VOLKSWAGEN

AKTIENGESELLSCHAFT

moving people

ANNUAL REPORT

2015

Moving Globally

VOLKSWAGEN GROUP DELIVERIES – IN THOUSAND UNITS

NORTH AMERICA

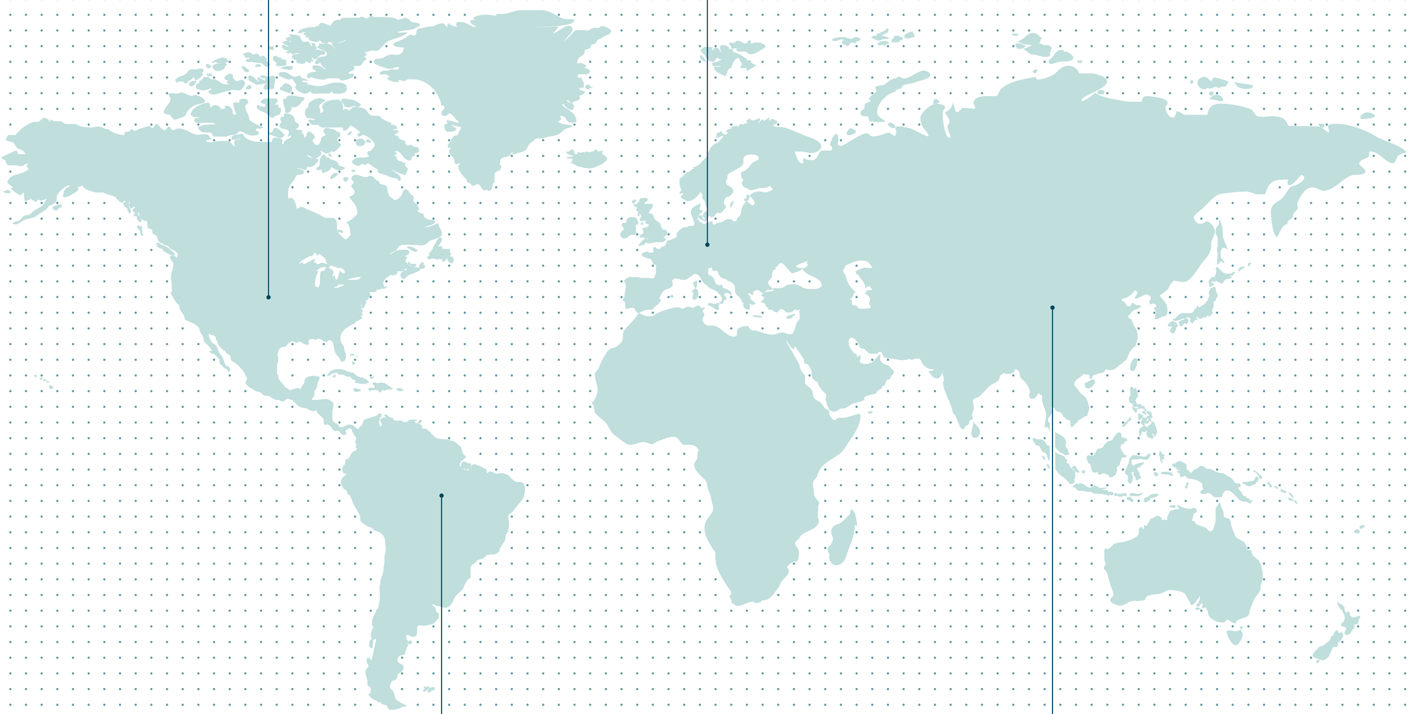
2013	891
2014	893
2015	932

+4.4%

EUROPE/OTHER MARKETS

2013	4,201
2014	4,392
2015	4,505

+2.6%



SOUTH AMERICA

2013	992
2014	795
2015	559

–29.7%

ASIA-PACIFIC

2013	3,647
2014	4,058
2015	3,935

–3.0%

Key Figures

VOLKSWAGEN GROUP

Volume data[1]	2015	2014	%
Vehicle sales (units)	10,009,605	10,217,003	−2.0
Production (units)	10,017,191	10,212,562	−1.9
Employees at Dec. 31	610,076	592,586	+3.0

Financial data (IFRSs), € million	2015	2014	%
Sales revenue	213,292	202,458	+5.4
Operating result before special items	12,824	12,697	+1.0
as a percentage of sales revenue	6.0	6.3	
Special items	16,893	–	x
Operating result	−4,069	12,697	x
as a percentage of sales revenue	−1.9	6.3	
Earnings before tax	−1,301	14,794	x
Earnings after tax	−1,361	11,068	x
Earnings attributable to Volkswagen AG shareholders	−1,582	10,847	x
Cash flows from operating activities	13,679	10,784	+26.8
Cash flows from investing activities attributable to operating activities	15,523	16,452	−5.6
Automotive Division[2]			
EBITDA[3]	7,212	23,100	−68.8
Cash flows from operating activities	23,796	21,593	+10.2
Cash flows from investing activities attributable to operating activities[4]	14,909	15,476	−3.7
of which: capex	12,738	11,495	+10.8
as a percentage of sales revenue	6.9	6.5	
capitalized development costs	5,021	4,601	+9.1
as a percentage of sales revenue	2.7	2.6	
Net cash flow	8,887	6,117	+45.3
Net liquidity at Dec. 31	24,522	17,639	+39.0

Return ratios in %	2015	2014	
Return on sales before tax	−0.6	7.3	
Return on investment (ROI) in the Automotive Division	−0.2	14.9	
Return on equity before tax (Financial Services Division)[5]	12.2	12.5	

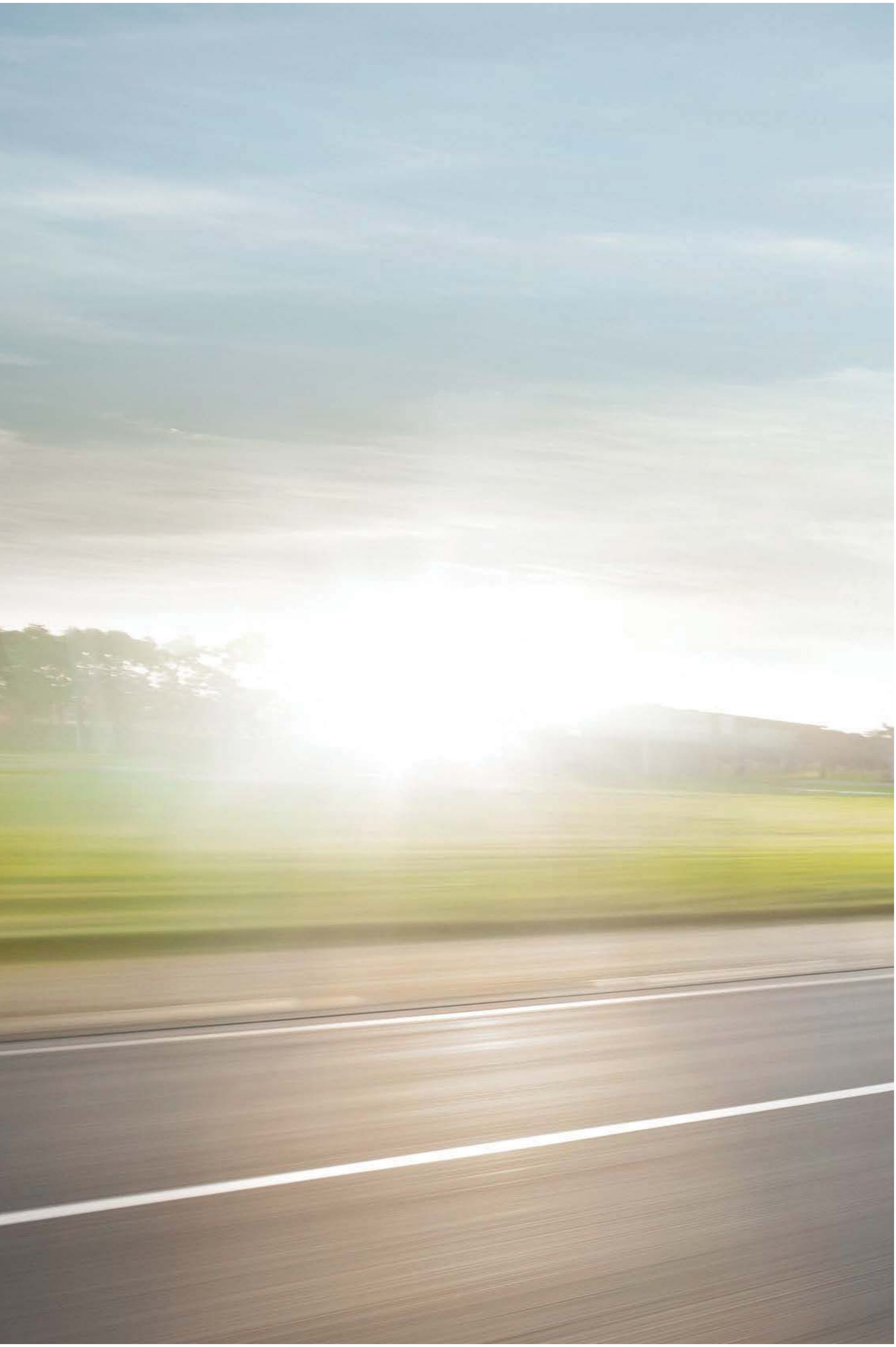
1 Volume data including the unconsolidated Chinese joint ventures.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Operating result plus net depreciation/amortization and impairment losses/reversals of impairment losses on property, plant and equipment, capitalized development costs, lease assets, goodwill and financial assets as reported in the cash flow statement.
4 Excluding acquisition and disposal of equity investments: €17,270 (€15,719) million.
5 Earnings before tax as a percentage of average equity.

VOLKSWAGEN AG

Volume data	2015	2014	%
Vehicle sales (units)	2,676,629	2,615,686	+2.3
Production (units)	1,255,771	1,230,891	+2.0
Employees at Dec. 31	114,066	112,561	+1.3

Financial data (HGB), € million	2015	2014	%
Sales	73,510	68,971	+6.6
Net loss/net income for the year	−5,515	2,476	x
Dividends (€)			
per ordinary share	0.11	4.80	
per preferred share	0.17	4.86	

This version of the annual report is a translation of the German original. The German takes precedence. All figures shown in the report are rounded, so minor discrepancies may arise from addition of these amounts. The figures from the previous fiscal year are shown in parentheses directly after the figures for the current reporting period.




12 brands
on the move

VOLKSWAGEN
AKTIENGESELLSCHAFT

Volkswagen

Audi

SEAT

ŠKODA

BENTLEY

BUGATTI

LAMBORGHINI

PORSCHE

DUCATI

Commercial Vehicles

SCANIA

MAN

VOLKSWAGEN FINANCIAL SERVICES
AKTIENGESELLSCHAFT

Twelve brands with an individual identity and a common goal: mobility. For everyone, all over the world.

Volkswagen Tiguan fuel consumption in l/100 km combined from 7.4 to 4.7; CO_2 emissions in g/km combined from 170 to 123; CO_2 efficiency classes A to D.

Volkswagen

For millions of people, Volkswagen epitomizes mobility.
The brand wants to make people's lives better
with its vehicles, technologies and mobility concepts.

Audi

Audi is “Vorsprung durch Technik”. Lightweight construction, efficient drivetrains, connectivity and innovative assistance systems – Audi clothes its progressive technologies in clear lines and sporty design.

Audi A4 Avant 3.0 TDI quattro fuel consumption in l/100 km combined from 5.4 to 4.7; CO_2 emissions in g/km combined from 142 to 123; CO_2 efficiency class A.

SEAT Ibiza Cupra 1.8 TSI fuel consumption in l/100 km combined 6.2; CO_2 emissions in g/km combined 139; CO_2 efficiency class D.

SEAT

SEAT combines temperament and precision.
The Spanish brand’s vehicles radiate sheer enjoyment
and impress with technological perfection.

ŠKODA

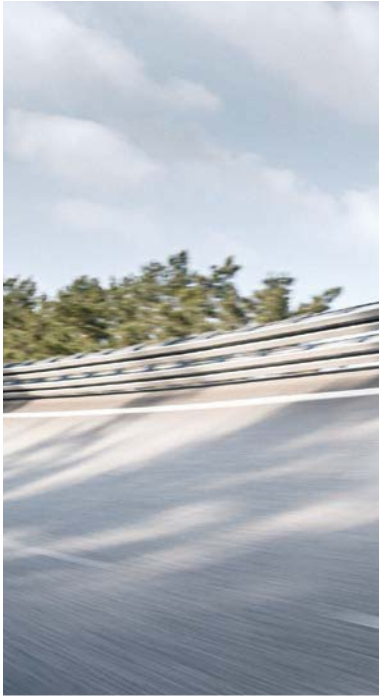
Clever solutions for everyday car journeys – that is ŠKODA's aspiration. The traditional Czech brand combines functionality and everyday practicality with high quality and timeless design.

ŠKODA Superb Combi fuel consumption in l/100 km combined from 7.2 to 4.0; CO_2 emissions in g/km combined from 163 to 103; CO_2 efficiency classes A+ to C.

Bentley Bentayga fuel consumption in l/100 km combined 13.1; CO_2 emissions in g/km combined 296; CO_2 efficiency class G.

Individual luxury, handcrafted perfection and
powerful performance – the Bentley experience, every time.
Built in Crewe and driven all over the world.

Bugatti is more than just a brand – Bugatti is
a legend. Its super sports cars epitomize its quest for
a perfect synthesis of art and technology.



Bugatti Chiron. Near-production vehicle without type approval – Directive 1999/94/EEC does not apply.

Lamborghini Aventador LP 750-4 Superveloce fuel consumption in l/100 km combined 16.0; CO_2 emissions in g/km combined 370; CO_2 efficiency class G.

Uncompromising sportiness, extreme design,
ultimate performance – Lamborghini remains true to
its DNA with the Aventador Superveloce.

PORSCHE

Porsche's mission is to build sports cars that
go full throttle on the circuit but also hold their own
on everyday journeys. The most efficient sports car
in the world thanks to outstanding German engineering.

Porsche 911 Carrera S fuel consumption in l/100 km combined from 8.7 to 7.7; CO_2 emissions in g/km combined from 199 to 174; CO_2 efficiency class F.

Ducati Monster 1200 R

A brand with a reputation built on legendary racing triumphs.
The Ducati name stands for motorcycles that are in a class
of their own, with outstanding performance, state-of-the-art
technology and an exciting design.

Commercial
Vehicles

Whether Multivan, Caddy, Amarok or Crafter:
Volkswagen Commercial Vehicles offer highly flexible and
cost-effective performance for everyday driving.

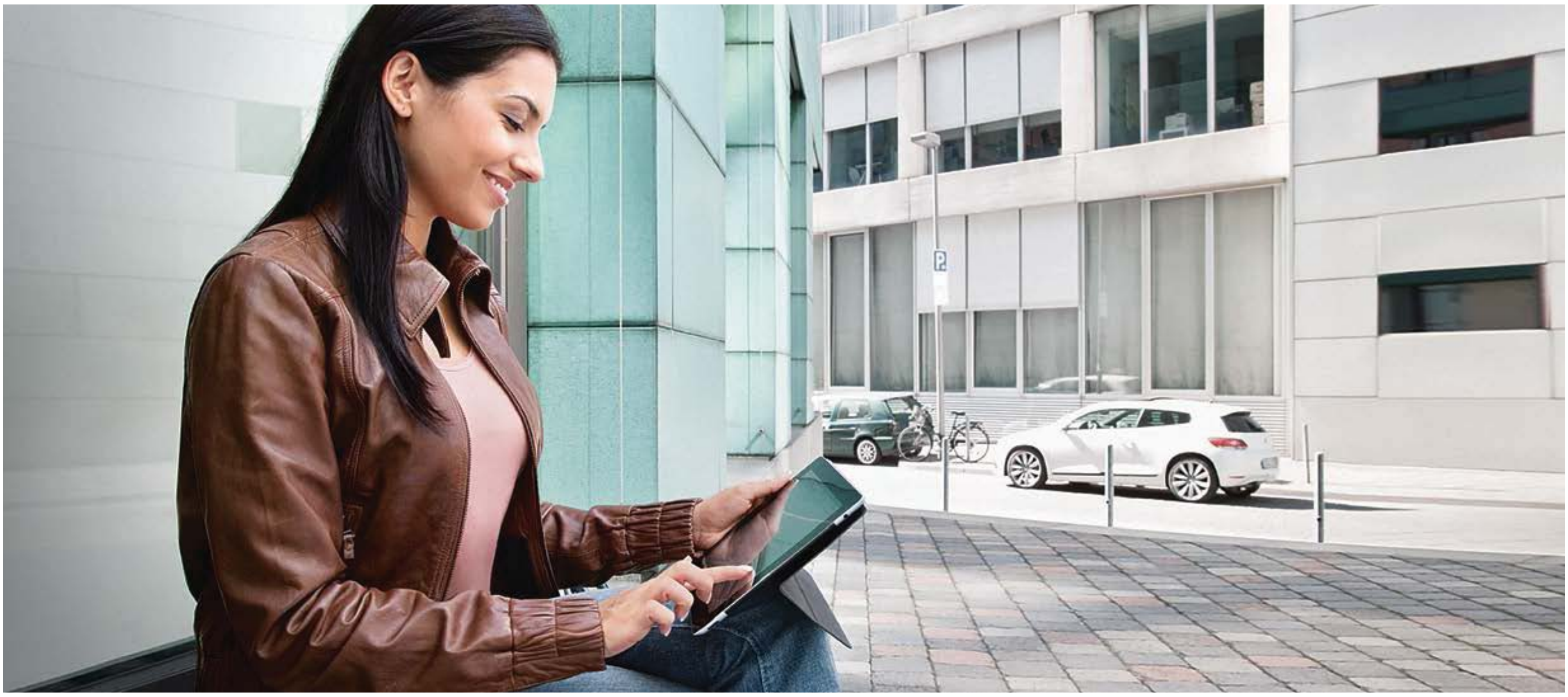
Volkswagen Multivan fuel consumption in l/100 km combined from 9.4 to 5.7; CO_2 emissions in g/km combined from 216 to 149; CO_2 efficiency classes A to D.

Scania R 450 4 x 2 Highline

Scania trucks, buses and engines promise maximum efficiency and absolute reliability. This premium brand in the commercial vehicle segment stands for high cost effectiveness and comprehensive service.

Technological expertise in transportation and energy
is a feature of all MAN products, from trucks
to buses, from large-bore engines to turbomachinery.

MAN Lion's Intercity



VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

Volkswagen Financial Services offers tailor-made products and services spanning all vehicle segments that are the key to mobility for many of the Group’s customers worldwide.

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This annual report was published on the occasion of the Annual Media Conference on April 28, 2016.

“Our Group has qualities that did not vanish overnight, qualities on which we can also build for the future.”

MATTHIAS MÜLLER, CHAIRMAN OF THE BOARD OF MANAGEMENT OF VOLKSWAGEN AKTIENGESELLSCHAFT

1

To our Shareholders

TO OUR SHAREHOLDERS

Letter to our Shareholders

Dear Shareholders,

This is the first annual report of the Volkswagen Group where I have the privilege of writing to you as Chairman of the Board of Management. I welcome this opportunity, although I would have preferred to be addressing you in more auspicious circumstances: as a result of the irregularities relating to diesel engines which contradict the very essence of what Volkswagen stands for, we find ourselves in the midst of what is probably the greatest challenge in the history of our Company. On behalf of the Volkswagen Group I would like to apologize to you, our shareholders, that the trust you placed in Volkswagen has been broken.

We are doing everything we can to overcome this crisis: with effective technical solutions for our customers and trustful cooperation with all the responsible authorities in order to completely and transparently clarify what happened. We are gradually making progress. Looking to the future, we must above all learn from past mistakes and draw the right consequences so that something like this can never happen at Volkswagen again. That is what is needed to rebuild trust and get our Group back on the right track. I realize that this course sometimes puts a great strain on patience – both yours and ours. But everyone at Volkswagen is working most diligently and with great commitment to rebuild the high esteem this Group rightly enjoyed for so long.

The present crisis has a very significant impact on the Company. This is reflected among other things by the financial key performance indicators for the last fiscal year. But these figures also contain another important message: our operating business continues to be in excellent shape, our portfolio of twelve strong brands, unique in our industry, is carrying us even through this difficult phase. We delivered almost 10 million vehicles to customers in 2015 and grew sales revenue by over five percent to €213.3 billion. The operating result, which ran at €12.7 billion in the previous year, was €–4.1 billion. That is attributable to negative special items totaling €16.9 billion; without these special items, the operating result would have slightly exceeded the prior-year level. At €16.2 billion, the lion's share of special items is accounted for by contingency reserves for the diesel issue, including ongoing technical and customer-related measures, repurchases and legal risks. The Volkswagen Group's earnings before and after tax amounted to €–1.3, respectively €–1.4 billion as a result of the high exceptional charges.

Without the special items we would once again have been able to talk about a successful year overall. In light of this and given the Group's unchanged robust financial strength, the Board of Management and the Supervisory Board will propose a dividend of €0.11 per ordinary share and €0.17 per preferred share to the Annual General Meeting of Volkswagen Aktiengesellschaft despite the negative consolidated result of the Volkswagen Group.

"Everyone at Volkswagen is working most diligently and with great commitment to rebuild the high esteem this Group rightly enjoyed for so long."

MATTHIAS MÜLLER

The diesel issue has clearly overshadowed much in recent weeks. For me it is important that you know there is much more to Volkswagen than this crisis. Our Group has qualities that did not vanish overnight, qualities on which we can also build for the future: strong brands and great vehicles, outstanding technological expertise and innovative strength, our global presence, millions of loyal customers all over the world, and a skilled team that is totally committed to these customers. I have great respect for the achievements and dedication of our employees. We are – I am – very grateful for that.

The Volkswagen Group has the firm resolve and the strength to master the difficult situation we find ourselves in with its own resources. From the outset, I have believed it is important we use this crisis as an opportunity: an opportunity to realign the Group in an automotive world that is facing epoch-making change. Our mission is to come up with the right answers to the big issues of the future, namely e-mobility, urbanization and digitalization. To do that, the Volkswagen Group must become faster and more efficient, more flexible and courageous, more technically progressive and sustainable in all relevant aspects. That is why we are realigning our structures, our mindset and the way we approach things. More than that – we are also renewing our targets, or to put it another way: we are evolving the strategy which has served us so well over the past years in light of the challenges to be faced over the next ten years. The presentation of our "Strategy 2025" mid-year will be an important milestone.

As far as Volkswagen is concerned, 2016 will clearly be a year of transition, a year when we lay the foundations for the future. I am firmly convinced that, with time, we will be able to say: no matter how grave the crisis was, it also opened doors for us. Because it encouraged us to set the right priorities and speed up overdue change. And because we will succeed in making Volkswagen a better company with the measures we are now putting in place. A Group that boldly seizes the future, attains sustainable growth and opens up long-term perspectives: for its customers, employees and partners, for society and, not least, for you, our shareholders.

A letter of this kind usually ends by asking shareholders for their trust. Now more than ever, that trust must be earned. And we are working on that. Which is why, this year, I am asking above all for your continued loyalty to Volkswagen in spite of the present pressures, and hope you remain at our side as we make the journey into the future.

Sincerely,

Matthias Müller

The Board of Management

OF VOLKSWAGEN AKTIENGESELLSCHAFT

(from left to right)

Andreas Renschler
Commercial Vehicles

Dr. rer. soc. Karlheinz Blessing
Human Resources and Organization

Prof. Dr. rer. pol. Dr.-Ing. E.h. Jochem Heizmann
China

Matthias Müller
Chairman of the Board of Management of Volkswagen Aktiengesellschaft

Dr.-Ing. Herbert Diess
Chairman of the Brand Board of Management of Volkswagen Passenger Cars

Frank Witter
Finance and Controlling

Dr. jur. Christine Hohmann-Dennhardt
Integrity and Legal Affairs

Prof. Rupert Stadler
Chairman of the Board of Management of AUDI AG

Dr. rer. pol. h.c. Francisco Javier Garcia Sanz
Procurement

Curricula Vitae
www.volkswagenag.com > The Group > Executive Bodies

Report of the Supervisory Board

(IN ACCORDANCE WITH SECTION 171(2) OF THE AKTG)

Ladies and Gentlemen,

2015 was a very eventful year for the Volkswagen Group. The events surrounding the emissions issue and changes in the composition of the Supervisory Board and the Board of Management meant that 2015 was also an unprecedented year in terms of the work of the Supervisory Board. The Supervisory Board of Volkswagen AG therefore addressed the Company's position and development regularly and in greater breadth and depth than ever before. We supported and supervised the Board of Management in its running of the business and advised it on issues relating to the management of the Company in accordance with our duties under the law, the Articles of Association and the rules of procedure. We also observed the relevant recommendations and suggestions of the German Corporate Governance Code at all times. The Supervisory Board was directly involved in all decisions of fundamental importance to the Group. We also discussed strategic considerations with the Board of Management at regular intervals.

The Board of Management regularly, promptly and comprehensively informed the Supervisory Board in writing or orally on the development of the business and the Company's planning and position, including the risk situation and risk management. In addition, the Board of Management reported to the Supervisory Board on an ongoing basis on compliance-related topics and other topical issues. In all cases we received the documents relevant to our decisions in good time for our meetings. We also received a detailed monthly report from the Board of Management on the current business position and the forecast for the current year. Any variances in performance that occurred as against the plans and targets previously drawn up were explained by the Board of Management in detail, either orally or in writing. We analyzed the reasons for the variances together with the Board of Management so as to enable countermeasures to be derived. In addition, the Board of Management presented regular reports on current developments in connection with the emissions issue at the meetings of the Special Committee on Diesel Engines.

The Chairman and the Deputy Chairman of the Supervisory Board consulted with the Chairman of the Board of Management at regular intervals between meetings to discuss important current issues such as the Volkswagen Group's strategy and planning, the development of the business, the Group's risk situation and risk management including compliance issues, as well as developments in the diesel and CO_2 issues from September 2015 onwards.

The Supervisory Board held a total of eight meetings in fiscal year 2015. The average attendance ratio was 95.0%; with the exception of Mr. Akbar Al Baker, all of the members of the Supervisory Board attended over half of the meetings of the Supervisory Board and the committees of which they are members. In addition, resolutions on urgent matters were adopted in writing or using electronic communications media.

COMMITTEE ACTIVITIES

The Supervisory Board has established five committees in order to perform the duties entrusted to it: the Executive Committee, the Nomination Committee, the Mediation Committee in accordance with section 27(3) of the Mitbestimmungsgesetz (MitbestG – German Codetermination Act), the Audit Committee and, since October 2015, the Special Committee on Diesel Engines. The Executive Committee and the Special Committee on Diesel Engines each consist of three shareholder representatives and three employee representatives. The members of the Nomination Committee are the shareholder representatives on the Executive Committee. The remaining two committees are each composed of two shareholder representatives and two employee representatives. The members of these committees as of December 31, 2015 are given on page 84 of this annual report.

The Executive Committee met twelve times during the past fiscal year. As well as discussing the composition of the Board of Management, these meetings primarily served to prepare in detail the resolutions by the Supervisory Board and to deal with contractual issues concerning the Board of Management other than remuneration. In addition, the Executive Committee addressed the events relating to the emissions issue in detail as from September 2015.

The Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board to recommend for election to the Annual General Meeting. The Committee met three times in the reporting period.

The Mediation Committee did not have to be convened in 2015.

The Audit Committee held six meetings in fiscal year 2015. It focused primarily on the consolidated financial statements, risk management (including the internal control system), and the work performed by the Company's compliance organization. In addition, the Audit Committee addressed the Group's quarterly reports and the half-yearly financial report as well as current financial reporting issues and their examination by the auditors.

The Special Committee on Diesel Engines is responsible for coordinating all activities relating to the emissions issue. In particular, the Special Committee is tasked with reviewing the progress being made with the internal investigations. It also receives regular reports from the Board of Management about the latest developments. Finally, it is entrusted with examining any consequences of the findings. The Special Committee on Diesel Engines met on six occasions in fiscal year 2015 following its establishment October 7, 2015.

Furthermore, as a rule the shareholder and employee representatives met for separate preliminary discussions before each of the Supervisory Board meetings.

TOPICS DISCUSSED BY THE SUPERVISORY BOARD

At the Supervisory Board meeting on February 27, 2015 following a detailed examination we approved the consolidated financial statements and the annual financial statements of Volkswagen AG for 2014 prepared by the Board of Management, as well as the combined management report. We also examined the dependent company report submitted by the Board of Management and came to the conclusion that there were no objections to be raised to the concluding declaration by the Board of Management in the report. Another agenda item was the remuneration system for the Board of Management. We also addressed the future structure and direction of the commercial vehicles business. In addition, we appointed Mr. Matthias Müller and Dr. Herbert Diess to the Group's Board of Management effective March 1, 2015 and July 1, 2015, respectively.

Two Supervisory Board meetings were held on May 4 and 5, 2015 in the context of Volkswagen AG's 2015 Annual General Meeting. These meetings focused on preparations for and the post-completion analysis of the 55th Annual General Meeting of Volkswagen AG on May 5, 2015. We also approved the creation of the integrated commercial vehicles group and the establishment of Truck & Bus GmbH as a new holding company for the MAN and Scania commercial vehicles brands.

At the Supervisory Board meeting on September 25, 2015, we addressed in detail the information available at the time on the irregularities discovered in relation to the nitrogen oxide emissions of certain diesel engines and discussed the establishment of the Special Committee on Diesel Engines. We also adopted resolutions to restructure the Company, including a new management structure in the Volkswagen Group and its brands, as well as in the North American region, which started being implemented in early 2016. We accepted Prof. Dr. Martin Winterkorn's offer to step down as Chairman of the Board of Management of Volkswagen AG. We appointed Mr. Matthias Müller as Chairman of the Board of Management of Volkswagen AG and resolved on other issues relating to the composition of the Board of Management. The Supervisory Board also defined a target quota for the Board of Management in accordance with the Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst (Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public

HANS DIETER PÖTSCH

Sectors): the Supervisory Board of Volkswagen AG set itself the long-term goal of increasing the proportion of female members on the Board of Management to 30%. Further information on this topic is contained in the Corporate Governance Report on page 63.

The Supervisory Board meeting on October 7, 2015 focused on the current state of affairs with respect to the diesel issue. We also resolved on the establishment of the Special Committee on Diesel Engines in this connection. In addition, we appointed Mr. Frank Witter to the Group Board of Management with responsibility for Finance and Controlling and elected Mr. Hans Dieter Pötsch as Chairman of the Supervisory Board. Mr. Pötsch was previously appointed by the court as a replacement member of the Supervisory Board, succeeding Ms. Julia Kuhn-Piëch.

Another Supervisory Board meeting on the emissions issue was held on November 9, 2015.

At the Supervisory Board meeting on November 20, 2015, we discussed in detail the Volkswagen Group's investment and financial planning for the period from 2016 to 2018. We also elected Mr. Jörg Hofmann as Deputy Chairman of the Supervisory Board. Mr. Hofmann was previously appointed by the court as a replacement member of the Supervisory Board, succeeding Mr. Berthold Huber. The meeting also focused on current information about the emissions issue and on issuing the annual declaration of conformity with the German Corporate Governance Code.

The Supervisory Board's last meeting in the reporting period was held on December 9, 2015. We addressed in detail the latest findings on the emissions issue. We also appointed Dr. Karlheinz Blessing as the member of the Board of Management with responsibility for Human Resources and Organization, effective January 1, 2016, as the successor to Dr. Horst Neumann.

Among other things, we decided to approve the sale of LeasePlan Corporation N.V. and to appoint Dr. Christine Hohmann-Dennhardt to the newly created Group Board of Management position for Integrity and Legal Affairs, effective January 1, 2016, in resolutions that were adopted by circulating written documents.

CONFLICTS OF INTEREST

At its meeting on November 19, 2015, the Executive Committee of the Supervisory Board addressed major shareholder business relationships. In this context, the Executive Committee granted approvals to transactions with the State of Lower Saxony. Executive Committee member Mr. Stephan Weil is Minister-President of the State of Lower Saxony and took part in the votes. The Executive Committee members were guided exclusively by the interests of the Company when voting. No material conflicts of interest were discernible in this respect. All approvals were granted unanimously.

No other discernible conflicts of interest were reported or arose in the reporting period.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The Supervisory Board meeting on November 20, 2015 focused on the implementation of the recommendations and suggestions of the German Corporate Governance Code at the Volkswagen Group. We discussed in detail the version of the German Corporate Governance Code dated May 5, 2015, as published by the relevant government commission on June 12, 2015, and issued the annual declaration of conformity with the recommendations of the German Corporate Governance Code in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) together with the Board of Management. On March 14, 2016, and April 22, 2016, the Board of Management and the Supervisory Board of Volkswagen AG each issued a supplement to the declaration of conformity.

The joint declarations of conformity by the Board of Management and the Supervisory Board are permanently available at www.volkswagenag.com/ir. Additional information on the implementation of the recommendations and suggestions of the German Corporate Governance Code can be found in the corporate governance report starting on page 60 and in the notes to the consolidated financial statements on page 299 of this annual report.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Prof. Dr. Ferdinand K. Piëch stepped down as Chairman and as a member of the Supervisory Board of Volkswagen AG and from all of his offices on the supervisory boards of Volkswagen Group companies on April 25, 2015. Ms. Ursula Piëch also stepped down from all of her supervisory board offices in the Volkswagen Group on the same day. Mr. Berthold Huber, the Deputy Chairman of the Supervisory Board, assumed the chairmanship of the Supervisory Board temporarily until the election of a new chairman.

On April 30, 2015, Dr. Louise Kiesling and Ms. Julia Kuhn-Piëch were appointed to the Supervisory Board of Volkswagen AG as shareholder representatives, effective the same day, by the court on the application of the Board of Management of Volkswagen AG in accordance with section 104 of the AktG.

Dr. Hussain Ali Al-Abdulla's scheduled term of office on the Supervisory Board of Volkswagen AG expired at the end of the 55th Annual General Meeting on May 5, 2015. The Annual General Meeting elected Dr. Al-Abdulla to the Supervisory Board for a further full term of office as a shareholder representative. Mr. Ahmad Al-Sayed stepped down as a shareholder representative on the Supervisory Board of Volkswagen AG as of the end of the Annual General Meeting. The Annual General Meeting elected Mr. Akbar Al Baker to replace him for the remainder of his term of office.

In accordance with section 104 of the AktG, the court appointed Mr. Uwe Hück, Chairman of the General and Group Works Councils of Dr. Ing. h.c. F. Porsche AG, to the Supervisory Board of Volkswagen AG as an employee representative effective July 1, 2015. He replaces Mr. Jürgen Dorn, who stepped down as of June 30, 2015.

On October 7, 2015, Mr. Hans Dieter Pötsch, who had previously resigned from his office as the member of the Board of Management with responsibility for Finance and Controlling, was appointed to the Supervisory Board of Volkswagen AG by the court as a replacement shareholder representative in accordance with section 104 of the AktG. Mr. Pötsch replaced Ms. Julia Kuhn-Piëch, who stepped down from the Supervisory Board with effect from October 1, 2015. At its meeting on October 7, 2015, the Supervisory Board elected Mr. Pötsch as its Chairman with immediate effect.

Mr. Berthold Huber and Mr. Hartmut Meine stepped down as employee representatives on the Supervisory Board of Volkswagen AG effective November 19, 2015 and November 21, 2015, respectively. The court appointed Mr. Jörg Hofmann, first chairman of IG Metall, and Mr. Johan Järvklo, chairman of IF Metall at Scania AB, as their replacements effective November 20, 2015 and November 22, 2015, respectively, in accordance with section 104 of the AktG.

Mr. Andreas Renschler has been the member of the Group Board of Management responsible for Commercial Vehicles since February 1, 2015 as the successor to Dr. Leif Östling. Dr. Östling stepped down from the Group Board of Management on February 28, 2015.

At its meeting on February 27, 2015, the Supervisory Board of Volkswagen AG appointed Mr. Matthias Müller as member of the Board of Management of Volkswagen AG with responsibility as “Chairman of the Board of Management of Dr. Ing. h.c. F. Porsche AG”, effective March 1, 2015.

At the same meeting, the Supervisory Board resolved to appoint Dr. Herbert Diess as a member of the Board of Management of Volkswagen AG in his role as chairman of the brand board of management of Volkswagen Passenger Cars, effective July 1, 2015.

The Chairman of the Board of Management of Volkswagen AG, Prof. Dr. Martin Winterkorn, stepped down on September 25, 2015. The Supervisory Board of Volkswagen AG appointed Mr. Matthias Müller as the new Chairman of the Board of Management of Volkswagen AG with effect from September 26, 2015.

Mr. Christian Klingler, member of the Board of Management of Volkswagen AG with responsibility for Sales and Marketing, stepped down with effect from September 25, 2015.

On October 7, 2015, the Supervisory Board appointed Mr. Frank Witter, previously Chairman of the Board of Management of Volkswagen Financial Services AG, as member of the Board of Management of Volkswagen AG with responsibility for Finance and Controlling, as the successor to Mr. Pötsch.

Dr. Horst Neumann, member of the Board of Management of Volkswagen AG with responsibility for Human Resources and Organization, retired on November 30, 2015. The Supervisory Board appointed Dr. Karlheinz Blessing as his successor, effective January 1, 2016.

With effect from January 1, 2016, Dr. Christine Hohmann-Dennhardt took up the newly created Integrity and Legal Affairs position on the Board of Management of Volkswagen AG.

Our sincere thanks go to all of the departing members of the Supervisory Board and the Board of Management for their work.

Former Supervisory Board member Mr. Heinrich Söfjer died on June 30, 2015 aged 64. Mr. Söfjer’s tremendous initiative and outstanding dedication enabled him to play an active role in shaping the work of the Supervisory Board during his term of office from 2007 to 2010. We will honor his memory.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Annual General Meeting of Volkswagen AG on May 5, 2015 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for fiscal year 2015, in line with our proposal. The auditors audited the annual financial statements of Volkswagen AG, the consolidated financial statements of the Volkswagen Group and the combined management report, and issued unqualified audit reports in each case.

In addition, they analyzed the risk management and internal control systems, concluding that the Board of Management had taken the measures required by section 91(2) of the AktG to ensure early detection of any risks endangering the continued existence of the Company. The Report by Volkswagen AG on Relationships with Affiliated Companies in Accordance with Section 312 of the AktG for the period from January 1 to December 31, 2015 (dependent company report) submitted by the Board of Management was also audited by the auditors, who issued the following opinion: "In our opinion and in accordance with our statutory audit, we certify that the factual disclosures provided in the report are correct and that the Company's consideration concerning legal transactions referred to in the report was not unduly high."

The members of the Audit Committee and the members of the Supervisory Board were provided in each case with the documentation relating to the annual financial statements, including the dependent company report, and the audit reports prepared by the auditors in good time for their meetings on April 21, 2016 and April 22, 2016 respectively. The auditors reported extensively at both meetings on the material findings of their audit and were available to provide additional information.

Taking into consideration the audit reports and the discussion with the auditors and based on its own conclusions, the Audit Committee prepared the documents for the Supervisory Board's examination of the consolidated financial statements, the annual financial statements of Volkswagen AG, the combined management report and the dependent company report and reported on these at the Supervisory Board meeting on April 22, 2016. Following this, the Audit Committee recommended that the Supervisory Board approve the annual financial statements. We examined the documents in depth in the knowledge and on the basis of the report by the Audit Committee and the audit report as well as in talks and discussions with the auditors. We came to the conclusion that they are due and proper and that the assessment of the position of the Company and the Group presented by the Board of Management in the management report corresponds to the assessment by the Supervisory Board. We therefore concurred with the auditors' findings and approved the annual financial statements prepared by the Board of Management and the consolidated financial statements at our meeting on April 22, 2016, at which the auditors also took part in discussions on the agenda items relating to the financial statements. The annual financial statements are thus adopted. Our examination of the dependent company report did not result in any objections to the concluding declaration by the Board of Management in the dependent company report. We reviewed the proposal on the appropriation of net profit submitted by the Board of Management, taking into account in particular the interests of the Company and its shareholders, and endorsed the proposal.

The events surrounding the emissions issue have affected us all very deeply. Volkswagen does not tolerate any breaches of the law or other irregularities. The misconduct uncovered in fiscal year 2015 runs contrary to all of the values that Volkswagen stands for. The trust of our customers and the public is and will remain our most important asset. We are sincerely sorry for betraying this trust. We will spare no effort in restoring full confidence. The Supervisory Board has already initiated extensive measures in order to comprehensively address the issue.

We would like to thank the members of the Board of Management, the Works Council, the management and all the employees of Volkswagen AG and its affiliated companies, and express our particular appreciation for their work in 2015. Their great fortitude and loyalty have been a source of strength for Volkswagen in this difficult time.

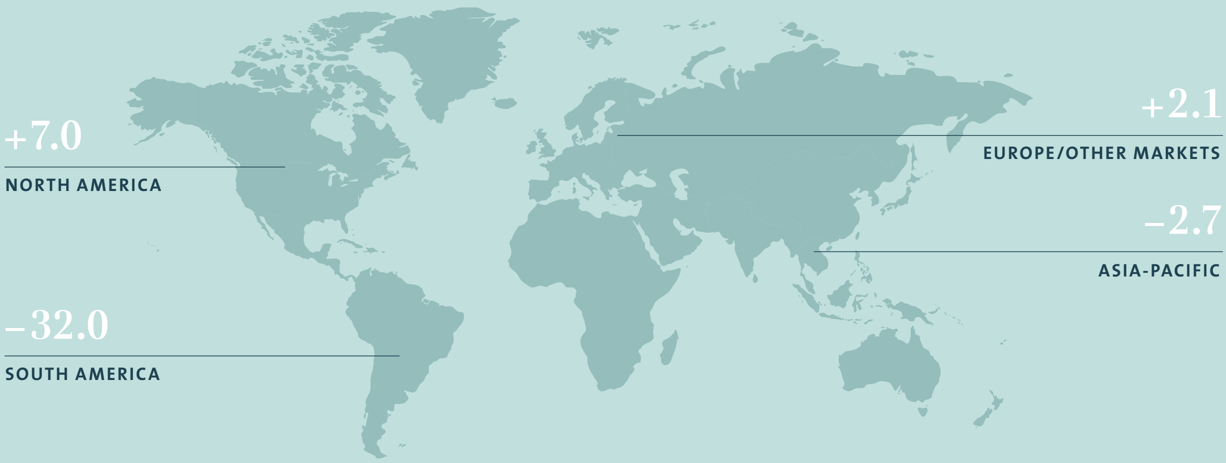
Wolfsburg, April 22, 2016

Hans Dieter Pötsch
Chairman of the Supervisory Board

2

Divisions

UNIT SALES BY MARKET, 2015 VS. 2014 *(in percent)*



DIVISIONS

Brands and Business Fields

The Group brands operated in a continuously challenging market environment in 2015, facing fierce competition. Special items – particularly from the emissions issue – significantly affected the operating result.

GROUP STRUCTURE

The Volkswagen Group consists of two divisions: the Automotive Division and the Financial Services Division. The Automotive Division comprises both the Passenger Cars Business Area and the Commercial Vehicles/Power Engineering Business Area. We report the Passenger Cars segment and the reconciliation in the Passenger Cars Business Area. The Commercial Vehicles/Power Engineering Business Area consists of the Commercial Vehicles and the Power Engineering segments. Accordingly, the activities of the Automotive Division comprise the development of vehicles and engines, the production and sale of passenger cars, light commercial vehicles, trucks, buses and motorcycles, as well as the genuine parts, large-bore diesel engines, turbomachinery, special gear units, propulsion components and testing systems businesses. The Ducati brand is allocated to the Audi brand and is thus presented in the Passenger Cars reporting segment. The Financial Services Division, which corresponds to the Financial Services segment, combines dealer and customer financing, leasing, banking and insurance activities, fleet management and the mobility offerings.

VOLKSWAGEN GROUP

Division	Automotive										Financial Services
Brand/ Business Field	Volkswagen Passenger Cars	Audi	ŠKODA	SEAT	Bentley	Porsche	Volkswagen Commercial Vehicles	Scania	MAN	Other	Dealer and customer financing Leasing Direct bank Insurance Fleet management Mobility offerings

In this chapter, we present the key volume and financial data relating to the Group brands and to Volkswagen Financial Services. In light of the considerable importance of the development of business in China for the Volkswagen Group and the continuing growth in the world's largest single market, we also report on business developments and the results of our activities in China in this chapter.

The production figures and deliveries to customers are presented separately by brand and their models, i.e. by product line. Unit sales figures refer to models sold by the various brand companies, including vehicles of other Group brands. In some cases, there are marked differences between delivery figures and unit sales as a result of our business development in China.

In addition, we explain unit sales and sales revenue in the Europe/Other markets, North America, South America and Asia-Pacific markets.

KEY FIGURES BY MARKET

The irregularities that emerged in relation to the software used in certain diesel engines of the Volkswagen Group and the irregularities in relation to CO_2 emissions that could not be ruled out initially impacted the Volkswagen Group starting in September of last year. In particular, expenses for technical modifications, repurchases and legal risks arising in connection with the diesel issue led to the recognition of special items of €–16.9 billion in total. Operating result before special items matched the prior-year level at €12.8 billion.

The Volkswagen Group operated in a continuously challenging market environment in fiscal year 2015, facing fierce competition. Unit sales passed the ten million mark again, at 10.0 (10.2) million vehicles, while sales revenue rose by 5.4% to €213.3 billion.

In the Europe/Other markets region, unit sales of Group models increased 2.1% to 4.5 million vehicles in the reporting period. Sales revenue was up 7.9% year-on-year to €132.5 billion on the back of volume, mix and exchange rate effects.

The Group sold 0.9 million units in North America; 7.0% more than in the year before. Sales revenue increased 28.1% to €35.4 billion, primarily due to the increase in volumes, the stronger US dollar and positive mix effects.

With the economic environment in the South American region continuing to deteriorate, demand for vehicles fell again in the reporting period. The Volkswagen Group sold 0.5 million vehicles there (–32.0%). Sales revenue decreased by 26.8% to €10.1 billion as a consequence of lower sales figures and negative exchange rate effects.

Demand for Group models in the Asia-Pacific markets in fiscal year 2015 was slightly lower than in the previous year. Including the Chinese joint ventures, 4.0 (4.1) million vehicles were sold there. Sales revenue fell by 7.6% to €35.2 billion due to volume-related factors. These figures do not include the sales revenue generated by our Chinese joint ventures, since these are accounted for using the equity method.

KEY FIGURES BY BRAND AND BUSINESS FIELD[1]

Thousand vehicles/€ million	VEHICLE SALES 2015	VEHICLE SALES 2014	SALES REVENUE 2015	SALES REVENUE 2014	SALES TO THIRD PARTIES 2015	SALES TO THIRD PARTIES 2014	OPERATING RESULT 2015	OPERATING RESULT 2014
Volkswagen Passenger Cars	4,424	4,583	106,240	99,764	70,939	68,396	2,102	2,476
Audi	1,529	1,444	58,420	53,787	37,605	36,105	5,134	5,150
ŠKODA	800	796	12,486	11,758	6,128	6,144	915	817
SEAT	544	501	8,572	7,699	3,570	3,412	−10	−127
Bentley	11	11	1,936	1,746	1,379	1,175	110	170
Porsche[2]	219	187	21,533	17,205	19,663	15,727	3,404	2,718
Volkswagen Commercial Vehicles	456	442	10,341	9,577	4,813	4,826	382	504
Scania[2]	78	80	10,479	10,381	10,479	10,381	1,027	955
MAN	102	120	13,702	14,286	13,468	14,092	277	384
VW China[3]	3,456	3,506	–	–	–	–	–	–
Other	−1,608	−1,454	−56,318	−45,885	21,922	22,127	−2,437[4]	−2,052[4]
Volkswagen Financial Services	–	–	25,901	22,139	23,326	20,072	1,921	1,702
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**–**	**–**	**12,824**	**12,697**
Special items	–	–	–	–	–	–	−16,893	–
Volkswagen Group	**10,010**	**10,217**	**213,292**	**202,458**	**213,292**	**202,458**	**−4,069**	**12,697**
Automotive Division[5]	10,010	10,217	183,936	177,538	186,869	179,864	−6,305	10,780
of which: Passenger Cars Business Area	9,374	9,575	149,716	143,601	158,716	151,138	−7,013	9,835
Commercial Vehicles/ Power Engineering Business Area	636	642	34,220	33,937	28,152	28,726	709	945
Financial Services Division	–	–	29,357	24,920	26,424	22,594	2,236	1,917

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 Including financial services.
3 The sales revenue and the operating result of the joint venture companies in China are not included in the figures for the Group. The Chinese companies are accounted for using the equity method and recorded a proportionate operating result of €5,214 (5,182) million.
4 Mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation for Scania, Porsche Holding Salzburg, MAN and Porsche.
5 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

KEY FIGURES BY MARKET[1]

Thousand vehicles/€ million	VEHICLE SALES 2015	VEHICLE SALES 2014	SALES REVENUE 2015	SALES REVENUE 2014
Europe/Other markets	4,524	4,430	132,535	122,858
North America	941	879	35,384	27,619
South America	540	794	10,148	13,868
Asia-Pacific[2]	4,005	4,114	35,225	38,113
Volkswagen Group[2]	**10,010**	**10,217**	**213,292**	**202,458**

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 The sales revenue of the joint venture companies in China is not included in the figures for the Group and the Asia-Pacific market.

Volkswagen

In fiscal year 2015, the Volkswagen Passenger Cars brand launched the new generation of the versatile Touran and presented the Tiguan's successor. The emissions issue resulted in special items influencing the operating result.

BUSINESS DEVELOPMENT

The Volkswagen Passenger Cars brand launched the third generation of the Touran in 2015. The family-friendly compact van scores points with a highly variable interior, an economical range of engines and an extensive lineup of driver assistance and infotainment systems. The Passat GTE expanded the range of plug-in hybrid vehicles. At the IAA in Frankfurt am Main, the new Tiguan attracted interest from visitors; the launch takes place in the second quarter of 2016. The successful Polo celebrated its 40th birthday in the reporting period; the first one rolled off the production line in Wolfsburg in spring 1975. The emissions issue has negatively impacted the brand since September 2015.

In a continuously challenging market environment, the Volkswagen Passenger Cars brand delivered 5.8 million vehicles in the reporting period. The decrease of 4.8% year-on-year was attributable in particular to the markets in Brazil, China and Russia. Vehicle sales in Europe, particularly in Spain (+13.2%) and Italy (+5.8%), as well as in Turkey (+26.9%) and Mexico (+11.8%) were encouraging.

At 4.4 (4.6) million vehicles, unit sales by the Volkswagen Passenger Cars brand were lower in 2015 than in 2014. In Brazil and Russia, demand fell again due to the tense market situation; in Western Europe, by contrast, it continued to recover. There was strong customer demand for the Golf, the Sportsvan and the new generation of the Passat in particular. The difference between deliveries and unit sales is mainly due to the fact that the vehicle-producing joint ventures in China are not counted as Volkswagen Passenger Cars brand companies.

The Volkswagen Passenger Cars brand produced 5.9 million vehicles in the reporting period and thus 4.2% fewer than in the previous year. In Wolfsburg, the 43 millionth vehicle rolled off the production line in 2015, while the Emden plant celebrated the production of its 11 millionth vehicle. In 2015, Volkswagen became the first foreign automobile manufacturer to open its own engine plant in Russia. The plant is located in Kaluga in direct proximity to the vehicle production facilities and has an annual capacity of 150,000 units.

SALES REVENUE AND EARNINGS

At €106.2 billion in the reporting period, the Volkswagen Passenger Cars brand's sales revenue was 6.5% higher than the figure for the previous year. Operating result before special items decreased to €2.1 (2.5) billion. Positive effects from exchange rates, from sales revenue and cost optimization and from the efficiency program were unable to offset negative impacts from the markets in Brazil and Russia as well as market-related promotion activities resulting from the emissions issue. The operating return on sales before special items fell to 2.0 (2.5)%. Special items totaling €–16.4 billion resulted from the diesel issue, the restructuring measures in South America and the replacement of supplied airbags.

40 years

The Polo success story

PRODUCTION

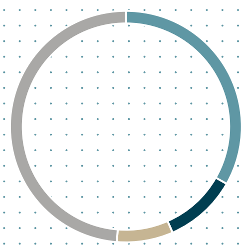
Units	2015	2014
Golf	1,095,553	1,011,124
Jetta/Sagitar	844,907	926,277
Polo	754,546	753,754
Passat/Magotan	724,018	747,583
Tiguan	501,712	515,349
Lavida	462,748	481,740
Santana	279,583	295,485
Bora	202,964	226,006
Gol	192,841	300,629
up!	172,345	217,278
Touran	120,507	126,567
Lamando	103,573	3,080
Fox	85,161	106,991
Saveiro	75,397	96,420
Beetle	64,035	91,464
Touareg	59,190	63,741
CC	56,796	85,591
Sharan	53,423	49,498
Suran	24,691	23,332
Scirocco	16,251	23,573
Eos	4,559	6,567
Phaeton	2,924	4,061
XL1	59	106
	5,897,783	**6,156,216**

VOLKSWAGEN PASSENGER CARS BRAND

	2015	2014	%
Deliveries (thousand units)	5,823	6,119	−4.8
Vehicle sales	4,424	4,583	−3.5
Production	5,898	6,156	−4.2
Sales revenue (€ million)	106,240	99,764	+6.5
Operating result before special items	2,102	2,476	−15.1
as % of sales revenue	2.0	2.5	

Touran

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.volkswagen.com

Audi

The Audi brand continued its global growth course in 2015, again setting a record with 1.8 million vehicles delivered. The new generation of the Audi A4 provides high-tech at the highest level and underscores the brand's leadership claim in the premium segment.

BUSINESS DEVELOPMENT

In 2015, the Audi brand unveiled the new generation of its bestselling Audi A4, which boasts innovative technology highlights and underscores the brand's leadership claim in the premium segment. The brand with the four rings also raised the bar with the second generation of the Audi Q7. This large SUV excels with new solutions in all areas of technology – lightweight engineering, drive technology, suspension technology, infotainment and driver assistance systems. The Audi Q7 e-tron quattro, which was also presented in 2015, is the first Q-series model with a plug-in hybrid drive and the world's first hybrid with a six-cylinder diesel engine and permanent four-wheel drive.

The Audi brand delivered 1.8 million vehicles in fiscal year 2015 (+3.6%), setting a new sales record. Growth was particularly high in Spain (+16.5%), Italy (+10.3%) and the USA (+11.1%).

The Audi brand sold 1.5 million vehicles last year, up 5.9% year-on-year. In addition, a further 510 thousand Audi vehicles were sold by the FAW-Volkswagen Chinese joint venture. There was particularly strong demand for the A3 series and the revamped Audi A6, as well as the Q3, Q5 and Q7 SUVs. Automobili Lamborghini S.p.A. increased its unit sales to 3,433 vehicles, compared with 2,521 vehicles in the previous year. The models from the Huracán series were especially well received by customers.

A total of 1.8 million Audi models were produced worldwide in fiscal year 2015, 1.5% more vehicles than in the previous year. The new plant in San José Chiapa, Mexico, will start series production in mid-2016 with planned capacity of 150,000 vehicles per year. Lamborghini produced 3,707 (2,650) vehicles.

SALES REVENUE AND EARNINGS

The Audi brand recorded sales revenue of €58.4 billion in 2015, an increase of €4.6 billion year-on-year. Operating result before special items was on a par with the prior-year level, at €5.1 (5.2) billion. In addition to growth in unit sales, a favorable mix and exchange rate trends had a positive effect. High upfront expenditures for new products and technologies and the expansion of the international production network had a negative impact on earnings. The brand's operating return on sales before special items amounted to 8.8 (9.6)%. The diesel issue, in particular, led to special items of €–0.3 billion. The financial key performance indicators for the Lamborghini and Ducati brands are included in the financial figures for the Audi brand.

1.8 million

Vehicles delivered in 2015

PRODUCTION

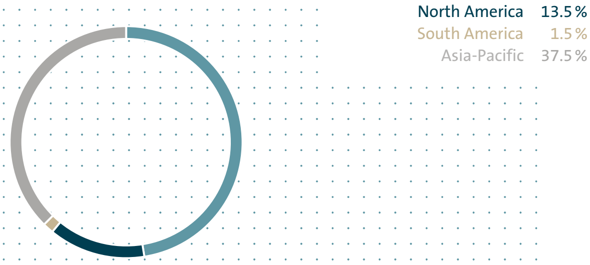
Units	2015	2014
Audi		
A3	370,144	351,526
A4	318,788	328,465
A6	293,960	307,693
Q5	267,861	260,853
Q3	205,445	200,097
A1	116,250	115,377
Q7	82,340	61,012
A5	79,133	88,545
TT	35,510	17,621
A7	29,158	27,709
A8	27,065	39,557
R8	2,074	2,169
Q2	67	–
	1,827,795	**1,800,624**
Lamborghini		
Huracán Coupé	2,559	1,540
Aventador Coupé	666	456
Aventador Roadster	413	654
Huracán Roadster	69	–
	3,707	**2,650**
Audi brand	**1,831,502**	**1,803,274**
Ducati, motorcycles	55,551	45,339

AUDI BRAND

	2015	2014	%
Deliveries (thousand units)	1,806	1,744	+ 3.6
Audi	1,803	1,741	+ 3.6
Lamborghini	3	3	+ 28.3
Vehicle sales	1,529	1,444	+ 5.9
Production	1,832	1,803	+ 1.6
Sales revenue (€ million)	58,420	53,787	+ 8.6
Operating result before special items	5,134	5,150	– 0.3
as % of sales revenue	8.8	9.6	

A4 Saloon

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.audi.com

ŠKODA

ŠKODA celebrated the company's 120th anniversary in 2015. At the same time, the Czech brand launched its redesigned flagship model, the new Superb. The locations in Mladá Boleslav, Vrchlabí and Kvasiny are being expanded.

BUSINESS DEVELOPMENT

In 2015, ŠKODA entered its 120th year of business. The company is one of the oldest automotive manufacturers in the world. Last year, the Czech brand remained on its successful course and continued its model rollout. It presented its redesigned flagship model, the new Superb. The vehicle features modern, expressive and emotional styling, as well as being the most spacious model in its segment. ŠKODA continues to focus on growth: the automatic transmission production capacity in the Vrchlabí plant is being increased from 1,500 to 2,000 units per day. The engine center that opened at the company's base in Mladá Boleslav in 2014 is being expanded through the addition of a new emissions center that will help to further reduce the emissions of future models; the opening is planned for mid-2016. ŠKODA also announced that it would complete the expansion and modernization of its vehicle production facility in Kvasiny by 2018.

The ŠKODA brand's deliveries to customers worldwide in 2015 totaled 1.1 million vehicles (+1.8%), which was another record figure. China remained the brand's largest single market. ŠKODA exhibited clear growth in Central and Western Europe, particularly in Spain (+23.5%), the Czech Republic (+21.1%) and Italy (+16.8%), as well as in Turkey (+58.4%).

ŠKODA's unit sales in the reporting period slightly exceeded the previous year's level at 800 (796) thousand vehicles. In particular, there was strong demand for the new Fabia and the models in the Octavia family. The difference between figures for deliveries and unit sales is mainly due to the fact that the vehicle-producing joint ventures in China are not counted as ŠKODA brand companies.

In 2015, the ŠKODA brand produced 1,037 (1,050) thousand units worldwide across seven series. The 17 millionth vehicle manufactured by ŠKODA rolled off the production line at the company's base in Mladá Boleslav in the reporting period.

SALES REVENUE AND EARNINGS

The ŠKODA brand's sales revenue increased by 6.2% to €12.5 billion last year. The 11.9% increase in operating result to €915 million is primarily attributable to positive volume and mix effects, optimized material costs and more advantageous exchange rates. The operating return on sales rose from 7.0% in the previous year to 7.3%.

120 *years*

Of company history

PRODUCTION

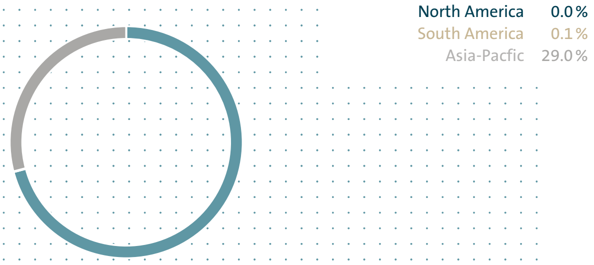
Units	2015	2014
Octavia	425,629	397,433
Fabia	195,349	162,954
Rapid	189,187	228,175
Yeti	89,890	107,084
Superb	84,550	82,079
Citigo	41,280	41,974
Roomster	11,166	29,983
	1,037,051	**1,049,682**

ŠKODA BRAND

	2015	2014	%
Deliveries (thousand units)	1,056	1,037	+1.8
Vehicle sales	800	796	+0.5
Production	1,037	1,050	−1.2
Sales revenue (€ million)	12,486	11,758	+6.2
Operating result	915	817	+11.9
as % of sales revenue	7.3	7.0	

Superb Combi

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.skoda-auto.com

SEAT's positive business development continued in 2015. Demand for the Spanish brand's vehicles grew in almost all markets. The CONNECT special editions, which are available across all series, provide extra comfort and the latest in infotainment.

BUSINESS DEVELOPMENT

The SEAT brand had a successful year in 2015, unveiling new models that were enthusiastically received by customers. The CONNECT special editions are available in all series and offer connectivity at the highest level. With the latest generation of the infotainment systems, the SEAT Full Link connection and the exclusive SEAT ConnectApp, which is already pre-installed on the smartphone delivered with the car, the vehicles connect to the latest media technology with intuitive operation and a high level of safety. Emotional design, superior performance and the latest technology are combined in the new Ibiza Cupra – that is how one of the most dynamic vehicles in the compact class was created. The SEAT 20V20 show car presented in the reporting period systematically enhances the Spanish brand's recognized design language; it combines the dynamic lines of a sport coupé with the imposing presence of an SUV and the flexibility of a mid-range estate. The successful concept car is rounded off by an intelligent lightweight design, a diverse range of drive technologies, numerous driver assistance systems and an innovative cockpit.

The SEAT brand's deliveries to customers increased by 2.4% to 400 thousand vehicles in fiscal year 2015. Sales increased in almost all markets, in Western Europe particularly in Italy (+22.1%) and Spain (+14.3%), in Central Europe particularly in the Czech Republic (+16.6%) and Poland (+16.2%). The Ibiza, Leon ST and Alhambra models were especially popular with customers.

The SEAT brand sold 544 thousand vehicles in the reporting period, which was 8.4% more than a year earlier. The Q3 produced for Audi is included in this figure.

In 2015, SEAT produced 415 thousand vehicles, exceeding the previous year's figure by 5.1%.

SALES REVENUE AND EARNINGS

The SEAT brand generated sales revenue of €8.6 billion in fiscal year 2015, an increase of 11.3% year-on-year. At €–10 (–127) million in the reporting period, operating result showed a marked improvement. This was primarily due to increased volumes, positive exchange rate effects and cost optimization. The operating return on sales improved to –0.1 (–1.6)%.

400 thousand

Vehicles delivered in 2015

PRODUCTION

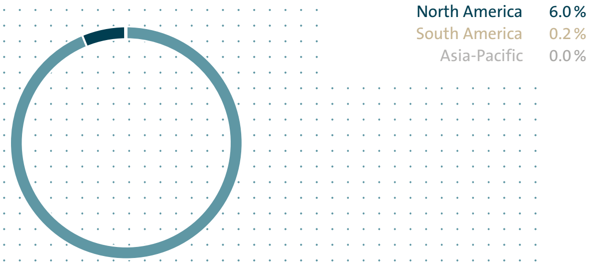
Units	2015	2014
Leon	169,455	157,087
Ibiza	160,451	153,633
Altea/Toledo	32,729	35,683
Alhambra	27,925	22,612
Mii	24,516	25,845
	415,076	**394,860**

SEAT BRAND

	2015	2014	%
Deliveries (thousand units)	400	391	+2.4
Vehicle sales	544	501	+8.4
Production	415	395	+5.1
Sales revenue (€ million)	8,572	7,699	+11.3
Operating result	−10	−127	+92.0
as % of sales revenue	−0.1	−1.6	

Leon ST Cupra

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.seat.com

BENTLEY

The Bentley brand introduced the latest generation of the successful Continental GT in 2015. The British traditional brand unveiled the Bentayga, a new series and the Group's first luxury SUV.

BUSINESS DEVELOPMENT

In 2015, Bentley launched the revamped Continental GT with enhanced design and technology. Redesigned bumpers and more clearly outlined fenders lend the Grand Tourer an even more confident appearance; in addition, its dynamic W12 twin turbo engine has been re-engineered. In the luxurious interior, the occupants can now use their mobile devices to access the Internet via the vehicle's own WI-FI hotspot. Furthermore, production of the new Bentayga model began in the reporting period. The Bentayga is the Group's first luxury SUV and propels the SUV segment into new territory. The Bentayga has a powerful 12-cylinder TSI engine with 447 kW (608 PS) under the bonnet, giving it a top speed of 301 km/h. Drivers can choose from four on-road and four off-road modes depending on the surface. Making its world debut in the Bentayga is an electronic active roll stabilization system that gives the SUV optimum comfort with maximum driving stability.

The Bentley brand's deliveries to customers in 2015 totaled 10,100 (11,020) vehicles and thus exceeded the 10,000 mark for the third year in a row. The USA remains the largest single market for Bentley – more than one-quarter of vehicles were delivered there. The brand saw growth in Western Europe (+8.6%) and Japan (+15.4%).

Bentley sold 10,616 vehicles worldwide in the reporting period; that was 2.9% fewer than in the year before. The Continental GT and Mulsanne models were in greater demand than in 2014.

Production at the Bentley brand fell by 1.3% year-on-year in 2015 to 10,888 vehicles. Production of the Bentayga commenced at the company's base in Crewe.

SALES REVENUE AND EARNINGS

At €1.9 billion, Bentley's sales revenue in the reporting period was up 10.9% on the prior-year figure. Operating result, by contrast, decreased 34.9% to €110 million. Positive exchange rate effects and cost reductions were unable to compensate for the impact of lower volumes and increased upfront expenditures for new products. The operating return on sales was 5.7 (9.7)%.

5th series

Expands the product portfolio

PRODUCTION

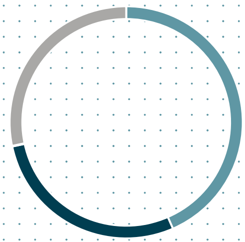
Units	2015	2014
Continental GT Coupé	3,997	3,442
Flying Spur	3,660	4,556
Continental GT Cabriolet	2,216	2,151
Mulsanne	919	884
Bentayga	96	–
	10,888	**11,033**

BENTLEY BRAND

	2015	2014	%
Deliveries (units)	10,100	11,020	−8.3
Vehicle sales	10,616	10,930	−2.9
Production	10,888	11,033	−1.3
Sales revenue (€ million)	1,936	1,746	+10.9
Operating result	110	170	−34.9
as % of sales revenue	5.7	9.7	

Continental GT

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.bentleymotors.com

2015 was another year of record figures for the Porsche brand's unit sales and earnings. The Macan, the Cayenne and the 911 made significant contributions to this success.

BUSINESS DEVELOPMENT

In 2015 Porsche continued its growth path and underscored its commitment to purist sports cars. The Cayman GT4 is the first member of the GT family to be based on the mid-engine coupé. Following tradition, the new 911 GT3 RS is the top model in Porsche's GT family and marks the highest stage of development for street-legal sports cars. The successor of the 911 Carrera – one of the most popular sports cars for decades – now features new turbocharged engines, optimized suspension and a completely new Porsche Communication Management system with online navigation. The Mission E concept study unveiled in 2015 shows Porsche's vision of the electric sports car of the future. The four-door car with four-wheel drive features an emotional design and offers the familiar Porsche driving dynamics. In May 2015, Porsche opened its new headquarter for North America in Atlanta: the customer experience center "One Porsche Drive". Porsche continued its impressive series of victories in motor sport in 2015 with its overall victory in the 24 Hours of Le Mans race and titles for the manufacturer and driver in the FIA World Endurance Championship. In the process, it successfully proved the development of promising technologies for later use on the road.

The Porsche brand's deliveries to customers increased by 18.6% to 225 thousand sports cars in the reporting period. With 58,009 vehicles (+23.6%), China became the brand's largest single market for the first time, thus superseding the USA, where Porsche delivered 51,756 units (+10.1%).

Porsche sold 219 thousand vehicles last year, 17.0% more than in 2014. The Macan, the Cayenne and the 911 were highly popular with customers.

Production at the Porsche brand rose by 15.5% in 2015 to 234 thousand vehicles. Alongside the Cayenne and Panamera model series, the Macan has also been manufactured at the Leipzig plant since 2014.

SALES REVENUE AND EARNINGS

The Porsche brand continued its success story in fiscal year 2015. At €21.5 (17.2) billion, sales revenue was up 25.2% versus 2014. Operating result also rose by 25.2% to €3.4 billion due to higher volumes and more favorable exchange rates. An unfavorable mix, increased structural costs and higher development costs for future projects and technologies were systematically countered by stringent income and cost management, which kept the operating return on sales stable year-on-year at 15.8%.

The key figures presented here cover both the Automotive and Financial Services businesses.

25.2%

Increase in sales revenue and earnings in 2015

PRODUCTION

Units	2015	2014
Macan	86,016	59,363
Cayenne	79,700	66,005
911 Coupé/Cabriolet	31,373	31,590
Boxster/Cayman	21,978	23,211
Panamera	15,055	22,383
918 Spyder	375	545
	234,497	**203,097**

PORSCHE BRAND

	2015	2014	%
Deliveries (thousand units)	225	190	+ 18.6
Vehicle sales	219	187	+ 17.0
Production	234	203	+ 15.5
Sales revenue (€ million)	21,533	17,205	+ 25.2
Operating result	3,404	2,718	+ 25.2
as % of sales revenue	15.8	15.8	

Cayenne S E-Hybrid

DELIVERIES BY MARKET
in percent

FURTHER INFORMATION www.porsche.com

Commercial Vehicles

Volkswagen Commercial Vehicles celebrated a special anniversary in 2015: 65 years ago, its first vehicle from the popular T series rolled off the production line. The sixth T generation was launched in the reporting period with a multitude of technical innovations.

BUSINESS DEVELOPMENT

Hardly any other vehicle is spoken of as fondly as the "Bulli" from Volkswagen Commercial Vehicles. The T series (Multivan/Transporter), which has sold around 12 million units to date, celebrated its 65th anniversary in 2015. In keeping with this, the Volkswagen Commercial Vehicles brand unveiled a new version of its successful model last year. The sixth T generation was launched with major technical innovations that ensure greater safety, comfort and an improved driving experience together with lower fuel consumption and emissions. It also features driver assistance systems such as City Emergency Brake, Adaptive Dynamic Chassis Control and a radio navigation system that is fitted with a proximity sensor and mobile online services. In addition, Volkswagen Commercial Vehicles presented the fourth generation of the Caddy – one of the most successful urban delivery vans. The Caddy likewise boasts a multitude of new safety and comfort features, as well as driver assistance systems. The natural-gas-powered Caddy TGI was introduced as the successor to the Caddy EcoFuel. On a 100 km stretch of road, it uses up to 1.7 kg less gas than its predecessor.

Volkswagen Commercial Vehicles delivered 431 thousand vehicles to customers in 2015, 3.5% fewer than in the previous year. Deliveries in Western Europe were down slightly on the 2014 figure (–2.5%), but rose by 26.7% in the Middle East.

Unit sales increased by 3.0% in 2015 to 456 thousand vehicles.

Volkswagen Commercial Vehicles produced 410 thousand vehicles in 2015, up 3.6% year-on-year. The Crafter produced at a contractual partner's plants is not included in these figures. The next generation of the Crafter will roll off the production line at the new Volkswagen Commercial Vehicles plant in Wrzesnia, Poland, from the second half of 2016. The plant in Hanover produced 176 (169) thousand units of the Amarok, Caravelle/Multivan and Transporter last year. The plant in Poznan manufactured 171 (176) thousand units of the Caddy and T5. Production of the Amarok in South America increased, driven by exports.

SALES REVENUE AND EARNINGS

Volkswagen Commercial Vehicles generated sales revenue of €10.3 (9.6) billion in fiscal year 2015. Operating result before special items decreased by 24.2% year-on-year to €382 million. Higher expenditures for the renewal of the product portfolio were offset by positive effects from the increase in unit sales and improvements in exchange rates. The operating return on sales before special items decreased in the reporting period from 5.3% to 3.7%.

65 years

Of the T series production

PRODUCTION

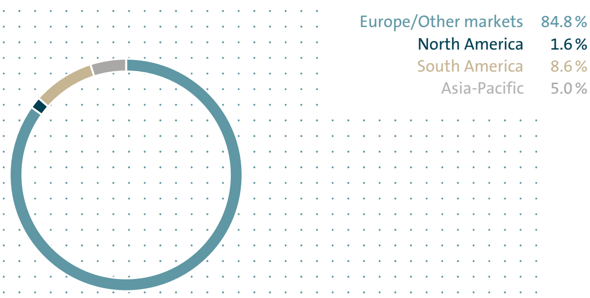
Units	2015	2014
Caravelle/Multivan, Kombi	96,341	94,336
Transporter	82,509	83,947
Amarok	81,019	69,695
Caddy	76,048	71,535
Caddy Kombi	74,302	76,564
	410,219	**396,077**

VOLKSWAGEN COMMERCIAL VEHICLES BRAND

	2015	2014	%
Deliveries (thousand units)	431	447	−3.5
Vehicle sales	456	442	+3.0
Production	410	396	+3.6
Sales revenue (€ million)	10,341	9,577	+8.0
Operating result before special items	382	504	−24.2
as % of sales revenue	3.7	5.3	

California

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.volkswagen-commercial-vehicles.com

Scania strengthened its position in 2015 with sustainable solutions: Scania is the commercial vehicle manufacturer with the most comprehensive offering of engines for alternative fuels. The expansion of the service business contributed to the increase in the operating result.

BUSINESS DEVELOPMENT

The Swedish Scania brand boosted its position in 2015 as the truck manufacturer with the most comprehensive offering of engines for alternative fuels. The new bioethanol engine is the first that meets the requirements of the Euro 6 standard. With the P 280 Scania launched the fourth generation of trucks powered by this type of fuel. In addition, Scania presented a hybrid truck for urban use, which can operate solely on electric power or on renewable biofuels; it also meets the Euro 6 emission standard. Scania's Fleet Management Services, a telematic service integrated into the vehicle, is another example of sustainable logistics services. The system, which won the German Telematics Award in 2015, can help reduce fuel consumption by up to 10%.

The key figures presented in this chapter comprise Scania's Trucks and Buses, Industrial and Marine Engines, and Financial Services businesses.

In Europe, the commercial vehicle business grew in 2015 compared with the previous year, in which business had been adversely affected by the introduction of the Euro 6 emission standard. The situation in Brazil and Russia worsened in the reporting period as a result of a further sharp drop in demand.

In fiscal year 2015, orders received by the Scania brand decreased by 7.1% to 77 thousand vehicles. In Western Europe, however, orders were up on 2014; this is primarily due to Scania's leading position in Euro 6 engines, its many years of experience with consumption-optimized vehicles and its wide range of alternative drive systems. Deliveries worldwide decreased to 77 (80) thousand vehicles. The growth and market share increases in Europe were unable to compensate for the considerable declines in Brazil and Russia, however. Bus deliveries were on a par with the previous year, amounting to 7 (7) thousand units; demand for services and replacement parts, on the other hand, increased significantly. The healthy growth of Scania Financial Services continued in 2015.

In 2015, the Scania brand produced 79 (82) thousand commercial vehicles (– 3.5%), including 7 (7) thousand buses.

SALES REVENUE AND EARNINGS

The Scania brand generated sales revenue of €10.5 (10.4) billion in 2015, up slightly on the previous year. Operating result improved to €1,027 (955) million; the expansion of the service business and exchange rates had a positive effect. The brand's operating return on sales increased in fiscal year 2015 to 9.8 (9.2)%.

€1.0 billion

Operating result in 2015

PRODUCTION

Units	2015	2014
Trucks	72,382	75,287
Buses	6,964	6,921
	79,346	**82,208**

SCANIA BRAND

	2015	2014	%
Orders received (thousand units)	77	83	−7.1
Deliveries	77	80	−4.0
Vehicle sales	78	80	−2.7
Production	79	82	−3.5
Sales revenue (€ million)	10,479	10,381	+0.9
Operating result	1,027	955	+7.5
as % of sales revenue	9.8	9.2	

P 280

DELIVERIES BY MARKET
in percent

FURTHER INFORMATION www.scania.com

MAN looked back on 100 years of commercial vehicle production last year.
The program for the future will help strengthen the company.

BUSINESS DEVELOPMENT

The MAN truck and bus production story began 100 years ago. On June 21, 1915, "Lastwagenwerke M.A.N.-Saurer" was entered in the City of Nuremberg's commercial register. MAN produced a real highlight to mark the anniversary: the TGX D38 "100 Years Edition" impresses with both its equipment features and its strong and efficient engines. In 2015, MAN launched a comprehensive program for the future to strengthen the company in the competitive environment. It covers all key areas of the company and has a particular focus on restructuring the production locations and streamlining all areas of administration. The Power Engineering Business Area completed a power station on the Caribbean island of Guadeloupe in 2015. In China and Norway, state-of-the-art plants with compressors from MAN were inaugurated.

The key figures presented in this chapter comprise the Trucks and Buses businesses and the Power Engineering Business Area.

The economic environment remained difficult for MAN in fiscal year 2015. While the Western and Central European commercial vehicle market, buoyed by the positive economic momentum, recorded encouraging growth, demand in Russia and South America was lower than the already weak level of the previous year. Orders received decreased by 11.7% overall to 108 thousand vehicles. MAN delivered 102 thousand commercial vehicles, 14.7% fewer than in the previous year, of which 10 (14) thousand were buses.

MAN produced 101 (116) thousand commercial vehicles in the reporting period, of which 10 (12) thousand were buses. The Munich plant, which is currently being expanded with a modern and efficient cab paint shop, reached its 60th anniversary in the reporting period.

In the year under review, orders received in the Power Engineering Business Area fell to €3.4 (3.9) billion. In addition to the still difficult situation in the shipping industry, economic development in emerging markets and developing countries and the low oil price inhibited business.

SALES REVENUE AND EARNINGS

The MAN brand's sales revenue decreased by 4.1% to €13.7 billion in 2015, of which €3.8 (3.7) billion was attributable to the Power Engineering segment. Operating result before special items was €277 (384) million. The operating return on sales before special items amounted to 2.0 (2.7)%. Restructuring measures resulted in special items of €–0.2 billion.

100 *years*

Of commercial vehicle production

PRODUCTION

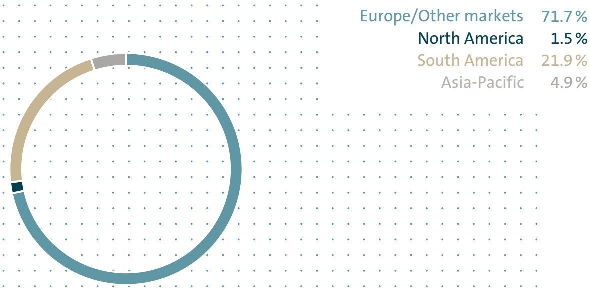
Units	2015	2014
Trucks	90,581	104,412
Buses	10,244	11,660
	100,825	**116,072**

MAN BRAND

	2015	2014	%
Orders received (thousand units)	108	122	–11.7
Deliveries	102	120	–14.7
Vehicle sales	102	120	–14.7
Production	101	116	–13.1
Sales revenue (€ million)	13,702	14,286	–4.1
Operating result before special items	277	384	–27.9
as % of sales revenue	2.0	2.7	

TGX D38

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.man.eu

Volkswagen Group China

China was again the largest single market for the Volkswagen Group in fiscal year 2015. The new plant in Changsha in southern China received China's highest state award for environmentally friendly factory planning.

BUSINESS DEVELOPMENT

Volkswagen opened a new vehicle plant in Changsha, southern China, in May 2015. The facility has the capacity to produce a total of 300,000 Volkswagen Passenger Cars and ŠKODA brand models per year. More than 4,000 jobs are expected to be created at the plant, with a further 4,000 at the adjacent supplier park. The plant is the SAIC VOLKSWAGEN (formerly Shanghai-Volkswagen) joint venture's first production facility to receive the "Triple-Star Green Building Design Award", China's highest state award for environmentally friendly factory planning. Vehicles and components are currently manufactured at a total of 20 locations in China. There are also plans for two new vehicle plants in Qingdao and Tianjin on China's east coast. These will be constructed in cooperation with our joint venture partner FAW and will manufacture environmentally friendly models. We intend to gradually expand capacity in China to around five million vehicles per year by 2020. The joint ventures will maintain a stable level of investment in 2016 of around €4 billion. These investments will be financed by the joint ventures from their own funds.

We continued our e-mobility initiative in China with the launch of the Golf GTE and the Audi A3 e-tron as import vehicles. Under the e-mobility strategy tailored to this market, both joint ventures will supplement existing and future import models with the successive introduction of a total of 15 locally produced plug-in hybrids and electrified models by 2020. In June 2015, Volkswagen signed a cooperation agreement in the area of e-mobility research with Chinese joint venture partner SAIC, under which the main production facility in Anting will be extended to locally develop and produce plug-in hybrid and electric models. Auto Shanghai 2015 saw the unveiling of the Audi A6 L e-tron and the concept car Volkswagen C Coupé GTE plug-in hybrid models that will be exclusive to the Chinese market. The Audi A6 L e-tron will be manufactured at the Audi plant in Changchun operated by the FAW-Volkswagen joint venture and the Volkswagen C Coupé GTE by the SAIC VOLKSWAGEN joint venture in Anting.

The Volkswagen Group offers more than 150 imported and locally produced models in the Chinese passenger car market, representing the Volkswagen Passenger Cars, Audi, ŠKODA, Porsche, Bentley, Lamborghini, Bugatti and Volkswagen Commercial Vehicles brands. In fiscal year 2015, the Volkswagen Group delivered 3.5 (3.7) million vehicles (including imports) to customers in China in a highly competitive market. Five models from the Volkswagen Passenger Cars brand – the Tiguan, Lavida series, Sagitar, Jetta and Santana – were among the ten best-selling cars in China. At Audi, the Audi A6 L, Audi A4 L, and Audi Q5 were the best-selling models. At ŠKODA, the Octavia was the top seller. The ŠKODA Yeti recorded the highest increase.

20 locations

Vehicle and component manufacture in China

Thousand units	2015	2014	%
Deliveries	3,549	3,675	−3.4
Vehicle sales*	3,456	3,506	−1.4
Production	3,420	3,528	−3.1

* Produced locally.

EARNINGS

€ million	2015	2014
Operating result (100%)	11,937	12,077
Operating result (proportionate)	5,214	5,182

Our two joint ventures, SAIC VOLKSWAGEN and FAW-Volkswagen, produced a total of 3.4 million vehicles in the reporting period, down 3.1% year-on-year. The joint ventures produce a mixture of established Group models and those specially modified for Chinese customers (e.g. with a lengthened wheelbase), as well as vehicles developed exclusively for the Chinese market (such as the Volkswagen Lamando, Lavida, New Bora, New Jetta and New Santana). Production commenced on the Gran Santana, a model specially developed for Chinese customers, and on the successors of the ŠKODA Fabia and Superb in the reporting period.

The joint ventures generated a proportionate operating result of €5.2 billion in 2015, up marginally on the prior-year figure. The impact of the more competitive market environment was compensated by positive exchange rate effects, the optimization of material costs and consistent cost discipline.

The figures of the Chinese joint venture companies are not included in Group earnings as they are accounted for using the equity method. Their profits are included solely in the Group's financial result on a proportionate basis.

LOCAL PRODUCTION

Units	2015	2014
Volkswagen Passenger Cars	2,661,562	2,721,805
Audi	490,260	529,205
ŠKODA	268,116	277,138
Total	**3,419,938**	**3,528,148**

Audi A6 L

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

Volkswagen Financial Services continued on its growth trajectory in 2015 and made a significant contribution to the Volkswagen Group's earnings. The focus was on the further development of private leasing, the expansion of the product portfolio of mobility services, and warranty and maintenance products.

STRUCTURE OF VOLKSWAGEN FINANCIAL SERVICES

Volkswagen Financial Services' portfolio of services covers dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings in 51 countries. Volkswagen Financial Services AG is responsible for global coordination of the Group's financial services activities, the only exceptions being the financial services business of the Scania and Porsche brands and of Porsche Holding Salzburg. The principal companies in this division in Europe are Volkswagen Bank GmbH, Volkswagen Leasing GmbH and Volkswagen Versicherungsdienst GmbH. VW CREDIT, INC. operates financial services activities in North America.

BUSINESS DEVELOPMENT

Volkswagen Financial Services generated record results again in fiscal year 2015. Close cooperation with the Volkswagen Group brands, growth in the existing markets and the expansion of our international presence contributed to this success.

In order to expand its product portfolio of mobility services, Volkswagen Financial Services AG acquired 92.9% of the shares in the innovative mobility services provider sunhill technologies. This German company is a pioneer in cashless payment methods and a leader in parking space management. The sunhill technologies cashless payment system currently has more than 2 million users at over 150 locations across Europe.

Volkswagen Financial Services further developed its private leasing business in the reporting period, doing even more to meet the changing needs of many customers for more flexible, hassle-free mobility. It focused on the DEKRA-certified vehicle return process and the "RückgabeschutzPlus" return protection component that covers possible damage to the vehicle in excess of normal wear and tear.

Since January 2015, Volkswagen Financial Services has offered private and business customers the option of recharging their vehicles and filling up with fuel throughout Germany using the Charge&Fuel Card, thus benefiting from a simple payment method from a single source, as well as attractive, transparent prices.

13.2 million

Contracts as of December 31, 2015

Volkswagen Financial Services AG continued its internationalization path in fiscal year 2015: in March, Porsche Volkswagen Servicios Financieros SpA started operating in Chile, providing vehicle financing and insurance services. The wholly-owned Group company is a joint venture between Volkswagen Financial Services AG and the Porsche Holding Salzburg subsidiary Porsche Bank AG. This market entry in Chile is designed to jointly boost sales.

In Puerto Rico, VW CREDIT, INC. entered into a partnership with Reliable Financial Services, the largest local automotive financing company. This enables Volkswagen Passenger Cars and Audi dealers to offer attractive financing to customers in Puerto Rico buying new vehicles.

The acquisition of all of the shares in Guangzhou Zhiwei Car Leasing Co. Ltd. was completed in October 2015. The purpose of this acquisition is the further regional expansion of the long-term rental business in the Chinese market.

The Volkswagen financial services provider’s funding strategy again proved successful in 2015. The core elements are diversification of the instruments used and the broadest possible local funding. This particularly includes money market and capital market instruments, asset-backed securities (ABS) transactions and customer deposits.

Volkswagen Financial Services AG issued two public bonds with a volume of €1.25 billion in April 2015. Volkswagen Leasing GmbH placed two bonds with a total volume of €1.5 billion in the summer. Internationally, it was possible to cover refinancing requirements through bonds in Mexico, Australia, Scandinavia, South Korea, Brazil, India and Japan.

ABS issues are used to securitize loan and leasing receivables in various currency areas. Receivables totaling €7.8 billion were securitized in 12 ABS transactions worldwide in 2015. In May 2015, Volkswagen Financial Services AG issued the VCL 21 transaction with a volume of €1.0 billion from securitized German leasing contracts – the auto ABS transaction with the lowest risk premium in Europe since the 2008 financial crisis. Shortly afterwards in July, Volkswagen Bank GmbH established the new Driver Master program, and at the same time issued the second auto ABS transaction in China. At the end of September, Volkswagen Financial Services issued the Driver España two transaction at attractive terms. In November, the VCL 22 was placed with a volume of €0.9 billion. Other international ABS transactions were carried out, for example, in Australia, Brazil, France, the UK, Japan and South Korea.

€1.9 billion

Operating result in 2015

At 5.2 million contracts, the number of new financing, leasing, service and insurance contracts signed in 2015 was 2.8% higher than in the previous year. At 13.2 million, the total number of contracts as of December 31, 2015 was a new record figure (+6.8%). This included 8.4 million contracts in the Customer Financing/Leasing area, up 6.6% on the figure for 2014. The Service/Insurance area posted a year-on-year increase of 7.2% to 4.9 million contracts. With credit eligibility criteria remaining unchanged, the penetration rate, expressed as the ratio of financed or leased vehicles to relevant Group delivery volumes – including the Chinese joint ventures – rose to 31.3 (30.6)%.

Volkswagen Bank's direct banking operations managed 1,428 (1,403) thousand accounts at the end of the reporting period. Volkswagen Financial Services employed 13,329 people globally at the reporting date, including 6,513 in Germany.

SALES REVENUE AND EARNINGS

Volkswagen Financial Services generated sales revenue of €25.9 billion in the past fiscal year, a year-on-year increase of 17.0%. At €1.9 billion, operating result exceeded the prior-year figure by 12.9%. Higher volumes and positive exchange rate effects offset the increased expenses for meeting regulatory requirements and the continuing pressure on margins. With this new record result, Volkswagen Financial Services continued to make a significant contribution to Group earnings, as it has done in the previous years.

VOLKSWAGEN FINANCIAL SERVICES

		2015	2014	%
Number of contracts	thousands	13,230	12,383	+6.8
Customer financing		5,833	5,560	+4.9
Leasing		2,518	2,274	+10.8
Service/Insurance		4,879	4,549	+7.2
Lease assets	€ million	27,777	22,942	+21.1
Receivables from	€ million			
Customer financing		64,020	59,719	+7.2
Dealer financing		16,846	15,030	+12.1
Leasing agreements		20,461	18,930	+8.1
Direct banking deposits	€ million	25,450	23,774	+7.0
Total assets	€ million	157,855	137,438	+14.9
Equity	€ million	18,607	15,184	+22.5
Liabilities[1]	€ million	133,237	117,803	+13.1
Equity ratio	%	11.8	11.0	
Return on equity before tax[2]	%	11.9	13.1	
Leverage[3]		7.2	7.8	
Operating result	€ million	1,921	1,702	+12.9
Earnings before tax	€ million	2,015	1,747	+15.3
Employees at Dec. 31		13,329	12,821	+4.0

1 Excluding provisions and deferred tax liabilities.
2 Earnings before tax as a percentage of average equity (continuing operations).
3 Liabilities as a percentage of equity.

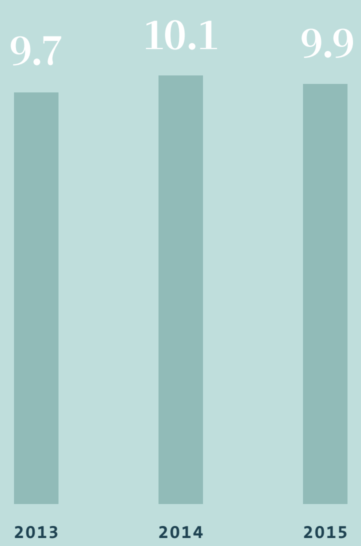
FURTHER INFORMATION
www.vwfsag.com

3

Group Management Report

(COMBINED MANAGEMENT REPORT OF THE VOLKSWAGEN GROUP AND VOLKSWAGEN AG)

VOLKSWAGEN GROUP CUSTOMER DELIVERIES WORLDWIDE *(in millions)*



GROUP MANAGEMENT REPORT

The Emissions Issue

Providing effective technical solutions. Getting to the root of what happened and learning from it. Taking advantage of the opportunity for a fundamental realignment.

IRREGULARITIES IN EMISSIONS

On September 18, 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide (NO_X) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. It has been alleged that we had used undisclosed engine management software installed in certain four-cylinder diesel engines used in certain 2009 to 2015 model year vehicles to circumvent NO_X emissions testing regulations in the United States of America in order to comply with certification requirements. The US environmental authority of California – the California Air Resources Board (CARB) – announced its own enforcement investigation in this context. Following these announcements by EPA and CARB, authorities in various other jurisdictions worldwide commenced their own investigations. Volkswagen publicly admitted to irregularities on September 22, 2015.

On November 2, 2015, the EPA issued another "Notice of Violation" alleging that irregularities had also been discovered in the software installed in vehicles with type V6 3.0 l diesel engines. CARB also issued a letter announcing its own enforcement investigation in this context.

In the course of the internal inquiries at Volkswagen, we also encountered evidence that irregularities in the determination of the CO_2 figures for vehicles' type approvals in the EU28 countries could initially not be ruled out.

EXTENSIVE INVESTIGATIONS BY VOLKSWAGEN

Volkswagen's reaction has been comprehensive and the Company is working intensively to clarify the irregularities. To this end, Volkswagen ordered both internal inquiries and external investigations. The external investigation is being conducted with the involvement of external lawyers in Germany and the USA. To facilitate the investigations in the course of clarifying the facts, the Group Board of Management established a cooperation program, which was in place for a limited time and was open to all employees covered by collective agreements.

The Supervisory Board of Volkswagen AG formed a special committee that coordinates all activities relating to the emissions issue for the Supervisory Board. Further information regarding the Special Committee on Diesel Engines can be found in the Report of the Supervisory Board on pages 12 to 17. Volkswagen AG retained the US law firm Jones Day to conduct an independent and comprehensive external investigation of the diesel issue. Jones Day is updating the Company on the current results of its investigation on an ongoing basis.

Furthermore, Volkswagen AG filed a criminal complaint in September 2015 with the responsible public prosecutor's office in Braunschweig.

We are cooperating with all the responsible authorities to clarify these matters completely and transparently. Jones Day is supporting Volkswagen AG in its cooperation with the judicial authorities.

DIESEL ISSUE

Four-cylinder diesel engines

In its ad hoc release dated September 22, 2015, the Volkswagen Group announced that there were discrepancies in relation to NO_X emissions figures in vehicles with type EA 189 diesel engines. Around eleven million vehicles worldwide were affected. This is attributable to the engine management software. The vehicles remain technically safe and ready to drive.

AFFECTED FOUR-CYLINDER DIESEL ENGINES

2.0 L TDI	1.6 L TDI	1.2 L TDI
6,608 thsd.	3,665 thsd.	468 thsd.

VOLKSWAGEN PASSENGER CARS	AUDI	ŠKODA	SEAT	VOLKSWAGEN COMMERCIAL VEHICLES
5,642 thsd.	2,410 thsd.	1,224 thsd.	695 thsd.	770 thsd.

EU28	USA/CANADA	REST OF THE WORLD
8,494 thsd.	608 thsd.	1,639 thsd.

Technical solutions have been prepared for the three European variants of the type EA 189 engine affected. These solutions have been approved in principle by the German Kraftfahrtbundesamt (German Federal Motor Transport Authority) for Volkswagen AG and AUDI AG. The Group brands SEAT and ŠKODA also received approvals in principle each from their respective type approval authorities – the Ministry of Industry in Spain and the Vehicle Certification Agency in the United Kingdom. We are now working expeditiously to implement the technical solutions in order to ensure that all legal requirements are met in the EU28 member states. The recall of the highest-volume variant – the 2.0 l TDI engine –already began in January 2016. The recall of the 1.2 l TDI is expected to commence at the end of the second quarter. A software update is being performed for these engine versions. The implementation phase for the recall of the 1.6 l TDI engine is scheduled for the third quarter, which will provide additional lead time necessary for the hardware modification. In the 1.6 l TDI engines, a "flow transformer" will be fitted in front of the air mass sensor to improve the sensor's measuring accuracy. Combined with updated software, this will optimize the amount of diesel injected. Based on current planning, implementation of measures will take at least the full 2016 calendar year to complete. Holders of affected vehicles will be notified by Volkswagen when their cars can have their software updated and, where appropriate, receive the modified hardware. Volkswagen guarantees that the solutions will be implemented free of charge.

In addition, Volkswagen AG has, until December 31, 2017, expressly waived citation of the statute of limitations with regard to any claims made in relation to the software installed in vehicles with engines of type EA 189 by vehicle customers outside the United States and Canada.

In some countries outside the EU – among others Switzerland, Australia and Turkey – national type approval is based on prior recognition of the EC/ECE type approval. We are also working closely with the authorities in these countries to coordinate the corresponding actions.

In North America, three variants of certain four-cylinder diesel engines are affected. Due to considerably stricter NO_X limits in the USA, it is a greater technical challenge to refit the vehicles so that all applicable emissions limits can be met. Volkswagen is currently in intensive discussions with the EPA and CARB concerning remedial measures. We will present the solution for North America as soon as it has been agreed with the responsible authorities. The respective US companies of the Volkswagen Group have withdrawn all affected new vehicles from sale in the USA and Canada.

Clarification regarding four-cylinder diesel engines advancing

Some 450 internal and external experts are involved in the work to clarify the issue, which is divided into two investigations. The Group Internal Audit function, which involved bringing together experts from various Group companies to form a task force, and focused – as instructed by the Supervisory Board and Board of Management – on reviewing relevant processes, reporting and control systems as well as the accompanying infrastructure. The Group Internal Audit function provided its findings to the external experts from Jones Day. The internationally renowned law firm has been appointed by Volkswagen AG to fully clarify the facts and responsibilities in a second investigation. Jones Day is receiving operational support from the auditing firm Deloitte.

The special investigation involves conducting briefings with employees and managers who have been identified by Jones Day as relevant sources of information in connection with the diesel issue. In addition, Jones Day is evaluating documents and data (such as e-mails) and conducting follow-up interviews based on the documents that are relevant for clarifying the facts. Relationships between the various areas under investigation will also be analyzed and the respective findings collected.

Based on the facts currently known by the Group Internal Audit function, in the past there were process deficiencies on the technical side in addition to misconduct on the part of individuals. This was true of the testing and certification processes for the engine control units, for example, which were unsuited to preventing the use of the software in question. The Group Internal Audit function proposed specific remedial measures to address the identified weaknesses, which focus on creating more clearly structured and systematic processes on the technical side. For example, the processes and structures used for approving the software for engine control units are being reorganized with more clearly defined and binding powers and responsibilities.

We have already resolved to make comprehensive changes to testing practices on the technical side as a key response to the Group Internal Audit function's findings. Therefore, Volkswagen has decided that in the future emissions tests, in general, will be externally evaluated by independent third parties. Real-world random tests of vehicles' emissions behavior on the road will also be introduced.

Furthermore, the internal control system has been optimized through a new set of regulations for the procedure in control unit software development, emission classification and escalation management.

While the Group Internal Audit function has already completed its analysis of the Company's processes, the work being done by Jones Day will continue well into 2016. One reason for the different durations of the investigations is that the external investigators must screen very large volumes of data. By the end of December, over 100 terabytes of data had been secured and more than 1,500 electronic data storage devices from some 380 employees had been collected. Moreover, the external investigation is seeking to establish legal responsibility for what has occurred. This means that the findings not only need to be plausible and consistent with the evidence, but must also stand up in court.

Employees from the affected departments have been dismissed as a further direct consequence of the findings to date from the internal inquiries and external investigations.

The information that has been viewed so far has helped trace the origin and development of the diesel issue to a large extent. The starting point was the strategic decision to launch a large-scale promotion of diesel vehicles in the USA in 2005. To this end, a new diesel powertrain unit featuring high performance and cost-efficient production – the EA 189 type engine – was to be developed. The US emissions limits for emissions of pollutants are strict. Under the strictest standard in the USA at the time, only 31 mg/km of NO_X were allowed to be emitted, about six times less than under the Euro 5 standard applicable in Europe at that time. When designing state-of-the-art diesel engines, technicians and engineers face the challenge that measures to reduce NO_X categorically have a knock-on effect on other parameters (e.g. CO_2).

In the ensuing period, in order to resolve this conflicting objective satisfactorily within the time frame and budget of the EA 189 project, according to the current state of knowledge, a group of persons – whose identity is still being determined – at levels below the Group's Board of Management in the powertrain development division, decided to modify the engine management software. With this software modification, emissions values were generated in bench testing that differed substantially from those under real driving conditions.

As things stand, outside the group of persons mentioned above, the then and current Board of Management of Volkswagen AG had, at any rate, no knowledge of the use of unlawful engine management software at the time. Even after the International Council on Clean Transportation (ICCT) study was published in May 2014, the discrepancies were initially regarded – on the basis of the facts currently known regarding the members of the Board of Management responsible at that time – as a technical problem that did not basically differ from other everyday technical problems at an automotive company. In the exhaust measurements carried out inhouse at Volkswagen in the subsequent months, the test set-ups on which the ICCT study was based were repeated and the unusually high NO_X emissions confirmed. CARB was informed of this result, and at the same time the offer was made to recalibrate the type EA 189 diesel engines as part of a service measure that was already planned in the USA. This measure was evaluated and adopted by the Ausschuss für Produktsicherheit (APS – product safety committee), which includes, among others, employees from the technical development, quality assurance, sales, production, logistics, procurement and legal departments, as part of the existing processes within the Volkswagen Group. The APS thus plays a central role in the internal control system at Volkswagen AG. There are currently no reliable findings to confirm that an unlawful software modification was reported by the APS as the cause of the discrepancies to the persons responsible for preparing the 2014 annual and consolidated financial statements. Instead, at the time that the annual and consolidated financial statements were being prepared, this group of people remained under the impression that the discrepancies could be eliminated with comparatively little effort as a part of a field measure. Based on what is currently known, the actual background of the discrepancies only became clear gradually to the members of the Board of Management dealing with the matter. It was only reliably recognized in the summer of 2015 that the cause of the discrepancies was a software modification, to be qualified as a so-called “defeat device” as defined by US environmental law. This culminated in the disclosure of the “defeat device” to the EPA/CARB on September 3, 2015. According to the assessment at that time of the members of the Board of Management dealing with the matter, the scope of the costs expected as a result by the Volkswagen Group (recall costs, retrofitting costs and financial penalties), was basically not dissimilar to that of previous cases in which other vehicle manufacturers were involved, and therefore appeared to be controllable overall with a view to the business activities of the Volkswagen Group. This appraisal by Volkswagen AG was based on the assessment of a law firm brought in in the USA for approval issues, according to which similar cases in the past were resolved amicably with the US authorities. Publication of a “Notice of Violation” by the EPA on September 18, 2015, which came as a surprise to the company, on the facts and possible financial consequences, then presented the situation in a completely different light.

Six-cylinder diesel engines

On November 2, 2015, the EPA announced that it had determined that engine management software installed in vehicles with V6 3.0 l TDI diesel engines contains “auxiliary emission control devices” (AECDs) which had not been disclosed adequately in the US type approval process. Also on November 2, and additionally on November 25, 2015, the CARB published allegations that legal requirements for NO_X emissions were circumvented through the use of engine management software under test conditions.

AFFECTED V6 TDI 3.0 L DIESEL ENGINES

VOLKSWAGEN PASSENGER CARS	AUDI	PORSCHE
34 thsd.	61 thsd.	18 thsd.

After discussions with the EPA and CARB, Audi publicly announced on November 23, 2015 that it would revise the software parameters and resubmit them for approval in the USA. The technical solutions will be implemented as soon as they have been approved by the authorities. Around 113 thousand vehicles from the 2009 to 2016 model years of the Audi, Volkswagen Passenger Cars and Porsche brands are affected in the USA and Canada. The respective US companies of the Volkswagen Group have withdrawn all affected new vehicles from sale in the USA and Canada.

Clarification regarding six-cylinder diesel engines

Audi has confirmed that a total of three AECDs were not declared in the course of the US approval documentation.

To clarify this issue, Audi set up an internal task force, furnished committees with the necessary resources and launched a program of cooperation for employees covered by collective agreements. The law firm Jones Day is also conducting independent and comprehensive investigations into this matter.

The incumbent members of the Board of Management of AUDI AG have declared that prior to the notification by the US Environmental Protection Agency EPA in November 2015 they had no knowledge of matters concerning the V6 TDI 3.0 l engines that the authorities are now treating as infringements.

We are consistently seeking to realize organizational and procedural potential for improvement that has come to light as a result of the diesel issue.

On January 4, 2016, the U.S. Department of Justice (DOJ), on behalf of the EPA, filed a civil complaint against Volkswagen AG, AUDI AG and other companies of the Volkswagen Group. The claims asserted under civil law are founded on the alleged use of illegal (defeat device) software in violation of the American Clean Air Act. The complaint’s allegations relate to both the four-cylinder and the six-cylinder diesel engines, although technically Volkswagen AG Group-wide held internal development responsibility for the four-cylinder diesel engines within the Group, and AUDI AG for the V6 3.0 l TDI engines.

CO_2 issue

In the course of the internal inquiries at Volkswagen of all diesel engines, we additionally found that initially we could not rule out irregularities in determining the CO_2 figures for vehicle type approval in the EU28 member states. The CO_2 levels, and thus also the fuel consumption figures, appeared to have been set too low in the case of some vehicle models during the CO_2 certification process. On November 3, 2015, we informed the public that around 800,000 vehicles, primarily with diesel engines, could be affected. Our initial estimate put the economic risk at €2 billion.

Clarification of the CO_2 issue

The investigations conducted into the potentially illegal manipulation of CO_2 values did not bring about the adverse impact on earnings that we had expected. Just one month later, on December 9, 2015, we were able to publicly announce that clarification of the CO_2 issue had largely been completed. Following extensive internal reviews and measurement checks, we found slight discrepancies in only a very limited number of engine-transmission variants from the Volkswagen Passenger Cars brand. These variants are now being reviewed by a neutral technical service under the supervision of the authorities. The discrepancies between the stated figures and the values found during testing, on average, amount to a few grams of CO_2. No technical modifications to the vehicles are required and real-world consumption figures for customers are unchanged. The catalog figures will be adjusted for the affected variants in the course of normal processes.

IMPACT ON THE VOLKSWAGEN GROUP

Operating result for 2015

As a result of the irregularities in the software used in certain diesel engines, provisions totaling €16.2 billion were recognized and charged to operating result, primarily for pending technical modifications, for repurchases, and customer-related measures as well as legal risks.

The special items originally expected as a result of the CO_2 issue have not materialized.

We have therefore adjusted the Group's earnings targets accordingly, and have revised investment planning and intensified the ongoing efficiency program.

Legal risks

Various legal risks are associated with the diesel issue. The provisions recognized for this matter in the amount of €7.0 billion are partially subject to substantial estimation risks given the complexity of the individual factors, the ongoing approval process with the authorities and the fact that the comprehensive, exhaustive investigations have not yet been completed. The legal risks include (detailed information on the legal risks can be found on pages 182 to 185):

- Criminal and administrative proceedings all over the world (excluding the USA/Canada)
- Product-related lawsuits worldwide (excluding the USA/Canada)
- Lawsuits filed by investors worldwide (excluding the USA/Canada)
- Proceedings in the USA/Canada

Should these legal risks materialize, this could result in considerable financial charges.

Further risks from the emissions issue can be found in the Report on Risks and Opportunities on page 173.

Ratings and rankings

As a result of the emissions issue, Moody's Investors Service downgraded Volkswagen AG's short- and long-term ratings by one notch each from P–1 to P–2 and A2 to A3 in November 2015. The long-term ratings for Volkswagen Financial Services AG and Volkswagen Bank GmbH were downgraded from Aa3 to A1. The rating agency lowered the outlook for the companies from stable to negative.

In connection with the irregularities in the software used for certain diesel engines from the Volkswagen Group, in October 2015 Standard & Poor's initially downgraded the short-term and long-term ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH by one notch each, to A–2 and A– respectively.

In a further step in December 2015, also as a result of the emissions issue, Standard & Poor's downgraded the long-term ratings for Volkswagen AG and Volkswagen Financial Services AG from A– to BBB+. The outlook for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH is negative.

Share price development

The emergence of the news about irregularities in the software used in certain diesel engines and the resulting public speculation about possible consequences to be expected led to a sharp fall in the prices of Volkswagen AG's ordinary and preferred shares in mid-September 2015. After reaching the lowest closing price for the year at the beginning of the fourth quarter, Volkswagen shares recovered temporarily from their sharp declines. As a result of the news that, as part of the internal inquiries at Volkswagen of all diesel engines, we also encountered evidence that irregularities in the determination of the CO_2 figures for vehicles' type approvals in the EU28 countries could initially not be ruled out, the prices of both classes of shares trended lower again. As the fourth quarter progressed, the provision of technical solutions for our customers in the EU28 countries to rectify the irregularities in NO_X emissions and the clarification of the CO_2 issue led to a rise in the share price amid significant fluctuations.

Personnel changes

The Chairman of the Board of Management of Volkswagen AG, Prof. Dr. Martin Winterkorn, took responsibility for the irregularities that had emerged in relation to diesel engines. He stepped down on September 25, 2015.

The Supervisory Board of Volkswagen AG appointed Matthias Müller as the new Chairman of the Board of Management of Volkswagen AG with effect from September 26, 2015.

Effective January 1, 2016, Christine Hohmann-Dennhardt took up a newly created responsibility as member of the Board of Management of Volkswagen AG for Integrity and Legal Affairs. This is a clear indication of the great importance we attach to these issues.

REALIGNMENT OF THE GROUP

In late October 2015, the Group Board of Management announced a five-point plan to realign the Group. The first and most important priority is to provide technical solutions for our customers and therefore to work closely with the authorities. The second priority is to pursue and complete the investigation independently and systematically. This will involve examining the facts and analyzing how they occurred, with the aim of ensuring that such mistakes cannot occur again. The third priority is to implement the new Group structure. The Volkswagen Group's management will be more decentralized in future, with greater independence for brands and regions. This will mean better sharing of responsibility and will encourage entrepreneurial thinking and behavior. Our decisions and processes will become leaner, faster and more efficient. The Group Board of Management will focus on its core role: pursuing major Groupwide topics for the future and working on synergies, control and strategy. The fourth point involves a realignment of culture and management practices at Volkswagen. Establishing a new way of thinking takes time. We want our work to be defined by open and honest communication, a constructive approach to dealing with mistakes and greater courage and innovation. The fifth and final point is the Group's new objectives. In 2008 the Volkswagen Group sent a strong signal with its Strategy 2018. The cornerstones remain unchanged: satisfied customers, motivated employees, excellent quality products and services, sustainable profitability and ecological responsibility. Additionally, the "Future Tracks" initiative (see also page 132) has already laid the valuable groundwork for the realignment, enabling us to address the issues of the future such as e-mobility, the digital shift and new business models. We are developing our Strategy 2025 for the Volkswagen Group on this basis, with which we will determine our technological and strategic direction for the next ten years.

TO OUR STAKEHOLDERS

Volkswagen does not tolerate any infringements of rules or laws. The irregularities that occurred contradict everything Volkswagen stands for. The trust of our customers and the public is, and will remain, our most important asset. We are sincerely sorry that we have disappointed our stakeholders. We will do everything within our power to prevent incidents of these kinds from reoccurring and commit ourselves fully to winning back all of the trust.

Goals and Strategies

The Volkswagen Group aims to increase its unit sales and profitability for the long term. This is why its Strategy 2018 – with which Volkswagen intends to become the most successful, fascinating and sustainable automobile manufacturer – has been anchored in the Company. We are realigning our target system due to the fundamental changes in the automotive industry and within the Volkswagen Group.

The Volkswagen Group sent a strong signal with the launch of its Strategy 2018 in 2008. The clear and ambitious goals triggered significant momentum within the Company, laying the foundation for the Group's significant success in recent years. In this context, and in light of the fundamental changes both in the automotive industry and within the Company itself, now is the time to realign the Volkswagen Group, both technologically and strategically. The basis for this realignment is our Strategy 2018, in which we defined four goals that are intended to make Volkswagen the most successful, fascinating and sustainable automaker in the world:

- Volkswagen intends to deploy intelligent innovations and technologies to become a world leader in customer satisfaction and quality. We see high customer satisfaction as one of the key requirements for the Company's long-term success.
- The goal is to generate unit sales of more than 10 million vehicles a year; in particular, Volkswagen intends to capture an above-average share of growth in the major growth markets.
- Volkswagen's aim is a long-term return on sales before tax of at least 8% so as to ensure that the Group's solid financial position is guaranteed and that it retains the ability to act even in difficult market periods.
- Volkswagen aims to be the most attractive employer in the automotive industry. The aim is to have the best team in the sector: highly qualified, fit and above all motivated.

Our particular focus is on the environmentally friendly orientation and profitability of our vehicle projects so that the Volkswagen Group can achieve success even in more challenging conditions. We are selectively expanding our range of vehicles to safeguard the strong position enjoyed by our individual brands and to systematically increase our competitive advantages.

Our activities are primarily designed to set new standards in the areas of vehicles, drivetrains and lightweight construction. Our modular toolkit system, which we are enhancing on an ongoing basis, allows us to improve the Group's production efficiency and flexibility, and thus also its profitability.

In addition, we intend to continually expand our customer base by increasing satisfaction among our existing customers and acquiring new customers around the world, particularly in the growth markets. In order to ensure this, we are increasingly adapting our products and services to the specific local requirements. We shall continue the measures we are currently taking to improve our productivity and quality regardless of the economic situation and without any time limit. These include our regional development teams and our cooperation with local suppliers, among other things. We are also continuing to standardize processes in both the direct and indirect areas and are reducing production throughput times. Together with disciplined cost and investment management, these measures play a major role in ensuring that we reach our long-term profitability targets and safeguard solid long-term liquidity.

We will only successfully meet the challenges of today and tomorrow if all employees – from vocational trainees through to the Board of Management – consistently deliver excellence. Outstanding performance, the success that comes from it and participation in its rewards are therefore at the heart of our human resources strategy.

Satisfied customers and motivated employees, excellent quality products and services, sustainable profitability and ecological responsibility are the cornerstones of the Strategy 2018, and remain unchanged. Additionally, the "Future Tracks" initiative has already laid the valuable groundwork for the realignment, enabling us to address the issues of the future such as e-mobility, the digital shift and new business models. We are developing our Strategy 2025 for the Volkswagen Group on this basis, and aim to present the results starting in mid-2016. The initial phase focuses on three issues: digitalization, integrity and legal affairs, and sustainability.

Internal Management System and Key Performance Indicators

Based on the goals set out in our Strategy 2018, this chapter describes how the Volkswagen Group is managed and the key performance indicators used for this. Alongside financial measures, our management system also contains nonfinancial key performance indicators.

The Volkswagen Group's performance and success can be measured using both financial and nonfinancial key performance indicators. The following starts by describing the internal management process, and then explains the Volkswagen Group's core performance indicators.

INTERNAL MANAGEMENT PROCESS IN THE VOLKSWAGEN GROUP

The starting point for the Volkswagen Group's internal management is the medium-term planning conducted once a year. This generally covers a period of five years and forms the core of our operational planning. It is used to formulate and check the requirements for realizing strategic projects designed to meet Group targets in both technical and economic terms – and particularly in relation to earnings and liquidity effects. In addition, it is used to coordinate all business areas with respect to the strategic action areas concerned: functions/processes, products and markets.

When planning the Company's future, the individual planning components are determined on the basis of the timescale involved:

- The long-term unit sales plan, which sets out market and segment growth and then derives the Volkswagen Group's delivery volumes from them.
- The product program as the strategic, long-term factor determining corporate policy.
- Capacity and utilization planning for the individual locations.

The coordinated results of the upstream planning processes are used as the basis for the medium-term financial planning: the Group's financial planning, including the brands and business fields, comprises the income statement, cash flow and balance sheet planning, profitability and liquidity, as well as the upfront investments needed for alternative products and the implementation of strategic options.

The first year of the medium-term planning period is then fixed and a budget drawn up for the individual months. This is planned in detail down to the level of the operating cost centers.

During the year, the budget is reviewed each month to establish the degree to which the targets have been met. In the process, target/actual comparisons, prior-year comparisons, variance analyses and, if necessary, action plans to ensure targets are met, are key instruments within the management system. For the current fiscal year, detailed revolving monthly forecasts are prepared for the coming three months and the full year. These forecasts take into account the current risks and opportunities. The focus of intrayear internal management is therefore on adapting ongoing operations. At the same time, the current forecast serves as a potential, ongoing corrective to the medium-term and budget planning that follows on from it.

CORE PERFORMANCE INDICATORS IN THE VOLKSWAGEN GROUP

The Volkswagen Group's internal management is based on seven core performance indicators, which are derived from the goals set out in our Strategy 2018:

- Deliveries to customers
- Sales revenue
- Operating result
- Operating return on sales
- Capex/sales revenue in the Automotive Division
- Net cash flow in the Automotive Division
- Return on investment (ROI) in the Automotive Division

Deliveries to customers are defined as handovers of new vehicles to the end customer. This figure shows the popularity of our products with customers and is the measure we use to determine our competitive position in our markets. Increasing deliveries to customers is closely linked to our objectives of offering superior customer satisfaction and quality, as well as achieving unit sales of more than 10 million vehicles – including the Chinese joint ventures. High customer satisfaction, combined with and based on the outstanding quality of our vehicles, is one of the most important preconditions for the Company's long-term success. Demand for our products is what drives our unit sales and production, and hence determines capacity utilization at our locations. Only employees who are highly qualified, fit and above all motivated can meet the goals we have set ourselves and ensure long-term financial success.

Sales revenue, which does not include the figures for our equity-accounted Chinese joint ventures, reflects our market success in financial terms. Following adjustment for our use of resources, the operating result reflects the Company's actual business activity and documents economic output in our core business. The operating return on sales is the ratio of the operating result to sales revenue.

The ratio of capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) to sales revenue in the Automotive Division reflects both our innovative power and our competitiveness. It compares our capital expenditure – largely for modernizing and expanding our product range and environmentally friendly drivetrains, as well as for increasing capacity and improving production processes – to the Automotive Division's sales revenue.

Net cash flow in the Automotive Division represents the excess funds from operating activities available for dividend payments, for example. It is calculated as cash flows from operating activities less cash flows from investing activities attributable to operating activities.

We use the return on investment (ROI) to calculate the return on invested capital for a particular period in the Automotive Division, including the Chinese joint ventures on a proportionate basis, by calculating the ratio of the operating result after tax to invested capital. If the return on investment (ROI) exceeds the market cost of capital, the value of the Company has increased. This is how we measure the success of our brands, locations and vehicle projects.

You can find information and explanations on the sales figures and the Volkswagen Group's financial key performance indicators on pages 94 to 99 and on pages 109 to 125, respectively.

Detailed descriptions of our activities and additional non-financial key performance indicators in the areas of corporate social responsibility, research and development, procurement, production, sales and marketing, quality assurance, employees, information technology and environmental management can be found in the chapter entitled "Sustainable Value Enhancement" beginning on page 130 of this annual report.

Structure and Business Activities

This chapter describes the legal and organizational structure of the Volkswagen Group and explains the material changes in 2015 with respect to equity investments.

OUTLINE OF THE LEGAL STRUCTURE OF THE GROUP

Volkswagen AG is the parent company of the Volkswagen Group. It develops vehicles and components for the Group's brands, but also produces and sells vehicles, in particular passenger cars and light commercial vehicles for the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands. In its function as parent company, Volkswagen AG holds indirect or direct interests in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Dr. Ing. h.c. F. Porsche AG, Scania AB, MAN SE, Volkswagen Financial Services AG and a large number of other companies in Germany and abroad. More detailed disclosures are contained in the list of shareholdings in accordance with sections 285 and 313 of the Handelsgesetzbuch (HGB – German Commercial Code), which can be accessed at www.volkswagenag.com/ir and is part of the annual financial statements.

Volkswagen AG is a vertically integrated energy company within the meaning of section 3 No. 38 of the Energiewirtschaftsgesetz (EnWG – German Energy Industry Act) and is therefore subject to the provisions of the EnWG. In the electricity sector, Volkswagen AG performs electricity generation, sales and distribution together with a Group subsidiary.

Volkswagen AG's Board of Management is the ultimate body responsible for managing the Group. The Supervisory Board appoints, monitors and advises the Board of Management; it is consulted directly on decisions that are of fundamental significance for the Company.

ORGANIZATIONAL STRUCTURE OF THE GROUP

The Volkswagen Group is one of the leading multibrand groups in the automotive industry. The Company's business activities comprise the Automotive and Financial Services divisions. All brands in the Automotive Division – with the exception of the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands – are legally independent separate companies. The business activities of the various companies in the Volkswagen Group focus on developing, producing and selling passenger cars, light commercial vehicles, trucks and buses. The product portfolio ranges from motorcycles to fuel-efficient small cars and luxury vehicles. In the commercial vehicles segment, the MAN and Scania commercial vehicles brands were bundled under Volkswagen Truck & Bus GmbH in fiscal year 2015. Volkswagen Truck & Bus GmbH manages and coordinates the cooperation. Here, too, the brands continue to retain their independence. The commercial vehicles segment's offering begins with small pickups and extends to heavy trucks and buses. Power Engineering manufactures large-bore diesel engines and special gear units, among other things. A broad range of financial services rounds off the offering. With its brands, the Volkswagen Group has a presence in all relevant markets around the world. Western Europe, China, the USA, Brazil and Mexico are currently the key sales markets for the Group.

Volkswagen AG and the Volkswagen Group are managed by Volkswagen AG's Board of Management in accordance with the Volkswagen AG Articles of Association and the rules of procedure for Volkswagen AG's Board of Management issued by the Supervisory Board.

Volkswagen's strategic management is largely conducted at Group level by various committees. These committees, which are composed of representatives both of the relevant central departments and the corresponding functions in the Company's business areas, cover the following basic functions, among other things: product planning, investment, liquidity and foreign currency, and management issues.

Each brand in the Volkswagen Group is managed by a board of management, which ensures its independent development and its business operations. The Group targets and requirements laid down by the Board of Management of Volkswagen AG must be complied with to the extent permitted by law. This allows Group-wide interests to be pursued while at the same time safeguarding and reinforcing each brand's specific characteristics. Matters that are of importance to the Group as a whole are submitted to the Group Board of Management in order – to the extent permitted by law – to reach agreement between the parties involved. The rights and obligations of the statutory bodies of the relevant brand companies remain unaffected.

The companies of the Volkswagen Group are managed separately by their respective managements. In addition to the interests of their own companies, each individual company management takes into account the interests of the Group and of the individual brands in accordance with the framework laid down by law.

Following the announcement of the realignment of Group structures, we have been fine-tuning the management model since September 2015 and adjusting its specific structure. This involves defining the functional, divisional and regional responsibilities in greater detail and strengthening corporate responsibility within the brands and regions. The clear strategic focus of the Group functions aims to increase the Group's decision-making speed and agility. It will allow the Group Board of Management to concentrate to a greater extent on its core tasks, which include strategy and managing major synergy levers such as modular toolkits, key technologies and procurement, as well as plant capacity utilization. The cross-brand modular toolkit and product strategy is another core task.

Further information on the Volkswagen Group's future organizational alignment can be found in the Report on Expected Developments on page 168.

MATERIAL CHANGES IN EQUITY INVESTMENTS

The control and profit and loss transfer agreement between MAN SE, as the controlled company, and Volkswagen Truck & Bus GmbH (formerly Truck & Bus GmbH), a wholly-owned subsidiary of Volkswagen AG, as the controlling company, came into force on its entry in the commercial register on July 16, 2013. The conclusion of the control and profit and loss transfer agreement replaced the group based on the de facto exercise of management control by a "contractual group", permitting considerably more efficient and less bureaucratic cooperation between the MAN Group and the rest of the Volkswagen Group. Noncontrolling interest shareholders of MAN SE have the right to tender MAN ordinary and preferred shares in Volkswagen Truck & Bus GmbH during and two months after the conclusion of the award proceedings instituted in July 2013 to review the appropriateness of the cash settlement set out in the agreement in accordance with section 305 of the Aktiengesetz (AktG – German Stock Corporation Act) and the cash compensation in accordance with section 304 of the AktG. The Munich Regional Court ruled in the first instance at the end of July 2015 that the settlement payable to the shareholders should be increased from €80.89 to €90.29 per share. Both Volkswagen and a number of the noncontrolling interest shareholders have appealed to the Higher Regional Court in Munich. At the end of December 2015, Volkswagen Truck & Bus GmbH held 75.56% of the ordinary shares and 46.19% of the preferred shares of MAN SE.

On March 14, 2014, Volkswagen AG made a voluntary tender offer to Scania's shareholders for all shares not previously held by Volkswagen either directly or indirectly. Following completion of the offer, Volkswagen increased its interest in Scania's share capital to 99.57% at the end of 2014. A squeeze-out was initiated for the Scania shares not tendered in the course of the offer, and on November 11, 2014 the court of arbitration ruled in the squeeze-out proceedings that all Scania shares outstanding would be transferred to Volkswagen AG. Volkswagen AG has been the indirect and direct legal owner of all Scania shares since January 14, 2015, when the decision became final and unappealable. The arbitration proceedings to determine an appropriate settlement are continuing.

On August 29, 2015, the arbitration ruling was delivered to the parties in the proceedings relating to the cooperation agreement between Volkswagen AG and the Suzuki Motor Corporation. It found that Volkswagen had acted in accordance with the agreement. The arbitration court also confirmed that Suzuki was in breach of contract and, on the merits of this case, acknowledged that Volkswagen had a claim to damages. In addition, the arbitration court established that the parties had the right to give regular notice to terminate the cooperation agreement. It said that Suzuki had exercised this right, ending the partnership. According to the court, the agreements had to be interpreted in such a way that Volkswagen had to sell its equity investment in Suzuki on termination of the partnership. Volkswagen consequently sold its 19.9% equity investment in Suzuki to Suzuki on September 17, 2015 at the quoted market price of €3.1 billion. In February 2016, Volkswagen and Suzuki agreed a settlement regarding the claims for damages brought by Volkswagen.

LEGAL FACTORS INFLUENCING BUSINESS

Volkswagen companies are affected – as are other international companies – by numerous laws in Germany and abroad. In particular, there are legal requirements relating to development, production and distribution, as well as to tax, company, commercial, financial and capital market regulations, and those relating to labor, banking, state aid, energy, environmental and insurance law.

i LIST OF SHAREHOLDINGS OF VOLKSWAGEN AG
www.volkswagenag.com/ir

Corporate Governance Report

Corporate governance stands for responsible, transparent corporate management and supervision that aims to add by long-term value. Good corporate governance is not only the basis for lasting corporate success but also a key condition for strengthening the trust of our shareholders, customers, employees and business partners, as well as the financial markets.

A BLUEPRINT FOR SUCCESSFUL CORPORATE GOVERNANCE: THE GERMAN CORPORATE GOVERNANCE CODE

Corporate governance establishes a framework for managing and supervising a company. This includes its organization and values, and the principles and guidelines for its business policy, among other things. The German Corporate Governance Code contains recommendations and suggestions for good and responsible corporate management and supervision. It was prepared by the government commission established for the purpose on the basis of the material provisions and nationally and internationally accepted standards of corporate governance. As a rule, the government commission reviews the Code annually in light of current developments and updates it as necessary. The Board of Management and the Supervisory Board of Volkswagen AG base their work on the recommendations and suggestions of the German Corporate Governance Code. We believe that good corporate governance is a key condition for sustainably increasing the Company's value. It helps strengthen the trust of our shareholders, customers, employees, business partners and investors in our work and meet the steadily increasing demand for information from national and international stakeholders.

DECLARATIONS OF CONFORMITY (VALID AS OF THE DATE OF THE RELEVANT DECLARATION)

The Board of Management and the Supervisory Board of Volkswagen AG issued the annual declaration of conformity with the German Corporate Governance Code as required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on November 20, 2015 with the following wording:

"The Board of Management and the Supervisory Board declare that:
1) The recommendations of the Government Commission of the German Corporate Governance Code in the version dated June 24, 2014 (the "Code") published by the German Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on September 30, 2014 were complied with in the period from the last Declaration of Conformity dated November 21, 2014 until the entry into force on June 12, 2015 of the amended version of the Code dated May 5, 2015 with the exception of the numbers listed below for the reasons outlined therein.

- a) 4.2.3 paragraph 4 (severance pay cap)
  A severance pay cap will be included in new contracts concluded with members of the Board of Management, but not in contracts concluded with Board of Management members entering their third term of office or beyond, provided a cap did not form part of the initial contract. Grandfather rights have been applied accordingly.
- b) 5.1.2 paragraph 2 sentence 3 (age limit for members of the Board of Management)
  An age limit for members of the Board of Management is not considered to be appropriate because the ability to manage a company successfully does not necessarily cease when a specific age is reached. A rigid retirement age could also be deemed discriminatory. It may be in the interests of the company to appoint someone over the age of 65. A rigid retirement age would therefore appear to be inappropriate.
- c) 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee)
  It is unclear from the wording of the German Corporate Governance Code whether the Chairman of the Audit Committee is "independent" within the meaning of number 5.3.2 sentence 3 of the Code. Such independence could be considered lacking in view of his membership of the Supervisory Board of Porsche Automobil Holding SE, kinship with other members of the Supervisory Board of the company and of Porsche Automobil Holding SE, his indirect minority interest in Porsche Automobil Holding SE, and business relations with other members of the Porsche and Piëch families who also have an indirect interest in Porsche Automobil Holding SE. However, in the opinion of the Supervisory Board and the Board of Management, these relationships do not constitute a conflict of interest nor do they interfere with his duties as the Chairman of the Audit Committee.

This exception is therefore being declared purely as a precautionary measure.

- d) 5.4.1 paragraphs 4 to 6 (disclosure regarding election recommendations)
  With regard to recommendation number 5.4.1 paragraphs 4 to 6 of the Code stating that certain circumstances must be disclosed by the Supervisory Board when making election recommendations to the Annual General Meeting, the stipulations of the Code are vague and the definitions unclear. Purely as a precautionary measure, the Board of Management and the Supervisory Board therefore declare a deviation from the Code in this respect. Notwithstanding this, the Supervisory Board will make every effort to satisfy the requirements of number 5.4.1 paragraphs 4 to 6.
- e) 5.4.6 paragraph 2 sentence 2 (performance-related compensation of members of the Supervisory Board)
  The remuneration of members of the Supervisory Board is regulated by the shareholders in article 17(1) of the Volkswagen Articles of Association. This regulation includes the linking of remuneration to dividend distribution. We therefore assume that we have complied with the Code and that the variable compensation component is oriented toward the sustainable growth of the enterprise as defined in number 5.4.6 paragraph 2 sentence 2 of the Code. However, as it cannot be ruled out that other views will be taken in this respect, a deviation from this recommendation in the Code is being declared as a precautionary measure.

2) The recommendations of the Government Commission of the German Corporate Governance Code in the version dated May 5, 2015 (2015 version of the Code) that was published by the German Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on June 12, 2015 were complied with in the period from the entry into force of this version on June 12, 2015 and will continue to be complied with, with the exception of the recommendations listed below.

- a) 4.2.3 paragraph 4 (severance payment cap)
- b) 5.1.2 paragraph 2 sentence 3 (age limit for members of the Board of Management)
- c) 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee)
- d) 5.4.1 paragraphs 5 to 7 (disclosure regarding election recommendations, formerly 5.4.1 paragraphs 4 to 6)
- e) 5.4.6 paragraph 2 sentence 2 (performance-related remuneration of members of the Supervisory Board)

The reasons for the exceptions to a) to e) listed above are explained in section 1) above.

- f) 5.4.1 paragraph 2 sentence 1 (objectives for the composition of the Supervisory Board)
  With the entry into force of the 2015 version of the Code, this recommendation regarding the objectives for the composition of the Supervisory Board was expanded to the effect that the objectives for the composition of the Supervisory Board include the specification of a general limit to the length of time that members may serve on the Supervisory Board. During the period from the entry into force of the amended version of the recommendation on June 12, 2015 to the present, the expanded version of this recommendation was not complied with due to its novelty. Following the necessary consultations and declarations by the Supervisory Board, this recommendation will be complied with fully as of today."

On March 14, 2016, the Board of Management and Supervisory Board of Volkswagen AG issued a supplement to the declaration of conformity with the Code as required by section 161 of the AktG with the following wording:

"The Board of Management and the Supervisory Board declare that:

1) In their Declaration of Conformity dated November 20, 2015, the Board of Management and the Supervisory Board of Volkswagen AG declared that they would fully comply with the recommendations of the Government Commission of the German Corporate Governance Code (DCGK) in the version dated May 5, 2015 that had been published by the German Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on June 12, 2015, with the exception of the following numbers:

- a) 4.2.3 paragraph 4 (severance payment cap)
- b) 5.1.2 paragraph 2 sentence 3 (age limit for members of the Board of Management)
- c) 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee)
- d) 5.4.1 paragraphs 5 to 7 (disclosure regarding election recommendations)
- e) 5.4.6 paragraph 2 sentence 2 (performance-related remuneration of members of the Supervisory Board)

2) Due to the currently still unanswered questions relating to the consequences of the emissions issue and the resulting assessment questions, the Board of Management and the Supervisory Board have decided that the 2015 consolidated financial statements and the interim report for the first quarter of 2016 will not be made publicly accessible within 90 days of the end of the fiscal year or within 45 days of the end of the quarter. As such, the supplement to the Declaration of Conformity from November 20, 2015 will include an explanation of the deviation from number 7.1.2 sentence 4 of the German Corporate Governance Code (deadlines for publication). The deviation is limited to the publications listed and the recommendation will be complied with once again as of the 2016 Half-Yearly Financial Report."

On April 22, 2016, the Board of Management and Supervisory Board of Volkswagen AG issued a further supplement to the declaration of conformity with the Code as required by section 161 of the AktG with the following wording:

"The Board of Management and the Supervisory Board declare the following:

1) In their Declaration of Conformity dated November 20, 2012, the Board of Management and the Supervisory Board of Volkswagen AG declared that they would comply with the recommendations of the Government Commission of the German Corporate Governance Code (the Code) in the version dated May 5, 2015 published by the German Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on June 12, 2015, with the exception of the following articles:

- a) 4.2.3(4) (severance payment cap)

- b) 5.1.2(2) sentence 3 (age limit for members of the Board of Management)
- c) 5.3.2 sentence 3 (independence of the Audit Committee Chairman)
- d) 5.4.1(5 to 7) (disclosure regarding election recommen-dations)
- e) 5.4.6(2) sentence 2 (performance-related remuneration of members of the Supervisory Board)
- 2) In their supplement to the declaration described under 1) above, decided on March 14, 2016, the Board of Management and the Supervisory Board of Volkswagen AG further declared that an exception would be made in respect of article 7.1.2 sentence 4 of the Code (date of publication of financial statements).
- 3) The Supervisory Board today adjusted the performance targets and comparison parameters used to determine the variable remuneration for the members of the Board of Management in fiscal year 2015 in agreement with the individual members of the Board of Management. Article 4.2.3(2) sentence 8 of the Code excludes retroactive changes to the performance targets and comparison parameters for the variable remuneration components. However, the Supervisory Board and members of the Board of Management were of the opinion that continued adherence to the previous performance targets and comparison parameters would have led to results that do not adequately reflect the current situation of the company. A retroactive adjustment of the performance targets and comparison parameters was therefore considered advisable.

As such, a second supplement to the Declaration of Conformity dated 20 November 2015 is being issued in which the company declares that an exception will be made in respect of article 4.2.3(2) sentence 8 of the Code (exclusion of retroactive changes to the comparison parameters)."

The current declarations of conformity are also published on our website, www.volkswagenag.com/ir, under the heading "Corporate Governance", menu item "Declarations".

The suggestions of the current version of the German Corporate Governance Code, with the exception of the suggestion in article 5.1.2(2) sentence 1 (Appointment period for first-time appointments to the Board of Management), are complied with in full. The Supervisory Board decides the appointment period for each first-time appointment to the Board of Management on an individual basis, taking the best interests of the Company into account.

Our listed subsidiaries AUDI AG, MAN SE and Renk AG have also issued declarations of conformity with the German Corporate Governance Code.

At Scania AB, the management and supervisory functions are split between the Annual General Meeting, the Board of Directors, and the President and CEO. They are governed by the articles of association, Swedish company law and other laws and regulations.

The declarations of conformity of our listed subsidiaries can be accessed at the websites shown on this page. In addition, further information on corporate governance at Scania AB can be found at the address provided.

DECLARATION OF CONFORMITY OF VOLKSWAGEN AG
www.volkswagenag.com/ir

DECLARATION OF CONFORMITY OF AUDI AG
www.audi.com/cgk-declaration

DECLARATION OF CONFORMITY OF MAN SE
www.man.eu/corporate

DECLARATION OF CONFORMITY OF RENK AG
http://www.renk.biz/corporated-governance.html

CORPORATE GOVERNANCE AT SCANIA AB
www.scania.com/scania-group/corporate-governance

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The Supervisory Board advises and monitors the Board of Management with regard to the management of the Company. It is directly involved in decisions of fundamental importance to the Group. The Board of Management and Supervisory Board of Volkswagen AG consult closely on the strategic orientation of the Volkswagen Group. The two boards jointly assess the progress made in implementing the strategy at regular intervals. The Board of Management reports to the Supervisory Board regularly, promptly and comprehensively in both written and oral form on all issues of relevance to strategy, planning, the development of the business, the risk situation, risk management and compliance.

More information on the cooperation between the Board of Management and the Supervisory Board of Volkswagen AG and on the work and structure of the committees of the Supervisory Board can be found in the Report of the Supervisory Board on pages 12 to 17 of this annual report.

Information on the members of the Board of Management and Supervisory Board, as well as on the Supervisory Board committees, can be found on pages 81 to 84.

OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD, BOARD OF MANAGEMENT AND SENIOR EXECUTIVE POSITIONS

In view of the purpose of the Company, its size and the extent of its international activities, the Supervisory Board of Volkswagen AG strives to take the following criteria into account in its composition:

- At least three members of the Supervisory Board should be persons who embody in particular the characteristic of internationality.
- At least four shareholder representative members of the Supervisory Board should be persons who do not represent potential conflicts of interest, particularly conflicts of interest that could arise through a position as a consultant or member of the governing bodies of customers, suppliers, lenders, or other third parties.
- In addition, at least four of the shareholder representatives must be persons who are independent as defined by article 5.4.2 of the German Corporate Governance Code.
- Furthermore, proposals for elections should not normally include persons who will have reached the age of 75 by the time the election takes place or who have been members of the Supervisory Board for more than 20 years by the time the election takes place.

The above criteria have been met. The statutory gender quota of at least 30% will apply to new appointments to the Supervisory Board of Volkswagen AG from January 1, 2016, based on the Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst (Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors).

The Supervisory Board of Volkswagen AG has also set itself the longer-term goal of increasing the proportion of female members on the Board of Management to 30%. The Supervisory Board did not identify any opportunity for increasing the proportion of female members on the Board of Management by the end of 2016 as of the date stipulated in the Act for determining a specific target; as a result, it resolved a target quota of zero for December 31, 2016. However, the appointment of Dr. Christine Hohmann-Dennhardt in October 2015 to take up the newly created Board of Management position for Integrity and Legal Affairs with effect from January 1, 2016 means that a female member has been appointed to the Group's Board of Management.

Volkswagen AG has set the following target quotas to increase the proportion of women in management: the aim is for the proportion of women in the first management level to amount to 9.8% as of the end of 2016, with the figure for the second management level amounting to 13.3%.

REMUNERATION REPORT

Extensive explanations of the remuneration system and the individual remuneration of the members of the Board of Management and the Supervisory Board may be found in the Remuneration Report on pages 67 to 80 of the management report, in the notes to the consolidated financial statements on page 300 and on page 45 of the notes to the annual financial statements of Volkswagen AG.

CORPORATE GOVERNANCE DECLARATION

The corporate governance declaration is part of the combined management report and is permanently available on our website at www.volkswagenag.com/ir under the heading "Mandatory Publications".

CORPORATE GOVERNANCE DECLARATION
www.volkswagenag.com/ir

COMPLIANCE

Compliance with international rules and the fair treatment of our business partners and competitors are among the guiding principles followed by our Company. Volkswagen's commitment has always gone beyond statutory and internal requirements; voluntary obligations and ethical principles also form an integral part of our corporate culture. The misconduct uncovered in the fiscal year 2015 runs contrary to all of the values that Volkswagen stands for. However, our conviction remains unchanged: compliant behavior is a cornerstone of business success and must be self-evident for all Group employees.

Commitment to compliance at the highest level

This view is expressly shared by the Company's management. The Chairman of the Board of Management of Volkswagen AG, Matthias Müller, said at a Group-wide information event for management in November 2015 that "no business in the world justifies violating legal and ethical limits. Our key currency is not unit figures or the operating result. Our key currency is credibility and trust in our brands, our products and the people who work for our Company. [...] Compliance and the rule of law are central to Volkswagen rather than being onerous duties, something that is confirmed by the creation of a new Group Board of Management position for Integrity and Legal Affairs."

Preventive compliance management system

Volkswagen has had a distinct and recognized Group-wide compliance management system for a number of years. In 2015, compliance continued to play an important role in the Governance, Risk and Compliance (GRC) organization in the Volkswagen Group (see the Report on Risks and Opportunities starting on page 170).

The Supervisory Board of Volkswagen AG resolved to create the new Board of Management position for Integrity and Legal Affairs from January 2016 as a visible reinforcement of compliance throughout the Company. Dr. Christine Hohmann-Dennhardt, a former judge at the German Federal Constitutional Court, has been appointed to this position.

Volkswagen adopts a preventive compliance approach and aims to create a corporate culture that is designed to prevent potential breaches before they occur by raising awareness and educating employees.

Group Internal Audit and Group Security regularly perform the necessary investigative activities, systematically monitor compliance and perform random checks regardless of any suspicion of infringements, as well as investigating specific suspected breaches. Responses are implemented by the Human Resources and Group Legal departments. These processes are closely interrelated, in line with the concept of a comprehensive compliance management system. Nevertheless, we are aware that even the best compliance management system can never entirely prevent the criminal actions of individuals.

The Group Chief Compliance Officer is supported by 14 Chief Compliance Officers or compliance contact persons (staff who are responsible at the brands, Volkswagen Financial Services and Porsche Holding GmbH, Salzburg). They are supported by compliance officers in the Group companies.

Various bodies support the work of the compliance organization at Group and brand company level. These include the Compliance Board at senior management level and the core Compliance team, which bundles expertise in compliance issues.

Focal points in 2015

Each year, detailed compliance risk assessments are carried out across the Group as part of the standard GRC process. The results are factored into the risk analyses performed by the Volkswagen Group, the brands and the companies, and into the Compliance Program planning.

We primarily continued to drive forward our work in China in 2015 and intensified our compliance activities at Volkswagen Group subsidiaries and second-tier subsidiaries. We reacted to events surrounding the emissions issue by adopting measures and launching campaigns: the brisk response by the employees to a call to participate in a photo campaign under the motto "Together for Volkswagen, Together for Compliance" demonstrated their clear commitment to compliance. In addition, we have strengthened the product-related internal compliance control system in cooperation with internal and external experts. Cross-departmental projects on this issue were initiated in particular at Technical Development. Detailed information about the investigations into the emissions issue can be found in the special chapter on pages 49 to 54 of this Annual Report.

Communicating compliance

The GRC organization provided information on various compliance issues to the Group's brands and companies over the year, using a wide range of traditional communication channels. These include reports in various employee magazines produced by the brands, companies and locations. Digital media such as intranet portals, smartphone and tablets apps, blogs and newsletters are also frequently used to provide compliance information.

We have communicated the Code of Conduct, including the compliance obligation, to employees at the brand companies, and this forms a key component of our compliance training. It is also integrated into our operational processes. For example, all new employment contracts entered into between Volkswagen AG on the one part and both management staff and employees covered by collective agreements on the other include a reference to the Code of Conduct and the obligation to comply with it. In addition, the Code of Conduct is part of employees' annual reviews and therefore forms part of the calculation of variable, performance-related remuneration.

In addition to the Code of Conduct, Volkswagen's compliance framework incorporates the anti-corruption guidelines, including checklists and the express prohibition of facilitation payments, as well as guidelines on competition and antitrust law, among other things.

Directives on dealing with gifts and invitations, as well as on making donations also apply across the Group.

Learning programs, training and advice

Providing information to employees at all levels continues to be a core component of our compliance work. In 2015, approximately 193,000 employees across the Group participated in a variety of compliance-related topics such as the Code of Conduct, anti-corruption, human rights, anti-money laundering, and competition and antitrust law. In addition to traditional lectures and e-learning programs, case studies, role-playing games and other interactive formats form an integral part of the training provided to employees and managers. Also, since December 2014 a management talk on risk management and compliance has been offered to all newly appointed senior managers in Group functions and the Volkswagen Passenger Cars brand. All new Volkswagen AG employees are required to complete an e-learning program on the Group's Code of Conduct. The subject of human rights is an integral part of this training program. Training on competition and antitrust law is a core component of Compliance work in the Volkswagen Group. Approximately 30,000 employees received training on this issue during the reporting period. Among other things, a compliance app for smartphones and tablets is available to Volkswagen AG's employees as a self-learning solution.

Employees of all brand companies and a large number of Group companies are able to obtain personal advice about compliance issues, usually by contacting the compliance organization via a dedicated e-mail address. An IT-based information and advisory tool is available at Volkswagen AG's German locations.

Business partner check

We also expect our business partners to act with integrity and ensure regulatory compliance. For this reason, Volkswagen verifies the integrity of its business partners (business partner check) in a risk-oriented approach. This check allows us to find out about potential business partners before entering into a relationship with them, reducing the risk of starting a cooperation that could be damaging to the Company or its business.

Ombudsman system

The Group-wide ombudsman system can be used to report any breaches or suspicions regarding corruption, illegal economic activity, or other irregularities, such as violations of human rights and ethical misconduct, in all major Group languages to two external lawyers appointed by the Group. Since 2014, employees providing information have had the option of communicating with the ombudsmen via an additional online channel; various breaches can be reported using a technically highly secure electronic mailbox. Naturally, the people providing the information need not fear being sanctioned by the Company for doing this. After plausibility checks, the ombudsmen passed on 79 reports by people – whose details remained confidential if requested – to Volkswagen AG's Anti-Corruption Officer in 2015. In addition, the Anti-Corruption Officer and the head of Group Internal Audit received information on a further 111 cases directly. During local internal audits of the brands and Group companies, 331 reports were submitted to the Anti-Corruption Officer. All information was or is being followed up. For all breaches of the law and violations of internal regulations, the need for sanctions is reviewed and these are applied where necessary.

In accordance with the normative standards issued by Deutsches Institut für Interne Revision e.V. (German Institute for Internal Auditing – DIIR), internal audit functions should be audited externally every five years. An external quality assessment of the Volkswagen Group's internal audit system was carried out by an audit firm in the period between the third quarter of 2014 and the first quarter of 2015. In addition to central management and supervisory processes, this took into consideration the quality of the

i OMBUDSMAN SYSTEM
www.ombudsmen-of-volkswagen.com

brands' and regions' internal audit functions (sample size: Volkswagen AG, AUDI AG, SEAT S.A., Volkswagen de Mexico, Volkswagen Group China). The auditors confirmed that all of the internal audit units examined are fully compliant with the underlying DIIR Standard No. 3 "Quality management in the internal audit activity" and, in many areas, use leading internal audit methodologies and practices.

Effectiveness review

We review the effectiveness of the compliance measures taken at the Volkswagen Group's brands and companies annually using an integrated survey, which forms part of the standardized GRC process. We check the effectiveness of selected countermeasures as well as management controls used to manage compliance risks. In addition, the continuous improvement of the compliance management system is ensured through independent reviews by the Group Internal Audit function at the corporate units and the regular exchange of information with external bodies, for example.

RISK MANAGEMENT

Carefully managing potential risks to the Company is a key component of our daily work. Volkswagen Group's risk management system is oriented toward identifying, assessing, communicating and managing risks at an early stage. This system is reviewed on an ongoing basis and adjusted in line with new conditions as necessary. A detailed description of the risk management system and our accounting-related internal control system can be found in the Risk Report on pages 170 to 173 of this annual report.

The Supervisory Board has established an Audit Committee, which monitors the financial accounting and reporting processes and the effectiveness of the internal control system, risk management, the internal audit system and compliance, in particular. It also supervises the audit of financial statements, particularly the independence of the auditors, the additional services provided by the auditors, the audit engagement, the definition of the areas of emphasis for the audit and the agreed fee.

COMMUNICATION AND TRANSPARENCY

The Volkswagen Group publishes a financial calendar listing all the relevant dates for its shareholders in its annual report and interim reports and on its website at www.volkswagenag.com/ir. Among other things, invitations to and the agendas for the shareholders' meetings and any countermotions received are also available on this website. At the shareholders' meetings, shareholders may exercise their voting rights themselves, have this right exercised on their behalf by a third-party proxy whom they have appointed, or use a proxy designated by the Company who will vote on their behalf in accordance with their voting instructions. In addition, we offer our shareholders the opportunity to watch the entire Annual General Meetings on the Internet.

News and information on the Volkswagen Group are available on our website at www.volkswagenag.com/ir. The releases and other information are published in both English and German.

Immediately after their publication in line with legal requirements, the Company's ad hoc releases are also published on our website at www.volkswagenag.com/ir under the heading "Mandatory Publications", menu item "Ad-hoc releases".

We publish directors' dealings (section 15a of the WpHG) at www.volkswagenag.com/ir under the heading "Mandatory Publications", menu item "Directors' Dealings".

In addition, details of the notifications filed in compliance with sections 21ff. of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) during the reporting period can be found on this website under the heading "Mandatory Publications", menu item "Reporting of voting rights according to WpHG". Notifications relating to other legal issues may be downloaded there under the heading "Mandatory Publications", menu item "Other legal issues".

The supervisory body appointments held by Board of Management members and Supervisory Board members can be found on pages 81 to 84 of this annual report. The shareholder structure is presented on page 103.

i MANDATORY PUBLICATIONS OF VOLKSWAGEN AG
www.volkswagenag.com/ir

Remuneration Report

The Remuneration Report details the individualized remuneration of the Board of Management and the Supervisory Board of Volkswagen AG, broken down into components, as well as individualized pension provision disclosures for the members of the Board of Management. In addition, we explain in this chapter the main elements of the variable remuneration system for the Board of Management.

PRINCIPLES OF AND CHANGES TO BOARD OF MANAGEMENT REMUNERATION

The full Supervisory Board resolves on the remuneration system and the total remuneration for each individual member of Volkswagen AG's Board of Management on the basis of the Executive Committee's recommendations. The remuneration of current members of the Board of Management complies with the requirements of the Aktiengesetz (AktG – German Stock Corporation Act) and the recommendations of the German Corporate Governance Code. In particular, the remuneration structure is focused on ensuring sustainable business growth in accordance with the Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG – German Act on the Appropriateness of Executive Board Remuneration) and section 87(1) of the AktG.

The remuneration system of the members of the Board of Management was approved by the 50th Annual General Meeting on April 22, 2010 by 99.44% of the votes cast. At the same time, the Volkswagen Group's positive business performance made it necessary in 2013 to modify and realign Board of Management remuneration and the comparative parameters on which it is based. The remuneration of the Board of Management was modified with the assistance of a remuneration consultant, whose independence has been assured by the Supervisory Board and by the Company.

The level of the Board of Management remuneration should be appropriate and attractive in the context of the Company's national and international peer group. Criteria include the tasks of the individual Board of Management member, their personal performance, the economic situation, the performance of and outlook for the Company, as well as how customary the remuneration is when measured against its peer group and the remuneration structure that applies to other areas of Volkswagen. In this context, comparative studies on remuneration are conducted on a regular basis.

COMPONENTS OF BOARD OF MANAGEMENT REMUNERATION

The remuneration of the Board of Management comprises non-performance-related and performance-related components. The non-performance-related components of the package ensure firstly a basic level of remuneration enabling the individual members of the Board of Management to perform their duties in the interests of the Company and to fulfill their obligation to act with proper business prudence without needing to focus on merely short-term performance targets. On the other hand, performance-related components, dependent among other criteria on the financial performance of the Company, serve to ensure the long-term impact of behavioral incentives.

Upper limits are in place for both the overall remuneration and the performance-related remuneration components.

Non-performance-related remuneration

The non-performance-related remuneration comprises fixed remuneration and fringe benefits. In addition to the basic level of remuneration, the fixed remuneration also includes differing levels of remuneration for appointments assumed at Group companies. The fringe benefits result from the grant of noncash benefits and include in particular the use of operating assets such as company cars and the payment of insurance premiums. Taxes due on these noncash benefits are mainly borne by Volkswagen AG. As compensation for the loss of benefits due to the change of employer Mr. Diess received €5.0 million and Mr. Renschler received €11.5 million.

The basic level of remuneration is reviewed regularly and adjusted if necessary.

Performance-related remuneration

The performance-related/variable remuneration comprises a business performance bonus, which relates to business performance in the reporting period and in the preceding year, and, since 2010, a Long-Term Incentive (LTI) plan, which is based on the reporting period and the previous three fiscal years. Both components of performance-related/variable remuneration are therefore calculated on a multiyear basis and reflect both positive and negative developments. Members of the Board of Management can also be awarded bonuses that reflect their individual performance.

The amounts shown (including remuneration withheld) in the Board of Management table for 2015 in accordance with the German Commercial Code correspond to the amounts determined by the Supervisory Board for fiscal year 2015.

The amounts shown in the Board of Management (benefits received) tables in accordance with the German Corporate Governance Code correspond to the amounts paid out for the fiscal year in question.

The amounts shown in the Board of Management (benefits granted) tables in accordance with the German Corporate Governance Code are based on a mean probability scenario at the beginning of fiscal year 2015.

The Supervisory Board may cap the performance-related/ variable remuneration components in the event of extraordinary developments.

Bonus

The bonus rewards the positive business development of the Volkswagen Group.

The business performance bonus is calculated on the basis of the average operating result, including the proportionate operating result in China, over a period of two years. A calculation floor below which no bonus will be paid is in place. This floor was set at €5.0 billion. In addition, a cap for extraordinary developments is explicitly provided for by limiting the maximum theoretical bonus which, subject to the individual performance-related bonus, is €6.75 million for the Chairman of the Board of Management and €2.5 million for the other members of the Board of Management. The system and the cap are regularly reviewed by the Supervisory Board to establish whether any adjustments are necessary.

Accordingly, the method resolved by the Supervisory Board in 2013 for calculating the business performance bonus for members of the Board of Management was changed for fiscal year 2015 and led to the operating result, including the proportionate operating result in China, for fiscal year 2015 that was used to calculate the business performance bonus for fiscal year 2015 being reduced to €0.

In addition, the Supervisory Board may increase the theoretical business performance bonus, which is calculated on the basis of the average operating result, by up to 50% by applying individual adjustment factors that are not linked to the theoretical cap so as to reward members of the Board of Management for extraordinary individual performance (individual performance bonus). This may take into account extraordinary performance in the area of integration, or the successful implementation of special projects, for example.

Long-Term Incentive (LTI)

The amount of the LTI depends on the achievement of the targets laid down in the Strategy 2018. The target areas are:

- Leader in customer satisfaction, measured using the Customer Satisfaction Index,
- Leading employer, measured using the Employee Index,
- Unit sales growth, measured using the Growth Index, and
- Increase in the return on sales, measured using the Return Index.

The Customer Satisfaction Index is calculated using indicators that quantify the overall satisfaction of our customers with the delivering dealers, new vehicles and the service operations based on the previous workshop visit.

The Employee Index is determined using the "employment" and "productivity" indicators as well as the participation rate and results of employee surveys.

The Growth Index is calculated using the "deliveries to customers" and "market share" indicators.

The Return Index is derived from the return on sales and the dividend per ordinary share.

The indices on customer satisfaction, employees and unit sales are aggregated and the result is multiplied by the Return Index. This method ensures that the LTI is only paid out if the Group is also financially successful. If the 1.5% threshold for the return on sales is not exceeded, the Return Index is zero. This would mean that the overall index for the fiscal year concerned is also zero.

The maximum LTI amount is capped at €4.5 million for the Chairman of the Board of Management and €2.0 million for the other members of the Board of Management and is based on the four-year average of the overall indices, i.e. the reporting period and the three preceding years.

An agreement was reached with Mr. Winterkorn to defer payment of 30% of his variable remuneration for fiscal year 2015 to December 31, 2016.

In a statement dated April 22, 2016, Mr. Pötsch waived a portion of his variable remuneration for fiscal year 2015 in the amount of €2.3 million.

OTHER AGREEMENTS

Members of the Board of Management with contracts entered into on or after January 1, 2010 are entitled to payment of their normal remuneration for six to twelve months in the event of illness. Contracts entered into before that date grant remuneration for six months. In the event of disability, they are entitled to the retirement pension.

Surviving dependents receive a widow's pension of 66 2/3% and orphans' benefits of 20% of the former member of the Board of Management's pension. Contracts with members of the Board of Management whose first term of office begins after April 1, 2015, provide for an entitlement – in line with the principles of the works agreement that also applies to employees of Volkswagen AG covered by collective agreements – to a widow's pension of 60%, an orphan's benefit of 10% for half-orphans and an orphan's benefit of 20% for full orphans, based in each case on the former member of the Board of Management's pension.

Withholding of variable remuneration for 2015

At its meeting on April 22, 2016, Volkswagen AG's Supervisory Board accepted the offer made by the members of the Board of Management to withhold 30% of the variable remuneration described above for fiscal year 2015 for the Board of Management members active on the date of the resolution and to make its disposal subject to future share price performance.

This will be effected by first converting the amount withheld based on the average share price for the 30 trading days preceding April 22, 2016 (initial reference price) into virtual preferred shares of Volkswagen AG with a three-year holding period and, at the same time, defining a target reference price corresponding to 125% of the initial reference price. During the holding period, the virtual preferred shares will be entitled to a dividend equivalent in the amount of the dividends paid on real preferred shares.

Following the expiry of the holding period, the average share price for the 30 trading days preceding the last day of the holding period, i.e. April 22, 2019, will be determined (closing reference price). The difference between the target reference price and the initial reference price will be deducted from the closing reference price and the dividends distributed on one real Volkswagen preferred share during the holding period (dividend equivalent) will be added to the closing reference price. This ensures that – excluding any dividend equivalents accrued – the amount withheld is only paid out in full if the initial reference price of the preferred share has increased by at least 25%. Otherwise, the amount is reduced accordingly down to €0. The amount thus calculated will be disbursed to the members of the Board of Management. The amount disbursed must not be more than twice the amount originally withheld. Where members of the Board of Management retire from office before the expiry of the holding period, the disbursement amount will be calculated and paid out proportionately based on the date of termination of employment.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2015 (INCLUDING REMUNERATION WITHHELD) IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE*

€	Non-performance-related remuneration	Performance-related remuneration	Total remuneration	Of which amount withheld (fair value)	Number of shares	Amount withheld (notional)
Matthias Müller (since March 1, 2015)	1,110,274	3,647,650	4,757,924	880,522	10,583	1,185,912
Herbert Diess (since July 1, 2015)[1]	5,686,604	1,487,861	7,174,465	359,181	4,317	483,720
Francisco Javier Garcia Sanz	1,288,593	2,975,639	4,264,232	718,279	8,633	967,440
Jochem Heizmann	1,193,340	2,975,639	4,168,979	718,279	8,633	967,440
Christian Klingler (until September 25, 2015)	984,968	3,881,661	4,866,629	–	–	–
Horst Neumann (until November 30, 2015)	1,202,288	2,956,067	4,158,355	–	–	–
Leif Östling (until February 28, 2015)	220,597	537,467	758,063	–	–	–
Hans Dieter Pötsch (until October 7, 2015)[2]	940,089	4,237,331	5,177,420	–	–	–
Andreas Renschler (since February 1, 2015)[1]	12,845,658	2,727,703	15,573,361	658,457	7,914	886,820
Rupert Stadler	1,116,667	2,975,639	4,092,306	718,279	8,633	967,440
Martin Winterkorn (until September 25, 2015)	1,445,341	5,867,689	7,313,030	–	–	–
Frank Witter (since October 7, 2015)	253,679	686,018	939,697	165,571	1,990	223,049
Total	**28,288,098**	**34,956,362**	**63,244,460**	**4,218,566**	**50,703**	**5,681,821**

1 To compensate for lost entitlements resulting from the change in employer, Mr. Diess received €5.0 million and Mr. Renschler €11.5 million.
2 Mr. Pötsch's performance-related remuneration prior to irrevocable waiver of an amount of €2.3 million

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT (BENEFITS RECEIVED) IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE*

The figures shown here as benefits received under variable remuneration correspond to the amounts paid out for the fiscal year in question.

	MATTHIAS MÜLLER	
	Chairman of the Board of Management	
	Joined: March 1, 2015	
€	2015	2014
Fixed remuneration	1,020,800	–
Fringe benefits	89,474	–
Total	**1,110,274**	**–**
One-year variable remuneration	629,440	–
Multiyear variable remuneration	2,137,688	–
Business performance bonus (two-year period)	387,688	–
LTI (four-year period)	1,750,000	–
Total	**3,877,402**	**–**
Pension expense	295,754	–
Total remuneration	**4,173,156**	**–**

	HERBERT DIESS	
	Chairman of the Brand Board of Management of Volkswagen Passenger Cars	
	Joined: July 1, 2015	
€	2015	2014
Fixed remuneration**	5,630,000	–
Fringe benefits	56,604	–
Total	**5,686,604**	**–**
One-year variable remuneration	246,400	–
Multiyear variable remuneration	882,280	–
Business performance bonus (two-year period)	132,280	–
LTI (four-year period)	750,000	–
Total	**6,815,284**	**–**
Pension expense	311,850	–
Total remuneration	**7,127,134**	**–**

** Includes compensation of lost entitlements resulting from the change in employer of €5.0 million.

	FRANCISCO JAVIER GARCIA SANZ	
	Procurement	
€	2015	2014
Fixed remuneration	1,102,017	1,078,017
Fringe benefits	186,576	201,469
Total	**1,288,593**	**1,279,486**
One-year variable remuneration	492,800	1,169,000
Multiyear variable remuneration	1,764,560	4,338,000
Business performance bonus (two-year period)	264,560	2,338,000
LTI (four-year period)	1,500,000	2,000,000
Total	**3,545,953**	**6,786,486**
Pension expense	816,242	582,686
Total remuneration	**4,362,195**	**7,369,172**

* All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT (BENEFITS RECEIVED) IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE*

The figures shown here as benefits received under variable remuneration correspond to the amounts paid out for the fiscal year in question.

	JOCHEM HEIZMANN	
	China	
€	2015	2014
Fixed remuneration	1,102,017	1,078,017
Fringe benefits	91,323	70,750
Total	**1,193,340**	**1,148,767**
One-year variable remuneration	492,800	701,400
Multiyear variable remuneration	1,764,560	4,338,000
Business performance bonus (two-year period)	264,560	2,338,000
LTI (four-year period)	1,500,000	2,000,000
Total	**3,450,700**	**6,188,167**
Pension expense	0	1,043,832
Total remuneration	**3,450,700**	**7,231,999**

	CHRISTIAN KLINGLER	
	Sales and Marketing	
	Left: September 25, 2015	
€	2015	2014
Fixed remuneration	777,333	1,078,017
Fringe benefits	207,635	206,318
Total	**984,968**	**1,284,335**
One-year variable remuneration	688,411	935,200
Multiyear variable remuneration	3,193,250	4,338,000
Business performance bonus (two-year period)	1,721,028	2,338,000
LTI (four-year period)	1,472,222	2,000,000
Total	**4,866,629**	**6,557,535**
Pension expense	890,430	749,097
Total remuneration	**5,757,060**	**7,306,632**

	HORST NEUMANN	
	Human Resources and Organization	
	Left: November 30, 2015	
€	2015	2014
Fixed remuneration	1,010,182	1,078,017
Fringe benefits	192,106	131,027
Total	**1,202,288**	**1,209,044**
One-year variable remuneration	451,733	935,200
Multiyear variable remuneration	2,504,333	4,338,000
Business performance bonus (two-year period)	1,129,333	2,338,000
LTI (four-year period)	1,375,000	2,000,000
Total	**4,158,354**	**6,482,244**
Pension expense	0	0
Total remuneration	**4,158,354**	**6,482,244**

* All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT (BENEFITS RECEIVED) IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE*

The figures shown here as benefits received under variable remuneration correspond to the amounts paid out for the fiscal year in question.

	LEIF ÖSTLING	
	Commercial Vehicles	
	Left: February 28, 2015	
€	2015	2014
Fixed remuneration	183,670	1,078,017
Fringe benefits	36,927	194,039
Total	**220,597**	**1,272,056**
One-year variable remuneration	82,133	935,200
Multiyear variable remuneration	455,333	4,338,000
Business performance bonus (two-year period)	205,333	2,338,000
LTI (four-year period)	250,000	2,000,000
Total	**758,063**	**6,545,256**
Pension expense	207,013	1,140,852
Total remuneration	**965,076**	**7,686,108**

	HANS DIETER PÖTSCH	
	Finance and Controlling	
	Left: October 7, 2015	
€	2015	2014
Fixed remuneration	812,533	1,078,017
Fringe benefits	127,556	214,851
Total	**940,089**	**1,292,868**
One-year variable remuneration	415,068	1,169,000
Multiyear variable remuneration	1,540,262	4,338,000
Business performance bonus (two-year period)	830,137	2,338,000
LTI (four-year period)	710,125	2,000,000
Total	**2,895,420**	**6,799,868**
Pension expense	0	0
Total remuneration	**2,895,420**	**6,799,868**

	ANDREAS RENSCHLER	
	Commercial Vehicles	
	Joined: February 1, 2015	
€	2015	2014
Fixed remuneration**	12,446,000	–
Fringe benefits	399,658	–
Total	**12,845,658**	**–**
One-year variable remuneration	451,733	–
Multiyear variable remuneration	1,617,513	–
Business performance bonus (two-year period)	242,513	–
LTI (four-year period)	1,375,000	–
Total	**14,914,904**	**–**
Pension expense	0	–
Total remuneration	**14,914,904**	**–**

* All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
** Includes compensation of lost entitlements resulting from the change in employer of €11.5 million.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT (BENEFITS RECEIVED) IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE*

The figures shown here as benefits received under variable remuneration correspond to the amounts paid out for the fiscal year in question.

	RUPERT STADLER	
	Chairman of the Board of Management of AUDI AG	
€	2015	2014
Fixed remuneration	1,056,000	1,078,017
Fringe benefits	60,667	75,085
Total	**1,116,667**	**1,153,102**
One-year variable remuneration	492,800	935,200
Multiyear variable remuneration	1,764,560	4,338,000
Business performance bonus (two-year period)	264,560	2,338,000
LTI (four-year period)	1,500,000	2,000,000
Total	**3,374,027**	**6,426,302**
Pension expense	723,954	473,045
Total remuneration	**4,097,981**	**6,899,347**

	MARTIN WINTERKORN	
	Chairman of the Board of Management, Research and Development	
	Left: September 25, 2015	
€	2015	2014
Fixed remuneration	1,216,810	1,617,025
Fringe benefits	228,531	300,453
Total	**1,445,341**	**1,917,478**
One-year variable remuneration	966,661	3,148,000
Multiyear variable remuneration	4,901,028	10,796,000
Business performance bonus (two-year period)	2,416,653	6,296,000
LTI (four-year period)	2,484,375	4,500,000
Total	**7,313,030**	**15,861,478**
Pension expense	0	0
Total remuneration	**7,313,030**	**15,861,478**

	FRANK WITTER	
	Finance and Controlling	
	Joined: October 7, 2015	
€	2015	2014
Fixed remuneration	243,467	–
Fringe benefits	10,212	–
Total	**253,679**	**–**
One-year variable remuneration	113,618	–
Multiyear variable remuneration	406,829	–
Business performance bonus (two-year period)	60,996	–
LTI (four-year period)	345,833	–
Total	**774,126**	**–**
Pension expense	130,680	–
Total remuneration	**904,806**	**–**

* All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT (BENEFITS GRANTED) IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE*

The figures shown here as benefits granted under variable remuneration are based on a mean probability scenario.

	MATTHIAS MÜLLER			
	Chairman of the Board of Management			
	Joined: March 1, 2015			
€	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed remuneration	–	1,020,800	1,020,800	1,020,800
Fringe benefits	–	89,474	89,474	89,474
Total	**–**	**1,110,274**	**1,110,274**	**1,110,274**
One-year variable remuneration	–	1,276,615	0	1,608,333
Multiyear variable remuneration	–	5,337,133	0	5,550,000
Business performance bonus (two-year period)	–	3,003,800	0	3,216,667
LTI (four-year period)	–	2,333,333	0	2,333,333
Total	**–**	**7,724,022**	**1,110,274**	**8,268,607**
Pension expense	–	295,754	295,754	295,754
Total remuneration	**–**	**8,019,776**	**1,406,028**	**8,564,361**

	HERBERT DIESS			
	Chairman of the Brand Board of Management of Volkswagen Passenger Cars			
	Joined: July 1, 2015			
€	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed remuneration**	–	5,630,000	5,630,000	5,630,000
Fringe benefits	–	56,604	56,604	56,604
Total	**–**	**5,686,604**	**5,686,604**	**5,686,604**
One-year variable remuneration	–	496,825	0	625,000
Multiyear variable remuneration	–	2,169,000	0	2,250,000
Business performance bonus (two-year period)	–	1,169,000	0	1,250,000
LTI (four-year period)	–	1,000,000	0	1,000,000
Total	**–**	**8,352,429**	**5,686,604**	**8,561,604**
Pension expense	–	311,850	311,850	311,850
Total remuneration	**–**	**8,664,279**	**5,998,454**	**8,873,454**

** Includes compensation of lost entitlements resulting from the change in employer of €5.0 million.

	FRANCISCO JAVIER GARCIA SANZ			
	Procurement			
€	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed remuneration	1,078,017	1,102,017	1,102,017	1,102,017
Fringe benefits	201,469	186,576	186,576	186,576
Total	**1,279,486**	**1,288,593**	**1,288,593**	**1,288,593**
One-year variable remuneration	1,116,500	1,169,000	0	1,250,000
Multiyear variable remuneration	4,053,000	4,338,000	0	4,500,000
Business performance bonus (two-year period)	2,233,000	2,338,000	0	2,500,000
LTI (four-year period)	1,820,000	2,000,000	0	2,000,000
Total	**6,448,986**	**6,795,593**	**1,288,593**	**7,038,593**
Pension expense	582,686	816,242	816,242	816,242
Total remuneration	**7,031,672**	**7,611,835**	**2,104,835**	**7,854,835**

* All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT (BENEFITS GRANTED) IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE*

The figures shown here as benefits granted under variable remuneration are based on a mean probability scenario.

	JOCHEM HEIZMANN			
	China			
€	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed remuneration	1,078,017	1,102,017	1,102,017	1,102,017
Fringe benefits	70,750	91,323	91,323	91,323
Total	**1,148,767**	**1,193,340**	**1,193,340**	**1,193,340**
One-year variable remuneration	669,900	701,400	0	1,250,000
Multiyear variable remuneration	4,053,000	4,338,000	0	4,500,000
Business performance bonus (two-year period)	2,233,000	2,338,000	0	2,500,000
LTI (four-year period)	1,820,000	2,000,000	0	2,000,000
Total	**5,871,667**	**6,232,740**	**1,193,340**	**6,943,340**
Pension expense	1,043,832	0	0	0
Total remuneration	**6,915,499**	**6,232,740**	**1,193,340**	**6,943,340**

	CHRISTIAN KLINGLER			
	Sales and Marketing			
	Left: September 25, 2015			
€	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed remuneration	1,078,017	777,333	777,333	777,333
Fringe benefits	206,318	207,635	207,635	207,635
Total	**1,284,335**	**984,968**	**984,968**	**984,968**
One-year variable remuneration	893,200	688,411	0	920,139
Multiyear variable remuneration	4,053,000	3,193,250	0	3,312,500
Business performance bonus (two-year period)	2,233,000	1,721,028	0	1,840,278
LTI (four-year period)	1,820,000	1,472,222	0	1,472,222
Total	**6,230,535**	**4,866,629**	**984,968**	**5,217,607**
Pension expense	749,097	890,430	890,430	890,430
Total remuneration	**6,979,632**	**5,757,060**	**1,875,399**	**6,108,037**

	HORST NEUMANN			
	Human Resources and Organization			
	Left: November 30, 2015			
€	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed remuneration	1,078,017	1,010,182	1,010,182	1,010,182
Fringe benefits	131,027	192,106	192,106	192,106
Total	**1,209,044**	**1,202,288**	**1,202,288**	**1,202,288**
One-year variable remuneration	893,200	857,267	0	1,145,833
Multiyear variable remuneration	4,053,000	3,976,500	0	4,125,000
Business performance bonus (two-year period)	2,233,000	2,143,167	0	2,291,667
LTI (four-year period)	1,820,000	1,833,333	0	1,833,333
Total	**6,155,244**	**6,036,055**	**1,202,288**	**6,473,122**
Pension expense	0	0	0	0
Total remuneration	**6,155,244**	**6,036,055**	**1,202,288**	**6,473,122**

* All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT (BENEFITS GRANTED) IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE*

The figures shown here as benefits granted under variable remuneration are based on a mean probability scenario.

	LEIF ÖSTLING			
	Commercial Vehicles			
	Left: February 28, 2015			
€	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed remuneration	1,078,017	183,670	183,670	183,670
Fringe benefits	194,039	36,927	36,927	36,927
Total	**1,272,056**	**220,597**	**220,597**	**220,597**
One-year variable remuneration	669,900	155,867	0	208,333
Multiyear variable remuneration	4,053,000	723,000	0	750,000
Business performance bonus (two-year period)	2,233,000	389,667	0	416,667
LTI (four-year period)	1,820,000	333,333	0	333,333
Total	**5,994,956**	**1,099,463**	**220,597**	**1,178,930**
Pension expense	1,140,852	207,013	207,013	207,013
Total remuneration	**7,135,808**	**1,306,476**	**427,610**	**1,385,943**

	HANS DIETER PÖTSCH			
	Finance and Controlling			
	Left: October 7, 2015			
€	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed remuneration	1,078,017	812,533	812,533	812,533
Fringe benefits	214,851	127,556	127,556	127,556
Total	**1,292,868**	**940,089**	**940,089**	**940,089**
One-year variable remuneration	1,116,500	899,481	0	961,806
Multiyear variable remuneration	4,053,000	3,337,850	0	3,462,500
Business performance bonus (two-year period)	2,233,000	1,798,961	0	1,923,611
LTI (four-year period)	1,820,000	1,538,889	0	1,538,889
Total	**6,462,368**	**5,177,420**	**940,089**	**5,364,395**
Pension expense	0	0	0	0
Total remuneration	**6,462,368**	**5,177,420**	**940,089**	**5,364,395**

	ANDREAS RENSCHLER			
	Commercial Vehicles			
	Joined: February 1, 2015			
€	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed remuneration**	–	12,446,000	12,446,000	12,446,000
Fringe benefits	–	399,658	399,658	399,658
Total	**–**	**12,845,658**	**12,845,658**	**12,845,658**
One-year variable remuneration	–	910,846	0	1,145,833
Multiyear variable remuneration	–	3,976,500	0	4,125,000
Business performance bonus (two-year period)	–	2,143,167	0	2,291,667
LTI (four-year period)	–	1,833,333	0	1,833,333
Total	**–**	**17,733,004**	**12,845,658**	**18,116,491**
Pension expense	–	0	0	0
Total remuneration	**–**	**17,733,004**	**12,845,658**	**18,116,491**

* All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
** Includes compensation of lost entitlements resulting from the change in employer of €11.5 million.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT (BENEFITS GRANTED) IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE*

The figures shown here as benefits granted under variable remuneration are based on a mean probability scenario.

	RUPERT STADLER			
	Chairman of the Board of Management of AUDI AG			
€	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed remuneration	1,078,017	1,056,000	1,056,000	1,056,000
Fringe benefits	75,085	60,667	60,667	60,667
Total	**1,153,102**	**1,116,667**	**1,116,667**	**1,116,667**
One-year variable remuneration	893,200	935,200	0	1,250,000
Multiyear variable remuneration	4,053,000	4,338,000	0	4,500,000
Business performance bonus (two-year period)	2,233,000	2,338,000	0	2,500,000
LTI (four-year period)	1,820,000	2,000,000	0	2,000,000
Total	**6,099,302**	**6,389,867**	**1,116,667**	**6,866,667**
Pension expense	473,045	723,954	723,954	723,954
Total remuneration	**6,572,347**	**7,113,821**	**1,840,621**	**7,590,621**

	MARTIN WINTERKORN			
	Chairman of the Board of Management, Research and Development			
	Left: September 25, 2015			
€	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed remuneration	1,617,025	1,216,810	1,216,810	1,216,810
Fringe benefits	300,453	228,531	228,531	228,531
Total	**1,917,478**	**1,445,341**	**1,445,341**	**1,445,341**
One-year variable remuneration	3,001,000	2,317,278	0	2,484,375
Multiyear variable remuneration	10,097,000	7,947,056	0	8,281,250
Business performance bonus (two-year period)	6,002,000	4,634,556	0	4,968,750
LTI (four-year period)	4,095,000	3,312,500	0	3,312,500
Total	**15,015,478**	**11,709,674**	**1,445,341**	**12,210,966**
Pension expense	0	0	0	0
Total remuneration	**15,015,478**	**11,709,674**	**1,445,341**	**12,210,966**

	FRANK WITTER			
	Finance and Controlling			
	Joined: October, 7 2015			
€	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed remuneration	–	243,467	243,467	243,467
Fringe benefits	–	10,212	10,212	10,212
Total	**–**	**253,679**	**253,679**	**253,679**
One-year variable remuneration	–	229,092	0	288,194
Multiyear variable remuneration	–	1,000,150	0	1,037,500
Business performance bonus (two-year period)	–	539,039	0	576,389
LTI (four-year period)	–	461,111	0	461,111
Total	**–**	**1,482,920**	**253,679**	**1,579,373**
Pension expense	–	130,680	130,680	130,680
Total remuneration	**–**	**1,613,600**	**384,359**	**1,710,053**

* All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

POST-EMPLOYMENT BENEFITS

In the event of regular termination of their service on the Board of Management, the members of the Board of Management are entitled to a pension, including a surviving dependents' pension, as well as the use of company cars for the period in which they receive their pension. The agreed benefits are paid or made available when the Board of Management member reaches the age of 63. As a departure from this principle, Mr. Renschler is able to start drawing his pension when he reaches the age of 62.

The retirement pension is calculated as a percentage of the basic level of remuneration. Starting at 50%, the individual percentage increases by two percentage points for each year of service. In specific cases, credit is given for previous employment periods and retirement pensions earned. The Supervisory Board has defined a maximum of 70%. These benefits are not broken down any further into performance-related components and long-term incentive components. Mr. Garcia Sanz, Mr. Heizmann, Mr. Neumann, Mr. Pötsch and Mr. Winterkorn have a retirement pension entitlement of 70%, and Mr. Klingler, Mr. Renschler and Mr. Stadler have a retirement pension entitlement of 62% of their basic level of remuneration as of the end of 2015. In a departure from this rule, a retirement pension entitlement of 62% of the basic level of remuneration was set for Mr. Renschler on his appointment. This increases by two percentage points every year. Mr. Müller had a retirement pension entitlement of 50% of the basic level of remuneration as of the end of 2015; this increases by three percentage points every year.

Mr. Diess and Mr. Witter received a defined contribution plan, which is based in principle on a works agreement that also applies to the employees of Volkswagen AG covered by collective agreements and includes retirement, invalidity and surviving dependents' benefits. A pension contribution in the amount of 50% of the basic level of remuneration is contributed to Volkswagen Pension Trust e.V. at the end of the calendar year for each year they are appointed to the Board of Management. The annual pension contributions result in modules of what is, in principle, a lifelong pension in line with the arrangements that also apply to employees covered by collective agreements. The individual pension modules vest immediately upon contribution to Volkswagen Pension Trust e.V. Instead of a lifelong pension, benefits can optionally be paid out as a lump sum or in installments when the beneficiary reaches retirement age – currently 63 at the earliest. Volkswagen AG has assumed responsibility for pension entitlements due to Mr. Witter from the time before his service with the Company, although these cannot be claimed before he reaches the age of 60.

Mr. Östling has a pension entitlement based on the deferred compensation arrangements administered by Volkswagen Pension Trust e.V. The benefits include a retirement pension payable when the beneficiary reaches the age of 70 and a surviving dependents' pension. Volkswagen AG provides an annual remuneration-linked company contribution for Mr. Östling, which is converted into a pension module at the end of each year.

On December 31, 2015 the pension obligations for members of the Board of Management in accordance with IAS 19 amounted to €86,601,704 (€138,046,434); €6,409,924 (€8,229,691) was added to the provision in the reporting period in accordance with IAS 19. Other benefits such as surviving dependents' pensions and the use of company cars are also factored into the measurement of pension provisions. The pension obligations measured in accordance with German GAAP amounted to €70,161,416 (€95,992,020); €14,627,403 (€16,616,016) was added to the provision in the reporting period in accordance with German GAAP. Current pensions are index-linked using the same method as for the highest collectively agreed salary, insofar as the application of section 16 of the Gesetz zur Verbesserung der betrieblichen Altersversorgung (BetrAVG – German Company Pension Act) does not lead to a larger increase.

Retired members of the Board of Management and their surviving dependents received €51,306,960 (€22,792,616) or €51,306,960 (€22,111,951) in accordance with German GAAP in the past year. Obligations for pensions for this group of persons measured in accordance with IAS 19 amounted to €242,675,809 (€165,668,945), or €209,868,399 (€129,456,621) measured in accordance with German GAAP.

The following rule applies to Board of Management contracts entered into for the first term of office before August 5, 2009: the retirement pension to be granted after a member of the Board of Management leaves the Company is payable immediately if the member's contract is not renewed by the Company, and in other cases when the member reaches the age of 63. Any remuneration received from other sources until the age of 63 is deductible from the benefit entitlement up to a certain fixed amount.

The following general rule applies to contracts for the first term of office of members of the Board of Management entered into after August 5, 2009: the retirement pension to be granted after a member of the Board of Management leaves the Company is payable when the member reaches the age of 63.

EARLY TERMINATION BENEFITS

If membership of the Board of Management is terminated for cause through no fault of the Board of Management member, the claims under Board of Management contracts entered into since November 20, 2009 are limited to a maximum of two years' remuneration, in accordance with the recommendation in section 4.2.3(4) of the German Corporate Governance Code (severance payment cap). For Board of Management members who are commencing their third or later term of office, existing rights under contracts entered into before November 20, 2009 are grandfathered.

No severance payment is made if membership of the Board of Management is terminated for a reason for which the Board of Management member is responsible.

The members of the Board of Management are also entitled to a pension and to a surviving dependents' pension as well as the use of company cars for the period in which they receive their pension in the event of early termination of their service on the Board of Management.

Please refer to notes 43 and 45 to the consolidated financial statements for more detailed individual disclosures relating to members of the Board of Management who left the Company in fiscal year 2015.

PENSIONS OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2015 (PRIOR-YEAR FIGURES IN BRACKETS)[1]

€	Pension expense	Present values as of December 31[2]
Matthias Müller (since March 1, 2015)	295,754	22,563,065
	–	–
Herbert Diess (since July 1, 2015)	311,850	365,736
	–	–
Francisco Javier Garcia Sanz	816,242	17,622,337
	(582,686)	(18,088,648)
Jochem Heizmann	–	18,000,356
	(1,043,832)	(19,444,333)
Christian Klingler (until September 25, 2015)	890,430	–
	(749,097)	(7,228,262)
Horst Neumann (until November 30, 2015)	–	–
	–	(23,654,054)
Leif Östling (until February 28, 2015)	207,013	–
	(1,140,852)	(2,954,833)
Hans Dieter Pötsch (until October 7, 2015)	–	–
	–	(20,901,411)
Andreas Renschler (since February 1, 2015)	–	5,025,366
	–	–
Rupert Stadler	723,954	16,442,455
	(473,045)	(17,209,710)
Martin Winterkorn (until September 25, 2015)	–	–
	–	(28,565,183)
Frank Witter (since October 7, 2015)	130,680	6,582,389
	–	–
Members of the Board of Management who left in the previous year	(420,061)	–
Total	**3,375,923**	**86,601,704**
	(4,409,573)	**(138,046,434)**

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 The amount is reported in the total amount for defined benefit plans reported in the balance sheet (see note 29 to the consolidated financial statements).

SUPERVISORY BOARD REMUNERATION

Under Article 17 of Volkswagen AG's Articles of Association, the remuneration of Volkswagen AG's Supervisory Board is composed of a fixed component (plus attendance fees) and a variable component that depends on the amount of the dividend paid. The duties performed by the respective member on the Supervisory Board are also taken into account. Several members of the Supervisory Board are also members of the supervisory boards of subsidiaries. The remuneration received there is based on the provisions of the relevant Articles of Association and also comprises a fixed component and a variable component that is linked to the amount of the dividend paid. This remuneration is contained in the following figures. In fiscal year 2015, the members of the Supervisory Board received €696,953 (€12,149,450). Of this figure, €660,976 (€808,500) related to the fixed remuneration components (including attendance fees) and €35,977 (€11,340,950) to the variable remuneration components.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD[1]

€	FIXED	VARIABLE	TOTAL 2015	TOTAL 2014
Hans Dieter Pötsch (since October 7, 2015)	13,400	–	13,400	–
Jörg Hofmann[2] (since November 20, 2015)	3,367	–	3,367	–
Hussain Ali Al-Abdulla	11,000	–	11,000	398,500
Akbar Al Baker (since May 5, 2015)	5,925	–	5,925	–
Ahmad Al-Sayed (until May 5, 2015)	4,075	–	4,075	397,500
Jürgen Dorn[2] (until June 30, 2015)	20,778	18,103	38,881	482,150
Annika Falkengren	17,000	–	17,000	596,250
Hans-Peter Fischer[2]	14,000	–	14,000	399,500
Uwe Fritsch[2]	14,000	–	14,000	399,250
Babette Fröhlich[2]	17,000	–	17,000	596,250
Berthold Huber[2] (until November 19, 2015)	37,133	–	37,133	937,000
Uwe Hück[2] (since July 1, 2015)	44,750	–	44,750	–
Johan Järvklo (since November 22, 2015)	1,650	–	1,650	–
Louise Kiesling (since April 30, 2015)	11,017	–	11,017	–
Julia Kuhn-Piëch (April 30, 2015 – October 1, 2015)	14,197	1,663	15,860	–
Olaf Lies[3]	14,700	–	14,700	399,500
Hartmut Meine[2] (until November 21, 2015)	12,350	–	12,350	399,500
Peter Mosch[2]	33,000	–	33,000	704,750
Bernd Osterloh[2]	17,000	–	17,000	596,250
Ferdinand K. Piëch (until April 25, 2015)	44,801	16,212	61,013	1,475,300
Hans Michel Piëch	80,500	–	80,500	546,500
Ursula Piëch (until April 25, 2015)	6,292	–	6,292	472,500
Ferdinand Oliver Porsche	65,500	–	65,500	963,500
Wolfgang Porsche	109,200	–	109,200	793,250
Stephan Weil[3]	17,000	–	17,000	596,250
Stephan Wolf[2]	17,000	–	17,000	596,250
Thomas Zwiebler[2]	14,342	–	14,342	399,500
Total	**660,976**	**35,977**	**696,953**	**12,149,450**

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 These employee representatives have stated that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines issued by the German Confederation of Trade Unions (DGB).
3 Under section 5(3) of the Niedersächsisches Ministergesetz (Act Governing Ministers of the State of Lower Saxony), these members of the Supervisory Board are obliged to transfer their Supervisory Board remuneration to the State of Lower Saxony as soon as and to the extent that it exceeds €6,200 per annum. Remuneration is defined for this purpose as Supervisory Board remuneration and attendance fees exceeding the amount of €200.

Executive Bodies

Members of the Board of Management and their Appointments

Appointments: as of December 31, 2015 or the leaving date from the Board of Management of Volkswagen AG

MATTHIAS MÜLLER (62)
Chairman (since September 26, 2015)
March 1, 2015*
Member of the Executive Board of
Porsche Automobil Holding SE
October 13, 2010*

DR. RER. SOC. KARLHEINZ BLESSING (58)
Human Resources and Organization
January 1, 2016*

DR. ING. HERBERT DIESS (57)
Chairman of the Brand Board of Management of
Volkswagen Passenger Cars
July 1, 2015*
Appointments:
○ Infineon Technologies AG, Neubiberg

DR. RER. POL. H.C.
FRANCISCO JAVIER
GARCIA SANZ (58)
Procurement
July 1, 2001*
Appointments:
○ Hochtief AG, Essen
⊙ Criteria CaixaHolding S.A., Barcelona

PROF. DR. RER. POL. DR.-ING. E.H.
JOCHEM HEIZMANN (63)
China
January 11, 2007*
Appointments:
○ Lufthansa Technik AG, Hamburg

DR. JUR. CHRISTINE HOHMANN-DENNHARDT (65)
Integrity and Legal Affairs
January 1, 2016*

CHRISTIAN KLINGLER (47)
Sales and Marketing (until September 25, 2015)
January 1, 2010 – September 25, 2015*
Appointments (on September 25, 2015):
⊙ Messe Frankfurt GmbH, Frankfurt am Main

PROF. H.C. DR. RER. POL.
HORST NEUMANN (66)
Human Resources and Organization
(until November 30, 2015)
December 1, 2005 – November 30, 2015*

DR. H.C. LEIF ÖSTLING (70)
Commercial Vehicles (until January 31, 2015)
September 1, 2012 – February 28, 2015*
Appointments (on February 28, 2015):
⊙ SKF AB, Gothenburg
⊙ EQT Holdings AB, Stockholm

HANS DIETER PÖTSCH (64)
Finance and Controlling (until October 7, 2015)
January 1, 2003 – October 7, 2015*
Appointments (on October 7, 2015):
○ Bertelsmann Management SE, Gütersloh
○ Bertelsmann SE & Co. KGaA, Gütersloh

ANDREAS RENSCHLER (57)
Commercial Vehicles (since February 1, 2015)
February 1, 2015*
Appointments:
○ Deutsche Messe AG, Hanover

PROF. RUPERT STADLER (52)
Chairman of the Board of Management of AUDI AG
January 1, 2010*
Appointments:
○ FC Bayern München AG, Munich

PROF. DR. DR. H.C. MULT.
MARTIN WINTERKORN (68)
Chairman (until September 25, 2015)
Research and Development (until September 25, 2015)
July 1, 2000 – September 25, 2015*
Appointments (on September 25, 2015):
○ FC Bayern München AG, Munich

FRANK WITTER (56)
Finance and Controlling (since October 7, 2015)
October 7, 2015
Appointments:
⊙ LeasePlan Corporation N.V., Amsterdam (Chairman)

As part of their duty to manage and supervise the Group's business, the members of the Board of Management hold other offices on the supervisory boards of consolidated Group companies and other significant investees.

○ Membership of statutory supervisory boards in Germany.
⊙ Comparable appointments in Germany and abroad.

* Beginning or period of membership of the Board of Management.

Members of the Supervisory Board and their Appointments

Appointments: as of December 31, 2015 or the leaving date from the Supervisory Board of Volkswagen AG

HANS DIETER PÖTSCH (64)
(Chairman; since October 7, 2015)
Chairman of the Executive Board and
Chief Financial Officer of Porsche Automobil Holding SE
October 7, 2015*
Appointments:
- ○ AUDI AG, Ingolstadt
- ○ Autostadt GmbH, Wolfsburg (Chairman)
- ○ Bertelsmann Management SE, Gütersloh
- ○ Bertelsmann SE & Co. KGaA, Gütersloh
- ○ Dr. Ing. h.c. F. Porsche AG, Stuttgart
- ⊙ Porsche Austria Gesellschaft m.b.H., Salzburg (Chairman)
- ⊙ Porsche Holding Gesellschaft m.b.H., Salzburg (Chairman)
- ⊙ Porsche Retail GmbH, Salzburg (Chairman)
- ⊙ VfL Wolfsburg-Fußball GmbH, Wolfsburg (Deputy Chairman)
- ⊙ Volkswagen Truck & Bus GmbH, Braunschweig

JÖRG HOFMANN (60)
(Deputy Chairman; since November 20, 2015)
First Chairman of IG Metall
November 20, 2015*
Appointments:
- ○ Robert Bosch GmbH, Stuttgart

DR. HUSSAIN ALI AL-ABDULLA (58)
Minister of State and Board Member of
Qatar Investment Authority
April 22, 2010*
Appointments:
- ⊙ Al Ryan Investment, Doha (Chairman)
- ⊙ Gulf Investment Corporation, Safat/Kuwait
- ⊙ Kirnaf Finance, Riad (Chairman)
- ⊙ Masraf Al Rayan, Doha (Chairman)
- ⊙ Qatar Supreme Council for Economic Affairs and Investment, Doha

AKBAR AL BAKER (55)
Minister of State and Group Chief Executive of
Qatar Airways
May 5, 2015*
Appointments:
- ⊙ Arab Air Carriers Organization, Beirut (Chairman)
- ⊙ International Air Transport Association, Montreal
- ⊙ Heathrow Airport Holdings Ltd., London

AHMAD AL-SAYED (39)
Minister of State, Qatar
June 28, 2013 – May 5, 2015*
Appointments (on May 5, 2015):
- ⊙ Qatar National Bank, Doha

JÜRGEN DORN (49)
Chairman of the Works Council at the MAN Truck & Bus AG Munich plant, Chairman of the General Works Council of MAN Truck & Bus AG and Chairman of the Group Works Council and the SE Works Council of MAN SE (until May 31, 2015)
January 1, 2013 – June 30, 2015*
Appointments (on June 30, 2015):
- ○ MAN SE, Munich
- ○ MAN Truck & Bus AG, Munich (Deputy Chairman)

ANNIKA FALKENGREN (53)
President and Group Chief Executive of
Skandinaviska Enskilda Banken AB
May 3, 2011*
Appointments:
- ⊙ FAM AB, Stockholm
- ⊙ Scania CV AB, Södertälje
- ⊙ Securitas AB, Stockholm

DR. JUR. HANS-PETER FISCHER (56)
Chairman of the Board of Management of
Volkswagen Management Association
January 1, 2013*
Appointments:
- ⊙ Volkswagen Pension Trust e.V., Wolfsburg

DR. JUR. KLAUS LIESEN (84)
July 2, 1987 – May 3, 2006*
Honorary Chairman of the Supervisory Board of
Volkswagen AG (since May 3, 2006)

○ Membership of statutory supervisory boards in Germany.
⊙ Comparable appointments in Germany and abroad.

* Beginning or period of membership of the Supervisory Board.

UWE FRITSCH (59)
Chairman of the Works Council at the Volkswagen AG Braunschweig plant
April 19, 2012*
Appointments:
- ⊙ Eintracht Braunschweig GmbH & Co KGaA, Braunschweig
- ⊙ Basketball Löwen Braunschweig GmbH, Braunschweig

BABETTE FRÖHLICH (50)
IG Metall,
Department head for coordination of Executive Board duties and planning
October 25, 2007*
Appointments:
- ○ MTU Aero Engines AG, Munich

BERTHOLD HUBER (65)
IG Metall
May 25, 2010 – November 19, 2015*
Appointments (on November 19, 2015):
- ○ AUDI AG, Ingolstadt (Deputy Chairman)
- ○ Porsche Automobil Holding SE, Stuttgart

UWE HÜCK (53)
Chairman of the General and Group Works Councils of Dr. Ing. h.c. F. Porsche AG;
July 1, 2015*
Appointments:
- ○ Dr. Ing. h.c. F. Porsche AG, Stuttgart (Deputy Chairman)
- ○ Porsche Automobil Holding SE, Stuttgart (Deputy Chairman)

JOHAN JÄRVKLO (42)
Chairman of IF Metall at Scania AB
November 22, 2015*
Appointments:
- ⊙ Scania CV AB, Södertälje

DR. LOUISE KIESLING (58)
Designer and entrepreneur
April 30, 2015*

JULIA KUHN-PIËCH (34)
Real estate manager
April 30, 2015 – October 1, 2015*
Appointments (on October 1, 2015):
- ○ MAN Truck & Bus AG, Munich

OLAF LIES (48)
Minister of Economic Affairs, Labor and Transport for the Federal State of Lower Saxony
February 19, 2013*
Appointments:
- ○ Deutsche Messe AG, Hanover (Chairman)
- ⊙ Container Terminal Wilhelmshaven JadeWeserPort-Marketing GmbH & Co. KG, Wilhelmshaven (Chairman)
- ⊙ Demografieagentur für die niedersächsische Wirtschaft GmbH, Hanover (Chairman)
- ⊙ JadeWeserPort Realisierungs GmbH & Co. KG, Wilhelmshaven (Chairman)
- ⊙ JadeWeserPort Realisierungs-Beteiligungs GmbH, Wilhelmshaven (Chairman)

HARTMUT MEINE (63)
Director of the Lower Saxony and Saxony-Anhalt Regional Office of IG Metall
December 30, 2008 – November 21, 2015*
Appointments (on November 21, 2015):
- ○ Continental AG, Hanover
- ○ KME Germany GmbH, Osnabrück

PETER MOSCH (43)
Chairman of the General Works Council of AUDI AG
January 18, 2006*
Appointments:
- ○ AUDI AG, Ingolstadt
- ○ Porsche Automobil Holding SE, Stuttgart
- ○ Audi Pensionskasse – Altersversorgung der AUTO UNION GmbH, VVaG, Ingolstadt

BERND OSTERLOH (59)
Chairman of the General and Group Works Councils of Volkswagen AG
January 1, 2005*
Appointments:
- ○ Autostadt GmbH, Wolfsburg
- ○ Porsche Automobil Holding SE, Stuttgart
- ○ Wolfsburg AG, Wolfsburg
- ⊙ Allianz für die Region GmbH, Braunschweig
- ⊙ Porsche Holding Gesellschaft m.b.H., Salzburg
- ⊙ SEAT, S.A., Martorell
- ⊙ ŠKODA AUTO a.s., Mladá Boleslav
- ⊙ VfL Wolfsburg-Fußball GmbH, Wolfsburg
- ⊙ Volkswagen Immobilien GmbH, Wolfsburg
- ⊙ Volkswagen Truck & Bus GmbH, Braunschweig

HON.-PROF. DR. TECHN. H.C. DIPL.-ING. ETH FERDINAND K. PIËCH (78)
April 16, 2002 – April 25, 2015*
Appointments (on April 25, 2015):
- ○ AUDI AG, Ingolstadt
- ○ Dr. Ing. h.c. F. Porsche AG, Stuttgart
- ○ MAN SE, Munich (Chairman)
- ○ Porsche Automobil Holding SE, Stuttgart
- ⊙ Ducati Motor Holding S.p.A., Bologna
- ⊙ Porsche Holding Gesellschaft m.b.H., Salzburg
- ⊙ Scania AB, Södertälje
- ⊙ Scania CV AB, Södertälje

○ Membership of statutory supervisory boards in Germany.
⊙ Comparable appointments in Germany and abroad.

* Beginning or period of membership of the Supervisory Board.

DR. JUR. HANS MICHEL PIËCH (73)
Lawyer in private practice
August 7, 2009*
Appointments:
○ AUDI AG, Ingolstadt
○ Dr. Ing. h.c. F. Porsche AG, Stuttgart
○ Porsche Automobil Holding SE, Stuttgart
⊙ Porsche Cars Great Britain Ltd., Reading
⊙ Porsche Cars North America Inc., Wilmington
⊙ Porsche Holding Gesellschaft m.b.H., Salzburg
⊙ Porsche Ibérica S.A., Madrid
⊙ Porsche Italia S.p.A., Padua
⊙ Schmittenhöhebahn AG, Zell am See
⊙ Volksoper Wien GmbH, Vienna

URSULA PIËCH (59)
Supervisory Board member of AUDI AG
April 19, 2012 – April 25, 2015*
Appointments (on April 25, 2015):
○ AUDI AG, Ingolstadt

DR. JUR. FERDINAND OLIVER PORSCHE (54)
Member of the Board of Management of Familie Porsche AG Beteiligungsgesellschaft
August 7, 2009*
Appointments:
○ AUDI AG, Ingolstadt
○ Dr. Ing. h.c. F. Porsche AG, Stuttgart
○ Porsche Automobil Holding SE, Stuttgart
⊙ PGA S.A., Paris
⊙ Porsche Holding Gesellschaft m.b.H., Salzburg
⊙ Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Ludwigsburg
⊙ Volkswagen Truck & Bus GmbH, Braunschweig

DR. RER. COMM. WOLFGANG PORSCHE (72)
Chairman of the Supervisory Board of Porsche Automobil Holding SE; Chairman of the Supervisory Board of Dr. Ing. h.c. F. Porsche AG
April 24, 2008*
Appointments:
○ AUDI AG, Ingolstadt
○ Dr. Ing. h.c. F. Porsche AG, Stuttgart (Chairman)
○ Porsche Automobil Holding SE, Stuttgart (Chairman)
⊙ Familie Porsche AG Beteiligungsgesellschaft, Salzburg (Chairman)
⊙ Porsche Cars Great Britain Ltd., Reading
⊙ Porsche Cars North America Inc., Wilmington
⊙ Porsche Holding Gesellschaft m.b.H., Salzburg
⊙ Porsche Ibérica S.A., Madrid
⊙ Porsche Italia S.p.A., Padua
⊙ Schmittenhöhebahn AG, Zell am See

STEPHAN WEIL (57)
Minister-President of the Federal State of Lower Saxony
February 19, 2013*

STEPHAN WOLF (49)
Deputy Chairman of the General and Group Works Councils of Volkswagen AG
January 1, 2013*
Appointments:
○ Volkswagen Financial Services AG, Braunschweig
○ Wolfsburg AG, Wolfsburg
⊙ Volkswagen Pension Trust e.V., Wolfsburg

THOMAS ZWIEBLER (50)
Chairman of the Works Council of Volkswagen Commercial Vehicles
May 15, 2010*

COMMITTEES OF THE SUPERVISORY BOARD AS OF DECEMBER 31, 2015

Members of the Executive Committee
Hans Dieter Pötsch (Chairman)
Jörg Hofmann (Deputy Chairman)
Bernd Osterloh
Dr. Wolfgang Porsche
Stephan Weil
Stephan Wolf

Members of the Mediation Committee in accordance with section 27(3) of the Mitbestimmungsgesetz (German Codetermination Act)
Hans Dieter Pötsch (Chairman)
Jörg Hofmann (Deputy Chairman)
Bernd Osterloh
Stephan Weil

Members of the Audit Committee
Dr. Ferdinand Oliver Porsche (Chairman)
Peter Mosch (Deputy Chairman)
Annika Falkengren
Babette Fröhlich

Members of the Nomination Committee
Hans Dieter Pötsch (Chairman)
Dr. Wolfgang Porsche
Stephan Weil

Special Committee on Diesel Engines
Dr. Wolfgang Porsche (Chairman)
Babette Fröhlich
Olaf Lies
Bernd Osterloh
Dr. Ferdinand Oliver Porsche
Thomas Zwiebler

○ Membership of statutory supervisory boards in Germany.
⊙ Comparable appointments in Germany and abroad.

* Beginning or period of membership of the Supervisory Board.

Disclosures Required Under Takeover Law

This section contains the Volkswagen Group's disclosures relating to takeover law required by sections 289(4) and 315(4) of the HGB.

CAPITAL STRUCTURE

Volkswagen AG's share capital amounted to €1,283,315,873.28 (€1,217,872,117.76) on December 31, 2015. It was composed of 295,089,818 ordinary shares and 206,205,445 preferred shares. This includes 27,091 preferred shares created in 2015 as a result of the voluntary exercise of the mandatory convertible note and 25,536,876 preferred shares from final conversion on the final maturity date of the convertible note. Each share conveys a notional interest of €2.56 in the share capital.

SHAREHOLDER RIGHTS AND OBLIGATIONS

The shares convey pecuniary and administrative rights. The pecuniary rights include in particular the shareholders' right to participate in profits (section 58(4) of the Aktiengesetz (AktG – German Stock Corporation Act)), the right to participate in liquidation proceeds (section 271 of the AktG) and preemptive rights to shares in the event of capital increases (section 186 of the AktG) that can be disapplied by the Annual General Meeting with the approval of the Special Meeting of Preferred Shareholders, where appropriate. Administrative rights include the right to attend the Annual General Meeting and the right to speak there, to ask questions, to propose motions and to exercise voting rights. Shareholders can enforce these rights in particular through actions seeking disclosure and actions for avoidance.

Each ordinary share grants the holder one vote at the Annual General Meeting. The Annual General Meeting elects shareholder representatives to the Supervisory Board and elects the auditors; in particular, it resolves the appropriation of net profit, formally approves the actions of the Board of Management and the Supervisory Board, resolves amendments to the Articles of Association, capitalization measures and authorizations to purchase treasury shares; if required, it also resolves the performance of a special audit, the removal before the end of their term of office of Supervisory Board members elected at the Annual General Meeting and the winding-up of the Company.

Preferred shareholders generally have no voting rights. However, in the exceptional case that they are granted voting rights by law (for example, when preferred share dividends were not paid in one year and not compensated for in full in the following year), each preferred share also grants the holder one vote at the Annual General Meeting. Furthermore, preferred shares entitle the holder to a €0.06 higher dividend than ordinary shares (further details on this right to preferred and additional dividends are specified in Article 27(2) of the Articles of Association).

The Gesetz über die Überführung der Anteilsrechte an der Volkswagenwerk Gesellschaft mit beschränkter Haftung in private Hand (VW-Gesetz – Act on the Privatization of Shares of Volkswagenwerk Gesellschaft mit beschränkter Haftung) of July 21, 1960, as amended on July 30, 2009, includes various provisions in derogation of the German Stock Corporation Act, for example on exercising voting rights by proxy (section 3 of the VW-Gesetz) and on majority voting requirements at the Annual General Meeting (section 4(3) of the VW-Gesetz).

In accordance with the Volkswagen AG Articles of Association (Article 11(1)), the State of Lower Saxony is entitled to appoint two members of the Supervisory Board of Volkswagen AG for as long as it directly or indirectly holds at least 15% of Volkswagen AG's ordinary shares. In addition, resolutions by the General Meeting that are required by law to be adopted by a qualified majority require a majority of more than four-fifths of the share capital of the Company represented when the resolution is adopted (Article 25(2)), regardless of the provisions of the VW-Gesetz.

SHAREHOLDINGS EXCEEDING 10% OF VOTING RIGHTS

Shareholdings in Volkswagen AG that exceed 10% of voting rights are shown in the notes to the annual financial statements of Volkswagen AG, which is available online at www.volkswagenag.com/ir. The current notifications of changes in voting rights in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) are also published on this website.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board consists of 20 members, half of whom are shareholder representatives. In accordance with Article 11(1) of the Articles of Association of Volkswagen AG, the State of Lower Saxony is entitled to appoint two of these shareholder representatives for as long as it directly or indirectly holds at least 15% of the Company's ordinary shares. The remaining shareholder representatives on the Supervisory Board are elected by the Annual General Meeting.
The other half of the Supervisory Board consists of employee representatives elected by the employees in accordance with the Mitbestimmungsgesetz (MitbestG – German Codetermination Act). A total of seven of these employee representatives are Company employees elected by the workforce; the other three employee representatives are trade union representatives elected by the workforce.

The Chairman of the Supervisory Board is generally a shareholder representative elected by the other members of the Supervisory Board. In the event that a Supervisory Board vote is tied, the Chairman of the Supervisory Board has a casting vote in accordance with the MitbestG.

The goals for the composition of the Supervisory Board are described on page 63 of the Corporate Governance Report. Information about the composition of the Supervisory Board at the end of the reporting period can be found on pages 82 to 84 of this annual report.

STATUTORY REQUIREMENTS AND REQUIREMENTS OF THE ARTICLES OF ASSOCIATION WITH REGARD TO THE APPOINTMENT AND REMOVAL OF BOARD OF MANAGEMENT MEMBERS AND TO AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and removal of members of the Board of Management are governed by sections 84 and 85 of the AktG, which specify that members of the Board of Management are appointed by the Supervisory Board for a maximum of five years. Board of Management members may be reappointed or have their term of office extended for a maximum of five years in each case. In addition, Article 6 of the Articles of Association states that the number of Board of Management members is stipulated by the Supervisory Board and that the Board of Management must consist of at least three persons.

The Annual General Meeting resolves amendments to the Articles of Association (section 119(1) of the AktG). In accordance with section 4(3) of the VW-Gesetz as amended on July 30, 2009 and Article 25(2) of the Articles of Association, Annual General Meeting resolutions to amend the Articles of Association require a majority of more than four-fifths of the share capital represented.

POWERS OF THE BOARD OF MANAGEMENT, IN PARTICULAR CONCERNING THE ISSUE OF NEW SHARES AND THE REPURCHASE OF TREASURY SHARES

According to German stock corporation law, the Annual General Meeting can, for a maximum of five years, authorize the Board of Management to issue new shares. It can also authorize the Board of Management, for a maximum of five years, to issue bonds on the basis of which new shares are to be issued. The Annual General Meeting also decides the extent to which shareholders have preemptive rights to the new shares or bonds. The highest amount of authorized share capital or contingent capital available for these purposes is determined by Article 4 of the Articles of Association of Volkswagen AG, as amended.

The Annual General Meeting on April 19, 2012 resolved to authorize the Board of Management, with the consent of the Super visory Board, to increase the Company's share capital by a total of up to €110.0 million (corresponding to approximately 43 million shares) on one or more occasions up to April 18, 2017 by issuing new ordinary and/or nonvoting preferred bearer shares – including with shareholders' preemptive rights disapplied – against cash and/or noncash contributions. This authorization was partially exercised in June 2014 by way of a capital increase through the issuance of 10,471,204 new preferred shares from authorized capital against cash contributions, while disapplying shareholders' preemptive rights. This increased the share capital by €26.8 million and generated gross proceeds of €2.0 billion.

The Board of Management's authorization to increase the share capital by up to a total of €179.4 million on one or more occasions by issuing new nonvoting preferred shares against cash contributions expired on December 2, 2014. In order to renew this capital, the General Meeting on May 5, 2015 resolved to authorize the Board of Management, with the consent of the Supervisory Board, to increase the Company's share capital by a total of up to €179.2 million (corresponding to 70 million shares) on one or more occasions up to May 4, 2020 by issuing new nonvoting preferred shares against cash contributions.

Furthermore, it was possible for the share capital to be increased by up to €102.4 million by issuing nonvoting preferred shares, in order to settle the conversion or option rights of holders or creditors of convertible bonds or bonds with warrants issued before April 21, 2015. This authorization was partially exercised in November 2012 and in June 2013 by issuing mandatory convertible notes. The mandatory convertible notes were converted on maturity (November 9, 2015).

Further details on the authorization to issue new shares and their permitted uses may be found in the notes to the consolidated financial statements on page 253.

Opportunities to acquire treasury shares are governed by section 71 of the AktG. The Board of Management was most recently authorized to acquire treasury shares up to a maximum of 10% of the share capital at the Annual General Meeting on April 19, 2012. This authorization applies until April 18, 2017 and has not so far been exercised.

MATERIAL AGREEMENTS OF THE PARENT COMPANY IN THE EVENT OF A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

A banking syndicate granted Volkswagen AG a syndicated credit line amounting to €5.0 billion that runs until April 2020. The syndicate members were granted the right to call their portion of the syndicated credit line if Volkswagen AG is merged with a third party or becomes a subsidiary of another company. However, this call right does not apply in the event of a merger by absorption of Porsche Holding SE, one of its subsidiaries, or one of its holding companies and Volkswagen AG in which Volkswagen AG is the acquiring legal entity.

In addition, Volkswagen AG agreed a supplementary syndicated credit line of up to €20.0 billion, initially running until December 2016, with a banking syndicate. The syndicate members were granted the right to call their portion of the syndicated credit line if Volkswagen AG is merged with a third party or group of third parties, or becomes a subsidiary of another company or group of other companies. Exceptions to this call right were agreed with regard to various combinations involving the current majority shareholders.

RESTRICTIONS ON THE TRANSFER OF SHARES

As part of the cooperative agreement Volkswagen AG and Suzuki Motor Corporation agreed mutual approval and preemptive tender rights in the event that the shares held by the other contracting party were to be sold. The arbitration court established on August 29, 2015 that the parties had the right to give regular notice to terminate the cooperation agreement, had exercised this right, and that the partnership had been terminated. Volkswagen consequently sold its 19.9% equity investment in Suzuki to Suzuki on September 17, 2015 at the quoted market price of €3.1 billion. The 1.5% of ordinary Volkswagen AG shares held by Suzuki Motor Corporation were transferred to Porsche Automobil Holding SE in an off-market transaction at the end of September 2015. As a result, the mutual approval and preemptive tender rights ceased to apply.

Business Development

In fiscal year 2015, the global economy grew at a moderate rate, slightly below that of the previous year. Global demand for vehicles continued to rise. Amid increasingly difficult conditions in some relevant markets, deliveries to Volkswagen Group's customers were down slightly year-on-year.

GLOBAL ECONOMY CONTINUES TO SEE MODERATE GROWTH

The moderate growth rate of the global economy declined to 2.5 (2.7)% in fiscal year 2015. While the economic situation in the industrialized nations improved slightly, the economic performance in many emerging economies declined in the course of the year. Overall, inflation persisted at a low level despite the expansionary monetary policies of many central banks. Although the comparatively low energy and commodity prices weighed on the economies of individual exporting countries that depend on them, their effect on the global economy as a whole was supportive.

Europe/Other markets

In Western Europe, economic recovery continued: gross domestic product (GDP) rose by 1.6 (1.3)% year-on-year in 2015. Most Northern European countries saw solid economic growth. In most Southern European countries, the economic situation stabilized amid increasing rates of expansion. The eurozone's unemployment rate fell to 11.5 (12.1)%, although it remained significantly above the average in Greece and Spain.

In Central and Eastern Europe, GDP growth decreased by an average of 0.7 (+1.8)% in the reporting period. While Central Europe proceeded on a positive growth path, Eastern Europe experienced a recessionary trend. In addition to the conflict between Russia and Ukraine and the resulting uncertainties, falling energy prices had a negative impact on the region overall. In Russia, economic output dropped significantly, by 3.9 (+0.6)%, in the reporting period.

South Africa's GDP expanded by 1.4 (1.5)%, thus falling somewhat short of the relatively low figure for the previous year. The country's economic performance continued to be negatively impacted by structural deficits and social conflicts.

Germany

The German economy benefited from positive consumer sentiment and the stable labor market in 2015. Despite the weak euro, exports failed to boost growth in any significant way. GDP expanded by 1.5 (1.6)%, somewhat weaker than in the previous year.

North America

Following a robust first half of 2015, economic growth in the US lost some of its momentum as the year progressed. The economy was supported primarily by private consumer demand and expansionary monetary policies. The unemployment rate continued the positive trend of the previous year, falling to 5.0 (5.6)% by the end of the year. The US dollar remained strong, putting goods exports under pressure. Overall, as in the previous year, the US economy expanded by 2.4%. Canada's GDP growth slowed significantly to a mere 1.2 (2.5)%. The Mexican economy's rate of growth was almost unchanged at 2.4 (2.3)%.

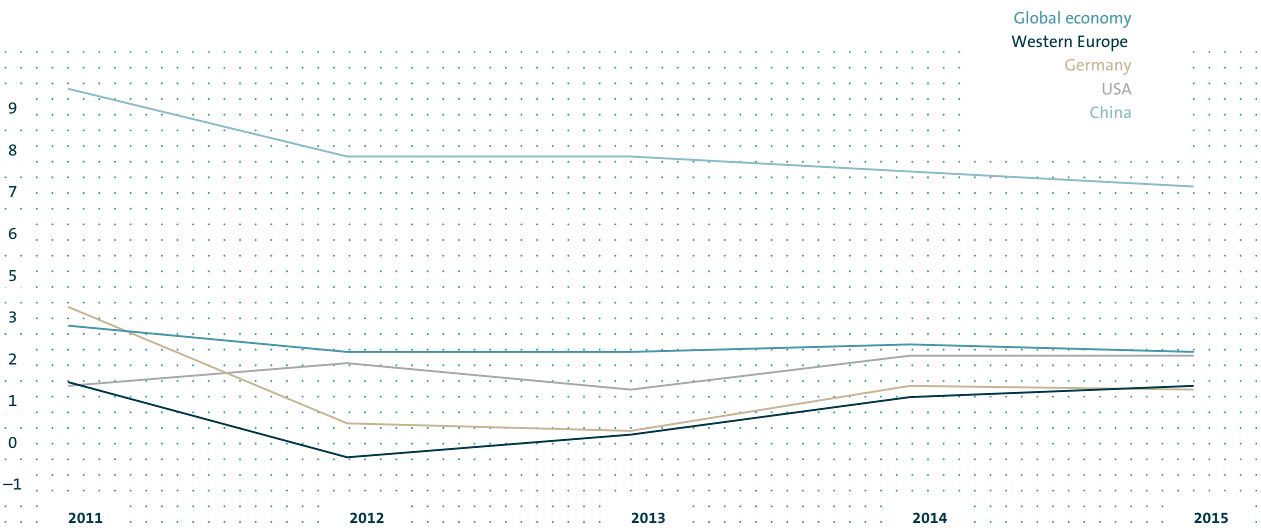
South America

After generating only negligible growth in the previous year, Brazil entered a recession in the reporting period. Both the country's weak domestic demand and low global commodity prices had a negative impact on performance. Economic output declined by 3.7 (+0.1)%. Although Argentina's GDP stabilized, growing by 1.6 (0.5)%, structural deficits and persistently high inflation continued to weigh on the economy.

Asia-Pacific

The Chinese economy expanded by 6.9 (7.3)% in 2015. Although losing momentum, primarily due to structural changes, it remained at a high level compared with the rest of the world. The Indian economy continued its positive trend with a gain of 7.2 (7.3)% and thereby grew as strongly as in the previous year. Growth in Japan's GDP was relatively weak at 0.7 (–0.1)% due to weak domestic and international demand. At 4.3 (4.4)%, growth in the ASEAN region remained at the prior-year level.

ECONOMIC GROWTH
Percentage change in GDP



GLOBAL DEMAND FOR PASSENGER CARS REACHES NEW HIGH

Worldwide, the number of new passenger car registrations increased slightly by 2.6% to 75.6 million vehicles in fiscal year 2015, exceeding the previous year's record level. While Western Europe, Central Europe, North America and the Asia-Pacific region recorded significant increases in some cases, volumes in the passenger car markets in Eastern Europe and South America were again down substantially on the previous year.

Sector-specific environment

The global passenger car markets turned in a very mixed performance in the reporting period: demand recovered in important sales countries in Western Europe, the Chinese market expanded somewhat more slowly than in previous years and Russia and Brazil saw considerable declines.

The sector-specific environment was to a significant extent influenced by fiscal policy measures, which contributed substantially to the mixed trends in sales volumes in the markets in the past fiscal year. The instruments used for this were tax reductions or increases, incentive programs and sales incentives as well as import duties.

In addition, non-tariff trade barriers to protect the respective domestic automotive industry made the free movement of vehicles, parts and components more difficult. Protectionist tendencies were particularly evident where markets were on the decline.

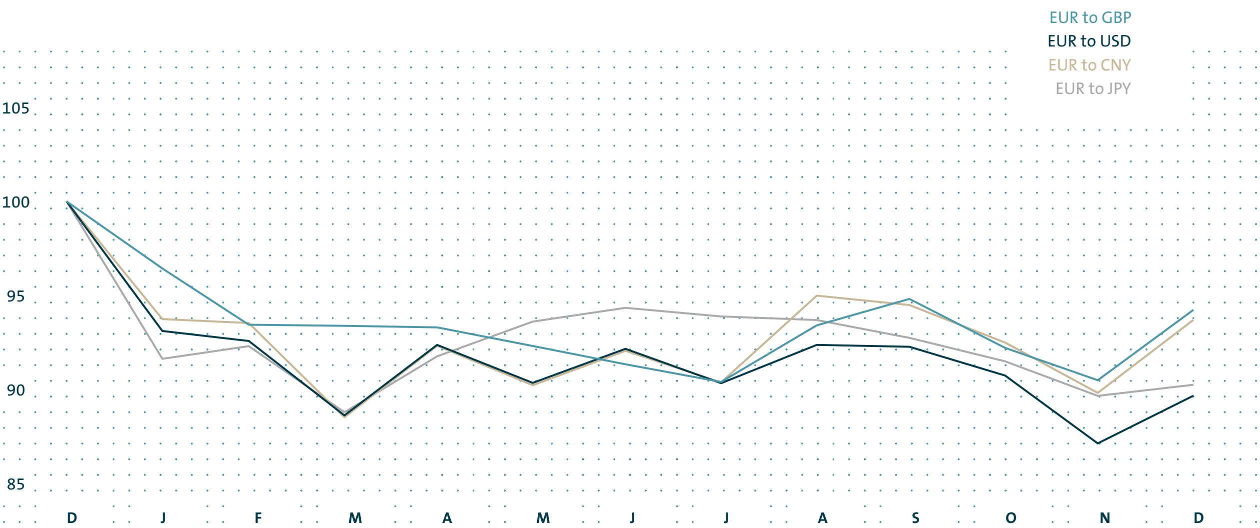
Europe/Other markets

The passenger car market in Western Europe continued its catch-up process in the reporting period. At 13.2 million vehicles (+9.0%), the volume of new registrations reached its highest level in six years, although – compared to the pre-crisis years from 1998 to 2007 – it was still at a low level. This development was primarily due to positive consumer sentiment, an improved macroeconomic environment, low fuel prices as well as the reduction in pent-up demand. While demand for passenger cars in Spain (+20.9%) – which benefited from government stimulus measures – and Italy (+15.5%) saw double-digit growth rates, volumes in the passenger car markets in France (+6.8%) and the UK (+6.3%) rose comparatively moderately.

In Central and Eastern Europe, the total number of new passenger car registrations fell sharply in fiscal year 2015, by 23.3%, to 2.8 million vehicles. The decline in demand in Eastern Europe was primarily attributable to the massive slump in the Russian passenger car market, which contracted for the third year in succession due to the difficult economic and political situation. By contrast, the volume of demand in the Central European EU countries rose substantially, by 10.7% to 1.0 million units.

In South Africa, the number of passenger cars sold in 2015 fell by 5.8% to 414 thousand vehicles. The main reasons were a difficult economic environment, a rise in interest rates and a lack of consumer confidence.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2014 TO DECEMBER 2015
Index based on month-end prices: as of December 31, 2014 = 100



Germany

In Germany, 3.2 million new passenger vehicles were registered in 2015, 5.6% more than in the previous year. This development primarily resulted from positive consumer sentiment, the strong labor market as well as a decline in fuel prices and low interest rates. This market volume – the highest since 2009 – was exclusively attributable to new registrations for business customers (+8.8%), while demand from private customers stagnated (–0.1%). The increase in passenger vehicle exports (+2.4% to 4.4 million vehicles), especially to Western European markets, facilitated the increase in domestic production (+1.9% to 5.7 million vehicles).

North America

At 20.7 million vehicles (+6.1%), sales of passenger vehicles and light commercial vehicles (up to 6.35 tonnes) in North America exceeded the 20 million unit mark for the first time in the reporting period. In the USA, the market volume grew by 5.7% to 17.5 million passenger vehicles and light commercial vehicles, reaching an all-time high. The main reasons were high consumer confidence, positive employment and income development as well as favorable financing conditions. Demand was particularly strong for models in the SUV and pickup segments, which benefited additionally from the low fuel prices.

In Canada, the sales figures increased slightly by 2.6% to 1.9 million vehicles, thus beating the record set in the previous year.

Demand in the Mexican automotive market increased in fiscal year 2015. The number of passenger vehicles and light commercial vehicles sold rose significantly by 17.6% to a new record level of 1.3 million units.

South America

In South America, demand for passenger vehicles decreased for the third year in succession in fiscal year 2015, dropping by 21.2% to 3.1 million units. The significant decline of the market as a whole was primarily attributable to the massive collapse in demand in Brazil, where the number of new registrations fell by 27.4% to 1.8 million vehicles. In addition to the tax increase on industrial products implemented at the beginning of the year, the persistent economic crisis and higher interest rates were the main causes of the lowest level of new passenger vehicle registrations since 2006. The weakness of the local currency, the real, was one of the factors driving the increase in Brazilian vehicle exports, which rose by 24.8% to 417 thousand units.

In Argentina, the volume of the passenger vehicle market fell by 7.2% year-on-year to 429 thousand vehicles. High passenger car taxation, an increasing reluctance to buy because of falling real incomes and the persistent shortage of foreign currency continued to have a negative effect on demand.

Asia-Pacific

In the Asia-Pacific region, the number of new passenger car registrations continued to increase in the past fiscal year, albeit more slowly. Growth in the Chinese market also lost momentum as the economy slowed down. With a plus of 7.7% to 19.2 million units, the world's largest single market nevertheless saw the largest increase in absolute terms. Contributing factors were persistently strong demand for attractively priced entry-level models in the SUV segment and the tax relief on the purchase of vehicles with engine sizes of up to 1.6 l that was introduced on October 1, 2015.

In the Indian market, at 2.6 million passenger vehicles the volume of demand was up 8.3% over the previous year. A favorable consumer climate, reduced interest rates and low fuel prices contributed to the increase.

In Japan, the number of new vehicle registrations fell by 10.2% to 4.2 million vehicles. In addition to pull-forward effects from the value added tax increase on April 1, 2014, which had had a positive impact in the previous year, the tax increase on mini vehicles (up to 660 cc) effective April 1, 2015 dampened domestic demand during 2015.

In the ASEAN region, passenger car sales declined by a total of 2.5% to 2.2 million units, due primarily to a slump in demand in Indonesia.

REGIONAL DEMAND FOR COMMERCIAL VEHICLES MIXED

In 2015, demand for light commercial vehicles was down on the previous year: in total, around 10.3 (11.3) million vehicles were registered worldwide.

In the Western European markets, demand followed a positive trend, driven by the economic recovery. Totaling 1.7 million units, the number of new vehicle registrations was 10.5% higher than in the previous year. The highest growth rates were recorded in Spain (+ 34.7%), Italy (+17.2%) and the United Kingdom (+15.0%). In Germany, the 2014 figure was exceeded by 4.0%.

Central and Eastern Europe, by contrast, saw a significant decline, with 278 (331) thousand vehicles registered. As a result of political tensions and their impact on the economy, demand in Russia was down sharply on the previous year. However, many smaller Central European markets continued to record growth.

For North America, the "light vehicle market" is reported as part of the passenger car market, which includes both passenger cars and light commercial vehicles up to 6.35 tonnes.

In the South American market, registrations of light commercial vehicles decreased to 1.1 million units (–13.9%) in the reporting period. This is due to the difficult economic conditions in the region. In Brazil, demand fell considerably short of the 2014 figure. In Argentina, the number of new registrations was 4.9% lower than in the previous year.

At 6.1 million units (–12.6%), demand for light commercial vehicles in the Asia-Pacific region was down on the previous year's figure. In China, the region's dominant market, fewer vehicles were registered than in the year before; here, 3.6 (4.4) million units were registered. The decline is primarily due to the slowdown in industrial production and to lower investments. The market volume fell in India (–7.8%). Here, the market for light commercial vehicles did not benefit from the economic reforms following the 2014 elections. In Japan, the increase in value added tax and the resulting pull-forward effects in 2014 led to a noticeable decrease in the number of registrations in the reporting period.

In the ASEAN region, demand for light commercial vehicles was mixed; the volume was down slightly on the prior-year level.

Global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes fell significantly short of the prior-year level in fiscal year 2015. In total, there were 2.2 million new vehicle registrations, 9.1% fewer than in 2014. The volume of vehicles dropped by 11.3% in the markets that are relevant for the Volkswagen Group.

In Western Europe, the number of truck registrations rose by 14.4% to a total of 258 thousand vehicles. Due for the most part to the low prior-year level and supported by positive economic momentum, the markets in Spain (+38.3%), the Netherlands (+32.3%) and Italy (+26.5%) in particular recorded high growth rates. In Germany, Western Europe's largest market, the prior-year figure was exceeded by a moderate amount.

In Central and Eastern Europe, the number of new vehicle registrations decreased by 16.9% to 117 thousand units. While the markets in Central Europe expanded, Eastern Europe was on the decline. In Russia, the tense and uncertain political situation, the economic decline, currency weakness and difficult financing conditions caused the number of new registrations to come in 44.2% below the prior-year level, at 45 thousand.

In North America, public and private spending in the construction and industrial sectors as well as favorable financing conditions boosted the positive trend in demand; in this region, 531 (483) thousand mid-sized and heavy trucks (6.35 tonnes or more) were registered. In the US market, the number of new registrations increased by 10.5% to 456 thousand units.

South America saw a considerable decline in market volume. Here, the number of new vehicle registrations fell by 36.3% to 127 thousand units. In Brazil, the region's largest market, demand, at 68 (133) thousand vehicles, was down significantly on the prior-year level as a result of declining economic output and more restrictive financing conditions. The market in Argentina expanded by 14.7% to 17 thousand vehicles, but remained at a low level because of the economic downturn.

At 521 (459) thousand registrations, the volume of vehicles in the Asia-Pacific region – excluding the Chinese market – was significantly higher than in the previous year. Demand in India increased in the reporting period: a total of 266 thousand units were registered, 32.4% more than in 2014. This was attributable to demand for replacement vehicles in the heavy truck segment, rising infrastructure spending and the improved investment climate. Demand in China, the world's largest truck market, was down significantly in the reporting period at a total of 539 thousand units, a year-on-year decline of 32.2%. This was due to the slower economic growth as well as the pull-forward effects in 2014 from the introduction of the C4 emission standard.

Demand for buses, both globally and in the markets that are relevant for the Volkswagen Group, was lower than in the previous year. Negative economic trends in Russia and South America led to a sharp decline in demand, but the markets in Western Europe expanded considerably.

TRENDS IN THE MARKET FOR POWER ENGINEERING

The markets for power engineering are subject to differing regional and economic factors. Consequently, their business growth trends are generally independent of each other.

The merchant shipbuilding market again saw muted order activity in the reporting period. The slowdown in China's economic growth and existing overcapacity had a negative impact on the entire merchant fleet. Bulk carriers in particular were affected by low freight rates. In the container ship sector, an increasing amount of capacity was decommissioned. Despite this, some new orders for ships with very high transport capacity were recorded. Because of their size, these types of vessels have lower operating costs and are primarily intended for use on fixed trade routes. The tanker segment benefited from positive market expectations and an increase in freight rates in 2015 compared with the previous year. A factor contributing to improving the income situation of shipping companies in the past year was that the currently low freight rates were offset by favorable fuel prices. On the other hand, the low oil price discourages investments in oil production in the offshore sector, which has led to a massive decline in ship building in this segment. Demand for cruise ships followed a positive trend. Gas-fueled ships were ordered for the first time last year as a means of reducing emissions and meeting environmental requirements. The special market for government vessels also continued to follow a consistently positive trend. China, Korea and Japan remained the dominant shipbuilding countries, accounting for a global market share of more than 80% measured in terms of tonnage ordered. The marine market as a whole declined significantly compared with the previous year.

Although there was continuing high demand for energy solutions in developing countries and emerging markets, the more difficult financing conditions and regional crises led to longer project lead times. Regions such as the Middle East, Africa and Southeast Asia remained relevant markets. Due to the availability of shale gas, the North American market continued to grow in importance. Demand for decentralized diesel and gas engine power plants was lower overall than in the previous year, while the shift away from oil-fired power plants towards dual-fuel and gas-fired plants continued.

The market for the construction of turbomachinery is mainly dominated by investment projects in oil and gas, the processing industry and power generation. The persistently low oil price caused leading oil and gas companies to slash investment, leading to project postponements or even cancellations. Even the processing industry suffered from low investment volumes because of the slowdown in growth in emerging markets and existing overcapacity in some industries, for example in the steel industry. Insufficient capacity utilization at many manufacturers and the low Japanese yen exchange rate led to increased competition. Overall, the market volume for turbomachinery in 2015 was below the prior-year level.

As in previous years, the market for offshore wind farms in Germany was characterized by uncertainty with regard to financing, infrastructure links and the government's incentive policies, so that only few projects reached the award stage.

The after-sales market performed positively overall.

DEMAND FOR FINANCIAL SERVICES

Global demand for automotive-related financial services remained high in fiscal year 2015. Customers are increasingly optimizing their total spend on personal mobility, so the trend toward just using a car occasionally, rather than actually buying one, continued. Demand for new mobility services such as carsharing continued to grow.

In Europe, business with financial services products was buoyed by the good overall performance in Germany and signs of recovery in Western and Central Europe. These offset the negative effects from the declining unit sales volumes in Russia.

After-sales products such as maintenance and spare parts agreements as well as insurance agreements saw an encouraging rise in demand. Sales of financial services were bolstered by higher vehicle sales, which resulted in particular from a recovery of the Spanish and Italian markets. Demand for financial services benefited considerably from the still high penetration rates.

The finance and leasing business grew again in Germany in the fiscal year. Alongside traditional finance products, expanding the insurance and service business was a particular focus.

In North America, demand for financial services in fiscal year 2015 was also up again on the previous year. In the USA, the market for new vehicle financing registered slower growth, while the market for leasing through captive financial service providers continued to grow. In Mexico, sales volumes for financial services products reached a new all-time high, driven by increased customer interest.

In Brazil, the negative macroeconomic trend worsened further in 2015 compared with the previous year. This trend was also increasingly apparent in lending for new cars. Although the Consorcio product – a lottery-style savings plan – was very popular, it was also impacted by declining volumes in the passenger car market. In Argentina, structural deficits and very high inflation continued to dent sales of automotive-related financial services.

The Asia-Pacific region again saw growth in 2015. Many buyers used financial services to realize their wish for a car. In China, the proportion of loan-financed vehicle purchases continued to rise in the past year. Despite increasing restrictions on registrations in metropolitan areas, there is still considerable potential to acquire new customers for automotive-related financial services, particularly in the interior of the country. Australia, India, Korea and South Africa registered growth in demand for financial services, while demand in the Japanese market remained stable at a high level.

The financial services market in the commercial vehicles segment continued to see a trend towards optimizing total costs in the mid-sized and heavy commercial vehicles category in 2015. Innovative transport solutions are becoming increasingly important to customers for differentiating between providers. Demand for financial services products rose year-on-year despite declining overall demand for vehicles in the relevant markets. The significant decline in truck and bus unit sales in South America had a negative impact, particularly in the core Brazilian market. However, this was offset by positive business growth in Europe.

NEW GROUP MODELS IN 2015

The Volkswagen Group selectively expanded its model portfolio in key segments in the reporting period. In addition, successor and product upgrades were presented for important brand models, many of them based on the Modular Transverse Toolkit. The Group's range now comprises 337 passenger car, commercial vehicle and motorcycle models, and their derivatives. The Group's product range covers almost all key segments and body types, with offerings from small cars to super sports cars in the passenger car segment, and from pickups to heavy trucks and buses in the commercial vehicles segment, as well as motorcycles. We will continue to resolutely move into unoccupied market segments that offer profitable opportunities for us.

In fiscal year 2015, the Volkswagen Passenger Cars brand launched the successor of the popular Touran family van, whose many innovations continue the model's success story. The new Golf and Passat Alltrack models use 4MOTION drive technology to achieve convincing performance on any terrain. The family-friendly Sharan has been enhanced by adding numerous new convenience and assistance systems as well as innovative infotainment systems. The new Passat GTE with a plug-in hybrid drive expands the range of vehicles that run on electric power. It offers modern, environmentally conscious customers maximum driving pleasure without compromising on comfort and quality. The Volkswagen Passenger Cars brand met special customer and market requirements in key regions outside Europe through product upgrades and country-specific models. China saw the launch of the dynamic and comfortable Lamando and the versatile Gran Santana, both manufactured locally. The sporty Golf GTI and Polo GTI models complement the local product range. The successful family saloons, the Sagitar and the Lavida, were upgraded, as were their derivatives, the Gran Lavida and the Cross Lavida. Moreover, imports of the innovative Golf GTE with a plug-in hybrid drive and the upgraded Touareg were launched in China in the year under review. In South America, the Golf family was expanded by adding the versatile Golf Estate. In the USA, the spacious Golf Estate and the uncompromisingly sporty Golf R were launched.

As for the Audi brand, the new generation of the popular Audi A4 and Audi A4 Avant models had their world premieres in 2015. With the new Q7 premium class SUV, Audi once again shows off its expertise in lightweight construction and efficiency technology as well as in infotainment and assistance systems. For the first time, Audi is offering a hybrid version in this segment: the Q7 e-tron 3.0 TDI quattro will be available for orders from spring 2016 onwards. The new R8 Coupé is Audi's impressive sporty flagship model, offering racing technology in series-produced cars. The Audi RS 3 Sportback was presented as the sportiest version of the A3 series. The third generation of the TT family was expanded by adding the TT Roadster and the sporty versions TTS Coupé and TTS Roadster.

With the launch of the next generation of the Superb saloon and the Superb Combi, ŠKODA's model portfolio entered a new era in 2015. The Fabia Combi boasts a fresh design and boot space that sets standards in its class. The sporty Octavia RS 230 is at the forefront of the RS series.

At the SEAT brand, the popular Ibiza small car, the Toledo four-door coupé and the Alhambra family van were upgraded in the reporting period. The sporty Leon ST Cupra estate complements the Leon family.

In 2015, Porsche expanded its 911 series with the all-out super sports car 911 GT3 RS and the dynamic Targa 4 GTS. The new Macan series has been expanded with a sporty GTS version. In addition, the new Boxster Spyder, the new Cayman GT4 and the successor of the Cayenne Turbo S were launched.

Bentley refreshed the design and features of the Continental GT series in 2015. In addition, it boosted the performance of the Continental GT W12 to 434 kW (590 PS) while at the same time optimizing efficiency.

The Lamborghini brand presented four new super sports cars: the newly developed Aventador LP 750-4 Superveloce, the roadster version of the Aventador Superveloce, the Aventador LP 700-4 Pirelli Edition and the Lamborghini Huracán LP 610-4 Spyder.

Volkswagen Commercial Vehicles introduced the new version of the versatile, popular Multivan/Transporter in the reporting period. The Caddy, an all-rounder, was upgraded. Equipped with a 1.4 l TGI natural gas-powered drive, the successor to the popular Caddy EcoFuel was launched. The Cross Caddy has been succeeded by the Caddy Alltrack which is once again available as a passenger car or as a delivery van.

Scania presented a Euro 6 hybrid truck, a series five-cylinder in-line engine running on bioethanol and two new nine-liter engines for truck models in fiscal year 2015. Other new products were the Scania Citywide Hybrid low-floor bus and the new Scania Interlink bus series.

In the reporting period, MAN launched the new MAN Lion's Intercity bus, which boasts safety and comfort features for intercity transport passengers and a high level of efficiency; its cockpit was rigorously designed in line with driver needs.

The third generation of the Multistrada 1200 and 1200 S has been available from Ducati since the beginning of 2015. Four versions of the Scrambler series were launched: Icon, Urban Enduro, Classic and Full Throttle. In addition, the superbike 1299 Panigale, the limited-edition Diavel Titanium and the new Naked Bike Monster 1200 R were unveiled.

VOLKSWAGEN GROUP DELIVERIES

In 2015, the Volkswagen Group handed over 9,930,517 vehicles to customers worldwide, down slightly (2.0%) on the prior-year figure. The chart on the next page shows how deliveries changed from month to month and compares each monthly figure to the same month of the previous year. Details of deliveries of passenger cars and commercial vehicles are provided separately in the following.

VOLKSWAGEN GROUP DELIVERIES*

	2015	2014	%
Passenger cars	9,320,681	9,490,958	−1.8
Commercial vehicles	609,836	646,486	−5.7
Total	**9,930,517**	**10,137,444**	**−2.0**

* Deliveries for 2014 updated to reflect subsequent statistical trends. Figures include the Chinese joint ventures.

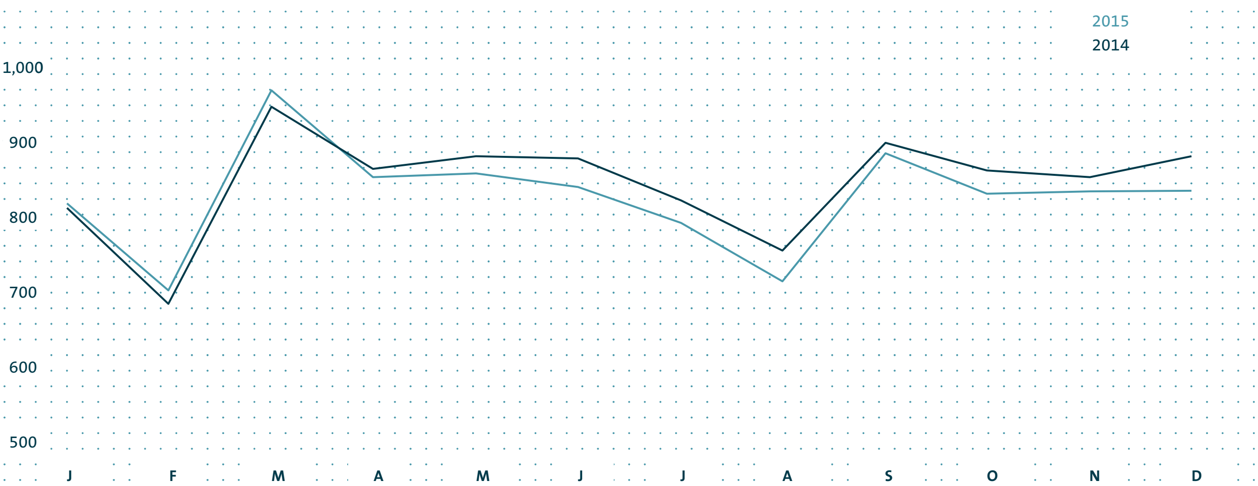
PASSENGER CAR DELIVERIES WORLDWIDE

With its brands, the Volkswagen Group has a presence in all relevant automotive markets around the world. Western Europe, China, the USA, Brazil and Mexico are currently the key sales markets for the Group. Thanks to our wide range of attractive and efficient vehicles, we have a strong position amid persistently challenging competition.

Under increasingly difficult conditions in relevant markets, such as Brazil, China and Russia, deliveries of passenger cars to customers amounted to 9,320,681 units in the reporting period, 1.8% fewer than in the previous year. The passenger car market as a whole expanded by 2.6% in 2015, which meant that the Volkswagen Group's share of the global market declined to 12.3 (12.9)%. The Volkswagen Group achieved the highest growth in absolute terms in Germany. Our sales figures in Brazil, China and Russia were impacted significantly by low demand. In the fourth quarter of 2015, the emissions issue affected the individual markets in Western Europe and in the USA and Canada in different ways, depending on the brand and market. The Audi (+3.6%), ŠKODA (+1.8%), Porsche (+18.6%) and Lamborghini (+28.3%) brands increased their delivery figures year-on-year, setting new records. SEAT also recorded growth of 2.4% on the prior-year figure.

The table on page 97 gives an overview of deliveries to customers of the Volkswagen Group in the key individual markets and regions. The demand trends for Group models in these markets and regions are described in the following sections.

VOLKSWAGEN GROUP DELIVERIES BY MONTH
Vehicles in thousands



Deliveries in Europe/Other markets

The recovery of Western Europe's passenger car market as a whole continued in 2015, with growth of 9.0%. The Volkswagen Group's deliveries to customers increased by 5.1% to 3,062,368 units in this region. Demand for Group models was up year-on-year in all major markets in this region. The Golf Sportsvan, Passat and ŠKODA Fabia models recorded the highest growth rates. In addition, demand for the Polo, Golf, Tiguan, Audi A3, Audi TT, ŠKODA Octavia and Porsche Macan models was particularly strong. The new Touran, Audi A4, Audi Q7 and ŠKODA Superb models were successfully launched on the market. The Group's share of the passenger car market in Western Europe was 24.4 (25.1)%.

In Central and Eastern Europe, we handed over –7.7% fewer passenger cars to customers in 2015 than in the year before. This region's market as a whole contracted by 23.3% in the same period. The Group's sales figures in Russia and Ukraine declined massively as a result of the difficult economic and political situation in the two countries. In the Czech Republic, Poland, Hungary and Romania, meanwhile, we recorded strong growth in some cases. The Golf Sportsvan, Audi Q7, ŠKODA Fabia Combi and SEAT Leon ST models recorded the highest growth rates. The Group's share of the passenger car market in Central and Eastern Europe increased to 20.3 (16.9)%.

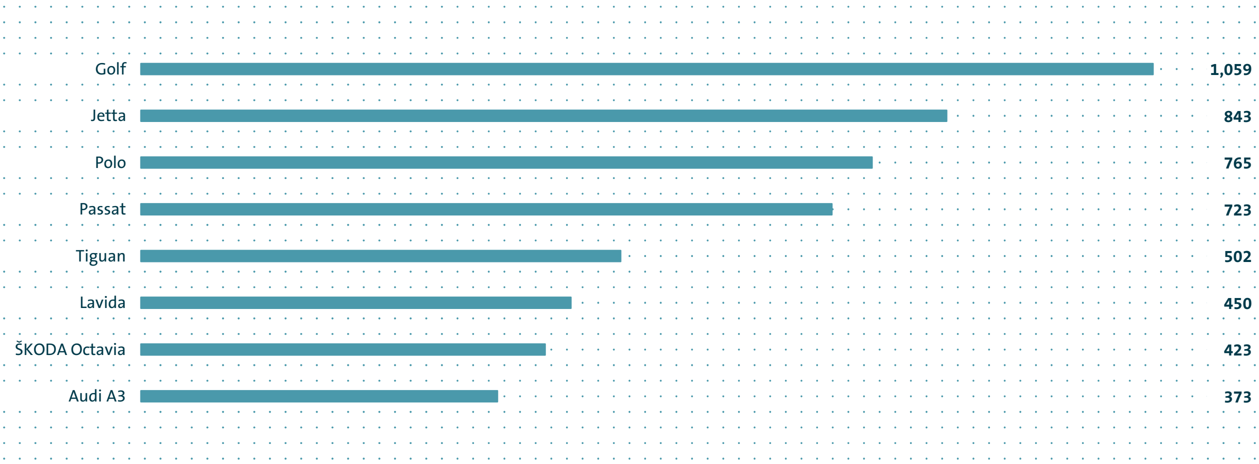
In the South African passenger car market, which is still on the decline, the number of Volkswagen Group vehicles delivered to customers in 2015 was down 9.4% on the previous year. The up!, Polo, Golf and Audi A4 saloon models recorded strong demand.

Demand for Group vehicles in the Middle East region grew by 18.7% compared with the previous year. The Polo, Golf, Jetta, Passat and ŠKODA Octavia models were particularly popular.

Deliveries in Germany

The German passenger car market continued to recover in 2015, expanding by 5.6%. The Volkswagen Group's performance in its home market was similarly positive; sales to customers increased by 5.0% year-on-year to 1,147,484 units. The highest growth rates were achieved by the Passat, Audi TT, Audi Q7, ŠKODA Fabia Combi and ŠKODA Superb saloon models. The Polo, Golf, Golf Sportsvan, Audi A4 and Porsche Macan models also enjoyed great popularity. At the end of 2015, eight Volkswagen Group models led the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: up!, Polo, Golf, Tiguan, Touran, Passat, Audi TT and Audi A6. The Golf remained the most popular passenger car in Germany in terms of registrations.

WORLDWIDE DELIVERIES OF THE GROUP'S MOST SUCCESSFUL MODELS IN 2015
Vehicles in thousands



Deliveries in North America

In North America, the Volkswagen Group benefited from the market's positive overall performance; it sold 922,774 vehicles in the reporting period, 4.3% more than in the previous year. The Group's share of the passenger car market amounted to 4.5 (4.6)%. The Jetta was the Group's best-selling model in North America.

In the US market, demand for Group models rose slightly in 2015, increasing by 1.2% year-on-year. The market as a whole increased by 5.7% in the same period. Models in the SUV and pickup segments remained in particularly high demand. Demand for the Golf, Tiguan, Audi A3, Audi Q3, Audi Q5 and Porsche Macan models recorded positive growth.

In the Canadian market, which saw slight growth, we delivered 8.8% more vehicles to customers in the reporting period than in the previous year. The Jetta remained the most sought-after Group model, while the Golf, Tiguan, Audi Q3 and Audi Q5 also recorded encouraging demand.

In the fast-growing Mexican market, the Group's sales were up 11.9% year-on-year. The Vento and Jetta were especially popular.

Deliveries in South America

Conditions in the highly competitive South American markets were again very challenging in fiscal year 2015. In the generally sharply declining markets in this region, sales amounted to 489,636 units; this represents a decrease of 29.0% in demand for Group models compared with the previous year. The Volkswagen Group's share of the passenger car market in this region declined to 15.7 (17.4)%.

In the Brazilian passenger car market, which has suffered massive declines, the Volkswagen Group delivered 36.3% fewer vehicles than in the year before. The best-selling models were the up!, Fox, Gol, Saveiro and Audi A3.

In Argentina, the downward trend of the market as a whole slowed in the course of 2015. Demand for Volkswagen Group models increased by 2.8% year-on-year in the same period. The Gol continued to be the most popular Group model in Argentina in terms of registrations.

Deliveries in the Asia-Pacific region

The passenger car markets in the Asia-Pacific region expanded by 4.0% in 2015, with declining momentum overall. The Volkswagen Group handed over 3,902,169 vehicles to customers there, 3.0% fewer than in the previous year.

China, the world's largest single market, was again the growth driver of the Asia-Pacific region in 2015, recording the highest absolute increase. Attractively priced entry-level models in the SUV segment remained highly sought after. Volkswagen delivered 3.4% fewer vehicles to customers in China than in the prior-year period. The Jetta, Lavida, Sagitar, Tiguan, Audi Q5, ŠKODA Octavia saloon and Porsche Macan were popular models. The Lamando was successfully launched in the market.

In the growing Indian passenger car market, our sales declined by 1.9% year-on-year. The Polo remained the most popular Group vehicle, and there was also strong demand for the Audi A3, ŠKODA Rapid and ŠKODA Octavia saloon models.

In the Japanese passenger car market, demand for Group vehicles was down 12.5% year-on-year in the reporting period. The market as a whole contracted by 10.2% in the same period. Even so, the Passat, Audi Q3 and Porsche Macan models recorded increases.

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET*

	DELIVERIES (UNITS)		CHANGE
	2015	2014	(%)
Europe/Other markets	**4,006,102**	**3,893,777**	**+ 2.9**
Western Europe	**3,062,368**	**2,912,905**	**+ 5.1**
of which: Germany	1,147,484	1,092,675	+ 5.0
United Kingdom	521,345	510,481	+ 2.1
France	252,530	249,311	+ 1.3
Spain	235,139	203,870	+ 15.3
Italy	207,821	190,671	+ 9.0
Central and Eastern Europe	**559,945**	**606,852**	**−7.7**
of which: Russia	164,653	253,176	−35.0
Czech Republic	126,886	100,967	+ 25.7
Poland	104,772	95,790	+ 9.4
Other markets	**383,789**	**374,020**	**+ 2.6**
of which: Turkey	164,787	128,592	+ 28.1
South Africa	90,659	100,058	−9.4
North America	**922,774**	**884,454**	**+ 4.3**
of which: USA	607,096	599,734	+ 1.2
Mexico	211,845	189,328	+ 11.9
Canada	103,833	95,392	+ 8.8
South America	**489,636**	**690,101**	**−29.0**
of which: Brazil	353,508	554,828	−36.3
Argentina	97,775	95,086	+ 2.8
Asia-Pacific	**3,902,169**	**4,022,626**	**−3.0**
of which: China	3,542,467	3,668,433	−3.4
Japan	91,152	104,218	−12.5
India	69,323	70,656	−1.9
Worldwide	**9,320,681**	**9,490,958**	**−1.8**
Volkswagen Passenger Cars	5,823,408	6,118,654	−4.8
Audi	1,803,246	1,741,129	+ 3.6
ŠKODA	1,055,501	1,037,226	+ 1.8
SEAT	400,037	390,505	+ 2.4
Bentley	10,100	11,020	−8.3
Lamborghini	3,245	2,530	+ 28.3
Porsche	225,121	189,849	+ 18.6
Bugatti	23	45	−48.9

* Deliveries for 2014 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

COMMERCIAL VEHICLE DELIVERIES

The Volkswagen Group delivered a total of 609,836 commercial vehicles to customers worldwide in the reporting period, 5.7% fewer than in the previous year. Trucks accounted for 161,901 units (–9.9%), and buses accounted for 17,134 units (–15.5%). Sales by the Volkswagen Commercial Vehicles brand were down 3.5% on the prior-year figure, with 430,801 vehicles delivered in 2015. The MAN brand handed over 102,474 vehicles to customers, 14.7% fewer than in 2014, while the Scania brand's deliveries were down 4.0% year-on-year at 76,561.

With the economy in Western Europe picking up, the Volkswagen Group delivered 2.0% more commercial vehicles than in the previous year, a total of 368,603 units; of this figure, 284,600 were light commercial vehicles, 79,146 were trucks and 4,857 were buses. The Transporter and Caddy models were the most sought-after models in Western European markets.

In 2015, we handed over a total of 55,295 commercial vehicles to customers (–13.7%) in Central and Eastern Europe, consisting of 31,183 light commercial vehicles, 23,243 trucks and 869 buses. In Russia, the region's largest market, deliveries to customers declined by 56.9% to a total of 9,736 units due to the tense and uncertain political situation, the economic downturn, the low oil price, the sustained currency weakness and difficult financing conditions in the reporting period. The Transporter and the Caddy were the Group models that experienced the highest demand in this region.

In the Other markets, the Volkswagen Group increased its deliveries by 2.8% to 74,935 commercial vehicles; of this figure, 49,840 were light commercial vehicles, 22,504 were trucks and 2,591 were buses.

In North America, the Group handed over 9,099 vehicles to customers in the reporting period, an increase of 9.2% year-on-year; of this figure, 6,802 were light commercial vehicles, 474 were trucks and 1,823 were buses.

Deliveries in the South American markets declined overall to 68,958 units (–34.2%), consisting of 36,961 light commercial vehicles, 27,311 trucks and 4,686 buses. The economic slowdown and difficult financing conditions in Brazil led to a 51.3% decrease in deliveries to customers; 12,218 light commercial vehicles, 21,327 trucks and 2,968 buses were handed over to customers. Once again, the Amarok was particularly popular in Brazil.

In the Asia-Pacific region, the Volkswagen Group handed over 32,946 vehicles to customers in the reporting period; 21,415 light commercial vehicles, 9,223 trucks and 2,308 buses: a total of 6.1% less than in the previous year. The Amarok and the Transporter were the most popular Group models. In the Chinese market, the Group delivered 6,165 units to customers; of this figure, 3,860 were light commercial vehicles, 2,068 were trucks and 237 were buses. Overall, this represents a decrease of 10.5% on the prior-year figure.

COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET*

	DELIVERIES (UNITS)		CHANGE
	2015	2014	(%)
Europe/Other markets	**498,833**	**498,345**	**+ 0.1**
Western Europe	368,603	361,372	+ 2.0
Central and Eastern Europe	55,295	64,052	−13.7
Other markets	74,935	72,921	+ 2.8
North America	**9,099**	**8,331**	**+ 9.2**
South America	**68,958**	**104,728**	**−34.2**
of which: Brazil	36,513	74,977	−51.3
Asia-Pacific	**32,946**	**35,082**	**−6.1**
of which: China	6,165	6,887	−10.5
Worldwide	**609,836**	**646,486**	**−5.7**
Volkswagen Commercial Vehicles	430,801	446,616	−3.5
Scania	76,561	79,782	−4.0
MAN	102,474	120,088	−14.7

* Deliveries for 2014 have been updated to reflect subsequent statistical trends.

DELIVERIES IN THE POWER ENGINEERING SEGMENT

Orders in the Power Engineering segment are usually part of major investment projects. Lead times typically range from just under one year to several years, and partial deliveries as construction progresses are common. Accordingly, there is a time lag between incoming orders and sales revenue from the new construction business.

Sales revenue in the Power Engineering segment was largely driven by Engines & Marine Systems and Turbomachinery, which together generated three-quarters of the overall revenue volume. In 2015, the world's first compressor for an underwater gas production facility was put into operation.

ORDERS RECEIVED IN THE PASSENGER CARS SEGMENT IN WESTERN EUROPE

Due to the positive development of Western European markets, demand for passenger cars increased in fiscal year 2015 compared to the previous year. This was also reflected in our orders received; these were 4.0% higher than in the year before. All key markets in the region contributed to this rise.

ORDERS RECEIVED FOR COMMERCIAL VEHICLES

Demand for the Volkswagen Group's light commercial vehicles in the Western European markets rose year-on-year in 2015. At 290,771 vehicles, orders received were down 3.6% compared with the previous year.

Incoming orders for mid-sized and heavy trucks and buses declined overall in 2015, with orders received for 184,637 vehicles (–9.8%). In Western Europe, our main sales market, positive economic stimulus gave a boost to incoming orders. In South America, however, the deterioration in the economic situation had a negative impact on the order intake.

ORDERS RECEIVED IN THE POWER ENGINEERING SEGMENT

The long-term performance of the Power Engineering business is determined by the macroeconomic environment. Major individual orders lead to fluctuations in incoming orders during the year that do not correlate with these long-term trends.

Orders received in the Power Engineering segment in 2015 amounted to €3.4 billion. Engines & Marine Systems and Turbomachinery generated the most new orders, together accounting for almost three-quarters of the order volume.

In addition to the order for twelve self-produced dual-fuel engines for the world's biggest crane vessel, orders were also received for an air compressor with the world's highest flow rate in air separation and, in China, for the first mechanical drive turbine of the new gas turbine family. In addition, a private power producer in Bangladesh ordered six engines with total power output of 111 MW.

VOLKSWAGEN GROUP FINANCIAL SERVICES

The Financial Services Division combines the Volkswagen Group's dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings. The division comprises Volkswagen Financial Services (including the financial services business of MAN Finance International GmbH since January 1, 2014) and the financial services activities of Scania, Porsche and Porsche Holding Salzburg.

The number of new contracts signed worldwide in the Customer Financing/Leasing and Service/Insurance areas rose by 3.9% year-on-year in 2015 to 5.6 million. The total number of contracts was 14.4 million as of the end of 2015, surpassing the figure at the prior-year reporting date by 7.3%. The number of contracts in the Customer Financing/Leasing area was up by 6.6% to 8.9 million, while the number of contracts in the Service/Insurance area increased by 8.6% to 5.5 million. The ratio of leased or financed vehicles to Group deliveries (penetration rate) increased to 31.5 (30.7)% in the Financial Services Division's markets.

In Europe/Other markets, 4.0 million new contracts were signed in the reporting period, 8.8% more than in the previous year. The number of contracts was up 10.0% to 10.3 million as of December 31, 2015. This included 5.5 million contracts in the Customer Financing/Leasing area, an increase of 7.3% on the figure for 2014. At the same time, the share of leased or financed vehicles increased from 43.6% to 44.3% of deliveries.

In North America, the Financial Services Division added 814 thousand new contracts, up 0.6% year-on-year. The total number of contracts stood at 2.1 million (–0.9%). Of this figure, 1.7 million were attributable to the Customer Financing/Leasing area, 8.0% more than in the previous year. The penetration rate in North America rose to 61.8 (56.8)%.

In South America, 262 thousand new contracts were signed in the reporting period (–16.7%). The number of contracts was down 8.6% year-on-year to 756 thousand contracts as of year-end 2015. The majority of these were attributable to the Customer Financing/Leasing area. The penetration rate in South America was 35.5 (33.1)%.

In the Asia-Pacific region, 530 thousand new contracts were signed during the reporting period, an 11.1% decrease on the prior-year figure. The total number of contracts amounted to 1.2 million (+12.0%), of which 996 thousand were attributable to the Customer Financing/Leasing area (+15.5%). The share of leased or financed vehicles in the region decreased from 13.1% to 11.6% of deliveries.

SALES TO THE DEALER ORGANIZATION

In 2015, the Volkswagen Group's worldwide unit sales to the dealer organization – including the Chinese joint ventures – amounted to 10,009,605 vehicles, down 2.0% on the prior-year figure. The decrease of 2.7% in unit sales outside Germany is primarily attributable to weaker demand for Group models in Brazil, China and Russia. In Germany, the number of vehicles sold increased by 2.5%. At 12.8%, the proportion of the Group's sales accounted for by Germany was higher than in the previous year (12.2%).

The Golf, Passat, Jetta and Polo were our biggest sellers last year. Golf, Polo, Sharan, the Audi A3 family, Audi Q5, ŠKODA Fabia, ŠKODA Octavia, the SEAT Leon family and SEAT Alhambra saw the highest rate of increase in sales. The Porsche Macan and Cayenne were also very well received by the market. In China, the Volkswagen Tiguan and Polo models as well as the Audi A3, ŠKODA Octavia and the new Volkswagen Lamando especially developed for this market were very popular with customers.

PRODUCTION

The Volkswagen Group produced 10,017,191 vehicles worldwide in fiscal year 2015, 1.9% fewer than in the previous year. Our Chinese joint ventures produced 3.1% fewer units than in the previous year. The percentage of the Group's total production accounted for by Germany was higher than in 2014, at 26.8 (25.1)%. In the past year, our plants worldwide produced an average of 41,890 vehicles per working day (+3.1%). The Volkswagen Group production figures do not include the Crafter models built in the Daimler plants.

INVENTORIES

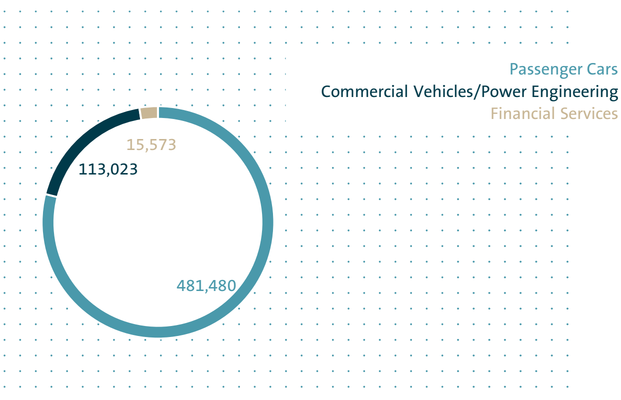
Global vehicle inventories at Group companies and in the dealer organization were higher on December 31, 2015 than at year-end 2014, mainly due to demand-induced stocking in Western Europe.

EMPLOYEES

Including the Chinese joint ventures, the Volkswagen Group employed an average of 604,387 people in fiscal year 2015, an increase of 3.6% year-on-year. Our companies in Germany employed 275,857 people on average in 2015; at 45.6 (45.5)%, their share of the headcount was on a level with the previous year. The Volkswagen Group had 585,242 active employees (+3.2%) as of the 2015 reporting date. In addition, 6,183 employees were in the passive phase of their partial retirement and 18,651 young persons were in vocational traineeships (+1.0%). The Volkswagen Group's headcount was 610,076 employees (+3.0%) at the end of the reporting period. Significant factors for the increase in employees were the expansion of the workforce in our new plants in China, Poland and Mexico and the recruitment of specialists, particularly in Germany and China. A total of 278,685 people were employed in Germany (+2.8%), while 331,391 were employed abroad (+3.1%).

EMPLOYEES BY DIVISION/BUSINESS AREA

as of December 31, 2015



SUMMARY OF BUSINESS DEVELOPMENT

A summary of the business development and the Volkswagen Group's economic position can be found on page 125 of this annual report.

Shares and Bonds

Volkswagen AG's ordinary and preferred shares significantly underperformed the market as a whole in 2015 in a volatile market environment. The main cause of this development was the emissions issue.

EQUITY MARKETS

Prices on the international equity markets experienced volatility in the reporting period. The DAX rose moderately overall. Capital market participants were unsettled in particular by weakened economic growth in China.

The announcement by the European Central Bank (ECB) at the beginning of the first quarter of 2015 of its intention to buy sovereign bonds, together with falling oil prices, resulted in significant share price gains. The election result in Greece caused only short-term price falls. Positive economic data from the eurozone, hopes of an agreement between the eurozone countries and the Greek government, and some easing of the situation in Ukraine led to share prices rising further in February. Buoyed up by positive signals from the US labor market, good economic data from Germany and the ECB's bond purchases, the markets rose further at the beginning of March. Towards the end of the first quarter, share prices declined slightly as expectations of a more restrictive monetary policy from the US Federal Reserve, among other things, unsettled capital market participants.

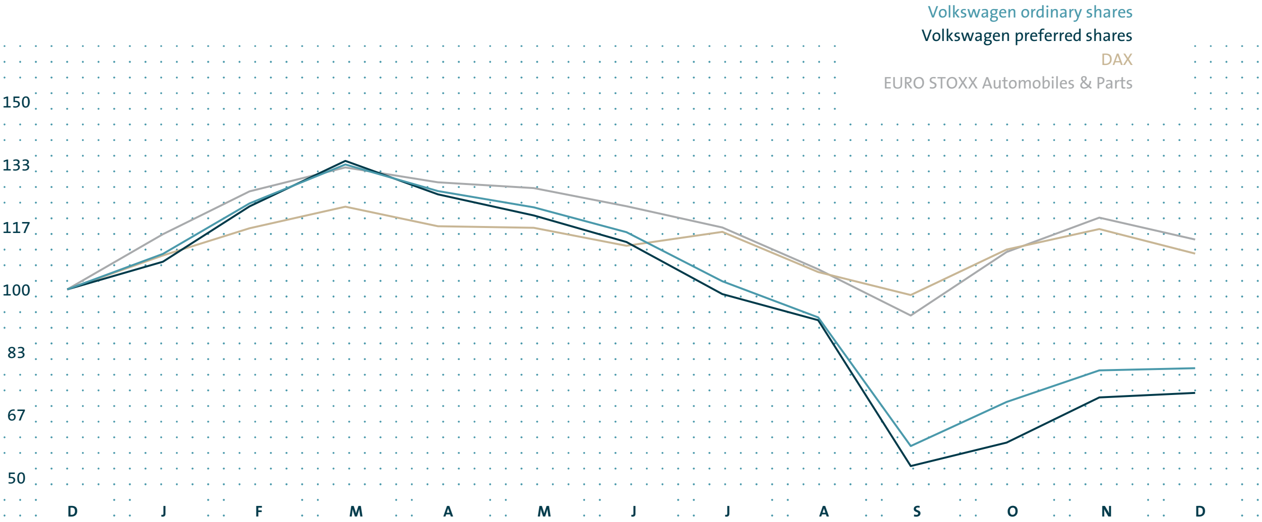
In the second quarter of 2015, the deteriorating situation in Greece and concerns about its effect on the European economy were the main triggers for falling prices. Healthy corporate results and expectations that the ECB would continue its bond-buying program and the US Federal Reserve its loose monetary policy brought about a temporary recovery in April, propelling the DAX to a new all-time high of 12,375 points. The DAX moved sideways amid significant price swings as the second quarter progressed. Investors' hopes of a more expansionary monetary policy by the Chinese central bank and healthy labor market data from the USA supported prices, while concerns over the situation in Greece led to uncertainty. Prices declined towards the end of the second quarter amid volatility brought about by increasing fears of sovereign insolvency in Greece and growing uncertainty about whether it would remain in the eurozone.

In the third quarter, the agreement on a further rescue package for Greece and the resulting prevention of sovereign insolvency shored up prices in an environment dominated by considerable price falls on the Chinese stock markets. As the third quarter progressed, uncertainty regarding the slower growth of the Chinese economy notably contributed to a decline in prices. Prices stabilized temporarily towards the end of the third quarter, based on hopes of a key interest rate cut by China's central bank and positive macro data from Europe, before declining once again at the end of September because of concerns regarding the slight slowdown in global economic growth.

Following the price falls towards the end of the third quarter, hopes that the ECB would expand its bond-buying program and the Chinese central bank would lower key interest rates initially drove prices higher in the last quarter. In the last few trading weeks of 2015, however, stock prices gave up some of their gains as negative economic data from China and the decline in the oil price unsettled capital market participants. The US Federal Reserve's interest rate hike towards the end of the fourth quarter met with a positive response on the European stock exchanges.

At the end of 2015, the DAX had reached 10,743 points, up 9.6% on the previous year's figure. The EURO STOXX Automobiles & Parts closed the year at 542 points, 13.3% higher than on the last day of trading in 2014.

SHARE PRICE DEVELOPMENT FROM DECEMBER 2014 TO DECEMBER 2015
Index based on month-end prices: December 31, 2014 = 100



MOVEMENTS IN THE PRICE OF VOLKSWAGEN'S SHARES

On the whole, Volkswagen AG's ordinary and preferred shares declined sharply in 2015, underperforming the overall market and the automotive sector.

In the first quarter, both classes of shares clearly outperformed the upward trend on the equity markets. The above-average increase at the beginning of 2015 was driven by several factors: firstly the strong results we presented when the Company's annual financial statements for the fiscal year 2014 were published, but above all the positive conditions on the capital markets and the depreciation of the euro against other currencies, which is advantageous for export industries.

In the second quarter, Volkswagen shares gave up some of their gains made during the first three months. With stock markets in decline, discussions about the composition of the Board of Management and the Supervisory Board of Volkswagen AG, as well as increasing concerns about slower growth in demand for passenger cars due to China's weaker economy influenced market participants. As the quarter progressed, both classes of shares were more volatile than the market as a whole, trailing market growth.

In the course of the third quarter, ordinary and preferred shares progressively continued their downward trend, thus lagging significantly behind the market trend. Investors focusing on the automotive industry were unsettled by weaker economic growth in China, among other factors. After the emergence of irregularities in the software used in certain diesel engines and the resulting public speculations concerning possible expected consequences, both classes of shares fell considerably in mid-September 2015.

After reaching the lowest closing price for the year at the beginning of the fourth quarter, Volkswagen shares recovered temporarily from their sharp declines. As a result of the news that, as part of the internal examination of all diesel engines, we also encountered evidence that irregularities in the determination of the CO_2 figures for vehicles' type approvals in the EU28 countries could initially not be ruled out, the prices of both classes of shares trended lower again.

As the fourth quarter progressed, the information about technical solutions for our customers in the EU28 countries to rectify the irregularities in NO_x emissions, and the clarification of the CO_2 issue led to a rise in the share price amid significant fluctuations. The prices of Volkswagen shares moved sideways towards the end of the fourth quarter.

FURTHER INFORMATION ON VOLKSWAGEN SHARES
www.volkswagenag.com/ir

Volkswagen AG's preferred shares reached their highest daily closing price for the year of €255.20 on March 16, 2015. They recorded their lowest closing price for the year of €92.36 on October 2, 2015. The Company's preferred shares closed the end of 2015 at €133.75, down 27.6% on the prior-year figure.

Volkswagen's ordinary shares also reached their highest closing price of €247.55 on March 16, 2015. They recorded their lowest daily closing price for the year (€101.15) on October 2, 2015. The ordinary shares were trading at €142.30 on the last day of trading in 2015, down 21.0% on the price at the end of 2014.

Additional Volkswagen share data, plus corporate news, reports and presentations can be downloaded from our website at www.volkswagenag.com/ir.

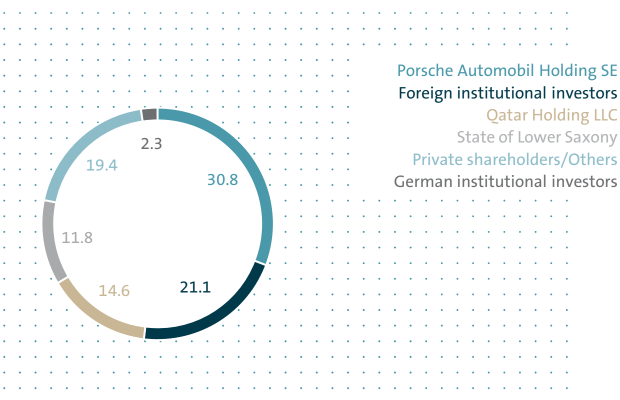
SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2015

Volkswagen AG's subscribed capital amounted to €1,283,315,873.28 at the end of the reporting period. The shareholder structure of Volkswagen AG as of December 31, 2015 is shown in the chart on this page.

The distribution of voting rights for the 295,089,818 ordinary shares was as follows at the reporting date: Porsche Automobil Holding SE, Stuttgart, held 52.2% of the voting rights. The second-largest shareholder was the State of Lower Saxony, which held 20.0% of the voting rights. Qatar Holding LLC was the third-largest shareholder, with 17.0%. The remaining 10.8% of ordinary shares were attributable to other shareholders.

Notifications of changes in voting rights in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) are published on our website at www.volkswagenag.com/ir.

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2015
as a percentage of subscribed capital



DIVIDEND POLICY

Our dividend policy matches our financial strategy. In the interests of all stakeholders, we aim for continuous dividend growth so that our shareholders can participate appropriately in our business success. The proposed dividend amount therefore reflects our financial management objectives – in particular, ensuring a solid financial foundation as part of the implementation of our strategy.

The Board of Management and Supervisory Board of Volkswagen AG are proposing a dividend of €0.11 per ordinary share and €0.17 per preferred share. On this basis, the total dividend for fiscal year 2015 amounts to €0.1 (2.3) billion. The distribution ratio is based on the Group's earnings after tax attributable to Volkswagen AG shareholders and was negative for the reporting period. In the previous year the distribution ratio amounted to 21.2%. We aim to achieve a distribution ratio of 30% in the medium term.

DIVIDEND YIELD

Based on the dividend proposal for the reporting period, the dividend yield on Volkswagen ordinary shares is 0.1 (2.7)%, measured by the closing price on the last trading day in 2015. The dividend yield on preferred shares is 0.1 (2.6)%.

The current dividend proposal can be found in the chapter entitled "Volkswagen AG (condensed, according to the German Commercial Code)", on page 127 of this annual report.

SUCCESSFUL HYBRID NOTE PLACEMENT AND MANDATORY CONVERTIBLE NOTE SETTLEMENT

In March 2015, the Volkswagen Group successfully placed dual-tranche hybrid notes with an aggregate principal amount of €2.5 million via Volkswagen International Finance N.V. Both tranches are perpetual and increase the Group's equity by 100%, net of transaction costs.

In 2012 and 2013, we placed two mandatory convertible notes with identical features entitling holders to subscribe for Volkswagen preferred shares totaling €3.7 billion. Mandatory conversion took place for the holders of the notes on the final maturity date (November 9, 2015). A total of 25.6 million new preferred shares were created during the term.

EARNINGS PER SHARE

Basic earnings per ordinary share were €–3.20 (21.82) in fiscal year 2015. Basic earnings per preferred share were €–3.09 (21.88). In accordance with IAS 33, the calculation is based on the weighted average number of ordinary and preferred shares outstanding in the reporting period.

The actual number of preferred shares created from the mandatory convertible notes had to be included in full in the calculation of earnings per share for fiscal year 2015.

The year-on-year comparison has to take into account that, in accordance with IAS 33.23, all potential shares that may be issued upon the conversion of mandatory convertible notes must be accounted for as issued shares and therefore had to be included in the calculation of basic and diluted earnings per share. In accordance with IAS 33.26, the number of potential preferred shares included in the previous year had to be replaced retrospectively with the actual number of shares created as a result of voluntary and mandatory conversion in the reporting period. In addition, the new preferred shares from the capital increase have been included in the calculation since their admission to the regulated market on June 12, 2014. Since the number of basic and diluted shares is identical, basic earnings per share correspond to diluted earnings per share.

See also note 11 to the Volkswagen consolidated financial statements for the calculation of earnings per share.

ANNUAL GENERAL MEETING

The 55th Annual General Meeting of Volkswagen AG was held at the Hanover Exhibition Center on May 5, 2015. With 91.93% of the voting capital present, the ordinary shareholders of Volkswagen AG formally approved the actions of the Board of Management and the Supervisory Board and the conclusion of an intercompany agreement. They also elected PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft as the auditors for the single-entity and consolidated financial statements for fiscal year 2015 and as the auditors to review the condensed consolidated financial statements and interim management report for the first six months of 2015.

Mr. Hussain Ali Al-Abdulla's scheduled term of office on the Supervisory Board of Volkswagen AG expired at the end of the Annual General Meeting. The Annual General Meeting elected Mr. Al-Abdulla to the Supervisory Board for a further full term of office as a shareholder representative. Mr. Ahmad Al-Sayed, likewise a shareholder representative on the Supervisory Board of Volkswagen AG, stepped down from his post as of the end of the Annual General Meeting. The Annual General Meeting elected Mr. Akbar Al Baker, Minister of State and Group Chief Executive of Qatar Airways, to replace him for the remainder of his term of office. In addition, the ordinary shareholders authorized the Board of Management to issue a total of up to 70 million new non-voting preferred bearer shares within the next five years.

The Annual General Meeting also resolved to distribute a dividend of €4.80 per ordinary share and €4.86 per preferred share for fiscal year 2014.

INVESTOR RELATIONS ACTIVITIES

In fiscal year 2015, the Investor Relations team provided extensive information to investors and analysts in all key financial markets worldwide about the strategic focus, current business performance and future prospects of the Volkswagen Group.

At the beginning of the year, the Group CFO and the CFO of AUDI AG attended investor conferences in Detroit and Frankfurt, where they provided information about general market forecasts, product innovations, the strategy and the Group-wide efficiency program. At the Annual Media and Investor Conference held in Berlin on March 12, 2015, the Group's Board of Management looked back on a successful fiscal year in 2014 and answered questions from media representatives, analysts and investors. At the International Motor Show (IAA) in Frankfurt am Main, the Group presented its models of the future; in addition, we informed investors about the Company's strategy at an investor conference. In the last quarter of the year, our investor relations work was dominated by the investigations and measures to clarify the diesel and CO_2 issue as well as the associated personnel changes on the Board of Management. This included a dialogue with members of the Group's Board of Management and senior executives, who, after a press conference on the emissions issue, informed investors about the package of measures intended and the current status of the investigations, among other things.

VOLKSWAGEN SHARE DATA

	Ordinary shares	Preferred shares
ISIN	DE0007664005	DE0007664039
WKN	766400	766403
Deutsche Börse/Bloomberg	VOW	VOW3
Reuters	VOWG.DE	VOWG_p.DE
Primary market indices	CDAX, Prime All Share, MSCI Euro, S&P Global 100 Index	DAX, CDAX, EURO STOXX, EURO STOXX 50, EURO STOXX Automobiles & Parts, Prime All Share, MSCI Euro
Exchanges	Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, Xetra, Luxembourg, New York*, SIX Swiss Exchange	

* Traded in the form of "sponsored unlisted American Depositary Receipts" (ADRs). Five ADRs correspond to one underlying Volkswagen ordinary or preferred share.

VOLKSWAGEN SHARE KEY FIGURES

DIVIDEND DEVELOPMENT		2015	2014	2013	2012	2011
Number of no-par value shares at Dec. 31						
Ordinary shares	thousands	295,090	295,090	295,090	295,090	295,090
Preferred shares	thousands	206,205	180,641	170,148	170,143	170,143
Dividend[1]						
per ordinary share	€	0.11	4.80	4.00	3.50	3.00
per preferred share	€	0.17	4.86	4.06	3.56	3.06
Dividend paid[1]	€ million	68	2,294	1,871	1,639	1,406
on ordinary shares	€ million	32	1,416	1,180	1,033	885
on preferred shares	€ million	35	878	691	606	521

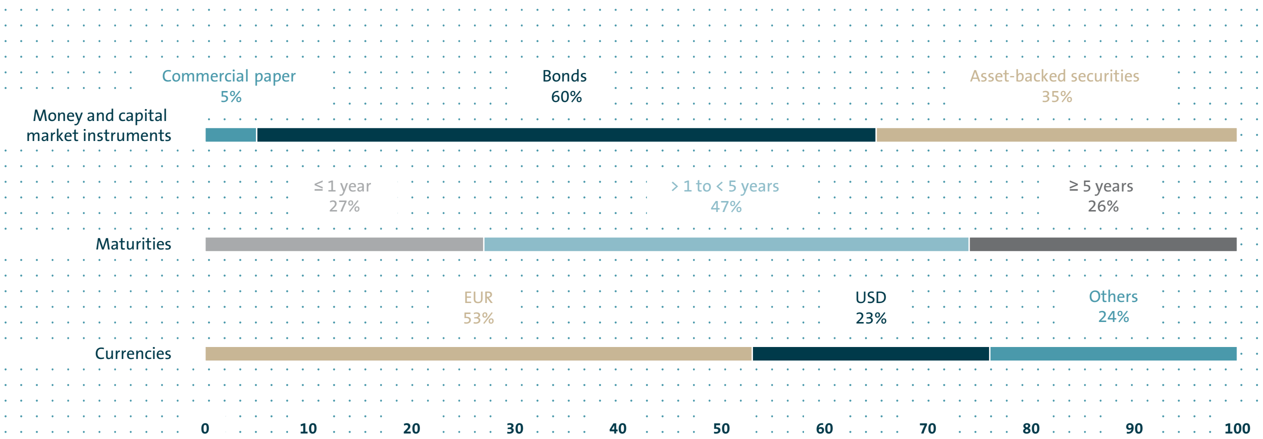
SHARE PRICE DEVELOPMENT[2]		2015	2014	2013	2012	2011
Ordinary shares						
Closing	€	142.30	180.10	196.90	162.75	103.65
Price performance	%	–21.0	–8.5	+ 21.0	+ 57.0	–2.1
Annual high	€	247.55	197.35	196.90	162.75	136.95
Annual low	€	101.15	150.70	132.60	106.20	84.50
Preferred shares						
Closing	€	133.75	184.65	204.15	172.15	115.75
Price performance	%	–27.6	–9.6	+ 18.6	+ 48.7	–4.7
Annual high	€	255.20	203.35	204.15	172.70	151.00
Annual low	€	92.36	150.25	138.50	118.00	88.54
Beta factor[3]	factor	1.28	1.38	1.32	1.26	1.09
Market capitalization at Dec. 31	€ billion	69.6	86.5	92.8	77.3	50.3
Equity attributable to Volkswagen AG shareholders and hybrid capital investors at Dec. 31	€ billion	88.1	90.0	87.7	77.7[4]	57.5
Ratio of market capitalization to equity	factor	0.79	0.96	1.06	1.00	0.87

KEY FIGURES PER SHARE		2015	2014	2013	2012[4]	2011
Earnings per ordinary share[5]						
basic	€	–3.20	21.82	18.61	46.41	33.10
diluted	€	–3.20	21.82	18.61	46.41	33.10
Operating result[6]	€	–8.12	25.59	23.99	24.59	24.23
Cash flows from operating activities[6]	€	27.29	21.74	25.89	15.42	18.27
Equity[7]	€	175.67	189.16	188.58	166.98	123.68
Price/earnings ratio[8]						
Ordinary shares	factor	x	8.2	10.6	3.5	3.1
Preferred shares	factor	x	8.4	10.9	3.7	3.5
Price/cash flow ratio[9]	factor	5.2	8.3	7.6	10.6	5.7
Dividend yield[10]						
Ordinary shares	%	0.1	2.7	2.0	2.2	2.9
Preferred shares	%	0.1	2.6	2.0	2.1	2.6

STOCK EXCHANGE TURNOVER[11]		2015	2014	2013	2012	2011
Turnover of Volkswagen ordinary shares	€ billion	6.9	3.2	3.5	3.5	5.1
	million shares	45.4	17.8	21.4	26.8	46.4
Turnover of Volkswagen preferred shares	€ billion	72.4	45.1	43.0	40.9	44.2
	million shares	444.4	248.3	252.8	293.3	369.1
Volkswagen share of total DAX turnover	%	7.1	5.4	5.7	5.3	4.6

1 Figures for the years 2011 to 2014 relate to dividends paid in the following year. For 2015, the figures relate to the proposed dividend.
2 Xetra prices.
3 See page 123 for the calculation.
4 2012 figures adjusted in the 2013 annual financial statements to reflect application of IAS 19R.
5 See note 11 to the consolidated financial statements (Earnings per share) for the calculation. Prior-year figures adjusted in accordance with IAS 33.26.
6 Based on the weighted average number of ordinary and preferred shares outstanding (basic), prior year adjusted in accordance with IAS 33.26.
7 Based on the total number of ordinary and preferred shares on December 31 (excluding potential shares from the mandatory convertible note).
8 Ratio of year-end-closing price to earnings per share.
9 Using year-end-closing prices of the ordinary shares.
10 Dividend per share based on the year-end-closing price.
11 Order book turnover on the Xetra electronic trading platform (Deutsche Börse).

REFINANCING STRUCTURE OF THE VOLKSWAGEN GROUP
as of December 31, 2015



At roughly 850 one-on-one discussions, roadshows and conferences, we maintained close contact with capital market participants in 2015. Many of these discussions involved an exchange of ideas between investors and analysts and members of the Board of Management and Group senior executives. With offices in Wolfsburg, London and Beijing and the liaison office in Herndon (USA), the investor relations team's work benefits from its presence in the most important regions for the capital markets. It allows us to keep close contact with analysts and investors locally, acquire in-depth knowledge of the respective markets and keep a finger on the pulse of operations of the Volkswagen Group.

At events held in the past year, the investor relations team also informed private shareholders about the current situation of the Group. It had its own stand at the Annual General Meeting in Hanover.

The Internet continues to enjoy high priority in our capital market communication. It is the first source of information for many of our investors and analysts as well as interested members of the public, offering ways of getting in touch with the Company, while we use it to provide them with the latest news, important facts and publications. The Annual Media and Investor Conference held in March, the Annual General Meeting in May and the conference calls of the Volkswagen Group on the quarterly results were again broadcast live on the Internet in 2015.

We also promptly published all presentations given in connection with events that were of interest to investors on our investor relations website.

REFINANCING

In the refinancing activities conducted in 2015, the Volkswagen Group continued to attach great importance to instrument and market diversification. The main currencies of its prime-rated and unsecured issues were euros, US dollars, sterling and Canadian dollars; the share of fixed-rate instruments was roughly twice as high as the share of variable-rate instruments.

The need for financing was reduced as a result of the generally positive development of net liquidity in fiscal year 2015. In addition to the operating business, the sale of the shares in Suzuki was a contributing factor.

Moreover, net liquidity was boosted in March 2015 by placing unsecured subordinated hybrid notes with an aggregate principal amount of €2.5 billion. The perpetual notes were issued in two tranches and can only be called by the issuer. The first call date for the first tranche with a volume of €1.1 billion is after seven years, and the first call date for the second tranche of €1.4 billion is after 15 years.

In the European region, a benchmark bond with a value of €3.0 billion was successfully issued for the Automotive Division. We also acted in this market for the Financial Services Division, issuing two benchmark bonds with a total value of €2.75 billion and raising another €7.7 billion through ABS (asset-backed securities) transactions. The financing mix was complemented by private placements, making use of available interest rate and currency opportunities.

The Volkswagen Group was also active again in the North American capital market and was able to exploit the favorable pricing situation to its advantage. A four-tranche issue with an aggregate volume of USD 2.8 billion was placed and another USD 3.8 billion was securitized in ABS transactions. In the Canadian refinancing market, we issued bonds with a value of CAD 900 million in an attractive market environment.

The Volkswagen Group placed other securities in the ABS segment in Australia, Brazil, China, the United Kingdom, Japan and Canada.

In all refinancing arrangements, interest rate and currency risk is generally excluded by entering into derivatives contracts at the same time.

The table below shows how our money and capital market programs were utilized as of December 31, 2015 and illustrates the financial flexibility of the Volkswagen Group:

The ability to access individual refinancing instruments in the money and capital market was limited due to the current uncertainties regarding the effects of the emissions issue on the Volkswagen Group.

In December 2015, a consortium of banks granted Volkswagen AG an additional syndicated credit line amounting to €20 billion with a maturity of one year. After exercising an extension option in the reporting period, the syndicated credit line of €5.0 billion agreed in July 2011 was extended to April 2020. The credit line remains unused.

Syndicated credit lines worth a total of €3.1 billion at other Group companies have also not been drawn down. In addition, Group companies had arranged bilateral, confirmed credit lines with national and international banks in various other countries for a total of €7.3 billion, of which €2.6 billion was drawn down.

PROGRAM	Authorized volume € billion	Amount utilized on Dec. 31, 2015 € billion
Commercial paper	26.1	4.8
Bonds	126.8	61.3
of which hybrid issues		7.5
Asset-backed securities	53.1	29.4

OUR INVESTOR RELATIONS TEAM IS AVAILABLE FOR QUERIES AND COMMENTS AT ALL TIMES:

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RATINGS

	VOLKSWAGEN AG			VOLKSWAGEN FINANCIAL SERVICES AG			VOLKSWAGEN BANK GMBH		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Standard & Poor's									
Short-term	A–2	A–1	A–2	A–2	A–1	A–2	A–2	A–1	A–2
Long-term	BBB+	A	A–	BBB+	A	A–	A–	A	A–
Outlook	negative	stable	positive	negative	stable	positive	negative	stable	positive
Moody's Investors Service									
Short-term	P–2	P–2	P–2	P–1	P–2	P–2	P–1	P–2	P–2
Long-term	A3	A3	A3	A1	A3	A3	A1	A3	A3
Outlook	negative	positive	positive	negative	positive	positive	negative	positive	positive

RATINGS

In March 2015, rating agency Moody's Investors Service raised its short-term and long-term ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH by one notch each from P-2 to P-1 and from A3 to A2 respectively. The primary reasons for this were the solid operating performance in 2014 and the expectation that this can be improved on over the next 12 to 18 months due to the robust brand portfolio, the market position in Western Europe and China, and the continuing efforts to increase efficiency.

In June 2015, Moody's Investors Service raised the long-term rating of both Volkswagen Financial Services AG and Volkswagen Bank GmbH by two notches each to Aa3. The reason for this was a change in the rating method.

As a result of the emissions issue, Moody's Investors Service lowered its short-term and long-term ratings for Volkswagen AG in November 2015 by one notch each from P–1 to P–2 and from A2 to A3 respectively. The long-term ratings for Volkswagen Financial Services AG and Volkswagen Bank GmbH were downgraded from Aa3 to A1. The rating agency lowered the outlook for the companies from stable to negative.

In connection with the irregularities in the software used for certain diesel engines from the Volkswagen Group, in October 2015 Standard & Poor's initially downgraded the short-term and long-term ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH by one notch each, to A–2 and A– respectively.

In a further step in December 2015, also as a result of the emissions issue, Standard & Poor's downgraded the long-term ratings for Volkswagen AG and Volkswagen Financial Services AG from A– to BBB+. The outlook for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH has been changed to negative.

VOLKSWAGEN IN SUSTAINABILITY RANKINGS AND INDICES

Analysts and investors view corporate social responsibility (CSR) and sustainability performance as leading indicators of forward-looking corporate governance and therefore increasingly also base their recommendations and decisions on companies' CSR and sustainability profiles. Sustainability ratings are particularly well suited to evaluating a company's environmental, social and economic performance. If a company achieves the highest scores in these ratings, this sends a clear signal to its stakeholders; it also raises its attractiveness as an employer and the motivation of its existing employees.

In sustainability rankings and indices – such as the Dow Jones Sustainability Indices, CDP Carbon Disclosure Project, Sustainalytics, or oekom research – where we held top positions before the emissions issue, Volkswagen's ratings have been downgraded or removed.

In the Commercial Vehicles/Power Engineering Business Area, MAN retained its B– rating and prime status for its superior performance in the area of corporate social responsibility awarded by the rating agency oekom research.

In its annual review of its sustainability ranking, the Swiss rating agency RobecoSAM selected MAN for listing in the Dow Jones Sustainability Index (DJSI) World and the DJSI Europe in the "Machinery and Electrical Equipment" sector. MAN is the only German company to be represented in both indices for the fourth consecutive year.

Results of Operations, Financial Position and Net Assets

The Volkswagen Group's operating result was down considerably year-on-year in 2015 due to charges in connection with the emissions issue, and restructuring measures in the trucks business and in the passenger cars area in South America. Sales revenue increased.

The Volkswagen Group's segment reporting in compliance with IFRS 8 comprises the four reportable segments Passenger Cars, Commercial Vehicles, Power Engineering and Financial Services, in line with the Group's internal management and reporting.

At Volkswagen, segment profit or loss is measured on the basis of the operating result.

The reconciliation column contains activities and other operations that do not by definition constitute segments. These include the unallocated Group financing activities. Consolidation adjustments between the segments (including the holding company functions) are also contained in the reconciliation. Purchase price allocation for Porsche Holding Salzburg and Porsche, as well as for Scania and MAN, reflects their accounting treatment in the segments.

The Automotive Division comprises the Passenger Cars, Commercial Vehicles and Power Engineering segments, as well as the figures from the reconciliation. The Passenger Cars segment and the reconciliation are combined to form the Passenger Cars Business Area. We report on the Commercial Vehicles and Power Engineering segments under the Commercial Vehicles/Power Engineering Business Area. The Financial Services Division corresponds to the Financial Services segment.

Activities in the Passenger Cars segment cover the development of vehicles and engines, the production and sale of passenger cars, and the genuine parts business. This segment combines the Volkswagen Group's individual passenger car brands on a consolidated basis. It also includes the Ducati brand's motorcycle business.

The Commercial Vehicles segment primarily comprises the development, production and sale of light commercial vehicles, trucks and buses from the Volkswagen Commercial Vehicles, Scania and MAN brands, the corresponding genuine parts business and related services.

The Power Engineering segment combines the large-bore diesel engines, turbomachinery, special gear units, propulsion components and testing systems businesses.

The activities of the Financial Services segment comprise dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings.

KEY FIGURES FOR 2015 BY SEGMENT

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue	174,703	30,445	3,775	29,357	238,279	−24,987	213,292
Segment profit or loss (operating result)	−4,874	586	123	2,236	−1,929	−2,139	−4,069
as a percentage of sales revenue	−2.8	1.9	3.2	7.6			−1.9
Capex, including capitalized development costs	15,085	2,426	198	476	18,185	50	18,234

SPECIAL ITEMS IN THE FISCAL YEAR

On September 18, 2015, US authorities publicly announced that irregularities had been discovered in the software used for certain Volkswagen Group diesel engines. In a statement issued on September 22, 2015, the Volkswagen Group announced that there are irregularities in around 11 million vehicles worldwide with type EA 189 diesel engines. In fiscal year 2015, this resulted in exceptional charges, in particular for the technical measures planned for the diesel engines affected, repurchases, customer-related measures and legal risks. The negative special items relating to the diesel issue amounted to €16.2 billion and were recognized in the operating result.

The operating result was also impacted by special items relating to restructuring expenses in the trucks business (€0.2 billion) and in the passenger cars area in South America (€0.2 billion). The restructuring measures serve to sustainably enhance competitiveness.

Additionally, the competent authorities directed all automobile manufacturers affected to replace potentially faulty airbags manufactured and supplied by Takata, resulting in a requirement to recognize provisions. The recall and replacement of the airbags is limited to the USA and Canada. 0.9 million Volkswagen Group vehicles are affected. The special items recognized in the operating result relating to these measures amount to €–0.3 billion.

Overall, negative special items recognized in the operating result therefore amounted to €16.9 billion in fiscal year 2015.

SALE OF SUZUKI SHARES

In August 2015, the arbitration ruling in the proceedings between Suzuki Motor Corporation and Volkswagen AG was delivered to the parties. Volkswagen subsequently sold its 19.9% equity investment in Suzuki to Suzuki on September 17, 2015 at the quoted market price of €3.1 billion. The sale of the shares generated income in the amount of €1.5 billion, which was recognized in the other financial result.

SETTLEMENT PAYMENT TO NONCONTROLLING INTEREST SHAREHOLDERS OF MAN SE

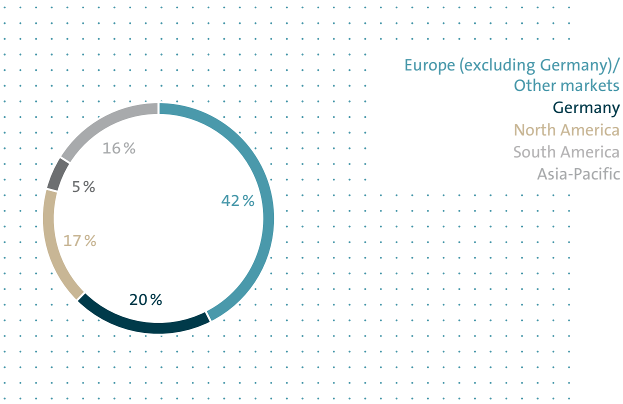
In the award proceedings regarding the appropriateness of the cash settlement to be paid to the noncontrolling interest shareholders of MAN SE, the Munich Regional Court ruled in the first instance at the end of July 2015 that the settlement payment to be made to the shareholders should be increased from €80.89 to €90.29 per share. Both Volkswagen and a number of noncontrolling interest shareholders have appealed to the Higher Regional Court in Munich. Remeasurement of the put options and compensation rights resulted in an expense of €0.4 billion, which was recognized in the other financial result.

INCOME STATEMENT BY DIVISION

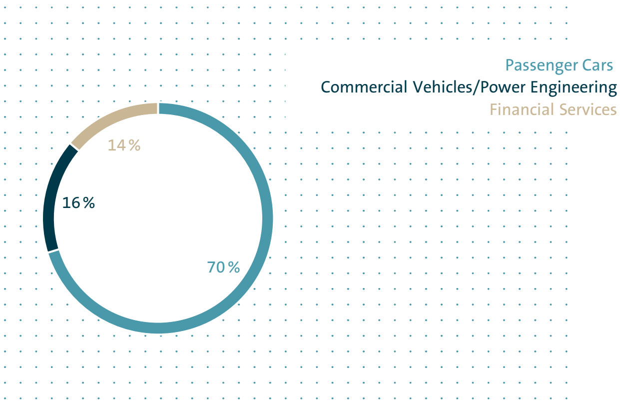
	VOLKSWAGEN GROUP		AUTOMOTIVE*		FINANCIAL SERVICES	
€ million	2015	2014	2015	2014	2015	2014
Sales revenue	**213,292**	**202,458**	**183,936**	**177,538**	**29,357**	**24,920**
Cost of sales	−179,382	−165,934	−155,553	−146,311	−23,829	−19,623
Gross profit	**33,911**	**36,524**	**28,382**	**31,226**	**5,528**	**5,297**
Distribution expenses	−23,515	−20,292	−22,281	−19,199	−1,234	−1,093
Administrative expenses	−7,197	−6,841	−5,646	−5,427	−1,552	−1,414
Net other operating result	−7,267	3,306	−6,761	4,180	−506	−874
Operating result	**−4,069**	**12,697**	**−6,305**	**10,780**	**2,236**	**1,917**
Operating return on sales (%)	**−1.9**	**6.3**	**−3.4**	**6.1**	**7.6**	**7.7**
Share of profits and losses of equity-accounted investments	4,387	3,988	4,366	3,956	21	31
Other financial result	−1,620	−1,891	−1,695	−1,907	75	17
Financial result	**2,767**	**2,097**	**2,671**	**2,049**	**97**	**48**
Earnings before tax	**−1,301**	**14,794**	**−3,634**	**12,829**	**2,333**	**1,965**
Income tax expense	−59	−3,726	527	−3,097	−586	−629
Earnings after tax	**−1,361**	**11,068**	**−3,107**	**9,732**	**1,747**	**1,336**
Noncontrolling interests	10	84	−10	43	19	41
Earnings attributable to Volkswagen AG hybrid capital investors	212	138	212	138	–	–
Earnings attributable to Volkswagen AG shareholders	**−1,582**	**10,847**	**−3,310**	**9,551**	**1,728**	**1,295**

* Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

SHARE OF SALES REVENUE BY MARKET 2015
in percent



SHARE OF SALES REVENUE BY DIVISION/BUSINESS AREA 2015
in percent



RESULTS OF OPERATIONS

Results of operations of the Group

The Volkswagen Group generated sales revenue of €213.3 billion in fiscal year 2015, 5.4% higher than in the previous year. The increase was mainly attributable to improvements in the mix, positive exchange rate effects and the positive business development in the Financial Services Division. The Group generated 80.2 (80.6)% of its sales revenue outside Germany.

At €33.9 (36.5) billion, gross profit was below the level of the previous year. The cost of sales rose by 8.1%, primarily as a result of the charges in connection with the diesel issue. In addition, higher depreciation and amortization charges as a result of the high volume of capital expenditures and higher upfront expenditures – especially for new drive concepts – had a negative effect, while optimized product costs had a positive effect. The gross margin was 15.9 (18.0)%; excluding special items it was 19.9%.

Distribution expenses rose by 15.9% in the year under review due to the diesel issue and exchange rate changes; the ratio of distribution expenses to sales revenue also increased. Administrative expenses were up 5.2% on the previous year, although the ratio of administrative expenses to sales revenue remained unchanged. The other operating result declined by €10.6 billion to €–7.3 billion, mainly as a result of negative exchange rate effects, legal risks in connection with the emissions issue and restructuring measures in the trucks business and in the passenger cars business area in South America.

Excluding the special items, the Volkswagen Group's operating result in fiscal year 2015 was on a level with the previous year, at €12.8 billion. Lower vehicle volumes, higher depreciation and amortization charges, and higher research and development expenditures were offset in part by optimized product costs, improvements in the mix and more favorable exchange rates. The operating return on sales before special items was 6.0 (6.3)%.

Negative special items totaled €16.9 billion. As a result, the operating result declined sharply to €–4.1 (12.7) billion; the operating return on sales decreased to –1.9 (6.3%).

The Volkswagen Group's earnings before tax amounted to €–1.3 billion in fiscal year 2015, €16.1 billion lower than in the previous year. The return on sales before tax fell from 7.3% to –0.6%. The income tax expense amounted to €0.1 (3.7) billion. Earnings after tax were down €12.4 billion on the prior-year figure, at €–1.4 billion.

Results of operations in the Automotive Division

The Automotive Division's sales revenue rose year-on-year to €183.9 (177.5) billion in the reporting period. The increase was primarily due to positive mix effects and the exchange rate trend, which was partly offset by a decline in vehicle unit sales. As our Chinese joint ventures are accounted for using the equity method, the Group's business growth in the Chinese passenger car market is mainly reflected in consolidated sales revenue only by deliveries of vehicles and vehicle parts.

Cost of sales was negatively impacted by increased depreciation charges as a result of high capital expenditures, increased research and development expenditures – particularly for new drive concepts – and exchange rate effects. Other items recognized here comprised the charges for technical measures and repurchases in connection with the diesel issue. Improved product costs had a positive effect. The ratio of cost of sales to sales revenue rose year-on-year. At €28.4 (31.2) billion, gross profit in the Automotive Division was below the previous year.

Distribution expenses in the reporting period were 16.1% higher than in the previous year as a result of the emissions issue and exchange rate effects. The ratio of distribution expenses to sales revenue also increased. Administrative expenses rose by 4.0% due among other things to exchange rate effects, although the ratio of administrative expenses to sales revenue remained unchanged. The other operating result declined by €10.9 billion to €–6.8 billion. The change is largely attributable to negative exchange rate effects, the special items resulting from legal risks in connection with the diesel issue and the restructuring expenses in the trucks business and in the passenger cars business area in South America.

The Automotive Division generated an operating result of €–6.3 billion in fiscal year 2015, down €17.1 billion on the previous year due in particular to the special items. The operating return on sales fell to –3.4 (6.1)%. The operating result before special items was €10.6 (10.8) billion. Declining vehicle volumes, higher depreciation and amortization charges as a result of the high volume of capital expenditures, higher upfront expenditures – especially for new drive concepts – and market support measures linked to the emissions issue weighed on the operating result. It was positively impacted by optimized product costs, improvements in the mix and more favorable exchange rates. Since the profit recorded by the joint venture companies is accounted for in the financial result using the equity method, the business growth of our Chinese joint ventures is mainly reflected in the Group's operating result only by deliveries of vehicles and vehicle parts as well as license revenue.

The financial result improved by €0.6 billion to €2.7 billion. The increase was due to the disposal gain on the shares in Suzuki, income from the Chinese joint ventures, which was up on the prior-year figures, as a result of exchange rate effects as well as lower overall finance costs. Higher expenses from the measurement of derivative financial instruments at the reporting date and negative remeasurement effects relating to the put options and compensation rights in the context of the control and profit and loss transfer agreement with MAN SE had an offsetting effect.

RESULTS OF OPERATIONS IN THE PASSENGER CARS BUSINESS AREA

€ million	2015	2014
Sales revenue	149,716	143,601
Gross profit	23,023	26,153
Operating result	−7,013	9,835
Operating return on sales (%)	−4.7	6.8

The Passenger Cars Business Area recorded sales revenue of €149.7 billion in fiscal year 2015, up 4.3% on the 2014 figure. Gross profit declined to €23.0 (26.2) billion. The operating result fell by €16.8 billion to €–7.0 billion; the operating return on sales decreased to –4.7 (6.8)%. The special items and the declining vehicle unit sales, higher depreciation and amortization charges as a result of the high volume of capital expenditures and increased research and development costs had a negative impact. Optimized product costs, improvements in the mix and more favorable exchange rates were unable to compensate for these effects.

RESULTS OF OPERATIONS IN THE COMMERCIAL VEHICLES/ POWER ENGINEERING BUSINESS AREA

€ million	2015	2014
Sales revenue	34,220	33,937
Gross profit	5,359	5,074
Operating result	709	945
Operating return on sales (%)	2.1	2.8

The Commercial Vehicles/Power Engineering Business Area generated sales revenue of €34.2 (33.9) billion in fiscal year 2015, of which €3.8 (3.7) billion was attributable to the Power Engineering segment. Gross profit rose by 5.6% to €5.4 billion. The operating result decreased to €0.7 (0.9) billion, while the operating return on sales declined from 2.8% to 2.1%. The reasons for this decline were the difficult environment in Brazil and Russia, together with the related decrease in volumes, as well as the restructuring measures in the trucks business, which could not be offset by positive exchange rate effects and the expansion of the service business. At €123 (44) million, the operating result in the Power Engineering segment exceeded the prior-year figure.

Results of operations in the Financial Services Division

The Financial Services Division generated sales revenue of €29.4 billion in fiscal year 2015. The 17.8% year-on-year increase was attributable to higher business volumes and positive exchange rate effects.

At €5.5 billion, gross profit was 4.4% higher than in the previous year despite sustained pressure on margins and higher depreciation and amortization charges.

Because of the higher volumes and in particular the need to comply with continued increase in regulatory requirements, distribution and administrative expenses increased in the year under review, although the ratios of both to sales revenue declined slightly. Other operating result amounted to €–0.5 (–0.9) billion.

The operating result at the Financial Services Division rose by 16.6% year-on-year to €2.2 billion, again making a significant contribution to the Group's result. The operating return on sales declined to 7.6 (7.7)%. At 12.2 (12.5)%, the return on equity was down on the prior-year figure.

PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT

Financial management at the Volkswagen Group covers liquidity management, currency, interest rate and commodity risk management, as well as credit and country risk management. It is performed centrally for all Group companies by Group Treasury, based on internal directives and risk parameters. The MAN and Porsche Holding Salzburg subgroups are integrated into the main financial management functions, while Scania is integrated to a very limited extent. Additionally, these subgroups have their own well-established financial management structures.

The goal of liquidity management is to ensure that the Volkswagen Group remains solvent at all times and at the same time to generate an adequate return from the investment of surplus funds. We use cash pooling to optimize the use of existing liquidity between the significant companies in Europe. To do this, the – positive or negative – balances accumulating on the cash pooling accounts are swept daily into a target account at Group Treasury and thus pooled. Currency, interest rate and commodity risk management is designed to hedge the prices on which investment, production and sales plans are based using derivative financial instruments. Credit and country risk management aims to use diversification to avoid exposing the Volkswagen Group to the risk of loss or default. To achieve this, internal limits are defined on the basis of various credit risks for the volume of business per counterparty when entering into financial transactions. These primarily focus on the capital resources of potential counterparties, as well as the ratings awarded by independent agencies. The relevant risk limits and the authorized financial instruments, hedging methods and hedging horizons are approved by the Executive Committee for Liquidity and Foreign Currency.

For additional information on the principles and goals of financial management, please refer to page 185 and to the notes to the 2015 consolidated financial statements on pages 278 to 286.

FINANCIAL POSITION

Financial position of the Group

The Volkswagen Group generated gross cash flow of €16.3 billion in fiscal year 2015, representing a 38.7% decline year-on-year. Funds tied up in working capital amounted to €2.6 billion, down €13.2 billion on the previous year. The special items had a negative impact on gross cash flow and a positive effect on the change in working capital. Cash flows from operating activities were up by €2.9 billion year-on-year and amounted to €13.7 billion.

At €15.5 (16.5) billion, the Volkswagen Group's investing activities attributable to operating activities were down year-on-year, mainly due to the sale of the Suzuki shares. Within this item, investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) increased from €12.0 billion to €13.2 billion, and capitalized development costs also rose by €0.4 billion to €5.0 billion. Net cash flow amounted to €–1.8 (5.7) billion.

Cash inflows from financing activities amounted to €9.1 (4.6) billion. This figure includes the dual-tranche hybrid notes successfully placed in March 2015, which was largely offset by dividend payments. In the previous year, the figure included the increase in the interest in Scania, a capital increase and the issuance of hybrid notes.

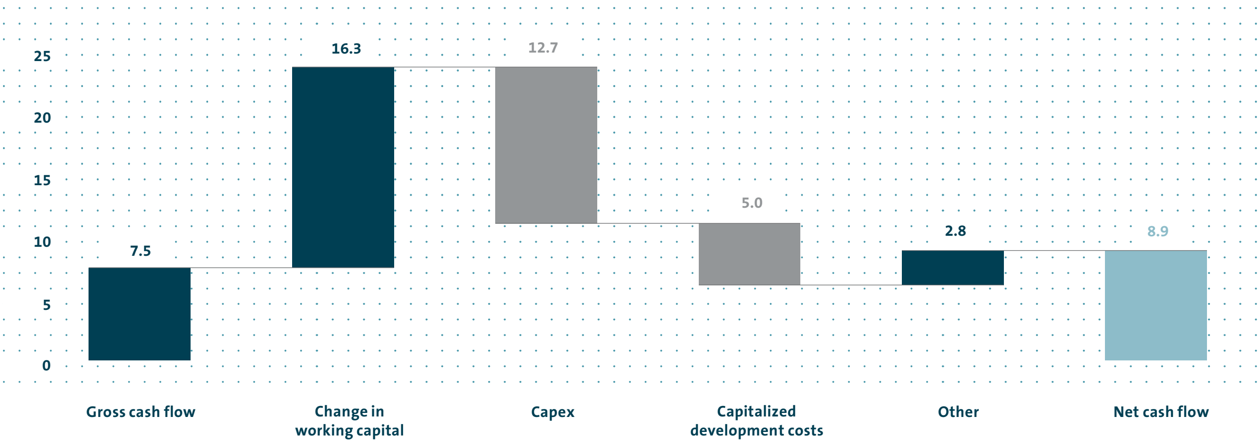
The Group's net liquidity amounted to €–100.5 billion on December 31, 2015, compared with €–96.5 billion as of year-end 2014.

CASH FLOW STATEMENT BY DIVISION

	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2015	2014	2015	2014	2015	2014
Cash and cash equivalents at beginning of period	**18,634**	**22,009**	**16,010**	**19,285**	**2,624**	**2,724**
Earnings before tax	−1,301	14,794	−3,634	12,829	2,333	1,965
Income taxes paid	−3,238	−4,040	−2,985	−3,489	−254	−552
Depreciation and amortization expense[2]	19,693	16,964	13,516	12,320	6,176	4,644
Change in pension provisions	309	148	295	137	14	12
Other noncash income/expense and reclassifications[3]	817	−1,317	325	−1,631	493	313
Gross cash flow	**16,280**	**26,549**	**7,518**	**20,166**	**8,762**	**6,383**
Change in working capital	**−2,601**	**−15,764**	**16,278**	**1,427**	**−18,880**	**−17,191**
Change in inventories	−3,149	−2,214	−2,706	−2,111	−444	−103
Change in receivables	−1,807	−1,433	−1,001	983	−805	−2,416
Change in liabilities	2,807	4,764	2,641	3,228	166	1,536
Change in other provisions	18,019	413	17,989	514	30	−101
Change in lease assets (excluding depreciation)	−10,808	−8,487	−765	−749	−10,043	−7,738
Change in financial services receivables	−7,663	−8,807	120	−438	−7,784	−8,370
Cash flows from operating activities	**13,679**	**10,784**	**23,796**	**21,593**	**−10,117**	**−10,809**
Cash flows from investing activities attributable to operating activities	**−15,523**	**−16,452**	**−14,909**	**−15,476**	**−614**	**−976**
of which: investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs	−13,213	−12,012	−12,738	−11,495	−476	−517
capitalized development costs	−5,021	−4,601	−5,021	−4,601	–	–
acquisition and disposal of equity investments	2,178	−242	2,361	242	−183	−485
Net cash flow[4]	***−1,845***	***−5,668***	***8,887***	***6,117***	***−10,731***	***−11,784***
Change in investments in securities and loans	−5,628	−2,647	−3,506	−1,694	−2,122	−953
Cash flows from investing activities	**−21,151**	**−19,099**	**−18,415**	**−17,170**	**−2,736**	**−1,928**
Cash flows from financing activities	**9,068**	**4,645**	**−6,333**	**−7,945**	**15,401**	**12,590**
of which: capital transactions with noncontrolling interests	−0	−6,535	−0	−6,535	–	–
Capital contributions/capital redemptions	2,457	4,932	140	2,605	2,317	2,326
Effect of exchange rate changes on cash and cash equivalents	232	294	236	248	−4	46
Net change in cash and cash equivalents	**1,828**	**−3,375**	**−717**	**−3,275**	**2,544**	**−100**
Cash and cash equivalents at Dec. 31[5]	**20,462**	**18,634**	**15,294**	**16,010**	**5,168**	**2,624**
Securities, loans and time deposits	24,613	18,893	14,812	11,424	9,801	7,468
Gross liquidity	**45,075**	**37,527**	**30,105**	**27,435**	**14,969**	**10,092**
Total third-party borrowings	−145,604	−133,980	−5,583	−9,795	−140,021	−124,184
Net liquidity	**−100,530**	**−96,453**	**24,522**	**17,639**	**−125,052**	**−114,092**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Net of impairment reversals.
3 These relate mainly to the fair value measurement of financial instruments, application of the equity method and reclassification of gains/losses on disposal of noncurrent assets and equity investments to investing activities.
4 Net cash flow: cash flows from operating activities, net of cash flows from investing activities attributable to operating activities.
5 Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.

AUTOMOTIVE DIVISION NET CASH FLOW
€ billion



Financial position in the Automotive Division

In fiscal year 2015, the Automotive Division generated gross cash flow of €7.5 billion; the decline of €12.6 billion compared with the 2014 figure was primarily due to the special items, which were partly offset by the positive change in the quality of earnings and higher dividend payments by the Chinese joint ventures. The change in working capital of €16.3 (1.4) billion resulted primarily from the impact of the special items, which have not yet been reflected in cash flow. Cash flows from operating activities increased by €2.2 billion to €23.8 billion.

At €14.9 (15.5) billion, investing activities attributable to operating activities in the year under review were down year-on-year. Capex rose to €12.7 (11.5) billion, producing a capex ratio of 6.9 (6.5)%. We invested mainly in our production facilities and in models that we launched in 2015 or are planning to launch in 2016. These are primarily vehicles in the Tiguan, Passat, Touran, Audi A4, Audi Q7, Audi Q5 and Audi A8 series, as well as the Porsche Panamera and the Bentley Bentayga. Other investment priorities were the ecological focus of our model range, the growing use of electric drives and our modular toolkits. Capitalized development costs rose to €5.0 (4.6) billion. Investing activities in 2015 included a cash inflow of €3.1 billion from the sale of the Suzuki shares. The prior-year figure included the intragroup sale of MAN Finance International GmbH.

The Automotive Division's net cash flow improved by €2.8 billion to €8.9 billion.

In financing activities, the capital increases carried out by Volkswagen AG at Volkswagen Financial Services AG in fiscal year 2015 in order to finance the growth in business volumes and comply with the increase in regulatory capital requirements resulted in outflows of €2.3 billion. In May, a total dividend of €2.3 billion, €0.4 billion higher than in the previous year, was distributed to Volkswagen AG shareholders. Conversely, the successful placement of dual-tranche hybrid notes with an aggregate principal amount of €2.5 billion via Volkswagen International Finance N.V. in March resulted in a cash inflow. These consist of a €1.1 billion note that carries a coupon of 2.5% and has a first call date after seven years, and a €1.4 billion note that carries a coupon of 3.5% and has a first call date after 15 years. Both tranches are perpetual and increase equity by the full amount, net of transaction costs, among other things. €2.5 billion of the hybrid notes was classified as a capital contribution, which increased net liquidity. The Automotive Division's financing activities also include the issuance and redemption of bonds and other financial liabilities in the total amount of €–6.3 (–7.9) billion. In the previous year, the figure included the acquisition of Scania shares, a capital increase and the issuance of hybrid notes.

The Automotive Division recorded net liquidity of €24.5 billion as of December 31, 2015; at year-end 2014, it was €17.6 billion.

FINANCIAL POSITION IN THE PASSENGER CARS BUSINESS AREA

€ million	2015	2014
Gross cash flow	4,722	17,965
Change in working capital	15,469	2,682
Cash flows from operating activities	20,191	20,647
Cash flows from investing activities attributable to operating activities	−12,434	−13,942
Net cash flow	7,757	6,705

Gross cash flow in the Passenger Cars Business Area amounted to €4.7 billion in fiscal year 2015, 73.7% lower than in the previous year. The decrease was primarily attributable to the special items, which at the same time had a positive effect on working capital. At €15.5 (2.7) billion, this increased as against the previous year. Cash flows from operating activities decreased by 2.2% to €20.2 billion. At €12.4 (13.9) billion, investing activities attributable to operating activities were down year-on-year, largely due to the sale of the Suzuki shares. Capex and capitalized development costs rose to €10.9 (10.1) billion and €4.2 (4.0) billion, respectively. Net cash flow increased by €1.1 billion to €7.8 billion.

FINANCIAL POSITION IN THE COMMERCIAL VEHICLES/ POWER ENGINEERING BUSINESS AREA

€ million	2015	2014
Gross cash flow	2,795	2,201
Change in working capital	810	−1,255
Cash flows from operating activities	3,605	946
Cash flows from investing activities attributable to operating activities	−2,475	−1,534
Net cash flow	1,129	−588

The Commercial Vehicles/Power Engineering Business Area generated gross cash flow of €2.8 billion in the reporting period, up €0.6 billion on the previous year despite the special items from restructuring expenses. €0.8 billion was released from working capital in the reporting period, after funds of €1.3 billion were tied up in the previous year. As a result, cash flows from operating activities rose to €3.6 (0.9) billion. Investing activities attributable to operating activities increased year-on-year to €2.5 (1.5) billion. The increase was due in particular to capital expenditures on the new plant in Wrzesnia, Poland, and on the successor to the Volkswagen Crafter that will be built there in the future. Net cash flow rose by €1.7 billion to €1.1 billion in the reporting period.

Financial position in the Financial Services Division

The Financial Services Division's gross cash flow rose by 37.3% year-on-year to €8.8 billion in the fiscal year due to an improvement in earnings quality. Funds tied up in working capital increased by €1.7 billion to €18.9 billion as a result of higher volumes. At €0.6 (1.0) billion, investing activities attributable to operating activities were significantly lower than in the previous year, when the figure reflected the intragroup acquisition of MAN Finance International GmbH. Volkswagen AG contributed a capital increase of €2.3 billion to the Financial Services Division's financing activities to finance the expected growth in business in existing and new markets as well as to comply with the continued increase in regulatory requirements. Cash inflows to financing activities amounted to €15.4 (12.6) billion overall.

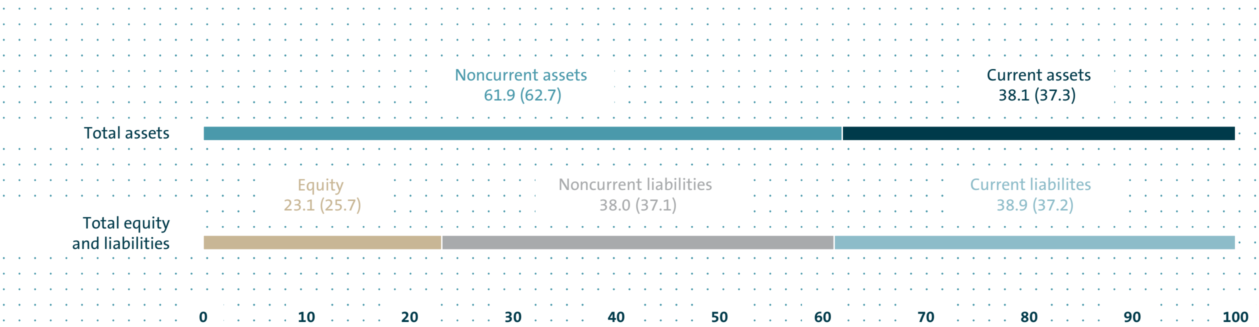
The Financial Services Division's negative net liquidity, which is common in the industry, amounted to €–125.1 billion at the end of the reporting period, compared with €–114.1 billion on December 31, 2014.

CONSOLIDATED BALANCE SHEET BY DIVISION AS OF DECEMBER 31

	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2015	2014	2015	2014	2015	2014
Assets						
Noncurrent assets	**236,548**	**220,106**	**132,812**	**128,231**	**103,736**	**91,875**
Intangible assets	61,147	59,935	60,918	59,697	228	237
Property, plant and equipment	50,171	46,169	47,768	44,080	2,403	2,089
Lease assets	33,173	27,585	2,931	2,815	30,242	24,770
Financial services receivables	63,185	57,877	–	–	63,185	57,877
Investments, equity-accounted investments and other equity investments, other receivables and financial assets	28,873	28,541	21,195	21,639	7,678	6,902
Current assets	**145,387**	**131,102**	**74,019**	**69,180**	**71,367**	**61,923**
Inventories	35,048	31,466	31,369	28,269	3,679	3,197
Financial services receivables	46,888	44,398	−614	−464	47,502	44,862
Other receivables and financial assets	27,572	25,254	15,315	15,677	12,257	9,577
Marketable securities	15,007	10,861	12,261	9,197	2,747	1,664
Cash, cash equivalents and time deposits	20,871	19,123	15,688	16,499	5,183	2,624
Total assets	**381,935**	**351,209**	**206,831**	**197,411**	**175,103**	**153,798**
Equity and liabilities						
Equity	**88,270**	**90,189**	**67,366**	**72,815**	**20,905**	**17,374**
Equity attributable to Volkswagen AG shareholders	80,500	84,950	59,898	67,828	20,603	17,122
Equity attributable to Volkswagen AG hybrid capital investors	7,560	5,041	7,560	5,041	–	–
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	88,060	89,991	67,458	72,870	20,603	17,122
Noncontrolling interests	210	198	−92	−55	302	253
Noncurrent liabilities	**145,175**	**130,314**	**73,568**	**66,438**	**71,607**	**63,876**
Financial liabilities	73,292	68,416	9,557	10,643	63,735	57,773
Provisions for pensions	27,535	29,806	27,119	29,361	415	445
Other liabilities	44,349	32,092	36,892	26,434	7,457	5,658
Current liabilities	**148,489**	**130,706**	**65,898**	**58,158**	**82,591**	**72,547**
Put options and compensation rights granted to noncontrolling interest shareholders	3,933	3,703	3,933	3,703	–	–
Financial liabilities	72,313	65,564	−3,974	−847	76,286	66,411
Trade payables	20,460	19,530	18,709	17,838	1,751	1,692
Other liabilities	51,783	41,909	47,229	37,465	4,554	4,444
Total equity and liabilities	**381,935**	**351,209**	**206,831**	**197,411**	**175,103**	**153,798**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions, primarily intragroup loans.

CONSOLIDATED BALANCE SHEET STRUCTURE 2015
in percent



NET ASSETS

Consolidated balance sheet structure

At €381.9 billion, the Volkswagen Group's total assets as of December 31, 2015 exceeded the prior-year figure by 8.7%, due among other things to the increased business volume of the Financial Services Division and to currency factors. The structure of the consolidated balance sheet as of the reporting date can be seen from the chart above on this page. The Volkswagen Group's equity amounted to €88.3 (90.2) billion at the end of fiscal year 2015. The equity ratio decreased to 23.1 (25.7)%.

As of December 31, 2015, the Group had off-balance-sheet commitments in the form of contingent liabilities in the amount of €3.5 (3.1) billion, financial guarantees in the amount of €1.6 (1.4) billion and other financial obligations in the amount of €25.4 (27.3) billion. The latter primarily result from purchase commitments for property, plant and equipment, as well as obligations under long-term leasing and rental contracts and irrevocable credit commitments to customers. Furthermore, negotiations regarding the diesel issue are currently being conducted with the authorities in the USA concerning possible investments in environmental projects and e-mobility. The investments are expected to amount to approximately €1.8 billion. Their content and timing have yet to be defined.

Automotive Division balance sheet structure

The Automotive Division's intangible assets and in particular its property, plant and equipment, which reflect the high volume of capital expenditures, were up on the year-end 2014 figures as of December 31, 2015. While equity-accounted investments rose mainly as a result of the acquisition of the shares in HERE, a technology provider for maps and location services, other equity investments declined due to the sale of the shares in Suzuki. Noncurrent assets rose by a total of 3.6%.

Overall, current assets increased by 7.0% year-on-year; within this item, inventories rose by 11.0% due to production-related and exchange rate factors. Marketable securities amounted to €12.3 (9.2) billion and cash and cash equivalents declined by €0.8 billion to €15.7 billion.

The Automotive Division's equity amounted to €67.4 billion at the end of 2015, down 7.5% on the December 31, 2014 figure. It was positively affected by healthy earnings growth before special items, the hybrid notes issued in March and lower actuarial losses from the measurement of pension provisions. Charges resulting from the special items, amounts recognized in other comprehensive income due to the measurement of derivatives and the dividend payment to Volkswagen AG shareholders had an offsetting effect. The capital increases implemented in the Financial Services Division also reduced equity in the Automotive Division, where the deduction was recognized. The noncontrolling interests are mainly attributable to RENK AG and AUDI AG. Since these were lower overall than the noncontrolling interests attributable to the Financial Services Division, the figure for the Automotive Division, where the deduction was recognized, was negative. The division's equity ratio decreased to 32.6 (36.9)%.

Noncurrent liabilities increased year-on-year to €73.6 (66.4) billion. Within this item, other liabilities were higher due to negative effects from the measurement of derivatives, while other provisions rose as a result of the special items. In contrast, pension provisions decreased following the change in the discount rate.

Current liabilities totaled €65.9 billion, up 13.3% on the year-end 2014 figure. Other liabilities increased due to the measurement of derivatives, and other provisions rose as a result of the special items. Reclassifications from noncurrent to current liabilities, in particular due to shorter remaining maturities, led to an increase in current financial liabilities. The figures for the Automotive Division also contain the elimination of intragroup transactions between the Automotive and Financial Services divisions. As the current financial liabilities for the primary Automotive Division were lower than the loans granted to the Financial Services division, a negative amount was disclosed for the reporting period. The item "Put options and compensation rights granted to noncontrolling interest shareholders" primarily comprises the liability for the obligation to acquire the shares held by the remaining free float shareholders of MAN. The item was adjusted to €3.9 (3.7) billion, mainly due to the increase in the cash settlement payment from the first instance of the award proceedings.

The Automotive Division's total assets amounted to €206.8 billion as of December 31, 2015, up 4.8% on the year-end 2014 figure.

PASSENGER CARS BUSINESS AREA BALANCE SHEET STRUCTURE

€ million	2015	2014
Noncurrent assets	105,028	101,459
Current assets	57,289	52,869
Total assets	**162,317**	**154,328**
Equity	54,598	58,708
Noncurrent liabilities	61,195	54,366
Current liabilities	46,524	41,254

At year-end 2015, noncurrent assets in the Passenger Cars Business Area were up 3.5% on the prior-year figure at €105.0 billion. Property, plant and equipment increased as a result of the comprehensive investment program, and equity-accounted investments rose primarily because of the acquisition of the shares in HERE. Current assets rose by 8.4% to €57.3 billion, mainly due to the increase in inventories and marketable securities. Total assets amounted to €162.3 (154.3) billion as of December 31, 2015.

Equity declined by €4.1 billion to €54.6 billion, despite the healthy earnings performance before special items. Noncurrent liabilities increased by 12.6%, while current liabilities rose by 12.8% – this figure includes reclassifications resulting from shorter maturities. Both noncurrent and current provisions increased because of the special items, especially those relating to the diesel issue.

COMMERCIAL VEHICLES/POWER ENGINEERING BUSINESS AREA BALANCE SHEET STRUCTURE

€ million	2015	2014
Noncurrent assets	27,784	26,772
Current assets	16,730	16,311
Total assets	**44,515**	**43,083**
Equity	12,767	14,107
Noncurrent liabilities	12,373	12,072
Current liabilities	19,374	16,904

In the Commercial Vehicles/Power Engineering Business Area, both noncurrent and current assets were up year-on-year at the end of the reporting period. Total assets rose to €44.5 (43.1) billion.

At €12.8 billion, equity was down 9.5% on the previous year. Noncurrent liabilities increased by 2.5% and current liabilities by 14.6% compared with the 2014 reporting date.

Financial Services Division balance sheet structure

The Financial Services Division's total assets amounted to €175.1 billion on December 31, 2015, 13.9% higher than at the 2014 year-end.

The increase in lease assets and noncurrent financial services receivables due to the positive business performance and exchange rate effects saw noncurrent assets rise by 12.9% overall. Current assets were up 15.3% on the prior-year figure, also as a result of volume-related factors and exchange rate effects. Within this item, current financial services receivables increased by €2.6 billion to €47.5 billion, while cash and cash equivalents rose by €2.6 billion to €5.2 billion. The Financial Services Division accounted for approximately 45.8% of the Volkswagen Group's assets at the reporting date.

At €20.9 billion, the Financial Services Division's equity as of December 31, 2015 exceeded the prior-year figure by 20.3%. In addition to earnings growth, equity was pushed up by capital increases implemented by Volkswagen AG to finance the growth in business and meet regulatory capital requirements. The equity ratio was 11.9 (11.3)%. Noncurrent liabilities rose by 12.1% and current liabilities increased by 13.8% as against year-end 2014. In both cases, this was attributable to the funding of volume growth and exchange rate effects. At €26.5 (25.3) billion, deposits from direct banking business were higher than in the previous year. The debt to equity ratio amounted to 7:1.

FINANCIAL KEY PERFORMANCE INDICATORS

%	2015	2014	2013	2012	2011
Volkswagen Group					
Gross margin	15.9	18.0	18.1	18.2	17.6
Personnel expense ratio	17.0	16.7	16.1	15.3	15.0
Return on sales before tax	–0.6	7.3	6.3	13.2	11.9
Return on sales after tax	–0.6	5.5	4.6	11.4	9.9
Equity ratio	23.1	25.7	27.8	26.5	25.0
Dynamic gearing[1] (years)	0.1	0.1	0.1	0.1	0.1
Automotive Division[2]					
Change in unit sales year-on-year[3]	–2.0	+ 5.0	+ 4.1	+ 11.8	+ 14.9
Change in sales revenue year-on-year	+ 3.6	+ 1.4	+ 1.3	+ 21.6	+ 26.0
Operating result as a percentage of sales revenue	–3.4	6.1	5.6	5.7	7.0
EBITDA (in € million)[4]	7,212	23,100	20,594	19,895	17,815
Return on investment (ROI)[5]	–0.2	14.9	14.5	16.6	17.7
Cash flows from operating activities as a percentage of sales revenue	12.9	12.2	11.8	9.4	12.0
Cash flows from investing activities as a percentage of sales revenue	8.1	8.7	9.3	9.5	11.3
Capex as a percentage of sales revenue	6.9	6.5	6.3	5.9	5.6
Ratio of noncurrent assets to total assets[6]	23.1	22.3	21.3	21.0	21.5
Ratio of current assets to total assets[7]	15.2	14.3	13.4	14.3	17.4
Inventory turnover	5.8	6.2	6.5	6.4	6.9
Equity ratio	32.6	36.9	39.8	37.9	35.9
Financial Services Division					
Increase in total assets	13.9	15.1	3.9	19.5	22.5
Return on equity before tax[8]	12.2	12.5	14.3	13.1	14
Equity ratio	11.9	11.3	10.5	10.4	10.1

1 Ratio of cash flows from operating activities to current and noncurrent financial liabilities.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Including the Chinese joint ventures. These companies are accounted for using the equity method.
4 Operating result plus net depreciation/amortization and impairment losses/reversals of impairment losses on property, plant and equipment, capitalized development costs, lease assets, goodwill and financial assets as reported in the cash flow statement.
5 For details, see Value-based management on page 123.
6 Ratio of property, plant and equipment to total assets.
7 Ratio of inventories to total assets.
8 Earnings before tax as a percentage of average equity.

VALUE ADDED STATEMENT

The value added statement indicates the added value generated by a company in the past fiscal year as its contribution to the gross domestic product of its home country, and how it is appropriated. The value added generated by the Volkswagen Group in the year under review was down 20.5% year-on-year in particular as a result of the negative special items in connection with the diesel issue. Added value per employee declined to €80.1 thousand (–22.9%) in 2015. Employees in the passive phase of their partial retirement are not included in the calculation.

VALUE ADDED GENERATED BY THE VOLKSWAGEN GROUP

Source of funds in € million	2015		2014	
Sales revenue	213,292		202,458	
Other income	20,092		14,192	
Cost of materials	−143,700		−132,514	
Depreciation and amortization	−19,693		−16,964	
Other upfront expenditures	−28,578		−15,063	
Value added	**41,413**		**52,109**	

Appropriation of funds in € million	2015	%	2014	%
to shareholders (dividend, 2015 dividend proposal)	68	0.2	2,294	4.4
to employees (wages, salaries, benefits)	36,268	87.6	33,834	64.9
to the state (taxes, duties)	3,033	7.3	3,817	7.3
to creditors (interest expense)	3,472	8.4	3,389	6.5
to the Company (reserves)	−1,428	−3.4	8,774	16.8
Value added	**41,413**	**100.0**	**52,109**	**100.0**

FIVE-YEAR REVIEW

	2015	2014	2013	2012	2011
Volume Data (thousands)					
Vehicle sales (units)	**10,010**	**10,217**	**9,728**	**9,345**	**8,361**
Germany	1,279	1,247	1,187	1,207	1,211
Abroad	8,731	8,970	8,541	8,137	7,150
Production (units)	**10,017**	**10,213**	**9,728**	**9,255**	**8,494**
Germany	2,681	2,559	2,458	2,321	2,640
Abroad	7,336	7,653	7,270	6,934	5,854
Employees (yearly average)	**604**	**583**	**563**	**533**	**454**
Germany	276	265	255	237	196
Abroad	329	318	308	296	258
Financial Data (in € million)					
Income Statement					
Sales revenue	**213,292**	**202,458**	**197,007**	**192,676**	**159,337**
Cost of sales	179,382	165,934	161,407	157,522	131,371
Gross profit	**33,911**	**36,524**	**35,600**	**35,154**	**27,965**
Distribution expenses	23,515	20,292	19,655	18,850	14,582
Administrative expenses	7,197	6,841	6,888	6,220	4,384
Net other operating income	−7,267	3,306	2,613	1,415	2,271
Operating result	**−4,069**	**12,697**	**11,671**	**11,498**	**11,271**
Financial result	2,767	2,097	757	13,989	7,655
Earnings before tax	**−1,301**	**14,794**	**12,428**	**25,487**	**18,926**
Income tax expense	59	3,726	3,283	3,606	3,126
Earnings after tax	**−1,361**	**11,068**	**9,145**	**21,881**	**15,799**
Cost of materials	**143,700**	**132,514**	**127,089**	**122,450**	**104,648**
Personnel expenses	**36,268**	**33,834**	**31,747**	**29,504**	**23,854**
Balance Sheet (at December 31)					
Noncurrent assets	236,548	220,106	202,141	196,457	148,129
Current assets	145,387	131,102	122,192	113,061	105,640
Total assets	**381,935**	**351,209**	**324,333**	**309,518**	**253,769**
Equity	88,270	90,189	90,037	81,995	63,354
of which: noncontrolling interests	210	198	2,304	4,313	5,815
Noncurrent liabilities	145,175	130,314	115,672	121,996	89,179
Current liabilities	148,489	130,706	118,625	105,526	101,237
Total equity and liabilities	**381,935**	**351,209**	**324,333**	**309,518**	**253,769**
Cash flows from operating activities	**13,679**	**10,784**	**12,595**	**7,209**	**8,500**
Cash flows from investing activities attributable to operating activities	**15,523**	**16,452**	**14,936**	**16,840**	**16,002**
Cash flows from financing activities	**9,068**	**4,645**	**8,973**	**13,712**	**8,316**

RETURN ON INVESTMENT (ROI) AND VALUE CONTRIBUTION

The Volkswagen Group's financial target system centers on continuously and sustainably increasing the value of the Company. We have been using the return on investment (ROI) and value contribution*, a key performance indicator linked to the cost of capital, for a number of years in order to use resources in the Automotive Division efficiently and to measure the success of this.

The concept of value-based management allows the success of the Automotive Division and individual business units to be evaluated. It also enables the earnings power of our products, product lines and projects – such as new plants – to be measured.

Components of value contribution

Value contribution is calculated on the basis of the operating result after tax and the opportunity cost of invested capital. The operating result shows the economic performance of the Automotive Division and is initially a pre-tax figure.

Using the various international income tax rates of the relevant companies, we assume an overall average tax rate of 30% when calculating the operating result after tax.

The cost of capital is multiplied by the invested capital to give the opportunity cost of capital. Invested capital is calculated as total operating assets (property, plant and equipment, intangible assets, lease assets, inventories and receivables) less non-interest-bearing liabilities (trade payables and payments on account received).

As the concept of value-based management only comprises our operating activities, assets relating to investments in subsidiaries and associates and the investment of cash funds are not included when calculating invested capital. Interest charged on these assets is reported in the financial result.

Determining the current cost of capital

The cost of capital is the weighted average of the required rates of return on equity and debt. The cost of equity is determined using the Capital Asset Pricing Model (CAPM).

This model uses the yield on long-term risk-free Bunds, increased by the risk premium attaching to investments in the equity market. The risk premium comprises a general market risk and a specific business risk.

The general risk premium of 6.5% reflects the general risk of a capital investment in the equity market and is oriented on the Morgan Stanley Capital International (MSCI) World Index.

The specific business risk – price fluctuations in Volkswagen preferred shares – has been modeled in comparison to the MSCI World Index when calculating the beta factor. The MSCI World Index is a global capital market benchmark for investors.

The analysis period for the beta factor calculation spans five years with annual beta figures on a daily basis and an average subsequently being calculated. A beta factor of 1.28 (1.38) was determined for 2015.

COST OF CAPITAL AFTER TAX AUTOMOTIVE DIVISION

%	2015	2014
Risk-free rate	1.2	1.7
MSCI World Index market risk premium	6.5	6.5
Volkswagen-specific risk premium	1.8	2.5
(Volkswagen beta factor)	(1.28)	(1.38)
Cost of equity after tax	**9.5**	**10.7**
Cost of debt	2.0	2.3
Tax	−0.6	−0.7
Cost of debt after tax	**1.4**	**1.6**
Proportion of equity	66.7	66.7
Proportion of debt	33.3	33.3
Cost of capital after tax	**6.8**	**7.7**

The cost of debt is based on the average yield for long-term debt. As borrowing costs are tax-deductible, the cost of debt is adjusted to account for the tax rate of 30%.

A weighting on the basis of a fixed ratio for the fair values of equity and debt gives an effective cost of capital for the Automotive Division of 6.8 (7.7)% for 2015.

* The value contribution corresponds to the Economic Value Added (EVA®). EVA® is a registered trademark of Stern Stewart & Co.

RETURN ON INVESTMENT (ROI) AND VALUE CONTRIBUTION IN THE REPORTING PERIOD

The operating result after tax of the Automotive Division, including the proportionate operating result of the Chinese joint ventures, was €–203 (11,734) million in fiscal year 2015. The year-on-year decrease was primarily due to negative special items as a result of the diesel issue. In addition, profit was negatively impacted by declining vehicle volumes, higher depreciation and amortization charges due to the high volume of capital expenditures, higher research and development costs, and market support measures linked to the emissions issue. Optimized product costs, improvements in the mix and more favorable exchange rates had an offsetting effect. Effects on earnings and assets from purchase price allocation are not taken into account as they cannot be influenced operationally by management.

Invested capital rose to €84,289 (78,889) million, primarily due to increased investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex), and higher capitalized development costs.

The return on investment (ROI) is the return on invested capital for a particular period based on the operating result after tax. It was down significantly year-on-year, mainly as a result of the negative special items in operating result, and at –0.2 (14.9)% did not meet our minimum required rate of return of 9%.

At €5,732 (6,074) million, the opportunity cost of capital (invested capital multiplied by cost of capital) was down on the prior-year level due to decreased cost of capital. Operating result after tax was negatively impacted by special items and led to a value contribution of €–5,935 (5,660) million after the opportunity cost of invested capital.

More information on value-based management is contained in our publication entitled "Financial Control System of the Volkswagen Group", which can be downloaded from our Investor Relations website: www.volkswagenag.com/ir

RETURN ON INVESTMENT (ROI) AND VALUE CONTRIBUTION IN THE AUTOMOTIVE DIVISION*

€ million	2015	2014
Operating result after tax	**−203**	**11,734**
Invested capital (average)	84,289	78,889
Return on investment (ROI) in %	**−0.2**	**14.9**
Cost of capital in %	6.8	7.7
Cost of invested capital	**5,732**	**6,074**
Value contribution	**−5,935**	**5,660**

* Including proportionate inclusion of the Chinese joint ventures (including the relevant sales and component companies) and allocation of consolidation adjustments between the Automotive and Financial Services divisions.

SUMMARY OF BUSINESS DEVELOPMENT AND ECONOMIC POSITION

The Board of Management of Volkswagen AG considers business development and the economic position to have been strained. Especially the irregularities in the software used in certain diesel engines posed major challenges for the Company. In addition, the increasingly difficult conditions in the Brazilian, Chinese and Russian vehicle markets led to a decline in deliveries to customers compared with the previous year. Contrary to our original forecast, deliveries of 9.9 million vehicles (–2.0%) failed to exceed the 2014 level. Group sales revenue increased year-on-year, as forecast, and was above the forecast range – due to exchange rate effects, among other factors. In particular, the provisions recognized in connection with the diesel issue weighed on the Group's operating result and operating return on sales; both figures were down significantly on the previous year and the forecast ranges. Excluding special items, the Group's operating result was on a level with 2014, at €12.8 billion. The operating return on sales before special items was in the expected range, at 6.0%.

Sales revenue of the business areas was also up on the respective prior-year figure. While special items resulted in the operating result and the operating return on sales of the Passenger Cars Business Area falling short of the forecast ranges, the Commercial Vehicles/Power Engineering Business Area confirmed the forecast, despite special items from restructuring measures. The Financial Services Division's operating result exceeded the previous year's figure.

Although at 6.9% the ratio of capex to sales revenue in the Automotive Division was higher than in 2014, it was within the expected range. The Automotive Division's net cash flow exceeded the prior year's figure because of the sale of the shares in Suzuki. In addition, the successful placement of dual-tranche hybrid notes strengthened our capital base. The Automotive Division's net liquidity was €6.9 billion higher at the end of the reporting period than at the end of December 2014. The decline in the operating result attributable to special items led to a significant decrease in the Automotive Division's return on investment (ROI), which fell short of the minimum required rate of return on invested capital.

Volkswagen does not tolerate any infringements of rules or laws. The trust of our customers and the public is, and will remain, our most important asset. We will do everything within our power to prevent incidents of these kinds from reoccurring and commit ourselves fully to winning back all of the trust. Through our technologies, vehicles and services, we will contribute to shaping the future of mobility with courage and conviction.

The following table shows an overview of the targets set for the reporting period and the figures actually achieved.

FORECAST VERSUS ACTUAL FIGURES

	Actual 2014	Original Forecast for 2015	Adjusted Forecast for 2015	Actual 2015
Deliveries to customers	10.1 million	moderate increase	on the prior-year level	€9.9 million
Volkswagen Group				
Sales revenue	€202.5 billion	increase up to 4%	increase up to 4%	€213.3 billion
Operating return on sales before special items	6.3%	5.5 – 6.5%	5.5 – 6.5 %	6.0%
Operating return on sales	6.3%	5.5 – 6.5%	–	– 1.9%
Operating result before special items	€12.7 billion	within the forecast range	within the forecast range	€12.8 billion
Operating result	€12.7 billion	within the forecast range	significant decline	€– 4.1 billion
Passenger Cars Business Area				
Sales revenue	€143.6 billion	increase up to 4%	increase up to 4%	€149.7 billion
Operating return on sales	6.8%	6 – 7%	–	– 4.7%
Operating result	€9.8 billion	within the forecast range	significant decline	€– 7.0 billion
Commercial Vehicles/Power Engineering Business Area				
Sales revenue	€33.9 billion	increase up to 4%	increase up to 4%	€34.2 billion
Operating return on sales	2.8%	2 – 4%	2 – 4%	2.1%
Operating result	€0.9 billion	within the forecast range	within the forecast range	€0.7 billion
Financial Services Division				
Sales revenue	€24.9 billion	increase up to 4%	increase up to 4%	€29.4 billion
Operating result	€1.9 billion	on the prior-year level	on the prior-year level	€2.2 billion
Capex/sales revenue in the Automotive Division	6.5%	6 – 7%	6 – 7%	6.9%
Net cash flow in the Automotive Division	€6.1 billion	moderate decline	slight increase	€8.9 billion
Return on investment (ROI) in the Automotive Division	14.9%	9 – 14.9%	significant decline	– 0.2%

Volkswagen AG

(CONDENSED, IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE)

Production, unit sales and sales up on 2014 levels.
Emissions issue leads to net loss for the year.

ANNUAL RESULT

Special items relating to the emissions issue, and in particular provisions for technical measures and legal risks, impacted cost of sales (€7.5 billion), selling expenses (€0.8 billion) and the other operating result (€6.7 billion).

In fiscal year 2015, Volkswagen AG's sales were 6.6% higher than in the previous year, at €73.5 billion. Sales generated abroad accounted for a share of 62.1 (62.3)%. Cost of sales increased by 15.9% to €75.7 billion; as a result, gross profit on sales declined to €–2.2 (3.7) billion.

General and administrative expenses in the reporting period amounted to €9.4 billion, up €2.9 billion on the previous year. At €–7.1 billion, the other operating result was down €8.0 billion year-on-year. The reasons for this include considerably higher provisions for legal and litigation risks.

The financial result increased to €13.8 (6.1) billion, more than doubling compared with 2014. The increase was primarily attributable to higher net investment income.

Volkswagen AG's result from ordinary activities declined to €–4.8 (4.2) billion. After deducting income taxes, the net loss for the year was €–5.5 billion.

INCOME STATEMENT OF VOLKSWAGEN AG

€ million	2015	2014
Sales	73,510	68,971
Cost of sales	–75,693	–65,293
Gross profit on sales	**–2,184**	**3,678**
Selling, general and administrative expenses	–9,364	–6,428
Other operating result	–7,084	870
Financial result*	13,813	6,108
Result from ordinary activities	**–4,819**	**4,227**
Taxes on income	–697	–1,751
Net loss/net income for the fiscal year	**–5,515**	**2,476**
Retained profits brought forward	5	3
Release of/appropriation to revenue reserves	5,580	–180
Net retained profits	**69**	**2,299**

* Including write-downs of financial assets.

BALANCE SHEET OF VOLKSWAGEN AG AS OF DECEMBER 31

€ million	2015	2014
Fixed assets	94,919	87,103
Inventories	4,073	3,932
Receivables*	26,563	16,667
Cash-in-hand and bank balances	7,941	8,434
Total assets	**133,496**	**116,135**
Equity	24,368	28,483
Special tax-allowable reserves	26	33
Long-term debt	26,973	20,883
Medium-term debt	32,003	28,642
Short-term debt	50,126	38,094

* Including prepaid expenses.

NET ASSETS AND FINANCIAL POSITION

Total assets amounted to €133.5 billion at December 31, 2015, €17.4 billion up on the prior-year figure. At €2.7 (2.8) billion, investments in tangible and intangible assets were on a level with the previous year. Investments in financial assets declined by €9.2 billion to €9.1 (18.2) billion. Fixed assets accounted for a share of 71.1 (75.0)% of total assets.

Current assets (including prepaid expenses) increased by a total of €9.5 billion to €38.6 billion, driven among other factors by lending activities and a significant rise in investment income receivable from affiliated companies.

Equity amounted to €24.4 billion at the end of the reporting period; the €4.1 billion decrease year-on-year was primarily due to the impact on earnings of the emissions issue. The capital increase resulting from the settlement of the mandatory convertible notes had a positive effect. The equity ratio was 18.3 (24.5)%.

Other provisions increased by €15.9 billion year-on-year to a total of €28.6 billion. This is primarily attributable to higher warranty provisions and provisions for legal risks resulting from the diesel issue. Due to intragroup agreements, these provisions also cover risks that arise at other Volkswagen Group brands. Provisions for pensions and similar obligations rose by €1.2 billion to €14.3 billion, primarily due to changes in the discount rate, while provisions for taxes decreased by €0.7 billion to €4.6 billion. The €5.0 billion rise in total liabilities (including deferred income) to €61.5 billion is mainly attributable to higher liabilities to banks.

Volkswagen AG's cash funds, comprising cash instruments with a maturity of less than three months, less bank and cash pooling liabilities repayable on demand, declined by €1.6 billion year-on-year to €–5.1 billion, due in particular to the expansion of intragroup financing activities.

At €51.4 (48.2) billion, the interest-bearing portion of debt was up on the previous year.

In our assessment, the economic position of Volkswagen AG is as strained as that of the Volkswagen Group.

DIVIDEND PROPOSAL

Following the release of revenue reserves amounting to €5.6 billion, net retained profits amount to €69.2 million. The Board of Management and Supervisory Board are proposing to pay a total dividend of €67.5 million, i.e. €0.11 per ordinary share and €0.17 per preferred share.

PROPOSAL ON THE APPROPRIATION OF NET PROFIT

€	2015
Dividend distribution on subscribed capital (€1,283 million)	67,514,805.63
of which on: ordinary shares	32,459,879.98
preferred shares	35,054,925.65
Balance (carried forward to new account)	1,693,492.67
Net retained profits	**69,208,298.30**

EMPLOYEE PAY AND BENEFITS AT VOLKSWAGEN AG

€ million	2015	%	2014	%
Direct pay including cash benefits	7,126	71.8	7,292	73.6
Social security contributions	1,227	12.4	1,234	12.5
Compensated absence	1,108	11.2	1,022	10.3
Retirement benefits	461	4.6	359	3.6
Total expense	**9,922**	**100.0**	**9,907**	**100.0**

VEHICLE SALES

Volkswagen AG sold a total of 2,676,629 vehicles in fiscal year 2015, up 2.3% on the previous year. The proportion of vehicles sold outside Germany was 69.4 (69.3)%.

PRODUCTION

Volkswagen AG produced a total of 1,255,771 vehicles at its vehicle production plants in Wolfsburg, Hanover and Emden in the reporting period, up 2.0% year-on-year. Volkswagen AG's average daily production was up on the previous year, at 5,279 units.

EMPLOYEES

As of December 31, 2015, a total of 114,066 people were employed at the sites of Volkswagen AG, excluding staff employed at subsidiaries. Of this figure, 5,055 were vocational trainees. 3,373 employees were in the passive phase of their partial retirement. The workforce grew by 1.3% as against the prior-year reporting date.

Female employees accounted for 16.6% of the workforce. Volkswagen AG employed 4,255 part-time workers (3.7%). The percentage of foreign employees was 6.0%. The proportion of employees in the production area who have completed vocational training relevant for Volkswagen was 83.3%. 18.4% of the employees were graduates. The average age of employees in fiscal year 2015 was 42.9 years.

RESEARCH AND DEVELOPMENT

Research and development costs for Volkswagen AG under the German Commercial Code amounted to €5.3 (4.9) billion in 2015. 12,342 people were employed in this area at the end of the reporting period.

PURCHASING VOLUME

The purchasing volume across the six Volkswagen AG sites in Germany totaled €28.0 (27.2) billion in fiscal year 2015; the proportion attributable to German suppliers was 65.9 (67.7)%. Of the total purchasing volume, €22.6 billion was spent on production materials and €5.4 billion on capital goods and services.

EXPENDITURE ON ENVIRONMENTAL PROTECTION

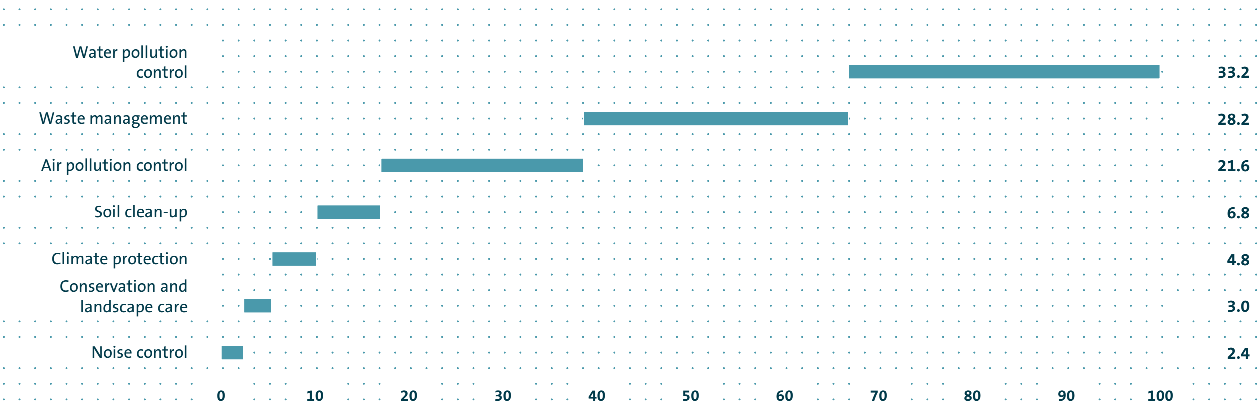
Expenditure on environmental protection measures is split between investments and operating costs for production-related environmental protection. Of our total investments, only those that are spent exclusively or primarily on environmental protection are included in environmental protection investments. We distinguish here between additive and integrated investments. Additive environmental protection measures are separate investments that are independent of other investments relating to the production process. They can be upstream or downstream of the production process. In contrast to additive environmental protection measures, the environmental impact is already reduced during the product development phase in the case of integrated measures. In 2015 we invested primarily in water pollution control and air pollution control.

The operating costs recognized for environmental protection relate exclusively to production-related measures that protect the environment against harmful factors by avoiding, reducing, or eliminating emissions by the Company. Resources are also conserved. For example, these include expenditures incurred to operate equipment that protects the environment as well as expenditures for measures not relating to such equipment. Our focus in 2015 was on water pollution control, waste management and air pollution control.

VOLKSWAGEN AG EXPENDITURE ON ENVIRONMENTAL PROTECTION

€ million	2015	2014	2013	2012	2011
Investments	21	19	14	9	18
Operating costs	244	226	224	216	200

OPERATING COSTS FOR ENVIRONMENTAL PROTECTION AT VOLKSWAGEN AG 2015
Share of environmental protection areas in percent



BUSINESS DEVELOPMENT RISKS AND OPPORTUNITIES AT VOLKSWAGEN AG

The business development of Volkswagen AG is exposed to essentially the same risks and opportunities as the Volkswagen Group. These risks and opportunities are explained in the Report on Risks and Opportunities on pages 170 to 187 of this annual report.

RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risks for Volkswagen AG arising from the use of financial instruments are generally the same as those to which the Volkswagen Group is exposed. An explanation of these risks can be found on pages 185 to 186 of this annual report.

DEPENDENT COMPANY REPORT

The Board of Management of Volkswagen AG has submitted to the Supervisory Board the report required by section 312 of the AktG and issued the following concluding declaration:

"We declare that, based on the circumstances known to us at the time when the transactions with affiliated companies within the meaning of section 312 of the German Stock Corporation Act (AktG) were entered into, our Company received appropriate consideration for each transaction. No transactions with third parties or measures were either undertaken or omitted on the instructions of or in the interests of Porsche or other affiliated companies in the reporting period."

The Annual Financial Statements of Volkswagen AG (in accordance with the HGB) can be accessed from the electronic companies register at www.unternehmensregister.de.

Sustainable Value Enhancement

Volkswagen does not tolerate any infringements of rules or laws. We will do everything in our power to earn our Stakeholders' trust back. We strive for a comprehensive realignment. Our goal is to run our business responsibly along the entire value chain. Everyone should benefit from this – our customers, our employees, the environment and society.

The main financial key performance indicators for the Volkswagen Group are described in the "Results of Operations, Financial Position and Net Assets" chapter. Nonfinancial key performance indicators also attest to the effectiveness of our Company's value drivers. These include our processes in the areas of research and development, procurement, production, marketing and sales, information technology and quality assurance. In all of these processes, we are aware of our responsibility towards our customers, our employees, the environment and society. In this chapter, we show how we increase the value of our Company in a sustainable way using examples.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

The Volkswagen Group is committed to transparent and responsible corporate governance. Implementing this across all levels and every step of the value chain is a challenge: with twelve brands, 119 production locations and more than 610,000 employees, we are one of the world's largest companies.

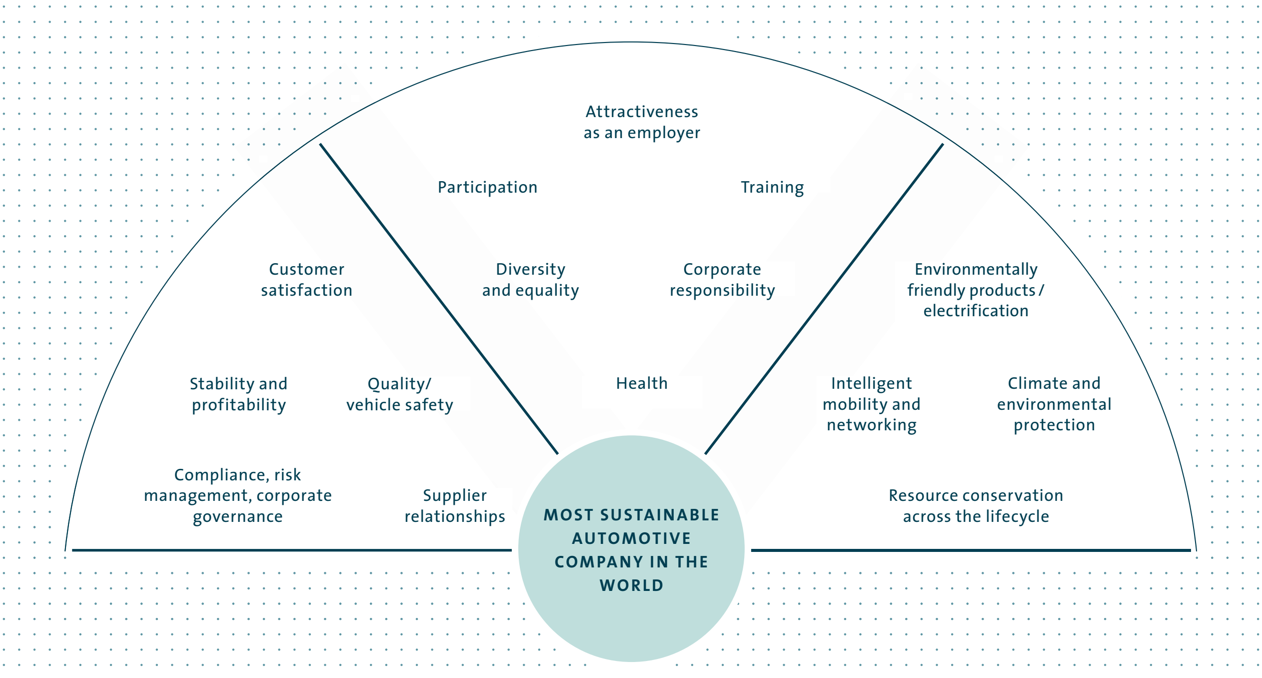
For the Volkswagen Group, sustainability means simultaneously striving for economic, social and environmental goals in a way that gives them equal priority. We want to create enduring value, provide good working conditions and handle the environment and resources with care. In conjunction with the emissions issue, Volkswagen has failed to meet its own standards in a number of respects. The irregularities in our handling of emissions figures are contrary to everything Volkswagen stands for. We deeply regret this and are aware that we disappointed our stakeholders. We are doing everything in our power to make sure that the same thing never happens again. We are working urgently to live up to our own standards again and restore our customers' and society's confidence. We are comprehensively revising our sustainability concept. This is aimed at ensuring that we recognize risks and development opportunities in the areas of environment, society and governance at an early stage at every step along the value chain. In this way, our corporate social responsibility (CSR) activities will contribute to permanently boosting our Company's reputation and value again in the long term.

Management and coordination

The Volkswagen Group has created a clear management structure for coordinating sustainability and CSR. Its highest committee is the Group Board of Management (Sustainability Board). It is regularly informed by the Group CSR & Sustainability steering group on the issues of sustainability and corporate responsibility. The Group CSR & Sustainability steering group's members include executives from central Board of Management business areas and representatives of the Group Works Council and of the brands and regions. Among other things, the steering group makes decisions on the strategic sustainability goals, monitors the extent to which they are being met using management indicators, identifies key action areas and approves the sustainability report.

The CSR & Sustainability office supports the steering group. Its duties include coordinating all sustainability activities within the Group and the brands, but also coordinating the stakeholder dialog at Group level, for example with sustainability-driven analysts and investors. CSR project teams work on topics across business areas, such as reporting, stakeholder management, or sustainability in supplier relationships. This coordination and working structure is also largely established across the brands and is constantly expanding. Since 2009, the CSR & Sustainability coordinators for all brands and regions have come together once a year to promote communication across the Group, establish consistent structures and learn from one another. This Group CSR meeting has proven itself an integral part of the Group-wide coordination structure. At the end of the reporting period, in light of the diesel issue we discussed the Group's sustainability performance based on an analysis of strengths and weaknesses. The results are being looked at in-depth in the sustainability committees and are being incorporated in the Group's comprehensive realignment.

VOLKSWAGEN GROUP'S KEY ACTION AREAS



CODE OF CONDUCT AND GUIDELINES

Our Code of Conduct, which is applicable throughout the Group, provides guidance for our employees in the event of legal and ethical challenges in their daily work. It embodies the Group values of customer focus, top performance, creating value, renewability, respect, responsibility and sustainability. All employees are equally responsible for adhering to these principles.

International conventions, regulations and internal rules are also key guidelines for our conduct. Through the "Declaration on Social Rights and Industrial Relationships at Volkswagen" (Volkswagen Social Charter), the Charter on Labor Relations, the Charter on Temporary Work and the Charter on Vocational Education and Training, we also profess our commitment to fundamental human rights, labor standards and principles.

Strategic stakeholder management

We cannot be successful in the long term without communicating with our stakeholders and knowing their expectations. As the complexity of the Volkswagen Group increases, so do the expectations of and our network of relationships with the various stakeholders. Our communication with stakeholders therefore covers many aspects, ranging from expectation management to innovation momentum, to identifying opportunities and risks. We are open to a constructive and equitable dialog where we learn from one another. Our goal is to agree on a common solution, but at the very least each to gain a mutual understanding of the other's initial situation and position.

Our brands in particular hold intensive dialogs with their stakeholders. We pool this communication at Group level in order to be able to discuss Group-wide issues in detail. In this context, we are also involved in organizations that concentrate on issues related to sustainable development. On an international level, for example, we are represented in CSR Europe, a leading European business network. We are putting our involvement in some organizations on hold for the time being in light of the investigation and clarification of the diesel issue. This applies to our memberships of Biodiversity in Good Company e.V., the World Business Council for Sustainable Development (WBCSD) and the UN Global Compact, and our management board activities at econsense, the Forum for Sustainable Development of German Business.

The insights we gain from dialog with our stakeholders are indispensable signposts and indicators of our Company's future viability. We publish information about the stakeholder dialogs in our annual sustainability report so that our communication with stakeholders is understandable and transparent. Stakeholder management is steered and coordinated by the Group CSR & Sustainability steering committee, by the Group's CSR project team and by the project teams of the brands and regions. For the project teams we have specifically selected representatives of the relevant specialist areas. This enables us to react quickly to the diverse requirements of stakeholders.

Our stakeholder management consists of a variety of instruments: dialogs, workshops, symposiums, public debates, social media, questionnaires, evaluations and projects. In order to systematically manage all these activities, we document them in an IT-based stakeholder management system.

In 2015, we used the results of the comprehensive stakeholder questionnaires from brands and companies to identify key issues. In order to systematically prioritize the issues identified, we evaluate them using the latest international sustainability studies and benchmark them against the guidelines and conventions that Volkswagen is committed to. Internal bodies that also involve all brands and regions discuss and evaluate the key issues. These discussions center around three main criteria:

- the expectations of stakeholders,
- the significance for the Company and
- the extent to which the Company can influence these issues.

The results give us the Volkswagen Group's key action areas for achieving our sustainability goal.

CSR Projects

The Volkswagen group initiates and manages a variety of CSR projects around the world, which are based on the following key principles:

- The projects are compatible with the Group's principles while at the same time addressing a specific local or regional issue.
- They demonstrate the diversity in the Group and in the social environment in which they are implemented.
- They are the result of close stakeholder dialog with the local players involved in implementation.
- Project management is the responsibility of the local units working on the project.

The Volkswagen Group supports the arts and culture, education, science, health and sport in a large number of projects; other initiatives serve to develop regional structures and conserve nature. These projects make CSR a learning platform for all brands and in all of the Company's regions. Examples include our cooperation with the German Red Cross (DRK) and our efforts to help refugees.

Humanity, public spirit and responsibility – these are the values on which the work of the German Red Cross is based, and we in the Volkswagen Group share these values. We are promoting sound, balanced social development, in Germany and at our other international locations. As part of a strategic partnership, the Volkswagen Group helps the German Red Cross to find even more people who are willing to volunteer their time. This goal is central to the partnership, in conjunction with strengthening the Red Cross's rescue service.

Under the motto "Helping Together", we are joining in the collective task of receiving and integrating the refugees who come to Europe and Germany. This is accomplished through a wide variety of projects, starting with immediate aid in the initial accommodation facilities to local integration and education projects, on to providing vehicles and non-monetary resources. A newly created Internet platform serves as a volunteer database and a source of information to support active volunteer helpers. This is because we are convinced that with their help, the Volkswagen Group, its brands, locations and employees can not only make a humanitarian contribution, but thereby also contribute to the cohesion of society.

Our long-standing cooperation and consultancy agreement with the German Nature and Biodiversity Conservation Union (NABU) expired on December 31, 2015. Extension of the contract and further collaboration are suspended for the time being as a result of the diesel issue. We would like to continue our strategic partnership with NABU and are working intensively on creating the conditions required for this.

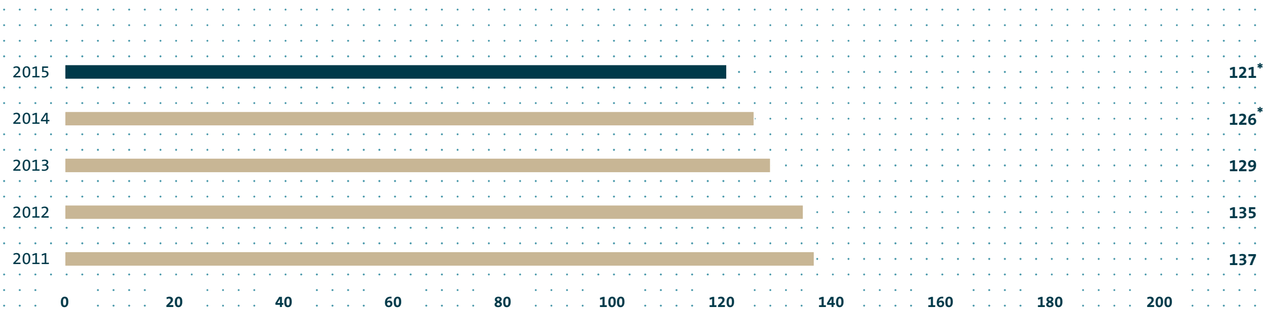
"FUTURE TRACKS"

The automotive industry is facing the greatest upheavals in its history. Alternative drive systems, the digitization of the entire value chain and rapidly changing global customer expectations of mobility will shape the coming years. In response, the Volkswagen Group has launched the "Future Tracks" program: we are developing solutions for the fundamental upheavals and challenges at Board of Management and senior executive level. "Future Tracks" brings together all topics, activities and measures that we are deploying now and will be deploying in the coming years to prepare for the major issues of the future – across all brands and regions and throughout the entire Group.

From a technical viewpoint, our work focuses on drive technologies, digitization and the networking of products and production. Added to this are new requirements for individual mobility and mobility-related services. Our efforts aim to ensure that the Volkswagen Group takes a leading role in shaping and influencing the new world of mobility.

A solid commercial basis is essential to be able to tackle these challenges successfully. For this reason, "Future Tracks" has been introduced not only as a forward-looking program – it also focuses on efficiency. Our intention is to continue to grow profitably, ensuring that we are always in the position to invest in the future of the Volkswagen Group. We are thus creating the foundations to shape the automotive transition and to ensure long-term success.

CO_2 EMISSIONS OF THE VOLKSWAGEN GROUP'S EUROPEAN (EU28) NEW PASSENGER CAR FLEET
in grams per kilometer



* Subject to official publication by the European Commission in the annual CO_2 fleet monitoring.

RESEARCH & DEVELOPMENT

The Volkswagen Group's research and development activities in fiscal year 2015 concentrated on expanding our product portfolio and improving the functionality, quality, safety and environmental compatibility of our products.

A central challenge for Volkswagen is to recognize new developments in society, politics, technology, the environment and the economy at an early stage. These form an important basis for innovations and thus our business success. The Volkswagen Group's research constantly addresses the latest trends and has established research offices in the key global automotive markets – including in China, Japan and the United States. They monitor technological areas relevant to the automotive industry, conduct cooperative projects with research institutions and local companies, thereby gaining enlightening new insights for the Volkswagen Group.

Fuel and drivetrain strategy

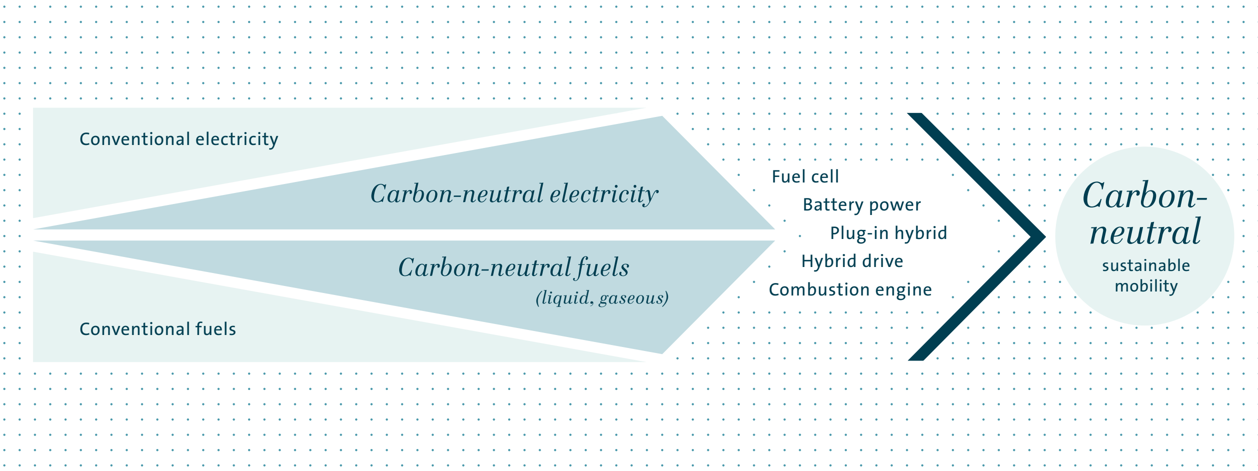
The Volkswagen Group invested €11.9 billion in research and development in fiscal year 2015. The majority of this was spent on efficiency-increasing technologies. After reviewing the CO_2 issue, the vehicles' emissions figures of only a very limited number of engine-transmission variants have to be adjusted in the course of normal processes. The Volkswagen Group's new passenger car fleet in the EU (excluding Lamborghini and Bentley) emitted an average of 120.8 g CO_2/km* in the reporting period and thus complied with the 2015 European limit of 130 g CO_2/km. The Lamborghini and Bentley brands each have an independent fleet for the purposes of the European CO_2 legislation and complied with their individual targets. We currently offer a total of 608 model variants (engine-transmission combinations) that emit less than 130 g CO_2/km. For 489 model variants, we are already below the threshold of 120 g CO_2/km. 145 model variants in fact remain below 100 g CO_2/km. 87 model variants are already below the European fleet target of 95 g CO_2/km valid from 2021 (see chart on page 135).

The Volkswagen Group's fuel and drivetrain strategy is paving the way for carbon-neutral and sustainable mobility. Our goal is to increase drive system efficiency with each new model generation – irrespective of whether they are powered by combustion engines, hybrids, plug-in hybrids, pure electric drives, or potential future fuel cell drive systems. All of our mobility concepts are tailored to our customers' needs. This will expand the portfolio of different drive systems and will lead to a future situation where there is greater coexistence of traditional drive systems and e-mobility side by side. The current modular toolkits are designed so that the full range of drive systems can be deployed and flexibly mounted on product lines across our global locations. In addition, there will be a Modular Electrification Toolkit in future that will form the backbone of upcoming electric vehicles.

From today's perspective, the combustion engine looks set to serve as the broad basis for drive technology in the coming years. In the interest of using resources responsibly, it is therefore crucial to further optimize combustion engines. Our new generations of petrol and diesel engines satisfy this requirement. When it comes to vehicles with conventional drive systems, we have significantly reduced average fuel consumption. We achieved this in particular with the aid of efficiency-increasing measures. These include the

FURTHER INFORMATION ON SUSTAINABILITY
www.volkswagenag.com/sustainability

THE ROAD TO CARBON-NEUTRAL MOBILITY



use of our dual clutch, lightweight construction and the improvement of aerodynamics. Natural gas engines play a key role in the drivetrain portfolio. Due to the chemical composition of the fuel, the CO_2 emissions are around 25% below those of petrol. Our customers can, for instance, experience this for themselves with the Caddy TGI, which was introduced in 2015 as the successor to the Caddy EcoFuel. With almost the same performance compared to its predecessor, the smaller engine of the Caddy TGI clearly delivers significantly better acceleration and saves up to 1.7 kg of gas per 100 km due to its turbocharger. Natural gas is also an economic and clean drive system for heavy commercial vehicles. Liquefied natural gas (LNG) must replace compressed natural gas (CNG) for these engines to be used in long-distance trucks and buses, since this is the only way the required energy density and hence the desired range can be achieved. Better infrastructure is needed for natural gas to be widely usable as a fuel. For example, natural gas filling station networks have only been sufficiently developed in a few countries. With the new P280, Scania introduced its fourth generation of commercial vehicles fueled by bioethanol and thus strengthened its position as the commercial vehicle manufacturer with the widest range of vehicles with renewable fuels. The Euro-6 trucks and buses from MAN can also be fueled by biodiesel and bio natural gas in several drive system variants.

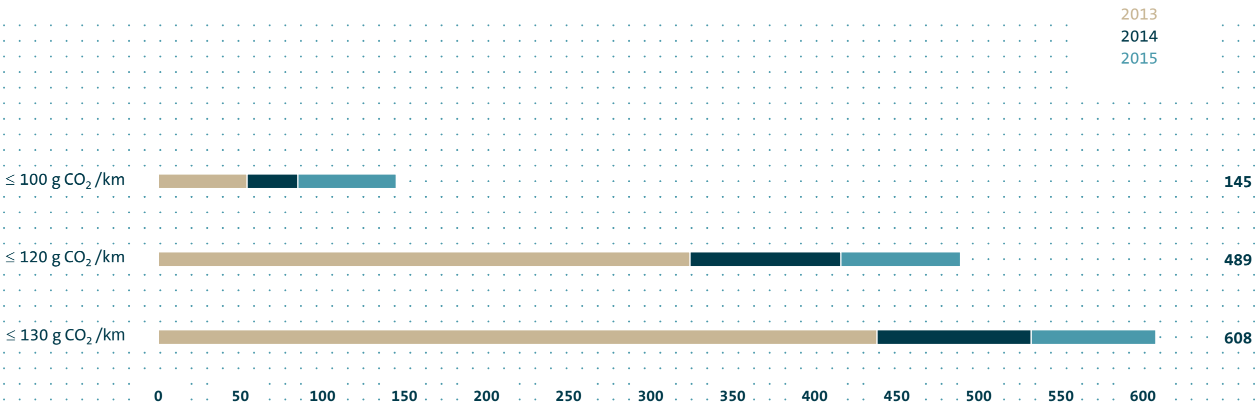
We are expanding our traditional range of engines through drivetrain electrification. The percentage of drivers traveling predominantly short distances is growing. These include commuters and city residents, but also delivery vehicles in urban areas. The population shift towards urban areas continues unabated, and by no means is this limited to just the burgeoning megacities of Asia and South America. Purely electric vehicles like the e-up! and e-Golf are emission-free and thus of particular interest to customers whose everyday driving covers short and medium distances. Opportunities to charge privately – e.g. using a charging station installed at a customer's location – must be supplemented by a good public recharging infrastructure in the medium to long term.

However, most customers also want to take their vehicles on longer trips. Hybrid vehicles, in particular plug-in hybrids, combine highly efficient combustion engines with zero-emission electric motors. Where this combination of drive concepts is concerned, Volkswagen sees an opportunity to offer electrified models for all mobility needs to customers of a wide range of vehicle classes, to build trust in the new technologies, and thus to help e-mobility gain acceptance. We have been offering hybrid versions in a range of vehicle classes for several years. In 2015, we introduced further plug-in hybrid models with the Passat GTE and the Audi Q7 e-tron.

The Volkswagen Group's toolkit strategy realizes substantial synergies through using modules across model series and brands. The vehicle architecture is designed so that all drive system types can be integrated flexibly and economically. This applies in particular for models that are based on the same platform; for example, they can use a single plug-in hybrid system consisting of a highly-efficient turbo petrol engine, an electric motor, our compact six-speed dual clutch and a lithium-ion battery. We have integrated the production of electrified vehicles into the manufacturing processes at our existing plants, e.g. in Wolfsburg, Emden, Bratislava, Ingolstadt and Leipzig.

The battery is the heart of an electric vehicle and its energy content is the deciding factor in determining the vehicle's range. Currently we use lithium-ion cells for all-electric and plug-in hybrid vehicles, which we assemble to battery systems in our Braun-

CO_2 EMISSIONS - STATUS QUO
Number of vehicles



schweig factory. Battery types based on solid electrolytes, which have a higher energy density and also meet stricter safety standards, are currently being researched. The industrial application of this technology is currently being reviewed. The next generation of electric and plug-in hybrid vehicles will be fitted with improved lithium-ion technology. Electric motors are manufactured at our plant in Kassel. Electric vehicles based on the Modular Longitudinal Toolkit (MLB) will be produced locally in China from 2016. Electric vehicles based on the Modular Transverse Toolkit (MQB) will follow at a later date. For models based on the MQB in particular, localization of the core components including the high-voltage battery system is planned.

Hydrogen will still not be widely available as a fuel in the medium term. Both hydrogen filling stations and renewable hydrogen production plants will have to be constructed. Volkswagen has been working on fuel cell technologies for over 15 years and has gained extensive experience operating test fleets. The decision on whether to proceed to series production will depend on market requirements and infrastructure.

Thanks to our conventional and alternative technologies and the modular toolkit strategy, which allows innovations to be incorporated rapidly into different vehicles, we are optimally positioned to meet the challenges that the future will bring. We have expanded our expertise in electric traction with the help of additional technical specialists and experts.

Lifecycle engineering

Innovations and new technologies for reducing fuel consumption alone are not enough to minimize the effect of vehicles on the environment. This is because long before the wheels of a car turn for the first time, raw materials need to be extracted and materials and components manufactured.

This means that the assessment of new vehicles, components and materials begins before they are even produced: from the first idea and design sketches, through production and the subsequent usage phase, to recycling. We therefore consider a vehicle's impact on the environment throughout the entire product lifecycle. To achieve this, we produce lifecycle analyses in accordance with ISO standards 14040 and 14044. By applying these we can determine where improvements have the greatest effect and develop innovations that target these points directly. We call this lifecycle engineering.

We regularly inform our customers, shareholders and other interested groups about the success stories of our environmentally responsible vehicle development and lifecycle assessments. The Volkswagen Passenger Cars brand publishes so-called environmental ratings showing the ecological advances in new vehicle models compared with their immediate predecessors; Audi publishes this information under the heading of "environmental footprint".

As we want to minimize our vehicles' impact on the environment together with our suppliers, Volkswagen joined the CDP supply chain program in 2015. We have also carried out workshops with some suppliers in order to find common innovative approaches to environmentally optimize certain components.

In cooperation with the Technische Universität Berlin, we further developed our methods for calculating the so-called water footprint in 2015. On the basis of the environmental footprint, we calculate and analyze the amount of water consumed by a vehicle during its entire lifecycle and are thus able to take specific measures to reduce water consumption.

Recycling

Recycling makes a key contribution to reducing our products' impact on the environment and conserving resources. It is not just a matter of recycling vehicles at the end of their service life – on the contrary, even at the development stage for new vehicles, we pay attention to the recyclability of the required materials, the use of high-quality recycled material and the avoidance of pollutants. At the same time, we factor in aspects of the use phase, for instance the treatment and disposal of service fluids or high-wear components.

Volkswagen is also constantly working on developing and enhancing recycling methods, processes and technologies. With VW-SiCon process – which has won several awards –we have developed a process that allows end-of-life vehicles to be 85% recycled and 95% recovered. This complies with the regulatory requirements that have been in force in the EU since the beginning of the reporting period. We are developing modern technologies for recycling components from electric vehicles with our partners as part of the LithoRec (lithium-ion battery recycling) and ElmoReL (electric vehicle recycling – key components in power electronics) research projects.

Last but not least in this area, we have the Volkswagen Passenger Cars brand's Genuine Exchange Parts program. Our industrial reconditioning produces high-quality exchange parts that conserve resources and offer the same quality, functionality and warranty but are on average 40% cheaper than the corresponding new parts.

Intelligent mobility

Mobility is one of the key conditions for economic growth and sustainable development. It is thus necessary to meet the growing need for mobility despite the ever-decreasing availability of resources. Mobility must be made more efficient and waste avoided. In order to address this challenge, the "number one for intelligent mobility" target area has been included in the Group environmental strategy (see 160). Volkswagen wants to set standards with integrated, intelligent mobility solutions and innovative transport systems. To this end, we are opening up new fields of business and developing novel business models.

Given the variety of needs and local conditions for mobility, one possible solution alone will not be enough. Volkswagen is therefore working on various approaches, from innovative vehicle concepts right through to research into innovative urban developments. However, the solutions can only be fully effective if they are networked together and employed at the right time and in the right place. They require the efficient interplay of people, infrastructure, technologies and means of transport.

Since 2013, Volkswagen has been working with 14 other companies from different sectors in six cities across the world on the Sustainable Mobility Project 2.0 launched by the WBCSD. In the third and final year of the project, proposed solutions were developed for those cities that want to implement them as part of their mobility plans.

In the reporting period, the UR:BAN (Urban Space: User-oriented assistance systems and network management) research initiative also presented the results of its work after four years of research. 31 partners from the automotive and supplier industry, the electronics and software sector, research institutions and cities – and including Volkswagen Group Research and the Audi and MAN brands – were involved. Within the fields of cognitive assistance, human factors in traffic and networked traffic systems, the project participants in joint research work have developed new driver assistance and traffic management systems for complex traffic situations in urban traffic.

Digitalization and networking

Networking of the vehicle to other vehicles, the environment, infrastructure and mobile devices is advancing and increases the safety, comfort and driving enjoyment for driver and passengers. Innovations from this area are finding their way into numerous of our Group brands' models. With the latest generation of the Modular Infotainment Toolkit, content from digital devices can be managed and played on the radio or navigation system using the App-Connect function in a large number of Volkswagen models, such as the new Touran. The "Car-Net Cam Connect" feature is also available for the first time in the new Touran: Thanks to a networked camera, the driver can now keep an eye on children, pets or sensitive loads in the rear, because the camera image is transmitted to the monitor of the infotainment system. The new Audi A4 is connected to the Internet via Audi connect using the fast LTE wireless communication standard. Passengers can use their mobile devices via the Wi-Fi hotspot. In addition, all available Audi connect services and safety features such as emergency call and online roadside assistance call are available in the vehicle, as is the MMI connect app for remote functions. An Audi tablet for entertaining the vehicle's occupants, sound systems with 3D sound from Bang & Olufsen and Bose and the Audi Phone Box, which wirelessly connects the mobile telephone to the car's external aerial and charges it inductively, underscore the ingenuity.

In many new Audi models, the Audi virtual cockpit displays vividly sharp and highly detailed information on driving, navigation and assistance features, for example high-resolution maps in full screen mode including Google Earth's satellite view. The Audi virtual cockpit also provides a newly developed MMI control concept with voice command and a free text search feature.

Along with the new infotainment features and display options, we are continuously enhancing the gesture control and voice command in the vehicles. Volkswagen's newest infotainment systems already use a proximity sensor. If a hand approaches the display, it automatically switches over from a purely informative level to a more structured menu with large operating controls. In the next revolutionary step, which Volkswagen introduced in 2015 on board the Golf R Touch concept vehicle, the infotainment unit will precisely detect and understand hand gestures. Without actually touching a touchscreen, it is thus possible to operate the display and controls in virtual space with your movements in real space. A clear gain in comfort and safety.

Another innovation resulting from digitalization is the digital key function. Here, the smartphone functions as a digital key that can be used to lock or unlock the vehicle, open and close all windows and start or stop the engine. The digital key can also be transferred to other smartphones. For example, this will make it possible for third parties to unload the car or service it without actually having the key in their hands – a new dimension for servicing and services. Subsequently, the temporary access to the car will be deactivated again.

High performance telematics systems have already become common in Volkswagen Group's heavy commercial vehicles. They make it possible to view vehicles' efficiency transparently even in large fleets. All parameters influencing fuel consumption can be monitored in this way, for example correct tire pressure or consistent use of efficiency systems.

Lightweight construction

Lightweight body shell production remains a strategic development focus. Volkswagen uses hot-formed, high-strength steels in series models. We are also pursuing a vehicle- and platform-specific composite material approach, i.e. the use of diverse materials in a body shell. Lightweight materials such as aluminum are also used in the development of new platforms.

Audi continues to intensively work on using lightweight construction to increase the dynamics of its models and at the same time decrease consumption. The Audi Q7 body is made largely of aluminum. Thanks to the Audi Space Frame construction, the vehicle body only weighs a little more than 200 kg. In addition, large components made of carbon fiber reinforced plastic (CFRP) are integrated in the body of the Audi R8 Coupé. In the RS models, various parts of the exterior and interior are made of CFRP.

In 2015 Porsche presented a vehicle concept based on a lightweight construction design with optimum weight distribution and low center of gravity: the Study Mission E. The body consists of a functional mixture of aluminum, steel and CFRP, for example the bonnet and wheels are made of carbon fiber.

We are also researching into economical lightweight construction technologies for series production as part of the Open Hybrid LabFactory public-private partnership in collaboration with the Lower Saxony Research Center for Vehicle Technology (NFF) at the Technical University of Braunschweig, the Fraunhofer Gesellschaft and various other industry partners.

Lighting technology

The Audi brand is the global leader in automotive lighting technology. The new R8 introduced in 2015 also sets new standards in this field. As an optional extra for it, the latest development is available: the laser spot for high-beam headlights. What makes laser light special is that it produces a range nearly twice as far as an LED high-beam headlight. Audi is working on the headlights of the future in its sponsored project "Intelligent laser light for compact and high-resolution adaptive headlights" alongside partners from industry and science. Matrix laser technology and its high resolution will make illumination of the road highly adjustable.

The next step in automotive lighting technology was displayed in a concept vehicle at the IAA in Frankfurt: the new matrix OLED lights (OLED: organic light-emitting diode). They enable a previously unknown degree of homogeneity of light and thus expand the creative leeway in vehicle design. In contrast to point light sources such as LEDs, which are made of semiconductor crystals, OLEDs are light emitting surfaces. They will soon be able to generate turn signal and brake lights too. The new flexible substrate materials will lend themselves to three-dimensional forming. OLED units can also be subdivided into small segments that can be controlled at different brightness levels. In addition, there will be different colors and transparent OLED units.

Driver assistance systems and automated driving

In fiscal year 2015, we expanded the use of innovative driver assistance systems to additional vehicles. Following their first use in the new Passat in 2014, the Trailer Assist, the Emergency Assist and the Traffic Jam Assist, for example, are also available in the latest models of Touran, Tiguan, Audi A4 and Audi Q7. If the driver is not responding, the Emergency Assist makes an escalating sequence of attempts to wake the driver before bringing the car to an emergency stop. Trailer Assist makes maneuvering a vehicle with a trailer easier by using a rear view camera to analyze the hitch articulation angle and to calculate the steering angle from this. The Traffic Jam Assist uses Adaptive Cruise Control (ACC) automated distance control and Lane Assist in order to enable partially automated driving in traffic jams. At a speed of 0 to 65 km/h, the car follows the vehicle in front, controlling the acceleration and brakes within the limits of the system and independently keeps itself within the lane.

The gradual expansion of assistance systems paves the way for automated driving and increasingly takes the pressure off the driver. Volkswagen aims for the leadership position in this area of innovation. V-Charge, an EU research project in which we are working on new technologies together with five national and international partners, offers a glimpse of the near future of automated parking. The focus is on automating the search for a parking space and charging electric vehicles. The idea is that the vehicle does not just autonomously search for a free parking space, it also finds a free spot with charging infrastructure and charges its battery inductively. Once the charging process is completed, it releases the charging spot for another vehicle and looks for a conventional parking space. Audi is researching this in a similar project in the Boston area in the USA. With the Trained Parking function, vehicles can in future be "trained" in the process for parking at their own home.

In 2014, Audi showed what the technology can already do in the field of fully automated driving: the Audi RS 7 piloted driving concept completed a lap of the Hockenheim Grand Prix track at racing speeds – without a driver. On the Sonoma Raceway in California – one of the most challenging racetracks in the world – the latest generation of the Audi RS 7 piloted driving concept exceeded the previous top performance yet again in the year under review, making faster lap times than the racing drivers. Further successes included a 550 mile piloted trip with an Audi A7 piloted driving concept on the highway from Stanford in Silicon Valley to Las Vegas, and a piloted drive through the heavy city traffic of Shanghai. Audi will offer piloted driving for the first time in the next generation of the Audi A8.

Driver assistance systems and automated driving functions are also on the increase in heavy commercial vehicles. MAN and Scania are already working on intelligent systems that go beyond cruise control and Lane Assist. As in the passenger cars area, Traffic Jam Assist will use automation to drive the truck through a traffic jam at a speed of up to 50 km/h, thus relieving the driver of monotonous tasks such as starting up the vehicle and braking.

A further variant of the automated and networked approach is driving in a convoy, also referred to as platooning. The first vehicle of the platoon chooses the lane and sets the pace; the following vehicles each drive in the slipstream of the vehicle in front and, thanks to the reduced wind resistance, can reduce their fuel consumption and correspondingly the CO_2 emissions. While platooning, all of the vehicles are connected to each other via a wireless LAN network and constantly exchange data such as GPS position, engine speed, speed, steering angle and the positions of the brake and accelerator pedals. If the driver in front accelerates, the other drivers do too. If the front vehicle brakes, the vehicles behind brake too. Platooning ensures a consistent flow of traffic for the commercial vehicles involved. Utilization of the road can be significantly improved by this. Scania is also further developing these technologies into driverless trucks for mining uses. Corresponding prototypes are already in use in closed off areas.

Emergency brake assist has been a mandatory equipment requirement for new registrations for most types of commercial vehicles since November 2015. Already during the reporting period, MAN introduced the newest generation of emergency brake assistance with sensor fusion – the interaction of radar sensor and front camera – and the emergency brake signal. The braking performance required by law for 2018 has thus already been exceeded. The respective MAN and Scania vehicles not only have emergency brake assistance, but also Lane Assist as standard.

Studies and concept vehicles pave the way to the future

At the Geneva Motor Show 2015 the Sport Coupé Concept GTE study was among the highlights of the Volkswagen Passenger Cars brand. With its breathtakingly dynamic silhouette, the four-door coupé offers a glimpse into the brand's progressive new design language. Driven by a plug-in hybrid system consisting of a V6 TSI powertrain and two electric motors, the Sport Coupé Concept GTE achieves a top speed of 250 km/h.

The Audi prologue Avant study was also presented in Geneva: With a successful synthesis of dynamics, form and function, it reinterprets the brand's Avant philosophy. The five-door vehicle is positioned in the luxury class with a pioneering body concept, characterized by an elongated roof, a very flat D-pillar as well as a broad and flat front end. The prologue Avant is also powered by an innovative plug-in hybrid drive.

The Audi e-tron quattro concept SUV show car – presented at the IAA 2015 – has three electric motors and, thanks to the latest battery technology, optimal integration of the battery and excellent aerodynamics, can cover more than 500 km on a single battery charge.

Porsche showed the future of the electric sports car in 2015 with the Mission E concept car. The four-door car with four-wheel drive features an emotional design and offers the familiar Porsche driving dynamics. The Mission E has a range of more than 500 km. Thanks to Porsche's innovative Turbo Charging system with system voltage of 800 volts, recharging the battery barely takes longer than a typical refueling stop today: The car can cover approximately 80% of its full range after about 15 minutes at a high-speed charging station.

Bentley introduced the EXP 10 Speed 6 show car in the year under review. This high performance two-seat sports car with muscular bodywork and athletic style combines the luxury brand's strengths: advanced technology, motorsport DNA and the finest handcrafting. With its hybrid drive system, the EXP 10 Speed 6 was able to set new standards in its class and contribute toward expanding the Bentley model range.

Leveraging synergies increases efficiency

Our Technical Development department worked intensively on leveraging further synergies between the brands in fiscal year 2015. The focus here was on the efficient use of resources in developing new technologies, with the goal of ensuring the Group's long-term competitiveness. In development centers the brands work together on core technologies and form Group-wide expertise networks for addressing future topics. The goal is to stake out high-potential fields of technology and safeguard the long-term future of the Group this way. Moreover, the individual brands are increasingly making use of the modular toolkits; this makes synergies possible both between models of the same series and across model series. The initiative to improve cross-brand cooperation in development processes was continued and stepped up in 2015 to achieve greater increases in efficiency in methodology and system development in the future. The brands benefit here from an intensified exchange of best practice approaches, e.g. in virtual development. Furthermore, IT costs are to be reduced through the joint development of IT tools.

We are jointly developing transmissions, axles, selected cab components and driver assistance systems for mid-size and heavy commercial vehicles from Scania and MAN. Volkswagen Truck & Bus GmbH manages new developments in cooperation with the brands. The joint components form the basis for brand-specific solutions. In the long-term, joint development is focusing on the overall powertrain as a truck's most important cost driver.

Pooling strengths with strategic alliances

In the research and further development of the high-voltage battery systems for electric and plug-in hybrid drives, we work together with experienced battery manufacturers. We continued and intensified these cooperative projects in the reporting period. VW-VM Forschungsgesellschaft mbH & Co. KG made further progress with electric vehicle batteries in 2015.

Audi will develop the battery for an all-electric SUV on the basis of powerful cell modules from the Korean suppliers LG Chem and Samsung SDI. The partners want to invest in cell technology in Europe and will supply Audi from their European plants. The new technology will give drivers of the Audi SUV a range of more than 500 km.

In 2015, AUDI AG, BMW Group and Daimler AG acquired the HERE maps and location services business from Nokia Corporation. The move aims to make HERE's products and services available for the long term in the form of an open, independent and value-creating platform for cloud-based maps and mobility services. HERE's digital maps form the basis for the next generation of mobility and location services. These are the foundation for new assistance systems, all the way through to fully automated driving. Highly accurate digital maps are integrated with real-time vehicle data to increase road safety and enable innovative products and services.

Scheduled to conclude in 2016, we continued our cooperation with Daimler AG to produce the Crafter, in the year under review.

Integrating external R&D expertise

In addition to the Group's own resources, external service providers are also important for our development process. In the years ahead, they will help us to systematically advance our model rollout and to successfully complete projects with the quality we expect but in less time. The use of development service providers is being increasingly coordinated between the Group brands in order to also achieve economies of scale here. We are also constantly expanding our cooperation with subsequent series suppliers in order to be able to tap into their expertise in the development phase of modules and components, including at international development sites.

Numerous patents filed

In fiscal year 2015, we filed 6,244 (6,198) patent applications worldwide for employee inventions, more than half of them in Germany. The growth in comparison with the previous year results in particular from the increased number of applications relating to driver assistance systems, conventional and alternative drive systems and lightweight construction, and once again pays testament to the Company's high innovative strength.

Key R&D figures

The Automotive Division's total research and development costs were up 3.8% year-on-year in the reporting period. Along with the new models, the main focus was on the electrification of our vehicle portfolio, a more efficient range of engines, lightweight construction, digitalization and the development of toolkits. The capitalization ratio rose to 36.9 (35.1)%. Research and development costs recognized in the income statement in accordance with IFRSs increased to €11.9 (11.5) billion. This meant that their ratio to sales revenue in the Automotive Division amounted to 6.4 (6.5)%.

As of the end of 2015, the Research and Development function – including the equity-accounted Chinese joint ventures – employed 48,731 people Group-wide (+6.5%), corresponding to 8.0% of the total headcount.

RESEARCH AND DEVELOPMENT COSTS IN THE AUTOMOTIVE DIVISION

€ million	2015	2014	2013	2012	2011
Total research and development costs	13,612	13,120	11,743	9,515	7,203
of which capitalized development costs	5,021	4,601	4,021	2,615	1,666
Capitalization ratio in %	36.9	35.1	34.2	27.5	23.1
Amortization of capitalized development costs	3,263	3,026	2,464	1,951	1,697
Research and development costs recognized in the income statement	**11,853**	**11,545**	**10,186**	**8,851**	**7,234**

The Volkswagen Commercial Vehicles Group

The Customer is at the heart of all activities

Volkswagen reorganized its commercial vehicles business in 2015. The Volkswagen Commercial Vehicles group comprises the business with light as well as mid-sized and heavy commercial vehicles. The activities of MAN Truck & Bus, MAN Latin America – whose unit sales are essentially the responsibility of Volkswagen Caminhões e Ônibus – and Scania have been combined in Volkswagen Truck & Bus GmbH so as to cater to the specific interests and needs of commercial vehicle customers in the best possible manner.

The business with trucks, buses, and transporters differs fun-damentally from the passenger car business. Commercial vehicles are capital goods: they are purchased in order to earn money with them. Customers are consequently very cost-conscious. A truck covers around two million kilometers in the course of its useful life. Therefore, it is not just the purchase cost that plays a key role in the decision to buy. The lower a vehicle's fuel consumption and the more efficiently the service, maintenance and repairs are carried out, the greater the customer's profit margin. For this reason, the total operating costs, i.e. the costs during the vehicle's entire useful life, are the key metric for the investment decision.

Other key factors for the customer include the reliability and availability of a commercial vehicle: a truck or bus only earns money when it is on the road. Volkswagen's commercial vehicles brands offer services especially geared to customer requirements in order to optimize the vehicles' operating times. Examples of the strong focus on customers, who are businesses just like ourselves, include the lease of trucks and trailers, the provision of replacement vehicles, services geared to working times, service contracts specifically tailored to customer needs, and telematic services, but also training the drivers.

The global truck and bus markets are shaped by different customer needs. For this reason, there is no one "standard vehicle" for worldwide use. Trucks and buses need to be individually adapted to different customer specifications and regional conditions. For example, freight forwarders in India have different robustness and cross-country-mobility requirements for the vehicle than those operating their vehicle fleets in Europe. The challenge is nevertheless to design as many of the vehicle's components as possible for use worldwide through smart design.

Tractor for semitrailer, gravel tipper, fire truck, furniture van, gritting vehicle, cement truck, delivery van, refrigerated truck, or tradesman's van – the range of possible uses of commercial vehicles and thus their possible configurations are almost unlimited and many times greater than for passenger cars; however, the production volume is significantly lower. Close cooperation with the bodybuilders is therefore highly important when we need to realize the optimum vehicle solution for our customers.

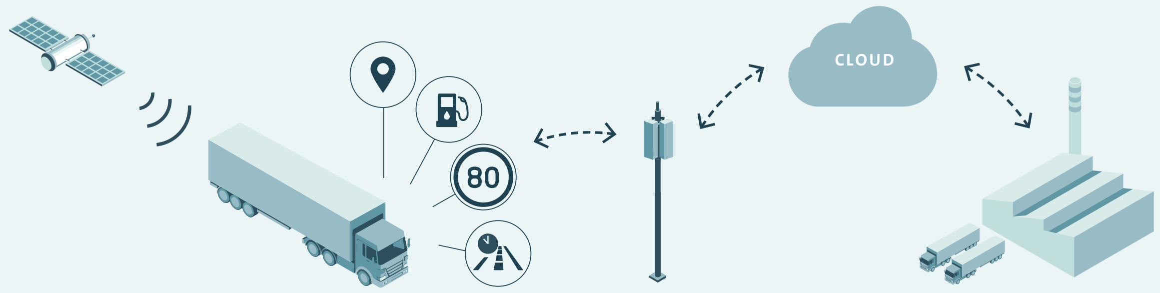
The business with city buses, intercity buses, coaches and small buses is also highly complex. Modern city bus concepts – for example based on a hybrid or electric drive – will play a part today and in the future in saving the world's ever increasing high-density urban areas from gridlock. Long-distance buses are already used in many regions of the world as a very environmentally friendly means of transport that is inexpensive for passengers. This market is also gaining significance in Europe.

The market for capital goods, which commercial vehicles are part of, is very cyclical. In an economic upturn, the need for transport and thus the demand rises sharply, whereas in economically difficult times demand falls just as sharply. The production fluctuations arising as a result require a high degree of flexibility from manufacturers.

Global demand for commercial vehicles is expected to rise in the next few years. At the same time, the requirements placed on commercial vehicle manufacturers keep increasing. Emissions laws, safety regulations, and tax and toll models require a high degree of innovation and lead to technically highly developed and complex products. Furthermore, commercial vehicle manufacturers are increasingly evolving from pure vehicle suppliers into providers of tailored logistics services.

The key performance parameters for manufacturers are the enhancement of alternative drive systems and fuels and customer-centric connectivity features. For example, Scania has already

DIGITALIZATION IN THE COMMERCIAL VEHICLES BUSINESS



handed more than 160,000 networked trucks over to customers. Subject to the operator's consent, the vehicles transmit information about their position and their operating status such as fuel consumption and driving behavior at short intervals. This information provides additional efficiency and safety for our customers and enables the manufacturers to expand their business model and thus achieve greater independence from economic cycles. We will tackle these challenges with individual solutions based on common platforms.

Increasingly strict emissions regulations, the customer's desire to save fuel and the interest in alternative drive systems are becoming an increasing focus. For example, natural gas is used as an economical and clean drive system for city buses from MAN and Scania. To be able to use natural gas engines for long-distance trucks and buses, however, LNG (liquefied natural gas) is required instead of CNG (compressed natural gas) because this is the only way to achieve the necessary energy density and thus the desired range. Better infrastructure is needed for natural gas to be widely used as a fuel. For instance, fuel station networks have only been sufficiently developed in a few countries. Hybrid vehicles offer savings of up to 20% of the fuel in distribution transport. Considerable potential is also becoming apparent in long-distance transport, where savings of up to 8% are possible.

A fully electric drivetrain is currently not practical due to the still high weight of the battery and the associated decrease in the payload in long-distance transport; in distribution transport we are currently testing the e-Caddy in the light commercial vehicles segment – the e-load up! is already available. Trials are also being run for mid-sized trucks. Hybrid solutions make sense in city buses due to the stop-and-go traffic. MAN, for example, introduced the full hybrid bus Lion's City Hybrid back in 2010. Both MAN and Scania are currently developing zero-emissions fully electric city buses.

The Volkswagen Group's commercial vehicles brands are not only working on increasing efficiency and environmental compatibility, but are also intensively developing new driver assistance systems to improve safety. Existing systems such as the emergency braking system and the lane assist system are being continuously improved. Further opportunities for safe driving arise from connectivity, for example in the field of car-to-car communication.

Cross-brand management of the commercial vehicles business field is part of the organizational structure at Volkswagen Truck & Bus GmbH. A matrix structure guarantees that our strong brands continue to be able to act independently and optimally serve their respective customer groups. At the same time, it ensures that economies of scale and synergies are achieved through cooperation in purchasing, production and development.

The strategic objective is clear: Volkswagen Truck & Bus is aiming to become a Global Champion. For us, however, it is not the sales volume that has priority, but profitability, practical innovations and the expansion of our global presence. The customer is always at the heart of all activities.

In order to achieve these objectives, the brands will work together on new business models and massively advance digitalization in the commercial vehicles business. In addition, a platform strategy is planned for mid-sized and heavy commercial vehicles in the future. Common platforms for gearboxes, axles, selected cab components and driver assistance systems for trucks and buses are currently in development. In the long-term, the focus is on the overall powertrain as a truck's most important cost driver. In view of the long product lifecycles, it will be ten to fifteen years before the potential arising from this is fully exploited. The common components will be the platform for creating brand-specific solutions, although the brands will remain easy to differentiate for the customer. By combining activities within Volkswagen Truck & Bus, we estimate long-term additional synergy potential of at least €650 million on average.

There will also be synergies within light commercial vehicles. From a technical perspective, these vehicles are more closely related to the passenger car and bring developments in connectivity and driver assistance systems to our customers who use their vehicle commercially.

PROCUREMENT

In 2015 the focus of procurement was essentially on safeguarding the provision of our needs, safeguarding vehicle start-ups and opening up new procurement markets for the best possible implementation of the procurement strategy in a targeted way and implementing our "Volkswagen FAST" initiative.

Procurement strategy

We are working systematically to further optimize the Volkswagen procurement organization and build on our abilities and strengths together with our suppliers. Our objective is to have the most competitive and highest performing procurement organization. This is underpinned by the four strategic procurement targets derived from the Group strategy's corporate goals and the global trends of our procurement markets: firstly, to actively shape technical and environmental innovation processes and thus to provide market-centric top quality and innovations at competitive conditions; secondly, to meet all cost targets in order to ensure the profitability of our products over their entire lifecycle; thirdly, to safeguard the global procurement volume through the permanent availability and consistently high quality of procured components and guarantee a stable and efficient movement of goods; fourthly, to further increase the attractiveness of the business area of procurement and the satisfaction of our employees by creating optimal working conditions.

Organizational structures were created in the brands to establish defined processes and new methods. There are specific work packages and contacts at all management levels. We regularly report and review the implementation status of the measures agreed. For example, we ensure that the changes initiated contribute to reaching and permanently establishing our goals.

Volkswagen FAST – Future Automotive Supply Tracks

FAST is the central initiative of Group procurement for developing the Volkswagen Group and its supply network in a future proof way within the framework of Future Tracks. The goal of FAST is to successfully implement the key topics of innovation and globalization through involving suppliers earlier and more intensively. We will work even more closely and quickly with our most important partners in the FAST initiative. In addition, some processes in the field of innovation and globalization that are available to all suppliers will be revised as part of the program. After the start of the program at the beginning of 2015, the suppliers who had an excellent record in their field of expertise were selected in a systematic and standardized qualification process. Global strategies and technological focuses are coordinated even more closely with these partners, with the common goal of making impressive technologies available to our customers even faster and implementing worldwide vehicle projects more effectively and efficiently.

We continuously review these strategic partnerships and change who is included among our FAST suppliers as required. For example, suppliers not previously selected continue to have the opportunity to qualify for the initiative.

Procurement's process optimization program

Since the end of 2015, almost all the Group's brands and companies have been working within procurement with uniform and fully digital processes. In 2014, we began including external partners in our digital networks. They can access our systems at any time to receive the necessary and updated information. The goal is to connect a global standardized digital network of all procurement's work processes with suppliers within the next four to five years. In order to optimize and completely digitalize points of contact in the work with our suppliers, the "Supplier Interaction Management" program was created.

Supply situation for procured components and raw materials

Because component standardization within the Volkswagen Group is increasing, the importance of global safeguarding of procured component capacities increased further in 2015. Procurement's demand capacity management was again able to successfully manage all critical incidents and supply bottlenecks, for example brought about by production problems, fires, or natural disasters, through close, digitally supported cooperation with the suppliers in the year under review. We are driving forward digital networking, which has already reached a high level, with the latest technologies.

As a consequence of the economic slowdown in China, the global economy lost some of its momentum in the reporting period. In 2015, the commodity markets showed high sensitivity to political uncertainties. This contributed to the prices for many raw and input materials, such as crude oil, steel and rare earths, moving sideways or downwards.

The reporting period was dominated by political tensions, particularly in Russia and Ukraine, and by the depreciation of the euro. As a consequence, we were only able to benefit to a limited extent from the downward movement of commodities traded in dollars. Thanks to the use of procurement strategies individually adjusted to the commodity markets, it was possible to minimize risks arising from volatile commodity prices.

Digitalization of supply

The Group Business Platform as the central interface between the Volkswagen Group and its partners forms the basis for the digital network of the future. Our external partners have the opportunity to access the business areas' systems and process knowledge centrally via the Group Business Platform. Every supplier, at the same time as employees in procurement, has the same view of the current supply situation regarding its parts. This is the basis for the global coordinated work for safeguarding supply in a dynamic network. This network is thus able to react to every external influence in every part of the world at the same time.

Procured component management and supplier management assure quality within the supply process

Procured component management, as the technical area of procurement, employs tool and process experts who safeguard new vehicle start-ups and aggregate projects worldwide in terms of both prevention and response. In addition, the experts safeguard series production. In line with the Group-wide growth strategy, procured component management is focusing in particular on knowledge transfer at the start of global projects. Procured component management is globally networked. This means that synergy effects can be achieved in both production and process optimization at suppliers. In the "Quality in Growth" program, procurement focuses on safeguarding start-ups and on managing the subcontractor structure.

The ever-growing requirements placed on suppliers to be ready for the start of production will lead to a stronger focus in particular on the suppliers' industrialization processes as part of a continuous further development of the organization.

In order to safeguard our vehicle start-ups, further performance tests across all business areas are carried out at suppliers at various milestones of the product development process in addition to "two-days production". As a result, risks for vehicle start-ups can be recognized even earlier in terms of production and quality and appropriate countermeasures can be initiated.

In some production plants, start-up experts are additionally employed to further strengthen the local project organization and implement projects even more efficiently.

Developing new procurement markets

Procurement is organized globally and with its presence in 39 locations across 23 countries ensures that the production facilities are sustainably supplied with production materials in the required quality and quantity at competitive conditions. Access to relevant and inexpensive procurement markets is thus also guaranteed against a background of increasing globalization.

Establishing local supply streams is a core element of our growth strategy. Low logistics costs, purchase prices in line with the market, import duties levied and independence from fluctuating exchange rates all strengthen competitiveness. At the same time, people in the regions benefit. We create skilled jobs and contribute to economic development by attracting supplier businesses to the area around our production locations. In Pune in India, for example, 69 new supplier businesses were founded and thus around 13,500 direct and indirect jobs created. Thanks to the sustainable development of partners at the Kaluga site, the plant there can now draw on more than 60 local suppliers for the models produced.

In addition to established sources of supply, the number of qualified suppliers and also suppliers able to export in the growth regions is increasing. Experience working with local suppliers will be carried over into new projects via the regional procurement organization. What is more, specially focused and cross-business-area project teams work in the emerging and inexpensive procurement markets on gradually increasing the export share of qualified local suppliers. We are thus increasing the size of our global supplier base and exploiting the relevant cost advantages.

Thanks to these approaches, procurement is able to marshal a reliable supplier base for new locations quickly and efficiently.

Sustainability in supplier relationships

In 2015, we continuously worked on the "sustainability in supplier relationships" concept across all brands and regions. The focus here was on expanding our third-party audit program for suppliers. We audited a total of 26 suppliers in the reporting period with our external partners.

After a walk-through of the results, action plans were developed jointly with suppliers where necessary, implementation of and compliance with which has been checked. Environmental and working conditions could thus be improved with the suppliers concerned and risks minimized.

In addition, in the reporting period we trained both our own employees and our suppliers on the topic of "sustainability in supplier relationships". Over 1,900 new employees received training and had their awareness of the issue raised in training sessions.

In addition, as of December 31, 2015, over 19,500 of our suppliers have completed an e-learning module on sustainability on our Group Business Platform. This program is supplemented by classroom training, which in 2015 also took place in some cases in cooperation with other automotive manufacturers in India and South Africa. Our business partners provide us with information on their sustainability status. In addition to the already established questionnaire on the Group Business Platform, which had been completed by over 18,000 of our suppliers as of December 31, 2015, we began to introduce a new, more comprehensive questionnaire in 2015. We make this questionnaire, which was developed jointly with other automotive manufacturers, available to our suppliers on an external online platform.

Our actions are guided by the "Volkswagen requirements for sustainability in relations with business partners (Code of Conduct for Business Partners)". If we discover that individual suppliers may not be complying with these requirements, a Group office initiates improvement measures in dialog with the supplier in question. The aim is to implement these improvements as part of a dialog in the spirit of partnership. For example, the "sustainability in supplier relationships" concept helps us to create the necessary conditions for fulfilling our sustainability standards together with our business partners and to secure volume flows for the long term.

Volkswagen Group purchasing volume

Volkswagen Group procurement mainly purchases production materials, services and capex centrally. The volume procured in the reporting period amounted to €149.1 billion (+2.5%). These figures include the figures for the Chinese joint ventures. Suppliers in Germany accounted for a share of 36.2 (36.1)%.

VOLKSWAGEN GROUP PROCUREMENT VOLUME BY BRAND AND MARKET

€ billion	2015	2014	%
Volkswagen Passenger Cars[1]	87.6	85.5	+ 2.4
Audi[2]	27.0	25.7	+ 4.9
ŠKODA	7.4	7.1	+ 4.0
SEAT	5.2	4.4	+ 18.5
Bentley	0.9	0.8	+ 10.2
Porsche	5.2	5.0	+ 4.6
Volkswagen Commercial Vehicles	2.7	2.6	+ 3.3
Scania	6.6	6.5	+ 2.0
MAN	6.6	7.8	– 16.3
Volkswagen Group	**149.1**	**145.5**	**+ 2.5**
Europe/Other markets	99.5	93.4	+ 6.5
North America	7.3	6.3	+ 15.6
South America	4.6	6.7	–31.4
Asia-Pacific[1]	37.8	39.1	–3.3

1 Includes the Chinese joint ventures.
2 Audi includes Lamborghini and Ducati.

PRODUCTION

In fiscal year 2015, the Volkswagen Group's global production volume passed the ten-million mark again. Productivity increased by 3.5% year-on-year despite the continuing difficult conditions in many markets. The rising unit sales figures in Germany and Western Europe and the systematic implementation of the Group production system compensated for the decreasing volumes in the South American and Russian markets.

"Production 2018" strategy

The vision of our "Production 2018" strategy is to build the world's most powerful and most fascinating automotive production system. To make this a reality, we have defined four core objectives: in all Group brands and all regions, a systematic effort was made in fiscal year 2015 to excite our customers, lift the earnings contribution, structure production capacities in line with the market and make production more attractive to employees.

In order to achieve the objectives set, we defined a total of 13 challenges and continuously worked on these. The challenges represent the key action areas in Production, such as the implementation of the modular toolkit strategy and the expansion of the global production network, and are backed up with concrete actions. Responsibility for their implementation has been assigned to Board of Management and executive management sponsorships as well as project teams from all brands and regions. In order to identify a possible need for expansion or adaptation to meet these challenges at an early stage, key future trends and their impact were discussed. The results are incorporated into the strategy work.

Production locations

The Group's latest location in China, the vehicle plant in Changsha, came on stream in May 2015. The Volkswagen Group's global production network thus had 119 locations at the end of the reporting period, of which 69 were passenger car, commercial vehicle and motorcycle locations and 50 were powertrain and component locations.

With 71 locations, Europe remains our most important production region for vehicle and component production; 28 of these sites are located in Germany alone. The Asia-Pacific region is playing an increasingly important role, with 31 locations. The number of production sites in North America (four) and South America (nine) remained unchanged in the reporting period. The Group operates four locations in Africa.

In Europe, a new plant for the Volkswagen Commercial Vehicles brand in Wrzesnia, Poland, has been under construction since the end of 2014, in addition to the existing plant in Poznan. Production of the Crafter will begin there in the second half of 2016, with an annual capacity of 100,000 vehicles.

In order to secure and expand our market position in China, a new vehicle plant in Changsha with an annual capacity of 300,000 vehicles was inaugurated in May 2015. Furthermore, the capacity at the Chengdu location is being expanded by 150,000 vehicles by 2016. The new Ningbo II vehicle plant with a capacity of 150,000 vehicles per year will be opened at the end of 2017.

Moreover, in Mexico the Audi brand's San José Chiapa plant, which will have a capacity of 150,000 vehicles per year, will start production in mid-2016. In the US market, the product range will be supplemented from the end of 2016 by the new midsize SUV produced in Volkswagen's Chattanooga plant. In addition, the long wheelbase Tiguan is to be produced for the US market in the North America region from 2017.

We are also expanding the production network in the engine business area. The Györ and Zuffenhausen engine plants are currently being set up for the new V6 and V8 petrol engines for cross-brand use. Production will start in the first half of 2016.

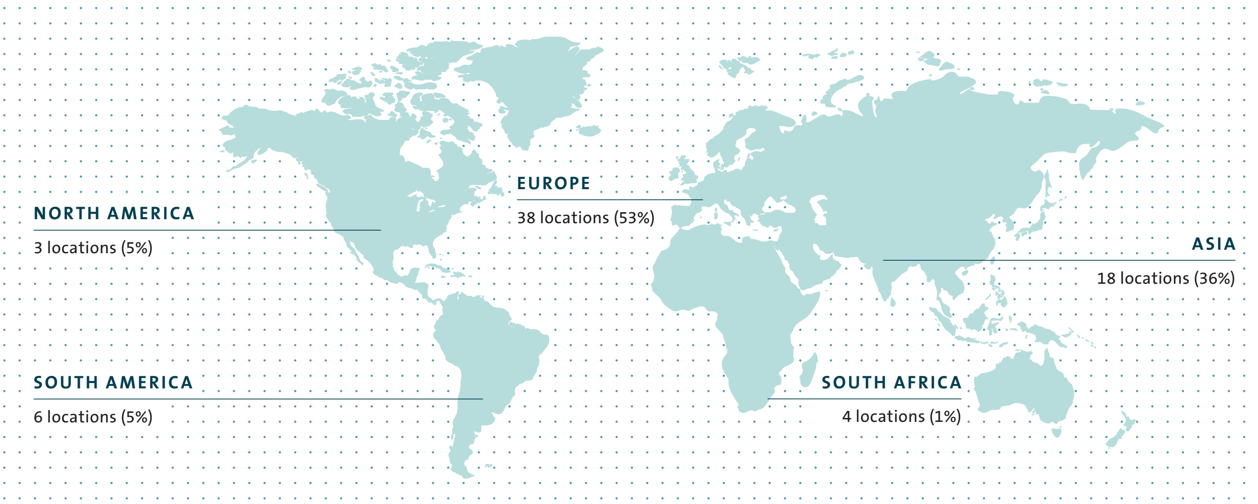
Capacity utilization of the locations in the Volkswagen Group's production network is further enhanced by supplying them with complete knock-down (CKD) kits for local assembly.

In 2015, a CKD facility was opened at the Curitiba plant in Brazil. The Volkswagen Golf and Audi A3 saloon models are manufactured there. The pressings and assembly modules are largely supplied from the Puebla and Györ locations.

A new licensed production facility was opened in Nigeria, West Africa, in July 2015. The assembly is operated by our partner, the Stallion Group. It produces models for the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brand. Volkswagen is thus increasing its involvement in sub-Saharan Africa.

We are continuously investigating the possibility of further production locations in new markets.

VEHICLE PRODUCTION LOCATIONS OF THE VOLKSWAGEN GROUP
Share of total production 2015 in percent



New start-ups and production milestones

In 2015, the Volkswagen Group implemented a total of 59 vehicle production starts in 27 locations across 14 countries; of these, 25 are new or successor product start-ups, while the other 34 start-ups were attributable to derivatives and product upgrades.

A significant event for the Volkswagen Passenger Cars brand was the start of production of the Touran replacement in Wolfsburg, which was launched in September. In April and May, there was a generation change for two models at once at Volkswagen Commercial Vehicles at the Hanover and Poznan locations with the start-up of the T6 and the new Caddy. Production of the new A4 family began at Audi in May, initially with the saloon in Ingolstadt. This was followed by the A4 Avant in August and the start of production of the saloon in Neckarsulm in October. Production of the ŠKODA brand's new Superb began in Kvasiny in March and production of the Combi began in June. In November, Bentley launched the Bentayga, thus adding an SUV to its product range. The SEAT brand's whole Ibiza family received a product upgrade, as did the Porsche 911.

In addition to the numerous new production start-ups, the range of models with alternative drive systems was expanded through the addition of the natural gas-driven Caddy and the plug-in hybrid versions of the Q7 and Passat. Furthermore, production of the current models' replacement products was started at the assembly locations in Malaysia, India and Russia.

At the engine and transmission plants, there was a large number of start-ups of new and more efficient powertrains in 2015, which also contributed to the expansion of local production facilities. For example, a new engine plant was opened in Kaluga, Russia, in summer 2015. The plant, which has an annual capacity of 150,000 units, manufactures the 1.6 liter EA 211 engine, which has been adapted to the market, for local supply of the Russian vehicle plants in Kaluga and Nizhny Novgorod. Volkswagen is thus expanding its industrial presence in Russia and fulfilling legal requirements for local value added. In São Carlos, Brazil, production of three- and four-cylinder TSI engines in the EA 211 series was started at the engine plant at this site. In the medium to long term, they will replace the previous generation produced there. In addition, the new W12 petrol engine for use in the new Bentley Bentayga has been produced at the Crewe location in the United Kingdom since the end of 2015.

The Volkswagen Group celebrated some important production anniversaries in 2015. In South Africa, production of the one millionth Polo was celebrated at the beginning of the year. At the end of April, the Taubaté location in Brazil celebrated the one hundred thousandth up!. The five millionth vehicle on the Group-wide MQB platform rolled off the production line in October. The number of these vehicles has thus doubled within a year. At the same time, ŠKODA produced the brand's 13 millionth vehicle worldwide since joining the Group and the Kassel location celebrated production of the one millionth DQ500 dual-clutch transmission. In addition, there was a milestone in November, as the two millionth Caddy rolled off the production line in Poznan.

A production anniversary was also celebrated in China in 2015. The number of vehicles produced in China (SVW and FAW-VW) exceeded the 25 million mark in November.

Flexibility in production

The modular toolkits allow us to design our production sites to be flexible. They generate synergy effects that enable us to reduce capital expenditure and make better use of existing capacities. With these toolkits we have created the conditions for using the production sites for several brands at the same time, and are implementing these systematically in terms of plant capacity utilization. For example, the ŠKODA Kvasiny location in the Czech Republic will also produce a vehicle for the SEAT brand starting in 2016. Of the 40 passenger car locations, 19 are now already multibrand locations.

Another concept for volume flexibility is the "turntable". This is used, among other things, to compensate for fluctuations in demand or in segment shifts. One such "turntable" is formed by Volkswagen's sites in Emden (Passat), Zwickau (Passat and Golf) and Wolfsburg (Golf).

As the complexity of products increases, a factory must work at optimal capacity so as to continue manufacturing high-quality products that give customers maximum benefits at competitive prices. This is all made possible by the standardization of production processes and operating equipment at an early stage. The basis for this is consistent construction and design principles that are defined in the form of product standards. "Concept consistency" ensures that common design principles, joining techniques and joining sequences, but also installation and connection concepts, are applied in the brands' development and production areas. The principle of concept consistency is a fundamental component of the creation of efficient logistics and manufacturing processes.

The Group's production system

To help us become the world's most powerful and most fascinating automotive production platform, we optimize and standardize our production processes. The Group's value-driven, synchronous production system provides us with the necessary methodologies and instruments for this. Our goal is to establish the Group production system throughout the world at all brand and regional locations so as to achieve sustainable and continuous improvement. We have already made substantial progress towards this. In the future, we will increase the attention we give to further strengthening the Group's production system and increasing its presence. As a first step in this direction we are measuring the extent to which the methodologies and instruments are being implemented at the locations. The target/actual comparisons are used to identify fields of action. These are then defined in a project plan and worked through in a structured manner in the second step. As a synchronous company, we are including all business areas so as to systematically optimize processes.

We are creating and managing a global production and logistics network in the area of material and vehicle logistics, from the supplier to the assembly line and from the factory to the dealer and the customer. Logistics services are planned across all brands from a single source, managed and, when required, purchased via the "procurement of logistics services". It is important to us to adhere to stable and uniform processes worldwide.

The Volkswagen Group's automotive logistics are managed across all brands, locations and models. Enduring efficiency is a prerequisite for our competitiveness. We meet challenges of the Industry 4.0 with holistic optimizations, pioneering innovations, flexible supply streams and structures and an agile team.

Our brands, regions and plants are together designing the logistics of tomorrow in a digital automotive world and using new technologies. The massive rise in the availability of information is making processes from the supplier to the production plant to the customer more and more transparent. We use animated planning tools for designing factories and supply streams and have already implemented the tracking of loaded trucks by GPS. Our production plants work in an automated and digitalized manner with driverless transport systems in logistics.

In all this, the traditional logistics objective still applies: information, material and vehicles are to be in the right place at the right time in the right quality and quantity – at the optimum cost.

Environmentally efficient production

The Volkswagen Group has set itself the goal of reducing the levels of the five key environmental indicators of energy and water consumption, waste for disposal and CO_2 and VOC emissions in production by 25% for each vehicle produced – starting from 2010 levels – by 2018. This objective applies to all of the Group's production locations, derived from our ecological requirements for production processes that are anchored in the Group's environmental principles. As the charts on page 148 show, we have already made considerable progress towards reducing all these key indicators.

The Volkswagen Group's brands contribute to achieving these goals with their own frameworks that reflect the specific features of their corporate culture and their brand image. Volkswagen Passenger Cars and Volkswagen Commercial Vehicles have established "Think Blue.Factory", Audi has its "ultra strategy", ŠKODA calls its program "Green Factory", SEAT calls its program "ECOMOTIVE Factory" and Bentley's program is called "Environmental Factory". Porsche has introduced "resource-efficient production". Scania and MAN are giving their commitment to the environment the names "Blue Rating" and "climate strategy", respectively.

We are encouraging close integration and communication between the brands worldwide in order to create synergies. Our environmental experts meet regularly in working groups; in addition, they train our employees on the topic of environmental

KEY ENVIRONMENTAL INDICATORS IN THE VOLKSWAGEN GROUP [1]

ENERGY CONSUMPTION
in kilowatt hours per vehicle

2015	2,108
2014	2,062
2010	2,519

-16.3% [2]

CO_2 EMISSIONS
in kilograms per vehicle

2015	886
2014	849
2010	1,096

-19.1% [2]

VOC EMISSIONS [3]
in kilograms per vehicle

2015	2.79
2014	3.04
2010	4.13

-32.5% [2]

DISPOSABLE WASTE
in kilograms per vehicle

2015	16.1
2014	17.0
2010	23.3

-30.8% [2]

FRESH WATER CONSUMPTION
in cubic meters per vehicle

2015	4.14
2014	4.27
2010	4.54

-8.9% [2]

1 Production of passenger cars and light commercial vehicles. Prior-year figures adjusted.
2 Change 2015 as against 2010.
3 Volatile organic compounds (VOCs).

protection. We record and catalog environmental measures in an IT system and make these available for a Group-wide exchange of best practice. In the reporting period, more than 1,900 implemented measures in the area of environment and energy were documented in this system. They serve to improve passenger car and light commercial vehicle production processes. These activities are worthwhile not just from an environmental perspective: they also lead to annual savings of around €65.9 million.

The following examples from the year under review show the extent to which the measures contribute to improvement of the production processes and achievement of the target values for the five key environmental indicators:

One important lever for reducing energy consumption is on-demand operation of all plants. At our Hanover plant, by switching from two paint dryers to one load-dependent operation we reduced energy requirements by around 8,000 MWh per year; this is equivalent to annual savings of around €200,000 and 1,700 tonnes of CO_2.

We use recycling facilities at some of the Group's locations. These process biologically precleaned waste water for reuse through the membrane process in order to reduce the consumption of fresh water. We brought a recycling facility on stream at the Salzgitter location in 2015. This facility processes half the plant's waste water into recycled water and uses it to feed the central cooling tower. As a result of this measure, we save around 75,000 m^3 of freshwater there annually; this is equivalent to around a quarter of the location's needs.

Modernizing part of the smelter at the Hanover location enables us to save around €3 million off our annual energy and material costs and reduce CO_2 emissions by around 7,000 tonnes per year. Reduced oxide formation will additionally cut our use of materials by 70% and, as a result, also the amount of waste to recycle.

A new application technology that enables material savings is being used in the paintshop at the Spanish location of Martorell. We can thus reduce solvent emissions by 80 g per vehicle and make cost savings of €951,000 per year.

We are also reducing our CO_2 emissions through energy recovery, among other things. In 2015, MAN set up a heat recovery system at the ship engine test facility at its site in Frederikshavn, Denmark. In the reporting period, we recovered over 3,160 MWh of thermal energy, which we supplied to the municipal district heating system. This lowers the CO_2 emissions by 835 tonnes.

The natural gas-driven combined heat and power plant that came on stream in Zwickau in 2014 also makes a contribution to reducing our greenhouse gas emissions. In 2015, it generated 36% of the energy requirements at the site. By generating our own energy, we reduced our CO_2 emissions by around 19,100 tonnes and achieved savings of roughly €8.9 million.

In Pinetown, South Africa, we have installed a photovoltaic system covering 6,300 m^2 and thus created the MAN brand's first climate-neutral location and South Africa's first carbon-neutral production site. With over 300 days of sun a year we are able to generate 810 MWh and thus not only completely supply the location, but also feed the surplus power into the public electricity grid.

Green logistics

Logistics contributes to the Volkswagen Group's ecological orientation. For example, we analyze the entire transport chain in respect of CO_2 emissions. The objective is to avoid transports or to shift to more environmentally friendly modes of transport and to reduce fuel consumption. We are working on measures and areas of action for optimizing the logistics processes across the brands.

In a system known as logistics process partner management, we are improving the pickup processes together with freight forwarders and suppliers in terms of cooperation, efficiency and capacity utilization in the transport network.

An important starting point for reducing CO_2 emissions is the selection of the mode of transport. One of the most efficient options here is maritime transport. The Volkswagen Group is therefore involved in the Clean Shipping Network (CSN), an association of marine cargo owners, and is represented on its management board. With the aid of the Clean Shipping Index rating tool, members of CSN can compare environmental efficiency figures, for example the emissions of individual ships on particular routes. This allows the environmental footprint of maritime transport to be analyzed and reduced.

The successful use of alternative drive technologies is of decisive importance in environmental and economic terms. E-mobility, gas and hybrid drives, fuel cells or other novel fuels offer interesting problem-solving approaches that we are examining for future use. In maritime transport, for example, the use of liquefied natural gas (LNG) is being examined because neither airborne particles nor sulfur oxide (SOx) are emitted. In addition, nitrogen oxide and CO_2 emissions are reduced.

The continuous increase in efficiency in container management also contributes to reducing emissions. Volkswagen has one of Europe's largest pools of load boards in Europe – for example for pallets or containers. The Group's container management continuously works on improving the packing density, weight and folded volume of new load boards and on optimizing the transport routes for empty container shipping. In the design and manufacture of new load boards, we endeavor to use recyclable materials. As a result, plastic small load boards turn completely into recyclates that can be reused in new small load boards.

Last but not least, noise pollution is also taken into account when analyzing logistics processes. In 2015, among other things, the rail wagons from TOUAX were incorporated into the Volkswagen rail network. The use of modern technology – especially the composite brake pads – allows noise when braking to be reduced by more than 75%.

SALES AND MARKETING

The Volkswagen Group's unique product portfolio comprises twelve successful brands, including innovative financial services.

Brand diversity in the Volkswagen Group

At the Volkswagen Passenger Car brand, what the customer wishes is always the focus of what we do when it comes to developments and decisions. This way we ensure that the automotive innovations and solutions that we offer meet the needs of the customers, and are at the same time affordable. This is our competitive advantage: based on this, the Volkswagen Passenger Cars brand aims to become the most innovative volume manufacturer with the best quality in each class in the medium to long term. Against the backdrop of the emissions issue, our goal of acting responsibly and at the same time offering innovative automobiles with instrinsic value has assumed even greater significance. We at Volkswagen are therefore doing everything in our power to restore confidence and to continue to convince our customers of German engineering and the reliability of the brand.

"Vorsprung durch Technik" is not just a slogan for Audi; it is an active brand promise that is delivered throughout the world, making Audi one of the most highly desired brands in the premium segment. Its objective is to become the most successful brand in this segment. To achieve this, Audi relies heavily on its progressive image, high-value products and sporty character. Audi's innovative engineering solutions and emotional design language have won it numerous honors and awards.

Intelligent concepts and a good value proposition have made ŠKODA a very successful brand in Europe and China. The "Simply Clever" slogan combines forward-looking functionality with an impressive space concept that is technically simple but offers sophisticated and practical features.

Design, passion, quality and ongoing evolution – these are the distinctive characteristics of the youthful, dynamic Spanish SEAT brand that is aiming for stronger growth, particularly in Europe. SEAT's goal of combining technological precision and superb engineering with emotional design is expressed in its "TECHNOLOGY TO ENJOY" slogan.

Sports car manufacturer Porsche's brand values are a combination of opposites: exclusivity and acceptance, tradition and innovation, performance and suitability for everyday use, design and functionality. Porsche's philosophy is "to achieve maximum output from minimum input". From the very beginning, Porsche has focused on finding intelligent ways to convert performance into speed – and success – not just with more horsepower, but also with more ideas.

Exclusivity, elegance and power – these are the defining qualities of our Bentley, Bugatti and Lamborghini brands in the luxury vehicle segments. They round off the Volkswagen Group's brand diversity in the passenger cars segment.

Volkswagen Commercial Vehicles stands for superior mobility with its three core values – reliability, economy and partnership. The brand offers a range of different transport solutions based on the highest levels of engineering. The vehicles are tailored to meet the individual transport needs of customers in trade and industry, as well as civil authorities and service providers. Private customers value the brand's family-friendly MPVs and recreational motor homes.

The Swedish Scania brand's core values are "customer first", "respect for the individual" and "quality". This successful company has been manufacturing high-performance trucks and buses featuring extremely innovative technology for over 100 years. The brand offers its customers efficient transport solutions backed by excellent service offerings and financial services.

Customer focus, enthusiasm for the product and efficiency are the core values at MAN. As well as trucks and buses, the company is a leading manufacturer of diesel engines, turbomachinery, turnkey power plants and special gear units.

Ducati is one of the most famous manufacturers of premium motorcycles. Its emotionally charged products thrill the Italian brand's customers with their premium quality craftsmanship, uncompromising performance and challenging dynamics.

Volkswagen Financial Services provides the Volkswagen Group's private and business customers with the right products and services across all vehicle segments. It is the key to mobility for our customers around the world.

Digitalization in Group sales

In sales too, we use the opportunities that increasing digitalization offers. Our actions are guided by a clearly defined strategy that allows extensive cooperation between the brands to create the greatest possible synergies.

Digitalization will make a decisive contribution to creating a completely new product experience for our customers characterized by seamless integration of the customer across all points of interaction. In doing so, we open up new options and business models – mobility and other services – around the connected vehicle. It will increasingly become an integral component of the customer's digital world of experience. We take care to make all processes transparent so that customers always retain control of their own data.

Moreover, we also gear our internal processes and structures to the speed of digital innovation. The result is new forms of cooperation, a more intensive relationship with the international start-up scene, a consolidation of venture-capital expertise as a form of "development support" for innovative ideas and business models, and new lean systems and cloud-based IT solutions.

Customer satisfaction and customer loyalty

The Volkswagen Group's sales activities focus consistently on turning our customers into even more satisfied customers – this is our top priority. With the aid of the digitalization offensive in the Group, we are putting even more emphasis on customer requirements and service; this offensive will sustainably shape our business.

The Group's brands regularly ascertain customer satisfaction levels, focusing on products and services. They derive new measures from the survey results to achieve even greater customer satisfaction.

Measured in terms of customer satisfaction with their products, the Audi and Porsche brands are among the leaders in the core European markets in comparison to other Group brands and their competitors. The other brands in the Group also score higher than competing brands. All Group brands achieve figures at or above the level of the competition in customer satisfaction with dealers.

Customers are loyal to our brands and trust them when we meet, or better still exceed their expectations of our products and services. The Volkswagen Passenger Cars brand, for example, has maintained a high level of customer loyalty in its core European markets for several years in a row. The loyalty of Audi, Porsche and ŠKODA customers has likewise kept these brands in the upper rankings in comparison with competitors for a number of years.

As a consequence of the emissions issue, studies showed a slight drop in the Volkswagen Passenger Cars brand image and customer satisfaction with the products in the fourth quarter of 2015.

The Group sales structure

The Volkswagen Group's multibrand structure helps promote the independence of its brands. Nevertheless, we use overarching sales activities to increase sales volumes and market share, and to increase sales efficiency while cutting costs and improving earnings contributions.

In the reporting period we focused particularly on dealer profitability: this was achieved firstly with cost-cutting programs and secondly by expanding the business volume for each dealer. As part of our distribution network strategy, which calls for us to work with strong partners and leverage the potential of all business fields, but also in light of the difficult economic situation in some countries, we optimized the structure of the distribution network. The focus was on a close working relationship with dealers and their profitability. We use Group companies to manage our wholesale business in over 20 markets. A central department makes sales activities more transparent and more profitable. It creates synergies between the different brands and is key to us achieving the goals of our Strategy 2018. This makes it possible for the remaining wholesale companies to learn quickly and efficiently from the Group-wide benchmarking process and from the best practices adopted by individual companies. A focus for the reporting period was optimizing our national sales companies' logistics costs.

Fleet customer business

The business relationships with fleet customers are often of a long-term nature. This customer group guarantees more stable vehicle sales than the private customer segment in a volatile environment. The Volkswagen Group has an established base of business fleet customers in Germany and the rest of Europe in particular. Our extensive product offering enables us to satisfy their individual mobility needs from a single source.

In 2015 the emissions issue led to uncertainty among those customers for whom CO_2 figures in particular are decisive purchase reasons. There was no reported impact on new vehicle registrations in the fleet customer business in 2015, however.

Used car business

The used car business is our dealer organization's fourth key source of income after the new car, services and parts businesses. We ensure the profitability of the used car business by providing efficient processes and systems and highly qualified employees, as well as clear guidelines and management tools.

We focus on professional used car management at both the wholesale and retail levels. In order to be able to provide a suitable range of products and services, we are systematically expanding our demand-oriented offering of relatively new used cars. Customer-centric financial services are the basis for attractive product packages in this respect. In addition, we further strengthened our autonomous used car brands and rolled them out internationally so as to ensure that our offerings also meet our customers' needs. Cross-brand activities enable us to implement internal examples of best practice throughout the Group, benefiting from economies of scale and leveraging synergies.

We established and standardized processes especially for used cars at all distribution levels, enhanced and increasingly harmonized the underlying IT infrastructure, and introduced uniform management performance indicators.

To ensure long-term success in our used car business, we attach considerable importance to stable residual values – in particular in light of the emissions issue. We have set up system-based reporting functions for this purpose.

After-sales and service

In after-sales, the timely provision of genuine parts and individual service are instrumental in ensuring passenger car customer satisfaction. The Volkswagen Group ensures the global supply of genuine parts through an after-sales network with over 120 of our own warehouses. Our efficient supplier organization enables supply of almost all service centers worldwide within 24 hours. Our passenger vehicle brands' genuine parts and the expertise of our service centers represent the highest level of quality and ensure the safety and value retention of our customers' vehicles.

The Volkswagen Group regards itself as a complete provider of all parts and services relevant to customers in the after-sales business and ensures the worldwide mobility of its customers jointly with its partners. The partner businesses offer the entire portfolio of services, for example oil and tire changes, inspection, maintenance and repair, in all vehicle classes. We are continuously expanding our range of tailored services in order to improve convenience for our customers and customer satisfaction. For example, express-service offerings and our German and non-German partner businesses' Clever Repair program enable time-saving repair. With some Group brands' economy packages, our customers get an attractive complete package in line with the vehicle's age. The dialog reception and the safety checks guarantee a comprehensive service for vehicles and customers. In the event of a flat tire or an accident, the Group brands' mobility guarantees ensure our customers' mobility and the repair of their vehicles.

Around the world, our commercial vehicles business also stands for products of the highest quality and for customer proximity. Fuel efficiency, maintenance and operating costs, the residual resale value of vehicles, and the purchase price – these are critical buying criteria for our customers, in addition to availability. We are continually extending both our after-sales activity and our comprehensive service offering, and these play an important role in increasing customer satisfaction.

Scania is adding services to its range of trucks, buses and engines that guarantee fuel efficiency, reliability and good vehicle availability. Among these are the Scania Rent Truck & Trailer service that helps to overcome short-term fleet capacity problems. Scania Parts and the Genuine Parts Warranty ensure that most replacement parts are available within 24 hours throughout most of Europe. Driver behavior is the key factor for operating efficiency, service life of tires and parts, as well as traffic safety. Drivers can learn to drive more efficiently and safely at the Scania Academy. Scania's workshop service and service contracts offer customers a high degree of safety in addition to consistently high quality.

MAN provides packages with connected services optimally geared to customer requirements – under the MAN Solutions brand – in order to lower the total operating costs of the vehicles. These packages include maintenance and repair contracts, for example, in conjunction with MAN's proactive maintenance management service, MAN ServiceCare. Active data exchange between vehicles, customers and the MAN service points is handled via the MAN TeleMatics integrated onboard module. MAN ServiceCare enables operators to schedule servicing work at the most suitable times, increasing the availability of their vehicles. The MAN services are available in a strong, global after-sales network with 1,470 highly qualified service points. In addition to its genuine parts, MAN also offers professionally prepared reconditioned parts (ecoline) and thus enables economically viable repair of the customer's vehicle in the accustomed quality.

The e-mobility challenge for sales

The Volkswagen Group's e-mobility strategy covers the development of customer-centric products and business models to complement its range of electric vehicles. For example, we provide specific solutions in the field of mobile online services for electric vehicle customers or offer the Charge&Fuel card via Volkswagen Financial Services AG, combining the functions of a fuel and charge card.

When selecting products and partners, we take great care to obtain the greatest possible customer benefits and generate maximum synergies for the Group, while, at the same time, reinforcing the identity of our brands.

We also provided additional sales and after-sales services to our electric vehicle customers, such as arranging for customer-specific charging infrastructure solutions and services. We are further expanding skills in retail – geared to the challenges of e-mobility. This includes the further transferal of battery repair expertise to the individual markets.

QUALITY ASSURANCE

The quality of our products and services plays a key role in maintaining customer satisfaction. Customers are particularly satisfied and remain loyal when their expectations of a product or service are met or even exceeded. Reliability, appeal and service determine quality as it is perceived by the customer throughout the entire product experience. Our objective is to positively surprise and excite our customers in all areas and thus win them over with our outstanding quality. We continued to aspire to this objective in 2015. At the same time, however, events in the reporting period showed us that we have to expand our current understanding of quality: going forward, Quality Assurance will focus more intensively than before on the compliance of our products.

As a result of the emissions issue, we will place even greater emphasis than in the past on our quality management system. A process-driven approach across all business areas will be reinforced throughout the Group. Quality management in the Volkswagen Group is based on the standard ISO 9001: the requirements of this standard must be met to obtain the operating license and type approval for producing and selling our vehicles. The standard was revised in the reporting period; one of the main substantive revisions made concerns risk assessments for non-compliant processes. To ensure that these and other revisions are uniformly implemented throughout the Group, Quality Assurance developed a concept in 2015, setting out guidelines, recommendations and tips for the quality management consultants for the individual brands, and supported them in the process of implementation.

As a further step, we have reinforced application of the dual control principle – mutual support and control between the divisions – and built up further core expertise in quality assurance. This includes setting up control mechanisms between Technical Development and Quality Assurance, and carrying out checks on the compliance of our products. A number of organizational measures were taken to establish a process of checks to be carried out by several individuals in the approval of powertrains.

Based on these and other measures, we intend to ensure within the scope of Quality Assurance that all legal requirements imposed on us as a manufacturer and on our products are met.

Observing regional requirements

Our customers' wishes and desires in terms of new vehicle models vary in the individual regions of the world. Identifying these specific regional factors and prioritizing them is an important task for Quality Assurance, so that they can then be reflected in the development of new products and the production of established vehicle models. Factors such as the available fuel quality, road conditions, traffic density, country-specific usage patterns and, last but not least, local legislation play a key role in this process. We mainly use market studies and customer surveys to capture the region-specific customer requirements.

Product and supplier quality

In the reporting period, the large number of product start-ups made high demands on Quality Assurance. We nevertheless managed to maintain the high quality of the previous years. Our suppliers also made important contributions to this. We expect them to use sustainable practices, as well as to deliver the highest product quality and reliability of supply.

One of our central concerns is to establish innovative technologies that are installed in new vehicles in the respective markets without any complaints. We are therefore placing even greater emphasis than before on the topics of software quality and data security. Quality Assurance supports and analyzes new vehicle projects long before customers experience a new product. We consistently aim to make our products even better and even more reliable, while at the same time taking as many customer wishes as possible into consideration and factoring in regional requirements.

In addition, Quality Assurance defines high quality targets and standards for the Volkswagen Group, and monitors compliance with them. It also identifies the cause of any faults and manages the process for removing them. In 2015, we continued to standardize our fault removal process, so that we can respond even more quickly and effectively to any problems in the vehicle. As a result, we can increase customer satisfaction, and at the same time reduce warranty and ex gratia repair costs.

Service quality

We also aim to improve the quality of our service offerings worldwide. As in the previous year, we therefore further optimized our warranty and ex gratia repair instruments in 2015. As the direct interface with our customers, authorized dealers also offered us additional opportunities: we are working on identifying any problems that may be revealed in the emotional moment of vehicle handover at an early stage, and on preventing such problems from occurring. One measure taken in this respect is the introduction of "dealer plant teams" – a proven concept that we repeated for the launch of the Volkswagen Touran: employees from different work areas inspect the quality of the vehicles delivered to the local dealer and feed back details of any problems to the manufacturing plant in question.

Group quality standards

Whether they are buying a passenger car, commercial vehicle or motorcycle, our customers expect perfect quality from all vehicles of the Volkswagen Group. So for more than 40 years now, auditors have been deployed around the world to carry out an assessment from the customer's perspective of the vehicles ready for delivery. We continually revise the quality standards applied for these vehicle audits in line with changes in requirements. In 2015, based on the guiding principles of precision and perfection, Quality Assurance prepared a truck-specific audit in conjunction with the Volkswagen Commercial Vehicles, Scania and MAN brands, and trained and certified the product auditors accordingly.

Our products stand out for their precision, perfect workmanship and high-quality appeal. Quality Assurance contributes to this with instruments such as master jigs and function cubes. This testing equipment in use at Volkswagen ensures that we meet the high quality requirements imposed on our vehicle construction processes. For vehicle interiors and exteriors, Quality Assurance assesses the overall appeal, panel gaps, looks and feel, functionality and assembly capability. Where necessary, we adjust components or make changes to their design. As the importance of appeal continues to grow in the truck segment, Quality Assurance ran a comprehensive training program in 2015, in cooperation with Scania. Employees were given training on how to correctly adjust and classify parts.

EMPLOYEES

Excellent performance, the success that comes from it and participation in its rewards are at the heart of Volkswagen's human resources strategy. Our teams must draw on the specialist knowledge and abilities of every member if they are to perform at their peak, create excellent products and ensure our business success.

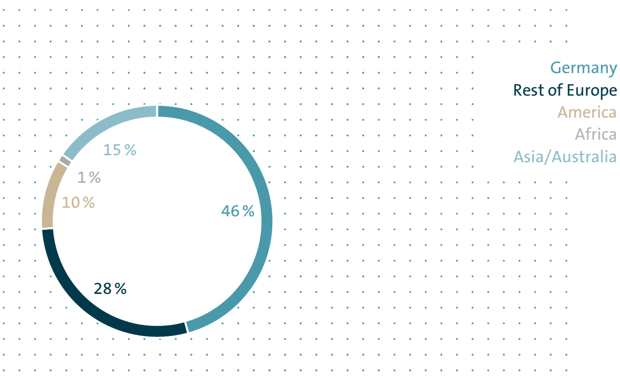
As of December 31, 2015, the Volkswagen Group, including the Chinese joint ventures, employed 610,076 people, 3.0% more than at the end of fiscal year 2014. Significant factors for the increase in employees were the expansion of the workforce at our new plants in China, Poland and Mexico and the recruitment of specialists, particularly in Germany and China. In 2015, the Volkswagen Group took a total of 3,698 temporary employees into its core workforce in Germany.

The ratio of Group employees in Germany to those abroad remained unchanged in the past year. As of the 2015 reporting date, 45.7% were employed in Germany.

Vocational group qualifications

Training at Volkswagen is organized systematically on the basis of vocational groups. A vocational group includes all employees whose work activities are based on similar technical skills and who need related expertise in order to perform their job. The skills profiles lay down the functional and interdisciplinary skills for each job. On this basis, a broad offering of qualifications is available to employees. Employees continue to develop throughout their working lives and continuously deepen their knowledge. In this process, they also learn from more experienced colleagues, who act as experts in the vocational group academies – the learning centers of the vocational groups – and pass on their knowledge to others.

EMPLOYEES BY CONTINENT
in percent, as of December 31, 2015



Dual vocational training

Dual vocational training, where theory and practice are closely interwoven, provides the basis for first-class performance that meets the Volkswagen Group's high standards of expertise and quality. Vocational education and training are offered based on the expertise required within each vocational group.

Volkswagen has introduced dual vocational training at many of the Group's international locations in the past few years and is continuously working on improvements. In 2015, Volkswagen do Brasil made preparations for a three-year mechatronics engineer training program. The introduction of the program, which follows the German standard, is planned for 2016. When planning the construction of new factories – such as Audi's Mexican plant in San José de Chiapa – dual training is included in the process right from the start. Over three-quarters of all the Group's vocational trainees learn their trade through dual vocational training. As of December 31, 2015, the Volkswagen Group had trained 18,651 young people worldwide in approximately 60 trades and 50 dual study programs.

Once a year, Volkswagen honors its highest-achieving vocational trainees Group-wide with the "Best Apprentice Award". In 2015, 12 young women and 33 young men at a total of 40 Group locations received this award for their excellent performance and technical expertise.

Particularly talented young specialists are supported in talent groups. The highest-achieving 10% of vocational trainees in each graduation year at Volkswagen AG and of the Volkswagen Sachsen GmbH's location in Zwickau are admitted to these two-year development and training programs. These programs are aimed primarily at promoting the technical excellence and personal development of each participant individually.

After completing their vocational training, young people at the start of their career have the opportunity to take part in the "Wanderjahre" (Years Abroad) program, spending twelve months at one of the Group's international locations. In the reporting period, 38 Volkswagen Group locations in 17 countries took part in this development program, including Porsche AG and Sitech GmbH for the first time. In 2015, 59 employees from Germany and 18 from nine other countries embarked on their Volkswagen Group Years Abroad program.

The "Volkswagen Group Charter on Vocational Education and Training" adopted in June 2015 shows the high value Volkswagen places on education and training. The Charter covers basic issues such as the selection process for apprentices, the duration and quality of vocational education and training, the tools and infrastructure available for teaching educational content, and the transition to post-apprenticeship employment.

The Volkswagen Group is a pioneer in the modernization of vocational education and training and is making preparations in good time for the digitalization of the working environment. Experts at Volkswagen and the Federal Institute for Vocational Education and Training (BIBB) are working to establish what adjustments need to be made to job descriptions and are drafting proposals for a forward-looking organization of vocational training – initially in Germany and later also internationally. In the reporting period, the focus was on developing a joint job profile for maintenance engineers that spells out the changed skill requirements.

The Volkswagen Group already develops and uses innovative methods in vocational education and training. They include the development of innovative learning formats in vocational training at Volkswagen and mobile learning with tablets, which Audi rolled out as a pilot project in 2015, initially at its German locations and later also at the international locations in Györ and Brussels.

Developing university graduates

Volkswagen uses a differentiated approach to ensure the loyalty of its young academic talent, which consists of two elements: the Student Talent Bank and the Academic Talent Pool.

Through the Student Talent Bank, Volkswagen supports particularly high-achieving students in both functional and interdisciplinary areas. The aim here is to persuade former interns to join the Company and, by inviting them to specialist lectures, seminars, or visits, for example, to give them the best possible preparation for entering a profession in the world of Volkswagen.

Talented young high potentials are added to the Academic Talent Pool just before they complete their degree or doctorate. This puts selected high potentials on the radar screen at the Company, allowing them to be considered for an entry-level position in one of the functional areas.

Volkswagen offers university graduates two structured trainee programs for joining the Company: StartUp Direct and StartUp Cross. In addition to working in their own department, trainees in the StartUp Direct program get a good overview of the Company and attend supplementary training seminars over a two-year period. University graduates interested in working internationally can take part in the 18-month StartUp Cross program. Over this period, they get to know Volkswagen through assignments in a variety of specialist areas throughout the value chain and, in addition, they broaden their knowledge and experience at different Volkswagen Passenger Cars locations at home and abroad. Volkswagen took on 346 trainees under one of the two programs in 2015; around 30% of them were women.

Trainee programs are also offered at the international Group locations, such as at ŠKODA in the Czech Republic and Scania in Sweden. In addition, the Volkswagen Group's StartUp Europe trainee program has offered young engineers from Southern Europe an opportunity to gain international work experience since 2012. This Volkswagen program is designed to attract international talent and was initially targeted at university graduates from Italy, Spain and Portugal. Three months at a foreign subsidiary are followed by 21 months at a Group company in Germany. Participants may be offered permanent positions after the two-year program – 22 promising young engineers were taken on in 2015.

Professional development, leadership and management programs

The Volkswagen Group Academy offers a broad range of qualification routes for specialists. These include personal development programs in addition to general professional development programs and training within the vocational groups. The basic dual training principle, which combines learning of theoretical content with practical experience, also plays a key role here.

A large number of the development programs and selection processes for executives, master craftsmen and managers have already been standardized across the Group. In 2015, the Volkswagen Passenger Cars brand in Germany alone offered over 210 training programs leading to qualifications for executives, master craftsmen and managers, as well as assessment centers. Internationally, the Volkswagen Group Academy carried out a total of around 75 training programs and assessment centers for executives, master craftsmen and managers in Argentina, Brazil, China, the United Kingdom, India, Ireland, Portugal, Russia, Spain, Slovakia, South Africa, the Czech Republic and the USA.

Professional development at university level

Within the Volkswagen Group Academy, the AutoUni ensures the availability of specialized academic knowledge. The aim is to increase the technical quality in Volkswagen's vocational groups and to promote networking among experts. Nine institutes work in conjunction with the vocational group academies and partner universities to design development programs for the Group's vocational group experts. In addition, a wide variety of professional development formats are designed in order to disseminate the Group's wealth of internal knowledge as well as that of university professors and business specialists, and to generate new academic insights. The 2015 offering included professional development formats on sustainability, e-mobility and product electrification as well as an online course on materials for experts within the Group provided in cooperation with Stanford University.

The AutoUni cooperates with internationally renowned universities, institutes and research centers on a variety of research projects, dissertations and theses. At the end of 2015, more than 530 doctoral students were engaged in research at the various Volkswagen Group companies in Germany, investigating forward-looking, Company-related issues.

Knowledge Campaign on Digitalization

Business can only remain viable in the long term if it prepares itself in good time for new professions, qualifications and working methods. In 2015, Volkswagen developed the "Good Work at Factory 4.0" concept, which it presented at an international expert conference held during the Hanover Trade Fair. At the heart of the concept is work that promotes skills and has a positive impact on employees' health in the highly automated factories of the future. Volkswagen aims to automate an increasing number of stressful or repetitive jobs in the coming years, using in particular cooperating lightweight robots. At the same time, we intend to upgrade the remaining jobs by enhancing them with complex management and maintenance tasks. This concept is also a response to demographic change, which will limit the availability of qualified specialized labor in the coming years. To facilitate these changes, Volkswagen launched the "Knowledge Campaign on Digitalization" in May 2015. The campaign is initially aimed at employees of the Volkswagen Passenger Cars and Commercial Vehicles brands in Germany in order to provide them with a basic understanding of digitalization.

In the first phase, they come into contact with the subject with the aid of short films and educational quizzes in the intranet. In the second phase, they are able to attend events in the different business areas, where they experience the use of new technologies. Programs leading to vocation-specific qualifications in Volkswagen's vocational groups are planned for the third phase. The cross-brand and international rollout of the Knowledge Campaign on Digitalization took place at the end of 2015.

Advancement of women, family-friendly HR policies

For Volkswagen, family-friendly human resources policies are a key attribute of an attractive employer. Volkswagen intends to increase the proportion of women in the Company in a sustainable way.

The Group made its first voluntary commitment in 2011 in relation to differentiated targets for the proportion of women in the workforce. We hire the year's best graduates in the necessary fields and take into account the proportion of female graduates in the relevant subject areas. Averaged across all fields of study relevant to Volkswagen, the individual ratios produce an overall goal of 30% women among the university graduates hired.

PROPORTION OF WOMEN VOLKSWAGEN GROUP IN GERMANY*
as of December 31, 2015

%	2015	2014
Total vocational trainees	**28.3**	**28.2**
Industrial vocational trainees	22.6	21.8
Commercial vocational trainees	57.0	56.2
Students in traineeship schemes	33.4	32.1
Total management	**10.3**	**10.2**
Management	11.9	11.7
Senior management	8.6	8.3
Top management	3.8	5.7

* Excluding Scania, MAN and Porsche.

Volkswagen aims to attract female students at an early stage: we use our Germany-wide Woman DrivING Award and the Woman Experience Day to focus on female engineering and computer science students and graduates, so as to recruit them for technical positions with us.

This increased proportion of qualified women joining the Company will enable us to steadily lift the proportion of female executives in the coming years. To increase the proportion of women in management, Volkswagen AG has set itself the following target quotas: by the end of 2016, the proportion of women in the first management level is to be 9.8%. In the second management level, women are to account for 13.3%.

The Volkswagen Group is aiming to have 30% women at all management levels in Germany in the long term. In the reporting period, the proportion of women in management positions overall rose to 10.3%, compared with 10.2% in the previous year. We are encouraging this development with a number of different measures: for example, 2015 saw the second group to embark on the cross-brand Management Mentoring Program, designed to support women on the way to management positions, with 63 participants from the Volkswagen Group in Germany. In addition, Volkswagen offers the "Compass" program to specifically encourage women with high potential in their decision to aim for a career in management. In the reporting period, 60 women from Volkswagen AG – as well as the companies Volkswagen Sachsen GmbH, Volkswagen Financial Services AG and Autovision GmbH – took part in this program.

In addition, Volkswagen intends to raise the proportion of women among its skilled workers and master-level workers in Germany to 10%; in fiscal year 2015, the proportion of women in the Volkswagen Group in Germany (without Scania, MAN and Porsche) was 4.7%.

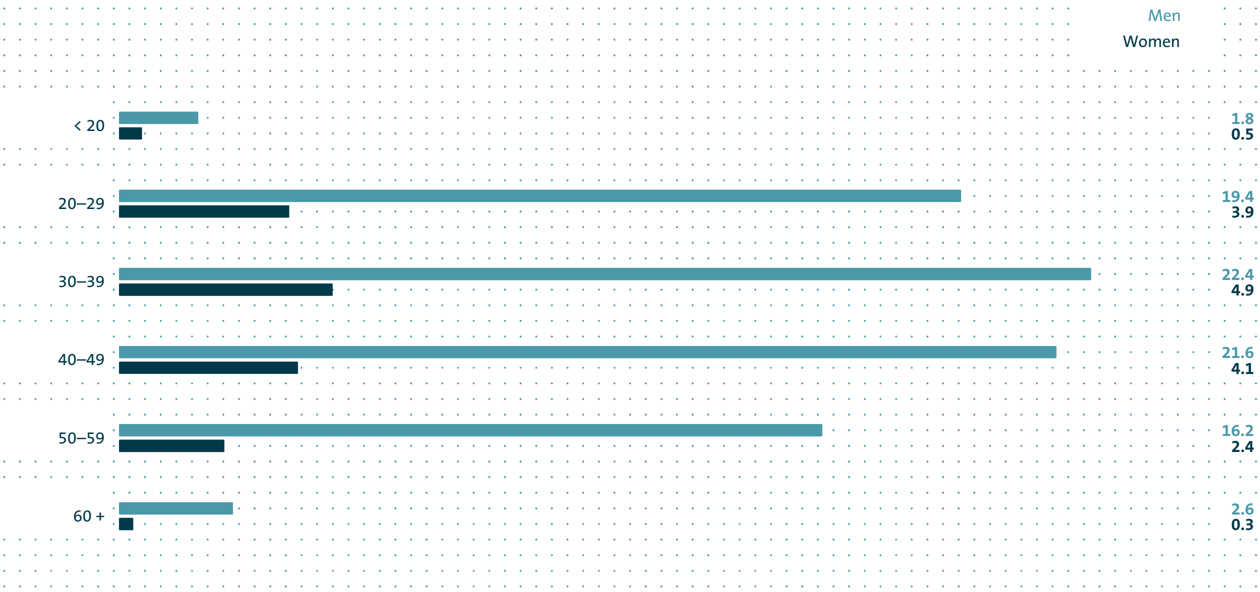
Volkswagen specifically targets the recruitment of talented women, for example by arranging special work experience and orientation days for young women, in order to increase the proportion of female vocational trainees in the industrial and technical area from 22.6% in 2015 to 30%. The aim of these events is to give them a taste of training in industrial and technical trades and to support them in their career choices. The Volkswagen Passenger Cars, Audi, Porsche, Volkswagen Commercial Vehicles, MAN and Volkswagen Financial Services brands have participated in the national "Girls' Day" in Germany for years. In the year under review, they offered over 2,000 schoolgirls a behind-the-scenes look into careers in the automotive industry. On Technology Day, ŠKODA gave 300 schoolgirls the opportunity to get a taste of working in technical and scientific vocations by taking part in practical exercises.

Volkswagen has offered participation in the "Lower Saxony Technikum" at its locations in Lower Saxony, Germany, since 2012. Female high school graduates complete an internship in a specialist technical area and attend university lectures parallel to this. Since 2012, 91% of all participants – a total of 76 women – have opted for a technical degree or vocational training. Of these, 16 completed a dual course of study at Volkswagen. MAN has taken part in the Lower Saxony Technikum at its Salzgitter location since 2015.

In addition to hiring and supporting talented female employees, Volkswagen is working continuously to improve its employees' work/life balance. The Group provides a large number of operational arrangements and options for individuals to balance professional and personal requirements. They include flexible part-time and shift models or teleworking arrangements at Volkswagen and Audi or home office working at Porsche. In addition, all brands offer programs to ease the transition back into the workforce for employees on parental leave.

Another step toward becoming a family-friendly company is the constant expansion of a range of childcare options. The Volkswagen Group has had positive experiences with near-site childcare in Germany and abroad. In addition to existing establishments, for example at Volkswagen Financial Services AG or at the Volkswagen Group of America's Chattanooga location, two near-site daycare centers were created in the past year at locations of Volkswagen AG,

AGE STRUCTURE IN YEARS OF VOLKSWAGEN GROUP EMPLOYEES
as of December 31, 2015; in percent



one in Hanover and the other in Emden, both in cooperation with the local municipalities. There are plans to expand childcare options at other locations as well. Childcare is also available during school vacations at all the Volkswagen Passenger Cars, Audi, Porsche, Volkswagen Commercial Vehicles and MAN locations in Germany. The number of options on offer has been increasing internationally, too: for example, holiday camps for children are also offered by Volkswagen in Shanghai, Navarra, Chattanooga and in Kaluga.

Performance incentives and bonus arrangements

Systematically encouraging and recognizing achievements and adapting remuneration systems to allow employees to share in the Company's success for the long term are important components of our human resources strategy. Universal and uniform criteria for skills development and performance evaluation have been in place at Volkswagen AG since 2010. These criteria apply to the entire workforce – from vocational trainees to senior executives. They are underpinned by concrete incentive systems in the remuneration structure.

Volkswagen AG's employees covered by collective pay agreements have a remuneration system that comprises three main elements:

- basic pay in the form of a competitive monthly salary;
- a performance-related pay component that additionally recognizes the achievements of each individual employee; and
- the right to a bonus arrangement anchored in the collective pay agreements.

This three-tier remuneration system has proven its worth as a tool for the workforce to participate in the Company's success. It contributes to rewarding individual performance while maintaining competitiveness at the same time. For this reason, it is increasingly becoming standard practice in the Group – at Audi and ŠKODA, as well as at the Volkswagen Group Rus' location in Kaluga and at Volkswagen de México, among other places.

Employee participation

Codetermination and employee participation are important pillars of our human resources strategy. Volkswagen aims to promote high levels of technical expertise and a strong team spirit among its employees. The Company invests in its people, offers employees attractive opportunities for development and promotes a good working climate. This includes employees' opinions, assessments and constructive criticism being heard.

One tool we use to this end throughout the Group is the opinion survey, through which employees can actively help shape the Company. With this uniform, Group-wide employee survey, we regularly gather information about employee satisfaction. To fundamentally revise the work climate index, in spring 2015 we suspended Group-wide implementation of the tool. In the future, change processes that result from the work climate index will be even more sustainably implemented. The spotlight in 2015 was therefore on implementing the actions identified in the 2014 opinion survey.

The "Volkswagen Way" has been a successful tool for involving Volkswagen AG's workforce in improving the Company's efficiency since 2007. By using it, we aim to both increase competitiveness and safeguard employment. A continuous improvement process aimed at achieving continuous process and structure optimization in the areas of productivity and quality, ergonomics, leadership and teamwork helps to ensure these. Again, a particular focus for the "Volkswagen Way" in fiscal year 2015 was on optimizing workflows. To this end, projects were initiated and implemented across all business areas. One example is the standardization and automatic creation of correspondence for the human resources department with the ESCRIBA application system. In addition to the "Volkswagen Way", a uniform Group-wide production system is used for all brands during production.

Employees use their creativity, knowledge and initiative to take responsibility for process and product improvement under the Ideas Management program. Employees in Germany have submitted over 2.1 million ideas since 1949 using the former suggestion program and today's Ideas Management program, saving nearly €3.3 billion at the German locations of Volkswagen AG and Volkswagen Sachsen GmbH. Ideas Management is an important leadership and motivational instrument for line supervisors. It also contributes to improving health and safety in the Volkswagen workplace and to implementing our targets for reducing energy and water consumption, waste, VOCs and CO_2 emissions.

IDEAS MANAGEMENT IN THE VOLKSWAGEN GROUP*
as of December 31, 2015

	2015	2014
Ideas suggested	536,081	463,042
Suggestions implemented	360,454	306,432
Savings in € million	374.9	324.4
Bonuses in € million	38.7	35.2

* 41 (31) participating production locations.

Preventive healthcare and occupational safety

Volkswagen's holistic healthcare management system extends far beyond traditional preventive healthcare and occupational safety; it also covers aspects of work organization, ergonomics, prevention, integration and rehabilitation, leadership and prospects for all individuals.

The check-ups established as standard at the German locations help to maintain and improve employees' health and performance and help keep them fit. It is a free and comprehensive screening for all employees. The employees appreciate its high diagnostic quality and the follow-up programs.

Check-ups are now also successfully carried out at almost all international locations. Other preventive healthcare programs have been brought into line with Group-wide standards. In some cases country-specific supplementary examinations, such as HIV and tuberculosis tests, have been added.

Healthy eating concepts and a wide variety of sports and leisure activities – from the weight loss and healthy eating campaign at Volkswagen in South Africa to internal running events at Volkswagen Commercial Vehicles in Hanover – complement the holistic approach to health management in the Volkswagen Group. In addition to the check-up, ŠKODA introduced a new Healthy Living Week in 2015. The extensive offering of different medical check-ups and special healthy living programs was very well received among the workforce. In recognition of its preventive healthcare and health promotion activities, ŠKODA received the "Health Promoting Enterprise" award from the Czech Ministry of Health.

In September 2015, SEAT became the first company in Spain's automotive sector to be awarded the sought-after "Healthy Company" certificate by the Spanish Association for Standardization and Certification (AENOR) in recognition of the high quality of its health management system.

At the same time, Volkswagen makes improvements along the entire product development process in order to guarantee that the quality of workplaces and the strains on employees that arise as a result of production are already taken into account in the planning and design stages of vehicle models. This involves using both science and practical experience with the aim of combining state-of-the-art ergonomic workplaces with innovative work processes. By using so-called ergo assistants on the production lines, employees are given advice and instructions directly at their workstations on how they can perform their workflows more ergonomically and consequently modify their behavior.

EMPLOYEE BREAKDOWN[1]
as of December 31, 2015

	2015	2014	2013	2012	2011
Vocational trainees in the Group	18,651	18,459	17,703	16,714	15,021
Industrial	13,673	13,577	13,174	12,508	11,249
Commercial	4,978	4,882	4,529	4,206	3,772
Passive phase of partial retirement	6,183	7,129	9,501	7,804	4,488
Group's active employees	585,242	566,998	545,596	525,245	482,447
Employees	**610,076**	**592,586**	**572,800**	**549,763**	**501,956**
Europe	451,257	438,631	424,964	410,427	378,030
America	59,329	59,790	61,796	63,193	58,072
Africa	6,388	6,330	6,356	6,461	6,602
Asia	91,991	86,752	78,672	68,704	58,540
Australia	1,111	1,083	1,012	978	712
Percentage of female employees in the Group	16.0	15.7	15.5	15.2	14.7
Female graduate recruits[2] (in %)	37.0	30.9	35.3	29.2	30.5

1 Including the Chinese joint venture companies.
2 Volkswagen AG

Using the Group occupational safety management system, all Group companies covered by it analyzed their occupational safety organizations and processes. The results are available throughout the Group in a central database system. A total of seven Group audits were conducted in the reporting period. This includes the systematic exchange of examples of best practice in the Volkswagen Group.

Social benefits

Volkswagen AG tops up the benefits provided by social insurance institutions, such as sick pay, and supports dependents when an employee dies. All Volkswagen AG employees are also insured by a group accident insurance policy against accidents resulting in death or disability. Volkswagen AG also grants short-term loans to employees in exceptional cases of economic hardship.

Employees in the Group companies in Germany and abroad enjoy additional benefits. Depending on the location, these include transport and subsistence allowances, affordable housing, monthly childcare allowances as well as subsidies towards selected leisure activities. Additional preventive healthcare services or supplementary pension insurance policies round off this offering on a location-specific basis.

Volkswagen AG and its brand companies and subsidiaries operate an occupational pension system, making an important contribution to securing their employees' retirement income. In addition to the components funded by the employer, the direct pension commitment offers employees the opportunity to provide for their own retirement income through deferred compensation. Direct insurance is another opportunity for employees to provide for their own retirement income through deferred compensation.

Volkswagen AG's Time Asset is an instrument that gives staff the opportunity to retire earlier. Since 1998, employees have been able to make contributions from their gross salary and time credits. The accumulated Time Asset credits can be used for paid early retirement.

INFORMATION TECHNOLOGY (IT)

Increasing digitalization and networking, the necessary end-to-end support for business processes and the development of new locations continually pose new challenges to the Group's IT functions. A well-equipped, state-of-the-art infrastructure is essential in order to master these challenges.

Further developing the application landscape at the corporate locations, in business processes and in the sales network efficiently is just as vital. The IT staff are responsible not only for developing the systems at all of the Volkswagen Group's brands, but also for supporting users in technical development, production and sales. This is how applications tailored to the exact needs of the users are created.

The growing convergence of production and IT is opening up new opportunities. Big data processes allow machine faults to be analyzed and action to be taken at an early stage. Big data makes it possible to analyze and evaluate data volumes that are too vast and too complex to be processed using manual or conventional methods. Volkswagen's factory planners can use the "digital factory" to virtually walk through the buildings before the groundbreaking and to test out their plans, thus safeguarding product launch.

The Group-wide "Fertigungs-, Informations- und Steuerungssystem" (FIS – Production, Information and Control System) ensures that vehicles are efficiently produced – at the right time and with the right equipment – at currently 43 plants worldwide. FIS is a key success factor for enabling flexible and cross-brand production in the global production network. In the past three years, we have increased the Group-wide level of IT standardization for managing our plants to 84%.

Volkswagen is addressing the trend towards digitalization in the Group's own IT labs. IT labs are innovation centers where new IT solutions are developed in close cooperation between departments, research institutions and technology partners. The innovation centers act as test laboratories for the Group, as advisors on questions concerning the future of information technology and as liaison offices for start-up companies.

Data:Lab in Munich is the center of expertise in topics such as big data, advanced analytics (process for systematic analysis of data in electronic form), machine learning and artificial intelligence. The team of data scientists, project managers and technology experts is supported by specialists from leading big data companies, research institutions and representatives of start-ups. Examples of Data:Lab's successful projects include forecasting customer wishes and loyalty and a long-term and all-time forecast on planning of spare parts for the Kassel central depot. This power of innovation is recognized outside of the Group as well. Thus, since November 2015 Data:Lab officially bears the title of "A Place of Excellence in the Land of Ideas". In a nationwide German competition, Data:Lab was cited from among over 1,000 research institutes, companies, start-ups and associations as the award winner in the Business category. The jury warranted its decision by stating that Data:Lab gives a convincing answer to the question of what form mobility will take in the future.

Digital:Lab is being opened in Berlin. Among other things, a digital mobility platform for the Group will be created there in order to be able to provide mobility services such as fuel price agents or parking and weather services to the end customer.

We established Smart.Production:Lab at the Wolfsburg location. This operates in the Industry 4.0 environment and is making an important contribution towards progressively turning the Volkswagen Group's production plants into smart factories. With conscious use of agile methods and ways of working and a start-up culture, the lab's goal is to quickly develop software and hardware pilots and prototypes for production and logistics in-house in a manner geared to application. The smart logistics watch project is one example of an implemented pilot. Based on an idea that arose at an internal hackathon (programming competition), a smart watch application was developed in the lab in collaboration with the department in a short period of time. As a result of this solution, logistics employees can be meaningfully supported and the logistics process of parts picking can be further optimized.

Strong networking is also advanced within the Group's IT department. Group-wide hackathons or initiatives such as IT pitching days (idea competitions) create platforms on which employees can develop new ideas and software prototypes together. With internal communities such as the Agile Community and the Group Connect internal network, we can quickly network experts together across the Group. We are establishing these new methods, means and ways of working so that the Group's IT department can respond quickly, flexibly and efficiently to constantly changing requirements.

CodeFEST8 and KIDScraft 1.0 represent the close integration between school and university students and the Group's IT department. The programming competition CodeFEST8 was jointly organized in 2015 by several of the Group's brands and was aimed at university students studying technical subjects, particularly computer science and business information systems. As part of the competition, the participants developed software with the theme of "mobility of the future" in just 28 hours. Several hundred young people took part in the first round, which took place simultaneously at eight universities in Germany, Austria and Switzerland. CodeFEST8 was thus the largest programming competition to date in the automotive industry. The two best teams from each university campus qualified for the finals at CeBIT. At KIDScraft 1.0, the Group's IT summer camp, 150 children from the Wolfsburg region carried out research like future IT engineers. The aim of KIDScraft 1.0 is to promote young talent over the long term and, in particular, get girls interested in IT, as well as to safeguard the future of the IT location in Wolfsburg and environs.

ENVIRONMENT AND CLIMATE PROTECTION

Stakeholders' expectations of our Company are constantly rising, particularly with regard to global megatrends such as climate change, demand for resources, demographic changes and increasing urbanization. We are tackling this challenge and taking responsibility.

Volkswagen has set itself the goal of being the leading automotive company in environmental terms as well. To help us achieve this goal, we have bundled our environmental protection activities in the Group environmental strategy.

Our commitment centers on four major subgoals:

- Number one for resource conservation across the lifecycle
- We view our products' environmental footprint holistically across their entire lifecycle. Our central concern here is to protect the environment and in particular to conserve finite resources. The steps we have taken focus on efficient product and process design, the use of innovative environmental technologies and sustainable energy supplies.
- A leading manufacturer of environmentally friendly products
  Our products combine state-of-the-art technology, comfort and safety, low fuel consumption and lower CO_2 emissions. The long-term goal is CO_2-free mobility.

- Environmental awareness anchored throughout the Company
  The Volkswagen Group's employees are the driving force behind its environmental strategy. They are well informed, well qualified and operate in an ecologically responsible manner. Our great strength is that, in exchanging best practice, we pool our employees' knowledge across brands and regions and leverage this across the entire Group.
- Number one for intelligent mobility
  We understand intelligent mobility to mean the challenge of offering mobility and comfort and at the same time protecting the environment and reducing traffic waste. This requires the efficient interplay of people, infrastructure, technologies and means of transport.

The Group environmental strategy is based on a holistic approach that is geared to the value chain and thus involves all divisions. We have set ambitious, measurable targets in these areas and are pursuing them systematically. This includes reducing CO_2 emissions from our European new car fleet and designing each new model generation to be more efficient than its predecessor. In production, we want to reduce the levels of the five key environmental indicators of energy and water consumption, waste for disposal and CO_2 and VOCs emissions by 25% for each vehicle produced by 2018, in comparison with 2010.

We can only reach our ambitious goals if we firmly entrench environmentally relevant issues in our organizational and decision-making processes. The basis for this is our environmental management system, which has been in place for many years. The Group's environmental policy is a key component of this. It is based on the Group's environmental principles for our products and production that are in force throughout the Company. The Technical Development department's environmental goals are also anchored in the environmental management system. We make sure that these processes are regularly confirmed by submitting them to certification procedures and external audits, including in the reporting period. Our energy management system, which has been introduced successively into all locations since 2010, has had ISO 50001 certification since 2012. We have taken part in a growing number of environmental certification schemes since then, with the result that our locations worldwide as well as the Technical Development department have certification under ISO 14001, and also, since 2009, under ISO/TR 14062.

The Group-wide entrenchment of environmental protection should also be reflected in our employees' environmental thinking and actions. This, however, assumes that they are appropriately informed and trained. For this reason, we have appointed environmental management officers around the world, who are working on building a broad basis for environmental protection within the Group. In order to pool and make use of the expertise and know-how of all our brands' and regions' employees, cross-brand and cross-departmental steering committees and work groups take place regularly at both management and expert level.

Volkswagen welcomes the outcome of the UN's COP 21 Climate Change Conference that was held in the reporting period. The negotiators agreed an ambitious target of limiting global warming to below 2 degrees Celsius. In advance of the conference, Scania and Audi had contributed their ideas on low carbon freight and low carbon fuel to the WBCSD's Low Carbon Technology Partnership Initiative. The initiatives develop measures and projects to make the planned climate target a reality.

Biodiversity

Biodiversity means the variety of life on our planet, and covers the variety of species, the genetic differences within species and the diversity of ecosystems. We rely on it as the basis for our continued existence: healthy food, clean water, fertile soils and a balanced climate. Protecting biological diversity is one of the greatest societal challenges of our time. The United Nations has therefore declared the current decade to be the "UN Decade on Biodiversity".

Volkswagen has been committed to protecting biodiversity since 2007 and is a founder member of the Biodiversity in Good Company e.V. initiative. In our mission statement, we have committed to supporting the protection of species at all locations. We primarily contribute to achieving the targets of the UN Convention on Biological Diversity by reducing greenhouse gas emissions and employing materials and resources as efficiently as possible. As a consequence of the diesel issue, we are putting our membership of the Biodiversity in Good Company e.V. initiative on hold for the time being.

Biodiversity is a component of our environmental management. We have, among other things, appointed a biodiversity officer and had external expert assessments drawn up on the risks for water, the soil and biodiversity for 32 locations of the Volkswagen Passenger Cars, Porsche and MAN brands.

One of the projects we jointly implemented with Naturschutzbund Deutschland e.V. (NABU) was a moor conservation project in Germany. NABU additionally established an International Moor Conservation Fund in 2015 with a donation from Volkswagen Financial Services AG. Volkswagen and NABU also worked together as partners on their joint "Willkommen Wolf!" wolf conservation initiative in 2015. Our longstanding cooperation agreement with NABU expired as of December 31, 2015. Following suspension of the negotiations to extend this agreement as a consequence of the diesel issue, we are working hard on achieving the requirements for continuing this strategic partnership.

At our international sites, we support the protection of nature and biodiversity with various partners. At the Urumqi location in the Chinese province of Xinjiang, we support biodiversity research. Since 2011, we have also been supporting the Dyer Island Conservation Trust in South Africa. Together with the Trust, we have been involved in the protection of penguins, dolphins, whales, seabirds and sharks, and also conduct research, education and training programs to strengthen environmental awareness. In the reporting period, the Trust opened a sanctuary for seabirds there.

External environmental awards

The Volkswagen Group's models and its brands received numerous awards in 2015, in particular for alternative drive systems. Here are some examples:

AUTO TEST, the monthly consumer advice edition of AUTO BILD, and ÖKOTREND, the independent environmental research institution, presented awards for the most environmentally friendly cars in all classes in 2015. Two models of the Volkswagen Passenger Cars brand won in their categories: the eco-up! in the small car category and the Golf GTE in the compact class. The Porsche Cayenne S E-Hybrid was voted number one in the SUV category. Assessment criteria included the manufacturer's commitment to the environment and social responsibility, and the environmental impact of the vehicles across their entire lifecycle.

In 2015, for the third time in a row, the Swiss Transport Club (Verkehrs Club Schweiz) gave first place awards in its 2015 environmentally friendly car list to three Volkswagen Group models with natural gas-powered drives. The Volkswagen Passenger Cars' eco-up! and its counterparts with identical construction from SEAT and ŠKODA were able to beat the competition due to the moderate level of noise they emit and excellent climate protection figures.

In the ADAC EcoTest, the Volkswagen Passenger Cars brand's natural gas vehicles Golf TGI BlueMotion and eco-up! and the electric vehicle e-up! scored the top rating. The overall result of the ADAC EcoTest is composed of various ratings including the testing of emissions such as carbon monoxide, hydrocarbon, nitrogen oxides and particles in realistic driving cycles – some with the air-conditioning system turned on.

In the specialist magazine Car & Driver's "Ten best 2016" competition, 231 models available on the Brazilian market were assessed. The Volkswagen Passenger Cars brand received the highest number of awards. Due to the new TSI Total Flex engine with 1.0 liter capacity, the specialist jury selected the move up! TSI as the "most sustainable model" and the speed up! TSI as the "best hatchback". The TSI Total Flex engine is Volkswagen do Brasil's latest engine.

The Volkswagen Passenger Cars brand's Lamando and the ŠKODA Octavia were awarded gold medals in the China Eco-Car Assessment Program. The environmental characteristics of a vehicle – including aspects such as interior air quality, noise, potentially harmful substances and materials – are systematically and comprehensively assessed in the test.

The e-up! won in the electricity consumption category in the environmentally friendly car list of the German Automobile Association, Verkehrsclub Deutschland e.V. (VCD). The VCD assesses more than 400 current passenger car models and aims to give car buyers a scientifically based decision-making tool.

The Green Car of the Year Award from the US specialist magazine Green Car Journal, which we had received for the Volkswagen Jetta TDI and Audi A3 TDI models in 2009 and 2010, respectively, was revoked as a result of the diesel issue.

REPORT ON POST-BALANCE SHEET DATE EVENTS

Through its 50% interest in the joint venture Global Mobility Holding B.V. (GMH), Amsterdam, the Netherlands, the Volkswagen Group held a 50% indirect stake in the joint venture's subsidiary, LeasePlan Corporation N.V., Amsterdam, the Netherlands (LeasePlan). LeasePlan is a Dutch financial services group whose core business is leasing and fleet management.

The final approvals for the sale of LeasePlan to an international consortium of investors were issued by the competent authorities in January 2016. Legal transfer of the LeasePlan shares to the consortium was completed on March 21, 2016.

The total value of the transaction was approximately €3.7 billion plus interest in the amount of €31.5 million. In 2016, this had a positive effect of €2.2 billion on investing activities and net liquidity and, taking into account the disposal of equity-accounted investment in GMH, resulted in a low three-digit million euro range for the Volkswagen Group, which is reported in the financial result. On completion of the transaction, the existing credit line of €1.3 billion provided by the Volkswagen Group was cancelled.

Report on Expected Developments

Growth in the global economy in 2016 is expected to be on a level with the previous year. We estimate global demand for vehicles will be mixed in 2016 and increase at a slower rate than in the reporting period. The Volkswagen Group intends to capitalize on this development by building on the strength of its brand diversity, global presence and pioneering technologies.

In the following, we describe the expected development of the Volkswagen Group and the general framework for its business activities. Risks and opportunities that could represent a departure from the forecast trends are presented in the Report on Risks and Opportunities.

Our assumptions are based on current estimates by third-party institutions. These include economic research institutes, banks, multinational organizations and consulting firms.

GLOBAL ECONOMIC DEVELOPMENT

In our plans, we assume that the global economic growth in 2016 will be level with the previous year. Risks will arise from turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects continue to be hurt by geopolitical tensions and conflicts. We expect the economic upturn to continue in most industrialized nations, with moderate rates of expansion overall. As in the previous year, growth will in all probability be muted in many emerging markets. We expect the strongest rates of expansion in Asia's emerging economies.

We anticipate that the global economy will also continue to grow in the period 2017 to 2020.

Europe/Other markets

In Western Europe, the economic recovery is expected to continue in 2016. Resolving structural problems will continue to represent a major challenge in this regard.

For Central Europe, we expect growth rates to be similar to those of the past fiscal year. In Eastern Europe, the economic situation should stabilize, providing the conflict between Russia and Ukraine does not deteriorate. Russia's economy will probably contract further, but at a slower pace than in the reporting period. Political uncertainty and social tensions resulting primarily from high unemployment levels will probably continue to weigh on the South African economy in 2016 and keep growth down.

Germany

The German economy is expected to expand further in 2016 at slightly higher growth rates than in the reporting period. The situation in the labor market is also expected to remain stable.

North America

For North America, we anticipate that the robust economic performance will continue in 2016. Growth in the USA and in Canada is expected to remain stable compared with the previous year, while the Mexican economy is slated to expand at a slightly slower rate.

South America

Mainly because of sluggish domestic demand, Brazil will probably record negative growth again in 2016. Weighed down by persistently high inflation and the muted business climate, economic growth in Argentina is expected to be slow.

Asia-Pacific

Economic growth in China is expected to remain at a high level in 2016, but to lose further momentum compared to previous years. For India, we anticipate stable growth at comparatively high rates of expansion. In Japan, the economic situation will probably only improve slightly. In the ASEAN region, we estimate that the economy will continue to expand at approximately the same rate as in the reporting period.

TRENDS IN THE PASSENGER CAR MARKETS

We expect trends in the passenger car markets in the individual regions to be mixed in 2016. Overall, growth in global demand for new vehicles will probably be slower than in the reporting period.

The Volkswagen Group is well positioned to deal with the mixed developments in the global automotive markets. Our broad, selectively expanded product range featuring the latest generation of engines as well as a variety of alternative drives puts us in a good position globally compared with our competitors. Our goal is to offer all customers the mobility and innovations they need, sustainably strengthening our competitive position in the process.

We estimate that demand for passenger cars worldwide will continue to increase in the period 2017 to 2020.

Europe/Other markets

For 2016, we anticipate that the demand volume in Western Europe will be in line with that of the reporting period. Pre-crisis levels are not expected to be reached, even in the medium term. The ongoing debt crisis will probably further unsettle consumers in many countries in the region and restrict their financial opportunities to buy new cars. In Spain and Italy, the recovery will probably continue in 2016 at a modest pace, while in the United Kingdom we anticipate that the market volume will be below the high level seen in the previous year. For France, we expect growth to be only slightly positive.

In the Central and Eastern European markets, demand for passenger cars in 2016 is estimated to be under the weak prior-year figure. Following significant declines in previous years, the volume of demand in Russia will probably decrease again in 2016. We expect to see further growth in demand or volumes remaining at the previous year's level in many Central European markets.

We are projecting that the volume of the South African automotive market will be significantly below the previous year's figure in 2016.

Germany

Following the positive trend of recent years, we forecast that the volume of the German passenger car market in 2016 will remain level with the prior-year figure.

North America

In 2016, we expect that the market for passenger cars and light commercial vehicles (up to 6.35 tonnes) in the USA will continue to benefit from favorable conditions and that the positive trend seen in the past year will endure at a weaker pace. Growth is expected to be driven mainly by the SUV and pickup segment. In the Canadian market, demand is likely to be slightly below the previous year's high level. In Mexico, however, we anticipate that the market volume will be noticeably higher than in 2015.

South America

Owing to their dependence on demand for raw materials, the South American markets for passenger cars and light commercial vehicles are heavily influenced by developments in the global economy. Furthermore, protectionist tendencies are adversely affecting the performance of the region's vehicle markets, especially in Brazil and Argentina, which have imposed restrictions on vehicle imports. The volumes of the South American markets will probably fall considerably short of the prior-year figures in 2016. In Brazil, the largest market in South America, we are forecasting that the volume of demand will be substantially lower than the already poor figure recorded in the previous year. In Argentina, we anticipate that, in view of persistently high inflation and the challenging macroeconomic situation, demand will be noticeably down year-on-year, following significant declines in the previous two years.

Asia-Pacific

The passenger car markets in the Asia-Pacific region look set to continue their growth trajectory in 2016 at a similar pace. In China, the steady increase in individual mobility requirements will continue to push up demand; the rate of growth should be in line with the previous year. Tax breaks for vehicles with engine sizes of up to 1.6 l are also expected to contribute to growth. Strong demand is still forecast for attractively priced entry-level models in the SUV segment. In India, we expect demand for passenger cars to slightly exceed the previous year. We anticipate that demand in the Japanese passenger car market will decline slightly in 2016. We are forecasting positive growth rates for the markets in the ASEAN region in 2016.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

We expect trends in the markets for light commercial vehicles in the individual regions to be mixed again in 2016. Overall, we envisage slight growth in demand, a trend that is likely to continue in the period 2017 to 2020.

Given that the economy is expected to recover further in 2016, we estimate that demand for light commercial vehicles in Western Europe will be in line with the prior-year figure. We anticipate that new registrations in Germany will be around the previous year's level.

In the Central and Eastern European markets, registrations of light commercial vehicles in 2016 will probably be flat on the previous year. We also expect the market volume in Russia to remain stable compared with 2015.

In North and South America, the light vehicle market is reported as part of the passenger car market, which includes both passenger cars and light commercial vehicles.

The market volume in the Asia-Pacific region in 2016 will probably record a modest increase year-on-year. We are expecting demand in the Chinese market to be up on the previous year. For India we are forecasting a substantially higher volume in 2016 than in the reporting period. In the Japanese market, the downward trend is likely to continue in 2016 at a moderate pace. In the ASEAN region, we assume that the market will grow in 2016.

In the markets for mid-sized and heavy trucks that are relevant for the Volkswagen Group, new registrations in 2016 are set to drop slightly below the prior-year level. For the period 2017 to 2020 we anticipate a positive trend, however.

We expect to see demand in Western Europe and Germany slightly edge up year-on-year in 2016.

Central and Eastern European markets should also record a slight uptick in demand. Following the significant slump in the Russian market in 2015, we are forecasting a moderate recovery in demand. Despite this backlog effect, the Russian market as a whole will remain at a low level.

As pent-up demand in the US truck market has become saturated, new registrations in North America in 2016 will probably be down appreciably on the prior-year figure.

Demand in the Brazilian market in 2016 will be substantially lower than the already weak figure recorded in the previous year. This is attributable to the economic conditions, which continue to be weighed down by the muted business climate and negative growth rates.

For China, the world's largest truck market, the significant market decline in 2015 will result in pent-up demand, so registrations in 2016 will probably be noticeably higher than in the previous year. Nevertheless, this market will not reach the high level recorded in preceding years. In India, we expect sizable growth in the market on the strength of the positive economic climate and the implementation of numerous infrastructure measures.

In the bus markets that are relevant for the Volkswagen Group, we expect that demand will decrease perceptibly in 2016. Following the sharp increase in Western Europe in 2015, we are likely to see demand dip slightly in 2016. For Central and Eastern Europe, we are forecasting that the volume of demand will be down significantly on the previous year. In South America, new registrations will probably also be substantially lower than the prior-year level.

For the period 2017 to 2020, we expect moderate growth overall in the bus markets that are relevant for the Volkswagen Group.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

We expect the overall difficult market environment and thus the price pressure in the power engineering segment to persist in 2016.

We anticipate that the order volume for two-stroke engines, used in merchant shipping in 2016, will be similar to the prior-year figure. Calls for greater energy efficiency and low pollutant emissions will have a significant influence on ship designs in the future. We expect to see continuing high demand for special-purpose ships such as cruise ships and government vessels. Despite long-term positive growth factors for offshore applications, expectations are that new orders will be at a low level in 2016 because of the persistently low oil price. Overall, we estimate that the marine market will be on a level with the previous year. The competitive pressure will continue unabated.

Demand for energy correlates strongly with macroeconomic and demographic trends, especially in developing countries and emerging markets. The global trend toward decentralized power stations and gas-based applications shows no sign of slowing down. This development is supported in particular by increasing improvements in the liquid gas infrastructure. We anticipate that demand will increase slightly year-on-year in 2016, but will remain at a low overall level.

Both the processing and the oil and gas industries are expected to experience a persistently difficult market environment in fiscal year 2016, resulting in high price and competitive pressure. This is due to expectations that oil prices will remain low and unfavorable economic and political conditions will prevail in some relevant markets. We consequently envisage that in 2016 the market for turbomachinery will also settle at the previous year's low level.

Any substantial improvement in the German market for wind farms cannot yet be expected for 2016.

For the period 2017 to 2020, demand is expected to grow in the power engineering market.

DEMAND FOR FINANCIAL SERVICES

We expect automotive financial services to continue to grow in importance worldwide in 2016. We anticipate that demand for financial services will increase more strongly in those emerging markets in which market penetration is currently low, such as China. In regions with developed automotive finance markets, there will be a further shift in the offering towards enabling mobility at a manageable total cost. Integrated end-to-end solutions, comprising service modules such as insurance and innovative packages of services, and new mobility offerings such as carsharing will become increasingly important. We also expect this trend to continue in the period 2017 to 2020.

In the mid-sized and heavy commercial vehicles category, we expect rising demand for financial services products in emerging markets. There in particular, financing solutions support vehicle sales and are thus an essential component of the sales process. We anticipate increased demand in 2016 in the developed markets for services that reduce the total cost of ownership. This trend will continue in the period 2017 to 2020.

EXCHANGE RATE TRENDS

The global economy lost a little of its momentum in 2015. Falling energy and commodity prices, uncertainty about the change in the Chinese growth model and the declining confidence in the economic stability of emerging markets resulted in further weakening of the currencies of those countries. The euro stabilized at a low level against the US dollar, the Chinese renminbi and sterling in the course of the year. Despite appreciating temporarily, the Russian ruble remained weak, losing substantial ground again in the second half of the year. For 2016, we are forecasting that the euro will gain some strength against the US dollar, Chinese renminbi, sterling and other key currencies. The expectation is that the Russian ruble will remain weak. We currently assume that these trends will continue in the period 2017 to 2020. There is still a general event risk – defined as the risk arising from unforeseen market developments.

INTEREST RATE TRENDS

Interest rates remained extremely low in fiscal year 2015 due to the continuation of expansionary monetary policy and the challenging overall economic environment. In the major Western industrialized nations, key interest rates persisted at a historic low level. While it became apparent in the USA and the UK that the extremely loose monetary policy was gradually drawing to an end, the European Central Bank continued to pursue this course. In light of further expansionary monetary policy measures in the eurozone, we therefore consider it unlikely that interest rates will rise significantly in 2016. In the USA and the UK, however, we can expect to see a moderate increase in interest rates. For the period 2017 to 2020, we anticipate a gradual rise in interest rates.

COMMODITY PRICE TRENDS

Many commodity prices decreased further in 2015. This was principally due to increasing excess supply in the global markets, but also to weaker economic growth in China and the strong US dollar. Assuming somewhat stronger growth in the global economy, we expect prices of most exchange-traded raw materials in 2016 to fluctuate around the current level. Provided there is a further recovery, we believe that commodity prices will rise in the period 2017 to 2020.

NEW MODELS IN 2016

The Volkswagen Group will systematically press ahead with its model initiative in 2016, modernizing and expanding its portfolio by introducing attractive new vehicles. Priority will always be given to what our customers want. We are also successively enhancing our product portfolio by adding vehicles equipped with alternative drive systems, i.e. gas and electric versions.

The Volkswagen Passenger Cars brand will launch the replacement of the successful Tiguan SUV model in 2016. In addition, the Beetle family will be upgraded, and the Beetle Dune will be added to the range. Other product upgrades are planned for the up! and Golf Cabriolet as well as for the Gol, Voyage and Saveiro in Brazil. In China, the product program is being extended with the sporty GTS variant of the Lamando and the new luxury saloon Phideon. The locally produced successors to the popular Magotan notchback saloon, the versatile Touran and the new Golf Sportsvan will be launched there. In addition, there will be product upgrades for the locally produced Passat and Sagitar GLI models.

The Audi brand is systematically expanding its SUV range: the new sporty compact entry-level model Q2 extends the Q family. Production of the new Q5 will start up at the new plant in Mexico. The successor to the A5 Coupé will also be unveiled in 2016. The A4 family will be enhanced by adding the sporty S models S4 Saloon and S4 Avant as well as the A4 allroad quattro. Towards the end of the year, the A4 g-tron is expected to be introduced. In addition to natural gas, this car can also run on eco-friendly Audi e-gas. At the beginning of 2016, the long wheelbase version of the popular luxury class vehicle A6 L will moreover be unveiled in China, to be followed by the A6 L e-tron later in the year.

ŠKODA will launch the Superb SportLine in 2016, thus introducing a sporty element to the Superb series.

In 2016, the SEAT brand will expand its product portfolio by adding a new versatile SUV in the A segment: the Ateca. The popular Leon series will be upgraded.

Porsche will enhance the new generation of the 911 in 2016 with additions such as the all-wheel drive and Targa models and the 911 Turbo. In addition, the new generation of the Cayman and the Boxster will be unveiled.

Bentley will introduce a new series and launch the Bentayga, the world's most luxurious and powerful SUV. The Mulsanne will be upgraded and a new variant with a lengthened wheelbase will be added.

The super sports car manufacturer Lamborghini will unveil the Huracán LP 610-4 Spyder in 2016, which combines the technology and power of the Huracán with the emotion of a Spyder.

Volkswagen Commercial Vehicles will present the successor to the Crafter. The vehicle is produced at the purpose-built Wrzesnia plant in Poland and is a key component of the growth strategy of Volkswagen Commercial Vehicles. The Amarok pickup, which has enjoyed international success, will get a comprehensive product upgrade.

At Ducati, the Scrambler series will be expanded in 2016 with, among other things, the addition of a premium lifestyle model and the Flat Track Pro. The new XDiavel will complement Ducati's Cruiser product range. An Enduro and the sporty 1200 Pike's Peak will be added to the Multistrada series.

STRATEGIC SALES FOCUS

The multibrand structure, comprising largely independent, strong brands that nevertheless achieve maximum synergies, is one of the defining features of the Volkswagen Group. The structures in the Group have been designed for managing a multibrand organization.

To facilitate the entry into new markets for more Group brands, we will further expand our multibrand structure, particularly in the growth markets. We will also strengthen our customer focus across all sales levels and in customer service, for which we are continually enhancing employee qualifications in addition to optimizing our processes and systems to reflect shifts in customer requirements as well as changing markets and technologies, in particular digitalization. The focus of our sales strategy remains the same – the integrated marketing of new and used vehicles, financial and other services, as well as genuine parts and accessories.

TECHNICAL EXPERTISE, MOTIVATION AND HEALTH

The central concern of the Volkswagen Group's human resources work is to promote the expertise, motivation and health of our employees. This is the prerequisite for outstanding professional and engineering work.

The dual vocational training and a university degree are the basis for professional development in the vocational groups at Volkswagen. Employees then obtain further qualifications throughout their working lives. To always meet current requirements, the broad offering of qualifications is continuously being enhanced. For example, employees are prepared for the changes associated with the advancing digitalization and the use of new technologies under Industry 4.0. An important pillar of this strategy is the transfer of knowledge and experience by experts to other staff. Qualifications are provided in the form of dual vocational training and classroom education that closely integrate theoretical and practical forms of learning.

INVESTMENT AND FINANCIAL PLANNING

In our current planning for 2016, investments of a total of €15 billion will be made in the Automotive Division.

Scheduled capex (investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs) will amount to approximately €12 billion, down on the figures of the previous planning round. The ratio of capex to sales revenue in 2016 will be at a level of 6 – 7%. The majority of capex will be spent on new products, the continued rollout and development of the modular toolkit and the completion of ongoing capacity expansion. These relate, for example, to product start-ups such as the next generation of the Golf and the Audi Q5, the new Crafter production facility in Poland plus upfront investments for the modular electrification toolkit. Roughly 50% of capex will be made at the Group's 28 locations in Germany.

Besides capex, investing activities will include additions of €5 billion to capitalized development costs. Among other things, these reflect upfront expenditures in connection with compliance with environmental standards and the extension and updating of our model range. Activities will focus in particular on the rapid advancement of electric drives in the Volkswagen Passenger Cars, Audi and Porsche brands.

The investments in new facilities and models, as well as in the development of alternative drives and modular toolkits, are laying the foundations for profitable, sustainable growth at Volkswagen. These investments also include commitments arising from decisions taken in previous fiscal years.

In March 2016, the sale of the leasing and fleet management company LeasePlan Corporation N.V. to a syndicate of investors was concluded. This transaction resulted in a positive effect of €2.2 billion on the Automotive Division's investing activities.

We intend to finance our investments in the Automotive Division using internally generated funds and expect cash flows from operating activities to exceed the Automotive Division's investment requirements. As a result of the effects of the emissions issue, net cash flow in the Automotive Division will probably be significantly lower than in the previous year. This does not include cash outflows for the legal handling of the emissions issue.

These plans are based on the Volkswagen Group's current structures. They do not take into account the possible settlement payable to other shareholders associated with the control and profit and loss transfer agreement with MAN SE. Our joint ventures in China are not consolidated and are therefore also not included in the above figures. These joint ventures will invest €4 billion in capex in 2016, to be financed from the companies' own funds.

In the Financial Services Division we are planning higher investments in 2016 than in the previous year. We expect the growth in lease assets and in receivables from leasing, customer and dealer financing to lead to funds tied up in working capital, of which around 45% will be financed from the gross cash flow. As is common in the sector, the remaining funds needed will be met primarily through asset-backed securities, customer deposits from direct banking business, unsecured bonds on the money and capital market as well as through the use of international credit lines.

TARGETS FOR VALUE-BASED MANAGEMENT

Based on long-term interest rates derived from the capital market and the target capital structure (fair value of equity to debt = 2:1), the minimum required rate of return on invested capital defined for the Automotive Division remains unchanged at 9%. Due in particular to the adverse effects of the special items on earnings, we fell considerably short of the minimum required rate of return in the reporting period, with a return on investment (ROI) of –0.2% (see also page 123). Invested capital will increase in 2016 as a result of the investments in new models and in the development of alternative drives and modular toolkits. The return on investment will be up substantially year-on-year, above the minimum required rate of return on invested capital of 9%.

FUTURE ORGANIZATIONAL STRUCTURE OF THE GROUP

At its meeting on September 25, 2015, the Supervisory Board of Volkswagen AG passed resolutions for restructuring the Company. The Group is to have a new management model, which is being implemented since the beginning of 2016. The main changes are as follows:

At Group level, the management structure will be based even more consistently on the modular toolkit system. In addition to Volkswagen Passenger Cars, SEAT and ŠKODA as the volume brands, Audi, Lamborghini and Ducati will form a brand group and Porsche will be in a brand group with Bentley and Bugatti. The commercial vehicles group with Scania and MAN as well as the Volkswagen Commercial Vehicles brand will remain in place, as will the Power Engineering and Financial Services business areas.

Furthermore, Group functions will focus on efficiency and topics for the future. For this, organizational units will be set up for, among others, digitalization, the toolkit and product strategy, new business fields, as well as cooperation and equity investments.

Existing corporate bodies, structures and processes will be streamlined at Group level, in particular by strengthening the individual brands and regions. The research and development, production and sales functions will be strategically assigned at Group level to the area for which the Chairman of the Board of Management is responsible. The existing responsibilities for these functions in the Group's Board of Management will be transferred to the new organizational structure.

The reorganization will also result in slight changes to the financial reporting. In the Automotive Division, the Commercial Vehicles/Power Engineering Business Area will in future be presented as two separate business areas in accordance with the segment reporting: Commercial Vehicles Business Area and Power Engineering Business Area. The Automotive Division will thus have three business areas: Passenger Cars, Commercial Vehicles and Power Engineering. The Financial Services Division, which corresponds to the Financial Services segment, will remain unchanged.

SUMMARY OF EXPECTED DEVELOPMENTS

The Volkswagen Group's Board of Management expects the global economy to record the same level of growth in 2016 as in the previous year. Risks will arise from turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects continue to be hurt by geopolitical tensions and conflicts. We expect the economic upturn to continue in most industrialized nations, with moderate rates of expansion overall. As in the previous year, growth will in all probability be muted in many emerging markets. We expect the strongest rates of expansion in Asia's emerging economies.

The trend in the automotive industry closely follows global economic developments. Competition in the international automotive markets is likely to intensify further.

We expect trends in the passenger car markets in the individual regions to be mixed in 2016. Overall, growth in global demand for new vehicles will probably be slower than in the reporting period. We anticipate that the demand volume in Western Europe and the German passenger car market will be in line with the previous year. In the Central and Eastern European markets, demand for passenger cars is estimated to be under the weak prior-year figure. In North America, we expect last year's positive trend to continue at a slightly weaker pace. The volumes of the South American markets will probably fall noticeably short of the prior-year figures. The passenger car markets in the Asia-Pacific region look set to continue their growth path at a similar pace.

Global demand for light commercial vehicles will probably see a slight increase in 2016. We expect trends to vary from region to region.

In the markets for mid-sized and heavy trucks that are relevant for the Volkswagen Group, new registrations in 2016 are set to drop slightly below the prior-year level, while new registrations of buses in the relevant markets will probably be noticeably lower than in the previous year.

We expect automotive financial services to continue to grow in importance worldwide in 2016.

The Volkswagen Group is well positioned to deal with the mixed developments in the global automotive markets. Our broad, selectively expanded product range featuring the latest generation of engines as well as a variety of alternative drives puts us in a good position globally compared with our competitors. The Group's strengths include in particular its unique brand portfolio, its steadily growing presence in all major world markets and its wide selection of financial services. Our range of models span from motorcycles through compact, sports and luxury cars to heavy trucks and buses, and covers almost all segments. The Volkswagen Group's brands will press ahead with their product initiative in 2016, modernizing and expanding their offering by introducing new models. Our goal is to offer all customers the mobility and innovations they need, sustainably strengthening our competitive position in the process.

We expect that, on the whole, deliveries to customers of the Volkswagen Group in 2016 will be on a level with the previous year amid persistently challenging market conditions, with a growing volume in China.

In addition to the emissions issue, the highly competitive environment as well as interest rate and exchange rate volatility and fluctuations in raw materials prices all pose challenges. We anticipate positive effects from the efficiency programs implemented by all brands and from the modular toolkits.

Depending on the economic conditions – particularly in South America and Russia – and the exchange rate development and in light of the emissions issue, we expect 2016 sales revenue for the Volkswagen Group to be down by as much as 5% on the prior-year figure. In terms of the Group's operating result, we anticipate an operating return on sales of between 5.0% and 6.0% in 2016.

In the Passenger Cars Business Area we expect a sharp decrease in sales revenue, with an operating return on sales in the anticipated range of 5.5 – 6.5%. With sales revenue in the Commercial Vehicles Business Area remaining essentially unchanged, we anticipate that the operating return on sales will be between 2.0% and 4.0%. We expect sales revenue in the Power Engineering Business Area to be perceptibly lower than the prior-year figure, with a significantly reduced operating result. For the Financial Services Division, we are forecasting sales revenue and the operating result at the prior-year level.

At Group level, we still endeavor to achieve a sustainable return on sales before tax of at least 8%.

In the Automotive Division, the ratio of capex to sales revenue will fluctuate around a level of 6 – 7% in 2016. The return on investment (ROI) will be up substantially year-on-year, above the minimum required rate of return on invested capital of 9%. As a result of the effects of the emissions issue, net cash flow will probably be significantly lower than in the previous year. Our unchanged stated goal is continue our solid liquidity policy.

The Group's new structure with more decentralized responsibility will strengthen our brands and regions and increase our proximity to customers. In addition, we are working to make even more focused use of the advantages of our multibrand group by continuously developing new technologies and toolkits. The commitment and considerable technical expertise of our staff are key prerequisites to mastering the current and future challenges facing us and to being successful. The central concern of the Volkswagen Group's human resources work is therefore to promote the expertise and motivation of our employees. Disciplined cost and investment management and the continuous optimization of our processes are integral elements of the Volkswagen Group's strategy.

Report on Risks and Opportunities

(CONTAINS THE REPORT IN ACCORDANCE WITH SECTION 289(5) OF THE HGB)

Promptly identifying the risks and opportunities arising from our operating activities and taking a forward-looking approach to managing them is crucial to our Company's long-term success. A comprehensive risk management and internal control system helps the Volkswagen Group deal with risks in a responsible manner.

In this chapter, we first explain the objective and structure of the Volkswagen Group's risk management system (RMS) and internal control system (ICS) and describe the system relevant for the financial reporting process. We then outline the main risks and opportunities arising in our business activities.

OBJECTIVE OF THE RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM AT VOLKSWAGEN

Only by promptly identifying, accurately assessing and effectively and efficiently managing the risks and opportunities arising from our business activities can we ensure the Volkswagen Group's sustainable success. The aim of the RMS/ICS is to identify potential risks at an early stage so that suitable countermeasures can be taken to avert the threat of loss to the Company, and any risks that might jeopardize its continued existence can be ruled out.

Assessing the probability and extent of future events and developments is, by its nature, subject to uncertainty. We are therefore aware that even the best RMS cannot foresee all potential risks and even the best ICS can never completely prevent irregular acts.

STRUCTURE OF THE RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM AT VOLKSWAGEN

The organizational design of the Volkswagen Group's RMS/ICS is based on the internationally recognized COSO framework for enterprise risk management (COSO: Committee of Sponsoring Organizations of the Treadway Commission). In the reporting period, Volkswagen again pursued a holistic, integrated approach that combines a risk management system, an internal control system and a compliance management system (CMS) within a single management strategy (governance, risk and compliance strategy). Structuring the RMS/ICS in accordance with the COSO framework for enterprise risk management ensures that potential risks are covered in full; opportunities are not recorded. Uniform Group principles are used as the basis for managing risks in a consistent manner.

With this approach we not only fulfil legal requirements, particularly with regard to the financial reporting process, but we are also able to manage significant risks to the Group holistically, i.e. by incorporating both tangible and intangible criteria.

Another key element of the RMS/ICS at Volkswagen is the three lines of defense model, a basic element required, among others, by the European Confederation of Institutes of Internal Auditing (ECIIA). In line with this model, the Volkswagen Group's RMS/ICS has three lines of defense that are designed to protect the Company from significant risks occurring.

No significant changes were made to the RMS/ICS in 2015. In connection with the examination of the emissions issue, we started to analyze possible viable enhancements to the system in the reporting period. These include, among other things, reinforcing the internal control system in the area of product compliance.

THE THREE LINES OF DEFENSE MODEL

First line of defense: operational risk management

The primary line of defense comprises the operational risk management and internal control systems at the individual Group companies and business units. The RMS/ICS is an integral part of the Volkswagen Group's structure and workflows. Events that may give rise to risk are identified and assessed locally in the divisions and at the investees. Countermeasures are introduced immediately, their effects are assessed and the information is incorporated into the planning in a timely manner. The results of the operational risk management process are incorporated into budget planning and financial control on an ongoing basis. The targets agreed in the budget planning rounds are continually reviewed in revolving planning updates.

At the same time, the results of risk mitigation measures that have already been taken are incorporated into the monthly forecasts on further business development without delay. This means that the Board of Management also has access to an overall picture of the current risk situation via the documented reporting channels during the year.

The minimum requirements for the operational risk management and internal control system are set out for the entire Group in uniform guidelines. These also include a process for the timely reporting of material risks.

Second line of defense: identifying systemic risks using the regular Governance, Risk and Compliance process

In addition to the units' ongoing operational risk management, the Group Governance, Risk and Compliance (GRC) department each year sends standardized surveys on the risk situation and the effectiveness of the RMS/ICS to the material Group companies and units worldwide (regular GRC process). The feedback is used to update the overall picture of the potential risk situation and assess the effectiveness of the system.

Each systemic risk reported is assessed using the expected likelihood of occurrence and various risk criteria (financial and non-financial). In addition, the measures taken to manage and control risk are documented at management level. This means that risks are assessed in the context of any risk management measures initiated, i.e. in a net analysis. In addition to strategic, operational and reporting risks, risks arising from potential compliance violations are also integrated into this process. Moreover, the effectiveness of key risk management and control measures is tested and any weaknesses identified in the process are reported and rectified.

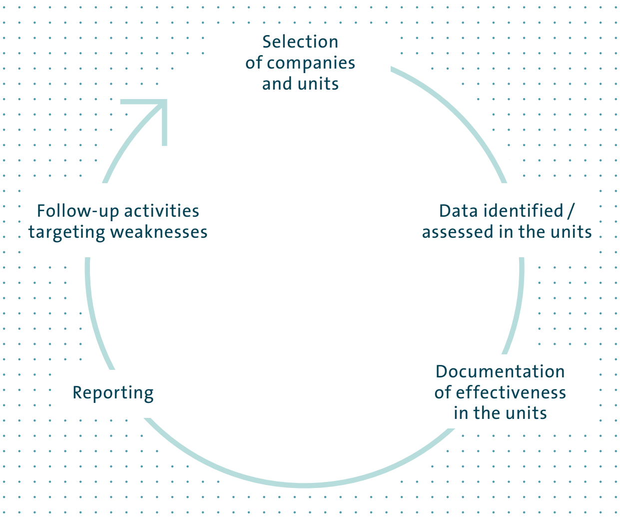
All Group companies and units selected from among the entities in the consolidated Group on the basis of materiality and risk criteria were subject to the regular GRC process in fiscal year 2015. Only the Scania brand was excluded.

The consolidated Scania brand has not yet been included in the Volkswagen Group's risk management system due to various provisions of Swedish company law, but its gradual inclusion is planned from 2016 onward. According to Scania's corporate governance report, risk management and risk assessment are integral parts of corporate management. Risk areas at Scania are evaluated by the brand's Controlling department and reflected in the financial reporting.

Third line of defense: checks by Group Internal Audit

Group Internal Audit helps the Board of Management to monitor the various divisions and corporate units within the Group. It regularly checks the risk early warning system and the structure and implementation of the RMS/ICS and the CMS as part of its independent audit procedures.

ANNUAL STANDARD GOVERNANCE, RISK AND COMPLIANCE PROCESS



RISK EARLY WARNING SYSTEM IN LINE WITH THE KONTRAG

The Company's risk situation is ascertained, assessed and documented in accordance with the requirements of the Gesetz zur Kontrolle und Transparenz im Unternehmensbereich (KonTraG – German Act on Control and Transparency in Business). The requirements for a risk early warning system are met through the elements of the RMS/ICS described above (first and second lines of defense). Independently of this, the external auditors check both the processes and procedures implemented in this respect and the adequacy of the documentation on an annual basis. The plausibility and adequacy of the risk reports are examined on a random basis in detailed interviews with the divisions and companies concerned that also involve the external auditors. The latter assessed our risk early warning system based on this volume of data and established that the risks identified were presented and communicated accurately. The risk early warning system therefore meets the requirements of the KonTraG.

In addition, the Financial Services Division is subject both to scheduled examinations as part of the audit of the annual financial statements and to also unscheduled audits, in particular by the Banking Supervision Committee of the European Central Bank (ECB-SSM) and by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – the German Federal Financial Supervisory Authority) within the meaning of section 44 of the Kreditwesengesetz (KWG – German Banking Act), as well as examinations by the Prüfungsverband deutscher Banken (Auditing Association of German Banks).

Monitoring the effectiveness of the risk management system and the internal control system

The RMS/ICS is regularly optimized as part of our continuous monitoring and improvement processes. In the process, equal consideration is given to both internal and external requirements. External experts assist in the continuous enhancement of our RMS/ICS on a case-by-case basis. The objective of the monitoring and improvements is to ensure the effectiveness of the RMS/ICS. The results culminate in both regular and event-driven reporting to the Board of Management and Supervisory Board of Volkswagen AG.

THE RISK MANAGEMENT AND INTEGRATED INTERNAL CONTROL SYSTEM IN THE CONTEXT OF THE FINANCIAL REPORTING PROCESS

The accounting-related part of the RMS/ICS that is relevant for the financial statements of Volkswagen AG and the Volkswagen Group comprises measures that are intended to ensure the complete, accurate and timely transmission of the information required for the preparation of the financial statements of Volkswagen AG, the consolidated financial statements and the combined Group management report. These measures are designed to minimize the risk of material misstatement in the accounts and in the external reporting.

Main features of the risk management and integrated internal control system relevant for the financial reporting process

The Volkswagen Group's accounting is basically organized along decentralized lines. For the most part, accounting duties are performed by the consolidated companies themselves or entrusted to the Group's shared service centers. In principle, the audited financial statements of Volkswagen AG and its subsidiaries prepared in accordance with IFRSs and the Volkswagen IFRS accounting manual are transmitted to the Group in encrypted form. A standard market product is used for encryption.

The Volkswagen IFRS accounting manual, which has been prepared using external expert opinions in certain cases, ensures the application of uniform accounting policies based on the requirements applicable to the parent. In particular, it includes more detailed guidance on the application of legal requirements and industry-specific issues. Components of the reporting packages required to be prepared by the Group companies are also set out in detail there and requirements established for the presentation and settlement of intragroup transactions and the balance reconciliation process that builds on this.

Control activities at Group level include analyzing and, if necessary, adjusting the data reported in the financial statements presented by the subsidiaries, taking into account the reports submitted by the auditors and the outcome of the meetings on the financial statements with representatives of the individual companies. These discussions address both the reasonableness of the single-entity financial statements and specific significant issues at the subsidiaries. Alongside reasonableness reviews, control mechanisms applied during the preparation of the single-entity and consolidated financial statements of Volkswagen AG include the clear delineation of areas of responsibility and the application of the dual control principle.

The Group management report is prepared – in accordance with the applicable requirements and regulations – centrally but with the involvement of and in consultation with the Group units and companies.

In addition, the accounting-related internal control system is independently reviewed by Group Internal Audit in Germany and abroad.

Integrated consolidation and planning system

The Volkswagen consolidation and corporate management system (VoKUs) enables the Volkswagen Group to consolidate and analyze both Financial Reporting's backward-looking data and Controlling's budget data. VoKUs offers centralized master data management, uniform reporting, an authorization concept and maximum flexibility with regard to changes to the legal environment, providing a future-proof technical platform that benefits Group Financial Reporting and Group Controlling in equal measure. To verify data consistency, VoKUs has a multi-level validation system that primarily checks content plausibility between the balance sheet, the income statement and the notes.

RISKS AND OPPORTUNITIES

In this section, we outline the risks and opportunities that arise in the course of our business activities. We have grouped them into categories. Unless explicitly mentioned, there were no material changes to the specific risks and opportunities compared with the previous year.

The emissions issue gives rise to additional risks for the Volkswagen Group and also has an impact on existing risks. These are described under the respective risk category.

We use competitive and environmental analyses and market studies to identify not only risks but also opportunities with a positive impact on the design of our products, the efficiency with which they are produced, their success in the market and our cost structure. Where they can be assessed, risks and opportunities that we expect to occur are already reflected in our medium-term planning and our forecast. The following therefore reports on internal and external developments as risks and opportunities that may result in a negative or positive deviation from our forecast.

Risks from the emissions issue

In 2015, the Volkswagen Group recognized provisions arising from the emissions issue, in particular for the upcoming service campaigns, recalls and customer-related measures, but also for residual value risks.

Due to existing estimation risks particularly from legal risks, criminal and administrative proceedings, higher expenses for technical solutions, lower market prices, repurchase obligations and customer-related measures, further significant financial liabilities may emerge. Demand may decrease – possibly exacerbated by a loss of reputation or insufficient communication. Other potential consequences include lower margins in the new and used car businesses and a temporary increase in funds tied up in working capital.

The funding needed to cover the risks may lead to assets having to be sold due to the situation and equivalent proceeds for them not being achieved as a result.

Our ability to use refinancing instruments may possibly be restricted in the future or precluded for existing instruments due to the current uncertainties regarding the effects of the emissions issue on the Volkswagen Group. A downgrade of the Company's rating could also adversely affect the terms associated with the Volkswagen Group's borrowings.

We are cooperating with all the responsible authorities to clarify these matters completely and transparently.

Macroeconomic risks and opportunities

We believe that the risks to continued global economic growth lie primarily in turbulence in the financial markets and structural deficits, which pose a threat to the performance of some industrialized nations and emerging economies. In the southern part of the eurozone, a sustained economic recovery is being hindered by the situation of some financial institutions whose ability to withstand a crisis is still not assured. Persistently high private- and public-sector debt in many places is also clouding the outlook for growth and may cause markets to respond negatively.

Declines in growth in key countries and regions often have an immediate impact on the state of the global economy and therefore pose a central risk.

The economic development of some emerging economies is being hampered primarily by dependence on energy and commodity prices, capital inflows and socio-political tensions. Corruption, inadequate government structures and a lack of legal certainty also pose risks.

Geopolitical tensions and conflicts are a further major risk to the performance of individual economies and regions. As the global economy becomes increasingly interconnected, it is also vulnerable to local developments. Any increasing escalation of the conflicts in Eastern Europe, the Middle East or Africa, for example, could cause further upheaval on the global energy and commodity markets and exacerbate migration trends. The same goes for armed conflicts, terrorist activities, or the spread of infectious diseases, which may prompt unexpected, short-term responses from the markets.

Overall, we consider the probability of a global recession to be low. Due to the risk factors mentioned, however, the possibility of a decline in global economic growth or a period of below-average growth rates cannot be ruled out.

The macroeconomic environment may also give rise to opportunities for the Volkswagen Group if actual developments differ in a positive way from expected developments.

Sector-specific risk and market opportunities

The growth markets of Asia, South America, and Central and Eastern Europe are particularly important to the Volkswagen Group in terms of the global trend in demand for passenger cars and commercial vehicles. Although these markets harbor considerable potential, the underlying conditions in some of the countries in these regions make it difficult to increase unit sales figures there. Some have high customs barriers or minimum local content requirements for domestic production, for example. The market development in Russia was again inhibited by the political crisis and its economic consequences in fiscal year 2015. In South America, structural deficits continued to have a negative impact. Restrictions on vehicle registrations could enter into force in further Chinese metropolitan areas in the future. Additionally, a global economic slowdown could negatively impact consumer confidence. Furthermore, we cannot entirely rule out the possibility of freight deliveries being shifted from trucks to other means of transport and of demand for the Group's commercial vehicles falling as a result.

At the same time, if the economic and regulatory situation permits, there are opportunities for faster growth above and beyond current projections in emerging markets where vehicle densities are still low. The demand that built up in some established markets during the crisis could also bring a more marked recovery in these markets if the economic environment eases more quickly than expected.

Price pressure in established automotive markets due to high market saturation is a particular challenge for the Volkswagen Group as a supplier of volume and premium models. As the global economy is still under strain, competitive pressures are likely to remain high in the future. Some manufacturers may respond by offering incentives in order to meet their sales targets, putting the entire sector under additional pressure, particularly in Western Europe, the USA and China.

Western Europe is one of our main sales markets. A drop in prices due to the economic climate triggered by falling demand in this region would have a particularly strong impact on the Company's earnings. We counter this risk with a clear, customer-oriented and innovative product and pricing policy. Outside Western Europe, delivery volumes are widely spread around the world; the Chinese market accounts for a large share. We either already have a strong presence in numerous existing and developing markets or are working hard to build such a presence. Moreover, strategic partnerships help us to increase our presence in these countries and regions and cater to requirements there.

In fiscal year 2015, economic trends varied considerably from region to region: whereas the situation in Western Europe continued to stabilize, the growth trend in China developed at a weaker pace. The US economy expanded solidly, but market conditions in Eastern Europe and South America remained under strain. The resulting challenges for our trading and sales companies, such as efficient inventory management and a profitable dealer network, are considerable and are being met by appropriate measures on their part. However, financing business activities through bank loans remains difficult. Our financial services companies offer dealers financing on attractive terms with the aim of strengthening their business models and reducing operational risk. We have installed a comprehensive liquidity risk management system so that we can promptly counteract any liquidity bottlenecks at the dealers' end that could hinder smooth business operations.

We continue to approve loans for vehicle finance on the basis of the same cautious principles applied in the past, taking into account the regulatory requirements of section 25a(1) of the Kreditwesengesetz (KWG – German Banking Act).

Volkswagen may be exposed to increased competition in aftermarkets for two reasons in particular: firstly, because of the provisions of the block exemption regulations, which have been in force for after-sales service since June 2010, and, secondly, because of the amendments included in EU Regulation 566/2011 of June 8, 2011, which expand independent market participants' access to technical information.

In addition, the European Commission is currently evaluating the market with regard to existing design protection. If design protection for visible genuine parts were to be abolished as a result, this could adversely affect the Volkswagen Group's genuine parts business.

Below, we outline the market opportunities for the Volkswagen Group. We see the greatest potential for growth in the markets of the Asia-Pacific region and in North America.

China
Growth in China, the largest market in the Asia-Pacific region, progressed at a slower pace in the reporting period. The demand for vehicles will continue to rise there in the coming years due to the need for individual mobility, but will shift from the large coastal cities to the interior of the country. In order to leverage the considerable opportunities offered by this market – also with regard to e-mobility – and to defend our strong market position in China over the long term, we are continuously expanding our product range to include models that have been specially developed for this market. We are further expanding our production capacity in this growing market through additional production facilities.

India
The political and economic situation in India further stabilized in 2015. The vehicle markets continued their recovery. We expect this to continue. The Group is currently consolidating its activities in this environment. India remains a strategically important market of the future for the Group.

ASEAN
The automotive markets in the ASEAN economic area are volatile, but offer substantial growth opportunities in the aggregate. The Volkswagen Group is working successively to achieve long-term penetration of these markets. High price sensitivity means that having a local manufacturing operation in the region is a condition for a competitive offering. Together with our partners in Malaysia and Indonesia, we locally assemble models from the Volkswagen Passenger Cars, Audi and Volkswagen Commercial Vehicles brands. We are also examining and assessing such opportunities in additional countries in the region. Independent of such business, we are driving forward improvements to local sales structures.

North America
The US vehicle market saw growth again in 2015 thanks to the encouraging economic trend and favorable financing conditions. The market's momentum is, however, expected to decrease. North America remains a growth region for the Volkswagen Group. In the United States, Volkswagen Group of America is systematically pursuing our strategy of becoming a full-fledged volume supplier. An engine plant and the development of additional production capacity in the region will allow the Group to better serve the market in the future. The Group is also pressing forward with additional products tailored specifically to the US market, for example a large SUV. Our market success will largely depend on how transparently, thoroughly and quickly we deal with the diesel issue and restore customers' confidence.

Brazil
In Brazil, the economic environment weakened again and the vehicle market slumped further. Vehicles became more expensive as inflation and interest rates rose. The anticipated recovery failed to materialize and, instead, the economic outlook continued to worsen. We expect the downturn in the vehicle market to persist in 2016. The growing number of automobile manufacturers with local production has resulted in a sharp increase in price pressure and competition. The Brazilian market plays a key role for the Volkswagen Group. To strengthen our competitive position here, we offer vehicles that have been specially developed for this market and are locally produced, such as the Gol and the Fox.

Russia
Russia has the potential to grow into one of the largest automotive markets in the world. However, its heavy reliance on currently lower oil revenues and the weak ruble led to a decline in the market as a whole in 2015. Demand for vehicles also continued to be impacted by the political crisis and the related sanctions imposed by the EU and the USA. The market remains of strategic importance for the Volkswagen Group, which is why we are working intensively there.

The Middle East
Despite economic and political instability, the Middle East region offers growth opportunities. We are leveraging the potential for sustainable growth with a range of vehicles that has been specifically tailored to this market, without operating our own production facilities.

Power Engineering
The underlying global economic trends will continue. These include sustained economic growth, a greater international division of labor and a resulting increase in global transport routes and volumes, a growing demand for energy and forces for innovation powered by trends in global climate policy.

We are working systematically to leverage these market opportunities at a global level. In the medium term, significant potential can be leveraged by enhancing the after-sales business by introducing new products and expanding the service network. Going forward, stricter requirements with respect to reliability, availability of the plants that are already in operation, the increase in environmental compatibility and efficient operation, together with the large number of engines and plants, will provide the basis for profitable, long-term growth.

As part of the capital goods industry, the Power Engineering Business Area is subject to fluctuations in the investment climate.

Even minor changes in growth or growth forecasts, resulting from geopolitical uncertainties or volatile commodities and foreign exchange markets, for example, can lead to significant changes in demand or the cancellation of existing orders. We counter the considerable economic risks with, for example, flexible production concepts and cost flexibility, utilizing temporary employment, working time accounts and short-time work as well as potential structural adjustments. The latter may possibly entail substantial one-time expenses.

RESEARCH AND DEVELOPMENT RISK

We conduct extensive trend analyses, customer surveys and scouting activities so as to reflect our customers' requirements during product development as well as possible. This way we ensure that we identify trends at an early stage and examine their relevance for our customers in good time.

We counter the risk that it may not be possible to develop products or modules within the specified timeframe, to the required quality standards, or in line with cost specifications by continuously and systematically monitoring the progress of all projects and increasingly analyzing third-party industrial property rights, including in relation to communication technologies. We regularly compare this progress with the project's original targets; in the event of variances, we introduce appropriate countermeasures in good time. Our end-to-end project organization supports effective cooperation among all areas involved in the process, ensuring that specific requirements are incorporated into the development process as early as possible and that their implementation is planned in good time.

Opportunities arising from the Modular Transverse Toolkit

The Modular Transverse Toolkit (MQB) and the Modular Production Toolkit (MPB) enable us to cut both development costs and the necessary one-time expenses and manufacturing times, as well as making usage possible over several vehicle generations. The toolkits also allow us to produce different models from different brands in various quantities, using the same system in a single plant. This means that our capacities can be used with greater flexibility throughout the entire Group, enabling us to achieve efficiency gains.

In addition to conventional petrol and diesel engines, the MQB also affords us the opportunity to integrate alternative drivetrains, such as natural gas, hybrid, or electric drives. Previously, individual, vehicle-specific adaptations were necessary for each model. The MQB has created an extremely flexible vehicle architecture that permits dimensions determined by the concept – such as the wheelbase, track width, wheel size and seat position – to be harmonized throughout the Group and utilized flexibly. Other dimensions, for example the distance between the pedals and the middle of the front wheels, are always the same and ensure a uniform system in the front of the car, enabling synergies to be achieved.

Procurement risks and opportunities

The procurement risk management system continuously and globally monitors the financial situation of our suppliers and takes targeted measures to avoid supply bottlenecks.

Economic recovery in Europe has contributed to the further stabilization of our supply base at an overall good level of capacity utilization and good margin situation. Large and innovative suppliers in particular have benefited from this. However, there has been an increase in the number of insolvencies globally due to highly volatile individual markets. The unfavorable economic developments in South America and Russia in 2015 led to capacity adjustments by suppliers and, in some cases, to demands for higher prices. At the same time, there was consolidation in the market.

In China, the lower economic growth and increasing competition led to a consolidation of the supplier base. We are therefore now also looking more closely at suppliers in this region from the point of view of preventive risk management.

The trend in procurement is to bundle contracts to a greater extent and to ensure worldwide availability of uniform components. This is resulting in an increased need for financing and further consolidation in the supply industry. The Volkswagen Group's procurement risk management system therefore assesses suppliers before they are commissioned to perform projects. Among other things, the procurement function considers the risk of there being insufficient competition if it concentrates on a few financially strong suppliers when awarding contracts. Quality problems may necessitate technical measures involving a considerable financial outlay where costs cannot be passed on to the supplier or can only be passed on to a limited extent. In addition to financial difficulties, supply risks may, for example, arise as a result of fires or accidents at suppliers. The supplier risks are automatically identified without delay in the procurement function through early warning systems and mitigated immediately by applying inferred measures.

Our modular toolkit strategy enables us to bundle volumes of vehicle parts and harmonize and synchronize requests for proposals and procurement processes. We systematically enhanced this strategy in the A0 vehicle class, which allowed us to consolidate worldwide volumes into a single global request. In the process, we consider regional market requirements with the aim of maximizing customer satisfaction. This enables us to exploit transregional synergies while at the same time minimizing start-up risks within the Volkswagen Group, one-time expenses and internal process costs.

Optimum use of the possibilities of a worldwide procurement system is a central theme of the Group initiative "Future Automotive Supply Tracks – Volkswagen FAST". To ensure that we choose the best possible suppliers, we always weigh transregional synergies and the opportunity of acquiring a qualified partner for innovative projects against the risks of dependency.

Production risk

Developments on the global automotive markets, the train strikes in Germany, fires at suppliers and storms, as well as the emissions issue towards the end of 2015, caused production volumes of several vehicle models to fluctuate at some plants. We address such fluctuations using a variety of tried-and-tested tools, such as flexible working time models. The technical design of the production network enables us to respond dynamically to changes in demand at the sites. “Turntable concepts” even out capacity utilization between production facilities. At multibrand sites, the number of which is growing in the Group, volatile demand can also be smoothed across brands.

Short-term fluctuations in customer demand for specific equipment features in our products and the decreasing predictability of demand may lead to supply bottlenecks. We minimize this risk, among other things, by continuously comparing our available resources against different future demand scenarios. If we identify potential bottlenecks in the supply of materials, we can introduce countermeasures far enough in advance.

Production capacity is planned several years in advance for each vehicle project on the basis of expected sales trends. These are subject to market changes and generally entail a degree of uncertainty. If forecasts are too optimistic, there is a risk that capacity will not be fully utilized. Forecasts that are too pessimistic pose a risk of undercapacity, as a result of which it may not be possible to meet customer demand.

Events beyond our control such as natural disasters or other events, for example fires, explosions or the leakage of substances hazardous to health and/or the environment, may adversely affect production to a significant extent. As a consequence, bottlenecks or even outages may occur, thus preventing the planned volume of production from being achieved. We address such risks with, among other things, fire protection measures and hazardous goods management and cover them – where financially viable – using insurance.

The range of our models is growing, while at the same time product lifecycles are becoming shorter; the number of new vehicle start-ups at our sites worldwide is therefore increasing. The processes and technical systems we use for this are complex and there is thus a risk that vehicle deliveries may be delayed. We address this risk by drawing on experience of past start-ups and, identifying weaknesses at an early stage, so as to ensure that production volumes and quality standards are met during our new vehicle start-ups throughout the Group.

In order to prevent downtime in general, lost output, rejects and reworking, we use the TPM (Total Productive Maintenance) method at our production facilities. TPM is a continuous process involving the entire workforce. Round-the-clock maintenance of the technical facilities means that they are always operational and guaranteed to function reliably.

Risks arising from long-term production

In the case of large projects, risks may arise that are often only identified in the course of the project. They may result in particular from contract drafting errors, miscosting, post-contract changes in economic and technical conditions, weaknesses in project management, or poor performance by subcontractors. In particular, omissions or errors made at the start of a project are usually difficult to compensate for or correct and often entail substantial additional expenses.

We endeavor to identify these risks at an even earlier stage and to take appropriate measures to eliminate or minimize them before they occur by constantly optimizing the project control process across all project phases and by using lessons learned process and regular project reviews. We can thus further reduce risk, particularly during the bidding and planning phase for large upcoming projects.

Risks arising from changes in demand

As a result of the emissions issue – possibly exacerbated by media reports – the Volkswagen Group may possibly experience decreases in demand. When dealing with the issue, our highest priority is to provide customers with solutions, both from a technical perspective and in financial matters. In addition, we are pressing ahead with the systematic clarification of the misconduct in the Company.

Consumer demand is shaped not only by real factors such as disposable income, but also by psychological factors that cannot be planned for. Unexpected buyer reluctance, possibly further exacerbated by media reports, could stem from households’ worries about the future economic situation, for example. This is particularly the case in saturated automotive markets such as Western Europe, where demand could drop as a result of owners holding on to their vehicles for longer. In the reporting period, it became evident that the effects of the eurozone debt crisis have not yet been overcome. Several automotive markets, particularly in Southern Europe, were able to further recover from their record lows, however, and exhibited positive growth rates. We are countering this buyer reluctance with our attractive range of models and systematic customer orientation.

A combination of buyer reluctance as a result of the crisis and increases in some vehicle taxes based on CO_2 emissions – as is already the case in some European countries – is driving a shift in demand towards smaller segments and engines in individual markets. We counter the risk that such a shift will negatively impact the Volkswagen Group's earnings by constantly developing new, fuel-efficient vehicles and alternative drive technologies, based on our drivetrain and fuel strategy. Automotive markets around the world are exposed to risks from government intervention such as tax increases, which curb private consumption.

Commercial vehicles are capital goods: in an economic upturn, the need for transport and thus the demand rises sharply, whereas in economically difficult times demand falls just as sharply. The production fluctuations arising as a result require a high degree of flexibility from manufacturers. Although production volumes are significantly lower, the complexity of the trucks and buses range in fact significantly exceeds the already very high complexity of the passenger cars' range. The priorities for commercial vehicle customers are overall running costs, vehicle reliability and the service provided.

MAN Power Engineering's two-stroke engines are produced exclusively by licensees, particularly in Korea, China and Japan. Due to volatile demand in new ship construction and heavy investment by some licensees, there is excess capacity in the market for marine engines, resulting in risks ranging from a decline in license revenues through to bad debt losses. There is also a risk that market share will be lost as a result of Chinese state-owned licensees merging with competitors. We address these risks by constantly monitoring the markets, working closely together with licensees and carefully managing business relationships with them. This also includes receivables management in order to safeguard our license revenues.

Dependence on fleet customer business

The percentage of total registrations in Germany accounted for by fleet customers rose to 14.1 (13.3)% in fiscal year 2015. The Volkswagen Group's share of this customer segment rose to 48.5 (48.4)%. Registrations by fleet customers in Europe were 11.3% higher in total than in the previous year; the Group's share of this was 28.9 (29.2)%.

The fleet customer business is generally more stable than the business with retail customers. In light of the emissions issue, many fleet customers reacted with concern. There was, however, no reported impact on new vehicle registrations in fleet customer business in 2015. With clarification of the CO_2 issue and the technical solutions within the scope of the diesel issue, we also expect no significant volume decreases for the fleet customer business of the Volkswagen Group in 2016.

The fleet customer business continues to be characterized by increasing concentration and internationalization. The Volkswagen Group is well positioned with its broad portfolio of products and drive systems, as well as its target-group-focused customer care. There is no concentration of default risks at individual fleet customers.

Quality risk

Right from the product development stage, we aim to identify and rectify quality problems at the earliest possible point, so as to avoid delays to the start of production. As we are using an increasing number of modular components as part of our modular toolkit strategy, it is very important when defects do occur to identify and eliminate the cause of the defect as quickly as possible. We further optimized the processes with which we can prevent these procedural defects at our brands and improved our organizational processes during the reporting period so that we are able to counter the associated risks more effectively.

Increasing technical complexity and the use of the toolkit system in the Group mean that the need for high-grade supplier components of impeccable quality is rising. To ensure the continuity of production, it is also extremely important that our own plants and our suppliers deliver components on time. We ensure long-term quality and supply capability from the very start of the supply chain using a risk management system that we first tested internally and then introduced among suppliers. In this way, Quality Assurance helps to fulfill customer expectations and consequently to boost our Company's reputation, sales figures and earnings.

Assuring quality is of fundamental importance especially in the Brazilian, Russian, Indian and Chinese markets, for which we develop dedicated vehicles and where local manufacturers and suppliers have been established, particularly as it may be very difficult to estimate regulatory or official decisions. We continuously analyze the conditions specific to each market and adapt quality requirements to them. We counter the local risks we identify by continuously developing promising measures and implementing them locally, thereby effectively preventing quality defects from arising.

Vehicle registration and operation criteria are defined and monitored by national and, in some cases, international authorities. Some countries also have special, and in some cases new, rules aimed at protecting customers in their dealings with vehicle manufacturers. With our established and revised quality assurance processes, we ensure that the Volkswagen Group brands and their products fulfill all applicable requirements and that local authorities receive timely notification of all issues requiring reporting. By doing so, we reduce the risk of customer complaints, administrative fines and other negative consequences.

Personnel Risk

We counter economic risks as well as changes in the market and competitive situation with a range of instruments that help the Group to remain flexible, even with fluctuating order intake – whether orders decline or demand for our products increases. These include time accounts which are filled when overtime is necessary and reduced through time off in quiet periods, enabling our factories to adjust their capacity to the production volume and to "breathe" with measures such as extra shifts, closure days and flexible shift models. The use of temporary workers also allows us to plan more flexibly. All of these measures help the Volkswagen Group to maintain a stable permanent workforce as a rule even when orders fluctuate.

The technical expertise and individual commitment of employees are essential prerequisites for the success of the Volkswagen Group. Our strategic, end-to-end human resources development strategy gives all employees attractive training and development opportunities, with particular emphasis being placed on increasing technical expertise in the Company's different vocational groups. By boosting our training programs, particularly at our international locations, we are able to adequately address the challenges of technological change.

We are continuously expanding our recruitment tools. Our systematic talent relationship management, for example, enables us to make contact with talented candidates from strategically relevant target groups at an early stage and to build a long-term relationship between them and the Group.

In addition to the standard dual vocational training, programs such as our StIP integrated degree and traineeship scheme ensure a pipeline of highly qualified and motivated employees. We counter the risk that knowledge will be lost as a result of employee fluctuation and retirement with intensive, department-specific training. We have also expanded deployment of our base of senior experts in the Group. With this additional measure we use the valuable knowledge of our experienced specialists that retired from Volkswagen.

IT Risk

At Volkswagen, a global company geared towards further growth, the information technology (IT) used in all divisions Group-wide is assuming an increasingly important role. IT risks include unauthorized access to sensitive electronic corporate data as well as limited systems availability as a consequence of downtime or natural disasters.

We address the risk of unauthorized access to corporate data with IT security technologies (e.g. firewall and intrusion prevention systems) and a dual authentication procedure. We achieve additional protection by restricting the allocation of access rights to systems and information and by keeping backup copies of critical data resources. We use technical resources that have been tried and tested in the market, adhering to standards applicable throughout the Company. Redundant IT infrastructures protect us against risks that occur in the event of a systems failure or natural or other disaster.

One of our focuses is on continuously enhancing our security measures. The current IT security program, for example, is built on structured rights management, optimization of IT infrastructure, application security and the IT security command center. The role of the latter is to detect cyber-attacks at an early stage and help to successfully defeat them using the latest hardware and software. The command center is staffed around the clock in three regions (Europe, America, Asia). Volkswagen complements these technical measures with consistent awareness raising and training for all employees.

Volkswagen AG, Allianz SE, BASF SE and Bayer AG have jointly founded the German cybersecurity organization, DCSO. The company aims to serve as a competence center, accumulate specialist knowledge on cybersecurity and become the preferred service provider in this field to German business. DCSO conducts security audits and certifies key suppliers and technologies in order to help German businesses detect and defend against cyber-attacks and to predict them in future. It is hoped that close exchange of information with the Federal Ministry of the Interior and the Federal Office for Information Security will aid the compilation of an anonymized status report on national cybersecurity. Small and medium-sized enterprises – including many of our suppliers – can obtain security services offered by DCSO, which they would otherwise be unable to afford. Volkswagen also benefits from this, as it makes our supply chain more secure.

The high standards we set for the quality of our products also apply to the way in which we handle our customers' data. Our guiding principles are data security and transparency as well as informational self-determination.

Environmental protection regulations

The specific emission limits for all new passenger car and light commercial vehicle models and the fleet targets calculated from the individual vehicle data for brands and groups in the 28 EU member states for the period up to 2019 are set out in EC Regulation No 443/2009 on CO_2 emissions from passenger cars and EU Regulation No 510/2011 on light commercial vehicles of up to 3.5 tonnes, in effect since April 2009 and June 2011 respectively. The regulations are an important component of European climate protection legislation and therefore form the key regulatory framework for product design and marketing by all vehicle manufacturers operating in the European markets.

From 2012 onwards, the average CO_2 emissions of manufacturers' new European passenger car fleets may not exceed the figure of 130 g CO_2/km. Compliance with this requirement was introduced in phases: in 2015 the entire fleet had to meet this limit. EU Regulation No 333/2014, which was adopted in 2014, states that, from 2021 onwards, the emissions of European passenger car fleets may be no higher than just 95 g CO_2/km.

The EU's CO_2 regulation for light commercial vehicles requires limits to be met from 2014 onwards, with targets being phased in over the period to 2017: the average CO_2 emissions of new vehicle registrations in Europe may not exceed the figure of 175 g CO_2/km, a target required to be met by 75% of the fleet in 2015 and 80% of the fleet in 2016. From 2020 onwards, the limit under EU Regulation No 253/2014, which was adopted in 2014, is 147 g CO_2/km. Like the regulations for passenger cars, the CO_2 regulations for light commercial vehicles provide for exceptions to be made, for example by offering relief for technical innovations in the vehicle.

The European Commission intends to define the CO_2 regime for the period after 2020 by the end of 2016. Politicians are already discussing reduction targets for the transport sector for the period to 2050, such as the 60% reduction in greenhouse gas emissions from 1990 levels cited in the EU White Paper on transport published in March 2011. It will only be possible to meet these long-term goals by also making extensive use of nonfossil sources of energy, in particular in the form of renewable electricity.

At the same time, regulations governing fleet fuel consumption are also being developed or introduced outside the EU28, for example in India, Japan, Canada, Mexico, Saudi Arabia, Switzerland, South Korea and Taiwan. Brazil has introduced a fleet efficiency target as part of a voluntary program for granting a tax advantage. To achieve a 30% tax advantage, vehicle manufacturers are required to achieve, among other things, average fleet efficiency of around 1.82 megajoules/km by 2017. The fuel consumption regulations in China for the period 2012–2015 (Phase III) with a fleet target of 6.9 liters/100 km in the year under review, will progress to Phase IV for the period 2016–2020, with a target of 5.0 liters/100 km at the end of this period. Due to the extension of greenhouse gas legislation in the USA, uniform fuel consumption and greenhouse gas rules will continue to apply in all states of the USA in the period from 2017 to 2025. The law was signed by the US president back in mid-2012.

The increase in fleet-based CO_2 and consumption regulations means that it is necessary to use the latest mobility technologies in all key markets worldwide. Electrified and pure-play electric drives will also become increasingly common. The Volkswagen Group closely coordinates technology and product planning with its brands so as to avoid breaches of fleet fuel consumption limits, which would entail severe sanctions. Volkswagen continues to regard diesel technology as an important element in the fulfillment of CO_2 emissions targets.

In principle, the EU legislation permits some flexibility. For example:

- Excess emissions and emission shortfalls may be offset between vehicle models within a fleet of new vehicles
- Emission pools may be formed
- Relief may be provided in the form of credits that are granted for additional innovative technologies (eco-innovations) contained in the vehicle and that apply outside the test cycle
- Special rules are in place for small series producers and niche manufacturers
- Particularly efficient vehicles qualify for super-credits.

Whether the Group meets its targets, however, depends crucially on its technological and financial capabilities, which are reflected, among other things, in our drivetrain and fuel strategy (see page 133).

The European Commission and UNECE (United Nations Economic Commission for Europe) are currently working to introduce a globally harmonized driving cycle.

The most important European regulations also include Real Driving Emissions (RDE) for passenger cars and light commercial vehicles. The regulation is expected to be finalized by mid-2016 and is intended to set limits for nitrogen oxide and particulate emissions in the EU effective from September 2017. These limits must be complied with in real road traffic. This means the RDE test procedure differs fundamentally from the Euro 6 standard still in force, which stipulates that the limits are compulsory for testing. The RDE regulation is intended primarily to improve air quality in urban areas and areas close to traffic. It will lead to stricter requirements for exhaust gas aftertreatment for passenger cars and light commercial vehicles.

The other main EU regulations affecting the automotive industry include

- EU Directive 2007/46/EC establishing a framework for the approval of motor vehicles
- EU Directive 2009/33/EC on the promotion of clean and energy-efficient road transport vehicles (Green Procurement Directive)
- EU Directive 2006/40/EC relating to emissions from air-conditioning systems in motor vehicles
- The Passenger car energy consumption labeling Directive 1999/94/EC
- The Fuel Quality Directive (FQD) 2009/30/EC updating the fuel quality specifications and introducing energy efficiency specifications for fuel production
- The Renewable Energy Directive (RED) 2009/28/EC introducing sustainability criteria
- The Revised Energy Taxation Directive 2003/96/EC updating the minimum tax rates for all energy products and power.

The implementation of the above-mentioned directives by the EU member states serves to support the CO_2 regulations in Europe. As well as vehicle manufacturers, they are also aimed at the mineral oil industry, for example. Vehicle taxes based on CO_2 emissions are having a similar steering effect; many EU member states have already incorporated CO_2 elements into their rules on vehicle taxation.

Heavy commercial vehicles first put into operation from 2014 onwards are already subject to the stricter emission requirements under the Euro 6 standard in accordance with EU Regulation No 582/2011. The EU is also preparing a further CO_2 regulation for heavy commercial vehicles at the same time as the CO_2 legislation for passenger cars and light commercial vehicles. Simply setting an overarching limit for these vehicles – like that in place for passenger cars and light commercial vehicles – is just one option for these vehicles and would require an extremely complex set of rules because of the wide range of variants. With the support of independent scientific institutions and the European Automobile Manufacturers' Association (ACEA), the European Commission is currently preparing a simulation-based method called VECTO (Vehicle Energy Consumption Calculation Tool), which can be used to determine the CO_2 emissions of heavy commercial vehicles of over 7.5 tonnes based on their typical use (short-haul, regional, distribution and long-haul trips, service on construction sites and as municipal vehicles, city buses, intercity buses and coaches). This method is expected to be the basis for the European Commission's concrete regulatory proposals, which are anticipated during 2016. Probably starting 2018 (2019 at the latest), a CO_2 declaration is expected to be compulsory for selected vehicle categories (initially long-haul and regional distribution vehicles, later also buses and other segments), with the captured data initially being used for customer information allowing comparability, for certification and for monitoring purposes. Further vehicle categories are likely to be included as time progresses.

Manufacturers of heavy commercial vehicles are urging the adoption of a system for quantifying CO_2 figures that is accessible to everyone and that looks at the vehicle as a whole and not simply at the engine or the tractor, but also at the trailers and bodywork. This transparency should increase competition for fuel and thus CO_2-efficient commercial vehicles and as a result decrease CO_2 emissions.

As part of its efforts to reduce the CO_2 emissions of heavy commercial vehicles, the European Commission has also adjusted the provisions regarding the maximum permissible dimensions and weights of trucks (Directive 1996/53/EC, the Weights and Dimensions Directive) and revised them through EU Directive 2015/719. As a consequence, cabs with a rounded shape and aerodynamic devices at the rear of the vehicle will enable future improvements in aerodynamics. At the same time, the driver's field of vision will be extended by increasing the length of the cab in order to improve safety. In addition, the legislators increased the overall weight permitted for vehicles with alternative drive technologies by up to one tonne. The specific technical requirements for the development of aerodynamic and safer cabs have not yet been decided and will only be defined in the next two years.

The European commercial vehicles industry supports the goals of reducing CO_2 emissions and improving transport safety. However, it is not just new vehicles that matter for future CO_2 emissions; individual components are also important, such as reduced rolling resistance tires and the aerodynamic trim of the trailer, as are driving behavior, alternative fuels, transport infrastructure and transport conditions. Longer, heavier vehicles that can decrease fuel consumption and thus CO_2 emissions by up to 25% according to scientific studies by the Federal Highway Research Institute are currently also driving on German roads in a field trial.

In the Power Engineering segment, the International Maritime Organization (IMO) has implemented the International Convention for the Prevention of Pollution from Ships (MARPOL – MARine POLlution), with which limits on emissions from marine engines will be reduced in phases. Emission limits also apply, for example, under EU Directive 1997/68/EC and in accordance with the regulations of the US EPA (Environmental Protection Agency). As regards stationary equipment, there are a number of national rules in place worldwide that limit permitted emissions. On December 18, 2008, the World Bank Group set limits for gas and diesel engines in its "Environmental, Health, and Safety Guidelines for Thermal Power Plants", which are required to be applied if individual countries have adopted no or less strict national requirements. In addition, back in 1979, the United Nations adopted the Convention on Long-range Transboundary Air Pollution, setting limits on total emissions as well as nitrogen oxide limits for the signatory states (including all EU states, other countries in Eastern Europe, the USA and Canada). Enhancements to the product portfolio in the Power Engineering segment focus on improving the efficiency of the equipment and systems.

The allocation method for emissions certificates changed fundamentally when the third emissions trading period (2013–2020) began. As a general rule, all emission allowances for power generators have been sold at auction starting in 2013. For manufacturing industry and certain power generation installations (e.g. combined heat and power installations), a portion of the certificates are allocated free of charge on the basis of benchmarks applicable throughout the EU. The portion of certificates allocated free of charge will gradually decrease as the trading period progresses: the remaining quantities required will have to be bought, and thus paid for, at auction. Furthermore, installation operators can partly fulfill their obligation to hold emission allowances using certificates from climate protection projects (Joint Implementation and Clean Development Mechanism projects).

In certain (sub-)sectors of industry, there is a risk that production will be transferred to countries outside Europe due to the amended provisions governing emissions trading (a phenomenon referred to as "carbon leakage"). In these cases a consistent quantity of certificates will be allocated free of charge for the period from 2013 to 2020 on the basis of the pan-EU benchmarks. The automotive industry was included in the new carbon leakage list that came into effect in 2015. It is still unclear to what extent the Volkswagen Group will receive additional certificates free of charge.

In 2013, the European Commission decided to initially withhold a portion of the certificates to be auctioned and to only release them for auction at a later date during the third trading period (backloading). This temporary scarcity of certificates, which could lead to a price increase, will be directed into a market stability reserve, to be established in 2018. The reserve should in future correct any imbalance between the supply of and demand for certificates in emissions trading.

As well as the European Union, other countries in which the Volkswagen Group has production sites are also considering introducing an emissions trading system. Seven pilot projects are running in China, for example, although they have not so far affected the Volkswagen Group. The Chinese government plans to expand those pilot projects into a national emissions trading system.

Litigation

In the course of their operating activities, Volkswagen AG and the companies in which it is directly or indirectly invested become involved in a great number of legal disputes and official proceedings in Germany and internationally. In particular, such legal disputes and other proceedings may occur in relation to suppliers, dealers, customers, employees, or investors. For the companies involved, these may result in payment or other obligations. Above all in cases where US customers in particular assert claims for vehicle defects individually or by way of a class action, highly cost-intensive measures may have to be taken and substantial compensation or punitive damages paid. Corresponding risks also result from US patent infringement proceedings.

Risks may also emerge in connection with the adherence to regulatory requirements. This particularly applies in the case of regulatory vagueness that may be interpreted differently by Volkswagen and the agencies responsible for the respective regulations. In addition, legal risks can arise from the criminal activities of individual persons, which even the best compliance system can never completely prevent.

Where transparent and economically viable, adequate insurance cover is taken out for these risks. For the identifiable and measurable risks, appropriate provisions are recognized and information about contingent liabilities is disclosed. As some risks cannot be assessed or can only be assessed to a limited extent, the possibility of loss or damage not being covered by the insured amounts and provisions cannot be ruled out. This particularly applies to legal risk assessment regarding the diesel issue.

Diesel Issue

On September 18, 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. It has been alleged that we had used undisclosed engine management software installed in certain four-cylinder diesel engines used in certain 2009 to 2015 model year vehicles to circumvent NO_x emissions testing regulations in the United States of America in order to comply with certification requirements. The US environmental authority of California – the California Air Resources Board (CARB) – announced its own enforcement investigation in this context.

Volkswagen admitted to irregularities in this context. In its ad hoc release dated September 22, 2015, the Volkswagen Group announced that noticeable discrepancies between the figures achieved in testing and in actual road use had been identified in around eleven million vehicles worldwide with certain diesel engines. The vast majority of these engines are Type EA 189 Euro 5 engines. On November 2, 2015, the EPA issued another "Notice of Violation" alleging that irregularities had also been discovered in the software installed in vehicles with type V6 TDI 3.0 l diesel engines. CARB also issued a letter announcing its own enforcement investigation in this context. Audi has confirmed that a total of three auxiliary emission control devices were inadequately disclosed in the course of the US approval documentation. Around 113 thousand vehicles from the 2009 to 2016 model years with certain six-cylinder diesel engines are affected.

On January 4, 2016, the U.S. Department of Justice (DOJ), on behalf of the EPA, filed a civil complaint against Volkswagen AG, AUDI AG and other companies of the Volkswagen Group. The claims asserted under civil law are founded on the alleged use of illegal (Defeat Device) software in violation of the American Clean Air Act. The complaint's allegations relate to both the four-cylinder and the six-cylinder diesel engines. On January 12, 2016, it was announced that CARB intends to seek civil fines for alleged violations of the California Health & Safety Code and various CARB regulations.

The allegations described are subject to extensive ongoing discussions between Volkswagen and the EPA or CARB, respectively, also including a rigorous review of relevant technical concepts. The investigations have not been completed at the present time.

In addition to internal inquiries, Volkswagen AG commissioned an official external investigation by US law firm Jones Day for this purpose. This will be an independent and comprehensive investigation that will address the diesel issue. The Supervisory Board of Volkswagen AG is ensuring that Jones Day can carry out its clarification work independently. Jones Day is updating the Company on the current results of its investigation on an ongoing basis.

The Supervisory Board of Volkswagen AG has formed a special committee to coordinate all activities in this context for the Supervisory Board.

Based on decisions dated October 15, 2015, the Kraftfahrt-bundesamt (KBA – German Federal Motor Transport Authority) ordered the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles and SEAT brands to recall all of the diesel vehicles that had been issued with vehicle type approval by the KBA from among the 11 million affected. The recall concerns the member states of the European Union (EU28). On December 10, 2015 a similar decision was issued regarding Audi vehicles with the EA 189 engine. The timetable and action plan forming the basis for the recall order correspond to the proposals presented in advance by Volkswagen. Depending on the technical complexity of the remedial actions, this means that Volkswagen has been recalling the affected vehicles, of which there are around 8.5 million in total in the EU 28 countries, to the service workshops since January 2016. Based on current knowledge, the remedial actions differ in scope depending on the engine variant. The technical solutions cover software and in some cases hardware modifications, depending on the series and model year. The details of the remedial actions will be agreed in close cooperation with the KBA, which must approve them in advance. Discussions are currently underway with the authorities in the other EU member states with the aim of ensuring that no legal actions above and beyond this will be taken in this connection by public authorities in the other member states. The Group brands SEAT and ŠKODA also received approvals in principle each from their respective type approval authorities – the Ministry of Industry in Spain and the Vehicle Certification Agency in the United Kingdom. In some countries outside the EU – among others Switzerland, Australia and Turkey – national type approval is based on prior recognition of the EC/ECE type approval. We are also in close contact with the authorities in these countries in order to coordinate the corresponding actions.

In addition, there is an intensive exchange of information with the authorities in the USA and Canada, where Volkswagen's planned actions in relation to the four-cylinder and the six-cylinder diesel engines will also have to be approved. Due to considerably stricter NO_x limits in the USA, it is a greater technical challenge to refit the vehicles so that all applicable emissions limits can be met.

Potential consequences for Volkswagen's results of operations, financial position and net assets could emerge primarily in the following legal areas:

1. Criminal and administrative proceedings all over the world (excluding the USA/Canada)
In addition to the approval processes with the responsible registration authorities, criminal investigations/misdemeanour proceedings have been opened (for example, by the public prosecutor's office in Braunschweig, Germany) and/or administrative proceedings have been announced in some countries (for example, by the Bundesanstalt für Finanzdienstleistungsaufsicht BaFin – the German Federal Financial Supervisory Authority). The public prosecutor's office in Braunschweig is investigating the core issue of the criminal investigations. Whether this will result in fines for the Company, and if so what their amount might be, is currently subject to estimation risks. According to Volkswagen's estimates so far, the large majority of proceedings have less than a 50% probability of success. Contingent liabilities have therefore been disclosed in cases where they can be assessed and for which the chance of success was deemed not implausible.

2. Product-related lawsuits worldwide (excluding the USA/Canada)
In principle, it is possible that customers in the affected markets will file civil lawsuits against Volkswagen AG and other Volkswagen Group companies. In addition, it is possible that importers and dealers could assert claims against Volkswagen AG and other Volkswagen Group companies, e.g. through recourse claims. As well as individual lawsuits, class action lawsuits are possible in various jurisdictions (albeit not in Germany).

In this context, various lawsuits are pending against Volkswagen AG and other Volkswagen Group companies at present.

Class action proceedings against Volkswagen AG and other Volkswagen Group companies are pending in various countries such as Australia, Israel, Italy, United Kingdom and the Netherlands. The proceedings in the Netherlands are focused on taking evidence only. The other class action proceedings are lawsuits aimed among other things at asserting damages. The amount of these damages cannot yet be quantified due to the early stage of the proceedings. In South Korea various mass proceedings are pending (individual lawsuits in which several hundred litigants have aggregated). These lawsuits are filed to assert damages and to rescind the purchase contract including repayment of the purchase price. Volkswagen does not estimate the litigants' prospect of success to be more than 50% in any of the aforementioned proceedings aimed at asserting damages. Contingent liabilities have therefore been disclosed in those cases where that can be assessed and for which the chance of success was deemed not implausible.

Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in numerous countries. In Germany and Austria, individual lawsuits in the two-digit range are pending, most of which are aimed at asserting damages or rescinding the purchase contract. According to Volkswagen's estimates so far, the litigants' prospect of success is below 50% in the vast majority of the individual lawsuits. Contingent liabilities have therefore been disclosed for those lawsuits that can be assessed and for which the chance of success was deemed not implausible.

It is too early to estimate how many customers will take advantage of the option to file lawsuits in the future, beyond the existing lawsuits, or what their prospects of success will be. On the one hand, the final results of the external investigation by Jones Day are not yet known. On the other hand, the public prosecutors' investigations are also still ongoing.

Volkswagen is working intensively to finalize the remedial actions described above. For the 21 engines, implementation already started in the fourth week of January 2016.

Volkswagen is pursuing the clear aim of not adversely affecting engine performance, fuel consumption and CO_2 emissions in implementing the planned measures.

3. Lawsuits filed by investors worldwide (excluding the USA/Canada)
Investors from Germany and abroad have announced that they are examining the possibility of pursuing claims for damages against Volkswagen AG due to the movements in Volkswagen AG's share price following publication of the EPA's "Notices of Violation". Volkswagen AG had already been served with lawsuits that in particular claim damages due to alleged misconduct in capital market communications. In some cases, applications were simultaneously made to instigate proceedings in accordance with the Kapitalanleger-Musterverfahrensgesetz (Capital Markets Model Case Act). Volkswagen is of the opinion that it duly complied with its capital market obligations. Therefore, no provisions have been recognized. Furthermore, contingent liabilities were disclosed for a portion of the submitted claims. The majority of the claims either could not be assessed at the time or the chance of success was deemed unlikely.

4. Proceedings in the USA/Canada
Following the publication of the EPA's notices of violation, Volkswagen AG and other Volkswagen Group companies have been the subject of intense scrutiny, ongoing investigations (civil and criminal) and civil litigation. Volkswagen AG and other Volkswagen Group companies have received subpoenas and inquiries from state attorneys general and other governmental authorities and are responding to such investigations and inquiries.

In addition, Volkswagen AG and other Volkswagen Group companies in the USA/Canada are facing litigation on a number of different fronts relating to the matters described in the EPA's "Notices of Violation".

On January 4, 2016, the U.S. Department of Justice (DOJ), Civil Division, on behalf of the EPA, initiated a civil penalty lawsuit against Volkswagen AG, AUDI AG and certain other Volkswagen Group companies. The action seeks statutory penalties under the US Clean Air Act, as well as certain injunctive relief.

On January 12, 2016, it was announced that CARB intends to seek civil fines for alleged violations of the California Health & Safety Code and various CARB regulations.

The DOJ has also opened a criminal investigation. This focuses on allegations that various federal law criminal offenses were committed.

A large number of putative class action lawsuits by affected customers and dealers have been filed in US federal courts and consolidated for pretrial coordination purposes in a federal court multidistrict litigation proceeding in the State of California. The claims primarily relate to compensation for material damage. The DOJ civil penalty lawsuit referenced above has also been consolidated for pretrial coordination purposes in this California multidistrict litigation proceeding.

Additionally, in the USA, some putative class actions have been filed; some individual customers' lawsuits have been filed; and some state or municipal claims have been filed in state courts. The attorneys general of four US states (West Virginia, Texas, New Mexico and New Jersey) have commenced litigation in state courts and allege that Volkswagen Group of America inappropriately advertised clean diesels and that customers were misled into purchasing Volkswagen diesel vehicles as a result. The United States Federal Trade Commission (FTC) has also made similar accusations against the Volkswagen Group of America in its lawsuit from March 29, 2016.

In addition to lawsuits described above, for which provisions have been recognized, a number of lawsuits for damages have been filed on behalf of a putative class of purchasers of Volkswagen AG American Depository Receipts, alleging a suffered drop in price purportedly resulting from the matters described in the EPA's "Notices of Violation".

These lawsuits have also been consolidated in the federal multidistrict litigation proceeding in the State of California described above. Volkswagen is of the opinion that it duly complied with its capital market obligations. Therefore, no provisions have been recognized. In addition, contingent liabilities have not been disclosed as they currently cannot be measured.

5. Risk assessment regarding the diesel issue
To protect against the currently known legal risks, including suitable expenses for defense and legal advice related to the diesel issue, existing information and assessments at the time indicated the need to generate provisions in the amount of €7.0 billion. A sum amounting to €1 billion has also been reported for contingent liabilities, insofar as these can be adequately measured at this stage. The provisions recognized, the contingent liabilities disclosed and the other latent legal risks are partially subject to substantial estimation risks given the complexity of the individual factors, the ongoing regulatory approval process with the authorities and the fact that the independent and exhaustive investigations have not yet been completed. In addition, negotiations are currently being conducted with the authorities in the USA concerning possible investments in environmental projects and e-mobility. The investments are expected to amount to approximately €1.8 billion. Their content and timing have yet to be defined.

Additional important legal cases

ARFB Anlegerschutz UG (haftungsbeschränkt), Berlin, brought an action against Porsche Automobil Holding SE, Stuttgart, Germany, and Volkswagen AG for claims for damages allegedly assigned to it in the amount of approximately €2.26 billion. The plaintiff asserts that these claims are based on alleged breaches by the defendants of legislation to protect the capital markets in connection with Porsche's acquisition of Volkswagen shares in 2008. With its April 2016 ruling, the district court of Hannover submitted numerous goals for discovery to the higher regional court in Celle in an attempt to prompt a model case decision. In all other cases, the claims were thrown out for being inadmissible. In various cases since 2010, investors initiated conciliation proceedings for other alleged damages – including claims against Volkswagen AG – that amounted to approximately €4.6 billion in total and also related to transactions at that time. In each case, Volkswagen rejected the claims asserted and refused to participate in any conciliation proceedings.

In 2011, the European Commission opened antitrust proceedings against European truck manufacturers including MAN and Scania. In November 2014, the European Commission sent a statement of objections to MAN, Scania and the other truck manufacturers concerned, in which it informed the truck manufacturers of the objections raised against them and gave them the right to comment extensively on the objections raised and to exercise other rights of defense before any decision is reached. Given the fact that the issues are still being clarified, it is too early to judge whether the European Commission's investigation will result in financial liabilities for MAN and Scania and, if so, to assess their amount. As a consequence, neither MAN nor Scania has recognized provisions or disclosed contingent liabilities.

The Annual General Meeting of MAN SE approved the conclusion of a control and profit and loss transfer agreement between MAN SE and Volkswagen Truck & Bus GmbH (formerly Truck & Bus GmbH), a subsidiary of Volkswagen AG, in June 2013. In July 2013, award proceedings were instituted to review the appropriateness of the cash settlement set out in the agreement in accordance with section 305 of the Aktiengesetz (AktG – German Stock Corporation Act) and the cash compensation in accordance with section 304 of the AktG. It is not uncommon for noncontrolling interest shareholders to institute such proceedings. In July 2015, the Munich Regional Court ruled in the first instance that the amount of the cash settlement payable to the noncontrolling interest shareholders of MAN should be increased from €80.89 to €90.29; at the same time, the amount of the cash compensation was confirmed. Both applicants and Volkswagen Truck & Bus GmbH have appealed to the Higher Regional Court in Munich. Volkswagen continues to maintain that the results of the valuation are correct. The appropriateness of the valuation was confirmed by the audit firms engaged by the parties and by the court-appointed auditor of the agreement. The assessment of liability for put options and compensation rights granted to noncontrolling interest shareholders was adjusted in turn.

In line with IAS 37.92, no further statements have been made concerning estimates of financial impact or about uncertainty regarding the amount or maturity of provisions and contingent liabilities, particularly in relation to the diesel issue and the European Commission's investigation. This is so as to not compromise the results of the proceedings or the interests of the Company.

Strategies for hedging financial risks

In the course of our business activities, financial risks may arise from changes in interest rates, exchange rates, raw materials prices, or share and fund prices. Management of financial and liquidity risks is the responsibility of the central Group Treasury department, which minimizes these risks using nonderivative and derivative financial instruments. The Board of Management is informed of the current risk situation at regular intervals.

We hedge interest rate risk – where appropriate in combination with currency risk – and risks arising from fluctuations in the value of financial instruments by means of interest rate swaps, cross-currency swaps and other interest rate contracts with fundamentally matching amounts and maturities. This also applies to financing arrangements within the Volkswagen Group.

Foreign currency risk is reduced in particular through natural hedging, i.e. by flexibly adapting our production capacity at our locations around the world, establishing new production facilities in the most important currency regions and also procuring a large percentage of components locally. We hedge the residual foreign currency risk using hedging instruments. These include currency forwards, currency options and cross-currency swaps. We use these transactions to limit the currency risk associated with forecasted cash flows from operating activities and intragroup financing in currencies other than the respective functional currency. The currency forwards and currency options can have a term of up to six years. We thus hedge our principal foreign currency risks, mostly against the euro and primarily in Australian dollars, Brazilian real, sterling, Chinese renminbi, Indian rupees, Japanese yen, Canadian dollars, Mexican pesos, Polish zloty, Russian rubles, Swedish kronor, Swiss francs, Singapore dollars, South African rand, South Korean won, Taiwan dollars, Czech koruna, Hungarian forints and US dollars.

Increased volatility in future cash flows is to be expected from the current uncertainties regarding the effects of the emissions issue on the Volkswagen Group. This could impact the hedging result.

Raw materials purchasing entails risks relating to the availability of raw materials and price trends. We limit these risks mainly by entering into forward transactions and swaps. We have used appropriate contracts to hedge some of our requirements for commodities such as aluminum, lead, coal, copper, platinum, palladium and rhodium over a period of up to seven years. Similar transactions have been entered into for the purpose of supplementing and improving allocations of CO_2 emission certificates.

Pages 278 to 286 of the notes to the consolidated financial statements explain our hedging policy, the hedging rules and the default and liquidity risks, and quantify the hedging transactions mentioned. Additionally, we disclose information on market risk within the meaning of IFRS 7.

Risks arising from financial instruments

Channeling excess liquidity into investments and entering into derivatives contracts gives rise to counterparty risk. Partial or complete failure by counterparty to perform its obligation to pay interest and repay principal, for example, would have a negative impact on the Volkswagen Group's earnings and liquidity. We counter this risk through our counterparty risk management, which we describe in more detail in the section entitled "Principles and Goals of Financial Management" starting on page 113. In addition to counterparty risk, the financial instruments held for hedging purposes hedge balance sheet risks, which we limit by applying hedge accounting.

By diversifying when we invest excess liquidity and by entering into financial instruments for hedging purposes, we ensure that the impact of a default is limited and the Volkswagen Group remains solvent at all times, even in the event of a default by individual counterparties.

Risks arising from trade receivables and from financial services are explained in more detail in the notes to the consolidated financial statements, starting on page 278.

Liquidity risk

We ensure that the Company remains solvent at all times by holding liquidity reserves, through confirmed credit lines and through our money market and capital market programs. We cover the capital requirements of the financial services business mainly by raising funds at matching maturities in the national and international financial markets as well as through customer deposits from the direct banking business.

Projects are financed by, among other things, loans provided by development banks such as the European Investment Bank (EIB), the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD), or by national development banks such as Kreditanstalt für Wiederaufbau (KfW) and Banco Nacional de Desenvolvimento Econômico e Social (BNDES). Lines of credit from banks supplement our broadly diversified refinancing structure.

Our ability to use refinancing instruments may possibly be restricted in the future or precluded for existing instruments due to the current uncertainties regarding the effects of the emissions issue on the Volkswagen Group. A downgrade of the Company's rating could adversely affect the terms associated with the Volkswagen Group's borrowings.

Information on the ratings of Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH can be found on page 108 of this report.

Residual value risk in the financial services business

In the financial services business, we agree to buy back selected vehicles at a residual value that is fixed at inception of the contract. Residual values are set at a realistic amount so that we are able to leverage market opportunities. We evaluate the underlying lease contracts at regular intervals and recognize any necessary provisions if we identify any potential risks.

Management of the residual value risk is based on a defined feedback loop ensuring the full assessment, monitoring, management and communication of risks. This process design ensures not only professional management of residual risks but also that we systematically improve and enhance our handling of residual value risks.

As part of our risk management, we use residual value forecasts to regularly assess the appropriateness of the provisions for risks and the potential for residual value risk – also with a view to the emissions issue. In the process, we compare the contractually agreed residual values with the fair values obtainable. These are determined utilizing data from external service providers and our own marketing data. We do not take account of the upside in residual market values when making provisions for risks.

More information on residual value risk and other risks in the financial services business, such as counterparty, market and liquidity risk, can be found in the 2015 Annual Report of Volkswagen Financial Services AG.

Reputational risks

The reputation of the Volkswagen Group and its brands is one of the most important assets and forms the basis for long-term business success. Our policy on issues such as ethics and sustainability is in the public focus. One of the basic principles of running our business is therefore to pay particular attention to compliance with legal requirements and ethical principles. However, we are aware that misconduct or criminal acts of individuals and the resulting reputational damage can never be fully prevented. In addition, media reactions can have a negative effect on the reputation of the Volkswagen Group and its brands. This impact could be amplified through insufficient communication.

Moreover, the above-described individual risks that may arise in the course of our operating activities may turn into a threat to the Volkswagen Group's reputation.

Other factors

Going beyond the risks already outlined, there are other factors that cannot be predicted and whose repercussions are therefore difficult to control. Should these transpire, they could have an adverse effect on the further development of the Volkswagen Group. In particular, these factors include natural disasters, epidemics and terror attacks.

OVERALL ASSESSMENT OF THE RISK AND OPPORTUNITY POSITION

The Volkswagen Group's overall risk and opportunity position results from the specific risks and opportunities shown above. We have put in place a comprehensive risk management system to ensure that these risks are controlled. The most significant risks to the Group may result from a negative trend in unit sales of, and markets for, vehicles and genuine parts, from the failure to develop and produce products in line with demand and from quality problems. Compared with the previous year, the emissions issue gives rise to additional risks for the Volkswagen Group which, when aggregated, are among the most significant risks. Taking into account all the information known to us at present, no risks exist which could pose a threat to the continued existence of significant Group companies or the Volkswagen Group.

Prospects for 2016

The Volkswagen Group's Board of Management expects the global economy to record the same level of growth in 2016 as in the previous year. Risks will arise from turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects continue to be hurt by geopolitical tensions and conflicts. We expect the economic upturn to continue in most industrialized nations, with moderate rates of expansion overall. As in the previous year, growth will in all probability be muted in many emerging markets. We expect the strongest rates of expansion in Asia's emerging economies.

We expect trends in the passenger car markets in the individual regions to be mixed in 2016. Overall, growth in global demand for new vehicles will probably be slower than in the reporting period. We anticipate that the demand volume in Western Europe and the Germany passenger car market will be in line with the previous year. In the Central and Eastern European markets, demand for passenger cars is estimated to be under the weak prior-year figure. In North America, we expect last year's positive trend to continue at a slightly weaker pace. The volumes of the South American markets will probably fall noticeably short of the prior-year figures. The passenger car markets in the Asia-Pacific region look set to continue their growth path at a similar pace.

Global demand for light commercial vehicles will probably see a slight increase in 2016. We expect trends to vary from region to region.

In the markets for mid-sized and heavy trucks that are relevant for the Volkswagen Group, new registrations in 2016 are set to drop slightly below the prior-year level, while new registrations of buses in the relevant markets will probably be noticeably lower than in the previous year.

We expect automotive financial services to continue to grow in importance worldwide in 2016.

The Volkswagen Group is well positioned to deal with the mixed developments in the global automotive markets. Our broad, selectively expanded product range featuring the latest generation of engines as well as a variety of alternative drives puts us in a good position globally compared with our competitors. The Group's strengths include in particular its unique brand portfolio, its steadily growing presence in all major world markets and its wide selection of financial services. Our range of models spans from motorcycles through compact, sports and luxury cars to heavy trucks and buses, and covers almost all segments. The Volkswagen Group's brands will press ahead with their product initiative in 2016, modernizing and expanding their offering by introducing new models. Our goal is to offer all customers the mobility and innovations they need, sustainably strengthening our competitive position in the process.

We expect that, on the whole, deliveries to customers of the Volkswagen Group in 2016 will be on a level with the previous year amid persistently challenging market conditions, with a growing volume in China.

In addition to the emissions issue, the highly competitive environment as well as interest rate and exchange rate volatility and fluctuations in raw materials prices all pose challenges. We anticipate positive effects from the efficiency programs implemented by all brands and from the modular toolkits.

Depending on the economic conditions – particularly in South America and Russia – and the exchange rate development and in light of the emissions issue, we expect 2016 sales revenue for the Volkswagen Group to be down by as much as 5% on the prior-year figure. In terms of the Group's operating result, we anticipate that the operating return on sales will be between 5.0% and 6.0% in 2016.

In the Passenger Cars Business Area we expect a sharp decrease in sales revenue, with an operating return on sales in the anticipated range of 5.5 – 6.5%. With sales revenue in the Commercial Vehicles Business Area remaining essentially unchanged, we assume operating return on sales will be between 2.0% and 4.0%. We expect sales revenue in the Power Engineering Business Area to be perceptibly lower than the prior-year figure, with a significantly reduced operating result. For the Financial Services Division, we are forecasting sales revenue and operating result at the prior-year level. Disciplined cost and investment management and the continuous optimization of our processes are integral elements of the Volkswagen Group's strategy.

Wolfsburg, April 22, 2016
The Board of Management

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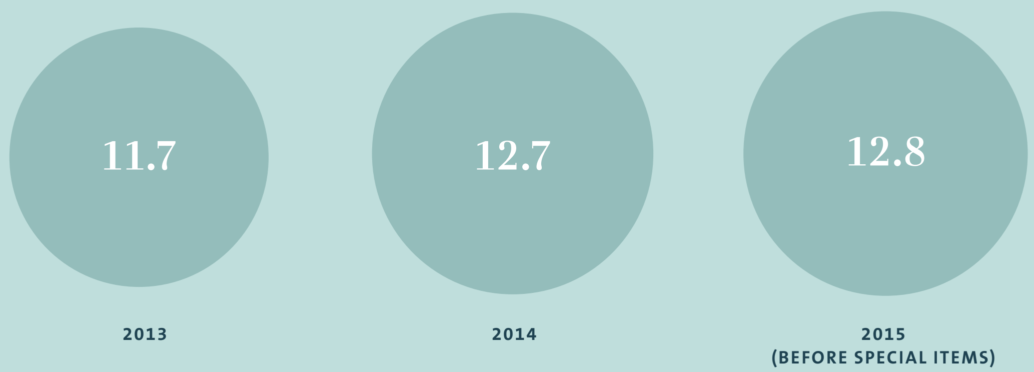
Consolidated Financial Statements

VOLKSWAGEN GROUP OPERATING RESULT *(in € billion)*



CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

OF THE VOLKSWAGEN GROUP FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

€ million	Note	2015	2014*
Sales revenue	**1**	**213,292**	**202,458**
Cost of sales	2	−179,382	−165,934
Gross profit		**33,911**	**36,524**
Distribution expenses	3	−23,515	−20,292
Administrative expenses	4	−7,197	−6,841
Other operating income	5	12,905	10,298
Other operating expenses	6	−20,171	−6,992
Operating result		**−4,069**	**12,697**
Share of profits and losses of equity-accounted investments	7	4,387	3,988
Finance costs	8	−2,393	−2,658
Other financial result	9	773	767
Financial result		**2,767**	**2,097**
Earnings before tax		**−1,301**	**14,794**
Income tax income/expense	10	−59	−3,726
Current		−2,859	−3,632
Deferred		2,800	−94
Earnings after tax		**−1,361**	**11,068**
of which attributable to			
Noncontrolling interests		10	84
Volkswagen AG hybrid capital investors		212	138
Volkswagen AG shareholders		−1,582	10,847
Basic earnings per ordinary share in €	**11**	**−3.20**	**21.82**
Diluted earnings per ordinary share in €	**11**	**−3.20**	**21.82**
Basic earnings per preferred share in €	**11**	**−3.09**	**21.88**
Diluted earnings per preferred share in €	**11**	**−3.09**	**21.88**

* Earnings per share adjusted to reflect application of IAS 33.26.

Statement of Comprehensive Income

CHANGES IN COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	Total	Equity attributable to Volkswagen AG shareholders	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to noncontrolling interests
Earnings after tax	**11,068**	**10,847**	**138**	**84**
Pension plan remeasurements recognized in other comprehensive income				
Pension plan remeasurements recognized in other comprehensive income, before tax	−7,929	−7,917	–	−12
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	2,336	2,333	–	3
Pension plan remeasurements recognized in other comprehensive income, net of tax	−5,593	−5,584	–	−9
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	−5	−5	–	–
Items that will not be reclassified to profit or loss	**−5,598**	**−5,589**	**–**	**−9**
Exchange differences on translating foreign operations				
Unrealized currency translation gains/losses	974	1,027	–	−53
Transferred to profit or loss	41	41	–	–
Exchange differences on translating foreign operations, before tax	1,014	1,067	–	−53
Deferred taxes relating to exchange differences on translating foreign operations	1	1	–	–
Exchange differences on translating foreign operations, net of tax	1,015	1,068	–	−53
Cash flow hedges				
Fair value changes recognized in other comprehensive income	−5,355	−5,354	–	−1
Transferred to profit or loss	324	324	–	0
Cash flow hedges, before tax	−5,031	−5,031	–	−1
Deferred taxes relating to cash flow hedges	1,468	1,468	–	0
Cash flow hedges, net of tax	−3,563	−3,562	–	−1
Available-for-sale financial assets				
Fair value changes recognized in other comprehensive income	823	823	–	–
Transferred to profit or loss	−263	−263	–	–
Available-for-sale financial assets, before tax	560	560	–	–
Deferred taxes relating to available-for-sale financial assets	−21	−21	–	–
Available-for-sale financial assets, net of tax	539	539	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	380	380	–	0
Items that may be reclassified subsequently to profit or loss	**−1,628**	**−1,575**	**–**	**−53**
Other comprehensive income, before tax	−11,010	−10,945	–	−66
Deferred taxes relating to other comprehensive income	3,784	3,781	–	3
Other comprehensive income, net of tax	**−7,226**	**−7,164**	**–**	**−62**
Total comprehensive income	**3,842**	**3,683**	**138**	**21**

CHANGES IN COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

€ million	Total	Equity attributable to Volkswagen AG shareholders	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to noncontrolling interests
Earnings after tax	**−1,361**	**−1,582**	**212**	**10**
Pension plan remeasurements recognized in other comprehensive income				
Pension plan remeasurements recognized in other comprehensive income, before tax	2,568	2,567	–	1
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	−838	−837	–	0
Pension plan remeasurements recognized in other comprehensive income, net of tax	1,730	1,729	–	1
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	−7	−7	–	–
Items that will not be reclassified to profit or loss	**1,723**	**1,722**	**–**	**1**
Exchange differences on translating foreign operations				
Unrealized currency translation gains/losses	791	789	–	1
Transferred to profit or loss	0	0	–	–
Exchange differences on translating foreign operations, before tax	791	790	–	1
Deferred taxes relating to exchange differences on translating foreign operations	0	0	–	–
Exchange differences on translating foreign operations, net of tax	792	790	–	1
Cash flow hedges				
Fair value changes recognized in other comprehensive income	−7,082	−7,082	–	0
Transferred to profit or loss	3,957	3,957	–	0
Cash flow hedges, before tax	−3,125	−3,125	–	0
Deferred taxes relating to cash flow hedges	928	928	–	0
Cash flow hedges, net of tax	−2,197	−2,197	–	0
Available-for-sale financial assets				
Fair value changes recognized in other comprehensive income	468	468	–	–
Transferred to profit or loss	−1,796	−1,796	–	–
Available-for-sale financial assets, before tax	−1,328	−1,328	–	–
Deferred taxes relating to available-for-sale financial assets	49	49	–	–
Available-for-sale financial assets, net of tax	−1,278	−1,278	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	399	399	–	–
Items that may be reclassified subsequently to profit or loss	**−2,285**	**−2,286**	**–**	**1**
Other comprehensive income, before tax	−702	−704	–	3
Deferred taxes relating to other comprehensive income	140	140	–	0
Other comprehensive income, net of tax	**−562**	**−564**	**–**	**2**
Total comprehensive income	**−1,922**	**−2,146**	**212**	**12**

Balance Sheet

OF THE VOLKSWAGEN GROUP AS OF DECEMBER 31, 2015

€ million	Note	Dec. 31, 2015	Dec. 31, 2014
Assets			
Noncurrent assets			
Intangible assets	12	61,147	59,935
Property, plant and equipment	13	50,171	46,169
Lease assets	14	33,173	27,585
Investment property	14	504	485
Equity-accounted investments	15	10,904	9,874
Other equity investments	15	974	3,683
Financial services receivables	16	63,185	57,877
Other financial assets	17	6,730	6,498
Other receivables	18	1,340	1,654
Tax receivables	19	395	468
Deferred tax assets	19	8,026	5,878
		236,548	**220,106**
Current assets			
Inventories	20	35,048	31,466
Trade receivables	21	11,132	11,472
Financial services receivables	16	46,888	44,398
Other financial assets	17	10,043	7,693
Other receivables	18	5,367	5,080
Tax receivables	19	1,029	1,010
Marketable securities	22	15,007	10,861
Cash, cash equivalents and time deposits	23	20,871	19,123
		145,387	**131,102**
Total assets		**381,935**	**351,209**

€ million	Note	Dec. 31, 2015	Dec. 31, 2014
Equity and Liabilities			
Equity	**24**		
Subscribed capital		1,283	1,218
Capital reserves		14,551	14,616
Retained earnings		69,039	71,197
Other reserves		−4,374	−2,081
Equity attributable to Volkswagen AG hybrid capital investors		7,560	5,041
Equity attributable to Volkswagen AG shareholders and hybrid capital investors		88,060	89,991
Noncontrolling interests		210	198
		88,270	**90,189**
Noncurrent liabilities			
Financial liabilities	25	73,292	68,416
Other financial liabilities	26	5,901	3,954
Other liabilities	27	4,905	4,238
Deferred tax liabilities	28	4,433	4,774
Provisions for pensions	29	27,535	29,806
Provisions for taxes	28	3,940	3,215
Other provisions	30	25,170	15,910
		145,175	**130,314**
Current liabilities			
Put options and compensation rights granted to noncontrolling interest shareholders	31	3,933	3,703
Financial liabilities	25	72,313	65,564
Trade payables	32	20,460	19,530
Tax payables	28	330	256
Other financial liabilities	26	10,350	7,643
Other liabilities	27	14,014	14,143
Provisions for taxes	28	1,301	2,791
Other provisions	30	25,788	17,075
		148,489	**130,706**
Total equity and liabilities		**381,935**	**351,209**

Statement of Changes in Equity

OF THE VOLKSWAGEN GROUP FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

				OTHER RESERVES
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve
Balance at Jan. 1, 2014	**1,191**	**12,658**	**72,341**	**–2,799**
Earnings after tax	–	–	10,847	–
Other comprehensive income, net of tax	–	–	–5,584	1,068
Total comprehensive income	**–**	**–**	**5,263**	**1,068**
Capital increase[1]	27	1,959	–	–
Dividend payment	–	–	–1,871	–
Capital transactions involving a change in ownership interest[2]	–	–	–4,484	–45
Other changes	–	–	–52	0
Balance at Dec. 31, 2014	**1,218**	**14,616**	**71,197**	**–1,777**
Balance at Jan. 1, 2015	**1,218**	**14,616**	**71,197**	**–1,777**
Earnings after tax	–	–	–1,582	–
Other comprehensive income, net of tax	–	–	1,729	790
Total comprehensive income	**–**	**–**	**148**	**790**
Capital increase[1]	65	–65	–	–
Dividend payment	–	–	–2,294	–
Capital transactions involving a change in ownership interest	–	–	–2	0
Other changes	–	0	–8	0
Balance at Dec. 31, 2015	**1,283**	**14,551**	**69,039**	**–987**

1 Volkswagen AG recorded an inflow of cash funds amounting to €3,000 million, less a discount of €29 million and transaction costs of €19 million, from the hybrid capital issued in March 2014. Additionally, there were noncash effects from the deferral of taxes amounting to €13 million. The hybrid capital is required to be classified as equity instruments granted. Volkswagen AG recorded an inflow of cash funds amounting to €2,000 million, less transaction costs (€20 million), from the capital increase implemented in June 2014 by issuing new preferred shares. Additionally, there were noncash effects from the deferral of taxes amounting to €6 million. Volkswagen AG recorded an inflow of cash funds amounting to €2,500 million, less a discount of €29 million and transaction costs of €14 million, from the hybrid capital issued in March 2015. Additionally, there were noncash effects from the deferral of taxes amounting to €11 million. The hybrid capital is required to be classified as equity instruments granted. In connection with the maturity and subsequent conversion of the mandatory convertible notes in fiscal 2015, the notional value of the newly created shares (€65 million) was reclassified from the capital reserves to subscribed capital.
2 The capital transactions involving a change in ownership interest in 2014 were attributable to the derecognition of the noncontrolling interests in the equity of Scania AB.

Explanatory notes on equity are presented in note 24.

	Cash flow hedge reserve	Available-for-sale financial assets	Equity-accounted investments	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to Volkswagen AG shareholders and hybrid capital investors	Noncontrolling interests	Total equity
	1,845	**724**	**−229**	**2,004**	**87,733**	**2,304**	**90,037**
	–	–	–	138	10,985	84	11,068
	−3,562	539	376	–	−7,164	−62	−7,226
	−3,562	**539**	**376**	**138**	**3,821**	**21**	**3,842**
	–	–	–	2,965	4,951	–	4,951
	–	–	–	−87	−1,958	−4	−1,962
	2	–	0	–	−4,527	−2,123	−6,650
	–	–	1	22	−29	0	−29
	−1,715	**1,263**	**148**	**5,041**	**89,991**	**198**	**90,189**
	−1,715	**1,263**	**148**	**5,041**	**89,991**	**198**	**90,189**
	–	–	–	212	−1,370	10	−1,361
	−2,197	−1,278	392	–	−564	2	−562
	−2,197	**−1,278**	**392**	**212**	**−1,934**	**12**	**−1,922**
	–	–	–	2,469	2,469	–	2,469
	–	–	–	−215	−2,509	−6	−2,516
	–	–	–	–	−2	−1	−3
	–	–	2	54	46	7	54
	−3,912	**−16**	**542**	**7,560**	**88,060**	**210**	**88,270**

Cash Flow Statement

OF THE VOLKSWAGEN GROUP FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

€ million	2015	2014
Cash and cash equivalents at beginning of period	**18,634**	**22,009**
Earnings before tax	−1,301	14,794
Income taxes paid	−3,238	−4,040
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment, and investment property*	9,743	8,761
Amortization of and impairment losses on capitalized development costs*	3,262	3,006
Impairment losses on equity investments*	37	172
Depreciation of and impairment losses on lease assets*	6,651	5,024
Gain/loss on disposal of noncurrent assets and equity investments	−1,581	−153
Share of profit or loss of equity-accounted investments	297	−990
Other noncash expense/income	2,102	−174
Change in inventories	−3,149	−2,214
Change in receivables (excluding financial services)	−1,807	−1,433
Change in liabilities (excluding financial liabilities)	2,807	4,764
Change in provisions	18,329	562
Change in lease assets	−10,808	−8,487
Change in financial services receivables	−7,663	−8,807
Cash flows from operating activities	**13,679**	**10,784**
Investments in intangible assets (excluding development costs), property, plant and equipment, and investment property	−13,213	−12,012
Additions to capitalized development costs	−5,021	−4,601
Acquisition of subsidiaries	−179	−83
Acquisition of other equity investments	−817	−195
Disposal of subsidiaries	0	6
Disposal of other equity investments	3,173	31
Proceeds from disposal of intangible assets, property, plant and equipment, and investment property	533	403
Change in investments in securities	−3,916	−2,154
Change in loans and time deposits	−1,711	−492
Cash flows from investing activities	**−21,151**	**−19,099**
Capital contributions	2,457	4,932
Dividends paid	−2,516	−1,962
Capital transactions with noncontrolling interest shareholders	0	−6,535
Other changes	13	15
Proceeds from issuance of bonds	22,533	25,608
Repayment of bonds	−23,755	−21,748
Change in other financial liabilities	10,360	4,352
Lease payments	−23	−17
Cash flows from financing activities	**9,068**	**4,645**
Effect of exchange rate changes on cash and cash equivalents	232	294
Net change in cash and cash equivalents	**1,828**	**−3,375**
Cash and cash equivalents at end of period	**20,462**	**18,634**
Cash and cash equivalents at end of period	20,462	18,634
Securities, loans and time deposits	24,613	18,893
Gross liquidity	**45,075**	**37,527**
Total third-party borrowings	−145,604	−133,980
Net liquidity	**−100,530**	**−96,453**

* Net of impairment reversals.

Explanatory notes on the cash flow statement are presented in note 33.

Notes to the Consolidated Financial Statements

OF THE VOLKSWAGEN GROUP AS OF DECEMBER 31, 2015

Basis of presentation

Volkswagen AG is domiciled in Wolfsburg, Germany, and entered in the commercial register at the Braunschweig Local Court under No. HRB 100484. The fiscal year corresponds to the calendar year.

In accordance with Regulation No. 1606/2002 of the European Parliament and of the Council, Volkswagen AG prepared its consolidated financial statements for 2015 in compliance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. We have complied with all the IFRSs adopted by the EU and required to be applied.

The accounting policies applied in the previous year were retained, with the exception of the changes due to the new or amended standards.

In addition, we have complied with all the provisions of German commercial law that we are also required to apply, as well as with the German Corporate Governance Code. For information on notices and disclosures of changes regarding the ownership of voting rights in Volkswagen AG in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), please refer to the annual financial statements of Volkswagen AG.

The consolidated financial statements were prepared in euros. Unless otherwise stated, all amounts are given in millions of euros (€ million).

All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

The income statement was prepared using the internationally accepted cost of sales method.

Preparation of the consolidated financial statements in accordance with the above-mentioned standards requires management to make estimates that affect the reported amounts of certain items in the consolidated balance sheet and in the consolidated income statement, as well as the related disclosure of contingent assets and liabilities. The consolidated financial statements present fairly the net assets, financial position and results of operations as well as the cash flows of the Volkswagen Group.

The Board of Management completed preparation of the consolidated financial statements on April 22, 2016. On that date, the period ended in which adjusting events after the reporting period are recognized.

Effects of new and amended IFRSs

Volkswagen AG has adopted all accounting pronouncements required to be applied starting in fiscal year 2015.

A number of amendments to International Financial Reporting Standards resulting from the Annual Improvements Project 2013 became effective on January 1, 2015. These relate to changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40, and do not materially affect the Volkswagen Group's net assets, financial position and results of operations.

IFRIC 21 has also been required to be applied since January 1, 2015. IFRIC 21 governs the accounting for levies that do not fall within the scope of IAS 12 "Income Taxes". In particular, it provides guidance on when a liability has to be recognized for payment of a levy. This Interpretation also does not materially affect the Volkswagen Group's net assets, financial position and results of operations.

New and amended IFRSs not applied

In its 2015 consolidated financial statements, Volkswagen AG did not apply the following accounting pronouncements that have already been adopted by the IASB, but were not yet required to be applied for the fiscal year.

Standard/Interpretation		Issued by the IASB	Effective date[1]	Adopted by the EU	Expected effects
IFRS 9	Financial Instruments	July 24, 2014	Jan. 1, 2018	No	Change in the recognition of fair value changes in financial instruments previously classified as available for sale, tendency to increase loss allowances from application of the expected loss model as opposed to the previously applied incurred loss model, additional designation options for hedge accounting, simplified effectiveness tests, increased disclosures
IFRS 10 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Sept. 11, 2014	Postponed[2]	–	None
IFRS 10, IFRS 12 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception	Dec. 18, 2014	Jan. 1, 2016	No	None
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	May 6, 2014	Jan. 1, 2016	Yes	None
IFRS 14	Regulatory Deferral Accounts	Jan. 30, 2014	None[3]	No[3]	None
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2018[4]	No	No material effects on revenue recognition, increased disclosures
IFRS 16	Leases	Jan. 13, 2016	Jan. 1, 2019	No	Lessees will no longer classify leases into finance and operating leases, but will in principle recognize all leases in their balance sheets as a right-of-use asset and a lease liability. No material changes in lessor accounting for leases compared with IAS 17. Increased disclosures
IAS 1	Presentation of Financial Statements	Dec. 18, 2014	Jan. 1, 2016	Yes	No material effects
IAS 7	Statement of Cash Flows: Disclosures	Jan. 29, 2016	Jan. 1, 2017	No	Preparation of a reconciliation for liabilities from financing activities
IAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses	Jan. 19, 2016	Jan. 1, 2017	No	No material effects

IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	May 12, 2014	Jan. 1, 2016	Yes	No material effects
IAS 16 and IAS 41	Agriculture: Bearer Plants	June 30, 2014	Jan. 1, 2016	Yes	None
IAS 19	Employee Benefits: Defined Benefit Plans – Employee Contributions	Nov. 21, 2013	Jan. 1, 2016	Yes	No material effects
IAS 27	Separate Financial Statements: Equity Method	Aug. 12, 2014	Jan. 1, 2016	Yes	None
	Improvements to IFRSs 2012[5]	Dec. 12, 2013	Jan. 1, 2016	Yes	Primarily increased segment reporting disclosures
	Improvements to IFRSs 2014[6]	Sept. 25, 2014	Jan. 1, 2016	Yes	Increased disclosures in accordance with IFRS 7

1 Effective date from Volkswagen AG's perspective.
2 The IASB decided on December 15, 2015 to defer the effective date indefinitely.
3 The European Commission decided on October 30, 2015 not to endorse IFRS 14. This means that IFRS 14 does not apply to the Volkswagen Group.
4 Deferred until January 1, 2018 (IASB decision of September 11, 2015).
5 Minor amendments to a number of IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/38, IAS 24).
6 Minor amendments to a number of IFRSs (IFRS 5, IFRS 7, IAS 19, IAS 34).

Key events

On September 18, 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. It has been alleged that we had used undisclosed engine management software installed in certain four-cylinder diesel engines used in certain 2009 to 2015 model year vehicles to circumvent NO_x emissions testing regulations in the United States of America in order to comply with certification requirements. The US environmental authority of California – the California Air Resources Board (CARB) – announced its own enforcement investigation in this context. Following these announcements by EPA and CARB, authorities in various other jurisdictions worldwide commenced their own investigations.

In its ad hoc release dated September 22, 2015, the Volkswagen Group announced that there were discrepancies in relation to NO_x emissions figures in vehicles with type EA 189 four-cylinder diesel engines. Around eleven million vehicles worldwide were affected. This is attributable to the engine management software. The vehicles remain technically safe and ready to drive.

Technical solutions have been prepared for the three European variants of the type EA 189 engine affected. These solutions have been approved in principle by the German Kraftfahrtbundesamt (German Federal Motor Transport Authority) for Volkswagen AG and AUDI AG. The Group brands SEAT and ŠKODA also received approvals in principle each from their respective type approval authorities – the Ministry of Industry in Spain and the Vehicle Certification Agency in the United Kingdom.

In North America, three variants of certain four-cylinder diesel engines are affected. Due to considerably stricter NO_x limits in the USA, it is a greater technical challenge to refit the vehicles so that all applicable emissions limits can be met. Volkswagen is currently in intensive discussions with the EPA and CARB concerning remedial measures.

On November 2, 2015, the EPA issued another "Notice of Violation" alleging that irregularities had also been discovered in the software installed in vehicles with type V6 3.0 l diesel engines. CARB also issued a letter announcing its own enforcement investigation in this context.

After discussions with the EPA and CARB, Audi publicly announced on November 23, 2015 that it would revise the software parameters and resubmit them for approval in the USA. The technical solutions will be implemented as soon as they have been approved by the authorities. Around 113 thousand vehicles from the 2009 to 2016 model years of the Audi, Volkswagen Passenger Cars and Porsche brands are affected in the USA and Canada.

The technical solutions worldwide currently cover software and, in some cases, hardware modifications and repurchases, depending on the series, model year and country concerned. Consequently, the Volkswagen Group has recognized expenses directly related to the diesel issue in the total amount of €16.2 billion in operating result. This primarily entailed recognizing provisions for field activities (service measures and recalls) and for repurchases in the amount of €7.8 billion, as well as €7.0 billion for legal risks. In addition, impairment losses of €0.8 billion were recognized for assets and expenses of €0.6 billion were recognized for the sales programs directly related to the diesel issue. The carrying amount of the provisions reflects the current status of discussions with the relevant authorities and is measured as far as possible on the basis of past experience and on estimates, depending on the technical complexity of the remedial actions concerned. €0.9 billion of the expenses was recognized in distribution expenses and €7.0 billion in other operating expenses. The other expenses are attributable to cost of sales. Please refer to the "Litigation" section for a discussion of the legal risks associated with the diesel issue. The ongoing investigations mean that assessment of the circumstances is subject to estimation risk. In particular, the estimates may experience considerable change as the technical measures in the USA and Canada take shape and the legal risks crystallize.

In addition, internal risk regulations required hedging transactions to be discontinued in this context. In accordance with IAS 39.101(b), the cumulative gain or loss on the hedging instrument that has been recognized from the period when the hedge was effective remains separately in equity until the forecast transaction occurs.

Based on current information, fiscal year 2014 is not affected by the effects of the diesel issue. Even after the International Council on Clean Transportation (ICCT) study was published in May 2014, the discrepancies were initially regarded – on the basis of the facts currently known regarding the members of the Board of Management responsible at that time – as a technical problem that did not basically differ from other everyday technical problems at an automotive company. In the exhaust measurements carried out in-house at Volkswagen in the subsequent months, the test set-ups on which the ICCT study was based were repeated and the unusually high NO_x emissions confirmed. CARB was informed of this result, and at the same time the offer was made to recalibrate the type EA 189 diesel engines as part of a service measure that was already planned in the USA. This measure was evaluated and adopted by the Ausschuss für Produktsicherheit (APS – product safety committee), which includes, among others, employees from the technical development, quality assurance, sales, production, logistics, procurement and legal departments, as part of the existing processes within the Volkswagen Group. The APS thus plays a central role in the internal control system at Volkswagen AG. There are currently no reliable findings to confirm that an unlawful software modification was reported by the APS as the cause of the discrepancies to the persons responsible for preparing the 2014 annual and consolidated financial statements. Instead, at the time that the annual and consolidated financial statements were being prepared, this group of people remained under the impression that the discrepancies could be eliminated with comparatively little effort as a part of a field measure. Based on what is currently known, the actual background of the discrepancies only became clear gradually to the members of the Board of Management dealing with the matter. It was only reliably recognized in the summer of 2015 that the cause of the discrepancies was a software modification, to be qualified as a so-called "defeat device" as defined by US environmental law. This culminated in the disclosure of the "defeat device" to the EPA/CARB on September 3, 2015. According to the assessment at that time of the members of the Board of Management dealing with the matter, the scope of the costs expected as a result by the Volkswagen Group (recall costs, retrofitting costs and financial penalties), was basically not dissimilar to that of previous cases in which other vehicle manufacturers were involved, and therefore appeared to be controllable overall with a view to the business activities of the Volkswagen Group. This appraisal by Volkswagen AG was based on the assessment of a law firm brought in in the USA for approval issues, according to which similar cases in the past were resolved amicably with the US authorities. Publication of a "Notice of Violation" by the EPA on September 18, 2015, which came as a surprise to the company, on the facts and possible financial consequences, then presented the situation in a completely different light.

Basis of consolidation

In addition to Volkswagen AG, the consolidated financial statements comprise all significant German and non-German subsidiaries, including structured entities that are controlled directly or indirectly by Volkswagen AG. This is the case if Volkswagen AG obtains power over the potential subsidiaries directly or indirectly from voting rights or similar rights, is exposed, or has rights to, positive or negative variable returns from its involvement with the subsidiaries, and is able to influence those returns. In the case of the structured entities consolidated in the Volkswagen Group, Volkswagen is able to direct the material relevant activities remaining after the change in the structure even if it is not invested in the structured entity concerned and is thus able to influence the variable returns from its involvement. The structured entities are used primarily to enter into asset-backed securities transactions to refinance the financial services business and to invest surplus liquidity in special securities funds. Consolidation of subsidiaries begins at the first date on which control exists, and ends when such control no longer exists.

Subsidiaries whose business is dormant or of low volume and that are insignificant, both individually and in the aggregate, for the fair presentation of the net assets, financial position and results of operations as well as the cash flows of the Volkswagen Group are not consolidated. They were carried in the consolidated financial statements at cost net of any impairment losses and reversals of impairment losses required to be recognized.

Significant companies where Volkswagen AG is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or that are directly or indirectly jointly controlled (joint ventures), are accounted for using the equity method. Joint ventures also include companies in which the Volkswagen Group holds the majority of voting rights, but whose articles of association or partnership agreements stipulate that important decisions may only be resolved unanimously. Insignificant associates and joint ventures are carried at cost net of any impairment losses and reversals of impairment losses required to be recognized.

The composition of the Volkswagen Group is shown in the following table:

	2015	2014
Volkswagen AG and consolidated subsidiaries		
Germany	155	158
Abroad	885	872
Subsidiaries carried at cost		
Germany	63	64
Abroad	287	216
Associates, joint ventures and other equity investments		
Germany	45	41
Abroad	69	65
	1,504	**1,416**

The list of all shareholdings that forms part of the annual financial statements of Volkswagen AG can be downloaded from the electronic companies register at www.unternehmensregister.de and from www.volkswagenag.com/ir by clicking on "Further mandatory Publications" under the heading "Mandatory Publications".

The following consolidated German subsidiaries with the legal form of a corporation or partnership meet the criteria set out in section 264(3) or section 264b of the Handelsgesetzbuch (HGB – German Commercial Code) due to their inclusion in the consolidated financial statements and have as far as possible exercised the option not to publish annual financial statements:

> Audi Berlin GmbH, Berlin
> Audi Frankfurt GmbH, Frankfurt am Main
> Audi Hamburg GmbH, Hamburg
> Audi Hannover GmbH, Hanover

- Audi Leipzig GmbH, Leipzig
- Audi Stuttgart GmbH, Stuttgart
- Audi Zentrum München GmbH, Munich
- Autostadt GmbH, Wolfsburg
- AutoVision GmbH, Wolfsburg
- Bugatti Engineering GmbH, Wolfsburg
- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- Haberl Beteiligungs-GmbH, Munich
- Karosseriewerk Porsche GmbH & Co. KG, Stuttgart
- MAHAG GmbH, Munich
- Porsche Consulting GmbH, Bietigheim-Bissingen
- Porsche Deutschland GmbH, Bietigheim-Bissingen
- Porsche Dienstleistungs GmbH, Stuttgart
- Porsche Engineering Group GmbH, Weissach
- Porsche Engineering Services GmbH, Bietigheim-Bissingen
- Porsche Financial Services GmbH & Co. KG, Bietigheim-Bissingen
- Porsche Financial Services GmbH, Bietigheim-Bissingen
- Porsche Holding Stuttgart GmbH, Stuttgart
- Porsche Leipzig GmbH, Leipzig
- Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Ludwigsburg
- Porsche Logistik GmbH, Stuttgart
- Porsche Niederlassung Berlin GmbH, Berlin
- Porsche Niederlassung Berlin-Potsdam GmbH, Kleinmachnow
- Porsche Niederlassung Hamburg GmbH, Hamburg
- Porsche Niederlassung Leipzig GmbH, Leipzig
- Porsche Niederlassung Stuttgart GmbH, Stuttgart
- Porsche Nordamerika Holding GmbH, Ludwigsburg
- Porsche Siebte Vermögensverwaltung GmbH, Wolfsburg
- Porsche Connect GmbH, Stuttgart
- Porsche Zentrum Hoppegarten GmbH, Stuttgart
- Raffay Versicherungsdienst GmbH, Hamburg
- SKODA AUTO Deutschland GmbH, Weiterstadt
- Volkswagen Truck & Bus GmbH, Braunschweig
- VfL Wolfsburg-Fußball GmbH, Wolfsburg
- VGRD GmbH, Wolfsburg
- Volkswagen Automobile Berlin GmbH, Berlin
- Volkswagen Automobile Chemnitz GmbH, Chemnitz
- Volkswagen Automobile Frankfurt GmbH, Frankfurt am Main
- Volkswagen Automobile Hamburg GmbH, Hamburg
- Volkswagen Automobile Hannover GmbH, Hanover
- VOLKSWAGEN Automobile Leipzig GmbH, Leipzig
- Volkswagen Automobile Region Hannover GmbH, Hanover
- Volkswagen Automobile Rhein-Neckar GmbH, Mannheim
- Volkswagen Automobile Stuttgart GmbH, Stuttgart
- Volkswagen Gebrauchtfahrzeughandels und Service GmbH, Langenhagen
- Volkswagen Group Real Estate GmbH & Co. KG, Wolfsburg
- Volkswagen Immobilien GmbH, Wolfsburg
- Volkswagen Konzernlogistik GmbH & Co. OHG, Wolfsburg
- Volkswagen Original Teile Logistik GmbH & Co. KG, Baunatal
- Volkswagen Osnabrück GmbH, Osnabrück
- Volkswagen R GmbH, Wolfsburg
- Volkswagen Sachsen GmbH, Zwickau
- Volkswagen Vertriebsbetreuungsgesellschaft mbH, Chemnitz
- Volkswagen Zubehör GmbH, Dreieich

CONSOLIDATED SUBSIDIARIES

On March 14, 2014, Volkswagen AG published an offer to the shareholders of Scania Aktiebolag, Södertälje, ("Scania") to acquire all Scania A and Scania B shares. Each Scania A share conveys one vote at the general meeting, while each Scania B share conveys one-tenth of a vote. There are no other legal differences between Scania A and B shares. Volkswagen AG offered SEK 200 for each Scania share, regardless of share class. One of the conditions of the offer was that it resulted in the Volkswagen Group holding more than 90 percent of the total number of Scania shares. When the offer to the Scania shareholders was published, the present value of the put options granted amounting to approximately €6.7 billion was recognized as a current liability without affecting profit or loss. The Group's retained earnings declined by the same amount.

Starting on May 7, 2014, Volkswagen acquired a total of 2.4 million Scania shares outside the offer (10,941 A shares and 2,400,679 B shares). This corresponds to 0.30% of Scania shares and 0.06% of the voting rights.

The condition for the Volkswagen Group to hold more than 90% of the total number of Scania shares was satisfied on May 13, 2014, and Volkswagen initiated a squeeze-out for the Scania shares that were not tendered in the course of the offer.

At the end of the second extended acceptance period on June 5, 2014, the number of shares tendered under the terms of the offer, together with the shares already held by Volkswagen either directly or indirectly, amounted to a total of 796.6 million Scania shares, comprising 398.7 million A shares and 397.8 million B shares. This corresponds to 99.57% of Scania shares and 99.66% of the voting rights.

On completion of the offer, the equity interest in Scania previously attributable to noncontrolling interest shareholders amounting to €2,123 million was required to be reclassified from noncontrolling interests to the reserves attributable to the shareholders of Volkswagen AG. The difference of €4,527 million reduced the retained earnings attributable to Volkswagen AG shareholders by the same amount.

The changes in the carrying amount of the liability of €96 million that was recognized when the offer was published, which were due primarily to exchange rate movements, were recognized in the financial result in profit or loss.

In the previous year, the shares already tendered resulted in a cash outflow of €6,535 million, net of exchange rate effects. This amount is reported within financing activities in the cash flow statement for fiscal year 2014 as an outflow from capital transactions with noncontrolling interests. At the prior-year reporting date, a liability of €78 million from put options and compensation rights granted to noncontrolling interest shareholders was recognized for the remaining shares that are subject to the squeeze-out. The court of arbitration with jurisdiction has now decided that the remaining shares will be transferred to Volkswagen. On January 14, 2015, it was confirmed to us that the period for appealing against this decision had ended. As of that date, Volkswagen controls 100% of the shares in Scania. Volkswagen AG paid out the noncontrolling interest shareholders on April 21, 2015. A judicial decision has yet to be taken on the appropriate settlement.

The other changes in the basis of consolidation are shown in the following table:

Number	Germany	Abroad
Initially consolidated		
of which: subsidiaries previously carried at cost	1	15
of which: newly acquired subsidiaries	–	5
of which: newly formed subsidiaries	2	16
	3	**36**
Deconsolidated		
of which: mergers	4	4
of which: liquidations	2	11
of which: sales/other	–	8
	6	**23**

The initial inclusion of these subsidiaries, either individually or collectively, did not have a significant effect on the presentation of the net assets, financial position and results of operations. The unconsolidated structured entities are immaterial from a Group perspective. In particular, they do not give rise to any significant risks to the Group.

INVESTMENTS IN ASSOCIATES

From a Group perspective, the associates Sinotruk (Hong Kong) Ltd., Hongkong (Sinotruk), Bertrandt AG, Ehningen (Bertrandt) and There Holding B.V., Rijswijk (There Holding) were material at the reporting date.

Sinotruk

Sinotruk is one of the largest truck manufacturers in the Chinese market. There is an agreement in place between Group companies and Sinotruk regarding a long-term strategic partnership, under which the Group participates in the local market. In addition to the partnership with Sinotruk in the volume segment, exports of MAN vehicles to China are also helping to expand access to the small, but fast-growing premium truck market. Sinotruk's principal place of business is in Hongkong, China.

As of December 31, 2015, the quoted market price of the shares in Sinotruk amounted to €251 million (previous year: €317 million).

Bertrandt

On July 2, 2014, Dr. Ing. h.c. F. Porsche AG, Stuttgart, increased its interest in Bertrandt by just under 4%. Following this acquisition, Volkswagen indirectly holds just under 29% of the voting shares of Bertrandt. There has been no change in the intention not to exercise any influence on Bertrandt's supervisory board or management board. Bertrandt has been included in the Volkswagen Group's consolidated financial statements as an equity-accounted associate from the date on which the additional shares were acquired. In the previous year, the amounts resulting from the fair value measurement of the shares amounting to €148 million that had previously been recognized outside profit or loss in the other reserves in this connection were recognized in profit or loss in the other financial result.

Bertrandt is an engineering partner to companies in the automotive and aviation industry. Its portfolio of services ranges from developing individual components through complex modules to end-to-end solutions. Bertrandt's principal place of business is in Ehningen.

As of December 31, 2015, the quoted market price of the shares in Bertrandt amounted to €327 million (previous year: €338 million).

There Holding

Audi, the BMW Group and Daimler AG each acquired a 33.3% interest in There Holding, which was formed in 2015. Effective December 4, 2015, There Holding acquired all shares in the HERE Group through a wholly owned subsidiary, There Acquisition B.V., Rijswijk (the Netherlands), for a purchase price of €2,602 million. HERE develops and sells high-resolution maps with real-time location information. The purchase price was financed largely by way of capital contributions at There Holding. Audi's share of it amounts to €668 million. The remainder of the purchase price was financed through bank loans at There Acquisition B.V. There Acquisition B.V. was renamed HERE International B.V. on January 29, 2016.

There Holding is an associate that is accounted for using the equity method. As the acquisition took place near the end of the reporting period, it was not possible to fully identify all hidden reserves and liabilities. This is expected to be done in the first quarter of 2016. In light of this, and also for reasons of materiality, There Holding was not included at the reporting date on the basis of the Group's share of profit or loss.

SUMMARIZED FINANCIAL INFORMATION ON MATERIAL ASSOCIATES ON A 100% BASIS:

€ million	Sinotruk[1]	Bertrandt[2]	There Holding[3]
2015			
Equity interest (%)	25	29	33
Noncurrent assets	2,299	604	3,115
Current assets	4,472	341	365
Noncurrent liabilities	484	155	1,093
Current liabilities	3,204	205	384
Net assets	3,083	585	2,003
Sales revenue	4,079	935	–
Post-tax profit or loss from continuing operations	64	15	–
Post-tax profit or loss from discontinued operations	–	–	–
Other comprehensive income	−2	0	–
Total comprehensive income	62	15	–
Dividends received	5	7	–
2014			
Equity interest (%)	25	29	–
Noncurrent assets	1,922	616	–
Current assets	4,112	305	–
Noncurrent liabilities	168	168	–
Current liabilities	3,377	161	–
Net assets	2,490	592	–
Sales revenue	3,886	243	–
Post-tax profit or loss from continuing operations	70	−3	–
Post-tax profit or loss from discontinued operations	–	–	–
Other comprehensive income	−1	–	–
Total comprehensive income	69	−3	–
Dividends received	3	–	–

1 Balance sheet amounts refer to the June 30 reporting date and income statement amounts refer to the period from July 1 to June 30.
2 Balance sheet amounts refer to the September 30 reporting date. The income statement amounts for fiscal year 2015 refer to the period from October 1, 2014 to September 30, 2015, while those for fiscal 2014 refer to the period from July 2 to September 30, 2014.
3 The information relating to the balance sheet is based on the financial statement information available at the acquisition date of the HERE Group in December 2015.

RECONCILIATION OF THE FINANCIAL INFORMATION TO THE CARRYING AMOUNT OF THE EQUITY-ACCOUNTED INVESTMENTS:

€ million	Sinotruk	Bertrandt[1]	There Holding[2]
2015			
Net assets at January 1	2,490	592	2,003
Profit or loss	64	15	–
Other comprehensive income	−2	0	–
Changes in reserves	5	2	–
Foreign exchange differences	555	–	–
Dividends	−28	−24	–
Net assets at December 31	3,083	585	2,003
Proportionate equity	771	169	668
Consolidation/Goodwill/Others	−452	163	–
Carrying amount of equity-accounted investments	318	332	668
2014			
Net assets at January 1	2,574	595	–
Profit or loss	70	−3	–
Other comprehensive income	−1	–	–
Changes in reserves	–	–	–
Foreign exchange differences	−136	–	–
Dividends	−18	–	–
Net assets at December 31	2,490	592	–
Proportionate equity	622	171	–
Consolidation/Goodwill/Others	−313	163	–
Carrying amount of equity-accounted investments	309	334	–

1 Reconciliation presented for Bertrandt in 2014 as of July 2, 2014, the date from which it was accounted for using the equity method.
2 In the case of There Holding, the net carrying amount at the acquisition date of the HERE Group in December 2015 is shown.

SUMMARIZED FINANCIAL INFORMATION ON INDIVIDUALLY IMMATERIAL ASSOCIATES ON THE BASIS OF THE VOLKSWAGEN GROUP'S PROPORTIONATE INTEREST:

€ million	2015	2014
Post-tax profit or loss from continuing operations	−1	4
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	1	−2
Total comprehensive income	0	2
Carrying amount of equity-accounted investments	40	72

Unrecognized losses relating to investments in associates totaled €3 million (previous year: €– million). Contingent liabilities relating to associates amounted to €0 million (previous year: €3 million).

INTERESTS IN JOINT VENTURES

From a Group perspective, the joint ventures FAW-Volkswagen Automotive Company, Ltd., Changchun, SAIC-Volkswagen Automotive Company Ltd., Shanghai (formerly: Shanghai-Volkswagen Automotive Company Ltd., Shanghai), SAIC-Volkswagen Sales Company Ltd., Shanghai (SAIC-Volkswagen Sales Company) and Global Mobility Holding B.V., Amsterdam (Global Mobility Holding) were material at the reporting date due to their size.

FAW-Volkswagen Automotive Company

FAW-Volkswagen Automotive Company develops, produces and sells passenger cars. There is an agreement in place between Group companies and the joint venture partner China FAW Corporation Limited regarding a long-term strategic partnership. The principal place of business is in Changchun, China.

SAIC-Volkswagen Automotive Company

SAIC-Volkswagen Automotive Company develops and produces passenger cars. There is an agreement in place between Group companies and the joint venture partner Shanghai Automotive Industry Corporation regarding a long-term strategic partnership. The principal place of business is in Shanghai, China.

SAIC-Volkswagen Sales Company

SAIC-Volkswagen Sales Company sells passenger cars for SAIC-Volkswagen Automotive Company. There is an agreement in place between Group companies and the joint venture partner Shanghai Automotive Industry Corporation regarding a long-term strategic partnership. The principal place of business is in Shanghai, China.

Global Mobility Holding

Through its 50% interest in the joint venture Global Mobility Holding B.V., Amsterdam, the Netherlands (GMH), the Volkswagen Group holds a 50% indirect stake in the joint venture's subsidiary, LeasePlan Corporation N.V., Amsterdam, the Netherlands (LeasePlan). GMH's business activity consists of holding the interest in LeasePlan. LeasePlan is a Dutch financial services group whose core business is leasing and fleet management. GMH's principal place of business is in Amsterdam, the Netherlands.

In 2010, Volkswagen agreed with Fleet Investments B.V., Amsterdam, the Netherlands, an investment company belonging to the von Metzler family, that Fleet Investments would become the new co-investor in Global Mobility Holding. The previous co-investors were instructed by Volkswagen AG to transfer their shares to Fleet Investments B.V. on February 1, 2010 for the purchase price of €1.4 billion. Volkswagen AG has granted the new co-investor a put option on its shares. If this option is exercised, Volkswagen must pay the original purchase price, less purchase price reductions, plus accumulated pro rata preferred dividends. Additionally, Volkswagen AG has a preemptive right of purchase at any applicable higher fair value. The put option is accounted for at fair value.

In addition, Volkswagen has pledged claims under certificates of deposit with Bankhaus Metzler in the amount of €1.3 billion to secure a loan granted to Fleet Investments B.V. by Bankhaus Metzler. This pledge does not increase the Volkswagen Group's risk arising from the above-mentioned short position. In fiscal year 2015, the put option and the certificates of deposit were prolonged until a maximum of September 30, 2018, subject to several conditions.

On July 23, 2015, GMH sold its 100% interest in LeasePlan to a consortium of international investors. The legal transfer of the shares is subject to the condition precedent that the necessary official approvals are issued during the further course of the sale. The transaction could not be completed in the past fiscal year because official approvals are still outstanding. With respect to the final official approvals issued in January 2016, please refer to the disclosures on "Events after the balance sheet date".

Volkswagen AG did not grant additional credit lines either to the consortium of investors or to LeasePlan in connection with the intended sale of the indirect interest in LeasePlan. On completion of the transaction, the existing credit line of €1.3 billion provided by the Volkswagen Group will be cancelled.

SUMMARIZED FINANCIAL INFORMATION ON THE MATERIAL JOINT VENTURES ON A 100% BASIS:

€ million	FAW-Volkswagen Automotive Company	SAIC-Volkswagen Automotive Company*	Global Mobility Holding	SAIC-Volkswagen Sales Company
2015				
Equity interest (%)	40.0	50.0	50.0	30.0
Noncurrent assets	7,997	6,345	12,404	486
Current assets	12,674	8,187	9,913	3,341
of which: cash, cash equivalents and time deposits	5,954	4,761	1,722	231
Noncurrent liabilities	1,424	1,471	9,855	10
of which: financial liabilities	–	–	8,757	–
Current liabilities	11,422	7,444	8,535	3,311
of which: financial liabilities	100	27	6,546	–
Net assets	7,825	5,618	3,927	506
Sales revenue	40,462	26,018	8,298	30,035
Depreciation, amortization and impairment losses	1,033	907	56	4
Interest income	64	79	780	14
Interest expenses	–	–	330	–
Pre-tax profit or loss from continuing operations	6,169	4,408	608	600
Income tax income/expense	1,464	850	165	151
Post-tax profit or loss from continuing operations	4,705	3,558	442	449
Post-tax profit or loss from discontinued operations	–	–	–	–
Other comprehensive income	−5	5	16	–
Total comprehensive income	4,700	3,563	458	449
Dividends received	2,170	2,048	114	143
2014				
Equity interest (%)	40.0	50.0	50.0	30.0
Noncurrent assets	6,913	6,402	11,251	450
Current assets	14,066	7,013	9,305	4,099
of which: cash, cash equivalents and time deposits	7,681	5,309	1,039	248
Noncurrent liabilities	1,551	1,254	8,299	2
of which: financial liabilities	–	–	7,257	–
Current liabilities	11,472	6,558	8,560	4,050
of which: financial liabilities	3	–	6,753	–
Net assets	7,956	5,603	3,697	497
Sales revenue	42,812	23,142	7,619	26,959
Depreciation, amortization and impairment losses	861	764	83	3
Interest income	84	99	794	–
Interest expenses	–	–	378	–
Pre-tax profit or loss from continuing operations	6,389	4,524	468	539
Income tax income/expense	1,675	1,149	120	135
Post-tax profit or loss from continuing operations	4,714	3,376	348	404
Post-tax profit or loss from discontinued operations	–	–	–	–
Other comprehensive income	–	−28	30	–
Total comprehensive income	4,714	3,348	378	404
Dividends received	1,400	1,328	70	103

* SAIC-Volkswagen Sales Company sells passenger cars for SAIC-Volkswagen Automotive Company. Therefore, the sales revenue reported for SAIC-Volkswagen Automotive Company was mostly generated from its business with SAIC-Volkswagen Sales Company.

RECONCILIATION OF THE FINANCIAL INFORMATION TO THE CARRYING AMOUNT OF THE EQUITY-ACCOUNTED INVESTMENTS:

€ million	FAW-Volkswagen Automotive Company	SAIC-Volkswagen Automotive Company	Global Mobility Holding	SAIC-Volkswagen Sales Company
2015				
Net assets at January 1	7,956	5,603	3,697	497
Profit or loss	4,705	3,558	442	449
Other comprehensive income	−5	5	16	–
Changes in share capital	377	–	–	–
Changes in reserves	−377	–	–	–
Foreign exchange differences	594	548	–	38
Dividends	−5,425	−4,096	−228	−478
Net assets at December 31	7,825	5,618	3,927	506
Proportionate equity	3,130	2,809	1,964	152
Consolidation/Goodwill/Others	−212	−55	−13	–
Carrying amount of equity-accounted investments	2,918	2,754	1,950	152
2014				
Net assets at January 1	5,986	4,515	3,459	403
Profit or loss	4,714	3,376	348	404
Other comprehensive income	–	−28	30	–
Changes in share capital	236	–	–	–
Changes in reserves	−236	–	–	–
Foreign exchange differences	757	396	–	33
Dividends	−3,502	−2,656	−140	−343
Net assets at December 31	7,956	5,603	3,697	497
Proportionate equity	3,182	2,802	1,848	149
Consolidation/Goodwill/Others	−187	−141	−13	–
Carrying amount of equity-accounted investments	2,995	2,661	1,835	149

SUMMARIZED FINANCIAL INFORMATION ON INDIVIDUALLY IMMATERIAL JOINT VENTURES ON THE BASIS OF THE VOLKSWAGEN GROUP'S PROPORTIONATE INTEREST:

€ million	2015	2014
Post-tax profit or loss from continuing operations	292	281
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	10	−9
Total comprehensive income	301	273
Carrying amount of equity-accounted investments	1,772	1,519

There were no unrecognized losses relating to interests in joint ventures. Contingent liabilities relating to joint ventures amounted to €121 million (previous year: €86 million). Cash funds of €72 million (previous year: €24 million) were deposited as collateral for asset-backed securities transactions and are therefore not available to the Volkswagen Group.

OTHER EQUITY INVESTMENTS

On August 29, 2015, an arbitration ruling was delivered to the parties in the proceedings between Suzuki Motor Corporation and Volkswagen AG. It found that Volkswagen had acted in accordance with the agreement. The arbitration court also confirmed that Suzuki was in breach of contract and, on the merits of this case, acknowledged that Volkswagen had a claim to damages. In addition, the arbitration court established that the parties had the right to give regular notice to terminate the cooperation agreement. It said that Suzuki had exercised this right, ending the partnership. According to the court, the agreements had to be interpreted in such a way that Volkswagen had to sell its equity investment in Suzuki on termination of the partnership. Volkswagen consequently sold its 19.9% equity investment to Suzuki on September 17, 2015 at the quoted market price of €3.1 billion. The sale of the shares generated income in the amount of €1.5 billion, which was recognized in the other financial result.

In February 2016, Volkswagen and Suzuki agreed a settlement in respect of the claims for damages brought by Volkswagen.

Consolidation methods

The assets and liabilities of the German and foreign companies included in the consolidated financial statements are recognized in accordance with the uniform accounting policies used within the Volkswagen Group. In the case of companies accounted for using the equity method, the same accounting policies are applied to determine the proportionate equity, based on the most recent audited annual financial statements of each company.

In the case of subsidiaries consolidated for the first time, assets and liabilities are measured at their fair value at the date of acquisition. Their carrying amounts are adjusted in subsequent years. Goodwill arises when the purchase price of the investment exceeds the fair value of identifiable net assets. Goodwill is tested for impairment once a year to determine whether its carrying amount is recoverable. If the carrying amount of goodwill is higher than the recoverable amount, an impairment loss must be recognized. If this is not the case, there is no change in the carrying amount of goodwill compared with the previous year. If the purchase price of the investment is less than the identifiable net assets, the difference is recognized in the income statement in the year of acquisition. Goodwill is accounted for at the subsidiaries in the functional currency of those subsidiaries. Any difference that arises from the acquisition of additional shares of an already consolidated subsidiary is taken directly to equity. Unless otherwise stated, the proportionate equity directly attributable to noncontrolling interests is determined at the acquisition date as the share of the fair value of the assets (excluding goodwill) and liabilities attributable to them. Contingent consideration is measured at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration do not generally result in the adjustment of the acquisition-date measurement. Acquisition-related costs that are not equity transaction costs are not added to the purchase price, but instead recognized as expenses in the period in which they are incurred.

The consolidation process involves adjusting the items in the separate financial statements of the parent and its subsidiaries and presenting them as if they were those of a single economic entity. Intragroup assets, liabilities, equity, income, expenses and cash flows are eliminated in full. Intercompany profits or losses are eliminated in Group inventories and noncurrent assets. Deferred taxes are recognized for consolidation adjustments, and deferred tax assets and liabilities are offset where taxes are levied by the same tax authority and relate to the same tax period.

Currency translation

Transactions in foreign currencies are translated in the single-entity financial statements of Volkswagen AG and its consolidated subsidiaries at the rates prevailing at the transaction date. Foreign currency monetary items are recorded in the balance sheet using the middle rate at the closing date. Foreign exchange gains and losses are recognized in the income statement. This does not apply to foreign exchange differences from loans receivable that represent part of a net investment in a foreign operation. The financial statements of foreign companies are translated into euros using the functional currency concept, under which asset and liability items are translated at the closing rate. With the exception of income and expenses recognized directly in equity, equity is translated at historical rates. The resulting foreign exchange differences are recognized in other comprehensive income until disposal of the subsidiary concerned, and are presented as a separate item in equity.

Income statement items are translated into euros at weighted average rates.

The rates applied are presented in the following table:

		BALANCE SHEET MIDDLE RATE ON DECEMBER 31,		INCOME STATEMENT AVERAGE RATE	
	€1 =	2015	2014	2015	2014
Argentina	ARS	14.13514	10.27253	10.26074	10.77234
Australia	AUD	1.48970	1.48290	1.47648	1.47240
Brazil	BRL	4.31170	3.22070	3.69160	3.12277
Canada	CAD	1.51160	1.40630	1.41760	1.46687
Czech Republic	CZK	27.02300	27.73500	27.28500	27.53583
India	INR	72.02150	76.71900	71.17522	81.06888
Japan	JPY	131.07000	145.23000	134.28651	140.37722
Mexico	MXN	18.91450	17.86790	17.59984	17.66209
People’s Republic of China	CNY	7.06080	7.53580	6.97300	8.18825
Poland	PLN	4.26390	4.27320	4.18278	4.18447
Republic of Korea	KRW	1,280.78000	1,324.80000	1,255.74059	1,399.02954
Russia	RUB	80.67360	72.33700	68.00684	51.01125
South Africa	ZAR	16.95300	14.03530	14.15280	14.40652
Sweden	SEK	9.18950	9.39300	9.35448	9.09689
United Kingdom	GBP	0.73395	0.77890	0.72600	0.80643
USA	USD	1.08870	1.21410	1.10963	1.32884

Accounting policies

MEASUREMENT PRINCIPLES

With certain exceptions such as financial instruments at fair value through profit or loss, available-for-sale financial assets and provisions for pensions and other post-employment benefits, items in the Volkswagen Group are accounted for under the historical cost convention. The methods used to measure the individual items are explained in more detail below.

INTANGIBLE ASSETS

Purchased intangible assets are recognized at cost and amortized over their useful life using the straight-line method. This relates in particular to software, which is amortized over three years.

In accordance with IAS 38, research costs are recognized as expenses when incurred.

Development costs for future series products and other internally generated intangible assets are capitalized at cost, provided manufacture of the products is likely to bring the Volkswagen Group an economic benefit. If the criteria for recognition as assets are not met, the expenses are recognized in the income statement in the year in which they are incurred.

Capitalized development costs include all direct and indirect costs that are directly attributable to the development process. The costs are amortized using the straight-line method from the start of production over the expected life cycle of the models or powertrains developed – generally between two and ten years.

Amortization recognized during the year is allocated to the relevant functions in the income statement.

Brand names from business combinations usually have an indefinite useful life and are therefore not amortized. An indefinite useful life is usually the result of a brand's further use and maintenance.

Goodwill, intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested for impairment at least once a year. Assets in use and other intangible assets with finite useful lives are tested for impairment only if there are specific indications that they may be impaired. The Volkswagen Group generally applies the higher of value in use and fair value less costs to sell of the relevant cash-generating unit (brands or products) to determine the recoverable amount of goodwill and indefinite-lived intangible assets. Measurement of value in use is based on management's current planning. This planning is based on expectations regarding future global economic trends and on assumptions derived from those trends about the markets for passenger cars and commercial vehicles, market shares and the profitability of the products. The planning for the Financial Services segment is likewise prepared on the basis of these expectations, and also reflects the relevant market penetration rates and regulatory requirements. The planning for the Power Engineering segment reflects expectations about trends in the various individual markets. The planning includes reasonable assumptions about macroeconomic trends (exchange rate, interest rate and commodity price trends) and historical developments. The planning period generally covers five years. For information on the assumptions applied to the detailed planning period, please refer to the Report on Expected Developments, which is part of the Management Report. For subsequent years, plausible assumptions are made regarding future trends. The planning assumptions are adapted to reflect the current state of knowledge.

Estimation of cash flows is generally based on the expected growth trends for the markets concerned. The estimates for the cash flows following the end of the planning period are generally based on a growth rate of up to 1% p.a. (previous year: up to 1% p.a.) in the Passenger Cars and Financial Services segments, and on a growth rate of up to 1% p.a. (previous year: up to 1% p.a.) in the Power Engineering and Commercial Vehicles segments.

Value in use is determined for the purpose of impairment testing of goodwill, indefinite-lived intangible assets and finite-lived intangible assets – mainly capitalized development costs – using the following pretax weighted average cost of capital (WACC) rates, which are adjusted if necessary for country-specific discount factors:

WACC	2015	2014
Passenger Cars segment	6.5%	6.1%
Commercial Vehicles segment	7.7%	9.8%
Power Engineering segment	9.2%	12.6%

A minimum cost of equity of 8.5% (previous year: 8.6%) is used for the Financial Services segment in line with the sector-specific need to reflect third-party borrowings. If necessary, this rate is additionally adjusted for country-specific discount factors.

The WACC rates are calculated based on the risk-free rate of interest, a market risk premium and the cost of debt. Addtionally, specific peer group information on beta factors and leverage are taken into account.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost less depreciation and – where necessary – write-downs for impairment. Investment grants are generally deducted from cost. Cost is determined on the basis of the direct and indirect costs that are directly attributable. Special tools are reported under other equipment, operating and office equipment. Property, plant and equipment is depreciated using the straight-line method over its estimated useful life. The useful lives of items of property, plant and equipment are reviewed on a regular basis and adjusted if required.

Depreciation is based mainly on the following useful lives:

	Useful life
Buildings	20 to 50 years
Site improvements	10 to 20 years
Technical equipment and machinery	6 to 12 years
Other equipment, operating and office equipment, including special tools	3 to 15 years

Impairment losses on property, plant and equipment are recognized in accordance with IAS 36 where the recoverable amount of the asset concerned has fallen below the carrying amount. Recoverable amount is the higher of value in use and fair value less costs to sell. Value in use is determined using the principles described for intangible assets. The discount rates for product-specific tools and investments are the same as the discount rates for capitalized development costs given above for each segment. If the reasons for impairments recognized in previous years no longer apply, the impairment losses are reversed up to a maximum of the amount that would have been determined if no impairment loss had been recognized.

In accordance with the principle of substance over form, assets that have been formally transferred to third parties under a sale and leaseback transaction including a repurchase option also continue to be accounted for as separate assets.

Where leased items of property, plant and equipment are used, the criteria for classification as a finance lease as set out in IAS 17 are met if all material risks and rewards incidental to ownership have been transferred to the Group company concerned. In such cases, the assets concerned are recognized at fair value or at the present value of the minimum lease payments (if lower) and depreciated using the straight-line method over the asset's useful life, or over the term of the lease if this is shorter. The payment obligations arising from the future lease payments are discounted and recorded as a liability in the balance sheet.

Where Group companies are the lessees of assets under operating leases, i.e. if not all material risks and rewards are transferred, lease and rental payments are recorded directly as expenses in profit or loss.

LEASE ASSETS

Vehicles leased out under operating leases are recognized at cost and depreciated to their estimated residual value using the straight-line method over the term of the lease. Impairment losses identified as a result of an impairment test in accordance with IAS 36 are recognized and the depreciation rate is adjusted. The forecast residual values are adjusted to include constantly updated internal and external information on residual values, depending on specific local factors and the experiences gained in the marketing of used cars. This requires management to make assumptions in particular about vehicle supply and demand in the future, as well as about vehicle price trends. Such assumptions are based either on qualified estimates or on data published by external experts. Qualified estimates are based on external data – if available – that reflects additional information that is available internally, such as historical experience and current sales data.

INVESTMENT PROPERTY

Real estate and buildings held in order to obtain rental income (investment property) are carried at amortized cost; the useful lives applied to depreciation generally correspond to those of the property, plant and equipment used by the Company itself. The fair value of investment property must be disclosed in the notes if it is carried at amortized cost. Fair value is generally estimated using an investment method based on internal calculations. This involves determining the income value for a specific building on the basis of gross income, taking into account additional factors such as land value, remaining useful life and a multiplier specific to property.

CAPITALIZATION OF BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition of qualifying assets on or after January 1, 2009 are capitalized as part of the cost of these assets. A qualifying asset is an asset that necessarily takes at least a year to get ready for its intended use or sale.

EQUITY-ACCOUNTED INVESTMENTS

The cost of equity-accounted investments is adjusted to reflect the share of increases or reductions in equity at the associates and joint ventures after the acquisition that is attributable to the Volkswagen Group, as well as any effects from purchase price allocation. Additionally, the investment is tested for impairment if there are indications of impairment and written down to the lower recoverable amount if necessary. Recoverable amount is determined using the principles described for indefinite-lived intangible assets. If the reason for impairment ceases to apply at a later date, the impairment loss is reversed to the carrying amount that would have been determined had no impairment loss been recognized.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset of one company and a financial liability or an equity instrument of another. Regular way purchases or sales of financial instruments are accounted for at the settlement date – that is, at the date on which the asset is delivered.

IAS 39 classifies financial assets into the following categories:
- financial assets at fair value through profit or loss;
- held-to-maturity financial assets;
- loans and receivables; and
- and available-for-sale financial assets.

Financial liabilities are classified into the following categories:
- financial liabilities at fair value through profit or loss; and
- financial liabilities measured at amortized cost.

We recognize financial instruments at amortized cost or at fair value.

The amortized cost of a financial asset or liability is the amount:
- at which a financial asset or liability is measured at initial recognition;
- minus any principal repayments;
- minus any write-down for impairment or uncollectibility;
- plus or minus the cumulative amortization of any difference between the original amount and the amount repayable at maturity (premium, discount), amortized using the effective interest method over the term of the financial asset or liability.

In the case of current receivables and liabilities, amortized cost generally corresponds to the principal or repayment amount.

Fair value generally corresponds to the market or quoted market price. If no active market exists, fair value is determined using other observable inputs as far as possible. If no observable inputs are available, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate, or by using recognized option pricing models, and, as far as possible, verified by confirmations from the banks that handle the transactions.

The fair value option for financial assets and financial liabilities is not used in the Volkswagen Group.

Financial assets and financial liabilities are generally presented at their gross amounts and only offset if the Volkswagen Group currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Subsidiaries, associates and joint ventures that are not consolidated for reasons of materiality do not fall within the scope of IAS 39. As of fiscal year 2015, the related amounts are therefore excluded from the disclosures in accordance with IFRS 7. Other equity investments that are required by IAS 39.46(c) to be measured at cost, net of any impairment losses to be recognized, are presented as "measured at fair value". In addition, the tables under IFRS 7 were extended to incorporate a separate class for derivative financial instruments included in hedging relationships. The relevant tables and prior-year amounts were adjusted.

LOANS AND RECEIVABLES AND FINANCIAL LIABILITIES

Loans, receivables and liabilities, as well as held-to-maturity financial assets, are measured at amortized cost, unless hedged. Specifically, these relate to:
- receivables from financing business;
- trade receivables and payables;
- other receivables and financial assets and liabilities;
- financial liabilities; and
- cash, cash equivalents and time deposits.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are either allocated specifically to this category or are financial assets that cannot be assigned to any other category.

Available-for-sale financial assets (debt instruments) are carried at fair value. Changes in fair value are recognized directly in equity, net of deferred taxes. Prolonged changes in the fair value of debt instruments (impairment losses, foreign exchange gains and losses, interest calculated using the effective interest method) are recognized in profit or loss.

Other equity investments (shares representing an ownership interest of less than 20% as a rule) are also classified as available-for-sale financial assets. They are recognized at cost in the consolidated financial statements if there is no active market for those shares and fair values cannot be reliably ascertained without undue cost or effort. The lower present value of the estimated future cash flows is recognized if there are indications of impairment. There is currently no intention to sell these financial assets. Foreign exchange gains and losses attributable to equity instruments are recognized in other comprehensive income.

DERIVATIVES AND HEDGE ACCOUNTING

Volkswagen Group companies use derivatives to hedge balance sheet items and future cash flows (hedged items). Appropriate derivatives such as swaps, forward transactions and options are used as hedging instruments. The criteria for the application of hedge accounting are that the hedging relationship between the hedged item and the hedging instrument is clearly documented and that the hedge is highly effective.

The accounting treatment of changes in the fair value of hedging instruments depends on the nature of the hedging relationship. In the case of hedges against the risk of change in the carrying amount of balance sheet items (fair value hedges), both the hedging instrument and the hedged risk portion of the hedged item are measured at fair value. Several risk portions of hedged items are grouped into a portfolio if appropriate. In the case of a fair value portfolio hedge, the changes in fair value are accounted for in the same way as for a fair value hedge of an individual underlying. Gains or losses from the remeasurement of hedging instruments and hedged items are recognized in profit or loss. In the case of hedges of future cash flows (cash flow hedges), the hedging instruments are also measured at fair value. Gains or losses from remeasurement of the effective portion of the derivative are initially recognized in the reserve for cash flow hedges directly in equity, and are only recognized in the income statement when the hedged item is recognized in profit or loss; the ineffective portion of a cash flow hedge is recognized immediately in profit or loss.

Derivatives used by the Volkswagen Group for financial management purposes to hedge against interest rate, foreign currency, commodity, or price risks, but that do not meet the strict hedge accounting criteria of IAS 39, are classified as financial assets or liabilities at fair value through profit or loss (also referred to below as "derivatives not included in hedging relationships"). This also applies to options on shares. External hedges of intragroup hedged items that are subsequently eliminated in the consolidated financial statements are also assigned to this category as a general rule. Assets and liabilities measured at fair value through profit or loss consist of derivatives or components of derivatives that are not included in hedge accounting. These relate primarily to the interest component of currency forwards used to hedge sales revenue, commodity futures and currency forwards relating to commodity futures. Gains and losses from the remeasurement and settlement of financial instruments at fair value through profit or loss are reported in the financial result.

RECEIVABLES FROM FINANCE LEASES

Where a Group company is the lessor – generally of vehicles – a receivable in the amount of the net investment in the lease is recognized in the case of finance leases, in other words where substantially all the risks and rewards are transferred to the lessee.

OTHER RECEIVABLES AND FINANCIAL ASSETS

Other receivables and financial assets (except for derivatives) are recognized at amortized cost.

IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

Default risk on loans and receivables in the financial services business is accounted for by recognizing specific valuation allowances and portfolio-based valuation allowances.

More specifically, in the case of significant individual receivables (e.g. dealer finance receivables and fleet customer business receivables) specific valuation allowances are recognized in accordance with Group-wide standards in the amount of the incurred loss. A potential impairment is assumed in the case of a number of situations such as delayed payment over a certain period, the institution of enforcement measures, the threat of insolvency or overindebtedness, application for or the opening of bankruptcy proceedings, or the failure of reorganization measures.

Portfolio-based valuation allowances are recognized by grouping together insignificant receivables and significant individual receivables for which there is no indication of impairment into homogeneous portfolios on the basis of comparable credit risk features and allocating them by risk class. As long as no definite information is available as to which receivables are in default, average historical default probabilities for the portfolio concerned are used to calculate the amount of the valuation allowances.

As a matter of principle, specific valuation allowances are recognized on receivables outside the Financial Services segment.

Valuation allowances on receivables are regularly recognized in separate allowance accounts.

An impairment loss is recognized on available-for-sale financial assets if there is objective evidence of permanent impairment. In the case of equity instruments, evidence of impairment is taken to exist, among other things, if the fair value decreases below cost significantly (by more than 20%) or the decrease is prolonged (by more than 10% of the average market prices over one year). If impairment is identified, the cumulative loss is recognized in the reserve and charged to profit and loss. In the case of equity instruments, reversals of impairment losses are taken directly to equity. Impairment losses are recognized on debt instruments if a decrease in the future cash flows of the financial asset is expected. An increase in the risk-free interest rate or an increase in credit risk premiums is not in itself evidence of impairment.

DEFERRED TAXES

Deferred tax assets are generally recognized for tax-deductible temporary differences between the tax base of assets and their carrying amounts in the consolidated balance sheet, as well as on tax loss carryforwards and tax credits provided it is probable that they can be used in future periods. Deferred tax liabilities are generally recognized for all taxable temporary differences between the tax base of liabilities and their carrying amounts in the consolidated balance sheet.

Deferred tax liabilities and assets are recognized in the amount of the expected tax liability or tax benefit, as appropriate, in subsequent fiscal years, based on the expected enacted tax rate at the time of realization. The tax consequences of dividend payments are generally not taken into account until the resolution on appropriation of earnings available for distribution has been adopted.

Deferred tax assets that are unlikely to be realized within a clearly predictable period are reduced by valuation allowances.

Deferred tax assets for tax loss carryforwards are usually measured on the basis of future taxable income over a planning period of five fiscal years.

Deferred tax assets and deferred tax liabilities are offset where taxes are levied by the same taxation authority and relate to the same tax period.

INVENTORIES

Raw materials, consumables and supplies, merchandise, work in progress and self-produced finished goods reported in inventories are carried at the lower of cost or net realizable value. Cost is determined on the basis of the direct and indirect costs that are directly attributable. Borrowing costs are not capitalized. The measurement of same or similar inventories is generally based on the weighted average cost method.

NONCURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Under IFRS 5, noncurrent assets or groups of assets and liabilities (disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such assets are carried at the lower of their carrying amount and fair value less costs to sell, and are presented separately in current assets and liabilities in the balance sheet.

Discontinued operations are components of an entity that have either been disposed of or are classified as held for sale. The assets and liabilities of operations that are held for sale represent disposal groups that must be measured and reported using the same principles as noncurrent assets held for sale. The income and expenses from discontinued operations are presented in the income statement as "profit or loss from discontinued operations" below the profit or loss from continuing operations. Corresponding disposal gains or losses are contained in the profit or loss from discontinued operations. The prior-year figures in the income statement are adjusted accordingly.

PENSION PROVISIONS

The actuarial valuation of pension provisions is based on the projected unit credit method stipulated by IAS 19 for defined benefit plans. The valuation is not only based on pension payments and vested entitlements known at the balance sheet date, but also reflects future salary and pension trends, as well as experience-based staff turnover rates. Remeasurements are recognized in retained earnings in other comprehensive income, net of deferred taxes.

PROVISIONS FOR TAXES

Tax provisions contain obligations resulting from current taxes. Deferred taxes are presented in separate items of the balance sheet and income statement. Provisions are recognized for potential tax risks on the basis of the best estimate of the liability.

OTHER PROVISIONS

In accordance with IAS 37, provisions are recognized where a present obligation exists to third parties as a result of a past event, where a future outflow of resources is probable and where a reliable estimate of that outflow can be made.

Provisions not resulting in an outflow of resources in the year immediately following are recognized at their settlement value discounted to the balance sheet date. Discounting is based on market interest rates. An average discount rate of 0.45% (previous year: 0.36%) was used in the eurozone. The settlement value also reflects cost increases expected at the balance sheet date.

Provisions are not offset against claims for reimbursement.

We recognize insurance contracts that form part of the insurance business in accordance with IFRS 4. Reinsurance acceptances are accounted for without any time delay in the year in which they arise. Provisions are generally recognized based on the cedants' contractual duties. Estimation techniques based on assumptions about future changes in claims are used to calculate the claims provision. Other technical provisions relate to the provision for cancellations.

The share of the provisions attributable to reinsurers is calculated in accordance with the contractual agreements with the retrocessionaries and reported under other assets.

LIABILITIES

Noncurrent liabilities are recorded at amortized cost in the balance sheet. Differences between historical cost and the repayment amount are amortized using the effective interest method.

Liabilities to members of partnerships from puttable shares are recognized in the income statement at the present value of the redemption amount at the balance sheet date.

Liabilities under finance leases are carried at the present value of the lease payments.

Current liabilities are recognized at their repayment or settlement value.

REVENUE AND EXPENSE RECOGNITION

Sales revenue, interest and commission income from financial services and other operating income are recognized only when the relevant service has been rendered or the goods have been delivered, that is, when the risk has passed to the customer, the amount of sales revenue can be reliably determined and settlement of the amount can be assumed. Revenue is reported net of sales allowances (discounts, rebates, or customer bonuses). Sales revenue from financing and lease agreements is recognized using the effective interest method. If non-interest-bearing or low-interest vehicle financing arrangements are agreed, sales revenue is reduced by the interest benefits granted. Revenue from operating leases is recognized using the straight-line method over the term of the lease. Sales revenue from extended warranties or maintenance agreements is recognized when deliveries take place or services are rendered. In the case of prepayments, deferred income is recognized proportionately by reference to the costs expected to be incurred, based on experience. Revenue is recognized on a straight-line basis if there is insufficient experience. If the expected costs exceed the accrued sales revenue, a loss is recognized from these agreements.

If a contract comprises several separately identifiable components (multiple-element arrangements), these components are recognized separately in accordance with the principles outlined above.

Income from assets for which a Group company has a buy back obligation is recognized only when the assets have definitively left the Group. If a fixed repurchase price was agreed when the contract was entered into, the difference between the selling price and the present value of the repurchase price is recognized as income ratably over the term of the contract. Prior to that time, the assets are carried as inventories in the case of short contract terms and as lease assets in the case of long contract terms.

Cost of sales includes the costs incurred to generate the sales revenue and the cost of goods purchased for resale. This item also includes the costs of additions to warranty provisions. Research and development costs not eligible for capitalization in the period and amortization of development costs are likewise carried under cost of sales. Reflecting the presentation of interest and commission income in sales revenue, the interest and commission expenses attributable to the financial services business are presented in cost of sales.

Construction contracts are recognized using the percentage of completion (PoC) method, under which revenue and cost of sales are recognized by reference to the stage of completion at the end of the reporting period, based on the contract revenue agreed with the customer and the expected contract costs. As a rule, the stage of completion is determined as the proportion that contract costs incurred by the end of the reporting period bear to the estimated total contract costs (cost-to-cost method). In certain cases, in particular those involving innovative, complex contracts, the stage of completion is measured using contractually agreed milestones (milestone method). If the outcome of a construction contract cannot yet be estimated reliably, contract revenue is recognized only in the amount of the contract costs incurred to date (zero profit method). In the balance sheet, contract components whose revenue is recognized using the percentage of completion method are reported as trade receivables, net of prepayments received. Expected losses from construction contracts are recognized immediately in full as expenses by recognizing impairment losses on recognized contract assets, and additionally by recognizing provisions for amounts in excess of the impairment losses.

Dividend income is recognized on the date when the dividend is legally approved.

GOVERNMENT GRANTS

Government grants related to assets are deducted when arriving at the carrying amount of the asset and are recognized in profit or loss over the life of the depreciable asset as a reduced depreciation expense. If the Group becomes entitled to a grant subsequently, the amount of the grant attributable to prior periods is recognized in profit or loss.

Government grants related to income, i.e. that compensate the Group for expenses incurred, are recognized in profit or loss for the period in those items in which the expenses to be compensated by the grants are also recognized. Grants in the form of nonmonetary assets (e.g. the use of land free of charge or the transfer of resources free of charge) are disclosed as a memo item.

ESTIMATES AND ASSUMPTIONS BY MANAGEMENT

Preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and income and expenses, as well as the related disclosure of contingent assets and liabilities of the reporting period. The estimates and assumptions relate largely to the following matters:

The impairment testing of nonfinancial assets (especially goodwill, brand names, capitalized development costs and special tools) and equity-accounted investments, or investments accounted at cost, and the measurement of options on shares in companies that are not traded in an active market require assumptions about the future cash flows during the planning period, and possibly beyond it, as well as about the discount rate to be applied. The estimates made in order to separate cash flows mainly relate to future market shares, the trend in the respective markets and the profitability of the Volkswagen Group's products. In addition, the recoverability of the Group's lease assets depends in particular on the residual value of the leased vehicles after expiration of the lease term, because this represents a significant portion of the expected cash flows. More detailed information on impairment tests and the measurement parameters used for those tests can be found in the explanations on the accounting policies for intangible assets.

If there are no observable market inputs, the fair values of assets acquired and liabilities assumed in a business combination are measured using recognized valuation techniques, such as the relief-from-royalty method or the residual method.

Impairment testing of financial assets requires estimates about the extent and probability of occurrence of future events. As far as possible, estimates are derived from past experience taking into account current market data as well as rating categories and scoring information. In the case of financial services receivables, both specific and portfolio-based valuation allowances are recognized. The more detailed balance sheet disclosures on IFRS 7 (Financial Instruments) contain an overview of these specific and portfolio-based valuation allowances.

Accounting for provisions is also based on estimates of the extent and probability of occurrence of future events, as well as estimates of the discount rate. As far as possible, these are also based on past experience or external opinions. In addition, the measurement of pension provisions depends on the estimated growth in plan assets. The assumptions underlying the measurement of pension provisions are contained in note 29. Remeasurements are recognized in other comprehensive income and do not affect profit or loss reported in the income statement. Any change in the estimates of the amount of other provisions is always recognized in profit or loss. The provisions are regularly adjusted to reflect new information obtained. The use of empirical values means that additional amounts must frequently be recognized for provisions, or that unused provisions are reversed. Reversals of provisions are recognized as other operating income, whereas expenses relating to the recognition of provisions are allocated directly to the functions. Warranty claims from sales transactions are calculated on the basis of losses to date, estimated future losses and the policy on ex gratia arrangements. This requires assumptions to be made about the nature and extent of future guarantee and ex gratia claims.

Assumptions were made in respect of the warranty provisions recognized in connection with the diesel issues. These depend on the series, model year and country concerned and relate in particular to the effort, material costs and hourly wage rates involved, or to vehicle values in the case of repurchases. They are based on qualified estimates, which are based in turn on external data, and also reflect additional information available internally, such as values derived from past experience. Note 30 contains an overview of other provisions. For information on litigation and legal risks associated with the diesel issue, see also note 37. The put options and compensation rights of free float shareholders recognized within liabilities depend in particular on the outcome of the MAN award proceedings. The liability was based on estimates of the length of the award proceedings and the amount of the put options and compensation rights. The length was estimated based on the fact that proceedings take seven years on average. The amount of the put options and compensation rights of MAN's free float shareholders is derived from the cash settlement in accordance with section 305 of the Aktiengesetz (AktG – German Stock Corporation Act). The cash settlement payable was adjusted in the fiscal year due to the ruling by the Munich Regional Court.

Government grants are recognized based on an assessment as to whether there is reasonable assurance that the Group companies will fulfill the attached conditions and the grants will be awarded. This assessment is based on the nature of the legal entitlement and past experience.

Estimates of the useful life of finite-lived assets are based on past experience and are reviewed regularly. Where estimates are modified the residual useful life is adjusted and an impairment loss is recognized, if necessary.

Measuring deferred tax assets requires assumptions regarding future taxable income and the timing of the realization of deferred tax assets.

The estimates and assumptions are based on underlying assumptions that reflect the current state of available knowledge. Specifically, the expected future development of business was based on the circumstances known at the date of preparation of these consolidated financial statements and a realistic assessment of the future development of the global and sector-specific environment. Our estimates and assumptions remain subject to a high degree of uncertainty because future business developments are subject to uncertainties that in part cannot be influenced by the Group. This applies in particular to short- and medium-term cash flow forecasts and to the discount rates used.

Developments in this environment that differ from the assumptions and that cannot be influenced by management could result in amounts that differ from the original estimates. If actual developments differ from the expected developments, the underlying assumptions and, if necessary, the carrying amounts of the assets and liabilities affected are adjusted.

The moderate global economic growth slowed to 2.5% in fiscal year 2015. Our planning assumes that the global economy will grow at a rather stronger pace in 2016 than it did in the previous year. As a result, from today's perspective, we are not expecting material adjustments in the following fiscal year in the carrying amounts of the assets and liabilities reported in the consolidated balance sheet.

Estimates and assumptions by management were based in particular on assumptions relating to the development of the general economic environment, the automotive markets and the legal environment. These and further assumptions are explained in detail in the Report on Expected Developments, which is part of the Group Management Report.

Segment reporting

Segments are identified on the basis of the Volkswagen Group's internal management and reporting. In line with the Group's multibrand strategy, each of its brands (operating segments) is managed by its own board of management. The Group targets and requirements laid down by the Board of Management of Volkswagen AG must be complied with. Segment reporting comprises four reportable segments: Passenger Cars, Commercial Vehicles, Power Engineering and Financial Services. The operating segments are combined into reportable segments based on similar economic characteristics (in particular the nature of the products or services, integration in the development, production and sales processes, and similar customer groups).

The activities of the Passenger Cars segment cover the development of vehicles and engines, the production and sale of passenger cars, and the corresponding genuine parts business. As a rule, the Volkswagen Group's individual passenger car brands are combined on a consolidated basis into a single reportable segment.

The Commercial Vehicles segment primarily comprises the development, production and sale of light commercial vehicles, trucks and buses, the corresponding genuine parts business and related services.

The activities of the Power Engineering segment consist of the development and production of large-bore diesel engines, turbo compressors, industrial turbines and chemical reactor systems, as well as the production of gear units, propulsion components and testing systems.

The activities of the Financial Services segment comprise dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility services.

Purchase price allocation for companies acquired is allocated directly to the corresponding segments.

At Volkswagen, segment profit or loss is measured on the basis of operating profit or loss.

In the segment reporting, the share of the profits or losses of joint ventures is contained in the share of profits and losses of equity-accounted investments in the corresponding segments.

The reconciliation contains activities and other operations that by definition do not constitute segments. It also includes the unallocated Group financing activities. Consolidation adjustments between the segments are also contained in the reconciliation.

Investments in intangible assets, property, plant and equipment, and investment property are reported net of investments under finance leases.

As a matter of principle, business relationships between the companies within the segments of the Volkswagen Group are transacted at arm's length prices.

REPORTING SEGMENTS 2014

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	150,677	24,999	3,727	22,594	201,996	462	202,458
Intersegment sales revenue	13,389	5,206	5	2,327	20,927	−20,927	–
Total sales revenue	164,065	30,205	3,732	24,920	222,922	−20,464	202,458
Depreciation and amortization	9,549	2,133	361	4,521	16,564	−125	16,439
Impairment losses	209	69	1	127	406	44	450
Reversal of impairment losses	27	1	–	4	31	–	31
Segment profit or loss (operating profit or loss)	11,578	901	44	1,917	14,439	−1,742	12,697
Share of profits and losses of equity-accounted investments	3,763	14	6	31	3,814	174	3,988
Net interest income and other financial result	−1,053	261	−8	17	−783	−1,107	−1,891
Equity-accounted investments	7,186	399	22	433	8,039	1,835	9,874
Investments in intangible assets, property, plant and equipment, and investment property	14,039	1,851	166	517	16,574	39	16,613

REPORTING SEGMENTS 2015

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	158,533	24,382	3,769	26,416	213,100	192	213,292
Intersegment sales revenue	16,170	6,063	6	2,940	25,180	−25,180	–
Total sales revenue	174,703	30,445	3,775	29,357	238,279	−24,987	213,292
Depreciation and amortization	10,389	2,162	360	5,543	18,455	−136	18,319
Impairment losses	635	38	10	636	1,319	38	1,357
Reversal of impairment losses	16	1	–	3	20	1	21
Segment profit or loss (operating profit or loss)	−4,874	586	123	2,236	−1,929	−2,139	−4,069
Share of profits and losses of equity-accounted investments	4,129	10	6	21	4,166	221	4,387
Net interest income and other financial result	−1,273	−565	−10	75	−1,773	153	−1,620
Equity-accounted investments	8,032	397	–	525	8,954	1,950	10,904
Investments in intangible assets, property, plant and equipment, and investment property	15,085	2,426	198	476	18,185	50	18,234

RECONCILIATION

€ million	2015	2014
Segment sales revenue	**238,279**	**222,922**
Unallocated activities	984	1,245
Group financing	43	34
Consolidation	−26,014	−21,744
Group sales revenue	**213,292**	**202,458**
Segment profit or loss (operating profit or loss)	**−1,929**	**14,439**
Unallocated activities	161	46
Group financing	49	9
Consolidation	−2,349	−1,797
Operating result	**−4,069**	**12,697**
Financial result	**2,767**	**2,097**
Consolidated earnings before tax	**−1,301**	**14,794**

BY REGION 2014

€ million	Germany	Europe/Other markets*	North America	South America	Asia-Pacific	Total
Sales revenue from external customers	39,372	83,485	27,619	13,868	38,113	202,458
Intangible assets, property, plant and equipment, lease assets and investment property	78,147	32,665	17,489	3,324	2,548	134,174

* Excluding Germany.

BY REGION 2015

€ million	Germany	Europe/Other markets*	North America	South America	Asia-Pacific	Total
Sales revenue from external customers	42,248	90,287	35,384	10,148	35,225	213,292
Intangible assets, property, plant and equipment, lease assets and investment property	81,711	34,824	22,595	2,658	3,207	144,994

* Excluding Germany.

Allocation of sales revenue to the regions follows the destination principle.

INCOME STATEMENT DISCLOSURES

1. Sales revenue

STRUCTURE OF GROUP SALES REVENUE

€ million	2015	2014
Vehicles	139,990	134,627
Genuine parts	14,625	13,642
Used vehicles and third-party products	11,106	10,090
Engines, powertrains and parts deliveries	8,763	10,021
Power Engineering	3,769	3,728
Motorcycles	564	458
Leasing business	20,085	16,384
Interest and similar income	6,755	6,375
Other sales revenue	7,635	7,133
	213,292	**202,458**

For segment reporting purposes, the sales revenue of the Group is presented by segment and market.

Other sales revenue comprises revenue from workshop services, among other things.

Sales revenue from construction contracts amounted to €1,206 million (previous year: €1,396 million) and mainly related to the Power Engineering segment.

2. Cost of sales

Cost of sales includes interest expenses of €1,868 million (previous year: €1,955 million) attributable to the financial services business. This item also includes impairment losses on intangible assets (primarily development costs), property, plant and equipment (primarily technical equipment and machinery), and lease assets (vehicle leases) in the amount of €1,391 million (previous year: €377 million). The impairment losses amounting to a total of €738 million recognized during the reporting period on intangible assets and items of property, plant and equipment result in particular from lower values in use of various products in the Passenger Cars segment, from market and exchange rate risks, and in particular from expected declines in volumes. The impairment losses on lease assets in the amount of €652 million (including €33 million reported in current lease assets), which are attributable predominantly to the Financial Services segment, are based on constantly updated internal and external information that is factored into the forecast residual values of the vehicles.

Government grants related to income amounted to €409 million in the fiscal year (previous year: €883 million) and were generally allocated to the functions.

3. Distribution expenses

Distribution expenses amounting to €23,515 million (previous year: €20,292 million) include nonstaff overheads and personnel costs, and depreciation and amortization applicable to the distribution function, as well as the costs of shipping, advertising and sales promotions. Please refer to the “Key events” section for information on the sales-related measures taken in connection with the diesel issue.

4. Administrative expenses

Administrative expenses of €7,197 million (previous year: €6,841 million) mainly include nonstaff overheads and personnel costs, as well as depreciation and amortization applicable to the administrative function.

5. Other operating income

€ million	2015	2014
Income from reversal of valuation allowances on receivables and other assets	737	559
Income from reversal of provisions and accruals	2,871	2,348
Income from foreign currency hedging derivatives	1,560	1,181
Income from foreign exchange gains	3,859	2,323
Income from sale of promotional material	427	357
Income from cost allocations	1,308	1,005
Income from investment property	10	8
Gains on asset disposals and the reversal of impairment losses	188	134
Miscellaneous other operating income	1,945	2,383
	12,905	**10,298**

Foreign exchange gains mainly comprise gains from changes in exchange rates between the dates of recognition and payment of receivables and liabilities denominated in foreign currencies, as well as exchange rate gains resulting from measurement at the closing rate. Foreign exchange losses from these items are included in other operating expenses.

6. Other operating expenses

€ million	2015	2014
Valuation allowances on receivables and other assets	1,674	1,150
Losses from foreign currency hedging derivatives	5,083	1,003
Foreign exchange losses	3,260	1,972
Expenses from cost allocations	695	566
Expenses for termination agreements	502	193
Losses on disposal of noncurrent assets	106	105
Miscellaneous other operating expenses	8,853	2,004
	20,171	**6,992**

The year-on-year increase in miscellaneous other operating expenses is due largely to the litigation expenses of €7.0 billion in connection with the diesel issue. The expenses for termination agreements result primarily from the restructuring expenses for the South American market and at MAN. In addition, the changes in the currency hedging derivatives are due to the exchange rate changes between the trade price and the price on realization; this applies in particular to the US dollar, the Chinese renminbi and sterling.

7. Share of profits and losses of equity-accounted investments

€ million	2015	2014
Share of profits of equity-accounted investments	4,417	4,007
of which: from joint ventures	(4,389)	(3,976)
of which: from associates	(28)	(30)
Share of losses of equity-accounted investments	30	19
of which: from joint ventures	(19)	(6)
of which: from associates	(11)	(13)
	4,387	**3,988**

8. Finance costs

€ million	2015	2014
Other interest and similar expenses	1,605	1,435
Interest cost included in lease payments	22	18
Interest expenses	**1,626**	**1,453**
Net interest on the net defined benefit liability	690	788
Interest cost on other liabilities	77	417
Interest cost on liabilities	**767**	**1,205**
Finance costs	**2,393**	**2,658**

9. Other financial result

€ million	2015	2014
Income from profit and loss transfer agreements	29	20
Cost of loss absorption	18	12
Other income from equity investments	1,594	251
Other expenses from equity investments	181	189
Income from marketable securities and loans*	148	86
Other interest and similar income	978	749
Gains and losses from remeasurement and impairment of financial instruments	−1,173	−72
Gains and losses from fair value changes of derivatives not included in hedge accounting	−637	−181
Gains and losses from fair value changes of derivatives included in hedge accounting	34	114
Other financial result	**773**	**767**

* Including disposal gains/losses.

The increase in other income from equity investments is primarily due to the sale of the equity interest in Suzuki. The change in gains and losses from remeasurement and impairment of financial instruments is largely the result of changes in the exchange rates for receivables and liabilities denominated in foreign currency and remeasurement effects connected with put options and compensation rights granted to noncontrolling interest shareholders. Please see the section entitled "Put options and compensation rights granted to noncontrolling interest shareholders".

10. Income tax income/expense

COMPONENTS OF TAX INCOME AND EXPENSE

€ million	2015	2014
Current tax expense, Germany	812	2,073
Current tax expense, abroad	2,047	1,559
Current income tax expense	**2,859**	**3,632**
of which prior-period income (–)/expense (+)	(142)	(–230)
Deferred tax income (–)/expense (+), Germany	–2,075	–145
Deferred tax income (–)/expense (+), abroad	–725	239
Deferred tax income (–)/expense (+)	**–2,800**	**94**
Income tax income/expense	**59**	**3,726**

The statutory corporation tax rate in Germany for the 2015 assessment period was 15%. Including trade tax and the solidarity surcharge, this resulted in an aggregate tax rate of 29.8%.

A tax rate of 29.8% (previous year: 29.8%) was used to measure deferred taxes in the German consolidated tax group.

The local income tax rates applied for companies outside Germany vary between 0% and 45%. In the case of split tax rates, the tax rate applicable to undistributed profits is applied.

The realization of tax benefits from tax loss carryforwards from previous years resulted in a reduction in current income taxes in 2015 of €302 million (previous year: €136 million).

Previously unused tax loss carryforwards amounted to €18,407 million (previous year: €12,726 million). Tax loss carryforwards amounting to €12,663 million (previous year: €6,719 million) can be used indefinitely, while €4,120 million (previous year: €775 million) must be used within the next ten years. There are additional tax loss carryforwards amounting to €1,624 million (previous year: €5,232 million) that can be used within a period of 15 or 20 years. Tax loss carryforwards of €10,478 million (previous year: €9,422 million), of which €3,567 million (previous year: €3,406 million) can only be utilized subject to restrictions within the next 20 years, were estimated not to be usable overall.

The benefit arising from previously unrecognized tax losses or tax credits of a prior period that is used to reduce current tax expense in the current fiscal year amounts to €50 million (previous year: €50 million). Deferred tax expense was reduced by €110 million (previous year: €49 million) because of a benefit arising from previously unrecognized tax losses and tax credits of a prior period. Deferred tax expense arising from the write-down of deferred tax assets amounts to €68 million (previous year: €253 million). Deferred tax income arising from the reversal of a write-down of a deferred tax asset amounts to €212 million (previous year: €117 million).

Tax credits granted by various countries amounted to €800 million (previous year: €906 million).

No deferred tax assets were recognized for deductible temporary differences of €1,643 million (previous year: €1,531 million) and for tax credits of €439 million (previous year: €504 million) that would expire in the next 20 years, or for tax credits of €14 million (previous year: €172 million) that will not expire.

In accordance with IAS 12.39, deferred tax liabilities of €193 million (previous year: €290 million) for temporary differences and undistributed profits of Volkswagen AG subsidiaries were not recognized because control exists.

Due to the change in the statutory provisions in Germany, a refund claim for corporation tax was recognized as a current tax asset for the first time in fiscal year 2006. The present value of the refund claim was €259 million (previous year: €380 million) at the balance sheet date.

Deferred tax income resulting from changes in tax rates amounted to €2 million at Group level (previous year: €7 million expense).

Deferred taxes in respect of temporary differences and tax loss carryforwards of €8,466 million (previous year: €831 million) were recognized without being offset by deferred tax liabilities in the same amount. The existing tax loss carryforwards of the companies in the German tax group that were recognized due to positive results in the past are required to be included in this analysis for the first time in the reporting period. The companies concerned are expecting positive tax income in the future, following losses in the reporting period or the previous year.

€5,320 million (previous year: €5,180 million) of the deferred taxes recognized in the balance sheet was credited to equity and relates to other comprehensive income. €2 million (previous year: €2 million) of this figure is attributable to noncontrolling interests. There were effects from capital transactions with noncontrolling interest shareholders in the reporting period and the prior-year period. Changes in deferred taxes classified by balance sheet item are presented in the statement of comprehensive income.

In the reporting period, tax effects of €11 million (previous year: €19 million) resulting from equity transaction costs were recognized in equity.

DEFERRED TAXES CLASSIFIED BY BALANCE SHEET ITEM

The following recognized deferred tax assets and liabilities were attributable to recognition and measurement differences in the individual balance sheet items and to tax loss carryforwards:

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
€ million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Intangible assets	306	306	9,570	9,479
Property, plant and equipment, and lease assets	3,946	3,767	7,152	6,092
Noncurrent financial assets	24	13	23	37
Inventories	1,882	1,883	744	697
Receivables and other assets (including Financial Services Division)	1,577	1,398	7,188	6,632
Other current assets	3,029	1,459	148	16
Pension provisions	5,121	6,050	31	242
Liabilities and other provisions	11,532	8,660	2,241	869
Valuation allowances on deferred tax assets from temporary differences	−330	−433	–	–
Temporary differences, net of valuation allowances	27,087	23,104	27,097	24,065
Tax loss carryforwards, net of valuation allowances	2,455	1,129	–	–
Tax credits, net of valuation allowances	347	228	–	–
Value before consolidation and offset	**29,889**	**24,460**	**27,097**	**24,065**
of which noncurrent	(19,050)	(15,999)	(22,062)	(20,013)
Offset	24,110	20,207	24,110	20,207
Consolidation	2,248	1,625	1,446	916
Amount recognized	**8,026**	**5,878**	**4,433**	**4,774**

In accordance with IAS 12, deferred tax assets and liabilities are offset if, and only if, they relate to income taxes levied by the same taxation authority and relate to the same tax period.

The tax expense reported for 2015 of €59 million (previous year: €3,726 million) was €447 million higher (previous year: €683 million lower) than the expected tax income of €388 million that would have resulted from application of a tax rate for the Group of 29.8% to the earnings before tax of the Group.

RECONCILIATION OF EXPECTED TO EFFECTIVE INCOME TAX

€ million	2015	2014
Earnings before tax	−1,301	14,794
Expected income tax income (–) / expense (+) (tax rate 29.8%; previous year: 29.8%)	**−388**	**4,409**
Reconciliation:		
Effect of different tax rates outside Germany	−386	−92
Proportion of taxation relating to:		
tax-exempt income	−1,976	−1,423
expenses not deductible for tax purposes	2,155	336
effects of loss carryforwards and tax credits	155	334
permanent differences	43	−23
Tax credits	−84	−112
Prior-period tax expense	46	−271
Effect of tax rate changes	−2	7
Nondeductible withholding tax	439	308
Other taxation changes	57	253
Effective income tax expense	**59**	**3,726**

11. Earnings per share

Basic earnings per share are calculated by dividing earnings attributable to Volkswagen AG shareholders by the weighted average number of ordinary and preferred shares outstanding during the reporting period.

In 2012 and 2013, Volkswagen AG placed two mandatory convertible notes with identical features and an aggregate principal amount of €3.7 billion via a subsidiary, Volkswagen International Finance N.V. Amsterdam (issuer). These notes matured on November 9, 2015. The note terms and conditions provided for early conversion options. This voluntary conversion right was exercised in the reporting period, with 27,091 new preferred shares being created from €4.7 million of notes based on the effective maximum conversion price at the conversion date. Under the note terms and conditions, the mandatory convertible notes were required to be settled by issuing new preferred shares no later than at maturity. At the maturity date, November 9, 2015, the remaining amount of both notes was converted by the issuer as required. A total of 25,536,876 new preferred shares were created and the underlying principal amount of each bond was €100,000 and the final conversion price €144.50.

When comparing year-on-year, it is important to bear in mind that IAS 33.23 sets out that all potential shares that will be issued upon the conversion of a mandatory convertible note must be accounted for as issued shares and included in the calculation of basic and diluted earnings per share. In accordance with IAS 33.26, the number of potential preferred shares included in the previous year was replaced retrospectively with the shares actually issued in the reporting period when notes were voluntarily and mandatorily converted. As of their admission to the regulated market on June 12, 2014, the new preferred shares from the capital increase were included in the calculation of earnings per share for the previous year.

The finance costs associated with the mandatory convertible notes were not included in the calculation of consolidated result because the interest component was recognized in other comprehensive income when the note was issued, and interest expense arose only from the amount of compound interest. Since the basic and diluted number of shares is identical, basic earnings per share also correspond to diluted earnings per share. See note 24 for further information regarding the issuance of the mandatory convertible note and the capital increase.

Earnings per ordinary share were €–3.20 in fiscal year 2015, while earnings per preferred share were €–3.09. Article 27(2) No. 1 of the Articles of Association of Volkswagen AG sets out that, even in the event of a deficit, a preferred dividend of €0.11 per preferred share must be paid out in the subsequent fiscal years based on the cumulative arrangement if no dividend is paid for the year under review; consequently, this must be factored into the calculation of earnings per share for the current fiscal year. The dividend proposal outlined in Note 24 that is based on Volkswagen AG's net income for the year under the German Commercial Code is not relevant for the calculation of earnings per share in accordance with IAS 33. The payment of further dividends in accordance with Article 27(2) No. 2 and No. 3 of the Articles of Association of Volkswagen AG is only factored into the calculation of earnings per share when the Company generates earnings after tax which is attributable to Volkswagen AG shareholders.

Quantity	ORDINARY		PREFERRED	
	2015	2014	2015	2014*
Weighted average number of shares outstanding – basic	295,089,818	295,089,818	206,205,445	201,522,489
Weighted average number of shares outstanding – diluted	295,089,818	295,089,818	206,205,445	201,522,489

* Prior-year figures adjusted to reflect application of IAS 33.26.

€ million	2015	2014*
Earnings after tax	–1,361	11,068
Noncontrolling interests	10	84
Earnings attributable to Volkswagen AG hybrid capital investors	212	138
Earnings attributable to Volkswagen AG shareholders	–1,582	10,847
Basic earnings attributable to ordinary shares	–945	6,438
Diluted earnings attributable to ordinary shares	–945	6,438
Basic earnings attributable to preferred shares	–637	4,409
Diluted earnings attributable to preferred shares	–637	4,409

* Prior-year figures adjusted to reflect application of IAS 33.26.

€	2015	2014*
Basic earnings per ordinary share	–3.20	21.82
Diluted earnings per ordinary share	–3.20	21.82
Basic earnings per preferred share	–3.09	21.88
Diluted earnings per preferred share	–3.09	21.88

* Prior-year figures adjusted to reflect application of IAS 33.26.

Additional Income Statement Disclosures in accordance with IAS 23 (Borrowing Costs)

Capitalized borrowing costs amounted to €78 million (previous year: €85 million) and related mainly to capitalized development costs. An average cost of debt of 1.8% (previous year: 2.2%) was used as a basis for capitalization in the Volkswagen Group.

Additional Income Statement Disclosures in accordance with IFRS 7 (Financial Instruments)

CLASSES OF FINANCIAL INSTRUMENTS

Financial instruments are divided into the following classes at the Volkswagen Group:

> financial instruments measured at fair value,
> financial instruments measured at amortized cost and
> financial instruments not falling within the scope of IFRS 7.

Financial instruments not falling within the scope of IFRS 7 include in particular investments in associates and joint ventures accounted for using the equity method.

NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS BY IAS 39 MEASUREMENT CATEGORY

€ million	2015	2014
Financial instruments at fair value through profit or loss	−700	−220
Loans and receivables	5,317	5,357
Available-for-sale financial assets*	1,554	196
Financial liabilities measured at amortized cost	−4,514	−3,921
	1,657	**1,412**

* Prior-year figures adjusted.

Net gains and losses from financial assets and liabilities at fair value through profit or loss are composed of the fair value measurement gains and losses on derivatives, including interest and gains and losses on currency translation.

Net gains and losses from available-for-sale financial assets primarily comprise income and expenses from marketable securities including disposal gains/losses, impairment losses on investments and currency translation effects.

Net gains and losses from loans and receivables and from financial liabilities carried at amortized cost comprise interest income and expenses in accordance with the effective interest method under IAS 39, including currency translation effects. Interest also includes interest income and expenses from the lending business of the financial services operations.

TOTAL INTEREST INCOME AND EXPENSES ATTRIBUTABLE TO FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

€ million	2015	2014
Interest income	5,540	5,267
Interest expenses	3,802	3,683
	1,738	**1,584**

IMPAIRMENT LOSSES ON FINANCIAL ASSETS BY CLASS

€ million	2015	2014
Measured at fair value	4	2
Measured at amortized cost	1,552	1,295
	1,557	**1,297**

Impairment losses relate to write-downs of financial assets, such as valuation allowances on receivables, marketable securities and unconsolidated subsidiaries. Interest income on impaired financial assets amounted to €50 million in the fiscal year (previous year: €46 million).

In fiscal year 2015, €3 million (previous year: €6 million) was recognized as an expense and €52 million (previous year: €66 million) as income from fees and commissions for trust activities and from financial assets and liabilities not measured at fair value that are not accounted for using the effective interest method.

BALANCE SHEET DISCLOSURES

12. Intangible assets

CHANGES IN INTANGIBLE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	Brand names	Goodwill	Capitalized development costs for products under development	Capitalized development costs for products currently in use	Other intangible assets	Total
Cost						
Balance at Jan. 1, 2014	**17,088**	**23,730**	**5,087**	**19,224**	**8,352**	**73,481**
Foreign exchange differences	−53	−161	2	30	15	−166
Changes in consolidated Group	–	8	–	–	53	62
Additions	–	–	3,652	949	360	4,961
Transfers	10	–	−2,306	2,307	16	26
Disposals	–	–	8	1,100	504	1,611
Balance at Dec. 31, 2014	**17,045**	**23,577**	**6,428**	**21,409**	**8,292**	**76,752**
Amortization and impairment						
Balance at Jan. 1, 2014	**59**	**0**	**24**	**10,085**	**4,070**	**14,238**
Foreign exchange differences	10	0	0	17	6	32
Changes in consolidated Group	–	–	–	–	3	3
Additions to cumulative amortization	10	–	0	2,948	1,050	4,009
Additions to cumulative impairment losses	–	–	10	67	13	91
Transfers	–	–	−7	7	1	1
Disposals	–	–	–	1,031	505	1,536
Reversal of impairment losses	–	–	13	8	–	20
Balance at Dec. 31, 2014	**79**	**0**	**14**	**12,085**	**4,639**	**16,818**
Carrying amount at Dec. 31, 2014	**16,967**	**23,577**	**6,413**	**9,324**	**3,654**	**59,935**

CHANGES IN INTANGIBLE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

€ million	Brand names	Goodwill	Capitalized development costs for products under development	Capitalized development costs for products currently in use	Other intangible assets	Total
Cost						
Balance at Jan. 1, 2015	**17,045**	**23,577**	**6,428**	**21,409**	**8,292**	**76,752**
Foreign exchange differences	16	64	−27	52	−189	−85
Changes in consolidated Group	–	5	–	–	43	48
Additions	–	–	4,043	978	506	5,526
Transfers	–	–	−3,652	3,652	16	17
Disposals	–	–	11	2,410	138	2,559
Balance at Dec. 31, 2015	**17,062**	**23,646**	**6,781**	**23,681**	**8,529**	**79,699**
Amortization and impairment						
Balance at Jan. 1, 2015	**79**	**0**	**14**	**12,085**	**4,639**	**16,818**
Foreign exchange differences	−7	0	0	39	−83	−50
Changes in consolidated Group	–	–	–	–	14	14
Additions to cumulative amortization	4	–	–	3,098	989	4,091
Additions to cumulative impairment losses	–	–	31	133	21	186
Transfers	–	–	−8	8	−2	−2
Disposals	–	–	–	2,396	105	2,501
Reversal of impairment losses	–	–	–	1	–	1
Balance at Dec. 31, 2015	**76**	**–**	**37**	**12,968**	**5,472**	**18,553**
Carrying amount at Dec. 31, 2015	**16,986**	**23,646**	**6,744**	**10,713**	**3,058**	**61,147**

Other intangible assets comprise in particular concessions, purchased customer lists and dealer relationships, industrial and similar rights, and licenses in such rights and assets.

The allocation of the brand names and goodwill to the operating segments is shown in the following table:

€ million	2015	2014
Brand names by operating segment		
Porsche	13,823	13,823
Scania Vehicles and Services	1,059	1,036
MAN Truck & Bus	1,127	1,127
MAN Diesel & Turbo	415	415
Ducati	404	404
Other	158	162
	16,986	**16,967**
Goodwill by operating segment		
Porsche	18,825	18,825
Scania Vehicles and Services	3,044	2,978
MAN Truck & Bus	607	595
MAN Diesel & Turbo	250	250
Ducati	290	290
ŠKODA	150	146
Porsche Holding Salzburg	197	191
Other	284	303
	23,646	**23,577**

The recoverability test for recognized goodwill is based on value in use. Recoverability is not affected by a variation in the growth forecast with respect to the perpetual annuity or in the discount rate of +/–0.5 percentage points.

Of the total research and development costs incurred in 2015, €5,021 million (previous year: €4,601 million) met the criteria for capitalization under IFRSs.

The following amounts were recognized in profit or loss:

€ million	2015	2014
Research and non-capitalized development costs	8,591	8,519
Amortization of development costs	3,263	3,026
Research and development costs recognized in the income statement	**11,853**	**11,545**

13. Property, plant and equipment

CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Cost					
Balance at Jan. 1, 2014	**26,277**	**35,159**	**49,297**	**6,158**	**116,891**
Foreign exchange differences	43	161	495	15	713
Changes in consolidated Group	139	−1	9	19	166
Additions	894	1,511	4,005	5,150	11,560
Transfers	1,256	2,065	1,364	−4,696	−11
Disposals	120	1,021	1,249	40	2,430
Balance at Dec. 31, 2014	**28,489**	**37,873**	**53,922**	**6,607**	**126,890**
Depreciation and impairment					
Balance at Jan. 1, 2014	**10,939**	**25,091**	**38,447**	**26**	**74,503**
Foreign exchange differences	36	122	405	4	567
Changes in consolidated Group	32	−2	3	–	32
Additions to cumulative depreciation	934	2,491	4,079	5	7,509
Additions to cumulative impairment losses	6	26	98	13	143
Transfers	8	−20	20	−6	3
Disposals	47	929	1,051	0	2,027
Reversal of impairment losses	1	–	1	5	8
Balance at Dec. 31, 2014	**11,906**	**26,779**	**42,000**	**36**	**80,721**
Carrying amount at Dec. 31, 2014	**16,582**	**11,095**	**11,921**	**6,570**	**46,169**
of which assets leased under finance leases Carrying amount at Dec. 31, 2014	276	11	13	–	299

Future finance lease payments due, and their present values, are shown in the following table:

€ million	2015	2016 – 2019	from 2020	Total
Finance lease payments	56	222	318	596
Interest component of finance lease payments	23	64	113	200
Carrying amount of liabilites	**34**	**158**	**204**	**396**

CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

€ million	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Cost					
Balance at Jan. 1, 2015	**28,489**	**37,873**	**53,922**	**6,607**	**126,890**
Foreign exchange differences	35	22	56	113	226
Changes in consolidated Group	129	37	44	0	210
Additions	992	1,777	4,283	5,748	12,800
Transfers	1,565	1,746	1,383	−4,713	−18
Disposals	173	1,620	1,446	38	3,277
Balance at Dec. 31, 2015	**31,036**	**39,836**	**58,243**	**7,717**	**136,832**
Depreciation and impairment					
Balance at Jan. 1, 2015	**11,906**	**26,779**	**42,000**	**36**	**80,721**
Foreign exchange differences	12	29	35	−6	69
Changes in consolidated Group	44	33	38	–	115
Additions to cumulative depreciation	948	2,691	4,539	–	8,178
Additions to cumulative impairment losses	6	107	382	58	553
Transfers	−1	71	−65	−1	3
Disposals	125	1,561	1,284	0	2,970
Reversal of impairment losses	0	1	1	7	10
Balance at Dec. 31, 2015	**12,789**	**28,148**	**45,645**	**79**	**86,661**
Carrying amount at Dec. 31, 2015	**18,247**	**11,688**	**12,597**	**7,638**	**50,171**
of which assets leased under finance leases Carrying amount at Dec. 31, 2015	345	12	36	–	393

Options to purchase buildings and plant leased under the terms of finance leases exist in most cases, and are also expected to be exercised.

Future finance lease payments due, and their present values, are shown in the following table:

€ million	2016	2017 – 2020	from 2021	Total
Finance lease payments	60	240	408	707
Interest component of finance lease payments	20	67	149	236
Carrying amount of liabilites	**40**	**173**	**258**	**471**

For assets leased under operating leases, payments recognized in the income statement amounted to €1,463 million (previous year: €1,330 million). With respect to internally used assets, €1,306 million (previous year: €1,171 million) of this figure is attributable to minimum lease payments and €51 million (previous year: €50 million) to contingent lease payments. The payments of €106 million (previous year: €109 million) under subleases primarily relate to minimum lease payments.

Government grants of €120 million (previous year: €110 million) were deducted from the cost of property, plant and equipment, and noncash benefits received amounting to €18 million (previous year: €0 million) were not capitalized as the cost of assets.

Real property liens of €657 million (previous year: €628 million) are pledged as collateral for financial liabilities related to land and buildings.

14. Lease assets and investment property

CHANGES IN LEASE ASSETS AND INVESTMENT PROPERTY IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	Leasing assets	Investment property	Total
Cost			
Balance at Jan. 1, 2014	**29,878**	**633**	**30,511**
Foreign exchange differences	2,052	31	2,084
Changes in consolidated Group	547	–	547
Additions	13,998	100	14,098
Transfers	8	−18	−10
Disposals	9,703	10	9,713
Balance at Dec. 31, 2014	**36,780**	**736**	**37,516**
Depreciation and impairment			
Balance at Jan. 1, 2014	**7,619**	**205**	**7,824**
Foreign exchange differences	466	8	474
Changes in consolidated Group	125	–	125
Additions to cumulative depreciation	4,907	15	4,922
Additions to cumulative impairment losses	121	29	150
Transfers	1	−4	−3
Disposals	4,039	3	4,042
Reversal of impairment losses	3	–	3
Balance at Dec. 31, 2014	**9,195**	**251**	**9,446**
Carrying amount at Dec. 31, 2014	**27,585**	**485**	**28,070**

The following payments from noncancelable leases and rental agreements were expected to be received over the coming years:

€ million	2015	2016 – 2019	from 2020	Total
Lease payments	3,253	3,528	1	6,782

CHANGES IN LEASE ASSETS AND INVESTMENT PROPERTY IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

€ million	Leasing assets	Investment property	Total
Cost			
Balance at Jan. 1, 2015	**36,780**	**736**	**37,516**
Foreign exchange differences	1,750	23	1,773
Changes in consolidated Group	10	1	11
Additions	18,265	15	18,280
Transfers	0	2	2
Disposals	11,687	16	11,702
Balance at Dec. 31, 2015	**45,118**	**761**	**45,879**
Depreciation and impairment			
Balance at Jan. 1, 2015	**9,195**	**251**	**9,446**
Foreign exchange differences	411	4	415
Changes in consolidated Group	3	1	4
Additions to cumulative depreciation	6,035	15	6,050
Additions to cumulative impairment losses	619	–	619
Transfers	0	−1	−1
Disposals	4,315	5	4,321
Reversal of impairment losses	3	8	10
Balance at Dec. 31, 2015	**11,945**	**257**	**12,202**
Carrying amount at Dec. 31, 2015	**33,173**	**504**	**33,677**

Lease assets include assets leased out under the terms of operating leases and assets covered by long-term buy-back agreements.

Investment property includes apartments rented out and leased dealerships with a fair value of €927 million (previous year: €890 million). Fair value is estimated using an investment method based on internal calculations (Level 3 of the fair value hierarchy). Operating expenses of €50 million (previous year: €53 million) were incurred for the maintenance of investment property in use. Expenses of €1 million (previous year: €3 million) were incurred for unused investment property.

The following payments from noncancelable leases and rental agreements are expected to be received over the coming years:

€ million	2016	2017 – 2020	from 2021	Total
Lease payments	3,722	4,398	42	8,162

15. Equity-accounted investments and other equity investments

CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	Equity-accounted investments	Other equity investments	Total
Gross carrying amount at Jan. 1, 2014	**8,014**	**4,177**	**12,191**
Foreign exchange differences	205	12	217
Changes in consolidated Group	335	−1,001	−666
Additions	36	292	329
Transfers	–	0	0
Disposals	0	96	96
Changes recognized in profit or loss	3,987	–	3,987
Dividends	−2,997	–	−2,997
Other changes recognized in other comprehensive income	376	630	1,005
Balance at Dec. 31, 2014	**9,955**	**4,014**	**13,968**
Impairment losses Balance at Jan. 1, 2014	**80**	**237**	**316**
Foreign exchange differences	1	−1	0
Changes in consolidated Group	–	−5	−5
Additions	–	172	172
Transfers	–	–	–
Disposals	–	72	72
Reversal of impairment losses	–	–	–
Balance at Dec. 31, 2014	**80**	**331**	**411**
Carrying amount at Dec. 31, 2014	**9,874**	**3,683**	**13,557**

CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

€ million	Equity-accounted investments	Other equity investments	Total
Gross carrying amount at Jan. 1, 2015	**9,955**	**4,014**	**13,968**
Foreign exchange differences	187	9	197
Changes in consolidated Group	–	−67	−67
Additions	740	253	993
Transfers	44	−44	–
Disposals	36	3,174	3,210
Changes recognized in profit or loss	4,386	–	4,386
Dividends	−4,683	–	−4,683
Other changes recognized in other comprehensive income	392	342	733
Balance at Dec. 31, 2015	**10,985**	**1,333**	**12,318**
Impairment losses Balance at Jan. 1, 2015	**80**	**331**	**411**
Foreign exchange differences	1	−2	−2
Changes in consolidated Group	–	−3	−3
Additions	–	38	38
Transfers	–	–	–
Disposals	–	4	4
Reversal of impairment losses	–	0	0
Balance at Dec. 31, 2015	**81**	**358**	**439**
Carrying amount at Dec. 31, 2015	**10,904**	**974**	**11,878**

Equity-accounted investments include joint ventures in the amount of €9,546 million (previous year: €9,159 million) and associates in the amount of €1,358 million (previous year: €715 million).

€335 million of the changes in the consolidated Group between equity-accounted investments and other equity investments in the previous year related to the reclassification of the shares in Bertrandt because of the change in the method of inclusion. The acquisition of the additional shares in Bertrandt in the amount of €40 million was previously reported under additions of other equity investments. The additions of equity-accounted investments in the fiscal year are mainly attributable to There Holding. The disposals of other equity investments are mainly the result of the sale of the Suzuki shares. Further details can be found in the disclosures in the section entitled "Basis of consolidation".

Of the other changes recognized in other comprehensive income, €391 million (previous year: €379 million) is attributable to joint ventures and €1 million (previous year: €–3 million) to associates. They are mainly the result of foreign exchange differences in the amount of €393 million (previous year: €397 million), pension plan remeasurements in the amount of €–8 million (previous year: €–6 million) and losses on the fair value measurement of cash flow hedges in the amount of €6 million (previous year: €–23 million).

16. Noncurrent and current financial services receivables

€ million	Carrying amount Current	Carrying amount Noncurrent	Carrying amount Dec. 31, 2015	Fair value Dec. 31, 2015	Carrying amount Current	Carrying amount Noncurrent	Carrying amount Dec. 31, 2014	Fair value Dec. 31, 2014
Receivables from financing business								
Customer financing	21,991	44,985	66,976	68,452	21,163	41,681	62,844	64,778
Dealer financing	14,738	1,832	16,570	16,539	13,343	1,570	14,913	14,897
Direct banking	212	2	214	214	198	1	198	199
	36,941	**46,819**	**83,760**	**85,205**	**34,704**	**43,252**	**77,956**	**79,873**
Receivables from operating leases	273	–	273	273	281	–	281	281
Receivables from finance leases	9,674	16,365	26,040	26,041	9,413	14,625	24,038	24,296
	46,888	**63,185**	**110,073**	**111,518**	**44,398**	**57,877**	**102,275**	**104,450**

The receivables from customer financing and finance leases contained in financial services receivables of €110.1 billion (previous year: €102.3 billion) decreased by €18 million as a result of a fair value adjustment from portfolio hedging (previous year: increase of €39 million).

The receivables from customer and dealer financing are secured by vehicles or real property liens.

The receivables from dealer financing include €45 million (previous year: €98 million) receivable from unconsolidated affiliated companies.

The receivables from finance leases – almost entirely in respect of vehicles – were or are expected to generate the following cash flows as of December 31, 2014 and December 31, 2015:

€ million	2015	2016 – 2019	from 2020	Total
Future payments from finance lease receivables	10,074	15,474	84	25,632
Unearned finance income from finance leases (discounting)	−661	−929	−4	−1,594
Present value of minimum lease payments outstanding at the reporting date	**9,413**	**14,545**	**80**	**24,038**

€ million	2016	2017 – 2020	from 2021	Total
Future payments from finance lease receivables	10,320	17,184	135	27,639
Unearned finance income from finance leases (discounting)	−646	−949	−4	−1,600
Present value of minimum lease payments outstanding at the reporting date	**9,674**	**16,234**	**131**	**26,040**

Accumulated valuation allowances for uncollectible minimum lease payments receivable amount to €90 million (previous year: €97 million).

17. Noncurrent and current other financial assets

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Positive fair value of derivatives	2,081	2,246	4,326	1,551	2,047	3,598
Marketable securities	–	1,387	1,387	–	1,546	1,546
Receivables from loans, bonds, profit participation rights (excluding interest)	4,286	2,169	6,455	3,533	2,170	5,704
Miscellaneous financial assets	3,677	928	4,604	2,608	735	3,343
	10,043	**6,730**	**16,773**	**7,693**	**6,498**	**14,190**

Other financial assets include receivables from related parties of €6,010 million (previous year: €5,055 million). Other financial assets and noncurrent marketable securities amounting to €1,897 million (previous year adjusted: €1,945 million) were furnished as collateral for financial liabilities and contingent liabilities. There is no original right of disposal or pledge for the furnished collateral on the part of the collateral taker.

There are restrictions on the disposal of the certificates of deposit amounting to €1.3 billion reported in noncurrent securities (see the disclosures on "Interests in joint ventures"). In addition, the miscellaneous financial assets include cash and cash equivalents that serve as collateral (mainly under asset-backed securities transactions).

The positive fair values of derivatives relate to the following items:

€ million	Dec. 31, 2015	Dec. 31, 2014
Transactions for hedging		
foreign currency risk from assets using fair value hedges	310	212
foreign currency risk from liabilities using fair value hedges	190	190
interest rate risk using fair value hedges	681	681
interest rate risk using cash flow hedges	19	4
foreign currency and price risk from future cash flows (cash flow hedges)	1,735	1,690
Hedging transactions	**2,936**	**2,778**
Assets related to derivatives not included in hedging relationships	1,391	820
	4,326	**3,598**

The positive fair value of transactions for hedging price risk from future cash flows (cash flow hedges) amounted to €0 million (previous year: €1 million).

Positive fair values of €1 million (previous year: €1 million) were recognized from transactions for hedging interest rate risk (fair value hedges) used in portfolio hedges.

Further details on derivative financial instruments as a whole are given in note 34.

18. Noncurrent and current other receivables

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Other recoverable income taxes	3,930	259	4,189	3,474	290	3,764
Miscellaneous receivables	1,438	1,081	2,518	1,605	1,365	2,970
	5,367	**1,340**	**6,707**	**5,080**	**1,654**	**6,734**

Miscellaneous receivables include assets to fund post-employment benefits in the amount of €71 million (previous year: €75 million). This item also includes the share of the technical provisions attributable to reinsurers amounting to €78 million (previous year: €87 million).

Current other receivables are predominantly non-interest-bearing.

19. Tax assets

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Deferred tax assets	–	8,026	8,026	–	5,878	5,878
Tax receivables	1,029	395	1,424	1,010	468	1,479
	1,029	**8,421**	**9,451**	**1,010**	**6,346**	**7,357**

€6,239 million (previous year: €4,718 million) of the deferred tax assets is due within one year.

20. Inventories

€ million	Dec. 31, 2015	Dec. 31, 2014
Raw materials, consumables and supplies	4,021	3,941
Work in progress	3,927	3,552
Finished goods and purchased merchandise	23,083	20,156
Current lease assets	3,861	3,679
Prepayments	156	139
	35,048	**31,466**

At the same time as the relevant revenue was recognized, inventories in the amount of €162,353 million (previous year: €158,108 million) were included in cost of sales. Valuation allowances recognized as expenses in the reporting period amounted to €932 million (previous year: €785 million). Vehicles amounting to €230 million (previous year: €207 million) were assigned as collateral for partial retirement obligations.

21. Trade receivables

€ million	Dec. 31, 2015	Dec. 31, 2014
Trade receivables from		
third parties	8,570	9,142
affiliated companies	265	230
joint ventures	2,253	2,037
associates	40	58
other investees and investors	5	4
	11,132	**11,472**

The fair values of the trade receivables correspond to the carrying amounts.

The trade receivables include receivables from construction contracts accounted for using the percentage of completion (PoC) method. These are calculated as follows:

€ million	Dec. 31, 2015	Dec. 31, 2014
Contract costs and proportionate contract profit/loss of construction contracts	1,236	1,327
Progress billings	−41	−66
Exchange rate effects	−4	6
PoC receivables, gross	**1,191**	**1,267**
Prepayments received	−969	−1,065
PoC receivables, net	**222**	**202**

Other payments received on account of construction contracts in the amount of €344 million (previous year: €375 million), for which no construction costs have yet been incurred, are recognized under other liabilities.

22. Marketable securities

The marketable securities serve to safeguard liquidity. Marketable securities are quoted, mainly short-term fixed-income securities and shares allocated to the available-for-sale financial instruments category.

23. Cash, cash equivalents and time deposits

€ million	Dec. 31, 2015	Dec. 31, 2014
Bank balances	20,656	18,815
Checks, cash-in-hand, bills and call deposits	216	309
	20,871	**19,123**

Bank balances are held at various banks in different currencies and include time deposits, for example.

24. Equity

The subscribed capital of Volkswagen AG is composed of no-par value bearer shares with a notional value of €2.56. As well as ordinary shares, there are preferred shares that entitle the bearer to a €0.06 higher dividend than ordinary shares, but do not carry voting rights.

The Annual General Meeting on April 19, 2012 resolved to create authorized capital of up to €110 million, expiring on April 18, 2017, for the issue of new ordinary bearer shares or preferred shares based. In June 2014, Volkswagen AG issued 10,471,204 new preferred shares (with a notional value of €27 million), with the result that the remaining authorized capital amounts to €83 million. In 2014, Volkswagen AG recorded a cash inflow of €2,000 million from the capital increase, less transaction costs of €20 million.

The Annual General Meeting on April 22, 2010 resolved to create contingent capital in the amount of up to €102 million expiring on April 21, 2015 that could be used to issue up to €5 billion in bonds with warrants and/or convertible bonds. To date, Volkswagen has used this contingent capital as follows:

- In November 2012, via a subsidiary, Volkswagen International Finance N.V. Amsterdam/the Netherlands (issuer), Volkswagen AG placed a €2.5 billion mandatory convertible note that entitled and obliged holders to subscribe for Volkswagen preferred shares. The preemptive rights of existing shareholders were disapplied. The convertible note bore a coupon of 5.50% and matured on November 9, 2015.
- In June 2013, Volkswagen placed another €1.2 billion mandatory convertible note to supplement the mandatory convertible note issued in November 2012. The features of this mandatory convertible note corresponded to those of the mandatory convertible note issued in November 2012. It was issued at a price of 105.64% of the principal amount. Additionally, accrued interest (€1 million) was received and deferred. This mandatory convertible note also matured on November 9, 2015.

The convertible notes were settled by issuing new preferred shares no later than at maturity. The issuer was entitled to convert the mandatory convertible notes at any time at the minimum conversion price. The note terms and conditions also provided for early conversion options. This voluntary conversion right was exercised in the reporting period. In 2015, a further 27,091 preferred shares were created through exercise of the voluntary conversion right. At the maturity date, November 9, 2015, the remaining amount of both notes was converted by the issuer as required. A further 25,536,876 new preferred shares were created and the underlying principal amount of each bond was €100,000 and the final conversion price €144.50. In this context, it was necessary to reclassify the principal amount of €65 million from the capital reserves to subscribed capital.

Following the voluntary and mandatory conversion of mandatory convertible notes in the reporting period, the subscribed capital is composed of 295,089,818 no-par value ordinary shares and 206,205,445 no-par value preferred shares, and amounts to €1,283 million (December 31, 2014: €1,218 million).

The Annual General Meeting on May 5, 2015 resolved to create authorized capital of up to €179 million, expiring on May 4, 2020, to issue new preferred bearer shares.

On March 14, 2014, Volkswagen AG published an offer to the shareholders of Scania Aktiebolag, Södertälje, ("Scania") to acquire all Scania shares. The offer was completed on May 13, 2014 and Volkswagen initiated a squeeze-out for the Scania shares that were not tendered in the course of the offer. Scania shares were delisted from the NASDAQ OMX Stockholm at the end of June 5, 2014. The Group's retained earnings were reduced by the total value of the offer amounting to €6,650 million as a capital transaction with noncontrolling interest shareholders recognized directly in equity. At the same time, the equity interest in Scania previously attributable to the noncontrolling interest shareholders in Scania amounting to €2,123 million was reclassified from noncontrolling interests to the reserves attributable to the shareholders of Volkswagen AG. For information on the acquisition of the noncontrolling interests in Scania, see also the disclosures on the basis of consolidation.

In March 2014, Volkswagen AG placed unsecured subordinated hybrid notes with an aggregate principal amount of €3 billion via a subsidiary, Volkswagen International Finance N.V. Amsterdam/the Netherlands (VIF). The perpetual hybrid notes were issued in two tranches and can be called by VIF. The first call date for the first tranche (€1.25 billion and a coupon of 3.750%) is after seven years, and the first call date for the second tranche (€1.75 billion and a coupon of 4.625%) is after twelve years. In March 2015, Volkswagen AG placed further unsecured subordinated hybrid notes with an aggregate principal amount of €2.5 billion via VIF. The perpetual hybrid notes were issued in two tranches and can be called by VIF. The first call date for the first tranche (€1.1 billion and a coupon of 2.50%) is after seven years, and the first call date for the second tranche (€1.4 billion and a coupon of 3.50%) is after 15 years. Interest may be accumulated depending on whether a dividend is paid to Volkswagen AG shareholders. Under IAS 32, the hybrid notes must be classified in their entirety as equity. The capital raised was recognized in equity, less a discount and transaction costs and net of deferred taxes. The interest payments payable to the noteholders will be recognized directly in equity, net of income taxes.

CHANGE IN ORDINARY AND PREFERRED SHARES AND SUBSCRIBED CAPITAL

	SHARES		€	
	2015	2014	2015	2014
Balance at January 1	**475,731,296**	**465,237,989**	**1,217,872,118**	**1,191,009,252**
Capital increase	–	10,471,204	–	26,806,282
Conversion of mandatory convertible notes	25,563,967	22,103	65,443,756	56,584
Balance at December 31	**501,295,263**	**475,731,296**	**1,283,315,873**	**1,217,872,118**

The capital reserves comprise the share premium totaling €14,225 million (previous year: €14,290 million) from capital increases, the share premium of €219 million from the issuance of bonds with warrants and an amount of €107 million appropriated on the basis of the capital reduction implemented in 2006. In the previous year, the capital reserves increased by €1,959 million due to the implementation of a capital increase. As the mandatory convertible notes that had been issued were converted in fiscal year 2015, an amount of €65,443,756 (previous year: €56,584) was reclassified from the capital reserves to subscribed capital (see also note 11). No amounts were withdrawn from the capital reserves.

DIVIDEND PROPOSAL

In accordance with section 58(2) of the Aktiengesetz (AktG – German Stock Corporation Act), the dividend payment by Volkswagen AG is based on the net retained profits reported in the annual financial statements of Volkswagen AG prepared in accordance with the German Commercial Code. Based on these annual financial statements of Volkswagen AG, net retained profits of €69 million are eligible for distribution following the withdrawal of €5,580 million from the revenue reserves. The Board of Management and Supervisory Board will propose to the Annual General Meeting that a total dividend of €68 million, i.e. €0.11 per ordinary share and €0.17 per preferred share, be paid from the net retained profits. Shareholders are not entitled to a dividend payment until it has been resolved by the Annual General Meeting.

A dividend of €4.80 per ordinary share and €4.86 per preferred share was distributed in fiscal year 2015.

NONCONTROLLING INTERESTS

As of December 31, 2015, total noncontrolling interests amounted to €210 million (previous year: €198 million). The noncontrolling interests in equity are attributable primarily to shareholders of RENK AG and AUDI AG and are immaterial individually and in the aggregate.

25. Noncurrent and current financial liabilities

The details of noncurrent and current financial liabilities are presented in the following table:

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Bonds	19,891	42,454	62,346	19,586	42,852	62,438
Commercial paper and notes	10,428	16,369	26,797	10,053	13,787	23,840
Liabilities to banks	16,018	11,101	27,119	11,109	9,692	20,801
Deposits business	25,357	1,141	26,498	24,353	980	25,333
Loans and miscellaneous liabilities	578	1,795	2,373	429	743	1,172
Bills of exchange	–	–	–	–	–	–
Finance lease liabilities	40	431	471	34	362	396
	72,313	**73,292**	**145,604**	**65,564**	**68,416**	**133,980**

The deposits from direct banking business contained in the financial liabilities of €145.6 billion (previous year: €134.0 billion) decreased by €– million (previous year: €0.1 million) as a result of a fair value adjustment from portfolio hedging.

26. Noncurrent and current other financial liabilities

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Negative fair values of derivative financial instruments	4,799	3,905	8,703	2,991	2,390	5,381
Interest payable	668	70	739	709	43	752
Miscellaneous financial liabilities	4,883	1,926	6,809	3,943	1,521	5,464
	10,350	**5,901**	**16,251**	**7,643**	**3,954**	**11,597**

The negative fair values of derivatives relate to the following items:

€ million	Dec. 31, 2015	Dec. 31, 2014
Transactions for hedging		
foreign currency risk from assets using fair value hedges	71	24
foreign currency risk from liabilities using fair value hedges	106	286
interest rate risk using fair value hedges	71	115
interest rate risk using cash flow hedges	16	20
foreign currency and price risk from future cash flows (cash flow hedges)	6,970	4,168
Hedging transactions	**7,234**	**4,614**
Liabilities related to derivatives not included in hedging relationships	1,469	767
	8,703	**5,381**

The negative fair value of transactions for hedging price risk from future cash flows (cash flow hedges) amounted to €166 million (previous year: €69 million).

Negative fair values of €44 million (previous year: €49 million) were recognized from transactions for hedging interest rate risk (fair value hedges) used in portfolio hedges.

Further details on derivative financial instruments as a whole are given in note 34.

27. Noncurrent and current other liabilities

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Payments received on account of orders	3,994	150	4,144	3,402	146	3,548
Liabilities relating to						
other taxes	1,973	435	2,408	2,044	545	2,590
social security	486	29	515	466	23	489
wages and salaries	4,293	663	4,956	4,963	527	5,490
Miscellaneous liabilities	3,267	3,628	6,896	3,269	2,996	6,265
	14,014	**4,905**	**18,919**	**14,143**	**4,238**	**18,382**

28. Tax liabilities

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Deferred tax liabilities	–	4,433	4,433	–	4,774	4,774
Provisions for taxes	1,301	3,940	5,241	2,791	3,215	6,007
Tax payables	330	–	330	256	–	256
	1,630	**8,373**	**10,004**	**3,048**	**7,989**	**11,037**

€369 million (previous year: €121 million) of the deferred tax liabilities is due within one year.

29. Provisions for pensions and other post-employment benefits

Provisions for pensions are recognized for commitments in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits provided by the Group vary according to the legal, tax and economic circumstances of the country concerned, and usually depend on the length of service and remuneration of the employees.

Volkswagen Group companies provide occupational pensions under both defined contribution and defined benefit plans. In the case of defined contribution plans, the Company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the Volkswagen Group. Current contributions are recognized as pension expenses of the period concerned. In 2015, they amounted to a total of €1,978 million (previous year: €1,815 million) in the Volkswagen Group. Of this figure, contributions to the compulsory state pension system in Germany amounted to €1,500 million (previous year: €1,410 million).

In the case of defined benefit plans, a distinction is made between pensions funded by provisions and externally funded plans.

The pension provisions for defined benefits are measured by independent actuaries using the internationally accepted projected unit credit method in accordance with IAS 19, under which the future obligations are measured on the basis of the ratable benefit entitlements earned as of the balance sheet date. Measurement reflects actuarial assumptions as to discount rates, salary and pension trends, employee turnover rates, longevity and increases in healthcare costs, which were determined for each Group company depending on the economic environment. Remeasurements arise from differences between what has actually occurred and the prior-year assumptions as well as from changes in assumptions. They are recognized in other comprehensive income, net of deferred taxes, in the period in which they arise.

Multi-employer pension plans exist in the Volkswagen Group in the United Kingdom, Switzerland, Sweden, the Netherlands and Japan. These plans are defined benefit plans. A small proportion of them are accounted for as defined contribution plans, as the Volkswagen Group is not authorized to receive the information required in order to account for them as defined benefit plans. Under the terms of the multi-employer plans, the Volkswagen Group is not liable for the obligations of the other employers. In the event of its withdrawal from the plans or their winding-up, the proportionate share of the surplus of assets attributable to the Volkswagen Group will be credited or the proportionate share of the deficit attributable to the Volkswagen Group will have to be funded. In the case of the defined benefit plans accounted for as defined contribution plans, the Volkswagen Group's share of the obligations represents a small proportion of the total obligations. No probable significant risks arising from multi-employer defined benefit pension plans that are accounted for as defined contribution plans have been identified. The expected contributions to those plans will amount to €22 million for fiscal year 2016.

Owing to their benefit character, the obligations of the US Group companies in respect of post-employment medical care in particular are also carried under provisions for pensions and other post-employment benefits. These post-employment benefit provisions take into account the expected long-term rise in the cost of healthcare. €19 million (previous year: €16 million) was recognized in fiscal year 2015 as an expense for health care costs. The related carrying amount as of December 31, 2015 was €222 million (previous year: €245 million).

The following amounts were recognized in the balance sheet for defined benefit plans:

€ million	Dec. 31, 2015	Dec. 31, 2014
Present value of funded obligations	12,098	11,983
Fair value of plan assets	9,769	9,224
Funded status (net)	2,329	2,759
Present value of unfunded obligations	25,118	26,957
Amount not recognized as an asset because of the ceiling in IAS 19	17	15
Net liability recognized in the balance sheet	**27,464**	**29,731**
of which provisions for pensions	27,535	29,806
of which other assets	71	75

SIGNIFICANT PENSION ARRANGEMENTS IN THE VOLKSWAGEN GROUP

For the period after their active working life, the Volkswagen Group offers its employees benefits under attractive, modern occupational pension arrangements. Most of the arrangements in the Volkswagen Group are pension plans for employees in Germany classified as defined benefit plans under IAS 19. The majority of these obligations are funded solely by recognized provisions. These plans are now largely closed to new members. To reduce the risks associated with defined benefit plans, in particular longevity, salary increases and inflation, the Volkswagen Group has introduced new defined benefit plans in recent years whose benefits are funded by appropriate external plan assets. The above-mentioned risks have been largely reduced in these pension plans. The proportion of the total defined benefit obligation attributable to pension obligations funded by plan assets will continue to rise in the future. The significant pension plans are described in the following.

German pension plans funded solely by recognized provisions

The pension plans funded solely by recognized provisions comprise both contribution-based plans with guarantees and final salary plans. For contribution-based plans, an annual pension expense dependent on income and status is converted into a lifelong pension entitlement using annuity factors (guaranteed modular pension entitlements). The annuity factors include a guaranteed rate of interest. At retirement, the modular pension entitlements earned annually are added together. For final salary plans, the underlying salary is multiplied at retirement by a percentage that depends on the years of service up until the retirement date.

The present value of the guaranteed obligation rises as interest rates fall and is therefore exposed to interest rate risk.

The pension system provides for lifelong pension payments. The companies bear the longevity risk in this respect. This is accounted for by calculating the annuity factors and the present value of the guaranteed obligation using the latest generational mortality tables – the "Heubeck 2005 G" mortality tables – which already reflect future increases in life expectancy.

To reduce the inflation risk from adjusting the regular pension payments by the rate of inflation, a pension adjustment that is not indexed to inflation was introduced for pension plans where this is permitted by law.

German pension plans funded by external plan assets

The pension plans funded by external plan assets are contribution-based plans with guarantees. In this case, an annual pension expense dependent on income and status is either converted into a lifelong pension entitlement using annuity factors (guaranteed modular pension entitlement) or paid out in a single lump sum or in installments. In some cases, employees also have the opportunity to provide for their own retirement through deferred compensation. The annuity factors include a guaranteed rate of interest. At retirement, the modular pension entitlements earned annually are added together. The pension expense is contributed on an ongoing basis to a separate pool of assets that is administered independently of the Company in trust and invested in the capital markets. If the plan assets exceed the present value of the obligations calculated using the guaranteed rate of interest, surpluses are allocated (modular pension bonuses).

Since the assets administered in trust meet the IAS 19 criteria for classification as plan assets, they are deducted from the obligations.

The amount of the pension assets is exposed to general market risk. The investment strategy and its implementation are therefore continuously monitored by the trusts' governing bodies, on which the companies are also represented. For example, investment policies are stipulated in investment guidelines with the aim of limiting market risk and its impact on plan assets. In addition, asset-liability management studies are conducted if required so as to ensure that investments are in line with the obligations that need to be covered. The pension assets are currently invested primarily in fixed-income or equity funds. The main risks are therefore interest rate and equity price risk. To mitigate market risk, the pension system also provides for cash funds to be set aside in an equalization reserve before any surplus is allocated.

The present value of the obligation is the present value of the guaranteed obligation after deducting the plan assets. If the plan assets fall below the present value of the guaranteed obligation, a provision must be recognized in that amount. The present value of the guaranteed obligation rises as interest rates fall and is therefore exposed to interest rate risk.

In the case of lifelong pension payments, the Volkswagen Group bears the longevity risk. This is accounted for by calculating the annuity factors and the present value of the guaranteed obligation using the latest generational mortality tables – the "Heubeck 2005 G" mortality tables – which already reflect future increases in life expectancy. In addition, the independent actuaries carry out annual risk monitoring as part of the review of the assets administered by the trusts.

To reduce the inflation risk from adjusting the regular pension payments by the rate of inflation, a pension adjustment that is not indexed to inflation was introduced for pension plans where this is permitted by law.

Calculation of the pension provisions was based on the following actuarial assumptions:

	GERMANY		ABROAD	
%	2015	2014	2015	2014
Discount rate at December 31	2.70	2.30	4.36	4.35
Payroll trend	3.42	3.33	3.27	3.43
Pension trend	1.70	1.80	2.46	2.60
Employee turnover rate	1.01	0.99	3.80	3.38
Annual increase in healthcare costs	–	–	5.03	4.67

These assumptions are averages that were weighted using the present value of the defined benefit obligation.

With regard to life expectancy, consideration is given to the latest mortality tables in each country.

The discount rates are generally defined to reflect the yields on prime-rated corporate bonds with matching maturities and currencies. The iBoxx AA 10+ Corporates index was taken as the basis for the obligations of German Group companies. Similar indices were used for foreign pension obligations.

The payroll trends cover expected wage and salary trends, which also include increases attributable to career development.

The pension trends either reflect the contractually guaranteed pension adjustments or are based on the rules on pension adjustments in force in each country.

The employee turnover rates are based on past experience and future expectations.

The following table shows changes in the net defined benefit liability recognized in the balance sheet:

€ million	2015	2014
Net liability recognized in the balance sheet at January 1	**29,731**	**21,709**
Current service cost	1,104	728
Net interest expense	688	786
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	−23	4
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	−2,904	8,145
Actuarial gains (–)/losses (+) arising from experience adjustments	190	114
Income/expenses from plan assets not included in interest income	−164	324
Change in amount not recognized as an asset because of the ceiling in IAS 19	−7	7
Employer contributions to plan assets	654	616
Employee contributions to plan assets	−6	−6
Pension payments from company assets	808	783
Past service cost (including plan curtailments)	9	25
Gains (–) or losses (+) arising from plan settlements	2	0
Changes in consolidated Group	1	0
Other changes	−15	−12
Foreign exchange differences from foreign plans	−34	−43
Net liability recognized in the balance sheet at December 31	**27,464**	**29,731**

The change in the amount not recognized as an asset because of the ceiling in IAS 19 contains an interest component, part of which was recognized in the financial result in profit or loss, and part of which was recognized outside profit or loss directly in equity.

The change in the present value of the defined benefit obligation is attributable to the following factors:

€ million	2015	2014
Present value of obligations at January 1	**38,939**	**29,657**
Current service cost	1,104	728
Interest cost	996	1,153
Actuarial gains(–)/losses (+) arising from changes in demographic assumptions	−23	4
Actuarial gains(–)/losses (+) arising from changes in financial assumptions	−2,904	8,145
Actuarial gains(–)/losses (+) arising from experience adjustments	190	114
Employee contributions to plan assets	33	38
Pension payments from company assets	808	783
Pension payments from plan assets	292	235
Past service cost (including plan curtailments)	9	25
Gains (–) or losses (+) arising from plan settlements	−4	−24
Changes in consolidated Group	2	0
Other changes	−8	−21
Foreign exchange differences from foreign plans	−19	139
Present value of obligations at December 31	**37,215**	**38,939**

Changes in the relevant actuarial assumptions would have had the following effects on the defined benefit obligation:

		DEC. 31, 2015		DEC. 31, 2014	
Present value of defined benefit obligation if		€ million	Change in percent	€ million	Change in percent
Discount rate	is 0.5 percentage points higher	34,103	−8.36	35,573	−8.64
	is 0.5 percentage points lower	40,787	9.60	42,830	9.99
Pension trend	is 0.5 percentage points higher	39,081	5.01	41,024	5.35
	is 0.5 percentage points lower	35,444	−4.76	37,046	−4.86
Payroll trend	is 0.5 percentage points higher	37,693	1.28	39,487	1.41
	is 0.5 percentage points lower	36,772	−1.19	38,466	−1.22
Longevity	increases by one year	38,242	2.76	40,066	2.89

The sensitivity analysis shown above considers the change in one assumption at a time, leaving the other assumptions unchanged versus the original calculation, i.e. any correlation effects between the individual assumptions are ignored.

To examine the sensitivity of the defined benefit obligation to a change in assumed longevity, the estimates of mortality were reduced as part of a comparative calculation to the extent that doing so increases life expectancy by approximately one year.

The average duration of the defined benefit obligation weighted by the present value of the defined benefit obligation (Macaulay duration) is 19 years (previous year: 19 years).

The present value of the defined benefit obligation is attributable as follows to the members of the plan:

€ million	2015	2014
Active members with pension entitlements	21,148	22,490
Members with vested entitlements who have left the Company	1,754	1,781
Pensioners	14,314	14,669
	37,215	**38,939**

The maturity profile of payments attributable to the defined benefit obligation is presented in the following table, which classifies the present value of the obligation by the maturity of the underlying payments:

€ million	2015	2014
Payments due within the next fiscal year	1,098	1,031
Payments due between two and five years	4,420	4,212
Payments due in more than five years	31,697	33,696
	37,215	**38,939**

Changes in plan assets are shown in the following table:

€ million	2015	2014
Fair value of plan assets at January 1	**9,224**	**7,970**
Interest income on plan assets determined using the discount rate	308	366
Income/expenses from plan assets not included in interest income	–164	324
Employer contributions to plan assets	654	616
Employee contributions to plan assets	27	33
Pension payments from plan assets	292	235
Gains (+) or losses (–) arising from plan settlements	5	23
Changes in consolidated Group	1	0
Other changes	7	–9
Foreign exchange differences from foreign plans	10	182
Fair value of plan assets at December 31	**9,769**	**9,224**

The investment of the plan assets to cover future pension obligations resulted in income in the amount of €144 million (previous year: €690 million).

Employer contributions to plan assets are expected to amount to €599 million (previous year: €546 million) in the next fiscal year.

Plan assets are invested in the following asset classes:

	DEC. 31, 2015			DEC. 31, 2014		
€ million	Quoted prices in active markets	No quoted prices in active markets	Total	Quoted prices in active markets	No quoted prices in active markets	Total
Cash and cash equivalents	289	–	289	304	–	304
Equity instruments	313	–	313	292	–	292
Debt instruments	1,513	0	1,513	1,601	0	1,601
Direct investments in real estate	2	96	98	2	87	89
Derivatives	–19	–	–19	–4	–	–4
Equity funds	1,424	50	1,475	2,110	62	2,172
Bond funds	4,682	99	4,781	3,437	96	3,533
Real estate funds	257	–	257	234	–	234
Other funds	496	2	499	460	4	464
Other instruments	24	540	564	18	519	537

47.0% (previous year: 38.1%) of the plan assets are invested in German assets, 29.1% (previuos year: 30.2%) in other European assets and 24.0% (previous year: 31.7%) in assets in other regions.

Plan assets include €15 million (previous year: €26 million) invested in Volkswagen Group assets and €8 million (previous year: €18 million) in Volkswagen Group debt instruments.

The following amounts were recognized in the income statement:

€ million	2015	2014
Current service cost	1,104	728
Net interest on the net defined benefit liability	690	788
Past service cost (including plan curtailments)	9	25
Gains (–) or losses (+) arising from plan settlements	2	0
Net income (–) and expenses (+) recognized in profit or loss	**1,804**	**1,541**

The above amounts are generally included in the personnel costs of the functions in the income statement. Net interest on the net defined benefit liability is reported in finance costs.

30. Noncurrent and current other provisions

€ million	Obligations arising from sales	Employee expenses	Litigation and legal risks	Miscellaneous provisions*	Total
Balance at Jan. 1, 2014	**18,537**	**5,380**	**1,380**	**7,044**	**32,341**
Foreign exchange differences	214	29	19	40	303
Changes in consolidated Group	3	3	1	0	6
Utilized	7,045	3,030	238	2,061	12,373
Additions/New provisions	9,715	1,678	363	2,785	14,541
Unwinding of discount/effect of change in discount rate	77	229	12	1	319
Reversals	962	198	232	759	2,151
Balance at Dec. 31, 2014	**20,539**	**4,091**	**1,306**	**7,049**	**32,986**
of which current	10,090	1,753	426	4,805	17,075
of which noncurrent	10,448	2,338	880	2,244	15,910
Balance at Jan. 1, 2015	**20,539**	**4,091**	**1,306**	**7,049**	**32,986**
Foreign exchange differences	214	−19	−143	32	83
Changes in consolidated Group	0	0	0	1	2
Utilized	7,517	1,429	236	1,901	11,082
Additions/New provisions	19,270	1,668	7,697	2,747	31,382
Unwinding of discount/effect of change in discount rate	5	−22	4	4	−9
Reversals	1,185	142	219	858	2,404
Balance at Dec. 31, 2015	**31,326**	**4,148**	**8,409**	**7,075**	**50,958**
of which current	17,075	1,733	2,073	4,908	25,788
of which noncurrent	14,251	2,415	6,336	2,168	25,170

* Prior-year figures adjusted due to the separate presentation of the provisions for litigation and legal risks.

The obligations arising from sales contain provisions covering all risks relating to the sale of vehicles, components and genuine parts through to the disposal of end-of-life vehicles. They primarily comprise warranty obligations, calculated on the basis of losses to date and estimated future losses. They also include provisions for discounts, bonuses and similar allowances which are incurred after the balance sheet date, but for which there is a legal or constructive obligation attributable to sales revenue before the balance sheet date.

The increase in obligations arising from sales is largely due to the recognition of provisions for the implementation of field measures and of repurchases in connection with the diesel issue. Please refer to the "Key events" section for further information.

Provisions for employee expenses are recognized for long-service awards, time credits, partial retirement arrangements, severance payments and similar obligations, among other things.

The increase in the provisions for litigation and legal risks results primarily from the provisions recognized in connection with the diesel issue to cover currently known legal risks, including appropriate legal defense and legal advice expenses amounting to €7.0 billion. These are subject to what are in part considerable estimation risks because the comprehensive and extensive investigations are still at an early stage, the factors involved are so complex, and the discussions with the authorities are still ongoing. In addition, the provisions for litigation and legal risks contain amounts relating to a large number of legal disputes and official proceedings in which Volkswagen Group companies become involved in Germany and internationally in the course of their operating activities. In particular, such legal disputes and other proceedings may occur in relation to suppliers, dealers, customers, employees, or investors. Please refer to the "Litigation" section for a discussion of the legal risks.

Miscellaneous provisions relate to a wide range of identifiable specific risks, price risks and uncertain obligations, which are measured in the amount of the expected settlement value.

Miscellaneous provisions include provisions amounting to €459 million (previous year: €417 million) relating to the insurance business.

31. Put options and compensation rights granted to noncontrolling interest shareholders

This balance sheet item consists primarily of the present value of the cash settlement in accordance with section 305 of the Aktiengesetz (AktG – German Stock Corporation Act) offered to MAN shareholders in connection with the control and profit and loss transfer agreement, including the basic interest rate in accordance with section 247 of the Bürgerliches Gesetzbuch (BGB – German Civil Code) assumed until the end of the award proceedings. The Annual General Meeting of MAN SE approved the conclusion of a control and profit and loss transfer agreement between MAN SE and Volkswagen Truck & Bus GmbH, a subsidiary of Volkswagen AG, in June 2013. The agreement sets out that the noncontrolling interest shareholders of MAN SE are entitled to either a cash settlement in accordance with section 305 of the AktG amounting to €80.89 per tendered ordinary or preferred share, or cash compensation in accordance with section 304 of the AktG in the amount of €3.07 per ordinary or preferred share (after corporate taxes, before the shareholder's individual tax liability) for each full fiscal year. In July 2013, award proceedings were instituted to review the appropriateness of the cash settlement set out in the agreement in accordance with section 305 of the AktG and the cash compensation in accordance with section 304 of the AktG. In July 2015, the Munich Regional Court ruled in the first instance that the amount of the cash settlement payable to the noncontrolling interest shareholders of MAN should be increased from €80.89 to €90.29; at the same time, the amount of the cash compensation was confirmed. The ruling is not yet legally effective, and both parties to the proceedings have since appealed. Volkswagen continues to maintain that the results of the valuation are correct. The appropriateness of the valuation was confirmed by the audit firms and by the court-appointed auditor of the agreement. As a precaution, the measurement was adjusted to the higher settlement payable, resulting in an expense of €437 million, which was recognized in the other financial result.

32. Trade payables

€ million	Dec. 31, 2015	Dec. 31, 2014
Trade payables to		
third parties	20,051	19,250
affiliated companies	165	122
joint ventures	82	66
associates	156	87
other investees and investors	7	5
	20,460	**19,530**

ADDITIONAL BALANCE SHEET DISCLOSURES IN ACCORDANCE WITH IFRS 7 (FINANCIAL INSTRUMENTS)

CARRYING AMOUNT OF FINANCIAL INSTRUMENTS BY IAS 39 MEASUREMENT CATEGORY

€ million	Dec. 31, 2015	Dec. 31, 2014*
Financial assets at fair value through profit or loss	1,881	1,240
Loans and receivables	128,198	119,130
Available-for-sale financial assets	15,219	13,929
Financial liabilities at fair value through profit or loss	2,399	1,147
Financial liabilities measured at amortized cost	177,074	163,032

* Prior-year figures adjusted.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the reconciliation of the balance sheet items to the relevant classes of financial instruments, broken down by the carrying amount and fair value of the financial instruments.

The fair value of financial instruments measured at amortized cost, such as receivables and liabilities, is calculated by discounting using a market rate of interest for a similar risk and matching maturity. For reasons of materiality, the fair value of current balance sheet items is generally deemed to be their carrying amount.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2014*

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT DEC. 31, 2014
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	9,874	9,874
Other equity investments	3,067	–	–	–	616	3,683
Financial services receivables	–	57,877	60,052	–	–	57,877
Other financial assets	763	4,451	4,496	1,284	–	6,498
Current assets						
Trade receivables	–	11,472	11,472	–	–	11,472
Financial services receivables	–	44,398	44,398	–	–	44,398
Other financial assets	478	6,141	6,141	1,073	–	7,693
Marketable securities	10,861	–	–	–	–	10,861
Cash, cash equivalents and time deposits	–	19,123	19,123	–	–	19,123
Noncurrent liabilities						
Noncurrent financial liabilities	–	68,416	70,238	–	–	68,416
Other noncurrent financial liabilities	655	1,564	1,568	1,735	–	3,954
Current liabilities						
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,703	3,822	–	–	3,703
Current financial liabilities	–	65,564	65,564	–	–	65,564
Trade payables	–	19,530	19,530	–	–	19,530
Other current financial liabilities	492	4,652	4,652	2,499	–	7,643

* Prior-year figures adjusted.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2015

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT DEC. 31, 2015
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	10,904	10,904
Other equity investments	211	–	–	–	763	974
Financial services receivables	–	63,185	64,630	–	–	63,185
Other financial assets	996	4,484	4,492	1,249	–	6,730
Current assets						
Trade receivables	–	11,132	11,132	–	–	11,132
Financial services receivables	–	46,888	46,888	–	–	46,888
Other financial assets	885	7,963	7,963	1,196	–	10,043
Marketable securities	15,007	–	–	–	–	15,007
Cash, cash equivalents and time deposits	–	20,871	20,871	–	–	20,871
Noncurrent liabilities						
Noncurrent financial liabilities	–	73,292	73,844	–	–	73,292
Other noncurrent financial liabilities	1,325	1,996	1,998	2,580	–	5,901
Current liabilities						
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,933	3,783	–	–	3,933
Current financial liabilities	–	72,313	72,313	–	–	72,313
Trade payables	–	20,460	20,460	–	–	20,460
Other current financial liabilities	1,074	5,551	5,551	3,725	–	10,350

Uniform valuation techniques and inputs are used to measure fair value. The fair value of Level 2 and 3 financial instruments is measured in the individual divisions on the basis of Group-wide specifications. The measurement techniques used are explained in the disclosures on "accounting policies". The fair value of put options and compensation rights granted to noncontrolling interest shareholders is calculated using a present value model based on the cash settlement determined by the Munich Regional Court in the award proceedings, including cash compensation, as well as the minimum statutory interest rate and a risk-adjusted discount rate for a matching maturity. For further information, please see note 31. The fair value of Level 3 receivables was measured by reference to individual expectations of losses;

these are based to a significant extent on the Company's assumptions about counterparty credit quality. Financial services receivables are allocated to Level 3 because their fair value was measured using inputs that are not observable in an active market.

The following table contains an overview of the financial assets and liabilities measured at fair value by level:

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BY LEVEL

€ million	Dec. 31, 2014*	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	3,067	2,922	–	146
Other financial assets	763	–	739	24
Current assets				
Other financial assets	478	–	469	9
Marketable securities	10,861	10,861	–	–
Noncurrent liabilities				
Other noncurrent financial liabilities	655	–	481	174
Current liabilities				
Other current financial liabilities	492	–	417	75

* Prior-year figures adjusted.

€ million	Dec. 31, 2015	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	211	117	–	94
Other financial assets	996	–	976	20
Current assets				
Other financial assets	885	–	879	6
Marketable securities	15,007	15,007	–	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,325	–	1,142	183
Current liabilities				
Other current financial liabilities	1,074	–	778	296

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST BY LEVEL

€ million	Dec. 31, 2014*	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	104,450	–	–	104,450
Trade receivables	11,472	–	11,290	182
Other financial assets	10,637	669	5,326	4,642
Cash, cash equivalents and time deposits	19,123	18,653	471	–
Fair value of financial assets measured at amortized cost	**145,682**	**19,321**	**17,086**	**109,274**
Fair value of financial liabilities measured at amortized cost				
Put options and compensation rights granted to noncontrolling interest shareholders	3,822	–	–	3,822
Trade payables	19,530	–	19,530	–
Financial liabilities	135,802	22,334	113,406	62
Other financial liabilities	6,220	270	5,882	69
Fair value of financial liabilities measured at amortized cost	**165,374**	**22,604**	**138,817**	**3,954**

* Prior-year figures adjusted.

€ million	Dec. 31, 2015	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	111,518	–	–	111,518
Trade receivables	11,132	–	10,975	157
Other financial assets	12,455	677	6,203	5,576
Cash, cash equivalents and time deposits	20,871	20,467	405	–
Fair value of financial assets measured at amortized cost	**155,977**	**21,144**	**17,583**	**117,251**
Fair value of financial liabilities measured at amortized cost				
Put options and compensation rights granted to noncontrolling interest shareholders	3,783	–	–	3,783
Trade payables	20,460	–	20,460	–
Financial liabilities	146,156	23,675	122,420	61
Other financial liabilities	7,550	269	7,185	95
Fair value of financial liabilities measured at amortized cost	**177,949**	**23,944**	**150,066**	**3,940**

DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING BY LEVEL

€ million	Dec. 31, 2014	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	1,284	–	1,284	–
Current assets				
Other financial assets	1,073	–	1,073	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,735	–	1,731	4
Current liabilities				
Other current financial liabilities	2,499	–	2,499	–

€ million	Dec. 31, 2015	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	1,249	–	1,249	–
Current assets				
Other financial assets	1,196	–	1,196	–
Noncurrent liabilities				
Other noncurrent financial liabilities	2,580	–	2,573	7
Current liabilities				
Other current financial liabilities	3,725	–	3,725	–

The allocation of fair values to the three levels in the fair value hierarchy is based on the availability of observable market prices. Level 1 is used to report the fair value of financial instruments for which a price is directly available in an active market. Examples include marketable securities and other equity investments measured at fair value. Fair values in Level 2, for example of derivatives, are measured on the basis of observable market inputs using market-based valuation techniques. In particular, the inputs used include exchange rates, yield curves and commodity prices that are observable in the relevant markets and obtained through pricing services. Level 3 fair values are calculated using valuation techniques that incorporate inputs that are not observable in active markets. In the Volkswagen Group, long-term commodity futures are allocated to Level 3 because the prices available on the market must be extrapolated for measurement purposes. This is done on the basis of observable inputs obtained for the different commodities through pricing services. Options on equity instruments and residual value protection models are also reported in Level 3. Equity instruments are measured primarily using the relevant business plans and entity-specific discount rates. The significant inputs used to measure fair value for the residual value protection models include forecasts and estimates of used vehicle residual values for the appropriate models.

CHANGES IN BALANCE SHEET ITEMS MEASURED AT FAIR VALUE BASED ON LEVEL 3

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2014	**231**	**218**
Foreign exchange differences	22	0
Total comprehensive income	17	91
recognized in profit or loss	7	87
recognized in other comprehensive income	10	5
Additions (purchases)	−49	–
Sales and settlements	−23	−47
Transfers into Level 2	−21	−13
Balance at Dec. 31, 2014	**178**	**249**
Total gains or losses recognized in profit or loss	**7**	**−87**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	7	−87
of which attributable to assets/liabilities held at the reporting date	−17	−78

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2015	**178**	**249**
Foreign exchange differences	7	0
Total comprehensive income	0	385
recognized in profit or loss	−1	372
recognized in other comprehensive income	0	13
Additions (purchases)	−53	–
Sales and settlements	−12	−99
Transfers into Level 2	0	−56
Balance at Dec. 31, 2015	**119**	**479**
Total gains or losses recognized in profit or loss	**−1**	**−372**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	−1	−372
of which attributable to assets/liabilities held at the reporting date	−1	−98

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. The transfers out of Level 3 into Level 2 comprise commodity futures for which observable quoted prices are now available for measurement purposes due to the decline in their remaining maturities; consequently, no extrapolation is required. There were no transfers between other levels of the fair value hierarchy.

Commodity prices are the key risk variable for the fair value of commodity futures. Sensitivity analyses are used to present the effect of changes in commodity prices on earnings after tax and equity.

If commodity prices for commodity futures classified as Level 3 had been 10% higher (lower) as of December 31, 2015, earnings after tax would have been €6 million (previous year: €20 million) higher (lower) and equity would have been €2 million (previous year: €4 million) higher (lower).

The key risk variable for measuring options on equity instruments held by the Company is the relevant enterprise value. Sensitivity analyses are used to present the effect of changes in risk variables on earnings after tax.

If the assumed enterprise values had been 10% higher, earnings after tax would have been €1 million (previous year: €1 million) higher. If the assumed enterprise values had been 10% lower, earnings after tax would have been €1 million (previous year: €2 million) lower.

Residual value risks result from hedging agreements with dealers under which earnings effects caused by market-related fluctuations in residual values that arise from buy-back obligations under leases are borne in part by the Volkswagen Group.

The key risk variable influencing the fair value of the options relating to residual value risks is used car prices. Sensitivity analyses are used to quantify the effects of changes in used car prices on earnings after tax.

If the prices for the used cars covered by the residual value protection model had been 10% higher as of December 31, 2015, earnings after tax would have been €219 million higher. If the prices for the used cars covered by the residual value protection model had been 10% lower as of December 31, 2015, earnings after tax would have been €219 million lower.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following tables contain information about the effects of offsetting in the balance sheet and the potential financial effects of offsetting in the case of instruments that are subject to a legally enforceable master netting arrangement or a similar agreement.

				Amounts that are not set off in the balance sheet		
€ million	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Collateral received	Net amount at Dec. 31, 2014
Derivatives	3,598	–	3,598	−1,938	−87	1,572
Financial services receivables	102,574	−299	102,275	–	−31	102,244
Trade receivables	11,576	−104	11,472	0	−305	11,166
Marketable securities	10,861	–	10,861	–	–	10,861
Cash, cash equivalents and time deposits	19,123	–	19,123	–	–	19,123
Other financial assets	14,282	−6	14,276	0	–	14,276

				Amounts that are not set off in the balance sheet		
€ million	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	Collateral received	Net amount at Dec. 31, 2015
Derivatives	4,326	–	4,326	−2,201	−123	2,002
Financial services receivables	110,396	−323	110,073	–	−16	110,057
Trade receivables	11,243	−111	11,132	0	−231	10,901
Marketable securities	15,007	–	15,007	–	–	15,007
Cash, cash equivalents and time deposits	20,871	–	20,871	–	–	20,871
Other financial assets	12,670	−11	12,658	–	–	12,658

€ million	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE BALANCE SHEET		Net amount at Dec. 31, 2014
				Financial instruments	Collateral pledged	
Put options and compensation rights granted to noncontrolling interest shareholders	3,703	–	3,703	–	–	3,703
Derivatives	5,381	–	5,381	−1,907	−51	3,422
Financial liabilities	133,980	–	133,980	–	−2,081	131,898
Trade payables	19,634	−104	19,530	0	–	19,529
Other financial liabilities	6,522	−306	6,216	–	–	6,216

€ million	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE BALANCE SHEET		Net amount at Dec. 31, 2015
				Financial instruments	Collateral pledged	
Put options and compensation rights granted to noncontrolling interest shareholders	3,933	–	3,933	–	–	3,933
Derivatives	8,703	–	8,703	−2,178	−12	6,514
Financial liabilities	145,604	–	145,604	–	−3,587	142,018
Trade payables	20,571	−111	20,460	0	–	20,460
Other financial liabilities	7,882	−335	7,547	–	–	7,547

The “Financial instruments” column shows the amounts that are subject to a master netting arrangement but were not set off because they do not meet the criteria for offsetting in the balance sheet. The “Collateral received” and “Collateral pledged” columns show the amounts of cash collateral and collateral in the form of financial instruments received and pledged for the total assets and liabilities that do not meet the criteria for offsetting in the balance sheet.

CHANGES IN CREDIT RISK VALUATION ALLOWANCES ON FINANCIAL ASSETS

€ million	Specific valuation allowances	Portfolio-based valuation allowances	2015	Specific valuation allowances	Portfolio-based valuation allowances	2014
Balance at Jan. 1	**2,269**	**1,665**	**3,933**	**2,237**	**1,433**	**3,670**
Exchange rate and other changes	−115	−6	−121	−8	20	12
Changes in consolidated Group	−19	−4	−23	23	24	48
Additions	702	628	1,330	703	371	1,074
Utilization	356	–	356	396	–	396
Reversals	362	290	652	300	175	475
Reclassification	23	−23	0	8	−8	0
Balance at Dec. 31	**2,142**	**1,970**	**4,112**	**2,269**	**1,665**	**3,933**

The valuation allowances mainly relate to the credit risks associated with the financial services business.

FACTORING AND ASSET-BACKED SECURITIES TRANSACTIONS

The trade receivables include transferred receivables in the total amount of €– million (previous year: €4 million) that were not derecognized in their entirety because the credit risk remains with the Volkswagen Group. The total purchase price received of €– million (previous year: €1 million) is reported in financial liabilities. The fair values of the receivables and liabilities are not materially different to their carrying amounts.

Asset-backed securities transactions amounting to €23,245 million (previous year: €19,301 million) entered into to refinance the financial services business are included in bonds, commercial paper and notes, and liabilities from loans. The corresponding carrying amount of the receivables from the customer and dealer financing and the finance lease business amounted to €26,415 million (previous year: €21,485 million). Collateral of €34,717 million (previous year: €28,192 million) in total was furnished as part of asset-backed securities transactions. The expected payments were assigned to structured entities and the equitable liens in the financed vehicles were transferred. These asset-backed securities transactions did not result in the receivables from financial services business being derecognized, as the Group retains nonpayment and late payment risks. The difference between the assigned receivables and the related liabilities is the result of different terms and conditions and the share of the securitized paper and notes held by the Volkswagen Group itself, as well as the proportion of vehicles financed within the Group.

Most of the public and private asset-backed securities transactions of the Volkswagen Group can be repaid in advance (clean-up call) if less than 9% or 10%, as appropriate, of the original transaction volume is outstanding. The assigned receivables cannot be assigned again or pledged elsewhere as collateral. The claims of the holders of commercial paper and notes are limited to the assigned receivables and the receipts from those receivables are earmarked for the repayment of the corresponding liability.

As of December 31, 2015, the fair value of the assigned receivables still recognized in the balance sheet was €25,161 million (previous year: €22,102 million). The fair value of the related liabilities was €23,000 million (previous year: €19,480 million) at that reporting date.

The Volkswagen Financial Services AG Group is contractually obliged under certain conditions to transfer funds to the structured entities that are included in its consolidated financial statements. Since the receivables are transferred to the special purpose entity by way of undisclosed assignment, the situation may occur in which the receivable has already been reduced in a legally binding manner at the originator, for example if the obligor effectively offsets it against receivables owed to it by a company belonging to the Volkswagen Group. In this case, collateral must be furnished for the resulting compensation claims against the special purpose entity, for example if the rating of the Group company concerned declines to a contractually agreed reference value.

OTHER DISCLOSURES

33. Cash flow statement

Cash flows are presented in the cash flow statement classified into cash flows from operating activities, investing activities and financing activities, irrespective of the balance sheet classification.

Cash flows from operating activities are derived indirectly from earnings before tax. Earnings before tax are adjusted to eliminate noncash expenditures (mainly depreciation, amortization and impairment losses) and income. Other noncash income and expense results mainly from measurement effects in connection with financial insruments and to fair value changes relating to hedging transactions (see note 9). This results in cash flows from operating activities after accounting for changes in working capital, which also include changes in lease assets and in financial services receivables.

Investing activities include additions to property, plant and equipment and equity investments, additions to capitalized development costs and investments in securities and loans.

Financing activities include outflows of funds from dividend payments and redemption of bonds, inflows from the capital increase and issuance of bonds, and changes in other financial liabilities. Please refer to note 24 for information on the inflows from the issuance of hybrid capital amounting to €2,457 million (previous year: from the issuance of new preferred shares in the amount of €1,980 million and the issuance of hybrid capital in the amount of €2,952 million) contained in the capital contributions.

The changes in balance sheet items that are presented in the cash flow statement cannot be derived directly from the balance sheet, as the effects of currency translation and changes in the consolidated Group are noncash transactions and are therefore eliminated.

In 2015, cash flows from operating activities include interest received amounting to €6,619 million (previous year: €6,129 million) and interest paid amounting to €2,440 million (previous year: €3,397 million). In addition, the share of profits and losses of equity-accounted investments (note 7) includes dividends amounting to €4,683 million (previous year: €2,997 million).

Dividends amounting to €2,294 million (previous year: €1,871 million) were paid to Volkswagen AG shareholders.

€ million	Dec. 31, 2015	Dec. 31, 2014
Cash, cash equivalents and time deposits as reported in the balance sheet	20,871	19,123
Time deposits	−410	−489
Cash and cash equivalents as reported in the cash flow statement	20,462	18,634

Time deposits are not classified as cash equivalents. Time deposits have a contractual maturity of more than three months. The maximum default risk corresponds to its carrying amount.

34. Financial risk management and financial instruments

1. HEDGING GUIDELINES AND FINANCIAL RISK MANAGEMENT PRINCIPLES

The principles and responsibilities for managing and controlling the risks that could arise from financial instruments are defined by the Board of Management and monitored by the Supervisory Board. General rules apply to the Group-wide risk policy; these are oriented on the statutory requirements and the "Minimum Requirements for Risk Management by Credit Institutions".

Group Treasury is responsible for operational risk management and control of risks from the financial instruments it itself administers. The main functions of the MAN and PHS subgroups are included in Group Treasury's operational risk management and control for risks relating to financial instruments, while the Scania subgroup is only included to an extremely limited extent. All of these subgroups also have their own risk management structures. The Executive Committee for Liquidity and Foreign Currency is regularly informed about current financial risks. In addition, the Group Board of Management and the Supervisory Board are regularly updated on the current risk situation.

For more information, please see the management report on page 185-186.

2. CREDIT AND DEFAULT RISK

The credit and default risk arising from financial assets involves the risk of default by counterparties, and therefore comprises at a maximum the amount of the claims under carrying amounts receivable from them and the irrevocable credit commitments. The maximum potential credit and default risk is reduced by collateral held and other credit enhancements in the amount of €74,115 million (previous year: €66,555 million). The collateral held relates solely to financial assets carried at amortized cost and mainly serves to secure financial services receivables and trade receivables. Collateral comprises vehicles and assets transferred as security, as well as guarantees and real property liens. Cash collateral is also used in hedging transactions. The risk arising from nonderivative financial instruments is also accounted for by recognizing bad debt losses. Significant cash and capital investments, as well as derivatives, are only entered into with national and international banks of good credit standing. Risk is additionally limited by a limit system based primarily on the equity base of the counterparties concerned and on credit assessments by international rating agencies. Financial guarantees issued also give rise to credit and default risk. The maximum potential credit and default risk is calculated from the amount Volkswagen would have to pay if claims were to be asserted under the guarantees. The corresponding amounts are presented in the Liquidity risk section.

There were no material concentrations of risk at individual counterparties or counterparty groups in the past fiscal year due to the global allocation of the Group's business activities and the resulting diversification. There was hardly any change in the concentration of credit and default risk exposures to the German public banking sector as a whole that has arisen from Group-wide cash and capital investments as well as derivatives: the portion attributable to this sector was 9.7% at the end of 2015 compared with 12.1% (adjusted) at the end of 2014. Any existing concentration of risk is assessed and monitored both at the level of individual counterparties or counterparty groups and with regard to the countries in which these are based, in each case using the share of all credit and default risk exposures accounted for by the risk exposure concerned.

CREDIT AND DEFAULT RISK RELATING TO FINANCIAL ASSETS BY GROSS CARRYING AMOUNT

€ million	Neither past due nor impaired	Past due and not impaired	Impaired	Dec. 31, 2015	Neither past due nor impaired	Past due and not impaired	Impaired	Dec. 31, 2014
Measured at amortized cost								
Financial services receivables	108,171	2,442	2,881	113,493	99,795	2,548	3,036	105,379
Trade receivables	8,508	2,503	554	11,565	8,682	2,664	532	11,879
Other receivables	12,368	59	279	12,705	10,800	53	183	11,035
	129,047	**5,003**	**3,713**	**137,764**	**119,278**	**5,265**	**3,751**	**128,293**

There are no past due financial instruments measured at fair value in the Volkswagen Group. In fiscal year 2015, marketable securities measured at fair value with a cost of €15 million (previous year: €97 million) were individually impaired. In addition, portfolio-based impairment losses are recognized in respect of the financial services receivables presented above that are not past due and not individually impaired, as well as of the financial services receivables presented above that are past due and not individually impaired.

CREDIT RATING OF THE GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS THAT ARE NEITHER PAST DUE NOR IMPAIRED

€ million	Risk class 1	Risk class 2	Dec. 31, 2015	Risk class 1	Risk class 2	Dec. 31, 2014
Measured at amortized cost						
Financial services receivables	91,651	16,520	108,171	86,099	13,696	99,795
Trade receivables	8,333	175	8,508	8,546	137	8,682
Other receivables	12,185	183	12,368	10,765	35	10,800
Measured at fair value	18,118	–	18,118	13,593	–	13,593
	130,288	**16,878**	**147,166**	**119,003**	**13,868**	**132,871**

The Volkswagen Group performs a credit assessment of borrowers in all loan and lease agreements, using scoring systems for the high-volume business and rating systems for corporate customers and receivables from dealer financing. Receivables rated as good are contained in risk class 1. Receivables from customers whose credit rating is not good but have not yet defaulted are contained in risk class 2.

MATURITY ANALYSIS OF THE GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS THAT ARE PAST DUE AND NOT IMPAIRED

€ million	PAST DUE BY up to 30 days	30 to 90 days	more than 90 days	GROSS CARRYING AMOUNT Dec. 31, 2014
Measured at amortized cost				
Financial services receivables	1,977	549	23	2,548
Trade receivables	1,237	790	637	2,664
Other receivables	22	7	24	53
Measured at fair value	–	–	–	–
	3,236	**1,346**	**683**	**5,265**

€ million	PAST DUE BY up to 30 days	30 to 90 days	more than 90 days	GROSS CARRYING AMOUNT Dec. 31, 2015
Measured at amortized cost				
Financial services receivables	1,777	637	28	2,442
Trade receivables	1,234	671	598	2,503
Other receivables	27	10	22	59
Measured at fair value	–	–	–	–
	3,039	**1,317**	**648**	**5,003**

Collateral that was accepted for financial assets in the current fiscal year was recognized in the balance sheet in the amount of €90 million (previous year: €94 million). This mainly relates to vehicles.

3. LIQUIDITY RISK

The solvency and liquidity of the Volkswagen Group are ensured at all times by rolling liquidity planning, a liquidity reserve in the form of cash, confirmed credit lines and the issuance of securities on the international money and capital markets. The volume of confirmed credit lines was increased significantly by a syndicated credit line entered into in the amount of €20 billion.

Local cash funds in certain countries (e.g. Brazil, Argentina, Ukraine, Malaysia, India and Taiwan) are only available to the Group for cross-border transactions subject to exchange controls. There are no significant restrictions over and above these.

The following overview shows the contractual undiscounted cash flows from financial instruments.

MATURITY ANALYSIS OF UNDISCOUNTED CASH FLOWS FROM FINANCIAL INSTRUMENTS

	REMAINING CONTRACTUAL MATURITIES				REMAINING CONTRACTUAL MATURITIES			
€ million	under one year	within one to five years	over five years	2015	under one year	within one to five years	over five years	2014
Put options and compensation rights granted to noncontrolling interest shareholders	3,406	–	–	3,406	3,185	–	–	3,185
Financial liabilities	74,217	66,347	13,377	153,941	67,634	63,296	12,011	142,941
Trade payables	20,456	4	–	20,460	19,526	4	–	19,530
Other financial liabilities	5,550	1,940	69	7,560	4,652	1,470	94	6,216
Derivatives	77,686	73,684	10	151,380	61,623	51,265	207	113,094
	181,316	**141,976**	**13,456**	**336,747**	**156,619**	**116,034**	**12,312**	**284,965**

When calculating cash outflows related to put options and compensation rights, it was assumed that shares would be tendered at the earliest possible repayment date.

Derivatives comprise both cash flows from derivative financial instruments with negative fair values and cash flows from derivatives with positive fair values for which gross settlement has been agreed. The cash outflows from derivatives for which gross settlement has been agreed are matched in part by cash inflows. These cash inflows are not reported in the maturity analysis. If these cash inflows were also recognized, the cash outflows presented would be substantially lower.

The cash outflows from irrevocable credit commitments are presented in note 38, classified by contractual maturities.

As of December 31, 2015, the maximum potential liability under financial guarantees amounted to €1,638 million (previous year adjusted: €1,399 million). Financial guarantees are assumed to be due immediately in all cases. They relate primarily to the pledge of claims under certificates of deposit with Bankhaus Metzler amounting to €1.3 billion (previous year: €1.4 billion) to secure a loan granted to Fleet Investments B.V. by Bankhaus Metzler (see disclosures on the basis of consolidation/joint ventures). This was disclosed under "Contingent liabilities" in the previous year. The prior-period disclosure was adjusted accordingly.

4. MARKET RISK

4.1 Hedging policy and financial derivatives

During the course of its general business activities, the Volkswagen Group is exposed to foreign currency, interest rate, commodity price, equity price and fund price risk. Corporate policy is to limit or eliminate such risk by means of hedging. All necessary hedging transactions with the exception of the Scania, MAN and Porsche Holding GmbH (Salzburg) subgroups are executed or coordinated centrally by Group Treasury. There were no significant risk concentrations in the past fiscal year.

The following table shows the gains and losses on hedges:

€ million	2015	2014
Hedging instruments used in fair value hedges	779	523
Hedged items used in fair value hedges	–700	–445
Ineffective portion of cash flow hedges	–46	36

The ineffective portion of cash flow hedges represents the income and expenses from changes in the fair value of hedging instruments that exceed the changes in the fair value of the hedged items but that are documented to be within the permitted range of 80% to 125% overall when measuring effectiveness. Such income or expenses are recognized directly in the financial result.

In 2015, €3,864 million (previous year: €298 million), in both cases reducing earnings, from the cash flow hedge reserve was transferred to the other operating result, while €3 million (previous year: €2 million, increasing earnings) was transferred to the financial result, reducing earnings, and €90 million (previous year: €27 million), in both cases reducing earnings, was included in the cost of sales.

The Volkswagen Group uses two different methods to present market risk from nonderivative and derivative financial instruments in accordance with IFRS 7. For quantitative risk measurement, interest rate and foreign currency risk in the Volkswagen Financial Services subgroup are measured using a value-at-risk (VaR) model on the basis of a historical simulation, while market risk in the other Group companies is determined using a sensitivity analysis. The value-at-risk calculation indicates the size of the maximum potential loss on the portfolio as a whole within a time horizon of 40 days, measured at a confidence level of 99%. To provide the basis for this calculation, all cash flows from nonderivative and derivative financial instruments are aggregated into an interest rate gap analysis. The historical market data used in calculating value at risk covers a period of 1,000 trading days. The sensitivity analysis calculates the effect on equity and profit or loss by modifying risk variables within the respective market risks.

4.2 Market risk in the Volkswagen Group (excluding Volkswagen Financial Services)

4.2.1 Foreign currency risk

Foreign currency risk in the Volkswagen Group (excluding Volkswagen Financial Services) is attributable to investments, financing measures and operating activities. Currency forwards, currency options, currency swaps and cross-currency swaps are used to limit foreign currency risk. These transactions relate to the exchange rate hedging of all material payments covering general business activities that are not made in the functional currency of the respective Group companies. The principle of matching currencies applies to the Group's financing activities.

Hedging transactions entered into in 2015 as part of foreign currency risk management related primarily to the Australian dollar, the Brazilian real, sterling, the Chinese renminbi, the Indian rupee, the Japanese yen, the Canadian dollar, the Mexican peso, the Polish zloty, the Russian ruble, the Swedish krona, the Swiss franc, the Singapore dollar, the South African rand, the South Korean won, the Taiwan dollar, the Czech koruna, the Hungarian forint and the US dollar.

All nonfunctional currencies in which the Volkswagen Group enters into financial instruments are included as relevant risk variables in the sensitivity analysis in accordance with IFRS 7.

If the functional currencies concerned had appreciated or depreciated by 10% against the other currencies, the exchange rates shown below would have resulted in the following effects on the hedging reserve in equity and on earnings after tax. It is not appropriate to add together the individual figures, since the results of the various functional currencies concerned are based on different scenarios.

€ million	DEC. 31, 2015		DEC. 31, 2014	
	+10%	−10%	+10%	−10%
Exchange rate				
EUR/USD				
Hedging reserve	1,969	−2,160	1,515	−1,678
Profit/loss after tax	135	5	−94	204
EUR/GBP				
Hedging reserve	1,849	−1,850	1,320	−1,321
Profit/loss after tax	−46	48	−39	40
EUR/CNY				
Hedging reserve	1,015	−1,071	966	−1,031
Profit/loss after tax	69	−21	17	27
EUR/CHF				
Hedging reserve	439	−442	459	−453
Profit/loss after tax	−4	6	−9	7
EUR/JPY				
Hedging reserve	248	−241	−26	29
Profit/loss after tax	1	−7	−15	13
EUR/SEK				
Hedging reserve	112	−113	60	−60
Profit/loss after tax	−78	78	−35	35
EUR/KRW				
Hedging reserve	158	−161	90	−91
Profit/loss after tax	−27	31	−12	13
CZK/GBP				
Hedging reserve	170	−170	130	−130
Profit/loss after tax	1	−1	0	0
EUR/CAD				
Hedging reserve	110	−101	80	−74
Profit/loss after tax	9	−16	−1	−3
EUR/AUD				
Hedging reserve	92	−92	94	−90
Profit/loss after tax	−1	1	−2	0
EUR/HUF				
Hedging reserve	0	0	−96	96
Profit/loss after tax	−78	78	0	0
BRL/USD				
Hedging reserve	−1	1	−10	10
Profit/loss after tax	77	−77	5	−5
MXN/USD				
Hedging reserve	−48	48	3	−3
Profit/loss after tax	−20	20	1	−1
GBP/USD				
Hedging reserve	62	−62	56	−56
Profit/loss after tax	−1	1	1	−1

4.2.2 Interest rate risk

Interest rate risk in the Volkswagen Group (excluding Volkswagen Financial Services) results from changes in market interest rates, primarily for medium- and long-term variable interest receivables and liabilities. Interest rate swaps and cross-currency swaps are entered into to hedge against this risk primarily under fair value or cash flow hedges, and depending on market conditions. Intragroup financing arrangements are mainly structured to match the maturities of their refinancing. Departures from the Group standard are subject to centrally defined limits and monitored on an ongoing basis.

Interest rate risk within the meaning of IFRS 7 is calculated for these companies using sensitivity analyses. The effects of the risk-variable market rates of interest on the financial result and on equity are presented, net of tax.

If market interest rates had been 100 bps higher as of December 31, 2015, equity would have been €71 million (previous year: €108 million) lower. If market interest rates had been 100 bps lower as of December 31, 2015, equity would have been €69 million (previous year: €106 million) higher.

If market interest rates had been 100 bps higher as of December 31, 2015, earnings after tax would have been €81 million (previous year: €43 million) higher. If market interest rates had been 100 bps lower as of December 31, 2015, earnings after tax would have been €95 million (previous year: €55 million) lower.

4.2.3 Commodity price risk

Commodity price risk in the Volkswagen Group (excluding Volkswagen Financial Services) primarily results from price fluctuations and the availability of nonferrous metals and precious metals, as well as of coal, CO_2 certificates and rubber. Forward transactions and swaps are entered into to limit these risks.

Hedge accounting in accordance with IAS 39 was applied in some cases to the hedging of commodity risk associated with aluminum and coal.

Commodity price risk within the meaning of IFRS 7 is presented using sensitivity analyses. These show the effect on earnings after tax and equity of changes in risk variables in the form of commodity prices.

If the commodity prices of the hedged nonferrous metals, coal and rubber had been 10% higher (lower) as of December 31, 2015, earnings after tax would have been €75 million (previous year: €126 million) higher (lower).

If the commodity prices of the hedging transactions accounted for using hedge accounting had been 10% higher (lower) as of December 31, 2015, equity would have been €41 million (previous year: €55 million) higher (lower).

4.2.4 Equity and bond price risk

The Spezialfonds (special funds) launched using surplus liquidity and the equity interests measured at fair value are subject in particular to equity price and bond price risk, which can arise from fluctuations in quoted market prices, stock exchange indices and market rates of interest. The changes in bond prices resulting from variations in the market rates of interest are quantified in sections 4.2.1 and 4.2.2, as are the measurement of foreign currency and other interest rate risks arising from the special funds and the equity interests measured at fair value. As a rule, we counter the risks arising from the special funds by ensuring a broad diversification of products, issuers and regional markets when investing funds, as stipulated by our Investment Guidelines. In addition, we use exchange rate hedges in the form of futures contracts when market conditions are appropriate.

As part of the presentation of market risk, IFRS 7 requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Potential risk variables here are in particular quoted market prices or indices, as well as interest rate changes as bond price parameters.

If share prices had been 10% higher as of December 31, 2015, equity would have been €53 million (previous year: €259 million) higher. If share prices had been 10% lower as of December 31, 2015, equity would have been €61 million (previous year: €275 million) lower.

4.3 Market risk at Volkswagen Financial Services

Exchange rate risk in the Volkswagen Financial Services subgroup is mainly attributable to assets that are not denominated in the functional currency and from refinancing within operating activities. Interest rate risk relates to refinancing without matching maturities and the varying interest rate elasticity of individual asset and liability items. The risks are limited by the use of currency and interest rate hedges.

Microhedges and portfolio hedges are used for interest rate hedging. Fixed-rate assets and liabilities included in the hedging strategy are recognized at fair value, as opposed to their original subsequent measurement at amortized cost. The resulting effects in the income statement are offset by the corresponding gains and losses on the interest rate hedging instruments (swaps). Currency hedges (currency forwards and cross-currency swaps) are used to mitigate foreign currency risk. All cash flows in foreign currency are hedged.

As of December 31, 2015, the value at risk was €179 million (previous year: €98 million) for interest rate risk and €196 million (previous year: €112 million) for foreign currency risk.

The entire value at risk for interest rate and foreign currency risk at the Volkswagen Financial Services subgroup was €245 million (previous year: €179 million).

5. METHODS FOR MONITORING HEDGE EFFECTIVENESS

In the Volkswagen Group, hedge effectiveness is assessed prospectively using the critical terms match method and using statistical methods in the form of a regression analysis. Retrospective analysis of effectiveness uses effectiveness tests in the form of the dollar offset method or a regression analysis.

Under the dollar offset method, the changes in value of the hedged item expressed in monetary units are compared with the changes in value of the hedging instrument expressed in monetary units.

Where regression analysis is used, the change in value of the hedged item is presented as an independent variable, and that of the hedging instrument as a dependent variable. Hedge relationships are classified as effective if they have sufficient coefficients of determination and slope factors.

NOTIONAL AMOUNT OF DERIVATIVES

	REMAINING TERM			TOTAL NOTIONAL AMOUNT	TOTAL NOTIONAL AMOUNT
€ million	under one year	within one to five years	over five years	Dec. 31, 2015	Dec. 31, 2014
Notional amount of hedging instruments used in cash flow hedges:					
Interest rate swaps	1,989	6,685	190	8,864	5,154
Currency forwards	43,433	59,154	–	102,587	84,243
Currency options	7,244	15,745	–	22,989	16,246
Currency swaps	6,725	628	–	7,353	4,938
Cross-currency swaps	238	1,170	354	1,762	1,615
Commodity futures contracts	413	358	–	771	858
Notional amount of other derivatives:					
Interest rate swaps	21,090	46,614	17,611	85,316	76,188
Interest rate option contracts	–	–	–	–	–
Currency forwards	15,893	9,490	1	25,383	6,774
Other currency options	–	45	–	45	137
Currency swaps	9,644	230	–	9,874	8,734
Cross-currency swaps	1,886	6,418	112	8,417	8,935
Commodity futures contracts	931	586	–	1,517	1,994

In addition to the derivatives used for hedging foreign currency, interest rate and price risk, the Group held options and other derivatives on equity instruments at the reporting date with a notional amount of €1.4 billion (previous year: €1.5 billion) whose remaining maturity is under one year.

Existing cash flow hedges in the notional amount of €– million (previous year: €18 million) were discontinued because of a reduction in the projections. €– million (previous year: €0 million) was transferred from the cash flow hedge reserve to the financial result, decreasing earnings. In addition, hedges were terminated due to internal risk regulations. For further information, please refer to the "Key events" section.

Items hedged under cash flow hedges are expected to be realized in accordance with the maturity buckets of the hedges reported in the table.

The fair values of the derivatives are estimated using market data at the balance sheet date as well as by appropriate valuation techniques. The following term structures were used for the calculation:

in %	EUR	CHF	CNY	CZK	GBP	JPY	KRW	SEK	USD
Interest rate for six months	−0.0782	−0.6232	2.9434	0.3599	0.6146	0.1589	1.6629	−0.2853	0.6792
Interest rate for one year	−0.0773	−0.6828	3.1097	0.4530	0.7208	0.1350	1.6174	−0.2833	0.8597
Interest rate for five years	0.3280	−0.3050	3.2400	0.6200	1.5910	0.1688	1.7350	0.7190	1.7263
Interest rate for ten years	1.0000	0.2500	3.4200	1.0150	1.9930	0.4238	1.9325	1.6200	2.1870

35. Capital management

The Group's capital management ensures that its goals and strategies can be achieved in the interests of shareholders, employees and other stakeholders. In particular, management focuses on generating the minimum return on invested assets in the Automotive Division that is required by the capital markets, and on increasing the return on equity in the Financial Services Division. In the process, it aims overall to achieve the highest possible growth in the value of the Group and its divisions for the benefit of all the Company's stakeholder groups.

In order to maximize the use of resources in the Automotive Division and to measure the success of this, we have for a number of years been using a value-based management system, with value contribution as an absolute performance measure and return on investment (ROI) as a relative indicator.

Value contribution is defined as the difference between operating profit after tax and the opportunity cost of invested capital. The opportunity cost of capital is calculated by multiplying the market cost of capital by average invested capital. Invested capital is calculated by taking the operating assets reported in the balance sheet (property, plant and equipment, intangible assets, lease assets, inventories and receivables) and deducting non-interest-bearing liabilities (trade payables and payments on account received). Average invested capital is derived from the balance at the beginning and the end of the reporting period. The Automotive Division generated a negative value contribution of €–5,935 million in the reporting period; this represents a significant deterioration compared with the prior-year figure because of the charges relating to the special items recognized in operating result.

The return on investment (ROI) is defined as the return on invested capital for a particular period based on the operating result after tax. If the return on investment exceeds the market cost of capital, there is an increase in the value of the invested capital and a positive value contribution. In the Group, we have defined a minimum required rate of return on invested capital of 9%, which applies to both the business units and the individual products and product lines. The return on investment therefore serves as a consistent target in operational and strategic management and is used to measure target attainment for the Automotive Division, the individual business units, and projects and products. The return on investment achieved for the Automotive Division in the reporting period was –0.2%. This was significantly lower than both our cost of capital of 6.8% and our minimum required rate of return of 9% due to the special items recognized in operating result.

Due to the specific features of the Financial Services Division, its management focuses on return on equity, a special target linked to invested capital. This measure is calculated as the ratio of earnings before tax to average equity. Average equity is calculated from the balance at the beginning and the end of the reporting period. In addition, the goals of the

Financial Services Division are to meet the banking supervisory authorities' regulatory capital requirements, to procure equity for the growth planned in the coming fiscal years and to support its external rating by ensuring capital adequacy. To ensure compliance with prudential requirements at all times, a planning procedure integrated into internal reporting has been put in place at Volkswagen Financial Services, allowing the required equity to be continuously determined on the basis of actual and expected business performance. In the reporting period, this again ensured that regulatory minimum capital requirements were always met both at Group level and at the level of subordinate companies' individual, specific capital requirements.

The return on investment and value contribution in the Automotive Division as well as the return on equity in the Financial Services Division are shown in the following table:

€ million	2015	2014
Automotive Division[1]		
Operating result after capital	−203	11,734
Invested capital (average)	84,289	78,889
Return on investment (ROI) in %	**−0.2**	**14.9**
Cost of capital in %	6.8	7.7
Opportunity cost of invested capital	5,732	6,074
Value contribution[2]	**−5,935**	**5,660**
Financial Services Division		
Earnings before tax	2,333	1,965
Average equity	19,140	15,714
Return on equity before tax in %	**12.2**	**12.5**
Equity ratio in %	**11.9**	**11.3**

1 Including proportionate inclusion of the Chinese joint ventures and allocation of consolidation adjustments between the Automotive and Financial Services Divisions; excluding effects on earnings and assets from purchase price allocation.
2 The value contribution corresponds to the Economic Value Added (EVA®). EVA® is a registered trademark of Stern Stewart & Co.

36. Contingent liabilities

€ million	Dec. 31, 2015	Dec. 31, 2014
Liabilities under guarantees	334	674
Liabilities under warranty contracts	77	58
Assets pledged as security for third-party liabilities*	20	12
Other contingent liabilities	2,159	2,359
	2,590	**3,103**

* Prior-year figures adjusted.

The trust assets and liabilities of the savings and trust entities belonging to the South American subsidiaries not included in the consolidated balance sheet amount to €702 million (previous year: €802 million).

In the case of liabilities from guarantees, the Group is required to make specific payments if the debtors fail to meet their obligations.

Financial guarantee contracts within the meaning of IFRS 7 are now presented in the Liquidity risk section in note 34 and are no longer included in liabilities from guarantees. Starting in fiscal year 2015, the pledge of claims under certificates of deposit with Bankhaus Metzler to secure a loan granted to Fleet Investments B.V. by Bankhaus Metzler is presented under liquidity risks in note 34. In the previous year, this was contained in assets pledged as security for third-party liabilities. The prior-year disclosure was adjusted accordingly.

The other contingent liabilities are attributable primarily to potential liabilities arising from matters relating to taxes and customs duties, as well as to litigation and proceedings relating to suppliers, dealers, customers and employees.

The other contingent liabilities at €1 billion contain potential settlements under product-related claims, investor lawsuits, and possible fines or other monetary sanctions resulting from administrative proceedings and proceedings involving other administrative-type authorities in connection with the diesel issue, provided that the criteria for disclosing a contingent liability have been met. As a general principle, they do not include any class action lawsuits and criminal investigations/misdemeanour proceedings related to the diesel issue filed outside of the USA and Canada, as well as specific portions of investor lawsuits which meet the definition of a contingent liability but could not, as a rule, be disclosed because it is impossible to measure the amount involved. These proceedings are still at a very early stage, meaning that in a number of cases the plaintiffs have so far not specified the basis of their claims and/or there is insufficient certainty about the number of plaintiffs or the amounts being claimed.

In 2011, the European Commission opened antitrust proceedings against European truck manufacturers including MAN and Scania. In November 2014, the European Commission sent a statement of objections to MAN, Scania and the other truck manufacturers concerned, in which it informed the truck manufacturers of the objections raised against them and gave them the right to comment extensively on the objections raised and to exercise other rights of defense before any decision is reached. Because the investigation is still ongoing and due to the associated uncertainties, Volkswagen is not currently in a position to predict the decisions of the authorities and thus any potential fines.

As permitted by IAS 37.92, in order not to prejudice the outcomes of the proceedings and the interests of the Company, we have not made any further disclosures about estimates in connection with the financial effects of, and disclosures about, uncertainty regarding the timing or amount of contingent liabilities in connection with the diesel issue and investigations by the European Commission. Further information can be found in note 37 "Litigation".

37. Litigation

In the course of their operating activities, Volkswagen AG and the companies in which it is directly or indirectly invested become involved in a great number of legal disputes and official proceedings in Germany and internationally. In particular, such legal disputes and other proceedings may occur in relation to suppliers, dealers, customers, employees, or investors. For the companies involved, these may result in payment or other obligations. Above all in cases where US customers in particular assert claims for vehicle defects individually or by way of a class action, highly cost-intensive measures may have to be taken and substantial compensation or punitive damages paid. Corresponding risks also result from US patent infringement proceedings.

Risks may also emerge in connection with the adherence to regulatory requirements. This particularly applies in the case of regulatory vagueness that may be interpreted differently by Volkswagen and the agencies responsible for the respective regulations. In addition, legal risks can arise from the criminal activities of individual persons, which even the best compliance system can never completely prevent.

Where transparent and economically viable, adequate insurance cover is taken out for these risks. For the identifiable and measurable risks, appropriate provisions are recognized and information about contingent liabilities is disclosed. As some risks cannot be assessed or can only be assessed to a limited extent, the possibility of loss or damage not being covered by the insured amounts and provisions cannot be ruled out. This particularly applies to legal risk assessment regarding the diesel issue.

Diesel Issue

On September 18, 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. It has been alleged that we had used undisclosed engine management software installed in certain four-cylinder diesel engines used in certain 2009 to 2015 model year vehicles to circumvent NO_x emissions testing regulations in the United States of America in order to comply with certification requirements. The US environmental authority of California – the California Air Resources Board (CARB) – announced its own enforcement investigation in this context.

Volkswagen admitted to irregularities in this context. In its ad hoc release dated September 22, 2015, the Volkswagen Group announced that noticeable discrepancies between the figures achieved in testing and in actual road use had been identified in around eleven million vehicles worldwide with certain diesel engines. The vast majority of these engines are Type EA 189 Euro 5 engines. On November 2, 2015, the EPA issued another "Notice of Violation" alleging that irregularities had also been discovered in the software installed in vehicles with type V6 TDI 3.0 l diesel engines. CARB also issued a letter announcing its own enforcement investigation in this context. Audi has confirmed that a total of three auxiliary emission control devices were inadequately disclosed in the course of the US approval documentation. Around 113 thousand vehicles from the 2009 to 2016 model years with certain six-cylinder diesel engines are affected.

On January 4, 2016, the U.S. Department of Justice (DOJ), on behalf of the EPA, filed a civil complaint against Volkswagen AG, AUDI AG and other companies of the Volkswagen Group. The claims asserted under civil law are founded on the alleged use of illegal (Defeat Device) software in violation of the American Clean Air Act. The complaint's allegations relate to both the four-cylinder and the six-cylinder diesel engines. On January 12, 2016, it was announced that CARB intends to seek civil fines for alleged violations of the California Health & Safety Code and various CARB regulations.

The allegations described are subject to extensive ongoing discussions between Volkswagen and the EPA or CARB, respectively, also including a rigorous review of relevant technical concepts. The investigations have not been completed at the present time.

In addition to internal inquiries, Volkswagen AG commissioned an official external investigation by US law firm Jones Day for this purpose. This will be an independent and comprehensive investigation that will address the diesel issue. The Supervisory Board of Volkswagen AG is ensuring that Jones Day can carry out its clarification work independently. Jones Day is updating the Company on the current results of its investigation on an ongoing basis.

The Supervisory Board of Volkswagen AG has formed a special committee to coordinate all activities in this context for the Supervisory Board.

Based on decisions dated October 15, 2015, the Kraftfahrtbundesamt (KBA – German Federal Motor Transport Authority) ordered the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles and SEAT brands to recall all of the diesel vehicles that had been issued with vehicle type approval by the KBA from among the 11 million affected. The recall concerns the member states of the European Union (EU28). On December 10, 2015 a similar decision was issued regarding Audi vehicles with the EA 189 engine. The timetable and action plan forming the basis for the recall order correspond to the proposals presented in advance by Volkswagen. Depending on the technical complexity of the remedial actions, this means that Volkswagen has been recalling the affected vehicles, of which there are around 8.5 million in total in the EU 28 countries, to the service workshops since January 2016. Based on current knowledge, the remedial actions differ in scope depending on the engine variant. The technical solutions cover software and in some cases hardware modifications, depending on the series and model year. The details of the remedial actions will be agreed in close cooperation with the KBA, which must approve them in advance. Discussions are currently underway with the authorities in the other EU member states with the aim of ensuring that no legal actions above and beyond this will be taken in this connection by public authorities in the other member states. The Group brands SEAT and ŠKODA also received approvals in principle each from their respective type approval authorities – the Ministry of Industry in Spain and the Vehicle Certification Agency in the United Kingdom. In some countries outside the EU – among others Switzerland, Australia and Turkey – national type approval is based on prior recognition of the EC/ECE type approval. We are also in close contact with the authorities in these countries in order to coordinate the corresponding actions.

In addition, there is an intensive exchange of information with the authorities in the USA and Canada, where Volkswagen's planned actions in relation to the four-cylinder and the six-cylinder diesel engines will also have to be approved.

Due to considerably stricter NO_x limits in the USA, it is a greater technical challenge to refit the vehicles so that all applicable emissions limits can be met.

Potential consequences for Volkswagen's results of operations, financial position and net assets could emerge primarily in the following legal areas:

1. Criminal and administrative proceedings all over the world (excluding the USA/Canada)
In addition to the approval processes with the responsible registration authorities, criminal investigations/misdemeanour proceedings have been opened (for example, by the public prosecutor's office in Braunschweig, Germany) and/or administrative proceedings have been announced in some countries (for example, by the Bundesanstalt für Finanzdienstleistungsaufsicht BaFin – the German Federal Financial Supervisory Authority). The public prosecutor's office in Braunschweig is investigating the core issue of the criminal investigations. Whether this will result in fines for the Company, and if so what their amount might be, is currently subject to estimation risks. According to Volkswagen's estimates so far, the large majority of proceedings have less than a 50% probability of success. Contingent liabilities have therefore been disclosed in cases where they can be assessed and for which the chance of success was deemed not implausible.

2. Product-related lawsuits worldwide (excluding the USA/Canada)
In principle, it is possible that customers in the affected markets will file civil lawsuits against Volkswagen AG and other Volkswagen Group companies. In addition, it is possible that importers and dealers could assert claims against Volkswagen AG and other Volkswagen Group companies, e.g. through recourse claims. As well as individual lawsuits, class action lawsuits are possible in various jurisdictions (albeit not in Germany).

In this context, various lawsuits are pending against Volkswagen AG and other Volkswagen Group companies at present.

Class action proceedings against Volkswagen AG and other Volkswagen Group companies are pending in various countries such as Australia, Israel, Italy, United Kingdom and the Netherlands. The proceedings in the Netherlands are focused on taking evidence only. The other class action proceedings are lawsuits aimed among other things at asserting damages. The amount of these damages cannot yet be quantified due to the early stage of the proceedings. In South Korea various mass proceedings are pending (individual lawsuits in which several hundred litigants have aggregated). These lawsuits are filed to assert damages and to rescind the purchase contract including repayment of the purchase price. Volkswagen does not estimate the litigants' prospect of success to be more than 50% in any of the aforementioned proceedings aimed at asserting damages. Contingent liabilities have therefore been disclosed in those cases where that can be assessed and for which the chance of success was deemed not implausible.

Furthermore, individual lawsuits and similar proceedings are pending against Volkswagen AG and other Volkswagen Group companies in numerous countries. In Germany and Austria, individual lawsuits in the two-digit range are pending, most of which are aimed at asserting damages or rescinding the purchase contract. According to Volkswagen's estimates so far, the litigants' prospect of success is below 50% in the vast majority of the individual lawsuits. Contingent liabilities have therefore been disclosed for those lawsuits that can be assessed and for which the chance of success was deemed not implausible.

It is too early to estimate how many customers will take advantage of the option to file lawsuits in the future, beyond the existing lawsuits, or what their prospects of success will be. On the one hand, the final results of the external investigation by Jones Day are not yet known. On the other hand, the public prosecutors' investigations are also still ongoing.

Volkswagen is working intensively to finalize the remedial actions described above. For the 2 l engines, implementation already started in the fourth week of January 2016.

Volkswagen is pursuing the clear aim of not adversely affecting engine performance, fuel consumption and CO_2 emissions in implementing the planned measures.

3. Lawsuits filed by investors worldwide (excluding the USA/Canada)
Investors from Germany and abroad have announced that they are examining the possibility of pursuing claims for damages against Volkswagen AG due to the movements in Volkswagen AG's share price following publication of the EPA's

"Notices of Violation". Volkswagen AG had already been served with lawsuits that in particular claim damages due to alleged misconduct in capital market communications. In some cases, applications were simultaneously made to instigate proceedings in accordance with the Kapitalanleger-Musterverfahrensgesetz (Capital Markets Model Case Act). Volkswagen is of the opinion that it duly complied with its capital market obligations. Therefore, no provisions have been recognized. Furthermore, contingent liabilities were disclosed for a portion of the submitted claims. The majority of the claims either could not be assessed at the time or the chance of success was deemed unlikely.

4. Proceedings in the USA/Canada

Following the publication of the EPA's notices of violation, Volkswagen AG and other Volkswagen Group companies have been the subject of intense scrutiny, ongoing investigations (civil and criminal) and civil litigation. Volkswagen AG and other Volkswagen Group companies have received subpoenas and inquiries from state attorneys general and other governmental authorities and are responding to such investigations and inquiries.

In addition, Volkswagen AG and other Volkswagen Group companies in the USA/Canada are facing litigation on a number of different fronts relating to the matters described in the EPA's "Notices of Violation".

On January 4, 2016, the U.S. Department of Justice (DOJ), Civil Division, on behalf of the EPA, initiated a civil penalty lawsuit against Volkswagen AG, AUDI AG and certain other Volkswagen Group companies. The action seeks statutory penalties under the US Clean Air Act, as well as certain injunctive relief.

On January 12, 2016, it was announced that CARB intends to seek civil fines for alleged violations of the California Health & Safety Code and various CARB regulations.

The DOJ has also opened a criminal investigation. This focuses on allegations that various federal law criminal offenses were committed.

A large number of putative class action lawsuits by affected customers and dealers have been filed in US federal courts and consolidated for pretrial coordination purposes in a federal court multidistrict litigation proceeding in the State of California. The claims primarily relate to compensation for material damage. The DOJ civil penalty lawsuit referenced above has also been consolidated for pretrial coordination purposes in this California multidistrict litigation proceeding.

Additionally, in the USA, some putative class actions have been filed; some individual customers' lawsuits have been filed; and some state or municipal claims have been filed in state courts. The attorneys general of four US states (West Virginia, Texas, New Mexico and New Jersey) have commenced litigation in state courts and allege that Volkswagen Group of America inappropriately advertised clean diesels and that customers were misled into purchasing Volkswagen diesel vehicles as a result. The United States Federal Trade Commission (FTC) has also made similar accusations against the Volkswagen Group of America in its lawsuit from March 29, 2016.

In addition to lawsuits described above, for which provisions have been recognized, a number of lawsuits for damages have been filed on behalf of a putative class of purchasers of Volkswagen AG American Depository Receipts, alleging a suffered drop in price purportedly resulting from the matters described in the EPA's "Notices of Violation".

These lawsuits have also been consolidated in the federal multidistrict litigation proceeding in the State of California described above. Volkswagen is of the opinion that it duly complied with its capital market obligations. Therefore, no provisions have been recognized. In addition, contingent liabilities have not been disclosed as they currently cannot be measured.

5. Risk assessment regarding the diesel issue

To protect against the currently known legal risks, including suitable expenses for defense and legal advice related to the diesel issue, existing information and assessments at the time indicated the need to generate provisions in the amount of €7.0 billion. A sum amounting to €1 billion has also been reported for contingent liabilities, insofar as these can be adequately measured at this stage. The provisions recognized, the contingent liabilities disclosed and the other latent legal risks are partially subject to substantial estimation risks given the complexity of the individual factors, the ongoing regulatory approval process with the authorities and the fact that the independent and exhaustive investigations have not yet been completed. In addition, negotiations are currently being conducted with the authorities in the USA concerning possible investments in environmental projects and e-mobility. The investments are expected to amount to approximately €1.8 billion. Their content and timing have yet to be defined.

Additional important legal cases

ARFB Anlegerschutz UG (haftungsbeschränkt), Berlin, brought an action against Porsche Automobil Holding SE, Stuttgart, Germany, and Volkswagen AG for claims for damages allegedly assigned to it in the amount of approximately €2.26 billion. The plaintiff asserts that these claims are based on alleged breaches by the defendants of legislation to protect the capital markets in connection with Porsche's acquisition of Volkswagen shares in 2008. With its April 2016 ruling, the district court of Hannover submitted numerous goals for discovery to the higher regional court in Celle in an attempt to prompt a model case decision. In all other cases, the claims were thrown out for being inadmissible. In various cases since 2010, investors initiated conciliation proceedings for other alleged damages – including claims against Volkswagen AG – that amounted to approximately €4.6 billion in total and also related to transactions at that time. In each case, Volkswagen rejected the claims asserted and refused to participate in any conciliation proceedings.

In 2011, the European Commission opened antitrust proceedings against European truck manufacturers including MAN and Scania. In November 2014, the European Commission sent a statement of objections to MAN, Scania and the other truck manufacturers concerned, in which it informed the truck manufacturers of the objections raised against them and gave them the right to comment extensively on the objections raised and to exercise other rights of defense before any decision is reached. Given the fact that the issues are still being clarified, it is too early to judge whether the European Commission's investigation will result in financial liabilities for MAN and Scania and, if so, to assess their amount. As a consequence, neither MAN nor Scania has recognized provisions or disclosed contingent liabilities.

The Annual General Meeting of MAN SE approved the conclusion of a control and profit and loss transfer agreement between MAN SE and Volkswagen Truck & Bus GmbH (formerly Truck & Bus GmbH), a subsidiary of Volkswagen AG, in June 2013. In July 2013, award proceedings were instituted to review the appropriateness of the cash settlement set out in the agreement in accordance with section 305 of the Aktiengesetz (AktG – German Stock Corporation Act) and the cash compensation in accordance with section 304 of the AktG. It is not uncommon for noncontrolling interest shareholders to institute such proceedings. In July 2015, the Munich Regional Court ruled in the first instance that the amount of the cash settlement payable to the noncontrolling interest shareholders of MAN should be increased from €80.89 to €90.29; at the same time, the amount of the cash compensation was confirmed. Both applicants and Volkswagen Truck & Bus GmbH have appealed to the Higher Regional Court in Munich. Volkswagen continues to maintain that the results of the valuation are correct. The appropriateness of the valuation was confirmed by the audit firms engaged by the parties and by the court-appointed auditor of the agreement. The assessment of liability for put options and compensation rights granted to noncontrolling interest shareholders was adjusted in turn.

In line with IAS 37.92, no further statements have been made concerning estimates of financial impact or about uncertainty regarding the amount or maturity of provisions and contingent liabilities, particularly in relation to the diesel issue and the European Commission's investigation. This is so as to not compromise the results of the proceedings or the interests of the Company.

38. Other financial obligations

€ million	PAYABLE 2015	PAYABLE 2016 – 2019	PAYABLE from 2020	TOTAL Dec. 31, 2014
Purchase commitments in respect of				
property, plant and equipment	8,524	1,826	–	10,350
intangible assets	555	585	–	1,140
investment property	2	–	–	2
Obligations from				
loan commitments to unconsolidated subsidiaries	131	–	149	279
irrevocable credit commitments to customers	3,540	129	356	4,025
long-term leasing and rental contracts	899	2,351	2,472	5,721
Miscellaneous other financial obligations	4,651	1,005	112	5,768

€ million	PAYABLE 2016	PAYABLE 2017 – 2020	PAYABLE from 2021	TOTAL Dec. 31, 2015
Purchase commitments in respect of				
property, plant and equipment	7,214	1,169	–	8,383
intangible assets	1,163	143	–	1,306
investment property	8	–	–	8
Obligations from				
loan commitments to unconsolidated subsidiaries	558	2	–	560
irrevocable credit commitments to customers	4,602	0	94	4,696
long-term leasing and rental contracts	997	2,466	2,444	5,908
Miscellaneous other financial obligations	3,290	1,059	200	4,549

Other financial obligations from long-term leasing and rental contracts are partly offset by expected income from subleases of €989 million (previous year: €968 million).

The miscellaneous other financial obligations contain obligations under an irrevocable credit commitment in the amount of €1.3 billion to LeasePlan with a term until December 2018. The loan has not been drawn down to date.

Furthermore, negotiations regarding the diesel issue are currently being conducted with the authorities in the USA concerning possible investments in environmental projects and e-mobility. The investments are expected to amount to approximately €1.8 billion. Their content and timing have yet to be defined.

39. Total audit fees of the Group auditors

Under the provisions of the Handelsgesetzbuch (HGB – German Commercial Code), Volkswagen AG is obliged to disclose the total audit fee of the Group auditors in Germany.

€ million	2015	2014
Financial statement audit services	15	13
Other assurance services	6	6
Tax advisory services	0	0
Other services	6	11
	27	**30**

40. Total expense for the period

€ million	2015	2014
Cost of materials		
Cost of raw materials, consumables and supplies, purchased merchandise and services	**143,700**	**132,514**
Personnel expenses		
Wages and salaries	29,301	27,684
Social security, post-employment and other employee benefit costs	6,967	6,151
	36,268	**33,834**

41. Average number of employees during the year

	2015	2014
Performance-related wage-earners	230,720	225,454
Salaried staff	286,125	276,249
	516,845	**501,703**
of which in the passive phase of partial retirement	(6,483)	(8,011)
Vocational trainees	17,321	17,145
	534,166	**518,848**
Employees of Chinese joint ventures	70,221	64,575
	604,387	**583,423**

42. Events after the balance sheet date

The final approvals for the sale of LeasePlan to an international consortium of investors were issued by the competent authorities in January 2016. Legal transfer of the LeasePlan shares to the consortium was completed on March 21, 2016.

The total value of the transaction was approximately €3.7 billion plus interest in the amount of €31.5 million. In 2016, this had a positive effect of €2.2 billion on investing activities and net liquidity and, taking into account the disposal of equity-accounted investment in GMH, resulted in a low three-digit million euro range for the Volkswagen Group, which is reported in the financial result. On completion of the transaction, the existing credit line of €1.3 billion provided by the Volkswagen Group was cancelled.

43. Related party disclosures in accordance with IAS 24

Related parties as defined by IAS 24 are natural persons and entities that Volkswagen AG has the ability to control or on which it can exercise significant influence, or natural persons and entities that have the ability to control or exercise significant influence on Volkswagen AG, or that are influenced by another related party of Volkswagen AG.

Porsche SE reached an agreement with Suzuki Motor Corporation at the end of September 2015 to acquire 1.5% of Volkswagen AG's ordinary shares via an off-market transaction. At 52.2%, Porsche SE held the majority of the voting rights in Volkswagen AG as of the reporting date. The creation of rights of appointment for the State of Lower Saxony was resolved at the Extraordinary General Meeting of Volkswagen AG on December 3, 2009. As a result, Porsche SE cannot appoint the majority of the members of Volkswagen AG's Supervisory Board for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. However, Porsche SE has the power to participate in the operating policy decisions of the Volkswagen Group and is therefore classified as a related party as defined by IAS 24.

The contribution of Porsche SE's holding company operating business to Volkswagen AG on August 1, 2012 has the following effects on the agreements between Porsche SE, Volkswagen AG and companies of the Porsche Holding Stuttgart Group that existed prior to the contribution and were entered into on the basis of the Comprehensive Agreement and its related implementation agreements:

> Volkswagen AG continues to indemnify Porsche SE against certain financial guarantees issued by Porsche SE to creditors of the companies belonging to the Porsche Holding Stuttgart Group up to the amount of its share in the capital of Porsche Holding Stuttgart, which amounts to 100% since the contribution as of August 1, 2012. Porsche Holding Finance plc, Dublin, Ireland, was contributed to the Volkswagen Group in the course of the transfer of Porsche SE's holding company operating business. Since August 1, 2012, the indemnification therefore includes financial guarantees issued by Porsche SE to creditors of Porsche Holding Finance plc in relation to interest payments on and the repayment of bonds in the aggregate amount of €310 million. As part of the contribution of Porsche SE's holding company operating business to Volkswagen AG, Volkswagen AG undertook to assume standard market liability compensation effective August 1, 2012 for guarantees issued to external creditors, whereby it is indemnified internally.

> Volkswagen AG continues to indemnify Porsche SE internally against claims by the Einlagensicherungsfonds (German deposit protection fund) after Porsche SE submitted an indemnification agreement required by the Bundesverband Deutscher Banken (Association of German Banks) to the Einlagensicherungsfonds in August 2009. Volkswagen AG has also undertaken to indemnify the Einlagensicherungsfonds against any losses caused by measures taken by the latter in favor of a bank in which Volkswagen AG holds a majority interest.

- Under certain conditions, Porsche SE continues to indemnify Porsche Holding Stuttgart, Porsche AG and their legal predecessors against tax liabilities that exceed the obligations recognized in the financial statements of those companies relating to periods up to and including July 31, 2009. In return, Volkswagen AG has undertaken to pay to Porsche SE any tax benefits or tax refunds of Porsche Holding Stuttgart, Porsche AG and their legal predecessors and subsidiaries for tax assessment periods up to July 31, 2009. Based on the results of the external tax audit for the assessment periods 2006 to 2008 that has now been completed, a compensation obligation running into the low triple-digit millions of euros would arise for Volkswagen AG. New information emerging in the future from the external tax audit that commenced at the end of 2015 for the 2009 assessment period could result in an increase or decrease in the potential compensation obligation.

Under the terms of the Comprehensive Agreement, Porsche SE and Volkswagen AG had granted each other put and call options with regard to the remaining 50.1% interest in Porsche Holding Stuttgart held by Porsche SE until the contribution of its holding company operating business to Volkswagen AG. Both Volkswagen AG (if it had exercised its call option) and Porsche SE (if it had exercised its put option) had undertaken to bear the tax burden resulting from the exercise of the options and any subsequent activities in relation to the equity investment in Porsche Holding Stuttgart (e.g. from recapture taxation on the spin-off in 2007 and/or 2009). If tax benefits had accrued to Volkswagen AG, Porsche Holding Stuttgart, Porsche AG, or their respective subsidiaries as a result of recapture taxation on the spin-off in 2007 and/or 2009, the purchase price to be paid by Volkswagen AG for the transfer of the outstanding 50.1% equity investment in Porsche Holding Stuttgart if the put option had been exercised by Porsche SE would have been increased by the present value of the tax benefit. This arrangement was taken over under the terms of the contribution agreement to the effect that Porsche SE has a claim against Volkswagen AG for payment in the amount of the present value of the realizable tax benefits from any recapture taxation of the spin-off in 2007 as a result of the contribution. It was also agreed under the terms of the contribution that Porsche SE will indemnify Volkswagen AG, Porsche Holding Stuttgart and their subsidiaries against taxes if measures taken by or not taken by Porsche SE result in recapture taxation for 2012 at these companies in the course of or following implementation of the contribution. In this case, too, Porsche SE is entitled to assert a claim for payment against Volkswagen AG in the amount of the present value of the realizable tax benefits that arise at the level of Volkswagen AG or one of its subsidiaries as a result of such a transaction.

Further agreements were entered into and declarations were issued in connection with the contribution of Porsche SE's holding company operating business to Volkswagen AG, in particular:

- Porsche SE issued various guarantees to Volkswagen AG in the course of the contribution relating to Porsche Holding Stuttgart, Porsche AG and its other transferred investees. Among other things, these relate to the proper issuance of and full payment for shares and capital contributions, and/or to the ownership of the shares of Porsche Holding Stuttgart and Porsche AG.
- Under the terms of the contribution of its holding company operating business, Porsche SE also issued guarantees to Volkswagen AG for other assets transferred and liabilities assumed. In doing so, Porsche SE guarantees that these have not been assigned and are, in principle, free from third-party rights up to the date of completion of the contribution.
- As a general principle, Porsche SE's liabilities for these guarantees are restricted to the consideration paid by Volkswagen AG.
- Porsche SE indemnifies its contributed subsidiaries, Porsche Holding Stuttgart, Porsche AG and their subsidiaries against liabilities to Porsche SE that relate to the period up to and including December 31, 2011 and that exceed the obligations recognized in the financial statements of those companies for that period.
- Porsche SE indemnifies Porsche Holding Stuttgart and Porsche AG against obligations arising from certain legal disputes; this includes the costs of an appropriate legal defense.

- Moreover, Porsche SE indemnifies Volkswagen AG, Porsche Holding Stuttgart, Porsche AG and their subsidiaries against half of the taxes (other than taxes on income) arising at those companies in conjunction with the contribution that would not have been incurred in the event of the exercise of the call option on the shares of Porsche Holding Stuttgart that continued to be held by Porsche SE until the contribution. Volkswagen AG therefore indemnifies Porsche SE against half of such taxes that it incurs. In addition, Porsche Holding Stuttgart is indemnified against half of the land transfer tax and other costs triggered by the merger.
- Additionally, Porsche SE and Porsche AG agreed to allocate any subsequent VAT receivables or liabilities from transactions in the period up to December 31, 2009 to the company entitled to the receivable or incurring the liability.
- A range of information, conduct and cooperation obligations were agreed by Porsche SE and the Volkswagen Group.

According to a notification dated January 5, 2016, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover, held 20.00% of the voting rights of Volkswagen AG on December 31, 2015. As mentioned above, the General Meeting of Volkswagen AG on December 3, 2009 also resolved that the State of Lower Saxony may appoint two members of the Supervisory Board (right of appointment).

Members of the Board of Management and Supervisory Board of Volkswagen AG are members of supervisory and management boards or shareholders of other companies with which Volkswagen AG has relations in the normal course of business. All transactions with related parties are conducted on an arm's length basis.

The following tables present the amounts of supplies and services transacted, as well as outstanding receivables and liabilities, between consolidated companies of the Volkswagen Group and related parties.

RELATED PARTIES

	SUPPLIES AND SERVICES RENDERED		SUPPLIES AND SERVICES RECEIVED	
€ million	2015	2014	2015	2014
Porsche SE	12	24	5	6
Supervisory Board members	7	5	4	4
Board of Management members	1	1	0	12
Unconsolidated subsidiaries	944	989	886	767
Joint ventures and their majority interests	11,785	15,352	1,429	1,388
Associates and their majority interests	126	198	826	575
Pension plans	3	3	0	0
Other related parties	0	0	0	0
State of Lower Saxony, its majority interests and joint ventures	5	5	2	4

€ million	RECEIVABLES (INCLUDING COLLATERAL) FROM		LIABILITIES (INCLUDING OBLIGATIONS) TO	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Porsche SE	334	356	110	14
Supervisory Board members	0	0	165	218
Board of Management members	0	0	81	69
Unconsolidated subsidiaries	1,015	673	1,418	815
Joint ventures and their majority interests	7,495	6,295	2,343	2,127
Associates and their majority interests	40	69	518	168
Pension plans	1	1	8	7
Other related parties	–	–	25	27
State of Lower Saxony, its majority interests and joint ventures	0	0	0	1

The tables above do not contain the dividend payments of €4,704 million (previous year: €2,997 million) received from the joint ventures and associates or the dividends of €719 million (previous year: €599 million) paid to Porsche SE.

€148 million (previous year: €5 million) of the related party receivables were written down in the fiscal year.

In addition, the Volkswagen Group has furnished guarantees to external banks on behalf of related parties in the amount of €262 million.

The changes in supplies and services received from and rendered to joint ventures and their majority interests are primarily attributable to deliveries to the Chinese joint ventures.

The supplies and services received from Porsche SE relate mainly to standard market liability compensation for guarantees assumed. The supplies and services rendered to Porsche SE relate mainly to interest income on loans granted. The supplies and services received from Board of Management members in the previous year related mainly to shares tendered as part of the offer to Scania shareholders.

The receivables from Porsche SE mainly comprise loan receivables. The obligations to Porsche SE consist mainly of term deposits.

Obligations to joint ventures and their majority interests contain miscellaneous financial obligations under an irrevocable credit commitment in the amount of €1.3 billion to LeasePlan with a term until December 2018.

As in the previous year, obligations to members of the Supervisory Board amounting to €165 million (previous year: €218 million) relate primarily to interest-bearing bank balances of Supervisory Board members that were invested at standard market terms and conditions at Volkswagen Group companies.

Obligations to the Board of Management comprise outstanding balances for bonuses payable to Board of Management members in the amount of €36,244,616 (previous year: €53,686,233) and amounts of €39,433,417 (previous year: €12,373,058) granted on the termination of employment relationships with Board of Management members.

In addition to the amounts shown above, the following expenses were recognized for the members of the Board of Management and Supervisory Board of the Volkswagen Group in the course of their activities as members of these bodies:

€	2015	2014
Short-term benefits	65,404,667	77,704,758
Post-employment benefits	3,375,923	4,409,573
Termination benefits	41,132,431	12,809,128
	109,913,021	**94,923,459**

By resolution of the Supervisory Board of Volkswagen AG, 30% of the variable remuneration for fiscal year 2015 for the Board of Management members active on the date of the resolution was withheld and its disposal made subject to the Company's future share price performance. The resolution was not required to be reflected in the calculation of short-term employee benefits under IFRSs because it was only passed after the fiscal year had ended.

The employee representatives on the Supervisory Board are also entitled to a regular salary as set out in their employment contracts. This is based on the provisions of the Betriebsverfassungsgesetz (BetrVG – German Works Constitution Act) and represents an appropriate remuneration for their functions and activities in the Company. The same also applies to the representative of the senior executives on the Supervisory Board.

The post-employment benefits relate to additions to pension provisions for current members of the Board of Management.

The termination benefit commitments relate to Messrs. Östling, Winterkorn, Klingler and Pötsch.

Disclosures on the pension provisions for members of the Board of Management and more detailed explanations of the remuneration of the Board of Management and the Supervisory Board can be found in note 45 and in the remuneration report, which is part of the management report.

44. German Corporate Governance Code

On November 20, 2015, the Board of Management and Supervisory Board of Volkswagen AG issued their declaration of conformity with the German Corporate Governance Code as required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) and made it permanently available to the shareholders of Volkswagen AG on the Company's website at www.volkswagenag.com/ir.

On December 3, 2015, the Board of Management and Supervisory Board of AUDI AG likewise issued their declaration of conformity with the German Corporate Governance Code and made it permanently available to the shareholders at www.audi.com/cgk-declaration.

In December 2015, the Executive Board and Supervisory Board of MAN SE issued their declaration of conformity with the German Corporate Governance Code as required by section 161 of the AktG and made it permanently available to the shareholders at www.corporate.man.eu/en.

The Executive and Supervisory Boards of Renk AG issued a declaration of conformity on December 11, 2015 and made it permanently available to the shareholders at www.renk.biz/corporated-governance.html.

45. Remuneration of the Board of Management and the Supervisory Board

€	2015	2014
Board of Management remuneration		
Non-performance-related remuneration	28,288,098	11,389,074
Performance-related remuneration	34,956,362	54,166,233
	63,244,460	**65,555,308**
Supervisory Board remuneration		
Fixed remuneration components	660,976	808,500
Variable remuneration components	35,977	11,340,950
	696,953	**12,149,450**

The non-performance-related remuneration of the Board of Management comprises fixed remuneration and fringe benefits. In addition to the basic level of remuneration, the fixed remuneration also includes differing levels of remuneration for appointments assumed at Group companies. In addition, Mr. Diess received €5,000,000 and Mr. Renschler received €11,478,000 as compensation for the loss of benefits due to the change of employer. The fringe benefits result from the grant of noncash benefits and include in particular the use of operating assets such as company cars and the payment of insurance premiums. Taxes due on these noncash benefits were mainly borne by Volkswagen AG. The performance-related remuneration comprises a business performance bonus, which relates to business performance in the reporting period and in the preceding year, and, since 2010, a Long-Term Incentive (LTI) plan, which is based on the reporting period and the previous three fiscal years. Members of the Board of Management can also be awarded bonuses that reflect their individual performance.

The performance-related remuneration measured in accordance with German GAAP includes the amounts withheld from the active Board of Management members whose disposal is subject to the Company's future share price performance. These are reported at their fair value of €4,218,566. The amount withheld led to the creation of 50,703 virtual preferred shares.

On December 31, 2015, the pension provisions for members of the Board of Management in accordance with IFRSs amounted to €86,601,704 (previous year: €138,046,434). Current pensions are index-linked in accordance with the index-linking of the highest collectively agreed salary insofar as the application of section 16 of the Gesetz zur Verbesserung der betrieblichen Altersversorgung (BetrAVG – German Company Pension Act) does not lead to a larger increase.

Members of the Board of Management were paid interest-free advances in the amount of €175,000 (previous year: €480,000), which will be set off against performance-related remuneration in the following year.

Former members of the Board of Management and their surviving dependents received €51,306,960 (previous year: €22,792,616). This includes the amounts agreed to be paid to Messrs. Östling, Winterkorn, Klingler and Pötsch in connection with their departure from the Board of Management. Mr. Östling received non-performance-related remuneration of €567,885 and performance-related remuneration of €1,612,398 for the period from March 1 to August 31, 2015. Non-performance-related remuneration of €2,588,241 and performance-related remuneration of €6,691,011 for the period from September 26, 2015 to December 31, 2016 was recognized for Mr. Winterkorn. Taking into account the two-year cap to be applied, Mr. Klingler received non-performance-related remuneration of €2,435,488 and performance-related remuneration of €11,937,939 for the period from September 26, 2015 to December 31, 2017. Mr. Pötsch received non-performance-related remuneration of €3,015,800 and performance-related remuneration of €12,283,669 for the period from October 8, 2015 to December 31, 2017. The amount was granted net of Supervisory Board remuneration received in the period up to December 31, 2017.

Pension provisions in accordance with IFRSs for former members of the Board of Management amounted to € 242,675,809 (previous year: €165,668,945).

The individual remuneration of the members of the Board of Management and the Supervisory Board is explained in the remuneration report in the management report (see page 67). A comprehensive assessment of the individual bonus components of the LTI is also to be found there.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Wolfsburg, April 22, 2016

Volkswagen Aktiengesellschaft
The Board of Management

Matthias Müller	Karlheinz Blessing	Herbert Diess
Francisco Javier Garcia Sanz	Jochem Heizmann	Christine Hohmann-Dennhardt
Andreas Renschler	Rupert Stadler	Frank Witter

Auditor's Report

On completion of our audit, we issued the following unqualified auditors' report dated April 22, 2016. This report was originally prepared in German. In case of ambiguities the German version takes precedence:

Auditor's Report

We have audited the consolidated financial statements prepared by the VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, comprising income statement and statement of comprehensive income, the balance sheet, the statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without qualifying our opinion, we draw attention to the information provided and statements made in section "Key events" of the notes to the consolidated financial statements and in section "The Emissions Issue" of the combined management report with regard to the emission issue, the underlying causes, the involvement of members of the board of management as well as the impact on these financial statements.

Based on the presented first results of the various measures taken to investigate the issue, which underlie these financial statements, there is no validation that members of the board of management were aware of the deliberate manipulation of engine management software before summer 2015. Nevertheless, should as a result of the ongoing investigation new knowledge be obtained showing that members of the board of management were informed earlier, this could eventually have an impact on the annual and consolidated financial statements and on the combined management report for the fiscal year 2015 and the comparative figures for 2014.

The provisions for warranties and legal risks recorded in the financial year 2015 totalling €14.8 billion are based on the presented state of knowledge. Due to the large number of the technical solutions necessary and the inevitable uncertainties associated with the current and expected litigation it cannot be excluded that a future assessment of the risks may be different.

Hanover, April 22, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Norbert Winkeljohann
Wirtschaftsprüfer
(German Public Auditor)

Frank Hübner
Wirtschaftsprüfer
(German Public Auditor)

Glossary

Selected terms at a glance

Association of Southeast Asian Nations (ASEAN)
An international organization of Southeast Asian nations with political, economic and cultural aims that has been in existence since August 8, 1967.

Big Data
Big data is a term used to describe new ways of analyzing and evaluating data volumes that are too vast and too complex to be processed using manual or conventional methods.

Compliance
Adherence to statutory provisions, internal company policies and ethical principles.

Compressed Natural Gas (CNG)
Burning this compressed natural gas releases approximately 25% less CO_2 than petrol because of its low carbon and high energy content.

Connectivity
Describes the ability of vehicles to constantly communicate with e.g. other vehicles, traffic lights, or the workshop, and connect to consumer electronics.

Corporate Governance
International term for responsible corporate management and supervision driven by long-term value added.

Direct Shift Gearbox (DSG)
Gearbox that consists of two gearboxes with a dual clutch and so combines the agility, driving pleasure and low consumption levels of a manual gearbox with the comfort of an automatic.

Driving Cycles
Fuel consumption and exhaust emissions of vehicles registered in Europe are currently being determined on the roller or engine test bench with the aid of the "New European Driving Cycle" (NEDC). From mid-2017, Real Driving Emissions (RDE) are to be imposed in the European Union using a mobile emission standard under real driving conditions.

Hedge accounting
Presentation of hedges in the balance sheet with the aim of compensating offsetting gains and losses from hedged items and hedging instruments within the same period economically and in the financial statements.

Hedging instruments
Hedging transactions used in risk management, for example to hedge interest rate and exchange rate risks.

Hybrid drive
Drive combining two different types of engine and energy storage system (usually an internal combustion engine and an electric motor).

Hybrid notes
Hybrid notes issued by Volkswagen are classified in their entirety as equity. The issuer has call options at defined dates during their perpetual maturities. They pay a fixed coupon until the first possible call date, followed by a variable rate depending on their terms and conditions.

Industry 4.0
Describes the fourth industrial revolution and the systematic development of real-time and intelligent networks between people, objects and systems, exploiting all of the opportunities of information technology along the entire value added chain. Intelligent machines, inventory systems and operating equipment that independently exchange information, trigger actions and control each other will be integrated into production and logistics at a technical level. This offers tremendous versatility, efficient resource utilization, ergonomics and the integration of customers and business partners in operational processes throughout the entire value chain.

Liquefied Natural Gas (LNG)
LNG is needed so that natural gas engines can be used in long-distance trucks and buses, since this is the only way of achieving the required energy density.

Modular Transverse Toolkit (MQB)
As an extension of the modular strategy, this platform can be deployed in vehicles whose architecture permits a transverse arrangement of the engine components. The modular perspective enables high synergies to be achieved between the vehicles in the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, Audi, SEAT and ŠKODA brands.

North American Free Trade Agreement (NAFTA)
Agreement signed by Canada, Mexico and the United States establishing a free trade zone in North America in 1994.

Penetration rate for financial services
The ratio of the leasing and financing business to deliveries.

Plug-in-hybrid
Next-generation hybrid vehicles. Plug-in hybrid electric vehicles (PHEVs) have a larger battery with a correspondingly higher capacity that can be charged via the combustion engine, the brake system, or an electrical outlet. This increases the range of the vehicle.

Rating
Systematic evaluation of companies in terms of their credit quality. Ratings are expressed by means of rating classes, which are defined differently by the individual rating agencies.

Turntable concept
Concept of flexible manufacturing enabling the production of different models in variable daily volumes within a single plant, as well as offering the facility to vary daily production volumes of one model between two or more plants.

Vocational groups
For example, electronics, logistics, marketing, or finance. A new teaching and learning culture is gradually being established by promoting training in the vocational groups. The specialists are actively involved in the teaching process by passing on their skills and knowledge to their colleagues.

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2016

MOTOR SHOWS

March 3 – 13
International Motor Show, Geneva

March 25 – April 3
New York International Auto Show

April 25 – 29
Hannover Messe

April 27 – May 4
Auto China, Beijing

August 26 – September 4
MIAS, Moscow

September 22 – 29
IAA Commercial Vehicles, Hanover

October 1 – 16
International Motor Show, Paris

November 18 – 27
Los Angeles Auto Show

FINANCIAL CALENDAR

April 28
Volkswagen AG Annual Media Conference
And Investor Conference, Wolfsburg

May 31
Interim Report January – March

June 22
Volkswagen AG Annual General Meeting
(Hanover Exhibition Center)

July 28
Half-Yearly Financial Report

October 27
Interim Report January – September

Navigator

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