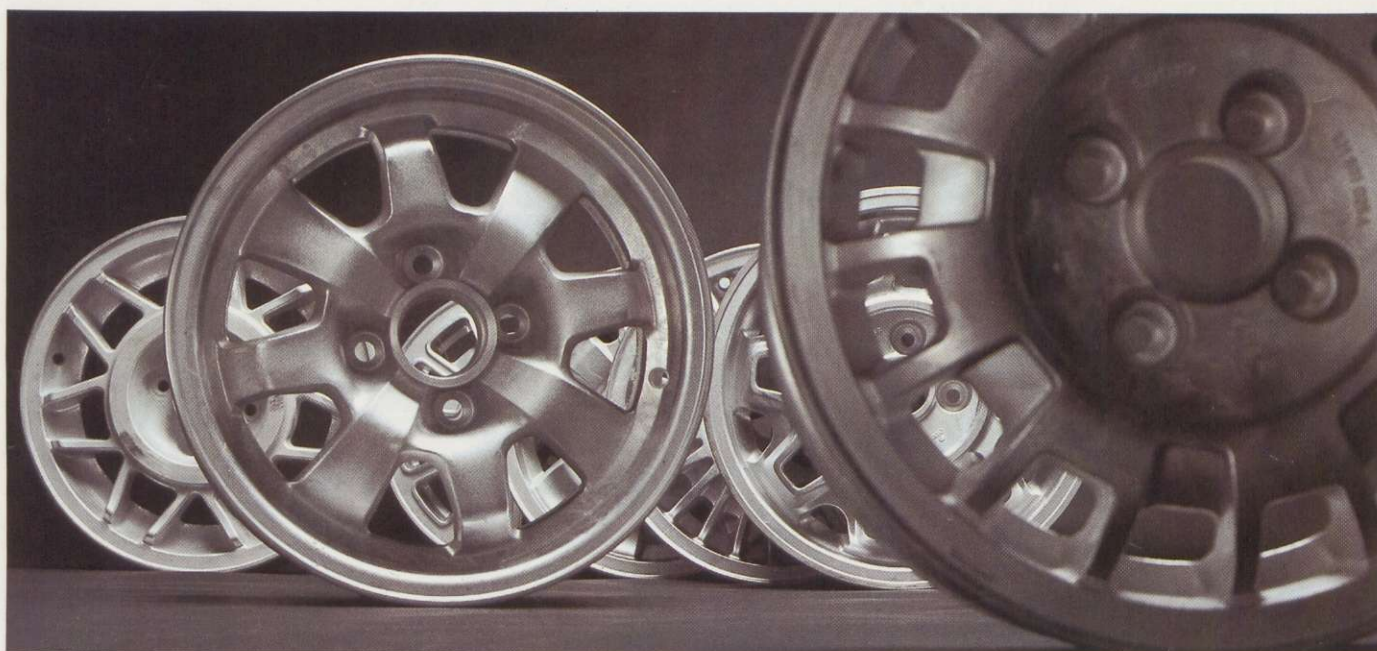




**Annual Report  
1980  
Volkswagenwerk  
Aktiengesellschaft  
Wolfsburg**



The Supervisory Board  
and the Board of Management of  
Volkswagenwerk Aktiengesellschaft  
present the Annual Report 1980  
with their compliments.

Wolfsburg, April 1981

Volkswagen Group		1980	1979	Increase (Decrease)	% <sup>1)</sup>
Sales	million DM	33,288	30,707	2,581	8.4
Sales (comparable with previous year) <sup>2)</sup>	million DM	32,047	30,707	1,340	4.4
Vehicle Sales	units	2,494,747	2,538,569	(43,822)	(1.7)
Production	units	2,573,871	2,541,761	32,110	1.3
Workforce	at year end	257,930	239,714	18,216	7.6
Capital Investments (Additions)	million DM	4,279	3,100	1,179	38.0
Depreciation and Write-down	million DM	2,102	1,696	406	23.9
Cost of Materials	million DM	18,238	15,835	2,403	15.2
Labour Cost	million DM	10,782	9,113	1,669	18.3
Net Earnings	million DM	321	667	(346)	(51.9)
Dividend of Volkswagenwerk AG	million DM	192	240	(48)	(20.0)

<sup>1)</sup> All percentages are based on non-rounded figures.

<sup>2)</sup> Excluding the companies Volkswagen Argentina S.A., Pertec Computer Corp.  
and Adler Business Machines (N.Z.) Ltd. consolidated for the first time in 1980



# The Volkswagen Group in Figures 1971 — 1980<sup>1)</sup>

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
<b>Sales</b> (million DM)	33,288	30,707	26,724	24,152	21,423	18,857	16,966	16,982	15,996	16,473
Increase (Decrease) on previous year in %	8	15	11	13	14	11	0	6	(3)	9
Domestic	11,850	12,499	11,229	9,714	8,068	6,552	5,161	5,364	5,035	5,135
Abroad	21,438	18,208	15,495	14,438	13,355	12,305	11,805	11,618	10,961	11,338
Export of domestic Group companies	14,102	12,337	10,932	9,914	8,744	7,142	8,547	8,965	7,718	8,210
Net contribution of foreign Group companies	8,733	7,398	5,970	5,634	5,570	5,798	3,826	3,063	3,539	3,430
<b>Vehicle Sales</b> (thousand units)	2,495	2,539	2,393	2,240	2,142	2,038	2,052	2,281	2,197	2,317
Increase (Decrease) on previous year in %	(2)	6	7	5	5	(1)	(10)	4	(5)	5
Domestic	788	901	895	811	726	626	548	619	628	694
Abroad	1,707	1,638	1,498	1,429	1,416	1,412	1,504	1,662	1,569	1,623
<b>Production</b> (thousand units)	2,574	2,542	2,385	2,219	2,166	1,949	2,068	2,335	2,193	2,354
Increase (Decrease) on previous year in %	1	7	7	2	11	(6)	(11)	7	(7)	6
Domestic	1,499	1,558	1,569	1,561	1,436	1,229	1,359	1,720	1,673	1,867
Abroad	1,075	984	816	658	730	720	709	615	520	487
<b>Workforce</b> at year end (thousand employees)	258	240	207	192	183	177	204	215	192	202
Increase (Decrease) on previous year in %	8	16	8	5	4	(13)	(5)	12	(5)	6
Domestic	159	157	139	133	124	118	142	161	149	160
Abroad	99	83	68	59	59	59	62	54	43	42
<b>Capital Investments</b> (million DM)	4,279	3,100	1,990	1,697	1,141	941	1,902	1,556	1,573	1,947
Increase (Decrease) on previous year in %	38	56	17	49	21	(51)	22	(1)	(19)	18
Domestic	3,163	2,374	1,559	969	657	594	1,313	928	1,183	1,545
Abroad	1,116	726	431	728	484	347	589	628	390	402
<b>Cash Flow</b> (million DM)	3,141	2,993	2,609	2,488	3,055	1,320	618	1,671	1,545	1,359
Increase (Decrease) on previous year in %	5	15	5	(19)	131	114	(63)	8	14	(9)
<b>Net Earnings</b> (million DM)	321	667	574	419	1,004 <sup>2)</sup>	(157)	(807)	330	206	147
<b>Dividend of Volkswagenwerk AG</b> (million DM)	192	240	189	144 <sup>3)</sup>	90	—	—	81	81	81

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

<sup>2)</sup> Not comparable with other years because of loss brought forward

<sup>3)</sup> Incl. bonus

# Table of Contents

4	Agenda
5	Supervisory Board
5	Board of Management
6	Report of the Supervisory Board
7	Report of the Board of Management
12	The Volkswagen Group Business Developments during 1980
19	Innovation in Production
35	Companies within the Volkswagen Group
36	The Major Companies within the Volkswagen Group – Survey –
38	Producing Companies
51	Distributing Companies
53	TRIUMPH-ADLER AG für Büro- und Informationstechnik
54	Other Companies
58	Prospects
61	Financial Statements and Notes
62	Notes to the Financial Statements of the Volkswagen Group
71	Notes to the Financial Statements of Volkswagenwerk AG
77	Explanations of Selected Terms from the Annual Report

## Appendix:

Consolidated Balance Sheet  
of the Volkswagen Group

Consolidated Statement of Earnings  
of the Volkswagen Group

Balance Sheet of  
Volkswagenwerk AG

Statement of Earnings of  
Volkswagenwerk AG

The Volkswagen Group in  
Figures 1971 – 1980  
(front and back covers)





On November 18, 1980 the death occurred at the age of 68 of the member of our Supervisory Board

Ministerialdirigent (ret.)

## Hans Birnbaum

The late Hans Birnbaum was a member of our Supervisory Board from 1971 and between 1974 and 1979 was its Chairman.

During his long and active membership of the Board, Hans Birnbaum contributed substantially, with his farsightedness, unyielding persistence and great sense of social responsibility, to the consolidation of the Volkswagen Group. His close ties with our Company were the basis for his exemplary fulfilment of this task.

In Hans Birnbaum Volkswagenwerk AG has lost an outstanding personality who with his courage, objectivity and great experience served our Company and its employees with extraordinary distinction.

We honour his memory.

# Agenda

for the  
Annual Meeting of Stockholders  
of  
Volkswagenwerk  
Aktiengesellschaft  
to be held at 10:00 a.m.  
on Thursday, July 2, 1981  
at the Stadthalle in Wolfsburg

1. Presentation of confirmed financial statements, the Annual Report for 1980, together with the report of the Supervisory Board, the recommendations with respect to disposition of the net earnings available for distribution, the consolidated financial statements and the Annual Report of the Volkswagen Group

2. Resolution with respect to disposition of the net earnings available for distribution

The Supervisory Board and the Board of Management propose to distribute from the net earnings available for distribution of 193,001,720 DM a dividend of 8.— DM per share of nominal value 50.— DM on the capital stock of 1,200,000,000 DM, that is, 192,000,000 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 § 71b AktG (German Corporation Law) cannot be distributed, will be carried forward.

3. Resolution with respect to formal approval of the actions of the Board of Management for the fiscal year 1980

4. Resolution with respect to formal approval of the actions of the Supervisory Board for the fiscal year 1980

With respect to items 3 and 4, the Supervisory Board and the Board of Management propose that their actions be formally approved.

5. Election to the Supervisory Board

The Supervisory Board consists of 20 members. In accordance with § 7 section 1 MitbestG (Co-determination Law) in conjunction with §§ 96 and 101 AktG (Corporation Law) it is made up of 10 stockholders' representatives and 10 employees' representatives. In accordance with § 12 of the articles of association of Volkswagenwerk AG in conjunction with § 101 section 2 AktG the Federal Republic of Germany and the Land of Lower Saxony are entitled to nominate two members each of the Supervisory Board as long as they have shares in the Company. The Annual Meeting of Stockholders is not bound by election proposals.

The Annual Meeting of Stockholders has to elect a successor to Herr Hans Birnbaum who died on November 18, 1980. The Supervisory Board proposes to elect Dr. Hans Friderichs, member of the Board of Management of the Dresdner Bank AG legally appointed in accordance with § 104 AktG to the Supervisory Board for the remainder of its current term of office.

6. Appointment of auditors for the fiscal year 1981

The Supervisory Board proposes to appoint TREUARBEIT Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover, as auditors for the fiscal year 1981.



# Supervisory Board (Aufsichtsrat)

Karl Gustaf Ratjen (61), Frankfurt  
Chairman  
Chairman of the Board of  
Management of  
Metallgesellschaft AG

Eugen Loderer (60), Frankfurt  
Deputy Chairman  
Chairman of the  
Metalworkers' Union

Rudolf Blank (47), Wolfsburg  
Deputy Chairman of the  
Group Works Council  
of Volkswagenwerk AG

Birgit Breuel (43), Hanover  
Minister for Economic  
Affairs and Transport of  
Lower Saxony

Dr. jur. F. Wilhelm Christians (58)  
Düsseldorf  
Member of the Board of  
Management of Deutsche Bank AG

Siegfried Ehlers (56), Wolfsburg  
Chairman of the Group Works  
Council of Volkswagenwerk AG

Dr. rer. pol. Hans Friderichs (49)  
Frankfurt  
Member as of March 24, 1981  
Member of the Board of  
Management of the Dresdner  
Bank AG

Albert Hoffmeister (52), Wolfsburg  
Senior Executive of  
Volkswagenwerk AG

Hans-Günter Hoppe (58), Berlin  
Former Member of the  
Berlin Senate

Walther Leisler Kiep (55), Hanover  
Member of the Federal  
German Parliament

Gerd Kühl (58), Frankfurt  
Trade Union Secretary to the  
Executive Committee of the  
Metalworkers' Union

Walter Martius (61)  
Velbert-Langenberg  
Business Consultant

Hans L. Merkle (68)  
Gerlingen-Schillerhöhe  
Chairman of the Management  
of Robert Bosch GmbH

Karl Heinrich Mihr (45), Kassel  
Chairman of Volkswagenwerk  
AG's Works Council representing  
the Kassel Plant

Gerhard Mogwitz (47), Hanover  
Chairman of Volkswagen-  
werk AG's Works Council  
representing the Hanover Plant

Walter Neuert (55), Ingolstadt  
Chairman of the Joint Works  
Council of AUDI NSU  
AUTO UNION AG

Dr. rer. pol. Otto Schlecht (55)  
Bonn-Duisdorf  
Undersecretary of State in the  
Federal Ministry of Economics

Kurt Ernst Schmiedl (56), Emden  
Chairman of Volkswagen-  
werk AG's Works Council  
representing the Emden Plant

Dr. rer. pol. Horst Schulmann (47)  
Bonn  
Member as of January 1, 1981  
Undersecretary of State in the  
Federal Ministry of Finance

Dr. rer. pol. Albert Schunk (39)  
Frankfurt  
Trade Union Secretary to  
the Executive Committee of the  
Metalworkers' Union

## No longer Members:

Hans Birnbaum (68), Salzgitter  
Ministerialdirigent (ret.)  
† November 18, 1980

Manfred Lahnstein (43), Bonn  
resigned on December 31, 1980  
Undersecretary of State in the  
Federal Chancellor's Office

# Board of Management (Vorstand)

Toni Schmücker (59)  
Chairman of the Board of  
Management

Claus Borgward (42)  
as of April 11, 1980  
Quality Assurance

Karl-Heinz Briam (58)  
Personnel and Social Matters  
(Labour Director)

Prof. Dr. techn. Ernst Fiala (52)  
Research and Development

Dr. jur. Peter Frerk (50)  
Legal Matters, Auditing  
and Economics

Dr. jur. Wolfgang R. Habel (57)  
AUDI NSU AUTO UNION AG

Günter Hartwich (45)  
Production

Horst Münzner (56)  
Purchasing and Material  
Administration

Dr. rer. pol. Werner P. Schmidt (48)  
Sales

Prof. Dr. rer. pol. Friedrich Thomée (60)  
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 and the Company's articles of association 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 Volkswagenwerk AG as at December 31, 1980 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 objection.

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

ments which are hereby confirmed. The proposal of the Board of Management concerning the disposition of the net earnings available for distribution has been approved by the Supervisory Board.

Undersecretary of State Manfred Lahnstein, head of the Chancellor's Office, was at his request released from his mandate as delegate on the Supervisory Board of Volkswagenwerk AG with effect from December 31, 1980. The Supervisory Board thanks Herr Lahnstein for his work and his valuable counsel.

In his place the Federal Minister of Finance has appointed Dr. Horst Schulmann, Undersecretary of State in the Federal Ministry of Finance, to the Supervisory Board of Volkswagenwerk AG with effect from January 1, 1981 in accordance with § 12 of the articles of association of Volkswagenwerk AG.

On the proposal of the Board of Management of Volkswagenwerk AG the local court of Wolfsburg has appointed Dr. Hans Friderichs, member of the Board of Management of the Dresdner Bank AG to succeed Herr Hans Birnbaum, who died on November 18, 1980 as a member of the Supervisory Board of Volkswagenwerk AG with effect from March 24, 1981 to the end of the Annual Meeting of Stockholders 1981 in accordance with § 104 of the German Corporation Law (AktG).

Wolfsburg, April 9, 1981



Chairman of the Supervisory Board



# Report of the Board of Management

The world economic development in 1980 was characterised by a variety of economic and political problems and uncertainties. On the economic side these were in particular the difficult energy situation, world-wide inflationary trends, unemployment and balance of payments problems.

In the spring of 1980 an economic down-turn set in which worsened in the course of the year. In most industrial countries of the West the economy ran more or less in parallel.

In the summer months the recessive trends in the countries of Western Europe intensified, the weakening stemming in the main from private consumption. Altogether the EEC countries showed a growth rate of 1.0% in 1980.

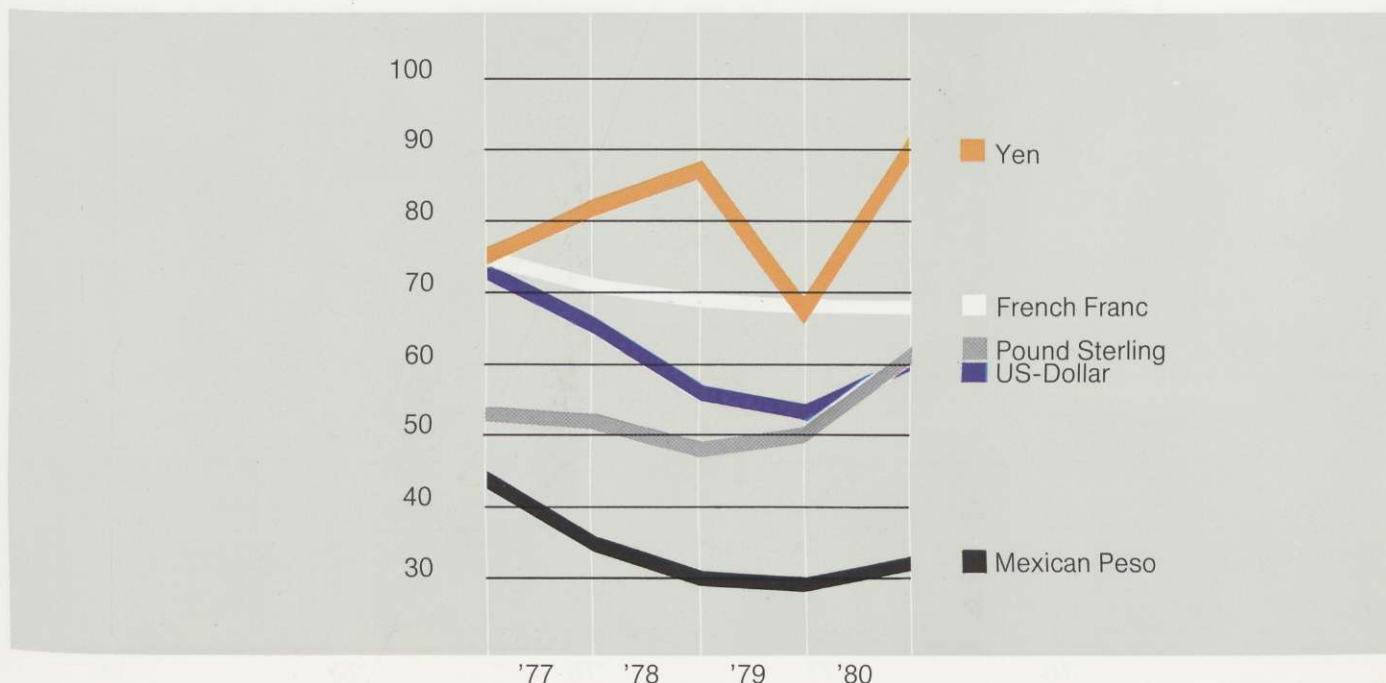
The economic picture in the USA in 1980 was also characterised by a recession. Although the pronounced downward movement at the start of the year had slowed considerably by mid-year, nonetheless the economy was marked by stagnation and inflation alike. Above all as a result of the high interest rates the exchange rate of the US dollar again exceeded 2.- DM for the first time since 1978.

In the Federal Republic of Germany there was again a rise in demand at the beginning of the year which was followed however by a weakening of economic development. The real economic growth in the year under review as a result was only 1.8%. Investment activity of companies however remained remarkably stable. In view of continued pressure for rationalisation and the need for energy conservation and conversion to alternative energies, gross capital investments increased by approx. 3% in real terms.

The foreign trade problems which have been facing the Federal Republic of Germany for a long time last year became even larger. The balance of current transactions closed in 1980 again with a considerable deficit. Through the devaluation of the DM in relation to the US dollar the competitiveness of exports tended to improve, although it cannot be said whether this development will last.

As a result of the changed economic framework conditions the automotive business has become considerably more difficult. Thus the falling-off of demand in the domestic passenger car market which began in the summer of 1979 continued last year. In 1980 new passenger car registrations, after the high level of the previous years, fell by 7.7% on 1979.

Development of exchange rates of various currencies in relation to the Deutschmark (index: 1972 = 100)



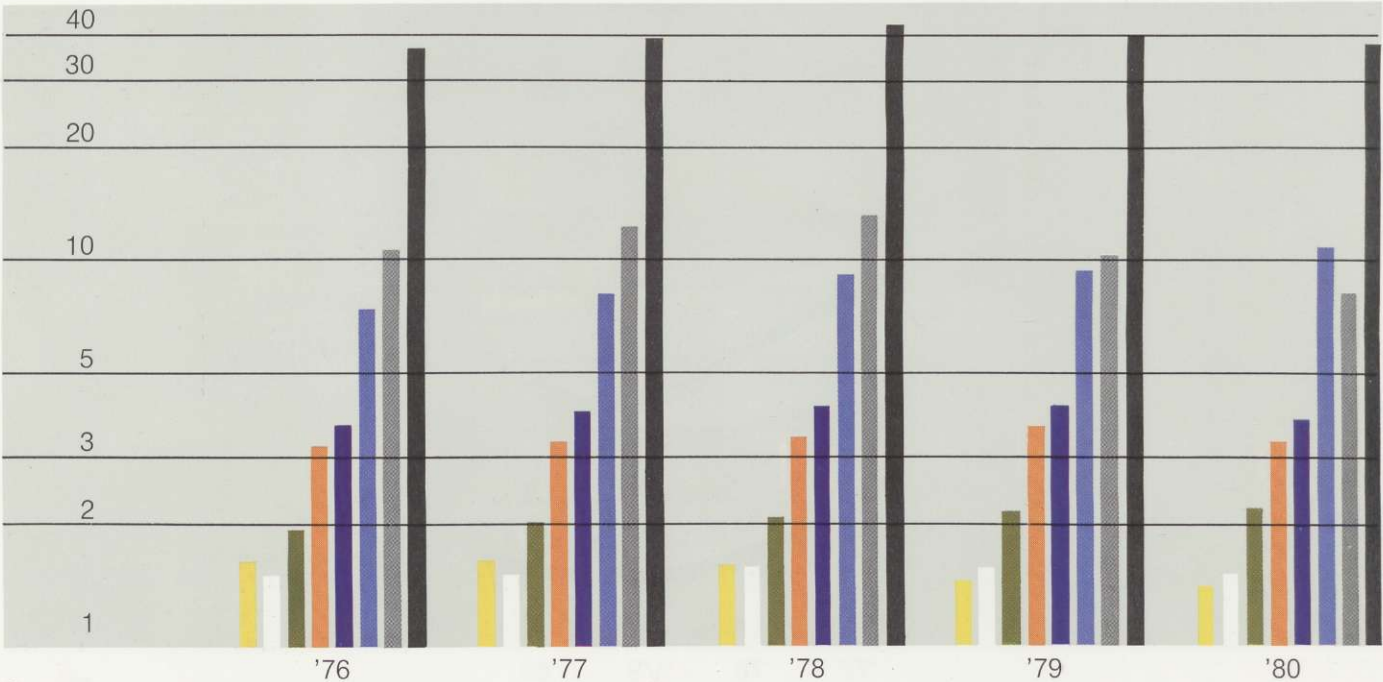


Price developments in the energy sector have led not only on the domestic market to far-reaching changes and a different attitude of the motorist to the motor car. The effects abroad were in part greater, notably in the USA. World-wide sales possibilities for vehicles of the upper middle range have worsened visibly.

Because of its model range which is suited to the energy and the demand situation the Volkswagen Group was particularly well able to hold its own. Whereas world-wide vehicle production fell by approx. 7%, Group production exceeded again by a small amount the high level of the previous year at almost 2.6 million units.

Development of production in the automotive industry in million vehicles (logarithmic scale)

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



In 1980 the following investments were of importance: Volkswagenwerk AG increased its interest in the subsidiary Triumph Werke Nürnberg AG which in the report year changed its name to TRIUMPH-ADLER Aktiengesellschaft für Büro- und Informationstechnik from 53.8% to 98.4%. This increase was effected through the takeover of the share of 19.1% held by Litton Industries, Inc. at the beginning of the year, and acquisition of the share of 25.5% held by Diehl group, Nuremberg, in December 1980.

In the spring of 1980 Volkswagenwerk AG acquired an interest of approx. 99% in Chrysler Fevre Argentina S.A.I.C., which at the end of the year was renamed Volkswagen Argentina S.A., for the purposes of extending and securing South American activities in the passenger car and truck sectors. This acquisition underlines our endeavours towards further regional diversification.

The heavy increase in power and heat supplies to outside consumers and the necessary replacement of power station plant made it necessary to plan a new power station. In the interests of a better internal demarcation we decided to make this new power station organisationally, financially and legally independent. Thus in December 1980 VW KRAFTWERK GmbH was founded.

The object of the company is the production of electrical energy and heat for supply to Volkswagenwerk AG and outside consumers. The result was transferred to Volkswagenwerk AG in accordance with the profit and loss assumption agreement.

The workforce of the Volkswagen Group was again enlarged in 1980. The rise was greater in the foreign Group sector than in Germany on account of increases in production at almost all companies and the inclusion of Volkswagen Argentina and Pertec Computer Corp., a subsidiary of TRIUMPH-ADLER AG.

We should like to take this opportunity of thanking all employees and representative committees for their strong personal involvement in their work. Responsible and intensive collaboration between management and works councils has led to a satisfactory fulfilment of the corporate tasks.

We honour the memory of those employees who passed away in the course of 1980.

In the framework of the further internationalisation of our shares these were also introduced on the Amsterdam Stock Exchange. This means that VW shares are now quoted in five countries outside the Federal Republic of Germany – in Switzer-



land (Zurich, Basle, Geneva), Austria (Vienna), Belgium (Brussels, Antwerp), Luxembourg and the Netherlands (Amsterdam).

On account of the distinct quietening of the market especially in the case of larger vehicles short-time working had to be introduced at AUDI NSU AUTO UNION AG on 28 days in the last four months of the report year. In April and May 1980 production shortfalls were caused by a strike at our Brazilian subsidiaries. In addition an industrial dispute at our American press shop in South Charleston in January 1980 resulted in a temporary closure of our assembly plant at Westmoreland.

The world-wide weakening of the automotive business after several years of boom was accompanied by an intensification of the pressure of competition. This was particularly the case with the Japanese competitors who considerably improved their position on all important markets. Whereas in the Federal Republic of Germany and Western Europe by the end of 1980 the Japanese manufacturers had achieved a passenger car market share of approx. 10%, in the USA this figure was about twice as high. The success of the Japanese up to now has been decisively determined by their price competitiveness. The reason for this is that the labour and materials

costs in the Japanese automotive industry are distinctly lower than the comparable burdens of the American and European competition. Especially serious are the differences in the fringe costs resulting from the considerably more modest system of social security in Japan. In addition there have been further advantages through the devaluation of the yen in relation to important foreign currencies.

On top of this the application of technological progress, low absenteeism among the workforce and a high degree of exploitation of production capacities have created the conditions for the achievement of favourable standards of productivity. The high level of productivity of the Japanese automotive industry makes low unit production costs possible and thus a sales volume oriented price policy.

In order to meet this world-wide challenge considerable efforts are necessary on the one hand to prevent a further worsening of price competitiveness and on the other to secure the technological lead and the quality standard of the Volkswagen Group product range in relation to the Japanese competition. This requires the support of all concerned with the Group – the management, the workforce, the shareholders and the suppliers.

In order to improve the competitive price position of the Volkswagen Group internationally the emphasis will be on efforts to improve the performance of the production system. In this connection it is intended through restructuring and rationalisation measures distinctly to increase the efficiency and flexibility of production. For securing the technological lead of the Volkswagen Group over the Japanese competition the programmes for the further development of energy-saving, raw materials-conserving and environmentally acceptable vehicles will be consistently pursued.

In 1980 the Volkswagen Group distinctly increased its capital investments as against the previous year. They rose by 38.0% or 1.2 thousand million DM to 4.3 thousand million DM, the emphasis of investment activity being on the product investments, rationalisation of work processes and more flexible utilisation possibilities. The high capital expenditures (and this also applies for the coming years) can no longer be financed from the cash flow alone.

*In the autumn of 1980 the Volkswagen Group presented the new Passat (Dasher), another extremely fuel-efficient and technologically convincing car.*



We shall use a part of our liquid funds accumulated in recent years and possibly also have to approach the capital market.

The business development of the Volkswagen Group in 1980 was characterised by the considerably increased difficulty of the automotive business. In these worsened conditions a net income of 321 million DM was achieved.

Volkswagenwerk AG realised net earnings of 311 million DM. This makes it possible to distribute a dividend for 1980 of 8.— DM per 50.— DM share. In view of the tasks which lie ahead and the concomitant financial requirement, and also for the maintenance of capital, the reserves will be increased by 121 million DM.

Taking the tax credit of 4.50 DM into account, for an entitled tax-paying stockholder the revenue per share is 12.50 DM.

**Proposed allocation of net earnings available for distribution**

The Board of Management proposes to allocate the net earnings available for distribution of Volkswagenwerk AG as follows:

Distribution on capital stock — 1,200 million DM —	192,000,000 DM
Balance (to be carried forward)	1,001,720 DM
Net earnings available for distribution	<u>193,001,720 DM</u>





*With the new Scirocco Volkswagen introduced an attractive successor to the proven sports coupé to the public at the beginning of 1981.*

## Business Developments during 1980

### Vehicle Sales

In 1980 the Volkswagen Group sold 2,494,747 vehicles to the dealer organisation world-wide, failing to achieve the high sales volume of the previous year by only 1.7%. This drop was caused by sales losses in Germany. Sales losses in Brazil were compensated for by increases at the other foreign subsidiaries.

In the year under review the Volkswagen Group delivered a total of 2,443,701 vehicles to customers throughout the world, which meant that the record result of the previous year was not quite achieved. Despite economic weakening and the fall-off in purchasing power caused by the price of oil, in some foreign markets more Volkswagen and Audi vehicles were sold than in the previous year.

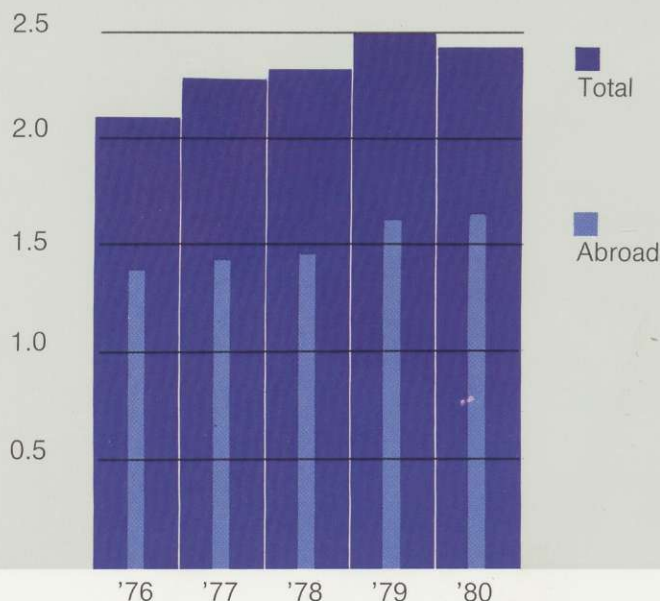
In the Federal Republic of Germany new car registrations of models of the upper middle range have been noticeably decreasing since the second half of 1979. This also affected the larger models of the Volkswagen Group. At 787,034 vehicles 81,786 units or 9.4% less were sold than in the preceding year. However the Volkswagen Group was able to more or less maintain its market share from the previous year at 29.5%. As a result of the fall in sales in the upper middle range the Audi market

share decreased from 9.5% in 1979 to 8.8%.

In contrast, on the European large-volume markets the previous year's result was exceeded by 9,638 vehicles or 1.9% at 530,169 sales. The largest market was France with 100,000 Volkswagen and Audi models being delivered for the first time, ahead of Italy with 93,069 units. In third place was Great Britain with 83,648 vehicles, although on account of the general weakness of the market losses were shown in relation to the previous year. Considerable sales fall-offs also occurred above all in the Netherlands and Denmark. In the USA increased costs in the energy sector have led to a marked turning away from large cars. In contrast sales of market-oriented fuel-efficient small cars and imported cars increased. The market share of foreign passenger cars rose to 28.3% compared with 23.2% in 1979.

Despite the bottleneck situation of the Golf Diesel at the beginning of 1980 the previous year's deliveries of Volkswagen of America were exceeded. With the continuing shift of demand to economical vehicles deliveries of Group models increased by 0.4% to 336,078 units. Of the Rabbit alone 185,958 units were sold. The small increase in overall sales is essentially the result of the limited production capacity of our

*Deliveries of vehicles of the Volkswagen Group (million vehicles)*





Westmoreland plant. For this reason a second plant was acquired in Sterling Heights (Detroit) which will start production in 1982.

At the beginning of the year the Alpha pick-up, a vehicle based on the Rabbit, and in April 1980 the Jetta were introduced on the American market.

In the report year the Volkswagen Group achieved a passenger car market share of 3.3% compared with 3.0% in 1979.

The reasons for the drop in sales at Volkswagen do Brasil were the loss of production brought about by the metalworkers' strike in April/May 1980 and a general weakening of demand caused by increasingly difficult credit conditions for car buyers. For these reasons the previous year's market shares could not be maintained either for cars or for light commercials. At 415,910 domestic sales of Volkswagen do Brasil – of which 46,751 were of the Gol which has been produced and sold in Brazil since the first half of 1980 – the previous year's volume was fallen short of by 48,807 vehicles. This led to a drop in market shares to 48.6% for cars and 31.4% for light commercials.

Chrysler Motors do Brasil sold a total of 14,309 vehicles in 1980.

In March 1981 the first phase of conversion of production to Volkswagen commercial models was completed at this company.

The favourable overall market development in Mexico continued unabated in the year ended. Volkswagen de Mexico had a larger than average share in this development, extending its passenger car market share from 31.0% in 1979 to 33.2% last year. For the first time in Mexico the number of vehicles sold exceeded the 100,000 mark at 108,521 units. Furthermore 13,142 vehicles were exported.

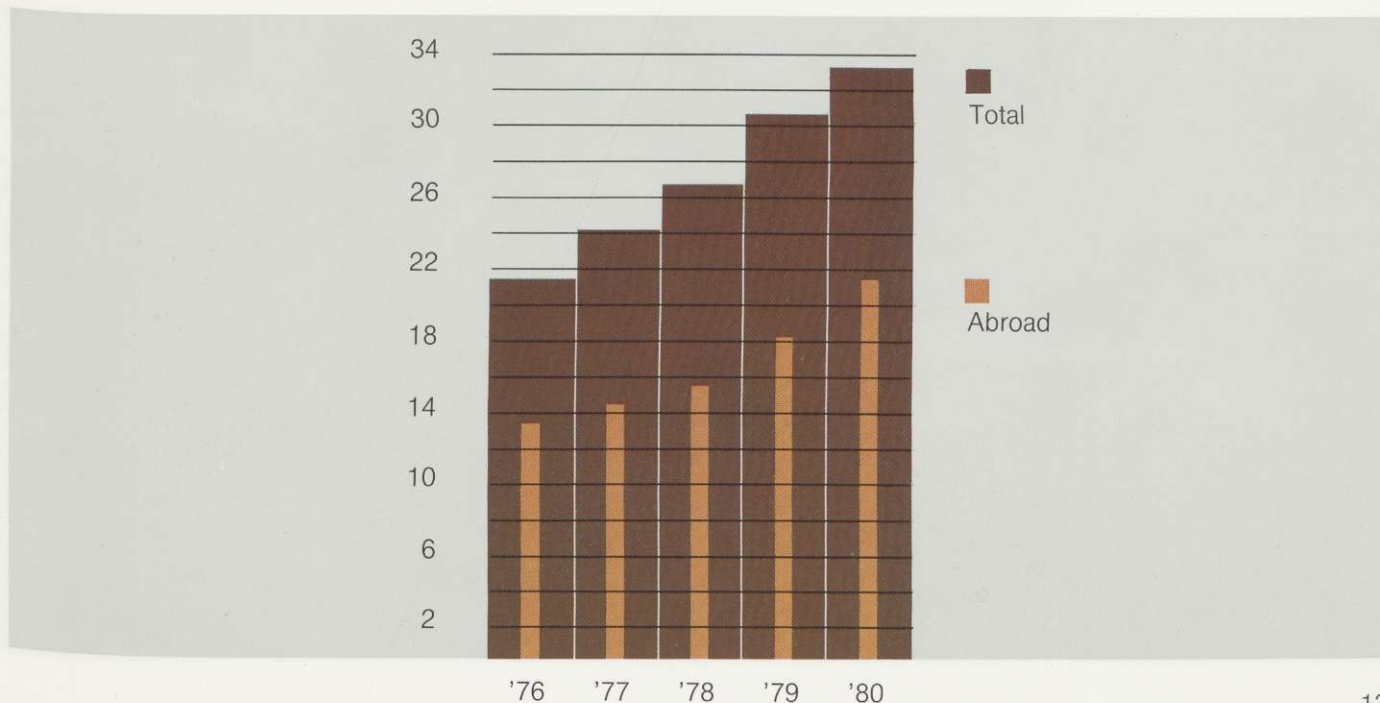
The development in South Africa was similarly favourable. Volkswagen of South Africa increased its sales by 25.0% to 61,056 vehicles. The main pillars of this success were the Golf and the Audi 100.

#### Sales

With Volkswagen Argentina S.A., the Pertec Computer Corp. and Adler Business Machines (N.Z.) Ltd. included for the first time the sales proceeds of the Volkswagen Group amounted in the report year to 33.3 thousand million DM, 8.4% higher than in the previous year. If these companies are disregarded, sales proceeds were 32.0 thousand million DM.

Whereas domestic sales achieved were 5.2% below the preceding year's level of 11.9 thousand million DM, foreign sales at 21.4 thousand million DM exceeded the 1979 figure by 17.7%. As a result the foreign share of Group sales rose to 64.4 (59.3)%.

*Development of sales of the Volkswagen Group (thousand million DM)*





### **Purchasing and Material Administration**

The slightly increased production volume in the Group as a whole as compared with 1979 led in 1980 to a corresponding increase in the volume of purchasing in Germany and abroad. The main emphasis of the growth lay with the subsidiaries in the USA, Mexico and South Africa. At all subsidiaries very good progress was made in the autonomous provision of production material. In this way government stipulations concerning enlargement of the local content were met and the technical expertise of new suppliers was utilised.

The close cooperation with the suppliers at home and abroad again guaranteed a smooth material supply in 1980. The materials and components supplied fully corresponded to the high level which the Volkswagen Group demands in terms of technology and quality.

### **Research and Development**

In the fiscal year ended the research and development division concentrated its activities on the world-wide consolidation of the position achieved in the market by the successful new vehicle generation. These measures applied both to passenger cars and commercial vehicles. The demands of the constantly worsening energy situation and the efforts to further improve the standard of quality already achieved found their expression in particular in the development of successor models to proven products and in the updating of the model range.

The customer perceived these efforts in the introduction of the new Passat which is distinguished by a low fuel consumption at the same time as delivering improved performance and comfort. In addition on this vehicle the driver is given an aid to economical driving through standard installation of the shift and consumption indicator.

In the framework of our endeavours to further reduce exhaust and noise emissions and to increase vehicle safety a considerable problem is posed by the lack of homogeneity in the regulations of the various countries. In view of the growing demands made of the motor car a research vehicle was developed on the basis of the new Passat which

meets particularly stringent standards of safety, emissions and fuel consumption. This vehicle was first presented at the 8th ESV (Experimental Safety Vehicle) conference in Wolfsburg in October.

The development of the "Aerodynamic Research Volkswagen" is also to be seen as a contribution to the reduction of fuel consumption. With its detailed findings in particular as to the connections between aerodynamics and fuel consumption at high speeds with simultaneous increase of driving safety were made. Through an extremely aerodynamic shape, optimum use of space and new types of cooling systems the wind resistance was reduced to one-seventh that of the already favourable standard Golf. Many findings made in this project will in the future benefit our standard products. In addition with this vehicle on the high-speed circuit at Nardo in southern Italy eight new class records, of which two world records, were achieved.

The costs of research and development of Volkswagenwerk AG and AUDI NSU AUTO UNION AG in the year under review totalled 3.8% of the parent company's sales proceeds.

*The Integrated Research Volkswagen, a research vehicle based on the Passat (Dasher), meets the highest demands in respect of safety, emissions and fuel consumption.*





## Production

In 1980 production of the Volkswagen Group totalled 2,573,871 vehicles, thus exceeding the previous year's volume by 32,110 units or 1.3%. Altogether 2,307,445 passenger cars and 266,426 commercial vehicles were produced. Whereas domestic production was reduced by 58,696 vehicles or 3.8%, foreign production was increased by 9.2% to 1,074,642 units. The proportion of vehicles manufactured abroad thus increased from 38.7% in the previous year to 41.8% in the report year.

The domestic reduction essentially affected the larger models, so that in order to exploit our capacities evenly we had in part to transfer production between our plants. Despite this measure it was not possible to avoid short-time working at Neckarsulm and Ingolstadt. In the other domestic plants employees leaving were not fully replaced in order to adapt to the fall in demand.

The model range was made more attractive through the introduction of the new Passat in the autumn, the Audi Quattro, the Audi Coupé and the turbo version of the Audi 200. In addition we extended the range of diesel vehicles with the Jetta Diesel and the Audi 80 Diesel.

Decisive for the development of production abroad were the increases at our subsidiaries in the USA, Mexico and South Africa. The production capacities of these companies are now fully exploited. In Mexico and South Africa the Jetta was also included in the production programme. The heavy demand for alcohol engines and the market introduction of the Gol made a change in production at Volkswagen do Brasil necessary.

To realise a more economical and flexible production process the Volkswagen Group continued with the modernisation of the production sector. In the wake of the introduction of the new Passat for example we carried out structural measures in Brussels which considerably improve the production system. In addition to increase flexibility in the Group interlinked production the Golf was included in the programme of Volkswagen Bruxelles. At Volkswagen de Mexico the capacity of engine production is being increased in order to strengthen the position of the company in the Group interlinked production.

The basis for an effective interlinked production in an international group is effective exchange of information. To this end the parent company

has intensified its concern with the subsidiaries and taken account of this necessity by developing a management exchange programme.

World-wide in the report year 11,382 vehicles were produced per working day, exceeding the previous year's result by 3.3%.

### Production broken down by model:

	1980	1979	Increase (Decrease) %
Golf	831,527	833,625	(0.3)
Jetta	176,063	28,278	x
Polo/Derby	160,813	199,970	(19.6)
Passat	265,627	291,575	(8.9)
Scirocco	62,827	87,014	(27.8)
Audi 80	225,914	238,560	(5.3)
Audi Coupé/ Quattro	3,440	3	x
Audi 100	102,525	182,981	(44.0)
Audi 200	24,904	162	x
Beetle	236,177	263,340	(10.3)
Brasilia	107,740	164,456	(34.5)
Gol	61,698	—	x
Other			
passenger cars	48,190	28,057	71.8
Commercial vehicles	266,426	223,740	19.1

### Average production per working day at individual Group companies:

	Vehicles/ day
Volkswagenwerk AG <sup>1)</sup>	5,168
AUDI NSU	
AUTO UNION AG <sup>1)</sup>	1,441
Volkswagen do Brasil <sup>1)</sup>	2,281
Chrysler Motors	
do Brasil	62
Volkswagen of America	995
Volkswagen de Mexico	544
Volkswagen	
of South Africa	263
Volkswagen Argentina	136
Volkswagen Bruxelles	492

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



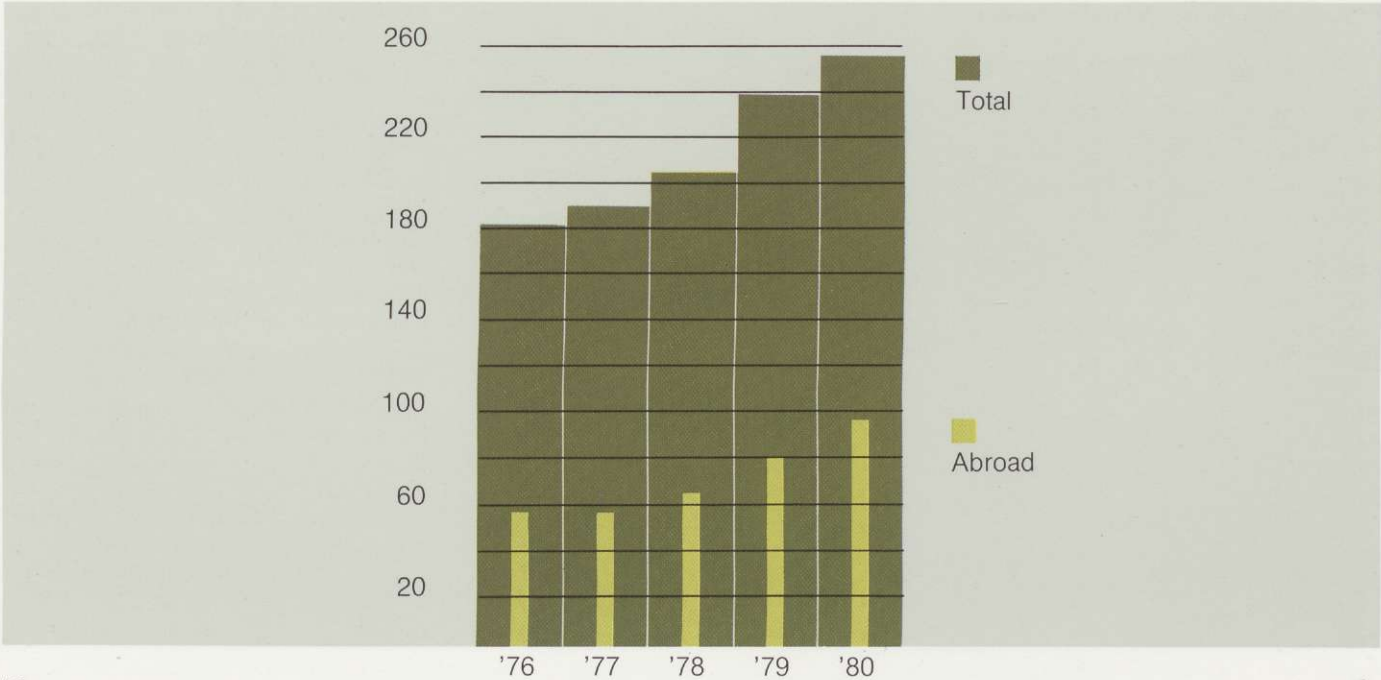
**Workforce**

On December 31, 1980 the Volkswagen Group had a workforce of 257,930. This was 18,216 employees or 7.6% more than in the previous year.

In the domestic Group companies the workforce increased by 2,305 or 1.5% to 158,870 employees. In the foreign Group companies it increased to 99,060. Compared to the previous year this is 15,911 employees or 19.1% more. This sharp increase of the workforce abroad resulted from the rise in production volume and the inclusion of the new Group companies Volkswagen Argentina and Pertec Computer Corp.

The labour cost of the Volkswagen Group in the report year was 10,782 million DM, an increase of 18.3% on the previous year. This resulted from the larger workforce and wage and salary increases at home and abroad.

Workforce of the Volkswagen Group at year end (thousand employees)



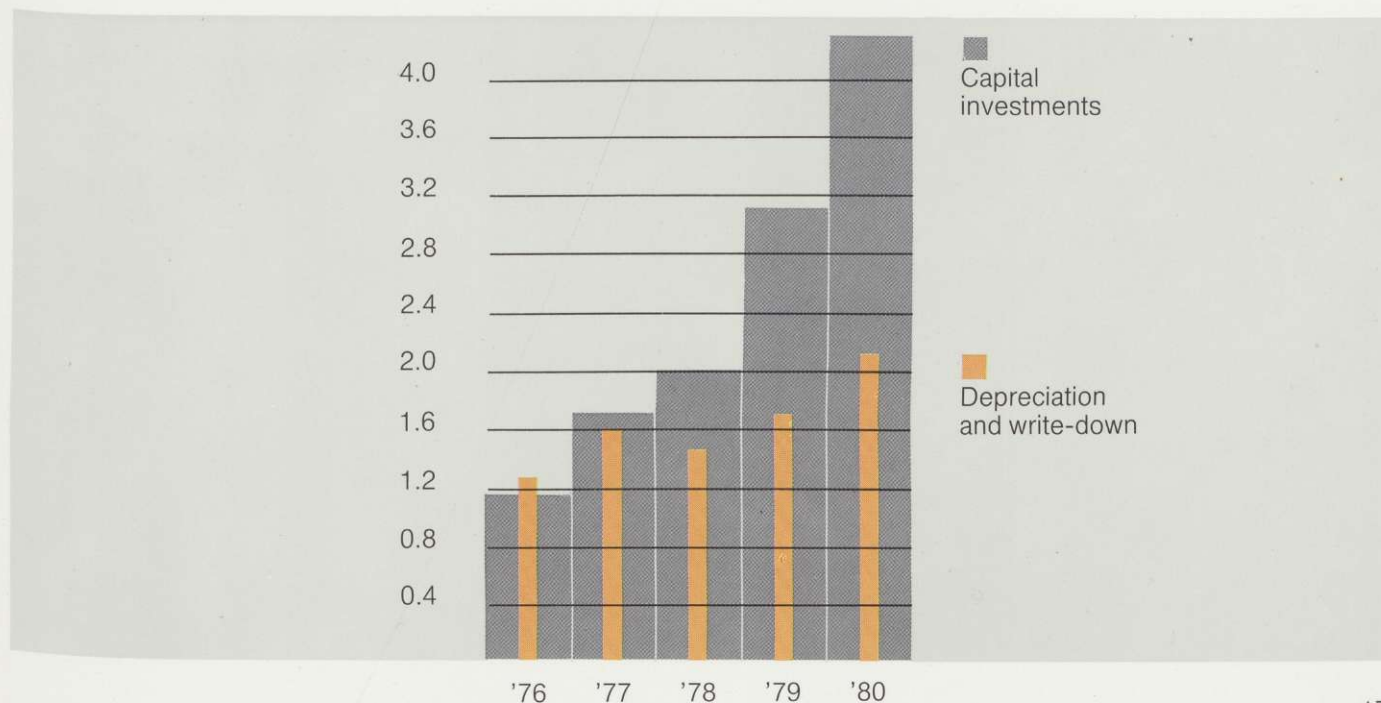
### Capital Investments

In 1980 capital investments of the Volkswagen Group were the highest ever at 4,279 million DM. This represents an increase on the previous year of 38.0%. Of the total capital investments 3,163 (2,374) million DM or 73.9 (76.6)% were made in Germany. Capital investments abroad rose by 53.8% to 1,116 (726) million DM.

The main emphases of the capital expenditures in the report year were the updating, improvement and further development of the product range. Examples of this are the conversion of production to the new Passat and the start of production of the Jetta in South Africa and Mexico. Other projects of importance were the preparations for the start of Gol production and the new Volkswagen truck series in Brazil, and Commercial assembly in Argentina and South Africa.

Further expenditures served the adaptation and extension of capacities especially for vehicle assembly in the USA and South Africa, and engine production in Brazil and Mexico. These measures have also to be seen in connection with the increased interlinked production in the Group.

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







# Innovation in Production

## Ensuring a secure future

The long-term competitiveness of an international motor manufacturer is based on a series of conditions.

They must all be fulfilled if the aim is to be achieved, and each is of decisive significance. This applies equally to the efficient organisation of the production sector. In view of the constantly increasing pressure of competition on the world automotive market the greatest attention must be paid to this. Between 1981 and 1983 the Volkswagen Group will invest around 13 thousand million DM in property, plant and equipment. This large investment project is primarily designed to increase the productivity and flexibility of the production processes. In the following pages we should like to inform you of what we have already achieved and what we still intend to do.

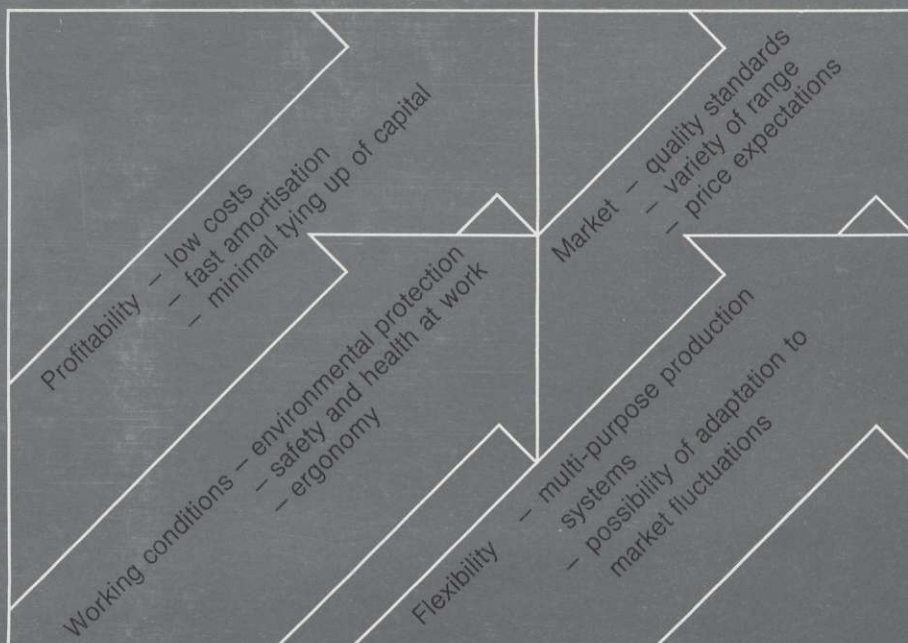
The Production Division in the Volkswagen Group is under the obligation:

- to manufacture high quality, up-to-date products,
- to use efficient and low-cost production processes,
- to create and maintain safe and humane jobs.

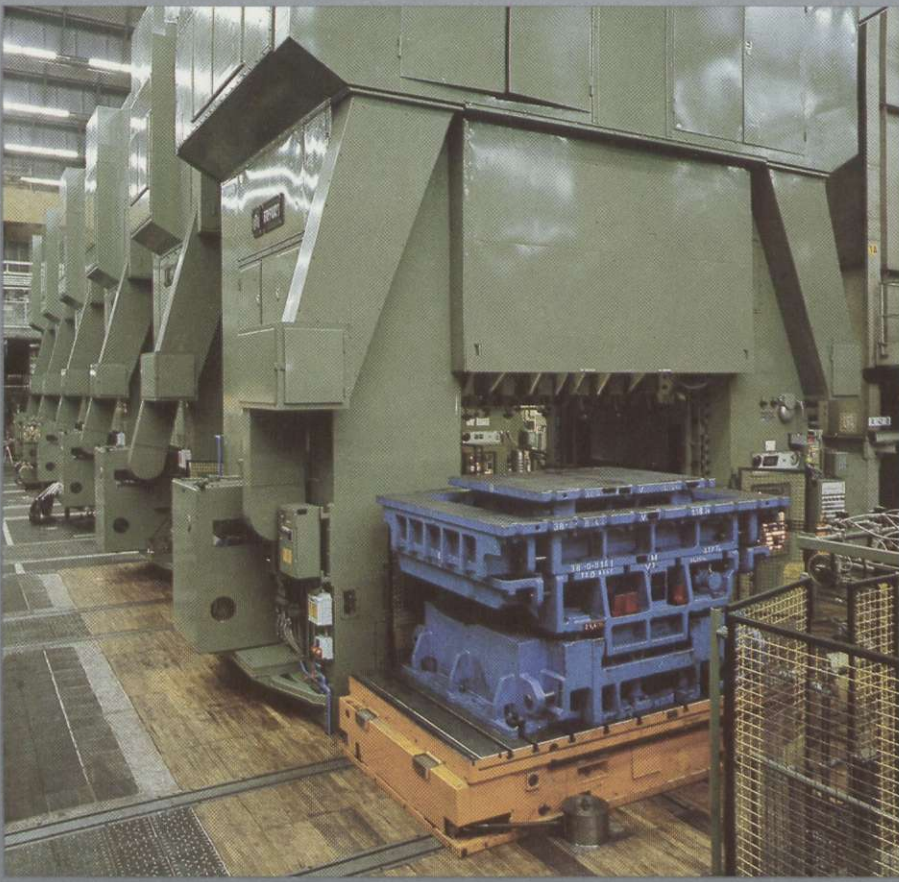
Today more than 10,000 vehicles per working day are produced in the Volkswagen Group. In the face of such a figure it is difficult to conceive that every single one of these vehicles comprises a high degree of individuality. This is the result of the requirements of the customer who "tailors" himself his model on the basis of an options list which attempts to satisfy all wishes. It is also however the result of construction regulations which – unfortunately – can be very different from one country to another. This large number of individual examples dictates the production process in a motor manufacturing plant. Each vehicle leaving the assembly line has been previously treated as an individual order. To take the Golf: In 1980 448,999 examples were built in Germany of

which 337,330 had individual equipment features. The right part at the right place at the right time – this problem found in every motor manufacturing plant can only be solved using modern computer-controlled materials flow and information systems. Come with us on a tour of the most important areas of production. We will start in the press shop.

In the design of the production process which fulfils these requirements certain important factors must be considered:







Here the sheet metal, having been cut from the strip into sheets, is delivered and processed into individual body parts. Computer-controlled systems have been developed specifically for our press shop. On the basis of the vehicle programme they work out detailed orders for the individual press lines in such a way that a sufficient availability of individual parts is assured with a minimum of tied-up capital.

The Volkswagen Group is concerned constantly to improve the efficiency of its plant. In this we are striving not only towards more automation but also towards more flexibility. This has resulted in less workers being employed on our press lines, who nevertheless have to be very much more highly qualified than before.

In the period since 1978 alone we have spent 100 million DM on modernising the Wolfsburg press shop; plans have already been drawn up for the deployment of a further 250 million DM. By 1985 we shall have lowered the average age of the presses to ten years. At that stage the number of machines will have been reduced by 30% with a considerable increase in efficiency.

However not only the production of the pressed parts has been rethought, but also their transport and storage. High-stacking stores have been built in which driverless systems handle the movement of the parts in standardised containers. These also contribute to greater economy in production.

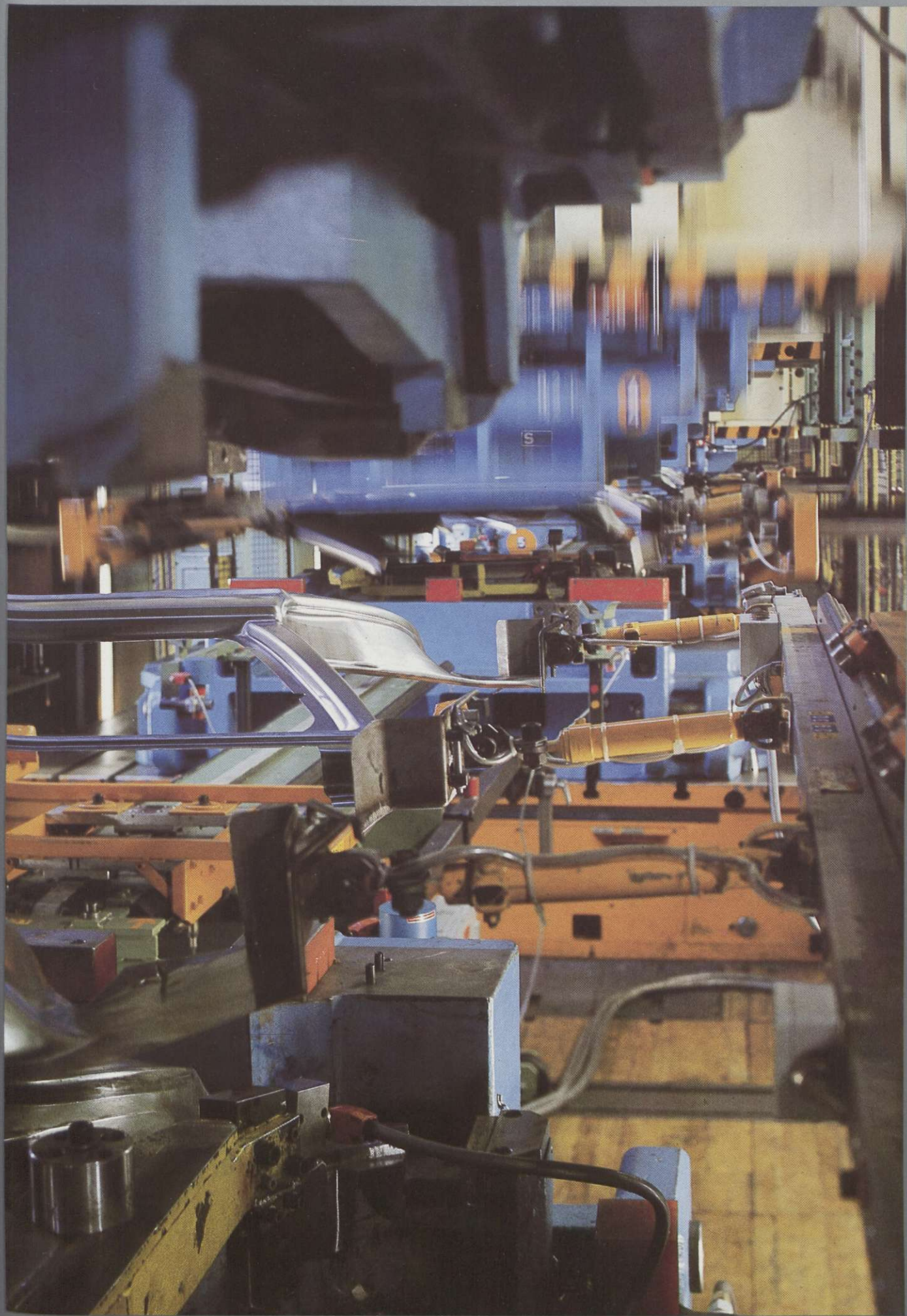
Technological progress cannot however be confined to increasing profitability of production. This aim must be combined with the striving for a more humane working environment. Thus restructuring measures frequently go hand in hand with provisions for example for improving noise protection in such a way that damage to health is prevented even under constant exposure.

*Retooling a sliding table press (above)*

*High-stacking store of the Wolfsburg press shop*

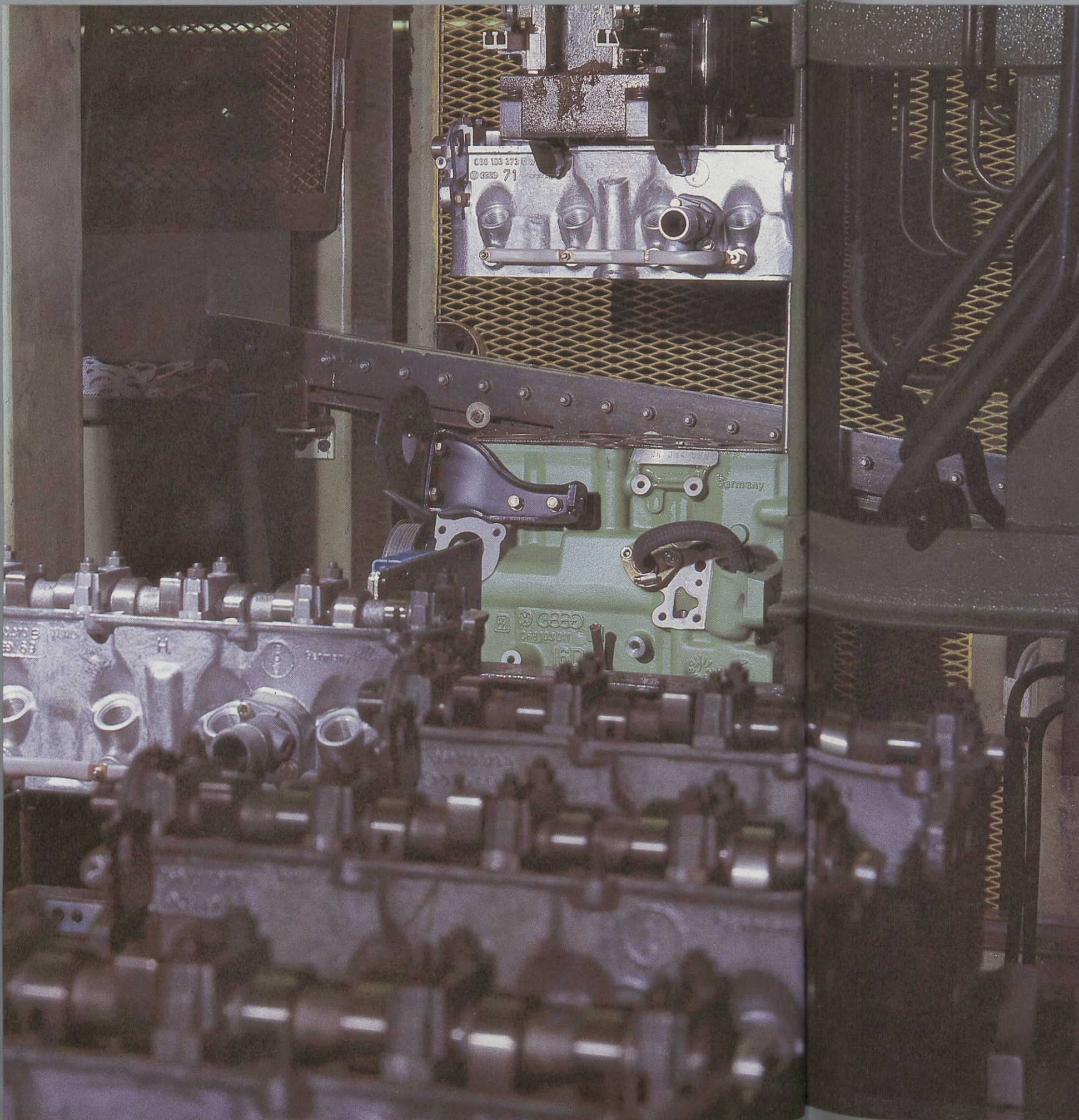






*Automated press line*





Automatic cylinder head assembly

## Assemblies production

Of the eight domestic factories of the Volkswagen Group, three specialise in the production of assemblies. Salzgitter supplies engines, Kassel gearboxes and Brunswick axles. Vehicle manufacturing plants are Wolfsburg, Hanover, Emden, Ingolstadt and Neckarsulm. This interlinked production can only function if the complex logistical tasks are solved and if the control of quantities and times is completed successfully day after day.

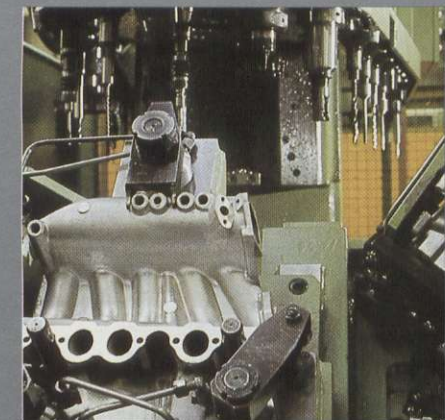
The highly advanced technology of the engines, gearboxes and axles demands the highest degree of accuracy because only then is the efficiency and functional reliability guaranteed which the customer justifiably expects. Sophisticated transfer machines transform the casting step by step into the finished part. Work processes and parts transport are here fully automated. The employee now only supervises the machines and maintains them – or changes the tools.

More flexibility is, as in all other production areas, also a commandment of the times in assemblies production. It is only in this way that the problem can be solved that on the one hand the number of variants is on the increase but on the other hand economy of production must be maintained. For smaller production quantities computer-controlled machine tools are increasingly being used which can be relatively easily reset.

The quality demands made of an engine can only be met through the checking of measurements and operation of the individual parts and components at all stages of the production process. Here we are working more and more with measurement controls which are integrated into the processing machines, and with fully automated measuring and checking machines.

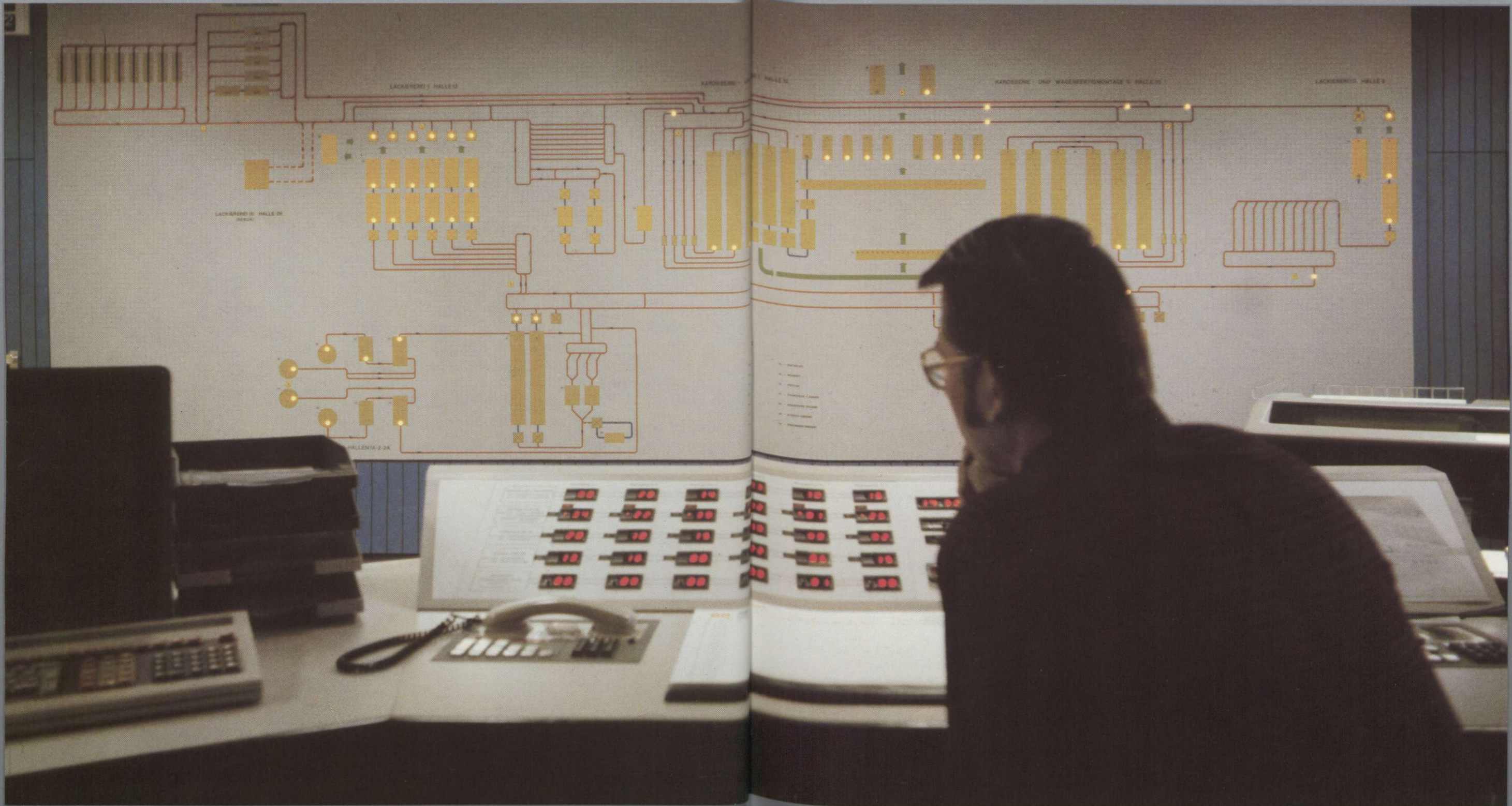
The finished and checked parts are put together into components and finally to assemblies in the assembly area. This is also increasingly automated, in the case of the engine already for approx. 30% of the assembly operations. Nonetheless people will for the foreseeable future remain to a great extent manually employed in the assembly area – although with more room for self-development. In this connection technical solutions are being worked out which facilitate a practical interaction between man and machine.

Computerised processing of engine parts



(Flywheel) optoelectronic surface examination





### Assembly areas

In our three assembly areas – body shell shop, paintshop and final assembly – what we mentioned at the beginning is concentrated: the individuality of motor car production, the necessity therefore of treating each vehicle as an individual order. Here too there is a predominance of control systems which translate the production programme into individual instructions for the production and assembly areas concerned. Important functions are:

### Control centre for the assembly areas

- planning in and follow-up of vehicles and supplying the necessary components;
- listing construction directives corresponding to the customer's wishes;
- informing the manufacturing areas producing synchronically with the assembly process;
- making the assemblies available;
- optimising supply of the body shell;
- seeing that the vehicle and shipment papers are available.



Volkswagen has always been proud of the high degree of mechanisation in the body shell stage of large-scale production vehicles – earlier it was outstandingly the case with the Beetle and now it is the Golf. Today however we have become a motor vehicle manufacturer with a broad product range. This has led to daily production quantities for a type being no longer in the thousands but between 600 and 1,200 units. Only a few years ago automation for such unit numbers was uneconomical. Today with the use of flexible mechanisation systems in the form of programmable handling robots things are different. These robots are currently being increasingly used in our production.

A decisive step in this direction was taken with the new version of the Volkswagen Commercial in the body shell shop at the Hanover plant. A similar procedure applies to the production of the Jetta. Technological change is particularly in evidence in these production systems, i.e. further improvements are constantly possible and necessary.

Production of the Commercial is a good example of the complexity of an efficient production control: control sets in with the side wall, of which for the right and left-hand sides there are 28 variants. The decision for one of these dictates which other assemblies and equipment details have to be combined with it. Integrated control sensors ensure that mistakes in the assembly of side walls are eliminated. The programme is fed into the spot-welding machines and the 19 robots which are integrated into each side wall line, so that the various versions can be produced completely automatically and in any order.

In the production of floor groups 14 welding robots are employed. The last pair of robots in the chain can in the case of a breakdown take over

the work of the previous robots. This guarantees a high degree of reliability in the system.

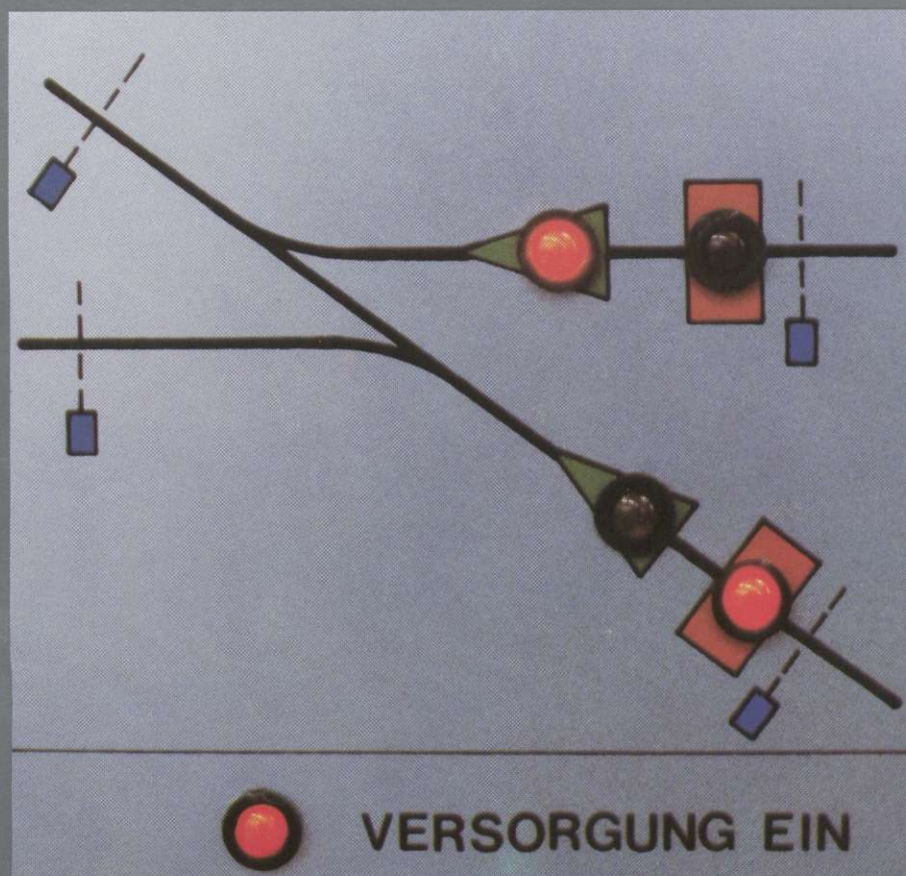
The afore-mentioned "large assemblies" are put together and welded. Finally on the middle finishing line conveyor doors and flaps are installed and checked again. Then the complete body leaves the body shell shop for the paintshop.

Technical innovations in production not only lead to greater economy. Heavy physical work is taken over by machines. The employee concentrates on supervisory functions and maintenance, both of which have greatly increased.

Naturally such a comprehensive change of production processes can only be managed if it is socially as-

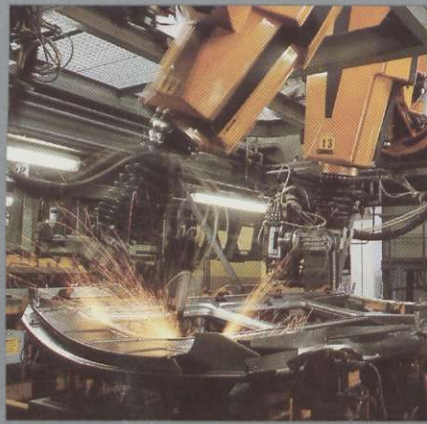
sured, if all concerned support it. This presupposes comprehensive endeavours in the field of information and retraining, since many employees must be prepared and made able to undertake a new task.

Gains in productivity through increased automation are only possible with a very large financial investment. However we believe we have found a way which justifies such a large investment.



*Points setting for the driverless transport system*



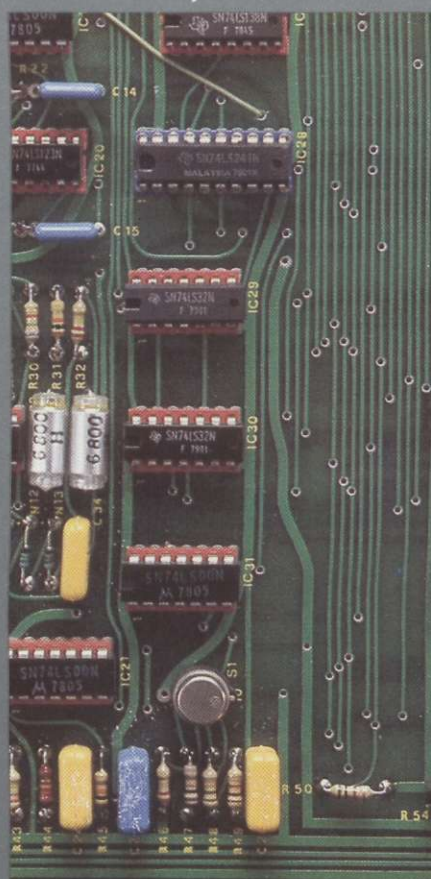


*Side wall production  
for the Commercial*

*Side assembly for the Passat*







Electronic control unit  
for the handling robots

Handling robots at work



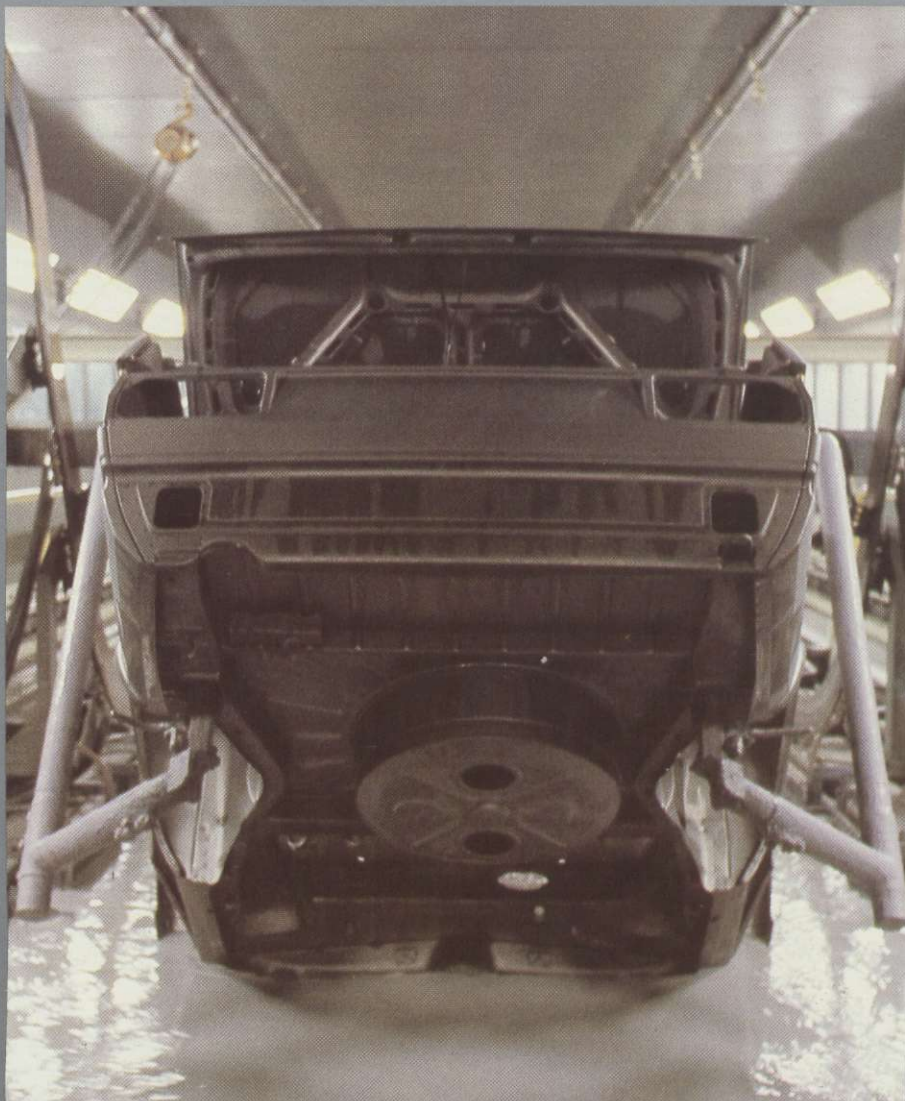




## Paintshop

*Spray and dip degreasing  
of the Jetta*

*Electro dip bath*



The production flow now takes us to a multi-layered and colourful topic. Opinion polls have shown that the paintwork of a vehicle is the number one criterion in quality evaluation. In particular the rapid increase in road salting has been harmful to the lasting good quality of the paint. It was therefore necessary to introduce a series of short and long-term measures for improving quality.

After a long series of experiments we arrived at a new concept of anti-corrosion protection for Volkswagen and Audi vehicles. In this steps relating to the work process in the paintshop were linked by means of new technologies into an optimum combination.

The essential aspects of this concept:

- Improved surface treatment through optimised pretreatment of the body in the dip process and introduction of cataphoresis in the electro dip bath. Through this electrochemical process edges

and cavities will in the future be better protected.

- Cavities are filled with hot wax. This "seals" the areas which are not easily accessible.
- Improvements through design measures.

The paintshops at Volkswagen and Audi are in the process of a far-reaching technological change. Total investments for this amount to more than 600 million DM.

Here too rationalisation and humanisation go hand in hand. Whereas previously the topcoat required manual work, now the process is largely taken care of by machines – which results in an even quality of work.





*Topcoat machines*

*Hot wax sealing*



## Final assembly

After a final check, when it leaves the paintshop the body is ready to be summoned via sophisticated transport systems to the final assembly area. Several weeks previously thousands of individual parts have to be ordered which are required for assembly. Let us trace the path of one of these parts, the wheel, and see how the efforts to substitute machines for men, where it makes sense to do so, extend as far as assembly.

The number of vehicles equipped with light alloy wheels has considerably increased in recent years. Cast aluminium wheels meet the requirement for weight-saving and better running characteristics. Wolfsburg has the largest aluminium wheel production plant in Europe with a capacity of 4,000 units per day.

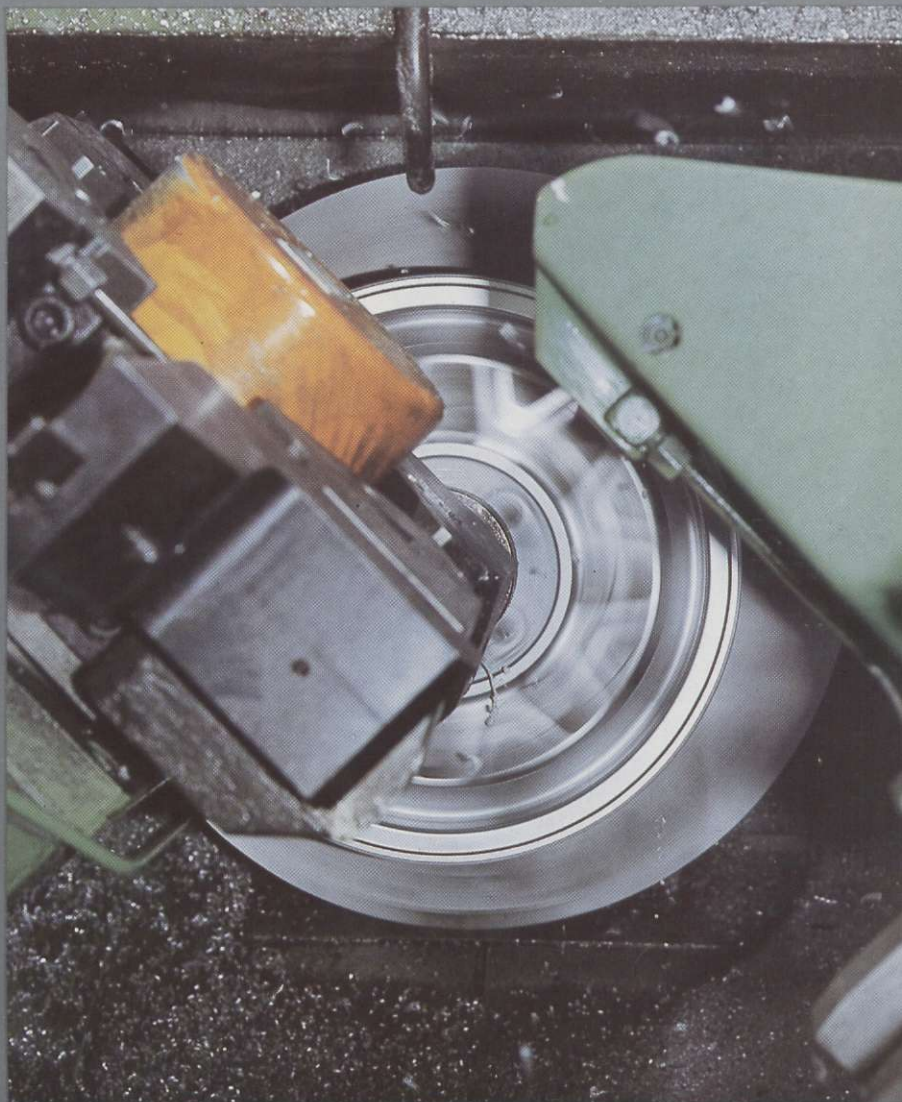
In order to achieve the highest possible degree of flexibility a highly sophisticated transfer line was set up



*Raw material for the light alloy wheels*

*Mechanical processing of a light alloy wheel*

*X-ray picture of a light alloy wheel*

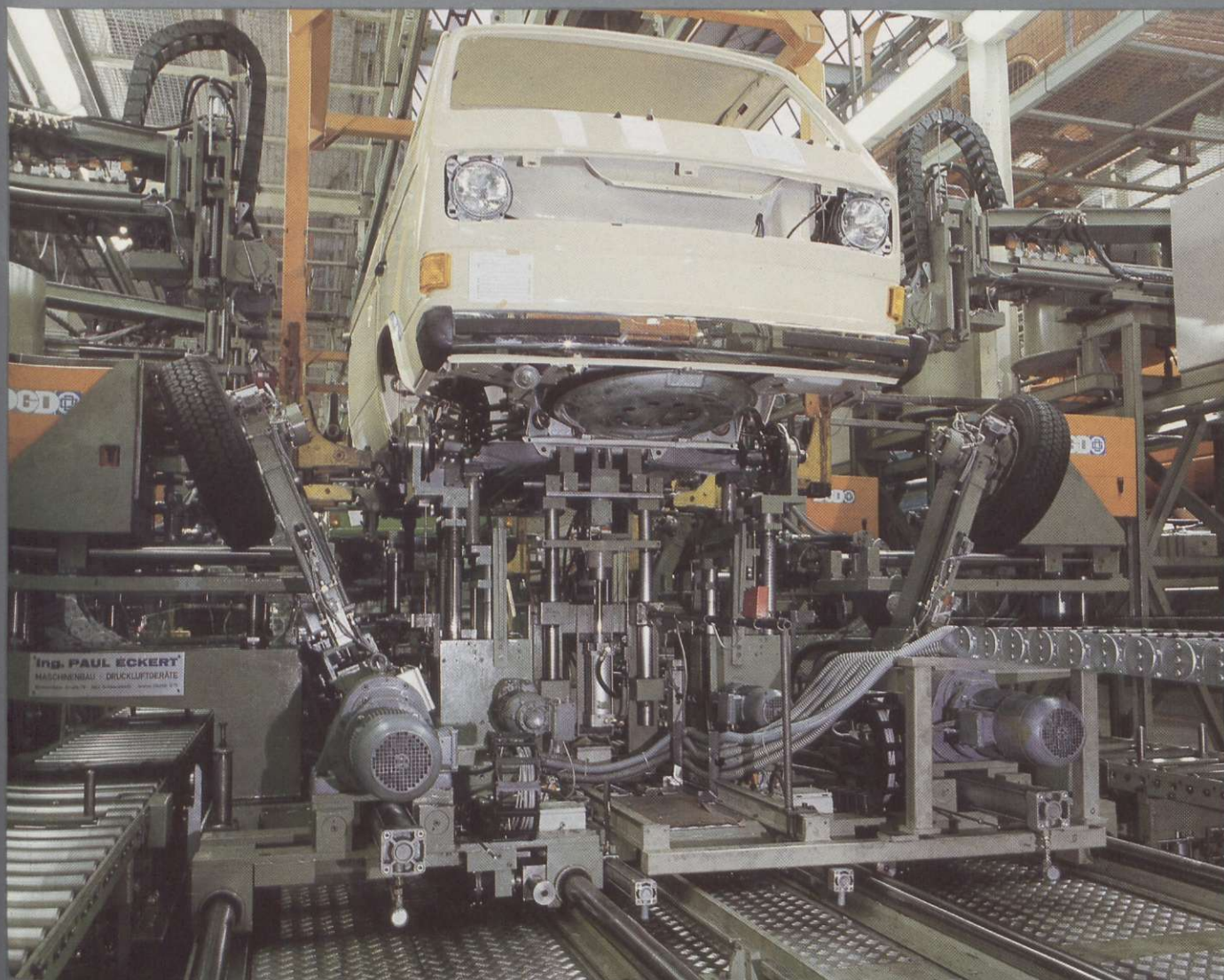




which allows ten different wheels to be processed at the same time. Every unit is automatically identified and processed accordingly. The wheels then run to a machine which fits the tyres automatically and inflates them to the correct pressure in a matter of seconds. They are then checked and measured for height and width. The measuring signals serve to determine the balancing weights which are then automatically attached at the correct point.

The finished wheels now travel in sets of five to the assembly line. At present they still have to be attached to the vehicle by hand. However, now we have progressed so far that – after a changeover phase – we can have this heavy work done by a machine. It “synchronises” itself with the vehicle, finds the wheel hub and the threads and screws the studs on with the required torque.

*Automatic wheel fitting*







In final assembly our efforts towards an optimum combination of two fundamental aims are particularly clear:

- the desire of the employee for a safe, well organised working situation and
- the constant search for new technological solutions in order to be able to continue to offer vehicles of the most up-to-date conception and high quality at a reasonable price.

With the new assembly hall which we are currently building, we intend to achieve new standards in the combination of these aims.

The state of advancement and the perspectives of modern motor vehicle production are indeed impressive. But they do not have to oppress, since all concepts and systems which lead to more rationalisation and less physically or psychologically burdensome activities are thought out by people, realised — and controlled — by them. The requirements of training, inventiveness, experience and responsibility are on the increase. In this way industrial production lets people grow more and more into tasks which correspond to their nature.

*Model of an assembly hall*



## the Volkswagen Group



# The Major Companies within the Volkswagen Group

December 31, 1980

Producing Companies  
Distributing Companies  
Other Companies

Companies included in consolidated financial statements<sup>1)</sup>

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 17,150,000  
40%

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

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

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

V.A.G. Marketing  
Management  
Institut GmbH  
Brunswick  
DM 1,000,000  
100%

Volkswagen Argentina S.A.  
Buenos Aires, Argentina  
A \$ 32,350,971,134  
98.8%

VW KRAFTWERK GmbH  
Wolfsburg  
DM 20,000  
100%

Volkswagen do Brasil S.A.  
São Bernardo do Campo  
Brazil  
Cr. \$ 11,163,669,000  
80%

Financiadora  
Volkswagen S.A.  
São Bernardo do Campo  
Brazil  
Cr. \$ 346,872,952  
100%

Volkswagen Leasing S.A.  
São Paulo, Brazil  
Cr. \$ 40,860,000  
70%

Distrivols S.A.  
São Paulo, Brazil  
Cr. \$ 26,268,935  
100%

Forjaria São Bernardo S.A.  
São Bernardo do Campo  
Brazil  
Cr. \$ 213,560,430  
33.3%

Companhia Vale do Rio  
Cristalino S.A., Santana  
do Araguaia, Pará, Brazil  
Cr. \$ 759,425,476  
89%  
7.6% Transalme

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

Chrysler Motors do  
Brasil Ltda.  
São Bernardo do Campo  
Brazil  
Cr. \$ 5,882,727,000  
100%

Volkswagen  
of South Africa (PTY) Ltd.  
Uitenhage, C.P., South Africa  
R 4,688,737  
100%

South African Motor  
Acceptance Corp. (PTY)  
Ltd. (SAMAC)  
Uitenhage, C.P., South Africa  
R 10  
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.  
Puebla/Pue., Mexico  
Mex. \$ 30,000,000  
49%

<sup>1)</sup> The following companies which  
have been included in the  
consolidation do not appear  
in this table:  
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,  
Triumph Adler Italia S.p.A.,  
Milan,  
Triumph Adler France S.A.,  
Paris,  
Adler Business Systems Ltd.,  
London,  
Pertec Computer Financial  
Corporation, Los Angeles,  
Pertec Computer Machinery  
Corporation International,  
Los Angeles,

Volkswagen of America,  
Inc.  
Warren, Mi., USA  
US \$ 142,000,000  
100%

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

Vorelco of California, Inc.  
Pleasanton, Cal., 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

Pertec DISC Corporation,  
Los Angeles,

Pertec International,  
Los Angeles,

Pertec Corporation,  
Los Angeles,

Computer Machinery  
Corporation DISC,  
Los Angeles,

Acquisition Corporation  
of Pertec, Inc.,  
Los Angeles,

Kent Copiers Ltd.,  
Wellington,

Office Appliance Company Ltd.,  
Wellington.

Other companies consolidated  
for the first time in 1980 are  
shown on page 62.

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. 1,000,000  
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-  
mittlungs-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-ADLER AG für  
Büro- und Informations-  
technik  
Nuremberg  
DM 80,500,000  
98.4%

Adlerwerke vorm.  
Heinrich Kleyer AG  
Frankfurt (Main)  
DM 20,000,000  
95.2%

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

Adler-Royal Business  
Machines, Inc.  
Union, N.J., USA  
US \$ 1,000  
100%

Royal Business  
Machines, Inc.  
Hartford, Conn., USA  
US \$ 1,000  
100%

Triumph Adler, Inc.  
Los Angeles, Cal., USA  
US \$ 3,000  
100%

Triumph Adler  
Systems, Inc.  
Los Angeles, Cal., USA  
US \$ 2,000  
100%

Pertec Computer  
Corp.  
Los Angeles, Cal., USA  
US \$ 100  
100%



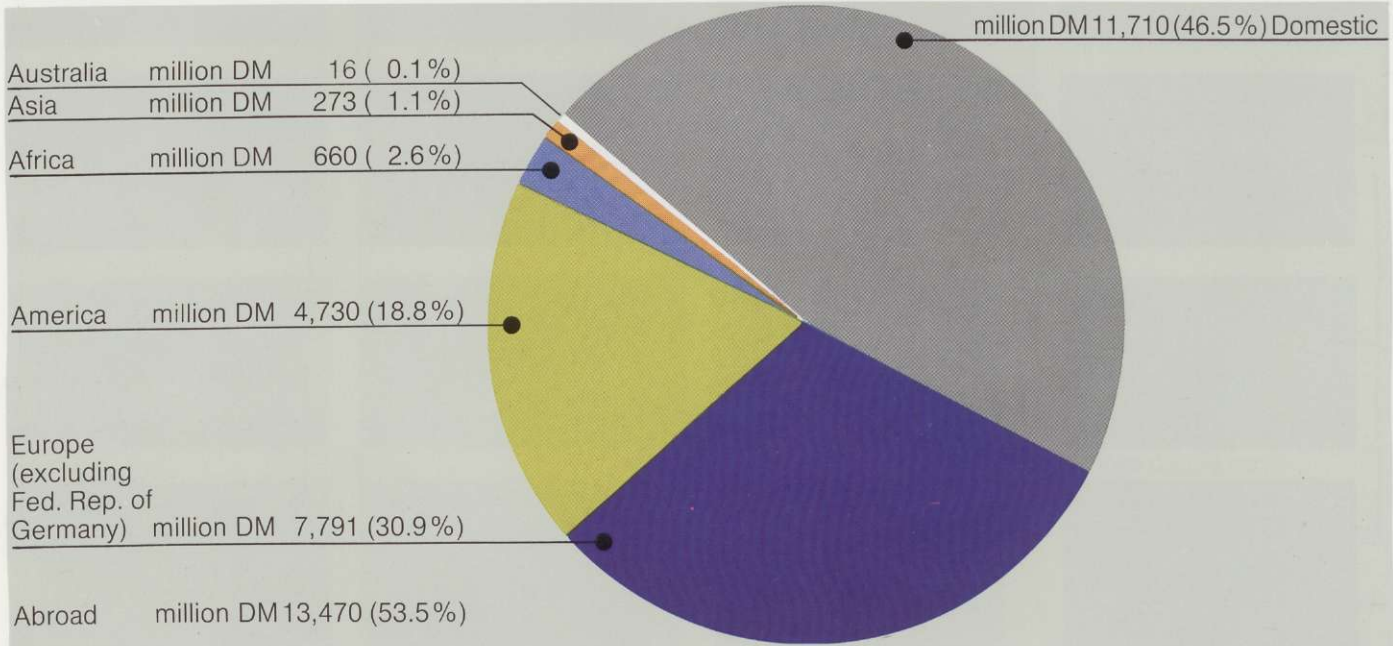
# Producing Companies

Volkswagenwerk AG Wolfsburg		1980	1979	Increase (Decrease) %
Sales	million DM	25,180	24,257	3.8
Vehicle sales	units	1,632,456	1,725,060	(5.4)
Production	units	1,346,755	1,396,916	(3.6)
Capital investments	million DM	2,251	1,709	31.7
Workforce	on Dec. 31	118,766	115,416	2.9

Business development at Volkswagenwerk AG in 1980 was characterised by a considerably more difficult automotive business above all in Germany. In these circumstances 1980 can as a whole be said to have been a satisfactory year. Production and vehicle sales were slightly down on the previous year's level. Sales proceeds again improved.

On account of the unfavourable cost structure compared with the previous year net earnings were 311 million DM. This result makes it possible to pay a dividend for 1980 of 8.— DM per 50.— DM share. In addition to this in view of the tasks which lie ahead of us and the concomitant high financial requirement we have undertaken a strengthening of the reserves.

Regional breakdown of the sales of Volkswagenwerk AG in 1980



## Vehicle Sales

In the year ended Volkswagenwerk AG sold 1,632,456 Volkswagen and Audi models to the dealer organisation. As domestic sales distinctly weakened the proportion of exports rose from 47.8% in the previous year to 51.7%.

The Jetta, introduced on the domestic market in September 1979, achieved in its first year of sales a market share of more than 4%. Sales of the Golf, as expected, receded accordingly. Nevertheless it remained the best-selling model on the German market.

The introduction of the new Passat in October 1980 led to an equally expected reluctance to buy the superseded model. On the light commercial market towards the end of the year and somewhat later than with passenger car registrations the economic recession began to make itself felt. This did not leave sales of the Commercial and large commercial (LT) unaffected.

## Sales

The sales proceeds of Volkswagenwerk AG increased in 1980 on the previous year by 3.8% to 25.2 thousand million DM. This increase resulted solely from sales abroad which went up by 14.9% to 13.5 thousand million DM. In contrast in Germany reduced sales led to a drop in sales proceeds of 6.6%.

Apart from increased sales abroad, price increases in the vehicle and parts business had the effect of improving sales proceeds.

## Production

In 1980 Volkswagenwerk AG produced 1,346,755 vehicles, including the 64,551 Audi 80s manufactured at the Emden plant. This was 50,161 units or 3.6% less than in 1979.

Above all for reasons of more sophisticated vehicle technology and equipment, further improved quality and the fulfilment of statutory obligations more employees were required



than in the previous year. In addition to this wage agreement entitlements such as additional recuperation times and longer holidays had their effect. The sum of these factors led to an increase of the workforce, despite specific rationalisation, while production receded.

In the autumn of 1980 production of the new Passat began in Emden and Brussels. In the framework of extended interlinked production the production plants were supplied with body parts by the Wolfsburg and Kassel factories. Production of trucks in the 6 – 9 metric tons gross vehicle weight range in cooperation with M.A.N. was continued as planned.

Volkswagenwerk AG again intensified its activities in the modernisation of production plant in 1980. In the framework of this programme we continued automation primarily in the areas of body shell shop and press shop. An important aspect here was improved flexibility, so that it is possible to largely adapt production to the fluctuations of demand.

#### Workforce development at Volkswagenwerk AG

Production halls are currently being built in Emden and Wolfsburg so that new assembly concepts can be realised. In addition a large number of comprehensive restructuring measures in all plants created the preconditions for a further improvement of our competitive position. It is very clear from this that in future very high capital expenditures will be necessary in order to keep our production at the latest technological level.

#### Workforce

On December 31, 1980 Volkswagenwerk AG employed 118,766 people in its six plants; this was 2.9% or 3,350 employees more than in the previous year.

In the first six months of 1980 the development was still characterised by overtime, six special shifts and taking on of labour in excess of replacement. In the second half of the year in view of the altered sales situation leavers were no longer replaced in full.

On account of the continued heavy demand for training places Volkswagenwerk AG, from its sense of general economic responsibility, again increased the number of training places in 1980. Tied up with this were comprehensive building measures in all factories. In the year under review 1,224 trainees were

taken on, so that at the end of the year 3,457 young employees were in vocational training positions; this was 5.5% more than in the previous year.

In addition to this special measures of one year's duration were again taken for reducing youth unemployment; these have for years been organised by Volkswagenwerk AG in cooperation with the labour authorities. In the Wolfsburg and Kassel factories a total of 131 young people took part in the courses "metalwork" and "gastronomy", and 15 young people in measures for vocational and social integration.

In the framework of the further training of junior employees, skilled employees and management 8,640 employees took part in 466 courses. Important emphases were further training measures for management and junior management, courses and seminars for foremen and supervisors, the seminars on work study, electronics training and preparation for transfer abroad.

The increased efforts of Volkswagenwerk AG in vocational and further training result from their significance for the Company and its employees. The speed of technological development and constant economic changes require corresponding company training measures.

	Dec. 31, 1980	Dec. 31, 1979	Increase (Decrease) absolute	%	
Volkswagenwerk AG	118,766	115,416	3,350	2.9	
of which in the plants at					
Wolfsburg	57,927	56,429	1,498	2.7	
Hanover	22,110	20,512	1,598	7.8	
Brunswick	6,458	6,500	(42)	(0.6)	
Kassel	16,681	16,366	315	1.9	
Emden	8,338	8,244	94	1.1	
Salzgitter	7,252	7,365	(113)	(1.5)	<sup>1)</sup> Including foremen as salaried staff
Wage-earners	98,622	99,227	(605)	(0.6)	
Salaried staff	20,144 <sup>1)</sup>	16,189	3,955	24.4	<sup>2)</sup> Excluding graduate trainees and in-service trainees
Female employees	14,029	13,474	555	4.1	
Foreign employees	11,643	10,511	1,132	10.8	
Trainees	3,457 <sup>2)</sup>	3,277 <sup>3)</sup>	180	5.5	<sup>3)</sup> Including graduate trainees, in-service trainees and persons undergoing retraining



Since the enactment of the training leave laws in Lower Saxony and Hesse every year more and more employees have taken advantage of the possibilities provided for. In 1980 18,018 employees of Volkswagenwerk AG took part in recognised courses. This is 25.8% more than in the previous year. The costs of continued payment of wages and salaries increased thereby in the year ended by 37.8% to 19.7 million DM.

It is the constant concern of Volkswagenwerk AG to design the working situation in an up-to-date and ergonomically correct way. The Company continued in 1980 with its endeavours to improve working conditions and processes, above all in the setting up of new production facilities but also when existing systems are modified. Further improvements were achieved among other things through the provision of social and recuperation areas and specific noise protection measures.

In 1980 the constant slight increase in accidents since 1976 was brought to a halt, with the 1979 figure not being exceeded. Motivating safety

measures in conjunction with a detailed accident analysis will therefore continue to stand at the forefront of our endeavours. As ever the Company occupies a leading position in the Federal Republic of Germany in the field of safety at work. This is reflected in the contributions refunded by the social insurance for occupational accidents for 1979.

Within the Company the suggestion scheme continues to gain in importance. This can be seen from the distinctly increased number of improvement suggestions rewarded.

Special campaigns and advertising measures contributed to motivating the workforce to a still greater involvement. The number of suggestions adopted rose by 39.2% on the previous year to 5,767. They were awarded a total of 5.6 million DM. The highest award of 100,000 DM was paid six times. Of all the suggestions made in 1980 23.7% were adopted. In the previous year this figure was no more than 17.9%, which shows that the quality of the Company suggestions scheme has greatly increased.

Through the conditions of building loans to Company employees whose considerable improvements in the middle of 1979 did not have their full effect until 1980 the Company made a contribution to the provision

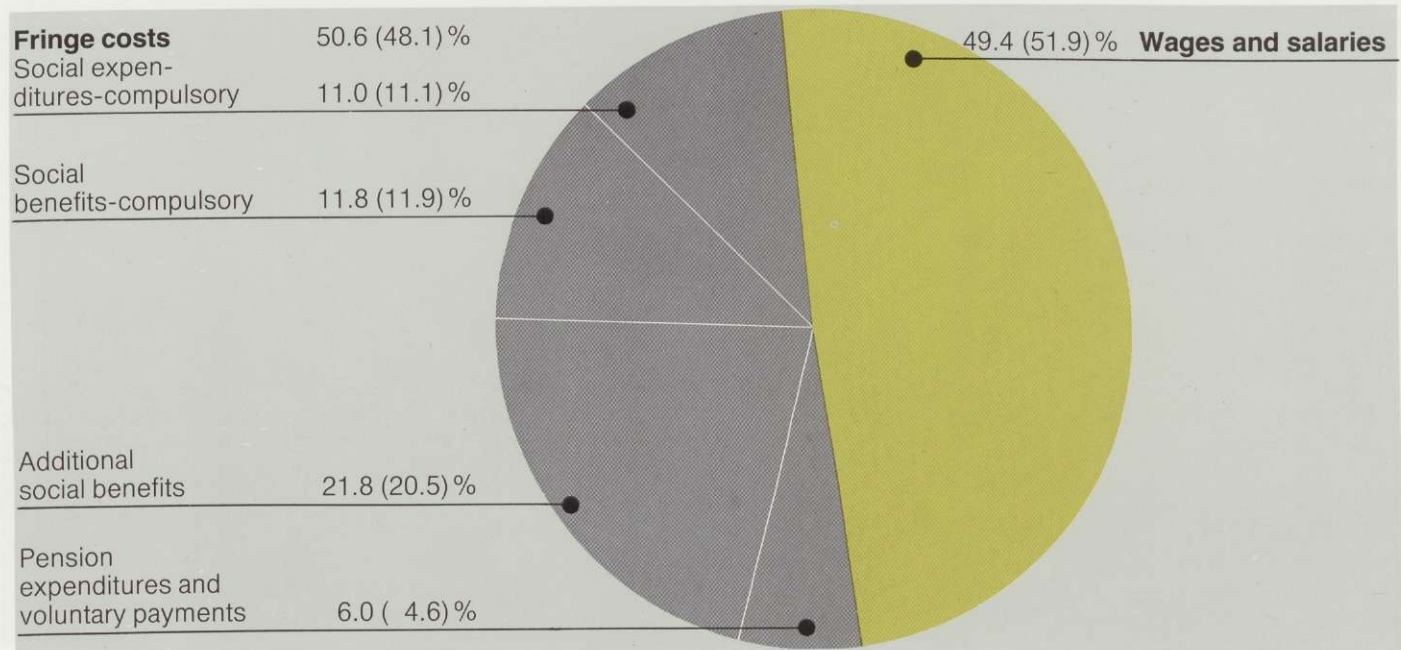
of residential accommodation. The number of building loans granted rose in 1980 by 24.7% on the previous year to 1,951, the funds made available for these by 91.1% to 40.4 million DM.

The new wages and salaries agreements which came into effect on February 1, 1980 with a validity of 12 months led to an increase in wages and salaries of 6.8%. The training allowances increased on the previous year by 45.— DM for the 1st and 2nd training year, 50.— DM in the 3rd and 110.— DM in the 4th.

The agreement on wage differentials which also came into effect on February 1, 1980 replaces the previous 28 wage groups and gradations with 12 wage levels. Through formation of 2,800 work systems — for approx. 59,000 employees on incentive pay — the basis was created for a higher degree of flexibility and job enlargement.

The number of former employees who have a claim to a pension from the Company pension scheme rose to 16,699 as at December 31, 1980. A statutory review of the pensions with a view to adapting them to the cost of living led in the case of 1,587 pensioners to an increase. The increase as of January 1, 1980 was 4.2% or 6.2% depending on start of payment of pensions.

Structure of labour cost at Volkswagenwerk AG in 1980





The labour cost of Volkswagenwerk AG in 1980 increased by 16.5% to 6,534 million DM. This resulted from the agreed increase in wages and salaries of February 1, 1980. In addition agreements made in 1979 (e.g. collective framework agreement, wage differentials) also led to an increase in labour costs in 1980.

The proportion of fringe costs was 50.6%. This represents, as in previous years, a disproportionate increase.

Capital Investments

In 1980 Volkswagenwerk AG invested 2,251 million DM. This was an increase of 542 million DM or 31.7% on the high volume of the previous year. For the first time capital investments topped the two thousand million mark.

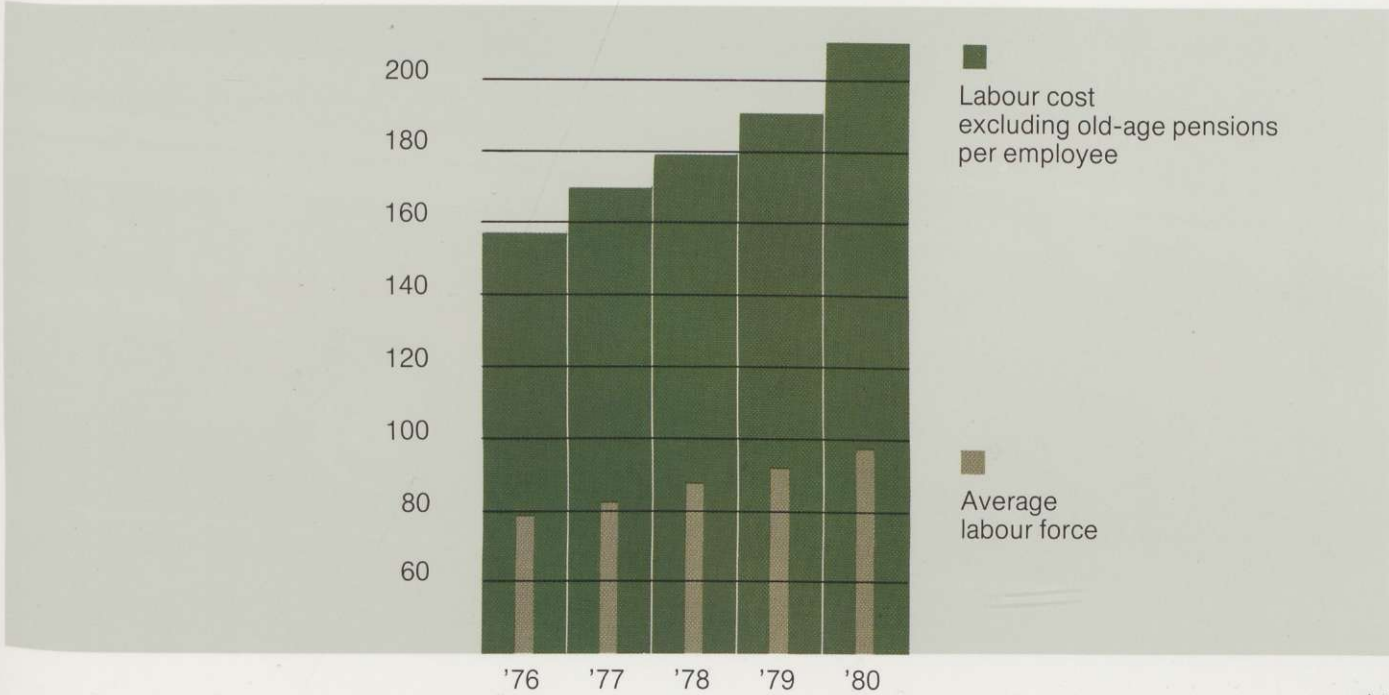
Investments in fixed assets totalled 1,573 million DM and financial investments 678 million DM.

These high capital expenditures are the expression of the intensified efforts to extend the competitiveness of our products through maintenance of the technological lead, raising of the quality level and increase in flexibility. The directly product-related measures were again the focus of our investment activity. Of importance are also comprehensive restructuring projects for the improvement of production processes and working conditions and capacity adaptation in the drive units sector. Possibilities for rationalisation were extensively exploited here. We continued capital investments in the improvement of working conditions.

The increase in investments resulted among other things from the further acquisition of shares in TRIUMPH-ADLER AG, the takeover of the remaining shares held by the Chrysler Corp., USA, in Chrysler Motors do Brasil and a capital increase at this

company. In addition a considerable contribution was made by the acquisition of Chrysler Fevre Argentina (since December 1, 1980 operating under the name of Volkswagen Argentina S.A.) and a capital increase at Volkswagen of America.

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





**AUDI NSU AUTO UNION AG  
Neckarsulm**

		1980	1979	Increase (Decrease) %
Sales	million DM	4,903	5,171	(5.2)
Production/Vehicle sales	units	299,987	344,100	(12.8)
Capital investments	million DM	336	278	20.8
Workforce	on Dec. 31	29,065	29,767	(2.4)

The general recession in the motor vehicle market in the Federal Republic of Germany and the shift of demand towards smaller vehicles impaired the economic development of the company in the report year. In the months of September, November and December the altered sales situation meant that short-time working had to be introduced on a total of 28 days.

Sales proceeds were at 4,903 million DM 5.2% down on the previous year. The considerably smaller decrease in comparison with the vehicle sales figure is due to the higher-priced Audi 200 and higher-grade model and equipment versions. Thus the reduction in Audi 100 sales proceeds was partially balanced by the increased proceeds from the Audi 80 and Audi 200. 98.7% of total sales were sales to Volkswagenwerk AG.

Within total production of 299,987 vehicles, 12.8% less than in 1979, the production volume of the Audi 100 was reduced by 83,080 units, whereas with the Audi 80 an increase of 17,042 vehicles was achieved. The shift of demand in favour of the Audi 80 made it necessary to restructure the production capacities.

The number of Porsche 924 models manufactured in Neckarsulm on behalf of Volkswagenwerk AG for Dr. Ing. h. c. F. Porsche AG, Stuttgart, was 14,935.

The work of the development departments in 1980 was characterised by efforts toward the reduction of fuel consumption and pollutant emissions and a further rounding off of the model range. At the beginning of model year 1981 nearly all types were available with the petrol-saving economy gear. A shift indicator on the dashboard contributes to especially economical driving. With the 1.6 litre diesel engine in the Audi 80 the company offers a further economical alternative.

*The technological innovation of  
AUDI NSU, the four-wheel-drive  
Audi Quattro*





In addition to the especially sporty four-wheel-drive Audi Quattro an attractive, luxurious coupé with saloon comfort has been included in the model range. The newly-developed five-cylinder in-line engine for the Audi Coupé GT 5S has an output of 85 kW (115 bhp).

The capital investment volume of 336 million DM exceeded the previous year's level by 20.8%. The emphases of investment activity were the product sector and supplementary, restructuring and modernisation measures in the production sector. Various major projects have been started on for the further improvement of the production plant which to a large extent will only make themselves financially felt in 1981 and later, and will serve the long-term assurance of the company's competitiveness.

Through restriction of replacement of employees leaving, the workforce was reduced to 29,065 (29,767) employees. The number of trainees on the other hand was further increased to 1,255. On December 31, 1980 4.3 (3.8)% of all employees were undergoing training.

The recessive business development also affected the company's net earnings after taxes. In the year under review this was 70.4 (83.5) million DM. On account of the consid-

erable financial requirement for capital investments in the coming years the company has transferred 70.0 (24.0) million DM to reserves. Transfer of profit to the parent company will therefore not be undertaken for the year under review. Payments to participating certificate holders will be made from net earnings available for distribution in the amount of 0.4 (0.9) million DM.



Volkswagen do Brasil S.A.  
São Bernardo do Campo

		1980	1979	Increase (Decrease) %
Sales	million DM	2,816	3,266	(13.8)
Vehicle sales	units	488,155	522,177	(6.5)
Production	units	514,237	525,703	(2.2)
Capital investments	million DM	333	199	67.5
Workforce	on Dec. 31	46,671	43,959	6.2

The economic situation of Brazil in the year under review was characterised by the pressure of accelerated inflation and an increasing imbalance in the balance of payments. It is against a background of the resulting worsened terms of credit in motor vehicle purchase that the development of the Brazilian vehicle market must be seen which in addition was negatively influenced by a six-week strike. These factors were responsible for the drop in domestic sales compared with the previous year. Exports on the other hand showed a considerable increase with the result that overall vehicle sales of the Brazilian automotive industry were slightly up on the 1979 figure.

Vehicle sales of Volkswagen do Brasil totalled 488,155 units, 6.5% less than the previous year's figure. Both the passenger car market share with 385,854 vehicles sold at home and the light commercial market share with 30,056 units sold fell from 51.1% to 48.6% and from

42.7% to 31.4% respectively. With this development it is important to bear in mind that the company with its main plant in São Bernardo do Campo was fully affected by the strike in April/May 1980, whereas some of the competitors lying outside the wage-agreement region were able to continue producing during this time.

With 72,245 (57,459) vehicles exported the company was again able in 1980 to fulfil its export obligations entered into with the Brazilian authorities. In addition, as in previous years, engines and gearboxes were exported in the framework of Group interlinked production.

The fall-off in sales proceeds – calculated in DM – is primarily due to the reduced volume of vehicle sales and to exchange rate influences.

With 514,237 vehicles Volkswagen do Brasil produced 2.2% less than in the previous year, primarily due

to the strike. Production per working day did however – disregarding the strike days – remain much the same at 2,318 units.

At the end of June 1980 the one-millionth Brasília came off the line. In the middle of the year the "Gol", a new car developed by Volkswagen do Brasil in cooperation with Volkswagenwerk AG, was introduced on the Brazilian market.

In the framework of the agreement made in 1979 between the government and the association of Brazilian automotive manufacturers concerning series production of vehicles with alcohol engines, Volkswagen do Brasil produced 129,545 vehicles in the report year. Purchase of an alcohol powered vehicle brings a number of economic advantages for the customer.

On December 31, 1980 the company had a workforce of 46,671, 6.2% more than in the previous year. This rise was primarily occasioned by the extension of production at the Taubaté plant, where the Gol is manufactured.

The rise in capital expenditures in 1980 was due to extension, rationali-

*The Gol was introduced on the Brazilian market in 1980.*





sation and replacement projects, but above all to the inclusion for the first time of the leasing vehicles in the fixed assets of Volkswagen Leasing S.A.

In June 1980 the government of Kuwait acquired a 10% interest in Volkswagen do Brasil. This share was acquired from the Brazilian group Monteiro Aranha S.A. which had a 20% interest in the company ever since the foundation of Volkswagen do Brasil in 1953 and which continues to hold 10% of the capital stock. The interest of Volkswagenwerk AG in Volkswagen do Brasil remains unchanged at 80%.

In addition to the production shortfalls as a result of the strike, the vehicle price approval system valid for 1980, which did not permit of a timely passing on of the high cost increases due to inflation, is the main reason why Volkswagen do Brasil ended the fiscal year of 1980 with a considerable loss.

*Since the beginning of 1981 our Brazilian subsidiary Chrysler Motors do Brasil has been producing the new Volkswagen truck series (11 and 13 metric tons).*

# **Chrysler Motors do Brasil Ltda. São Bernardo do Campo**

1980

1979<sup>1)</sup>

Increase  
(Decrease)  
%

Sales	million DM	194	187	3.6
Vehicle sales	units	14,309	12,398	15.4
Production	units	14,223	12,945	9.9
Capital investments	million DM	32	10	x
Workforce	on Dec. 31	3,417	3,423	(0.2)

<sup>1)</sup> April 1 to December 31, 1979

In November 1980 Volkswagenwerk AG acquired the remaining shares in Chrysler Motors do Brasil Ltda. held by the Chrysler Corp., USA. Volkswagenwerk AG now holds the entire stock of this company, which in February 1981 was renamed Volkswagen Caminhões Ltda.

A total of 14,309 Dodge vehicles (cars and trucks) were sold in 1980. This gave the firm a domestic share of 3.7% of the total truck market.

Sales proceeds in the year under review totalled 194 million DM of which 43.7% pertained to foreign sales. In this way the company could again meet the export obligations agreed with the Brazilian authorities.

On December 31, 1980 the company employed a workforce of 3,417.

As planned, production of the new Volkswagen truck series (11 and 13 metric tons) began in the first

quarter of 1981. Introduction on the market occurred in March. As of the beginning of the year the Chrysler-Dodge trucks are available in part with alcohol engines in order to meet the necessities of the Brazilian market.

Capital investment volume at 32 million DM was — as a result of the development of the new trucks — distinctly higher than in the previous year.

For extending the capital basis and financing the comprehensive investment programme at the end of December 1980 a capital increase of 63 million DM to 250 million DM was agreed.

The company which is still in the build-up phase ended 1980 with a considerable loss.





Volkswagen of America, Inc. Warren, Mi., USA		1980	1979	Increase %
Sales	million DM	5,792	4,906	18.1
Vehicle sales	units	368,065	336,804	9.3
Production	units	225,943	175,170	29.0
Capital investments	million DM	191	96	99.5
Workforce	on Dec. 31	10,048	9,102	10.4

Despite a strongly recessive motor vehicle market in the USA the company was able to slightly strengthen its position. Decisive for this was the high demand for fuel-efficient vehicles.

In the report year Volkswagen of America delivered 368,065 vehicles to the dealer organisation, exceeding the previous year's figure by 9.3%. This development was carried largely by the models produced at the Westmoreland plant, the diesel versions being particularly successful. In contrast again in 1980 the limited competitiveness of vehicles imported from Germany was demonstrated.

The passenger car market share for Volkswagen and Audi models rose from 3.0% to 3.3%.

The newly-introduced pick-up developed by the company on the basis of the Rabbit had an excellent market reception with 28,690 vehicles sold.

At a production per working day of approx. 1,000 cars total production

at the Westmoreland plant was 225,943 vehicles. This meant full utilisation of capacities. For this reason a second assembly plant at Sterling Heights (Detroit) is currently being equipped.

For the improvement of the financial structure the stockholders' equity of Volkswagen of America was increased by 50 million US dollars in December 1980.

In addition to the extremely high interest level in the USA it was above all the burdens resulting from the import business with Volkswagenwerk AG which led to Volkswagen of America closing 1980 with a loss.

*The Rabbit pick-up had an excellent market reception in the USA.*





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

		1980	1979	Increase %
Sales	million DM	1,515	1,205	25.7
Vehicle sales	units	121,663	112,511	8.1
Production	units	127,374	109,707	16.1
Capital investments	million DM	200	194	3.0
Workforce	on Dec. 31	13,465	10,873	23.8

The economic boom in Mexico continued in the year under review to determine the increase in total sales of Volkswagen de Mexico. The company achieved a sales volume of 121,663 vehicles, an increase of 8.1% on the previous year. The good domestic sales situation was based in particular on the sales success of the Caribe (Golf). The passenger car market share increased to 33.2 (31.0)%. The export emphasis continued to be deliveries of the Beetle to Europe.

On account of the favourable sales situation vehicle production exceeded the previous year's level by 17,667 units or 16.1%.

Sales proceeds for vehicles rose disproportionately to vehicle sales by 26.4%. This was caused primarily by sales of higher-grade model versions.

By December 31, 1980 the workforce had increased by 2,592 to 13,465 employees. This rise had become necessary on account of

increased vehicle production, greater production depth, parts supply and also the large projects (setting up of an engine production plant, extension of press shop).

Capital investment volume at 200 million DM exceeded the previous year's level by 3.0%. Of this a considerable part pertained to construction in progress of the engine production plant. In addition capital expenditures were made in restructuring measures and extension of capacities in the production sector.

The company ended the year under review with a profit.

*The Jetta has also been produced in Mexico since November 1980.*





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

		1980	1979	Increase %
Sales	million DM	867	551	57.2
Vehicle sales	units	62,242	48,935	27.2
Production	units	60,437	48,930	23.5
Capital investments	million DM	75	25	x
Workforce	on Dec. 31	7,322	5,419	35.1

Rising raw materials exports and the continuing high price of gold have in conjunction with fiscal reliefs created a high liquidity in the South African economy. The resulting rise in demand further strengthened the economic upswing of the country in 1980.

The motor vehicle market, especially that for passenger cars, grew in bounds on the basis of increased purchasing power and the backlog demand from previous years. Demand exceeded the industry's production capacity in some market sectors considerably.

In order to meet this high level of demand Volkswagen of South Africa increased its output per working day from on average 206 to 263 vehicles during the course of the year, thus increasing total production by 23.5% to 60,437 units. Despite the rise in sales the passenger car market share could not be maintained on account of limited capacity and fell by 1.1% to 19.9%. The Jetta, introduced with great success

in November, will further strengthen the position of Volkswagen of South Africa on the home market.

Sales of light commercial vehicles increased in South Africa by 5.1% in 1980. With the new Commercial successfully introduced at the beginning of the year Volkswagen of South Africa improved its market share in this sector by 0.7% to 5.5%.

In the wake of capacity increases the workforce – mainly in the production sector – was up by 35.1% at year end.

Compared with the previous year sales proceeds rose by 57.2% to 867 million DM. This was primarily the result of sales and price increases and of a change in the model mix.

The company achieved a good result.

*Volkswagen of South Africa increased its capacity per working day in 1980 in order to be able to meet the high demand for Volkswagen products.*





**Volkswagen Argentina S.A.  
Buenos Aires**

1980

Sales	million DM	920
Vehicle sales	units	35,280
Production	units	31,630
Capital investments	million DM	6
Workforce	on Dec. 31	4,255

In the spring of 1980 Volkswagenwerk AG acquired the majority interest in Chrysler Fevre Argentina and now holds approx. 99% of the capital stock. At the end of the report year the company was renamed Volkswagen Argentina S.A. The Volkswagen Group undertook this involvement in order to underpin its activities in South America.

Volkswagen Argentina sold 35,280 vehicles in 1980 (30,453 passenger cars and 4,827 commercial vehicles); of these 3,389 units were imported fully built up vehicles from Volkswagen do Brasil. The market share was 10.5%.

In both production plants which are located in the Buenos Aires region an average of 136 vehicles per working day was produced.

On December 31, 1980 the company had a workforce of 4,255.

The company achieved a satisfactory net income in 1980.



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

		1980	1979	Increase (Decrease) %
Sales	million DM	1,155	1,199	(3.7)
Vehicle sales	units	110,156	121,007	(9.0)
Production	units	110,206	121,029	(8.9)
Capital investments	million DM	72	34	x
Workforce	on Dec. 31	4,539	4,463	1.7

In 1980 the Golf was included in the production programme and the Passat replaced by its successor model.

Total assembly in 1980 was on account of the conversion of production 8.9% less than in the previous year at 110,206 vehicles.

The capital investment volume of 72 million DM was used essentially for the new models and for modernisation measures in the production sector.

In the report year the company achieved a profit.

**Volkswagen of Nigeria Ltd.**  
**Lagos**

Sales of Volkswagen of Nigeria were badly affected by government measures especially in the first half of 1980. As a result production had to be reduced.

In the second half of the year demand strengthened, so that a total

of 20,860 Volkswagen and Audi models were registered in 1980, an increase of 9.0% on the preceding year. Registrations of Volkswagen Commercials went down by 21.7% to 6,700 units. The market share of Volkswagen of Nigeria fell in the case of passenger cars to 27.7 (31.3)% and of light commercials to 8.9 (14.2)%.

The company ended the fiscal year 1979/80 (May 1 – April 30) with a loss.

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

The fiscal year of 1980 was a difficult one for our Yugoslavian subsidiary. This is due to the economic development in Yugoslavia and to necessary restructuring measures.

In the report year 13,668 vehicles assembled in Yugoslavia and 538 imported vehicles were sold. This was not quite as many as the high level of the previous year. In order to extend the range of vehicles produced locally the Jetta has been assembled in Yugoslavia alongside the Golf since October 1980.

Using the funds from a capital increase adopted in the previous year the extension of production capacities was continued in the report year.

The company ended the fiscal year with a positive result.

*In 1980 TAS continued expanding its production capacities.*





## Distributing Companies

### Volkswagen France S.A. Paris

1980 1979 Increase %

Sales	million DM	1,482	1,129	31.2
Vehicle sales	units	104,066	87,612	18.8
Workforce	on Dec. 31	714	664	7.5

In 1980 new car registrations in France were 5.2% down on the previous year. However Volkswagen France extended its position and achieved a passenger car market share of 5.0 (4.0)%. The reasons

for the increased sales were among others the development of the exchange rate of the Franc in relation to the DM and the wide range of fuel-efficient vehicles. In addition the successful introduction of the

Jetta and the Audi 200 had a positive effect on sales.

With sales of 104,066 Volkswagen and Audi vehicles to the dealer organisation the previous year's figure was exceeded by 18.8%. As in 1979 the Golf was the best-selling Group model ahead of the Polo.

The company achieved a good result in 1980.

### Volkswagen Canada, Inc. Toronto

1980 1979 Increase (Decrease) %

Sales	million DM	430	388	10.7
Vehicle sales	units	25,442	28,959	(12.1)
Workforce	on Dec. 31	376	353	6.5

The Canadian economy in the report year was characterised by a general recession. This in addition to rising petrol prices had an unfavourable effect on the motor vehicle market

which in its passenger car sector decreased by 6.8% on the previous year.

The development varied for individual manufacturers. Whereas local manufacturers suffered sales losses of 14.4%, imports rose by 36.9%. This increase applied exclusively to Japanese vehicles. Sales of Volkswagen

and Audi models were 12.1% down on the previous year. The prime reason for this was the unfavourable price relationship to the competition, mainly for reasons of currency parity.

The market share of Volkswagen Canada was 2.5 (2.9)%.

The company showed a profit at the end of the year.

February 1981 saw the introduction of the diesel version of the proven Commercial.





**Svenska Volkswagen AB  
Södertälje, Sweden**

The Swedish economy experienced a slight recession in 1980. As a result new registrations of passenger cars fell by 10.6% on the previous year. With a delivery volume of 22,674 Volkswagen and Audi vehicles Svenska Volkswagen AB registered a drop of 7.0% on the 1979 figure. The market share however rose slightly in the report year to 11.8 (11.3)%.

The company achieved a better result than in 1979.

**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 in previous years the earnings situation of the V.A.G Vertriebszentrum WESER-EMS GmbH & Co. KG essentially determined the profit of the WESER-EMS Vertriebsgesellschaft.

The portion of the result accruing to Volkswagenwerk AG was transferred in the framework of the profit and loss assumption agreement.

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

After the merger in 1980 of the Sales Centres Münster and Lage and Frankfurt and Kaiserslautern the wholesale function of the Volkswagen Group in the Federal Republic of Germany was performed at the end of 1980 by 16 Sales Centres. Volkswagenwerk AG has a direct 26% holding in each of them. Apart from sales to special customer groups the entire domestic sales of the Volkswagen Group are handled via the Sales Centres.

On account of the unfavourable sales situation as against 1979 the good results of the preceding year could not be achieved.



**TRIUMPH-ADLER Aktiengesellschaft  
für Büro- und Informationstechnik  
Nuremberg**

		1980	1979	Increase (Decrease) %
Sales	million DM	1,648	1,235	33.5
Capital investments	million DM	116	276	(57.9)
Workforce	on Dec. 31	17,115	14,266	20.0

In 1980 Volkswagenwerk AG increased its holding in TRIUMPH-ADLER AG from 53.8% to 98.4%. After acquisition of the share held by Litton Industries, Inc. of 19.1% at the beginning of the year a further extension of the holding was made through acquisition of the share of 25.5% held by the Diehl group, Nuremberg, in December 1980.

The Triumph-Adler group was extended in 1980 through the consolidation for the first time of the Pertec Computer Corp., Los Angeles, and Adler Business Machines (N.Z.) Ltd., New Zealand. In Germany the close economic, financial and organisational intertwining of the Triumph-Adler firms was reflected in the merging of Diehl datensysteme GmbH and Triumph-Adler Vertriebs-GmbH into Triumph Werke Nürnberg AG. In addition Adlerwerke vorm. Heinrich Kleyer AG, Frankfurt, was merged with the Nuremberg parent company in respect of organisation through transfer of the staff and assets to the latter. The name of the parent

company was altered to "TRIUMPH-ADLER Aktiengesellschaft für Büro- und Informationstechnik".

The business activity of the Triumph-Adler group comprises typewriters, systems machines, desk and pocket calculators, text processing computers and systems and copiers. In addition services and software are marketed.

In the fiscal year ended the group went through a difficult phase of reorganisation to various new product lines. The life cycle of the products introduced was ended sooner than expected; delays occurred in the start-up of the new product generation. The products affected were the electronic office typewriter, the office computer multi-screen system TA 1600 and the Alphatronic personal computer. In addition the year of 1980 was influenced by considerable activity for the extension of the sales organisation in the USA for the marketing of medium-sized computers. Further work was done on the development of new products.

As a result of the inclusion of the new group companies the sales proceeds of the Triumph-Adler group rose by 413 million DM or 33.5% to 1,648 million DM. The increasing importance of the foreign business can be seen from the rise in its share of the sales proceeds which in 1980 increased from 68.7% to 77.2%. The most important product lines in the year ended were golf-ball typewriters, systems machines and peripheral appliances for computer systems.

At the end of 1980 the Triumph-Adler group employed 17,115 people. The increase of 20.0% on the previous year is due largely to the extension of the group to include the Pertec Computer Corp., Los Angeles.

Capital investments in 1980 were distinctly down on the previous year at 116 million DM, although it must be remembered that they had reached an unusually high level in 1979 through the acquisition of Pertec Computer Corp. Capital expenditures in 1980 were made primarily

*SOLAR MINI – a pocket calculator which works entirely without batteries, drawing its energy from solar cells*





## Other Companies

for the extension of the leasing business with systems machines and copiers in the USA, measures connected with the introduction of new products, and replacements.

The company ended 1980 with a negative result.

### **VOTEX GmbH, Dreieich**

The activities of VOTEX GmbH are concentrated on the vehicle accessories and parts sector of the V.A.G Organisation. In addition it fulfils agency functions in the purchasing business of Volkswagenwerk AG.

Business and the development of net income were satisfactory in 1980.

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

The continued expansive development of the leasing business led to a distinct increase in the number of vehicles leased to firms and private individuals.

Turnover, which includes proceeds from other movable property leasing, totalled 403 million DM as against 310 million DM in the previous year.

The earnings situation remained good.

### **interRent Autovermietung GmbH Hamburg**

The company hires out passenger cars and commercial vehicles on a short-term basis. In the Federal Republic of Germany this business is conducted via a dense network of outlets. Activities in Belgium are conducted by two subsidiaries, interRent S.A., Brussels, being responsible for car rental and interRent Trucks S.A., Brussels, for truck rental. Elsewhere in Europe and in

numerous other countries interRent is represented by an independent system of licensees. On the North American market the company operates jointly with the Dollar Rent-A-Car System, Inc., Los Angeles.

An improvement in business was again registered in the year ended. The company's leading position on the German market was further consolidated. Sales proceeds totalled 216 million DM, an increase on the previous year of 17 million DM.

The good result achieved by the company was allocated to reserves for the further 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 forwarding, transshipment and stowage business, and the advising of the Volkswagen Group and others.

A total of 396,000 (412,000) fully built-up vehicles and a further 789,000 (776,000) 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



shipping lines and also airlines were used.

Despite a heavy rise in costs the earnings situation of the company was again satisfactory in 1980. The profit is to be carried forward.

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

The V.A.G Kredit Bank promotes sales of Volkswagen and Audi products by financing vehicle sales to final consumers and the purchase of vehicles and parts by the V.A.G Sales Organisation. As a result of intensified competition with other credit institutions and the general reluctance of customers in view of the high interest level the company was only able in 1980 to expand its business volume in the financing of the V.A.G Sales Organisation.

The satisfactory profit achieved in 1980 was allocated to reserves for strengthening stockholders' equity.

#### **VW-Wohnungsbau Gemeinnützige Gesellschaft mbH, Wolfsburg**

In 1980 the company was mainly concerned with the building of 85 subsidised units of accommodation, the modernisation and maintenance of housing and the administration of existing accommodation.

The sale of apartments reduced by 9 the number owned by the company to 7,105 units. In addition there are 132 units of accommodation in hostels.

VW-Wohnungsbau achieved a profit in the report year.

#### **VW-Siedlungsgesellschaft mbH Wolfsburg**

The activities of the company in 1980 comprised preparatory building measures, comprehensive modernisation and maintenance, administration of accommodation and care of properties of Volkswagenwerk AG. In addition some hostel flats were converted to owner-occupied flats and sold. At the end of 1980 the company had 5,383 apartments and 256 units of accommodation in hostels.

In the year under review the company achieved a profit which was transferred to Volkswagenwerk AG under a 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 domestic 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.

Administration costs for 1980 exceeded the earnings from liquid funds by a small amount.

#### **Volkswagen International Finance N.V., Amsterdam, Netherlands**

Volkswagen International Finance N.V. 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.

The fiscal year ended with a satisfactory result.

*The new Passat (Dasher) Variant*





**Deutsche Automobilgesellschaft  
mbH, Hanover**

The company, of which Daimler-Benz AG and Volkswagenwerk AG each hold half the capital stock, continued in 1980 to pursue its research and development into electrical engineering and electronic storage systems in accordance with tasks laid down by the two controlling companies.

In order to give practical application to the research results gained in the past a cooperation agreement has now been made with Accumulatorenwerke Hoppecke Carl Zoellner & Sohn GmbH & Co. KG, Brilon, and a joint company founded.

The profit was transferred to the partners under the profit and loss assumption agreement.

**VW-Versicherungsvermittlungs-  
GmbH, Wolfsburg**

The company acts as insurance broker for the Volkswagen Group and also undertakes consultancy in insurance matters for others. The emphasis of activity is the provision of insurance for covering risks occurring in the domestic Group. In 1980 the volume of premiums was again enlarged.

The result was transferred to the partners under the profit and loss assumption agreement.

**GmbH für ausländische  
Vertriebsbeteiligungen M.A.N. —  
Volkswagen, Munich**

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

On account of the start-up phase at the foreign importing companies no noteworthy income from investments accrued in 1980, with the result that expenses preponderated. In the framework of the existing profit and loss assumption agreement the partners ensured a balanced result.

**V.A.G Marketing Management  
Institut GmbH, Brunswick**

The company began operation in 1980. A building for the institute is currently under construction. Until it is ready the company operates in rented accommodation.

The loss made in the start-up year of 1980 was made good by Volkswagenwerk AG under the profit and loss assumption agreement.

*The sporty, elegant Audi Coupé, new in the Audi range, with high technology, high-grade equipment and a pleasing appearance*







Formula E – a Volkswagen Group contribution to fuel saving. This new equipment version is available for both Volkswagen and Audi models.



# Prospects

The recessive development of the economic situation which began in the year ended continued at the beginning of 1981, primarily as a result of further oil price increases. Real economic growth will probably be registered in only a handful of western industrial nations, even if a reverse trend in the economic climate should occur in the second half of the year.

Developments in the energy sector are a burden on the Federal Republic of Germany as an industrial nation poor in raw materials in two ways: On the one hand through the withdrawal of real purchasing power, and on the other through the necessity for financing a considerable deficit in the balance of current transactions, whereby the use of politico-economic measures for stimulating the economy is made more difficult. A reduction of the deficit in the balance of current transactions is therefore an essential requirement for the prosperity of the German economy.

In terms of the economic situation 1981 will be a difficult year.

The world automotive industry is currently in a phase of restructuring characterised by a shift to the production of fuel-efficient vehicles. At the same time all possibilities are being exploited to increase the flexibility and productivity of the manufacturing processes. The considerable

capital investment volumes of the individual manufacturers reveal the earnest nature of these endeavours; but they are also an indication of the fundamentally optimistic view of the investors in regard to the future development of the automotive industry.

The future for Volkswagen and Audi can be adjudged positive as a whole. However the general slackening-off of demand for motor vehicles must be taken into account. The annual growth rates will probably only be of the order of 2 – 3% world-wide up to 1990. How far in these circumstances it will be possible to improve the international competitiveness of the Volkswagen Group depends, in addition to the consistent pursuance of a market-oriented model policy, decisively on the further development of costs and the maintenance of a solid financial basis.

Intensifying competition on the one hand and increased pressure of costs on the other make it imperative to invest yet more than before in products and processes. The current economic downswing with its consequences for earnings does however make it necessary to establish priorities. For the period 1981 – 83 capital expenditures for property, plant and equipment within the Volkswagen Group are scheduled at 13 thousand million DM. Of these 64% pertain to investments in Germany.



The vehicle business may well by now have reached its lowest ebb. On the passenger car markets adaptation continues to a situation which is characterised by successive increases in the price of energy. With a certain time-lag the weakening of demand which for cars had already begun in the second half of 1979 has now spread to the commercial sector.

In the Federal Republic of Germany a revitalisation of car sales can be expected in the second half of 1981. In the case of commercial vehicles however it seems likely that the slowing of demand which only began at the end of 1980 will for the time being continue. A similar development is expected for a number of important European countries.

In the USA the turning point on the automotive market has been considerably delayed by the excessive increase in interest rates, so that the awaited economic recovery can only start belatedly in the course of 1981.

The economic situation in Brazil last year led to government measures which had a negative effect on motor vehicle sales. The market development hitherto in 1981 suggests that the sales situation will continue to be difficult.

Prospects for car demand in Mexico and South Africa on the other hand remain positive.

In view of the altered circumstances on the most important markets an increase in sales of the Volkswagen Group in excess of the volume achieved in 1980 will scarcely be possible. However our fuel-efficient and demand-orientated model range means that we have every chance of successfully exploiting the market potential.

On account of the falling sales figures the Volkswagen Group had to take measures affecting the workforce in the first months of the current year, making short-time working necessary in some domestic plants. At Volkswagen do Brasil redundancies were necessary. Although our Group's endeavour is to minimise these personnel measures as far as possible, such measures cannot always be avoided.

Our concern remains in 1981 to maintain profitability. In view of the uncertainties characterising the world economic situation it will be very difficult, despite the most strenuous efforts, to again achieve the results of previous years.

Wolfsburg, March 23, 1981

The Board of Management

*H. H. H. H.*

*L. D. D.*

*G. G. G.*

*H. H. H.*

*H. H. H.*

*H. H. H.*

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*H. H. H.*

*H. H. H.*



The mid-20th century was a period of rapid change and growth in the United States. The economy was booming, and the population was increasing. This led to a need for new housing and infrastructure. The federal government played a major role in this process, providing funding and support for various programs. One of the most significant programs was the Federal Housing Administration (FHA), which provided loans and guarantees for the construction of new homes. This helped to make housing more affordable and accessible for many Americans. The FHA also played a role in the development of the interstate highway system, which was a major infrastructure project of the time. The highway system was built to facilitate the movement of goods and people across the country, and it played a key role in the growth of the automobile industry. The mid-20th century was also a time of social and cultural change. The civil rights movement was gaining momentum, and there was a growing awareness of the need for equality and justice for all Americans. This led to the passage of the Civil Rights Act of 1964, which prohibited discrimination on the basis of race, color, religion, and sex. The act was a landmark piece of legislation, and it helped to bring about significant changes in the way that Americans lived and worked. The mid-20th century was a time of great achievement and progress, and it laid the foundation for the modern United States.

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1950-1955

1955-1960

1960-1965

1965-1970

1970-1975

1975-1980

1980-1985

1985-1990

1990-1995

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2005-2010

2010-2015

2015-2020

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2005-2010



# Financial Statements and Notes



# Notes to the Financial Statements of the Volkswagen Group

## Consolidation Principles

### Scope of Consolidation

In principle we have included in the scope of consolidation all subsidiaries and affiliates in which Volkswagenwerk AG holds a direct or indirect interest of more than 50%.

In addition to Volkswagenwerk AG 18 domestic and 51 foreign companies were consolidated. These companies are marked in the survey of major companies within the Volkswagen Group on pages 36 and 37.

The scope of consolidation again increased in the report year primarily through the inclusion of the Pertec companies acquired by the Triumph-Adler group in December 1979. The following companies were consolidated for the first time:

VW KRAFTWERK GmbH, Wolfsburg,  
Volkswagen Argentina S.A., Buenos Aires,  
Triumph Adler, Inc., Los Angeles, Cal.,  
Triumph Adler Systems, Inc., Los Angeles, Cal.,  
Pertec Computer Corp., Los Angeles, Cal. (with 7 negligible subsidiaries),  
Pertec Computer Corp., Toronto, Canada,  
Adler Business Machines (N.Z.) Ltd., Wellington, New Zealand (with 2 negligible subsidiaries).

VW KRAFTWERK GmbH, Wolfsburg, founded in 1980, will operate in the field of energy supply.

In the report year Volkswagenwerk AG acquired 98.8% of the capital stock of the automotive company Chrysler Fevre Argentina S.A.I.C. which has since been renamed Volkswagen Argentina S.A.

The Pertec Computer Corp., Los Angeles, produces and markets, the latter also via its Canadian subsidiary medium-sized computers and peripheral appliances. Triumph Adler, Inc. and Triumph Adler Systems, Inc., both of Los Angeles, are intermediate holding companies. Adler Business Machines (N.Z.) Ltd., Wellington, New Zealand, is a distributing company of the Triumph-Adler group.

In the year under review the Triumph-Adler group companies Triumph-Adler Vertriebs-GmbH and its subsidiary Diehl datensysteme GmbH were merged with Triumph Werke Nürnberg AG. The company operates as TRIUMPH-ADLER Aktiengesellschaft für Büro- und Informationstechnik.

Not included in the scope of consolidation were 2 domestic and 16 foreign subsidiaries, of which 2 were US dealerships. The following companies are primarily concerned:

Auto Union GmbH, Munich,  
Triumph Werke Wohnungsbau GmbH, Nuremberg,  
VW Camions et Bus S.A., Paris,  
Consórcio Nacional Volkswagen Ltda., São Paulo.

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 activities 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. The form of presentation corresponds to the requirements of German Corporation Law. In addition 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. Reclassifications which proved necessary from the Group's point of view were effected. The amounts scheduled for distribution to the holders of participating certificates in AUDI NSU AUTO UNIO 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 available for distribution of one Group company were allocated to undetermined liabilities. The financial statements of the consolidated foreign companies were drawn up and audited in accordance with unified accounting and valuation principles which are in line with the provisions of the Corporation Law.

#### **Translation of Currencies**

Additions to fixed assets were translated 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. For translation of additions up to the end of 1978 the average foreign exchange rate of the respective year was used.

For translation of loans with a term of four years or longer we used the average rates in force on the balance sheet date, whereas the remaining items of financial investments were translated at the foreign exchange rates in force on the date of acquisition.

The remaining assets items and debts were translated at the average rates in force on the balance sheet date.

In the statement of earnings we translated the depreciations and the gains and losses from disposals of fixed assets and investments at the historic rates of the fixed assets and investments: The remaining income and expenses were translated at the average monthly rates of the report year in each case. Net earnings for the year have been translated at the rates in force on the balance sheet date in each case.

Differences incurred by translating 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 translating the items of 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 separation 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 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 stockholders' equity and

liabilities side separately under consolidated reserves.

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

The reserve of the Group arising from earnings also includes the following:

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

In addition the net earnings available for distribution 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 available for distribution correspond to the net earnings available for distribution shown for Volkswagenwerk AG.

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

Financial Situation

The financial situation of the Volkswagen Group was again, despite a drop in the year's net earnings, characterised by an increased tying up of funds through distinctly increased investments in fixed assets 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 items arising from initial consolidation – insofar as they do not concern companies already acquired in 1979 – increased on the previous year by 1,179 million DM or 38.0% to 4,279 million DM. The cash flow<sup>1)</sup> increased in particular as a result of the higher depreciation on property, plant and equipment, by 148 million DM to 3,141 million DM. Since investment activity increased heavily as against the previous year but the cash flow was impaired by the lower net income, in the year under review only 73.4% of investments could be financed from the cash flow. To cover the additional financial requirement it was necessary to reduce liquid funds. Depreciation equivalents covered 49.1% of capital expenditures.

The balance sheet total of the Volkswagen Group rose in the year under review by 3,119 million DM to 24,797 million DM. Distinct increases both in fixed assets and investments and in current assets were set against an increase in outside capital.

Fixed assets and investments rose in the report year on account of the increased capital investment activity by 1,791 million DM or 24.3%. Whereas fixed assets and adjustment items arising from initial consolidation rose by 1,959 million DM, investments fell by 168 million DM. Current assets increased by 1,328 million DM (9.3%). Receivables and inventories were up on the previous year, whereas liquid funds showed a drop.

The reduction of stockholders' equity by 36 million DM to 6,162 million DM was primarily due to the effects of translation of currencies. At the end of 1980 property, plant, equipment and investments were 67.2% covered (previous year 84.1%) by stockholders' equity. The increase of outside capital by 3,155 million DM (20.4%) to 18,635 million DM pertained to the short-term items.

Consolidated balance sheet structure compared with the previous year:

Million DM	Dec. 31, 1980		Dec. 31, 1979	
<b>Assets</b>				
Property, Plant, Equipment and Investments	9,165 <sup>2)</sup>	37%	7,374 <sup>2)</sup>	34%
Current Assets	15,632 <sup>2)</sup>	63%	14,304 <sup>2)</sup>	66%
	24,797 <sup>2)</sup>	100%	21,678 <sup>2)</sup>	100%
<b>Stockholders' Equity and Liabilities</b>				
Stockholders' Equity	6,162	25%	6,198	29%
Liabilities payable within more than 4 years	4,214	17%	3,973	18%
1 to 4 years	2,433	10%	2,796	13%
up to 1 year	11,988	48%	8,711	40%
	24,797 <sup>2)</sup>	100%	21,678 <sup>2)</sup>	100%

<sup>1)</sup> The following items as shown here-under are included in the cash flow: Net earnings + Depreciation of fixed assets 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.

<sup>2)</sup> Decreased by the amounts shown on the stockholders' equity and liabilities side as allowance for doubtful trade acceptances and accounts.



**Development  
of Short-term Liquidity**

Million DM	Dec. 31, 1980	Dec. 31, 1979	Increase (Decrease)
Liquid funds, trade acceptances <sup>1)</sup>	3,971	4,781	(810)
Securities, own stock <sup>1)</sup>	1,151	1,123	28
Short-term receivables and investments (advance payments not included) <sup>1)</sup>	3,955	3,538	417
Short-term liabilities and undetermined liabilities (including liabilities in reserves for special purposes) <sup>2)</sup>	11,792	8,453	<u>(3,339)</u> <u>(3,704)</u>

In 1980 the decrease in the liquidity position resulted from the following (million DM):

**from current business**

Net earnings	321	
Depreciation of fixed assets and write-down of investments and disposals balanced with write-ups	2,447	
Increase in provision for old-age pensions	358	
Increase in stockholders' equity in reserves for special purposes	<u>15</u>	3,141

**from financial transactions**

Dividend payments to the stock- holders of Volkswagenwerk AG and to minorities in 1980	(252)	
Decrease in long and medium- term liabilities	(485)	
Decrease in other items	<u>(138)</u>	(875)

**from uses of funds**

Additions to fixed assets	(4,012)	
Additions to investments incl. increase in the adjustment items arising from initial consolidation on the assets side	(267)	
Increase in inventories and advance payments <sup>1)</sup>	(1,673)	
Increase in long and medium-term receivables <sup>1)</sup>	<u>(18)</u>	<u>(5,970)</u>

**Decrease in the  
liquidity position**

(3,704)

<sup>1)</sup> Decreased by the amounts shown under stockholders' equity and liabilities as allowance for doubtful trade acceptances and accounts

<sup>2)</sup> Not including the amounts intended for distribution



## Balance Sheet

### Assets

In the year under review the net book value of **Property, Plant, Equipment and Intangible Assets** rose on the previous year's figure by 1,678 million DM to 8,326 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 at 4,012 million DM were 1,390 million DM (53.0%) above the preceding year's level. These figures include the amount brought forward from the company Volkswagen Argentina S.A. included for the first time. Not included in capital investments were the amounts brought forward from the Pertec companies and the New Zealand Triumph-Adler companies, acquired in the previous year and shown under additions to investments in subsidiaries and affiliates in 1979. The additions pertained 39.2% to Volkswagenwerk AG, 13.1% to V.A.G Leasing, 8.3% to AUDI NSU AUTO UNION AG and 7.9% to Volkswagen

do Brasil. They mainly related to the items plant and office equipment, construction in progress, advance payments to vendors and contractors and machinery and fixtures. The emphases of investment activity were as in previous years the further development of the product range and renewal and extension of the leasing and rental fleets especially at V.A.G Leasing. Disposals resulted primarily from sales of used leasing and rental vehicles.

**Investments** fell by 166 million DM to 284 million DM. This related mainly to **Investments in Subsidiaries and Affiliates** and resulted from the first-time inclusion of the Pertec companies and the New Zealand Triumph-Adler companies in the consolidation. The book values of subsidiaries and affiliates shown here last year have been deducted in the carried forward column for January 1, 1980. Additions to investments in subsidiaries and affiliates resulted in particular from deposits by Volkswagenwerk AG in TAS Tvrnica Automobila Sarajevo and Volkswagen of Nigeria. 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 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. The domestic companies continued the loans in 1979 at the lower value of the previous year.

**Other Investments** pertained mainly to tax-privileged investments by Volkswagen do Brasil.

**Adjustment Items Arising from Initial Consolidation** show the existing values in excess of the nominal value at the time of acquisition. They mainly comprise the differential sums arising from the consolidation of the Triumph-Adler companies, AUDI NSU AUTO UNION AG and inter-Rent Autovermietung. Write-downs made by Volkswagenwerk AG of the book values of the holdings in AUDI NSU AUTO UNION AG and Volkswagen Bruxelles to take account of reductions in value were deducted from the adjustment items.



**Inventories** increased on the previous year by 1,665 million DM (37.9%) to 6,053 million DM. Increases occurred particularly at Volkswagen do Brasil, Volkswagen of America and Volkswagenwerk AG. The first-time consolidation of Volkswagen Argentina and the Pertec companies also contributed to this rise.

**Of the Trade Accounts Receivable** 43.8% pertained to domestic and 56.2% to foreign subsidiaries and affiliates.

**Trade Acceptances** were primarily shown by Volkswagen France and Volkswagen of America.

**Cash in Banks** decreased by 838 million DM (18.1%) on the preceding year to 3,785 million DM. Reductions occurred in particular at Volkswagenwerk AG and AUDI NSU AUTO UNION AG.

The portfolio of **Securities** in the amount of 1,141 million DM was held almost entirely by Volkswagenwerk AG.

**Own Stock** remained unchanged in the report year.

**Miscellaneous Other Current Assets** consisted mainly of receivables resulting from financing of sales (customer financing) and purchase financing (dealer financing), and of claims

resulting from promissory notes and registered securities, from tax refunds and tax prepayments and of interest receivable.

**Under Prepaid and Deferred Expenses** the commission above all of V.A.G. Leasing was entered separately in the previous column.

### **Stockholders' Equity and 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 translation.

The **Reserve of the Group Arising from Earnings** increased by 178 million DM (4.6%) to 4,038 million DM. The main reasons for this were allocations to reserves of Volkswagenwerk AG and domestic Group companies and the value adjustments on holdings of Volkswagenwerk AG to be eliminated at consolidation. In addition this item comprised mainly the Group's share in the reserves and the net earnings available for distribution

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 and discounts from interest-free loans granted to housing construction companies by Volkswagenwerk AG neutralised during the consolidation. Of the reserves of the companies included in the consolidation 476 million DM were converted into capital stock up to the end of 1980.

**Adjustment Items Arising from Initial Consolidation** represent the excess of net worth over the cost at the time of acquisition. They comprised the differences from the consolidation of Chrysler Motors do Brasil, Volkswagen of South Africa and Volkswagen Argentina.

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

**Reserves for Special Purposes** were shown for Volkswagenwerk AG and to a small extent for Volkswagen France, VW Siedlungsgesellschaft and AUDI NSU AUTO UNION AG.

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



Of the total **Undetermined Liabilities** 40.7% were long-term, 26.3% medium-term and 33.0% short-term liabilities.

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

**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 financial statements of Volkswagenwerk AG and Volkswagen do Brasil.

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

**Liabilities with an Initial Term of Four Years or Longer** decreased in particular through repayments by Volkswagenwerk AG.

59.8% of **Trade Accounts Payable** pertained to domestic, 40.2% to foreign Group companies.

**Liabilities Resulting from the Acceptance of Bills Drawn and the Issuing of Promissory Notes** were shown primarily in the financial statements of Volkswagen do Brasil and Volkswagen Argentina.

**Other Liabilities Due to Banks** increased primarily on account of short-term loans taken up by Volkswagen of America and the Triumph-Adler group by 2,107 million DM to 4,791 million DM.

**Advance Payments from Customers** were mainly shown at Volkswagenwerk AG, and at production companies abroad.

**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 mentioned were as follows:

Of the total securities shown under current assets 2 million DM par value were pledged by Volkswagenwerk AG. We are also liable for refunded deposits in limited partnerships (Kommanditgesellschaften) in the amount of 2,046,980 DM. Other liabilities existed towards a 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 1980 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 1980 by 2,581 million DM (8.4%) to 33,288 million DM. The companies included in the consolidation for the first time contributed to this increase with 1,241 million DM. The foreign share of sales rose to 64.4 (59.3)%.

The **Increase in Inventories** in the amount of 1,263 million DM related in the main to production of Volkswagenwerk AG and Volkswagen do Brasil.

The **Gross Performance** increased by 10.6% or 3,351 million DM to 34,989 million DM.

The increase in **Expenditures for Raw Materials, Supplies and Other Materials** of 2,403 million DM (15.2%) to 18,238 million DM mainly resulted from the rise in purchasing prices and the extension of the scope of consolidation.

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

**Income from Investments in Subsidiaries and Affiliates** stemmed almost exclusively from the financial statements of Volkswagenwerk AG and primarily pertained to our portion of the profits of the 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 granted by Vorelco, Inc.

**Other Interest and Similar Income** comprised mostly interest income of Volkswagenwerk AG and AUDI NSU AUTO UNION AG and income of financing companies.

**Gains from Disposal of Fixed Assets and Investments and Write-ups** came for the most part from the sale of used vehicles by the rental companies and AUDI NSU AUTO UNION AG.

**Income from Elimination of Reserves for Undetermined Liabilities no Longer Required** was shown particularly by Volkswagen of America, Volkswagenwerk AG, Volkswagen de Mexico and AUDI NSU AUTO UNION AG.

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

**Expenditures for Wages and Salaries** rose on the previous year by 1,340 million DM (17.6%) to 8,961 million DM. Wage tariff rises and the higher average workforce contributed to this (cf. "Workforce", page 16).

**Social Expenditures** rose by 178 million DM to 1,291 million DM.

The rise in **Pension Expenditures and Voluntary Payments** of 152 million DM to 530 million DM resulted mainly from increased allocations to provisions for old-age pensions at Volkswagenwerk AG.

**Losses on Disposal of Fixed Assets and Investments** were minor in amount and were shown primarily by the domestic Group companies.

The increase in **Interest and Similar Charges** of 165 million DM to 559 million DM was due to the additional requirement of short-term outside funds. The major proportion of interest charges was shown in the financial statements of the V.A.G Kredit Bank, Volkswagen de Mexico, Volkswagen of America and Volkswagen do Brasil.



**Taxes on Income, Earnings and Property** were down on the previous year due to the declining development of earnings.

**Other Taxes** were shown preponderantly by foreign Group companies. Their main items were sales taxes at Volkswagen Argentina and taxes paid on the conclusion of financing contracts by Volkswagen do Brasil.

**Expenses under Profit and 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, foreign exchange losses, dispatch of products and rent and leasing.

The **Net Earnings** were 321 million DM, 346 million DM (51.9%) less than in the previous year.



# Notes to the Financial Statements of Volkswagenwerk AG

## Balance Sheet

### Assets

Capital expenditures for **Property, Plant and Equipment** were the highest ever at 1,573 (989) million DM. They were the expression of our intensive efforts to develop and update the existing product range and to carry out restructuring and modernisation plans for the improvement of production processes and working conditions.

On account of the high capital expenditures in the case of finished property, plant and equipment the additions including transfers from construction in progress and advance payments to vendors and contractors rose by 566 (143) million DM to 1,400 (834) million DM. Of this 632 (401) million DM were for plant and office equipment, 543 (340) million DM for machinery and fixtures and 225 (93) million DM for real estate and buildings.

Capital expenditures were distributed over the individual plants as follows:

The gross book value of property, plant and equipment at the end of the report year was 12,255 (10,952) million DM. After deduction of value adjustments on this sum of 9,361 (8,617) million DM the net book value of property, plant and equipment was 2,894 (2,335) million DM.

Valuation of property, plant and equipment was carried out on the basis of acquisition or manufacturing costs. In the ascertainment of manufacturing costs, payments to vendors and contractors and regular depreciation we proceeded in accordance with the principles set out in the 1977 Annual Report. Grants made from public funds for investments in previous years have been shown in the balance sheet as disposals. For the treatment of the investment grants received in 1980 in our accounting the useful life of the assets concerned was, as usual since 1978, taken as a basis.

Extraordinary depreciation was provided for on the benefiting additions in 1980 in accordance with § 3 of the Border Area Promotion Act. A small amount of extraordinary depreciation was carried out in accordance with § 6b EStG (Income Tax Act) and for special tools for a model no longer in production and for plant no longer used.

The additions to **Investments in Subsidiaries and Affiliates** shown under **Investments** in the amount of 635 million DM resulted primarily from the takeover of further shares in TRIUMPH-ADLER Aktiengesellschaft für Büro- und Informationstechnik, the acquisition of the remaining shares in Chrysler Motors do Brasil Ltda., acquisition of Chrysler Fevre Argentina (renamed Volkswagen Argentina S.A. in 1980) and the capital increase at Volkswagen of America, Inc. Further additions to investments in subsidiaries and affiliates related to contributions to the V.A.G Kredit Bank GmbH, TAS Tvrnica Automobila Sarajevo, Volkswagen of Nigeria Ltd., VW Camions et Bus S.A. founded in 1980, Deutsche Automobilgesellschaft mbH, Volkswagen do Brasil S.A., and the acquisition of holdings in Motor Import S.A., Motor Peru S.A. and Volkswagen of South Africa (PTY) Ltd. The disposals resulted from the amalgamation of several more Sales Centres.

The investments in subsidiaries and affiliates were valued on the basis of acquisition costs. The holding in Chrysler Motors do Brasil Ltda. was adjusted for reasons of the loss situation at this company. Write-downs on holdings in five other mostly smaller foreign companies were undertaken in order to take account of the reduction in value

Plants		of which movable property
Wolfsburg	827 million DM	698 million DM
Kassel	205 million DM	184 million DM
Salzgitter	178 million DM	171 million DM
Hanover	152 million DM	105 million DM
Emden	126 million DM	56 million DM
Brunswick	85 million DM	47 million DM
	<u>1,573 million DM</u>	<u>1,261 million DM</u>



at the balance sheet date. The write-downs on investments in subsidiaries and affiliates of 112 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 to an overwhelming extent granted to housing construction companies and Volkswagen employees. Loans made up to December 31, 1954 under § 7c EStG 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 with 7%. The loans were continued unchanged with the amount of the discounted value taking account of the annual repayment rates. The write-downs on loans in the amount of 10 million DM pertained to additions during the current year.

**Inventories** increased on the previous year by 244 million DM. The main reasons for this were increases in labour and material costs and higher stocks of unfinished and finished products as a result of developments in the economic

Regular and extraordinary depreciation are distributed over the additions of 1980 as follows:

situation. Inventories were again valued on the basis of the principles explained in the 1977 Annual Report.

**Trade Accounts Receivable** in the amount of 397 million DM represented 276 million DM due from foreign customers and 121 million DM from domestic customers. With a few insignificant exceptions all amounts due were paid.

**Cash in Banks** pertains mainly to time deposits.

The portfolio of **Securities** increased by 327 million DM through the purchase of bonds in order to take advantage of high interest rates. The addition of fiscal year 1980 was shown at cost of acquisition or its lower market value; the securities held at the end of 1979 were continued with the balance sheet value of the preceding year. As security for the continuous processing of imported goods 2 million DM 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 increase of the 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 stock exchange price 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 1979 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.

**Receivables from Subsidiaries and Affiliates** rose to a total of 433 million DM. The increase resulted above all from the rise in receivables due from Volkswagen de Mexico S.A., Volkswagen France and V.A.G. Leasing GmbH. Against this there was a fall in receivables due from Volkswagen of America, Volkswagen Canada and AUDI NSU AUTO UNION AG. Of the total sum of receivables 959 million DM were from domestic companies and 1,059 million DM from foreign subsidiaries. Value adjustments were made on receivables in view of the inherent risks relating to the rate of exchange and currency transfers.

**Miscellaneous Other Current Assets** were primarily claims from promissory notes, registered securities and sales tax refund claims and interest receivable. The decrease in miscellaneous other current assets of 211 million DM mainly resulted

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					
Additions during 1980 <sup>1)</sup>	214,400	281	9,986	543,159	575,524	82,700	40,000
Depreciation on additions during 1980	52,174	9	1,004	275,230	160,641	38,900	20,000
<sup>1)</sup> Additions including transfers from construction in progress and advance payments to vendors and contractors			(not including special tools not yet used in operations and not yet depreciated, but including additions in real estate on which extra-			ordinary depreciation was made in accordance with § 6b EStG)	



from the fall in receivables from promissory notes and registered securities.

### **Stockholders' Equity and Liabilities**

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

121 million DM were transferred to **Other Reserves** from net earnings for strengthening the stockholders' equity.

The **Reserves for Special Purposes** increased through the setting up of a reserve in accordance with § 3 of the Foreign Investment Act for an American Group company. As required by law the reserves for special purposes set up in previous years were partially liquidated.

**Allowance for Doubtful Trade Acceptances and Accounts** was set up with 8% as in the previous year for loans with a term of four years or longer, advance payments made, receivables, trade acceptances 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.

By far the largest proportion of **Other Undetermined Liabilities** consists of provisions for marketing expenses, taxes and labour costs.

In the case of **Liabilities with an Initial Term of Four Years or Longer, Loans** decreased through the third instalment of the loan issued in 1972 in the amount of 300 million DM and from repayments in respect of **Liabilities Due to Banks**. The decrease in the case of **Miscellaneous Other Liabilities** is due to the repayment of a loan.

The increase in **Trade Accounts Payable** resulted in particular from the increased volume of purchases from domestic suppliers.

**Other Liabilities Due to Banks** decreased as the result of repayments.

**Accounts Payable to Subsidiaries and Affiliates** increased mainly on account of advance payments by Volkswagen of America.

**Miscellaneous Other Liabilities** primarily consist of obligations from accrued wages and salaries and other obligations in respect of the workforce, together with tax payments due.



Statement of Earnings

The following calculation of the Added Value in 1980 shows up in the value increase in the Company and its distribution.

Sources of added value (million DM)			Application of added value (million DM)		
	1979	1980	1979	1980	
Gross performance as shown in the statement of earnings which is drawn up in accordance with AktG	24,685	25,623	7,852	8,050	Added value of which
plus other income	1,281	1,495	240	192	for stockholders
Total performance	25,966	27,118	198	119	for the Company
			63	68	for creditors
			1,743	1,137	for the State
			5,608	6,534	for Company employees
less expenditures (of which material costs)	17,104 (15,137)	17,917 (15,809)	3.1% 2.5% 0.8% 22.2%	2.4% = 1.5% = 0.8% 14.1%	for stockholders for the Company for creditors for the State
				81.2%	for Company employees
less depreciation and losses on disposal	1,010	1,151	71.4%		
= Added value	7,852	8,050			
	1979	1980	1979	1980	



**Sales** increased by 923 million DM to 25,180 million DM. This was essentially the result of higher sales of production parts to subsidiaries and price increases. Exports were 14.9% up on the preceding year and domestic sales – on account of the general economic weakening – 6.6% down. Of total sales 74.2% came from the vehicle business, 7.6% from parts sales and 18.2% from other sales.

Our **Expenditures for Raw Materials, Supplies and Other Materials** were 672 million DM or 4.4% up on the preceding year. The causes of this increase were primarily materials price increases and structural changes within the production programme in favour of vehicles requiring a greater amount of materials.

**Income from Profit and Loss Assumption Agreements** was received from the domestic subsidiaries VW-Versicherungsvermittlungs-GmbH, WESER-EMS Vertriebsgesellschaft mbH, VW-Siedlungsgesellschaft mbH and Deutsche Automobilgesellschaft mbH.

**Income from Investments in Subsidiaries and Affiliates** mainly comprises the dividends received from Volkswagen do Brasil for 1979 and our portion of the net income of the domestic Sales Centres for 1980.

**Income from Other Financial Investments** consists primarily of interest on loans granted.

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

**Gains from Disposal of Fixed Assets and Investments** resulted from the repayment of building loans and the sale of machines and special tools.

**Income from Reduced Allowance for Doubtful Trade Acceptances and Accounts** resulted mainly from the decrease in receivables on the previous year.

**Income from the Elimination of Reserves for Undetermined Liabilities** came above all from provisions for labour cost and marketing expenses 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 from current account, revenues

from the sale of catering goods and from rebilling of services and warranty costs.

Labour cost rose in the year under review by 925 million DM or 16.5% to 6,534 million DM (cf. report section "Workforce", page 39). This increase in expenditures for **Wages and Salaries and Social Expenditures, Pension Expenditures and Voluntary Payments** on the previous year resulted in the main from wage tariff increases and the rise in the average workforce.

**Depreciation of Fixed Assets and the Write-down of Financial Investments** have already been explained in connection with the corresponding balance sheet items.

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

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

**Expenses under Profit and Loss Assumption Agreements** stemmed above all from the profit and loss assumption agreement with V.A.G Marketing Management Institut GmbH, Brunswick.



**Additions to Reserves for Special Purposes** exclusively comprise transfers to reserves in accordance with § 3 of the Foreign Investment Act.

The main items of **Other Expenses** were marketing expenses, outside services and materials for the maintenance of our plants, foreign exchange losses from current account and advertising and sales promotion costs.

**Additional Details**

In addition to the **Contingent Liabilities** shown on the balance sheet we were liable for 11,125,000 DM in connection with deposit obligations in domestic companies with limited liability. We were further liable for received back capital invested in limited partnerships in the amount of 2,787,980 DM.

In the year under review the difference in accordance with § 160, section 2, sentence 5 AktG, which reduced the net earnings, amounted to 220,412,740 DM. This sum resulted mainly from the depreciation in accordance with § 3 of the Border Area Promotion Act and consideration of the risks inherent in holdings.

Remuneration of the Board of Management in 1980 amounted to 8,582,795 DM. Retired members of the Board of Management or their beneficiaries received 3,937,687 DM.

Remuneration of the Supervisory Board amounted to 330,582 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 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 point. 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 June 30, 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 plant 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 liability 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 fiscal 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 fixed assets 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 (fiscal 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 fixed assets 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, deposits at the Federal Bank and in postal checking accounts, 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 capitalised 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 capitalised 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-ADLER Aktiengesellschaft.

**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 available for distribution:** This is the distributable profit of a company which is left after transfer to or from reserves from the 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 available for distribution 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, especially the increase in provision for old-age pensions, 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 ratio 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 ratio 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 acquisition costs or the possibly lower stock 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 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 from 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 December 13, 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 had to 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 repayment 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 a 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, 1980

Thousand DM

Assets

	Jan. 1, 1980	Amounts brought forward <sup>4)</sup>	Additions	Disposals	Transfers	Write-ups	Depreciation	Dec. 31, 1980	Dec. 31, 1979
Fixed Assets and Investments									
A. Property, Plant, Equipment and Intangible Assets									
Real estate and land rights									
with office, factory and									
other buildings	2,668,294	52,925	323,534	13,508	126,994	—	219,230	2,939,009	2,668,294
with residential buildings	401,053	—	8,447	4,892	228	—	17,238	387,598	401,053
without buildings	146,590	—	13,006	950	(3,983)	—	1,086	153,577	146,590
Buildings on leased real estate	22,885	442	15,972	3	16,696	—	4,001	51,991	22,885
Machinery and fixtures	944,544	17,778	824,054	4,506	110,976	—	657,982	1,234,864	944,544
Plant and office equipment	1,796,591	34,814	1,673,880	276,699	273,175	—	1,100,321	2,401,440	1,796,591
Construction in progress and advance									
payments to vendors and contractors	660,436	5,382	1,093,423	23,102	(525,211)	—	59,883	1,151,045	660,436
Trademarks and the like	7,362	622	766	16	1,125	—	3,273	6,586	7,362
	6,647,755	111,963	3,953,082	323,676	—	—	2,063,014	8,326,110	6,647,755
B. Investments									
Investments in subsidiaries and affiliates	78,488 <sup>1)</sup>	797	29,960	1,659	—	—	13,568	94,018	288,034
Other investment securities	15,854	—	4,352	1,099	116	—	5,163	14,060	15,854
Long-term loans receivable with									
an initial term of four years or longer	145,105	—	50,449	13,270 <sup>3)</sup>	—	422	10,587	172,119	145,105
Par value at Dec. 31, 1980									
267,164									
of which secured by mortgages									
108,492									
loans in accordance with § 89 AktG									
840									
loans in accordance with § 115 AktG									
125	1,213	97	12,672	333	(116)	3	9,343	4,193	1,213
Other investments	240,660	894	97,433	16,361	—	425	38,661	284,390	450,206
	6,888,415	112,857	4,050,515	340,037	—	425	2,101,675	8,610,500	7,097,961
								566,548	285,537
								9,177,048	7,383,498
C. Adjustment Items Arising from Initial Consolidation									
Current Assets									
								6,053,349	4,388,358
A. Inventories									
B. Other Current Assets									
Advance payments to suppliers								23,693	14,653
Trade accounts receivable								1,277,706	1,058,135
of which amounts due in more than one year	1,972							129,615	115,193
Trade acceptances									
of which acceptances discountable at German Federal Bank	34,194							52,758	44,709
Cheques on hand								10,407	5,045
Cash on hand, deposits at the German Federal Bank								3,784,888	4,622,705
and in postal checking accounts								1,141,021	1,122,855
Cash in banks								21,235	21,235
Securities								26,135	2,019
Own stock (par value at Dec. 31, 1980: 15,060)									
Receivables from subsidiaries and affiliates	25,622							981	365
of which amounts for goods and services rendered								3,060,808	2,942,762
Loans receivable in accordance with § 89 AktG								15,582,596	14,338,034
Miscellaneous other current assets									
Prepaid and Deferred Expenses									
								8	75
Discount on loans								196,661	119,119
Other items	81,891							196,669	119,194
of which commission								24,956,313	21,840,726

Stockholders' Equity and Liabilities

	Dec. 31, 1980	Dec. 31, 1979
Capital Stock of Volkswagenwerk AG		
	1,200,000	1,200,000
Consolidated Reserves		
Reserve from capital stock surplus <sup>1)</sup>	550,707	635,245
Reserve of the Group arising from earnings <sup>1)</sup>	4,037,941	3,860,335
Adjustment items arising from initial consolidation	37,115	14,037
	4,625,763	4,509,617
	208,714	390,237
Minority Interest in Consolidated Subsidiaries		
in net earnings	14,401	
in loss	3,666	
Reserves for Special Purposes		
Reserve for investment in developing countries in		
accordance with § 1 of the Developing Countries Tax Act	122,015	140,960
Reserve for price increases in accordance with § 74		
of the Income Tax Regulations	33,736	36,988
Reserve in accordance with § 1 of the		
Foreign Investment Act	7,420	7,568
Reserve in accordance with § 3 of the		
Foreign Investment Act	101,685	51,484
Reserve in accordance with § 6b of the Income Tax Act	5,107	3,009
Reserves in accordance with French legislation	16,712	11,555
Reserve for replacement in accordance with		
section 35 of the Income Tax Directives	—	59
	286,675	251,623
Allowance for Doubtful Trade Acceptances		
and Accounts	159,061	162,747
Undetermined Liabilities		
Old-age pensions	3,106,752	2,749,260
Other undetermined liabilities		
Maintenance not performed during current year	46,586	54,607
Warranties without legal obligation	12,893	9,725
Other	4,111,682	3,951,278
	7,277,913	6,764,870
Liabilities with an Initial Term of Four Years or Longer		
Loans	513,606	499,725
of which secured by mortgages	210,000	
Due to banks	943,368	1,012,481
of which secured by mortgages	260,652	
Other liabilities	212,080	316,309
of which secured by mortgages	70,912	
	1,669,054	1,828,515
Of which amounts due within four years	508,502	
Other Liabilities		
Trade accounts payable	2,266,269	1,775,299
Liabilities resulting from the acceptance		
of bills drawn and the issuing of promissory notes	553,708	349,978
Due to banks	4,791,492	2,684,022
Advance payments from customers	63,417	49,106
Accounts payable to subsidiaries and affiliates	458	163
of which trade accounts payable	7	
Miscellaneous other liabilities	1,599,330	1,596,984
	9,274,674	6,455,552
Deferred Income		
	61,457	37,370
Net Earnings Available for Distribution		
	193,002	240,195
Contingent liabilities with respect		
to trade acceptances	51,686	
Contingent liabilities with respect to guarantees	18,617	
Other contingent liabilities	46,284	
	24,956,313	21,840,726

1) These items include the legal reserve of the Volkswagenwerk AG in the amount of 843,387,000 DM.

2) The alteration resulted from the first-time consolidation of subsidiaries and affiliates.

3) Offset with foreign exchange adjustments in the amount of 5,975,544 DM.

4) Amounts brought forward of companies consolidated for the first time



Consolidated Statement of Earnings of the Volkswagen Group

Year ended December 31, 1980

Thousand DM

	1980	1979 <sup>1)</sup>
<b>Sales</b>	<b>33,288,039</b>	<b>30,706,941</b>
Increase in inventories	1,262,484	586,058
	34,550,523	31,292,999
Material, wages and overhead capitalised as additions to plant and equipment	438,196	344,614
<b>Gross Performance</b>	<b>34,988,719</b>	<b>31,637,613</b>
Expenditures for raw materials, supplies and other materials	18,238,367	15,834,894
<b>Excess of Gross Performance over Expenditures for Raw Materials, etc.</b>	<b>16,750,352</b>	<b>15,802,719</b>
Income from profit and loss assumption agreements	130	175
Income from investments in subsidiaries and affiliates	43,402	51,369
Income from other financial investments	9,748	19,876
Other interest and similar income	919,776	853,123
Gains from disposal of fixed assets and investments and write-ups	97,855	85,203
Income from reduction of allowance for doubtful trade acceptances and accounts	3,686	—
Income from elimination of reserves for undetermined liabilities no longer required	288,275	159,602
Income from elimination of reserves for special purposes no longer required	22,529	16,786
Other income	1,010,767	695,528
of which extraordinary income	104,657	
	<b>2,396,168</b>	<b>1,881,662</b>
	<b>19,146,520</b>	<b>17,684,381</b>
Wages and salaries	8,961,483	7,621,886
Social expenditures — compulsory	1,290,529	1,112,621
Pension expenditures and voluntary payments	530,112	377,986
Depreciation of fixed assets and intangibles	2,063,014	1,582,013
Write-down of financial investments (in 1979 including investments in consolidated companies)	38,661	114,203
Write-down of other current assets and provision for doubtful trade acceptances and accounts	69,884	174,569
Losses on disposal of fixed assets and investments	24,523	27,464
Interest and similar charges	558,651	393,534
Taxes		
a) on income, earnings and property	1,329,261	2,003,836
b) other	70,414	76,188
	<b>1,399,675</b>	<b>2,080,024</b>
Share-the-Burden Property Levy	—	831
Expenses under profit and loss assumption agreements	367	69
Additions to reserves for special purposes	57,509	41,169
Other expenses	3,831,053	3,490,820
	<b>18,825,461</b>	<b>17,017,189</b>
<b>Net Earnings</b>	<b>321,059</b>	<b>667,192</b>
Volkswagenwerk AG's net earnings brought forward	3,207	2,869
	<b>324,266</b>	<b>670,061</b>
Change in consolidated reserves		
Transferred from reserves	59,624	153,417
Transferred to reserves	180,153	596,568
	<b>120,529</b>	<b>443,151</b>
Minority interest in net earnings of consolidated subsidiaries	14,401	32,158
Minority interest in losses of consolidated subsidiaries	3,666	45,443
<b>Net Earnings Available for Distribution</b>	<b>193,002</b>	<b>240,195</b>

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

According to our legally required audit, the consolidated financial statements and the annual report comply with statutory provisions.

Hanover, March 23, 1981

**TREUARBEIT Aktiengesellschaft**

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Prof. Dr. Forster  
Wirtschaftsprüfer

Dr. Tubbasing  
Wirtschaftsprüfer

(independent auditors)

Wolfsburg, March 23, 1981

**Volkswagenwerk Aktiengesellschaft**

The Board of Management



Volkswagenwerk AG  
Balance Sheet December 31, 1980

Assets							
	Jan. 1, 1980	Additions	Disposals	Transfers	Depreciation	Dec. 31, 1980	Dec. 31, 1979
	DM	DM	DM	DM	DM	DM	Thousand DM
Fixed Assets and Investments							
A. Property, Plant and Equipment							
Real estate and land rights							
with office, factory and other buildings	1,156,468,393	181,101,235	887,444	34,013,311	132,904,298	1,237,791,197	1,156,468
with residential buildings	7,973,166	188,298	—	92,721	335,776	7,918,409	7,973
without buildings	36,222,634	55,168	9,529	(343,530)	—	35,924,743	36,223
Buildings on leased real estate	10,280,647	7,328,727	—	2,657,855	2,139,116	18,128,113	10,281
Machinery and fixtures	329,699,264	507,606,545	2,014,209	35,425,560	436,869,824	433,847,336	329,699
Plant and office equipment	495,865,764	458,916,434	742,443	172,743,974	368,167,686	758,616,043	495,866
Construction in progress	245,346,324	274,324,066	9,715,588	(214,469,650)	38,900,000	256,585,152	245,346
Advance payments to vendors and contractors	52,811,173	143,243,273	451,674	(30,120,241)	20,000,000	145,482,531	52,811
including amounts to subsidiaries and affiliates							
DM 8,391,836							
	2,334,667,365	1,572,763,746	13,820,887	—	999,316,700	2,894,293,524	2,334,667
B. Investments							
Investments in subsidiaries and affiliates	1,684,810,476	635,382,780	897,000	—	111,798,480	2,207,497,776	1,684,810
Other investment securities	1	—	—	—	—	1	—
Long-term loans receivable with an initial term of four years or longer	110,427,808	43,240,550	24,999,251	—	9,862,107	118,807,000	110,428
Par value at Dec. 31, 1980							
DM 239,948,898							
of which secured by mortgages							
DM 141,839,238							
subsidiaries and affiliates							
DM 97,982,965							
loans in accordance with § 89 AktG							
DM 625,600							
loans in accordance with § 115 AktG							
DM 95,775							
	1,795,238,285	678,623,330	25,896,251	—	121,660,587	2,326,304,777	1,795,238
	4,129,905,650	2,251,387,076	39,717,138	—	1,120,977,287	5,220,598,301	4,129,905
Current Assets							
A. Inventories							
Raw materials and supplies						537,329,616	609,011
Work in progress						879,021,804	726,440
Finished products						842,703,489	680,061
						2,259,054,909	2,015,512
B. Other Current Assets							
Advance payments to suppliers						24,729,435	24,336
Trade accounts receivable						397,159,987	451,540
of which amounts due in more than one year	DM	—					
Trade acceptances						2,195,667	7,431
of which acceptances discountable at German Federal Bank	DM	—					
Cash on hand and deposits in postal checking accounts						5,180,109	1,074
Cash in banks						2,454,205,320	3,209,730
Securities						1,128,865,054	801,580
Own stock (par value at Dec. 31, 1980: DM 15,060,300)						21,234,776	21,235
Receivables from subsidiaries and affiliates						2,018,346,342	1,585,609
Miscellaneous other current assets						607,555,333	818,574
						6,659,472,023	6,921,109
						8,918,526,932	8,936,621
Prepaid and Deferred Expenses						77,895	39
						14,139,203,128	13,066,565



Statement of Earnings  
of Volkswagenwerk AG

Year ended December 31, 1980

	DM	1980 DM	1979 <sup>1)</sup> Thousand DM
<b>Sales</b>		<b>25,180,067,251</b>	<b>24,257,227</b>
Increase in inventories		245,011,575	240,354
		25,425,078,826	24,497,581
Material, wages and overhead capitalised as additions to plant and equipment		197,936,980	187,760
<b>Gross Performance</b>		<b>25,623,015,806</b>	<b>24,685,341</b>
Expenditures for raw materials, supplies and other materials		15,809,408,368	15,137,138
<b>Excess of Gross Performance over Expenditures for Raw Materials, etc.</b>		<b>9,813,607,438</b>	<b>9,548,203</b>
Income from profit and loss assumption agreements		10,956,709	66,196
Income from investments in subsidiaries and affiliates		107,562,735	103,743
Income from other financial investments		1,857,733	1,214
Other interest and similar income		473,306,951	365,544
Gains from disposal of fixed assets and investments		20,624,216	19,244
Income from reduction of allowance for doubtful trade acceptances and accounts		5,157,000	—
Income from elimination of reserves for undetermined liabilities no longer required		75,935,252	77,849
Income from elimination of reserves for special purposes no longer required		22,130,267	16,786
Other income		776,862,432	629,939
of which extraordinary income	42,548,693		
		<b>1,494,393,295</b>	<b>1,280,515</b>
		<b>11,308,000,733</b>	<b>10,828,718</b>
Wages and salaries		5,406,637,723	4,704,553
Social expenditures — compulsory		728,114,603	642,695
Pension expenditures and voluntary payments		398,740,092	260,924
Depreciation of fixed assets		999,316,700	705,736
Write-down of financial investments		121,660,587	208,306
Write-down of other current assets and provision for doubtful trade acceptances and accounts		28,776,635	94,542
Losses on disposal of fixed assets and investments		662,531	890
Interest and similar charges		68,360,521	63,089
Taxes			
a) on income, earnings and property	1,133,652,824		1,738,791
b) other	3,322,316		3,585
		<b>1,136,975,140</b>	<b>1,742,376</b>
Share-the-Burden Property Levy		—	689
Expenses under profit and loss assumption agreements		1,052,276	4,551
Additions to reserves for special purposes		50,200,000	36,272
Other expenses		2,056,709,582	1,926,219
		<b>10,997,206,390</b>	<b>10,390,842</b>
<b>Net Earnings</b>		<b>310,794,343</b>	<b>437,876</b>
Net earnings brought forward from previous year		3,207,377	2,868
		314,001,720	440,744
Transfer from the reserve for the Share-the-Burden Property Levy		—	686
		314,001,720	441,430
Transfer from net earnings			
a) to the reserve for own stock		—	21,235
b) to other reserves	121,000,000		180,000
		<b>121,000,000</b>	<b>201,235</b>
<b>Net Earnings Available for Distribution</b>		<b>193,001,720</b>	<b>240,195</b>

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

During 1980 pension payments amounted to DM 58,240,678 ; payments during the next five years will be approximately 112, 126, 129, 133, 145 % of this amount.

Wolfsburg, March 23, 1981

Volkswagenwerk Aktiengesellschaft

The Board of Management

According to our legally required audit, the accounting, the financial statements and the annual report comply with statutory provisions and the Company's articles of association.

Hanover, March 23, 1981

TREUARBEIT Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Prof. Dr. Forster  
Wirtschaftsprüfer

Dr. Tubbesing  
Wirtschaftsprüfer

(independent auditors)







# The Volkswagen Group in Figures 1971 – 1980<sup>1)</sup>

In (Decrease  
1979 – 1980

1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	in %	Balance Sheet (Structure) (million DM) December 31
<b>Assets</b>											
4,905	5,261	5,697	6,263	5,810	5,474	5,425	5,903	6,648	8,326	25.2	Property, plant and equipment
584	585	554	636	524	560	530	410	726	839	15.6	Investments <sup>2)</sup>
5,489	5,846	6,251	6,899	6,334	6,034	5,955	6,313	7,374	9,165	24.3	Fixed Assets and Investments
2,514	2,338	3,489	4,117	2,949	3,267	3,180	3,491	4,400	6,073	38.0	Inventories and advance payments to suppliers <sup>2)</sup>
1,394	1,584	1,691	1,954	2,019	2,098	1,992	2,996	4,000	4,437	10.9	Receivables and the like <sup>2)</sup>
445	1,038	1,151	472	1,619	2,888	3,837	4,364	4,781	3,971	(16.9)	Liquid funds, trade acceptances <sup>2)</sup>
313	354	414	54	48	173	560	1,016	1,123	1,151	2.5	Securities, own stock <sup>2)</sup>
4,666	5,314	6,745	6,597	6,635	8,426	9,569	11,867	14,304	15,632	9.3	Current Assets
10,155	11,160	12,996	13,496	12,969	14,460	15,524	18,180	21,678	24,797	14.4	Total Assets
<b>Stockholders' Equity and Liabilities</b>											
900	900	900	900	900	900	900	1,200	1,200	1,200	—	Capital stock
2,627	2,677	2,878	2,170	2,032	2,903	3,161	4,224	4,625	4,757	2.8	Reserves of the Group <sup>3)</sup>
189	209	230	188	186	198	199	192	373	205	(45.0)	Minority interest in consolidated subsidiaries <sup>4)</sup>
3,716	3,786	4,008	3,258	3,118	4,001	4,260	5,616	6,198	6,162	(0.6)	Stockholders' Equity
630	730	878	1,035	1,143	1,754	2,048	2,341	2,749	3,107	13.0	Undetermined liabilities in respect of old-age pensions
1,596	1,604	1,623	1,507	1,740	2,109	2,200	3,244	4,152	4,326	4.2	Other undetermined liabilities <sup>5)</sup>
2,226	2,334	2,501	2,542	2,883	3,863	4,248	5,585	6,901	7,433	7.7	Undetermined Liabilities
413	884	852	1,452	1,595	1,322	1,450	1,284	1,273	1,161	(8.8)	Liabilities payable within more than 4 years
268	366	448	581	666	952	1,032	708	457	466	2.0	1 to 4 years
3,442	3,694	5,089	5,654	4,705	4,220	4,355	4,776	6,592	9,378	42.3	up to 1 year
4,123	4,944	6,389	7,687	6,966	6,494	6,837	6,768	8,322	11,005	32.3	Liabilities
81	81	81	—	—	90	173 <sup>6)</sup>	189	240	193	(19.6)	Net earnings available for distribution (Volkswagenwerk AG) <sup>7)</sup>
9	15	17	9	2	12	6	22	17	4	(78.8)	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	18,635	20.4	Outside Capital
10,155	11,160	12,996	13,496	12,969	14,460	15,524	18,180	21,678	24,797	14.4	Total Capital
<b>Statement of Earnings (Condensed)</b> (million DM) January – December											
17,089	16,250	18,155	17,711	18,351	22,029	24,503	27,285	31,638	34,989	10.6	Gross performance
9,891	9,098	9,850	10,068	10,066	11,598	12,746	14,099	15,835	18,238	15.2	Cost of materials
4,416	4,463	5,309	5,718	5,550	6,413	6,810	7,656	9,113	10,782	18.3	Labour cost
912	992	1,056	1,148	1,246	1,263	1,600	1,456	1,696	2,102	23.9	Depreciation and write-down
452	600	483	305	404	486	1,503	1,692	2,081	1,400	(32.7)	Taxes
418	562	432	241	347	438	1,454	1,624	2,004	1,329	(33.7)	on income, earnings and property
1,271	891	1,127	1,279	1,242	1,265	1,425	1,808	2,246	2,146	(4.5)	Sundry expenses less sundry income
147	206	330	(807)	(157)	1,004 <sup>8)</sup>	419	574	667	321	(51.9)	Net earnings (Loss)
54	110	235	(262)	(14)	211	248	366	443	121	(72.8)	Increase (Decrease) in reserves

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

<sup>2)</sup> Decreased by the amounts shown under liabilities as allowance for doubtful trade acceptances and accounts (investments as of 1979)

<sup>3)</sup> Including stockholders' equity in reserves for special purposes

<sup>4)</sup> Excluding shares in net earnings to be distributed

<sup>5)</sup> Including outside capital in reserves for special purposes

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

<sup>7)</sup> Up to 1976 only amounts intended for distribution

<sup>8)</sup> Not comparable with other years because of loss brought forward







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