



**Annual Report  
1983  
Volkswagenwerk  
Aktiengesellschaft  
Wolfsburg**



The Supervisory Board  
and the Board of Management of  
Volkswagenwerk Aktiengesellschaft  
present the Annual Report 1983  
with their compliments.

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

Wolfsburg, May 1984

### Salient Figures

		Volkswagen Group			Volkswagenwerk AG		
		1983	1982	Increase (Decrease) %	1983	1982	Increase (Decrease) %
Sales	million DM	40,089	37,434	7.1	29,187	27,028	8.0
Vehicle Sales	units	2,127,218	2,119,918	0.3	1,538,395	1,529,398	0.6
Production	units	2,115,924	2,130,075	(0.7)	1,179,993	1,196,868	(1.4)
Workforce	at year end	231,710	239,116	(3.1)	114,522	118,883	(3.7)
Capital Investments (Additions)	million DM	4,858	4,892	(0.7)	2,444	1,962	24.6
Depreciation and Write-down	million DM	3,689	3,038	21.4	2,064	1,902	8.5
Cost of Materials	million DM	20,852	19,573	6.5	19,567	17,488	11.9
Labour Cost	million DM	12,371	12,069	2.5	7,324	6,784	8.0
(Loss) Net Earnings	million DM	(215)	(300)	28.3	(85)	33	x

All percentages are based on non-rounded figures.

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# Agenda

for the  
Annual Meeting of Stockholders  
of  
Volkswagenwerk  
Aktiengesellschaft  
to be held at 10.00 a.m.  
on Thursday, July 12, 1984  
at the Stadthalle in  
Wolfsburg

1. Presentation of confirmed financial statements for the year ended December 31, 1983, the Annual Report for 1983 together with the report of the Supervisory Board, the consolidated financial statements for the year ended December 31, 1983 and the Annual Report of the Volkswagen Group for 1983
2. Resolution on ratification of the actions of the Board of Management for the fiscal year 1983
3. Resolution on ratification of the actions of the Supervisory Board for the fiscal year 1983

With respect to items 2 and 3, the Supervisory Board and the Board of Management recommend that their actions be formally ratified.

4. Resolution on the creation of authorized capital stock

The Supervisory Board and the Board of Management propose

a) to authorize the Board of Management to raise the capital stock of the Company from 1,200 million DM to 1,500 million DM (authorized capital stock) by issuing new bearer shares with the consent of the Supervisory Board up to June 30, 1989.

b) to amend § 4 subsection 3 of the Articles of Association as follows:

"The Board of Management is authorized to raise the capital stock of the Company by up to 300 million DM by issuing new bearer shares with the approval of the Supervisory Board up to June 30, 1989."

5. Resolution on the creation of potential capital stock

The Supervisory Board and the Board of Management propose

a) to authorize the Board of Management to issue, up to June 30, 1989 and with the approval of the Supervisory Board, convertible bonds, option bonds and participating income bonds made out to bearer totalling a par value of up to 600 million DM (including the possibility of issuing fractional amounts) with terms of up to 15 years. This also applies to option bonds with options on Volkswagenwerk AG shares issued by direct or indirect 100% foreign subsidiaries of Volkswagenwerk AG guaranteed by Volkswagenwerk AG. Option bonds may be issued in German marks, US dollars or Swiss francs.

For option bonds issued by Volkswagenwerk AG, the option price per Volkswagenwerk AG share with a nominal value of 50 DM is fixed at up to 20% below the average official standard quotation for Volkswagenwerk AG shares at the Frankfurt Stock Exchange over the ten trading days preceding the resolution on the issue of the bond. The Board of Management is entitled to round the option price established in this way up or down to a whole number of German marks. The option bonds are to be offered for sale to the stockholders of Volkswagenwerk AG, with the exception of any quantity of bonds above and beyond those to which the stockholders are entitled.

For option bonds issued by a directly or indirectly wholly-owned foreign subsidiary of Volkswagenwerk AG, the option price is the equivalent of the average official standard quotation for Volkswagenwerk AG shares at the Frankfurt Stock Exchange – rounded up to whole German marks – over the ten trading days preceding the resolution on the issue of the bond. The stockholders of Volkswagenwerk AG shall have no subscription right.

If, during the term of the option bond, the capital stock of Volkswagenwerk AG is raised by the issue of new shares observing the subscription right of the stockholders or if new convertible or option bonds are issued, the option price shall be reduced by the amount calculated from the average price of the option to which stockholders are entitled over all trading days of the Frankfurt Stock Exchange, rounded up to the nearest full German mark. The option price shall not be reduced if the bearers of the stock purchase warrant are granted a subscription right equivalent to that of stockholders.

The Board of Management shall be authorized, after approval has been granted by the Supervisory Board in accordance with sentence 1, to stipulate the other details connected with issuing convertible bonds, option bonds or participating income bonds.

b) to raise the capital stock of the Company by up to 200 million DM by issuing up to 4,000,000 bearer shares with a par value of 50 DM each. The potential capital increase will serve to grant irrevocable rights to the bearers of convertible bonds, option bonds and participating income bonds issued according to the above authorization. The potential capital increase shall be effected only insofar as these rights are exercised.

The new shares shall be entitled to a share in the profits as of the beginning of the fiscal year which follows the year of purchase.

The Board of Management shall be authorized to stipulate the other details connected with effecting a potential increase in capital stock.

c) to add the following subsection 4 to § 4 of the Articles of Association:

“Capital stock has been potentially raised by up to 200 million DM. The potential increase in capital stock shall be effected only insofar as the bearers exercise their rights associated with the convertible bonds, option bonds and participating income bonds to be issued up to June 30, 1989. The new shares shall be entitled to a share in the profits as of the beginning of the fiscal year which follows the year of purchase.”

d) to authorize the Supervisory Board to amend § 4 of the Articles of Association depending on the amount of potential capital stock.

6. Appointment of auditors for the fiscal year 1984

The Supervisory Board proposes that TREUARBEIT Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover, be appointed auditors for the fiscal year 1984.

# Supervisory Board (Aufsichtsrat)

Karl Gustaf Ratjen (64), Frankfurt  
Chairman  
Chairman of the Board of Management of Metallgesellschaft AG

Hans Mayr (62), Dreieich  
as of February 10, 1984  
Deputy Chairman (as of April 11, 1984)  
Chairman of the Metalworkers Union

Birgit Breuel (46), Hanover  
Minister for Economic Affairs and Transport of Lower Saxony

Dr. jur. F. Wilhelm Christians (61)  
Düsseldorf  
Member of the Board of Management of the Deutsche Bank AG

Siegfried Ehlers (59), Wolfsburg  
Chairman of Group Works Council of Volkswagenwerk AG

Dr. rer. pol. Hans Friderichs (52)  
Frankfurt  
Member of the Board of Management of the Dresdner Bank AG

Albert Hoffmeister (55), Wolfsburg  
Senior Executive of Volkswagenwerk AG

Hans-Günter Hoppe (61), Berlin  
Former Member of the Berlin Senate

Walther Leisler Kiep (58), Bonn  
as of January 26, 1983  
Businessman (Insurance)

Gerd Kühl (61), Frankfurt  
Trade Union Secretary to the Executive Committee of the Metalworkers Union

Hans L. Merkle (71)  
Stuttgart  
Chairman of the Management of Robert Bosch GmbH

Karl Heinrich Mihr (48), Kassel  
Chairman of Works Council of Volkswagenwerk AG  
Kassel Plant

Gerhard Mogwitz (50), Hanover  
Chairman of Works Council of Volkswagenwerk AG  
Hanover Plant

Walter Neuert (58), Ingolstadt  
Chairman of Joint Works Council of AUDI NSU AUTO UNION AG

Heinz Pabst (52), Brunswick  
Chairman of Works Council of Volkswagenwerk AG  
Brunswick Plant

Manfred Pusch (45), Wolfsburg  
Deputy Chairman of Group Works Council of Volkswagenwerk AG

Dr. agr. Burkhard Ritz (52), Hanover  
Minister of Finance of Lower Saxony

Dr. rer. pol. Otto Schlecht (58)  
Bonn-Duisdorf  
Undersecretary of State in the Federal Ministry for Economic Affairs

Toni Schmücker (62),  
Bergisch-Gladbach  
Former Chairman of the Board of Management of Volkswagenwerk AG

Dr. rer. pol. Albert Schunk (42)  
Frankfurt  
Trade Union Secretary to the Executive Committee of the Metalworkers Union

## Retired from the Supervisory Board:

Eugen Loderer (63), Frankfurt  
as of January 27, 1984  
Former Chairman of the Metalworkers Union

Dr. rer. pol. Horst Schulmann (50)  
Bonn  
as of January 26, 1983  
Former Undersecretary of State in the Federal Ministry of Finance

Dr. rer. pol. Carl H. Hahn (57)  
Chairman of the  
Board of Management

Horst Münzner (59)  
Deputy Chairman of the  
Board of Management  
Purchasing and Logistics

Claus Borgward (45)  
Quality Assurance

Karl-Heinz Briam (61)  
Personnel and Social Matters  
(Director of Labour Relations)

Prof. Dr. techn. Ernst Fiala (55)  
Research and Development

Dr. jur. Peter Frerk (53)  
Legal Matters,  
Auditing and Economics

Dr. jur. Wolfgang R. Habbel (60)  
AUDI NSU AUTO UNION AG

Günter Hartwich (48)  
Production

Dr. rer. pol. Werner P. Schmidt (51)  
Sales

Dr. rer. pol. Rolf Selowsky (53)  
Finance and Business  
Administration

# Report of the Supervisory Board

During the year under report the Board of Management kept the Supervisory Board regularly informed about the state of affairs, 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 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 at December 31, 1983, have been submitted to the Supervisory Board together with the 1983 Annual Report. 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.

The financial statements of Volkswagenwerk AG and the Annual Report were examined by the Supervisory Board who raised no objections.

The Supervisory Board accordingly concurs with the auditors' findings and approves the annual financial statements, which are hereby confirmed.

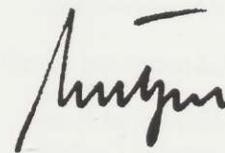
In accordance with § 12 of Volkswagenwerk AG's Articles of Association Herr Walther Leisler Kiep was appointed to represent the Federal German Government on the Supervisory Board as of January 26, 1983, thus replacing Dr. Horst Schulmann.

The Supervisory Board would like to thank Dr. Schulmann for his valuable service.

The end of the Supervisory Board meeting held on January 27, 1984, marked the departure of Herr Eugen Loderer from the Supervisory Board at Volkswagenwerk AG. Ever since he was appointed Deputy Chairman in 1972 and in his capacity as member of the Presidium Herr Loderer has made a vital contribution to the development of the Volkswagen Group. His open-mindedness and the constructiveness of working with him were always a help in setting about solving the difficult problems. The Supervisory Board would also like to take this opportunity of expressing its recognition and sincere affection for Herr Loderer and thanking him for his long and active service.

Wolfsburg District Court appointed Herr Hans Mayr, Chairman of the Metalworkers Union, to succeed Herr Loderer as of February 10, 1984, and serve on the Supervisory Board of Volkswagenwerk AG. Herr Mayr was elected its Deputy Chairman on April 11, 1984.

Wolfsburg, April 11, 1984



Chairman of the Supervisory Board

# **The Situation in the World Economy and the Automobile Industry**

## **Slight upward trends in certain regions of the world**

The economic recession over the past few years reached its lowest level round about the end of 1982 but has shown positive signs ever since. The turn in the tide originated particularly in the United States, Canada, Japan, Britain and West Germany and had a positive influence on economies in the rest of the world. A considerable increase in the money supply, particularly in the United States where it had been kept short for years, caused an increase in demand. Under the influence of lower interest rates compared with the high-interest phase, an improved economic outlook and deliberate government intervention, particularly private consumption increased. In addition, reduction of stocks largely came to an end. The inclination to invest was very conservative throughout most of the year and only picked up towards the end of 1983. Further economic recovery was prevented by the level of interest rates which, although they had fallen, were still too high. They reflect the high budget deficits and considerable indebtedness to be found in many countries.

It was the United States which first managed to overcome the trough of the recession and provide the strongest impetus for economic recovery. Aided by the high exchange rate for the dollar, the American market constituted a major factor in compensating for dwindling exports in many other industrial countries, including European ones, because in 1983 Western Europe was only just beginning to recover slowly from the period of stagnation. Even trade with OPEC countries lost much of its former dynamism owing to the drop in oil revenue. Coupled with a general lack of economic activity and a growing need for consolidation the enormous indebtedness and the lack of foreign currency, not only in Latin America but also in various COMECON countries, led to a marked reduction in these countries' levels of imports.

## **The economic leadership of the United States**

On account of its ability to overcome the crisis the United States assumed special responsibility. The chiefly self-oriented American economic policy considerably influenced the key general economic factors of other countries owing to its major role in the world economy.

The continuing period of recovery and high growth rates in early 1983 followed the longest post-war recession which the United States had experienced. The economic revival was supported particularly by the rise in consumer demand. Investment, on the other hand, fell short of the general economic trend. Economic upswing resulted in the unemployment rate falling to below 9% and showing a further declining tendency.

The extremely high budget deficit of almost 200 billion US\$ not only represented a considerable burden on the American economy but also had a markedly detrimental effect on economic development in the rest of the world owing to accompanying high real interest rates. Competitiveness of the other OECD countries was backed up by the high value of the dollar which may be regarded as out of proportion particularly because of the substantial influx of capital, bearing in mind the international situation with regard to prices and costs. It was particularly Japan which benefited with an increased balance of trade surplus of almost 20 billion US\$, thus showing distinctly how dependent the Japanese economy is on that one of North America. However, the EEC countries too, whose balance of trade with the United States has traditionally been a negative one, achieved a surplus of 1.1 billion US\$ in bilateral trade. The imbalance in the flow of goods led to signs of protectionism in the United States and a substantial balance of trade deficit amounting to over 60 billion US\$.



**The American automobile industry's high growth rate**

The American automobile industry made a major contribution to the economic upturn. In 1983 total production was up by almost 32% to 9.2 million vehicles compared with the albeit exceptionally low level of 1982. There were 15% more passenger-car registrations whereby low-interest financing and discount campaigns managed to stimulate demand particularly in the first six-month period.

**Continuing recession in Latin America**

The countries of Latin America ranked among those hit worst by the world's economic difficulties. Only a few countries benefited from the general improvement in economic climate towards the end of the year, and then only to a limited extent. On the whole the region had to come to terms with lower levels of gross national product for the second year running. Inflation rates in the various countries continued to rise significantly. The number of unemployed and underemployed increased drastically.

Apart from the internal problems, Latin American countries' external borrowing poses a considerable problem for the rest of the western world. These countries no longer have sufficient financial resources available to pay back the loans generously granted during the boom years. An unenviable phase of economic contraction coupled with an unexpectedly long period of high interest rates made it impossible to repay the loans on the conditions originally agreed upon. The consequences were moratoriums and hard funding negotiations with international financing organizations. The resulting uncertainties not only caused the economic situation to tighten in the individual countries of Latin America but also encumbered the western world of finance considerably. To counteract the economic miscarriages many governments were prompted by international financing institutions to introduce restrictive economic programs, which were accompanied by varying levels of success. It was particularly the balances of trade which showed a marked improvement as a result.

**Difficult times for the automobile industry in Latin America**

The automobile industries in Latin America took very different courses. Whilst in Brazil (merely on account of the first six months) and Argentina it was possible to boost production

from a low level and thus in some degree to counteract economic recession, vehicle manufacture in Mexico had to be dampened considerably owing to economic circumstances.

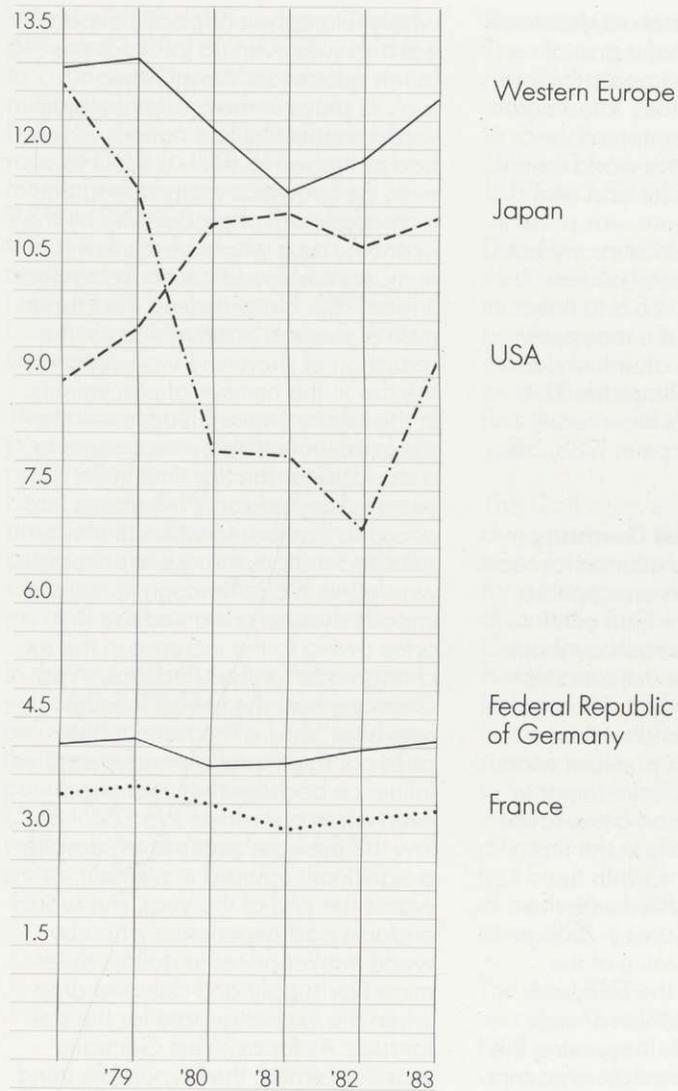
**Western Europe in the consolidation phase**

The course of economic development in Western Europe was rather varied. Whilst some countries such as Britain and West Germany managed to initiate an upward economic trend, other countries such as France and Italy were still bogged down by the recession. It was only at the end of 1983 that initial signs of recovery appeared there too. Overall, Western Europe showed a slight improvement in the economic situation, brought about by a more flexible monetary policy and the accompanying drop in interest levels and particularly by inflation rates below those of the previous year. Less substantial wage increases and a drop in the prices for crude oil provided further positive impetus. Capital markets were burdened by the partial continued rise in budget deficits, thus preventing any great fall in the level of interest rates which would have been desirable. EEC countries' foreign trade saw a positive trend especially on account of increasing demand in the United States. Bilateral exchange of goods with Japan showed an increase in the trade deficit by just under 10% to 10.2 billion US\$. Japan supplied more and more components which are incorporated in the European end product and are no longer in evidence as Japanese products.

**Increase in production in the European automobile industry**

The automobile industry was one of the few growth industries in Western Europe. Owing to the increase in production it managed to make a vital contribution towards initiating an

Development of production in the automobile industry (million vehicles)



upward economic trend and to stimulating trade since a major part of production is exported particularly to other European countries. West European automobile exports to non-European regions of the world came to over a million vehicles and also exceeded imports. There was a rise in sales not only in West Germany but also in Britain and Scandinavian countries whilst in France and Italy the consequences of the recession took longer to heal so there was a slight drop in sales. Altogether 10.4 million passenger cars were registered in Western Europe in 1983, 5% more than in 1982.

#### **Positive trend in West Germany**

In West Germany the economic recovery which was clearly perceptible since the beginning of 1983 continued to gain momentum throughout the year. The increase in economic activity was particularly due to the rise in domestic demand whilst the export trend, which in previous years had proven to be a crucial factor in economic upswing, took a less favourable course, especially in the first half of 1983. Compared with the basic rates and weighted with the member countries' shares in foreign trade, the rise in the value of the German mark within the European Monetary System (EMS) in March 1983 was about 5.5%, hampering the competitiveness of German exporters in these countries inasmuch as the revaluation exceeded the differences in inflation rates. There was thus no opportunity for any acceleration in the rate of growth. When the new exchange rates in Europe had become a matter of routine and the economic situation abroad was beginning to emerge from the trough of the recession, the negative factors influencing foreign trade began to diminish. The volume of exports, particularly to Third World countries, was restricted by balance of payments difficulties and the credit squeeze. The increase in gross national product was 1.3% for the year as a

whole (more than originally expected) and was even up 2.9% for the fourth quarter, so West Germany took its place in the group of major western industrialized nations which had managed to show a rise. However, the growth is solely due to the increased level of productivity by the economy as a whole because the numbers employed continued to decline in 1983. Nevertheless, the labour market showed positive signs in the reduction of short-time working and the rise in the number of placements. In the late summer of 1983, even the steep rise in unemployment came to a standstill for the first time in 3½ years taking seasonal influences into account. Compared with other industrialized nations the rise in prices was low in 1983. Although numerous imports showed a marked rise in price owing to the increase in the exchange rate for the US dollar, West Germany had the lowest inflation rate after Japan. The trend in the prices of raw materials had a positive influence because they remained – even when converted into DM – below the previous year's level, despite a significant upward movement towards the end of the year. This would endorse past experience whereby world market prices in dollars determined by supply and demand drop when the exchange rate for the dollar rises. As far as West Germany was concerned, the favourable trend was chiefly accounted for by the fall in energy prices. The average price of a tonne of crude oil fell from 616.48 DM in 1982 to 579.22 DM. Coupled with the positive influences on economic trends exerted by economic revival in the United States, the German economy was provided with the breathing space required to introduce necessary structural improvements. We now have to use this opportunity.

#### **The German automobile industry provided impetus**

The automobile industry was yet again the driving force behind eco-

nomics recovery. The increase in production by 2.7% to 4,170,551 vehicles, the parallel trend towards up-market vehicles and the resulting improved utilization of capacity, in the supply industry as well, played a decisive role in returning to economic growth. Compared with the previous year, production showed a considerably better result in the second half of the year than in the first half. Alongside a high level of investment the automobile industry was thus the only major industrial sector in West Germany which managed to expand its labour force in 1983. The rise in the number of passenger car registrations by 12.5% to 2,374,635 units indicates that part of the backlog was met and passenger car sales are back to their long-term trend.

# Business Developments in 1983

World-wide the Volkswagen Group delivered a total of 2,110,672 vehicles to customers, approximately the same number as in the previous year (-0.3%). The sale of passenger cars rose by 0.9% to 1,901,244 whilst commercial vehicle sales dropped by 9.7% to 209,428 units. The negative trends in Latin America, South Africa and several countries in Western Europe may be compared with the increases shown particularly in West Germany.

The Volkswagen Group took great pains to regain a satisfactory level of profitability through measures to boost productivity backed up by new products. Investment policy was focused on these points and our efforts were complemented by the further expansion of our sales organization.

In the regions served by Volkswagenwerk AG 1,772,744 automobiles were delivered to customers, 1.4% less than the previous year. The proportion of passenger cars fell slightly to 1,598,469 (-0.9%) whilst commercial vehicle sales dropped to 174,275 units (-5.5%).

## Recovery in domestic demand

The major market was West Germany which saw a recovery last year after several years of decline in vehicle sales. Passenger car and commercial vehicle registrations rose by 12.8% to 2,570,906 units.

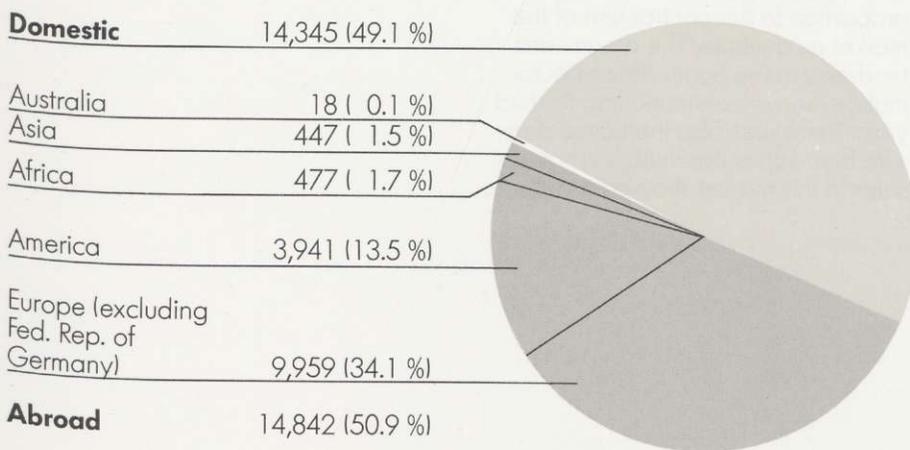
Domestic sales of Volkswagen and Audi vehicles rose to 735,044, a total increase of 9.3% compared with the previous year. The share of our models in the passenger car market as a whole came to 27.8%, slightly less than the 28.9% in the previous year.

The Golf showed an exceptionally dynamic trend. Although it had long been known that this model was due for a new generation it was still undisputedly the best-selling model in Germany, despite competition which has become more and more concentrated in this area ever since the Golf first appeared. The new Golf which succeeded its unbeaten predecessor in September fulfilled our expectations and followed on admirably in the tradition of this market leader. The Golf has been at the top of the annual list of bestsellers without interruption since 1975.

The Audi 100, which succeeded its successful predecessor in October 1982, managed to surpass the previous market shares in the first complete year of sales. Extending the model range to include the Audi 80 quattro had a positive effect on Audi sales with its market share rising from 5.9% to 7.1% in 1983.

There was a remarkable development in the sale of passenger cars with diesel engines. The settling down of fuel prices and the reduction in fuel consumption by conventional petrol engines have resulted in considerable progress as far as economical motoring is concerned, so the trend towards diesel failed to continue. In fact, diesel car sales dropped by about a fifth in West Germany alone.

Regional breakdown of the sales of Volkswagenwerk AG for 1983 (million DM)



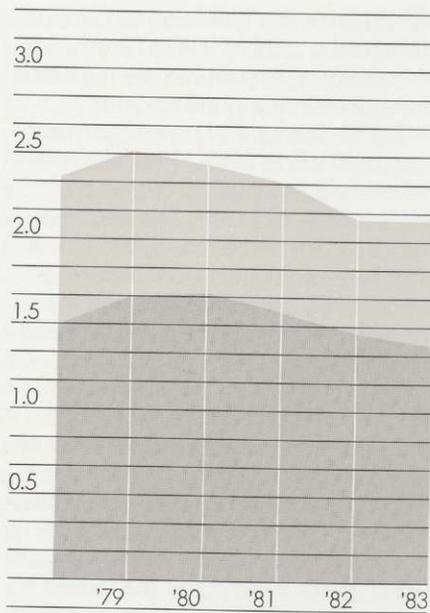
The Volkswagen Group, the major domestic manufacturer of diesel cars, was affected more than most.

Increasing confidence in general economic recovery and the investment allowance had a stimulating effect on commercial vehicle sales. Despite pressure from keener competition the Volkswagen Group was able to increase its share in the market for vehicles up to a total weight of 6 tonnes to 44.1%, thus remaining No. 1 in this sector of the market.

#### Difficult conditions in Europe

The adjustment of exchange rates for the German mark in March 1983, which was partially designed to compensate for inflation, once again set up hurdles for German exports in Europe. There were drops in sales also because of the continued recession particularly in the key markets of France and Italy. Sales of Volkswagen and Audi vehicles came to 608,765 in the European large-volume markets and were not quite able to reach the record level achieved in 1982.

As in the previous year, the major markets were France, Britain and Italy, total sales amounting to more than 100,000 Group vehicles in each case. There were considerable growth rates in Austria and our new market Spain where our collaboration with the SEAT company has got off to a promising start.



Deliveries to customers of Volkswagen Group vehicles (million vehicles)

Total

Abroad

#### Varying trends in overseas markets

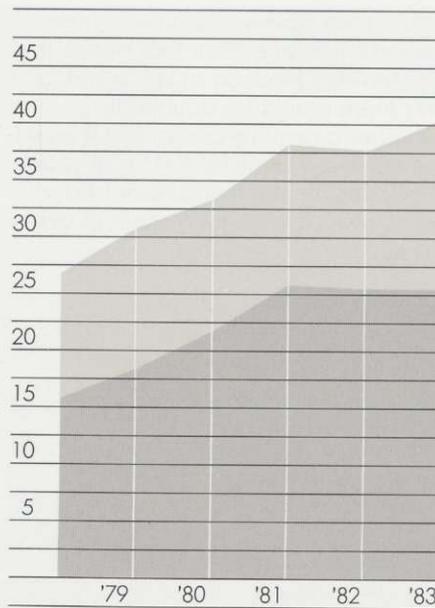
In the United States, imported Volkswagen models were able to participate in the upward trend whilst the sale of vehicles produced locally tended to decline. In the Brazilian market, passenger car sales managed to reach the volume achieved in the previous year again. Despite the continuing difficult market situation, truck sales still managed to exceed the albeit low level from the previous year. In Mexico, the decline in sales of our passenger cars was roughly in proportion to the contraction of the market as a whole. The downward tendency in the South African automobile market continued into its third year. There was also increased pressure from Japanese rivals so that our sales in this market showed a decline.

**Increase in sales**

The level of sales depends, on the one hand, on the level of Volkswagen Group unit sales to the dealer organization and the total of 2,127,218 vehicles was 0.3% above the previous year's volume. On the other hand the higher sales were due to the increase in demand for up-market, more expensive models. The figure of 40.1 billion DM for the Volkswagen Group was 2.7 billion DM or 7.1% above the value for the previous year. Foreign sales only rose by 0.9% to 25.6 billion DM, thus causing the foreign share in Group sales to drop from 67.9% to 63.9%.

Our business policy is oriented towards the principles listed in the OECD guidelines for multinational companies. Products and services within our Group and in dealings with all our subsidiaries are always valued at market or cost-oriented prices.

Volkswagenwerk AG managed to boost its sales by 2.2 billion DM to 29.2 billion DM particularly because of the increase in domestic vehicle sales. Foreign sales remained roughly constant at 14.8 billion DM (-1.7%).



Development of sales of the Volkswagen Group (billion DM)

Total

Abroad

## Development of Result

During the course of the year under report it became clear that owing to the trend to be seen at key subsidiaries there would be doubts as to whether a positive Group result could be achieved at all for the fiscal year 1983, despite the measures introduced to reduce costs as a result of overall economic conditions.

Volkswagen of America returned a positive result again after the high loss incurred the previous year. The loss incurred by the TRIUMPH-ADLER group was reduced as planned so that the offsetting of the loss by Volkswagenwerk AG amounted to substantially less than the previous year. Our Latin American subsidiaries failed to escape the continued recession and inflation prevalent in those countries and had to put up with considerable financial setbacks because permissible price adjustments proved inadequate in many cases. It was impossible to offset the substantial losses shown by these companies against the positive results returned by the other companies.

The Group result for the fiscal year 1983 amounted to - 215 million DM. Despite the negative result, Group tax expenditure came to 580 million DM which chiefly resulted from the high tax on the earnings of the Group companies which returned a profit. Volkswagenwerk AG too had to close the year with a result of - 85 (33) million DM because of numerous large financial burdens.

The conversion of assembly lines for the new Golf had just as negative an effect on the statement of earnings as the extensive precautionary measures which became necessary for the Latin American subsidiaries in particular. In addition, Volkswagenwerk AG's statement of earnings was considerably hampered by the high depreciation expenses entailed in making full use of all tax concessions available due to the continued high level of investment over the last few years.

Nevertheless, the healthy structure of our balance sheet bears witness to a prudent valuation policy. The continued increase in cash flow and the noticeable rise in liquidity are also proof of the fact that we were in a position to cope well with the extraordinary impediments. However, the measures necessary for maintaining our competitiveness in international markets prevented us from rewarding our stockholders.

Even though, from today's point of view, we expect that, owing to the considerable investments we made in recent years and the various schemes to save costs in all areas, an improvement in the result at Volkswagenwerk AG and - assuming business picks up in Latin America - in the Volkswagen Group as a whole will be feasible for the fiscal year 1984, it was not possible to pay a dividend for the fiscal year 1983.

Having taken into account the undistributed profit from the previous year, we have brought forward the remaining loss of 59 million DM.

# Research and Development



*All essential research fields are united in the new research center.*

In 1983, research and development work within the Volkswagen Group continued to aim at developing further the competitiveness of our products. As in the past, we were able to integrate the various results of our research activities into current models or incorporate them in new designs. Compared with the previous year, the cost of research and development for the Volkswagen Group remained unchanged at 3.6% of Group sales in 1983.

## **Inauguration of the new Volkswagen Research Center**

In the automobile industry it is no longer possible to get by without pursuing intensive research if one is to secure one's future by introducing innovative technology. As this requires ideal facilities we decided to build a new research center with 9,000 m<sup>2</sup> of office and laboratory space as well as 6,000 m<sup>2</sup> of workshop and test-bed areas where most of our researchers are now working. Apart from the climatic wind tunnel, which has been in operation since 1966, well ahead

The new Golf



of its time, and parts of the Central Measuring Section all research operations are housed together in the new building.

### **The new Golf – the result of 5 years' intensive development work**

The most significant event at Volkswagenwerk AG was the completion of development work on the new Golf which went into assembly-line production in the summer of 1983. With the new Golf the design concept and basic engineering configuration from its predecessor, which had, as long ago as 1974, created a new class of car, the Golf class, was continued into the 1980's. A vehicle emerged which is new in every respect and which incorporates unmistakable advances in all fields important for the future of automobile manufacture – intentionally maintaining stylistic connections with the previous Golf.

### **Improved functionality and aerodynamics**

The front and side views have remained typical of the Golf. The receding front of the car and the curves illustrate the endeavours to achieve good aerodynamics and bear witness to the progress attained in this sector.

The rear view has undergone a more profound transformation. In the interests of convenient loading and good visibility of the rear lamps a particularly striking solution was found. It clearly separates the Golf from its competitors and highlights its independence.

The car's drag coefficient of 0.34 is almost 20% lower than for its predecessor – an extremely low level for a car of this size and type. Apart from general streamlining there were various details which made considerable contributions to lowering the drag coefficient, for example the flexible front spoiler, the front quarter lights flush with the exterior, optimum drag levels for air passing through

the front of the car, a streamlined underside as well as the positioning and shape of the external mirror.

### **New standards in the utilization of space**

Compared with its predecessor the new Golf has a significant advantage in total length and width, from which the car interior and boot have been virtually the only features to benefit. We have been able to provide an unusually large amount of space for a car of this size, a fact which can be verified objectively by comparing specifications: for instance the dimension indicating the level of comfort, measured between the plane of the accelerator pedal and the backrest of the rear seat, has been increased by 37 mm and the seating area has been increased to 2.60 m<sup>2</sup>. The difference is almost one whole class of vehicle.

One of the advantages in using new materials is the valuable contribution towards reducing the weight of the vehicle and increasing the amount of space available. For example, we managed to increase tank volume by 40% simply by fitting a fuel tank made of synthetic material, thus enabling us to make better use of space available and increase the size of the boot. The result is a range of up to 1,000 km for a full tank.

### **Significant increases in the level of comfort**

One of the main objectives in developing the new Golf was to considerably improve on comfort. In addition to enlarging the interior, a whole host of new technical solutions were worked out.

One of the main aims was to reduce internal noise. So we incorporated special new large-volume rubber bearings at all points where noise passes from the running gear to the body. Particular attention was paid to designing engine/transmission suspension. A completely new design

concept for the front engine bearing with double insulation on a separate transverse acoustic bar plays a major role. The exhaust system was reviewed to produce a new type which maintains good absorbing properties throughout its entire service life. By employing new materials it was possible to double the life of the system.

Together with the excellent aerodynamic qualities contributing to a reduction in wind noise, deliberate selection and positioning of absorption materials and a thorough suppression of intake noise from the engine, we have managed to reduce internal noise by between 3 and 5 dB (A) at all speeds. Another important step in improving the level of comfort is the completely new heating and ventilation system which now reacts immediately to all changes in setting owing to control at the fan.

The interior and instrument panel were also designed to meet the Golf's high standards. The fully lined car interior was given special character by fitting door and side panels of functional design as well as an attractively shaped headlining. Extra comfort on the Golf can be tailored to suit individual requirements by ordering any one of a number of new additional features such as power-assisted steering, central door locking system, air conditioning, electrically operated windows, electrically adjustable and heated external mirrors and much more besides. On the new high-comfort top model, the Golf Carat, these special features are all combined, apart from the air conditioning, and supplied as standard fittings.



*The new GTI – more motoring pleasure through higher technology and comfort*

**The new Golf GTI – even more pleasure from motoring**

The new Golf GTI which was introduced in January 1984 will be following on from the success of its predecessor model. This superb four-seater sports car even achieved satisfactory growth rates in the year of its phasing out in 1983, attaining its best result to date world-wide.

With the perfection of a sophisticated concept the new Golf GTI even surpasses its predecessor's advantages. Provided with a powerful engine it has more to offer in the way of technology and comfort, thus ensuring even more pleasure from motoring.

**Superior running gear guarantees maximum safety**

The running gear on the Golf has been improved yet again. Greater ride clearance and a longer wheel-base ensure safety to match any requirements whilst the comfort gained by improving suspension has been significant. The braking system was also scrutinized and all the versions are now fitted with Mark II caliper brakes at the front. The brake linings are free of asbestos. We have taken account of the higher maximum speed on the GTI of over 190 km/h by fitting lower-level high-performance running gear characterized by firmer matching of springs and absorbers, by stabilizers on front and rear axles and by disc brakes on the rear wheels.

**Reduced fuel consumption despite higher engine performance**

Experience acquired during the energy crisis and during the years to follow has demonstrated that although reduced fuel consumption continues to rank high on the buyer's list of priorities the majority of customers do not wish to purchase this advantage if they have to sacrifice engine performance. This was the guideline when we were deciding what size of engine and what level of fuel consumption the cars should have.

Along with the transmission, the entire range of petrol engines has been reviewed and matched to the new vehicle. The 1.3 l 40 kW engine is new. Its compression ratio is 9.5:1, it works according to the high compression system (HCS) and requires only low-octane petrol. The main feature of the new 1.6 l and 1.8 l engines is high torque at low engine speeds. All the carburettor engines have governor carburettors and the 1.6 l and 1.8 l engines are also fitted with an over-run cut-out which serves to reduce fuel consumption. Although engine performance was improved, petrol consumption was reduced by up to 16%. The 1.3 l 40 kW engine requires

*The STUDENT – a research project which has aroused a great deal of interest*

an average of less than 7 l of low-octane petrol over 100 km. The Formula E version of the Golf, with its standard automatic stop/start system requires only 6.4 l/100 km, that is 9% less than on the ordinary version.

### **The new Golf – great value for money**

The new Golf, which has grown by almost an entire class of vehicle, provides more comfort and better driving performance; active and passive safety has been increased yet again while fuel consumption has been reduced. On the basis of these criteria a jury of international motoring journalists awarded the new Golf the "Golden Steering Wheel" as soon as it appeared on the market. At the beginning of 1984 this model was also chosen as "Sensible Car of the Year", well ahead of its rivals.

The good value which this car offers the customer is also due to the following advantages:

- Consistent high quality, guaranteed by largely automated assembly and continuous checking procedures.
- Above-average service life, borne out by the long guarantees which, as yet, are only offered by Volkswagen and Audi.
- Even better maintenance and serviceability allowing intervals of up to 15,000 km between maintenance checks and low-premium insurance classification.

It is these features, coupled with the trustworthiness of model consistency, which form the basis of this car's renowned high resale value. When the customer buys a new Golf, he is acquiring considerably better value for money.



### **STUDENT – prototype for the smallest class of car**

Apart from the hard work put into the new Golf and the further improvement of our other models, we pressed on with other research and various special projects. One of the projects which our engineers were working on was the possibility of developing a car smaller than the Polo.

The STUDENT is a typical research project, that is, it is a kind of prototype for testing design, features, materials and new technology. The concepts realized in this study can potentially be implemented in all future vehicle development work. During the processes of development and decision-making over the next few years we will be able to establish whether and in what way the new ideas tried out in this research project can be incorporated in the future range of vehicles manufactured by the Volkswagen Group as a whole. The initial test drives were carried out on the STUDENT towards the end of 1982.

The result of this development is a small, highly manoeuvrable vehicle which is significantly smaller than the Polo. The floor area of the interior, which is a key indication of comfort, is 2.31 m<sup>2</sup> in the case of the STUDENT, an unrivalled figure in the subcompact class.

The vehicle can be fitted either with a 37 kW engine or a 54 kW one and achieve a maximum speed of 157 km/h or 178 km/h respectively. On the standard European drive petrol is consumed at 5 l/100 km or 5.8 l/100 km respectively. These extremely low levels of fuel consumption have been achieved not least because of the reduction of drag to an absolute minimum.



### **Intensifying research into exhaust fumes**

The many years of experience acquired by our R&D Division in the cleaning of exhaust fumes have made it possible for us to design almost all the vehicles we manufacture in Germany so that they not only reduce fuel consumption considerably but already comply with the ECE R 15/04 exhaust emission regulation, which will only come into effect in the EEC in 1986, and thus make a substantial contribution to protecting the environment. Carbon monoxide emission has been reduced by more than 45% since the first drop in 1971, hydrocarbons by more than 32%. The level of nitrogen oxide has been restricted since 1977 and reduced by more than 21.5% altogether. The total emission of these gases from passenger cars has thus receded so the environment

will benefit from every brand-new vehicle to come on the road and replace an old one, not least because of the better fuel consumption.

The Volkswagen Group stepped up the intensive research which has been going on for a long time into all the factors connected with exhaust fumes, particularly the effects on man. Even though there is no substantiated evidence of the actual consequences of exhaust fumes for human health, especially as far as the interaction between exhaust fumes and other emissions is concerned, we are currently developing various technical solutions which enable emissions to be reduced even further.

*Most advanced analytic system for exhaust emissions*



**Continuation of the innovative development program at AUDI**

Technical development at AUDI in 1983 was particularly occupied with the systematic further development of their new generation of cars which has found stylistic and technological continuity in the Audi 100 Avant and the Audi 200. The Audi 100 Avant is a successful synthesis of high practicality, elegance and economy. Its drag coefficient of 0.34 puts it at the top of the league above all other series cars in its class.

When the Audi 200 was launched we were witnessing the birth of a new top-class vehicle with regard to comfort, space and road performance. For the most powerful version there is a 134 kW/182 bhp 5-cylinder turbo injection engine available representing state-of-the-art technology. The power of its engine and its exceptional aerodynamics have made the Audi 200 one of the most fuel-saving vehicles of its size while its streamlined design and top speed of 230 km/h have rendered it one of the fastest factory-built saloons in the world. Maximum road safety is taken care of by high-performance running gear coupled with the latest design of anti-blocking system which is standard on the turbo version.

*The new Audi 200 – convincing in performance, safety and comfort*

*The Audi 100 Avant – the most versatile  
Audi of all time*



Since November 1983 the Audi 80 quattro has also been available with an 85 kW/115 bhp 5-cylinder injection engine as a lower-cost alternative.

The new Audi Sport quattro is a high-performance sports coupé which, compared with the standard quattro, is shorter, lighter and much easier to handle. The special technical feature on the 5-cylinder injection turbo engine is that there are four valves per cylinder. At 100 kW/136 bhp it is also the most powerful standard petrol engine per litre of engine capacity.



*The Audi 80 quattro – outstanding  
traction in any terrain*

*Audi 100 in the wind tunnel – one of the most aerodynamic production saloons*

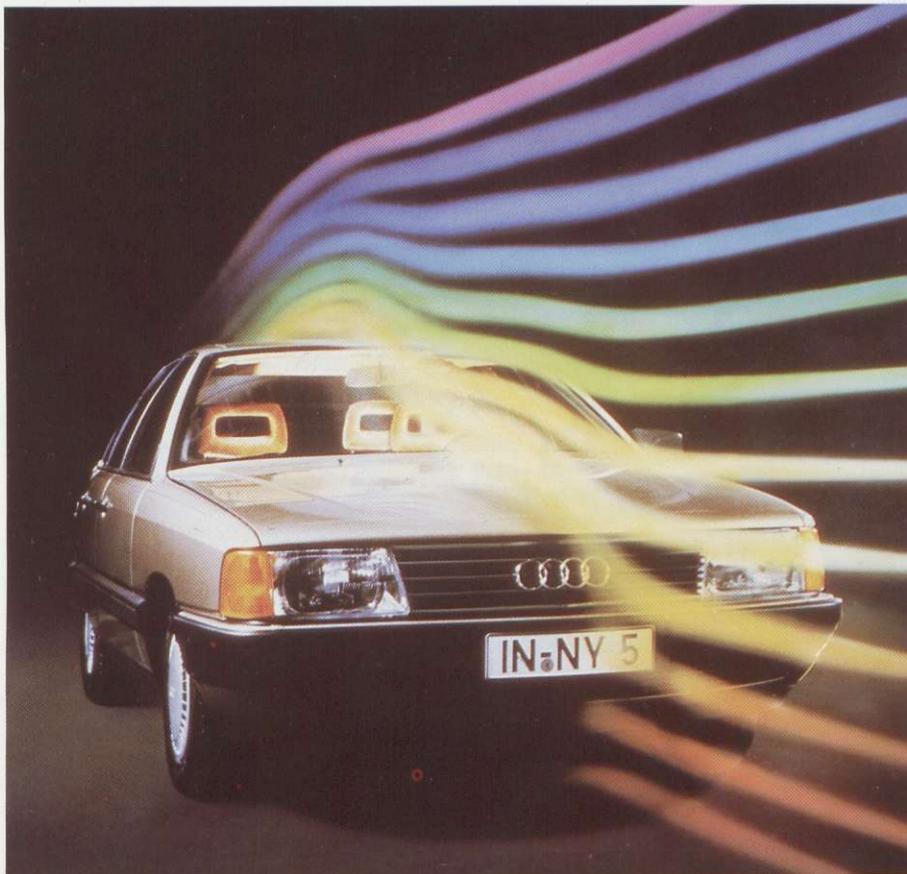
### **Development activities being pursued by subsidiaries**

Different customer habits, different competition situations and profitability parameters, very different motoring conditions, new laws and various calls for national shares in production have led to a situation whereby we are compelled to have our subsidiaries carry out development work locally.

At the various subsidiaries we have gone over to establishing national development departments which carry out the necessary development work on adaptation. In this way the know-how transferred can not only be used to the full by the technical development departments but can also be passed on to suppliers' research and development departments for specific purposes.

This policy of centralized R&D (Volkswagen and AUDI) and decentralized development work on adaptation at a local level leads to an optimization of the cost/benefit ratio for research and development:

- A unified, harmonized basic concept is guaranteed by the centralized R&D within the technical and financial scope necessary, thus avoiding duplications.
- Adjustments to a certain market can be implemented to take account of specific requirements with speed and flexibility and do not make the basic product any more expensive.
- Subsidiaries can benefit to the full from having available the entire range of know-how prepared at the centralized R&D, staffing and equipment being harmonized to perfection so as to ensure lower costs and less investment.



The sets of equipment required for the work performed by a technical development department, such as testing facilities and laboratories, are planned so that the development work can be carried out according to standards laid down by Volkswagenwerk AG.

About 1,600 R&D staff are working for subsidiaries, that is, almost 18% of the entire potential in this field is abroad.

It was with the assistance of the local technical development departments that the Gacel in Argentina, the notchback version of the Gol which was chiefly developed by Volkswagen do Brasil, the Audi 100 in South Africa, the Santana and the Golf/Jetta in Nigeria were put into production. In Brazil and in Mexico series production of the Santana was commenced in spring 1984. This model has thus become a world-car for the Volkswagen Group alongside the Golf.

# Motor Sport

Motor sport is still a direct expression of peak technical performance and as such is gaining popularity. In recent years this sport has become more and more the domain of the automobile industry.

Volkswagenwerk AG and AUDI NSU AUTO UNION AG are very actively engaged in motor sport, their intention being to present to the public the ingenuity and level of technological advancement to be seen on the two makes.

## **Our objective in motor sport**

For the Volkswagen make it is surely the demonstration of technological competence which must be placed at the forefront of any sporting activities we undertake, aiming at a direct effect on the current series. This objective also determines the type of sport Volkswagen becomes involved in for the large-series vehicle class. Logically, the Volkswagens entered for motor sport events display technical know-how and creativity with strong emphasis on the series vehicle (Golf GTI, Polo GT, Scirocco, Formula 3/GTI engine).

The events themselves and the activities initiated guarantee a broad base of publicity at regional, national and international levels. The sporting pursuits of the Volkswagen and Audi models can thus be regarded as highlights which repeatedly draw attention to the series vehicle. Such activities enjoy wide public interest.

AUDI drive in the most technically advanced class, in accordance with their role within the Group. The vehicles entered by AUDI for motor rallies are not cars which are specially built for motor sport but are all taken from the standard range of Audi models. Since research and development on racing cars and assembly-line cars run parallel at AUDI, the technological lead achieved from the extreme conditions of competitive sport is always incorporated in assembly-line

production. The valuable experience gained at rallies with regard to performance of the transmission, running gear and engine thus also serves to benefit the basic model.

AUDI's permanent all-wheel drive has not only carved new roads into rallying but has also given automobile technology new impetus. Successful participation in many international motor sport events proved the reliability of the unique engineering used on the Audi quattro transmission. The quattro's sporting successes have made a considerable contribution towards bringing fame to the Audi make and making the all-wheel drive so popular.

The Audi Sport quattro will form the basis for all future company participation in rallying. In addition it also offers all private motorists with sporting ambitions and qualified tuners the opportunity of achieving success in motor sport.

The entry-point for talented budding rally drivers – the VW Polo Cup



The Golf GTI – also very successful in the Monte Carlo Rally

The Audi quattro – admired by enthusiastic spectators

**Volkswagen and Audi have been very successful**

The 1983 season may be regarded as the most successful year in motor sport for Volkswagen to date, both at a national and international level. Never before have cars and engines from Wolfsburg managed to make such a significant, lasting mark on title competitions with European honours at stake. Apart from winning the European rally-cross championship and holding onto the German Formula 3 title there were two European runners-up awards as well as three national successes in Switzerland, four national titles in Belgium and a championship win both in Scandinavia and Britain.

In amateur motor sport the main attention was focused on promoting up-and-coming drivers. The new International VW Polo Cup and the International Golf Rally Cup provided two well-rewarded racing series as an opportunity for young talented racing and rally drivers.

AUDI were also very successful in their third year of company engagement in rallying. Apart from winning the rally-drivers' world championship and a runners-up award in the manufacturers world rally championship AUDI managed to achieve 13 national championship titles in Europe and overseas.

The Monte Carlo Rally in January 1984 was a great success for the Audi quattro, so too the Swedish Rally in February 1984. The three AUDI works teams participating convincingly gained the first 3 places. Out of the 26 assessment runs at the Monte Carlo Rally AUDI alone won 24, thus clearly proving once again the superior, reliable engineering which has gone into the Audi quattro.



*Outstanding triumph in the Monte Carlo Rally – Audi quattro*

# Production

In the fiscal year 1983 the Volkswagen Group manufactured 2,115,924 vehicles, 0.7% less than the previous year. Domestic production came to 1,413,358 units, the rise of 2.4% being due to the considerable increase during the second 6-month period. Foreign production, on the other hand, fell to 702,566 vehicles (-6.2%) and had to be dampened to allow for the market situation, particularly during the second half of the year. The Volkswagen Group produced a total of 1,910,950 passenger cars, that is 0.9% more than the previous year, whilst commercial vehicle production fell by 13.0% to 204,974 units.

## **Increased commercial vehicle production at Volkswagenwerk AG**

In 1983 Volkswagenwerk AG produced 1,179,993 vehicles, that is 1.4% less than the previous year. The production of passenger cars fell by 2.6% to 1,029,910 units. Commercial vehicle production, on the other hand, rose by 7.4%.

Short-time working, which was begun towards the end of 1982 in order to adapt to dwindling demand and to restrict stocks at all Volkswagenwerk AG's plants, was only necessary during the first quarter of 1983, with the exception of the Hanover plant.

## **New production facilities for the Golf class**

The emphasis of our work was on preparing and implementing the model change in the Golf class. After intense staff training the Wolfsburg plant and the assemblies plants at Brunswick, Kassel and Salzgitter began series production of the new Golf. After the Brussels plant had also commenced production of the new Golf in November and the Wolfsburg plant began producing the new Jetta in December, daily production was up to 2,000 Golf/Jetta vehicles by the end of the year. The 100,000th new Golf soon came off the assembly line on December 22, 1983.

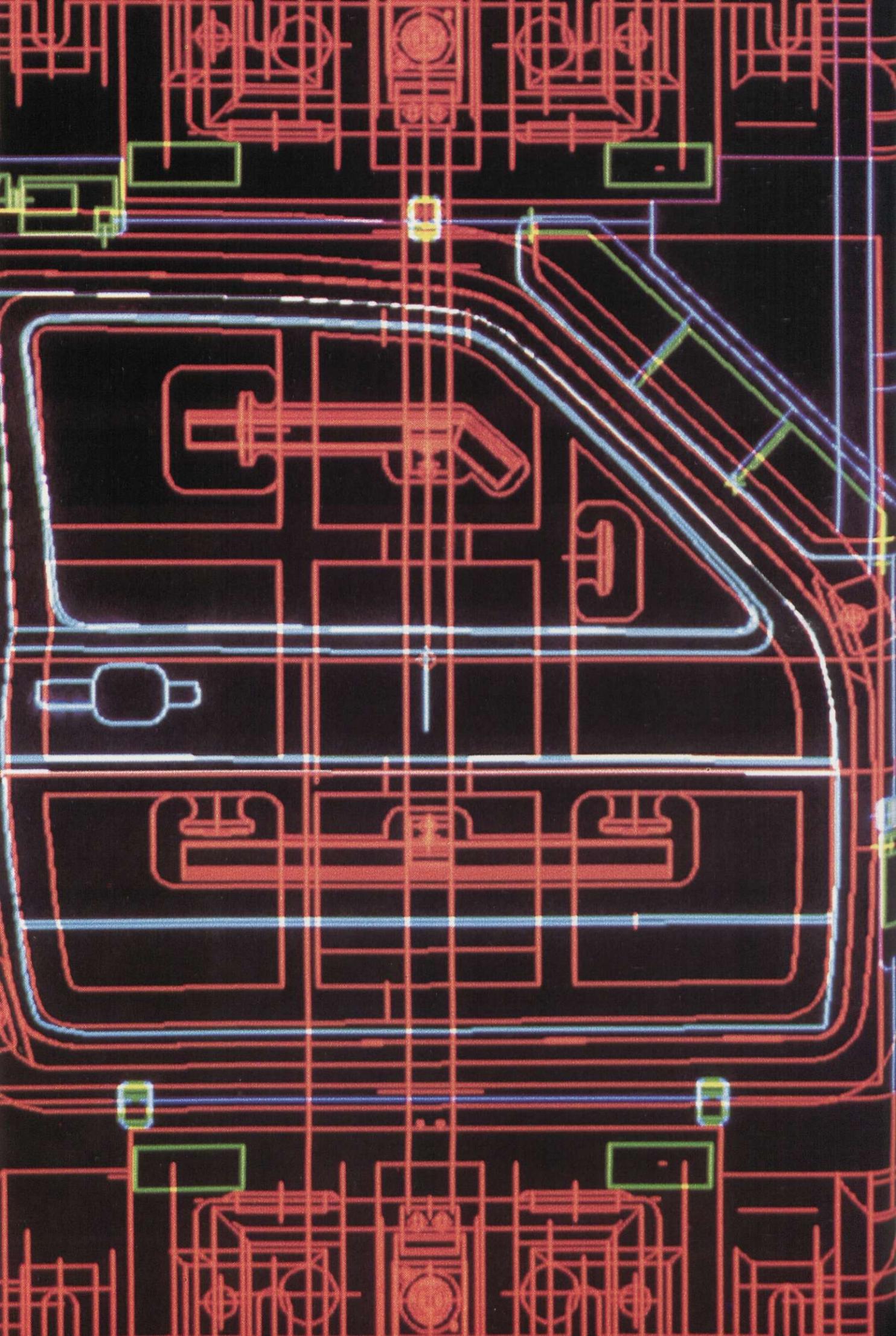
For the new Golf a new type of production technology was used which combines an increase in productivity and further improvement of quality with humane working conditions and an increase in staff identification with their jobs. This concept was put into practice in mechanizing vehicle assembly in the new Hall 54 for Golf production at the Wolfsburg plant and in increasing the mechanization of running-gear production at the Brunswick plant.

## **Sophisticated production processes at all the plants**

Long-term economic improvements were achieved in bodysell assembly with the aid of mechanized production using integrated welding robots. Apart from the significant improvements in quality and productivity the equipment has a high level of reusability for subsequent generations of products. For part of Commercial-body construction the Hanover plant increased the level of mechanization in bodysell assembly accordingly.

A highly modernized production process was set up for assembling the vehicles in the Passat series in the new Hall 7 at the Emden plant. Special components here consisted of a newly designed checking area for final inspection and a newly developed correction area which was the first of its type to be used under production conditions.

The foundation stone for a new permanent mould foundry was laid at the Hanover plant for producing light-alloy castings by modern, economic methods, taking into account the particular effects which a foundry has on the environment and working conditions. As of 1984, 26,000 tonnes of light alloy will be turned into cylinder heads and suction tubes every year according to the most sophisticated techniques.



*Computer-aided design – representation of a press tool for outer door skin on the screen (left)*

In the field of parts production for assemblies a wide range of technological improvements were implemented. A trend-setting concept for manufacturing drive shafts will be gradually adopted at the Kassel plant over the next few years.

### **Computer systems – the engineer's tools both now and in the future**

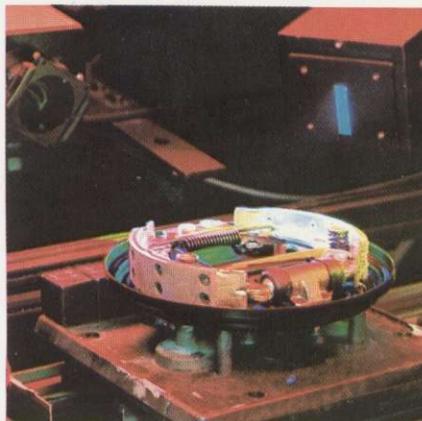
Now that computer systems have been integrated into production to a large extent, appropriate efforts became necessary in the creative fields of production planning. The increasingly sophisticated production technologies, the ever shorter innovation cycles and the standards of quality and efficiency in design procedures can in the future only be handled by employing computer systems.

Now and over the next few years the emphasis of this development is on the field of computer-aided design and computer-aided manufacturing (CAD/CAM).

Here too, Volkswagen have taken the necessary steps to keep abreast of this world-wide trend.

### **Further humanization in production**

The huge investments involved incorporated a wide variety of measures to make working conditions more humane. Continued ergonomic job design was achieved in all the new production facilities. Extensive use was made of a reduction in the amount of heavy work made possible by new technologies in the various fields of production such as the press shop, bodyshell construction and assembly. In a few production areas such as bodyshell assembly it was possible to transfer the bulk of heavy physical welding work to appropriate equipment. This meant it was increasingly feasible to employ particularly older workers in these areas. The possibility of using the experience acquired in one's profession and the resulting acknowledgement received when one takes over new tasks serve



*Automatic optoelectronic 100% checking of a rear brake*

*Production plant at San Justo  
in Argentina*

to improve the quality of work displayed by such employees considerably. Within the scope of measures taken all production areas saw a far-reaching breakdown in the close ties between man and machine. Coupled with these improvements due to the assumption of various other tasks, the new forms of work organization thus created have led to an increase in staff qualification requirements.



### **Significant increase in production at AUDI**

In 1983 AUDI manufactured many more cars than in the previous year. Expansion of production required considerable recruiting for assembly and numerous special shifts. Average daily output increased by 196 to 1,650 units.

Owing to the rise in demand for the Audi 100 models and the Porsche 924/944 manufactured on behalf of Porsche AG their shares of overall production have changed compared with the previous year. The proportion accounted for by the Audi 100 series rose from 28.9% to 42.0% and that for the Porsche vehicles rose from 6.2% to 7.8%.

Apart from boosting the volume of production and launching new models AUDI were particularly concerned with continuing factory modernization in 1983. One ought to draw particular attention to the fact that work was begun on constructing a new assembly hall at the Neckarsulm plant, which will be put into operation in summer 1984. At both plants the paint-spraying equipment has been further automated and perfected.

### **Declining production at most foreign subsidiaries**

Production cutbacks were necessary at most subsidiaries on account of reduced demand. In particular, one ought to mention the significant drop in production at Volkswagen de Mexico by 39.7% to 86,607 vehicles. Volkswagen of South Africa also considerably reduced the volume of production by 9,888 vehicles, a drop of 19.1%. Although Volkswagen of America managed to increase volume by 8.8% compared with the very low level of the previous year 1982, utilization of production capacity continued to be unsatisfactory. Westmoreland assembly plant has only one production shift for the present.

There were considerable increases in production at Volkswagen Argentina owing to the great popularity enjoyed by the new Gacel; the same applied to our Yugoslavian affiliate TAS as a result of stabilization in Volkswagen Caddy production.

The higher production volume at Volkswagen do Brasil during the first six months of 1983 may be contrasted with the lower utilization of capacity during the second six months due to less demand. Total production was increased by 5.3%.

Volkswagen commercial vehicles  
combine a high degree of economy  
with maximum utility.



Production broken down by model:

Passenger cars	1983	1982
Golf	611,449	640,850
Jetta	136,895	154,805
Polo/Derby	166,246	175,245
Passat	244,173	219,795
Santana	52,601	57,491
Scirocco	43,480	45,349
Audi 80	163,623	166,446
Audi Coupé/ quattro	29,567	34,478
Audi 100	164,888	101,089
Audi 200	6,160	10,083
Beetle	119,745	138,091
Gol	71,006	57,032
Voyage	85,136	81,696
Other passenger cars	15,981	11,962

Commercial vehicles	1983	1982
Golf pick-up/ Caddy	15,348	15,509
Commercial	155,500	188,681
Heavy van (LT)	21,633	21,236
Volkswagen trucks	2,594	2,085
Volkswagen-M.A.N. trucks	2,937	2,034
Other commercial vehicles	6,962	6,118

Average daily production  
broken down by  
Group company:

Group company:	Vehicles/ day
Volkswagenwerk AG <sup>1)</sup>	4,898
AUDI NSU	
AUTO UNION AG <sup>1)</sup>	1,508
Volkswagen do Brasil <sup>1)</sup>	1,441
Volkswagen Bruxelles	613
Volkswagen of America	464
Volkswagen de Mexico	410
Volkswagen of South Africa	220
Volkswagen Argentina	75
Volkswagen Caminhões	16

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





Parts being manually checked for dimensional accuracy

Quality assurance is always particularly important when a new model is launched. This was also the case in the preparation work and launching of the new Golf. One of the tasks which Quality Assurance had to come to terms with in 1983 was how to combine a new model with a new production technique and meet the high expectations of Volkswagen customers from the outset.

### **Assuring quality by interdepartmental collaboration**

The main factor here was the good collaboration between all concerned. The people from Research and Development, Production, Purchasing and Quality Assurance established strategy on a joint basis right from the beginning. It also involved defining and approving quality targets, taking into

account the situation with respect to competition and market expectations.

A project team was established whose chief responsibility it was to promote interdepartmental collaboration and control scheduling.

### **Improving quality by putting past experience into practice**

In quality planning for the new Golf the matured experience acquired over nine years of Golf production have brought to light room for improvement: teams of specialists worked on "Acoustics", "Corrosion" and "Electrics" etc.

### **Minimizing tolerances**

The simultaneous introduction of the new Golf and mechanized assembly at Hall 54 served to emphasize what had always been a foregone conclusion, namely the fact that the tools for part production had to be made with maximum precision. Tolerances had to be restricted to an absolute minimum. For each of these tools the manufacturer had to ensure that the finished part complied with the drawing in every way.

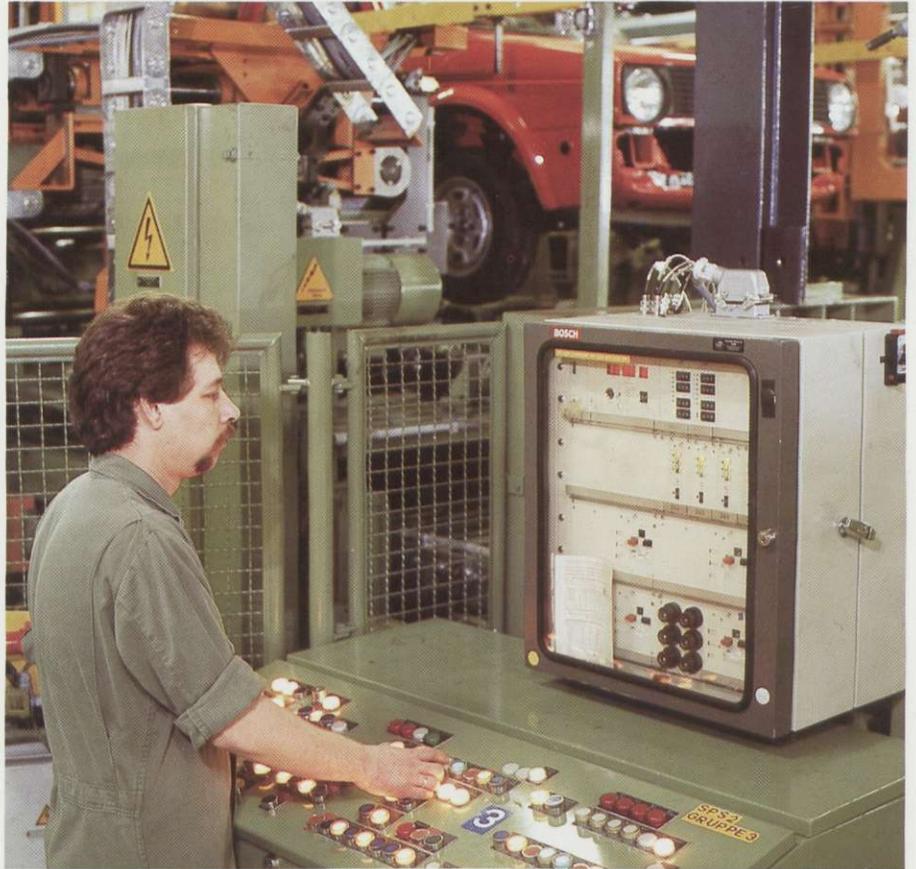
*Fully-automated checking of torque and turn angle of wheel nuts*

### **Smooth start to series production**

In order to be able to cope with the work involved in parallel production of old and new Golf parts in the various departments, additional workers were transferred to Quality Assurance on a temporary basis. The increase in labour was due to the sampling of purchased and manufactured parts, gauge clearance at the various manufacturers all over the world, commencement of production at the new Hall 54 and increased vehicle inspection. However, these were crucial factors if series production of the new Golf was to get off the ground smoothly. Quality Assurance played a major role in guaranteeing the high quality of the new Golf right at the start of production.

### **Two and a half million kilometers – fitness for everyday motoring**

For well over 100 pilot vehicles it was a case of "do or die". These cars were driven under realistic everyday conditions on the VW test area at Ehra-Les-sien. This is necessary in order to obtain experience as soon as possible of the car's behaviour in everyday situations to supplement trial runs for research and development.



Ehra is the ideal test area for subjecting the car to any everyday driving situation possible. Apart from about 20 km of motorway, it has country roads with varying surfaces and inclines. The test area can also be used to carry out town drives. A journey through the center of a city has been simulated, complete with stops at traffic lights. At out-of-the-way Ehra the technicians find everything they need to assess the new car with regard to fitness for years of everyday use before series production is commenced. It also involves a special corrosion test course designed by R&D. After three and a half months the vehicle ages just as quickly as if it had been moved about in normal traffic for six years. Having completed appropriate investments in production and having incorporated certain design features on the vehicles themselves, the infor-

mation gained from simulating such a long period of time has enabled us to give vehicles in Europe a 3-year guarantee against damage to bodywork paint and a 6-year guarantee against rusting through. It is only Volkswagen and Audi passenger cars which offer such an extensive guarantee.

Employees from Production and Quality Assurance also drove these vehicles under normal traffic conditions – every day in two shifts, altogether covering two and a half million kilometers.

Evaluation runs from customers' viewpoints at the proving ground at Ehra-Lessien



### Quality right from the start of production

The very first car to be delivered from any new generation of models must match customers' expectations as far as quality is concerned. We have thus endeavoured to ensure that when the new Golf was brought onto the market it would be up to the customary Volkswagen standard of quality right from the beginning of series production. All the various measures to assure quality included close collaboration between the Company and dealers. The V.A.G partners were quick to report back to the Company about the customer reaction to the new vehicles. The result was convincing; the V.A.G partners and customers were enthusiastic about the quality of the new Golf.

This brings us back to the beginning. With the best launch ever Quality Assurance has completely fulfilled its task of ensuring a high level of quality right from the start of production. The enormous investment is beginning to pay off, as is reflected in the number of orders for the new Golf and the new Jetta.



The Golf on the hydropulse machine



# Purchasing and Logistics

The volume of purchasing for the Volkswagen Group world-wide rose by 3.2% to 24.2 billion DM in 1983. Volkswagenwerk AG's share rose by 4.3% to 14.0 billion DM, 11.0 billion DM being accounted for by production materials and 3.0 billion DM by capital goods and services. At AUDI purchasing requirements rose by 17.3% to a total of 4.4 billion DM owing to the high rise in production.

As in previous years, the past fiscal year saw the Volkswagen Group's high level of procurement making a substantial contribution to keeping the supply industry busy, particularly the large share of medium-sized suppliers. World-wide the Volkswagen Group worked with over 30,000 suppliers, 15,400 of whom were in West Germany.

## Special demands were made of our suppliers

In 1983 the launching of the new Golf and Jetta models, the Audi 200 and a series of further additions to the Volkswagen and Audi range of models made special demands of our partners in the supply industry with regard to engineering and quality.

Our domestic and foreign suppliers' flexibility and motivation made an essential contribution to the fact that the sophisticated production facilities for the Golf and Jetta models were put into operation on schedule while additions and alterations to our range were carried out as planned.

## Sharing work with the supply industry

Rapid technological advancement in motor vehicle construction requires a considerable sharing of work with highly qualified suppliers. It is the main task of the Purchasing Division to make this collaboration as efficient as possible and ensure it can be relied on in the long term.

The Purchasing Division is in the fortunate position of being able to draw on a broad spectrum of reliable suppliers in Germany. However, the potential of foreign suppliers must also be utilized to ensure the best possible level of engineering and quality and to guarantee regular supply.

As in previous years, 1983 also saw great advances in increasing the local content in production at our foreign vehicle-producing subsidiaries. However, particularly in South America, economic problems are increasingly affecting our subsidiaries' and reliable suppliers' joint endeavours to bolster the efficiency of local supply industries by transferring modern technologies and setting up new production plants.

## New logistics concept at Volkswagenwerk AG

After completion of a stage of intense preparation, work was begun in September 1983 on gradually realizing a new concept in logistics at Volkswagenwerk AG. By contrast with the method used to date the responsibility for managing and controlling material within the entire manufacturing process has now been placed in one pair of hands.

The new logistics organization has been created by combining the various logistics tasks involved in the Purchasing and Materials Administration as well as in Production and in Sales.

The aims of the new concept in logistics are:

- to improve readiness for delivery by reducing processing times for orders
- to reduce stocks at all stages of procurement and production
- to minimize the level of logistics costs.

*Delivery of preassembled dashboards in correct order for the vehicles*

# Personnel and Social Matters

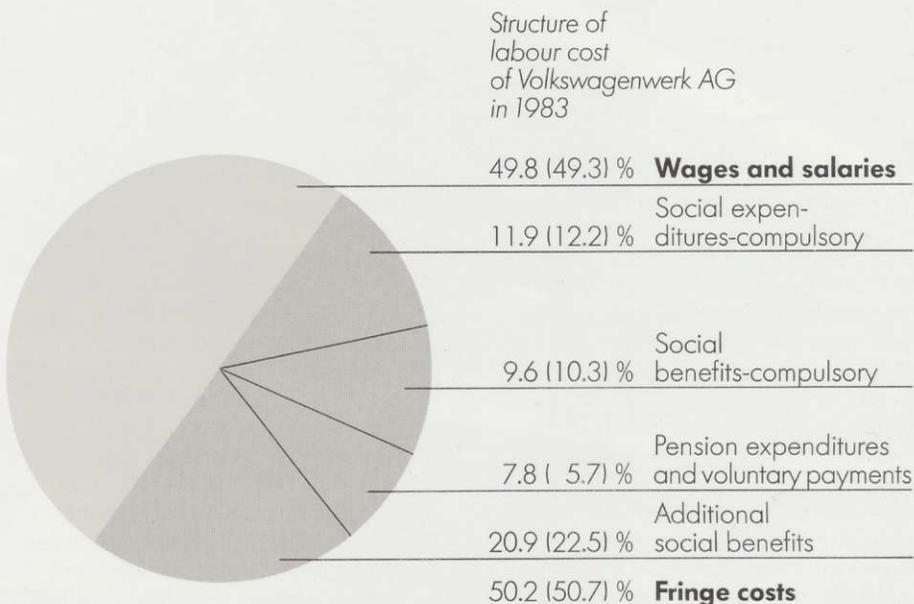
As at December 31, 1983 the Volkswagen Group employed a total of 231,710. Compared with the figure at the end of 1982 this meant a drop of 7,406 employees or 3.1%.

In Germany the reduction in the size of workforce by 1.1% to 156,280 was particularly due to the laying off of staff at Volkswagenwerk AG and TRIUMPH-ADLER AG. At the six plants run by Volkswagenwerk AG the number of employees was reduced by 4,361 to 114,522 (-3.7%). AUDI NSU AUTO UNION AG raised its size of workforce by 2,962 to 33,589 (+9.7%) on account of the increased production.

Lower demand and structural adjustments at our foreign Group companies led to a reduction in the number of employees to 75,430 or 7.0% less than the previous year. In Brazil, over 2,500 employees have accepted the company's offer of voluntary redundancy. The rise in the number of staff at Volkswagen de Mexico was a result of the change in model mix in production and the related 2-shift production for the Beetle.

### Adapting to different volumes of production

Different market situations, particularly in the European large-volume markets, and the difficult situation in the commercial vehicle sector meant for Volkswagenwerk AG that the size of workforce had to be cut down to adapt to the reduced volume of production. The laying off of staff was achieved by taking advantage of retirement arrangements and by failing to compensate for fluctuations. 3,292 employees, i.e. 83.2% of those entitled, took advantage of the early retirement scheme practised at Volkswagen. It meant that all our trainees



could be given the opportunity of being taken on permanently when they had passed their final qualifying examinations.

The workforce structure at Volkswagenwerk AG changed slightly in 1983; the ratio of salaried staff to wage earners was 1:4.6 compared with 1:4.8 the previous year.

In the year under report the duration of short-time working was different for the various Volkswagenwerk AG plants.

### Rising number of trainees

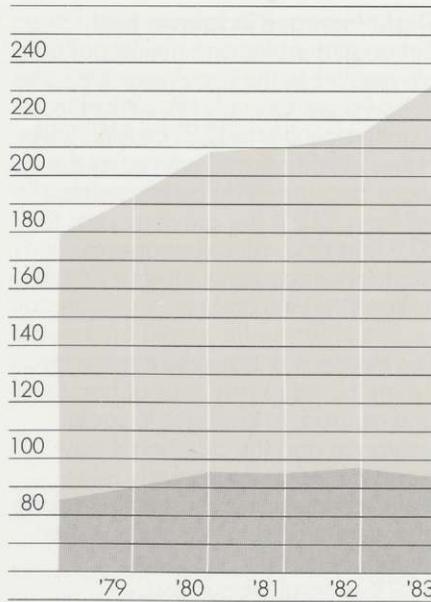
It is because we have a social and political responsibility to the region that Volkswagenwerk AG currently has more trainees than it needs skilled employees. In 1983, 1,355 trainees were recruited for industrial engineering and commercial vocations. All in all there were 3,927 young trainees at the end of the year, each participating in one out of 32 recognized training schemes. Since the 1974 recession the number of trainees has continued to rise; it has more than doubled.

In the light of the increasing gravity of the situation on the job market for trainees, Volkswagenwerk AG resolved to expand its training capacity by pursuing an extra recruiting campaign and engaging another 150 trainees on February 1, 1984. It may be regarded as a continuation of the trend towards offering vocational qualifications which are tuned to current levels of technological and commercial know-how.

The foreign Group companies also meet their obligation to train young people. On local labour markets, it is very difficult to find skilled workers who are up to the high standards required by our methods of production. However, it is not only for the purpose of keeping competitive that the Volkswagen Group spends a lot of money on training young people in countries where it is based but also because it feels a certain amount of responsibility for economic and social advancement in the various countries. Training is based on the concept established by Volkswagenwerk AG in accordance with the relevant national laws concerning vocational training. A few subsidiaries expanded their schemes for post-graduate trainees in order to meet the demand for highly qualified staff. In South Africa a company training center was built during the year under report.

There is more and more coordinated collaboration between the training departments at foreign subsidiaries and Volkswagenwerk AG. It combines the independent and responsible training activity of these companies with the Group's managerial and social objectives against a background of national characteristics.

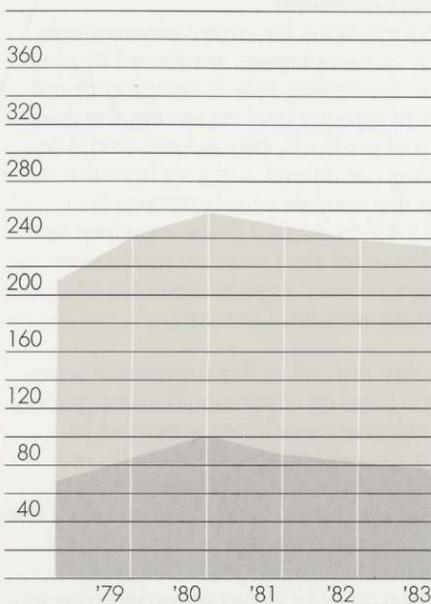
At the end of the year, there were 1,525 trainees working for foreign producing companies. Volkswagen was thus making a substantial contribution to overcoming the current lack of jobs for trainees in the countries concerned.



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

Labour cost (excluding old-age pensions) per employee

Average workforce



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

Total

Abroad

Within the field of follow-up training the emphasis is placed on electronics, hydraulics, pneumatics and communication engineering. In order to meet the rapidly growing demands in times of technological change, Wolfsburg Training Center extended its training laboratory for microprocessor engineering and completed the planning for a further laboratory for numerical control engineering and computer-aided design.

In the field of general executive training 2,040 executives and management trainees from domestic Group companies took part in 113 in-house seminars. These seminars focused on making the effects of technological, economic and socio-political changes on management and cooperation within the Group evident so that they can be mastered.

#### **Greater continuity due to new pay agreements**

For the employees at Volkswagenwerk AG new pay agreements with a term of 15 months came into force on February 1, 1983. The new agreements provided for a 4% average increase in wages and salaries, which means an annual rise of 3.2%. At the same time, trainees' pay was increased at all levels by 33.— DM across the board.

In its capacity as a major industrial company, Volkswagen has always been aware of its responsibility to the economy and population of the various countries where it is based. Depending on the characteristics of the job involved, employees working for the Volkswagen Group are paid on performance so they may earn more than the wages laid down. No distinction is made with regard to sex, colour or nationality. Indeed Volkswagen are endeavouring to promote the integration of minorities worldwide.

#### **Slight increase in labour cost**

Although the average number of employees fell in the fiscal year 1983, the Volkswagen Group's labour cost rose slightly by 2.5% to 12,371 million DM. However, compared with sales the share accounted for by labour cost fell from 32.2% the previous year to 30.9% in 1983. At Volkswagenwerk AG labour cost amounted to 7,324 million DM (+8.0%).

The increase in absolute terms may be attributed to pay rises at home and abroad, to changes in social insurance and the additional payments connected with early retirement schemes. Less short-time working also contributed to the rise in expenditure. Fringe costs accounted for 50.2% of total labour cost.

The number of former employees and their surviving dependants who are receiving a Company pension rose to 21,406 as at December 31, 1983.

The statutory adjustment of pensions to keep up with the cost of living led to higher payments to 2,774 pensioners as of January 1, 1983.

#### **The high quality of suggestions for improvement**

Suggestions for improvement made by our employees continued to play an increasing role in bringing about cost savings and improving the quality of products, procedures and working conditions. Judging from the rise in the number of suggestions by 23.4% to 34,542 there is a clear tendency for staff to show motivation and identify themselves more and more with the Company.

With the aid of the suggestion scheme used as a personnel management instrument we have managed to make increasing use of employees' intellectual potential at home and abroad, not only for the benefit of the Company but also for the material benefit of employees. The total amount of bonuses awarded rose to

9.7 million DM during the year under report (8.1 million DM the previous year). We awarded the maximum individual bonus of 100,000 DM seven times in all. The considerable increase in the total amount of bonuses awarded gives an indication of the quality of the suggestions submitted and the success of the ensuing measures.

#### **Health care as a precaution and benefit**

The work performed by the industrial medical staff within the Volkswagen Group is oriented towards the special importance attached to industrial medicine and health care by Company policy. The catalogue of tasks to be performed by the medical services at the various plants considerably surpasses the guidelines laid down by the Law on Industrial Safety.

It is particularly in foreign subsidiaries that health care proves to be an effective complement to national health care. In several countries our subsidiaries' health departments constitute the main pillar of medical care so that plant doctors also treat employees' dependants. The work performed by the health departments thus goes well beyond that of industrial medicine and makes a considerable contribution to people's health within the catchment area of the plants. Activities range from preventive measures, treatment of tropical diseases, injuries caused by accidents to the treatment of sprains and colds. The main priorities are preventive health care and the early consultation of industrial health officers to obtain advice on planning new places of work and on changes in production facilities, working materials and process techniques.

The Company's plant doctors were able to employ all their various experience in trade associations, other organizations and in discussions with institutes and professors concerned with industrial medicine. Close co-

operation with such institutions has set new standards for future tasks, objectives and activities involved in health care.

**Less accidents at Volkswagenwerk AG**

An unremitting safety concept forms the basis of accident prevention at the place of work which continued to improve in the fiscal year of 1983. Supported by specific measures taken at Volkswagenwerk AG's various plants, the accident frequency index per million working hours fell from 18.5 to 16.9. The excellent position of Volkswagenwerk AG in the field of industrial safety can easily be seen by comparing our statistics with those of the other employers' liability insurance associations in West Germany.

**Absences on the decline**

In 1983 the percentage of absences due to illness at Volkswagenwerk AG fell from 7.7% to 7.5%. The level of absence, not including works holidays and days of short-time working, was 16.9%, 0.3 points less than the previous year.

However, this positive trend cannot yet be regarded as satisfactory when one compares our results with car companies in other countries. For this reason, Volkswagen are endeavouring to improve preventive health care even further with the aid of precautionary measures such as inspections of places of work, vaccinations and prophylactic checkups. The Company is also making great efforts to eliminate the other reasons behind the problem of high absenteeism.

**Additional accommodation for staff**

Volkswagenwerk AG continued the measures involved in creating additional accommodation for staff over and beyond the total number of about 19,300 dwellings which have been sponsored since 1948. The Company also made a considerable

contribution to property creation by granting building loans to employees. Employees took advantage of low-interest building loans totalling 34.6 million DM and 1,588 sponsored dwellings, amounting to 30,800 units altogether since 1948.

The Company used this property creation scheme to promote construction activity in the catchment areas around the plants, thus making a positive contribution to the economic situation.



*Break for rest in the roof garden of Hall 54*

**Acknowledgement to staff**

We would like to express our gratitude to all employees working for the Volkswagen Group for their great personal devotion to their work. We would also like to thank the executives for their commitment and collaboration. The trusting and positive collaboration between management and works council allowed operating objectives to be implemented in an appropriate manner. The Board of Management would like to express its thanks to the representative bodies of the workforce for their responsible cooperation.

We honour the memory of all those employees who passed away in the course of 1983.



*One of the biggest capital investments of Volkswagenwerk AG – the new Hall 54*

# Finance

The financial situation of the Volkswagen Group may continue to be regarded as good during the past fiscal year, despite all the negative developments which were generally caused by extraneous influences. Although we had to cope with the largest investment program in our history, heavy encumbrances from subsidiaries, profit-reducing investments and adequate contingencies, we still managed to improve important financial structures and figures.

## Slight change in the balance-sheet situation

The total assets of the Volkswagen Group rose by 11.1% to 28,755 million DM particularly on account of the increase in short-term receivables and liquid funds. This resulted in a slight change in balance-sheet structure in favour of current assets, which now account for 57.3 (54.0)% of the balance-sheet total.

An important ratio with respect to financing fixed assets and investments is cover by long-term capital, comprising stockholders' equity and long-term liabilities. The ratio improved by climbing up to 97.7% from 89.7% the previous year. It has improved further during the early months of 1984 owing to the issue of the 150 million DM bond by AUDI FINANCE N.V.

## Improved Liquidity

Despite the expenditure required to finance the extraordinarily high level of investment in fixed assets and investments, the Volkswagen Group's short-term liquidity was further increased during the fiscal year 1983.

## Very high level of internal financing

Despite the negative result in the year under report, the Volkswagen Group's cash flow rose by 50.8% to 5,207 million DM. Its largest component, depreciation on fixed assets and investments, saw another substantial rise owing to the continuation of the investment program which has been running over the last few years. The bolstering of pension reserve also contributed to the improvement in internal financing.

There was a higher influx of funds from current business not only at Volkswagenwerk AG but also at AUDI NSU AUTO UNION AG, Volkswagen of America and V.A.G Leasing in particular.

We were able to completely finance investments made with the considerable increase in cash flow. The significant rise in internal financing within the Volkswagen Group also led to a reduction in the degree of indebtedness from 3.5 to 2.5 in the year under report.

## Increase in liquidity from financial transactions

The influx of funds amounting to 1,336 million DM (532 million DM) was particularly caused by the increase in the amount of long-term and medium-term outside capital. In February 1983 the Volkswagen Group took advantage of favourable conditions and raised a 200 million DM Eurobond which was used to replace short-term by long-term outside capital.

## Structure of the consolidated balance sheet compared with the previous year

Million DM	Dec. 31 1983	%	Dec. 31 1982	%
<b>Assets</b>				
Fixed assets and investments	12,265	43	11,923	46
Current assets	16,490 <sup>1)</sup>	57	13,970 <sup>1)</sup>	54
Total assets	28,755 <sup>1)</sup>	100	25,893 <sup>1)</sup>	100
<b>Stockholders' Equity and Liabilities</b>				
Stockholders' equity	6,708	23	6,334	24
Liabilities payable within more than four years	5,272	18	4,365	17
1 to 4 years	4,195	15	3,411	13
up to one year	12,580	44	11,783	46
Total capital	28,755 <sup>1)</sup>	100	25,893 <sup>1)</sup>	100

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

## Development of Short-term Liquidity of the Volkswagen Group

Million DM	Dec. 31 1983	Dec. 31 1982	Increase (Decrease)
Liquid funds, trade acceptances	1,815	1,953	(138)
Securities, treasury stock	2,528	1,290	1,238
Short-term receivables and investments (advance payments not included) <sup>1)</sup>	4,887	4,437	450
Short-term liabilities and undetermined liabilities (including liabilities in reserves for special purposes) <sup>2)</sup>	12,577	11,742	<u>(835)</u>
			<u><u>715</u></u>

In 1983 the increase in the liquidity position resulted from the following (million DM):

### from current business (cash flow)

Loss	(215)	
Depreciation of fixed assets and write-down of investments	4,740	
Increase in provision for old-age pensions	609	
Increase in stockholders' equity in reserves for special purposes	<u>73</u>	5,207

### from financial transactions

Dividend payments to minorities in 1983	(3)	
Increase in long and medium- term liabilities	1,100	
Increase in other items	<u>239</u>	1,336

### from uses of funds

Additions to fixed assets	(4,791)	
Additions to investments incl. increase in the adjustment items arising from initial consolidation on the assets side	(67)	
Increase in inventories and advance payments <sup>1)</sup>	(216)	
Increase in long and medium-term receivables <sup>1)</sup>	<u>(754)</u>	<u>(5,828)</u>

### Increase in the liquidity position

715

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

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

### Unchanged structure of the statement of earnings

The Volkswagen Group's gross performance increased by 7.0% to 40,680 million DM whereby the structure in the statement of earnings changed only slightly compared with the previous year. It is worth noting the rise in the proportion of gross performance accounted for by depreciation, which rose to 9.1 (8.0)% in 1983, as well as the reduction in the proportion of labour cost from 31.7% to 30.4%.

### Structure of consolidated statement of earnings

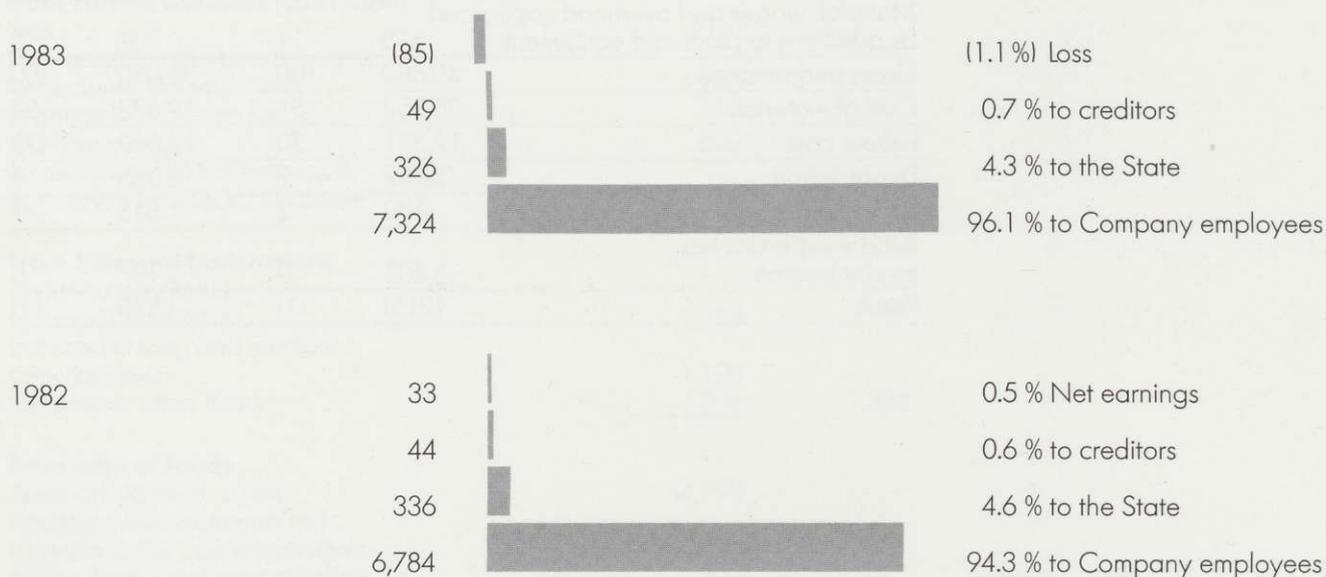
Million DM	1983	%	1982	%
Sales	40,089	99	37,434	98
Increase (Decrease) in inventories	76	0	(141)	0
Material, wages and overhead capitalized as additions to plant and equipment	515	1	737	2
Gross performance	40,680	100	38,030	100
Cost of materials	20,852	51	19,573	52
Labour cost	12,371	30	12,069	32
Depreciation	3,689	9	3,038	8
Taxes	580	2	543	1
Sundry expenses less sundry income	3,403	9	3,107	8
Result	(215)	(1)	(300)	(1)

## Added value of Volkswagenwerk AG

Sources of added value  
(million DM)

	1983	1982
Gross performance as shown in the statement of earnings, drawn up as required under Corporation Law	29,597	27,248
plus other income	1,857	1,729
= Total performance	31,454	28,977
less expenditures (of which cost of materials)	21,701 (19,567)	19,814 (17,488)
less depreciation and losses on disposals	2,139	1,966
= Added value	<u>7,614</u>	<u>7,197</u>

Distribution of added value  
(million DM)



### **Added value**

Added value indicates the increase in value a company achieves during a fiscal year and represents the contribution which the company makes to the national product.

Added value is calculated by deducting expenditure on materials and services, as well as depreciation and losses on disposals, from the total amount of company performance.

The amount thus earned is distributed to stockholders, employees, the State and creditors to comply with contractual and legal obligations.

### **Steep rise in total Company performance**

Total performance by Volkswagenwerk AG rose by 2,477 million DM to 31,454 million DM (8.5% up on the previous year). Apart from sales it also includes material, wages and overhead capitalized as additions to plant and equipment, inventory changes and other earnings.

Expenditure on materials and services rose by 1,887 million DM to 21,701 million DM. Raw materials, supplies and other materials accounted for 19,567 million DM. Depreciation and losses on disposals increased by 173 million DM to 2,139 million DM. If these items are deducted, Volkswagenwerk AG achieved an added value of 7,614 million DM for the year under report, despite difficulties on the world economy and increased pressure from rivals; this is 5.8% above the previous year.

### **Change in the structure of added value**

Most of the added value is naturally accounted for by the workforce. However, in the year under report, employees were the only group to raise their percentage of added value by a significant amount, apart from the slight rise in the percentage accounted for by creditors. The reasons for this have already been explained on page 40.

The Company itself had no funds available from added value which would have served to boost its financial strength. In future it will be vital to improve the productivity and performance of Volkswagenwerk AG and thus guarantee Company stockholders a reasonable yield on their capital invested.

# Capital Investments

The Volkswagen Group has taken due account of the competitive situation in the automobile business by continuing its long-term investment program at a high level. We are thus creating a basis for an assured existence in the face of world-wide competition.

## High investment volume

The Volkswagen Group's level of investment was 4,858 million DM in 1983 consisting of 4,791 million DM in property, plant and equipment and 67 million DM in financial assets. Domestic investment fell from 3,654 million DM to 3,476 million DM while investment abroad rose from 1,238 million DM to 1,382 million DM. The percentage of investment abroad came to 28.5% which was just above the level for the previous year. The Volkswagen Group is one of the largest private investors in West Germany so it has significant economic effects on the supply industry and particularly on the capital goods industry.

## New sophisticated production facilities

In the automobile business, the emphasis of investment was on preparing series production for the new models and on further development of successful product ranges. The efficiency of production was also boosted by restructuring and rationalizing. New assembly halls were set up at the Wolfsburg, Emden and Neckarsulm plants with automatic conveyor systems, integrated quality control systems and ergonomically designed places of work.

When Hall 54 was built at Wolfsburg and the related new production technologies were introduced the Volkswagen Group was merely continuing its tradition of being one of the first companies to accept market challenges.

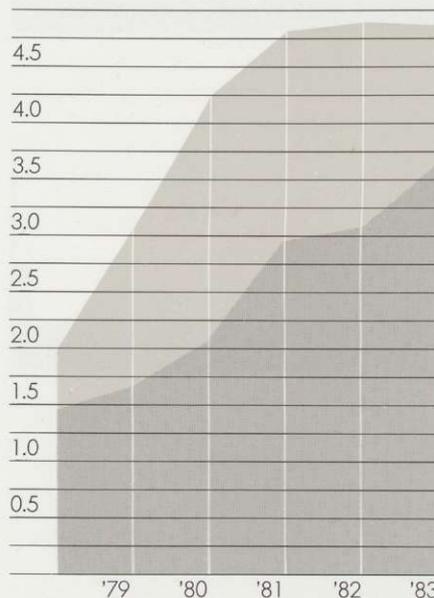
Volkswagenwerk AG invested 2,444 million DM, 1,480 million DM in property, plant and equipment and 964 million DM in financial assets.

The emphasis in the field of fixed assets was on machinery, plant and special tools for the new Golf and Hall 54. We also continued with the measures introduced to rationalize production and material flow, to improve the quality of products and develop follow-up products.

The high level of financial investment by Volkswagenwerk AG was necessary to provide our subsidiaries in Latin America with financial support by transferring capital. In addition, we increased the capital stock in Volkswagen of America, Volkswagen of South Africa and Volkswagen Bruxelles.

At AUDI NSU AUTO UNION AG, investment was chiefly for the Audi 100 Avant and Audi 200 models as well as the construction of the new assembly hall at Neckarsulm. Furthermore, rationalization measures were introduced to effectively reduce costs in the energy and material flow sector as well as to improve productivity and quality.

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



Capital investments

Depreciation and write-down

More and more customers are realizing the many advantages of leasing – the Passat Variant being one of the most popular models.



Investments effected by Volkswagen of America, Volkswagen de Mexico, Volkswagen do Brasil and Volkswagen of South Africa were concentrated on the launching of new models and the conversion of production.

Under the North American interlinked system new production plant was built at Volkswagen Canada for manufacturing components.

#### **High level of investment in the fields of leasing, rentals and business machines**

A major share in the volume of Group investment is accounted for by leasing and rental business which is very successful in West Germany, France, Belgium, the United States, Mexico and Brazil. In the year under report, over 1 billion DM was invested in expanding the fleet. V.A.G Leasing, which is engaged in leasing vehicles, managed to sustain its leading position in this business in 1983, despite fiercer competition.

In the field of business machines and information technology, which is synonymous with the business activities of the TRIUMPH-ADLER group, investments totalled 158 million DM, which is roughly equal to the previous year's level. A major portion of investments was connected with expanding rental business in the United States further, developing the product range and rationalizing production structures.

# Capital investments

Investment in infrastructure is a key to economic growth and job creation. The government is committed to providing the necessary funding to support these projects.



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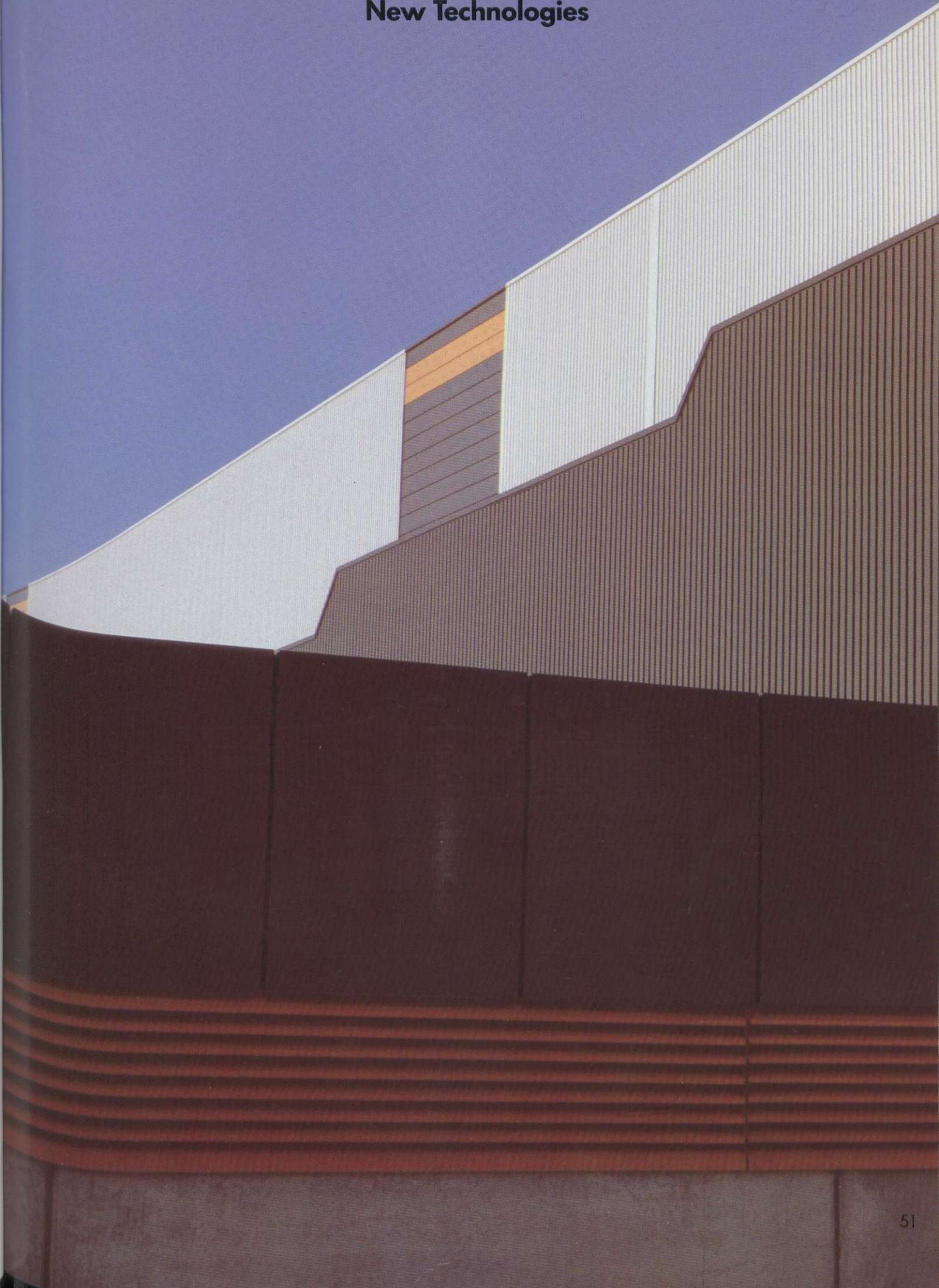
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Automobile construction transformed:

# Golf Production with New Technologies

Hall 54



## The future has begun with the new Golf

Automotive construction as we knew it is currently in the process of a structural transformation. A new, fascinating phase has begun. Triggered off by the oil crisis of the seventies and considerably keener international competition, an enormous development thrust is making itself felt. It is characterized by a distinct all-round improvement in quality and more efficient, more precise production technology. This increasingly relieves human beings of those tasks which can be assumed by the machine. The more complicated and thus more interesting tasks at the same time provide the employees with an ergonomically more pleasant working environment. It is no exaggeration to say that in Wolfsburg a new era of automotive construction has begun.

In the form of the new Golf for the first time in the hundred-year history of automobile production a vehicle has emerged which in its design details is adapted to very largely mechanized production, i. e. production converted to the mechanical



process. It is this model which embodies the drastic transformation in industrial practice.

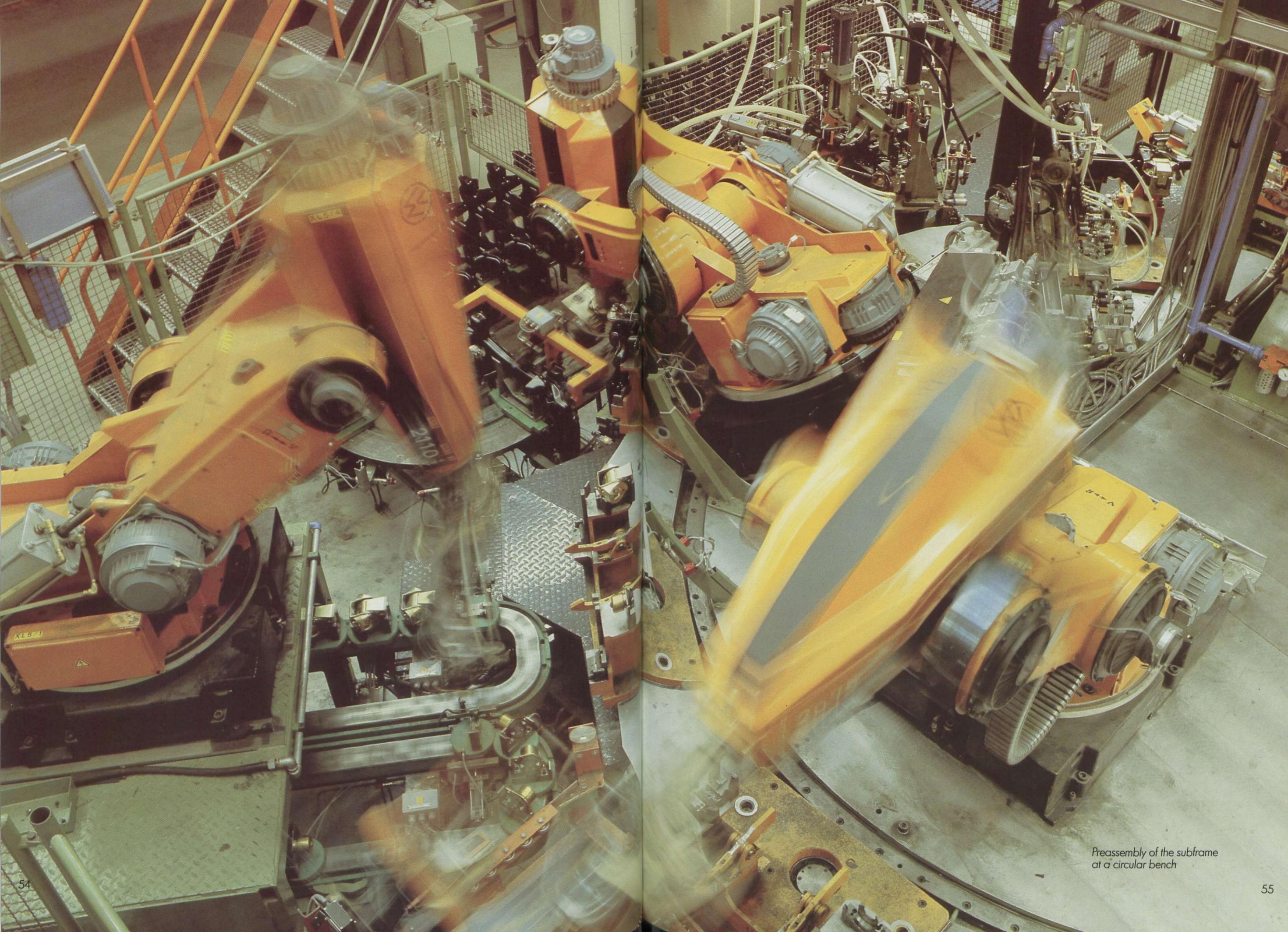
Whereas in recent years production of sheet-metal parts and bodyshells – and their painting – has been almost completely automated, now the most up-to-date automation technology is also transforming final vehicle assembly. With this leap into the future Volkswagen clearly departs from traditional production methods. There is at present nothing comparable either in the USA or Japan.

Such progress improves not only the productivity and competitiveness of the Company. With its pioneering top technology it also distinctly raises the quality level of the product. At the same time it makes possible – and traditionally particular importance is attached to this in Wolfsburg – more humane and more elevated jobs. Consequently the new Golf is not only a different car; it is built differently – by people who have extended their knowledge and abilities with the help of the Company, who among other things are thus in a position to confidently handle the advanced production technology.

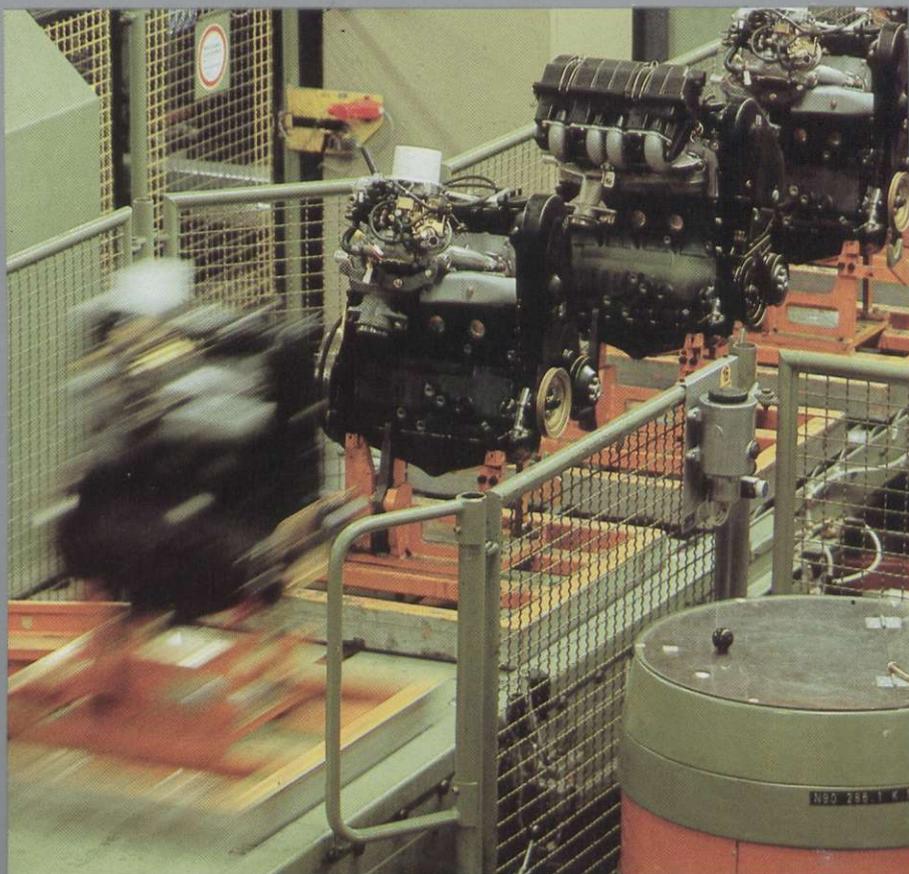
A symbol of the new era is Hall 54 at Wolfsburg which was additionally put into service for the Golf. Here the innovative capacity of Volkswagen production technology is impressively evident; for shareholders, employees and customers it is the proof of technological lead, humane working conditions and solid company policy. In short, the future has begun with production start-up of the new Golf.

*Bodyshell feeding to the automated assembly line*





Preassembly of the subframe  
at a circular bench



**Further automation:  
Competitiveness strengthened**

We know that the prosperity of us all is based on the laws of the market economy. In accordance with these laws however only those products have long-term prospects of success which are pre-eminent in terms of quality and – emerging from an efficient manufacturing process – can be offered at competitive prices. The buyer, who induces this process of selection through his individual purchasing decision, thus promotes – as King Customer – technical progress. Customers have a considerable share of influence on change in the industrial manufacturing structures throughout the world.

Mechanization and automation of automotive production is thus no arbitrarily-introduced industrial revolution, but the consequence of a technically and economically-based evolution, whose inexhaustible source of momentum is the increasingly keener international competition.

In its 39 years' post-war history Volkswagen has always been among the first companies to take up the technological challenge issuing from the market. In the fifties mechanization began in the bodyshell shop and the press shop. As early as 1962 for the Beetle there were automatic transfer lines for welding the body parts and bodyshell. They were the first of their kind in the world and – because there was nothing to model them on – were designed by the Company itself.

Not only rationalized bodyshell assembly started in Wolfsburg. Mechanization of other production sectors too – as for example the mechanized production department, the press shop, engine assembly and the paint shop – set standards early on.

As with the years a new product range replaced the legendary Beetle, flexible robot technology increased in importance. Again developed in-house by Volkswagen engineers and in service since 1972, industrial robots have among other things the advantage of versatility. They can be swiftly reprogrammed for a new task, a different model and future vehicle types. Volkswagen has become Germany's largest producer of these "iron slaves". Over 1,200 have been brought into service to date.

The comprehensive experience with the first "Robbies" created the technical basis for the big step of automating final vehicle assembly. Intermediate stations – primarily in the bodyshell shop – were necessary in the years from 1972 to 1983. In addition the vehicle had to be prepared in its design details for the new manufacturing technology, to make it "robotable".

At the same time Wolfsburg engineers analysed automotive production in the USA, in France, Italy and not least in Japan. Good ideas were adopted, but nowhere was there an example of automation in the required degree of completeness. For this reason they developed their own technology for extended mechanization and automation. A step had been taken that was to change everything.

As a result, since August 1, 1983, the date of series start-up of the new Golf, international automotive construction has a further model for technological progress from Wolfsburg: On this day with the robot-assisted production in Hall 54 there began at Volkswagen a completely new stage in vehicle assembly.

**Preconditions and aims:  
High profitability, better quality**

People these days have become more demanding: The highest degree of reliability, the best workmanship, more comprehensive equipment, lower fuel consumption and less pollution are what is wanted. More components, additional production times, more costly production methods and higher material costs are the result. If traditional methods were still used, this would mean an even more expensive production process.

This tendency can only be compensated for by a considerable increase in productivity. The solution therefore must of necessity be increasing mechanization and automation which in scope and speed are also dependent on increases in personnel costs. At the same time with this development higher-quality, i. e. automatic, regulating and checking mechanisms can be integrated into the production process: Machines supervise machines.

More efficient production and a motivated workforce mean greatly improved quality which meets the high requirements of the Volkswagen customer. Altered design or production details – the result of exemplary expertise – also have value for the customer: for example the large-volume, rigid and highly flame-proof plastic fuel tank, the corrosion-inhibiting fine sealing in the bodyshell shop, the unique cavity-protecting hot wax flooding of the body and the particularly practical, noise-absorbing headlining.

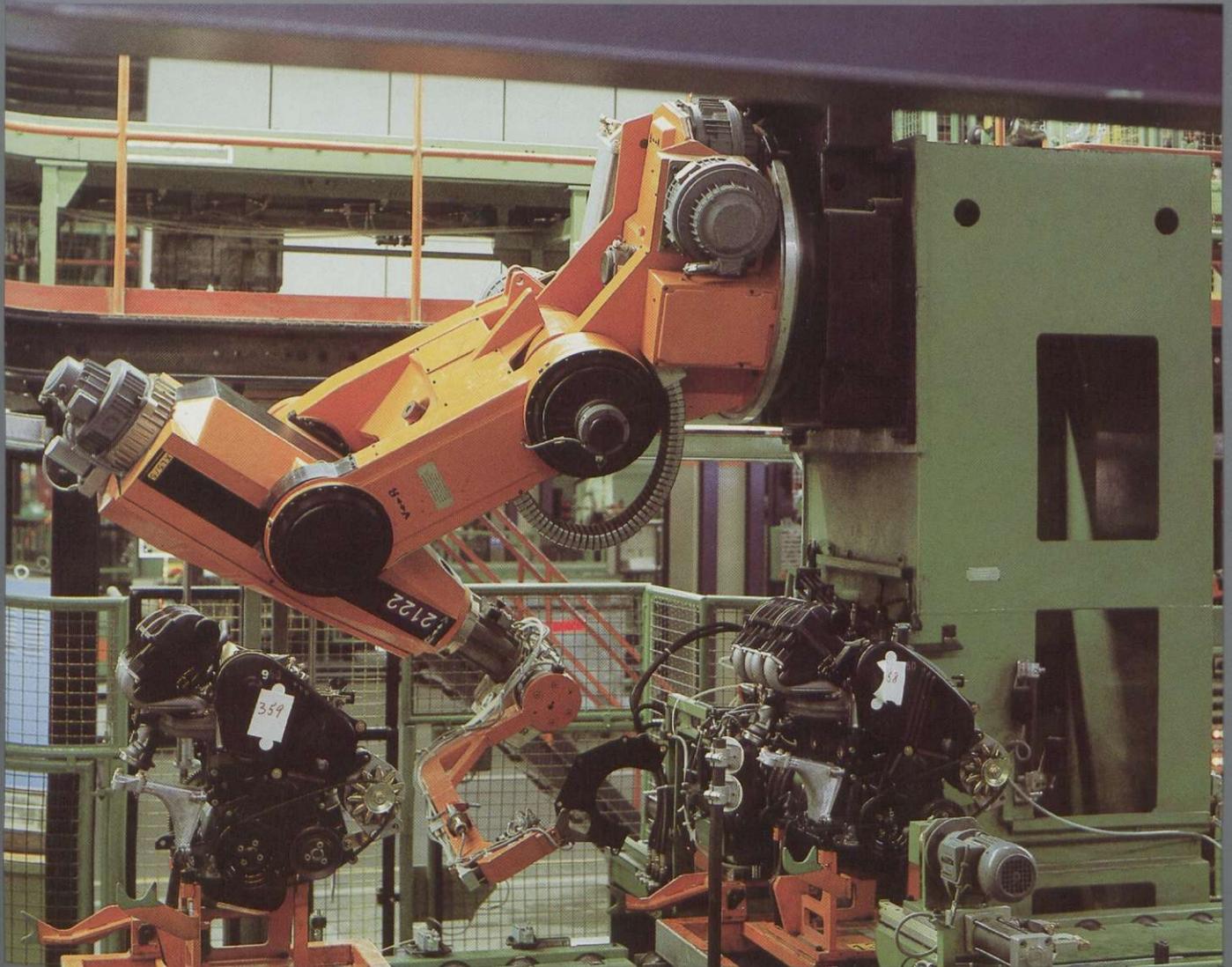
In order to be able to mechanize final assembly, the vehicle design must be "robotable": Automatic bolting systems must have good access to the point of bolting. For this reason the previous order of the assembly stages had to be adapted to the new technology and many design modifications were necessary. One example: On the integrated subframe the engine, gearbox, cross-member, steering and suspension together form a power block which is then installed in the vehicle. Also, the "front end", previously welded to the body

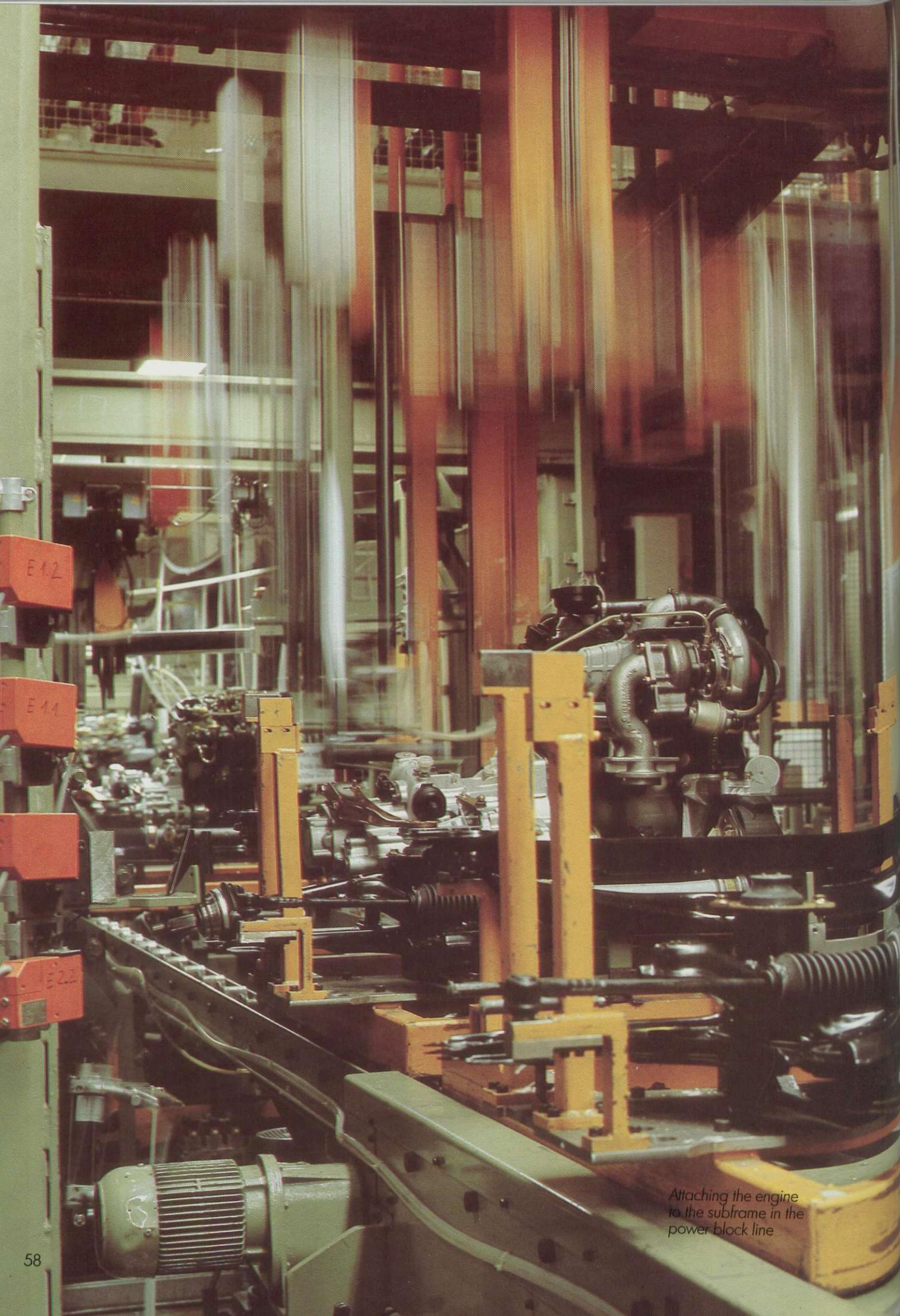
and now a preassembled set of parts consisting of headlight mountings, headlights, grille and other individual items, is automatically bolted on in one process.

With conventional vehicle design such an efficient procedure is not possible.

Volkswagen spent a total of 2.1 billion DM for the start with the Golf in the new production technology. This is made up of 80% capital investments and 20% development costs. 221 million DM were spent specifically for the automation of final assembly in Hall 54 at Wolfsburg. Considerable amounts were also required for parallel measures in other factories: engine production in Salzgitter, gearbox production in Kassel, steering gear and axle production in Brunswick.

*Assembly of the intermediate plate for flanging the gearbox to the engine*





E12

E11

E22

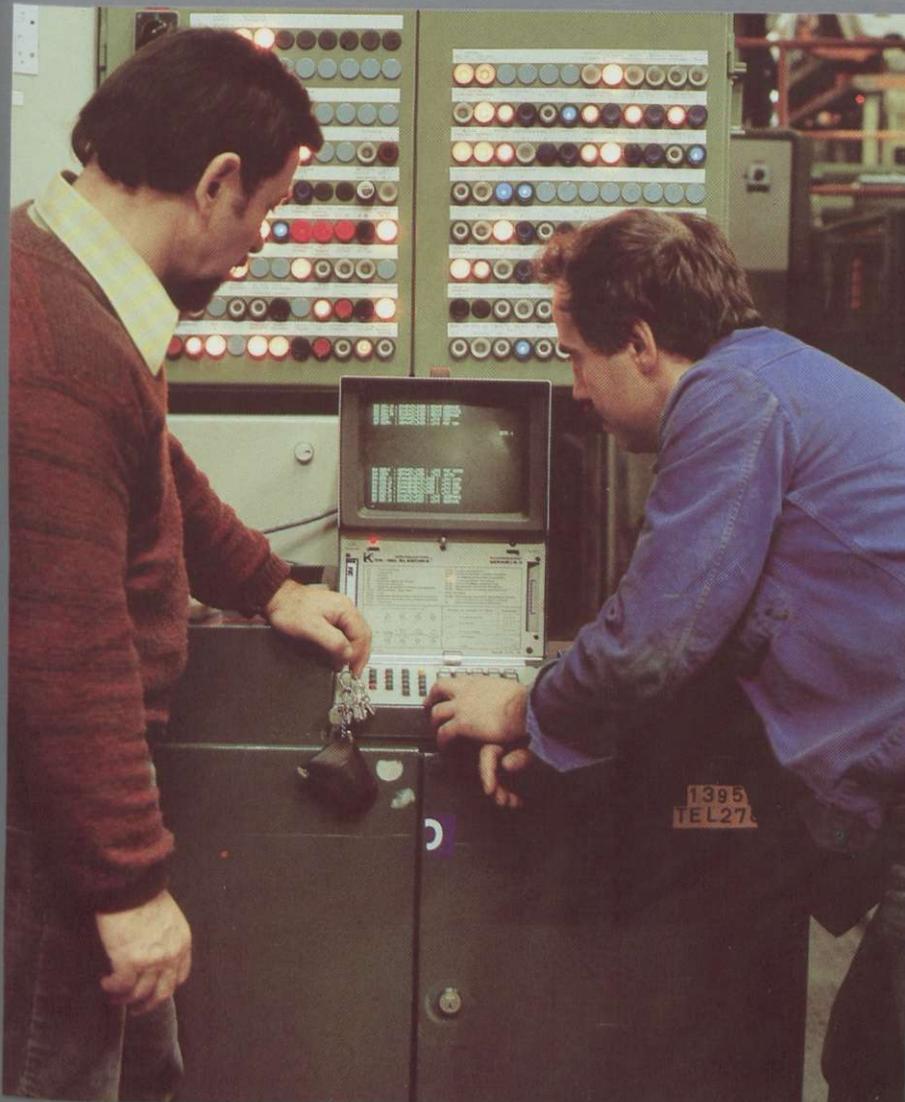
Attaching the engine to the subframe in the power block line

Supply of production materials for the new Golf involved almost 200 outside firms. This meant a very early and comprehensive planning, precise coordination and organization. The first beginnings, start of the project and adoption of the target catalogue go back to 1978.

Two years before start of production the training of the line supervisors began. They can run their lines and eliminate minor faults themselves. Parallel to the training of these specialists the maintenance personnel were familiarized with their future tasks. The emphasis here was on the operation and maintenance of the freely programmable handling systems.

When after the initial familiarization stages series production finally began on August 1, 1983 the ideal preconditions were established for a trouble-free and successful start.

*Optimizing processes on the spot in a "teach-in"*



### **Rational systems: Single pieces grow into construction sets**

Parts and assemblies were previously attached individually direct to the vehicle. Today this method – with a capacity of 2,400 vehicles per day in Hall 54 – is a thing of the past.

On the ground floor of the new facility there emerge step by step – and largely without human intervention – complete construction sets: Single parts, assemblies and smaller components grow into larger units. These technical processes impress not only the layman in their perfection. The interplay of man and machine fascinates every observer.

Let us take a look at it: In the drive unit line 5 the engine which has just arrived, incomplete, is mechanically positioned. Scarcely has the correct position been achieved than in operation No. 30 the mechanical device takes a pulley and pushes it onto the crankshaft end. In a matter of seconds bolts are fitted and tightened. In the next stage a dainty Robby "finger" takes – almost with tender-

ness – a V-belt from the stack and fits it over the pulleys. The next machine tensions it and secures the alternator.

Consoles, starter motors and all other components find their place in this way. The computer sees to it that the right part goes to the right assembly. On the subframe the engine, gear-box, suspension, struts, steering box and cross-member together form the compact power block.

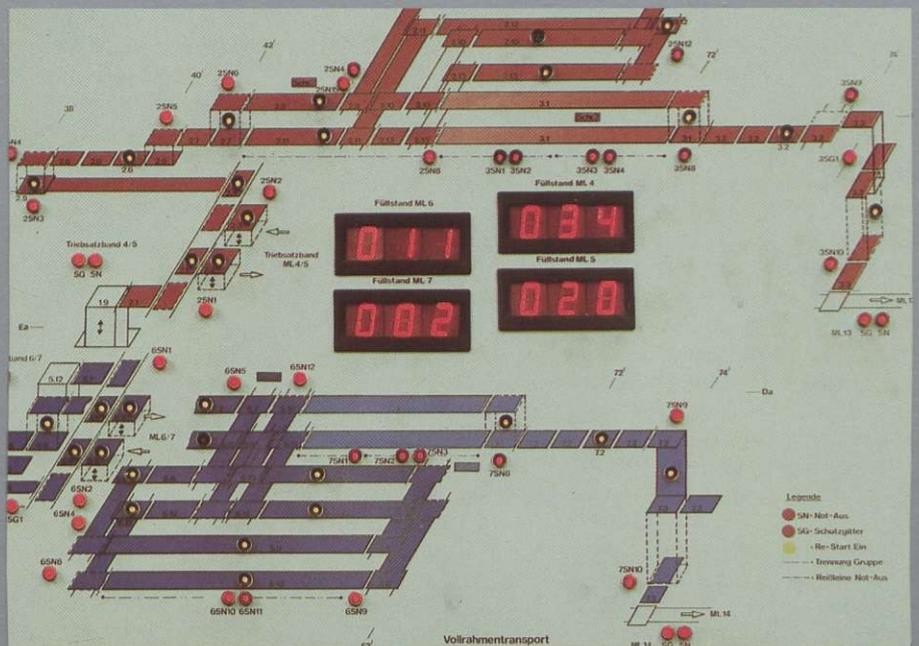
The rear axle with its suspension struts assembled automatically elsewhere is another large construction unit. This preassembly makes easier and more efficient the subsequent installation in the body, which has already been painted and cavity-sealed with hot wax.

Irregularities within the series of operations must not be allowed to upset progress. Between the majority of assembly operations there are buffer zones so that no breakdowns that may arise will block subsequent or previous operations.

Joining and bolting together are the main operations of automated assembly. Electronic systems control and supervise every bolting operation and complete it only when the values for torque and turning angle are within the prescribed safety limits. The self-checking systems work with a repeated accuracy unattainable by humans either in component assembly or final vehicle assembly.

The entire control of the chronologically linked material flow to the work stages is managed by three computers. They steer the right part at the right time to the right place. In a continuous production process there emerges exactly the vehicle as ordered by the customer with its numerous different equipment features.

"Intelligent" storage units between control computers and assembly command displays can store work instructions for recall and directly control the production systems.



**Fascinating technology: A leap ahead in final assembly**

Conveyor systems transport components assembled on the ground floor of Hall 54 to final assembly on the upper level. Here also come the bodies which have been manually fitted with windows, handles, wiring harness, headlining, rear lights and decorative parts. Again handling machines perform jointing work, electronically regulated bolting machines tighten up to the correct torque.

For this, assemblies and body must meet certain technical requirements. For example tolerances had to be limited in order that such complicated jobs as the installation of fuel and brake lines could be automated. The positioning of the vehicle in the hanging conveyors is accurate to  $\pm 1.0$  mm after fixing in the assembly station.

One mechanical device among many is impressive, giving at first sight the impression of a graceful scaffolding made up of rods. In the middle of it is the at first dead-straight brake line which is here mechanically bent with great precision bit by bit in all conceivable directions so that it fits the contours of the vehicle exactly. This is done directly before installation, thus preventing subsequent distortion or damage to the outer surface of the pipe since extended transport is superfluous.

Right at the beginning of the actual assembly line one of the industrial robots is tirelessly at work. It picks out the correct battery in each case and sets it accurately in place. It is not only correctly informed as to which type is required, but also takes account of different battery positions depending on whether a petrol or diesel engine is to be fitted. The specialist Robby "knows" what goes where and when he can give his arm a moment's "rest". Batteries can weigh up to 20 kg. That is a lot of weight – for humans a strain to be lifting and moving for hours on end.

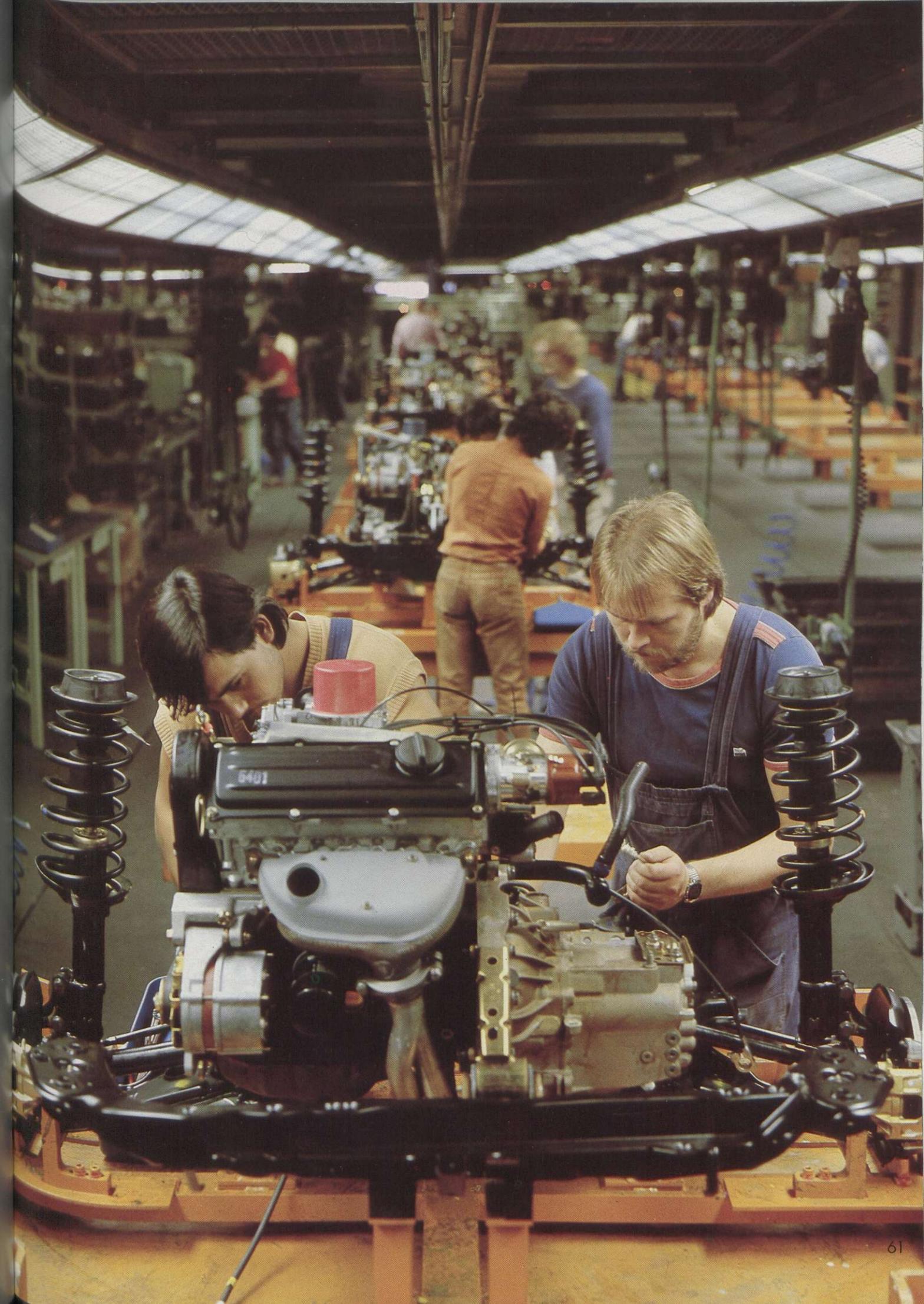
A particular technical problem is the installation of the power block. So that this large and bulky unit can be accurately installed without human aid the front end of the body must be open and have a bolt-on front section. Preassembly of engine, gearbox, front wheel suspension and steering box on the subframe eliminates overhead work and allows closer tolerances in the front axle geometry because toe and camber can be exactly adjusted beforehand. Thus humanization of work, and at the same time improved quality.

The front end, also preassembled, accompanies the bodywork almost unnoticed on the last part of the way until the heart of the vehicle is securely in place. Now this unit too, consisting of radiator grille, headlights and other parts, can be attached. The system control program with its mechanical bolting systems sees to this.

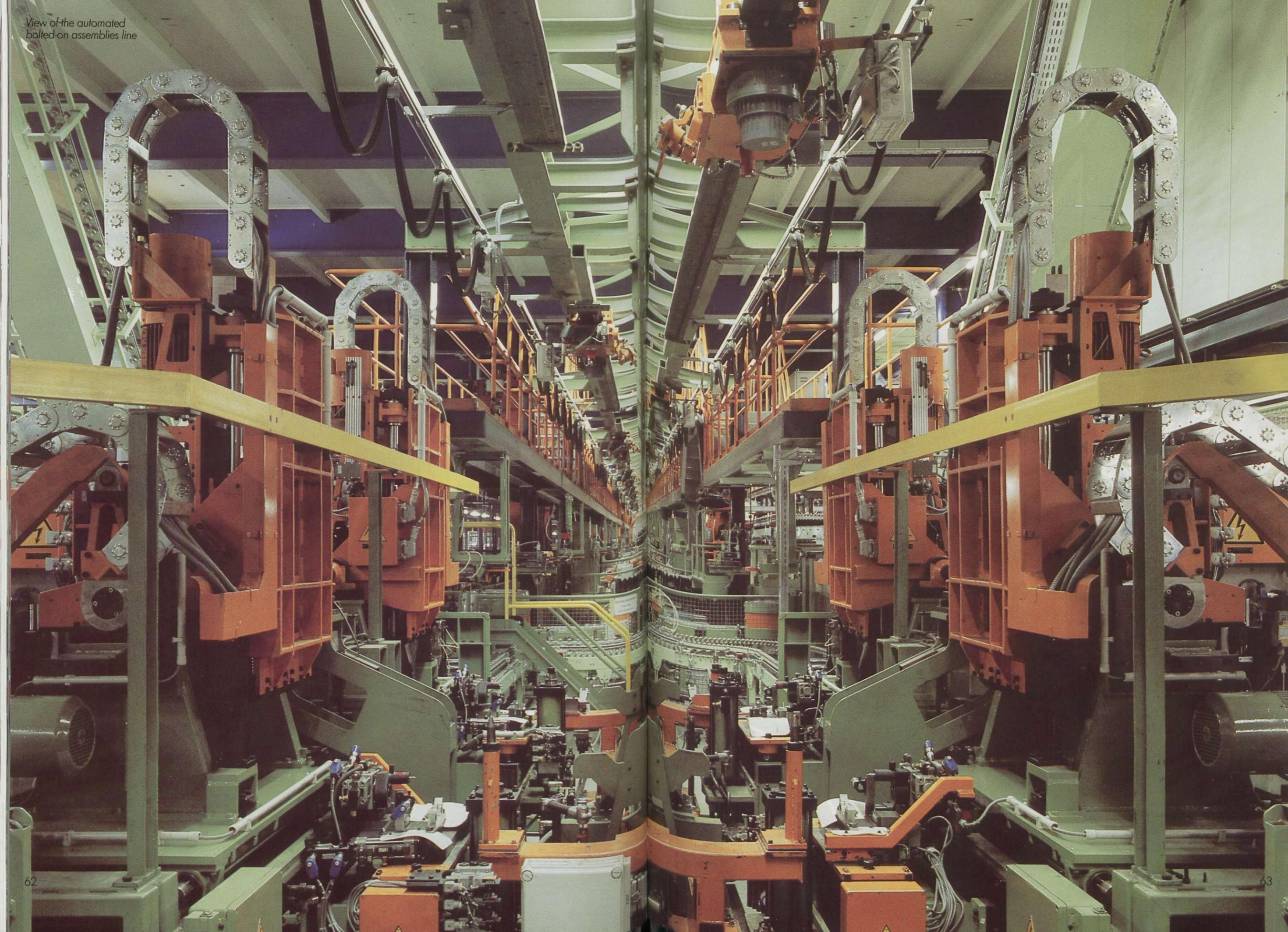
Another graphic example of jobs made easier is the exhaust system. It is automatically placed under the vehicle and bolted on without burdening any person with overhead work. Nor can the robot which constantly picks up the spare wheels get tired. With precise movements it lays the wheel in the boot without knocking against anything and damaging the paintwork.

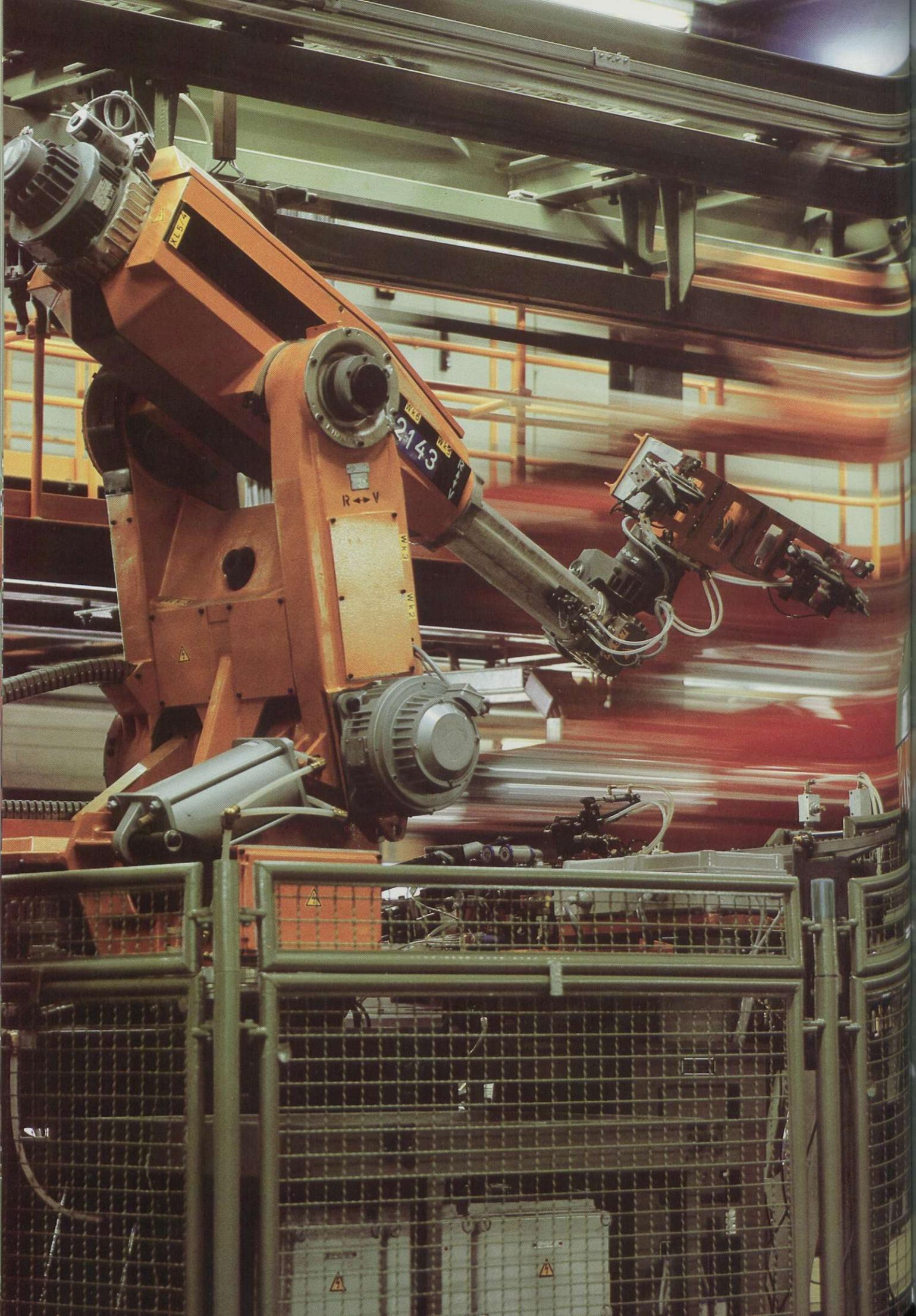
In between-times highly-skilled personnel are constantly checking, examining and measuring. "Fault traps" and quality control circuits ensure that no production defect goes any further. Mechanized assembly works with a higher degree of reliability than humans could ever do.

After the Golf has left one of the five assembly lines by elevator it receives its finish from many caring hands whose skill no machine can replace.



View of the automated bolted-on assemblies line





**Mutual benefit:  
Company and employees both gain**

The comprehensive German system of social benefits is often at the heart of the debate when international cost comparisons – for example with Japan – are made. There is certainly no doubt that such a comparison in figures alone is economically disadvantageous for Germany. In order nonetheless to maintain world-wide competitiveness, rationalization of the production process is imperative. It must however integrate the fundamental interests of the workforce.

Our society regards itself as a welfare structure. In the plurality of company aims – supply of the market, satisfaction of customer wishes, obligations towards the State and the public – the aimed-for yield on capital invested by the stockholders and the interests of the workforce are of particular importance.

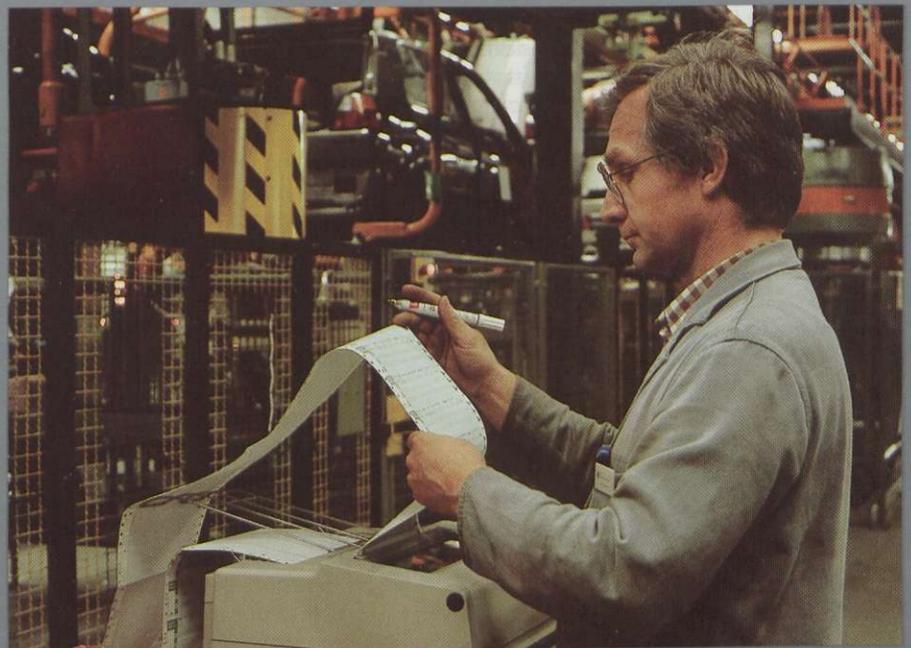
As we have said: With the transformation of production technology many jobs also change; some operations are now being done by machines. Yet the aims of economy and humanization are by no means mutually exclusive. Although jobs disappeared in final assembly, no employee was made redundant. On the contrary: Quite a number of them took advantage of free Company courses to qualify themselves for more demanding tasks – either as maintenance specialists for the new production technology or as line supervisors for the highly-automated production lines. In this way they made their personal contribution to the restructuring of production and the security of their livelihood.

Strength-sapping work in final assembly is not mourned by anybody. Today machines take care of such activities. For the tasks that remain the body-shell hanging conveyors are now optimally designed on ergonomic principles.

Nobody regrets the passing of less attractive jobs if more attractive ones can be offered in their place. The positive aspects of the new technology are recognized and accepted by the majority.

The possibility of ergonomically more satisfactory working conditions facilitated by such a revolutionary change has been determinedly exploited by Volkswagen, on the basis of earlier scientific investigations. If the person is respected in his dignity and his specific job interests, that is if the work process is humanely designed, there is also a solid basis for the economic success of the Company. Responsible work, quality-conscious behaviour and thoughtfulness are then no empty phrases; then personal involvement in the common interest is most likely to flourish.

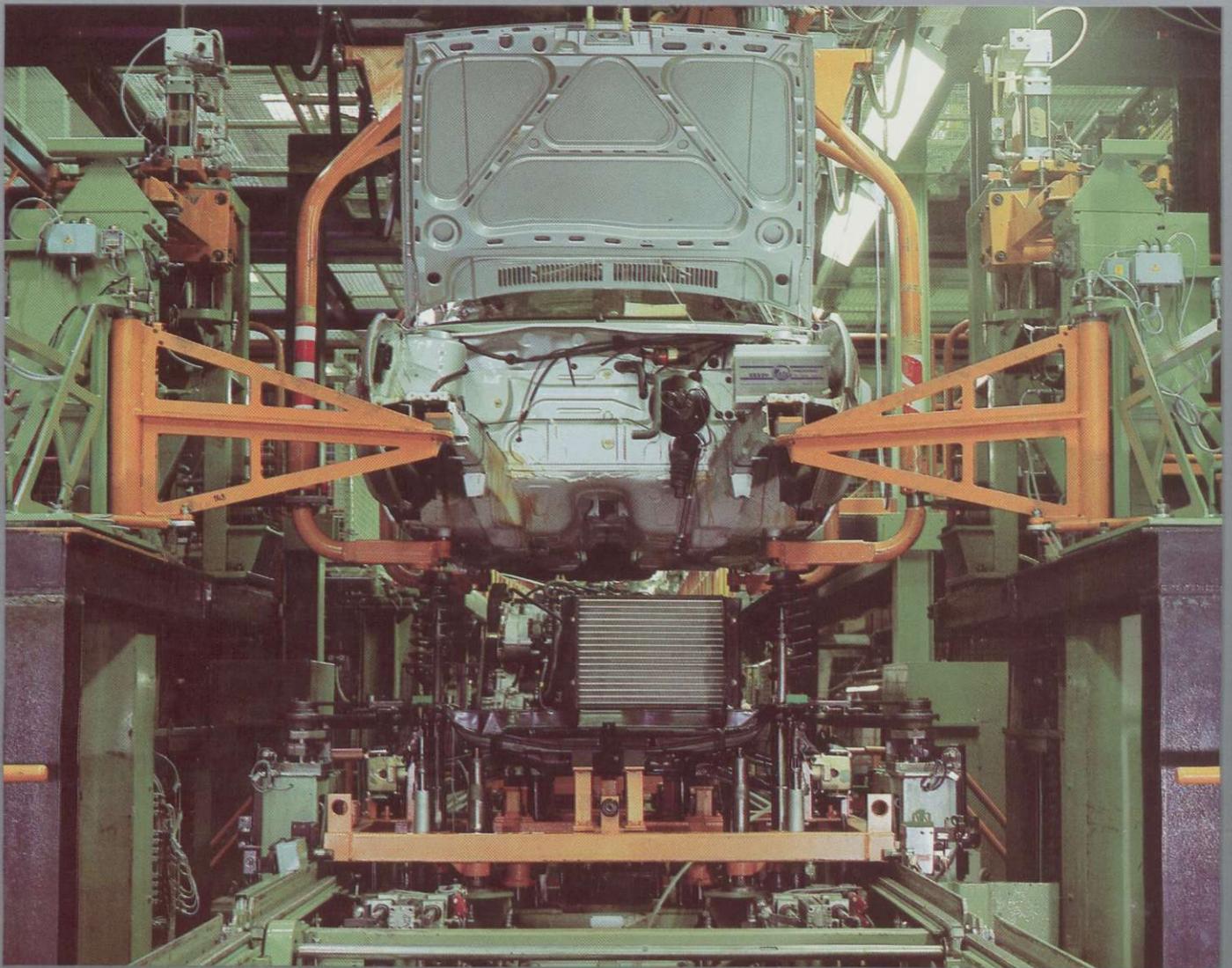
If a more humane working environment promotes the striving for yet more quality, the elimination of extreme division of labour and a higher degree of individual responsibility serve the same end. The production



*Print-out of work instructions*

process was therefore broken down into manageable, interesting, monotony-dispelling sections whose output is the responsibility of the groups working in them. Each section is keen to pass on the results of its work fault-free to the next unit.

The discussion groups go still further. Here the employees discuss tasks and problems, they develop suggestions for solutions and where possible realize them on their own. Involvement, knowledge and experience are called for. These elements give the individual employee a higher degree of satisfaction. He becomes more quality-conscious and is more ready to identify with task and Company. Such aspects are of benefit to all: Company, stockholders, workforce and customers.



Installation point for power block

**Foreseeable future:  
Market and technology forging  
ahead**

The new Golf is a vertical take-off vehicle. Its success is not surprising if one knows the conceptional, design and production technology background. The example of this bestseller shows clearly that Volkswagen has reacted to the challenges of the international market with the right means.

Only four months or so after start of production – and two months earlier than the previous model – on December 22, 1983 the 100,000th new Golf was delivered! Thus the customer with his purchasing decision pays tribute to the considerably improved product. He recognizes what height of technology is offered him at reasonable cost with this vehicle. The same applies to all Group products.

Market research expects growing demands in equipment to be made of cars of the future. No doubt the successor to today's Golf will be even better-equipped. This will involve an increase in work content on the current level. In order to cope with this

and be able to compete in an ever keener atmosphere, the deployment of further automated production sections is imperative.

The "ghost factory" however will remain a dream: The handling machines brought into service in 1983 possess seven degrees of freedom (possible directions of movement), those of tomorrow will perhaps have 14; the human arm has 32. But it is not only for this reason that man remains the indispensable heart of the activity in an automotive factory.



# The Major Companies within the Volkswagen Group

December 31, 1983

Producing Companies  
Distributing Companies  
Other Companies

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

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

Plant Locations: Wolfsburg Hanover Kassel Emden Salzgitter Brunswick

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

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

V.A.G. leasing GmbH  
Brunswick  
DM 36,000,000  
100%

V.A.G. Transport GmbH  
Wolfsburg  
DM 2,000,000  
75%  
25% interRent Hamburg

WESER-EMS Vertriebsgesellschaft mbH  
Bremen  
DM 8,000,000  
81.3%

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

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

VOTEX GmbH<sup>2)</sup>  
Dreieich  
DM 1,000,000  
100%

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

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

interRent Trucks S.A.  
Brussels, Belgium  
bfrs. 1,250,000  
100%

VW KRAFTWERK GmbH  
Wolfsburg  
DM 75,000,000  
100%

VW Siedlungsgesellschaft mbH  
Wolfsburg  
DM 20,000,000  
100%

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

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

DIRANUS Versicherungs-Vermittlungs-GmbH, Hamburg, Selbstfahrer Union GmbH, Hamburg, ZERAL Verwaltung GmbH & Co. Bissendorf KG, Munich, Volkswagen Properties (Pty.) Ltd., Uitenhage and its subsidiaries Volkspop Algoa Road and Volkspop Halfway House, Volkswagen Financial Corporation, Troy, Mi., and its subsidiary VW Credit, Inc., Troy, Mi., VOTEX, Inc., Troy, Mi., Triumph-Adler Büromatic Büromaschinen-Vertriebs-GmbH, Munich,

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

VW-Versicherungsvermittlungs-GmbH  
Wolfsburg  
DM 500,000  
66.7%

Deutsche Automobilgesellschaft mbH  
Hanover  
DM 5,000,000  
50%

GmbH für ausländische Vertriebsbeteiligungen M.A.N. - Volkswagen  
Wolfsburg  
DM 6,000,000  
50%

VW-Gesellschaft für technische Datenverarbeitungssysteme mbH  
Berlin  
DM 1,000,000  
50%

IAV Institut für Aggregatechnik und Verkehrsfahrzeuge GmbH  
Berlin  
DM 400,000  
50%

Triumph-Adler Computer Vertriebs-GmbH, Nuremberg, 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, Royal Business Machines, Ltd., Willowdale, Canada, Pertec International, Los Angeles, Cal., Transalme Ltda., São Bernardo do Campo, Brazil.

TRIUMPH-ADLER AG für Büro- und Informationstechnik  
Nuremberg  
DM 80,500,000  
98.4%

Adlerwerke vorm. Heinrich Kleyer AG  
Frankfurt (Main)  
DM 20,000,000  
97.2%

Triumph-Adler North America Inc.  
Hartford, Conn., USA  
US \$ 1,000  
100%

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

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

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

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

Pertec Peripherals Corp.  
Los Angeles, Cal., USA  
US \$ 1,000  
100%

Volkswagen do Brasil S.A.  
São Bernardo do Campo  
Brazil  
Cr \$ 168,699,020,400  
80%

Financiadora Volkswagen S.A.  
São Bernardo do Campo  
Brazil  
Cr \$ 2,022,780,473  
100%

Volkswagen leasing S.A.  
São Paulo, Brazil  
Cr \$ 750,110,000  
70%

Distrivolks S.A.  
São Paulo, Brazil  
Cr \$ 153,186,604  
100%

Forjaria São Bernardo S.A.  
São Bernardo do Campo  
Brazil  
Cr \$ 1,245,372,015  
33.3%

Companhia Vale do Rio Cristalino, Santana do Araguaia, Pará, Brazil  
Cr \$ 7,886,988,028  
57.7%  
4.7% Transalme

Volkswagen Caminhões Ltda.  
São Bernardo do Campo  
Brazil  
Cr \$ 47,501,176,149  
100%

Volkswagen Argentina S.A.  
Buenos Aires, Argentina  
\$ a 220,732,924  
99.97%

Volkswagen of America, Inc.  
Troy, Mi., USA  
US \$ 242,000,001  
100%

Vorelco, Inc.  
Warren, Mi.  
USA  
US \$ 40,000,000  
100%

Vorelco of California, Inc.  
Pleasanton, Cal., USA  
US \$ 5,000  
100%

Volkswagen de Mexico, S.A. de C.V.  
Puebla/Pue., Mexico  
Mex. \$ 7,003,756,000  
100%

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

Volkswagen Leasing, S.A. de C.V.  
Puebla/Pue., Mexico  
Mex. \$ 30,000,000  
100%

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

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

Volkswagen of South Africa (Pty.) Ltd.  
Uitenhage, C.P., South Africa  
R 6,862,650  
100%

Volkswagen of Nigeria Ltd.  
Lagos, Nigeria  
N 23,000,000  
40%

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

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

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

V.A.G. Financement S.A.  
Paris, France  
FF 17,500,000  
73.1%  
25.2% HOLAD  
1.7% Volkswagenwerk AG

V.A.G. Bail S.A.  
Paris, France  
FF 15,000,000  
100%

V.A.G. Sverige AB  
Södertälje, Sweden  
skr. 73,500,000  
33.3%

V.A.G. Stockholm AB  
Stockholm, Sweden  
skr. 15,000,000  
100%

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

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

Volkswagen Overseas Finance N.V.  
Willemstad, Curaçao  
Netherlands Antilles  
hfl. 1,000,000  
100%

AUDI FINANCE N.V.  
Amsterdam, Netherlands  
hfl. 300,000  
50%  
50% AUDI NSU AUTO UNION AG

Volkswagen Asia Ltd.  
Tokyo, Japan  
Yen 10,000,000  
100%

<sup>2)</sup> VOTEX Warenhandelsgesellschaft mbH was renamed VOTEX GmbH on January 20, 1984.

# Salient Figures of Major Subsidiaries

Producing Companies	Sales			Vehicle Sales			Production			Capital Investments			Workforce		
	Million DM 1983	Million DM 1982	Increase (Decrease) %	Units 1983	Units 1982	Increase (Decrease) %	Units 1983	Units 1982	Increase (Decrease) %	Million DM 1983	Million DM 1982	Increase (Decrease) %	Dec. 31 1983	Dec. 31 1982	Increase (Decrease) %
<b>Automobile sector</b>															
AUDI NSU AUTO UNION AG	8,019	6,127	30.9	388,610 <sup>2)</sup>	325,327 <sup>2)</sup>	19.5	388,610 <sup>2)</sup>	325,327 <sup>2)</sup>	19.5	397	772	(48.6)	33,589	30,627	9.7
Volkswagen do Brasil S. A. <sup>1)</sup>	3,465	4,064	(14.8)	344,291	323,582	6.4	341,354	324,133	5.3	296	464	(36.3)	32,620	36,298	(10.1)
Volkswagen Caminhões Ltda.	172	196	(12.0)	4,284	4,105	4.4	3,957	3,620	9.3	2	13	(81.6)	1,548	2,179	(29.0)
Volkswagen Argentina S. A.	277	205	35.4	18,326	14,767	24.1	18,110	12,861	40.8	28	27	5.5	3,146	3,281	(4.1)
				2,576 <sup>3)</sup>	4,060 <sup>3)</sup>	(36.6)									
Volkswagen of America, Inc. <sup>1)</sup>	7,641	5,955	28.3	230,926	202,026	14.3	100,310	92,157	8.8	414	345	19.7	6,740	8,203	(17.8)
Volkswagen de Mexico, S. A. de C. V. <sup>1)</sup>	1,030	2,005	(48.6)	92,154	140,874	(34.6)	86,607	143,565	(39.7)	143	166	(13.9)	12,914	12,165	6.2
Volkswagen of South Africa (Pty.) Ltd. <sup>1)</sup>	999	961	4.0	42,745	50,212	(14.9)	41,958	51,846	(19.1)	154	109	41.2	7,253	7,799	(7.0)
Volkswagen Bruxelles S. A.	1,410	1,430	(1.4)	120,746	124,442	(3.0)	120,746	124,442	(3.0)	50	20	x	4,535	4,627	(2.0)
<b>Business Machines and Information Technology</b>															
TRIUMPH-ADLER AG <sup>1)</sup>	2,025	1,964	3.1	-	-	-	-	-	-	158	162	(2.4)	11,049	11,246	(1.8)
<b>Distributing Companies</b>															
V.A.G France S. A. <sup>1)</sup>	2,171	2,220	(2.2)	129,675	141,166	(8.1)	-	-	-	204	158	28.9	963	930	3.5
Volkswagen Canada Inc. <sup>1)</sup>	762	548	39.0	26,404	19,529	35.2	-	-	-	50	2	x	403	409	(1.5)

<sup>1)</sup> And consolidated subsidiaries

<sup>2)</sup> Including 30,397 (20,184) Porsche cars

<sup>3)</sup> Share of commercial vehicles

## Producing Companies

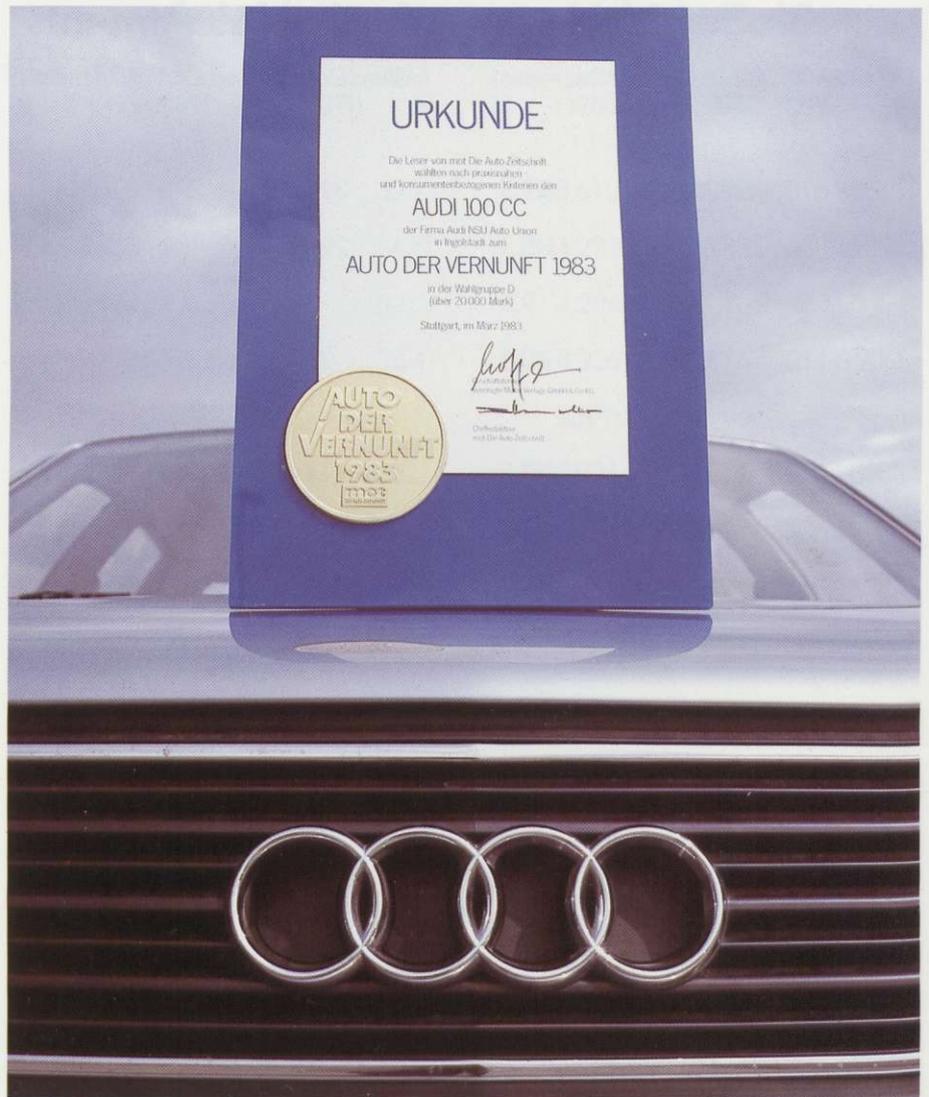
### AUDI NSU AUTO UNION AG Neckarsulm

Audi vehicles, which are marketed through Volkswagenwerk AG, played an above-average role in the recovery of demand on the West German automobile market. Although exports were affected by the continued economic stagnation in several European countries and by handicaps in competitiveness due to high exchange rates, the sale of Audi vehicles in foreign markets rose by 5.3 %.

As far as AUDI was concerned, the year 1983 was characterized by the market success of the Audi 100 (Audi 5000) and the launching of new models. When the future-oriented overall concept of the vehicle had been acknowledged by numerous national and international awards shortly after its presentation, it also received honours in 1983 such as the "Sensible Car of the Year Award", the "Golden Horn", the "Design Award" and the "Award for Technical Innovation". The awarding of the "Golden Steering Wheel 1983" for the Audi 200 turbo (Audi 5000 turbo) serves to confirm the innovative overall concept of this series of models.

The launching of the reasonably priced Audi 80 quattro (Audi 4000 quattro) with its 85 kW/115 bhp 5-cylinder injection engine has meant that high-quality all-wheel technology has been made available to even larger spending groups. The two millionth Audi 80 rolled off the production line at the end of November 1983.

Owing to the increase in unit sales and the considerably higher percentage of more expensive vehicles, AUDI managed to achieve the highest level of sales in company history. The company's result was also considerably better than the previous year.



One of the many awards for the Audi 100

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

The situation in Brazil was characterized by soaring inflation, which rose 211% in 1983, and by a still high foreign debt of over 90 billion US\$. Prompted by the International Monetary Fund in particular, the government introduced economic measures which had a significant influence on all sectors of the Brazilian economy. The automobile sector was very badly hit by the drain on purchasing power due to the reduction in real incomes and the increase in the number of unemployed, as well as by the continuing extremely high rates of interest.

In 1983 the Brazilian automobile market was affected by two opposite trends. Whilst during the first six months it was still possible to achieve relatively satisfactory sales figures on account of the limited excise tax exemption for taxis running on alcohol and prices being maintained at artificially low levels by public authorities, increasingly restrictive economic policy led to more and more consumers being disconcerted during the second six months and a considerable weakening of the market. This tendency resulted in more and more fierce rivalry. In the domestic market the company had to accept a reduction in sales to 281,291 vehicles (- 1.9%). The market share of passenger cars, 253,240 units sold, fell from 44.9% to 41.6% and the market share for light commercial vehicles, 28,051 units, dropped from 42.8% to 35.7%.

In general, the export situation also posed problems caused by the economic difficulties encountered in the chief buying countries.

However, the company managed to boost the number of vehicles sold by 71.2% compared with the previous year because of special export deals.

This meant that total sales at Volkswagen do Brasil moved up by 6.4%.

If one compares the values in DM with the previous year, one must take account of the massive devaluation of the cruzeiro in February 1983, which caused a 30% rise in the value of the US dollar. Over the whole of 1983 the German mark rose in value by 240% against the cruzeiro.

The capital stock of Volkswagen do Brasil was raised by 123.3 billion Cr\$ to 168.7 billion Cr\$. 79.0 billion Cr\$ consisted of contributions from stockholders (including Volkswagenwerk AG: 63.2 billion Cr\$ = approx. 194 million DM) to boost stockholders' equity and finance necessary investments whilst 44.3 billion Cr\$ was accounted for by the capitalization of reserves according to Brazilian law, which had been created to allow for inflation.

Coupled with the re-introduction of price control, the high cost of financing and the continuing inadequate utilization of capacity had such a bad effect on the company's earnings situation that a considerable loss was the result. Nor was it possible to avoid a negative result in the financial statements drawn up according to Brazilian corporation law.

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

The range of products made by Volkswagen Caminhões covers the 6t, 11t, 13t and 21t vehicle classes and consists of Dodge truck models (13t/21t range) and the Volkswagen series (6t, 11t and 13t).

Despite the overall downward turn in the truck market in 1983 the company was the only truck manufacturer in its field to boost its previous year's sales in the domestic market (3,881 units sold, i.e. + 20.0%) and improve on its market position. In the 6t to 21t fields its share in the market was 14.2% compared with 9.7% the previous year. The company's export situation worsened further and only 331 units were sold (- 51.3%).

Throughout the past year the company continued to adjust to the poor situation. Collaboration with Volkswagen do Brasil was intensified in order to open up additional potential for cost saving by improving the utilization of joint capacity.

The company's capital stock was increased from 21.5 billion Cr\$ to 47.5 billion Cr\$. This increase in capital is a result of the injection of funds by Volkswagenwerk AG amounting to 25.5 billion Cr\$ (92.2 million DM) designed to strengthen the equity base, as well as a result of capitalization of reserves amounting to 0.5 billion Cr\$.

The company closed the year 1983 with a considerable loss.



*Highly successful market introduction of the Gacel – the first Volkswagen passenger car to be manufactured in Argentina*

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

In 1983 Argentina saw a return to civilian government which took up office on December 10, 1983. The new government was considerably hampered by inheriting a total debt of over 40 billion US\$ and an inflation rate of more than 400%. Necessary funding negotiations with the International Monetary Fund were still going on when the military government lost power; the resulting lack of foreign currency led to severe import restrictions in the fourth quarter of 1983.

Considering this unfavourable background and many still unsolved problems, Volkswagen Argentina still managed to hold its own in the market relatively well. It managed to increase its share in the overall market by boosting passenger car sales from 10.3% to 11.8% compared with the previous year. In the commercial vehicle market, where the company is represented by the Commercial, the share of the market showed a downward trend. The Volkswagen Gacel was launched in September 1983 and was greeted with wide acclaim by the public. For the company this was the first Volkswagen passenger car to be manufactured in Argentina; key parts and components are being supplied by Volkswagen do Brasil.

The import restrictions badly affected the company's production in the fourth quarter of 1983 so it was no longer possible to exhaust sales potential to the full. The government freeze on prices, which had been introduced in December 1983 to combat inflation, carried on until January 12, 1984 and led to buying resistance until just before the measure was lifted, not to mention a fall in earnings. Sales rose particularly at the beginning of January 1984 and by the end of the month the figure was double that of the previous month.

The company showed a loss for the fiscal year 1983.



*The Golf GTI – a great success immediately on introduction to the US market*

**Volkswagen of America, Inc.  
Troy, Mi., USA**  
and consolidated subsidiaries

The American automobile industry overall showed a significant recovery in 1983. As fuel prices fell, thus invalidating the case for saving on gasoline, it was chiefly the large vehicle which saw growth in sales. Diesel-engine vehicles though suffered a 45% drop in demand compared with the previous year.

Owing to the popularity of the Rabbit GTI launched in 1983, which had achieved a sales volume of over 36,000 vehicles by the end of the year, Rabbit sales rose by 15.9%. The imported Volkswagen models were up by as much as 36.8%.

The Porsche-Audi Division of Volkswagen of America managed to boost sales of Porsche vehicles by 20.0% in 1982 and 58.7% in 1983. Nevertheless, Dr. Ing. h. c. F. Porsche AG informed our American subsidiary that it does not wish to extend the distribution agreement for Porsche products beyond August 31, 1984. Dr. Ing. h. c.

F. Porsche AG is planning to reorganize its distribution in the United States and this has led to legal disputes, particularly with wholesalers. Volkswagen of America will be protecting its legal interests.

The boom in Audi unit sales through the Porsche-Audi Division of Volkswagen of America during the last quarter of 1983 proves that this make meets the great demand for high-quality automobiles with European technology. The new Audi 5000 (Audi 100 in Europe) was only sold at full volume during the second half of 1983 so its success was not yet able to have a substantial effect on sales figures for the whole year and the Audi models showed a total decrease in sales of 7.4%. However, the Audi 5000 had already become the No. 1 large imported saloon by December 1983. Volkswagen of America are also planning to introduce Audi to the top group of suppliers in the growing sector of sporty cars.

The assembly plant at Sterling Heights was sold to adjust to the now different situation in the market for small cars. The measures involved in this adjustment meant that a reduction in workforce was inevitable.

In order to strengthen the financial base equity capital was increased by 75 million US\$ in July 1983.

Recovery in demand, the currency situation and far-reaching rationalization measures in all parts of the company have led to a profit for 1983.



*The Beetle – still much loved in Europe*

**Volkswagende Mexico, S.A. de C.V.  
Puebla/Pue., Mexico**  
and consolidated subsidiaries

As a result of the negative balance of payments and the large debt Mexico was compelled to pursue a stringent anti-inflation policy.

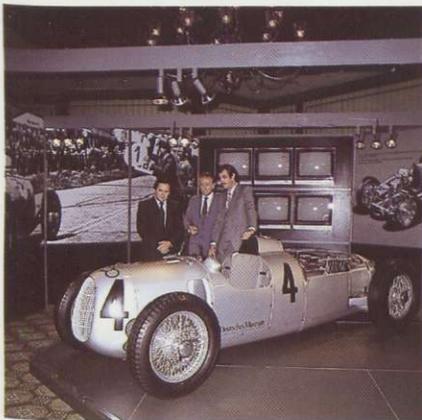
Towards the end of 1983 legal provisions were introduced to stipulate a reduction in the number of models and increase the size of series. From the model year 1984 onwards the company will be allowed to manufacture only three types with seven different models each. Subsequent model years will be subject to additional restrictions. Together with further restrictive regulations significant changes can be expected for the Mexican automobile industry over the next few years.

The introduction of price controls in 1983 for companies in the automobile industry was said to have compelling political reasons but it had a bad effect on companies because the supply industry was subject to no price control whatsoever. Delayed and insufficient price increases and high rises in the cost of materials allowed our company only unsatisfactory contribution margins. The strong market position attained in 1982 had to be sacrificed in part, thus reducing the company's share in the passenger car market from 38.4% to 32.9% in 1983 to equal the 1981 level. Even today the Beetle is still a major competitor in the market. The rise in exports to Europe by nearly 25% to almost 17,000 vehicles was mainly due to Beetle sales.

In July 1983, capital stock was raised by 2.4 billion pesos (50 million DM) to reduce liabilities and borrowing expenses.

The replacement of the former foreign currency liabilities by an exchange-rate guarantee system run by the Mexican State Bank required considerable resources in pesos, thus burdening the statement of earnings. The company closed the fiscal year with a considerable loss.

The Audi 100 — also successfully introduced in South Africa



A successful veteran Audi being admired in South Africa

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

In 1983 the South African economy continued to be characterized by the recession which had been going on for two years and which was only worsened by a long spell of dry weather. In accord with the general economic situation the market for passenger cars and light commercial vehicles showed a setback of 4%. The sales figures for Volkswagen of South Africa show a corresponding downward tendency. Increasing pressure from competitors due to the launching of many new models brought about a drop in the market share by 1 point to 11.5%. To reinforce the company's competitiveness the new Audi 100 was launched in No-

vember 1983 and heralded as "Car of the Year" in South Africa too in December 1983.

The company's equity capital was increased by 50 million rand (91.6 million DM) in May 1983 to finance the high volume of investment.

For the fiscal year the company returned a positive result.

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

Vehicles manufactured by this company are sold through Volkswagenwerk AG. Owing to sales-related restrictions on production, total output fell just short of the previous year, production capacity being nearly utilized to the full.

In November 1983 Volkswagen Bruxelles began producing the new Golf.

In December 1983, capital stock was increased by 1.5 billion francs (73.6 million DM) by way of repayment of dividends received, making use of limited tax concessions in Belgium.

The company made a satisfactory profit.



*Painted bodyshells at Volkswagen  
Bruxelles in Brussels*

Renowned everywhere for its reliability and economy – the Volkswagen Commercial

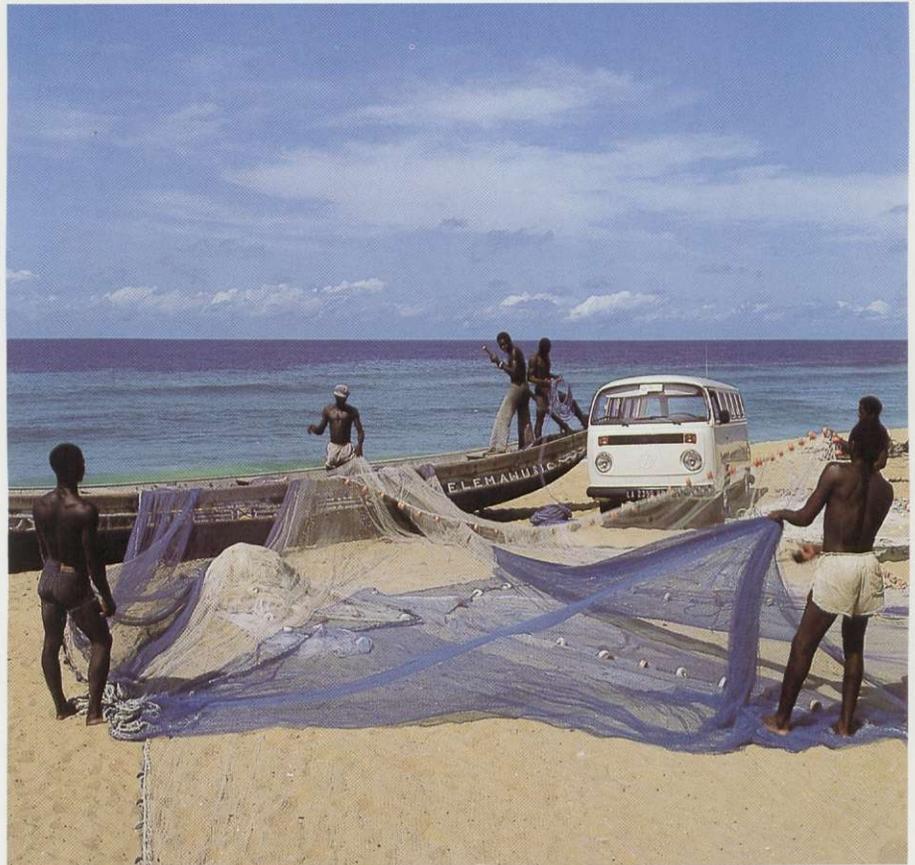
### **Volkswagen of Nigeria Ltd. Lagos, Nigeria**

As an oil-exporting country, Nigeria has been hit hard by the retrograde demand for oil in world markets over the last two years. The lack of foreign currency compelled the government to introduce drastic import bans and restrictive foreign-exchange allocations. However, since Nigerian industry has to rely to a large extent on importing preliminary products, economic activity within the country came to a virtual standstill. Bankruptcies and temporary factory closures were the order of the day. In 1983 Volkswagen of Nigeria too had to cease production several times on a total of 69 days because it was not allocated sufficient foreign currency to be able to import CKD materials.

On December 31, 1983 the army ousted the civilian government and took over power. As yet the new government's economic policy is not much different from the previous one but it has been forced to tighten up import restrictions even further.

Passenger car sales at Volkswagen of Nigeria settled down to 15,762 (17,900) units. Owing to a substantial drop in sales in the market as a whole the market share of passenger cars rose from 19.9% to 29.7%. The Santana, which was launched in September to succeed the former Audi 100, was well received by the market. For light commercial vehicles imported as finished units sales rose slightly to 4,295 (4,246). However, as with passenger cars, the market share saw a substantial increase to 12.9 (5.3) %.

The company, in which Volkswagenwerk AG has a 40% holding, closed the year under report with a negative result.



### **TAS Tvornica Automobila Sarajevo Vogosca, Yugoslavia**

In 1983, the company produced 26,203 units, that is, 34.8% more than the previous year. 16,862 vehicles in the Golf class were produced for the Yugoslavian market and 9,341 Cadidies for export to Volkswagenwerk AG. Including imported vehicles the year under report saw sales of 16,585 automobiles on the Yugoslavian market, 10.6% less than previously. The reduction was not due to diminishing demand but dependent on the limited amount of foreign currency available, stemming from exports to Volkswagenwerk AG and used for importing CKD sets.

Volkswagenwerk AG increased this company's equity capital by 864,646 DM to finance imports of capital goods.

Despite the continuing difficult economic situation in Yugoslavia, TAS managed to show a positive result.



The alpatronic PC – the latest, most reasonably priced keyboard computer with numerous standard interfaces for easy link-up with peripheral appliances

**TRIUMPH-ADLER Aktiengesellschaft für Büro- und Informationstechnik, Nuremberg**  
and consolidated subsidiaries

TRIUMPH-ADLER AG and its subsidiaries design, manufacture and distribute a technologically high-quality range of products for the entire sector of modern business communication. The range includes typewriters, calculators, word-processing systems, microcomputers, office computers and copying machines and is backed up by a comprehensive service package. TRIUMPH-ADLER products are chiefly distributed through specialized trade outlets.

Rivalry in the field of business machines and information technology has seen a sharp increase in recent years owing to the appearance of new competitors in the market. The consequence has been increasing pressure on prices in all the markets. Nevertheless, the TRIUMPH-ADLER group still managed to strengthen its international position.

The regional breakdown of sales shows an increase of about 12% in North America where TRIUMPH-ADLER achieve more than half of total sales. Business in European countries fell short of expectations. Domestic sales, on the other hand, rose by about 9%. Highly satisfactory sales increases were achieved in electronic typewriters, copying equipment and the growth sector of microcomputers. In 1983 the range of products was extended to include the personal computer alphasatronic PC and the software range was enlarged by a universal planning and organization system for microcomputers. Through the new electronic typewriter models the company now boasts a forward-looking range of business equipment.

On the road to economic rehabilitation the TRIUMPH-ADLER group has achieved substantial progress. Measures for the entire restructuring of production and the resulting adjustment in the number of personnel were completed in 1983. In 1984 a new logistics center will be set up in Frankfurt as an integral part of highly-efficient material administration. An

electronics center is being set up in Nuremberg. Another key operation is the research and product development. By introducing these additional measures, the company is securing its future.

TRIUMPH-ADLER AG is showing a considerably better result than the previous year. Further financial consolidation of the company was aided by Volkswagenwerk AG's waiving repayment of part of the liquidity assistance granted (albeit less than the previous year) so that the company virtually managed to break even.

*Office communication with the most advanced electronic machines: alphasatronic microcomputer, typewriter with memory SE 1042 and display text system BITSY*



# Distributing Companies

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

### **Paris, France**

and consolidated subsidiaries

Private as well as public demand suffered from the effects of the French government's policy of economy for putting the national finances on a healthy basis and improving the balance of trade, which led to further economic decline.

In 1983 the domestic passenger car market contracted by 1.9% compared with the previous year. Volkswagen and Audi sales of 129,675 vehicles were 8.1% below the previous year's high level. The company's share of the market fell slightly to 5.7 (6.0)%. As in previous years, the Golf was the most popular Group model. The Audi 100 was very well received by the French market and in March 1983 it received the "Grand Prix de l'Innovation Technique" awarded annually by the French automobile press. In April 1983 the millionth Volkswagen was sold since the company first came into being.

V.A.G France notched up a positive result.

## **Volkswagen Canada Inc.**

### **Toronto, Canada**

and consolidated subsidiaries

In Canada there was an economic recovery since the beginning of 1983 which grew stronger throughout the year. Gross national product was 3% up. The fall in interest rates caused increased demand for durable goods on the part of consumers.

The automobile industry also benefited from this trend. Total passenger car sales in the Canadian market

came to 841,270 vehicles, 18.1% up on the previous year. It was particularly domestic manufacturers who gained from the rise whilst sales of imported vehicles remained unchanged. As opposed to other import makes, Volkswagen Canada managed to keep pace with market growth. Its share in the passenger car market rose slightly to 2.9 (2.8) %.

In order to create customs facilities for Volkswagen Canada's imports, parts production was started up in the fourth quarter of 1983 at Barrie/Ontario for the purpose of supplying Volkswagen of America. The setting up of an aluminium wheel production plant is on schedule.

The company closed the fiscal year with a positive result.

## **V.A.G Sverige AB**

### **Södertälje, Sweden**

After several years of stagnation the Swedish economy saw a slight upward trend in 1983. This development was chiefly influenced by exports which rose considerably after the devaluation of the Swedish crown in the fall of 1982. Private consumption and investment, on the other hand, showed a slight decline compared with the previous year.

Total passenger car registrations were round about the same level in 1983 as the previous year. V.A.G Sverige was not quite able to hold its own on account of rising costs due to the currency adjustment and resulting price increases passed on to customers. It sold 24,374 (27,415) Volkswagen and Audi vehicles to the dealer organization. Its share in the passenger car market fell from 11.6% to 9.9%.

The company showed a profit for the fiscal year 1983.

## **V.A.G Sales Centers in West Germany**

The activities of Volkswagenwerk AG designed to tighten up wholesale distribution were completed in 1983. After the merger of the Würzburg and Nuremberg sales centers on October 1, 1983, the wholesaling function of the Volkswagen Group within West Germany is now being exercised by 12 sales centers. Volkswagenwerk AG has a 26% direct interest in the companies.

It is via the sales centers that the domestic V.A.G retailers are supplied with automobiles as well as spare parts and accessories from the Volkswagen Group. Their services include looking after, advising and training all the associated retailers.

As a result of the rise in domestic demand for Group products the positive previous year's result was surpassed in 1983.

## **WESER-EMS Vertriebsgesellschaft mbH**

### **Bremen**

and consolidated subsidiaries

The company earns the bulk of its income from wholesale business in the sales center region around Bremen. Business takes place at its own premises and offices.

The full share of the profits accruing to Volkswagenwerk AG was duly transferred.

## Other Companies

### **V.A.G Leasing GmbH Brunswick**

In 1983 V.A.G Leasing continued its expansive business trend and was able to maintain its leading position in the market. In conjunction with the V.A.G sales organization the number of customers increased, particularly in private leasing, and the fleet of vehicles leased was enlarged substantially.

Sales, which consist of instalments from vehicle and equipment leasing, rose by 25.8% to 748 million DM. The company achieved a satisfactory result.

### **interRent Autovermietung GmbH Hamburg**

and consolidated domestic subsidiaries

The company is engaged in hiring out cars and trucks on a short-term basis. In West Germany, customers have a close network of more than 320 hire agencies at their disposal. In Belgium the subsidiaries interRent S.A., Brussels, and interRent Trucks S.A., Brussels, hire out cars and trucks respectively. 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 cooperates with Dollar Rent-A-Car System, Inc., Los Angeles. All in all, the interRent system, which has more than 70,000 vehicles available at over 1,600 agencies in 56 countries, has one of the largest fleets of hired vehicles in the world.

Business continued to expand in 1983 and the company's sales rose by 9.4% to 269 million DM.

The positive result was transferred to the parent company.

### **V.A.G Transport GmbH Wolfsburg**

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

A total of 413,000 (382,000) finished vehicles and 579,000 (597,000) m<sup>3</sup> 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 363 million DM, were 21.8% up on the previous year.

The earnings position remained good on account of the rise in volumes shipped, modest freight charges and good use of cargo space. In accordance with the new profit and loss assumption agreement the result was transferred to Volkswagenwerk AG.

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

The bank is involved in promoting sales of Volkswagen and Audi products by granting credit facilities to finance the purchase of vehicles and spare parts by the V.A.G sales organization and facilitate automobile sales to customers.

As a result of the higher level of unit sales compared with the previous year, the volume of business continued to rise. The recovery in unit sales led to a rise in the number of financing transactions and an increase in credit volume, not only in customer financing but also in financing purchases.

For the year under report the company achieved another satisfactory result which was transferred to Volkswagenwerk AG in accordance with the profit and loss assumption agreement signed in 1983.

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

1983 was the first full year in which the company held training courses at its new institute building in Brunswick and was thus able to completely fulfil its purpose of serving as a meeting place and training center for the proprietors and managers of our associates within the V.A.G sales organization.

When construction work was complete, the company suffered only a slight loss which was made up for by Volkswagenwerk AG under the existing profit and loss assumption agreement.

### **VOTEX GmbH Dreieich**

Within the international V.A.G sales organization VOTEX is concerned with marketing and developing automotive accessories. It also acts as purchasing agent for Volkswagenwerk AG in Austria and East European countries.

The company managed to boost sales by 31.6% to 76.7 million DM. The result was in line with expansion of business.

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

The object of the company is to invest in domestic and foreign companies and conduct trust business. It holds interests in V.A.G Financement S.A., Paris, Vorelco Ltd., Toronto, and VOTEX, Inc., Troy, Mi.

HOLAD showed a profit for the fiscal year 1983.

**VW KRAFTWERK GmbH  
Wolfsburg**

The company is currently erecting a power station in Wolfsburg which is to supply energy to Volkswagenwerk AG and others. Completion is scheduled for 1985.

Under the profit and loss assumption agreement, Volkswagenwerk AG offset the losses which were incurred during the initial period and which essentially stem from depreciation under the Border Area Promotion Act.

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

The company is engaged in providing long-term finance for other companies in the Volkswagen Group.

It holds all the shares in Volkswagen Overseas Finance N.V., Willemstad, Curaçao, Netherlands Antilles, and has a 50% interest in AUDI FINANCE N.V. in Amsterdam which was established in May 1983.

In February 1983 the company issued a 7 $\frac{1}{4}$ % Eurobond for 200 million DM. The selling rate was 99% and the life of the bond is 10 years.

The company achieved a satisfactory result for the fiscal year 1983.

**Deutsche Automobilgesellschaft  
mbH  
Hanover**

The company is involved in research and development work in the fields of electrical engineering and electrochemical storage systems. Daimler-Benz AG and Volkswagenwerk AG each have an equal share in the company.



*The new power station — with sophisticated equipment systems for the generation of power and for the benefit of environmental protection*

The results of past research in the field of high-quality batteries are put to commercial use by DAUG-HOPPECKE Gesellschaft für Batteriesysteme mbH which was established in conjunction with Accumulatorenwerke Hoppecke Carl Zoellner & Sohn GmbH & Co. KG, Brilon. The launching of the new product, the FNC battery, was extremely successful.

The negative result was offset by the stockholders in accordance with the profit and loss assumption agreement.

**GmbH für ausländische Vertriebsbeteiligungen M.A.N.-Volkswagen Wolfsburg**

The company's interest in various European M.A.N.-Volkswagen commercial vehicle importing firms was reduced drastically, thus increasing the foreign partners' responsibility for commercial vehicle business. According to the new arrangement, the shares in this company too will be adjusted after a transition period.

The company closed the year 1983 with a positive result.

**VW-Wohnungsbau Gemeinnützige Gesellschaft mbH Wolfsburg**

VW-Wohnungsbau's main field of activity is administering, modernizing and maintaining its residential property. The company is currently having another 144 apartments built which will be complete in 1984. The number of homes on the books fell to a total of 7,074 units owing to sale of 18 owner-occupied apartments. The company also has 132 apartments in hostels.

VW-Wohnungsbau returned a profit for the year under report.

**VW-Siedlungsgesellschaft mbH Wolfsburg**

Company activity is chiefly concerned with the administration and upkeep of its apartments and in looking after the properties of Volkswagenwerk AG. In addition, work was continued on 224 apartments in Wolfsburg of which the first 24 were ready for occupancy by December 1983. At the end of the year, VW-Siedlungsgesellschaft had a total of 5,420 apartments and 256 residential units in hostels.

For the fiscal year 1983 the company exhausted all the facilities for tax concessions on depreciation and returned a loss which was absorbed by Volkswagenwerk AG in accordance with the profit and loss assumption agreement.

**VW-Versicherungsvermittlungs-GmbH Wolfsburg**

Apart from acting as insurance broker for the Volkswagen Group and others the company is responsible for organizing a unified insurance program for the Volkswagen Group and for coordinating its interests as far as insurance is concerned.

In the fiscal year 1983 the volume of premiums continued to rise. Consultancy services, particularly for Group companies, were stepped up further.

The profit was distributed to the stockholders.

**VW-Gesellschaft für technische Datenverarbeitungssysteme mbH Berlin**

Volkswagenwerk AG formed this company in 1983 in conjunction with Schleicher GmbH & Co. Relaiswerke KG and the State of Berlin. Initially the object of the company is to work out concepts and application systems for computer-aided design but later on its field of activity will be extended. Development work began in early 1984.

The company closed its year of incorporation 1983 with a small initial loss.

**IAV Institut für Aggregatetechnik und Verkehrsfahrzeuge GmbH Berlin**

This company was formed by Volkswagenwerk AG in 1983 in conjunction with the firms NEOPLAN G. Auwärter GmbH & Co. and SNV Studiengesellschaft Nahverkehr mbH. The company will be performing development work in the field of engine and automotive engineering with particular consideration being paid to economy, safety, environmental protection and saving energy.

IAV showed a small initial loss for its year of incorporation 1983.

# Prospects

## **World economy on the road to recovery**

The signs of economic recovery on the world economy, which were already in evidence in 1983, have so far been consolidated this year. Owing to the improved economic situation it is to be expected that further economic stimulation will blossom into self-sustaining upswing. However, apart from the risks involved in the trouble spots in the Middle East, one must not forget the risks which may be caused by a restrictive monetary policy, international financial problems and another possible rise in inflation, and which may jeopardize the general upward economic trend. Problems on the labour market will continue into 1984, apart from a slight easing of the situation in the United States, and can only be overcome with the aid of long-term strategies. Apart from further world economic recovery based on the principles of free enterprise it is essential for labour markets to be much more flexible. The example of the United States shows that if the labour market is dynamic and willing to adapt, complying with economic necessities and using a high level of mobility, it is possible to achieve great advances in production and a considerable reduction in unemployment figures. In the United States almost three million jobs were filled or created in 1983.

## **The necessity of overcoming trade barriers**

Economic growth is inseparably related to expansion in world trade. Now that, in 1983 for the first time, the rise in demand, particularly in industrialized countries, has led to an increase in world trade after a period of decline, world trade for 1984 ought to rise by between 5 and 6% while volumes of imports for the other countries will begin to stagnate. Nevertheless, problems are evident. In the many indebted semi-industrialized countries the reduced volume of imports has to be maintained at a low level in order

to achieve the urgently required balance of trade surpluses. The developing countries are also keeping a tight check on imports owing to the lack of foreign currency. However, many of the industrialized nations have also been endeavouring to prevent a rise in imports over recent years by erecting numerous concealed non-tariff trade barriers in order to protect jobs. It is essential for growing free trade that markets are opened up so that all trading partners involved can benefit from the effects on the basis of competitive free enterprise.

In the semi-industrialized countries, direct investment and cooperation may serve to relieve the cause of protectionistic measures. Our Group is making a special contribution to free world trade by producing within a world-wide interlinked system.

## **Increasing demand for automobiles**

We are expecting a rise in the demand for automobiles over the next few years. However, in Western Europe there will probably only be low levels of growth because here it is chiefly only the demand for replacement vehicles which has to be met and the rise in consumers' real income is inadequate for various reasons. It looks as though North America will be returning to its former sales figures. If, according to an OECD study, the world economic situation continues to improve, growth rates of between 3.5% and 6.5% will be feasible in Third World countries, although they will start from a low level. More demand will be met in the long term by setting up auto industries in other countries where there is a lack of foreign currency. International competition in the automobile sector will continue to become fiercer.

Not least because of its production bases overseas the Volkswagen Group has a considerable strategic advantage in meeting this challenge.

Owing to its presence and its involvement in setting up new production plants Volkswagen will gain access to markets which can no longer be supplied from Europe because of competition or import restrictions.

### **The United States – still the motor of the economy**

The United States is continuing to have a decisive influence on the recovery of the world economy. Growth in this country will continue to rank among the highest in the western world in 1984, although the rate of expansion will decline compared with the previous year. However, as far as further economic development is concerned, there will be risks created by the American export weakness due to the high price of the dollar, continuing high interest rates and the persistent budget deficit.

### **High level of competitiveness in the North American automobile industry**

In the United States the drop in demand in the automobile market, coupled with additional significant losses in market shares on the part of domestic producers, has led to the American industry making enormous efforts in recent years. The high level of investment by companies has raised productivity and flexibility so much that according to the American Department of Trade the break-even point is 25% lower than in 1980. This resulted in the North American automobile industry being considerably better off as far as competitiveness is concerned. Our company too, which was the first non-American group to start up production in this region, will be doing its utmost to increase its competitiveness even further. We are convinced that a reasonable position in this extremely important automobile market is of crucial significance for an independent automobile manufacturer.

### **Positive trend evident in Latin America**

The Latin American countries also seem to have reached the trough of their recession. Increasing trade surpluses and intensified endeavours to reduce inflation would seem to indicate a more positive trend in the economy. In certain countries the largely concluded funding negotiations and the economic policy, which was reorganized last year, constitute a good basis for achieving economic growth once again. In the medium term, it may be assumed that, because of this region's natural wealth, Latin America is back on the road to economic expansion, even though it is currently suffering a setback and we have no illusions as far as the short-term trend is concerned.

### **Automobile market with a future**

When the economic situation begins to improve in Latin America there will automatically be a growing demand for automobiles. In this region, whose largest companies are our subsidiaries, the automobile industry constitutes an extremely important economic factor. Our companies have improved the economic structure of these countries and in certain cases played a vital role. As an integral part of our world-wide interlinked system they are substantially involved in the international exchange of goods. As major exporters, their positive foreign-exchange positions make a considerable contribution to relieving the balances of payments of various countries. As major private employers they represent a key factor for the labour markets.

If our subsidiaries are to continue to play the roles mentioned satisfactorily, they must be allowed a certain amount of freedom in business. Government regimentation such as price controls and regulations on the size of the product range rob these companies of their necessary basis for performing their duties towards the national economy as they have done so far.

### **The upward trend in Western Europe**

Economic recovery in Europe is spreading to more and more countries. Although the economic trend is still extremely different from country to country, one may expect higher growth for 1984 than in the previous year. However, the stimuli are too weak to cause any significant short-term change in the labour market. It is good to see a drop in the rate of price increases and particularly the levelling out of the differential between the EEC countries due to inflation.

### **Fiercer competition in the automobile industry**

In Western Europe, automobile sales will only increase slowly at the beginning. In the long term, the largest automobile market in the world will no doubt see a significant rise in the number of passenger cars so that this position can continue to be maintained. However, competition in this market will become even tougher owing to the appearance of new rivals and redoubled efforts on the part of existing suppliers who in future will become more and more specialized. If we are to not only defend our position in the market but also improve on it, we must ensure that our products have the technological edge and are more economical. After the launching of the new Golf and the introduction of the new Jetta at the beginning of this year (in succession for production reasons) we expect a continued increase in our shares of the European large-volume markets. Naturally, this aim can be achieved only if we do not have to subject ourselves to national regulations which severely impair our international competitiveness.

### **Uniform exhaust regulations necessary within the EEC**

For the automobile industry as a whole and the issue with regard to exhaust emissions, it is essential for all the European countries to follow the same approach in collaboration with the European institutions responsible, not least in order to prevent further disintegration of the European economy.

In principle, the Volkswagen Group is in perfect agreement with the aim of achieving an improvement in the field of vehicle emission. However, progress in real terms can only be achieved by collaborating with other European countries to agree on a gradual cutback in harmful substances and a simultaneous reduction in fuel consumption. The Volkswagen Group currently possesses the necessary technology for complying with future standards and in West Germany it is already selling models fitted with the American export engine and catalytic converter. Customers must run these vehicles on lead-free petrol though which is presently only available in limited supply and from very few filling stations.

### **Continued recovery in West Germany**

The upward economic trend in West Germany is being accounted for more and more by increased demand from abroad. The significant economic recovery in most of the industrialized countries has brought about a rise in demand. The continued relatively low value of the German mark compared with the dollar serves to favour the competitiveness of German suppliers. Even a slight rally from the mark will fail to alter the situation very much. However, in the long term, there is the possibility of an exchange rate which is more in line with real purchasing power. Owing to the generally improved profit situation for companies, the conditions for investment have improved in Germany and this has par-

ticularly led to an increase in investments in fixed assets. This year private consumption will increase only for durable goods, and then only slightly.

### **Improvement in general conditions called for**

If we are to secure continued economic growth in West Germany we require general conditions of business with which the economic and structural problems can be solved in the long term. For this reason, the tax burden which has continued to rise in recent years must be reduced to a sensible level. Apart from generally reducing the discouraging rates of income tax one must also reform the non-profit-related taxes, which are a considerable burden on companies, and avoid further increases in social contributions. Concessions in the field of regulatory policy, such as a reduction in superfluous regimentation and bureaucracy, are badly needed. A check on government influence means an economic policy based on the responsibility of the individual and on performance. It requires a systematic reduction in the amount of subsidies as well as tax concessions. Over-production and inefficient production can thus be held at bay. Subsidies should only be granted, for a limited period, if they make processes of adaptation more socially acceptable or support new developments. A free enterprise system reinforced in this manner is in no way in contradiction to social security. Some of our social problems can be solved by more courage to engage in competition, to accept the effectiveness of the price mechanism and to undertake private business initiative.

### **Rising costs jeopardize competitiveness**

Restoring adequate competitiveness against our best rivals would assure us of quantitative growth by helping us to reconquer lost markets. The prerequisite is that our costs stop rising and begin to fall significantly. Recent advances achieved in productivity

must be translated into competitive prices so that we can improve on our competitive position. This can also be achieved by increased utilization of capacity. In the end it means more jobs will be created and ones which already exist will be secure. Increased flexibility with regard to working hours guarantees this urgently needed improvement in the utilization of capacity which, compared with other automobile-producing countries, is worst in Germany as a result of the law on working hours and agreements settled with unions.

Further automation is necessary to maintain our competitiveness. Improvements in the field of vehicle technology and features lead to further qualitative growth.

### **High degree of flexibility achieved in production**

Technical innovation plays an increasingly important role when sales markets are subject to ever increasing fluctuations and we have to make sure capacities are utilized and jobs are secure. In this field the Volkswagen Group is one of the front runners. The two-brand strategy of Volkswagen and Audi guarantees the best possible exploitation of the Group's development and production potential. We are ready to react to any scenario the economic trend has to offer. Our production facilities are so flexible that any number of any desired model can be built as required. This flexibility means we are able to follow the fluctuations of the market from the Polo to the Audi 200. Being the largest manufacturers of diesel engines in the world we are in a position to fit any number of vehicles with this type of power unit if necessary in future. The diesel engine not only has the advantage of low fuel consumption; it already complies with all the statutory emission limits without the need for any additional measures.

*The Polo – lively and versatile*

**The new Jetta is off to a good start**

By launching the new Jetta in February 1984 the Volkswagen Group systematically continued its product policy of providing new, advanced solutions every time. This notchback family saloon was developed at the same time as the new Golf. Maintaining its independent appearance the Jetta also displays all the positive characteristics of the new Golf as far as engineering, quality and road handling are concerned. Its functional design and powerful, sporty personality have given the Jetta its own image so as to make it appeal also to sports-oriented customers. The larger overall dimensions have particularly benefited the interior. With 2.62 m<sup>2</sup> of seating space the new Jetta offers more comfort than many other passenger cars of higher categories. By increasing trunk volume to 575 l (the largest of all the saloons) loading capacity was raised to 540 kg. This model's high level of popularity serves to confirm how wise we were in continuing proven product policy.



*The new Jetta – sporty/elegant saloon with mature technology and high comfort*

**Good prospects for the future through new subsidiaries**

The utilization and implementation of our technical competence and powers of innovation has been manifested in the forming of three new companies in Berlin, mainly involved in research. Apart from the companies detailed under "Companies within the Volkswagen Group", an innovation company for advanced production systems has been set up in which the State of Berlin, BMW AG, Daimler-Benz AG, Siemens AG and Volkswagenwerk AG all have equal shares. This company is chiefly designed to research into and develop new production systems for the automobile industry, the emphasis being placed on sensor systems, robot programming and the simulation of production systems.

To improve coordination of activities in the foreign markets, Volkswagen Asia Ltd. was formed in Tokyo in July 1983. Together with Shanghai city authority and the Chinese automobile industry we are investigating the feasibility of a joint venture in China. We hope this project will enable us

to improve our strategic position in this region. Implementation of the cooperation agreement with Nissan Motor Co., Tokyo, signed some years before, is on schedule. The Santana, which is produced in collaboration with Nissan in Japan, received wide acclaim when it was launched over there in February 1984.

Collaboration with SEAT has so far developed in accordance with the cooperation agreement signed in September 1982. At the beginning of 1983 SEAT began distributing imported Volkswagen and Audi models in Spain through its own network of dealers and this resulted in a considerable increase in sales figures. Production of the Passat/Santana model series in fall 1983 and the Polo in spring 1984 began on schedule.

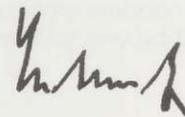
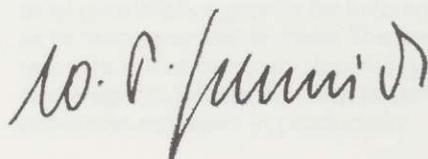
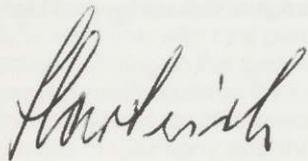
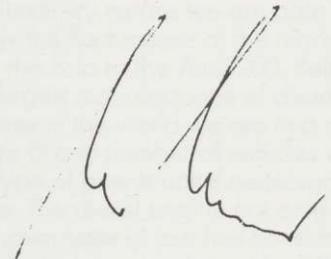
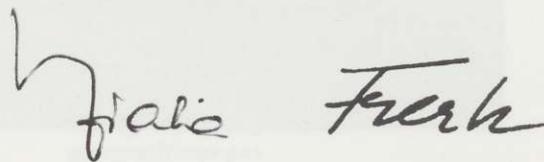
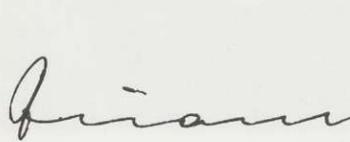
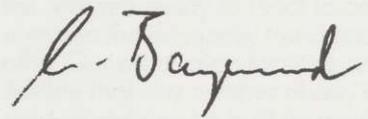
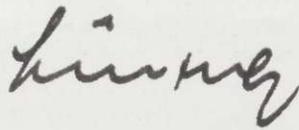
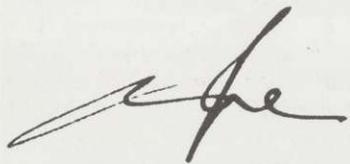
In the difficult year 1983 the Group was oriented in such a manner that it was possible to achieve a firm base to build up on in future years. Investments in new products and new innovative production technologies will pay off. However, 1984 will see more considerable investment efforts on

the part of the Group in Germany. The substantial endeavours to tighten up structures in North America and Latin America are likely to lead to major improvements there too.

As can be seen from the sales results of the first few months of 1984, the positive trend in key sales markets is being continued. Assuming there are no major changes in overall economic conditions, 1984 will see an improvement in the financial result for the Volkswagen Group.

Wolfsburg, March 27, 1984

The Board of Management



# Financial Statements and Notes

# Notes on the Financial Statements of the Volkswagen Group

## Consolidation Principles

### Scope of Consolidation

The scope of consolidation includes in principle all Group companies in which Volkswagenwerk AG has a direct or indirect interest of over 50%.

The consolidated financial statements cover Volkswagenwerk AG, 21 other German companies and 47 foreign companies. These companies are identified in the survey of major Volkswagen Group companies on pages 68 and 69.

The following companies were consolidated for the first time:

Volkswagen Leasing, S.A. de C.V.,  
Puebla,  
AUDI FINANCE N.V., Amsterdam.

Volkswagen Leasing was included again this fiscal year because Volkswagen de Mexico acquired the majority of shares back. The object of AUDI FINANCE N.V., which only came into existence during the year under report, consists in financing other Group companies.

In 1983 Triumph-Adler Nederland B.V., Alphen, was sold and V.A.G España, S.A., Alcobendas (Madrid), ceased doing business so they were both omitted from the scope of consolidation. Two companies within the TRIUMPH-ADLER group could no longer be included because of mergers.

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

The German companies are the following:

Auto Union GmbH, Munich  
quattro GmbH, Ingolstadt  
Triumph-Adler Wohnungsbaugesellschaft mbH, Nuremberg  
Schulteß GmbH, Hamburg  
Schultess & Ziehn (GmbH & Co.),  
Hamburg

The overall picture of the assets and earnings situation of the Group is not affected by the exclusion of these companies because they are either not engaged in any business activities at all or not engaged in any significant 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 made it our policy to take into consideration the recommendations made by the study group on global financial statements of the Schmalenbach-Gesellschaft. The manner in which the financial statements are presented complies with the requirements laid down by 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 to fall in line with Group requirements. 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 undistributed 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 companies have been drawn up in accordance with uniform accounting and valuation principles in compliance with the Corporation Law and audited in this form.

### 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 1978 the annual averages were used.

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

The other asset items, and debts, were translated at the middle rates for the balance-sheet date.

With the exception of items where the historical rates for fixed assets and investments were applied for translation purposes (depreciation, gains or losses on disposals), we have translated expenses and income 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 for the balance-sheet date.

Differences arising from the translation of balance-sheet items have not affected net earnings; they have been allocated direct to 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 the loss on the year was calculated.

### Capital Consolidation

We consolidated capital by separating the adjustment items 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 the interests were acquired. The resulting adjustment items arising from initial consolidation are shown separately as a special item of fixed assets and investments on the assets side, and under consolidated reserves on the stockholders' equity and liabilities side.

Adjustment items resulting from subsequent consolidation, with the exception of the differences arising from currency translation 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.

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.

We have deducted from the reserve of the Group arising from earnings an amount equalling the parent company's income from trade investments and listed them separately in the consolidated financial statements as required. The difference between the consolidated loss and the items to be

shown separately has been set off against the reserve of the Group arising from earnings via the item change in consolidated reserves. The consolidated loss after change in reserves and minority interest thus tallies with the loss after earnings brought forward for Volkswagenwerk AG.

Ascertainment of the minority interest in consolidated foreign subsidiaries was based on the financial statements translated into DM, valued in accordance with uniform valuation principles and adapted to the generally accepted accounting principles. Differences arising from currency translation in the process of consolidation have been apportioned to minority stockholders on a pro-rata basis.

## Balance Sheet

### Assets

The net book value of **Property, Plant, Equipment and Intangible Assets** rose by 327 million DM to 11,801 million DM compared with the previous year. It was valued as previously at acquisition or manufacturing cost minus regular depreciation. Extraordinary depreciation was made by the German companies where possible and on a regular basis in accordance with the tax regulations. It was particularly consolidated companies abroad which made use of extraordinary depreciation for economic reasons.

Investments in property, plant and equipment came to 4,791 million DM and were still at the high level of the past two years. Of the additions 30.6% was accounted for by Volkswagenwerk AG, 24.4% by V.A.G Leasing, 8.2% by AUDI NSU AUTO UNION AG and 7.9% by Volkswagen of America. They were chiefly related to plant and office equipment, construction in progress and machinery and fixtures. As in the previous year, the main emphasis of investment was on developing further the planned product ranges and production techniques, boosting efficiency in production by restructuring and rationalization as well as renewal and expansion of the leasing and rental fleets. Disposals of fixed assets and investments were due predominantly to the sale of used leasing and rental vehicles and of production facilities.

**Investments** rose by 16 million DM to 345 million DM. The item **Investments in Subsidiaries and Affiliates** chiefly concerns Volkswagenwerk AG's holdings in the V.A.G sales centers, V.A.G Sverige AB and Volkswagen of Nigeria Ltd., as in previous years.

**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 loans are shown at cash value, as in previous years. Interest amounts deducted are shown under write-downs. Values of loans are the same taking into consideration the sums accounted for by redemption.

**Other Investments** pertained mainly to amounts which had to be raised for compulsory loans in Brazil.

**Adjustment Items Arising from Initial Consolidation** on the assets side show excess values over and above the net book values of holdings at the time of acquisition insofar as they have not already been written down. As of December 31, 1983 the item mainly comprised the differential amounts arising from the consolidation of AUDI NSU AUTO UNION AG and interRent Autovermietung GmbH, reduced by write-downs where necessary.

**Inventories** rose by 196 million DM to 5,845 million DM, 3.5% up on the previous year. The change was mainly caused by increases due to the rise in the volume of production at Volkswagenwerk AG during the last quarter, increases at Volkswagen de Mexico due to fluctuations in exchange rates and inflation, as well as the boost in production at AUDI NSU AUTO UNION AG. There were reductions at Volkswagen of America and Volkswagen do Brasil, in the latter case chiefly as a result of fluctuations in exchange rates.

Of the **Trade Accounts Receivable** 35.8% pertained to domestic Group companies and 64.2% to foreign ones.

Most **Trade Acceptances** were held by V.A.G France and the TRIUMPH-ADLER group.

**Cash in Banks** decreased by 142 million DM to 1,643 million DM compared with the previous year. Volkswagenwerk AG, V.A.G Transport GmbH and Volkswagen Caminhões accounted for the greater part of the decrease whilst AUDI NSU AUTO UNION AG and Volkswagen Canada Inc. showed increases.

The portfolio of **Securities** rose by 1,238 million DM to 2,507 million DM compared with the previous year. There were large increases at Volkswagenwerk AG and AUDI NSU AUTO UNION AG.

The **Treasury Stock** of Volkswagenwerk AG 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. The increase was mainly due to the rise in receivables from financing.

**Prepaid and Deferred Expenses** mainly consisted of commissions and expenditure in connection with financing by V.A.G Leasing and foreign financing companies.

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

**Consolidated Reserves** consisted 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, minus adjustment items arising from currency translation.

The **Reserve of the Group Arising from Earnings** rose by 682 million DM to 4,827 million DM. This item mainly comprised the Group's share in the reserves, including amounts converted to corporate capital, adjustment items due to value adjustments in respect of consolidated holdings, amounts for elimination regarding intra-Group supplies of fixed assets and inventories, and discounts for interest-free or low-interest loans granted by Volkswagenwerk AG to housebuilding associations neutralized during consolidation. This item also includes the profits or losses as shown in the balance sheets of the other consolidated companies.

The **Adjustment Items Arising from Initial Consolidation**, which have the character of reserves, result from the difference between acquisition cost and the net worth at the time of acquisition. They mainly occurred as a result of the consolidation of Volkswagen Caminhões, Volkswagen of South Africa and Volkswagen Argentina.

**Minority Interest in Consolidated Subsidiaries** chiefly relates to Volkswagen do Brasil and AUDI NSU AUTO UNION AG.

**Reserves for Special Purposes** were shown by Volkswagenwerk AG, other German Group companies, and to a small extent by V.A.G France.

The **Allowance for Doubtful Trade Acceptances and Accounts** was made uniformly throughout the Group to cover the general credit risk, as in previous years.

**Total Undetermined Liabilities** rose by 1,631 million DM to 9,635 million DM compared with the previous year. Out of this amount, 40.2% was long-term, 32.5% medium-term and 27.3% short-term.

The amount shown for **Old-age Pensions** was based on actuarial computations based on the going value method. Due account was taken of the revised actuarial tables. The reserve for special purposes created the previous year as a result of the change in the interest rate from 5.5% to 6% was eliminated pro rata as planned.

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

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

**Other Undetermined Liabilities** consisted primarily of provisions for marketing expenses, taxes, workforce obligations and legal risks.

**Liabilities with an Initial Term of Four Years or Longer** rose by 561 million DM. Increases mainly came from the financial statements of Volkswagen de Mexico and Volkswagen International Finance and involved the taking up of credit to cover currency risks as well as the issue of a 200 million DM loan.

Out of the **Trade Accounts Payable**, 68.8% related to German companies and 31.2% to foreign companies.

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

**Liabilities Due to Banks** increased by 231 million DM compared with the previous year. The increases, particularly at V.A.G Kredit Bank, Volkswagenwerk AG and V.A.G France, were partially offset by reduced liabilities for Volkswagen of America and Volkswagen do Brasil (the latter being mainly due to fluctuations in exchange rates).

**Advance Payments from Customers** related mainly to the financial statements of Volkswagenwerk AG and Volkswagen of America.

**Miscellaneous Other Liabilities** mainly arose from liabilities to the workforce and from taxes and customs duties.

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

Out of the total securities held as current assets, Volkswagenwerk AG has pledged securities at a nominal value of 2 million DM to safeguard routine handling of imports. It was also liable in the amount of 5,158,000 DM in respect of returned contributions to limited partnerships (Kommanditgesellschaften). There were contribution liabilities totalling 2,300,000 DM for a limited liability company partnership (GmbH & Co. KG) and a private limited liability company (GmbH). Liabilities to a cooperative and another private limited liability company (liability to contribute in accordance with the Articles of Association) totalled 120,600 DM.

## Statement of Earnings

The figures given in the 1983 statement of earnings have been affected by the changes in the exchange rate between the DM and the US \$ and currencies dependent on the US \$. It is thus difficult to make a fair comparison with the previous year's figures.

**Sales** of the Volkswagen Group rose by 2,655 million DM (7.1%) to 40,089 million DM during the year under report. The percentage of foreign sales was 63.9% compared with 67.9% in 1982.

**Gross Performance** rose by 2,650 million DM (7.0%) to 40,680 million DM.

The increase in **Expenditures for Raw Materials, Supplies and Other Materials** was due to rises in the cost of materials and the change in model structure.

**Income from Investments in Subsidiaries and Affiliates** stemmed almost entirely from the financial statements of Volkswagenwerk AG and mainly related to the Company's shares in the German sales centers.

**Income from Other Financial Investments** derived mainly from Volkswagen of America, Volkswagenwerk AG and Volkswagen do Brasil.

**Other Interest and Similar Income** derived mainly from Volkswagen do Brasil, Volkswagenwerk AG and the financing companies.

**Gains from Disposal of Fixed Assets and Investments** were predominantly due to the sale of used vehicles belonging to leasing and rental companies and to disposals by Volkswagen of America and Volkswagenwerk AG.

**Income from Elimination of Reserves for Undetermined Liabilities no Longer Required** was chiefly accounted for by Volkswagen of America and AUDI NSU AUTO UNION AG.

**Income from Elimination of Reserves for Special Purposes no Longer Required** derived mainly from German companies eliminating items created in accordance with § 1 of the Developing Countries Tax Act and from the elimination of the item created in accordance with § 52 subsection 5 of EStG (Income Tax Act).

**Other Income** resulted in particular from foreign exchange gains, from the rebilling of advertising material and sales promotion expenses, from renting and leasing, and income deriving from the rebilling of warranty charges to suppliers.

**Wages and Salaries** came to 12,371 million DM, that is, 302 million DM more than the previous year, despite the decline in the average size of workforce (cf. page 40). The increase was mainly due to changes in social legislation, pay increases, new actuarial tables and expenditure in connection with early retirement schemes.

The item **Write-down of Financial Investments** contains value adjustments for long-term loans. It also comprises write-downs of consolidated holdings insofar as they did not have to be excluded to avoid double listing.

**Losses on Disposal of Fixed Assets and Investments** derived mainly from the financial statements of Volkswagen of America, Volkswagen do Brasil and V.A.G France.

The item **Interest and Similar Charges** was affected to a great extent by the high financing costs, particularly in the Latin American countries, due to inflation.

**Taxes on Income, Earnings and Property** were 36 million DM up on the previous year, particularly owing to the rise in earnings at AUDI NSU AUTO UNION AG.

**Other Taxes** mainly consisted of sales taxes and other taxes levied on the Group's foreign companies.

**Additions to Reserves for Special Purposes** mainly derived from VW KRAFTWERK GmbH in accordance with section 34 of the EStR (Income Tax Guidelines) and from V.A.G France.

Most of the **Other Expenses** consisted of advertising and sales promotion costs, expenditure on servicing and maintenance, currency losses, expenses for shipment of finished products, renting and leasing.

The consolidated **Loss** of 215 million DM was mainly due to the still unsatisfactory earnings situation of the Latin American companies. The improvement of 85 million DM compared with the previous year was chiefly caused by the improvement in the earnings situation of Volkswagen of America and the cutting of losses within the TRIUMPH-ADLER group.

# Notes on the Financial Statements of Volkswagenwerk AG

## Balance Sheet

### Assets

Investments in **Property, Plant and Equipment** remained at a high level, 1,480 (1,718) million DM. The emphasis of investment was on the further development and updating of our product range and on restructuring measures to improve work flow and working conditions.

Additions to finished buildings and plant, including transfers of items under construction and advance payments on fixed assets, came to 1,585 (1,686) million DM. Out of this total, 786 (675) million DM was expended on plant and office equipment, 611 (597) million DM on machinery and fixtures and 188 (414) million DM on real estate and buildings.

At the end of 1983 the gross book value of property, plant and equipment amounted to 15,418 (14,406) million DM. After deduction of the value adjustments on this sum in the amount of 11,939 (11,048) million DM, the net book value of property, plant and equipment came to 3,479 (3,358) million DM.

As previously, 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 and 1982 Annual Reports. Apart from the extraordinary depreciation or additional allowances in accordance with § 3 of the Border Area Promotion Act, §§ 6b and 7d of the Income Tax Act and subsection 35 of the Income Tax Guidelines, the extraordinary depreciation as per § 51 of the Income Tax Act was treated for the first time as regular depreciation on research or development assets promoted by the 1984 Tax Relief Act in the year under report. These measures totalled 337 (331) million DM.

Non-regular depreciation was charged to a limited extent owing to the phasing out of standard assemblies and the lack of further applications for 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.

Capital expenditure has been broken down according to the various plants (in million DM):

Plant		Incl. movable assets
Wolfsburg	967	851
Hanover	138	93
Kassel	143	137
Salzgitter	106	100
Emden	43	32
Brunswick	83	78
	1,480	1,291
	1,480	1,291

**Intangible fixed assets** are not carried as assets.

Additions to Investments in Subsidiaries and Affiliates shown under Investments in Germany resulted from the setting up of a sales center and three new companies in Berlin which are particularly involved in the fields of traffic research, new production techniques and technical data processing. Abroad, the main changes in capital stock were at Volkswagen de Mexico, S.A. de C.V., Volkswagen do Brasil S.A., Volkswagen of America, Inc., Volkswagen Caminhões Ltda., Volkswagen of South Africa (Pty.) Ltd. and Volkswagen Bruxelles S.A. There was also capital expenditure for increases in capital stock at TAS Tvoronica Automobila Sarajevo and Motor Peru S.A. and for the forming of the new company Volkswagen Asia Ltd., Tokyo.

Disposals were due to the amalgamation of sales centers in Germany. The capital stock of V.A.G España, S.A. was also reduced after activities in the Spanish market had been taken over by SEAT S.A. in accordance with a cooperation agreement.

Trade investments have been valued at acquisition cost, less value adjustments. Holdings in one domestic subsidiary and eight foreign companies have been written down as a result of continuous loss in value or inherent risks. Most of the value adjustments were accounted for by our activities in Latin America. Out of the total amount of write-downs, 568 million DM was in respect of additions for the year under report.

As in previous years the Loans Receivable with an Initial Term of Four Years or Longer consisted of funds which were made available to various housebuilding associations and Company employees. 7% discount has been applied to loans granted since 1955. Loans granted up to December 31, 1954, under § 7 c EStG (Income Tax Act), have been fully written down. The values shown for these loans have been retained, due account having been taken of redemption amounts.

Inventories rose by 295 million DM owing to the considerable increase in the volume of production during the last quarter of 1983. Inventories have been valued, as before, according to the principles explained in the 1981 Annual Report.

Depreciation on additions for 1983 was distributed as follows:

Thousand DM	Real estate and land-rights		Buildings on leased real estate	Machinery and fixtures	Plant and office equipment	Construction in progress	Advance payments on fixed assets	
	with office, factory and other buildings	with residential buildings						
1983 additions <sup>1)</sup>	185,655	547	1,084	647	611,113	752,302	39,500	10,200
Depreciation on 1983 additions	53,772	14	1,084	110	332,880	192,671	18,400	5,100

<sup>1)</sup> 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 yet been applied, but including additions to land and buildings eligible for depre-

ciation as provided for under § 6 b EStG (Income Tax Act))

**Trade Accounts Receivable** totalling 463 million DM consisted of 365 million DM for foreign business and 98 million DM for domestic business. Values were adjusted appropriately to allow for non-payment risks. Most of the accounts due for payment have been settled in the meantime.

**Cash in Banks** consisted mainly of fixed deposits.

The value of **Securities** rose by 939 million DM owing to the purchase of deposit certificates and short-term bonds offering favourable interest rates for the investment of liquid resources. Securities have been valued at acquisition cost in every case or at the stock exchange price at the end of the year where necessary. As in previous years, securities with a nominal value of 2 million DM were pledged as security in favour of the customs authorities in Hanover to ensure routine import clearance.

The balance-sheet value of **Treasury Stock** remained unchanged. Its nominal value is equivalent to 1.3% of capital stock. It was acquired in 1971 in connection with a conversion offer to AUDI 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** rose by 521 million DM compared with the previous year, which was essentially due to the increase in amounts receivable from V.A.G Leasing GmbH, AUDI NSU AUTO UNION AG and Volkswagen Canada Inc. Amounts receivable from Volkswagen of America, Inc. showed a great decline. Out of total receivables, 2,197 million DM are accounted for by domestic companies and 858 million DM are in respect of foreign companies. Value adjustments

have been made for non-payment risks and foreign exchange risks, and in respect of sums made available free of interest.

**Miscellaneous Other Current Assets** chiefly comprised amounts receivable from the tax office in respect of sales tax refunds and interest not yet due. The decrease compared with the previous year is particularly due to the much lower reimbursements from the labour office in connection with short-time working due to the reduction in short time, as well as the sale of entitlements from 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 down by 125 million DM on the previous year particularly owing to the required partial elimination of special reserves created pursuant to § 3 of the Foreign Investment Act. Further amounts were written back in the other reserves for special purposes in accordance with the statutory regulations.

The **Allowance for Doubtful Trade Acceptances and Accounts** was the same as the previous year, that is, 1% of trade accounts receivable and advance payments to suppliers as security against the general credit risk.

**Undetermined Liabilities** in respect of **Old-age Pensions** have been calculated on the going value principle, in accordance with § 6 a EStG (Income Tax Act) on the basis of actuarial methods and an interest rate of 6%, the reviewed actuarial tables were taken into account to a reasonable extent. The reserve for special pur-

poses from the previous year resulting from the increase in the interest rate from 5.5% to 6% was eliminated at 1/12 of the original amount as planned.

**Other Undetermined Liabilities** particularly comprised provisions for warranties and other marketing expenses, tax provisions and provisions for labour costs. Compared with the previous year, it was particularly tax provisions and provisions for labour costs which rose.

**Liabilities with an Initial Term of Four Years or Longer** increased, mainly as a result of a 200 million DM loan from Volkswagen International Finance N.V.

Of the **Trade Accounts Payable**, 1,164 million DM was in respect of domestic suppliers and 93 million DM for foreign suppliers.

A major share of amounts **Due to Banks** concerns sums due in connection with the financing of import and export transactions. The increase compared with the previous year was in current debts to banks.

**Accounts Payable to Subsidiaries and Affiliates** were essentially to VW KRAFTWERK GmbH and Volkswagen of America, Inc. The decrease compared with 1982 was mainly a result of the reduction in accounts payable to our Mexican subsidiary.

The main items in **Miscellaneous Other Liabilities** were payroll liabilities and other staff payments.

## Statement of Earnings

Sales increased by 2,159 million DM (8.0%) to 29,187 million DM, which was particularly due to the greater share of Audi models, price increases and an above-average increase in other sales. Whilst domestic sales were 20.2% up on the previous year, export sales fell by 1.7%. Vehicle business accounted for 75.7% (75.9%) of total sales.

The increase in **Expenditures for Raw Materials, Supplies and Other Materials** by 2,079 million DM (11.9%) was caused primarily by the greater proportion of vehicles purchased from subsidiaries coupled with the higher cost prices and, to a lesser extent, increases in the prices of production materials and supplies.

**Income from Profit and Loss Assumption Agreements** derived from the domestic subsidiaries AUDI NSU AUTO UNION AG, WESER-EMS Vertriebsgesellschaft mbH, V.A.G Transport GmbH and V.A.G Kredit Bank GmbH.

**Income from Investments in Subsidiaries and Affiliates** chiefly comprises profits distributed by Volkswagen Bruxelles S.A. and Volkswagen of South Africa (Pty.) Ltd. as well as profits from the current fiscal year distributed by the domestic sales centers, interRent Autovermietung GmbH, V.A.G Leasing GmbH and VW-Versicherungsvermittlungs-GmbH.

**Income from Other Financial Investments** resulted from interest on loans.

**Other Interest and Similar Income** chiefly resulted from securities in the current assets, loans to subsidiaries and affiliates as well as fixed deposits.

**Gains from Disposals of Fixed Assets and Investments** resulted chiefly from the redemption of housing loans and the sale of machinery and special tools.

**Income from Elimination of Reserves for Undetermined Liabilities** chiefly derived from the elimination of provisions for staff and marketing expenses as well as tool-modification costs which were no longer required.

**Other Income** mainly resulted from the rebilling of tax to subsidiaries and affiliates in a joint taxation relationship, the settling of business in foreign currency, catering sales and rebilled services.

**Labour Cost** rose by 540 million DM to 7,324 million DM, or 8.0% compared with the previous year (cf. "Personnel and Social Matters" on page 38 ff.). Taking into account the smaller average workforce compared with the fiscal year 1982, this increase resulted from changes in social insurance legislation and an increase in pay. Other factors were the application of reviewed actuarial tables and the rise in expenditure involved in the early retirement scheme compared with the previous year.

**Interest and Similar Charges** principally concerned long-term liabilities.

**Taxes on Income, Earnings and Property** consisted largely of tax on earnings for the current year.

**Expenses under Profit and Loss Assumption Agreements** were primarily due to the waiving of amounts receivable from TRIUMPH-ADLER AG für Büro- und Informationstechnik as well as the profit and loss assumption agreement with VW KRAFTWERK GmbH.

The main items under **Other Expenses** were freight costs for the distribution of products, the cost of materials and outside services in connection with

the servicing and maintenance of plant, advertising and sales promotion expenses as well as expenditure resulting from transactions in foreign currencies.

### Additional Details

In addition to the **Contingent Liabilities** shown in the balance sheet, we were liable in the amount of 62,500,000 DM in the form of subscription obligations concerning private limited liability companies in Germany. We had additional liabilities in the amount of 5,158,000 DM for returned capital contributions from limited partnerships.

For the 200 million DM loan granted to us by Volkswagen International Finance N.V. we signed a guarantee to bondholders in the same amount.

The remunerations of the members of the Board of Management amounted to 8,488,215 DM in 1983. Retired members of the Board of Management or their surviving dependants received 5,197,410 DM.

The remunerations of the Supervisory Board amounted to 347,414 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.

**Actual indebtedness:** This is the amount of total liabilities reduced by the cash assets and quickly liquidatable assets. It is determined thus: Outside capital minus short-term receivables and loans (reduced by the allowance for doubtful trade acceptances and accounts) and liquid funds.

**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 expenses 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.

**Convertible bond:** The convertible bond confirms to the bearers, in addition to creditor rights (redemption and interest), the right to convert the bonds into shares or to acquire additional shares. The right to acquire shares at a fixed price is the feature the two types of bond have in common. In the case of the convertible bond the subscription right is exercised by converting the

bond into shares – possibly a certain premium has to be paid in addition. The option bond differs from the convertible bond in that the subscription right can be separated from it.

**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).

**Degree of indebtedness (Actual indebtedness/Cash flow):** This ratio is a yardstick for the debt level of a company and shows how many years it would take to repay all liabilities from self-generated funds.

**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.

**Loss:** See "Net earnings/Loss".

**Loss as shown in the balance sheet:** This is the loss after net earnings (loss) brought forward and change in reserves.

**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 com-

panies 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-Ver sicherungsvermittlungs-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 transfers 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.

**Potential capital:** The main feature of a potential capital increase is that an increase in the capital stock is adopted by the Annual Meeting of Stockholders, but the amount as well as the date remain undetermined in contrast to an ordinary capital increase. Primarily the potential capital serves to enable the management to issue convertible or option bonds.

**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.

**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).

**Reserve for treasury stock:** In accordance with § 150a of the Corporation Law Volkswagenwerk AG set up in 1979 a reserve for treasury 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 treasury 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 treasury 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.

**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:** 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 treasury stock dependent on the existence of certain preconditions and limits it to 10% of the capital stock. Thus the treasury 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.

**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, 1983

Thousand DM

Assets	Jan. 1, 1983	Amounts brought forward <sup>3)</sup>	Additions	Disposals	Transfers	Depreciation	Dec. 31, 1983	Dec. 31, 1982
<b>Fixed Assets and Investments</b>								
<b>A. Property, Plant, Equipment and Intangible Assets</b>								
Real estate and land rights								
with office, factory and other buildings	3,693,565	—	242,946	40,847	172,262	310,943	3,756,983	3,693,565
with residential buildings	373,770	—	5,442	5,063	(1,522)	16,302	356,325	373,770
without buildings	168,000	—	12,605	6,173	(14,739)	2,981	156,712	168,000
Buildings on leased real estate	64,724	—	3,880	274	(483)	9,114	58,733	64,724
Machinery and fixtures	2,047,465	—	841,847	21,810	206,454	1,063,648	2,010,308	2,047,465
Plant and office equipment	3,534,880	22,392	2,688,112	466,130	427,497	1,989,644	4,217,107	3,534,880
Construction in progress and advance payments on fixed assets	1,589,140	—	972,096	472,773	(790,286)	57,548	1,240,629	1,589,140
Trademarks and the like	2,530	—	1,805	—	817	1,090	4,062	2,530
	11,474,074	22,392	4,768,733	1,013,070	—	3,451,270	11,800,859	11,474,074
<b>B. Investments</b>								
Investments in subsidiaries and affiliates	75,296	—	9,983	2,383	—	5,230	77,666	75,296
Other investment securities	27,473	—	222	7,281	4,715	832	24,297	27,473
Loans receivable with an initial term of four years or longer	209,004	—	46,516	20,043 <sup>2)</sup>	—	9,442	226,035	209,004
Par value at Dec. 31, 1983	304,034							
of which secured by mortgages	99,527							
loans in accordance with § 89 AktG	4,187							
loans in accordance with § 115 AktG	182							
Other investments	17,336	—	9,468	70	(4,715)	4,802	17,217	17,336
	329,109	—	66,189	29,777	—	20,306	345,215	329,109
	11,803,183	22,392	4,834,922	1,042,847	—	3,471,576	12,146,074	11,803,183
<b>C. Adjustment Items Arising from Initial Consolidation</b>							119,170	120,049
							12,265,244	11,923,232
<b>Current Assets</b>								
<b>A. Inventories</b>							5,845,491	5,649,243
<b>B. Other Current Assets</b>								
Advance payments to suppliers							32,372	14,525
Trade accounts receivable							1,734,318	1,419,485
of which amounts due in more than one year		67,570						
Trade acceptances							145,144	137,328
of which acceptances discountable at German Federal Bank		1,101						
Cheques on hand							20,955	22,947
Cash on hand, deposits at the German Federal Bank and in postal checking accounts							6,098	7,349
Cash in banks							1,643,150	1,785,049
Securities							2,507,204	1,269,084
Treasury stock (par value at Dec. 31, 1983: 15,060)							21,235	21,235
Receivables from subsidiaries and affiliates							10,237	1,655
of which amounts for goods and services rendered		5,368						
Loans receivable in accordance with § 89 AktG							—	717
Miscellaneous other current assets							4,251,797	3,333,733
							10,372,510	8,013,107
							16,218,001	13,662,350
<b>Prepaid and Deferred Expenses</b>							316,790	343,455
<b>Loss after Change in Reserves and Minority Interest</b>							58,762	—
							28,858,797	25,929,037

## Stockholders' Equity and Liabilities

	Dec. 31, 1983	Dec. 31, 1982
<b>Capital Stock of Volkswagenwerk AG</b>	1,200,000	1,200,000
<b>Consolidated Reserves</b>		
Reserve from capital stock surplus <sup>1)</sup>	190,809	571,788
Reserve of the Group arising from earnings <sup>1)</sup>	4,826,678	4,144,869
Adjustment items arising from initial consolidation	37,880	37,367
	5,055,367	4,754,024
<b>Minority Interest in Consolidated Subsidiaries</b>	283,759	225,469
in net earnings	2,921	—
in loss	87,632	—
<b>Reserves for Special Purposes</b>		
Reserve in accordance with § 52 subsection 5 of the Income Tax Act	181,411	199,574
Reserve for investment in developing countries in accordance with § 1 of the Developing Countries Tax Act	115,308	137,512
Reserve in accordance with section 34 of the Income Tax Guidelines	65,102	—
Reserves in accordance with French legislation	48,126	2,131
Reserve in accordance with § 3 of the Foreign Investment Act	8,509	—
Reserve in accordance with § 1 of the Foreign Investment Act	5,789	7,236
Reserve in accordance with § 6b of the Income Tax Act	2,870	3,240
	427,115	349,693
<b>Allowance for Doubtful Trade Acceptances and Accounts</b>	45,005	35,884
<b>Undetermined Liabilities</b>		
Old-age pensions	4,235,067	3,625,851
Other undetermined liabilities		
Maintenance not performed during current year	16,543	10,940
Warranties without legal obligation	15,154	14,476
Other	5,368,312	4,352,650
	9,635,076	8,003,917
<b>Liabilities with an Initial Term of Four Years or Longer</b>		
Loans		
of which secured by mortgages	120,000	506,475
Due to banks	1,010,728	702,730
of which secured by mortgages	242,322	—
Other liabilities	271,940	241,397
of which secured by mortgages	77,637	—
	2,011,238	1,450,602
Of which amounts due within four years	728,437	—
<b>Other Liabilities</b>		
Trade accounts payable	2,680,693	2,672,237
Liabilities resulting from the acceptance of bills drawn and the issuing of promissory notes	778,537	786,169
Due to banks	4,839,521	4,608,492
Advance payments from customers	81,530	63,467
Accounts payable to subsidiaries and affiliates	62	96
of which trade accounts payable	20	—
Miscellaneous other liabilities	1,641,156	1,673,848
	10,021,499	9,804,309
<b>Deferred Income</b>	179,738	66,812
<b>Net Earnings Available for Distribution</b>	—	38,327
Contingent liabilities with respect to trade acceptances	616,549	—
Contingent liabilities with respect to guaranty obligations	173,675	—
Contingent liabilities with respect to warranties	2,906	—
Other contingent liabilities	47,399	—
	28,858,797	25,929,037

<sup>1)</sup> These items include the legal reserve of the Volkswagenwerk AG in the amount of 843,387 thousand DM.<sup>2)</sup> Offset with foreign exchange adjustments in the amount of 8,533 thousand DM.<sup>3)</sup> Amounts brought forward of companies consolidated for the first time.



## Consolidated Statement of Earnings of the Volkswagen Group

Year ended December 31, 1983

Thousand DM

	1983	1982
<b>Sales</b>	<b>40,088,871</b>	<b>37,434,009</b>
Increase (Decrease) in inventories	76,526	(141,685)
	40,165,397	37,292,324
Material, wages and overhead capitalized as additions to plant and equipment	514,539	737,383
<b>Gross Performance</b>	<b>40,679,936</b>	<b>38,029,707</b>
Expenditures for raw materials, supplies and other materials	20,851,808	19,573,340
<b>Excess of Gross Performance over Expenditures for Raw Materials, etc.</b>	<b>19,828,128</b>	<b>18,456,367</b>
Income from profit and loss assumption agreements	—	59
Income from investments in subsidiaries and affiliates	49,225	36,216
Income from other financial investments	16,104	14,620
Other interest and similar income	961,630	1,113,259
Gains from disposal of fixed assets and investments and write-ups	184,305	186,265
Income from elimination of reserves for undetermined liabilities no longer required	185,821	382,303
Income from elimination of reserves for special purposes no longer required	43,825	162,192
Other income	1,393,014	1,292,641
of which extraordinary income	255,712	—
	<b>2,833,924</b>	<b>3,187,555</b>
	<b>22,662,052</b>	<b>21,643,922</b>
Wages and salaries	9,959,170	9,900,172
Social expenditures – compulsory	1,569,086	1,582,218
Pension expenditures and voluntary payments	842,300	586,269
Depreciation of fixed assets and intangibles	3,451,270	3,002,576
Write-down of financial investments (in 1983 including write-down of consolidated subsidiaries in the amount of 217 million DM)	237,306	35,693
Write-down of other current assets and provision for doubtful trade acceptances and accounts	190,136	79,763
Losses on disposal of fixed assets and investments	85,827	83,254
Interest and similar charges	1,447,603	1,422,684
Taxes		
a) on income, earnings and property	494,088	457,827
b) other	86,286	85,170
	580,374	542,997
Expenses under profit and loss assumption agreements	20	—
Additions to reserves for special purposes	74,285	201,859
Other expenses	4,439,877	4,506,555
	<b>22,877,254</b>	<b>21,944,040</b>
<b>(Loss)</b>	<b>(215,202)</b>	<b>(300,118)</b>
Volkswagenwerk AG's net earnings brought forward	26,350	5,276
	(188,852)	(294,842)
Change in consolidated reserves		
Transferred from reserves	94,487	265,695
Transferred to reserves	49,108	—
	45,379	265,695
Minority interest in net earnings of consolidated subsidiaries	2,921	2,748
Minority interest in losses of consolidated subsidiaries	87,632	70,222
<b>(Loss after Change in Reserves and Minority Interest) Net Earnings Available for Distribution</b>	<b>(58,762)</b>	<b>38,327</b>

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

Hanover, March 27, 1984

**TREUARBEIT Aktiengesellschaft**  
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Prof. Dr. Forster  
Wirtschaftsprüfer  
(independent auditors)

Siepe  
Wirtschaftsprüfer

Wolfsburg, March 27, 1984

**Volkswagenwerk Aktiengesellschaft**

The Board of Management



# Volkswagenwerk AG

## Balance Sheet December 31, 1983

## Assets

	Jan. 1, 1983	Additions	Disposals	Transfers	Depreciation	Dec. 31, 1983	Dec. 31, 1982
	DM	DM	DM	DM	DM	DM	Thousand DM
<b>Fixed Assets and Investments</b>							
<b>A. Property, Plant and Equipment</b>							
Real estate and land rights							
with office, factory and other buildings	1,480,630,180	123,138,644	11,446,598	66,049,588	161,606,504	1,496,765,310	1,480,630,180
with residential buildings	10,882,388	368,180	31,394	(1,983,265)	277,805	8,958,104	10,882,388
without buildings	40,777,710	1,178,353	392,833	(46,018)	1,083,973	40,433,239	40,777,710
Buildings on leased real estate	27,828,721	607,078	8,841	(980,311)	6,068,502	21,378,145	27,828,721
Machinery and fixtures	522,546,471	560,038,111	9,892,245	51,311,464	586,976,186	537,027,615	522,546,471
Plant and office equipment	939,163,848	618,745,564	3,258,622	166,330,614	530,814,713	1,190,166,691	939,163,848
Construction in progress	288,866,949	156,838,945	21,393,216	(235,819,943)	18,400,000	170,092,735	288,866,949
Advance payments on fixed assets	46,807,841	19,105,037	1,494,378	(44,862,129)	5,100,000	14,456,371	46,807,841
	3,357,504,108	1,480,019,912	47,918,127	-	1,310,327,683	3,479,278,210	3,357,504,108
<b>B. Investments</b>							
Investments in subsidiaries and affiliates	1,825,417,911	920,766,208	8,638,209	-	739,081,791	1,998,464,119	1,825,417,911
Other investment securities	1	-	1	-	-	-	-
Loans receivable with an initial term of four years or longer	136,545,620	42,969,525	23,719,068	-	14,823,837	140,972,240	136,545,620
Par value at Dec. 31, 1983							
DM 253,558,513							
of which secured by mortgages							
DM 91,808,567							
to subsidiaries and affiliates							
DM 63,470,688							
loans in accordance with § 89 AktG							
DM 1,296,479							
loans in accordance with § 115 AktG							
DM 163,475							
	1,961,963,532	963,735,733	32,357,278	-	753,905,628	2,139,436,359	1,961,963,532
	5,319,467,640	2,443,755,645	80,275,405	-	2,064,233,311	5,618,714,569	5,319,467,640
<b>Current Assets</b>							
<b>A. Inventories</b>							
Raw materials and supplies						551,509,252	468,619
Work in progress						852,990,506	810,422
Finished products and bought-in goods						753,764,909	584,188
						2,158,264,667	1,863,229
<b>B. Other Current Assets</b>							
Advance payments to suppliers						3,628,153	5,108
Trade accounts receivable						462,682,035	404,988
of which amounts due in more than one year	DM	-					
Trade acceptances						8,981,749	8,407
of which acceptances discountable at German Federal Bank	DM	-					
Cash on hand and deposits in postal checking accounts						1,632,978	989
Cash in banks						870,982,795	1,164,091
Securities						2,073,499,371	1,134,916
Treasury stock (par value at Dec. 31, 1983: DM 15,060,300)						21,234,776	21,235
Receivables from subsidiaries and affiliates						3,054,833,158	2,533,378
Miscellaneous other current assets						259,094,701	503,714
						6,756,569,716	5,776,826
						8,914,834,383	7,640,055
<b>Prepaid and Deferred Expenses</b>							
						418,373	259
<b>Loss after Earnings Brought Forward</b>							
						58,761,995	-
						14,592,729,320	12,959,782

## Stockholders' Equity and Liabilities

	Dec. 31, 1983	Dec. 31, 1982
	DM	Thousand DM
<b>Capital Stock</b>		
	1,200,000,000	1,200,000,000
<b>Reserves</b>		
Legal reserve	843,387,000	843,387,000
Reserve for treasury stock	21,234,776	21,235
Other reserves	1,855,179,345	1,855,179,345
	2,719,801,121	2,719,801,121
<b>Reserves for Special Purposes</b>		
Reserve in accordance with § 52 subsection 5 of the Income Tax Act	156,800,000	172,500
Reserve for investments in developing countries in accordance with § 1 of the Developing Countries Tax Act	115,307,608	137,512
Reserve in accordance with §§ 1 and 3 of the Foreign Investment Act	14,297,749	100,924
Reserve in accordance with § 6 b of the Income Tax Act	344,296	624
	286,749,653	411,560
<b>Allowance for Doubtful Trade Acceptances and Accounts</b>		
	4,663,000	4,101
<b>Undetermined Liabilities</b>		
Old-age pensions	3,438,570,000	2,954,000
Other undetermined liabilities		
Maintenance not performed during current year	6,700,000	6,300
Warranties without legal obligation	7,100,000	8,200
Other	4,016,031,026	3,146,500
	7,468,401,026	6,115,000
<b>Liabilities with an Initial Term of Four Years or Longer</b>		
Loans	120,000,000	150,000
of which secured by mortgages	DM -	-
Due to banks	22,881,535	25,000
of which secured by mortgages	DM 5,000,000	5,000,000
Other liabilities	200,121,236	129
of which amounts due to a subsidiary	DM 200,000,000	200,000,000
Of which amounts due within four years	DM 142,914,327	142,914,327
	343,002,771	175,129
<b>Other Liabilities</b>		
Trade accounts payable	1,256,577,312	1,121,628
Due to banks	306,827,245	141,576
Advance payments from customers	33,978,651	24,664
Accounts payable to subsidiaries and affiliates	121,883,601	138,075
Miscellaneous other liabilities	850,438,322	869,556
	2,569,705,131	2,295,499
<b>Deferred Income</b>		
	406,618	365
<b>Net Earnings Available for Distribution</b>		
	-	38,327
Contingent liabilities with respect to trade acceptances	DM 1,029,833,000	
Contingent liabilities with respect to guaranty obligations	DM 2,855,694,410	
Contingent liabilities with respect to warranties	DM 579,426,020	
	14,592,729,320	12,959,782



# Statement of Earnings of Volkswagenwerk AG

Year ended December 31, 1983

	DM	1983 DM	1982 Thousand DM
<b>Sales</b>		<b>29,186,987,117</b>	<b>27,027,742</b>
Increase (Decrease) in inventories		187,088,011	166,962
Material, wages and overhead capitalized as additions to plant and equipment		29,374,075,128	26,960,780
		223,043,504	287,628
<b>Gross Performance</b>		<b>29,597,118,632</b>	<b>27,248,408</b>
Expenditures for raw materials, supplies and other materials		19,566,601,852	17,487,536
<b>Excess of Gross Performance over Expenditures for Raw Materials, etc.</b>		<b>10,030,516,780</b>	<b>9,760,872</b>
Income from profit and loss assumption agreements		193,336,967	97,042
Income from investments in subsidiaries and affiliates		196,560,744	235,588
Income from other financial investments		4,678,526	3,056
Other interest and similar income		310,335,851	433,823
Gains from disposal of fixed assets and investments		22,661,639	23,422
Income from reduction of allowance for doubtful trade acceptances and accounts		-	29
Income from elimination of reserves for undetermined liabilities no longer required		30,371,452	201,218
Income from elimination of reserves for special purposes no longer required		124,810,242	52,700
Other income		974,915,815	682,056
of which extraordinary income	95,899,529		
		<b>1,857,671,236</b>	<b>1,728,934</b>
		<b>11,888,188,016</b>	<b>11,489,806</b>
Wages and salaries		5,863,735,293	5,556,163
Social expenditures - compulsory		878,754,405	836,772
Pension expenditures and voluntary payments		581,428,179	391,006
Depreciation of fixed assets		1,310,327,683	1,330,683
Write-down of financial investments		753,905,628	571,618
Write-down of other current assets and provision for doubtful trade acceptances and accounts		66,976,489	60,648
Losses on disposal of fixed assets and investments		7,961,924	3,161
Interest and similar charges		48,954,202	44,271
Taxes			
a) on income, earnings and property	323,290,462		333,368
b) other	3,345,105		2,400
Expenses under profit and loss assumption agreements		326,635,567	335,768
Additions to reserves for special purposes		97,842,676	140,795
Other expenses		-	172,500
		<b>2,036,777,990</b>	<b>2,013,370</b>
		<b>11,973,300,036</b>	<b>11,456,755</b>
<b>(Loss) Net Earnings</b>		<b>(85,112,020)</b>	<b>33,051</b>
Net earnings brought forward from previous year		26,350,025	5,276
<b>(Loss after Earnings Brought Forward) Net Earnings Available for Distribution</b>		<b>(58,761,995)</b>	<b>38,327</b>

During 1983 pension payments amounted to DM 92,986,479; payments during the next five years will be approximately 110, 124, 130, 133, 138 % 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 27, 1984

Volkswagenwerk Aktiengesellschaft

The Board of Management

Hanover, March 27, 1984

TREUARBEIT Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Prof. Dr. Forster  
Wirtschaftsprüfer

(independent auditors)

Siepe  
Wirtschaftsprüfer



**The Volkswagen Group  
in Figures  
1974 – 1983**

1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	
16,966	18,857	21,423	24,152	26,724	30,707	33,288	37,878	37,434	40,089	Sales (million DM)
0	11	14	13	11	15	8	14	(1)	7	Increase (Decrease) on previous year in %
5,161	6,552	8,068	9,714	11,229	12,499	11,850	12,064	12,027	14,453	Domestic
11,805	12,305	13,355	14,438	15,495	18,208	21,438	25,814	25,407	25,636	Abroad
8,547	7,142	8,744	9,914	10,932	12,337	14,102	14,957	15,733	15,460	Export of domestic Group companies
3,826	5,798	5,570	5,634	5,970	7,398	8,733	12,398	11,346	11,812	Net contribution of foreign Group companies
2,052	2,038	2,142	2,240	2,393	2,539	2,495	2,279	2,120	2,127	Vehicle Sales (thousand units)
(10)	(1)	5	5	7	6	(2)	(9)	(7)	0	Increase (Decrease) on previous year in %
548	626	726	811	895	901	788	738	672	750	Domestic
1,504	1,412	1,416	1,429	1,498	1,638	1,707	1,541	1,448	1,377	Abroad
2,068	1,949	2,166	2,219	2,385	2,542	2,574	2,246	2,130	2,116	Production (thousand units)
(11)	(6)	11	2	7	7	1	(13)	(5)	(1)	Increase (Decrease) on previous year in %
1,359	1,229	1,436	1,561	1,569	1,558	1,499	1,410	1,381	1,413	Domestic
709	720	730	658	816	984	1,075	836	749	703	Abroad
204	177	183	192	207	240	258	247	239	232	Workforce at year end (thousand employees)
(5)	(13)	4	5	8	16	8	(4)	(3)	(3)	Increase (Decrease) on previous year in %
142	118	124	133	139	157	159	160	158	156	Domestic
62	59	59	59	68	83	99	87	81	76	Abroad
1,902	941	1,141	1,697	1,990	3,100	4,279	4,851	4,892	4,858	Capital Investments (million DM)
22	(5)	21	49	17	56	38	13	1	(1)	Increase (Decrease) on previous year in %
1,313	594	657	969	1,559	2,374	3,163	3,089	3,654	3,476	Domestic
589	347	484	728	431	726	1,116	1,762	1,238	1,382	Abroad
618	1,320	3,055	2,488	2,609	2,993	3,141	3,936	3,452	5,207	Cash Flow (million DM)
(63)	114	131	(19)	5	15	5	25	(12)	51	Increase (Decrease) on previous year in %
(807)	(157)	1,004 <sup>1)</sup>	419	574	667	321	136	(300)	(215)	Net Earnings (Loss) (million DM)
–	–	90	144 <sup>2)</sup>	189	240	192	120	–	–	Dividend of Volkswagenwerk AG (million DM)

<sup>1)</sup> Not comparable with other years  
because of loss brought forward

<sup>2)</sup> Incl. bonus



# The Volkswagen Group in Figures 1974 - 1983

1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	In (Decrease) 1983/82 in %	
<b>Balance Sheet (Structure)</b> (million DM) December 31											
<b>Assets</b>											
6,263	5,810	5,474	5,425	5,903	6,648	8,326	10,205	11,474	11,801	2.8	Property, plant and equipment
636	524	560	530	410	726	839	414	449	464	3.4	Investments
6,899	6,334	6,034	5,955	6,313	7,374	9,165	10,619	11,923	12,265	2.9	<b>Fixed Assets and Investments</b>
											Inventories and advance payments to suppliers <sup>1)</sup>
4,117	2,949	3,267	3,180	3,491	4,400	6,073	5,996	5,662	5,878	3.8	
1,954	2,019	2,098	1,992	2,996	4,000	4,437	4,771	5,065	6,269	23.8	Receivables and the like <sup>1)</sup>
472	1,619	2,888	3,837	4,364	4,781	3,971	2,822	1,953	1,815	(7.0)	Liquid funds, trade acceptances
54	48	173	560	1,016	1,123	1,151	1,129	1,290	2,528	96.0	Securities, treasury stock
6,597	6,635	8,426	9,569	11,867	14,304	15,632	14,718	13,970	16,490	18.0	<b>Current Assets</b>
13,496	12,969	14,460	15,524	18,180	21,678	24,797	25,337	25,893	28,755	11.1	<b>Total Assets</b>
<b>Stockholders' Equity and Liabilities</b>											
900	900	900	900	1,200	1,200	1,200	1,200	1,200	1,200	-	Capital stock
2,170	2,032	2,903	3,161	4,224	4,625	4,757	4,990	4,911	5,227	6.4	Reserves of the Group <sup>2)</sup>
188	186	198	199	192	373	205	198	223	281	26.1	Minority interest in consolidated subsidiaries <sup>3)</sup>
3,258	3,118	4,001	4,260	5,616	6,198	6,162	6,388	6,334	6,708	5.9	<b>Stockholders' Equity</b>
											Undetermined liabilities in respect of old-age pensions
1,035	1,143	1,754	2,048	2,341	2,749	3,107	3,475	3,626	4,235	16.8	
1,507	1,740	2,109	2,200	3,244	4,152	4,326	4,232	4,570	5,597	22.5	Other undetermined liabilities <sup>4)</sup>
2,542	2,883	3,863	4,248	5,585	6,901	7,433	7,707	8,196	9,832	20.0	<b>Undetermined Liabilities</b>
											Liabilities payable within
1,452	1,595	1,322	1,450	1,284	1,273	1,161	1,053	847	1,283	51.6	more than 4 years
581	666	952	1,032	708	457	466	712	990	1,004	1.4	1 to 4 years
5,654	4,705	4,220	4,355	4,776	6,592	9,378	9,351	9,485	9,925	4.6	up to 1 year
7,687	6,966	6,494	6,837	6,768	8,322	11,005	11,116	11,322	12,212	7.9	<b>Liabilities</b>
											Net earnings available for distribution (Volkswagenwerk AG) <sup>6)</sup>
-	-	90	173 <sup>5)</sup>	189	240	193	124	38	-	x	
9	2	12	6	22	17	4	2	3	3	6.3	Minority interest in earnings to be distributed
10,238	9,851	10,459	11,264	12,564	15,480	18,635	18,949	19,559	22,047	12.7	<b>Outside Capital</b>
13,496	12,969	14,460	15,524	18,180	21,678	24,797	25,337	25,893	28,755	11.1	<b>Total Capital</b>
<b>Statement of Earnings (Condensed)</b> (million DM) January - December											
17,711	18,351	22,029	24,503	27,285	31,638	34,989	38,197	38,030	40,680	7.0	Gross performance
10,068	10,066	11,598	12,746	14,099	15,835	18,238	19,752	19,573	20,852	6.5	Cost of materials
5,718	5,550	6,413	6,810	7,656	9,113	10,782	11,779	12,069	12,371	2.5	Labour cost
1,148	1,246	1,263	1,600	1,456	1,696	2,102	2,934	3,038	3,689	21.4	Depreciation and write-down
305	404	486	1,503	1,692	2,081	1,400	848	543	580	6.9	Taxes
241	347	438	1,454	1,624	2,004	1,329	772	458	494	7.9	on income, earnings and property
1,279	1,242	1,265	1,425	1,808	2,246	2,146	2,748	3,107	3,403	9.6	Sundry expenses less sundry income
(807)	(157)	1,004 <sup>7)</sup>	419	574	667	321	136	(300)	(215)	28.3	Net earnings (Loss)
(262)	(14)	211	248	366	443	121	104	(266)	(45)	82.9	Increase (Decrease) in reserves

<sup>1)</sup> 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.)

<sup>2)</sup> Including stockholders' equity in reserves for special purposes and reduced by the loss as shown in the balance sheet of Volkswagenwerk AG

<sup>3)</sup> Excluding shares in net earnings to be distributed

<sup>4)</sup> Including outside capital in reserves for special purposes

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

<sup>6)</sup> Up to 1976 only amounts intended for distribution

<sup>7)</sup> Not comparable with other years because of loss brought forward







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