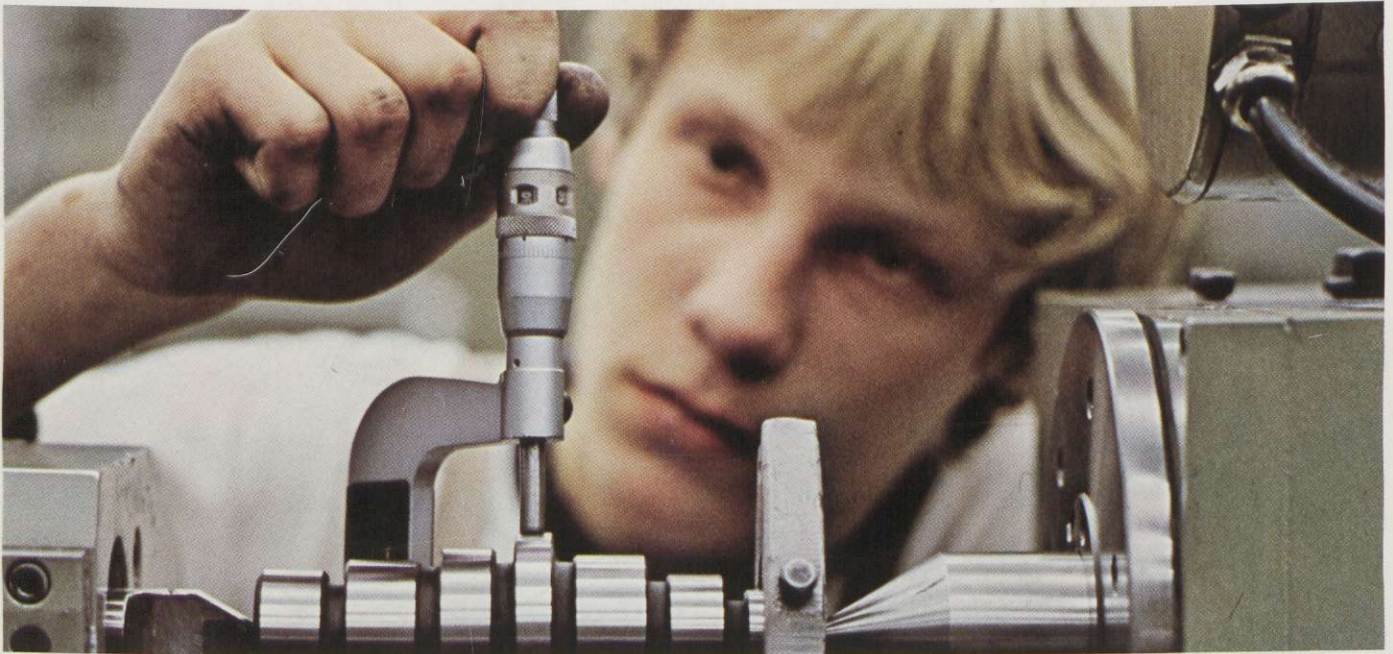




**Annual Report
1982
Volkswagenwerk
Aktiengesellschaft
Wolfsburg**



The Supervisory Board
and the Board of Management of
Volkswagenwerk Aktiengesellschaft
present the Annual Report 1982
with their compliments.

Wolfsburg, April 1983

Volkswagen Group		1982	1981	Increase (Decrease)	% ¹⁾
Sales	million DM	37,434	37,878	(444)	(1.2)
Vehicle Sales	units	2,119,918	2,279,040	(159,122)	(7.0)
Production	units	2,130,075	2,245,611	(115,536)	(5.1)
Workforce	at year end	239,116	246,906	(7,790)	(3.2)
Capital Investments (Additions)	million DM	4,892	4,851	41	0.8
Depreciation and Write-down	million DM	3,038	2,934	104	3.6
Cost of Materials	million DM	19,573	19,752	(179)	(0.9)
Labour Cost	million DM	12,069	11,779	290	2.5
(Loss) Net Earnings	million DM	(300)	136	(436)	x
Dividend of Volkswagenwerk AG	million DM	—	120	(120)	x

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

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Supervisory Board (Aufsichtsrat)

abgeordnet

Dr. rer. oec. Berndt Hill (51) - Vorstand
 Direktor der Bundesbank
 Leiter der Abteilung für die Außenwirtschaft
 Dr. rer. oec. Otto Lorenz (57) - Vorstand
 Untersekretär der Abteilung für die Außenwirtschaft
 Dr. rer. oec. Alfred Gerns (41) - Vorstand
 Leiter der Abteilung für die Außenwirtschaft
 Dr. rer. oec. Hans-Joachim Lauth (43) - Vorstand
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Board of Management (Vorstand)

**We honour the memory
 of all those employees
 who have passed away**

Dr. rer. oec. Hans-Joachim Lauth (43) - Vorstand
 Leiter der Abteilung für die Außenwirtschaft
 Dr. rer. oec. Alfred Gerns (41) - Vorstand
 Leiter der Abteilung für die Außenwirtschaft

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 Dr. rer. oec. Alfred Gerns (41) - Vorstand
 Leiter der Abteilung für die Außenwirtschaft

Agenda

for the
Annual Meeting of Stockholders
of
Volkswagenwerk
Aktiengesellschaft
to be held at 10.00 a.m.
on Thursday, June 30, 1983
at the Stadthalle in Wolfsburg

1. Presentation of confirmed financial statements for the year ended December 31, 1982, the Annual Report for 1982 together with the report of the Supervisory Board, the recommendations on allocation of net earnings available for distribution, the consolidated financial statements for the year ended December 31, 1982, and the Annual Report of the Volkswagen Group for 1982
2. Resolution on allocation of net earnings available for distribution

The Supervisory Board and the Board of Management recommend that, out of the net earnings available for distribution in the amount of 38,327,309 DM, the sum of 26,350,025 DM should be carried forward and that the sum of 11,977,284 DM should be employed on covering additional expenditure arising if the Annual Meeting resolves as recommended by the Management.

3. Resolution on ratification of the actions of the Board of Management for the fiscal year 1982
4. Resolution on ratification of the actions of the Supervisory Board for the fiscal year 1982

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

5. Appointment of auditors for the fiscal year 1983

The Supervisory Board proposes that the TREUARBEIT Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover, should be appointed as auditors for the fiscal year 1983.

We honour the memory
of all those employees
who have passed away

Supervisory Board (Aufsichtsrat)

Karl Gustaf Ratjen (63), Frankfurt
Chairman
Chairman of the Board of Management of Metallgesellschaft AG

Eugen Loderer (62), Frankfurt
Deputy Chairman
Chairman of the Metalworkers Union

Birgit Breuel (45), Hanover
Minister for Economic Affairs and Transport of Lower Saxony

Dr. jur. F. Wilhelm Christians (60)
Düsseldorf
Member of the Board of Management of the Deutsche Bank AG

Siegfried Ehlers (58), Wolfsburg
Chairman of Group Works Council of Volkswagenwerk AG

Dr. rer. pol. Hans Friderichs (51)
Frankfurt
Member of the Board of Management of the Dresdner Bank AG

Albert Hoffmeister (54), Wolfsburg
Senior Executive of Volkswagenwerk AG

Hans-Günter Hoppe (60), Berlin
Former Member of the Berlin Senate

Walther Leisler Kiep (57), Bonn
Businessman (Insurance)

Gerd Kühn (60), Frankfurt
Trade Union Secretary to the Executive Committee of the Metalworkers Union

Hans L. Merkle (70)
Stuttgart
Chairman of the Management of Robert Bosch GmbH

Karl Heinrich Mihr (47), Kassel
Chairman of Works Council of Volkswagenwerk AG
Kassel Plant

Gerhard Mogwitz (49), Hanover
Chairman of Works Council of Volkswagenwerk AG
Hanover Plant

Walter Neuert (57), Ingolstadt
Chairman of Joint Works Council of AUDI NSU AUTO UNION AG

Heinz Pabst (51), Brunswick
Chairman of Works Council of Volkswagenwerk AG
Brunswick Plant

Manfred Pusch (44), Wolfsburg
Deputy Chairman of Group Works Council of Volkswagenwerk AG

Dr. agr. Burkhard Ritz (51), Hanover
Minister of Finance of Lower Saxony

Dr. rer. pol. Otto Schlecht (57)
Bonn-Duisdorf
Undersecretary of State in the Federal Ministry for Economic Affairs

Toni Schmücker (61), Essen
Former Chairman of the Board of Management of Volkswagenwerk AG

Dr. rer. pol. Albert Schunk (41)
Frankfurt
Trade Union Secretary to the Executive Committee of the Metalworkers Union

Retired from the Supervisory Board:

Walter Martius (63)
Velbert-Langenberg
Business Consultant

Kurt Ernst Schmiedl (58), Emden
Former Chairman of Works Council of Volkswagenwerk AG
Emden Plant

Dr. rer. pol. Horst Schulmann (49)
Bonn
Former Undersecretary of State in the Federal Ministry of Finance

Board of Management (Vorstand)

Dr. rer. pol. Carl H. Hahn (56)
Chairman of the Board of Management

Horst Münzner (58)
Deputy Chairman of the Board of Management
Purchasing and Logistics

Claus Borgward (44)
Quality Assurance

Karl-Heinz Briam (60)
Personnel and Social Matters
(Director of Labour Relations)

Prof. Dr. techn. Ernst Fiala (54)
Research and Development

Dr. jur. Peter Frerk (52)
Legal Matters,
Auditing and Economics

Dr. jur. Wolfgang R. Habel (59)
AUDI NSU AUTO UNION AG

Günter Hartwich (47)
Production

Dr. rer. pol. Werner P. Schmidt (50)
Sales

Dr. rer. pol. Rolf Selowsky (52)
with effect from May 6, 1982
Finance and Business Administration

Report of the Supervisory Board

During the year under report the Board of Management kept the Supervisory Board regularly informed regarding the status, business activity and corporate policy of the Company. Steps requiring the prior approval of the Supervisory Board, either by law or under the Company's articles of association, were discussed in detail at meetings of the Supervisory Board and of its committees before a final decision was taken. A regular check was kept on the management of the Company's affairs by means of written and verbal reports produced by the Board of Management.

The financial statements for the Group and Volkswagenwerk AG to December 31, 1982, together with the Annual Report, have been submitted to the Supervisory Board. The auditors, TREUARBEIT Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover, have examined the above financial statements together with the Annual Report and the books, and have issued an unqualified certificate of approval.

Having studied the financial statements of Volkswagenwerk AG and the Annual Report, the Supervisory Board has no objection to raise in their regard. The Supervisory Board accordingly concurs with the auditors' findings and approves the annual

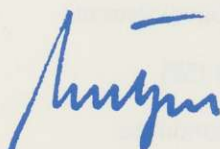
financial statements, which are hereby confirmed. It likewise concurs with the recommendations of the Board of Management on the allocation of net earnings available for distribution.

Herr Walter Martius and Herr Kurt Ernst Schmiedl have left the Supervisory Board, as they were not re-elected at the 1982 election of members.

There have also been some changes among the members appointed by the Federal German Government and the State of Lower Saxony under § 12 of the articles of association in conjunction with § 101 subsection 2 of the Corporation Law. The State of Lower Saxony has appointed Dr. Burkhard Ritz, the Minister of Finance of Lower Saxony, to replace Herr Walther Leisler Kiep, who had resigned his seat, with effect from July 1, 1982. The Federal German Government has released Dr. Horst Schulmann from his appointment, with effect from January 26, 1983, and has appointed in his place Herr Walther Leisler Kiep as a member of the Supervisory Board.

The Supervisory Board thanks Herr Martius, Herr Schmiedl and Dr. Schulmann for their many years of meritorious service and their valuable advice.

Wolfsburg, April 7, 1983



The Chairman of the Supervisory Board

Report of the Board of Management

General Survey

The upturn in the world economy which many had expected failed to materialize in fiscal year 1982. Instead, the world economic situation was characterized by an overall downturn in demand, growing unemployment, high interest rates and increased national indebtedness. World trade was adversely affected by the tendency in a number of countries towards stricter protectionist measures.

Despite the existence of certain positive factors, economic development in West Germany suffered a setback. The real gross national product, following a period of stagnation, declined in 1982 by 1.1%. The unemployment figure had risen to over 2.2 million by the end of the year. Economy was also visibly affected by the decline in exports which set in towards the middle of the year. The lower rates of inflation and interest rates in the second half of the year have not yet led to any significant revival of economic activity.

Investments, as in the past, were insufficient. Government incentives had no appreciable effect as regards inducing industry to show greater propensity to invest. Lower capacity utilization and reduced earnings were scarcely likely to promote investment.

1982 will probably prove to be the year in which the downward trend which has been a feature of the US economy since 1978 finally bottomed out. The US national product sank by 1.8%, while the balance of current transactions closed with a deficit of 8.1 billion US\$. One of the most serious problems for the American economy is the high rate of unemployment, which, at over 10%, is the highest since 1941. The sharp increase in the number of bankruptcies and the lower rate of capacity utilization, along with a decline in industrial production of over 8%, are concrete indications of the scale of the recession. Since the turn of the year, however, there have been some modest signs of an upturn in the economic situation.

For the Latin American countries, 1982 was one of the most difficult years so far experienced. For the first time since World War II their combined national accounts failed to register any growth, and there was in fact a slight decrease. This was accompanied by rising inflation rates, a growing shortage of funds and a sudden jump in the volume of unemployment. As regards foreign trade, their combined indebtedness, estimated at more than 300 billion US\$ at end 1982, and the need to restructure it, has above all else created problems for the world banking system.

Developments in the economies of most West European countries were uneven. Whereas some still managed to show a modicum of growth in the national product, others were unable to avoid a decline. For the majority of European industrialized countries unemployment was an even more pressing problem. National economies were also burdened by bankruptcies and low rates of capacity utilization. By contrast, the trends in the rates of inflation were a positive factor; by the end of the year these had fallen considerably, albeit from widely different levels. Lower interest rates and oil prices offer better prospects for business trends in 1983 than those in evidence in 1982.

The world-wide decrease in demand compelled the automotive industry to embark on a process of conversion with multi-faceted problems of structural readjustment, and brought about enhanced pressure from competition in all markets. World production of motor vehicles fell once more in 1982, and with a total of 36.4 million vehicles was down by 3% on the previous year's total. In West Germany, however, thanks to the good export performance in the first half of the year, vehicle production was 4.3% up on the previous year.

The Japanese automotive industry also produced fewer vehicles last year. On the other hand it succeeded in strengthening its position in important markets, in the USA among others.

The Volkswagen Group did not escape the effects of the world-wide recession in 1982, despite its attractive model range. Individual markets showed different patterns of trading. Whilst in European large-volume markets the high level of vehicle sales achieved in 1981 was actually surpassed, and there was a recovery of demand in Brazil, there was a substantial drop in sales volume in the USA. The domestic market was among those in which an above-average fall in sales was registered.

In these circumstances the previous year's volume of vehicle sales could not be attained.

Apart from the necessary measures in order to adjust to the sales situation, 1982 was marked by an improvement in cost structures within the Volkswagen Group in order to improve profitability. The first beneficial effects of this are clearly perceptible.

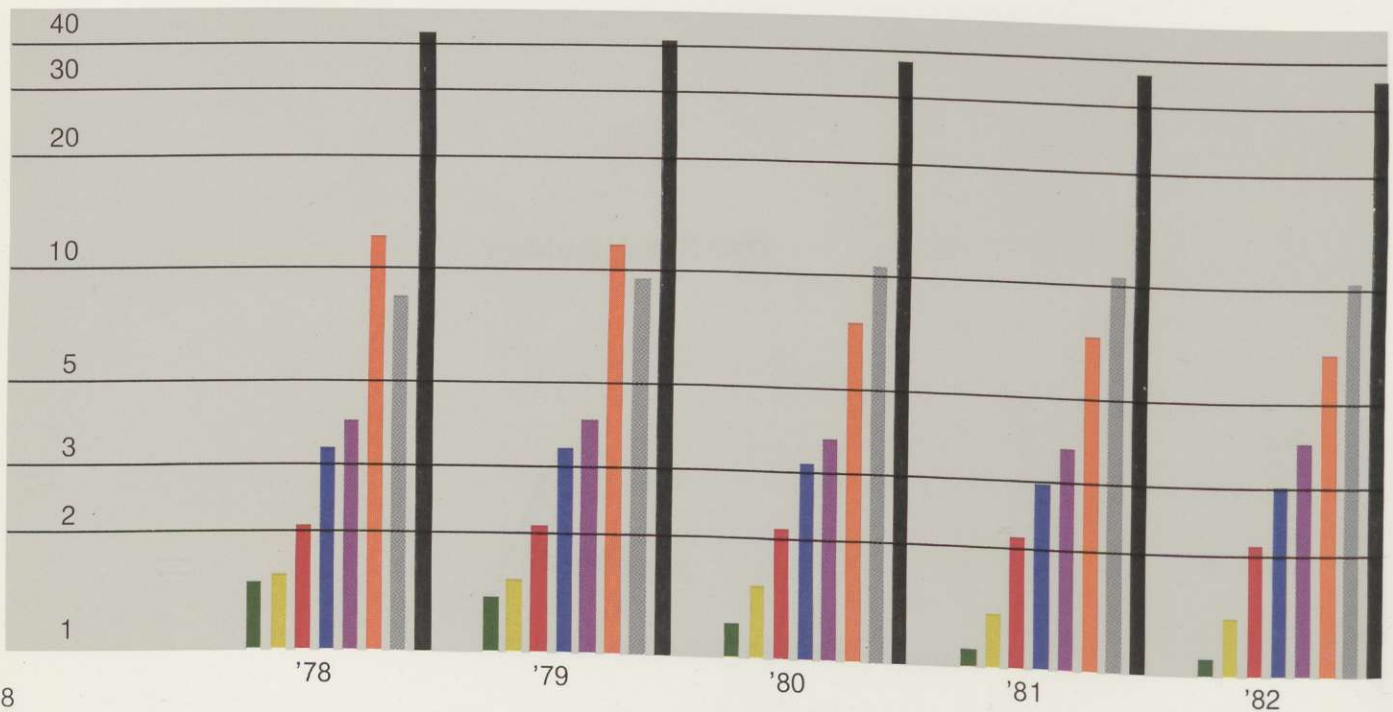
From September we were forced as the result of fewer orders and increased stocks of passenger cars – despite a series of sales promotion measures – to bring in short-time working. In the commercial vehicle sector, periods of short-time working had to be introduced throughout the year owing to low capacity utilization.

As before, the maintenance and strengthening of our presence in the traditional motor vehicle markets, as well as in potential future volume markets, was central to our activities.

As a part of this policy the Volkswagen and Audi marques will in future be appearing in Spain in an extended model range and in far greater numbers than is at present the case. The basis for this development is the co-operation agreement concluded on September 30, 1982 with the Sociedad Española de Automó-

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

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



viles de Turismo, S.A. (SEAT), Barcelona. Through our co-operation with SEAT, complete vehicles and components will need to be supplied from Germany, which will also help to safeguard jobs at Volkswagenwerk AG and at AUDI NSU AUTO UNION AG.

The licensing agreement concluded with the Nissan Motor Co. has been put into effect according to plan.

The Volkswagen Group ended the fiscal year 1982 with a loss in the amount of 300 million DM. The – in some cases – reduced results of the Group companies ending the year in profit were not high enough this time to make up for losses, especially for those incurred by our foreign subsidiaries. Volkswagen of America had a particularly adverse effect on the consolidated result. The measures undertaken regarding our South American companies and the TRIUMPH-ADLER group, on the other hand, have already led to some satisfactory progress, even though losses were still incurred on the year.

The earnings situation of Volkswagenwerk AG was to a large extent affected by the continued weakness of domestic sales and the stagnation in export sales in the second half of the year. Extensive provisions also had to be made for certain sub-

sidary companies, and large amounts of depreciation resulted from the large-scale capital investments made by the Company. In spite of this, Volkswagenwerk AG earned a profit of 33 million DM. In view of the high losses at subsidiaries, the need to make provision for future risks and to reinforce the Company's financial status, it would be irresponsible to recommend a dividend distribution. We accordingly propose that the net earnings available for distribution, less any additional expenditure arising if the Annual Meeting adopts the proposals of the Management, should be carried forward to the new account.

Recommendations on allocation of net earnings available for distribution

The Board of Management recommends that the net earnings available for distribution of Volkswagenwerk AG should be allocated as follows:

Carried forward	26,350,025 DM
Additional expenditure if Annual Meeting resolves as recommended by the Board of Management (tax on undistributed net earnings available for distribution)	11,977,284 DM
Net earnings available for distribution	<u>38,327,309 DM</u>

Vehicle sales depressed by world recession

The second wave of oil price rises in 1979 brought about serious problems of adjustment for the world economy, and — along with measures to combat inflation, high interest rates and growing national indebtedness — led to a lasting recession. The consequences were — in some cases — greatly reduced demand, resulting in under-capacity working, and a world-wide increase in unemployment. The widespread reluctance on the part of consumers to buy has had its effect on nearly every market in the automotive sector. The way in which the French, British and Scandinavian markets have developed has been an exception: last year more vehicles were sold in these markets than in 1981.

Vehicle sales achieved by the Volkswagen Group in 1982 totalled 2,119,918 units, 7.0% less than in the previous year.

Vehicle deliveries to customers world-wide dropped by 9.2% to 2,116,408 units. The principal reasons for the setback last year were the continued slackness of domestic demand and the poor state of the markets in North America. Vehicle sales in Brazil began to pick up a few months ago.

Failure to materialize of hoped for recovery in domestic demand

Demand for motor vehicles in West Germany has been on the decline since 1979, with customers showing less partiality in particular for vehicles in the upper middle range. This has hit sales of Audi cars. Sales in 1982, with deliveries of 672,197 Group vehicles, were appreciably below the previous year's figure. The Volkswagen Group's share in the domestic market for passenger cars fell slightly to 28.8% as against 29.7% for 1981. But the Golf succeeded in maintaining the position it has held since 1975 as the best-selling model of all cars on the market.

The marked lack of investment reduced demand for commercial vehicles to an extremely low level. The share of the Volkswagen Group in the market for vehicles up to a total authorized weight of 6 tonnes dropped to 45.2 (48.4)% due to the appearance of further new competitors.

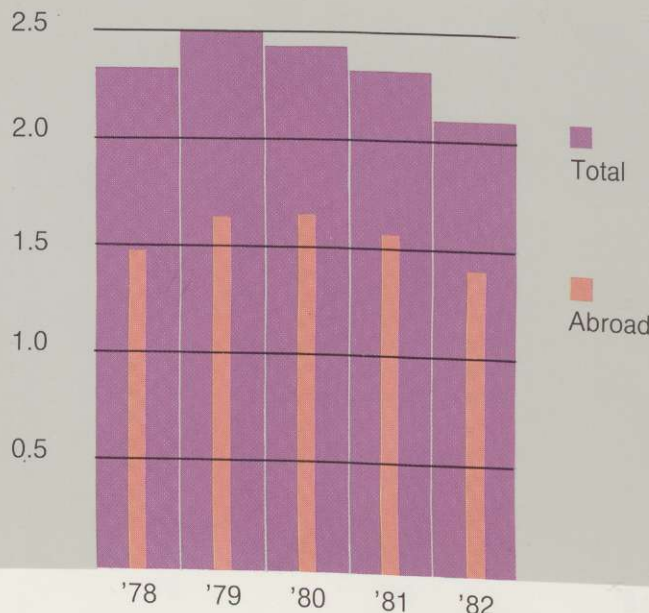
Satisfactory development of European business

Despite the difficulties caused by the sharp rise in the value of the DM and the marked downward trend of automotive business in a number of industrialized countries in Western Europe, sales of Volkswagen and Audi models in the European large-volume markets — 618,934 units — once more surpassed the previous year's level. The biggest markets, accounting for sales of over 100,000 vehicles each, were France, Italy and the United Kingdom. Considerable successes in unit sales were also achieved in the Scandinavian countries.

Strong competition also in overseas markets

The volume of vehicle sales in the USA in 1982 reverted to the lowest level since 1963. Even the exceptional efforts made by the American automotive industry, through discount schemes and other sales promotion measures, still had no decisive effect on the sales resistance shown by consumers. A drop in real incomes, rising unemployment and extremely high interest rates were mainly responsible for the exceptionally cautious attitude they displayed. Even the small, economical car sector suffered from this. The fall in fuel prices has of late been inducing potential buyers to turn again to larger cars, and the trend is against compacts.

Deliveries to customers of Volkswagen Group vehicles (million vehicles)



Deliveries of Group models to customers sank from over 329,000 vehicles in 1981 to 216,808 units in the year under report. The Volkswagen Group's share in the US market for passenger cars dropped to 2.4%, as opposed to the previous year's share of 3.3%.

The sales position in Brazil, after a period of severe slump in the motor vehicle market, began to stabilize itself early in 1982 and to show a gradual upward trend. Volkswagen do Brasil achieved sales of 286,778 vehicles on the domestic market, thus improving on the previous year's volume by 24.7%. Conversely, business in the commercial vehicle sector was exceedingly slack, so that the number of vehicles sold by Volkswagen Caminhões shrank to about half the previous year's volume. Domestic vehicle sales were a little higher than for the previous year, and there was a visible improvement in the market share vis-à-vis competitors. Exports by both companies were greatly reduced owing to the difficult

economic situation in customer countries and the currency related price distortions.

The strained economic situation in Mexico, with high inflation rates, a substantial public debt and reduced oil revenues, was a marked damper on last year's motor vehicle sales. Volkswagen de Mexico nevertheless almost managed to attain the same volume of deliveries as in 1981, thereby greatly increasing its share in the passenger car market from 33.2% in the previous year to as much as 38.4%.

In South Africa, on the other hand, sales of Volkswagen and Audi models decreased in number for the second year running. Stagnant overall demand, and in particular a switchover in the production programme (phasing out of the Audi 80, conversion to the Santana), meant that the previous year's sales volume was not reached. The share in the passenger car market fell from 17.1% to 13.7%.

Sales almost at previous year's level

Sales were down only slightly on the previous year, from 37.9 billion DM to 37.4 billion DM. Domestic sales registered a small decline of 0.3%, to 12.0 billion DM, whereas sales abroad decreased by 1.6% to 25.4 billion DM. The

foreign share in Group sales dropped from 68.2% to 67.9%.

The TRIUMPH-ADLER group increased its sales, despite the disposal of certain affiliated companies as part of the consolidation process, by 0.5% to 2.0 billion DM.

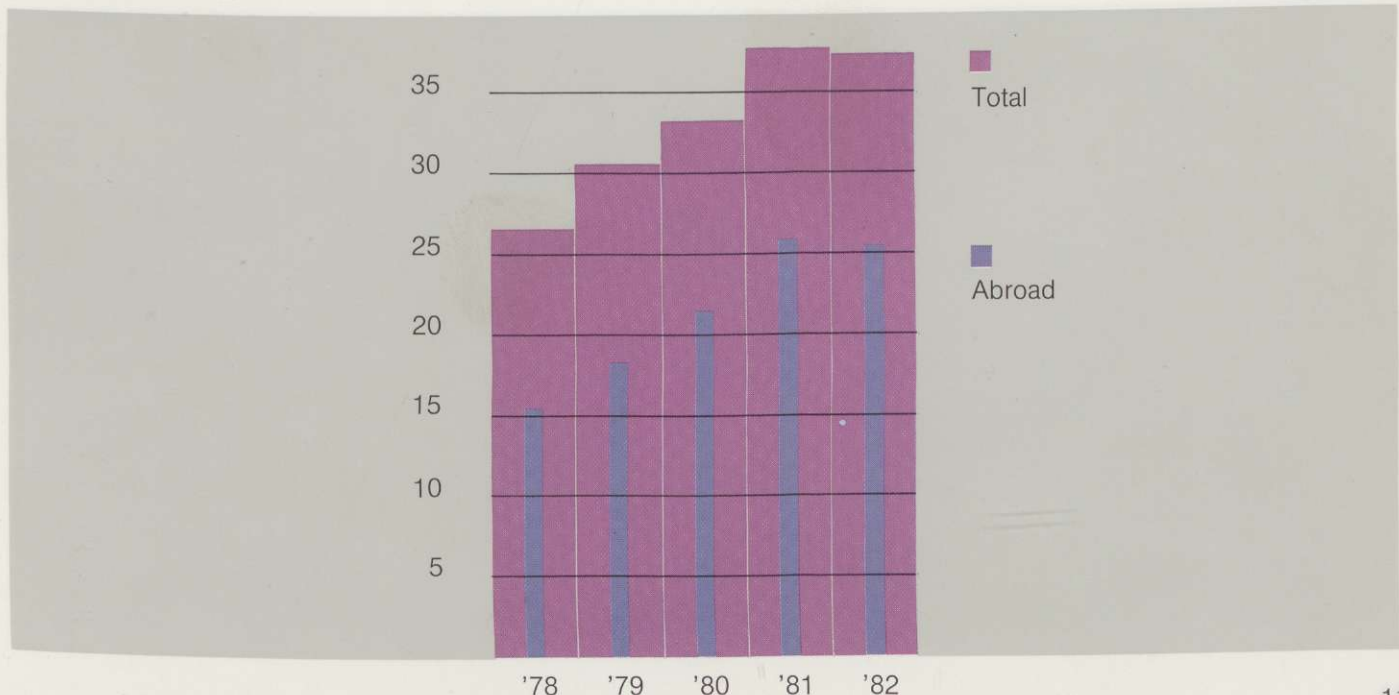
Introduction of attractive new models

The main thrust of our activity in 1982, as before, was directed towards the further development of our future-oriented product range. The capacity of the Volkswagen Group for innovation was demonstrated in particular by the introduction of economical models displaying the latest state of the art features.

The Audi 100 which we introduced in the autumn is the most aerodynamic saloon in the world which is likely to prove to be a pointer for the future of the automotive industry. Its selection as "1983 Car of the Year" supports this claim.

With the introduction of the new Audi 80 Quattro the Audi concept of permanent four-wheel drive, the superiority of which was clearly brought out through the success of the model in the 1982 manufacturers world rally championship, has now been made available to a wide public.

Development of sales of the Volkswagen Group (billion DM)



Our model range was further extended by two other vehicles. The Polo Coupé is intended to appeal to the driver who has set his sights on something in the sports line in this particular range. The Caddy, a platform body vehicle based on the Golf, is an intermediate addition to our product range coming between the Passat Variant and the Commercial series.

A new series was added to the commercial vehicle range in January 1983, the LT 50 heavy van, so that in the light and medium-size commercial vehicle range, including the Volkswagen-M.A.N. truck series, we can now offer a complete range of vehicles.

Our Brazilian subsidiaries also introduced new models in 1982. Volkswagen do Brasil added the versions Parati and Pick-up Saveiro of the successful Voyage notchback saloon to its range. The Volkswagen Caminhões truck series was extended with the introduction of a Volkswagen truck with a total authorized weight of 6 tonnes.

*The new Audi 100 –
the most aerodynamic production
car in the world*

Further improvements in our high standard of engineering technology

Our primary objective in 1982 was to continue to improve the high standard of engineering technology for which our products are renowned through updating existing models, and to round off our model range with attractive new vehicles.

A sports version – the Polo Coupé – of the practical squareback Polo was introduced, the top line model, the Coupé GT, having a 55 kW/75 bhp engine. This 1.3 litre engine, developed to provide maximum economy, is based on the high compression technology of which the 1.05 litre engine was the first example, whereby, with a compression ratio of $\epsilon = 11$, the maximum value for a large-scale series production engine was attained. With the additional features of a data-programmed ignition system and twin-choke carburetor, this engine is one of the most up-to-date of its class.

The top line model of the Golf series, the GTI, and the Scirocco GTI/GLI, were given a 1.8 litre engine of 82 kW/112 bhp. The main purpose of this innovation was not increased performance but increased torque – especially at lower speeds of revolution – and significantly lower fuel consumption, coupled with improved running.

The range of diesel engines, all of which have proved themselves time and time again, was extended by a version which boosts performance to 51 kW/70 bhp by means of exhaust-turbo supercharging. The distinguishing feature of this type of turbo-diesel is that fuel consumption is even lower than with previous diesel engines. It has been installed in the Golf GTD, a car with the same touch of the sports car as the GTI, which as regards road performance combined with economy is clearly the leader.

The new multifunction indicator which, for a start, has been made standard equipment in the GTI – it is available as an optional extra in the Scirocco – is a further example, following the adoption of the gearshift/consumption indicator, of the incorporation of electronic information systems in our product range.

Another innovation of importance for customers is that in future there will be no need for our four-stroke petrol engine passenger car models, with the exception of the Beetle, to be given a regular intermediate service every six months, or at 22,500 km, 37,500 km, and so on. This simplification has been made possible through the application of a number of measures for cutting down wear and for enhancing reliability of operating.



Activities in the commercial vehicle sector related to the introduction of the new water-cooled boxer engines. This new generation of water-cooled 1.9 l four-stroke petrol engines, in the development of which Volkswagen was able to make good use of its many decades of experience in the area of boxer engines, will be available in the 44 kW/60 bhp and 57 kW/78 bhp output class respectively. Among the characteristics of the new engine, apart from increased performance, are higher torque and lower speeds of revolution, lower fuel consumption, reduced noise and better heating, so that the general value to the user of the Volkswagen Commercial will be appreciably improved.

At the lower end of the scale our commercial vehicle range was completed with the introduction of the Caddy, which fills the gap between the Passat Variant and the Commercial. This platform body vehicle, derived from the Golf, with a useful load of between 545 kg and 625 kg, offers a new standard of economy in the 0.5 tonnes effective weight class.

Through turbo technology the economy of the diesel engine has been coupled with the performance of the spark-ignition engine

A good deal of our research and development work was devoted to questions of fuel consumption, vehicle safety and exhaust and noise emissions. Among other technology systems that have been tried out is the use of light-weight construction materials such as aluminium and plastics. This greatly reduces vehicle weight, and hence saves fuel. But reduction of vehicle weight must also extend to the unsprung parts (wheels and axles), otherwise riding comfort will be impaired. Light-weight construction materials will therefore be increasingly used in this area as well.

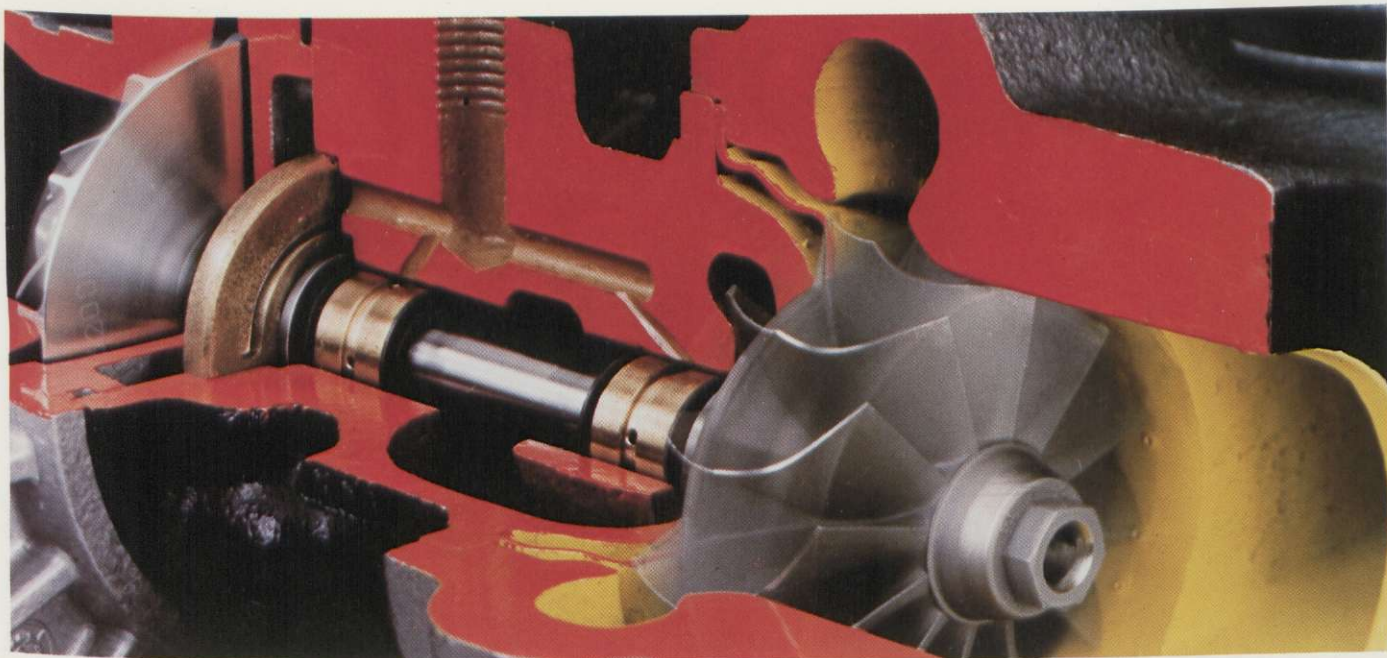
Use of materials of this kind in automotive manufacture raises new problems. They call for new production techniques, different assembly sequences and new types of technology for compounds. Attention must be paid to all these aspects at the design stage.

The main purpose of technical development at AUDI NSU AUTO UNION AG in 1982 continued to be the revision and extension of the model range with a view to improving still further the advantageous features of Audi cars, namely advanced technology, high road performance, considerable economy, great comfort and exclusiveness. The new Audi 100 is the best proof that the envisaged goal was successfully attained.

This vehicle combines upper range roominess, comfort and road performance with middle range consumption. This was achieved by reducing the wind resistance figure and the weight, and increasing engine efficiency, without any impairment in handling and stability. Through the wide use of sheet with protection against corrosion and the employment of plastic materials and aluminium we have also succeeded in improving durability.

The new indicator instrument concept in the Audi Quattro is an example of how the latest information technology is now being incorporated in motor vehicles. This information system consists of an electronic combined instrument with a clearly readable display field, an on-board computer and a check system for monitoring correct performance, with spoken messages to give warning of malfunctions.

Research and development work at Volkswagen do Brasil was concentrated in the year under report on the further development of our products, the optimization of alcohol-driven engines and the reduction of fuel consumption. The development work on the new vehicles, the Variant Parati and the Pick-up Saveiro, was completed.



Expenditure by the Volkswagen Group on research and development in the year under report accounted for 3.6% of consolidated sales.

Numerous successes scored by the Audi Quattro and Golf GTI in motor sport events

The Audi Quattro gave proof in a number of competitive events in the year under report of the superiority of the permanent four-wheel drive system. It achieved its most important success when it won the 1982 manufacturers world rally championship. It also came out best in the German and American rally championships, as well as in many European rally events.

The Golf GTI also scored numerous victories in motor sport events. It won first place in a number of touring car rallies, especially in Scandinavia, and another important success was its victory in the German Formula 3 championship. The Ralt-RT-3 Volkswagen brought out by the Volkswagen motor sport team, with a high performance propulsion unit based on the GTI engine, won seven out of ten classification trials.

Participation in motor sport events provides AUDI and Volkswagen with

The Golf GTI – a car that has proved its worth in rallying

the opportunity both of trying out new technologies and materials for their possible use in series production and of giving a public demonstration of their progress in technology, as well as helping to propagate new concepts.

Curtailed production at home and abroad through reduced demand

Production in the Volkswagen Group, in response to the changed market conditions, was cut back by 5.1% to 2,130,075 vehicles. We manufactured 1,894,412 passenger cars and 235,663 Commercials and other commercial vehicles.

Because of the favourable export situation in the first half of the year the previous year's production level of the German plants was very nearly equalled, with a total output of 1,380,845 units. The continued weakness of domestic demand, and the increasing weakness of the major export markets after the first six months of the year, meant that short-time working had to be introduced in the passenger car production plants from the end of September onwards. The AUDI NSU AUTO UNION AG plants were not however affected.

Production by our foreign companies had to be cut back by 10.4% to 749,230 vehicles. Their share in

Group production fell accordingly, from 37.2% to 35.2%. There were extensive cuts in production at Volkswagen of America, Volkswagen Argentina and Volkswagen Caminhões, though output at Volkswagen do Brasil was stabilized. Against a 24.7% increase in vehicle sales in Brazil there was a reduction in exports of 55.8%, so that production rose by only 9.8% altogether.

The serious slump in sales of our US models, the Rabbit saloon and Rabbit pick-up, caused Volkswagen of America to cut production by 55.0% to 92,157 units.

Volkswagen de Mexico, in spite of the restrictive economic policy introduced by the government in the second half of the year, succeeded in increasing its production by 3.8% to 143,565 vehicles, mainly as a result of higher exports.

The decline in the South African economy which was already noticeable at the end of 1981 began to have a markedly adverse effect on demand for motor vehicles as well in 1982, and Volkswagen of South Africa was therefore compelled to adapt its output accordingly. Production fell back by 17.7% to 51,846 units.

Volkswagen Bruxelles, although short-time working was found neces-



sary in the last quarter, assembled 124,442 vehicles, 6.1 % more than in 1981.

In the year under report 10,477 vehicles were produced world-wide per working day, which exceeded the previous year's figure by 1.9%.

High standard of efficiency among our business partners in the supply industry

Our endeavours to arrive at a division of tasks in conjunction with our suppliers based on long-term objectives are of particular importance in the light of intensified international competition. Without consistent mutual co-operation of a kind best suited to both technical and economic aspects we cannot hope to rationalize our affairs effectively to our joint benefit even when times are bad for business, in such a way as to improve competitiveness for all concerned and to safeguard employment.

The worsening of the situation in the principal markets as a result of the downturn in the economy has also affected our business partners in the supply industry.

Our suppliers at home and abroad gave further proof in the last fiscal year of their high standard of efficiency. They ensured that our production plants were supplied with

high quality materials and components, and that the deadlines for our exacting investment programme could be met. Special mention should be made of the successful launch of the new Audi 100, which because of the innovatory technology involved placed exceptionally high demands on our suppliers.

Amalgamation of the Company's logistical functions

At the end of 1982 a comprehensive logistics concept was agreed for Volkswagenwerk AG, which it is intended to put into effect gradually in all our plants beginning with the second half of 1983.

Logistics is concerned with problems of materials control and materials flow from the act of procurement to vehicle completion.

The logistical structure will comprise an amalgamation of the logistical functions of the Purchasing and Materials Administration, Production and Sales Divisions.

The purpose of logistics is to:

- improve readiness for delivery
- reduce volume of inventories in the acquisition and manufacturing process
- optimize costs of control, acquisition, warehousing and transport of materials at all stages up to vehicle completion.

Production broken down by model:

	1982	1981		1982	1981
Passenger cars			Commercial vehicles		
Golf	640,850	759,190	Golf pick-up/Caddy	15,509	40,097
Jetta	154,805	198,622	Commercial	188,681	187,327
Polo/Derby	175,245	117,099	Heavy van (LT)	21,236	22,911
Passat	219,795	261,835	Volkswagen trucks	2,085	1,488
Santana	57,491	3,913	Volkswagen-M.A.N. trucks	2,034	1,885
Scirocco	45,349	46,945	Other commercial vehicles	6,118	8,979
Audi 80	166,446	180,109			
Audi Coupé/Quattro	34,478	36,206			
Audi 100	101,089	100,259			
Audi 200	10,083	16,133			
Beetle	138,091	157,505			
Gol	57,032	31,976			
Voyage	81,696	23,775			
Brasilia	2,874	28,659			
Other passenger cars	9,088	20,698			

Average daily production broken down by Group company:

	Vehicles/day
Volkswagenwerk AG ¹⁾	5,338
Volkswagen do Brasil ¹⁾	1,407
AUDI NSU	
AUTO UNION AG ¹⁾	1,364
Volkswagen de Mexico	718
Volkswagen of America	683
Volkswagen Bruxelles	641
Volkswagen of South Africa	245
Volkswagen Argentina	66
Volkswagen Caminhões	15

¹⁾ Excluding knocked-down vehicles delivered within the Group; AUDI NSU AUTO UNION AG excluding Porsche 924/944

Numbers employed reduced

As of December 31, 1982 the Volkswagen Group had 239,116 employees on the payroll, 7,790, or 3.2%, below the previous year's level.

The total workforce employed by the German Group companies was reduced by 2,273, or 1.4%, to 158,013. This was largely due to shedding of personnel at Volkswagenwerk AG and TRIUMPH-ADLER AG. The numbers employed by the foreign Group companies dropped by 6.4%, and at end 1982 stood at 81,103. The reduction of the workforce by 5,517 was chiefly due to production cutbacks in the USA and Mexico.

Labour cost in the Volkswagen Group increased to 12,069 million DM, 2.5% up on the previous year.

The increase in labour cost despite the reduction in the workforce was the result of higher wage rates in Germany and abroad.

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

We thank all employees for the great commitment they have shown in their work. The very close collaboration between works council and management, and the confidence displayed, enabled constructive solution to be found for common problems. The Board of Management wishes to express its thanks in this regard to the employees' representative committees.

Renewed increase in capital investments

Because of our faith in the longer term prospects for the automotive business we have essentially, despite the unsatisfactory situation in some markets, kept to our investment programme.

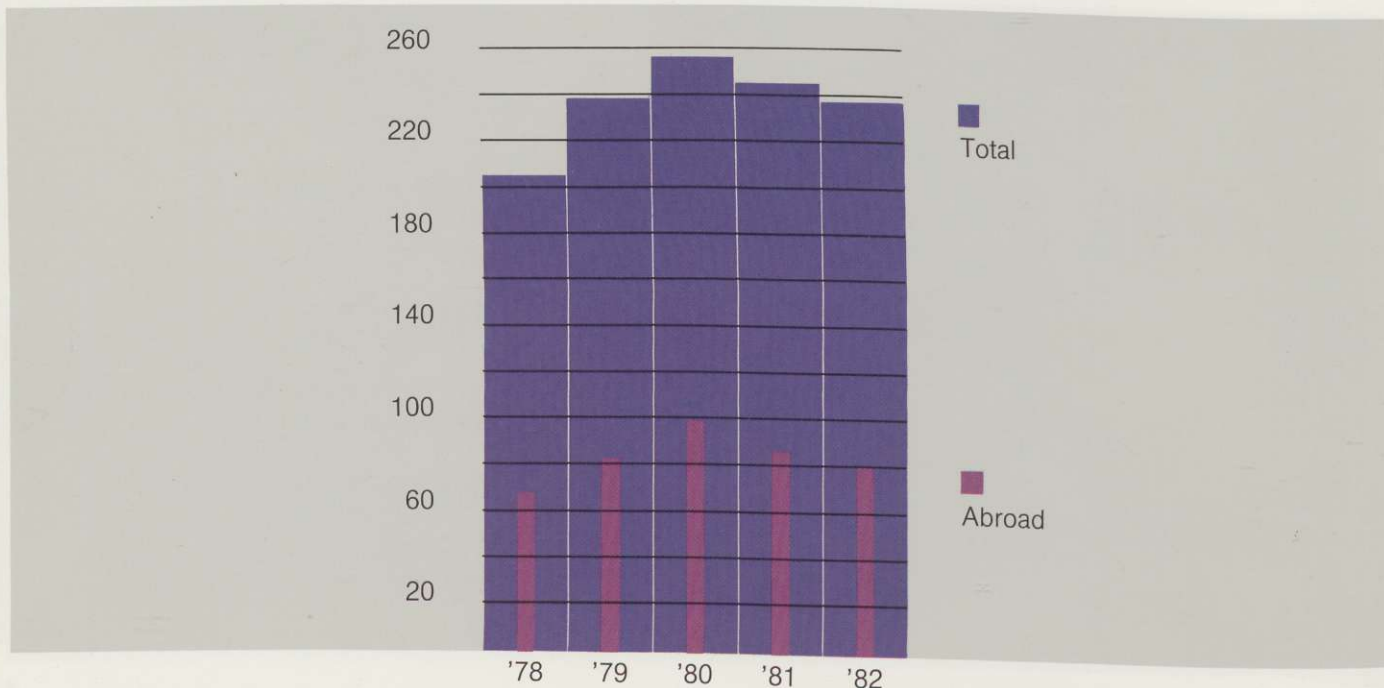
In the course of the fiscal year 1982 we invested world-wide 4,892 million DM, an increase of 0.8% over the already very high level of capital investments in the previous year.

The major part of our investments, amounting to 3,654 million DM, was once again employed on projects in Germany; investments made at home were in fact 18.3% up on 1981. Investments abroad, at 1,238 million DM, were down by 29.7%. Capital investments had to be adapted to conditions in the countries concerned and to the financial status and earnings position of the relevant Group companies. The foreign share sank to 25.3%.

With a view to safeguarding our competitiveness both as regards technological advance and pricing structure in the years ahead, the bulk of the Group's investment went on the further development of our product range and on putting into effect our manufacturing concept. Steps were taken not only to improve the existing product range, and to expand the number of different models available, but also to make the necessary preparations at various production plants for gradual start-up of production of Group models.

Other main areas of investment activity in the automotive sector concerned measures for improving flexibility of manufacturing systems so as to enable us to react faster to market fluctuations, for making production more efficient, and finally for improving quality still further.

Further sums were invested for the expansion of our vehicle hire and leasing business, which is carried out in Europe by V.A.G Leasing, the interRent companies and V.A.G France/V.A.G Bail and in Brazil and Mexico by subsidiary companies of Volkswagen do Brasil and Volkswagen de Mexico.



Training and Education in the Volkswagen Group



Technological developments make new demands

The Volkswagen Group pursues technological progress in motor vehicle construction as the guarantee of international competitiveness. Only by applying the most modern technology in the fields of research, development, production, quality assurance and customer service can high standards of quality be ensured at an economically acceptable price.

However, the modernization of technical equipment and work processes

can only have an effect if investment in training and education keeps pace. Only qualified employees are capable of handling computer-aided design processes and industrial robots, numerically-controlled machine tools and flexible production systems.

The present age is witnessing radical changes in the field of technology. Knowledge gained at school, in training and in practice becomes out-of-date at an ever-increasing speed; qualifications are required for new fields, active work tasks are being replaced by creative, planning, coordinating and quality-assurance activities. The training policy of the Volkswagen Group has the objective of continually developing the qualifications of the workforce to the required standard.

Training is at the same time a prerequisite for the social mastery of technological change. The latter's direction is not irrevocably laid down, but is also determined by the creativity of engineers and planners, by the knowledge and ability and the commitment of employees in all sectors and by the various framework conditions in one country or the other.

Training as a realization of international and Company responsibility

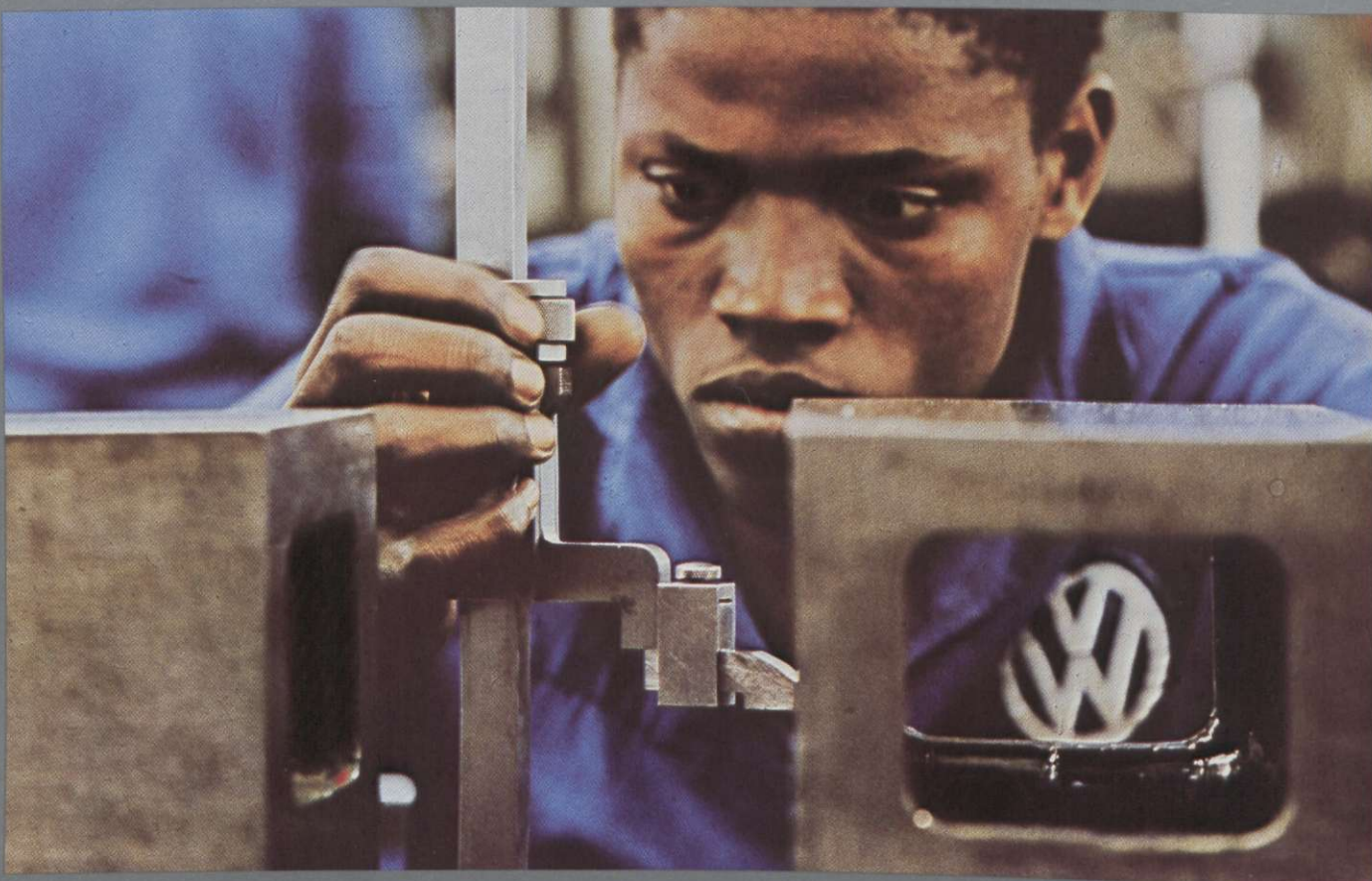
The training activities of the Volkswagen Group's subsidiaries are conceived as an aid to improving their competitiveness on world markets, and at the same time fulfil their domestic responsibility in terms of economic and social development.

Vocational training and the continual processes of in-company follow-up training have an importance far beyond the confines of the company, especially in Third World countries. Training plays a more important role than the usually more extensively

proved necessary. The results of these pioneering local projects are today recognized as great successes.

Skilled-worker training in Nigeria, South Africa, Mexico and Brazil is conducted according to standards established in Europe. This training is the first step in a continuing process of learning, extending throughout the entire career of Company employees.

The Volkswagen Group practises co-operative management. At all



developed domestic educational systems in preparing skilled technical and commercial personnel who are vital for social progress. Training helps prepare local specialists and management potential for future tasks of responsibility within the Group, and fosters transfer of know-how and modern technology. Investment in technology and investment in employees' knowledge and abilities must of course be balanced on an international scale too.

Wherever Volkswagen has built up production facilities abroad, the Company's concept of a well-founded initial vocational training programme has been part of the package. At a time when international educationalists were preoccupied with discussions of a quite different nature, independent initiative here

levels training is directed at a target acceptable both to the workforce and to society as a whole: the education of responsible, co-operative, motivated, but also critically-thinking human beings.

The Company training programme must satisfy technical and economic requirements as well as the individual's personal training targets. Only an employee who is given the opportunity for personal and vocational advancement will be prepared to direct increased energy towards the common target of the Group's success.

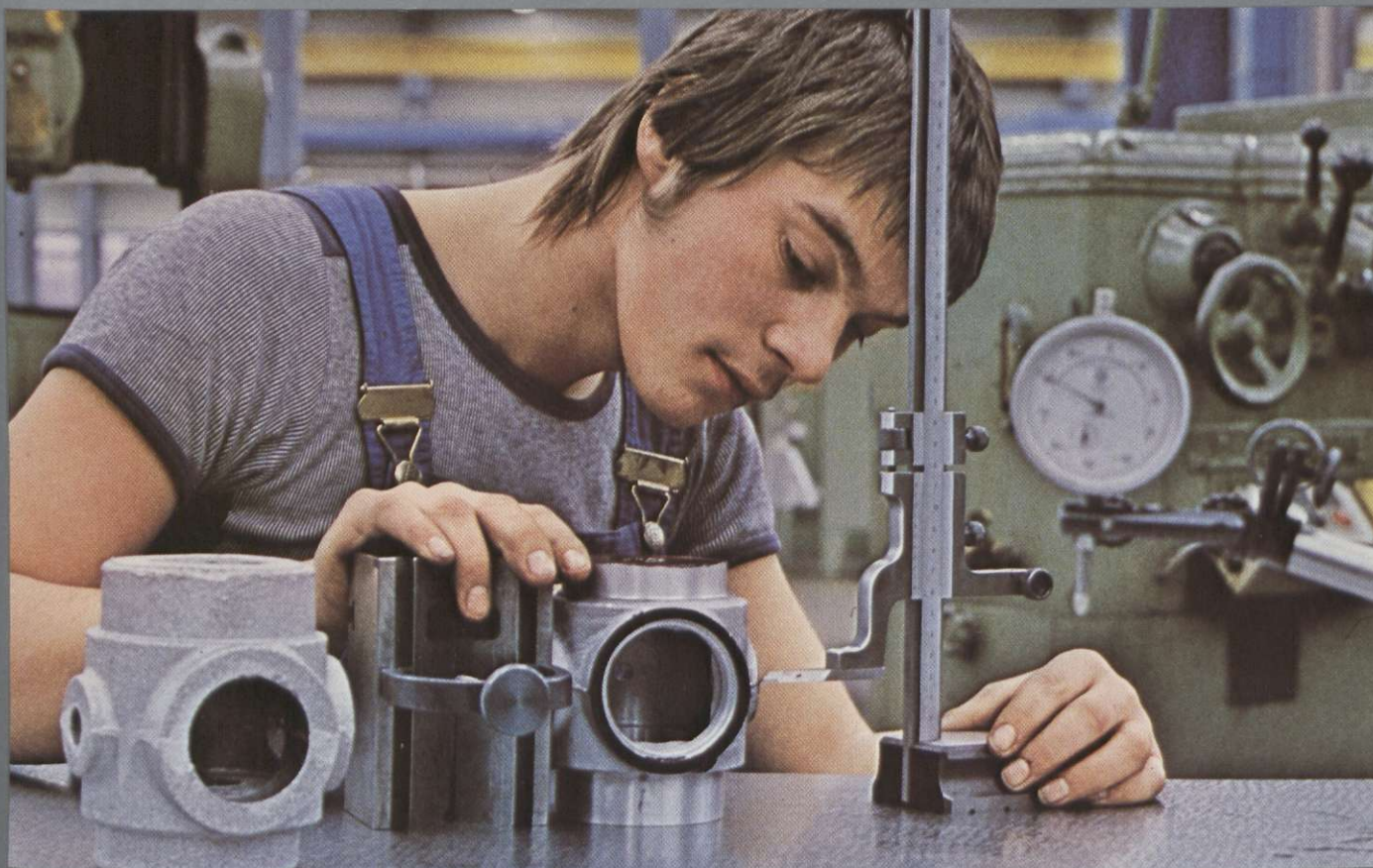
As an aspect of Company policy, training is organized according to the same business principles as other areas of activity. Among other things, this means that practical

training work is based on a forward-looking planning process integrated into personnel policy. Training continues consistently, as far as possible independent of the current economic situation.

Training activity has a long tradition at Volkswagen, going back to the Company's very first years. From these beginnings, a network of training facilities has been established in three continents: Europe, America and Africa. By now, well over 20,000 young people have received initial

can swiftly be assessed. The flexible and differentiated training system of the Volkswagen Group, comprising initial, follow-up and further training programmes, is founded on an awareness of practical workplace demands.

The same basic principles apply to training activities throughout the Group. Within this framework, each company formulates its own training targets and elements according to the economic, social, political and statutory conditions of the country



training at the Group's schools, leading to qualifications in more than 40 trades. Each year tens of thousands of employees benefit from follow-up training activities conducted by the producing companies within the Volkswagen Group. A similar number of employees from independent dealers in more than 130 countries take advantage of special courses devised specifically for their needs. In addition, training is conducted by the dealers themselves independently of the Group, but still under the Volkswagen and Audi emblems.

concerned. Some examples of Volkswagen training activities in Germany and abroad follow, and will serve to illustrate the creative tension between a commitment to the domestic culture and the identity of the Volkswagen Group.

Wherever in-company training is carried out, it is based on the interrelationship of theory and practice. The test is the practical application of what has been learnt, from which the success of a training concept

**Vocational training:
an investment in the future**

Vocational training equips the trainee with the necessary qualifications for practising a particular trade, which will strengthen his sense of identity and self-confidence. In addition to knowledge and skills specific to his chosen trade, the trainee acquires key abilities including a wide range of general knowledge and the ability to approach and solve problems independently, creatively and co-operatively.

What lies in store for a young person about to embark on an industrial

or technical vocational training course at Volkswagen?

The first part of his training, which might last up to three and a half years, is spent in the training workshops. Training groups comprise about 20 trainees under the supervision of an experienced instructor, who provides a step-by-step introduction to basic metalworking techniques, keeping an eye on the trainees' work, correcting mistakes and giving advice.



The first thing the young trainee produces is a working vise, which he is allowed to keep as a symbol of his success and to encourage his further progress.

On completion of the basic training course, trade-specific training begins. Trainees are systematically introduced to those tasks they will later be required to carry out as responsible skilled workers in the plant.

The production shops provide work tasks with this aim in view. Trainee

toolmakers make components for cutting and drawing tools, mechanical fitters produce assembly aids. Particularly project and internally ordered tasks, which demand a high degree of independent planning, preparation, execution and quality assurance have the effect of encouraging trainees' purposeful creativity and initiative. The chance to create something genuinely useful acts as a motivation to trainees and instructors alike.

Once trainees have mastered the basic skills, they leave the training





workshops and continue their training in the appropriate departments. Under the supervision of the training officer they are now given the opportunity of becoming familiar with new technologies. By working under real plant conditions they can apply and broaden the knowledge and skills with which they are now equipped.

The trainee will probably pass his final training examination with distinction, as do the majority of Volkswagen's vocational trainees.

The wide spectrum of work activity is reflected in the wide range of training occupations. Depending on suitability and inclination, trainees can at present choose from 31 industrial, technical and commercial trades at the Volkswagenwerk AG. These include not only toolmaker, plastic moulder, power plant electrician and industrial clerk, but also – often to the surprise of many young people interested in training courses – pattern maker, laboratory technician or cook.

In many trades, Volkswagen is now providing training beyond its own requirements. Following the 1974 recession, the number of Volkswagenwerk AG trainees, including retrainees, increased steadily from 1,906 to 3,805 by the end of 1982. Over 6,500 trainees all over the world are working towards a trade qualification in a Volkswagen Group company. Through its involvement in Europe, America and Africa, Volkswagen is helping to relieve the current lack of training places.

First and second-generation foreign children have been successfully integrated into the training programme. It is Volkswagen's policy to make the same opportunities available to everyone. This policy applies right through the Group. At Volkswagen of South Africa, for example, quite different cultures and languages are represented within the workforce, including English, Afrikaans, Xhosa and German. The provision of equal training opportunities for all is an important factor in the country's further development. Volkswagen of South Africa knows that an early start must be made, and itself provides material and intellectual support to local schools with this end in view. The company also makes grants available to help meet the cost of schoolbooks for the children of its employees, finances extra tuition in mathematics and natural sciences, and is developing a

career guidance programme for the black African schoolchildren in the region.

Together with Goodyear, Volkswagen has established a technical training centre where every year 700 black African schoolchildren are introduced to technical and industrial activity, in order to provide them with the same grounding in this area as other employees before they go into industry. In the future, Volkswagen also plans to conduct its preparatory vocational training courses for employees with a limited technical background at this centre.

Volkswagen was the very first company in the Republic of South Africa to give trainees from all sectors of the population the opportunity to qualify as a skilled worker.

Against the background of a dearth of skilled workers in the country, Volkswagen has considerably increased its training efforts over the past few years. At present, 218 young people, mostly from non-white groups, are working towards a skilled-worker qualification as toolmakers, turners, mechanical fitters, mechanics, electricians and welders.

Within the framework of its initial vocational training programme, Volkswagen offers courses for technicians and computer programmers, as well as commercial trades. University grants are also made available in these areas.

South Africa's dynamic development generates a strong need for basic scientific research in the field of vocational training. Volkswagen of South Africa has funded, at the University of Port Elizabeth, the first South African professorship in labour and social affairs. The country as a whole will profit from the scientific benefits of this chair.

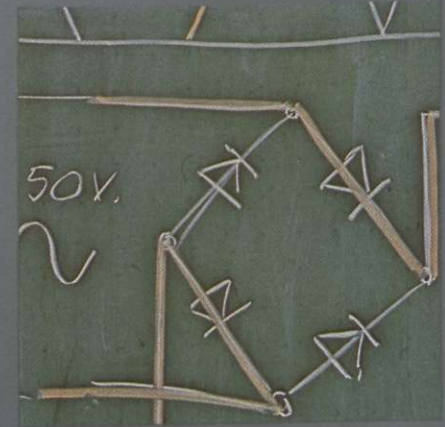
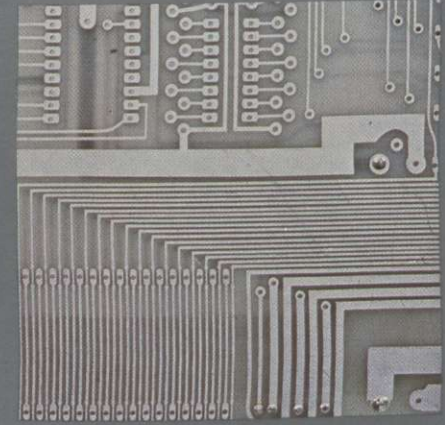
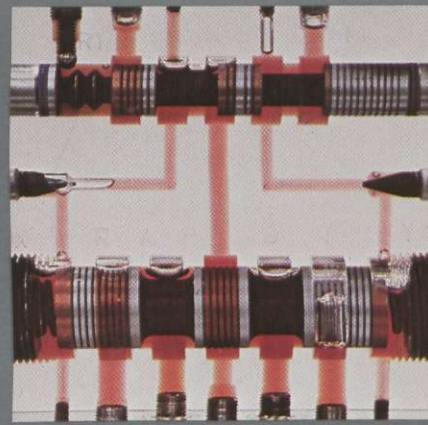
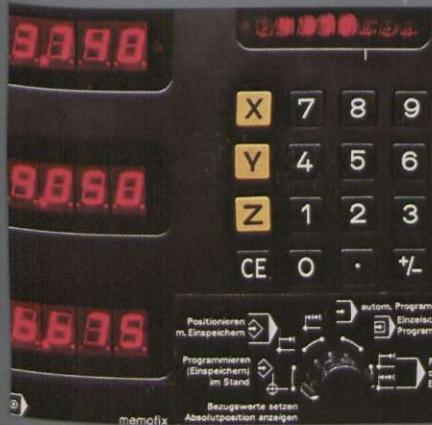
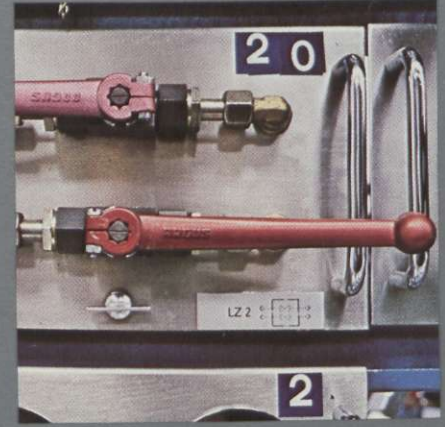
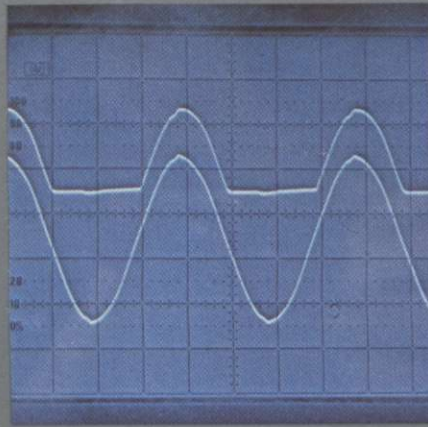
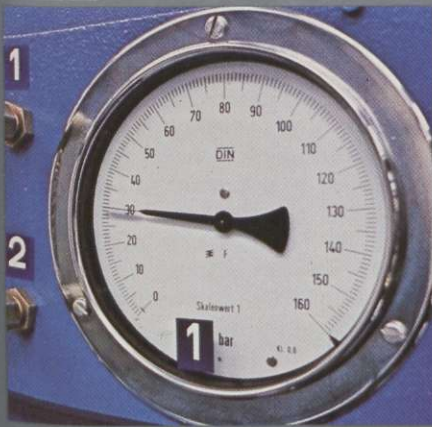
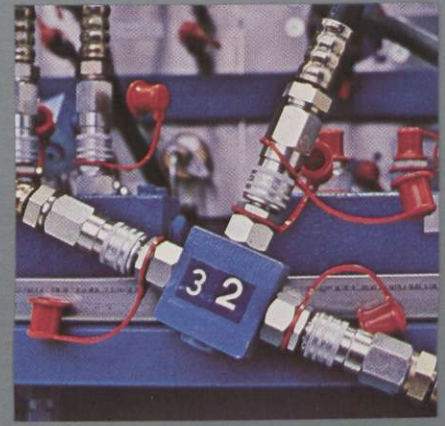
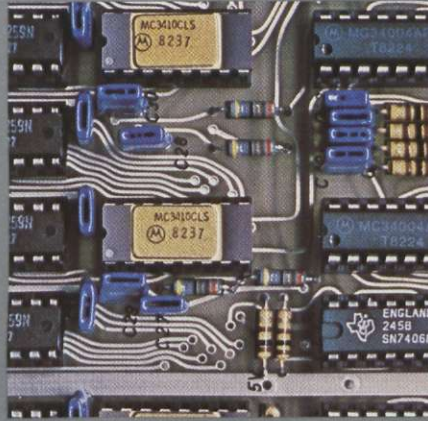
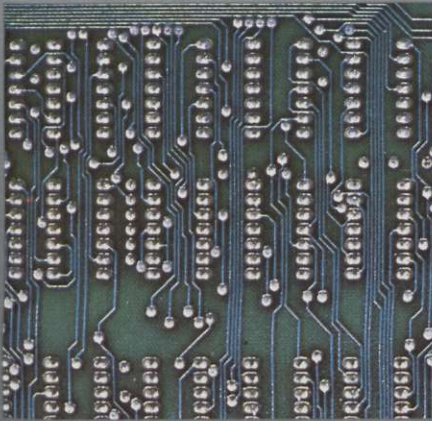


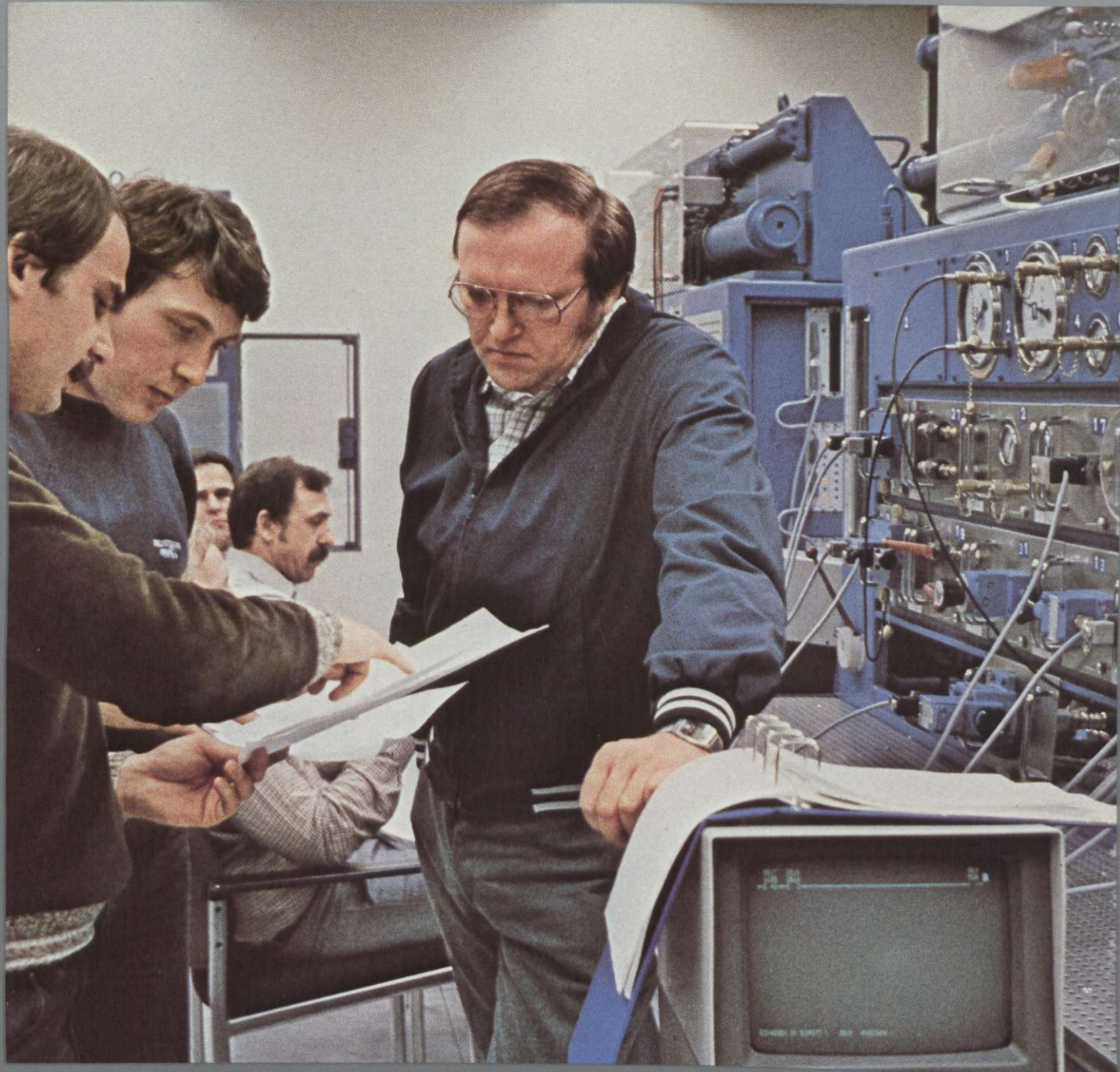
Mastering change through follow-up training

In-company follow-up training can react more quickly and with greater flexibility to practical demands for new qualifications than can the state education system or vocational training schemes.

Through its contribution to the mastery of new technologies, follow-up training creates the prerequisite for combining the requirement of the employee for long-term job security with the high degree of innovative energy of the concern which is necessary in competition.

New demands are constantly being made in the field of automobile manufacturing. The increasing process of integrating individual technical developments into complete systems demands not only specialist knowledge, but also a thorough understanding of the production process. To achieve this, an advanced laboratory for pneumatic, hydraulic and electronic freely-programmable control systems was set up at the Wolfsburg training centre in 1982.





Among those participating in the follow-up courses run by the laboratory are employees from the electricians' shop responsible for setting-up, maintenance and repair of freely-programmable control systems. On completion of training in the basic principles of electronic control technology, the trainees form small groups to work on the development of electronic control systems for hydraulically-operated processes. Working at video display systems, they produce logical programmes which can be subsequently modified, extended, reduced in size or replaced as necessary to suit circuit alterations.

In parallel with the course for hydraulic engineers, the electricians study construction, testing, fault-finding and repair of control systems at rea-

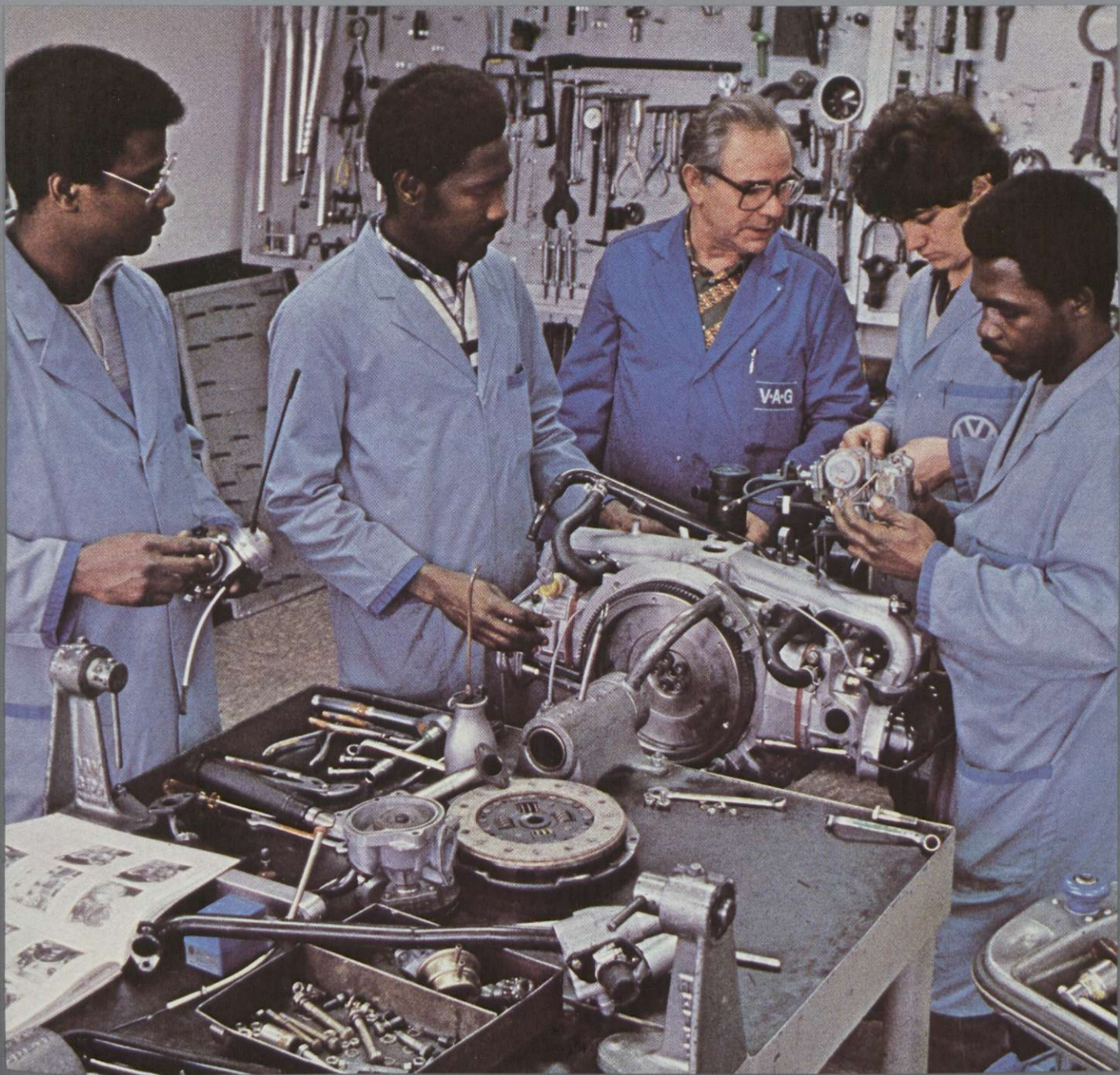
listic simulators. For both groups, an understanding of complex control systems is important if they are to cope successfully with the tasks they face in the plant when working alone or in a team together with other specialists.

Follow-up training is concentrated on technology, work study, methodics and the training of foremen and chargehands and courses are run in economics and law.

Experts from Company departments, universities and industry make regular contributions to the follow-up training and educational courses. In addition, employees are given the opportunity to take part in seminars held by training establishments outside the Company.

Employee training on behalf of our sales organization is a further task of the follow-up training programme. This task is carried out on the principle that the standards of quality represented by the Volkswagen/Audi names must be equally high in all areas: in customer service as in production. High quality is to a very large extent dependent on the qualifications of the workforce.

Schooling is available to Volkswagen dealers in typical areas of automotive business: sales, service and the parts service. Depending on learning objectives, these courses and seminars last between one day and three months. In 1982, more than 39,000 employees received training of this kind. As well as training new employees, emphasis is placed on familiarization with new products and



systems, as well as improving the individual employee's qualifications.

From its very modest beginnings in 1974, the dealer training programme conducted by Volkswagen of Nigeria, for example, has been developed to include some 150 courses and seminars a year. The courses are run by 5 Nigerian instructors and 2 Europeans.

Employees from the dealer organization are offered a wide range of activities, including courses on product knowledge, service, delivery inspection, transmission and engine repairs and electrics, including air-conditioning. Commercial and management seminars are also held. Once again, the basic objectives of training activity are increasing competi-

tiveness on the Nigerian market and know-how transfer.

In a country with so many tasks and opportunities before it, Volkswagen's contribution to training and education must not restrict itself to the employees and the dealer organization. For this reason, Volkswagen acts as adviser to the Nigerian authorities on questions of initial and further training, conducts information programmes in schools and offers practical experience to students. The availability of training places for employees of major private and public customers satisfies another considerable demand.

In co-operation with the Ministry of Education and trade unions, Volkswagen is also involved in the functional literacy programme. Commer-

cial drivers denied the opportunity of completing their elementary education earlier in life are offered a combined programme of traffic education, automotive engineering and general education and civics.



Learning co-operation by way of in-company further training and education

The key to career advancement remains ability within a specific field, as acquired for example through vocational and follow-up training. But even greater demands are made of those in management positions: management personnel must be able to relate their tasks to the inter-related structures of a world-wide operating group and the complex processes of automobile production; they must provide leadership, co-ordinate and co-operate with others, be convincing and encourage hard work through example.

These comprehensive skills are developed by further training and education within the Group companies and, where appropriate, at universities and training institutions at home and abroad.

As a component of the programme, let us examine the "Management Techniques" seminar conducted at Haus Rhode, the Volkswagen Group's internal further training and education centre.

The "Management Techniques" courses held by Volkswagen of America, Volkswagen do Brasil and Volkswagen de Mexico are similar to this seminar. The instructors on these seminars base their work on the Wolfsburg seminar, which is based on Volkswagen's management philosophy, attended it themselves and subsequently adapted the contents to their own domestic situation.

The main theme of the seminar is the application of the Volkswagen management model to practical work conditions. Management techniques are practised in role-playing exercises, and video recordings are used as a basis for analysis and discussion.

Decision processes, co-operation, group behaviour, conflict-solving, target-setting and delegation are further themes dealt with systematically by this seminar, using case studies as a basis.

The V.A.G Marketing Management Institut (MMI) in Brunswick is a multidisciplinary educational institution created for our dealer organization owners and managers. The MMI training programme has been conceived for our V.A.G dealers as businessmen, as managers and as human beings directly involved in the economy and society in general. Exchanges of experience with colleagues and open discussions – also with the manufacturer – are part of the training programme.

Under today's conditions, further training and education must attempt to involve not only management personnel but as wide a cross-section of other employee groups as possible. Socio-pedagogic seminars for trainees, courses for foremen, chargehands and secretaries, management games and organization development programmes have all been introduced with this end in view.

Another point to mention is the inevitable importance of foreign language skills in a transnational company. Language is the basis for a broad acceptance of the intellectual and creative potential of all countries in which the company is involved, and for the reciprocal exchange of ideas and experience.

Modern languages are just as important in Wolfsburg as they are for Volkswagen de Mexico in Puebla for example, where employees are given necessary instruction in German, English and Spanish using the very latest teaching methods. If the in-company situation calls for such measures, "total immersion" courses can even be arranged.

Within the framework of management and co-operation training, Volkswagen de Mexico has introduced further activities for foremen and secretaries alongside general management training. Courses on motivation, conflict-solving, communication and business administration are part of the programme. In 1982, 2,245 employees participated in these training activities.

Following the example of Volkswagenwerk AG in Germany, Volkswagen de Mexico took on its first generation of graduate trainees in 1982. 15 selected graduates from the country's universities are being introduced to the work of all the company's departments as part of a three-year management trainee programme. They are not only learning ways of putting theory to practical use, but also how to combine specialist knowledge from various fields in order to solve complex problems. These skills are of vital importance for the fulfilment of personal and career potential. During their final year of training the graduates will come to Wolfsburg, where they will be able to contribute something of their country's cultural tradition and the know-how gained from their work at Volkswagen de Mexico. This training programme promises to add to the reputation enjoyed by the vocational training activities of Volkswagen de Mexico since 1966.

The Volkswagen Group offers all employees the same opportunities for advancement; every position is open to all employees who are appropriately qualified.





Learning as an everyday task

Many employees look back and remark that the most useful learning process is that of day-to-day experience. Every new situation, once it has been successfully solved, teaches new patterns of decision-making and behaviour which can be of use in the future.

Experts from the training departments are well aware of the significance of informal in-company learning. On-the-job learning is encouraged by offering the various departments on-site training facilities. The instructors constantly point out that everyone who participates in a training activity must be given the opportunity of applying what he has learnt to the daily work task of his department.

To encourage the workforce to make use of learning opportunities, action programmes, training workshops and quality circles have been set up.

Volkswagen do Brasil has been particularly active in this area. The campaign entitled "Together into the future", for example, was very carefully planned and executed. A record 93% of the workforce took part in the scheme, submitting a total of some 30,000 "idea cards" with improvement suggestions, many of which have already been introduced at the plants.

The training and education department has also been instrumental in establishing a large number of quality circles over the past few years. Today, there exist over 400 of these voluntary groups to discuss weak points in plant procedure and suggest ways of improving work quality.

The seeds of this commitment were sown by the workforce's involvement in Volkswagen do Brasil's extensively developed training and education programme. The company was quick

to recognize the lack of skilled technical workers, typical for a country with a rapidly developing economy, as a challenge to private initiative in the field of training. In 1958 training began for 45 toolmakers. At present, 823 trainees are on courses leading to trade qualifications, and more than 2,800 young Brazilians have already qualified in this way at Volkswagen.

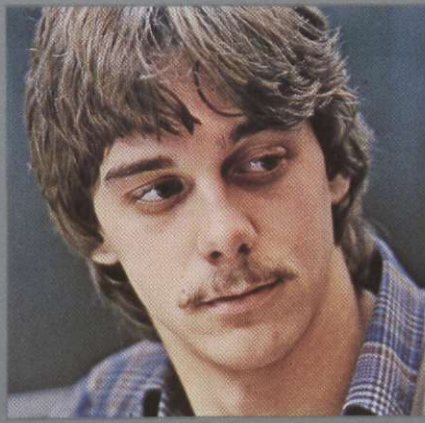
A number of training places are reserved each year for young orphans brought up in homes, and further training measures are provided for them in co-operation with the Volkswagen dealer organization. This scheme has so far met with complete success.

The expansion of the training programme in Brazil was made possible by the completion of the professional training centre at São Bernardo do Campo in 1973. Covering an area of 13,500 m² it is still the largest private training establishment in Latin America.

Alongside technical and commercial training, language and management courses and the engagement of graduate and other trainees, education of a general nature occupies a commanding position. The aim is to make it possible for employees who left rural areas to find work in the rapidly developing automotive industry to make good their lack of elementary education.

To encourage educational activities among its employees and their families outside the company, Volkswagen do Brasil has taken some innovative steps, for example the setting up of a further education fund and a foundation for financing cultural, general education and vocational training activities.





**Training and education:
a world-wide dialogue**

The confidence of knowing that Company training can make good the increasing obsolescence of previously-gained knowledge is one of the foundations of trust and the key not only to the Company's continued success but also to the career perspectives and job satisfaction of the workforce, particularly during times of bad economic conditions.

For this reason, training activities in the Volkswagen Group are developed and conducted on the basis of discussions with the workforce and its representatives.

Every country in which Volkswagen is involved carries the mark of its indigenous industrial history and its social and cultural conditions.

Within the Group, recognition and understanding of this diversity is one of the training aims.

The limits of training and educational activities lie in the individual's willingness to accept the strain and effort involved in learning and mastering new skills.

In recognition of this fact, it is one of the tasks of the Volkswagen Group's training and educational activities to emphasize the significance of a lifelong learning process with regard to both career opportunities and personal development in our society, and to awaken the joy of learning.

The Major Companies within the Volkswagen Group

December 31, 1982

Producing Companies
Distributing Companies
Other Companies

● Companies included in consolidated financial statements¹⁾

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

Plant Locations: Wolfsburg Hanover Kassel Emden Salzgitter Brunswick



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

DIRANUS Versicherungs-Vermittlungs-GmbH, Hamburg, Volkswagen Properties (Pty.) Ltd., Uitenhage and its subsidiaries Volksprop Algoa Road and Volksprop Halfway House, Volkswagen Financial Corporation, Troy, Mi., and its subsidiary VW Credit, Inc., VOTEX, Inc., Englewood Cliffs, Triumph-Adler Büromatic Büromaschinen Vertriebs GmbH, Munich,

Triumph-Adler Büromatic Büromaschinen Vertriebs GmbH & Co. Handels KG, Munich, Adler Business Machines (Pty.) Ltd., Sydney, Adler Business Machines (N.Z.) Ltd., Wellington, New Zealand, with one negligible subsidiary, Triumph Adler Italia S.p.A., Milan, Triumph Adler France S.A., Paris, Triumph Adler (U.K.) Ltd., London, Companies of the Pertec group, Transalme Ltda., São Bernardo do Campo, Brazil, Other companies, consolidated for the first time in 1982, are shown on page 60.

²⁾ In the context of the reorganization of the US sector, the former Adler-Royal Business Machines Inc., New Jersey, has been merged with Triumph Adler Inc., Los Angeles, with effect from December 31, 1982 and renamed Triumph-Adler North America Inc., Hartford, with effect from January 3, 1983.

Producing Companies

Volkswagenwerk AG Wolfsburg

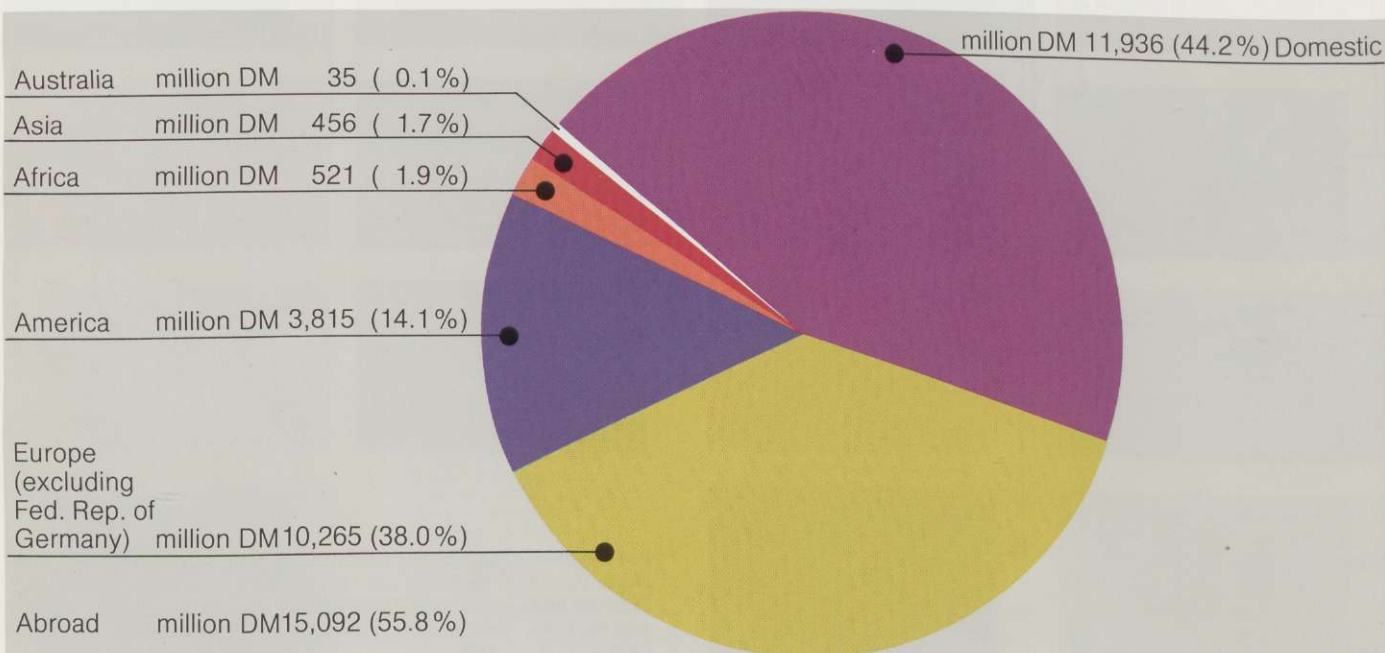
		1982	1981	Increase (Decrease) %
Sales	million DM	27,028	26,402	2.4
Vehicle sales	units	1,529,398	1,564,900	(2.3)
Production	units	1,196,868	1,232,818	(2.9)
Capital investments	million DM	1,962	2,182	(10.1)
Workforce	on Dec. 31	118,883	120,071	(1.0)

Volkswagenwerk AG, in the fiscal year 1982, like virtually the whole of the automotive industry, felt the effects of the continuing downturn in the economy. The further decline in domestic vehicle sales in 1982, and stagnating exports in the second half of the year, were not without effect on the trend of earnings.

Measures that had to be taken to make provision against risks in respect of subsidiaries were also a considerable burden on the Company.

Volkswagenwerk AG, with net earnings of 33 million DM, nevertheless still managed to make a profit.

Regional breakdown of the sales of Volkswagenwerk AG for 1982



Vehicle Sales

With sales of Volkswagen and Audi models totalling 1,529,398, Volkswagenwerk AG sold 2.3% fewer vehicles to dealers than in the previous year. The pattern of sales in our principal markets varied.

With a decrease of 8.9% in domestic vehicle sales – totalling 672,202 units – vehicle sales to the dealer organization were slightly below the level achieved by the market as a whole. Volkswagen models held their market position with a share in the domestic passenger car market of 22.9%. Special mention should be made in this connection of the position held by the Golf, and the satisfactory advance made by the Polo, particularly through the introduction of the Coupé.

As had been expected, there was a decline in the market share of Audi models, which fell from 6.6% to 5.9%, since, with the introduction in autumn last year of the new Audi 100, the model due to be phased

out attracted less interest on the part of potential buyers.

The record vehicle sales achieved in the West European markets in 1981 were again exceeded. But, after the marked growth rates attained in the first six months of the year, there was a perceptible fall in demand for the rest of the period.

Declining vehicle sales in the US market not only affected our models that are manufactured in the USA but also – though to a far lesser degree – had their effect on our imported vehicles.

As a result of the drop in domestic vehicle sales, and the fact that the overall export situation remained good, the Company's export share rose from 52.8% to 56.0%.

In the commercial vehicle sector, the cautious attitude shown by potential buyers towards investing caused the sales volume to decline by 16.6% to 137,419 units.

Sales

In the year under report Volkswagenwerk AG achieved sales in the amount of 27.0 billion DM, 2.4% up on the previous year. This increase was due, apart from the necessary price rises, to the growth in the market for the Polo and the Derby and to sales of the Santana,

which was introduced in the course of the period.

Whereas with domestic sales of 11.9 billion DM the previous year's level was just about equalled, the export sales of 15.1 billion DM exceeded the previous year's figure by 5.9%. The share of exports in total sales rose accordingly from 54.0% to 55.8%.

Production

Volkswagenwerk AG produced 1,196,868 vehicles in the fiscal year 1982. This represents 35,950 fewer vehicles, or 2.9% less, than were produced in the previous year.

In the first few months of the year capacity utilization in the car-producing plants was good. As the year went on, however, falling demand necessitated a cutback of production, and in the second half of the year short-time working had to be introduced in all the German passenger car plants. Production of commercial vehicles was marked by low-capacity working throughout the year, so that continual short-time working was unavoidable.

Workforce development at Volkswagenwerk AG

The flexible manufacturing appliances that now exist, especially for body shell production, proved themselves with the start-up of production on the Polo Coupé.

With the taking into service of a new assembly hall at Emden the Company has embarked on a new course, both as regards the technical side and in terms of humanization of work for the personnel. For the first time a computer-controlled test cycle has been incorporated in the production process. In order to meet the high quality requirements vehicles are tested under extreme conditions, of a kind that are most unlikely to be encountered in practice. At the finish, completely assembled vehicles are transported by an inductively controlled conveyor system instead of being driven.

Work on the modernization programme at the Wolfsburg plant was actively pursued. Working conditions and productivity were much improved through the taking into service of a new assembly hall. Modernization of the paintshop has led to improved protection against vehicle corrosion. Finally, work was continued according to plan on the restructuring of the press shop.

Workforce

As of December 31, 1982 Volkswagenwerk AG had 118,883 employees

on the payroll in its six German plants, 1,188 fewer than in the previous year – a reduction of 1.0%.

The Company's hiring policy in the year under report was one of restriction in view of the need to cut production in accordance with dwindling demand. In order to safeguard jobs for the future very little overtime was worked and staff leaving jobs were not replaced.

A certain balancing out of jobs could be achieved through transfers of personnel and relocation of work as between the various production units of Volkswagenwerk AG.

An important instrument of social policy in this connection was the plant agreement known as the "59s Regulation", which was adhered to in the amended form as required by law. In the year under report, 1,462 employees accepted voluntary redundancy under the terms of this regulation, or 79.4% of those eligible. In December 1982, with a view to shedding further redundant staff, a plant agreement was concluded known as the "58s Regulation", which is due to expire at the end of 1983.

Volkswagenwerk AG again met its social responsibilities in 1982 by creating additional training places. 1,326 young persons were taken

	Dec. 31, 1982	Dec. 31, 1981	Increase (Decrease) absolute	%
Volkswagenwerk AG	118,883	120,071	(1,188)	(1.0)
of which in the plants at				
Wolfsburg	58,348	58,876	(528)	(0.9)
Hanover	20,743	21,383	(640)	(3.0)
Brunswick	6,342	6,373	(31)	(0.5)
Kassel	16,602	16,665	(63)	(0.4)
Emden	9,580	9,341	239	2.6
Salzgitter	7,268	7,433	(165)	(2.2)
Wage-earners	98,046	99,832	(1,786)	(1.8)
Salaried staff	20,837	20,239	598	3.0
Female employees	14,416	14,369	47	0.3
Foreign employees	10,998	11,323	(325)	(2.9)
Trainees	3,805	3,653	152	4.2

Producing Companies

on for training, 10.4% more than in the previous year. At the end of the year under report there were altogether 3,805 young trainees in 32 recognized categories. In the last three years alone, six new categories of vocational training have been added. In this way training has been adapted to the requirements of the various departments.

The changes in production technology call for the training arrangements made for our employees to be expanded. In September 1982, to enable employees engaged in servicing and maintenance and in operating machines to acquire suitable training and knowledge, a laboratory was taken into service in the training centre at the Wolfsburg plant for work on control technology (hydraulic, pneumatic and electronic freely-programmable control systems).

A particular concern of Volkswagenwerk AG is the question of preventive medicine and hygiene. There was a staff of 34 doctors specializing in industrial medicine, and 163 other medical staff, to look after the health and safety of the workforce. Apart from providing first aid and undertak-

ing medical check-ups, they also inspect workplaces for the effects of noise and for the effects of solvents, plastics, paints, varnishes, etc., on the human organism. They have contributed important findings in the area of industrial medicine.

Absence through sickness was again below the previous year's level in 1982. But although the average rate was an improvement on the previous year's figure (7.1% as opposed to 8.7%) it was still unsatisfactory. The rate of absenteeism, not counting days off work owing to short-time working, fell in the year under report to 21.8%, 0.9% points below the rate for the previous year.

The steady decline in the accident rate is an indication of the importance which our company attaches to safety at work. Volkswagenwerk AG is in a leading position in West Germany in this respect.

The steps taken to motivate our employees have meant that greater use could be made of the potential for ideas from individual members: more employees contributed to the suggestions scheme in the last fiscal year than ever before. Over 28,000 suggestions for improvements were received, which represents an increase of 1.8% on the previous year.

Of the total number of suggestions 26% were accepted, and 8.1 million DM was paid out in rewards. The highest award, 100,000 DM, was won five times. The average award money, at 990 DM, was 24.6% higher than in 1981, which attests to the high quality of the suggestions for improvements received.

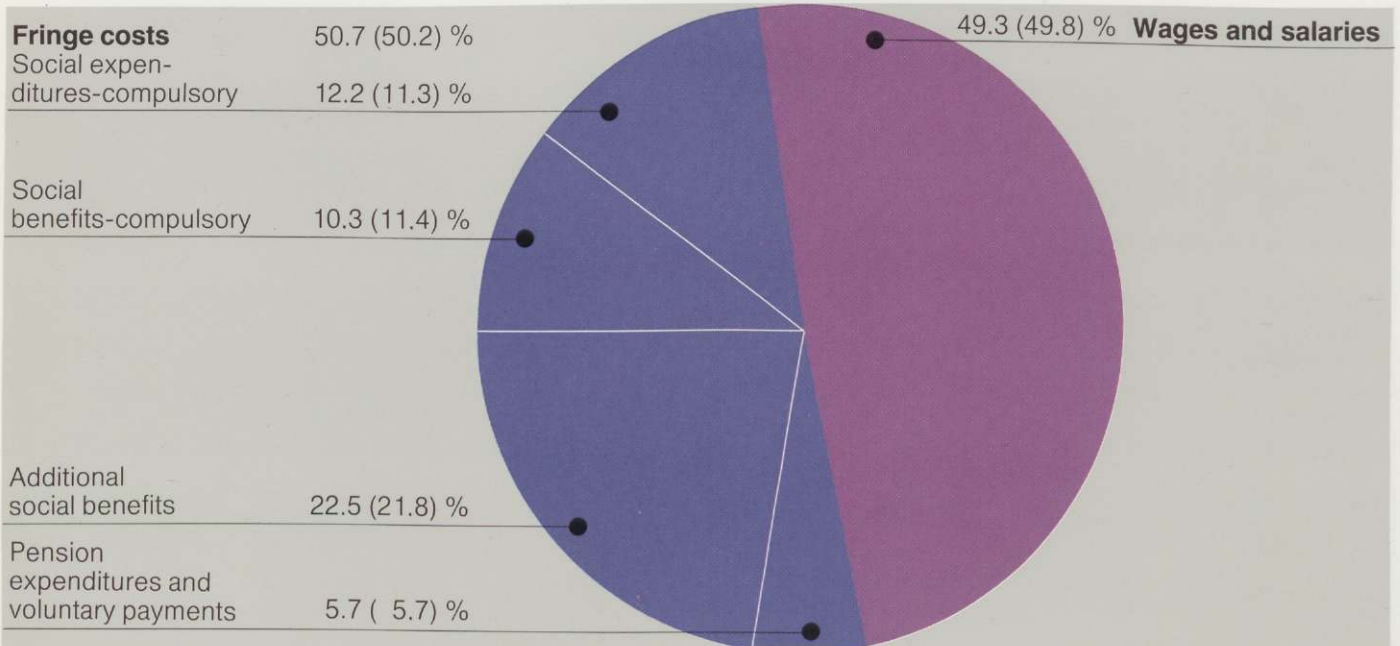
The interest shown by members of the workforce in acquiring property of their own continued undiminished in the year under report. The Company provided 31.5 million DM in the way of loans for the construction or purchase of houses and apartments. Owner-occupation of 1,425 dwellings was assisted in this way.

New pay agreements for the Volkswagenwerk AG employees came into force on February 1, 1982, involving an average rise in wages and salaries of 4.2% over a 12 month period.

The number of persons entitled to Company pensions had risen to 19,643 by the end of 1982. On January 1, 1982, 4,091 pensioners became eligible for higher benefits under the statutory regulations for the adjustment of pensions to the cost of living.

Labour cost at Volkswagenwerk AG was 3.6% higher in 1982 than in 1981. The reasons for this, among

Structure of labour cost of Volkswagenwerk AG in 1982



others, are an increase in the compulsory social expenditures and the new pay agreements. Fringe costs in the year under report accounted for 50.7% of total labour cost.

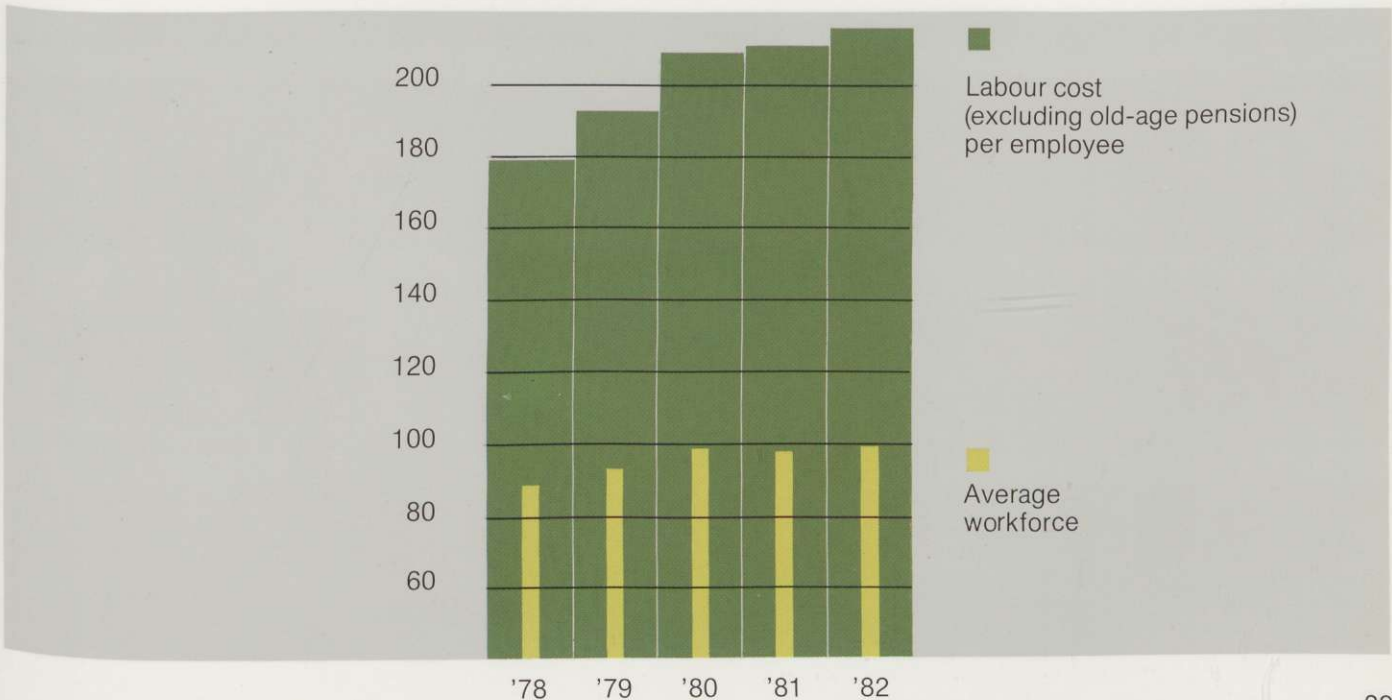
Capital Investments

Volkswagenwerk AG invested 1,962 million DM in 1982. Investments in fixed assets, at 1,718 million DM, were distinctly higher than in the previous year, whereas investments in financial assets, at 244 million DM, were below the high level recorded for 1981.

Investment was concentrated on measures for start-up of production and the further development of our vehicles. These included production installations for the Polo Coupé and the water-cooled boxer engine for the Commercial, but the bulk was spent on the preparatory work for new models to be introduced over the next few years. Large sums were also spent on a new system for final assembly, the visible outcome being the recently built assembly halls at Wolfsburg and Emden. In addition, much effort was devoted to the provision of more space for our research and development activities.

Investments in financial assets mainly concerned capital increases in our subsidiary companies Volkswagen Argentina and Volkswagen Caminhões.

Workforce and labour cost of Volkswagenwerk AG (1972 = 100)



**AUDI NSU AUTO UNION AG
Neckarsulm**

		1982	1981	Increase (Decrease) %
Sales	million DM	6,127	5,774	6.1
Production/Vehicle sales	units	325,327	329,246	(1.2)
Capital investments	million DM	772	802	(3.7)
Workforce	on Dec. 31	30,627	30,256	1.2

The pattern of sales of Audi models which are marketed by Volkswagenwerk AG varied: on the one hand domestic demand was weak, on the other hand export sales were very stable, at least to begin with, though as the year went on the demand for exports declined considerably, and production had to be curtailed accordingly. With its output of 325,327 vehicles (including 20,184 Porsche 924/944), the company only just failed to reach the previous year's level. Daily production fell to 1,454 (1,495) units.

With the Audi 100 the company has developed a motor car which not only meets exacting requirements in terms of comfort, road performance and safety but also has the added attraction of being very economical to run. This was achieved through

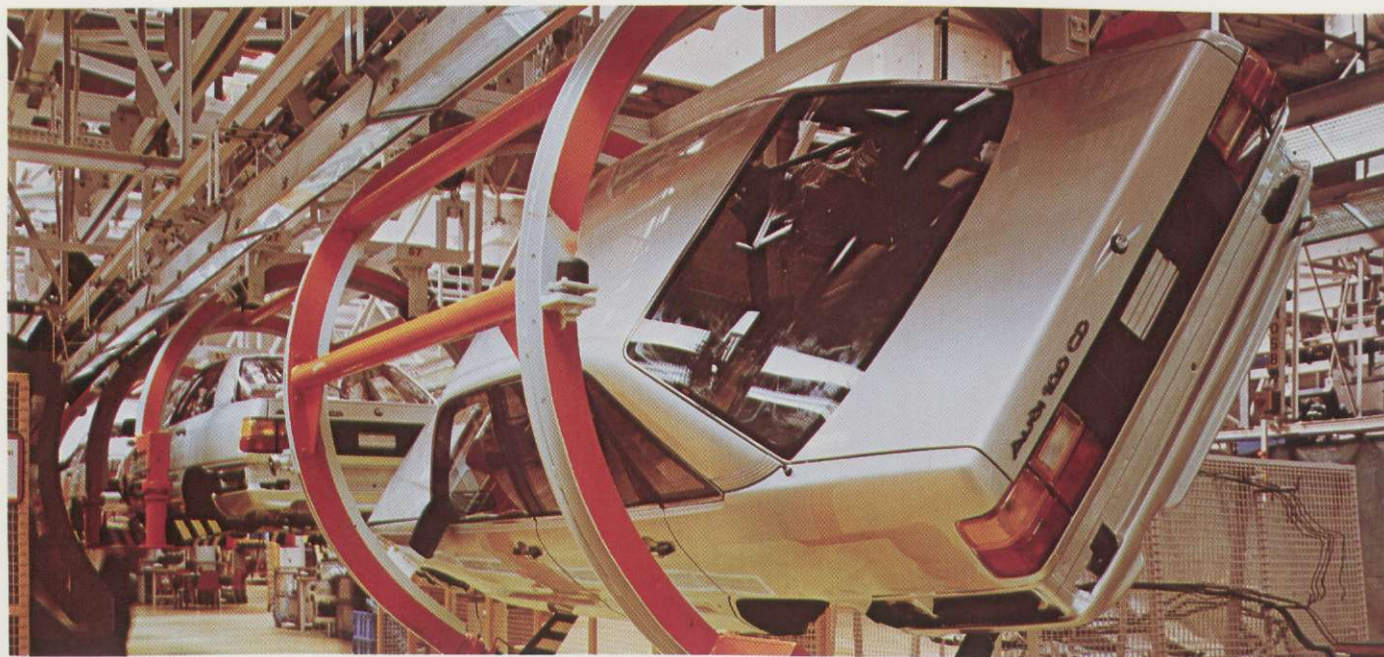
- an extremely aerodynamic bodywork,
- the use of light-weight construction materials, and
- the installation of new, redeveloped engines.

The Audi 100 is the first series production car to have a wind resistance figure of 0.30. Weight was reduced through greater use of light-weight metal and glassfibre-reinforced plastics. In order to provide the car with optimum consumption to go with its advanced aerodynamics, particular attention was paid in the development and further development of the engines to high torque and lower speed of revolution.

Through the combination of superb aerodynamics, well-thought out lightness of construction and economical engines it has been possible to reduce fuel consumption - taking the average for all model versions and driving conditions - by around 10%, while top speeds have been increased.

The award of the "Golden Steering Wheel 1982" and the Audi 100's selection as the European "1983 Car of the Year" and the "World Car of the Year 1983" in Japan are confirmation that this forward-looking

The most up-to-date conveyor technology with swinging carriers has done away with tiring overhead work



concept of car design is on the right lines.

The superiority of the permanent four-wheel drive in the Audi Quattro was the cause of numerous successes in international motor sport events in 1982, such as the manufacturers world rally championship, the German rally championship and various American and European championship rallies.

With the appearance of the Audi 80 Quattro, the model range has been rounded off since the end of 1982 with the addition of a comfortable, high-performance saloon. Thanks to the permanent four-wheel drive system this is an all-purpose vehicle providing for optimum road safety even in bad road conditions, especially in winter.

Capital investments came to 772 million DM, slightly below the high level of investment of the previous year. Apart from further development of the model range, a large part was employed on comprehensive modernization measures in the area of manufacturing. Major investment projects were completed: the paintshop at Neckarsulm, the new assembly hall at Ingolstadt, the installation of new machinery for body-shell construction and the automatic cavity wax flooding system for improved corrosion protection at both plants.

These new production installations will ensure further lasting improvement of product quality and working conditions. They will also enhance economy of operating, and make it possible in future for the company to react with greater flexibility to demand fluctuations.

Although output was lower, sales, at 6.1 billion DM, were 6.1% up on the 1981 figure. This was due to higher average proceeds as a result of a continued shift of demand to up-market versions with more complete equipment.

The company made a profit after tax of 118.0 (150.3) million DM. 24.0 (150.0) million DM was allocated to reserves and 93.7 (0) million DM was transferred to the parent company. Net earnings available for distribution in the amount of 0.3 (0.3) million DM have been earmarked for distribution to the holders of AUDI participation certificates.

Audi 80 Quattro – the luxury saloon with permanent four-wheel drive



Volkswagen do Brasil S.A.
São Bernardo do Campo, Brazil
 and consolidated subsidiaries

		1982	1981	Increase (Decrease) %
Sales	million DM	4,064	3,251	25.0
Vehicle sales	units	323,582	313,266	3.3
Production	units	324,133	295,303	9.8
Capital investments	million DM	464	546	(15.0)
Workforce	on Dec. 31	36,298	33,573	8.1

The Brazilian economy has been in a recessionary stage since the end of 1980, as a result of government measures to combat inflation and overcome the balance of payments deficit, as well as to consolidate the position regarding the large foreign debt. In the course of the second half of 1982, however, the economy began to register a slight upward trend, which had a beneficial effect on the automotive industry.

Domestic sales of passenger cars in Brazil rose by 24.3% in relation to the very low level recorded for the previous year, whilst in the light commercial vehicle sector there was a growth of 23.8%. Vehicle sales benefited from the exemption of alcohol-driven taxis from excise duty brought in in mid 1982. But the volume of sales did not recover sufficiently for automotive manufacturers to be in a position to revert to a satisfactory degree of capacity utilization. In passenger car production, not even two thirds capacity working was regained. The utilization

ratio in the commercial vehicle sector was even lower.

Following the pattern of increased vehicle sales achieved by the Brazilian automotive industry, Volkswagen do Brasil expanded its domestic sales by 24.7% to 286,778 vehicles. Its market share in passenger cars, with domestic sales of 249,745 units, fell from 45.9% to 44.9%, however, but on the other hand its share in the market for light commercial vehicles, with the sale of 37,033 units, rose from 35.5% to 42.8%.

In the second half of 1982 new versions of the Voyage notchback saloon were added to the range, namely the Variant Parati and the Pick-up Saveiro. Besides the Beetle, the Voyage was the most successful car on the Brazilian market in 1982. The Brasília, which has attained sales of over a million since 1973, is no longer being marketed, and has been replaced by the new generation of models, the Gol, Voyage and Parati.

For those who like a variable car the Parati holds a number of possibilities



With the sale of 36,804 vehicles, the company suffered a reduction in exports of 55.8 %, as a consequence of the difficult economic situation in nearly all customer countries. This meant that its total vehicle sales were only 3.3 % up on 1981.

The disproportionate rise in sales proceeds as opposed to the increase in vehicle sales – calculated in DM – is mainly due to the effects of exchange rate variations.

Volkswagen do Brasil produced 324,133 vehicles, 9.8 % more than in the previous year. Daily output rose from 1,330 to 1,422 vehicles. Despite this increased production, however, capacity utilization was still unsatisfactory.

As of December 31, 1982, owing to the improved state of domestic demand, the company was employing 36,298 people, 8.1 % more than at the end of 1981.

The company's investment activities were mainly limited to the area of product-related projects, in accordance with its economic situation.

The result registered by Volkswagen do Brasil for 1982 was adversely affected by the unsatisfactory capacity utilization ratio, the high cost of borrowing and disappointing export

figures. This was partly counter-balanced by improved domestic vehicle sales and the measures taken to reduce costs, so that the loss shown in the consolidated accounts is far less than for the previous year. The financial statements drawn up on the basis of Brazilian corporation law register a profit.

The new Saveiro has a wide variety of uses



**Volkswagen Caminhões Ltda.
São Bernardo do Campo, Brazil**

		1982	1981	(Decrease) %
Sales	million DM	196	287	(31.8)
Vehicle sales	units	4,105	10,325	(60.2)
of which				
commercial vehicles	units	3,914	8,442	(53.6)
Production	units	3,620	9,656	(62.5)
Capital investments	million DM	13	24	(45.5)
Workforce	on Dec. 31	2,179	2,618	(16.8)

Following the introduction in 1981 of the 11 and 13 tonne Volkswagen trucks, production was started in September 1982 of the new 6 tonne truck. A 21 tonne version of the Dodge 13 tonner began to be introduced as soon as January 1982. At the beginning of the year under report the company also began production of alcohol-fuelled engines for installation in the models in the Dodge truck series (13/21 tonnes) still being manufactured.

The severe slump in the Brazilian market for commercial vehicles which set in in mid 1981 was succeeded by a phase of comparative stabilization of domestic demand in the first half of 1982, although at a low level, but sales began to fall off again in the second half.

*The production plant
of Volkswagen Caminhões*



Volkswagen Caminhões was also hit by this development.

Because of the favourable reception by the market of the 6 tonne and 11/13 tonne commercial vehicles the company was able to improve its market position in 1982. Its market share in the 6 to 21 tonne total authorized weight sector amounted to 9.7%, as against the previous year's 7.8%.

Volkswagen Caminhões sold a total of 4,105 vehicles. Of the 3,914 trucks sold (1981: 8,442) – of which 2,071 units in the Volkswagen series (1981: 1,381) – 3,234 vehicles were disposed of on the domestic market (+ 1.0%) and 680 on export markets in South America (– 87.0%).

The company was forced to take further measures in order to adjust to the deteriorating situation. These mainly comprised cutting daily production, substantial savings on overheads and extensive retrenchment

of investments. In addition, collaboration with Volkswagen do Brasil was intensified, so that capacities could be jointly utilized to better effect.

As a result of the necessary adjustment measures the workforce was down by 16.8% at the end of 1982, to a total of 2,179.

The 13 million DM of investments was chiefly employed on the development of new commercial vehicles.

The company's capital stock was increased from 14,460,096,527 cruzeiros to 21,534,627,329 cruzeiros. The increased capital was funded by capitalization of reserves in the amount of 121,448,888 cruzeiros and a capital increase of 6,953,081,914 cruzeiros (99.4 million DM) undertaken by Volkswagenwerk AG to strengthen the company's equity base.

The company ended the fiscal year with a substantial loss.

Volkswagen Argentina S.A. Buenos Aires, Argentina		1982	1981	(Decrease) %
Sales	million DM	205	488	(58.0)
Vehicle sales	units	14,767	23,800	(38.0)
of which				
commercial vehicles	units	4,060	4,957	(18.1)
Production	units	12,861	18,528	(30.6)
Capital investments	million DM	27	44	(38.6)
Workforce	on Dec. 31	3,281	4,133	(20.6)

The main features of the Argentinian economy in 1982 were greatly increased foreign indebtedness and an extremely high rate of inflation. Under these circumstances there was a further sharp fall in demand on the automotive market. Volkswagen Argentina did not escape the effects of this development.

During the period covered by the report the company sold 14,767 vehicles, 38.0% less than in the previous year. The sales volume for commercial vehicles, however, owing to the success on the market of the Commercial which began to be manufactured locally in March 1982, for which components are supplied by Volkswagen do Brasil, fell by only 18.1%, to 4,060 vehicles.

Volkswagen Argentina's market share, 10.3%, showed little change in relation to the previous year.

Investments, which were geared to the company's current trading position, were applied mainly to increased conversion onto Volkswagen products.

The reduced volume of vehicle sales compelled the company to cut down the workforce to 3,281 in all, 20.6% less than in the previous year.

To strengthen the company's equity basis Volkswagenwerk AG, in the second half of 1982, made a capital contribution of 1,728 billion pesos, or 40 million US \$. This increased the company's capital stock from 479 billion pesos to 2,207 billion pesos. Volkswagenwerk AG's share in the capital stock of Volkswagen Argentina as of December 31, 1982 amounted to 99.97%.

Because of the critical state of vehicle sales and the exceptionally high interest rates Volkswagen Argentina ended the fiscal year with a loss, but owing to the measures taken by the company to remedy the situation this was considerably less than in the previous year.

The production plant San Justo of Volkswagen Argentina near Buenos Aires



Volkswagen of America, Inc. 1982 1981 (Decrease)
Troy, Mi., USA %
 and consolidated subsidiaries

Sales	million DM	5,955	7,475	(20.3)
Vehicle sales	units	202,026	336,669	(40.0)
Production	units	92,157	204,990	(55.0)
Capital investments	million DM	345	446	(22.5)
Workforce	on Dec. 31	8,203	9,891	(17.1)

The decline in the volume of vehicle sales on the American automotive market experienced in previous years continued throughout 1982. Our subsidiary company was for the first time seriously affected by this. The biggest setback befell the market in small cars, which is so important for our Group, owing to the considerable uncertainties regarding economic development and the relatively high rate of interest payable on advances for the purchase of new cars. Demand for diesel-driven vehicles was particularly slack in the light of lower fuel prices. Previously these types of vehicle have always made a sizeable contribution to the company's sales.

Last year Volkswagen of America delivered 202,026 Volkswagen and Audi vehicles to dealers, 134,643 fewer than in the previous year, which represents a drop in sales of 40.0%.

Capacity at the Westmoreland assembly plant, in view of this state of affairs, was only 50% utilized. Altogether 99 days of short-time working had to be imposed. As a result of adjustment measures to deal with the problem of reduced production, the number of employees was cut back by 1,688. Since February 1983 the plant has been operating with one shift only.

Because of the state of the economy as a whole, the start-up of operating at the assembly plant at Sterling Heights, now largely completed, was postponed for the time being.

The company sustained a substantial loss on fiscal year 1982.

Thanks to its outstanding running gear the Scirocco shows its sporty paces even on the rough



Volkswagen de Mexico S.A. de C.V., Puebla/Pue., Mexico and consolidated subsidiaries		1982	1981	Increase (Decrease) %
Sales	million DM	2,005	2,461	(18.5)
Vehicle sales	units	140,874	139,237	1.2
Production	units	143,565	138,303	3.8
Capital investments	million DM	166	300	(44.5)
Workforce	on Dec. 31	12,165	15,409	(21.1)

The state of the Mexican economy deteriorated drastically in 1982, in contrast with the development registered in previous years, as a consequence of the country's mounting foreign indebtedness. Substantially reduced revenues from oil exports brought about currency problems which led to the nationalization of the banks and the introduction of exchange controls. The restrictions imposed on foreign trade left their mark on the national economy, and were not without effect on the automotive market.

Compared with the previous year there was a decline in the Mexican market for passenger cars of 15.7%. Volkswagen de Mexico increased its market share from 33.2% to 38.4%, and it remained the market leader by an even wider margin than before.

The volume models Caribe (Golf) and Beetle were responsible for the, so far, satisfactory domestic vehicle sales. Exports mainly

consisted, as before, of deliveries of the Beetle to Europe.

With vehicle production going up by 3.8% as a result of the increased sales volume, the average number of the workforce was higher than in the previous year.

The repeated devaluations of the Mexican peso in the course of 1982 meant that Volkswagen de Mexico, despite the greater volume of vehicle sales, sustained a sizeable loss in sales proceeds as calculated in DM. In terms of local currency, however, sales were higher than in the year before.

The level of investment was kept in line with the changed economic circumstances and the resulting market prospects for the medium term. Projects intended to expand capacity were therefore temporarily shelved, and total capital investments were below the previous year's figure.

Volkswagen de Mexico, as a consequence of the considerable currency losses incurred through the repeated devaluations of the Mexican peso, registered a deficit.

The Beetle produced in Mexico still has a devoted following in Europe as well



Volkswagen of South Africa (Pty.) Ltd., Uitenhage, C.P., South Africa
and consolidated subsidiaries

		1982	1981	(Decrease) %
Sales	million DM	961	1,113	(13.6)
Vehicle sales	units	50,212	61,886	(18.9)
Production	units	51,846	62,968	(17.7)
Capital investments	million DM	109	142	(23.5)
Workforce	on Dec. 31	7,799	8,610	(9.4)

In 1982 the South African economy was in a state of deep recession. The weak trend of the national economy led to intensified competition for market shares.

The number of vehicles sold by Volkswagen of South Africa was far below the previous year's level. Its market share in passenger cars fell by 3.4% to 13.7%. Sales picked up, however, after the introduction of the Santana in October 1982.

The Santana was chosen as "Car of the Year" in South Africa, and the Golf GTI, which began to be marketed in South Africa in November 1982, was voted the best car in its performance class.

Output was in keeping with the unsatisfactory course of vehicle sales, falling by 11,122 units.

The decrease in sales valued in DM was due to the 13.4% higher value of the DM against the rand. In terms of local currency, sales – despite

the drop in volume – were not far below the previous year's value, as a result of price rises and changes in the model mix.

Investments were concentrated on preparations for the update of the model range.

In the light of the necessary production cutback the company was driven to take steps to reduce the workforce. The social hardships inherent in staff dismissals were mitigated by the system of redundancy payments. At end 1982 Volkswagen of South Africa was employing a workforce of 7,799, representing a decrease of 9.4% on the previous year.

The company broke even.

As of 1982 the Santana has been produced in South Africa, where it is called the Passat



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

		1982	1981	Increase (Decrease) %
Sales	million DM	1,430	1,336	7.1
Vehicle sales	units	124,442	117,251	6.1
Production	units	124,442	117,261	6.1
Capital investments	million DM	20	36	(45.4)
Workforce	on Dec. 31	4,627	4,649	(0.5)

A deterioration in vehicle sales in the last quarter of the fiscal year caused the company to cut production. For the year as a whole, however, the company increased its output of assembled vehicles, with 124,442 units, by 6.1 %.

Fewer were being employed at the end of 1982 in view of the downturn in vehicle sales in the last quarter.

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

Owing to stronger competition through imports of completed vehicles at the start of the year and falling overall demand, mainly as a result of the restrictive economic policies which the Nigerian government was impelled to apply, Volkswagen of Nigeria Ltd. — in which our interest remains unchanged at 40 % — sold 32.1 % fewer passenger cars, with sales of 17,900 vehicles, than in the previous year. Its market share dropped from 23.2 % to 19.9 %.

Investments continued to be concentrated on measures designed to improve quality and enhance flexibility in the production process.

The company earned a profit.

In order to align output with the diminished demand for cars the company was forced to bring in 50 days of short-time working in 1982.

Sales of light commercial vehicles, on the other hand, rose by 11.2 % to 4,246 units. This caused the market share in light commercials to go up from 3.3 % to 5.3 %. The improvement is attributable to the introduction, in May 1982, of a special type of light commercial developed for the Nigerian market by Volkswagen do Brasil.

The continued devaluation of the naira against the US dollar entailed further currency losses for the company. This, together with reduced output and the fact that increased costs could only be partially passed on in higher prices, caused the company to end the fiscal year 1982 with a loss.

**TAS Tvoronica Automobila
Sarajevo, Vogosca, Yugoslavia**

The company assembled 19,435 vehicles of the Golf/Jetta class; inclusive of imported cars, vehicle sales in Yugoslavia amounted to 18,557 units. Compared with the previous year, the sales volume decreased by 10.9 %.

Assembly of the Caddy, the small delivery van based on the Golf, was begun in the year under report, with a view to its being exported to European markets. The Caddy was placed on the market in December 1982.

Although the general conditions for business in Yugoslavia continued to be difficult, the company succeeded in ending the fiscal year 1982 in profit.

The new versatile Caddy has room for all kinds of things



Distributing Companies

V.A.G France S.A. Paris, France

and consolidated subsidiaries

		1982	1981	Increase %
Sales	million DM	2,220	2,041	8.8
Vehicle sales	units	141,166	135,144	4.5
Workforce	on Dec. 31	930	799	16.4

New car registrations in France exceeded the previous year's level by 12.1%. V.A.G France achieved a share in the passenger car market of 6.0 (6.7) %.

With the sale of 141,166 Volkswagen and Audi vehicles to dealers, the previous year's sales volume was surpassed by 4.5%. As in the past, the Golf was once again the best-selling model of those marketed

by the Group. The Santana was an addition to the model range in 1982, and had a good reception on the market. Since August 1, 1982 V.A.G France S.A. took over again as importers of the Volkswagen heavy van series formerly marketed by the M.A.N.-Volkswagen Camions et Bus S.A.

The company achieved a positive result.

Volkswagen Canada Inc. Toronto, Canada

and consolidated subsidiary

		1982	1981	Increase (Decrease) %
Sales	million DM	548	622	(12.0)
Vehicle sales	units	19,529	25,704	(24.0)
Workforce	on Dec. 31	409	384	6.5

The Canadian economy continued with its long-lasting recession throughout 1982, and this also had a serious effect on business in the automotive sector. Registrations of passenger cars were 21.2% lower than in the previous year. Volkswagen Canada sustained a reduced

volume of sales of Volkswagen and Audi vehicles to dealers amounting to 24.0% down on the previous year. Its market share remained unchanged at 2.8%.

The company showed a profit.

V.A.G Sverige AB Södertälje, Sweden

The Swedish economy was characterized in 1982 by the sluggish course of domestic economic activity, with falling private consumption and reduced investment. The steep rise in the cost of imports resulting from the devaluation of the krone in October led to a record balance of trade deficit, whilst the growth in exports was comparatively small.

Despite these circumstances, more vehicles were sold in Sweden than in the year before. New car registrations increased by 15.9% on 1981.

With sales of 27,415 Volkswagen and Audi vehicles to dealers, V.A.G Sverige improved on the previous year's figure by 6.0%. The share of Volkswagen and Audi models in the passenger car market amounted to 11.6%.

The company earned a profit.

*The Golf Convertible:
for fresh air lovers*



**V.A.G España S.A.
Madrid, Spain**

		1982	1981	Increase %
Sales	million DM	76	30	x
Vehicle sales	units	2,379	978	x
Workforce	on Dec. 31	60	45	33.3

V.A.G España succeeded in selling 2,379 Volkswagen and Audi models, more than double the number sold in the year it was formed.

The company earned a profit.

As part of the co-operation agreement with SEAT, the V.A.G dealer

organization is now integrated in the SEAT dealer organization. Since the beginning of 1983, therefore, Volkswagen and Audi models have been marketed on the Spanish market through a much wider dealer network. V.A.G España has at the same time ceased its trading activities.

**V.A.G Sales Centres in
West Germany**

The wholesaling side of the Volkswagen Group's activities in West Germany is now carried out by 13 sales centres. In the year under report the Hanover, Brunswick and Kassel sales centres and those at Hamburg and Kiel were respectively merged into two companies, one located at Bissendorf, near Hanover, and the other at Norderstedt, near Hamburg. Volkswagenwerk AG holds a 26% direct interest in the sales centres.

The sales centres supply the domestic V.A.G retailer associates with the Volkswagen Group's vehicles, spares and accessories. They are also responsible for providing advice and training for the associates.

Because the state of the market was less favourable than in the previous year, the results fell a little short of the good results achieved in 1981.

**WESER-EMS Vertriebsgesellschaft
mbH, Bremen**

and consolidated subsidiaries

The company, a property and holding company, earns the bulk of its income from its holding in V.A.G Vertriebszentrum WESER-EMS GmbH & Co. KG and from leasing out property.

As in previous years, the earnings position of V.A.G Vertriebszentrum WESER-EMS GmbH & Co. KG was the principal factor determining the profit of WESER-EMS Vertriebsgesellschaft.

The share of the profit accruing to Volkswagenwerk AG was duly transferred under the profit and loss assumption agreement.

With its enlarged load area the new LT 50 can handle a payload of up to 2.9 t



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

and consolidated subsidiaries

		1982	1981	Increase (Decrease) %
Sales	million DM	1,964	1,954	0.5
Capital investments	million DM	162	146	10.5
Workforce	on Dec. 31	11,246	14,143	(20.5)

The TRIUMPH-ADLER group is engaged in the development, production and marketing of business machines and computers in the lower and middle range of data systems technology. The product range comprises typewriters and calculators, copiers, word processors and computer systems, as well as office supplies and software.

The subsidiaries in North America have been placed under the direction of a central organ of management and administration. Triumph-Adler North America Inc. assumed this function as from January 3, 1983; it came into being as the result of an amalgamation of various companies, involving a change of name. Omnidata, of Westlake Village, was disposed of under the reorganization scheme.

TRIUMPH-ADLER AG and its consolidated subsidiaries attained sales in the amount of 1,964 million DM; the foreign share in sales accounted for 82.1%. The branches making the principal contributions to sales were business machines (37.9% of total turnover), computer systems (12.0%) and copiers (10.9%).

At end 1982 the TRIUMPH-ADLER group was employing 11,246 people. This represents a reduction of 20.5% in the workforce as compared with the previous year. The principal reasons for this were the need to shed 1,540 employees in Germany as a part of the measures to adjust capacity, restructuring undertaken in the Pertec Computer Corporation and amalgamation of production units.

Investments in the last fiscal year totalled 162 million DM. They were employed on the development of innovations and improvements in the product range, and on further expansion of the group's leasing business in the USA.

In order to consolidate further the financial status of TRIUMPH-ADLER AG, Volkswagenwerk AG waived repayment of a part of the sums advanced to assist the company's liquidity position. The amounts outstanding were made available free of interest for a specified period. TRIUMPH-ADLER AG ended the year with a far better result than that for the previous year. Loss amounted to 9 million DM.

A main reason for the improved result was the satisfactory progress attained in the business machines sector, where conversion onto electronic products met with the success that had been anticipated.

The SE 1040 with separate flat keyboard is the top model in the TRIUMPH-ADLER range of electronic typewriters



VOTEX GmbH, Dreieich

Within the international V.A.G sales organization VOTEX is engaged in marketing and developing automotive accessories. It also acts as the agent for Volkswagenwerk AG for purchasing transactions in Austria and Eastern Europe.

The company achieved sales of 58 million DM, 4.5% more than in the previous year.

The course of business and the result in 1982 were satisfactory.

V.A.G Leasing GmbH, Brunswick

Although 1982 was a difficult year for business the company succeeded in increasing the number of vehicles on lease to firms and private customers, and in expanding its clientele.

Sales, which include income from leasing out movable assets other than vehicles, rose from the previous year's 509 million DM to 594 million DM.

In the second half of 1982 V.A.G Leasing took over occupation of the new office building in Brunswick, and on January 5, 1983 Brunswick became the company's place of registration.

The earnings position remained good, in spite of conditions of stronger competition and rather high refinancing costs.

interRent Autovermietung GmbH Hamburg

and consolidated domestic subsidiaries

The company hires out cars and trucks on a short-term basis. In West Germany the company operates through an extensive network of over 300 hire agencies. In Belgium, the subsidiary companies interRent S.A., Brussels, and interRent Trucks S.A., also in Brussels, are engaged respectively in car hire and truck hire. Elsewhere in Europe, and in many other countries, interRent operates through a system of licensing agreements with independent hire companies. In North America the company co-operates with the Dollar Rent-A-Car System, Inc. of Los Angeles.

Business expanded once again in 1982, although performance in both branches varied. Altogether the company increased its sales by 5.3% to 246 million DM.

Net earnings less an amount transferred to reserves, were distributed to the parent company.

V.A.G Transport GmbH Wolfsburg

The company is engaged in international land, sea and air transport and in forwarding, transshipment and stevedoring activities, and also advises the Volkswagen Group and others concerning their transportation arrangements. It co-ordinates world-wide the sea and air shipments of the Volkswagen Group companies.

A total of 382,000 (356,000) completed vehicles and 597,000 (865,000) m³ of vehicle components were shipped. Most of these shipments were effected under time charter and tonnage-space freight contracts, but the company also made wide use of space available on scheduled shipping lines and air services.

Sales, at 298 million DM, were in line with the previous year's figure.

The earnings position remained good, despite the fact that the volume of shipments decreased, owing to moderate freight charges and good use of cargo space. The net earnings available for distribution were transferred to the stockholders.

**V.A.G Kredit Bank GmbH
Brunswick**

The V.A.G Kredit Bank promotes sales of Volkswagen and Audi products through providing the V.A.G sales organization with the necessary funds for financing purchases and through financing sales to customers.

Despite the further downturn in the economy the volume of credit granted by the Bank, both for financing purchases and the financing of customers, was appreciably expanded.

In August 1982 the Bank moved into premises of its own in Brunswick, where it now has its registered office.

A satisfactory profit was earned on the year, which has been transferred to reserves in order to strengthen the Bank's equity basis.

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

The VW-Wohnungsbau company was mainly concerned with the administration, modernization and maintenance of the existing housing stock.

With the sale of 17 owner-occupied apartments, its own housing stock was reduced to 7,092 units. The company also has 132 accommodation units in hostels. To meet the

demand for rented accommodation in Wolfsburg, a start was made on the preliminaries for the construction of 135 apartments.

VW-Wohnungsbau ended the year under report with a profit.

**VW-Siedlungsgesellschaft mbH
Wolfsburg**

The company was principally engaged in the administration and maintenance of the housing stock, and in looking after the properties of Volkswagenwerk AG.

The VW-Siedlungsgesellschaft, at end 1982, had 5,397 apartments and 256 accommodation units in hostels. A start was made in the course of the year under report on the erection of a further 219 apartments for rent in Wolfsburg. Over the same period an additional 46 owner-occupied apartments were largely completed.

The company registered a loss for 1982 owing to heavy expenditure, chiefly in respect of interest payments and depreciation; the loss was assumed by Volkswagenwerk AG under the terms of the profit and loss assumption agreement.

**HOLAD Holding & Administration
AG, Basle, Switzerland**

The purpose of the company is to invest in enterprises at home and abroad and to conduct trust business. It holds interests in V.A.G Financement S.A., Paris, Vorelco Ltd., Toronto, and VOTEX, Inc., Englewood Cliffs.

HOLAD shows a profit for the fiscal year 1982.

**Volkswagen International Finance
N.V., Amsterdam, Netherlands**
and consolidated subsidiary

The function of this company is to provide finance for other companies of the Volkswagen Group.

It holds all the shares in Volkswagen Overseas Finance N.V., Willemstad, Curaçao, Netherlands Antilles.

In February 1983 Volkswagen International Finance N.V. issued a 7 1/4 % loan in bearer bonds in the amount of 200,000,000 DM at a 99% offering price. The life of the loan is 10 years. The loan is repayable at par by not later than March 1, 1993.

The company again earned a profit for the fiscal year 1982.

**Deutsche Automobilgesellschaft
mbH, Hanover**

The company, in which Daimler-Benz AG and Volkswagenwerk AG each have a 50% interest, continued in 1982 to pursue its research and development work in the area of electrical engineering and electrochemical storage systems.

Expansion of the DAUG-HOPPECKE Gesellschaft für Batteriesysteme mbH, the company formed in conjunction with the Accumulatorenwerke Hoppecke Carl Zoellner & Sohn GmbH & Co. KG, Brilon, has proceeded according to plan. The purpose of the company is to put to commercial use the results already obtained from research on high class batteries.

The positive result was transferred to the parent companies in accordance with the existing profit and loss assumption agreement.

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

The company was formed jointly in 1978 by M.A.N. Maschinenfabrik Augsburg-Nürnberg AG and Volkswagenwerk AG to look after the interests of both manufacturers vis-à-vis importers of M.A.N. and Volkswagen commercial vehicles.

In 1982 the business activity of the M.A.N. and Volkswagen commercial vehicle importers was reorganized. Co-partners abroad became more responsible for the commercial vehicle importing business and the company's holdings will be correspondingly reduced.

The company ended the year with a loss, which will be assumed by the stockholders.

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

In 1982 the company began to hold training courses in the newly erected building in Brunswick, so that the number of training places available for proprietors and managers among our associates in the V.A.G sales organization has now been greatly increased.

The company was still in some respects in the starting-up stage last year. The loss, chiefly as a consequence of depreciation in accordance with the Border Area Promotion Act, has been made up by Volkswagenwerk AG under the existing profit and loss assumption agreement.

**VW KRAFTWERK GmbH
Wolfsburg**

The company, formed in 1980, is in the course of erecting a coal-burning power station at Wolfsburg for the supply of energy to Volkswagenwerk AG and others. Its completion is scheduled for 1985.

The losses incurred during the stage of construction, mainly caused by depreciation in accordance with the Border Area Promotion Act, have been made up by Volkswagenwerk AG under the terms of a profit and loss assumption agreement.

**VW-Versicherungsvermittlungs-
GmbH, Wolfsburg**

The company is engaged in insurance broking for the Volkswagen Group and others, and specializes in industrial insurance. It also coordinates the insurance affairs of the Volkswagen Group companies all over the world, and formulates a uniform insurance plan.

In the fiscal year 1982 the volume of premiums, and the services performed for the Volkswagen Group companies, were again expanded.

The profit made by the company was taken over by the stockholders.

Prospects

By the beginning of 1983 the trend of the world economy had moved into a phase in which a reversal could be expected.

The world economic recession which had continued for the past three years reached a new peak in the middle of 1982, but by the end of the year there were already signs of a slight improvement in the state of the economy, especially in the industrialized countries. For the first time in years some economic figures in the western world are beginning to show an upward trend. But before there can be any lasting upturn, and a reduction of unemployment, there must be greater stability in international affairs and world economic conditions; in addition it is necessary for individual states to introduce policy concepts for economic restructuring. In past years the main reason for the world-wide recession, along with oil price rises, abrupt changes in exchange rates and the appearance on the scene of new competitors, has been the inability of western economies to adapt themselves as they ought.

Economic recovery has certainly been made much easier now that oil prices have fallen. The purchasing power of the oil consumer countries has been heightened, inflation rates are going down, pressure on balance of current transactions is less. The

consequences are unfavourable, on the other hand, for the developing countries that are exporters of oil, where the worsened position of indebtedness has come to pose a threat to the stability of the banking system.

Another positive factor favouring an improvement in the state of the world economy is that interest rates have started to come down. This makes a lasting economic recovery a possibility, since it acts as a stimulus to the economy and lessens the burden of debt with which many countries are faced. It has been estimated that a fall in interest rates of only 1% is enough to save Brazil and Mexico 700 million US dollars a year in interest payments. For the developing countries as a whole the ensuing relief is calculated at 3.5 billion US dollars.

Because of the low capacity working that is currently prevalent throughout the world, inflation rates, which have been falling for some time, are unlikely to rise again immediately even with growing demand.

The expected expansion of world demand should also bring in its wake an easing of the labour market. There is accordingly the likelihood that the trend towards protectionist measures that has been visible in many countries may be halted or

even reversed. A market economy geared to competition offers the best chance of the creation of a climate favouring the accumulation of capital, willingness on the part of business to take risks, innovation, and technological advance.

An improvement in international economic conditions, it can be safely assumed, will also lead to a revival of activity on the automotive markets. In particular, in view of the high level of motorization in the western industrialized countries, after several years during which buyers have held back there should be a sizeable backlog demand waiting to be satisfied in important markets.

In the absence of any realistic alternatives, the motor vehicle will continue to maintain its dominant position as a means of transport, and no significant structural changes in the transport sector are to be expected. The requirements placed on the car in regard to economy, safety, environmental protection and comfort are, moreover, important factors for future large-scale innovations, and an assurance of further qualitative growth.

Apart from qualitative growth an increase in quantity is also conceivable, since it seems possible that the density of motorization may

register a further increase even in Western Europe. There is also a stimulus on employment to be seen in this.

The up-to-date design concept, high technology know-how and aptitude for innovation within the Volkswagen Group are sufficient to ensure that we shall have a part to play in this new growth. But it is essential that costs of all kinds, including those subject to government control, should be reduced. And to be able to hold our own against international competition we shall have to secure higher profit margins than those we have managed to earn so far.

In West Germany there has been a visible improvement in the basic economic factors such as inflation rate, equilibrium of foreign trade, and budget deficit. Another hopeful sign that the state of the economy is improving is the growth in the money supply and the expansion of credit. The German economy is also benefiting from the favourable effects of the lower price of oil.

Domestic demand both for cars and commercial vehicles is gradually picking up, and in the second half of 1983 – especially after the International Motor Show in Frankfurt – should grow at a faster pace. We are accordingly expecting a modest increase in the number of vehicles sold over the whole year.

Competition in the large-volume markets in Europe will in all probability grow stronger, in view of the strengthening of the DM and the greater efforts which all automotive manufacturers are likely to put into their export drive. Our strategy of manufacturing abroad as well as at home enables us to be present in markets in which up to now we were scarcely represented. Through our co-operation agreement with SEAT, we can expect our vehicle sales in the Spanish market, with its important future potential, to be stepped up considerably.

We shall also meet the stiff competition in the European large-volume markets by launching new models incorporating all the features of advanced technology. The Audi 80 Quattro, with its permanent four-wheel drive, and the advanced Audi 100 that are now on the market are both models that are pointers to the future. All the vehicles produced by the Volkswagen Group are noted for their high performance and economy.

In the USA in particular the economic indicators have, since the beginning of the year, been pointing towards an upturn. We are expecting Volkswagen of America to share in the recovery.

Financial Statements and Notes

Notes on the Financial Statements of the Volkswagen Group

Consolidation Principles

Scope of Consolidation

In principle, all those Group companies have been included in the scope of consolidation in which Volkswagenwerk AG has a direct or indirect interest of over 50%.

In addition to Volkswagenwerk AG, 22 German and 48 foreign companies are included in the consolidated financial statements. These companies are identified in the survey on pages 34 and 35.

The following companies were consolidated for the first time in the year under report:

ZERAL Verwaltung GmbH & Co.
Bissendorf KG, Munich
Triumph-Adler Computer Vertriebs-
GmbH, Nuremberg
Adler-Royal Business Machines
Inc., Union, N.J.

The purpose of ZERAL Verwaltung GmbH & Co. Bissendorf KG is to acquire real estate with and without buildings, to lease and administer it, and to put it to commercial use.

Triumph-Adler Computer Vertriebs-
GmbH is engaged in activities connected with the office machines business. Adler-Royal Business Machines Inc., in conjunction with the merging of the TRIUMPH-ADLER

group's activities in the USA, formed a subsidiary company of the same name to which it handed over its current business activities. The original Adler-Royal Business Machines Inc. took over Triumph Adler Inc., which acts as a holding company for the Pertec group, and at the beginning of 1983 was renamed Triumph-Adler North America Inc.

Altogether, through the reorganization of TRIUMPH-ADLER group's North American activities, 12 companies are no longer in the scope of consolidation. They mainly comprise the companies involved in the disposal of Omnidata, and Pertec companies which were not trading.

2 German and 17 foreign Group companies have been left out of the scope of consolidation.

The German companies are the following:

Auto Union GmbH, Munich
Triumph-Adler Wohnungsbaugesell-
schaft mbH, Nuremberg.

The overall picture of the assets and earnings position of the Volkswagen Group is not affected by the non-inclusion of these companies, since some of them are not engaged in business activities and in any case are insignificant in terms of their total volumes.

Form of Presentation and Valuation

In preparing the consolidated financial statements we have basically had regard to the recommendations of the study group on global financial statements of the Schmalenbach-Gesellschaft. The manner in which the consolidated financial statements are presented complies with the requirements of the German Corporation Law. We have also shown in the balance sheet the changes occurring in fixed assets and investments, and have prepared the statement of earnings in fully consolidated, detailed form. Certain items have been reclassified as required in terms of the Group aspect. The amount scheduled for distribution to holders of participation certificates in AUDI NSU AUTO UNION AG is shown under liabilities. On account of legal restrictions placed on the capital of non-profit companies, the reserves and the non-distributed portion of the net earnings available for distribution of one Group company have been allocated to undetermined liabilities in the consolidated balance sheet.

The financial statements of the foreign consolidated companies have been drawn up and audited on the basis of uniform accounting and valuation principles, which are in compliance with the provisions of the Corporation Law.

Translation of Currencies

Additions to fixed assets were translated at the average rates of the months of acquisition, depreciation and disposals at middle rates weighted in line with the monthly additions (historical rates). For the translation of additions up to end 1978 the average rates for the respective year were used.

Loans with an initial term of four years or longer were translated at the middle rate on the balance sheet date, but we have translated the other financial investment items at the rates in force on the date of acquisition, and carried them forward on this historical basis.

The remaining asset items, and debts, were translated at the middle rates on the balance sheet date.

With the exception of items in the translation of which the historical rates for fixed assets and investments are applied (depreciation, gains or losses on disposals), we have translated income and expenses in the statement of earnings at the average monthly rates for the fiscal year. Net earnings, on the other hand, have been translated at the middle rate on the balance sheet date.

Differences arising from currency translation of balance sheet items

did not affect the net earnings; they have been allocated direct to the reserve from capital stock surplus. Any translation differences arising from the use of differing exchange rates in the statement of earnings were balanced out before calculation of the loss on the year.

Capital Consolidation

Capital consolidation has been effected with separation of the adjustment items arising from initial and subsequent consolidation. In this way, acquisition costs of interests in Group companies have been set off against the capital to be consolidated available at the time of acquisition of the interests concerned. The resulting adjustment items arising from initial consolidation are shown on the assets side as a special item of fixed assets and investments, and on the stockholders' equity and liabilities side separately under consolidated reserves.

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

The reserve of the Group arising from earnings also includes:

- Unappropriated earnings of Volkswagenwerk AG
- Value adjustments in respect of consolidated companies, insofar as they were not deductible from the adjustment items arising from initial consolidation shown on the assets side
- Intra-Group profits on fixed assets and investments and inventories.

In addition the net earnings available for distribution of the Group companies - less sums earmarked for distribution to stockholders outside the Group or holders of participation certificates - have also been transferred to the reserve of the Group arising from earnings.

The effects of consolidation on the loss for the year have been set off against the reserve of the Group arising from earnings via the item change in the consolidated reserves. We have again deducted from the reserve of the Group arising from earnings an amount corresponding with the parent company's income from trade investments. Thus the consolidated net earnings available for distribution tally with the net earnings available for distribution shown in the balance sheet for Volkswagenwerk AG.

Ascertainment of the minority interest in consolidated foreign subsidiaries was based on the financial state-

ments translated into DM, valued in accordance with uniform valuation principles and adapted to the generally accepted accounting principles; the differences arising from currency translation in the process of consolidation have been apportioned to minority stockholders on a pro rata basis.

Financial Situation

The financial situation of the Volkswagen Group in the year under report was characterized by the unsatisfactory earnings situation. Considerable funds were tied up in fixed assets as a result of the continued high volume of investment, though some resources were made available through the reduction in inventories.

Capital investments, which include amounts brought forward pertaining to companies being consolidated for the first time and additions to adjustment items arising from initial consolidation, show an increase on the previous year of 41 million DM, or 0.8%, rising to 4,892 million DM. Cash flow¹⁾ diminished primarily in view of the loss on the year by 484 million DM to 3,452 million DM, while as a result of the continued high level of investment depreciation rose by 104 million DM. The cash flow/investment ratio accordingly fell from 81.1% in the previous year to 70.6%. Part of the liquid funds had to be employed to cover the finance requirement, after a reduction in resources tied up in inventories by 322 million DM to 5,649 million DM.

The balance sheet total of the Volkswagen Group exceeded the previous year's total by 556 million DM, or 2.2%, at 25,893 million DM.

Fixed assets and investments, in which adjustment items arising from initial consolidation are included, rose by 1,304 million DM to 11,923 million DM. Current assets fell in value by 748 million DM, mainly because of a rundown in inventories and the utilization of liquid funds amounting to 708 million DM, along with an increase in accounts receivable of 294 million DM. The percentage of fixed assets and investments in relation to the balance sheet total grew to 46%.

The only slight decrease in the stockholders' equity in relation to the loss of 300 million DM is the result of currency translation.

As of December 31, 1982 property, plant and equipment and investments were 89.7% (1981: 102.1%) covered by stockholders' equity, plus long-term outside capital. The increase in the value of outside capital by 610 million DM to 19,559 million DM is mainly in reference to the medium term.

Consolidated balance sheet structure compared with the previous year:

Million DM	Dec. 31 1982		Dec. 31 1981	
Assets				
Property, Plant, Equipment and Investments	11,923	46%	10,619	42%
Current Assets	13,970 ²⁾	54%	14,718 ²⁾	58%
	25,893 ²⁾	100%	25,337 ²⁾	100%
Stockholders' Equity and Liabilities				
Stockholders' Equity	6,334	24%	6,388	25%
Liabilities payable within more than 4 years	4,365	17%	4,459	18%
1 to 4 years	3,411	13%	2,781	11%
up to 1 year	11,783	46%	11,709	46%
	25,893 ²⁾	100%	25,337 ²⁾	100%

¹⁾ We define as cash flow: Loss/Net earnings + Depreciation of fixed assets and write-down of investments - Write-ups + Disposals of property, plant, equipment and investments + Increase in the provision for old-age pensions +/- Increase/Decrease

of stockholders' equity in reserves for special purposes.

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

**Development
of Short-term Liquidity**

Million DM	Dec. 31 1982	Dec. 31 1981	Increase (Decrease)
Liquid funds, trade acceptances	1,953	2,822	(869)
Securities, treasury stock	1,290	1,129	161
Short-term receivables and investments (advance payments not included) ¹⁾	4,437	4,367	70
Short-term liabilities and undetermined liabilities (including liabilities in reserves for special purposes) ²⁾	11,742	11,583	<u>(159)</u>
			<u>(797)</u>

In 1982 the decrease in the liquidity position resulted from the following (million DM):

from current business

Loss	(300)	
Depreciation of fixed assets and write-down of investments and disposals balanced with write-ups	3,591	
Increase in provision for old-age pensions	151	
Increase in stockholders' equity in reserves for special purposes	<u>10</u>	3,452

from financial transactions

Dividend payments to the stock- holders of Volkswagenwerk AG and to minorities in 1982	(122)	
Increase in long and medium- term liabilities	408	
Increase in other items	<u>246</u>	532

from uses of funds

Additions to fixed assets	(4,788)	
Additions to investments incl. increase in the adjustment items arising from initial consolidation on the assets side	(104)	
Decrease in inventories and advance payments ¹⁾	334	
Increase in long and medium-term receivables ¹⁾	<u>(223)</u>	<u>(4,781)</u>

**Decrease in the liquidity
position**

(797)

¹⁾ Decreased by the amounts shown on the stockholders' equity and liabilities side as allowance for doubtful trade acceptances and accounts

²⁾ Not including amounts intended for distribution or net earnings available for distribution of Volkswagenwerk AG

Balance Sheet

Assets

The net book value of **Property, Plant, Equipment and Intangible Assets** exceeded the previous year's value by 1,269 million DM, rising to 11,474 million DM. Property, plant and equipment have been valued at acquisition or manufacturing cost less regular depreciation. Extraordinary depreciation has been applied, especially for the German plants, as permitted under the tax regulations. Apart from this, little use has been made of extraordinary depreciation for economic reasons by the consolidated companies.

Investments in property, plant and equipment, at 4,788 million DM, were slightly higher than in the previous year. Of the additions, 36.1% were in respect of Volkswagenwerk AG, 16.0% concerned AUDI NSU AUTO UNION AG, 12.4% V.A.G Leasing and 9.1% Volkswagen do Brasil. They were related mainly to plant and office equipment, construction in progress and machinery and fixtures.

The bulk of investment was for the further development of the product range and the realization of the production concept, and for renewal and expansion of the leasing and rental fleets. Disposals were largely in the area of sales of used leasing and rental vehicles.

Investments, at 329 million DM, were 34 million DM up on the previous year. The item **Investments in Subsidiaries and Affiliates** chiefly concerns Volkswagenwerk AG's holdings in the V.A.G sales centres, V.A.G Sverige AB and Volkswagen of Nigeria, as in previous accounting periods.

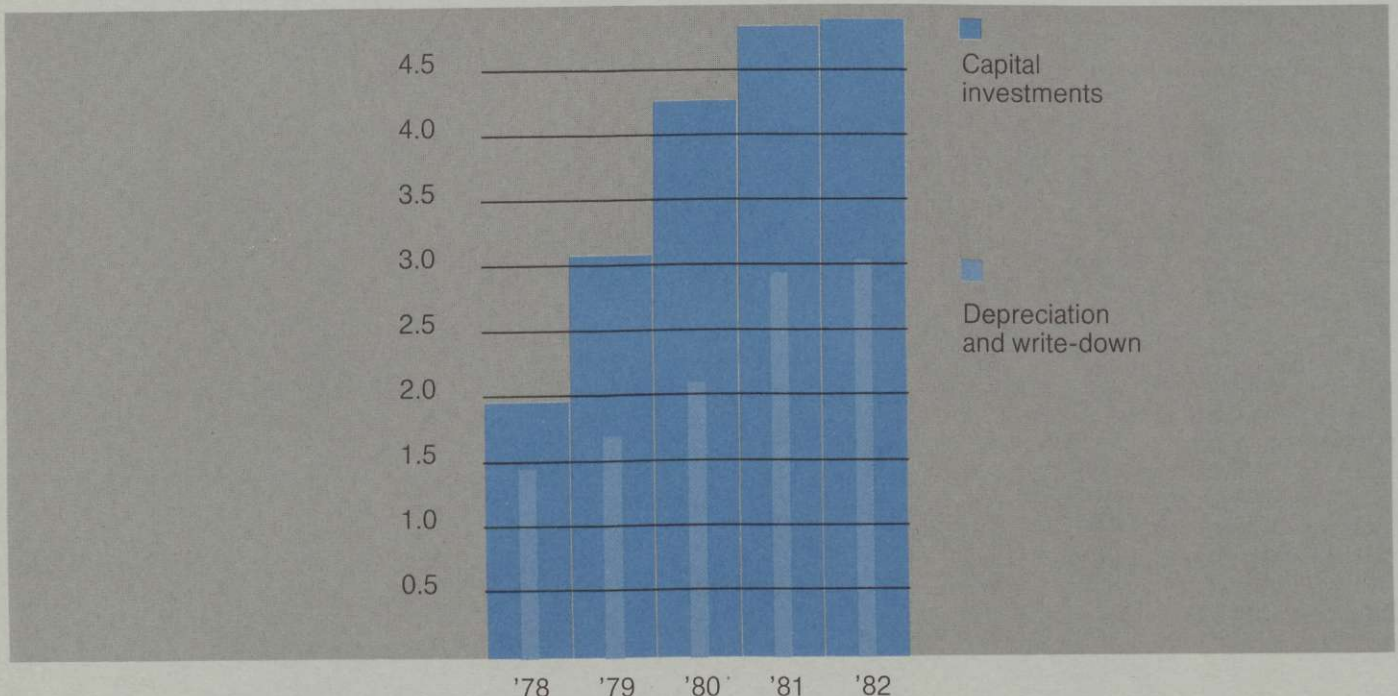
Other Investment Securities mostly shows securities held by Volkswagen do Brasil.

Loans Receivable with an Initial Term of Four Years or Longer comprise for the most part loans granted by Volkswagenwerk AG and Volkswagen of America. Interest-free and low interest bearing loans have been discounted to cash value. Interest amounts to be deducted or added are shown under write-downs and write-ups respectively. In the case of the German companies the lower previous year's value has been retained.

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

Adjustment Items Arising from Initial Consolidation on the assets side show excess values over the nominal book values of holdings at the time of acquisition insofar as they have not already been written down. As of December 31, 1982 the item mainly comprises the differential

Development of capital investments and depreciation and write-down of the Volkswagen Group (billion DM)



amounts arising from the consolidation of AUDI NSU AUTO UNION AG and interRent Autovermietung GmbH.

Inventories show a decrease on the previous year of 322 million DM, or 5.4%, at 5,649 million DM. The reduction in value was chiefly due to exchange rate variations in the case of Volkswagen de Mexico, and also occurred at Volkswagenwerk AG, whilst in the case of Volkswagen of America and V.A.G France stocks were increased.

Of the **Trade Accounts Receivable**, 40.3% pertained to domestic and 59.7% to foreign Group companies.

Trade Acceptances were mostly held by V.A.G France and Volkswagen of America.

Cash in Banks decreased by 846 million DM on the previous year to 1,785 million DM. Volkswagenwerk AG, AUDI NSU AUTO UNION AG and Volkswagen of America accounted for the greater part of the decrease.

The portfolio of **Securities** rose to 1,269 million DM, an increase of 161 million DM on the previous year. The largest additions were shown by Volkswagenwerk AG and Volkswagen do Brasil, whereas AUDI NSU AUTO UNION AG registered a fall in value.

Treasury Stock remained unchanged.

Miscellaneous Other Current Assets consisted for the most part of receivables resulting from the financing of purchases (dealer financing) and sales (customer financing), receivables in the form of tax refunds and interest payments, and registered securities. The increase of 367 million DM on the previous year is accounted for principally by additional receivables from customer and dealer financing and by claims in respect of promissory notes.

The item **Prepaid and Deferred Expenses** shows mainly expenses incurred by Volkswagen do Brasil and V.A.G Leasing in connection with finance transactions, and also commissions.

Stockholders' Equity and Liabilities

Consolidated Reserves consist of the reserve from capital stock surplus, the reserve of the Group arising from earnings, and the adjustment items arising from initial consolidation.

The **Reserve from Capital Stock Surplus** shows the premium amounts contained in Volkswagenwerk AG's legal reserve, less adjustment items arising from currency translation.

The **Reserve of the Group Arising from Earnings** decreased by 72 million DM to 4,145 million DM. This

item comprises in the main the Group's share in the reserves, including amounts converted to corporate capital, adjustments in respect of subsidiaries and affiliates that have been eliminated, amounts for elimination regarding intra-Group supplies of property, plant, equipment and inventories, and discounts for interest-free loans granted by Volkswagenwerk AG to housebuilding associations neutralized during consolidation. In addition the profits or losses as shown in the balance sheets of the other consolidated companies are included in this item.

The **Adjustment Items Arising from Initial Consolidation** represent the excess of net worth over the cost when holdings were acquired. They comprised differences resulting from the consolidation of Volkswagen Caminhões, Volkswagen of South Africa and Volkswagen Argentina.

Minority Interest in Consolidated Subsidiaries is chiefly in reference to minority holdings in Volkswagen do Brasil and AUDI NSU AUTO UNION AG.

Reserves for Special Purposes were shown by the parent company and the other German Group companies, and to a small extent by V.A.G France.

The **Allowance for Doubtful Trade Acceptances and Accounts** serves

as security for covering the general credit risk.

Of the total **Undetermined Liabilities** 42.4% were long-term, 29.7% medium-term and 27.9% short-term.

The amount shown for **Old-age Pensions** was based on actuarial computations and in principle the going value method was used. The source figures were taken from the financial statements of the German Group companies. Advantage was taken of the option of showing the differential amount arising from the change in the interest rate as from January 1, 1982 as a reserve for special purposes.

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

Undetermined Liabilities for Warranties without Legal Obligation chiefly concerned Volkswagenwerk AG and Volkswagen do Brasil.

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

Liabilities with an Initial Term of Four Years or Longer registered a decrease, mainly as a result of

the fall in the exchange rate in the case of Volkswagen de Mexico and of regular repayments on the part of Volkswagenwerk AG.

Of the **Trade Accounts Payable** 60.8% was in reference to domestic and 39.2% to foreign Group companies.

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

Due to Banks increased through additional borrowing, in particular by the V.A.G Kredit Bank, Volkswagen of America, Volkswagen do Brasil and V.A.G France, by 322 million DM to 4,608 million DM. The increase was partially offset by reduced liabilities for Volkswagen de Mexico, which were however entirely due to currency changes, and for Volkswagenwerk AG.

Advance Payments from Customers were for the most part taken over from the financial statements of Volkswagenwerk AG and Volkswagen do Brasil.

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

In addition to the **Contingent Liabilities** shown on the balance sheet, the following liabilities need to be stated:

Of the total securities held as current assets, Volkswagenwerk AG has pledged securities at a par value of 2 million DM. It was also liable in the amount of 3,463,580 DM with regard to returned contributions to limited partnerships (Kommanditgesellschaften). Other liabilities existed in reference to a co-operative, a private limited liability company and a limited liability company partnership (GmbH & Co. KG), amounting to 1,420,600 DM; in addition in the case of the private limited liability company there existed a co-liability under the terms of § 24 GmbH-Gesetz (Limited Liability Companies Act).

Statement of Earnings

The figures given in the 1982 statement of earnings have been affected by the considerable changes in exchange rates in the course of the year, so that it is difficult to make a fair comparison with the previous year's figures.

Sales of the Volkswagen Group were down in the year under report by 444 million DM (1.2%) to 37,434 million DM. The foreign share in sales fell to 67.9% (1981: 68.2%).

The **Decrease in Inventories** is to be seen in connection with the reduced quantity of stock-in-trade.

Gross Performance declined by 167 million DM to 38,030 million DM.

The decrease in **Expenditures for Raw Materials, Supplies and Other Materials** is to be explained by the lower output achieved. It was countered by a rise in the cost of materials.

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

Income from Investments in Subsidiaries and Affiliates stemmed almost entirely from the financial statements of Volkswagenwerk AG. It was earned on the Company's shares in the German sales centres.

Income from Other Financial Investments was achieved in particular by Volkswagen of America and Volkswagen do Brasil.

Other Interest and Similar Income mainly refers to earnings by Volkswagenwerk AG and the financing companies.

Gains from Disposal of Fixed Assets and Investments and Write-ups were

predominantly due to the sale of used vehicles belonging to leasing and rental companies and to disposals on the part of Volkswagen do Brasil and the TRIUMPH-ADLER group.

Income from Elimination of Reserves for Undetermined Liabilities no Longer Required was mainly accounted for by Volkswagenwerk AG and AUDI NSU AUTO UNION AG; in the case of the German companies such income was accrued to a large extent through the change in the interest rate to be applied in ascertaining the cash value of provisions for old-age pensions.

Income from Elimination of Reserves for Special Purposes no Longer Required was derived principally from the elimination of the special item set up under the terms of § 3 Auslandsinvestitionengesetz (Foreign Investment Act), and from elimination of the reserve for price increases in the published balance sheet.

Other Income came for the most part from foreign exchange gains, from the rebilling of advertising material and sales promotion expenses, from renting and leasing, and the sale of catering goods.

Expenditures for Wages and Salaries, although there was a reduction in the average number employed

(see p. 16), were up by 105 million DM on the previous year, at a total of 9,900 million DM.

Social Expenditures rose by 153 million DM to 1,582 million DM.

Pension Expenditures and Voluntary Payments increased by 32 million DM to 586 million DM, chiefly through allocations to provisions for old-age pensions effected by the German Group companies.

Losses on Disposal of Fixed Assets and Investments were mostly incurred by the TRIUMPH-ADLER group and Volkswagen do Brasil.

The increased volume of borrowing, especially by the Group companies in South and North America, was reflected in **Interest and Similar Charges**.

Taxes on Income, Earnings and Property were down on the previous year owing to the downturn in earnings.

Other Taxes were mostly in the form of sales tax and other taxes levied on the Group's foreign companies.

Additions to Reserves for Special Purposes resulted in the main from the setting up of a reserve for special purposes by the Group's German

companies in accordance with § 52 subsection 5 EStG (Income Tax Act).

The major part of **Other Expenses** consisted of currency losses, expenditures on advertising and sales promotion, servicing and maintenance, shipment of finished products, and renting and leasing.

The consolidated **Loss** amounted to 300 million DM. This was mainly caused by the unsatisfactory earnings situation of the companies in North and South America and the TRIUMPH-ADLER group.

Notes on the Financial Statements of Volkswagenwerk AG

Balance Sheet

Assets

Investments in **Property, Plant and Equipment** in the year under report totalled 1,718 (1,337) million DM, the highest level so far reached. The main purpose was to finance projects for the further development and update of our product range, restructuring of production procedures to improve work flow and working conditions, and provision of additional space for research and development.

Additions to finished buildings and plant, including transfers of items under buildings and plant under construction and advance payments on fixed assets, came to 1,686 (1,223) million DM. Of this total, 675 (605) million DM was expended on plant and office equipment, 597 (439) on machinery and fixtures, and 414 (179) million DM on real estate and buildings.

The gross book value of property, plant and equipment at the end of the year under report amounted to 14,406 (13,189) million DM. After deduction of value adjustments on this amount in the sum of 11,048 (10,179) million DM, the net book value of property, plant and equipment came to 3,358 (3,010) million DM.

As before, property, plant and equipment have been valued at acquisition or manufacturing cost, less depreciation. Manufacturing cost and advance payments on fixed assets, as well as regular depreciation, have been valued in accordance with the principles explained in the 1981 Annual Report.

The extraordinary depreciation determined regularly for identical groups of fixed assets in accordance with § 3 of the Border Area Promotion Act was in 1982 for the first time treated as regular depreciation, as was the depreciation in accordance with § 6b EStG (Income Tax Act) and section 35 of the Income Tax Guidelines.

To a small extent extraordinary depreciation was made as a result of the phasing out of some models and of the absence of possibilities for further use of movable assets.

Investment grants and subsidies from public funds have been deducted from acquisition or manufacturing cost. Those relating to the previous year are shown under disposals.

Intangible fixed assets are not carried as assets.

Additions to **Investments in Subsidiaries and Affiliates** shown under Investments are almost entirely in

reference to increases in the capital stock of Volkswagen Argentina S.A. and Volkswagen Caminhões Ltda. The capital stock of TAS Tvoronica Automobila Sarajevo and M.A.N.-Volkswagen Camions et Bus S.A. was also increased.

Disposals – as in the two previous years – relate to the amalgamation of sales centres in Germany.

Trade investments have been valued at acquisition cost, less value adjustments. Holdings in Volkswagen of America, Inc., Volkswagen Argentina S.A. and Volkswagen Caminhões Ltda. have been written down as a result of continuous loss in value or inherent risks. Holdings in three other foreign companies and two domestic companies have also been written down. Of the total amount of write-downs, 203 million DM was in respect of additions for the year under report.

Loans Receivable with an Initial Term of Four Years or Longer comprise – as in previous years – funds made available to housebuilding associations and Company employees. Discount at 7% has been ap-

Capital expenditure was broken down by plant as follows:

Plant		of which movable assets
Wolfsburg	1,143 million DM	895 million DM
Hanover	139 million DM	117 million DM
Kassel	134 million DM	119 million DM
Salzgitter	63 million DM	59 million DM
Emden	160 million DM	115 million DM
Brunswick	79 million DM	71 million DM
	<u>1,718 million DM</u>	<u>1,376 million DM</u>

plied to loans granted since 1955. Loans granted up to December 31, 1954, under § 7c EStG, have been fully written down. The values shown for these loans have been retained, with account being taken of redemption amounts.

Inventories decreased by 150 million DM on the previous year. The main reason for this is that lower quantities of raw materials and supplies were held in store because of the decrease in production and the volume of sales as compared with the previous year; an additional reason was the reduced amount of work in progress. Inventories have been valued, as before, according to the principles explained in the 1981 Annual Report.

Of the 405 million DM in **Trade Accounts Receivable**, 304 million DM relates to foreign business and 101 million DM to domestic business. Accounts due for payment were for the most part settled by the time the balance sheet had been prepared.

Cash in Banks mainly comprises fixed deposits.

Depreciation on additions for 1982 is distributed as follows:

Thousand DM	Real estate and land-rights			Buildings on leased real estate	Machinery and fixtures	Plant and office equipment	Const- ruction in progress	Advance payments on fixed assets
	with office, factory and other buildings	with res- idential buildings	without buildings					
1982 additions ¹⁾	409,751	114	757	2,098	597,355	374,454	118,000	22,400
Depreci- ation on 1982 additions	92,457	2	757	317	278,522	145,614	52,880	11,180

¹⁾ Additions inclusive of transfers from construction in progress and advance payments on fixed assets (not including special tools not yet in operational use and on which depreciation has not

The value of **Securities** increased through the acquisition of bonds offering favourable interest rates for the investment of liquid resources. Securities have been valued in principle at acquisition cost or if it was lower at the stock exchange price at the end of the year. Securities at a nominal value of 2 million DM were pledged as security in favour of the customs authorities in Hanover against current import clearances.

The balance sheet value of **Treasury Stock** remained unchanged. Its nominal value is equivalent to 1.3% of the capital stock. It was acquired in 1971 in connection with a conversion offer to AUDI NSU stockholders on the occasion of a capital increase. A total of 301,206 shares were acquired at a nominal value of 15,060,300 DM, the average price being 190.04 DM per share. A reserve has been created in respect of our treasury stock as required by law.

Receivables from Subsidiaries and Affiliates were 349 million DM up on the previous year. The increase is mainly attributable to higher amounts receivable from Volkswagen of America, Inc., Volkswagen de Mexico, S.A. de C.V., TRIUMPH-ADLER AG für Büro- und Informationstechnik, Volkswagen of South Africa Ltd. and V.A.G Transport GmbH;

the accounts receivable from V.A.G France S.A., AUDI NSU AUTO UNION AG and Volkswagen Canada Inc. were diminished. Of the total amount receivable, 1,573 million DM related to domestic and 960 million DM to foreign companies. Value adjustments have been made for risks of non-payment and foreign exchange risks, and in respect of sums granted free of interest.

Miscellaneous Other Current Assets chiefly comprised claims on the labour office regarding reimbursements in connection with short-time working, entitlements from non-negotiable securities and promissory notes, interest receivable and claims for refund of sales tax. The increase on the previous year is due mainly to the larger amounts claimable in respect of short-time working and to entitlements under promissory notes.

Stockholders' Equity and Liabilities

Capital Stock, Legal Reserve, Reserve for Treasury Stock and Other Reserves remained unchanged for the year under report. There is also still an additional amount of 300 million DM by way of capital authorized but not yet issued; the authorization stands until June 30, 1984.

Reserves for Special Purposes were up by 120 million DM on the previous year, due to the setting up of a special reserve under the terms of § 52 subsection 5 of the EStG (Income Tax Act). The reserve for price increases, pursuant to § 74 EStDV (Income Tax Regulation), was eliminated in the published balance sheet. Further amounts were written back in the other reserves for special purposes in accordance with the statutory regulations.

As security against the general credit risk, the amount of the **Allowance for Doubtful Trade Acceptances and Accounts** has been kept unchanged at an amount equivalent to 1% of trade accounts receivable and advance payments to suppliers.

Undetermined Liabilities in respect of **Old-age Pensions** have been calculated on the going value principle, in accordance with § 6a EStG (Income Tax Act), on the basis of actuarial methods. Following the

amendment of § 6a subsection 3 final clause of the EStG (Income Tax Act) an interest rate of 6% has also been applied for the values shown in the published balance sheet. The difference arising from the increase in the interest rate from 5.5% to 6% as of January 1, 1982 has been eliminated, and a reserve for special purposes has been created in the amount of 11/12 of this sum in accordance with § 52 subsection 5 EStG.

The main items shown under **Other Undetermined Liabilities** are provisions for marketing expenses, mainly in connection with warranties, tax provisions and provisions for labour costs. The increase shown was due largely to provisions for marketing expenses.

Liabilities with an Initial Term of Four Years or Longer decreased with the payment of the fifth instalment of the 1972 loan in the amount of 300 million DM, and through redemptions under **Due to Banks**.

Of the **Trade Accounts Payable**, 1,057 million DM was in reference to domestic suppliers and 65 million DM to foreign suppliers.

Due to Banks concerns almost entirely sums due in connection with the financing of import and export transactions.

The increase in **Accounts Payable to Subsidiaries and Affiliates** is accounted for mainly by the addition in the amounts due to Volkswagen de Mexico, S.A. de C.V. and VW KRAFTWERK GmbH. Less was owed to Volkswagen of America, Inc.

Miscellaneous Other Liabilities primarily consist of current liabilities for wages and salaries and other obligations towards the workforce, as well as tax liabilities.

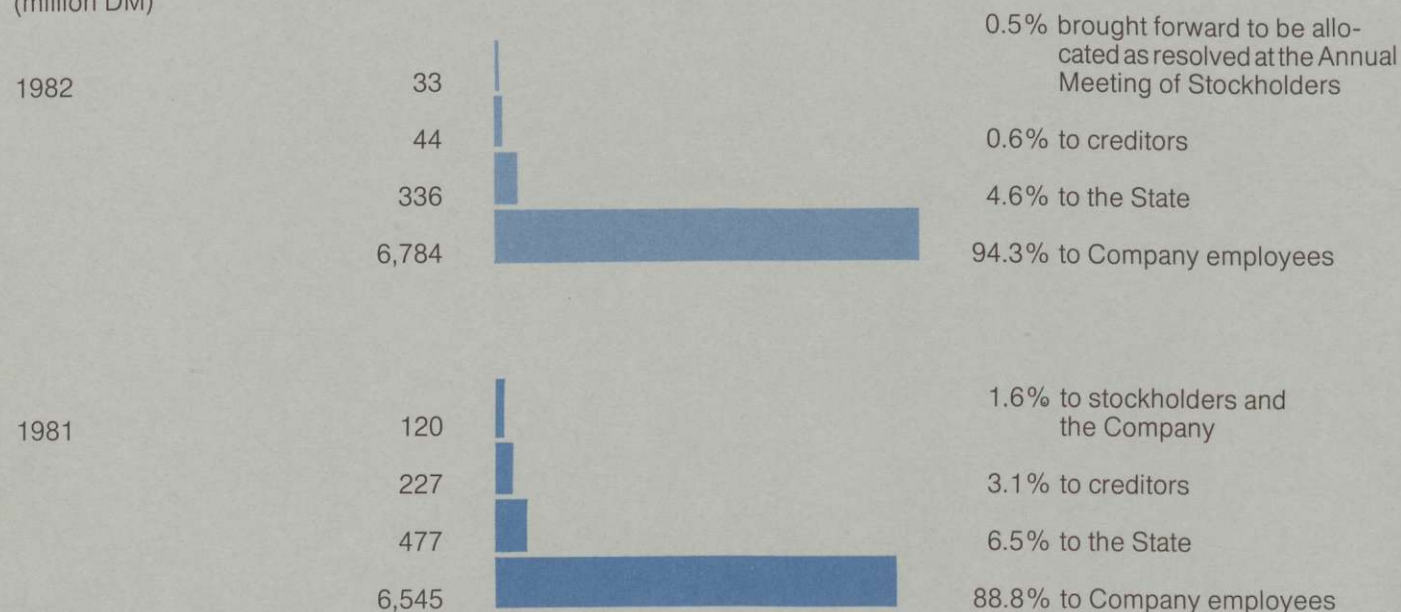
Statement of Earnings

The following calculation of the **Added Value** in 1982 shows up in the value increase in the Company and its distribution.

Sources of added value
(million DM)

	1982	1981
Gross performance as shown in the Statement of Earnings, drawn up as required under Corporation Law	27,248	26,416
plus other income	1,729	2,131
= Total performance	28,977	28,547
less expenditures (of which cost of materials)	19,814 (17,488)	19,136 (16,610)
less depreciation and losses on disposals	1,966	2,042
= Added value	<u>7,197</u>	<u>7,369</u>

Distribution of added value
(million DM)



Sales increased by 626 million DM to 27,028 million DM. This increase, which occurred despite a decline in vehicle sales of 2.3%, was chiefly due to price changes and the introduction of more up-market models. Whereas domestic sales dropped by 1.8%, foreign sales went up by 5.9%. Of total sales 75.9% (73.9%) pertained to the vehicle business. Sales of spares, as in the year before, accounted for 8.1% of total sales. Other sales were down from 18.0% to 16.0%.

Expenditures for Raw Materials, Supplies and Other Materials, of 17,488 million DM, were 878 million DM, or 5.3%, higher than for the previous year. This was caused mainly by higher prices for production materials and higher all-in cost of vehicles produced by subsidiaries and marketed by the Company.

Income from Profit and Loss Assumption Agreements derives from the domestic subsidiaries AUDI NSU AUTO UNION AG, WESER-EMS Vertriebsgesellschaft mbH and Deutsche Automobilgesellschaft mbH.

Income from Investments in Subsidiaries and Affiliates mainly includes profits on the year earned by the domestic sales centres, the profits received from V.A.G Transport GmbH, interRent Autovermietung GmbH, VW-Versicherungsvermitt-

lungs-GmbH and Volkswagen Bruxelles S.A. following resolutions on the allocation of earnings, and various dividend payments relating to the previous year.

Income from Other Financial Investments consisted almost exclusively of interest payments on loans.

Other Interest and Similar Income came primarily from fixed deposits and securities, and also from overdrafts granted to subsidiaries and affiliates.

Gains from Disposal of Fixed Assets and Investments arose chiefly from the sale of machinery and special tools and from redemption of housing loans.

Income from Elimination of Reserves for Undetermined Liabilities derived in the main from the reduction of provisions for old-age pensions following the switch to an interest rate of 6% instead of 5.5%, and from the elimination of provisions for marketing expenses that were no longer required.

Other Income resulted primarily from settlements for deliveries to foreign subsidiaries in foreign currency, rebilling of tax payments to subsidiaries in a joint taxation relationship, catering sales, and rebilling of services and warranty expenses.

Labour Cost rose in the year under report by 239 million DM, or 3.6%, to 6,784 million DM (see under "Workforce", p. 37ff). The chief reasons for this were the pay agreements concluded in February 1982, the fact that the workforce was on average higher than in 1981, and changes in social legislation.

Depreciation of Fixed Assets and Write-down of Financial Investments have already been explained under the relevant heads in the notes on the balance sheet.

Interest and Similar Charges principally concern liabilities to subsidiaries and affiliates and the 300 million DM loan of 1972.

The reduced figure shown for **Taxes on Income, Earnings and Property** is due largely to lower tax on earnings for the current year.

Expenses under Profit and Loss Assumption Agreements were mostly incurred through the waiving of receivables from the TRIUMPH-ADLER AG für Büro- und Informationstechnik. The losses of VW KRAFTWERK GmbH, V.A.G Marketing Management Institut GmbH and VW-Siedlungsgesellschaft mbH were also taken over.

The main items under **Other Expenses** were freight costs, the cost of materials and outside services in connection with the servicing and maintenance of plant, advertising and sales promotion expenses, and currency losses.

Additional Details

In addition to the **Contingent Liabilities** shown in the balance sheet, we were liable in the amount of 61,125,000 DM in the form of subscription obligations concerning private limited liability companies in Germany. We had additional liabilities in the amount of 3,463,580 DM for returned capital contributions from limited partnerships.

For the **Difference** to be shown in accordance with § 160 subsection 2 clause 5 AktG there was an increase in result of 26,674,036 DM from the change of valuation in regard to the provision for old-age pensions and the resulting formation of a reserve for special purposes in accordance with § 52 subsection 5 EStG and the formation no longer undertaken under commercial law of the reserve for price increases in accordance with § 74 EStDV (Income Tax Regulation). A reduction of the net earnings for the year by 113,474,957 DM resulted from the extraordinary depreciation applied under the provisions of the Border Area Promotion Act which was undertaken for the identical groups of fixed assets as in the previous year but considered for the first time as being regular depreciation and the depreciation in accordance with § 6b EStG and section 35 EStR (Income Tax Guidelines) which in the year under review was also again

made on the basis of unchanged principles.

Remuneration of the Board of Management in 1982 amounted to 7,923,655 DM. Retired members of the Board of Management or their surviving dependants received 5,452,130 DM.

Remuneration of the Supervisory Board amounted to 347,943 DM.

Explanations of Certain Financial Terms

Since our Annual Report is intended to be read by as wide a circle as possible, and some of the technical terms used in it are subject to varying definitions, we should like to explain them. We make no attempt to be comprehensive, nor do we claim scientific exactitude. Rather we wish to indicate the interpretations current within the Company.

Added value: The increase in value achieved by a company in a period (added value) is calculated at Volkswagenwerk AG as follows: Gross performance as shown in the statement of earnings + other income – expenditures (predominantly material costs) – depreciation and losses from disposals. The calculation of the added value also shows, to what extent the employees, the creditors, the State, and the stockholders participate in the total performance of the Company.

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

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

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

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

Authorized capital: Authorized capital is one of the four forms of capital increase provided for in the Corporation Law and comprises the authorization of the Board of Management by the Annual Meeting of Stockholders to increase the capital stock of the company within a maximum of five years by up to an agreed nominal value through the issue of new shares.

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

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

Cash flow: This is the sum of money available to a company for financing purposes in any fiscal year from the sales proceeds after deduction of expen-

ses such as material, labour and other costs. In practice it is ascertained in different ways. At Volkswagenwerk AG it is ascertained thus: Loss/Net earnings + provision for depreciation of fixed assets and write-down of investments – write-ups + disposals of property, plant, equipment and investments +/- increase/decrease in provision for old-age pensions +/- increase/decrease of stockholders' equity in reserves for special purposes.

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

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

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

Current assets: All assets which do not serve the longer-term business operation and are not advance payments for expenses of the following year (item "Prepaid and Deferred Expenses") are referred to as current assets. In principle these include all objects which are to be used up, processed or disposed of. Current assets are subdivided into the groups

"Inventories" and "Other current assets". The assets under these headings are characterized by the fact that they have a relatively fast turnover.

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

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

Disposals: The statement of reductions in fixed assets and investments presupposes the (physical) disposal of assets in particular through sale, demolition or scrapping. Higher or lower proceeds compared with the book values can thus be achieved; the difference between proceeds and book value is shown in the statement of earnings under gains or losses on disposal of fixed assets and investments. At Volkswagenwerk AG the investment allowances granted from government funds on the previous year's capital investments, whereby the acquisition or manufacturing costs are reduced, are also shown as disposals.

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

Gross performance: This is the performance which has been achieved by a company during

a given period and consists mainly of the sales proceeds. Along with this the gross performance includes changes of inventories of the products and the other self-produced assets.

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

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

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

Liquid funds: These are the financial assets of a company which are available at all times. They include cheques, cash on hand, deposits at the Federal Bank and in postal checking accounts, and cash in banks.

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

Loans receivable in accordance with §§ 89 and 115 of AktG (Corporation Law): This includes loans to members of the Board

of Management, senior executives and persons on a level with this group, and loans and advances to members of the Supervisory Board. This obligatory statement also includes loans to companies in whose statutory bodies a member of the Board of Management or Supervisory Board of the loan-providing company is represented.

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

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

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

Net earnings/Loss: The sum is arrived at mathematically from the difference between all income and expenses and represents the result

of the year under review before transfers to or from reserves.

Net earnings available for distribution: This is the profit of a company after transfer to or from reserves and taking account of net earnings (loss) brought forward. It forms the basis for the Annual Meeting of Stockholders' resolution as to a dividend distribution.

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

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

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

In many cases the price-earnings ratio is determined on the basis of the net earnings per share. This figure is the ratio of the stock exchange value of a share to the net earnings per share and indicates at what multiple of the result a share is traded on the stock exchange. The price-earnings ratio thus gives an idea of the fairness of price of a share,

although this yardstick is only of value in period or inter-company comparisons. The DVFA result is also often used as a basis for this ratio instead of the net earnings.

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

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

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

Reserves: These are a part of the stockholders' equity shown on the liabilities side of the balance sheet and are subdivided into legal and other reserves. Transfers to reserves are made either by payments by stockholders (e.g. the premium payable on the issue of new shares for the capital increase of Volkswagenwerk AG) or by transfers from the net earnings. Whilst allocations to the legal reserve are regulated by the Corporation Law, the company managing bodies or the stockholders decide on the formation of other reserves.

Allocations to reserves from net earnings permit whole or partial maintenance of self-financed assets (maintenance of capital) and thus in the long term lead to a higher intrinsic value of the company.

Reserve for own stock: In accordance with § 150a of the Corporation Law Volkswagenwerk AG set up in 1979 a reserve for own stock. This reserve, which had to be set up in the amount of the book value shown on the assets side of the balance sheet for own stock in accordance with § 155 AktG serves in the sense of protection of creditors the safeguarding of stockholders' equity.

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

Reserves for special purposes:

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

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

Sales to the dealer organization; deliveries of vehicles to customers:

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

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

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

Treasury stock: See "Own stock" and "Reserve for own stock".

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

Working capital: This is a measure for assessing the extent of liquidity. Working capital represents the amount by which current assets exceed short-term outside capital. It comprises current assets, less allowance for doubtful trade acceptances and accounts, and less short-term outside capital.

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

Consolidated Balance Sheet of the Volkswagen Group

December 31, 1982

Thousand DM

Assets	Jan. 1, 1982	Amounts brought forward ³⁾	Additions	Disposals	Transfers	Write-ups	Depreciation	Dec. 31,	Dec. 31,
								1982	1981
Fixed Assets and Investments									
A. Property, Plant, Equipment and Intangible Assets									
Real estate and land rights									
with office, factory and									
other buildings	3,191,874	—	409,619	27,668	418,215	—	298,475	3,693,565	3,191,874
with residential buildings	385,731	—	4,306	925	118	—	15,460	373,770	385,731
without buildings	159,999	—	19,100	3,412	(6,154)	—	1,533	168,000	159,999
Buildings on leased real estate	70,837	—	3,116	758	511	—	8,982	64,724	70,837
Machinery and fixtures	1,601,118	—	1,071,005	20,640	328,483	—	932,501	2,047,465	1,601,118
Plant and office equipment	2,965,885	614	2,137,551	418,650	495,976	—	1,646,496	3,534,880	2,965,885
Construction in progress and advance									
payments on fixed assets	1,825,683	—	1,141,011	44,623	(1,237,142)	—	95,789	1,589,140	1,825,683
Trademarks and the like	3,950	94	1,833	—	(7)	—	3,340	2,530	3,950
	10,205,077	708	4,787,541	516,676	—	—	3,002,576	11,474,074	10,205,077
B. Investments									
Investments in subsidiaries and affiliates	86,595	37	41,185	25,687	—	—	26,834	75,296	86,595
Other investment securities	13,493	—	1,233	571	(199)	13,517	—	27,473	13,493
Loans receivable with									
an initial term of four years or longer	191,041	—	47,655	21,360 ²⁾	—	524	8,856	209,004	191,041
Par value at Dec. 31, 1982									
279,825									
of which secured by mortgages									
122,612									
loans in accordance with § 89 AktG									
1,996									
loans in accordance with § 115 AktG									
150									
4,405			13,040	305	199	—	3	17,336	4,405
Other investments	295,534	37	103,113	47,923	—	14,041	35,693	329,109	295,534
	10,500,611	745	4,890,654	564,599	—	14,041	3,038,269	11,803,183	10,500,611
								120,049	119,169
								11,923,232	10,619,780
C. Adjustment Items Arising from Initial Consolidation									
Current Assets									
A. Inventories									
B. Other Current Assets									
Advance payments to suppliers								14,525	25,143
Trade accounts receivable								1,419,485	1,533,090
of which amounts due in more than one year	1,227							137,328	138,907
Trade acceptances									
of which acceptances discountable at German Federal Bank	29,507							22,947	45,005
Cheques on hand									
Cash on hand, deposits at the German Federal Bank								7,349	7,096
and in postal checking accounts								1,785,049	2,630,910
Cash in banks								1,269,084	1,107,477
Securities								21,235	21,235
Treasury stock (par value at Dec. 31, 1982: 15,060)								1,655	18,469
Receivables from subsidiaries and affiliates									
of which amounts for goods and services rendered	1,454							717	755
Loans receivable in accordance with § 89 AktG								3,333,733	2,967,063
Miscellaneous other current assets								8,013,107	8,495,150
								13,662,350	14,465,995
Prepaid and Deferred Expenses									
Discount on loans								—	135
Other items								343,455	286,701
of which commission	99,515							343,455	286,836
								25,929,037	25,372,611

Stockholders' Equity and Liabilities

	Dec. 31, 1982	Dec. 31, 1981
Capital Stock of Volkswagenwerk AG	1,200,000	1,200,000
Consolidated Reserves		
Reserve from capital stock surplus ¹⁾	571,788	589,407
Reserve of the Group arising from earnings ¹⁾	4,144,869	4,216,443
Adjustment items arising from initial consolidation	37,367	37,272
	4,754,024	4,843,122
Minority Interest in Consolidated Subsidiaries	225,469	200,717
in net earnings	2,748	
in loss	70,222	
Reserves for Special Purposes		
Reserve in accordance with § 52 subsection 5 of the Income Tax Act	199,574	—
Reserve for investment in developing countries in accordance with § 1 of the Developing Countries Tax Act	137,512	151,118
Reserve in accordance with § 1 of the Foreign Investment Act	7,236	7,273
Reserve in accordance with § 6b of the Income Tax Act	3,240	3,016
Reserves in accordance with French legislation	2,131	24,587
Reserve for price increases in accordance with § 74 of the Income Tax Regulation	—	39,884
Reserve for replacement in accordance with section 35 of the Income Tax Guidelines	—	65
Reserve in accordance with § 3 of the Foreign Investment Act	—	97,462
	349,693	323,405
Allowance for Doubtful Trade Acceptances and Accounts	35,884	35,397
Undetermined Liabilities		
Old-age pensions	3,625,851	3,475,496
Other undetermined liabilities		
Maintenance not performed during current year	10,940	30,862
Warranties without legal obligation	14,476	17,674
Other	4,352,650	4,006,440
	8,003,917	7,530,472
Liabilities with an Initial Term of Four Years or Longer		
Loans		
of which secured by mortgages	150,000	
Due to banks	702,730	1,037,526
of which secured by mortgages	250,249	
Other liabilities	241,397	227,749
of which secured by mortgages	71,723	
	1,450,602	1,783,495
Of which amounts due within four years	604,865	
Other Liabilities		
Trade accounts payable	2,672,237	2,510,630
Liabilities resulting from the acceptance of bills drawn and the issuing of promissory notes	786,169	629,483
Due to banks	4,608,492	4,286,520
Advance payments from customers	63,467	77,903
Accounts payable to subsidiaries and affiliates	96	78
of which trade accounts payable	—	
Miscellaneous other liabilities	1,673,848	1,757,531
	9,804,309	9,262,145
Deferred Income	66,812	70,088
Net Earnings Available for Distribution	38,327	123,770
Contingent liabilities with respect to trade acceptances	67,276	
Contingent liabilities with respect to guaranty obligations	30,940	
Contingent liabilities with respect to warranties	35	
Other contingent liabilities	28,637	
	25,929,037	25,372,611

¹⁾ These items include the legal reserve of the Volkswagenwerk AG in the amount of 843,387 thousand DM.²⁾ Offset with foreign exchange adjustments in the amount of 2,451 thousand DM³⁾ Amounts brought forward of companies consolidated for the first time

Consolidated Statement of Earnings of the Volkswagen Group

Year ended December 31, 1982

Thousand DM

	1982	1981
Sales	37,434,009	37,878,488
Decrease in inventories	(141,685)	(263,253)
	37,292,324	37,615,235
Material, wages and overhead capitalized as additions to plant and equipment	737,383	581,525
Gross Performance	38,029,707	38,196,760
Expenditures for raw materials, supplies and other materials	19,573,340	19,751,938
Excess of Gross Performance over Expenditures for Raw Materials, etc.	18,456,367	18,444,822
Income from profit and loss assumption agreements	59	100
Income from investments in subsidiaries and affiliates	36,216	43,444
Income from other financial investments	14,620	12,694
Other interest and similar income	1,113,259	1,153,060
Gains from disposal of fixed assets and investments and write-ups	186,265	148,442
Income from reduction of allowance for doubtful trade acceptances and accounts	—	123,664
Income from elimination of reserves for undetermined liabilities no longer required	382,303	194,346
Income from elimination of reserves for special purposes no longer required	162,192	9,455
Other income	1,292,641	1,693,906
of which extraordinary income	191,453	
	3,187,555	3,379,111
	21,643,922	21,823,933
Wages and salaries	9,900,172	9,795,476
Social expenditures — compulsory	1,582,218	1,429,364
Pension expenditures and voluntary payments	586,269	554,658
Depreciation of fixed assets and intangibles	3,002,576	2,442,409
Write-down of financial investments (in 1981 including investments in consolidated companies)	35,693	491,306
Write-down of other current assets and provision for doubtful trade acceptances and accounts	79,763	101,905
Losses on disposal of fixed assets and investments	83,254	47,329
Interest and similar charges	1,422,684	1,402,686
Taxes		
a) on income, earnings and property	457,827	771,507
b) other	85,170	76,735
	542,997	848,242
Expenses under profit and loss assumption agreements	—	913
Additions to reserves for special purposes	201,859	47,951
Other expenses	4,506,555	4,525,397
	21,944,040	21,687,636
(Loss) Net Earnings	(300,118)	136,297
Volkswagenwerk AG's net earnings brought forward	5,276	3,411
	(294,842)	139,708
Change in consolidated reserves		
Transferred from reserves	265,695	20,021
Transferred to reserves	—	123,596
	265,695	103,575
Minority interest in net earnings of consolidated subsidiaries	2,748	2,675
Minority interest in losses of consolidated subsidiaries	70,222	90,312
Net Earnings Available for Distribution	38,327	123,770

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

Hanover, March 25, 1983

TREUARBEIT Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Prof. Dr. Forster
WirtschaftsprüferKrüger
Wirtschaftsprüfer

(independent auditors)

Wolfsburg, March 25, 1983

Volkswagenwerk Aktiengesellschaft

The Board of Management

Volkswagenwerk AG

Balance Sheet December 31, 1982

Assets	Jan. 1, 1982	Additions	Disposals	Transfers	Depreciation	Dec. 31, 1982	Dec. 31, 1981
	DM	DM	DM	DM	DM	DM	Thousand DM
Fixed Assets and Investments							
A. Property, Plant and Equipment							
Real estate and land rights							
with office, factory and							
other buildings	1,259,978,109	246,754,201	4,239,648	161,650,540	183,513,022	1,480,630,180	1,259,978
with residential buildings	11,353,840	134	170,249	101,401	402,738	10,882,388	11,354
without buildings	40,401,247	1,043,319	638,306	728,002	756,552	40,777,710	40,401
Buildings on leased real estate	31,811,629	856,428	4,500	1,241,067	6,075,903	27,828,721	31,812
Machinery and fixtures	440,133,264	539,025,538	4,885,914	58,827,648	510,554,065	522,546,471	440,133
Plant and office equipment	833,493,772	564,733,132	5,133,687	111,391,603	565,320,972	939,163,848	833,494
Construction in progress	337,698,160	315,110,621	23,007,163	(288,054,669)	52,880,000	288,866,949	337,698
Advance payments on fixed assets	54,831,677	50,029,323	987,567	(45,885,592)	11,180,000	46,807,841	54,832
	3,009,701,698	1,717,552,696	39,067,034	—	1,330,683,252	3,357,504,108	3,009,702
B. Investments							
Investments in subsidiaries and affiliates	2,187,433,495	202,816,165	169,000	—	564,662,749	1,825,417,911	2,187,434
Other investment securities	1	—	—	—	—	1	—
Loans receivable with							
an initial term of four years or longer	131,618,491	41,517,945	29,635,776	—	6,955,040	136,545,620	131,618
Par value at Dec. 31, 1982							
DM 246,752,315							
of which secured by mortgages							
DM 101,061,169							
to subsidiaries and affiliates							
DM 69,839,041							
loans in accordance with § 89 AktG							
DM 1,085,280							
loans in accordance with § 115 AktG							
DM 127,375							
	2,319,051,987	244,334,110	29,804,776	—	571,617,789	1,961,963,532	2,319,052
	5,328,753,685	1,961,886,806	68,871,810	—	1,902,301,041	5,319,467,640	5,328,754
Current Assets							
A. Inventories							
Raw materials and supplies						468,619,189	521,078
Work in progress						810,421,591	747,063
Finished products and bought-in goods						584,187,887	745,319
						1,863,228,667	2,013,460
B. Other Current Assets							
Advance payments to suppliers						5,107,508	7,436
Trade accounts receivable						404,988,142	415,380
of which amounts due in more than one year	DM	—					
Trade acceptances						8,407,423	10,603
of which from subsidiaries and affiliates	DM	416,546					
of which acceptances discountable at							
German Federal Bank	DM	—					
Cash on hand and deposits in postal							
checking accounts						988,951	2,333
Cash in banks						1,164,091,503	1,519,854
Securities						1,134,915,970	868,996
Treasury stock (par value at Dec. 31, 1982: DM 15,060,300)						21,234,776	21,235
Receivables from subsidiaries and affiliates						2,533,378,293	2,184,711
Miscellaneous other current assets						503,713,874	367,862
						5,776,826,440	5,398,410
						7,640,055,107	7,411,870
Prepaid and Deferred Expenses						259,145	236
						12,959,781,892	12,740,860

Stockholders' Equity and Liabilities

	Dec. 31, 1982	Dec. 31, 1981
	DM	Thousand DM
Capital Stock	1,200,000,000	1,200,000
Reserves		
Legal reserve	843,387,000	843,387
Reserve for treasury stock	21,234,776	21,235
Other reserves	1,855,179,345	1,855,179
	2,719,801,121	2,719,801
Reserves for Special Purposes		
Reserve in accordance with § 52 subsection 5		
of the Income Tax Act	172,500,000	—
Reserve for investments in developing countries in accordance with § 1 of the Developing Countries Tax Act	137,511,756	151,118
Reserve in accordance with §§ 1 and 3 of the Foreign Investment Act	100,924,394	104,735
Reserve in accordance with § 6b of the Income Tax Act	623,746	633
Reserve for price increases in accordance with § 74 of the Income Tax Regulation	—	35,208
Reserve for replacement in accordance with section 35 of the Income Tax Guidelines	—	65
	411,559,896	291,759
Allowance for Doubtful Trade Acceptances and Accounts	4,101,000	4,130
Undetermined Liabilities		
Old-age pensions	2,954,000,000	2,836,300
Other undetermined liabilities		
Maintenance not performed during current year	6,300,000	16,800
Warranties without legal obligation	8,200,000	7,300
Other	3,146,500,090	2,817,870
	6,115,000,090	5,678,270
Liabilities with an Initial Term of Four Years or Longer		
Loans		
of which secured by mortgages	DM	—
Due to banks		150,000,000
of which secured by mortgages	DM	12,500,000
Other liabilities		128,307
		175,128,307
Of which amounts due within four years	DM	145,030,935
Other Liabilities		
Trade accounts payable	1,121,628,136	1,081,851
Due to banks	141,576,158	293,536
Advance payments from customers	24,664,050	24,100
Accounts payable to subsidiaries and affiliates	138,074,417	93,141
Miscellaneous other liabilities	869,556,148	944,487
	2,295,498,909	2,437,115
Deferred Income	365,260	416
Net Earnings Available for Distribution	38,327,309	123,770
Contingent liabilities with respect to trade acceptances	DM	854,649,838
Contingent liabilities with respect to guaranty obligations	DM	2,556,205,134
Contingent liabilities with respect to warranties	DM	554,201,032
		12,959,781,892
		12,740,860

Statement of Earnings of Volkswagenwerk AG

Year ended December 31, 1982

	DM	1982 DM	1981 Thousand DM
Sales		27,027,741,950	26,401,706
Decrease in inventories		(66,962,015)	(176,854)
		26,960,779,935	26,224,852
Material, wages and overhead capitalized as additions to plant and equipment		287,628,212	190,895
Gross Performance		27,248,408,147	26,415,747
Expenditures for raw materials, supplies and other materials		17,487,535,760	16,609,542
Excess of Gross Performance over Expenditures for Raw Materials, etc.		9,760,872,387	9,806,205
Income from profit and loss assumption agreements		97,042,399	3,643
Income from investments in subsidiaries and affiliates		235,587,419	79,905
Income from other financial investments		3,056,006	2,541
Other interest and similar income		433,823,086	582,845
Gains from disposal of fixed assets and investments		23,422,149	41,978
Income from reduction of allowance for doubtful trade acceptances and accounts		29,000	68,338
Income from elimination of reserves for undetermined liabilities no longer required		201,218,244	109,617
Income from elimination of reserves for special purposes no longer required		52,699,636	4,370
Other income		682,055,495	1,237,790
of which extraordinary income	26,480,344		
		1,728,933,434	2,131,027
		11,489,805,821	11,937,232
Wages and salaries		5,556,163,339	5,413,495
Social expenditures — compulsory		836,771,953	754,981
Pension expenditures and voluntary payments		391,005,852	376,767
Depreciation of fixed assets		1,330,683,252	1,157,955
Write-down of financial investments		571,617,789	833,410
Write-down of other current assets		60,648,218	42,881
Losses on disposal of fixed assets and investments		3,160,421	7,831
Interest and similar charges		44,270,792	226,705
Taxes			
a) on income, earnings and property	333,368,264		474,015
b) other	2,400,055		2,649
		335,768,319	476,664
Expenses under profit and loss assumption agreements		140,794,729	275,028
Additions to reserves for special purposes		172,500,000	35,250
Other expenses		2,013,369,984	2,215,906
		11,456,754,648	11,816,873
Net Earnings		33,051,173	120,359
Net earnings brought forward from previous year		5,276,136	3,411
Net Earnings Available for Distribution		38,327,309	123,770

During 1982 pension payments amounted to DM 81,357,149; payments during the next five years will be approximately 112, 122, 124, 127, 136 % of this amount.

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

Wolfsburg, March 25, 1983

Volkswagenwerk Aktiengesellschaft

The Board of Management

Hanover, March 25, 1983

TREUARBEIT Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Prof. Dr. Forster
WirtschaftsprüferSchneider
Wirtschaftsprüfer
(independent auditors)

The Volkswagen Group in Figures 1973 – 1982

1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	
16,982	16,966	18,857	21,423	24,152	26,724	30,707	33,288	37,878	37,434	Sales (million DM)
6	0	11	14	13	11	15	8	14	(1)	Increase (Decrease) on previous year in %
5,364	5,161	6,552	8,068	9,714	11,229	12,499	11,850	12,064	12,027	Domestic
11,618	11,805	12,305	13,355	14,438	15,495	18,208	21,438	25,814	25,407	Abroad
8,965	8,547	7,142	8,744	9,914	10,932	12,337	14,102	14,957	15,733	Export of domestic Group companies
3,063	3,826	5,798	5,570	5,634	5,970	7,398	8,733	12,398	11,346	Net contribution of foreign Group companies
2,281	2,052	2,038	2,142	2,240	2,393	2,539	2,495	2,279	2,120	Vehicle Sales (thousand units)
4	(10)	(1)	5	5	7	6	(2)	(9)	(7)	Increase (Decrease) on previous year in %
619	548	626	726	811	895	901	788	738	672	Domestic
1,662	1,504	1,412	1,416	1,429	1,498	1,638	1,707	1,541	1,448	Abroad
2,335	2,068	1,949	2,166	2,219	2,385	2,542	2,574	2,246	2,130	Production (thousand units)
7	(11)	(6)	11	2	7	7	1	(13)	(5)	Increase (Decrease) on previous year in %
1,720	1,359	1,229	1,436	1,561	1,569	1,558	1,499	1,410	1,381	Domestic
615	709	720	730	658	816	984	1,075	836	749	Abroad
215	204	177	183	192	207	240	258	247	239	Workforce at year end (thousand employees)
12	(5)	(13)	4	5	8	16	8	(4)	(3)	Increase (Decrease) on previous year in %
161	142	118	124	133	139	157	159	160	158	Domestic
54	62	59	59	59	68	83	99	87	81	Abroad
1,556	1,902	941	1,141	1,697	1,990	3,100	4,279	4,851	4,892	Capital Investments (million DM)
(1)	22	(51)	21	49	17	56	38	13	1	Increase (Decrease) on previous year in %
928	1,313	594	657	969	1,559	2,374	3,163	3,089	3,654	Domestic
628	589	347	484	728	431	726	1,116	1,762	1,238	Abroad
1,671	618	1,320	3,055	2,488	2,609	2,993	3,141	3,936	3,452	Cash Flow (million DM)
8	(63)	114	131	(19)	5	15	5	25	(12)	Increase (Decrease) on previous year in %
330	(807)	(157)	1,004 ¹⁾	419	574	667	321	136	(300)	Net Earnings (Loss) (million DM)
81	—	—	90	144 ²⁾	189	240	192	120	—	Dividend of Volkswagenwerk AG (million DM)

¹⁾ Not comparable with other years
because of loss brought forward

²⁾ Incl. bonus

The Volkswagen Group in Figures 1973 – 1982

In(De)crease
1982/81

1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	in %	Balance Sheet (Structure) (million DM) December 31
Assets											
5,697	6,263	5,810	5,474	5,425	5,903	6,648	8,326	10,205	11,474	12.4	Property, plant and equipment
554	636	524	560	530	410	726	839	414	449	8.3	Investments
Fixed Assets and Investments											
6,251	6,899	6,334	6,034	5,955	6,313	7,374	9,165	10,619	11,923	12.3	Inventories and advance payments to suppliers ¹⁾
3,489	4,117	2,949	3,267	3,180	3,491	4,400	6,073	5,996	5,662	(5.6)	Receivables and the like ¹⁾
1,691	1,954	2,019	2,098	1,992	2,996	4,000	4,437	4,771	5,065	6.1	Liquid funds, trade acceptances
1,151	472	1,619	2,888	3,837	4,364	4,781	3,971	2,822	1,953	(30.8)	Securities, treasury stock
414	54	48	173	560	1,016	1,123	1,151	1,129	1,290	14.3	Current Assets
6,745	6,597	6,635	8,426	9,569	11,867	14,304	15,632	14,718	13,970	(5.1)	
12,996	13,496	12,969	14,460	15,524	18,180	21,678	24,797	25,337	25,893	2.2	Total Assets
Stockholders' Equity and Liabilities											
900	900	900	900	900	1,200	1,200	1,200	1,200	1,200	–	Capital stock
2,878	2,170	2,032	2,903	3,161	4,224	4,625	4,757	4,990	4,911	(1.6)	Reserves of the Group ²⁾
Minority interest in consolidated subsidiaries ³⁾											
230	188	186	198	199	192	373	205	198	223	12.4	Stockholders' Equity
4,008	3,258	3,118	4,001	4,260	5,616	6,198	6,162	6,388	6,334	(0.8)	Undetermined liabilities in respect of old-age pensions
878	1,035	1,143	1,754	2,048	2,341	2,749	3,107	3,475	3,626	4.3	Other undetermined liabilities ⁴⁾
1,623	1,507	1,740	2,109	2,200	3,244	4,152	4,326	4,232	4,570	8.0	Undetermined Liabilities
2,501	2,542	2,883	3,863	4,248	5,585	6,901	7,433	7,707	8,196	6.3	Liabilities payable within more than 4 years
852	1,452	1,595	1,322	1,450	1,284	1,273	1,161	1,053	847	(19.6)	1 to 4 years
448	581	666	952	1,032	708	457	466	712	990	39.0	up to 1 year
5,089	5,654	4,705	4,220	4,355	4,776	6,592	9,378	9,351	9,485	1.4	Liabilities
6,389	7,687	6,966	6,494	6,837	6,768	8,322	11,005	11,116	11,322	1.9	Net earnings available for distribution (Volkswagenwerk AG) ⁶⁾
81	–	–	90	173 ⁵⁾	189	240	193	124	38	(69.0)	Minority interest in earnings to be distributed
17	9	2	12	6	22	17	4	2	3	7.1	Outside Capital
8,988	10,238	9,851	10,459	11,264	12,564	15,480	18,635	18,949	19,559	3.2	Total Capital
12,996	13,496	12,969	14,460	15,524	18,180	21,678	24,797	25,337	25,893	2.2	
Statement of Earnings (Condensed) (million DM) January – December											
18,155	17,711	18,351	22,029	24,503	27,285	31,638	34,989	38,197	38,030	(0.4)	Gross performance
9,850	10,068	10,066	11,598	12,746	14,099	15,835	18,238	19,752	19,573	(0.9)	Cost of materials
5,309	5,718	5,550	6,413	6,810	7,656	9,113	10,782	11,779	12,069	2.5	Labour cost
1,056	1,148	1,246	1,263	1,600	1,456	1,696	2,102	2,934	3,038	3.6	Depreciation and write-down
483	305	404	486	1,503	1,692	2,081	1,400	848	543	(36.0)	Taxes
432	241	347	438	1,454	1,624	2,004	1,329	772	458	(40.7)	on income, earnings and property
1,127	1,279	1,242	1,265	1,425	1,808	2,246	2,146	2,748	3,107	13.1	Sundry expenses less sundry income
330	(807)	(157)	1,004 ⁷⁾	419	574	667	321	136	(300)	x	Net earnings (Loss)
235	(262)	(14)	211	248	366	443	121	104	(266)	x	Increase (Decrease) in reserves

¹⁾ Decreased by the amounts shown under liabilities as allowance for doubtful trade acceptances and accounts (In previous years additional items on the assets side were affected.)

²⁾ Including stockholders' equity in reserves for special purposes

³⁾ Excluding shares in net earnings to be distributed

⁴⁾ Including outside capital in reserves for special purposes

⁵⁾ In 1977 for disposition by Annual Meeting of Stockholders, of which 144 million DM distributed as dividend (incl. bonus)

⁶⁾ Up to 1976 only amounts intended for distribution

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

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