

**REPORT
FOR THE YEAR
1962**



**Volkswagenwerk
Aktiengesellschaft
Wolfsburg**

The Management and Board of Directors
of Volkswagenwerk Aktiengesellschaft
transmit the Report for the Year 1962
with their compliments

Wolfsburg, May 1963

On March 8, 1963, Mr. Johannes Albers, the Deputy Chairman of the Board of Directors, died unexpectedly at the age of 73 years.

Mr. JOHANNES ALBERS

On July 1, 1961, during the first stockholders' meeting subsequent to the sale of capital stock of Volkswagenwerk AG to the public, Mr. Albers was elected a member of the Board of Directors of the Company. Subsequently, he was elected Deputy Chairman of the Board by his fellow Directors.

Mr. Albers gained wide recognition through devoting his entire time and effort to solving the social and economic problems of our modern industrial society. This made him a knowledgeable and open-minded member of the Board of Directors whose counsel and sound advice were always welcome. We have lost a loyal friend whose memory we shall always cherish.

Significant figures for 1962

6 Billion

During the year 1962, total sales of Volkswagenwerk amounted to DM 6.4 billion with the result that the Company continued to maintain its position as the leading German industrial enterprise.

4 Billion

Export sales amounted to approximately DM 3.8 billion which established Volkswagenwerk as the largest automobile exporter in the world.

6 Million

Since the currency reform in 1948, more than 6 million Volkswagens have been produced.

1 Million

With an annual production exceeding 1 million vehicles, Volkswagenwerk is the leading European automobile manufacturer.

Since Volkswagenwerk began exporting its automobiles to the United States of America, more than 1 million Volkswagens have been sold in that country.

In October 1962, the one millionth Volkswagen Truck or Station Wagon was produced.

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Agenda

for the Annual Meeting of Stockholders of
Volkswagenwerk AG to be held
at 2 : 00 PM on Saturday, July 6, 1963,
at the Stadthalle in Wolfsburg.

1. Presentation of audited financial statements for the year ended December 31, 1962, together with the annual reports of Management and the Board of Directors for the year 1962.
2. Resolution with respect to disposition of net earnings for the year 1962.
The Board of Directors and Management propose to distribute a dividend on the capital stock of 14% out of net earnings shown in the annual accounts.
3. Resolution with respect to discharge of responsibility of Management and the Board of Directors for the year 1962.
It is proposed to discharge Management and the Board of Directors of responsibility.
4. Election to fill the vacancy on the Board of Directors.
The proposal of the Board of Directors will be notified at a later date.
5. Appointment of auditors for the year 1963.
The Board of Directors proposes to appoint the Deutsche Revisions- und Treuhand-Aktiengesellschaft, Treuarbeit, Hanover, as auditors for the year 1963.

Board of Directors (Aufsichtsrat)

State Secretary, ret., Dr. Dr. h. c. Hans Busch,
Düsseldorf, Chairman
Minister Hermann Ahrens, Hanover, Deputy Chairman
Johannes Albers, Cologne, Deputy Chairman
(Deceased March 8, 1963)
Otto Brenner, Frankfurt, Deputy Chairman
Dr. Josef Rust, Kassel, Deputy Chairman
Hugo Bork, Wolfsburg
Dr. h. c. Fritz Butschkau, Düsseldorf
Siegfried Ehlers, Wolfsburg
Mrs. Elgin Gärtner-Amrhein, Stuttgart
Minister Carlo Graaff, Hanover
Hans Grimm, Wolfsburg
Walter Haefner, Zürich
State Secretary, Prof. Dr. Karl M. Hettlage, Bonn
Heinz Hilbich, Hanover
Dr. Horst Rheinfels, Cologne
Dr. Hermann Richter, Düsseldorf
Peter Stroh, Kassel
Dr. Wilhelm Vallenthin, Hamburg

Management (Vorstand)

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

Report of Management

General Business Trends

During the year 1962, as in prior years, the economies of virtually all countries of the Western Hemisphere continued to expand at a decreasing rate. Due to lower profit margins resulting from continued increases in costs, business enterprises in many countries became more conservative in their investments in plant and equipment.

In the United States of America, there was only partial realization of the early 1962 expectations of a continued economic upswing. As a stimulus to the economy, the U. S. Government, through economic as well as political measures, attempted to encourage acquisition of new productive facilities, even though in some industries overcapacity existed. There was an increased demand for new facilities during the period which followed the passing of the Cuban crisis.

In most industrial countries of Western Europe, although the rate of economic growth decreased, productive facilities were fully utilized. A greater rate of growth could have been realized if there had not been a shortage in the labor market. In Italy alone, a surplus in the labor force continued to exist. Industrial production increased in Great Britain although the rate of employment decreased.

In 1962, the national product of the Federal Republic of Germany reflected an approximate 4% increase, which was a lower rate of growth than that in 1961. As in other countries, this decrease was caused mainly by a shortage in the labor market.

World-wide production of automobiles reached an all-time high in 1962 with the 1961 output surpassed considerably in all the important automobile producing countries. The United States of America and France, after experiencing a decline in 1961 production, produced more cars than in 1960; whereas Great Britain has not as yet been able to equal its 1960 level of production.

In 1962, with an approximate 23% increase in automobile production over that of the preceding year, the automobile industry of the United States of America experienced the second best business year in its history. After several years of increasing popularity of the compact cars, currently, there is once again increased demand for larger, medium-priced automobiles.

The comparatively young Japanese automotive industry remained the fifth largest automobile producer in the world.

During 1962, Great Britain's automobile industry exported most of its increase in output over 1961, thereby bringing 1962 exports almost up to the level of 1960. The domestic market remained fairly stable during the year as the automobile business had not felt the full impact of the late 1962 reduction in the purchase tax.

As the result of a continued high domestic and foreign demand, the French automotive industry produced approximately 25% more autos in 1962 than in the previous year. The percentage of automobiles exported to total automobile sales remained virtually unchanged between years. The decline in exports to the United States of America was compensated for by increased deliveries to European countries.

As in previous years, Italy's auto industry experienced a considerable increase in production during 1962. Subsequent to the lifting of quota restrictions, imported cars became increasingly significant in the competition for the domestic market. In 1962, export sales increased in the same proportion as production.

During 1962, in the Federal Republic of Germany, automobile production as well as domestic and export sales continued to show increases and as in prior years, the Federal Republic maintained its position as the leading exporter of automobiles. This continued success as an exporter becomes more remarkable when one considers the difficulties under which the German automobile is sold on the foreign market. Although import duties have been reduced by many European countries, there still exist in those countries higher taxes on auto sales than in Western Germany. As a result, our European competition is often able to offer their automobiles at lower prices on our domestic market than on their own.



Review of 1962 Operations

1962 was a successful year for Volkswagenwerk as a full utilization of productive facilities during the year was reflected in continued increases in production and sales, with resulting higher earnings in the current year as compared with the prior year.

The more favorable results of operations as well as the considerably lower expenditures for plant and equipment in 1962, when compared with 1961, was reflected in an improved financial position at year-end.

The Volkswagen 1500 as well as the VW Station Car which was put into production in February of 1962 contributed considerably to the successful year; however, the Volkswagen 1200 remained the mainstay of our business. By the end of 1962, more than 6 million Volkswagen automobiles of all types had been produced.

During 1962, under the terms of settlement of the lawsuit instituted on behalf of those persons who paid into special Volkswagen savings accounts prior to 1945 (Volkswagen Savers' Litigation), two-thirds of some 65,000 applications received by year-end were accepted and a portion of those settled by means of cash payments and actual, or offer of, delivery of a Volkswagen 1200 at reduced price. Completion of the terms of settlement is expected to extend over a period of several years, at the conclusion of which the ultimate cost can be determined.

Production

During 1962, automobile production throughout the world increased to approximately 17.7 million units. A comparison of production in the 6 major producing countries for 1962 and 1961 follows:

	1962	1961	% Increase
USA	8,197,000	6,653,000	+ 23.2
Federal Republic of Germany	2,357,000	2,148,000	+ 9.7
Great Britain	1,675,000	1,464,000	+ 14.4
France	1,508,000	1,204,000	+ 25.2
Japan	991,000	814,000	+ 21.7
Italy	896,000	718,000	+ 24.8

Automobile production in the Federal Republic increased by 208,787 cars from 1961 to 1962. In contrast to the auto industries in certain other countries, this production advance became possible only through creation of new productive facilities.

In 1962, Volkswagenwerk increased its production in Germany by 16% over 1961 to a total of 1,112,424 automobiles. The increase of 152,651 cars between 1962 and 1961 was in excess of the yearly production of Volkswagens in the year 1952.

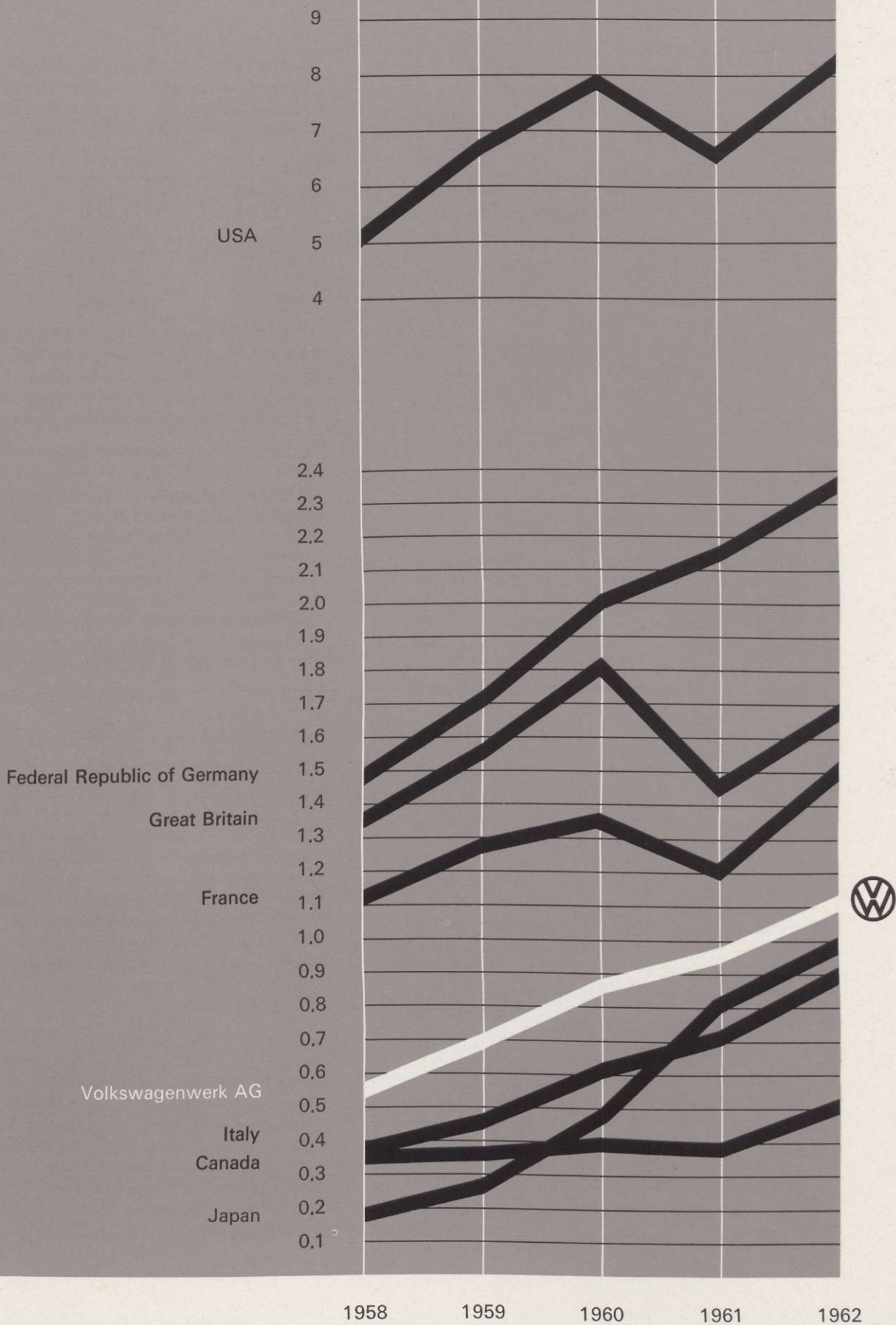
Volkswagenwerk's share of auto production in the Federal Republic increased from 44.7% in 1961 to 47.2% in 1962 as a result of a rate of growth above the average for Western Germany.

A comparison of Volkswagen production in Germany for the years 1962 and 1961 follows:

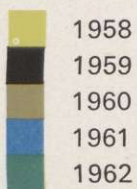
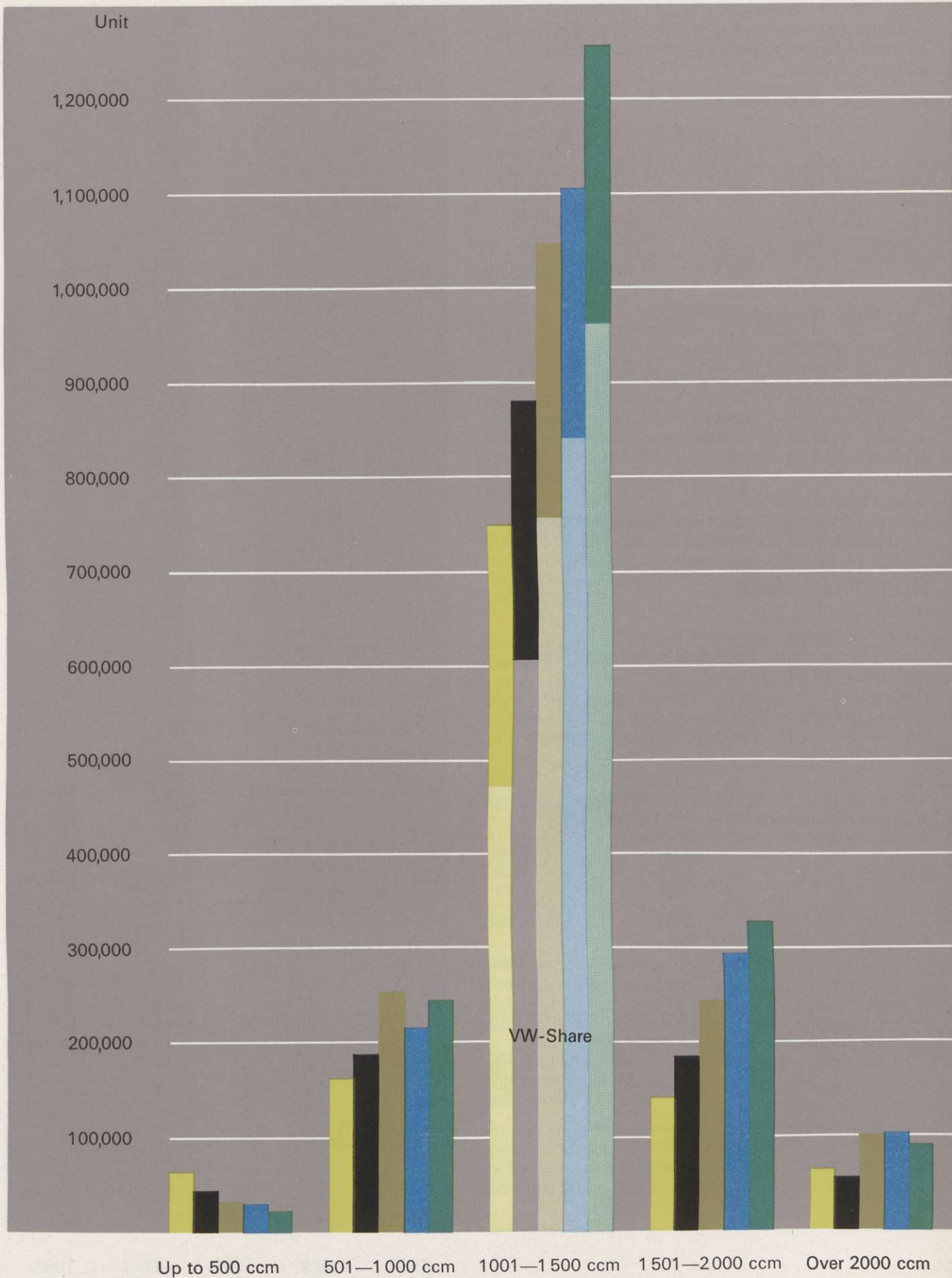
	1962	1961	% Increase
Volkswagen 1200	819,326	796,825	
Volkswagen 1500 and VW Station Car	127,324	10,663	
Volkswagen Trucks and Station Wagons	165,774	152,285	
	1,112,424	959,773	+ 15.9

Included in the foregoing summary are 94,954 "knocked-down" autos, which were assembled in foreign countries. There are assembly plants for our Volkswagens in Belgium, Ireland, Mexico, Uruguay, New Zealand, and the Philippines. In addition to these assembly plants, our Australian subsidiary assembled trucks and station wagons and our South African affiliates assembled cars, trucks and station wagons.

Our foreign affiliates produced 72,251 Volkswagens using in part Volkswagen sub-assemblies. Since the usage by our Australian subsidiary of locally produced material rose above 50% in 1962, Volkswagens manufactured by the subsidiary subsequent to March 1962 are considered as Australian production. Hence, the number of Volkswagens produced in foreign countries increased by 52.6% in 1962 when compared with the preceding year.



Output of major automobile producing countries and of Volkswagenwerk. In units of 1 million



Passenger Car Production including Station Wagons (Microbuses) and Ambulances in the Federal Republic of Germany according to Engine Cubic Capacity

Production of Volkswagen do Brasil, S. A. and Volkswagen (Australasia) Pty. Ltd. in 1962 and 1961 follows:

Volkswagen do Brasil S. A.

	1962	1961	% Increase (Decrease)
Volkswagen 1200	39,189	31,025	+ 26.3
Volkswagen Trucks and Station Wagons	14,563	16,315	./ 10.7
Total	53,752	47,340	+ 13.5

Volkswagen (Australasia) Pty. Ltd.

Volkswagen 1200	18,499	—	—
Total	72,251	47,340	+ 52.6

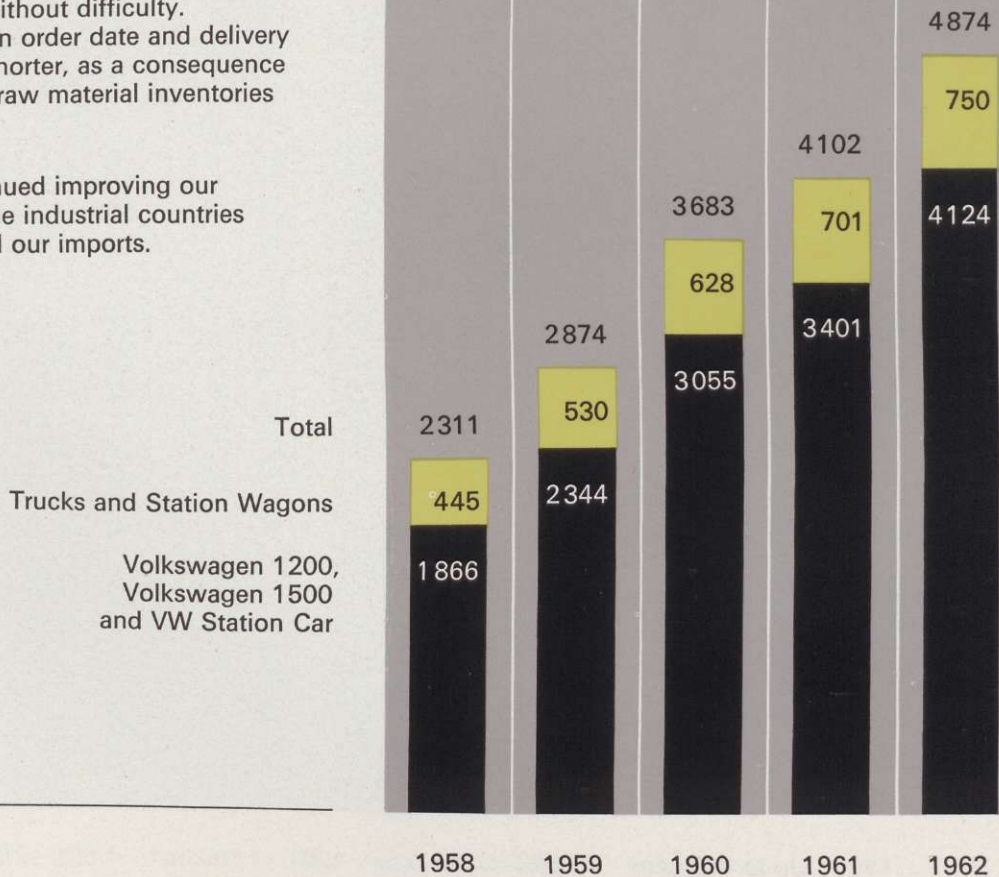
By the end of 1962, the combined world-wide daily output of Volkswagen vehicles had increased by 858 to a total of 5,091.

During February 1962, the VW Station Car became part of our product line, the daily output of which reached 230 vehicles by year-end.

Raw Materials

In 1962, increased production required a higher level of raw material usage, however, the additional materials were procured without difficulty. The period of time between order date and delivery of raw materials became shorter, as a consequence we were able to decrease raw material inventories at our warehouses.

During the year, we continued improving our business connections in the industrial countries of the world and increased our imports.



Output of Volkswagenwerk per Working Day Annual Averages

Capital Investments

Our new investment in property, plant and equipment during 1962 was lower than that in the preceding year when a build-up of productive facilities was necessary in order to produce the Volkswagen 1500. Two-thirds of our total expenditures were invested at our plant in Wolfsburg.

The capital investments enlarged our productive facilities and further mechanized and automated our manufacturing processes. More than 50% of the total new investment in 1962 was in machinery and equipment.

Expenditures for property, plant and equipment since the currency reform in 1948, including plant under construction and advance payments to contractors, amounted to approximately DM 3.0 billion at December 31, 1962. Following is a breakdown of the capital additions, by plant location:

	1962 Millions of DM	1961 Millions of DM
Wolfsburg	219.2	285.8
Hanover	64.8	110.1
Kassel	43.7	154.2
Braunschweig	10.5	45.4
Total	338.2	595.5

In addition to the less significant construction projects at all of our plants, which essentially enlarged our production and storage space, a larger Service Administration building was completed at our Wolfsburg plant. Also in Wolfsburg, 46 houses and 2 apartment buildings were built as lodgings for our Italian workers.

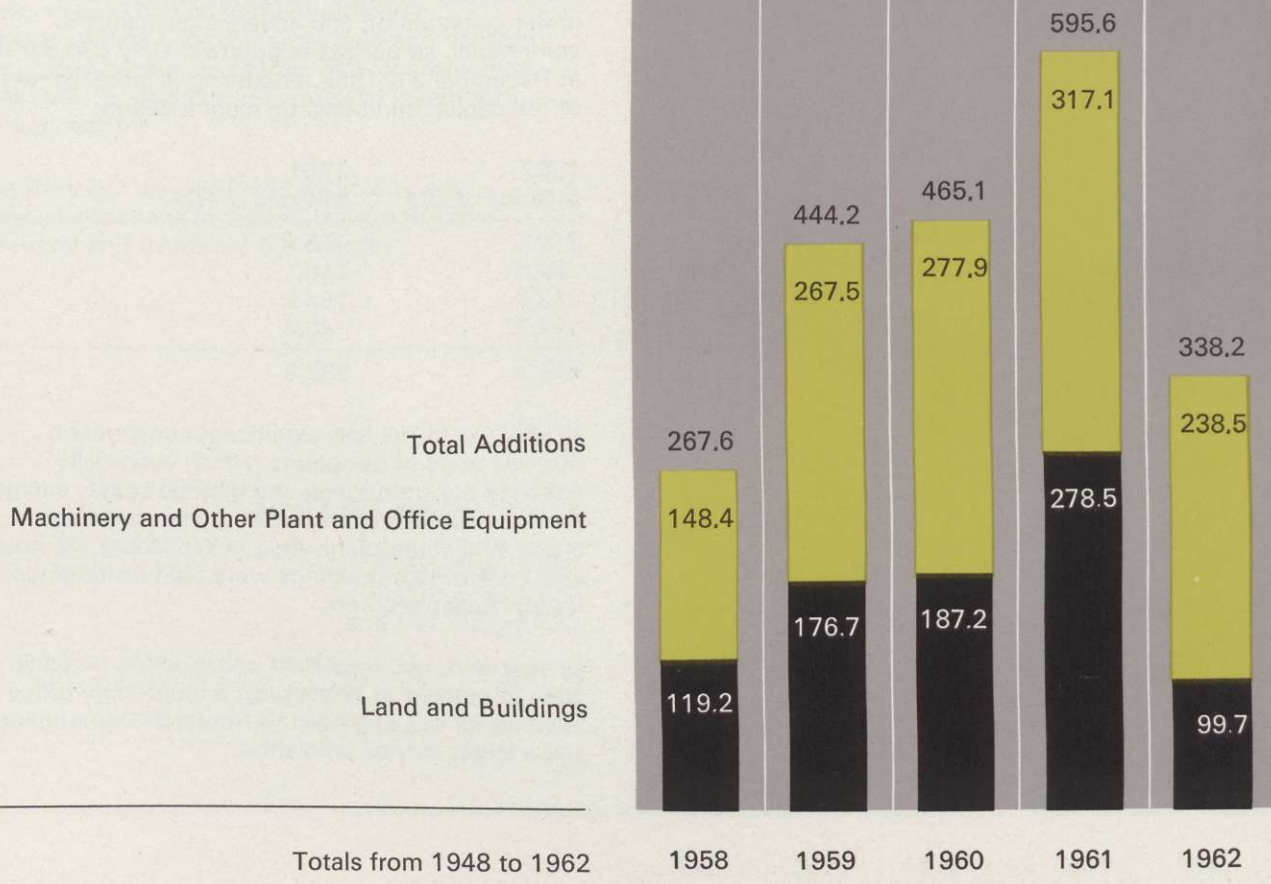
At year-end, two important construction projects were in process at Wolfsburg; a multi-story office building for our Engineering Research Department and a larger service workshop.

During 1962, our land holdings increased by 27.2 acres to 2,808 acres, of which 548 acres are allocated to homes and our recreation centres. The distribution of land by location follows:

Wolfsburg	1,553 acres
Hanover	259 acres
Kassel	402 acres
Braunschweig	46 acres

At December 31, 1962, of the foregoing land holdings the following were utilized:

	Buildings	Other Constructions
At Wolfsburg	230 acres	514 acres
Hanover	84 acres	72 acres
Kassel	64 acres	57 acres
Braunschweig	17 acres	17 acres



Totals from 1948 to 1962

Additions DM 2.941,4 Million
 Allowance for Depreciation DM 1.577,6 Million

Sales

After elimination of intercompany transactions, consolidated sales aggregated DM 6.4 billion as compared with DM 5.2 billion in the preceding year.

Sales of Volkswagenwerk AG for 1962 amounted to DM 5.5 billion, which represents a 24.8% increase over 1961.

Production was sold completely during 1962 despite increased competition and, in order to avoid lengthening delivery periods, additional work shifts were instituted.

To balance out some of the rising costs we raised the list prices of some of the Volkswagen 1200 models on the domestic market with effect from April 1, 1962.

A comparison of Volkswagenwerk AG sales for 1962 and 1961, including sales of vehicles assembled in foreign countries, is as follows:

	1962	1961	% Increase
Volkswagen 1200, Volkswagen 1500 and VW Station Car	946,220	808,233	+ 17.1
Volkswagen Trucks and Station Wagons	166,457	152,638	+ 9.1
	<u>1,112,677</u>	<u>960,871</u>	<u>+ 15.8</u>

In addition, sales of vehicles produced by our foreign affiliates for the current and previous year amounted to:

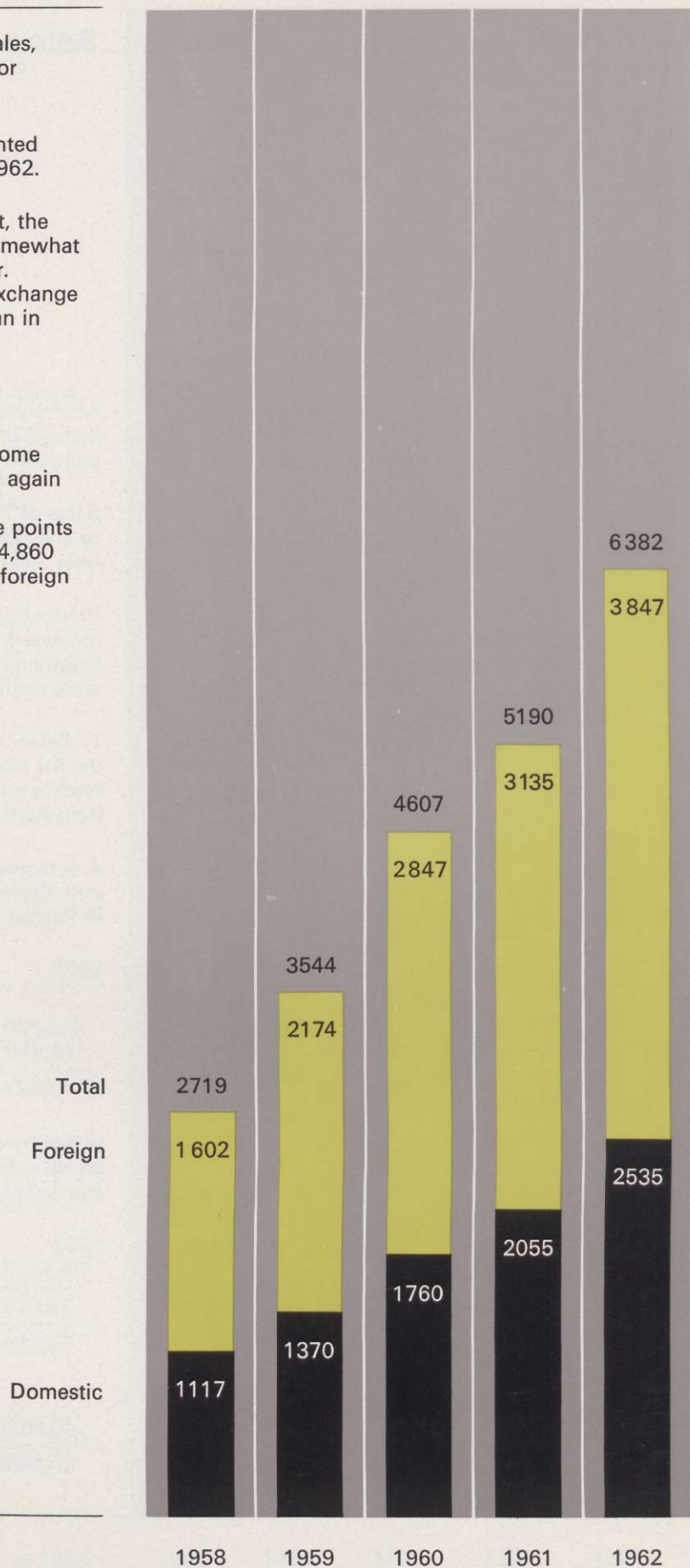
	1962	1961	% Increase
Volkswagen do Brasil S.A.			
Volkswagen 1200	39,153	31,014	+ 26.2
Volkswagen Trucks and Station Wagons	14,516	16,306	./ 11.0
	<u>53,669</u>	<u>47,320</u>	<u>+ 13.4</u>
Volkswagen (Australasia) Pty. Ltd.			
Volkswagen 1200	17,319	—	—
	<u>70,988</u>	<u>47,320</u>	<u>+ 50.0</u>

The proportion of export sales to domestic sales, 56.4 to 43.6, showed a slight increase in favor of export sales (previous year 55.5 to 44.5).

Of the total model 1200 sales, those represented by the standard model amounted to 3% in 1962.

While prices of parts remained fairly constant, the ratio of parts sales to total sales increased somewhat in 1962 when compared to the previous year. Once more our customers used the engine exchange program to a greater extent in the current than in the prior year.

With increasing competition, service has become even more important, consequently, we have again expanded our network of service facilities. By the end of 1962, there were 1,654 service points with 28,924 repair facilities in Germany and 4,860 service points with 36,900 repair facilities in foreign countries.



Domestic Market

In 1962, increasing personal incomes resulted in a higher level of automobile sales. In Western Germany, including West Berlin, new vehicle registrations aggregated 1,338,934 exceeding those of 1961 by 128,996 or 10.6%. Of the total of all new vehicles registered, imported vehicles numbered 145,000 or 11% of the total domestic market.

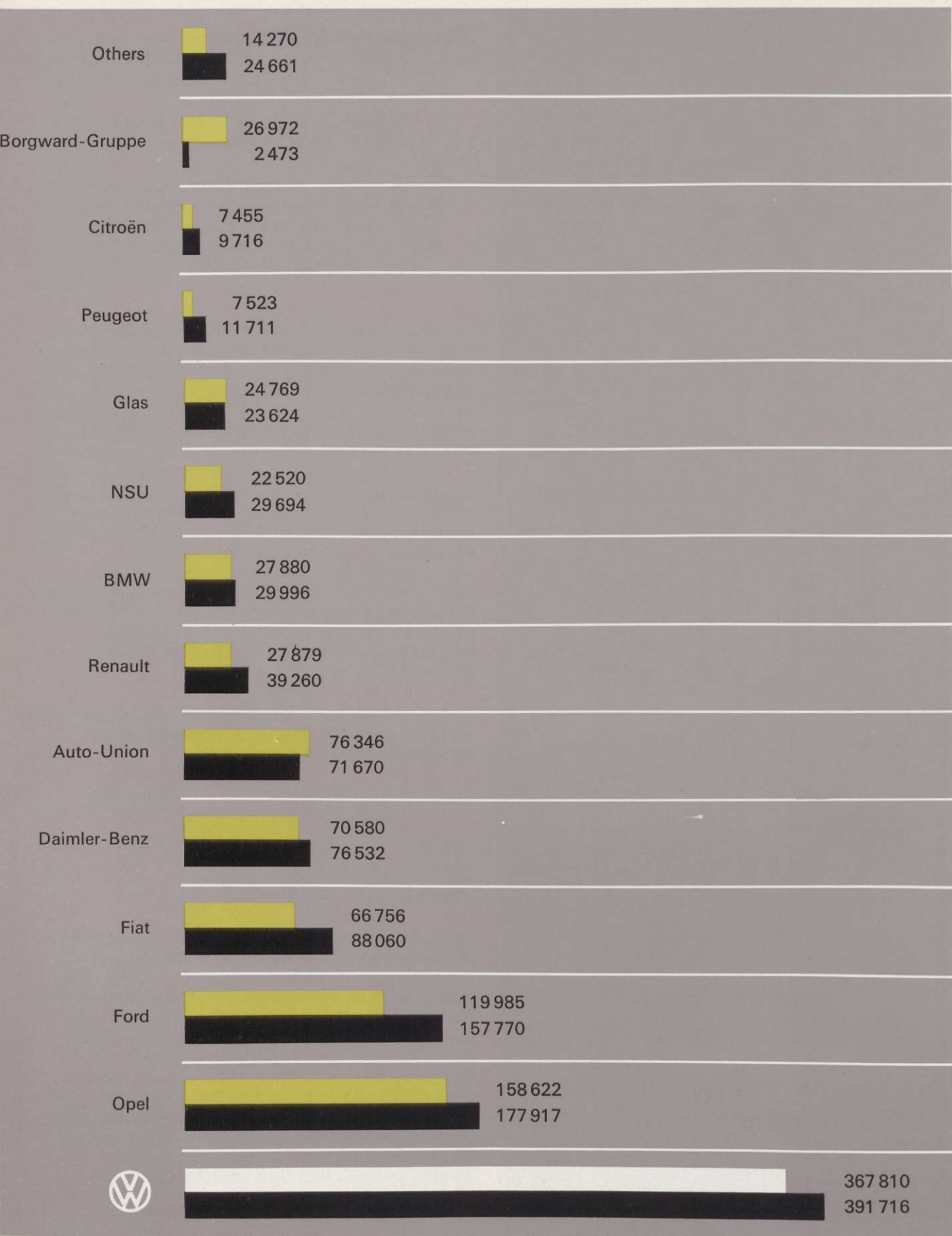
The total number of passenger cars, including station wagons, registered in the Federal Republic of Germany, exclusive of West Berlin, increased from 5.6 million in 1961 to 6.6 million in 1962.






At the beginning of 1963, the Federal Republic (exclusive of West Berlin) had 1 passenger car to each 8.9 persons, compared with January 1, 1962 figures of 1 to 8.6 in Great Britain, 1 to 7.8 in France, 1 to 5.7 in Sweden and 1 to 2.8 in the United States of America.

Volkswagenwerk AG maintained its leadership in the domestic market during 1962. Domestic sales for 1962 and 1961 were:



	1962	1961	% Increase
Volkswagen 1200, Volkswagen 1500 and VW Station Car	421,140	369,746	+ 13.9
Volkswagen Trucks and Station Wagons	63,924	57,705	+ 10.8
	485,064	427,451	+ 13.5



In 1962, Volkswagenwerk's share of new registrations of passenger cars and commercial vehicles with a capacity up to 2,750 lbs. amounted to 35.3% of the total of such vehicle registrations. VW passenger cars represented 34.5% of passenger cars sold on the domestic market in 1962 and commercial vehicles with a capacity up to 2,750 lbs. increased from 35.0% in 1961 to 42.3% in 1962 of total domestic sales of vehicles of that type. The Volkswagen 1200 continues to be in first place among all automobiles registered in the Federal Republic. The Volkswagen 1500, offered for the first time to the public in quantity in 1962, was well received by the German public.



 1961
  1962 tentative
  1961
  1962
 

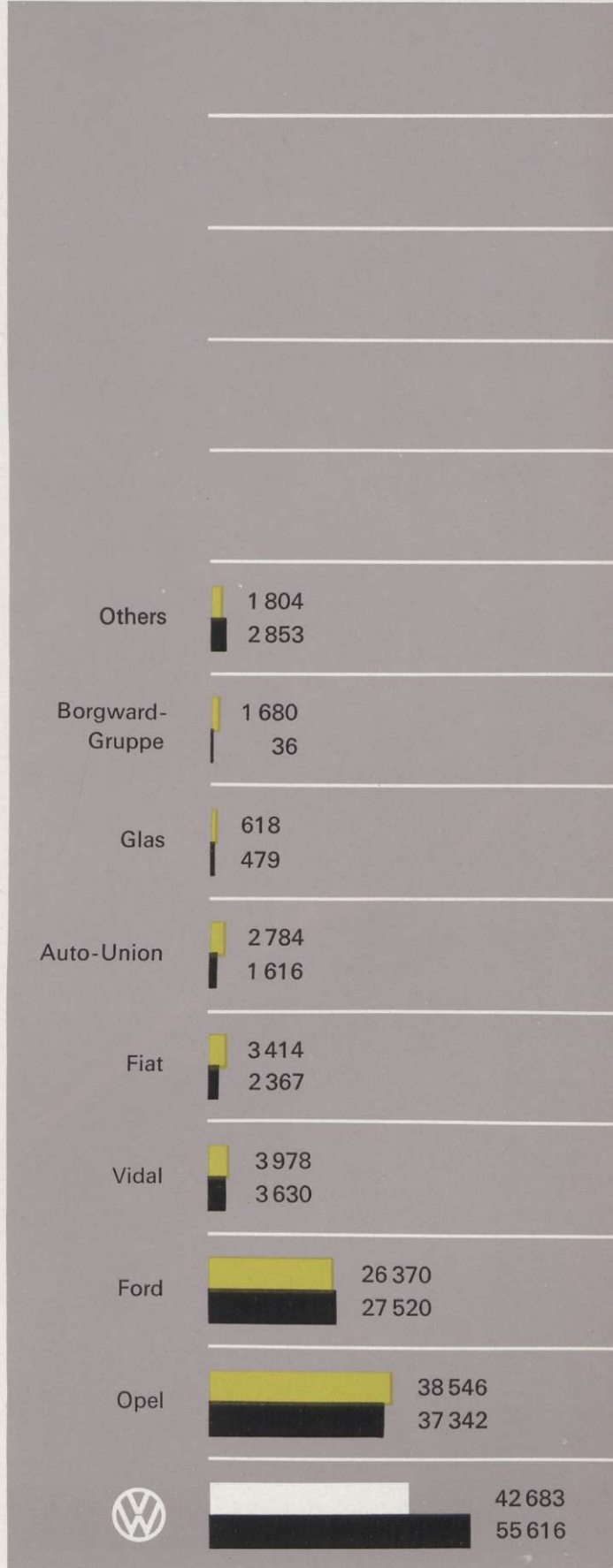
New Vehicles Registrations in the
 Federal Republic and West Berlin.
 Passenger Cars, including Station Wagons
 (Microbuses) and Ambulances

 1961
 1962 tentative

 1961
 1962



New Vehicles Registrations in the
 Federal Republic and West Berlin.
 Commercial Vehicles with a capacity
 up to 2,750 lbs.



Export Market

The necessity to utilize the available productive facilities in all automobile producing countries resulted in increased competition in foreign markets.

The Federal Republic's total of 1,101,882 cars sold in the export market in 1962, represented 46.8% of its total production, with the result that Germany has maintained its position as the leading auto exporter. In 1962, exports from Western Germany increased by 9.5% as compared with a 2.4% increase in 1961.

When compared with the year 1961, Volkswagenwerk AG, in 1962, increased its vehicle exports by 17.7% and now accounts for 57% (53% in 1961) of the total Federal Republic vehicle exports. Volkswagen passenger cars, station wagons and ambulances represented 59.8% and commercial vehicles 53.8% of West Germany's total automobile exports in 1962. Comparable figures for 1961 were 56.8% and 47.3%, respectively.

During 1962, Volkswagens were exported to:

	Passenger Cars including VW Station Cars	Other Station Wagons and Trucks	Total	% of Total
Europe	236,697	50,750	287,447	45.8
America	248,018	38,694	286,712	45.7
Africa	21,986	5,454	27,440	4.4
Asia	9,025	3,088	12,113	1.9
Australia and the Islands of the Pacific	2,692	3,786	6,478	1.0
Exports through Tourists	6,662	761	7,423	1.2
Total 1962	525,080	102,533	627,613	100.0
Total 1961	438,487	94,933	533,420	
% Increase	19.7	8.0	17.7	

Of our exports, approximately 90% went to 20 countries and the remainder was spread over more than 110 other countries. Our largest foreign customer was again the United States of America which accounted for 233,371 vehicles or 37.2% of our total exports. Approximately 1 out of every 5 vehicles exported went to the USA. A strike by longshoremens toward the end of December 1962 was fortunately late enough in the year that it did not affect our shipments to the USA during the year under review.

Exports to European nations also increased. Of the total vehicle shipments to European countries, 158,622 Volkswagens, or 55.2% of total exports, went to EFTA countries and 110,664, or 38.5%, to EEC countries. Especially gratifying was the development of our market in Italy during 1962, as shown by the increase in vehicles exported to that country from 10,697 in 1961 to 35,249 in 1962.

Federal Republic of Germany

Great Britain

France

Volkswagenwerk AG

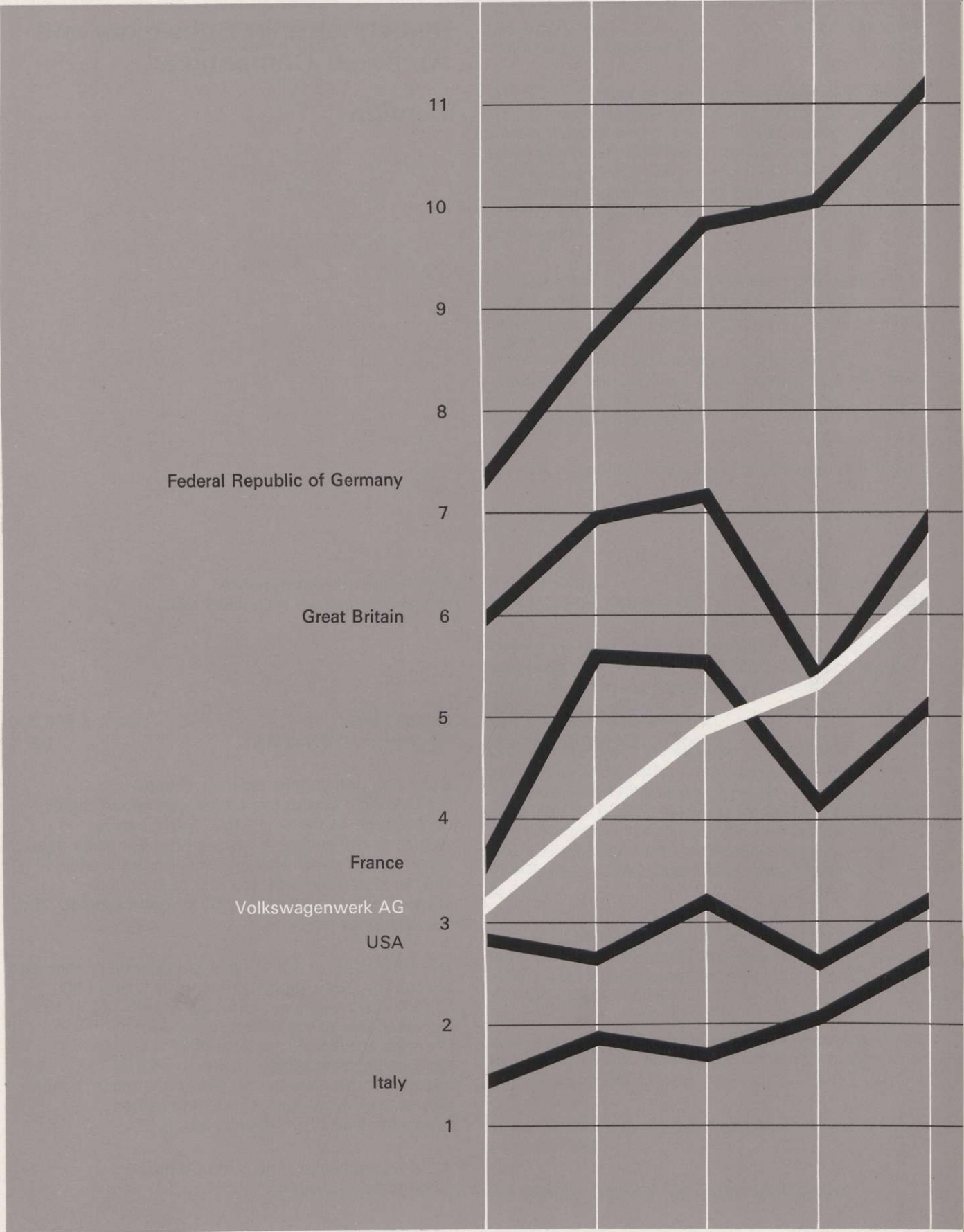
USA

Italy

11
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1

1958 1959 1960 1961 1962

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



Investments in Subsidiary and Affiliated Companies:

Foreign

Volkswagen Canada Ltd., Toronto, Ontario, Canada	Capital Stock	Can. \$ 500,000
	Percentage of Ownership	100%

Due to an unfavorable balance of trade, the Canadian Government increased import duties considerably in the year 1962. This measure, as well as the decline in value of the Canadian dollar, led to further price increases of imported products and, as a consequence, the sale of imported automobiles decreased in 1962 by approximately 25% from the prior year.

The 1962 sales of our 10-year old subsidiary were also affected by these import problems as it sold only 31,698 Volkswagens in 1962 against 33,424 in 1961. However, due to the even sharper drop in total imported auto sales, our subsidiary was able to increase its share of this market to 36.4%. The relative success was in part due to the recent importation of the Volkswagen 1500 and resulted in another year of satisfactory earnings.

As of December 31, 1962, the Company employed 494 persons.

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

Capital Stock
Percentage of Ownership

U. S. \$ 1,000,000
100%

In 1962, Volkswagen continued its success in the USA through the sale of 232,193 passenger cars, station wagons and trucks, a 22.3% increase of sales when compared with the preceding year. With the registration of the one millionth Volkswagen in that country, our subsidiary has achieved a unique success in the greatest automobile producing country in the world.

Our service network in the USA expanded further during 1962. By the end of the year, 687 VW dealerships had the capacity to service 7,300 vehicles at one time. In October 1962, Volkswagen of America, Inc. occupied a new administration building that had been constructed by its wholly-owned subsidiary *Sylvan Avenue Corporation*.

Results in earnings were again satisfactory in 1962.

As of December 31, 1962, the Company employed 244 persons.

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

Capital Stock
Percentage of Ownership

Cr. \$ 10,003,000,000
80%

During the year 1962, the capital of the Company was increased by Cr. \$ 2,153,000,000. Our share of this increase was contributed in the form of productive equipment.

During 1962, with the increase in facilities, production increased to 260 automobiles daily and production for the year increased by 13.5% over 1961 to 53,752 vehicles. Of the total materials and labor used in producing the Volkswagen 1200 and Volkswagen trucks and station wagons, 97.9% and 98.0%, respectively, were obtained in Brazil.

With the cooperation of Karmann-Ghia do Brazil-Industria e Comércio de Carrocarias Ltda., our subsidiary began producing the Volkswagen 1200 Karmann-Ghia in 1962.

With sales of 53,669 units, 1962 sales exceeded those of 1961 by 13.4%. Volkswagen's share of the passenger car and transporter market rose to 42.2% in 1962.

The inflationary trend in Brazil caused recurring price increases.

Earnings for the year 1962 were satisfactory.

The *Cia. VVD de Crédito, Financiamento e Investimentos* increased its outstanding capital by Cr. \$ 80 million to Cr. \$ 200 million. The entire increase was purchased by our subsidiary, thereby increasing its percentage of ownership of that company from 50% to 80%.

The number of car sales financed during 1962 decreased slightly when compared to the prior year.

The two companies employed a total of 9,363 persons at the end of 1962.

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

Capital Stock	Rand 800,000
Direct Percentage of ownership	63.0%
Indirect Percentage of ownership through a subsidiary company	1.9%

The rise in the economy of the Republic of South Africa, which began at the end of 1961, continued throughout 1962. A general confidence in continued improvement in the economy together with a decrease in unemployment resulted in an increased demand for automobiles.

Our subsidiary increased its sales to 14,403 vehicles, a 7.5% increase over the preceding year, and attempted to use a greater volume of domestically produced materials.

Earnings in 1962 remained satisfactory.

During 1962, fewer autos were financed by our *South African Motor Acceptance Corporation (Pty.) Ltd. (SAMAC)* than in 1961. More intense competition in the South African credit market impaired our earnings.

A prominent South African brokerage firm assumed the agency for the insurance of Volkswagen automobiles in 1962. The *Volkswagen Insurance Service (Pty.) Ltd.*, in which SAMAD has a 50% interest, has therefore, discontinued its automobile insurance activities and in the future will limit itself to the field of other types of property damage insurance coverage.

Our South African companies employed a total of 1,266 persons at the end of 1962.

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

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

This wholly-owned subsidiary is a holding company for our Australian affiliates: *Volkswagen Distributors Pty. Ltd.* and *Volkswagen (W.A.) Pty. Ltd.*, both of

which are sales organizations, and *Volkswagen Manufacturing (Australia) Pty. Ltd.*, which is the producing company. During 1962, after expansion of its plant, the producing company changed its operations from assembly to the production of the Volkswagen 1200 Sedan and began production of the Volkswagen 1200 economy model. As a result of these changes, a greater volume of raw materials was purchased in the local market. During the year, Volkswagen (W.A.) Pty. Ltd., acting as distributors, again expanded its operations in Western Australia.

The Australian Government modified its restrictive economic policies in 1962 with a resultant stimulation in business activity. Reduction in unemployment and the return of confidence in further economic development led to increased production. Australia's automobile industry, which was affected more than any other industry by the restrictive policies during the preceding year, realized record sales in 1962.

Our Australian affiliates increased their sales to 24,941 automobiles in 1962, a 34.5% rise over the prior year's sales. A more complete utilization of productive facilities in 1962 led to satisfactory earnings for the year.

The Australian companies employed 1,610 persons at the end of 1962.

Volkswagen France S.A., Paris, France

Capital Stock	F 7,000,000
Direct Percentage of ownership	75.5%
Indirect Percentage of ownership through our affiliates	24.5%

Capital was increased by F 5,000,000 during 1962, 75% of this sum was called up during the report year. Our contribution to this capital increase was through conversion of a loan to capital stock in addition to a cash payment. With these additional resources, construction of a parts warehouse and distribution center at Villers-Cotterêts near Paris could be continued.

Volkswagen France S.A. increased sales by 8.9% to 12,945 vehicles during 1962 and earnings for the year were satisfactory.

By the end of 1962, the Company employed 124 persons.

Volkswagen France S.A. holds a 51% interest in the F 300,000 capitalization of the newly organized *Service D'Assurance Volkswagen S.A.* This company will be active in the automobile insurance business.

Investments in Subsidiary and Affiliated Companies:

Domestic

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

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

Increased competition in the consumer financing business led to a decline in our financing in that field; however, our financing of dealer purchases showed an increase.

The average repayment period on financing contracts written during the year increased slightly over that of 1961. Financing losses were negligible and earnings were satisfactory during 1962.

The Company employed 48 persons as of the end of the year.

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

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

With the completion of 672 additional apartments (612 in Wolfsburg and 60 in Kassel) during 1962, the Company had a total of 5,636 in use by year-end. Most of these are located in Wolfsburg. At the close of 1962, 791 additional apartments were under construction and necessary financing to cover construction costs has been secured.

The number of persons employed at year-end totalled 67.

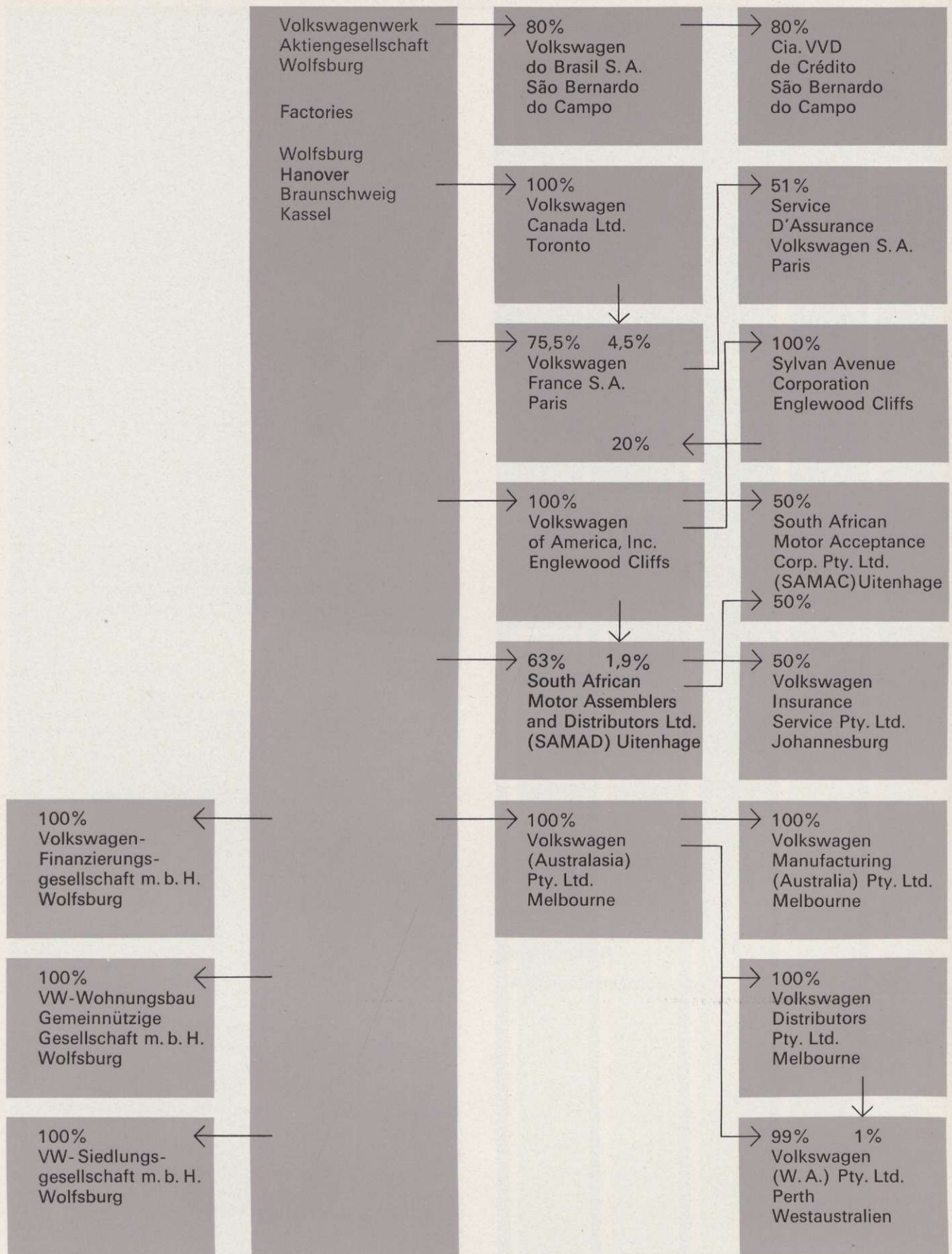
VW-Siedlungsgesellschaft m. b. H.
(VW Housing Development Co., Ltd.),
Wolfsburg, Germany

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

In 1962, VW-Siedlungsgesellschaft m. b. H., Wolfsburg, was organized with a capital stock of DM 1,000,000, 25% of which has been paid in.

With the acquisition of this second construction company, Volkswagenwerk is now able to avail itself, for the benefit of its employees, of construction opportunities heretofore denied it, when it was necessary to operate through the VW-Wohnungsbau Gemeinnützige Gesellschaft m. b. H., Wolfsburg, alone. An agreement exists between Volkswagenwerk AG and VW-Siedlungsgesellschaft, whereby Volkswagenwerk will absorb any earnings or losses of this construction company.

At year-end, 806 apartments were under construction and planning had been completed for additional 362.



Holdings of minor importance not included

Labor Force

The labor force of Volkswagenwerk AG and its subsidiary and affiliated companies increased by 10,456 during the year to 91,220 employees at December 31, 1962.

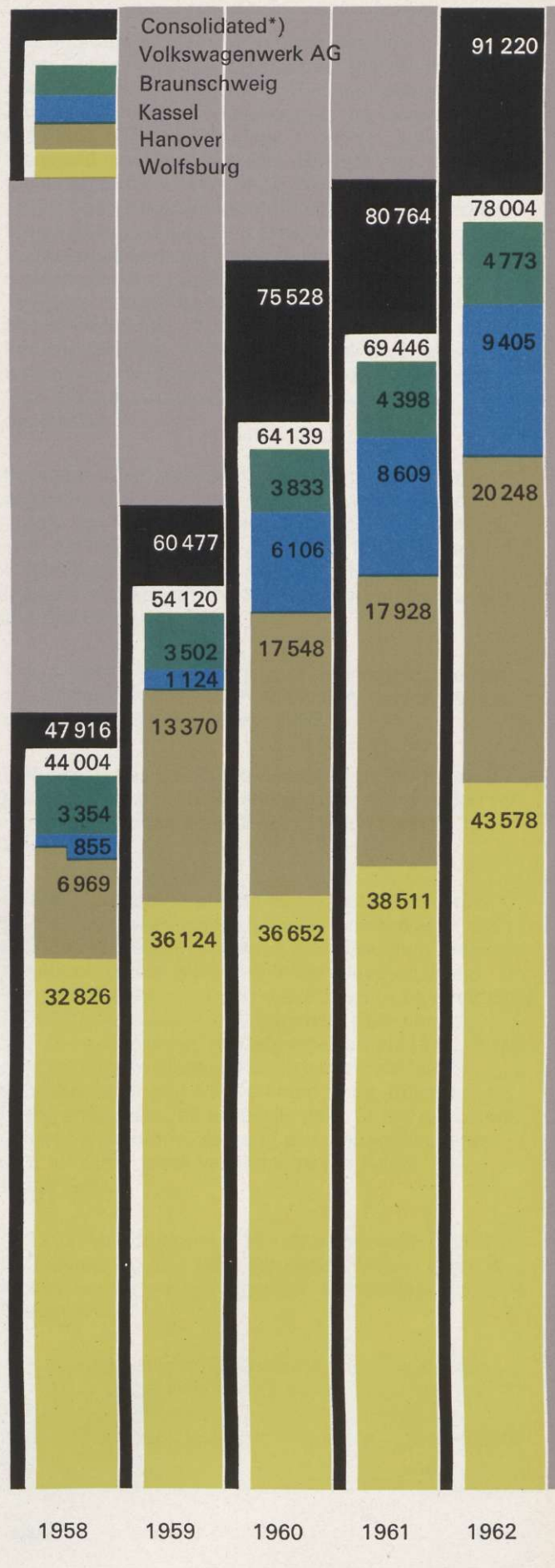
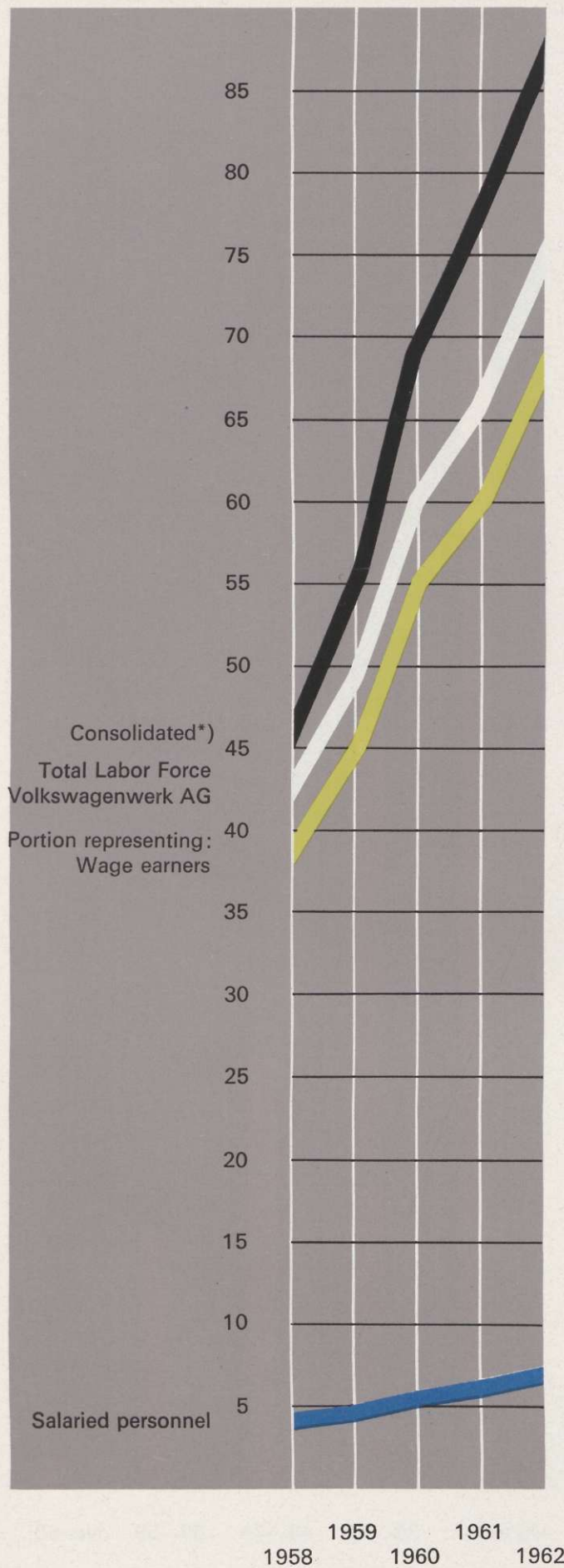
Volkswagenwerk AG had a total of 78,004 employees, an increase of 12.3% over the number employed in 1961. More than one-half of the new personnel in 1962 was employed at the Wolfsburg plant.

A breakdown of employees by plants for the years 1962 and 1961 follows:

	1962	1961
Wolfsburg	43,578	38,511
Hanover	20,248	17,928
Kassel	9,405	8,609
Braunschweig	4,773	4,398
Total Volkswagenwerk AG	78,004	69,446

The ratio of salaried personnel to wage earners was 1 to 9.9 and 1 to 9.6 on December 31, 1962 and 1961, respectively. Employee turnover during 1962 was 8.4%. The productive hours lost through illness decreased slightly in 1962 when compared with the previous year.

Female labor increased to 9,560 employees, with the percentage of such labor to the total labor force remaining unchanged from 1961 at 12.3%.



Growth of Labor Force
Annual Averages in Thousands

Number of Employees at Year-End

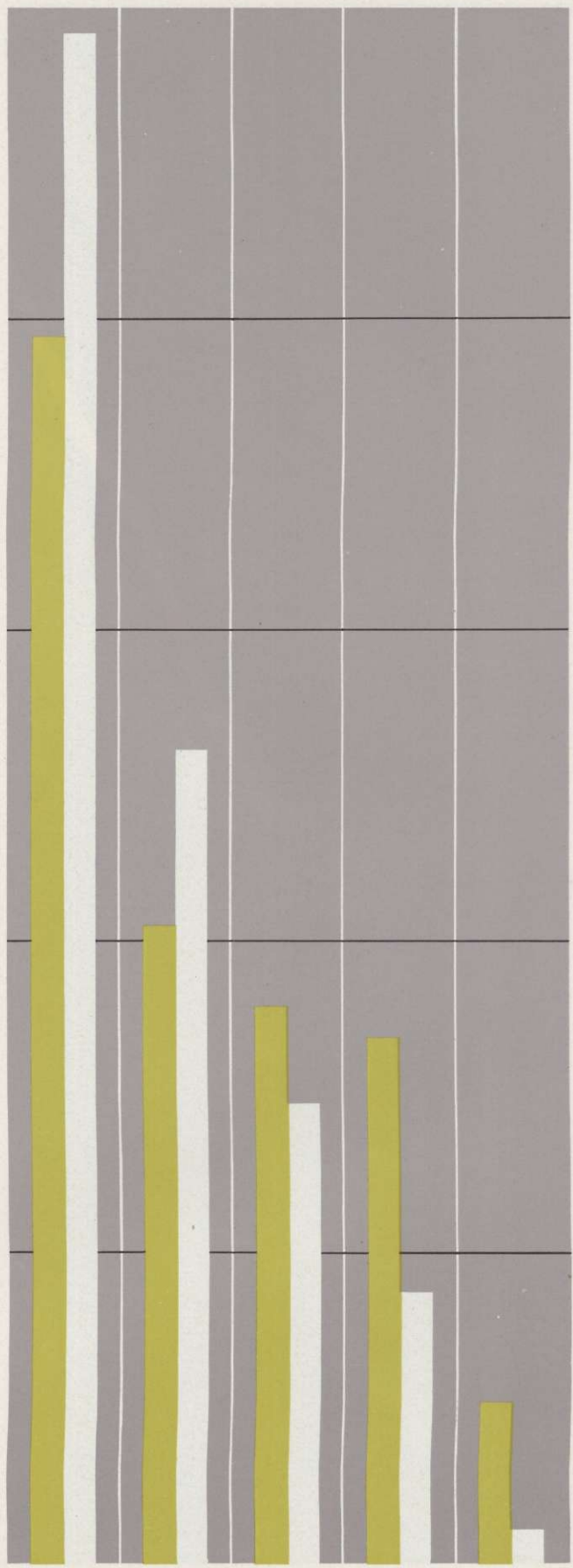
*) Volkswagen AG and its subsidiary and affiliated companies

40%

30%

20%

10%



Age

up to 29

30-39

40-49

50-59

over 60



Employees

16 888 000

77 051

Age grouping of Volkswagenwerk AG employees in 1962 compared with the age grouping of the total working force in the Federal Republic* – excluding apprentices –

*) According to the latest survey

 The Federal Republic
 Volkswagenwerk AG

The shortage of labor, which has plagued West German industry for the past several years, continued throughout 1962. This shortage affected our plants and, as a consequence, we increased the hiring of foreign workers in order to satisfy our increased labor requirements. By year-end, 3,188 Italian employees were engaged at the Wolfsburg plant. Due to the shortage of living space in Wolfsburg and the surrounding area, we found it necessary to construct housing developments with shopping, recreational and hospital facilities for these employees. This was in contrast to other German industrial enterprises, which had unoccupied apartments and other housing facilities available. Although most of our new Italian employees were unskilled, we encountered little difficulty in familiarizing them with our operations.

Pursuant to an agreement with the trade union, which called for a shorter work week as well as higher wages and salaries, a general pay increase of 9.7% was put into effect as of January 1, 1962. During 1962, total wages and salaries amounted to DM 729.5 million, an increase of DM 166.7 million or 29.6% over the preceding year.

Our program for the training of new employees and the further developing of supervisory personnel was expanded again in the year 1962.

Our employees participated actively in "suggestion programs" at our plants and prizes were awarded for recommendations considered of value to the Company.

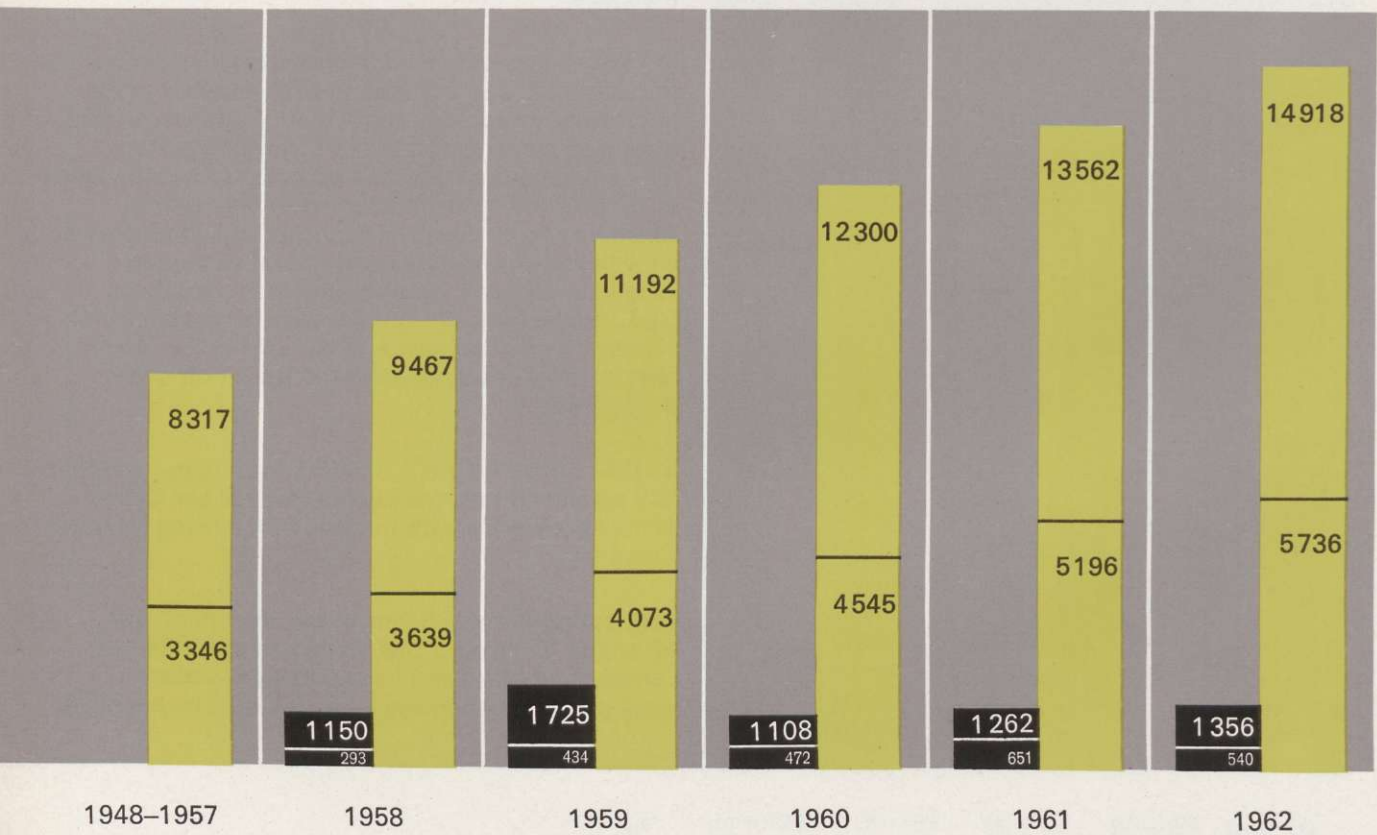
In 1962, we leased an additional recreation center so our employees may now avail themselves of the facilities of 7 such centers. A third Company-owned recreation center is located in Schulenberg/Harz, the construction of which is expected to be completed in 1963. Once again, in addition to their normal vacations, numerous invalids received paid two-week convalescence vacations and special two-week vacations with pay were granted to an additional 5,062 employees, all expenses paid, at the recreation centers. In addition, some of our apprentices were sent for three-week vacations to the North or the Baltic Seas.

In 1962, an additional 1,356 dwelling units, including 540 private homes, were completed for our German factory employees with the help of financing from the Company.

Also during the year, loans in the amount of DM 40 million (including DM 15 million spent for the construction of houses for our foreign workers) were granted for housing construction. The aggregate

of such loans, since the currency reform, amounts to DM 140 million, DM 10 million of which has been repaid as of December 31, 1962. In addition to those housing construction loans granted in 1962, applications for another DM 40 million of such loans were approved.

At December 31, 1962, 1,545 dwelling units were under construction. As in the previous year, most of these were in the city of Wolfsburg, where the demand for housing exceeds the supply by a considerable degree. Consequently, Volkswagen will have to provide substantial amounts for housing construction in the coming years.



- Apartments completed since 1948
- Investments in private homes since 1948
- Apartments completed each year
- Investments in private homes each year

During 1962, expenditures were made for social contributions, both compulsory and voluntary, as follows:

Compulsory social charges

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

Compulsory social benefits

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

Voluntary social contributions (Fringe benefits)

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

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

- b) Indirectly benefiting personnel:
Donations and subsidies to the construction of bachelor accommodation, cultural activities, sports, religious organizations, kindergartens and schools, etc.
Unreimbursed costs of heat supplied to the homes and other buildings in Wolfsburg

	DM	DM
		81,737,566.08
		63,527,541.23
	91,088,038.96	
	19,153,103.76	
	3,924,941.15	114,166,083.87
Total		259,431,191.18

Again during 1962, a special effort was required of all employees as a result of the increase in production. We wish to express our gratitude to all personnel whose cooperation and untiring efforts contributed to the success of the year 1962. We also wish to thank the Members of the Work Council at our plants for their cooperation which reflects a continuing mutual confidence and understanding.

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

Outlook

In 1963, progress among the industries within the West German economy will not be uniform and there will probably be even greater fluctuations of growth and decline than experienced in prior years. The automobile industry, however, expects another prosperous year as increasing income and the desire of more people to own automobiles will continue to exert a high demand on the automobile market.

Volkswagenwerk AG expects to have another successful year in 1963. This expectation is based on the undiminished demand for Volkswagens on both the domestic and foreign markets. Earnings for the year should be satisfactory as long as there is no significant increase in costs. Production will continue to increase, although at a lower rate than in prior years, and the percentage of Volkswagenwerk sales applicable to the domestic and export markets will remain virtually unchanged. Investments in property, plant and equipment, the financing of which has been provided for, will be higher than in 1962.

The five-week long dock strike in the United States of America forced us to preschedule several days of vacation and to cut back our production early in 1963, as the vehicles normally exported to that country could not be disposed of in other markets due to the severity of the 1962-63 winter. In an effort to decrease the order backlog in the USA, which had been increased further by the dock strike, our production schedule includes Saturday work during the months of March, April and May.

Because the West German economy depends to a large extent on its exports, it is of the utmost importance that costs do not increase in a greater proportion than costs of other countries, so that West German industry can remain competitive in the world market.

In addition, the inclination of West German industry toward securing a greater share of international trade requires an unqualified support of any measures which propose a relaxing of international trade barriers. West Germany's future economic growth will be assured only in a world market that has been freed of all economic discrimination. The European Common Market, therefore, should not be restricted to Continental Europe but should include Great Britain and, eventually, evolve into an Atlantic Common Market.

Comments on the 1962 Financial Statements Balance Sheet

Total assets increased during 1962 by some DM 178 million to a total approximating DM 2.3 billion at year-end. Assets and liabilities at December 31, 1962 and 1961 are summarized as follows:

	12-31-1962		12-31-1961	
	— in Million DM —			
Assets				
Property, Plant, Equipment and Investments (including Long-Term Receivables)	1,578	70%	1,570	75%
Current and Other Assets (excluding Long-Term Receivables)	693	30%	522	25%
	2,271	100%	2,092	100%
Liabilities				
Stockholder's Equity (Capital Stock and Reserves)	1,123	49%	1,022	49%
Liabilities				
payable within:				
more than 4 years	247	11%	238	11%
1 to 4 years	140	6%	139	7%
one year or less	761	34%	693	33%
	2,271	100%	2,092	100%

At year-end, Stockholders' Equity (Capital Stock and Reserves) and Long-Term Liabilities amounted to 96% of Property, Plant, Equipment, Investments and Long-Term Receivables compared to 89% in the preceding year. Receipt of the outstanding balance on the investment loan in January 1963 further improved the above ratio. In addition, our Company has become more liquid in 1962 as shown in the statement which follows:

Sources of funds during the year:	in Million DM
Portion of earnings appropriated to reserves	101
Depreciation of physical plant (including disposal of plant and equipment)	322
Write-down of investments in subsidiary and affiliated companies	12
Increase in:	
Long-term loans payable	9
Medium-terms loans payable	1
Short-term loans payable	68
Decrease in medium- and short-term receivables	16
	<hr/>
	529

Use of funds during the year:

Investments in:	
Physical plant	323
Subsidiary and affiliated companies	14
Increase in inventories	36
Increase in long-term receivables	5
	<hr/>
	378
	<hr/>
Increase in liquid funds	151
	<hr/> <hr/>

Comments on the balance sheet follow:

Assets

The book value of *Property, Plant, Equipment and Investments* increased during the year under review by DM 3.4 million to a total of DM 1,532.6 million at December 31, 1962.

Additions to *Property, Plant and Equipment*, which have been described in detail in the "Capital Investment" section of this report, amounted to DM 338.2 million in 1962 and are broken down as follows:

DM 99.7 million land and buildings as against
DM 278.4 million in 1961
DM 238.5 million machinery and other equipment
DM 317.1 million in 1961.

In 1962, Construction in Progress as well as Advance Payments to Contractors decreased by the net amount of DM 15.1 million from 1961.

Depreciation of plant and equipment was provided for on a basis consistent with that of the prior year and, to the extent permissible for tax purposes, was computed on the declining balance method. In our opinion, the depreciation allowable for tax purposes

is not adequate to reflect the actual economic and technical devaluation of certain assets; therefore, the accounts of the Company reflect additional depreciation on some factory, office and residential buildings based on shorter estimated useful lives than those allowable for tax purposes. The national governments of our major competitors liberalized depreciation allowances for tax purposes considerably in recent years while in Western Germany such allowances became more restricted.

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

Additions to *investments in subsidiary and affiliated companies* amounted to DM 14.3 million. Our share of the capital increases of our subsidiaries was contributed as follows:

Volkswagen do Brasil S.A. – DM 11.8 million in form of productive equipment. Volkswagen France S.A. – DM 2.3 million in form of cash and through the conversion of a loan to capital stock.

In addition, DM 250,000, or one-fourth of the total cost of capital subscribed to, was paid into the newly organized VW-Siedlungsgesellschaft m. b. H. As in previous years, in view of the general risks inherent in long-term foreign investments, we wrote off our current year's investment in Volkswagen do Brasil S.A.

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

The book value of our *Inventories* increased by DM 36.1 million over 1961 to DM 432.8 million. The inventories of work-in-process and raw materials increased as a result of the expansion of our production. This expansion also forced us to maintain a larger spare parts inventory (included in Finished Products on the balance sheet) in order to satisfy the increased service demand of our customers more readily. In the valuation of the inventories we made such allowances as we deemed necessary for increased risks inherent in the maintenance of stocks.

In 1962, we granted additional interest-free *Long-Term Loans* of DM 23.5 million for housing construction. The aggregate of all such loans granted by us as of December 31, 1962 amounted to DM 115.5 million as against DM 96.3 million at the end of 1961. For balance sheet purposes, interest-free loans were discounted to indicate present values.

Amortization payments were received in accordance with the terms of existing agreements.

The major portion of our *Trade Receivables* represents amounts owed by customers abroad. Subsequent to December 31, 1962, all amounts due have been collected.

Receivables from Subsidiary and Affiliated Companies amounted to DM 77.3 million compared with DM 90.3 million in the previous year. The receivables are, principally, from our subsidiaries in North and South America. Because of Brazilian currency transfer restrictions, there are increased risks incident to receipt of moneys from that country. As a precautionary measure, we have placed a lower valuation on the receivable from Volkswagen do Brasil, S. A. On balances due from subsidiaries and affiliates appropriate interest is charged.

Other Accounts Receivable include the cash surrender value of old-age insurance in the amount of DM 20.3 million and a short-term loan of DM 2.3 million, secured by a mortgage, in addition to other miscellaneous items. Doubtful accounts receivable have been written off.

Liabilities

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

The *reserve for the Share-the-Burden Property Levy* corresponds to the discounted amount of this liability as of December 31, 1962.

Other Reserves were increased by DM 102.3 million during the year. These reserves, aggregating DM 430.6 million at December 31, 1962, are intended to cover major repairs to our plants, to provide for the further development of the Volkswagen automobile and to cover risks generally inherent in the automobile business. We feel it will be necessary in the future to add additional amounts to these reserves because of the continually increasing competition in the world automobile market.

Undetermined Liabilities increased during the year in the aggregate by DM 55.2 million to a total of DM 372.8 million at December 31, 1962, primarily, as a result of increased social benefits, higher pension plan and warranty obligations and provisions considered necessary in view of pending lawsuits and other general risks.

On the other hand, the Undetermined Liability relating to the Volkswagen-Sparer-Prozess (Volkswagen Savers' Litigation) was reduced when it became

possible to estimate more accurately our ultimate liability under the terms of settlement.

The Undetermined Liabilities were established on a conservative basis and in accordance with our knowledge of the pertinent facts. Approximately DM 148 million can be considered as relating to long-term risks, DM 71 million as medium-term risks, while some DM 154 million are of a short-term nature.

Long-Term Loans increased by DM 61.1 million to a total of DM 167.9 million at December 31, 1962. Of this total, DM 116.2 million represents instalments received to date on a DM 150 million loan granted us in 1961, the balance of which was received in January 1963. Long-Term Loans also include a loan of DM 50 million granted us in 1961 by the Land Niedersachsen (State of Lower Saxony), made available to us by January 1966.

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

Trade Accounts Payable increased only slightly in 1962; however, that portion of accounts payable represented by unpaid amounts relating to acquisitions of capital assets decreased compared to the prior year.

Accounts Payable to Subsidiary and Affiliated Companies decreased by approximately DM 1.5 million between years. Prepayments for merchandise amounting to DM 68.0 million, made by Volkswagen of America, Inc. in 1961, were discharged by deliveries in the first half of 1962.

Amounts due to Banks consist of minor bank borrowings in 1962. Short- and medium-term obligations incurred in 1961 were paid off during 1962. As a matter of precaution, we have obtained credit commitments for possible heavy cash requirements over the next few years.

Other Liabilities increased by some DM 116.6 million to a total of DM 190.2 million at year-end. This increase was due, mainly, to higher tax liabilities and a short-term interest-bearing loan from the Volkswagenwerk Foundation. Other Liabilities also include payroll obligations incurred but unpaid at December 31, 1962.

Deferred Income consists, for the most part, of advance payments for services to be rendered in addition to prepaid interest on amounts due from subsidiary and affiliated companies.

At December 31, 1962, our *Contingent Liability in respect of Discounted Trade Acceptances* amounted to DM 26,829,747.92.

Statement of Earnings

Earnings increased in 1962 when compared to 1961 as a result of a higher level of sales, accompanied by somewhat higher sales prices, and a slight decrease in material costs. These factors, which increased earnings, were offset to a degree by the continuing increase in personnel costs.

Total gross output consisting of sales, higher inventories, and an increase in material, wages and overhead rates capitalized as additions to plant and equipment amounted to DM 5,583.7 million, an increase of DM 1,095.2 million or 24.4% over 1961.

On the other hand, *Expenditures for Raw Material and Supplies* increased by DM 643.2 million or only 23.3% over 1961.

Expenditures for Wages and Salaries and *social benefits* increased by DM 183.5 million, or 29.2%, over 1961. The "Labor Force" section of this report describes the expansion of the labor force and rise in pay scales during 1962 which were responsible for this increase.

Social Expenditures, which increased by DM 1.2 million to a total of DM 18.5 million, again include charges for present and future pension payments as the major single item.

Though the *Provision for Depreciation of Physical Plant* in 1962 was higher than in 1961, the increase was less than the amount by which the provision increased from 1960 to 1961.

On the other hand, *Write-Offs for Receivables* amounting to DM 48.8 million, including discounting of interest-free construction loans granted in 1962, were considerably higher than in 1961 as a result of a write-down of the receivable from Volkswagen do Brasil S. A.

Interest Expense and Similar Charges consist mainly of interest on long-term loans. Such expenses were incurred on short- and medium-term bank loans in the prior year. Total interest expense of DM 14.1 million was only slightly above that of 1961.

The considerable increase from 1961 in *Taxes on Income, Earnings, and Property* of some DM 199.3 million to a total of DM 465.3 million for the year was due, for the most part, to higher earnings in the year under review and additional taxable earnings generated through a reduction of the Undetermined Liability pertaining to the Volkswagen Savers' Litigation in addition to the transfer to us of the related savings accounts. Other reasons for the large increase were the property tax, which again became payable for the first time since the Company became a publicly-held corporation, and additional assessments of taxes for the years 1957 through 1959 as a result of an audit of those years by the taxing authorities. There was no distortion of 1962 earnings as a result of these additional assessments, as a comparable amount was transferred to Other Income from Undetermined Liabilities, which contained provisions for such contingencies accumulated in prior years.

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

Expenditures under Profit and Loss Assumption Agreements resulted from assuming the operating deficit of VW-Siedlungsgesellschaft m. b. H.

The increase in *Other Expenses* was due, largely, to higher shipping costs and plant maintenance expenses in addition to increased provisions considered necessary in view of pending lawsuits and other general risks. Of the total Other Expenses, 13.4% are extraordinary or non-recurring charges.

Sales increased by 24.8% in 1962 when compared with the previous year. A portion of this increase resulted from higher sales in 1962 of the Volkswagen 1500 which was produced in greater quantities during the year. The proportion of export sales

to total sales increased from 53.5% in 1961 to 54.1% in 1962.

Wolfsburg, April, 1963

The Management

We received *Income from Investments in Subsidiary and Affiliated Companies* through the distribution of dividends for the year 1961, the major portion of which was from

Volkswagen do Brasil S.A.
Dividends were also received from
Volkswagen of America, Inc.,
South African Motor Assemblers
and Distributors Ltd.,
Volkswagen Canada Ltd.,
Volkswagen-Finanzierungsgesellschaft m. b. H.
and VW-Wohnungsbau
Gemeinnützige Gesellschaft m. b. H.

Other Interest and Similar Income amounted to DM 12.9 million in 1962 and represented, mainly, interest on receivables from subsidiary and affiliated companies and interest on our bank balances. The bank balances were considerably higher in 1962, which is the major reason for a DM 4.6 million increase of *Other Interest* in 1962 over 1961.

The major *portion of Elimination of Reserves (Undetermined Liabilities) no Longer Required* was the reduction of the undetermined liability pertaining to the Volkswagen Savers' Litigation mentioned previously.

Other Income in 1962 was considerably in excess of such income in 1961, primarily, as a result of the absorption of the savings accounts related to the Volkswagen Savers' Litigation and a transfer from Undetermined Liabilities of an amount equal to the additional assessments of taxes for prior years. As in prior years, the revenue from kitchen and cafeteria sales, charges for various services, receipts from damage claims, currency exchange profits and other miscellaneous items are included in this account. Of the total *Other Income*, 51% is of an extraordinary or non-recurring nature.

The *Total Compensation to Management* for the year 1962, including pension payments, was DM 2,944, 959.15; *Compensation to Members of the Board of Directors* amounted to DM 137,300.

Net Earnings for 1962 amounted to DM 84,108,101.61, which, when added to undistributed earnings for 1961 in the amount of DM 152,034.96, results in total *Net Earnings* of DM 84,260,136.57. With the consent of the Board of Directors, we propose to distribute a dividend of 14%, equal to DM 84 million, and to carry forward the balance.

Vaas

Zimmer

Wald

U. Wimmer

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Worth

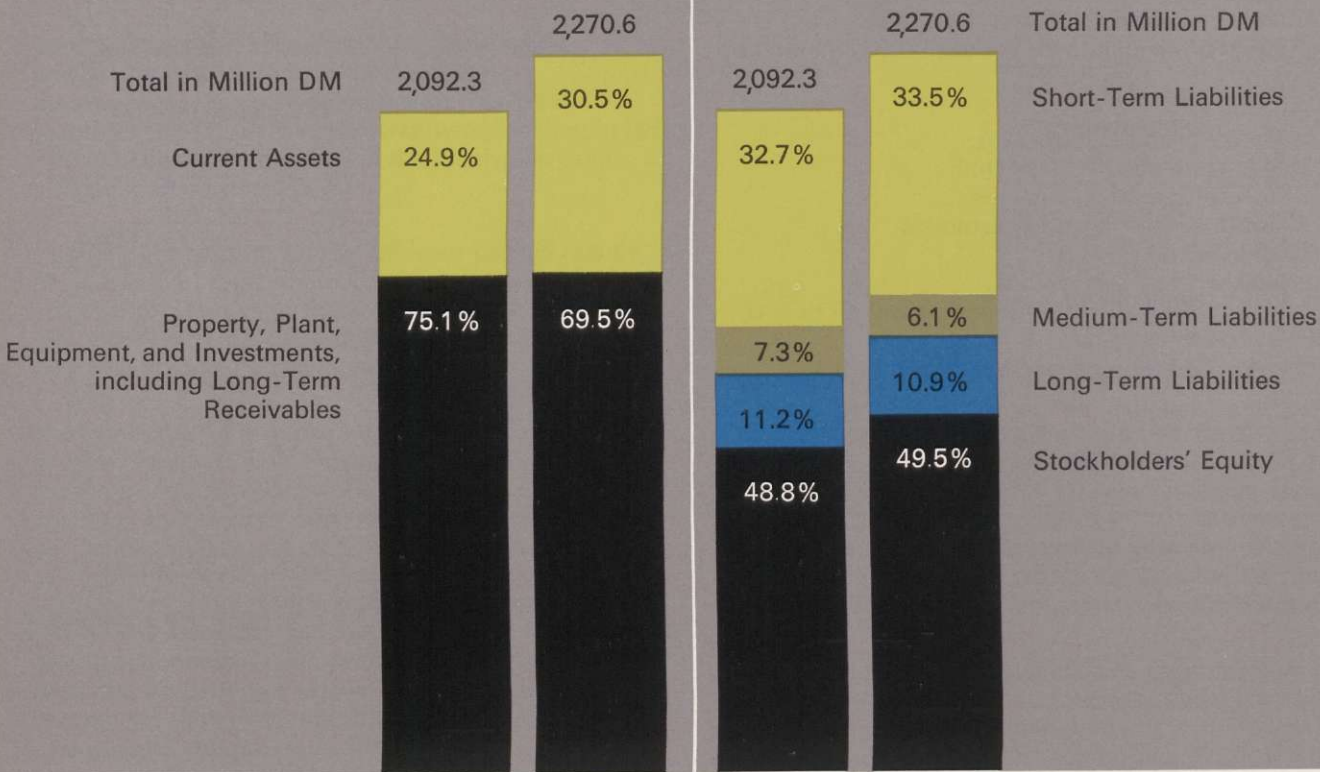
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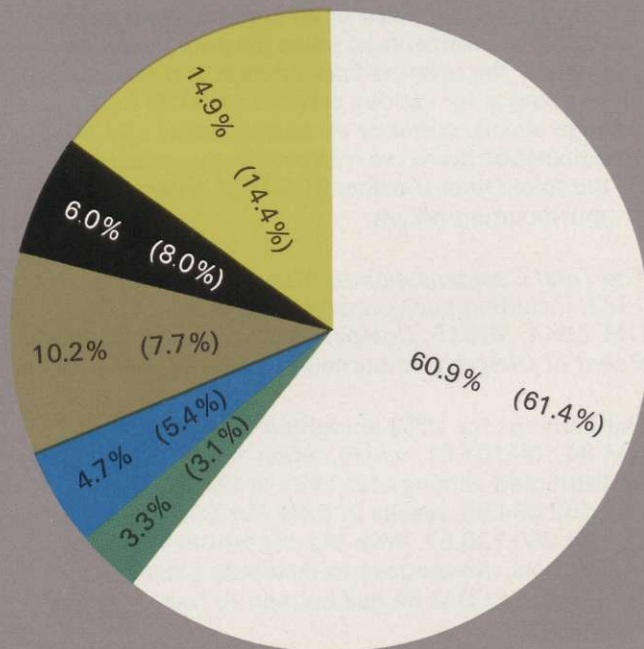
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Assets

Liabilities

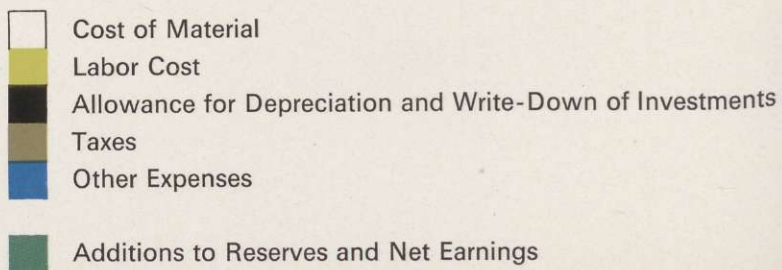


Structure of Balance Sheet 31.12.1961 31.12.1962 31.12.1961 31.12.1962



Ratio of Expenditures to Gross Output

1961 ratios in parenthesis



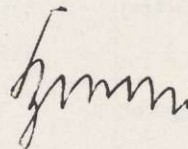
Report of the Board of Directors

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

The financial statements and the annual report for 1962 were audited by the Deutsche Revisions- und Treuhand AG, Treuarbeit, Hanover, and subsequently reviewed by the Board of Directors. There were no material exceptions.

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

Wolfsburg, April, 1963



Chairman of the Board of Directors

Assets

Liabilities

	Jan. 1, 1962	Additions	Deductions	Transfers	Provision for Depreciation	Dec. 31, 1962	Dec. 31, 1961		Dec. 31, 1962	Dec. 31, 1961
	DM	DM	DM	DM	DM	DM	in Thousand DM		DM	DM
Property, Plant, Equipment and Investments										
Land and Buildings										
Land	6,535,587.37	211,645.10	42.96	1,065,499.64	—	7,812,689.15	6,536			
Office and Residential Buildings	99,594,389.31	27,378,211.01	71,094.94	∠ 286,431.26	18,057,472.45	108,557,601.67	99,594			
Factory Buildings and Other Structures	746,356,417.68	70,833,925.77	669,242.85	211,600.64	75,267,691.17	741,465,010.07	746,356			
Unimproved Land	19,605,232.52	1,309,931.90	42,155.17	∠ 1,065,499.64	—	19,807,509.61	19,605			
Machinery and Fixtures	509,239,569.34	174,936,255.54	584,507.24	185,077.81	165,418,793.41	518,357,602.04	509,240			
Tools, Plant and Office Equipment	25,985,162.14	63,519,256.59	273,235.11	∠ 110,247.19	61,831,034.43	27,289,902.—	25,985			
	1,407,316,358.36	338,189,225.91	1,640,278.27	—	320,574,991.46	1,423,290,314.54	1,407,316			
Construction in Progress	58,387,737.36					41,414,920.16	58,388			
Advance Payments to Contractors	36,953,438.62					38,835,150.63	36,954			
Investments in Subsidiary and Affiliated Companies	3,500,009.—	14,343,142.46	—	—	11,781,089.34	6,062,062.12	3,500			
Other Investment Securities	23,000,001.—					23,000,001.—	23,000			
	1,529,157,544.34					1,532,602,448.45	1,529,158			
Current and Other Assets		DM		DM	DM					
Inventories										
Raw Materials and Supplies				229,242,968.64			208,062			
Work-in-Process				105,915,938.79			103,693			
Finished Products				97,650,166.30			84,933			
Securities					432,809,073.73		396,688			
Advance Payments to Suppliers					12,730.66		18			
Long-Term Loans Receivable (including To Subsidiary and Affiliated Companies Secured by Mortgages Adjustment of Value in Accordance with Paragraphs 7c and d of EStG 1953 Discount to Arrive at Present Cash Value)		75,250,228.58 98,841,211.—		115,476,893.41	1,278,197.92		1,696			
Trade Accounts Receivable					25,312,065.62		21,205			
Receivables from Subsidiary and Affiliated Companies (including Amounts for Goods and Services Rendered)		69,466,505.34)			18,497,784.05 77,312,498.32		24,230 90,336			
Trade Acceptances Receivable					2,829,057.67		51			
Cash on Hand, inclusive of Post Office Checking					84,174.88		95			
Account Credit Balances					148,478,444.30		50			
Other Bank Credit Balances					31,394,655.61		28,765			
Other Receivables (including Amounts Secured by Mortgages of)		2,250,000.—)								
Prepaid and Deferred Expenses						738,008,682.76 38,233.40	563,134 37			
						2,270,649,364.61	2,092,329			
Capital Stock									600,000,000.—	600,000
Reserves										
Legal Reserve									60,000,000.—	60,000
Reserve for the Share-the-Burden Property Levy									32,400,000.—	33,700
Other Reserves									430,622,293.17	328,316
									523,022,293.17	422,016
Undetermined Liabilities										
Old Age Pensions									97,918,093.—	83,878
Other Obligations									274,870,934.18	233,673
									372,789,027.18	317,551
Liabilities										
Long-Term Loans (including Secured by Mortgages Due to Banks)									167,900,831.04	106,806
Secured by Mortgages									DM 735,437.53	
Due to Banks									DM 55,200,000.—)	
Prepayments by Customers									35,112,091.77	23,664
Trade Accounts Payable									288,652,842.05	284,624
Accounts Payable to Subsidiary and Affiliated Companies (including Advance Payments Received of)									1,541,049.87	68,441
DM 495,658.59)										
Due to Banks									111,368.82	114,244
Other Liabilities									190,157,368.51	73,543
									683,475,552.06	671,322
Deferred Income									7,102,355.63	9,288
Net Earnings										
Net Earnings Brought forward from Previous Year									152,034.96	236
Net Earnings for the Year									84,108,101.61	71,916
									84,260,136.57	72,152
Share-the-Burden Property Levy										
Present Discounted Amount									DM 32,325,749.—	
Quarterly Instalment									DM 696,195.50	
									2,270,649,364.61	2,092,329

Balance Sheet December 31, 1962

Expenditures

		1962	1961
	DM	DM	in Thousand DM
Expenditures for Raw Materials, Supplies, and Outside Services		3,401,578,887.28	2,758,334
Wages and Salaries		729,538,267.29	562,871
Social Expenditures – Compulsory		81,737,566.08	64,868
Social Expenditures – Other		18,534,703.55	17,309
Provision for Depreciation of Physical Plant		320,574,991.46	304,685
Write-Down of Financial Investments		11,781,089.34	52,699
Write-Offs of Accounts Receivable (Including Discounts)		48,841,945.05	11,328
Losses on Disposal of Plant and Equipment		2,156,879.35	3,604
Interest Expense and Similar Charges		14,052,444.36	12,871
Taxes on Income, Earnings, and Property		465,274,947.62	265,942
Other Taxes		101,358,546.90	80,745
Share-the-Burden Property Levy		2,784,782.—	2,785
Expenditures under Profit and Loss Assumption			
Agreements		12,623.17	—
Other Expenses		366,549,754.48	296,653
Additions to Other Reserves		102,306,157.—	66,483
Net Earnings			
Net Earnings Brought forward from Previous Year	152,034.96		236
Net Earnings for the Year	84,108,101.61		71,916
		84,260,136.57	72,152
		5,751,343,721.50	4,573,329

Volkswagenwerk Aktiengesellschaft

Board of Management

Nordhoff Frank Haaf Hiemenz Höhne

Novotny Orlich Paulsen Siebert

Wolfsburg, April, 1963

Statement of Earnings

Year ended December 31, 1962

Income

	1962	1961
	DM	in Thousand DM
Sales	5,517,875,337.37	4,422,744
Increase in Finished Products and Work-in-Process Inventories	4,292,638.49	768
Material, Wages, and Overhead Rates Capitalized as Additions to Plant and Equipment	61,509,756.96	64,955
Income from Investments in Subsidiary and Affiliated Companies	9,290,554.23	7,706
Income from Other Investment Securities	1,250,000.—	993
Other Interest and Similar Income	12,905,020.96	8,336
Gain on Disposal of Plant and Equipment	1,203,253.83	1,415
Elimination of Reserves (Undetermined Liabilities) no Longer Required	39,407,197.26	13,373
Other Income	102,157,927.44	50,688
Net Earnings Brought forward from Previous Year	152,034.96	236
Transfer from Reserves		
Reserve for the Share-the-Burden Property Levy	1,300,000.—	1,240
Reserve for Replacement	—.—	875
	5,751,343,721.50	4,573,329

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

Deutsche Revisions- und Treuhand-Aktiengesellschaft
Treuarbeit
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Hanover, April 23, 1963

Schneider
 Auditor

Dr. Apelt
 Auditor

Growth of Volkswagenwerk during the last 10 years ▶

Volkswagenwerk AG (to 8-21-1960 GmbH)		1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
Production											
a) total	number of vehicles	179,740	242,373	329,893	395,690	472,554	553,399	696,860	865,858	959,773	1,112,424
b) average per working day	number of vehicles	673	922	1,247	1,564	1,969	2,295	2,839	3,571	3,902	4,568
c) per employee	number of vehicles	9.3	10.3	11.2	11.6	12.1	13.0	14.1	14.4	14.5	14.9
Domestic Price Trend of Volkswagen 1200 (De Luxe) in Western Germany											
a) gross list price at year-end	DM	5,150.-	4,850.-	4,600.-	4,600.-	4,600.-	4,600.-	4,600.-	4,600.-	4,740.-	4,980.-
b) Index (1953 = 100)		100	94.2	89.3	89.3	89.3	89.3	89.3	89.3	92.0	96.7
Sales											
a) total	in Million DM	818.0	1,064.3	1,407.9	1,715.4	2,037.1	2,422.6	3,055.3	3,932.7	4,422.7	5,517.9
b) domestic sales	% of total sales	68.1	61.9	51.6	49.8	47.4	46.1	44.8	44.8	46.5	45.9
c) export sales	% of total sales	31.9	38.1	48.4	50.2	52.6	53.9	55.2	55.2	53.5	54.1
d) per employee	DM	42,305.-	45,097.-	47,831.-	50,385.-	52,005.-	56,825.-	61,878.-	65,225.-	66,933.-	73,696.-
Average Labor Force											
a) total labor force	persons	19,337	23,601	29,435	34,046	39,171	42,632	49,377	60,295	66,077	74,873
b) salaried personnel	% of total labor force	11.0	10.3	9.4	9.5	9.2	9.4	9.1	8.7	9.4	9.2
c) wage earners	% of total labor force	89.0	89.7	90.6	90.5	90.8	90.6	90.9	91.3	90.6	90.8
Total Gross Output (sales + inventory changes + material, wages, and overhead rates capitalized as additions to plant and equipment)											
	in Million DM	838.0	1,061.6	1,428.2	1,736.2	2,074.1	2,457.4	3,114.0	4,018.4	4,488.5	5,583.7
Cost of Materials											
	% of total gross output	60.8	56.4	59.8	59.2	60.6	59.2	57.7	59.9	61.4	60.9
Labor Costs											
	% of total gross output	14.9	14.5	14.2	13.9	14.1	13.8	13.6	14.3	14.4	14.9
Provision for Depreciation and Write-Down of Investments											
	% of total gross output	4.1	6.2	7.0	8.1	6.1	6.0	5.3	7.7	8.0	6.0
Taxes											
a) total	% of total gross output	12.6	12.8	10.4	9.9	10.8	7.9	10.8	8.9	7.7	10.2
b) on income, earnings, and property	% of total gross output	9.7	10.2	8.2	7.8	8.7	6.0	8.8	7.1	5.9	8.3
Volkswagenwerk AG and its Subsidiary and Affiliated Companies											
Production											
a) total	number of vehicles						557,088	705,243	890,673	1,007,113	1,184,675
b) average per working day	number of vehicles						2,311	2,874	3,683	4,102	4,874
Sales											
	in Million DM	822.0	1,075.7	1,444.3	1,788.2	2,260.3	2,718.6	3,544.2	4,607.0	5,190.1	6,382.2
Average Labor Force											
	persons	19,423	23,843	29,813	34,495	40,038	45,761	55,029	69,234	77,520	87,130

same as Volkswagenwerk GmbH, see above

Growth of Volkswagenwerk during the past 10 years



**Volkswagenwerk
Aktiengesellschaft
Wolfsburg**