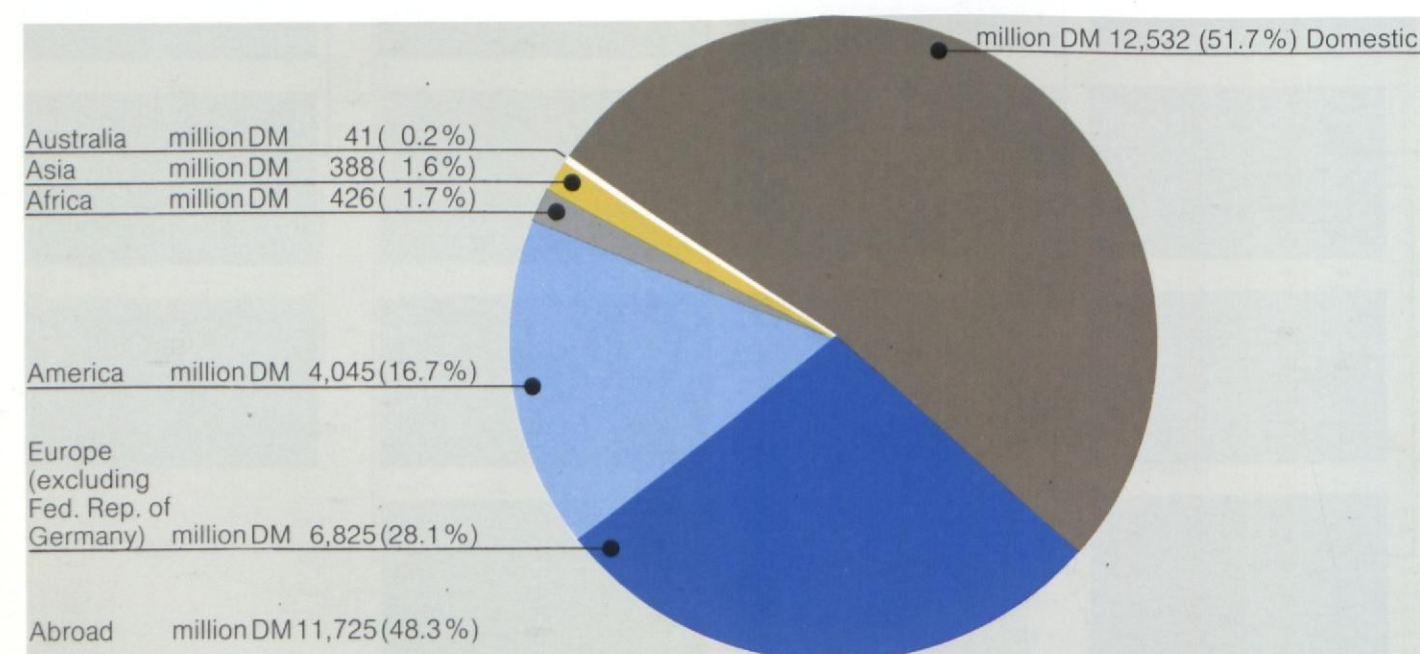
in the Company. This brought the total of trainees on 31 December 1979 to 3,277, 19.6% more than in the previous year.

The number of trainees, which has risen steadily in the last few years, required an extension of training capacity. Building and conversion measures were therefore carried out or started in the various factories.

In cooperation with the labour authorities Volkswagenwerk AG again undertook special measures to reduce youth unemployment. In 1979 the 66 jobs specifically held for young people in production shifts were again filled. In addition in the year under review a total of 159 young people took part at the Wolfsburg and Kassel factories in one-year courses in metalwork and gastronomy in order to prepare themselves for future employment in these fields.

Another emphasis of Company training operations was the further training of employees. The expenditure for this helps to assure the future competitiveness of our Company. In the year ended 5,892 employees took part in 353 courses of function and management training.

In addition to this an increasing number of employees took advan-



	31 Dec. 1979	31 Dec. 1978	Increase absolute	%
Volkswagenwerk AG	115,416	108,376	7,040	6.5
of which in the plants at				
Wolfsburg	56,429	54,420	2,009	3.7
Hanover	20,512	18,820	1,692	9.0
Brunswick	6,500	6,091	409	6.7
Kassel	16,366	14,908	1,458	9.8
Emden	8,244	7,457	787	10.6
Salzgitter	7,365	6,680	685	10.3
Wage-earners	99,227	93,179	6,048	6.5
Salaried staff	16,189	15,197	992	6.5
Female employees	13,474	12,484	990	7.9
Foreign employees	10,511	8,726	1,785	20.5
Trainees ¹⁾	3,277	2,739	538	19.6

¹⁾ Including graduate trainees, in-service trainees, and persons undergoing retraining

tage of the opportunity provided by the training leave laws of Lower Saxony and Hesse which apply to Volkswagenwerk AG of taking paid leave for training purposes. In the business year ended 14,322 employees took part in state-recognised training courses.

In the report year Volkswagenwerk AG continued its efforts towards the improvement of working conditions, whereby the latest work study findings with regard to an up-to-date design of the working environment and processes were incorporated. Further improvements were made in the year under review through the extension and construction of common-rooms and recuperation rooms. Volkswagenwerk AG also created further jobs for handicapped employees.

In the report year a slight increase occurred in the accident rate at Volkswagenwerk AG which essentially resulted from the large number of new employees and considerable structural alterations in production. Despite this slight increase Volkswagenwerk AG is a leader in the field of safety at work, as could be seen in the contributions

refunded by the trade associations for 1978.

Our employees' participation in the Company's suggestion scheme increased significantly in the business year ended. This is also to be seen as the expression of growing identification with the Company. The submission of 27,537 suggestions for improvement was an increase on the previous year of 24.4%. Of the suggestions reviewed in the report year 4,144 were adopted and were rewarded with a total of 5.5 million DM. The highest award of 100,000 DM was paid four times.

In 1979, with improved conditions for the granting of building loans compared with the previous year a total of 21.1 million DM was paid out, assistance being given with 1,564 owner-occupied homes.

The new wages and salaries agreements which came into effect on 1 February 1979 and which were valid for 12 months led to an average increase in wages and salaries of 4.3%.

In the framework of the skeleton agreement reached at the end of

1978 the following changes in particular were made:

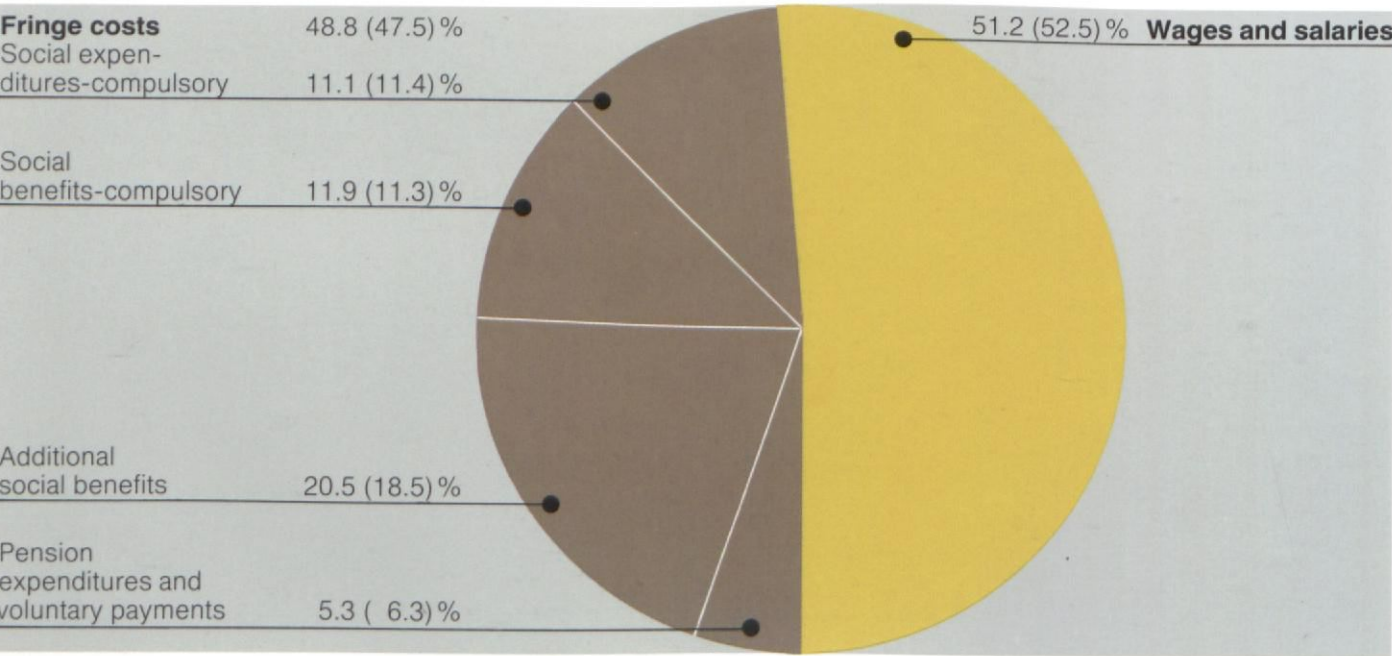
Holiday entitlement was increased for all employees from 1979 onwards according to age group so that as of 1983 all employees will have a holiday entitlement of 30 working days per year.

In addition the previous recuperation centre holiday was changed to recuperation leave. The annual increments of entitlement to this additional leave will in future exclusively reflect the type of shift. This arrangement takes account of the particular burdens of shift work.

On 1 May 1979 the agreement on the basic principles of remuneration at Volkswagenwerk AG came into effect. With this agreement the methods for setting prescribed times, including a process of predetermined times (Methods Time Measurement), were laid down.

In addition the recuperation time of 1.25 minutes per hour introduced in 1976 was increased in the wages agreement to 3 minutes per hour as from 1 September 1979 and to 5 minutes per hour as from 1 September 1981.

Structure of labour cost at Volkswagenwerk AG in 1979



In November 1979 the agreement on wage differentials was made with effect from 1 February 1980. It runs until 31 January 1984. The main emphasis of the agreement is the grouping of similar jobs with the same payment into work systems and the reduction in numbers of wage groups.

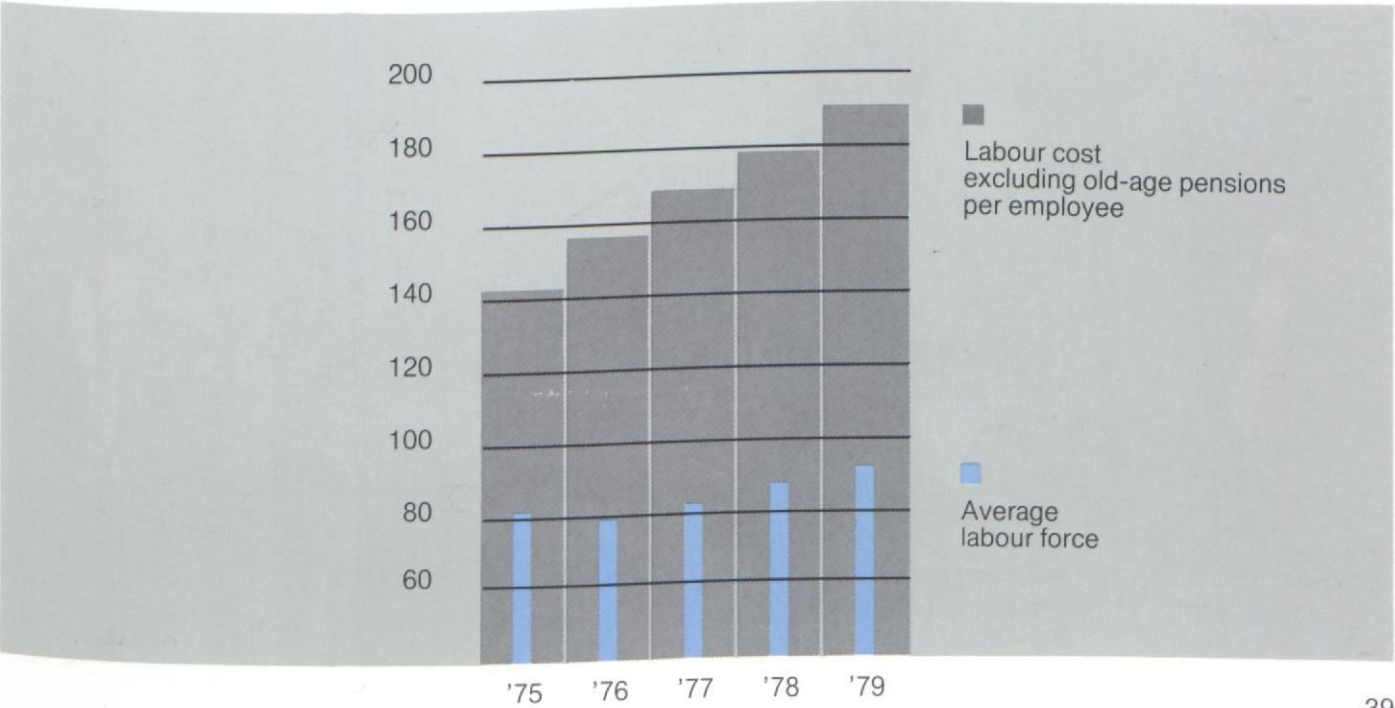
For reasons above all of increasing labour force numbers and the increase in agreed wages and salaries the labour cost of Volkswagenwerk AG in 1979 rose by 11.3% to 5,608 million DM.

As in the previous year a disproportionate increase occurred in social expenditures and voluntary payments. They amount to 48.8% of the total labour cost.

Capital Investments

The increase in investment activities since 1976 continued in the business year ended. At 1,709 million DM the capital expenditures of Volkswagenwerk AG were the highest ever in 1979. This compared with the previous year is an increase of 63.5%. Investments in fixed assets totalled 989 million DM and financial investments 720 million DM.

Labour force and labour cost at Volkswagenwerk AG (index: 1972 = 100)



As in previous years by far the largest part of the investments in fixed assets were for product-related measures. The emphases here were the start of series production of the Jetta and the new Commercial, and the commercial vehicles developed in cooperation with M.A.N. in the 6 to 9 metric tons gross vehicle weight range; further, considerable investments were made in the updating and development of the existing product range. In addition the first effects were felt of the comprehensive restructuring projects in production, especially in the press shop. Apart from the modernisation of production plant and processes, the aim of these projects is to improve working conditions in the framework of the humanisation of jobs.

In financial investments the emphasis was on the acquisition of a majority holding in the Triumph-Adler group, with at the same time a capital increase. Capital increases at the subsidiaries Volkswagen de Mexico and Volkswagen of South Africa, and the acquisition of a holding at the foundation of Chrysler Motors do Brasil should also be mentioned.

AUDI NSU AUTO UNION AG
Neckarsulm

		1979	1978	Increase %
Sales	million DM	5,171	4,509	14.7
Production/Vehicle sales	units	344,100	317,154	8.5
Capital investments	million DM	278	276	1.0
Labour force	on Dec.31	29,767	28,492	4.5

The economic development of the company in the business year 1979 was determined by a largely positive overall market situation, although the events in the energy sector made themselves felt. Demand eased towards the end of the year.

In sales proceeds a rise of 14.7% to a total of 5,171 million DM was achieved. This increase was essentially due to the increased sales volume, a distinct trend towards higher-grade equipment variants, and increased supplies for Audi 80 assembly in Emden. Of the sales proceeds 98.5% were accounted for by sales to Volkswagenwerk AG.

Production in 1979 increased by 8.5% to 344,100 vehicles. Of these 20,705 units were Porsche 924 models which are produced in Neckarsulm on behalf of Volkswagenwerk AG for Porsche AG, Stuttgart.

In addition to an extension of the product range and the uprating

of proven model series through improvements in technology and styling, measures were implemented for the reduction of fuel consumption and emission values.

With the new Audi 200 as top model the company extended its model range upwards at the end of 1979. The car is powered by a choice of either a newly-developed 125 kW (170 bhp) exhaust turbo-charged engine or the proven 100 kW (136 bhp) injection engine. These power units in conjunction with a 5-speed gearbox fitted as standard and exclusive equipment fulfil the highest demands in performance and comfort.

With an investment volume of 278 (276) million DM the already high level of the previous year was slightly exceeded. In addition to product improvements rationalisation measures were at the forefront.

Higher production volumes required an increase in the labour force of 4.5% to 29,767 employees.

As a further contribution to the reduction of regional youth unemployment in 1979 the already high proportion of apprentices in the total labour force was increased on the previous year. On 31 December of last year 1,129 (1,016) young people were undergoing training.

The favourable overall business development was reflected in the company's net earnings of 83.5 (57.0) million DM. Under the provisions of the profit and loss assumption agreement 24 (25) million DM were allocated to reserves and 58.8 (30.9) million DM transferred to Volkswagenwerk AG. From the net earnings after reserve transfers of 0.9 (1.6) million DM payments to participating certificate holders will be made.

With exclusive standard equipment and high-grade technology the Audi 200 meets the highest demands. It went into series production at the end of 1979.



Volkswagen do Brasil S.A.
São Bernardo do Campo

		1979	1978	Increase (Decrease) %
Sales	million DM	3,266	3,461	(5.6)
Vehicle sales	units	522,177	516,443	1.1
Production	units	525,703	518,603	1.4
Capital investments	million DM	199	143	38.9
Labour force	on Dec.31	43,959	41,398	6.2

After the strong rise in sales on the Brazilian vehicle market in 1978, in the year under review an easing of demand resulted from numerous government measures which had the effect of restricting vehicle sales.

Unit sales of Volkswagen do Brasil in 1979 amounted to 522,177 vehicles, 1.1% more than in the previous year. Whereas the passenger car market share at 424,045 vehicles increased from 50.9% to 51.1%, in the field of commercial vehicles the market share at 40,673 vehicles decreased from 54.3% to 42.7%.

With 57,459 vehicles exported, the company was again able to fulfil its export obligation towards the Brazilian authorities in full. In addition the export of engines and gearboxes increased.

Despite a slight increase in vehicle sales, sales proceeds – in DM – fell in comparison with the previous year as a result of exchange rate influences.

Volkswagen do Brasil produced 525,703 vehicles in the year ended, 1.4% more than in the previous year. Average production per working day rose from 2,126 to 2,325 vehicles. At the end of 1979 the five millionth vehicle, a Beetle with alcohol engine, was manufactured.

In September 1979 an agreement was concluded between the Brazilian government and the association of Brazilian motor manufacturers scheduling series production of vehicles with alcohol engine. In 1979 alcohol engines were developed at Volkswagen do Brasil to the point where they can be introduced into series production. Series production of these cars has already begun.

On 31 December 1979 the company employed 43,959 people. This was 6.2% more than at the same time in the previous year. The increase resulted among other things from increased production at the Taubaté factory.

Increased supplementary and replacement investments and new model projects together amounting to 199 million DM led to an increase of investment volume of 56 million DM compared with the previous year.

The earnings situation of Volkswagen do Brasil permitted the distribution of an appropriate dividend.

Volkswagen of America, Inc.
Warren, Mi., USA

Volkswagen of America, Inc. Warren, Mi., USA		1979	1978	Increase (Decrease) %
Sales	million DM	4,906	4,319	13.6
Vehicle sales	units	336,804	298,459	12.8
Production	units	175,170	40,195	x
Capital investments	million DM	96	232	(58.7)
Labour force	on Dec.31	9,102	6,360	43.1

Whilst the overall motor vehicle market in the USA receded, the share of imported vehicles and US subcompacts increased. The trend towards low-consumption vehicles continued, favouring the sales of Volkswagen and Audi models, with the result that the passenger car market share for Group models increased from 2.3% to 3.0%.

In 1979 Volkswagen of America delivered 336,804 vehicles to the dealer organisation, achieving a sales increase of 12.8% on the previous year. The Rabbit in particular profited from the favourable sales development.

After the start of two-shift operation at the beginning of the year, towards the end of the business year production at the Westmoreland plant achieved the planned level with almost 1,000 vehicles per working day being manufactured. Since October 1979 Volkswagen of America has been producing the

"Pick-up", based on the Rabbit, a small car with open load area. This sort of vehicle is very common in the USA. Since 1979 the diesel version of the Rabbit has also been produced at Westmoreland. Altogether in the year under review 175,170 vehicles were manufactured at Westmoreland, which means that 52.0% of the vehicles sold by Volkswagen of America in 1979 were of domestic production.

With the increase in production the labour force of Volkswagen of America rose by 43.1% to 9,102 employees.

The decline in the dollar rate continued to be a burden on US business, although dependence on the exchange rate development was reduced through production at Westmoreland. The supply of complete vehicles and parts sets to Volkswagen of America continues however to be fully subject to the exchange rate risk.

On the other hand the high demand for Group models enabled the additional burdens to be offset, so that a loss was avoided in 1979.

The Rabbit in particular profited from the favourable sales development at Volkswagen of America.



Volkswagen de Mexico, S.A.
de C.V., Puebla/Pue.

Volkswagen de Mexico, S.A. de C.V., Puebla/Pue.		1979	1978	Increase %
Sales	million DM	1,205	871	38.3
Vehicle sales	units	112,511	91,136	23.5
Production	units	109,707	94,609	16.0
Capital investments	million DM	194	20	x
Labour force	on Dec.31	10,873	10,186	6.7

The good health of the automotive sector in Mexico continued in the year under review. Volkswagen de Mexico achieved a domestic sales increase of 28.8%. Including the export of 19,242 vehicles – above all the Beetle to Europe – the company sold 112,511 units, exceeding the level of the previous year by 23.5%. The good sales situation resulted in particular from the success of the Caribe (Golf), which replaced the Beetle as the leading model on the domestic market. As a result the car market share rose from 28.4% to 31.0%.

Despite an increase in production of 16.0% to 109,707 vehicles there were delivery problems in the case of individual models. The company is attempting through extension of capacities to adapt production to demand.

Sales proceeds rose by 38.3% disproportionately in comparison with vehicle sales. The reasons

for this were the sales of higher specification models, price increases and the extension of parts supplies for the Rabbit to Volkswagen of America.

The labour force was increased, for reasons of increased vehicle production, production depth and parts supplies, by 687 employees to 10,873.

At 194 million DM the investment volume was distinctly greater than in the previous year. A considerable proportion of this related to the production plant under construction for engine manufacture. In addition the company allocated investments for restructuring in production and extensions of capacity.

To finance these projects an increase of capital in the amount of 150 million DM was effected.

The company showed a profit for the year under review.

The favourable development of the automotive sector in Mexico continued in 1979. Our subsidiary had an above-average participation in the expansion of the market.



Volkswagen of South Africa (PTY) Ltd., Uitenhage, C.P.

Volkswagen of South Africa (PTY) Ltd., Uitenhage, C.P.		1979	1978	Increase %
Sales	million DM	551	495	11.3
Vehicle sales	units	48,935	43,519	12.4
Production	units	48,930	43,328	12.9
Capital investments	million DM	25	10	x
Labour force	on Dec.31	5,419	5,369	0.9

In spite of the drastic petrol price increases in the first half of 1979 and administrative measures for petrol saving, the South African motor manufacturing industry was able to achieve the vehicle sales level of the previous year, the passenger car market showing a slight increase. A heavy increase in the sales of low-consumption vehicles characterised the trend in this market sector.

Volkswagen of South Africa had an above-average participation in this development in particular through the success of the Golf, achieving with a total of 44,754 new passenger car registrations – of which 28,718 were Golfs – a market share of 21.0% as against 17.9% in the previous year.

In the light commercial sector on account among other things

of a reduced demand for minibuses the market share of Volkswagen of South Africa fell to 4.8 (7.3)%.

With start of production of the new Commercial at the end of 1979 the company can fulfil the stricter statutory requirements for a higher national production share in light commercial vehicles.

In the business year ended the company produced 48,930 vehicles, an increase of 12.9% on the previous year. The labour force rose by 0.9% to 5,419 employees.

In 1979 the company effected a capital increase of 50 million DM. These funds will serve the financing of future investments in the fields of product updating, the further increase of the national production share and the extension of social welfare provisions and company training potential.

Sales proceeds increased by 11.3% to 551 million DM. The

main influencing factors were sales and price rises and a change in the model mix.

The company achieved a positive result.

Volkswagen of South Africa distinctly profited from the general market trend towards low-consumption passenger car models.



Chrysler Motors do Brasil Ltda. São Bernardo do Campo

1979¹⁾

Sales	million DM	187
Vehicle sales	units	12,398
Production	units	12,945
Capital investments	million DM	10
Labour force	on Dec.31	3,423

¹⁾ 1 April to 31 Dec. 1979

In March 1979 the Volkswagen Group acquired on the basis of a corporate agreement with the Chrysler Corp., USA, 66.7% of the capital stock of the newly-founded Chrysler Motors do Brasil Ltda. With this company the Volkswagen Group will extend its activities on the Brazilian commercial vehicle market.

From April to December of last year 12,398 Chrysler vehicles were sold. The company achieved a passenger car market share of 1.3% in 1979.

Sales proceeds amounted to 187 million DM of which more than a third came from exports. The company thus fulfilled its export obligation to the Brazilian authorities.

Production was adapted to sales potential, an average of 79 units being produced per working day.

On 31 December 1979 the company employed 3,423 people.

The investment volume of 10 million DM related primarily to improvement of the product range in the commercial vehicle sector and rationalisation and replacement investments.

Since Chrysler Motors do Brasil is still in the start-up phase, the company ended the year with a considerable loss.

Our new subsidiary Chrysler Motors do Brasil



**Volkswagen Bruxelles S.A.
Brussels, Belgium**

	1979	1978	Increase (Decrease) %
Sales	million DM 1,199	1,130	6.2
Vehicle sales	units 121,007	122,880	(1.5)
Production	units 121,029	122,901	(1.5)
Capital investments	million DM 34	7	x
Labour force	on Dec.31 4,463	3,996	11.7

In 1979 our Belgian subsidiary Volkswagen Bruxelles assembled 121,029 Passats (saloon and variant), almost achieving the assembly volume of the previous year.

Volkswagen Bruxelles achieved a satisfactory surplus.

**Volkswagen of Nigeria Ltd.
Lagos**

In the year under review Volkswagen of Nigeria assembled a total of 19,605 passenger cars. This is a drop on 1978 of 17.8%.

The overall market situation in 1979 worsened, restrictive government measures in both the passenger car and the commercial vehicle sector causing a further reduction.

New registrations of Volkswagen and Audi models fell in the case of passenger cars by 24.8% to 19,143 units. Registrations of Volkswagen Commercials fell

by 24.4% to 8,532 vehicles. The market share for passenger cars dropped to 31.3 (38.0)% and rose for commercial vehicles to 14.2 (13.4)%.

The company ended the business year 1978/79 (1 May to 30 April) with a surplus, so that a part of the loss brought forward could be eliminated. This positive development did not however continue in the calendar year 1979.

**TAS Tvrnica Automobila
Sarajevo, Vogosca, Yugoslavia**

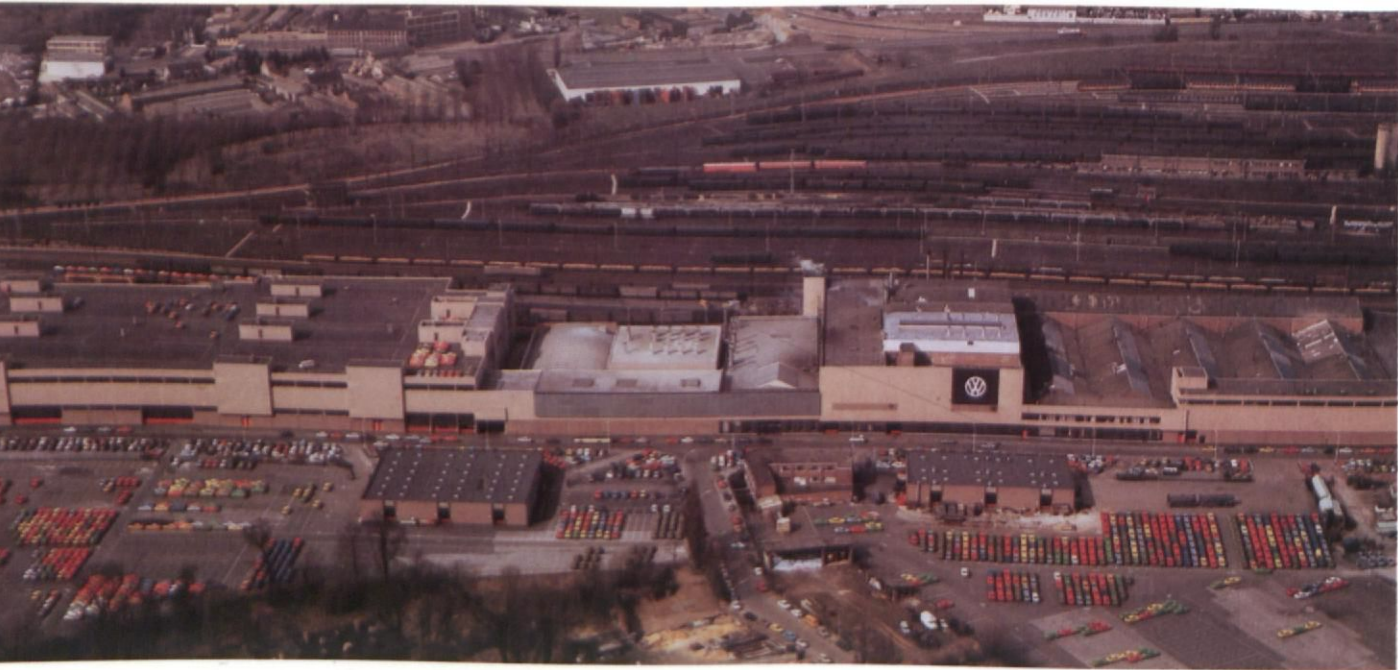
This company, founded in 1972 jointly with the previous Volkswagen Importer UNIS, had a satisfactory business year in 1979. In the report year a total of 15,139 Golfs assembled in Yugoslavia were sold. Together with 1,701 imported cars delivered this means an increase of 52.7%.

While retaining the existing holding proportions a capital increase was agreed upon which is to be realised in the course of the coming

years. The funds thus accruing to the company are to serve the extension of assembly capacity and production capacity for parts supplied from Yugoslavia.

The company made a profit in the year under review.

Our production plant in Belgium



**Distributing
Companies**

**Volkswagen France S.A.
Paris**

	1979	1978	Increase %
Sales	million DM 1,129	814	38.8
Vehicle sales	units 87,612	64,359	36.1
Labour force	on Dec.31 664	586	13.3

New passenger car registrations in France in 1979 were 1.6% up on the previous year. Volkswagen France had a higher-than-average participation in this development, achieving a market share of 4.0 (2.9)%.

With sales of 87,612 Volkswagen and Audi vehicles to the dealer

organisation the sales result of the previous year was exceeded by 36.1%. As in 1978 the Golf, followed by the Polo, was the best-selling Group model.

The company ended the business year with a good result.

**Volkswagen Canada, Inc.
Toronto**

	1979	1978	Increase (Decrease) %
Sales	million DM 388	387	0.3
Vehicle sales	units 28,959	31,030	(6.7)
Labour force	on Dec.31 353	318	11.0

In 1979 the Canadian vehicle market showed a slight improvement on the already high level of the previous year. The market share of Canadian-produced cars increased, whilst registrations of imported cars fell considerably by 18.3%. Deliveries of Volkswagen and Audi vehicles to customers increased as against the 1978 figure by 1.2%. As a result Volkswagen Canada's share of the Canadian car market in 1979 was unchanged at 2.9%.

Sales to the dealer organisation of 28,959 vehicles mean a drop of 6.7% on the previous year.

The company ended the business year with a small profit.

With the new Commercial Volkswagen in 1979 presented an attractive successor to the proven vehicle type.



**Svenska Volkswagen AB
Södertälje, Sweden**

The Swedish economy in 1979 was characterised by a slight upswing. As a result of this development new registrations of passenger cars also increased by 7.2% on the previous year. Svenska Volkswagen AB achieved with its delivery volume of 29,098 Volkswagen and Audi vehicles a rise of 16.0% and thus increased its market share from 10.4% to 11.3% in the report year.

The company ended the business year with a higher surplus than in 1978.

WESER-EMS Vertriebsgesellschaft mbH, Bremen

The company acts as a holding and participating concern. Its main income derives from its holding in the V.A.G Vertriebszentrum WESER-EMS GmbH & Co. KG, Bremen, and the letting of property.

As a result of the good earnings situation of the V.A.G Vertriebszentrum WESER-EMS GmbH & Co. KG the profit of WESER-EMS Vertriebsgesellschaft increased on the previous year.

The profit accrued to Volkswagenwerk AG in the framework of the profit and loss assumption agreement.

**V.A.G Sales Centres in
the Federal Republic of Germany**

After the merger of the Sales Centres Stuttgart, Weil der Stadt and Freiburg the wholesale function of the Volkswagen Group in the Federal Republic was performed at the end of 1979 by 18 Sales Centres. Volkswagenwerk AG has a direct 26% holding in each of them.

The continued strong demand for Group products enabled the good results of the previous year to be exceeded.

The four-wheel-drive Itis achieved a double victory in the Paris – Dakar Oasis Rally which covered 10,000 km in 17 stages.



**Triumph Werke Nürnberg AG
Nuremberg**

		1979	1978	Increase %
Sales	million DM	1,235	1,112	11.0
Capital investments	million DM	276	50	x
Labour force	on Dec. 31	14,266	13,474	5.9

The parent company and largest production plant of the Triumph-Adler group is the Triumph Werke Nürnberg AG. Major companies of the group include the producing company Adlerwerke vorm. Heinrich Kleyer AG and the domestic Triumph-Adler Vertriebs-GmbH with its foreign subsidiaries.

The activities of the Triumph-Adler group comprise the sectors: typewriters, systems machines, table and pocket calculators, text processing computers and systems, and copiers. Services and software are also marketed to a lesser degree.

In the framework of the restructuring process introduced in the seventies forward-looking electronic appliances were added to the mechanical and electrical ones in the product range. In the ensuing period the areas of electronic writing systems, computers, electronic calculators and high-quality copiers gained significance.

In the year ended the company intensified its endeavours towards

extending the forward-looking product range. The foundation of Triumph Adler, Inc., Los Angeles, is an example of this. At the end of 1979 via this company the Pertec Computer Corp., Los Angeles, was acquired, the takeover being financed from the capital increase at Triumph Werke Nürnberg AG. The Pertec Computer Corp. is primarily active in the field of peripheral appliances for computer systems. In addition small computers and medium data technology are sold, mainly in the USA. In addition to rounding off the product range possibilities for the exchange of development know-how can be exploited. The Pertec Computer Corp. will be included in the consolidation as of 1980.

In the business year ended sales of the Triumph-Adler group rose by 11.0% or 123 million DM to a total of 1,235 million DM. The most profitable lines were, in the business machine sector, golf-ball typewriters, printing table calculators and newly-conceived text processing systems. The potential of the US computer market will be opened up to a

greater extent by the Triumph-Adler group from 1980 via Pertec Computer Corp.

At the end of 1979 Triumph-Adler had 14,266 employees. Primarily as a result of an extension of the sales and service organisation 792 new employees were taken on. At year end 5.9% more people were employed than in the previous year.

Capital investments, which rose by 226 million DM to 276 million DM, related primarily to the acquisition of the holding in the USA, the extension of the product range of golf-ball typewriters and computers, and the expansion of the copier rental business.

Triumph Werke Nürnberg AG ended 1979 with a positive result.

Other Companies

VOTEX, Inc., Englewood Cliffs N.J., USA

VOTEX GmbH, Dreieich

The activities of VOTEX, Inc., USA, ceased in the second half of 1978 because no lasting satisfactory development could be expected for its trading operations. Winding-up proceedings were largely completed in the year ended. The holding of the American company in VOTEX GmbH, Dreieich, was transferred to Volkswagenwerk AG.

VOTEX GmbH, whose business activities are concentrated on the accessories trade, achieved sales totalling 64 million DM.

Business and results for 1979 were satisfactory.

V.A.G Leasing GmbH, Wolfsburg

V.A.G Leasing further strengthened its market position in the year under review. Vehicle leasing in cooperation with the V.A.G Sales Organisation to both tradespeople and increasingly private individuals was extended in 1979.

Turnover, which includes proceeds from vehicle and other movable property leasing, totalled 310 million DM in 1979 as against 252 million DM in the previous year.

The earnings situation of V.A.G Leasing remained good.

interRent Autovermietung GmbH Hamburg

The company hires out passenger cars and commercial vehicles on a short-term basis. It has a network of 326 outlets in the Federal Republic of Germany.

Activities in Belgium are conducted by two subsidiaries, interRent S.A. being responsible for car rental and interRent Trucks S.A. for truck rental. Elsewhere in Europe and in numerous other countries interRent has built up an independent system of licensees. In North America the company operates jointly with the Dollar Rent-A-Car-System, Inc., Los Angeles.

Despite extremely unfavourable weather conditions at the beginning of the report year and a decline in the accident replacement vehicle business, turnover was increased. In 1979 the company achieved sales proceeds of 199 million DM, as against 178 million DM in the previous year.

The result achieved by the company will as in previous years be allocated to reserves for the strengthening of stockholders' equity.

V.A.G Transportgesellschaft mbH, Wolfsburg

The company's activities comprise the purchase and selling of services in national and international sea, land and air traffic, in the transport, transshipment and stowage business, and the advising of the Volkswagen Group and others.

On account of the start of Volkswagen assembly in the USA volume of freight was lower than in 1978. A total of 412,000 (483,000) complete vehicles and a further 776,000 (760,000) cubic metres of vehicle parts were dispatched by sea. The greater part of the shipment volume was handled by time charter and single journey charter contracts. In addition scheduled lines were used.

Despite a general rise in costs the earnings situation of the com-

pany was again satisfactory in 1979. The profit was transferred to reserves for strengthening stockholders' equity.

V.A.G Kredit Bank GmbH Wolfsburg

The V.A.G Kredit Bank promotes sales of Volkswagen and Audi models by financing vehicle sales to final consumers and the purchase of vehicles and parts by the V.A.G Sales Organisation. In spite of intensified competition from other credit institutions in 1979 the volume of business increased for both types of financing.

On 1 August 1979 the V.A.G Kredit Bank increased its capital stock by 40 million DM to 92.5 million DM, thus creating the pre-conditions for an expansion of business.

The company ended the business year with a good result which was allocated to reserves for strengthening stockholders' equity.

VW-Wohnungsbau Gemeinnützige Gesellschaft mbH Wolfsburg

In 1979 the company concentrated its efforts on the modernisation and maintenance of older accommodation and the administration of existing accommodation.

The sale of apartments slightly reduced the number owned by the company. At year end these numbered 7,114 apartments and 132 units of accommodation in hostels.

VW-Wohnungsbau achieved a profit in the year under review.

VW-Siedlungsgesellschaft mbH Wolfsburg

The activities of the company in 1979 comprised preparatory building measures, administration of existing accommodation and considerable maintenance work on older buildings. A small number of hostel flats were rebuilt and sold as owner-occupied flats. At the end of 1979 the company had 5,383 apartments and 320 units of accommodation in hostels.

The loss shown for 1979 was brought about by the exploitation of all depreciation possibilities for tax purposes and was transferred to Volkswagenwerk AG under the profit and loss assumption agreement.

HOLAD Holding & Administration AG, Basle, Switzerland

The company, founded in 1965, is a wholly-owned subsidiary of Volkswagenwerk AG. The function of HOLAD is participation in domes-

tic and foreign companies and property administration.

HOLAD holds capital stock in the French financing company Société Volkswagen de Financement S.A., Paris, in Vorelco Ltd., Toronto, and in VOTEX, Inc., Englewood Cliffs.

The company ended 1979 with a surplus.

Volkswagen International Finance N.V., Amsterdam, Netherlands

The company was founded in 1977 as a wholly-owned subsidiary of Volkswagenwerk AG. Its activities comprise the financing of and participation in other companies.

Volkswagen Overseas Finance N.V., Willemstad, Curaçao, Netherlands Antilles, is a wholly-owned subsidiary of Volkswagen International Finance.

In 1979 Volkswagen International Finance N.V. made a profit.

The new Jetta



**Deutsche Automobilgesellschaft
mbH, Hanover**

The Deutsche Automobilgesellschaft mbH, of which Daimler-Benz AG and Volkswagenwerk AG each hold half the capital stock, continued in 1979 to pursue its research and development into electric drive and storage systems in accordance with tasks laid down by the two controlling companies.

The profit was distributed equally between the two partners under the profit and loss assumption agreement.

**VW-Versicherungsvermittlungs-
GmbH, Wolfsburg**

The company acts as insurance broker for the Volkswagen Group and others and also undertakes consultancy in insurance matters. In 1979 the volume of premiums was again considerably enlarged which led to a correspondingly improved result.

The profit was transferred to the partners in accordance with the profit and loss assumption agreement.

**GmbH für ausländische Vertriebs-
beteiligungen M.A.N. – Volkswagen
Munich**

The company, founded in 1978 jointly with Maschinenfabrik Augsburg-Nürnberg AG, handles the interests of both manufacturers at the M.A.N. and Volkswagen commercial vehicle importing companies in the large-volume European markets. The company has since acquired holdings in importing companies in Great Britain, Denmark, Norway, Belgium and the Netherlands. The capital stock at the end of the report year totalled 6 million DM. Both parties have an equal holding.

There were as yet no proceeds from the holding in 1979. The slight loss was met by the partners under the profit and loss assumption agreement.

In 1979 the offer range of the Volkswagen Group was extended by a commercial vehicle in the 6 – 9 metric tons gross vehicle weight range developed jointly with M.A.N.



AUDI NSU AUTO UNION AG,
plant Ingolstadt
(Released by Chairman of
the District-Council, Stuttgart
No. 9/46 774)

Prospects

The world economic situation at the start of 1980 was very different from what it was at the start of 1979, as a result of drastic increases in the price of oil and the worsened political situation. The rise in the cost of oil will lead to an increase in the imbalance of the balances of current transactions between oil-consuming and oil-producing countries and thus to a world-wide redistribution of income. This development will hit the non-oil-exporting developing countries hardest. It can thus be assumed that export possibilities to these countries will worsen. The locations policy of the Volkswagen Group has long been aligned to this change and will continue to take account of these aspects in the future.

The developments in the oil sector mean on the one hand the obligation to conserve energy, but on the other hand an increased incentive to innovate and to invest. The wide-ranging investment programme of the Volkswagen Group must also be seen against this background. Its realisation requires for the period 1979 – 1981/82 alone in Germany some 10 thousand million DM. The emphasis here is less on the extension of capacity than on measures for improving production technology and the product range. Naturally the maintenance of our technical lead in the

field of low-consumption vehicle manufacture has outstanding significance. In the fixed assets investment sector there is a distinct increase in 1980 as against last year.

Since about the middle of 1979 the demand for passenger cars in the Federal Republic of Germany has quietened, particularly for models of the upper middle range. This development will continue in the current year so that, after more than four years of very good domestic vehicle sales, in 1980 a swing back towards the long-term trend is to be expected. The favourable situation in the commercial vehicle market, in which Volkswagen is represented through the development of a joint truck range of 6 – 9 metric tons gross vehicle weight with M.A.N., will however continue.

In the same way, in view of the changed economic climate, sales of passenger cars will probably not continue to rise unchecked in most other west European countries. Even so the Volkswagen Group expects to be able to continue to strengthen its position in these markets. In comparison with Europe stronger repercussions of energy cost increases can be seen in the American automotive industry. In the USA, the largest vehicle market of all, the demand for cars fell last year by as much as 6%.

However producers of low-consumption vehicles showed considerable increases in sales. It can be assumed that this trend – although possibly to a lesser degree – will persist in the current year.

As to the sales development for our vehicles in the Latin American countries and South Africa we are confident of at least achieving the good result of 1979.

The course of business in the automotive sector is fraught with a large number of risks which will make sales conditions on the world markets more difficult for us. We feel on the other hand that our energy-saving model range provides a good basis for assuring our sales as against the competition. Thus in the current year vehicle sales will probably achieve the level of last year.

With the aim of securing the employment and earnings situation the Volkswagen Group is concerned to consolidate existing and to open up new markets.

An example of this is the acquisition of the Argentinian automotive company Chrysler Fevre Argentina.

In addition the involvement of the Volkswagen Group in North America is to be extended by the setting up of a second assembly plant in the USA.

Advances were also made in the realisation of the Egyptian project, where Volkswagenwerk AG will only acquire a minority holding.

The activities of the Volkswagen Group in the field of business machines and information technology continued. At the beginning of this year Volkswagenwerk AG acquired from Litton Industries, Inc., USA, a further 19.1% share in Triumph Werke Nürnberg AG. The Volkswagenwerk AG holding is now 72.9%. The Triumph-Adler group also acquired 100% ownership of Pertec Computer Corp., Los Angeles. This company is primarily active in the field of peripheral appliances for computer systems.

It will be our endeavour to realise in 1980 as far as possible the favourable figures achieved in the year ended. The realisation of this goal must however be seen against a background of further burdens in the matter of costs and an altered market situation.

Wolfsburg, March 24, 1980

The Board of Management

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Comments on the Financial Statements of the Volkswagen Group

Consolidation Principles

Scope of Consolidation

The consolidated financial statements principally comprise all subsidiaries and affiliates in which Volkswagenwerk AG holds a direct or indirect interest of more than 50%.

In addition to Volkswagenwerk AG we have consolidated 19 domestic and 36 foreign subsidiaries and affiliates. These companies are marked in the survey of the major companies within the Volkswagen Group on pages 34 and 35.

The scope of consolidation has distinctly increased primarily through the inclusion of the Triumph-Adler companies acquired in 1979. The following companies were consolidated for the first time:

Triumph Werke Nürnberg AG, Nuremberg,
Adlerwerke vorm. Heinrich Kleyer AG, Frankfurt,
Nederlandse Adler Fabrieken B.V., Leiden,
Triumph-Adler Vertriebs-GmbH, Nuremberg,
Diehl datensysteme GmbH, Nuremberg,
Adler Royal Business Machines, Inc., Union, N.J., USA,
Royal Business Machines, Inc., Reno, Nev., USA,
Adler Business Machines Pty. Ltd., Sydney,
Triumph Adler Italia S.p.A., Milan,

Triumph Adler France S.A., Paris,
Adler Business Systems Ltd., London,
V.A.G Marketing-Management-Institut GmbH, Brunswick,
Chrysler Motors do Brasil Ltda., São Bernardo do Campo.

In May 1979 Volkswagenwerk AG acquired 52.2% of the capital stock of Triumph Werke Nürnberg AG. After a capital increase effected in August 1979 the holding at year end was 53.8%. The companies of the Triumph-Adler group are active in the field of business machines and information technology.

The V.A.G Marketing-Management-Institut GmbH, founded in 1979, will undertake training and research activity in the field of motor vehicle marketing.

Through a corporate agreement in March 1979 with Chrysler Corp., USA, Chrysler Motors do Brasil Ltda., was founded. The company is active in the production and sale of passenger cars and commercial vehicles.

In 1979 two companies left the scope of consolidation:

Wolfsburger Transportgesellschaft mbH, i. L., Wolfsburg,
Consórcio Nacional Volkswagen Ltda., São Paulo.

The Wolfsburger Transportgesellschaft mbH was liquidated in 1979, whereas the Consórcio Nacional Volkswagen Ltda. was no longer consolidated as a trust company.

Volkswagen Products Corporation, Fort Worth, was merged in the report year with Volkswagen of America, Inc., Warren.

In December 1979 the Triumph-Adler group acquired a majority interest in the Pertec Computer Corp., Los Angeles. The Pertec Computer Corp. and its five subsidiaries were not consolidated in 1979 since there was as yet no centralised management. The non-inclusion of the intermediate holding companies Triumph Adler, Inc., Los Angeles and Triumph Adler Systems, Inc., Los Angeles, set up in conjunction with the acquisition of the Pertec Computer Corporation, does not affect the statement of the assets and earnings situation of the Volkswagen Group.

Two domestic and 17 foreign Group companies, of which 2 were US dealerships, were also omitted from consolidation.

These include:

Auto Union GmbH, Munich,
Triumph Werke Wohnungsbau GmbH, Nuremberg,

VW Inmobiliaria, S.A. de C.V., Puebla/Pue.,
AUDI NSU FRANCE S.A., i.L., Paris.

The view of the assets and earnings situation of the Volkswagen Group is not impaired by the omission of these companies since in part they are not engaged in business and are insignificant in their total volume.

Form of Presentation and Valuation

In the preparation of the consolidated financial statements we have principally taken account of the recommendations of the study group on global financial statements of the Schmalenbach-Gesellschaft/Deutsche Gesellschaft für Betriebswirtschaft. Classification corresponds to the requirements of German Corporation Law. In addition to the Corporation Law's minimum regulations we have shown in the consolidated balance sheet the development of property, plant, equipment and investments, and prepared the statement of earnings in fully consolidated detailed form. Changes in the method of presentation which proved necessary from the Group's point of view were effected. The amounts scheduled for distribution to the holders of participating certificates in the AUDI NSU AUTO UNION AG are now shown under

liabilities. On account of legal restrictions placed on the capital of non-profit companies the reserves and the non-distributed part of the net earnings after reserve transfers of one Group company were allocated to undetermined liabilities.

In contrast to previous practice the financial statements of almost all consolidated foreign companies were prepared and audited in accordance with unified accounting and evaluation principles in line with the provisions of the German Corporation Law. The Group financial statements have thus become more informative. For reasons of comparability we have adjusted the previous year's balance sheet figures. Alterations occurred mainly in fixed assets on the basis of modified useful life, in financial investments for reasons of additional value adjustments to securities and in inventories through the taking account of unified valuations. The effects on results of these alterations have been shown in the balance sheet item "Reserve of the Group arising from earnings".

A provision was set up in the consolidated financial statements for foreign source taxes due on intra-Group profit distributions in the following year.

Finished products and goods stemming from intra-Group deliveries have been evaluated with the highest permissible acquisition or manufacturing costs in accordance with the Corporation Law at the supplying companies.

Conversion into DM
Conversion into DM of the individual and sub-group financial statements prepared in foreign currencies was carried out in 1979 using a more detailed method than that used previously.

Additions to fixed assets were converted at the average rates of the months of acquisition (historical rates), depreciations and disposals at the average rates weighted in line with the monthly additions.

Whereas for conversion of loans with a term of four years or longer we used the average rates in force on the balance sheet date (previously also historical rates), the remaining items of financial investments were converted at the rates in force at the date of acquisition.

The capital stock and the other reserves are shown at the rates in force on the date of allocation. We have converted the remaining balance sheet items at the average rates at the balance sheet date.

With the exception of depreciations and the profits and losses from disposals of fixed assets and investments for whose ascertainment the historical rates of fixed assets and investments were applied we converted income and expenses at the average monthly rates of 1979 in each case.

Differences incurred by converting balance sheet items have been entered direct in the reserve from capital stock surplus. They have not affected the net earnings for the report year. Differences incurred by converting the items shown in the statements of earnings were balanced so that the net earnings were not influenced by these either.

Capital Consolidation

We have effected the capital consolidation by separate ascertainment of the adjustment items arising from the initial and from consecutive consolidation. In this way the acquisition costs of the interests in Group companies were set off against the capital to be consolidated available at the time of acquisition of the interest. The resulting adjustment items arising from initial consolidation were shown as a special item in addition to property, plant, equipment and investments and on the liabilities side separately under consolidated reserves.

The adjustment items resulting from the consecutive consolidation, with the exception of the differences resulting from conversion which are included under the reserve from capital stock surplus, are shown as reserve of the Group arising from earnings.

As in the previous year, the reserve of the Group arising from earnings also includes the following:

Unappropriated earnings of Volkswagenwerk AG, Value adjustments on investments in consolidated companies, insofar as they cannot be deducted from the adjustment items arising from initial consolidation and shown on the assets side, Differences from offsetting arising from consolidation of liabilities, Elimination of intra-Group profits made with regard to property, plant, equipment and investments and inventories.

The net earnings after reserve transfers of the subsidiaries and affiliates, which were not set aside for distribution to outside stockholders or holders of participating certificates, were included under reserve of the Group arising from earnings. The alterations to the net earnings brought about by consolidation were set off against the reserve of the Group arising

from earnings via the item change in the consolidated reserves. We have again subtracted sums from the reserve of the Group arising from earnings in the amount of the income from investments of the parent company. Thus the consolidated net earnings after reserve transfers corresponds to the net earnings after reserve transfers shown for Volkswagenwerk AG.

Ascertainment of the minority interest in consolidated foreign subsidiaries was based on the financial statements converted into DM and adapted on unified principles or on the principles of proper book-keeping; the differences resulting from conversion and incurred in the course of consolidation were percentually assigned to minorities.

Consolidated balance sheet structure as compared with the previous year²⁾

Financial Position

The financial situation for the Volkswagen Group at the end of 1979 is characterised by the positive earnings development in the business year ended and an increased tying up of funds through increased capital investments and higher inventories.

Capital investments, in which we have included the amounts brought forward of companies consolidated for the first time and the increase in the adjustment

on account of increased receivables and inventories by 2,437 million DM or 20.5% to 14,304 million DM.

As a result of the extension of the scope of consolidation and the adaptation to unified evaluation principles for the Group, together with the favourable earnings development in the report year, the stockholders' equity of the Volkswagen Group increased by 582 million DM or 10.4% to 6,198 million DM. At the end of 1979 property, plant, equipment and investments

Million DM	Dec.31, 1979		Dec.31, 1978	
Assets				
Property, Plant, Equipment and Investments	7,374 ³⁾	34%	6,313	35%
Current Assets	14,304 ³⁾	66%	11,867 ³⁾	65%
	21,678 ³⁾	100%	18,180 ³⁾	100%
Liabilities				
Stockholders' Equity	6,198	29%	5,616	31%
Liabilities payable within more than 4 years	3,973	18%	3,655	20%
1 to 4 years	2,796	13%	2,377	13%
up to 1 year	8,711	40%	6,532	36%
	21,678 ³⁾	100%	18,180 ³⁾	100%

items arising from initial consolidation, increased on the previous year by 1,110 million DM or 55.8% to 3,100 million DM. The cash flow¹⁾ of the Volkswagen Group at 2,993 million DM was 384 million DM or 14.7% higher than in 1978. At 96.6% the internal financing relationship was more or less balanced. Depreciation equivalents covered 54.7% of capital investments.

The balance sheet total of the Volkswagen Group rose in 1979 on the balance sheet of the previous year adjusted for unified Group valuation principles by 3,498 million DM (19.2%) to 21,678 million DM. The inclusion of the Triumph-Adler companies and Chrysler Motors do Brasil contributed to this increase.

Of the rise in fixed assets and investments by 1,061 million DM (16.8%), 745 million DM related to property, plant and equipment, 235 million DM to investments and 81 million DM to adjustment items arising from initial consolidation. Current assets rose primarily

were 84.1% covered (previous year 89.0%) by stockholders' equity. The increase of outside capital by 2,916 million DM (23.2%) to 15,480 million DM pertained mainly to the short-term items.

1) The following items as shown hereunder are included in the cash flow: Net earnings + Provision for depreciation of physical plant and write-down of investments – Write-ups + Disposals of property, plant, equipment and investments + Increase in provision for old-age pensions + /– Increase/Decrease of stockholders' equity in reserves for special purposes.
2) In the case of alterations to the items shown we have adjusted the figures for the previous year.
3) Decreased by the amounts shown under liabilities as allowance for doubtful trade acceptances and accounts

**Development
of Short-term Liquidity¹⁾**

Million DM	Dec. 31, 1979	Dec. 31, 1978	Increase (Decrease)
Liquid funds, trade acceptances ²⁾	4,781	4,364	417
Securities, own stock ²⁾	1,123	1,016	107
Short-term receivables and investments (advance payments not included) ²⁾	3,538	2,440	1,098
Short-term liabilities and undetermined liabilities (including liabilities in reserves for special purposes) ³⁾	8,453	6,320	(2,133)
			<u>(511)</u>

In 1979 the decrease in the liquidity position resulted from the following (million DM):

from current business

Net earnings	667	
Provision for depreciation of physical plant and write- down of investments, balance of disposals and write-ups	2,025	
Increase in provision for old- age pensions ⁴⁾	289	
Increase in stockholders' equity in reserves for special purposes	<u>12</u>	2,993

from financial transactions

Dividend payments to the stock- holders of Volkswagenwerk AG and to minorities in 1979	(202)	
Increase in long and medium- term liabilities	448	
Increase in other items shown on the liabilities side	<u>155</u>	401

from uses of funds

Additions to physical plant	(2,623)	
Additions to investments incl. increase in the adjustment items arising from initial consolidation on the assets side	(477)	
Increase in inventories and advance payments ²⁾	(909)	
Decrease in long and medium-term receivables ²⁾	<u>104</u>	(3,905)

**Decrease in the
liquidity position**(511)

- ¹⁾ In the case of alterations to the items shown we have adjusted the figures for the previous year.
²⁾ Decreased by the amounts shown under liabilities as allowance for doubtful trade acceptances and accounts
³⁾ Not including the amounts intended for distribution
⁴⁾ Excluding the amounts shown at year end 1979 in the financial statements of the companies included for the first time

**Tying up of Funds
by Regions**

The following breakdown shows assets and liabilities according to regions. Thus the bulk of the Group's net worth is in Europe.

**Breakdown of the Consolidated
Balance Sheet
According to Regions¹⁾**

Million DM	Europe	North America	Latin America	Africa	Consolidated Balance Sheet
Property, Plant, Equipment and Investments					
Property, plant and equipment	4,468	829	1,267	84	6,648
Investments (including adjustment items arising from initial consolida- tion)	<u>658</u>	<u>39</u>	<u>27</u>	<u>2</u>	<u>726</u>
	<u>5,126</u>	<u>868</u>	<u>1,294</u>	<u>86</u>	<u>7,374</u>
Current Assets					
Inventories (including advance payments to suppliers)	2,853	738	671	138	4,400
Trade accounts receivable	3,206	209	534	51	4,000
Liquid funds	<u>5,232</u>	<u>99</u>	<u>523</u>	<u>50</u>	<u>5,904</u>
	<u>11,291</u>	<u>1,046</u>	<u>1,728</u>	<u>239</u>	<u>14,304</u>
Outside Capital	13,023	742	1,607	108	15,480
Stockholders' Equity	3,394	1,172	1,415	217	6,198

- ¹⁾ Current assets and investments were decreased by the amounts shown under liabilities as allowance for doubtful trade acceptances and accounts.

Balance Sheet

Assets

In the year under review the net book value of **Property, Plant, Equipment and Intangible Assets** rose on the adjusted previous year's figure by 745 million DM to 6,648 million DM. Evaluation of property, plant and equipment was carried out on the basis of acquisition or manufacturing costs less ordinary depreciation. Particularly in Germany extraordinary depreciation permissible by tax law was provided for. Beyond this there were only minor extraordinary depreciations due to economic conditions with regard to Group companies.

Investments in property, plant and equipment rose on the previous year by 678 million DM (34.8%) to 2,623 million DM. These figures include the amounts brought forward of companies included for the first time totalling 203 million DM. Of the additions in the report year 41.2% pertained to Volkswagenwerk AG, 16.2% to V.A.G Leasing, 11.2% to AUDI NSU AUTO UNION AG and 7.8% to Volkswagen do Brasil. Investments mainly affected the item plant and office equipment. Above all they served the further development of the product programme and renewal and extension of the leasing and rental fleets of V.A.G Leasing and interRent Autovermietung.

Disposals resulted primarily from sales of used rental and leasing vehicles.

Investments increased by 245 million DM to 450 million DM. Additions to **Investments in Subsidiaries and Affiliates** mainly referred to the acquisition of the Pertec Computer Corp. by the Triumph-Adler group and investments in TAS Tvrnica Automobila Sarajevo by Volkswagenwerk AG. In addition the item investments in subsidiaries and affiliates included above all the holdings of Volkswagenwerk AG in the V.A.G Sales Centres and Svenska Volkswagen AB.

Other Investment Securities consist mainly of securities held by Volkswagen do Brasil.

Long-term Loans Receivable with an Initial Term of Four Years or Longer primarily pertain to loans granted by the Volkswagenwerk AG and Vorelco, Inc. Interest-free and low interest-bearing loans have been discounted to their cash values. Amounts of interest to be deducted or added are shown under write-downs and write-ups respectively. Volkswagenwerk AG and AUDI NSU AUTO UNION AG for the first time continued the loans in 1979 at the lower value of the previous year.

Other Investments were shown primarily at Volkswagen of South Africa.

Adjustment Items Arising from Initial Consolidation show the existing values in excess of the nominal value at the time of acquisition. They mainly result from the consolidation of the Triumph-Adler companies, AUDI NSU AUTO UNION AG and of interRent Autovermietung. Write-downs by Volkswagenwerk AG of the investment book values of AUDI NSU AUTO UNION AG and Volkswagen Bruxelles reduced the adjustment items to take account of reductions in value.

The rise in **Inventories** of 902 million DM (25.9%) resulted mainly from the inclusion for the first time of the Triumph-Adler group and Chrysler Motors do Brasil and from increases at Volkswagenwerk AG and Volkswagen of America.

Of the **Trade Accounts Receivable** 58.5% pertain to domestic and 41.5% to foreign subsidiaries and affiliates.

Trade Acceptances were primarily shown by Volkswagen France. The financing contracts of Volkswagen Commercial in Mexico previously shown in this item are now contained

in miscellaneous other current assets. The previous year's figures were adjusted.

Cash in Banks rose by 346 million DM (8.1%) to 4,623 million DM. Increases occurred at Volkswagen de Mexico, AUDI NSU AUTO UNION AG and Volkswagen France, a decrease at Volkswagen of America.

The portfolio of **Securities** which was maintained above all by Volkswagenwerk AG and Volkswagen do Brasil for the profitable investment of liquid funds increased by 128 million DM to 1,123 million DM.

Own Stock was shown unchanged.

Miscellaneous Other Current Assets consisted mainly of receivables resulting from financing of sales (customer financing) and purchase financing (dealer financing), claims resulting from promissory notes and registered securities, tax refunds and prepayments and interest receivable.

Prepaid and Deferred Expenses pertain for the major part to deferred commissions of V.A.G Leasing and Volkswagen do Brasil.

Liabilities

The **Consolidated Reserves** comprised the reserve from capital stock surplus, the reserve of the Group

arising from earnings and the adjustment items arising from initial consolidation.

In the **Reserve from Capital Stock Surplus** we have shown the premiums of the legal reserve of Volkswagenwerk AG reduced by the adjustment items arising from currency conversion.

The **Reserve of the Group Arising from Earnings** increased by 417 million DM (12.1%) to 3,860 million DM. The main reasons for this were allocations to reserves of Volkswagenwerk AG and domestic Group companies and the value corrections on subsidiaries and affiliates of Volkswagenwerk AG to be eliminated at consolidation. In addition this item comprises mainly the Group's share in the reserves of the other companies included in the consolidation, the amounts of intra-Group supplies of property, plant and equipment and inventories which have to be eliminated, discounts from interest-free loans granted to housing construction companies by Volkswagenwerk AG neutralised during the consolidation and earnings distributed to parent companies. Of the reserves of the companies included in the consolidation 475 million DM were converted into capital stock.

Adjustment Items Arising from Initial Consolidation pertained to the excess of net worth at Volkswagen of South Africa over the acquisition cost.

Minority Interest in Consolidated Subsidiaries mainly represented minority interests in Volkswagen do Brasil, the Triumph-Adler sector and Chrysler Motors do Brasil.

The **Reserves for Special Purposes** originated from the statements of Volkswagenwerk AG and to a small extent from those of Volkswagen France, AUDI NSU AUTO UNION AG and VW-Siedlungsgesellschaft.

The **Allowance for Doubtful Trade Acceptances and Accounts** served as security for covering the general credit risk.

Of the total **Undetermined Liabilities** 38.7% were long-term, 34.1% medium-term and 27.2% short-term liabilities.

Undetermined Liabilities in respect of **Old-age Pensions** arose from the domestic sector within the Group. They were based on actuarial computations, and the going-value method was used.

Undetermined Liabilities for Maintenance not Performed during Current Year pertained mainly to Volkswagenwerk AG and AUDI NSU AUTO UNION AG.

Undetermined Liabilities for Warranties without Legal Obligation were mainly taken over from the statements of Volkswagenwerk AG and Volkswagen do Brasil.

Other Undetermined Liabilities primarily consisted of provisions for marketing costs, taxes, labour cost and legal risks.

Of the **Liabilities with an Initial Term of Four Years or Longer** due to Banks further decreased through repayments by Volkswagenwerk AG.

69.9% of **Trade Accounts Payable** pertained to domestic, 30.1% to foreign Group companies.

Liabilities Resulting from the Acceptance of Bills Drawn and the Issuing of Promissory Notes were shown in the statements of Volkswagen do Brasil, the Triumph-Adler companies and Volkswagen of South Africa.

Other Liabilities Due to Banks increased primarily on account of short-term credits taken up by Volkswagenwerk AG, V.A.G

Kredit Bank and Volkswagen of America, and on account of the extension of the scope of consolidation, by 1,156 million DM to 2,684 million DM.

Advance Payments from Customers, apart from at Volkswagenwerk AG, were mainly shown at foreign production companies.

Miscellaneous Other Liabilities pertain mainly to payroll accruals, taxes and customs duties.

In addition to the **Contingent Liabilities** shown on the balance sheet, other liabilities which have to be shown comprised **Deposit Obligations** for shares in domestic subsidiaries in the amount of 5.0 million DM.

Of the total securities shown under current assets 2 million DM par value were pledged by Volkswagenwerk AG. It is also liable for refunded deposits in limited partnerships (Kommanditgesellschaften) in the amount of 1,149,980 DM. Other liabilities existed towards cooperative and a limited liability company in the amount of 135,600 DM; in addition in the case of the limited liability company there existed a co-liability in accordance with § 24 GmbH-Gesetz (Limited Liability Companies Act).

Statement of Earnings

The figures contained in the 1979 consolidated statement of earnings are not absolutely comparable with those of the previous year on account of the extension of the scope of consolidation.

Sales of the Volkswagen Group rose in 1979 by 3,983 million DM (14.9%) to 30,707 million DM. These figures include the companies included in the consolidation for the first time with 1,411 million DM. The foreign share of sales increased to 59.3 (58.0)%.

The **Increase in Inventories** of 586 million DM related in the main to Volkswagenwerk AG, Volkswagen do Brasil, the Triumph-Adler companies and AUDI NSU AUTO UNION AG.

Material, Wages and Overhead Capitalized as Additions to Plant and Equipment amounted to 345 million DM.

The **Gross Performance** increased by 4,353 (16.0%) to 31,638 million DM.

Mainly for reasons of increased production and the extension of the scope of consolidation, **Expenditures for Raw Materials, Supplies and Other Materials** were at 15,835 million DM 1,736

million DM (12.3%) higher than in the previous year.

Income from Profit Assumption Agreements resulted from the partial assumption of the profit of the Deutsche Automobilgesellschaft by Volkswagenwerk AG.

Income from Investments in Subsidiaries and Affiliates pertained for the most part to Volkswagenwerk AG's share of the profits of domestic Sales Centres.

Income from Other Financial Investments in the main resulted from securities belonging to non-current assets at Volkswagen do Brasil and from loans at Vorelco, Inc. and Volkswagenwerk AG.

Other Interest and Similar Income resulted primarily from the continued high level of liquid funds at Volkswagenwerk AG and Volkswagen do Brasil and from income from the financing companies.

Gains on Disposal of Property, Plant, Equipment and Investments and Write-ups came for the most part from the sale of used vehicles by the rental companies and Volkswagenwerk AG.

Income from the Elimination of Reserves for Undetermined Liabilities

ties no Longer Required was shown particularly by Volkswagenwerk AG, AUDI NSU AUTO UNION AG, Volkswagen do Brasil and Volkswagen de Mexico.

Other Income resulted for the most part from currency gains, income from the rebilling of advertising material and sales promotion costs, revenues from rents and leasing and from the sale of catering goods.

Expenditures for Wages and Salaries rose on the previous year by 1,262 million DM (20.0%) to 7,584 million DM. Wage tariff rises and the higher average labour force contributed to this (cf. "Labour Force", page 14).

Social Expenditures rose by 171 million DM to 1,113 million DM.

Since Volkswagenwerk AG had in the previous year increased allocations to provisions for old-age pensions, **Pension Expenditures and Voluntary Payments** did not increase as much as other labour costs.

Losses on Disposal of Property, Plant, Equipment and Investments were minor in amount and were shown primarily by Volkswagen of America and the domestic Group companies.

Interest and Similar Charges were below the level of the previous year. They resulted for the most part from the financial statements of Volkswagen do Brasil, Volkswagenwerk AG and Volkswagen de Mexico.

The higher **Taxes on Income, Earnings and Property** reflected the increase in the proportion of taxable earnings in the business year 1979.

Other Taxes consist primarily of taxes paid on sales and assembly by our foreign producing companies and on the conclusion of financing contracts in Brazil.

Expenditures under Loss Assumption Agreements were incurred by Volkswagenwerk AG for one domestic company.

The item **Other Expenses** comprises primarily costs of repair and maintenance, advertising and sales promotion, shipping of products and currency exchange losses.

The **Net Earnings** were 667 million DM, 93 million DM (16.2%) higher than in the previous year.

Comments on the Financial Statements of Volkswagenwerk AG

Balance Sheet

Assets

Capital investments in **Property, Plant and Equipment** at 989 (844) million DM were the highest since 1974. The main areas of investment were the start of series production of the Jetta and the new Commercial, and the updating and further development of the existing product range. Further increases in capital investments related to measures for the restructuring and modernisation of work processes with reference to the humanisation of working conditions.

In the case of finished property, plant and equipment the additions, including transfers from construction in progress and the advance payments to vendors and contractors, totalled 834 (691) million DM. Of this 401 (409) million DM were for plant and office equipment, 340 (239) million DM for machinery and fixtures and 93 (43) million DM for real estate and buildings.

The gross book value of property, plant and equipment in the report year was 10,952 (10,252) million DM. After deduction of value adjustments on this sum of 8,617 (8,184) million DM the net book value of property, plant and equipment was 2,335 (2,068) million DM.

Evaluation of property, plant and equipment was carried out on the basis of acquisition or manufacturing costs in accordance with the principles set out in the 1977 Annual Report. Grants made from public funds for investments in previous years reduced the acquisition or manufacturing costs. They have been shown in the balance sheet as disposals. Payments to vendors and contractors have been given at nominal value.

Regular depreciation on the acquisition and manufacturing costs of property, plant and equipment was calculated in accordance with the principles explained in the 1977 Annual Report. For allocation of the investment grants received in 1979 the useful life of the benefiting asset was taken as a basis.

Extraordinary depreciation was provided for on the benefiting additions in 1979 in accordance with § 3 of the Border Area Promotion Law. In addition we carried out extraordinary depreciation

in accordance with the regulations of § 6b EStG (Income Tax Act) and section 35 EStR (Income Tax Application Regulations). A small amount of economically determined extraordinary depreciation was carried out for special tools for models no longer in production and for plant no longer used.

Capital investments were distributed over the individual plants as follows:

Plants		of which movable property
Wolfsburg	561 million DM	483 million DM
Hanover	159 million DM	134 million DM
Kassel	139 million DM	130 million DM
Salzgitter	54 million DM	50 million DM
Emden	41 million DM	24 million DM
Brunswick	35 million DM	30 million DM
	989 million DM	851 million DM

The additions to **Investments** shown under **Investments in Subsidiaries and Affiliates** in the amount of 677 million DM resulted from the acquisition of majority holdings in Triumph Werke Nürnberg AG, Chrysler Motors do Brasil Ltda. (founded in the report year), the foundations of V.A.G Marketing-Management-Institut GmbH and ECUALEMANA de Automotores S.A. Further additions to investments in subsidiaries and affiliates related to contributions to Volkswagen de Mexico, Volkswagen of South Africa, V.A.G Kredit Bank GmbH, TAS Tvrnica Automobila Sarajevo and the GmbH für ausländische Vertriebsbeteiligungen M.A.N. – Volkswagen. The disposals resulted from the amalgamation of several Sales Centres and the liquidation of the Wolfsburger Transportgesellschaft mbH, i.L., Wolfsburg.

The value of investments in subsidiaries and affiliates was assessed on the basis of acquisition costs.

Write-downs on investments in two domestic companies were made in order to take account

Regular and extraordinary depreciation provisions are distributed over the additions of 1979 as follows:

thousand DM	Real estate and land rights		Buildings on leased real estate		Machinery and fixtures	Plant and office equipment	Construction in progress	Advance payments to vendors and contractors
	with office, factory and other buildings	with residential buildings		without buildings				
Additions during 1979 ¹⁾	89,532	115	1,189	1,420	340,634	358,233	71,548	20,700
Depreciation on additions during 1979	20,807	3	283	132	159,536	111,715	29,374	10,350

¹⁾ Additions including transfers from construction in progress and advance payments to vendors and contractors (not including

of a reduction in value at the balance sheet date. Investments in Chrysler Motors do Brasil Ltda. and four other smaller foreign companies were adjusted for reasons of considerable financial losses in connection with the risks inherent in these involvements. In accordance with tax regulations we partially liquidated the reserve for special purposes formed in 1978 in connection with our investment in Volkswagen of America in accordance with § 3 of the Law on Investments Abroad. In accordance with the character of the reserve for special purposes as value adjustment on the investment in Volkswagen of America a value correction was made on this investment in the amount of the liquidation sum. Of the write-downs on investments 107 million DM pertained to additions during the current year.

As in previous years **Long-term Loans Receivable with an Initial Term of Four Years or Longer** were almost exclusively granted to housing construction companies and Volkswagen employees. All loans made under § 7c EStG up to December 31, 1954 were fully adjusted. Loans made as of 1955 under § 7c EStG were discounted with the rate of 5.5% required for tax reasons. All other loans were discounted with 7%. In 1979 for the first time the loans

special tools not yet used in operations and not yet depreciated, but including additions in real estate on which extraordinary

were no longer valued at their cash value in each case, but at the lower value of the previous year. Whereas in the past the loans were capitalised according to the term, in 1979 for the first time only the value adjustment pertaining to the repayment share was liquidated.

Inventories increased on the previous year by 385 million DM to 2,016 million DM. The main reasons for this were the enlargement and further development of the product range – e.g. start of series production of the Jetta and the new Commercial – and the concomitant larger stocks of raw materials and supplies, unfinished and finished products, and price rises at our suppliers. Valuation of the inventories was again carried out in accordance with the principles set out in the 1977 report.

Trade Accounts Receivable represented 368 million DM due from foreign customers and 83 million DM from domestic customers. With a few exceptions all amounts due were paid.

Cash in Banks pertains mainly to time deposits.

The portfolio of **Securities** increased by 203 million DM through the

depreciation was made in accordance with § 6b EStG).

purchase of bonds, debentures and shares in order to obtain interest from investment of liquid funds. The securities were generally valued with reference to the exchange value at year end. As security for the continuous processing of imported goods 2 million DM par value of bonds were pledged in favour of the customs authorities in Hanover.

The balance sheet value of **Own Stock** was maintained. It was acquired in the third quarter of 1971 in conjunction with the increased holding in AUDI NSU in order to be able to fulfil the conversion offer made to the shareholders of AUDI NSU AUTO UNION AG. A total of 301,206 shares of nominal value 15,060,300 DM were bought at an average rate of 190.04 DM. The nominal value of own stock corresponds to 1.3% of the capital stock. A reserve for own stock was formed in the amount of 21 million DM in accordance with § 155 AktG in the framework of the incorporation of the 2nd EEC Directive in the German Corporation Law.

The rise in **Receivables from Subsidiaries and Affiliates** resulted in particular from the increase in receivables due from Volkswagen France, the V.A.G Leasing GmbH, AUDI NSU AUTO UNION AG and Volkswagen Canada. Of the

total sum of receivables 845 million DM are from domestic companies and 740 million DM from foreign subsidiaries. Where appropriate, value adjustments were made on receivables in view of the inherent risks relating to the rate of exchange and currency transfers.

The main items of **Miscellaneous Other Current Assets** were claims from promissory notes, registered securities, interest receivable, sales tax refund claims and claims on the cash surrender value of old-age insurance. The increase on the previous year was due to the acquisition of claims in respect of promissory notes and higher interest receivable.

Liabilities

The **Capital Stock** and the **Legal Reserve** remained unchanged in the report year.

The reserve for the **Share-the-Burden Property Levy** was liquidated after expiry of this levy.

Allocation was made to reserves in the amount of 201 million DM. Of this 21 million DM were transferred to the **Reserve for Own Stock** and 180 million DM to **Other Reserves**.

The **Reserves for Special Purposes** increased through the setting up of a reserve for capital investments in developing countries in accordance with § 1 of the Developing Countries Tax Act on account of the capital increase at Volkswagen de Mexico and through transfer to reserve for price increases. As required by law reserves for special purposes decreased through partial liquidation.

Allowance for Doubtful Trade Acceptances and Accounts was set up with 8% (previous year 5%) for securing the general credit risk in advance payments made, receivables and bills of exchange. In addition for the first time this year an allowance of 8% was set up for loans with a term of four years or longer and

miscellaneous other current assets. Account was taken of the financial risk associated with securities, with the claims from promissory notes shown in miscellaneous other current assets, and registered securities, through an allowance of 1%.

Allocation to **Undetermined Liabilities** in respect of **Old-age Pensions** was calculated in accordance with § 6a EStG using actuarial principles and the going value method as in the previous year.

Undetermined Liabilities for Maintenance Not Performed during Current Year increased because necessary maintenance work could to a large extent not be carried out on account of the high exploitation of capacity.

Other Undetermined Liabilities essentially comprise provisions for liabilities in respect of marketing risks such as warranties, taxes, labour cost and risks inherent in foreign business. The increase on the previous year primarily resulted from allocations to provisions for taxes, marketing expenditures and labour cost.

Liabilities with an Initial Term of Four Years or Longer decreased by 345 million DM to 562 million DM. The decrease resulted in the case of **Loans** from the second

instalment of the loan issued in 1972 of 300 million DM which fell due in the report year, and from repayments in respect of **Liabilities Due to Banks**.

The increase in **Trade Accounts Payable** resulted in particular from the increased volume of purchases due to the extension of our product range.

Other Liabilities Due to Banks increased through the taking up of a short-term credit.

The increase in **Accounts Payable to Subsidiaries and Affiliates** arose mainly in connection with foreign subsidiaries from advance payments for capital goods and a deposit with a Brazilian subsidiary requested but not yet made on balance sheet date.

Miscellaneous Other Liabilities mainly consist of obligations in respect of the labour force (from the current wages and salaries account and other payments to be made under the wages and salaries agreement and settlement of other contracts) together with tax obligations.

Statement of Earnings

The following calculation of the **Added Value** in 1979 shows up in the value increase in the Company and its distribution.

Sources of added value (million DM)			Use of added value (million DM)		
	1978	1979	1978	1979	
Gross performance as shown in the statement of earnings which is drawn up in accordance with AktG	22,587	24,685	6,955	7,852	Added value
plus other income	1,033	1,281	189	240	for stockholders
			179	198	for the Company
			104	63	for creditors
			1,446	1,743	for the State
			5,037	5,608	for Company employees
Total performance	23,620	25,966			
less expenditures (of which material costs)	15,833 (13,922)	17,104 (15,137)	2.7 % 2.6 % 1.5 %	3.1 % 2.5 % 0.8 %	for stockholders for the Company for creditors for the State
			20.8 %	22.2 %	
			4.6 %	3.8 %	for Company employees (pension expenditures and voluntary payments)
			67.8 %	67.6 %	for Company employees (wages and salaries, social expenditures – compulsory)
less depreciation and losses on disposal	832	1,010 7,852			
= Added value	6,955				
	1978	1979	1978	1979	

Sales increased on the previous year by 1,874 million DM to 24,257 million DM. The increase was essentially the result of stronger sales of the Audi 80, increased supply of production parts to subsidiaries, and price increases. Domestic sales were 8.5% higher and sales abroad 8.2% higher than those of the previous year. Of total sales 75.0% came from the vehicle business and 7.8% from parts sales.

The rise in **Expenditures for Raw Materials, Supplies and Other Materials** of 1,215 million DM or 8.7% resulted primarily from the higher cost of vehicles purchased from subsidiaries, increased production of parts in the framework of interlinked production, and price increases.

Income from Profit Assumption Agreements was received from the domestic subsidiaries AUDI NSU AUTO UNION AG, VW-Versicherungsvermittlungs-GmbH, WESER-EMS Vertriebsgesellschaft mbH and Deutsche Automobilgesellschaft mbH.

Under **Income from Investments in Subsidiaries and Affiliates** is primarily shown the distribution of dividends by the domestic Sales Centres for 1979 and by Volkswagen do Brasil for 1978.

Income from Other Financial Investments comprises almost exclusively interest on loans granted.

Other Interest and Similar Income consists primarily of income from cash in banks and securities, and current account credits to subsidiaries.

Gains on Disposal of Property, Plant, Equipment and Investments resulted from the sale of machines and special tools particularly to subsidiaries, the liquidation of Wolfsburger Transportgesellschaft mbH, i.L., Wolfsburg, and from the repayment of interest-free loans discounted in previous years.

Income from the Elimination of Reserves for Undetermined Liabilities came above all from provisions for labour cost, warranty obligations, marketing expenditures and taxes no longer required.

Income from the Elimination of Reserves for Special Purposes resulted from eliminations carried out in accordance with statutory requirements.

Other Income comprises for the most part taxes rebilled to subsidiaries and affiliates, foreign exchange gains, revenues from the sale of catering goods and from rebilling of services and warranty costs.

Expenditures for the labour force rose in the year under review by 571 million DM or 11.3% to 5,608 million DM (cf. report section "Labour Force" page 37). Whereas the changes in wage tariffs and the increase in the average labour force led to a rise in **Wages and Salaries** and **Social Expenditures**, the **Pension Expenditures** and **Voluntary Payments** decreased.

Provision for Depreciation of Physical Plant and the Write-down of Financial Investments have already been explained in the corresponding balance sheet items.

The **Write-down of Other Current Assets** and **Provision for Doubtful Trade Acceptances and Accounts** related primarily to increased transfers to the provision for doubtful trade acceptances and accounts.

Interest and Similar Charges resulted for the most part from long-term loans received and the 300 million DM loan of 1972.

The increase in **Taxes on Income, Earnings and Property** was essentially related to taxes on earnings in the current year.

Expenditures under Loss Assumption Agreements stemmed almost

exclusively from the profit and loss assumption agreement with the VW-Siedlungsgesellschaft mbH.

Additions to Reserves for Special Purposes comprised transfers to reserves in accordance with § 1 of the Developing Countries Tax Act and § 74 EStDV for price increases.

The main items of **Other Expenses** were marketing expenditures for our products, outside services and materials for the maintenance of our plants, foreign exchange losses from current account processing and general tax risks.

Additional Details

In addition to the **Contingent Liabilities** shown on the balance sheet we were liable for 40,250,000 DM in connection with the deposit obligations in domestic companies with limited liability. In addition we were liable for received back capital invested in limited partnerships in the amount of 1,149,980 DM.

In the year under review the difference in accordance with § 160, section 2, sentence 5 AktG, which reduced the net earnings, amounted to 250,380,724.69 DM. This sum resulted mainly from the depreciation provided for in accordance with § 3 of the Border Area Promo-

tion Act, from write-downs on holdings, the increased provision for doubtful trade acceptances and accounts for safeguarding against the general credit risk and retention of the previous year's valuation of discounted long-term loans.

Remuneration of the Board of Management in 1979 amounted to 7,859,406 DM. Retired members of the Board of Management or their beneficiaries received 3,705,019 DM.

Remuneration of the Supervisory Board amounted to 324,742 DM.

Explanations of Selected Terms from the Annual Report

Since our Annual Report is intended to be read by as wide a circle as possible, and some of the technical terms used in it may not be generally known, we should like to explain them. We make no attempt to be comprehensive, nor do we claim scientific exactitude. Rather we wish to indicate the interpretations current within the Company.

Added value: The increase in value achieved by a company in a period (added value) is calculated at the Volkswagenwerk AG as follows: Gross performance as shown in the statement of earnings + other income – expenditures (predominantly material costs) – depreciation and losses from disposals.

Additions: Every actual quantitative addition of items in the fixed assets and investments (physical alteration of the fixed assets and investments) is designated as an addition. Additions can only be shown as such in the accounting period in which the quantitative addition in the fixed assets and investments actually occurred.

Adjustment items arising from initial consolidation: The difference resulting when the acquisition costs of a holding in a Group company do not correspond to the capital to be consolidated available at the time of acquisition (capital stock, reserves, profit or loss). The resulting sum is shown in the balance sheet under "Adjustment items arising from initial consolidation". Thus for example an adjustment item on the assets side can contain valuation reserves in acquired Group companies or future profits already contained in the acquisition price.

Advance payments: These are prepayments on agreed supply and service contracts in connection with which a delivery or service has not yet been completed.

Allowance for doubtful trade acceptances and accounts: In order to cover the general credit risk attaching to the receivables, a flat value adjustment can for reasons of business circumspection be made. Account must on the other hand be taken of individual bad debts through value adjustments made on the assets side in the case of the receivables concerned.

Authorised capital: Authorised capital is one of the four forms of capital increase provided for in the Corporation Law and comprises the authorisation of the Board

of Management by the Annual Meeting of Stockholders to increase the capital stock of the company within a maximum of five years by up to an agreed nominal value through the issue of new shares.

The conditions and the exact date of the share issue are decided by the Board of Management after approval by the Supervisory Board. Since a further resolution of the Annual Meeting of Stockholders directly prior to the increase of capital stock is not necessary, the authorised capital represents a flexible instrument for capital raising as far as the time of the increase is concerned which makes it possible to adapt the time and conditions swiftly to the situation on the capital market at any given time. At the Annual Meeting of Stockholders of 1979 the Board of Management was authorised to increase the capital stock of Volkswagenwerk AG from the present 1,200 million DM to up to 1,500 million DM through the issue of new bearer shares up to 30 June 1984. The stockholders are to have subscription rights.

Capital investments: These are additions of property, plant and equipment for long-term use – e.g. real estate, machines and factory and office equipment. They also include additions of intangible fixed assets such as patents and licences, and also financial investments such as the acquisition of shares, limited company holdings and bonds. The consolidated financial statements also include under additions for example the fixed assets and investments of companies included in the consolidation scope for the first time and an increase of the adjustment items arising from initial consolidation.

Cash flow: This is the sum of money available to a company for financing purposes in any business year from the sales proceeds after deduction of expenses such as material, labour and other costs. In practice it is ascertained in different ways. At Volkswagenwerk AG it is ascertained thus: Net earnings + provision

for depreciation of physical plant and write-down of investments — write-ups + disposals of property, plant, equipment and investments +/- increase/decrease in provision for old-age pensions +/- increase/decrease of stockholders' equity in reserves for special purposes.

The cash flow is a figure for the rating of the internal financing capacity of a company.

Consolidation: This is the integration of the individual financial statements (balance sheets and profit and loss accounts) of the legally independent Group companies being consolidated into a Group financial statement, setting off intra-Group transactions to avoid double counts. The following items have to be set off: equity capital of the subsidiary against the corresponding item "Investments in subsidiaries and affiliates" of the parent company (capital consolidation), receivables against liabilities (debt consolidation) and expenses of the one company against the corresponding income of the other Group company, where necessary eliminating inter-company profits (expenses and income consolidation).

Contingent liabilities: These are liabilities whose reason and extent are known but where it is uncertain whether the company will have to meet them. For example guarantees are shown in these sums. Because this kind of liability has as yet no fixed character, it is shown outside the actual balance sheet structure.

Current assets: All assets which do not serve the longer-term business operation and are not advance payments for expenses of the following year (Prepaid and deferred expenses) are referred to as current assets. In principle these include all objects which are to be used up, processed or disposed of. Current assets are subdivided into the groups "Inventories" and "Other current assets". The assets under these headings are characterised by the fact that they have a relatively fast turnover.

Deferred income/Prepaid and deferred expenses: Revenues or expenditures of the company which do not result in income or expenses until after the balance sheet date (e.g. rent paid in advance).

Depreciation (Value adjustments): By means of depreciation the acquisition or manufacturing costs of items making up the fixed assets are distributed over the accounting periods (business years) in accordance with their planned useful life. In addition to these regular depreciations there are extraordinary depreciations for covering unforeseen value-reducing factors and for tax purposes. Such depreciation can for example take account of the obsolescence of machinery as a result of technical progress.

Disposals: The statement of reductions in fixed assets and investments presupposes the (physical) disposal of assets in particular through sale, demolition or scrapping. Higher or lower proceeds compared with the book values can thus be achieved; the difference between proceeds and book value is shown in the statement of earnings under gains or losses on disposal of property, plant, equipment and investments.

Fixed assets and investments: These include all items which on the day of accounting are intended to serve the operation of the company over the longer term. These also include intangible assets (e.g. licences, patents, rights).

Gross performance: This is the performance which has been achieved by a company during a given period and consists mainly of the sales proceeds. Along with this the gross performance includes changes of inventories of the products and the other self-produced assets.

Intangible fixed assets: Rights acquired against payment, e.g. concessions, licences and patents.

Inventories: These comprise raw materials and supplies, work in progress, finished products

and goods. Raw materials are all materials which go direct into the product as essential components; auxiliary materials are only minor components of the product; supplies (e.g. lubricants) are not a part of a product but are necessary for its manufacture. "Goods" are all objects which have been purchased from outside and disposed of without processing or reworking. At Volkswagenwerk AG for example these include the vehicles assembled by Volkswagen Bruxelles.

Investments in subsidiaries and affiliates: These are holdings in other companies (stock companies or unincorporated companies) which were acquired with the intention of a longer-term participation.

Liquid funds: These are the financial assets of a company which are available at all times. They include trade acceptances, cheques, cash on hand, Federal Bank and postal cheque deposits, cash in banks, securities and own stock.

Liquidity: The company's ability to meet its financial obligations whenever they are due. In order to secure constant ability to pay it is necessary to match incoming payments and obligations to pay in such a way that the inflow and outflow balance as far as possible. Since in practice this target can only be approached, every company is forced for reasons of security to hold a liquidity reserve the amount of which is determined by the type of business, the structure of the company, the production programme, the economy and the state of business.

Loans receivable in accordance with §§ 89 and 115 of AktG (Corporation Law): This includes loans to members of the Board of Management, senior executives and persons on a level with this group, and loans and advances to members of the Supervisory Board. This obligatory statement also includes loans to companies in whose statutory bodies a member of the Board of Management or

Supervisory Board of the loan-providing company is represented.

Maintenance of capital: This is the maintenance of equity-financed assets taking account of price increases. The aim of capital maintenance is to show as profit only the sum which is not required for the reacquisition of plant necessary for production even with rising prices and to avoid showing so-called "fictitious profits".

Material, wages and overhead capitalized as additions to plant and equipment: These are for example self-produced plant and tools. They are shown in the statement of earnings under the income item "Material, wages and overhead capitalized as additions to plant and equipment" since the expenses arising from the production of the company-constructed assets (wages, materials etc.) are contained in the corresponding items in the statement of earnings.

Minority interest in consolidated subsidiaries: If outside (non-Group) parties have an interest in the companies included in the consolidated financial statements, then a "Minority interest in consolidated subsidiaries" has to be shown separately in the consolidated balance sheet for their share in the capital, reserves and profit/loss. This adjustment item is necessary, since all assets and liabilities of the Group companies are included in the balance sheet in full although they only belong partially to the Group companies. For example under this item the Volkswagen Group balance sheet has to show the minority interests that exist in Volkswagen do Brasil and Triumph Werke Nürnberg AG.

Net earnings: The sum is arrived at mathematically from the difference between all income and expenses and represents the result of the year under review before transfers to or from reserves.

Net earnings after reserve transfers: This is the "distributable" profit of a company which is left after transfer to or liquidation of reserves from the annual surplus

(net earnings) and taking account of net earnings (loss) brought forward. It forms the basis for the Annual Meeting of Stockholders' resolution as to the dividend to be distributed.

Net earnings brought forward: This is what remains of the net earnings after reserve transfers in accordance with the resolution of the Annual Meeting of Stockholders and is carried forward to the new year.

Net earnings per share: This figure is calculated as a quotient on the basis of net earnings and the number of shares and serves as a yardstick for the evaluation of the earning capacity of a company.

In addition on the basis of the DVFA result (result according to the German Association for Financial Analysis and Investment Consultancy) a modified "net earnings per share" figure is ascertained. This result is calculated on the basis of a scheme prescribed by the DVFA. The aim is to arrive at a figure adjusted to take account of various influences which permits of both a period and an inter-company comparison and represents an aid for investment consultancy. It is not however to be understood as a profit figure because certain amounts of outside capital which cannot be distributed are also included in the calculation. For this reason the DVFA result cannot be a yardstick for the amount of the dividend.

In many cases the price-earnings ratio is determined on the basis of the net earnings per share. This figure is the relationship of the stock exchange value of a share to the net earnings per share and indicates at what multiple of the result a share is traded on the stock exchange. The price-earnings ratio thus gives an idea of the fairness of price of a share, although this yardstick is only of value in period or inter-company comparisons. The DVFA result is also often used as a basis for this relationship instead of the net earnings.

Own stock: This represents that part of the share capital of a company which the company has acquired itself and is shown in the current assets with the procurement costs or the possibly lower exchange value. The Corporation Law makes the acquisition of own stock dependent on the existence of certain preconditions and limits it to 10% of the capital stock. Thus the own stock of Volkswagenwerk AG for example was acquired in 1971 in conjunction with the conversion offer to the shareholders of the AUDI NSU AUTO UNION AG.

Provision for old-age pensions: These are set up on the basis of actuarial computations. Precondition for the setting up of a provision for pensions is a promise of pension on the basis of which the company employee has a legal claim to continued or once-only pension payments when he retires from work.

Receivables from subsidiaries and affiliates: All receivables from subsidiaries and affiliates have to be shown separately in the balance sheet. These companies are legally independent companies which are defined in detail in the Corporation Law. One example of this in the Volkswagenwerk AG's financial statements is AUDI NSU AUTO UNION AG.

Reserves: These are a part of the stockholders' equity shown on the liabilities side of the balance sheet and are subdivided into legal and other reserves. Transfers to reserves are made either by payments by stockholders (e.g. the premium payable on the issue of new shares for the capital increase of Volkswagenwerk AG) or by transfers out of the net earnings. Whilst allocations to the legal reserve are regulated by the Corporation Law, the company managing bodies or the stockholders decide on the formation of other reserves. Allocations to reserves from net earnings permit whole or partial maintenance of self-financed assets (maintenance of capital) and thus in the long term lead to a higher intrinsic value of the company.

Reserve for own stock: In accordance with the Capital Protection Directive of the European Community of 13 December 1976 and the additional § 150a of the Corporation Law Volkswagenwerk AG set up in the report year a reserve for own stock. This reserve, which must be set up by 1980 in the amount of the book value shown on the assets side of the balance sheet for own stock in accordance with § 155 AktG – as a rule the acquisition costs and incidental acquisition costs – serves in the sense of protection of creditors the safeguarding of stockholders' equity.

This is achieved by the withholding from possible distribution of profit a sum corresponding to the value of own stock by showing it as a legal reserve with the concomitant statutory restriction of disposal. This prevents the assets of the company being reduced by the sum of these shares and thus an indirect re-payment of liable equity capital to the stockholders.

Reserves for special purposes: In certain circumstances tax law provides the possibility of setting up a tax-free reserve which in later years has to be liquidated in such a way as to affect results and increase earnings. When such reserves are adopted in the financial statements then they must be shown separately after the free reserves in the "Reserves for special purposes". It must be indicated under which statutory provisions these reserves were set up (e.g. reserve for investments in developing countries in accordance with § 1 of the Developing Countries Tax Act).

Sales: In the case of the Group this refers to the sales proceeds adjusted for internal transactions – i.e. transactions between the individual consolidated Group companies. Transactions conducted for example between Volkswagenwerk AG and AUDI NSU AUTO UNION AG have within the Group the character of supplies between legally dependent plants.

Sales to the dealer organisation; deliveries of vehicles to customers: In the Annual Report of Volkswagenwerk AG figures are given both for deliveries of cars to customers and for sales to the dealer organisation. Sales to the dealer organisation means Volkswagen Group vehicles sold to the Volkswagen and Audi outlets not belonging to the Group. Deliveries to customers means vehicles sold by the dealerships to final consumers.

Subsidiaries and affiliates: See "Receivables from subsidiaries and affiliates".

Transfers: As a rule these are transfers from one item within the fixed assets and investments to another. They do not represent any alteration in value or quantity, but are alterations of statement with purely formal significance.

Undetermined liabilities: These are a part of outside capital and are formed for obligations whose nature is known but whose amount and due date are unknown. Undetermined liabilities are not reserves and are thus not profits withheld. They are set up for example to cover concrete litigation risks which can lead to a subsequent claim being made on the company.

Write-ups: These serve to reverse earlier extraordinary depreciation. Furthermore sums relating to the accumulation of interest are shown in the write-ups column which are corrections of value adjustments (i.e. earlier discounts) in the case of interest-free and low-interest loans.

Consolidated Balance Sheet of the Volkswagen Group
December 31, 1979

Thousand DM

Assets

	Jan. 1, 1979	Amounts Brought Forward ⁴⁾	Additions	Disposals	Transfers	Write-ups	Provision for Depreciation	Dec. 31, 1979	Dec. 31, 1978 ¹⁾
Property, Plant, Equipment and Investments									
A. Property, plant, equipment and intangible assets									
Real estate and land rights									
with office, factory and									
other buildings	2,584,616	54,931	172,131	27,405	58,895	—	174,874	2,668,294	2,584,616
with residential buildings	419,599	582	6,875	10,473	589	—	16,119	401,053	419,599
without buildings	129,167	1,807	17,500	2,706	2,347	—	1,525	146,590	129,167
Buildings on leased real estate	20,596	1,170	3,156	30	447	—	2,454	22,885	20,596
Machinery and fixtures	900,684	74,335	448,226	4,351	69,306	—	543,656	944,544	900,684
Plant and office equipment	1,447,607	53,699	1,145,167	226,143	176,853	—	800,592	1,796,591	1,447,607
Construction in progress and advance									
payments to vendors and contractors	400,597	6,303	626,775	24,459	(308,437)	—	40,343	660,436	400,597
Trademarks and similar rights	—	9,612	200	—	—	—	2,450	7,362	—
	5,902,866	202,439	2,420,030	295,567	—	—	1,582,013	6,647,755	5,902,866
B. Investments									
Investments in subsidiaries and affiliates	60,688	3,047	237,940	686	—	—	12,955	288,034	60,688
Other investment securities	23,362	42	3	8,140	113	519	45	15,854	23,362
Long-term loans receivable with									
an initial term of four years or longer	114,489	130	59,297	21,874 ³⁾	—	340	7,277	145,105	114,489
Face value at Dec. 31, 1979									
237,826									
including secured by mortgages									
115,187									
loans in accordance with § 89 AktG									
757									
loans in accordance with § 115 AktG									
8									
Other investments	6,625	—	10,157	5,533	(113)	3	9,926	1,213	6,625
	205,164	3,219	307,397	36,233	—	862	30,203	450,206	205,164
	6,108,030	205,658	2,727,427	331,800	—	862	1,612,216	7,097,961	6,108,030
C. Adjustment items arising from initial consolidation								285,537	204,578
								7,383,498	6,312,608
Current Assets									
A. Inventories								4,388,358	3,486,667
B. Other current assets									
Advance payments to suppliers								14,653	5,693
Trade accounts receivable								1,058,135	793,881
including amounts due in more than one year	—								
Trade acceptances								115,193	78,240
including acceptances discountable at German Federal Bank	16,597								
Checks on hand								44,709	29,570
Cash on hand, including German Federal Bank								5,045	2,703
and post office checking account balances								4,622,705	4,276,471
Cash in banks								1,122,855	995,190
Securities								21,235	21,235
Own stock (par value at Dec. 31, 1979: 15,060)								2,019	3,205
Receivables from subsidiaries and affiliates									
including amounts for goods and services rendered	1,529							365	—
Loans receivable in accordance with § 89 AktG								2,942,762	2,180,553
Miscellaneous other current assets								14,338,034	11,873,408
Prepaid and Deferred Expenses									
Discount on loans								75	114
Other items								119,119	78,579
								119,194	78,693
								21,840,726	18,264,709

Liabilities

	Dec. 31, 1979	Dec. 31, 1978 ¹⁾
Capital Stock of Volkswagenwerk AG		
	1,200,000	1,200,000
Consolidated Reserves		
Reserve from capital stock surplus ²⁾	635,245	661,480
Reserve for the Share-the-Burden Property Levy	—	826
Reserve of the Group arising from earnings ²⁾	3,860,335	3,443,365
Adjustment items arising from initial consolidation	14,037	14,037
	4,509,617	4,119,708
Minority Interest in Consolidated Subsidiaries		
in net earnings	390,237	214,487
in loss	32,158	
	45,443	
Reserves for Special Purposes		
Reserve for investment in developing countries in accord-		
ance with § 1 of the developing countries tax act	140,960	104,688
Reserve for price increases in accordance		
with § 74 of EStDV	36,988	36,979
Reserve in accordance with § 1 of law		
on investments abroad	7,568	7,844
Reserve in accordance with § 3 of law		
on investments abroad	51,484	66,800
Reserve in accordance with § 6b EStG	3,009	1,143
Reserves in accordance with French legislation	11,555	9,947
Reserve for replacement in accordance with		
section 35 EStR	59	—
	251,623	227,401
Allowance for Doubtful Trade Acceptances		
and Accounts		
	162,747	84,981
Undetermined Liabilities		
Old-age pensions	2,749,260	2,341,005
Other undetermined liabilities		
Maintenance not performed during current year	54,607	18,256
Warranties without legal obligation	9,725	9,940
Other	3,951,278	3,092,060
	6,764,870	5,461,261
Liabilities with an Initial Term of Four Years or Longer		
Loans	499,725	544,200
including secured by mortgages	240,000	
Due to banks	1,012,481	1,166,806
including secured by mortgages	274,270	
Other liabilities	316,309	269,759
including secured by mortgages	72,385	
	1,828,515	1,980,765
Including amounts due within four years	555,988	
Other Liabilities		
Trade accounts payable	1,775,299	1,694,225
Liabilities resulting from the acceptance		
of bills drawn and the issuing of promissory notes	349,978	283,131
Due to banks	2,684,022	1,528,246
Advance payments from customers	49,106	52,822
Accounts payable to subsidiaries and affiliates	163	179
including trade accounts payable	1	
Miscellaneous other liabilities	1,596,984	1,205,856
	6,455,552	4,764,459
Deferred Income		
	37,370	22,489
Net Earnings after Reserve Transfers		
	240,195	189,158
Contingent liabilities with respect		
to trade acceptances	89,993	
Contingent liabilities with respect to guarantees	18,754	
Other contingent liabilities	51,078	
Contingent liabilities with respect to warranty contracts	36,296	
	21,840,726	18,264,709

¹⁾ In the case of alterations to the items shown we have adjusted the figures for the previous year.
²⁾ These items include the legal reserve of the Volkswagenwerk AG in the amount of 843,387,000 DM.
³⁾ Of which exchange rate differences in the amount of 2,238,000 DM.
⁴⁾ Amounts brought forward of companies consolidated for the first time

Consolidated Statement of Earnings of the Volkswagen Group

Year ended December 31, 1979

Thousand DM

	1979	1978
Sales	30,706,941	26,723,979
Increase in inventories	586,058	179,195
	31,292,999	26,903,174
Material, wages and overhead capitalized as additions to plant and equipment	344,614	381,869
Gross Performance	31,637,613	27,285,043
Expenditures for raw materials, supplies and other materials	15,834,894	14,098,931
Excess of Gross Performance over Expenditures for Raw Materials, etc.	15,802,719	13,186,112
Income from profit assumption agreements	175	—
Income from investments in subsidiaries and affiliates	51,369	49,217
Income from other financial investments	19,876	11,596
Other interest and similar income	853,123	636,312
Gains on disposal of property, plant, equipment and investments and write-ups	85,203	62,378
Elimination of reserves for undetermined liabilities no longer required	159,602	94,619
Elimination of reserves for special purposes no longer required	16,786	14,007
Other income	695,528	723,923
including extraordinary income	98,821	—
	1,881,662	1,592,052
	17,684,381	14,778,164
Wages and salaries	7,584,023	6,322,139
Social expenditures — compulsory	1,112,621	942,091
Pension expenditures and voluntary payments	415,849	391,332
Provision for depreciation of physical plant and fixed intangible assets	1,582,013	1,402,579
Write-down of financial investments including investments in consolidated companies	114,203	53,012
Write-down of other current assets and provision for doubtful trade acceptances and accounts	174,569	88,375
Losses on disposal of property, plant, equipment and investments	27,464	9,990
Interest and similar charges	393,534	412,699
Taxes		
a) on income, earnings and property	2,003,836	1,623,867
b) other	76,188	65,116
	2,080,024	1,688,983
Share-the-Burden Property Levy	831	3,324
Expenditures under loss assumption agreements	69	41
Additions to reserves for special purposes	41,169	76,927
Other expenses	3,490,820	2,812,521
	17,017,189	14,204,013
Net Earnings	667,192	574,151
Volkswagenwerk AG's net earnings brought forward	2,869	2,413
	670,061	576,564
Change in consolidated reserves		
Transferred from reserves	153,417	38,031
Transferred to reserves	596,568	403,865
	443,151	365,834
Minority interest in net earnings of consolidated subsidiaries	32,158	22,041
Minority interest in losses of consolidated subsidiaries	45,443	469
Net Earnings after Reserve Transfers and Minority Interests	240,195	189,158

According to our audit, made in conformity with our professional duties, the annual consolidated statements and the report of the Board of Management comply with German law and the Company's statutes.

Hanover, March 25, 1980

TREUARBEIT Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft — Steuerberatungsgesellschaft

Prof. Dr. Forster
Wirtschaftsprüfer

Dr. Tubbesing
Wirtschaftsprüfer

Wolfsburg, March 24, 1980

Volkswagenwerk Aktiengesellschaft

The Board of Management

Volkswagenwerk AG
Balance Sheet December 31, 1979

Assets

	Jan. 1, 1979	Additions	Disposals	Transfers	Provision for Depreciation	Dec. 31, 1979	Dec. 31, 1978
	DM	DM	DM	DM	DM	DM	Thousand DM
Property, Plant, Equipment and Investments							
A. Property, Plant and Equipment							
Real estate and land rights							
with office, factory and other buildings	1,167,046,402	72,932,739	704,952	16,807,871	99,613,667	1,156,468,393	1,167,046
with residential buildings	8,292,129	106,304	98,923	9,840	336,184	7,973,166	8,292
without buildings	35,165,806	1,543,928	23,611	(180,885)	282,604	36,222,634	35,166
Buildings on leased real estate	10,053,861	628,040	2,635	792,046	1,190,665	10,280,647	10,054
Machinery and fixtures	322,655,741	302,234,383	2,166,451	39,745,373	332,769,782	329,699,264	322,656
Plant and office equipment	330,434,440	304,002,784	2,382,825	95,631,153	231,819,788	495,865,764	330,434
Construction in progress	156,226,467	261,181,513	6,759,430	(135,928,402)	29,373,824	245,346,324	156,227
Advance payments to vendors and contractors	37,692,443	46,464,165	4,118,439	(16,876,996)	10,350,000	52,811,173	37,692
including amounts to subsidiaries and affiliates							
DM 4,840,546							
	2,067,567,289	989,093,856	16,257,266	—	705,736,514	2,334,667,365	2,067,567
B. Investments							
Investments in subsidiaries and affiliates	1,212,453,116	676,985,952	1,115,601	—	203,512,991	1,684,810,476	1,212,453
Other investment securities	1	—	—	—	—	1	—
Long-term loans receivable with an initial term of four years or longer	87,281,591	43,176,450	15,237,160	—	4,793,073	110,427,808	87,282
Face value at Dec. 31, 1979							
DM 232,988,710							
including secured by mortgages							
DM 172,177,702							
subsidiaries and affiliates							
DM 118,892,690							
loans in accordance with § 89 AktG							
DM 586,575							
	1,299,734,708	720,162,402	16,352,761	—	208,306,064	1,795,238,285	1,299,735
	3,367,301,997	1,709,256,258	32,610,027	—	914,042,578	4,129,905,650	3,367,302
Current Assets							
A. Inventories							
Raw materials and supplies						609,010,498	521,062
Work in progress						726,439,862	613,324
Finished products						680,061,253	496,474
						2,015,511,613	1,630,860
B. Other Current Assets							
Advance payments to suppliers						24,336,570	3,300
Trade accounts receivable						451,539,760	482,341
including amounts due in more than one year	DM	—				7,430,713	13,714
Trade acceptances							
including acceptances discountable at German Federal Bank	DM	—					
Cash on hand, including post office checking account balances						1,074,028	1,264
Cash in banks						3,209,730,468	3,223,665
Securities						801,579,770	598,862
Own stock (par value at Dec. 31, 1979: DM 15,060,300)						21,234,776	21,235
Receivables from subsidiaries and affiliates						1,585,608,880	1,486,802
Miscellaneous other current assets						818,574,165	439,222
						6,921,109,130	6,270,405
						8,936,620,743	7,901,265
						38,837	879
Prepaid and Deferred Expenses						13,066,565,230	11,269,446

Liabilities

	Dec. 31, 1979	Dec. 31, 1978
	DM	Thousand DM
Capital Stock	1,200,000,000	1,200,000
Reserves		
Legal reserve	843,387,000	843,387
Reserve for own stock	—	—
Jan. 1, 1979	21,234,776	—
Transfer from net earnings	21,234,776	—
Reserve for the Share-the-Burden	—	—
Property Levy	685,576	—
Jan. 1, 1979	685,576	—
Transfer to statement of earnings	685,576	—
Other reserves	—	686
Jan. 1, 1979	1,554,179,345	—
Transfer from net earnings	180,000,000	—
	1,734,179,345	1,554,179
	2,598,801,121	2,398,252
Reserves for Special Purposes		
Reserve for investments in developing countries in accordance with § 1 of the developing countries tax act	140,959,584	104,688
Reserve for price increases in accordance with § 74 EStDV	32,797,725	32,849
Reserve in accordance with §§ 1 and 3 of the law on investments abroad	59,052,477	74,644
Reserve in accordance with § 6 b EStG	—	1,143
	232,809,786	213,324
Allowance for Doubtful Trade Acceptances and Accounts	77,625,000	25,982
Undetermined Liabilities		
Old-age pensions	2,223,127,357	1,994,584
Other undetermined liabilities		
Maintenance not performed during current year	34,700,000	8,000
Warranties without legal obligation	5,850,000	4,980
Other	3,047,357,375	2,383,821
	5,311,034,732	4,391,385
Liabilities with an Initial Term of Four Years or Longer		
Loans	240,000,000	270,000
secured by mortgages	—	—
Due to banks	270,000,000	585,000
including secured by mortgages	35,000,000	—
Other liabilities	51,540,290	52,010
	561,540,290	907,010
including amounts due within four years	431,419,054	—
Other Liabilities		
Trade accounts payable	911,570,552	851,083
Due to banks	669,794,865	171,930
Advance payments from customers	30,823,078	40,140
Accounts payable to subsidiaries and affiliates	152,682,404	26,948
Miscellaneous other liabilities	1,079,343,248	853,919
	2,844,214,147	1,944,020
Deferred Income	344,838	315
Net Earnings after Reserve Transfers	240,195,316	189,158
Contingent liabilities with respect to trade acceptances	774,620,981	—
Contingent liabilities with respect to guaranty obligations	1,212,798,516	—
Contingent liabilities with respect to warranty contracts	389,826,615	—
	13,066,565,230	11,269,446

Statement of Earnings of Volkswagenwerk AG

Year ended December 31, 1979

	DM	1979 DM	1978 Thousand DM
Sales		24,257,227,144	22,382,829
Increase in inventories		240,353,990	15,655
		24,497,581,134	22,398,484
Material, wages and overhead capitalized as additions to plant and equipment		187,759,997	188,329
Gross Performance		24,685,341,131	22,586,813
Expenditures for raw materials, supplies and other materials		15,137,138,210	13,922,350
Excess of Gross Performance over Expenditures for Raw Materials, etc.		9,548,202,921	8,664,463
Income from profit assumption agreements		66,196,147	39,318
Income from investments in subsidiaries and affiliates		103,743,180	68,941
Income from other financial investments		1,213,635	5,236
Other interest and similar income		365,544,300	227,917
Gains on disposal of property, plant, equipment and investments		19,243,870	10,894
Elimination of reserves for undetermined liabilities no longer required		77,848,934	20,849
Elimination of reserves for special purposes no longer required		16,786,364	13,662
Other income		629,938,393	646,807
including extraordinary income	19,625,585		
		1,280,514,823	1,033,624
		10,828,717,744	9,698,087
Wages and salaries		4,666,689,928	4,133,641
Social expenditures — compulsory		642,695,319	584,933
Pension expenditures and voluntary payments		298,787,304	318,142
Provision for depreciation of physical plant		705,736,514	701,333
Write-down of financial investments		208,306,064	99,407
Write-down of other current assets and provision for doubtful trade acceptances and accounts		94,541,670	30,384
Losses on disposal of property, plant, equipment and investments		889,708	1,270
Interest and similar charges		63,088,524	103,957
Taxes			
a) on income, earnings and property	1,738,790,714		1,431,475
b) other	3,585,327		11,482
		1,742,376,041	1,442,957
Share-the-Burden Property Levy		689,021	2,756
Expenditures under loss assumption agreements		4,551,093	5,492
Additions to reserves for special purposes		36,271,891	74,017
Other expenses		1,926,218,742	1,831,720
		10,390,841,819	9,330,009
Net Earnings		437,875,925	368,078
Net earnings brought forward from previous year		2,868,591	2,413
		440,744,516	370,491
Transfer from the reserve for the Share-the-Burden Property Levy		685,576	2,667
		441,430,092	373,158
Transfer from net earnings			
a) to the reserve for own stock	21,234,776		—
b) to other reserves	180,000,000		184,000
		201,234,776	184,000
Net Earnings after Reserve Transfers		240,195,316	189,158

During 1979 pension payments amounted to DM 49,179,342; payments during the next five years will be approximately 110, 121, 124, 129, 142 % of this amount.

Wolfsburg, March 24, 1980

Volkswagenwerk Aktiengesellschaft

The Board of Management

According to our audit, made in conformity with our professional duties, the accounting, the annual financial statements and the report of the Board of Management comply with German law and the Company's statutes.

Hanover, March 25, 1980

TREUARBEIT Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft — Steuerberatungsgesellschaft

Prof. Dr. Forster
WirtschaftsprüferDr. Tubbesing
Wirtschaftsprüfer

The Volkswagen Group in Figures 1971 – 1979¹⁾

	1971	1972	1973	1974	1975	1976	1977	1978	1979	In (De)crease 1979 – 1978 in %	
											Balance Sheet (Structure) (million DM) December 31
											Assets
	4,905	5,261	5,697	6,263	5,810	5,474	5,425	5,903	6,648	12.6	Property, plant and equipment
	584	585	554	636	524	560	530	410	726 ²⁾	77.1	Investments
	5,489	5,846	6,251	6,899	6,334	6,034	5,955	6,313	7,374	16.8	Property, Plant, Equipment and Investments
											Inventories and advance payments to suppliers ²⁾
	2,514	2,338	3,489	4,117	2,949	3,267	3,180	3,491	4,400	26.0	
	1,394	1,584	1,691	1,954	2,019	2,098	1,992	2,996	4,000	33.5	Receivables and the like ²⁾
	445	1,038	1,151	472	1,619	2,888	3,837	4,364	4,781	9.6	Liquid funds, trade acceptances ²⁾
	313	354	414	54	48	173	560	1,016	1,123	10.5	Securities, own stock ²⁾
	4,666	5,314	6,745	6,597	6,635	8,426	9,569	11,867	14,304	20.5	Current Assets
	10,155	11,160	12,996	13,496	12,969	14,460	15,524	18,180	21,678	19.2	Total Assets
											Liabilities
	900	900	900	900	900	900	900	1,200	1,200	—	Capital stock
	2,627	2,677	2,878	2,170	2,032	2,903	3,161	4,224	4,625	9.5	Reserves of the Group ³⁾
	189	209	230	188	186	198	199	192	373	93.7	Minority interest in consolidated subsidiaries ⁴⁾
	3,716	3,786	4,008	3,258	3,118	4,001	4,260	5,616	6,198	10.4	Stockholders' Equity
											Undetermined liabilities in respect of old-age pensions
	630	730	878	1,035	1,143	1,754	2,048	2,341	2,749	17.4	
	1,596	1,604	1,623	1,507	1,740	2,109	2,200	3,244	4,152	28.0	Other undetermined liabilities ⁵⁾
	2,226	2,334	2,501	2,542	2,883	3,863	4,248	5,585	6,901	23.6	Undetermined Liabilities
											Liabilities payable within more than 4 years
	413	884	852	1,452	1,595	1,322	1,450	1,284	1,273	(0.9)	
	268	366	448	581	666	952	1,032	708	457	(35.6)	1 to 4 years
	3,442	3,694	5,089	5,654	4,705	4,220	4,355	4,776	6,592	38.1	1 year
	4,123	4,944	6,389	7,687	6,966	6,494	6,837	6,768	8,322	23.0	Liabilities
											Proportion of outside capital on net earnings after reserve transfers (Volkswagenwerk AG)
	81	81	81	—	—	90	173 ⁶⁾	189	240	27.0	
	9	15	17	9	2	12	6	22	17	(20.8)	Minority interest in earnings to be distributed
	6,439	7,374	8,988	10,238	9,851	10,459	11,264	12,564	15,480	23.2	Outside Capital
	10,155	11,160	12,996	13,496	12,969	14,460	15,524	18,180	21,678	19.2	Total Capital
											Statement of Earnings (Condensed) (million DM) January – December
	17,089	16,250	18,155	17,711	18,351	22,029	24,503	27,285	31,638	16.0	Gross performance
	9,891	9,098	9,850	10,068	10,066	11,598	12,746	14,099	15,835	12.3	Cost of materials
	4,416	4,463	5,309	5,718	5,550	6,413	6,810	7,656	9,113	19.0	Labour cost
	912	992	1,056	1,148	1,246	1,263	1,600	1,456	1,696	16.5	Depreciation and write-down
	452	600	483	305	404	486	1,503	1,692	2,081	23.0	Taxes
	418	562	432	241	347	438	1,454	1,624	2,004	23.4	on income, earnings and property
	1,271	891	1,127	1,279	1,242	1,265	1,425	1,808	2,246	24.2	Sundry expenses less sundry income
	147	206	330	(807)	(157)	1,004 ⁷⁾	419	574	667	16.2	Net earnings (net loss)
	54	110	235	(262)	(14)	211	248	366	443	21.1	Increase (Decrease) in reserves

¹⁾ In the case of alterations to the items shown we have adjusted the figures for the previous year.

²⁾ Decreased by the amounts shown under liabilities as allowance for doubtful trade acceptances and accounts

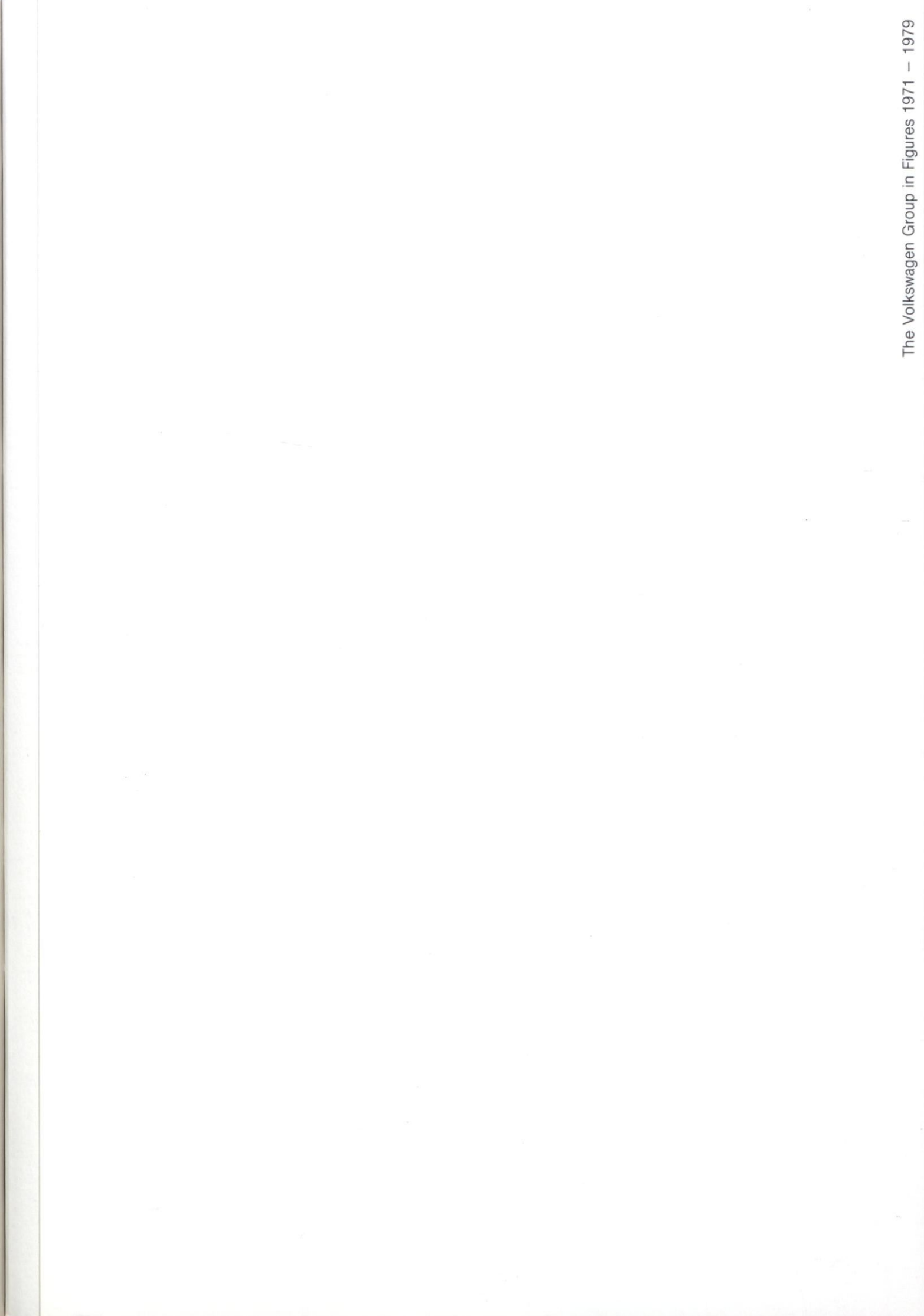
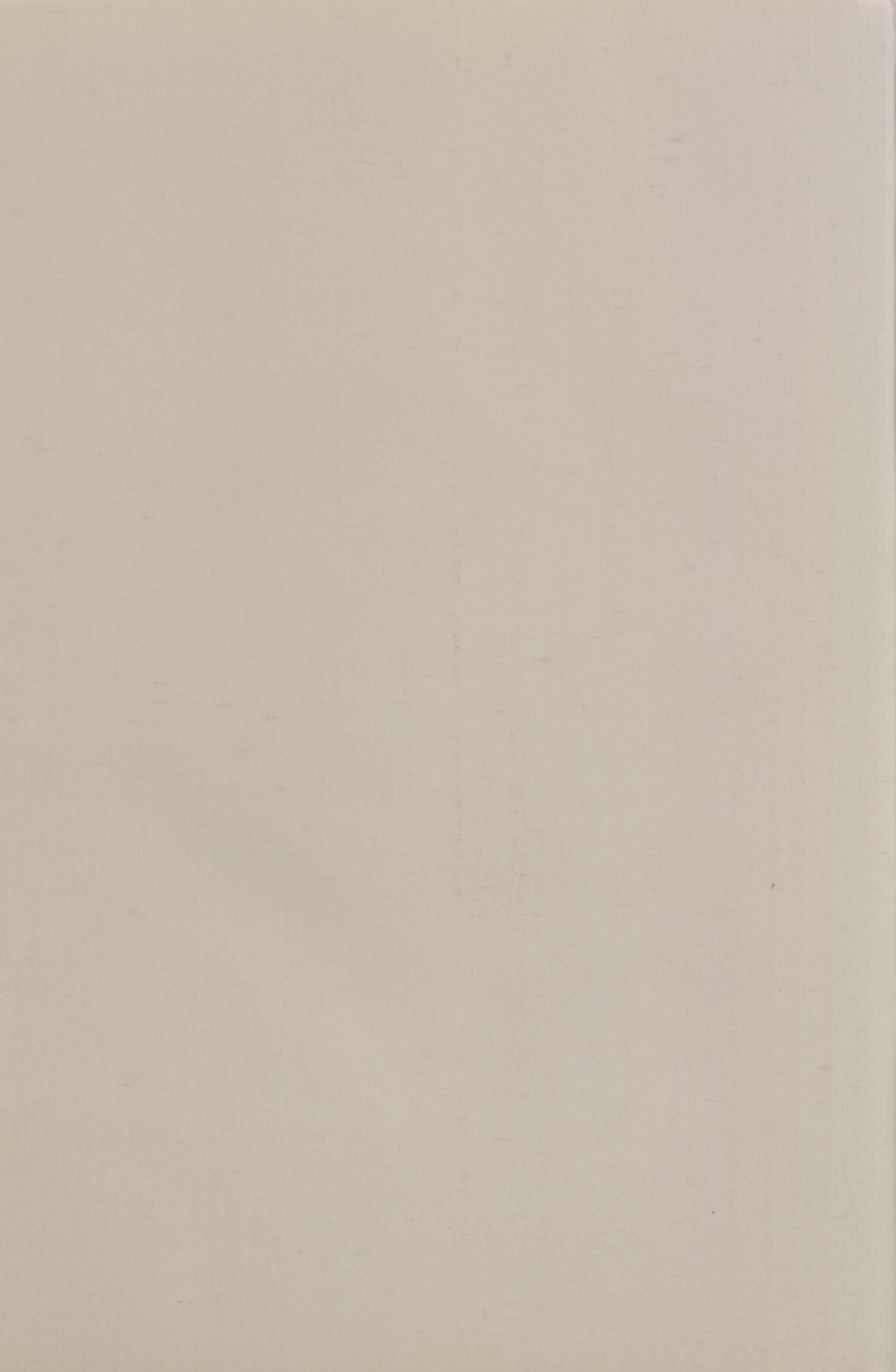
³⁾ Including stockholders' equity in reserves for special purposes; as of 1976 retrospectively incl. the portion of net earnings after reserve transfers not distributed and in 1974 and 1975 incl. the loss of Volkswagenwerk AG

⁴⁾ Excluding shares in net earnings to be distributed

⁵⁾ Including outside capital in reserves for special purposes

⁶⁾ In 1977 for disposition by Annual Meeting of Stockholders, of which 144 million DM distributed as dividend (incl. bonus)

⁷⁾ Not comparable with other years because of loss brought forward



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