

Report
for the Year 1964



Volkswagenwerk
Aktiengesellschaft
Wolfsburg

The Management and Board of Directors of
Volkswagenwerk Aktiengesellschaft present the Report
for the Year 1964 with their compliments

Wolfsburg, May 1965

Table of Contents

	Page
Agenda for the Annual Meeting of Stockholders	2
Board of Directors	3
Management	3
Selected Data of Volkswagenwerk AG 1964 compared with 1963	4
Report of Management	
Business Trends in the Automotive Industry in 1964	5
Review of 1964 Operations of Volkswagenwerk AG	7
Production	7
Raw Material Purchases	8
Sales	9
Domestic	10
Export	12
Capital Investments	13
Investments in Subsidiaries and Affiliates	15
Foreign	16
Domestic	19
Labor Force	20
Outlook	23
Comments on the 1964 Financial Statements	
Balance Sheet	24
Statement of Earnings	28
Report of the Board of Directors	31
Financial Statements	
Balance Sheet	Appendix
Statement of Earnings	Appendix
Comparative Summary of Selected Financial Data 1960-1964	Appendix

Agenda

for the Annual Meeting of Stockholders of Volkswagenwerk AG to be held at 10:00 A. M. on Thursday, July 1, 1965, at the Stadthalle in Wolfsburg.

1. Presentation of audited financial statements for the year ended December 31, 1964, together with the annual reports of Management and the Board of Directors for the year 1964.

2. Resolution with respect to disposition of the net earnings for the year 1964.

The Board of Directors and Management propose to distribute a dividend on the capital stock of 20% out of net earnings shown in the Balance Sheet.

3. Resolution with respect to discharge of responsibility of Management and the Board of Directors for the year 1964.

It is proposed to discharge Management and the Board of Directors of responsibility.

4. Appointment of auditors for the year 1965.

The Board of Directors proposes to appoint the Deutsche Revisions- und Treuhand-Aktiengesellschaft, Treuarbeit, Hanover, as auditors for the year 1965.

Board of Directors (Aufsichtsrat)

Management

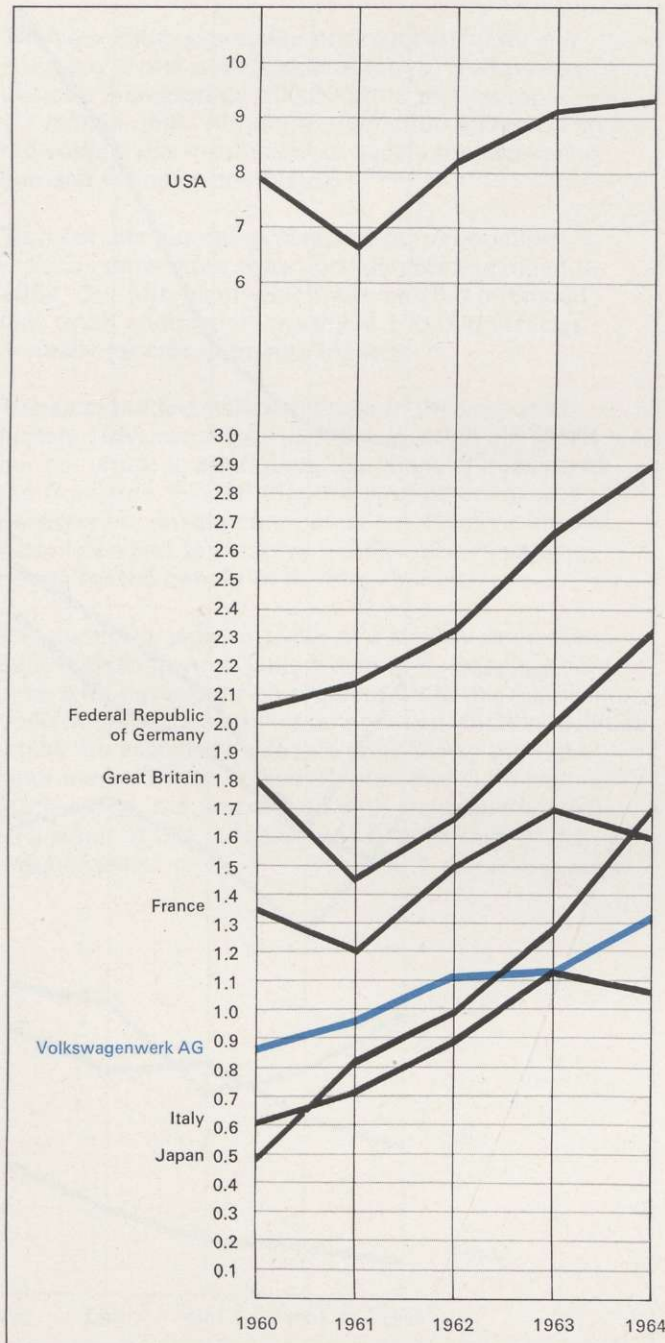
Dr. Dr. h. c. Hans Busch, Düsseldorf, Chairman
Otto Brenner, Frankfurt, Deputy Chairman
Dipl.-Ing. Carlo Graaff, Hanover, Deputy Chairman
Dr. Josef Rust, Kassel, Deputy Chairman
Hermann Ahrens, Salzgitter-Bad
Hugo Bork, Wolfsburg
Dr. h. c. Fritz Butschkau, Düsseldorf
Siegfried Ehlers, Wolfsburg
Mrs.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

Prof. Dr.-Ing. E. h., 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
Dr. Carl H. Hahn (Deputy Member since May 1, 1964)

Selected Data of Volkswagenwerk AG

		1964	1963
Production			
Volkswagenwerk AG			
total	number of vehicles	1,317,295	1,132,080
average per working day	number of vehicles	5,421	4,912
Volkswagenwerk AG and its Subsidiaries and Affiliates			
total	number of vehicles	1,410,715	1,209,591
average per working day	number of vehicles	5,819	5,229
Sales			
Volkswagenwerk AG			
total	in million DM	6,788.3	5,774.7
domestic sales	% of total sales	42.7	42.5
export sales	% of total sales	57.3	57.5
per employee	DM	79,549.-	73,391.-
Volkswagenwerk AG and its Subsidiaries and Affiliates			
total	in million DM	7,997.1	6,842.5
per employee	DM	79,382.-	74,109.-
Investments of Volkswagenwerk AG			
Property, Plant and Equipment	in million DM	627.3	400.3
Financial Investments	in million DM	12.3	13.1
Total Investments	in million DM	639.6	413.4
Average Labor Force			
Volkswagenwerk AG	total labor force	85,334	78,685
Volkswagenwerk AG and its Subsidiaries and Affiliates	total labor force	100,742	92,331
Gross Output and Expenditures of Volkswagenwerk AG			
Total gross output (sales + inventory changes + material, wages and overhead rates capitalized as additions to plant and equipment)	in million DM	6,927.3	5,844.5
Cost of Materials	% of total gross output	58.6	58.6
Labor Cost	% of total gross output	16.6	15.9
Provision for Depreciation of Physical Plant and Write-down of Financial Investments	% of total gross output	6.5	6.9
Total Taxes	% of total gross output	9.4	9.1
Net Earnings before additions to and transfers from reserves	% of total gross output	3.8	4.0
Dividends proposed or paid	DM per share with a par value of DM 100.-	20.0	16.0

Output of Major Automobile Producing Countries
and of Volkswagenwerk AG in millions of units



During 1964, economic development varied among nations to a greater extent than in prior years. In the major automobile producing countries, the economic trends were clearly reflected in the level of automotive production.

In 1964, world-wide automobile production achieved a new all-time high with the production of nearly 22 million vehicles. As in 1963, more than 85% of the total production was distributed among six countries. For the first time in the history of the industry, vehicle production in the United States of America was exceeded by the total production of the other five major automobile producing countries.

In 1964, the American automotive industry took full advantage of the favorable market conditions which have prevailed for the past three years. Although strikes adversely affected production, the automotive industry still manufactured 9.3 million vehicles during 1964, exceeding its record year, 1955, by more than 100,000 units.

In 1964, the Federal Republic of Germany remained the second largest automobile manufacturer in the world by producing 2.9 million vehicles, an increase of 9% over 1963. Additionally, the export-oriented West German automotive industry further strengthened its position as the leading automobile exporter in the world through an increase in the number of vehicles exported.

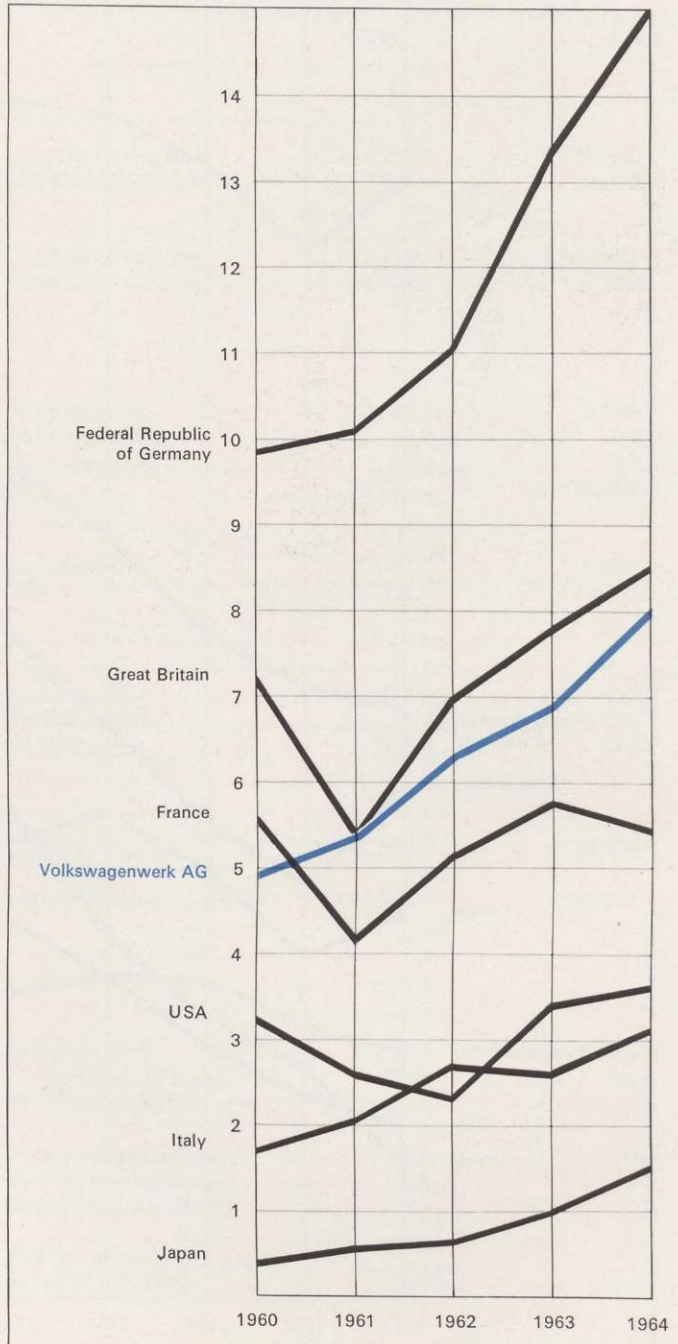
Automobile Exports of the Major Producing Countries
and of Volkswagenwerk AG in Units of 100,000

Favorable conditions in the domestic market benefited the British automotive industry. Production increased by 16% to 2.3 million vehicles. The late 1964 increase in duties on all industrial imports continues to favor the domestic automotive industry by reducing the competitive effectiveness of foreign importers in the British market.

Japan outproduced France in 1964 to become the fourth largest automobile manufacturer in the world. Total production amounted to 1.7 million vehicles which was absorbed primarily by the domestic market.

During 1964, automobile production in France amounted to 1.6 million units, representing a decrease of 6%, or more than 100,000 vehicles below the 1963 level. This decrease was caused not only by restrictive measures instituted by the Government, but also by the keen competition in the world markets.

The Italian automobile industry also was unable to continue its expansion in 1964. The Government's stabilization program caused a decrease in sales in the domestic market which could not be offset by a higher level of exports. Total production decreased by 68,000, or 6%, to 1.07 million vehicles.



Review of 1964 Operations of Volkswagenwerk AG

Production

The year 1964 was again most successful for our company. Total world-wide output of Volkswagen vehicles increased by 200,000 to a total of more than 1.4 million units. Although production increased again, the supply was insufficient to satisfy the increasing demand for our automobiles.

To meet this mounting demand, our production facilities once more were considerably expanded in 1964. Our fifth plant which was erected at Emden will, upon completion, assemble 100,000 vehicles annually for sale in foreign markets.

The stockholders will participate in the very satisfactory 1964 earnings. However, we also increased our net worth to strengthen the financial position of the Company. We felt that this strengthening was necessary to ensure continuous employment for our labor force and to preserve the Company's earning power for the benefit of the stockholders.

The purchase, early in 1965, of a slightly more than 50% interest in Auto Union G. m. b. H. was in accordance with our expansion program. With this acquisition, Volkswagenwerk acquired potential production facilities which are especially valuable considering the tight labor market in the Federal Republic of Germany. Furthermore, our association with Daimler-Benz AG as a result of this purchase will benefit each of the organizations.

Volkswagenwerk produced a total of 1,410,715 automobiles in its domestic and foreign plants during 1964 which represented an increase of 201,124 vehicles over the prior year. This increase was virtually equivalent to our total production for the year 1954.

During 1964, production at our five domestic plants increased by 16.4% to a total of 1,317,295 vehicles, thereby increasing our portion of the total automobile production in the Federal Republic of Germany from 42.4% in 1963 to 45.3% in 1964.

Volkswagenwerk AG, in 1964, maintained its position as the leading European automobile manufacturer. A comparison of production for the years 1964 and 1963 follows:

Production of Volkswagenwerk AG

	1964	1963
Volkswagen 1200	867,328	775,405
Volkswagen 1500 and VW Square Back Sedan	262,020	181,809
Volkswagen Trucks and Station Wagons	187,947	174,866
Production in Domestic Plants	1,317,295	1,132,080

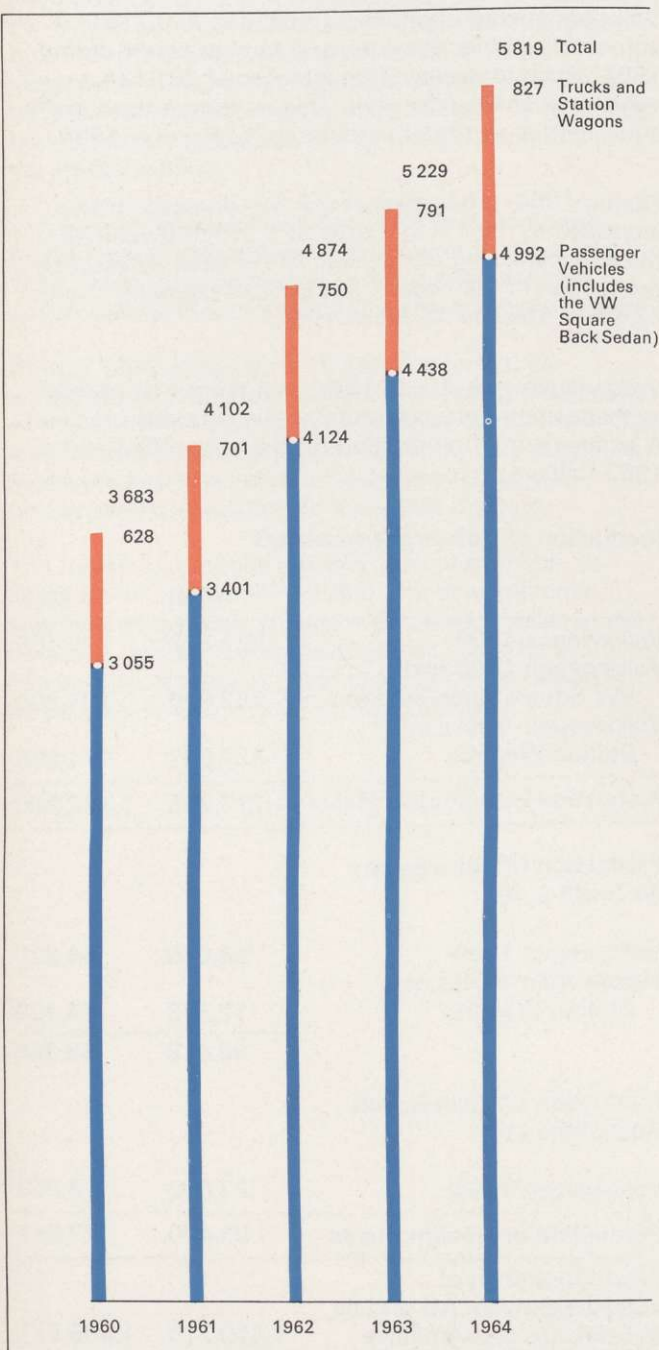
Production of Volkswagen do Brasil S. A.

Volkswagen 1200	54,040	44,230
Volkswagen Trucks and Station Wagons	12,378	14,428
	66,418	58,658

Production of Volkswagen Australasia Ltd.

Volkswagen 1200	27,002	18,853
Production in Foreign Plants	93,420	77,511
Total Production of Volkswagenwerk AG and its Subsidiaries and Affiliates	1,410,715	1,209,591

Average Daily Production of Volkswagenwerk AG and its Subsidiaries and Affiliates



During the year, Volkswagen vehicles were assembled in 10 countries. Shipments of "knocked-down" automobiles for assembly in foreign countries increased to 130,609 units in 1964.

The rise in our total production is reflected in an increase in the average daily production to 5,819 vehicles.

Raw Material Purchases

As a consequence of the continuing rise in production, Volkswagenwerk's purchases increased to more than DM 4,000 million. As in prior years, Volkswagenwerk was once more the largest corporate consumer in the Federal Republic and, as a result, was a significant factor in the West German economy.

The continuing expansion of Volkswagenwerk AG, with the attendant additional requirements for goods and services, resulted in increased employment in the nearly 5,000 concerns supplying our Company.

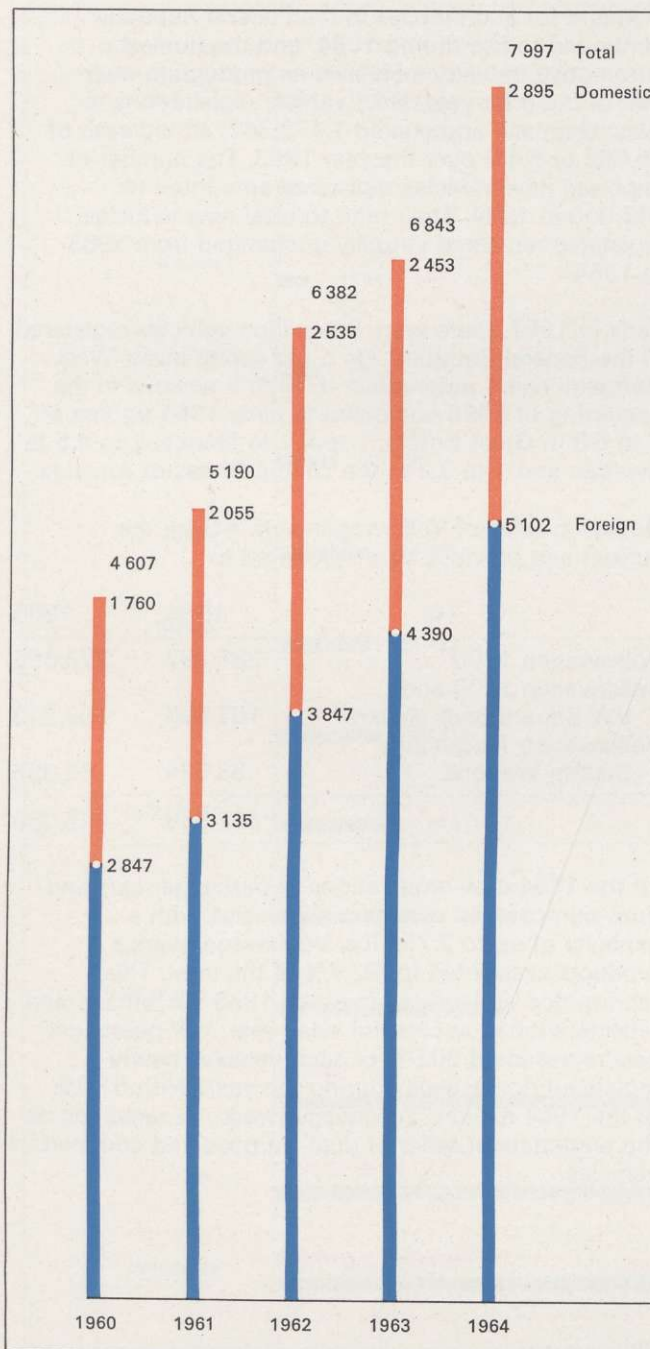
By year-end, our purchases from West Berlin had increased by more than 40% over the 1963 level.

In importing merchandise, as in prior years, we gave preference to firms located in our more important export countries. This policy resulted in the purchasing of most of our imported materials from suppliers in North America.

From the middle of 1964, it became increasingly difficult to obtain favorable price quotations for raw materials primarily because of general price increases. At times, we had to pay higher prices for materials which could not be offset by cost reductions in other areas.

Sales

Trend of Consolidated Sales in million DM



After eliminating intercompany transactions, consolidated sales for the current year totaled approximately DM 8,000 million. This represented an increase of more than DM 1,000 million over the prior year.

Volkswagenwerk's 1964 sales of DM 6,800 million reflect an increase of 17.6% over 1963 and, as in the preceding year, were the highest of any individual enterprise in the Federal Republic. Sales for 1964 and 1963, including sales of "knocked-down" vehicles for assembly in foreign countries, were as follows:

	1964	1963
Volkswagen 1200	865,992	773,994
Volkswagen 1500 and VW Square Back Sedan	261,843	182,463
Volkswagen Trucks and Station Wagons	187,589	174,556
	<u>1,315,424</u>	<u>1,131,013</u>

Sales of vehicles produced by our foreign subsidiaries for the current and previous years amounted to:

	1964	1963
Volkswagen do Brasil S.A.		
Volkswagen 1200	53,685	44,224
Volkswagen Trucks and Station Wagons	12,254	14,430
	<u>65,939</u>	<u>58,654</u>

Volkswagen Australasia Ltd.		
Volkswagen 1200	24,747	20,030
	<u>90,686</u>	<u>78,684</u>

The ratio of Volkswagenwerk AG export sales to total sales for both 1964 and 1963 was 60.6%.

The continued success of the Volkswagen automobile in the world markets results from strict adherence to a proven policy of continuous technical improvements without corresponding increases in selling price, which price today remains below that of 1953.

Domestic Sales

In 1964, the Volkswagen 1200 was once more our best seller. The Volkswagen 1200 A, which replaced the previous standard model, was well received by our customers. Domestically, the new model sold for only DM 4,290.

Certain technical improvements were made on the Volkswagen 1500. We also added the Volkswagen 1500 S to this product line. The 1500 S has a 54 bhp SAE one carburetor engine and sells for DM 6,300.

Production of a 1-ton truck with 51 bhp SAE engine began in August, 1964.

The ratio of parts and exchange engine sales to total sales amounted to 9.4% in both 1964 and 1963. The selling prices of parts and exchange engines also remained virtually unchanged from 1963 to 1964.

As in prior years, expansion of the VW service organization was especially emphasized to provide the facilities necessary for the efficient servicing of the increased number of Volkswagen vehicles. By the end of 1964, there were 1,932 service centers in West Germany whose facilities could service a total of 37,475 vehicles at any one time and, in foreign countries, 5,508 locations could handle 53,236 vehicles concurrently.

Demand for automobiles in the Federal Republic continued to rise during 1964, and the domestic automotive industry increased its production over that of the prior year. New vehicle registrations in West Germany aggregated 1,473,347, an increase of 75,065 or 5.4% over the year 1963. The number of imported new vehicles registered amounted to 141,000 in 1964. Their ratio to total new vehicles registered remained virtually unchanged from 1963 to 1964.

Early in 1965, there were 9.6 million vehicles registered in the Federal Republic. On a per capita basis, West Germany had 1 automobile to each 6 persons in the beginning of 1965 compared to early 1964 figures of 1 to 5.8 in Great Britain, 1 to 4.7 in France, 1 to 4.5 in Sweden and 1 to 2.3 in the United States of America.

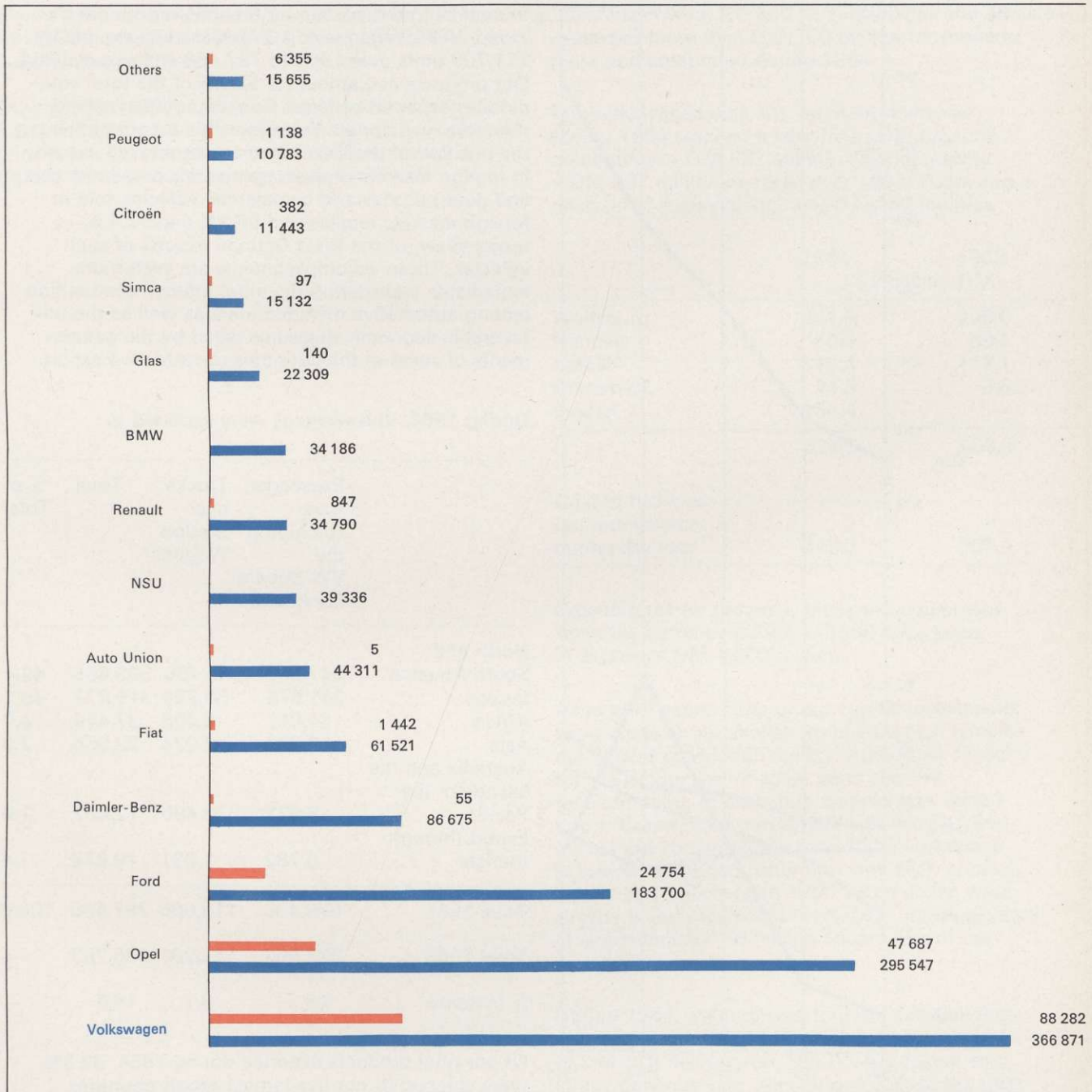
Domestic sales of Volkswagenwerk AG for the current and previous year amounted to:

	1964	1963
Volkswagen 1200	281,797	273,655
Volkswagen 1500 and VW Square Back Sedan	167,635	109,240
Volkswagen Trucks and Station Wagons	68,524	62,355
	517,956	445,250

Of the 1964 new registrations of passenger cars and dual-purpose and commercial vehicles with a capacity of up to 2,750 lbs, Volkswagenwerk's products accounted for 32.7% of the total. This represented an increase over the 1963 percentage and reflects another successful sales year. VW passenger cars represented 30.0% of such vehicles newly registered domestically during the year. With 51.6% of the 1964 market, Volkswagenwerk AG remained as the predominant seller of dual-purpose and commercial vehicles.

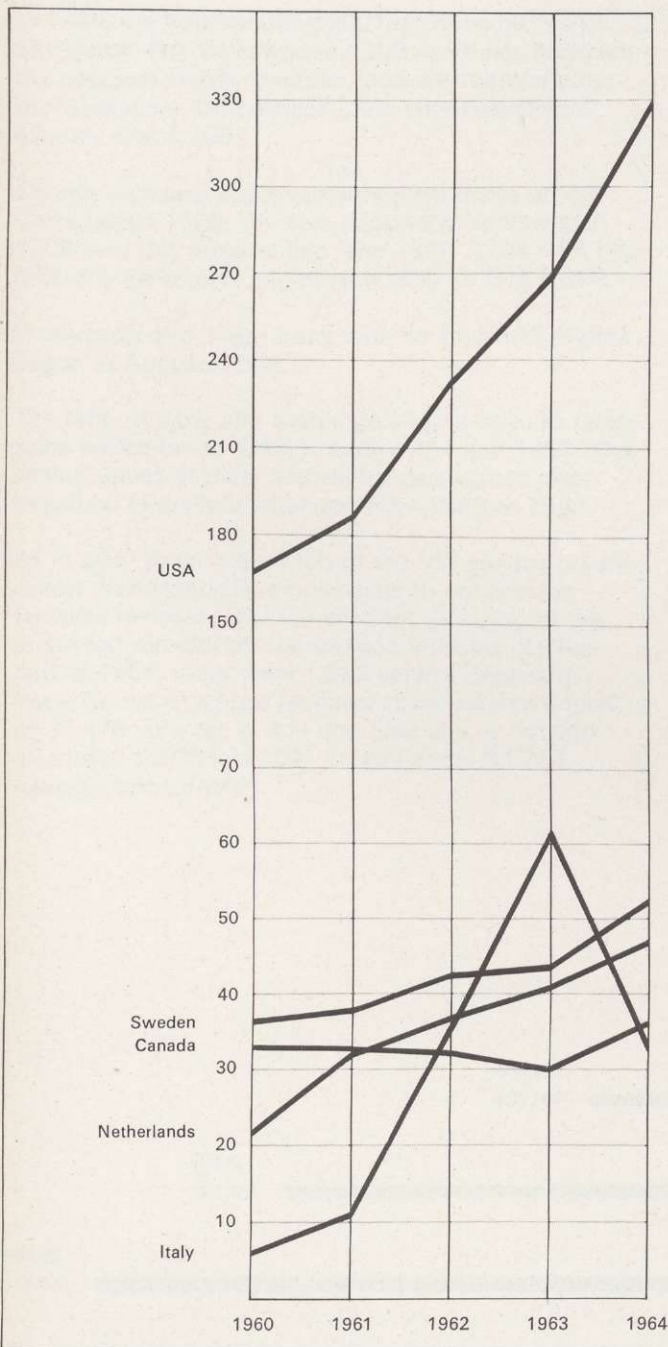
New Vehicle Registrations of Passenger Cars and Dual-Purpose and Commercial Vehicles in the Federal Republic and West Berlin in 1964

■ Dual-Purpose and Commercial Vehicles with a capacity of up to 2,750 lbs.
■ Passenger Cars including Station Wagons and Ambulances



Export Sales

Trend of Volkswagen Export Sales to our Largest Export Countries in 1964



In remaining the leading automobile exporter in the world, Volkswagenwerk AG increased its exports by 111,705 units over 1963 to 797,468 vehicles in 1964. Our products accounted for 53.2% of the total automobiles exported by West German companies and, therefore, were primarily responsible for strengthening the position of the West German automotive industry in foreign markets. Volkswagenwerk's passenger cars and dual-purpose and commercial vehicles sold in foreign markets represented 55.2% and 52.4%, respectively, of the West German exports of such vehicles. These accomplishments are even more remarkable considering the more intense competition among automotive manufacturers as well as the unfavorable economic measures taken by the governments of some of the countries to which we export.

During 1964, Volkswagens were exported to:

	Passenger Cars (including the VW Square Back Sedan)	Trucks and Station Wagons	Total	% of Total
North and South America	347,931	45,755	393,686	49.4
Europe	261,676	58,296	319,972	40.1
Africa	31,011	6,403	37,414	4.7
Asia	19,032	4,024	23,056	2.9
Australia and the Islands of the Pacific	8,971	3,496	12,467	1.5
Export through tourists	9,782	1,091	10,873	1.4
Total 1964	678,403	119,065	797,468	100.0
Total 1963	573,562	112,201	685,763	—
% Increase	18.3	6.1	16.3	—

Of our total products exported during 1964, 62.3% were shipped to our five largest export countries.

Capital Investments

Export sales to the United States of America increased by 60,050 units over 1963 to a total of 328,717 automobiles in 1964.

During 1964, EFTA countries imported 54.9% of our European exports which represents an increase over prior years. On the other hand, Volkswagenwerk's exports to EEC countries decreased to 37.4%.

Volkswagenwerk AG and its subsidiaries and affiliates expended more than DM 700 million for property, plant and equipment during 1964.

For Volkswagenwerk AG, such expenditures during 1964 reached a new high with the total amounting to DM 627 million. This represents a DM 227 million increase over 1963. Following is an analysis of such expenditures by plant location:

	1964	1963
	– in million DM –	
Wolfsburg	241.6	209.0
Hanover	60.4	69.6
Kassel	146.4	113.1
Brunswick	24.5	8.6
Emden	154.4	—
	627.3	400.3
Cost of facilities put into service during the year	549.3	301.4

Expenditures for property, plant and equipment since the currency reform in 1948 have been in excess of DM 4,000 million.

As in prior years, most of our capital investments were made at our Wolfsburg plant which remains our largest production facility. Additional capacity for the production of spare parts and the reconditioning of exchange engines was added to our Kassel plant during 1964. In March 1964, we started construction of our fifth plant which is located at Emden. After only one year, approximately 250 Volkswagen 1200 automobiles were already being assembled there daily, utilizing a total of approximately 1.6 million square feet of the new facility.

During 1964, expenditures for land and buildings of approximately DM 283 million (an increase of DM 119 million over 1963) were higher than in any previous year. Almost one-half of the total

was utilized in the construction of the Emden plant. In addition to the less significant construction projects at all of our locations, we expended approximately DM 83 million at our Wolfsburg and Kassel plants for expansion of existing buildings and construction of new buildings with an area of approximately 1.8 million square feet.

Through our program for the construction of additional productive facilities and further improvements in our production processes, a total DM 344 million was invested in machinery and plant equipment during 1964, representing an increase of approximately DM 108 million over 1963.

At year-end, Volkswagenwerk's land holdings aggregated 3,532 acres and were distributed by location as follows:

Wolfsburg	2,127 acres
Hanover	274 acres
Kassel	568 acres
Brunswick	52 acres
Emden	511 acres

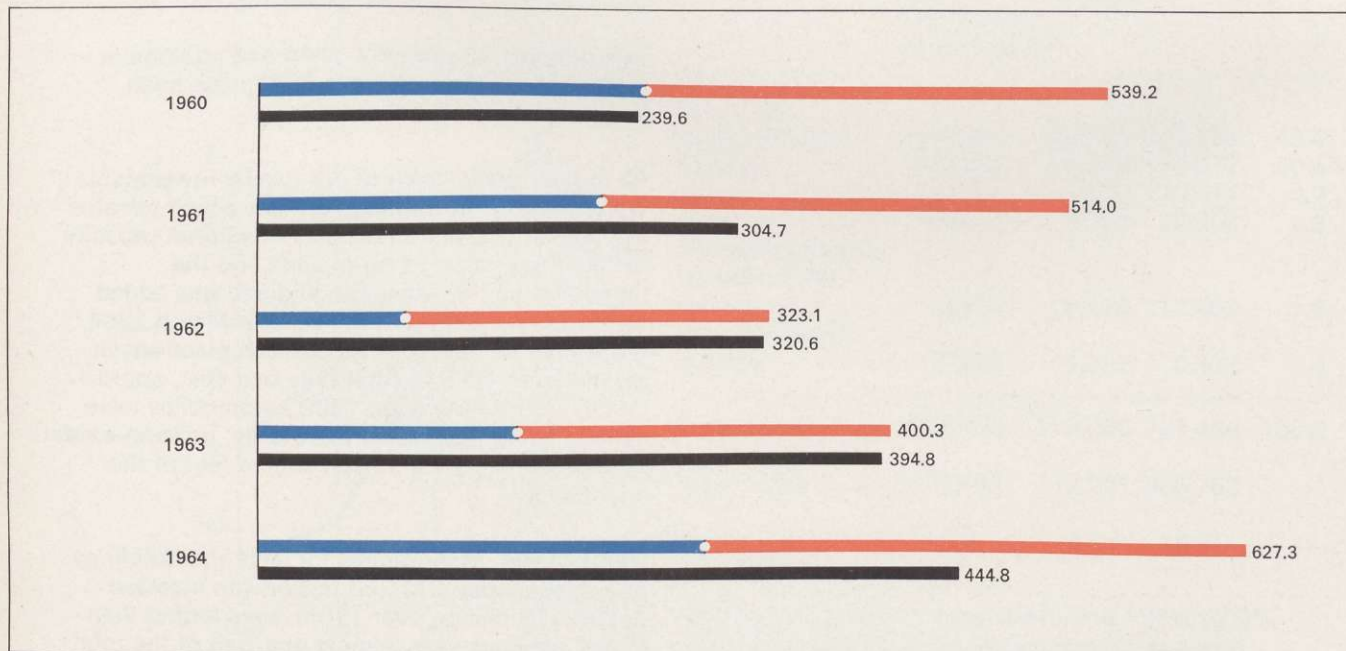
Of the total land holdings, 642 acres are allocated to be used for residences, of which 482 acres are located near our Wolfsburg plant.

Volkswagenwerk AG Property, Plant and Equipment Expenditures and Provision for Depreciation in million DM

- Machines and Other Plant and Equipment Expenditures
- Land and Buildings Expenditures
- Provision for Depreciation

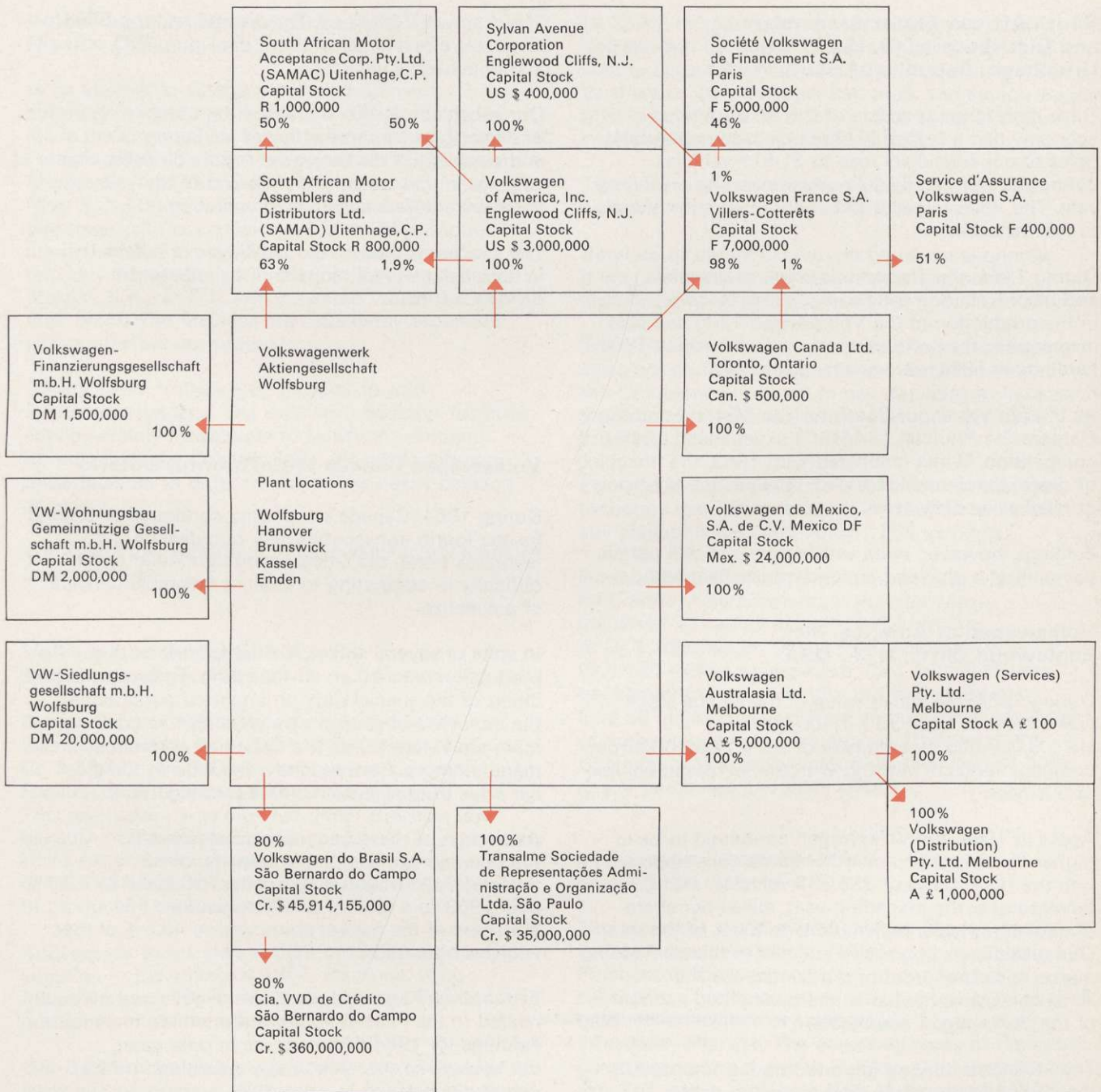
Total from 1948 - 1964

Property, Plant and Equipment Expenditures	4049.8
Including Additions to Machinery and Other Plant and Office Equipment	3792.0
Provision for Depreciation	2417.3



Subsidiaries and Affiliates

VW Holdings
in Subsidiaries and Affiliates
as of December 31, 1964



Investments in Subsidiaries and Affiliates: Foreign

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

Once more, the expansion of the South African economy had a favorable effect on automobile sales. Sales of our subsidiary rose to 21,611 vehicles during the year, a 16.1% increase over the preceding year. The Volkswagen 1500 contributed substantially to this increase.

During 1964, the proportionate use of materials and labor from domestic sources rose to 45% in the production of the Volkswagen 1200 and also increased in the production of the Volkswagen 1500. Earnings in 1964 were again satisfactory.

As in prior years, our *South African Motor Acceptance Corporation Pty. Ltd. (SAMAC)* experienced intense competition. When compared with 1963, the financing of dealer purchases increased, whereas the financing of retail sales decreased.

Earnings, however, were satisfactory and will permit payment of a dividend commensurate therewith.

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

During 1964, the stated value of the capital stock was increased from US \$ 1,000,000 to US \$ 3,000,000 by a transfer of US \$ 2,000,000 from company funds in keeping with the increased volume of business.

Again in 1964, the Volkswagen continued to be in higher demand than any other automobile imported into the USA. Sales of 338,381 vehicles, a 21.8% increase over the preceding year, raised our share of new automobile registrations to 3.8% of the total. Our subsidiary's impressive success in this demanding market is further proof of the confidence the American consumer has in the quality and economy of the Volkswagen automobile.

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, adversely affected sales of our dual-purpose and commercial vehicles.

Our subsidiary further increased the number of dealerships for more efficient marketing and servicing of the increased supply of Volkswagen vehicles in that country. By the end of the year, there were 845 dealerships in operation.

The successful year of our subsidiary is reflected in its satisfactory earnings and the substantial dividends it paid.

Volkswagen Canada Ltd., Toronto, Ontario

During 1964, Canada's economy continued to expand for the fourth consecutive year but, despite this favorable trend, the Government continued to have difficulty in attempting to attain a favorable balance of payments.

In spite of several strikes, Canadian automotive production reached an all-time high. Following the lifting of the special duty on imported automobiles, the importers of foreign cars were able to compete on more equal terms with the Canadian automobile manufacturers. Consequently, the ratio of foreign car sales to total sales increased during 1964.

As a result of these favorable developments, the operations of our subsidiary improved. Sales of Volkswagen automobiles increased by 13.7% over 1963 to a total of 34,241 units for 1964; our share of the market amounted to 46.5% of the vehicles imported.

Extraordinary expenditures, both directly and indirectly related to the importation of automobiles, impaired the earnings for 1964. However, as in prior years, our subsidiary was able to pay a dividend to the parent company.

**Volkswagen de Mexico, S. A. de C. V.,
Mexico DF**

In an attempt to establish a strong domestic automotive industry, the Mexican Government made the importing of foreign cars increasingly difficult. For this reason, in 1964 we organized Volkswagen de Mexico, S. A. de C. V. with a capital stock of Mex. \$ 24,000,000. The newly organized subsidiary purchased all the capital stock of, and subsequently merged with, Promexa S. A., Volkswagenwerk's previous representative in Mexico. Volkswagen de Mexico, S. A. de C. V. will assemble Volkswagens until their productive facilities are sufficiently expanded to manufacture our product.

During 1964, Volkswagen de Mexico sold 8,373 Volkswagens. The existing productive facilities are completely inadequate to satisfy the demand for our products. Consequently, we are expanding these facilities in order to reduce the heavy backlog of orders.

We expect this subsidiary to have satisfactory earnings in future years.

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

During the year 1964, capital of the Company was increased by Cr. \$ 23,114,155,000 of which Cr. \$ 22,689,155,000 resulted from an upward revaluation of property, plant and equipment. This revaluation was required under Brazilian law because of the inflationary trend existing in that country. Volkswagenwerk's share of the remaining increase of Cr. \$ 425,000,000 was contributed in the form of productive equipment.

Subsequent to the stabilization of the political situation in the spring of 1964, measures were initiated by the Government to combat inflation and to stimulate the economy.

Our Brazilian subsidiary again was able to increase sales and production. With sales of 65,940 vehicles

(a 12.4% increase over the preceding year), Volkswagen do Brasil S. A. continued to rank first among automobile manufacturers in Brazil. In 1964, its share of the passenger car, truck and station wagon market amounted to 45.2% and its share of the passenger car market exceeded 50%.

The sales and service network was considerably expanded by granting new franchises.

Because of the inflationary trend of the economy, it was necessary to increase our selling prices repeatedly to offset rising costs for goods and services.

The Brazilian automobile market offers encouraging sales opportunities for the future. Consequently, the Company will invest in new facilities to increase its production of vehicles, which averaged 285 daily in 1964.

Earnings in 1964 again were satisfactory; however, exchange restrictions made it impossible to transfer any dividends declared out of 1964 earnings.

During 1964, the financing company *Cia. VVD de Crédito, Financiamento e Investimentos* increased its capital from Cr. \$ 200 million to Cr. \$ 360 million. Of the total increase, Cr. \$ 106 million was in cash, Cr. \$ 44 million was transferred from own funds, and the remaining Cr. \$ 10 million resulted from an upward revaluation of property, plant and equipment. Once more the Company was able to increase its financing of both dealer purchases and retail sales.

**Volkswagen Australasia Ltd.,
Melbourne, Australia**

The corporate name of Volkswagen (Australasia) Pty. Ltd. was changed to Volkswagen Australasia Ltd. Pursuant to the reorganization of our Australian subsidiaries, Volkswagen Australasia Ltd. took over all productive facilities of *Volkswagen Manufacturing (Australia) Pty. Ltd.* The corporate name of the latter company was changed to *Volkswagen (Distribution) Pty. Ltd.* which took over from *Volkswagen (Sales)*

Pty. Ltd. and will sell directly to the public in the States of Victoria and Western Australia. Volkswagen (Sales) Pty. Ltd. will be dissolved.

The Australian Government raised the sales tax on passenger cars in the second half of 1964 to curb an inflationary trend. Nevertheless, 1964 sales by the Australian automotive industry exceeded those for 1963.

The year 1964 was successful for our Australian subsidiaries with a 24.1% rise in sales over 1963 to a total of 34,588 units in 1964. Despite intense competition, the Volkswagen automobile strengthened its position in the domestic market. In addition, sales to countries in the Southeast Asian and South Pacific areas increased again during 1964.

Sales by *Volkswagen (Distribution) Pty. Ltd.* in its market, consisting of Victoria and Western Australia, were higher in 1964 than in 1963.

As in preceding years, *Volkswagen (Services) Pty. Ltd.* continued as part of the sales organization of Volkswagen Australasia Ltd.

Earnings of our Australian subsidiaries were satisfactory and, as in the previous year, a dividend will be declared.

Volkswagen France S. A., Villers-Cotterêts

In spite of severe competition, our French subsidiary increased sales by approximately 8.6% to 16,391 vehicles in 1964.

Volkswagen France S. A. further expanded its sales and service organization by granting franchises to additional dealerships and service centers.

Earnings for 1964 were satisfactory and, for the first time, Volkswagen France S. A. will declare a dividend.

Volkswagen France S. A. holds a 46% interest in the newly organized *Société Volkswagen de Financement S. A.* with a capital stock of F 5,000,000, of which 50%

has been paid in. This company was organized to provide a ready market for retail finance contracts thereby assisting the dealers in their sales efforts. The initial activity indicates that the company should operate successfully in the future.

Service d'Assurance Volkswagen S. A., organized in 1962 as an insurance broker, increased its capital stock to F 400,000 during 1964 to provide operating capital commensurate with the volume of business activity, after having written off the initial setup costs.

Investments in Subsidiaries and Affiliates: Domestic

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

Although the consumer financing business became more highly competitive, our subsidiary was able to increase its share of the market during the year under review. However, the average repayment period increased from 15.8 months in 1963 to 16.2 in 1964, due primarily to the longer duration of the finance contracts written in 1964.

The financing of dealer purchases was expanded considerably over that in 1963.

Earnings were satisfactory for 1964.

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

The Company has curtailed its own building activity and is now supervising such activity for VW-Siedlungsgesellschaft m. b. H., for which it completed 952 apartments during 1964.

With the completion of 72 apartments during 1964, the Company owned a total of 6,464 by year-end. At the close of 1964, an additional 74 apartments were under construction. The Company's bachelor accommodation buildings were rented by Volkswagenwerk AG for the benefit of their employees. The buildings are located at Wolfsburg and Kassel and can accommodate 403 and 477 persons, respectively.

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

To provide the capital required to handle the increased business activity, capital stock was increased by DM 10 million to a total of DM 20 million.

Of the new issue, DM 2.5 million or 25% was paid in, bringing the total unpaid subscriptions for outstanding capital stock to DM 15 million at year-end.

With the completion and occupancy of 952 apartments during 1964, the Company had a total of 1,182 in use by year-end. At the close of 1964, 856 additional apartments were under construction, and the financing required to cover construction costs has been secured.

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

At year-end, a total of 7,646 apartments had been constructed by both construction companies for the use of our employees. The number of apartments at each plant location is as follows:

	VW- Siedlungs- gesellschaft m. b. H.	VW- Wohnungs- bau Gemein- nützige Gesellschaft m. b. H.	Total
Wolfsburg/ Brunswick	1,182	6,247	7,429
Hanover	—	60	60
Kassel	—	157	157
	1,182	6,464	7,646

Labor Force

The labor force of Volkswagenwerk AG and its domestic and foreign subsidiary and affiliated companies increased by 11,290 during the year to more than 100,000 employees at December 31, 1964.

In spite of the continued labor shortage in the Federal Republic, Volkswagenwerk was able to employ an additional 7,700 people, bringing the total labor force to 88,126 employees at year-end. An analysis of the number of employees by plant location follows:

	12/31/64	12/31/63
Wolfsburg	46,276	43,722
Hanover	23,834	22,348
Kassel	12,106	9,628
Brunswick	5,120	4,728
Emden	790	—
	<hr/> 88,126	<hr/> 80,426

Of our total labor force, 90.4% were wage earners, 12.4% were female employees and 8.7% or 7,704 employees came from foreign countries, mainly Italy, Spain and Greece. The average age of our employees was 34.7 years.

In the middle of 1964, even prior to the completion of our Emden plant, several hundred employees were hired at that location and were trained for their future positions.

Volkswagenwerk AG adjusted its pay scale in accordance with a new wage agreement between the trade union and the Metal Industry Association of the State of Lower Saxony. The new contract affects Volkswagenwerk AG as follows:

1. As of January 1, 1964, the working week was reduced from 42½ hours to 41¼ hours without reduction in wages; this was an effective wage increase of 3%.
2. Wages and salaries were increased by 2% and 6% effective April 1, 1964 and October 1, 1964, respectively.
3. A further reduction of the working week to 40 hours was postponed for one year to July 1, 1966.

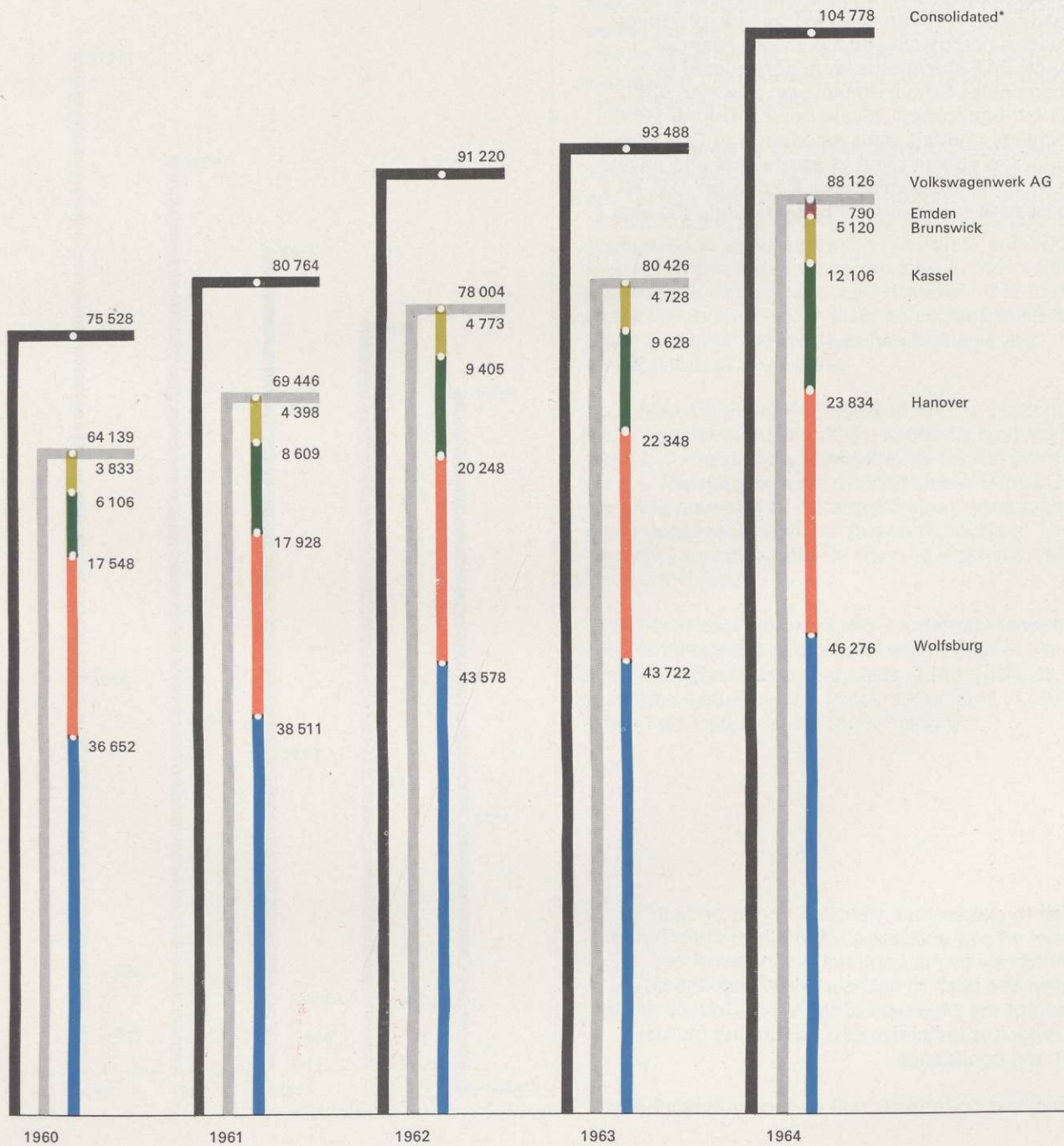
During 1964, salaries and wages were, for the first time, in excess of DM 1,000 million. They amounted to DM 1,005.2 million, an increase of DM 197.8 million or 24.5% over the preceding year.

With the completion of our largest recreation center at Schulenberg/Harz in August 1964, the Company is now able to grant expense-paid vacations to 396 employees simultaneously. During 1964, 6,500 employees were granted, in addition to their normal vacations, special two-week vacations with pay at our recreation centers. These special vacations are granted to employees who have had 10 years of service or who hold jobs which endanger their health. Since the currency reform in 1948, almost 50,000 employees have received this special fringe benefit.

As in prior years, the Company again sponsored three-week vacations for its apprentices at the North and Baltic Seas.

Following are the 1964 expenditures for compulsory and voluntary social contributions:

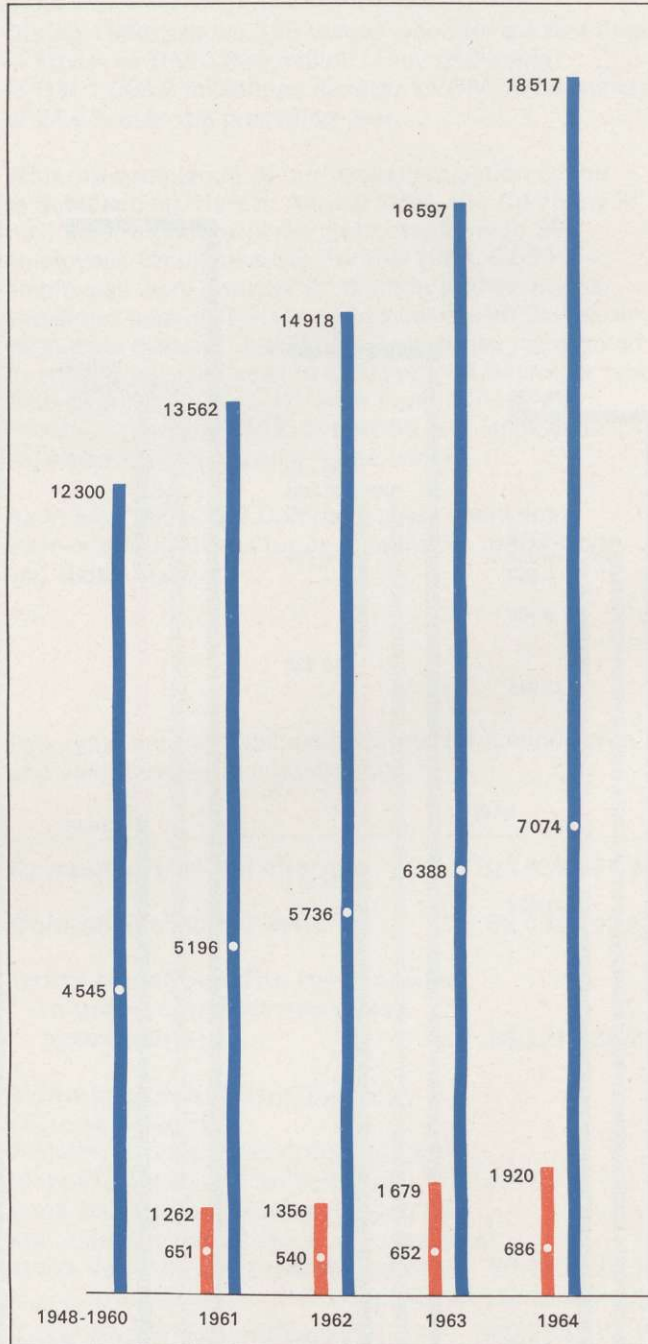
	DM
Compulsory social charges	104,350,677.90
Compulsory social benefits	98,696,892.90
Other social benefits (as specified in union contract and other agreements)	85,721,555.75
Voluntary social contributions (Fringe benefits)	
Primarily represents amounts paid as incentive bonuses; also includes contributions to employee pension plan and amounts for upkeep of our canteens, stores and bachelor accommodations.	80,470,586.90
Total Social Expenditures	<hr/> 369,239,713.45



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

With financial help from Volkswagenwerk AG, 973 apartments were constructed by our subsidiary construction companies. Also with our financial assistance, 947 apartments were constructed by other companies for our employees, of which 686 were in our employees' private homes. During 1964, the Company granted loans amounting to DM 13.4 million for the construction of apartments and private homes. In addition, applications for another DM 46.1 million of such loans were approved during the year.



We wish to express our gratitude to and pride in all personnel whose unceasing efforts have contributed so significantly to the continuing success of our Company. We wish to acknowledge, also, the co-operation of the Members of the Work Council at our plants, which is indicative of a continuing mutual respect and confidence.

Our deceased co-workers will be fondly remembered.

Outlook

Economic growth throughout the world continued during the early part of 1965. The automotive industry should enjoy another successful year as a result of an anticipated high demand for automobiles brought on by increasing prosperity.

Sales prospects of the West German automotive industry continued to be favorable in the domestic and foreign markets. With the relatively low number of automobiles per capita in the Federal Republic (compared to other European countries) and with income on the upswing, an increase in new vehicle registrations can be expected. However, it is imperative that a rise in automobile sales be accompanied by a much greater emphasis than heretofore on the construction of new roads.

To satisfy the increasing demand for our products, Volkswagenwerk will further expand its facilities in 1965 by considerably increasing its capital investments. The requirements of Auto Union G.m.b.H., which is now part of our organization, have been given consideration in our financial planning. The financing arrangements for these investments have been concluded.

Significant cost elements show a definite tendency toward increasing to a greater extent than in the prior year. Such increased costs, if not offset by increased selling prices or cost reductions in other areas, will lead to lower profit margins.

Comments on the 1964 Financial Statements

Balance Sheet

Total assets increased during 1964 by some DM 453 million to a total approximating DM 2,931 million at year-end. Assets and liabilities at December 31, 1964 and 1963 are summarized as follows:

	12/31/64		12/31/63	
	in million DM		in million DM	
Assets				
Property, Plant, Equipment and Investments (including Long-Term Receivables)	1,780	61 %	1,593	64 %
Current and Other Assets (excluding Long-Term Receivables)	1,151	39 %	885	36 %
	<u>2,931</u>	<u>100 %</u>	<u>2,478</u>	<u>100 %</u>
Liabilities				
Stockholders' Equity (Capital Stock and Reserves)	1,400	48 %	1,261	51 %
Liabilities payable within:				
more than 4 years	331	11 %	320	13 %
1 to 4 years	237	8 %	158	6 %
1 year or less	963	33 %	739	30 %
	<u>2,931</u>	<u>100 %</u>	<u>2,478</u>	<u>100 %</u>

At year-end, Stockholders' Equity and Liabilities not payable within four years amounted to 97 % of Property, Plant, Equipment and Investments (including Long-Term Receivables). In addition, one third of the funds tied down in the inventories was covered by including the liabilities payable within one to four years.

During 1964, liquid funds increased by some DM 77 million to a total approximating DM 373 million. The sources and use of funds for 1964 and 1963 are shown in the following cash flow statement:

	1964	1963
	in million DM	in million DM
Sources of funds		
Portion of earnings appropriated to reserves	139	137
Depreciation of physical plant (including disposal of plant and equipment)	447	398
Write-down of investments in subsidiaries and affiliates	8	9
Increase in:		
Long-term loans payable	11	73
Medium-term loans payable	79	18
Short-term loans payable	224	—
Decrease in inventories	—	33
	908	668
Use of funds		
Investments in:		
Physical plant	627	400
Subsidiaries and affiliates	12	13
Increase in:		
Long-term receivables	3	8
Medium- and short-term receivables	83	80
Increase in inventories	106	—
Decrease in short-term loans payable	—	22
	831	523
Increase in liquid funds	77	145

Comments on the balance sheet follow:

Assets

The book value of *Property, Plant, Equipment and Investments* increased during 1964 by DM 183.9 million to a total of DM 1,723.0 million at December 31, 1964.

Additions to *Property, Plant and Equipment* amounted to DM 549.3 million in 1964 and are compared with 1963 as follows:

DM 233.0 million land and buildings compared to DM 54.6 million in 1963

DM 316.3 million machinery and other equipment compared to DM 246.8 million in 1963.

Construction in Progress and Advance Payments to Contractors increased during the year by some DM 78 million to DM 257.2 million at December 31, 1964.

Our major investments have been described in detail in the "Capital Investments" section of this report.

In 1964, the provision for depreciation of physical plant of DM 444.8 million was DM 50.0 million higher than in 1963. Depreciation on machinery and other equipment was provided for on a basis consistent with that of the prior year. To the extent permissible for tax purposes, such depreciation was computed on the declining balance method. Additional depreciation, not allowable for tax purposes, was provided to the extent deemed necessary to reflect the economic value of certain assets. Consequently, on certain buildings, the provision for depreciation reflected in the financial statements was higher than that reported for tax purposes. Such additional depreciation also was provided for certain machinery which is considered to be especially susceptible to economic devaluation resulting from technical improvements. As in prior years, special tools were written off in the year of acquisition as is customary in the automotive industry throughout the world.

All property, plant and equipment are free of liens and encumbrances.

Additions to *Investments in Subsidiary and Affiliated Companies* amounted to DM 12.3 million and consisted primarily of the following:

DM 7.7 million our investment in the newly organized Volkswagen de Mexico, S. A. de C. V.,

DM 2.5 million cash payment to increase the capital stock of VW-Siedlungsgesellschaft m. b. H.,

DM 0.8 million our share of the increased capital stock of Volkswagen do Brasil S. A. contributed in the form of productive equipment,

DM 0.1 million full payment in exchange for the capital stock of the newly organized Brazilian subsidiary Transalme Sociedade de Representações, Administração e Organização Ltda. This company was established to invest monies deposited in our Brazilian bank accounts to hedge against the inflationary spiral in that country.

The remaining additions to *Investments in Subsidiary and Affiliated Companies* resulted primarily from the acquisition of 20% of the capital stock of "Neuland" Gemeinnützige Wohnungs- und Siedlungsgesellschaft m. b. H., Wolfsburg, which was previously wholly-owned by the State of Lower Saxony. In addition, we paid for our share of an increase in the capital stock of that Company.

As in prior years, we have written off our current year's investment in foreign subsidiaries and affiliates in view of the general risks inherent in long-term foreign investments.

Other Investment Securities represent the DM 25 million invested in 1961 as a 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* increased by DM 105.7 million over 1963 to DM 506.0 million at December 31, 1964. The increase resulted from the expansion of our production and the necessity for carrying a larger spare parts inventory. Inventories were valued on a basis not below that acceptable for tax purposes.

Securities increased temporarily with a DM 10 million purchase of bonds.

In 1964, we granted additional *Long-Term Loans* of DM 8.5 million for housing construction. These loans were almost exclusively interest-free. Payments have been received when due, and the unpaid balances of all such loans granted as of December 31, 1964 amounted to DM 156.6 million as compared to

DM 152.8 million at the end of 1963. For balance sheet purposes, interest-free loans have been discounted to indicate present values.

As in prior years, the major portion of our *Trade Accounts Receivable* represents amounts due from customers abroad. Subsequent to December 31, 1964, all material amounts were collected when due.

Receivables from Subsidiary and Affiliated Companies increased by DM 55.6 million during the year to a total of DM 94.3 million at December 31, 1964.

The receivables are due mainly from our subsidiaries in Brazil, Canada, Mexico and France. Our longer payment terms and the acquisition of our newly organized Mexican subsidiary were responsible for the increase over 1963. Part of our 1963 receivables from Volkswagen do Brasil S.A. for delivery of merchandise and services rendered were collected during 1964. A further reduction of these receivables is expected in the future. Payments for merchandise we delivered during 1964 have been received. Because of the Brazilian currency transfer restrictions, which have existed for years, only a relatively small amount could be realized from Volkswagen do Brasil S.A. for dividends, interest, license and consulting fees. Consequently, we have placed a lesser valuation on the outstanding receivables from Volkswagen do Brasil S.A. The amount of such receivables written off, which in our opinion is tax deductible, was virtually the same for 1963 and 1964.

As in the prior year, more than half of our *Other Receivables* of DM 159.6 million is represented by short-term, interest-bearing loans to our West German dealers to assist them in financing their purchases. The remaining balance includes cash surrender value of superannuation rights and estimated claims for refunds of taxes, the exact amounts of which could not be determined at December 31, 1964. Doubtful accounts were minor in amount and 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, 1964.

Other Reserves were increased by DM 141.2 million during the year. However, stockholders' equity is still below average compared to the international standard for the automotive industry, and our ratio of capital stock to reserves is considerably lower than that of foreign automotive producers. This gap would not be overbridged by adjusting our methods of valuation to foreign standards.

Undetermined Liabilities increased during the year in the aggregate by DM 102.4 million to a total of DM 563.3 million at December 31, 1964, primarily as a result of increased pension plan costs, higher recurring special bonus payments and additional provisions considered necessary in view of pending lawsuits and other general business risks. Other larger items include, as in prior years, warranty obligations, other marketing expenditures and estimated current and deferred taxes.

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

DM 182 million can be considered as relating to long-term risks,

DM 166 million as medium-term risks, and

DM 215 million are of a short-term nature.

During 1964, *Long-Term Loans* increased by DM 6 million over the prior year. This represents a loan granted to us by the Federal Agency for Employment and Unemployment Compensation to construct housing for our foreign workers. This loan will be repaid in 10 equal, annual instalments commencing in 1966. Long-Term Loans also include a DM 150 million plant improvement loan which will be repaid in 8 annual instalments of DM 18.75 million each, commencing in 1966; a DM 50 million loan granted to us by the Land Niedersachsen (State of Lower Saxony) and payable by the end of 1977, and a DM 10 million loan granted to us by the Volkswagenwerk Foundation, repayable by the end of 1967.

Statement of Earnings

Prepayments by Customers decreased by DM 3.1 million during 1964 compared to the prior year and primarily represent almost equal amounts of advance payments made by domestic distributors and foreign importers.

Trade Accounts Payable were DM 129.7 million higher than at December 31, 1963, mainly as a result of increased material purchases for production. The portion of accounts payable in respect of the acquisition of property, plant and equipment amounted to 17% in 1964 compared to 13% in 1963.

Accounts Payable to Subsidiary and Affiliated Companies increased by DM 35.7 million over the prior year and consist, principally, of interest-bearing prepayments by Volkswagen of America, Inc. for merchandise delivered early in 1965, and the assumption of the loss of VW-Siedlungsgesellschaft m. b. H. in accordance with the "Profit and Loss Assumption Agreement" with that Company.

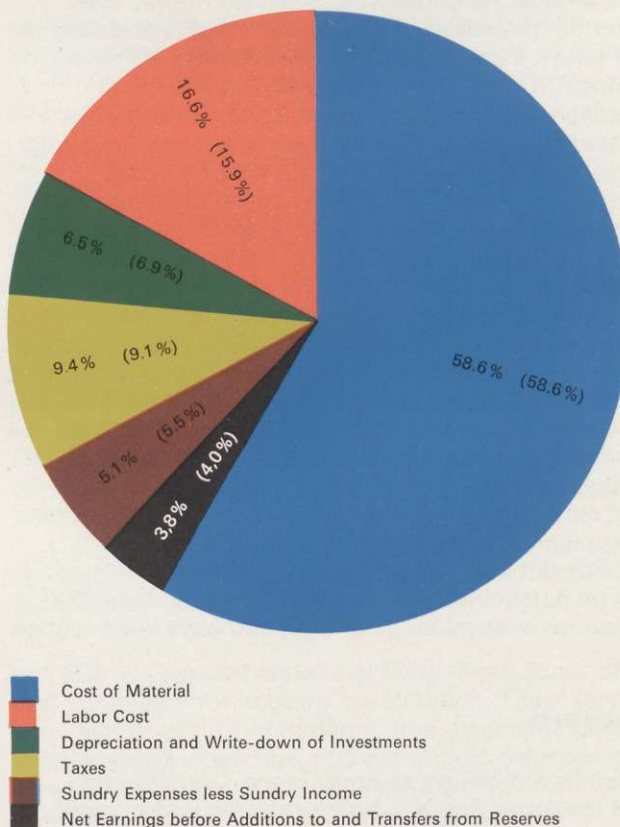
Other Liabilities increased by some DM 16.7 million to a total of DM 121.1 million at year-end. They consist mainly of payroll obligations incurred but unpaid at December 31, 1964, tax liabilities, and low interest-bearing, short-term loans.

Deferred Income includes, for the most part, advance payments for services to be rendered.

As of December 31, 1964, our *Contingent Liability with respect to Discounted Trade Acceptances* amounted to DM 24,757,858.08.

As in prior years, the expansion of our business activity had a favorable effect on earnings which increased in 1964 over 1963 despite increases in personnel costs. The increase would have been greater if, in the second half of the year, material costs had not increased and additional costs had not been incurred in further improving our automobiles.

Total gross output consisting of sales, inventory increase and material, wages and overhead rates capitalized as additions to plant and equipment amounted to DM 6,927.3 million, an increase of DM 1,082.9 million or 18.5% over 1963. The ratio of expenditures to gross output was as follows (1963 ratios in parentheses):



Expenditures for Raw Materials and Supplies increased by DM 633.4 million over 1963. This increase equaled the 18.5% increase over the prior year in total gross output.

On the other hand, expenditures for *Wages and Salaries and Compulsory Social Expenditures* increased by DM 211.8 million or 23.6% over 1963. The increase was due mainly to the 1964 expansion of the labor force and the rise in pay scale as described in the "Labor Force" section of this report.

Other Social Expenditures, which increased by DM 9.0 million to a total of DM 37.8 million, again include charges for present and future pension payments as the major single item.

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

Write-offs of Accounts Receivable were some DM 34.8 million lower than in 1963 due to a reduction in the discount to present values of interest-free construction loans as well as a reduction in the write-down of the "non transferable" receivables from Volkswagen do Brasil S. A.

Interest Expense and Similar Charges remained virtually unchanged from 1963 and again consisted principally of interest on long-term loans.

Taxes on Income, Earnings and Property were 24.1% higher than in 1963 as a result of higher estimated taxes on income.

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

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

The increase of DM 91.7 million in *Other Expenses* was due largely to higher shipping costs and plant

maintenance expenses in addition to increased provisions for general business risks. Of the total Other Expenses, 9% are extraordinary or non-recurring charges.

The increase in *Sales* of DM 1,013.5 million or 17.6% over 1963 was almost in proportion to the increase over the prior year in the number of vehicles sold. The proportion of export sales to total sales decreased from 57.5% in 1963 to 57.3% in 1964.

Income from Investments in Subsidiary and Affiliated Companies was received in the form of distribution of dividends for the year 1963, the major portion of which was from:

Volkswagen of America, Inc.,
Volkswagen do Brasil S. A.

Dividends also were received from:

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

Volkswagen France S. A. was allowed to reinvest its 1963 earnings for further expansion of the business.

The increase in *Other Interest and Similar Income* was due primarily to higher bank balances and additional short-term loans granted to our West German dealers.

Other Income increased by some DM 14.0 million from 1963. As in prior years, this amount was composed mainly of revenues from kitchen and cafeteria sales, invoicing of advertising and sales promotion material and various other miscellaneous items. Also included are collections of accounts previously written off and currency exchange profits. Of the total Other Income, 18% is of an extraordinary or non-recurring nature.

The *Total Compensation to Management* for the year 1964, including pension payments, was DM 3,861,172.70; *Compensation to Members of the Board of Directors* amounted to DM 133,900.—. Net Earnings for 1964 amounted to DM

120,010,679.58 which, when added to undistributed earnings for 1963 in the amount of DM 271,215.12, results in *Total Net Earnings* of DM 120,281,894.70. With the consent of the Board of Directors, we propose to distribute a dividend of 20% equal to DM 120,000,000.— and to carry forward the balance.

Wolfsburg, April 1965

The Management

Vorwerk

Worh

Linn

Ann

Waf

Kannan

U. Minn

Stiller

Löhr

a. s. p.

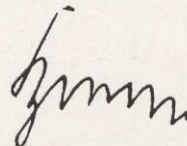
Report of the Board of Directors

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 1964 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 1965



Chairman of the Board of Directors

Statement of Earnings

Year ended December 31, 1964

Expenditures

		1964	1963
	DM	DM	in Thousand DM
Expenditures for Raw Materials, Supplies, and Outside Services		4,060,361,962.27	3,426,998
Wages and Salaries		1,005,184,117.74	807,356
Social Expenditures – Compulsory		104,350,677.90	90,367
Social Expenditures – Other		37,822,778.18	28,843
Provision for Depreciation of Physical Plant		444,826,849.49	394,798
Write-down of Financial Investments		8,589,697.06	8,819
Write-offs of Accounts Receivable (Including Discounts)		17,002,457.40	51,810
Losses on Disposal of Plant and Equipment		2,856,531.20	2,315
Interest Expense and Similar Charges		15,840,923.89	15,361
Taxes on Income, Earnings and Property		534,785,705.98	431,017
Other Taxes		114,854,055.52	96,740
Share-the-Burden Property Levy		2,777,607.85	2,785
Expenditures under Profit and Loss			
Assumption Agreements		3,040,276.46	904
Other Expenses		450,494,464.44	358,798
Additions to Other Reserves		141,226,502.91	138,738
Net Earnings			
Net Earnings Brought Forward from Previous Year	271,215.12		260
Net Earnings for the Year	120,010,679.58		96,011
		120,281,894.70	96,271
		7,064,296,502.99	5,951,920

Volkswagenwerk Aktiengesellschaft

Management

Nordhoff	Frank	Haaf	Hiemenz	Höhne
Novotny	Orlich	Paulsen	Siebert	Hahn

Wolfsburg, April 1965

Income

	1964	1963
	DM	in Thousand DM
Sales	6,788,260,384.87	5,774,734
Increase in Finished Products and Work in Process Inventories	50,102,146.03	1,949
Material, Wages and Overhead Rates Capitalized as Additions to Plant and Equipment	88,975,886.36	67,781
Income from Investments in Subsidiary and Affiliated Companies	17,230,903.98	14,187
Income from Other Investment Securities	1,250,000.—	1,250
Other Interest and Similar Income	32,489,560.84	22,677
Gain on the Disposal of Plant and Equipment	1,184,022.14	1,161
Elimination of Reserves (Undetermined Liabilities) No Longer Required	12,441,978.09	10,235
Other Income	70,290,405.56	56,286
Net Earnings Brought Forward from Previous Year	271,215.12	260
Transfer from the Reserve for the Share-the-Burden Property Levy	1,800,000.—	1,400
	7,064,296,502.99	5,951,920

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.

Deutsche Revisions- und Treuhand-Aktiengesellschaft

Treuarbeit

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Hanover, April 21, 1965

Schneider
Wirtschaftsprüfer

Dr. Apelt
Wirtschaftsprüfer

Comparative Summary of Selected Financial Data 1960 – 1964

		1960	1961	1962	1963	1964
Assets						
Property, Plant, Equipment and Investments (as at Dec. 31)	in million DM	1,299	1,529	1,533	1,539	1,723
Investments in Physical Plant and Financial Investments	in million DM	565	592	337	413	640
Depreciation of Physical Plant and Write-down of Financial Investments	in million DM	310	357	332	404	453
Current and Other Assets (as at Dec. 31)	in million DM	556	563	738	939	1,208
including Inventories	in million DM	396	397	433	400	506
Short-Term Receivables	in million DM	94	104	104	182	267
Liquid Funds	in million DM	8	—	151	297	373
Liabilities						
Stockholders' Equity	in million DM	958	1,022	1,123	1,261	1,400
including Reserves and Retained Earnings	in million DM	358	422	523	661	800
Liabilities	in million DM	897	1,070	1,148	1,217	1,531
payable within						
1 year or less	in million DM	644	693	761	739	963
1 to 4 years	in million DM	149	139	140	158	237
more than 4 years	in million DM	104	238	247	320	331
Balance Sheet Total	in million DM	1,855	2,092	2,271	2,478	2,931
Balance Sheet Ratios						
Property, Plant, Equipment and Investments as a Percentage of Total Assets	%	70	73	67	62	59
Property, Plant, Equipment and Investments as a Percentage of Current and Other Assets	%	234	272	208	164	143
Current and Other Assets (excluding Long-Term Receivables) as a Percentage of Short-Term Liabilities	%	81	75	91	120	119
Stockholders' Equity as a Percentage of Balance Sheet Total	%	52	49	49	51	48
Stockholders' Equity as a Percentage of Total Liabilities	%	107	96	98	104	91
Reserves as a Percentage of Capital Stock	%	60	70	87	110	133
Capital Stock and Reserves as a Percentage of Capital Stock	%	160	170	187	210	233
Stockholders' Equity as a Percentage of Property, Plant, Equipment and Investments and Long-Term Receivables	%	72	65	71	79	79
Stockholders' Equity and Long-Term Liabilities as a Percentage of Property, Plant, Equipment and Investments and Long-Term Receivables	%	80	80	87	99	97



Volkswagenwerk
Aktiengesellschaft
Wolfsburg