


**Report
for the Year
1969**

**Volkswagenwerk
Aktiengesellschaft
Wolfsburg**





The Board of Directors and Management
of Volkswagenwerk Aktiengesellschaft
present the Report for the Year 1969
with their compliments.

Wolfsburg, April 1970

On September 20, 1969

Mr. Peter Stroh

Chairman of the Factory Council at our Kassel plant and member of the Board of Directors, died unexpectedly at the age of 56.

Mr. Stroh was a member of our company since 1950. In 1956, the employees of the newly constructed Kassel plant elected him to the Factory Council, where he served as chairman since that time. From 1961 until his death, he was a member of the Board of Directors as the representative of all employees.

Mr. Stroh worked diligently for the benefit of the employees without regard for his health. His close association with the employees he represented and with the company formed the foundation for the excellent cooperation, based on mutual confidence, between him and Management and the Board of Directors.

In Mr. Stroh, Volkswagenwerk has lost a man whose knowledge and experience was appreciated and whose integrity was respected by all who worked with him.

We shall always honor his memory.

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Agenda

for the Annual Meeting of Stockholders
of Volkswagenwerk Aktiengesellschaft
to be held at 10:00 A. M. on Thursday, July 2, 1970,
at the Stadthalle in Wolfsburg.

1. Presentation of audited financial statements and the report of Management for 1969, together with the report of the Board of Directors, the recommendations with respect to disposition of the current year's net earnings shown in the statement of earnings, the consolidated financial statements and related comments for the year 1969.

2. Resolution with respect to the increase of capital stock by issuance of a stock dividend.

Management and the Board of Directors make the following proposals:

a) The capital stock of the Company will be increased from DM 750,000,000 to DM 900,000,000 by issuing a 20% stock dividend and transferring DM 150,000,000 from other reserves, shown on the balance sheet at December 31, 1969, to capital stock.

The new bearer shares will have a par value of DM 50 each and will be entitled to dividend distribution from January 1, 1969.

b) Section 4, paragraph 1 of the charter will be amended as follows:

"The capital stock of the Company shall consist of DM 900 (in words: nine hundred) million and shall be divided into six million shares of a par value of one hundred Deutsche Marks each and six million shares of a par value of fifty Deutsche Marks each."

3. Resolution with respect to disposition of the net earnings for the year shown on the balance sheet.

Management and the Board of Directors propose to distribute to the stockholders a dividend of DM 166,500,000 out of net earnings for the year of DM 166,915,933. This dividend amounts to DM 9.25 on DM 50 par value of capital stock, or represents a 18.5% dividend on the increased capital stock. In addition, it is proposed to carry forward the balance of DM 415,933.

4. Resolution with respect to discharge of responsibility of Management for the year 1969.

5. Resolution with respect to discharge of responsibility of the Board of Directors for the year 1969.

With respect to items 4. and 5., Management and the Board of Directors propose to be discharged of responsibility.

6. Resolution with respect to an amendment of the charter.

Section 11, paragraph 1, shall be amended as follows:

(1) The Board of Directors shall consist of twenty-one members.

Management and the Board of Directors propose to the stockholders that the amendment to the charter be approved and that Management be authorized to enter the amendment in the Mercantile Register in time for the increase to be official for the election of board members to be held in 1971.

7. Appointment of auditors for the year 1970.

The Board of Directors proposes to appoint the Deutsche Revisions- und Treuhand-Aktiengesellschaft, Treuarbeit, Hanover, as auditors for the year 1970.

Board of Directors (Aufsichtsrat)

Dr. jur. Josef Rust, Kassel, Chairman
Otto Brenner, Frankfurt, Deputy Chairman
Dr. rer. pol. Wolfram Langer, Wiesbaden, Deputy Chairman, to February 23, 1970
Karl Möller, Hanover, Deputy Chairman
Dr. jur. Gerhard Reischl, Bonn, since February 23, 1970,
Deputy Chairman from April 16, 1970
Hugo Bork, Wolfsburg
Dr. rer. pol. h. c. Fritz Butschkau, Düsseldorf, to July 3, 1969
Siegfried Ehlers, Wolfsburg
Mrs. Elgin Gärtner-Amrhein, Stuttgart
Walter Haefner, Zürich
Heinrich Heerdt, Kassel, since November 20, 1969
Heinz Hilbich, Hanover
Prof. Dr. phil. Eduard Justi, Brunswick
Alfred Kubel, Hanover
Dr. rer. pol. h. c. Ludwig Poullain, Münster, since July 3, 1969
Dr. jur. Horst Rheinfels, Cologne
Dr. rer. pol. Hermann Richter, Düsseldorf
Erich Schilling, Ingolstadt
Dr. oec. publ. Johann Baptist Schöllhorn, Bonn
Peter Stroh, Kassel, deceased September 20, 1969
Dr. jur. Wilhelm Vallenthin, Frankfurt

Management (Vorstand)

Prof. Dr. rer. pol. h. c. Kurt Lotz, Chairman
Horst Backsmann
Dr. rer. pol. Carl H. Hahn
Otto Höhne
Prof. Dr.-Ing. Werner Holste
Horst Münzner
Frank Novotny
Dipl.-Ing. Helmut Orlich, to April 30, 1969
Dr. jur. Gerhard Prinz
Dr. rer. pol. Friedrich Thomée

Selected Data of Volkswagenwerk AG and its Subsidiaries and Affiliates

		1969 *)	1968	Increase (Decrease)	%
Sales (DM)					
Volkswagenwerk AG and its Subsidiaries and Affiliates	in million DM	13,934	11,700	2,234	19
	domestic sales - %	29	24		
	export sales - %	71	76		
	per employee DM	84,826	83,993	833	1
Volkswagenwerk AG	in million DM	9,238	8,388	850	10
	domestic sales - %	34	30		
	export sales - %	66	70		
	per employee DM	84,763	84,114	649	1
Sales (units)					
Volkswagenwerk AG and its Subsidiaries and Affiliates	number of vehicles	2,087,109	1,775,512	311,597	18
Volkswagenwerk AG	number of vehicles	1,633,625	1,544,842	88,783	6
Production					
Volkswagenwerk AG and its Subsidiaries and Affiliates	number of vehicles	2,094,438	1,777,320	317,118	18
Volkswagenwerk AG	number of vehicles	1,639,630	1,548,933	90,697	6
Labor Force					
Volkswagenwerk AG and its Subsidiaries and Affiliates	at year-end	168,469	145,401	23,068	16
Volkswagenwerk AG	at year-end	112,454	104,975	7,479	7
Investments					
in Property, Plant, Equipment and Investments					
Volkswagenwerk AG and its Subsidiaries and Affiliates	in million DM	1,076	708	368	52
Volkswagenwerk AG	in million DM	740	508	232	46
Depreciation					
of Property, Plant and Equipment and Write-down of Investments					
Volkswagenwerk AG and its Subsidiaries and Affiliates	in million DM	691	619	72	12
Volkswagenwerk AG	in million DM	536	530	6	1
Net Earnings					
Volkswagenwerk AG	in million DM	330	339	(9)	(3)
dividends (proposed or paid)	in million DM	166.5	150	16.5	11

*) The NSU Motorenwerke AG, now
liquidated, is included with the
Volkswagenwerk AG and its
Subsidiaries and Affiliates

Report of Management

World-wide Economic Developments in 1969

The year 1969 was characterized by different trends in economic development in Western Europe and in the United States. In nearly all of the Western European industrial countries a substantial increase in consumer demand stimulated not only their economies, but also the trade between these countries. On the other hand, the rising economic trend in the U. S. A. slackened even though prices increased to a greater extent than in most European industrial countries. With the subsiding of the investment boom in the U. S. A., spending for durable consumer goods, especially for automobiles, also declined.

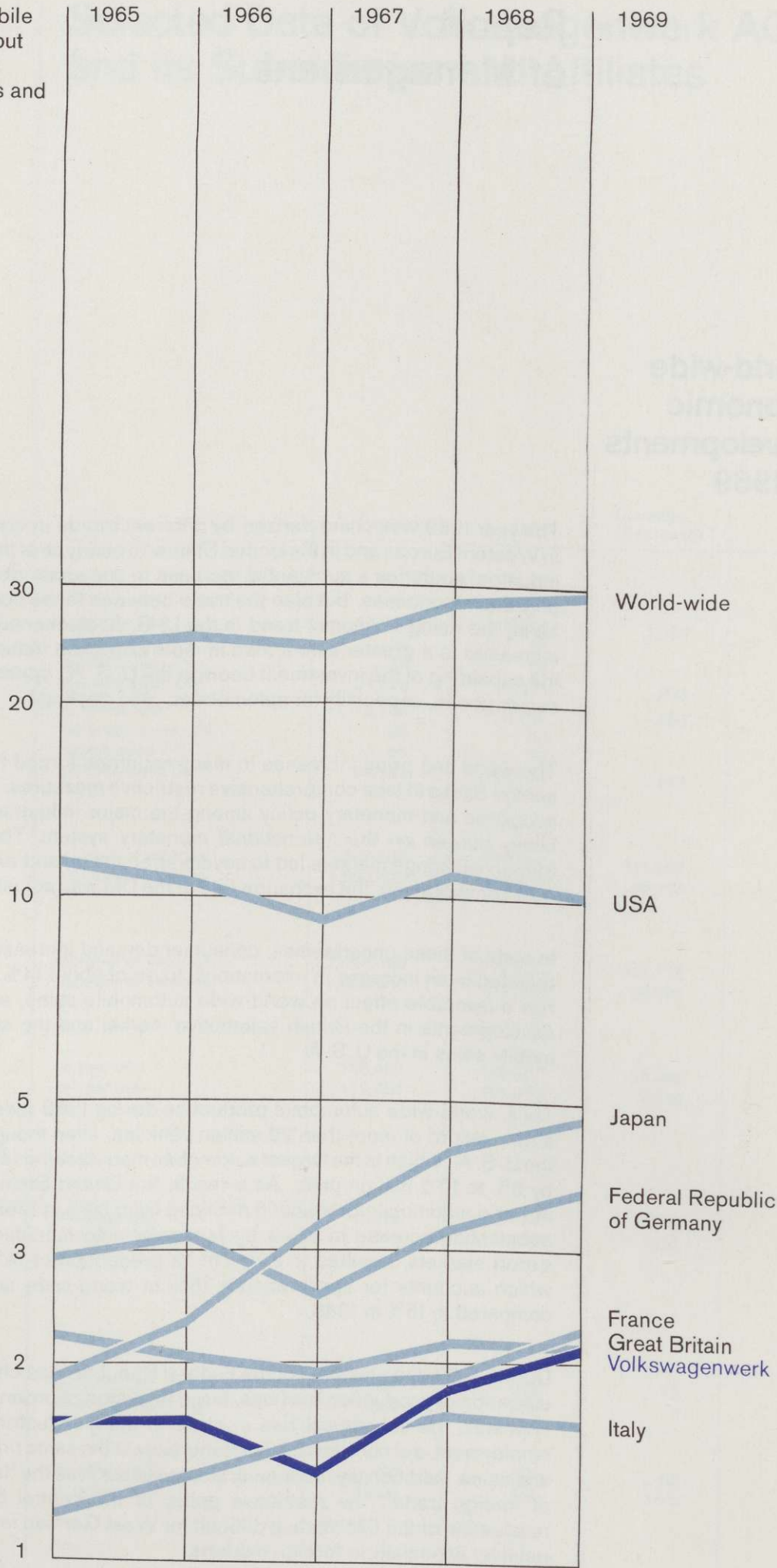
The wage and price increases in many countries forced the governments and central banks to take comprehensive restrictive measures. The lack of a uniform economic and monetary policy among the major industrial countries placed a heavy burden on the international monetary system. The uncertainty in the foreign exchange markets led to severe speculation and exchange fluctuations. As a consequence, the exchange rate of the DM was adjusted in the fall of 1969.

In spite of these uncertainties, consumer demand increased world-wide which resulted in an increase in international trade of about 14%. This expansion also had a favorable effect on world-wide automobile sales, except for the special developments in the British automotive market and the slight decline in automobile sales in the U. S. A.

Thus, world-wide automobile production during 1969 rose by more than 5% to a new record of more than 29 million vehicles, even though auto production in the U. S. A., which is the largest automobile manufacturer in the world, decreased by 6% to 10.2 million units. As a result, the United States of America's share in world automobile production declined from 39% in 1968 to 35% in 1969. The substantial increase in sales by Japanese auto manufacturers, especially in export markets, resulted in a rise in its production of 14% to 4.7 million cars, which accounts for approximately 16% of world-wide automobile production compared to 15% in 1968.

During 1969, the economy of the Federal Republic was characterized by the full utilization of production facilities, large backlogs of orders, and cost increases. However, the substantial rise in costs in many industries, resulting from full employment, did not allow profits to increase in the same proportion as production and sales. Additionally, economic measures such as the "law for the stabilization of foreign trade", the restrictive policy of the central bank, and finally, the revaluation of the DM made it difficult for West German industry to remain competitive, especially in foreign markets.

World-wide Automobile
Production and Output
of Major Automobile
Producing Countries and
of Volkswagenwerk
in millions of units
(logarithmic scale)



The rising demand for capital and consumer goods also had a favorable effect on the West German automotive industry which, with a production of 3.6 million vehicles and a 12% share of the world automobile production, remains the third largest automobile manufacturer in the world. Domestic sales, including sales of imported cars, rose by 28% to nearly 2 million vehicles. New vehicle registrations thus significantly exceeded the previous all-time high of 1.6 million new vehicles registered in 1965.

Automobile exports, on the other hand, increased by only 7% to a total of 2.1 million vehicles. For the West German automobile industry, the U. S. A. remained the largest foreign market. Although the lengthy dock strike at the beginning of 1969 prevented vehicle deliveries to the eastern regions of the U. S. for several weeks, export sales to the United States approximated those of the previous year. Exports to EEC countries were favorable, whereas exports to EFTA countries did not follow this favorable trend.

The Volkswagen Organization

Volkswagenwerk AG and its subsidiary and affiliated companies with sales of DM 13,900 million in 1969, attained a magnitude which requires, to a certain extent, a realignment of its objectives and organization. During the past year, therefore, the following significant steps were taken in this direction:

1. The "beetle", which has been the basis of VW's success for more than 20 years and which remains the most successful automobile model in the world, will continue to be produced with a daily output of approximately 5,000 units. However, the position of Volkswagenwerk in a growing automobile market can be maintained only with an expanded product line which will appeal to a wider range of consumers. In 1967, our daily production of 6,000 cars included about 4,400 "beetles", or 68% of daily production. This ratio, however, has changed considerably since then. At the beginning of 1970, some 9,000 cars, including more than 5,000 "beetles", were produced daily by Volkswagenwerk AG and its subsidiaries and affiliates. However, while the production of this model increased by more than 17%, its proportionate share of daily output decreased to 58%. This trend will continue in future years as a result of further growth, particularly since several technical concepts are now available to us.

2. Experience has shown that an automotive enterprise with such an extensive production program, once it reaches a certain size, can no longer maintain and expand its market position with only one product line and one sales organization. After the acquisition of Auto Union G. m. b. H. in 1965 and with the introduction of the newly developed medium-sized car, we had to decide whether the company's objective was to produce primarily Volkswagens or whether a new product line should be marketed in addition to the Volkswagen. After careful evaluation of all the facts, the decision in favor of the second alternative was made in 1968 with the introduction of the Audi 100.

Another important step toward diversification of our product line was the formation, in 1969, of AUDI NSU AUTO UNION AKTIENGESSELLSCHAFT by merging Auto Union G. m. b. H. with NSU Motorenwerke AG. The diversified product line of the newly organized company now made it feasible to establish a sales organization independent of Volkswagenwerk for the purpose of selling these products. The competition between the VW and AUDI NSU product lines, although managed by different, autonomous groups within the same company, is expected to provide additional stimulation for product development and sales for the whole company.

In addition to AUDI NSU AUTO UNION, VW-Porsche Vertriebsgesellschaft m. b. H. was established in 1969 to market sports cars manufactured by both Porsche and Volkswagen. The unique characteristics of this business also make it necessary to permit this company to operate, to a great extent, on its own initiative and responsibility.

3. The orientation of the company toward product groups which, in certain instances, are in competition with each other, also requires reorganization of the management of Volkswagenwerk AG. On the one hand, the development, production, and marketing of the VW product line must continue unchanged; whereas, on the other hand, the business policy for the entire company must be determined by corporate management and, at the same time, the policies of the different groups must be coordinated. In 1969, organizational changes were initiated toward separating the two areas of responsibility within Volkswagenwerk AG, since a separation into two companies is presently not feasible. In addition to the competition within the enterprise, these measures will insure that maximum integration is achieved in those areas where cost savings can be realized or other business opportunities can be pursued advantageously.

The Organizational Structure of Volkswagenwerk AG and its Domestic and Foreign Subsidiaries and Affiliates

Corporate Management

Chairman of the Board of Management	Research and Development	Production and Quality Control	Marketing	Purchasing and Material Control	Personnel and Employee Welfare	Finance, General and Cost Accounting, Budgeting	Investments in Subsidiaries and Affiliates, Planning and Organization
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Groups

Volkswagen

Plant Locations	Wolfsburg
	Hanover
	Kassel
	Emden
	Brunswick
	Salzgitter (under construction)

Distributing Companies

Volkswagen of America, Inc.
Englewood Cliffs, N. J.
Capital Stock US\$ 5,000,000
100.0%

Volkswagen France S. A.
Villers-Cotterêts
Capital Stock FF 7,000,000
100.0%

Svenska Volkswagen AB
Södertälje
Capital Stock skr 42,000,000
33.3%

Subsidiaries and Affiliates
Volkswagen Southeastern Distr., Inc.
US\$ 250,000 100.0%
Volkswagen Northeastern Distr., Inc.
US\$ 250,000 100.0%
Volkswagen North Central Distr., Inc.
US\$ 250,000 100.0%
Volkswagen South Atlantic Distr., Inc.
US\$ 250,000 100.0%
Volkswagen South Central Distr., Inc.
US\$ 250,000 100.0%
VICO Corporation
US\$ 2,602,864 48.5%
Sylvan Avenue Corporation
US\$ 400,000 100.0%
Volkswagen Products Corporation
US\$ 1,000 100.0%

Subsidiaries and Affiliates
Société Volkswagen
de Financement S. A.
FF 7,500,000 99.0%
Service d'Assurance Volkswagen S. A.
FF 100,000 51.0%

Volkswagen Canada Ltd.
Toronto, Ontario
Capital Stock can\$ 500,000
100.0%

Subsidiaries and Affiliates
Vorelco Ltd.
can\$ 2,000,000 100.0%

Weser-Ems-Vertriebsgesellschaft m. b. H.*)
Bremen
Capital Stock DM 3,000,000
50.0%

Subsidiaries and Affiliates

Volkswagen do Brasil S. A. São Bernardo do Campo Capital Stock NCr\$ 364,493,920 80.0 %	Volkswagen of South Africa Ltd. Uitenhage, C. P. Capital Stock R 800,000 64.9 %	Volkswagen de Mexico, S. A. de C. V. Puebla/Pue. Capital Stock mex\$ 467,121,000 100.0 %	Motor Producers Ltd. Melbourne, Australia Capital Stock \$A 10,000,000 100.0 %
Subsidiaries and Affiliates Cia VVD de Crédito NCr\$ 7,592,000 100.0 % Distrivolks S. A. NCr\$ 1,000,000 100.0 % Forjaria São Bernardo S. A. NCr\$ 5,575,620 33.3 % VEMAG S. A. NCr\$ 54,988,979 49.6 % 10.4 % AUDI NSU AUTO UNION AG	Subsidiaries and Affiliates South African Motor Acceptance Corporation (PTY) Ltd. (SAMAC) R 1,000,000 50.0 % 50.0 % Volkswagen of America, Inc.	Subsidiaries and Affiliates Volkswagen Comercial, S. A. de C. V. *) mex\$ 5,000,000 100.0 %	

AUDI NSU AUTO UNION AG Capital Stock DM 215,000,000 59.5%	AUDI NSU	Plant Locations	Ingolstadt Neckarsulm Heilbronn Neuenstein
Distributing Companies		Other Companies	
NSU Vertriebsgesellschaft m. b. H. Neckarsulm Capital Stock DM 2,750,000 100.0%		COMOBIL S. A. Geneva, Switzerland Capital Stock sfr 1,000,000 50.0%	
AUDI NSU A/S Odense, Denmark Capital Stock dkr 40,000 100.0%		COMOTOR S. A. Luxemburg, Lux. Capital Stock lfrs 170,000,000 48.0%	
Auto Union-Ersatzteile-Generaldepot E. Frankenbach G. m. b. H. Hamburg Capital Stock DM 350,000 100.0%			

VW-Porsche
Vertriebsgesellschaft m. b. H.
Capital Stock DM 14,000,000
50.0 %



PORSCHE

Other Companies

Volkswagen-Finanzierungsgesellschaft m. b. H. Wolfsburg Capital Stock DM 7,500,000 100.0 %	VW-Siedlungsgesellschaft m. b. H. Wolfsburg Capital Stock DM 20,000,000 100.0 %
Subsidiaries and Affiliates Auto Union Kredit G. m. b. H. Capital Stock DM 5,000,000 100.0 %	VW-Wohnungsbau Gemeinnützige Gesellschaft m. b. H. Wolfsburg Capital Stock DM 2,000,000 100.0 %
Deutsche Automobilgesellschaft m. b. H. Hanover Capital Stock DM 5,000,000 50.0 %	HOLAD Holding & Administration AG Basle, Switzerland Capital Stock sfr 110,000 100.0 %
Selbstfahrer Union *) Hamburg Capital Stock DM 1,860,000 100.0 %	Transalme Sociedade de Representações Administração e Organização Ltda. São Bernardo do Campo, Brazil Capital Stock NCr\$ 35,000 100.0 %
Volkswagen Leasing G. m. b. H. Wolfsburg Capital Stock DM 1,000,000 100.0 %	
Wolfsburger Transportgesellschaft m. b. H. Wolfsburg Capital Stock DM 500,000 100.0 %	

*) Formed or acquired in 1970.

Business Trends and Developments of Volkswagenwerk AG and its Subsidiaries and Affiliates during 1969

Volkswagenwerk AG and its subsidiaries and affiliates took advantage of the generally favorable domestic and foreign market conditions during the year under review and, as a result, increased sales by 19.1% to DM 13,900 million. Although the changes in monetary policies created severe problems, particularly for businesses with a high export ratio such as that of Volkswagenwerk, we were again able to increase both our foreign and domestic sales. The increase in foreign sales, including sales of DM 3,200 million (1968: DM 2,800 million) of vehicles and parts manufactured by our foreign subsidiaries, amounting to 11.9% over 1968 was lower than the rate of increase in our domestic sales of 41.6%. As a result, the proportionate share of domestic sales to total sales rose from 24% in 1968 to 29% in 1969.

During 1969, sales of all Volkswagen, Audi and NSU models were satisfactory in the domestic market as well as in the foreign markets. During the year, more than 2 million vehicles were sold. In the domestic market, the sales volume rose by 37.7% to 669,513 units. Whereas Volkswagenwerk's and its domestic subsidiaries' share of foreign sales declined from 70% in 1968 to 65% in 1969, foreign sales rose by 9.9% to 1,417,596 vehicles. The improvement of our market position in Europe and the increase in sales in Brazil, Mexico and South Africa offset the slight decline of sales in the U. S. A. which was due mostly to the dock strike at the beginning of 1969.

In addition to numerous engineering improvements in all of our models, we introduced the new VW multipurpose car (VW 181), the VW 411 E Squareback Sedan, the two-door Audi 100, and the sporty Audi 100 coupe at the 1969 International Auto Show in Frankfurt. In addition, the VW-Porsche 914, jointly developed by Porsche and VW, was well received by the public because of its unique engineering design. Toward the end of 1969, Volkswagen do Brasil started production of the new VW 1600 Squareback Sedan and expects that this model will further strengthen its position in the Brazilian automobile market.

Currency policies and rising costs, especially in the last quarter of 1969, considerably influenced 1969 earnings.

Management and the Board of Directors propose to distribute to the stockholders a dividend of DM 166.5 million out of the 1969 net earnings of DM 330 million.

Review of
1969
Operations of
Volkswagen
werk AG
and its
Subsidiaries
and Affiliates

In addition, Management proposes to the stockholders to increase the capital stock by DM 150 million to DM 900 million by issuance of a 20% stock dividend. The new shares are entitled to dividend distribution from January 1, 1969. Consequently, the dividend for 1969 amounts to DM 9.25 on DM 50 par value of capital stock. Based on the previous amount of capital stock of DM 750 million, the dividend amounts to DM 11.10 on DM 50 par value of capital stock.

Trend of Consolidated Sales in million DM

Business Trends and Developments of Volkswagenwerk AG and its Subsidiaries and Affiliates during 1965

Total

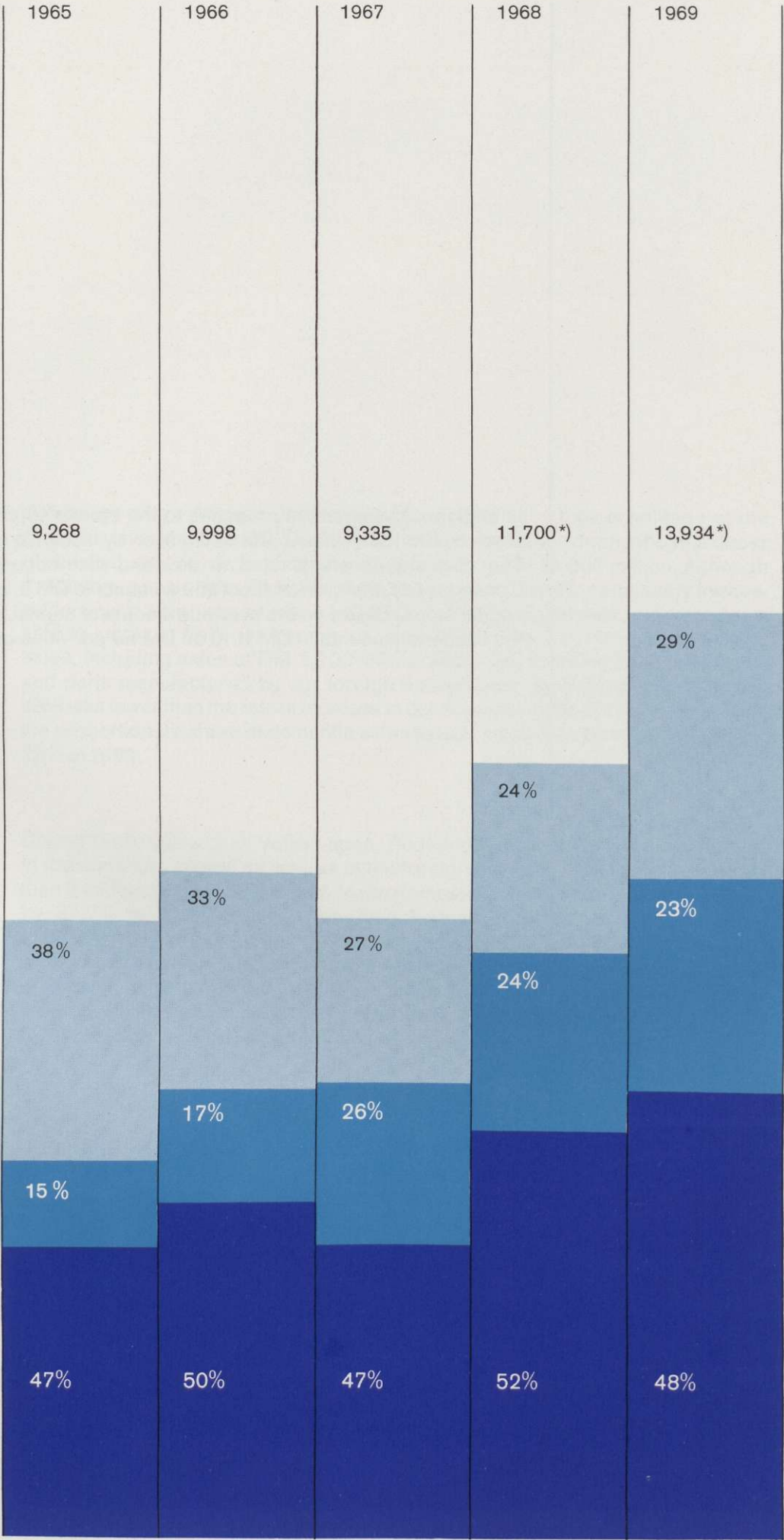
	1965	1966	1967	1968	1969
Total	9,268	9,998	9,335	11,700 *)	13,934 *)

Domestic

Sales of our Foreign Manufacturing Subsidiaries

Export Sales of Volkswagenwerk AG and its Domestic Subsidiaries

*) Excludes sales tax.



Review of 1969 Operations of Volkswagen- werk AG and its Subsidiaries and Affiliates

Sales

Consolidated sales of 2,087,109 vehicles, including 142,297 NSU models, exceeded sales of the previous year by 17.5%.

A comparison of unit sales for 1969 and 1968 follows:

	1969	1968	Increase (Decrease)	
			Units	%
Produced by:				
Volkswagenwerk AG				
VW Passenger Cars, including				
VW Squareback Sedans	1,343,330	1,269,427	73,903	6
VW Trucks and Station Wagons	230,267	216,100	14,167	7
	1,573,597	1,485,527	88,070	6
AUDI NSU AUTO UNION AG				
NSU Passenger Cars	142,297	—	.	.
AU Passenger Cars, including				
AU Squareback Sedans	120,949	70,038	50,911	73
	263,246	70,038	.	.
Volkswagen do Brasil S. A.				
VW Passenger Cars, including				
VW Squareback Sedans	148,134	128,149	19,985	16
VW Trucks and Station Wagons	28,132	26,867	1,265	5
	176,266	155,016	21,250	14
Volkswagen of South Africa Ltd.				
VW and AU Passenger Cars, in-				
cluding VW Squareback Sedans	25,172	20,650	4,522	22
VW Trucks and Station Wagons	8,393	6,782	1,611	24
	33,565	27,432	6,133	22
Volkswagen de Mexico, S. A. de C. V.				
VW Passenger Cars	25,798	22,220	3,578	16
Motor Producers Ltd.				
VW Passenger Cars, including				
VW Squareback Sedans	10,807	12,714	(1,907)	(15)
VW Trucks and Station Wagons	3,830	2,565	1,265	49
	14,637	15,279	(642)	(4)
Total Sales	2,087,109	1,775,512	311,597	18
Sold on the domestic market	669,513	486,057	183,456	38
export market	1,417,596	1,289,455	128,141	10

New Vehicle Registrations of Passenger Cars and Dual-Purpose and Commercial Vehicles with a payload of up to 2,750 lbs. in the Federal Republic and West Berlin in 1968 and 1969

VW/AUDI NSU*)		1969	646,793	34.0%
		1968	464,394	31.5%
Opel		1969	349,959	18.4%
		1968	272,462	18.5%
Ford		1969	293,764	15.5%
		1968	195,701	13.3%
The Fiat Group		1969	139,949	7.4%
		1968	111,100	7.5%
Daimler-Benz		1969	127,624	6.7%
		1968	113,545	7.7%
Renault		1969	113,731	6.0%
		1968	84,928	5.7%
BMW / Glas		1969	77,348	4.1%
		1968	68,924	4.7%
Simca		1969	53,855	2.8%
		1968	40,197	2.7%
Peugeot		1969	26,836	1.4%
		1968	21,211	1.4%
Citroën		1969	21,812	1.1%
		1968	15,118	1.0%
Others		1969	48,920	2.6%
		1968	43,459	2.9%

*) Excludes 45,554 NSU vehicles registered in 1968, or 3.1% of the total.

The Federal Republic of Germany was the largest market for Volkswagenwerk AG and its subsidiaries and affiliates. Sales in this market increased by 37.7% over the previous year to a total of 669,513 vehicles. Domestic sales of Volkswagenwerk were favorably affected by a general increase in consumer demand and by advance purchases made by consumers in the last quarter of 1969 in view of anticipated price increases. Our products accounted for 34% of passenger cars and dual-purpose and commercial vehicles with a payload of up to 2,750 lbs.

Foreign sales, including sales of vehicles produced by our foreign subsidiaries, amounted to 1,417,596 automobiles, which represents an increase of 9.9% over the previous year.

In the U. S. A., our largest foreign market, sales fell somewhat short of the high volume of the previous year. The lengthy dock strike on the East Coast which, in some instances, lasted from the end of December 1968 to the beginning of April 1969, caused a loss in sales of some 25,000 to 30,000 vehicles. In spite of the upswing in sales after the introduction of the 1970 models in August, we were unable to compensate completely for the earlier loss in sales. Although the Volkswagenwerk AG and its subsidiaries and affiliates retained its undisputed position as the largest automobile importer in the U. S. A., vehicle sales decreased by 3.1% to 551,366 units, and our share of the passenger car and dual-purpose vehicle market declined from 5.5% in 1968 to 5.2% in 1969.

In most of the other foreign markets, we were able to achieve new record sales even though the price increases, which became necessary because of the revaluation of the DM, had an adverse effect on our competitive position and, therefore, on our sales during the last few months of 1969.

All products of Volkswagenwerk AG and its subsidiaries and affiliates contributed to the sales success of 1969, although the "beetle" models, once again, were primarily responsible for our success. During 1969, "beetle" sales of 1,215,420 units were again higher than in the previous year.

The improved 1970 models of the 1600 series were well received by customers at home and abroad. Sales of this model of 268,529 units exceeded those of the previous year by 9.5%. Of the VW 411, which had been newly introduced in October 1968, 49,358 units were sold in 1969. VW trucks and station wagons, production of which remains limited, maintained their strong position in the truck and station wagon market. In the year under review, 270,622 trucks and station wagons were sold and the already high unit sales of the previous year were exceeded by 7.3%.

Insufficient productive facilities also prevented us from fully realizing the sales potential of the Audi models. The newly introduced Audi 100 was responsible for the 70.9% increase in sales to 121,821 units produced by Auto Union and Volkswagen of South Africa. The increase in sales of NSU models amounted to 11.0% over the previous year.

The world-wide VW sales and service organization, which during the year was expanded to 9,029 dealers and service centers, again contributed significantly to the sales success of 1969. The VW diagnostic and service center system, which had already been introduced in Germany in 1968, has since then been made available to customers in all export countries. As a result, the VW service centers are now equipped with the latest technical equipment for prompt and excellent customer service.

In the U. S. A., where competition has become increasingly keen, the marketing base for VW products has been enlarged by the addition of a second, independent sales organization. By the end of 1969, this organization already consisted of 104 dealers who offer not only the Audi and the VW-Porsche 914, but also the entire Porsche line.

Production

During 1969, Volkswagenwerk AG and its subsidiaries and affiliates were able to increase production by 17.8% (9.7% without NSU Motorenwerke, now liquidated) over 1968 because of the favorable demand for vehicles. The breakdown shows the increase in production according to manufacturing company:

	1969	1968	Increase (Decrease)	
			Units	%
Volkswagenwerk AG				
VW Passenger Cars, including				
VW Squareback Sedans	1,394,685	1,320,643	74,042	6
VW Trucks and Station Wagons	244,945	228,290	16,655	7
	1,639,630	1,548,933	90,697	6
AUDI NSU AUTO UNION AG				
NSU Passenger Cars	143,915	-	.	.
AU Passenger Cars, including				
AU Squareback Sedans	120,499	69,881	50,618	72
	264,414	69,881	.	.
Production in Domestic Plants	1,904,044	1,618,814	285,230	18
Less: Production of "knocked-down"				
vehicles for assembly by foreign				
subsidiaries and affiliates	60,840	60,878	(38)	.
	1,843,204	1,557,936	285,268	18
Volkswagen do Brasil S. A.				
VW Passenger Cars, including				
VW Squareback Sedans	149,926	128,089	21,837	17
VW Trucks and Station Wagons	28,253	26,883	1,370	5
	178,179	154,972	23,207	15
Volkswagen of South Africa Ltd.				
VW and AU Passenger Cars,				
including VW Squareback Sedans	25,673	20,302	5,371	26
VW Trucks and Station Wagons	8,473	6,717	1,756	26
	34,146	27,019	7,127	26
Volkswagen de Mexico, S. A. de C. V.				
VW Passenger Cars	24,437	23,709	728	3
Motor Producers Ltd.				
VW Passenger Cars,				
including VW Squareback Sedans	10,529	11,431	(902)	(8)
VW Trucks and Station Wagons	3,943	2,253	1,690	75
	14,472	13,684	788	6
Production in Foreign Plants	251,234	219,384	31,850	15
Total Production in Domestic				
and Foreign Plants	2,094,438	1,777,320	317,118	18

In 1969, production of our domestic plants accounted for 52.8% of the total automobile production in the Federal Republic.

Our foreign manufacturing subsidiaries accounted for only 12.0% of our total production compared to 12.3% in 1968. This decrease was attributed to a higher than normal increase in domestic production which resulted from the merger of Auto Union G. m. b. H. and NSU Motorenwerke AG.

The discontinuance of VW assembly operations at Ingolstadt was carried out in stages until its completion at the beginning of July 1969 thereby providing urgently needed productive facilities for the manufacture of Audi vehicles. At the same time, the large demand for Volkswagens made it necessary to enlarge the assembly facilities at Wolfsburg and Emden. The merger of NSU Motorenwerke into the Volkswagen organization also did not provide any additional productive facilities because NSU was operating at full capacity in 1969. Considerable efforts, therefore, were required to increase the output of VW and Audi vehicles. The continual expansion of the productive facilities alone was not sufficient to satisfy demand and, as a result, it became again necessary to work numerous additional shifts in 1969.

Raw Material Purchases and Material Control

In 1969, the continuing high level of economic activity and higher material requirements resulting from the increase in production caused certain problems in purchasing materials. Together with our suppliers we were able to satisfy all production requirements.

Consolidated purchases rose by DM 1,500 million to DM 8,300 million, of which Volkswagenwerk AG alone accounted for DM 5,800 million, representing an increase of DM 300 million over 1968. The increase in consolidated purchases resulted from higher production, increased investments, and the merger of Auto Union G. m. b. H. and NSU Motorenwerke AG. During 1969, the volume of imported materials increased by more than 16%. Most of these purchases were made from countries in Western Europe and in the Western Hemisphere.

Rising prices on the international raw materials markets and significantly higher operating costs forced our suppliers to substantially increase the prices quoted. However, as a result of existing 12 month-purchase contracts, the price increases for materials affected the operating results for 1969 only to a negligible extent. The full impact of these increases will not be felt until 1970.

Labor Force

The continuing increase in production in 1969 was again made possible only by a considerable expansion of our labor force and by working both overtime and additional shifts.

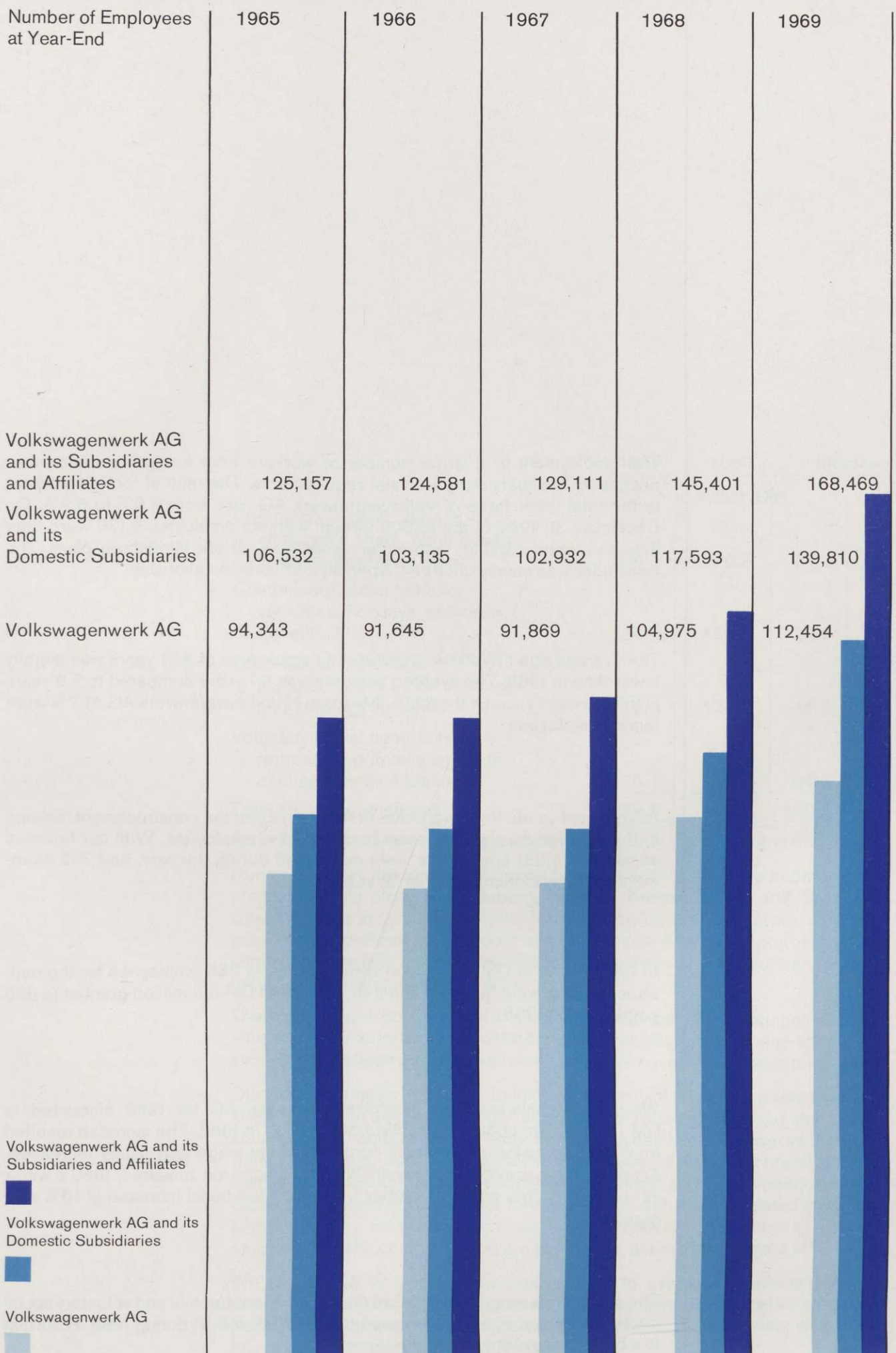
The labor force of Volkswagenwerk AG and its domestic subsidiaries and affiliates rose by 10,255 to 127,848 employees at year-end. This excludes 11,962 employees who joined our organization as a result of the merger of Auto Union G. m. b. H. and NSU Motorenwerke AG. At year-end, the labor force of Volkswagenwerk AG and its domestic and foreign subsidiaries and affiliates totaled 168,469 in 1969 compared to 145,401 in 1968.

The labor force of Volkswagenwerk AG increased by 7,479 employees or 7.1% in 1969. Of the 112,454 employees at year-end, 100,437 were wage earners and 12,017 were salaried.

Following is a summary of the Volkswagenwerk AG labor force and of the labor force of our subsidiaries and affiliates according to plants:

	12/31/69	12/31/68	Increase	%
Volkswagenwerk AG				
Wolfsburg	55,603	52,127	3,476	7
Hanover	26,817	25,147	1,670	7
Kassel	16,140	14,931	1,209	8
Emden	7,002	6,557	445	7
Brunswick	6,845	6,213	632	10
Salzgitter	47	—	47	.
	112,454	104,975	7,479	7
AUDI NSU AUTO UNION AG	26,595	12,328*)	.	.
Other domestic subsidiaries	761	290	471	.
Volkswagenwerk AG and its domestic subsidiaries	139,810	117,593	22,217	19
Foreign production and assembling companies	26,330	26,162	168	1
Foreign distributing companies	2,329	1,646	683	41
Foreign subsidiaries and affiliates	28,659	27,808	851	3
Total labor force of Volkswagenwerk AG and its subsidiaries and affiliates	168,469	145,401	23,068	16

*) 1968 represents only Auto Union G. m. b. H., now liquidated.



The employment of a larger number of workers from foreign countries was necessary to satisfy our personnel requirements. The ratio of foreign workers to the total labor force of Volkswagenwerk AG rose from 7.6% to 8.9%. On December 31, 1969, of the 10,006 foreign workers employed, 6,176 were from Italy and were working, with minor exceptions, at our Wolfsburg plant. The remainder was mainly of Greek, Spanish and Turkish nationality.

The average age of Volkswagenwerk AG employees of 36.1 years was slightly lower than in 1968. The average seniority was 8.1 years compared to 7.9 years in the previous year. Of the total labor force of Volkswagenwerk AG, 11.7% were female employees.

As in recent years, Volkswagenwerk AG sponsored the construction of housing in the areas of its plants in order to attract new employees. With our financial assistance, 1,281 apartments were completed during the year, and 752 apartments were under construction at year-end.

In 1969, loans of DM 4.5 million were granted to 886 employees for the construction of private homes compared to loans of DM 3.8 million granted to 820 employees in 1968.

Wages and salaries paid by Volkswagenwerk AG for 1969 amounted to DM 1,816 million compared to DM 1,567 million in 1968. The increase resulted from the expansion of the labor force and from wage and salary increases. According to a previous agreement with the unions, on January 1, 1969 a wage increase of 3.75% and on October 1, 1969 an additional increase of 10% was granted.

The cost to Volkswagenwerk AG of compulsory, contractual and voluntary social contributions and benefits increased to DM 779.9 million during 1969. Following is a breakdown of these expenditures:

	1969	1968	Increase	
	in million DM			%
Compulsory social charges – employer's share, contributions to group insurance plan	204.5	170.3	34.2	20
Compulsory social benefits – vacations, holidays, sickness benefits, etc.	184.3	156.1	28.2	18
Other social benefits (as specified in union contracts and other agreements)	216.0	174.4	41.6	24
Voluntary social contributions – represents primarily amounts paid as incentive bonuses	175.1	138.9	36.2	26
Total social expenditures	779.9	639.7	140.2	22

As in the prior year, our training program was further expanded and diversified.

During the year, the number of apprentices who can participate in our training programs at our plants in Wolfsburg, Hanover, Kassel, Emden and Brunswick was increased to 2,100. Our on-the-job trainee program again provided recent graduates of professional schools and universities with the opportunity of becoming familiar with the responsibilities and practices of our major departments before specializing in any one area.

The training and educating of management and potential management personnel is of prime importance to the company. Facilities for company-sponsored seminars have been provided and some seminars have already been conducted.

Our comprehensive technical training program will permit our employees to keep pace with the increasingly complex job requirements and the rapidly advancing technology. During 1969, 560 employees attended special technical training courses, approximately 600 employees attended technical training seminars sponsored by independent organizations, and 506 employees participated in courses conducted for foremen. In line with the anticipated expansion of our company, we will have to increase systematically the number of qualified employees in the company if we are to fulfil our planned objectives at all times.

We would like to express our appreciation to everyone, especially to our employees and Factory Councils, who contributed to the success of Volkswagenwerk, and we are again looking forward to successful cooperation with them, based on mutual confidence, in 1970.

Research and Development

During 1969, the objective of our research and development activity was not only to pursue the development of futuristic engineering principles, but also to adapt our current product line continuously to the changing market conditions.

In addition to the improvement of conventional propulsion methods, our research activity included experimenting with novel propulsion methods. The principles of gas dynamics were used to determine the optimum combustion processes in the engine. In order to eliminate air pollution, it became necessary to include in our research activities, besides the carbon oxide mixtures, other harmful mixtures such as hydrocarbons and nitrous oxides.

To conduct our research projects effectively, we had to apply new techniques and use modern measuring and testing devices. For example, program-controlled simulators made it possible to simulate in the laboratory the dynamics to which an automobile is subjected on the road. Newly installed cold, climate and altitude chambers assist in testing the operational safety of the vehicles under various environmental conditions.

Our development efforts in connection with our product line were intensified toward improving the safety features in all our models. For example, in order to enlarge the crushing zone, the front end of the VW 1600 was lengthened and the front frame was strengthened for greater collision resistance. VW trucks and station wagons were also equipped with an improved front frame and a safety steering system. In addition to dealing with already operable methods that can be employed presently to improve vehicle safety, our development program also centered around the development of novel systems (e. g., air cushions) which will minimize the potentially harmful effects of accidents.

In 1969, we continued to make substantial design improvements in all our models. In addition, the "VW beetle" with its 1300 engine can now also be equipped with an automatic stick shift at the option of the customer. The expanded front end of the VW 1600 now offers more trunk space. By equipping the VW 411 with an electronic fuel injection system, the engine power of this model was increased to 85 SAE bhp.

Development of the new multipurpose car (VW 181) and the VW 411 E Squareback Sedan was completed in addition to the VW-Porsche 914 sports car, which features a mid engine. The sports car, which was jointly developed by VW and Porsche, has exceptional roadability as a result of its engineering design.

The development activities within the Volkswagen organization were not restricted to Volkswagenwerk AG. As a result of being controlled centrally, the development

activities relating to all our products and models are effectively coordinated. Consequently, a basis has been established for an optimum production program for the entire Volkswagen organization while, at the same time, the products of the respective subsidiaries still retain their special characteristics. For example, primary responsibility for the development of the rotary engine remains in Neckarsulm. Additionally, the Audi 100 coupe was developed in Ingolstadt, and the VW 1600 Squareback Sedan was successfully developed in Brazil to fulfil the special requirements of that country.

Capital Investments

Capital investments of Volkswagenwerk AG and its subsidiaries and affiliates in 1969, after eliminating intercompany additions to property, plant and equipment, amounted to DM 1,076 million, of which DM 1,004 million and DM 72 million were expended for property, plant and equipment, and financial investments, respectively. Capital expenditures of foreign subsidiaries and affiliates of DM 246 million increased to 22.9% of total capital expenditures made during 1969.

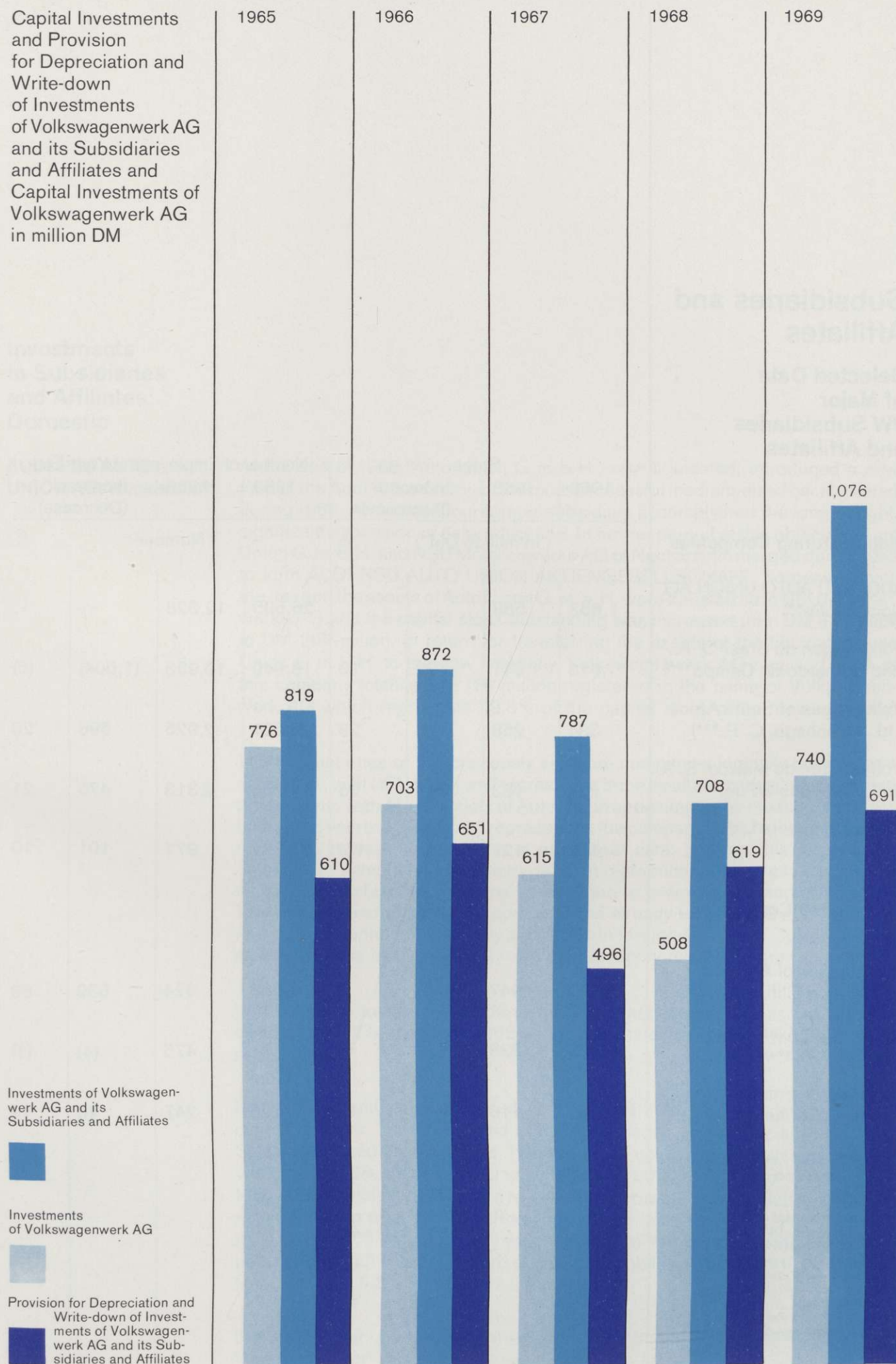
The major portion of capital investments was made by the parent company which expended DM 740 million, of which DM 614 million represent investments in property, plant and equipment. In addition to expenditures for the expansion of productive facilities, primarily for the construction of the sixth VW plant, located in Salzgitter, and the expansion of the press facilities in Wolfsburg and Hanover, Volkswagenwerk AG investments were made mainly to further expand the research and development center in Wolfsburg.

During its first year, AUDI NSU AUTO UNION AG invested DM 165 million, with special emphasis on the expansion of productive facilities for the Audi 100. In addition, construction began on a development center near Ingolstadt.

Of the total foreign capital investments, 59.5% were expended by Volkswagen do Brasil. In addition to further expanding existing productive facilities, additional plant facilities were completed for the manufacture of the VW 1600 Squareback Sedan which was newly introduced in 1969.

Of the DM 1,076 million investment of Volkswagenwerk AG and its subsidiaries and affiliates, DM 691 million, or 64.2%, was financed from depreciation.

Capital Investments
and Provision
for Depreciation and
Write-down
of Investments
of Volkswagenwerk AG
and its Subsidiaries
and Affiliates and
Capital Investments of
Volkswagenwerk AG
in million DM



Subsidiaries and Affiliates

Selected Data of Major VW Subsidiaries and Affiliates

Manufacturing Companies

AUDI NSU AUTO UNION AG, Neckarsulm**)

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

Volkswagen of South Africa Ltd., Uitenhage, C. P. ***)

Volkswagen de Mexico, S. A. de C. V., Puebla/Pue.

Motor Producers Ltd., Melbourne

Distributing Companies

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

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

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

	Sales				Number of Employees at Year-End			
	1969	1968	Increase (Decrease)		1969	1968	Increase (Decrease)	
	in million DM*)			%	Number			%
AUDI NSU AUTO UNION AG, Neckarsulm**)	1,653	588	.	.	26,595	12,328	.	.
Volkswagen do Brasil S. A., São Bernardo do Campo***)	1,813	1,641	172	10	18,949	19,953	(1,004)	(5)
Volkswagen of South Africa Ltd., Uitenhage, C. P. ***)	334	258	76	29	3,521	2,925	596	20
Volkswagen de Mexico, S. A. de C. V., Puebla/Pue.	229	183	46	25	2,788	2,313	475	21
Motor Producers Ltd., Melbourne	107	127	(20)	(15)	1,072	971	101	10
Volkswagen of America, Inc., Englewood Cliffs, N. J. ***)	4,054	3,947	107	3	1,563	924	639	69
Volkswagen Canada Ltd., Toronto, Ontario***)	337	338	(1)	.	471	475	(4)	(1)
Volkswagen France S. A., Villers-Cotterêts ***)	132	118	14	11	295	247	48	19

*) 1968: converted to DM based on the yearly average rates of exchange.
1969: converted to DM based on average rates of exchange for the periods prior to and subsequent to the revaluation of the DM.

Sales of Volkswagen do Brasil were converted to DM based on monthly average rates of exchange.

**) 1968 excludes NSU Motorenwerke AG, now liquidated.

***) Sales and number of employees at year-end consolidated with its subsidiaries.

Investments in Subsidiaries and Affiliates: Domestic

AUDI NSU AUTO UNION AG, Neckarsulm

At the end of 1968, Auto Union G. m. b. H., now liquidated, introduced a new model, the Audi 100, which was the most successful medium-sized car marketed during 1969. As a result, our former subsidiary accomplished the long-sought, significant expansion of its product line. In further pursuit of this objective, Auto Union G. m. b. H. and NSU Motorenwerke AG of Neckarsulm merged during 1969 to form AUDI NSU AUTO UNION AKTIENGESSELLSCHAFT. To consummate the merger, the assets of Auto Union G. m. b. H. were transferred to NSU Motorenwerke AG and the capital stock outstanding was increased from DM 87 million to DM 215 million. In return for transferring the assets of the liquidated Auto Union G. m. b. H. to the new company, Volkswagenwerk AG received stock of this company totaling DM 128 million registered in the name of Volkswagenwerk AG which represents 59.5% of the capital stock of the new company.

The product lines of the previously separate companies logically complement each other, with NSU being well represented in the small car market by a diversified product line, with AUDI models of Auto Union appealing to the medium-sized car buyer, and with the NSU Ro 80 representing the company in the higher-priced car market. With this complete line of passenger cars, it is feasible for the new company to establish its own independent distribution and sales organization which will enable the company to continue to maintain its market position. Towards the end of 1969, the company had already established 2,100 dealers and service centers in Germany and 4,534 in foreign countries. Current annual sales in excess of 300,000 vehicles permits economical mass production.

In 1969, sales totaled DM 1,653 million, representing an increase of DM 499 million, or 43.2%, over total 1968 sales of the two companies when operating separately.

During 1969, unit sales increased 32.9% to 264,714 units, including "knocked-down" vehicles. The sales trend of the Audi models was especially favorable. Sales increased by 72.6% to 122,417 units compared to sales of 70,943 vehicles in 1968. Sales of NSU vehicles rose 11.0% from 128,251 units in 1968 to 142,297 vehicles in 1969. As a result of the favorable development in domestic sales, the ratio of domestic sales to total sales increased from 46.4% in 1968 to 51.7% in 1969. The company was also able to increase, primarily as a result of excellent Audi sales, its share of new automobile registrations in the Federal Republic from 6.8% in 1968 to 7.9% in 1969.

During the year under review, the company produced 264,414 units, including "knocked-down" vehicles for assembly in South Africa.

**VW-Porsche
Vertriebsgesellschaft
m. b. H., Stuttgart**

During the middle of the year, assembly operations of the Volkswagen at the Ingolstadt plant were terminated. Initially, these operations were started for the purpose of utilizing, on an interim basis, Auto Union's production facilities and to provide employment for its workers. However, the increasing sales of the Audi line made it necessary to use these facilities exclusively for the Audi production program.

Presently, the company is making substantial capital investments, primarily toward the further expansion of its productive capacity and the construction of buildings and other facilities for a development center.

AUDI NSU AUTO UNION showed earnings of DM 12.5 million for 1969. Of the DM 12.9 million earnings shown on the balance sheet, management of the company proposes to distribute DM 2,122,800 on participating certificates*) and DM 10,750,000 as dividends on the capital stock of the company.

This distributing company was jointly organized by Dr.-Ing. h. c. F. Porsche KG and Volkswagenwerk AG to take better advantage of the opportunities existing in the domestic and, especially, in the sports car markets of other European countries. Both companies hold an equal interest in the DM 14 million capital stock of the company.

VW-Porsche Vertriebsgesellschaft began operations in September 1969 and, by year-end, had sold 6,985 vehicles.

*) Participating certificates, issued at the time of the merger in lieu of royalty payments in connection with the rotary engine, have priority over stockholders in apportioning of net earnings.

Equal shares of the start-up loss were absorbed by Dr.-Ing. h. c. F. Porsche KG and Volkswagenwerk AG in accordance with an existing Profit and Loss Assumption Agreement.

**Wolfsburger
Transportgesellschaft
m. b. H., Wolfsburg**

The purpose of this company is to handle sea and air transportation and all transactions connected therewith for the Volkswagen organization. The substantial increase in export shipments to overseas importers during 1969 increased the freight forwarding revenues of the company. In 1969, 865,000 units were transported by sea compared to 845,000 vehicles in the previous year.

Once again, earnings of the subsidiary were satisfactory.

**Volkswagen-
Finanzierungs-
gesellschaft m. b. H.,
Wolfsburg**

To support our sales effort, this company is engaged in the domestic consumer and dealer financing business.

As a consequence of the large increase in VW sales in the domestic market, the business volume of our subsidiary increased with respect to financing of dealer purchases. Although competition was keen in the consumer financing field, our subsidiary was also able to considerably increase the volume of its consumer financing business.

Although the restrictive monetary and credit policy of the German Federal Bank caused a substantial increase in the cost of refinancing loans during the second half of 1969, earnings of our subsidiary for the year under review were satisfactory.

**Volkswagen Leasing
G. m. b. H., Wolfsburg**

In the year under review, this company, which leased Volkswagen and Audi vehicles and VW diagnostic and service centers, showed a satisfying development and substantially increased its sales volume.

For the first time, Volkswagen Leasing showed a profit for the year which, in accordance with the Profit and Loss Assumption Agreement existing between the two companies, was transferred to Volkswagenwerk AG.

**Deutsche
Automobilgesellschaft
m. b. H., Hanover**

The company, in which Daimler-Benz AG and Volkswagenwerk AG hold an equal interest, continued to test new developments in automotive design and equipment during 1969. The construction of a laboratory, started in 1968, was continued during the year.

Expenditures, which are continuously incurred in a research activity, resulted in a loss for the year. Equal shares of the loss were absorbed by Daimler-Benz AG and Volkswagenwerk AG in accordance with an existing Profit and Loss Assumption Agreement.

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

During 1969, the building activity of the company was concentrated primarily on the construction of apartments for employees of our Kassel plant.

With the completion of 99 apartments during 1969, the company owned 6,843 apartments at year-end. During the year, construction was started on 105 additional apartments.

**VW-Siedlungs-
gesellschaft m. b. H.,
Wolfsburg**

VW-Siedlungsgesellschaft is engaged in the construction of apartments for VW employees in the areas surrounding our plants. With the completion of 228 apartments during the year, the company owned 3,412 apartments at December 31, 1969. At year-end, 680 apartments were under construction or in the planning stage.

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

At December 31, 1969, our two housing companies owned a total of 10,255 apartments; the breakdown according to plants is as follows:

	VW-Siedlungs- gesellschaft	VW- Wohnungsbau	Total
Wolfsburg/Brunswick	3,169	6,292	9,461
Hanover	142	60	202
Kassel	5	491	496
Emden	96	-	96
	<u>3,412</u>	<u>6,843</u>	<u>10,255</u>

Investments in Subsidiaries and Affiliates: Foreign

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

During the first six months of 1969, overall demand for automobiles in Brazil increased substantially; however, the upswing slackened at various times during the second half of 1969. Production for the year, which was increased with a view to expected sales, could not be completely sold because the automobile market was adversely affected by restrictive measures taken by the Brazilian Government to combat inflation. Toward the end of the year, the demand for automobiles rose considerably resulting in a significant decrease in vehicle inventories, which had been increasing during the second half of 1969. These developments also pertained to Volkswagen do Brasil, whose inventories had been substantially reduced by the end of 1969 and whose production facilities were operating at full capacity.

Sales of Volkswagen do Brasil and its subsidiaries rose 10.5 % to DM 1,813 million in 1969. Unit sales increased by 13.7 % from 155,016 vehicles in 1968 to 176,266 vehicles in 1969.

As a result of intensified competition in the medium-sized automobile market, the company was unable to retain its unusually high share in the passenger car market. Nevertheless, the company accounted for 61.2 % of passenger car sales during 1969. Its share of the truck and station wagon market increased from 43.1 % in 1968 to 49.9 % in 1969.

In December 1969, the company introduced the Brazilian version of the VW 1600 Squareback Sedan, which is the first vehicle of its kind offered on the Brazilian market. The favorable reaction to this model on the part of the public promises a continuing sales success.

Earnings of the company once again were satisfactory.

During 1969, the capital stock of Volkswagen do Brasil was increased by NCr\$ 72,843,060 (DM 61.9 million) to NCr\$ 364,493,920 (DM 310.0 million). Of the increase, NCr\$ 51,353,060 (DM 43.7 million) resulted from a contribution of productive equipment and NCr\$ 21,490,000 (DM 18.2 million) from the capitalization of a reserve, set up in accordance with Brazilian law, for the potential loss of current asset values. Total capital stock is represented by NCr\$ 151,138,350 (DM 128.5 million) and NCr\$ 213,355,570 (DM 181.5 million) of preferred and common stock, respectively. Volkswagenwerk AG continues to own 80 % of both the outstanding preferred and common shares.

Volkswagen of South Africa Ltd., Uitenhage, C. P.

Economic development in South Africa in 1969 continued its favorable trend. Economic growth accelerated and the demand for automobiles increased considerably. Our subsidiary, Volkswagen of South Africa, benefited fully from

**Volkswagen
de Mexico, S.A. de C.V.,
Puebla/Pue.**

the economic development. Sales increased by 29.4 % from DM 258 million in 1968 to DM 334 million in 1969.

Unit sales, including sales of imported vehicles, increased by 22.7 % from 27,484 units in 1968 to 33,724 vehicles in 1969. Its share of the automobile market increased from 14.3 % in 1968 to 14.6 % in 1969, thereby strengthening its market position. Production increased by 26.4 % to 34,146 vehicles to accommodate the trend in sales.

To satisfy government requirements, our capital investment program for gradually increasing the local content which began in 1968, was continued during the year in the form of additional capital investments.

As a result of the full utilization of production facilities and the considerable increase in sales, earnings of the company were fairly satisfactory.

In 1969, the demand for automobiles in Mexico showed a favorable trend. As a result of the expanded market, Volkswagen de Mexico increased vehicle sales and, to an even greater extent, parts sales to a total of DM 229 million, or 25.2 % over 1968. The company continued to increase parts sales to Volkswagen distributors in the U. S. A.

In spite of the increasingly keener competition with numerous manufacturers in a limited market, vehicle sales of our subsidiary increased by 16.1 % from 22,220 units in 1968 to 25,798 units in 1969. As a consequence, Volkswagen de Mexico's share of the small car market and the passenger car market as a whole amounted to 56.7 % and 22.5 %, respectively.

During the year under review, production increased to 24,437 vehicles.

The sale of Volkswagen vehicles in Mexico continues to be limited as a result of government quotas. Thus, it again was not possible to take advantage of the sales potential on the domestic market, although higher quotas were obtained resulting from an increase in the share of local content and an increase in export sales of spare parts.

After incurring losses for many years, the company was able to break even in 1969. We expect the favorable trend to continue in 1970.

**Motor Producers Ltd.,
Melbourne, Australia**

To improve the company's equity position, capital stock was increased by Mex\$ 167,121,000 (DM 49.4 million) to Mex\$ 467,121,000 (DM 137.9 million). The increase resulted from the conversion of a long-term loan of Volkswagenwerk AG into capital stock. In addition, Volkswagenwerk AG contributed Mex\$ 19,084,035 (DM 5.6 million) in the form of productive equipment to satisfy an obligation existing from the previous year's capital increase.

During 1969, sales of the company amounted to DM 107 million. As a result of the transfer of the marketing function from Motor Producers to an independent distributor, who previously was a VW distributor, comparison of current year's sales to 1968 sales of DM 127 million is meaningful only to a limited extent.

In view of the market conditions and the limited sales potential as a result of government quotas (Local Content Plans), sales of our subsidiary were satisfactory. Sales of 14,678 vehicles, including imported vehicles already assembled, approximated 1968 sales of 16,907 units, although the company could not avoid a decrease in its share of the market from 3.4% to 2.9%.

By assembling other make vehicles, production facilities were better utilized in 1969 than in the previous year. Total production increased by 44.6% to 20,829 vehicles, including 14,472 Volkswagens. In 1968, 14,406 vehicles were assembled, including 13,684 Volkswagens.

After incurring losses for three years, Motor Producers earned a profit for 1969. This justified our previous decision to change to a production involving less local content.

**Industrias del Motor,
S.A. (IMOSA),
Vitoria, Spain**

The Spanish company, in which Volkswagenwerk AG and AUDI NSU AUTO UNION AG each hold a 25% interest, increased its sales of trucks and station wagons from 7,882 in 1968 to 8,871 in 1969, thereby eliminating its beginning-of-the-year inventories. The company was able to improve the quality of their vehicles and the efficiency of their production facilities. Currently, however, these facilities are not fully utilized because of the strong competition in the commercial vehicle market. Consequently, the company incurred a loss for the year 1969.

During 1969, the Volkswagenwerk AG and its subsidiaries and affiliates paid to the company Ptas 80,607,000 (DM 4.3 million) representing the outstanding balance of unpaid stock subscriptions. Of the total paid during 1969, Volkswagenwerk AG contributed Ptas 60,357,000 (DM 3.2 million).

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

In 1969, sales of new passenger cars and dual-purpose and commercial vehicles in the United States amounted to 9.5 million units compared to 9.6 million units in 1968. Sales of domestic vehicles and imported vehicles, however, followed different trends. Whereas domestic sales decreased by 1.9% to approximately 8.5 million units, imported vehicle sales increased by 8.5% to more than 1 million vehicles, thereby increasing the importers' share of the market from 10.2% in 1968 to 11.2% in 1969.

Sales of Volkswagen of America increased by 2.7% to over DM 4,000 million. A small decline in unit sales was offset by a slight increase in selling price in the fall of 1969 resulting from the revaluation of the DM. The decrease in unit sales was caused, primarily, by the dock strike in the United States at the beginning of the year which, in several ports, lasted for more than 100 days. As a consequence of the strike, vehicle deliveries to Volkswagen dealers on the East and Gulf Coasts temporarily came to a standstill. During the second half of 1969, unit sales increased, especially during the last few months of the year and, as a result, vehicle sales for 1969 were only 3.1% lower than in the previous year. Vehicle sales in 1969, including sales of trucks and station wagons, amounted to 551,366 units compared to 569,292 units in 1968.

Volkswagen's share of the passenger car, dual-purpose and commercial vehicle market amounted to 5.2% in 1969 compared to 5.5% in the prior year. As a result, the Volkswagen vehicle remains the leader among imported vehicles by a wide margin.

During 1969, Volkswagen of America acquired two Volkswagen distributors located in Washington, D. C. and in San Antonio, Texas, respectively, and an air conditioning manufacturing company.

The 1969 earnings of the company were satisfactory.

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

Competition in the Canadian automobile market, especially on the West Coast, continued to increase for our Canadian subsidiary. In spite of the revaluation of the DM, sales of Volkswagen Canada amounting to DM 337 million remained virtually unchanged in comparison to the prior year.

Unit sales, however, decreased slightly by 1,895 vehicles to 39,116 units. The company's share of the passenger car market amounted to 4.7% compared to 4.9% in 1968.

Although the market conditions unfavorably affected earnings, the company again showed a profit for the year.

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

The French economy, especially in the second half of 1969, was adversely affected by severe credit restrictions and price controls. In spite of this difficult situation, Volkswagen France was able to increase its unit sales from 23,035 in 1968 to 25,484 in 1969 (unit sales of Audi vehicles increased from 2,282 to 2,936). Sales rose from DM 118 million to DM 132 million.

The company earned a profit for the year.

**Svenska
Volkswagen AB,
Södertälje**

During 1969, in order to strengthen the competitive position of the Volkswagen in the Swedish market, responsibility for importing Volkswagen vehicles to Sweden was transferred to Svenska Volkswagen AB, a newly organized company. The previously franchised importer, AB Scania Vabis, Södertälje, holds a two-thirds interest and Volkswagenwerk AG holds a one-third interest in the new company.

28,002 vehicles were sold in 1969.

The company showed a profit for the year.

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

The company continues to hold 10% of the capital stock of Wolfsburger Transportgesellschaft. Dividends received by Volkswagenwerk from this investment were reinvested within our own organization.

Outlook for Volkswagen- werk AG and its Subsidiaries and Affiliates

In the beginning of 1970, the world economy was characterized by symptoms which are typical of the slackening off of a strong economic expansion. The decrease in economic growth was especially apparent in the United States of America. In the West European industrial countries, there also were growing signs of a leveling off in the rate of growth of consumer spending.

West German industry as a whole, and especially the export-oriented automobile industry, is making considerable efforts to offset the severe adverse effects resulting from the revaluation of the DM and to compensate for the generally rising trend in costs. To remain competitive, selling prices could not be increased sufficiently to compensate completely for rising costs and, therefore, the German automobile industry will have to be satisfied with lower earnings.

Competition in the traditional German export markets will be even more intense than previously because, in addition to the Japanese auto producers, American manufacturers also will compete directly with their European rivals by introducing their own small cars. Nevertheless, Volkswagenwerk looks to the future with confidence, especially since the new organization structure makes the company better equipped to satisfy the market requirements.

Consumer demand also continues to exist domestically. However, increasing competition requires further intensification of marketing efforts, establishment of additional distribution channels, and development of new marketing methods. In line with these goals, we established several years ago Volkswagen-Finanzierungsgesellschaft, which is engaged in the consumer and dealer financing business and, as a result, plays an important role in stimulating sales. As the next step, Volkswagenwerk entered the long-term leasing business in 1966. In 1970, Volkswagenwerk acquired Selbstfahrer-Union-Gruppe, which is the largest German rent-a-car company and has extensive experience in this field. With this acquisition, the expandable rent-a-car market is now available to Volkswagenwerk. In the past, Volkswagenwerk was represented in the rent-a-car business by its dealers in 16 other European countries and in Mexico. As a result of the acquisition, however, Volkswagenwerk is now also engaged in the Federal Republic in this potentially profitable activity.

Comments on the 1969 Financial Statements of Volkswagen- werk AG

Financial Position

In line with the continuing expansion of our business activity, the balance sheet totals increased by nearly DM 600 million to DM 4,588 million. The increase in assets is represented by almost equal increases in property, plant, equipment and investments, and in current assets, whereas the increase in liabilities and stockholders' equity resulted primarily from higher liabilities which increased nearly twice as much as stockholders' equity. Stockholders' equity, however, still amounts to more than 50% of the balance sheet total and, together with long-term liabilities, exceeded property, plant, equipment and investments by DM 284 million compared to DM 340 million at the end of 1968.

Changes in our financial position were as follows:

	12/31/69		12/31/68	
	in million DM			
Assets				
Property, Plant, Equipment and Investments	2,557	56%	2,277	57%
Current Assets	2,031 *)	44%	1,718 *)	43%
	4,588 *)	100%	3,995 *)	100%
Liabilities				
Stockholders' Equity (Capital Stock and Reserves)	2,386	52%	2,191	55%
Liabilities payable within:				
more than 4 years	455	10%	426	11%
1 to 4 years	391	8%	208	5%
1 year or less	1,356	30%	1,170	29%
	4,588 *)	100%	3,995 *)	100%

*) Current assets and balance sheet totals were decreased by the amount shown under liabilities as allowance for doubtful trade acceptances and accounts.

The sources and uses of funds statement shown below discloses that the uses of funds were DM 42 million higher than the sources of funds, thereby reducing the liquid funds to DM 764 million at the end of 1969.

	1969	1968
	in million DM	
Sources of Funds		
Increase in stockholders' equity:		
Portion of earnings added to reserves	177	168
Portion of earnings added to reserves for special purposes	18	2
Provision for depreciation of physical plant, write-down of investments in subsidiaries and affiliates, and write-down of long-term loans receivable (net of accumulated discount)	533	527
Decrease in property, plant, equipment and investments	32*)	47
Increase in liabilities (including undetermined liabilities):		
Long-term liabilities	29	64
Short- and medium-term liabilities	369	255
	1,158	1,063
Uses of Funds		
Increase in property, plant, equipment and investments	845*)	508
Increase in inventories	129	65
Increase in medium- and short-term receivables	226	113
	1,200	686
Increase (Decrease) in Liquid Funds	(42)	377

*) Decreased by DM 160 million representing receipt of AUDI NSU AUTO UNION AG capital stock in exchange for our interest in Auto Union G. m. b. H., now liquidated.

Balance Sheet

Assets

At year-end, the original cost of *Property, Plant and Equipment* amounted to DM 5,651 million and accumulated depreciation totaled DM 3,504 million. Consequently, the book value shown on the balance sheet for property, plant and equipment represents 38% of the original purchase or production cost. These amounts exclude special tools acquired up to 1966 and miscellaneous low-value items as such items consistently were written off in the years of acquisition.

During 1969, additions to property, plant and equipment of DM 614 million were relatively high compared to previous years. These additions consisted mainly of the construction of a new plant in the area surrounding Salzgitter and the further expansion of production facilities in other plants to satisfy the production requirements of this sizable new plant. Amounts expended during 1969 for additions to property, plant and equipment were DM 189 million higher than in 1968. The additions to land, buildings, machinery and equipment, including transfers from construction in progress and advance payments to vendors and contractors, amounted to DM 488 million and consisted of the following:

DM 181 million land and buildings,
 - compared to DM 78 million in 1968 -
 and
DM 307 million machinery and equipment,
 - compared to DM 285 million in 1968.

Additions in property, plant and equipment are carried as assets with their actual purchase and production cost, plus the use tax in accordance with section 30 of UStG. Our 1967 annual report discusses the direct cost and overheads which are treated to be production costs. Advance payments to vendors are listed with the actual amounts disbursed.

Regular depreciation was determined using the same methods as in 1967 and 1968.

Regular depreciation was based primarily on the estimated useful lives referred to in 1967 and 1968, with the exception that, the estimated useful lives of containers and prefabricated apartments were reduced to 5 and 3 years, respectively, for the purpose of calculating depreciation.

During 1969, for the most part, additional depreciation was provided for to take full advantage of existing tax benefits. This consisted primarily of increased depreciation on plant and equipment used in research and development and in the prevention and elimination of water and air pollution.

The following summary shows additional details of the 1969 depreciation provision:

On Owned Land and on Land with Land Rights						
Office and Factory Buildings and Other Structures	Apartments	Land without Buildings	Buildings on Leased Land	Machinery and Fixtures	Plant and Office Equipment	Grand Total
- in thousand DM -						
45,915	739	-	1,632	167,513	95,527	311,326
35,271	2	-	655	38,530	3,631	78,089
8,994	33	-	4	-	-	9,031
-	-	-	-	-	12,181	12,181
14,822	96	58	-	5,857	759	21,592
105,002	870	58	2,291	211,900	112,098	432,219
28,962	128	58**)	74	30,848	38,836	98,906
169,555	2,384	833	1,578	184,387	122,420	481,157

*) In accordance with a new law with respect to the method of depreciating buildings.

**) In accordance with section 6 b, EStG.

***) Additions and transfers from construction in progress and advance payments to vendors and contractors on machinery and equipment.

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

Under the caption *Investments*, the book value of *Investments in Subsidiaries and Affiliates* increased by DM 23 million. The additions and deductions include

DM 160 million representing receipt of AUDI NSU AUTO UNION AG capital stock in exchange for our interest in Auto Union G. m. b. H. The remaining additions of DM 126 million consisted of:

DM 54 million contribution to the increased capital stock of Volkswagen de Mexico,

DM 39 million contribution to the increased capital stock of Volkswagen do Brasil,

DM 21 million purchase of stock of Svenska Volkswagen AB,

DM 7 million purchase of an interest in VW-Porsche Vertriebsgesellschaft m. b. H., and

DM 5 million payment of the remaining unpaid 1968 stock subscriptions of Industrias del Motor (IMOSA).

Our current year's investments in Volkswagen de Mexico, Volkswagen do Brasil, and Industrias del Motor were written down to take full advantage of the tax benefits available on investments made in developing countries. In addition to write-downs permitted for tax purposes we fully wrote off our investment in Industrias del Motor and our current year's investment in Volkswagen de Mexico and Volkswagen do Brasil in view of the economic risks inherent in investments in these developing countries.

Other Investment Securities consist of 5% West German Government Bonds for the Promotion of Developing Countries. The third repayment on the bonds, amounting to DM 2.5 million, was received in 1969. The value shown on the balance sheet for these securities is below market value.

DM 15 million par value of these bonds were pledged as collateral, DM 11 million thereof, shown separately on the balance sheet, in favor of the German Federal Bank to facilitate refinancing by one of our subsidiaries, and DM 4 million in favor of the Customs Authorities in Hanover as security for the continuous processing of imported goods.

During 1969, *Long-term Loans with an Initial Term of Four Years or Longer* of DM 105 million were granted, thereby increasing the total of such loans granted to DM 305 million. Of this total, approximately two-thirds were granted for housing construction. Interest-free loans have been discounted to reflect present values, all other loans are shown at face value.

Of the loans made in accordance with section 89 of AktG, DM 11,106,587 represent loans to an unaffiliated nonprofit housing construction company, located in Wolfsburg, in which Volkswagenwerk AG holds a minority interest.

Write-downs pertaining to current year's additions to investments amounted to DM 99 million, of which DM 1.8 million, represents amounts discounted with respect to loans granted during 1969.

As a result of our expanded business activity, the book value of *Inventories* increased by DM 129 million to DM 770 million at the end of 1969. Inventories were valued based on the same principles used at the end of 1967.

Trade Accounts Receivable primarily consist of amounts due from customers located in foreign countries.

The book value of *Securities* remained unchanged from 1967 and 1968.

Receivables from Subsidiaries and Affiliates increased by DM 59 million. Receivables from Volkswagen of America increased in the ordinary course of business and receivables from Volkswagen de Mexico increased as a result of a short-term loan. Receivables from Volkswagen Canada and domestic subsidiaries, on the other hand, decreased. Where appropriate, lower valuations were placed on receivables to provide for the potential risks relating to the rate of exchange, currency transfer restrictions, and other potential losses.

Of the DM 238 million *Miscellaneous Other Current Assets*, approximately two thirds consist of loans with a remaining life of more than one year and of cash surrender value of old-age insurance. The balance consists of numerous miscellaneous items and estimated claims for refund of taxes and interest receivables, the exact amounts of which could not be determined at the balance sheet date. Doubtful accounts were minor in amount and have been written off.

Liabilities

During 1969, *Capital Stock* and *Legal Reserve* remained unchanged.

The *Reserve for the Share-the-Burden Property Levy* represents the discounted amount of this liability as of December 31, 1969.

As approved by the stockholders, DM 13,451,481 from 1968 earnings and, in accordance with section 58 of AktG, DM 165,120,933 from 1969 earnings were transferred to *Other Reserves*.

The increase in *Reserves for Special Purposes* primarily pertains to the current year's investment in developing countries.

Allowance for Doubtful Trade Acceptances and Accounts, determined in the same manner as in the prior year, provides for the general credit risk inherent in trade receivables and trade acceptances.

Changes in *Undetermined Liabilities* were as follows:

Balance January 1, 1969	DM 897 million
Amount used	DM 346 million
Eliminations	DM 44 million
	DM 507 million
Additions	DM 531 million
Balance December 31, 1969	DM 1,038 million

During 1969, undetermined liabilities increased by DM 141 million, which is mainly attributable to pension plan costs and distribution costs. Pension plan costs were determined based on actuarial computations in accordance with existing tax regulations.

In addition to the pension plan costs shown separately on the balance sheet, undetermined liabilities consisted primarily of distribution costs, employee benefits, and taxes.

At December 31, 1968, undetermined liabilities of DM 11 million were established for maintenance work not performed during 1968. This work was performed during the current year. At the end of 1969, we established undetermined liabilities in the amount of DM 15 million for maintenance work not performed during 1969.

Of the undetermined liabilities shown on the balance sheet, approximately

DM 348 million can be considered relating to long-term liabilities, DM 225 million as medium-term liabilities, and DM 465 million are of a short-term nature.

Liabilities with an Initial Term of Four Years or Longer further decreased as a result of the repayment of loans on an installment basis. At December 31, 1969, long-term loans of DM 130 million consisted of:

DM 75 million 5 3/4% per annum plant improvement loan of DM 150 million, which was received in the years 1961 through 1963, to be repaid in 8 equal annual installments commencing in 1966.

DM 50 million loan granted to us by the State of Lower Saxony. The loan is to be repaid by the middle of 1980 at an interest rate equal to the prevailing German Federal Bank discount rate.

DM 5 million balance of DM 6 million loan and a DM 1.5 million loan granted to us in 1964 and 1969, respectively, by the Federal Agency for Employment to construct housing for our foreign workers. The loans are to be repaid within 10 years commencing in 1966 and 1969, respectively, and bear interest at the rate of 2 1/2% per annum.

The increase in *Trade Accounts Payable* resulted primarily from the continuing expansion of our business activity. Of the total trade accounts payable of DM 547 million at December 31, 1969, approximately 12% represents acquisition of property, plant and equipment.

Prepayment by Customers of DM 9 million are equal to the amount shown on last year's balance sheet and represent, mainly, advance payments received from foreign importers.

Accounts Payable to Subsidiaries and Affiliates increased by DM 10 million to DM 22 million at year-end. The increase resulted from transactions in the ordinary course of business with our domestic subsidiaries.

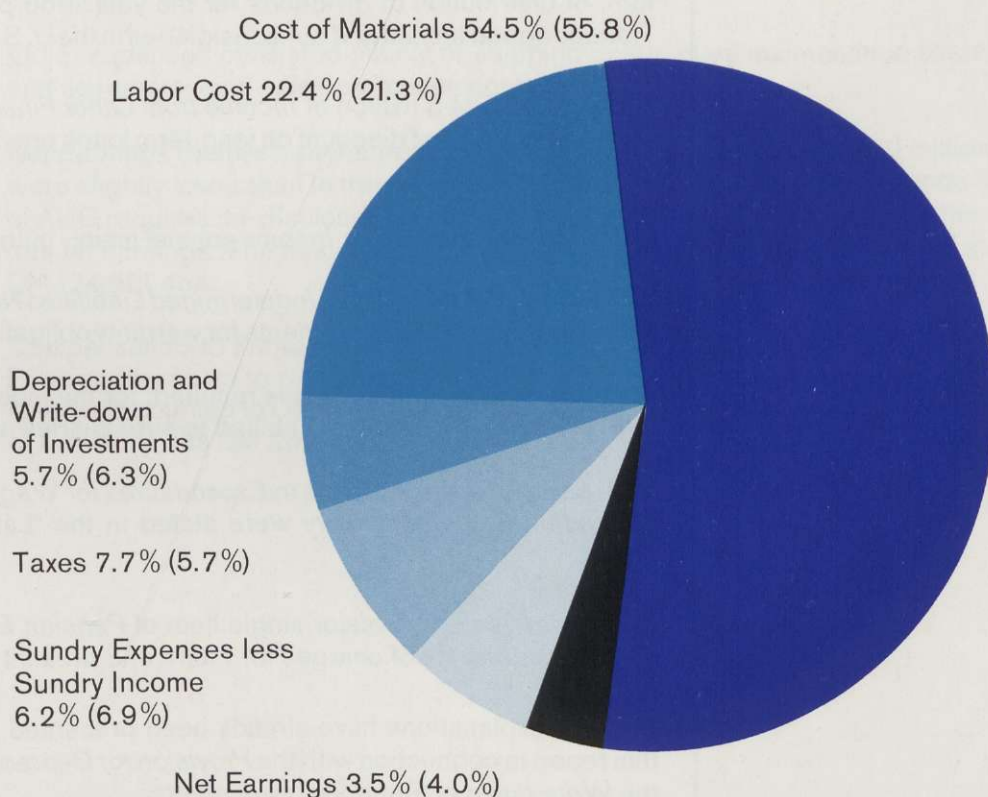
Miscellaneous Other Liabilities increased by DM 127 million to DM 224 million mainly as a result of a loan obtained by Volkswagenwerk AG in connection with the construction of the new plant near Salzgitter. Higher payroll accruals also contributed substantially to the increase.

We were contingently liable for DM 15,350,000 in connection with the purchase of shares of domestic companies with limited liability. This amount is in addition to the *Contingent Liability with respect to Discounted Trade Acceptances* and the securities pledged as collateral with respect to guarantees shown on the balance sheet.

Statement of Earnings

As a result of the favorable development of our business activities, the *Gross Output* of the parent company, consisting of sales, adjustments for inventory increases or decreases, and material, wages and overhead capitalized as additions to plant and equipment, increased by 11% from DM 8,458 million in 1968 to DM 9,389 million in 1969.

The ratios of selected cost, expense and earnings data to gross output were as follows (1968 ratios in parentheses):



In 1969, *Sales* increased by DM 850 million to DM 9,238 million. Domestic sales increased by 25%, whereas export sales were 4% higher than in 1968. The ratio of vehicle sales to total sales of 85% remained unchanged from the prior year, whereas the corresponding ratio for parts decreased from 11% to 10%.

Expenditures for Raw Materials, Supplies, and Other Materials exceeded those of the prior year by DM 399 million or 8.4 %. Expenditures for raw materials increased by 8.6 % over 1968. This increase was relatively higher than the increase in the number of vehicles produced, primarily because of higher purchase prices.

Income from Profit Assumption Agreements resulted only from the transfer of the 1969 operating profit of Volkswagen Leasing G. m. b. H.

Income from Investments in Subsidiaries and Affiliates was received in 1969 in the form of distribution of dividends for the year 1968 primarily from Wolfsburg Transportgesellschaft and our subsidiaries in the U. S. A., Brazil and South Africa.

At year-end, DM 3 million of *Income from Other Financial Investments* resulted from amortization of discount on long-term loans previously discounted to reflect present values.

Other Interest and Similar Income consist mainly of income from bank balances.

Elimination of Reserves for Undetermined Liabilities No Longer Required resulted primarily from lower requirements for warranty obligations, labor costs, and taxes.

As in prior years, *Other Income* resulted, for the most part, from revenues from auxiliary services and taxes rebilled to subsidiaries and affiliates.

The reasons for the increase in *Expenditures for Wages and Salaries and Social Expenditures - Compulsory* were stated in the "Labor Force" section of this report.

As in prior years, the major single item of *Pension Expenditures and Voluntary Payments* consists of charges for future and present pension payments.

Specific explanations have already been presented in appropriate sections of this report in connection with the *Provision for Depreciation of Physical Plant* and the *Write-down of Financial Investments*.

Write-downs of Current Assets and Provision for Doubtful Trade Acceptances and Accounts contain currency losses resulting from the revaluation of the DM and write-downs of certain assets explained in a previous section of this report.

Of the total *Interest Expense and Similar Charges*, DM 8 million resulted from long-term loans.

Taxes on Income, Earnings and Property pertain, for the most part, to 1969 earnings. The increase was caused mainly by lower depreciation and write-downs for tax purposes.

The increase in *Other Taxes* resulted primarily from taxes on exports imposed in 1968 to stabilize foreign trade. Toward the end of 1969, this tax was abolished.

Expenditures under Loss Assumption Agreements were incurred by assuming the operating losses of VW-Porsche Vertriebsgesellschaft, VW-Siedlungsgesellschaft, and the Deutsche Automobilgesellschaft.

Other Expenses consisted mainly of shipping costs, plant maintenance costs, and advertising and sales promotion costs.

Net Earnings (before transfer from and additions to reserves) of DM 330 million were slightly lower than in the prior year. Section 160, paragraph 2, sentence 5 of AktG requires the disclosure of the effect of additional depreciation and write-offs on earnings. The amount to be disclosed for the current year amounted to DM 124,581,454.

Compensation to Management for the year 1969 amounted to DM 4,271,433. Pension payments to retired members of management or their surviving beneficiaries amounted to DM 898,632. *Compensation paid to Members of the Board of Directors* was DM 282,312.

Comments on the Consolidated Financial Statements of Volkswagen- werk AG and its Domestic Subsidiaries

The consolidated financial statements include, in addition to Volkswagenwerk AG, Wolfsburg, the following domestic subsidiaries:

AUDI NSU AUTO UNION AG, Neckarsulm,
NSU Vertriebsgesellschaft m. b. H., Neckarsulm,
Volkswagen-Finanzierungsgesellschaft m. b. H., Wolfsburg,
Auto Union Kredit G. m. b. H., Ingolstadt,
Wolfsburger Transportgesellschaft m. b. H., Wolfsburg,
Volkswagen Leasing G. m. b. H., Wolfsburg,
VW-Siedlungsgesellschaft m. b. H., Wolfsburg, and
VW-Wohnungsbau Gemeinnützige Gesellschaft m. b. H., Wolfsburg.

As in the prior year, two domestic subsidiaries, in which Volkswagenwerk AG holds a direct or indirect interest of more than 50%, were excluded from the consolidated statements. Auto Union G. m. b. H., Munich, was not included because it has not conducted any business since being organized, and Auto Union Ersatzteile-Generaldepot E. Frankenbach G. m. b. H., Hamburg, was excluded because the company's sales are immaterial in comparison to the consolidated balances. Foreign subsidiaries were also excluded from consolidation.

As a result of the merger of Auto Union G. m. b. H. and NSU Motorenwerke AG into AUDI NSU AUTO UNION AG, the number of companies included in the consolidation increased.

The balances shown in the consolidated financial statements for assets and liabilities were determined in accordance with the regulations governing the year-end closing of a stock corporation.

Although not required by corporation law, the consolidated statements show the changes which took place in property, plant, equipment and investments. The consolidated statement of earnings is prepared in detail and includes the subsidiaries mentioned previously.

In the consolidated financial statements, the book values of investments in consolidated companies were set off against the corresponding year-end capital stock and reserve balances of the subsidiaries. Minority interest in stockholders' equity of AUDI NSU AUTO UNION AG is shown as "Minority Interest in AUDI NSU AUTO UNION AG". The minority interest of our Swiss subsidiary, HOLAD, in the net assets of our domestic subsidiary, Wolfsburger Transportgesellschaft m. b. H., is included as "Minority Interest of Unconsolidated Subsidiaries in Consolidated Subsidiaries" in the consolidated balance sheet. Reserves of VW-Wohnungsbau are included in consolidated undetermined liabilities because of the legal restrictions regarding the disposition of stockholders' equity of this type of nonprofit company.

Consolidated Balance Sheet

As in prior years, the consolidated financial position was significantly affected by the balance sheet of Volkswagenwerk AG. A comparison of the condensed consolidated balance sheet for 1969 and 1968 follows (1968 was not adjusted to reflect the amounts pertaining to NSU and its subsidiaries, now part of AUDI NSU AUTO UNION AG):

	12/31/69		12/31/68	
	in million DM			
Assets				
Property, Plant, Equipment and Investments	3,073	54 %	2,558	54 %
Current Assets	2,662 *)	46 %	2,176 *)	46 %
	5,735 *)	100 %	4,734 *)	100 %
Liabilities				
Stockholders' Equity (including minority interests)	2,748	48 %	2,389	50 %
Liabilities payable within:				
more than 4 years	718	13 %	627	13 %
1 to 4 years	430	7 %	238	5 %
1 year or less	1,839	32 %	1,480	32 %
	5,735 *)	100 %	4,734 *)	100 %

*) Current assets and balance sheet totals were decreased by the amount shown under liabilities as allowance for doubtful trade acceptances and accounts.

As in the prior year, stockholders' equity and long-term liabilities exceeded property, plant, equipment and investments. In addition, they exceeded inventories by some 40% compared to approximately 64% in 1968.

During 1969, liquid funds decreased by DM 145 million to DM 862 million at year-end.

The sources and uses of funds are shown in the following statement:

	1969	1968
	in million DM	
Sources of Funds		
Increase in stockholders' equity	359	212
Provision for depreciation of physical plant and write-down of investments (net of accumulated discount)	639	565
Decrease in property, plant, equipment and investments	44	49
Increase in liabilities (including undetermined liabilities):		
Long-term liabilities	91	44
Short- and medium-term liabilities	551	331
	1,684	1,201
Uses of Funds		
Increase in property, plant, equipment and investments (including amounts, as of January 1, 1969, of NSU, now liquidated)	1,198	579
Increase in inventories	269	68
Increase in medium- and short-term receivables	362	70
	1,829	717
Increase (Decrease) in Liquid Funds	(145)	484

Compared to December 31, 1968, the significant changes in the current year's consolidated financial statements resulted from the changes in the financial position of Volkswagenwerk AG, previously discussed, and from including NSU and its subsidiaries in the consolidation for the first time.

The following must be observed:

Compared to 1968, the book value of *Property, Plant and Equipment* increased by DM 395 million, as a result of DM 802 million of additions less DM 563 million of provision for depreciation and disposals, plus DM 156 million representing the book value, as of January 1, 1969, of property, plant and equipment of NSU and its subsidiaries. Amounts pertaining to NSU and its subsidiaries have been included in the consolidation for the first time. Of the total amount invested during 1969, 77% and 20%, respectively, pertain to Volkswagenwerk AG and AUDI NSU AUTO UNION AG. At year-end, the book value of property, plant and equipment of Volkswagenwerk AG and consolidated subsidiaries represented 41% of original cost of DM 6,919 million.

Investments increased by DM 236 million which, after eliminating investments in consolidated subsidiaries, consisted primarily of investments made by Volkswagenwerk AG during 1969.

Higher inventory levels in connection with the expansion of business activity and, to a minor extent, the inclusion of NSU and its subsidiaries in the consolidation for the first time, caused a DM 269 million increase in *Inventories* to DM 986 million at year-end. Of the total inventories, DM 419 million are represented by raw materials and supplies, DM 292 million by work in process and DM 275 million by finished products and goods.

Receivables increased by DM 362 million. Of this increase, DM 258 million and DM 80 million pertain to Volkswagenwerk AG and AUDI NSU AUTO UNION AG, respectively.

Reserves of Consolidated Subsidiaries increased by DM 29 million to DM 53 million at year-end, and are due, for the most part, to the difference between Volkswagenwerk's interest in the net assets of AUDI NSU AUTO UNION AG and the book value of this investment on Volkswagenwerk AG's balance sheet. In addition, reserves were provided by Volkswagen-Finanzierungsgesellschaft m. b. H. and Volkswagen Leasing G. m. b. H.

Since Volkswagenwerk AG holds only a 59.5% interest in AUDI NSU AUTO UNION AG, *Minority Interest in AUDI NSU AUTO UNION AG* of DM 145 million is shown for the first time on the balance sheet as of December 31, 1969.

Reserves for Special Purposes increased by DM 45 million to DM 112 million, of which DM 47 million is by way of equity capital.

Undetermined Liabilities increased by DM 211 million over 1968. *Pension Plan Costs*, of which 92% are accrued by Volkswagenwerk AG, were, as in prior years, based on actuarial computations in accordance with existing tax laws. *Other Undetermined Liabilities* consist mainly of liabilities with respect to distribution costs, personnel costs, and pending taxes.

Of the total *Trade Accounts Payable*, DM 547 million and DM 120 million, respectively, pertain to Volkswagenwerk AG and AUDI NSU AUTO UNION AG.

Consolidated Net Earnings after Reserve Transfers amounted to DM 337 million. In recent years, Volkswagenwerk AG granted VW-Wohnungsbau and VW-Siedlungsgesellschaft interest-free construction loans which were written down by Volkswagenwerk to reflect present values. These loans must be eliminated in consolidation. The difference between the amount shown by Volkswagenwerk as an asset and by the subsidiaries as a liability as of December 31, 1968 is included in net earnings brought forward from previous year. The current year's amortization of discount on long-term loans is included in 1969 net earnings. Income received by the parent company from domestic subsidiaries in the form of dividends for the year 1968 was reclassified from income from investments in subsidiaries and affiliates to net earnings brought forward from previous year, thereby increasing the earnings brought forward to DM 175 million.

In addition to the *Contingent Liabilities* shown on the balance sheet, other contingent liabilities amounted to DM 6,957,200 in connection with the purchase of shares of domestic companies with limited liability and the additional capital contribution to be made to a foreign subsidiary. Of the total other investment securities, DM 15 million par value bonds were pledged as collateral, DM 11 million thereof in favor of the German Federal Bank to facilitate refinancing by one of our subsidiaries, and DM 4 million in favor of the Customs Authorities in Hanover as security for uninterrupted clearance of imported goods.

Consolidated Statement of Earnings

Just as its balance sheet significantly affected the consolidated balance sheet, Volkswagenwerk's operating results also significantly affected the consolidated net earnings. Consequently, the comments on the statement of earnings of Volkswagenwerk AG are pertinent, for the most part, to the consolidated statement of earnings. Because the income and expenses of NSU and its subsidiaries are included in the consolidation as of January 1, 1969, amounts shown in the consolidated statement of earnings for 1969 and 1968 are not exactly comparable.

The ratio of selected cost, expense and earnings data to gross output, which amounted to DM 10,953 million in 1969 compared to DM 8,980 million in 1968, was as follows:

	1969		1968	
	in million DM			
Cost of materials	6,234	56.9%	5,199	57.9%
Labor cost	2,528	23.1%	1,970	21.9%
Depreciation and write-down of investments	641	5.8%	566	6.3%
Taxes	767	7.0%	501	5.6%
Sundry expenses less sundry income	444	4.1%	356	4.0%
Net earnings	339	3.1%	388	4.3%

Consolidated net earnings of the domestic subsidiaries of DM 339 million were DM 9 million higher than net earnings of Volkswagenwerk AG. This difference is primarily due to the fact that 1969 earnings of consolidated subsidiaries were higher than amounts distributed by domestic subsidiaries to Volkswagenwerk AG during the year as dividends from the previous year's earnings; dividends were eliminated in consolidation. The profit and loss assumption agreement with the now liquidated Auto Union G. m. b. H., Ingolstadt, was rescinded as of January 1, 1969 as a result of the merger between that company and NSU Motorenwerke AG.

It is expected that approximately DM 52 million will be distributed to the parent company during 1970 in the form of dividends from 1969 earnings of consolidated domestic subsidiaries. The dividend distribution will be subject to a further tax of 37% (including supplementary tax) which will be paid by Volkswagenwerk AG upon receipt of the distribution.

Proposed Distribution of Net Earnings for 1969

Management proposes to dispose of net earnings as follows:

Distribution to stockholders	DM 166,500,000
– Based on capital stock increased to DM 900 million by issuance of a 20% stock dividend, the cash dividend amounts to DM 9.25 on DM 50 par value of capital stock. Based on the present capital stock of DM 750 million, the cash dividend amounts to DM 11.10 on DM 50 par value of capital stock.	
Carry forward the balance of	<u>DM 415,933</u>
Net earnings after reserve transfers	<u><u>DM 166,915,933</u></u>

Wolfsburg, April 1970

The Management

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Report of the Board of Directors

During the year under review, Management has kept the Board of Directors currently informed 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, the annual report, and the audit report of the Deutsche Revisions- und Treuhand-Aktiengesellschaft, Treuarbeit, Hanover, were reviewed by the Board of Directors. The auditors expressed unqualified approval of the financial statements of the Company. The Board of Directors approves the audit report and states that its own review of the financial statements and annual report disclosed no exceptions.

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

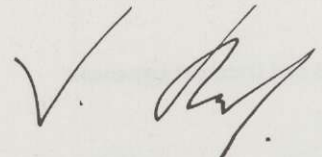
The Board of Directors has reviewed the consolidated financial statements of Volkswagenwerk AG and its domestic subsidiaries, the comments thereon, and the auditor's report.

At the Annual Meeting of Stockholders on July 3, 1969 Dr. h. c. Ludwig Poullain was elected to the Board of Directors in the place of Dr. h. c. Fritz Butschkau.

The death of Mr. Peter Stroh, who had been a member of the Board of Directors since 1961, required the appointment of a successor. Effective November 20, 1969, Mr. Heinrich Heerdt, member of the Factory Council at the Kassel plant, was appointed to the Board of Directors by the court in Wolfsburg as the employees' representative on the Board.

In accordance with section 12 of the charter, the Federal Republic appointed Dr. Gerhard Reischl, Parliamentary Secretary of State at the Federal Ministry of Finance, to the Board of Directors, effective February 23, 1970. Dr. Wolfram Langer resigned from the Board of Directors. The Board of Directors wishes to thank Dr. Langer for his long service and his valuable advice.

After many years of responsible and meritorious service, Dipl.-Ing. Helmut Orlich retired from the Board of Management effective April 30, 1969.



Wolfsburg, April 1970

Chairman of the Board of Directors

Volkswagenwerk Aktiengesellschaft
Balance Sheet December 31, 1969

Assets							Liabilities						
	Jan. 1, 1969	Additions	Deductions	Transfers	Accumulation of Discount	Provision for Depreciation	Dec. 31, 1969	Dec. 31, 1968				Dec. 31, 1969	Dec. 31, 1968
	DM	DM	DM	DM	DM	DM	DM	Thousand DM		DM	DM	DM 750,000,000	Thousand DM 750,000
Property, Plant, Equipment and Investments									Capital Stock				
A. Property, plant and equipment									Reserves				
Real estate and land rights									Legal reserve		233,799,000		233,799
with office, factory and other buildings	1,066,813,080	77,504,464	700,215	93,205,835	-	105,002,036	1,131,821,128	1,066,813	Reserve for the Share-the-Burden Property Levy				
with residential buildings	12,762,926	1,995,092	35	413,800	-	870,029	14,301,754	12,763	Jan. 1, 1969	22,738,000			
without buildings	31,846,408	7,068,448	423,158	939,810	-	58,197	37,493,691	31,846	Transfer to earnings	1,795,000			
Buildings on leased real estate	21,078,871	1,508,444	77,818	112,909	-	2,290,666	20,331,740	21,079			20,943,000		22,738
Machinery and equipment	548,991,039	159,916,011	832,717	24,471,287	-	211,900,648	520,644,972	548,991	Other reserves				
Plant and office equipment	132,449,614	94,697,136	1,683,579	27,722,939	-	112,097,742	141,088,368	132,450	Jan. 1, 1969	1,156,553,164			
Construction in progress	129,395,556	233,612,148	2,018,257	119,994,985	-	-	240,994,462	129,395	Transfer from 1968 net earnings				
Advance payments to vendors and contractors	34,152,054	37,822,124	6,717,657	24,991,975	-	-	40,264,546	34,152	as approved by the stockholders	13,451,481			
									Transfer from 1969 earnings	165,120,933			
	1,977,489,548	614,123,867	12,453,436	-	-	432,219,318	2,146,940,661	1,977,489			1,335,125,578		1,156,553
B. Investments									Reserves for Special Purposes			1,589,867,578	1,413,090
Investments in subsidiaries and affiliates	216,607,274	285,425,017*)	160,000,001*)	-	-	101,957,504	240,074,786	216,607	Reserve for investments				
Other investment securities	17,650,001	-	2,206,250	-	-	-	15,443,751	17,650	in developing countries in accordance		102,812,934		62,630
Long-term loans receivable with an initial term of four years or longer	65,169,323	105,359,800	17,229,040	-	3,219,470	1,815,424	154,704,129	65,170	with section 1 of the tax law				
Face value at 12/31/69									Reserve for price increases		7,175,832		3,936
DM 305,679,244 including									in accordance with section 74 of EStDV			109,988,766	66,566
secured by mortgages												4,133,000	3,481
DM 204,878,178									Allowance for Doubtful Trade Acceptances and Accounts				
subsidiaries and affiliates									Undetermined Liabilities				
DM 143,487,930									Old- age pensions		397,077,965		328,193
loans in accordance with section 89 AktG									Other undetermined liabilities				
DM 11,289,814									Maintenance not performed during current year		15,000,000		11,000
									Warranties without legal obligation		3,774,000		1,932
	299,426,598	390,784,817	179,435,291	-	3,219,470	103,772,928	410,222,666	299,427	Other		621,766,477		555,457
	2,276,916,146	1,004,908,684	191,888,727	-	3,219,470	535,992,246	2,557,163,327	2,276,916	Liabilities with an			1,037,618,442	896,582
									Initial Term of Four Years or Longer				
Current Assets					DM	DM			Due to banks		29,600,000		37,000
A. Inventories									Other liabilities		100,650,111		111,144
Raw materials and supplies					336,334,408			282,674				130,250,111	148,144
Work in progress					236,867,817			182,338	including amounts due within four years	DM	78,028,904		
Finished products					196,460,332			175,361					
						769,662,557		640,373	Other Liabilities				
B. Other current assets									Trade accounts payable		546,766,412		428,414
Advance payments to suppliers					1,818,254			1,076	Due to banks		-		270
Trade accounts receivable					72,949,630			61,705	Prepayments by customers		9,345,301		9,196
including amounts due in more than one year	DM	3,845,436							Accounts payable to subsidiaries and affiliates		22,337,739		12,767
Trade acceptances					8,366,561			7,918	including trade accounts payable	DM	8,784,115		
including acceptances discountable at German Federal Bank	DM	5,394,500							advance payments received	DM	5,301,443		
Cash on hand, including post office checking account balances					627,541			492	Miscellaneous other liabilities		224,463,088		97,944
Cash in banks					746,481,948			788,720				802,912,540	548,591
Securities					8,768,589			8,769				355,120	374
Receivables from subsidiaries and affiliates					187,812,768			129,288	Deferred Income			166,915,933	171,379
including amounts for goods and services rendered	DM	117,400,822						82,822	Net Earnings after Reserve Transfers (Available for Distribution)				
Miscellaneous other current assets					238,266,150				Share-the-Burden Property Levy				
						1,265,091,441		1,080,790	Present discounted amount	DM	20,942,115		
									Quarterly installment	DM	689,021		
									Contingent liabilities with respect				
									to trade acceptances	DM	287,195,695		
									Securities pledged as collateral with				
									respect to guarantees	DM	11,000,000		
Prepaid and Deferred Expenses							2,034,753,998	1,721,163					
							124,165	128					
							4,592,041,490	3,998,207				4,592,041,490	3,998,207

*) Including DM 160 million representing receipt of AUDI NSU AUTO UNION AG capital stock in exchange for our interest in Auto Union G. m. b. H., now liquidated.

Statement of Earnings
of Volkswagenwerk Aktiengesellschaft

Year ended December 31, 1969

	1969		1968
	DM	DM	Thousand DM
Sales (excluding sales tax)	9,237,875,648		8,388,478
Increase in inventories	74,964,028		23,441
		9,312,839,676	8,411,919
Material, wages and overhead capitalized as additions to plant and equipment		76,472,334	46,088
Gross Output		9,389,312,010	8,458,007
Expenditures for raw materials, supplies and other materials		5,118,598,087	4,720,032
Excess of Gross Output over Expenditures for Raw Materials, etc.		4,270,713,923	3,737,975
Income from profit assumption agreements	500,637		3,815
Income from investments in subsidiaries and affiliates	87,087,522		73,443
Income from other financial investments	5,539,596		4,564
Other interest and similar income	81,080,828		48,770
Gain on disposal of property, plant, equipment and investments	2,395,559		31,557
Elimination of reserves for undetermined liabilities no longer required	43,743,911		26,637
Elimination of reserves for special purposes no longer required	—		332
Other income	110,878,146		97,358
including extraordinary income of DM 17,857,430		331,226,199	286,476
		4,601,940,122	4,024,451
Wages and salaries	1,816,144,585		1,567,394
Social expenditures—compulsory	204,515,556		170,345
Pension expenditures and voluntary payments	81,547,101		63,600
Provision for depreciation of physical plant	432,219,318		434,025
Write-downs of financial investments	103,772,928		95,536
Write-down of other current assets and provision for doubtful trade acceptances and accounts	15,207,439		14,476
Loss on disposal of property, plant, equipment and investments	1,564,390		3,969
Interest expense and similar charges	22,270,208		19,016
Taxes			
a) on income, earnings and property	DM 551,037,126		461,687
b) other	DM 167,760,900		17,483
	718,798,026		
Share- the- Burden Property Levy	2,756,085		2,756
Expenditures under loss assumption agreements	8,159,658		4,742
Additions to reserves for special purposes	43,422,432		6,609
Other expenses	821,320,530		823,490
		4,271,698,256	3,685,128
Net Earnings		330,241,866	339,323
Balance carried forward		330,241,866	339,323

	1969	1968
	DM	Thousand DM
Balance brought forward	330,241,866	339,323
Transfer from the reserve for the Share-the-Burden Property Levy	1,795,000	1,717
	332,036,866	341,040
Transfer to other reserves from net earnings	165,120,933	169,661
Net Earnings after Reserve Transfers (Available for Distribution)	166,915,933	171,379

During 1969, pension payments amounted to DM 5,522,725; payments during the next five years will approximate 193, 211, 230, 253 and 285 % of this amount.

Wolfsburg, April 1970

Volkswagenwerk Aktiengesellschaft

The Management

According to our audit, made in conformity with our professional duties, the accounting, the annual financial statements and the report of the Board of Management comply with German Law and the Company's statutes.

Hanover, April 16, 1970

Deutsche Revisions- und Treuhand-Aktiengesellschaft

Treuarbeit

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Dr. Forster
Wirtschaftsprüfer

Dr. Apelt
Wirtschaftsprüfer

Consolidated Balance Sheet of Volkswagenwerk Aktiengesellschaft and its Domestic Subsidiaries December 31, 1969

Assets

	Jan. 1, 1969	Jan. 1, 1969 NSU & Subsidiaries	Additions	Deductions	Transfers	Provision for Depreciation	Dec. 31, 1969	Dec. 31, 1968
	DM	DM	DM	DM	DM	DM	DM	Thousand DM
Property, Plant, Equipment and Investments								
A. Property, plant, equipment and trademarks								
Real estate and land rights								
with office, factory and other buildings	1,161,335,689	43,192,133	92,671,639	1,755,452	99,082,581	112,861,391	1,281,665,199	1,161,336
with residential buildings	299,175,338	2,595,760	13,245,202	163,959	6,889,006	9,318,900	312,422,447	299,175
without buildings	47,362,885	346,351	14,850,844	352,145	1,343,634	91,034	60,773,267	47,363
Buildings on leased real estate	24,048,736	1,122,722	2,090,314	89,379	2,006,381	2,555,462	22,610,550	24,049
Machinery and fixtures	574,799,309	44,026,362	219,050,948	1,636,971	35,051,259	246,143,055	625,147,852	574,799
Plant and office equipment	168,570,814	42,117,043	137,229,907	3,853,244	39,936,461	166,006,670	217,994,311	168,571
Construction in progress and advance payments to vendors and contractors	189,985,405	22,776,058	322,861,141	18,259,088	- 177,609,292	-	339,754,224	189,985
Trademarks	1	1	-	-	-	-	2	-
	2,465,278,177	156,176,430	801,999,995	26,110,238	-	536,976,512	2,860,367,852	2,465,278
B. Investments								
Investments in subsidiaries and affiliates	35,233,372	3,113,858	130,433,526	2	-	102,197,208	66,583,546	35,233
Other investment securities	17,650,001	-	-	2,206,250	-	-	15,443,751	17,650
Long-term loans receivable with an initial term of four years or longer	40,021,037	1,036,988	105,643,100	15,962,615	-	234,118	130,504,392	40,021
Face value at 12/31/69								
DM 166,959,309 including								
secured by mortgages								
DM 64,544,366								
loans in accordance with section 89 of AktG								
DM 11,411,965								
loans in accordance with section 115 of AktG								
DM 14,000								
	92,904,410	4,150,846	236,076,626	18,168,867	-	102,431,326	212,531,689	92,904
	2,558,182,587	160,327,276	1,038,076,621	44,279,105	-	639,407,838	3,072,899,541	2,558,182
Current Assets						DM		
A. Inventories						985,800,944		716,984
B. Other current assets						3,483,363		1,568
Advance payments to suppliers						133,100,021		71,925
Trade accounts receivable								
including amounts due in more than one year			DM 5,903,178			12,679,335		8,177
Trade acceptances								
including acceptances discountable at German Federal Bank			DM 7,104,666			20,121		-
Checks on hand						946,104		650
Cash on hand, including German Federal Bank and post office checking account balances						840,497,378		989,439
Cash in banks						8,768,590		8,769
Securities						165,569,118		69,792
Receivables from subsidiaries and affiliates								
including amounts for goods and services rendered			DM 118,440,845			33,175		-
Loans receivable in accordance with section 89 of AktG						508,527,922		309,130
Miscellaneous other current assets								
							2,659,426,071	2,176,434
						3,160,608		1,679
						4,088,780		1,919
							7,249,388	3,598
							5,739,575,000	4,738,214

*) Reduced by Accumulation of Discount of DM 1,712,593.

Liabilities

	Dec. 31, 1969	Dec. 31, 1968
	DM	Thousand DM
Capital Stock		
Reserves		
Legal reserve	233,799,000	233,799
Reserve for the Share-the-Burden Property Levy	20,943,000	22,738
Other reserves	1,335,125,578	1,156,553
Reserves of consolidated subsidiaries	52,572,000	23,825
Minority Interest in AUDI NSU AUTO UNION AG		
including minority interest in net earnings thereof	DM 6,476,550	1,436,915
Minority Interest of Unconsolidated Subsidiaries in Consolidated Subsidiaries		
including minority interest in net earnings thereof	DM 5,410,914	6,149
Reserves for Special Purposes		
Reserve for investments in developing countries in accordance with section 1 of the tax law	104,232,934	63,370
Reserve for price increases in accordance with section 74 of EStDV	7,175,832	3,936
Reserve for replacements in accordance with paragraph 35 of EStR	485,000	-
Allowance for Doubtful Trade Acceptances and Accounts		
Undetermined Liabilities		
Old-age pensions	432,873,769	337,722
Other undetermined liabilities		
Maintenance not performed during current year	17,077,290	11,460
Warranties without legal obligations	6,060,000	2,733
Other	705,311,501	598,522
Liabilities with an Initial Term of Four Years or Longer		
Due to banks	206,314,510	164,109
including secured by mortgages	DM 176,679,721	
Other liabilities	202,369,936	212,593
including secured by mortgages	DM 99,492,699	
including amounts due within four years	DM 125,323,197	
Other Liabilities		
Trade accounts payable	685,352,231	487,022
Due to banks	198,250,703	174,832
Prepayments by customers	12,203,540	13,219
Accounts payable to subsidiaries and affiliates	8,916,133	7,824
including trade accounts payable	DM 560,192	
advance payments received	DM 2,996,464	
Miscellaneous other liabilities	264,621,673	111,257
Deferred Income		
Net Earnings after Reserve Transfers and Minority Interests		
Contingent liabilities with respect to trade acceptances	DM 168,088,620	794,154
Contingent liabilities with respect to guarantees	DM 478,669	7,439
	337,356,091	345,145
	5,739,575,000	4,738,214

Consolidated Statement of Earnings of Volkswagenwerk Aktiengesellschaft and its Domestic Subsidiaries

Year ended December 31, 1969

	1969		1968
	DM	DM	Thousand DM
Sales (excluding sales tax)	10,755,391,974		8,888,092
Increase in inventories	80,055,068		23,519
Material, wages, and overhead capitalized as additions to plant and equipment		10,835,447,042	8,911,611
		117,547,102	68,334
Gross Output		10,952,994,144	8,979,945
Expenditures for raw materials, supplies and other materials		6,233,960,675	5,199,382
Excess of Gross Output over Expenditures for Raw Materials, etc.		4,719,033,469	3,780,563
Income from investments in unconsolidated subsidiaries and affiliates	41,859,092		43,023
Income from other financial investments	4,004,892		3,149
Other interest and similar income	109,980,911		71,487
Gain on disposal of property, plant, equipment and investments	6,146,306		31,909
Elimination of reserves for undetermined liabilities no longer required	46,591,989		38,591
Elimination of reserves for special purposes no longer required	-		332
Other income	143,452,275		104,183
including extraordinary income	DM 31,157,631	352,035,465	292,674
		5,071,068,934	4,073,237
Wages and salaries	2,189,060,910		1,716,071
Social expenditures - compulsory	249,378,176		187,801
Pension expenditures and voluntary payments	89,506,350		66,311
Provision for depreciation of physical plant	536,976,512		483,499
Write-down of financial investments	104,143,919		82,729
Write-down of other current assets and provision for doubtful trade acceptances and accounts	19,954,621		20,730
Loss on disposal of property, plant, equipment and investments	2,862,203		5,081
Interest expense and similar charges	49,594,386		37,236
Taxes			
a) on income, earnings and property	DM 583,001,643		479,609
b) other	DM 180,572,837		18,290
	763,574,480		
Share-the-Burden Property Levy	3,324,088		2,756
Expenditures under loss assumption agreements	5,090,393		43
Additions to reserves for special purposes	44,587,432		7,350
Other expenses	674,281,414		578,023
		4,732,334,884	3,685,529
Net Earnings		338,734,050	387,708
Balance carried forward		338,734,050	387,708

	1969		1968
	DM	DM	Thousand DM
Balance brought forward		338,734,050	387,708
Net earnings brought forward from previous year		174,966,162	136,082
Transfer from the reserve for the Share-the-Burden Property Levy		513,700,212	523,790
		1,795,000	1,717
Transfers to other reserves		515,495,212	525,507
reserves of consolidated subsidiaries	165,120,933		169,662
	1,130,724	166,251,657	4,600
Minority interest in net earnings of AUDI NSU AUTO UNION AG consolidated subsidiaries		6,476,550	-
		5,410,914	6,099
Net Earnings after Reserve Transfers and Minority Interests		337,356,091	345,146

Wolfsburg, April 1970

Volkswagenwerk Aktiengesellschaft

The Management

According to our audit, made in conformity with our professional duties, the consolidated financial statements and the report of the Board of Management for the Group comply with German Law.

Hanover, April 16, 1970

Deutsche Revisions- und Treuhand-Aktiengesellschaft
Treuarbeit
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Forster
Wirtschaftsprüfer

Dr. Apelt
Wirtschaftsprüfer

Comparative Summary of Selected Financial Data of Volkswagenwerk Aktiengesellschaft and its Subsidiaries and Affiliates 1965-1969*)

in million DM

Assets

Property, plant, equipment and investments
(as at Dec. 31)
Additions to property, plant, equipment and
investments during the year
Depreciation of physical plant and write-down of
investments during the year***)
Current assets (as at Dec. 31)****)
including inventories of

Liabilities

Stockholders' equity
including reserves and retained earnings*****)
minority interest

Liabilities
payable within more than four years

Balance Sheet Total****)

Balance Sheet Ratios in %

Property, plant, equipment and investments as a
percentage of balance sheet total
Property, plant, equipment and investments as a
percentage of current assets

Current assets as a percentage of short-term liabilities

Stockholders' equity as a percentage of
balance sheet total
Stockholders' equity as a percentage of liabilities
Stockholders' equity as a percentage of property,
plant, equipment and investments
Stockholders' equity and long-term liabilities as a
percentage of property, plant, equipment and
investments

Consolidated Total

1965 1966 1967 1968 1969**)

2,740 2,981 3,237 3,289 3,869

819 872 787 708 1,076

610 651 496 619 691

1,973 2,758 2,381 3,130 3,864

1,168 1,512 1,229 1,352 1,710

2,169 2,640 2,844 3,209 3,747

1,456 1,805 1,992 2,346 2,725

113 85 102 113 272

2,544 3,099 2,774 3,210 3,986

606 657 631 644 725

4,713 5,739 5,618 6,419 7,733

58 52 58 51 50

139 108 136 105 100

113 125 123 136 139

46 46 51 50 48

85 85 103 100 94

79 89 88 98 97

101 111 107 117 116

Volkswagenwerk AG

1965 1966 1967 1968 1969

1,998 2,129 2,343 2,277 2,557

776 703 615 508 740

532 567 386 530 536

998 1,333 1,163 1,718 2,031

638 650 576 640 770

1,437 1,837 2,021 2,191 2,386

837 1,087 1,271 1,441 1,636

1,559 1,625 1,485 1,804 2,202

366 366 362 426 455

2,996 3,462 3,506 3,995 4,588

67 62 67 57 56

200 160 201 133 126

94 120 119 147 150

48 53 58 55 52

92 113 136 122 108

72 86 86 96 93

90 103 102 115 111

*) Amounts for the years 1965 and 1966 were adjusted to conform to AktG 1965.

**) 1969 includes NSU Motorenwerke, now liquidated.

***) Amounts for the years 1965 and 1966 are not comparable with other years because of the valuation requirements of the new stock corporation law.

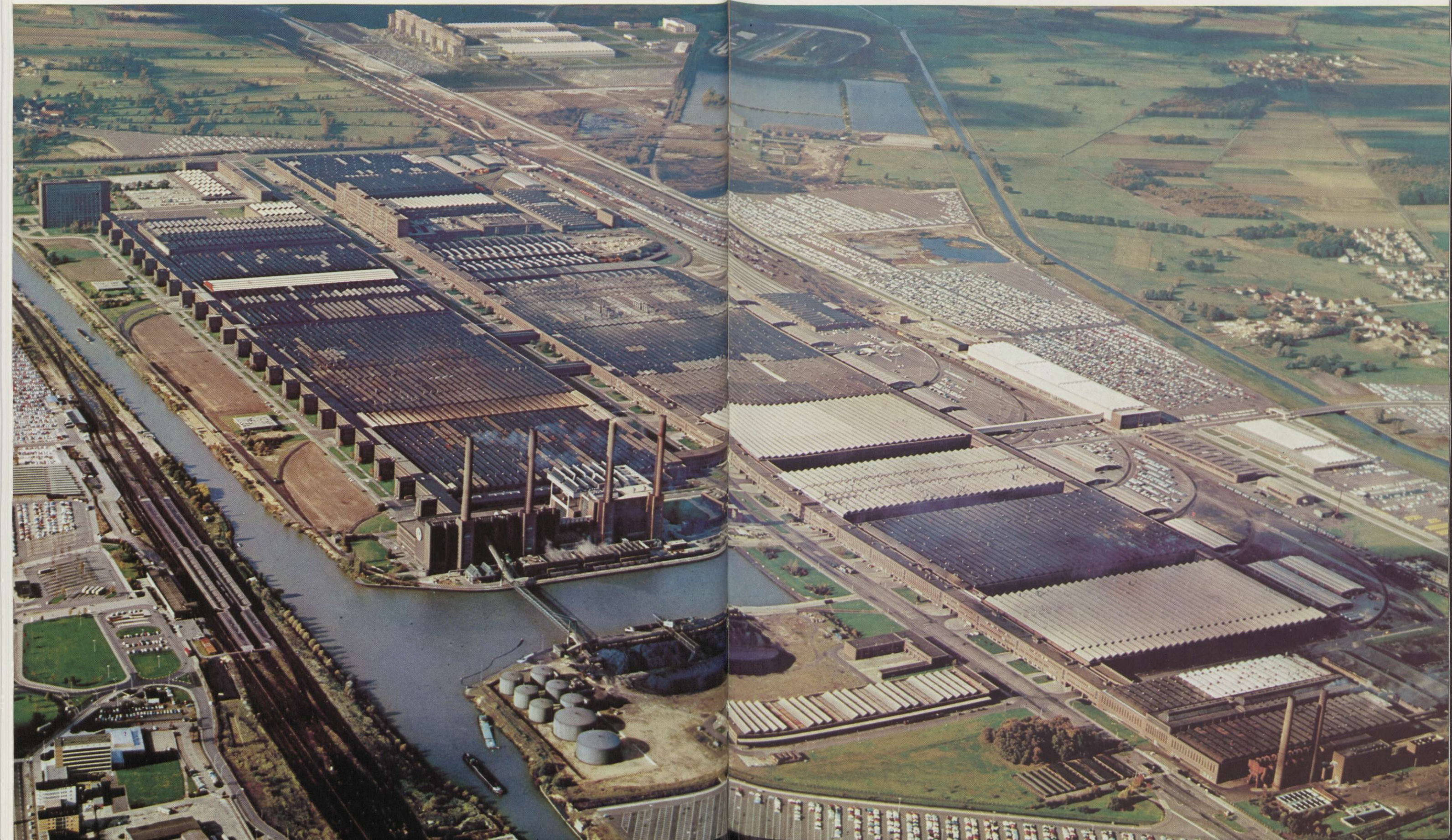
****) For the years 1968 and 1969, current assets and balance sheet totals were decreased by the amount shown under liabilities as allowance for doubtful trade acceptances and accounts.

*****) From 1966-1969 includes reserves for special purposes consisting of equity capital of the Volkswagenwerk AG.

Pictorial Review 1969

The pictorial review displays the major plants of Volkswagenwerk AG and its subsidiaries and affiliates. Management of the Volkswagen organization is located in this multistory administration building in Wolfsburg.





Hanover plant

At the Hanover plant, 26,800 employees manufacture engines for the entire VW product line and the major portion of the VW trucks and station wagons.



Brunswick plant

The plant in Brunswick is the oldest plant of Volkswagenwerk AG. It employs 6,800 people and currently produces primarily front axle assemblies.



Kassel plant

The Kassel plant is the center for the production, storage, and distribution of VW spare parts. In addition, the 16,100 employees at this plant manufacture all VW and Audi transmissions.

Emden plant

With its direct access to the sea, the Emden plant supplies vehicles primarily to North America. During a five year period, more than 1 million "beetles" and more than 80,000 VW trucks and station wagons were assembled at this plant. At year-end, the labor force amounted to 7,000 employees.



Salzgitter plant
(under construction)

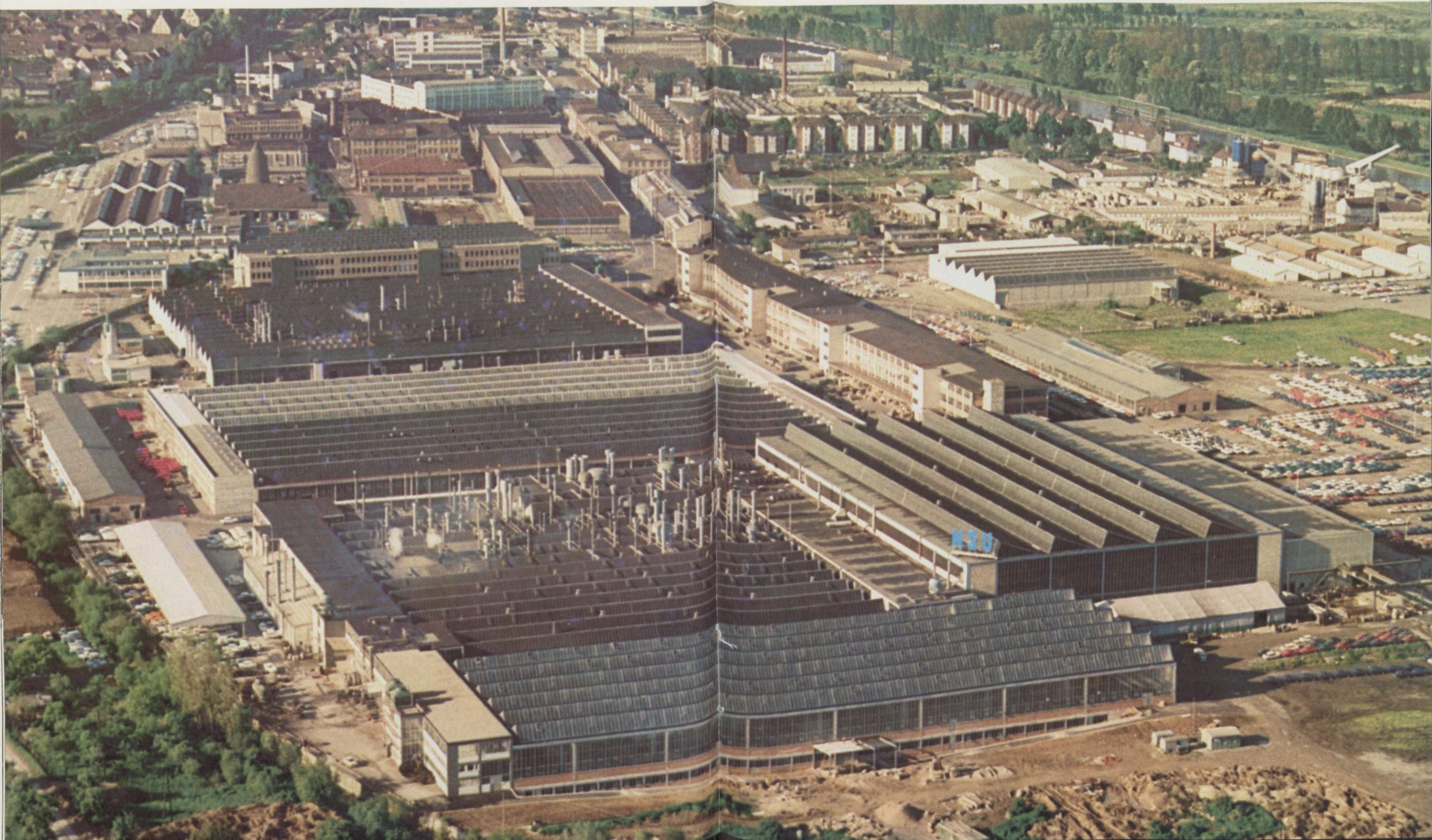
Production at this plant is scheduled to start during the late summer months of 1970. The planned labor force of 6,000 employees will manufacture engines and also assemble 500 automobiles daily.





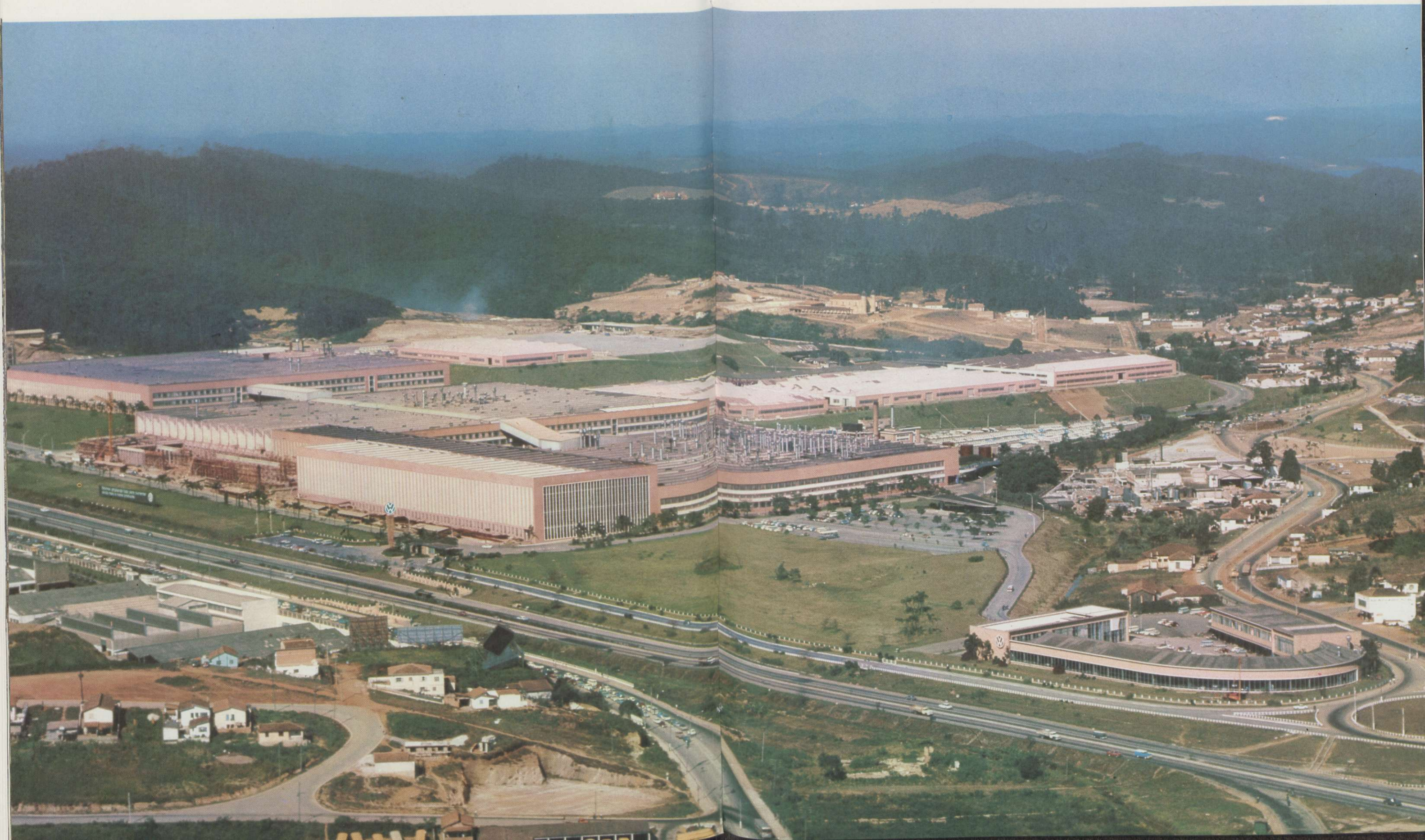
Neckarsulm plant

Most NSU vehicles are produced at our Neckarsulm plant with its 9,200 employees. Other plants of NSU Motorenwerke AG, now liquidated, which serve as supporting plants, are located at Heilbronn and Neuenstein and employ a labor force of 1,400 and 900, respectively.



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

Our largest foreign plant, with a labor force of 18,900 employees, was able to produce 178,200 VW passenger cars and trucks and station wagons. In September 1969, Volkswagen do Brasil was the first company in Brazil to introduce a Squareback Sedan – which was very well received by the public.



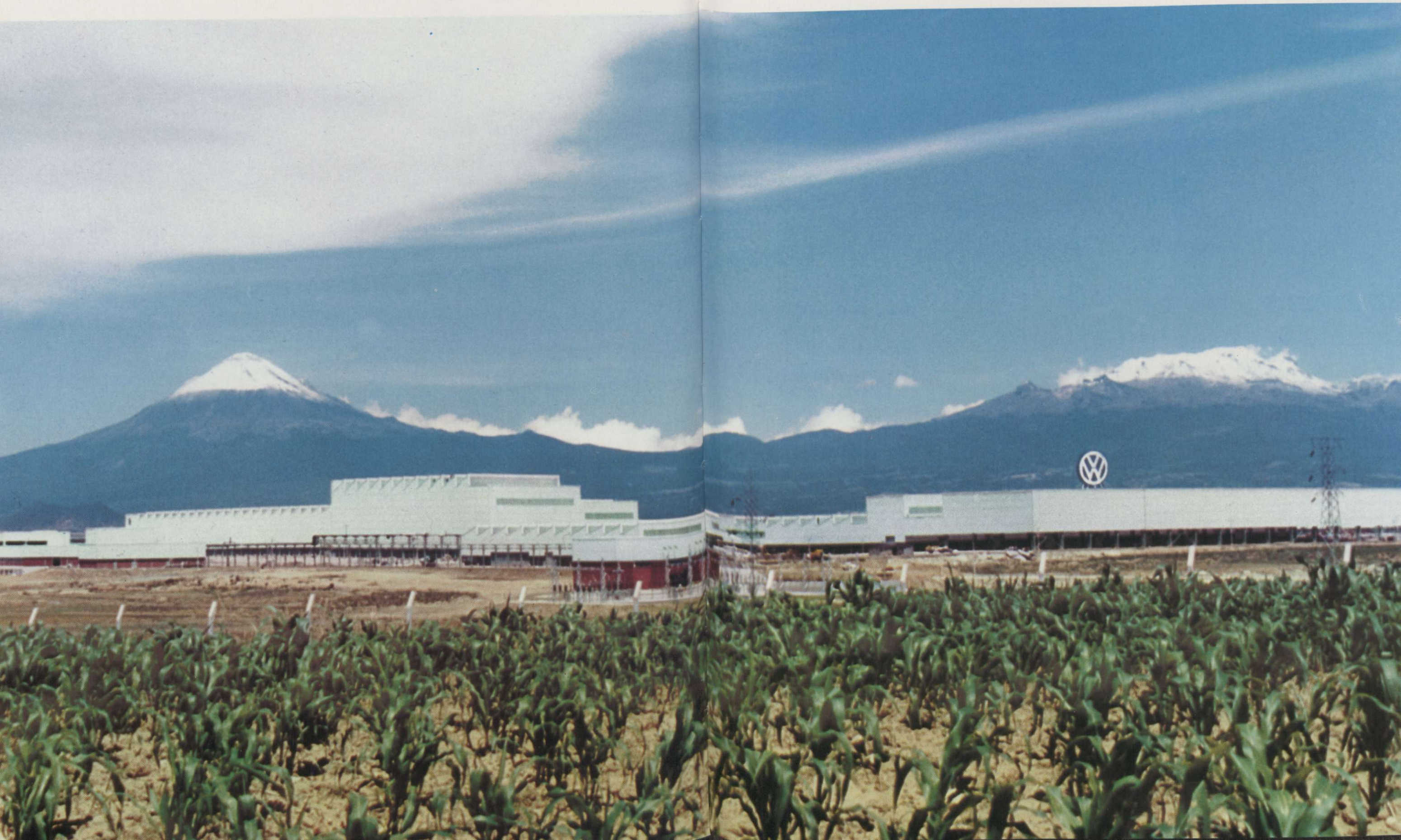
Volkswagen of South Africa Ltd., Uitenhage, C. P.

During 1969, the company employed 3,500 people and produced 34,100 vehicles.



Volkswagen de Mexico, S. A. de C. V., Puebla/Pue.

This newly constructed plant, with a labor force of 2,800 employees, was able to produce 24,400 VW "beetles" during 1969.



Introduced at the International Automobile Show in Frankfurt, the Audi 100 Coupe was well received by the public because of its elegant styling and its 128 SAE bhp engine.



Adapted from the VW 411, the Squareback Sedan with its 85 SAE bhp engine complements the VW product line by adding a dual-purpose vehicle to the upper range of the medium-priced market.

The NSU Ro 80 adds the Wankel engine to the diversified engineering concepts within the Volkswagen organization.



This sports car is produced by Volkswagen in cooperation with Dr.-Ing. h. c. F. Porsche KG. Its modern concept of mid engine design results in a vehicle with a high degree of safety and stability.

Wolfsburg plant

Photograph: Stuttgarter Luftbild
Elsässer & Co.

Released by the President of the
Administration of North Württemberg
Nr.: 9/22635

Hanover plant

Photograph: Stuttgarter Luftbild
Elsässer & Co.

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of Baden-Württemberg
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Brunswick plant

Photograph: Stuttgarter Luftbild
Elsässer & Co.

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Administration of North Württemberg
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Kassel plant

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Elsässer & Co.

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Administration of North Württemberg
Nr.: 9/23060

Emden plant

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Elsässer & Co.

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of Baden-Württemberg
Nr.: 9/17446

Salzgitter plant

Photograph: Stuttgarter Luftbild
Elsässer & Co.

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Administration of North Württemberg
Nr.: 9/22665

Ingolstadt plant

Photograph: Stuttgarter-Luftbild
Elsässer & Co.

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Neckarsulm plant

Photograph: Albert Brugger, Stuttgart

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of Baden-Württemberg
Nr.: 2/28231

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