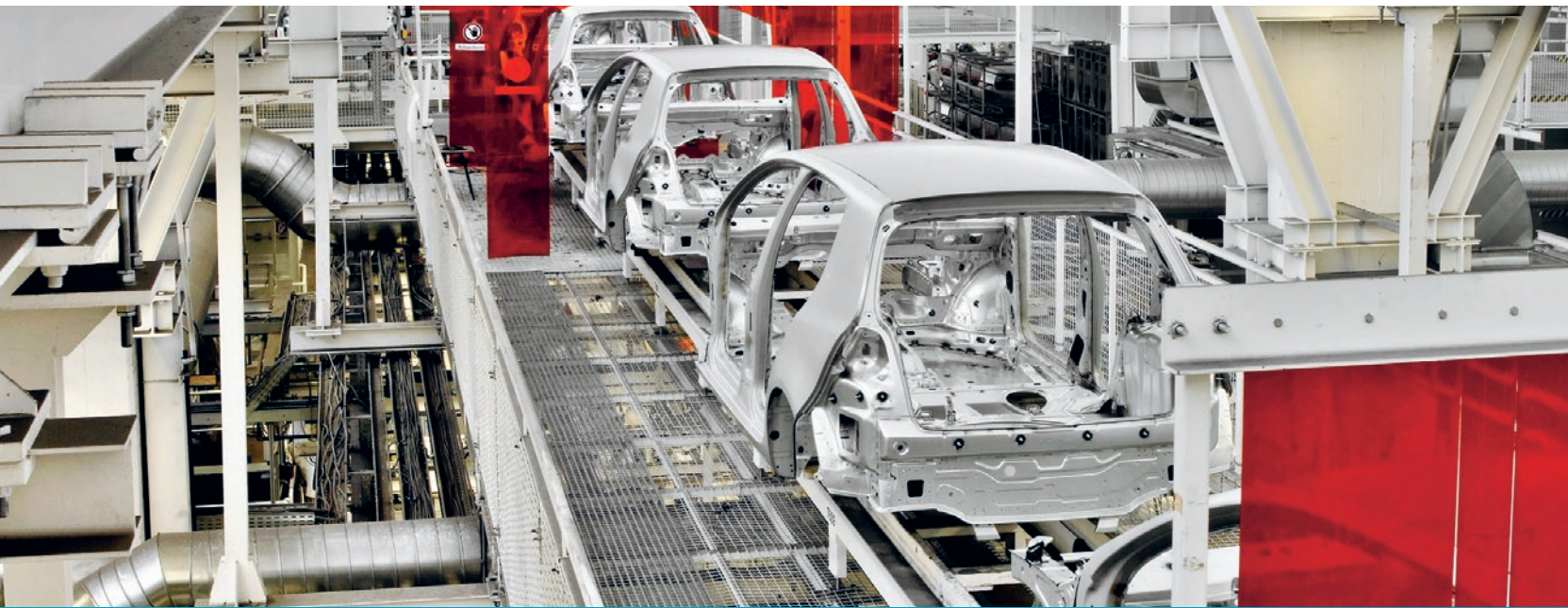


VOLKSWAGEN

AKTIENGESELLSCHAFT

HISTORICAL NOTES | 7

A series of publications from Volkswagen Aktiengesellschaft, Corporate History Department



Volkswagen Chronicle

Becoming a Global Player



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Becoming a Global Player

IMPRINT

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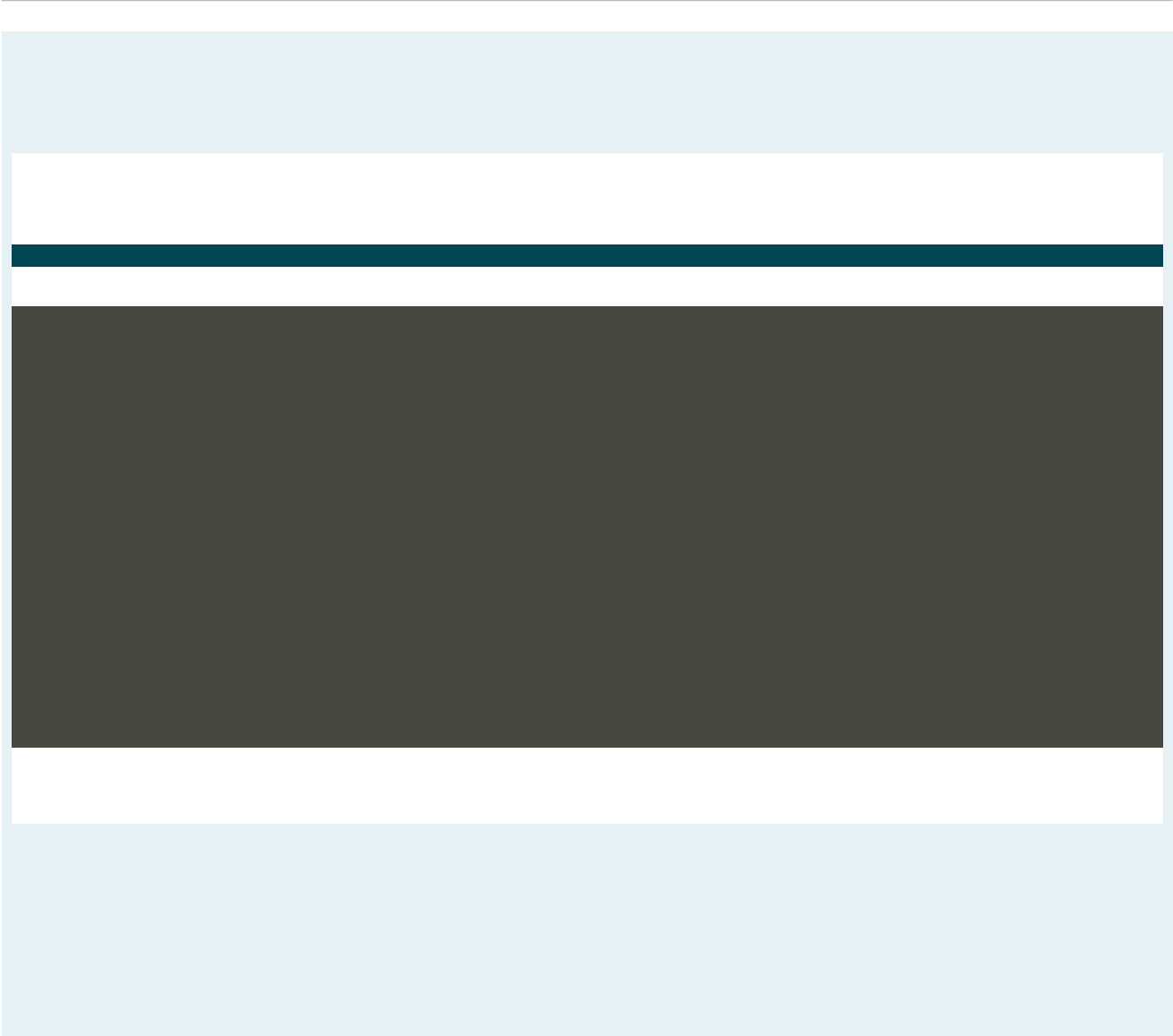
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1904 – 1945



1904–1945

The Volkswagen: from Dream to Reality

Talk about a "Volkswagen" began in Germany in 1904. Engineers were already of the opinion that the future of the automobile industry lay in the mass production of inexpensive small cars. Pioneering developments in America, where a mass market for automobiles was gradually developing, were observed with astonishment. Nevertheless, the debate concerning a "people's car" provoked by the American model was accompanied by sceptical undertones because passenger cars were then seen wholly as highly taxed luxury items. In addition, the troublesome technical aspects of the current automobiles that required much maintenance spoke against the popularization of the automobile.

The first "people's cars" were produced on the other side of the Atlantic starting in 1908, where mass purchasing power and the means of production made the motorization of American society possible. The Ford Motor Company, founded by Henry Ford, produced the Model-T on an assembly line, which was soon viewed by European manufacturers as the prototype of rationalized mass production. By the time the last one was built in 1927, 15,007,033 "Tin Lizzys" had left the Ford plant in Detroit. Through Henry Ford's influence, the idea of a Volkswagen became the leitmotif of automotive publications during the Weimar

Republic, inspiring the fantasy of designers. Late fame was gained by the 18-year old Hungarian technology student Béla Barény, who submitted a "Fahrgestell-Entwurf für einen Volkswagen" (chassis design for a Volkswagen) in 1925 and – along with August Horch, Ettore Bugatti, Ferdinand Porsche and Heinrich Nordhoff – came to be included in the "Automotive Hall of Fame". Although the motorcycle was the front-runner in the motorization of Germany during the 1920s, automobile manufacturers were making obvious advances. Because of high vehicle taxes and fuel prices, they pushed forward with the development of small engined, economically feasible vehicles.

The Volkswagen was the main attraction of the international automobile show in Berlin in the early 1930s, not as a brand name, but as a classification. BMW, Mercedes, Opel, Ford, Adler and Hanomag, all presented cheap-to-run models suitable for mass production in 1934 that were marketed to the public as Volkswagens. The technical requirements were already available and the Volkswagen was on everybody's mind by the time the Nazi dictatorship came to power.

FORD T



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Der Motorwagen

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Zeitschrift für Automobilen-Industrie und Motorenbau.

DER MOTORWAGEN.

431

Ist das Motorrad oder eine andere Fahrzeugtype bestimmt „Volksautomobil“ zu werden?

Von Dr. Ing. Heinrich Dechamp, Ascham (Schluss)

Vom Landwerk haben sich die durch die Kriegsjahre... Als einer der größten technischen Uebelstände der Erfahrungen des Fahrradbaues geschickten... Motorrad muß hinzugehoben werden, daß bei drei zu Felgen, Speichen, Achsen und Lagern als völlig ausreichend | fahradmäßigen Ausbildung und Befestigung auf der ein-

VEHICLE CONCEPT AND THE FOUNDATION OF THE VOLKSWAGEN PLANT

The "Reichsverband der Deutschen Automobilindustrie" (RDA) (Reich Association of the German Automobile Industry) commissioned Ferdinand Porsche to design a Volkswagen on June 22, 1934. However, the companies that made up the RDA had reservations about Adolf Hitler's requested price limit of 990 Reichsmarks. The doubts raised at the time because of currency shortages and the limited supply of raw material were accompanied by scepticism regarding the economic feasibility of a factory devoted only to the Volkswagen. The financing of the entire project remained a problem.

The "Deutsche Arbeitsfront" (German Labor Front) filled the gap in the chain of responsibility in 1937. The plan was to carry through with this Nazi prestige project which was aimed at improving the image of its leisure time organization "Kraft durch Freude" (Strength through Joy - KdF). On May 28, 1937, the "Gesellschaft zur Vorbereitung des Deutschen Volkswagens mbH" (Company for the Preparation of the German Volkswagen Ltd.) was established in Berlin. The name was changed to "Volkswagenwerk GmbH" on September 16, 1938 and was entered into the Commercial Register on October 13. Franz Xaver Reimspieß, an engine designer at Porsche KG, created the Volkswagen trademark, the "letters V and W contained in a circle". The registration application was filed on October 1, 1948 and the trademark was registered with the German Patent Office on November 21, 1953.

Adolf Hitler coined the name "KdF-Wagen" for the automobile developed by Ferdinand Porsche. Accompanied by a massive advertising campaign, the "Deutsche Arbeitsfront" introduced a KdF-Wagen savings installment plan on August 12, 1938. Whoever paid a minimum weekly sum was soon to become the proud owner of a Volkswagen, however, due to a lack of widespread mass purchasing power, the ambitious production goals could not be reached. The demand from only 336,000 savers was not enough to cover the planned number of automobiles to be produced because the Volkswagen was in reality still too expensive for the average factory worker.

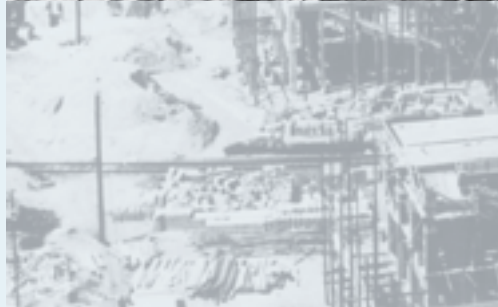
Construction of the Volkswagen plant near Fallersleben began in early 1938. It was conceived as a vertical, primarily self-sufficient model factory. Size, essential technical equipment and production depth were closely modeled on Ford's "River Rouge" plant in Detroit, which was then considered the most modern automobile factory in the world. While labor shortages and difficulties in procuring raw material caused construction delays, the building of the facilities in Brunswick progressed swiftly. According to the plans of the German Labor Front, the regular workforce of the Volkswagen plant was to be trained there. Training workshops for the workers began in October 1938; the production of tooling for the main plant, still under construction, could begin by the end of 1938.



FERDINAND PORSCHE



SHELL OF THE VOLKSWAGENWERK PLANT



VOLKSWAGEN PROTOTYPE



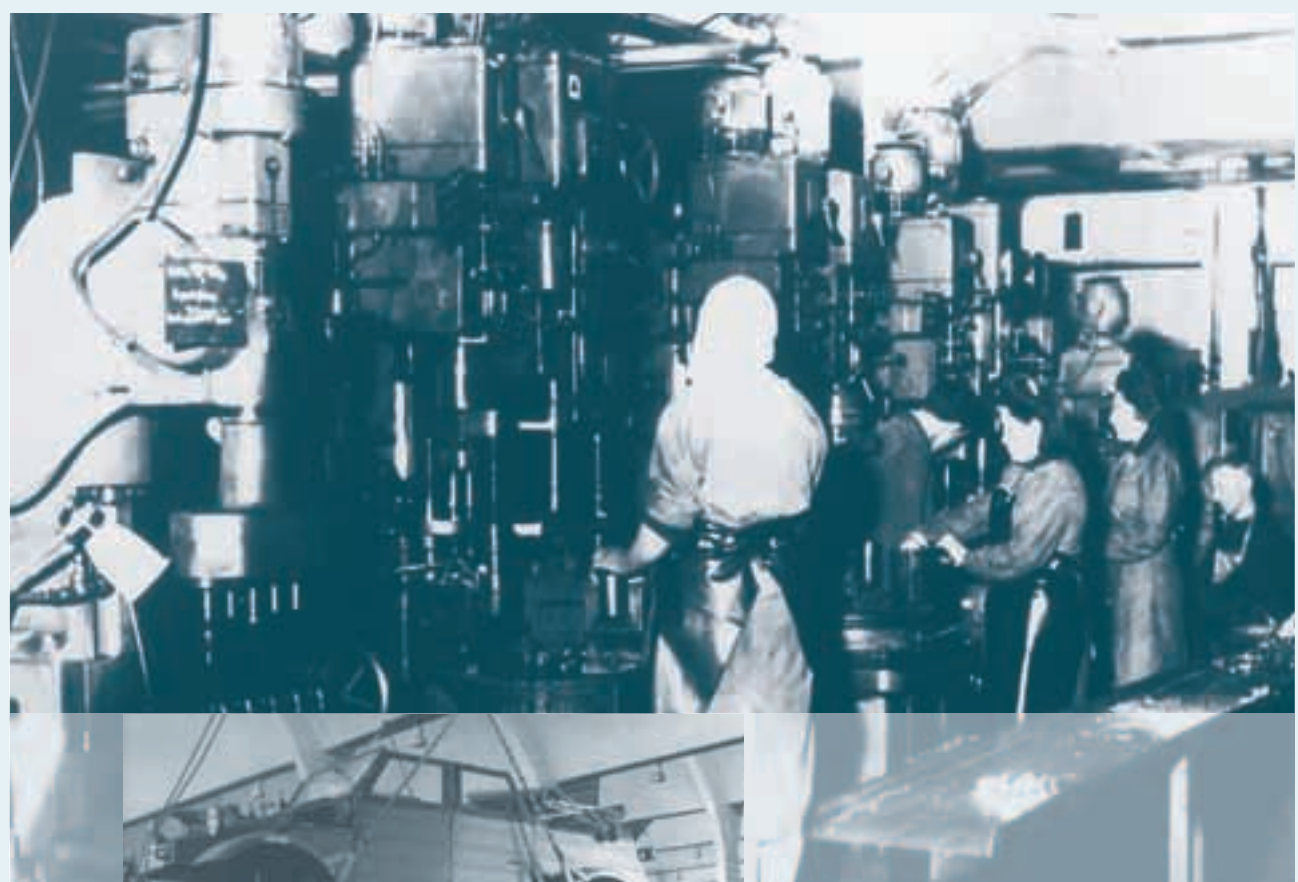
ARMAMENT PRODUCTION AND FORCED LABOR

After the outbreak of World War II, the Volkswagen plant was reorganized for the production of armaments. At the end of 1939, the firm was contracted by the Luftwaffe to do repair work on the Ju 88 and to supply the aircraft industry with fuel tanks and wings. In the course of the motorization of the army after 1940, a second assembly line was set up for the mass production of military vehicles such as the multi-purpose "Kübelwagen" and the "Schwimmwagen," a four-wheel drive vehicle capable of travelling on land and in water. By the end of the war, the plant that was built to produce 500,000 passenger cars a year turned out 66,285 military vehicles. Between 1940 and 1944, turnover increased from 31 to 297 million Reichsmarks.

Incorporating the Volkswagen plant into Germany's armament industry after 1941 led to the annexation of its subsidiaries in Luckenwalde and Ustron. In 1943/44, the company enlarged its production capacities by transferring commissions to France as well as by constructing underground production sites in tunnels, iron ore mines and asphalt tunnels. After repeated bombings of the factory in 1944/45, moving parts of the production to provisional sites continued the decentralization of the company. The expanding armaments output of the Volkswagen plant after summer 1940 led the company to meet its labor needs pri-

marily by using forced labor. Establishing a new company without a regular German workforce meant that Polish women would be the first to be forced to work for Volkswagenwerk. Later they were followed by prisoners of war and by concentration camp inmates. In 1944 two thirds of the workforce was made up of foreigners. Approximately 20,000 forced laborers who were allocated to the Volkswagen plant during World War II came from European countries occupied or dominated by Germany. During this era of racism enforced by the NS-state, these human beings were subjected to discriminating treatment and physical violence.

The American troops who entered the town on April 11, 1945 put an end to the production of military equipment and liberated the forced laborers. The long-hoped for end of Nazi dictatorship meant the start of a new era for Volkswagen.

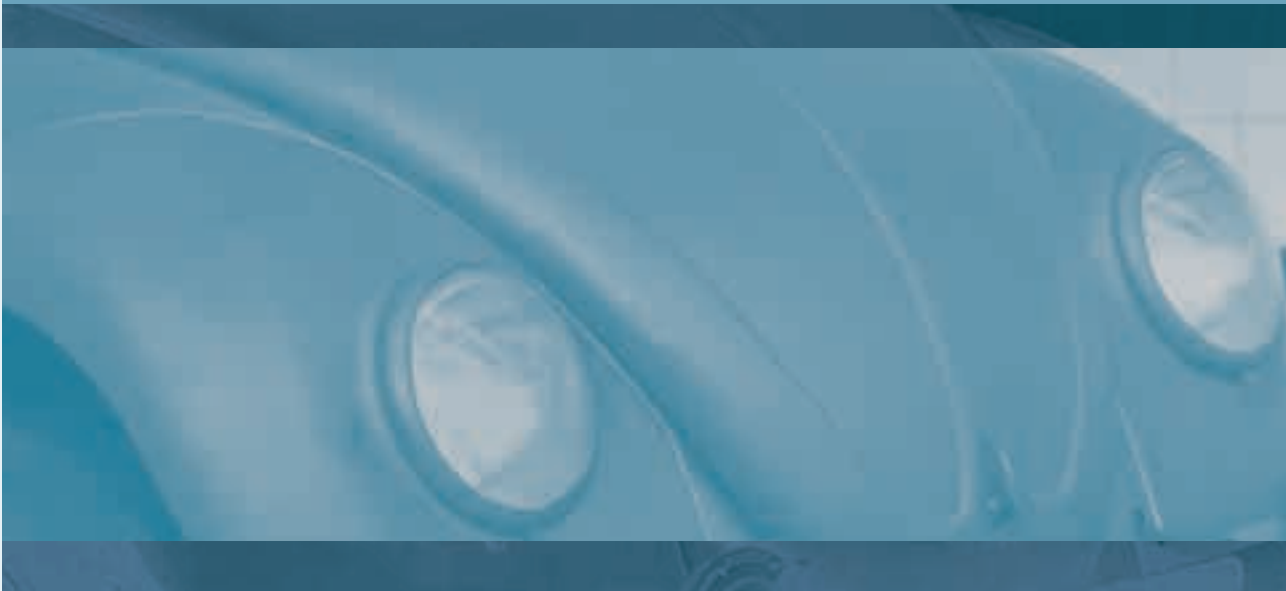


FEMALE FORCED LABORERS
WORKING WITH SHEET METAL

ASSEMBLY OF THE KÜBELWAGEN



1945 – 1949



1945 – 1949

The British and their Works

During the turmoil of the immediate post-war period, smoke above the Volkswagen plant signaled the continuity of production and the hopes of a new beginning. As the largest and most important employer in a region with little industry Volkswagen guaranteed the survival of the local population. The factory provided work, housing and food. These functions were certainly in the minds of the British Military Government when they took over the administration of the firm in trusteeship in June 1945. Their decision to reinstate peacetime production and the assembly line manufacturing of the Volkswagen sedan was primarily a decision made in their own interest. By assuming the responsibilities of an occupying force, their need for additional means of transport increased, especially since the war diminished the number of available British military vehicles. The production requirement for the occupation forces and British pragmatism saved Volkswagen from threatened dismantling and protected the workforce from drastic denazification measures.

Volkswagen's position as a British administered manufacturer proved advantageous in many ways. The Military Government provided the credit necessary for the resumption of production and was able to use its power of command

to overcome many obstacles. Because the company manufactured goods for the Allies, it had priority in supply of raw material that was then in short supply. The importance of this privilege during the time of economic control cannot be overestimated. Like most raw materials, the steel that was indispensable for the production of automobiles was subject to a quota system. Volkswagen had an advantageous starting position when the peacetime assembly line was restarted. In spite of the damage inflicted on the factory buildings, the machine park, which was moved to dispersal sites, survived the Allied bombings almost untouched. If enough coal was available, the factory's own power plant made it immune from the frequent power shutdowns of the post-war period. In addition, the company had its own press shop and the facility in Brunswick compensated at least in part for the shortcomings of suppliers by producing its own components and automobile parts. In spite of British protection, the shortage of material and power noticeably impaired production. The steel that was allocated was often late and because of a shortage of raw material, suppliers could not meet all of the company's needs. The British Military Government had to quickly abandon their earlier plans of producing 4,000 automobiles a month for the occupation forces starting in January 1946. This initial calculated monthly production



PRODUCTION OF AXLES

quota was finally reduced to 1,000 vehicles a month, a figure that remained stable until the currency reform and the introduction of the German Mark. In accordance with British orders, the German works managers tried to gradually increase the number of manufactured automobiles to 2,500 a month, but these attempts were thwarted by the shortage of raw material and difficulties in procuring parts.

The mal-nutrition and total exhaustion of the workforce were further problems. Because workers needed to forage for food and to purchase goods on the black market in order to assure survival there was also chronic absenteeism. For the first two years after the war ended it was therefore imperative to provide the employees with food and clothing. This responsibility was gradually handed over to the Works Council, and it took up most of their time. Plans to expand production were also hindered by a shortage of workers.

A shortage of housing and high employee fluctuation made it more difficult to recruit a permanent workforce. For many of the refugees and migrants coming to Wolfsburg by the thousands from the former east German territories in search of food and housing, a job at the Volkswagen plant was only an intermediate stop on their way to West Germany. The unremitting housing shortage in Wolfsburg caused many of the workers to simply move on. For most of the plant workers, living conditions were basic at best. Separated from their families, they lived in the barren camp barracks where the forced laborers had earlier been housed. Desperately needed skilled workers as well as managerial employees could hardly be enticed to stay or convinced to come to work for the company under these conditions. Because the construction of new housing was hardly a realistic prospect during these first post-war years, the company was forced to renovate and expand the existing barracks. The housing problem was eased a little in this way, but certainly not solved. Only when the surrounding region was linked to the factory site by bus and train and after the construction of plant-owned apartment buildings began after 1950, it became possible to build up a regular work force.

BODY-IN-WHITE



Decisive factors for the company's future success undertaken by the British trustees had the effect of eliminating disadvantages the firm had compared to its competitors. First of all, at the end of the war Volkswagen had only a limited service or distribution system. The German Labor Front (DAF) set both up, but Hitler's grandiose announcements regarding the motorization of the general population were shelved when preparations for war began. In accordance with British initiatives, a service department was set up by the end of 1945. This was made up of a replacement parts warehouse, a technical department and a service school. Starting in February 1946 dealers and mechanics from authorized workshops received training there. A service workshop began operations early in 1947. Volkswagen assisted the repair workshops by providing service bulletins and repair manuals. In addition, a damage file was set up which gave the technical department a systematic method of dealing with problems for the first time. The service department acquired an excellent reputation within only a few years and profited greatly from the experience of the Royal Electrical and Mechanical Engineers who set up their own workshop in the Volkswagen plant. The organization of a sales network moved along just as swiftly after the prospect of selling Volkswagens to the general public was proposed



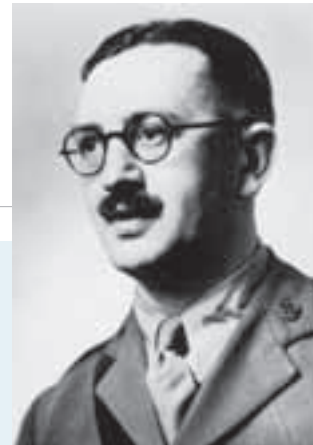
DELIVERY TO THE FRENCH
MILITARY ADMINISTRATION

in the production program issued in June 1946. Factory management pressed for the establishment of a dealer network, and the British agreed to this proposal for their zone in October 1946. It was to be supported by two field representatives and subjected to strict quality controls. The exchange of experience between dealers and management developed in time into a trusted partnership, which was to become profitable for both sides.

TALKS WITH BEN PON
AT THE HANOVER EXPORT FAIR



The British introduced a second decisive development in the summer of 1947, with long-term effects. Their decision to export Volkswagens was, on the one hand, aimed at replenishing the currency reserves of an English economy still reeling from the financial costs of the war, but it also laid the foundation for the international success of the Volkswagen sedan and the company's launch onto the international market place. The starting point for commercial exports fell, however, at an unfavorable moment. The supply crisis became so severe that the number of vehicles that the plant was to produce could not be met in August and November 1947. It was only the following year that foreign business gradually took hold. In the meantime, the factory management had developed a sedan model whose workmanship and features were superior to the standard domestic version, making it suitable for export. Thanks to exceptional paintwork in attractive colors, comfortable upholstery, chrome bumpers and hubcaps, Volkswagen was able to maintain a hold on the international market and compete with foreign manufacturers. In 1948, 4,385 vehicles were exported to European countries: 1,820 to the Netherlands, 1,380 to Switzerland, 1,050 to Belgium, 75 to Norway, 55 to Sweden and 5 to Denmark. The export figures for the following year climbed to a total of 7,127 vehicles, meaning that Volkswagen sold about 15 percent of its total production to European markets.



IVAN HIRST

The British Senior Resident Officer, Major Ivan Hirst, played a decisive role in the conversion of the armaments factory into an automobile firm. Thanks to his improvisational talents, technical and organizational problems were solved and supply shortages overcome. Hirst steadfastly pressed for improvements in the quality of the sedans, and this was to become an important factor in Volkswagen's international reputation. When the British Military Government turned over the trusteeship of Volkswagen to the German federal government and its administration to the State of Lower Saxony on October 8, 1949, the company was in good condition. It had approximately 10,000 employees, a monthly production of 4,000 vehicles and cash reserves of about 30 million German Marks. This was not the whole story. Production for the occupation forces gave Volkswagen a substantial advantage over the competition. In 1948/49, it built just under half of all automobiles produced in West Germany. It had a quasi-monopoly for supplying the Reichsbahn (State Railway) and the Reichspost (State Postal Service), thus underpinning its advantages over the competitors. As a means of obtaining currency for the British Chancellor of the Exchequer, the firm was well ahead of the game compared to other automobile manufacturers, especially in the export business. Volkswagen was able to take the pole position when it joined the international competition for customers and market share in 1950.

1945

APRIL 11 American troops occupy the "Stadt des KdF-Wagens" (City of the KdF-Wagen), liberate the forced laborers and set up a maintenance works for their military vehicles in the Volkswagen factory. During the next few months, the United States Army utilizes available parts to produce vehicles and the former inspection manager Rudolf Brörmann is designated as works manager.

JUNE Responsibility for the Volkswagen plant is turned over to the British Military Government who confiscates the firm in accordance with Military Government Law No. 52 and administer it in trusteeship until the day that it can be returned to German control.

AUGUST 22 The British Military Government instructs Volkswagen to produce 20,000 Volkswagen saloons in order to meet their increased transport needs during the occupation period. The Volkswagen plant is turned into a British controlled factory and Major Ivan Hirst assumes the position of Senior Resident Officer. The position of Head Trustee is entrusted to Hermann Münch, who also becomes General Director on August 1, 1946.

NOVEMBER 27 The Works Council elected in a democratic ballot at the beginning of November meets for the first time. It replaces the provisional council set up during the summer of 1945.

DECEMBER 27 The standard production of the Volkswagen saloon under British administration begins with the assembly of 55 vehicles.

DECEMBER By order of the British Military Government, the facility in Brunswick is re-integrated in the production process of Volkswagen works. The plant begins producing special welding machines, tools and equipment as well as carburetors, clutches, shock absorbers and fuel pumps for the production lines in Wolfsburg. Thanks to British support in gaining access to supplies, the firm's own production capabilities can replace a supply industry devastated by the war and restricted by the controlled economy. The workforce increases from 218 wage earners and 58 salaried employees in December 1945 to 529 factory workers and 68 office workers in December 1949.



VOLKSWAGEN SEDAN

VEHICLE PRODUCTION

Volkswagenwerk GmbH	
	1,785

WORKFORCE

Volkswagenwerk GmbH	
Wage-earners	5,459
Salaried staff	574
Total	6,033

FINANCIAL DATA (IN MILLION RM)

Volkswagenwerk GmbH	
Sales revenue	11.7



"BEETLE-WEDDING"

1946

FEBRUARY 26 The British appoint the lawyer Hermann Münch as the chief trustee of the Volkswagen plant; he also becomes General Director on June 17.

MARCH The workforce celebrates the production of the 1,000th Volkswagen sedan built during that month. For the first time production figures for March reach the level of 1,000 vehicles a month ordered by the British. Apart from slight fluctuations, the monthly production figures remain at this level until the beginning of 1948 because the necessary amount of raw material and components cannot be obtained, in spite of British protection.

SEPTEMBER The British Military Government's directive to dismantle the Volkswagen works is put on hold for the next four years. One month later, the level of industry plan, which limited the number of German automobiles to 40,000 a year, is revised. The survival of the Volkswagen works is guaranteed.

OCTOBER 25 The British Military Government approves the establishment of a Volkswagen sales organization in its zone. In the beginning, this was made up of 10 main distributors and 28 dealerships. By the time Volkswagen works were turned over to the Germans, the company established a closely knit sales and service network with the help of the British. On January 1, 1949, 16 agents, 31 distributors, 103 dealerships and 81 authorized repair shops in the three Western zones are devoted to sales and service.

DECEMBER 6 Overdue sheet metal deliveries, an acute coal shortage and a cold spell during the power crisis of 1946/47 force the British Works Management to shut down the production of Volkswagens until the begin of March 1947.

THE FIRST PRODUCTION JUBILEE





HERMANN MÜNCH

VEHICLE PRODUCTION

Volkswagenwerk GmbH	
	10,020


WORKFORCE

Volkswagenwerk GmbH	
Wage-earners	7,351
Salaried staff	910
Total	8,261

FINANCIAL DATA (IN MILLION RM)

Volkswagenwerk GmbH	
Sales revenue	54.9

SERVICE BULLETIN No. 13|4
Kundendienst-Brief Nr. 13|4

WOLFSBURG MOTOR WORKS  VOLKSWAGENWERK

Wolfsburg, 8. July 1946

Sachver: Silencing Engine.
To silence the engine the following modifications have been introduced effective from August No. 1-30/1946, body No. 66-991.

- The rear portion of the rear side members are added to a length of 20" (50 cm) with sound proofing material. (Fig. A.)
- To prevent sound proofing material from falling out, a small flap (Fig. 1) with sound proofing material is inserted between rear side members, rear window frame and outer panel, and joined in place. (Fig. B.)
- The rear luggage compartment, part No. 982771, is covered with 1/8" (2 cm) cork, which is to be joined in place. On top of the cork is placed the flaps and covering of cardboard and protective mouldings using sound screen. (Fig. C-D.)
- Fig. 1, 2, 3' (1 cm) thick, is also to be joined on the partition between passenger board and rear seat. (Fig. E.) The specified previously used is placed on top of the flaps.

Bez.: Dämmung der Motorschraube.
Zur Dämmung der Motorschraube werden die folgenden Maßnahmen ab August No. 1-30/1946, Karoseri Nr. 66-991, durchgeführt:

- Der hintere Teil der Dachseiten wird zu einer Länge von 20 cm mit Dämmmaterial gefüllt. (Abb. A.)
- Um Verfall dieser Füllung zu vermeiden, werden kleine, Dämmmaterial gefüllte Klappen zwischen den Dachseiten, dem hinteren Fenster und der Außenverkleidung einstecken und anschließend mit Schutzblech und Schutzblechverkleidung versehen. (Abb. B.)
- Der hintere Kofferraum wird mit 2 cm dicken Korken ausgefüllt. (Abb. C-D.)
- Die Trennwand zwischen Vordersitz und Rücksitz wird ebenfalls mit einem 1 cm starken Korken ausgefüllt. (Abb. E.) Die bisher verwendete Pappe wird dadurch gelöst.

1947

MAY 10 The works agreement concluded by management and the Works Council goes into effect, in accordance with the Allied Works Council Law of 1946, ensuring the workers' representatives a voice in the decision making process. The Works Council now has the right to participate in matters concerning hiring and firing, transfers, wages and salaries, as well as changes made in the works. In addition, the Council supervises the works canteen and allocates the food grown on the factory grounds. The Council can also participate in determining the production program and examine company books.

AUGUST 8 "Pon's Automobielhandel" in Amersfoort becomes an authorized importer for the Netherlands. At the beginning of October 1947, the Pon brothers import five Volkswagen sedans, thus closing Volkswagen's first commercial export deal. After exporting 56 Volkswagens in 1947, exports rise within a year to 4,500 automobiles. In order to assist the export business, Volkswagen signs contracts in 1948 with Walter Haefner's "Neue Amag AG" in Switzerland, with the "Ançiens Etablissements D'Ieteren Frères" in Belgium as well as with partners in Luxembourg, Sweden, Denmark and Norway.



ASSEMBLING LINE IN WOLFSBURG



1947

VEHICLE PRODUCTION

Volkswagenwerk GmbH	
	8,987

WORKFORCE

Volkswagenwerk GmbH	
Wage-earners	7,190
Salaried staff	1,192
Total	8,382

FINANCIAL DATA (IN MILLION RM)

Volkswagenwerk GmbH	
Sales revenue	57.0

START OF COMMERCIAL EXPORT: FIVE SEDANS FOR THE NETHERLANDS

1948

JANUARY 1 The former Opel manager Heinrich Nordhoff, who was appointed General Director of the Volkswagen works by the British Military Government in November 7, 1947, takes office.

JUNE 20 The currency reform and the introduction of the German Mark establishes a functioning market for goods, ending the short supply economy and paving the way for Volkswagen's economic growth. Production figures increase from 1,185 vehicles in May to 2,306 vehicles in December of this year.

JULY 29 The decision made by the Volkswagenwerk GmbH on April 26, 1948, to move its business offices from Berlin to Wolfsburg goes into effect. The firm is entered in the commercial register at the District Court in Fallersleben.

HEINRICH NORDHOFF



BODYSHOP IN WOLFSBURG



1948

VEHICLE PRODUCTION

Volkswagenwerk GmbH	
	19,244

WORKFORCE

Volkswagenwerk GmbH	
Wage-earners	7,494
Salaried staff	1,225
Total	8,719

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk GmbH	
Sales revenue	89.2
Profit	1.7

VEHICLE SALES

Volkswagenwerk GmbH	
Germany	15,078
Abroad	4,464
Total	19,542

1949

JUNE 30 The "Volkswagen-Finanzierungs-Gesellschaft mbH", a financing company, is founded to provide loans to domestic customers and dealers. This measure, set up to encourage the sales of Volkswagens, serves as an instrument to compensate for the lack of purchasing power on the domestic market. Between 1949 and 1954, the number of predominately one-year loans rises from 168 to 14,831 and the financing volume from 551,000 DM to 48.7 Million DM. After 1960, increased domestic sales and shorter delivery times lead to growth of the financing business. The increase in capital on January 1, 1963, allows "Volkswagen-Finanzierungs-Gesellschaft" to expand its instruments to promote sales. Purchase financing for Volkswagen dealerships is expanded in 1964 to stock keeping and demonstration cars and in 1971 to spare parts.

JULY The Beetle Convertible with body by Hebmüller goes into production at almost the same time as the new export model VW 1100. As opposed to the convertibles that follow, this is a two-seater with a flat dropping rear and a top that can be completely lowered. Because of a large fire during the summer of 1949; Hebmüller was only able to deliver a few hundred of the 2,000 ordered units. This brief cooperation was followed by a long-term partnership with the Karmann coach works in Osnabrück. In 1949, they began producing a four-seat convertible for Volkswagen and built all open Beetles. These were based on the current export versions, which were superior to the standard models thanks to improved engineering and enhanced interiors.

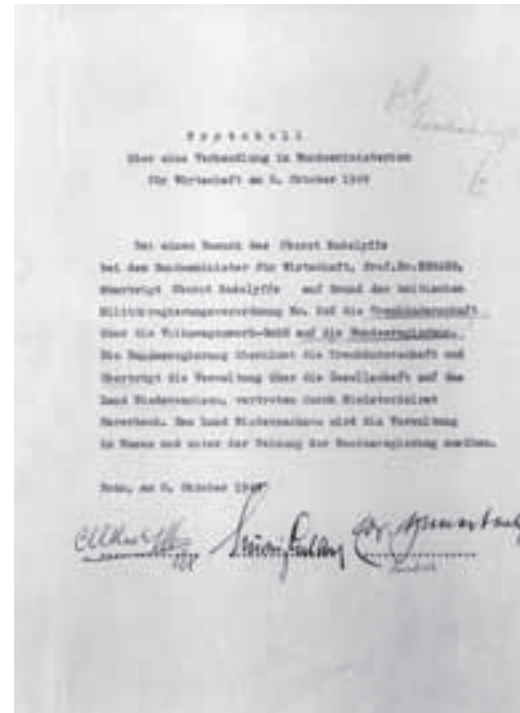


VOLKSWAGEN CONVERTIBLE MADE BY KARMANN

SEPTEMBER 6 In accordance with Ordinance 202, the British Military Government hands over the Volkswagen works to the State of Lower Saxony with the provision that they take control on behalf of, and under the supervision of the federal German government. The question of ownership is left open until the partial privatization of the company.

OCTOBER 1 Volkswagen increases its range of social benefits by introducing a voluntary insurance system. The work's pension program, which is available to all employees over 25 years of age who remain for at least four years with the company, supplements state social security payments upon retirement. The sum is based on the affiliation to the company. In case of death, the widow receives half of the monthly pension. A death benefits program was also instituted at the same time for married employees and for other members of the workforce who have to pay support of some kind. This provides a one-time payment of 4,000 DM to surviving dependents. In the case of accidental death or invalidity, a general accident insurance policy taken out for the entire workforce covers financial claims.

OCTOBER 8 Colonel Charles Radclyffe signs the protocol turning over the Volkswagen works to the trusteeship of the federal German government. The State of Lower Saxony assumes the administration.



THE VOLKSWAGEN FACTORY IS
HANDED OVER TO THE
GERMAN GOVERNMENT



1949

VEHICLE PRODUCTION

Volkswagenwerk GmbH	
	46,154

WORKFORCE

Volkswagenwerk GmbH	
Wage-earners	8,846
Salaried staff	1,381
Total	10,227

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk GmbH	
Sales revenue	243
Profit	3.9

VEHICLE SALES

Volkswagenwerk GmbH	
Germany	38,666
Abroad	7,128
Total	45,794



1950-1960



1950–1960

Internationalization and Mass Production in Germany's Economic Miracle

During the 1950s, Volkswagen was already considered a symbol of West Germany's economic miracle. Just like the Beetle itself, the company's success resulted from a conspicuous profile and constantly improved engineering. The factory's capacity as well as the rationalization offensive introduced in 1954 created the technical prerequisites required for the standardized production of the VW 1200. Volkswagen was able to shape its long-term growth strategy by combining mass production, global market orientation and the integration of its workforce. In 1950, the Wolfsburg company exported one third of its automobile production, double the amount of the year before, to 18 countries, most of them in Europe. The import leaders were Sweden, Belgium, the Netherlands and Switzerland. By exporting 1,253 vehicles to Brazil for the first time, South America emerged as a second important focus of the company's activities, especially at a time when the import of American models there almost came to a complete stop because of a shortage of dollar reserves. Volkswagen gave priority at an early stage to supplying this potentially important market.

Europe's economic recovery and the struggle for industrialization of Third World countries resulted in an advantageous situation for the export of Volkswagens. As it turned out, international trade based on bilateral agreements proved beneficial for Volkswagen. The dollar shortage in most countries temporarily weakened the American competition, but the export possibilities of the German rivals were limited by production capacities. As a public company, Volkswagen could hope for the support of the federal government, which, by negotiating trade agreements, opened up export possibilities for the German industry. With a market share often reaching 50 percent of the entire German automobile export business, Volkswagen was the most important earner of foreign currency and the leading German automobile exporter during the 1950s.

The systematic expansion of the export business during the first half of the 1950s was not, however, entirely trouble or risk free. Investments were at first only rewarded with narrow profit margins because Volkswagen's price calculations had to take into consideration the establishment of its products on the international market, and for this reason the company exported its products at close to cost. In addition, the establishment of a production site in Brazil ran into



ON THE WAY TO ITALY WITH THE BEETLE

difficulties because of political and economic uncertainty. Problems were also encountered when a sales organization for the United States market was set up because top-quality American dealers were already bound to exclusive contracts with domestic manufacturers and the usual trade discount of 30 percent made competitive pricing difficult.

In spite of these problems, Volkswagen was able to break into the European, American and African markets by the mid 1950s, thanks for the most part to its engineering details and the quality standards of the continuously improved sedans. The Beetle enjoyed the reputation of being an economical and reliable automobile, especially suited to the needs of developing countries because of its efficient fuel consumption and its robust design suitable for regions with underdeveloped roads. On the other hand, Volkswagen was very cautious when entering new markets, supporting its products with a sales and service network. According to the company's management, long-term success would only come from an organization that included a close net of service points for replacement parts, special tools and carefully trained personnel. Volkswagen's excellent reputation on this issue was an important trump card on the international market. Volkswagen demanded high investments from its

dealers in order to guarantee proficient customer service. In the strategically important Canadian and American markets, Volkswagen set up its own sales network. At the same time, production sites were established in Brazil, South Africa and Australia. The Wolfsburg company internationalized early, laying the foundation for a worldwide production network.

Volkswagen celebrated its greatest triumphs on the domestic market, where the Beetle became a symbol of Germany's economic miracle. The dream of a popular automobile that was born around 1900 thanks to the birth of a new engineering era and which was later abused by the Nazis for their own political ends, finally flourished in a late but equally terrific manner. The Beetle was the best selling automobile of the decade and had a market share of around 40 percent. Engineering and design created the halo of a "classless" auto representing the self-confidence of a growing consumer society and the fundamental change of the passenger car from being a luxury item to becoming a consumer good for all segments of the population. The Transporter, built beginning in 1950, was no less successful and dominated the market for station wagons and delivery vehicles with a market share of about 30 percent. The sales potential on the domestic market was, nevertheless, limited. During the first half of the 1950s, the trade's great demand resulted in steadily growing sales, but the circle of private customers grew only slowly. For a majority of auto-crazed West Germans, the Beetle remained, in spite of increased income, an expensive dream. Individual mobility

was provided predominately by the motorcycle, and it was only in 1957 that the registration of new automobiles surpassed that of two-wheelers. Seen in this light, the restructuring of the Beetle production into a Ford-like mass production system in 1954 only made sense because international successes made up for the limitations of the domestic market. The automation of the factory, on the other hand, made possible the production volumes which were now needed to meet the demands of the recently entered international market and especially the increasing requirements of the United States market beginning in 1954.

The workforce shared in the company's economic success, earning high salaries and receiving a package of voluntary benefits which, given the good general economic conditions of the 1950s, led to a cooperative working relationship. The sharing possibilities were large; Works Council and management worked together in an attempt to keep employee turnover to a minimum and to solve the chronic shortage of skilled workers. A generous pay and benefits system helped to create a stable workforce that considered itself part of the Volkswagen family. With its own in-house wage agreement, Volkswagen ranked at the top of the German automobile industry and even served as a trendsetter for other industries. Volkswagen's so-called "high wage policy" allowing employees to share in the company's success was criticized by employer's federations as well as by the federal govern-

ment, who saw their anti-inflationary efforts endangered by such wage increases. Nevertheless, the cautious public administration and the company's excellent balance sheet gave Volkswagen's management enough leeway to steer its own course in terms of wages and working hours. In October 1955, the Works Council, the Metal Workers' Union and Volkswagen's management agreed to a two-phase reduction in working hours, meaning a 40-hour working week for most of the company's employees from 1957. After the representatives of the federal government on the Supervisory Board blocked the introduction of these proposals in the wage contracts, Volkswagen went ahead and brought in the reduction of the working week through the back door by making them a part of agreements conducted with the Works Council.

Further disharmony between management and the federal German government surfaced during the privatization discussion, which the German parliament had debated from the summer of 1956. Volkswagen's management

HEINRICH NORDHOFF
AT A WORKFORCE-MEETING





FEDERAL CHANCELLOR KONRAD ADENAUER
AT THE VOLKSWAGEN FACTORY

saw no urgent reason to change the legal structure of a successful company. The Works Council and the workforce, however, were interested in protecting the financial and social benefits they had received and fought against the government's privatization plans. They received the support of the Social Democrats, who, as the parliamentary opposition party, raised their voice in the German parliament against the sell out of national property. Volkswagen's management realized, however, that the privatization of Germany's most important automobile producer was unavoidable. Volkswagenwerk GmbH was basically a company without an owner, administered by the State of Lower Saxony on behalf of and under the supervision of the federal government. In addition, public trusteeship did not conform to the liberal market economy policies of the coalition government headed by the Christian Democrats.

The federal government and the company's management agreed that shares in Volkswagen should be sold widely as a "people's stock", making difficult the concentration of large share packages controlled by only a few. The proposed initial capital of 600 million DM provoked protests. With future investments in mind, Heinrich Nordhoff voted for cutting the share capital in half, but he could not push his business motivated position through. Volkswagenwerk AG, which was entered into the commercial Register on August 22, 1960, was able to continue its successful development even after partial privatization. However, it was not the high share capital that caused the company difficulties during the 1960s, but rather its mass production procedures and its policies on automobile models.

1950

MARCH 4 An annual bonus of up to 120 DM is introduced for the employees of the Volkswagenwerk to mark the occasion of the 100,000th Volkswagen manufactured since the end of the war. In 1954, bonuses are raised to 4 percent of gross income.

MARCH 8 Series production of the Transporter begins in Wolfsburg. This model is used for goods and passengers, as a fire department vehicle, as a police car, postal delivery van and later even as a camping bus. Because of its many uses, Type 2 is in great demand in Germany as well as overseas.

OCTOBER 1 The Brunswick facility is integrated in the Volkswagen plant in Wolfsburg, first commercially, then in terms of organizational structure. From now on, the Brunswick departments report to the relevant departmental managers in Wolfsburg. The manufacturing programme includes jigs and fixtures, specially designed machines, tools, single and spare parts. For the Volkswagen sedan, Brunswick mainly supplies thermostats, windscreen-wipers and sliding-roof components; the production of the Transporter begins in March 1950 and here Brunswick supplies various single parts, front axles, along with hand and foot lever systems.

Volkswagen begins to export overseas. This marks an important step towards mass production for the world market. 330 vehicles are shipped to the USA, 128 Volkswagen to Uruguay. Volkswagen exports a further 302 Transporters and 951 sedans to Brazil through Brasmotor, a company based in São Paulo. From January 1951 the vehicles, one third of which are supplied as sets of components, are assembled at Brasmotor.



TRANSPORTER

THE 100,000TH VOLKSWAGEN

VEHICLE PRODUCTION

Volkswagenwerk GmbH	
	90,038

WORKFORCE

Volkswagenwerk GmbH	
Wage-earners	13,322
Salaried staff	1,644
Total	14,966

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk GmbH	
Sales revenue	411
Profit	3.8

PRODUCTION OF SELECTED MODELS

	Beetle	Transporter
	81,979	8,059

VEHICLE SALES

Volkswagenwerk GmbH	
Germany	60,769
Abroad	29,387
Total	90,156

1950

1951

MARCH 29 Foreign demand for German raw materials during the Korean War leads to higher prices and to a temporary acute coal shortage, causing problems in acquiring sheet metal. Automobile production has to be shut down for a few days, after which the factory goes over to short time until February 1952.

MAY 9 Hugo Bork is elected Chairman of the Works Council, a position he holds until 1971.

MAY 22 An Advisory Council is formed under the chairmanship of Heinz M. Oeftering. According to the regulations in the law governing industrial relations passed in 1952, the Advisory Committee is replaced by a Supervisory Board on August 28, 1953.



VOLKSWAGEN PRODUCTION



HUGO BORK



HEINZ M. OEFTERING

VEHICLE PRODUCTION

Volkswagenwerk GmbH	
	105,712

WORKFORCE

Volkswagenwerk GmbH	
Wage-earners	12,338
Salaried staff	1,809
Total	14,147

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk GmbH	
Sales revenue	486
Investments	37.7
Profit	1.9

PRODUCTION OF SELECTED MODELS

	Beetle	Transporter
	93,709	12,003

VEHICLE SALES

Volkswagenwerk GmbH	
Germany	69,959
Abroad	35,742
Total	105,701

1952

SEPTEMBER 11 With the founding of "Volkswagen Canada Ltd." in Toronto, Ontario, Volkswagenwerk GmbH expands its sales and customer service network into the international market. This step is necessary because the duty free import of English products puts Volkswagen at a disadvantage, making its entry onto the Canadian market difficult. 94 Volkswagens were sold by the end of the year.

The Beetle changes its appearance. Two brake lights combined with taillights and reflectors, a partially-synchronized gearbox and improved suspension make up the initial improvements aimed at increasing safety and comfort. The split rear window of the "Brezel Beetle" is replaced in 1953 by a larger oval-shaped window which gives the "Ovali Beetle" its name. Single-compartment rear lamps with integrated brake lights, a double exhaust and a PVC sunroof are added in 1955. The rectangular rear window and an enlarged windscreen improve driving conditions from 1957 onwards; a large wing mirror is added one year later.



BREZEL BEETLE



OVALI BEETLE



VOLKSWAGEN CANADA

VEHICLE PRODUCTION

Volkswagenwerk GmbH	
	136,013

WORKFORCE

Volkswagenwerk GmbH	
Wage-earners	15,390
Salaried staff	1,991
Total	17,381

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk GmbH	
Sales revenue	660
Investments	27.9
Profit	3.5

PRODUCTION OF SELECTED MODELS

	Beetle	Transporter
	114,348	21,665

VEHICLE SALES

Volkswagenwerk GmbH	
Germany	89,060
Abroad	46,881
Total	135,941

1953

JANUARY 28 In order to ease the chronic housing shortage in Wolfsburg, "VW-Wohnungsbau-Gemeinnützige Gesellschaft mbH" is established, and builds 1,400 apartments by the end of the year. The swift growth of the workforce makes the creation of new housing an urgent task, especially because public funds for these activities were limited. More than half of Volkswagen's employees live outside Wolfsburg and have to commute to work from their homes, often up to 80 km away. Building company housing becomes an important instrument in creating a permanent workforce.

MARCH 23 Volkswagen sets up its first foreign production company, "Volkswagen do Brasil Ltda." in São Paulo. The Brazilian government's restrictive import policy, which aims at promoting the domestic car industry, means that the only way of achieving long-term success in the South American market is to manufacture directly in the country. Volkswagen has an 80 percent share in the Brazilian firm which operates as a limited company from July 12 1955. Initially the imported components sets are assembled in rented property. At the end of 1956, however, assembly is transferred to a newly-built factory in São Bernado do Campo. In order to meet up with the required level of domestic manufacturing, production soon replaces assembly at this site. The first Transporter made out of mainly Brazilian components rolls off the line in September 1957; production of the sedan starts in January 1959 and becomes the most popular car in Brazil.

NOVEMBER 30 An economics committee with equal representation meets for the first time in the Volkswagenwerk. Its purpose is to inform the Works Council about management's company policies.



BUILDING OF APARTMENTS
FOR WORKERS IN WOLFSBURG

THE BRAZILIAN ASSEMBLY PLANT
AT IPIRANGA



VEHICLE PRODUCTION

Volkswagenwerk GmbH	
	179,740

WORKFORCE

Volkswagenwerk GmbH	
Wage-earners	18,318
Salaried staff	2,251
Total	20,569

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk GmbH	Group
Sales revenue	815
Investments	56.6
Profit	3.5

PRODUCTION OF SELECTED MODELS

	Beetle	Transporter
	151,323	28,417

VEHICLE SALES

Volkswagenwerk GmbH	
Germany	106,883
Abroad	68,754
Total	175,637

1953

1954

AUGUST An internal report on the condition of the American automobile market identifies technical deficiencies that put the company at a disadvantage in comparison to the American competition, and leads Volkswagen to increase production rationalization in order to compensate. By modifying the organizational structure, moving to conveyor-belt assembly and automating production, the company completes the changeover to large-scale standard production.

Sales rise to a total of 205,517 automobiles and 40,739 Transporters, a statistic that emphasizes the growing importance of the sales and customer service sectors. On January 1, 1954, the domestic sales organization encompasses 66 distributors, 239 dealerships and 531 authorized repair shops. A central file set up by the end of the year reveals that external organizations employ 63 sales managers and 1,997 salesmen. A department established in 1953 to promote domestic sales offers dealers a wide range of study courses and issues the weekly publication "Schnell-Information für VW-Verkäufer"

(Quick Information for VW Salesmen) as well as the "Brief an VW-Verkaufsleiter" (Sales Manager Bulletin). The sales network abroad is also enlarged in response to the growing export business, which has now reached 44 percent. In October 1953, there are 82 sale agencies outside of Germany, including the subsidiaries Volkswagen do Brasil Ltda. and Volkswagen Canada Ltd. 70 percent of foreign sales are in Europe, especially in Belgium, Sweden, the Netherlands and Switzerland. The creation of a sales and customer service organization in Asia, America and Africa requires perseverance, courage and creativity. In 1955, every second export vehicle is sold on the overseas market. Global orientation is profitable for both the company and its business partners.



EFFICIENT MASS-PRODUCTION

VEHICLE PRODUCTION

Volkswagenwerk GmbH	
	242,373

WORKFORCE

Volkswagenwerk GmbH	
Wage-earners	22,719
Salaried staff	2,564
Total	25,238

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk GmbH	Group
Sales revenue	1,064
Investments	87
Profit	4.3

PRODUCTION OF SELECTED MODELS

Beetle	Transporter
202,174	40,199

VEHICLE SALES

Volkswagenwerk GmbH	
Germany	137,000
Abroad	108,839
Total	245,839

1955

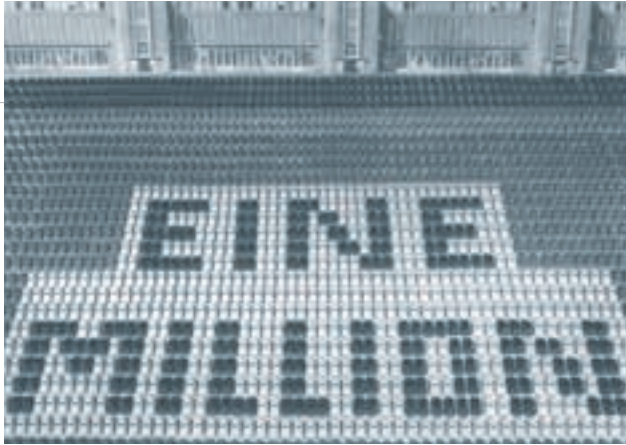
FEBRUARY 10 According to the general agreement on pay scales, wage earners will continue to be paid during periods of illness. Along with this right, a number of new benefits are introduced that give the company an unmistakable social profile during the 1950s.

JULY 21 "Volkswagen United States Inc.", with main offices in New York, is founded as a market research and observation instrument. The merger of Studebaker and Packard offers Volkswagen the opportunity of buying a modern, hardly used assembly plant. On August 10, 1955, the American Volkswagen subsidiary acquires a factory in New Brunswick, New Jersey, from the Studebaker-Packard Corporation in order to begin production of Volkswagens in the United States. The plans, however, are cancelled. A study of the projected costs reveals that the high salaries paid in the United States would make it impossible to manufacture a product of the same quality for a competitive price.

AUGUST 5 Employees and dealers from home and abroad celebrate the production of the one millionth Volkswagen in Wolfsburg.

AUGUST The Ghia Coupé, developed in cooperation with the coachbuilder Karmann, goes into production.

OCTOBER 27 As the successor of "Volkswagen United States Inc.", which will later be dissolved, "Volkswagen of America, Inc." is founded in Newark, New Jersey. After plans for production in the United States are cancelled, the company assumes the functions of a sales organization. Its main office is moved to Englewood Cliffs, New Jersey. With offices in New York later and in San Francisco, the American Volkswagen subsidiary supervises the import of Volkswagens starting in January 1956 and begins to overhaul the presentation of the brand by imposing strict service requirements. As a majority of the dealers also represent a number of other manufacturers apart from Volkswagen, it is impossible for them to fulfill the obligatory aftersales responsibilities to customers. In 1956, 42,884 Beetles and 6,666 Transporters were sold. The sales and customer service network, which now embraces 15 distributors and 342 dealers, is enlarged in line with the continuously growing sales figures. Increasing business makes the construction of a new administrative office building necessary, and this opens in October 1962.



A NEW PRODUCTION RECORD



VOLKSWAGEN KARMANN GHIA COUPÉ

VEHICLE PRODUCTION

Volkswagenwerk GmbH	
	329,893

WORKFORCE

Volkswagenwerk GmbH	
Wage-earners	28,606
Salaried staff	2,964
Total	31,570

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk GmbH	Group
Sales revenue	1,408
Investments	173
Profit	6.3

PRODUCTION OF SELECTED MODELS

	Beetle	Transporter
	279,986	49,907

VEHICLE SALES

Volkswagenwerk GmbH	
Germany	150,397
Abroad	177,657
Total	328,054

1956

MARCH 8 After a one-year period of construction, the new plant in Hanover-Stöcken starts producing the Transporter. The Supervisory Board agreed to this decentralization of production on January 24, 1955, because higher demands required an increased capacity, which could no longer be met because of a limited pool of workers in the Wolfsburg area. By transferring the production of the Transporter to Hanover, it was now possible to expand Beetle production in the plant at Wolfsburg, thus keeping up with increasing demand. With a workforce of 6,044 employees, yearly production of the Transporter rises from 62,500 to 91,993 vehicles in 1957. About 60,000 units are exported. In the autumn of 1957, construction of a new engine factory begins in Hanover, which starts production on March 25, 1959.

SEPTEMBER 10 In order to solidify its position on the South African market, the Volkswagenwerk GmbH acquires an interest in the "South African Motor Assemblers and Distributors Ltd. (SAMAD)", a company in Uitenhage predominately in English hands which imports dismantled Volkswagens and then assembles and sells them on its own. In 1957, interest in the company is increased from 38 percent to 57.6 percent.



DELIVERY OF TRANSPORTERS



THE PLANT IN HANOVER-STÖCKEN

VEHICLE PRODUCTION

Volkswagenwerk GmbH	
	395,690

WORKFORCE

Volkswagenwerk GmbH	
Wage-earners	32,269
Salaried staff	3,403
Total	35,672

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk GmbH	Group
Sales revenue	1,715
Investments	181
Profit	6.9

PRODUCTION OF SELECTED MODELS

	Beetle	Transporter
	333,190	62,500

VEHICLE SALES

Volkswagenwerk GmbH	
Germany	176,067
Abroad	217,683
Total	393,750

1956

1957

APRIL 1 An agreement between the Works Council and Volkswagen management reduces working hours for shift-workers to 40 hours a week, and for standard employees to 42.5 hours a week. Most of the employees now work a 40-hour week with no reduction in pay.

APRIL 1 Alfred Hartmann becomes Chairman of the Volkswagenwerk GmbH Supervisory Board.

SEPTEMBER Production of the two-seat Karmann-Ghia Convertible starts in Osnabrück.

DECEMBER 6 Volkswagen forms the "Volkswagen (Australasia) Pty. Ltd." with main offices in Melbourne in order to produce Volkswagens, parts of which are manufactured locally. In 1958, the Australian Volkswagen subsidiary acquires the stocks of the former authorized importer, "Volkswagen Distributors Pty. Ltd.", which now assumes responsibility for service. After Volkswagen Australasia begins assembling vehicles from parts in January 1959, production capacity is increased thanks to the construction of a new factory building. The acquisition of the "Allied Iron Founders Pty. Ltd." in 1959, which is renamed "Volkswagen Manufacturing (Australia) Pty. Ltd.", serves the same purpose and moves, together with Volkswagen Australasia, from assembly to production in 1962. The preparation of replacement engines is added to the manufacturing program of the Australian subsidiary in 1963.

After the release of the last remaining site from British control, the production line in Brunswick is modified to meet the demands of Fordist large-scale production in Wolfsburg and Hanover. A phase of rationalization follows which is accompanied by an expansion of production capacities and manufacturing processes. Shed 3 with 25.000 sq. metres, is completed by the end of 1957 and takes on the construction of front axles for the sedan previously located in Wolfsburg; in 1958 the manufacture of the front axle for the Transporter is temporarily transferred to Hanover in order to free additional capacities in Brunswick for the expanding production of the Beetle.

VOLKSWAGEN KARMANN GHIA CONVERTIBLE



ALFRED HARTMANN



VEHICLE PRODUCTION

Volkswagenwerk GmbH
472,554

PRODUCTION OF SELECTED MODELS

Beetle	Transporter
380,561	91,993

1957

WORKFORCE

Volkswagenwerk GmbH	Group
Wage-earners	37,500
Salaried staff	3,750
Total	41,290
	43,359

VEHICLE SALES

Volkswagenwerk GmbH	
Germany	203,018
Abroad	270,987
Total	474,005

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk GmbH	Group
Sales revenue	2,037
Investments	211
Profit	7.4

1958

JUNE 16 Hans Busch becomes Chairman of the Volkswagenwerk GmbH Supervisory Board.

JUNE Powertrain remanufacturing is moved from Wolfsburg to Altenbauna near Kassel. After a year of rebuilding and repairing the former aircraft engine plant bought from Henschel & Sohn GmbH, a new factory is opened to supply the Volkswagen organization with rebuilt engines, axles and other spare parts since June 26. The workforce increases in 1950 to 1,124 employees who repair and rebuild 430 engines and 130 axles a day. During the next few years, the buildings are gradually replaced by new ones. Hall 1 is built in 1959/60 for the production of transmissions. In July 1964, Hall 2 goes into operation. In addition to frame construction and a press shop, it houses a comprehensive replacement parts and packaging warehouse. In order to save material, personnel and shipping costs in 1969, Volkswagen decides to centralize the warehousing of parts in Kassel. By constructing new buildings and by enlarging Hall 3, which was completed in 1971, the Kassel plant with its 18,906 employees becomes the transmission production and the spare parts center for the Volkswagen Group.



HANS BUSCH



THE PLANT IN KASSEL

VEHICLE PRODUCTION

Volkswagenwerk GmbH	Group	Beetle	Transporter
553,399	557,088	451,526	105,562

PRODUCTION OF SELECTED MODELS

1958

WORKFORCE

Volkswagenwerk GmbH	Group	Volkswagenwerk GmbH	Group
Wage-earners	39,794	Germany	235,615
Salaried staff	4,210	Abroad	315,717
Total	44.004	Total	551,332
			554.987

VEHICLE SALES

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk GmbH	Group
Sales revenue	2,423
Investments	268
Profit	319.3

1959

JULY Volkswagen of America, Inc. starts a professional advertising campaign because of the market shares lost to the European firm Renault as well as to American manufacturers and their new "Compact-Car-Offensive." In cooperation with the advertising agency "Doyle Dane Bernbach Inc.", Volkswagen initiated a successful and legendary ad campaign. This produced a number of classics, such as: "Think small," "Lemon," "The Beetle runs,... and runs.... and runs". The segment of the market that Volkswagen was trying to reach was not, in any case, really affected by the larger American compact car manufacturers. While European competitors suffered from a decline in sales, Volkswagen was able to increase its import share from 20 percent to 32 percent in 1960.

NOVEMBER 18 Official opening of the new car-making factory in São Bernardo do Campo. The former assembly plant is now an independent manufacturing unit – with a press shop, body shop, paint shop, an engine construction line, assembly and an electroplating line. Once the shed for mechanical production is put into operation in 1960, the share of Brazilian parts used in the sedan production increases to 90 percent. One year later, Volkswagen do Brasil leads the Brazilian car industry, selling a total of 47.320 vehicles and with a 67 percent increase in sales over the previous year. The market share grows to 41 percent and the workforce of more than 8000 now produces nearly 220 vehicles each working-day.



AD. "MADE IN USA"

OPENING OF THE PLANT
IN SÃO BERNARDO DO CAMPO



VEHICLE PRODUCTION

Volkswagenwerk GmbH	Group	Beetle	Transporter
696,860	705,243	575,407	129,836

PRODUCTION OF SELECTED MODELS

1959

WORKFORCE

Volkswagenwerk GmbH	Group	Volkswagenwerk GmbH	Group
Wage-earners	49,372	Germany	292,147
Salaried staff	4,748	Abroad	404,185
Total	54,120	Total	696,332
			704,678

VEHICLE SALES

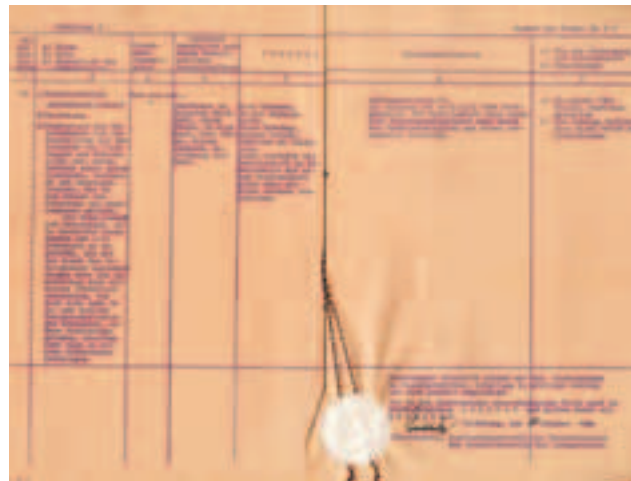
FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk GmbH	Group
Sales revenue	3,055
Investments	444
Profit	68.3

1960

MARCH 11 After the French government liberalized import regulations for Common Market countries, "Volkswagen France S.A." is founded in Paris to help the company gain ground in France. In the area of passenger car imports in 1960, Volkswagen is in third place behind Fiat and Opel.

AUGUST 22 Volkswagenwerk GmbH is renamed "Volkswagenwerk Aktiengesellschaft" and is entered in the commercial Register at the Amtsgericht (District Court) in Wolfsburg. On July 21, 1960, the West German parliament voted with a large majority to approve the "Gesetz über die Überführung der Anteilsrechte an der Volkswagenwerk Gesellschaft mit beschränkter Haftung in private Hand" (Law governing the transfer of share rights of Volkswagen GmbH). According to this law, 60 percent of the company's capital was to be sold as "people's stocks" (Volksaktien). The remaining 40 percent were to be equally divided between the federal government and the State of Lower Saxony, thus ensuring state influence over the company.



EXTRACT FROM THE COMMERCIAL REGISTER



MEETING OF THE WORKFORCE

VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter
865,858	890,673	739,455	151,218

PRODUCTION OF SELECTED MODELS

1960

WORKFORCE

Volkswagenwerk AG	Group	Volkswagenwerk AG	Group
Wage-earners	58,475	Germany	374,478
Salaried staff	5,664	Abroad	489,272
Total	64,139	Total	863,750
			888,507

VEHICLE SALES

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	3,933
Investments	465
Profit	72.2



1961-1972



1961–1972

The Beetle-maker between Boom and Crisis

Mass production of the Beetle and the flourishing export business helped Volkswagen reach a leading position in Europe. Thanks to greater productivity, the company built twice as many automobiles in 1964 as the second place manufacturer. In Germany, Volkswagen reached a share of almost 33 percent in the passenger car market, and more than half of newly registered vans carried the Volkswagen trademark. Volkswagen overcame the switch from a seller's market to a buyer's market during the earlier 1960s without a slump in sales by adding the VW 1500 to its product range and by increasing its presence on international markets. In 1963, the world's largest automobile exporter sold about 60 percent of its production to European markets and to the United States, where the Beetle's popularity was comparable to its dominance at home. After four good years with an average growth of 20 percent, exports to the United States rose to just under 330,000 in 1964. At the end of the year, the plant erected in Emden began assembling the Beetle in order to assure sufficient supplies for the North American market. Exports to Europe, however, did cause some concern. On the one hand, protectionist measures made Volkswagen's appearance on some of these markets troublesome. It was especially difficult to gain ground in



PRODUCTION OF THE VW 1500

Italy and France during the early 1960s. On the other hand, competition grew noticeably in Volkswagen's main European markets after other manufacturers raised quality and features of their vehicles to Volkswagen standards. Even in a domestic market long dominated by the Beetle, times were changing. American manufacturers brought their large 1.5-liter-automobiles onto the market, and their appearance appealed to a wider section of consumers than the rather compact models. In direct competition with these vehicles, sales of the formerly successful VW 1500 did not meet expectations in 1964. Thus, a second important product after the Beetle began to falter.

In order to improve competitiveness, Volkswagen examined the possibilities of cooperative ventures with Daimler-Benz. The reorganization undertaken in 1964 left the Wolfsburg automobile manufacturer the production of vehicles under 2 liters. Volkswagen used the opportunity to officially acquire 75,3 percent of the Daimler-Benz subsidiary Auto Union GmbH in January 1, 1965. The plant's assets included a yearly capacity of 100,000 vehicles, 11,000 employees, a sales network with 1,200 dealerships and a new generation of engines. On the debit side, however, were large stockpiles of vehicles and a substantial financial crisis. This was due to the fact that Auto Union GmbH built a comparatively low quality, but nevertheless expensive vehicle, which was consequently difficult to sell. Organizational changes and a rethinking of the product were immediately necessary in order to get Volkswagen's newest subsidiary out of the red. Starting in September, the plant in Ingolstadt produced the "Audi 72", which designers quickly refashioned out of the DKW F 102. This measure did not lead to an immediate financial breakthrough, but the vehicle remained the central model of a range with which Auto Union ensured its status as an independent brand within the Volkswagen Group.

With reduced earnings, Volkswagen entered the first post-war recession in 1966/67, which ended an exceptional and unusually long phase of prosperity, heralding the return to normal economic conditions. The declining demand on the domestic market forced the company to reduce the number of vehicles manufactured in 1967: The production of the

Beetle was cut by 14 percent and the VW 1500 was decreased 35 percent. Although the economy as well as Volkswagen's sales figures improved by the end of the year, the short sales crisis had a lasting impact on Volkswagen. It demonstrated the economic susceptibility of large-scale standard production, which, at the same time, came under pressure by internal changes in production and in model policies. The production depth as well as the variety of models with many different features built up by the company over the previous years led to a decrease in productivity and reduced the company's efficiency. Volkswagen's main competitive advantage – the mass production of one model – now threatened to become an ominous disadvantage. The degree of motorization and greater competition on most important markets cut off the possibility of compensating for losses by increasing sales to the same extent or by raising prices.

PRESIDENT OF THE FEDERAL REPUBLIC
OF GERMANY LÜBKE TALKING TO NORDHOFF
AND HAHN



It was during this period of radical change that the Heinrich Nordhoff era ended. He held firmly onto the Volkswagen saloon, which during his leadership was perfected into the technically mature Beetle, as well as on the combination of mass production and the global market orientation, leading the Volkswagenwerk to the pinnacle of the European automobile industry. In order to maintain this position far-reaching changes were necessary after Nordhoff's death, who had been Chairman for 20 years.

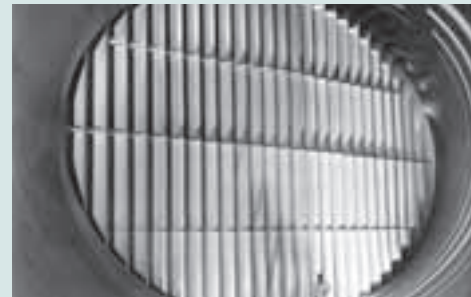
In order to improve yields, Volkswagen introduced a number of cost cutting measures in 1968. Along with the rationalization of production, the company invested in expanding research and development, redefining their importance. The recruitment of technicians and engineers as well as the systematic training of executive talents were now given greater emphasis. With the start of production of the VW 411 in September 1968, the Wolfsburg automobile manufacturer continued to move away from its dependency on the Beetle. However, with its daily production of 4,200 units, it still remained the lifeblood of the company. In order to maintain its competitiveness, Volkswagen developed the

VW 1302 featuring a new chassis and twice as much trunk space and which went into standard production as a sedan and convertible in 1970. Not all efforts could, however, change the fact that the Type 1, which featured an air-cooled rear engine, lost its attractiveness. A new generation of small and mid-sized vehicles with water-cooled engines, front-wheel drive, larger interior and trunk space, as well as new styling conquered the market. Sales of the Beetle dropped in 1970, but the losses were made up by the success of the South American subsidiary as well as by the recently merged Audi NSU Auto Union AG, whose models served an increasingly growing market segment. Volkswagen now concentrated its activities on the important task of develop-



PRODUCTION OF THE VW 411
IN WOLFSBURG

ing a new range of products and designing a worthy successor to the Beetle. Decreasing domestic demand was followed by sales problems abroad, intensified by the move to flexible exchange rates. The revaluation of the Deutschmark in the early 1970s impacted on Volkswagen exports and led to stronger competition from foreign automakers on the domestic market as demand fell. Volkswagen responded to changes in exchange rate policy by increasing prices because higher production costs and lower yields left little leeway for any other course of action. As a result, prices relative to other automakers and the company's competitive position on key volume markets worsened. This applied in particular with regard to Volkswagen's exports to the United States, the main export market, where Volkswagen of America's profits and sales were curtailed by exchange-rate induced cost handicaps compared with Japanese and American automakers. Between 1970 and 1972, Volkswagen of America's sales dropped from about 570,000 vehicles to just under 486,000. To make matters worse, the Beetle's popularity among Americans began to decline as the model started lagging behind automobile progress in terms of drive technology, consumption and safety.



WIND TUNNEL

Volkswagen confronted this crisis with a combination of cost cutting measures and high investments in product development and manufacturing. At its core, the costly rationalization program was aimed at implementing new technical and organizational methods in the production process. Computer technology would provide most of the innovation. Electronic data processing could now manage production processes, greatly improving rationalization. Volkswagen put all the essential elements of successful crisis management into place. All hopes now rested on the shoulders of a new generation of Volkswagens.

1961

JANUARY The partial privatization of Volkswagen results in a new "people's stock" in the federal Republic of Germany. By March 15 of this year, Volkswagen stocks with a total face value of 360 Million DM are sold for 350 DM each. The proceeds from the sale are transferred to "Stiftung Volkswagen", set up in 1961 to promote scientific research with independent legal statutes under civil law and registered in Hanover. Activities are financed by the interest of the capital of the Foundation and the annual dividends from the Volkswagen shares held by the Federal government and the State of Lower Saxony.

SEPTEMBER At the International Automobile Show in Frankfurt Volkswagen launches the VW 1500. By introducing this model, Volkswagen Board attempts to reduce the company's dependence on the Beetle. Two versions go into production: the sedan in September 1961, and the Variant in February 1962.

OCTOBER 18 The most complicated civil case in the history of the Federal Republic of Germany ends after 12 years in a settlement between Volkswagen and the former KdF-savers. The latter went to court to demand the delivery of Volkswagen automobiles in accordance with the deals made with the German Labor Front. Depending on the sum saved, the savers receive a maximum discount of 600 DM on the listed price for the purchase of a Volkswagen automobile or a cash settlement of up to 100 DM.



EXHIBITION AT THE INTERNATIONAL MOTOR SHOW,
FRANKFURT/MAIN (IAA)

VW 1500





VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	VW 1500
959,773	1,007,113	827,850	168,600	10,663

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group	Volkswagenwerk AG	Group
Wage-earners	62,892	Germany	427,251
Salaried staff	6,554	Abroad	533,420
Total	69,446	Total	960,871

VEHICLE SALES

1961

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	4,423
Investments	596
Profit	71.9

1962

JANUARY The wall erected between East and West Germany in August 1961 resulted in an end of workers commuting from the German Democratic Republic. Volkswagen starts to employ foreign "guest workers," mainly from Italy, in order to meet labor needs. The number of foreign workers rose spectacularly in 1962 from 730 to 4,494. By the end of the year, 3,188 Italians are employed in the Wolfsburg plant, living in the "Italian Village" erected especially for them.



OCTOBER 2 The one-millionth Volkswagen Transporter rolls off the assembly line in the Hanover plant.

DECEMBER 20 Volkswagen increases its involvement in the housing market by establishing the "VW-Siedlungsgesellschaft m.b.H." (VW Settlement Property Company) with main offices in Wolfsburg in order to take advantage of any opportunities that might come up to build or acquire housing for the workforce. In 1962, Volkswagen invests about 40 million DM in housing projects, 15 million DM of which is for accommodations near the Berlin Bridge in Wolfsburg. Although the housing offered by the company cannot keep up with the growing workforce, it does help to provide the domestic plants with workers and keep labor turnover to a minimum. The non-profit housing company limits its own building activities in 1964 in favor of administering construction projects of the Settlement Property Company, whose capital is doubled to 20 million DM. At this time, the two companies own a total of 7,646 apartments in Wolfsburg, Hanover and Kassel.

WORKERS IN THE "ITALIAN VILLAGE"



VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	VW 1500
1,112,424	1,184,675	877,014	180,337	127,324

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group	Volkswagenwerk AG	Group
Wage-earners	70,838	Germany	485,064
Salaried staff	7,166	Abroad	627,613
Total	78,004	91,220	Total
			1,112,677
			1,183,665

VEHICLE SALES

1962

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	5,518
Investments	338
Profit	84.1

1963

JANUARY After expanding its distribution functions to the State of Victoria, the Australian sales company "Volkswagen (W. A.) Pty. Ltd." is renamed "Volkswagen (Sales) Pty. Ltd.", and the "Volkswagen Distributors Pty. Ltd." is renamed "Volkswagen (Services) Pty. Ltd." During the current year, Volkswagen Australasia tries to augment exports to Southeast Asian and South Pacific countries.

JANUARY 15 The Volkswagen transportation ship "Johann Schulte" leaves the shipyard. With a loading capacity of 1,750 Volkswagens and a speed of 17.25 knots, the ship, the largest and fastest ever built for Volkswagen, expands the desperately needed transport capacity for overseas exports.

Because of the increasing production of the Beetle and a chronic labor shortage in Wolfsburg, it becomes necessary to streamline and automate production. The Wolfsburg plant automates the assembly of the body-in-white by introducing a new 180-meter long assembly line, which can produce 3,300 units a day in two shifts. The new machinery, which took one year to install, manages 16 different operations. For example, the front and rear sections of the vehicle can be welded to the roof with 300 spot welds and millimeter accuracy. The 440 workers previously needed to carry out these tasks can now help increase capacity levels in other production areas. In order to supply the assembly line with enough body parts, 57 new presses are set up. The paint shop is modernized and expanded by adding two new lines. At the end of December 1963, 43,722 employees work at the Wolfsburg plant.



AN IMPORTANT STEP:
AUTOMATISATION OF THE TRANSFER LINE



LAUNCHING OF THE "JOHANN SCHULTE"

VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	VW 1500
1,132,080	1,209,591	838,488	189,294	181,809

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	72,887
Salaried staff	7,539
Total	80,426

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany	445,250	445,250
Abroad	685,763	764,447
Total	1,131,013	1,209,697

1963

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	5,775
Investments	400
Profit	96

1964

JANUARY 15 The establishment of “Volkswagen de México, S.A. de C.V.” in Mexico City marks Volkswagen’s changeover from assembly to production after new import regulations made importing vehicles increasingly difficult. The new Volkswagen subsidiary acquires “Promexa S.A.,” the former Volkswagen representative in Mexico, and now produces Volkswagens. In 1965, sales increase by 59 percent. In order to meet growing demand, a new production site is established in Puebla. It goes into operation in November 1967, utilizing the products of Mexican suppliers in accordance with government quotas. With 22,220 sold vehicles, Volkswagen de Mexico attains a market share of 21.8 percent in the following year.

DECEMBER 8 The plant in Emden, constructed especially for overseas exports, begins producing the Beetle. The manufacturing structure of the new site, which encompasses four halls with 140,000 square meters, is designed with exports for the North American market in mind. The assembly plant receives bodies from Wolfsburg, engines from Hanover, transmissions and frames from Kassel and front axles from Brunswick. Only the seats and wiring harness are produced locally. Over 500 vehicles rolled off the assembly line each day. They are shipped from the company’s own port directly to the United States and Canada. By March 1966, the plant expanded its assembly capacity to 1,100 vehicles a day. The workforce grew correspondingly from 790 to 4,487 employees by the end of 1966. At first production was limited to the Beetle and the Transporter, but is expanded with the start of the production of the Golf in June 1974. Production is appropriately diversified.



VOLKSWAGEN DE MEXICO



PRODUCTION LINE AND DELIVERY IN EMDEN

Volkswagen Australasia Pty. Ltd. is required to increase the national production content to 95 percent by 1969. In exchange, the Australian government guarantees duty free imports for the next decade. In order to meet the government's plans Volkswagen undertakes a reorganization of the Australian branch: Volkswagen (Australasia) Pty. Ltd. is renamed "Volkswagen Australasia Ltd." in 1964 and takes over the complete production facility of Volkswagen Manufacturing (Australia) Pty. Ltd., which becomes "Volkswagen (Distribution) Pty. Ltd.". Direct sales to the States of Victoria and West Australia are transferred from "Volkswagen (Sales) Pty. Ltd.", which was dissolved in 1964, to Volkswagen (Distribution) Pty. Ltd. In spite of all of these efforts, the situation of the Volkswagen's Australian subsidiary worsens because production costs are high and peak capacity levels are not met. In addition, the automobile does not seem to meet the taste of the general public. By contrast, the comparatively primitive models made by the competitors are designed especially for the Australian market and can be manufactured more cheaply.

Volkswagen Australia's sales drop dramatically by 1966 from 34,588 to 19,586 vehicles. Continuing losses and volume competition, especially from Japanese manufacturers who have an advantageous position on the Australian market thanks to intensive bilateral trade relations, forces Volkswagen to stop its production in 1968. Volkswagen Australasia is renamed "Motor Producers Ltd." and returns to assembling CKD (completely knocked down) automobiles from imported kits.

PLANT OF
VOLKSWAGEN AUSTRALASIA



VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	VW 1500
1,317,295	1,410,715	949,370	200,325	262,020

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	79,662
Salaried staff	8,464
Foreign Workforce	16,485
Total	104,778

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany	517,956	517,956
Abroad	797,468	888,154
Total	1,315,424	1,406,110

1964

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	6,788
Investments	627
Profit	120

1965

JANUARY 1 The Daimler-Benz subsidiary "Auto Union GmbH" in Ingolstadt is taken over by Volkswagenwerk AG, which acquires the company's capital in accordance with their agreement in installments. By assuming ownership of this traditional and innovative brand, the Volkswagen Group widens its production range. At the same time, Volkswagen also gains access to a new generation of engines. The Audi, based on the DKW F 102 and produced since September 1965, is notable for its water-cooled 1.7-liter turbo injection engine, front-wheel drive, a modern chassis and a maximum speed of just under 150 kilometers per hour. Auto Union GmbH joins the Volkswagen Group as an independent subsidiary and forms the beginning of a group of brands.

FEBRUARY 8 Volkswagen of America, Inc. Begins taking over responsibility for sales at the distribution level with a view to cutting distribution costs and exerting a direct influence on distributors. In Jacksonville, Florida, the company establishes "Volkswagen Southeastern Distributor, Inc.," taking over business from the previous distributor. Four further distributors managed by the US subsidiary have been set up by 1969: "Volkswagen Northeastern Distributor, Inc. Registered in Boston, Massachusetts, in 1966; "Volkswagen North Central Distributor, Inc." in Deerfield, Illinois, in 1967; "Volkswagen South Atlantic Distributor, Inc." in Washington D.C. and "Volkswagen South Central Distributor, Inc." in San Antonio, Texas, in 1969.

APRIL Volkswagen's small delivery van Typ 147 developed in cooperation with the Deutsche Bundespost (German Postal Service) goes into production. This vehicle is nicknamed "Fridolin."

JULY 12 Volkswagen provides backing for its growing transport sector, which has 1,700 employees and a fleet of 55 ships, by founding the "Wolfsburger Transportgesellschaft m.b.H." Volkswagen owns 90 percent of the shares and 10 percent belong to the recently founded Volkswagen subsidiary "HOLAD Holding & Administration AG", an international administrative organization located in Basel. The legal exclusion of the freight business became necessary because of a threatened increase of America's reasonable import customs, which would lower competitiveness. The "Wolfsburg Transport Company" is especially committed to organizing air and sea transport for Volkswagen. It starts operations early in October 1965 with a staff of 59 employees. By the end of the year, it transports 168,000 Volkswagens overseas via chartered and scheduled ships.

DECEMBER 14 A modern climatic wind tunnel goes into service in Wolfsburg as a part of an expanding development center, in which engineers and technicians will be involved with basic research and product development.



ENTRANCE
IN INGOLSTADT



SMALL DELIVERY VAN

VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	VW 1500
1,447,660	1,594,861	1,090,863	189,876	261,915

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	84,919
Salaried staff	9,424
Workforce of foreign group companies	18,625
Total	94,343
	125,157

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany	592,485	632,671
Abroad	851,114	963,693
Total	1,443,599	1,596,364

1965

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	7,458
Investments	485
Profit	120

1966

JUNE 29 Josef Rust becomes Chairman of the Volkswagenwerk AG Supervisory Board.

OCTOBER "Volkswagen Leasing GmbH", one of the first German auto leasing companies, is founded in order to win over trade customers by providing customer services and insurance. Volkswagen decides to take this step because leasing companies already sell 10 percent of the new automobiles in the United States. At first, Volkswagen Leasing GmbH gears its activities to the needs of large customers who are increasingly demanding leasing options.

NOVEMBER 21 Volkswagen's South African subsidiary SAMAD, of which Volkswagenwerk AG owns a 63 percent interest, is renamed "Volkswagen of South Africa Ltd.". It employs 2,458 people and sells 21,888 vehicles in 1966, an increase of about 21 percent. Its share of the passenger car market rises to 13.4 percent and to 10 percent of light commercial vehicles. In 1974, Volkswagen becomes the sole owner of the South African assembly and sales company.



PRODUCTION PLANT OF
VOLKSWAGEN OF SOUTH AFRICA



JOSEF RUST

VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	VW 1500
1,476,509	1,650,487	1,080,165	191,373	311,701

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	81,564
Salaried staff	10,081
Workforce of foreign group companies	21,446
Total	91,645
	124,581

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany	494,850	536,394
Abroad	964,576	1,068,873
Total	1,459,426	1,605,267

1966

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	7,797
Investments	703
Profit	120
	9,998
	872
	348

1967

JANUARY 1 In accordance with an agreement between Volkswagen and the Metal Workers' Union, the working day of the regular shift is reduced to 8 hours. All Volkswagen employees now work a 40-hour week with no reduction in pay.

JANUARY 2 Volkswagenwerk AG introduces short time working due to the declining demand for automobiles on the domestic market. During the recession of 1966/67, a time when the end of the post war "Wirtschaftswunder" (economic miracle) is announced, the Volkswagen Group suffers its first turnover crisis. Production drops to just under 300,000 automobiles in 1967, and the turnover of vehicles sinks by about 200,000. In order to boost demand, Volkswagen offers a specially priced "money saving Beetle."

AUGUST Series production of the second generation of the Transporter begins in Hanover.

SEPTEMBER A series of new technical innovations and design improvements are presented at the IAA in Frankfurt. The VW 1500 offers new driving comfort thanks to its automatic transmission with an hydraulic torque converter, which makes clutchfree operation and multi stage driving ranges possible. The fully automatic version in the 1600 series has a torque converter and a self-activating planetary gear. All Volkswagens now feature energy absorbing safety steering columns, and the automatic vehicles have a double jointed rear axle. A further innovation introduced by Volkswagen is the electronic direct-injection system. This fuel saving device is initially intended only for vehicles manufactured for the United States market.



EXHIBITION AT THE INTERNATIONAL MOTOR SHOW,
FRANKFURT/MAIN (IAA)

TRANSPORTER



VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	VW 1500
1,162,258	1,339,823	925,787	162,741	201,800

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	81,636
Salaried staff	10,233
Workforce of foreign group companies	26,179
Total	91,869
	129,111

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany	370,513	403,139
Abroad	812,959	995,401
Total	1,183,472	1,398,540

1967

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	6,464
Investments	615
Profit	319
	9,335
	787
	328

1968

MAY 1 Kurt Lotz, who was Deputy Chairman of the Board of Management since June 1967, succeeds Heinrich Nordhoff.

JUNE 14 Volkswagen and the Metal Workers' Union sign a rationalization protection agreement, according to which the worker representatives are included in the process of carrying out efficiency measures.

SEPTEMBER The Wolfsburg plants starts producing the VW 411. This partially redesigned model with a modern chassis, unitized body and 68 hp marks the end of the Beetle's technical development, as an air-cooled boxer engine is still in the rear.

SEPTEMBER 19 A proving ground is opened near Ehra-Lessien on the southern edge of the Lüneburg Heath. In its final form, the site features a 100-kilometer long test track with a variety of surfaces and gradients. The Volkswagen Group tests its vehicles here under everyday conditions with the help of modern equipment. A driving simulator is installed in 1970, enabling certain test programs to be carried out safely. Volkswagen increases its staff of qualified employees by hiring engineers and technicians to strengthen research and development activities.

DECEMBER Because of an approaching merger with the automobile manufacturer Saab, the Swedish truck producer "AB Scania Vabis" decides to transfer Volkswagen's import and sales dealings to a subsidiary. After considering its options, Volkswagen acquires a one-third interest in "Svenska Volkswagen AB" in Södertälje, thus maintaining access to the dealership network of the authorized Swedish importer. This involvement in conjunction with a 10-year consortium contract, serves to protect Volkswagen against its direct competitor, Saab. Starting on January 1, 1969, Svenska Volkswagen AB assumes responsibility for the sales of Volkswagen and Porsche vehicles on the Swedish market. During the following year, it acquires "Volkswagen i Stockholm AB", which ran retail business in the Stockholm area. A company strategy is already recognizable here: control of the sales of the Group's production on the distribution level in all major European markets. On January 1, 2002, Volkswagen becomes the sole owner of Svenska Volkswagen, thus strengthening the company's position in Scandinavia's largest automobile market.



VW 411



KURT LOTZ

VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	VW 1500	VW 411
1,548,933	1,777,320	1,186,134	253,919	244,427	22,922

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	94,010
Salaried staff	10,965
Workforce of foreign group companies	27,808
Total	104,975
	145,401

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany	440,090	486,057
Abroad	1,104,752	1,289,455
Total	1,544,842	1,775,512

1968

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	8,388
Investments	508
Profit	339
	11,700
	708
	543

1969

AUGUST 26 "Auto Union GmbH" and the "NSU Motorenwerke AG" join forces to form the "Audi NSU Auto Union AG". Volkswagen owns 59.5 percent of the shares. Because of the new company's wide-range program as well as the proven success of the Audi models, it stood to reason that the company should set up its own independent sales organization. Competition between brands stimulated the development of new vehicles, but parallel sales organizations did not prove effective. For this reason, the parent company took over responsibility for the sale of Audi NSU vehicles in May 1974, and later for acquisition, vehicle stock, and parts sales. Audi NSU Auto Union AG is renamed "Audi AG" on January 1, 1985 and the company's headquarters moves from Neckarsulm to Ingolstadt.

SEPTEMBER 1 In order to systematically build up a staff of qualified management employees, Volkswagen opens the training center "Haus Rhode." While Volkswagen plays a leading role in professional training, there are many gaps in the area of training for current and future managers. Trainee positions, which were previously rare, as well as training seminars and information symposia, are reorganized into a new educational system, in which managers are trained in leadership abilities, teamwork and coordination. The seminars also serve to develop a unified management style. These measures are continuously expanded during the following years.



TRAINING CENTER
"HAUS RHODE"



OCTOBER The VW 181 (the Thing), commissioned by the Bundeswehr (German army), goes into production. The VW 181 is the first cross-country vehicle for the general public that receives widespread attention. Over 80 percent of the entire production is put to civilian use.

NOVEMBER The VW Porsche 914 goes into production. The so-called "Volksporsche" (People's Porsche) was designed as a part of a cooperative venture between Volkswagen and "Dr.-Ing. h.c. F. Porsche KG".

Because of increasing competition in the United States, Volkswagen expands the sales basis for the Group's products. A second independent sales organization is founded for Audi and Porsche vehicles, which, by the end of the year, encompasses 104 dealerships.

Volkswagen halts the expansion of the research and development department for the time being. Its tasks include the further improvement of current models and their components as well as the design of new vehicles and powertrains. Special emphasis is given to researching safety features and the reduction of exhaust emissions for which the engineers and technicians utilized modern measuring and test equipment. By using methods of gas dynamics combustion is improved in order to enhance conventional power trains. Computer controlled simulators realistically replicate motion on and in the vehicle. For the first time climate and altitude chambers are used to help test the safety of the vehicle under different environmental conditions.

VW 181 (THE THING)



VW PORSCHE 914



VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	VW 1500	VW 411
1,639,630	2,094,438	1,219,314	273,134	267,358	48,521

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group	Volkswagenwerk AG		Group
Wage-earners	100,437	Germany	534,732	669,513
Salaried staff	12,017	Abroad	1,098,893	1,417,596
Workforce of foreign group companies	28,659	Total	1,633,625	2,087,109
Total	112,454			

VEHICLE SALES

1969

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	9,238
Investments	740
Profit	330

1970

MARCH With the takeover of the "Selbstfahrer-Union", Germany's largest automobile rental agency, the Volkswagen Group increases its involvement in this promising field. Renamed "interRent Autovermietung GmbH", the subsidiary merges in 1988 with Europcar and is renamed "Europcar International S.A.". Volkswagen owns a 50 percent interest in the company located in Boulogne-Billancourt, which operates in eight countries and has its own fleet of 40,000 vehicles. On January 1, 2000, Volkswagen assumes 100 percent ownership of Europcar group.

JULY 1 The K 70, the first front-wheel drive and water-cooled Volkswagen, leaves the assembly line in the newly erected plant in Salzgitter. The NSU-designed sedan is brought into the programme under the Volkswagen trademark and, as an interim model, marks the transition to a new Volkswagen generation. The drive unit is manufactured by engine construction in shed 1 which involves more than 2,000 of the total workforce of 5,108 employees at the end of 1970. The new plant site, built for K 70 production, is linked to the long-term aim of transferring engine construction from Hanover in order to increase manufacturing capacities for the Transporter. From January 1971 Salzgitter produces the engines for the Audi 100 leaving the Auto Union free to gain additional capacities in order to exploit current market opportunities. By the end of the year, the workforce in Salzgitter has grown to 8,000. The crisis in the Volkswagen Works and the onset of the worldwide recession in 1974/75 brings car-manufacturing in Salzgitter to an end in September 1975. This site had taken on the assembly of the VW 411 in 1971 and a part of the assembly of the Passat in 1973. In total the site produces more than 400,000 vehicles, of which the K 70 model represents 210,891 alone. In 1975 engine production reaches almost 3,800 units per day. In the future the Salzgitter site proves to be the most important location for engine construction within the Volkswagen group.



K 70

THE SALZGITTER PLANT



VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	VW 1500	VW 411
1,621,197	2,214,937	1,196,099	288,011	272,031	42,587

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	110,968
Salaried staff	13,824
Workforce of foreign group companies	35,421
Total	124,792
	190,306

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany	565,843	725,055
Abroad	1,060,042	1,481,866
Total	1,625,885	2,206,921

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	9,913
Investments	1,131
Profit	190
	407

1970

1971

JANUARY 6 By means of a capital investment, Volkswagenwerk AG acquires a 75 percent share of “Volkswagen Bruxelles SA.” which was founded on December 31, 1970. The company is responsible for imports to Belgium and runs the assembly plant built by the authorized importer, which has a capacity of 400 vehicles a day. Volkswagen Bruxelles becomes a 100 percent subsidiary of Volkswagenwerk AG at the end of 1975. When Audi assumes responsibility for production at the Brussels plant, the name of the company is changed to “Audi Brussels S.A./N.V.” on May 30, 2007.

OCTOBER 1 Rudolf Leiding, former President of Volkswagen do Brasil and Board Chairman of Audi NSU Auto Union AG, assumes the chairmanship of Volkswagen’s Board of Management.

Data processing arrives in the fields of car technology and service. All Volkswagen models can now be checked for functional and operational reliability with the help of computer diagnosis. Along with the introduction of a central plug for computer testing, Volkswagen’s service workshops are gradually equipped with computers. Data processing also provides research and development and activities with new initiatives, for example the use of an automatic scanning device in the design of body shells. Large computers and plotters make possible a significant reduction in the time necessary for the development of new bodies.



RUDOLF LEIDING



THE BEGINNING OF THE AGE OF ELECTRONIC DATA

VOLKSWAGEN BRUXELLES



VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	VW 1500	VW 411
1,715,905	2,353,829	1,291,612	277,503	234,224	79,270

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	114,866
Salaried staff	15,400
Workforce of foreign group companies	41,935
Total	130,266

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany	550,767	694,341
Abroad	1,154,652	1,623,044
Total	1,705,419	2,317,385

1971

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	11,237
Investments	1,216
Profit	12

1972

FEBRUARY 17 With 15,007,034 units produced, the Beetle breaks the record of the legendary "Tin Lizzy," the Ford Motor Company's Model-T built from 1908 to 1927. The Beetle is the new world champion.

MARCH 8 Volkswagen signs an investment agreement with the Yugoslavian importer UNIS concerning the erection of a local production site. In accordance with this agreement, the joint enterprise "Tvornica Automobila Sarajevo" (TAS), with main offices in Vogosca, is founded on June 14. This new firm signs the investment agreement on August 8. TAS, of which Volkswagenwerk AG holds 49 percent of the capital, initially produces replacement parts and standard production parts for the German automobile manufacturer. After a yearlong construction period, the new plant starts assembling the VW 1200, 1300 and 1303 on November 10, 1973. At first, production capacity is only about 20 vehicles a day. In 1976, the site shifts over to the production of the Golf. After the entire Caddy production moved to Sarajevo, the Yugoslavian company produces for export markets starting in 1982. In the fall of 1985, the second generation of Golf goes into production. In 1988,

3,109 employees produce a total of 28,341 vehicles, of which 15,184 are delivered to Volkswagen AG. On September 28, 1989, the 300,000th Volkswagen, an alpine white Golf, rolls off the assembly line. In 1990, the Yugoslavian company reaches a new production record when it produces 37,411 vehicles. The civil war and declining economic conditions cause a halt in production. Beginning on July 30, 1998, the cooperation between Volkswagen and UNIS is continued with the "Volkswagen Sarajevo, d.o.o.". The company takes over TAS's heavily damaged production site and starts producing Škoda vehicles on August 31. In 2002, production of the Golf is added. Various Volkswagen, Audi and Škoda brand models are currently assembled at the plant.

JUNE 21 Based on the provisions of the revised law governing industrial relations, a new General Works Council is set up and given expanded rights of co-determination and involvement. Siegfried Ehlers is elected Chairman.

SIEGFRIED EHLERS



THE WORLDCHAMPION BEETLE



VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	VW 1500	VW 411
1,483,350	2,192,524	1,220,686	294,932	157,543	70,368

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	101,866
Salaried staff	14,486
Workforce of foreign group companies	43,371
Total	116,352
	192,083

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany	484,542	628,139
Abroad	987,019	1,568,839
Total	1,471,561	2,196,978

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	10,399
Investments	785
Profit	86
	15,996
	1,573
	206

1972



1973-1981



1973 – 1981

The New Generation

The new generation of Volkswagens arrived at the right time. It helped Volkswagen out of the grave situation caused by the oil crisis of 1974/75 and the global recession that acutely threatened the company's liquidity. The positive response to the Passat and the sales successes of the Beetle successor, the Golf, which led the German new car registration statistics from 1975, eased the overall reduced demand for automobiles on the domestic market. While the sales figures of other manufacturers declined by as much as 40 percent, Volkswagen was able to stabilize at the previous year's figures. Most of the financial drawbacks resulted from declining exports to Europe and North America. As costs exploded due to inflation and because the effects of the currency market could not be completely compensated for by price increases, the profits also declined in South Africa and Mexico in spite of Volkswagen's position as market leader. The decline in sales on the export markets led to surplus capacity in domestic plants, dropping to 61 percent of capacity in 1975. Aligning production to sales meant a substantial reduction of the workforce, and, after initial conflicts between the Workers Council and management, the issue was resolved by mutual agreement and in a socially acceptable manner. In 1976, Volkswagenwerk AG was able

to increase sales by 15 percent; the Volkswagen Group survived the crisis.

The transformation of the model mix within just a few years was accompanied by far-reaching changes in production. In order to apply the high level of mechanization of the Beetle to the following generations of Volkswagens shaped by a wide variety of models innovative engineering and organizational production procedures were required. To this end, the company embarked on an investment program involving 2.5 billion DM between 1972 and 1975, with which the technical basis for the production of a new range of products was to be created. The plants in Wolfsburg and Emden were equipped with a suspension assembly system in 1973 allowing for production that is more flexible and for improvement of assembly conditions. The use of electronic data processing greatly aided rationalization, for example in the press shop, where production was now directed and controlled centrally. The company reduced the production of air-cooled engines, while increasing capacities for water-cooled engines and included new engines with the appropriate manual and automatic transmissions in its program. Volkswagen gradually created the prerequisites for unit



**ASSEMBLY AT A HANGING LINE
IN WOLFSBURG**

construction, allowing the use of the same parts for various models with essentially the same technology. The Passat was closely related to the Audi 80 and the Polo was related to the Audi 50. The unit construction system was an essential part of the new production concept and an important step towards guaranteeing the company's long-term profitability.

After the first phase of rationalization was completed, Volkswagen concentrated on increasing its exports, especially to the United States, where the downward trend continued. Between 1973 and 1976, Volkswagen of America's sales dropped from 540,364 to 238,167 vehicles; its market share was cut in half to 2.3 percent. In order to compensate for disadvantages resulting from unfavorable exchange rates and West Germany's high production costs, the company started thinking about setting up a production site in America early in 1973. High labor costs in the United States spoke against this plan. It was felt, however, that the

alternative plan of expanding the production site in Mexico and exporting vehicles from there to the United States, could endanger the product's image. Yet, falling sales and financial losses from the export business finally brought acceptance of the idea that the only way to hold the company's position in the United States was to produce there. Furthermore, the tremendous success of the Beetle's successor also helped to make the decision in June 1976 to build the Rabbit, the American version of the Golf, in the United States. The plant in Westmoreland began producing for the North American market in April 1978, one year after Volkswagen of America was able to reverse the trend by increasing its sales by 22 percent. Initially, not even the global recession which began in 1980 and massive competition from Japanese automakers, who made substantial inroads in the global market share of US automobile manufacturers within the space of ten years, had a negative impact on sales. Following a 13 percent rise in 1979, the US subsidiary reported a further rise from 337,000 vehicles to 368,000 Volkswagen and Audi models the following year. The company benefited from the drastic oil prices which triggered growing demand for low-consumption vehicles.

In order to stabilize its position in South America, Volkswagen took over the faltering Chrysler Corporation's Brazilian subsidiary in 1979, and the Argentinean subsidiary in 1980. By restructuring Chrysler Motors do Brasil Ltda., which now produces only trucks, the international delivery system in the commercial vehicle sector received new emphasis. Volkswagen thus increased its involvement in a segment of the industry that began in 1977 with a cooperation deal made with the Maschinenfabrik Augsburg-Nürnberg AG (M.A.N.). Volkswagen began systematically expanding its line-up of commercial vehicles in 1975, soon being able to present a range of models as varied as its assortment of passenger cars. This included, along with the classic Transporter, the VW-LT, a light truck series developed jointly with M.A.N. as well as the Volkswagen truck built in Brazil starting in March 1981. The start of production of the 11- and 13-ton trucks by Volkswagen Caminhões Ltda. coincided with a dramatic downturn of the South American economy. A yearly inflation rate of much more than 100 percent as well as the restrictive governmental monetary and import policies lead to a break down of passenger car sales in Brazil and Argentina in 1981. Volkswagen do Brasil's deliveries were 35 percent lower than they were the year before. Sales of Volkswagen Argentina S.A., which began assembling the Transporter with Brazilian parts, sank by about one third. At Volkswagen of America, too, the sales trend showed the first signs of reversal in 1981; one year later, there was a 40 percent slump in sales, due in part to the global economic crisis and in part to Japanese competition. The second assembly plant in Sterling Heights completed in 1982 did not go into operation and was sold in 1983.



AT THE CONTROL UNIT
IN THE HALL 54

Decreasing domestic demand resulted from the second oil crisis and hit products in the upper mid-sized range especially hard. While Audi faced lower sales in 1980, Volkswagen profited from the shifting interest to more economical models. Golf, Golf Diesel and the new Passat were successful items even in a slumping market, allowing the Volkswagen Group to hold onto its market share of just under 30 percent. Not only was the unstable energy situation a cause for great concern, but also the expansionist strategy of Japanese manufacturers, who by now produced 23 percent of all automobiles worldwide and were gaining market shares in America and in Europe. Their success was based on a flexible production system, which enabled the fabrication of low priced models and the ability to quickly adapt to customer demands. Up to this point in time Volkswagen maintained its position in the face of far-eastern

FUTURISTIC STUDY "AUTO 2000"



competition because higher retail prices were compensated for by high quality engineering, a superior sales and service network as well as high resale prices. The Japanese export offensive, redirected from USA to Europe in 1980, resulted in a competitive situation that could not be won on the price front alone. Volkswagen's strategy was to concentrate on maintaining its technical advantage and increasing the flexibility of its production system in order to adjust production numbers, models and equipment to increasingly differentiated demand.

Between 1979 and 1982, Volkswagen invested around 10 billion German Marks domestically; these funds were primarily earmarked for the further development of energy-saving, environmentally-compatible models and for streamlining production. Automation was characterized by

the use of micro-electronically controlled industrial robots, multipurpose machines and variable transport systems. With the help of new systems, each individual vehicle could be produced according to the customer's wishes. Computer controlled driverless material flow and storage systems improved efficiency. In 1981, the type bound mechanization of the bodyshell production was converted to programmable machines. The peak of these modernization measures was Assembly Hall 54, which went into service in Wolfsburg in 1983. Thus strengthened for increased competition, Volkswagen now set out on an expansionist course. Because of the limited growth possibilities on the domestic market, long-term survival depended on utilizing opportunities for expansion on the international market. The positive economic aspects of the automobile industry during the coming decade provided the prerequisites for this venture.

1973

JANUARY 1 An expansion of services and an increase of financing volume make it necessary to convert the Volkswagen-Finanzierungs-Gesellschaft mbH (Financial Services) into a "full-service" bank. After the governmental supervisory agency for credit institutions gives its approval for the operation of banking business, the company is renamed "VW Kredit Bank GmbH". Its activities are still limited to loans connected to the automobile business. In 1978 the company was renamed "V.A.G Kredit Bank GmbH", the name by which the company is still known.

FEBRUARY 7 "Volkswagen of Nigeria Ltd." is founded in Lagos with the participation of the Nigerian government. Volkswagenwerk AG holds 40 percent of the company's shares. Setting up production in black Africa's largest country increases Volkswagen's production capacity on the African continent and is aimed at developing an export market for Volkswagen's subsidiaries in Brazil and Mexico. In March 1975, Volkswagen of Nigeria begins producing the Beetle, Passat, Audi 100 and Brasilia. In 1976, it manufactures over 16,000 vehicles, increasing its market share in the passenger car sector to 23.5 percent. Its position in the commercial vehicle market stabilizes at 16.8 percent. In December 1976, the Nigerian Volkswagen subsidiary assumes responsibility for importing commercial vehicles from the previously authorized agent. A currency shortage in 1982 leads to state imposed export limitations, effectively throttling production in industries that are dependent on imports.

In 1985, after a bilateral trade agreement between Nigeria and Brazil eases the delivery of material, it is again possible for Volkswagen of Nigeria to produce continuously. According to this agreement, Volkswagen do Brasil delivers vehicle parts in exchange for the oil shipments from Nigeria to Brazil.

MAY The Passat, the first model of the new Volkswagen generation, goes into production. It features front-wheel drive, a water-cooled 4-cylinder engine with an overhead camshaft and a unitized body. Engines range from 55 to 110 hp. Technically, it is closely related to the Audi 80 and was built according to the unit construction system, allowing for considerable rationalization by using standardized parts for the various models. The Passat becomes the successor to the VW 1600.

JULY 1 Restructuring of the US distribution system is rounded off by assuming responsibility for the wholesale function. Following the takeover of both Californian distributors, the distribution subsidiary merges with Volkswagen of America, Inc.; from now on, regional distribution centers are responsible for sales areas. Dealings with car parts and accessories are assumed by "Volume Export & Trading Corporation", which is founded in 1973 in Englewood Cliffs, New Jersey. This company is owned by the Volkswagen's subsidiary in Basel "Holad Holding & Administration AG" and is renamed "VOTEX, Inc." in 1976.

PASSAT

THE FIRST BEETLE OF THE
VOLKSWAGEN OF NIGERIA

VEHICLE PRODUCTION

	Volkswagenwerk AG	Group	Beetle	Transporter	VW 411	Passat
	1,524,029	2,335,169	1,206,018	289,022	73,440	114,139

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagenwerk AG	Group
Wage-earners	110,925	
Salaried staff	14,862	
Workforce of foreign group companies		54,093
Total	125,787	215,058

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany	422,711	619,074
Abroad	1,025,773	1,661,829
Total	1,448,484	2,280,903

1973

FINANCIAL DATA (IN MILLION DM)

	Volkswagenwerk AG	Group
Sales revenue	11,563	16,982
Investments	755	1,556
Profit	109	211

1974

FEBRUARY The Scirocco, a sporty coupé jointly developed with Giorgio Giugiaro, goes into series production at car-body maker Karmann in Osnabrück. Based on the technical concept for the Golf, the Scirocco is characterized by its striking design, innovative technology and high standard of everyday utility. The Scirocco successfully opens a new market segment for Volkswagen and 504,153 first-generation models are sold.

MARCH 29 Production of the Golf begins in Wolfsburg. This compact car quickly became a bestseller. The one-millionth Golf rolls off the assembly line on October 27, 1976.

JUNE Volkswagen introduces the first voluntary termination packages regardless of age brought about by a hiring freeze and short time does not ease the problem of excess personnel. Volkswagen thus reacts to the economic collapse in the aftermath of the oil crisis and the ensuing global recession in the autumn of this year. The automobile industry is hard hit by this turn of events. In 1974, Volkswagen's sales drop about 15 percent. Deliveries to the United States, the most important export market, are about 30 percent lower than they were the year before. Mass terminations are planned, but the workforce can finally be reduced through early retirement, voluntary termination and transfers within the company. This makes the procedure socially acceptable. Between January and October 1975, about 32,761 employees leave the company.

JUNE 17 The Group Works Council is founded and Siegfried Ehlers is elected Chairman.

JULY 1 At 11.19 a.m. the last of almost twelve million Beetle leaves the Wolfsburg assembly line in Wolfsburg.

NOVEMBER 6 Hans Birnbaum assumes the chairmanship of the Volkswagenwerk AG Supervisory Board.



SCIROCCO



HANS BIRNBAUM



GOLF

VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Beetle	Transporter	Passat	Golf
1,239,698	2,067,980	791,053	222,233	340,589	189,890

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	96,595
Salaried staff	14,932
Workforce of foreign group companies	61,950
Total	111,527
	203,730

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany	414,176	547,657
Abroad	820,234	1,504,156
Total	1,234,410	2,051,813

1974

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	11,219
Investments	1,187
Loss	-555
	-807

1975

FEBRUARY 10 Toni Schmücker becomes Chairman of the Volkswagenwerk AG Board of Management.

MARCH Production of the Polo begins in Wolfsburg. The automobile is positioned on the small car market as a less expensive version of the nearly identical Audi 50.

APRIL The launching of the Volkswagen LT and its many variants broadens Volkswagen's range of commercial vehicles.

JULY "VW-Siedlungsgesellschaft mbH" stops constructing new buildings for the time being, concentrating its activities on administration and maintenance of almost 6,000 company-owned apartments. It assumes these tasks from "VW-Wohnungsbau Gemeinnützige Gesellschaft m.b.H." which performed maintenance and repair work on older buildings since 1973. The companies have a total of 13,317 apartments between them.



VOLKSWAGEN LT



TONI SCHMÜCKER



POLO

VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Transporter	Passat	Golf	Polo
1,121,937	1,948,939	221,351	258,953	419,620	74,180

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	79,143
Salaried staff	13,883
Workforce of foreign group companies	59,157
Total	93,026
	176,824

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany	454,745	625,555
Abroad	592,773	1,412,302
Total	1,047,518	2,037,857

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	11,370
Investments	374
Loss	-145
	18,857
	941
	-157

1975

1976

MARCH 31 Volkswagenwerk AG sells Motor Producers Ltd. to the "Nissan Motor Company Ltd.," which has owned shares of the Australian Volkswagen subsidiary since 1973. The assembly of Volkswagen products continues until the end of 1976. Afterwards, the independent authorized agent imports only finished Volkswagen and Audi models.

JUNE 21 At the Salzgitter site, the first 4 cylinder 1.5 litre diesel engine with 50 hp leaves the assembly belt. The new engine, developed by a research project over many years, is used in the Golf Diesel the first time, and with a fuel consumption of 6 litres per 100 km, sets new standards of economy and provides the basis for Volkswagen' leading role in low-consumption diesel technology. Engineers and technicians now turn to the task of combining the economy of diesel with the performance of the petrol engine. On December 1st 1981 these efforts result in the series production of a 5 cylinder diesel turbo engine. In the following year, engine construction in Salzgitter takes up the production of the 70 hp 4 cylinder 1.6 litre turbo diesel engine: Presented in the Golf GTI to the international press in March 1982, it underlines Volkswagen's innovative strength in engine technology. With the introduction of the Polo coupé in the same year, an economic sprinter is introduced to the market. The 1.3-liter engine with electronic mapped ignition and double-flow carburettor are based on high-compression technology; it belongs to the most modern of its class.

JULY 6 In response to pressure from the downward Dollar exchange rate impacting on Volkswagen exports to the USA, "Volkswagen Manufacturing Corporation of America" is established to set up production in the United States. The new subsidiary acquires a press shop in South Charleston, West Virginia and an assembly plant in Westmoreland, Pennsylvania. Production of the Golf for the North American market begins there in April 1978. Engines and gearboxes come from Germany, rear axles and radiators from Volkswagen de Mexico and the remaining parts chiefly from the US automotive supplier industry. The new production company merges on July 31, 1978 with Volkswagen of America, Inc. Corporate headquarters move from Englewood Cliffs, New Jersey to Warren, Michigan. Following the introduction of two-shift production in 1979, the Westmoreland plant with its workforce of 9,102 reaches the production target of 1,000 vehicles per day.

PRODUCTION OF ENGINES IN SALZGITTER



PLANT IN WESTMORELAND



VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Transporter	Passat	Golf	Polo
1,316,039	2,165,627	234,912	288,018	527,084	144,677

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	83,611
Salaried staff	13,811
Workforce of foreign group companies	59,006
Total	97,422
	183,238

VEHICLE SALES

Volkswagenwerk AG	Group
Germany	726,457
Abroad	1,415,630
Total	1,561,506
	2,142,087

1976

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	16,914
Investments	332
Profit	784
	21,423
	1,141
	1,004

1977

JANUARY The Derby, a notchback sedan developed on the technical basis of the Polo, goes into production.

APRIL 15 Volkswagenwerk AG forms "Volkswagen International Finance N.V." with main offices in Amsterdam. This 100 percent Volkswagen subsidiary owns the "Volkswagen Overseas Finance N.V." in Willemstad and finances the Group's activities on the international market, including shares in foreign companies.

JUNE 29 The freight facility on the Delaware River in Wilmington, Delaware is opened. It includes a floating pier, an unloading ramp and warehouses as well as a loading platform with three railroad spurs. Because of its central location on the East coast of the United States, Wilmington becomes the main Volkswagen port for the United States.

JULY 5 In accordance with the Co-determination Law of July 1, 1976, the annual shareholders meeting elects a new Supervisory Board. Ten of its members represent employees, ten members represent management.

AUGUST 25 Volkswagenwerk AG increases its involvement in the commercial vehicle business. The cooperation contract signed with the Maschinenfabrik Augsburg-Nürnberg AG (M.A.N.) provides for the joint development and manufacture of light trucks. In order to unify future sale structures in Europe, the "GmbH für ausländische Vertriebsbeteiligungen M.A.N. – Volkswagen" is founded in Munich on December 20, 1978. It represents the interests of both manufacturers with respect to European importers of M.A.N. and Volkswagen Commercial Vehicles products.

NOVEMBER Volkswagenwerk AG signs a contract with the German Democratic Republic providing for the delivery of 10,000 Golfs.

The transfer of rear axle production to Brunswick begins at the end of the year: Now this site is the major location for axle production within Volkswagenwerk AG. The second phase follows in June 1978 and moves the mechanical handling of axle housing for the Passat and Audi 80 to Brunswick. Finally, early in 1979, the installation of the assembly line for Golf rear axles follows.

DERBY

DERBY PRODUCTION
IN WOLFSBURG

VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Transporter	Passat	Golf	Polo
1,371,453	2,218,880	211,024	274,992	553,989	112,774

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	88,874
Salaried staff	14,427
Workforce of foreign group companies	58,638
Total	103,301

VEHICLE SALES

Volkswagenwerk AG	Group
Germany	810,536
Abroad	1,429,095
Total	2,239,631

1977

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	19,837
Investments	832
Profit	332

1978

JANUARY 19 The last Volkswagen Beetle to be built in Germany leaves the assembly line in Emden. Type 1 was manufactured in Mexico until July 2003.

MAY The newly founded "V.A.G Transportgesellschaft mbH", which starts operations on May 1 assumes responsibility for the purchase and sales of services in the national as well as international transportation business, and also provides consulting services to third parties. The Wolfsburger Transportgesellschaft mbH is dissolved.

JULY With the introduction of the name "V.A.G", the Volkswagen and Audi sales organization acquires a cross-brand identity. The cryptic abbreviation with its associations to both Volkswagenwerk AG and Audi, has the character of a trademark. Under the umbrella of V.A.G, the service system is standardized and modernized to meet more demanding customer expectations and tougher competition. As before, the sales organization is based on the franchise system, meaning that retailers do business as independent companies in accordance with the Volkswagen Group's uniform standards. At the end of 1978, the worldwide V.A.G sales organization has over 211,000 employees in 10,600 firms. The French sales organization is renamed "V.A.G France S.A." on April 30, 1981. On January 1, 1982, the Swedish company assumes the name "V.A.G Sverige AB".

Production of the Iltis, an all-wheel drive off-road vehicle, begins in Ingolstadt. Developed by Audi and based on the DKW Munga, the Iltis is marketed under the Volkswagen brand.



ILTIS

FAREWELL TO THE BEETLE
AT THE EMDEN PLANT



VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Transporter	Passat	Golf	Polo
1,439,048	2,384,563	207,625	340,884	714,947	112,456

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group	Volkswagenwerk AG	Group
Wage-earners	93,179	Germany	894,988
Salaried staff	15,197	Abroad	1,498,182
Workforce of foreign group companies	68,256	Total	2,393,170
Total	108,376		

VEHICLE SALES

1978

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	22,383
Investments	1,046
Profit	368

1979

FEBRUARY The coach builder Karmann in Osnabrück starts production of the Golf Convertible. Its sturdy roll bar and well-insulated watertight top sets new standards for safety and comfort. The customer can choose between two different engines, a 1.5-liter engine with 70 hp or a 1.6-liter GTI engine with 110 hp. Even after the start of the new Golf generation, Volkswagen held onto its tried and tested convertible. A 55-liter tank and front sports seats are introduced in 1983; a new instrument panel, a 4-spoke steering wheel and double headlights follow a year later. The open Golf proves itself to be a worthy successor to the Beetle Convertible and it goes on to become Europe's best-selling convertible.

MARCH 8 By acquiring a majority interest in the "Triumph Werke Nürnberg AG," Volkswagen enters the office machine and information technology business. The new subsidiary is renamed "Triumph-Adler Aktiengesellschaft für Büro- und Informationstechnik" in 1980 and Volkswagen increases its capital investment to 98.4 percent. This diversification measure develops into a loss-making deal. Despite high investments in a new line of products and in expanding domestic and foreign sales organizations, expectations are not met, especially in the computer area. High losses make Volkswagen decide to concentrate on its core business. "TA Triumph-Adler AG," as it is now known, as well as "Triumph-Adler North America (TANA)" are sold to "Olivetti Holding B.V." in Amsterdam and leave the Volkswagen Group on September 1, 1986.

MARCH In order to widen its activities in the Brazilian commercial vehicle sector, Volkswagenwerk AG acquires two thirds of the capital of "Chrysler Motors do Brasil Ltda." in São Bernardo do Campo. After acquiring the rest of the shares the subsidiary is renamed "Volkswagen Caminhões Ltda." in February 1981. Meanwhile, the company is re-organized solely as a manufacturer of commercial vehicles and pushes forward with the development of its own truck line. The results of these activities are the 11-ton and 13-ton trucks that are launched in Brazil in March 1981. On July 25, 1984, Volkswagen Caminhões Ltda. is acquired by Volkswagen do Brasil S.A. in order to improve cost structures and the use of capacity.

GOLF CONVERTIBLE



THE PLANT AT
SÃO BERNARDO DO CAMPO



MAY The third generation of the Transporter (Type 2) goes into production.

SEPTEMBER Production of the Jetta begins in Wolfsburg. This variation on the Golf features a large trunk and a notchback body.

NOVEMBER The first models of a light truck series developed jointly with M.A.N. go into production, expanding Volkswagen's range in the field of commercial vehicles.

NOVEMBER 16 Karl Gustaf Ratjen becomes Chairman of the Volkswagenwerk AG Supervisory Board.



JETTA



TRUCK PRODUCTION AT THE
HANOVER PLANT



KARL GUSTAF RATJEN

TRANSPORTER



VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Transporter	Passat	Golf	Polo
1,396,916	2,541,761	186,870	291,575	833,625	132,947

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group
Wage-earners	99,227
Salaried staff	16,189
Workforce of foreign group companies	83,149
Total	115,416
	239,714

VEHICLE SALES

Volkswagenwerk AG	Group
Germany	900,270
Abroad	1,638,299
Total	2,538,569
	1979

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	24,257
Investments	1,709
Profit	438
	667

1980

APRIL In order to strengthen its position on the unstable South American passenger vehicle and truck market, Volkswagen acquires “Chrysler Fevre Argentina S.A.I.C.,” renamed “Volkswagen Argentina S.A.” on November 21, 1980. Production is moved from the San Justo plant to the sites in Pacheco and Monte Chingolo in 1987.

MAY 8 At the Energy Symposium in Wolfsburg, host Volkswagen presents the Formula E, a new energy saving reconfiguration of gear ranges now available in practically every model. The third gear is designed to reach maximum speed, while the significantly reduced revs in fourth gear increase mileage. This innovation is a reaction to the high cost of energy after the second oil crisis, provoking a change in attitude on the part of many drivers. Economical models are now in greater demand while the market for upper mid-class vehicles decreases worldwide. This drop in demand goes hand in hand with a worldwide decline in automobile sales and tougher competition from Japanese manufacturers who increase their market share to 10 percent in Western Europe and to 20 percent in the United States in 1980. After a number of boom years, the Volkswagen Group is now confronted with a crisis that lasts until 1982.

OCTOBER Production of the second Passat generation starts in Emden. The hatchback model and the Variant, which followed in November, are more elegant and roomier than their predecessors. Both can be equipped with a variety of engines, ranging from the small 1.3-liter four-cylinder engine with 55 hp to the 2.2-liter five-cylinder engine with 115 hp; the economical 1.6-liter diesel engine is available with a turbocharger. The Passat Variant syncro, introduced in October 1984, is equipped with a 115 hp 2-liter engine and is the first Volkswagen passenger car that is equipped with permanent all-wheel drive.

DECEMBER In order to meet higher demands for electricity and heat from its regional customers, Volkswagen forms “VW Kraftwerk GmbH” in Wolfsburg to build a new coal energy plant. On February 25, 1985, the west power plant is completed, which, like the south power plant built in 1938 and the north power plant erected in 1962, works according to the power-heat-coupling system. They supply energy to the Wolfsburg factories and desalinate water for the paint shop and provide electricity for the city and regional energy systems. Starting in 1993/94, the west power plant recycles old oil and paint residues to produce energy.

PASSAT

POWER STATION WEST



VEHICLE PRODUCTION

	Volkswagenwerk AG	Group	Transporter	Passat	Golf	Polo
	1,346,755	2,573,871	217,876	265,627	831,527	126,860

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagenwerk AG	Group
Wage-earners	98,622	
Salaried staff	20,144	
Workforce of foreign group companies		99,060
Total	118,766	257,930

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany		787,591
Abroad		1,707,156
Total	1,632,456	2,494,747

FINANCIAL DATA (IN MILLION DM)

	Volkswagenwerk AG	Group
Sales revenue	25,180	33,288
Investments	2,251	4,279
Profit	311	321

1980

1981

MARCH The production of the second, rounder Scirocco generation marks the end of Volkswagen's use of the wedge-shape that was common in earlier models.

MAY After the Spanish government discontinued the quota system for imported vehicles in 1979, Volkswagen established its own sales organization. "V.A.G España, S.A.", founded in Madrid on July 1, 1981, takes over the responsibilities of the former importers, which had represented Daimler-Benz as well. V.A.G España operates successfully and can increase its sales to 2,379 vehicles in 1982. In accordance with the cooperation agreement between Volkswagen and Seat, Volkswagen's sales organization is integrated into that of the Spanish manufacturer. Their extensive dealership network offers Volkswagen and Audi products starting in January 1983. At the same time V.A.G España, S.A. ceases operations.

AUGUST The Santana, a luxuriously equipped mid-size model based on the Passat, goes into production.

AUGUST The production of the second generation Polo begins in Wolfsburg, more interior which includes increased inside and trunk space as well as more standard equipment.

SEPTEMBER At the International Motor Show, Volkswagen presents the "Auto 2000", a project funded by the Ministry of Research and Technology. The 3-cylinder turbocharged direct injection diesel engine with 45 hp that has an average fuel consumption of only 4.1 liters per 100 kilometers at 120 kilometers per hour. This study is Volkswagen's contribution to the ecological debate, making energy conservation and a reduction of pollutants company policy.

DECEMBER Production of the second Derby generation starts. As of January 1985 it is called the Polo notchback.



DERBY



POLO



SANTANA



SCIROCCO

VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Transporter	Passat	Golf	Polo
1,232,818	2,245,611	187,327	261,835	799,287	102,985

PRODUCTION OF SELECTED MODELS

WORKFORCE

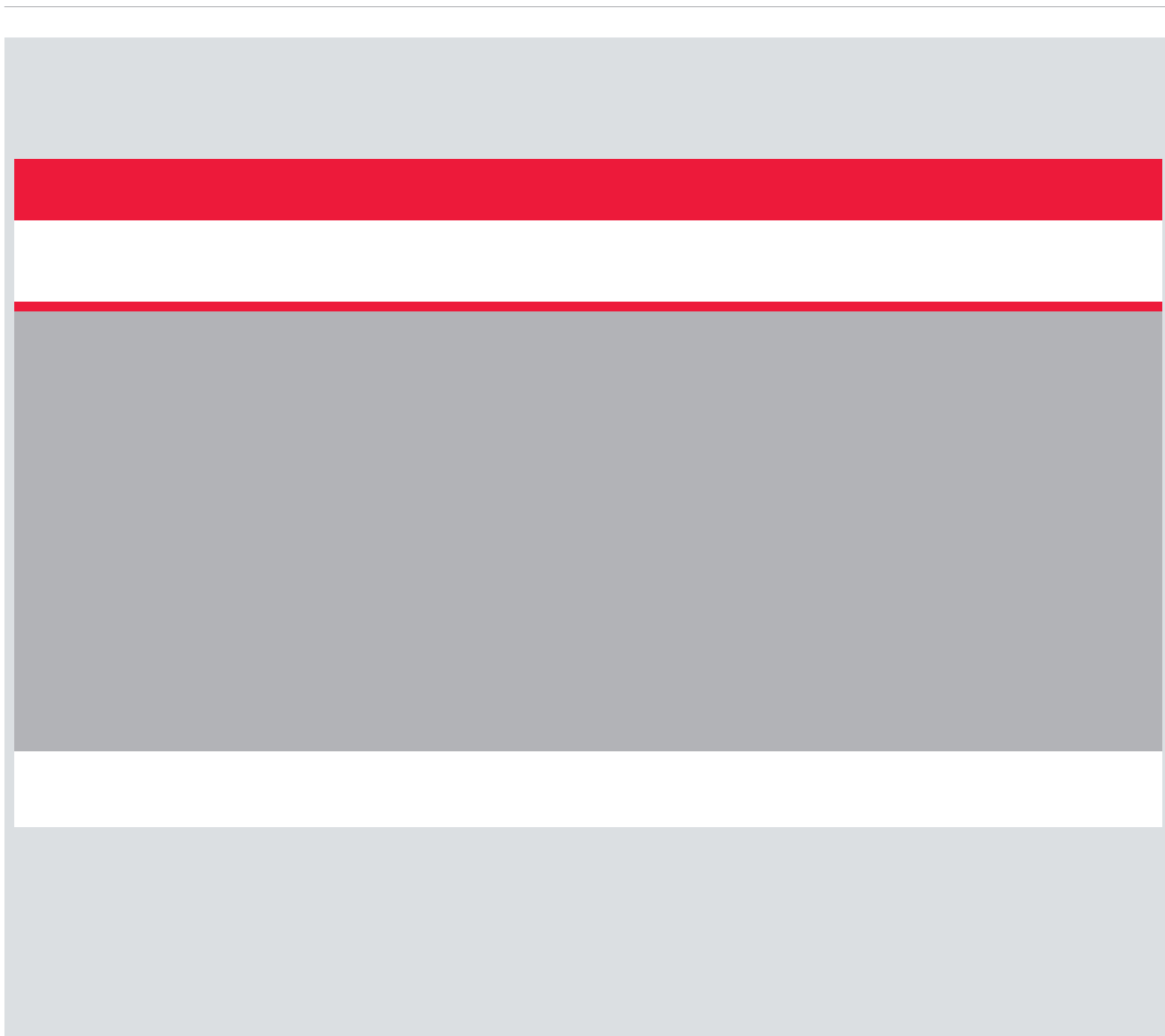
Volkswagenwerk AG	Group
Wage-earners	99,832
Salaried staff	20,239
Workforce of foreign group companies	86,620
Total	120,071
	246,906

VEHICLE SALES

Volkswagenwerk AG	Group
Germany	737,828
Abroad	1,541,212
Total	2,279,040
	1,564,900
	1981

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	26,402
Investments	2,182
Profit	120
	37,878
	4,851
	136



1982-1991



1982 – 1991

New Brands, New Markets

As the world automobile industry underwent structural change, the Volkswagen Group evolved into a multi-brand alliance with a global production network. By employing volume policies, Volkswagen courageously took advantage of opportunities offered in the European and Asian markets during the 1980s to counter the negative trends in the automotive industry. Volkswagen dealt with negative trends, increased pressure from the competition in Europe and North America, higher energy prices, instability on international currency markets as well as ecological demands on the automobile industry. All of these cried out for new products and production concepts. Volkswagen met these challenges with a program containing both innovation and expansion guided by advancements in automotive engineering and flexible production techniques. On the other hand, the strategy called for taking advantage of opportunities for international cooperation and strengthening the Group by lowering production costs through an international division of labor.

Volkswagen initiated forward-looking cooperative ventures in the Asian-Pacific region, which drew attention to itself as a potentially important export market due to its dynamic economic growth and lower production costs. The licensing agreement signed with Nissan in 1982 strengthened Volkswagen's presence on the Japanese market and gave the company the opportunity to closely observe the flexible and productive system set up by Japanese manufacturers. Starting in early 1984, Nissan began assembling the Santana and marketed it through its own sales organization. Although the Volkswagen Group rose to become the leading foreign automobile importer in Japan, protectionist measures blocked a further expansion of the exports business. It was only after the Japanese market opened during the late 1980s that the requirements for a volume-oriented export strategy came into existence. Volkswagen Audi Nippon K.K., which grew out of the consulting firm "Volkswagen Asia Ltd." during mid 1989, could start establishing an independent sales system.



CHECK OF QUALITY AT
VOLKSWAGEN SHANGHAI

At the core of the company's Asian involvement was the People's Republic of China. Its reform policies opened the way to a market of great future potential and offered itself as a striving industrial partner. At the same time, the Chinese government expressed confidence in the Wolfsburg company because of its pioneering development of an automobile industry in Brazil and Mexico. By 1980, both sides were negotiating the construction of an automobile manufacturing plant. However, the proposed large-scale project was abandoned because it did not take into account China's industrial situation or the limited financial possibilities of the Group. Gradual production increases were preferred. An assembly contract signed in 1982 with the Shanghai Tractor & Automobile Corporation formed the prologue to a successful German-Chinese enterprise, which began in 1985 with the founding of the joint venture "Volkswagen Shanghai Automotive Company, Ltd." and the start of production of the Santana. In the course of increasing capacity, the joint venture became China's largest passenger car producer and

made Volkswagen market leader in the People's Republic. The establishment of a second joint venture in February 1991 assured this position for the longer term. Like the Volkswagen plant in Shanghai, "FAW-Volkswagen Automotive Company, Ltd." in Changchun manufactured for the Chinese market as well as for the Volkswagen Group.

At the same time that Volkswagen entered the Chinese market, the company smoothed the path to the leadership position in Europe, where since 1982 the export business improved. In spite of a weakened automobile economy, the Group's turnover totaled just under 619,000 vehicles, improving on its figures from the year before. France, Italy and Great Britain, where more than 100,000 vehicles each were sold, were among the most important customers. In Spain, however, where imminent membership in the European Community meant that a substantial growth of the automobile industry could be expected, Volkswagen was barely represented. After import limitations on passenger cars were lifted, Volkswagen formed its own sales organization in May 1981 as a first step in gaining access to the Iberian market. A further step involved the signing of a cooperation agreement with the state owned automobile manufacturer Seat. Volkswagen quickly filled the gap left by Fiat when it discontinued business relations with the Spanish company. With the licensing contract for the production of the Polo, Passat and Santana the Volkswagen Board intended to make Volkswagen number one in Europe. Only after Polo production was transferred to Spain could capacity in Wolfsburg be made available for the expansion of Golf production. The cooperation with Seat bore first fruit by 1984. The sales of Volkswagen and Audi vehicles climbed in Spain from 2,379 vehicles in 1982 to 28,667 and the company was able to

strengthen its market positions in Switzerland, the Netherlands, Belgium and Scandinavia. With just under 760,000 vehicles sold and a sales increase of about 24 percent, the Volkswagen Group reached the number one position in Europe for the first time in 1985. Because of this position, there was little problem in taking over Seat in June 1986. Just like the Auto Union some 20 years earlier, Seat entered the Volkswagen Group as an independent brand. Seat's separation from Fiat, however, left scars, because it forced the Spanish company to undertake the difficult task of developing its own range of competitive products. Substantial investments in production efficiencies and development were necessary before the Spanish Volkswagen subsidiary showed a profit in 1988.

While Volkswagen was conquering new territories in Europe and Asia, business continuously fell off in the United States during the 1980s. More competition from Japanese manufacturers, who not only increased their export quotas but also enlarged their production capacities there, caused a stagnation of Volkswagen of America's sales in 1986. As the year before, the Jetta remained the company's best selling model, but production of the Golf in the United States had to be cut 13 percent because it did not meet sales expectations. The drop in turnover and surplus capacity forced management of the Volkswagen Group to close the Westmoreland plant in November 1987. The Mexican plant in Puebla took up production of the Golf and the Jetta for the North American market.

South America's unstable economic development and high inflation resulted in losses for Volkswagen's Brazilian and Argentinean subsidiaries. Volkswagen do Brasil stopped producing the Beetle in October 1986 when the government introduced price controls. In order to safeguard its involvement in South America without the necessity of making unlimited new investments and to reduce risk, cooperation with Ford was agreed in October 1986. By establishing "AUTOLATINA", the two manufacturers combined their Brazilian activities under a joint holding company. Volkswagen took responsibility for technical matters and Ford concentrated on financial matters. The planned merger of Volkswagen do Brasil and Ford Brasil fell through because of Brazil's dealership law, so both companies remained legally independent firms. Nevertheless, their cost structures improved thanks to synergy effects and joint production. Autolatina Argentina's situation, however, remained critical, so that a merger of the sales networks was considered in 1990. It was only after the "Car Agreement" settled on during the early 1990s by the trade and commerce ministries, trade unions and automobile industries of both countries that the car business received new and lasting impulses. The cooperation between Volkswagen and Ford resulted in a second joint venture in Portugal in 1991, where a capital and risk sharing enterprise was set up to produce a multi-purpose vehicle for the European market.



THE FIRST POLO FROM ZWICKAU

The collapse of socialist planned economies in Eastern Europe offered an unexpected direction for the expansion of the Wolfsburg company. Immediately after the wall came down in November 1989, Volkswagen entered into negotiations with the automobile industry in Saxony, with which it already had a long-term business relationship. Together with the "IFA-Kombinat Personenkraftwagen" in Chemnitz, Volkswagen formed a planning company in December 1989, to prepare for the development and production of an internationally competitive vehicle. In anticipation of the large demand for western passenger cars Volkswagen invested in expanding production in Mosel, Chemnitz and Eisenach because their technical standards and capacities were not up to par with the requirements of efficient mass production. A modern assembly plant was built in Mosel with a capacity of 250,000 vehicles a year. The factory in Chemnitz supplied engines; cylinder heads were manufactured in Eisenach. After their capacities were enlarged both plants also produced for the Volkswagen Group.

The upheavals of 1989 gave Volkswagen AG the unique opportunity to enter Eastern European market. Volkswagen's management board saw opportunities in the Czechoslovakian automobile manufacturer Škoda, which owned a valuable brand name and had a long tradition as well as highly qualified workforce. Expecting on economic upturn for the automobile industry, Volkswagen prepared for expansion by introducing comprehensive social benefits and set aside lay offs for a restricted period, which pleased the workforce and the Works Council. In 1991, Škoda emerged as the fourth independent brand within the Volkswagen Group. Declining markets sales at home and in Eastern Europe thwarted all of the perhaps too optimistic forecasts.

Volkswagen developed into a globally producing Group with plants on four continents. By setting up production in Asia as well as in Eastern Europe, Volkswagen was not only able to enter potentially profitable markets, but also to establish plants that could be run at lower costs. Growth and multi-market strategy lead the Volkswagen Group to the pinnacle of the European automobile industry, allowing the company to expand its product range in such a way that it could develop vehicles for all tastes and demands. The price of this expansion was driven home by the economic crisis of 1992.

1982

JANUARY 1 Carl H. Hahn becomes Chairman of the Volkswagenwerk AG Board of Management.

JANUARY A long-term crisis begins for Volkswagen of Nigeria Ltd. Continuous recession, restricted price competitiveness and a lack of support by the Nigerian government, who react to currency shortages by introducing state controls on imports and production cuts on industries relying on imports. As a result, production was shut down several times during the 1980s due to a shortage of materials. In March 1990, Volkswagen decides on an orderly retreat from business in Nigeria because a fulfillment of market potentials is nowhere in sight. Volkswagen of Nigeria is operating at only 5 percent of capacity and expenses far outweigh the minimal revenues. Negotiations begun in 1992 on the sale of Volkswagen's Nigerian subsidiary to a Nigerian company were discontinued because of internal power struggles. The last German employees leave in 1994. Since then production has been shut down. In April 2006, Volkswagen AG sells its remaining shares in "Barbedos Ventures Ltd." registered in Tortola/British Virgin Islands.

JUNE 8 A trial assembly contract with the "Shanghai Tractor & Automobile Corporation" is the beginning of the Volkswagen Group's involvement in the People's Republic of China. The goal of this cooperation is the establishment of a joint venture to produce the Santana.

JUNE Volkswagenwerk AG signs a cooperation agreement with the "Nissan Motor Co., Ltd." in order to produce the Santana in Japan. Nissan provides the manufacturing facilities and its sales organization while Volkswagen delivers engines, transmissions and chassis. In order to help Nissan, Volkswagen forms a consulting company, "Volkswagen Asia Ltd.", on July 7, 1983, which at the same time is responsible for gearing up the import business. The Santana, built near Tokyo in Zama, comes onto the Japanese market in February 1984.



CARL H. HAHN WELCOMES THE
NISSAN BOARD OF MANAGEMENT



CARL H. HAHN

SEPTEMBER 30 A cooperation with the "Sociedad Española de Automóviles de Turismo, SA" (Seat) opens the way for Volkswagenwerk AG to enter the Iberian market. The Spanish automobile manufacturer handles the sales of imported Volkswagen and Audi models with its own dealer network. Starting in early 1984 it produces licensed versions of the Passat and Polo. Transferring production of the Polo to Spain opens up capacity in Wolfsburg, augmenting the Golf production and helping Volkswagen to reach the top of the European automobile industry.

OCTOBER Now operating a plastics factory on the site of the former Olympia Works, the Brunswick plant adds a third string to its bow, in addition to the manufacture of the car parts, and mechanical engineering and tool manufacturing. Fundamental to lightweight construction, plastics and aluminium are of growing importance to the automotive industry as the use of light-weight materials in engines, wheels and axles reduces the total weight of the vehicle and, in turn, fuel consumption.

NOVEMBER The Caddy, a combination passenger car and commercial vehicle, goes into volume production.



CADDY



PLANT BRUNSWICK



VEHICLE PRODUCTION

	Volkswagenwerk AG	Group	Transporter	Passat	Golf	Polo
	1,196,868	2,130,075	188,681	219,795	656,359	142,356

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagenwerk AG	Group
Wage-earners	98,046	
Salaried staff	20,837	
Workforce of foreign group companies		81,103
Total	118,883	239,116

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany		672,058
Abroad		1,447,860
Total	1,529,398	2,119,918

FINANCIAL DATA (IN MILLION DM)

	Volkswagenwerk AG	Group
Sales revenue	27,028	37,434
Investments	1,962	4,892
Profit/Loss	33	-300

1983

JUNE With the start of production of the second Golf generation in the specially built final assembly hall 54, the Volkswagen Group enters a new technical era. For the first time robots are involved in building a vehicle that is designed for automated assembly. New concepts raise the level of automation to 25 percent and make ergonomic structuring of jobs necessary. Due to its softer, more elegant form, larger interior and reworked engine, the new Golf can continue the sales successes of its predecessor. This is partially due to the variety of engines and features, for example the all-wheel drive of the Golf syncro.

DECEMBER 20 "Volkswagen-Gesellschaft für Datenverarbeitungssysteme mbH", founded with the participation of the city-state Berlin and the "Schleicher GmbH & Co. Relais-Werke KG", is entered into the commercial Register. Volkswagen has a 50 percent interest in the Berlin subsidiary, which concentrates on using the Group's expertise in the field of technical software. During the coming years the enterprise expands its services and customers base. The company, renamed "gedas GmbH" on January 1, 1998, develops and implements systems solutions for the entire automobile and production industry. In 2000, gedas rises to become the third largest German IT consulting company and one of the leading e-business systems integrators in Europe. Seventeen group companies with a total of 3,808 employees belong to the gedas Group, which is also represented in important overseas markets. Gedas GmbH is converted into a joint stock company on May 27, 2001, and is sold to the Telekom subsidiary T-systems on January 1, 2006.

DECEMBER Production of the second generation Jetta begins.

In the Barrie, Ontario plant, Volkswagen Canada Inc. starts production of automobile parts for Volkswagen of America, Inc. During the second half of 1984, the plant also begins to manufacture alloy wheels for the North American market. A 24 percent drop in sales due to the recession the year before is offset by growth of a good 25 percent in 1984. With the delivery of 30,648 Volkswagens and Audis, Volkswagen Canada can slightly increase its market share to 3.1 percent. The Barrie plant is sold to Alloy Wheels International Ltd. on August 1, 1996.

JETTA



GOLF



VEHICLE PRODUCTION

	Volkswagenwerk AG	Group	Transporter	Passat	Golf	Polo
	1,179,993	2,115,924	155,500	244,173	626,797	146,873

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagenwerk AG	Group
Wage-earners	94,127	
Salaried staff	20,395	
Workforce of foreign group companies		75,430
Total	114,522	231,710

VEHICLE SALES

	Volkswagenwerk AG	Group
Germany		749,863
Abroad		1,377,355
Total	1,538,395	2,127,218

FINANCIAL DATA (IN MILLION DM)

	Volkswagenwerk AG	Group
Sales revenue	29,187	40,089
Investments	2,444	4,858
Loss	-85	-215

1984

FEBRUARY 3 The research center opened at the plant in Wolfsburg concentrates over 600 employees under one roof. With the exception of the climate wind tunnel and parts of central measuring technology, all areas of research are grouped together in the new, 15 thousand square meter large building equipped with state of the art technology.

NOVEMBER Volkswagen AG signs a contract with the foreign trade company of the German Democratic Republic licensing the production of engines. Volkswagen provides the necessary plant. For its part, the GDR delivers products from the engineering and electrical industries. The planned production of short blocks for the Group is postponed to the end of 1989 because of planned economy constraints.

Volkswagen's products for the domestic market are increasingly being equipped with three-way catalytic converters. As a pioneer of this technology, Volkswagen reacted early to the demand for environmentally friendly automobiles. The Golf and Jetta models equipped with four-cylinder diesel and turbo-diesel engines already meet America's strict emissions regulations. All passenger cars built in Europe after 1977 can be driven with lead-free gasoline. Starting in 1984, Volkswagen offers special conversion parts for all of its models cutting hydrocarbon and nitrogen emissions by half. A newly developed micro catalytic converter makes the conversion of small capacity possible. By November 1987, Volkswagen completed the changeover of its production to catalytic converter technology. Since then, all Volkswagen passenger cars equipped with gasoline engines are available with catalytic converters. The decisive breakthrough came in 1989, and Volkswagen was able to celebrate the world premiere of the first diesel engine with a catalytic converter. The 60 hp engine consumes only 4,6 liters per 100 kilometers. The turbo-charger optimizes combustion, reducing soot emissions even at full speed.



VEHICLE PRODUCTION

Volkswagenwerk AG	Group	Transporter	Passat	Golf	Polo
1,280,836	2,147,706	157,596	184,945	685,303	146,249

PRODUCTION OF SELECTED MODELS

WORKFORCE

Volkswagenwerk AG	Group	Volkswagenwerk AG	Group
Wage-earners	95,825	Germany	708,446
Salaried staff	20,049	Abroad	1,436,688
Workforce of foreign group companies	77,703	Total	1,638,000
Total	115,874		2,145,134

VEHICLE SALES

FINANCIAL DATA (IN MILLION DM)

Volkswagenwerk AG	Group
Sales revenue	33,774
Investments	1,809
Profit	183

1985

FEBRUARY 16 After many years of negotiations, an agreement signed in Beijing on October 10, 1984 opens the path to the establishment of the "Shanghai-Volkswagen Automotive Company, Ltd.". Volkswagenwerk AG has a 50 percent share in the joint Chinese-German enterprise, which begins producing the Santana on September 1, manufacturing 1,700 vehicles by the end of the year. Qualified employees staff a training facility opened at the end of August 1988. The new paint shop opened in October 1989. The following year engine production began and the press shop started operations. In the course of expanding its capacity, Shanghai Volkswagen developed into China's largest and most modern passenger car plant. Between 1986 and 1991, yearly production increased fourfold from 8,471 to 35,000 vehicles and the workforce rose from 1,911 to 3,064 employees. Local production grew to 70.4 percent, with the result that Shanghai Volkswagen no longer had to apply for licenses to import construction parts after June 1991.

JULY 4 The Annual shareholder's meeting (Hauptversammlung) decides to change the name of the company from "Volkswagenwerk AG" to "Volkswagen AG".

A marketing strategy developed by Volkswagen of America, Inc. calling for a strengthening of the individual brand identity of Volkswagen and Audi accompanies a reorganization of responsibilities for sales and service. "Volkswagen of United States, Inc." assumes responsibility for Volkswagen, and "Audi of America, Inc." has the same task for the Audi brand. These two new companies are not independent firms, but rather divisions of Volkswagen of America, Inc.

SANTANA PRODUCTION
IN SHANGHAI



VEHICLE PRODUCTION

	Volkswagen AG	Group	Transporter	Passat	Golf	Polo
	1,457,272	2,398,196	155,423	225,947	790,342	166,259

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	102,653	
Salaried staff	20,945	
Workforce of foreign group companies		88,703
Total	123,598	259,047

VEHICLE SALES

	Volkswagen AG	Group
Germany		721,812
Abroad		1,676,192
Total	1,817,208	2,398,004

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	38,921	52,502
Investments	1,791	3,388
Profit	477	596

1986

APRIL 24 Walter Hiller is elected Chairman of the General Works Council and also assumes the post of Chairman of the Group Works Council on May 6.

JUNE 18 After a period of successful cooperation, Volkswagen AG at first acquires 51 percent of the shares of the Spanish automobile manufacturer Seat, S.A., which is integrated into the Volkswagen Group as a third independent brand. Volkswagen thus gains access to a new market, completes its sub-compact class product palette and stabilizes its leadership position in Europe. As part of the reorganisation of the Seat Group, the Pamplona site used for Polo production is taken out in December 1993 and transferred to "Volkswagen-Audi-Espana, S.A." under the new name "Fábrica Navarra de Automóviles, S.A.". Now the manufacture of Seat models is concentrated on the Martorell site near Barcelona. It officially opens on February 22, 1993. With a daily capacity of 1,500 vehicles and production cycle of less than 20 hours for one vehicle, it occupies a leading position in the European car-making industry.

JUNE 30 Because of the expansive development of the leasing business in North America and in order to improve internal development, the holdings of Volkswagen of America, Inc. in this area are reorganized. On June 30, the business of "Volkswagen Financial Corporation" is transferred to "VW Credit, Inc." and "Vorelco, Inc." is assumed by Volkswagen of America, Inc. on December 31.

DECEMBER 31 In order to tighten sales activities in the United States market, Volkswagen agrees with the Volkswagen and Audi distributor "Riviera Motors, Inc." in Oregon not to renew their distributor agreement. By taking over distribution, Volkswagen seeks greater influence over the market and dealer service activities in this region in an attempt to implement streamlining measures.



SIGNING THE AGREEMENT
BETWEEN VOLKSWAGEN
AND SEAT

WALTER HILLER



VEHICLE PRODUCTION

	Volkswagen AG	Group	Transporter	Passat	Golf	Polo
	1,509,439	2,776,554	161,712	264,387	891,466	214,508

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	109,502	
Salaried staff	22,686	
Workforce of foreign group companies		106,334
Total	132,188	281,718

VEHICLE SALES

	Volkswagen AG	Group
Germany		837,926
Abroad		1,919,867
Total	1,926,652	2,757,793

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	41,134	52,794
Investments	4,469	6,366
Profit	485	580

1987

JANUARY 1 Under the impact of a big sales drop in the South American market, Volkswagen AG and the Ford Motor Company unite operations within this region in a holding company to strengthen their competitiveness through synergy effects. The contract of May 27, 1987 sets up the joint venture "Autolatina Comércio, Negócios e Participações Ltda." which officially starts operations on July 1. It coordinates activities of "Volkswagen do Brasil S.A." and "Ford do Brasil S.A.". They continue in legal terms as companies in their own right. The Argentine subsidiaries of both groups are brought together as "Autolatina Argentina S.A.". Both partners continue operations for their own brands, so sales and customer services remain separate and based on distinct sales organizations and dealer networks. After the Brazilian market is opened for car imports, Ford and Volkswagen end their cooperation in April 1995: The contractual separation of the companies is completed on December 1 of the same year in Brazil and on January 1, 1996 in Argentina.

JUNE Volkswagen AG signs an agreement in principle with the Japanese automobile manufacturer Toyota for the construction of a 1-ton pickup. In January 1989, the results of this cooperative venture, the Taro and Hilux models, go into production in the Hanover plant.

JULY 2 Klaus Liesen becomes Chairman of the Supervisory Board of Volkswagen AG.

DECEMBER Production of the third generation of the Passat sedan begins. The new Passat Variant goes into production three months later and maintains its position as one of the most popular family cars. Starting at the end of 1991 both models are also built by Volkswagen Bratislava.



TARO



KLAUS LIESEN



PASSAT

VEHICLE PRODUCTION

	Volkswagen AG	Group	Transporter	Passat	Golf	Polo
	1,473,780	2,771,379	145,380	211,936	907,753	232,158

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	107,791	
Salaried staff	23,385	
Workforce of foreign group companies		88,176
Total	131,176	260,458

VEHICLE SALES

	Volkswagen AG	Group
Germany		920,901
Abroad		1,852,712
Total	1,978,440	2,773,613

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	43,199	54,635
Investments	3,532	4,592
Profit	494	598

1988

JANUARY The Corrado sport coupé with 160 hp goes into standard production and replaces the Scirocco in 1992.

JULY Following sustained high financial losses, capacity underutilization in the USA forces the closing of the Westmoreland plant, which is sold to the Commonwealth of Pennsylvania in October 1990. The Mexican plant in Puebla is expanded and modernized to produce the Golf and Jetta for the US market. By the mid-1990s, the site has developed into a low-cost production location for exports to the United States which, together with Canada and Mexico, formed a free trade zone in 1994.

AUGUST 24 Volkswagen signs a preliminary agreement with the Chinese automobile manufacturer "First Automobile Works" in Changchun regarding the licensed production of the Audi 100.

AUGUST 31 Volkswagen supplies plants for the production of the four-stroke gasoline engine to the "VEB IFA-Kombinat Personenkraftwagen" in Chemnitz (then Karl-Marx-Stadt in the German Democratic Republic) and receives units in turn from the engine factory.

CORRADO



VEHICLE INSPECTION
IN CHANGCHUN



VEHICLE PRODUCTION

	Volkswagen AG	Group	Transporter	Passat	Golf	Polo
	1,453,286	2,847,616	150,999	280,571	887,679	215,332

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	104,202	
Salaried staff	23,336	
Workforce of foreign group companies		85,655
Total	127,538	252,066

VEHICLE SALES

	Volkswagen AG	Group
Germany		848,311
Abroad		2,006,076
Total	1,948,949	2,854,387

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	44,237	59,221
Investments	3,772	4,251
Profit	523	780

1989

OCTOBER The consulting company "Volkswagen Asia Ltd.", founded in Tokyo in 1983 to assist sales of the Japanese Santana produced under license by Nissan, is reorganized under the name "Volkswagen Audi Nippon K.K.". With the appointment of the first direct dealers in November 1990, Volkswagen starts organizing its own distribution system in Japan. Volkswagen's strategy is to increase sales and exports by opening the Japanese market. For an interim period, Volkswagen Audi Nippon K.K. organized the import of Volkswagens along with the Japanese company Yanese, taking over sole authority on January 1, 1993. The Volkswagen and Audi dealership network encompasses 70 firms at this time. Shortly after, the sales company acquires a majority interest in the former Renault importer "JAX Co. Ltd." in order to strengthen its dealership network in the Greater Tokyo area.

DECEMBER Immediately after the opening of the internal German border, Volkswagen begins to push forward in to the East German market and takes advantage of its long-term business relationship with the automobile industry in Saxony. Together with the VEB IFA-Kombinat Personenkraftwagen in Chemnitz, it forms the planning company "Volkswagen IFA-PKW GmbH" in order to prepare for the development and production of internationally competitive vehicles. The first Polo is assembled in the former Trabant factory on May 21, 1990 and the production of the Golf begins in February 1991. With the prospects of increased demand, Volkswagen invests in the expansion of the production facilities in Mosel, Chemnitz and Eisenach.

CHANGING OF THE PRODUCTION FROM TRABANT TO POLO



FOUNDATION OF THE VOLKSWAGEN IFA-PKW LTD.



VEHICLE PRODUCTION

	Volkswagen AG	Group	Transporter	Passat	Golf	Polo
	1,548,175	2,947,569	147,539	346,442	890,158	228,867

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	104,792	
Salaried staff	23,513	
Workforce of foreign group companies		93,982
Total	128,305	250,616

VEHICLE SALES

	Volkswagen AG	Group
Germany		848,649
Abroad		2,092,301
Total	2,066,189	2,940,950

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	48,533	65,352
Investments	4,278	5,606
Profit	655	1,038

1990

JANUARY 1 The Volkswagen Group restructures its transport business by forming "V.A.G Transport GmbH & Co. OHG", which now takes over functions previously carried out by Volkswagen AG, Audi AG and V.A.G Transport GmbH. Volkswagen has an 81 percent interest in the company and Audi has 19 percent. V.A.G Transport GmbH carries out management responsibilities.

JUNE 4 The fourth Transporter generation goes into series production with a new technical concept and design: Its short flat bonnet houses a front engine mounted lengthways for a front-wheel drive. Its new design means the T 4 can be supplied with two wheelbases, in two lengths and in three weight classes and can be assembled entirely according to the modular system. As production begins, the Hanover site puts a new manufacturing unit into operation which has both health and environmental benefits. The automated installation of axles, engines and gears makes overhead work effectively obsolete, and in the new highly automated paint shop opened in 1988 chemical solvents are for the most part replaced by water-based products. After the launching of the "Volkswagen Nutzfahrzeuge" (Commercial Vehicles) brand in November 1995 Hanover becomes the leading plant of an independently operating unit within the Group.

JUNE 14 The renaming of the V.A.G Kredit Bank GmbH into "V.A.G Bank GmbH" signals the move into the direct banking business, which takes its place next to the classic dealership and customer financing activities. Starting in November 1990, it offers in conjunction with the Volkswagen/Audi Card System for the first time in Germany both leading credit cards, EUROCARD and VISA, in a single package. The product portfolio of Volkswagen's financial services subsidiary, which is renamed "Volkswagen Bank GmbH" on December 14, 1994, is successively expanded to include, for example, installment plans for external customers and AutoCredit, which was introduced in 1995. The low monthly payment plan carries the option of returning the vehicle at the end of the contract period, making the final payment of contract or renewal. In 1999, Volkswagen Bank expands its operations even more by, providing mortgages and investment fund services.

JUNE 26 Klaus Volkert is elected Chairman of the General and Group Works Council.

AUGUST 31 The Volkswagen Group sets up a European Works Council, which is made up of employee representatives from Volkswagen AG, Audi AG, Seat S.A. and Volkswagen Bruxelles S.A. The contract between the employee representatives and the Group's management is signed on February 7, 1992. The European Works Council is an innovation in the automobile industry.



T4 MULTIVAN



KLAUS VOLKERT

DECEMBER 10 The Czech government awards Volkswagen AG the rights to acquire 100 percent of "Škoda, automobilová a.s.", an automobile manufacturer rich in tradition which provides Volkswagen with an excellent access to the automobile markets in central and Eastern Europe. Škoda, which is located in Mladá Boleslav, has a highly qualified workforce and a yearly capacity of 190,000 vehicles. On April 16, 1991, it joins the Volkswagen Group as its fourth independent brand.

DECEMBER 12 To establish an efficient production location in the eastern part of Germany, Volkswagen IFA-PKW GmbH becomes "Volkswagen Sachsen GmbH". The company is responsible for expanding capacity in Mosel and takes over "Motorenwerke Chemnitz GmbH" and "Zylinderkopf-fertigung Eisenach GmbH" in 1991/92, subsequently sold in 1996 following commissioning of a new 4-valve cylinder head production line in Chemnitz. Until the new production plant is completed, "Sächsische Automobilbau GmbH" (SAB), set up by Volkswagen and the "Treuhandanstalt" on December 19, 1990, assembles the Polo and the Golf at the old Mosel plant. In June 1994, Volkswagen AG, which had held managerial responsibility for the company from the beginning, officially acquires SAB. The merger of Volkswagen Sachsen with SAB is completed on August 15, 1998 and the enterprise is renamed "Volkswagen Sachsen GmbH". At the end of the year, the company has a workforce of 6,700.

EUROPEAN GROUP
WORKS COUNCIL



THE ŠKODA-PLANT
IN MLADÁ BOESLAV



VEHICLE PRODUCTION

	Volkswagen AG	Group	Transporter	Passat	Golf	Polo
	1,598,346	3,057,598	130,370	393,222	896,874	225,806

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group		Volkswagen AG	Group
Wage-earners	105,373		Germany		945,384
Salaried staff	23,307		Abroad		2,084,795
Workforce of foreign group companies		95,934	Total	2,131,787	3,030,179
Total	128,680	268,744			

VEHICLE SALES

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	51,493	68,061
Investments	3,702	5,372
Profit	670	1,086

1991

JANUARY 1 The organizational structure of the Volkswagen Group is adapted to reflect the brand alliance. New brand management boards, whose chairmen are integrated in the Group management body, are responsible for day-to-day operations at the four brands of Volkswagen, Audi, Seat and Škoda.

FEBRUARY 6 Volkswagen AG acquires a second base in China. "FAW-Volkswagen Automotive Company, Ltd." is formed in Changchun, a joint venture that grew out of the cooperation with the "FAW-Volkswagen Automotive Company, Ltd." after 1988. Volkswagen AG has a 40 percent interest in the new firm, with which the Group intends to improve its position in China and to assure it of an economical production base in Asia. The Jetta is initially assembled from imported parts, but starting at the end of 1994 a newly constructed plant with an annual capacity of 150,000 vehicles begins producing the Jetta. Two years later, transmission and engine productions go into operation, which supplies the Group within China and also exports to Germany.

MARCH Volkswagen restructures its financial services and combines them to form a single firm, "Volkswagen Finanz GmbH". The amalgamation of the leasing and banking business lies at the core of this reorganization, which is aimed at achieving synergy in external services. The capital of both companies is transferred to Volkswagen Finanz GmbH, which now assumes all responsibilities previously undertaken by the V.A.G Leasing GmbH as well as the sales and marketing activities of the V.A.G Bank. The Volkswagen Group has become Europe's leading provider of financial services and generates 25 percent of the Group's total income.

MARCH In the course of streamlining its overseas operations, the Volkswagen Group bundled its production and sales activities by combining the sites in the United States, Canada and Mexico to form the "North American Region" (NAR). As in 1993, when the "South America/Africa Region" was formed, regional management carried out day-to-day operations, while the accountable board members were in charge of reorganization and the strategic coordination of the regions.

FIRST STEP TO THE FOUNDATION OF
VOLKSWAGEN BRATISLAVA



MAY 30 Volkswagen AG put the finishing touches on its involvement in the Czech and Slovakian Federal Republic. An agreement concerning cooperation with the automobile manufacturer "Bratislavské Automobilové Závodi" concluded with the Slovakian government on March 12, 1991 leads to the establishment of "Volkswagen Bratislava, spol. s. r. o.". Volkswagen takes over the production complex with a fully developed infrastructure and starts producing Passat models there in December 1991. Sole production of the Golf

syncro is transferred to Volkswagen Bratislava in 1995 following expansion of production capacity and construction of a gearbox plant. With the start-up of the Golf 4 production in 1997, volumes triple in the following year to 125,281 units; the workforce increases to 5,250. On January 1, 1999 the Slovakian subsidiary merges with "Volkswagen Slovakia, a.s." established on December 7, 1998. Once capacity has been expanded yet again, series production of the Touareg begins there in August 2002.

JUNE 24 Volkswagen AG and the Ford Motor Company enter into a capital and risk sharing joint venture in Portugal. In Setubal they establish "AutoEuropa Automóveis Lda." in order to carry out a product concept designed especially for the European market, which was developed under Volkswagen's overall control. After a 3-year development, production of the Volkswagen Sharan begins in the Palmela plant in April 1995. Volkswagen acquires Ford's shares in the Portuguese company in January 1991, which produces the Seat Alhambra and Ford Galaxy.

JULY Volkswagen starts with the production of the third Golf generation with a more rounded design. The flowing lines make the car body appear more dynamic, the silhouette more elegant. The new Golf sets higher safety standards. With side protection, reinforced door sills, an additional safety traverse below the dashboard and mash seam welding on the chassis rails it even complies with proposed crash test specifications that have not yet come into effect. The Golf 3 also sets new, pioneering environmental standards in terms of recycling. Environmentally harmful materials have been banned from the production process: nearly all plastic components in the Golf are recyclable. The economical and low-emission engines, from the 1.4 litre, 60 hp entry-level engine to the 2.0 litre, 115 hp version, protect the environment and save resources.

SHARAN

OCTOBER Salzgitter experiences the onset of the TDI era. The first turbo diesel with direct injection and 1.9 litres and 66 kW goes into production. The engine is first used for the Audi 80 and then for the Passat.

NOVEMBER Production of the Vento begins in Mexico and South Africa. This visually and technically redesigned model takes the place of the Jetta.



GOLF

VENTO



VEHICLE PRODUCTION

	Volkswagen AG	Group	T4	Passat	Golf	Polo
	1,576,086	3,128,338	137,682	427,395	808,100	325,282

PRODUCTION OF SELECTED MODELS

WORKFORCE

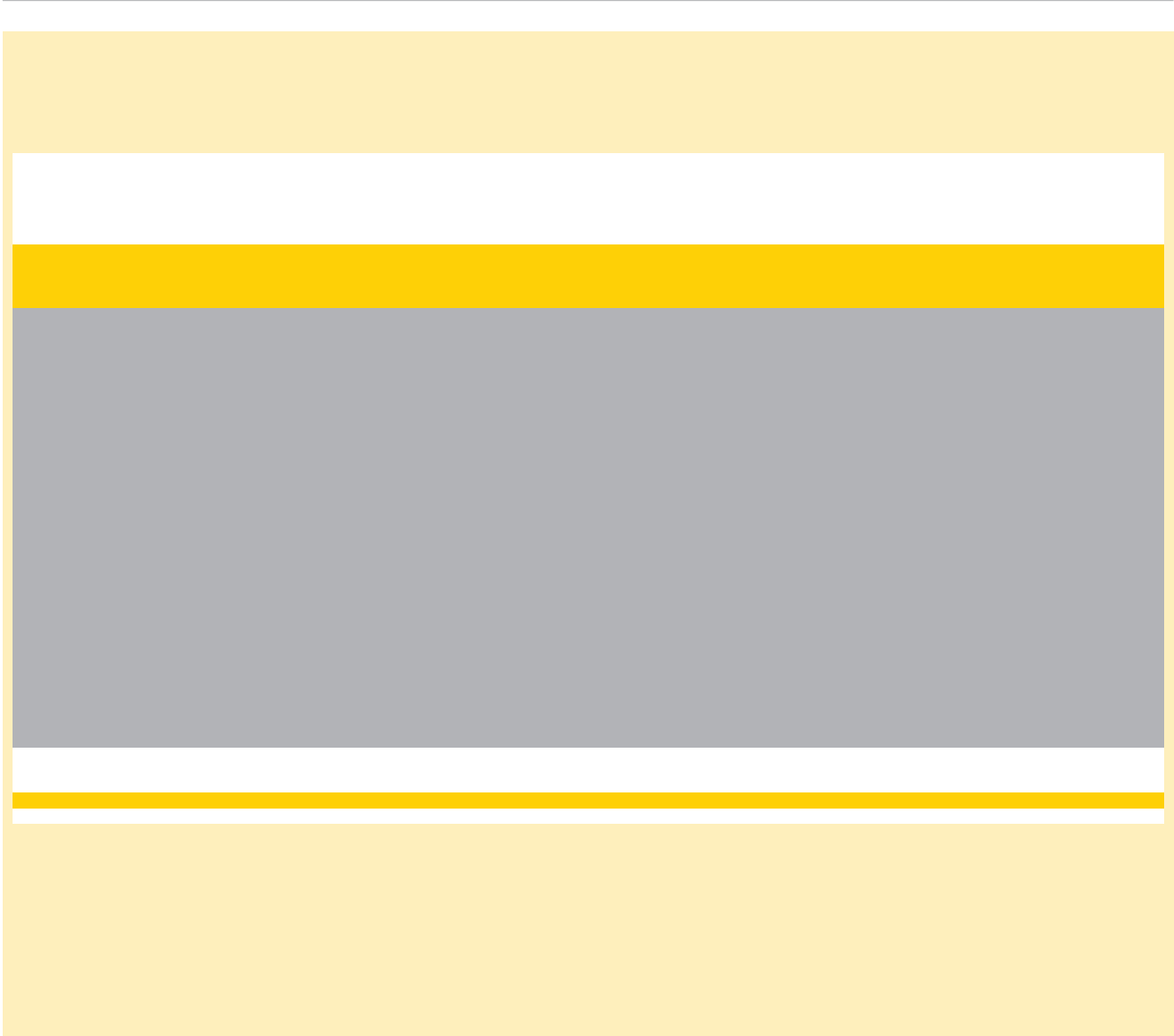
	Volkswagen AG	Group
Wage-earners	102,202	
Salaried staff	23,680	
Workforce of foreign group companies		94,895
Total	125,882	265,566

VEHICLE SALES

	Volkswagen AG	Group
Germany	901,821	1,245,907
Abroad	845,479	1,880,100
Total	1,747,300	3,126,007

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	47,328	76,315
Investments	5,406	9,910
Profit	447	1,114



1992-2007



1992 – 2007

Globalization of the Mobility Group

The Volkswagen Group initiated strategic change during the severe global recession of 1992/93. If the 1980s were a time of internationalization and volume production policy, Volkswagen now concentrated more closely on highlighting product diversity as well as increasing productivity and earnings power. Group modernization was linked with a globalization process aimed at establishing highly-efficient production sites and effectively reshaping the functional division of labor in the global production network. The Wolfsburg-based automaker was responding to structural problems specific to the industry and the company itself which became more pronounced during the recession as sales plummeted. Price competition, particularly from the Japanese automotive industry increased the pressure on the global player to streamline and cut costs, while market saturation in Western Europe as the economic upturn triggered by German reunification petered out dampened growth expectations.

To manage the crisis, the Volkswagen Group began to re-organize the production system along the lines of lean production characterized by flat hierarchies, team work, a lower manufacturing penetration and logistical networking with suppliers. Proactive support from the Works Councils was vital to the success of this medium-term project. The same applied for the transition to a market-oriented procurement policy based on regional responsibility which no longer took its lead from steady capacity utilization, but was guided by the swift response to customer wishes and demand fluctuations. This difficult synthesis was achieved by the four-day week introduced on January 1, 1994. The flexible model for cutting weekly working hours from 36 to 28.8 hours a week was an innovative HR instrument for reducing excess manpower at Volkswagen AG estimated at 30,000. At the same time, Volkswagen moved ahead with the introduction of lean production and globalization in order to bring about a sustained improvement in cost structures.

The factories built in the early 1990s were ideal examples of lean production. Both the Mosel plant in eastern Germany and the Seat plant at Martorell were organized along the lines of Japanese transplants. Production procedures at existing plants were systematically improved, mainly by introducing new models. The platform strategy made a substantial contribution to establishing efficient plant structures. By networking the Group's 16 platforms, whose number was gradually reduced, Volkswagen cut back development and manufacturing penetration while simultaneously raising product quality and offering customers a more differentiated product range. The platform strategy went hand in hand with a new procurement policy called global sourcing. The objective of this procedure for purchai-

sing components from all over the world was to establish long-term networking between development, production and logistics operations on the one hand and low-cost, high performance system suppliers on the other. Procurement no longer involved purchasing individual parts – now, complex components and modules were to be delivered just in time. The Volkswagen Argentina plant opened in 1995, for example, operates on the module assembly principle, where suppliers carry out on-site installation of the components they have assembled. In the 1990s, Volkswagen resorted more extensively to external suppliers for production in Germany, putting pressure on the Group's in-house suppliers and generating cost cuts as well as creating system competence.

By introducing decentralized production management the principle of lean production were anchored in work processes. Volkswagen had been pushing ahead with the introduction of teamwork accompanied by flatter hierarchies since 1992. By eliminating entire management levels in 1993 shifting decision-making competences to operative department, thus encouraged self-responsibility and employee motivation. At the same time, Volkswagen applied the continuous improvement method perfected by the Japanese. Employees were encouraged to participate in optimizing their own workplace to raise the quality and productivity of all production processes. The transition in 1993 from sequential vehicle development to simultaneous engineering, which shortened project times and facilitated a faster, more customer-oriented response to current market changes, pursued the same goal. Volkswagen Coaching, established in 1995, arranged educational programs and management training courses to support the learning processes associated with new work organization.



WORKSHOP: NEW WAYS OF ORGANIZATION OF THE WORK

It did not take long for the restructured production system to show tangible signs of success. Between 1994 and 1996, productivity in the Volkswagen Group rose by almost 30 percent, while production costs fell as a result of shorter production times. In 1997, the core production time for the Polo had gone down from 24 hours to 15, and for the Passat from 31 to 22. The advantages of lean production became clear to all in the fourth generation of the Golf, which went into production at four plants in 1997. Both the high quality standard and the environmentally sound technology concept were convincing arguments. Volkswagen AG systematically expanded production and product-integrated environmental protection over the year to follow with projects such as the further development of direct injection technology and lightweight construction as well as product life cycle management. With the development of the pump-nozzle high-pressure injection system first featured in the Lupo 3L TDI in 1999, the Wolfsburg-based company underscored its leading role in the field of low-consumption

diesel technology. However, sales figures for the world's first series-produced 3-liter car indicated that price puts a cap on the willingness of potential purchasers to pay for environmental protection.

The introduction of lean production and the associated rise in product quality brought a noticeable improvement in sales and earnings at Volkswagen AG from the mid-1990s. This lent impetus to expanding the multi-brand strategy. In 1998, Volkswagen brought the legendary brands of Bentley, Lamborghini and Bugatti into the Group with a view to expanding the product offering in the top-class segment. The Volkswagen brand contributed the Phaeton to the top-class product offering at the end of 2001, and successfully moved into two new market segments the following year with the launch of the Touareg, a top-class SUV, and the Touran compact van.

At the organizational level, restructuring of the business lines was flanked by ongoing efforts to cut costs by increasing flexibility and standardizing the complex production structure. The turntable concept, allowing for short-notice volume adjustments both within a factory and among different sites, was introduced at various plants towards the end of the 1990s. Today, the plants in Mosel, Emden, Bratislava or Pamplona can build various models on one production line or adjust their production programs to handle short-term shifts in demand for different Group models. The turntable concept made way for the modular strategy in 2000. Eleven selected modules based on the "same parts" principle are used in several different vehicle classes, thus tapping the synergy potential triggered by savings in development costs and purchasing prices.



**ENGINE PRODUCTION
AT THE SALZGITTER PLANT**

By setting up a flexible global production network, Ferdinand Piëch, who was appointed Chairman of the Board of Management in 1993, strengthened the international competitiveness of the Volkswagen Group. Under his leadership, globalization of the Group progressed further. Today, various models destined for the world market are produced exclusively at international sites: the New Beetle and the Jetta in Mexico, the Touareg in Slovakia, the Caddy in Poland and the Fox in Brazil. Piëch's successor Bernd Pischetsrieder continued to develop Volkswagen as a powerful multi-brand group. The priority task was to cut costs along the value chain, and a performance enhancement program was therefore launched in 2004. The 2004 and 2006 collective agreements between union and management at Volkswagen AG marked further steps towards improving earning power.

Both of these agreements linked job security to waiving pay rises. Core elements of the agreements include a remuneration system more strongly oriented to performance, a company wage agreement for new employees with pay levels in line with the industry average, a rise in working hours to a maximum of 34 hours a week and potentially higher profit sharing for the workforce.

Restructuring the Volkswagen brand was the prerequisite for the growth strategy announced in 2007 by Martin Winterkorn, the new Chairman of the Board of Management. By 2018, the Wolfsburg-based company is to become the automaker with the highest sales, and Volkswagen is to evolve into the world's most innovative volume brand. In order to achieve these ambitious goals, the multi-brand group intends to win new customers with intelligent product innovations and harness the expansion potential offered by emerging markets. By building production plants in Russia and India, the Volkswagen Group has established a very promising competitive position to exploit the enormous growth potential of these emerging automotive markets. In the People's Republic of China, Volkswagen faces the challenge of maintaining the leading market position it has enjoyed almost uninterrupted since 1985 in the face of competition from US and Japanese automakers which significantly expanded their manufacturing capacity once China joined the World Trade Organization in 2004. Despite intensified competition, the Middle Kingdom became the largest single market for the Volkswagen Passenger Cars brand in 2007; Group deliveries soared 28 percent year-on-year to over 900,000 vehicles.

With its record sales and earnings in 2007, the Volkswagen Group is well positioned to combine volume growth with a rise in productivity. To make sure the company continues on the right track, Volkswagen is backing the measures to optimize work and process organization anchored in works agreements concluded at the end of 2007. Furthermore, the growing number of cross-brand vehicle modules will help to cut development and production costs and accelerate product innovations. Moreover, the volume strategy is expected to prove successful if brand alliance synergies are harnessed to realize customer-oriented, forward-looking mobility ideas. The model rollout launched in 2006 gives cause for optimism. Volkswagen has put two strong-selling vehicles on the road in the shape of the Eos and the Tiguan, while the Up! concept car and the Scirocco which debuted in 2008 have met with a very encouraging response. Customer satisfaction remains the key to success.

1992

NOVEMBER Work breaks and short work in three of Volkswagen's three domestic plants as well as a socially acceptable reduction in the workforce mark the end of a flourishing decade for the automobile industry and the end of a period of expansion. The sudden end of the boom caused by German reunification and stagnating tendencies in the international automobile industry characterize the crisis that began during the second half of the year and which, in 1993, lead to the worst worldwide recession since the end of World War II. The Volkswagen Group suffered severe losses on the domestic and West European volume markets. The average employment figures drop by 7.4 percent.

Volkswagen raises safety standards by offering air bags for driver and passenger in the Golf, Vento and Passat. Other passive safety measures include a side protection beam integrated in the door, reinforced door sills and cross members. Volkswagen AG introduces another high-tech innovation, the all-wheel compatible Electronic Stabilization Program (ESP) in 1997. Thanks to ESP, braking maneuvers initiated by the onboard control unit prevent over- or understeering in an extreme situation and ESP has been a standard feature of most models since 1999.



VEHICLE PRODUCTION

	Volkswagen AG	Group	T4	Passat	Golf	Polo
	1,657,605	3,499,678	167,830	358,105	927,286	306,490

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group		Volkswagen AG	Group
Wage-earners	95,565		Germany	872,519	1,210,606
Salaried staff	23,022		Abroad	1,003,615	2,222,025
Workforce of foreign group companies		110,434	Total	1,876,134	3,432,631
Total	118,587	274,103			

VEHICLE SALES

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	53,182	85,403
Investments	4,063	9,254
Profit	132	147

1993

JANUARY 1 Ferdinand Piëch becomes Chairman of the Board of Management of Volkswagen AG.

JANUARY 1 Volkswagen AG takes over the British importer "V.A.G (United Kingdom) Ltd." from the London company "Lonrho Plc.". This represents a completion of the sales strategy of operating corporate outlets for the wholesale trade of group products within all important European markets. Since 1995 the "Volkswagen Group United Kingdom Ltd." and the "Groupe Volkswagen France S.A." are renamed sales organizations responsible for the sales of all group brands.

JANUARY In order to make use of growth opportunities in the most important market of the future, the Volkswagen Group defines the region "Asian-Pacific" separate business area. The newly created unit with executive function takes on the central steering of the vehicle platforms, while regional management is responsible for matching the car interior and exterior to customer taste. The corporate focus on the triad China, Japan and Singapore aims at cost-cut-

ting flexibilization of manufacturing within the region and the selection of markets in newly industrialised countries in Asia, such as Thailand, South Korea, India or Vietnam, in which the Volkswagen Group at present has hardly any share. Following the example of Japanese producers – the dominating example in Asia, a regional network of supply and production is to be established within the region Asia-Pacific. This should minimise import restrictions and problems with foreign exchange while production will serve both regional markets and exports within the Volkswagen Group. To improve the steering of affiliated companies and current projects within this region, the "Volkswagen Asia-Pacific Ltd.", based in Hong Kong, is set up following a supervisory board decision on June 2, 1993. In the current year production at Shanghai Volkswagen increases by more than 50 percent to 100,000 vehicles, making the planned expansion in capacity even more urgent. The expansion and modernisation of the Shanghai Car Plant, completely absorbed on January 1, 1992 is completed by April 1995 with the start of operations in the paint shop. In the second factory the Santana 2000 leaves the production line, a specially adapted version of the original model for the Chinese market. In 1996 Shanghai Volkswagen lays the foundation stone for a test area in order to acquire the comprehensive ability to develop cars.

MARCH Comprehensive redevelopment and reorganization reduce the effects of downward trends on the North American market. As a result of the worldwide recession, increased competition on the American and Mexican market as well as a costly sales organization, losses reached a critical level after sales in the United States dropped to an historical low the year before. In accordance with the principle "quality before volume," Volkswagen AG turns the Puebla plant into an efficient factory with lean production and a high domestic content. This enables Volkswagen to provide the North American market with enough high quality vehicles and to increase deliveries to South American export market. Along with cost reductions tightening of the dealership network, service and customer care is intensified and regional marketing is strengthened. By consolidating Volkswagen of America and Volkswagen Canada, which legally remain independent companies, the North American sales system can be made to run more efficiently and economically in 1994. Helped by an improving economy in the United States, the measures taken to put the company back on its feet start to bear fruit. In 1995 Volkswagen of America's sales rise about 20 percent to 139,000 vehicles, and in the following year the economic indicators and the sales figures in Canada and Mexico are also on the rise.



FERDINAND PIËCH

MAY 19 Volkswagen AG takes over 25.4 percent of the shares in "Volkswagen Poznan Sp.z.o.o." established jointly with the Polish company "FSR Polmo". After the initial setting up phase, 20 Transporters a day are assembled there starting in early 1994. This joint venture marks Volkswagen's entry into the Polish market and improves its position in Eastern Europe.

JUNE A convertible based on the Golf 3 goes into production. It meets all current crash requirements and passes, thanks to its proven sturdy roll bar, the rollover test in the United States. Like the hatchback, standard equipment includes a comprehensive safety system made up of airbags on the driver and passenger side, ABS, safety belts with shoulder height adjustments, side-guard beam to help protect in side collisions and effective crumple zones. The Golf Convertible is available in 1.8-liter versions with 75 or 90 hp or a 2.0-liter version with 115 hp.

SEPTEMBER Production of the fourth generation Passat begins. Starting in October 1993, Volkswagen Bratislava builds the Passat sedan and then the Variant starting in February 1994.

GOLF CONVERTIBLE



PASSAT





VOLKSWAGEN POZNAŃ

VEHICLE PRODUCTION

	Volkswagen AG	Group	T4	Passat	Golf	Polo
	1,240,124	3,018,650	129,779	255,002	795,916	176,327

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	86,176	
Salaried staff	22,291	
Workforce of foreign group companies		102,434
Total	108,467	251,643

VEHICLE SALES

	Volkswagen AG	Group
Germany	685,170	914,488
Abroad	717,783	2,047,671
Total	1,402,953	2,962,159

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	42,949	76,586
Investments	1,793	4,840
Profit/Loss	71	-1,940

1994

JANUARY 1 With the introduction of the four-day week for Volkswagen employees, the Volkswagen Board of Management, the Works Council and the Metal Workers' Union take a new step to secure the future of jobs and production site. To cut back surplus manpower estimated at 30,000 jobs, the working week at domestic plants is reduced from 36 to 28.8 hours with full flexibility combined with wage and salary cuts. By 1999, the flexible working time concept has been expanded to cover almost all Volkswagen AG employees.

JANUARY 1 Volkswagen Finanz GmbH is transformed into a joint stock company, making a step towards the internationalization of financing activities. "Volkswagen Financial Services AG" is an independent financial group integrating the majority of the Volkswagen Group's European financial services subsidiaries and standardizing the product offering. The new company has access to international money markets and can tap the world's most favourable financial sources.

MARCH 15 Volkswagen Sachsen GmbH puts its new press shop into service in the Mosel plant, which was also involved with the production of the Golf after the completion of the body shop in July 1992. The factory organized according to the principles of lean production has an annual capacity of 250,000 vehicles. In 1994, it produces a total of 90,100 Golfs, of which 1,469 are Golf Ecomatics which are exclusively built in Mosel. The factory is supplied by the "Motorenfabrik Chemnitz", which after 1994 also supplies the sites in Wolfsburg and Brussels, and from cylinder head production in Eisenach. About 3,200 are employed in the Mosel, Chemnitz and Eisenach production plants in 1994.

APRIL The Volkswagen AG takes over Fábrica Navarra de Automóviles, S.A., which operates Polo production in Pamplona. In December 1994 it is renamed the "Volkswagen navarra, S.A." and in the current year produces 146,000 vehicles.

JULY 4 The world's largest parts center goes into operation in the branch plant in Kassel-Baunatal, where parts are stocked for the Volkswagen Group's international production network.

AUGUST The third generation Polo, now offered for the first time in a four-door version, goes into production in the Spanish plant in Pamplona and, one month later, in Wolfsburg. Safety features of the small Volkswagen match those of the Golf – Airbags, ABS and a rigid bodyshell.

Production start-up of the Audi A4 marks the beginning of the Group B platform for mid-size vehicles. The Volkswagen Group can improve the efficiency of its product and factory structures as well as expanding type diversity by networking platforms. As a result, various models such as the Golf, the Audi A3, the New Beetle, the Škoda Octavia and the Audi TT are built on a common platform.

LEAN PRODUCTION AT THE MOSEL PLANT

POLO



VEHICLE PRODUCTION

	Volkswagen AG	Group	T4	Passat	Golf	Polo
	1,246,392	3,042,383	135,144	254,176	853,940	151,993

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	83,230	
Salaried staff	22,208	
Workforce of foreign group companies		96,459
Total	105,438	242,232

VEHICLE SALES

	Volkswagen AG	Group
Germany	673,523	901,239
Abroad	725,825	2,206,558
Total	1,399,348	3,107,797

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	41,886	80,041
Investments	5,282	5,651
Profit	165	150

1995

JANUARY 1 Volkswagen AG combines its many-faceted educational activities in the personnel and management training fields with the formation of "Volkswagen Coaching Gesellschaft mbH", which is to provide made-to-measure training and qualification programs to the workforce. Aside from educational and management training programs, new tasks include individual coaching, international personnel research and company consultations as well as accompanying and developing job market projects.

JULY 4 With the introduction of "Volkswagen Nutzfahrzeuge" (Commercial Vehicles), Volkswagen transfers this business unit into a Group brand that is now responsible for coordinating the worldwide commercial vehicle operations. On January 1, 2000 the new brand takes on the industrial control of the commercial vehicle division at Volkswagen do Brasil.

SEPTEMBER Volkswagen do Brasil starts the production of the 7.5-ton L 80 truck.

NOVEMBER 16 The General Works Council and the management sign a company agreement of environmental protection. At its core is a set of regulations calling for ecologically responsible dealings with raw material and energy, waste, emissions, water and hazardous substances. The company agreement follows the principle: "Avoid rather than reduce, reduce rather than recycle, recycle rather than dump". All environmental protection measures in the various production plants will be carried out in cooperation with the General Works Council. The company's Research and Development Department, which works according to these environmental principles since the start of the 1980s, will actively focus on the ecological aspects of the automobile and the production procedure. The many special points of concern include the improvement of the gasoline and diesel engines, electronic control and steering systems, improved aerodynamics, lightweight construction, recyclability and the use of ecologically safe materials and components like fluorocarbon-free air-conditioning systems and low solvent paints.



THE PACHECO PLANT OF
VOLKSWAGEN ARGENTINA

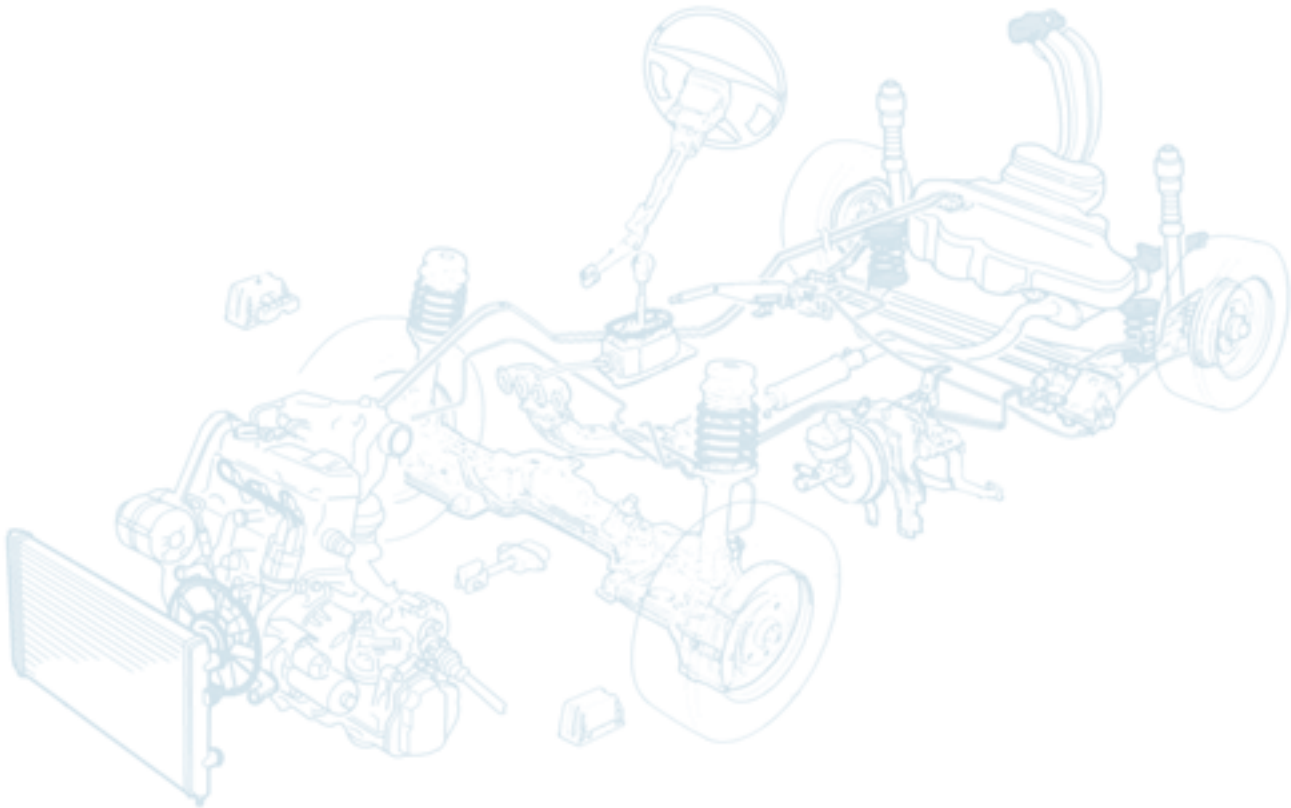


L 80

1995

NOVEMBER 17 In Pacheco near Buenos Aires, Volkswagen Argentina S.A. opens a new automobile plant with an annual capacity of 150,000 vehicles. The factory, in which the successful Golf model and, after 1996, the Polo is produced, work according to the module system: for example, suppliers assemble instrument panels, doors and fuel tanks on plant grounds, which they then install on the vehicle.

NOVEMBER The second generation of the Caddy goes into production at the Spanish site in Martorell.



CADDY



VEHICLE PRODUCTION

	Volkswagen AG	Group	T4	Passat	Golf	Polo
	1,317,656	3,408,422	141,355	260,169	815,875	382,785

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	79,031	
Salaried staff	21,667	
Workforce of foreign group companies		117,147
Total	100,698	259,342

VEHICLE SALES

	Volkswagen AG	Group
Germany	657,604	937,323
Abroad	917,931	2,504,623
Total	1,575,535	3,441,946

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	44,598	88,119
Investments	5,618	6,863
Profit	410	336

1996

SEPTEMBER The fifth generation of the Passat sedan with a rounded roof line goes into production in Emden. The Mosel plant follows suit in October. The Variant, in which Volkswagen introduces the newly developed 2.3-liter VR5 engine with 150 hp, follows in March 1997.

NOVEMBER 1 Volkswagen do Brasil S.A. opens a truck and bus factory in Resende in the State of Rio de Janeiro with a yearly capacity of 30,000 vehicles. On October 12, the new engine factory in São Carlos in the State of São Paulo begins production. The engine factories in Salzgitter and Chemnitz supply components. By establishing production facilities in Brazil and Argentina Volkswagen succeeds in closing a capacity gap in South America caused by the end of the cooperation with Ford. By the end of 1997, Volkswagen do Brasil has 31,000 employees. With a total production of 609,000 vehicles in this year, it still leads the market in passenger cars (32.6 percent) and light commercial vehicles (25.8 percent). In 1998, the stability programme introduced by the Brazilian government in reaction to the Asian crisis and fierce competition leads to a drop in sales. To avoid mass redundancies, unions and management agree on the introduction of the four-day week at the Volkswagen subsidiary, combined with an early-retirement scheme and further cost-cutting measures. In the following years, the performance of Volkswagen do Brasil remains changeable, while shrinking domestic demand can to some extent be compensated for by the expansion in export volume. In 2000, Volkswagen do Brasil is the first Brazilian car manufacturer to start exporting to the USA and Canada. More than 120,000 vehicles are exported.

NOVEMBER 4 The board decision to transform the Brunswick site into a business unit accelerates the development from component manufacturer to system supplier and strengthens its competitive position within the international supplies industry. As the first corporate site to be performance-orientated and to operate largely as an independent unit, it sets an example for the transformation of other sites. The Business Unit Brunswick uses its newly-won autonomy to strengthen competence in development and responsibilities for the product flow and to introduce new forms of manufacturing engineering. With almost 1,600 new jobs in the years to follow, the Brunswick site reaches its highest level of employment since 1990 by 2002: 6,700 employees are now employed at the site.

TRUCK PRODUCTION IN RESENDE



PASSAT



VEHICLE PRODUCTION

	Volkswagen AG	Group	T4	Passat	Golf	Polo
	1,331,886	3,976,896	141,454	260,466	828,574	513,720

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	74,569	
Salaried staff	20,607	
Workforce of foreign group companies		123,042
Total	95,176	260,811

VEHICLE SALES

	Volkswagen AG	Group
Germany	675,864	958,522
Abroad	1,016,454	3,035,790
Total	1,692,318	3,994,312

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	49,891	100,123
Investments	3,725	8,742
Profit	630	678

1997

APRIL Following the winding-up of the previously responsible executive unit, the Volkswagen Group reorganizes the Region Asia-Pacific into the areas China, Japan and Singapore. From April 15 “Volkswagen Group Singapore Pte.Ltd.” controls as regional importer corporate activities within the CKD and FBU markets in the south-eastern Asian and Pacific region, in order to operate more closely with the strategically important countries of Taiwan, Thailand, Australia and New Zealand. The successor company to Volkswagen Asia Pacific Pte.Ltd., founded in 1991, takes on the task of coordinating and expanding sales, marketing as customer services for the Volkswagen and Audi brands in the region and of introducing measures to improve sales. After the reorganization of the Asian-Pacific region,

Volkswagen Asia-Pacific Ltd., based in Hong Kong, stops operations on May 31, 1998. The onset of the economic and financial crisis in Asia has little effect on the growth dynamic experienced by the Chinese car industry. Shanghai Volkswagen increases sales by 15 percent in 1997 to 230,000 vehicles and by the end of the year has 10,000 employees; FAW-Volkswagen with a workforce of 3,845 at the end of 1997 operates with a plus of 57 percent and sells 41,000 vehicles. In China, the Santana, Jetta and Audi 200 models belong to the best-sold vehicles in their class and secure Volkswagen a market share of almost 53 percent. In Japan, sales in 1997 remain on the level of the previous year with almost 59,000 vehicles sold. Volkswagen Group Japan K.K. is able to expand its market share of the shrunk import segment to 17.6 percent.

SHANGHAI VOLKSWAGEN



AUGUST 1 The wage agreement signed on July 14 goes into effect. It extends the work protection measures to the end of 1999, although the four-day working week retained in the new agreement is adapted to the necessities of production. An important aspect of the wage agreement is an early retirement provision, which provides for a flexible transition into retirement.

NEW BEETLE

NEW BEETLE PRODUCTION
IN PUEBLA

AUGUST At the Wolfsburg site the fourth Golf generation goes into production: The body design with a long roof, sharp drop-off tail and robust C-pillar is reminiscent of the Golf 1. The improved quality of the new Golf is the result of a lean production process and the use of modern technologies. The laser-welded roof is given a perfect, continuous seam in only ten seconds; refined measuring techniques such as cubing mean all work is completed without defects. Immaculate in appearance, with reduced gap widths, flush assembly and harmonious joining lines: The Golf 4 sets new standards in quality.

DECEMBER Volkswagen de Mexico S.A. de C.V. starts the lean and high quality production of the New Beetle in its Puebla plant. The technology of this high performance model is based on the Golf, but its design recalls the Beetle. After the Volkswagen Group gradually improved its competitiveness in the North American Region, the New Beetle made great leaps forward, especially in the United States, where the retro-model, like its predecessor 40 years earlier, set off a true epidemic of "Beetlemania". Jetta, Passat and Golf round off the attractive range of products, which receive positive reactions in Mexico, Canada and the United States, and solidify Volkswagen's future in North America. In spite of stagnating passenger car markets in this region, Volkswagen sales increase by about 55 percent in 1998. One year later, the Volkswagen Group sells 382,328 vehicles in the United States, its best results since 1974.

GOLF



VEHICLE PRODUCTION

	Volkswagen AG	Group	T4	Passat	Golf	Polo
	1,187,869	4,290,875	155,436	380,157	625,336	593,392

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group		Volkswagen AG	Group
Wage-earners	77,713		Germany	668,485	992,886
Salaried staff	21,049		Abroad	1,068,198	3,257,528
Workforce of foreign group companies		133,906	Total	1,736,683	4,250,414
Total	98,762	279,892			

VEHICLE SALES

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	54,285	113,245
Investments	7,840	9,843
Profit	966	1,361

1998

JANUARY The Golf Convertible, based on the fourth generation of Golf, goes into production.

MAY 13 Volkswagen sets up “Motor Polska Sp.z.o.o.”, based in Polkowice. After almost a year of building work, the newly constructed engine factory is opened on August 25, 1999 with an annual capacity of max. 540,000 engines. The Polkowice site supplies vehicle-building factories in the Volkswagen Group with 4-cylinder turbo diesel engines and the latest pump jet injection systems.

MAY 13 The Volkswagen Global Group Works Council meets for the first time. The contract between employee representatives and the Group’s management is signed on May 20, 1999. Klaus Volkert is elected president of this international employee committee.

JUNE Production of the Lupo starts in the Wolfsburg plant, a new kind of economical small car, which Volkswagen wants to establish on the market.

JULY 3 The Volkswagen Group expands its range of products in the top-class category. On July 3, Volkswagen Group United Kingdom acquires “Rolls-Royce Motor Cars Ltd.” which, as “Bentley Motor Ltd.”, has been manufacturing Bentleys at the English plant at Crewe since September 2002. “Bugatti International S.A. Holding” becomes part of Volkswagen Group France on July 10, and is renamed “Bugatti automobiles S.A.S.” in December 2000. The legendary brands join the existing brand alliance of Volkswagen, Volkswagen Commercial Vehicles, Audi, Seat and Škoda.

JULY The Bora, based on the Golf, goes into series production.

SEPTEMBER 11 Volkswagen AG sets up a humanitarian fund for the forced laborers who worked for the Volkswagen company during World War II out of which monetary sums were paid to more than 2,150 personally affected people.

LUPO



BORA



GOLF CONVERTIBLE



VEHICLE PRODUCTION

	Volkswagen AG	Group	T4	Passat	Golf	Polo
	1,470,850	4,822,679	154,982	504,403	894,540	588,404

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	81,625	
Salaried staff	22,167	
Workforce of foreign group companies		142,481
Total	103,792	297,916

VEHICLE SALES

	Volkswagen AG	Group
Germany	873,224	1,152,604
Abroad	1,412,660	3,595,214
Total	2,285,884	4,747,818

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	74,381	134,243
Investments	7,796	13,913
Profit	1,241	2,243

1999

FEBRUARY 4 With the formation of the “Volkswagen (China) Investment Company Ltd.” in Beijing, Volkswagen combines its existing and future investments in China in the hands of one holding in order to expedite new automobile projects.

APRIL Volkswagen Financial Services AG expands its range of business activities by acquiring the Wolfsburg “Volkswagen-Versicherungsdienst GmbH” (VVD). The company, founded in 1948 by Heinrich Kurig and later owned by the Holler Foundation, offers Volkswagen’s customers comprehensive insurance services. In 2001, VVD has issued over 1.3 million policies. To combine the various insurance services of the Volkswagen Group, “VW-Versicherungsvermittlungs-GmbH”, a successful provider of insurance and risk management established in 1976, is transferred to Volkswagen Financial Services AG on January 1, 2005.

JULY Volkswagen makes automobile history with the start of the Lupo 3L TDI. The 2-door, 3.53 meter small car which can be driven over 1,000 kilometers with a full 34-liter tank is the world’s first standard production 3-liter vehicle. Its extremely efficient fuel consumption is the result of a highly developed 3-cylinder TDI engine and lightweight construction. Doors, fenders and hood are made out of aluminium, the rear hatch out of magnesium; similar lightweight building materials were used for the axles and the suspension. As a result, the aerodynamically optimized Lupo 3L TDI weighs only 830 kilograms. The energy saving 3-liter Lupo sets new ecological standards and opens the door to a market segment pressured through higher fuel prices.

Volkswagen’s attempts to improve the diesel and gasoline engines and to make its vehicles environmentally friendly are manifested in technical innovations. Volkswagen proves its creativeness in this field by developing a high-pressure pump-jet injection system especially for the 3-liter Lupo and which is gradually being integrated into the standard production for other Volkswagen Group models. The new direct-injection technology lowers fuel consumption by 15 percent, while improving torque and performance. Starting in summer 2000, FSI technology (Fuel Stratified Injection) is standard in the 1.4-liter engine of the Lupo.

3-LITER LUPO



VEHICLE PRODUCTION

	Volkswagen AG	Group	T4	Passat	Golf	Polo
	1,365,020	4,853,192	148,886	438,466	841,625	414,066

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group		Volkswagen AG	Group
Wage-earners	80,480		Germany	802,192	1,104,221
Salaried staff	23,723		Abroad	1,385,497	3,818,775
Workforce of foreign group companies		147,959	Total	2,187,689	4,922,996
Total	104,203	306,275			

VEHICLE SALES

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	78,417	147,013
Investments	6,159	14,741
Profit	1,276	1,651

2000

MARCH The third car factory built by Shanghai Volkswagen with press shop, body shop, paint shop and assembly shop starts operations. Here the longer Chinese version of the Passat sedan is built which, with an annual volume of 30,000 units, represents only one fifth of existing capacities. A share of Passat production is exported to Bangkok, where Volkswagen AG, in cooperation with Yontrakit, sets up a CKD assembly line for 10,000 vehicles per year which went into operation in early 2000. To secure its market position in China in the long-term, Volkswagen expands the product portfolio in 2001. The Bora is produced in Changchun from August; series production of the Polo begins in Shanghai in December. On October 21, 2001 the joint venture "Volkswagen Transmission (Shanghai) Company Ltd." is set up for the manufacture of gearboxes for both the models on site. Volkswagen AG holds 60 percent of the company capital and thus the majority share in a German-Chinese production joint venture for the first time. On January 28, 2003, the newly built gearbox factory in Shanghai is opened. In this first construction stage, it has an annual capacity of 180,000 units. At the end of November in the same year, Shanghai Volkswagen starts exporting the Polo to Australia.

APRIL With of 18.7 percent of shares, and 34 percent of voting rights in the Swedish automobile manufacturer "Scania AB", Volkswagen expands its position on the international commercial vehicles market.

JUNE 1 The Volkswagen Group opens the "Autostadt" in Wolfsburg. In this visitor oriented service and competence center, arrangements for deliveries to commercial customers can be made for the first time. As a "Center of Excellence" is how the Autostadt explains the innovative service with which it wants to promote customer loyalty to the Group's brands and to reach out to new customers.

THE AUTOSTADT IN WOLFSBURG



VEHICLE PRODUCTION

	Volkswagen AG	Group	T4	Passat	Golf	Polo
	1,170,411	5,156,455	162,699	631,852	915,383	463,163

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group		Volkswagen AG	Group
Wage-earners	79,645		Germany	731,764	1,018,923
Salaried staff	25,030		Abroad	1,511,803	4,142,265
Workforce of foreign group companies		160,274	Total	2,243,567	5,161,188
Total	104,675	324,402			

VEHICLE SALES

FINANCIAL DATA (IN MILLION DM)

	Volkswagen AG	Group
Sales revenue	84,975	167,331
Investments	8,878	17,120
Profit	1,612	4,032

2001

JANUARY 1 The import company “Volkswagen Group Australia Pty. Ltd.”, which is formed in Alexandria, begins its sales operations for Volkswagen, in order to open up the Australian market on its own. The new headquarters, where 60 employees work, opens on March 17. Volkswagen is now the best-selling European brand in Australia. In the face of competition dominated by American and Japanese manufacturers, Volkswagen’s Australian subsidiary establishes a model dealership and service network. Stocks of replacement parts help in reducing repair time and increasing customer satisfaction. Expansion and reorganization of the sales network is completed for the most part by the end of the year.

JUNE 18 The first production boat engine leaves the assembly line in the Salzgitter plant after a development period of almost four years. The engine program presented at the “Boot 2002” trade fair includes three turbo diesel and two naturally aspirated diesel engines, which have been optimized for use in various kinds of boats. Because of the compactness of these lightweight engines, as well as other technical features, like the oil pan that was developed especially for rough seas, they can, in comparison to conventional yacht engines, be used in new ways. Seventeen domestic dealers represent this new range of products at the start of 2002; Volkswagen Marine has a total of 48 sales partners in the Netherlands, Great Britain, Italy and Denmark.

AUGUST The Production of the fourth generation Polo begins. Stylistically and technically, it belongs to a class of its own between the Golf and the Lupo. Despite of its compact size, the comfortable ergonomic interior with high quality material is larger than its predecessors. The chassis, which is equipped with a new semi-independent rear axle and optimized suspension, is as agile as it is safe. The Polo is available with seven different engines, ranging from 55 to 100 hp, including both of the newly developed 1.2-liter 3-cylinder engines with 55 or 65 hp.

AUGUST 16 For the manufacture of the Touran, the compact van, Volkswagen founds “Auto 5000 GmbH” which builds a factory on the Wolfsburg site. Production starts in December 2002 and is characterised by flat hierarchies, teamwork and more process competence for employees. A special collective agreement is reached with the union IG Metall: It defers responsibility for the volume and quality previously agreed upon directly to employees. Daily-working hours are flexible and related to the completion of the programme. This production concept is linked to a qualification model in which the willingness and motivation of employees to learn is essential. The standard training course is extended by three hours of further training per week. After a period of two years, this leads to a recognized qualification as car worker (“Automobilbauer IHK”). “Auto 5000 GmbH” employs 3,500 employees.



A NEW FIELD OF BUSINESS:
VOLKSWAGEN MARINE



POLO



TOURAN PRODUCTION

DECEMBER 11 Less than two and a half years after the cornerstone was laid on July 27, 1999, Volkswagen AG opens the "Gläserne Manufaktur" (transparent factory) in Dresden. The production site, fitted with soundproof windows, is based on an entirely new principle, which combines the industrial production of automobiles with high quality craftsmanship in a transparent architecture. The "Transparent Factory" also sets new standards as a service center in which the production procedure is presented as an attraction. Through individual service, customers are given the opportunity to observe the production of their automobile at close range. In this way, the emotional bonds between customer and brand are strengthened. The Phaeton, the top-of-the-line, goes into production. With the start of the Phaeton production, the Volkswagen brand moves into the top car class. The Phaeton is available in a 6- or 12-cylinder model, and from 2003 on, with a 10-cylinder diesel engine.



PHAETON

THE TRANSPARENT FACTORY IN DRESDEN



VEHICLE PRODUCTION

	Volkswagen AG	Group	T4	Passat	Golf	Polo
	1,103,505	5,107,945	151,722	737,449	855,368	391,219

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group		Volkswagen AG	Group
Wage-earners	79,557		Germany	692,659	968,502
Salaried staff	26,004		Abroad	1,463,304	4,138,640
Workforce of foreign group companies		155,755	Total	2,155,963	5,107,142
Total	105,561	322,070			

VEHICLE SALES

FINANCIAL DATA (IN MIO. EUR)

	Volkswagen AG	Group
Sales revenue	44,197	88,540
Investments	4,294	15,191
Profit	918	2,926

2002

1 JANUARY Volkswagen AG acquires half of the Scania share in the Swedish importer Svenska Volkswagen AB which is now transferred into the sole ownership of the Wolfsburg company: Founded in 1968, the company now handles imports and sales of the Volkswagen, Audi, Seat, Škoda and Porsche brands.

APRIL 16 The Supervisory Board appoints Bernd Pischetsrieder Chairman of the Board of Management of Volkswagen AG.

APRIL 16 Ferdinand Piëch becomes Chairman of the Supervisory Board of Volkswagen AG.

JUNE 25 The Golf catches up with the success of the legendary Beetle. The 21,517,415 units make it the most built Volkswagen model ever. Almost 40,000 employees in the plants in Wolfsburg, Mosel, Brussels, Bratislava, Uitenhage and Curitiba produce more than 3,600 Golfs every working day.

AUGUST At Volkswagen Slovakia, a.s. in Bratislava, the Touareg goes into series production: with this high-class off-road vehicle, the Volkswagen brand successfully moves into a new market segment. Its concept for this vehicle combines the characteristics of a high-quality off-roader with the comfort of a top-class sedan and the dynamic of a sports car. The Touareg sets new standards within its class, particularly with its vertically adjustable pneumatic suspension and the V10 TDI motor – with 313 hp at 750 nm torque the most powerful passenger car diesel motor in the world. In 2003 the Touareg is the “best off-roader in the luxury class” and the most-bought US-American car magazine makes it the sport utility vehicle of the year 2004.



BERND PISCHETSRIEDER

THE MOST OFTEN PRODUCED VOLKSWAGEN MODEL: THE GOLF



TOUAREG WITH HORSE TRAILER

AUGUST In the Mexican plant Puebla the New Beetle Cabriolet goes into series production. Its design is reminiscent of the old convertible Beetle. The automatic roll-over protection system combines high safety standards with an avantgarde design.

DECEMBER As production of the Touran, the multi-purpose vehicle, begins, the Volkswagen AG comes one step closer to reaching its strategic target of increasing its share in this market segment to 85 percent. The multi-purpose vehicle is ideal for families, leisure activities and business and has several attractions: its intelligent space utilization, high-quality appearances, modern engine and both agile and safe chassis with four-link rear suspension and electro-mechanic power-assisted steering. The Touran is the most sold compact van in Germany and in June 2003 leads the market in its class.

NEW BEETLE CONVERTIBLE



TOURAN



VEHICLE PRODUCTION

	Volkswagen AG	Group	T4	Passat	Golf	Polo
	956,617	5,023,264	137,913	709,897	774,718	523,512

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	78,360	
Salaried staff	26,344	
Workforce of foreign group companies		157,887
Total	104,704	324,892

VEHICLE SALES

	Volkswagen AG	Group
Germany	641,505	907,966
Abroad	1,421,878	4,088,213
Total	2,063,383	4,996,179

FINANCIAL DATA (IN MIO. EUR)

	Volkswagen AG	Group
Sales revenue	43,087	86,948
Investments	3,870	16,016
Profit	1,036	2,597

2003

FEBRUARY 28 The foundation of “Volkswagen Individual GmbH” corresponds to the corporate guideline on fulfilling diverse customers demands and wishes in a comprehensive manner. The new company is positioned as a provider of exclusive, individually refined and sporty vehicles of the Volkswagen brand.

MARCH The fifth Transporter generation which celebrates its world premiere at the trade fair “Auto Mobil International” in Leipzig goes into production in many variations. The Multi-van and recreational van California target private customers: As a panel van, an estate or open truck, the Transporter has mainly commercial buyers. A broad variety is the characteristic shared by all product groups, providing individual and practical solutions for all manner of purpose. With the T5 the Volkswagen brand is able to maintain its market leadership in the van segment in Germany and Europe in 2003.

JULY 30 At the Puebla site of Volkswagen de Mexico the last Beetle leaves the production line. In total, Volkswagen produced this legendary model 21,529,464 times.

AUGUST With a new dynamic design, the fifth Golf generation rolls off the assembly line in Wolfsburg, Brussels and Zwickau. As the worldwide first mass-produced car with a steel body, the Golf 5 has doors assembled by modular system, so that in case of damage not the entire door but only the outer shell has to be exchanged – saving time and money. 70 metres of laser-welded seams increase the rigidity of the car body; the safety chassis with high-developed strut suspension are a guarantee for sportiness combined with improved driving comfort. The motorization of the model includes the following range: two multiple-point injectors with 75 and 102 hp, three FSI-engines with 90, 115 and 150 hp, two TDI engines 105 and 140 hp and a diesel engine with direct injection with 75 hp. Volkswagen has further improved on the low fuel consumption of the engines with a fuel-saving innovation in gearbox technology. The Golf 5 is one of the first models available with a newly developed double clutch gearbox DSG, which brings the Volkswagen Group one step ahead of competition in the international car market. Extremely short switching times in combination with the 3.2 L VR6 engine, for example, mean exceptional performance and a marked reduction in fuel consumption. In future, direct manual transmission will also be used in other Volkswagen vehicles with diesel engines.

GOLF

OCTOBER 1 The nine independent German sales companies are brought together as "Volkswagen Original Teile Logistik GmbH & Co. KG", based in Baunatal, in order to promote the sales of genuine spare parts in the German market. Volkswagen holds 52 percent of shares, the rest are held by Volkswagen dealers.

OCTOBER In Freiberg, Saxony, the first plant for the high-pressure gasification of biomass takes up production of the synthetic fuel SunDiesel. Together with the operators Choren Industries and other carmakers, Volkswagen worked towards the development of this high-performance and environmentally-friendly fuel. SunDiesel is sulphur-free and free from aromatic hydrocarbons, CO₂-neutral and with substantially lower emissions of hydrocarbon, nitrogen monoxide and particles represents a valuable contribution to the protection of the environment and the climate. Another success in Volkswagen's fuel strategy involves cooperation with the Royal Dutch/Shell Group. The diesel fuel won from synthetic gas and tested in a feasibility study with 25 Golf TDI has a reduction in particle emission of one quarter.



THE LAST BEETLE

NOVEMBER At the Poznan site, the third Caddy generation goes into series production. The compact delivery van for urban use symbolizes the successful compromise between a general-use panel van for both business and private mobility and a passenger car. Loading-room in the version with a van body has now grown to 300 litres; the estate car provides seven passenger seats if required – a novelty in the sector of city delivery vans. The highly-developed technology of the Caddy is based on the new Golf and the Touran, and is built on their platform. More than half of its component parts originate from these models so that the commercial vehicle line benefits in Caddy production from advantages of scale inherent to mass production.

DECEMBER 1 Volkswagen AG and the Chinese government sign a declaration of intent to intensify the manufacture of new products and to set up further joint ventures. The term of the joint-venture agreement of FAW Volkswagen is extended by 25 years. Now the People's Republic of China represents the second biggest single market after Germany for the Volkswagen Group. With joint ventures in Shanghai and Changchun, Volkswagen sells 698,000 vehicles in 2003 and maintains unchallenged market leadership in China. Of these vehicles, 298,000 were sold by the FAW-Volkswagen which expands its range of models to the Audi A4, the New Audi A6 and the Golf 4. FAW-Volkswagen commissions its second auto plant in 2004; this is where construction of the prototype of the first Caddy produced in Changchun begins in early July.

CADDY

T5 TRANSPORTER



VEHICLE PRODUCTION

	Volkswagen AG	Group	T4/T5	Passat	Golf	Polo
	993,716	5,020,733	154,959	727,594	647,067	422,003

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	77,627	
Salaried staff	26,194	
Workforce of foreign group companies		160,299
Total	103,821	336,843

VEHICLE SALES

	Volkswagen AG	Group
Germany	636,782	915,585
Abroad	1,304,529	4,100,326
Total	1,941,311	5,015,911

FINANCIAL DATA (IN MIO. EUR)

	Volkswagen AG	Group
Sales revenue	45,425	87,153
Investments	3,929	15,810
Profit	633	1,118

2004

JANUARY The Volkswagen Group expands its purchasing operations by opening an office in Beijing to strengthen the integration of local suppliers in both the manufacturing operations of the Chinese joint ventures and global Group production. The development of economical, cost-cutting procurement sources in China as well as Eastern Europe brings a new strategic focus to global sourcing.

JULY 13 The Volkswagen Group expands production capacity on the promising Chinese market. Following the foundation of “Volkswagen FAW Platform Company Ltd.” in Changchun, which manufactures chassis components for the joint venture companies producing automobiles, the contract for two engine joint ventures are signed on December 6. From 2006, “FAW Engine (Dalian) Company Ltd.” will focus on building low-emission engines for mid-class vehicles, while “Shanghai Volkswagen Powertrain Company Ltd.” will manufacture engines for compact cars. With these projects, Volkswagen closes the capacity gap triggered by the boom in demand and simultaneously increases local content of the models produced in China. “Volkswagen (China) Investment Company Ltd.” holds 60 percent of the share capital of these newly-founded companies.



CORNERSTONE CEREMONY OF
FAW PLATFORM COMPANY LTD.



SHANGHAI VOLKSWAGEN

OCTOBER The commissioning of two visualization centers at the Wolfsburg plant cut the cost and time expenditure for the vehicle development process thanks to a new 3D technology developed at Saarbrücken University which makes its world industrial debut at Volkswagen. Real-time “Ray Tracing” allows the creation of 3D life-sized vehicles on a special projection screen. Engineers can get a realistic and detailed impression of a planned vehicle in the early stages of development, for example, analyzing curves, paintjobs or interiors on these virtual models just the same as on a real vehicle, correcting differences and improving assembly steps. At a later stage in the project it will be possible to go for a virtual drive through the city and the countryside.

NOVEMBER “Volkswagen Mechatronic GmbH & Co. KG”, the joint venture established in cooperation with VDO in Stollberg, Saxony, begins producing injection components for diesel engines.

NOVEMBER The fifth generation of the Jetta goes into production at Volkswagen de Mexico, with deliveries to the US market commencing in March of the following year and the European launch in August 2005. The vehicle, manufactured exclusively in Puebla, marks a further step in the globalization of Volkswagen. Compared with the Bora, its predecessor, the Jetta 5 is characterized by a new, sporty design; the chrome, V-formed radiator grill represents the characteristic face of the Volkswagen brand. The spacious interior and trunk storage volume make the compact sedan the ideal car for travelling. With the exception of the entry-level engine, all Jetta engines are direct injection, ranging from 1.6 liter, 115 hp FSI engine to the 2.0 T-FSI with 200 hp. The three TDI engines develop 105, 140 and 170 hp. In Europe, the second generation of the Jetta was followed by models named Vento and the Bora; this latest model reverts to the same name for all markets.

JETTA



VEHICLE PRODUCTION

	Volkswagen AG	Group	T5	Passat	Golf	Polo
	934,969	5,093,181	148,552	617,649	711,883	334,143

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	76,479	
Salaried staff	26,041	
Workforce of foreign group companies		165,152
Total	102,520	342,502

VEHICLE SALES

	Volkswagen AG	Group
Germany	660,322	940,200
Abroad	1,332,746	4,202,559
Total	1,993,068	5,142,759

FINANCIAL DATA (IN MIO. EUR)

	Volkswagen AG	Group
Sales revenue	47,707	88,963
Investments	4,600	15,079
Profit	505	716

2005

JANUARY Series production of the sixth-generation Passat, premiered at the International Motor Show in Geneva in early March 2005, begins. The vehicle's athletic silhouette represents the largest design leap since the creation of the series. The front end with its chrome shield radiator and eye-like headlights is typical of the Volkswagen brand's contemporary look. The new body, comfortable interior and the 90 liter increase in boot volume make the Passat the ideal travel saloon. High-tensile, shape-hardened steel parts have been used on the body, meeting the toughest crash specifications and offering maximum safety. Apart from the 102 hp entry-level engine, the range includes four FSI motors featuring homogeneous direct injection, with the 250 hp 3.2 liter V-6 FSI representing the top of the range, as well as three TDI engines with an output of between 105 and 170 hp. The diesel particulate filter makes the Passat saloon as environmentally sound as it is dynamic.

APRIL The Fox premieres on the European market at the Auto Mobil International Show Leipzig. The vehicle, built at the Volkswagen sites in Brazil and Argentina, adds a functional entry-level model to the Volkswagen brand range. In Germany, the Fox takes the lead in its segment before 2005 has come to a close.

JULY 6 Bernd Osterloh takes over as Chairman of the Group and General Works Councils of Volkswagen AG.

SEPTEMBER 13 The Volkswagen Group realigns its successful cooperation with Allianz AG spanning over 50 years. By establishing its own reinsurance company called "Volkswagen Reinsurance AG", Volkswagen Financial Services AG gains more influence over the development and pricing of insurance products, thus offering tailor-made services to suit individual customer needs. With 1.6 million insurance policies and a broad range of financing and leasing packages, the Brunswick-based group has become Europe's largest provider of automotive financial services. In 2005, the Financial Services Division with its companies in 35 countries accounts for just under half the balance sheet total.



PASSAT



BERND OSTERLOH



FOX

SEPTEMBER The Golf GT TSI is the first direct injection gasoline engine with integrated compressor and turbo charger. In terms of dynamics and consumption, the new generation of Volkswagen engines sets the standard. The 1.4 liter engine with a maximum torque of 240 newtonmeters develops 170 hp with an average fuel consumption of 7.2 liters per 100 kilometers.

OCTOBER 22 Dr. Ing.h.c.f. Porsche AG acquires 18.5 percent of the voting capital of Volkswagen AG, becoming the largest shareholder. Porsche thus underpins the strategic partnership agreed with Volkswagen in 2005 which places a focus on the development of alternative drivetrains. Effective March 28, 2007 the sports car manufacturer from Swabia exercises an option to raise its stake in Volkswagen AG to just under 31 percent.

GOLF GT TSI



VEHICLE PRODUCTION

	Volkswagen AG	Group	T5	Passat	Golf	Polo
	956,108	5,219,478	177,956	578,141	732,922	352,120

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	75,185	
Salaried staff	25,843	
Workforce of foreign group companies		166,213
Total	101,028	344,902

VEHICLE SALES

	Volkswagen AG	Group
Germany	719,625	1,019,097
Abroad	1,432,366	4,173,479
Total	2,151,991	5,192,576

FINANCIAL DATA (IN MIO. EUR)

	Volkswagen AG	Group
Sales revenue	50,245	95,268
Investments	7,229	10,466
Profit	741	1.120

2006

JANUARY 9 Volkswagen and Chrysler sign a cooperation agreement to develop and build a minivan for the US market during the Detroit Motor Show. The Routan, an impressive seven-seater measuring over five meters in length, debuts at the Chicago Auto Show in February 2008. The joint product is based on a Chrysler vehicle and a Volkswagen design concept which tailored interior features and external appearance to the wishes of the American public. The Routan is built at Chrysler's Canadian plant in Windsor/Ontario.

FEBRUARY The Eos, a convertible-coupé, goes into series production. As the first standard automobile world wide, the four-seater is equipped with a five piece convertible, sliding and coupé roof. The coupé becomes a convertible at the touch of a button in just 25 seconds. Alternatively, the roof front section held in a transparent glass look can be opened completely or tilted upwards. As a result, the Eos offers a high standard of everyday utility the whole year round. Its technical affinity to the Passat is demonstrated by the comfortable chassis and the high-end gasoline engines culminating in the powerful 250 hp six-cylinder.

MARCH Volkswagen presents the Polo BlueMotion, the most economical car in its class in Europe with an average consumption of 3.9 liters per 100 kilometers, at the Geneva International Motor Show. Powered by an 80 hp high-torque three-cylinder TDI engine fitted with a diesel particulate filter, the car weighing only 1,084 kilos accelerates from zero to 100 kilometers per hour in just 12.8 seconds and has a maximum speed of 176 kilometers per hour.

MARCH 31 As part of the strategy to focus on core business, Volkswagen AG sells its IT subsidiary gedas AG to T-Systems AG, a subsidiary of Deutsche Telekom.



EOS



POLO BLUEMOTION

MAY 15 Volkswagen establishes “OOO Volkswagen RUS” in Kaluga some 160 kilometers south west of Moscow in preparation for building a production plant in Russia. The new factory, which assembles SKD Volkswagen and Škoda brand models, is commissioned on November 28, 2007 after a construction period of one year. “Volkswagen Group Rus OOO” is responsible for Group vehicle sales. Work on expanding the facility into a full production plant with an annual capacity of 150,000 vehicles is scheduled for completion in 2009. The Kaluga plant is the 48th factory in the Volkswagen Group’s global production network, with 33 of these plants building vehicles.

MAY Production of the Crafter built in cooperation with Daimler commences. The successor to the LT continues the light trucks series launched in 1975 and features a striking contemporary design, the familiar V-shaped radiator grille and enhanced standards of technology, safety and efficiency. As the ideal complement to the Transporter, the three basic models cover the heavier three, three and a half and five tonnes classes. The new ultra-high 2.14 meter roof of the panel van, one of several roof options, is just as prominent as the position held by the Crafter in the light trucks segment.

JUNE 1 Pursuant to the decision of the Supervisory Board taken on March 15, 2006, ownership of Europcar International S.A.S.U. passes to the French investment group Eurazeo.

OCTOBER 3 Volkswagen AG acquires a strategic interest of 15.06 percent in MAN AG, one of the world’s leading truck and diesel engine manufacturers, thus safeguarding the production and marketing interests of the Volkswagen Commercial Vehicles brand with regard to the envisaged cooperation between MAN and the Swedish company Scania AB. In 2007, Volkswagen AG raises its stake in MAN to 29.9 percent and its stake in Scania to 37.4 percent of the voting rights.

OCTOBER The collective agreement negotiated for Volkswagen AG defines key elements of a restructuring program designed to align productivity, labor costs and capacity utilization with the competition. For the six German plants, the abolition of the four-day week introduced in 1994 is the central item of the agreement. A rise in working time to a maximum of 33 hours a week for production and a maximum of 34 hours a week for administration is coupled to production commitments securing capacity utilization and jobs for the coming years. In return for waiving a pay increase reflecting the increase in working hours, employees receive a lump-sum one-off payment to the company pension scheme. The collective agreement also introduces a new profit sharing system under which the profit-related bonuses could in future be significantly higher than in the past.

CRAFTER



VEHICLE PRODUCTION

	Volkswagen AG	Group	T5	Passat	Golf	Polo
	953,131	5,659,578	204,151	701,074	693,376	401,551

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	68,986	
Salaried staff	25,014	
Workforce of foreign group companies		155,935
Total	94,000	324,875

VEHICLE SALES

	Volkswagen AG	Group
Germany	761,033	1,092,774
Abroad	1,507,797	4,627,322
Total	2,268,830	5,720,096

FINANCIAL DATA (IN MIO. EUR)

	Volkswagen AG	Group
Sales revenue	53,036	104,875
Investments	8,738	11,911
Profit	945	2,750

2007

JANUARY 1 Martin Winterkorn, whom the Supervisory Board appointed as Chairman of the Board of Management of Volkswagen AG on November 17, 2006, takes up his new post.

FEBRUARY 6 “Volkswagen India Private Limited” is founded in Pune, Maharashtra state, laying the foundation for building a car-making plant in one of the emerging markets with the strongest growth. This milestone was preceded by an investment agreement with the Indian government concluded on November 19, 2006. The Volkswagen Group is putting up a total of 580 million euros to build a production facility with a press shop, body shop, paint shop and assembly lines. With a maximum annual production capacity of 110,000 vehicles the plant will build the Škoda Fabia and a Volkswagen model specially designed to meet the wishes of Indian customers from 2009. In the intervening period Volkswagen will use the production capacities at the Škoda factory in Aurangabad built in 2002. This is where assembly of the Passat and the Audi A6 began in early 2008. “Volkswagen Group Sales India Private Limited” established in Mumbai on March 7, 2007 is responsible for the sale of Group vehicles produced locally or imported.

MARCH 23 The Golf, the Volkswagen Group’s highest-selling model since 1975, posts a new production record of 25 million vehicles.

APRIL 27 The Volkswagen Group presents the world’s first seven-speed dual clutch gearbox at the International Vienna Motor Symposium. Compared with a conventional automatic gearbox, the new system brings a significant gain in efficiency and lowers fuel consumption compared with a manual transmission by up to 15 percent.

AUGUST Series production of the Tiguan begins at Auto 5000 GmbH in Wolfsburg. Thanks to its variable interior, the compact SUV based on the Golf has the characteristics of an all-rounder and features many technical innovations including the new 4MOTION all-wheel drive and the electro-mechanical steering system developed in cooperation with the Group’s own components plant in Brunswick. The Tiguan is powered by a choice of three FSI engines with turbocharging or turbocharging plus supercharging or two common rail four-cylinder engines which belong to a completely redeveloped generation of noticeably quieter TDI engines and comply with the Euro-5 standard valid from 2009. The Tiguan HyMotion featuring an alternative powertrain technology debuted at the Bibendum Challenge in Shanghai in November 2007 and offered a glimpse of the shape of things to come. The prototype is powered by an 80 kW fuel cell and a 100 kW electric motor. Maximum speed is 150 kilometers per hour. The research vehicle is representative of the Volkswagen Group’s environment strategy which is geared to climate protection and preserving resources.



25 MILLION GOLF



MARTIN WINTERKORN

TIGUAN



SEPTEMBER 28 Volkswagen creates quite a stir at the Frankfurt International Motor Show with its Up! concept car. Not only the emotional design and the cost-saving rear engine as well as the intelligent use of space and environmentally sound technology revive Volkswagen's Beetle tradition. In addition, the attractively-priced Up! is ideal for all lifestyles and all markets: for cross-generation mobility in Europe's big cities and mass motorization in emerging markets. The two-door version is joined by the four-door and extremely variable Space Up! microvan. And the final member of the New Small Family, the Space Up! Blue, debuted at the Los Angeles Motor Show in November 2007. The concept car has an electric motor and fuel cell and is emission free.

DECEMBER 3 Four works agreements signed by the Group Board of Management and Group Works Council set out the "Volkswagen Way" and lay the foundation for the future corporate development of the Volkswagen brand. In essence these agreements aim to raise productivity while simultaneously securing jobs and ensuring profit sharing as well as introducing common standards for team work. With the help of the workforce, there is to be continuous improvement in work and process organization in all areas of the company. Employees will enjoy direct benefits from the ensuing progress in productivity in the form of a performance-related bonus representing 10 percent of operating profit. Moreover, the plants themselves will benefit to a large extent from the improvements in efficiency, as the resources thus generated will be invested in improving the working environment or in modernization and competence-building measures.



CONCEPT CAR UP!

VEHICLE PRODUCTION

	Volkswagen AG	Group	T5	Passat	Golf	Polo
	1,075,997	6,213,332	210,297	751,764	763,491	449,602

PRODUCTION OF SELECTED MODELS

WORKFORCE

	Volkswagen AG	Group
Wage-earners	65,738	
Salaried staff	24,730	
Workforce of foreign group companies		160,568
Total	90,468	329,305

VEHICLE SALES

	Volkswagen AG	Group
Germany	721,873	1,030,113
Abroad	1,643,744	5,161,509
Total	2,365,617	6,191,618

FINANCIAL DATA (IN MIO. EUR)

	Volkswagen AG	Group
Sales revenue	55,218	108,897
Investments	7,953	6,566
Profit	1,455	4,122



The Brands



Audi

When the management from Wolfsburg was negotiating the acquisition of Auto Union GmbH in 1964, the development of a multi-brand group had not yet become an issue. Volkswagen was interested in the Daimler-Benz subsidiary for very different reasons. Car production at the Wolfsburg plant was nearing its capacity limits and Volkswagen was mainly interested in acquiring the factory in Ingolstadt with an annual capacity of 120,000 vehicles, a qualified workforce and a sales and service organization including more than 1,200 dealers and workshops. An added bonus was the fact that the takeover would eliminate a direct competitor. The acquisition package included the license for the Mitteldruckmotor (medium-pressure engine) which Daimler-Benz had developed almost to the point where it was ready for production with a view to converting the model range produced at Ingolstadt from two-stroke to four-stroke power. The 1.7-litre engine was seen as a technical innovation from which Volkswagen expected a competitive edge. A study prepared for the Board of Management also stressed the option of positioning a vehicle based on the F 102 under the Audi brand name as a "European" alternative to the mid-range US models which were so popular.

At the time, Daimler Benz faced stiff competition as a result of the entry of Ford and Opel to the upper mid-size segment. In this situation, the company decided to concentrate the financial resources on defending its market position. By disposing of Auto Union, which had recorded a significant loss in 1964, Daimler Benz obtained DM 310 million for further investments at the same time as avoiding future losses. The fundamental differences of opinion concerning

two-stroke engines between the Stuttgart parent company and its Ingolstadt subsidiary made it easier for Daimler Benz to take this step. On January 1, 1965, Volkswagenwerk AG initially acquired a stake of 50.3 percent, giving it effective control over Auto Union, which then became a wholly owned subsidiary of Volkswagen in 1966. While the market division agreed between Volkswagen and Daimler Benz was in line with the strategic priorities of the two groups, general plans for cooperation eventually failed as a result of their divergent interests. At any rate, the new brand with the four rings as its symbol was to bring far-reaching changes to the profile of Volkswagen.



THE INGOLSTADT PLANT 1950



THE FOUR BRANDS OF AUTO UNION



DKW MOTORCYCLE

Auto Union GmbH, re-established in 1949, was a young company with a long history of automobile production starting in the 19th century. August Horch had established "A. Horch & Cie" in Cologne on November 14, 1899. In 1904, the company was converted into a joint stock corporation and its headquarters were relocated to Zwickau. Following a dispute with the supervisory board, the famous engineer August Horch left the company that bore his name and founded a new company, renamed "Audi Automobilwerke GmbH", which was to become a brand with an international reputation, in April 1910. In the wake of the Great Depression, the two companies Horch and Audi faced severe financial problems and united with two other car manufacturers in Saxony to form "Auto Union AG", with a trademark

using four rings to symbolize their union. On June 29, 1932, the DKW producer "Zschopauer Motorenwerke J. S. Rasmussen AG", "Horchwerke AG" and "Audi Werke AG" all joined forces. The fourth brand was the automobile segment of "Wanderer-Werke AG", which was integrated into Auto Union by a sale and lease contract.

As the second-largest German automaker, Auto Union covered almost the entire market spectrum in the 1930s with a variety of model ranges. DKW was positioned in the lower mid-size and once again became the world's largest motorcycle manufacturer, with annual production of almost 60,000 units in 1937. Audi and Wanderer both served the upper mid-size segment of the market, also making motor

FINAL ASSEMBLING IN THE DÜSSELDORF PLANT 1957



racing history under the Auto Union name. Horch resumed its leading position in the luxury segment. The centralization of research and development work in 1936/37 not only served to pool the innovation competence and skill evident in a large number of patents. The main objective was to reduce costs by rationalizing production. The heightened efforts to standardize bodywork, chassis, engines and transmissions created a characteristic Auto Union profile from the various model ranges which had co-existed up to that point.

In the last year before the Second World War, Auto Union had a workforce of about 23,000 and produced more than 67,000 cars and 59,000 motorcycles. Auto Union had already become a key supplier for the armed forces and authorities and was integrated into the National Socialist armaments industry from the beginning of the War.

PRESENTATION OF THE NEW AUDI 1965



Following the capitulation of the German Reich, the Auto Union plants located in the Soviet zone were dismantled and the military government decreed that the company was to be expropriated in 1948. The nucleus needed for a new start in West Germany was a spare parts warehouse which had been relocated to Ingolstadt in 1945. The company called "Zentraldepot für Auto Union Ersatzteile Ingolstadt GmbH" which had been founded to manage the warehouse in December 1945 rapidly expanded. The first vans rolled off the production line in time for the Hanover Trade Fair in spring 1949 and Auto Union GmbH was refounded by former Auto Union managers on September 3, 1949.

Up to 1965, it was the DKW brand, which had gained a high profile as a pioneer of front-wheel drive with the F1 introduced in 1931, that determined product technology and the model range of the company. Car production started at the new plant in Düsseldorf in 1950 with the F 89 P and the motor-cycle range, which was continually expanded until

PIONEER WITH WANKEL ENGINE: THE RO 80



1954, played a key role in the development of individual mobility in West Germany. The renaissance of the two-stroke in the post-war era boosted demand for the products of the Ingolstadt manufacturer. Auto Union was therefore an attractive prospect when Daimler Benz rounded off the bottom end of its model portfolio by acquiring the company in April 1958. However, by the early 1960s, it was becoming increasingly clear that Auto Union would not be able to access new customer groups with relatively expensive two-stroke models. Sales of the F 102, launched in spring 1964, lagged far behind expectations. Auto Union had become isolated on the market by persistently insisting on the continuation of its traditional technology.

Under the umbrella of the Volkswagen Group, the new subsidiary successfully completed the difficult transition from two-stroke to four-stroke engines. From May 1965, the Beetle was also produced at Ingolstadt, closing the gap caused by the loss of two-stroke models. At the Frankfurt

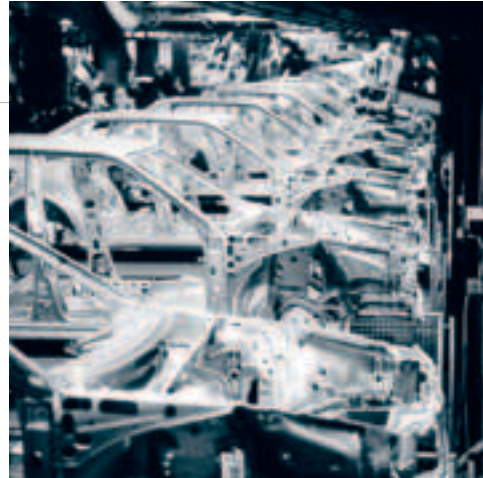
AUDI 50



International Motor Show in September 1965, Auto Union presented its first four-stroke model. The new car, developed from the F 102 and featuring the medium-pressure engine, appeared under the Audi name and heralded the renaissance of the brand. In 1966, the model range was completed by the Audi Variant, Audi 80 and Audi Super 90; these new models ensured that the company returned to the profit zone following the losses reported in the previous year and also stabilized the shrinking sales network. However, it was only the Audi 100, launched in 1968 and taking the company forward into the upper mid-size segment, that finally secured the position of Audi as an independent brand. The investment program initiated in 1969 to expand production capacity and to build up independent engineering capabilities at Ingolstadt shored up the position reached by the company.

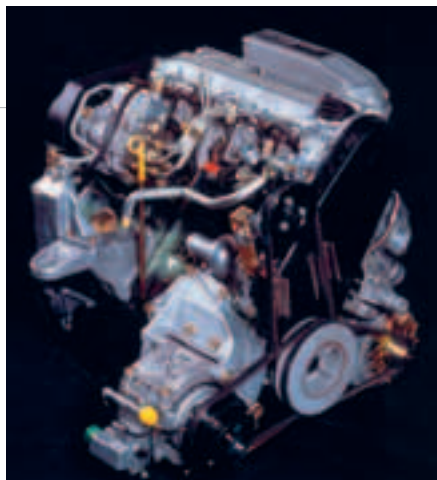
The merger with “NSU Motorenwerke AG” to form “Audi NSU Auto Union AG”, which took effect retroactively on January 1, 1969, added a further brand to the Volkswagen Group. Volkswagen was more interested in the engineering expertise of NSU and its range of small cars to extend the Audi model range than in the Wankel engine itself, which the Wolfsburg top management did not believe was a solution with a future. In fact, both the technology and the styling of the Ro 80, which had been produced by NSU from 1967, were ahead of its time. But the rotary engine and the aerodynamic body meant that the futuristic model designed by Claus Luthe stood out from the automobile mainstream. When production was discontinued in March 1977, the NSU brand was consigned to the history books. In commercial terms, the expectations of the Wolfsburg group had not been fulfilled.

On the other hand, Volkswagen benefited from synergy effects within the brand system which helped generate the new Volkswagen generation and led to the breakthrough of the modular design principle. The first Volkswagen with front-wheel drive and a water-cooled engine, the K 70, which was launched in 1970, had originally been an NSU design. The fastback Passat originated from the new Audi 80 and the Polo from the identically designed Audi 50. Furthermore, revenue from the sales of successful and more profitable Audi models helped compensate for falling sales volumes and revenues as the end of the Beetle era approached and Volkswagen made the transition to a modern product portfolio. From 1969 to 1973, Audi continually expanded its sales on the domestic and export markets, especially in the USA, before the oil price crisis channeled consumer demand to vehicles with greater fuel economy.



FULLY CALVANIZED BODIES OF THE AUDI 80

The Audi 200, launched in 1979, heralded the start of Audi's long climb to success in the luxury segment. Audi established its “Vorsprung durch Technik” with four-wheel drive, which made its debut on the Audi quattro in 1980 and become available throughout the model range four years later. Four-wheel drive broke new ground in the international automobile industry as well as in rally sport. This was an area where Audi was able to continue its past success. In 1984, Audi celebrated its greatest triumphs, winning the world rally championship for manufacturers and taking the first three places in the Monte Carlo Rally. These victories boosted the image of the brand and underscored the company's innovative power. In addition to its motorsports success, Audi also experienced generally positive business development in the 1980s, which was reflected by high investments. Investments reached a peak of almost 1 billion DM in 1985, when the company was renamed Audi AG and its headquarters returned to Ingolstadt.



BEGINNING OF THE TDI-ERA

The production launch of the new Audi 80 accounted for most of the investment in production restructuring. This new model appeared in 1986 with a fully galvanized body offering the best possible protection against corrosion and loss of value in the same way as the two larger Audi models. The considerable investment made by the company certainly paid off. It was mainly thanks to the success of the Audi 80/90 series that sales exceeded the 400,000 vehicle mark for the first time in 1987. The top-range model was the premium-class V8 announced in 1988. The company's position was reinforced by a new generation of 5-cylinder engines developed at the Neckarsulm plant, which heralded a new era in diesel technology under the acronym "TDI" and made their debut in the Audi 100 in September 1989. The sales boom following German reunification led to a record year for Audi in 1991, when sales reached 451,000 vehicles before the world economic crisis curtailed sales and profits in 1993.



PRODUCTION OF AUDI TT ROADSTER IN GYÖR

The globalization of the Volkswagen Group in the 1990s set the scene for the international growth of Audi AG. In April 1993, Audi Hungaria Motor Kft. was established in Győr, Hungary, to operate an assembly and engine plant. The Audi TT has been assembled at the plant since 1998. This development was followed by Audi do Brasil e CIA. in 1997; production of the Audi A3 at the Curitiba plant constructed jointly with the Brazilian Volkswagen subsidiary started in mid-1999. Finally, in 1998, Audi acquired the legendary sports car manufacturer Lamborghini, a fitting addition to its portfolio. By 1999, Audi AG was a group with a workforce of 45,800, selling 626,000 cars and reporting profit for the year of DM 324 million.



AUDI A8

This success was the result of the cost benefits associated with increasingly lean production, networking with system suppliers and high levels of acceptance of the product range introduced in 1994. The Audi A4 in particular became a best-selling model and the motor for growth, while the A8, the Audi flagship with its aluminum body, reiterated the company's pioneering role in lightweight design and strengthened its position in the luxury segment. The Volkswagen Group Board of Management took account of this development by ensuring clearer separation between the Volkswagen and Audi brands in 1995; sales responsibility for Audi vehicles had already been transferred to Ingolstadt on January 1, 1993. Product marketing and the sales strategy were exclusively tailored to the brand's premium image; this has been reflected by the corporate design of the Audi centers established since 1997.

The Audi success story continued in the new millennium. In 2003, Audi reported profit of 811 million euros, the highest of any Group brand. Almost half the vehicles produced in 2003 were A4s, but the share of the A4 in overall sales had fallen to a third by 2007 as a result of growing sales of the A3 and A6 series. A further fall is expected following the launch of the A5. Audi is also growing at the top end of its product portfolio. With the luxury SUV Q7 and the R8 supersports model produced in Neckarsulm, both launched in 2006, Audi entered two new product segments and reinforced its position as an international premium brand. In addition, the company laid the foundations for sustained growth by expanding production capacity in 2007. The former Volkswagen plant in Brussels was integrated into the Audi production system in May 2007 as a production plant for the Audi A3. Assembly of the Audi A6 also started in autumn 2007 on an exclusive assembly line at the Škoda plant in Aurangabad, India. Audi has announced considerable

ASSEMBLY LINE IN INDIA



investment in capacity expansion in India over the next few years with a view to benefiting from dynamic growth on this emerging market. In China, Audi holds a ten percent stake in the FAW-Volkswagen Automotive Company Ltd. joint venture, which produced 93,168 Audis in 2007. That year, sales in China exceeded 100,000 units for the first time, making Audi the no. 1 manufacturer in the premium class. China is now Audi's largest export market, followed by Great Britain and the USA. Audi also achieved record results in Russia, where the development of an exclusive sales and service network was accompanied by a rise of almost 50 percent in sales volumes. Germany accounted for a good quarter of the 964,151 vehicles sold by Audi in 2007.

With its global brand strategy, the premium manufacturer is well-prepared to tap the growth potential of world markets in the future. 40 years after the reintroduction of the Audi brand, the former two-stroke producer has become a respected technology leader in the international automobile industry. Audi is highly profitable, a leading innovator and well-positioned on old and new high-volume markets. Audi has an outstanding position in the Volkswagen brand alliance and its significance for the future of the Volkswagen Group cannot be rated highly enough.

Bentley

The Bentley brand had been the driving force in the growth of Rolls Royce Motor Cars for a decade when the Vickers Group put the chronically underfunded producer of luxury automobiles up for sale in October 1997. The royal carmaker was virtually ideal for the development of a luxury segment under the Volkswagen Group umbrella. Bentley supplied the sporty and luxurious model range and Rolls Royce the illustrious name. In March 1998, it became clear that Volkswagen could not have both. The Wolfsburg manufacturer nevertheless continued its takeover efforts and, on July 3, 1998, acquired the Bentley brand, the factory in Crewe and the right to use the Rolls Royce brand name until the end of 2002. From the outset, Volkswagen had been mainly interested in Bentley products for brand policy reasons. In this situation, the Group made a successful entry to the luxury segment through its acquisition of Rolls Royce Motor Cars Ltd. Rolls Royce and Bentley once again went their separate ways, continuing the tradition started in the early days of their history, when the two companies had been competitors.

Walter Owen Bentley established Bentley Motors in London on January 20, 1919; six months later, the company was wound up in the course of financial restructuring and refounded under the same name. Bentley had a passion for engines and speed. He had established a reputation as a fine engineer by developing two aero engines in World War I before his Bentley 3-Litre prototype attracted attention in November 1919 at the London Motor Show. The remarkably uncomplicated vehicle featured convincing handling, performance and braking as well as a newly designed four-cylinder engine which could take the car to the then magic speed of 100 miles per hour. The first series vehicle, delivered to its owner in September 1921, was made in a small factory established by Bentley at Cricklewood in North



SIGNING OF THE ACQUISITION AGREEMENT 1998



WALTER OWEN BENTLEY

London. Almost 150 cars had been assembled there by 1922 and production costs rose fast as sales developed. At this point it became apparent that the engineering expertise of Bentley, the visionary, was not matched by his business acumen. Despite extremely tight funds, he began to develop a 6.5-Litre model which was to be a masterpiece in 1924. Two years later, the luxurious model was ready for production but the company was bankrupt. Millionaire businessman and car enthusiast Woolf Barnato came to the rescue and took over the company; W.O. Bentley continued as Managing Director. Following a brief revival (Bentley Motors recorded the first and only profit in the company's history in 1929), the Great Depression, poor cost awareness on the part of management and the development of the 8-litre Bentley once again drove the company to bankruptcy in July 1931.

PRODUCTION OF THE MK VI IN CRICKLEWOOD



Rolls Royce Motor Corporation seized the opportunity to take over its fiercest competitor in November 1931. During the 1930s, the company followed the general trend in production methods set by Ford in order to reduce production costs. To an increasing extent, standardized components were used in the two product lines, sacrificing traditional Bentley characteristics, such as performance and dynamism. On the other hand, the brand benefited from outstanding workmanship and survived through troubled times. To a certain extent, the brand maintained an independent profile; up to the Second World War, Bentley engines and chassis were not used for Rolls Royce models. It was only due to financial pressure in the post-war era that the British manufacturer made model policy changes that were decisive for the Bentley brand. The Mk VI, built at the new factory in Crewe from 1946, was almost forced off the market in 1951 by the virtually identical Rolls Royce Silver

Dawn. A final highlight was the Type R Continental coupé, produced from 1952 to 1955. Over the following three decades, Bentley lost its independent profile and the Bentleys produced were only derivatives of the corresponding Rolls Royce models. As a result, the Bentley marque became less and less important.

In 1980, the situation changed dramatically. The Vickers plc. armaments group acquired Rolls Royce Motor Cars Ltd. and recognized the potential of the brand, breathing new life into Bentley with the Mulsanne Turbo. There was only one key difference between this model, introduced in 1982, and the Rolls Royce Silver Spirit: A turbocharger boosted power output 50 percent to 300 hp. What was at the time the fastest Bentley ever initiated a renaissance of the brand. It was followed in 1984 by the Bentley Eight, intended to compete with Mercedes and BMW models, and in 1985 by Mulsanne Turbo R, heralding the dawn of a new model era. The product range expanded and a return to the sporting tradition established by W.O. Bentley gave decisive impetus for growth. Between 1983 and 1989 the share of Bentleys in overall Rolls Royce production rose from less than five to more than 50 percent. Three years later, two Bentleys were sold for each Rolls Royce. Within the space of a decade, Bentley had become the dominant brand with a new identity mainly reflected by the coupés of the 1990s. The impressive combination of performance and luxury had once again become the signature of the brand, which was to flourish anew in the Volkswagen era.

The reintegration of key competences which had played a major role in the history of Bentley but had been withdrawn from the production facilities under the ownership of Vickers was a major factor in the development of the company, renamed "Bentley Motors Ltd." in September 2002. These not only included prototype testing but also the production of the V8 engine, which had been subcontracted to Vickers Engineering. Following the acquisition, the Volkswagen Group brought engine production back to Crewe. Bentley engineers therefore had direct access to the powerplant intended for the Arnage and to technological progress in engine design. Volkswagen signaled its confidence in the brand and the workforce by investing a total of DM 1.1 billion in the modernization of the factory and in the development of new products between 1999 and 2003. The Arnage Green Label, already developed when the acquisition took place, was revised and transformed into the Red Label within the space of a year, with a more precise suspension, more space in the rear and higher power output. The Bentley team had replaced the BMW engine by the more powerful V8, which boosted demand, raising sales in 2000 by 50 percent. The fundamental transformation of this model took more than two years before the Arnage T made its debut at the North American International Auto Show in Detroit in January 2002. Using technical know-how from Volkswagen, the Bentley engineering team had succeeded in considerably improving the rigidity of the design and the modified V8 now produced some 456 hp, powering the Arnage from zero to 100 kilometers per hour in only 5.5 seconds.

ARNAGE RED LABEL



In June 2002, Bentley presented the first State Limousine to bear the winged B to HM Queen Elizabeth II; coupled with third place at Le Mans in 2001, this development brought the brand considerable added prestige and highlighted the potential of Bentley. The Arnage series, tailored to the needs of the brand's key clientele, lived up to Bentley's claim to combine majestic luxury with dynamic performance, but did not provide long-term growth impetus, especially since sales to the USA were hit in the wake of the terrorist attacks on September 11, 2001. In 2000, Bentley sales had grown by more than a half, reaching 1,406 units rose, and rose again slightly to 1,466 vehicles in 2001 before shrinking to 1,063 in 2002. In 2003, only 792 Bentleys were sold, roughly corresponding to the level of the first financial year under the Volkswagen Group.

EXP SPEED 8 IN LE MANS 2001



It was the coupé developed to close the market gap between Mercedes and Porsche, an entirely new model, that was to bring the breakthrough for Bentley and open up a new customer segment. The Continental GT was the result of a long-held dream for Bentley, designed, developed and produced in Crewe. Bentley had built a new assembly hall especially for this new model, constructed using bodyshells supplied by the Volkswagen plant at Zwickau. Traditional craftsmanship, which still played a key role in the production process, was supplemented by highly advanced technology. The production of a Continental GT took 150 hours, as against 400 hours for an Arnage. Following the debut of the prototype at the Paris Automobile Salon in 2002, Bentley presented the series model the following year. By that time, 3,200 orders had already been taken. The all-wheel-drive Continental GT embodied a striking synthesis of elegance, luxury and speed. The new model was powered by a compact twelve cylinder engine with twin turbochargers, giving it a



COCKPIT OF CONTINENTAL GT

top speed of 320 kilometers per hour on the test track. As had been hoped for, the coupé allowed Bentley to attract new, younger customers impressed by the style, performance and technology of the new model. The pricing may also have helped. Although the Continental GT was 40,000 pounds less expensive than all the other Bentleys, it still cost the respectable figure of 110,000 pounds, which did no damage to demand in this segment of the market.

Compared with the previous year, Bentley Motors sales grew tenfold in 2004 to 7,411 cars, including 6,715 Continentals; the new Arnage accounted for the remainder. Further impetus was provided by the Continental Flying Spur, which continued the design line of the coupé and made Bentley the car manufacturer with the world's fastest limousine. Following its introduction in 2005, the company recorded sales growth of some 20 percent, selling almost 9,000 vehicles.



CONTINENTAL FLYING SPUR



PRODUCTION OF THE AZURE –
THE CABRIOLET OF ARNAGE SERIES

The fastest Bentley ever, the CGT Speed Coupé, which has been produced at Crewe since 2007, and the cabriolets introduced for the two model lines the year before boosted sales beyond 10,000 units for the first time in 2007. Each vehicle is produced to order in line with the customer's individual requirements and hand-crafted by masters of their trade. Great Britain and Continental Europe each accounted for some 20 percent of the company's sales volume, and North America for a good 40 percent. In 2007, the highest growth, some 18 percent, was recorded in the dynamically growing markets of the Asia-Pacific region. In China, the British luxury manufacturer delivered 337 cars and in Korea 100.

Under the umbrella of the Volkswagen Group, the Bentley brand has returned to its roots. In contrast to the era of its founder, Bentley now has some 4,000 employees and was able to boost its profit by 14 percent to 155 million euros in 2007 compared with the previous year; the financial situation of the company is solid. Volkswagen has provided technical support and considerable investment to make this achievement possible. In return, Bentley has won an international reputation as a producer of luxurious sports vehicles. This brand profile now has a key place in the luxury segment of the Volkswagen Group.

Bugatti

Bugatti – an automotive legend which only existed in the history-books in the mid-1990s. At the same time, the myth of the luxury sports car from Molsheim lived on, with the 500 Bugattis still in existence bearing witness to outstanding engineering and ground-breaking design concepts in the automobiles of a past era. In 1998, Volkswagen took the opportunity to breathe new life into the ninety-year history of this grande marque of the past. Like the acquisitions of Bentley and Lamborghini which were completed the same year, the Bugatti take-over was part of the Volkswagen Group strategy of establishing a luxury segment and harnessing a small but steady demand potential. In addition, the revitalization of this traditional luxury brand was intended to reinforce the technical expertise and innovative strength of Europe's largest car manufacturer. The prestige gained in this way was to reflect on the Group's mid-class offerings and to enhance public perceptions of the Volkswagen Group's transition from a high-volume globally active producer to an integrated alliance of brands with strong identities. At the top end of its automobile spectrum the Volkswagen Group was able to present Bugatti as an exquisite calling-card with the potential for redefining the boundaries of automobile technology and design.

The story of founder Ettore Bugatti and his automotive creations reads like the biography of an artist searching for the perfect embodiment of his vision. Born in Milan in 1881, Bugatti first followed a family tradition by starting a course at the academy of art in the city. However, his ambitions did not lie in painting or architecture but focused on technology. As a self-taught engineer, Bugatti already designed his first vehicle at the age of 20. In the ten years of training and working which followed he gained experience, mainly with two German car manufacturers, before starting to convert his own designs into vehicles under his own responsibility in 1910. To secure the capital needed to equip his factory in Molsheim, Alsace, he sold licenses to his designs to other companies. For example, some 3,000 units of the "Bébé" small car designed by Bugatti rolled off the Peugeot production lines between 1913 and 1916. Despite his success, he dreamt of creating automobiles with the dynamics and elegance of race-horses. The long and successful history of his thoroughbred racing cars started in 1910 with the Type 13.



BUGATTI TYPE 13



ETTORE BUGATTI 1905

Even though victory on the track boosted awareness and sales of the racers from Molsheim, Bugatti's company was anything but profitable. He was always developing new products and these projects devoured the income from the 350 vehicles sold by 1914. In that year, the onset of the First World War brought a temporary end to automobile production at Molsheim. Bugatti made ends meet by designing aero engines and selling lucrative licenses. As a result, he had the capital required to recommission his old factory in 1919.

The early 1920s were the ideal time for Bugatti to start production again. Modernity was replacing tradition and technology inspired art. Bugatti's cars seemed ideal for this exuberant era. The uncompromisingly esthetic design of his vehicles was in tune with the spirit of the age and his racing successes underscored the creativity of Bugatti as



JEAN BUGATTI WITH A TYPE 41 ROYALE 1932

a designer. The resulting reputation, high standards of workmanship and the exclusiveness of his cars, produced in very small series, made Bugatti's status symbols of the highest order. In addition, the entrepreneur Ettore Bugatti succeeded in tailoring his models to the individual wishes of his solvent and often famous customers using a sort of modular principle which meant that different chassis could be combined with two engine variants and various different types of body.

Following the T 35 and T 37 racing and sports cars and the T 38, T 40 and T 44 tourers, Bugatti produced his first pure luxury vehicles from 1926. The six Type 41 "Royale" models were simply unique, not only because of their 13-litre engine and their top speed of 165 kilometers per hour. The price of 160,000 marks made the "Royale" the world's most

CHÂTEAU ST. JEAN IN MOLSHEIM

expensive car at the time, as well as a source of dramatic losses. The aristocratic lifestyle of the founder's family and the repercussions of the Great Depression brought the company to the brink of bankruptcy in the 1930s. Once again, Bugatti's inventiveness saved the day. The production of railcars for the French railways improved cash flow and allowed the company to survive. Nevertheless, Ettore Bugatti gradually retired from the company's management from 1932, handing over the reins to his son Jean. Jean initiated a noticeable change of direction. Instead of producing a confusingly large number of models, he created the T 57, a universal platform which could be delivered as a limousine, coupé, tourer or racing car. A derivative of this series, the T 57 Atlantic, is still regarded as one of the most beautiful automobiles ever built, although only three were sold.

In fact, Bugatti did not achieve turnaround. By the end of the 1930s, sales had stagnated and its competitors had overtaken Bugatti not only in technical terms. The fatal accident of Jean Bugatti, the shining hope of the company, in 1939 led to the decline of an automobile legend. In the Second World War, the Bugatti factory was converted into an armaments plant and automobile production in Molsheim seemed to be doomed. Even though the plant was returned to the family after the War, the death of Ettore Bugatti in 1947 robbed the company of its creative impetus. In the years that followed all the attempts made to secure the survival of the Bugatti brand were doomed to failure. In 1963, the Bugatti family sold both the company and the Molsheim factory to Hispano-Suiza of Spain.



Although the extremely fast racing cars and luxury limousines with the famous Bugatti radiator shaped like a horse-shoe gradually left the roads for museums and could only be admired as exhibits for the most part, Bugatti's philosophy of combining engineering excellence with aesthetic perfection has always retained its fascination. This idea was also taken up by Italian businessman Romano Artioli who acquired the rights to the Bugatti brand from their then owner, the French armaments group SNECMA, in 1986. Under his auspices, a new super sports car, the EB 110, was created under the Bugatti name in 1991 at his plant in Campogalliano in Northern Italy. Although 120 vehicles were sold, economic reality once again put an end to the high-flying ambitions associated with Bugatti. The first brief revival of the Bugatti myth came to an end with the closure of the plant in 1985. However, Artioli continued to hold the rights to the brand via his Luxembourg company "Bugatti International S.A. Holding".



BUGATTI VEYRON

PRODUCTION IN MOLSHEIM

On July 10, 1998, Volkswagen AG acquired the holding company and, with it, the option to continue the legendary marque. Apart from capital, it would clearly take considerable technical expertise as well as a highly developed sense of style and perfection to revive the flair of the Bugatti brand. Volkswagen took up preliminary studies carried out by Giorgio Giugiaro's company Italdesign. On behalf of Artioi, the Italian design studio had already presented a concept car under the famous acronym of "EB" in 1993 and development work had continued on this basis. Volkswagen already generated considerable excitement at the Paris automobile salon in September 1993 with the prototype created by Giugiaro. The EB 118 embodied a modern reinterpretation of the elegant coupés that had been crafted at Molsheim in the 1930s. In 1999, Volkswagen presented the studies 18/3 Chiron and 18/4 Veyron. Both the design of the carbon fiber bodies and the 555 hp powerplant took up the tradition of the luxury super sports car. The same year, Volkswagen returned to the home of the Bugatti myth

by acquiring Château St. Jean in Molsheim. The establishment of "Bugatti Automobiles S.A.S." on December 22, 2002 laid the formal foundations for the series production of the Veyron to start with a workforce of 45 in 2005.

The new Bugatti from Molsheim brings extraordinary engineering and design back to the roads. The minimalist design and outstanding workmanship of the purist interior clearly allude to the predecessor models of the Veyron. Its W16 light alloy engine has a power output of 1001 hp, making it the most powerful standard unit in the history of the automobile. There are plans to build 300 of these works of automotive art. In 2007, Bugatti supplied 81 of these Veyrons, which have become a living legend, to customers at a net price of 1.16 million euros each, almost doubling its sales figure for the previous year. The renaissance of the Bugatti myth under the auspices of Volkswagen has been a resounding success.

Lamborghini

To this day, the unbridled energy of a fighting bull is the trademark of the super sportscars built in Sant'Agata Bolognese, both on and under the bonnet. In contrast to Bugatti, the legend of Lamborghini was still very much alive in 1998, as evidenced by the roar of the V12 engine. This unique combination of speed, style and perfection attracted the attention of the Volkswagen Group which was looking to develop a luxury segment to enhance its prestige and market coverage. The opportunity came when the Indonesian holding company Megatech could no longer put up the capital required by its Italian subsidiary and Lamborghini faced financial problems. Company representatives searching for an engine for their Aersosa prototype contacted Audi. As a result, Volkswagen learnt that the Lamborghini brand was for sale. Following lengthy negotiations, Audi AG acquired Automobili Lamborghini S.p.A. in September 1998. Lamborghini was the third and last luxury brand to join the Volkswagen Group, following Bentley and Bugatti, both part of Volkswagen AG since July 1998. The main reasons for the marriage between Audi and Lamborghini were the similarity of brand profiles and product technology as well as the resulting synergy effects. While the brand from Ingolstadt was able to underscore its positioning in the premium segment, Lamborghini could call upon the resources of a leading technology company and its sales expertise. In November 1998, the new Audi subsidiary was converted into a holding company with three operating companies, Automobili Lamborghini S.p.A., Matri Marini Lamborghini (producing speedboat engines) and Lamborghini ArtiMarca S.p.A., a company marketing exclusive accessories. With the support of Audi, Lamborghini embarked on the most successful chapter in the company's history, which started 35 years ago.

Ferruccio Lamborghini had become rich as one of Italy's major tractor manufacturers before establishing "Automobili Ferruccio Lamborghini S.p.A." in Sant'Agata Bolognese in 1963. He wanted to build a normal gran turismo, albeit a perfect one. While the factory was still being built on a green-field site, the first prototype took shape at his tractor plant. The founder entered the world of sportscar legends in 1963, when the 350 GT, an extravagant lightweight coupé, made its debut at the Turin Motor Show. Its flat bonnet concealed a light-alloy V12 engine with 360 hp. In modified form the same engine, designed for Lamborghini by former



FERRUCCIO LAMBORGHINI IN FRONT OF THE CENTO TRACTOR PLANT



LAMBORGHINI MIURA

Ferrari engineer Giotto Bizzarrini, still powers the Murcié-lago today. This high-performance powerplant was well-matched with the charging bull which already decorated Lamborghini tractors and now became the trademark of a new class of super sportscars. Production of the legendary Miura started at the end of 1966. With a height of only 106 centimeters, the Miura was as flat and aerodynamic as a racing car. Its transverse mid-engine configuration was also unique outside motorsports and its top speed of 278 kilometers per hour simply breath-taking. Demand for the new car was beyond everyone's expectations and Lamborghini sold 150 Miuras from 1966 to 1969. At the Geneva Motor Show in 1971, Lamborghini presented its entire product range, comprising the production models Miura, Espada and Jarama as well as the Urraco and Countach prototypes. Just as the company was apparently approaching its zenith, high development costs combined with falling production figures brought about a financial crisis

at Lamborghini. Demand was subdued by rising oil prices and increasingly stringent safety and emission regulations in the USA, making access to this key export market more and more difficult. As the tractor plant also faced financial problems, Ferruccio Lamborghini disposed of his loss-making activities with a view to stabilizing his corporate empire. In 1972, he also sold off his car-making business which had brought him fame, but no profit. One of his friends, Swiss businessman Georges-Henri Rosetti, acquired a 51 percent stake and the remaining shares were purchased by his associate René Leimer in 1974.

A phase with a rapid succession of different owners and business developments continued until 1998. Series production of the Urraco and Countach prototypes developed by Ferruccio Lamborghini's company started under Swiss management. However, neither of the two models obtained homologation for the US market, which severely limited sales.



COUNTACH QUATTROVALVOLE 1985

In addition, the company suffered from the consequences of the oil crisis. To ensure the survival of Lamborghini and to make use of the technical expertise available, the new management accepted development contracts for other producers. However, the first project, the BMW M1 made little headway and only exacerbated the financial situation. In the final resort, the Swiss entrepreneurs, who were relative newcomers to the car industry, displayed little skill in the management of the company, especially since they were not prepared to make the necessary investments. At the end of 1978, the company went bankrupt. A receiver appointed by the courts became managing director and searched in vain for a potential buyer for two years. In February 1980, the brothers Patrick and Jean-Claude Mimram acquired the company, which they re-established as "Automobili Lamborghini S.p.A." in July of the same year. The brand experienced an upturn under their leadership. The Jalpa followed the luckless Silhouette in 1982, and the Countach LP 500S finally achieved a breakthrough in the USA in 1984 much to the satisfaction of US Lamborghini enthusiasts. The profit recorded by the company for the first time in this phase was unfortunately insufficient to fund the high development costs for new models. This problem seemed to have been solved when the financially strong Chrysler Corporation acquired the Italian sportscar manufacturer in April 1987. This merger resulted in the Diablo in 1990, an entirely new design which was to become Lamborghini's most successful model at the time. By 1998, more than 2,600 Diablos had been sold. However, the first luxury sportscar built under the auspices of Chrysler was also to be the last. At the beginning of the 1990s, the US automaker faced yet another crisis and lost interest in Lamborghini, especially since the

company recorded seven-digit losses in 1993. In 1994, Lamborghini was acquired by the Indonesian holding company Megatech, which broke new ground when the Cala, styled by Giorgio Giugiaro, made its debut at the 1995 Geneva Motor Show. However, the holding company lost some of its élan and its subsidiary once again lacked financial support.

After 35 more or less turbulent years, Lamborghini found a safe haven with the requisite financial and personnel stability to turn its technical potential into commercial success under the umbrella of Audi. At that time, Lamborghini urgently needed a new flagship to heighten its profile and replace the Diablo, which had become outmoded. By the beginning of 2000, the design of the successor had been finalized and series production of the Murciélago, named after a famous fighting bull, started in October 2001. A superlative sports coupé with typical Lamborghini character and an unmistakable silhouette had been created in record time. On the test track, the Murciélago, powered by a 580 hp V12, reached 326 kilometers per hour, continuing the performance tradition of its predecessors. The Murciélago was extremely popular with customers, doubling the sales of the Diablo in 2001, with some 442 units of the new model sold in 2002. However, the break-even point had not been reached as this sales growth was only made possible by considerable investments.



LAMBORGHINI MURCIÉLAGO

It was the Gallardo, launched in February 2003, that stimulated the demand impetus needed to steer Lamborghini to profitability. After many years and punctually on the company's 40th anniversary, Lamborghini once again launched a second product line at the Geneva Motor Show, a product line which owed much to the technical expertise and development know-how of the parent company. Both the aluminum body and the V10 engine based on the Audi V8 were developed jointly by specialists from Ingolstadt and Sant'Agata Bolognese. As regards performance, there was very little difference between the Gallardo, a four-wheel-drive two-seater with a 500 hp power plant, and the Murciélago; the styling was also very reminiscent of the larger model's design lines. However, while the Murciélago could only reach a very small customer segment, with sales figures between 400 and 500 units up to 2006, the more compact,



ASSEMBLING OF THE GALLARDO
IN SANT' AGATA BOLOGNESE

less expensive Gallardo was accessible to a wider range of enthusiasts. In the first year of production, 933 Gallardos were sold, with new customers accounting for about three-quarters of the total. Overall sales reached 1,305 units; more than half of these cars were exported to the USA and Germany and a third to Switzerland, Great Britain and Japan. Sales were boosted still further by the Murciélago Roadster and Gallardo Spyder, the open versions of the two models, reaching 2,000 vehicles in 2006. Since the introduction of the Diablo 6.0 in 2000, Lamborghini had sold some 7,600 super sportscars, almost as many as in the entire history of the company up to its acquisition by Audi.

The Italian company gave visible expression to its success by modernizing the production plant. Some of the expansion work was intended to reinforce the brand presentation and customer ties. Behind the fully glazed façade of the plant, there is now a showroom and a museum. Dealers' showrooms have also been tuned to the exclusiveness of the product. A new building completed in 2004 houses the restoration department, a customer service center for all Lamborghinis ever produced and the design centre, where work on the development of the brand design continues. The Centro Stile Lamborghini underscores and reinforces the design competence of the brand, which has won the accolade of "World's most beautiful automobile" in the supersports class twice, for the Gallardo and the Murciélago Roadster. Despite the necessary modifications, the factory is still structured around two production lines where employees assemble most models, as in the era of the company's founder. Although most of the components come from Italian suppliers, the luxurious equipment of these cars still calls for a considerable amount of craftsmanship in the workshops along the production lines. The Murciélago in particular features craftsmanship of the highest caliber. In contrast, production of the Gallardo, with the Audi plant at Neckarsulm supplying the painted body, is more automated, allowing higher volumes and lower prices. In 2004, the workforce at Lamborghini assembled 10 Murciélagos and 25 Gallardos per week. Perfection takes time; this also applies to the engine production unit at Sant'Agata Bolognese, where all the power plants used in the current model range are assembled.



MANUFACTORY IN
SANT' AGATA BOLOGNESE

Under the leadership of Audi, the technology-driven sportscar producer has been transformed into a profitable, customer-oriented company. In 2007, Lamborghini boosted sales by 20 percent to over 2,400 vehicles, reporting a profit of 47.1 million euros. For the first time in the history of the company, there are prospects that the growth trend and business success may continue. Within the Volkswagen Group, Lamborghini has catapulted to the top end of the product portfolio. With its characteristics of "extreme" and "uncompromising", the brand has a distinctive profile within the Volkswagen Group luxury segment and holds a leading position among super sportscar manufacturers.



LAMBORGHINI MURCIÉLAGO ROADSTER

The Lamborghini brand has crowned its resurgence with a limited edition of the Reventón, of which only 20 are to be sold. This automobile gem is to be produced in 2008 and delivered to selected customers at a price of one million euros. 45 years after its birth, the legend of Lamborghini is still very much alive.

Seat

Seat came to the attention of the Volkswagen Group as a potential partner in May 1980. Shareholder Fiat, which had been a licensor and technological impetus for the Seat model range, surprisingly withdrew from the Spanish company – with grave consequences. Seat suddenly lost its development capacity and its international sales channels. Furthermore, the product program based on the Fiat model range was in need of a through make-over. To start out anew, Seat required a partner with innovative product technology and access to international automobile markets. So the Volkswagen Group was more than welcome in 1981 when it commenced negotiations with Seat concerning cooperation to produce a Polo/Derby model series in Spain. From a strategic viewpoint, Volkswagen had the chance to expand its formerly marginal position on the only West European market with above-average growth and catch up on its competitors before conditions got tougher as Spain moved towards membership of the EU planned for 1984. In the event of a cooperation agreement, Volkswagen could benefit from Spain's largest passenger car sales organization with over 1,000 authorized dealers. Another argument in favor of cooperation was the strategically important access to a production location with relatively low wage costs which could be used in the longer term as a low-cost assembly plant for the Polo. It was precisely in this vehicle class that high production costs in Germany impacted on the price competitiveness of models on the European volume markets. The fact that the well-qualified Seat workforce had thirty years of experience in building cars was an added advantage.



PLANT IN BARCELONA

The Group's Ingolstadt-based company also benefited from the cooperation agreement concluded on September 30, 1982 because Seat's foreign exchange quota permitted customs-free imports of Audi models. In return, Volkswagen responded to a request from the Spanish automaker for a license to produce the Passat/Santana range, and the first vehicles rolled off the assembly lines at the Barcelona plant in fall 1983. The Pamplona factory began producing the Polo for sale on the Spanish and selected other European markets in spring 1984. For both models, Volkswagen supplied the engines, gearboxes and axle and steering components. Seat produced the steel parts at its own press shop; the remaining parts came from the local automotive supplier industry. The cooperation benefited both sides. For the Spanish manufacturer, model range, sales and capacity utilization improved to such an extent that the Spanish government offered the Volkswagen Group the chance to take over Seat in fall 1984.

SEAT 600

The Wolfsburg-based company came off well, too. Sales by Seat dealers had given the company access to the Spanish market and significantly improved the presence of the Volkswagen and Audi brands there. At the same time, production at the Pamplona plant brought the prospect of building the Polo more cheaply than in Wolfsburg. To harness the potential offered by the Spanish factories and to prepare the Seat brand for international competition, Volkswagen saw a need for financial consolidation, a streamlined model range, modernization of production plant and setting up a European sales organization. The efforts already undertaken by Seat gave cause for optimism.

Volkswagen AG initially acquired a 51 percent stake on June 18, 1986, thus in effect assuming control of the state-owned company with its workforce of some 23,600 at the plants in Barcelona and Pamplona as well as the research and development center in Martorell and the gearbox facility in Prat de Llobregat. Seat was integrated in the Volkswagen Group as an independent brand and the stake was increased to 75 percent at the end of 1986.

This marked the beginning of a new chapter in the 30-year history of the Spanish automaker which had begun as a state-owned industrialization and motorization project under the Franco regime. In both of these sectors, Spain was still a developing country when “Sociedad Española de Automóviles de Turismo S.A. (Seat)” was set up on May 8, 1950. Institución Nacional Industria (INI) and a banking consortium held 93 percent of the shares; the Italian automaker Fiat S.p.A. owned the remaining seven percent having signed a deal with INI in October 1948 to produce Fiat



models under license in Spain. Until 1984, Fiat provided the basic design for all Seat models which were then modified to a greater or lesser extent to suit the Spanish market and customer wants. The Seat 1400 was the first such model. Production start-up on June 5, 1953 was a proud occasion, marking the official opening of the Seat factory in Barcelona where 1,000 employees built 5,400 cars in 1954. Once the difficulties of the start-up phase had been overcome, the Franco regime's expectations for a national automobile industry were fulfilled. Seat brought crucial momentum to both the country's economic development and mass motorization. Aided by technical and financial support from Seat and spurred on by Renault and Citroën's Spanish factories, an automotive supplier industry emerged within the space of a few years, giving Seat independence from foreign producers until 1957. On June 27 of the same year, the Seat 600 finally left the assembly line, the first Spanish 'people's car' with a complete body shell which ousted the very popular Biscúter small car built by Autonacional, S.A. Together with the two successor models, some 800,000 Seat 600 were sold before production stopped in 1973.



SEAT 600 ON THEIR WAY TO
EXPORT MARKETS

In 1965, Seat entered the export business, shipping 150 Seat 600 to Columbia; however, contractual arrangements with Fiat severely restricted this business. It was not until 1967, when the new licensing contract with the Italian automaker, which increased its stake in growth-oriented Seat to 37 percent in the same year, was signed that export restrictions were significantly eased. Following on from the business in Columbia, Seat gained a foothold in Argentina, Morocco, Greece and Finland, where the Seat 600 D was the vehicle with the highest sales between 1970 and 1973. Although the Franco government attempted to seal off the Spanish market by imposing high import duties, US automakers intensified competition in the 1970s. Both Ford and Chrysler built their own assembly plants in Spain. Cracks in the dirigist economic policy thus began to emerge before the country moved towards a more pronounced market-economy course after Franco's death in November 1975. On the orders of the Spanish government, Seat took over the British

THE "CENTRO TECNICO" IN MARTORELL



Leyland AUTHI plant in Pamplona in 1975 in order to avoid the social problems that the planned closure of the factory would otherwise have triggered.

The prescribed capacity expansion, productivity deficits on the production side and substantial investment in building the "Centro Tecnico" at the Martorell industrial park put Seat in the red in 1977. These negative figures together with sales problems of its own may have been the reasons behind Fiat's decision to renege on the take-over agreement concluded in 1979. The sudden withdrawal of the Italian automaker in 1980, followed by plummeting sales (which fell to a mere 200,000 units) finally catapulted Seat into crisis. The restructuring program launched in 1981 set the backdrop for automation of the Barcelona and Pamplona plants and for significant job cuts. The Seat workforce was cut by one quarter to roughly 23,600 by 1984. In the same year, the first model designed by the brand itself made its



SEAT IBIZA

appearance: the Seat Leon, designed by Giorgio Giugiaro with Karmann building the prototypes and Porsche supplying the engines. The Marbella small car and the Malaga, a notchback based on the Leon, were added to the product range before the Volkswagen Group became involved in Seat.

Under the umbrella of the Wolfsburg-based company the Spanish brand developed well, meeting expectations on both sides. By 1990, Seat production had more than doubled to 361,629 vehicles, while production at the Pamplona plant where some of the Polo production capacity had been moved from Wolfsburg in 1986 rose to 143,750 units. In Spain, Seat increased its market share from 12 to 20 percent and also assured the Volkswagen Group of a solid competitive position by selling the Polo as well as Volkswagen and Audi imports. At the same time, Seat was active on Europe's volume markets. Between 1986 and 1990, exports of Seat's

own models rapidly increased by almost 80 percent to just under 243,000 vehicles, chiefly sold in Italy, France and Germany. Spain's largest automobile exporter and leader on the passenger car market thus supported the Volkswagen Group's volume strategy and its leading position in Europe which had been claimed for the first time in 1985.

By 1988 this growth, combined with rising productivity, already meant the Spanish brand subsidiary was making a profit. The Wolfsburg parent company initiated an extensive investment program to consolidate this success. Over the following five years, several billion DM were invested in an assembly plant at Martorell and the modernization of the other factories, in expanding the research and development center and in developing a new model range. The Toledo presented in May 1991 was the first vehicle in a new generation featuring Volkswagen Group product technology and marked Seat's entry into the highly-competitive mid-class



THE PLANT IN MARTORELL 2004

market. The Toledo was followed by the new Ibiza and the notchback Cordoba in 1993. Both models were built at the Martorell plant, a lean factory networked with suppliers with a daily capacity of 1,500 vehicles which set a new productivity standard within the Group's production alliance by achieving a throughout time for a complete vehicle of less than 20 hours. But it seemed that progress in products and production came too late. Weighed down by the global economic crisis which reached its peak in 1993 and led to massive sales losses, the financial structure of the Group's Spanish subsidiary which was stretched by high investments in factories and model roll outs began to crumble. Volkswagen AG balanced the losses with a capital writedown in April 1994, laying the foundations for a fresh financial start. But the high financing cost of the Martorell factory combined with low equity capitalization required further support from Wolfsburg in the years to come as well.

The recession had clearly highlighted the latent structural problems with costs which curbed Seat sales levels as price competition on the European volume markets became tougher. The consolidation strategy deeply affected the factory structure of the Spanish company. In December 1993, the Volkswagen brand took over the Pamplona plant which built the Polo. Production of the Toledo was relocated from Barcelona to Martorell in fall 1994; once production of the Marbella small car series was stopped in early 1999, the Zona Franca plant, the very first Seat production facility, focused on building and supplying components to Martorell and other Group plants. By the end of 1994 the workforce had been cut by one third to 15,838 while the first measures to reorganize work began to take effect at Seat as at Volkswagen. Flatter hierarchies more than halved the number of management posts; the new collective agreement set about making work times more flexible.

Seat returned to profit in 1996 and earnings rose from DM 63 million in 2001 to 233 million euros in 2003. This was a phase of permanent upswing which gave the Volkswagen Group a boost as well, becoming the market leader in Spain in 1998 with a market share of 23.4 percent. Between 1996 and 2000, Seat sales grew from just under 340,000 to roughly 520,000 vehicles, with two-thirds of these models destined for export, not forgetting 90,000 Volkswagen, Polo and Caddy, built in Martorell along with the Seat Arosa, Ibiza, Cordoba, Leon, Toledo and Inca models. In the first year of the 21st century, Seat posted a good result in Spain, selling 174,179 vehicles and moving into second place in the new vehicle registration statistics with a market share of



QUALITY CONTROL OF THE TOLEDO

well over 12 percent. Sales subsequently began to decline, running at around 450,000 units until 2004. Seat reported a loss for the 2005 and 2006 financial years. The company's management responded to cost problems by continuously improving work organization and productivity, so that Seat returned to profit in 2007 with an almost unchanged level of sales. The Centro de Prototipos de Desarrollo (CPD) commissioned in January 2007 and the Design Center opened in October of the same year helped to speed up processes at the Martorell site. The functional organization and standard of technical equipment at the Design Center create optimum conditions for the 100 or so employees to transform their creativity into practice-oriented mobility concepts. As the direct link between development and series production, the CPD combines the functions of prototyping, modeling, pilot product development and series analysis under a single roof.



SEAT TRIBU STUDY

Reorganizing the way in which product generation is structured creates the prerequisites for innovative ideas and sustained progress in productivity. Economically speaking, Seat is therefore on the right track. And the new design line first unveiled by the Seat Tribu study in 2007 demonstrates that the brand famous for its "auto emoción" is heading for a successful future.

Škoda

A fundamental social and economic transformation began in 1989 as the Iron Curtain came down. Czechoslovakia, with its relatively well-developed industry seemed best equipped to make the transition from a planned to a market economy. From the viewpoint of the Volkswagen Group, this did not merely bring the prospect of a very promising sales market just across the border. The Czech automobile manufacturer Škoda was a prospective cooperation partner for entering emerging markets in Eastern Europe. There were many important reasons for participating in the state company from Mladá Boleslav. Škoda owned a brand rich in tradition which was very well known in the former Eastern Block countries and sold well. Furthermore, the Czech automaker already delivered vehicles to Western Europe, and Volkswagen believed that, with improvements to the model range, Škoda could expand its position further. Production structures at the plants in Mladá Boleslav, Vrchlabí and Kvasiny had been recently modernized to produce the Favorit from 1987 and expanding these low-cost capacities was not a problem. Combined with a well-trained and flexible workforce, Volkswagen was of the opinion that Škoda had everything it took to swiftly become a competitive member of the Volkswagen Group.



SIGNING OF THE JOINT VENTURE AGREEMENT 1991

The interest expressed by the Wolfsburg-based company met with a very positive response from the government in Prague, which took a liberal economic line, having already begun the process to privatize state-owned companies in 1990. Not only that – the government was looking for a strategic partner for Czech industry's flagship and one of the country's largest foreign exchange earners. So a self-confident Czech government began negotiations with interested automakers, calling for a clear commitment to the continued existence and further development of Škoda. Volkswagen took up this idea, since it coincided with the company's own plans for the future positioning of the new brand. At the same time, Wolfsburg indicated its willingness to make major investment. A total of DM nine billion was earmarked

over a five-year period for modernizing production facilities and expanding capacity to an annual 400,000 units. The commitment to integrate Škoda with its own model range as the fourth brand in the Volkswagen Group was of high symbolic value. On an equal footing with the other brands, the Czech automaker was to profit from the synergy effects and cost benefits of the global procurement and production alliance. On December 9, 1990, Prague gave Volkswagen the go-ahead to participate in Škoda. The joint venture agreement signed on March 28, 1991 set out the milestones of this partnership and laid the foundation for Volkswagen AG to acquire an initial 31 percent stake in the shares of “Škoda, automobilová a.s.” on April 16, 1991, assuming managerial control of the new subsidiary.

The automotive tradition of the company with its famous winged arrow logo stretched back to the 19th century. In 1895, the mechanic Václav Laurin and the book-seller Václav Klement set up a company called “Laurin & Klement”, which initially built bicycles and then moved into automobile production starting with the Voiturette A in 1905. The merger with the conglomerate named Škoda based in Pilsen in 1925 created a new, internationally active car manufacturer. The competence and financial strength of the new company was very impressive: the Mladá Boleslav firm brought a high standard of engineering and craftsmanship to the new company and was already an experienced carmaker. Škoda, active in the energy, transport and food industries, on the other hand, had what was missing at Laurin & Klement: capital and branches all over the world.



LAURIN & KLEMENT VOITURETTE A



THE ŠKODA PLANT IN MLADÁ BOLESLAV 1929

ŠKODA POPULAR



From 1926, the fruits of this merger were obvious at the Mladá Boleslav plant. New production facilities with assembly lines producing models ranging from the Typ 110 small car to the Typ 350 luxury vehicle and covering all vehicle segments were built. Reflecting the growing success of this business line, Škoda reorganized its carmaking activities as a subsidiary in 1930. Four new model series took the company through the years of crisis that followed. The Popular, Rapid, Favorit and Superb were synonymous with innovative vehicle design and production technology. The Popular, whose steel tube frame, transaxle construction and independent suspension made it a technically advanced vehicle, soon became the Czech equivalent of the Volkswagen, while the Rapid and Favorit set new standards in the mid-class. The extravagant and powerful Superb was Škoda's scintillating calling card in the luxury class. Sales figures did justice to these courageous yet economic concepts: in 1936, Škoda became the market leader in Czechoslovakia, with exports also playing a growing role in the company's success. The

FINAL ASSEMBLING IN MLADÁ BOLESLAV



advent of the Second World War brought the company's development to an abrupt halt. Allocated to Reichswerke Hermann Göring, the production of civilian vehicles took a back seat. Škoda instead became part of the war economy, producing aviation parts, munitions and trucks until 1945. The post-war order consigned Czechoslovakia to the Soviet powers, marking the start of a systematic industrial restructuring with far-reaching nationalization. As a consequence, the Škoda group was disbanded in 1946 and divided up among various collective combines. The plant in Mladá Boleslav and the Škoda brand were all that remained of the automobile division. However, a new perspective did develop under a planned economy. The Communist government was championing the cause of mass mobilization and was therefore interested in the continued existence of the Škoda plant. The Vrchlábí and Kvasiny plants were integrated at the end of the 1940s to boost capacity so that large numbers of the new model series could be built from 1955. The Škoda 440 and its derivatives with their beautiful lines and fuel

ŠKODA 1000 MB



economy put the company back on track. The Octavia sedan and the Felicia convertible were export hits. These revenues were ploughed back into Mladá Boleslav, where work on modern construction plant began in 1960. Just short of 460,000 units of the rear-engine Škoda 1000 MB left the assembly line here between 1964 and 1969, with over half of these models destined for export.

As the 1970s dawned, the planned economy began putting a spanner in the works of Czech industry's flagship. Exports crumbled as a lack of financial resources made it impossible to modernize either the model range or the production facilities. Even the vehicles sold in the 1980s were still mainly based on the outdated concept of the 1000 MB. In an effort to stem the creeping decline in competitiveness, Škoda began to search for new creative impetus, and found what it was looking for in Italian designer Nuccio Bertone. His blueprint reached series maturity in 1987 and came off the assembly line as the Favorit.

ŠKODA FELICIA



The fast-moving social change triggered by the “Velvet Revolution” in Czechoslovakia in November 1989 led Škoda into partnership with the Volkswagen Group in 1991. Investment and know-how from Wolfsburg was urgently needed to put Škoda in a position to respond to the dramatic collapse of East European automobile markets. The loss of these markets could initially only be compensated by a more intensive commitment in Western and Southern Europe. However, to survive in Western and Southern Europe, competitiveness had to improve significantly. The transformation process to bring this about lasted until the mid-1990s. Productivity doubled as a result of rationalization measures without triggering drastic job losses. Škoda was integrated in the Group's supply alliance, bringing further cost benefits and generating the company's first annual profits. Škoda also moved closer to customers with its own sales organization in Germany, Poland, Slovakia and Bosnia-Herzegovina, as well as expanding its dealer network. The Felicia unveiled in 1994 was the first sign of a successful integration in the

THE PLANT IN MLADÁ BOLESLAV 1996



Wolfsburg-based group. This jointly developed vehicle could hold its own with Volkswagen in terms of quality and technology and soon found international acclaim. However, the continuing recession in Eastern Europe made the capacity expansion to 400,000 vehicles a year announced in 1990 unrealistic, so Volkswagen slowed down the pace of development. Under the amended framework agreement with the Czech government of December 1994, Volkswagen, as Škoda's main shareholder, reduced the volume of investment to a total DM 3.8 billion DM and set annual production volumes at 340,000 vehicles. In a separate move, Volkswagen successively raised its stake to 70 percent by 1995, contributing a total of DM 780 million. On May 30, 2000, the Wolfsburg-based company purchased the remaining shares from the Czech government, thus making Škoda a wholly-owned subsidiary.

ŠKODA OCTAVIA



The foundations laid in previous years began to pay off in 1996. For Škoda, the new Octavia not only represented the successful expansion of the model range, but also marked the beginning of a new era in production technology and organization. The new facilities at Mladá Boleslav were the almost ideal embodiment of two key strategies in the Volkswagen Group. Systematic support for the local automotive supplier industry had established the industrial infrastructure around Mladá Boleslav required to make the transition to lean modular production. Moreover, the Octavia's technical roots in the standardized Group A4 platform guaranteed high quality and further cost savings. A good price-performance ratio, a high standard of vehicle safety, innovative technology and brilliant design characterize both the Fabia launched in 1999 and the Superb presented in 2001.

PRODUCTION IN KALUGA, RUSSIA



This attractive model range plus the profitability at the Mladá Boleslav, Vrchlabí and Kvasiny plants were the ideal prerequisites for successful internationalization. With the commissioning of the CKD plant in Aurangabad (India) in 2001, Solomonovo (Ukraine) in 2003 and Ust-Kamenogorsk (Kazakhstan) in 2005, Škoda played a pioneering role in developing high-growth emerging markets in Asia and Eastern Europe. Other Group brands now also profit from this early commitment. The Volkswagen plant in Russia opened at the end of 2007 also builds vehicles bearing the winged arrow logo, while India's Škoda plant also assembles the Passat and the Audi A6. The production alliance in India is likely to trigger further synergy effects when Volkswagen commissions its Indian facility to produce a Volkswagen brand small car as well as the Škoda Fabia in 2009.

The presence on emerging markets, particularly the launch of the product range in China in 2007, combined with a solid competitive position in Europe, helped the Škoda brand to achieve the company's best results ever in 2007 with 630,000 vehicles delivered to customers and a profit of 712 million euros. Regardless of whether it is seen as Eastern Europe's largest automaker or as a reliable supplier of engines and gearboxes – the tradition-rich, innovative and high-earnings brand from the Czech Republic is today, a good 15 years since its take-over, an indispensable part of the Volkswagen Group.

Volkswagen Financial Services

Financial services acquired a prominent position among the Volkswagen Group's sales support tools at the beginning of the 1990s. Following the successful merger of leasing and banking services in 1992 to form "Volkswagen Finanz GmbH", a further strategic reorganization came into effect on January 1, 1994, when all of the Group's European financial services operations were spun off and regrouped under the new holding company named "Volkswagen Financial Services AG" (VWFS). By the end of the same year, two further financial services subsidiaries had also been added, underscoring the international orientation of the newly-founded financing group. Separating financial services from the automotive division made it possible to fine-tune the two business fields more effectively and ensured a more accurate assessment of the various risks. Moreover, the know-how transfer and the standardization of product offerings and marketing strategies brought the prospect of a rise in earning power. In 1994, VWFS with its workforce of 2,236 provided financing and leasing services in seven European countries (Germany, France, Spain, Italy, the Czech Republic, Slovakia and the United Kingdom). Germany accounted for three-quarters of the 663,000 vehicle financing contracts and 437,000 vehicle leasing contracts. In April 1999, VWFS added a third field of business to complement automobile financing and leasing activities, taking over the Wolfsburg-based "Volkswagen Versicherungsdienst GmbH" (VVD), which also boasted a long and successful history.



HEADQUARTERS IN BRUNSWICK

VVD was founded on February 10, 1948 by notarial authentication of the shareholders' agreement and entry in the commercial register of Fallersleben district court on February 28, 1948. Until then, the Volkswagenwerk, which was under the administration of the British authorities, had produced almost exclusively for the Allies. Following the currency reform, military demand for transportation was replaced by rapidly expanding demand among private customers. With the approval of the Volkswagen organization, VVD, whose shares had been transferred to the company's shareholder Christian Holler in October 1949, devised a low-cost automobile insurance package which was extended and expanded over the years and marketed by Volkswagen dealer sales personnel who were given ongoing training in insurance issues. This package of products and services

VVD HEADQUARTERS IN WOLFSBURG 1987

designed to enhance customer loyalty was instrumental in ensuring the rapid expansion of VVD as the Beetle boom went from strength to strength. By 1961 VVD had issued its 500,000th policy, the company had a workforce of 323 as well as an efficient network of field agents with twelve branches in Germany and offices in Austria, Italy and the Netherlands. A further two subsidiaries were established in the United Kingdom and France in 1962. In the same year, VVD expanded its product range to include its “Europa-Schadendienst”, having arranged the direct settlement of cover claims with importers. Combined with the fast-track settlement of personal liability claims introduced in 1972, VVD now offered an unparalleled insurance service which guaranteed customers the swift and cashless settlement of personal liability claims at 2,400 service partners



throughout Europe and brought VVD further growth. In 1982, VVD, with total premiums collected of some DM 400 million, was ranked ninth in a survey of 100 automobile insurance companies. By 1983, the number of automobile insurance policies had passed the 600,000 mark, a fact that highlighted the importance of VVD for the sales policy of the Wolfsburg-based automaker. The Volkswagen used cars warranty underwritten by VVD introduced in 1983 further strengthened customer loyalty at authorized workshops. With favorable premiums, refunds almost every year, the Europe-wide claims service and the close-knit field service, VVD was without doubt an important sales tool for the Volkswagen Group when it was integrated in VWFS at the end of the 1990s.



OPEN PLAN OFFICE AT VW CREDIT BANK 1973

Unlike the insurance business, automobile financing had been an in-house activity right from the start. “Volkswagen-Finanzierungsgesellschaft mbH” (VFG) founded on June 30, 1949 gave the Wolfsburg-based automobile manufacturer, at that time still under the administration of the British authorities, a sales promotion tool at an early stage in its existence which fulfilled an important counterbalancing function given the gap in purchasing power in Germany. On average VFG financed 13 percent of domestic sales from 1950 to 1952 by granting customer loans, while dealer purchasing finance was hardly used to begin with. Subsequently, business in competition with banks and saving banks developed well, although it was at times somewhat changeable. In 1961, VFG concluded 24,668 contracts with Volkswagen buyers, more than double the number for 1953. There were 2,152 contracts with dealers, indicating that the need for financing was growing as inventories increased, reflecting the transition from a seller’s market where demand exceeded supply to a buyer’s market. This trend resulted in a shift in business activities, with VFG financing

loans for vehicles in stock from parent company funds from 1963. Mid-1965, however, saw VFG assuming responsibility for this lucrative business, concluding 345,205 contracts that year. Earnings increased as stocks rose during cyclical downturns, which meant that the company’s commercial success did not follow the same curve as sales developments of the Volkswagenwerk. VFG posted one of its best performances in the 1967 recession year, not only reporting a profit of approximately DM 462,000, but also allowing for an equity increase of DM 600,000.

Continuous growth over the ensuing period drove sales from purchase financing in 1972 to more than DM 3 billion, in addition to the DM 224 million generated from loans to over 47,000 Volkswagen customers. Given these financing volumes, the company was converted into a bank called “VW Kredit Bank GmbH” on January 1, 1973. The financial services provider survived the recession and the company crisis in 1974/75 with no financial damage. However, it bowed to increasing cost pressure by combining all bank



THE V.A.G KREDIT BANK IN BRUNSWICK 1989

businesses in Wolfsburg. In June 1975, the Ingolstadt-based subsidiary “Audi NSU Kredit Bank GmbH” merged with the parent company which was from now on also responsible for Audi customers and dealers. Following the establishment of a joint Volkswagen and Audi sales organization, this pooling of competences culminated in the new name of “V.A.G Kredit Bank GmbH” and the registered office was relocated to Brunswick.

With competitive financing offers, efficient cost management and rising profits, the financial services provider kept pace with the Volkswagen Group’s volume strategy in the 1980s. The workforce almost doubled during this period – the headcount of 202 in 1980 rose to 400 in 1989. At the same time, the balance sheet total rose to just under DM 4.6 billion and customer financing once again became the predominant field of business. The full-service bank license was granted in 1990, and this was followed by entry into the deposit business and the introduction of a credit card package comprising Mastercard and VISACard as well as a new

name – “V.A.G Bank GmbH”. This step into direct banking business triggered an enormous surge in growth for the next decade and was accompanied by organizational restructuring in the field of financial services. The Volkswagen Bank and Audi Bank were set up as branches of V.A.G Bank GmbH in 1990, followed by the SEAT Bank and the Škoda Bank in 1991, while in early 1992 the financial services and leasing companies were brought together under the umbrella of Volkswagen Finanz GmbH founded in March 1991.

Volkswagen was one of the first German automakers to systematically expand the leasing business. “Volkswagen Leasing GmbH” (VLG) registered in Wolfsburg was set up in October 1966 with a view to leveraging the sales potential offered by this up-and-coming mobility service which already accounted for ten percent of new vehicle sales in the USA. The subsidiary coordinated and supported customer acquisitions initiated by the sales organization, providing ongoing training for dealers, developing competitive leasing products and steering marketing and PR measures.

Moreover, VLG began activities in the capital goods leasing sector in 1968, hiring out diagnosis equipment and other facilities to sales partners. Vehicle leasing services initially focused exclusively on trade and industry and the self-employed professions. As early as 1969, VLG had already introduced complete solutions covering wear-and-tear repairs as well as diagnosis and vehicle maintenance with a view to strengthening customer retention and extending the value chain. VLG enjoyed a competitive edge for these services in the form of some 4,000 service partners from Volkswagen, Audi and NSU throughout Germany. Moreover, rising costs in Germany and the associated liquidity squeeze felt by companies spurred business. The number of leased vehicles rose from 4,151 in 1969 to just under 29,000 in 1975, with profit rising from around DM 500,000 to in excess of DM 20 million during the same period. Only 327 of the approximately 10,000 lessees were key accounts with fleets of more than ten vehicles, while the share of small businesses in the number of vehicles delivered had grown to roughly 65 percent. The associated rise in administrative costs was offset by organizational rationalization, particularly the switch to a computer-based stock control and invoicing system in 1973.

The swift and efficient administration paid off when VLG opened the leasing business to private customers in May 1977. After an intensive advertising campaign, this customer grouping represented roughly 13 percent of all clients in 1980. From 1975, the extended range of products and services included motor vehicle tax and car insurance, advance financing of accident costs and claims settlement.

The 'Europa-Service' set up in 1978 guaranteed all customers a standardized and cashless service in 15 European countries. With its product offerings specially tailored to the needs of specific customer groups and with variable conditions for key accounts, V.A.G Leasing GmbH, which relocated to Brunswick in 1982, continued on its successful course. Although competitive pressure increased enormously in the 1980s, the company maintained its leading position on the passenger car leasing market first won in 1968. At the turn of 1992, the company with its workforce of 432 and an inventory of 349,000 vehicles was integrated in the finance holding company, where the merger with the bank opened the prospect of favorable refinancing opportunities.

VWFS became an international company with its range of banking, leasing and insurance services. The economic upswing that followed the 1993 world economic crisis created favorable conditions for the envisaged global growth of VWFS, which assumed responsibility for the Group's financial services in the Asia-Pacific region in 1996. By 2003, subsidiaries had been established in China, Japan, Thailand, Australia, Taiwan and Singapore, with the Singapore operation responsible for steering activities in the Asia-Pacific region. The representative office in Beijing, which was opened as early as 1996, acquired its license in 2004 and was the first European financial services provider to begin operating in China. The second path to internationalization took VWFS into as yet uncharted European growth markets and was based on the principle that financial services follow automotive business. VWFS set up a leasing company and a bank in Poland in 1996/97, a financing com-



FINANCIAL SERVICES AT VOLKSWAGEN DEALERS

pany in cooperation with the importer in Turkey in 1999, and “Volkswagen Group Finance OOO” in Moscow in 2003. Cooperation agreements linked VWFS with the Volkswagen Group’s financial services providers in North and South America, with VWFS providing strategic consulting.

The Volkswagen Bank also went international, and had become a European bank by 2001, opening branches in Belgium, Ireland, Spain and Italy. With deposits totaling DM 4.5 billion, the bank now held the position of Germany’s second largest direct bank and the introduction of the on-

line current account marked the final step towards offering a comprehensive product program and becoming a primary bank for all banking transactions. AutoCredit established itself as an attractive alternative to ClassicCredit. This innovative form of automobile financing, which combined low installments with the option to purchase, arrange follow-on financing or return the vehicle for a guaranteed price at the end of the contract, became a bestseller. By the end of 2001, the number of contracts for this innovative product had risen to 351,000, or approximately one-third of all customer financing.

As far as dealer financing was concerned, VWFS prepared its response to the anticipated abolition of block exemption and made the necessary arrangements to develop new customer potential outside the Volkswagen Group. Established as a branch of Volkswagen Bank, Europcar Bank began by offering financial services for mobile home traders, subsequently expanding these services to cover multi-brand and independent used-car dealers. Entry into the manufacturer-independent business, a field of business also taken up by some international subsidiaries, contributed to the rise in the number of customer financing contracts to 1.312 million. This meant that contracts had more than trebled in number since 1991.

Volkswagen Leasing business grew steadily between 1993 and 2003. The number of leasing contracts rose from 404,000 to 534,000. Two-thirds of leasing contracts were concluded in Germany, the remainder in Europe and Japan. Similar to the success in financial services business, national and international success in this field was due to consulting competence, swift processing and a range of products tailored to the needs of the different customer groups with standardized basic modules adapted to suit different national requirements. Since the mid-1990s, sales volumes had begun to swing from private customers to key accounts, so competition-intensive fleet management was one focus of activities. In this market, Volkswagen Leasing offered the full range of services starting with the vehicles themselves, through complete insurance cover, claims settlement and maintenance through to detailed operating cost accounting.

The last few years have not only been characterized by the evolution into an international group, but also by the strategic reorientation as a mobility service provider. Following the trend towards international fleet concepts, leasing business not only covered Volkswagen Group vehicles. VWFS took the decisive step in this direction in 2004, acquiring a majority stake in "LeasePlan Corporation N.V.". The European market leader brought the necessary scale effects for profitable fleet management as well as a presence on international markets, putting VWFS in a position to expand its market standing as a global mobility group and extend its range of products and services.

The take-over of Volkswagen Versicherungsdienst GmbH on April 1, 1999 accelerated the transition from a financial services provider to a mobility group. VWFS thus established a third field of business to complement banking and leasing services. As one of the ten largest automobile insurers in Germany, VVD administers almost one million policies and has know-how spanning more than 50 years. VVD can also build on long-standing close cooperation with Allianz-Versicherung. Under this successful cooperation, policies concluded by VVD are passed on to Allianz. There has been massive expansion of the insurance business under the umbrella of VWFS. By 2006, the number of contracts had almost doubled to more than 1.8 million. In that year alone VVD reported over 200,000 new policies. The attractive all-inclusive packages introduced in 2006 combine comprehensive insurance, warranty and maintenance services. These products developed by sales experts from the various Group brands and tailored to the needs of specific customer groups pave the way towards the future of mobility services.

VWFS has held responsibility for coordinating Volkswagen Group financial services worldwide since 2006 and has oriented its corporate structures to cater for the growing volume of tasks. In 2006, responsibility for operational business in Germany was transferred from the holding to the German subsidiaries; steering functions for the organization, which is now divided into five regions, were allocated at Board level. In 2007, VWFS was allied with companies in 35 countries through participations or service agreements. 3,856 employees in Germany and a further 2,283 in other countries generated a balance sheet total of just under 52.3 billion euros, with a profit of 809 million euros making a substantial contribution to the Volkswagen Group's profit. International expansion and product diversification have transformed VWFS into the leading European mobility service provider. The significance of VWFS for the multi-brand Volkswagen Group extends well beyond sales support and customer retention. Global mobility services are in fact a strategic component of the Volkswagen Group's value chain and the Group can definitely continue to count on the growth momentum of its high-earning subsidiary Volkswagen Financial Services going forward.



Volkswagen Commercial Vehicles

The Volkswagen Commercial Vehicles brand was not simply added to the Group but grew organically within Volkswagen. Officially, the brand was established in July 1995 with a view to pooling the commercial vehicle expertise and resources of the Group. Although Volkswagen Commercial Vehicles was not established as an independent company, it joined the Volkswagen brand as an organizational umbrella and future controlling body for the Group's international commercial vehicle business. The Group had decided on this step in view of the growing importance of its commercial vehicle business line, which recorded sales totaling about 10 billion DM from its main Hanover plant and its international facilities in Poland, Spain, Brazil, Mexico and South Africa in 1995. The product range, including the Caddy, Pick-Up, Transporter and Caravelle as well as the LT and heavy trucks, bore witness to the development of the brand. In 1996, the Multivan was added to the T4 range, introducing a modern version of a product line that had already formed part of the first Transporter generation.

The history of Volkswagen Commercial Vehicles starts with an anecdote. Dutch Volkswagen importer Ben Pon allegedly set the ball rolling when he produced a sketch of a new model with rear engine and box-shaped body after a visit to the Volkswagen plant in 1947. It is not known whether his sketch actually found its way to the design office and started the development of the "Type 2". At any rate, series production of the new model started at Wolfsburg on March 8, 1950, establishing a new vehicle class and laying what has remained the essential cornerstone for the success of Volkswagen's commercial vehicle business to this day. The multifunctional Transporter was launched at the right time

to satisfy Germany's need for vehicles in the era of reconstruction and the Wirtschaftswunder. Between 1950 and 1960, strong demand, especially from small businesses in Germany and Europe, boosted production from about 8,000 to 151,000 units per year. In 1954, domestic sales were already overtaken by exports, which were almost double sales in Germany from 1958 onwards. The capacity available at Wolfsburg was simply inadequate to meet such strong demand from abroad, especially since booming Beetle sales were keeping the production lines busy. This was why Transporter production was relocated to the new plant at Hanover-Stöcken, where the first vehicles were assembled in March 1956. In September 1957, production of the versatile Transporter also started at Volkswagen do Brasil; Volkswagen commercial vehicles had a key role to play in the industrialization of Brazil.



A SYMBOL OF THE WEST GERMAN ECONOMIC
MIRACLE: THE TRANSPORTER

TRANSPORTER AS A HIPPIE-CAR



The Type 2 already developed its second role, as a family and leisure vehicle, in 1951, when the Samba-Bus and the Camper Box were introduced. In the 1960s, this product group became an export bestseller, especially in the USA, where the Station Wagon defined a new product line and reached its highest sales figures to date as the preferred means of transport of the flower power generation. In 1970, Volkswagen sold some 287,000 Transporters, with almost a quarter going to the USA, and the workforce at Hanover reached 27,744 at year-end.

The diversification of the commercial vehicle range started in the mid-1970s. With the launch of the LT, Volkswagen ventured into the light truck segment. Its truck know-how was reinforced by cooperation with M.A.N. leading to the launch of a new light truck range at Hanover in 1979. In 1981, Volkswagen entered the heavy truck segment after restructuring a subsidiary acquired from Chrysler and then merged with Volkswagen do Brasil to form a commercial

THE LT



vehicle producer. The start of production of 11- and 13-ton trucks in March 1981 also marked the first step in the internationalization of commercial vehicle production. The second step was the launch of a pick-up based on the Golf platform. This was first produced by Volkswagen of America from 1980 and then, as the Caddy, by Yugoslavian affiliate TAS from 1982.

The expansion of the commercial vehicle range compensated for the export losses in the USA which started in 1972. In the 1980s, only 121,000 third-generation Transporters were sold there and total Transporter sales were about 150,000 units per year from 1983 to 1989. Flagging sales of the pioneering model were mainly due to tougher competition and increasing differentiation within the market segment. Volkswagen reacted to this development in 1983 by launching the Caravelle, a well-equipped passenger car which laid the foundations for the independent family and leisure variant of the Transporter range. In addition,

THE PLANT IN HANOVER 1972



Volkswagen added the Taro and Hilux pick-ups, produced in cooperation with Toyota, to its commercial vehicle range. The new models rolled off the production line at Hanover from 1987. The changeover to the T4, the first Transporter with a front engine and front wheel drive, in 1990 was accompanied by comprehensive automation of the production process. Initially, the new generation boosted business in Europe before the global recession curbed sales and production in 1993. The following year, Volkswagen delivered 86,442 commercial vehicles to the German market, 61,165 to other countries in Europe and 276,129 units throughout the world. About half of these vehicles were produced at Hanover and the remainder at Volkswagen plants in other countries.

Following the establishment of the brand, the Volkswagen Group pooled its international commercial vehicle business at Hanover. In September 1997, Volkswagen Commercial Vehicles was also given product and profit responsibility

JOINT PRODUCT WITH TOYOTA: THE TARO



for Volkswagen Poznan Sp.z.o.o., a wholly owned Group subsidiary which had developed from a joint venture with a Polish agricultural vehicle manufacturer. The growing company assembled the Transporter from CKD kits supplied by Hanover and had continually increased its output since production had started. The second step in the internationalization of the Volkswagen Commercial Vehicles brand came on January 1, 2000, when the brand assumed responsibility for the industrial control of Brazilian commercial vehicle operations at the Resende plant. At Resende, Volkswagen do Brasil had built a new production facility based on the concept of the modular factory for trucks in the 7 to 42 ton weight classes and two bus series in cooperation with seven partners from the components industry. Resende, located 160 kilometers to the east of Rio de Janeiro, was officially inaugurated in November 1996. The plant established what was probably a unique model for cooperation with suppliers within the international Volkswagen production network, going far beyond just-in-time

TRUCK ASSEMBLING IN RESENDE



production. Key suppliers had formed a module consortium with Volkswagen do Brasil and assumed responsibility not only for module production on site but also for vehicle assembly. Only about 200 of the total workforce of some 1,200 were Volkswagen employees. The plant produced vehicles mainly for the Brazilian market and for export to neighboring South American countries, especially Argentina, Chile and Bolivia.

South America was a key growth region for Volkswagen Commercial Vehicles; the significance of the brand within the Volkswagen Group had been underscored by the introduction of a brand Board of Management as of July 1, 2000. The "Series 2000" truck range, produced at Resende and including 15 models in a number of different weight classes, boosted deliveries in Brazil by 44 percent to 16,410 trucks and buses in 2000. In the light commercial vehicle segment, Volkswagen also gained ground on the Brazilian market, reaching a market share of 20 percent. All in all, brand sales

TRUCK OF "SERIES 2000" RANGE



grew by six percent to almost 329,000 units and pre-tax profit reached DM 514 million. The unit, which traded as "Truck and Bus South America Operations" from 2001, also boasted dynamic growth in the years that followed. In 2003, Volkswagen Commercial Vehicles became the market leader in the Brazilian heavy truck segment. That year, Resende sold 23,000 trucks and 6,000 buses, mainly in South American markets. VWN underpinned this leading position in 2006 when it launched the Constellation truck range, the first range to also be produced and marketed in South Africa.

Following a phase of internationalization which also entailed consolidation measures, the Volkswagen Commercial Vehicles brand switched over production at its Hanover and Poznan plants to the next commercial vehicle generation. The Poznan plant, designed for an annual capacity of 80,000 bodies, commissioned a paint shop in May 2001.

This heralded the development of the Polish Volkswagen subsidiary from an assembly plant to a fully fledged production facility. After a body shop had been constructed, the plant started exclusive production of the third Caddy generation in November 2003. Before that, the model change-over to the T5, produced in two more strongly differentiated Transporter and Multivan/Caravelle versions, had been completed in March 2003. The visible differences between the two product lines were in line with the different demand structures of commercial and private customers and allowed marketing strategies to be tailored more closely to the distinctive requirements of the two customer segments. Flexibility, with individually tailored solutions, remained the key to success both for the minivan line and for the Transporter, which was available as a classical panel van, Kombi, dropside van, double cab version or chassis, with eight different body types, three heights and 375 equipment variants. The quality of large body parts had been improved in 2001 by the commissioning of a large suction press, which also boosted productivity. In 2003, the T5 secured market leadership in the van segment for Volkswagen in Germany and Europe.

Nevertheless, Volkswagen Commercial Vehicles posted a loss after only recording a profit in 2001 and 2002 thanks to the positive results of the Resende plant. The losses were due not only to falling sales but also to the investments required for the production launch of the new models. In 2002 alone, these investments reached about a billion euros, but they provided the impetus which was essential for growth, the effects of which are still evident today. Especially the Caddy, produced at the Poznan plant on the Golf platform, played



LARGE SUCTION PRESS AT HANOVER PLANT

a key role in growing sales. With global sales in excess of 100,000 units, the urban delivery van introduced in 2004, which is also available in a Kombi version with up to seven seats, became the bestselling vehicle in its class in Germany. All in all, Volkswagen Commercial Vehicles recorded sales growth of 44 percent. The same year, the Polish plant switched over from the assembly of parts kits supplied by Hanover to the production of the Transporter. As a result, even though sales of the Transporter rose, T5 production at Hanover fell by more than 20 percent. This capacity shortfall was closed by growing demand in 2005 and the Resende plant posted a new production record at more than 38,000 vehicles. Deliveries by Volkswagen Commercial Vehicles reached their highest level to date in 2007. The 489,000 units sold included 191,000 T5s, 147,200 Caddies and 46,200 units of the Crafter, the successor to the LT



FINAL ASSEMBLING OF THE CADDY IN POZNAŃ

introduced in 2006 and produced in cooperation with the manufacturer Daimler AG at its Stuttgart and Ludwigsfelde plants. South American brand affiliate Trucks & Busses, which had opened a new modular factory at Puebla (Mexico) in October 2004 and a truck plant at Uitenhage (South Africa) in August 2006, boosted vehicle sales by a quarter to 46,500 units. The 3,000 employees therefore played their part in the record profit posted by the brand, which reached 305 million euros, more than double the figure for the previous year.

After more than 50 years of success in commercial vehicle business, the Volkswagen Commercial Vehicle brand now has a total workforce of 19,700 employees and is one of the most highly regarded suppliers of trucks and buses. The brand has followed up its pioneering role in the Transporter



THE VOLKSBUS

segment by becoming a market leader in many segments in Germany and other European countries. In the European Economic Area, Volkswagen Commercial Vehicles took the lead in new registrations of light commercial vehicles for the first time in 2007, with a market share of 15 percent. The highly-differentiated range of products for trade and private use included six model lines which can be tailored to customers' individual needs using hundreds of different options. The Trucks and Busses division also produced five model lines. These models are multifunctional and versatile, of high quality and solid value, they are environmentally compatible and reliable, and they embody the organically developed brand values that have won a sustainable position on the international market for Volkswagen Commercial Vehicles.

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