

*U.S.*

**VOLKSWAGEN AG**



**Not for  
Publication**

**before April 1, 1993**

**Annual Report 1992**



## Key Figures

		Volkswagen Group			Volkswagen AG		
		1992	1991	%	1992	1991	%
Sales	DM million	85,403	76,315	+ 11.9	53,182	47,328	+ 12.4
Vehicle Sales	Units	3,432,631	3,236,806	+ 6.0	1,876,134	1,747,300	+ 7.4
Production	Units	3,499,678	3,238,024	+ 8.1	1,657,605	1,576,086	+ 5.2
Workforce	Average over year	273,309	277,075	- 1.4	122,749	126,802	- 3.2
Capital Investments	DM million	9,254	9,910	- 6.6	4,063	5,406	- 24.8
Additions to Leasing and Rental Assets	DM million	6,139	4,961	+ 23.7	-	-	-
Cash Flow							
excl. Leasing/Rental Assets	DM million	7,004	7,133	- 1.8	4,814	4,750	+ 1.3
incl. Leasing/Rental Assets	DM million	12,079	11,510	+ 4.9	-	-	-
Depreciation and Write-down	DM million	5,037	4,021	+ 25.3	3,240	2,655	+ 22.0
Depreciation on Leasing and Rental Assets	DM million	2,758	2,362	+ 16.7	-	-	-
Net Earnings	DM million	147	1,114	- 86.8	132	447	- 70.4
Dividend of Volkswagen AG	DM million				66	369	- 82.0
of which on Ordinary Shares	DM million				54	297	- 81.8
Preferred Shares	DM million				12	72	- 83.0

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

ŠKODA, automobilová a. s. was included in the consolidated figures for the first time in 1992. For 1991 the quantitative data in respect of the abbreviated fiscal year (April 16 to December 31, 1991) have been taken into account, whereas the financial data have not been adjusted.

## Production figures

Volkswagen	1992	1991	Audi	1992	1991	Overseas Operations	1992	1991
Golf	914,178	712,754	Audi 80/90	319,370	261,055	Gol	153,715	117,137
Passat	326,853	398,429	Audi 100/200	150,564	166,538	Beetle	86,613	85,681
Vento	100,118	3,230	Audi Convertible	9,855	6,567	Voyage	69,559	58,641
Caravelle, Kombi	97,237	77,196	Audi Coupé/quattro	9,265	13,033	Jetta	67,972	62,345
Polo	84,268	133,582	Audi V8	3,031	3,126	Golf	50,606	88,201
Corrado	16,085	17,058		492,085	450,319	Passat	31,252	28,966
Jetta	5,592	110,818	<b>SEAT</b>	1992	1991	Apollo, Gacel, VW1500	27,860	35,505
Scirocco	3,317	6,036	Polo	222,222	191,700	Caravelle, Kombi	20,764	20,289
LT-Kombi	1,914	3,494	Toledo	144,205	76,336	Audi 100/200*	2,618	2,244
Transporter	78,847	73,787	Ibiza	112,334	173,236	Vento	5,215	-
LT	16,030	21,289	Marbella	74,637	80,005	Audi Coupé	36	-
Taro, Hilux	11,598	12,017	Terra	25,034	22,198	Voyage pick-up	27,070	22,608
Caddy	1,645	6,396	Malaga	-	8,735	Transporter	22,770	19,279
	1,657,682	1,576,086		578,432	552,210	Gol Furgao	3,868	2,769
			<b>ŠKODA</b>	1992	1991	VW trucks	3,333	5,996
			Favorit	118,714	93,475	Golf pick-up	857	749
			Forman	64,516	13,775		574,108	550,410
			Pick-up	16,829	2,436			
				200,059	109,686			

\*Including assembly kits supplied by AUDI AG to Volkswagen of South Africa

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

The financial statements of Volkswagen AG will be published in the Bundesanzeiger and submitted to the Register of Companies at the Wolfsburg District Court. Copies of the financial statements are available free of charge from Volkswagen AG, Finanz-Publizität und Statistik, Postfach, W-3180 Wolfsburg 1 (as from July 1, 1993: 38436 Wolfsburg), Germany.

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**Supervisory Board**

Dr. jur. Klaus Liesen (61)  
Essen, Chairman  
Chairman of the Board of  
Management of Ruhrgas AG  
July 2, 1987\*

Franz Steinkühler (55)  
Frankfurt, Deputy Chairman  
Chairman of the Metalworkers  
Union, July 2, 1987

Josef Bauer (53)  
Ingolstadt, Member of the  
Works Committee of AUDI AG  
July 2, 1987

Rolf Diel (70)  
Düsseldorf, Chairman of the  
Supervisory Board of Dresdner  
Bank AG, June 30, 1988

Dr. rer. pol. Carl H. Hahn (66)  
Wolfsburg, Former Chairman  
of the Board of Management  
of Volkswagen AG  
January 1, 1993

Wilhelm Hemer (49)  
Frankfurt, Trade Union  
Secretary to the Executive  
Committee of the Metal-  
workers Union, May 3, 1989

Walter Hiller (60)  
Hanover, Minister for Social  
Affairs of Lower Saxony  
From April 9, 1986 to June 20,  
1990 and since July 17, 1990

Albert Hoffmeister (64)  
Wolfsburg, Senior Executive of  
Volkswagen AG, July 5, 1977

Jann-Peter Janssen (48)  
Norden, Chairman of Works  
Council of Volkswagen AG  
Emden Plant, April 9, 1986

Walther Leisler Kiep (67)  
Frankfurt, General partner  
Gradmann & Holler  
From March 3, 1976 to July 1,  
1982 and since January 26,  
1983

Dr. jur. Otto Graf Lambsdorff (66)  
Düsseldorf, President Deutsche  
Schutzvereinigung für Wert-  
papierbesitz e.V. (German  
stockholders' association)  
July 2, 1987

Karl Heinrich Mihr (57)  
Kassel, Member of Works  
Council of Volkswagen AG  
Kassel Plant, November 27, 1972

Dr.-Ing. E. h.  
Günther Saßmannshausen (62)  
Hanover, Member of the  
Supervisory Board of  
Preussag AG, July 2, 1987

Dr. rer. pol. Friedrich Schiefer (53)  
Munich, Member of the Board  
of Management of Robert  
Bosch GmbH, July 4, 1991

Siegfried Schinowski (52)  
Hanover, Chairman of Works  
Council of Volkswagen AG  
Hanover Plant, July 2, 1992

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

Dr. rer. pol. Albert Schunk (51)  
Frankfurt, Head of the Interna-  
tional Department on the  
Executive Committee of the  
Metalworkers Union  
July 5, 1977

Bernd Sudholt (46)  
Wolfsburg, Deputy Chairman of  
the Group and Joint Works  
Councils of Volkswagen AG  
July 2, 1992

Klaus Volkert (50)  
Wolfsburg, Chairman of the  
Group and Joint Works Councils  
of Volkswagen AG, July 2, 1990

Dr. rer. pol. Ulrich Weiss (56)  
Frankfurt, Member of the Board  
of Management of Deutsche  
Bank AG, June 30, 1988

Changes on the Supervisory  
Board:

Hans-Günter Hoppe (70)  
Berlin  
Former Member of the Berlin  
Senate  
July 9, 1974 to December 31,  
1992

Klaus-Peter Mander (50)  
Wolfsburg  
Departmental Manager  
Volkswagen Finanz GmbH  
March 25, 1985 to July 2, 1992

Gerhard Mogwitz (59)  
Hanover  
Chairman of Works Council of  
Volkswagen AG, Hanover Plant  
July 5, 1977 to July 2, 1992

Changes on the Board of  
Management:

Dr. rer. pol.  
Carl H. Hahn (66)  
Chairman  
January 1, 1982 to December  
31, 1992  
Sales  
May 1, 1964 to December 31,  
1972

Dr.-Ing. E. h.  
Günter Hartwich (57)  
Production (Group Logistics)  
July 1, 1972 to February 28,  
1993

Prof. Dr.-Ing.  
Ulrich Seiffert (51)  
Research and Development  
(Group Purchasing Strategy  
and Coordination)  
September 3, 1988 to March  
16, 1993

Dieter Ullsperger (47)  
Controlling and Finance  
August 1, 1987 to March 16,  
1993

**Board of Management of Volkswagen AG**

Dr. techn. h. c. Dipl.-Ing. ETH  
Ferdinand Piëch (55)  
Chairman  
(since January 1, 1993)  
Member of the Board  
of Management  
April 10, 1992

Daniel Goeudevert (51)  
Deputy Chairman  
(since January 1, 1993)  
Member of the Board of  
Management  
September 1, 1989

Juan Antonio  
Díaz Alvarez (54)  
Chairman of the Board of  
Management of SEAT, S.A.  
April 10, 1992

Dr. jur. Peter Frerk (62)  
Legal Matters, Government  
Relations, Auditing and  
Economics  
December 7, 1971

Alexander Kowling (53)  
Human Resources  
January 13, 1993

Dr.-Ing. José Ignacio López  
de Arriortúa (52)  
Production Optimization and  
Procurement  
March 16, 1993

Dr. jur. Jens Neumann (47)  
Group Strategy, Organization  
and Systems  
January 1, 1993

Dr. jur. Martin Posth (49)  
Asia Pacific  
(since January 13, 1993)  
Human Resources  
August 1, 1988 to January 13,  
1993

Dr. rer. pol.  
Werner P. Schmidt (60)  
Controlling and Finance  
(since March 16, 1993)  
Overseas Operations and  
Sales Strategy  
August 1, 1975 to March 16,  
1993



**Management Bodies**

Daniel Goeudevert (51)  
Chairman of the Volkswagen  
Management Body  
January 1, 1991

Bruno Adelt (53)  
Controlling and Accounting  
August 1, 1992

Hans-Jörg Hungerland (51)  
Sales, March 1, 1991

Alexander Kowling (53)  
Human Resources  
January 1, 1991

Prof. Dr.-Ing.  
Ulrich Seiffert (51)  
Research and Development  
(since March 16, 1993)  
Development, January 1, 1991  
to March 16, 1993

Werner Svetlik (54)  
Procurement, January 1, 1991

Folker Weißgerber (51)  
Production  
(since March 16, 1993)  
Deputy, Production and  
Logistics, December 1, 1991  
to March 16, 1993

Changes on the Volkswagen  
Management Body:

Johannes-Josef Baumhardt (56)  
Controlling and Accounting  
January 1, 1991 to July 31, 1992

Dr.-Ing. E. h.  
Günter Hartwich (57)  
Production and Logistics  
January 1, 1991 to February  
28, 1993

Dr.-Ing. Wolfgang Lincke (58)  
Deputy, Development  
January 1, 1991 to December  
31, 1992

Dr. jur. Martin Posth (49)  
Human Resources  
January 1, 1991 to January 13,  
1993

Prof. Dr. oec. Ulrich Steger (49)  
Environment and Transportation  
September 1, 1991 to  
February 28, 1993

Juan Antonio  
Díaz Alvarez (54)  
Chairman of the Board of  
Management  
of SEAT, S.A.  
June 18, 1986

Ricardo Ibarreche Balda (45)  
Human Resources  
October 1, 1989

Dr. rer. pol.  
Eberhard Müller (59)  
Finance  
July 1, 1986

Juan José Díaz Ruiz (49)  
Sales  
March 1, 1988

Prof. Dr.-Ing.  
Peter Walzer (55)  
Technology and Engineering  
November 1, 1990

Ing. Ludvík Kalma (51)  
Chairman of the Board of  
Management  
of ŠKODA, automobilová a. s.  
April 16, 1991

Volkhard Köhler (49)  
Deputy Chairman  
Commercial Affairs  
April 16, 1991

Dr. jur. Pavel Nováček (44)  
Human Resources  
April 16, 1991

Detlev Schmidt (48)  
Sales  
July 1, 1991

Dr.-Ing. Gerald Weber (43)  
Technology and Engineering  
June 7, 1991

Franz-Josef Kortüm (42)  
Chairman of the Board of  
Management of AUDI AG,  
Marketing and Sales  
(since January 1, 1993)  
Marketing, May 1, 1992

Dr. techn. Herbert Demel (39)  
Technical Development  
March 1, 1993

Andreas Schleaf (49)  
Human Resources  
March 27, 1985

Erich Schmitt (46)  
Purchasing, Finance and  
Organization  
November 25, 1992

Jürgen Gebhardt (49)  
Production  
February 1, 1993

Changes on the Board of  
Management of AUDI AG:

Dr. techn. h. c. Dipl.-Ing. ETH  
Ferdinand Piëch (55)  
Chairman of the Board of  
Management of AUDI AG  
(January 1, 1988 to  
December 31, 1992)  
Technical Development  
August 1, 1975

Gunnar Larsson (50)  
Technical Development  
January 16, 1991 to February  
28, 1993

Dr. phil. Kurt Lauk (46)  
Deputy Chairman  
Finance and Business  
Administration  
October 1, 1989 to June 3,  
1992

Dr.-Ing. E. h.  
Hermann Stübig (59)  
Production  
September 1, 1981 to  
December 31, 1992

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

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

## Report of the Supervisory Board

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The Board of Management provided the Supervisory Board with comprehensive regular reports about the situation of the Company, business trends and corporate policy during 1992. Measures of particular importance or requiring the Supervisory Board's prior approval by law or under the Company's Articles of Association were discussed in detail at Supervisory Board meetings. The Supervisory Board continuously monitored the Company's management on the basis of the written and oral reporting by the Board of Management and was therefore able to perform in full this function assigned to it by law.

At the Annual Meeting of Stockholders held on July 2, 1992, TREUARBEIT Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover (as from November 20, 1992: C&L TREUARBEIT DEUTSCHE REVISION Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft), were appointed auditors for the fiscal year 1992 with 99.99 % of the votes cast.

The financial statements for Volkswagen AG and the Group as at December 31, 1992, along with the 1992 Management Report for Volkswagen AG, the Group Management Report for the fiscal year 1992 and the accounts, were examined by the auditors and approved without qualification. The Supervisory Board accepts the results of this audit.

The Supervisory Board's examination of the financial statements, the Management Report and the proposal regarding appropriation of net earnings available for distribution gave rise to no objections. The Supervisory Board approves and therefore confirms the financial statements and approves the proposal put forward by the Board of Management regarding appropriation of net earnings available for distribution.

Election of a new Supervisory Board took place as scheduled in 1992. The employee representatives were elected on April 28, 1992. At the end of the Annual Meeting of Stockholders on July 2, 1992 Mr. Klaus-Peter Mander and Mr. Gerhard Mogwitz, members of the Supervisory Board for seven years and fifteen years respectively, retired from the Board. Mr. Siegfried Schinowski and Mr. Bernd Sudholt joined the Supervisory Board.

The stockholder representatives were elected at the Annual Meeting of Stockholders on July 2, 1992. There were no changes.

At its constituent meeting on July 2, 1992 the Supervisory Board elected Dr. jur. Klaus Liesen as its Chairman and Mr. Franz Steinkühler as his deputy.

At the end of 1992 Mr. Hans-Günter Hoppe resigned from the Supervisory Board after more than eighteen years as a member. The Supervisory Board would like to thank Mr. Hoppe, Mr. Mander and Mr. Mogwitz for their many years of valuable service.

The Chairman of the Board of Management of Volkswagen AG, Dr. rer. pol. Carl H. Hahn, retired from his post on December 31, 1992. Dr. Hahn assumed the chairmanship in January 1982 and over the next eleven years turned Volkswagen into Europe's leading vehicle manufacturer. He was also the driving force behind the Group's expansion of its operations on a worldwide scale and thereby played a major role in shaping Volkswagen's course for the future. His years as Chairman saw the realization of steps such as the acquisition of SEAT in Spain, the establishment of AUTOLATINA in cooperation with Ford in South America, the founding of two joint ventures in China, the development of new production facilities in Saxony, the purchase of a holding in ŠKODA and the people-carrier project with Ford in Portugal. Apart from his time as Chairman, Dr. Hahn was also a member of the Board of Management of Volkswagenwerk AG between 1964 and 1972 with responsibility for Sales. The Supervisory Board would like to thank Dr. Hahn for his untiring dedication and outstanding services to the Company. Dr. Hahn was appointed by the District Court of Wolfsburg to succeed Mr. Hoppe as member of the Supervisory Board of Volkswagen AG with effect from January 1, 1993.

The Supervisory Board appointed Dr. techn. h. c. Dipl.-Ing. ETH Ferdinand Piëch, Chairman of the Board of Management of AUDI AG, to succeed Dr. Hahn as Chairman of the Board of Management of Volkswagen AG with effect from January 1, 1993. Dr. Piëch had been a member of the Board of Management, with responsibility for Audi, since April 10, 1992.

At its meeting on November 13, 1992 the Supervisory Board appointed Dr. jur. Jens Neumann, with effect from January 1, 1993, to a newly created post on the Board of Management of Volkswagen AG in which he will assume responsibility for "Group Strategy, Organization and Systems".

In view of the growing importance of the Asia Pacific region, the Supervisory Board decided on January 13, 1993 to establish a Board of Management post involving responsibility for this region at Group level. Dr. jur. Martin Posth, hitherto member of the Board of Management of Volkswagen AG responsible for Human Resources, was appointed to this new post.

The Supervisory Board appointed Mr. Alexander Kowling to succeed Dr. Posth in the latter's previous post with effect from January 13, 1993. Mr. Kowling was formerly on the Volkswagen Management Body as deputy to the member responsible for Human Resources and has now assumed responsibility for this area on both bodies.

Dr.-Ing. E. h. Günter Hartwich, member of the Board of Management for "Production and Group Logistics", left the Board on February 28, 1993. Dr. Hartwich was a member of the Board of Management from 1972 onwards and will remain available to the Company in an advisory capacity. The Supervisory Board thanks Dr. Hartwich for his tireless commitment over many years.

Mr. Dieter Ullsperger, responsible for the "Controlling and Finance" division, left the Company on March 16, 1993 by mutual agreement. We thank Mr. Ullsperger for his commitment.

With effect from March 16, 1993 the company division "Research and Development, Group Purchasing Strategy and Coordination" of Volkswagen AG was dissolved and the area of responsibility of "Research and Development" assigned to the Volkswagen Division. As a result Prof. Dr.-Ing. Ulrich Seiffert has left the Board of Management of Volkswagen AG, but will continue as member of the Volkswagen Management Body responsible for "Research and Development", and as Chairman of the Group Product Strategy Committee.

At its meeting on March 16, 1993 the Supervisory Board of Volkswagen AG appointed Dr.-Ing. José Ignacio López de Arriortúa to the Board of Management of Volkswagen AG with immediate effect. He is to assume responsibility for the newly created division "Production Optimization and Procurement".

Dr. rer. pol. Werner P. Schmidt, hitherto member of the Board of Management with responsibility for "Overseas Operations and Sales Strategy", was on March 16, 1993 appointed to head the division "Controlling and Finance". The "Overseas Operations" division previously his responsibility is to be regionalized.

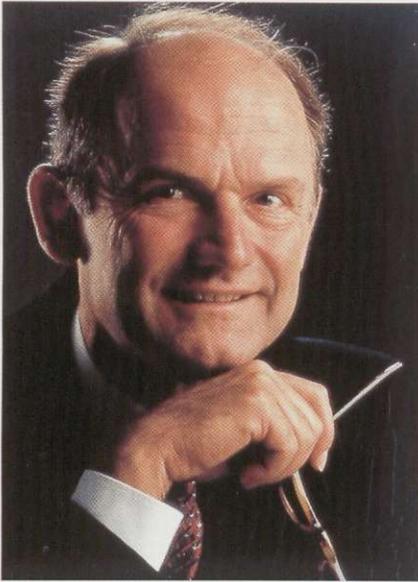
Wolfsburg, March 16, 1993



Dr. Klaus Liesen  
Chairman of the Supervisory Board

## Letter to Stockholders

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Dear Stockholder,

At the beginning of 1993 I assumed responsibility for the management of the Volkswagen Group, in a time of marked economic downswing and increasingly fierce international competition. Drastic measures – some of them painful – will be required in order to bring about lasting cost reductions in the Volkswagen Group and to safeguard its existence in the long term. Activities aimed at achieving these goals will centre on further enhancing quality standards, raising productivity and above all increasing our earning power.

The combination of fewer orders, reduced sales prospects and falls in earnings is forcing us to curtail or postpone investments to a significant degree, although this does not mean that we shall be abandoning major projects already under way. It has also been necessary to put employees at Volkswagen, Audi and SEAT on short time, while essential adjustments to the workforce have been speeded up.

The world automobile market continues to be characterized by the supremacy of the Japanese manufacturers. In order to hold our own against this tough competition we must focus on the European strengths of individuality and creativity, and achieve controlled growth by combining our capacity for innovation with the continuous-improvement method perfected by the Japanese. One example of such an improvement process is the concept of "simultaneous engineering", involving suppliers at an early stage in the development of new models and vehicle components.

We shall at the same time ensure that we continue to develop top-quality products that are competitively priced and in line with market demands. Now that vehicles largely fulfil customer requirements in terms of technical sophistication, economy, comfort, durability and safety, the emphasis has shifted to aspects such as quality of service, provision of a comprehensive warranty, and the solving of ecological problems.

I am aware that accomplishment of the tasks which lie ahead of us will require immense efforts on the part of everyone involved. It is therefore essential that we seek to make even more effective use of the resources at our disposal by giving all concerned still greater opportunities to exercise their abilities, creativity and initiative.

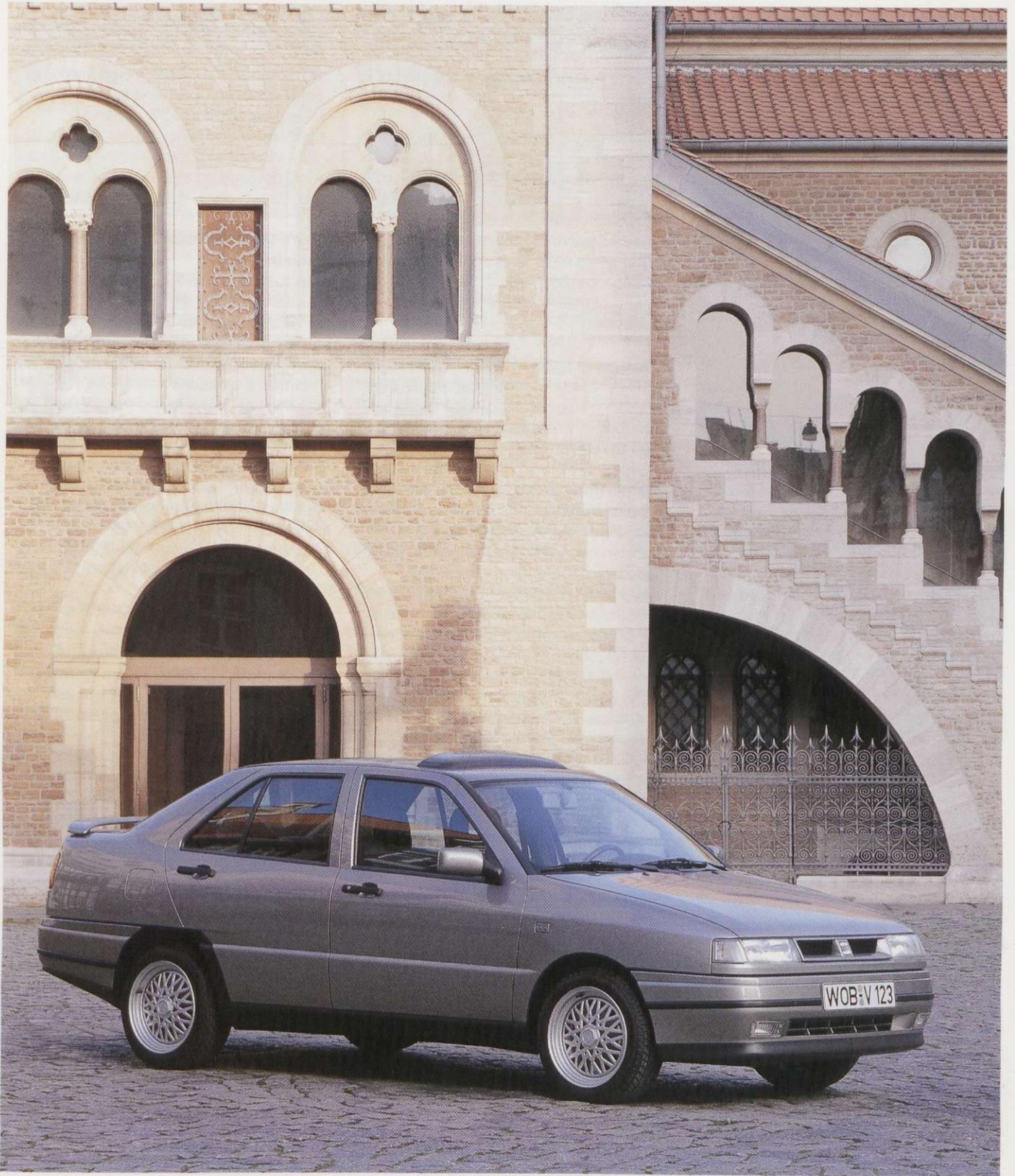
If we can do this, we can be certain of meeting the challenges facing us in the coming years and of making major progress towards our goal of emerging as the winners on a highly competitive market.

I hope that you as stockholders will continue to place your confidence in us and thereby provide us with the sound basis which we need to tackle the challenges of the future.

Yours sincerely,

A handwritten signature in blue ink, which appears to be 'F. Piëch'. The signature is stylized and fluid, written in a cursive-like style.

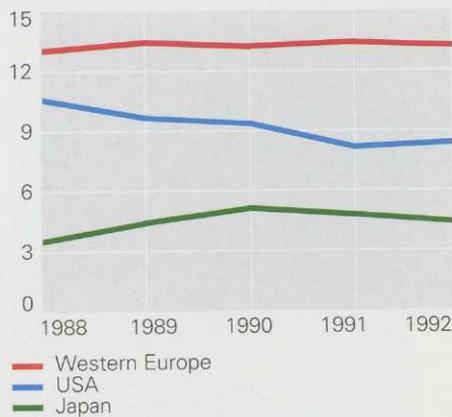
Ferdinand Piëch



*The Toledo – SEAT's elegant top-of-range model*

## Management Report: Volkswagen Group and Volkswagen AG

The major world passenger car markets (million units)



### Global economy exhibiting a less marked recovery than anticipated

Hopes that the world economy would stage a marked recovery in 1992 were destined to be disappointed. At around 1.3 %, the increase in the gross domestic product of the Western industrialized nations represented only a slight improvement on the previous year's figure of 0.9 %.

The growth rate of 2.1 % recorded in the USA was too low to give the world economy any major impetus, while Japan experienced an economic slowdown in 1992 which continues to make itself felt. In Western Europe growth averaged only 1.0 %, with Great Britain, Sweden and Finland remaining in the depths of a worsening recession.

Economic growth in western Germany in 1992 was well down on the 1991 level, with the economic situation deteriorating during the second half of the year in particular. Apart from the effects of the global recession, the German economy was also hit by the substantial rise in the value of the Deutschmark against the currencies of major trading partners. The general economic recovery anticipated for Germany's new federal states in 1992 failed to materialize, with only certain sectors showing any signs of an upturn.

The Central and Eastern European countries now realizing fundamental reforms suffered a further drop in gross national product and a sharp rise in unemployment.

The economic situation in most Latin American countries continued to improve. Mexico and Argentina achieved respective growth rates of 2.7 % and 6.7 %, whereas Brazil experienced a renewed wave of inflation despite a fall in the gross national product. The South African economy, which had started to go into decline in 1989, remained in recession.

It was once again the Asia Pacific region that recorded the most marked degree of economic expansion, the People's Republic of China leading the field with a growth rate of 12.8 %.

### Stagnation on the international automobile market

The sales boom triggered on the German market by the country's reunification came to an end in mid-1992. While sales of new vehicles had been boosted in 1991 above all by the rise in the prices of used cars, this influence was no longer at work in the year under report. Although the manufacturers' order books were still full at the beginning of 1992, the year as a whole saw vehicle sales drop by 5.5 %, primarily as a result of declining demand in the second half of the year.

Passenger car sales on the other Western European markets exhibited a

slight overall rise of 2.3 %, although a significant upward trend was apparent in Spain – as a result of high sales during the first half of the year – and Portugal. Sales in Japan continued to decline, reflecting the country's general economic slowdown. Following the slump in sales recorded in the previous year, demand on the American automobile market revived slightly during 1992.

### More vehicles delivered to customers than in 1991

The total of 3,516,253 vehicles delivered to customers by the Volkswagen Group in 1992 represents an increase of 6.7 % on the previous year. However, this overall rise in sales tends to obscure the fact that the second half of the year saw the start of a downward trend which led to a sharp drop in orders and will have a still more marked impact during 1993. ŠKODA sales, which were included in the Group figures for the first time in the year under report, totalled 199,682 vehicles, 16.0 % up on 1991. The number of commercial vehicles delivered to customers rose by 10.7 % to 316,881.

Although 1992 witnessed a general decline in vehicle sales in Western Europe, the Volkswagen Group was nevertheless able to further consolidate the position which it has held for the past eight years as the leader on this market. With sales of Volkswagen, Audi, SEAT and ŠKODA models rising by 6.3 % to 2,556,929, our share of the Western European market increased from 16.4 % to 17.5 %.

### Vehicles delivered to customers

	1992	1991	Change%
<b>Western Europe</b>	<b>2,556,929</b>	<b>2,404,838</b>	<b>+ 6.3</b>
Germany	1,248,833	1,214,962	+ 2.8
Italy	363,916	311,513	+ 16.8
France	217,226	190,454	+ 14.1
Spain	184,190	178,977	+ 2.9
Great Britain	106,793	111,018	- 3.8
Belgium	87,906	84,322	+ 4.3

Vehicle sales to dealers	Units	1992	1991	%
<b>Worldwide</b>		<b>3,432,631</b>	<b>3,236,806</b>	<b>+ 6.0</b>
Volkswagen		2,428,856	2,316,524	+ 4.8
Audi		473,495	451,356	+ 4.9
SEAT		337,369	358,127	- 5.8
ŠKODA		192,911	110,799*	+ 74.1

\*For the abbreviated fiscal year commencing April 16, 1991

Our largest export market was once again Italy, followed by France, Spain, Great Britain and Belgium. A total of 2,267,420 vehicles were delivered to customers outside Germany in 1992, 9.1 % more than in the previous year. With sales in Germany rising by 2.8 % to 1,248,833 vehicles, the Volkswagen Group was able to increase its share of the German market by 2.1 percentage points to 29.3 %. We take this opportunity of thanking our customers throughout the world for their confidence in our products and loyalty to our Group.

**Sales revenue and unit sales both up**  
The Volkswagen Group's sales rose by 11.9 % in 1992 to DM 85.4 billion. This can be attributed primarily to the increase in unit sales to the dealer organization, which were up by 6.0 % at 3,432,631 vehicles. ŠKODA, automobílová a. s., which was included in the consolidated financial statements for the first time in 1992, achieved sales totaling DM 1,677.3 million. A further factor contributing to the rise in consolidated sales was the continuing success in the rental and leasing sector. While domestic sales increased by only 8.7 % to DM

39.5 billion, the above-average rise in unit sales abroad boosted foreign sales by 14.9 % to DM 45.9 billion, which meant that the proportion of total sales revenue accounted for by foreign markets rose from 52.4 % to 53.7 %. At 1,876,134, the number of vehicles sold to the dealer organization by Volkswagen AG was 7.4 % up on the 1991 figure. Sales increased by 12.4 % to DM 53.2 billion, with export sales making up 49.7 % of this total compared with 46.8 % in the previous year.

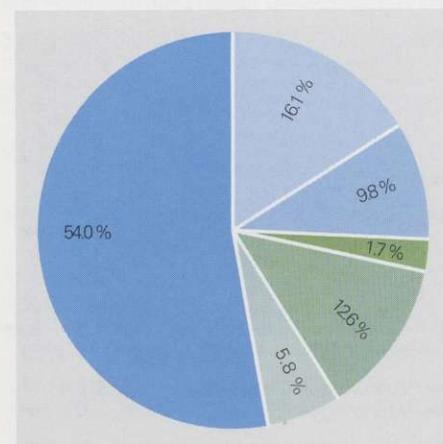
#### Production approaches 3.5 million

The Volkswagen Group achieved a new production record in 1992, with output rising by 8.1 % to 3,499,678 vehicles. Out of this total, 1,657,605 vehicles were built by Volkswagen AG (+ 5.2 %). Average production per working day within the Group amounted to 15,078 vehicles, 5.1 % up on the 1991 figure. Vehicles manufactured abroad accounted for 44.9 % of total output.

#### Volume of purchasing reaches DM 54 billion

The Volkswagen Group's volume of purchasing – excluding sales tax – rose

Sales by divisions  
(before consolidation)



■ Volkswagen  
■ Audi  
■ SEAT  
■ ŠKODA  
■ Overseas Operations  
■ Financial Services/Financing

from DM 47.4 billion in 1991 to DM 53.8 billion in 1992. Purchasing by Volkswagen AG also exhibited a further increase and totalled DM 27.8 billion (1991: DM 25.9 billion), with DM 20.3 billion accounted for by raw materials and supplies as well as semi-finished and finished products and DM 7.5 billion spent on capital goods and services. The Volkswagen Group substantially stepped up its purchasing in Germany's new federal states during 1992, spending a total of DM 1.9 billion on goods and services from eastern Germany compared with DM 1.1 billion in 1991. In doubling this figure within a single year, Volkswagen has made a major contribution to the process of economic reconstruction in the new federal states.

The global recession and the resultant decline in demand on the world markets led to a general fall in the prices of key raw materials.

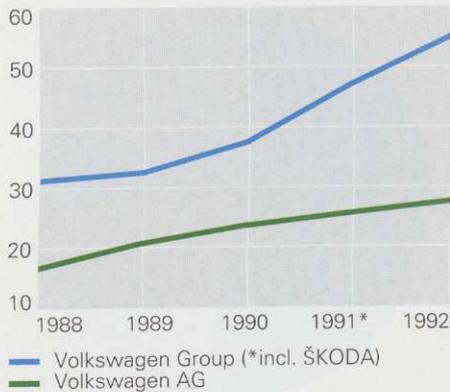
We shall be continuing to devote particular efforts to optimizing cooperation with our suppliers, focusing special attention on joint development work, safety, environmental protection and recycling. Thanks are due to all our suppliers for their excellent cooperation during 1992.

Production	Units	1992	1991	Change %
<b>Worldwide</b>		<b>3,499,678</b>	<b>3,238,024</b>	<b>+ 8.1</b>
Passenger cars		3,291,797	3,048,500	+ 8.0
Commercial vehicles		207,881	189,524	+ 9.7
In Germany*		1,928,855	1,814,256	+ 6.3
Abroad		1,570,823	1,423,768	+ 10.3

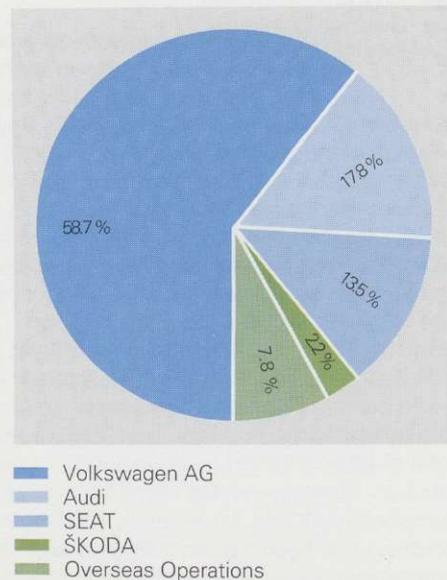
\*Excluding assembly kits for Volkswagen Bruxelles, Volkswagen of South Africa und Volkswagen Bratislava

## Management Report: Volkswagen Group and Volkswagen AG

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



Group volume of purchasing by divisions



### Improved productivity

With the average number of employees in the Volkswagen Group falling by 1.4 % in 1992 to 273,309 and the workforce at Volkswagen AG decreasing by 3.2 % to an average of 122,749, the rise in output meant that Group productivity increased by 9.6 %. However, further progress in this direction is still essential in order to safeguard the future of the Volkswagen Group. The workforce employed by the German part of the Group decreased by 1.9 % to 163,806, while the number of people working at Group companies

abroad fell by 0.6 % to an average of 109,503.

### Increased expenditure on research and development fosters capacity for innovation

Group expenditure on research and development in 1992 amounted to DM 3.0 billion, 11.1 % more than in the previous year. Out of this total, DM 1.7 billion was accounted for by Volkswagen AG (+ 13.3 %). Expenditure on research and development work within the Group corresponded to 3.5 % of sales revenue.

The high standard of our research and development work was reflected in the new model versions, engine options and other improvements incorporated in our range in 1992. The Golf and Vento are now both available in a VR6 version featuring an engine output of 128 kW (174 bhp) and a four-speed automatic gearbox, as well as with a 1.6 litre engine delivering 55 kW (75 bhp). Additional product upgrading measures meant that the Golf range has now been further supplemented by a two-litre sixteen-valve engine and a "syncro" version with an engine producing 66 kW (90 bhp). New options open to Transporter purchasers are a 1.9 litre diesel engine with catalytic converter and a four-speed automatic gearbox, while the LT now incorporates numerous functional improvements as a result of major product upgrading measures at the beginning of 1993. Audi once again impressively demonstrated the innovative capacity embodied in its motto "Vorsprung durch Technik", launching its attractive new Audi 80 Avant and Audi 80 Avant S2 in the autumn of last year. In addition, the Audi Coupé S2 now comes with a more powerful engine. Further optimization of active and passive vehicle safety, the improvement of environmental protection and reduction of the consumption of our vehicles continued to represent the focus of our research and development activities in 1992.

The Volkswagen Group employed a total of 14,023 staff in the research and development sector, 7,119 of them at Volkswagen AG alone.

### Investment programme modified to take account of economic trends

At DM 9,254 million, the Volkswagen Group's capital investments in 1992 were 6.6 % down on the previous year's high level. The second half of the year saw the curtailment or postponement of scheduled investment projects to take account of the general economic downturn. While a large proportion of these measures related to Volkswagen AG, our projects in Saxony and the investment programme for ŠKODA are now also being extended over a longer period than originally planned. In the case of the "Swatch car", we have availed ourselves of our contractual right to withdraw from the project, thus streamlining our projects for models in this sector.

Group investments in tangible assets focused on model updating and upgrading programmes, further introduction of environment-friendly manufacturing methods and measures at a number of production plants including in particular those in eastern Germany, Spain, Portugal and China. With leasing and rental business continuing to expand, investments in this sector were 23.7 % up on the 1991 figure at DM 6,139 million.

Volkswagen AG invested a total of DM 4,063 million in 1992, 24.8 % less than in the previous year. Investments in tangible assets, which were 34.6 % down on 1991 at DM 2,294 million, were devoted primarily to product-related measures and to improving manufacturing structures. Financial investments fell by 7.2 % in 1992 to DM 1,742 million, with a large proportion of this sum relating to capital increases at various subsidiaries.

### Volkswagen takes over distribution in Great Britain

On January 1, 1993 Volkswagen AG took over V.A.G (United Kingdom) Ltd. from the latter's parent company Lonrho Plc, London. The Volkswagen Group has thereby assumed responsibility for selling all Volkswagen and Audi models in Great Britain. This move reflects the consistent strategy which we have been

pursuing in the sales sector with the aim of ensuring that the Volkswagen Group's products are sold at the wholesale level by the Group itself in all vehicle-manufacturing countries in Europe. Following similar steps in France, Italy and Spain, Great Britain was the last major European market in this category on which this policy had still to be put into practice.

#### Audi assumes sales responsibility

As from the beginning of 1993, AUDI AG has itself taken over responsibility for distributing its product range, a move which is intended to raise the profile of Audi's highly successful models still further. This new strategy is being realized in cooperation with the dealer organization in Germany and abroad.

#### Thanks to the dealers

In the business of looking after our discerning customers, and especially as regards the achievement of customer satisfaction, the importance of the dealer organization is increasing. We should like to register our appreciation of their endeavours.

#### Volkswagen creates jobs in Saxony

Our project in Saxony embarked on an important new phase in 1992, with production of the Golf III getting under way in Mosel near Zwickau in July, and the new bodyshell shop also commencing operations.

The one-hundred-thousandth Volkswagen to be made in Saxony came off the production line at the Mosel plant on September 10, 1992 and output during the second half of the year reached up to 400 vehicles a day. A total of 3,434 people were employed within the scope of the project at the end of 1992, 1,935 of them at Sächsische Automobilbau GmbH – set up in cooperation with the Treuhandanstalt, the agency responsible for administering and gradually privatizing what were formerly state-owned East German companies – and 1,499 at Volkswagen Sachsen GmbH. Components with a value of around DM 1.9 billion were supplied to Mosel and other Volkswagen Group plants in 1992 by 87 companies operating from locations in

Germany's new federal states. This policy of purchasing from suppliers in eastern Germany helped to create or safeguard a further 12,000 jobs. The project has also provided employment for 10,500 people in the sales organization and up to 1,000 construction-industry workers involved in building the new plant.

#### New horizons at ŠKODA

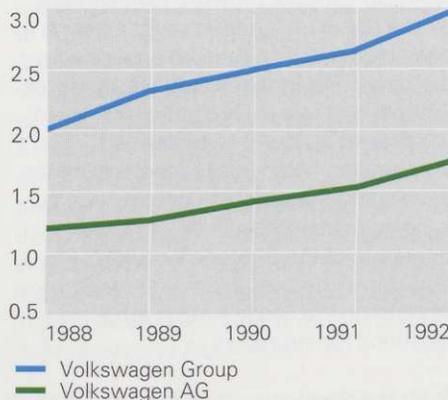
1992 was a particularly successful year for ŠKODA, which had become the fourth marque in the Volkswagen Group only the year before and has already surpassed all our expectations. The company's highly motivated and skilled workforce has made it possible to achieve major advances within a very short time where quality standards and productivity are concerned. The progress made so far has proved without a doubt that Volkswagen AG took the right step in deciding to support the Czech Republic with both capital and know-how during the transition to a social market economy. In so doing we have helped to create a sound basis for integrating ŠKODA into the Volkswagen Group's worldwide interlinked supply and services system. Rapid progress is also being made in establishing an internationally competitive supplier industry in the Czech and Slovak Republics.

The improvement in quality standards undoubtedly played a major part in helping to boost the popularity of the ŠKODA model range on the Czech and Slovak markets in 1992, with sales rising from 47,822 vehicles in 1991 to a total of 95,429. ŠKODA was included in the Volkswagen Group's consolidated financial statements for the first time in 1992.

#### Volkswagen Bratislava – a low-cost production location in Central Europe

Production of the Passat commenced as scheduled in 1992 at Volkswagen Bratislava, spol. s r. o. Volkswagen AG has an 80 % interest in this new company set up in mid-1991, while the remaining shares are held by Bratislavské Automobilové Závody, a. s. Our common aim is to maximize the added value generated by the company in order to make full use of the advantages offered by Bratislava

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



Capital investments and cash flow of the Volkswagen Group (billion DM) (excl. leasing and rental assets)



as a manufacturing location, above all in the cost sector.

In establishing Volkswagen Bratislava we have taken a step towards expanding the Volkswagen Group's worldwide interlinked supply system and at the same time created a strategically important production facility which will enable us to meet the increased demand likely to arise in the medium term on the Central European markets. We are also planning to set up a gearbox-manufacturing facility in this low-cost location by the mid-nineties.

## Management Report: Volkswagen Group and Volkswagen AG

### AutoEuropa

Together with the Ford Motor Company we have set up a fifty-fifty joint venture by the name of AutoEuropa to produce a people-carrier. The foundation stone for the new plant in the Portuguese town of Setúbal was laid in December 1991 and the project is now well under way. Volkswagen has overall responsibility for developing the product concept, which is being tailored specifically to the demands of the European market. The vehicle will be built at an ultra-modern plant in one of today's most attractive locations for industry.

Both the development of the vehicle and the construction measures in Portugal are proceeding on schedule. The completion of the AutoEuropa training centre in December 1992 represented an important step on the way to ensuring that the plant can commence production as planned, with an annual capacity of 180,000 vehicles, at the end of 1994.

The creation of an industrial park on the AutoEuropa site, incorporating direct links to the plant's various assembly sections, has already made it possible to secure the services of a number of important suppliers.

AutoEuropa constitutes the largest project realized to date by foreign investors in Portugal.

### SEAT subcompact vehicle project

SEAT plans to develop, jointly with the leading Japanese subcompact manufacturer Suzuki, a vehicle positioned one class down from the Polo.

Approval for the cooperation has been sought from the Commission of the European Communities.

The subcompact car is to be manufactured by SEAT in Barcelona.

### Production of the Beetle restarted in Brazil

In agreement with the Brazilian government, production of the VW Beetle – which was discontinued in 1986 – will recommence in 1993. This low-price model should enable us to win new customers in the lower segment of the market.

### Foundation stone laid for new plant in Taiwan

To round off our activities in Asia, we are now setting up a Transporter production plant in cooperation with our Taiwanese associate Ching Fong Investment Co., Ltd. The foundation stone for the new plant, which will be capable of turning out 30,000 vehicles a year, was laid in June 1992. The project is being realized in the form of a joint venture bearing the name Ching Chung Motor Co., Ltd., one third of whose capital is held by Volkswagen AG.

### Dividend

For the Volkswagen Group, 1992 was a year which can be divided into two separate halves where earnings are concerned. While the prevailing trend during the first half of the year suggested that earnings would still reach a satisfactory level despite the expenses incurred in launching the new Golf and the Vento, the subsequent months witnessed a marked deterioration in the earnings situation. The fact that the less profitable export markets came to account for a growing proportion of our sales had a particularly detrimental effect. The turmoil in the European exchange-rate mechanism led to an increase in the value of the Deutschmark against the currencies of major European trading partners and thus to a further reduction in profit margins. These were already lower than in Germany on account of the fierce competition on the European export markets. Additional financial burdens resulted in connection with the four-week production shutdown in Mexico and undetermined liabilities created for the purpose of making cuts in the workforce without causing social hardship. The loss of output from our joint venture TAS in Bosnia-Herzegovina also had an adverse effect on our earnings in 1992.

The Volkswagen Group therefore closed the fiscal year 1992 with net earnings of only DM 147 million, compared with DM 1,114 million in 1991. Volkswagen AG achieved net earnings of DM 132 million as against DM 447 million in the previous year.

After transferring DM 66 million to free reserves, the Board of Management and the Supervisory Board propose to the Annual Meeting of Stockholders the payment of a uniform dividend of DM 2 on each ordinary and preferred share.

### Prospects

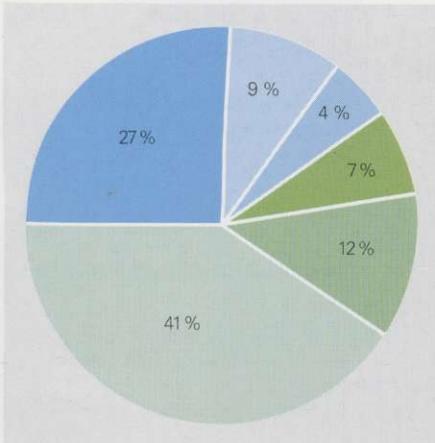
As the economic recovery in the USA is still proceeding at a slower pace than that which characterized earlier cyclical upswings, and Japan is confronted with its biggest fall in growth for twenty years, it is highly unlikely that 1993 will witness any sustained upturn on the world economic scene.

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

	DM
Dividend distribution on subscribed capital of DM 1,664.4 million*	66,258,000
of which	
on ordinary shares	54,000,000
on preferred shares	12,258,000
Balance	
(carried forward)	4,488,382
<b>Net earnings available for distribution</b>	<b>70,746,382</b>

\* DM 8.0 million deriving from the capital increase effected in November 1992 carried no dividend rights for the fiscal year 1992.

Capital investments 1993-1997  
by divisions  
(DM 76 billion)



- Volkswagen
- Audi
- SEAT
- ŠKODA
- Overseas Operations
- Financial Services/Financing

Despite the stimulus provided by the Single Market, economic growth in Western Europe will this year probably fail to equal the 1992 level.

After rising by 1.9 % last year, Germany's gross domestic product will stagnate in 1993, with output in western Germany indeed likely to fall. Although the new federal states in eastern Germany now appear to be over the

worst as far as the process of economic adjustment is concerned, the upswing is not yet sufficiently broad-based to permit self-sustaining economic growth on a larger scale.

The Czech Republic, Hungary and Poland all have good prospects of achieving economic growth for the first time since 1989 on the basis of a rapid transition to market-economy structures combined with swift reorientation of their economies to the needs of Western markets. The success currently being achieved by ŠKODA as the fourth marque in the Volkswagen Group is already demonstrating that our decision to acquire a holding in the company was an excellent move. The sustained growth which the creation of the North American Free Trade Area (NAFTA) seems likely to promote in Mexico, the dynamic growth recorded by China and the economic development in Spain and Portugal in recent years, all help to provide a sound basis for our strategy of placing our operations on an increasingly international footing and ensuring that our models are able to compete on markets all over the world.

With the overall economic situation remaining difficult, 1993 holds many elements of uncertainty for the automobile industry. The vehicle market in Western Europe could well shrink by

10 % and in Germany by perhaps as much as 20 %, a development which would inevitably affect earnings. The fall in demand during the second half of 1992 necessitated temporary production shutdowns towards the end of the year at Volkswagen AG's German plants – excepting Wolfsburg – and at SEAT, with employees either being put on short time or taking time off owing to them; the crisis currently facing the automobile industry has obliged us to extend these measures in the first quarter of 1993 to include all our German plants, the plant in Brussels and AUDI AG.

The Board of Management of Volkswagen AG has taken further corrective measures, a large proportion of which met with the agreement of the employee representatives. They are designed to bring about an urgently needed improvement in cost structures and increased productivity. It is our intention that these measures should back up our innovative product policy by further enhancing our competitiveness and therefore offsetting market risks. Rather than expecting to see instant improvements, however, we must accept that the situation will if anything become still more difficult in the immediate future.

Wolfsburg, February 21, 1993

The Board of Management

*[Handwritten signatures of the Board of Management]*



Overseas Operations

Financial Services

Financing Companies

**Volkswagen AG**  
Wolfsburg  
Subscribed capital:  
DM 1,664,425,000

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

**SEAT, S.A.**  
Barcelona, Spain  
ESP 84,000,000,000  
99.99 %

**ŠKODA, automobilová a. s.**  
Mladá Boleslav, Czech Republic  
CSK 9,642,000,000  
31 %

Plant locations:  
Wolfsburg  
Hanover  
Kassel  
Emden  
Salzgitter  
Brunswick

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

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

**ŠKODA France Automobiles S.A.**  
Paris, France  
FRF 15,000,000  
99.95 % V.A.G. France S.A.

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

**Seat France, S.A.**  
St. Quen l'Aumone, France  
FRF 50,000,000  
100 % SEAT, S.A.

**ŠKODA Automobili Italia S.r.l.**  
Verona, Italy  
ITL 1,000,000,000  
100 % AUTOGERMA S.p.A.

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

**Seat Italia, S.p.A.**  
Milan, Italy  
ITL 20,000,000,000  
100 % SEAT S.A.

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

**Seat UK Ltd.**  
Crawley, West Sussex  
Great Britain  
£4,000,000  
100 % SEAT, S.A.

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

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

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

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

**VOTEX GmbH**  
Dreieich  
DM 1,000,000  
100 %

**Europcar International S.A.**  
Boulogne-Billancourt  
FRF 553,500,000  
50 %

■ Producing Companies  
■ Distributing Companies  
■ Other Companies

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

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

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

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

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

**V.A.G Leasing GmbH**  
Brunswick  
DM 100,000,000  
100 % Volkswagen Finanz GmbH

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

**Autolatina Comércio, Negócios e Participações Ltda.**  
São Paulo, SP, Brazil  
BRE 364,050,926,000  
51 %\*

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

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

**Autolatina Brasil S.A.**  
São Paulo, SP, Brazil  
BRE 849,414,336,936  
42.58 %\*

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

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

**Autolatina Argentina S.A.**  
Buenos Aires, Argentina  
ARS 99,651,856  
51 %\*

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

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

**FINGERMA S.p.A.**  
Verona, Italy  
ITL 10,000,000,000  
100 % AUTOGERMA S.p.A.

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

**ŠkoFIN s r. o.**  
Prague, Czech Republic  
CSK 30,000,000  
100 % Volkswagen Finanz GmbH

**Volkswagen of Nigeria Ltd.**  
Lagos, Nigeria  
NGN 38,000,000  
40 %

**Shanghai-Volkswagen Automotive Company Ltd.\*\***  
Shanghai, China  
CNY 958,000,000  
50 %

**FAW-Volkswagen Automotive Co, Ltd.\*\***  
Changchun, China  
CNY 1,440,000,000  
40 %

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

\* Volkswagen AG's direct and indirect holding

\*\* Assigned to the "Asia Pacific" division since January 13, 1993



Volkswagen



**The Golf III - an all-round success**

The third-generation Golf set numerous new records in the first full year after its launch. Sales in the first few months rose considerably faster than had been the case for the predecessor model, and the new Golf quickly became the top-selling car in Germany with a steadily growing lead over its nearest rival.

It has also won a whole string of awards at home and abroad, coming out well ahead of its competitors every time. The Golf was once again voted "Best Car in the World" in its class in 1993, taking this title for the tenth year in succession, with the top-of-range Golf VR6 simultaneously winning the "Trend Car of the Year" award.

In its second year of production the Golf III – and in particular the CL version – now incorporates a still wider range of equipment as standard. The new Golf VR6 includes more additional standard features such as a height-adjustable front passenger seat, a split rear seat cushion and backrest, a height-adjustable steering column and heated wind-screen washer jets. The product range has been further extended by the Golf GTI 16V and the Golf syncro.

From model year 1993 onwards numerous Golf and Vento engine versions are available upon request with an electronically controlled four-speed automatic gearbox, offering an optimum combination of fuel economy and driver comfort. All VR6 engines also feature a new fully-electronic ignition system.

### **The Vento – innovative design and outstanding comfort in a middle-range car**

Positioned in the middle range between the Golf and the Passat, the Vento established itself from the outset as a model with a distinct identity of its own and met with an excellent reception on the part of both motoring experts and the general public.

It combines the outstanding handling characteristics, safety features and environment-friendliness of the Golf with the boot space normally found in upper middle-range notchback saloons. The luggage compartment has a capacity of 550 litres, which can be increased to a maximum of 885 litres by folding down the split rear seat cushion and backrest as required. The Vento is thus an ideal

family saloon and is also the first model in its class to have as standard a lockable rear seat backrest, stopping potential thieves from gaining access to the boot from inside the vehicle.

The Vento additionally incorporates a generous provision of cubbies and storage for the driver and front passenger. The dashboard's slightly curved design makes it particularly practical, with all controls located within the driver's immediate reach.

In addition to the clear, well-arranged instruments provided as standard in all model versions, the Vento VR6 and a number of GT versions also feature a multi-function display integrated into the rev counter. As well as including a clock, this display can be made to show journey time, journey distance, average speed, average fuel consumption, engine oil temperature and ambient temperature. A service interval indicator in the speedometer lets the driver know when essential maintenance is required; every time the ignition is switched on, it performs a check on the basis of time and mileage to determine whether an oil change or service is due.

### **The Chico – compact dimensions and innovative ideas**

Originally presented as a Volkswagen research study at the 1991 Frankfurt International Motor Show, the Chico is now to go into series production. Its compactness and manoeuvrability make it particularly suitable for city driving. Significantly shorter than the Polo, the Chico will initially be available with an economical petrol engine. As with all other Volkswagen models, special importance is being attached to ensuring that the Chico meets the highest standards in terms of safety and environment-friendliness.

### **Production**

#### **"Lean" production**

With competition set to become still more intense in the Single European Market, low-cost production methods are a must if we are to safeguard Volkswagen's position on the market and Germany's future as a manufacturing location. One major aspect of measures aimed at enhancing our competitiveness is the systematic transition to "lean" production. Realization of this strategy



*The Vento – a comfortable saloon, positioned between the Golf and Passat, with the boot space normally found in upper-range models*



forms part of an overall process in which we are seeking to further develop our internal structures as a whole. Activities centre on the areas described below.

### **New plant structures**

One of the most important visible changes involves the creation of new plant structures. Characteristic features of the new set-up include interlinked production systems designed to ensure optimum quality and productivity, employee-oriented work procedures and a high degree of logistical interlinking both within the company and with suppliers.

The trend in this direction is apparent throughout the Volkswagen Group. The new SEAT plant in Martorell and the manufacturing facilities now being set up at Volkswagen Sachsen GmbH in Mosel near Zwickau have been designed in line with the very latest lean-production principles. The most important task, however, is to successfully restructure existing plants. Measures in this area too have already led to noticeable improvements, mainly in conjunction with the launch of new models such as the Golf III at the Wolfsburg, Mosel and Brussels plants as well as at our overseas subsidiaries in Puebla (Mexico) and Uitenhage (South Africa). Similar developments are in evidence at the existing Audi, SEAT and ŠKODA plants, where restructuring measures along the same lines are planned over the next few years.

### **Decentralized production management**

Successful implementation of the lean-production concept also calls for changes in the organizational system. To this end, Volkswagen has stepped up its policy of decentralization – in other words, transferring responsibility for production quality to the employees actually involved in the manufacturing process. Typical elements of the set-up include a new role for foremen and various forms of teamwork. A large proportion of the employees in the production sector are already integrated into flexible structures of this type.



*Teamwork during front-end pre-assembly*

### **Continuous-improvement process**

One key aspect of lean production is the continuous improvement of quality and productivity in all manufacturing processes by the employees involved. In combination with decentralized organizational structures, this gives employees the opportunity to tackle tasks previously outside the scope of their activities and to exercise their creativity in new areas while at the same time enjoying greater responsibility for their work. Programmes of this nature have been successfully launched at all Group plants in Germany and a number of those abroad, with plans already in place to extend the scheme throughout the entire Group.

By initiating the necessary measures in this area and effectively combining them with the Volkswagen Group's traditional strengths, we have been able to enhance our competitiveness and thus take an important step towards safeguarding the Group's future.



*Bodyshell production at Volkswagen Sachsen GmbH in Mosel*

## Personnel

### More and better output with fewer employees

The downward sales trend in the second half of 1992 necessitated a reduction in the workforce at Volkswagen AG, with the result that the total of 118,587 people employed by the company at the end of the year was 5.8 % down on the corresponding figure for 1991. However, this cutback was accomplished without causing any social hardship; employees leaving the company were for the most part not replaced, and 6,300 took early retirement. At a number of plants in Germany it was necessary from November onwards to introduce a system of temporary production shut-downs (with employees taking time off owing to them) or to put sections of the workforce on short time. All in all, over 12,700 employees at three plants were affected by short-time working in 1992.

### Linking personnel development with new forms of work organization

Increasing competitive pressure and the need to improve productivity require continuous optimization of the interplay between technology, organizational structures and employees. It is therefore essential to support the continuous-improvement process by fostering a sense of commitment on the part of employees and allowing them to give full rein to their creativity.

This continuous-improvement process encourages employees to assume responsibility for every operation involved in their work, with each employee participating – either individually or as a member of a group – in optimizing his or her working area in a series of small steps. It is being implemented in the various plants and production areas in conjunction with new projects and is being backed up by increased teamwork as well as remodelling of hierarchical structures and management responsibilities.

None of this would be possible, however, without personnel development measures placing emphasis on qualitative development. To this end,

we have designed new, trend-setting concepts and programmes in the fields of further training and management training. Our personnel development activities thus aim to support learning processes within the context of the work situation and to offer new forms of training away from the working environment. We have, for instance, opened a personal-study centre at which employees can avail themselves of computerized facilities before, during and after working hours to extend and enhance their knowledge and skills in line with their work-related interests and the needs of their job. Training programmes run outside working hours represent another example of our activities in this area and have proved extremely popular, with over 3,200 applications for places received from employees following announcement of our intention to introduce these measures.

### Employees form the focus of steps to improve safety at work

Working on the basis of the high safety standards already achieved in our production facilities, the emphasis in 1992 was on making consideration of safety aspects an integral part of every planning process. Particular attention centred on testing substitute materials with the aim of ensuring that employees are not placed at risk through exposure to potentially hazardous chemical substances. Major progress was also made as regards the design of the working environment.

Surveys conducted in redesigned production areas have revealed that measures of this type improve motivation, concentration and willingness to communicate. They thus contribute directly to enhancing quality standards and productivity.

In order to improve safety on the job, the accident index has been supplemented by more detailed means of analysis and control. With the aid of strength/weakness profiles, employees and management staff can themselves pinpoint openings for improvements when looking into possible causes of accidents. This

“help towards self-help” is intended to foster a sense of personal responsibility and enable those concerned to realize the desired improvements.

### Advancement of women

The basic Volkswagen guidelines on advancement of women and their interests, officially adopted in 1989, continued to be systematically put into practice. Activities in this field are coordinated on a central basis at Volkswagen, with back-up provided by specially designated persons responsible for women's interests at each of the plants. A detailed situation analysis provided the starting point for elaboration and realization of decentralized measures aimed specifically at women. A programme of events with the theme of “Women's information”, monthly discussion groups, extensive advisory work and a seminar programme designed with women in mind are all helping to create the necessary network for information, communication and cooperation. Volkswagen has also laid the foundation for advancing women by way of qualitative personnel development, above all with the aim of integrating them into the new organizational structures. The new policy is already starting to bear fruit, with the proportion of women in Volkswagen's annual intake of graduate trainees rising from 3 % in 1989 to over 30 % in 1992.

*The personal-study centre in Wolfsburg offers opportunities for interactive learning with the aid of computers*





### International exchange of personnel

The increasingly international nature of the Volkswagen Group's activities has lent growing importance to the practice of seconding employees from the company where they normally work to a Group company in another country. Whereas in the past this generally involved employees from the parent company spending time working at subsidiaries, moves in the opposite direction or from one subsidiary to another are now by no means unusual. In view of the increasing need for management personnel possessing international experience, this secondment of employees not only serves as a means of passing on practical know-how but also helps to equip management staff with the necessary skills in this area.

### Management development within the Group

1992 saw the elaboration of a new concept to promote Group-oriented further training and development for top managers, their successors and a group of younger employees possessing a high degree of management potential. The measures are specifically designed to involve the participants in the process of shaping the Volkswagen Group's future strategy. They thus at the same time provide the international management team with useful forums for communication, one example of which in 1992 was the Group Conference held in Detroit, USA.

### International personnel development programmes

The Volkswagen Group's expansion of its activities on an international scale is being backed up by a range of inter-company personnel development programmes aimed at a variety of target groups and incorporating varying periods of time abroad:



The exchange students get together before leaving for their year abroad

Reason/basis for stay abroad	Duration of stay	Target group	Aim
Dissertations, practical training	According to circumstances	College and university students	Contacts with institutions of higher education and potential job applicants
International trainee programme	Project-dependent	College, university and business school graduates	Recruitment of well-qualified young employees with international experience, know-how transfer
International personnel development programme (IPD)	18-24 months	Junior management trainees, young employees with management potential	Preparation for internationally oriented posts, advancement of well-qualified employees, know-how transfer
Junior management trainee programme	Up to 3 years	Junior management trainees	Personal development, know-how transfer



*Mikhail Gorbachev was a much-applauded speaker at a works meeting in Wolfsburg*

Volkswagen's policy of fostering internationalisation is not confined solely to its employees. With the aim of promoting international exchanges among school-children, the Volkswagen Group supports the activities of the American Field Service (AFS), which awards grants enabling young people to spend a year attending school abroad. A special scheme under which the children of Volkswagen Group employees all over the world can apply for such grants was launched in 1992, when over thirty young people aged between fifteen and seventeen received AFS grants giving them the opportunity to spend a year staying with families in countries where Volkswagen Group companies are located.

#### **1992 collective bargaining**

In August 1992 Volkswagen AG and trade union representatives reached agreement on working-hours arrangements to be introduced in connection with the 36-hour week, which – as

agreed in 1990 – is scheduled to come into force on April 1, 1993. This cut in working hours will be realized in a variety of ways at the Volkswagen AG plants, with employees either having their working day shortened or being compensated by way of additional days off.

A new collective agreement on wages and salaries was concluded in November 1992. This agreement, which runs for 21 months, provides for a 4.9 % increase in wages and salaries effective for twelve months from November 1, 1992 and a further increase of 3.5 % applying for nine months as of November 1, 1993.

#### **International cooperation with employees' representative bodies**

The trail-blazing agreement establishing the European Volkswagen Group Works Council was signed on February 7, 1992 at the European Parliament. This new body, which enjoys extensive rights to information and consultation, represents the interests of over 90 % of all

employees involved in the Group's European operations in the automobile sector. It is intended that this step should help to reinforce our efforts to enhance the Group's international competitiveness, while at the same time permitting the constructive cooperation necessary to resolve possible conflicts and tackle issues having a European bearing within the Group.

#### **Acknowledgement to employees**

We should like to thank the Volkswagen Group's employees all over the world for their sterling efforts in 1992 and for the high degree of commitment which they displayed in meeting the year's exceptional challenges.

Thanks are also due to the employees' representative bodies who, through their constructive cooperation, helped to ensure that tasks could be jointly accomplished and problems resolved in an atmosphere of mutual trust.

#### **Rejection of violence and xenophobia**

The worldwide cooperation forming the basis of the Volkswagen Group's activities is founded on the principles of tolerance, mutual understanding and willingness to work together with people from other cultures within a truly global organization. It therefore goes without saying that we resolutely oppose all forms of right-wing extremism and xenophobia.



## Commercial Vehicle Division

### Volkswagen sales in Europe up once again

The commercial vehicle market in Western Europe exhibited a general downward trend in 1992, with overall sales of vehicles having a gross weight of up to six tonnes falling by 1.2 % to 1.5 million. Following a sales boom in the previous two years, the number of new commercial vehicle registrations in Germany showed a further slight increase, rising to 361,758. On the other European markets, however, the revival in demand anticipated following two years of falling sales failed to materialize.

Despite the overall downward trend on the European market, Volkswagen AG was able to increase its sales of vehicles with a gross weight of up to six tonnes (including commercial vehicles eligible for registration in the passenger/estate car category) by 5.9 % to 183,833, above all as a result of the large number of orders carried over from 1991. The popularity of our Transporter/Caravelle models meant that in mid-1992 we also achieved the leading position on the European market for light commercial vehicles. The total of 118,765 vehicles delivered to customers in Germany represented an increase of 10.7 % over 1991 and gave us a 32.8 % share of the market.

At 199,376, the number of European-manufactured Volkswagen commercial vehicles delivered to customers worldwide in 1992 was 6.8 % up on the previous year's figure. Taking into account the vehicles produced by our subsidiaries in South Africa, Mexico and South America (Autolatina), Volkswagen's overall commercial vehicle sales rose by 7.0 % to a total of 277,656.

In view of the deteriorating situation on the European markets, Volkswagen AG too is likely to experience a considerable fall in both production and sales of commercial vehicles during 1993. Declining demand and increased competitive pressure make it essential that we focus our efforts above all on consolidating our

market position. We have therefore substantially expanded the Transporter/Caravelle range by launching new model versions featuring long wheelbase and high roof or four-wheel drive. The range of leisure vehicles and motor homes has also been restructured, with a number of extra models being added. Last but not least, January 1993 saw the introduction of an environment-friendly diesel engine with an exceptionally low emission level.

However, expansion of the model range is not the only way in which Volkswagen is seeking to counter the decline in demand for commercial vehicles in Western Europe. The launch of the new Caravelle in the USA also plays an important role in our strategy, along with activities aimed at opening up new markets in Central and Eastern Europe as well as in the Middle and Far East.

## Motor Sport

### Volkswagen engines form the basis for motor sport at all levels

The Golf engine is continuing to notch up one success after another in the world of motor sport. Impressive victories in the 1992 German Formula 3 Championship ensured that the modified version, with an output of 126 kW (172 bhp), reinforced its position as the most successful engine in the history of Formula 3 racing. With his convincing wins in both heats at the Singen Ale-mannen-Ring circuit in September 1992, the Volkswagen works driver Sascha Maaßen took the number of individual race victories achieved with the Golf engine in the Formula 3 Championship to the record total of 89.

Driving a Golf GTI 16V, the private team of Armin Holz and Hans-Wolf Stein from

Employees in the Hanover press shop join forces to tackle tasks through teamwork



Lower Saxony won the 1992 German Rally Trophy against extremely tough competition. They finished first or second in each of the seven rallies in which they competed, emphasizing once again the Golf's outstanding reliability.

Volkswagen importers are increasingly discovering that motor sport can also play an effective role as a marketing tool. National competitions have been organized by our importers in Portugal, Great Britain and Switzerland along the lines of the Polo Cup staged in Germany until 1988 and have attracted considerable interest on the part of the media. The Marbella Cup organized by SEAT with support from the Volkswagen Motor Sport experts has attracted over 2,000 competitors, while in Austria the Rally Golf has achieved success in the national rally championship.



*The Golf engine is the most successful drive unit in the Formula 3 Championship*

### Sponsorship

#### **Volkswagen supports culture, sport and concern for the environment**

Volkswagen has long been making successful use of effective modern public relations techniques. Sponsorship plays a major role in this strategy by helping to anchor the Volkswagen marque in the

public consciousness both at home and abroad. In 1992 Volkswagen attracted a great deal of attention all over Europe with its sponsorship of one of the year's highlights on the pop music scene: the tour by the super-group Genesis. Over

1.5 million fans flocked to the group's 27 concerts in eleven countries, while a further 180 million people learned about this out-of-the-ordinary partnership through media reporting and promotional activities.

Leipzig staged the Volkswagen Cup – a Ladies' Tennis Grand Prix tournament – for the third time in 1992 with a field including top players such as Stefanie Graf, Jana Novotna and Anke Huber.

In September 1992 Volkswagen participated in promotional activities for the State of Lower Saxony at the world exhibition in the Spanish city of Seville.

During the year we also helped to promote road safety training for children by supporting a television series on this topic, presented by the well-known German entertainer Michael Schanze, and launching an associated national tour under the motto "Volkswagen Presents Fun and Games with Michael Schanze".

*The motor industry's most successful public relations campaign in 1992 – Volkswagen and Genesis on tour*





## Volkswagen

Key figures		1992	1991	Change %
<b>Sales</b>	DM million	55,952	50,145	+ 11.6
<b>Production</b>	Units	1,657,682	1,576,086	+ 5.2
<b>Vehicle sales to dealers</b>	Units	1,954,006	1,815,822	+ 7.6
<b>Workforce</b>	At year end	132,874	138,975	- 4.4
<b>Capital investments</b>	DM million	5,338	5,901	- 9.5

### Volkswagen Sachsen GmbH

Construction work at the new plant being set up by Volkswagen Sachsen GmbH in Mosel near Zwickau currently focuses on the paintshop, the assembly lines and the press shop. The first section of the plant to be completed was the bodyshell shop, which commenced operations in June 1992. By the end of the year a total of 34,086 Golf III bodyshells had already been produced and supplied to Sächsische Automobilbau GmbH, which was set up as a subsidiary of the Treuhandanstalt and in which Volkswagen AG has a 12.5 % minority interest. Sächsische Automobilbau GmbH was responsible for painting the bodies and assembling the complete vehicles. In the course of 1992 it turned out a total of 45,736 Golf II models and 34,000 units of the Golf III.

The long industrial tradition in the town of Chemnitz received new impetus on June 12, 1992 with the laying of the foundation stone for a new engine plant in which it is planned to invest a total of DM 700 million. In terms of quality, productivity and cost levels, this plant will be one of the most modern engine-manufacturing facilities in the world, with around 550 employees producing 2,000 four-stroke engines each working day for the Group's interlinked supply and services system. In the course of 1992 Volkswagen Sachsen GmbH absorbed the production operations of the engine manufacturer Motorenwerk Chemnitz GmbH, a company which it had taken over at the beginning of the year. A total of 184,674 engines were

made in Chemnitz during the year under report. Volkswagen Sachsen GmbH also owns the cylinder-head production company Zylinderkopffertigung Eisenach GmbH.

The planning for step-by-step expansion of the manufacturing facilities in Mosel and Chemnitz has been adjusted to take account of current and foreseeable market requirements. Although this means that these two projects are now to be realized over a longer period than originally envisaged, there will be no reduction in the planned investment volume of around DM 4.2 billion. Volkswagen Sachsen GmbH and Volkswagen Sachsen Immobilien Verwaltungs GmbH together invested a total of DM 930 million in these projects during 1992.

The ultra-modern production plants now being set up in Saxony incorporate the very latest know-how in terms of environmental protection. This is reflected in facilities such as an environment-friendly paintshop and a special centre for treating waste water from production processes and sanitary installations. Special attention has also been paid to landscape conservation; the fields around the plant are being transformed into green areas with trees and small lakes.

Establishment of the new manufacturing facilities in Saxony, which have been designed in accordance with the principles of lean production, has been accompanied from the outset by measures to promote the development of an efficient supplier industry in the region. Nume-

rous companies have already set up operations in the immediate vicinity and are being integrated into the just-in-time supply set-up. To ensure that this concept can be realized to full effect, the necessary infrastructure is now being created, with the most important project – linking the B 93 trunk road to the motorway – having commenced in June 1992.

### Volkswagen Bratislava, spol. s r. o.

The first Volkswagen to be made in Bratislava – a Passat – came off the assembly line at the end of 1991. A total of 2,230 vehicles were produced in 1992, with quality standards matching those achieved in Passat production at our Emden and Brussels plants. The company's workforce increased to 434 in the course of the year. Sales in 1992 totalled DM 54.7 million.

Because of the start-up phase, Volkswagen Bratislava closed 1992 with a slight loss.

### Volkswagen Bruxelles S.A.

Key figures		1992	1991	Change %
<b>Sales</b>	DM million	4,050	3,948	+ 2.6
<b>Production</b>	Units	215,994	211,462	+ 2.1
<b>Vehicle sales</b>	Units	215,994	211,462	+ 2.1
<b>Workforce</b>	At year end	7,144	7,695	- 7.2
<b>Capital investments</b>	DM million	350	271	+ 29.6

The Passat/Golf production mix at Volkswagen Bruxelles was altered in 1992 in response to the high level of demand for the new Golf. Overall production thus comprised 140,641 Golfs and 75,353 Passats, with the number of vehicles manufactured per working day rising by 1.3 % to 952.

Although output was up on 1991, the workforce decreased by 7.2 % to 7,144.

The company's capital investments were devoted primarily to equipment for the new paintshop currently under construction, which will permit the use of special techniques intended to reduce the environmental impact of the production operations still further.

Volkswagen Bruxelles S.A. returned a positive result in 1992.

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

Key figures*		1992	1991	Change %
<b>Sales</b>	DM million	4,520	3,855	+ 17.2
<b>Vehicle sales to dealers</b>	Units	170,512	138,888	+ 22.8
<b>Workforce</b>	At year end	1,002	1,020	- 1.8
<b>Capital investments</b>	DM million	244	292	- 16.4

\*Including consolidated subsidiaries

Following a sharp decline on the French automobile market in 1991, the passenger car market exhibited a renewed upward trend (+ 3.7 %) in the year under report. Thanks above all to the outstanding reception given to the new Golf and the high level of demand for the Audi 80, V.A.G France was able to record a substantial increase in sales on this market. A total of 172,466 Volkswagen and Audi models were delivered to customers in France in 1992, boosting our share of the country's passenger car market by 1.2 percentage points to 7.8 %. The increase could have been even greater had it not been for a production shortfall

which gave rise to supply bottlenecks in the case of the new Golf and the Vento. With the overall market for light commercial vehicles continuing to decline, the share held by the Transporter rose slightly to reach 1.3 %.

ŠKODA France Automobiles S.A. was set up on June 29, 1992 as a subsidiary of V.A.G France to act as the ŠKODA importer for the French market.

V.A.G France once again achieved a profit.



### AUTOGERMA S.p.A.

Key figures		1992	1991	Change %
<b>Sales</b>	DM million	6,598	5,169	+ 27.6
<b>Vehicle sales to dealers</b>	Units	312,481	254,344	+ 22.9
<b>Workforce</b>	At year end	481	457	+ 5.3
<b>Capital investments</b>	DM million	38	11	X

With the passenger car market in Italy displaying a slight upward trend in 1992, AUTOGERMA was able to increase its share from 10.3 to 12.3 %. In the commercial vehicle sector the company achieved a 5.7 % share of the market as against 5.5 % in 1991. Vehicle sales were well up on the previous year's figure, rising by 20.0 % to 300,062. A

total of 252,183 Volkswagens (+ 20.2 %) and 47,879 Audi models (+ 18.7 %) were delivered to customers in Italy during 1992, enabling AUTOGERMA to record its highest sales ever.

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

### Europcar International S.A.

Key figures*		1992	1991	Change %
<b>Sales</b>	DM million	1,450	1,279	+ 13.3
<b>Workforce</b>	At year end	2,236	2,426	- 7.8
<b>Capital investments</b>	DM million	940	792	+ 18.7

\*Proportionate figures, including consolidated subsidiaries

Business in the vehicle rental sector was also hit by the recession that affected Europe in 1992. The market was characterized by declining demand and excess capacities, with competition being based primarily on price. Despite these adverse conditions the Europcar group succeeded in expanding its rental business, with overall turnover – including the sale of vehicles – increasing by 13.3 %.

The holding company Europcar International S.A. is a joint venture between Volkswagen AG and Compagnie Internationale des Wagons-Lits et du Tourisme S.A.; a majority interest in the latter was acquired in 1992 by the ACCOR group. Europcar has subsidiaries in nine European countries and a rental fleet comprising over 54,000 vehicles. Through co-operation agreements with other rental

firms, it is also represented in more than 120 countries worldwide.

As one of Europe's leading vehicle rental companies, Europcar aims to make full use of the opportunities offered by the Single European Market and has thus launched an extensive investment programme. It has also concluded new co-operation agreements with airlines, travel companies and credit-card organizations. In the interest of a uniform corporate identity throughout Europe, the German-based firm of interRent-Europcar Autovermietung GmbH has been renamed Europcar Autovermietung GmbH.

The Europcar group returned a profit in its national financial statements and virtually broke even under German accounting rules.



## Audi

### A new engine option for the Audi Convertible

The attractive Audi Convertible is a dynamic newcomer in the open-top sector of the market, catching the eye with its striking design and sporty elegance.

With the Audi Convertible 2.8 E, powered by a six-cylinder engine delivering 128 kW (174 bhp), Audi can now offer the fans of open-top vehicles an interesting alternative to the 98 kW (133 bhp) version. The 2.8 litre V6 engine is characterized by exceptionally smooth running and provides a high level of driving enjoyment.



### **The Audi 80 Avant – an elegant alternative to the saloon**

The launch of the Audi 80 Avant in October 1992 means that Audi can now also offer discerning motorists a sporty alternative to a saloon in the compact middle range. Its large tailgate and exceptional versatility make this model an ideal choice for both leisure use and business travel.

The Audi 80 Avant combines elegant design with practicality and outstanding safety. The large tailgate, and the one-third/two-thirds split folding rear seat and

backrest give it a loading capacity of up to 1,200 litres. The striking rear end with its broad red lighting strip is integrated smoothly into the Audi 80 silhouette, while the sportiness and exclusive nature of the Avant are underscored by its range of upmarket equipment features.

Effective occupant protection is ensured by excellent body rigidity, additional side impact beams in the doors and the "procon-ten" safety system. ABS has been standard in all Audi models since the beginning of 1993.

The engine range comprises five drive units which have already proved themselves in the saloon: the highly economical 1.9 litre direct-injection turbo-diesel engine delivering 66 kW (90 bhp), along with two four-cylinder engines, one five-cylinder engine and one six-cylinder engine producing between 66 kW (90 bhp) and 110 kW (150 bhp). The five-cylinder and six-cylinder models are available with quattro drive.

*The Audi 80 Avant – its upmarket features make it the ideal sporty alternative to a saloon for the discerning motorist*



*The Audi Coupé S2 – impressive performance and excellent fuel economy*

**Audi's new V6 engine – a smaller version with all the outstanding features of its "big brother"**

The 2.8 litre V6 engine used in the Audi 80, Audi 100 and Audi Coupé has now been joined by a smaller six-cylinder engine with a cubic capacity of 2.6 litres and an output of 110 kW (150 bhp). This new V6 engine fills the gap between the five-cylinder in-line engine producing 98 kW (133 bhp) and the 2.8 litre V6 engine with an output of 128 kW (174 bhp), thereby enabling Audi to now offer a finely graduated range of engine-power options for these three model series. It exhibits excellent torque characteristics and combines outstanding performance and fuel economy.

**A 230 bhp engine for the Audi Coupé S2 and Audi Avant S2**

The Audi Coupé S2 now features the 2.2 litre twenty-valve turbocharged engine used in the Audi S4. This five-cylinder engine, which delivers 169 kW (230 bhp), has an impressively high torque and provides turbine-like power development over the entire engine-speed range. Apart from high power, however, it also offers excellent fuel economy. The quattro drive smoothly channels the power from the engine to the road wheels, while the well-graduated six-speed gearbox helps to ensure outstanding acceleration and pulling power. The new engine replaces that previously used in this model, which had an output of 162 kW (220 bhp).

The Audi Avant S2, launched in February 1993, is the top model in the Audi 80 Avant series and is aimed at the sporty end of the growing market for compact estate cars. It combines the practical advantages of multi-purpose saloons with the type of performance normally associated with a sports car. The engine, gearbox and equipment features in this model are the same as those in the modified Audi Coupé S2 with 169 kW (230 bhp).



**The Audi Avant S4 4.2 – an eight-cylinder engine for the Audi 100 series**

The Audi Avant S4 4.2 is designed to meet the needs of customers who appreciate the variability of the Avant's interior but at the same time do not wish to forego the performance offered by a V8 engine. Just as in the Audi V8, the 4.2 litre V8 engine exhibits dynamic power and torque development, making for easy and relaxed driving throughout a broad engine-speed range.

A six-speed gearbox, quattro drive and a wide range of upmarket interior equipment features are all standard on this new model.

**A company anniversary and two production milestones**

On June 29, 1932, four vehicle manufacturers in Saxony – Audi, DKW, Horch and the automobile division of Wanderer – amalgamated to form a new company in Chemnitz by the name of Auto Union AG, taking as their emblem the now famous "four rings". This symbol, which celebrated its sixtieth anniversary in 1992, is today associated all over the world with advanced automotive engineering.

In March 1992, the three-millionth Audi 100 to be produced since the launch of the original version 24 years ago left the Neckarsulm plant. The fourth-generation Audi 100 has been on the market since December 1990.

One month later, the eight-millionth Audi, in the shape of an Audi 80 2.8 E, came off the assembly line at the Ingolstadt plant, where production of Audi models began in 1965.

**New vehicle-collection centre opened**

May 1992 saw the opening of the new vehicle-collection and information centre – known as the "Audi Center" – in Ingolstadt, where specially trained staff are on hand to attend to Audi customers who come to collect their new car in person. The visitors also have the opportunity to tour the plant and thus gain a personal impression of the company.

## A satisfactory year

Audi's modern and attractive model range enabled it to further consolidate its market position in 1992, with the number of vehicles delivered to customers worldwide rising by 5.2 % to 472,685. Despite the fact that the economy as a whole exhibited few positive signs, Audi sales on the domestic market increased by 0.3 % to 228,246. The overall decline in the passenger car market meant that Audi's share of this market rose by 0.3 percentage points to 5.7 %, a development due in large measure to the popularity of the new Audi 80.

Export sales were also up, with the total of 244,439 Audis delivered to customers abroad in 1992 representing an increase of 10.2 % on the 1991 figure. Although the individual export markets in Western Europe exhibited widely varying trends, Audi was able to record significantly increased sales in most countries, selling a total of 189,017 vehicles (+ 7.6 %) on these markets. While the overall situation on the American market remained difficult, the excellent reception given to the new Audi 100 and Audi 80 boosted sales in the USA by 20.1 % to 14,754. A total of 40,668 vehicles were delivered to customers in other countries, 20.0 % more than in 1991. For the first time ever, China – where the Audi 100 is produced under a cooperation agreement between Audi and the First Automobile Works (FAW) – was the largest individual market in this category, with sales totalling 15,110 vehicles.

Sales in Japan fell by 9.2 % to 12,952, reflecting the general downward trend on the Japanese vehicle market.

The overall rise in sales was accompanied by increased production. The total of 492,085 Audis manufactured at the Ingolstadt and Neckarsulm plants in 1992 represented an increase of 9.0 % over the previous year, while engine production was up by 6.8 % at 689,175.

Capital investments by AUDI AG in 1992 amounted to DM 947 million; the fact that this was 13.7 % down on the previous year's figure can be ascribed to the exceptionally large investment volume necessitated in 1991 by the launch of numerous new models. Investments centred on further development of the model range and construction projects.

Net earnings fell by 53.5 % to DM 172 million, half of which was transferred to Volkswagen AG under the profit assumption agreement.

However, these generally positive figures do not fully reflect overall developments in 1992. Audi too was affected by the increasingly noticeable downward trend on the automobile market in the second half of the year. This situation necessitated the introduction of measures aimed at cutting the workforce, as well as short-time working covering a total of 21 days at both the Ingolstadt and Neckarsulm plants during the first quarter of 1993.

Key figures		1992	1991	Change %
<b>Sales</b>	DM million	16,736	14,814	+ 13.0
<b>Production</b>	Units	492,085	451,265*	+ 9.0
<b>Vehicle sales to dealers</b>	Units	483,566	451,604	+ 7.1
<b>Workforce</b>	At year end	37,166	38,331	- 3.0
<b>Capital investments</b>	DM million	947	1,097	- 13.7

\* Including 946 Porsche vehicles

*Audi – a perfect  
blend of tradition  
and progress*





## SEAT

### **The new Ibiza – the second model in the new SEAT generation**

Production of the new Ibiza got under way in Martorell at the beginning of 1993. Following the successful launch of the Toledo in 1991, this model marks the next stage in SEAT's systematic renewal of its range. It was officially presented to the press in Spain on March 15, 1993.

The Ibiza is a modern compact model which combines sporty, dynamic performance with typical Mediterranean flair. It comes in both five-door and three-door versions with varying ranges

of equipment including power-assisted steering. A choice of engines is available, delivering between 33 kW (45 bhp) and 85 kW (115 bhp). Optional extras include air conditioner, ABS, sunroof and – soon to be added – airbags for the driver and front passenger.

In addition to meeting high quality and safety standards, the new Ibiza is also environment-friendly by virtue of its low fuel consumption, catalytic converter and recyclable materials.



## **Martorell – Spain's most modern vehicle-manufacturing plant**

Designed for a daily output of 1,500 vehicles, the SEAT plant in Martorell has been planned and built in line with the latest production-engineering know-how. Apart from ensuring high product quality, this means that emphasis has been placed on maximizing productivity and optimizing working conditions. With these ends in view, ultra-modern logistics systems were planned in cooperation with suppliers and the teamwork concept applied from the outset. Last but not least, the new plant uses production methods designed to have the least possible impact on the environment.

## **Economic situation affected the SEAT group's development**

The Spanish automobile market did not exhibit a consistent trend in the course of 1992. While the first six months of the year saw a substantial 18.9 % rise in the number of new registrations, the second half of 1992 brought an increase of only 2.1 %, which meant that over the

year as a whole the market grew by 10.7 %. This can be attributed to the skimming-off of purchasing power by higher income taxes and to the prevailing uncertainty about economic prospects. The 1.2 % increase in the gross domestic product was more than one percentage point lower than the rise recorded in 1991.

At 363,611, the number of SEAT vehicles delivered to customers worldwide in 1992 was 2.9 % up on the previous year's figure.

The SEAT group's total sales in Spain rose by 2.9 % to 184,190, comprising 104,107 SEAT models (+ 3.8 %) and 80,083 Volkswagen, Audi and ŠKODA vehicles (+ 1.8 %). This meant that the SEAT group held 17.6 % of the Spanish passenger car market in 1992.

The above-average growth experienced by SEAT on the German market in 1991 was followed by a drop in sales in 1992, with the number of vehicles delivered to customers in Germany decreasing by

2.7 % to 95,727. Sales in France fell by 0.5 % to 40,984, whereas the number of vehicles sold in Italy was up by 3.7 % to a total of 62,336. A rise of 2.0 % to 8,542 was recorded in sales on the British market, while sales in Belgium were up by 15.2 % at 8,291.

Overall vehicle production at SEAT increased by 4.7 % in 1992 to 578,432, a figure which comprised 356,210 SEAT models (- 1.2 %) and 222,222 Volkswagen Polos (+ 15.9 %). Since August 1992 all Polo production has been concentrated at SEAT's Pamplona plant, where the one-millionth Spanish-made Polo came off the assembly line in June last year.

The second half of 1992 saw a significant decline in demand for automobiles on both the Spanish market and the major European export markets. In order to adjust production levels accordingly, employees at the Barcelona and Pamplona plants were put on short time in December 1992. Temporary production shutdowns – with employees



*The new plant in Martorell*



The sporty GT version of the SEAT Toledo

taking time off owing to them – and short-time working also became necessary at the Barcelona plant during the first quarter of 1993.

The reduction in profit margins in Spain and on major European export markets

as a consequence of the need for increasingly competitive pricing, together with the burdens resulting from the extensive investment programme and the costs incurred in launching new models, meant that the SEAT group closed the fiscal year with a loss.

Key figures*		1992	1991	Change%
<b>Sales</b>	DM million	10,350	9,380	+ 10.3
<b>Production</b>	Units	578,432	552,210	+ 4.7
<b>Vehicle sales to dealers</b>	Units	630,140	617,481	+ 2.1
<b>Workforce</b>	At year end	27,738	28,666	- 3.2
<b>Capital investments</b>	DM million	2,445	1,927	+ 26.9

\*Including consolidated subsidiaries



## ŠKODA

### ŠKODA's first full year as a member of the Volkswagen Group

On April 16, 1991 Volkswagen embarked on a major investment project in what was then Czechoslovakia, assuming management responsibility at ŠKODA, automobilová a. s. This company, which has the distinction of being the third oldest automobile marque in the world, is today the fourth marque in the Volkswagen Group with a model range of its own. In addition to being of major economic importance for the region, this project is also helping to promote development in Central Europe as a whole.



The reforms now being realized in the Czech Republic are already well advanced, with the progress achieved so far proving that Volkswagen AG took the right step in deciding to invest in the country and assist it in developing an efficient economy. Our economic and social responsibility towards the people of Central and Eastern Europe demands that we should not just stand by and applaud the transition to a social market economy, but actively support the process of reform by providing know-how and capital. From the strategic viewpoint, ŠKODA fits smoothly into the Group's model range, representing the Central European counterpart to the Mediterranean-oriented SEAT marque. Its three models – Favorit, Forman and pick-up – offer excellent value for money and thus have a particularly good chance of success on markets where price is the most important criterion. With ŠKODA we are in a position to gain access to a wider market, meet our customers' increasingly varied requirements and at the same time take advantage of synergistic effects. In its function as the bridgehead for our activities in Central and Eastern Europe, ŠKODA offers the Volkswagen Group the opportunity to broaden its European base and thus consolidate its leading position in Europe.

**Economic framework**

With the fundamentals of a market economy now firmly in place, the Czech Republic has acquired a reliable framework for economic development. The

significant fall in the inflation rate witnessed in 1992 represented a major success for the country's economic policy. Signs of an upswing started to become apparent during the second half of the year and suggest that 1993 will see the first increase in gross domestic product since the economic reforms got under way.

**An excellent location for production operations**

The proximity of ŠKODA's production facilities to the Volkswagen Group plants in Germany has proved to be a major advantage from the logistical viewpoint. Other advantages of ŠKODA's location which will play a particularly important role in the coming years are the flexible, highly skilled workforce and the comparatively low cost level.

**Up-to-date model range**

With the Favorit series, including the estate and pick-up versions, ŠKODA has an up-to-date range which is already proving successful in Western Europe. Its competitiveness is essentially founded on three factors: practicality, value for money and quality. Sales in Western Europe and on other export markets show that ŠKODA is succeeding in compensating for the decline or loss of its traditional markets in Central and Eastern Europe.

**Purchasing market**

In 1992 ŠKODA was able to further optimize its purchasing activities, a step which contributed greatly to the

company's financial success. Our common aim is to ensure that, through meeting ŠKODA's growing requirements, suppliers in the Czech and Slovak Republics are eventually capable of becoming suppliers to the entire Volkswagen Group.

**Concerted efforts to protect the environment**

Environmental protection measures at ŠKODA form an integral part of the overall Group strategy in this area. By the mid-nineties, a flue-gas desulphurization system and a new paintshop will be helping to ensure that soil, water and air pollution are reduced to levels in line with Western European standards.

**Creation of a sales organization**

The sales operations of ŠKODA, automobilová a. s. have been totally restructured and a largely exclusive ŠKODA sales organization created on all the company's markets. The firm of ŠKODA Automobile Deutschland GmbH, established in September 1991, sold a total of 21,746 vehicles in Germany last year. At the beginning of 1992, ŠKODA itself assumed responsibility for all export activities. The ŠKODA sales network currently comprises 1,800 dealers, including around 250 in the Czech and Slovak Republics and a further 1,300 in Western Europe. A total of 27 importers are responsible for supplying these dealerships and attending to their needs.

Since becoming a member of the Volkswagen Group, ŠKODA has also acted as the importer for Volkswagen, Audi and SEAT vehicles in the Czech and Slovak Republics.

**Major improvement in key figures**

Vehicle sales in 1992 were well up on the previous year's level, rising from 172,209 in 1991 (whole year) to 199,682. A total of 95,429 vehicles were delivered to customers in the former Czechoslovakia, almost twice as many as in 1991. Despite the general decline in demand on the German market, sales in Germany increased by 1,754 to a total of 26,653 vehicles. While the number of vehicles sold on Western markets as a whole was slightly up on the previous

Key figures		1992	1991*	Change %
<b>Sales</b>	DM million	1,677	803	X
<b>Production</b>	Units	200,059	109,686	+ 82.4
<b>Vehicle sales to dealers</b>	Units	198,658	110,799	+ 79.3
<b>Workforce</b>	At year end	17,105	16,359	+ 4.6
<b>Capital investments</b>	DM million	198	61	X

\*For the abbreviated fiscal year commencing April 16, 1991



*The SKODA pick-up – the versatile commercial-vehicle version of the Favorit*

year's figure, sales in Central and Eastern Europe fell sharply, above all on account of the collapse of the former Yugoslavian market. However, ŠKODA was able to more than offset this fall in sales by opening up new markets such as Turkey and Israel.

A total of 200,059 vehicles were built last year in Mladá Boleslav, Vrchlábí and Kvasiny, a figure which represents the highest ever production level recorded by the company in the almost one hundred years of its existence. Output per working day rose from 756 to 820 vehicles.

Capital investments during 1992 were devoted primarily to rationalization

measures and enhancing product quality. Negotiations are currently in progress with the International Finance Corporation (IFC – a World Bank subsidiary), the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) with a view to securing financing for our investment projects at ŠKODA, and it is anticipated that agreement will be reached very shortly. The investment programme as a whole is designed to reinforce ŠKODA's competitiveness on a long-term basis.

ŠKODA returned a profit for 1992.

## Overseas Operations

Key figures		1992	1991	Change %
<b>Sales</b>	DM million	13,109	12,408	+ 5.6
<b>Production</b>	Units	574,108	550,410	+ 4.3
<b>Vehicle sales to dealers</b>	Units	652,945	631,196	+ 3.4
<b>Workforce</b>	At year end	55,332	57,498	- 3.8
<b>Capital investments</b>	DM million	1,849	1,941	- 4.7

The Overseas Operations Division performs strategic and financial management functions with respect to the various national subsidiaries and regions for which it is responsible. To take

account of the growing importance of the Chinese market, the "Asia Pacific" division was set up at Board of Management level in January 1993.

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

Key figures*		1992	1991	Change %
<b>Sales</b>	DM million	3,178	3,285	- 3.2
<b>Production</b>	Units	188,449	208,939	- 9.8
<b>Vehicle sales to dealers</b>	Units	180,852	209,898	- 13.8
<b>Workforce</b>	At year end	16,659	18,643	- 10.6
<b>Capital investments</b>	DM million	617	677	- 8.8

\*Including consolidated subsidiaries

Mexico's economy continued to exhibit an upward trend in 1992. With the government's programme of market-economic reforms already implemented to a large extent, the country's economic development was given a further boost by the conclusion of the free-trade agreement between Mexico, the USA and Canada.

The favourable economic situation further stimulated the Mexican automobile market, which grew by 10.0 % in 1992. However, the changeover to production of the new Golf and the Vento – the latter will continue to be known as the Jetta on the North American markets – and the loss of

output caused by a four-week labour dispute meant that Volkswagen de Mexico was unable to derive full benefit from this development. At 148,821, the number of vehicles delivered to customers in Mexico – including commercial vehicles – was 3.7 % down on the previous year's figure. The company was nevertheless able to maintain its position as the clear market leader, selling a total of 135,308 passenger cars in Mexico and taking a 32.0 % share of the market. The excellent reception given to the new Golf and Jetta indicates that we are set to consolidate this leading position in 1993. The changeover to production of these new models was accompanied by measures aimed at further enhancing

quality standards. With Volkswagen de Mexico now supplying the American and Canadian markets on a larger scale than in the past, it is essential that the vehicles it produces are of the highest possible quality, with the motto "Quality before quantity" observed at all times.

The model change and production shut-down also caused exports to North America to fall by 42.4 % to a total of 27,985 vehicles. Apart from the vehicles exported to the USA and Canada, Volkswagen de Mexico additionally turned out 302,819 engines and 306,652 axles for the Group's interlinked production system in 1992. The workforce was reduced in size, among other things as a result of measures to increase productivity.

The lost output and the expenses incurred in connection with the launch of the new models meant that Volkswagen de Mexico showed a loss for 1992.

### Twenty-one million VW Beetles – a new production record in the automobile industry

On June 23, 1992 the twenty-one-millionth VW Beetle came off the production line at Volkswagen de Mexico in Puebla. The legendary "original" Volkswagen, which in many countries has become a symbol of the motorization process, thereby set a new all-time production record. The Beetle celebrated its fiftieth birthday on October 17, 1985 and has thus now retained its characteristic features, instantly recognized all over the world, for more than half a century. Over the past three years the Beetle has in fact been experiencing something of a renaissance in Mexico, with sales rising from some 33,000 in 1989 to around 86,000 in 1992.

### Foundation stone laid for industrial park to house suppliers

During his official visit to Mexico in 1992, Germany's Federal President Richard von Weizsäcker also visited Volkswagen de Mexico in Puebla, where he laid the foundation stone for an industrial park to house suppliers immediately adjacent to the Volkswagen de Mexico plant.

**Volkswagen of America, Inc.**

Key figures*		1992	1991	Change %
<b>Sales</b>	DM million	2,952	3,019	- 2.2
<b>Vehicle sales to dealers</b>	Units	86,711	99,044	- 12.5
<b>Workforce</b>	At year end	1,395	1,749	- 20.2
<b>Capital investments</b>	DM million	779	247	x

\*Including consolidated subsidiaries

The American economy displayed increasing signs of an upswing as the year progressed. Although the passenger car market grew slightly, with new registrations rising by 1.8 % to 9.2 million, it was primarily the American manufacturers who benefited from this upward trend.

The number of Volkswagen models delivered to customers in the USA fell by 21.6 % to 75,873, a drop of 20,849 by comparison with 1991. By contrast, the excellent reception given to the new Audi 100 and Audi 80 – the latter being known in the USA as the Audi 90 –

enabled Audi to increase its sales on the American market by 20.1 % to a total of 14,754 vehicles. We anticipate that the launch of the Audi 90 and the EuroVan – the new Transporter generation – in the second half of 1992, along with the introduction of the new Golf and Jetta (Vento) during the first half of this year, will enable us to strengthen our market position in the course of 1993.

The company returned a loss for 1992.

*The AVUS quattro – demonstrating Audi's excellence in aluminium design*



## Overseas Operations

### Volkswagen Canada Inc.

Key figures*		1992	1991	Change %
<b>Sales</b>	DM million	995	1,167	- 14.8
<b>Vehicle sales to dealers</b>	Units	27,998	33,380	- 16.1
<b>Workforce</b>	At year end	969	1,003	- 3.4
<b>Capital investments</b>	DM million	30	41	- 27.1

\*Including consolidated subsidiaries

Contrary to expectations, the Canadian economy did not emerge from recession in 1992. The general economic situation also had an effect on the automobile market, with overall sales 8.9 % down on the 1991 level. While sales of Audi vehicles rose by 12.7 % to 1,270 as a result of the good reception given to the company's new models, the number of Volkswagen passenger cars delivered to customers in Canada fell by 18.3 % to 26,249. The new Golf was launched on

the Canadian market at the end of 1992, followed by the new Jetta (Vento) in early 1993. Sales on the market for light commercial vehicles were boosted by the new EuroVan, almost doubling to reach a total of 1,911.

Volkswagen Canada closed the fiscal year with a loss.

### AUTOLATINA-Group

Key figures*		1992	1991	Change %
<b>Sales**</b>	DM million	4,034	3,529	+ 14.3
<b>Production***</b>	Units	341,179	290,463	+ 17.5
<b>Vehicle sales to dealers***</b>	Units	342,948	295,992	+ 15.9
<b>Workforce**</b>	At year end	26,159	25,863	+ 1.1
<b>Capital investments**</b>	DM million	192	337	- 42.9

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

The general decline in demand, which had started to become evident in Brazil towards the end of 1991 and had led to production shutdowns on the part of the vehicle manufacturers during the first quarter of 1992, was effectively halted following conclusion of an automobile-industry agreement at the end of March 1992 between the Ministry for Economic Affairs, vehicle manufacturers, suppliers, dealers and trade unions. As a consequence of this agreement, vehicle prices fell by 22 %, among other things due to

tax cuts and the automobile industry's acceptance of reduced profit margins. For political reasons, the price increases which soon became necessary on account of inflation and the upward cost trend could only be realized after a certain delay, giving rise to substantial losses in the first half of 1992. Although an improvement in sales and counter-measures on AUTOLATINA's part made it possible to offset these losses during the second half of the year, the permanence of the automobile market's reco-

very remains in doubt given that monthly inflation rates average over 20 %.

As part of the government's measures to liberalize the Brazilian economy, the obstacles that have to date restricted imports have now been reduced through step-by-step lowering of customs duties on imported vehicles. This means that the Brazilian automobile industry must make major efforts to enhance its productivity and efficiency if it wishes to remain competitive.

The clear economic recovery in evidence in Argentina since the second half of 1991 continued in 1992, with the monthly inflation rate averaging less than 2 %. The country's annual inflation rate fell from 84.0 % to 17.7 % in the year under report. Since the beginning of 1992, importing vehicles into Argentina too has been made considerably easier.

The AUTOLATINA group's sales rose by 9.6 % in 1992 to 507,488 vehicles, a total which comprised 342,948 Volkswagens (+ 15.9 %) and 164,540 Fords (- 1.4 %).

Sales of Volkswagen passenger cars and light commercials in Brazil increased by 6.1 % to 283,475. On the car market we maintained our leading position with a market share of 39.1 % as against 36.5 % in 1991. The truck market continued to exhibit a marked decline, with sales of Volkswagen trucks up to 22 t falling by 44.8 % to 3,042. Excluding assembly kits destined for Argentina, AUTOLATINA exported a total of 41,275 Volkswagen models from Brazil in 1992.

Autolatina Argentina S.A. had a highly successful year. The company benefited from the growth of the overall automobile market and was able to more than double its sales to 29,482 Volkswagens (+ 110.2 %).

AUTOLATINA was able to return a profit in both Brazil and Argentina.

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

Key figures		1992	1991	Change %
<b>Sales</b>	DM million	1,289	1,304	- 1.1
<b>Production</b>	Units	44,480	51,008	- 12.8
<b>Vehicle sales to dealers</b>	Units	46,449	50,026	- 7.2
<b>Workforce</b>	At year end	8,231	8,214	+ 0.2
<b>Capital investments</b>	DM million	82	95	- 13.9

1992 brought no perceptible improvement in South Africa's economic situation, with nationwide strikes continuing to prevent stabilization. Low purchasing power was the principal factor behind the drop in vehicle sales, which fell by 7.5 % to approx. 183,000.

These difficult conditions meant that the number of Group vehicles delivered to

customers in South Africa decreased by 17.8 % to 40,202. The company achieved an 18.1 % share of the passenger car market as against 20.1 % in 1991.

Volkswagen of South Africa closed the fiscal year 1992 with a small loss.

## Overseas Operations

### Activities in China becoming increasingly important

The only major geographical region continuing to exhibit an upward economic trend is the Asia Pacific region. It is therefore logical that Asia – and in particular China, the world's most populous country – should play an extremely important role in our long-term corporate strategy, a fact which has also been reflected in the creation of a new Board of Management post carrying special responsibility for this region. China is undoubtedly a market with enormous growth potential; having been the Volkswagen Group's sixteenth largest market in 1991, it advanced to tenth position in 1992 and is likely to move up to third place as early as 1996. The Volkswagen Group was able to more than double its vehicle sales in China during 1992.

1992 was another successful year for Shanghai-Volkswagen. The first Volkswagen joint venture in China embarked upon its second phase on January 1, 1992 with the takeover of the neighbouring Shanghai Car Plant together with its 2,100 employees. The production facilities at the former Shanghai Car Plant are currently being renovated and modernized.

Engine production at Shanghai-Volkswagen



### Shanghai-Volkswagen Automotive Company Ltd.

Key figures		1992	1991	Change %
<b>Sales</b>	DM million	1,967	1,073	+ 83.3
<b>Production</b>	Units	65,000	35,000	+ 85.7
<b>Vehicle sales</b>	Units	65,944	33,851	+ 94.8
<b>Workforce</b>	At year end	5,883	3,064	+ 92.0
<b>Capital investments</b>	DM million	124	48	x

Production has almost doubled each year between 1990 and 1992. A total of more than 160,000 Volkswagen vehicles had been made in Shanghai by the end of last year and in 1992 Shanghai-Volkswagen was once again China's largest passenger-car manufacturer. The "local content" of production reached 75 % in 1992, while output per working day rose by 90.5 % to 280 vehicles. The Shanghai engine plant also supplied 37,385 short engines to the Group's interlinked production system; this figure was 0.4 % down on the 1991 total on account of the limited production capacity and a sharp increase in Shanghai-Volkswagen's own engine requirements. Production of a second model, the

Santana Variant, got under way in the first half of 1992. In the current year it is planned to further increase output to 100,000 vehicles. Particular efforts will also be devoted to developing a new model, setting up the second vehicle production plant and expanding the existing engine plant. It is aimed to realize the planned increase in production capacity to 150,000 vehicles a year and to launch the new model by 1995.

Shanghai-Volkswagen showed a profit for 1992.

### FAW-Volkswagen Automotive Company Ltd.

Our second joint venture in China, FAW-Volkswagen Automotive Company Ltd. in Changchun, has made good progress since being established in 1991. Pending the scheduled completion of the vehicle plant in 1994, production is being carried out on a CKD basis, with assembly kits being supplied from Germany and by our South African subsidiary. Using the already completed sections of its own plant and the production facilities of our Chinese associates, the First Automobile Works (FAW), the company assembled a total of 8,050 Jettas in 1992. We have already been cooperating successfully since 1988 with FAW, which produces the Audi 100 under licence and had by the end of 1992 assembled 30,603 units of this model.

As FAW-Volkswagen's operations are still in their initial phase, the company closed the fiscal year as expected with a loss.

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

Apart from triggering a sharp fall in share prices and extensive property speculation, Japan's economic slowdown also caused the passenger car market to decrease in size by 8.5 % compared with 1991, a development which brought with it an 8.0 % drop in sales of imported vehicles. Overall vehicle production in Japan fell by 5.6 % to 12.5 million, while passenger car output was 3.7 % down on the 1991 level at 9.4 million.

Volkswagen and Audi sales reflected the general market trend, falling by 5.5 % to a total of 41,265 vehicles. Expansion of the dealer network, together with

modernization of our product range through the launch of the new Golf, Vento and Audi 80, enabled the Volkswagen Group to maintain its position as the leading vehicle importer on the hotly contested Japanese market.

Following the decision by our importer of many years' standing, Yanase, to cease selling Volkswagen and Audi models as from the beginning of this year, we have continued to focus particular efforts on creating our own marketing channels. By January 1, 1993 we had set up a network of seventy Volkswagen/Audi dealers, a figure which is to be increased to 112 by the end of the year. Our activities in the sales sector involve

cooperation with Toyota, Japan's leading automobile manufacturer. In order to further expand our dealer network in the Tokyo area, Volkswagen Audi Nippon K.K. acquired a majority interest in JAX Co. Ltd., Tokyo, a well-known passenger-car importer and retailer, at the beginning of January 1993. The new import and sales centre in Toyohashi near Nagoya was opened as scheduled in October 1992.

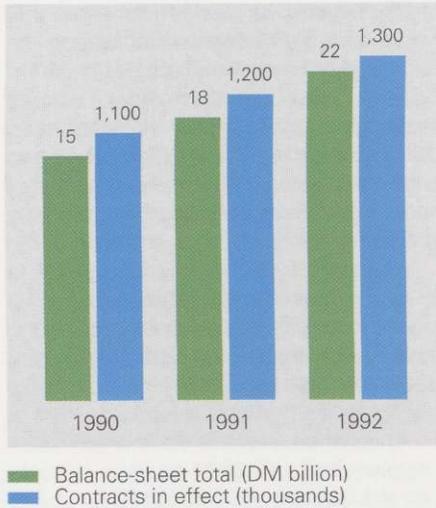
In view of the fact that it has only recently commenced business operations, Volkswagen Audi Nippon K.K. returned a loss for 1992.

*The Multivan – a versatile vehicle for leisure use and trips with the family*



## Financial Services

Financial Services Division  
(worldwide)



### Increase in worldwide volume of financial services operations

1992 was another successful year for the Financial Services Division. With an overall balance-sheet volume of DM 21.9 billion (1991: DM 18.5 billion), it remained the largest industrial operation offering financial services in Europe and thereby underscored the important role played by financial services within the Group as a sales promotion instrument.

The division has been run as a profit centre since 1989. The financial services companies in Germany, Spain, France, Italy, Mexico, the USA and Canada, for which a special financial services management team is responsible, made a major contribution to the Group's net earnings in 1992. The overall volume of our business in this sector was up on the 1991 level.

### New financial services company

Our operations in Europe were further expanded in June 1992 through the establishment of a new financial services company in Prague by the name of ŠkoFIN s r. o., which is to offer services tailored specifically to ŠKODA's requirements on the Czech and Slovak markets. The success achieved by this company so far gives us good reason to be opti-

mistic about its future development. ŠKODA's sales activities in Germany have been provided with the necessary back-up through the establishment of ŠKODA Leasing and ŠKODA Bank as branches of V.A.G Leasing and V.A.G Bank. Preparations are currently being made for extending ŠKODA's financial services operations to other major European markets.

### A successful year for Volkswagen Finanz GmbH

In 1992 Volkswagen AG's shares in V.A.G Leasing GmbH and V.A.G Bank GmbH – with a total value of DM 700 million – were transferred to Volkswagen Finanz GmbH. This restructuring is intended to streamline our financial services operations by placing them under the control of a single company.

Our financial services sector in Germany had a balance-sheet total of DM 12.7 billion in 1992 compared with DM 11.4 billion in the previous year. Earnings for the fiscal year reached a satisfactory level. With 808,600 leasing and financing contracts in effect at the end of 1992, Volkswagen was able to further consolidate its leading position in this sector on the German market.

Financial Services Division 1992

	Balance-sheet total (DM billion)	Number of employees
Germany	12.7	1,232
France	1.8	199
Italy	0.3	57
Spain	2.7	405
USA	2.9	98
Mexico	1.1	155

A total of 173,000 new leasing contracts were concluded in 1992, an increase of 6.2 % over the previous year. All in all, 381,200 such contracts were in effect at the end of the year, 9.2 % up on the corresponding figure for 1991. In addition to all types of automobile-related services, V.A.G. Leasing also offers the marque dealers and workshops tailor-made leasing contracts covering their fittings and equipment.

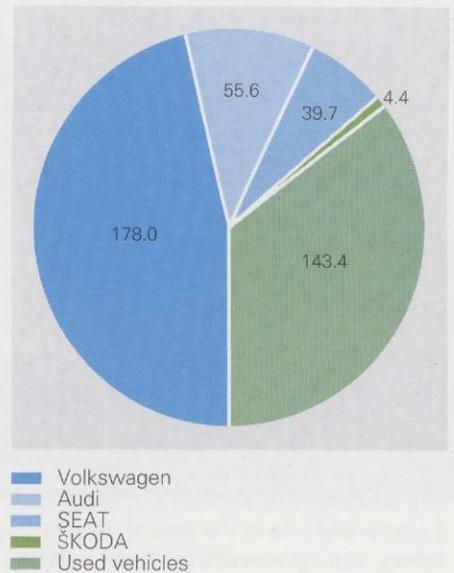
Activities in the banking sector also continued to expand. The total of 248,100 new customer financing contracts concluded in 1992 meant that the overall number of contracts in effect at the end of the year was 16.7 % up on the 1991 figure at 427,400. Receivables in respect of dealer financing reached a high level, amounting to DM 3,090 million.

### Deposit account facility popular with credit card holders

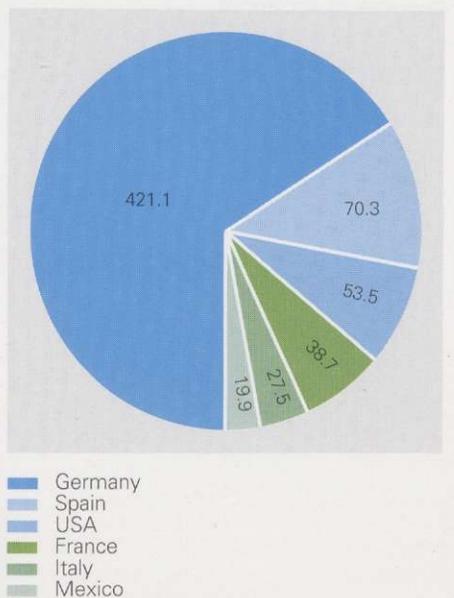
With its Volkswagen/Audi card system, which combines EUROCARD/MasterCard and VISA in a single package, the Volkswagen Group is able to offer a product designed above all to further reinforce our relationship with our customers and ensure that they can enjoy mobility at all times.

Our card holders, who now number around 90,100, are increasingly availing themselves of the opportunity to deposit funds in the "Plus-Minus account" forming part of the overall card package. Interest rates graduated according to the size of the credit balance ensure a good return on this investment. In 1992 the accumulated credit balance per card holder averaged DM 2,900. A further DM 85 million was deposited in 1992, bringing the total volume of the deposits to DM 270 million.

New leasing and financing contracts (thousands) concluded in Germany in 1992



New leasing and financing contracts (thousands), by countries, in 1992



The Volkswagen Group's attractive financial services – another means of giving our customers still greater flexibility and mobility



## Engineering and Safety

Volkswagen has always attached immense importance to safety and high technical standards in its vehicles. Our engineers' extensive experience and awareness of responsibility play a vital part in enabling us to successfully realize a continuous process of further development in this area.

In 1992 Volkswagen launched a large-scale international campaign featuring a programme of events and extensive publicity measures designed to highlight the topic of vehicle safety and safety standards. The safety aspect is increasingly becoming a major criterion influencing a customer's decision on whether or not to buy a particular model. Volkswagen recognized the significance of this development early on and assumed a pioneering role in the field of vehicle safety, setting new standards as regards both active safety – in other words preventing accidents from happening in the first place – and passive safety, which involves mitigating the consequences of accidents.

### Airbags for driver and front passenger

The most important event in the field of passive safety in 1992 was the introduction of the Volkswagen airbag system for the driver and front passenger, which is available as a reasonably priced optional extra for the Golf, Vento and Passat. Apart from the airbags, the complete occupant protection system also comprises the three-point safety belts, the optimized seats and the specially designed steering wheel. Together, all these components afford substantially improved protection in the event of an accident. The soft airbag stops the driver's head from impacting on the steering wheel during a severe collision, with a second airbag provided to protect the front passenger. A sensor registers the severity of the accident and when necessary triggers cartridges on the driver and front-passenger sides, which then inflate the protective airbags in just under 30 milliseconds. Passive safety has been further improved by means of side impact protection integrated into the doors,

along with reinforced door sills and cross members. The additional side impact protection increases resistance to impact forces by 50 %. Improved crumple zones at front and rear as well as reinforced floor groups help to enhance vehicle safety still further.

Safety features of this type were hitherto confined – if indeed they were offered at all – to a few upper-range models. At the time of their launch, both the new Golf and the Vento more than satisfied the stringent American safety standards.

Active safety is also increased by running gear which "forgives" driver errors. Track-correcting "thinking" mountings on the torsion-beam trailing-arm rear axle help to significantly improve handling by compensating for undesirable effects from lateral forces, e.g. during cornering. In the "Plus" running gear featured in models with more powerful engines, the influence of driving forces on the steering – which



*New standards in safety – airbags for driver and front passenger in the Golf, Vento and Passat*

increases in line with engine power – is reduced and directional control during braking improved; in other words, directional stability as a whole is further increased. Intelligent design can also help to enhance active safety. The rear end of the Vento, for example, incorporates a rational compromise between low aerodynamic drag and the important low degree of rear lift.

### New safety features in Audi models

Audi too has long been setting new standards in optimizing active and passive vehicle safety with outstanding technical achievements such as the quattro drive concept or the "procon-ten" safety system. Apart from a driver airbag, all V8 and Audi 100 models are additionally available with a front-passenger airbag, which has a volume of 130 litres as against 80 litres for the driver airbag. Technical innovations such as the dynamic shift programme "DSP" and the electronic differential lock (known as "EDS") now enable Audi to make driving still easier and safer. The dynamic shift programme controls the automatic gearbox in the Audi S4 and in the Audi 100 with V6 engine. Its special feature is its ability to "learn on the road" and adapt to the driver's requirements. The system continuously totals the frequency of the various operating conditions, thereby "learns" the style of driving involved and matches gear shifting to the needs of this style. The electronic differential lock has been developed as an optional extra for all Audi models with front-wheel drive. This new system facilitates starting off on a road surface offering differing degrees of adhesion for the individual tyres. Operating without any throttling of the engine, it automatically redistributes power so that more is routed to the driving wheel on the surface permitting better adhesion.

Alongside the unique award-winning "procon-ten" safety system, side impact protection, body rigidity and numerous other safety features, Audi's new electronic differential lock and dynamic shift programme represent further important innovations designed to enhance occupant protection still further.



How the dual-airbag system operates

Clearly arranged controls increase both safety and comfort



## Environmental Protection

### **Volkswagen's pioneering role in environmental protection**

One of the most crucial tasks facing us in the future will be to design both industrial processes and products in such a way that the possibility of undesirable impacts on the environment is precluded – insofar as this is technically feasible – from the very outset. It is vital that we should not place undue strain on our natural resources, for only then can we safeguard the Company's long-term prospects.

Volkswagen recognized early on the need for environmental protection in every area of its operations and has acted accordingly. Among the results of its efforts are numerous innovations designed within the scope of research and development work with the aim of enhancing the environmental compatibility of the automobile. The principal remit of the "Environment and Transportation" division, set up two years ago, is to work together with the other divisions to permanently establish active environmental protection as a wide-ranging corporate task. Integrated environmental protection calls for well-qualified and highly motivated employees at all levels. By including environmental protection topics in our various training programmes we are fulfilling this requirement and thereby giving our employees the opportunity to acquire new know-how.

Activities in the environmental sector cover a broad spectrum: trying out and introducing new methods as part of production-related environmental protection, improving product-related environmental protection with the aid of a comprehensive recycling concept, and promoting responsible, environment-conscious use of our products by participating in the creation of traffic guidance systems aimed at minimizing environmental impacts.

### **Recycling and recovery systems make for environment-friendly production**

Prevention of soil, water and air pollution, and waste disposal, reduction of noise emissions and nature conservation in the areas surrounding our factories are

among the principal activities in the field of production-related environmental protection.

Volkswagen has always attached top priority to careful and sparing use of water resources. The water management concept employed at the Wolfsburg plant still serves as a model for systems of this type today. New water treatment concepts enable the plant to save 100,000 cubic metres of drinking water a year and the water recycling rate has now reached 98.5 %.

Another example of the role which recirculation concepts can play in the production process is the use of heat recovery systems, which cut energy consumption by up to 75 %.

### **Advanced technology for environment-friendly products**

Optimization of vehicles from the environmental viewpoint is an area which constantly brings new challenges for our engineers. The paramount aim is to reduce fuel consumption in order to conserve fossil energy sources and cut CO<sub>2</sub> emissions.

Volkswagen has set new standards in diesel technology with its introduction of the catalytic converter for diesel engines and with the direct-injection concept (in 1993 the fuel consumption of the Golf with TDI engine will average less than 5 l/100 km over the three standard driving cycles), just as it has led the field in retrofitting petrol-engined vehicles already on the road with catalytic converters. Volkswagen has to date installed catalytic converters in over a million such vehicles, and our Kassel plant is today the largest catalytic-converter factory in the world.

The electronically-controlled inertia utilization system featured in the Eco-Golf automatically switches off the engine during overrun and idling. In combination with the vehicle's diesel engine with catalytic converter, this system makes it possible to cut fuel consumption in city traffic by 20 %.

Another concept with great potential is

that of hybrid drive, which combines the advantages of the internal combustion engine – range and performance – with the major asset of electric drive systems, namely an absence of exhaust emissions.

Volkswagen has contributed 19 Golf CitySTROMers and electric vans to a demonstration project on the German island of Rügen which aims to test second-generation electric vehicles and is being promoted by Germany's Federal Ministry for Research and Technology.

The new Golf incorporates numerous details designed to make it still more environment-friendly. The use of solvents, for example, has been significantly reduced by replacing solvent-containing adhesives with alternative forms of bonding. What is more, the air-conditioning systems in all Volkswagen models have been CFC-free since the beginning of the 1993 model year.

Volkswagen's guarantee that it will take back Golf and Vento models when they reach the end of their useful life demonstrates yet again how the company is leading the way in automobile-related environmental protection. In 1992 Volkswagen AG received the environmental award given by the local authority environmental protection group "UAN" for its development of the Golf III, in which particular emphasis was placed on ensuring that the materials used can be recycled and which incorporates around sixty plastic parts made of recycled material.

Working on the basis of the experience gained in the course of a pilot project in Leer, a concept for environmentally sound disposal of old vehicles has now been formulated. The plant in Leer will continue in operation along commercial lines. Plans are currently being drawn up for the creation of a national network comprising centres to which old vehicles can be returned and firms which will be responsible for recycling or disposing of the materials.

### **An extension of product-related responsibility – starting points for an integrated transport system**

Volkswagen AG's transportation research specialists are actively involved in developing transportation concepts which contribute to substantially enhancing the efficiency of the overall traffic system by promoting integrated use of the various forms of transport and thereby reduce environmental impacts. Volkswagen is also participating in the PROMETHEUS project (Programme for European Traffic with Highest Efficiency and Unprecedented Safety) initiated by the European automobile industry, parts of which are scheduled, after trials, for introduction as of 1995. This project involves among other things the development of traffic guidance systems to optimize the flow of information about the traffic situation at any given moment, thus promoting efficient interlinking of the various types of transport. With a similar end in view Volkswagen is likewise participating in the European DRIVE research programme (Dedicated Road Infrastructure for Vehicle Safety in Europe) by way of the PROMISE project (Prometheus Mobile Information Systems in Europe), which aims to investigate the feasibility and acceptance of mobile travel information systems by means of field trials.

Working in cooperation with selected local authorities and the responsible employment office, Volkswagen launched a pilot project setting up an "on-call" bus service in the District of Leer at the beginning of 1992. A journey-planning system is currently being developed to enable the concept to be realized as efficiently as possible from the economic viewpoint.

Negotiations are in progress with a number of towns with a view to establishing an efficient and convenient parking management system, which will at the same time improve the quality of the "interfaces" with other forms of transport. Possible forms of cooperation for realizing new traffic concepts in conurbations are being discussed with local authorities, public transport operators and the transport industry, with due



*Volkswagen's environmental protection measures – a comprehensive concept*

attention being paid to the need to integrate essential municipal traffic into the overall system. A variety of concepts along these lines were presented to the public at the 1992 German Commercial Vehicle Show. In addition, Volkswagen is also playing a leading role in preparations for the EXPO 2000 in Hanover by helping to design the transport concept.

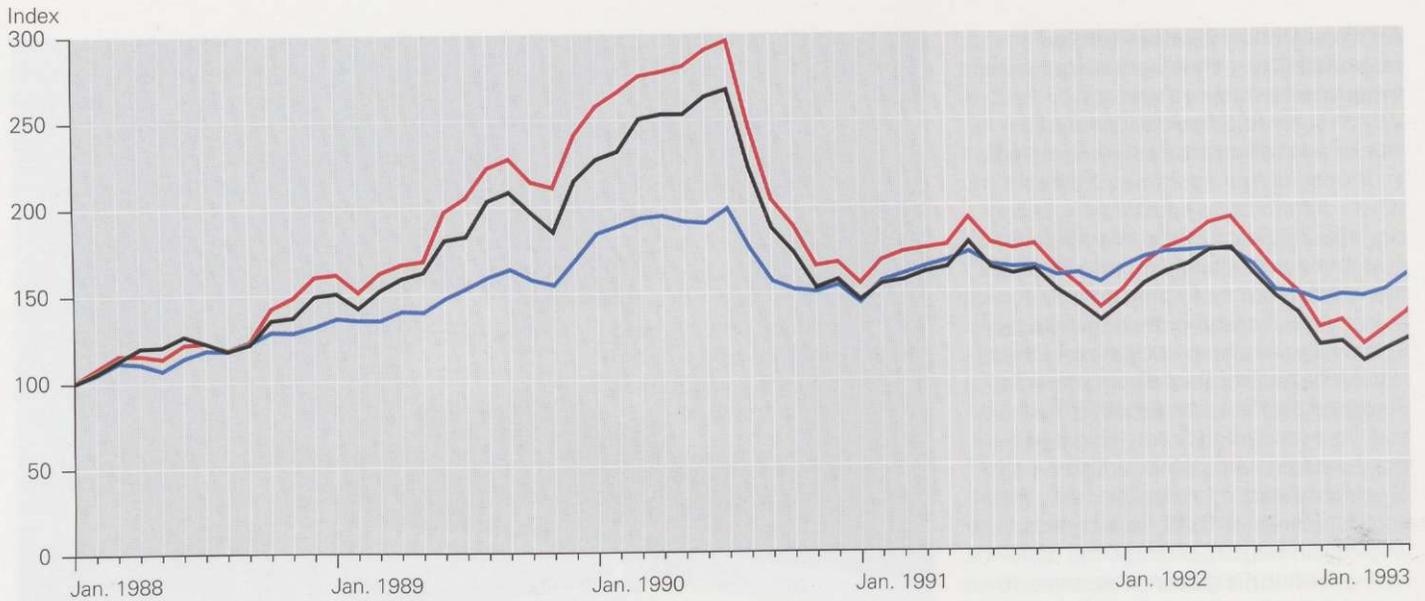
### **Volkswagen and global responsibility**

The social and ecological framework for the activities of companies today is changing on a global scale. What is therefore needed is a concept meeting these new requirements – in other words, a model for economic activity which improves living conditions without jeopardizing the well-being of future generations. Volkswagen thus took an active part in the initiative in which

companies joined forces to design such a concept prior to the 1992 United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro, at which 178 countries were represented. We also supported the conference by providing 155 Volkswagen vehicles bearing the UNCED logo.

Other Volkswagen activities have likewise focused on the growing importance of environmental protection in an international context. In November 1992, for example, a conference held in China – one of the major markets of the future – gave us the opportunity to present our know-how as regards both environment-friendly production methods and minimization of fuel consumption and exhaust emissions.

## The Volkswagen Share



Development of average monthly share prices

- Volkswagen ordinary shares
- Volkswagen preferred shares
- FAZ Index

### Dividend lower than previous year

The financial strains experienced in 1992 have made it necessary to adapt the dividend payment to the earnings situation. Including the tax credit of DM 1.13, eligible holders of ordinary and preferred shares will receive a total of DM 3.13 per share.

### Stock-market trends

The positive trend exhibited by the German stock market in the first six months of 1992 was followed in the latter half of the year by a decline in share prices occasioned in part by the German Federal Bank's restrictive monetary policy and the turmoil in the European Monetary System. The increasingly marked economic slowdown, above all during the second half of the year, also had an adverse effect. While automobile-company stocks – like the market as a whole – showed a satisfactory trend during the first six months of 1992, prices started to fall in the second half of the year.

The Volkswagen share did not remain unaffected by this development. However in the first two months of 1993 it showed improvements.



### Further shares issued to employees

Following the initial share-issue programme in 1991, the employees of Volkswagen AG and a number of domestic subsidiaries were once again given the opportunity in October 1992 to acquire shares on preferential terms. A high degree of interest was shown in this scheme, with employees subscribing to a total of 159,500 shares. This meant that the subscribed capital of Volkswagen AG rose by DM 7,975,000; the proportion of the capital held by employees increased to 1.3 %. Taking into account the premium of DM 185 per share, stockholders' equity rose by DM 37.5 million.

The issue of shares to employees is not just an important means of enabling employees to accumulate capital, but also reflects the Company's social obligation to its workforce. As an element of modern personnel policy,

issuing of shares on attractive terms also serves to demonstrate the Company's appreciation of the commitment and motivation displayed by its employees.

### Investor relations activities

We have long been pursuing a consistent strategy of listing Volkswagen shares on major stock exchanges abroad with the aim of making it easier for foreign investors to acquire them. This has led to steadily growing interest in the Company on the part of international investors. In order to meet this increased demand for information about Volkswagen, our Annual Report and quarterly reports are published in several languages.

We have also further stepped up our investor relations activities in recent years. The Annual Meeting of Stockholders, the Annual Report and the regular interim reports all serve as

means of communicating directly with our stockholders. We also hold presentations for financial analysts and institutional investors, particularly those abroad. These presentations and numerous individual meetings help to provide financial analysts and fund managers with detailed information about Volkswagen and promote the Company's image by means of personal contacts.

Key figures	1992	1991
<b>Number of shares in thousands</b>		
Ordinary shares Dec. 31	27,000	27,000
Preferred shares Dec. 31	6,289	6,129
<b>Dividend in DM</b>		
Ordinary share	2.00	11.00
Preferred share	2.00	12.00
<b>Tax credit in DM</b>		
Ordinary share	1.13	6.19
Preferred share	1.13	6.75

Ratios (per share)	1992	1991
Net earnings	DM 4.44	33.76
Earnings acc. to DVFA-SG*	DM 5.00	36.00
Cash flow	DM 211.42	216.15
Stockholders' equity**	DM 544.90	547.71

\* German Association for Financial Analysis and Investment Consultancy – Schmalenbach Society  
\*\* Including the shares issued to employees which do not carry dividend rights until January 1, 1993

## Finance

Development of short-term liquidity of the Volkswagen Group		DM million		
Additions to tangible assets and intangible assets			- 8,364	
Additions to financial assets (excluding bonds)			- 667	
Additions to leasing and rental assets			- 6,139	
Increase in inventories			- 687	
Increase in long and medium-term receivables			- 1,511	
<b>Use of funds</b>				<b>- 17,368</b>
Net earnings			+ 147	
Depr. of fixed assets, write-down of finan. assets and disp. of assets minus write-ups			+ 5,978	
Depreciation and disposal of leasing and rental assets			+ 5,075	
Increase in undetermined liabilities for pensions and similar obligations			+ 1,023	
Decrease in special items with an equity portion and special item for investment subs.			- 165	
Changes in reserves not affecting liquidity			+ 21	
<b>Current operations</b>				<b>+ 12,079</b>
Dividend payments to stockholders of Volkswagen AG in 1992			- 369	
Dividend payments to minorities			- 8	
Increase in long and medium-term liabilities			+ 4,013	
Capital increase in 1992 and transfer to reserves			+ 37	
Increase in stockholders' equity from first-time consolidation of ŠKODA and Volkswagen Bratislava			+ 378	
Decrease in other items			- 91	
<b>Financial transactions</b>				<b>+ 3,960</b>
<b>Change in liquidity position</b>				<b>- 1,329</b>

	Automobile sector Dec.31,92	Financ. serv./ Financing Dec.31,92	Volkswagen Group Dec.31,92	Volkswagen Group Dec.31,91	Change
Liquid funds	7,328	428	7,836	9,255	- 1,419
Securities	1,407	90	1,497	2,329	- 832
Bonds*	714	397	1,111	2,175	- 1,064
	<b>9,449</b>	<b>915</b>	<b>10,444</b>	<b>13,759</b>	<b>- 3,315</b>
Short-term receivables and financial assets	10,273	14,315	15,552	13,370	+ 2,182
	<b>19,722</b>	<b>15,230</b>	<b>25,996</b>	<b>27,129</b>	<b>- 1,133</b>
Short-term liabilities and undetermined liabilities (excluding liabilities due to banks)	- 20,123	- 5,962	- 17,733	- 17,388	- 345
Liabilities due to banks	- 4,703	- 9,153	- 13,856	- 14,005	+ 149
	<b>- 24,826</b>	<b>- 15,115</b>	<b>- 31,589</b>	<b>- 31,393</b>	<b>- 196</b>
<b>Total financial funds</b>	<b>- 5,104</b>	<b>115</b>	<b>- 5,593</b>	<b>- 4,264</b>	<b>- 1,329</b>
<b>Net liquidity (liquidity minus liabilities due to banks)</b>	<b>4,746</b>	<b>- 8,238</b>	<b>- 3,412</b>	<b>- 246</b>	<b>- 3,166</b>

\*Includes financial-assets items

### Development of financial ratios

Although the deterioration in the general economic situation had a highly adverse effect on earnings, the Volkswagen Group's financial position remains sound. The balance-sheet total increased by 7.4 % to DM 75.3 billion. The fall in the equity ratio from 25.9 % to 24.1 % resulted primarily from the increase in medium and long-term outside capital.

Cash flow decreased by 1.8 % to DM 7,004 million. Self-generated funds were thus sufficient to finance 75.7 % of capital investments. If depreciation and disposal of leasing and rental assets are taken into account, the overall cash flow rises to DM 12,079 million. This means that 78.5 % of capital investments, including additions to leasing and rental assets, were covered by cash flow. These figures once again reflect the Volkswagen Group's strong internal financing capacity.

Despite the use of funds for investment purposes, liquidity – comprising liquid funds and securities – remained at a high level, amounting to DM 9.3 billion. This figure rises to DM 10.4 billion if bonds are included. The previous year's figures were DM 11.6 billion and DM 13.8 billion respectively.

### An increasingly international financing policy

In 1992 the Volkswagen Group once again pursued a global financing policy in order to take account of the increasingly international nature of its operations. Modern instruments in the fields of liquidity, financial and risk management were used for the purpose of meeting the Group's increased requirements in this area.

Liquidity reserves were built up at an early stage on the basis of medium-term investment planning; they include syndicated credit facilities and bilateral credit lines amounting to DM 3.3 billion and US \$ 1.5 billion. We have availed ourselves directly of the opportunities offered by the international capital markets to finance scheduled investments by Volkswagen de Mexico and the First Automobile Works (FAW).

Negotiations are currently in progress with the International Finance Corporation (IFC – a World Bank subsidiary), the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) about funding for the hard-currency portions of ŠKODA's investments. It is anticipated that these negotiations will shortly be brought to a successful conclusion and we intend to place these financing packages during the first half of 1993.

The three criteria of liquidity, security and profitability once again formed the basis of our financing policy in 1992, ensuring a firm foundation for our key operations even in the face of more difficult economic conditions.

### Added value of Volkswagen AG

The added value indicates the increase in value generated by a company during a specific period and represents its contribution to the gross national product. In 1992 Volkswagen AG's added value rose by 6.3 % to DM 13,630 million. Of this total, 93.4 % accrued to the workforce, 2.0 % to the state, 3.6 % to creditors, 0.5 % to the Company and 0.5 % to stockholders.

Sources		DM million		1992	1991
Sales				53,182	47,328
plus other income				3,648	4,421
less expenditures				43,200	38,927
<b>Added value</b>				<b>13,630</b>	<b>12,822</b>

Distribution		DM million		1992		1991	
To:	In the form of:		%		%		%
The Workforce	Wages, salaries, fringe costs	12,735	93.4	11,497	89.6		
The State	Taxes, levies	279	2.0	484	3.8		
Creditors	Interest	484	3.6	392	3.1		
The Company	Transfer to reserves	66	0.5	80	0.6		
Stockholders	Dividend	66	0.5	369	2.9		
<b>Added value</b>		<b>13,630</b>	<b>100.0</b>	<b>12,822</b>	<b>100.0</b>		

## Structure of the Volkswagen AG balance sheet (DM million)

Assets	Dec.31,'92		Dec.31,'91	
		%		%
Fixed assets	18,176	50.6	18,332	51.0
Inventories	3,355	9.3	4,205	11.7
Receivables	9,243	25.7	7,432	20.7
Liquid funds	5,185	14.4	5,959	16.6
<b>Total assets</b>	<b>35,959</b>	<b>100.0</b>	<b>35,928</b>	<b>100.0</b>
Stockholders' equity and liabilities	Dec.31,'92		Dec.31,'91	
		%		%
Stockholders' equity	12,542	34.9	13,194	36.7
Long-term liabilities	6,789	18.9	6,047	16.8
Medium-term liabilities	6,196	17.2	5,321	14.8
Short-term liabilities	10,432	29.0	11,366	31.7
<b>Total capital</b>	<b>35,959</b>	<b>100.0</b>	<b>35,928</b>	<b>100.0</b>

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

	1992		1991	
		%		%
<b>Sales</b>	<b>53,182</b>	<b>100.0</b>	<b>47,328</b>	<b>100.0</b>
Cost of sales	51,200	96.3	44,932	94.9
<b>Gross profit</b>	<b>+ 1,982</b>	<b>3.7</b>	<b>+ 2,396</b>	<b>5.1</b>
Selling, distribution and administration expenses	3,872	7.3	3,538	7.5
Other operating income and expenses	+ 1,120	2.1	+ 257	0.5
Financial results	+ 952	1.8	+ 1,596	3.4
<b>Results from ordinary business activities</b>	<b>+ 182</b>	<b>0.3</b>	<b>+ 711</b>	<b>1.5</b>
Taxes	50	0.1	264	0.6
<b>Net earnings</b>	<b>132</b>	<b>0.2</b>	<b>447</b>	<b>0.9</b>

Financial Statements of the Volkswagen Group for the Fiscal Year  
 Ended December 31, 1992

Balance Sheet of the Volkswagen Group, December 31, 1992 – DM million –

Assets	Note	Dec. 31, 1992	Dec. 31, 1991
<b>Fixed assets</b>	(1)		
Intangible assets		631	372
Tangible assets		24,050	21,126
Financial assets		2,747	2,655
Leasing and rental assets		7,393	6,293
		<b>34,821</b>	<b>30,446</b>
<b>Current assets</b>			
Inventories	(2)	9,736	9,049
Receivables and other assets	(3)	21,065	18,675
Securities	(4)	1,497	2,329
Cash on hand, deposits at German Federal Bank and postal giro balances, cash in banks		7,836	9,255
		<b>40,134</b>	<b>39,308</b>
<b>Prepaid and deferred charges</b>	(5)	<b>329</b>	<b>336</b>
<b>Balance-sheet total</b>		<b>75,284</b>	<b>70,090</b>
<b>Stockholders' equity and liabilities</b>			
<b>Stockholders' equity</b>			
Subscribed capital of Volkswagen AG	(6)	1,664	1,656
Ordinary shares	1,350		
Non-voting preferred shares	314		
Potential capital	498		
Capital reserve	(7)	4,253	4,223
Revenue reserves	(8)	7,547	7,875
Net earnings available for distribution		71	373
Minority interest in consolidated subsidiaries		927	176
		<b>14,462</b>	<b>14,303</b>
<b>Special items with an equity portion</b>	(9)	<b>3,659</b>	<b>3,823</b>
<b>Special item for investment subsidies</b>	(10)	<b>18</b>	<b>19</b>
<b>Undetermined liabilities</b>	(11)	<b>22,209</b>	<b>20,282</b>
<b>Liabilities</b>	(12)	<b>34,231</b>	<b>31,046</b>
<b>Deferred income</b>		<b>705</b>	<b>617</b>
<b>Balance-sheet total</b>		<b>75,284</b>	<b>70,090</b>

## Financial Statements of the Volkswagen Group for the Fiscal Year Ended December 31, 1992

### Statement of Earnings of the Volkswagen Group for the Fiscal Year Ended December 31, 1992 – DM million –

	Note	1992	1991
<b>Sales</b>	(13)	<b>85,403</b>	<b>76,315</b>
Cost of sales		79,155	69,472
<b>Gross profit</b>		<b>+ 6,248</b>	<b>+ 6,843</b>
Selling and distribution expenses		5,661	5,414
General administration expenses		2,316	2,185
Other operating income	(14)	4,246	4,406
Other operating expenses	(15)	2,634	3,104
Results from participations	(16)	+ 55	+ 97
Interest results	(17)	+ 739	+ 1,228
Write-down of financial assets and securities classified as current assets		75	86
<b>Results from ordinary business activities</b>		<b>+ 602</b>	<b>+ 1,785</b>
Taxes on income		455	671
<b>Net earnings</b>	(18)	<b>147</b>	<b>1,114</b>

## Notes on the Financial Statements of the Volkswagen Group for the Fiscal Year Ended December 31, 1992

### Financial statements in accordance with commercial law

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

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

national comparability, the statement of earnings has been prepared according to the cost of sales method.

### Scope of consolidation

The fully consolidated Group companies comprise all companies in which Volkswagen AG has a direct or indirect interest of over 50 % and which are under management control of the parent company. Apart from Volkswagen AG, this involves 25 German Group companies and 60 foreign Group companies.

Three newly established companies and a further five sub-

sidiaries which were not consolidated in 1991 were included in the consolidated financial statements for the first time in the year under report. These include ŠKODA group companies, Volkswagen Bratislava, spol. s r. o. and two financial services companies. Six subsidiaries have been included in the consolidated financial statements on the basis of the proportionate stockholders' equity.

Nine German and 24 foreign subsidiaries were not consolidated. The companies in question are subsidiaries which conduct little or no business.

The AUTOLATINA companies and Europcar International S.A., Boulogne-Billancourt, which are run as joint ventures, are included in the consolidated financial statements, along with their subsidiaries, on a pro rata basis in accordance with the percentage holding of Volkswagen AG and in line with the provisions to be applied for full consolidation. Altogether, this involves 35 companies consolidated on a pro rata basis.

New associated companies comprise a newly established German company and two foreign companies in which shares have been acquired. In addition, three foreign companies in respect of which our interest had hitherto been valued at acquisition cost have now been included in the consolidated financial statements on the basis of the proportionate stockholders' equity.

28 German and 15 foreign companies in which participations are held and on which Volkswagen AG or another Group company exerts a significant influence are included in the consolidated financial statements as associated companies on the basis of the proportionate stockholders' equity or – where the participation in question is not of major significance – at book value.

An overview of the major fully consolidated Group companies, joint ventures, associated companies and other companies in which participations are held is given on pages 14 and 15.

A list detailing all interests held by the Volkswagen Group is deposited in the

Wolfsburg register of companies under HRB 215. It can also be obtained direct from Volkswagen AG\*.

### Consolidation principles

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

Capital consolidation for the companies included in the consolidated financial statements for the first time and determination of figures for associated companies are carried out at the time of acquisition on the basis of the revaluation method.

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

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

Consolidation operations affecting results are subject to apportionment of deferred taxes. Deferred tax liabilities

in connection with consolidation operations are set off against the assets-side balance of deferred taxes from the individual companies' financial statements, although these last-mentioned deferred taxes are not shown in the balance sheets.

### Translation of currencies

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

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

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

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

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

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

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

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

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

# Notes on the Financial Statements of the Volkswagen Group for the Fiscal Year Ended December 31, 1992

## Accounting and valuation principles

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

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

**Tangible assets and leasing and rental assets** are valued at acquisition or manufacturing cost minus depreciation. Investment subsidies are deducted or depreciated. Manufacturing cost is determined on the basis of the directly attributable cost of materials and labour cost as well as proportionate material overheads and production overheads including depreciation. Administration expenses are not taken into account. Planning services furnished within the Group in connection with the construction of complete plants for subsidiaries have been capitalized.

The regular depreciation is based on the following useful lives:

Buildings 25 – 50 years

Technical buildings and site utilities 8 – 20 years

Production machinery 6 – 8 years

Power generators 14 years

Factory and office equipment 4 – 8 years

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

On the basis of the opportunities offered by tax law, Group companies in Germany charge

regular depreciation on tangible assets pro rata temporis – in contrast to the principle applied in the financial statements of Volkswagen AG – using the declining-balance method with a scheduled changeover to the straight-line method at a later date, in each case taking account of the number of shifts run. The straight-line method is applied to assets on which special depreciation is charged. Group companies abroad use the straight-line method. Application of the different depreciation methods takes account, among other things, of the differing decreases in value resulting from technical progress.

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

Differences between the values required under commercial law and those permitted under tax law are shown under the special items with an equity portion.

**Holdings in affiliated and associated companies** – if not valued on the basis of the equity method – and other **participations** are shown at acquisition cost or the lower applicable value.

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

**Loans** are stated at cash value.

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

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

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

**Receivables and other assets** are stated at the nominal amount. Provision is made for discernible individual risks and general credit risks by way of appropriate value adjustments. In contrast to the principle applied in the financial statements of Volkswagen AG, receivables in foreign currencies are valued at the middle rates applying on the balance-sheet date or the rates agreed in respect of these receivables.

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

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

Provision is made for discernible risks and uncertain liabilities by way of adequate allo-

cations to **undetermined liabilities**.

**Liabilities** are shown at the amount at which they must be repaid or the amount required for fulfilment of the obligation in question. In contrast to the principle applied in the financial statements of Volkswagen AG, liabilities in foreign currencies are valued at the middle rates applying on the balance-sheet date or the rates agreed in respect of these liabilities.

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

In the statement of earnings, expenses are allocated to the fields of production, selling/distribution and general administration on the basis of cost-accounting rules.

**Cost of sales** comprises all expenses relating to production and material procurement, all expenses relating to merchandise, research and development costs and expenses in connection with warranties and product liability.

**Selling and distribution expenses** comprise labour cost and cost of materials for our selling and distribution departments as well as costs in connection with freight, advertising, sales promotion, market research and service. Changes in the allocation system have led to a lower figure being shown for selling and distribution expenses and a higher figure for cost of sales. The 1991 figures have been adjusted accordingly.

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

**Other taxes** totalling DM 444 million (1991: DM 336 million) are allocated to the individual functional areas.

## Notes on the Balance Sheet

### (1) Fixed assets

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

The book value of the Volkswagen Group's fixed assets, totalling DM 34,821 million, comprises intangible, tangible, financial and leasing and rental assets.

Additions to fixed assets were as follows:

	1992 DM million	1991 DM million
Intangible assets	337	178
Tangible assets	8,027	8,351
Financial assets	890	1,381
Leasing and rental assets	6,139	4,961

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

acquisition of shares in two associated companies.

Extraordinary depreciation and discounting were as follows:

	1992 DM million	1991 DM million
Tangible assets	17	8
Financial assets	94	80
	<b>111</b>	<b>88</b>

Notes on the Balance Sheet

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

	Acquisition or manufacturing cost Jan. 1, 1992	Amounts brought forward <sup>1)</sup>
<b>Intangible Assets<sup>2)</sup></b>		
Concessions, industrial and similar rights and licences in such rights	262	0
Payments on account	200	–
	<b>462</b>	<b>0</b>
<b>Tangible Assets</b>		
Land, land rights and buildings incl. buildings on land owned by others	13,145	255
Technical equipment and machinery	20,404	236
Other equipment and factory and office equipment	17,357	50
Payments on account and construction in progress	4,711	37
	<b>55,617</b>	<b>578</b>
<b>Financial Assets</b>		
Holdings in affiliated companies	691	–
Loans to affiliated companies	1	–
Holdings in associated companies	410	–
Participations	731	–
Loans to associated companies and companies linked through participation	18	–
Long-term financial investments	1,057	–
Other loans	942	–
Other financial assets	49	–
	<b>3,899</b>	<b>–</b>
	<b>59,978</b>	<b>578</b>
<b>Leasing and Rental Assets</b>		
	<b>9,798</b>	<b>–</b>

<sup>1)</sup> Amounts brought forward in respect of companies consolidated for the first time  
<sup>2)</sup> Acquired goodwill has been set off against the revenue reserves.  
<sup>3)</sup> Including exchange rate differences in the amount of DM – 38 million  
<sup>4)</sup> Including exchange rate differences in the amount of DM 29 million  
<sup>5)</sup> Including exchange rate differences in the amount of DM – 57 million  
<sup>6)</sup> Including exchange rate differences in the amount of DM 23 million

Additions	Transfers	Disposals	Acquisition or manufacturing cost Dec. 31, 1992	Accumulated depreciation	Write-ups (current year)	Book-values Dec. 31, 1992	Depreciation (current year)
94	5	43	318	121	–	197	72
234	0	0	434	–	–	434	–
<b>328</b>	<b>5</b>	<b>43</b>	<b>752</b>	<b>121</b>	<b>–</b>	<b>631</b>	<b>72</b>
654	702	95	14,661	7,335	0	7,326	478
1,062	1,152	642	22,212	16,620	–	5,592	1,833
2,078	1,143	1,098	19,530	13,708	0	5,822	2,560
3,656	–3,003	90	5,311	1	–	5,310	–
<b>7,450</b>	<b>– 6</b>	<b>1,925</b>	<b>61,714</b>	<b>37,664</b>	<b>0</b>	<b>24,050</b>	<b>4,871</b>
90	0	676	105	4	–	101	0
1	–	0	2	–	–	2	–
315	0	71	654	41	0	613	15
21	–	–	752	670	–	82	49
1	–	13	6	5	0	1	–
225	–	2	1,280	21	–	1,259	2
230	0	20 <sup>3)</sup>	1,152	574 <sup>4)</sup>	107	685	26
7	–	7	49	45	–	4	2
<b>890</b>	<b>–</b>	<b>789</b>	<b>4,000</b>	<b>1,360</b>	<b>107</b>	<b>2,747</b>	<b>94</b>
<b>8,668</b>	<b>– 1</b>	<b>2,757</b>	<b>66,466</b>	<b>39,145</b>	<b>107</b>	<b>27,428</b>	<b>5,037</b>
6,139	1	4,443 <sup>5)</sup>	11,495	4,102 <sup>6)</sup>	–	7,393	2,758
						<b>34,821</b>	

## Notes on the Balance Sheet

### (2) Inventories

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Raw materials and supplies	2,261	2,247
Work in progress	1,970	2,325
Finished goods and merchandise	5,492	4,445
Advance payments	13	32
	<b>9,736</b>	<b>9,049</b>

### (3) Receivables and other assets

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Trade receivables	3,856	3,325
– of which amounts due in more than one year	( – )	( 1 )
Receivables from affiliated companies	198	25
– of which trade receivables	( 71 )	( 8 )
Receivables from companies in which participations are held	607	299
– of which trade receivables	( 491 )	( 71 )
Other current assets	16,404	15,026
– of which amounts due in more than one year	( 5,706 )	( 4,195 )
	<b>21,065</b>	<b>18,675</b>

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

### (4) Securities

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Treasury stock	6	6
Other securities	1,491	2,323
	<b>1,497</b>	<b>2,329</b>

Volkswagen AG holds treasury stock in the form of 76,663 shares, comprising 76,467 ordinary shares and 196 preferred shares with a total nominal value of DM 3,833,150; this corresponds to 0.2 % of the subscribed capital. The ordinary shares were acquired in 1971 in connection with a conversion offer to Audi stockholders on the occasion of a capital increase. The preferred shares represent the residual shares in connection with the issue of 159,500 shares with a value of DM 50 each – giving a total nominal value of DM 7,975,000 (= 0.5 % of the subscribed capital) – to employees in November 1992. The issue price was

### (5) Prepaid and deferred charges

This item comprises for the most part those amounts not yet dissolved and charged to interest expenses in respect of the contra items to the transfers to the capital re-

### (6) Subscribed capital

Following the capital increase effected in 1992 – utilizing part of the existing authorized capital stock – through the issue to employees of non-voting preferred shares with a total value of DM 8 million, the subscribed capital now amounts to DM 1,664 million. The subscribed capital is composed of 27,000,000 ordinary shares with nominal value of

DM 235.00 per share and the subscription price for employees DM 117.50.

Out of the 100 preferred shares held at December 31, 1991 and stemming from the capital increase effected in 1991, 86 have been issued to employees at a subscription price of DM 165.50 per share. The remaining 14 shares have been issued at a price of DM 208.00 per share. The reserve required by law for treasury stock exists in the amount of the relevant balance-sheet value.

"Other securities" relate primarily to short-term money market papers held by various Group companies.

serve made in connection with the issue of warrants with low-interest bonds. The amount in question here is DM 155 million (1991: DM 176 million).

50 DM and 6,288,500 non-voting preferred shares with nominal value of 50 DM. In addition, there is an authorized capital stock of DM 150 million expiring on June 30, 1994, a second authorized capital stock of DM 150 million expiring on June 30, 1995 and a third authorized capital stock of DM 136 million expiring on June 30, 1996. A

potential capital stock of DM 98 million can be utilized in full by the holders of the 192,000 warrants attaching to the option bonds issued in 1986. A further potential capital stock of DM 200 million can be utilized up to a total of DM 194 million by the holders of the 944,000 warrants attaching to the option bonds issued in 1988. In addition, capital stock has been raised conditionally by DM 200 milli-

### (7) Capital reserve

The capital reserve comprises exclusively premiums on capital increases and the issue of option bonds. A total of DM 30 million was transferred to

### (8) Revenue reserves

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Legal reserve	60	60
Reserve for treasury stock	5	6
Other revenue reserves	7,482	7,809
	<b>7,547</b>	<b>7,875</b>

A total of DM 66 million was transferred from the net earnings of the parent company to "Other revenue reserves" in accordance with § 58 subsection 2 of the German Corporation Act. A total amount of DM 275 million in respect of goodwill deriving from initial

### (9) Special items with an equity portion

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Reserves for tax purposes	193	597
Depreciation for tax purposes	3,466	3,226
	<b>3,659</b>	<b>3,823</b>

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

the capital reserve in 1992 in connection with the increase in the capital stock of Volkswagen AG.

consolidation of one company, goodwill deriving in two cases from initial valuation according to the equity method and badwill deriving in one case from initial application of this method has been set off against "Other revenue reserves".

The Volkswagen Group has reserves in accordance with § 3 subsection 2a of the Border Area Promotion Act, § 1 of the Developing Countries Tax Act, § 52 subsection 8 of the Income Tax Act, § 2 of the East German Investments Act and § 6b of the Income Tax Act/Section 35 of the Income Tax Guidelines. Depreciation for tax purposes comprises value adjustments in accordance with § 3 subsection 2 of the Border Area Promotion Act, § 4 of the Development Area Act, § 7d of the Income Tax Act, § 6b of the Income Tax Act/Section 35 of the Income Tax Guidelines, § 14 of the Berlin Promotion Act, § 82d of the Income Tax Directive, § 82a of the Income Tax Directive and § 80 of the Income Tax Directive.

### (10) Special item for investment subsidies

The special item for investment subsidies, amounting to DM 18 million (1991: DM 19

### (11) Undetermined liabilities

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Undetermined liabilities for pensions and similar obligations	9,113	8,089
Undetermined liabilities in respect of taxes	1,773	2,032
Other undetermined liabilities	11,323	10,161
	<b>22,209</b>	<b>20,282</b>

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

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

Two foreign companies have created special items with an equity portion on the basis of corresponding regulations.

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

which have already been occasioned, among other things in connection with model changes. The settling of the undetermined liabilities led to reduced expenses in 1992. Without these measures, pre-tax earnings would have been 16 % lower (1991: 17 % lower).

## Notes on the Balance Sheet

### (12) Liabilities

	Total Dec. 31, 1992	of which payable within up to 1 year	Total Dec. 31, 1991	of which payable within up to 1 year
	DM million	DM million	DM million	DM million
Loans	3,518	46	3,436	722
– of which convertible	(1,290)	( – )	( 50)	( – )
Liabilities due to banks	19,119	13,809	16,219	13,283
Advance payments received	123	123	127	127
Trade payables	5,440	5,372	5,769	5,743
Notes payable	139	131	97	93
Amounts payable to affiliated companies	50	50	6	6
Amounts payable to companies in which participations are held	165	165	69	69
Other liabilities	5,678	4,175	5,323	3,654
– of which taxes	( 751)	( 751)	( 504)	( 504)
– of which in respect of social insurance	( 487)	( 485)	( 493)	( 484)
	<b>34,231</b>	<b>23,871</b>	<b>31,046</b>	<b>23,697</b>

The total liabilities payable within more than five years amount to DM 4,557 million (1991: DM 3,813 million). Of the liabilities shown in the consolidated balance sheet, a total of DM 1,679 million (1991: DM 1,392 million) is

secured, for the most part, through charges on real estate. There are also securities in the form of transfer of ownership and, in the case of supply of goods, the usual retention of title.

### Contingencies and commitments

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Contingent liabilities with respect to notes	299	536
Contingent liabilities with respect to guarantees	140	132
Contingent liabilities with respect to warranties	200	62
Pledges on company assets to secure another party's liabilities	14	15

The trust assets and liabilities not included in the consolidated balance sheet in respect of the savings associations and trust companies belonging to the AUTOLATINA group amount to DM 399 million (1991: DM 374 million).

The Commission of the European Communities has opened proceedings to investigate the legality of the investment subsidies granted to two subsidiaries in the new federal states of Germany.

### Other financial obligations

Financial obligations totalling DM 815 million and relating primarily to capital contributions exist up to 1997 in connection with our commitments in the new federal states of Germany and in China and Taiwan, as well as our joint project with Ford in Portugal.

In addition, the Volkswagen Group's other financial obligations from long-term rental and leasing contracts amount annually to some DM 605 million. This figure includes payment obligations towards two associated leasing companies in the form of future leasing instalments on the basis of average terms of 35 months; these obligations amount to DM 311 million for 1993 and

are matched by corresponding claims on customers. The obligations in respect of capital investment projects have remained at the usual level.

## Notes on the Statement of Earnings

### (13) Sales

	1992		1991	
	DM million	Share %	DM million	Share %
Germany	39,508	46.3	36,360	47.6
Europe (excl. Germany)	31,540	36.9	26,825	35.2
North America	3,774	4.4	3,984	5.2
Latin America	6,345	7.4	5,706	7.5
Africa	1,312	1.6	1,504	2.0
Asia/Oceania	2,924	3.4	1,936	2.5
<b>Total</b>	<b>85,403</b>	<b>100.0</b>	<b>76,315</b>	<b>100.0</b>

Vehicle sales of the Volkswagen Group in 1992 accounted for 78 % of sales proceeds, and parts sales for 8 %. 14 % related to other

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

### (14) Other operating income

	1992 DM million	1991 DM million
Other operating income	4,246	4,406
– of which income from elimination of special items with an equity portion	(571)	(678)

Apart from income from elimination of special items with an equity portion, other operating income resulted primarily from elimination of undetermined liabilities, differences

from the translation of the items in the statements of earnings of consolidated foreign companies and handling of foreign exchange transactions.

## Notes on the Statement of Earnings

### (15) Other operating expenses

	1992 DM million	1991 DM million
Other operating expenses	2,634	3,104
– of which transfers to special items with an equity portion	(406)	(1,619)
In addition to transfers to the special items with an equity portion, other operating expenses include in particular depreciation of current assets, expenses incurred in connection with handling of	foreign exchange transactions and expenses for various risks. Depreciation for tax purposes was charged in the amount of DM 388 million (1991: DM 1,112 million), solely in respect of fixed assets.	

### (16) Results from participations

	1992 DM million	1991 DM million
Income from participations	222	111
– of which from affiliated companies	(20)	(0)
– of which from associated companies	(175)	(109)
Income from profit assumption agreements	0	1
Expenses from holdings in associated companies	99	13
Expenses from loss assumptions	68	2
	<b>55</b>	<b>97</b>

### (17) Interest results

	1992 DM million	1991 DM million
Income from other securities and long-term loans	84	102
Other interest and similar income	3,165	2,808
– of which from affiliated companies	(5)	(0)
Interest and similar expenses	2,510	1,682
– of which to affiliated companies	(3)	(0)
	<b>739</b>	<b>1,228</b>

### (18) Net earnings

The net earnings have been influenced by expenses attributable to other fiscal years amounting to DM 581 million (1991: DM 396 million) and income not relating to the period under report totalling DM 854 million (1991: DM 1,547 million).

The net earnings of the Volkswagen Group have been increased as a result of tax-related measures. These mainly involve the necessary elimination of special items in accordance with § 3 subsections 2 and 2a of the Border Area Promotion Act, which were matched by special depreciation in

accordance with § 4 of the Act concerning Special Depreciation and Deductions in Development Areas (Development Area Act). As a consequence of these measures as well as the resultant influence on tax expenses, the net earnings shown for the Volkswagen Group are 84 % higher (1991: 26 % lower) than the figure which would otherwise have been shown.

Net earnings include minority interests in profit totalling DM 70 million (1991: DM 18 million) and minority shares in losses amounting to DM 1 million (1991: DM 7 million).

### Total expenses for the period

	1992 DM million	1991 DM million
<b>Cost of materials</b>		
Raw materials and supplies, purchased goods	49,128	42,138
Purchased services	5,689	4,901
	<b>54,817</b>	<b>47,039</b>

### Labour cost

	1992	1991
Wages and salaries	16,390	14,967
Social insurance and pension costs	4,363	3,905
– of which in respect of pensions	(1,430)	(1,186)
	<b>20,753</b>	<b>18,872</b>

## Other Particulars

### Average numbers of employees during the year

	1992	1991 (incl. ŠKODA)
Wage-earners	145,620	145,544
Salaried workers	64,965	70,389
Salaried staff	62,724	61,142
	<b>273,309</b>	<b>277,075</b>
Apprentices	8,340	8,751
	<b>281,649</b>	<b>285,826</b>

The AUTOLATINA group employed an average of 50,865 people (1991: 51,386). The average number of persons employed by the Europcar group was 4,508 (1991: 4,700). The numbers of people employed by these companies have been included in the Group figure pro rata on the basis of

Volkswagen AG's percentage holding.

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

The remuneration of the members of the Board of Management for the fiscal year 1992 in respect of the Volkswagen Group totalled DM 10,221,443.

Retired members of the Board of Management and their surviving dependants received DM 7,864,426. These payments are covered by undetermined liabilities for current pensions, amounting to DM 78,122,419.

The remuneration of the Supervisory Board amounted to DM 1,079,000.

Loans totalling DM 199,000 have been granted to members of the Supervisory Board (amount redeemed in 1992: DM 30,000). The loans have an interest rate of 4 % and an agreed term of 12.5 years.

Wolfsburg, February 21, 1993

**VOLKSWAGEN AKTIENGESELLSCHAFT**  
The Board of Management

### Audit certificate

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

Hanover, February 24, 1993

C&L TREUARBEIT  
DEUTSCHE REVISION  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Siepe  
Wirtschaftsprüfer

Dr. Heine  
Wirtschaftsprüfer

## The Volkswagen Group in Figures

	1983	1984	1985	1986	1987
<b>Sales</b> (DM million)	40,089	45,671	52,202	52,794	54,635
Change on previous year in %	7	14	15	1	3
Domestic	14,453	14,638	16,171	18,839	22,555
Abroad	25,636	31,033	36,331	33,955	32,080
Export of domestic Group companies	15,460	20,108	24,025	23,414	22,898
Net contribution of foreign Group companies	11,812	12,864	14,698	14,127	13,080
<b>Vehicle Sales</b> (thousand units)	2,127	2,145	2,398	2,758	2,774
Change on previous year in %	0	1	12	15	1
Domestic	750	708	722	838	921
Abroad	1,377	1,437	1,676	1,920	1,853
<b>Production</b> (thousand units)	2,116	2,148	2,398	2,777	2,771
Change on previous year in %	- 1	2	12	16	0
Domestic	1,413	1,474	1,635	1,654	1,666
Abroad	703	674	763	1,123	1,105
<b>Workforce</b> (thousand employees) <sup>1)</sup>	232	238	259	276	260
Change on previous year in %	- 3	3	9	7	- 6
Domestic	156	160	170	169	170
Abroad	76	78	89	107	90
<b>Capital Investments</b> (DM million) <sup>2)</sup>	4,858	2,782	3,388	6,371	4,592
Change on previous year in %	- 1	x	22	88	- 28
Domestic	3,476	1,889	2,508	3,849	4,000
Abroad	1,382	893	880	2,522	592
<b>Additions to Leasing and Rental Assets</b> (DM million)		2,021	3,217	2,738	3,318
Change on previous year in %			59	- 15	21
<b>Cash Flow</b> (DM million) <sup>3)</sup>	5,207	4,081	4,558	4,285	4,874
Change on previous year in %	51	x	12	- 6	14
<b>Net Earnings/Loss</b> (DM million)	- 215	228	596	580	598
<b>Dividend of Volkswagen AG</b> (DM million)		120	240	306	306
Ordinary shares (DM million)		120	240	240	240
Preferred shares (DM million)				66	66

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

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

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

<sup>4)</sup> ŠKODA, automobilová a. s. was included in the consolidated figures for the first time in 1992. For 1991 the quantitative data in respect of the abbreviated fiscal year (April 16 to December 31, 1991) have been taken into account, whereas the financial data have not been adjusted.

	1988	1989	1990	1991	1992 <sup>4)</sup>	
	59,221	65,352	68,061	76,315	85,403	<b>Sales</b> (DM million)
	8	10	4	12	12	Change on previous year in %
	22,653	23,682	26,929	36,360	39,508	Domestic
	36,568	41,670	41,132	39,955	45,895	Abroad
	24,395	27,601	28,323	28,093	33,884	Export of domestic Group companies
	15,961	18,256	18,242	18,809	15,412	Net contribution of foreign Group companies
	2,854	2,941	3,030	3,237	3,433	<b>Vehicle Sales</b> (thousand units)
	3	3	3	7	6	Change on previous year in %
	848	849	945	1,264	1,211	Domestic
	2,006	2,092	2,085	1,973	2,222	Abroad
	2,848	2,948	3,058	3,238	3,500	<b>Production</b> (thousand units)
	3	4	4	6	8	Change on previous year in %
	1,694	1,783	1,816	1,814	1,929	Domestic
	1,154	1,165	1,242	1,424	1,571	Abroad
	252	251	261	277	273	<b>Workforce</b> (thousand employees) <sup>1)</sup>
	- 3	- 1	4	6	- 1	Change on previous year in %
	165	161	166	167	164	Domestic
	87	90	95	110	109	Abroad
	4,251	5,606	5,372	9,910	9,254	<b>Capital Investments</b> (DM million) <sup>2)</sup>
	- 7	32	- 4	84	- 7	Change on previous year in %
	3,546	4,477	3,016	6,311	4,853	Domestic
	705	1,129	2,356	3,599	4,401	Abroad
	3,447	4,069	4,419	4,961	6,139	<b>Additions to Leasing and Rental Assets</b> (DM million)
	4	18	9	12	24	Change on previous year in %
	5,018	5,412	5,701	7,133	7,004	<b>Cash Flow</b> (DM million) <sup>3)</sup>
	3	8	5	25	- 2	Change on previous year in %
	780	1,038	1,086	1,114	147	<b>Net Earnings/Loss</b> (DM million)
	306	336	369	369	66	<b>Dividend of Volkswagen AG</b> (DM million)
	240	264	297	297	54	Ordinary shares (DM million)
	66	72	72	72	12	Preferred shares (DM million)

## The Volkswagen Group in Figures

### Balance-sheet Structure (DM million)

December 31	1983	1984	1985	1986 <sup>1)</sup>	1987 <sup>1)</sup>	1988 <sup>1)</sup>
<b>Assets</b>				2	29	76
Tangible assets	11,801	9,082	8,740	12,111	13,406	13,836
Financial assets	464	544	574	1,099	1,125	1,304
Leasing and rental assets		2,433	3,717	4,106	4,919	5,427
<b>Fixed assets</b>	12,265	12,059	13,031	17,318	19,479	20,643
Inventories and advance payments to suppliers	5,878	6,654	6,348	6,802	6,618	6,506
Receivables and the like	6,269	7,388	7,157	8,675	9,403	11,848
Liquid funds, trade accept.	1,815	5,253	4,326	364	426	488
Securities, treasury stock	2,528	1,588	3,960	8,553	8,135	10,809
<b>Current Assets</b>	16,490	20,883	21,791	24,394	24,582	29,651
<b>Total Assets</b>	28,755	32,942	34,822	41,712	44,061	50,294
<b>Stockholders' Equity a. Liab.</b>						
Capital stock	1,200	1,200	1,200	1,500	1,500	1,500
Reserves of the Group	5,227	5,165	5,929	7,891	8,496	9,040
Minority inter. i. consol. subs.	281	320	266	408	405	405
<b>Stockholders' Equity</b>	6,708	6,685	7,395	307	308	308
Undetermined liabilities in respect of old-age pensions	4,235	4,739	5,029	3	17	42
Other undetermined liabilities	5,597	7,417	9,343	1,828	2,203	2,452
				10	9	9
<b>Undetermined Liabilities</b>	9,832	12,156	14,372	11,947	12,938	13,756
Liabilities payable within more than				5,294	5,889	6,314
4 years	1,283	992	947	992	925	1,358
1 to 4 years	1,004	1,411	1,291	8,228	8,050	9,418
up to 1 year	9,925	11,570	10,569	14,514	14,864	17,090
<b>Liabilities</b>	12,212	13,973	12,807			
Net earnings available for distribution (Volkswagen AG)		124	244	1,344	1,217	1,929
Minority interest in earnings to be distributed	3	4	4	1,456	1,999	2,121
				12,451	13,043	15,398
				15,251	16,259	19,448
<b>Outside Capital</b>	22,047	26,257	27,427	29,765	31,123	36,538
<b>Total Capital</b>	28,755	32,942	34,822	41,712	44,061	50,294

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

Gross performance	40,680	46,772	52,709	52,794	54,635	59,221
Cost of materials	20,852	23,824	26,623	46,746	48,526	51,315
Labour cost	12,371	13,227	13,913			
Depreciation and write-down	3,689	2,961	3,411	5,380	5,498	6,321
Depreciation on leasing and rental assets		1,060	1,259	632	931	38
Taxes	580	1,368	2,124	295	68	513
on income, earnings and property				1,595	1,610	2,136
	494	1,266	1,993	-473	-443	-
Sundry expenses less sundry income	3,403	4,104	4,783	542	569	1,356
Net earnings/Loss	-215	228	596	580	598	780

### Balance-sheet Structure (DM million) December 31

1989 <sup>1)</sup>	1990 <sup>1)</sup>	1991 <sup>1)</sup>	1992 <sup>1)</sup>	Change 1992/91 in %	Balance-sheet Structure (DM million) December 31
134	261	372	631	69.8	<b>Assets</b>
15,493	16,826	21,126	24,050	13.8	Intangible assets
1,621	1,418	2,655	2,747	3.5	Tangible assets
5,561	5,834	6,293	7,393	17.5	Financial assets
22,809	24,339	30,446	34,821	14.4	Leasing and rental assets
7,301	8,703	9,049	9,736	7.6	<b>Fixed assets</b>
					Inventories
					Receivables and other assets
14,472	15,065	19,011	21,394	12.5	Securities
2,360	2,764	2,329	1,497	-35.7	Liquid funds
9,929	11,842	9,255	7,836	-15.3	<b>Current Assets</b>
34,062	38,374	39,644	40,463	2.1	<b>Total Assets</b>
56,871	62,713	70,090	75,284	7.4	<b>Stockholders' Equity and Liabilities</b>
					Subscribed capital
1,500	1,650	1,656	1,664	0.5	Reserves of the Group
9,667	11,491	12,098	11,800	-2.5	Minority interest in consolidated subsid.
439	145	164	859	x	Net earnings available for distribution
339	374	373	71	-80.9	Minority interest in net earnings to be distributed
					Special items with an equity portion
54	33	12	68	x	Special item for investment subsidies
2,925	2,882	3,823	3,659	-4.3	<b>Stockholders' Equity</b>
12	13	19	18	-5.3	Undetermined liabilities (pensions)
14,936	16,588	18,145	18,139	0	Undetermined liabilities (taxes)
6,652	7,283	8,089	9,113	12.7	Other undetermined liabilities
2,001	1,828	2,032	1,773	-12.8	<b>Undetermined Liabilities</b>
10,454	10,680	10,161	11,323	11.4	Liabilities payable within more than 5 years
19,107	19,791	20,282	22,209	9.5	1 to 5 years
					up to 1 year
1,934	1,840	3,813	4,557	19.5	<b>Liabilities</b>
3,289	3,339	3,900	6,222	59.6	<b>Outside Capital</b>
17,605	21,155	23,950	24,157	0.9	<b>Total Capital</b>
22,828	26,334	31,663	34,936	10.3	<b>Statement of Earnings (Condensed)</b> (DM million) January-December
41,935	46,125	51,945	57,145	10.0	Sales
56,871	62,713	70,090	75,284	7.4	Cost of sales
					Selling and administration expenses
					Other operating income less other operating expenses
					Financial results
					Results
					from ordinary business activities
					Extraordinary results
					Taxes on income
1,949	1,306	671	455	-32.2	Net earnings
1,038	1,086	1,114	147	-86.8	

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

**Financial Statements  
for the Fiscal Year  
ended December 31, 1992**

**Balance Sheet**

**Statement of Earnings**

**Notes**

Balance Sheet of Volkswagen AG, December 31, 1992 – DM million –

Assets	Note	Dec. 31, 1992	Dec. 31, 1991
<b>Fixed assets</b>	(1)		
Intangible assets		43	41
Tangible assets		8,813	9,488
Financial assets		9,320	8,803
		<b>18,176</b>	<b>18,332</b>
<b>Current assets</b>			
Inventories	(2)	3,355	4,205
Receivables and other assets	(3)	9,133	7,305
Securities	(4)	898	1,840
Cash on hand, deposits at German Federal Bank and postal giro balances, cash in banks		4,287	4,119
		<b>17,673</b>	<b>17,469</b>
<b>Prepaid and deferred charges</b>	(5)	<b>110</b>	<b>127</b>
<b>Balance-sheet total</b>		<b>35,959</b>	<b>35,928</b>
<b>Stockholders' equity and liabilities</b>			
<b>Stockholders' equity</b>			
Subscribed capital	(6)	1,664	1,656
Ordinary shares	1,350		
Non-voting preferred shares	314		
Potential capital	498		
Capital reserve	(7)	4,253	4,223
Revenue reserves	(8)	3,534	3,469
Net earnings available for distribution		71	373
		<b>9,522</b>	<b>9,721</b>
<b>Special items with an equity portion</b>	(9)	<b>3,020</b>	<b>3,473</b>
<b>Undetermined liabilities</b>	(10)	<b>16,456</b>	<b>14,772</b>
<b>Liabilities</b>	(11)	<b>6,961</b>	<b>7,962</b>
<b>Balance-sheet total</b>		<b>35,959</b>	<b>35,928</b>

Statement of Earnings of Volkswagen AG for the Fiscal Year ended December 31, 1992

	Note	1992 million DM	1991 million DM
<b>Sales</b>	(12)	<b>53,182</b>	<b>47,328</b>
Cost of sales		51,200	44,932
<b>Gross profit</b>		<b>+ 1,982</b>	<b>+ 2,396</b>
Selling and distribution expenses		3,031	2,738
General administration expenses		841	800
Other operating income	(13)	2,212	2,433
Other operating expenses	(14)	1,092	2,176
Results from participations	(15)	+ 776	+ 1,090
Interest results	(16)	+ 545	+ 629
Write-down of financial assets and securities classified as current assets		369	123
<b>Results from ordinary business activities</b>		<b>+ 182</b>	<b>+ 711</b>
Taxes on income		50	264
<b>Net earnings</b>		<b>132</b>	<b>447</b>

# Notes on the Financial Statements of Volkswagen AG for the Fiscal Year ended December 31, 1992

## Financial statements in accordance with commercial law

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

In order to improve clarity, we have combined certain individual items in the balance sheet and the statement of earnings. These items are shown separately in the notes on the financial statements. In the interest of improved international comparability, the statement of earnings has been prepared according to the cost of sales method.

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

## Translation of currencies

Transactions in foreign currencies are valued at the rate applying on the date on which they were effected or at the rate agreed. Anticipated exchange losses at the balance-sheet date are taken into account in valuation. Where receivables are matched by related liabilities in the same amount and with the same maturity, both are translated at the same rate. Participations are stated on the basis of the rate applying at the time they were acquired.

## Accounting and valuation principles

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

**Intangible assets** are shown at acquisition cost, with regular depreciation charged using the straight-line method.

**Tangible assets** are valued at acquisition or manufacturing cost minus depreciation. Investment grants are deducted; investment subsidies are treated as income with an effect on earnings. Manufacturing cost is determined on the basis of the directly attributable cost of materials and labour cost as well as proportionate material overheads and production overheads including depreciation. Administration expenses are not taken into account.

The regular depreciation is based on the following useful lives:

Buildings 25 – 50 years

Technical buildings and site utilities 8 – 20 years

Production machinery 6 – 8 years

Power generators 14 years

Factory and office equipment 4 – 8 years

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

On the basis of the opportunities offered by tax law, regular depreciation is charged on tangible assets using the declining-balance method with a scheduled changeover to the straight-line method at a later date, taking into account the number of shifts run in multiple-shift operation. The straight-line method is applied in the case of assets on which special depreciation is charged for tax purposes. For the purpose of simplification, depreciation on additions to movable assets during the first half of the year is based on the full annual rate and depreciation on additions during the second half of the year is based on half the annual rate.

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

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

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

**Long-term financial investments** are shown at acquisition cost.

Interest-free and low-interest **loans** are stated at cash value and interest-bearing loans at their nominal value.

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

In addition to direct materials and direct labour, the values given for work in progress and finished goods also comprise proportionate material overheads and production overheads, including depreciation, to the extent required under tax-law provisions.

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

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

**Securities** classified as current assets are stated at acquisition cost or at the lower applicable value on the balance-sheet date, unless it is permissible to retain lower values from previous years.

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

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

\* The full address is given on the last page of this publication.

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

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

In the statement of earnings, expenses are allocated to the fields of production, selling/distribution and general administration on the basis of cost-accounting rules.

**Cost of sales** comprises all expenses relating to production and material procurement, all expenses relating to merchandise, research and development costs and expenses in connection with warranties and product liability.

**Selling and distribution expenses** comprise labour cost and cost of materials for our selling and distribution departments as well as costs in connection with freight, advertising, sales promotion, market research and service.

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

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

## Notes on the Balance Sheet

### (1) Fixed assets

A breakdown of the fixed-assets items condensed in the balance sheet and their development during the year under report can be found on pages 6 and 7.

The book value of the fixed assets on the balance-sheet date was DM 18,176 million. This figure comprises intangible, tangible and financial assets.

Additions to and depreciation of fixed assets were as follows:

	Additions DM million	Depreciation DM million
Intangible assets	27	28
Tangible assets	2,294	2,845
Financial assets	1,742	367

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

	Acquisition or manufac- turing cost Jan. 1, 1992	Additions
<b>Intangible Assets</b>		
Concessions, industrial and similar rights and licences in such rights	80	27
Payments on account	—	—
	<b>80</b>	<b>27</b>
<b>Tangible Assets</b>		
Land, land rights and buildings incl. buildings on land owned by others	6,403	77
Technical equipment and machinery	12,492	780
Other equipment and factory and office equipment	10,557	973
Payments on account and construction in progress	1,179	464
	<b>30,631</b>	<b>2,294</b>
<b>Financial Assets</b>		
Holdings in affiliated companies	9,986	1,091 *)
Loans to affiliated companies	308	—
Participations	1,192	248
Loans to companies linked through participation	6	—
Long-term financial investments	509	204
Other loans	253	199
	<b>12,254</b>	<b>1,742</b>
<b>Total Fixed Assets</b>	<b>42,965</b>	<b>4,063</b>

\*) In conjunction with transfer of the holding in V.A.G Leasing GmbH to VW Finanz GmbH we have adjusted the book value of the holding in V.A.G Leasing GmbH, which is DM 23 million lower than the capital stock, to take account of the existing capital stock.

Transfers	Disposals	Acquisition or manufac- turing cost Dec. 31, 1992	Accumulated depreciation	Write-ups (current year)	Book values Dec. 31, 1992	Depreciation (current year)
3	34	76	33	—	43	28
—	—	—	—	—	—	—
<b>3</b>	<b>34</b>	<b>76</b>	<b>33</b>	<b>—</b>	<b>43</b>	<b>28</b>
11	55	6,436	4,042	—	2,394	247
380	455	13,197	10,553	—	2,644	1,071
549	690	11,389	8,260	—	3,129	1,527
- 943	54	646	—	—	646	—
<b>- 3</b>	<b>1,254</b>	<b>31,668</b>	<b>22,855</b>	<b>—</b>	<b>8,813</b>	<b>2,845</b>
—	855	10,222	3,031	—	7,191	304
—	0	307	1	0	306	—
—	—	1,440	696	—	744	51
—	0	6	5	0	1	—
—	—	713	—	—	713	—
—	37	415	59	9	365	12
<b>—</b>	<b>893</b>	<b>13,103</b>	<b>3,792</b>	<b>9</b>	<b>9,320</b>	<b>367</b>
<b>—</b>	<b>2,181</b>	<b>44,847</b>	<b>26,680</b>	<b>9</b>	<b>18,176</b>	<b>3,240</b>

## Notes on the Balance Sheet

### (2) Inventories

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Raw materials and supplies	684	855
Work in progress	1,376	1,728
Finished goods and merchandise	1,243	1,501
Advance payments	52	121
	<b>3,355</b>	<b>4,205</b>

### (3) Receivables and other assets

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Trade receivables	1,629	1,068
- of which amounts due in more than one year	(-)	(-)
Receivables from affiliated companies	5,588	4,179
- of which trade receivables	(444)	(255)
- of which amounts due in more than one year	(2,130)	(1,158)
Receivables from companies in which participations are held	374	130
- of which trade receivables	(347)	(68)
- of which amounts due in more than one year	(-)	(-)
Other current assets	1,542	1,928
- of which amounts due in more than one year	(455)	(370)
	<b>9,133</b>	<b>7,305</b>

Receivables from affiliated companies include short and medium-term loans. "Other current assets" relate for the most part to amounts which do not come into being in law until after the balance-sheet date, such as deferred interest claims as well as cost and tax refunds not yet due.

### (4) Securities

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Treasury stock	5	6
Other securities	893	1,834
	<b>898</b>	<b>1,840</b>

Volkswagen AG holds treasury stock in the form of 76,663 shares, comprising 76,467 ordinary shares and 196 preferred shares with a total nominal value of DM 3,833,150; this corresponds to 0.2 % of the subscribed capital. The ordinary shares were acquired in 1971 in connection with a conversion offer to Audi stockholders on the occasion of a capital increase. The preferred shares represent the residual shares in connection with the issue of 159,500 shares with a value of DM 50 each - giving a total nominal value of DM 7,975,000 (= 0.5 % of the subscribed capital) - to employees in November 1992. The issue price was

### (5) Prepaid and deferred charges

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

### (6) Subscribed capital

Following the capital increase effected in 1992 - utilizing part of the existing authorized capital stock - through the issue to employees of non-voting preferred shares with a total value of DM 8 million, the subscribed capital now amounts to DM 1,664 million.

DM 235.00 per share and the subscription price for employees was fixed at DM 117.50 per share. Out of the 100 preferred shares held at December 31, 1991 and stemming from the capital increase effected in 1991, 86 have been issued to employees at a subscription price of DM 165.50 per share and the remaining 14 sold at a price of DM 208.00 per share. The reserve required by law for treasury stock exists in the amount of the relevant balance-sheet value.

"Other securities" relate primarily to capital market papers that can be converted into cash at short notice.

made in connection with the issue of warrants with low-interest bonds. The amount in question here is DM 104 million.

The subscribed capital is composed of 27 million ordinary shares with nominal value of 50 DM and 6,289,000 non-voting preferred shares with nominal value of 50 DM. In addition, there is an authorized capital stock of DM 150 million expiring on June 30,

1994, a second authorized capital stock of DM 150 million expiring on June 30, 1995 and a third authorized capital stock of DM 135.7 million expiring on June 30, 1996. A potential capital stock of DM 97.5 million can be utilized in full by the holders of the 192,000 warrants attaching to the option bonds issued in 1986. A further potential capital stock of DM 200 million can be utilized up to a total of DM 193.5 million by the holders of the 944,000 warrants attaching to the option bonds

### (7) Capital reserve

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
	<b>4,253</b>	<b>4,223</b>

The capital reserve was increased by DM 30 million through transfer of the premium on the increase in the subscribed capital.

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

It consists of the premium of DM 3,824 million on the capital increases and the premium of DM 429 million on the issue of option bonds.

### (8) Revenue reserves

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Legal reserve	60	60
Reserve for treasury stock	5	6
Other revenue reserves	3,469	3,403
	<b>3,534</b>	<b>3,469</b>

A total of DM 66 million was transferred from net earnings to "Other revenue reserves" in accordance with § 58 subsection 2 of the German Corporation Act.

### (9) Special items with an equity portion

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Reserves for tax purposes	170	566
Depreciation for tax purposes	2,850	2,907
	<b>3,020</b>	<b>3,473</b>

Volkswagen AG has reserves in accordance with § 52 subsection 8 of the Income Tax Act, § 1 of the Developing Countries Tax Act, § 6 b of the Income Tax Act/Section 35 of the Income Tax Guidelines, § 3 subsection 2 a of the Border Area Promotion Act and § 2 of the East German Investments Act. Depreciation for tax purposes comprises value adjustments in accordance with § 3 subsection 2 of the Border Area Promotion Act, § 7 d of the Income Tax Act, § 6 b of the Income Tax Guidelines, § 82 d of the Income Tax

Directive and § 80 of the Income Tax Directive. The approval of the Commission of the European Communities is required for the creation of special items with an equity portion in accordance with § 3 of the Border Area Promotion Act. The necessary applications have been submitted to the German fiscal authorities but no decision has yet been taken by the Commission. The accounting treatment of these items observes the principle that the treatment applied for tax purposes must correspond to that applied in the published balance sheet.

### (10) Undetermined liabilities

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Undetermined liabilities for pensions and similar obligations	7,847	6,948
Undetermined liabilities in respect of taxes	1,518	1,765
Other undetermined liabilities	7,091	6,059
	<b>16,456</b>	<b>14,772</b>

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

**(11) Liabilities**

Type of liability	Total Dec. 31, 1992 DM million	of which payable within up to 1 year DM million	Total Dec. 31, 1991 DM million	of which payable within up to 1 year DM million
Loans	46	46	722	722
– of which convertible	(–)	(–)	(–)	(–)
Liabilities due to banks	1,154	1,115	1,417	1,376
Advance payments received	20	20	23	23
Trade payables	2,406	2,406	2,579	2,579
Amounts payable to affiliated companies	1,614	1,051	1,743	1,180
Amounts payable to companies in which participations are held	120	120	61	61
Other liabilities	1,601	1,601	1,417	1,417
– of which taxes	(521)	(521)	(340)	(340)
– of which in respect of social insurance	(282)	(282)	(283)	(283)
	<b>6,961</b>	<b>6,359</b>	<b>7,962</b>	<b>7,358</b>

Loans comprise bonds issued within the scope of the commercial-paper programme.

The total liabilities payable within more than five years amount to DM 329 million (1991: DM 331 million). Liabilities due to banks account for

DM 16 million, while DM 313 million consists of amounts payable to affiliated companies.

The usual retention of title exists in respect of the liabilities arising in connection with the supply of goods.

**Contingencies and commitments**

	Dec. 31, 1992 DM million	Dec. 31, 1991 DM million
Contingent liabilities with respect to notes	1,613	1,346
Contingent liabilities with respect to guarantees	1,101	1,040
Contingent liabilities with respect to warranties	5,758	4,419
Pledges on company assets to secure another party's liabilities	1,049	993

For the loans granted to Volkswagen AG by Volkswagen International Finance N.V. and stemming from bond issues by this company, Volkswagen AG has given guarantees to the bondholders in the same amount. The guarantees are for DM 250 million in the case of a DM bond and for US \$ 150 million in the case of a US dollar bond, the total figure amounting to DM 493 million.

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

Pledges on company assets to secure another party's liabilities relate to promissory notes issued by Volkswagen International Finance N.V., Amsterdam, and take the form of charges on real estate.

**Other financial obligations**

Financial obligations totalling DM 1,862 million and relating primarily to capital contributions exist up to 1996 in connection with our commitments in the new federal states of Germany, in the Czech and Slovak Republics and in China, as well as our joint project with Ford in Portugal. Financial obligations arising from long-term rental and leasing contracts with terms of up to four years amount annually to some DM 62 million, with DM 6 million of this total in the form of obligations to affiliated companies. Obligations totalling around DM 33 million annually exist in respect of contracts of this type with terms of up to 22 years.

Of the real estate, about 64 hectares (balance-sheet value DM 3 million) are encumbered with building leases. Out of the total securities classified as current assets, Volkswagen AG has pledged securities at a nominal value of DM 4 million to safeguard routine handling of imports.

In compliance with § 5 subsection 10 of the statutes of the deposit guarantee fund, Volkswagen AG has undertaken to discharge the Federation of the German Banking Industry, Cologne, from liability in relation to any losses occurring as a consequence of measures in favour of a credit institution in which a majority interest is held.

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

## Notes on the Statement of Earnings

### (12) Sales in 1992

	Total DM million	Share %
Germany	26,745	50.3
Europe (excl. Germany)	21,614	40.6
North America	1,318	2.5
Latin America	1,107	2.1
Africa	478	0.9
Asia/Oceania	1,920	3.6
<b>Total</b>	<b>53,182</b>	<b>100.0</b>

Vehicle business accounted for 71% of Volkswagen AG's

sales proceeds, parts sales for 8% and other sales for 21%.

### (13) Other operating income

	1992 DM million	1991 DM million
Other operating income	2,212	2,433
- of which income from elimination of special items with an equity portion	(518)	(583)

In addition to income from the elimination of special items with an equity portion, other operating income resulted

mainly from rebilling of costs to affiliated companies and elimination of undetermined liabilities.

### (14) Other operating expenses

	1992 DM million	1991 DM million
Other operating expenses	1,092	2,176
- of which transfers to special items with an equity portion	(65)	(1,452)

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

Depreciation for tax purposes was charged in the amount of DM 44 million, solely in respect of fixed assets.

### (15) Results from participations

	1992 DM million	1991 DM million
Income from participations	852	663
- of which from affiliated companies	(749)	(614)
Income from profit assumption agreements	425	575
Expenses from loss assumptions	501	148
	<b>776</b>	<b>1,090</b>

Income from participations and income from profit assumption agreements include on-debited result-dependent taxes.

### (16) Interest results

	1992 DM million	1991 DM million
Income from other securities and long-term loans	48	52
- of which from affiliated companies	(19)	(22)
Other interest and similar income	981	969
- of which from affiliated companies	(310)	(228)
Interest and similar expenses	484	392
- of which to affiliated companies	(335)	(297)
	<b>545</b>	<b>629</b>

The interest results include expenses in connection with

the sale of non-interest-bearing trade receivables.

### Other taxes

"Other taxes" amount to DM 229 million.

### Progression from net earnings to net earnings available for distribution

	1992 DM million	1991 DM million
Net earnings	132	447
Net earnings brought forward	+ 5	+ 6
Transfer from reserve for treasury stock	+ 0	+ 0
Transfers to revenue reserves	- 66	- 80
- to reserve for treasury stock	(-0)	(-0)
- to other revenue reserves	(-66)	(-80)
<b>Net earnings available for distribution</b>	<b>71</b>	<b>373</b>

### Total expenses for the period

	1992 DM million	1991 DM million
<b>Cost of materials</b>		
Raw materials and supplies, purchased goods	32,694	29,138
Purchased services	1,954	1,634
	<b>34,648</b>	<b>30,772</b>
<b>Labour cost</b>		
Wages and salaries	10,101	9,190
Social insurance and pension costs	2,634	2,307
- of which in respect of pensions	(1,164)	(918)
	<b>12,735</b>	<b>11,497</b>

## Other Particulars

Net earnings have been increased as a result of tax-related measures taken in 1992 and in earlier years. These mainly involve the necessary elimination of special items in accordance with § 3 subsection 2 of the Border Area Promotion Act. Net earnings have also been influenced by the utilization of tax-related measures in respect of subsidiaries in the new federal states of Germany, by means of appropriate profit/loss assumption agreements, in the financial statements of Volkswagen AG.

### Extraordinary depreciation

	1992 DM million	1991 DM million
Depreciation of tangible assets	13	4
Write-down of participations and discounting of financial assets	367	115
	<b>380</b>	<b>119</b>

### Average numbers of employees during the year

	1992	1991
Wage-earners	70,151	71,154
Salaried workers	28,222	31,402
Salaried staff	24,376	24,246
	<b>122,749</b>	<b>126,802</b>
Apprentices	4,244	4,290
	<b>126,993</b>	<b>131,092</b>

Without these measures and the resultant influence on tax expenses, net earnings would have been 83 % lower than the figure shown. If the effects of § 3 subsection 2 of the Border Area Promotion Act alone had been taken into account, Volkswagen AG would have returned a loss for 1992.

Expenses attributable to other fiscal years amounted to DM 355 million, while income not relating to the period under report totalled DM 226 million.

### Workforce at the Volkswagen AG plants

	1992	1991
Wolfsburg	62,004	63,760
Hanover	17,719	18,175
Brunswick	7,078	7,004
Kassel	19,132	20,015
Emden	11,846	12,612
Salzgitter	9,214	9,526
	<b>126,993</b>	<b>131,092</b>

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

The remuneration of the members of the Board of Management for the fiscal year 1992 totalled DM 10,221,443.

Retired members of the Board of Management and their surviving dependants received DM 7,864,426. These payments are covered by undetermined liabilities for current pensions, amounting to DM 78,122,419.

The remuneration of the Supervisory Board of Volkswagen AG amounted to DM 1,079,000.

Loans totalling DM 199,000 have been granted to members of the Supervisory Board (amount redeemed in 1992: DM 30,000). The loans have an interest rate of 4 % and an agreed term of 12.5 years.

Wolfsburg, February 21, 1993

**VOLKSWAGEN  
AKTIENGESELLSCHAFT**  
The Board of Management

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### **Audit certificate**

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

Hanover, February 24, 1993

C & L TREUARBEIT  
DEUTSCHE REVISION  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Siepe  
Wirtschaftsprüfer

Dr. Heine  
Wirtschaftsprüfer

The financial statements and the management report of Volkswagen AG for the fiscal year 1992 will be published in the Bundesanzeiger and submitted to the Register of Companies at the Wolfsburg District Court.

The management report of Volkswagen AG and the Group management report can be found in combined form in our Annual Report on pages 8 to 13.

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