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**Report  
for the Year 1975**

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**VOLKSWAGENWERK  
Aktiengesellschaft  
Wolfsburg**

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**'75**

The Supervisory Board of Directors  
and the Board of Management of  
Volkswagenwerk Aktiengesellschaft  
present the Report for the Year 1975  
with their compliments.

Wolfsburg, May 1976

<b>VW Group</b>		1975	1974*	Increase (Decrease)	%**
<b>Sales</b>	in million DM	18,857	16,966	1,891	11.1
<b>Sales</b>	number of vehicles	2,037,857	2,052,359	( 14,502)	(0.7)
<b>Production</b>	number of vehicles	1,948,939	2,067,980	(119,041)	(5.8)
<b>Labor Force</b>	at year-end	176,824	203,730	( 26,906)	(13.2)
<b>Capital Investments</b>	in million DM	941	1,902	(961)	(50.5)
<b>Depreciation</b>	in million DM	1,246	1,148	98	8.5
<b>Cost of Materials</b>	in million DM	10,066	10,068	(2)	0
<b>Labor Cost</b>	in million DM	5,550	5,718	(168)	(2.9)
<b>Net Loss</b>	in million DM	(157)	(807)	650	80.5

\* Where changes have taken place in the method of presentation the previous year's figures have been adjusted accordingly.

\*\* Based on precise figures

## Comparative Summary of Selected Data of the VW Group 1971-1975\*

	1975	1974	1973	1972	1971
Sales (Million DM)	18,857	16,966	16,982	15,996	16,473
Increase (Decrease) as compared to prior year in %	11	0	6	(3)	9
Domestic sales	6,552	5,161	5,364	5,035	5,135
Export sales	12,305	11,805	11,618	10,961	11,338
Export of domestic subsidiaries	7,142	8,547	8,965	7,718	8,210
Sales of foreign producing subsidiaries based on own production	5,798	3,826	3,063	3,539	3,430
Sales (Thousand vehicles)	2,038	2,052	2,281	2,197	2,317
Increase (Decrease) as compared to prior year in %	(1)	(10)	4	(5)	5
In Germany	626	548	619	628	694
Abroad	1,412	1,504	1,662	1,569	1,623
Production (Thousand vehicles)	1,949	2,068	2,335	2,193	2,354
Increase (Decrease) as compared to prior year in %	(6)	(11)	7	(7)	6
In Germany	1,229	1,359	1,720	1,673	1,867
Abroad	720	709	615	520	487
Labor Force at year-end (Thousand employees)	177	204	215	192	202
Increase (Decrease) as compared to prior year in %	(13)	(5)	12	(5)	6
In Germany	118	142	161	149	160
Abroad	59	62	54	43	42
Capital Investments (Million DM)	941	1,902	1,556	1,573	1,947
Increase (Decrease) as compared to prior year in %	(51)	22	(1)	(19)	18
In Germany	594	1,313	928	1,183	1,545
Abroad	347	589	628	390	402

\* Where changes have taken place in the method of presentation we have adjusted the previous year's figures accordingly  
 \*\* Reduced by the allowance for doubtful trade acceptances and accounts

## Balance Sheet (Condensed) December 31

	1975	1974	1973	1972	1971
- Million DM -					
<b>Assets</b>					
Property, plant and equipment	5,810	6,263	5,697	5,261	4,905
Investments	474	636	554	585	584
<b>Property, Plant, Equipment and Investments</b>	<b>6,284</b>	<b>6,899</b>	<b>6,251</b>	<b>5,846</b>	<b>5,489</b>
Inventories and advance payments to suppliers**	2,949	4,117	3,489	2,338	2,514
Receivables and the like**	2,019	1,954	1,691	1,584	1,394
Liquid funds, trade acceptances**	1,619	472	1,151	1,038	445
Securities, own stock	48	54	414	354	313
<b>Current Assets</b>	<b>6,635</b>	<b>6,597</b>	<b>6,745</b>	<b>5,314</b>	<b>4,666</b>
<b>Total Assets</b>	<b>12,919</b>	<b>13,496</b>	<b>12,996</b>	<b>11,160</b>	<b>10,155</b>
<b>Liabilities</b>					
Capital stock	900	900	900	900	900
Reserves of the VW Group***	1,982	2,170	2,878	2,677	2,627
Minority interest in consolidated subsidiaries****	186	188	230	209	189
<b>Stockholders' Equity</b>	<b>3,068</b>	<b>3,258</b>	<b>4,008</b>	<b>3,786</b>	<b>3,716</b>
Undetermined liabilities in respect of old-age pensions	1,143	1,035	878	730	630
Other undetermined liabilities*****	1,740	1,507	1,623	1,604	1,596
<b>Undetermined Liabilities</b>	<b>2,883</b>	<b>2,542</b>	<b>2,501</b>	<b>2,334</b>	<b>2,226</b>
Liabilities payable within more than 4 years	1,595	1,452	852	884	413
1 to 4 years	666	581	448	366	268
1 year	4,705	5,654	5,089	3,694	3,442
<b>Liabilities</b>	<b>6,966</b>	<b>7,687</b>	<b>6,389</b>	<b>4,944</b>	<b>4,123</b>
Outside capital share in net earnings after reserve transfers of Volkswagenwerk AG	—	—	81	81	81
Minority interest in earnings to be distributed	2	9	17	15	9
<b>Outside Capital</b>	<b>9,851</b>	<b>10,238</b>	<b>8,988</b>	<b>7,374</b>	<b>6,439</b>
<b>Total Capital</b>	<b>12,919</b>	<b>13,496</b>	<b>12,996</b>	<b>11,160</b>	<b>10,155</b>

## Statement of Earnings (Condensed) Year ended December 31

	1975	1974	1973	1972	1971
Gross performance	18,351	17,711	18,155	16,250	17,089
Cost of materials	10,066	10,068	9,850	9,098	9,891
Labor cost	5,550	5,718	5,309	4,463	4,416
Depreciation and write-down	1,246	1,148	1,056	992	912
Taxes	404	305	483	600	452
on income, earnings and property	347	241	432	562	418
Sundry expenses less sundry income	1,242	1,279	1,127	891	1,271
Net earnings/net loss	(157)	(807)	330	206	147
Dividend of Volkswagenwerk AG	—	—	81	81	81

\*\*\* Including stockholders' equity in reserves for special purposes and that portion of the Volkswagenwerk AG's net earnings after reserve transfers or in 1974 and 1975 of the loss of Volkswagenwerk AG  
 \*\*\*\* Excluding share in net earnings  
 \*\*\*\*\* Including outside capital in reserves for special purposes

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for the  
Annual Meeting of Stockholders

of  
Volkswagenwerk Aktiengesellschaft  
to be held at 10:00 A.M. on Tuesday, July 6, 1976  
at the Stadthalle in Wolfsburg

1. Presentation of audited financial statements, the report of the Board of Management for 1975, together with the report of the Supervisory Board of Directors, the consolidated financial statements of the VWG Group and related documents for the year 1975.

2. Resolution with respect to discharge of responsibility of the Board of Management for the year 1975.

3. Resolution with respect to discharge of responsibility of the Supervisory Board of Directors for the year 1975.

With respect to items 2. and 3., the Board of Management and the Supervisory Board of Directors propose to be discharged of responsibility.

4. Election of members of the Supervisory Board of Directors.

The Supervisory Board of Directors consists of 21 members of which 14 are representatives of the stockholders and 7 represent the employees of the Company (sections 36, 101 of Stock Corporation Law, section 76 of Works Council Act of 1952, section 129 of Works Council Act of 1972, section 11 of the charter). In accordance with section 12 of the charter of Volkswagenwerk AG the Federal Republic of Germany and the State of Lower Saxony are each entitled to designate two members of the Supervisory Board of Directors as long as they are in possession of Company stock. The stockholders attending the annual meeting have to elect 10 members of the Supervisory Board of Directors, but they are not bound by the nominations submitted.

In accordance with the provisions of the Workers' Participation Act which will come into effect on July 1, 1976 there will be changes in the Supervisory Board of Directors in the near future. It is planned that the Supervisory Board of Directors will be re-elected in 1977. The Supervisory Board of Directors proposes to select the following persons as members of the Supervisory Board of Directors for the next period:

Hans Bröckmann, Bad Salzungen  
Chairman of the Board of Management of Salzgeber AG

Dr. jur. F. Wilhelm Christens, Düsseldorf  
Member of the Board of Management of Deutsche Bank AG

Walter Hasler, Zürich, Switzerland  
VW Exclusive Importer

## In Memory Of Those Who Have Left Our Midst

Dr. phil. o. h. c. Walter Hessebach, Frankfurt  
Chairman of the Board of Management  
of Bark-Dr. Garmisch AG

Hans-Günter Hepp, Berlin  
lifetime member of the Berlin Senate

Hans L. Merkle, Düsseldorf  
Chairman of the Management  
of Robert Bosch GmbH

Dr. rer. pol. h. c. Ludwig Paulsen, Münster  
Chairman of the Board of Management  
of Westdeutsche Landesbank Girozentrale

Karl Gustaf Rätzler, Frankfurt  
Chairman of the Board of Management  
of Metallgesellschaft AG

Dr. jur. Horst Reinolds, Cologne  
Lawyer

5. Appointment of auditors for the year 1975.

The Supervisory Board of Directors proposes to appoint as its prior-year auditors the TREUHAND-ARBEIT-AG, Wirtschaftsprüfungsgesellschaft - Steuerberatungsgesellschaft, Harenberg as auditors for the year 1975.

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In Memory Of Those  
Who Have Left Our Midst

for the  
Annual Meeting of Stockholders  
of  
Volkswagenwerk Aktiengesellschaft  
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at the Stadthalle in Wolfsburg.

1. Presentation of audited financial statements, the report of the Board of Management for 1975, together with the report of the Supervisory Board of Directors, the consolidated financial statements of the VW Group and related comments for the year 1975.
2. Resolution with respect to discharge of responsibility of the Board of Management for the year 1975.
3. Resolution with respect to discharge of responsibility of the Supervisory Board of Directors for the year 1975.

With respect to items 2. and 3., the Board of Management and the Supervisory Board of Directors propose to be discharged of responsibility.

4. Election of members of the Supervisory Board of Directors.

The Supervisory Board of Directors consists of 21 members of which 14 are representatives of the stockholders and 7 represent the employees of the Company (sections 96, 101 of Stock Corporation Law, section 76 of Works Council Act of 1952, section 129 of Works Council Act of 1972, section 11 of the charter). In accordance with section 12 of the charter of Volkswagenwerk AG the Federal Republic of Germany and the State of Lower Saxony are each entitled to delegate two members of the Supervisory Board of Directors as long as they are in possession of Company stock. The stockholders attending the annual meeting have to elect 10 members of the Supervisory Board of Directors, but they are not bound by the nominations submitted.

In accordance with the provisions of the Workers' Participation Act which will come into effect on July 1, 1976, there will be changes in the Supervisory Board of Directors in the near future. It is planned that the Supervisory Board of Directors will be reelected in 1977. The Supervisory Board of Directors proposes to reelect the following persons as members of the Supervisory Board of Directors for the interim period:

Hans Birnbaum, Salzgitter,  
Chairman of the Board of Management of Salzgitter AG

Dr. jur. F. Wilhelm Christians, Düsseldorf,  
Member of the Board of Management of Deutsche Bank AG

Walter Haefner, Zürich, Switzerland,  
VW Exclusive Importer

Kurt Hähnel, Hanover,  
Chairman of the Board of Management  
of Norddeutsche Landesbank Girozentrale

Dr. phil. h. c. Walter Hesselbach, Frankfurt,  
Chairman of the Board of Management  
of Bank für Gemeinwirtschaft AG

Hans-Günter Hoppe, Berlin,  
sometime member of the Berlin Senate

Hans L. Merkle, Stuttgart,  
Chairman of the Management  
of Robert Bosch GmbH

Dr. rer. pol. h. c. Ludwig Poullain, Münster,  
Chairman of the Board of Management  
of Westdeutsche Landesbank Girozentrale

Karl Gustaf Ratjen, Frankfurt,  
Chairman of the Board of Management  
of Metallgesellschaft AG

Dr. jur. Horst Rheinfels, Cologne,  
Lawyer

5. Appointment of auditors for the year 1976.

The Supervisory Board of Directors proposes to appoint, as in prior years, the TREUARBEIT Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft — Steuerberatungsgesellschaft, Hanover as auditors for the year 1976.



Hans Birnbaum, Salzgitter, Chairman,  
Chairman of the Board of Management of Salzgitter AG

Walther Leisler Kiep, Hanover, since March 15, 1976,  
Deputy Chairman since April 23, 1976,  
Minister for Finance of Lower Saxony

Eugen Loderer, Frankfurt, Deputy Chairman,  
Chairman of the Metal Worker Trade Union

Karl Otto Pöhl, Bonn, Deputy Chairman,  
Secretary of State in the Federal Ministry of Finance

Dr. jur. F. Wilhelm Christians, Düsseldorf,  
Member of the Board of Management  
of Deutsche Bank AG

Siegfried Ehlers, Wolfsburg,  
Chairman of the Volkswagenwerk AG's Factory  
Council representing the Wolfsburg Plant

Walter Haefner, Zürich, Switzerland,  
VW Exclusive Importer

Kurt Hähnel, Hanover,  
Chairman of the Board of Management  
of Norddeutsche Landesbank Girozentrale

Dr. phil. h. c. Walter Hesselbach, Frankfurt,  
Chairman of the Board of Management  
of Bank für Gemeinwirtschaft AG

Heinz Hilbich, Hanover,  
Employee of the Volkswagenwerk AG

Hans-Günter Hoppe, Berlin,  
sometime member of the Berlin Senate

Erich Küpker, Oldenburg,  
Deputy Chairman to April 23, 1976,  
former Minister of Lower Saxony

Hans L. Merkle, Stuttgart,  
Chairman of the Management  
of Robert Bosch GmbH

Karl Heinrich Mihr, Kassel,  
Chairman of the Volkswagenwerk AG's Factory  
Council representing the Kassel Plant

Dr. rer. pol. h. c. Ludwig Poullain, Münster,  
Chairman of the Board of Management  
of Westdeutsche Landesbank Girozentrale

Karl Gustaf Ratjen, Frankfurt, since October 31, 1975,  
Chairman of the Board of Management  
of Metallgesellschaft AG

Dr. jur. Horst Rheinfels, Cologne,  
Lawyer

Erich Schilling, Ingolstadt,  
Deputy Chairman of the AUDI NSU AUTO UNION  
AG's Factory Council representing the Ingolstadt Plant

Dr. rer. pol. Otto Schlecht, Bonn,  
Secretary of State in the Federal Ministry of Economics

Kurt Ernst Schmiedl, Emden,  
Chairman of the Volkswagenwerk AG's Factory  
Council representing the Emden Plant

Josef Schuster, Wolfsburg,  
Member of the Volkswagenwerk AG's Factory Council  
representing the Wolfsburg Plant

**The following members of the Supervisory Board of  
Directors have resigned :**

Dr. jur. Josef Rust, Kassel, with effect from June 30, 1975,  
former Secretary of State

Helmut Kasimier, Hanover, with effect from March 15, 1976,  
former Minister of Lower Saxony

During the year under review the Board of Management has kept the Supervisory Board of Directors currently informed as to the status of the Company, its business activity and its proposed business policy. The transactions which are subject to the approval of the Supervisory Board of Directors in accordance with the law and the Company's charter were discussed in detail at the meetings of the Supervisory Board of Directors and its committees before a resolution was passed. A continuous control was exercised by the Supervisory Board of Directors on the conduct of the business with the written and oral reports from the Board of Management being used as a basis for this.

The Group's consolidated financial statements and the financial statements of Volkswagenwerk AG as at December 31, 1975 as well as the annual report have been placed before the Supervisory Board of Directors. The auditors, the TREUHAND-Andersgesellschaft Wirtschaftsprüfungsgesellschaft - Steuerberatungsgesellschaft, Hannover have received these financial statements as well as the annual report and the accounts and have expressed unqualified approval of the financial statements of the Company.

The Supervisory Board of Directors states that its own review of the financial statements of Volkswagenwerk AG and the annual report disclosed no irregularities. The Supervisory Board of Directors concurs with the report of the audit and the auditor's report and has approved the report prepared by the Board of Management, which is hereby confirmed.

Dr. jur. Josef Rüst, Karlsl, resigned from the Supervisory Board of Directors with effect from June 30, 1975.

Toni Schmücker  
Chairman of the Board of Management,  
since February 10, 1975

Horst Backsmann  
Public Relations, Questions of National Economy,  
Legal Matters and Auditing

Prof. Dr. techn. Ernst Fiala  
Research and Development

Dr. jur. Peter Frerk  
Personnel and Social Matters

Günter Hartwich  
Production

Horst Münzner  
Purchasing and Material Administration

Dr. rer. pol. Werner P. Schmidt  
Sales, since August 1, 1975

Gottlieb M. Strobl  
AUDI NSU AUTO UNION AG Division

Prof. Dr. rer. pol. Friedrich Thomée  
Finance and Business Administration

**Resigned from the Board of Management:**

Dr.-Ing. E. h. Rudolf Leiding  
Chairman of the Board of Management, with effect  
from January 10, 1975

Wolfsburg, April 1976

Chairman of the Supervisory  
Board of Directors

**Supervisory Board of Directors  
(Aufsichtsrat) (Vorstand)**

**Walter Bismeyer, Stuttgart, Chairman**  
Chairman, Management Board of Mercedes-Benz AG  
since January 12, 1978

**Walter Leber, Krefeld, Member**, since March 15, 1978  
Deputy Chairman since April 29, 1978  
Public Relations, Mercedes-Benz AG  
Legal Matters and Auditing

**Eugen Lehner, Frankfurt, Member**, since July 1, 1978  
Chairman of the Board of Directors of the  
Research and Development

**Karl Otto Post, Bonn, Deputy Chairman**  
Secretary of State in the Federal Government  
Federal and Social Matters

**Dr. rer. oec. Wilhelm Christoph, Düsseldorf**  
Member of the Board of Directors of the  
German Hypothekendarlehenbank AG  
Production

**Georg Dietz, Wolfenbüttel, Member**  
Chairman, Board of Directors of the  
Council representing the Volkswagen Group

**Dr. rer. oec. Hans-Joachim Lauth, Stuttgart**  
Deputy Chairman of the Board of Directors  
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Deputy Chairman of the Board of Directors  
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## Report of the Supervisory Board of Directors

Report of the  
Board of Management

During the year under review the Board of Management has kept the Supervisory Board of Directors currently informed as to the status of the Company, its business activity and its proposed business policy. The transactions which are subject to the approval of the Supervisory Board of Directors in accordance with the law and the Company's charter were discussed in detail at the meetings of the Supervisory Board of Directors and its committees before a resolution was passed. A continuous control was exercised by the Supervisory Board of Directors on the conduct of the business with the written and oral reports from the Board of Management being used as a basis for this.

The Group's consolidated financial statements and the financial statements of Volkswagenwerk AG as at December 31, 1975 as well as the annual report have been placed before the Supervisory Board of Directors. The auditors, the TREUARBEIT Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Hanover have received these financial statements as well as the annual report and the accounts and have expressed unqualified approval of the financial statements of the Company.

The Supervisory Board of Directors states that its own review of the financial statements of Volkswagenwerk AG and the annual report disclosed no exceptions. The Supervisory Board of Directors concurs with the results of the audit and the auditors' report and has approved the yearly report prepared by the Board of Management, which is hereby confirmed.

Dr. jur. Josef Rust, Kassel, has resigned from the Supervisory Board of Directors with effect from June 30, 1975.

In accordance with section 104 AktG Mr. Karl Gustaf Ratjen, Chairman of the Board of Management of Metallgesellschaft AG was elected as a new member of the Supervisory Board of Directors.

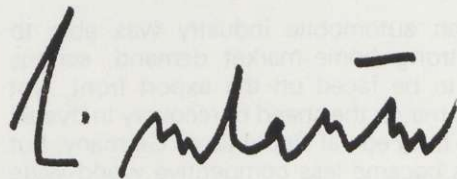
Dr. Rust has been closely connected with the expansion of the Volkswagenwerk AG since 1951, first as a member of the Advisory Board, then as a member of the Supervisory Board of Directors and for a number of years as chairman of that board. The Supervisory Board of Directors is taking this opportunity of expressing its appreciation to Dr. Rust for his many years of activities and services rendered.

On March 15, 1976 the State of Lower Saxony delegated Mr. Walther Leisler Kiep, Minister for Finance of Lower Saxony to replace Mr. Helmut Kasimier as a member of the Supervisory Board of Directors. This was done in accordance with section 12 of the charter. The Supervisory Board of Directors expresses its thanks to Mr. Kasimier for his services rendered and for his valuable counsel.

With effect from August 1, 1975 Dr. rer. pol. Werner P. Schmidt has been reappointed to take charge of Sales and Mr. Horst Münzner was reassigned to the Purchasing and Material Administration sector of responsibilities. Mr. Gottlieb M. Strobl was at the same time appointed a successor to Dr. Werner P. Schmidt as Chairman of the Board of Management of AUDI NSU AUTO UNION AG.

Mr. Strobl also remains on the Board of Management of Volkswagenwerk AG to represent AUDI NSU AUTO UNION AG matters.

Wolfsburg, April 1976



Chairman of the Supervisory  
Board of Directors

Production Trend within the Automobile Industry  
(in millions of units – logarithmic scale)

The far-reaching disturbances to the economic equilibrium which characterized the course of events in 1974 continued initially unabated in the report year. The German exporting industries, which had acted as a significant prop to the economy during preceding recession phases, were confronted with a serious collapse in world-wide demand.

Uncertain future prospects caused both investors and consumers to exercise restraint in spending. Automobile sales were also seriously affected by this development. Inadequate utilization of industrial capacity and extensive cutbacks in production led to a rise in unemployment, and thus strengthened consumers' resolve to save and the reluctance of businessmen to invest.

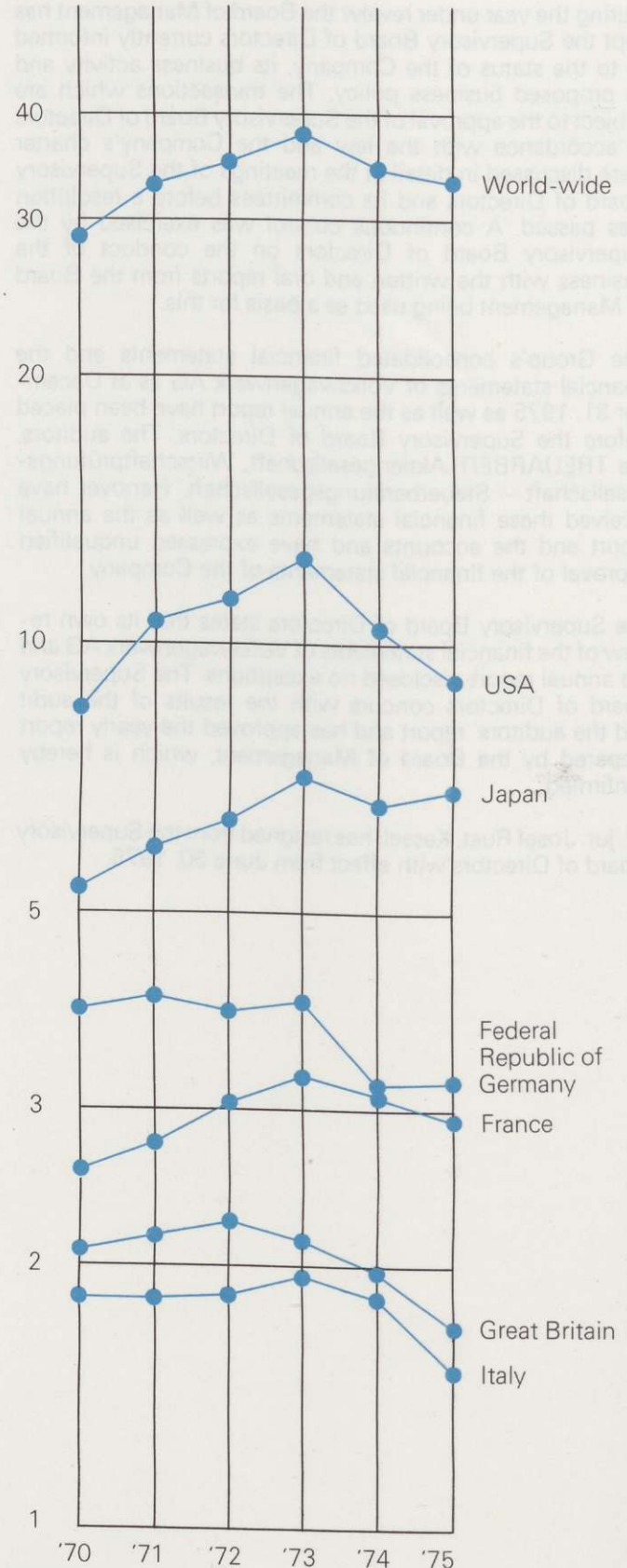
During the spring of 1975, when the general economic recession had reached its lowest ebb, a change for the better began to materialize on the German automobile market. Up until then, there had been no sign of an increase in the demand for automobiles preceding any general economic recovery. For this reason, Germany's motor vehicle manufacturers remained initially pessimistic as to the lasting nature of this trend.

As the year progressed, however, the postponed demand for new vehicles which had accumulated since the middle of 1973 began to make itself increasingly evident. Automobile sales were encouraged by the appearance of new, attractive compact models in a class which took due account of increased economy awareness on the part of motorists, and also by extended warranty periods and improved vehicle basic equipment specifications. In view of customers' increased real incomes and savings and a relaxation in credit terms compared with the previous year, they experienced no difficulty in arranging payment for new purchases.

Accordingly, new passenger car registrations in the Federal Republic of Germany rose in 1975 by almost a quarter, and even exceeded the level reached in the "typical" year 1973 by 4.2%.

Whereas the German automobile industry was able to benefit from this strong home-market demand, serious sales setbacks had to be faced on the export front. Not only did few markets match the speed of recovery in overall demand recorded in the Federal Republic of Germany, but the German vehicles became less competitive world-wide as a result of successive increases in price, resulting from some years of currency revaluations and rising costs.

The pattern of trade exhibited by the VW Group's German producing companies – Volkswagenwerk AG and AUDI NSU AUTO UNION AG – conforms closely with the general pattern of developments within the German automobile industry. Although the Group sold more automobiles on the home market, export sales – particularly in the USA – faced difficulties on account of our products' high price levels. After the sales losses incurred during 1974, however,



the positive reception afforded to the VW Group's new generation of models led to a distinct recovery and indeed to significant growth rates on European markets. All in all, the VW Group was able to improve its share of the European market (including the Federal Republic of Germany) from 10.7 to 12.0%.

Sales from our producing and assembly companies in Brazil and Nigeria to their dealer organization rose, but our subsidiaries in South Africa and in particular in Mexico traded with less success than in the previous year.

The severe drop in potential sales abroad, and more specifically in the USA, forced the VW Group to cut back its labor force considerably at the beginning of 1975. The unavoidable measures introduced in this connection contributed greatly towards improving the situation of our company. As demand again rose unexpectedly during the second six months of the year, it became necessary in certain divisions of the company's operations to replace natural labor force wastage and thus prevent the newly-achieved lower labor force levels from dropping still further. Saturday overtime working was in fact negotiated for a limited section of the labor force.

The reorganization of the dealer structure commenced in 1975 by combining the retail dealer levels of Volkswagen and Audi was pursued in a second phase by restructuring of the distributor level. The new general agencies established at the end of 1975 in conjunction with our previous distributors have thus taken over the distributing function for products of the VW Group. These larger and thus more efficient business units represent a means of combating pressure from competitors and from rising prices which should have a lasting effect. Furthermore, the VW Group is confident that the streamlined sales organization will not only strengthen the position of its dealers but also ensure improved service to customers. On export markets, integration of the sales organizations at both importer and dealer levels is to a large extent complete.

Increased efforts mainly directed towards reducing costs led to a reversal of the earnings pattern in 1975. Both the VW Group as a whole and the Volkswagenwerk AG were trading profitably again during the final months of the year under review. However, the earned profits were not sufficient to cancel out the losses incurred in previous months, the more so since additional expenditure of quite considerable magnitude was necessary during the same period, in particular for cancellation of labor contracts.

Despite inadequate utilization of available capacity it has proved possible to keep the net loss well below the previous year's figure. The VW Group will declare a net loss for the 1975 business year of DM 157 million.

The Volkswagenwerk AG's net loss for the 1975 business year is DM 145 million. After taking into account the loss brought forward from 1974 and a reduced transfer from

the reserve for the Share-the-Burden Property Levy a loss of DM 693 million is shown and we have carried forward this sum. The Board of Management is confident that the loss brought forward can be offset through profits from future years' trading results.

The loss shown does not permit us to pay a dividend in respect of the 1975 business year.

### Business Trends and Developments during 1975

#### Sales Trend

During the year under review, the VW Group delivered 2,109,045 vehicles to customers, thus improving by 4.0% on the previous year's figure. However, in order to reduce the number of vehicles in stock, sales to the dealer organization were lower, at 2,037,857 vehicles, and were thus slightly below the 1974 figure.

Within the Federal Republic of Germany the VW Group delivered 624,540 vehicles to customers, 14.1% more than in 1974. The topselling model in the VW range – the lower end of which was rounded off by the introduction of the Polo in 1975 – was the Golf. With some 167,400 units registered, this model headed the list of new vehicle registrations in the Federal Republic of Germany. The VW Commercial retained its status as market leader in its class, and the company's range of models was extended by the introduction of the VW LT Goods Vehicle.

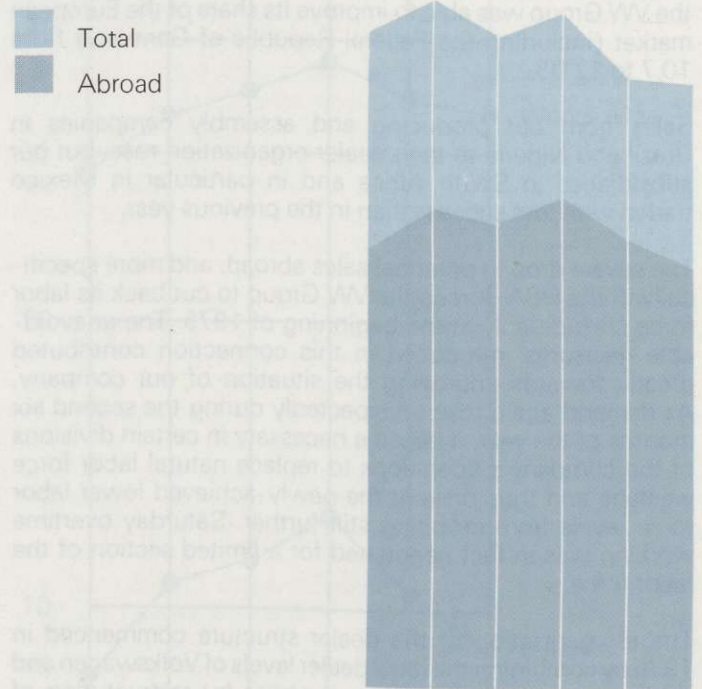
The VW Group obtained a 27.3% share of total new vehicle registrations. Although the previous year's figure of 29.6% was not equalled, it should be remembered that the effect of the introduction of the Golf, Scirocco and Audi 50 models during 1974 was exceptionally beneficial.

The weak economic situation on European export markets had a negative influence on the demand for automobiles in these countries. Total vehicle sales by all suppliers fell below the 1974 level. Despite this unpromising initial situation, the VW Group was able to increase deliveries to 402,450 units, a 13.8% improvement.

This success was primarily due to a good market reception for the new model range, aided by specific influences in the various countries concerned: in France, for instance, our deliveries to customers rose by 18.7%, the improvement being shared between the Golf and Passat and the various Audi models. The trend was reinforced by government economic policy action, which benefited the entire demand for automobiles. In the Netherlands where very low demand in the previous year had given rise to a pronounced renewal requirement, Volkswagen and Audi vehicles were able to record an above-average increase in sales of 24.4% for 1975. In Italy, sales were positively influenced by an improved position for the Group's models in relation to the competition. In Great Britain, inability on the part of the national manufacturers to satisfy demand was exploited by the suppliers of imported vehicles: this strong demand for foreign vehicles benefited the VW Group in turn and resulted in a 13.2% increase in our sales. Only Finland suffered any significant drop in sales during 1975.

In the USA, the VW Group was forced to accept a further noticeable drop in sales to 329,585 vehicles, 17.8% less than in the previous year. This trend was in contrast to developments on the German and on other European markets during 1975. Although sales of imported vehicles continued to rise, despite a weakened overall passenger car

Sales Pattern of the VW Group (vehicles in million)



market, delivery difficulties at intervals together with the high price level caused by increased production costs in the Federal Republic of Germany constituted an increasing disadvantage in relation to certain competitors, which had a particularly adverse effect on Volkswagen vehicle sales. The Volkswagen of America's share of vehicles sold in total American passenger car sales fell in 1975 from 4.3 to 3.6%.

Group sales in Brazil took an upturn of 10.5%; the improvement in South Africa was 6.1%. In Mexico, on account of a general downward trend on the market, deliveries to customers were slightly below the previous year's level.

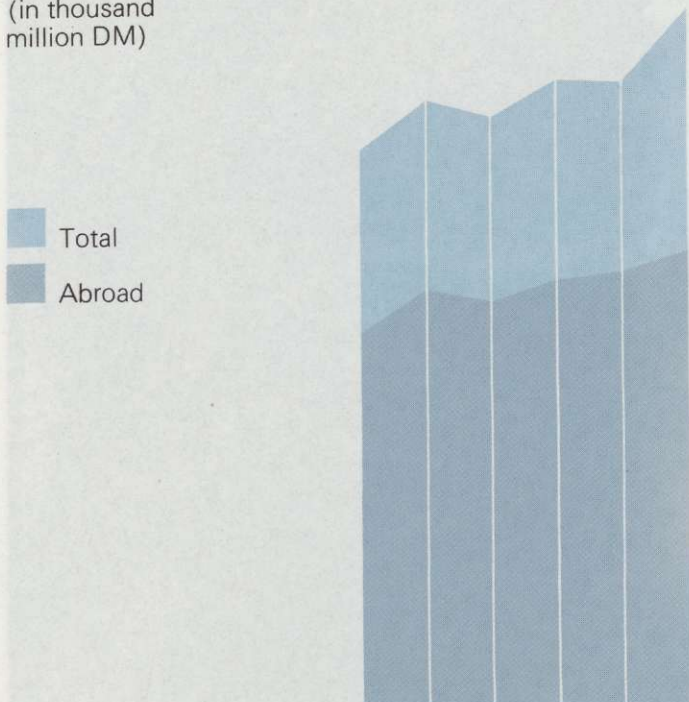
*The Golf – the most popular Volkswagen and most often purchased car in the Federal Republic of Germany*





## Business Trends and Developments during 1975

VW Group's Turnover Pattern (in thousand million DM)



### Turnover

The sales proceeds rose by 11.1% to DM 18,900 million. In Germany an increase of 27.0% to DM 6,600 million was achieved. Since the proceeds from export sales only rose by 4.2% to DM 12,300 million the export share of Group's sales proceeds dropped to 65.3 (69.6) %.

### Production

In 1975 the VW Group manufactured 1,948,939 vehicles world-wide, this figure being 119,041 vehicles or 5.8% less than in the previous year.

Due to consumers' reluctance to purchase, which persisted until halfway through the year, the Volkswagenwerk AG's production fell by 9.5% to 1,121,937 vehicles. This total includes 84,343 Audi 50 cars (1974: 22,146) manufactured in Wolfsburg for sale by the AUDI NSU AUTO UNION AG. This circumstance explains why the latter company's total production of 205,218 units lay well below the number of cars actually sold; AUDI NSU production fell by 23.0% compared with 1974.

Production from VW Group companies abroad rose only slightly in 1975 compared with the trend in previous years. Output from Volkswagen do Brasil rose by 9.5% to 502,580 units, but a deterioration in sales prospects led to production at Volkswagen de Mexico being eased back by 6.6%, to

106,937 units. The Belgian subsidiary of Volkswagenwerk AG assembled 75,175 units during 1975, a total 25.9% below the previous year's result. Volkswagen of South Africa manufactured 49,885 automobiles, which was a slight increase as compared to the previous year.

At 8,757 units, average output per working day within the VW Group in 1975 was well below the 1974 figure of 9,893 units. Output of the Golf, so far manufactured only within the Federal Republic of Germany, averaged 1,882 units, and thus almost equalled world-wide average output of the Beetle of 1,952 units per working day. Average Passat output per working day was 1,196 units.

The various Group companies shared in the average working day output figure as follows:

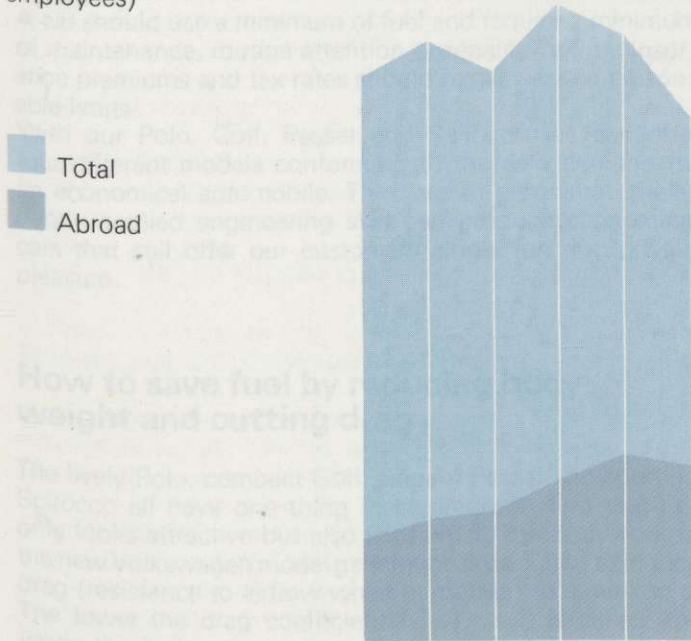
	Vehicle output per working day
Volkswagenwerk AG	4,699*
Volkswagen do Brasil	2,054*
AUDI NSU AUTO UNION AG	933
Volkswagen de Mexico	486
Volkswagen Bruxelles	371
Volkswagen of South Africa	214

\* excluding knocked-down vehicles produced in the VW Group

An active exchange of deliveries and services between the various companies within the VW Group manifests itself in practice in the supply of finished products and productive equipment.

The changing situation of the automobile industry during 1975 and in addition the work of converting our production facilities to deal with our new range of models called for a high degree of flexibility on the part of our suppliers. Our thanks are expressed herewith to all concerned for their understanding attitude and support in the solution of the various problems which were encountered.

VW Group's Employment Pattern (in thousands of employees)



Pattern of Capital Investments and Provision for Depreciation and Write-down of Investments (in thousand million DM)



**Labor Force**

The VW Group labor force fell during 1975 to a figure of 176,824 at the end of the year, a 13.2% reduction. This was due to measures taken to match output to automobile market demand, which still showed a tendency to drop at the beginning of the year.

At the end of 1975, the Group's domestic companies employed 117,667 persons, 24,113 or 17.0% less than a year previously. Group companies abroad were also forced to reduce their labor forces during the year under review, to a total of 59,157 persons — a 4.5% drop.

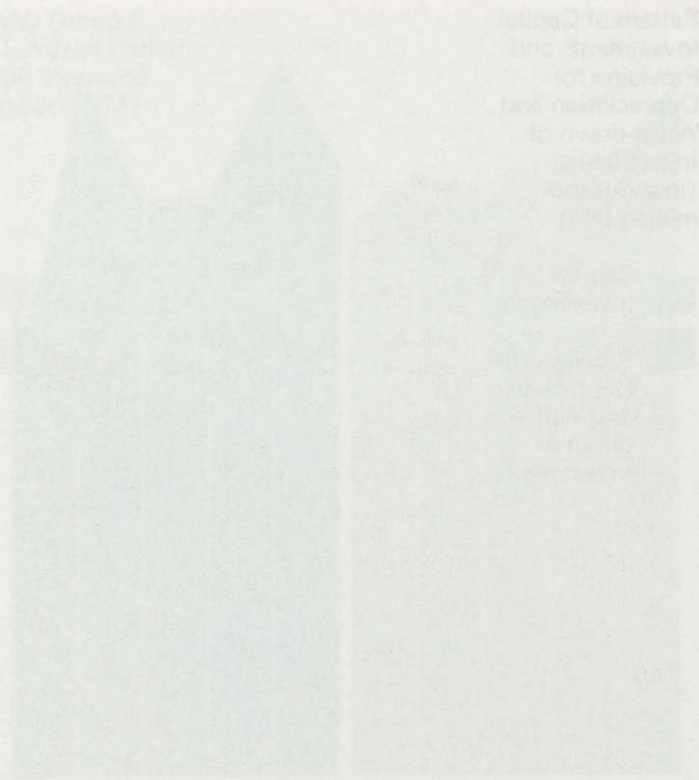
The cost of labor within the VW Group for the business year 1975 was DM 5,550 million, 2.9% below the previous year. It represented a 29.4% element in total turnover, compared with 33.7% in 1974. Wage and salary increases both at home and abroad, however, together with the costs of cancellation of labor contracts at Volkswagenwerk AG and AUDI NSU AUTO UNION AG, prevented further savings in labor costs.

**Capital Investments**

The considerable drop in capital investments by the VW Group of 50.5% to DM 941 million compared with the previous year is principally due to the fact that conversion of the Volkswagenwerk AG's production facilities for the manufacture of the new models was already largely completed during 1974. VW Group's domestic companies invested a total of DM 594 million, 54.7% less than in the previous year.

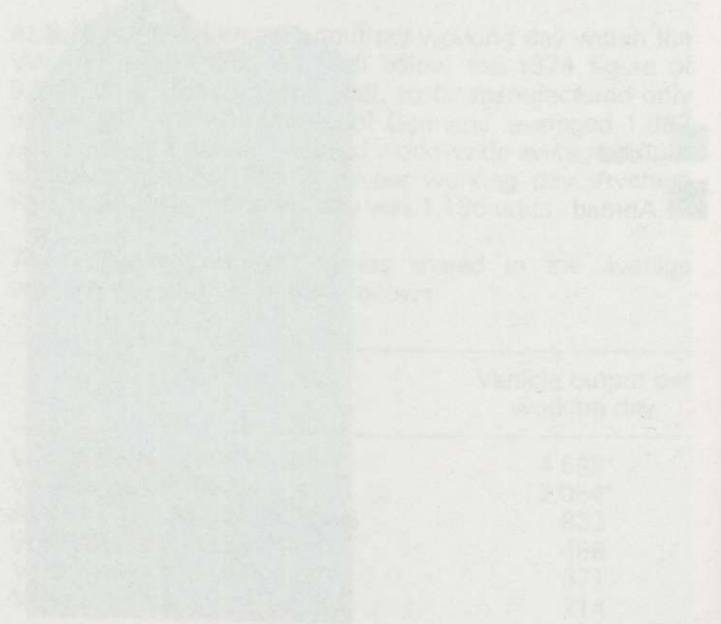
Since Volkswagen do Brasil and Volkswagen de Mexico considerably reduced their capital investments in view of the change in the market situation, total investments abroad were also lower, at DM 347 million. This represented a drop of 41.0% compared with 1974.

# The new Model Generation Safe, High-grade and Economical



Production and investment in the VW Group are growing steadily. The VW Group's production and investment in the year 1992 reached 2.3 million units and 2.3 billion DM, respectively.

With a new model generation, the VW Group is offering a wide range of vehicles. The VW Group's production and investment in the year 1992 reached 2.3 million units and 2.3 billion DM, respectively.



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## Capital Investment

The VW Group's capital investment in the year 1992 reached 2.3 billion DM, which is a record for the VW Group. The VW Group's capital investment in the year 1992 reached 2.3 billion DM, which is a record for the VW Group. The VW Group's capital investment in the year 1992 reached 2.3 billion DM, which is a record for the VW Group. The VW Group's capital investment in the year 1992 reached 2.3 billion DM, which is a record for the VW Group.

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## Tomorrow's cars will be economical cars

Today, it has become impossible to build cars as they were built even five years ago.

Times have changed. And car-owners' requirements too. From today's cars, one thing above all others is expected: economy.

A car should use a minimum of fuel and require a minimum of maintenance, routine attention or repair work. Its insurance premiums and tax rates should remain within reasonable limits.

With our Polo, Golf, Passat and Scirocco we can offer four different models conforming to the new demand for an economical automobile. They are all proof that intelligently applied engineering skill can produce economical cars that still offer our customers ample fun and driving pleasure.

### How to save fuel by reducing body weight and cutting drag

The lively Polo, compact Golf, elegant Passat and sporting Scirocco all have one thing in common: styling that not only looks attractive but also saves fuel. The bodywork of the new Volkswagen model generation is designed to reduce drag (resistance to airflow when in motion) to a minimum. The lower the drag coefficient ( $C_w$ ), as it is called, the lower the fuel consumption and the higher the maximum speed.



*Good aerodynamic styling saves fuel*

### Less fuel, higher output

The key feature of the new Volkswagen model generation is a range of exceptionally efficient engines which none the less use surprisingly little fuel.

All of them share a performance characteristic based on the ability to run freely up to high engine speeds and deliver generous torque over a broad rev-band.

And in addition, the engine designers have done everything possible to reduce fuel consumption.

The result: whether driven fast on motorways or through dense city traffic, the new Volkswagen models need proportionately less fuel.



*The Polo — a top speed of 82 mile/h from only 900 cm<sup>3</sup>*

## Specifying steel-braced radial ply tires for all Volkswagen models has cut fuel consumption by up to 5 %

Steel-braced radials, with their broader contact patch and higher tread shoulders, make driving less subject to unpredictable handling changes and thus safer.

But there is another reason for our having equipped all new-generation Volkswagen models with steel-braced radials:

they become more economical – in two ways.

Firstly, rolling resistance is reduced, and this alone can cut fuel bills by up to 5 %.

Secondly, the tires themselves last longer than average.

## Extended maintenance intervals for all Volkswagen models

Polo, Golf, Passat and Scirocco now need servicing only once a year or every 15,000 km (approx. 10,000 miles). An engine oil change is now due only twice a year every 7,500 km (approx. 5,000 miles); it takes very little time and, since these cars need only an average of 3 liters (5.3 Imp. pints, 3.2 US quarts) of oil for an engine oil change, the owner's maintenance costs go down in proportion.

And the new Volkswagen models not only need servicing at less frequent intervals – the actual amount of maintenance work involved has also been cut to a minimum.

Computer diagnosis, too is an economy factor. This electronic system checks all the major items that could require repair or adjustment. It simplifies fault-tracing and reduces the time each car spends off the road.

## Designing for ease of servicing speeds up repair work

Instead of pretending that a Volkswagen never needs a repair job, we have thought carefully about how to make the work easier.

All the main assemblies in the engine compartment are so easy to reach, that repairs or adjustments to carburetor, ignition system or valve gear can be carried out without any time-wasting – and expensive – preparations.

Common bodywork damage, for example a crumpled mudwing, is rapidly put right on a Volkswagen, because all these models have the front wings no longer welded on but bolted to the body structure. This principle, so successfully employed on the Volkswagen Beetle, saves time in the repair shop – and there, as everywhere, time is money.



*The Passat – space and luxury in the larger family car class*

# A new car without built-in safety is not really new at all

What makes a new car new? Certainly not just a new bumper, a few extra chromium trim strips or a general face-lift. No — genuinely new and advanced design is often concealed under the skin, in the form of new safety engineering features. Surveys have shown that safety is the fourth purchase motive mentioned by automobile customers, following styling, economy and initial cost. Despite this result, we at Volkswagen continue to put safety in first place on our list of design requirements. All new-generation Volkswagen models incorporate a safety program which clearly reflects the vast steps forward which have been made by our engineers. We would hesitate to call the new Volkswagen models new unless they left our factories complete with every new safety feature we can install.

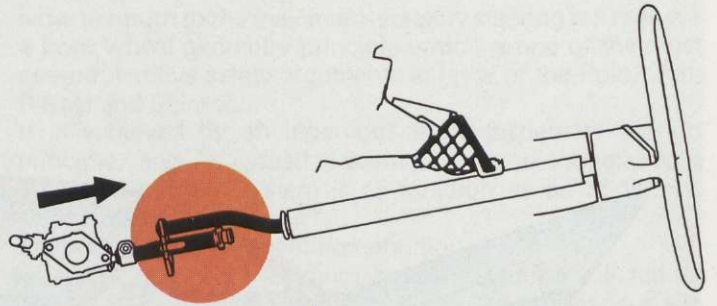
## Safety without extra weight

There was a time when safety in automobile construction was firmly linked with the concept of heavy weight and tremendous rigidity.

This concept is well out of date. Modern safety research has reached different, more subtle conclusions. One of them is that there is no need to build in unnecessary weight.

Reduced weight makes a car more lively, easy to handle and control — and thus automatically safer.

*The Passat's safety steering column*

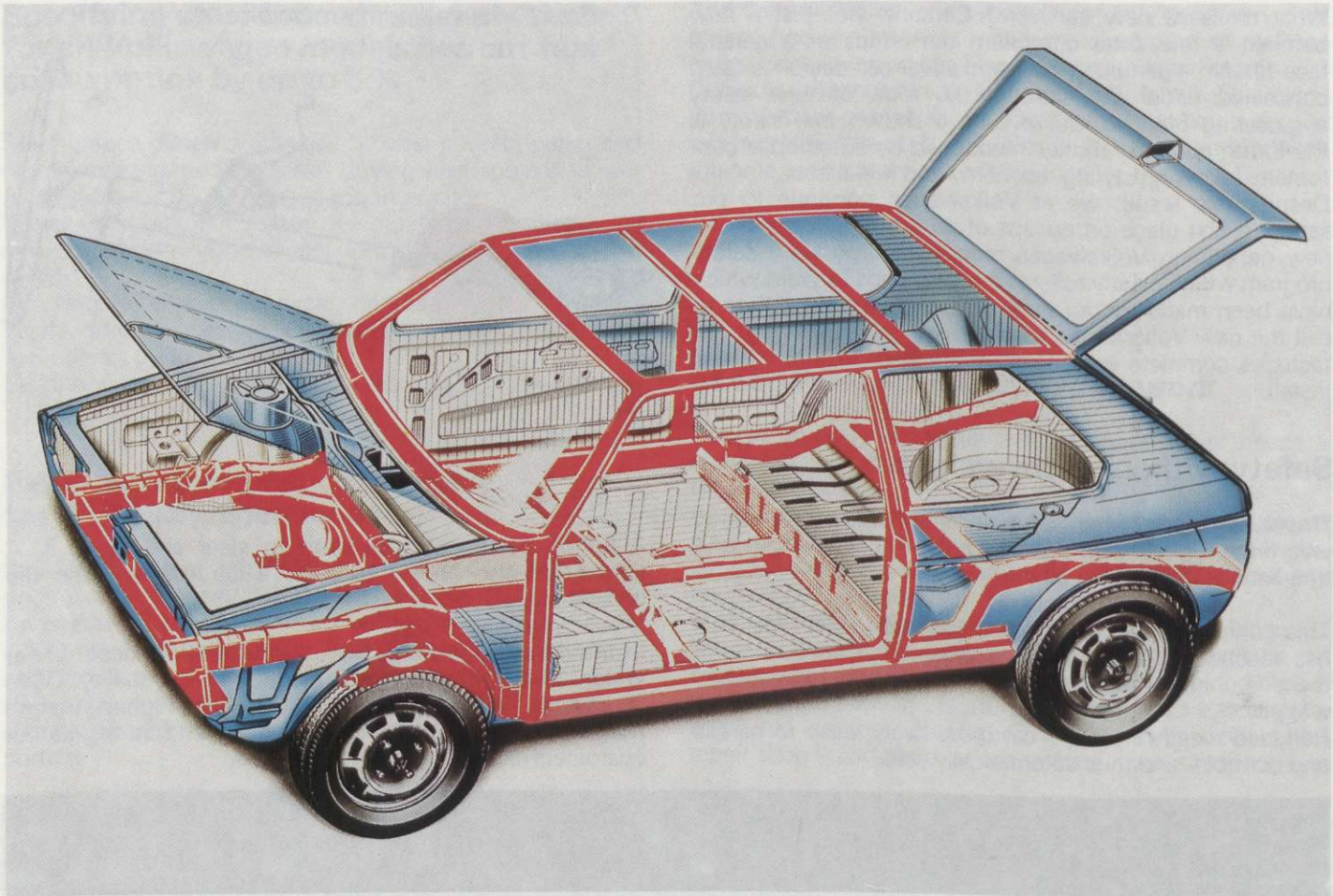


A lighter car needs less effort to steer and brake it. A lighter car also consumes quite a lot less fuel and tire wear is lower.

In the case of the Polo, Golf, Passat and Scirocco, lower weight is far from being the same as lower quality. Quite the reverse: new production techniques and higher-strength materials make these models as tough and strong as our customers expect a Volkswagen to be.



*The Scirocco — a sports coupé with style*



*Stable passenger cell providing better occupant protection*

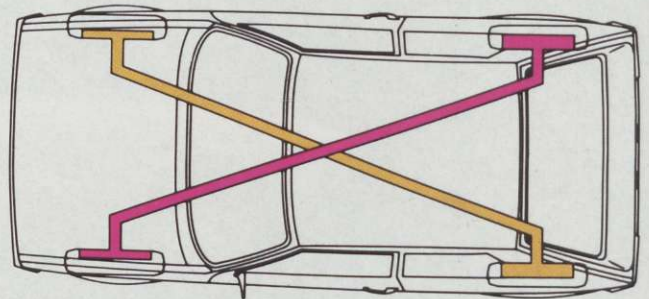
### **Effective 'active safety' measures reduce accident frequency**

Naturally enough, we have devoted particular effort to increasing active safety – the ability to avoid accidents.

Take front-wheel drive, for instance. Its special advantages are low sensitivity to side winds – thanks to a favorably placed center of gravity – and good traction – thanks to the weight of the engine acting almost directly down on the front wheels. Front wheels drive cars are noted for exceptionally true straight-line running, as well.

On wet roads and in slush or snow, front wheel drive combined with the steel-braced radial tires which are standard equipment can offer even greater advantages.

Despite detail variations in the suspension systems used, the rear axles of all new Volkswagen models have one feature in common: good roadholding and handling and good traction – aided by low unsprung weight. Robust, straightforward construction and freedom from maintenance are other typical benefits.



*The new Volkswagen generation's diagonally-split dual-circuit brake system*

Behavior when braking is certainly one of the main contributory factors in the prevention of road accidents.

All new-generation Volkswagen models therefore possess the same highly effective system in principle:

a diagonally-split dual-circuit brake system with disc front brakes, coupled with maximum-stability steering roll radius.

This brake system ensures that a good braking effect remains available even if one brake circuit should fail.

In this case one front wheel and one rear wheel are still braked.

Another factor which gets a lot of attention from our designers is all-round vision. This is an important element in active road safety: a driver with a good view of events all round him is a better driver. The accompanying drawing clearly demonstrates that the blanked-off areas where other road users could be hidden from the driver's view have been almost completely eliminated. On the Golf, they amount to no more than 15% of the total viewing circle, an unusually good result.

Last but not least, active safety calls for light-action steering – in other words, steering that reacts responsively but also accurately to the driver's wheel movements. Zig-zag tests have proved the new Volkswagen generation to be admirably safe in this respect too.



*The Polo during slalom test-suspension rates and steering make accurate control easy*

## Maximum-stability steering roll radius

Now to return to the maximum-stability steering roll radius – a front wheel geometry principle which is one of the most powerful active safety arguments in favor of the Polo, Golf, Passat and Scirocco.

It is achieved by an ingenious front suspension design principle, and is indeed essential if the diagonally-split dual-circuit brake system is to function as an additional safety feature.

So much for the engineering definition.

In actual use, the maximum-stability steering roll radius acts as follows: if one front wheel is on a rougher surface than the other front wheel when the brakes are applied it automatically turns inwards. This tends to resist any pulling to one side or even skidding away from the intended direction of travel.

This kind of situation can arise, for instance, if you are forced on to the motorway soft shoulder or on to loose surfaces at the edge of the road, or when the brakes are applied and one wheel passes over a patch of oil or ice. The principle also comes into action if a tire suddenly goes flat or one front brake ceases to operate – perhaps because one of the two diagonally-split brake circuits has failed.



*Maximum-stability steering roll radius in action – a new step forward in vehicle chassis engineering*

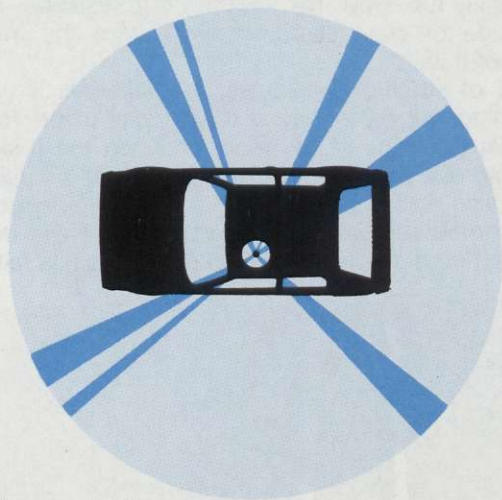


# Styling alone doesn't make a car modern

Cars that hope to demonstrate how modern they are by regular styling changes alone are likely to fail in their objective of convincing the customer to an increasing extent in the years to come.

Increasing traffic density, shortage of parking space and the rising cost of materials today make it essential for us to design cars with more to offer than elegant styling alone. The modern car must somehow match the comfort standards of a larger car within the most compact overall dimensions which are practicable. It must possess every advanced engineering feature, yet be economical to run and maintain.

The new Volkswagen models satisfy all these demands. With attractive styling as a bonus, so to speak.

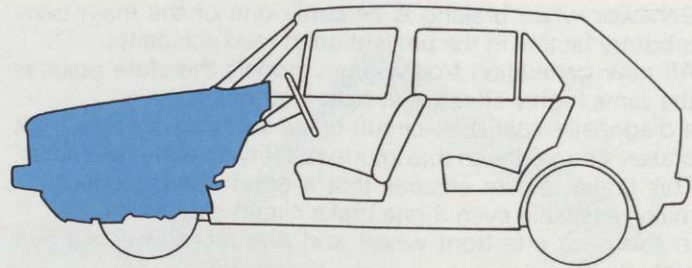


*85% all-round vision – an exceptionally good value*

## Key features of the new Volkswagen generation: advanced engineering in a compact package

When it comes to a discussion of 'size' in real terms, the Polo, Golf, Passat and Scirocco win whichever way you look at it: they are compact in their road-space requirements, but large when the useful interior space is measured.

The Polo, for example, shortest of the new Volkswagen model generation at only 3.50 m (11 ft 6 in), can offer a seating area no less than 2.32 m<sup>2</sup> (25.0 ft<sup>2</sup>) in extent – an exceptionally fine achievement in the available length. On the Passat, the gains become even more obvious: although this model is only 4.20 m (13 ft 9 in) long – only 13 cm (5 in) more than a Volkswagen Beetle – it offers almost 1 m<sup>3</sup> (35 ft<sup>3</sup>) more usable interior volume. Such unusually spacious interiors have been made possible on the Polo, Golf, Passat and Scirocco by new space-saving design methods, with the result that the ratio between occupant and luggage space and the engine compartment is approximately 5 to 1.



*5:1 – an excellent ratio between usable interior space and mechanical equipment*

## The practical 'tailgate' has many advantages

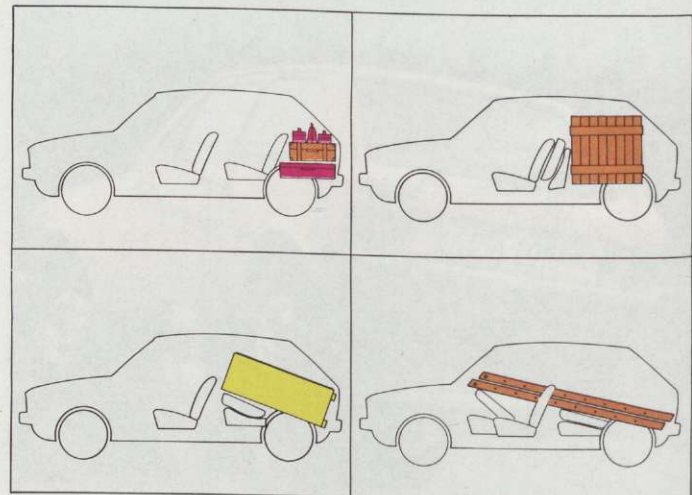
The Polo, the Golf, the Scirocco sports coupé and – in one of its versions – the Passat provide an additional user benefit in the form of a body design concept that makes these cars truly universal in day-to-day use: a large-area tailgate, combined with a variable-layout luggage space.

The tailgate – no less than 1.5 m<sup>2</sup> (16.1 ft<sup>2</sup>) in area on the Passat, for instance – enables even bulky objects to be loaded without difficulty.

The luggage space normally available can be increased to almost three times its former volume in a few simple operations.

All you need to do is fold the rear seat forwards. On the Golf, for example, this creates a full-height load space approaching 1,100 liters (39 ft<sup>3</sup>) in extent. And if the passenger's seat can be slid forwards and its back folded, almost the entire length of the car's interior can be used if necessary.

Similar variations on the tailgate theme can be put into effect on the Polo, Passat and Scirocco – all the more surprising in the case of the Scirocco, which remains none the less a sports coupé to delight the enthusiast.



*Load-space variations on the Polo, Golf, Passat and Scirocco – all models with a large-area tailgate and the ability to vary luggage space to suit your needs*

## Real comfort is not the same as luxury

The overall dimensions of a modern car scarcely ever provide a real clue as to the interior comfort it offers.

Take for example the Golf L. Its high standard of comfort begins as soon as you get in. The exceptionally wide doors open to an angle that lets even those who are no longer quite so slim enter the car without effort or acrobatics.

A truly comfortable car, in addition, is a quiet one. This explains the trouble we have taken to insulate the occupants from noise.

The instrument panel, with its genuinely anti-glare dials, is excellently positioned, and all the controls and switches, including the radio, are within the driver's easy reach and direct field of view. To avoid the risk of confusion after dark, the heater and ventilation levers, hazard warning flasher switch, ashtray and cigar lighter are all illuminated. The heating and ventilation system – also a major factor contributing to occupant comfort – is highly efficient. At 32 km/h (20 mile/h) road speed and  $-20^{\circ}\text{C}$  ( $-4^{\circ}\text{F}$ ) outside temperature, an interior temperature of  $+20^{\circ}\text{C}$  ( $+68^{\circ}\text{F}$ ) is reached in only 20 minutes – in other words, a  $40^{\circ}\text{C}$  rise in temperature. The ventilation is no less efficient. At moderate speeds, the entire volume of air inside the car is changed about 100 times an hour.



*The Golf – luggage space variable between 12.4 and 38.8 ft<sup>3</sup>*



*The Passat – ample comfort and generous space have made it a best-seller in its class*

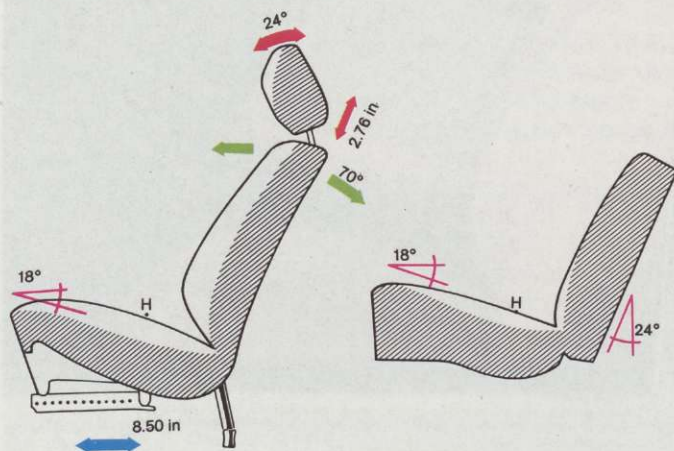


*Non-glare instrument panel, clearly laid out, the Scirocco as an example*

The new seats are a further comfort feature of the new Volkswagen generation.

They effectively absorb jolts and vibration, and permit a comfortable, fatigue-free ride. The cross-section of the seat reveals the generous upholstery and the anatomically designed seat backs. These absorb lateral acceleration to a large extent during fast cornering. The driver need not cling to the steering wheel, but can relax and still keep control – another safety contribution.

And of course the front seats are provided with reclining mechanisms.



*The new generation of Volkswagen seats, for fatigue-free driving comfort*

The Polo, Golf, Passat and Scirocco must be included among the most comfortable cars in their appropriate classes if only because of the comprehensive equipment specification they offer.

### **World-renowned Volkswagen quality means longer component and assembly operating life**

All new Volkswagen cars are built to lightweight designs and thus economize on fuel. However, the strength and above all the durability of the many components and assemblies have not suffered in the slightest as a result of this enlightened policy.

The task wasn't easy, though: brand new computer techniques were needed, so that the long-term strengths required for materials or parts could be calculated far more accurately than was possible by conventional methods.

The result:

the new generation of Volkswagen automobiles is just as reliable and long-lasting as drivers have come to expect from a Volkswagen.

### **Progress on the warranty front: one year with unlimited mileage**

An automobile manufacturer who can offer such a warranty on models incorporating completely new engineering and styling features must be sure of his ground. Volkswagen offers this warranty world-wide.

A full year's warranty on these generous terms – another step towards making Polo, Golf, Passat or Scirocco driving even more troublefree, safer and – perhaps more important still – cheaper.

# Audi — a masterpiece of engineering

## Audi offers high engineering standards and outstanding comfort

The Audi models have a definite distinction in VW Group's range of cars. They differ from the Volkswagen models in many points in conformance with the well-balanced model philosophy.

In addition to their futuristic engineering Audi cars are well known for their elegant styling and comfortable fittings. Consequently they fulfill all of the requirements for comfortable, dependable and safe motoring, in particular on long trips. And this explains their appeal to a wide stratum of buyers, who place more value in these properties than in exaggerated representation.

Styling with a special appeal, maximum comfort and high engineering standards are inseparable features of an Audi. Accordingly these production characteristics of an Audi are summed up in the company's slogan:  
Audi — a masterpiece of engineering.

## Audi engineering satisfies the highest demands

Chiefly the engineering standards today express the relationship between man and the automobile, and provide factors on which a make can be judged. When he chooses a specific make of car, the customer reveals the demands he is setting only too clearly.

Audi automobiles, from the compact Audi 50 to the well-proven Audi 80 and Audi 100 model ranges, do indeed possess an outstanding engineering design, which will fulfill even the highest demands.

Powerful high-performance engines, superior front wheel drive, well-balanced chassis, a steering stabilizing braking system with outboard scrub and a 'safety cell' body are just some of the most striking features of Audi's progressive engineering.

These provide the driver with the following advantages:

- comfortable, fatigueless command over every driving situation,
- fast and safe passing while keeping the handling under constant control,
- comprehensive reduction of stress situations caused by the high road traffic demands on the driver.

Audi engineering means confident driving.



*Ample power and comfort make the Audi 80 a pleasure to drive — even on the longest journeys*

## **Audi's braking system is an important contribution to driving safety**

One of the most outstanding design features of an Audi is its steering stabilizing braking system. Celebrated as a revolutionary engineering performance in 1972 at the presentation of the Audi 80 and in the meantime standard equipment in all Audi models, it still represents the engineering superiority today.

This system consisting of a diagonally-split dual-circuit braking system in conjunction with an outboard scrub radius on the front axle possesses special steering stabilizing properties. It prevents to a great extent any pulling to one side, veering out or skidding while braking. This even applies if one braking circuit fails or both wheels on one side of the car are riding on ice, oil or sand. The car moves straight ahead when applying the brakes.

The dual-circuit braking system is split diagonally so that even if one braking circuit fails, one each front and rear wheel are still braked. In contradiction to normal dual-circuit braking systems the distribution of braking pressure will not be changed. The braking effect is still 50 % both front and rear.

## **Audi for long, comfortable, fatigueless and safe journeys**

Front wheel drive, a well-balanced chassis and a no-strain steering system for all Audi automobiles assure a high degree of driving comfort, even on rough roads and long journeys.

The engine, transmission and differential are one mutual assembly to give the car its favorable low center of gravity. This of course provides superior handling in curves, even on wet, slippery roads or in high cross winds.

The well-balanced chassis is a special design for comfortable and fatigueless driving. Spring struts front and rear assure excellent riding comfort as well as constant contact between the wheels and road surface. Stabilizers prevent any unpleasant rolling of the car when driving in curves.

Even the rack and pinion steering of an Audi is precise and easy to operate for yet more comfort. The steering ratio is progressive, which means that only several turns of the steering wheel are required for parking or driving around corners. Further the steering is designed for maximum safety. A special breakaway element assures that the steering column will give when the car is involved in an accident and cannot be pushed into the passenger compartment.



*The Audi 50 – exceptional comfort and safety in its class*

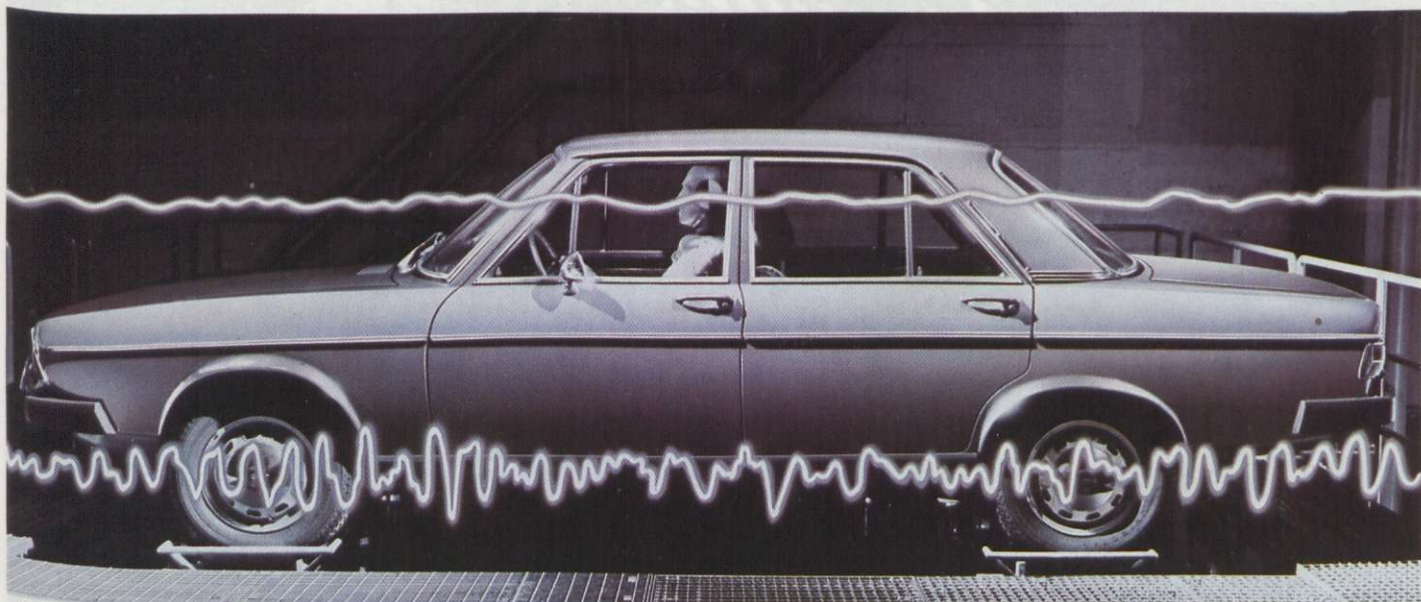
## Driving an Audi means driving in comfort

The technicians and engineers in Ingolstadt have always taken much time and effort to provide Audi automobiles with an optimum amount of comfort. This is headlined by more than adequate space for five persons by way of ergonomically designed, well-sprung seats providing excellent restraint because of their good lateral support and

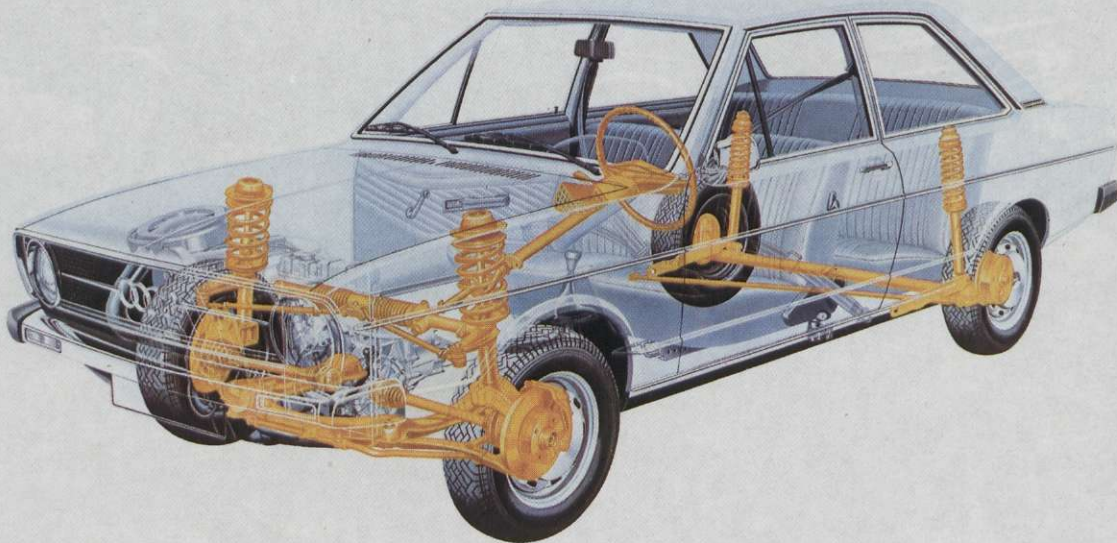
high backrests, while still guaranteeing optimal freedom of movement.

A very effective multi-stream ventilation system, by way of which the entire air in the passenger compartment can be exchanged every 15 seconds, an additional wide through-flow ventilation system and a fast functioning heating system make long distance travelling in an Audi 100, for example, quite enjoyable.

Just some of the comprehensive standard equipment items include the rear window defogger, sporty and exact floor shift as well as comfortable armrests on the doors, a large



*Audi 100 suspension testing on the 'Hydropulse' unit*



*This outstanding suspension design is the secret of the Audi 80's safe roadholding and supreme ride comfort*

shelf and a generous array of instruments. The large round instruments are without glare and are ideally located. Further all of the important switching operations can be performed with the two control levers on the steering column.

A complete range of valuable extras, such as the steel sliding roof, a radio, an automatic transmission, thermal glass all around, leatherette seat covers and many other items, underlines the comfort factor in all models offered by Audi.



*Advanced engineering and maximum possible comfort are the striking features of the Audi 100*

Selected Data of Companies within the VW Group\*

Company	Sales		Capital Investments		Labor Force	
	2007 (Million DM)	2006 (Million DM)	2007 (Million DM)	2006 (Million DM)	2007 (Persons)	2006 (Persons)
Volkswagen AG	185,200	185,200	1,274	1,274	574	574
Volkswagen Financial Services AG	7,712	7,712	101	101	101	101
Volkswagen Leasing AG	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (USA)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Canada)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (UK)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Australia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Brazil)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (India)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (China)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Mexico)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (South Africa)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Russia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Turkey)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Poland)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Czech Republic)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Slovak Republic)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Hungary)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Croatia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Slovenia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Serbia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Bosnia and Herzegovina)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Montenegro)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Moldova)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Ukraine)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Belarus)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Lithuania)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Latvia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Estonia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Kazakhstan)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Kyrgyzstan)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Uzbekistan)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Tajikistan)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Turkmenistan)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Georgia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Armenia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Azerbaijan)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Belgium)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (France)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Germany)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Italy)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Spain)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Netherlands)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Sweden)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Denmark)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Norway)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Finland)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Ireland)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Portugal)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Greece)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Czech Republic)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Slovak Republic)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Hungary)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Croatia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Slovenia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Serbia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Bosnia and Herzegovina)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Montenegro)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Moldova)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Ukraine)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Belarus)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Lithuania)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Latvia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Estonia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Kazakhstan)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Kyrgyzstan)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Uzbekistan)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Tajikistan)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Turkmenistan)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Georgia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Armenia)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Azerbaijan)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Belgium)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (France)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Germany)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Italy)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Spain)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Netherlands)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Sweden)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Denmark)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Norway)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Finland)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Ireland)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Portugal)	7,712	7,712	101	101	101	101
Volkswagen Leasing AG (Greece)	7,712	7,712	101	101	101	101

\* Volkswagen Group is a holding company. The data in this table are based on the consolidated financial statements of the companies within the group. The data are in million DM unless otherwise stated. The data are as of 31.12.2007.



## Selected Data of Companies within the VW Group\*

	DM Sales		
	1975	1974	Increase (Decrease)
	- Million DM -		%
<b>Producing Companies</b>			
Volkswagenwerk AG	11,370	11,219	1.3
AUDI NSU AUTO UNION AG	3,429	3,063	11.9
Volkswagen do Brasil S. A.***	3,294	2,638	24.9
Volkswagen de Mexico, S. A. de C. V.***	933	859	8.6
Volkswagen of South Africa (PTY) Ltd.***	523	523	0
Volkswagen Bruxelles S. A.	522	506	3.2
<b>Distributing Companies</b>			
Volkswagen of America, Inc.***	3,477	4,245	(18.1)
Volkswagen Canada Ltd.***	309	317	(2.4)
Volkswagen France S. A.***	559	301	85.8

\* Where changes have taken place in the method of presentation the previous year's figures have been adjusted accordingly.

\*\* To the dealer organization

\*\*\* Includes its subsidiaries

	Unit Sales**			Capital Investments			Labor Force		
	1975	1974	Increase (Decrease)	1975	1974	Increase (Decrease)	1975	1974	Increase (Decrease)
	- vehicles -		%	- Million DM -		%	- at year-end -		%
Volkswagenwerk AG	1,047,518	1,238,112	(15.4)	374	1,207	(69.0)	93,026	111,527	(16.6)
AUDI NSU AUTO UNION AG	309,189	284,977	8.5	87	92	(4.8)	23,280	28,936	(19.5)
Volkswagen do Brasil S. A.***	502,501	454,828	10.5	202	351	(42.4)	38,722	39,232	(1.3)
Volkswagen de Mexico, S. A. de C. V.***	97,524	114,794	(15.0)	57	123	(53.7)	9,653	11,204	(13.8)
Volkswagen of South Africa (PTY) Ltd.***	47,818	48,958	(2.3)	16	15	6.5	5,231	5,258	(0.5)
Volkswagen Bruxelles S. A.	75,169	101,436	(25.9)	8	13	(40.7)	2,773	3,229	(14.1)
Volkswagen of America, Inc.***	300,005	443,487	(32.4)	15	29	(48.0)	1,863	1,983	(6.1)
Volkswagen Canada Ltd.***	23,729	25,358	(6.4)	2	6	(67.5)	312	390	(20.0)
Volkswagen France S. A.***	55,667	36,013	54.6	33	39	(15.7)	495	471	5.1

## Producing Companies

### Volkswagenwerk AG, Wolfsburg

Both production and sales fell during 1975 at Volkswagenwerk AG. However, sales proceeds were slightly higher than in the previous year. Although a loss was made again in 1975, it totalled only DM 145 million, well below the deficit of DM 555 million for the 1974 business year.

#### Sales

During the year under review Volkswagenwerk AG sold 1,047,518 vehicles to dealers, a total 15.4% below the previous year's result. In addition, 83,062 Audi 50 cars were delivered to AUDI NSU AUTO UNION AG (1974: 22,119 cars). The drop in sales to dealers was due on the one hand to the necessity for reducing stocks of vehicles, and on the other to weak exports, in particular to the USA. Total deliveries for export fell to 592,773 vehicles. Compared with this considerable setback in export sales, the 454,745 vehicles sold to German market dealers represented a 9.8% increase compared with 1974, so that the proportion of export to total sales dropped from 66.5 to 56.6%.

Deliveries by home market dealers to customers rose by 10.0% to 457,739 vehicles. However, since total new passenger car registrations in the Federal Republic of Germany rose still more steeply, by 24.6%, the Volkswagenwerk AG's share of this market fell from 21.7% in 1974 to 19.4%. Despite this, the Company remained at the top of the new vehicle registration chart for 1975.

On European export markets the Volkswagenwerk AG's sales position improved despite generally weak demand. Thanks to a good market reception for the new models, deliveries of Volkswagen vehicles exceeded the previous year's level by 9.8%, and totalled 310,717 units. The Volkswagenwerk AG achieved particularly good growth rates in Italy, the Netherlands, Great Britain and France.

On the US automobile market, sales by Volkswagenwerk AG continued to fall during 1975. Even the launching of the Golf – sold since the beginning of the year in the USA as the Rabbit – could not halt this trend. Delivery bottlenecks and inability to compete on price as a result of cost increases and exchange rate fluctuations led to deliveries falling by 20.5% compared with 1974, to 278,905 vehicles.

*Beetles for four decades and still popular all over the world*



### Turnover

In spite of lower sales Volkswagenwerk AG's sales proceeds rose slightly in 1975, and were 1.3 % above those for the previous year. The increase was due to price increases announced in order to absorb higher costs, to improved parts sales and to the greater volume of Audi 50 deliveries to AUDI NSU AUTO UNION AG.

### Production

In 1975, as in the previous year, Volkswagenwerk AG's production still concentrated its efforts on conversion work to permit models from the new product range to be manufactured. In spring 1975, for instance, the Wolfsburg plant began to manufacture the Polo and the Hanover plant the new LT Goods Vehicle.

During the review year, Volkswagenwerk AG manufactured 1,037,594 Volkswagen vehicles (1974: 1,217,552) and 84,343 Audi 50 cars (1974: 22,146). The severe slump in sales called for a drastic cutback in production during the first six months of 1975; this could only be achieved by labor force reductions and widespread short-time working at all Volkswagenwerk AG's plants.

Capacity adjustment measures affected the Volkswagenwerk AG's plants to a varying extent. In order to retain an economically sound manufacturing structure despite the

reduced utilization of total capacity, vehicle assembly in Salzgitter was transferred to Wolfsburg, and assembly of the model 181 cross-country vehicle to Emden. Intensive productivity and economy programs were introduced and succeeded in improving efficiency still further.

Our efforts to maintain and improve the quality standard of our vehicles were backed up by a specific quality motivation program.

### Labor Force

At the beginning of 1975 it became evident that on account of the deterioration in the export sales position the drastic labor force reduction at Volkswagenwerk AG carried out in 1974, and amounting to a cut in the total labor force of 14,260 employees, would have to be followed by further far-reaching action.

Until May 1975, all Volkswagen plants in Germany suffered periods of short-time working. However, neither this action nor other measures were sufficient to adjust the overall labor force to the reduced level of vehicle output.

*The VW Micro Bus – its reliability, carlike handling properties, high levels of active and passive safety make the Volkswagen Commercial the most operated vehicles of its type*



*Workers' Council Meeting in Wolfsburg with the Federal German Chancellor as honoured guest. The Chairman of the Board of Management, Toni Schmücker, depicted detailing the economic situation of the Company.*



The Board of Management therefore approved a comprehensive personnel reduction scheme (S 1) with the short-term objective concentrated on 1975 of achieving a total cut in available jobs at Volkswagenwerk AG, AUDI NSU AUTO UNION AG and Volkswagen Bruxelles S. A. of more than 24,000.

In consultation with the Group's Factory Council, the Board of Management reached agreement in accordance with section 112 BetrVerfG on individual measures of an economic and personnel policy nature. The labor force was to be reduced by stopping recruitment, not replacing natural wastage, premature retirement and cancellation of labor contracts for employees willing to leave the Company's employment. Since an adequate number of employees elected to resign of their own free will, dismissals subject to legal notification did not prove necessary. However, some employees were transferred to lower-grade jobs.

The Factory Councils were kept informed in detail of all measures either introduced or planned. As a result, disputes within the Company's plants were avoided despite the far-reaching nature of the decisions taken.

The total Volkswagenwerk AG labor force was reduced by June 30, 1975 to 94,980 employees, 26,984 less than a year previously.

During the second half of 1975 the demand for new automobiles recovered on both home and export markets.

Starting at the end of August, some 12,000 employees worked overtime on 14 Saturdays in the Wolfsburg and Emden plants.

In addition the recovery in demand made it necessary — earlier than had originally been anticipated — to recruit 550 wage-earning employees for the Wolfsburg assembly lines in November 1975 as a replacement for piece-workers leaving the Company.

Those employed were in almost all cases unemployed persons aged between 18 and 25; as a result, the employment situation of young persons looking for work was favorably affected.

At the end of the year, the labor force totalled 93,026, and was thus 16.6% (18,501 employees) lower than a year previously. The proportion of foreign nationals in the labor force fell from 12.0 to 7.4%.

In order to obtain information for the planning of new jobs and work sequences, the Company conducted experiments with new working structures in several of its plants.

Parallel to these, an experiment limited to three years' duration is being performed in the Salzgitter plant, with various work structures being compared and evaluated by scientific bodies. This research project has received financial aid from the Federal German Research and Technology Ministry.

*The FO 80 - our top-line model continues to be one of the most interesting designs of motor car*

In 1975, as in previous years, the labor force submitted sufficient suggestions to provide ample evidence of its willingness to aid in the Company's efforts to increase productivity. Of the 17,411 suggestions received, 2,481 were awarded bonuses totalling DM 3.5 million.

On January 1, 1975 new legislation governing educational leave came into force in the States of Lower Saxony and Hesse. 1,650 of our employees took the opportunity of undergoing further training in the form of an educational leave.

During the review year, 653 apprentices were taken on at the various Volkswagenwerk AG's plants. Despite the economic recession and the exceptionally rapid decrease in the total labor force, this figure is almost the same as in 1974. In comparison with the previous year, the initial and further training programs for management personnel were continued in somewhat restricted form, with particular attention being paid to adaptation of duration and content to the current situation.

In conjunction with local employment offices, the Company conducted during the year under review certain initial and further training activities for young persons not in the Company's employ, and limited to a period of between 6 and 12 months. This was intended as a contribution towards the reduction of youth unemployment. The activities were primarily directed towards preparing the recipients for

employment on industrial production work, and are again to be understood as an attempt to relieve pressure on the regional labor market.

The statutory requirement for 6% of all jobs to be allocated to seriously disabled persons was fulfilled for the first time during 1975. The Company was therefore able to make a further worthwhile contribution towards the employment and rehabilitation of the seriously disabled.

Despite frequent transfers of personnel, in particular within the production division, it is satisfactory to note that the accident rate fell again compared with the previous year, this time by approximately 11%.

The new wage agreements which came into force on February 1, 1975 brought an average increase in wages and salaries of 5.8%, and increased payments made to apprentices by 40 DM per month.

The number of retired persons drawing pensions from the Company's old-age pension fund rose, primarily as a result of employees retiring prematurely, to a total of 10,338.

*The VW-LT with a wide range of bodies and spark ignition or diesel engine alternatives has widened the range of Volkswagen Commercials and opened the field for new customers*



Wages and salaries paid out by Volkswagenwerk AG fell only by 8.8% to DM 3,600 million, despite the considerable reduction in the number of persons employed; the costs of cancellation of labor contracts and the wage and salary increases negotiated with the trade unions partially absorbed the savings achieved by labor force reductions. Wages and salaries amounted to 31.6% of total sales proceeds (1974: 35.1%).

The Board of Management wishes to thank all employees for their efforts and also for the understanding they showed in an exceptionally difficult year for the economic, organizational and personnel measures which had to be introduced in order to improve the Company's position. Intensive and successful collaboration between the Management and the Factory Councils provided a basis for effective mutual solutions to operating problems. The Board of Management wishes to express its thanks to the various bodies involved in internal company relationships for their cooperation in this respect.

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#### Development of the Labor Force

	Dec. 12, 1975	Dec. 12, 1974	Increase (Decrease) in figures	%
Volkswagenwerk AG	93,026	111,527	(18,501)	(16.6)
Wolfsburg	46,097	51,155	( 5,058)	( 9.9)
Hanover	16,867	21,605	( 4,738)	(21.9)
Brunswick	4,925	6,001	( 1,076)	(17.9)
Kassel	13,732	16,398	( 2,666)	(16.3)
Emden	6,111	7,299	( 1,188)	(16.3)
Salzgitter	5,294	9,069	( 3,775)	(41.6)
Wage earners	79,143	96,595	(17,452)	(18.1)
Salaried personnel	13,883	14,932	( 1,049)	( 7.0)
Female employees	10,261	13,364	( 3,103)	(23.2)
Foreign employees	6,913	13,425	( 6,512)	(48.5)
Trainees	1,934	1,906	28	1.5

	1975	1974
Average age of VW employees	39.7	38.7 years
Employees' average length of service	12.4	10.9 years
Absenteeism due to sickness	5.3	6.0%

#### Capital Investments

Since conversion of production plant for manufacture of the new models was mostly complete, it was possible for Volkswagenwerk AG to reduce its capital investments by 69.0% to DM 374 million. Of this sum, DM 323 million were for property, plant and equipment, and DM 51 million for investments in subsidiaries and affiliates.

Investments in property, plant and equipment were mainly devoted to completing conversion of our assembly lines for manufacture of the Polo and the LT Goods Vehicle.

Investments in subsidiaries and affiliates mainly involved increases in the capital stock of Volkswagen of South Africa and Volkswagen do Brasil and the acquisition of minority holdings in Volkswagen Bruxelles.

#### Earnings Situation

The difficult sales position and the resulting inadequate utilization of capacity together with exceptional factors such as the additional expenditure incurred by the cancellation of labor contracts resulted in a net loss of DM 145 million. The sales picture was different in the first part of the year and in the second part. Whereas in the first six months figures showed losses, in the second part of the year it was possible to work with profits due to the reversal of the earnings trend. The earnings thus achieved did not, however, compensate for the losses of the previous six months' period.

*The RO 80 – our top-line model continues to be one of the most interesting designs of motor car*



## **AUDI NSU AUTO UNION AG, Neckarsulm**

During the year under review the company sold 309,189 vehicles to the dealer organization, thus surpassing the previous year's figure by 24,212 units or 8.5%. The pattern of sales trends at home and abroad was not consistent. Whereas domestic sales rose by 28.7%, AUDI NSU incurred setbacks on the export front to the extent of 8.2%, involving particular reduced deliveries to the USA. As a result, the proportion of output going for export fell from 54.7 to 46.3%. The major export market remained the USA, with 43,860 vehicles exported. Other principal export markets were France, Great Britain, Switzerland and Belgium.

84,148 Audi 50 cars were delivered to customers during the 1975 business year, following this model's introduction in October of the previous year. This model, which is manufactured at the parent company's Wolfsburg plant, thus accounted for 25.3% of deliveries of Audi models to customers.

AUDI NSU's share of the West German automobile market remained unchanged compared with 1974, at 7.9%.

As a result of the slack demand encountered at the beginning of the year under review, AUDI NSU AUTO UNION AG was forced to resort to short-time working on several

occasions. This same change in the sales situation obliged the Neckarsulm plant to revert to single-shift working. During 1975, the labor force was cut back by 5,656 employees or 19.5%. In conjunction with the Factory Councils it proved possible in most cases to avoid social hardship by non-recruitment following natural wastage, premature retirement arrangements with older employees and the granting of financial aid in the event of voluntary resignation. Foreign employees willing to return to their own countries received additional payments from a special fund set up by the State of Baden-Wuerttemberg. The Neuenstein plant was sold on December 1, 1975, after agreement had been reached to protect some 470 jobs it had previously offered. The Neckarsulm plant is to be used to produce the Type 924 for the Porsche AG on a wage contract basis, thus ensuring further stabilization of the employment situation. The proportion of foreign nationals among the total labor force dropped from 24.1 to 16.2%.

Short-time working and reversion to single-shift production resulted in a cut in output during the review period of 61,202 units (23.0%) to a total of 205,218 cars. The average output per working day fell from 1,514 units to 933 vehicles.

During the last four months of the business year, however, sales recovered to such an extent that overtime again became necessary. Towards the end of the year, new piece-workers were taken on in the production division to replace natural fluctuation.

The company's sales proceeds rose by 11.9% compared with 1974, and totalled DM 3,429 million. The proceeds from home market sales rose by 28.3% to DM 2,113 million; export sales proceeds, on the other hand, fell by 7.0% to DM 1,316 million.

Capital investments, totalling DM 87 million (1974: DM 92 million) were mainly allocated to upkeep of plant and model development work. The tooling required for production of the Porsche 924 in Neckarsulm was made available to AUDI NSU so that no significant investment outlay was necessary.

No new Wankel licenses were issued. However, amendment agreements were concluded with various leading licensees to provide in addition to a change in the agreement with regard to a minimum royalty for an extension of the period of validity of existing licenses. World-wide production of rotary-piston engines in 1975 was 114,617 units (1974: 147,264). This means that almost one million Wankel engines have been sold since production started.

The earnings situation deteriorated considerably in comparison with 1974. The loss incurred as a result of inadequate utilization of available capacity, a high level of expenditure in respect of the forthcoming model range and the payment of compensation for the cancellation of labor contracts was absorbed by Volkswagenwerk AG under the terms of the agreement between the two companies. In addition, the parent company made available in full the sum needed for payments to participating certificate holders and thus placed AUDI NSU in a position to declare the necessary net earnings after reserve transfers for 1975.

From January 1976 onwards, AUDI NSU sells its products exclusively to the parent company, which in turn disposes of the vehicles to the mutual Volkswagen and Audi organization at home and abroad in its own name and for its own account.

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

The rather weak economic situation in Brazil during 1975 scarcely permitted any expansion of the national automobile market. However, in contrast to its main competitors, many of whom were faced with a drop in sales, Volkswagen do Brasil was able to increase its sales on the Brazilian home market by a further 10.5% to 443,329 vehicles. This in turn increased Volkswagen do Brasil's share of the automobile market to 59.0% (1974: 55.5%), and the company's share of the light commercial vehicle market to 44.7% (previously 39.8%).

In accordance with the export commitments agreed to with the Brazilian authorities, 59,172 vehicles were exported, an increase of 10.5%. The main destinations were South and Central American and African countries.

The company's total sales increased by 10.5% as compared to the previous year and totalled 502,501 vehicles.

Sales proceeds rose accordingly by 24.9% to DM 3,294 million (1974: DM 2,638 million). The cause for this sudden rise in sales proceeds was in addition to increased units produced the need to increase vehicle selling prices to keep pace with inflation.

Average working-day output during 1975, including knock-down vehicles, was 2,116 vehicles, compared with 1,839 in the previous year. Production was boosted by 9.5% to 502,580 units.

In view of a reduction in the growth of demand on the Brazilian automobile market, capital investments were restricted to DM 202 million in the year under review, compared with DM 351 million in 1974. The new factory in Taubaté will commence operations during 1976.

Although the effects of severe increases in the cost of materials remained noticeable during the year under review, and could not be fully passed on in the selling prices, the company made a profit in the 1975 business year.

During the year, the capital stock of Volkswagen do Brasil was increased by Cr\$ 100,000,000 to Cr\$ 1,876,121,300.

The capital stock is represented equally by common stock and preferred stock. The Volkswagenwerk AG owns 80% of both the outstanding preferred and common shares.

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

During the year under review, Volkswagen de Mexico was faced with a 15.0% drop in sales compared with 1974, to 97,524 vehicles. The sales shortfall was due in particular to reduced exports of the „Safari“ to the USA. It proved possible to hold home market sales at almost the previous year's level.

Volkswagen's share of new passenger car registrations was affected by reduced Beetle sales, and fell from 37.6 to 35.1%. However, the company strengthened its grip on the light commercial vehicle market with a share of 26.6% (1974: 20.5%). Volkswagen de Mexico's principal seller remains the Beetle, which accounted for 67.7% of home market sales.

In order to allow for the changed level of demand, production was eased back by 6.6% compared with 1974, to 106,937 units.

Despite a reduction in unit sales, in particular for export, sales proceeds rose by 8.6% on account of price increases.

The company made a loss in the 1975 business year, the principal causes of which were inflationary cost increases



which could not be passed on completely to customers in view of the price levels approved by the Mexican Government, and inadequate utilization of available production capacity.

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

During the year under review, Volkswagen of South Africa produced and assembled 49,885 vehicles, which was a slight increase as compared to the previous year. The product range consists of the Beetle, Commercial, Passat, Audi 80 and Audi 100 models.

In 1975 the total number of passenger cars registered as new in South Africa was 229,031, only slightly above the previous year's figure. The VW Group's share of the total passenger car market dropped back slightly, to 15.7%, however, although the market leader position was maintained. Light commercial vehicles sold more readily, with a rise of more than 19% to 87,290 units, and here Volkswagen of South Africa increased its share of the market to 16.6 from 15.2%.

Sales of Volkswagen and Audi vehicles during the report year totalled 47,818, 2.3% below the previous year's result. However, sales proceeds were the equivalent of DM 523 million, and thus not less than in 1974. This is primarily due to good results from parts trading and higher selling prices. Investments were, at DM 16 million, slightly higher than in the previous year.

The earnings situation of Volkswagen of South Africa remained unsatisfactory during 1975. Despite quite severe price increases, in particular in the fourth quarter of the year following a drastic devaluation of the Rand in September, it proved impossible to compensate for exchange rate losses.

### **Volkswagen Bruxelles S. A., Brussels, Belgium**

During the 1975 business year the company assembled a total of 75,175 vehicles (67,822 Passat and 7,353 Beetle models), a reduction in total output of 25.9% compared with 1974. Termination of Beetle assembly halfway through the year and a number of periods of short-time working earlier in the year – these being unavoidable in view of the market situation at the time – were the reasons for this reduction in output.

Following acquisition of the remaining stock from the S. A. D'Ieteren N. V., Volkswagen Bruxelles S. A. has been entirely owned by Volkswagenwerk AG since the end of 1975.

The company made a profit in the 1975 business year.

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

The 1975 registration figures in Australia for passenger cars and light commercial vehicles were very little different from those of the previous year. Motor Producers Ltd. were able to increase their share of the passenger car market from 1.7 to 2.1%, and their share of the light commercial vehicle registrations from 7.4 to 7.5%.

The company sold 15,385 Volkswagen vehicles (1974: 16,695), comprising 8,635 passenger cars (8,859) and 6,750 commercials (7,836).

The sales proceeds of Motor Producers Ltd. in local currency rose by 12.5%, aided in part by increased sales proceeds from the assembly of other makes of vehicles. After conversion into D-Mark, the sales proceeds were approximately the same as in the previous year.

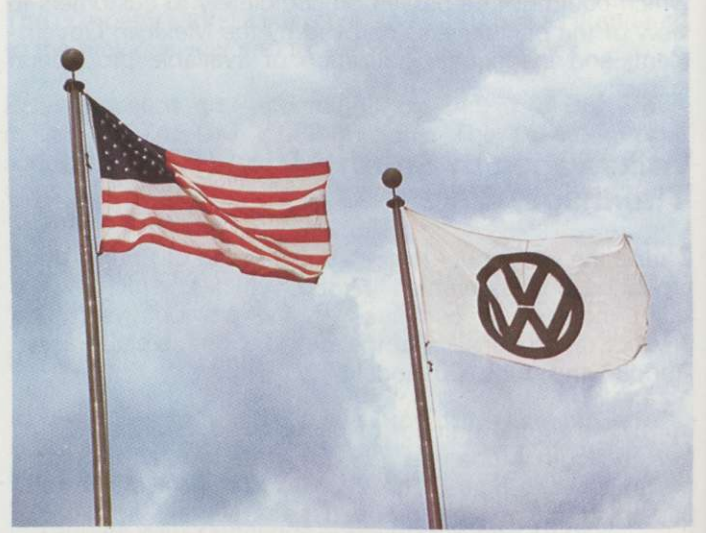
It did not prove possible to compensate fully for the effects of the severe Australian dollar devaluation of September 1974 by means of price increases, nor for rising costs due to inflation. However, customs refunds in respect of previous years' transactions enabled the company to make a profit in the 1975 business year.

With effect from March 31, 1976, Volkswagenwerk AG sold its subsidiary Motor Producers Ltd. to the Nissan Motor Company Ltd.

### **P. T. German Motor Manufacturing, Jakarta, Indonesia**

The business trend during the year under review was generally speaking positive for this company, which is jointly owned by Volkswagenwerk AG, Daimler-Benz AG and an Indonesian partner, and assembles Volkswagen and Daimler-Benz vehicles. Output varied considerably between the two product groups. Volkswagen vehicles suffered a drop in sales on the Indonesian market which led to a reduction in the assembly rate, whereas Daimler-Benz was able to increase its sales. 2,293 Volkswagen and 3,657 Daimler-Benz vehicles were assembled during the year.

The company made a profit in the 1975 business year.



## Distributing Companies



### **Compañía Hispano Alemana de Productos Mercedes-Benz y Volkswagen S. A. (MEVOSA), Madrid, Spain**

During the review period the Spanish market for commercial vehicles took a downward turn. In view of this, home sales of MEVOSA vehicles fell by 9.5% to 11,384 units. However, greatly increased exports enabled a rise in total commercial vehicle sales by 4.7% to 13,726 units.

It was thus possible to dispose of the total vehicle output of 13,584 units produced during the report year.

Sales of the N 1000 commercial vehicle developed at a much higher rate than the vehicle market as a whole; in 1975 an improved version of this vehicle was launched in Spain.

The earnings situation of the MEVOSA remains unsatisfactory, since in 1975 it still proved impossible to compensate for general cost increases within the framework of the higher prices accepted by the Spanish authorities. At the beginning of 1976, the earnings picture was worsened still further by a strike in the Vitoria section of the plant.

### **TAS Tvoronica Automobila Sarajevo, Vagosca, Yugoslavia**

The trading pattern of this company, a joint venture with the former Volkswagen importer UNIS established in 1972, was satisfactory during 1975. A total of 905 imported and 13,276 assembled vehicles was delivered to customers.

The company made a profit in the 1975 business year.

### **Volkswagen of Nigeria Ltd., Lagos**

The company was established in 1973, with an interest being held by the Nigerian Government. Vehicle assembly commenced in March 1975. By the end of 1975 a total of 5,873 vehicles had been assembled. The product range comprises the Beetle, Passat, Audi 100 and Brasilia models.

Total sales on the Nigerian passenger car market in 1975 rose by more than 80% compared with the previous year. In the same period, Volkswagen and Audi vehicle sales more than tripled, this being equivalent to a market share twice as large as before.

Since the starting phase in the company's development was not yet complete in 1975, a positive result could not yet be achieved.

## Distributing Companies

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

During the 1975 business year, sales of passenger cars in the USA dropped by 2.4% to 8.6 million units compared with the previous year. The main cause for this were the economic difficulties experienced in the USA which resulted in a negative influence being felt on the automobile market. Although American manufacturers' sales remained well below the previous year's results for the first few months of the year, the introduction of 1976 model-cars and in particular the launching of new, more economical models led to sales picking up noticeably. However, total sales by American automobile manufacturers remained 5.2% below the previous year's far from favorable results.

In contrast to the losses sustained by the national industry, deliveries of imported vehicles registered a rise of 13.3% and their share of the overall US passenger car market rose from 15.5 to 18.0%.

During the year under review, Volkswagen of America delivered 329,585 Volkswagen, Audi and VW-Porsche vehicles to customers, 17.8% less than in 1974. In addition, 5,480 Porsche 911/912 cars were delivered to customers. Volkswagen of America's share of vehicles sold in the entire American passenger car market thus fell from 4.3 to 3.6%.

These reduced sales are primarily due to a worsening in our position in relation to our competitors as a result of price increases designed to absorb higher costs.

Volkswagen of America's sales of Volkswagen models fell by 20.5% to 278,905 cars. The Rabbit (Golf) was well received by the market, but could not entirely make up for lost Beetle sales. Audi deliveries totalled 50,680 cars, approximately the same as in the previous year. Sales of VW-Porsche and Porsche models dropped to 16,658 cars (-20.8%).

The sales proceeds of our American subsidiary fell in 1975 to DM 3,477 million (-18.1%). The percentage drop was proportionately less than the severe drop in sales to the dealer organization (-32.4%) as a result of price increases and the modified model range.

Volkswagen of America made a profit during the 1975 business year.

### **Volkswagen Canada Ltd., Toronto**

Sales trends were relatively stable on the Canadian automobile market during the year under review. New passenger car registrations rose by 5.2% compared with 1974. However, VW Group vehicle deliveries to customers failed to follow this trend, and fell by 14.3% to 22,411 vehicles.

Apart from certain difficulties in supplying the Canadian market with VW Group vehicles, this serious deterioration in our ability to compete on this market was also due principally to our products' unfavorable price levels as in the USA.

The share of the Canadian passenger car market as a whole secured by Volkswagen, Porsche and Audi cars fell from 2.5% in 1974 to 2.1% in 1975.

Despite this severe drop in sales, sales proceeds as expressed in the local currency rose slightly, but exchange rate trends resulted in a 2.4% drop in sales proceeds after conversion into D-Mark.

The company none the less managed to make a profit during the 1975 business year.

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

The French automobile market was noted during 1975 for considerable price increases imposed by national manufacturers. This resulted in a definite improvement in the ability of Volkswagen France to compete on this market. The increase in sales of 54.6% to 55,667 vehicles (38,506 Volkswagen and 17,161 Audi models) reflects not only the stimulus afforded by the new model generation but also the takeover of Audi sales by Volkswagen France at the beginning of 1975. Volkswagen deliveries alone increased by 10.1%. This sales success, coupled with a drop in total new car registrations in France, led to a strengthening of the company's market position. The passenger car market share secured by Volkswagen France in 1975 was 3.6%; the equivalent figure in 1974 for Volkswagen and Audi models taken together was 2.8%.

Since turnover had increased and exchange rates had developed favorably for the company, Volkswagen France ended the 1975 business year with a profit.

### **Svenska Volkswagen AB, Södertälje**

The economic trend in Sweden during 1975 was in contrast to the pattern registered in other European countries; almost all branches of the economy, including the automobile trade, benefited from an upturn in demand.

Svenska Volkswagen AB sold a total of 36,976 Volkswagen cars and was thus able to improve its sales by 11.9% compared with the previous year. The warm reception afforded to the new generation of models played a significant part in this improvement, with Golf sales in particular developing most successfully.

Despite this satisfactory result, the company's share of the market fell slightly from 11.6 to 11.2%.

The company made a profit in the 1975 business year.

### **Weser-Ems Vertriebs- gesellschaft m. b. H., Bremen**

During the year under review the Weser-Ems Vertriebs-  
gesellschaft carries out functions of a Volkswagen main  
distributor for North West Germany, and also supplies  
dealers of the AUDI NSU AUTO UNION AG in North  
Germany with parts.

The generally satisfactory automobile and parts sales  
situation during 1975 resulted in a considerable increase  
in turnover.

In the year under review the company achieved again a  
good result which was still further improved upon as  
compared to the previous year.

As part of the restructuring of the distribution level within  
the VW Group, the company has acquired a holding in the  
VW-Audi Vertriebszentrum WESER-EMS GmbH + Co. KG  
in Bremen.

### **VW-Audi Sales Centers in the Federal Republic of Germany**

During the year under review, 22 VW-Audi sales centers  
were set up in Germany to perform the distributing  
functions of the previous 80 Volkswagen main distributors  
and the seven company-owned AUDI NSU marketing  
centers. The Volkswagenwerk AG holds a 26% share in  
each of these companies. All the companies commenced  
trading at the beginning of 1976.

*The promises of the sales center for the northern area of  
Lower Saxony, one of the newly established rationalized  
VW-Audi sales centers*



## Other Companies

### **interRent Autovermietung G. m. b. H., Hamburg**

This company hires out motor vehicles on the domestic market and through a wholly owned company in Belgium. In the remaining countries of Western Europe and in many other countries this business is conducted by interRent licensees. The activities of the French subsidiary were transferred during the 1975 business year to a local group of car hire companies, which will thus act as associates within the interRent system.

The restraint noted since 1974, in particular with regard to business clients, continued to hamper the planned expansion of trading until the late summer, in particular with regard to truck hire, but in the fall a certain recovery in demand became evident. The company's sales proceeds rose by 11.1 % to DM 94 million.

The satisfactory results obtained from vehicle hire were more than negated in the 1975 business year by exceptional influences arising from participations in foreign companies. The result achieved was taken over by the Volkswagenwerk AG in accordance with the Profit and Loss Assumption Agreement.

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

The Wolfsburger Transportgesellschaft handles sea and air transportation and all associated transactions for the VW Group.

The volume of freight handled in 1975 fell on account of reduced vehicle and parts deliveries to the USA. A total of 577,000 vehicles was shipped by sea routes, compared with 694,000 vehicles in the previous year.

The company's earnings situation remained good in 1975, although reduced turnover and general cost increases affected the result. The profit was taken over by the Volkswagenwerk AG in accordance with the Profit and Loss Assumption Agreement.

### **VW KREDIT BANK G. M. B. H., Wolfsburg**

During the 1975 business year, the company merged with the AUDI NSU KREDIT BANK G.M.B.H. in Ingolstadt. It provides credit facilities for the German Volkswagen and Audi dealers to purchase vehicles and parts, and for the purchase of vehicles by customers.

The increased volume of vehicle sales on the home market led to a rise in the number of agreements concluded for both types of credit facility.

On January 1, 1976 the VW KREDIT BANK increased its capital stock by DM 2.5 million to DM 22.5 million.

The improved surplus from credit dealings compared with the previous year led to a good result. The profit was taken over by the Volkswagenwerk AG in accordance with the Profit and Loss Assumption Agreement concluded in 1975.

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

The company was able to continue its positive development process during the otherwise difficult year 1975. This enabled the customer range to expand together with the numbers of vehicles being leased. The leasing of servicing equipment to members of the German VW Group organization also had a positive effect on earnings.

In order to take the business trend into account, the capital stock was increased in October 1975 to DM 10 million from company funds.

The company achieved a good result for the 1975 business year. The profit remaining after reserve transfers was taken over by the Volkswagenwerk AG in accordance with the Profit and Loss Assumption Agreement.

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

The Daimler-Benz AG and the Volkswagenwerk AG both hold an equal interest in this company. During the 1975 business year the Deutsche Automobilgesellschaft m. b. H. was occupied with developments in the field of electrically powered automobiles.

Net income was taken over equally by the two controlling companies in accordance with the existing Profit and Loss Assumption Agreement.

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

The company's building activity was severely restricted during the year under review, and comprised only the completion of apartments commenced in the previous year and the execution of modernization work.

Apartments owned by the company were reduced in number in 1975 by the sale of apartments; at the end of the year, the total was 7,193 apartments and 132 accommodation units in hostels.

### **VW-Siedlungsgesellschaft m. b. H., Wolfsburg**

During the first six months of the year under review, the VW-Siedlungsgesellschaft completed 53 apartments (including 20 hostel accommodation units) which had been commenced during the previous year. At this point, new building activities were for the moment restricted. On December 31, 1975 the company owned 5,364 apartments and a further 628 accommodation units in hostels.

The loss incurred in the report year resulted from the write-off of asset values allowed under tax laws and was absorbed by the Volkswagenwerk AG in accordance with the Profit and Loss Assumption Agreement.

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

HOLAD has a 10% share of the capital stock of the Wolfsburger Transportgesellschaft, 35.3% of the capital stock of the French financing company Société Volkswagen de Financement S. A. in Villers-Cotterêts, 70% of the capital stock of Vorelco Ltd., Toronto, a company which finances sites for the Canadian Volkswagen organization, and also holds 100% of the capital stock of the Volume Export & Trading Corporation (VOTEX).

Dividends from HOLAD's holdings were reinvested within the entire Group.

### **Volume Export & Trading Corporation (VOTEX), Englewood Cliffs, N. J., USA**

The company was able to extend its dealings in automotive parts and accessories, but also in other articles, to a worthwhile extent. Sales proceeds rose by 74.4% to DM 71 million.

A significant contribution to this was made by the subsidiary company, VOTEX Warenhandelsgesellschaft m. b. H., Hamburg.

The company made a profit in the 1975 business year.



The world-wide recession of 1974 having reached its lowest point during 1975 in most Western industrial nations, an improvement in the economic situation is generally awaited for 1976. However, uncertainty still exists as to the course, the extent and the duration of this economic recovery. This is more than any other reason the explanation for the continuing reluctance on the part of companies to indulge in capital investment with medium or long term objectives in view.

A reawakening of demand, however, is already being felt throughout the international automobile industry. However, various governments took measures to fight the economic recession at different times and to different extents, so that the upward trend is not taking effect to the same degree in all countries. None the less, it is anticipated that there will be a return to increased output and sales volume in all the major vehicle manufacturing countries.

Even if the German industry is generally expected to enjoy a new upsurge in exports to its major trading partners as a result of the economic recovery and gain in stability, the same cannot be anticipated for the automobile market over a long period, at least not to the same extent. Developments in wages and other costs in the Federal Republic of Germany in recent years and a worsening in exchange rates from the German point of view have caused Germany-made vehicles to be offered on world markets at prices which constitute a genuine drawback in relation to what our competitors can offer, and which thus stand in the way of a further expansion of our export trade. Future increases in costs incurred for production within Germany – costs which can no longer be absorbed by increased efficiency alone and which must therefore be passed on to the consumer in the form of higher selling prices – will be a decisive factor in determining the export prospects for German automobiles.

Quite apart from the current economic situation, the German automobile industry will be obliged to conclude from this, the most severe economic collapse since the Thirties, that the future is likely to bring more severe fluctuations in sales at more frequent intervals than before. Increased demand will not be satisfied to the same extent as before by expanding production capacity, since the relative saturation of the various automobile markets makes any lasting increase in sales levels unlikely. Apart from the full exploitation of built-in production capacity reserves, the industry will recruit additional labor only to a more limited extent than in the past. In order to combat inadequate utilization of installed capacity more effectively, the automobile industry must endeavor to achieve greater production flexibility and a more substantial financial basis.

The VW Group has drawn its conclusions from these altered conditions and has established a basis for a permanent process of consolidation by means of a comprehensive program of adaptation. We are assuming that the positive trends noted in the latter half of 1975 within the auto-

mobile industry will be continued during 1976, and will enable our Company to revert to an improved business situation. A considerable part in this will be played by the future developments in the rates of exchange between the D-Mark and the U.S. dollar as well as the currencies of the main European consumers, Great Britain, France and Italy. It is hoped that the imbalance in the world currency situation can be effectively counteracted.

It is in connection with this that the plan to assemble the Volkswagen produced in the greatest volume, the Golf, in future in the USA should be considered. By taking this step, not only will it be possible to save in costs – rising shipping costs in particular will be largely dispensed with – but there will also be a reduction in the dependency of trade with North America upon changes in the rates of exchange. It will counter the worsening of the ability of Volkswagen to

compete in North America as evidenced by the decline in sales and lead to stabilization and improvement of our position in what is now, as in the past, the most important market for the existence of our Company.

It is planned to equip facilities in the United States for a yearly assembly of about 200,000 Golf vehicles or Rabbits as they are called there. Assembly of this model is due to start up in the second half of 1977. Units and selected parts for the Rabbit to be assembled in the USA are to continue to be supplied from Germany.

For both the VW Group and the Volkswagenwerk AG, we are confident that the 1976 business year will again close with a positive result, and hope to make considerable progress towards our goal of achieving a reasonable return from our trading activities.

Wolfsburg, March 1976

The Board of Management

*Blumich*

*Finke*

*Hebe*

*Frank*

*Herlich*

*Hünig*

*W. P. J. J. J.*

*F. F.*

*J. J.*

# Financial Statements and Comments

# The Major Companies within the VW Group

December 31, 1975

- Producing Companies
- Distributing Companies
- Other Companies
- Companies included in consolidated financial statements of the VW Group\*

Volkswagenwerk AG		Plant Locations: Wolfsburg		Salzgitter			
Capital Stock		Hanover		Brunswick			
DM 900,000,000		Kassel		Emden			
<input type="checkbox"/> AUDI NSU AUTO UNION AG Neckarsulm DM 215,000,000 99%	<input type="checkbox"/> Volkswagen do Brasil S.A. São Bernardo do Campo Brazil Cr\$ 1,876,121,300 80%	<input type="checkbox"/> Volkswagen of South Africa (PTY) Ltd. Uitenhage, C.P., South Africa R 2,428,572 99% 1% VW of America	<input type="checkbox"/> Compañía Hispano Alemana de Productos Mercedes-Benz y Volkswagen S.A. (MEVOSA), Madrid, Spain Ptas 972,000,000 26.8%	<input type="checkbox"/> Volkswagen of America, Inc. Englewood Cliffs, N.J. USA US\$ 45,000,000 100%	<input type="checkbox"/> Volkswagen Canada Ltd. Toronto, Ontario, Canada can\$ 500,000 100%	<input type="checkbox"/> interRent Autovermietung G.m.b.H. Hamburg DM 1,860,000 100%	<input type="checkbox"/> Volkswagen Leasing G.m.b.H. Wolfsburg DM 10,000,000 100%
<input type="checkbox"/> AWD Automobilwirtschaftsdienst G.m.b.H. Ingolstadt DM 20,000 100%	<input type="checkbox"/> Financiadora Volkswagen S.A. São Bernardo do Campo Brazil Cr\$ 53,600,000 100%	<input type="checkbox"/> South African Motor Acceptance Corp. (PTY) Ltd. (SAMAC), Uitenhage, C.P. R 10,000 100%	<input type="checkbox"/> Comercio e Industria Alaveses del Automovil, S.A. (CIADASA) Vitoria, Spain Ptas 95,000,000 100%	<input type="checkbox"/> VICO Corporation Delaware, USA US\$ 2,655,180 41.5%	<input type="checkbox"/> Vorelco Ltd. Toronto, Ontario, Canada can\$ 10,000,000 30% 70% HOLAD	<input type="checkbox"/> Selbstfahrer Union G.m.b.H. Hamburg DM 20,000 100%	<input type="checkbox"/> Deutsche Automobilgesellschaft m.b.H. Hanover DM 5,000,000 50%
<input type="checkbox"/> AUDI NSU A/S Odense, Denmark dkr 40,000 100%	<input type="checkbox"/> Distrivolks S.A. São Paulo, Brazil Cr\$ 6,500,000 100%	<input type="checkbox"/> Volkswagen Bruxelles S.A. Brussels, Belgium bfrs 425,000,000 100%	<input type="checkbox"/> Volkswagen of Nigeria Ltd. Lagos, Nigeria N 3,000,000 40%	<input type="checkbox"/> Volkswagen Products Corporation Fort Worth, Texas, USA US\$ 1,000 100%	<input type="checkbox"/> Volkswagen France S.A. Villers-Cotterêts France FF 22,000,000 100%	<input type="checkbox"/> DIRANUS Versicherungs-Vermittlungs-G.m.b.H. Hamburg DM 30,000 100%	<input type="checkbox"/> VW-Wohnungsbau Gemeinnützige Gesellschaft m.b.H. Wolfsburg DM 2,000,000 100%
<input type="checkbox"/> AUDI NSU AUSTRIA Ges.m.b.H. Salzburg, Austria S 100,000 51%	<input type="checkbox"/> Forjaria São Bernardo S.A. São Bernardo do Campo Brazil Cr\$ 43,800,000 33.3%	<input type="checkbox"/> Motor Producers Ltd. Melbourne, Australia \$ A 10,000,000 100%	<input type="checkbox"/> TAS Tvornica Automobila Sarajevo Vogosca, Yugoslavia Din 85,575,000 49%	<input type="checkbox"/> Vorelco, Inc. Englewood Cliffs, N.J. USA US\$ 18,500,000 100%	<input type="checkbox"/> Société Volkswagen de Financement S.A. Villers-Cotterêts, France FF 12,500,000 63.7% 35.3% HOLAD	<input type="checkbox"/> interRent S.A. Gent, Belgium bfrs 20,000,000 99.9%	<input type="checkbox"/> VW-Siedlungsgesellschaft m.b.H. Wolfsburg DM 20,000,000 100%
<input type="checkbox"/> Compagnie de Commerce et Commission S.A. Paris, France FF 300,000 100%	<input type="checkbox"/> Trans-Trading Brasil Exportadora S.A. São Bernardo do Campo Brazil Cr\$ 20,000,000 100%	<input type="checkbox"/> P.T. German Motor Manufacturing Jakarta, Indonesia Rp 1,043,165,466 33.3%		<input type="checkbox"/> Vorelco of California, Inc. Culver City, Ca., USA US\$ 5,000 100%	<input type="checkbox"/> Svenska Volkswagen AB Södertälje, Sweden skr 42,000,000 33.3%	<input type="checkbox"/> interRent Location de Voitures S.A.R.L. i.L. Paris, France FF 13,000,000 100%	<input type="checkbox"/> HOLAD Holding & Administration AG Basle, Switzerland sfr 110,000 100%
<input type="checkbox"/> AUDI NSU FRANCE S.A. Paris, France FF 2,000,000 65% 35% AUDI NSU AUTO UNION AG	<input type="checkbox"/> Companhia Vale do Rio Cristalino S.A. Santana do Araguaia, Pará Brazil Cr\$ 75,595,341 74.2% 20.7% Transalme	<input type="checkbox"/> Volkswagen de Mexico, S.A. de C.V. Puebla/Pue., Mexico mex\$ 1,132,952,000 100%		<input type="checkbox"/> Volkswagen i Stockholm AB Stockholm, Sweden skr 6,000,000 100%	<input type="checkbox"/> Wolfsburg Transportgesellschaft m.b.H. Wolfsburg DM 500,000 90% 10% HOLAD	<input type="checkbox"/> Volume Export & Trading Corporation (VOTEX) Englewood Cliffs, N.J. USA US\$ 2,100,000 100%	
	<input type="checkbox"/> Transalme Sociedade de Representações Administração e Organização Ltda. São Bernardo do Campo Brazil, Cr\$ 35,000 100%	<input type="checkbox"/> Volkswagen Comercial, S.A. de C.V. Puebla/Pue., Mexico mex\$ 80,000,000 100%		<input type="checkbox"/> Weser-Ems Vertriebsgesellschaft m.b.H. Bremen DM 8,000,000 81.3%	<input type="checkbox"/> VW KREDIT BANK G.M.B.H. Wolfsburg DM 20,000,000 100%	<input type="checkbox"/> VOTEX Warenhandels-gesellschaft m.b.H. Hamburg DM 500,000 100%	
		<input type="checkbox"/> VW Leasing, S.A. de C.V. Mexico/D.F., Mexico mex\$ 15,000,000 51%				<input type="checkbox"/> VOTEX de Mexico, S.A. de C.V., Puebla/Pue., Mexico mex\$ 1,250,000 90% 10% VW de Mexico	

\* The following companies, Volkswagen Properties (PTY) Ltd., Uitenhage and its subsidiaries Volksprop Algoa Road and Volksprop Halfway House, which have been included in the consolidation, do not appear in this table.

## Comments on the Consolidated Financial Statements of the VW Group

### Basis of Consolidation

#### Scope of Consolidation

The consolidated financial statements principally include all subsidiaries and affiliates in which the Volkswagenwerk AG holds a direct or indirect investment of more than 50 %. In addition to Volkswagenwerk AG 12 domestic and 28 foreign subsidiaries and affiliates were consolidated. These companies are shown in the illustration on page 50 "The Major Companies within the VW Group" and special indication has been made against those included in the consolidated financial statements.

In the year under review the following companies have been excluded from consolidation:

The AUDI NSU KREDIT BANK G.M.B.H. was merged with VW KREDIT BANK G.M.B.H. The interRent Location de Voitures S.A.R.L., Paris has transferred its activities to a French group of car hire companies. This company and the AUDI NSU BELGIUM S.P.R.L., Brussels are in liquidation; in view of the problems connected therewith and due to the fact that the volume of their business is immaterial in comparison to the consolidated balances these companies were not consolidated. The subsidiaries of AUDI NSU AUTO UNION AG in Austria were also no longer included in the consolidated financial statements. Whereas the AUDI NSU AUSTRIA Ges. m. b. H. & Co. KG, Salzburg was deleted from the companies register, the registration of the AUDI NSU AUSTRIA Ges.m.b.H., Salzburg has been continued.

In addition the companies mentioned below were not included in the consolidated financial statements:

- VW-Audi Vertriebszentrum WESER-EMS GmbH,  
Bremen,
- VW-Audi Vertriebszentrum WESER-EMS GmbH  
+ Co. KG, Bremen,
- Auto Union G.m.b.H., Munich,
- Compagnie de Commerce et Commission S.A. (CCC),  
Paris,
- AUDI NSU FRANCE S.A., Paris (since January 1, 1976  
in liquidation),
- Motor Producers Ltd., Melbourne, Australia,
- VW Automotive Industries, Caulfield, Australia,
- VW Inmobiliaria, S.A. de C.V., Puebla/Pue., Mexico,  
2 dealerships in the USA,  
4 smaller foreign enterprises.

On November 5, 1975 the VW-Audi sales centers Weser-Ems were established as part of the restructuring of the distribution level in Germany. Since these companies will not commence their activities before 1976 they were not consolidated because the volume of business at the balance sheet date was immaterial in comparison with the consolidated balances.

The Motor Producers Ltd. was sold with effect from March 31, 1976. This company was not included in the

consolidated financial statements since due to the pending negotiations it was no longer subject to the direct control of Volkswagenwerk AG as at December 31, 1975.

The volume of business of the other companies is immaterial in comparison to the consolidated balances and in consequence the exclusion of these companies from the consolidated financial statements does not affect the Group's sales and earnings situation.

#### Compliance with Standard German Practices of Accounting

The financial statements of the subsidiaries and affiliates have been prepared in accordance with the legal requirements and the accounting practices of the countries concerned and certified. In order to ensure compliance with the standards as laid down in the German stock corporation law appropriate adjustments were made prior to consolidation wherever this was necessary. Where the values shown were at variance with German accounting principles, such items were adjusted making particular use of the concept of prudence and the cost of acquisition method.

#### Conversion Rate

The values for property, plant, equipment and investments were converted at the average rates of exchange for the year of acquisition or production and the conversion rate used for all other balance sheet items was an average of the buying and selling rates of exchange valid on the balance sheet date. We have converted the expenditures and income items shown in the statement of earnings at a rate which constituted an average for the year; an exception was made with regard to the ascertaining of the provision for depreciation of physical plant and the write-down of financial investments which was also based on the rates of exchange for the year of acquisition.

The differences of rates of exchange incurred by converting balance sheet items are shown as adjustment items arising from consolidation and in consequence they have not affected the net earnings for the report year.

#### Method of Presentation

The consolidated financial statements were prepared in accordance with the requirements of German stock corporation law and the consolidated balance sheet shows the change which took place in property, plant, equipment and investments. Changes in the method of presentation which had proved necessary from the Group's point of view were effected. The amounts provided for the distribution to the holders of participating certificates in the AUDI NSU AUTO UNION AG are now shown under liabilities. The consolidated statement of earnings is drawn up in detail and includes the subsidiaries involved in consolidation.

### Adjustment Items arising from Consolidation

**Capital Consolidation** was effected in accordance with the method used for the 1974 business year whereby the book values of investments in consolidated companies were set off against the capital stock included in the consolidated financial statements and this is equivalent to the investment percentage. The differences ascertained in the final stage of consolidation, i. e. the setting off of the book values of Volkswagenwerk AG's direct investments in consolidated companies against the capital stock of its subsidiaries and affiliates included in the consolidated financial statements, were shown on the assets side between property, plant, equipment and investments and current assets or on the liabilities side under consolidated reserves. We have taken due account of the legal restrictions placed on the capital stock of a non-profit company included in the consolidated financial statements. Thus the reserves and the non-distributed part of the net earnings of this company have been shown in the consolidated balance sheet under undetermined liabilities.

**Other Adjustment Items arising from Consolidation** include differences resulting from the fact that housing construction loans granted within the Group have no longer been discounted to reflect present values and amortization of discount on these loans previously discounted was no longer effected. The other adjustment items also include undetermined liabilities for risks within the Group which were shown in the individual financial statements of the subsidiaries and affiliates and cancelled value adjustments on receivables from subsidiaries and affiliates. These items are in the main reduced by the eliminated gains made with regard to property, plant, equipment and investments and inventories. The elimination of the Group's gains in respect of property, plant, equipment and investments in accordance with the requirements of the German stock corporation law only involved the disposal of used plant and equipment within the Group in addition to usual routine sales.

The net earnings of the subsidiaries and affiliates included in consolidation, which were shown after adjustments affecting the results had been made in the individual financial statements, were included under other adjustment items. The losses of the consolidated companies were shown accordingly. If dividends were distributed to the parent company these have been shown in the consolidated statement of earnings as transfers from other adjustment items. In consequence the loss shown in the consolidated financial statements is identical with that published in the Volkswagenwerk AG's financial statements.

When ascertaining the **Minority Interest in Consolidated Subsidiaries**, in the case of financial statements of foreign companies the individual financial statements which were brought into line according to the principle dictated by normal accounting practice in Germany and converted into D-Mark were taken as a basis. The differences of rates of exchange incurred in the course of consolidation were percentually assigned to the minorities.

### Statement of Earnings

Intercompany expenditures and income have been eliminated. Consolidated transactions have influenced the business results in the report year, but they were offset by appropriate transfers from other adjustment items.

Taxes, which have to be paid subsequently on earnings within the Group by consolidated companies, are taken into account in the year of distribution.

## Financial Position

In the year under review the financial position of the VW Group showed a distinct improvement. The decisive factors were the reduction of inventories, the more favorable internal financing rate and the repayments from long-term loans. The improved internal financing situation is due to the higher cash flow\* on the one hand and to the considerable lower investments as compared to the previous year on the other hand. The higher depreciation of physical

plant and the considerably lower net loss compared with the 1974 business year led to an increase in cash flow. The investments totalling DM 941 million were 50.5% less than in the previous year.

The consolidated balance sheet for 1975 shows the following changes with regard to its structure as compared with that of the previous year:

	12/31/1975		12/31/1974	
	– Million DM –			
<b>Assets</b>				
Property, Plant, Equipment and Investments	6,284	49 %	6,899	51 %
Current Assets	6,635**	51 %	6,597**	49 %
	<u>12,919**</u>	<u>100 %</u>	<u>13,496**</u>	<u>100 %</u>
<b>Liabilities</b>				
Stockholders Equity	3,068	24 %	3,258	24 %
Liabilities payable within:				
more than 4 years	2,704	21 %	2,428	18 %
1 to 4 years	1,129	9 %	1,100	8 %
1 year	6,018	46 %	6,710	50 %
	<u>12,919**</u>	<u>100 %</u>	<u>13,496**</u>	<u>100 %</u>

In the report year balance sheet totals decreased by DM 577 million as compared to the previous year. Considerable regrouping took place in the balance sheet. This was caused by reduced investments within the Group and intensified by increased depreciation in respect of investments made in prior years and by repayments from long-term loans and it resulted in a reduction of the book value of property, plant, equipment and investments by DM 615 million to DM 6,284 million. The VW Group's inventories could be reduced by DM 1,165 million to DM 2,938 million. On the other hand against these reductions there was an increase in liquid funds by DM 1,141 million to DM 1,667 million on the assets side. This led to some change in the share in balance sheet totals of property, plant, equipment and investments which dropped to 49 (51)% and of current assets which rose to 51 (49)%.

The decrease in stockholders' equity to DM 3,068 million was mainly due to the net loss shown. With regard to liabilities we have carried out further regrouping in favor of long-term liabilities.

The decrease in property, plant, equipment and investments and the changes on the liabilities side of the balance sheet resulted in an improved situation since at year-end stockholders' equity and long-term liabilities covered property, plant, equipment and investments to 109.8% as compared to 98.4% in 1974.

\* The following items as shown hereunder are included in the cash flow:

	Net earnings/net loss
+	Provision for depreciation of physical plant and write-down of investments
-	Write-ups and accumulation of discount
+	Decrease in property, plant, equipment and investments
+	Increase in provision for old-age pensions
+/-	Increase/Decrease of stockholders' equity in reserves for special purposes
=	Cash flow

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

<b>General situation regarding short-term liquidity</b>	12/31/1975	12/31/1974	Change
	– Million DM –		
Liquid funds, trade acceptances*	1,619	472	+ 1,147
Securities, own stock	48	54	– 6
Short-term receivables and loans (advance payments not included)*	1,607	1,888	– 281
Short-term liabilities and undetermined liabilities (including liabilities in reserves for special purposes)**	6,016	6,701	+ 685
			<u>+ 1,545</u>

In 1975 the change in the liquidity position resulted from the following (Million DM):

#### from current business

Net loss	– 157	
Provision for depreciation of physical plant and write-down of investments (net of accumulated discount and write-ups) and decrease in property, plant, equipment and investments***	+ 1,385	
Increase in provision for old-age pensions	+ 108	
Decrease in stockholders' equity in reserves for special purposes	– 16	+ 1,320

#### from financial transactions

Dividend payment to minorities in 1975	– 8	
Increase in long- and medium-term liabilities	+ 199	
Decrease in other items shown on the liabilities side	– 16	+ 175

#### from uses of funds

Additions to physical plant	– 903	
Additions to investments	– 38	
Increase in adjustment items arising from capital consolidation and shown on the assets side	– 4	
Decrease in inventories and advance payments*	+ 1,168	
Increase in long- and medium-term receivables*	– 173	+ 50
<b>Change in the liquidity position</b>		<u>+ 1,545</u>

\* Reduced by the allowance for doubtful trade acceptances and accounts shown on the liabilities side  
 \*\* Not including the amounts available for distribution  
 \*\*\* Reduced by loans due which were settled within the general situation regarding short-term liquidity



## Group's Assets in Germany and Abroad

The following breakdown of the capital invested by the VW Group shows assets and liabilities according to regions. Thus the bulk of VW Group's net assets is invested in Europe.

### Breakdown of the Consolidated Balance Sheet of the VW Group according to Regions\*

	Europe	North America	Latin America	Africa	Consolidated Balance Sheet of the VW Group
	– Million DM –				
<b>Property, Plant, Equipment and Investments</b>					
Property, plant and equipment	4,256	233	1,224	97	5,810
Investments (including adjustment items arising from capital consolidation)	353	34	85	2	474
	4,609	267	1,309	99	6,284
<b>Current Assets</b>					
Inventories (including advance payments to suppliers)	1,475	502	834	138	2,949
Trade accounts receivable	1,278	107	508	126	2,019
Liquid funds	1,340	57	270	0	1,667
	4,093	666	1,612	264	6,635
<b>Liabilities</b>	7,164	606	1,847	234	9,851
<b>Net Worth</b>	1,538	327	1,074	129	3,068

\* Current assets were decreased by the amounts shown under liabilities as allowance for doubtful trade acceptances and accounts.

## Balance Sheet

### Assets

In the year under review the book value of **Property, Plant, Equipment and Intangible Assets** decreased by DM 453 million to DM 5,810 million.

The original cost of property, plant and equipment is the purchase or the production cost. Expendable equipment was subject to regular depreciation. In addition to this, there were only minor additional depreciations.

The additions to property, plant and equipment were considerably lower than in the previous year. This is mainly due to the reduced investments by Volkswagenwerk AG. Of the total amount invested in property, plant and equipment 35 % pertain to Volkswagenwerk AG, 21 % to Volkswagen do Brasil, 13 % to Volkswagen Leasing, 9 % to AUDI NSU AUTO UNION AG and 5 % each to interRent Autovermietung G.m.b.H. and Volkswagen de Mexico. The deductions mainly included vehicles shown in the balance sheet under plant and office equipment and used for leasing and car hiring activities.

The book value of **Investments** decreased by DM 166 million to DM 241 million as compared to the previous year.

The **Investments in Subsidiaries and Affiliates** primarily referred to Volkswagenwerk AG's investments in the Svenska Volkswagen, the TAS Tvoronica Automobila Sarajevo, the Volkswagen of Nigeria and the new general agencies established in Germany in 1975 as well as Volkswagen of America's investments in the VICO Corporation.

**Other Investment Securities** consist mainly of securities held by Volkswagen do Brasil and Volkswagenwerk AG.

The interest-free and low interest-bearing loans included in **Long-term Loans Receivable with an Initial Term of Four Years or Longer**, have been discounted to reflect present values. Amounts of interest to be deducted or added are shown under write-downs and write-ups respectively. The amount of DM 98 million shown in the balance sheet mainly pertains to Volkswagenwerk AG.

**Other Investments** consist of investments in Volkswagen do Brasil associated with tax benefits and of a compulsory loan with regard to Volkswagen of South Africa.

**Adjustment Items arising from Capital Consolidation** shown on the assets side represent the difference between the book value of investments of Volkswagenwerk AG in AUDI NSU AUTO UNION AG, Volkswagen Bruxelles and interRent Autovermietung G.m.b.H. and the corresponding lower capital stock of these companies which is subject to consolidation. The increase as compared to the previous year was mainly the result of the acquisition of the remaining stock of Volkswagen Bruxelles by the Volkswagenwerk AG.

In the year under review **Inventories** could be reduced. The decrease in inventories by DM 1,165 million to DM 2,937 million mainly affected the Volkswagen of America, the Volkswagenwerk AG and the AUDI NSU AUTO UNION AG.

Of the total **Trade Accounts Receivable** DM 349 million pertain to domestic subsidiaries and affiliates and DM 264 million to foreign subsidiaries and affiliates. Against the increase as compared to the previous year and which was mainly accounted for by the Volkswagenwerk AG and the Volkswagen de Mexico there was a decrease experienced by the Volkswagen of America.

**Trade Acceptances** increased by DM 48 million to DM 177 million and this was mainly due to the expansion in Mexico of Volkswagen Commercial's financing activities and of those of Volkswagen France.

**Cash in Banks** increased by DM 1,073 million to DM 1,412 million. The increase resulted in the main from a rise in such funds in Volkswagenwerk AG and AUDI NSU AUTO UNION AG.

**Own Stock** was shown unchanged as against the previous year. The method of valuation was maintained.

**Receivables from Subsidiaries and Affiliates** were in the main receivables of Volkswagenwerk AG and AUDI NSU AUTO UNION AG due from AUDI NSU FRANCE and Motor Producers.

83 % of **Miscellaneous Other Current Assets** consist of claims of the financing companies resulting from financing of sales and items purchased.

**Prepaid and Deferred Expenses** shown on the assets side pertain primarily to deferred commissions of the Volkswagen Leasing G.m.b.H. and discounted long-term loans of Volkswagenwerk AG and VW-Siedlungsgesellschaft m.b.H.

## Liabilities

The **Consolidated Reserves** include the reserves of Volkswagenwerk AG, the adjustment items arising from capital consolidation and the other adjustment items.

The **Adjustment Items arising from Capital Consolidation** resulted mainly from the capital consolidation of Volkswagen do Brasil, Volkswagen de Mexico, Volkswagen of America and Volkswagen of South Africa.

**Other Adjustment Items** represent mainly amounts resulting from the write-down of housing construction loans granted by Volkswagenwerk AG, cancelled undetermined liabilities for risks inherent within the Group and value adjustments on receivables from subsidiaries and affiliates. The other adjustment items were reduced by the write-downs of the Group's production cost which were made with regard to plant and equipment supplied by subsidiaries and affiliates and in respect of inventories supplied by the companies within the Group. In addition the net earnings of the subsidiaries and affiliates included in consolidation were included under other adjustment items and the dividends distributed to the Volkswagenwerk AG during the report year are shown as transfers from other adjustment items. Losses were dealt with accordingly.

**Minority Interest in Consolidated Subsidiaries** represents in the main minority interest in the Volkswagen do Brasil, the AUDI NSU AUTO UNION AG and the Weser-Ems Vertriebsgesellschaft m.b.H. The minority interest in earnings resulted in the main from Volkswagen do Brasil and Weser-Ems Vertriebsgesellschaft m.b.H. The Volkswagen Leasing S.A. de C.V., Mexico in which minority interest exists incurred a loss.

Virtually all **Reserves for Special Purposes** originated from the financial statements of Volkswagenwerk AG.

The **Allowance for Doubtful Trade Acceptances and Accounts** serves as security for covering the general credit risks.

Of the total **Undetermined Liabilities** of DM 2,883 million

- DM 1,109 million are long-term liabilities,
- DM 463 million are of a medium-term nature, and
- DM 1,311 million are short-term liabilities.

**Undetermined Liabilities in respect of Old-Age Pensions** arise from the domestic sector within the Group. The so-called "Teilwertverfahren" was for the first time used for the computation. The Volkswagenwerk AG and the AUDI NSU AUTO UNION AG made use of the possibilities for distribution of the additional expenditures.

**Undetermined Liabilities for Maintenance not Performed** which were insignificant pertain to the Volkswagenwerk AG and AUDI NSU AUTO UNION AG.

Provision was made by AUDI NSU AUTO UNION AG, Volkswagen do Brasil and Volkswagenwerk AG for risks under **Undetermined Liabilities for Warranties without Legal Obligation**.

**Other Undetermined Liabilities** consist primarily of warranty and distribution costs, personnel costs and taxes.

**Liabilities with an Initial Term of Four Years or Longer** increased in the year under review, this being mainly due to the raising of loans by the Volkswagenwerk AG.

55% of **Trade Accounts Payable** pertained to domestic subsidiaries and 45% was due from foreign companies within the Group.

**Liabilities resulting from the Acceptance of Bills Drawn and the Issuing of Promissory Notes** were shown in the main in the financial statements of Volkswagen do Brasil, Volkswagen of South Africa and Volkswagen France.

**Liabilities Due to Banks** decreased by DM 1,064 million to DM 2,499 million as compared to the previous year.

**Prepayments by Customers** represent, mainly, advance payments shown by Volkswagen do Brasil and Volkswagenwerk AG.

**Accounts Payable to Subsidiaries and Affiliates** resulted in the main from the purchase of shares of the newly established VW-Audi Vertriebszentrum WESER-EMS GmbH + Co. KG by the Weser-Ems Vertriebsgesellschaft m.b.H. and the Volkswagenwerk AG.

**Miscellaneous Other Liabilities**, pertain, for the most part, to payroll accruals (47%) and to taxes and customs duties (32%).

In addition to the **Contingent Liabilities** shown on the balance sheet, other contingent liabilities which must be reported amounted to DM 22.9 million in connection with the purchase of shares of several domestic subsidiaries and affiliates and one foreign subsidiary or affiliated company.

Other contingent liabilities amounted to DM 92,000 in connection with the additional capital contribution to be made to cooperative associations in Germany and DM 45.2 million in connection with business transactions abroad. Of the total other investment securities DM 2.5 million par value bonds were pledged by Volkswagenwerk AG. Inter-company items have been excluded from the above details.

## Statement of Earnings

In 1975, **Sales** of the Group amounted to DM 18,857 million and showed an increase of DM 1,891 million or 11.1% compared with the previous year. Of this total 66% pertain to sales of Volkswagen vehicles, 16% to sales of Audi vehicles, 12% to parts sales and 6% to other sales. The ratio of sales abroad to total sales decreased from 69.6 to 65.3%.

The **Decrease in Inventories** resulted from the reduction of stocks as compared to the previous year and this decrease was particularly marked for Volkswagen of America, AUDI NSU AUTO UNION AG and Volkswagenwerk AG.

Of the **Material, Wages and Overhead Capitalized as Additions to Plant and Equipment** approximately half pertains to Volkswagenwerk AG, 24% to Volkswagen do Brasil and 17% to AUDI NSU AUTO UNION AG.

The **Gross Performance** increased by 3.6% as compared to the previous year.

**Expenditures for Raw Materials, Supplies and Other Materials** amounting to DM 10,066 million remained almost unchanged. The decrease due to the production being reduced was offset by the increased cost of materials.

**Income from Profit Assumption Agreements** resulted from the transfer of 50% of the profit of Deutsche Automobilgesellschaft m.b.H. to Volkswagenwerk AG.

**Income from Investments in Unconsolidated Subsidiaries and Affiliates** was almost exclusively received by Volkswagenwerk AG from Svenska Volkswagen AB, Södertälje and from smaller domestic companies.

**Income from Other Financial Investments** represented in the main interest on loans granted and amortization of discount on long-term loans previously discounted to reflect present values. This income was contributed by Volkswagenwerk AG and Volkswagen do Brasil in connection with investments associated with tax benefits.

**Other Interest and Similar Income** consisted of income from disagio on and discounting Brazilian securities held by Volkswagen do Brasil, a proportionate share of income from financing activities of VW KREDIT BANK G.M.B.H., income from overdrafts granted in the normal course of business and interest on deposit account balances.

**Gain on Disposal of Property, Plant, Equipment and Investments and Write-Ups** resulted in the main from the sale of property, plant and equipment belonging to AUDI NSU AUTO UNION AG and Volkswagen do Brasil and also from the sale of used vehicles belonging to Volkswagen Leasing G.m.b.H. and interRent Autovermietung G.m.b.H.

**Elimination of Reserves for Undetermined Liabilities no Longer Required** was primarily due to lower amounts

required to cover personnel costs and warranty obligations of Volkswagenwerk AG and AUDI NSU AUTO UNION AG.

**Other Income** remained almost unchanged as compared to the previous year. It pertains, for the most part, to profits from foreign exchange transactions in respect of trade accounts, income from rents paid and revenues from cafeteria sales and from rebilling of advertising material.

The decline in expenditures for **Wages and Salaries** which was due to reductions in the labor force of Volkswagenwerk AG was partially offset by an increase in personnel employed by the Group's producing companies abroad and by AUDI NSU AUTO UNION AG.

**Social Expenditures-Compulsory** were shown almost unchanged, being on the same level than in the previous year.

Specific explanations have already been presented in appropriate sections of this report in respect of **Provision for Depreciation of Physical Plant, the Write-down of Financial Investments, the Write-down of Current Assets and Provision for Doubtful Trade Acceptances and Accounts.**

**Loss on Disposal of Property, Plant, Equipment and Investments** was minor in amount and resulted primarily from the disposal of property, plant and equipment in Germany.

**Interest Expense and Similar Charges** increased by 15.8% to DM 540 million as compared to the previous year. The rise mainly pertained to Volkswagenwerk AG and our Brazilian financing company whereas Volkswagen of America's interest expense showed a decrease.

The increase in **Taxes on Income, Earnings and Property** resulted mainly from official tax audits made at the Volkswagenwerk AG, the AUDI NSU AUTO UNION AG and Volkswagen France.

**Other Taxes** pertained in the main to taxes paid by our subsidiaries and affiliates in Mexico and South Africa.

**Other Expenses** consisted mainly of advertising and sales promotion costs, costs of repair and maintenance of property, plant and equipment, shipping costs and rent. In the year under review other expenses decreased by 13.8%.

The **Net Loss** of the Group amounted to DM 157 million. Losses were mainly incurred by AUDI NSU AUTO UNION AG, Volkswagenwerk AG and Volkswagen de Mexico.

## Comments on the Financial Statements of Volkswagenwerk AG

### Balance Sheet

#### Assets

The additions to **Property, Plant and Equipment** were with DM 323 million considerably less than the DM 1,026 million for 1974 because the change-over to the new model range involved a great deal more investment in the previous year. The additions to land, buildings, machinery and equipment including transfers from construction in progress and advance payments to vendors and contractors, amounted to DM 414 million – compared to DM 1,032 million in 1974. At year-end the original cost of property, plant and equipment amounted to DM 9,445 million. Accumulated depreciation totalled DM 6,578 million and this resulted in a book value shown on the balance sheet of DM 2,867 million.

The original cost of property, plant and equipment is the purchase or the production cost plus the use tax in accordance with section 30 of UStG (investment tax). The original purchase or production costs were determined in accordance with the principles set out in the report for 1974. Grants made from public funds for additional investments for the prior year reduced the purchase or production cost. They have been shown in the balance sheet as decrease in property, plant and equipment. Advance payments to vendors and contractors were listed with the amounts disbursed.

Regular depreciation on plant and equipment was determined using the same methods and estimated useful life referred to in the annual report for 1974.

There were minor additional depreciations which provided tax benefits under section 6b EStG as well as subsection 35 EStR and also on plant and equipment held in reserve but no longer used.

The following summary shows details of the regular and additional depreciation provision on additions during 1975:

	Real estate and land rights			Buildings on leased real estate	Machinery and fixtures	Plant and office equipment
	with office, factory and other buildings	with residential buildings	without buildings			
Additions during 1975*	38,134	15	76	380	198,135	171,723
Depreciations on additions during 1975	1,443	–	33	10	23,290	33,205

\* Additions to construction in progress which are subject to regular depreciation and transfers from advance payments to vendors and contractors on machinery and equipment (not including special tools not yet used in operations, but including additions to real estate for which additional depreciation is allowed under section 6b EStG)

The additions to **Investments in Subsidiaries and Affiliates** arose from:

contribution to the increased capital stock of Volkswagen of South Africa (PTY) Ltd.	DM 17 million;
contribution to the increased capital stock of Volkswagen do Brasil S. A.	DM 15 million;
purchase of remaining stock of Volkswagen Bruxelles S. A.	DM 8 million;
payments and demands for payments in respect of stockholdings in newly organized domestic sales companies	DM 8 million.

The balance of approximately DM 1 million resulted from the purchase of additional stock of AUDI NSU AUTO UNION AG as well as the contribution to the capital stock of Volkswagen de Mexico, S. A. de C. V. and TAS Tvoronica Automobila Sarajevo as well as the investment in the Sonderabfallgesellschaft Niedersachsen m.b.H. (a waste disposal company).

The write-downs and adjustments of value made in prior years are sufficient to cover the risks inherent in the investments in subsidiaries and affiliates.

**Other Investment Securities** consist of 5 % West German Government Bonds for the Promotion of Developing Countries. The ninth repayment on the bonds, amounting to DM 2.5 million, was received early in 1975. The remaining DM 2.5 million par value of these bonds were pledged as collateral in favor of the Customs Authorities in Hanover as security for the continuous processing of imported goods. The value shown on the balance sheet for these securities is below market value.

At year-end **Long-term Loans with an Initial Term of Four Years or Longer** amounted to DM 101 million and were granted primarily for housing construction. These interest-free and low interest-bearing loans have been discounted to reflect present values. The other loans have been shown at their nominal values. The decrease in loans by DM 190 million in the report year resulted from repayments due or made ahead of time. Of the loan made in accordance with section 89 of AktG DM 9,630,629 represent loans to an unaffiliated non-profit housing construction company, located in Wolfsburg, in which Volkswagenwerk AG holds a minority interest.

The book value of **Inventories** decreased by DM 244 million to DM 1,184 million as compared to the previous year. This decrease resulted mainly from the reduction in the quantity of raw materials and supplies and work in progress due to rationalization. This reduction is not, however, shown fully in the total inventories figure because due to the incorporation of the parts supply system to the AUDI NSU dealer network since 1975 the Volkswagenwerk AG had to make additional funds available. Inventories were valued based on the principles as indicated in the report for the year 1974.

The increase in **Trade Accounts Receivable** was due in particular to the sale of development work and special tools. Subsequent to December 31, 1975, nearly all material amounts were collected when due.

The increased book value of **Cash in Banks** shows an improvement in liquidity.

The portfolio of **Securities** consisted mainly of debenture bonds in order to obtain interest from investment of liquid funds.

The book value shown on prior year's balance sheet for the unchanged number of **Own Stock** of a par value of DM 15,060,300 was listed again.

With regard to the **Receivables from Subsidiaries and Affiliates** in particular those due from domestic and foreign subsidiaries and affiliates decreased in the ordinary course of business. Where appropriate, lower valuations were placed to a minor degree on receivables in view of the inherent risks relating to the rate of exchange and currency transfers.

**Miscellaneous Other Current Assets** consist mainly of the cash surrender value of old-age insurance, interest receivable, sales bonus payments and sales tax refunds. Where collection was likely to be difficult such doubtful accounts were written off.

## Liabilities

The **Reserve for the Share-the-Burden Property Levy** represents the discounted amount of this liability as of December 31, 1975.

Despite the increase in the reserve for price increases the **Reserves for Special Purposes** decreased due to the elimination of reserves as required by law.

The increase in the **Allowance for Doubtful Trade Acceptances and Accounts** which was determined in the same manner as in the prior year is mainly due to the rise in trade receivables.

**Undetermined Liabilities in respect of Old-Age Pensions** were based on actuarial computations in accordance with section 6a EStG and for the first time the so-called "Teilwertverfahren" was used. Advantage was taken of the interim provisions allowed under current legislation. Through this the allotments were less than they would have been if they had been calculated without any change from the principles used the previous year. The difference which resulted almost entirely from this and which must be reported in accordance with section 160, para. 2, sentence 5 AktG amounted to DM 80,952,087.

**Other Undetermined Liabilities** mainly consist of undetermined liabilities in respect of distribution costs, personnel costs and taxes.

**Liabilities with an Initial Term of Four Years or Longer** have been increased particularly on account of the raising of two loans totalling DM 400 million. The discount deducted on the granting of the loans has been shown on the assets side of the balance sheet under "Prepaid and Deferred Expenses". This item will be written down in relation to the interest involved during the term of the loans.

The decrease in **Trade Accounts Payable** is mainly due to lower production and purchases.

The decrease in the liabilities **Due to Banks** is a reflection of our need for reduced credit on short-term basis.

The increase in **Accounts Payable to Subsidiaries and Affiliates** resulted mainly from advance payments received from foreign subsidiaries.

**Miscellaneous Other Liabilities** decreased particularly through repayment of a low interest loan on an investment project. These liabilities pertain mainly to payroll accruals.

Additional details:

We were contingently liable for DM 32,783,550 in connection with the purchase of shares of domestic companies with limited liability and shares of limited partnerships.

This sum is in addition to the **Contingent Liability with respect to Discounted Trade Acceptances and Guaranty Obligations** shown on the balance sheet.

**Compensation to the Board of Management** for the year 1975 amounted to DM 4,771,974. Pension payments to retired members of the Board of Management or their beneficiaries amounted to DM 3,469,481.

**Compensation paid to members of the Supervisory Board of Directors** was DM 316,003.

## Statement of Earnings

**Sales** increased by DM 151 million to DM 11,370 million. The effect of the lower sales volume of Volkswagen vehicles was more than offset by price increases, increased sales of parts especially with respect to taking over the parts distribution network of the AUDI NSU dealer organization and greater supplies and services to the AUDI NSU AUTO UNION AG. Domestic sales rose by 34.4 % whilst export sales declined by 18.4 %. 77.6 % of total sales were in respect of vehicles and 13.0 % represented parts sales.

Expenditures for **Raw Materials, Supplies and Other Materials** were below those of the prior year to an extent of DM 286 million or 4.3%. This decline was mainly due to the reduced number of vehicles produced. Due to the increased cost of materials this decrease was only partially apparent.

**Income from Profit Assumption Agreements** resulted from the transfer of the profits of the domestic subsidiaries Wolfsburg Transportgesellschaft m.b.H., Volkswagen Leasing G.m.b.H., VW KREDIT BANK G.M.B.H., Weser-Ems Vertriebsgesellschaft m.b.H. and Deutsche Automobilgesellschaft m.b.H. In 1975, Profit Assumption Agreements were concluded with VW KREDIT BANK G.M.B.H. and Weser-Ems Vertriebsgesellschaft m.b.H.

**Income from Investments in Subsidiaries and Affiliates** was primarily received in the form of distribution of dividends for the year 1974 from Volkswagen do Brasil S. A.

**Income from Other Financial Investments** resulted almost exclusively from interest on loans granted and amortization of discount on long-term loans previously discounted to reflect present values.

**Other Interest and Similar Income** consisted mainly of income from overdrafts granted and from bank balances.

**Gain on Disposal of Property, Plant, Equipment and Investments** resulted in the main from the repayment of building loans and from the sale of machinery and special tools.

**Elimination of Reserves for Undetermined Liabilities no Longer Required** resulted primarily from lower requirements for labor costs.

**Other Income** consisted, for the most part, of revenues from billing of services and from auxiliary services and warranty costs rebilled to suppliers.

Expenditures for **Wages and Salaries and Social Expenditures – Compulsory** were below those of the prior year. This decline was due to reductions in personnel and short time working. Because of the raising of the wage tariffs, expenditures in connection with the cancellation of labor contracts and special shifts during the second half of 1975 the effects of these factors were only partially apparent (see "Labor Force" section of this report on page 33).

Specific explanations have already been presented in appropriate sections of this report in respect of the **Provision for Depreciation of Physical Plant, the Write-down of Financial Investments, the Write-down of Current Assets and Provision for Doubtful Trade Acceptances and Accounts.**

**Interest Expense and Similar Charges** resulted, for the most part, from long-term loans, advance payments received, the 300 million DM-loan and current bank credits.

The amount required for **Taxes on Income, Earnings and Property** exceeded that of the previous year by DM 54 million and this increase is solely due to the fact that subsequent tax payments (corporation tax and trade profit tax) had to be made as a result of official tax audits.

**Expenditures under Loss Assumption Agreements** were incurred by assuming the operating loss of AUDI NSU AUTO UNION AG, VW-Siedlungsgesellschaft m.b.H. and interRent Autovermietung G.m.b.H.

**Other Expenses** consisted mainly of distribution costs for our products, such as shipping costs, advertising and sales promotion costs, and of plant maintenance costs.

After a net loss of DM 555 million for 1974 it was possible by appropriate steps especially matching of the labor force to the sales situation to reduce the **Net Loss** in 1975 to DM 145 million.



The purpose of this Statement of Work is to define the scope, objectives, and deliverables of the project. It serves as a contract between the client and the service provider, outlining the specific tasks to be performed and the expected outcomes. The project is intended to address the client's needs and provide a clear framework for the service provider to follow.

The project will be managed in accordance with the following terms and conditions:

- The service provider will be responsible for the design, development, and implementation of the project.
- The client will provide all necessary resources and information to ensure the project is completed on time and within budget.
- The project will be completed by the agreed-upon deadline.
- The service provider will maintain regular communication with the client throughout the project.
- The client will retain the right to terminate the project at any time if the service provider fails to meet the agreed-upon standards.

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## Consolidated Balance Sheet of the VW Group December 31, 1975

(Thousand DM)

**Assets**

	Jan. 1, 1975	Additions	Deductions	Transfers	Write-ups and Accu- mulation of Discount	Provision for Depreciation	Dec. 31, 1975	Dec. 31, 1974
<b>Property, Plant, Equipment and Investments</b>								
<b>A. Property, plant, equipment and intangible assets</b>								
Real estate and land rights								
with office, factory and other buildings	2,409,299	68,129	17,109	117,148	—	137,237	2,440,230	2,409,299
with residential buildings	497,262	8,542	3,057	4,541	—	18,246	489,042	497,262
without buildings	130,600	4,378	1,632	11,837	—	35	121,474	130,600
Buildings on leased real estate	24,957	944	269	547	—	3,741	22,438	24,957
Machinery and fixtures	1,584,006	182,067	6,442	145,609	322	539,645	1,365,917	1,584,006
Plant and office equipment	1,135,160	410,321	85,360	104,079	31	529,801	1,034,430	1,135,160
Construction in progress and advance payments								
to vendors and contractors	480,422	229,135	13,323	360,087	—	233	335,914	480,422
Trademarks and similar rights	894	45	313	—	—	225	401	894
	6,262,600	903,561	127,505	—	353	1,229,163	5,809,846	6,262,600
<b>B. Investments</b>								
Investments in subsidiaries and affiliates	71,341	16,851	12,843	8,679	—	9,990	74,038	71,341
Other investment securities	31,469	4	2,331	5,984	10,692	—	45,818	31,469
Long-term loans receivable with an initial term of four years or longer	272,760	6,879	188,064	3,626	3,153	571	97,783	272,760
Face value at 12/31/75	168,004							
including secured by mortgages	115,085							
loans in accordance with section 89 AktG	10,608							
loans in accordance with section 115 AktG	2							
Other investments	31,070	14,017	187	18,289	2,790	6,042	23,359	31,070
	406,640	37,751	203,425	—	16,635	16,603	240,998	406,640
	6,669,240	941,312	330,930	—	16,988	1,245,766	6,050,844	6,669,240
<b>C. Adjustment items arising from capital consolidation</b>							233,642	229,237
							6,284,486	6,898,477
<b>Current Assets</b>								
<b>A. Inventories</b>						2,937,394		4,102,534
<b>B. Other current assets</b>								
Advance payments to suppliers						12,274		15,566
Trade accounts receivable						612,597		489,690
including amounts due in more than one year	103,566							
Trade acceptances						177,037		129,132
including acceptances discountable at German Federal Bank								
Checks on hand						30,217		2,340
Cash on hand, including German Federal Bank and post office checking account balances						2,711		4,350
Cash in banks						1,412,235		338,607
Securities						26,852		32,403
Own stock						21,235		21,235
par value as at 12/31/75	15,060							
Receivables from subsidiaries and affiliates						27,520		114,470
including amounts for goods and services rendered	13,245							
Loans receivable in accordance with section 89 AktG						14		18
Miscellaneous other current assets						1,336,942		1,296,774
							6,597,028	6,547,119
<b>Prepaid and Deferred Expenses</b>								
Discount on loans payable						31,878		32,965
Other						45,881		46,339
							77,759	79,304
							693,339	550,699
<b>Loss</b>							13,652,612	14,075,599

**Liabilities**

	Dec. 31, 1975	Dec. 31, 1974
<b>Capital Stock of Volkswagenwerk AG</b>	900,000	900,000
<b>Consolidated Reserves</b>		
Reserves of Volkswagenwerk AG		
Legal reserve	233,799	233,799
Reserve for the Share-the-Burden Property Levy	8,346	10,683
Other reserves	1,184,126	1,184,126
Adjustment items arising from capital consolidation	1,034,085	1,086,059
Other adjustment items	38,315	13,159
<b>Minority Interest in Consolidated Subsidiaries</b>	2,498,671	2,527,826
in net earnings	1,635	
in loss	187,903	197,363
<b>Reserves for Special Purposes</b>		
Reserve for investment in developing countries in accordance with section 1 of the tax law	138,339	153,691
Reserve for price increases in accordance with section 74 of EStDV	35,931	37,370
Reserve in accordance with section 1 of law on investments abroad	783	783
Reserve in accordance with subsection V of the regulation on collective adjustments of value by credit institutions	1,035	1,502
Reserves mainly involving investments in accordance with Austrian and French legislation	249	248
	176,337	193,594
<b>Allowance for Doubtful Trade Acceptances and Accounts</b>	40,083	29,149
<b>Undetermined Liabilities</b>		
Old-age pensions	1,143,323	1,035,279
Other undetermined liabilities		
Maintenance not performed during current year	6,081	2,222
Warranties without legal obligations	20,275	16,063
Other	1,713,463	1,487,266
	2,883,142	2,540,830
<b>Liabilities with an Initial Term of Four Years or Longer</b>		
Loans	300,000	305,861
including secured by mortgages		
Due to banks	1,652,102	1,230,918
including secured by mortgages	953,123	
Other liabilities	200,730	203,827
including secured by mortgages	118,399	
	2,152,832	1,740,606
including amounts due within four years	520,928	
<b>Other Liabilities</b>		
Trade accounts payable	1,084,773	1,118,921
Liabilities resulting from the acceptance of bills drawn and the issuing of promissory notes	586,500	526,949
Due to banks	2,499,324	3,563,656
Prepayments by customers	47,940	69,063
Accounts payable to subsidiaries and affiliates	1,457	377
including trade accounts payable	109	
Miscellaneous other liabilities	582,463	659,946
	4,802,457	5,938,912
<b>Deferred Income</b>	11,187	7,319
Contingent liabilities with respect to trade acceptances	5,250	
Contingent liabilities with respect to guarantees	9,019	
Other contingent liabilities	40,291	
	13,652,612	14,075,599



### Consolidated Statement of Earnings of the VW Group

Year ended December 31, 1975  
(Thousand DM)

	1975		1974		1975		1974	
<b>Sales</b>	18,857,329		16,966,339					
Decrease/Increase in inventories	- 785,495		333,338					
Material, wages and overhead capitalized as additions to plant and equipment		18,071,834 279,576	17,299,677 411,332					
<b>Gross Performance</b>		18,351,410	17,711,009					
Expenditures for raw materials, supplies and other materials		10,065,920	10,067,566					
<b>Excess of Gross Performance over Expenditures for Raw Materials, etc.</b>		8,285,490	7,643,443					
Income from profit assumption agreements	360		495					
Income from investments in unconsolidated subsidiaries and affiliates	994		759					
Income from other financial investments	16,231		23,734					
Other interest and similar income	260,388		235,985					
Gain on disposal of property, plant, equipment and investments and write-ups	57,986		94,694					
Elimination of reserves for undetermined liabilities no longer required	120,023		269,134					
Elimination of reserves for special purposes no longer required	17,371		10,810					
Other income	456,131		447,824					
including extraordinary income	83,884							
		929,484	1,083,435					
		9,214,974	8,726,878					
Wages and salaries	4,751,018		4,872,068					
Social expenditures — compulsory	646,236		644,236					
Pension expenditures and voluntary payments	152,513		201,531					
Provision for depreciation of physical plant and fixed intangible assets	1,229,163		1,136,396					
Write-down of financial investments	16,603		11,915					
Write-down of other current assets and provision for doubtful trade acceptances and accounts	44,463		42,527					
Loss on disposal of property, plant, equipment and investments	15,616		12,028					
Interest expense and similar charges	539,906		466,420					
Taxes			241,425					
a) on income, earnings and property	347,397		60,439					
b) other	53,442							
Share-the-Burden Property Levy	400,839		301,864					
Additions to reserves for special purposes	3,324		3,324					
Other expenses	95		19,020					
	1,572,256		1,822,925					
		9,372,032	9,534,254					
<b>Net Loss for the Year</b>		157,058	807,376					
Balance carried forward		157,058	807,376					
				Balance brought forward		157,058	807,376	
				Volkswagenwerk AG's loss brought forward (1974: earnings brought forward)		550,699	2,380	
				Change in consolidated reserves		707,757	804,996	
				Transfer from Reserves of Volkswagenwerk AG	2,337		2,236	
				Adjustment items arising from consolidation	26,113		259,774	
						28,450	262,010	
				Transfer to Adjustment items arising from consolidation	14,327		—	
						14,327	—	
				Minority interest in net earnings of consolidated subsidiaries		693,634 1,635	542,986 9,076	
				Minority interest in losses of consolidated subsidiaries		695,269 1,930	552,062 1,363	
				<b>Loss</b>		693,339	550,699	

Wolfsburg, March 1976

**Volkswagenwerk Aktiengesellschaft**

The Board of 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 2, 1976

**TREUARBEIT  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft**

Prof. Dr. Forster  
WirtschaftsprüferDr. Tubbesing  
Wirtschaftsprüfer



**Volkswagenwerk AG**  
**Balance Sheet December 31, 1975**

	Assets								Liabilities				
	Jan. 1, 1975	Additions	Deductions	Transfers	Accu- mulation of Discount	Provision for Depreciation	Dec. 31, 1975	Dec. 31, 1974			Dec. 31, 1975	Dec. 31, 1974	
	DM	DM	DM	DM	DM	DM	DM	Thousand DM		DM	DM	DM	Thousand DM
<b>Property, Plant, Equipment and Investments</b>									<b>Capital Stock</b>			900,000,000	900,000
A. Property, plant and equipment									<b>Reserves</b>				
Real estate and land rights									Legal reserve		233,799,000		233,799
with office, factory and other buildings	1,467,906,347	23,244,281	1,058,146	14,990,855	—	96,499,837	1,408,583,500	1,467,906	Reserve for the Share-the-Burden				
with residential buildings	10,214,541	15,064	40,757	29,938	—	601,380	9,557,530	10,215	Property Levy				
without buildings	38,598,369	107,794	133,141	44,893	—	33,077	38,584,838	38,598	Jan. 1, 1975	10,683,276			
Buildings on leased real estate	14,239,721	380,126	111,374	—	—	1,618,934	12,889,539	14,240	Transfer to statement of earnings	2,337,160			
Machinery and fixtures	1,012,596,253	131,608,191	1,220,184	67,049,567	—	347,992,839	862,040,988	1,012,596	Other reserves		8,346,116		10,683
Plant and office equipment	583,370,740	135,135,349	8,285,219	41,406,960	—	252,283,177	499,344,653	583,371		1,184,125,578			1,184,126
Construction in progress	106,382,245	28,308,393	10,372,320	92,925,361	—	—	31,392,957	106,382	<b>Reserves for Special Purposes</b>			1,426,270,694	1,428,608
Advance payments to vendors and contractors	33,563,396	4,417,943	2,995,820	30,536,976	—	—	4,448,543	33,563	Reserve for investments in developing countries in accordance with section 1 of the tax law		138,338,719		153,690
	3,266,871,612	323,217,141	24,216,961	—	—	699,029,244	2,866,842,548	3,266,871	Reserve for price increases in accordance with section 74 EStDV		33,295,704		34,735
B. Investments									Reserve in accordance with section 1 of the law on investments abroad		783,000		783
Investments in subsidiaries and affiliates	1,012,971,175	48,957,148	—	—	—	—	1,061,928,323	1,012,971	<b>Allowance for Doubtful Trade Acceptances and Accounts</b>			172,417,423	189,208
Other investment securities	4,412,501	—	2,206,250	—	—	—	2,206,251	4,413	<b>Undetermined Liabilities</b>				
Long-term loans receivable with an initial term of four years or longer	284,096,138	2,094,000	189,812,159	—	5,025,099	313,749	101,089,329	284,096	Old-age pensions		973,820,821		912,152
Face value at 12/31/75									Other undetermined liabilities				
DM 240,024,901									Maintenance not performed during current year		5,000,000		2,000
including secured by mortgages									Warranties without legal obligation		4,881,833		3,103
DM 234,257,531									Other		1,252,586,516		1,066,392
subsidaries and affiliates									<b>Liabilities with an Initial Term of Four Years or Longer</b>			2,236,289,170	1,983,647
DM 146,949,207									Loans		300,000,000		300,000
loans in accordance with section 89 AktG									secured by mortgages				
DM 10,431,024									Due to banks		1,200,000,000		800,000
	1,301,479,814	51,051,148	192,018,409	—	5,025,099	313,749	1,165,223,903	1,301,480	including secured by mortgages	DM 650,000,000			
	4,568,351,426	374,268,289	216,235,370	—	5,025,099	699,342,993	4,032,066,451	4,568,351	Other liabilities		53,955,903		55,185
<b>Current Assets</b>					DM	DM			including amounts due within four years	DM 342,415,614		1,553,955,903	1,155,185
A. Inventories									<b>Other Liabilities</b>				
Raw materials and supplies					361,586,149			518,723	Trade accounts payable		472,919,891		535,464
Work in progress					441,336,004			542,281	Due to banks		89,573,056		373,202
Finished products					380,629,260		1,183,551,413	366,895	Prepayments by customers		10,569,468		29,558
									Accounts payable to subsidiaries and affiliates		538,863,796		183,760
B. Other current assets									including trade accounts payable	DM 59,940,583			
Advance payments to suppliers					4,444,426			5,013	advance payments received	DM 375,423,864			
Trade accounts receivable					282,625,151			125,265	Miscellaneous other liabilities		207,237,574		404,885
including amounts due in more than one year	DM 102,351,184											1,319,163,785	1,526,869
Trade acceptances					2,503,910			1,666	<b>Deferred Income</b>			264,928	330
including acceptances discountable at German Federal Bank	DM —								Share-the-Burden Property Levy				
Cash on hand, including post office checking account balances					409,909			1,261	Present discounted amount	DM 8,346,116			
Cash in banks					1,090,142,826			8,130	Quarterly installment	DM 689,021			
Securities					25,044,490			27,414	Contingent liabilities with respect to trade acceptances		DM 334,479,890		
Own stock (par value DM 15,060,300)					21,234,776			21,235	Contingent liabilities with respect to guaranty obligations		DM 259,083,240		
Receivables from subsidiaries and affiliates					197,476,499			366,544				7,622,837,903	7,191,801
including amounts for goods and services rendered	DM 135,835,355												
Miscellaneous other current assets					68,334,614		1,692,216,601	67,087					
<b>Prepaid and Deferred Expenses</b>													
Discount on loans								623,615					
Other items								21,114					
								123					
<b>Loss</b>								21,237					
								693,339,038					
								550,699					
								21,664,400					
								7,622,837,903					
								7,191,801					



## Statement of Earnings of Volkswagenwerk AG

Year ended December 31, 1975

	1975		1974		1975		1974
	DM	DM	Thousand DM		DM	DM	Thousand DM
<b>Sales</b> (excluding sales tax)	11,369,725,378		11,218,624	Balance brought forward		144,976,868	555,315
Decrease in inventories	- 142,325,847		- 78,248		Loss brought forward from previous year (1974: earnings brought forward)	550,699,330	2,380
Material, wages and overhead capitalized as additions to plant and equipment		11,227,399,531 99,507,114	11,140,376 203,663			695,676,198	552,935
<b>Gross Performance</b>		11,326,906,645	11,344,039	Transfer from the reserve for the Share-the-Burden Property Levy		2,337,160	2,236
Expenditures for raw materials, supplies and other materials		6,313,387,193	6,599,406				
<b>Excess of Gross Performance over Expenditures for Raw Materials, etc.</b>		5,013,519,452	4,744,633	<b>Loss</b>		693,339,038	550,699
Income from profit assumption agreements		49,682,226	62,198	During 1975 pension payments amounted to DM 20,661,302; payments during the next five years will approximate 144, 156, 168, 178, 188 % of this amount.			
Income from investments in subsidiaries and affiliates		27,104,792	88,363				
Income from other financial investments		13,103,453	20,836				
Other interest and similar income		54,534,705	25,738				
Gain on disposal of property, plant, equipment and investments		25,609,379	34,380				
Elimination of reserves for undetermined liabilities no longer required		61,990,788	145,604				
Elimination of reserves for special purposes no longer required		16,791,114	10,224				
Other income		335,939,418	240,862				
including extraordinary income of	DM 58,885,204						
		584,755,875	628,205				
		5,598,275,327	5,372,838				
Wages and salaries		3,120,198,829	3,374,661				
Social expenditures — compulsory		388,395,159	407,936				
Pension expenditures and voluntary payments		84,395,679	157,482				
Provision for depreciation of physical plant		699,029,244	600,555				
Write-down of financial investments		313,749	3,972				
Write-down of other current assets and provision for doubtful trade acceptances and accounts		8,633,870	16,678				
Loss on disposal of property, plant, equipment and investments		4,568,815	4,512				
Interest expense and similar charges		197,464,826	90,902				
Taxes							
a) on income, earnings and property	DM 239,526,833		185,720				
b) other	DM 1,643,104		3,202				
		241,169,937	188,922				
Share-the-Burden Property Levy		2,756,085	2,756				
Expenditures under loss assumption agreements		86,404,610	7,590				
Additions to reserves for special purposes		—	16,109				
Other expenses		909,921,392	1,056,078				
		5,743,252,195	5,928,153				
<b>Net Loss for the Year</b>		144,976,868	555,315				
Balance carried forward		144,976,868	555,315				

Wolfsburg, March 1976

**Volkswagenwerk Aktiengesellschaft**

The Board of 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 2, 1976

**TREUARBEIT**  
**Aktiengesellschaft**  
**Wirtschaftsprüfungsgesellschaft**  
**Steuerberatungsgesellschaft**

Prof. Dr. Forster  
WirtschaftsprüferDr. Tubbesing  
Wirtschaftsprüfer









