

**Report  
for the Year  
1963**



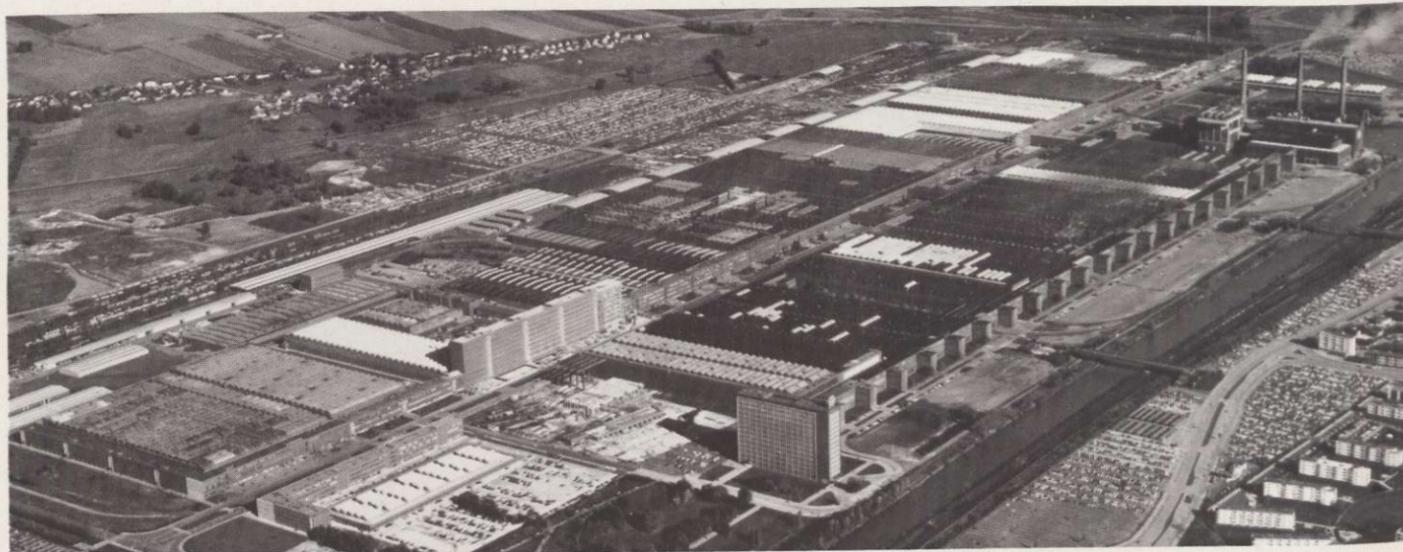
**Volkswagenwerk  
Aktiengesellschaft  
Wolfsburg**

The Management and Board of Directors  
of Volkswagenwerk Aktiengesellschaft  
transmit the Report for the Year 1963  
with their compliments

Wolfsburg, May 1964

Germany

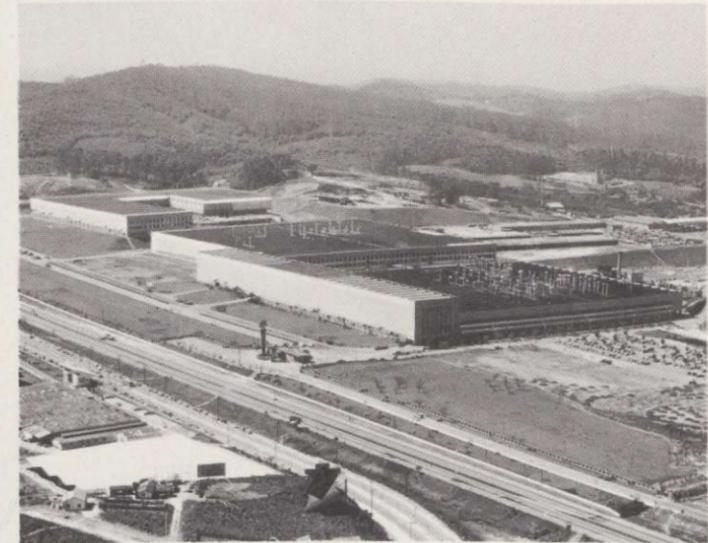
Abroad



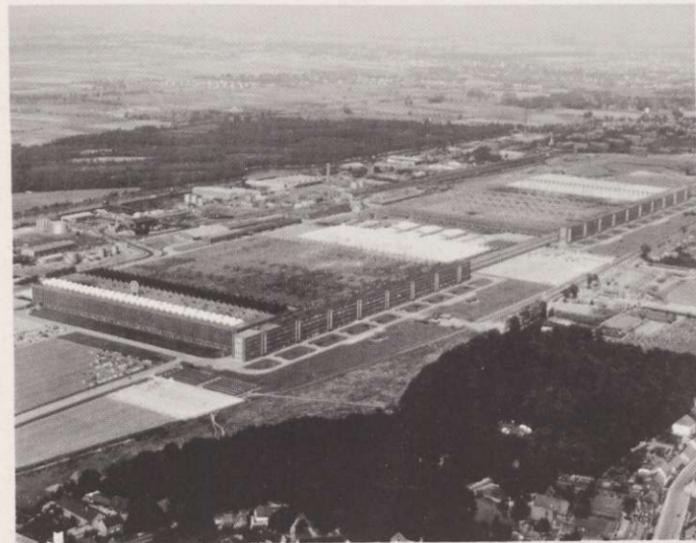
Wolfsburg Factory



Volkswagen Canada Ltd.



Volkswagen do Brasil S.A.



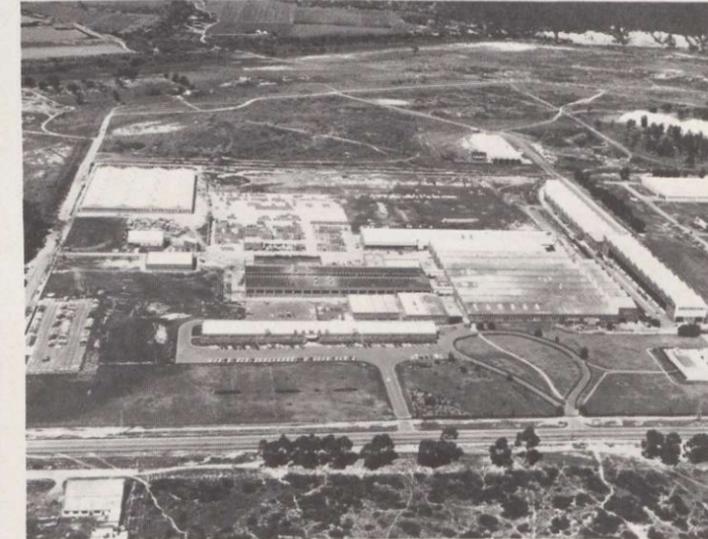
Hanover Factory



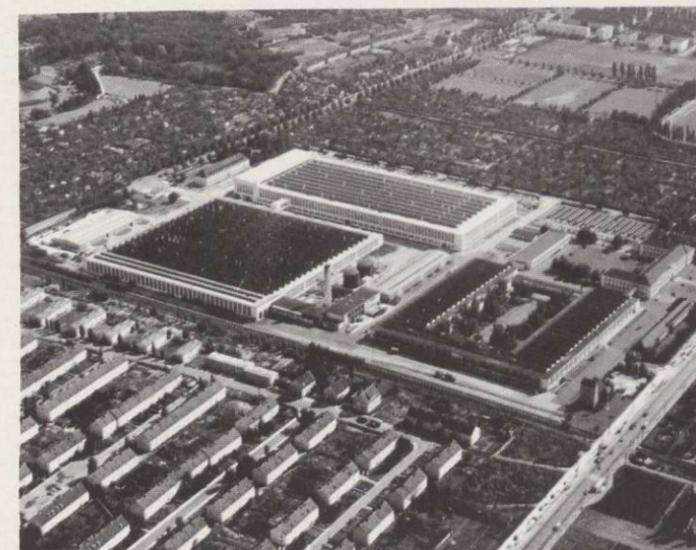
Kassel Factory



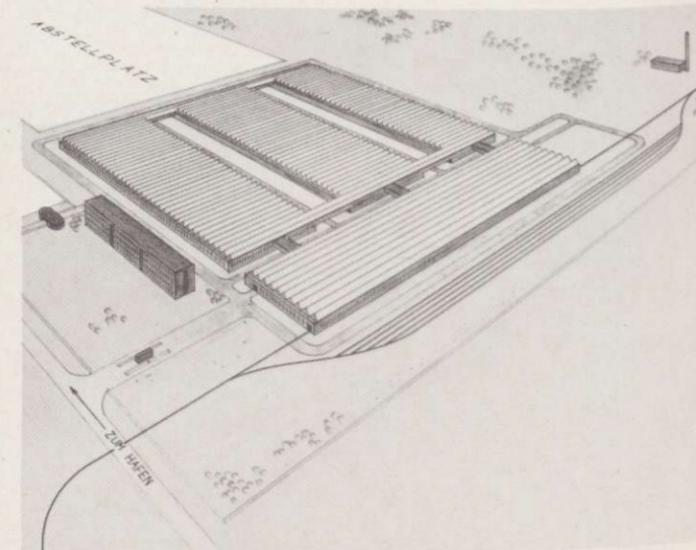
Volkswagen (Australasia) Pty. Ltd.



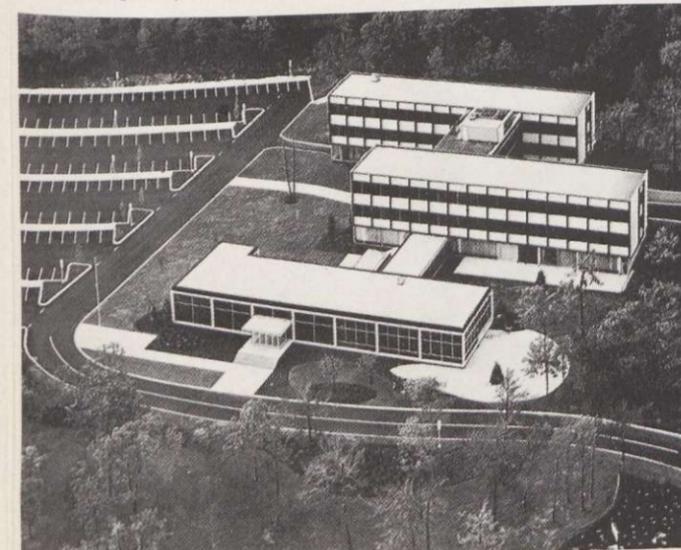
South African Motor Assemblers and Distrib. Ltd.



Brunswick Factory



Emden Factory (under construction)



Volkswagen of America, Inc.



Volkswagen France S.A.

Prof. Dr.-Ing. E. h., Dr. rer. pol. h. c.,  
Dipl.-Ing. Heinrich Nordhoff — 65 years of age



## Growth of Volkswagenwerk in the Decade 1953 to 1963

		1963	1962	1953
<b>Investments of Volkswagenwerk AG</b>				
Property, Plant and Equipment	in million DM	400.3	323.1	62.0
Financial Investments	in million DM	13.1	14.3	1.7
<b>Average Labor Force</b>				
Volkswagenwerk AG	total labor force	78,685	74,873	19,337
Salaried Personnel	% of total labor force	9.4	9.2	11.0
Wage Earners	% of total labor force	90.6	90.8	89.0
Volkswagenwerk AG and its Subsidiaries and Affiliates	total labor force	92,331	87,130	19,423
<b>Production</b>				
Volkswagenwerk AG				
total	number of vehicles	1,132,080	1,112,424	179,740
average per working day	number of vehicles	4,912	4,568	673
per employee	number of vehicles	14.4	14.9	9.3
Volkswagenwerk AG and its Subsidiaries and Affiliates				
total	number of vehicles	1,209,591	1,184,675	.
average per working day	number of vehicles	5,229	4,874	.
<b>Sales</b>				
Volkswagenwerk AG				
total	in million DM	5,774.7	5,517.9	818.0
domestic sales	% of total sales	42.5	45.9	68.1
export sales	% of total sales	57.5	54.1	31.9
per employee	DM	73,391.—	73,696.—	42,305.—
Volkswagenwerk AG and its Subsidiaries and Affiliates				
total	in million DM	6,842.5	6,382.2	822.0
per employee	DM	74,109.—	73,249.—	42,321.—
<b>Gross Output and Expenditures of Volkswagenwerk AG</b>				
Total gross output (sales + inventory changes + material, wages and overhead rates capitalized as additions to plant and equipment)	in million DM	5,844.5	5,583.7	838.0
Cost of Materials	% of total gross output	58.6	60.9	60.8
Labor Costs	% of total gross output	15.9	14.9	14.9
Provision for Depreciation of Physical Plant and Write-Down of Financial Investments	% of total gross output	6.9	6.0	4.1
Taxes				
total	% of total gross output	9.1	10.2	12.6
On income, earnings and property	% of total gross output	7.4	8.3	9.7
Net Earnings before additions to and transfers from reserves	% of total gross output	4.0	3.3	1.8
<b>Dividends proposed or paid</b>	DM per share with a par value of DM 100.—	16.—	14.—	6.—

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## Agenda

for the Annual Meeting of Stockholders  
of Volkswagenwerk AG to be held at 2:00 P. M.  
on Saturday, July 4, 1964, at the Stadthalle  
in Wolfsburg.

1. Presentation of audited financial statements for the year ended December 31, 1963, together with the annual reports of Management and the Board of Directors for the year 1963.
2. Resolution with respect to disposition of the net earnings for the year 1963.  
The Board of Directors and Management propose to distribute a dividend on the capital stock of 16%  
(i. e. DM 16.— per share with a par value of DM 100.—)  
out of net earnings shown in the annual accounts.
3. Resolution with respect to discharge of responsibility of Management and the Board of Directors for the year 1963.  
It is proposed to discharge Management and the Board of Directors of responsibility.
4. Appointment of auditors for the year 1964.  
The Board of Directors proposes to appoint the Deutsche Revisions- und Treuhand-Aktiengesellschaft, Treuarbeit, Hanover, as auditors for the year 1964.

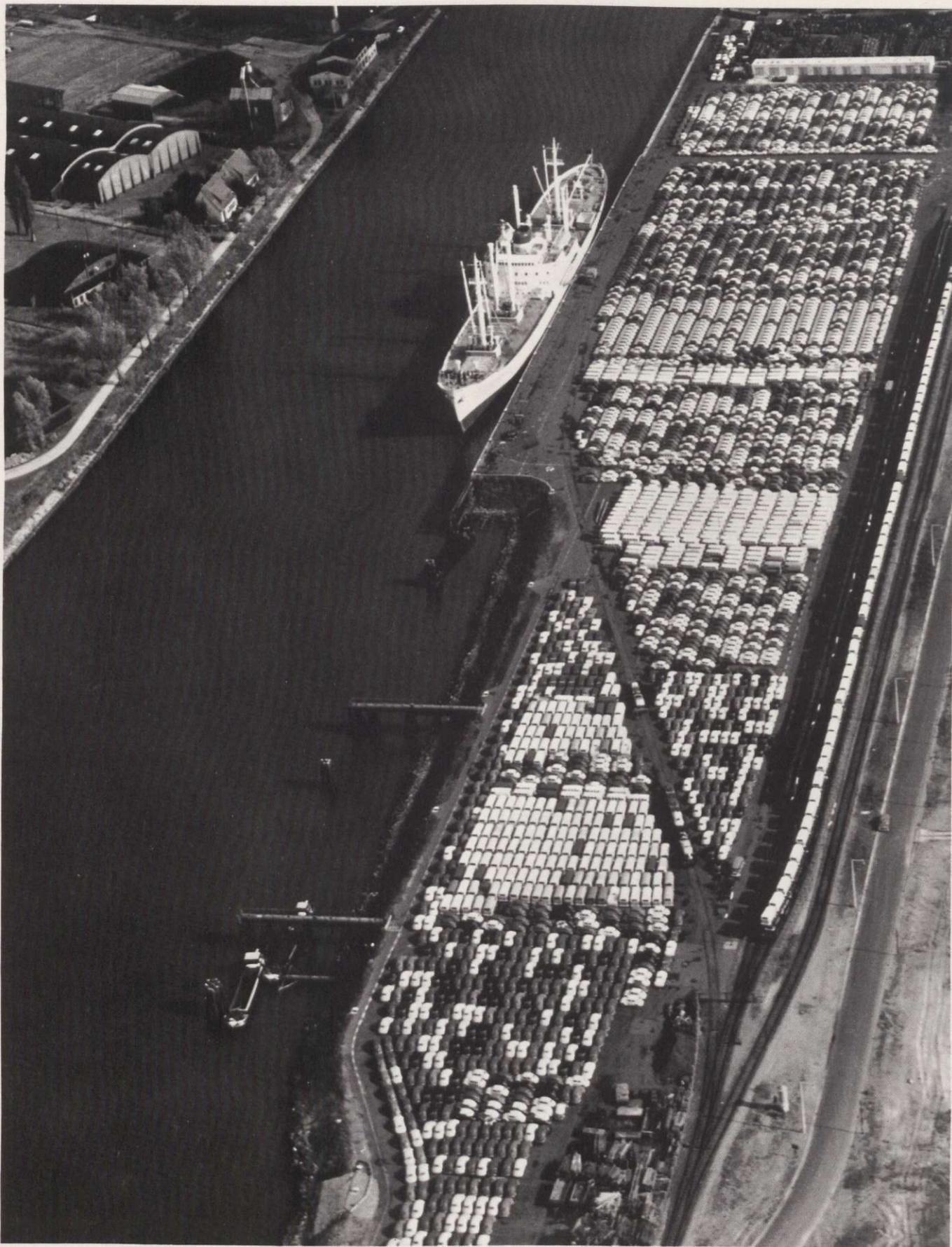
## Board of Directors (Aufsichtsrat)

State Secretary, ret., Dr. Dr. h. c. Hans Busch,  
Düsseldorf, Chairman  
Otto Brenner, Frankfurt, Deputy Chairman  
Minister, Dipl.-Ing. Carlo Graaff, Hanover,  
Deputy Chairman since October 21, 1963  
Dr. Josef Rust, Kassel, Deputy Chairman  
Minister, ret., Hermann Ahrens, Hanover,  
Deputy Chairman to October 21, 1963  
Hugo Bork, Wolfsburg  
Dr. h. c. Fritz Butschkau, Düsseldorf  
Siegfried Ehlers, Wolfsburg  
Mrs. Elgin Gärtner-Amrhein, Stuttgart  
Hans Grimm, Wolfsburg  
Walter Haefner, Zürich  
State Secretary, Prof. Dr. Karl M. Hettlage, Bonn  
Heinz Hilbich, Hanover  
Prof. Dr. Eduard Justi, Brunswick  
Dr. Horst Rheinfels, Cologne  
Dr. Hermann Richter, Düsseldorf  
Peter Stroh, Kassel  
Dr. Wilhelm Vallenthin, Hamburg

## Management

Prof. Dr.-Ing. E. h., Dr. rer. pol. h. c.,  
Dipl.-Ing. Heinrich Nordhoff, Chairman  
Fritz Frank  
Dr. Kurt Haaf  
Hans Hiemenz  
Otto Höhne  
Frank Novotny  
Dipl.-Ing. Helmut Orlich  
Julius Paulsen  
Dr. Wolfgang Siebert

Special loading facilities for Volkswagen vehicles in Bremen



## Report of Management

### General Business Trends

Far reaching economic decisions and other significant foreign and domestic events greatly affected world affairs during 1963. Expectations for a further economic and, eventually, political unification of Europe were not realized because of the rejection of Great Britain in its efforts to join the European Common Market. As a result, the economic disunity of Western Europe was intensified and an extensive Atlantic Common Market thus became a possibility only in the far distant future.

As in prior years, the economies of the important industrial countries of the Western world continued to operate at a high level of activity; however, the overall economic expansion once again was at a decreasing rate.

Although the United States of America has experienced a favorable growth in its economy for the third successive year, the U. S. Government, by means of a reduction in taxes, intends to accelerate economic growth through a further stimulus to private investment.

Economic development in some industrial countries of Western Europe was hampered to a considerable degree by a shortage in the labor market. The automobile industry was one of those which were adversely affected by this condition.

During 1963, as in prior years, the economic policy of Great Britain aimed toward growth without inflationary tendencies. Tax reductions instituted in 1962 remained in effect as a stimulation to investment and, in addition, export of manufactured goods was further encouraged. Although investments increased during 1963, the main impetus to economic growth was increased exports and higher domestic consumption.

Social problems which arose in the beginning of 1962 as well as a further rise of price level had their effect on the economic development of France and weakened the competitive position of French industry in the world market.

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As in prior years, the rate of growth of the Italian economy was higher than that of other large West European countries; however, by the end of 1963, a leveling off of growth was indicated for the first time in recent years. Increasing costs as well as a rising price level limited the ability of Italian industry to compete in the foreign market. An increase in domestic sales was not sufficient to offset the export losses suffered by some segments of industry.

The economy of the Federal Republic of Germany in 1963 showed an approximate 3% increase in the gross national product which was a more moderate growth than that experienced in 1962. The extremely limited labor market prevented a large increase in industrial production and a severe winter caused temporary difficulties in many areas of the economy.

All of the major automobile producing countries reported considerably higher auto production for 1963 than in the prior year.

In 1963, the American automotive industry increased its production by 11% over 1962 and total units produced was only slightly less than in the record year 1955. The increased demand for automobiles resulted from a greater number of vehicles scrapped during the year as well as an increase in the number of families owning two more autos. These factors also had a favorable effect on sales of imported vehicles.

Japan's approximate 30% increase in auto production from 1962 to 1963 was the highest of all the automobile producing countries. The Japanese automotive industry has continued to be the fifth largest automobile producer in the world.

In Europe, as in the United States of America, the automotive industry is becoming an increasingly important segment of the economy.

During 1963, Great Britain's economy felt the full impact of the late 1962 reduction of the purchase tax on automobiles as domestic sales increased at a higher rate than sales in the export market. Favorable market conditions resulted in an increase in auto production approximating 20%.

The French auto industry had a production increase of approximately 13% over 1962. Export sales, which reflected a greater percentage gain than domestic sales, exceeded the previous record high for exports which was experienced in 1959.

Italy's 1963 auto production increase approximating 27% was highest in the European auto industry and exceeded the rate of growth of the preceding year.

The decline in 1963 export sales was more than offset by a higher level of domestic sales. The domestic market was able to absorb the entire increase in production as well as the auto imports which doubled over the prior year. As a result of liberalizing quota restrictions, Italy has become a major importer of automobiles produced by other European countries.

The automotive industry of the Federal Republic of Germany during 1963 maintained its position as the second largest automobile producer and the leading automobile exporter in the world. Of the approximately 13% production increase over 1962, 70% was sold in the foreign market. The absolute increase in vehicle production in 1963 over 1962 was almost one and one-half as the increase of 1962 production over the previous year. The high demand in foreign markets, which was primarily responsible for the production increase, is reflected in a more than 20% increase in export sales from 1962 to 1963.

## **Review of 1963 Operations of Volkswagenwerk AG**

A five-week strike by longshoremen in the United States forced us to cut back production during the months of January and February as the vehicles normally exported to that country could not be disposed of in other markets because of the unusually severe winter. After the strike had ended, we scheduled work on Saturdays in an attempt to compensate for the loss of production during the cut-back period.

The two-week long strike by metal workers in Baden-Württemberg in the spring did not affect our production noticeably because of our precautionary policy of stock-piling critical materials.

Early in August, we introduced additional passenger and transporter models which were received favorably, both domestically and abroad.

Our entire output was sold readily although, once again, it was higher than in the previous year. During 1963, we gave preference on deliveries to the foreign markets in order to maintain the position in those markets that we expended such great efforts to establish. Despite intensive production effort, it was not always possible to prevent order backlogs in our entire line. The backlogs affected both our domestic and foreign markets.

Sales in 1963 for Volkswagenwerk AG increased in a greater proportion than production and another very successful year resulted as earnings exceeded those of 1962.

The continuing demand for Volkswagen automobiles necessitates the construction of additional production facilities. As there is a shortage of labor in the locale of our present facilities, a fifth plant will be located at the seaport city of Emden on the North Sea. At the plant, when completed, 400 autos will be assembled daily. Because of its ideal location, direct shipment to overseas countries from the Emden plant will be possible. Assembly operations are expected to commence by the end of 1964.

## Production

Automobile production throughout the world

during 1963 reached an all-time high when more than 20 million units were produced. A comparison of production in the major producing countries for 1963 and 1962 follows:

	1963	1962	% increase
USA	9,109,000	8,197,000	+ 11
Federal Republic of Germany	2,668,000	2,357,000	+ 13
Great Britain	2,012,000	1,675,000	+ 20
France	1,707,000	1,508,000	+ 13
Japan	1,284,000	991,000	+ 30
Italy	1,136,000	896,000	+ 27

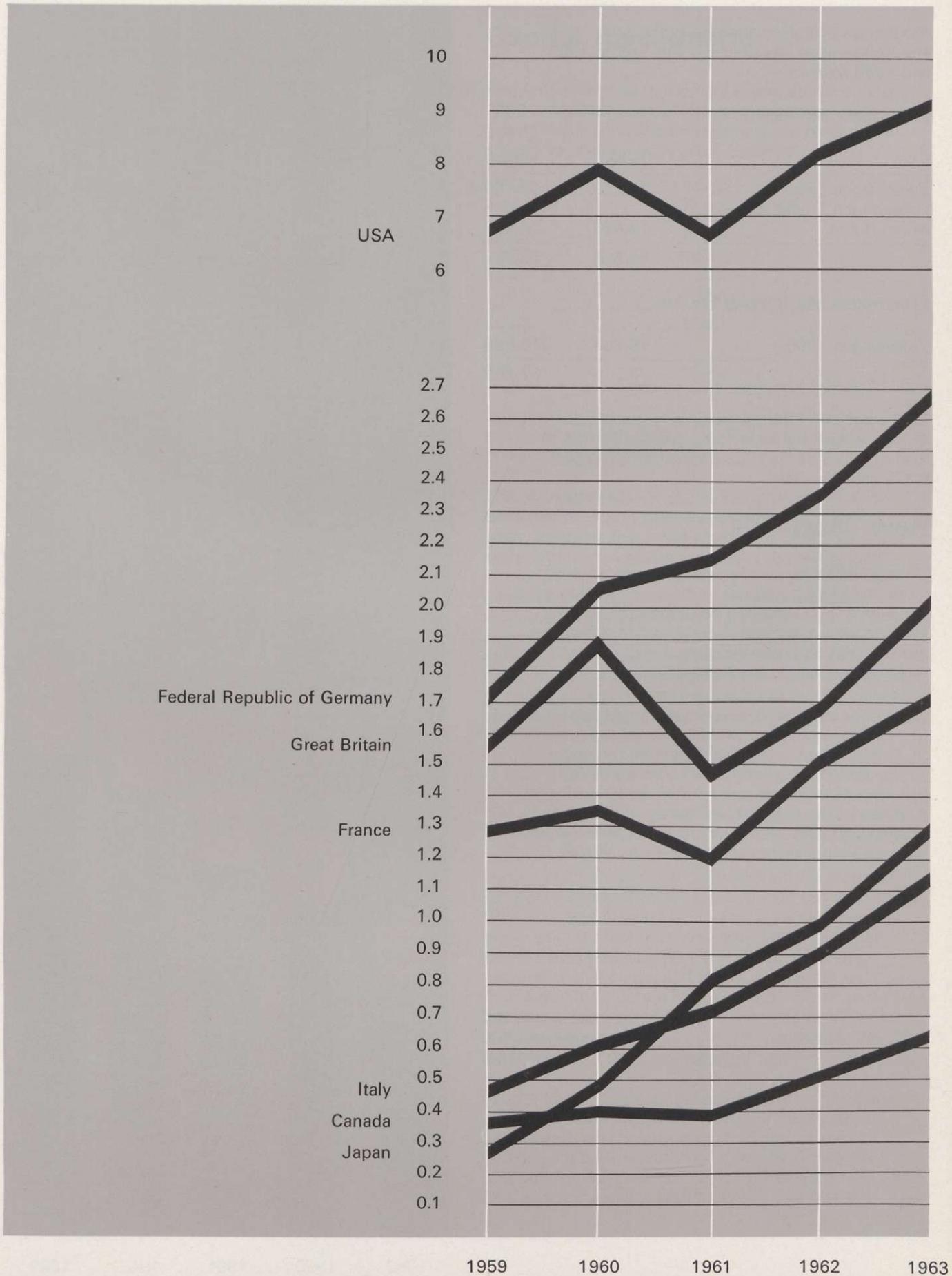
Volkswagenwerk AG in 1963 increased its production to 1,132,080 automobiles which represented 42.4% of the autos produced in the Federal Republic of Germany during the year. This increased production in 1963 becomes more significant when one considers the more than 50,000 unit increase in the production of the Volkswagen 1500. A shortage in the labor market precluded a further increase in production during the year.

Volkswagenwerk AG produced	1963	1962
Volkswagen 1200	775,405	819,326
Volkswagen 1500 and VW 1500 Station Wagon	181,809	127,324
Volkswagen Trucks and Micro Buses	174,866	165,774
	1,132,080	1,112,424

Included in the foregoing summary are 102,356 "knocked-down" autos which were assembled in foreign countries. During the year we put an assembly plant into operation in Venezuela. Other assembly plants are located in Belgium, Ireland, Uruguay, New Zealand and the Philippines. Early in 1964, our newly organized subsidiary in Mexico became responsible for the operation of an assembly plant which had been managed by the former importer of Volkswagen vehicles. In 1963 assembly operations in our South African and Australian subsidiaries were expanded to produce the Volkswagen 1500.

Also, during the year, our foreign subsidiaries again increased their production as well as the proportionate use of materials and labor from domestic sources.

Output of major automobile producing countries  
in millions of units



Production of Volkswagen do Brasil S. A. and Volkswagen (Australasia) Pty. Ltd. in 1963 and 1962 follows:

Volkswagen do Brasil S. A.

	1963	1962
Volkswagen 1200	44,230	39,189
Volkswagen Trucks and Micro Buses	14,428	14,563
<b>Total</b>	<b>58,658</b>	<b>53,752</b>

Volkswagen (Australasia) Pty. Ltd.

	1963	1962
Volkswagen 1200	18,853	18,499
<b>Total</b>	<b>77,511</b>	<b>72,251</b>

By the end of 1963, the combined world-wide output of Volkswagen vehicles had increased by 434 to a total of 5,525 daily; 1963 production averaged 5,229 vehicles daily.

## Raw Materials

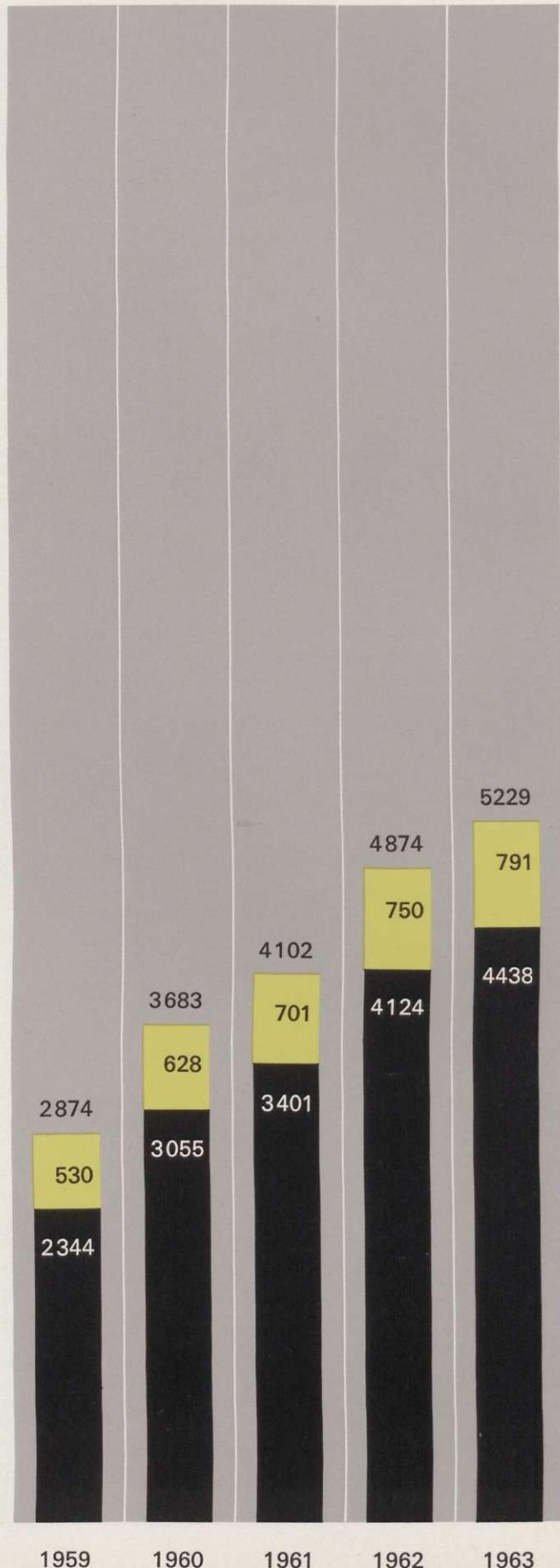
During 1963, Volkswagenwerk became an even more important purchaser in the world market as its consumption of materials continued to increase. With its total purchases exceeding DM 3.5 billion during 1963, Volkswagenwerk was the largest private consumer in the Federal Republic.

As in prior years, Volkswagenwerk purchased materials from many countries, of which the United States of America, France and Canada were the major suppliers. Its use of magnesium, for example, accounted for almost one-fifth of world production. Because of the political desirability of a healthy economy in West Berlin, we have made it a point also to procure materials from industry in that City.

Total

Trucks and Micro Buses

Volkswagen 1200  
Volkswagen 1500  
and Volkswagen 1500 Station Wagon



## Capital Investments

Property, plant and equipment expenditures during 1963 exceeded those of the prior year by approximately DM 77.2 million. Following is a breakdown of such expenditures by plant location:

	1963 in million DM	1962 in million DM
Wolfsburg	209.0	211.9
Hanover	69.6	67.5
Kassel	113.1	32.6
Brunswick	8.6	11.1
Total	400.3	323.1
Cost of facilities acquired and put into service during the year	301.4	338.2

Expenditures for property, plant and equipment since the currency reform in 1948 amounted to approximately DM 3.4 billion.

The complete sell-out of 1963 production and existence of order backlogs during the year, once again indicates that a prerequisite to complete exploitation of available markets is the availability of productive facilities to satisfy even peak seasonal demands. As in prior years, a considerable gap existed between demand and supply for our product despite continuous increases in output and full utilization of productive facilities. During 1963, in an effort to close this gap, we initiated a program of plant expansion that is expected to require several years to complete and will increase our production by 400 automobiles daily. As part of this program, our fifth plant to be located in Emden is expected to cost DM 250 million. The expansion program is responsible for a portion of the approximate DM 100 million increase over 1962 in advance payments to contractors and plant under construction at year end.

Further mechanization and automation became necessary during the year to cope with the continuing labor shortage in West Germany. At our Wolfsburg plant, among other improvements, we installed an automated main body jig which takes the front, rear and roof sections and welds them together. In addition, production of body parts was increased through installation of 57 new heavy duty presses and two new production lines were added to the Paint Shop.

In addition to relatively minor construction projects at all plant locations, an extremely modern service work shop was put into operation and an office building for our Engineering Research Department was substantially completed at Wolfsburg during 1963. Of the major projects started in 1963, one of the

Property, Plant and Equipment Expenditures,  
Additions to Property, Plant and Equipment  
and Provision for Depreciation  
in million DM

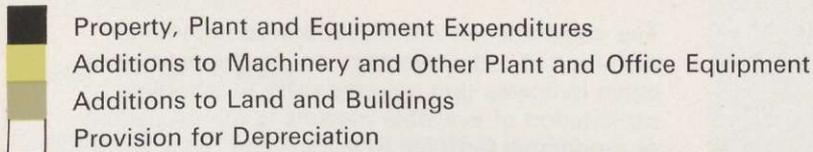
Total from 1948–1963

Property, Plant and Equipment Expenditures	3,422.5
Cost of facilities acquired and put into service	3,242.7
Amortization	1,972.4

more significant is the more than 1.5 million square foot factory building in process of construction at Kassel.

A new foundry was built at our Hanover plant during the year to produce the light metal used in our auto engines. In order to adjust to local labor conditions, we found it necessary at times to shift certain manufacturing operations between plants.

Our land holdings increased from 2,808 acres in 1962 to 2,936 acres at the end of 1963, of which 612 acres are allocated for use as home sites. Early in 1964, we acquired an additional 511 acres upon which our plant in Emden will be built.



## Sales

After elimination of intercompany transactions, consolidated sales in 1963 aggregated DM 6.8 billion. Volkswagenwerk's 1963 sales of DM 5.8 billion, as sales in the preceding year, were the highest of any industrial enterprise in the Federal Republic.

### Volkswagenwerk AG

sales for 1963 and 1962, including sales of "knocked down" vehicles for assembly in foreign countries, are as follows:

	1963	1962
Volkswagen 1200	773,994	820,313
Volkswagen 1500 and VW 1500 Station Wagon	182,463	125,907
Volkswagen Trucks and Micro Buses	174,556	166,457
	1,131,013	1,112,677

Sales of vehicles produced by our foreign affiliates for the current and previous year amounted to:

	1963	1962
Volkswagen do Brasil S. A.		
Volkswagen 1200	44,224	39,153
Volkswagen Trucks and Micro Buses	14,430	14,516
	58,654	53,669
Volkswagen (Australasia) Pty. Ltd.		
Volkswagen 1200	20,030	17,319
	78,684	70,988

Volkswagenwerk AG export sales increased to 60.6% of total sales during 1963.

During 1963, our product line was diversified to a considerable degree. As from August 1963 there were two models of both the Volkswagen 1500 and the VW 1500 Station Wagon available on the market. The new models, Volkswagen 1500 S and VW 1500 S Station Wagon along with the 1500 S Karmann-Ghia Coupe, are equipped with a 66 SAE bhp twin carburetor engine and have other features not found in the earlier model. Despite these substantial improvements, list prices have remained at DM 6,400.— for the 1500 S and DM 6,800.— for the 1500 S Station Wagon while the list price of the 1500 model with a 54 SAE bhp engine has been reduced by DM 410.—.

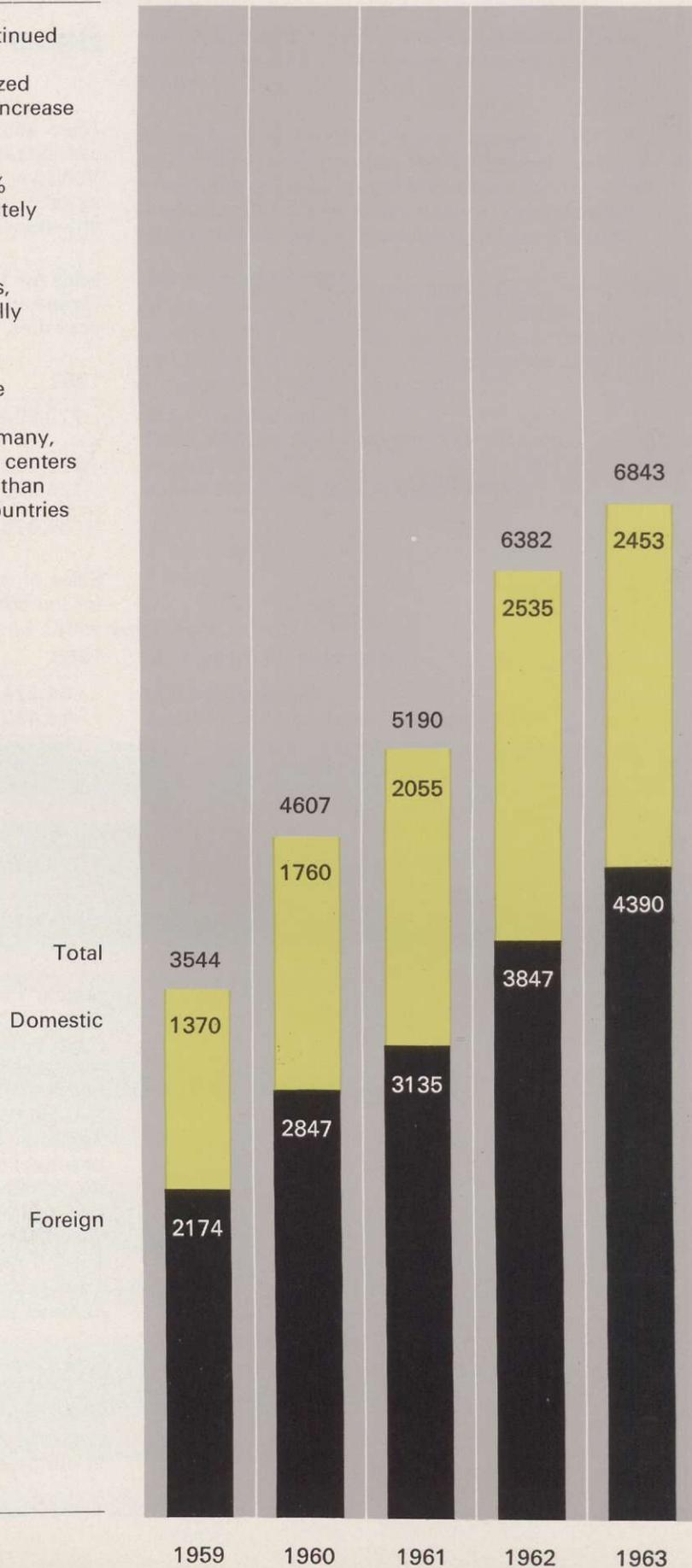
Since February 1963, a 1.5 liter engine has been available in our VW Trucks and Micro Buses at an additional charge. In August a 1-ton Truck, also equipped with a 1.5 liter engine, was added to our product line.

During the year, technical improvements continued to be incorporated in the Volkswagen 1200. Among these was replacement of the rubberized nylon sun roof by a sliding steel panel at no increase in selling price.

Sales of the standard model represented 2.9% of total model 1200 sales in 1963; approximately the same percentage as in 1962.

Parts and exchange engine sales to total sales, as well as their selling prices, remained virtually unchanged from 1962 to 1963.

As in prior years, expansion of the VW service organization and technical training of service personnel was especially emphasized. In Germany, by the end of 1963, there were 1,796 service centers whose facilities could service a total of more than 32,000 vehicles at one time and in foreign countries more than 50,000 vehicles could be handled concurrently at 5,211 locations.



## Domestic Sales

A general increase in personal income in the Federal Republic had a favorable influence on automobile sales. New vehicle registrations in Western Germany, including West Berlin, aggregated 1,398,282, a 59,353 or 4.4% gain over the year 1962. Imported vehicles accounted for approximately 133,000 or 10% of total vehicle registrations during the year.

As of January 1, 1964, there were 7.5 million passenger cars and dual-purpose vehicles registered in the Federal Republic, exclusive of West Berlin, which represents an approximate increase of 950,000 over the prior year. On a per capita basis, the Federal Republic had 1 passenger vehicle to each 8.0 persons in the beginning of 1964 compared to early 1963 figures of 1 to 7.1 in France, 1 to 5.3 in Sweden, and 1 to 2.8 in the United States of America.

Domestic sales of Volkswagenwerk AG	1963	1962
Volkswagen 1200	273,655	346,146
Volkswagen 1500 and VW 1500 Station Wagon	109,240	74,994
Volkswagen Trucks and Micro Buses	62,355	63,924
	445,250	485,064

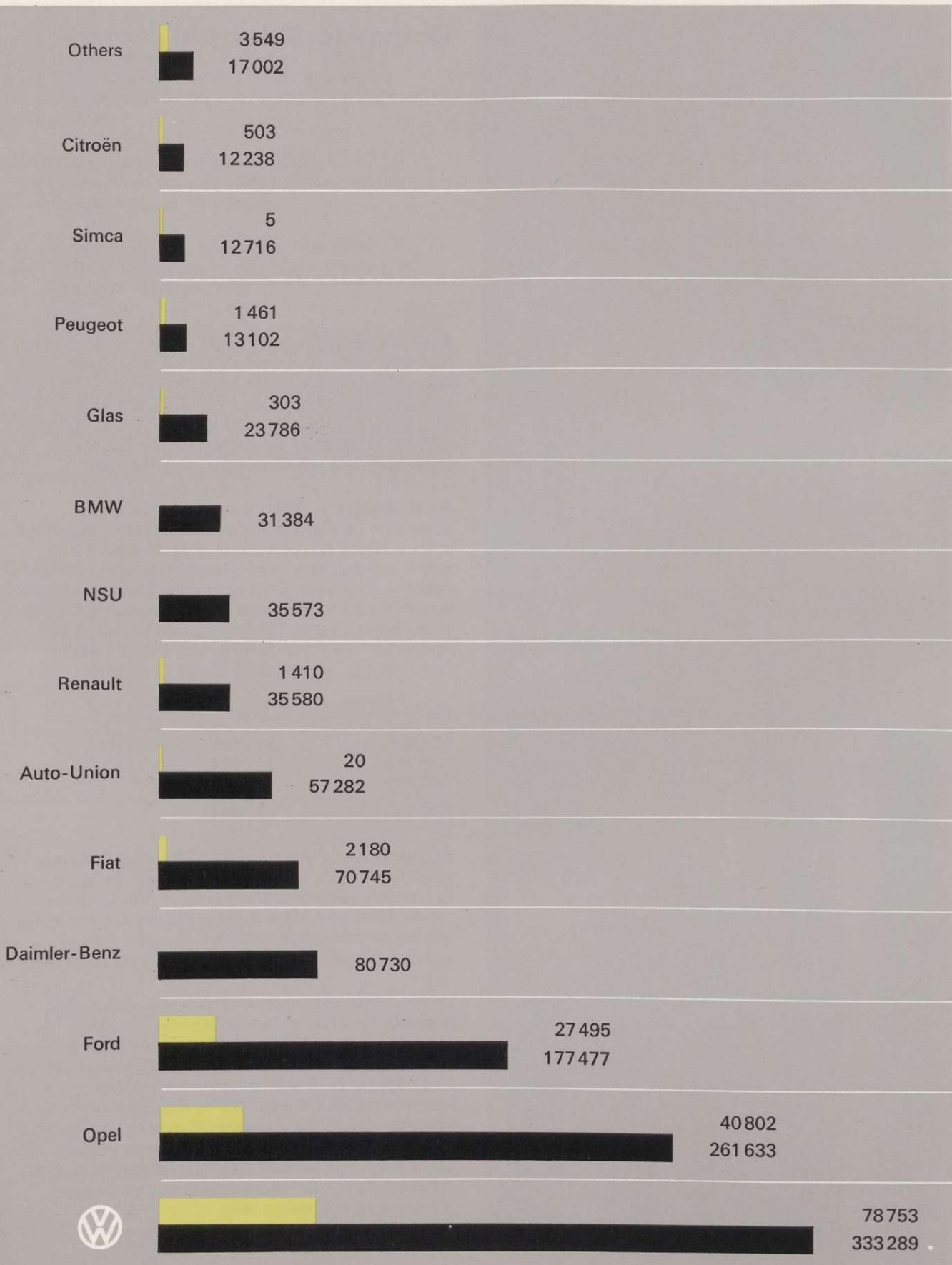
The decrease in Volkswagen 1200 sales between years is primarily accounted for by our decision to increase exports of this model in 1963. As the model 1500 and 1500 Station Wagon are not as yet offered on all foreign markets, we were able to satisfy more of the domestic demand for these vehicles.

Of the 1963 registrations of passenger cars and dual-purpose and commercial vehicles with a capacity up to 2,750 lbs, Volkswagenwerk's products accounted for 31.2% of the total. VW passenger cars and dual-purpose and commercial vehicles represented 28.7% and 50.3%, respectively, of such vehicles sold in the domestic market during the year. The VW 1200 continues to be the most popular among all vehicles sold. The high percentage of the market held by our commercial vehicles is due, primarily, to increasing sales of our VW 1500 Station Wagon.

New Vehicle Registrations of Passenger Cars and Dual-Purpose and Commercial Vehicles in the Federal Republic and West Berlin in 1963



Dual-Purpose and Commercial Vehicles with a capacity up to 2,750 lbs  
 Passenger Cars, including Micro Buses and Ambulances



## Export Sales

Restrictive import policies existing in some countries as well as increased competition presented difficulties in selling automobiles in foreign markets.

Auto exports of the Federal Republic in 1963 increased in a greater proportion than did those of other competing countries.

With a total of 1,331,781 autos exported in 1963, a 20.9% increase over the preceding year, the Federal Republic of Germany maintained its position as the leading automobile exporting country in the world.

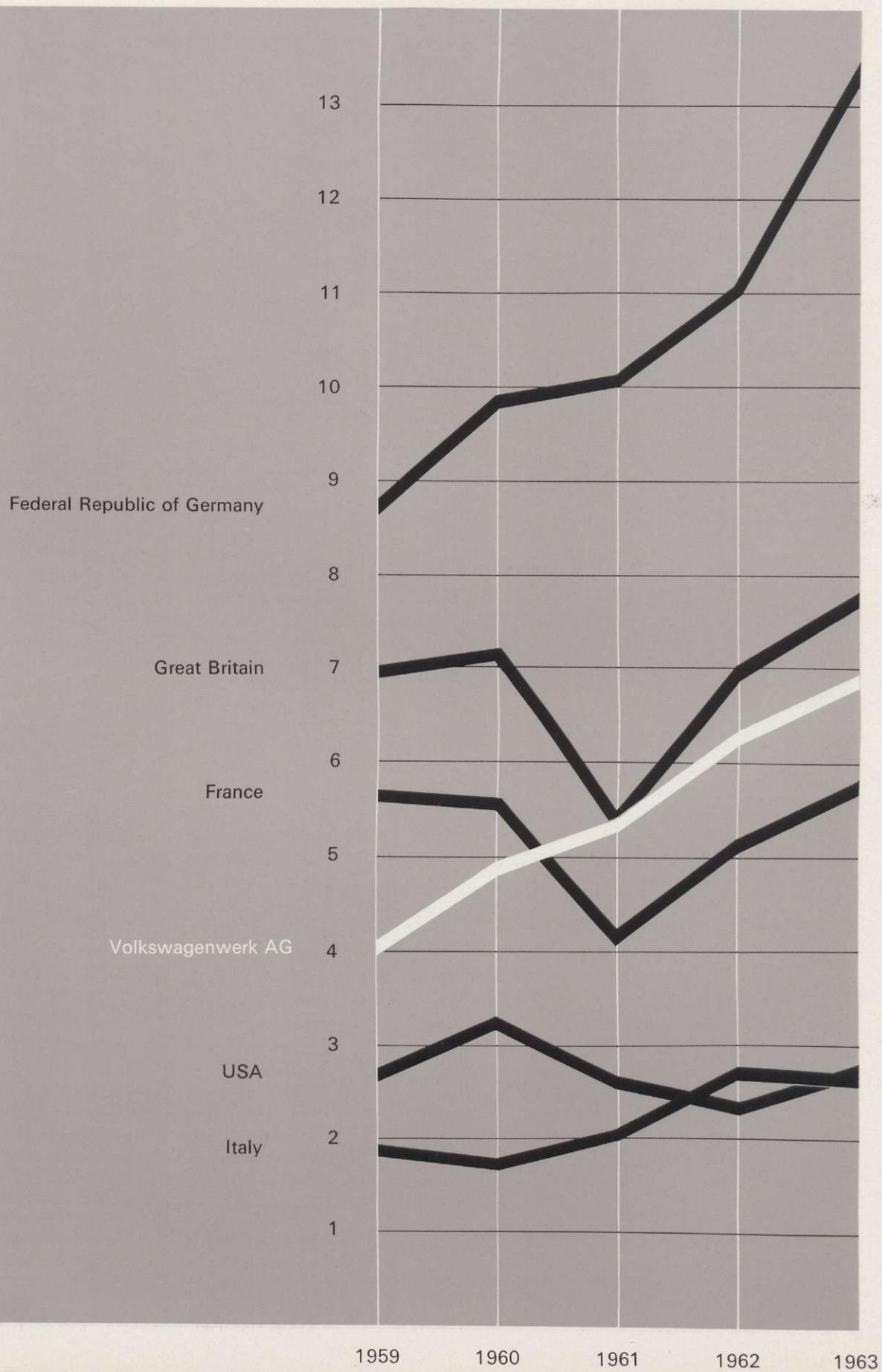
Volkswagenwerk AG remained, by far, the leading auto exporter in the world with its export of 685,763 vehicles during the year. Its passenger cars and dual-purpose and commercial vehicles up to 2,750 lbs sold in the foreign market represented 52.5% and 55.8%, respectively, of the West German exports of such vehicles.

During 1963, Volkswagens were exported to:

	Volkswagen 1200 Volkswagen 1500 VW 1500 Station Wagon	Trucks and Micro Buses	Total	% of Total
North and South America	274,509	43,996	318,505	46.4
Europe	242,232	55,271	297,503	43.4
Africa	26,665	5,485	32,150	4.7
Asia	13,895	3,409	17,304	2.5
Australia and the Islands of the Pacific	7,537	3,119	10,656	1.6
Exports through tourists	8,724	921	9,645	1.4
<b>Total 1963</b>	<b>573,562</b>	<b>112,201</b>	<b>685,763</b>	<b>100.0</b>
<b>Total 1962</b>	<b>525,080</b>	<b>102,533</b>	<b>627,613</b>	
<b>% increase between years</b>	<b>9.2</b>	<b>9.4</b>	<b>9.3</b>	

Although Volkswagens were exported to more than 130 countries, the United States of America was again our largest foreign customer with purchases of 268,667 vehicles in 1963 and 233,371 in 1962. Exports to European nations increased over 1962, especially to EEC countries, which imported 136,567 vehicles representing 45.9% of our European exports. We were especially successful in the Italian market with sales of 61,215 Volkswagens for the year.

Automobile Exports of the Major Producing Countries  
and of Volkswagenwerk AG in Units of 100,000



## Investment in Subsidiaries and Affiliates:

### Foreign

**Volkswagen Canada Ltd.,  
Toronto, Ontario, Canada**

Capital Stock	Can. \$ 500,000
Percentage of Ownership	100%

Economic measures instituted by the Canadian Government to stimulate the economy were effective. An increase in exports improved the balance of trade, but requirements for dividends and interest on foreign capital were responsible for a continuing negative balance of payments.

Canadian auto production reached an all-time high during the year. The number of vehicles imported continued to decrease during 1963. Only following the lifting of the special import duty of 10% on foreign cars on April 1 did sales rise again.

The high import duty during the first three months of 1963 had its effect on our subsidiary's sales as customers delayed purchases in expectation of a tariff reduction. With removal of the special duty, a price decrease was again possible with resultant increased sales. Sales in 1963 of 30,109 vehicles were only slightly less than in 1962; however, our share of the import market rose from 36.4% in 1962 to 51.9% in the year under review.

Earnings for 1963 were satisfactory.

As of December 31, 1963, the Company employed 500 persons.

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

Capital Stock	US \$ 1,000,000
Percentage of Ownership	100%

In 1963, the Volkswagen automobile continued to be a success in the USA with sales of 277,785 vehicles, a 19.6% increase over the preceding year. Volkswagen 1200 sales rose to 3.2% of total U.S. auto sales in 1963 and represented 62.3% (56.8% in 1962) of all U.S. passenger car imports.

The 750 dealerships in the USA by year-end reflect our subsidiary's continued efforts to expand and increase efficiency of the customer service network in that country.

During the year under review, Volkswagen of America, Inc. occupied a new Service Building in Englewood Cliffs that had been constructed by its subsidiary, *Sylvan Avenue Corporation*.

Earnings in 1963 were again satisfactory.

As of December 31, 1963, the Company employed 273 persons.

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

Capital Stock	Cr. \$ 22,800,000,000
Percentage of Ownership	80%

During the year 1963, capital of the Company was increased by Cr. \$ 12,797,000,000 of which Cr. \$ 2,996,000,000 was represented by Volkswagenwerk AG in the form of productive equipment. The remainder, Cr. \$ 9,801,000,000 resulted from an upward revaluation of property, plant and equipment. This revaluation was allowed under Brazilian law because of the inflationary trend existing in that country.

Economic measures instituted by the Government to combat inflation hampered auto sales and auto production lagged as a prolonged dry spell caused restrictions in the use of power and water. Price increases for our products became necessary to keep up with the inflationary increases in costs. In spite of these difficulties, Volkswagen do Brasil was again able to increase sales and production. With sales of 58,665 vehicles, our subsidiary ranks first among auto manufacturers in Brazil. Its share of the passenger car, truck, and micro bus market was 43.1% in 1963.

Earnings in 1963 were again satisfactory; however, exchange restrictions made it impossible to transfer any dividends out of 1963 earnings.

Car sales financed by *Cia. VVD de Crédito, Financiamento e Investimentos* increased over the prior year in spite of the inflationary trend and Government restrictions on the granting of credit.

At year end the two companies had a total of 8,400 employees.

**South African Motor Assemblers  
and Distributors Ltd. (SAMAD),  
Uitenhage, Republic of South Africa**

Capital Stock	Rd. 800,000
Direct Percentage of Ownership	63.0%
Indirect Percentage of Ownership through a Subsidiary Company	1.9%

Improvement in the economy of South Africa in recent years continued throughout 1963 and was reflected in increased automobile sales.

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Labor shortages, especially in skilled workers, experienced by many other nations also became noticeable to some degree in South Africa.

Expansion of SAMAD's productive facilities was required in order to commence assembly of the Volkswagen 1500 and VW 1500 Station Wagon. The proportionate use of materials and labor from domestic sources continued to increase during 1963. The Company's Quality Control Department was further expanded and improved with the completion of a laboratory and installation of modern testing equipment.

During 1963, the Subsidiary's 100,000th Volkswagen was assembled. The Volkswagen 1500 contributed to the increase in vehicle sales which rose to 18,611 during the year, a 29.2% increase over the preceding year.

Earnings in 1963 were satisfactory.

Although competition became more intense in the South African credit market in 1963, auto purchases financed by *South African Motor Acceptance Corporation Pty. Ltd. (SAMAC)* were approximately the same as in 1962. Financing of dealer purchases, however, increased over the prior year.

Our South African companies employed a total of 1,652 persons at the end of 1963.

**Volkswagen (Australasia) Pty. Ltd.,  
Melbourne, Australia**

Capital Stock	Aust. £ 5,000,000
Percentage of Ownership	100%

In 1963 the Australian economy continued to expand with a favorable effect on auto sales. However, competition in the auto market became more intense with the introduction of new models.

In July 1963, *Volkswagen Manufacturing (Australia) Pty. Ltd.*, producing subsidiary of Volkswagen (Australasia) Pty. Ltd., began assembly of the Volkswagen 1500 and VW 1500 Station Wagon. This addition to our product line as well as the policy of greater use of locally produced materials and domestic labor necessitated an additional investment in productive facilities. During the year the production of rebuilt "exchange engines" commenced.

There was a sales increase to 27,861 units in 1963, an 11.7% rise over 1962, and Volkswagen (Australasia) Pty. Ltd. was successful in selling to countries in the Southeast Asian and South Pacific areas.

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In January 1963 the distributor in Western Australia, *Volkswagen (W. A.) Pty. Ltd.*, changed its corporate name to *Volkswagen (Sales) Pty. Ltd.* when it also took over the distributorship in Victoria.

In order to describe its business activities more accurately, the corporate name of *Volkswagen Distributors Pty. Ltd.* was changed to *Volkswagen (Services) Pty. Ltd.* The Company continues to act as a sales organization for the holding company, *Volkswagen (Australasia) Pty. Ltd.*

Consolidated earnings of the Australian companies in 1963 were satisfactory.

The Australian companies had 1,907 employees at the end of 1963.

**Volkswagen France S. A.,  
Villers-Cotterêts, France**

Capital Stock	F 7,000,000
Direct Percentage of Ownership	98%
Indirect Percentage of Ownership through our affiliates	2%

In 1963, the 25% balance of the subscription to the 1962 F 5,000,000 capital stock increase was paid in cash. During the year, we also acquired all but 2% of the stock in Volkswagen France S. A. held by our affiliates, Volkswagen Canada Ltd. in Toronto and Sylvan Avenue Corporation in Englewood Cliffs. During 1963, our French Subsidiary occupied a new parts warehouse and distribution center in Villers-Cotterêts.

The service organization of Volkswagen France S. A. was strengthened considerably during the year; by year-end 300 service centers were available to our customers.

Although there was a further reduction in 1963 of duties on imported automobiles, the total of such duties and taxes on the sale of imported automobiles remains relatively higher than that of other countries. Despite the tariff protection given domestic vehicles, imported autos managed to obtain a greater share of the market than that enjoyed in 1962. Our subsidiary's sales increased to 15,087 vehicles in 1963 and earnings for the year were satisfactory.

*Service D'Assurance Volkswagen S. A.*, an automobile insurance company organized in 1962, became an important part of our sales promotion effort and has been received well by our dealers and their customers.

Volkswagen France S. A. had 193 employees by the end of 1963.

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## Investment in Subsidiaries and Affiliates:

### Domestic

**Volkswagen-Finanzierungsgesellschaft m. b. H.**  
**(VW Finance Co., Ltd.), Wolfsburg, Germany**

Capital Stock	DM 1,500,000
Percentage of Ownership	100%

The highly liquid position of finance companies resulted in a continuance of an extremely competitive consumer financing field during 1963.

In order to meet competitive conditions, we extended the period over which a loan is to be repaid from 14.9 months to 15.8 months. As a result, the number of contracts written in 1963 was comparable to that of 1962.

Beginning with 1963, dealer purchases are being financed for the account of Volkswagenwerk AG. The financing of dealer purchases has expanded considerably over that in 1962.

Financial losses were negligible and earnings satisfactory for 1963.

The Company had 57 employees as of December 31, 1963.

**VW-Wohnungsbau**  
**Gemeinnützige Gesellschaft m. b. H.**  
**(VW Non-Profit**  
**Housing Construction Co. Ltd.),**  
**Wolfsburg, Germany**

Capital Stock	DM 2,000,000
Percentage of Ownership	100%

With completion of 759 apartments during 1963, the Company had a total of 6,395 in use by year-end. There was, in addition, a bachelor accommodation building located in Wolfsburg and one in Kassel-Altenbauna.

The distribution of apartments by location follows:

Wolfsburg/Brunswick	6,186
Hanover	60
Kassel	149

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**VW-Siedlungsgesellschaft m. b. H.**  
**(VW Housing Development Co. Ltd.),**  
**Wolfsburg, Germany**

Capital Stock	DM 10,000,000
Percentage of Ownership	100 %

During 1963, capital stock was increased by DM 9,000,000 of which we paid the minimum requirement of 25%. At December 31, 1963, our unpaid subscription to the stock amounted to DM 7,500,000.

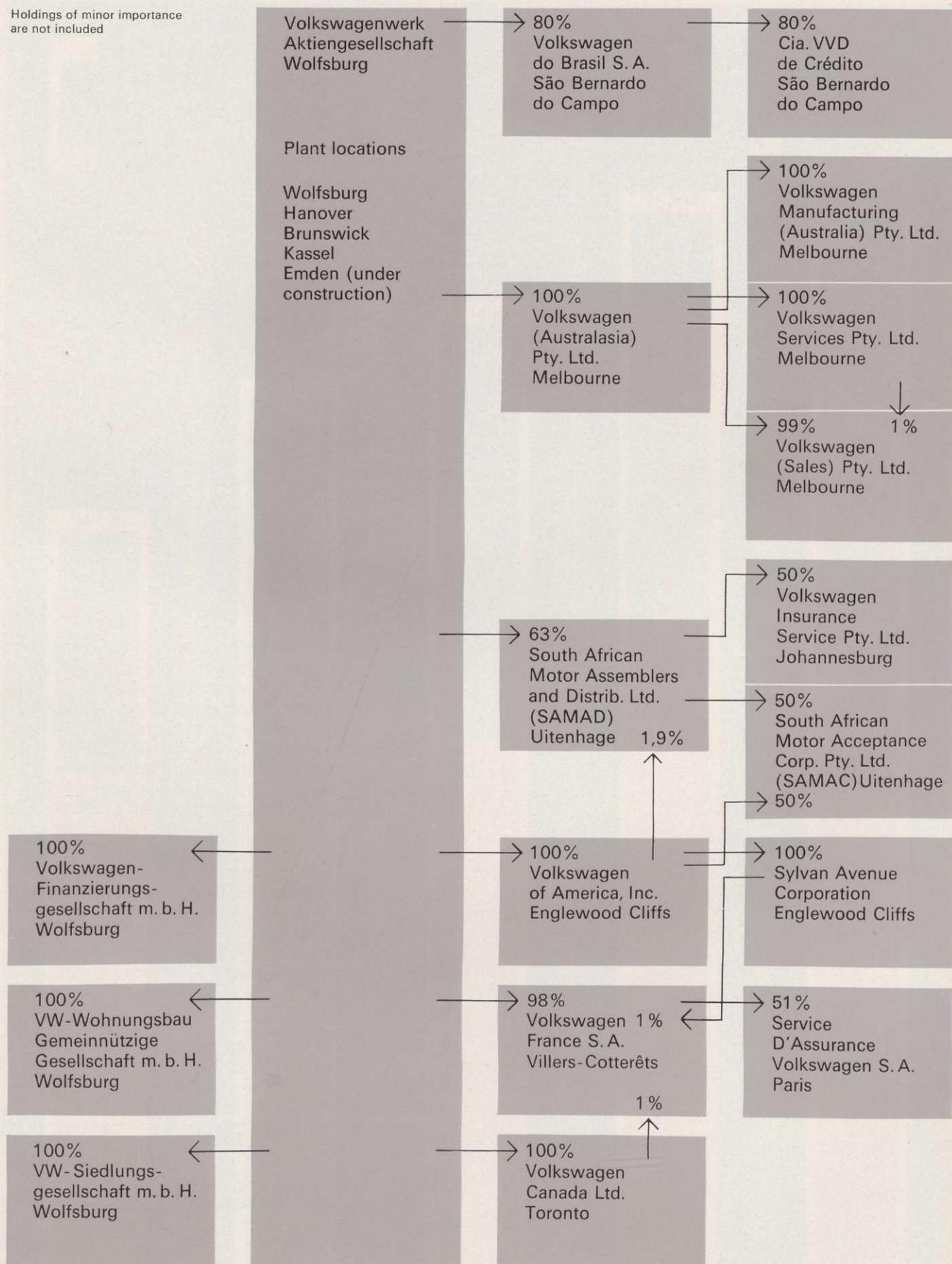
During 1963, an initial 230 apartments were completed and turned over to the tenants for occupancy.

The loss for the year, caused mainly by a write-off of asset values, as allowed under existing tax laws, was absorbed by Volkswagenwerk AG in accordance with the Profit and Loss Assumption Agreement between the two companies.

At year-end, both construction companies had a total of 1,072 apartments under construction and planning had been completed for an additional 600. Financing to cover construction costs has been secured.

Holdings in Subsidiaries and Affiliates as of December 31, 1963

Holdings of minor importance are not included



## Labor Force

The chronic labor shortage continued in the areas in which our plants were located. While the plant at Hanover was able to hire approximately 2,000 additional employees, our other plants were barely able to fill positions vacated by those leaving our employ. To satisfy our needs, we intensified our efforts to hire labor from other countries with the result that at December 31, 1963, there were 1,110 more foreign workers in our employ than at the end of 1962.

The labor force of Volkswagenwerk AG and its subsidiaries and affiliates totalled 93,488 at December 31, 1963.

Volkswagenwerk AG had 80,426 employees at year-end, an increase of 2,422 over 1962.

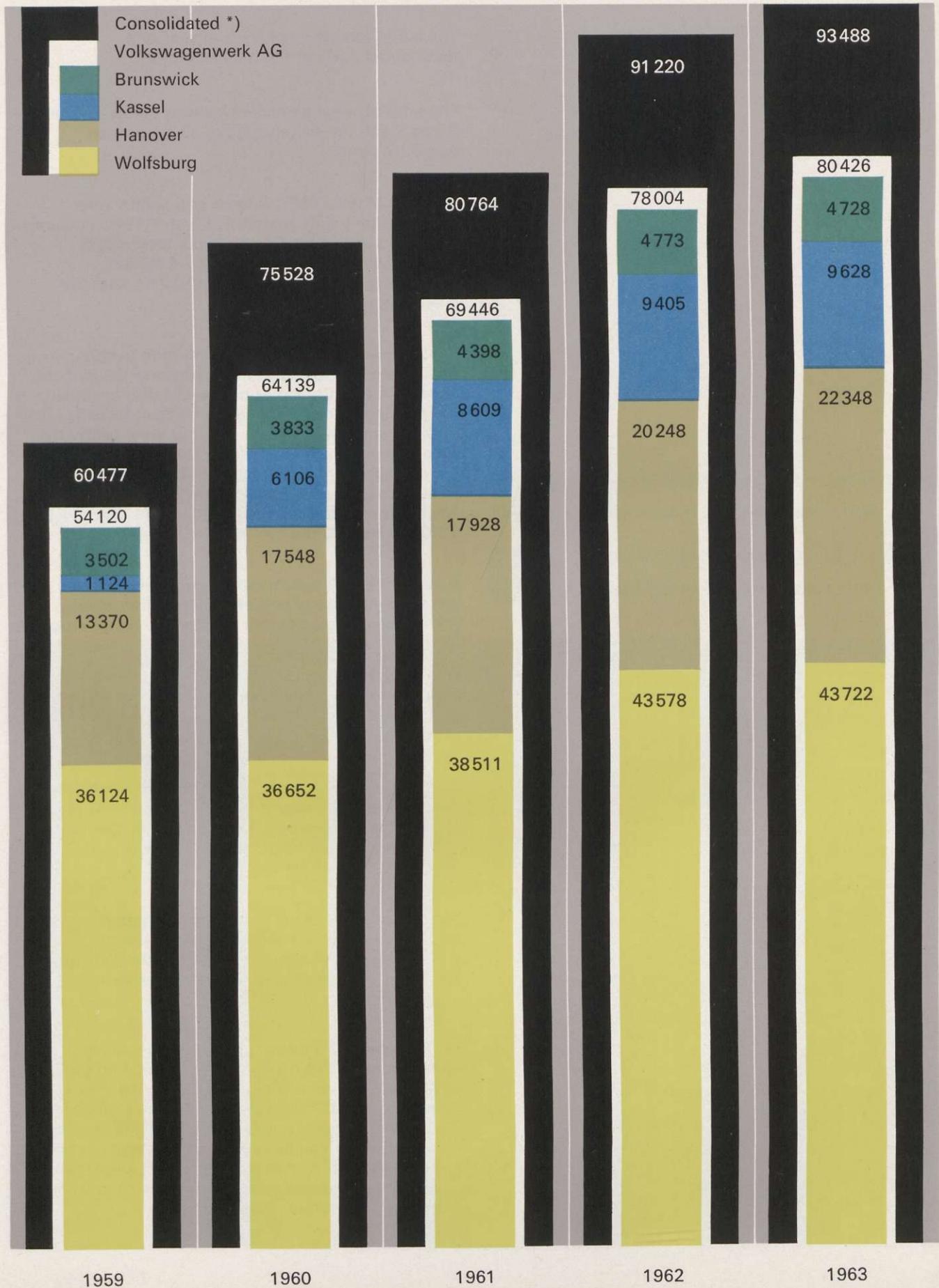
A breakdown of employees by plant location follows:

	1963	1962
Wolfsburg	43,722	43,578
Hanover	22,348	20,248
Kassel	9,628	9,405
Brunswick	4,728	4,773
Total Volkswagenwerk AG	80,426	78,004

The number of women employed increased to 9,978 in 1963 and their total rose to 12.4% of the total labor force.

Number of Employees at Year-End

\*) Volkswagenwerk AG and its Subsidiaries and Affiliates



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The 5,604 foreign employees at year-end represented 7.0% of the total employed.

The ratio of wage earners to salaried personnel was 9.7 to 1 and the average age of all employees was 33.7 years.

Effective May 1, 1963, salaries and wages were increased by 5% in accordance with a 1962 agreement with the trade union. During 1963, total wages and salaries amounted to DM 807.4 million, an increase of DM 77.8 million (10.7%) over the preceding year.

In 1963 we gave more consideration to length of service and marital status in determining the amount to be paid as a Christmas bonus. We also amended our pension plan to provide more liberal benefits to those employees whose earnings were below the maximum to which compulsory social security for old age applies. To celebrate our 25th anniversary in business, we granted each employee a bonus of 1% of his annual earnings in addition to the regular 1962 bonus paid during the current year.

A larger group of employees were attracted to the increased number of seminars, group discussions and lectures offered by our employee training program.

Our "suggestion program" again resulted in improvements to operations with generous rewards to the employees whose suggestions were considered of value to the Company.

During 1963, there were 5,194 employees who spent special two-week vacations, with all expenses paid, at our recreation centers. Construction of our new 190 bed recreation center at Schulenberg/Harz neared completion by year-end.

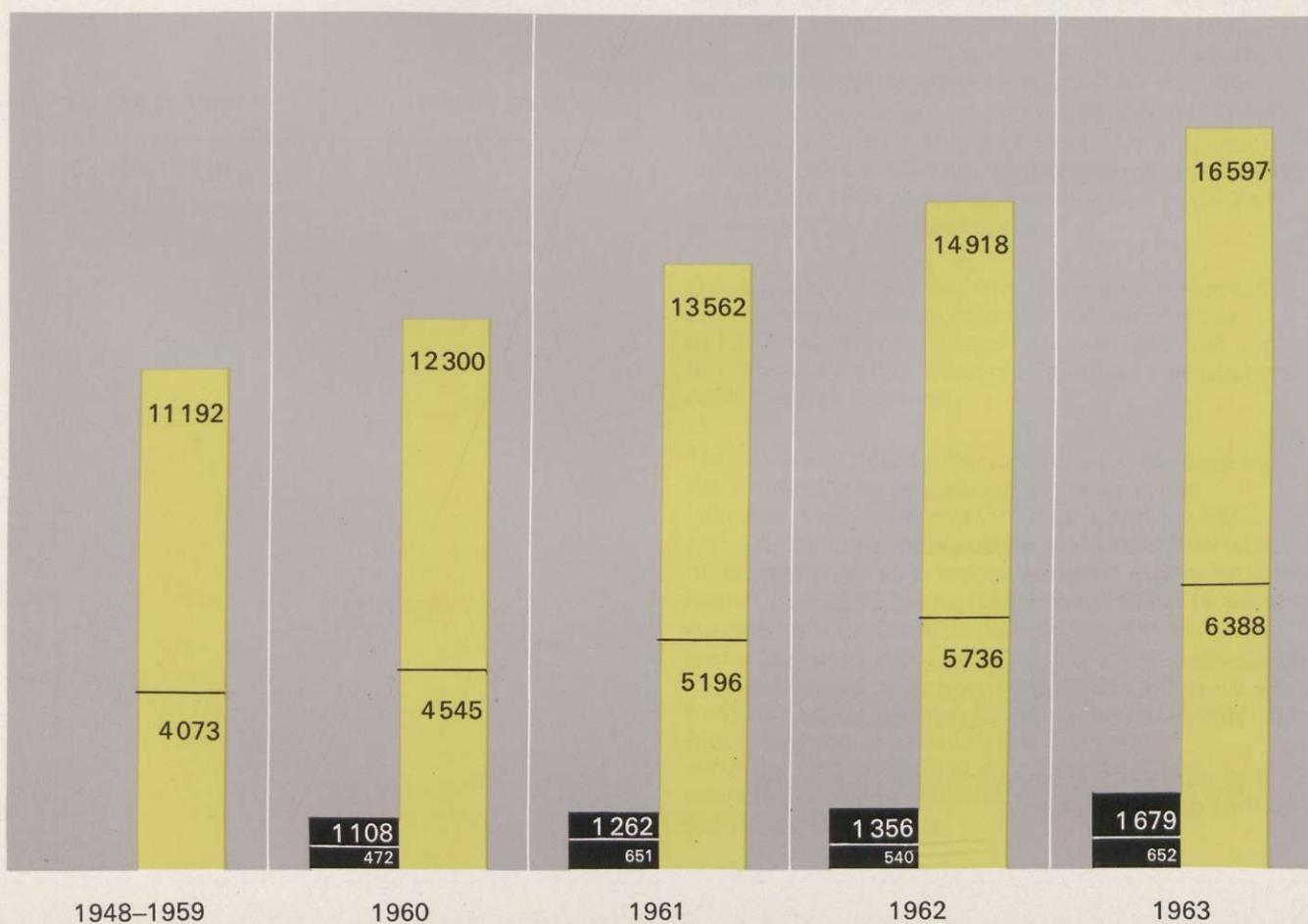
As in prior years, many youngsters were given three-week vacations at the Harz Mountains, the North or Baltic Seas. In addition, the Company sponsored special three-week vacations for its apprentices.

With the help of financing from the Company an additional 1,679 dwelling units (including 652 private homes) were completed during the year. At year-end, 1,072 units were under construction. Despite this impressive increase in housing, several thousand of our employees are still without permanent living quarters. It is quite apparent that Volkswagenwerk must provide substantial amounts for housing construction in future years.

The Company spent DM 43 million on housing construction during the year and an aggregate of DM 183 million since the currency reform.

Housing Co-Financed  
by Volkswagenwerk AG  
Number of Units at Year-End

-  Apartments completed since 1948 including private homes completed since 1948
-  Apartments completed each year including private homes completed each year



Following are the 1963 expenditures for compulsory and voluntary social contributions. All of these amounts cannot be specifically identified in our Statement of Earnings which is categorized in accordance with law.

**Compulsory social charges**

Employer's share of social security contributions, trade association dues and contributions to the family allowance fund

**Compulsory social benefits**

Mainly for paid annual vacations, legal holidays, accident insurance, sickness benefits and company's sickness fund

**Voluntary social contributions (Fringe benefits)**

a) Directly benefiting personnel:  
Mainly expenditures for pension plan, burial aid, group accident insurance, incentive bonuses, Christmas bonuses, and additional paid vacation days.

Subsidies for canteens and stores, recreation centers, bachelor accomodation, public health, marriage, birth and death allowances, etc.

b) Indirectly benefiting personnel:  
Donations and subsidies to the construction of bachelor accomodation, cultural activities, sports, religious organizations, kindergartens and schools, etc.

**Total Social Expenditures**

	DM	DM
		90,366,561.32
		83,062,789.26
	120,630,773.30	
	20,769,261.68	
	2,092,306.26	143,492,341.24
		316,921,691.82

We offer our thanks and commendations to all personnel whose cooperation and untiring efforts contributed to the success of the year 1963.

We wish to express our gratitude to the Members of the Work Council at our plants for their cooperation which reflects a continuing mutual confidence.

We shall cherish the memory of those co-workers who died during the year.

## Outlook

During the early months of 1964, the economic upswing in the Federal Republic accelerated; however, all segments of industry did not experience the impact of the rising economy to the same degree. The continuing demand for German products in the world market and an increasing level of capital investments resulted in a more complete utilization of productive facilities.

The excellent auto sales in the spring of 1964 made possible a full employment of the German automobile industry's productive facilities. In order to minimize the gap between demand and supply for their product, Volkswagenwerk AG has scheduled Saturday production for the first half of 1964. VW production and sales are considerably higher than those in the comparable 1963 period and earnings for 1964 are expected to remain satisfactory.

Our expenditures for property, plant and equipment during the year will be greatly in excess of those in 1963, primarily, as a result of construction of our fifth plant at Emden. Financing to cover construction costs has been secured.

The increased duty on imported trucks, imposed by the United States of America in the so-called "chicken war" between that country and the EEC, had a greater effect on Volkswagenwerk AG than on any other auto producing company. Attempts to restrict trade through high duties, manipulation of currency or other artificial barriers prevent a free world market. A true unification of Europe is dependent upon uniformity in all economic policies; the formation of competitive economic blocks is not the proper method of attaining this unification. As in the past, the rate at which the European economy develops will reflect its relationship with the United States.

## Comments on the 1963 Financial Statements

### Balance Sheet

Total assets increased during 1963 by some DM 207 million to a total approximating DM 2.478 million at year-end. Our financial position continued to improve as shown in the following comparative summary:

	12/31/63		12/31/62	
	in million DM		in million DM	
<b>Assets</b>				
Property, Plant, Equipment and Investments (including Long-Term Receivables)	1,593	64%	1,578	70%
Current and Other Assets (excluding Long-Term Receivables)	885	36%	693	30%
	2,478	100%	2,271	100%
<b>Liabilities</b>				
Stockholders' Equity (Capital Stock and Reserves)	1,261	51%	1,123	49%
Liabilities				
payable within:				
more than 4 years	320	13%	247	11%
1 to 4 years	158	6%	140	6%
1 year or less	739	30%	761	34%
	2,478	100%	2,271	100%

At year-end Stockholders' Equity and Liabilities payable within more than four years almost covered Property, Plant, Equipment and Investments and Long-Term Receivables. Also, the Company has become more liquid, as shown in the following tabulation:

<b>Sources of funds during the year:</b>	in million DM
Portion of earnings appropriated to reserves	137
Depreciation of physical plant (including disposal of plant and equipment)	398
Write-down of investments in subsidiaries and affiliates	9
Increase in:	
Long-term loans payable	73
Medium-term loans payable	18
Decrease in inventories	33
	668
 <b>Use of funds during the year:</b>	
Investments in:	
Physical Plant	400
Subsidiaries and Affiliates	13
Increase in:	
Long-term receivables	8
Medium- and short-term receivables	80
Decrease in short-term loans payable	22
	523
<b>Increase in liquid funds:</b>	145

Comments on the balance sheet follow:

#### **Assets**

The book value of *Property, Plant, Equipment and Investments* increased during 1963 by DM 6.5 million to a total of DM 1,539.1 million at December 31, 1963.

Additions to *Property, Plant and Equipment* amounted to DM 301.4 million in 1963 and are compared with 1962 as follows:

DM 54.6 million land and buildings compared to  
DM 99.7 million in 1962  
DM 246.8 million machinery and other equipment  
compared to DM 238.5 million  
in 1962.

Construction in Progress as well as Advanced Payments to Contractors, which had decreased from 1961 to 1962, increased during the year by some DM 98.9 million to DM 179.2 million at December 31, 1963. Our major investments have been described in detail in the "Capital Investment" section of this report.

In 1963, the provision for depreciation of physical plant of DM 394.8 million was DM 74.2 million higher than in 1962. Depreciation on machinery and other equipment was provided for on a basis consistent with that of the prior year and, to the extent permissible for tax purposes, was computed on the declining balance method. In our opinion, the depreciation allowable

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for tax purposes is not adequate to reflect the actual technical and economic devaluation of certain assets; therefore, the accounts of the Company reflect additional depreciation on some factory, office and residential buildings. The possibility of West German industry to be allowed additional depreciation for tax purposes is much less likely than in other industrial nations in Europe.

All our property, plant and equipment is free of liens and encumbrances.

Additions to *Investments in Subsidiary and Affiliated Companies* amounted to DM 13.1 million and were paid for as follows:

DM 8.8 million in form of productive equipment towards increase in capital stock of Volkswagen do Brasil S. A.  
DM 2.0 million our final payment on the capital increase of Volkswagen France S. A. in 1962 and for the purchase of additional shares of that company  
DM 2.3 million cash payment to increased capital stock of VW-Siedlungsgesellschaft m. b. H.

As in prior years, in view of the general risks inherent in this long-term foreign investment, we have written off our current year's investment in Volkswagen do Brasil S. A.

*Other Investment Securities* represent the DM 25 million invested in 1961 as loan to the West German Government for the Promotion of Underdeveloped Countries. This investment earns interest at 5% per annum and is stated at 92% of face value.

The book value of our *Inventories* decreased by DM 32.5 million from 1962 to DM 400.3 million at December 31, 1963. Among the reasons for the inventory decrease was a reduction in the warehousing of certain materials between years. Inventories are valued on a conservative basis.

In 1963, we granted additional interest-free *Long-Term Loans* of DM 41.8 million for housing construction. These loans were primarily to our subsidiaries, VW-Siedlungsgesellschaft m. b. H. and VW-Wohnungsbau Gemeinnützige Gesellschaft m. b. H. and, to a lesser extent, to our employees and other construction companies. Payments have been received when due and the unpaid balances of all such loans granted as of December 31, 1963, amounted to DM 152.8 million as against DM 115.5 million at the end of 1962. For balance sheet purposes, interest-free loans have been discounted to indicate present values.

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The major portion of our *Trade Accounts Receivable* represents amounts owed by customers abroad. Subsequent to December 31, 1963, all material amounts were collected when due.

*Receivables from Subsidiary and Affiliated Companies* amounted to DM 38.7 million compared with DM 77.3 million at December 31, 1962. The major portion of the receivables is represented by an amount owed by our subsidiary Volkswagen do Brasil S. A. Because of existing Brazilian currency transfer restrictions, our subsidiary was unable to fulfill its agreement to remit amounts for dividends, interest, license and consulting fees. Also, Volkswagen do Brasil S. A. encountered difficulties in transferring to us cash in payment of our receivables arising from the delivery of merchandise. As a precautionary measure, we have placed a lesser valuation on the outstanding receivable from Volkswagen do Brasil. Appropriate interest is charged on balances due from subsidiaries and affiliates. Subsequent to December 31, 1963, almost the entire amount due from our subsidiaries and affiliates has been collected.

*Other Receivables* of DM 143.0 million includes DM 20.4 million representing the long-term cash surrender value of old-age insurance. Of the other miscellaneous items in this account, the major ones are short-term loans to our German dealers to assist them in financing peak seasonal inventories, a short-term loan of DM 1.3 million secured by a mortgage, and claims for refunds of taxes. All doubtful accounts receivable have been written off.

## **Liabilities**

There have been no changes in the *Capital Stock* and the *Legal Reserve* during the year under review.

The *Reserve for the Share-the-Burden Property Levy* represents the discounted amount of this liability as of December 31, 1963.

*Other Reserves* were increased by DM 138.7 million during the year. With our improved equity, we feel that the capital retained in the business is adequate enough to cover major plant repairs and also to cover business risks inherent in competing with the largest and financially strongest automobile companies in the world.

*Undetermined Liabilities* increased during the year in the aggregate by DM 88.1 million to a total of DM 460.9 million at December 31, 1963, primarily,

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as a result of increased pension plan costs resulting from our previously mentioned change in policy, increased social benefits, higher warranty obligations and additional provisions considered necessary in view of pending lawsuits and other general business risks.

The Undetermined Liabilities were established on a conservative basis in the light of our knowledge of the pertinent facts. Approximately

DM 156 million can be considered as relating to long-term risks,  
DM 111 million as medium-term risks,  
DM 194 million are of a short-term nature.

A breakdown of *Long-Term Loans* follows:

DM 150 million	plant improvement loan which will be repaid in 8 annual instalments of DM 18.75 million each, commencing in 1966.
DM 50 million	loan granted to us by the Land Niedersachsen (State of Lower Saxony). The term of this loan was extended through 1977 because of capital requirements involved in the construction of our plant at Emden.
DM 10 million	loan granted us by the Volkswagenwerk Foundation, repayable by the end of 1967.

*Prepayments by Customers* represent, primarily, advance payments by our franchised importers abroad.

*Trade Accounts Payable* were DM 11.5 million higher than at December 31, 1962.

*Accounts Payable to Subsidiary and Affiliated Companies* resulted from transactions in the ordinary course of business as well as assumption of the loss of VW-Siedlungsgesellschaft m. b. H. in accordance with the "Profit and Loss Assumption Agreement" with that Company.

*Other Liabilities* decreased by some DM 85.8 million to a total of DM 104.4 million at year-end. This decrease was due, mainly, to lower tax liabilities and smaller short-term loans from the Volkswagenwerk Foundation. Other liabilities also include payroll obligations incurred but unpaid at December 31, 1963.

*Deferred Income* consists, for the most part, of advance payments for services to be rendered.

As of December 31, 1963, our *Contingent Liability in respect to Discounted Trade Acceptances* amounted to DM 31,787,536.93.

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## Statement of Earnings

During 1963, as in previous years, earnings remained satisfactory. Significant savings in material costs were offset, for the most part, by an increase in personnel costs and a higher provision for depreciation of plant and equipment.

Total gross output consisting of sales, inventory increase and material, wages and over head rates capitalized as additions to plant and equipment amounted to DM 5,844.5 million, an increase of DM 260.8 million or 4.7% over 1962.

On the other hand, *Expenditures for Raw Materials and Supplies* increased by DM 25.4 million or only 0.7% over 1962.

*Expenditures for Wages and Salaries and Compulsory Social Expenditures* increased by DM 86.4 million or 10.7% over 1962. The "Labor Force" section of this report describes the 1963 expansion of the labor force and rise in pay scales which were responsible for this increase.

The increase of DM 10.3 million in *Other Social Expenditures* resulted from our change in policy regarding the pension plan.

The *Provision for Depreciation of Physical Plant* and the *Write-Down of Financial Investment* have already been explained under the caption "Assets".

*Write-Offs of Accounts Receivable* were some DM 3.0 million higher than in 1962. They consisted mainly of the write-down of the "non-transferable" receivables from Volkswagen do Brasil S. A. and the discount to present values of interest-free construction loans.

*Interest Expense and Similar Charges* increased by some DM 1.3 million over 1962 and consisted mainly of interest on long-term loans.

*Taxes on Income, Earnings and Property* would be comparable between years except that the 1962 expense contains additional assessments of prior years taxes resulting from an examination by the taxing authorities.

*Other Taxes*, which consisted mainly of a sales tax, decreased in the same proportion as domestic sales.

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*Expenditures under Profit and Loss Assumption Agreements* resulted from assuming the operating deficit of VW-Siedlungsgesellschaft m. b. H. organized at the end of 1962. This deficit resulted mainly from a write-off of asset values as allowed under existing tax laws.

*Other Expenses* changed only nominally when compared to the preceding year. Shipping, advertising and sales promotion expenses increased; however, plant maintenance expenses and the provision for general business risks decreased. Of the total other expenses, 6% are extraordinary or non-recurring charges.

With increased *Sales* of the higher priced Volkswagen 1500, sales increased in a greater proportion than the number of vehicles sold. The proportion of export sales to total sales increased from 54.1% in 1962 to 57.5% in 1963.

*Income from Investments in Subsidiary and Affiliated Companies* was received in the form of distribution of dividends for the year 1962, the major portion of which was from:

Volkswagen do Brasil S. A.,  
Volkswagen of America, Inc.,  
Volkswagen (Australasia) Pty. Ltd.

Dividends were also received from:

South African Motor Assemblers  
and Distributors Ltd.,  
Volkswagen Canada Ltd.,  
Volkswagen-Finanzierungsgesellschaft m. b. H.  
and VW-Wohnungsbau Gemeinnützige  
Gesellschaft m. b. H.

Volkswagen of America, Inc. declared a higher dividend than in any previous year and for the first time, we received a dividend from our Australian subsidiary.

The increase in *Other Interest and Similar Income* was due, primarily, to our considerably higher bank balances, higher receivables from Volkswagen do Brasil S. A. and the short-term loans granted to our German dealers.

*Elimination of Reserves (Undetermined Liabilities) no Longer Required* was at a more reasonable level in 1963; the amount in 1962 was extraordinarily high.

The foregoing condition also existed in respect to *Other Income* which decreased by DM 45.9 million from 1962. As in prior years, this amount was composed mainly of revenues of accounts previously written off, revenues from kitchen and cafeteria sales and charges for various services. Of the total other income, 15% is of an extraordinary or non-recurring nature.

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The *Total Compensation to Management* for the year 1963, including pension payments, was DM 3,290,249.50; *Compensation to Members of the Board of Directors* amounted to DM 134,600.—.

Net Earnings for 1963 amounted to DM 96,011,078.55 which, when added to undistributed earnings for 1962 in the amount of DM 260,136.57, results in *Total Net Earnings* of DM 96,271,215.12. With the consent of the Board of Directors, we propose to distribute a dividend of 16%, equal to DM 96,000,000.— and to carry forward the balance.

Wolfsburg, April 1964

The Management

Vaarkhoff

Linn

Worth

Wadef

Ann

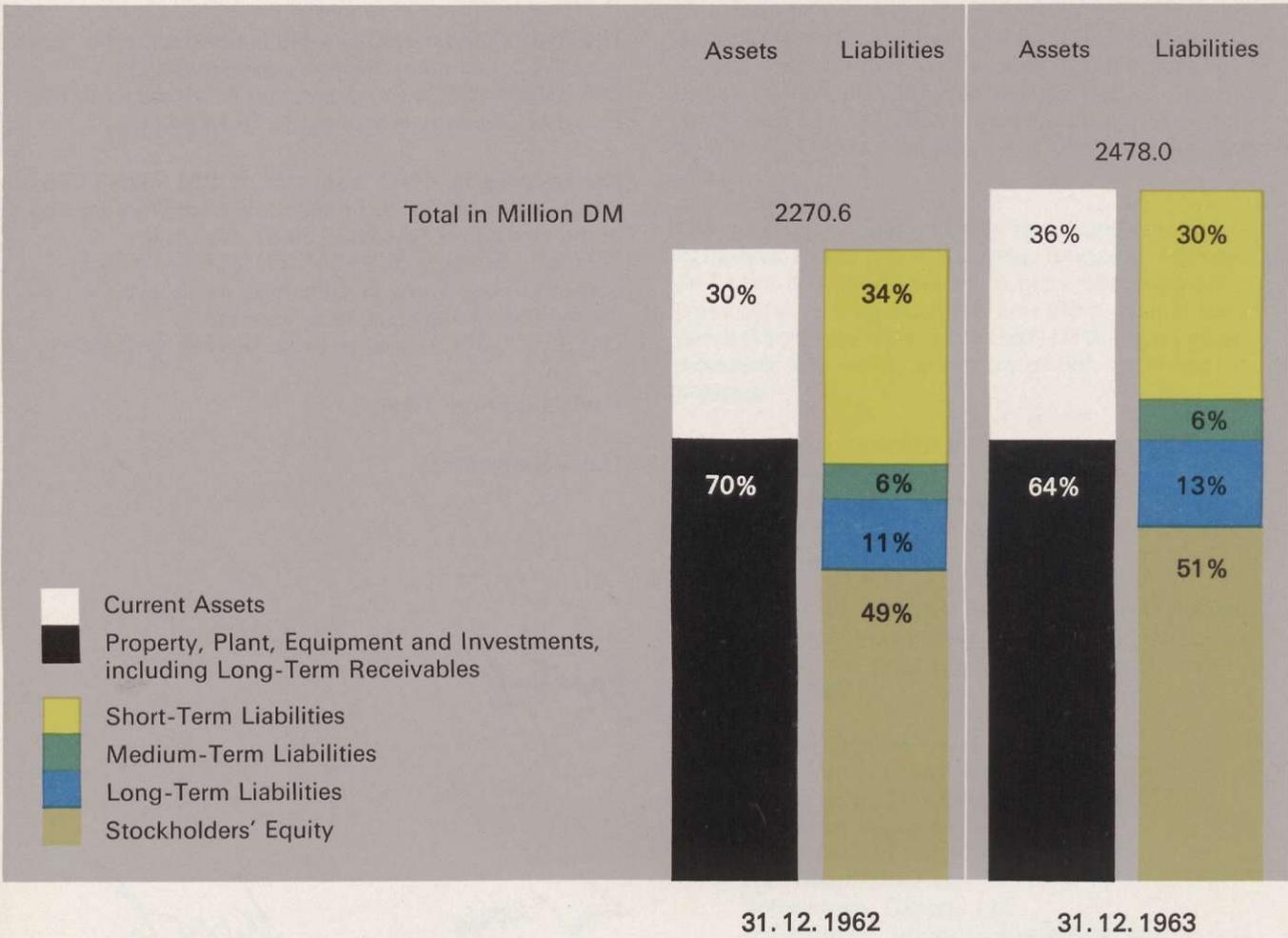
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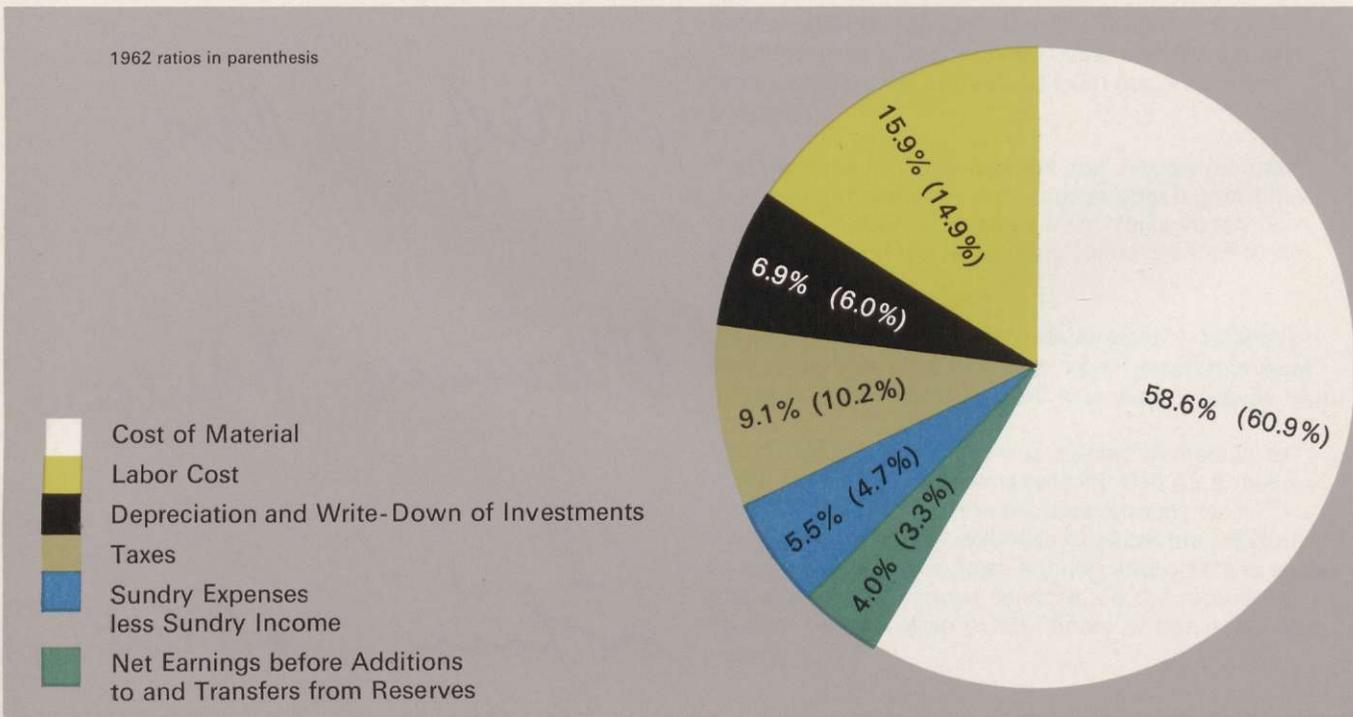
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Structure of Balance Sheet



Ratio of Expenditures to Gross Output



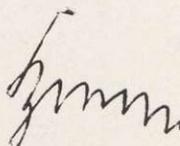
## Report of the Board of Directors

During the year under review, Management has kept the Board of Directors informed currently as to the status of the Company and its business activity. By these means, the Board of Directors was able to exercise continuous control over the conduct of the business.

The financial statements and the annual report for 1963 were audited by the Deutsche Revisions- und Treuhand-Aktiengesellschaft, Treuarbeit, Hanover, and subsequently reviewed by the Board of Directors. There were no exceptions.

The Board of Directors has approved the yearly report prepared by the Management, which is thereby confirmed. The Board of Directors has examined and concurs with the proposal of the Management concerning the distribution of earnings.

Wolfsburg, April 1964



Chairman of the Board of Directors



# Statement of Earnings

Year ended December 31, 1963

## Expenditures

	1963	1962
DM	DM	in Thousand DM
Expenditures for Raw Materials, Supplies and Outside Services	3,426,998,207.01	3,401,579
Wages and Salaries	807,355,912.02	729,538
Social Expenditures – Compulsory	90,366,561.32	81,738
Social Expenditures – Other	28,842,852.16	18,535
Provision for Depreciation of Physical Plant	394,798,376.37	320,575
Write-Down of Financial Investments	8,818,608.05	11,781
Write-Offs of Accounts Receivable (Including Discounts)	51,809,756.03	48,842
Losses on Disposal of Plant and Equipment	2,315,223.50	2,157
Interest Expense and Similar Charges	15,361,073.19	14,052
Taxes on Income, Earnings, and Property	431,017,306.53	465,275
Other Taxes	96,740,190.68	101,358
Share-the-Burden Property Levy	2,784,782.—	2,785
Expenditures under Profit and Loss Assumption		
Agreements	903,743.78	13
Other Expenses	358,798,557.52	366,550
Additions to Other Reserves	138,737,680.—	102,306
Net Earnings		
Net Earnings Brought forward from Previous Year	260,136.57	152
Net Earnings for the Year	96,011,078.55	84,108
	96,271,215.12	84,260
	5,951,920,045.28	5,751,344

## Income

	1963	1962
DM	DM	in Thousand DM
Sales	5,774,733,584.12	5,517,875
Increase in Finished Products and Work-in-Process Inventories	1,948,510.45	4,293
Material and Wages and Overhead Rates Capitalized as Additions to Plant and Equipment	67,781,182.43	61,510
Income from Investments in Subsidiary and Affiliated Companies	14,187,243.64	9,291
Income from Other Investment Securities	1,250,000.—	1,250
Other Interest and Similar Income	22,677,119.18	12,905
Gain on the Disposal of Plant and Equipment	1,160,611.25	1,203
Elimination of Reserves (Undetermined Liabilities) no Longer Required	10,235,359.50	39,407
Other Income	56,286,298.14	102,158
Net Earnings Brought forward from the Previous Year	260,136.57	152
Transfer from the Reserve for the Share-the-Burden Property Levy	1,400,000.—	1,300
	5,951,920,045.28	5,751,344

According to the final result of our obligatory audit of the books and records of the company and the explanatory and justificatory information given by the Management, the accounts, annual statements and the annual report, as far as it details the annual statements, conform to statutory provisions.

Volkswagenwerk Aktiengesellschaft

Board of Management

Nordhoff Frank Haaf Hiemenz Höhne

Novotny Orlich Paulsen Siebert

Wolfsburg, April, 1964

Deutsche Revisions- und Treuhand-Aktiengesellschaft

Treuarbeit

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Schneider  
Auditor

Dr. Apelt  
Auditor

Hanover, April 23, 1964



Aerial Photograph of Wolfsburg Factory: Stuttg. Luftbild, Elsäßer & Co.  
Released by Ministry of Interior  
in Baden-Württemberg under No. 8047/9/4375

Aerial Photograph of Hanover Factory: AERO-LUX, Frankfurt (Main)  
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Aerial Photograph of Kassel Factory: AERO-LUX, Frankfurt (Main)  
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Aerial Photograph of Brunswick Factory: AERO-LUX, Frankfurt (Main)  
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Aerial Photograph of Loading Facilities at Bremen: AERO-LUX, Frankfurt (Main)  
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**Volkswagenwerk  
Aktiengesellschaft  
Wolfsburg**