

NOTE

Not to be published before
September 1st, 1960

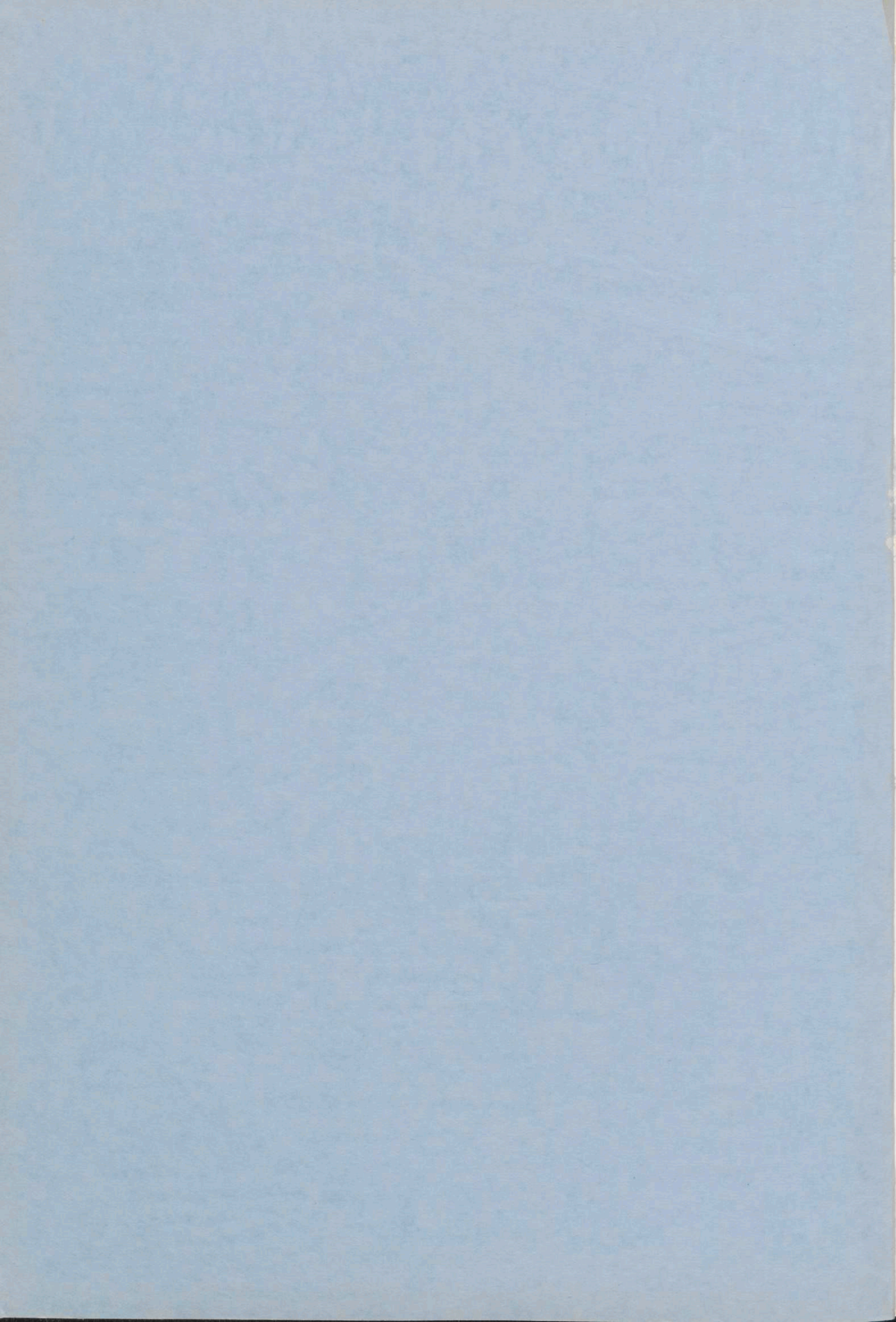


VOLKSWAGENWERK GMBH

WOLFSBURG

ANNUAL REPORT

for 1959



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for 1959

VOLKSWAGENWERK GMBH
WOLFSBURG

Mr. Eduard Winter,

the owner of our Berlin distributorship, died on July 17th, 1959
after a short illness at the age of 73.

He was for many years a member of our Board of Directors
and the dean of the German sales and service organisation.

We benefited greatly from Mr. Winter's wide experience and
valuable advice. He took a deep and active interest in the
development of our company. Mr. Winter will always have a
specially warm place in our memories.

Board of Directors and Management

of

Volkswagenwerk GmbH

BOARD OF DIRECTORS (Aufsichtsrat)

Dr. Hans Busch, Ministerial Secretary, Bonn, chairman
Dr. Josef Rust, General Manager, Kassel, vice-chairman
Dr. Paul H ü c h t i n g, Ministerial Secretary, Hanover, vice-chairman
Mr. Hugo Bork, Wolfsburg
Mr. Otto Brenner, Frankfurt
Mr. Siegfried Ehlers, Wolfsburg
Otto Fricke, LL. D., Goslar
Mr. Carlo Graaff, Minister, Hanover (since September 17, 1959)
Mr. Hans Grimm, Wolfsburg
Mr. Walter Haefner, Zurich
Mr. Rudolf Heinrich, Hanover
Prof. Karl-Maria Hettlage, Ministerial Secretary, Bonn
Mr. Waldemar Guido Koch, Bremen (since October 23, 1959)
Dr. Friedrich Krämer, Hanover
Dr. Werner Kuhne, formerly Ministerial Secretary, Hanover (until September 17, 1959)
Dr. Hermann Richter, Düsseldorf
Mr. Eduard Winter, Berlin (deceased July 17, 1959)

MANAGEMENT

Prof. Heinrich Nordhoff, D. Eng. h. c., Wolfsburg
Mr. Oskar W. Jensen, Wolfsburg (until January 31, 1960)
Mr. Wilhelm Steinmeier, Wolfsburg, alternate

M A N A G E M E N T R E P O R T

PRODUCTION

In 1959 the automobile production in the major manufacturing countries of the western world showed a general increase as against the fluctuations in 1958.

The rather severe set-back of the previous year could be overcome in the United States, and in the European countries the fluctuations in the automotive industry were followed by a more steady development.

The German automotive industry once again made an important contribution to the economy of the German Federal Republic. 1,718,566 cars were produced, that is 223,310 or 14.9 % more than in 1958.

Through increased productive capacity Volkswagenwerk attained an exceptional increase of 143,461 vehicles or 25.9 %. Thus its share in total West German production increased from 37.0 % to 40.5 %.

Production figures were:	1959	1958	% Gain
Passenger cars	575,407	451,526	27.4
Transporters	121,453	101,873	19.2
	696,860	553,399	25.9

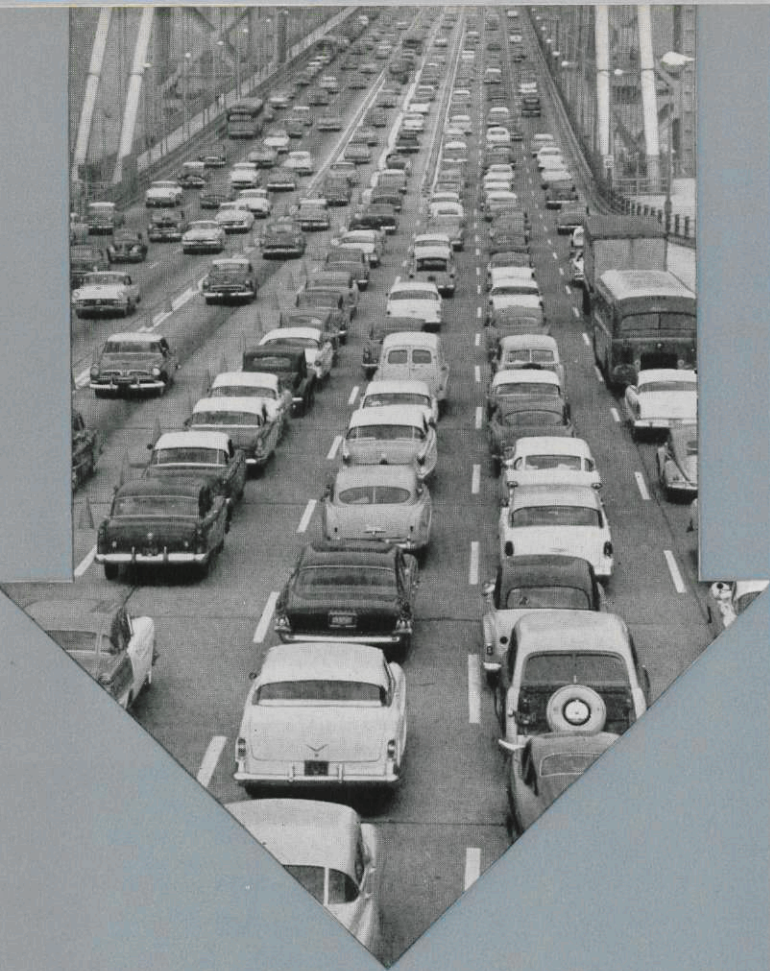
Furthermore Volkswagen do Brasil S. A. produced 8,383 transporters as against 3,689 in the previous year. At first we supplied complete assemblies, later on, however, only CKD parts. During 1959 the output of Volkswagenwerk per working day increased by 736 to 3,136 vehicles. Spare parts production advanced correspondingly.

While production increased, the quality of our products was improved by systematic refinement of production and inspection methods. The road safety and the comfort of the Volkswagen, its real value to the user and its service life have further been improved by mechanical and structural refinements in passenger cars and transporters.

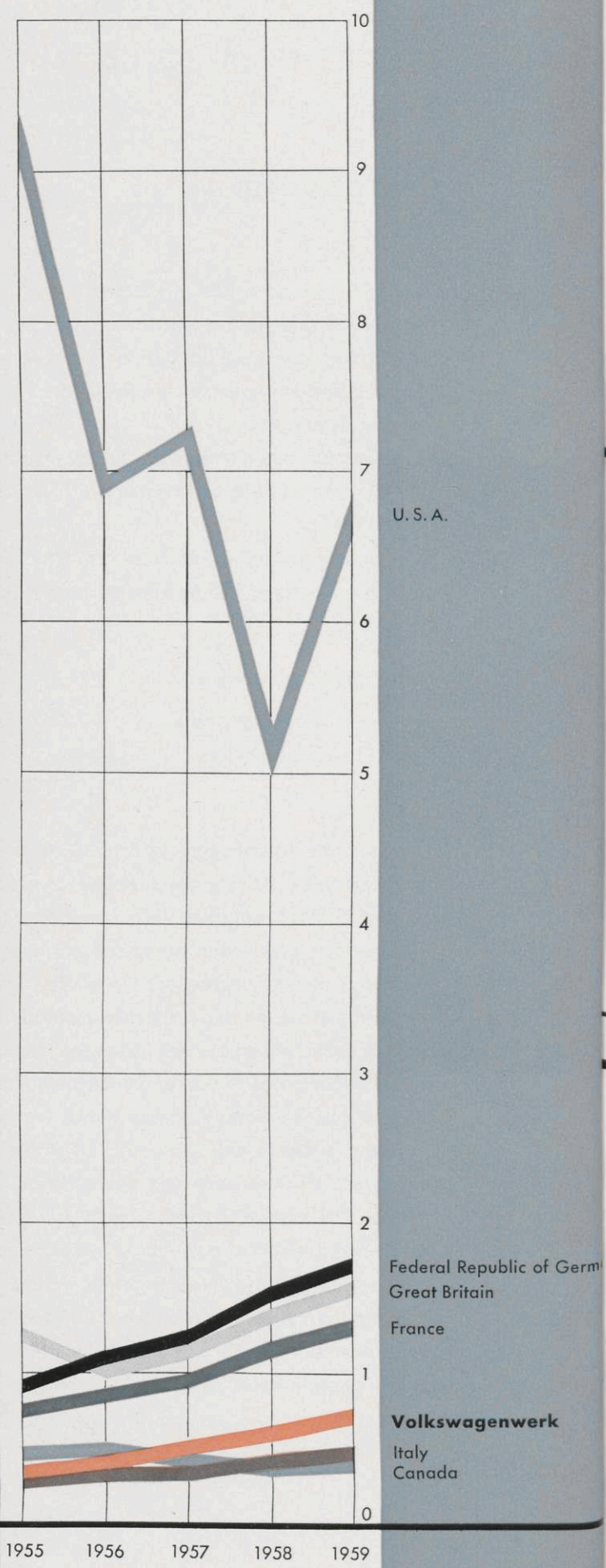
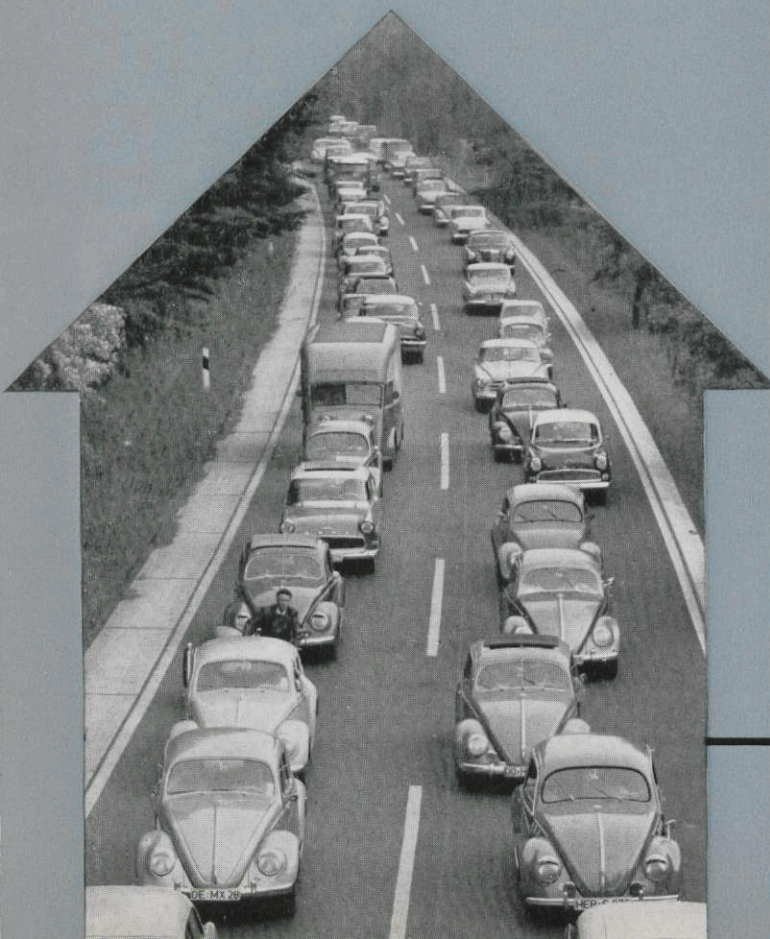
The supply of material to our plants was adequate throughout the year. The level of prices for raw material was disturbed by some rising world market prices at year's end without, however, seriously affecting the situation which on the whole could be considered as very steady. We intensified purchasing from suppliers in the European countries and overseas.

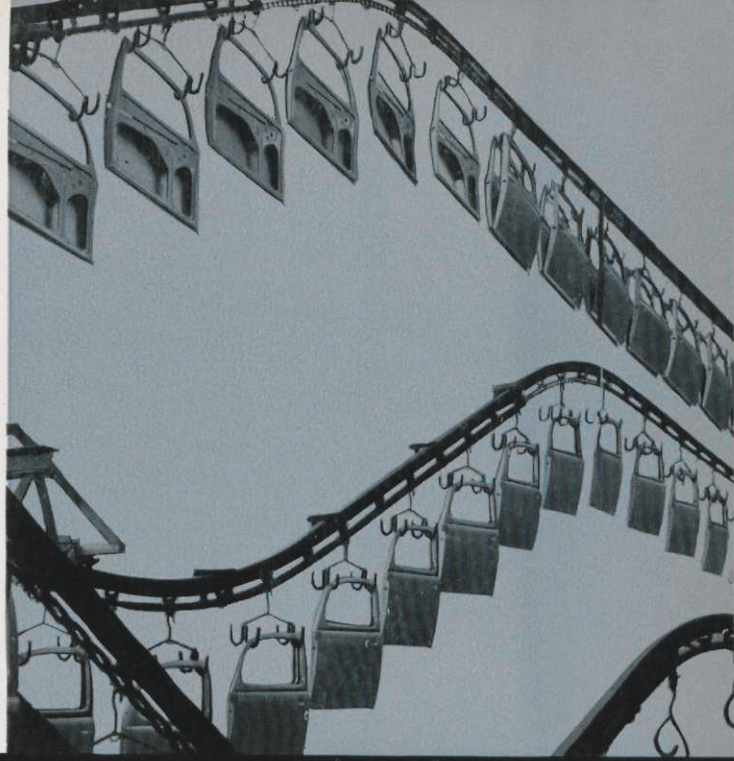
West Berlin received even larger orders than in the past.

In August 1959 the three millionth Volkswagen came off the assembly line. This figure also includes the transporter production which in September 1959 reached five hundred thousand units. On December 7, 1959 a fire broke out in the transmission shop of Volkswagenwerk, but thanks to the many helpers who fought it the vehicle production was not interrupted.



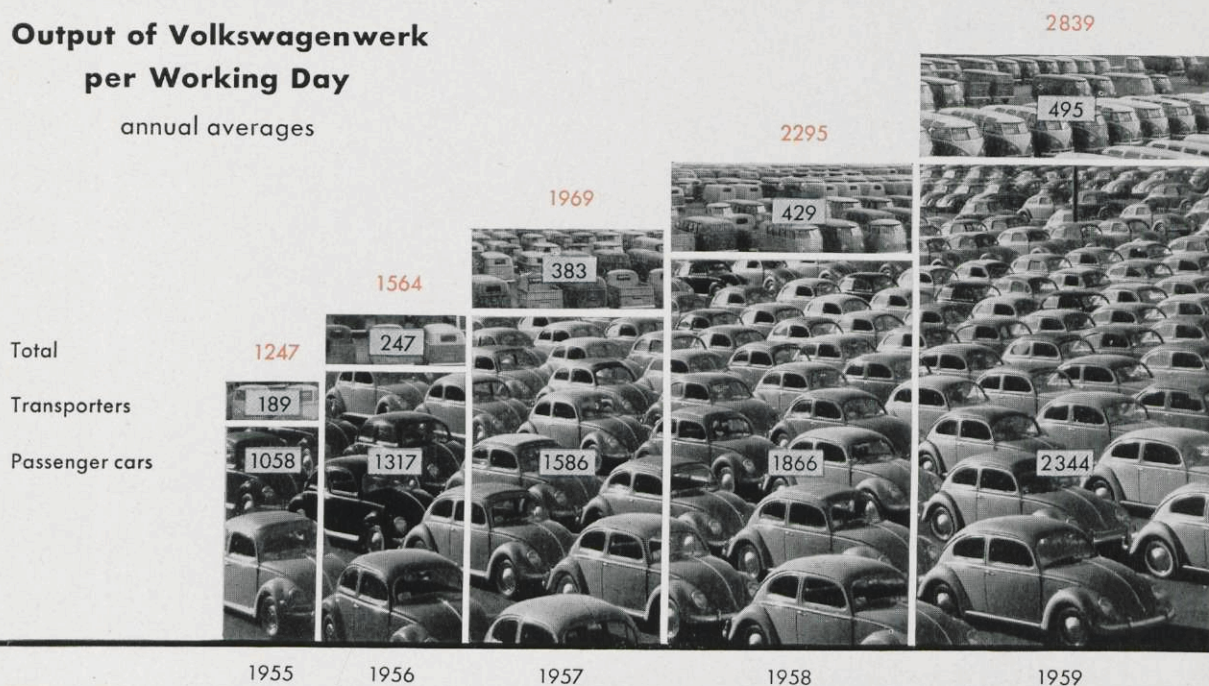
**Automobile Output
of major producing countries and
of the Volkswagenwerk**
in Units of 1 000 000





Output of Volkswagenwerk per Working Day

annual averages



CAPITAL INVESTMENTS

The extensive program to expand and further improve efficiency of passenger car production was continued during the year.

In 1959 additions to investments in physical assets were DM 444 million.

This was divided as follows:

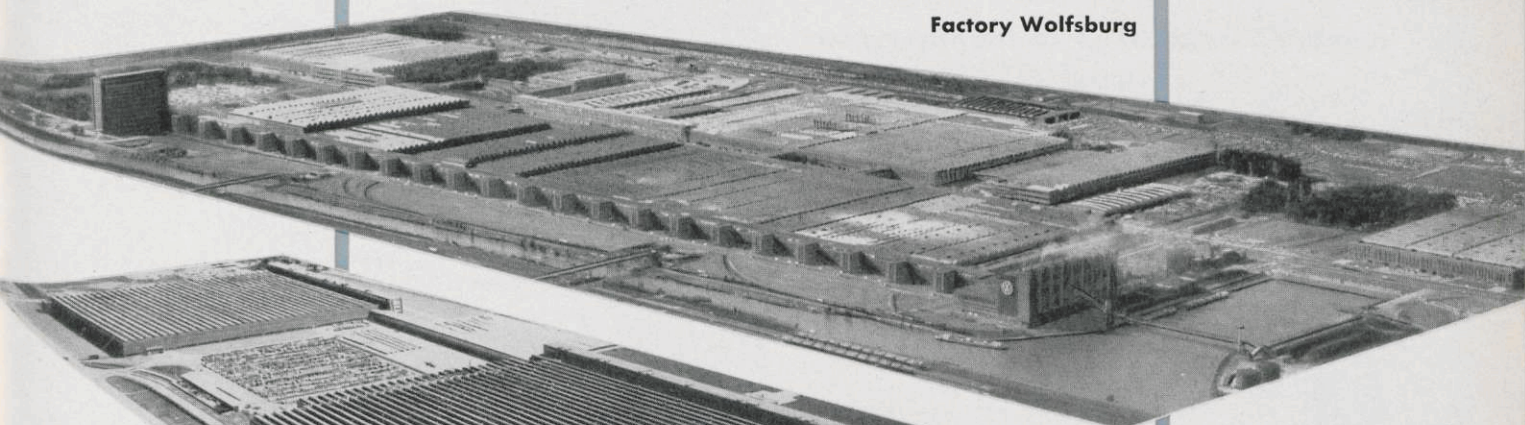
Wolfsburg factory	DM 270 million
Hanover plant	DM 112 million
Kassel plant	DM 47 million
Brunswick plant	DM 15 million.

Thus the total investments made since the currency reform, including plants under construction and advances paid reached about DM 1.6 billion.

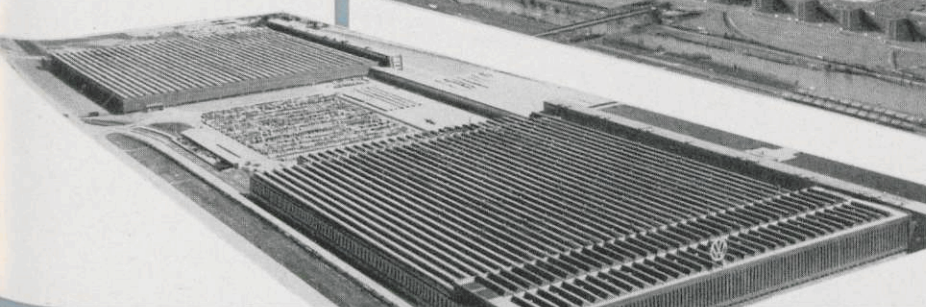
In line with an extensive decentralisation program the complete engine production with an output of 4,000 engines per working day was transferred to the Hanover plant during the year. The preparations for moving the entire transmission production to our Kassel plant are well under way.

New machines were purchased in order to keep up with technological advances.

Of the construction projects commenced in the previous year a new toolmaking building and enlargements of the paint and press shops and assembly halls were completed at the Wolfsburg factory. At the Hanover plant, enlargements of the press shop and of the heat and power plant were carried out. The construction of a large hall of 1,400,000 sq. ft. for the transmission production at Kassel plant and the enlargement of a hall for the transporter assembly at Hanover plant to the extent of 387,000 sq. ft. were started.



Factory Wolfsburg



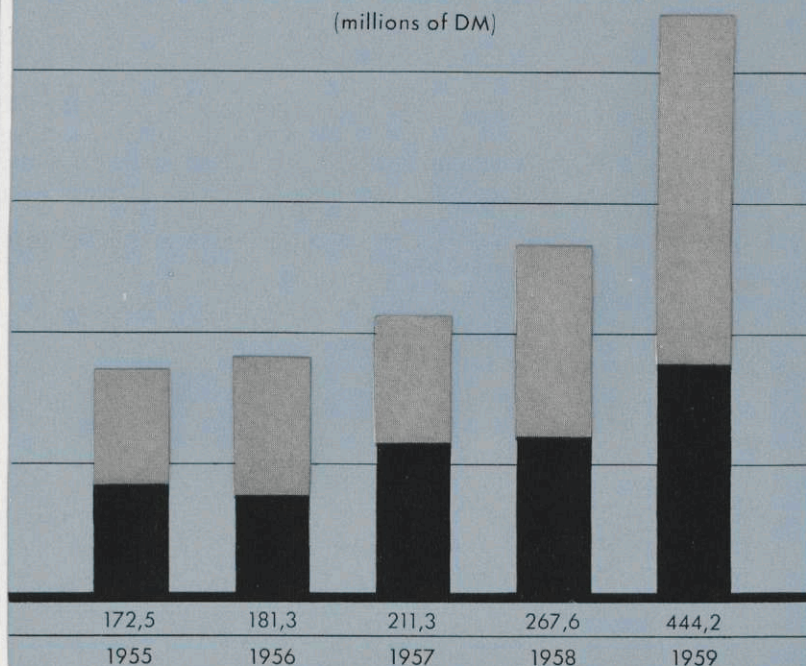
Plant Hanover

Additions to Fixed Investment (millions of DM)

movable investment

Fixed investment

Additions



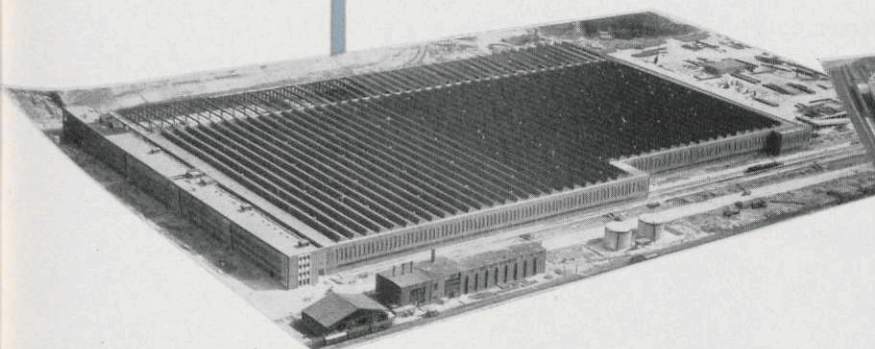
Total, 1948 to 1959:

Additions 1542,5

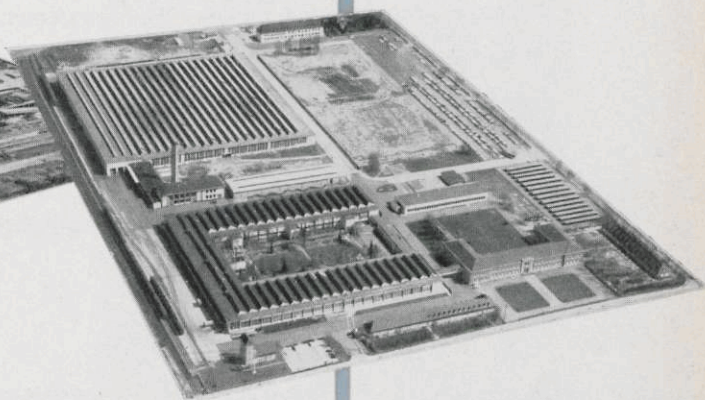
Depreciation

after deduction of writing up

in 1959 **712,8**



Plant Kassel



Plant Brunswick

SALES

In 1959 the volume of business of our company exceeded DM three billion for the first time. Together with our foreign affiliates a consolidated volume in the automotive field of about DM 3.5 billion was reached by us. This corresponds to an increase of 30.4 % as against the previous year.

The sales situation continued good during the whole year. Despite substantially increased production it was not possible to satisfy the demand in the report year, either at home or abroad. Selling prices remained unchanged in 1959. There have been slight alterations in price in some export countries only.

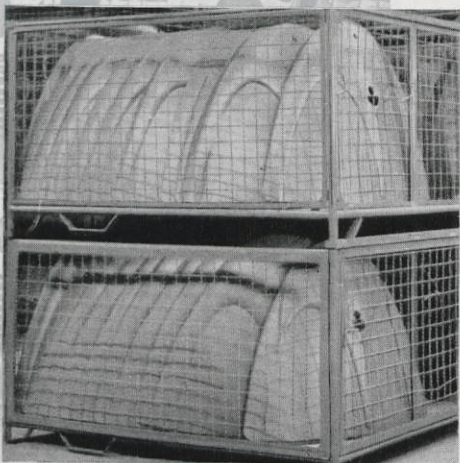
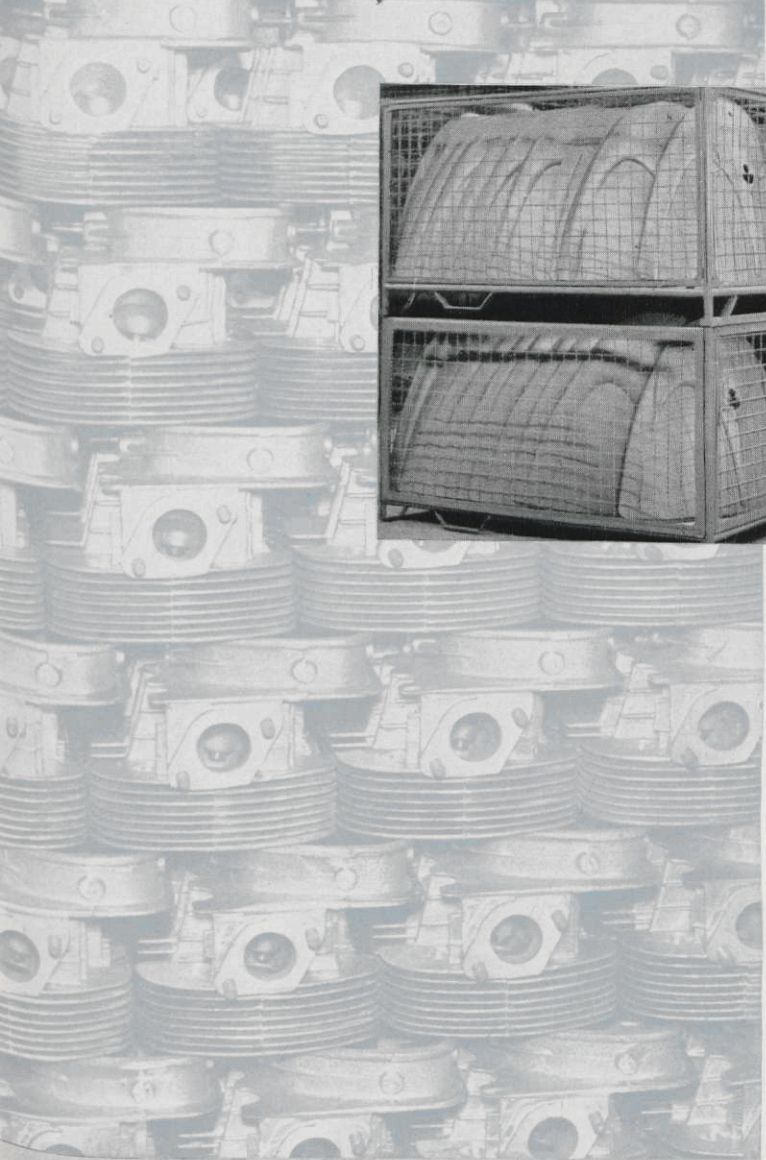
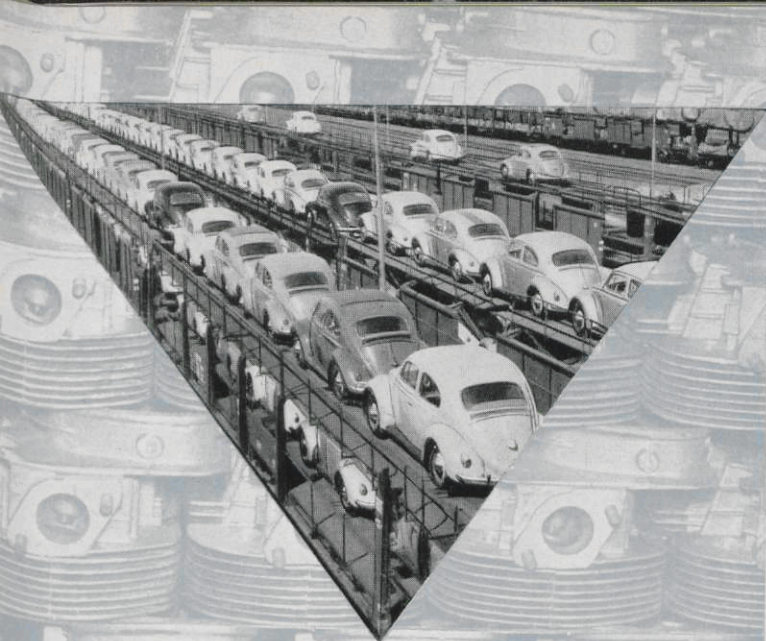
Sales figures were:

	1959	1958	% Gain
Passenger cars	575,347	449,303	28.1
Transporters	120,985	102,029	18.6
	696,332	551,332	26.3

These figures also include the vehicles supplied as CKD packs and assembled abroad. In addition the Volkswagen do Brasil S. A. made and sold 8,346 transporters (3,655 previous year). The standard model accounted for 5.1 % of passenger car sales.

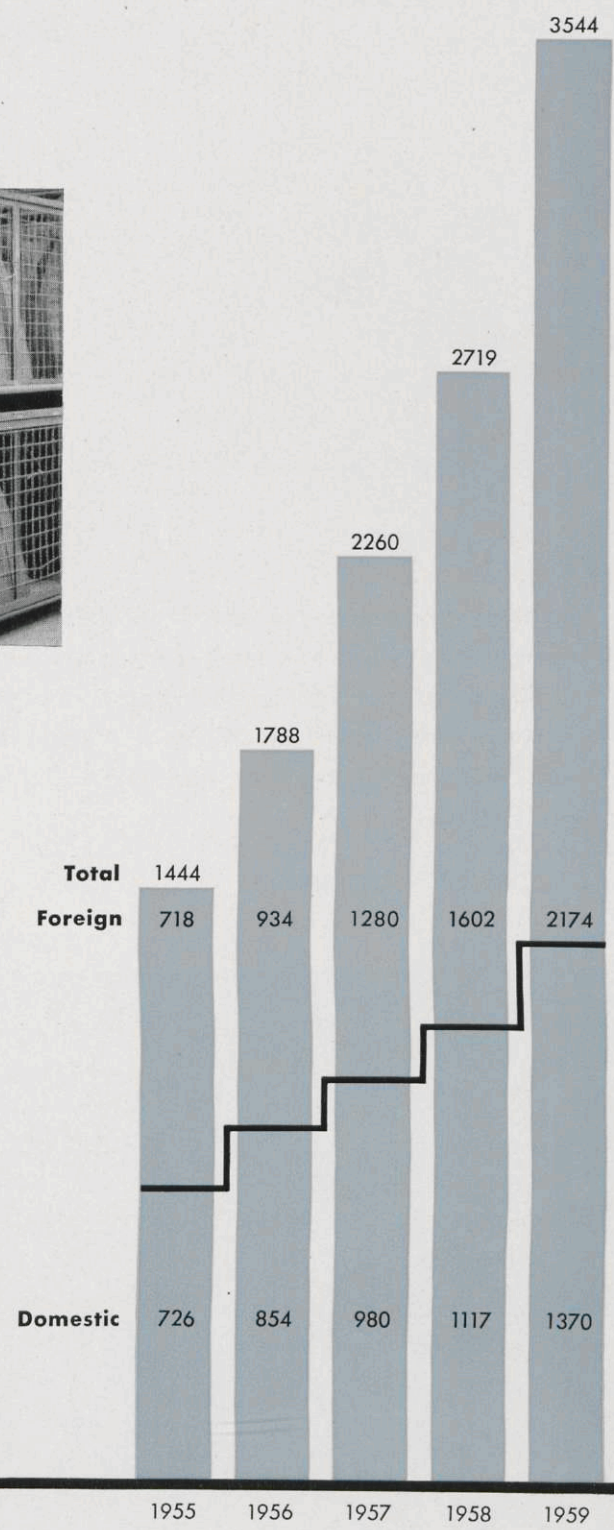
The proportion of exports, 58.0 % of total Volkswagenwerk sales, showed a slight increase.

The efficiency of our service organisation at home and abroad was improved in the report year. New dealers and workshops were appointed and, particularly in large towns, the regional service was augmented.



Development of Consolidated Volume

(millions of DM)



DOMESTIC

The competition on the home market has increased. This is mainly due to the import of foreign vehicles and only to a small extent to new German automobiles.

The Volkswagen held its leading position with its share of new licenses in Federal Territory and West Berlin which was 31.5 % (31.4 % previous year) for passenger cars including station wagons and ambulances, and 33.9 % (31.7 % previous year) for kombis and pick-ups up to 2,750 lbs.

Domestic sales were:

	1959	1958	% Gain
Passenger cars	251,164	200,527	25.3
Transporters	40,983	35,088	16.8
	292,147	235,615	24.0

More of our vehicles were bought by wage earners, salaried employees and civil servants. The share of this category of buyers in total sales averaged 45 % and in some sales districts it even exceeded 70 %.

In order to meet the special requests of the various categories of buyers a diversified production program for our transporters and special vehicles was introduced.

New Passenger Car, Transporter and Pick-Up Registrations

Since July 1959 including Saar

1959 tentative
1958

Volkswagenwerk

242 303

198 666

Opel

111 550

101 229

Fiat

79 371

59 570

Ford

63 390

46 375

Daimler-Benz

53 359

48 444

Glas

37 124

32 485

Auto-Union

36 483

25 883

Renault

36 403

9 528

BMW

29 986

36 374

Lloyd

29 873

36 993

NSU

15 286

7 025

Borgward

11 761

9 173

Goliath

4 740

4 477

Others

18 244

16 445

Passenger cars

including station wagons and ambulances

Volkswagenwerk

30 966

26 982

Opel

29 240

28 782

Ford

16 682

14 206

Auto-Union

5 065

5 165

Vidal

4 227

5 023

Goliath

1 438

1 521

Borgward

1 042

817

Fiat

961

1 031

Others

1 654

1 493

Window Vans and Pick-Ups

to 2,750 lbs.

EXPORT

The automotive industry in the European manufacturing countries increased its production and exports, which in 1959 averaged over 40 %, constantly and this resulted in greater competition. The Federal Republic with its share in the automobile export of the western world of one third exported in the report year 50.7 % of all vehicles produced. In total 870,957 were exported by the Federal Republic, that is 137,565 units or 18.8 % more than in the previous year.

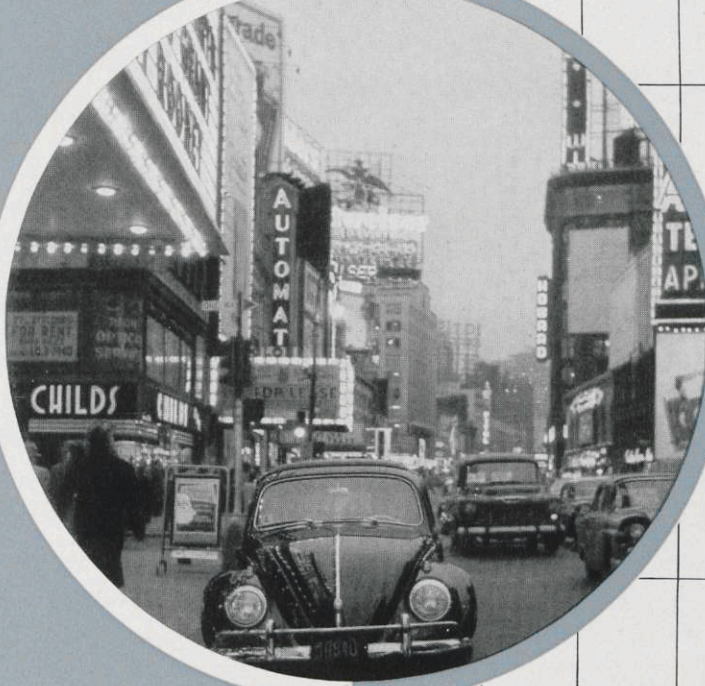
Out of total German automobile export, Volkswagen's 1959 share was 46.4 % (previous year 43.0 %); out of passenger cars including station wagons and ambulances, 51.6 % (previous year 47.5 %), whilst in spite of increased actual figures Volkswagen's share in export of kombis and pick-ups diminished to 38.7 % (previous year 40.0 %).

Our exports were:

	Passenger Cars	Transporters	Total	%
Europe	114,043	27,716	141,759	35.1
America	153,509	39,817	193,326	47.8
Africa	20,070	6,709	26,779	6.6
Australia & Oceania	21,454	2,980	24,434	6.0
Asia	9,933	2,485	12,418	3.1
Indirect Export	5,174	295	5,469	1.4
Total 1959	324,183	80,002	404,185	100.0
Total 1958	248,776	66,941	315,717	
% Gain	30.3	19.5	28.0	

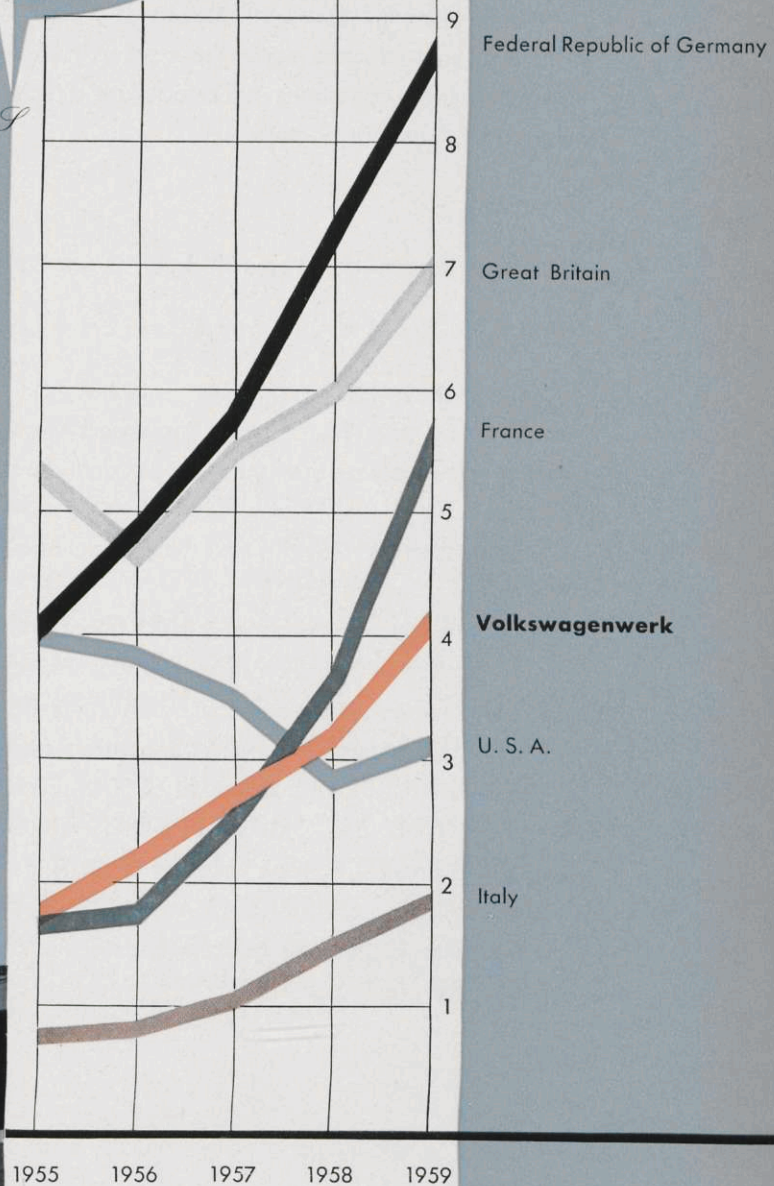
The countries of the European Economic Community (EEC) bought 10.5 % of Volkswagen exports whilst we sold 23.4 % to the European Free Trade Area (EFTA). The USA with 32.7 % remained our biggest customer. The data for the Western German automotive industry are: EEC 14.8 %, EFTA 27.5 % and USA 24.9 %. These figures show why we are filled with concern regarding the development up to the present towards the great aim of true European unity.

There is more and more demand for the erection of assembly plants or for a national share in production, particularly in overseas countries, even in cases where this is not an economic proposition. These tendencies will lead to the erection of more assembly plants and to proportionally more CKD vehicles being exported.



Automobile Exports of Major Producing Countries and of the Volkswagenwerk

in Units of 100 000



SUBSIDIARIES AND MAJOR HOLDINGS

We offer the following report of our investments in domestic and foreign enterprises.

FOREIGN

Volkswagen Canada Ltd., Toronto, Ontario

Capital stock, nominal value Can. \$ 500,000.—
Held 100%

Our subsidiary increased its sales by 15.5% to 32,519 Volkswagens. Of the imported vehicles Volkswagen sold once again the most units. Due to the exemption from duty for British cars the competitive conditions in Canada are difficult. The proceeds of business of the Volkswagen Canada Ltd. are satisfactory.

Volkswagen do Brasil S.A., São Bernardo do Campo

Capital stock Cr. \$ 3,080,000,000.—
Held 80%

In the report year this company increased its capital by Cr. \$ 1,010,000,000.—. Our share in the capital increase was brought in by physical assets which will be used for the enlargement of the plant.

On December 31, 1959 the Volkswagen do Brasil S.A. had 3,718 employees as against 2,311 at the end of previous year.

In 1959 the company produced 8,383 transporters. In accordance with the import regulations the proportion of Brazilian materials was increased to 84%.

8,445 Volkswagen passenger cars were assembled from CKD parts.

With 16,753 passenger cars and transporters sold the Volkswagen do Brasil S.A. secured a share in the Brazilian automobile market of 30%. Earnings are good.

The Cia. VVD de Crédito, Financiamento e Investimentos in which Volkswagen do Brasil S.A. took holdings of 50% increased its capital by Cr. \$ 10 million to Cr. \$ 50 million. Volkswagen do Brasil S.A. paid in Cr. \$ 2,660,000.— for the new shares by the end of 1959. Volume of business and earnings of this finance company in the report year exceeded those of the previous period.

Volkswagen of America Inc., Englewood Cliffs, N.J.

Capital stock, nominal value . US \$ 100,000.—
Held 100 %

In 1959 the company increased its Volkswagen sales by more than 50 % to 129,315 vehicles. Earnings for the year are once more satisfactory.

Although the "compact cars" which were introduced by the big American firms had great success and many small European cars were available the demand for Volkswagens continued to exceed deliveries. Registrations of passenger cars imported into the USA in 1959 rose to 614,131 or 10.2 % of all new registrations and Volkswagen was once again well in the lead with a 20 % share. The expansion of an efficient sales and service organisation made very good progress.

For the purposes of erecting an office building and administering same the company established the *Sylvan Avenue Corporation*, Englewood Cliffs, N.J. with a capital of US \$ 400,000.— which was fully paid up in the report year.

South African Motor Assemblers and Distributors Limited (SAMAD),
Uitenhage

Capital stock, nominal value SA £ 400,000.—
Held 57.6 %

Our holdings diminished by 1.6 % through sale of stock as against the end of 1958.

Due to increased duties and taxes and credit restrictions the whole automobile business in the Union of South Africa suffered a reverse. However, SAMAD could increase its sales of Volkswagen cars, most of which were assembled by this firm in South Africa, by 18.8 % and thus Volkswagen's share in the market rose to 13.8 %. The company had 1,077 employees as of December 31, 1959. Proceeds of business were satisfactory.

The financing business of the *South African Motor Acceptance Corporation* (Pty.) Ltd. which has a capital of SA £ 500,000.— (50 % is held each by SAMAD and Volkswagen of America Inc.) has made good progress. Earnings for the year were satisfactory.

The very difficult Volkswagen insurance situation in South Africa made it necessary to establish the *Volkswagen Insurance Services* (Pty.) Ltd., Johannesburg with a capital of SA £ 10,000.— during the report year. SAMAD and a German company took over and paid in 50 % each of the SA £ 5,000.— stock which had been called up for subscription.

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Volkswagen (Australasia) Pty. Ltd., Melbourne

Capital stock, nominal value Austr. £ 2,500,000.—

Held 51 %

In 1959, an additional Austr. £ 1,080,000.— of the original £ 5,000,000.— authorized was called up for subscription. Austr. £ 550,800.—, our share in the capital, were paid in, partly in cash and partly in physical assets.

New factory halls were erected to cope with the increased assembly of vehicles which was commenced under own management early in 1959. Upon completion of the plant it is intended to attain a 70 % proportion of Australian manufacture.

21,364 cars were sold, this is 20.6 % more than in the previous year.

Company earnings were satisfactory.

In 1959 the Volkswagen (Australasia) Pty. Ltd. acquired the stock of Allied Iron Founders Pty. Ltd., Melbourne which later on changed its company name into Volkswagen Manufacturing (Australia) Pty. Ltd. and took over the assembly of Volkswagens. The stock of the Volkswagen Distributors Pty. Ltd., the previous general Volkswagen importer, was taken over by the Volkswagen (Australasia) Pty. Ltd. during the previous year and this company is now responsible for the distribution of the vehicles and for the advertising.

The Australian subsidiaries had 924 employees as of December 31, 1959.

DOMESTIC

Volkswagen-Finanzierungsgesellschaft m.b.H., Wolfsburg

Common stock DM 1,500,000.—

Held 100 %

The volume of business of this company has further diminished. This is due to the general money liquidity and increased competition of local bankers and other loan banks. Proceeds are satisfactory.

VW-Wohnungsbau - Gemeinnützige Gesellschaft m.b.H., Wolfsburg

Common stock DM 100,000.—

Held 100 %

On December 31, 1959 the company had 3,985 dwelling units. In the course of the report year 736 dwellings were occupied. Another 480 units were still under construction at year's end.

EMPLOYMENT AND PERSONNEL BENEFITS

In the report year the size of the labor force was increased by 10,116 or 23 % to 54,120 persons.

There were employed in the

	Dec. 31, 1959	Dec. 31, 1958
following plants: Wolfsburg	36,124	32,826
Hanover	13,370	6,969
Brunswick	3,502	3,354
Kassel	1,124	855
	54,120	44,004

At the close of 1959 our affiliated companies had 6,357 employees as against 3,912 at previous year's end. Thus the total figure of employees passed the 60,000 mark.

The transfer of engine production to the Hanover plant resulted in the doubling of the number of personnel.

On December 31, 1959 the proportion of salaried staff to wage earners was 1 to 10.4. At the close of the report year the share of female employees in total labor force had slightly increased to 11.1 %.

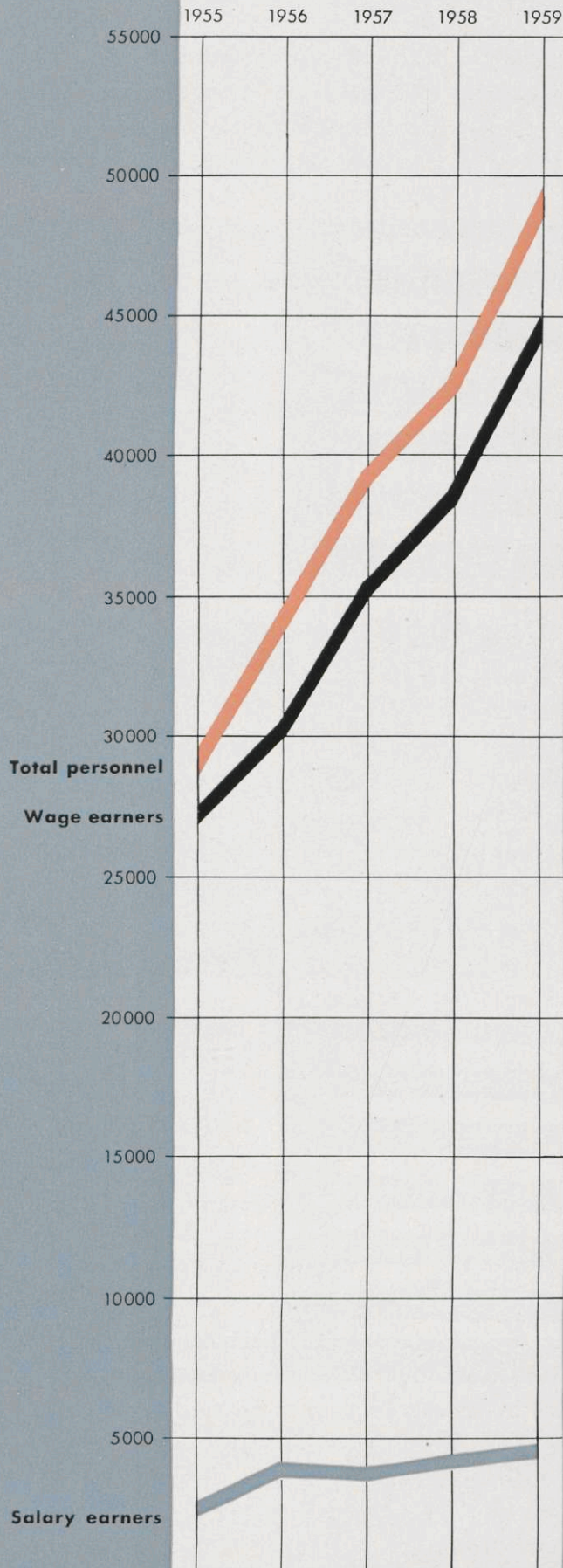
The annual fluctuation was 6.3 %. The percentage of those ill in our factories in 1959 was 5.1 % which was below average for the Western German metalworking industry.

The development of wages and salaries during the report period corresponds to that of the metal industry of the state of Lower Saxony. Some amendments of the Scale of Wages take into account the transfers made necessary by the transfer of production and mechanization.

Additional modern instruction rooms and workshops for technical and commercial apprentices and trainees were provided. Capable employees were given the opportunity of studying at universities, and of attending courses and seminars.

Growth of Labor Force

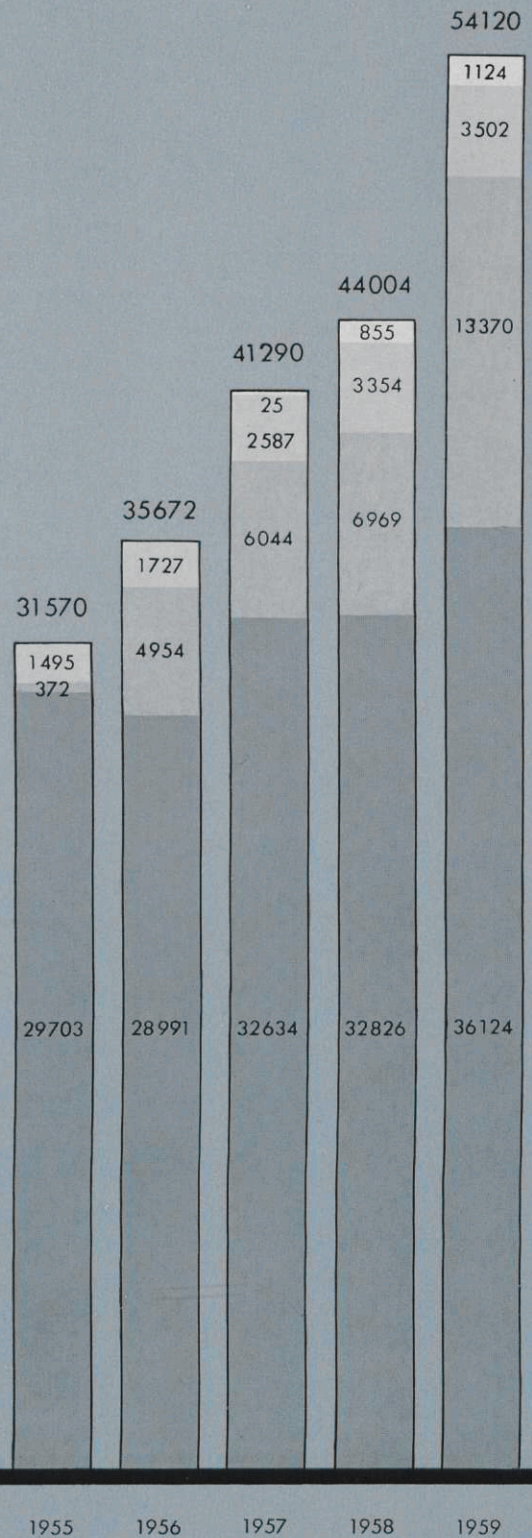
annual averages



Personnel Status

at year's end

- Factory Wolfsburg
- Plant Hanover
- Plant Brunswick
- Plant Kassel



Ratio of salary earners to wage earners

1:9,6 1:9,6 1:9,9 1:9,6 1:10,0

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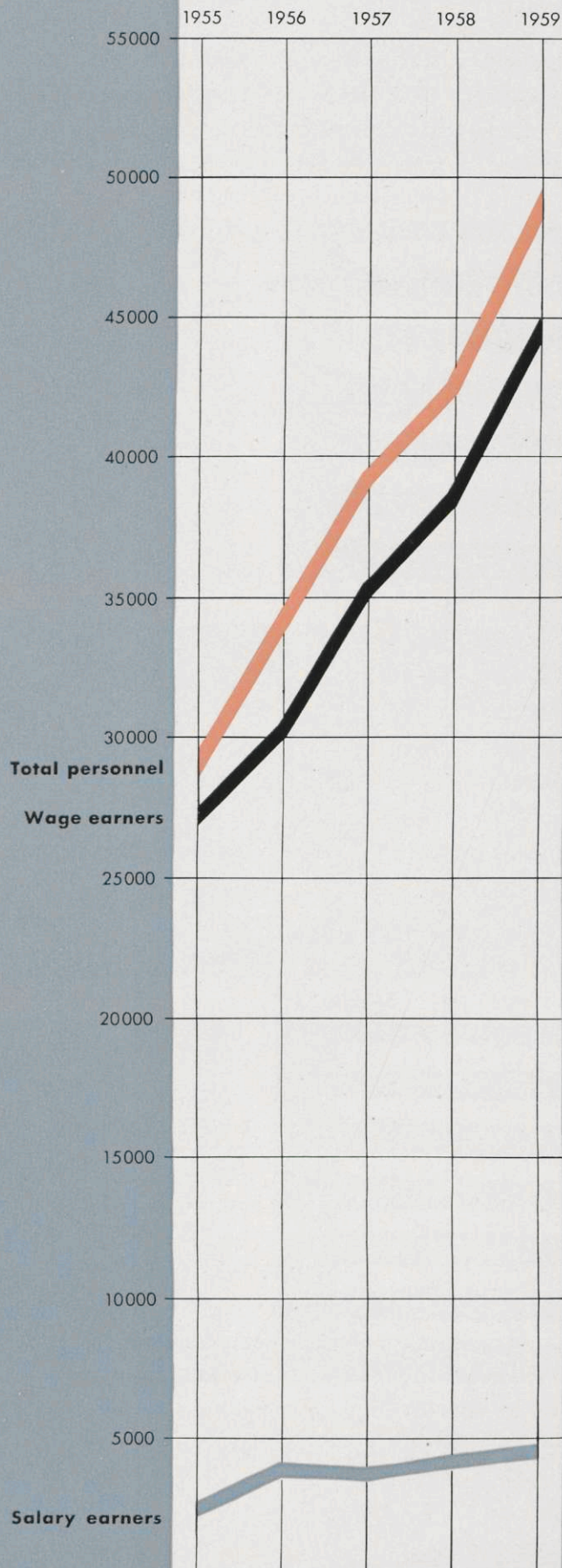
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Growth of Labor Force

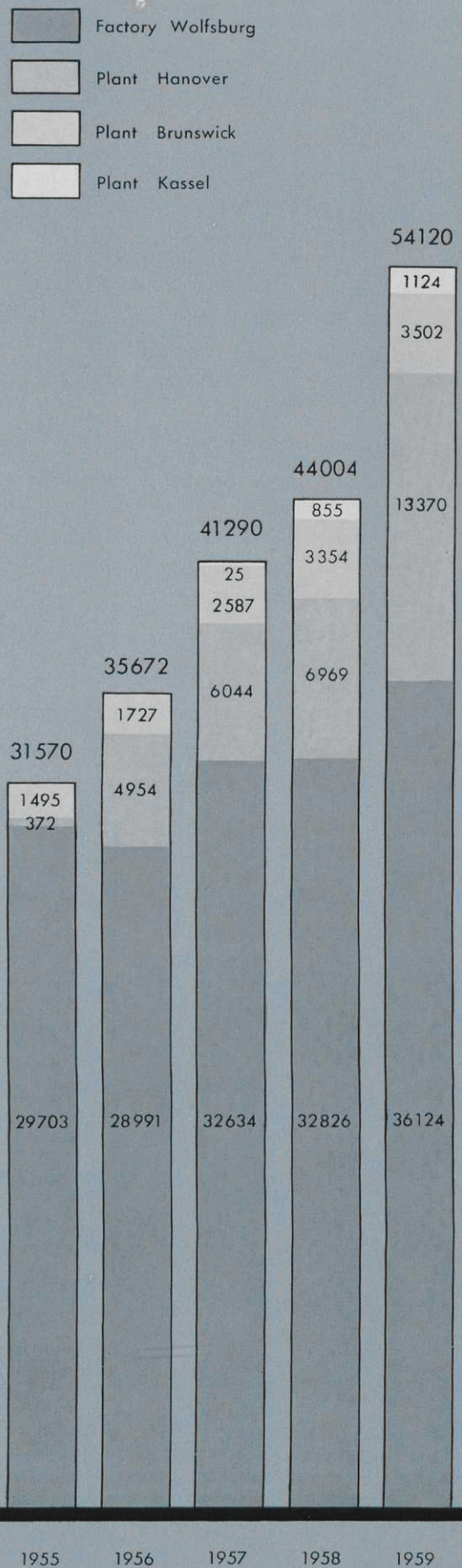
annual averages



Ratio of salary earners to wage earners
1:9,6 1:9,6 1:9,9 1:9,6 1:10,0

Personnel Status

at year's end



Thanks to the substantial contribution of Volkswagenwerk 1,725 dwelling units including 434 in private houses were built in the report year. At the close of 1959, 588 dwellings were under construction and another 1,100 units were planned. In order to meet the still urgent demand and to keep the rentals at tolerable levels the appropriation of adequate public funds remains essential.

During 1959 we spent the following sums on Social Benefits and Public Charities:

Compulsory Social Charges

(Employer contribution to social security, trade association dues and family allowance fund)

Compulsory Social Benefits

(As accident prevention, legal holidays, paid vacations, expenditures for health scheme, sick benefits)

Additional Social Benefits

- a) For personnel (expenditure for retirement pensions, death benefits, group accident insurance, Christmas bonuses, premiums, subsidies for canteens and shops, rest homes and hostels, expenditures for hygiene, paid vacations over 12 days, marriage, birth and death allowances, compensation for rest periods on three-shift operation)
- b) To the town of Wolfsburg for benefit of personnel (heating allowance, kindergartens, cultural events, etc.)
- c) For community housing (loans less amortization returns as well as a housing donation)
- d) Public charities

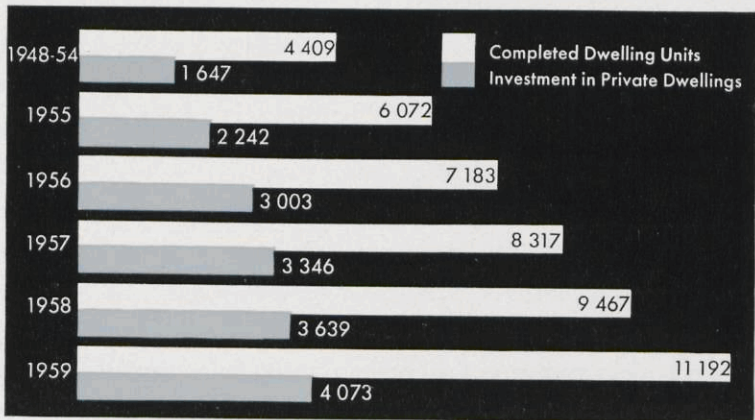
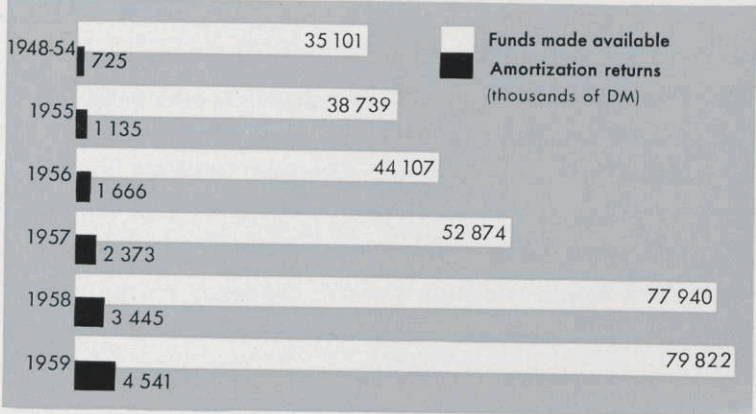
Total social expenditures

DM	DM
	43,331,306.19
	30,111,711.78
56,912,693.85	
348,630.33	
890,841.93	
2,093,891.20	60,246,057.31
	133,689,075.28

The company's great success in the year 1959 was an achievement of untiring effort and good teamwork by all concerned in the making and selling of Volkswagen vehicles in the widespread VW organization. This success enabled our factory to maintain its place at the head of the European automobile industry.

Co - financed housing by Volkswagenwerk

annual averages at year's end



GENERAL

The company status of the Volkswagenwerk G.m.b.H. has been revised according to a Bill passed on May 9th, 1960. As a result thereof the stock which the former Treuhandgesellschaft für wirtschaftliche Unternehmen G.m.b.H. and the former Vermögensverwaltung der Deutschen Arbeitsfront G.m.b.H. had in the Volkswagenwerk G.m.b.H. passed over to the Federal Republic of Germany (effective May 24, 1949). The German Federal Republic and the state of Lower Saxony have agreed that the Volkswagenwerk G.m.b.H. will be turned into an Aktiengesellschaft (corporation) and 20 % each of this corporation's capital stock will be held by the Federal Republic and the state of Lower Saxony. The remaining 60 % are to be sold in form of small shares. The proceeds of selling this stock and the dividends on the Federal Republic's and the state of Lower Saxony's stock are to be used as the basis of a foundation to be established by the German Federal Government and the state of Lower Saxony for promoting scientific research and the teaching of science in Germany.

The passing of this Bill ends the control imposed on our company in accordance with ordinance No. 202 of the British Military Government of September 6th, 1949 giving the state of Lower Saxony the trusteeship of the property of our company on behalf and under the instructions of the Federal Government.

Further preparations for the proposed transfer of the company's stock to private owners are as follows: in the business year 1960 an increase of the nominal capital to DM 600 million in accordance with legal requirements for increase of capital from company funds and the company's transformation into a corporation (Aktiengesellschaft) in accordance with par. 269ff. AktG (Corporation Law) are intended.

OUTLOOK

Although there is a buyer's market in the entire automobile industry, the capacity of our plants is completely insufficient to meet the increasing demand for Volkswagens. Our capital investments in 1960 will also be considerable and thus we hope to satisfy the demand by sufficient supplies. It is now possible to say with certainty that 1960 will be a good year.

COMMENTS ON 1959 FINANCIAL STATEMENTS

These financial statements are influenced by the measures to regulate the legal status of our company. The balance sheet shall be used as a basis for the company's transformation into a corporation (Aktiengesellschaft) and the previous increase of capital from company funds. In order to be able to show the required reserves in this balance sheet and also to bring the reserves remaining after the increase of capital into the proper proportion to the increased nominal capital it was necessary to convert the hidden reserves of previous years into open reserves by revaluation.

ASSETS

The balance sheet value of fixed assets increased by DM 468.0 million to DM 1,047.9 million in the report year. This considerable increase is the result of writing up to the extent of practically a third which was done with a view to the forthcoming increase of capital from company funds, DM 119.2 million in respect of physical plant and DM 33.0 million in respect of holdings. Out of physical plant added, in amount of DM 444.2 million, a sum of DM 176.7 million pertains to grounds and buildings, as against DM 119.2 million in the previous year. A sum of DM 267.5 million applies to movable plant, as against DM 148.4 million in 1958.

At the close of the report year the real estate consisted of 2,221.2 acres divided as follows among our factories

Wolfsburg	1,589.3 acres
Kassel	326.2 acres
Hanover	262.7 acres
Brunswick	43.0 acres

Depreciations which amount to DM 166.3 million were DM 32.6 million greater than in 1958. Computing these depreciations, for which the degressive method is mostly used, resulted in a considerable additional expenditure although depreciation rates were unvarying. This was the result of large investments.

Added Holdings of DM 11.6 million resulted chiefly from acquisition of more stock in connection with capital expansions of our subsidiaries in Brazil and Australia. We effected physical investment of DM 6.8 million with Volkswagen do Brasil S.A. and cash and physical investment of DM 4.7 million with Volkswagen (Australasia) Pty. Ltd. A further addition of DM 0.1 million resulted from paying up 50% of our investment in the Kernreaktor-Finanzierungs-Gesellschaft m. b. H. (Nuclear Reactor Financing Co. Ltd.) which was completely written off at this end. In accordance with par. 24 of GMBH Company Law there exists a company liability with respect to the above investment.

25,000 shares of South African Motor Assemblers and Distributors Ltd. (SAMAD) at a nominal value of 5/- each have been sold.

After the aforementioned writings up have been made the holdings, apart from some unimportant exceptions, are valued at cost.

The balance sheet value of the inventories increased by DM 134.1 million as against the close of 1958. The considerable increase can be accounted equally by the cancellation of the special adjustments of values of previous years which were a hidden reserve and by larger stores being kept due to expanded output.

The balance sheet shows that the long-term loans have diminished by DM 8.0 million as against the close of 1958. New long-term loans of DM 2.4 million were chiefly granted for housing construction. In addition to the contractual redemptions we received the balance of a large loan with our agreement earlier than was provided. The non-interest-bearing loans were discounted to their actual values.

Due to the expansion of our export business Receivables for Goods and Services increased by DM 3.8 million. Amounts due had in the meantime been settled except for some small balances.

Receivables from Affiliated Enterprises resulted chiefly from merchandise supplied. Owing to the terms of payment which had been granted to our subsidiaries in Brazil and Australia they are DM 6.0 million above 1958. Interest at reasonable rates is paid on the credits allowed.

Bills receivable in our hands as at the balance sheet date had meanwhile been honoured.

Of the total of "Other Receivables" approximately three quarters are realized surrender values of retirement insurance policies as well as the provisionally estimated claim for the damage caused by the fire in factory Wolfsburg. Other items are receivables to the amount of DM 2.4 million which are secured by mortgages and payable within a year's time as well as bank balances of DM 2.2 million which are tied up to secure creditor claims. The tax refund receivable as shown as at December 31, 1958 had meanwhile been set off against taxes payable.

LIABILITIES

In the report year the capital stock was increased by DM 240.0 million to DM 300.0 million in accordance with the company resolution of June 9, 1959. The capital invested was raised from the profit distributed for 1958 after deduction of capital gains tax.

The Special Reserve remained unchanged.

The Reserve for Share-the-Burden Property Tax was adjusted to the amount of the present value of that levy.

Since the occurrence of the fire in our Wolfsburg factory, at which fixed assets were destroyed, it was decided to form a Reserve for Replacement, based partly on provisional figures.

In the report year the "Other Reserves" were increased by DM 411.7 million to DM 539.5 million; of this amount DM 300.0 million will be changed into nominal capital and DM 12.0 million transferred to the Special Reserve (legal reserve). The remaining amount will be used for maintaining the value (tangible worth) of our plant and for the development of the Volkswagen within limits and to meet the risks implicit in the automobile business in general and in our one model program in particular.

Contingent liabilities increased by DM 28.0 million. Apart from the increase in obligations arising from employee pension plans this rise is due to an increased appropriation for special disbursements to personnel. In addition to the above mentioned items the contingent liabilities also contain considerable amounts for civil liability, general risks, warranty obligations, tentatively withheld earnings taxes on tax-privileged reserves, etc. which were based on requirements. The various provisions are generously proportioned to the known facts.

Obligations on account of Long-Term Housing Loans were diminished by DM 0.6 million, through repayments.

At the close of the year Customer Advances which were made chiefly by our foreign dealers had increased.

Obligations on account of Goods and Services were DM 80.0 million higher than at close of 1958 because of more extensive capital investment and business expansion.

The increase in Obligations to Other Creditors resulted chiefly from higher tax obligations. Other principal items are the dividends declared for the business years from 1950 to 1957 and left with our company in the form of an interest-bearing loan and balances of December payroll.

Deferred Credits under liabilities refer chiefly to advance interest received on some relatively long-term payments receivable from affiliated enterprises for merchandise supplied.

On December 31, 1959 Bills Payable amounted to DM 15,822,264.17.

PROFIT AND LOSS STATEMENT

The increase in Expenditures for Raw Materials, Auxiliaries and Supplies, etc. over the previous year corresponds to the rise in output.

Wages and Salaries increased 27.0% through expansion of labor force and payroll changes. As in the previous year the Social Expenditures which are shown in the profit and loss statement contain as main item the expense for present and future pension payments.

Apart from the discounting of housing construction loans free of interest Depreciation on Receivables relates chiefly to precautionary depreciation of foreign receivables which due to the long-term payments can include a transfer risk.

Losses from disposal of items of Fixed Assets (buildings and parts of buildings) in the course of expansion were DM 2.0 million above the previous year's figure.

The increase in Income, Earnings and Property Taxes amounts to DM 124.5 million. The lower 1958 tax expense was due to the application of reduced corporation tax rate to the surplus to be distributed of DM 320.0 million.

The main items under Other Taxes are sales tax and corporation tax on the capital increase effected during 1959.

Other Expenditures are DM 53.8 million above the previous year's figure. The main items are shipping and charter expense connected with export business, physical expenditures and outside services for maintenance, advertising and sales promotion expense as well as purchased foodstuffs and canteen stocks, etc.

The increase in Proceeds of Business corresponds to the increase in sales. More than 55% of the gross volume originates from export business.

Income from Holdings was derived from our subsidiaries

Volkswagen do Brasil S. A.

South African Motor Assemblers and Distributors Ltd.

Volkswagen Canada Ltd.

Volkswagen of America Inc. and

Volkswagen-Finanzierungs-Gesellschaft m. b. H.

The main items under Other Income are receipts from chartering of vessels and receipts from operation of cafeterias and canteens.

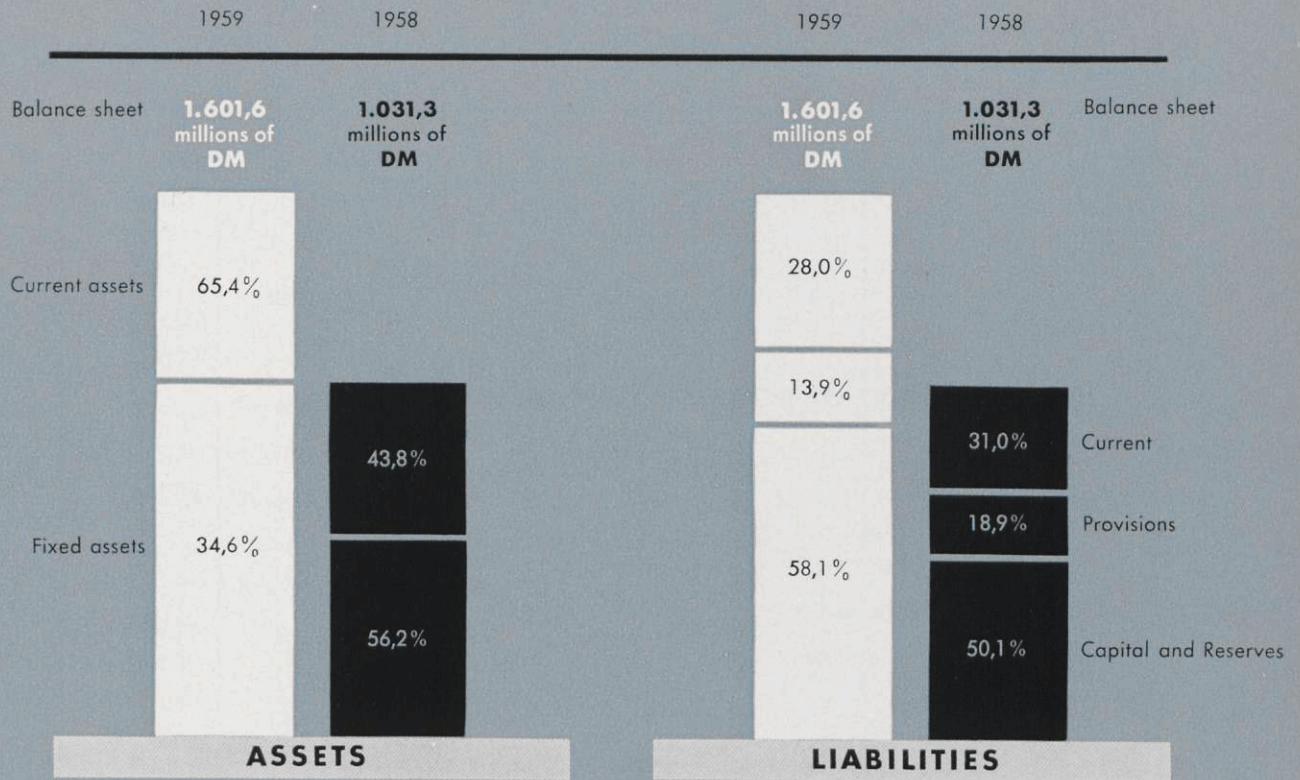
The Management's remuneration in 1959 was DM 669,000.— and that of the Board of Directors DM 118,050.—.

The 1959 Year's Surplus is DM 68,345,299.10. Including the surplus of DM 3,654,700.90 carried forward after dividend for the year 1958, the Net Surplus becomes DM 72,000,000.—. It is proposed to distribute this sum as dividend.

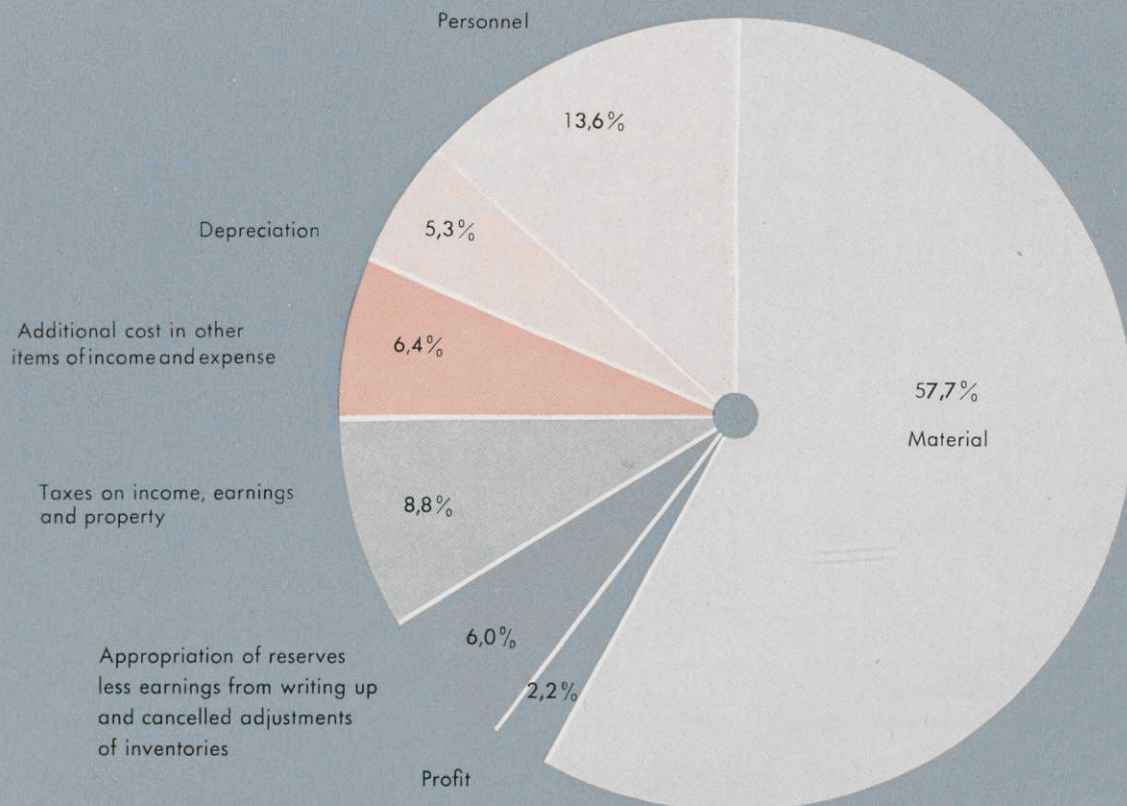
Wolfsburg, June 1960

THE MANAGEMENT

Balance Sheet Structure



Proportion of Expenditures to Return



REPORT OF BOARD OF DIRECTORS (Aufsichtsrat)

The Board of Directors has been kept currently informed of the state of business by the Management through regular reports and at meetings.

Audit of the 1959 financial statements by the Deutsche Revisions- und Treuhand-Aktiengesellschaft occasioned no exceptions.

The Board of Directors has examined these financial statements and the Management Report for 1959, and hereby records its concurrence.

Wolfsburg, June 1960

Dr. Hans Busch
Chairman of Board of Directors

DECEMBER 31, 1959

LIABILITIES

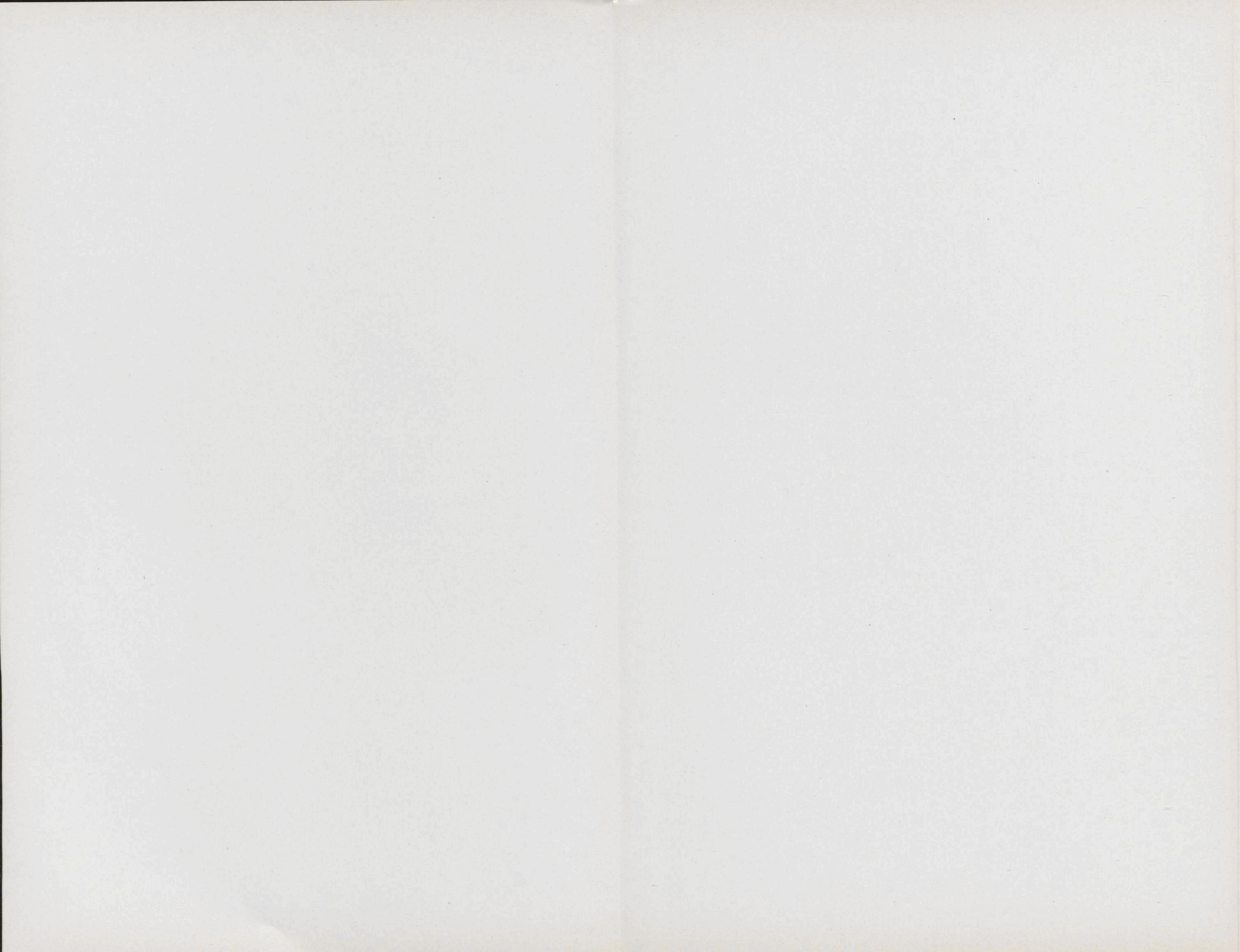
As of Dec. 31, 1959	As of Dec. 31, 1958			As of Dec. 31, 1959	As of Dec. 31, 1958
DM	thousands of DM		DM	DM	thousands of DM
5,064,720.77	4,553	Capital Stock		300,000,000.—	60,000
73,206,103.07	47,660				
446,335,222.78	260,174	Reserves			
4,957,636.79	3,794	Special reserve	48,000,000.—		48,000
353,022,366.46	186,788	Reserve under par. 47, Currency Act . . .	78,299.17		78
16,415,563.87	4,535	Share-the-Burden Property Tax Reserve .	36,160,000.—		37,350
899,001,613.74	507,504	Reserve for replacement	6,555,083.34		—
68,796,242.63	30,390	Other reserves	539,509,038.—	630,302,420.51	127,778
34,017,333.96	40,359				213,206
46,094,825.19	1,600	Provisions			
1.—		For old-age assistance	59,536,557.—		47,169
1,047,910,016.52	579,853	Other uncertain obligations	162,915,126.83		147,269
				222,451,683.83	194,438
	79,563	Current Liabilities			
	44,466	Long-term housing constr. loans	1,581,508.64		2,135
	35,421	For advances from customers	28,682,797.47		18,182
	159,450	For goods & services	217,811,499.14		137,850
	1,832	To affiliated enterprises	1,969.65		8,534
	61,477	To sundry creditors	122,007,736.10		72,192
				370,085,511.—	238,893
	38,023	Deferred Credits		6,731,850.44	1,099
	23,454				
	18,532	Net Surplus			
	81,818	Forward to January 1	3,654,700.90		4,364
	90	Surplus for fiscal year	68,345,299.10		319,291
	70			72,000,000.—	323,655
	78,043	Share-the-Burden Property Tax			
	88,032	Present value . . . DM	36,153,432.—		
553,538,215.07	451,321	Quarterly instalment . DM	696,195.50		
123,234.19	117				
1,601,571,465.78	1,031,291			1,601,571,465.78	1,031,291

BALANCE SHEET AS OF DECEMBER 31, 1959

ASSETS

LIABILITIES

	Forward to Jan. 1, 1959	Added	With- drawn	Transferred	Written up	Depreciation	As of Dec. 31, 1959	As of Dec. 31, 1958		As of Dec. 31, 1959	As of Dec. 31, 1958	
Fixed Assets	DM	DM	DM	DM	DM	DM	DM	thousands of DM		DM	DM	thousands of DM
Improved real estate									Capital Stock		300,000,000.—	60,000
Grounds	4,553,235.33	537,792.01	26,306.57	—.—	—.—	—.—	5,064,720.77	4,553				
Office & home buildings	47,660,427.79	21,794,553.45	422,678.16	3,375.50	6,185,427.49	2,015,003.—	73,206,103.07	47,660				
Factory bldgs. & other structures	260,173,619.38	153,150,313.35	2,570,163.47	95,912.47	61,919,678.66	26,242,312.67	446,335,222.78	260,174	Reserves			
Unimproved real estate	3,793,623.27	1,209,264.36	45,250.84	—.—	—.—	—.—	4,957,636.79	3,794	Special reserve	48,000,000.—		48,000
Machinery & kindred plant	186,788,086.60	222,329,602.18	2,412,314.94	189,990.48	43,870,027.89	97,743,025.75	353,022,366.46	186,788	Reserve under par. 47, Currency Act	78,299.17		78
Tools, plant & office equipment	4,535,472.74	45,160,914.24	136,041.24	97,453.51	7,253,685.90	40,301,014.26	16,415,563.87	4,535	Share-the-Burden Property Tax Reserve	36,160,000.—		37,350
	507,504,465.11	444,182,439.59	5,612,755.22	—.—	119,228,819.94	166,301,355.68	899,001,613.74	507,504	Reserve for replacement	6,555,083.34		—
Plant under construction	30,389,565.48						68,796,242.63	30,390	Other reserves	539,509,038.—		127,778
Advance payments on plant	40,359,550.92						34,017,333.96	40,359			630,302,420.51	213,206
Holdings	1,600,008.—	11,600,417.77	—.—	—.—	32,969,399.42	75,000.—	46,094,825.19	1,600	Provisions			
Other capital securities	1.—	—.—	—.—	—.—	—.—	—.—	1.—	1.—	For old-age assistance	59,536,557.—		47,169
	579,853,590.51						1,047,910,016.52	579,853	Other uncertain obligations	162,915,126.83		147,269
Current Assets					DM	DM						
Inventories									Current Liabilities			
Raw materials, auxiliaries & supplies					157,447,846.97			79,563	Long-term housing constr. loans	1,581,508.64		2,135
Semifinished products					66,678,041.12			44,466	For advances from customers	28,682,797.47		18,182
Finished products, merchandise					69,401,860.82			35,421	For goods & services	217,811,499.14		137,850
							293,527,748.91	159,450	To affiliated enterprises	1,969.65		8,534
Advance expenses paid							1,673,011.14	1,832	To sundry creditors	122,007,736.10		72,192
Long-term loans							50,968,068.72	61,477			370,085,511.—	238,893
(including, before discounting:									Deferred Credits		6,731,850.44	1,099
Secured by mortgage		DM										
To affiliated enterprises		DM							Net Surplus			
To officers according to par. 80, Company Law		DM							Forward to January 1	3,654,700.90		4,364
adjusted per par. 7, c, d, 1953, Income Tax Act							35,467,451.82	38,023	Surplus for fiscal year	68,345,299.10		319,291
											72,000,000.—	323,655
Receivables for goods & services							15,500,616.90	23,454	Share-the-Burden Property Tax			
Receivables from affiliated enterprises							22,367,265.23	18,532	Present value DM	36,153,432.—		
(including for goods & services		DM					87,839,230.74	81,818	Quarterly instalment DM	696,195.50		
Bills receivable							4,786,075.58	90				
(including those drawn on affiliated enterprises		DM										
Cash on hand incl. P. O. Checking Acct. balances							118,358.60	70				
Other bank accounts							86,545,300.17	78,043				
Other receivables							41,180,607.80	88,032				
(including those secured by mortgages		DM										
Deferred Debits							553,538,215.07	451,321				
							123,234.19	117				
							1,601,571,465.78	1,031,291			1,601,571,465.78	1,031,291



PROFIT AND LOSS STATEMENT

— Period from January 1 to December 31, 1959 —

EXPENDITURES

INCOME

		1959	1958		1959	1958
	DM	DM	thousands of DM		DM	thousands of DM
Expenditures for raw materials, auxiliaries & supplies, related outside services & merchandise ordered		1,796,977,374.29	1,455,409	Proceeds of business	3,055,329,176.87	2,422,550
Wages and salaries		363,252,147.56	286,100	Increase of finished & semifinished products on hand	25,093,544.03	12,731
Social insurance		43,331,306.19	33,892	Other internal asset-producing activities	33,581,496.74	22,111
Social expenditures, not included under other items		17,214,211.79	18,918	Income from holdings	1,920,279.36	814
Depreciation of physical plant		166,301,355.68	133,684	Other interest and like income	9,054,238.42	9,621
Depreciation of financial investments		75,000.—	14,363	Income from disposal of items of fixed assets and from writing up of items of fixed assets	152,981,534.—	694
Depreciation of receivables (incl. interest discounts)		5,864,085.75	21,492	Income from cancelled adjustments of inventories	73,967,000.—	—
Losses from disposal of items of fixed assets		2,987,126.73	948	Income from disestablishment of provisions	17,749,178.48	18,831
Interest and like expenditures		2,341,884.78	2,016	Other income (incl. DM 5,053,629.76 Extraord. Receipts)	66,798,050.04	79,655
Income, earnings and property taxes		272,509,702.08	147,988	Surplus brought forward to January 1	3,654,700.90	4,364
Other taxes		61,106,536.04	44,664	Withdrawals from reserves		
Share-the-Burden Property Tax		2,784,900.—	2,787	From Share-the-Burden Property Tax reserves	1,190,000.—	1,150
Expenditures under loss absorption contracts		—.—	10	From other reserves	—.—	82,471
Other expenditures		222,843,116.95	169,066			
Attributions to other reserves		411,730,451.—	—			
Net surplus						
Forward to January 1	3,654,700.90		4,364			
Year's surplus	68,345,299.10		319,291			
		72,000,000.—	323,655			
		3,441,319,198.84	2,654,992		3,441,319,198.84	2,654,992

Wolfsburg, June 1960

VOLKSWAGENWERK GMBH
Management

NORDHOFF

STEINMEIER

According to the final result of our obligatory audit of the books and records of the company and the explanatory and justificatory information given us by the management, the accounts and annual statements conform to statutory provisions.

Hanover, June 28, 1960

Deutsche Revisions- und Treuhand-Aktiengesellschaft

SCHNEIDER
Auditor

Dr. SCHLISKI
Auditor



39/14010