VOLKSWAGEN

AKTIENGESELLSCHAFT

moving progress

ANNUAL REPORT

2014

Key Figures

VOLKSWAGEN GROUP

Volume data[1]	2014	2013	%
Vehicle sales (units)	10,217,003	9,728,250	+5.0
Production (units)	10,212,562	9,727,848	+5.0
Employees at Dec. 31	592,586	572,800	+3.5

Financial data (IFRSs), € million	2014	2013	%
Sales revenue	202,458	197,007	+2.8
Operating profit	12,697	11,671	+8.8
Profit before tax	14,794	12,428	+19.0
Profit after tax	11,068	9,145	+21.0
Profit attributable to Volkswagen AG shareholders	10,847	9,066	+19.6
Cash flows from operating activities	10,784	12,595	−14.4
Cash flows from investing activities attributable to operating activities	16,452	14,936	+10.2
Automotive Division[2]			
EBITDA[3]	23,100	20,594	+12.2
Cash flows from operating activities	21,593	20,612	+4.8
Cash flows from investing activities attributable to operating activities[4]	15,476	16,199	−4.5
of which: capex	11,495	11,040	+4.1
as a percentage of sales revenue	6.5	6.3	
capitalized development costs	4,601	4,021	+14.4
as a percentage of sales revenue	2.6	2.3	
Net cash flow	6,117	4,413	+38.6
Net liquidity at Dec. 31	17,639	16,869	+4.6

Return ratios in %	2014	2013	
Return on sales before tax	7.3	6.3	
Return on investment (ROI) in the Automotive Division	14.9	14.5	
Return on equity before tax (Financial Services Division)[5]	12.5	14.3	

1 Volume data including the unconsolidated Chinese joint ventures.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Operating profit 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: €15,719 million (€14,497 million).
5 Profit before tax as a percentage of average equity.

VOLKSWAGEN AG

Volume data	2014	2013	%
Vehicle sales (units)	2,615,686	2,495,745	+4.8
Production (units)	1,230,891	1,169,151	+5.3
Employees at Dec. 31	112,561	107,559	+4.7

Financial data (HGB), € million	2014	2013	%
Sales	68,971	65,587	+5.2
Net income for the year	2,476	3,078	−19.6
Dividends (€)			
per ordinary share	4.80	4.00	
per preferred share	4.86	4.06	

This version of the annual report is a translation of the German original. The German takes precedence.

Moving Globally

VOLKSWAGEN GROUP DELIVERIES – IN THOUSAND UNITS

NORTH AMERICA

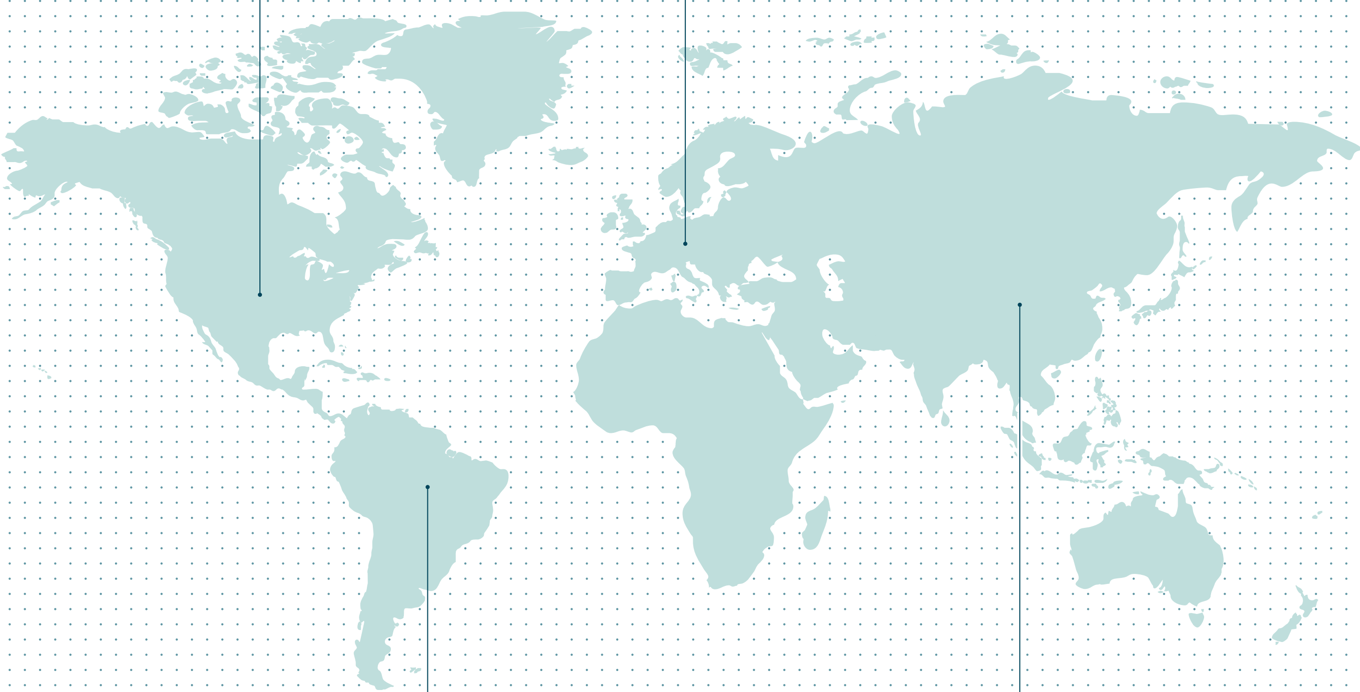
2012	843
2013	891
2014	893

+0.2%

EUROPE/OTHER MARKETS

2012	4,170
2013	4,201
2014	4,392

+4.5%



SOUTH AMERICA

2012	1,082
2013	992
2014	795

–19.9%

ASIA-PACIFIC

2012	3,181
2013	3,647
2014	4,058

+11.3%

12 brands
on the move

VOLKSWAGEN
AKTIENGESELLSCHAFT

VOLKSWAGEN FINANCIAL SERVICES
AKTIENGESELLSCHAFT

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

Volkswagen is "Das Auto". The brand delivers innovative, responsible mobility to people worldwide.

Volkswagen Passat fuel consumption in l/100 km combined from 1.6 to 5.4; CO_2 emissions in g/km combined from 37 to 140 (including values from Volkswagen Passat GTE).

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 TTS Coupé fuel consumption in l/100 km combined 7.1; CO_2 emissions in g/km combined 164.

SEAT Leon X-PERIENCE fuel consumption in l/100 km combined from 4.7 to 6.5; CO_2 emissions in g/km combined from 122 to 150.

SEAT

SEAT combines temperament and precision.
The Spanish brand's vehicles radiate sheer enjoyment
and impress with their 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 Octavia Scout fuel consumption in l/100 km combined from 3.2 to 6.9; gas in kg/100 km combined 3.5; CO_2 emissions in g/km combined from 85 to 158.

BENTLEY

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

Bentley Mulsanne Speed fuel consumption in l/100 km combined 14.6; CO_2 emissions in g/km combined 342.

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

Veyron 16.4
Grand Sport Vitesse

Bugatti Veyron 16.4 Grand Sport Vitesse fuel consumption in l/100 km combined 23.1; CO_2 emissions in g/km combined 539.

Huracán
LP 610-4

Lamborghini Huracán LP 610-4 fuel consumption in l/100 km combined 12.5; CO_2 emissions in g/km combined 290.

An uncompromisingly sporty identity, extreme design, ultimate performance – Lamborghini continually rewrites automotive history with super sports cars such as the new Huracán.

911 Carrera 4 GTS Cabriolet

Porsche 911 Carrera 4 GTS Cabriolet fuel consumption in l/100 km combined from 9.2 to 10.0; CO_2 emissions in g/km combined from 214 to 235.

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

A brand whose reputation rests on legendary racing triumphs. The Ducati name stands for motorcycles in a class of their own, with optimal performance, state-of-the-art technology and exciting design.

Commercial
Vehicles

Volkswagen Commercial Vehicles – from the California camper van to the Caddy urban delivery van and the Crafter delivery van – the brand's light commercial vehicles offer highly flexible and cost-effective performance for everyday driving.

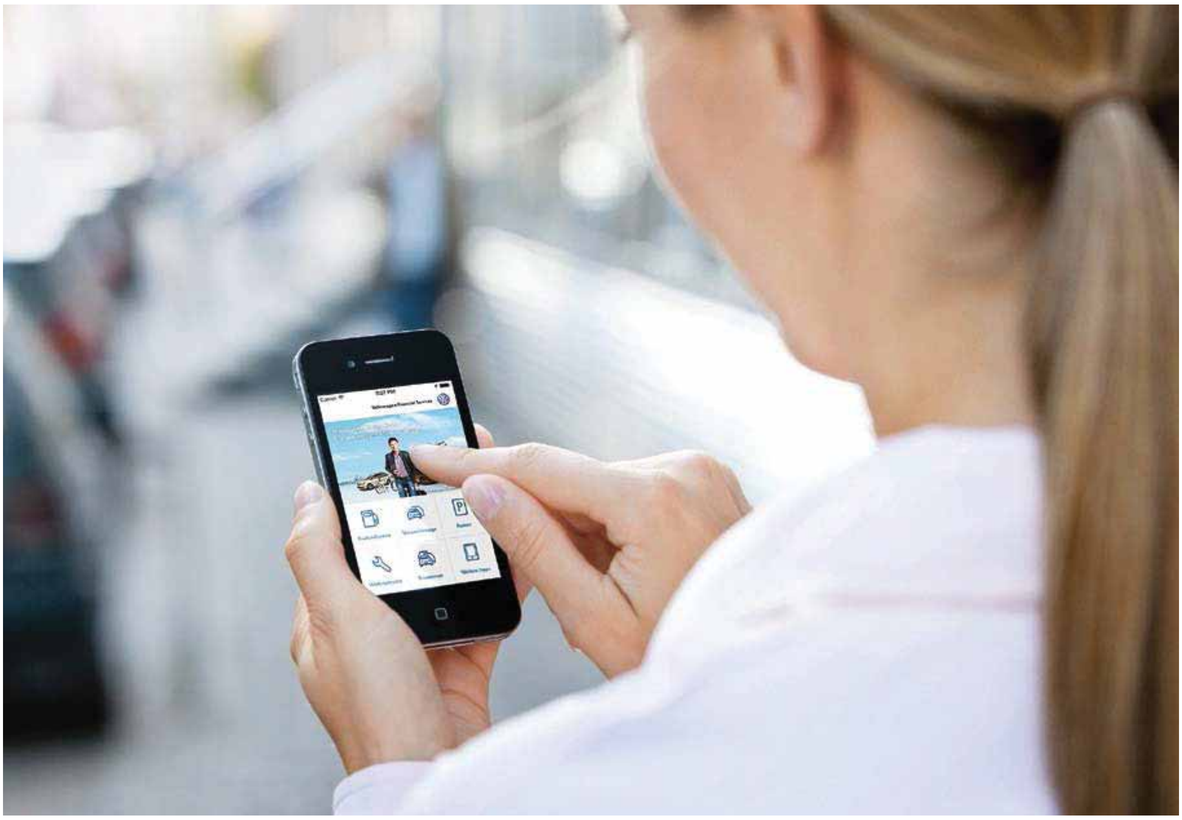
Volkswagen California fuel consumption in l/100 km combined from 7.0 to 10.5; CO_2 emissions in g/km combined from 184 to 245.

Citywide LE hybrid bus

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

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


MAN
M AN 224



VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

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

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ADDITIONAL INFORMATION

This annual report was published on the occasion of the Annual Media Conference on March 12, 2015.

“Our pursuit of innovation and perfection and our responsible approach will help to make us the world’s leading automaker by 2018 – both economically and ecologically.”

PROF. DR. MARTIN WINTERKORN, CHAIRMAN OF THE BOARD OF MANAGEMENT OF VOLKSWAGEN AKTIENGESELLSCHAFT

1

Strategy

2018

1

STRATEGY

2018

Report of the Supervisory Board

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

Ladies and Gentlemen,

In fiscal year 2014, the Supervisory Board of Volkswagen AG addressed the Company's position and development regularly and in detail. In compliance with the recommendations and suggestions of the German Corporate Governance Code and the legal requirements, we supported the Board of Management in its running of the business and advised it on issues relating to the management of the Company. The Supervisory Board was directly involved in all decisions of fundamental importance to the Group. In addition, we discussed current 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 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.

The Chairman of the Supervisory Board consulted with the Chairman of the Board of Management at regular intervals between meetings, among other things about the Volkswagen Group's strategy and planning, the development of the business, the Group's risk situation and risk management, and compliance issues.

The Supervisory Board held a total of six meetings in fiscal year 2014. The average attendance ratio was 97.5%; no member of the Supervisory Board took part in fewer than half of the meetings. In addition, resolutions on urgent matters were adopted in writing or using electronic communications media.

COMMITTEE ACTIVITIES

The Supervisory Board has established a total of four 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) and the Audit Committee. The Executive Committee consists 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 the committees as of December 31, 2014 are given on page 73 of this annual report.

The Executive Committee met seven times during the past fiscal year. 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.

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 once during 2014.

The Mediation Committee did not have to be convened in the reporting period.

The Audit Committee held four meetings in fiscal year 2014. 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.

Furthermore, the shareholder and employee representatives generally 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 21, 2014, following a detailed examination we approved the consolidated financial statements and the annual financial statements of Volkswagen AG for 2013 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. In connection with the creation of the integrated commercial vehicles group, we approved the Board of Management's plans to make a voluntary tender offer to Scania AB's shareholders for all Scania shares outstanding, we authorized the capitalization measures to part-fund this transaction, and we appointed Mr. Andreas Renschler as member of the Board of Management of Volkswagen AG with responsibility for Commercial Vehicles, effective February 1, 2015. The agenda also covered the remuneration of Board of Management members – in particular their variable remuneration – and strategic financing measures within the Volkswagen Group.

A total of three Supervisory Board meetings took place on May 12 and 13, 2014 as part of Volkswagen AG's 2014 Annual General Meeting. These meetings focused on preparation for and post-completion analysis of the 54th Annual General Meeting and the 12th Special Meeting of Preferred Shareholders of Volkswagen AG on May 13, 2014. In addition, the Board of Management updated us on the status of the voluntary tender offer to Scania AB's shareholders to purchase all outstanding Scania shares and the extension of the acceptance period. We also renewed three Board of Management members' contracts and noted the Board of Management's plans for new production locations in China.

We mainly dealt with strategic issues at the Supervisory Board meeting on September 19, 2014. We approved the Board of Management's plans to establish two further production sites in China, among other things.

At the Supervisory Board meeting on November 21, 2014 we discussed in detail the Volkswagen Group's investment and financial planning for the period from 2015 to 2019. In addition, the meeting focused in particular on issuing the annual declaration of conformity with the German Corporate Governance Code.

Among other things, we decided on the location for the production site to manufacture the replacement for the Crafter, the production of a SUV for the North American market, Dr. Michael Macht's further activity as a member of the Board of Management, and the appointment of Dr. Herbert Diess as member of the Board of Management responsible for the newly established function as "Chairman of the brand board of management of Volkswagen Passenger Cars", effective October 1, 2015, in resolutions that were adopted by circulating written documents in March, June, July and December 2014.

CONFLICTS OF INTEREST

The Chairman of the Supervisory Board of Volkswagen AG, who is also a member of the Supervisory Board of Scania AB and Chairman of the Supervisory Board of MAN SE, participated in the resolution dated February 21, 2014 that voted to make the voluntary tender offer for all Scania shares outstanding and to implement the capitalization measures to fund this transaction.

Member of the Supervisory Board of Volkswagen AG Ms. Annika Falkengren, who is also President and CEO of Skandinaviska Enskilda Banken AB, Sweden, abstained from voting on the above resolution relating to the Scania tender offer on February 21, 2014.

At its meeting on November 20, 2014, the Executive Committee of the Supervisory Board addressed major shareholder business relationships. In this context, the Executive Committee granted individual 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 21, 2014 addressed the application of the German Corporate Governance Code at the Volkswagen Group. We discussed in detail the version of the German Corporate Governance Code dated June 24, 2014, as published by the relevant government commission on September 30, 2014, and issued the annual declaration of conformity with the recommendations of the German Corporate Governance Code in accordance with section 161 of the AktG together with the Board of Management.

The joint declarations of conformity by the Board of Management and the Supervisory Board are permanently available on the Volkswagen AG website 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 54 and in the notes to the consolidated financial statements on page 301 of this annual report.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

The scheduled terms of office of Dr. Hans Michel Piëch and Dr. Ferdinand Oliver Porsche as members of Volkswagen AG's Supervisory Board expired at the end of the 53rd Annual General Meeting on May 13, 2014. The Annual General Meeting elected them both to the Supervisory Board for a further full term of office. In addition, Mr. Ahmad Al-Sayed, who was previously appointed to the Supervisory Board by the court for the period up to the Annual General Meeting on May 13, 2014, was elected to the Supervisory Board for a full term of office.

As of August 1, 2014 Dr. Michael Macht stepped down from his position as member of the Board of Management with responsibility for Production.

Mr. Andreas Renschler has been responsible for Commercial Vehicles since February 1, 2015. Dr. Leif Östling, who was previously responsible for Commercial Vehicles, stepped down from the Board of Management effective February 28, 2015.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Annual General Meeting on May 13, 2014 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for fiscal year 2014, 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 on all of these documents. 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, 2014 (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 February 26, 2015 and February 27, 2015 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 February 27, 2015. 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 February 27, 2015, 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.

Our thanks and appreciation are owed to the members of the Board of Management, the Works Council, the management and all the employees of Volkswagen AG and its affiliated companies for their work in 2014. Their collective high level of personal commitment helped the Volkswagen Group to record a strong performance in the ongoing challenging market conditions and to continue pursuing the goals set out in its Strategy 2018 with confidence.

Wolfsburg, February 27, 2015

Prof. Dr. Ferdinand K. Piëch
Chairman of the Supervisory Board

Letter to our Shareholders

Dear Shareholders,

2014 was an unexpectedly difficult but ultimately good year for the Volkswagen Group. Political and economic uncertainty dominated the situation in many regions of the world, and this also had far-reaching consequences for the automotive industry. Despite these headwinds, we successfully kept your Company on a strong, stable trajectory.

This is underscored by the fact that we reached a major strategic milestone – over 10 million deliveries – four years earlier than expected. This is underscored by record sales revenue of €202.5 billion and operating profit of €12.7 billion. And this is underscored by the increase in the operating margin to 6.3% at the upper end of the forecast range. At €14.8 billion, we also lifted profit before tax year-on-year. We again posted a record equity-accounted profit from our Chinese joint ventures.

As you can see, Volkswagen keeps its word and achieves its goals. We stand for strength, reliability and long-term success – even under less favorable conditions. Of course, this must also benefit you, as our shareholders, which is why the Board of Management and Supervisory Board will propose to the Annual General Meeting a significantly higher dividend of €4.80 per ordinary share and €4.86 per preferred share.

The Volkswagen Group also grew qualitatively in many ways, above and beyond its financial key performance indicators. We not only won over but also thrilled customers with vehicles such as the new Audi TT, the Porsche Macan and the Volkswagen Passat, the ŠKODA Fabia and the growing SEAT Leon family. We now offer the widest range of electric vehicles and plug-in hybrids on the basis of our toolkits – which we are rolling out around the world. In addition, we have paved the way to rapidly expand our position in commercial vehicles with the full integration of Scania. Things are also

“We stand for strength, reliability and long-term success – even under less favorable conditions.”

MARTIN WINTERKORN

moving forward in key markets: we strengthened our presence in China by extending our cooperation with FAW by 25 years and opening a new plant in Tianjin. In North America, we laid the groundwork for the future with the production start of the Golf 7 and the future Audi plant in Mexico, as well as plans for new SUV models in the region.

These are examples of what I think was an impressive year, and one that would not have been possible without the excellent team effort of our more than 590,000 employees. On behalf of the Board of Management, I would like to thank our entire team for their dedication and hard work over the past 12 months.

Our goal is and will continue to be qualitative and sustainable growth. We aim to pursue this path actively and assertively with our Strategy 2018. We know that the challenges we face are not going to get any smaller. On the contrary, the competitive pressure is unrelenting. The situation in markets like Brazil, India and Russia will remain difficult for the foreseeable future. In addition, the automotive industry is currently experiencing fundamental change. Look no further than the increasingly stringent CO_2 legislation or the rapid digitization of vehicles, plants and showrooms. This costs us a great deal of energy and money, too. But at Volkswagen, we do not see this transition as a threat, but rather as a tremendous opportunity – one that we must and will take advantage of. We have already laid a solid foundation with “Future Tracks”, our Group-wide forward-looking efficiency program, which looks beyond 2018.

As you can see, Volkswagen is making itself future-proof in every area. Our Company continues to offer outstanding prospects because we stand for innovation, competitiveness and financial strength. This is another reason why I am convinced that your confidence in and support for the Volkswagen Group and its team will pay off. In every respect.

Sincerely,

Prof. Dr. Martin Winterkorn

The Board of Management

OF VOLKSWAGEN AKTIENGESELLSCHAFT

(from left to right)

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

Christian Klingler
Sales and Marketing

Prof. h.c. Dr. rer. pol. Horst Neumann
Human Resources and Organization

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

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

Prof. Dr. Dr. h.c. mult. Martin Winterkorn
Chairman of the Board of Management of Volkswagen Aktiengesellschaft
Research and Development

Hans Dieter Pötsch
Finance and Controlling

Dr. h.c. Leif Östling
Commercial Vehicles
(until February 2015)

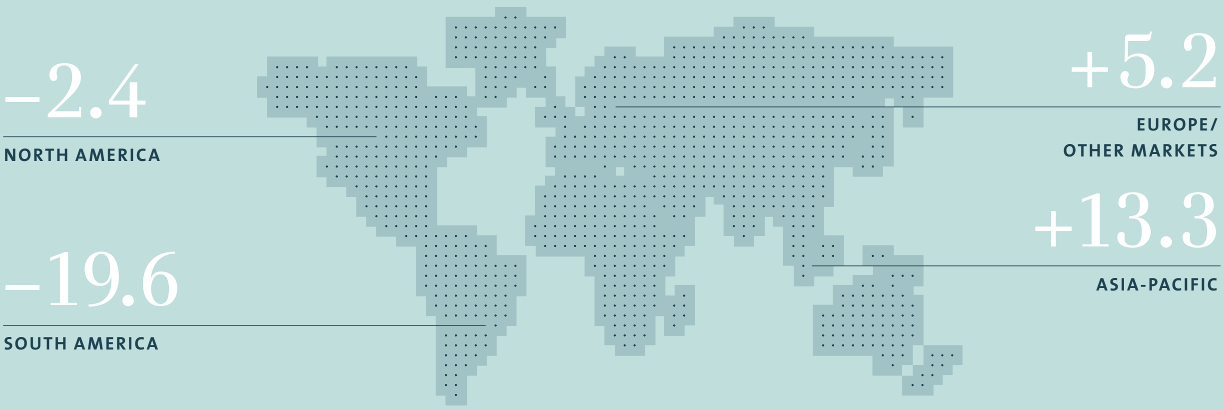
Andreas Renschler
(Andreas Renschler became a member of the Board of Management of Volkswagen AG on February 1, 2015. He is responsible for Commercial Vehicles.)

Curriculum Vitae
www.volkswagenag.com > The Group > Senior Management

2

Divisions

UNIT SALES BY MARKET, 2014 VS. 2013 *(in percent)*



2

DIVISIONS

Brands and Business Fields

Successful business growth in challenging market conditions.
Product rollout continued across all brands.

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 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 business 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 ongoing positive development of our business in China and the continuing growth in the importance of the Chinese 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 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 the positive growth of our business in China.

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

KEY FIGURES BY MARKET

The Volkswagen Group can look back on a very successful 2014. Challenges came from the continuing difficult market situation and fierce competition. Unit sales passed the ten-million mark for the first time, increasing by 5.0% to 10.2 million vehicles, while sales revenue rose by 2.8% year-on-year to €202.5 billion.

In the Europe/Other markets region, the Group's unit sales amounted to 4.4 million vehicles, a 5.2% increase on the figure for 2013. Sales revenue was up 5.0% to €122.9 billion due to volume-related factors.

The Group's unit sales in North America decreased by 2.4% to 0.9 million vehicles. By contrast, sales revenue was up 0.7% to €27.6 billion. Mix effects were positive, while deteriorations in exchange rates and decreased volumes had a negative impact.

In the highly competitive South American region, unit sales declined by 19.6% to 0.8 million vehicles in the reporting period. The lower sales figures and negative exchange rate effects saw sales revenue drop by 20.7% to €13.9 billion.

The Volkswagen Group's models were particularly popular in the Asia-Pacific markets. Including the Chinese joint ventures, 4.1 million vehicles were sold in the reporting period, a growth rate of 13.3%. Sales revenue amounted to €38.1 billion, with the 8.8% year-on-year growth attributable to higher volumes. 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		Sales revenue		Sales to third parties		Operating profit	
	2014	2013	2014	2013	2014	2013	2014	2013
Volkswagen Passenger Cars	4,583	4,704	99,764	99,397	68,396	71,426	2,476	2,894
Audi	1,444	1,349	53,787	49,880	36,105	34,560	5,150	5,030
ŠKODA	796	719	11,758	10,324	6,144	5,379	817	522
SEAT	501	459	7,699	6,874	3,412	3,044	−127	−152
Bentley	11	11	1,746	1,679	1,175	1,122	170	168
Porsche[2]	187	155	17,205	14,326	15,727	13,175	2,718	2,579
Volkswagen Commercial Vehicles	442	436	9,577	9,370	4,826	4,651	504	448
Scania[2]	80	80	10,381	10,360	10,381	10,360	955	974
MAN[3]	120	140	14,286	15,861	14,092	15,744	384	319
VW China[4]	3,506	3,038	–	–	–	–	–	–
Other	−1,454	−1,364	−45,885	−40,047	22,127	20,227	−2,052[5]	−2,725[5]
Volkswagen Financial Services[3]	–	–	22,139	18,983	20,072	17,319	1,702	1,614
Volkswagen Group	**10,217**	**9,728**	**202,458**	**197,007**	**202,458**	**197,007**	**12,697**	**11,671**
Automotive Division[6]	10,217	9,728	177,538	175,003	179,864	176,914	10,780	9,807
of which: Passenger Cars Business Area	9,575	9,071	143,601	140,077	151,138	147,107	9,835	9,013
Commercial Vehicles/ Power Engineering Business Area	642	657	33,937	34,927	28,726	29,808	945	794
Financial Services Division	–	–	24,920	22,004	22,594	20,093	1,917	1,863

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 Including financial services.
3 MAN Finance International GmbH has been reported within Volkswagen Financial Services since its acquisition by Financial Services AG as of January 1, 2014. The prior-year figures have not been adjusted.
4 The sales revenue and operating profit 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 profit of €5,182 million (€4,296 million).
5 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.
6 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

KEY FIGURES BY MARKET[1]

Thousand vehicles/€ million	Vehicle sales		Sales revenue	
	2014	2013	2014	2013
Europe/Other markets	4,430	4,209	122,858	117,062
North America	879	901	27,619	27,434
South America	794	987	13,868	17,495
Asia-Pacific[2]	4,114	3,632	38,113	35,016
Volkswagen Group[2]	**10,217**	**9,728**	**202,458**	**197,007**

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.

The Volkswagen Passenger Cars brand continued its model rollout in 2014, launching the eighth generation of the Passat, Europe's most successful company car. The best-selling Golf celebrated its 40th anniversary.

BUSINESS DEVELOPMENT

The launch of the new Passat in the fall of 2014 was the highlight for the Volkswagen Passenger Cars brand. This is its second model series to be based on the Modular Transverse Toolkit (MQB). The eighth generation boasts new engines, more driver assistance systems, new infotainment capabilities and a lighter body shell, making it one of the most progressive mid-range models. The brand also unveiled the extensively updated Jetta, which is available in versions for both the North American and European markets. The Jetta is one of the world's most successful saloons, and more than 14 million have rolled off the production line since 1979. The reporting period also saw a special anniversary: 40 years of the Golf. Production began in 1974 and the model went on to lend its name to an entire market segment. More than 30 million of these best-selling cars have been sold over the model's 40 years and seven generations. The Golf's range of drive systems was expanded in 2014 to include the pure-play electric e-Golf and the model's plug-in hybrid version, the Golf GTE.

The Volkswagen Passenger Cars brand's deliveries grew by 1.6% to 6.1 million vehicles in the reporting period, despite the ongoing challenging market conditions. Sales in China, the largest single market, saw particularly encouraging growth (+10.0%). Deliveries were also up year-on-year in Western Europe, notably in the United Kingdom (+10.8%).

The Volkswagen Passenger Cars brand sold 4.6 million vehicles in 2014, down 2.6% on the prior-year figure. This was mainly due to the declining market in South America and the deteriorating demand in Russia as a result of the crisis. Western Europe saw encouraging growth. There was strong customer demand for the up!, the Golf and the Golf Estate in particular. The difference between deliveries and unit sales is 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 6.2 million vehicles in 2014, up 2.3% year-on-year. There was particular growth at the locations in China and Germany. A highlight was the start of production of the Passat in Emden in August 2014. In China, production commenced for the Lamando, developed specially for the Chinese market. Volkswagen de Mexico celebrated its fiftieth anniversary.

SALES REVENUE AND EARNINGS

The Volkswagen Passenger Cars brand's sales revenue amounted to €99.8 billion in the past year, remaining level with the previous year's figure of €99.4 billion (+0.4%). Lower unit sales figures, higher upfront expenditures for new technologies and exchange rate trends had a negative impact on operating profit, whereas lower material costs and improvements in the mix had a positive effect. Operating profit declined by 14.4% to €2.5 billion and the operating return on sales decreased from 2.9% to 2.5%.

40 years

of the best-selling Golf

PRODUCTION*

Units	2014	2013
Golf	1,011,124	824,629
Jetta/Sagitar	926,277	909,204
Polo	753,754	725,291
Passat/Magotan	747,583	756,530
Tiguan	515,349	472,958
Lavida	481,740	450,703
Gol	300,629	454,725
Santana	295,485	261,938
Bora	226,006	238,797
up!	217,278	143,188
Touran	126,567	135,382
Fox	106,991	164,763
Saveiro	96,420	93,334
Beetle	91,464	109,517
CC	85,591	88,632
Touareg	63,741	70,861
Sharan	49,498	40,159
Scirocco	23,573	23,400
Suran	23,332	39,674
Eos	6,567	7,651
Phaeton	4,061	5,812
Lamando	3,080	–
XL1	106	–
	6,156,216	**6,017,148**

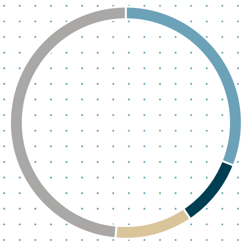
* The Saveiro model is reported in the Volkswagen Passenger Cars brand retrospectively as of January 1, 2013.

VOLKSWAGEN PASSENGER CARS BRAND

	2014	2013	%
Deliveries (thousand units)*	6,119	6,022	+ 1.6
Vehicle sales	4,583	4,704	−2.6
Production*	6,156	6,017	+ 2.3
Sales revenue (€ million)	99,764	99,397	+ 0.4
Operating profit	2,476	2,894	−14.4
as % of sales revenue	2.5	2.9	

Golf GTE

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.volkswagen.com

The Audi brand recorded growth in all regions in 2014, strengthening its leading position in both the Western European and the Chinese premium segments. With over 1.7 million vehicles delivered, the company set a new sales record despite the challenging environment in some markets.

BUSINESS DEVELOPMENT

The third generation of the iconic Audi TT was launched in 2014 and is available as both a coupé and a roadster. The Audi TT features sharpened design, reduced weight and an innovative control and display concept. The Audi brand also unveiled facelifts for the A6 and A7 models during the year. Audi has expanded its range of alternative drive systems with the A3 Sportback e-tron and the A3 Sportback g-tron. The Audi brand delivered 1.7 million vehicles in the reporting period (+10.5%), setting a new sales record. Growth was particularly high in the USA (+15.1%) and China (+17.7).

The Audi brand sold 1.4 million vehicles in the reporting period, up 7.0% year-on-year. In addition, a further 513 thousand Audi vehicles were sold by the FAW-Volkswagen Chinese joint venture. There was particularly strong global demand for the A3 and A6 series, and the Q3 and Q5 SUVs. Automobili Lamborghini S.p.A. increased its unit sales to 2,521 vehicles, compared with 2,111 vehicles in the previous year. The new Huracán model was well received by customers.

A total of 1.8 million Audi models were produced at 11 plants in 9 countries in the past year, 12.2% more vehicles than in 2013. Two further countries have now been added: production will start in Brazil in 2015, followed by Mexico in 2016. Lamborghini produced 2,650 (2,122) vehicles.

SALES REVENUE AND EARNINGS

The Audi brand recorded sales revenue growth of 7.8% to €53.8 billion in the reporting period. This was mainly due to the positive unit sales growth. At €5.2 billion, operating profit was up 2.4% compared with €5.0 billion in the previous year. The increased volumes and lower material costs had a positive impact, while upfront investments in new products and technologies, as well as in the expansion of the international production network, had an adverse effect. The brand's operating return on sales amounted to 9.6% (10.1%). The financial key performance indicators for the Lamborghini and Ducati brands are included in the financial figures for the Audi brand.

10.5%

Increase in deliveries in 2014

PRODUCTION

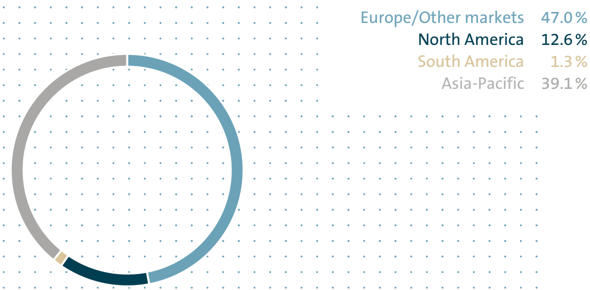
Units	2014	2013
Audi		
A3	351,526	221,097
A4	328,465	338,449
A6	307,693	288,739
Q5	260,853	231,435
Q3	200,097	152,163
A1	115,377	120,520
A5	88,545	98,207
Q7	61,012	63,400
A8	39,557	39,717
A7	27,709	30,799
TT	17,621	18,358
R8	2,169	2,500
	1,800,624	**1,605,384**
Lamborghini		
Huracán Coupé	1,540	76
Aventador Roadster	654	403
Aventador Coupé	456	710
Gallardo Coupé	–	653
Gallardo Spyder	–	280
	2,650	**2,122**
Audi brand	**1,803,274**	**1,607,506**
Ducati, motorcycles	45,339	45,018

AUDI BRAND

	2014	2013	%
Deliveries (thousand units)	1,744	1,578	+ 10.5
Vehicle sales	1,444	1,349	+ 7.0
Production	1,803	1,608	+ 12.2
Sales revenue (€ million)	53,787	49,880	+ 7.8
Operating profit	5,150	5,030	+ 2.4
as % of sales revenue	9.6	10.1	

A3 e-tron

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.audi.com

In 2014, the ŠKODA brand delivered more than a million vehicles to customers for the first time, reaping the benefits of the largest model rollout in its history. The third generation Fabia was also successfully launched.

BUSINESS DEVELOPMENT

The ŠKODA brand continued its new model rollout and recorded positive business growth in 2014. The Octavia family was very successful, with the sporty Octavia RS in particular extremely well received by customers. The Rapid celebrated its global launch one year ago and is already the second most successful series after the Octavia. It is particularly popular with customers in the growth markets. ŠKODA celebrated the global premiere of the Fabia Combi and hatchback version at the Paris Motor Show in early October 2014, offering a wide range of new features. The ŠKODA brand is expecting to roll out its new corporate identity across its global dealer network by the end of 2015, and will further expand its range of models over the next few years. The aim is to emotionalize the brand.

The ŠKODA brand set a new record for deliveries, selling more than one million vehicles worldwide for the first time (+12.7%). China remained the brand's strongest single market with growth of 24.0%, but ŠKODA also expanded its position in Europe.

ŠKODA sold 796 thousand vehicles in the reporting period, a 10.8% increase as against the previous year. Demand for the Rapid and the Octavia family in particular developed positively. 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.

The ŠKODA brand produced 1,050 thousand (932 thousand) vehicles worldwide across seven series in 2014, up 12.6% year-on-year. Wide-ranging upgrades and modernization work took place at the main production facility in Mladá Boleslav for the production of the new Fabia. Around 3.4 million of these vehicles have been sold since the model was launched in 1999. The plant in Kvasiny, eastern Bohemia, celebrated its 80th anniversary. It produces the Superb, Yeti and Roomster models.

SALES REVENUE AND EARNINGS

The ŠKODA brand's sales revenue increased by 13.9% year-on-year to €11.8 billion in the reporting period due to volume-related factors. Positive volume and mix effects, coupled with improved material costs, lifted operating profit by 56.5% to €817 million (€522 million). The operating return on sales rose from 5.1% in the previous year to 7.0%.

1 million

Vehicles delivered in 2014

PRODUCTION

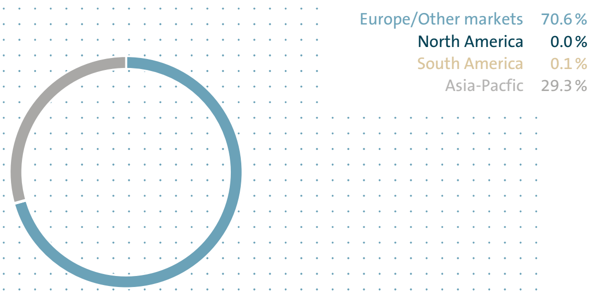
Units	2014	2013
Octavia	397,433	356,471
Rapid	228,175	124,112
Fabia	162,954	196,597
Yeti	107,084	84,265
Superb	82,079	96,226
Citigo	41,974	42,971
Roomster	29,983	31,425
	1,049,682	**932,067**

ŠKODA BRAND

	2014	2013	%
Deliveries (thousand units)	1,037	921	+ 12.7
Vehicle sales	796	719	+ 10.8
Production	1,050	932	+ 12.6
Sales revenue (€ million)	11,758	10,324	+ 13.9
Operating profit	817	522	+ 56.5
as % of sales revenue	7.0	5.1	

Fabia

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.skoda-auto.com

SEAT's positive trend continued in 2014. The Spanish brand enjoyed particular success in the European markets, where demand for the Leon family models was especially strong.

BUSINESS DEVELOPMENT

SEAT celebrated a special anniversary in 2014: 30 years since the start of production of the Ibiza. With over 5 million vehicles sold worldwide in four generations, the Ibiza is the best-selling model in the Spanish automaker's history.

SEAT added the dynamic Leon Cupra and the Leon X-PERIENCE permanent four-wheel drive version to the successful Leon series during the reporting period. Customers choosing the five-door version of the Leon and the Leon ST estate can opt for an environmentally friendly natural gas-powered drive system.

Demand for the Leon family in particular boosted sales in 2014. The SEAT brand's deliveries to customers increased by 10.0% to 391 thousand vehicles, and production numbers for the Leon outstripped those for the Ibiza for the first time. Growth hotspots were Spain (+14.5%), Germany (+10.4%) and the United Kingdom (+16.8%).

The SEAT brand sold 501 thousand vehicles in the reporting period, 9.2% more than a year earlier. This figure includes the Q3 produced for Audi.

Production increased by 11.9% to 395 thousand SEAT vehicles in 2014.

SALES REVENUE AND EARNINGS

The SEAT brand recorded sales revenue of €7.7 billion in fiscal 2014, 12.0% more than a year earlier. The operating result narrowed by 16.3% to €–127 million. Improved mix, volume and material costs had a positive effect on earnings while increased development costs for new products had an adverse impact. The brand's operating return on sales was –1.6% (–2.2%).

30 *years*

SEAT Ibiza

PRODUCTION

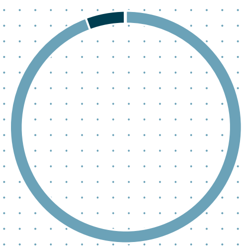
Units	2014	2013
Leon	157,087	114,568
Ibiza	153,633	145,041
Altea/Toledo	35,683	43,055
Mii	25,845	25,489
Alhambra	22,612	19,990
Exeo	–	4,681
	394,860	**352,824**

SEAT BRAND

	2014	2013	%
Deliveries (thousand units)	391	355	+ 10.0
Vehicle sales	501	459	+ 9.2
Production	395	353	+ 11.9
Sales revenue (€ million)	7,699	6,874	+ 12.0
Operating result	–127	–152	+ 16.3
as % of sales revenue	–1.6	–2.2	

Ibiza

DELIVERIES BY MARKET
in percent



Europe/Other markets	94.4 %
North America	5.5 %
South America	0.1 %
Asia-Pacific	0.0 %

FURTHER INFORMATION www.seat.com

BENTLEY

In 2014, the Bentley brand continued on its successful trajectory, achieving record sales once again. Bentley successfully returned to motor racing.

BUSINESS DEVELOPMENT

The launch of new models played a large part in the past year's sales success. In the reporting period, the Flying Spur with an eight-cylinder engine and the coupé and convertible versions of the Continental GT V8 S all made their debut. A sporty Speed version of the Mulsanne flagship became available in 2014, offering both improved performance and lower fuel consumption. The long established Bentley brand also returned to motor racing in the reporting period, securing a historic victory at Silverstone, its first in the UK since 1930. This win inspired a limited run of 300 for Bentley's GT3-R sports coupé, the model with the brand's fastest ever acceleration.

The Bentley brand increased its deliveries in 2014 by 8.9% year-on-year to 11,020 vehicles. The US market, which grew by 1.3% to 3,003 units, was once again the largest single market for Bentley. Growth in China, the second-largest market, was particularly dynamic. Bentley's sales there increased by 20.4% to 2,560 units. The brand also recorded growth in the Europe and Middle East regions.

Bentley sold 10,930 vehicles in the reporting period, a 3.5% increase year-on-year. The Continental GT and Flying Spur models were well received by customers.

Production at the Bentley brand rose by 1.4% year-on-year in 2014 to 11,033 vehicles.

SALES REVENUE AND EARNINGS

Bentley generated sales revenue of €1.7 billion in the reporting period, up 4.0% on the prior-year figure. The positive sales trend was offset by negative mix and exchange rate effects, with operating profit growing by 1.2% to €170 million. The operating return on sales was 9.7% (10.0%).

11 *thousand*

Vehicles delivered in 2014

PRODUCTION

Units	2014	2013
Flying Spur	4,556	3,960
Continental GT Coupé	3,442	3,602
Continental GT Convertible	2,151	2,197
Mulsanne	884	1,117
	11,033	**10,876**

BENTLEY BRAND

	2014	2013	%
Deliveries (units)	11,020	10,120	+ 8.9
Vehicle sales	10,930	10,564	+ 3.5
Production	11,033	10,876	+ 1.4
Sales revenue (€ million)	1,746	1,679	+ 4.0
Operating profit	170	168	+ 1.2
as % of sales revenue	9.7	10.0	

Mulsanne

DELIVERIES BY MARKET
in percent

FURTHER INFORMATION www.bentleymotors.com

The Porsche brand can look back on another successful year. It topped its prior-year record sales, and the new Macan compact SUV proved particularly popular with customers.

BUSINESS DEVELOPMENT

Porsche recorded strong growth in 2014. The start of series production of the Macan added particular impetus. Production of the fifth series led to the creation of 1,500 new jobs at the Leipzig plant. Customer deliveries of the first Porsche 918 Spyder hybrid super sports cars began in February 2014, and its limited run of 918 vehicles had been sold out by November. In the second half of 2014 the spotlight was on the new generation of the Cayenne, which was launched at the Paris Motor Show. The Cayenne S E-Hybrid is the first plug-in hybrid in the premium SUV segment. The Cayenne S E-Hybrid, the Panamera S E-Hybrid and the 918 Spyder mean that Porsche is now the first brand in the premium segment to offer three plug-in hybrid models. A further highlight for Porsche was its return to top-flight motor sport in the World Endurance Championship after an absence of over ten years.

In the reporting period, Porsche delivered 190 thousand sports cars to customers and recorded year-on-year growth of 17.1%. The US market, which grew by 11.1% to 47,007 units, was once again the brand's largest single market, closely followed by China with 46,931 units (+25.4%).

Unit sales by the Porsche brand increased by 20.7% to 187 thousand vehicles in the reporting period. The Macan was extremely well received by the market.

Production at the Porsche brand rose by 22.5% to 203 thousand vehicles in the reporting period. The Macan has now joined the Cayenne and Panamera model series in being produced at the Leipzig plant.

SALES REVENUE AND EARNINGS

The Porsche brand can look back on a very successful year in 2014. Sales revenue increased by 20.1% to €17.2 billion (€14.3 billion). Volume effects helped improve operating profit by 5.4% to €2.7 billion, despite a rise in development costs for new technologies and comprehensive measures to reduce CO_2 emissions, as well as higher fixed costs from the development of the infrastructure for the Macan. The operating return on sales was 15.8% (18.0%).

The key figures presented in this chapter comprise Porsche's Automotive and Financial Services businesses.

5 series

The Macan successfully expands the product range

PRODUCTION

Units	2014	2013
Cayenne	66,005	81,916
Macan	59,363	312
911 Coupé/Cabriolet	31,590	29,751
Boxster/Cayman	23,211	28,996
Panamera	22,383	24,798
918 Spyder	545	35
	203,097	**165,808**

PORSCHE BRAND

	2014	2013	%
Deliveries (thousand units)	190	162	+ 17.1
Vehicle sales	187	155	+ 20.7
Production	203	166	+ 22.5
Sales revenue (€ million)	17,205	14,326	+ 20.1
Operating profit	2,718	2,579	+ 5.4
as % of sales revenue	15.8	18.0	

Macan

DELIVERIES BY MARKET
in percent

FURTHER INFORMATION www.porsche.com

Commercial Vehicles

Volkswagen Commercial Vehicles consolidated its position as a customer-centric mobility service provider in 2014. The brand presented its wide range of solutions at the IAA Commercial Vehicles show. Operating profit was up significantly.

BUSINESS DEVELOPMENT

At the IAA Commercial Vehicles show in September 2014, Volkswagen Commercial Vehicles demonstrated its expertise as a customer-centric mobility service provider offering a unique variety of passenger and goods transport and mobility solutions, tailored to the needs of different customers and sectors. The brand provided a glimpse into the wide-ranging application potential offered by the next generation of the T series (Multivan/Transporter) with the TRISTAR concept vehicle, an all-terrain pickup truck and mobile office with permanent four wheel drive. Its market launch was announced for the following year. The brand's iconic model has been sold since 1950; already in its fifth generation, it continues to enjoy high demand. In addition, the e-load up! was launched in the market as a small commercial vehicle suitable for daily delivery use in urban environments. With zero emissions, a payload of 285 kilograms and 990 liters of loading space, it is the entry-level model for business customers switching to e-mobility.

In the reporting period, the brand's global deliveries to customers declined by 3.4% year-on-year to 447 thousand vehicles. This was due in part to the end of production of the Kombi, known as the T2, in Brazil at the end of 2013. Volkswagen Commercial Vehicles experienced positive growth particularly in Western Europe and in the Asia-Pacific region.

Unit sales increased by 1.5% to a total of 442 thousand vehicles last year.

Production at the Volkswagen Commercial Vehicles brand declined by 5.1% to 396 thousand vehicles in 2014. The Crafter produced at a contractual partner's plants is not included in these figures. The goal is for the next generation of the Crafter to roll off the production line at a new Volkswagen Commercial Vehicles plant in Poland from 2016. In Hanover, 169 thousand (153 thousand) units of the Caravelle/Multivan and Transporter models as well as the Amarok were manufactured, and in Poznan 176 thousand (170 thousand) Caddy and T5 units. Production declined in South America due to market-related factors and the end of T2 production.

SALES REVENUE AND EARNINGS

Volkswagen Commercial Vehicles generated sales revenue of €9.6 billion (€9.4 billion) in fiscal year 2014. Positive mix-related factors and material cost savings saw operating profit increase by 12.5% year-on-year to €504 million. The operating return on sales rose from 4.8% to 5.3% in the reporting period.

€504 *million*

Operating profit in 2014

PRODUCTION*

Units	2014	2013
Caravelle/Multivan, Kombi	94,336	107,033
Transporter	83,947	69,880
Caddy Kombi	76,564	77,792
Caddy	71,535	71,069
Amarok	69,695	91,739
	396,077	**417,513**

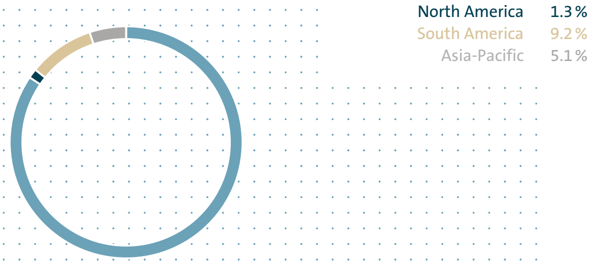
* The Saveiro model is reported in the Volkswagen Passenger Cars brand retrospectively as of January 1, 2013.

VOLKSWAGEN COMMERCIAL VEHICLES BRAND

	2014	2013	%
Deliveries (thousand units)*	447	462	−3.4
Vehicle sales	442	436	+ 1.5
Production*	396	418	−5.1
Sales revenue (€ million)	9,577	9,370	+ 2.2
Operating profit	504	448	+ 12.5
as % of sales revenue	5.3	4.8	

Caddy

DELIVERIES BY MARKET
in percent



FURTHER INFORMATION www.volkswagen-commercial-vehicles.com

Scania presented numerous innovations in 2014 that enable customers to reduce their operating costs and hence increase profitability. The service business reached a record high.

BUSINESS DEVELOPMENT

The Swedish commercial vehicle manufacturer unveiled several new variants of its comprehensive range of Euro 6 engines at the IAA Commercial Vehicles 2014 show, offering significantly lower fuel consumption and hence lower ongoing costs and greater environmental compatibility. The comprehensive engine program also includes drivetrains that can be powered by various alternative fuels such as biodiesel or gas. In addition, the brand unveiled its own hybrid system for buses. The Citywide runs on either diesel or biodiesel. The brand rounded off its appearance at the show by presenting new service offerings, such as driver training. It continues to focus on providing complete packages tailored to meet its customers' transport business requirements.

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

In Europe, pull-forward effects related to the introduction of the Euro 6 emission standard on January 1, 2014 had a negative effect on the business; a downward trend was also experienced in the South American commercial vehicle market. The political crisis in Russia also had a negative impact.

Despite this, orders received by Scania rose by 2.5% to 83 thousand vehicles. The brand's performance was boosted by its broad expertise in Euro 6 engines, its many years of experience with consumption-optimized vehicles and its wide range of alternative drive systems. In 2014, Scania delivered 80 thousand (80 thousand) vehicles to customers worldwide, on a level with the previous year. The brand recorded growth in the Asian markets (+26.9%) and sales doubled in the Middle East. By contrast, sales dropped sharply especially in South America, due to market-related factors. Bus delivery volumes declined by 1.3% to 7 thousand units. Demand for services and replacement parts, on the other hand, increased significantly. The growth recorded by Scania's financial services was also encouraging.

At 82 thousand (83 thousand) vehicles, the Scania brand's production in fiscal year 2014 was on a level with the previous year (–0.8%). This figure included 7 thousand buses.

SALES REVENUE AND EARNINGS

At €10.4 billion, the Scania brand's sales revenue in 2014 remained at the prior-year level. Operating profit amounted to €955 million (€974 million). The increased demand for services had a positive effect, while the slight year-on-year decline in volumes had a negative impact. The brand's operating return on sales was 9.2% in the reporting period, compared with 9.4% in the previous year.

80 *thousand*

Vehicles sold in 2014

PRODUCTION

Units	2014	2013
Trucks	75,287	75,957
Buses	6,921	6,897
	82,208	**82,854**

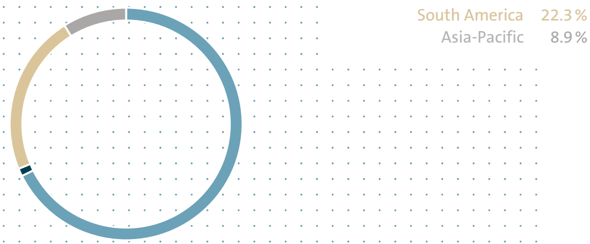
SCANIA BRAND

	2014	2013	%
Orders received (thousand units)	83	81	+ 2.5
Deliveries	80	80	−0.8
Vehicle sales	80	80	−0.8
Production	82	83	−0.8
Sales revenue (€ million)	10,381	10,360	+ 0.2
Operating profit	955	974	−1.9
as % of sales revenue	9.2	9.4	

Streamline

DELIVERIES BY MARKET

in percent



FURTHER INFORMATION www.scania.com

In 2014, MAN again launched new technologies to reduce fuel consumption in commercial vehicles and marine engines. The new TGX D38 truck and the natural gas-powered Lion's City GL CNG articulated bus were well received at the IAA Commercial Vehicles show. The 175D high-speed engine was unveiled at the SMM maritime trade fair in Hamburg.

BUSINESS DEVELOPMENT

MAN launched new vehicle and engine technologies for increased fuel efficiency at the IAA Commercial Vehicles show in the reporting period. The highlight was the global premiere of the TGX D38, a truck that is ideally suited to demanding transportation tasks. At its heart is a newly developed, extremely fuel-efficient six-cylinder engine that rounds off the upper end of MAN's Euro 6 engine range. The MAN Lion's City GL CNG natural gas-powered articulated bus was well received as an extremely low-emission, climate-friendly mobility solution for city traffic, and was named "Bus of the Year 2015" by an international jury. The Power Engineering business area also unveiled innovative products in the reporting period, including the new efficient 175D high-speed engine for commercial shipping.

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 the MAN brand in fiscal 2014 and this was dominated by a decline in demand in many markets. The European commercial vehicles market was weakened by the pull-forward effects from the introduction of the new Euro 6 emission standard on January 1, 2014 and by the declining economic momentum in the second half of the year. Market conditions also deteriorated significantly in Brazil. Overall, orders received dropped by 11.6% to 122 thousand vehicles. MAN's deliveries fell by 14.4% to 120 thousand commercial vehicles in the reporting period, of which 14 thousand (16 thousand) were buses. The MAN brand produced 116 thousand (141 thousand) commercial vehicles in the reporting period, of which 12 thousand (16 thousand) were buses.

At €3.9 billion, orders received in the Power Engineering business area remained on a level with the previous year. Business development was dominated by the continuing difficult situation in the shipping industry, global economic growth that was only moderate and tougher financing conditions.

SALES REVENUE AND EARNINGS

The MAN brand's sales revenue decreased by 9.9% to €14.3 billion in the period from January to December 2014. A quarter of this figure was attributable to the Power Engineering segment. MAN generated an operating profit of €384 million (€319 million). This positive performance was largely due to the Power Engineering segment, which had recognized project-specific contingency reserves in the previous year. The operating return on sales amounted to 2.7% (2.0%).

120 ***thousand***

Vehicles delivered in 2014

PRODUCTION

Units	2014	2013
Trucks	104,412	125,423
Buses	11,660	15,788
	116,072	**141,211**

MAN BRAND

	2014	2013	%
Orders received (thousand units)	122	138	−11.6
Deliveries	120	140	−14.4
Vehicle sales	120	140	−14.4
Production	116	141	−17.8
Sales revenue (€ million)	14,286	15,861	−9.9
Operating profit	384	319	+ 20.2
as % of sales revenue	2.7	2.0	

TGX D38

DELIVERIES BY MARKET
in percent

FURTHER INFORMATION www.man.eu

Volkswagen Group China

The Volkswagen Group again generated double-digit growth in China, its largest single market, in 2014. It also kicked off the largest e-mobility initiative in the country's automotive history.

BUSINESS DEVELOPMENT

Volkswagen extended its cooperation with its Chinese joint venture partner First Automotive Works (FAW) by a further 25 years in the reporting period. The partnership already has 23 years of success behind it. In future, the plan is also to significantly expand the existing research and development activities in China and to open up new business areas, primarily in alternative drive systems.

The production of direct shift gearboxes began at the new components plant in Tianjin, northeastern China, in November 2014. This facility is one of the world's most environmentally friendly transmission plants. It manufactures the latest generation gearboxes specially for the Chinese market. They are intended for use in a number of Volkswagen Passenger Cars, Audi and ŠKODA brand models in the A-segment and B-segment. Vehicles and components are currently manufactured at a total of 18 locations in China. Shanghai-Volkswagen will open a further location in Changsha in 2015. 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. The overall goal is to expand capacity gradually to more than five million vehicles per year by 2019. The joint venture companies will invest a total of around €22.0 billion in new production facilities and products in China between 2015 and 2019. These investments will be financed entirely by the companies' cash flows.

The launch of the electric-up! kicked off our major e-mobility initiative in China in the reporting period. The e-Golf and Golf GTE will follow in 2015. Our e-mobility strategy is tailored to the Chinese market and provides for both joint ventures to successively produce plug-in hybrids and electric vehicles locally. Our plan for the next four years is to launch around 20 models with alternative drive systems in the Chinese market, where there is a tremendous focus on these technologies.

The Volkswagen Group offers more than 80 models in the Chinese passenger car market, representing the Volkswagen Passenger Cars, Audi, ŠKODA, Porsche, Bentley, Lamborghini, SEAT, Bugatti and Volkswagen Commercial Vehicles brands. The Volkswagen Group's deliveries to customers in China increased by 12.4% year-on-year to 3.7 million vehicles (including imports). This consolidated our strong market position in China. The Volkswagen Lavida, Sagitar, New Santana and New Jetta, the Audi Q5 and A6, and the ŠKODA Rapid proved particularly popular with Chinese customers.

12.4%

Growth in deliveries to customers in China

Thousand units	2014	2013	%
Deliveries	3,675	3,271	+ 12.4
Vehicle sales*	3,506	3,038	+ 15.4
Production	3,528	3,135	+ 12.6

* Produced locally

EARNINGS

€ million	2014	2013
Operating profit (100 %)	12,077	9,569
Operating profit (proportionate)	5,182	4,296

Our two joint ventures, Shanghai-Volkswagen and FAW-Volkswagen, produced a total of 3.5 million vehicles in the reporting period, up 12.6 % year-on-year. The joint ventures produced 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 Lavida, New Bora, New Jetta and New Santana). Production commenced on the new Lamando saloon, a model specially designed for Chinese customers, at the end of 2014.

The joint ventures generated a proportionate operating profit of €5.2 billion in 2014, up €0.9 billion on the prior-year figure. This positive development was due to increased volumes, lower material costs, consistent cost discipline and the high capacity utilization at our plants.

The Chinese joint venture companies' figures 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	2014	2013
Volkswagen Passenger Cars	2,721,805	2,459,463
Audi	529,205	420,000
ŠKODA	277,138	255,202
Total	**3,528,148**	**3,134,665**

Lamando

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

Volkswagen Financial Services built on its growth over the past few years in 2014 and made a significant contribution to the Volkswagen Group's earnings. The focus was on market entry in South Africa and Malaysia and the integration of MAN Financial Services.

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 coordinating the Group's global financial services activities, the only exceptions being the Scania and Porsche brands, and the financial services business 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 in fiscal 2014. This success was helped by close cooperation with Volkswagen Group brands, growth in the existing markets and international expansion. In addition, the product portfolio was expanded after Volkswagen Financial Services AG acquired MAN Finance International GmbH on January 1, 2014. Volkswagen Financial Services AG's core business now includes financial services for trucks and buses following this transaction. Including Ducati Financial Services, the entire range of Volkswagen Group vehicles is now covered.

In the area of New Mobility, Volkswagen Financial Services intensified carsharing activities. Its equity interest in Dutch carsharing market leader Collect Car B.V., better known as "Greenwheels", was increased at the beginning of 2015. Greenwheels has a fleet of approximately 2,000 vehicles, of which 1,700 are in the Netherlands and 300 are in Germany. The goal is to further develop the business model featuring demand-driven modular solutions.

In Germany, Volkswagen Financial Services is pioneering a convenient way for private and business customers of both Volkswagen and Audi to charge their electric vehicles. Since January 2015 they have been able to use the Charge&Fuel Card to recharge their vehicles and fill up with conventional fuel throughout Germany, benefitting from a simple payment

12.4 *million*

Contracts as of December 31, 2014

method from a single source and attractive, transparent tariffs. The card and associated smartphone app can be used to pay for all recharging and refueling transactions at cooperating partners' locations. Fleet customers will be the chief day-to-day beneficiaries of simplified e-mobility management.

Volkswagen Finance China celebrated its tenth anniversary in the reporting period. During this period, the wholly owned subsidiary of Volkswagen Financial Services AG has built up a leading role in the Chinese vehicle financing market. The popularity of automotive financial services in China is growing, and its penetration rate in this traditional cash buyers market grew to approximately 11 % (7 %) in 2014.

Volkswagen Financial Services AG continued its internationalization trajectory in 2014: the Volkswagen Financial Services South Africa joint venture started operations in the spring and is driving forward the development of automotive financial services within the Volkswagen and Audi dealer networks in the South African market. Volkswagen Capital Advisory, a wholly owned subsidiary of Volkswagen Financial Services AG, has been offering vehicle financing and insurance in Malaysia since last fall.

The Volkswagen financial services provider's funding strategy again proved successful in 2014. The core elements are diversification of the instruments used and the broadest possible local funding. On this basis, money market and capital market instruments, asset-backed securities (ABS) transactions and customer deposits in particular are used for funding.

ABS issues are used to securitize loan and leasing receivables in various currency areas. Receivables totaling €9.1 billion were securitized in 10 ABS transactions worldwide in 2014. Volkswagen Bank GmbH placed Driver 12, the largest European auto ABS transaction since the financial crisis in 2007. The first Chinese auto loans were securitized and sold to investors midway through the year. The Driver China One transaction expanded the ABS program into a new currency area and provided a new source of funding for the rapidly expanding business in China. Volkswagen Financial Services also placed Driver UK Two, the highest volume sterling-denominated ABS transaction. The first bonds were issued in Russia and South Korea, rounding off the capital market activities in 2014.

€1.7 *billion*

Operating profit for 2014

The number of new financing, leasing, service and insurance contracts signed in 2014 was 4.9 million, 15.6 % more than in the prior-year period (2013 excluding MAN Finance International GmbH, which was acquired on January 1, 2014). At 12.4 million, the total number of contracts as of December 31, 2014 was a new record figure (+15.5 %). This included 7.8 million contracts in the Customer Financing/Leasing area, up 13.0 % on the figure for 2013. The Service/Insurance area posted the biggest year-on-year increase, growing by 19.9 % to 4.5 million contracts. Based on unchanged credit eligibility criteria, the penetration rate, expressed as the ratio of financed or leased vehicles to relevant Group delivery volumes – including the Chinese joint ventures – increased to 30.6 % (28.9 %).

Volkswagen Bank's direct banking business had 1,403 thousand (1,418 thousand) accounts at the end of the reporting period. Volkswagen Financial Services employed 12,821 people globally as of the reporting date, including 6,248 in Germany.

SALES REVENUE AND EARNINGS

Volkswagen Financial Services generated sales revenue of €22.1 billion in the past fiscal year, a year-on-year increase of 16.6 %. At €1.7 billion, operating profit exceeded the prior-year figure by 5.5 %. Higher volumes 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

		2014[1]	2013	%
Number of contracts	thousands	12,383	10,725	+ 15.5
Customer financing		5,560	4,946	+ 12.4
Leasing		2,274	1,983	+ 14.7
Service/Insurance		4,549	3,796	+ 19.9
Receivables from	€ million			
Customer financing		59,719	50,735	+ 17.7
Dealer financing		15,030	13,154	+ 14.3
Leasing agreements		18,930	16,181	+ 17.0
Direct banking deposits	€ million	23,774	21,285	+ 11.7
Total assets	€ million	137,438	115,067	+ 19.4
Equity	€ million	15,184	11,582	+ 31.1
Liabilities[2]	€ million	117,803	99,465	+ 18.4
Equity ratio	%	11.0	10.1	
Return on equity before tax[3]	%	13.1	14.9	
Leverage[4]		7.8	8.6	
Operating profit	€ million	1,702	1,614	+ 5.5
Profit before tax	€ million	1,747	1,711	+ 2.1
Employees at Dec. 31		12,821	10,945	+ 17.1

1 MAN Finance International GmbH has been reported within Volkswagen Financial Services since its acquisition by Financial Services AG as of January 1, 2014. The prior-year figures have not been adjusted.
2 Excluding provisions and deferred tax liabilities.
3 Profit before tax as a percentage of average equity (continuing operations).
4 Liabilities as a percentage of equity.

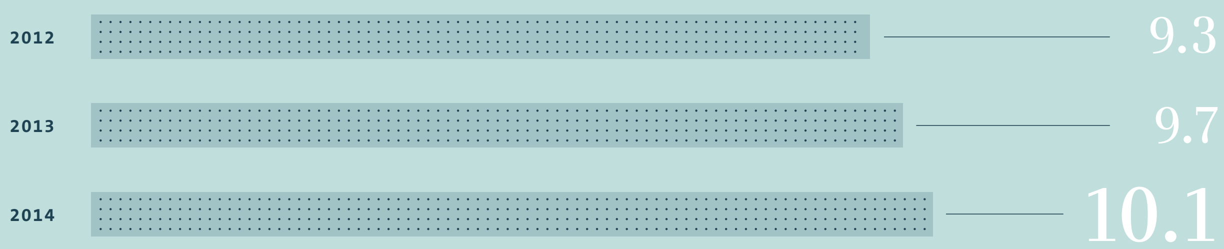
i FURTHER INFORMATION
www.vwfsag.com

3

Group Management Report

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

VOLKSWAGEN GROUP CUSTOMER DELIVERIES WORLDWIDE *(in millions)*



GROUP MANAGEMENT REPORT

Goals and Strategies

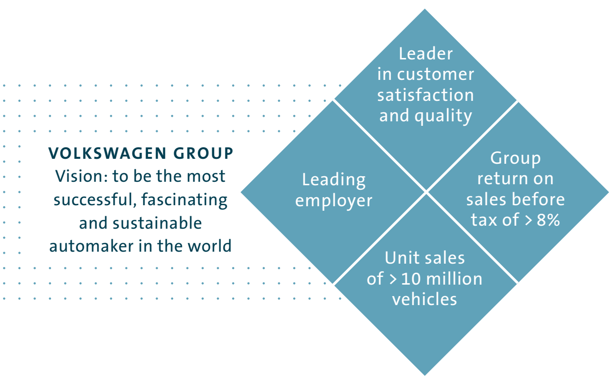
The Volkswagen Group aims to increase its unit sales and profitability for the long term. This is why its Strategy 2018 – with which Volkswagen intends to become the global economic and environmental leader among automobile manufacturers by 2018 – has been anchored in the Company.

Our Strategy 2018 focuses on positioning the Volkswagen Group as a global economic and environmental leader among automobile manufacturers. We have defined four goals that are intended to make Volkswagen the most successful, fascinating and sustainable automaker in the world by 2018:

- 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 and ability to act are guaranteed even in difficult market periods.
- Volkswagen aims to be the most attractive employer in the automotive industry by 2018. To build the best vehicles, we need the best team in the sector; highly qualified, fit and, above all, motivated.

We are focusing in particular on the environmentally friendly orientation and profitability of our vehicle projects so that the Volkswagen Group has the right products for success even in more challenging economic conditions. At the same time, this will mean that capital expenditure remains at manageable levels. Our attractive and environmentally friendly range of vehicles, which we are selectively expanding, and the strong position enjoyed by our individual brands in the markets worldwide, are key factors allowing us to leverage the Group's strengths and to systematically increase our competitive advantages.

STRATEGY 2018



Our activities are primarily oriented on setting new ecological 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 constantly improve production efficiency and flexibility, thus increasing the Group's profitability.

In addition, we want to continually expand the Volkswagen Group's customer base by further increasing satisfaction among our existing customers and acquiring new, satisfied customers around the world, particularly in the growth markets. In order to ensure this, we are increasingly adapting our products to meet local requirements and focusing on the specific features of individual markets. 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. Other key elements include standardizing processes in both the direct and indirect areas of the Group and 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 senior executives – consistently deliver excellence so as to ensure the quality of the Volkswagen Group's innovations and products for the long term and at the highest level. Outstanding performance, the success that comes from it and participation in its rewards are at the heart of our human resources strategy.

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 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 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 indispensable 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 profit
- 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 success. Demand for our products is what drives our unit sales and production, and hence determines capacity utilization at our locations. Only a top team 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, operating profit reflects the Company's actual business activity and documents economic output in our core business. The operating return on sales is the ratio of operating profit 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 represents 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 operating profit 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 82 to 87 and on pages 99 to 113, 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 118 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 2014 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 offering begins with small pickups and extends to buses and heavy trucks. Other business fields manufacture 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, Brazil, the USA, Russia 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. The Group Board of Management, which was formed to support the work of the Board of Management, ensures that Group interests are taken into account in decisions relating to the Group's brands and companies within the framework laid down by law. This body consists of the members of Volkswagen AG's Board of Management, the chairmen of the larger brands and selected top managers with Group management functions. 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 or the Group Board of Management 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.

MATERIAL CHANGES IN EQUITY INVESTMENTS

The control and profit and loss transfer agreement between MAN SE, as the controlled company, and 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 replaces 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 brand and the rest of the Volkswagen Group. Noncontrolling interest shareholders of MAN SE have the right to tender MAN ordinary and preferred shares in 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. As of December 31, 2014, Truck & Bus GmbH held 75.3% of the ordinary shares and 45.2% of the preferred shares in MAN SE.

On May 13, 2014, Volkswagen announced that the voluntary tender offer launched on March 17, 2014 for all Scania shares outstanding would be completed since all of the conditions – including becoming the owner of more than 90% of all Scania shares – had been fulfilled. As of December 31, 2014, Volkswagen held a 99.57% interest in Scania's capital and 99.66% of the voting rights. The squeeze-out for the Scania shares not tendered in the offer has been initiated and Scania's shares were delisted from the NASDAQ OMX in Stockholm at the end of June 5, 2014. On November 11, 2014 the court of arbitration ruled in the squeeze-out proceedings that all Scania shares outstanding will 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. Volkswagen aims to create a leading commercial vehicles group through close operational cooperation between Scania, MAN and Volkswagen Commercial Vehicles.

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

Transparent and responsible corporate governance takes the highest priority in our daily work. We regard it as one of the key conditions for strengthening the trust of our customers and investors, continually increasing the Company's value and securing the future of the Volkswagen Group.

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

The German Corporate Governance Code contains recommendations and suggestions for good and responsible corporate governance. It was prepared by the government commission established for the purpose on the basis of the material statutory provisions and nationally and internationally accepted standards of corporate governance. The government commission reviews the German Corporate Governance Code in light of national and international developments on an annual basis 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 consider transparent and responsible corporate governance to be a key condition for sustainably increasing the Company's value. It helps strengthen the trust of our customers and investors in our work and meet the steadily increasing demand for information from national and international stakeholders.

DECLARATIONS OF CONFORMITY (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 21, 2014 with the following wording:

"The Board of Management and the Supervisory Board hereby declare that, in the period since the last declaration of conformity dated November 22, 2013 was issued, the recommendations by the Government Commission on the German Corporate Governance Code dated May 13, 2013 published by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on June 10, 2013 and the identical recommendations dated June 24, 2014 (German Corporate Governance Code) published in the official section of the Federal Gazette on September 30, 2014 have been complied with and will continue to be complied with, with the exception of the following articles for the reasons stated below.

- a) 4.2.3(4) (severance payment cap)
  A severance payment cap is included in new Board of Management contracts. However, this is not the case for contracts entered into with members of the Board of Management commencing their third or subsequent term of office – provided that no cap was set in the first contract. Existing rights were protected in this respect.
- b) 5.1.2(2) sentence 3 (age limit for members of the Board of Management)
  An age limit for members of the Board of Management is not deemed appropriate, as the ability to successfully lead the Company does not generally cease when a certain age is reached. A fixed age limit could also have a discriminatory effect. In the interests of the Company, it may be necessary to appoint someone beyond the age of 65. A fixed age limit therefore does not seem reasonable.
- c) 5.3.2 sentence 3 (independence of the Audit Committee Chairman)
  Based on the wording of the German Corporate Governance Code, it is unclear whether the Audit Committee Chairman is "independent" as defined by article 5.3.2 sentence 3 of the German Corporate Governance Code. Any absence of "independence" could result from the Audit Committee Chairman's membership of the Supervisory Board of Porsche Automobil Holding SE, his 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 his business relationships with other members of the Porsche and Piëch families, who also hold an indirect interest in Porsche Automobil Holding SE. However, according to the Supervisory Board and the Board of Management, these relationships do not constitute a conflict of interest or impair the Audit Committee Chairman's ability to perform his duties. As a precautionary measure, however, this exception is declared here.

- d) 5.4.1(4 to 6) (disclosure regarding election recommendations)
  With regard to the recommendation in article 5.4.1(4 to 6) of the German Corporate Governance Code on the disclosure of particular circumstances for election recommendations of the Supervisory Board to the Annual General Meeting, the requirements of the Code are vague and their boundaries unclear. To this extent, the Board of Management and the Supervisory Board therefore declare a departure from the Code as a precautionary measure. Nevertheless, the Supervisory Board will endeavor to meet the requirements of article 5.4.1(4 to 6).
- e) 5.4.6(2) sentence 2 (performance-related remuneration of members of the Supervisory Board)
  The remuneration of the Supervisory Board is determined by the shareholders in Article 17(1) of the Volkswagen AG Articles of Association by means of a link to the dividend, among other things. To this extent, we assume that the variable compensation component is linked to the "sustainable growth of the enterprise" in line with the provisions of article 5.4.6(2) sentence 2 of the German Corporate Governance Code. However, as differing interpretations of this cannot be ruled out, a departure from this recommendation of the Code is declared as a precautionary measure."

The current declaration of conformity is 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 below. In addition, further information on corporate governance at Scania AB can be found at the address provided.

COMPOSITION OF THE SUPERVISORY BOARD

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.
- At least three Supervisory Board members should be women, including at least two female shareholder representatives.
- In addition, proposals for elections should not normally include persons who will have reached the age of 75 by the time the election takes place.

The above criteria have been met.

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

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

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

i **DECLARATION OF CONFORMITY OF RENK AG**
www.renk.biz/corporated-governance.html

i **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 7 to 11 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 70 to 73.

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 59 to 69 of the management report, in the notes to the consolidated financial statements on page 302 and on page 55 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".

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 Volkswagen Group is also active in the fight against corruption and other illegal economic activity outside of the Company. Since 2002, we have been a member of the United Nations Global Compact, working with over 12,000 participants from more than 145 countries to create a more sustainable and fairer global economy.

Commitment to compliance at the highest level

Compliance is a cornerstone of sustainable business – a view expressly shared by the Company's management. In the reporting period, the Group Board of Management member for marketing and sales and the Group Board of Management member for procurement, among others, stressed the importance of compliance to employees, both for their own departments and for the Company as a whole.

Preventive compliance management system

Compliance is an important part of the Governance, Risk and Compliance (GRC) organization in the Volkswagen Group (see the Report on Risks and Opportunities starting on page 160). As part of this, Volkswagen adopts a preventive compliance approach and aims to create a corporate culture that stops 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.

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 ensures coordination with the functional areas.

Focal points in 2014

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.

Compliance activities in 2014 focused on further developing compliance standards for the sales organization and dealings with suppliers, among other things. The subject of "human rights and the Code of Conduct in the supplier chain" was driven forward in close cooperation with Group Procurement.

The Group Chief Compliance Officer is supported by 14 Chief Compliance Officers or compliance contact persons (staff who are responsible at the brands, the Financial Services Division and Porsche Holding GmbH, Salzburg). They are supported by compliance officers in the Group companies. In total, staff in 66 countries are employed in the GRC function.

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 apps and tablets, blogs and newsletters are also frequently used to provide compliance information. On International Anti-Corruption Day in early December 2014, a global internal communications campaign was launched in the Volkswagen Passenger Cars brand with a compliance film produced specially for Volkswagen. At the same time, poster campaigns also highlighted the topic of preventing corruption.

Building on its Code of Conduct, Volkswagen has produced guidelines on various compliance topics. These cover anti-corruption – including checklists and the express prohibition of facilitation payments – and competition and antitrust law. These information documents were provided to employees either in paper form or electronically (on the intranet and the employee portal, for example) and made available to all brands to be adapted to their respective specific requirements.

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

We have communicated the Code of Conduct to all consolidated brand companies and established it as a fundamental part of our corporate culture. It is also increasingly being integrated into our operational processes. For example, since 2010, 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 have included a reference to the Code of Conduct and the obligation to comply with it.

Learning programs, training and advice

Providing information to employees at all levels continues to be a core component of our compliance work. In 2014, over 185,000 employees across the Group participated in a variety of different events on the topics of compliance, the Code of Conduct, anti-corruption, human rights, anti-money laundering, and competition and antitrust law in 2014. In addition to traditional lectures and e-learning programs, case studies, role playing formats and a GRC board game form an integral part of the training provided to employees. A compliance app for smartphones and tablets, among other things, is available for employee information. In addition, since 2012, all new Volkswagen AG employees have been 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 provided for specific target groups. For example, it is a core component of the training provided to sales and procurement employees.

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

The Company considers the excellent reputation enjoyed by the Volkswagen Group in the business world and among the public to be a precious asset. To safeguard its reputation, 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 (particularly regarding corruption) in ten different languages to two external lawyers appointed by the Group. Since 2014, employees providing information have had the option of communicating with the ombudsmen via another online channel; any 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. In 2014, the ombudsmen passed on 51 reports by people – whose details remained confidential if requested – to Volkswagen AG’s Anti-Corruption Officer. In addition, the Anti-Corruption Officer and the head of Group Internal Audit received information on a further 89 cases directly. During local internal audits of the brands and Group companies, 365 reports of suspected fraud were submitted. All information is followed up. All breaches of the law or internal regulations are appropriately punished and may lead to consequences under employment law, including dismissal.

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 160 to 163 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. The 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 Annual General Meetings in full 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 70 to 73 of this annual report.

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) (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.

The total amount shown in the Board of Management (Benefits received) tables in accordance with the German Corporate Governance Code comprises fixed remuneration, fringe benefits and performance-related remuneration, and corresponds to the definition of aggregate benefits under German GAAP.

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 were mainly borne by Volkswagen AG.

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 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.

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 profit, including the proportionate operating profit 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.

In addition, the Supervisory Board may increase the theoretical business performance bonus, which is calculated on the basis of average operating profit, 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 (“opinion surveys”, see also the Employees section on page 139 of this report).

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.

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.

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.

	MARTIN WINTERKORN Chairman of the Board of Management, Research and Development	
€	2014	2013
Fixed remuneration	1,617,025	1,486,525
Fringe benefits	300,453	421,337
Total	**1,917,478**	**1,907,862**
One-year variable remuneration	3,148,000	3,001,000
Multiyear variable remuneration	10,796,000	10,097,000
Business performance bonus (two-year period)	6,296,000	6,002,000
LTI (four-year period)	4,500,000	4,095,000
Total	**15,861,478**	**15,005,862**
Pension expense	0	0
Total remuneration	**15,861,478**	**15,005,862**

	FRANCISCO JAVIER GARCIA SANZ Procurement	
€	2014	2013
Fixed remuneration	1,078,017	991,017
Fringe benefits	201,469	250,000
Total	**1,279,486**	**1,241,017**
One-year variable remuneration	1,169,000	1,116,500
Multiyear variable remuneration	4,338,000	4,053,000
Business performance bonus (two-year period)	2,338,000	2,233,000
LTI (four-year period)	2,000,000	1,820,000
Total	**6,786,486**	**6,410,517**
Pension expense	582,686	582,246
Total remuneration	**7,369,172**	**6,992,763**

	JOCHEM HEIZMANN China	
€	2014	2013
Fixed remuneration	1,078,017	991,017
Fringe benefits	70,750	218,928
Total	**1,148,767**	**1,209,945**
One-year variable remuneration	701,400	669,900
Multiyear variable remuneration	4,338,000	4,053,000
Business performance bonus (two-year period)	2,338,000	2,233,000
LTI (four-year period)	2,000,000	1,820,000
Total	**6,188,167**	**5,932,845**
Pension expense	1,043,832	1,039,420
Total remuneration	**7,231,999**	**6,972,265**

* 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.

	CHRISTIAN KLINGLER	
	Sales and Marketing	
€	2014	2013
Fixed remuneration	1,078,017	991,017
Fringe benefits	206,318	250,000
Total	**1,284,335**	**1,241,017**
One-year variable remuneration	935,200	893,200
Multiyear variable remuneration	4,338,000	4,053,000
Business performance bonus (two-year period)	2,338,000	2,233,000
LTI (four-year period)	2,000,000	1,820,000
Total	**6,557,535**	**6,187,217**
Pension expense	749,097	746,040
Total remuneration	**7,306,632**	**6,933,257**

	MICHAEL MACHT	
	Production	
	Left the Company as of July 31, 2014	
€	2014	2013
Fixed remuneration	628,843	991,017
Fringe benefits	203,095	250,000
Total	**831,938**	**1,241,017**
One-year variable remuneration	545,533	669,900
Multiyear variable remuneration	2,530,500	4,053,000
Business performance bonus (two-year period)	1,363,833	2,233,000
LTI (four-year period)	1,166,667	1,820,000
Total	**3,907,972**	**5,963,917**
Pension expense	420,061	724,321
Total remuneration	**4,328,033**	**6,688,238**

	HORST NEUMANN	
	Human Resources and Organization	
€	2014	2013
Fixed remuneration	1,078,017	991,017
Fringe benefits	131,027	250,000
Total	**1,209,044**	**1,241,017**
One-year variable remuneration	935,200	893,200
Multiyear variable remuneration	4,338,000	4,053,000
Business performance bonus (two-year period)	2,338,000	2,233,000
LTI (four-year period)	2,000,000	1,820,000
Total	**6,482,244**	**6,187,217**
Pension expense	0	0
Total remuneration	**6,482,244**	**6,187,217**

* 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	
€	2014	2013
Fixed remuneration	1,078,017	991,017
Fringe benefits	194,039	219,109
Total	**1,272,056**	**1,210,126**
One-year variable remuneration	935,200	669,900
Multiyear variable remuneration	4,338,000	4,053,000
Business performance bonus (two-year period)	2,338,000	2,233,000
LTI (four-year period)	2,000,000	1,820,000
Total	**6,545,256**	**5,933,026**
Pension expense	1,140,852	1,088,849
Total remuneration	**7,686,108**	**7,021,875**

	HANS DIETER PÖTSCH Finance and Controlling	
€	2014	2013
Fixed remuneration	1,078,017	991,017
Fringe benefits	214,851	250,000
Total	**1,292,868**	**1,241,017**
One-year variable remuneration	1,169,000	1,116,500
Multiyear variable remuneration	4,338,000	4,053,000
Business performance bonus (two-year period)	2,338,000	2,233,000
LTI (four-year period)	2,000,000	1,820,000
Total	**6,799,868**	**6,410,517**
Pension expense	0	1,453,433
Total remuneration	**6,799,868**	**7,863,950**

	RUPERT STADLER Chairman of the Board of Management of AUDI AG	
€	2014	2013
Fixed remuneration	1,078,017	991,017
Fringe benefits	75,085	114,293
Total	**1,153,102**	**1,105,310**
One-year variable remuneration	935,200	893,200
Multiyear variable remuneration	4,338,000	4,053,000
Business performance bonus (two-year period)	2,338,000	2,233,000
LTI (four-year period)	2,000,000	1,820,000
Total	**6,426,302**	**6,051,510**
Pension expense	473,045	468,969
Total remuneration	**6,899,347**	**6,520,479**

* 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.

	MARTIN WINTERKORN Chairman of the Board of Management, Research and Development			
€	2013	2014	2014 (Minimum)	2014 (Maximum)
Fixed remuneration	1,486,525	1,617,025	1,617,025	1,617,025
Fringe benefits	421,337	300,453	300,453	300,453
Total	**1,907,862**	**1,917,478**	**1,917,478**	**1,917,478**
One-year variable remuneration	2,885,000	3,001,000	0	3,375,000
Multiyear variable remuneration	9,710,000	10,097,000	0	11,250,000
Business performance bonus (two-year period)	5,770,000	6,002,000	0	6,750,000
LTI (four-year period)	3,940,000	4,095,000	0	4,500,000
Total	**14,502,862**	**15,015,478**	**1,917,478**	**16,542,478**
Pension expense	0	0	0	0
Total remuneration	**14,502,862**	**15,015,478**	**1,917,478**	**16,542,478**

	FRANCISCO JAVIER GARCIA SANZ Procurement			
€	2013	2014	2014 (Minimum)	2014 (Maximum)
Fixed remuneration	991,017	1,078,017	1,078,017	1,078,017
Fringe benefits	250,000	201,469	201,469	201,469
Total	**1,241,017**	**1,279,486**	**1,279,486**	**1,279,486**
One-year variable remuneration	860,000	1,116,500	0	1,250,000
Multiyear variable remuneration	3,900,000	4,053,000	0	4,500,000
Business performance bonus (two-year period)	2,150,000	2,233,000	0	2,500,000
LTI (four-year period)	1,750,000	1,820,000	0	2,000,000
Total	**6,001,017**	**6,448,986**	**1,279,486**	**7,029,486**
Pension expense	582,246	582,686	582,686	582,686
Total remuneration	**6,583,263**	**7,031,672**	**1,862,172**	**7,612,172**

	JOCHEM HEIZMANN China			
€	2013	2014	2014 (Minimum)	2014 (Maximum)
Fixed remuneration	991,017	1,078,017	1,078,017	1,078,017
Fringe benefits	218,928	70,750	70,750	70,750
Total	**1,209,945**	**1,148,767**	**1,148,767**	**1,148,767**
One-year variable remuneration	645,000	669,900	0	1,250,000
Multiyear variable remuneration	3,900,000	4,053,000	0	4,500,000
Business performance bonus (two-year period)	2,150,000	2,233,000	0	2,500,000
LTI (four-year period)	1,750,000	1,820,000	0	2,000,000
Total	**5,754,945**	**5,871,667**	**1,148,767**	**6,898,767**
Pension expense	1,039,420	1,043,832	1,043,832	1,043,832
Total remuneration	**6,794,365**	**6,915,499**	**2,192,599**	**7,942,599**

* 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.

	CHRISTIAN KLINGLER			
	Sales and Marketing			
€	2013	2014	2014 (Minimum)	2014 (Maximum)
Fixed remuneration	991,017	1,078,017	1,078,017	1,078,017
Fringe benefits	250,000	206,318	206,318	206,318
Total	**1,241,017**	**1,284,335**	**1,284,335**	**1,284,335**
One-year variable remuneration	860,000	893,200	0	1,250,000
Multiyear variable remuneration	3,900,000	4,053,000	0	4,500,000
Business performance bonus (two-year period)	2,150,000	2,233,000	0	2,500,000
LTI (four-year period)	1,750,000	1,820,000	0	2,000,000
Total	**6,001,017**	**6,230,535**	**1,284,335**	**7,034,335**
Pension expense	746,040	749,097	749,097	749,097
Total remuneration	**6,747,057**	**6,979,632**	**2,033,432**	**7,783,432**

	MICHAEL MACHT			
	Production			
	Left the Company as of July 31, 2014			
€	2013	2014	2014 (Minimum)	2014 (Maximum)
Fixed remuneration	991,017	628,843	628,843	628,843
Fringe benefits	250,000	203,095	203,095	203,095
Total	**1,241,017**	**831,938**	**831,938**	**831,938**
One-year variable remuneration	430,000	669,900	0	1,250,000
Multiyear variable remuneration	3,900,000	4,053,000	0	4,500,000
Business performance bonus (two-year period)	2,150,000	2,233,000	0	2,500,000
LTI (four-year period)	1,750,000	1,820,000	0	2,000,000
Total	**5,571,017**	**5,554,838**	**831,938**	**6,581,938**
Pension expense	724,321	420,061	420,061	420,061
Total remuneration	**6,295,338**	**5,974,900**	**1,252,000**	**7,002,000**

	HORST NEUMANN			
	Human Resources and Organization			
€	2013	2014	2014 (Minimum)	2014 (Maximum)
Fixed remuneration	991,017	1,078,017	1,078,017	1,078,017
Fringe benefits	250,000	131,027	131,027	131,027
Total	**1,241,017**	**1,209,044**	**1,209,044**	**1,209,044**
One-year variable remuneration	860,000	893,200	0	1,250,000
Multiyear variable remuneration	3,900,000	4,053,000	0	4,500,000
Business performance bonus (two-year period)	2,150,000	2,233,000	0	2,500,000
LTI (four-year period)	1,750,000	1,820,000	0	2,000,000
Total	**6,001,017**	**6,155,244**	**1,209,044**	**6,959,044**
Pension expense	0	0	0	0
Total remuneration	**6,001,017**	**6,155,244**	**1,209,044**	**6,959,044**

* 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			
€	2013	2014	2014 (Minimum)	2014 (Maximum)
Fixed remuneration	991,017	1,078,017	1,078,017	1,078,017
Fringe benefits	219,109	194,039	194,039	194,039
Total	**1,210,126**	**1,272,056**	**1,272,056**	**1,272,056**
One-year variable remuneration	645,000	669,900	0	1,250,000
Multiyear variable remuneration	3,900,000	4,053,000	0	4,500,000
Business performance bonus (two-year period)	2,150,000	2,233,000	0	2,500,000
LTI (four-year period)	1,750,000	1,820,000	0	2,000,000
Total	**5,755,126**	**5,994,956**	**1,272,056**	**7,022,056**
Pension expense	1,088,849	1,140,852	1,140,852	1,140,852
Total remuneration	**6,843,975**	**7,135,808**	**2,412,908**	**8,162,908**

	HANS DIETER PÖTSCH Finance and Controlling			
€	2013	2014	2014 (Minimum)	2014 (Maximum)
Fixed remuneration	991,017	1,078,017	1,078,017	1,078,017
Fringe benefits	250,000	214,851	214,851	214,851
Total	**1,241,017**	**1,292,868**	**1,292,868**	**1,292,868**
One-year variable remuneration	1,075,000	1,116,500	0	1,250,000
Multiyear variable remuneration	3,900,000	4,053,000	0	4,500,000
Business performance bonus (two-year period)	2,150,000	2,233,000	0	2,500,000
LTI (four-year period)	1,750,000	1,820,000	0	2,000,000
Total	**6,216,017**	**6,462,368**	**1,292,868**	**7,042,868**
Pension expense	1,453,433	0	0	0
Total remuneration	**7,669,450**	**6,462,368**	**1,292,868**	**7,042,868**

	RUPERT STADLER Chairman of the Board of Management of AUDI AG			
€	2013	2014	2014 (Minimum)	2014 (Maximum)
Fixed remuneration	991,017	1,078,017	1,078,017	1,078,017
Fringe benefits	114,293	75,085	75,085	75,085
Total	**1,105,310**	**1,153,102**	**1,153,102**	**1,153,102**
One-year variable remuneration	860,000	893,200	0	1,250,000
Multiyear variable remuneration	3,900,000	4,053,000	0	4,500,000
Business performance bonus (two-year period)	2,150,000	2,233,000	0	2,500,000
LTI (four-year period)	1,750,000	1,820,000	0	2,000,000
Total	**5,865,310**	**6,099,302**	**1,153,102**	**6,903,102**
Pension expense	468,969	473,045	473,045	473,045
Total remuneration	**6,334,279**	**6,572,347**	**1,626,147**	**7,376,147**

* 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 on reaching the age of 63.

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. Winterkorn, Mr. Garcia Sanz, Mr. Heizmann, Mr. Macht, Mr. Neumann and Mr. Pötsch have a retirement pension entitlement of 70%, and Mr. Klingler and Mr. Stadler of 60% of their basic level of remuneration as of the end of 2014.

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 on reaching the age of 70 and a surviving dependents' pension. Volkswagen AG provides an annual remuneration-linked company contribution for Mr. Östling, which goes toward a pension module at the end of each year.

On December 31, 2014 the pension obligations for members of the Board of Management in accordance with IAS 19 amounted to €138,046,434 (€107,676,518); €8,229,691 (€9,416,406) 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 €95,992,020 (€88,704,661); €16,616,016 (€13,259,160) was added to the provision in the reporting period in accordance with German GAAP. 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.

Retired members of the Board of Management and their surviving dependents received €22,792,616 (€9,977,972) or €22,111,951 (€9,977,972) 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 €165,668,945 (€140,165,675), or €129,456,621 (€125,376,525) 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 leaving the Company is payable immediately if membership of the Board of Management is not prolonged by the Company, and in other cases on reaching 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 leaving the Company is payable on reaching 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 article 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.

PENSIONS OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2014 (PRIOR-YEAR FIGURES IN BRACKETS)[1]

€	Pension expense	Present value as of December 31[2]
Martin Winterkorn	–	28,565,183
	–	(22,075,213)
Francisco Javier Garcia Sanz	582,686	18,088,648
	(582,246)	(12,134,132)
Jochem Heizmann	1,043,832	19,444,333
	(1,039,420)	(13,696,821)
Christian Klingler	749,097	7,228,262
	(746,040)	(3,693,690)
Michael Macht (left the Company as of July 31, 2014)	420,061	–
	(724,321)	(10,632,210)
Horst Neumann	–	23,654,054
	–	(17,470,333)
Leif Östling	1,140,852	2,954,833
	(1,088,849)	(1,355,439)
Hans Dieter Pötsch	–	20,901,411
	(1,453,433)	(15,994,320)
Rupert Stadler	473,045	17,209,710
	(468,969)	(10,624,360)
Total	**4,409,573**	**138,046,434**
	(6,103,278)	**(107,676,518)**

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 2014, the members of the Supervisory Board received €12,149,450 (€9,774,530). Of this figure, €808,500 (€528,671) related to the fixed remuneration components (including attendance fees) and €11,340,950 (€9,245,859) to the variable remuneration components.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD[1]

€	FIXED	VARIABLE	TOTAL 2014	TOTAL 2013
Ferdinand K. Piëch	171,500	1,303,800	1,475,300	1,189,300
Berthold Huber[2]	38,000	899,000	937,000	773,567
Hussain Ali Al-Abdulla	11,000	387,500	398,500	331,833
Ahmad Al-Sayed	10,000	387,500	397,500	167,140
Jürgen Dorn[2]	47,000	435,150	482,150	408,833
Annika Falkengren	15,000	581,250	596,250	494,250
Hans-Peter Fischer[2]	12,000	387,500	399,500	331,833
Uwe Fritsch[2]	12,000	387,250	399,250	331,833
Babette Fröhlich[2]	15,000	581,250	596,250	495,250
Olaf Lies[3]	12,000	387,500	399,500	287,802
Hartmut Meine[2]	12,000	387,500	399,500	331,833
Peter Mosch[2]	30,500	674,250	704,750	571,156
Bernd Osterloh[2]	15,000	581,250	596,250	495,250
Hans Michel Piëch	97,000	449,500	546,500	405,533
Ursula Piëch	23,000	449,500	472,500	368,458
Ferdinand Oliver Porsche	95,500	868,000	963,500	752,967
Wolfgang Porsche	150,000	643,250	793,250	577,950
Stephan Weil[3]	15,000	581,250	596,250	428,068
Stephan Wolf[2]	15,000	581,250	596,250	484,356
Thomas Zwiebler[2]	12,000	387,500	399,500	331,833
Supervisory Board members who left in the previous year	–	–	–	215,484
Total	**808,500**	**11,340,950**	**12,149,450**	**9,774,530**

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, 2014

PROF. DR. DR. H.C. MULT.
MARTIN WINTERKORN (67)
Chairman (since January 1, 2007),
Research and Development
July 1, 2000*
Chairman of the Executive Board of
Porsche Automobil Holding SE
November 25, 2009*
Appointments:
○ FC Bayern München AG, Munich

DR. RER. POL. H.C.
FRANCISCO JAVIER
GARCIA SANZ (57)
Procurement
July 1, 2001*
Appointments:
○ Hochtief AG, Essen
⦿ Criteria CaixaHolding S.A., Barcelona

PROF. DR. RER. POL. DR.-ING. E.H.
JOCHEM HEIZMANN (62)
China
January 11, 2007*
Appointments:
○ Lufthansa Technik AG, Hamburg
⦿ OBO Bettermann GmbH & Co. KG, Menden

CHRISTIAN KLINGLER (46)
Sales and Marketing
January 1, 2010*
Appointments:
⦿ Messe Frankfurt GmbH, Frankfurt am Main

DR.-ING. E.H. MICHAEL MACHT (54)
Production
October 1, 2010 – July 31, 2014*

PROF. H.C. DR. RER. POL.
HORST NEUMANN (65)
Human Resources and Organization
December 1, 2005*

DR. H.C. LEIF ÖSTLING (69)
Commercial Vehicles
September 1, 2012*
Appointments:
⦿ SKF AB, Gothenburg
⦿ EQT Holdings AB, Stockholm

HANS DIETER PÖTSCH (63)
Finance and Controlling
January 1, 2003*
Chief Financial Officer
of Porsche Automobil Holding SE
November 25, 2009*
Appointments:
○ Bertelsmann Management SE, Gütersloh
○ Bertelsmann SE & Co. KGaA, Gütersloh

ANDREAS RENSCHLER (56)
Commercial Vehicles
February 1, 2015*
Appointments (as of February 1, 2015):
○ Deutsche Messe AG, Hanover

PROF. RUPERT STADLER (51)
Chairman of the Board of Management of AUDI AG
January 1, 2010*
Appointments:
○ FC Bayern München AG, Munich

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, 2014

HON.-PROF. DR. TECHN. H.C.
DIPL.-ING. ETH
FERDINAND K. PIËCH (77)
(Chairman)
April 16, 2002*
Appointments:
- ○ 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

BERTHOLD HUBER (64)
(Deputy Chairman)
IG Metall
May 25, 2010*
Appointments:
- ○ AUDI AG, Ingolstadt (Deputy Chairman)
- ○ Porsche Automobil Holding SE, Stuttgart
- ○ Siemens AG, Munich (Deputy Chairman)

DR. HUSSAIN ALI AL-ABDULLA (57)
Board Member of Qatar Investment Authority and Board Member of Qatar Holding LLC
April 22, 2010*
Appointments:
- ⊙ Gulf Investment Corporation, Safat/Kuwait
- ⊙ Masraf Al Rayan, Doha (Chairman)
- ⊙ Qatar Investment Authority, Doha
- ⊙ Qatar Holding LLC, Doha

AHMAD AL-SAYED (38)
Minister of State, Qatar
June 28, 2013*
Appointments:
- ⊙ Qatar Exchange, Doha
- ⊙ Qatar National Bank, Doha

JÜRGEN DORN (48)
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
January 1, 2013*
Appointments:
- ○ MAN SE, Munich
- ○ MAN Truck & Bus AG, Munich (Deputy Chairman)

ANNIKA FALKENGREN (52)
President and Group Chief Executive of Skandinaviska Enskilda Banken AB
May 3, 2011*
Appointments:
- ⊙ Securitas AB, Stockholm

DR. JUR. HANS-PETER FISCHER (55)
Chairman of the Board of Management of Volkswagen Management Association
January 1, 2013*
Appointments:
- ⊙ Volkswagen Pension Trust e.V., Wolfsburg

UWE FRITSCH (58)
Chairman of the Works Council at the Volkswagen AG Braunschweig plant
April 19, 2012*
Appointments:
- ⊙ Eintracht Braunschweig GmbH & Co KGaA, Braunschweig
- ⊙ Phantoms Basketball Braunschweig GmbH, Braunschweig

DR. JUR. KLAUS LIESEN (83)
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.

BABETTE FRÖHLICH (49)
IG Metall,
Department head for coordination of
Executive Board duties and planning
October 25, 2007*
Appointments:
- ○ MTU Aero Engines AG, Munich

OLAF LIES (47)
Minister of Economic Affairs, Labor and Transport
for the Federal State of Lower Saxony
February 19, 2013*
Appointments:
- ○ Deutsche Messe AG, Hanover
- ⊙ Demografieagentur für die niedersächsische Wirtschaft GmbH, Hanover (Chairman)
- ⊙ JadeWeserPort Realisierungs GmbH Co. KG, Wilhelmshaven (Chairman)
- ⊙ Container Terminal Wilhelmshaven JadeWeserPort-Marketing GmbH & Co. KG, Wilhelmshaven
- ⊙ JadeWeserPort Realisierungs-Beteiligungs GmbH, Wilhelmshaven (Chairman)

HARTMUT MEINE (62)
Director of the Lower Saxony and Saxony-Anhalt
Regional Office of IG Metall
December 30, 2008*
Appointments:
- ○ Continental AG, Hanover
- ○ KME Germany GmbH, Osnabrück

PETER MOSCH (42)
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 (58)
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
- ⊙ VfL Wolfsburg-Fußball GmbH, Wolfsburg
- ⊙ Volkswagen Immobilien GmbH, Wolfsburg

DR. JUR. HANS MICHEL PIËCH (72)
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 (58)
Supervisory Board member of AUDI AG
April 19, 2012*
Appointments:
- ○ AUDI AG, Ingolstadt

DR. JUR. FERDINAND OLIVER PORSCHE (53)
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

DR. RER. COMM. WOLFGANG PORSCHE (71)
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

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

* Beginning or period of membership of the Supervisory Board.

STEPHAN WEIL (56)
Minister-President of the Federal State of Lower Saxony
February 19, 2013*

STEPHAN WOLF (48)
Deputy Chairman of the General and Group Works Councils of Volkswagen AG
January 1, 2013*
Appointments:
○ Wolfsburg AG, Wolfsburg
⊙ Sitech Sitztechnik GmbH, Wolfsburg
⊙ Volkswagen Pension Trust e.V., Wolfsburg

THOMAS ZWIEBLER (49)
Chairman of the Works Council of Volkswagen Commercial Vehicles
May 15, 2010*

COMMITTEES OF THE SUPERVISORY BOARD
As of December 31, 2014

Members of the Executive Committee
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Berthold Huber (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)
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Berthold Huber (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
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Dr. Wolfgang Porsche
Stephan Weil

○ 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

In this section, we present the 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 €1,217,872,117.76 (€1,191,009,251.84) on December 31, 2014. It was composed of 295,089,818 ordinary shares and 180,641,478 preferred shares. This includes 22,103 preferred shares created in 2014 as a result of the voluntary exercise of the mandatory convertible note. It also includes 10,471,204 preferred shares created as a result of the resolution by the Board of Management of Volkswagen AG on June 3, 2014, with the consent of the Supervisory Board, to implement a capital increase from authorized capital against cash contributions, while disapplying shareholders' preemptive rights. 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 and in the notes to the Volkswagen consolidated financial statements starting on pages 276 of this annual report.

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, 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.

Information about the composition of the Supervisory Board can be found on pages 71 to 73 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 Supervisory 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. Furthermore, the share capital can 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 to be issued before April 21, 2015. This authorization was partially exercised in November 2012 and in June 2013 by issuing mandatory convertible notes. 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 235.

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 2019.

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.

RESTRICTIONS ON THE TRANSFER OF SHARES

Volkswagen AG and Suzuki Motor Corporation have agreed mutual approval and preemptive tender rights if the shares held by the other contracting party are to be sold. As of the reporting date, Volkswagen held a 19.9% stake in Suzuki.

Business Development

In fiscal year 2014, the global economy recorded moderate growth that just slightly exceeded the prior-year level. Global demand for vehicles continued to rise. Amid still difficult market conditions, the Volkswagen Group delivered more than 10 million vehicles to its customers for the first time.

MODERATE GLOBAL ECONOMIC GROWTH

In fiscal year 2014, global economic growth increased slightly to 2.7% (2.6%). The economic situation in many industrialized nations improved despite the continued presence of structural obstacles. Inflation remained moderate despite the expansionary monetary policies of many central banks. Economic growth in a number of emerging economies was held in check by currency fluctuations and structural deficits. In addition, the falling oil price had a negative impact on the economy in the oil producing countries.

Europe/Other markets

In Western Europe, gross domestic product (GDP) recovered compared with the previous year, growing 1.2% (0.0%). Most northern European countries returned to a moderate growth path, while there were signs that the recession is coming to an end in most of the crisis-hit southern European countries. The unemployment rate in Europe declined slightly to 12.1% (12.5%). However, unemployment in Greece and Spain was well above this average.

In Central and Eastern Europe, GDP growth decreased to an average of 1.6% (2.2%). The economic trend in Central Europe remained positive. In contrast, economic growth in Eastern Europe contracted sharply, largely due to the conflict between Russia and Ukraine and the resulting uncertainty. Russia's economic output increased only marginally in the reporting period by 0.4% (1.3%).

In South Africa, GDP increased by just 1.5% in 2014, falling short of the comparatively low prior-year level of 2.2%. The country's economic development was marred by structural deficits and social conflicts.

Germany

Buoyed by positive consumer sentiment and the stable labor market, the German economy saw a slight upturn in 2014, with year-on-year growth of 1.5% (0.2%).

North America

After a moderate start to the year due to the weather conditions, the US economy gained momentum. The easing unemployment rate and positive consumer sentiment stimulated the economy and contributed to growth of 2.4% (2.2%). The US dollar was stronger overall against the euro during the period and appreciated in the second half of the year. Canada's GDP rose by 2.4% (2.0%). The Mexican economy gathered pace, growing by 2.0% (1.4%).

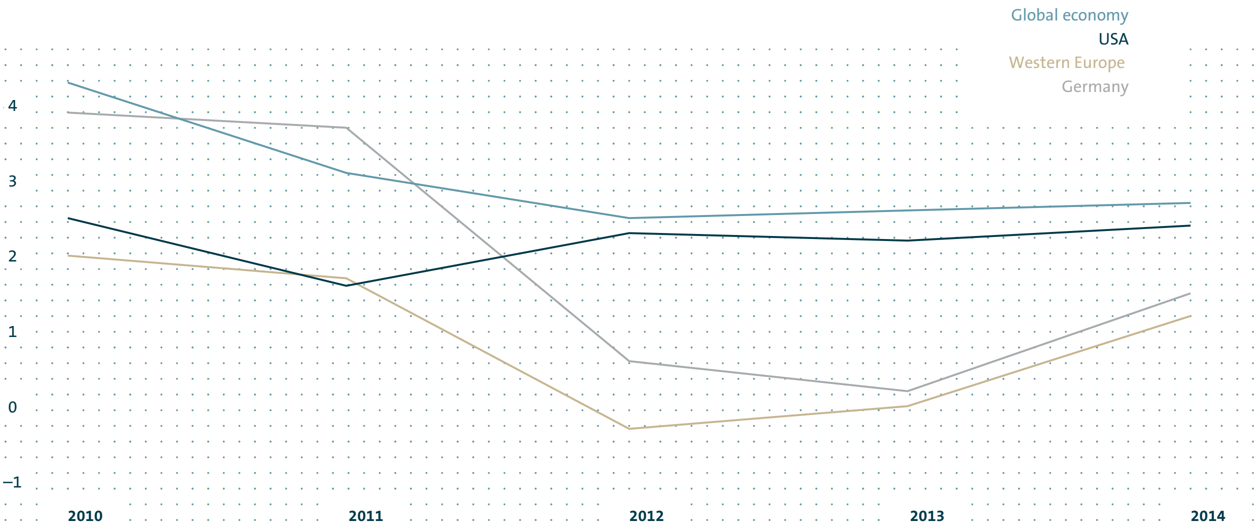
South America

Brazil was skirting recession during the reporting period; after a 2.5% increase in the previous year, no growth was recorded. Argentina's economy was held back by structural deficits and the persistent very high rate of inflation, which resulted in a 0.8% decline in economic output (+2.9%).

Asia-Pacific

At 7.4% (7.7%), the Chinese economy continued to record robust growth, with slightly declining momentum. In Japan, GDP growth was held back by tax increases and amounted to 0.2% (1.6%) in 2014. After initial weakness, India's economic growth was slightly stronger than in the previous year at 5.9% (5.0%). At 4.4% (5.1%), growth in the ASEAN region remained slightly below the prior-year level.

ECONOMIC GROWTH
Percentage change in GDP



GLOBAL DEMAND FOR PASSENGER CARS REACHES NEW HIGH

Global new passenger car registrations increased by 4.5% to 73.4 million vehicles in 2014, exceeding the previous year's record level. The primary growth drivers were the Asia-Pacific region, North America, Western Europe and Central Europe. In contrast, the overall markets for passenger cars in Eastern Europe and South America remained clearly below the prior-year level.

Sector-specific environment

The global passenger car markets turned in a very mixed performance in the reporting period. Whereas demand in major industrialized nations recovered and the markets in the Asia-Pacific region again recorded strong growth, markets in Eastern Europe and South America saw sharp declines in some cases.

The continued development of the major markets of China and Brazil and the expansion of activities in Russia, India and the ASEAN region are still highly important for the automotive industry.

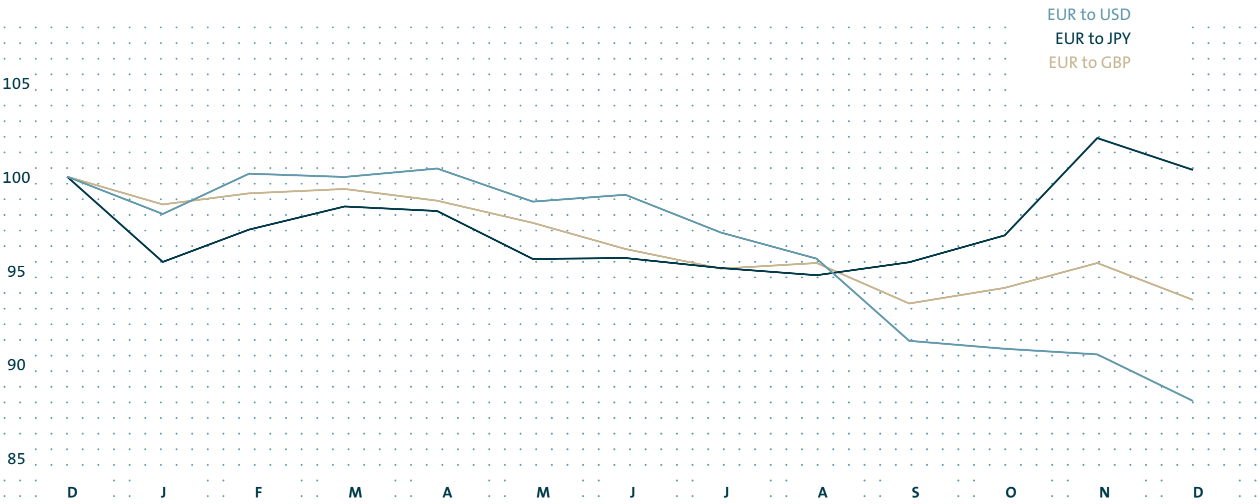
Trade restrictions have been eased in many Asian markets. However, it cannot be ruled out that these countries will fall back on protectionist measures in the event of another global economic slump.

Europe/Other markets

The stabilization of the passenger car markets in Western Europe, which began in the second half of 2013, continued in the reporting period. The number of new registrations increased again for the first time after four years of decline. However, at 12.1 million vehicles (+4.9%), market volumes were still down substantially on the level before the financial and economic crisis (2007: 14.9 million vehicles). Whereas the French market almost stagnated (+0.5%), moderate growth was recorded in Italy (+4.9%) compared with the low prior-year volume. In Spain, the continuation of the government purchase incentive program accelerated the recovery process (+18.3%). Sustained high demand from private customers led to market growth of 9.3% in the United Kingdom.

In Central and Eastern Europe, demand decreased by 6.7% to 3.6 million vehicles. This was mainly attributable to the sharp decline in unit sales in the Russian market, which accounts for around two-thirds of the region's total sales, due to the political crisis. Even the government scrapping program introduced in Russia on September 1, 2014 with the aim of promoting the purchase of locally produced new vehicles was unable to stop demand slumping by 10.0% to 2.3 million vehicles. In contrast, at 0.9 million passenger cars, EU markets in Central Europe posted significant growth of 14.8%.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2013 TO DECEMBER 2014
Index based on month-end prices: December 31, 2013 = 100



In the South African market, passenger car sales declined by 2.5% to 439 thousand vehicles. This was primarily due to weaker economic growth and rising mobility costs.

Germany

In fiscal year 2014, demand for passenger cars in Germany grew for the first time since 2011, rising by 2.9% on the weak prior-year level to 3.0 million units due to a positive macroeconomic environment. However, this increase was confined to new passenger car registrations for business customers (+5.8%); demand from private customers was down by 1.9%. Higher exports, particularly to EU countries and East Asia, meant both passenger car exports (+2.5% to 4.3 million vehicles) and domestic passenger car production (+3.0% to 5.6 million vehicles) recorded stronger growth than in the previous year.

North America

In the North American markets, sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) continued to rise in the reporting period. The NAFTA region recorded its highest overall market volumes since 2005, with sales up 6.0% to 19.5 million vehicles. In the USA, the positive macroeconomic environment, favorable financing conditions, attractive sales promotions by manufacturers, backlog effects and low petrol prices led to a 5.9% increase in market volumes to 16.5 million units. Demand was particularly strong for models in the SUV segment.

In Mexico, momentum picked up over the course of the year. Demand increased by 6.8% to 1.1 million units, reaching its highest level of the past eight years.

The Canadian automotive market achieved a new sales record in fiscal year 2014, with unit sales up by 6.2% to 1.9 million vehicles.

South America

Demand for passenger cars in South America fell well short of the prior-year level in the reporting period. The region recorded the sharpest absolute market decline worldwide, with its lowest new passenger car registration figures since 2009. This was primarily due to the weak automotive business in the single market of Brazil, where the number of new registrations fell by 9.4% to 2.5 million units. Due to a weak economic environment, higher interest rates and reduced consumer confidence, market volumes in Brazil were also at their lowest level for the past five years. The above-average decline in the number of imported passenger cars, also as a result of the devaluation of the Brazilian real, reduced the proportion of new registrations accounted for by imported passenger cars to 15.3% (17.0%). Brazil's own vehicle exports slumped by 40.9% to 335 thousand units due to the weakness of the Argentinian market, among other factors.

The passenger car market in Argentina contracted sharply in 2014, falling by 28.8% from the previous year's record high to 461 thousand units. In addition to the tax increase on higher-value passenger car purchases at the beginning of the year, buyer reluctance due to decreasing real incomes and sharp increases in interest rates, as well as import restrictions on new vehicles, all contributed to this development.

Asia-Pacific

The Asia-Pacific region was again the main driver of demand for passenger cars worldwide in the reporting period. The new high in the region was largely thanks to the Chinese passenger car market, which recorded double-digit growth of 12.1% to 17.9 million vehicles. Despite further restrictions on registrations in some metropolitan areas and slightly slower economic growth, the positive momentum on the world's largest car market continued in 2014. This trend was bolstered in particular by the above-average increase in SUV sales.

In Japan, the number of new vehicle registrations rose moderately year-on-year, at 4.7 million units (+2.9%). The consumption tax increase as of April 1, 2014 led to pull-forward effects in the first quarter and significantly dampened demand in the rest of the year.

Passenger car sales on the Indian market increased slightly in the reporting period, up 2.2% to 2.4 million units. In particular, the cut in excise tax rates – for vehicles, among other things – which was extended to the end of 2014 supported the recovery in the automotive markets.

In the ASEAN region, passenger car sales declined by 4.4% to 2.3 million units due to a slump in demand in Thailand. Other markets in the ASEAN region posted strong growth in some cases.

REGIONAL DEMAND FOR COMMERCIAL VEHICLES MIXED

Demand for light commercial vehicles was down slightly year-on-year. A total of 10.7 million vehicles were sold worldwide, representing a decline of 1.3%.

The demand trend in Western Europe was positive thanks to the improved economic environment. Sales were up 8.5% on the previous year, at a total of 1.5 million vehicles. The highest growth rates were recorded in the United Kingdom, Spain and Italy, and Germany saw a year-on-year increase of 4.6%.

Vehicle sales in the Central and Eastern European markets fell short of the comparable prior-year level: 296 thousand (323 thousand) vehicles were sold in the reporting period. Demand declined in Russia and Ukraine due to political tensions and their economic impact. However, many smaller Central European markets recorded growth.

In North America, light commercial vehicles up to 6.35 tonnes are allocated to the passenger car market.

Demand for light commercial vehicles in South America declined to 1.2 million units in the reporting period, down 7.8% on the previous year's level. Among other factors, the decline in demand was attributable to the difficult economic conditions in the region. However, Brazil exceeded the 2013 figure thanks to higher demand for new SUVs, which are included in light commercial vehicles in this market. Despite the rise in the number of new SUV models registered in Argentina, demand for light commercial vehicles declined significantly as a result of the tax hike on higher-value vehicles at the beginning of the year.

At 6.8 million (–1.6%), vehicle sales in the Asia-Pacific region in fiscal year 2014 were down slightly on the previous year's level. There were significantly more new registrations in China, which dominates the region, than in the previous year. A total of 4.3 million (4.1 million) units were sold there. Sales in India were down on the previous year due to higher interest rates, which had a negative impact on the economy. In Japan, pull-forward effects from a consumption tax increase as of April 1, 2014 led to a temporary increase in demand. However, unit sales were lower than expected in the rest of the year. Overall, the Japanese market declined slightly compared with the previous year.

Demand for light commercial vehicles in the ASEAN region was mixed. While a number of small markets saw strong growth, demand in Thailand declined sharply after government incentive programs expired.

Demand for mid-sized and heavy trucks with a gross weight of more than six tonnes fell short of the prior-year level in fiscal year 2014. With 2.4 million new registrations, 6.7% fewer vehicles were sold worldwide than in 2013. Demand dropped by 13.0% in the truck markets that are relevant for the Volkswagen Group.

In the Western European market, demand was down 9.1% compared with the previous year, with a total of 225 thousand vehicles sold in the reporting period. In 2013, unit sales were positively impacted by the purchases pulled forward ahead of the Euro 6 emission standard. In Germany, the number of new registrations was down slightly on the prior-year figure.

In Central and Eastern Europe, the number of new vehicle registrations decreased by 15.1% to 142 thousand units. In Russia, the region's biggest market, sales failed to reach the prior-year level, declining by 21.3% to 81 thousand units. This was largely attributable to the low oil price, the still weak ruble and the more difficult financing conditions as a result of the tense political situation.

In the North American markets, demand for mid-sized and heavy trucks (more than 6.35 tonnes) reached 470 thousand (438 thousand). Impetus from the labor market, the construction and energy sector, and ongoing high demand for replacement vehicles in the heavy truck segment led to higher demand in the US market in particular. New registrations in the USA increased by 10.2% to 398 thousand vehicles.

Demand in South America was weaker year-on-year, at 198 thousand (235 thousand) units. The poorer macroeconomic environment in Brazil, high inflation and the recessionary trends in Argentina were the major causes of this decline. At 134 thousand vehicles, sales in the Brazilian market were down 10.5% on the prior-year level.

The volume of new vehicle registrations in the Asia-Pacific region (excluding the Chinese market) remained level year-on-year at 469 thousand. Demand in China, the world's largest truck market, was down 14.5% year-on-year at a total of 783 thousand units. Alongside the slightly slower pace of economic growth, this decline was attributable to the diminishing pull-forward effects from the introduction of the latest emission standard, as well as other factors. Demand in India increased overall in 2014: new registrations were up 5.5% on the previous year at 195 thousand vehicles. A more favorable investment climate following the change of government in May 2014, new infrastructure projects and demand for replacement vehicles in the heavy truck segment were responsible for this development.

Demand for buses, both globally and in the markets that are relevant for the Volkswagen Group, was lower than in the previous year. In Western Europe, too, fewer buses were sold than in 2013. This was partly due to the introduction of the Euro 6 emission standard, which had pulled forward some of the demand from 2014 to 2013.

TRENDS IN THE MARKETS 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 (for container and freight ships, for example) was again dominated by significant overcapacity in the reporting period. This situation was exacerbated by the continued high number of deliveries, which further crowded the market. Volatile but declining fuel prices and slightly rising freight rates helped counter this trend in the merchant shipping business. The further improvement in the financial situation of established shipping companies should also be viewed positively.

Overall, the merchant shipping market recorded slight year-on-year growth. Demand for special ships remained high in fiscal year 2014. The markets for government vessels, cruise ships and ships for transporting liquid natural gas (LNG) remained at the previous year's high level. Due to the decline in the price of oil and the higher costs for international oil companies, new orders for drillships to exploit new reserves fell short of expectations. Overall, China, Korea and Japan remained the dominant shipbuilding countries. The marine market saw a slightly positive trend overall compared with the previous year.

Economic growth in developing countries and emerging markets, which are the key regions for MAN's power plant solutions, slowed in 2014, although the demand for energy supply solutions is still high in these markets. The Middle East, Africa and Southeast Asia remained important regions. In North America, the project volume increased due to the availability of shale gas. Demand for decentralized diesel and gas engine power plants saw a significant year-on-year decline overall with a persistent trend away from oil-fired power plants toward dual-fuel and gas-fired power plants. However, the more difficult financing conditions and crises with global ramifications led to longer project lead times.

The market for the construction of turbomachinery such as turbines and compressors was mainly dominated by contracts awarded in connection with global investment projects in oil and chemical facilities. Project volumes remained high in the oil and gas industry; however, competitive pressure rose as a result of the weak US dollar in the first half of the year and the devaluation of the yen. Demand for turbomachinery in the processing industry remained at a low level in 2014 due to a slowdown in the relevant markets in countries such as China, India and Brazil, as well as the investor uncertainty caused by political crises. This further increased competitive pressure. The overall market for turbomachinery declined moderately compared with the previous year.

Although the after sales market recorded slightly positive growth overall in the reporting period, there was no return to the very high growth rates seen between 2010 and 2012.

The development of offshore wind energy again fell well short of the expectations in 2014. This was largely attributable to the ongoing technical problems, particularly in relation to infrastructure, and the limited financing options.

DEMAND FOR FINANCIAL SERVICES

Global demand for automotive-related financial services remained high in fiscal year 2014. 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 a difficult economic environment with stricter regulatory requirements, demand for financial services increased in Europe. After-sales products such as maintenance agreements, spare parts and insurance 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 market and continued market growth in the United Kingdom. Demand for financial services benefited considerably from the still high penetration rates.

The finance and leasing business again grew 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 2014 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 grew sharply. In Mexico, consumers were increasingly willing to make use of financial products, pushing the sales of financial services here to a new all-time high.

The negative macroeconomic trend in Brazil continued in 2014. 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, the uncertain economic situation and new regulatory conditions dented sales of automotive-related financial services.

The Asia-Pacific region again saw growth in 2014. Many buyers used financial services to realize their wish for a car. In China, the proportion of loan-financed vehicle purchases rose to more than 25% 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. Korea and India also registered sharp growth in demand for financial services, while demand in the Australian and Japanese markets remained stable at a high level.

South Africa recorded a similar positive trend.

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 2014. Innovative transportation solutions are becoming increasingly important to customers for differentiating between providers.

NEW GROUP MODELS IN 2014

The Volkswagen Group selectively expanded its model portfolio in key segments in the reporting period. Additionally, we introduced new products based on the Modular Transverse Toolkit (MQB). This will form the basis for many other new models in the coming years. The Group's range now comprises around 335 passenger car, comercial 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 sector, and from pickups to heavy trucks and buses in the commercial vehicles sector, as well as motorcycles. We will continue to resolutely move into unoccupied market segments that offer profitable opportunities for us.

The Volkswagen Passenger Cars brand launched the Golf Sportsvan onto the market in the past year. The successor to the Golf Plus boasts an impressive sporty design and intelligent use of space. A further highlight in 2014 was the unveiling of the new generation of Europe's most successful company car: the Passat. The new saloon and estate models herald a new era for design and proportions, engines and drive systems, infotainment and assistance systems, as well as safety, convenience and driving pleasure. Following on the heels of the e-up!, the brand's first production vehicle to run on electrical power that we launched in 2013, the Golf GTE with a plug-in hybrid drive and the e-Golf, the electric version of our bestseller, took their place in dealer showrooms in 2014. The popular Polo in the small car segment, the Jetta and the sporty Scirocco were also upgraded. Volkswagen Passenger Cars met special customer and market requirements in key regions outside Europe through product upgrades and country-specific models. In light of this, a version of the up!, a double cab version of the robust Saveiro and upgrades to the compact Fox and versatile Suran were among the solutions introduced in South America.

The Audi brand once again proved its technical and sporting credentials in 2014. The A3 range, which is based on the MQB, was expanded in the reporting period and now includes the S3 Saloon and the A3 and S3 Cabriolet, among others. Added to this were economical derivatives with alternative drive technology such as the Audi A3 Sportback e-tron with a plug-in hybrid drive and the natural gas-powered A3 g-tron. A real highlight was the new generation of the iconic Audi TT with its innovative drive technology and control and display concept. The A7 and A6 Saloon, Avant and allroad quattro – including the sporty derivative versions – were all upgraded.

ŠKODA scored points in 2014 with the new edition of the Fabia hatchback, which boasts a contemporary design and has once again set standards in its class with its spaciousness. The new generation Octavia family was extended to include a natural gas-powered and an all-wheel drive version, as well as the Octavia Scout.

Spanish brand SEAT extended its Leon family in 2014 with a five-door version of the dynamic Cupra and the new all-wheel drive Leon X-PERIENCE. In addition, environmentally-friendly natural-gas powered TGI variants of the Leon hatchback and ST estate were introduced in the reporting period.

In 2014, Porsche rolled out its fifth series with the Macan, a dynamic SUV one size down from the Cayenne. In addition to the entry-level version, the Macan is also available in S, Diesel S and Turbo models. The 911 series was expanded to include the Targa and a GTS version for both the Coupé and the Cabriolet. Other highlights for the reporting period included the GTS versions of the Cayman and the Boxster, as well as the revamped Cayenne and Panamera series. The Cayenne S E-Hybrid was delivered to dealers as the first premium SUV with an innovative plug-in hybrid drive.

Our luxury brands also premiered new models in 2014. Bentley launched five dynamic models: the Flying Spur V8, the Continental GT V8 S, the Continental GTC V8 S Convertible, the Mulsanne Speed and the Continental GT3-R. The Continental GT Speed, including the Convertible, was upgraded. Super sports car manufacturer Lamborghini introduced its successor to the Gallardo Coupé in 2014, the Huracán. The extreme performance super sports car features a carbon fiber and aluminum body as well as a new, efficient petrol injection system.

Scania expanded its range of Euro 6 engines in 2014 with several engine variants. A hybrid version of the Scania Citywide bus, which can run on diesel or biodiesel, was added to the Citywide series.

MAN presented an addition to the TGX series model portfolio in the reporting period with the TGX D38, a high-performance truck with a newly developed six-cylinder engine. MAN Diesel & Turbo unveiled the MAN 175D, the first cylinder version of its new high-speed engine family.

Ducati launched its seventh series in 2014 with the Scrambler model. This retro bike is currently available in the Icon version, with additional versions to follow in 2015. New models in the established Panigale, Diavel, Multistrada and Monster series also reached dealers.

VOLKSWAGEN GROUP DELIVERIES

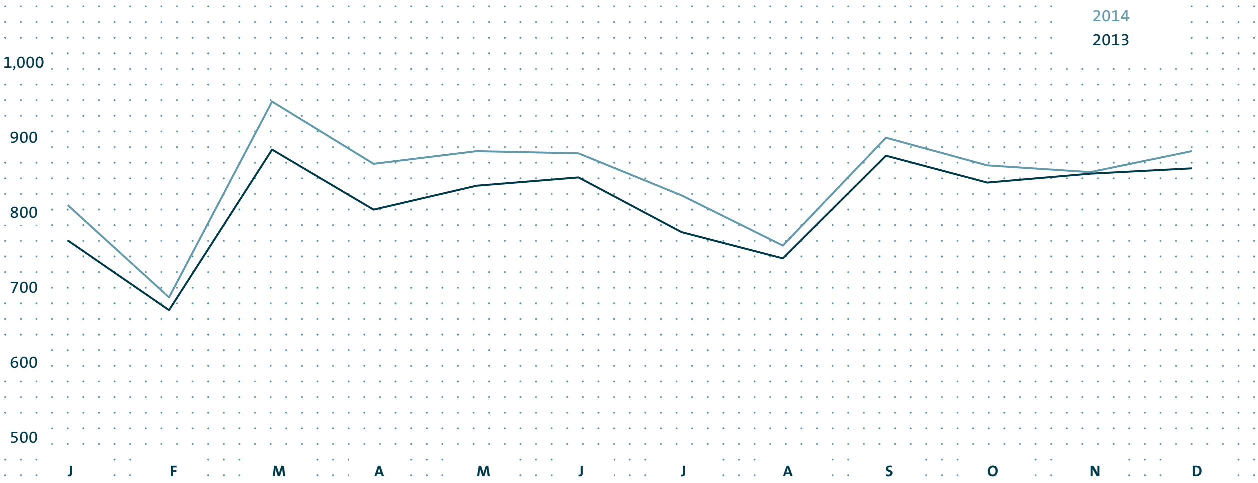
In fiscal year 2014, the Volkswagen Group increased its deliveries to customers worldwide by 4.2% to 10,137,387 vehicles, exceeding the 10 million mark for the first time in the Company's history. We have thus met the target originally set for 2018 four years early. As the chart on the next page shows, the delivery figures were higher in all twelve months of the reporting period than in the same months of 2013. Details of deliveries of passenger cars and commercial vehicles are provided separately in the following.

VOLKSWAGEN GROUP DELIVERIES*

	2014	2013	%
Passenger cars	9,490,921	9,047,417	+ 4.9
Commercial vehicles	646,466	683,170	–5.4
Total	**10,137,387**	**9,730,587**	**+ 4.2**

* Deliveries for 2013 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint venture companies. The Saveiro model is reported as a passenger car retrospectively as of January 1, 2013.

VOLKSWAGEN GROUP DELIVERIES BY MONTH
Vehicles in thousands



PASSENGER CAR DELIVERIES WORLDWIDE

With its brands, the Volkswagen Group has a presence in all relevant automotive markets around the world. Western Europe, China, Brazil, the USA, Russia and Mexico are currently the key sales markets for the Group. The Group maintained its strong competitive position in the reporting period thanks to its wide range of attractive and environmentally friendly models. We recorded an encouraging increase in demand in many of our key markets.

In the reporting period, the Volkswagen Group delivered 9,490,921 passenger cars to customers, exceeding the record prior-year level by 4.9%. The market as a whole only grew by 4.5% in the same period, meaning that the Group's share of the global market increased to 12.9% (12.8%). The Volkswagen Passenger Cars (+1.6%), Audi (+10.5%), ŠKODA (+12.7%), Bentley (+8.9%), Lamborghini (+19.3%) and Porsche (+17.1%) brands recorded their best ever delivery figures in the year under review. For the first time in a calendar year, Volkswagen Passenger Cars sold more than 6 million vehicles and ŠKODA's sales exceeded 1 million units. Demand for Volkswagen Group passenger cars grew fastest in the Asia-Pacific region, with China recording the highest absolute increase.

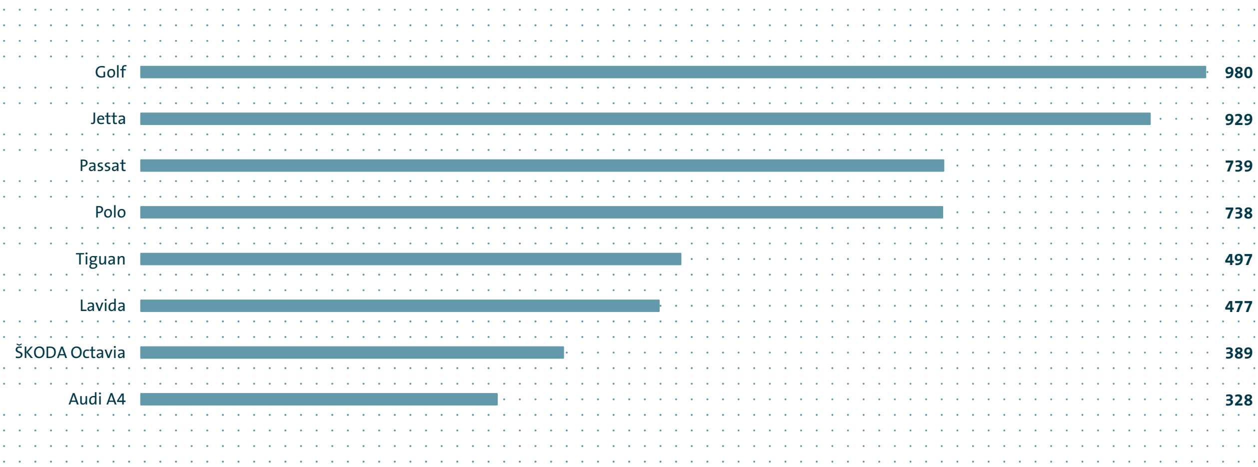
The table on page 85 gives an overview of deliveries to customers of the Volkswagen Group in the key individual markets and regions. We describe the demand trends for Group models in these markets and regions in the following sections.

Deliveries in Europe/Other markets

In Western Europe, the passenger car market as a whole stabilized in the reporting period, growing 4.9% year-on-year. The Volkswagen Group outperformed the market as a whole, increasing its deliveries to customers by 6.5% to 2,912,905 units. Demand for Group models was up year-on-year in all major markets in this region. The Golf, Audi A3, ŠKODA Octavia and SEAT Ibiza were among the models to see increases. Demand for the SEAT Leon ST was particularly strong. The Porsche Macan was successfully launched in the market. The Group increased its share of the passenger car market in Western Europe to 25.1% (24.9%).

The number of Volkswagen Group passenger cars delivered in Central and Eastern Europe in the reporting period was up 1.3% on the prior-year figure. This means that we also outperformed the market as a whole in this region (–6.7%). While demand for the Group's vehicles in Poland and the Czech Republic, among other

WORLDWIDE DELIVERIES OF THE GROUP'S MOST SUCCESSFUL MODELS IN 2014
Vehicles in thousands



countries, was significantly higher year-on-year, sales in Russia and Ukraine declined as a result of the political crisis. The Golf Estate, Audi A3, ŠKODA Rapid and SEAT Ibiza models recorded the strongest growth. The Group's share of the passenger car market in Central and Eastern Europe rose to 17.0% (15.6%).

The reporting period saw 3.6% fewer vehicles delivered to customers in the declining South African passenger car market than in 2013. However, the Polo and Audi A3 models recorded increased demand.

Demand for Group vehicles in the Middle East region grew by 1.3% compared with the previous year. The Polo, Jetta and Golf models were particularly popular.

Deliveries in Germany

The German passenger car market registered modest growth of 2.9% in the reporting period. In the same period, the Volkswagen Group increased sales to customers in its home market by 4.6% year-on-year. The Golf, Tiguan, Audi A6, ŠKODA Rapid and SEAT Alhambra models recorded encouraging growth rates. In addition, the SEAT Leon ST proved extremely popular. Seven Volkswagen Group models led the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments at the end of 2014: the up!, Polo, Golf, Passat, Audi A6, Tiguan and Touran. The Golf continues to be the most popular passenger car in Germany in terms of registrations.

Deliveries in North America

In North America, the number of Volkswagen Group vehicles delivered in 2014 was on a level with the previous year. The Group's share of the passenger car market amounted to 4.6% (4.8%).

The market as a whole in the USA grew by 5.9%. Demand was particularly strong for models in the SUV segment. The Volkswagen Group sold 2.0% fewer vehicles in the USA than in the previous year. Demand for the Golf, Audi Q7, Audi Q5 and Porsche 911 Coupé models recorded positive growth.

The Group's sales in Mexico were up 2.0% year-on-year. Demand for the Gol, Audi A3 and SEAT Toledo models and for the newly launched Vento was very encouraging.

We delivered 9.6% more vehicles to customers in Canada than in 2013. The Jetta was the most sought-after Group model. The Audi Q5 and Porsche Macan models were also popular.

Deliveries in South America

Conditions in the highly competitive South American markets increasingly deteriorated in the reporting period. The Volkswagen Group delivered 17.0% fewer vehicles to customers in the generally sharply declining markets in this region than in the previous year. The Group's share of the passenger car market in the region declined to 17.8% (18.9%).

In the contracting Brazilian market, demand for Volkswagen Group vehicles declined by 12.1%. However, the Saveiro, Golf, Audi A3 and Audi Q3 models saw increases. The up! was successfully launched in the market.

In Argentina, our deliveries to customers in 2014 were down 39.2% on the prior-year level; the market as a whole fell by 30.0%. However, the Gol was still the most popular car in terms of registrations.

Deliveries in the Asia-Pacific region

The Volkswagen Group increased its passenger car sales in the Asia-Pacific region by 11.2% in 2014. We thus outperformed the market as a whole, which grew by 7.6% in the same period. The Volkswagen Group's share of the passenger car market in this region increased to 13.3% (12.9%).

The Chinese market continued to drive growth in the Asia-Pacific region in 2014, increasing by 12.1%. We delivered 12.3% more vehicles year-on-year to customers in China in the reporting period. The Golf, Santana, Gran Lavida, Audi Q3, ŠKODA Rapid and Porsche Panamera models recorded the strongest growth.

In Japan, we handed over 3.7% more vehicles to customers in the year under review than in 2013 and outperformed the passenger car market as a whole, which rose by 2.9%. The Golf and Audi A3 models in particular saw increases.

Sales in India were down 23.7% year-on-year in a slightly rising market. The most sought-after Group model was the Polo; the Audi Q3 and ŠKODA Rapid models were also popular.

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET*

	DELIVERIES (UNITS)		CHANGE
	2014	2013	(%)
Europe/Other markets	**3,893,726**	**3,715,349**	**+ 4.8**
Western Europe	**2,912,905**	**2,734,534**	**+ 6.5**
of which: Germany	1,092,675	1,044,477	+ 4.6
United Kingdom	510,481	454,400	+ 12.3
France	249,311	245,926	+ 1.4
Italy	190,671	176,231	+ 8.2
Spain	203,870	173,893	+ 17.2
Central and Eastern Europe	**606,801**	**599,231**	**+ 1.3**
of which: Russia	253,176	287,258	−11.9
Czech Republic	100,967	83,215	+ 21.3
Poland	95,790	75,920	+ 26.2
Other markets	**374,020**	**381,584**	**−2.0**
of which: Turkey	128,592	126,853	+ 1.4
South Africa	100,058	103,805	−3.6
North America	**884,454**	**884,440**	**+ 0.0**
of which: USA	599,734	611,747	−2.0
Mexico	189,328	185,640	+ 2.0
Canada	95,392	87,053	+ 9.6
South America	**690,101**	**831,465**	**−17.0**
of which: Brazil	554,828	631,383	−12.1
Argentina	95,086	156,443	−39.2
Asia-Pacific	**4,022,640**	**3,616,163**	**+ 11.2**
of which: China	3,668,433	3,266,235	+ 12.3
Japan	104,218	100,535	+ 3.7
India	70,656	92,561	−23.7
Worldwide	**9,490,921**	**9,047,417**	**+ 4.9**
Volkswagen Passenger Cars	6,118,617	6,021,750	+ 1.6
Audi	1,741,129	1,575,480	+ 10.5
ŠKODA	1,037,226	920,750	+ 12.7
SEAT	390,505	355,004	+ 10.0
Bentley	11,020	10,120	+ 8.9
Lamborghini	2,530	2,121	+ 19.3
Porsche	189,849	162,145	+ 17.1
Bugatti	45	47	−4.3

* Deliveries for 2013 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint venture companies. The Saveiro model, which is sold mainly in South America, is reported in the Volkswagen Passenger Cars brand retrospectively as of January 1, 2013.

COMMERCIAL VEHICLE DELIVERIES

The Volkswagen Group delivered a total of 646,466 commercial vehicles to customers worldwide in the reporting period, 5.4% fewer than in the previous year. Trucks accounted for 179,592 units (–9.3%), and buses accounted for 20,278 (–11.0%). Sales by the Volkswagen Commercial Vehicles brand were down 3.4% on the prior-year figure, with 446,596 vehicles delivered. The MAN brand handed over 120,088 vehicles to customers in 2014, 14.4% fewer than in the previous year. The Scania brand's deliveries were almost unchanged year-on-year at 79,782 (–0.8%).

In Western Europe, the Group's commercial vehicle sales were up 3.5% in 2014 compared with the previous year, at a total of 361,372 units; of this figure, 292,042 were light commercial vehicles, 65,539 were trucks and 3,791 were buses. This increase was largely attributable to the improved economic environment, which was particularly beneficial to the market for light commercial vehicles. The Caddy and T5 models were the most sought-after models here.

In the period from January to December 2014, we handed over a total of 64,052 vehicles to customers (–7.2%) in Central and Eastern Europe, consisting of 37,698 light commercial vehicles, 25,743 trucks and 611 buses. In Russia, the region's largest market, the low oil price and persistently weak ruble due to the tense political situation led to a 21.5% decline in deliveries to customers. The T5 experienced the highest demand.

In the Other markets, Group sales increased by 8.0% to a total of 72,901 units: 47,166 light commercial vehicles, 23,198 trucks and 2,537 buses.

In North America, the Volkswagen Group increased its deliveries by 2,210 units to 8,331 commercial vehicles; of this figure, 6,031 were light commercial vehicles, 380 were trucks and 1,920 were buses.

Deliveries in the South American markets in the reporting period amounted to 104,728 units, consisting of 40,948 light commercial vehicles and 54,542 trucks. This represents a year-on-year decline of 34.9%. The main driver of this decrease was the Brazilian market, where the negative economic trend and difficult financing conditions led to a 39.4% decline in deliveries. 74,977 units, of which 48,799 were trucks and 7,557 were buses, were handed over to customers. The Amarok was particularly popular in Brazil.

In the Asia-Pacific region, the Volkswagen Group's commercial vehicle brands delivered 35,082 units in the reporting period – 22,711 light commercial vehicles, 10,190 trucks and 2,181 buses: a total of 15.2% more than in the previous year. The T5 and the Amarok were the most sought–after Group models. In the Chinese market, Group sales amounted to 4,453 light commercial vehicles, 2,253 trucks and 181 buses.

COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET*

	DELIVERIES (UNITS)		CHANGE
	2014	2013	(%)
Europe/Other markets	**498,325**	**485,772**	**+ 2.6**
Western Europe	361,372	349,208	+ 3.5
Central and Eastern Europe	64,052	69,039	−7.2
Other markets	72,901	67,525	+ 8.0
North America	**8,331**	**6,121**	**+ 36.1**
South America	**104,728**	**160,834**	**−34.9**
of which: Brazil	74,977	123,816	−39.4
Asia-Pacific	**35,082**	**30,443**	**+ 15.2**
of which: China	6,887	4,868	+ 41.5
Worldwide	**646,466**	**683,170**	**−5.4**
Volkswagen Commercial Vehicles	446,596	462,373	−3.4
Scania	79,782	80,464	−0.8
MAN	120,088	140,333	−14.4

* Deliveries for 2013 have been updated to reflect subsequent statistical trends. The Saveiro model, which is sold mainly in South America, is reported in the Volkswagen Passenger Cars brand retrospectively as of January 1, 2013.

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 slightly more than two-thirds of the overall revenue volume. For example, three propulsion engine sets were delivered to a Chinese customer under a major order for six LNG tankers in the reporting period.

ORDERS RECEIVED IN THE PASSENGER CARS SEGMENT IN WESTERN EUROPE

In fiscal year 2014, demand for passenger cars in Western Europe was up year-on-year thanks to the positive development of the region's markets. This trend is also reflected in the orders received, which increased by 6.8% compared with the previous year.

ORDERS RECEIVED FOR COMMERCIAL VEHICLES

Demand for the Volkswagen Group's light commercial vehicles in the Western European markets rose slightly year-on-year. At 301,781 vehicles, orders were up 7.1% compared with the previous year.

Incoming orders for our trucks and buses decreased overall in the reporting period. In Western Europe, our main sales market, orders declined due to the introduction of the new Euro 6 emission standard at the start of 2014. The weak economic situation in South America, particularly Brazil and Argentina, also had a negative impact on orders. Overall, we received orders for 204,732 (218,678) trucks and buses in fiscal year 2014.

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 2014 amounted to €3.9 billion. Engines & Marine Systems and Turbomachinery generated the most new orders, together accounting for almost three-quarters of the order volume. Orders were received for liquid gas tanker and cruise ship engines, as well as for compressor technology for a major project in Oman, among other things.

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 14.3% year-on-year to 5.3 million. The total number of contracts was 13.4 million as at the end of 2014, surpassing the figure at the prior-year reporting date by 13.7%. The number of contracts in the Customer Financing/Leasing area was up 11.5% to 8.3 million, while the number of contracts in the Service/Insurance area increased by 17.5% to 5.0 million. The ratio of leased or financed vehicles to Group deliveries (penetration rate) increased to 30.7% (29.1%) in the Financial Services Division's markets.

In Europe, 3.7 million new contracts were signed in the reporting period, 16.7% more than in the previous year. The number of contracts was up 10.7% to 9.4 million as of December 31, 2014. This included 5.1 million contracts in the Customer Financing/Leasing area, an increase of 7.6% on the figure for 2013. The penetration rate in the region amounted to 43.6% (44.5%).

In North America, the Financial Services Division added 805 thousand new contracts in 2014, up 8.6% year-on-year. The total number of contracts grew by 13.9% to 2.1 million. Of this figure, 1.6 million were attributable to the Customer Financing/Leasing area (+10.0%). The penetration rate increased to 56.8% (54.4%) in this region.

In South America, 178 thousand new contracts were signed in 2014 (–53.3%). The number of contracts was up 0.4% year-on-year to 827 thousand contracts as of year-end 2014. The majority of these were attributable to the Customer Financing/Leasing area. At the same time, the share of leased or financed vehicles increased from 32.3% to 33.1% of deliveries.

In the Asia-Pacific region, 595 thousand new contracts were signed in the reporting period, an 83.0% increase on the prior-year figure. The total number of contracts amounted to 1.1 million (+69.6%), of which 862 thousand were attributable to the Customer Financing/Leasing area (+64.4%). The penetration rate rose from 8.4% to 13.1% in this region.

SALES TO THE DEALER ORGANIZATION

In 2014, the Volkswagen Group's worldwide unit sales to the dealer organization – including the Chinese joint ventures – amounted to 10,217,003 vehicles, exceeding the prior-year figure by 5.0%. Growing demand for Group models in particular in China and in other European countries outside Germany saw sales there rise by 5.0% compared with the previous year. In Germany, the number of vehicles sold increased by 5.1%. At 12.2%, the proportion of the Group's sales accounted for by Germany was on a level with the previous year (12.2%).

The Golf, Jetta and Passat were our biggest sellers last year. Sales of the Golf, Golf Estate, up!, Audi A3 family, Audi Q3, Audi Q5, ŠKODA Rapid and SEAT Leon family increased most significantly. The new Porsche Macan was also very well received by the market. The Lavida, Santana and Sagitar models developed for the Chinese market were likewise very popular with customers.

PRODUCTION

The Volkswagen Group produced 10,212,562 vehicles worldwide in fiscal year 2014, representing an increase of 5.0%. Our Chinese joint ventures produced 12.6% more units than in the previous year, mainly due to the continued positive demand in China. The percentage of the Group's total production accounted for by Germany was on a level with the previous year, at 25.1% (25.3%). In the past year, our plants worldwide produced an average of 40,626 vehicles per working day (+3.2%). The Volkswagen Group production figures do not include the Crafter models built in the Daimler plants.

INVENTORIES

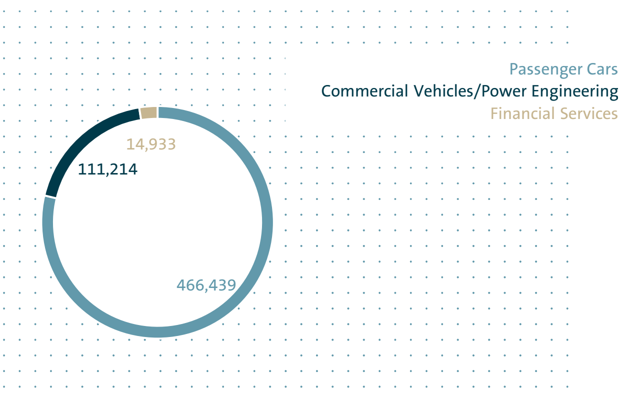
Global vehicle inventories at Group companies and in the dealer organization were higher on December 31, 2014 than at year-end 2013 due to an increase in inventories in China in response to demand.

EMPLOYEES

Including the Chinese joint ventures, the Volkswagen Group employed an average of 583,423 people in fiscal year 2014, an increase of 3.6% year-on-year. Our companies in Germany employed 265,274 people on average in 2014; their share of the headcount was on a level with the previous year, at 45.5% (45.4%). The Volkswagen Group had 566,998 active employees (+3.9%) as of the 2014 reporting date. In addition, 7,129 employees were in the passive phase of their partial retirement and 18,459 young persons were in vocational traineeships (+4.3%). The Volkswagen Group's headcount was 592,586 employees (+3.5%) at the end of the reporting period. Significant factors in this increase were the volume-related expansion in growth markets, in particular in China, and the recruitment of specialists and experts in Germany, among other places. A total of 271,043 people were employed in Germany (+4.1%), while 321,543 were employed abroad (+2.9%).

EMPLOYEES BY DIVISION/BUSINESS AREA

as of December 31, 2014



SUMMARY OF BUSINESS DEVELOPMENT

The Board of Management of Volkswagen AG considers business development in the reporting period to have been positive. As expected, we increased our deliveries to customers and maintained our market position in 2014, despite the persistently challenging environment. We delivered more than ten million vehicles to customers for the first time in the reporting period, with sales in the diverse automotive markets up by a total of 4.2%. Demand for our vehicles grew particularly in the Asia-Pacific region and in Western Europe compared with 2013. Sales revenue, operating return on sales and hence operating profit were all up year-on-year and within the forecast range.

Due to higher investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex), the ratio of capex to sales revenue in the Automotive Division was slightly higher than in fiscal year 2013 and was within the expected range. Net cash flow increased compared with the comparable prior-year figure, largely due to earnings-related factors. The return on investment (ROI) was up year-on-year, and we clearly exceeded the minimum required rate of return on invested capital.

Our attractive and environmentally friendly model portfolio impresses customers around the globe. The trust placed in us by customers, as well as our high quality and efficiency standards, allow us to meet and even exceed our financial targets.

The following table shows an overview of the targets set for the reporting period and the figures actually achieved. Detailed information on the financial key performance indicators can be found in the “Results of Operations, Financial Position and Net Assets” chapter starting on page 99.

FORECAST VERSUS ACTUAL FIGURES

	Actual 2013	Forecast for 2014	Actual 2014
Deliveries to customers	9.7 million	moderate growth	10.1 million
Volkswagen Group			
Sales revenue	€197.0 billion	+/– 3%	€202.5 billion
Operating return on sales	5.9%	5.5 – 6.5%	6.3%
Operating profit	€11.7 billion	within the forecast range	€12.7 billion
Passenger Cars Business Area			
Sales revenue	€140.1 billion	+/– 3%	€143.6 billion
Operating return on sales	6.4%	5.5 – 6.5%	6.8%
Operating profit	€9.0 billion	within the forecast range	€9.8 billion
Commercial Vehicles/Power Engineering Business Area			
Sales revenue	€34.9 billion	+/– 3%	€33.9 billion
Operating profit	€0.8 billion	moderate growth	€0.9 billion
Financial Services Division			
Sales revenue	€22.0 billion	+/– 3%	€24.9 billion
Operating return on sales	8.5%	8.0 – 9.0%	7.7%
Operating profit	€1.9 billion	within the forecast range	€1.9 billion
Capex/sales revenue in the Automotive Division	6.3%	6 – 7%	6.5%
Net cash flow in the Automotive Division	€4.4 billion	moderate decline	€6.1 billion
Return on Investment (ROI) in the Automotive Division	14.5%	9.0 – 14.5%	14.9%

Shares and Bonds

Volkswagen AG's ordinary and preferred shares underperformed the market as a whole in fiscal 2014 in a volatile market environment. Volkswagen further strengthened its liquidity and capital base through the issuance of hybrid notes and through a capital increase in connection with the acquisition of all outstanding Scania shares.

EQUITY MARKETS

Prices on the international equity markets experienced volatility in fiscal 2014. The DAX rose slightly overall. Recurring uncertainties about economic growth in key industrialized nations in particular, as well as central banks' monetary policies and geopolitical tensions led to large price fluctuations in the markets.

The DAX moved sideways amid slight price swings during the first quarter. Share prices rose briefly, buoyed in particular by the World Bank's increased growth forecast for the economy as a whole, positive economic data and corporate news from the eurozone. Nevertheless, investors were rattled by expectations that the US Federal Reserve would pursue a more restrictive monetary policy, concerns about a weak phase in the Chinese economy, fears that emerging economies' exchange rates would fall further and doubts about the global economic recovery. Rising tensions between Russia and Ukraine also depressed prices.

The share price volatility continued into the beginning of the second quarter. Better-than-expected economic data from China and hopes that the Fed would continue its expansionary monetary policy temporarily stabilized prices in an environment marked by anxiety over the effects of the crisis in Ukraine, weak quarterly figures from the USA and concerns about continued volatile exchange rates in developing countries. However, the European Central Bank's decision to continue its loose monetary policy, healthy corporate results in the eurozone and positive economic data from the USA led to price increases later on in the quarter; the DAX passed the 10,000 point mark in mid-June 2014.

The price gains at the end of the second quarter were followed by a turnaround. While positive labor market and corporate data from the USA and hopes that the European Central Bank and the Federal Reserve would continue their expansionary monetary policy initially led to an uptrend, prices came under pressure once again as a result of escalating political tensions in the Middle East and the conflict between Russia and Ukraine. Investors were also unsettled by concerns about payment problems at Portuguese banks and negative economic indicators from Europe.

The downward trend continued into the final quarter. Capital market participants were unnerved by weak economic data from Germany, among other countries, as well as concerns about ongoing economic developments in key industrialized nations and emerging markets. This led to a clear drop in the DAX, which recorded its low for the year of 8,572 points on October 15, 2014. The equity markets then rallied significantly as the fourth quarter progressed on the back of unexpectedly strong economic data from the USA and Germany and a slump in oil prices. The DAX reached 10,087 points on December 5, 2014, its highest closing price for the year, before softening slightly in the last few weeks of trading for 2014.

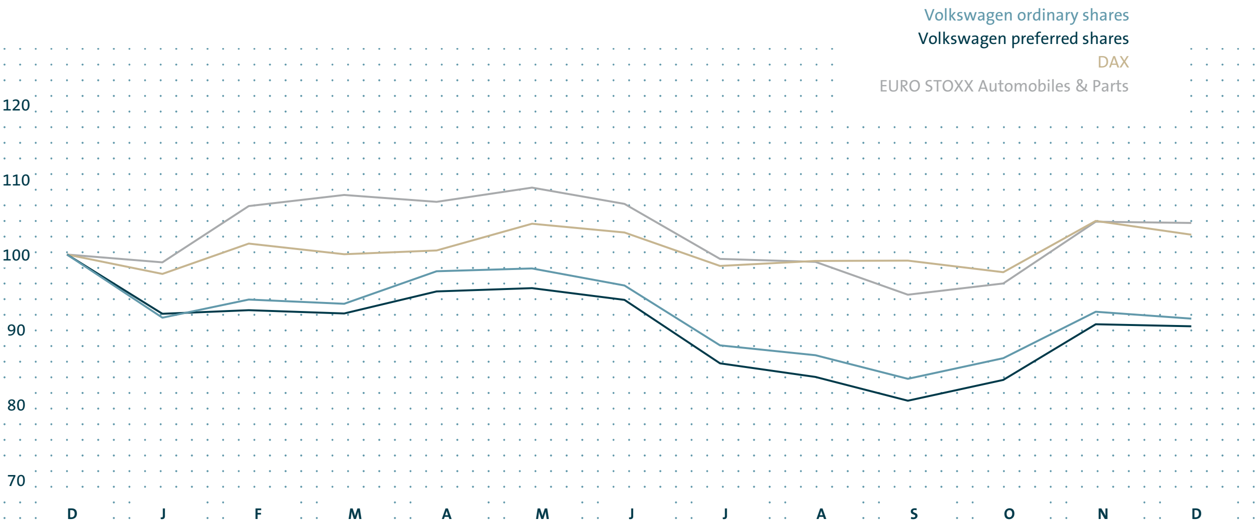
At the end of 2014, the DAX had reached 9,806 points, a slight increase on the previous year's figure (+2.7%). The EURO STOXX Automobiles & Parts closed the year at 479 points, 4.2% higher than on the last day of trading in 2013.

MOVEMENTS IN THE PRICE OF VOLKSWAGEN'S SHARES

On the whole, Volkswagen AG's ordinary and preferred shares trended downward in 2014 amid high volatility, underperforming the overall market and the automotive sector.

After Volkswagen AG's ordinary shares had closed 2013 hitting their high for the year and the Company's preferred shares had reached a new all-time high, they started 2014 with a volatile sideways movement before declining in line with the overall market. At the beginning of February, the positive sales figures of individual

SHARE PRICE DEVELOPMENT FROM DECEMBER 2013 TO DECEMBER 2014
Index based on month-end prices: December 31, 2013 = 100



Group brands led to price rises. However, Volkswagen share prices retreated again until mid-March in a declining market environment. Capital market participants were unsettled by the outlook for fiscal year 2014, which only partly met the high expectations of many investors and was announced when the annual financial statements were published, as well as the announcement of the planned acquisition of all shares of Scania and a possible associated capital increase.

Due in particular to the positive response to the Group's sales figures for the first quarter of 2014, increases were seen in Volkswagen's shares at the beginning of April. However, the securities waned again until mid-May and remained below the trend of the market as a whole. Among other reasons, this was due to the completion of the voluntary tender offer for the acquisition of all outstanding Scania shares. As May progressed, Volkswagen's shares benefited from the upward movement of the DAX, and their price also increased. Volkswagen AG implemented a capital increase at the beginning of June, issuing new preferred shares from authorized capital against cash contributions. Both classes of shares then moved sideways before again declining in lockstep with the market at the middle of the year.

As time progressed, reports of slower economic growth in China and concerns that the economic recovery in Europe was coming to an end unnerved investors in the automotive industry, causing Volkswagen's share prices to fall. At the end of the third quarter, the two classes of shares were trading weaker than the overall market, which was also declining.

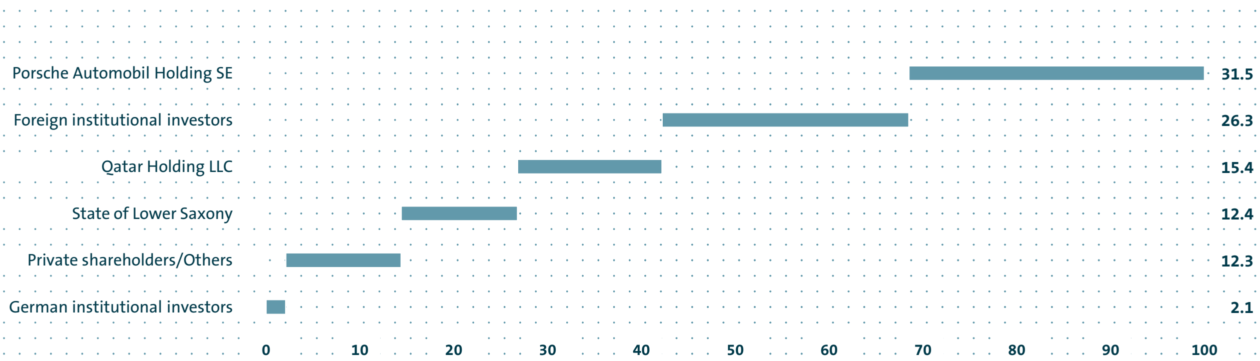
The positive trading environment in mid-October signaled a turnaround, with ordinary and preferred shares recording significant price gains in line with the overall market. The upward trend was boosted by the publication of the positive results for the first three quarters of 2014 at the end of October. The ordinary and preferred shares tracked the overall market over the remainder of the fourth quarter.

Volkswagen AG's preferred shares reached their highest daily closing price for the year of €203.35 on January 17, 2014. They recorded their lowest closing price for the year of €150.25 on October 15, 2014. The Company's preferred shares closed the end of 2014 at €184.65, down 9.6% on the prior-year figure.

Volkswagen's ordinary shares also reached their highest closing price of €197.35 on January 17, 2014. The shares traded at their lowest daily closing price for the year of €150.70 on October 10, 2014. The ordinary shares were trading at €180.10 on the last day of trading in 2014, down 8.5% on the price at the end of 2013.

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

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2014
as a percentage of subscribed capital



SHAREHOLDER STRUCTURE AT DECEMBER 31, 2014

Volkswagen AG's subscribed capital amounted to €1,217,872,117.76 at the end of the reporting period. The shareholder structure of Volkswagen AG as of December 31, 2014 is shown in the chart on this page.

The distribution of voting rights was as follows at the reporting date: Porsche Automobil Holding SE, Stuttgart, held 50.73% 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 12.3% of the 295,089,818 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.

DIVIDEND POLICY

Our dividend policy matches our financial strategy. In the interests of all stakeholders, we are pursuing 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 2018.

The dividend for ordinary and preferred shares proposed by the Board of Management and the Supervisory Board of Volkswagen AG is €0.80 (around 20%) higher than the previous year. On this basis, the total dividend for fiscal year 2014 is €2.3 billion (€1.9 billion). The distribution ratio is based on the Group's profit after tax attributable to Volkswagen AG shareholders and is 21.2% (20.6%) for the reporting period. We are aiming 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 2.7% (2.0%), measured by the closing price on the last trading day in 2014. The dividend yield on preferred shares is 2.6% (2.0%).

The current dividend proposal can be found in the chapter entitled "Volkswagen AG (condensed, according to the German Commercial Code)", on page 115 of this annual report.

EARNINGS PER SHARE

Basic earnings per ordinary share were €21.84 in fiscal year 2014 (€18.61). Basic earnings per preferred share were €21.90 (€18.67). In accordance with IAS 33, the calculation is based on the weighted average number of ordinary and preferred shares outstanding in the fiscal year.

The calculation of earnings per share for fiscal year 2014 reflects the new preferred shares issued in connection with the capital increase from authorized capital against cash contributions in June 2014. The effect of the mandatory convertible note with a total volume of €3.7 billion that was issued in November 2012 and supplemented in June 2013 must also be included. In accordance with IAS 33.23, all potential shares that will be issued upon the conversion of a mandatory convertible note were accounted for as issued shares and included in the calculation of basic and diluted earnings per share. The number of potential preferred shares to be included is based on the most advantageous conversion rate resulting from the minimum conversion price of €147.61. 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.

SUCCESSFUL HYBRID NOTE PLACEMENT AND CAPITAL INCREASE

In March 2014, the Volkswagen Group successfully placed dual-tranche hybrid notes with an aggregate principal amount of €3.0 billion via Volkswagen International Finance N.V. Both tranches are perpetual and increased the Group's equity by the full amount, net of transaction costs.

On June 3, 2014, the Board of Management of Volkswagen AG resolved, with the consent of the Supervisory Board, to increase the Company's capital by issuing new preferred shares from authorized capital against cash contributions, while disapplying shareholders' preemptive rights. The implementation of the capital increase increased the share capital in accordance with the Articles of Association by a notional amount of approximately €26.8 million to approximately €1.2 billion. The placement price of the 10,471,204 new preferred shares was set at €191.00 per share, generating gross proceeds of €2.0 billion. The new shares carry full dividend rights retrospectively from January 1, 2014.

The hybrid notes and the capital increase served to partially refinance the voluntary tender offer made to Scania's shareholders.

ANNUAL GENERAL MEETING

The 54th Annual General Meeting and the 12th Special Meeting of Preferred Shareholders of Volkswagen AG were held at the Hanover Exhibition Grounds on May 13, 2014. With 92.45% 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 modification and revision of intercompany agreements. They also elected PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft as the auditors for fiscal year 2014 and as the auditors to review the condensed financial statements and interim management report for the first six months of 2014.

The scheduled terms of office of Dr. Hans Michel Piëch and Dr. Ferdinand Oliver Porsche on the Supervisory Board of Volkswagen AG expired at the end of the Annual General Meeting. The Annual General Meeting elected them both to the Supervisory Board for a further full term of office as a shareholder representative. In addition, Mr. Ahmad Al-Sayed, who was previously appointed to the Supervisory Board by the court, was elected to the Supervisory Board for a full term of office.

The Annual General Meeting also resolved to distribute a dividend of €4.00 per ordinary share and €4.06 per preferred share for fiscal year 2013.

INVESTOR RELATIONS ACTIVITIES

With offices in Wolfsburg, London and Beijing and the liaison office in Herndon (USA), Volkswagen Investor Relations covers the most important regions for the capital markets. Its international orientation allows the Investor Relations team to maintain close contact with investors and analysts and to hold efficient discussions and events locally, for which there is growing demand. This broad base also ensures that the team maintains a deep understanding of the markets in question and intensive contact with the Volkswagen Group's operating business, both of which are essential conditions for compelling investor relations activities with a long-term focus.

International analysts and investors remained keenly interested in the business development and products of the Volkswagen Group during fiscal year 2014. The Investor Relations team provided extensive information at roughly 900 one-on-one discussions, roadshows and conferences at all key financial centers worldwide about the strategic focus, current business performance and future prospects of the Volkswagen Group and its brands. Many of these discussions involved an exchange of ideas between capital market participants and members of the Board of Management and Group senior executives.

The Investor Relations team also briefed Volkswagen's private shareholders on the Company's performance at numerous events. The team was represented at the Annual General Meeting in Hanover, among other events, and was available to answer shareholders' questions in detail in many personal discussions. In 2014, once again, Investor Relations also provided support for Group Treasury's extensive global capital market activities.

In addition to direct dialog, capital market participants were supplied with the latest news and publications using the Internet. Interest in our website was again high, underlining the tremendous importance of digital media as an information channel and a means of maintaining contact with private and institutional investors alike. 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 for 2014 and on the announcement of the voluntary tender offer for the acquisition of all outstanding Scania shares in February were again broadcast live on the Internet in 2014.

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

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

VOLKSWAGEN SHARE KEY FIGURES

DIVIDEND DEVELOPMENT		2014	2013	2012	2011	2010
Number of no-par value shares at Dec. 31						
Ordinary shares	thousands	295,090	295,090	295,090	295,090	295,046
Preferred shares	thousands	180,641	170,148	170,143	170,143	170,143
Dividend[1]						
per ordinary share	€	4.80	4.00	3.50	3.00	2.20
per preferred share	€	4.86	4.06	3.56	3.06	2.26
Dividend paid[1]	€ million	2,294	1,871	1,639	1,406	1,034
on ordinary shares	€ million	1,416	1,180	1,033	885	649
on preferred shares	€ million	878	691	606	521	385

SHARE PRICE DEVELOPMENT[2]		2014	2013	2012	2011	2010
Ordinary shares						
Closing	€	180.10	196.90	162.75	103.65	105.90
Price performance	%	−8.5	+ 21.0	+ 57.0	−2.1	+ 37.5
Annual high	€	197.35	196.90	162.75	136.95	118.50
Annual low	€	150.70	132.60	106.20	84.50	62.30
Preferred shares						
Closing	€	184.65	204.15	172.15	115.75	121.40
Price performance	%	−9.6	+ 18.6	+ 48.7	−4.7	+ 84.7
Annual high	€	203.35	204.15	172.70	151.00	136.90
Annual low	€	150.25	138.50	118.00	88.54	55.83
Beta factor[3]	factor	1.38	1.32	1.26	1.09	0.99
Market capitalization at Dec. 31	€ billion	86.5	92.8	77.3	50.3	51.9
Equity attributable to Volkswagen AG shareholders and hybrid capital investors at Dec. 31	€ billion	90.0	87.7	77.7[4]	57.5	46.0
Ratio of market capitalization to equity	factor	0.96	1.06	1.00	0.87	1.13

KEY FIGURES PER SHARE		2014	2013	2012[4]	2011	2010
Earnings per ordinary share[5]						
basic	€	21.84	18.61	46.41	33.10	15.17
diluted	€	21.84	18.61	46.41	33.10	15.17
Operating profit[6]	€	25.59	23.99	24.59	24.23	15.87
Cash flows from operating activities[6]	€	21.74	25.89	15.42	18.27	25.46
Equity[7]	€	189.16	188.58	166.98	123.68	98.84
Price/earnings ratio[8]						
Ordinary shares	factor	8.2	10.6	3.5	3.1	7.0
Preferred shares	factor	8.4	10.9	3.7	3.5	8.0
Price/cash flow ratio[9]	factor	8.3	7.6	10.6	5.7	4.2
Dividend yield[10]						
Ordinary shares	%	2.7	2.0	2.2	2.9	2.1
Preferred shares	%	2.6	2.0	2.1	2.6	1.9

STOCK EXCHANGE TURNOVER[11]		2014	2013	2012	2011	2010
Turnover of Volkswagen ordinary shares	€ billion	3.2	3.5	3.5	5.1	6.0
	million shares	17.8	21.4	26.8	46.4	79.2
Turnover of Volkswagen preferred shares	€ billion	45.1	43.0	40.9	44.2	23.5
	million shares	248.3	252.8	293.3	369.1	305.4
Volkswagen share of total DAX turnover	%	5.4	5.7	5.3	4.6	2.9

1 Figures for the years 2010 to 2013 relate to dividends paid in the following year. For 2014, the figures relate to the proposed dividend.
2 Xetra prices.
3 See page 112 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 according to 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).

VOLKSWAGEN SHARE DATA

SECURITIES IDENTIFICATION CODES	PRIMARY MARKET INDICES: ORDINARY SHARES	PRIMARY MARKET INDICES: PREFERRED SHARES	EXCHANGES
ORDINARY SHARES ISIN: DE0007664005 WKN: 766400 Deutsche Börse/Bloomberg: VOW Reuters: VOWG.DE	CDAX, Prime All Share, Prime Automobile, MSCI Euro, S&P Global 100 Index	DAX, CDAX, EURO STOXX, EURO STOXX 50, EURO STOXX Automobiles & Parts, Prime All Share, Prime Automobile, Classic All Share, MSCI Euro, CDP Global 500 Climate Performance Leadership Index, CDP Global 500 Climate Disclosure Leadership Index, DJ Sustainability World Index, DJ Sustainability Europe Index, FTSE4Good	Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, Xetra, Luxembourg, New York*, SIX Swiss Exchange
PREFERRED SHARES ISIN: DE0007664039 WKN: 766403 Deutsche Börse/Bloomberg: VOW3 Reuters: VOWG_p.DE			

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

HIGHLIGHTS IN THE INVESTOR RELATIONS CALENDAR

The investor relations calendar began 2014 with one of the most important events: on February 21, Volkswagen Aktiengesellschaft resolved to make a voluntary tender offer to the shareholders of Scania AB for the acquisition of all outstanding shares. In a conference call, the Group CFO and the Board of Management member responsible for the Group's Commercial Vehicles Business Area explained the structure of and the strategy for the planned transaction, as well as its financing, to analysts and investors.

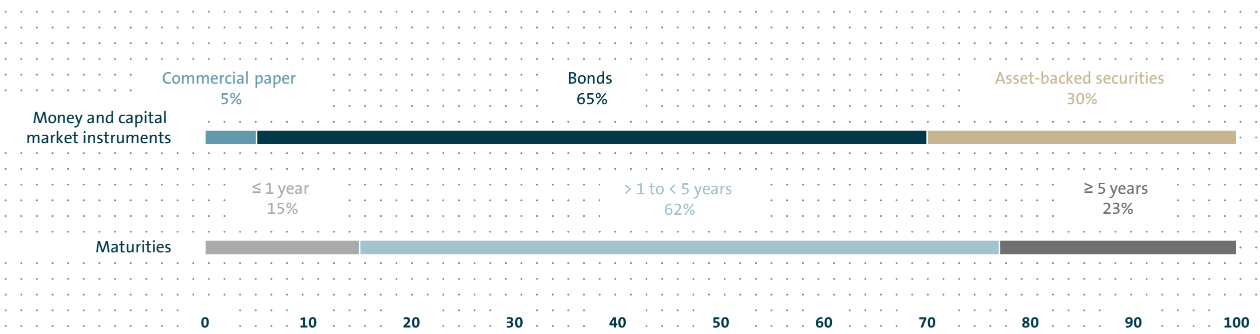
The Annual Media and Investor Conference was held on the site of the former Berlin-Tempelhof airport on March 13. The Group's Board of Management looked back on a successful fiscal year in 2013, answered questions from media representatives, analysts and investors, and gave its outlook for the development of the Company. This event was part of "electrified! – the e-mobility weeks by Volkswagen". At an interactive exhibition, conference participants were able to find out about electric mobility and test-drive electric vehicles manufactured by the Volkswagen Group. The day before, on March 12, members of the Board of Management of AUDI AG presented analysts and investors with information on the premium brand's performance and strategy at Audi City Berlin.

The Capital Markets Day held in Leipzig in mid-April 2014 focused on presenting the Porsche brand and showcasing the new Porsche Macan. The CEO of Porsche and other members of the brand board of management provided a comprehensive overview of the sports car manufacturer's development and strategy.

Another high point in the investor relations calendar followed mid-year: on July 11, 2014, we hosted a Capital Markets Day at the new Foshan production site in Southern China. Brand representatives and Group senior executives briefed the large numbers of attendees comprehensively on the current development, strategy and prospects of the brands and companies in China, the Group's largest sales market, and answered the attendees' questions in detail. The emphasis was on Audi's positioning in the Chinese premium segment, the brand and product strategy, as well as the results of operations of Volkswagen Group China and the growing importance of the financial services business.

At an event for investors and analysts held on Sardinia at the beginning of October 2014, the spotlight was on the new Passat. The CEO and CFO of Volkswagen AG gave presentations to capital market experts on the Group's strategy in light of the current challenges facing the automotive industry, the Group and, above all, the Volkswagen Passenger Cars brand. In particular, they explained the forward-looking "Future Tracks" efficiency program. The two Board of Management members and the chief development officer of the Volkswagen Passenger Cars brand were then available for more in-depth discussions and to answer questions. In addition, attendees had the opportunity to test-drive the new Passat and see

REFINANCING STRUCTURE OF THE VOLKSWAGEN GROUP
as of December 31, 2014



its merits for themselves. Product experts from Volkswagen also provided detailed insights into the design, drivetrains and digitization.

The Volkswagen Group was named "Company of the Year 2013" by the Schutzgemeinschaft der Kapitalanleger e.V. (SdK – German Association for the Protection of Investors) on May 13, 2014. The SdK cited sustained growth rates in the Group's operating business combined with a shareholder-friendly corporate policy and outstanding investor relations. The selection process involved the members of the SdK, readers of its publications and ING-DiBa securities account clients.

REFINANCING

Our refinancing activities in 2014 were influenced by the continued growth of the Volkswagen Group. We implemented a higher number of capital market transactions to refinance our operating business and strategic projects and issued bonds with a value of approximately €30 billion.

The Volkswagen Group continues to focus on the diversification of its issues and the expansion of its maturity profile so as to address a broad base of investors and access new groups of investors. The main currencies of the issues were euros, US dollars, sterling and Canadian dollars; the share of fixed-rate refinancing was roughly twice as high as the share of variable-rate instruments.

The largest principal amount of €3.0 billion was issued in the form of unsecured subordinated hybrid notes. The perpetual hybrid 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 €1.25 billion is after seven years, and the first call date for the second tranche of €1.75 billion is after twelve years. In connection with the voluntary tender offer for the acquisition of all outstanding Scania shares, the issue – like the capital increase through the issue of new preferred shares – served to strengthen the Group's net liquidity.

In addition, Volkswagen conducted a number of money and capital market transactions for the Financial Services Division. Three benchmark bonds with a value of €3.5 billion were issued in the European region and supplemented by a series of private placements.

Outside of the European refinancing market, the Volkswagen Group was particularly active in the North American capital markets and was able to exploit the favorable pricing situation to its advantage. A total volume of USD 5.5 billion was placed through two issues. On the Canadian capital market, the Volkswagen Group issued securities with a volume of around CAD 575 million in an attractive market environment.

In 2014, the Group was active in the Russian and South Korean capital markets for the first time. Following the debut bond issue, two further issues were successfully placed in Russia.

In the asset-backed securities segment, the Volkswagen Group issued securities with a total value of approximately €13 billion primarily in Europe and North America. Securities were also issued on the Chinese ABS market for the first time.

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

RATINGS

	VOLKSWAGEN AG			VOLKSWAGEN FINANCIAL SERVICES AG			VOLKSWAGEN BANK GMBH		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Standard & Poor's									
Short-term	A – 1	A – 2	A – 2	A – 1	A – 2	A – 2	A – 1	A – 2	A – 2
Long-term	A	A –	A –	A	A –	A –	A	A –	A –
Outlook	stable	positive	positive	stable	positive	positive	stable	positive	positive
Moody's Investors Service									
Short-term	P – 2	P – 2	P – 2	P – 2	P – 2	P – 2	P – 2	P – 2	P – 2
Long-term	A3	A3	A3	A3	A3	A3	A3	A3	A3
Outlook	positive	positive	positive	positive	positive	positive	positive	positive	positive

The table below shows how our money and capital market programs were utilized as of December 31, 2014 and illustrates the financial flexibility of the Volkswagen Group:

PROGRAM	Authorized volume € billion	Amount utilized on Dec. 31, 2014 € billion
Commercial paper	26.7	4.6
Bonds	117.4	61.8
of which hybrid issues		5.0
Asset-backed securities	55.4	28.0

The syndicated credit line of €5.0 billion agreed in July 2011 was extended in April 2014 by a further five years with two options for extension in 2015 and 2016, by a year in each case. 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 arranged bilateral credit lines with national and international banks in various other countries for a total of €12.5 billion, of which €2.2 billion has not been drawn down.

These extensive financing measures ensure the solvency of the Volkswagen Group at all times.

RATINGS

In 2014, rating agencies Standard & Poor's and Moody's Investors Service undertook their regular update of their credit ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH. Standard & Poor's raised its short-term and long-term ratings for all three companies by one notch each to A–1 and A. The upgrade reflects the ongoing improvement forecast in debt metrics, buoyed by higher profitability and rising cash flows in the Automotive Division. The outlook for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH is "stable".

Moody's Investors Service confirmed its short-term and long-term ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH at P–2 and A3 respectively and also left the outlook for all three companies unchanged at "positive".

In 2014, oekom research AG, which issues ratings for companies in the sustainable investment segment, again rated Volkswagen at B– on a twelve-point scale ranging from A+ to D–. Volkswagen thus enjoys "prime status" as one of the leading com-

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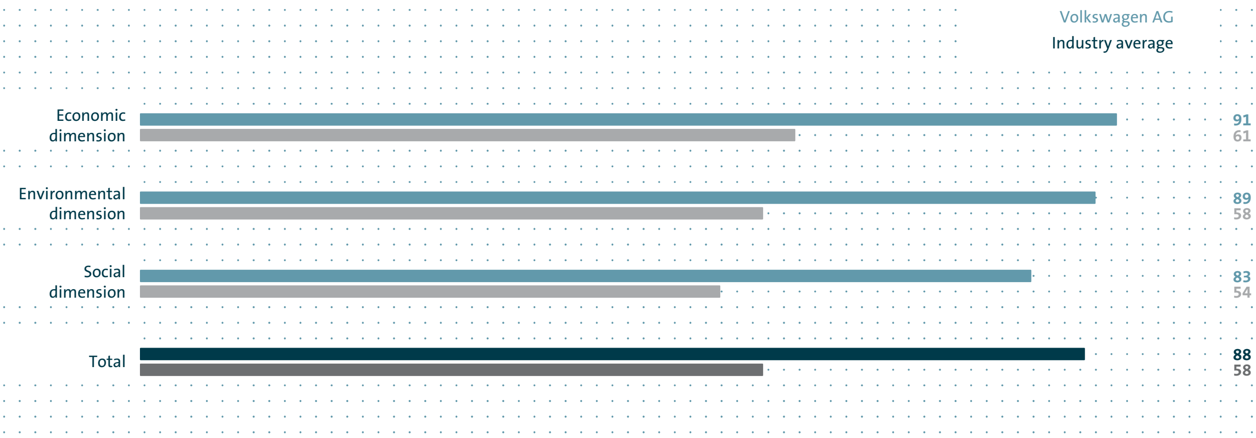
RESULTS OF THE RobecoSAM 2014 ASSESSMENT
in percent



panies in the automotive industry. In the mechanical engineering sector, the MAN brand was awarded a B– rating and prime status for its superior performance in the area of corporate social responsibility. oekom research rates a company's social and environmental performance in connection with the corporate ratings performed on the basis of over 100 criteria selected for specific industries.

VOLKSWAGEN IN SUSTAINABILITY RANKINGS AND INDICES

As analysts and investors view corporate social responsibility (CSR) and sustainability performance as leading indicators of forward-looking corporate leadership, they also increasingly base their recommendations and decisions on companies' CSR and sustainability profile. 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 and also raises its attractiveness as an employer and the motivation of its existing employees.

In 2014, Volkswagen again ranked very highly in the most important international rankings and corresponding indices, obtaining a leading position in its sector. In RobecoSAM AG's sustainability ranking, the Group was listed in the Dow Jones Sustainability Index (DJSI) World and the DJSI Europe again in 2014. RobecoSAM AG examines performance in the field of economic, environmental and social sustainability. Volkswagen was named the best in its industry in the categories of brand management, innovation management, climate strategy and compliance, among others. In the machinery and electrical equipment sector, MAN was once more the only German company to be represented in the DJSI World and DJSI Europe. MAN improved its performance with regard to social factors in 2014, scoring particularly highly in the areas of environmental management, risk management and compliance.

The Carbon Disclosure Project (CDP) awarded 99 out of a possible 100 points for disclosure and an A-rating for performance in acknowledgement of the Volkswagen Group's environmental activities. On the basis of these outstanding results, we were again included in both the CDP Global 500 Climate Performance Leadership Index and the CDP Global 500 Climate Disclosure Leadership Index. MAN also received top marks from the CDP in the industrials sector for its commitment in implementing its climate strategy. Earning 97 out of 100 points and an A-rating, MAN was likewise included in both leadership indices.

In addition to the indices shown in the table on page 95, Volkswagen was represented in the following sustainability indices as of December 31, 2014: CDP Supplier Climate Performance Leadership Index, ECPI Ethical Index Europe, ECPI Ethical Index EMU, ECPI Ethical Index Global, Ethibel Sustainability Index Excellence Global, Ethibel Sustainability Index Excellence Europe, Euronext-Vigeo Eurozone 120 Index, Global Compact 100 and STOXX Global ESG Environmental Leaders Index, STOXX Global ESG Social Leaders Index, STOXX Global ESG Governance Leaders Index.

FURTHER INFORMATION ON SUSTAINABILITY
www.volkswagenag.com/sustainability

Results of Operations, Financial Position and Net Assets

The Volkswagen Group continued its successful course in fiscal year 2014, again generating record sales revenue and operating profit in an ongoing difficult market environment. We successfully completed a voluntary tender offer made to Scania's shareholders.

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 reporting and management.

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

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, is in line with 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 2014 BY SEGMENT

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue	164,065	30,205	3,732	24,920	222,922	–20,464	202,458
Segment profit or loss (operating profit or loss)	11,578	901	44	1,917	14,439	–1,742	12,697
as a percentage of sales revenue	7.1	3.0	1.2	7.7			6.3
Capex, including capitalized development costs	14,039	1,851	166	517	16,574	39	16,613

SUCCESSFUL COMPLETION OF THE SCANIA TENDER OFFER

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. 36.93% of all Scania shares were acquired on the successful completion of the offer by the end of June. Volkswagen held 99.57% of Scania's share capital as of the end of the reporting period; this corresponded to 99.66% of the voting rights. Volkswagen has initiated a squeeze-out for the remaining Scania shares. Volkswagen has controlled 100% of the share capital since January 14, 2015. The transaction reduced equity by €6.7 billion. €6.5 billion was paid for the shares acquired in 2014; a liability was recognized in the balance sheet outside profit or loss for the shares to be acquired in the squeeze-out.

To partially fund the transaction, the Company resolved and implemented a capital increase in June 2014, under which new preferred shares were issued from authorized capital against cash contributions, while disapplying shareholders' preemptive rights. This increased the share capital by a notional €26.8 million and generated gross proceeds totaling €2.0 billion.

RESULTS OF OPERATIONS

Results of operations of the Group

The Volkswagen Group generated sales revenue of €202.5 billion in fiscal year 2014, 2.8% higher than in the previous year. The clearly negative exchange rate effects seen in the first half of the year in particular were offset by higher volumes and improvements in the mix. At 80.6% (80.9%), a large majority of sales revenue was recorded outside of Germany.

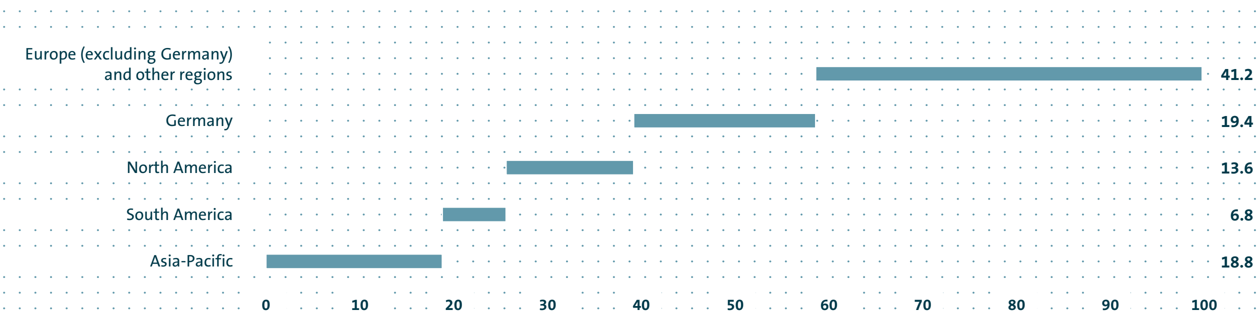
Gross profit improved to €36.5 billion (€35.6 billion). Optimized product costs had a positive impact on earnings, while increased depreciation charges resulting from our significant capital expenditures and higher upfront investments in new products had a negative effect. The prior-year figure was impacted by contingency reserves. The gross margin was 18.0% (18.1%).

INCOME STATEMENT BY DIVISION

	VOLKSWAGEN GROUP		AUTOMOTIVE*		FINANCIAL SERVICES	
€ million	2014	2013	2014	2013	2014	2013
Sales revenue	**202,458**	**197,007**	**177,538**	**175,003**	**24,920**	**22,004**
Cost of sales	−165,934	−161,407	−146,311	−144,481	−19,623	−16,926
Gross profit	**36,524**	**35,600**	**31,226**	**30,522**	**5,297**	**5,078**
Distribution expenses	−20,292	−19,655	−19,199	−18,604	−1,093	−1,050
Administrative expenses	−6,841	−6,888	−5,427	−5,682	−1,414	−1,206
Net other operating income	3,306	2,613	4,180	3,571	−874	−958
Operating profit	**12,697**	**11,671**	**10,780**	**9,807**	**1,917**	**1,863**
Operating return on sales (%)	**6.3**	**5.9**	**6.1**	**5.6**	**7.7**	**8.5**
Share of profits and losses of equity-accounted investments	3,988	3,588	3,956	3,513	31	76
Other financial result	−1,891	−2,831	−1,907	−2,858	17	27
Financial result	**2,097**	**757**	**2,049**	**655**	**48**	**102**
Profit before tax	**14,794**	**12,428**	**12,829**	**10,462**	**1,965**	**1,966**
Income tax expense	−3,726	−3,283	−3,097	−2,873	−629	−410
Profit after tax	**11,068**	**9,145**	**9,732**	**7,590**	**1,336**	**1,555**
Noncontrolling interests	84	52	43	−9	41	61
Profit attributable to Volkswagen AG hybrid capital investors	138	27	138	27	–	–
Profit attributable to Volkswagen AG shareholders	**10,847**	**9,066**	**9,551**	**7,572**	**1,295**	**1,494**

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

SEGMENT REPORTING – SHARE OF SALES REVENUE BY MARKET 2014
in percent



Although distribution expenses rose as a result of the increase in business, the ratio of distribution expenses to sales revenue remained unchanged. Administrative expenses declined slightly year-on-year, both as an absolute figure and as a proportion of sales revenue. Other operating income rose by €0.7 billion year-on-year to €3.3 billion, mainly due to currency-related factors.

At €12.7 billion, the Volkswagen Group generated its highest ever operating profit in fiscal year 2014, beating the previous record set in the prior-year period by €1.0 billion. Positive volume and mix effects, as well as optimized product costs, were able to offset negative exchange rate effects, increased depreciation charges, higher research and development costs, and greater fixed costs due to growth factors. The prior-year figure had been negatively impacted by contingency reserves. The operating return on sales improved to 6.3% (5.9%).

The Volkswagen Group's profit before tax rose to €14.8 billion in the reporting period, up 19.0% on the prior-year figure. The return on sales before tax increased from 6.3% to 7.3%. Profit after tax was €1.9 billion higher than in 2013, at €11.1 billion. The tax rate was 25.2% (26.4%).

Results of operations in the Automotive Division

The Automotive Division's sales revenue rose year-on-year to €177.5 billion (€175.0 billion). The clearly negative exchange rate effects seen in the first half of the year in particular were more than offset by positive volume and mix effects. As our Chinese joint ventures are accounted for using the equity method, the Group's positive business growth in the Chinese passenger car market is mainly reflected in its sales revenue only by deliveries of vehicles and vehicle parts.

Gross profit in the Automotive Division exceeded the 2013 figure, at €31.2 billion (€30.5 billion). Higher depreciation charges as a result of our significant capital expenditures, increased research and development costs, in particular for new drive concepts, and higher fixed costs due to growth factors were offset by improved product costs. The prior year had been impacted by contingency reserves in the areas of passenger cars and power engineering.

Distribution expenses rose by 3.2% as against the previous year and the ratio of distribution expenses to sales revenue also increased slightly. Administrative expenses and the ratio of administrative expenses to sales revenue decreased. Currency-related factors saw other operating income improve to €4.2 billion (€3.6 billion).

The Automotive Division's operating profit rose by 9.9% to €10.8 billion in the reporting period. The division recorded an operating return on sales of 6.1% (5.6%). The positive business growth of our Chinese joint ventures is mainly reflected in the Group's operating profit only by deliveries of vehicles and vehicle parts, as well as license revenue. The profit recorded by the joint venture companies is accounted for in the financial result using the equity method.

The financial result rose by €1.4 billion to €2.0 billion. The increase was due primarily to lower expenses from the measurement of derivative financial instruments at the reporting date, as well as income from the Chinese joint ventures, which was up on the high prior-year figures. In addition, the previous year was impacted by expenses in connection with the control and profit and loss transfer agreement with MAN SE.

RESULTS OF OPERATIONS IN THE PASSENGER CARS BUSINESS AREA

€ million	2014	2013
Sales revenue	143,601	140,077
Gross profit	26,153	25,872
Operating profit	9,835	9,013
Operating return on sales (%)	6.8	6.4

Sales revenue in the Passenger Cars Business Area increased year-on-year to €143.6 billion (€140.1 billion) in 2014. Gross profit improved to €26.2 billion (€25.9 billion). The Passenger Cars Business Area generated an operating profit of €9.8 billion, up on the prior-year figure (€9.0 billion). The operating return on sales was 6.8% (6.4%). The initially unfavorable exchange rate trends, higher depreciation charges as a result of our significant capital expenditures, increased research and development costs – in particular for new drive concepts – and higher fixed costs due to growth factors had a negative impact. However, these effects were offset by increased volumes, improvements in the mix and lower product costs.

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

€ million	2014	2013
Sales revenue	33,937	34,927
Gross profit	5,074	4,650
Operating profit	945	794
Operating return on sales (%)	2.8	2.3

The Commercial Vehicles/Power Engineering Business Area recorded sales revenue of €33.9 billion (€34.9 billion) in fiscal year 2014, of which €3.7 billion (€3.9 billion) was attributable to the Power Engineering segment. Gross profit increased to €5.1 billion (€4.7 billion). Operating profit improved to €0.9 billion (€0.8 billion), while the operating return on sales amounted to 2.8% (2.3%). The difficult conditions in South America and Russia, as well as increased competitive pressure on prices and margins, had a negative impact. At €44 million, operating profit in the Power Engineering segment exceeded the prior-year figure (€–250 million), which had been impacted by project-specific contingency reserves.

Results of operations in the Financial Services Division

The Financial Services Division generated sales revenue of €24.9 billion in fiscal year 2014. The 13.3% year-on-year increase was mainly attributable to higher business volumes.

Gross profit improved by 4.3% year-on-year to €5.3 billion.

The higher volumes and compliance with regulatory requirements pushed up distribution and administrative expenses in the reporting period. While the ratio of administrative expenses to sales revenue increased, the ratio of distribution expenses to sales revenue declined. Other operating income amounted to €–0.9 billion (€–1.0 billion).

Operating profit at the Financial Services Division rose by 2.9% year-on-year to €1.9 billion, with the division again making a significant contribution to the Group's success. Aside from compliance with regulatory requirements, the main challenge in the reporting period was the ongoing pressure on margins. The operating return on sales declined to 7.7% (8.5%). The return on equity before tax was 12.5%, as against 14.3% in the previous year.

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. Initial talks on the integration of the Scania subgroup into central financial management were held following the delisting of Scania AB's shares. The integration process for the MAN subgroup has not yet been completed.

With regard to liquidity, the goals of financial management are 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. The Group's material companies in Europe also use cash pooling to optimize the use of existing liquidity. This enables Group companies to pool the balances accumulating on cash pooling accounts on a daily basis by closing out these accounts and transferring both the positive and negative balances to a target account at Group Treasury. 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 for the volume of business per counterparty when entering into financial transactions. Various rating criteria are taken into account when setting these limits, including the ratings awarded by independent agencies and the capital resources of potential counterparties. 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 171 and to the notes to the 2014 consolidated financial statements on pages 259 to 267.

FINANCIAL POSITION

Financial position in the Group

The Volkswagen Group generated gross cash flow of €26.5 billion in fiscal year 2014, up 8.8% on the prior-year figure. Funds tied up in working capital increased by €4.0 billion to €15.8 billion due to volume-related factors and a stronger performance by the financial services business. As a result, cash flows from operating activities amounted to €10.8 billion (€12.6 billion).

At €16.5 billion, the Volkswagen Group's investing activities attributable to operating activities in the reporting period were up 10.2% on the previous year. Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) increased to €12.0 billion (€11.4 billion), while capitalized development costs rose to €4.6 billion (€4.0 billion). Net cash flow amounted to €–5.7 billion (€–2.3 billion).

Cash inflows from financing activities amounted to €4.6 billion (€9.0 billion). Net liquidity was increased by the hybrid notes successfully placed in March 2014 (€3.0 billion) and the capital increase implemented in June 2014 by issuing new preferred shares in the amount of €2.0 billion. Conversely, dividend payments and the increase in the interest in Scania resulted in cash outflows.

The Group's net liquidity amounted to €–96.5 billion on December 31, 2014, compared with €–82.3 billion as of year-end 2013.

Financial position in the Automotive Division

The Automotive Division's gross cash flow amounted to €20.2 billion (€18.7 billion) in fiscal year 2014. The year-on-year increase was primarily due to earnings-related factors. €1.4 billion was released from working capital, slightly less than in the previous year (€1.9 billion) due to volume-related factors. Cash flows from operating activities increased by €1.0 billion to €21.6 billion.

At €15.5 billion, investing activities attributable to operating activities were down overall on the prior-year figure (€16.2 billion). Capex rose to €11.5 billion (€11.0 billion), producing a capex ratio of 6.5% (6.3%). We invested mainly in our production facilities and in models that we launched in 2014 or are planning to launch in 2015. These are primarily vehicles in the Golf, Passat, Touran, Audi A3, Audi A4, Audi TT, Audi Q7, ŠKODA Fabia and ŠKODA Superb series, as well as the Porsche Macan and the Porsche Panamera. Other investment priorities were the ecological focus of our model range, the growing use of electric drives and our modular toolkits. Capitalized development costs were up on the 2013 figure, at €4.6 billion (€4.0 billion). Investment activities in the reporting period included MAN SE's sale of MAN Finance International GmbH to Volkswagen Financial Services AG. In the previous year, they included the intragroup acquisition of the interest in LeasePlan Corporation N.V.

The Automotive Division's net cash flow improved by €1.7 billion to €6.1 billion.

A capital increase carried out by Volkswagen AG at Volkswagen Financial Services AG at the beginning of the year in order to finance the growth in business volumes and meet regulatory capital requirements resulted in outflows from financing activities of €2.3 billion. The purchase price for the Scania shares acquired – reported as a capital transaction with noncontrolling interests – was recognized in the amount of €6.5 billion. The successful placement of dual-tranche hybrid notes with an aggregate principal amount of €3.0 billion via Volkswagen International Finance N.V. in March resulted in a cash inflow. They consist of a €1.25 billion note that carries a coupon of 3.750% and has a first call date after seven years, and a €1.75 billion note that carries a coupon of 4.625% and has a first call date after twelve years. Both tranches are perpetual and increase equity by the full amount, net of transaction costs among other factors. €3.0 billion of the hybrid notes was classified as a capital contribution, which increased net liquidity. The capital increase implemented in June by issuing new preferred shares in the amount of €2.0 billion also had a positive impact.

The dividend paid out to the shareholders of Volkswagen AG rose by €0.2 billion to €1.9 billion.

CASH FLOW STATEMENT BY DIVISION

€ million	VOLKSWAGEN GROUP 2014	VOLKSWAGEN GROUP 2013	AUTOMOTIVE[1] 2014	AUTOMOTIVE[1] 2013	FINANCIAL SERVICES 2014	FINANCIAL SERVICES 2013
Cash and cash equivalents at beginning of period	**22,009**	**17,794**	**19,285**	**14,788**	**2,724**	**3,005**
Profit before tax	14,794	12,428	12,829	10,462	1,965	1,966
Income taxes paid	−4,040	−3,107	−3,489	−2,622	−552	−486
Depreciation and amortization expense[2]	16,964	14,686	12,320	10,786	4,644	3,900
Change in pension provisions	148	179	137	168	12	11
Other noncash income/expense and reclassifications[3]	−1,317	218	−1,631	−107	313	325
Gross cash flow	**26,549**	**24,404**	**20,166**	**18,688**	**6,383**	**5,716**
Change in working capital	**−15,764**	**−11,809**	**1,427**	**1,925**	**−17,191**	**−13,733**
Change in inventories	−2,214	−1,021	−2,111	−729	−103	−292
Change in receivables	−1,433	−1,651	983	−1,163	−2,416	−489
Change in liabilities	4,764	2,363	3,228	2,118	1,536	245
Change in other provisions	413	2,300	514	2,241	−101	59
Change in lease assets (excluding depreciation)	−8,487	−7,112	−749	−465	−7,738	−6,647
Change in financial services receivables	−8,807	−6,688	−438	−77	−8,370	−6,611
Cash flows from operating activities	**10,784**	**12,595**	**21,593**[4]	**20,612**[4]	**−10,809**	**−8,017**
Cash flows from investing activities attributable to operating activities	**−16,452**	**−14,936**	**−15,476**	**−16,199**	**−976**	**1,263**
of which: investment in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs	−12,012	−11,385	−11,495	−11,040	−517	−345
capitalized development costs	−4,601	−4,021	−4,601	−4,021	–	–
acquisition and disposal of equity investments	−242	−151	242	−1,702	−485	1,551
Net cash flow[5]	***−5,668***	***−2,341***	***6,117***	***4,413***	***−11,784***	***−6,754***
Change in investments in securities and loans	−2,647	−1,954	−1,694	−1,298	−953	−656
Cash flows from investing activities	**−19,099**	**−16,890**	**−17,170**	**−17,497**	**−1,928**	**607**
Cash flows from financing activities	**4,645**	**8,973**	**−7,945**	**1,734**	**12,590**	**7,239**
of which: capital transactions with noncontrolling interests	−6,535	0	−6,535	0	–	–
Capital contributions/capital redemptions	4,932	3,067	2,605	3,015	2,326	52
Effect of exchange rate changes on cash and cash equivalents	294	−462	248	−353	46	−110
Net change in cash and cash equivalents	**−3,375**	**4,216**	**−3,275**	**4,497**	**−100**	**−281**
Cash and cash equivalents at Dec. 31[6]	**18,634**	**22,009**	**16,010**	**19,285**	**2,624**	**2,724**
Securities, loans and time deposits	18,893	17,177	11,424	9,515	7,468	7,661
Gross liquidity	**37,527**	**39,186**	**27,435**	**28,800**	**10,092**	**10,386**
Total third-party borrowings	−133,980	−121,504	−9,795	−11,932	−124,184	−109,572
Net liquidity	**−96,453**	**−82,318**	**17,639**	**16,869**	**−114,092**	**−99,186**

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 to investing activities.
4 Before consolidation of intragroup transactions: €22,217 million (€21,270 million).
5 Net cash flow: cash flows from operating activities, net of cash flows from investing activities attributable to operating activities.
6 Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.

Overall, the Automotive Division recorded a cash inflow from financing activities of €–7.9 billion (+€1.7 billion), which also includes a year-on-year decrease in proceeds from the issuance of bonds.

Net liquidity in the Automotive Division as of December 31, 2014 was €0.8 billion higher than in the previous year, at €17.6 billion.

FINANCIAL POSITION IN THE PASSENGER CARS BUSINESS AREA

€ million	2014	2013
Gross cash flow	17,965	16,376
Change in working capital	2,682	1,841
Cash flows from operating activities	20,647	18,218
Cash flows from investing activities attributable to operating activities	−13,942	−14,838
Net cash flow	6,705	3,380

Gross cash flow in the Passenger Cars Business Area amounted to €18.0 billion in fiscal year 2014, 9.7% higher than in the previous year due to earnings-related factors. Funds released from working capital rose to €2.7 billion (€1.8 billion). Cash flows from operating activities increased by 13.3% to €20.6 billion. At €13.9 billion, the cash outflow from investing activities attributable to operating activities was down on the previous year (€14.8 billion), which was affected by the intragroup acquisition of the interest in LeasePlan. Capex and capitalized development costs rose to €10.1 billion (€10.0 billion) and €4.0 billion (€3.6 billion), respectively. Net cash flow increased by €3.3 billion to €6.7 billion.

FINANCIAL POSITION IN THE COMMERCIAL VEHICLES/ POWER ENGINEERING BUSINESS AREA

€ million	2014	2013
Gross cash flow	2,201	2,311
Change in working capital	−1,255	83
Cash flows from operating activities	946	2,395
Cash flows from investing activities attributable to operating activities	−1,534	−1,361
Net cash flow	−588	1,033

Gross cash flow in the Commercial Vehicles/Power Engineering Business Area was €2.2 billion, down slightly on the prior-year figure. Funds of €1.3 billion were tied up in working capital due to the difficult market conditions in South America and Eastern Europe. By contrast, funds of €0.1 billion had been released from working capital in the previous year. Cash flows from operating activities declined to €0.9 billion (€2.4 billion). Investing activities attributable to operating activities increased year-on-year to €1.5 billion (€1.4 billion). The increase was due in particular to capital expenditures on the successor model to the Volkswagen Crafter. Net cash flow amounted to €–0.6 billion, down €1.6 billion on the prior-year figure.

Financial position in the Financial Services Division

The Financial Services Division's gross cash flow rose by 11.7% year-on-year to €6.4 billion due to improved earnings quality. Funds tied up in working capital increased to €17.2 billion (€13.7 billion) due to growth in business volumes. Mainly because of increased capex and the intragroup acquisition of MAN Finance International GmbH from MAN SE, investing activities attributable to operating activities recorded a cash outflow of €1.0 billion. In the previous year, the sale of the interest in LeasePlan to Volkswagen AG had led to a cash inflow. Volkswagen AG contributed a €2.3 billion cash inflow into the financing activities of the Financial Services Division to finance the increased business volumes and to strengthen equity. The cash inflow in the financing activities amounted to €12.6 billion (€7.2 billion) overall, including from the issuance of bonds. The Financial Services Division's negative net liquidity, which is common in the industry, amounted to €–114.1 billion (€–99.2 billion) at the end of the reporting period.

NET ASSETS

Consolidated balance sheet structure

At €351.2 billion, the Volkswagen Group's total assets as of the fiscal 2014 year-end exceeded the prior-year figure by 8.3%. The structure of the consolidated balance sheet as of the reporting date can be seen from the chart on page 107. The Volkswagen Group's equity amounted to €90.2 billion, up slightly on the €90.0 billion recorded as at December 31, 2013. The equity ratio decreased to 25.7% (27.8%).

Noncontrolling interests declined to €0.2 billion (€2.3 billion) following the increase in the interest in Scania; these are now largely attributable to external shareholders of RENK AG and AUDI AG.

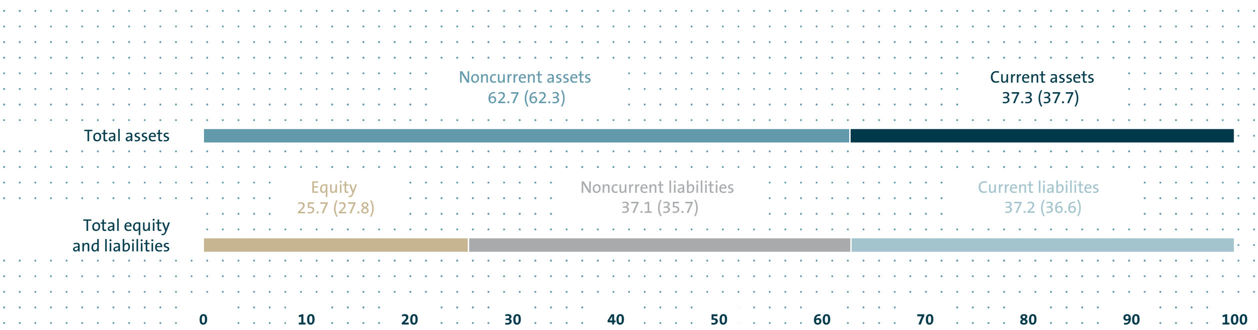
As of December 31, 2014, the Group had off-balance-sheet liabilities in the form of contingent liabilities in the amount of €4.5 billion (€4.2 billion) and other financial obligations in the amount of €27.3 billion (€24.4 billion). The latter primarily result from purchase commitments for property, plant and equipment, as well as obligations under long-term leasing and rental contracts and irrevocable credit commitments to customers.

CONSOLIDATED BALANCE SHEET BY DIVISION AS OF DECEMBER 31

€ million	VOLKSWAGEN GROUP 2014	VOLKSWAGEN GROUP 2013	AUTOMOTIVE[1] 2014	AUTOMOTIVE[1] 2013	FINANCIAL SERVICES 2014	FINANCIAL SERVICES 2013
Assets						
Noncurrent assets	**220,106**	**202,141**	**128,231**	**122,438**	**91,875**	**79,704**
Intangible assets	59,935	59,243	59,697	59,007	237	236
Property, plant and equipment	46,169	42,389	44,080	40,632	2,089	1,757
Lease assets	27,585	22,259	2,815	2,642	24,770	19,617
Financial services receivables	57,877	51,198	–	–602	57,877	51,800
Investments, equity-accounted investments and other equity investments, other receivables and financial assets	28,541	27,053	21,639	20,759	6,902	6,294
Current assets	**131,102**	**122,192**	**69,180**	**68,320**	**61,923**	**53,872**
Inventories	31,466	28,653	28,269	25,580	3,197	3,073
Financial services receivables	44,398	38,386	–464	–844	44,862	39,229
Other receivables and financial assets	25,254	23,483	15,677	16,458	9,577	7,025
Marketable securities	10,861	8,492	9,197	6,675	1,664	1,817
Cash, cash equivalents and time deposits	19,123	23,178	16,499	20,450	2,624	2,728
Total assets	**351,209**	**324,333**	**197,411**	**190,758**	**153,798**	**133,576**
Equity and Liabilities						
Equity	**90,189**	**90,037**	**72,815**	**75,984**	**17,374**	**14,053**
Equity attributable to Volkswagen AG shareholders	84,950	85,730	67,828	72,100	17,122	13,630
Equity attributable to Volkswagen AG hybrid capital investors	5,041	2,004	5,041	2,004	–	–
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	89,991	87,733	72,870	74,103	17,122	13,630
Noncontrolling interests[2]	198	2,304	–55	1,881	253	423
Noncurrent liabilities	**130,314**	**115,672**	**66,438**	**65,290**	**63,876**	**50,382**
Financial liabilities	68,416	61,517	10,643	15,913	57,773	45,604
Provisions for pensions	29,806	21,774	29,361	21,481	445	293
Other liabilities	32,092	32,380	26,434	27,896	5,658	4,484
Current liabilities	**130,706**	**118,625**	**58,158**	**49,484**	**72,547**	**69,141**
Put options and compensation rights granted to noncontrolling interest shareholders	3,703	3,638	3,703	3,638	–	–
Financial liabilities	65,564	59,987	–847	–3,981	66,411	63,968
Trade payables	19,530	18,024	17,838	16,582	1,692	1,441
Other liabilities	41,909	36,976	37,465	33,245	4,444	3,731
Total equity and liabilities	**351,209**	**324,333**	**197,411**	**190,758**	**153,798**	**133,576**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions, primarily intragroup loans.
2 On completion of the offer for the acquisition of all outstanding Scania shares, noncontrolling interests in Scania's equity were derecognized from Group equity as a capital transaction involving a change in ownership interest; a liability was recognized under the "Put options and compensation rights granted to noncontrolling interest shareholders" item in current liabilities for the remaining shares that are subject to the squeeze-out.

CONSOLIDATED BALANCE SHEET STRUCTURE 2014
in percent



Automotive Division balance sheet structure

The Automotive Division's intangible assets and in particular its property, plant and equipment, which reflects the high investment volumes, were up on the year-end 2013 figure as of December 31, 2014. Noncurrent assets rose by a total of 4.7%. Mainly as a result of the positive business performance of the Chinese joint ventures the equity-accounted investments contained in the other noncurrent assets item increased rose from €7.6 billion to €9.4 billion. Overall, current assets increased by 1.3% year-on-year; within this item, inventories rose by 10.5% as a result of the increase in business. Cash and cash equivalents declined by €4.0 billion to €16.5 billion.

All of the outstanding Scania shares with the exception of 0.43% of the share capital were acquired following the fulfillment of all of the conditions for Volkswagen AG's voluntary tender offer to acquire all Scania shares in May. The transaction reduced equity by €6.7 billion. €6.5 billion was paid for the Scania A and B shares already acquired; a liability was recognized for the shares to be acquired in the squeeze-out. This did not affect liquidity. The noncontrolling interests are mainly attributable to RENK AG and AUDI AG. Since the deduction was recognized in the Automotive Division, the figure was negative overall.

The Automotive Division's equity amounted to €72.8 billion at the end of 2014, 4.2% lower than on the prior-year reporting date. It was boosted by healthy earnings growth, the hybrid notes issued in March and the capital increase implemented in June by issuing new preferred shares using authorized capital. The equity reduction due to the acquisition of all outstanding Scania shares, higher actuarial losses from the measurement of pension provisions, negative effects from the fair value measurement of derivative financial instruments and the dividends paid out to Volkswagen AG shareholders had an offsetting effect. The equity increase implemented in the Financial Services Division also decreased equity in the Automotive Division, where the deduction was recognized. The division's equity ratio decreased to 36.9% (39.8%).

Noncurrent liabilities were up on the year-end 2013 figure, at €66.4 billion (€65.3 billion). Within this item, pension provisions increased by €7.9 billion to €29.4 billion as a result of the actuarial remeasurement due to the change in the discount rate. Current liabilities increased by a total of 17.5% year-on-year. 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 "Put options and compensation rights granted to noncontrolling interest shareholders" item primarily comprises the liabilities for the obligation to acquire the shares held by the remaining free float shareholders of MAN and the Scania shares to be acquired in the squeeze-out.

The Automotive Division's total assets amounted to €197.4 billion at the end of the reporting period, up 3.5% on the prior-year figure.

PASSENGER CARS BUSINESS AREA BALANCE SHEET STRUCTURE

€ million	2014	2013
Noncurrent assets	101,459	94,873
Current assets	52,869	50,146
Total assets	**154,328**	**145,019**
Equity	58,708	60,494
Noncurrent liabilities	54,366	52,900
Current liabilities	41,254	31,625

Noncurrent assets in the Passenger Cars Business Area rose by 6.9% year-on-year to €101.5 billion as of December 31, 2014. Within this item, property, plant and equipment increased in particular as a result of the comprehensive investment program. Equity-accounted investments rose thanks to the healthy earnings growth recorded by the Chinese joint ventures. Current assets rose by 5.4% to €52.9 billion, mainly due to the increase in inventories. Total assets amounted to €154.3 billion (€145.0 billion) as of year-end 2014.

Equity was down 3.0% on the previous year, at €58.7 billion. This includes negative effects from the decreased interest rate for pension provisions and the completion of the Scania tender offer. Noncurrent liabilities increased by 2.8%, while current liabilities rose by €9.6 billion. This was primarily due to reclassifications resulting from shorter maturities.

COMMERCIAL VEHICLES/POWER ENGINEERING BUSINESS AREA BALANCE SHEET STRUCTURE

€ million	2014	2013
Noncurrent assets	26,772	27,565
Current assets	16,311	18,174
Total assets	**43,083**	**45,739**
Equity	14,107	15,490
Noncurrent liabilities	12,072	12,390
Current liabilities	16,904	17,859

In the Commercial Vehicles/Power Engineering Business Area, both noncurrent and current assets were down year-on-year at the end of the reporting period. Total assets declined to €43.1 billion (€45.7 billion).

At €14.1 billion, equity was down 8.9% year-on-year at the end of fiscal 2014. Noncurrent liabilities were 2.6% lower than in the previous year. Current liabilities declined by 5.3%.

Financial Services Division balance sheet structure

The Financial Services Division's total assets amounted to €153.8 billion on December 31, 2014, €20.2 billion higher than the 2013 figure.

Noncurrent assets rose by 15.3% overall as against year-end 2013. Within this item, lease assets and noncurrent financial services receivables rose as a result of business growth. The higher volumes also led to a 14.9% increase in current assets. Current financial services receivables increased by €5.6 billion to €44.9 billion. The Financial Services Division accounted for approximately 43.8% of the Volkswagen Group's assets at the reporting date.

The Financial Services Division's equity amounted to €17.4 billion at the end of the reporting period, 23.6% higher than in the previous year. This was due to earnings-related factors and to the capital increase carried out by Volkswagen AG at the beginning of the year in order to finance business growth and meet regulatory capital requirements. The equity ratio was 11.3% (10.5%). Noncurrent liabilities increased by 26.8% overall as against December 31, 2013 due to higher noncurrent financial liabilities entered into to fund business growth. Current liabilities rose by 4.9% as against the prior–year reporting date, which was also related to funding. Deposits from the direct banking business increased to €25.3 billion (€23.3 billion). The debt to equity ratio amounted to 7:1.

FINANCIAL KEY PERFORMANCE INDICATORS

%	2014	2013	2012	2011	2010
Volkswagen Group					
Gross margin	18.0	18.1	18.2	17.6	16.9
Personnel expense ratio	16.7	16.1	15.3	15.0	15.0
Return on sales before tax	7.3	6.3	13.2	11.9	7.1
Return on sales after tax	5.5	4.6	11.4	9.9	5.7
Equity ratio	25.7	27.8	26.5	25.0	24.4
Dynamic gearing (years) [1]	0.1	0.1	0.1	0.1	0.1
Automotive Division[2]					
Change in unit sales year-on-year[3]	+ 5.0	+ 4.1	+ 11.8	+ 14.9	+ 15.4
Change in sales revenue year-on-year	+ 1.4	+ 1.3	+ 21.6	+ 26.0	+ 21.2
Operating profit as a percentage of sales revenue	6.1	5.6	5.7	7.0	5.5
EBITDA (in € million)[4]	23,100	20,594	19,895	17,815	13,940
Return on investment (ROI)[5]	14.9	14.5	16.6	17.7	13.5
Cash flows from operating activities as a percentage of sales revenue	12.2	11.8	9.4	12.0	12.3
Cash flows from investing activities as a percentage of sales revenue	8.7	9.3	9.5	11.3	8.1
Capex as a percentage of sales revenue	6.5	6.3	5.9	5.6	5.0
Ratio of noncurrent assets to total assets[6]	22.3	21.3	21.0	21.5	22.8
Ratio of current assets to total assets[7]	14.3	13.4	14.3	17.4	14.7
Inventory turnover	6.2	6.5	6.4	6.9	7.4
Equity ratio	36.9	39.8	37.9	35.9	35.5
Financial Services Division					
Increase in total assets	15.1	3.9	19.5	22.5	9.2
Return on equity before tax[8]	12.5	14.3	13.1	14.0	12.9
Equity ratio	11.3	10.5	10.4	10.1	10.4

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 profit 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 113.
6 Ratio of property, plant and equipment to total assets.
7 Ratio of inventories to total assets.
8 Profit before tax as a percentage of average equity.

SUMMARY OF ECONOMIC POSITION

The Board of Management of Volkswagen AG believes that the Group's economic position is positive. The Group continued its profitable growth path in fiscal year 2014, again generating record sales revenue and operating profit in an ongoing difficult market environment. We maintained our sustainable cost and investment management policies and the continuous optimization of our processes.

We increased our interest in Scania's share capital to 99.57% in the reporting period on completion of the voluntary tender offer to acquire all Scania shares not previously held either directly or indirectly. Volkswagen has controlled 100% of the share capital since January 14, 2015. This creates the basis for further synergies to be leveraged in the commercial vehicles area.

The transaction was partially funded by a capital increase, under which new preferred shares were issued from authorized capital against cash contributions, while disapplying shareholders' preemptive rights. We also strengthened our capital base in fiscal year 2014 with the successful placement of dual-tranche hybrid notes. The Automotive Division's liquidity position remains strong and gives us financial stability and flexibility.

An overview of the development of the Volkswagen Group over the past five years can be found in the tables on pages 109 and 111. More information on the economic position of the Volkswagen Group by brand and business field can be found in the divisions chapter starting on page 21.

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 8.1% higher than in the previous year. Added value per employee in 2014 was €103.9 thousand (+5.5%). 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	2014		2013	
Sales revenue	202,458		197,007	
Other income	14,192		13,994	
Cost of materials	−132,514		−127,089	
Depreciation and amortization	−16,964		−14,686	
Other upfront expenditures	−15,063		−21,027	
Value added	**52,109**		**48,198**	

Appropriation of funds in € million	2014	%	2013	%
to shareholders (dividend, 2014 dividend proposal)	2,294	4.4%	1,871	3.9%
to employees (wages, salaries, benefits)	33,834	64.9%	31,747	65.9%
to the state (taxes, duties)	3,817	7.3%	3,865	8.0%
to creditors (interest expense)	3,389	6.5%	3,442	7.1%
to the Company (reserves)	8,774	16.8%	7,274	15.1%
Value added	**52,109**	**100.0%**	**48,198**	**100.0%**

FIVE-YEAR REVIEW

	2014	2013	2012	2011	2010
Volume Data (thousands)					
Vehicle sales (units)	**10,217**	**9,728**	**9,345**	**8,361**	**7,278**
Germany	1,247	1,187	1,207	1,211	1,059
Abroad	8,970	8,541	8,137	7,150	6,219
Production (units)	**10,213**	**9,728**	**9,255**	**8,494**	**7,358**
Germany	2,559	2,458	2,321	2,640	2,115
Abroad	7,653	7,270	6,934	5,854	5,243
Employees (yearly average)	**583**	**563**	**533**	**454**	**389**
Germany	265	255	237	196	178
Abroad	318	308	296	258	210
Financial Data (in € million)					
Income Statement					
Sales revenue	**202,458**	**197,007**	**192,676**	**159,337**	**126,875**
Cost of sales	165,934	161,407	157,522	131,371	105,431
Gross profit	**36,524**	**35,600**	**35,154**	**27,965**	**21,444**
Distribution expenses	20,292	19,655	18,850	14,582	12,213
Administrative expenses	6,841	6,888	6,220	4,384	3,287
Net other operating income	3,306	2,613	1,415	2,271	1,197
Operating profit	**12,697**	**11,671**	**11,498**	**11,271**	**7,141**
Financial result	2,097	757	13,989	7,655	1,852
Profit before tax	**14,794**	**12,428**	**25,487**	**18,926**	**8,994**
Income tax expense	3,726	3,283	3,606	3,126	1,767
Profit after tax	**11,068**	**9,145**	**21,881**	**15,799**	**7,226**
Cost of materials	**132,514**	**127,089**	**122,450**	**104,648**	**79,394**
Personnel expenses	**33,834**	**31,747**	**29,504**	**23,854**	**19,027**
Balance Sheet (at December 31)					
Noncurrent assets	220,106	202,141	196,457	148,129	113,457
Current assets	131,102	122,192	113,061	105,640	85,936
Total assets	**351,209**	**324,333**	**309,518**	**253,769**	**199,393**
Equity	90,189	90,037	81,995	63,354	48,712
of which: noncontrolling interests	198	2,304	4,313	5,815	2,734
Noncurrent liabilities	130,314	115,672	121,996	89,179	73,781
Current liabilities	130,706	118,625	105,526	101,237	76,900
Total equity and liabilities	**351,209**	**324,333**	**309,518**	**253,769**	**199,393**
Cash flows from operating activities	**10,784**	**12,595**	**7,209**	**8,500**	**11,455**
Cash flows from investing activities attributable to operating activities	**16,452**	**14,936**	**16,840**	**16,002**	**9,278**
Cash flows from financing activities	**4,645**	**8,973**	**13,712**	**8,316**	**−852**

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 our innovative, environmentally oriented product portfolio to be evaluated. This concept also enables the earnings strength of individual business units and projects, such as new plants, to be measured.

Components of value contribution

Value contribution is calculated using operating profit after tax and the opportunity cost of invested capital. Operating profit 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 profit 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.

Since 2010, the specific business risk – price fluctuations in Volkswagen preferred shares – has been modeled when calculating the beta factor in comparison to the MSCI World Index.

The switch in benchmark index from the DAX to the MSCI World Index was necessary because Volkswagen shares experienced considerable price fluctuations in 2008 and 2009, and the share class in the DAX was changed to preferred shares in 2010. The MSCI World Index sets a standard that reflects 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 1.38 (1.32) was determined for 2014.

COST OF CAPITAL AFTER TAX
AUTOMOTIVE DIVISION

%	2014	2013
Risk-free rate	1.7	2.6
MSCI World Index market risk premium	6.5	6.5
Volkswagen-specific risk premium	2.5	2.1
(Volkswagen beta factor)	(1.38)	(1.32)
Cost of equity after tax	**10.7**	**11.2**
Cost of debt	2.3	3.7
Tax	–0.7	–1.1
Cost of debt after tax	**1.6**	**2.6**
Proportion of equity	66.7	66.7
Proportion of debt	33.3	33.3
Cost of capital after tax	**7.7**	**8.3**

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 7.7% (8.3%) for 2014.

* 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 profit after tax of the Automotive Division, including the proportionate operating profit of the Chinese joint ventures, was €11,734 million (€10,536 million) in fiscal year 2014. The year-on-year increase was due to positive volume and mix effects, optimized product costs and the significant improvement in the proportionate operating profit of the Chinese joint ventures. These factors more than offset the deteriorations in exchange rates, higher depreciation charges as a result of increased capital expenditures, higher research and development costs, and greater fixed costs due to growth factors. In addition, the prior year had been impacted by contingency reserves in the areas of Passenger Cars and Power Engineering. Effects on earnings and assets from purchase price allocation are not taken into account as this is beyond what is feasible from an operational management perspective.

Invested capital rose to €78,889 million (€72,749 million), primarily due to increased investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex).

The return on investment (ROI) is the return on invested capital for a particular period based on the operating profit after tax. It rose year-on-year in 2014 due to earnings-related factors, and at 14.9% (14.5%) was well above our minimum required rate of return of 9%.

At €6,074 million (€6,038 million), the opportunity cost of capital (invested capital multiplied by cost of capital) was level year-on-year. The increased operating profit after the opportunity cost of invested capital led to a clear improvement in the value contribution, which grew to €5,660 million (€4,497 million).

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	2014	2013
Operating profit after tax	**11,734**	**10,536**
Invested capital (average)	78,889	72,749
Return on investment (ROI) in %	**14.9**	**14.5**
Cost of capital in %	7.7	8.3
Cost of invested capital	**6,074**	**6,038**
Value contribution	**5,660**	**4,497**

* 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.

Volkswagen AG

(CONDENSED, IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE)

Production and unit sales exceed the 2013 figure, sales and net retained profits also up year-on-year.

NET INCOME FOR THE YEAR

At €69.0 billion, Volkswagen AG's sales in the reporting period were up 5.2% on the previous year. The proportion of sales generated outside Germany was 62.3% (62.8%). Cost of sales increased by 5.4% to €65.3 billion. As a result, gross profit improved to €3.7 billion (€3.6 billion).

Selling, general and administrative expenses were 5.6% higher in fiscal year 2014 than in the previous year, at €6.4 billion; the ratio of selling, general and administrative expenses to sales remained unchanged at 9.3% (9.3%). The other operating result amounted to €0.9 billion (€0.9 billion), roughly on a level with the previous year.

At €6.1 billion, the financial result remained constant year-on-year.

Volkswagen AG's result from ordinary activities decreased overall to €4.2 billion (€4.6 billion) in 2014. After deducting income taxes, net income for the year was €2.5 billion.

INCOME STATEMENT OF VOLKSWAGEN AG

€ million	2014	2013
Sales	68,971	65,587
Cost of sales	65,293	61,937
Gross profit on sales	**+ 3,678**	**+ 3,650**
Selling, general and administrative expenses	6,428	6,088
Other operating result	+ 870	+ 944
Financial result*	+ 6,108	+ 6,115
Result from ordinary activities	**+ 4,227**	**+ 4,620**
Taxes on income	1,751	1,542
Net income for the year	**2,476**	**3,078**
Retained profits brought forward	3	6
Appropriations to revenue reserves	180	1,210
Net retained profits	**2,299**	**1,874**

* Including write-downs of financial assets.

BALANCE SHEET OF VOLKSWAGEN AG AS OF DECEMBER 31

€ million	2014	2013
Fixed assets	87,103	69,931
Inventories	3,932	3,695
Receivables*	16,667	22,132
Cash-in-hand and bank balances	8,434	11,279
Total assets	**116,135**	**107,037**
Equity	28,493	25,874
Special tax-allowable reserves	33	41
Long-term debt	20,883	16,450
Medium-term debt	28,640	29,602
Short-term debt	38,085	35,070

* Including prepaid expenses.

NET ASSETS AND FINANCIAL POSITION

Total assets amounted to €116.1 billion at December 31, 2014, €9.1 billion higher than in the previous year. At €2.8 billion, investments in tangible and intangible assets were up slightly year-on-year. Investments in financial assets declined by €1.6 billion to €18.2 billion (€19.9 billion). At €87.1 billion, fixed assets exceeded the 2013 figure by 24.6% at the balance sheet date.

Current assets (including prepaid expenses) amounted to €29.0 billion, down a total of €8.1 billion year-on-year. This was mainly caused by the decrease in receivables from affiliated companies and lower liquid assets.

Equity amounted to €28.5 billion at December 31, 2014. The 10.1% increase was due in particular to the capital increase and the improved net retained profits.

The equity ratio was 24.5% (24.2%). Provisions increased by a total of €2.6 billion on the previous year. This was primarily attributable to other provisions, which grew by €1.6 billion to €12.7 billion. Provisions for pensions and similar obligations rose by €0.7 billion to €13.1 billion, while provisions for taxes were up €0.3 billion to €5.3 billion. Higher liabilities to affiliated companies in particular saw total liabilities (including deferred income) rise by 7.4% as against December 31, 2013, to €56.5 billion.

The interest-bearing portion of debt increased to €48.2 billion (€45.1 billion).

In our assessment, the economic position of Volkswagen AG is just as positive as that of the Volkswagen Group.

DIVIDEND PROPOSAL

In accordance with section 58(2) of the Aktiengesetz (AktG – German Stock Corporation Act), €180 million of the net income for the year was appropriated to other revenue reserves. The Board of Management and Supervisory Board are proposing to the Annual General Meeting to pay a total dividend of €2.3 billion from net retained profits, i.e. €4.80 per ordinary share and €4.86 per preferred share.

PROPOSAL ON THE APPROPRIATION OF NET PROFIT

€	2014
Dividend distribution on subscribed capital (€1,218 million)	2,294,348,709.48
of which on: ordinary shares	1,416,431,126.40
preferred shares	877,917,583.08
Balance (carried forward to new account)	4,696,698.46
Net retained profits	**2,299,045,407.94**

EMPLOYEE PAY AND BENEFITS AT VOLKSWAGEN AG

€ million	2014	%	2013	%
Direct pay including cash benefits	7,292	73.6	6,545	71.4
Social security contributions	1,234	12.5	1,116	12.2
Compensated absence	1,022	10.3	930	10.1
Retirement benefits	359	3.6	579	6.3
Total expense	**9,907**	**100.0**	**9,170**	**100.0**

VEHICLE SALES

Volkswagen AG sold a total of 2,615,686 vehicles in fiscal year 2014, up 4.8% on the figure for the previous year. The proportion of vehicles sold outside Germany was 69.3% (70.5%).

PRODUCTION

Volkswagen AG produced a total of 1,230,891 vehicles at its vehicle production plants in Wolfsburg, Hanover and Emden in the reporting period, up 5.3% year-on-year. Volkswagen AG's average daily production remained on a level with the previous year, at 5,068 units.

EMPLOYEES

As of December 31, 2014, a total of 112,561 people were employed at the sites of Volkswagen AG, excluding staff employed at subsidiaries. Of this figure, 5,044 were vocational trainees. 3,997 employees were in the passive phase of their partial retirement. The workforce grew by 4.7% as against the prior-year reporting date.

Female employees accounted for 16.2% of the workforce. Volkswagen AG employed 3,930 part-time workers (3.5%). The percentage of foreign employees was 5.8%. The proportion of employees in the production area who have completed vocational training relevant for Volkswagen was 82.7%. 17.5% of the employees were graduates. The average age of employees in fiscal year 2014 was 42.8 years.

RESEARCH AND DEVELOPMENT

Research and development costs for Volkswagen AG under the German Commercial Code amounted to €4.9 billion (€4.4 billion) in 2014. 11,531 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 amounted to €27.2 billion in fiscal year 2014 (€26.2 billion); the proportion attributable to German suppliers was 67.7% (68.1%). Of the total purchasing volume, €21.7 billion was spent on production materials and €5.5 billion on capital goods and services.

EXPENDITURE ON ENVIRONMENTAL PROTECTION

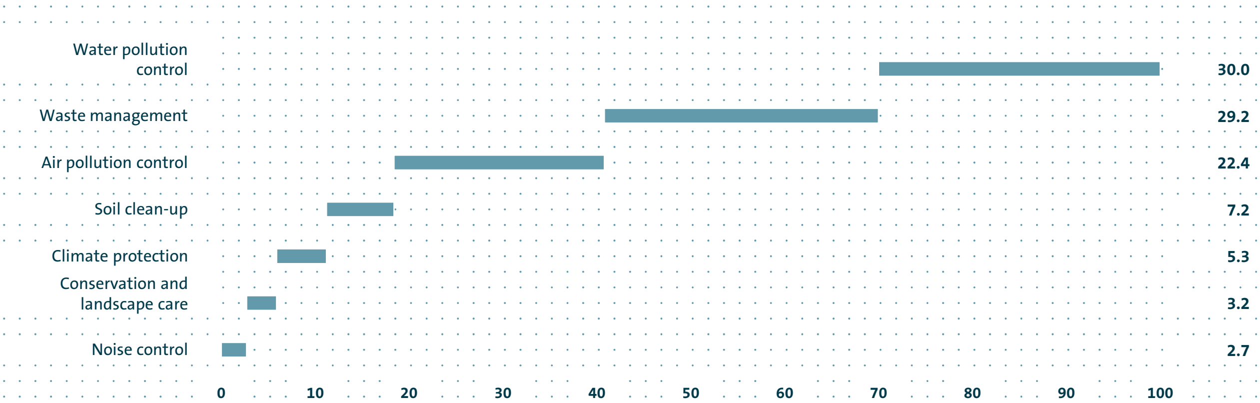
Expenditure on environmental protection measures is split between investments and operating costs for production-related environmental protection. Of our total investments, only those that are spent exclusively or primarily on environmental protection are included in environmental protection investments. 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. Our focus in 2014 was on water 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 2014 was on water pollution control, waste management and air pollution control.

VOLKSWAGEN AG EXPENDITURE ON ENVIRONMENTAL PROTECTION

€ million	2014	2013	2012	2011	2010
Investments	19	14	9	18	12
Operating costs	226	224	216	200	197

OPERATING COSTS FOR ENVIRONMENTAL PROTECTION AT VOLKSWAGEN AG 2014
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 160 to 172 of this annual report.

RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risks for Volkswagen AG arising from the use of financial instruments are the same as those to which the Volkswagen Group is exposed. An explanation of these risks can be found on pages 171 to 172 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

We run our business responsibly and with a long-term perspective 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 constantly 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. The greatest challenge in implementing this across all levels and every step of the value chain is our complexity: with 12 brands, over 100 production locations and more than 590,000 employees, we are one of the largest companies in the world.

Our Strategy 2018 sets the pace: the Volkswagen Group is aiming to become the most successful, fascinating and sustainable automobile manufacturer in the world by 2018. Sustainability means simultaneously striving for economic, social and environmental goals in a way that gives them equal priority. To us this means creating enduring value, facilitating good work, and using the environment and resources with care. Thanks to its corporate culture, Volkswagen is better suited than almost any other company to combine a modern understanding of responsibility and sustainability with the traditional values of running a business to form an integrated corporate social responsibility (CSR) approach. Our CSR concept is aimed at ensuring that we recognize and manage at an early stage risks and development opportunities in the areas of environment, society and governance at every step along the value chain, and further improve our reputation. This is how our CSR activities contribute to increasing our Company’s value in a long-term and sustainable way.

Management and coordination

The Volkswagen Group has established a clear management structure for coordinating CSR and sustainability. The supreme sustainability board is the Group Board of Management (Sustainability Board). It is regularly informed by the Group CSR & Sustainability steering group on the issues of corporate responsibility and sustainability. 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 Group CSR & Sustainability steering group. In addition to coordinating all sustainability activities within the Group and the brands, its duties include running the stakeholder dialog, which is held 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 issues relating to 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 met once a year to promote exchange across the Group, establish consistent structures and learn from one another. This Group CSR meeting has proven itself as an integral part of the Group-wide coordination structure.

With the help of our IT-based sustainability management system, we again gathered comprehensive data and information in near real-time in 2014 for Group sustainability reporting. At the same time, we expanded our sustainability management system to further increase transparency and the quality of the data, so that we can monitor CSR risks more easily and better identify CSR opportunities.

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. We also acknowledge our commitment to the "Declaration on Social Rights and Industrial Relationships at Volkswagen" (Volkswagen Social Charter), the Charter on Labor Relations and the Temporary Work Charter, all of which address fundamental human rights, labor standards and principles.

Strategic stakeholder management

We cannot guarantee success in the long term without knowing the expectations of our stakeholders or actively communicating with them. As the complexity of the Volkswagen Group increases, so do the expectations of and our network of relationships with the various stakeholders. Our exchanges with them cover many aspects, ranging from expectation management to innovation momentum, down to identifying opportunities and risks. We are open to a constructive and equitable dialog where we learn from one another, but to which we can also contribute our own interests. Our goal is to agree on a common solution, but at the very least to gain a mutual understanding on our initial situation and positioning.

Our brands in particular hold comprehensive stakeholder dialogs that we combine at Group level to discuss Group-wide issues in detail. These include our membership of organizations that hold in-depth discussions on issues related to sustainable development. At an international level, we are involved in the World Business Council for Sustainable Development (WBCSD) and participate in CSR Europe, a leading European business network for corporate responsibility. In addition, we are represented on the board of econsense, the Forum for Sustainable Development of German Business. We transfer the knowledge we gain from this to the brands and the regions.

Since 2002, we have also been committed to the UN Global Compact, the largest and most important CSR initiative in the world. Over 12,000 participants from more than 145 countries work together to shape a more sustainable and equitable world economy. The Volkswagen Group and its brands make a significant contribution to this initiative. The values of the Global Compact comprise ten principles governing human rights, labor standards, environmental protection and the fight against corruption. We achieved the "Global Compact Advanced Level" in 2014 again thanks to our progress report on implementing these principles at our locations. Furthermore, we use our expertise to help other companies in the Global Compact to embrace their global responsibility, for example through our active participation as a standing member of the advisory board for the "Sustainable Supplier Chain" project.

We publish information about the stakeholder dialogs in our annual sustainability report so that our interaction with stakeholders is understandable. Stakeholder management is steered and coordinated by the Group CSR & Sustainability steering group, the Group's CSR project team, and the brand and regional project teams. Since we selectively choose relevant departments for the project teams, we are also able to respond to the many requirements of the stakeholders concerned within a short time.

Our stakeholder management consists of a variety of instruments: dialogs, workshops, symposiums, public debates, social media, questionnaires, evaluations and projects. In order to coordinate these activities at strategic level, we document them in an IT-based stakeholder management system that is individually tailored to the Volkswagen Group's requirements. Since 2014, it has supported us in connecting the relevant stakeholders to the key issues for the Company.

In 2014, we used the results of the comprehensive stakeholder questionnaires from brands and companies to identify these 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.

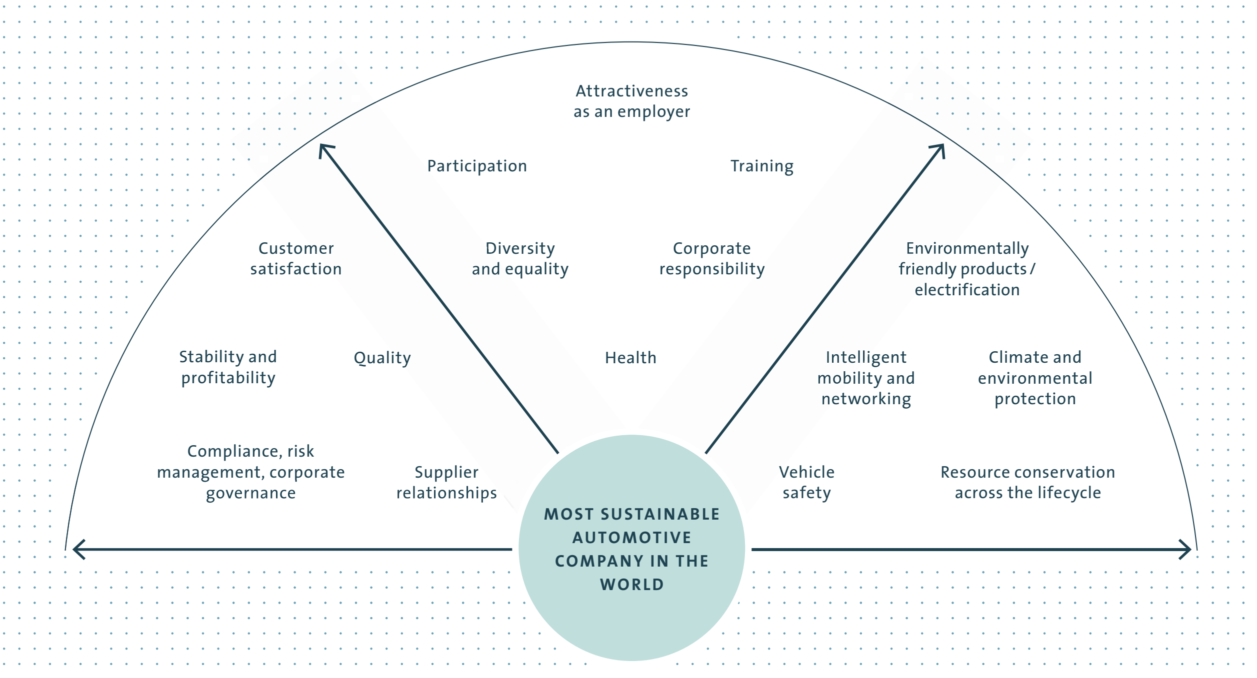
The results give us the Volkswagen Group's key action areas for achieving our goal of becoming the most sustainable automotive company in the world.

CSR Projects

The Volkswagen group initiates and manages a variety of CSR projects around the world, which are based on the following key principles:

- They 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 the projects 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.

VOLKSWAGEN GROUP'S KEY ACTION AREAS



The Volkswagen Group supports a large number of projects that promote the arts and culture, education, science, health and sport, or that 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. Our long-standing cooperation with the German Nature and Biodiversity Conservation Union (NABU), the contact we have to our local neighborhoods at many Group locations and our cooperation with the German Red Cross (DRK) are examples of this.

NABU has worked with Volkswagen AG for many years and, since the end of 2012, this alliance has been based on a new, expanded cooperation and advisory agreement. NABU is a strategic partner for Volkswagen on the Group's path to becoming the most environmentally friendly automobile manufacturer in the world.

For over 15 years, Volkswagen Commercial Vehicles at the Hanover location has fostered extensive dialog with its neighbors; the plant there is in close proximity to residential areas. This made it possible to build up a climate of mutual understanding. In addition to communicating with its neighbors, the focus of the Poznan location in Poland is on long-term initiatives to support and promote local community projects.

Humanity, public spirit and responsibility – these are the values on which the work of the German Red Cross is based, and which we also share in the Volkswagen Group. We are promoting sound, balanced social development, in Germany and at our other international locations. As part of its strategic partnership, the Volkswagen Group thus 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.

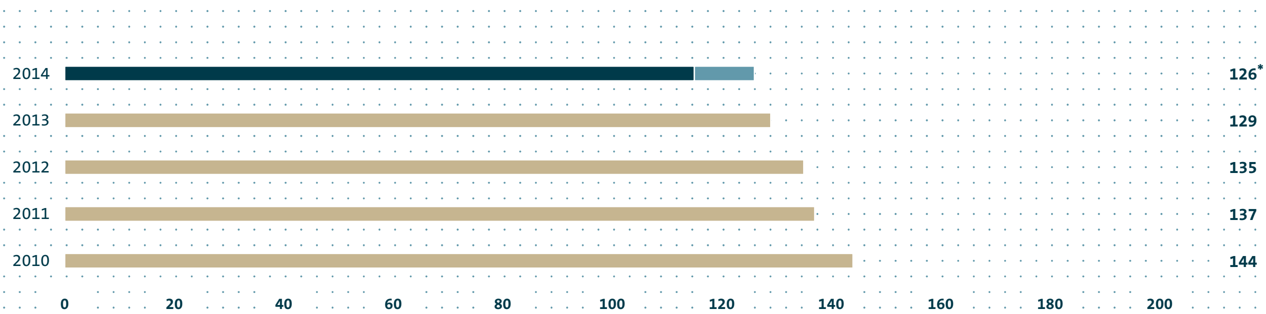
RESEARCH AND DEVELOPMENT

The Volkswagen Group's research and development activities continued to concentrate on expanding our product portfolio and improving the functionality, quality, safety and environmental compatibility of our products in fiscal year 2014.

Focus of our research and development activities

We plan to cut the average CO_2 emissions of the Volkswagen Group's new European passenger car fleet to 120 grams per kilometer by 2015. We have already succeeded in reducing CO_2 emissions over the past five years by 25 grams of CO_2 per kilometer to 126 grams of CO_2 per kilometer. Since 2012, the CO_2 emissions for vehicle manufacturers' new European passenger car fleets have been regulated by law: for 2014, the emissions of 80% of the new vehicle fleet were not permitted to exceed the statutory level of 130 grams of CO_2 per kilometer. The figure for the Volkswagen Group in the reporting period was 115 grams of CO_2 per kilometer. We currently offer a total of 532 model variants (engine-transmission combinations) that emit less than 130 grams of CO_2 per kilometer. For

CO_2 EMISSIONS OF THE VOLKSWAGEN GROUP'S EUROPEAN (EU 28) NEW PASSENGER CAR FLEET
in grams per kilometer



* Subject to official publication by the European Commission.

416 model variants, we are already below the threshold of 120 grams of CO_2 per kilometer. Of these, 85 model variants are even below 100 grams of CO_2 per kilometer (see chart on page 123).

Recognizing new developments in society, politics, technology, the environment and the economy at an early stage is of core importance to Volkswagen, since these form an important basis for innovations and our business success. Volkswagen's Group Research function constantly addresses the latest trends and has established research offices in the key global automotive markets. Research offices in China, Japan, the USA and other locations observe technological areas relevant to the automotive industry, conduct cooperative projects with research institutions and local companies, and thus capture new insights for the Volkswagen Group.

In addition to drivetrain system electrification (see the section entitled "Fuel and drivetrain strategy" on page 149), development work in 2014 focused on connectivity, i.e. the link between the vehicle and its surrounding environment. The speed at which the functionality and market penetration of networked online systems are growing makes it increasingly important for vehicles to be able to network to the driver's own devices, to other vehicles and to their surrounding environment, particularly infrastructure. This increasing functionality is accompanied by new types of display and control concepts. The shift towards replacing buttons and switches with touchscreen displays and recognition sensors is continuing, and is reflected in our vehicles.

One of the Audi brand's most important development areas is piloted driving. Driver assistance should make the job easier whenever it makes sense – not just when maneuvering in tight parking spaces or in parking lots, but also for example in slow-moving traffic on the highway. Once the necessary conditions (e.g. the legal basis) are in place, functions like these could go into series production in the next few years. Audi has shown what the technology can already do: the Audi RS 7 piloted driving concept completed a lap of the Hockenheim Grand Prix track in the reporting period at racing speeds of up to 240 km/h – without a driver. The results of this test are being integrated into the development of series models and are helping to increase the safety and comfort of future vehicles.

Volkswagen introduced innovative LED systems for front and rear lighting in the volume segment in 2014, making the technology available to a broader customer base. The latest LED tail light is the first in the world to have an integrated animated brake light function, which increases perception speed. A compact projection model means that the new, highly functional LED headlights incorporate lights for country driving, urban areas and highways, dynamic curve lighting and, with the use of a camera, a dynamic high-beam assistant. Volkswagen will systematically continue to implement LED technology (including the masked high beam "Dynamic Light Assist") in the volume segment; introduction in the compact class is scheduled for 2015.

Body shell production remains a strategic development focus. Volkswagen is the first automobile manufacturer to use hot-formed, high-strength steels in series models. We are also pursuing a vehicle- and platform-specific composite material approach in this area, i.e. the use of diverse materials in a body shell. We are also systematically integrating our extensive experience with lightweight materials, in particular aluminum, into the Modular Transverse Toolkit (MQB). Volkswagen has developed and patented resistance element welding for the application of these materials. This new technique is used to bond different materials to steel. Aluminum is also increasingly being used in the development of new platforms on which vehicles such as the Touareg and Phaeton are based. 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. The aim is to have around 200 researchers from industry and science jointly developing hybrid lightweight structures by the end of 2015. The foundation stone for the new development center in Wolfsburg was laid in 2014.

Innovations capture our customers' imaginations

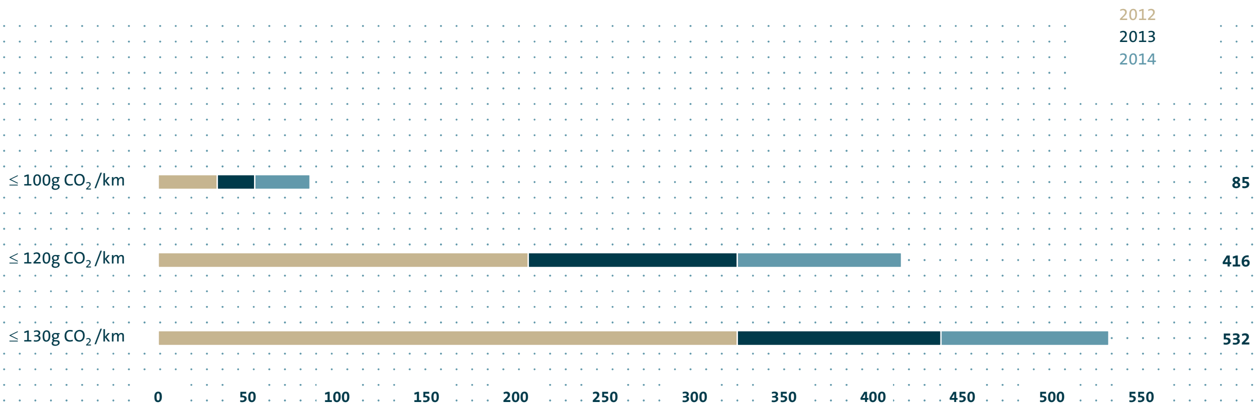
The Volkswagen Passenger Cars brand unveiled a wide range of innovations in the reporting period with the launch of the MQB-based eighth generation Passat. The new model is the world's first car to be available with the Emergency Assist and Trailer Assist safety and assistance systems. Emergency Assist brings together Lane Assist and Adaptive Cruise Control (ACC) to form a new driver assistance system: as soon as the sensors detect that the driver is not steering, braking, or accelerating, the system makes an escalating sequence of attempts to wake the driver before bringing the car to an emergency stop. The hazard lights are automatically activated and the Passat executes gentle steering maneuvers to warn nearby traffic of the danger. The ACC system observes the traffic ahead to prevent a collision. With the Passat, Volkswagen is the world's first automobile manufacturer to launch a driver assistance system to make maneuvering a vehicle with a trailer easier. Trailer Assist uses a rear view camera to observe and analyze the trailer's hitch articulation angle, and to calculate the steering angle. The rearview mirror adjustor control doubles as a joystick, which the driver can use to change the car/trailer combination's driving direction, meaning that all the driver needs to do is operate the brake and gas pedals. Inside the Passat, the Active Info Display system is the first interactive, fully digital instrument cluster to be fitted in a Volkswagen. The instruments are displayed in virtual format only. The speedometer and tachometer display areas can be customized to include information on driving, navigation and assistance functions. The Active Info Display can also show data from the infotainment system, such as telephone contact images or album covers. In 2015, the new Passat will also become the first Volkswagen to be equipped with a head-up display. This projects key information such as speed or navigation images onto a retractable glass surface in front of the windshield – directly in the driver's line of view. To the driver's eyes, the data appear to be projected roughly two meters in front of the vehicle. This means that there is far less need to switch between looking at the instruments and looking at the road, reducing the rate at which the driver's eyes become fatigued. The Traffic Jam Assist, the enhanced Area View system and an expanded City Emergency Braking function with pedestrian detection round off the Passat's driver assistance systems. The new Passat's range of engines also includes new innovations: the plug-in hybrid GTE version combines a 115 kW (156 PS) TSI engine and an 85 kW (115 PS) electric motor to generate a system output of 160 kW (218 PS). In all-electric driving, the Passat GTE can cover up to 50 km, with a total range of more than 1,000 km.

The e-Golf and Golf GTE introduced e-mobility into Volkswagen's popular series in 2014, heralding a new chapter in the Golf's distinguished track record. Fitted with an 85 kW (115 PS) electric motor, the e-Golf consumes 12.7 kWh per 100 km (NEDC), making it the most efficient electric vehicle in its class. Its inbuilt lithium-ion battery gives it a range of up to 190 km. The e-Golf also comes with an optional heat pump for particularly energy-efficient heating. This utilizes both heat from the ambient air and the heat given off by the drive system components. The energy from the high-voltage battery that this saves helps increase the car's range. The plug-in hybrid Golf GTE is a zero-emission, long-distance sports car all in one. A 110 kW (150 PS) TSI engine and a 75 kW (102 PS) electric motor combine to create a new driving experience and a top speed of 222 km/h. The transmission uses a six-speed, dual-clutch gearbox (DSG) specially developed for hybrids. Fully-charged, the Golf GTE can cover up to 50 km in all-electric driving, with an overall range of approximately 940 km. With average combined fuel consumption of just 1.5 l/100 km and CO_2 emissions of 35 g/km, it sets new standards in efficiency and sustainability.

Audi also launched a plug-in hybrid in 2014: the Audi A3 e-tron. Combining the strengths of an electric drive system with the advantages of an internal combustion engine, the first premium compact car to be equipped with this innovative drive system is perfectly suited to daily use. A state-of-the art 110 kW (150 PS) TFSI engine and a 75 kW (102 PS) electric motor generate system power of 150 kW (204 PS). Its combined average fuel consumption is 1.5 l/100 km, with CO_2 emissions of 35 g/km.

In addition, the Audi brand unveiled the third generation of the Audi TT in the reporting period. The profile of the design icon was systematically enhanced: the roof line was tightened, the wheelbase lengthened and the overhangs shortened, making the new TT even sportier and more dynamic than its predecessor. But the newest generation also scores points in terms of efficiency: the vehicle weight has been reduced by 50 kg, helping set new standards in the sports car class with CO_2 emissions of 110 g/km.

CO_2 EMISSIONS – STATUS QUO
Number of vehicles



Porsche launched the Macan compact SUV in fiscal year 2014: its fifth series. The Macan's sporty sloping roof line is reminiscent of a coupé, and combined with a wraparound bonnet gives it a confident and powerful appearance. Its rear features eye-catching, three-dimensional LED taillights, while the interior exudes sporty elegance and high-quality materials. An efficient range of engines rounds off the vehicle concept. The new 911 Targa was another highlight for Porsche in 2014. Like the legendary original Targa of 1965, it features a characteristic fixed bar in place of a B pillar. At the press of a button, the rear window opens and the roof panel disappears automatically behind the back seats. It takes only 19 seconds to open or close this innovative roof.

Lamborghini premiered the Huracán, the replacement for its successful Gallardo, in 2014. The sharp-edged design of the Huracán, whose innovative light-weight chassis is made of carbon and aluminum elements, focuses on a continuous line from the front to the rear of the vehicle. The 449 kW (610 PS) V10 engine catapults the Huracán from 0 to 100 km/h in only 3.2 seconds. Its top speed is over 325 km/h.

Scania presented the third generation of its efficient Euro 6 engines with SCR (selective catalytic reduction) exhaust gas after-treatment in the reporting period. The improved Scania retarder (a key component of the integrated braking system) with new fuel-saving freewheeling function and the new version of Scania's Eco-Roll system, which now selects gears even more intelligently on downward slopes, are also available from 2014. Scania also demonstrated the further savings potential offered by the use of new low-viscosity oils with unique lubricating qualities.

The new MAN TGX EfficientLine 2, which has been specifically designed to reduce fuel consumption, comes with the full range of efficiency technologies. These include in particular the Efficient-Cruise GPS cruise control system, the TopTorque torque enhancer and the latest version of MAN TeleMatics for data exchange between the vehicle and dispatcher. EfficientCruise was unveiled in 2014. This GPS-based system controls the speed of trucks or buses and helps save fuel and reduce CO_2 emissions. The TGX EfficientLine 2 is more than 6% more fuel-efficient than its predecessor.

MAN presented the MAN 12V175D, the first variant of its new high speed engine series, in fiscal year 2014. The 12-cylinder engine is fully designed for the requirements of commercial shipping and is optimized for use in ferries, offshore supply vessels, tugboats and all-purpose vessels. The engine also scores points in environmental friendliness: its compact and modular exhaust gas aftertreatment system uses selective catalytic reduction and is based on MAN's Ad Blue technology.

Studies and concept vehicles pave the way to the future

The Volkswagen Passenger Cars brand offered a glimpse of a possible SUV series in the vehicle category below the Tiguan with the release of the T-Roc study at the Geneva Motor Show. This three-door vehicle based on the Modular Transverse Toolkit (MQB) features a progressive design, functional interior and innovative infotainment solutions. Thanks to two removable roof panels, which can be stowed in the boot with just a few movements, it also offers the summery lightness of a convertible.

Volkswagen Passenger Cars presented a combination of sporty coupé and comfortable saloon at the Auto China show with its New Midsize Coupé study. With a shallow, wide body shell and a low profile, the vehicle spans the gap between the compact and mid-range classes. Its long bonnet, powerful roof line and unmistakable C pillar with short boot form a dynamic silhouette. 20 inch chrome rims, LED headlights with 3D optics, and a striking radiator grill emphasize the model's sportiness and elegance.

Audi presented potential additions to its TT series in 2014 with the TT offroad and TT Sportback concepts. The four-door TT off-road concept completely reinterprets the design language of the TT, combining the sporty character of a coupé with the features of a compact SUV. The TT Sportback concept retains the series' design language, but has elongated sporty lines with more tension, similar to the A5 Sportback and A7 Sportback. Its high-performance 294 kW (400 PS) TFSI engine takes the car from 0 to 100 km/h in less than 4 seconds.

Bentley incorporated plug-in hybrid technology into one of its vehicles for the first time in 2014. The Bentley Hybrid Concept is based on the Mulsanne flagship and is up to 25% more powerful with 70% less CO_2 emissions. The brand's aim is for its first series model with hybrid technology to be an SUV, available from 2017. The plan is then to roll out hybrid technology throughout its entire vehicle range.

Volkswagen Commercial Vehicles offered a glimpse into the numerous passenger and goods transport solutions that will be offered by the new generation of the Multivan/Transporter at the IAA Commercial Vehicles show 2014 in Hanover with its TRISTAR study. The concept vehicle represents a successful combination of the best features found in the current T model series. Its off-road capability combined with flexible transport and storage solutions for work and leisure were well received.

Leveraging synergies increases efficiency

Our Technical Development department worked intensively on leveraging further synergies between the brands in fiscal year 2014. The focus here was on efficient use of resources in technical development, with the goal of safeguarding the Group's long-term competitiveness. The Group Board of Management Technology Committee drove forward cross-brand cooperation, in particular in the primary technology fields of connectivity, piloted driving, e-mobility and lightweight construction. The individual brands are increasingly making use of our modular toolkits, which ensure synergy effects both between models in one series and across all series and brands. In addition, 2014 saw the start of a cross-brand cooperation initiative in development processes. This aims to ensure that methodology and system development can be further improved in future. The brands are benefitting from an intensified exchange of best practices, e.g. in virtual development. The joint development of IT tools is designed to reduce future IT expenses. Further synergies can be leveraged in heavy commercial vehicles following the full acquisition of Scania. As part of the cooperation, Scania's transmission hardware will gradually be implemented in MAN's TGS and TGX series vehicles from 2016. In addition, the intention is for the next generation of Scania's current transmission portfolio to be developed jointly. This partnership is designed to result in components that set global standards in commercial vehicle technology, while safeguarding brand identity.

Pooling strengths with strategic alliances

The Volkswagen Group is systematically pressing ahead with research into and the ongoing development of high-voltage battery systems for electric and plug-in hybrid drives in cooperation with expert battery manufacturers. We continued and intensified these cooperative projects in the reporting period. VOLKSWAGEN VARTA Microbattery Forschungsgesellschaft mbH & Co. KG, which we manage together with VARTA Microbattery GmbH, successfully continued its work and achieved important research results in the field of electric vehicle batteries in 2014.

Our collaborative projects with the Budapest University of Technology and Economics and the Lawrence Berkeley National Lab in California – as well as with other national and international partners – are also in the area of battery research.

We continued our cooperation with Daimler AG in 2014 to produce the Crafter; this arrangement will continue until 2016.

Integrating external R&D expertise

In addition to our own internal development resources, the capacity of development services providers is important for our development process. They will help us to systematically advance our model rollout and to successfully complete projects with the quality we expect and reduced development times in the coming years. The use of development service providers will be coordinated more closely between Group brands in order to benefit from increased economies of scale. We are also constantly expanding our cooperation with subsequent series suppliers in order to be able to tap their expertise in the development phase of modules and components, including at international development sites.

Numerous patents filed

In fiscal year 2014, we filed 6,198 (5,948) patent applications worldwide for employee inventions, almost half of them in Germany. The growth as against the prior year results in particular from the increased number of applications relating to driver assistance and information systems, alternative drive systems and lightweight construction, and once again pays testament to the Company's high innovative ability.

Key R&D figures

The Automotive Division's total research and development costs were up 11.7% year-on-year in the reporting period. Alongside new models, the main focus was on the electrification of our vehicle portfolio, an efficient range of engines and lightweight construction; the proportion accounted for by alternative drive technologies increased again. The capitalization ratio rose to 35.1% (34.2%). Research and development costs recognized in the income statement in accordance with IFRSs increased to €11.5 billion (€10.2 billion). This meant that their ratio to sales revenue in the Automotive Division amounted to 6.5% (5.8%).

On December 31, 2014, the Research and Development function – including the equity-accounted Chinese joint ventures – employed 45,742 people Group-wide (+4.5%), corresponding to 7.7% of the total headcount.

PROCUREMENT

Procurement focused its activities in 2014 in particular on safeguarding new vehicle start-ups, developing new procurement markets and ensuring continuity of supply to production.

Procurement strategy

Our goal to have the most competitive and attractive procurement organization is underpinned by four procurement goals derived from the Group Strategy 2018: first, to actively shape our technical and environmental innovation processes in order to provide market-centric premium quality and innovations at competitive conditions; second, to meet cost targets and ensure the profitability of our products over their entire lifecycle; third, to ensure stable and efficient flows of goods and safeguard global volume growth through the permanent availability and consistently high quality of procured components; and fourth, to create optimal working conditions so that we can continue to raise employee satisfaction and the attractiveness of the procurement function.

We have assigned action areas to each of these goals and derived concrete programs from these. Each program comprises defined measures and responsibilities for all brands and regions which ensure that the procurement goals are achieved and will have long-term benefits. We pool our strengths throughout the Group and take advantage of opportunities across all brands and all regions.

Volkswagen FAST – Future Automotive Supply Tracks

The "Volkswagen FAST – Future Automotive Supply Tracks" initiative was launched together with suppliers in order to strengthen the working relationship we have with them. We will work even more closely and quickly with our most important partners on the strategic issues of globalization and innovation. As a result, our global plans will be coordinated ahead of schedule and innovations will be implemented more efficiently and effectively.

Procurement's process optimization program

The optimization and standardization of our processes and systems for all Group brands and regions was pursued with high priority in fiscal 2014. This enables us to achieve maximum transparency and a high degree of consultation and integration within the Group. In order to ensure the sustainability of these optimization measures, we regularly conduct process and system audits.

The next step will be to strengthen our focus on the interface to suppliers. The goal is also to work together with them on the basis of optimal processes and systems.

RESEARCH AND DEVELOPMENT COSTS IN THE AUTOMOTIVE DIVISION

€ million	2014	2013	2012	2011	2010
Total research and development costs	13,120	11,743	9,515	7,203	6,257
of which capitalized development costs	4,601	4,021	2,615	1,666	1,667
Capitalization ratio in %	35.1	34.2	27.5	23.1	26.6
Amortization of capitalized development costs	3,026	2,464	1,951	1,697	2,276
Research and development costs recognized in the income statement	**11,545**	**10,186**	**8,851**	**7,234**	**6,866**

Supply situation for procured components and raw materials

The supply of procured components to our component and vehicle plants remained stable in 2014, despite a greater number of unplanned events. After the first nine months of the reporting year, the number of major disruptions impacting supply, such as fires, floods and strikes, had already reached the prior-year level. The further increase in production volumes and the need to continuously adapt equipment to meet market requirements also dominated the supply situation. Together with our suppliers, we have overcome all of these challenges and supplied all areas of vehicle production with procured components.

The critical success factors for a secure supply situation are an efficient global early warning system based on continuous big data analyses, the globally available MQB and MLB modular toolkits with alternative sources of supply, the availability of all information on facilities, tool capacities and locations relevant to supply, and the processing of information on local risks.

Processes relating to Technical Development, Quality Assurance, Sales, Production/Logistics and Procurement across the business were further optimized, with the aim of securing capacity and removing bottlenecks. This will minimize response times and speed up troubleshooting.

Good cooperation with our procured component suppliers ensures that we achieve our supply goals. We once again strengthened this cooperation in the reporting period with a supplier symposium.

Over the course of 2014, the global economy registered slower growth with weaker economic signals seen in China, among other places. This also affected the prices for many raw and input materials such as crude oil, steel and rare earths, which stagnated or declined. In addition, the reporting period was dominated by political tensions, particularly in Russia and Ukraine. They had increasingly international repercussions, which were also reflected in prices on the sensitive raw materials markets. In order to counter risks associated with high volatility, specific and more long-term procurement strategies were used and will continue to be used in Volkswagen procurement.

Procured component 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 underpin 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. We hold cross-business area discussions with our suppliers to ensure that supplier training corresponds with Volkswagen’s quality and growth targets. The best practice approaches that we defined together enable us to continually improve and are anchored in common aims. The preventive safeguarding of start-ups is not only enhanced by simulated series production at the suppliers, but also by integrating performance tests across all business areas at various stages of the product development process prior to new vehicle start-ups. This enables us to identify problems related to supply volume and quality in good time and to counteract them.

Developing new procurement markets

Procurement works in 39 locations across 23 countries, ensuring that the production facilities are supplied with production materials of the required quality and amount for the long term and at competitive conditions. This ensures access to the relevant procurement markets against the background of increasing globalization.

In addition to established sources of supply, the number of qualified suppliers in new growth markets such as the ASEAN region is increasing. Our experience working with local suppliers, for example in Pekan, Malaysia, will be carried over into new projects via the regional procurement organization. This is increasing the size of our global supplier base.

Thanks to these approaches, procurement is able to secure a reliable supplier base for new locations quickly and efficiently.

Sustainability in supplier relationships

In the reporting period, we further developed our existing “sustainability in supplier relationships” concept from 2006 by integrating the “Volkswagen requirements for sustainability in relations with business partners (Code of Conduct for business partners)” into contracts with our suppliers. Where justified, we conduct specific sample tests to check our suppliers’ compliance with sustainability standards.

In 2014 we again gave our suppliers intensive training in order to provide them with in-depth knowledge on sustainability, for example through topic-specific discussion events in Argentina, Brazil and Mexico. In Poland, Russia and Turkey, among other countries, our suppliers also received further classroom training, which was held together with other automobile manufacturers. Our own employees are continually informed about and trained on the issue of sustainability in supplier relationships.

We have also continued working with our suppliers on this issue via the Group Business Platform, where an Internet-based training module on sustainability is available, among other things. All suppliers who are registered on the platform are also requested to complete this training module with a final performance review.

In addition, our business partners provide us with information about their sustainability status using a questionnaire available on the Group Business Platform; if necessary, a corporate unit will introduce improvement measures at the supplier.

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. In the reporting period, the purchasing volume – including the Chinese joint venture companies – increased by 7.7% to €145.5 billion. Suppliers in Germany accounted for a share of 36.1% (37.3%).

VOLKSWAGEN GROUP PURCHASING VOLUME BY BRAND AND MARKET

€ billion	2014	2013	%
Volkswagen Passenger Cars[1]	85.5	79.0	+ 8.4
Audi[2]	25.7	23.6	+ 8.8
ŠKODA	7.1	6.5	+ 9.3
SEAT	4.4	3.9	+ 11.8
Bentley	0.8	0.7	+ 24.0
Porsche	5.0	3.7	+ 33.9
Volkswagen Commercial Vehicles	2.6	2.4	+ 6.4
Scania	6.5	6.4	+ 1.6
MAN	7.8	8.8	–10.9
Volkswagen Group	**145.5**	**135.0**	**+ 7.7**
Europe/Other markets	93.4	87.9	+ 6.3
North America	6.3	6.3	–1.0
South America	6.7	8.9	–25.4
Asia-Pacific[1]	39.1	31.9	+ 22.7

1 Includes the Chinese joint ventures.
2 Audi includes Lamborghini and Ducati.

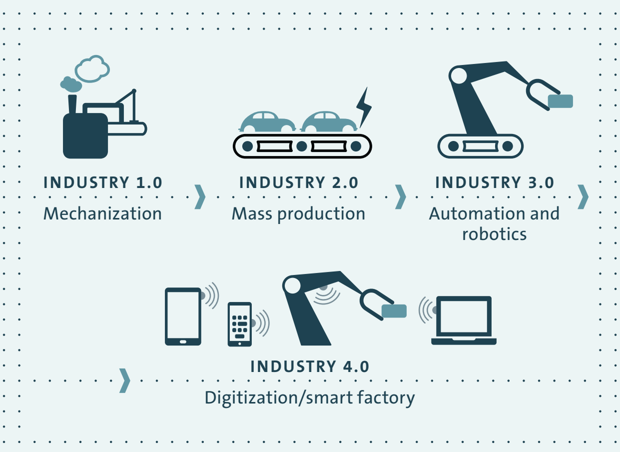
Today is digital

How digitization is changing the automotive industry

Digitization is a megatrend that is increasingly changing the way we work and how we live our daily lives. Cars have become computers on wheels. Engine and chassis management, driver assistance systems, satellite navigation, communications and entertainment are developing at breakneck speed. At the same time car manufacturing is dominated by robots and the networking of machines, systems and people – the smart factory is becoming a reality. The digitization of cars and car manufacturing plays a key role in our "Future Tracks" program. What is at stake nothing less than the opportunity to gain the leading position in the automotive industry where this trend is concerned through leveraging new solutions. As a consequence, we will be able to exert a considerable influence on customer satisfaction, the strength of our products and the attractiveness of our working environment.

The Volkswagen Group invested over €11.5 billion in research and development in the past year, more than any other company. The Group employs 46,000 research and development staff worldwide. Our IT experts now number more than 10,000, because we know the key significance of digitization. Industrial production is entering a new era: the "Industry 4.0" project envisages factories where components travel through the production floor on small computer-controlled carts looking for free machines to process them – without human input. Tools and equipment repair themselves and order their own replacement parts automatically. However, the machines will not just be locally controlled, networked and thus independent. Production will also be integrated with suppliers and sales. Comprehensively equipping all production stages with sensors and flexible manufacturing technologies aims to make it possible to deal with capacity fluctuations in an even more rapid and resource-efficient manner. Customer desires can be implemented with even more customization, under "Industry 4.0". We are already using many of the technologies on which "Industry 4.0" is based in our production process. Driverless transport systems promptly deliver parts, and intelligent tools and machines react to fluctuations and can be analyzed and serviced online. When new technologies have been proven to be reliable and secure in one area, we roll out their implementation in other areas. However, manufacturing under "Industry 4.0" cannot be more expensive: it must help to reduce capital expenditures and ongoing costs. Motivated and well-qualified employees are also the key to success in the age of digital production. There will be an increasing focus on skilled jobs, e. g. machine monitoring and trouble-shooting, maintenance and repair, programming and start-up control, as well as planning and communications.

THE CHANGING FACE OF INDUSTRY

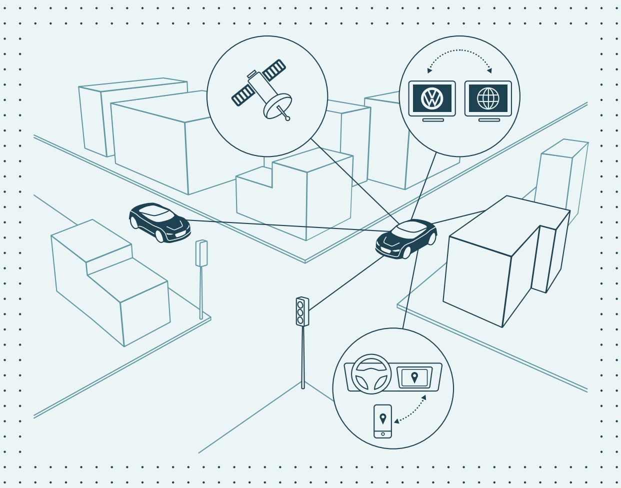


Our sales specialists are taking advantage of the opportunities offered by digitization and are bringing car dealerships back to city centers with the virtual showroom. Audi City has already opened its doors in Berlin, Beijing and London. Innovative media technology is used to show visitors the entire Audi range: they can view a realistic, almost life-size digital depiction of the vehicles on high-end floor-to-ceiling screens – a completely new brand experience.

Digitization is resulting in an unprecedented commercial and technological trend: the share of electrical components in vehicles is considerably higher today than it was only a few years ago, and this shift is set to continue. In cars, digitization makes connectivity possible. It mainly serves to reduce fuel consumption and emissions, but also to increase safety, comfort and driving pleasure. Car-to-x communication, which is due to be launched in the future, comprises car-to-car communication (i.e. the networking of vehicles with each other) on the one hand, and car-to-infrastructure communication (the networking of vehicles with drivers' own devices, traffic infrastructure, the Internet and elements in the surrounding environment) on the other. This will use a wireless LAN standard developed jointly by automotive manufacturers. The local network will cover all devices transmitting or receiving data within a range of several hundred meters. In contrast to a server-based system, the vehicle only communicates with other vehicles and infrastructure elements that are located in its immediate vicinity.

The main focus of car-to-car communication is on improving safety. For example, communication between vehicles makes sure that the driver is warned in good time about the tail end of a traffic jam. The driver can also be notified about the location of an emergency vehicle and its direction of travel. This can enable a rescue lane to be formed earlier. In addition, the driver's vehicle can relay information to the surrounding area about breakdowns, accidents, or critical road conditions. If a vehicle in front brakes unusually hard, this information is relayed to the vehicles behind via an electronic brake light, enabling the drivers to adjust their speed and shortening the time taken to react.

CAR-TO-X-COMMUNICATION



Car-to-infrastructure communication uses specially-equipped traffic lights, roadworks, or other infrastructure elements to display additional information for drivers so as to constantly improve the traffic flow and improve safety. For example, the vehicle receives information from a set of traffic lights about when they will change and uses this to calculate a recommended optimal speed. Approaching vehicles transmit information such as their location and speed to the traffic lights, enabling the lights to change to match the traffic flow. Information about roadworks, such as their length or the current traffic conditions, is included in optimal route calculation. The system calculates weather hazards based on meteorological data from measuring stations and vehicles. It then relays this to other road users, who can adapt their driving or route planning accordingly. Further sources of information tell drivers where to find free spaces in nearby parking lots or warn them of local road closures. If the route passes close to a tourist attraction, it sends this information to the vehicle and invites the driver to make a stop.

In parallel to the driver assistance and safety aspects, the increasing interactivity between the vehicle and its occupants adds a whole new level of comfort. The car is becoming ever more closely integrated with the communications environment of consumer electronics, e.g. smartphones and tablets. Online apps are finding their way into vehicles. The Volkswagen Group's Modular Infotainment System (MIB) forms the basis for this and can be used across brands and series. After the successful launch of MirrorLink, that reproduces smartphone content on the vehicle's display, in 2014, Volkswagen is continuing to work on integrating consumer electronics. The Media Control system introduced in the new Passat is an example of this: the rear passengers can operate all of the key entertainment functions in comfort via their devices, e.g. surf the internet or watch movies, and can even send address book entries and search results to the infotainment system as the navigation destination. We unveiled a further innovation in a concept car: videos can be shown on all tablets in the vehicle simultaneously, irrespective of their physical origin. The soundtrack is not just audible via headphones, but can be played in sync over the car's speaker system. Any device that is connected to the vehicle's wireless LAN can be used as a source. Taking these opportunities further, the following situation is conceivable in the near future: while the owner of a plug-in hybrid is taking a shower in the morning, their car has already communicated with the technology in their house and is charged. It has already switched on the heating or air conditioning, depending on the weather. The driver leaves the house and approaches the car, which recognizes them via their smartphone and opens the door. The seat position is preadjusted, as are the lighting and music. The satellite navigation system has long since received route information from the traffic management system or other vehicles, and sends him on a shortcut to avoid the morning rush hour traffic. The driver has a reminder in their smartphone calendar to do the shopping, so there is naturally a supermarket along the customized route.

As an automobile manufacture we spare no effort in ensuring that we do not carelessly lose control over data access where these new opportunities are concerned. It is of key importance to ensure that our customers' data is kept as safe and secure as possible at all times. This is the condition for these new opportunities to be accepted and leveraged. We carefully review which technologies we can develop in-house, and where we can work together with qualified partners. As a result, the Volkswagen Group is working intensively on developing an intelligent and promising alliance with IT companies, e.g. via the Open Automotive Alliance aimed at integrating the Android platform in our vehicles.

It is both our intention and our commitment to provide compelling responses to all digitization issues via "Future Tracks". The desire for individual mobility is changing, but it remains uninterrupted and is expanding.

PRODUCTION

In fiscal year 2014, the Volkswagen Group again expanded its production network and increased its global production volume by 5.0%, exceeding 10 million vehicles for the first time. Productivity increased by 4.2% year-on-year despite the continuing difficult conditions in many markets. In the South American market in particular, declining volumes impacted productivity trends. However, this was offset by the increasing unit sales in China and the Group's systematic implementation of its production system.

"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, four core objectives were defined. In all Group brands and all regions, a systematic effort was made in fiscal year 2014 to excite our customers, lift the earnings contribution, expand production capacities and make production more attractive to employees. We further developed the 13 challenges that were defined in 2011 so that we will be able to achieve our goals by 2018, and are systematically implementing the measures formulated for each of these challenges. Our strategy ensures that production is prepared for future demands for the long term, by continually improving production processes and connecting them across all of our locations.

Production locations

In November 2014, the Group's latest location in China was opened with the gearbox plant in Tianjin. The Volkswagen Group's global production network thus comprised 118 locations at the end of the reporting period. This figure takes into account a reworked and standardized numbering system, whereby the increase resulted in particular from commercial vehicles. At the end of 2014, the production network consisted of 69 passenger car, commercial vehicle and motorcycle locations as well as 49 powertrain and component sites.

With 72 locations for vehicle and component production, Europe remains our most important production region; 29 of these sites are located in Germany alone. The Asia-Pacific region is playing an increasingly important role, with 29 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.

Since the end of 2014, we have been constructing a new plant in Wrzesnia, Poland, for the Volkswagen Commercial Vehicles brand, 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.

To achieve our ambitious growth objectives for the Chinese market, the foundations for a new vehicle plant in Qingdao with a capacity of 300,000 vehicles a year were laid in November 2014. In addition, a decision was made to expand the capacities of the Yizheng and Ningbo plants by 150,000 vehicles a year each.

In the US market, the Volkswagen Group is systematically working toward achieving the unit sales goal for 2018 of one million vehicles and is further expanding its industrial commitment. Assigning production of the new midsize SUV to the Chattanooga location marks an important step in this direction. In addition, it was decided that the long wheelbase Tiguan will be produced in North America for the US market from 2017.

The growth markets of the ASEAN region are of major importance for the Volkswagen Group. With a population of approximately 600 million and continued rapid economic growth in many countries, this region offers high potential for demand. The automotive markets in Thailand, Indonesia and Malaysia in particular are already well developed; they represent the largest vehicle markets in the region.

Together with our Malaysian partner DRB-Hicom, we have been locally producing the Passat for the Malaysian market in Pekan since 2011. The Jetta and Polo models are also assembled at this location. We are gradually increasing vertical integration at the factory and are reviewing the addition of other successor models.

In Indonesia, we have been assembling six models for the Volkswagen Passenger Cars, Audi and Volkswagen Commercial Vehicles brands locally since 2009, together with our partner Indomobil. The aim is to further extend our involvement, by expanding our product portfolio and increasing vertical integration.

Our Ducati brand has been present in Thailand since 2011. Since the end of 2014, vehicle frames have also been produced and painted at the production facility in Amphur Pluakdaeng; local engine assembly has also begun. This additional factory expansion phase means that six Ducati models are already being produced in Thailand.

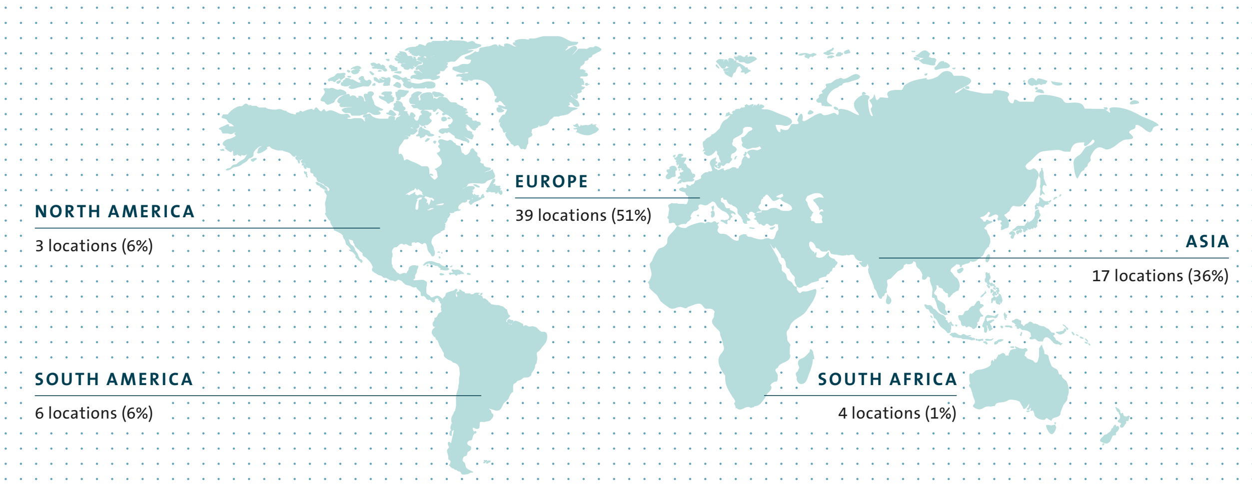
The Volkswagen Group also has a presence in the ASEAN region with its Scania brand through partnerships. In order to take advantage of the region's potential and further expand our market share there, we are examining additional possible alternatives for local production.

New start-ups and production milestones

In 2014, the Volkswagen Group implemented a total of 60 vehicle start-ups in 32 locations across 16 countries; of these, 21 are new or successor product start-ups, while the other 39 start-ups were attributable to derivatives and product upgrades.

In January 2014, production of the new Golf saloon began in Mexico – our third core production location for the new generation of the bestseller alongside Europe and China; production of the Golf Estate followed in December. In February, the start of production of the Golf Sportsvan in Wolfsburg rounded off the Golf family. Series production of the XL1 also began in February in Osnabrück. In addition, we extended the vehicle range at the plant

VEHICLE PRODUCTION LOCATIONS OF THE VOLKSWAGEN GROUP
Share of total production 2014 in percent



in Foshan, China – which started operating in 2013 – to include the Audi A3 Sportback and the Audi A3 Saloon, and at the Ningbo plant to include the ŠKODA Octavia and the Volkswagen Lamando. In addition to the e-up in Bratislava, the start-up in Wolfsburg of the second purely electric series vehicle – the e-Golf – in March marked another milestone. In July, Audi began production of the third generation of the TT in Györ, Hungary. Another significant event for the Volkswagen Passenger Cars brand was the production start for the new generation of the Passat at the Emden plant in August. The same month saw production of the sixth generation of the ŠKODA Fabia start in Mladá Boleslav.

In addition to the new start-ups, there was a lot of start-up activity surrounding gas-powered models for the Volkswagen Passenger Cars, ŠKODA and SEAT brands, as well as for plug-in hybrid vehicles for the Volkswagen Passenger Cars, Audi and Porsche brands.

In the engine and transmission plants, there were over 30 start-ups in 2014 for new and more efficient powertrains and for expanding local production. At the end of 2014, the assembly of 1.5 l diesel engines specially designed for the Indian market began in Pune; the new assembly line has an annual capacity of 100,000 engines. In the Polkowice plant in Poland, production of engines on the basis of the new Modular Diesel System began. The Kassel location has developed a new hybrid transmission and a hybrid module for the Audi A3 e-tron and the Golf GTE. The opening of the new gearbox plant in Tianjin means that Volkswagen is now also able to manufacture next generation direct shift gearboxes in China for the local market.

The Volkswagen Group again celebrated some important anniversaries in 2014: at the beginning of October, the 200 millionth Group vehicle rolled off the production line. In just under 15 years, the number of models produced by the Group has thus doubled (100 million vehicles produced by 1999). At the same time, the 2.5 millionth vehicle was recorded on the Group-wide MQB platform. In February, Volkswagen celebrated the two millionth Tiguan manufactured worldwide. In September, Audi produced its two millionth SUV from the Q3, Q5 and Q7 family. The five millionth SEAT Ibiza left the production facilities at the Martorell location at the end of September. The Volkswagen Group also celebrated two production anniversaries with both of its Chinese joint ventures in 2014. FAW-Volkswagen produced its 10 millionth vehicle and Shanghai-Volkswagen its 12 millionth vehicle since it was established 30 years ago.

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.

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. Consistent construction and design principles that are clearly defined in the form of product standards form the basis for this. We introduced "concept consistency" to enable single-line production of different brands at a single production location. This ensures that common design principles, joining techniques and joining sequences are applied across the brands' development and production areas.

The Group's production system

To help us become the world's most powerful and most fascinating automotive production platform, we must 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 this Group production system throughout the world at all brand and regional locations so as to continually improve for the long term.

We have already made substantial progress toward this. In the future, we will turn our attention 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 reveal action areas that are laid down 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.

The increasing volume and complexity of our models and the size of our production network with its global supplier and customer structures also require maximum performance from logistics. We will meet the increasingly demanding conditions with our cross-brand logistics concept. This concept will enable us to shape all our material and information processes for supplying the production locations and delivering vehicles to our customers even more efficiently across the Group. In addition to internal processes for providing materials to the assembly lines, the focus of our logistics concept is on upstream transportation and logistics processes between the locations and our suppliers, and the transportation chain for vehicles from the factory to customers.

Efficient production

We are committed to reducing the Group's five fundamental environmental indicators by 25% by 2018 compared with 2010. Production is significantly contributing to our becoming the world's most sustainable automobile manufacturer.

We use synergies within the Group to make our production more ecological. In Group-wide environmental working groups we discuss strategic issues, prepare action packages, organize efficient data capture and track the extent to which our goals have been met. We are also planning activities across the brands to train employees in the areas of environmental protection and energy efficiency. Systematically sharing knowledge between the production locations allows us to benefit from our employees' global expertise. Cross-location analysis teams are developing methods to systematically reveal potential.

We document our ecological measures around the world using a system-based program. In 2014 for example, there were over 1,500 energy-related and environmental measures to improve production processes for passenger cars and light commercial vehicles. As a result, we reduced CO_2 emissions by approximately 195,000 t. At the same time, this exchange of best practices shows that we are aligning economics with ecology; these measures save us over €30 million per year.

In addition to the Group-wide activities, the brands also established their own frameworks for ecological restructuring that reflect the specific features of their corporate culture and brand image. For example, the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands are pursuing all ecological measures related to efficient use of resources and lowering emissions in production in their holistic "Think Blue. Factory." program. "Think Blue. Factory." began in 2011 under the motto "More sustainability – less environmental impact" and is part of "Think Blue.", the Volkswagen Passenger Cars brand's holistic initiative promoting ecological sustainability. The ŠKODA brand's "GreenFuture" initiative is an ambitious program to achieve the Group's environmental targets; SEAT calls its program "ECOMOTIVE Factory". Audi established a framework for its commitment to the environment with the "ultra strategy", Bentley launched the "Environmental Factory" in the reporting period, while Scania combined its ecological activities under the concept of "Ecolution", with MAN doing the same under its "climate strategy".

The following examples from the reporting period demonstrate the successful implementation of ecological activities in production:

In the Salzgitter plant, a decentralized chip wringer was installed that will generate annual savings of €400,000. Removing chips from the coolant-lubricant emulsion directly at the production machines saves transportation and disposal costs for the emulsions, which are fed back into the machine after the chips have been separated. A second decentralized system is already being built at the Salzgitter plant.

In the Chemnitz plant we introduced more precise pump control for the cooling lubricant filtration system. This measure not only generates annual savings of 700,000 kWh of energy, but also around €70,000.

The introduction of new factory ventilation technology at the Pune location in India could lead to savings of 430 MWh of energy and 1,500 m^3 of water a year. Simulations were carried out at other production sites, for example with the central factory ventilation technology, and optimally adapted to the production conditions so that interactions can already be taken into account in the planning phase.

At the Polkowice location in Poland, we used energy value stream design for a connecting rod and thus achieved a quickly convertible energy efficiency potential of 10%. This corresponds to annual savings of €39,000.

Energy supplies to our production sites are increasingly generating lower emissions. By using geothermal energy at the Györ location in Hungary, the Audi brand reduces CO_2 emissions by 23,000 t a year. Electrical energy from renewable sources fuels 50% of the ŠKODA plant in Mladá Boleslav, reducing annual CO_2 emissions by 200,000 t.

SALES AND MARKETING

The Volkswagen Group's unique product portfolio comprises twelve successful brands, including innovative financial services, that excite millions of customers worldwide, year in and year out. We further strengthened these brands' unique features and consolidated our excellent market position in 2014.

Brand diversity in the Volkswagen Group

"Volkswagen – Das Auto." More than ever, the goal of the Volkswagen Passenger Cars brand is to offer innovative automobiles of lasting value based on consistently responsible business policies. Customers all over the world associate products from the Volkswagen Passenger Cars brand with quality, reliability and German engineering skill. Brand management always focuses on the wishes of our customers. They are the starting point for developing innovations that are driven by demand while remaining 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.

"Vorsprung durch Technik" is not just a slogan for the Audi brand; 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. Its 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 constant updating – 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 artistry 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 daily 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 transportation solutions based on the highest levels of engineering. The vehicles are tailored to meet the individual transportation needs of customers in retail and craft businesses, 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.

The core values of the MAN brand – and its key success factors – are reliability, innovation, dynamic strength and openness. 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 customers around the world.

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. Thanks to the measures and process improvements we introduced, we were able to further increase satisfaction amongst our vehicle buyers, after-sales customers and dealership partners in the reporting period.

The Group's brands regularly calculate 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.

Customers are loyal to our brands and trust them when we meet, or better still, exceed their expectations of our products and services. The extent of this trust is impressively illustrated by our loyalty figures, which we measure on a regular basis. 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 and raised it even higher in 2014. The loyalty of Audi, Porsche and ŠKODA customers has likewise kept these brands in the upper rankings in a competitive comparison for a number of years.

Structure of Group sales

The Volkswagen Group's multibrand structure helps promote the independence of its brands. Nevertheless, we use cross-brand sales activities to increase sales volumes and market share and increase sales efficiency, while cutting costs and improving earnings contributions.

In the reporting period, we strengthened dealer profitability in particular. This was achieved firstly with cost-cutting programs and secondly by expanding the business volume for each dealer. Our distribution network strategy calls for us to work with strong partners and leverage the potential of all business fields, and this, as well as the difficult economic situation in some countries, led us to restructure 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, as well as creating synergies between the different brands. This allows wholesale companies to learn quickly and efficiently from the Group-wide benchmarking process and from the best practices adopted by individual firms. The central department is instrumental in helping us achieve the goals laid down in the Group's Strategy 2018.

Fleet customer business further expanded

Our relationships with fleet customers are often of a long-term nature. This customer group guarantees more stable vehicle sales than in 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. This allowed us to further consolidate, and in some cases even extend, our well established position in Europe in 2014.

The e-mobility challenge for Group 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. 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, preserving the identities of our brands.

We also provided additional sales and after-sales services to our electric vehicle customers.

Used car business

The used car business is the fourth key source of income in our dealer organization 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. Customer-centric financial services are the basis for attractive product packages. In addition, we further strengthened our proprietary used car brands and rolled them out internationally so as to ensure that our offerings also meet customer needs. Cross-brand activities enable us to implement examples of best practice throughout the Group, benefiting from economies of scale and leveraging synergies.

We established and standardized processes 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 – and this is also in the interest of our customers. We have set up system-based reporting functions for this purpose.

After-sales and service

In after-sales, the timely provision of original parts and individual service are instrumental in ensuring passenger car customer satisfaction. Globally, our service centers do not just guarantee high product quality – above all they offer tailored service solutions for customers of all vehicle classes across all Group brands.

Across the world, our commercial vehicles business also stands for products of the highest quality, along with strong customer relationships. 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. These also include 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. Drive behavior is the key factor affecting operating efficiency, wear and tear of tires and parts, as well as traffic safety. Drivers receive advanced training in even more efficient and safer driving techniques at the Scania Academy. Scania's workshop service and service contracts offer customers a high degree of safety in addition to consistently high quality.

The MAN brand also offers service packages tailored to meet customer requirements to help them reduce their overall vehicle operating costs. These service 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 takes place via the MAN TeleMatics integrated onboard module. MAN ServiceCare enables operators to schedule maintenance work at the most suitable times, increasing the availability of their vehicles.

Dealers' commitment to sustainability

"Think Blue." is the Volkswagen Passenger Cars brand's ecological sustainability policy. It addresses the question of how individual mobility can be reconciled with sustainable practices, among other things. "Think Blue." is contributing to the Volkswagen Group's objective of being the most sustainable automobile manufacturer in the world by 2018.

Integrating "Think Blue." into our business processes continued apace in 2014. The Volkswagen brand has set itself the goal of reducing CO_2 emissions at the Volkswagen dealerships in Germany by 25% by the year 2020. Based on the experiences of German dealers, the global "Think Blue." dealer initiative has set itself the goal of encouraging over half of all dealers in our focus markets to take part.

QUALITY ASSURANCE

The quality of our products and services plays a crucial role in maintaining customer satisfaction across the world. Customers are particularly satisfied and 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 surprise and excite our customers in all these areas and thus win them over with our outstanding quality. We continued to improve our high level of quality in 2014, thus contributing to growth and to increasing the value of the Volkswagen Group.

Volkswagen Group's Quality Assurance consistently focuses on our customers' wishes and integrates them into product requirements. It also ensures that the company, as the manufacturer, and its products comply with all legal requirements. It defines high quality targets and standards and monitors compliance with them. In addition, it identifies the cause of any faults and manages the process for removing them.

Focus on customer wishes

Volkswagen Group's worldwide growth also presents additional challenges for quality assurance. For example, new vehicle projects in individual regions around the world are subject to the widest variety of customer desires. In light of this, identifying specific regional factors and prioritizing them is an important task so that they can then be reflected appropriately in new products and in the production of established vehicle models. Critical factors include the available fuel quality, road conditions, traffic density, country-specific usage patterns and not least local legislation. Outside of Europe, the main focus of Quality Assurance is on conditions in the BRIC markets.

We mainly use market studies and customer surveys to capture the wide variety of customer requirements.

Product and supplier quality

In the reporting period, the large number of product start-ups made high demands on Quality Assurance. We maintained the high quality of the previous years for the Group. Our suppliers also made important contributions to this. We expect sustainable practices from them as well as delivering the highest product quality and reliability of supply.

Innovative technologies that are installed in new vehicles must be established in the markets without any problems. This is why Quality Assurance follows and analyzes these vehicle projects long before customers experience a new product. The aim is to make the product even better and even more reliable, while at the same time successfully implementing as many customer wishes as possible in the new projects and continuing to factor in regional requirements and needs.

In 2014, we continued to standardize our fault removal process, which now enables us to react even faster and better to any vehicle problems – to the benefit of our customers. This increases customer satisfaction and at the same time reduces warranty and ex gratia repair costs for Volkswagen.

Service quality

We also aim to improve the quality of our service offerings worldwide. In 2014, we therefore further optimized the warranty and ex gratia repair instruments. As the direct interface with customers, the dealership operation offers additional starting points: we can identify at an early stage any problems that may be revealed in the emotional moment of vehicle handover and correct them systematically.

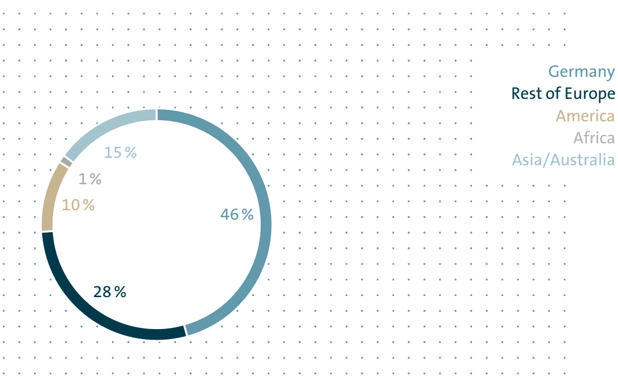
EMPLOYEES

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 top-quality products and ensure our business success.

As of December 31, 2014, the Volkswagen Group, including the Chinese joint ventures, employed 592,586 people, 3.5% more than at the end of fiscal year 2013. Significant factors in this increase were the volume-related expansion of the workforce in the growth markets, in particular in China, and the recruitment of specialists and experts in Germany, among other places. Volkswagen AG, Volkswagen Sachsen GmbH, AUDI AG and Volkswagen Financial Services AG hired a total of 6,926 temporary employees on a permanent basis in 2014. MAN and Porsche took 1,205 temporary employees into their core workforce in Germany.

The ratio of Group employees in Germany to those abroad remained virtually unchanged in the past year. At the 2014 reporting date, 45.7% were employed in Germany.

EMPLOYEES BY CONTINENT
in percent, as of December 31, 2014



Vocational group qualifications

Training programs are organized in the Volkswagen Group 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 vocational group is the home base for employees in a particular specialism, encompassing everyone from vocational trainees, young specialists, trainees, technical specialists, to experts and Volkswagen's top experts. Members develop their expertise in these groups by deepening their skills and knowledge and learning from more experienced colleagues.

Dual vocational training

Dual vocational training, where theory and practice are closely interwoven, provides the crucial basis enabling top-performing teams to meet 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. The vocational group's own experts pass on the knowledge accumulated in the group to the trainees.

The Volkswagen Group has introduced dual vocational training at many of its international locations in the past few years. As of December 31, 2014, the Volkswagen Group had trained 18,459 vocational trainees worldwide in approximately 60 trades and 50 dual study programs. Over three-quarters of all the Group's vocational trainees now learn their trade through dual vocational training.

In October 2014, the Volkswagen Group further extended its collaboration with the Chinese education ministry on vocational training, which began in 2012. In partnership with its Chinese joint ventures FAW-Volkswagen and Shanghai-Volkswagen, Volkswagen will support the development of more teacher training centers, with a view to enhancing vocational training in China. Better qualified teachers and trainers will substantially strengthen vocational trainees' specialist skills, particularly those required in workplace operations.

On completing their vocational training, our young employees have the basic skills required for their trade. They develop their professional skills further during their first specialist assignment following their training and receive support from more experienced experts. Particularly talented young specialists are supported in talent groups. The highest-achieving 10% of trainees in each year group are admitted to this two-year development and training program.

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, 37 Volkswagen Group locations in 19 countries took part in this development program, including for the first time Sant'Agata Bolognese (Lamborghini). In 2014, 51 employees from Germany and eleven from six other countries embarked on their Volkswagen Group Years Abroad program.

Developing university graduates

Volkswagen uses a differentiated approach to support its young academic talent: the Student Talent Bank and the Academic Talent Pool.

Through the Student Talent Bank, Volkswagen seeks to develop 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 entry into 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 a qualified entry-level position in one of the functional areas.

Volkswagen offers the StartUp Direct trainee program to give graduates the best possible start in the Company. Over a two-year period, participants in the program not only work in their own department and familiarize themselves with the Company, but also attend supplementary training seminars. Alternatively, university graduates interested in working internationally can take part in the StartUp Cross program; over a period of 18 months, trainees get to know the world of Volkswagen through assignments in a variety of specialist areas along the value chain and, in addition, they broaden their expertise at different Group locations at home and abroad. Over 3,100 trainees have gained their first experience of Volkswagen in one of these two programs since 2008. In the reporting period alone, Volkswagen AG employed a total of 330 university graduates, around 30% of whom are women.

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 Spain and Portugal. The program was extended to Italy in 2014. The graduates start off in the relevant company abroad before moving to a Group company in Germany for up to 21 months. They may be offered permanent positions after successful completion of the two-year program – 30 promising young engineers were taken on in 2014.

Professional development, leadership and management programs

The Volkswagen Group Academy offers a broad range of qualification routes for specialists and experts. These include personal development programs in addition to general professional development programs and training within the vocational groups. The dual training principle is of key importance here because the best way to continue systematically developing throughout a career is by closely combining theoretical learning with practical application.

At the start of 2014, the Volkswagen Passenger Cars, Audi, ŠKODA, SEAT, Porsche and MAN brands agreed uniform personnel standards for the professional development of future executives and managers in the Group.

A large number of the development programs and selection processes for executives, master craftsmen and managers have already been standardized across all the brands in Germany. The Volkswagen brand alone offered over 190 training programs leading to qualifications for executives, master craftsmen and managers, as well as assessment centers for prospective managers, in 2014. At an international level, the Volkswagen Group Academy ran a total of approximately 60 training programs for executives, master craftsmen and managers, as well as assessment centers for management. These took place in Poland, the Czech Republic, the UK, Spain, Portugal, the USA, Argentina, Brazil, South Africa, India, China and Russia.

Professional development at university level

Within the Volkswagen Group Academy, the AutoUni ensures the availability of specialized academic knowledge. Nine institutes work in conjunction with the relevant vocational group academies and partner universities to design development programs for the Group's experts and top specialists. In addition, a wide variety of professional development formats are designed in order to disseminate the Group's internal wealth of knowledge as well as that of university professors and business experts, and to generate new academic insights.

The AutoUni cooperates with internationally renowned universities, institutes and research centers on a variety of research projects, dissertations and theses. At the end of 2014, more than 500 doctoral students were engaged in research at the various Volkswagen Group companies in Germany, investigating ambitious, Company-related topics.

The AutoUni also provides advice and support to the Volkswagen Group in identifying suitable academic research and education partners.

Advancement of women, family-friendly HR policies

Volkswagen's corporate culture places a very high value on both job and family. For Volkswagen, family-friendly human resources policies are a key success factor along the road to becoming one of the world's leading employers. The Group proposed individual goals to raise the proportion of women at Volkswagen in Germany for the long term as part of a voluntary commitment.

A key instrument is the quota for the university graduates we hire. Volkswagen hires the year's best university graduates in the necessary fields and takes 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, 2014

%	2014	2013
Total vocational trainees	**28.2**	**27.4**
Industrial vocational trainees	21.8	21.4
Commercial vocational trainees	56.2	53.2
Students in traineeship schemes	32.1	31.4
Total management	**10.2**	**9.8**
Management	11.7	11.2
Senior management	8.3	7.9
Top management	5.7	4.8

* Excluding Scania, MAN and Porsche.

Volkswagen aims to attract female students at an early stage: it uses its 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 at Volkswagen.

This increased proportion of qualified women joining the Company will enable us to steadily lift the proportion of female executives in the coming years. The Volkswagen Group is aiming to have 30% women at all levels of the management hierarchy in Germany in the long term. In line with this, the proportion of women increased there from 9.8% in the previous year to 10.2% in 2014. The first cross-brand Management Mentoring Program, designed to support women on the way to management positions, was launched in the reporting period, with 42 participants from the Volkswagen Group in Germany.

In addition, Volkswagen intends to raise the proportion of women among its skilled workers and master-level workers in Germany to 10%. In 2014, 25 women at Volkswagen in Germany took part in the master craftswoman mentoring program. Audi also supports and encourages well-qualified women at master and technician levels in their professional development towards executive level.

Volkswagen specifically targets recruitment of talented women by arranging special work experience days for young women in order to increase the proportion of female vocational trainees in the industrial and technical area from 21.8% to 30% in 2014. The aim of these events is to make training in industrial and technical trades more accessible for girls 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 and offered 2,328 schoolgirls in the reporting period a behind-the-scenes look into careers in the automotive industry.

Volkswagen has offered participation in the Lower Saxony Technikum at its locations in Lower Saxony since 2012. Female high school graduates complete an internship in a specialist technical area and attend university lectures in parallel. In the past two years, 88% of the Volkswagen Technikum participants, 45 women in total, have opted to study technical subjects and nine of them are following a dual study program at Volkswagen.

In addition to hiring and supporting talented female employees, Volkswagen is attempting to systematically improve its employees’ work/life balance. For example, Volkswagen offers a high level of working time flexibility, a range of part-time and shift models, and ways of easing the transition back into the workforce for employees on parental leave. Teleworking and the associated use of new IT and communications technologies allow employees to find their own individual work/life balance.

Another step toward becoming a family-friendly company is the constant expansion of a range of childcare options. The Volkswagen Group’s experience at home and abroad with near-site childcare has been positive – at Volkswagen Financial Services AG or at the Volkswagen Group of America location in Chattanooga, for example. Childcare is also available during school vacations at all the Volkswagen Passenger Cars, Audi, Porsche and Volkswagen Commercial Vehicles locations in Germany.

Performance incentives and bonus arrangements

Systematically encouraging and recognizing achievements and switching to remuneration systems that 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 apply to the entire workforce – from vocational trainees to senior executives. The criteria are underpinned by concrete incentive systems in the remuneration structure.

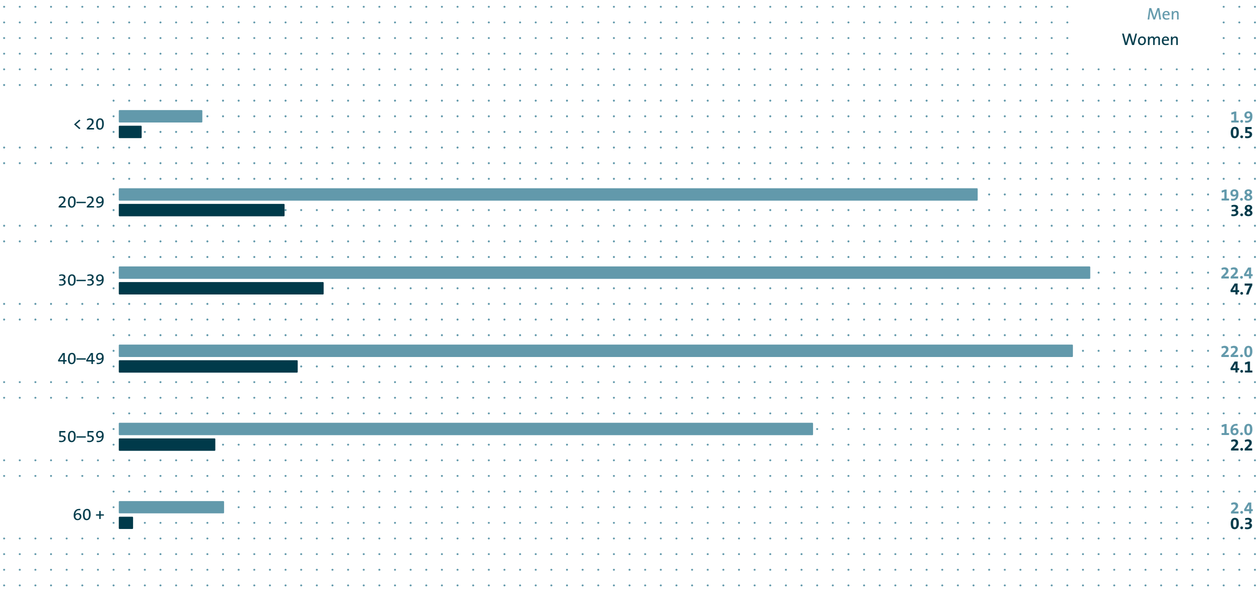
Volkswagen AG’s employees covered by collective pay agreements have a remuneration system that comprises three key elements:

- basic pay in the form of a competitive monthly salary;
- a performance-related pay component that 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.

At the same time, it helps recognize individual achievements and maintain competitiveness. For this reason, it is increasingly becoming standard practice in the Group – at Audi and ŠKODA, as well as at Volkswagen Group of America’s Chattanooga location and Volkswagen de México, among other places.

AGE STRUCTURE IN YEARS OF VOLKSWAGEN GROUP EMPLOYEES
as of December 31, 2014; in percent



Employee participation

Employees can actively help shape the Company by participating in the opinion survey. This uniform, Group-wide employee survey regularly gathers information about employee satisfaction. Following the survey, the results are discussed together by supervisors and employees. Complaints and problems are addressed, as are suggestions on how to better organize work. The measures agreed are then implemented before the next survey. The opinion survey was conducted for the seventh time in 2014. A total of 150 locations and companies in 44 countries were included in the survey. More than 440,000 of the over 490,000 employees invited to participate took part, giving a participation rate of 89% (89%). The sentiment rating is a key parameter for the opinion survey, in addition to the level of employee participation. In 2014, this was 79 (79) out of 100.

The “Volkswagen Way” has been a successful tool for involving Volkswagen AG’s workforce in improving the Company’s efficiency since 2007. It aims 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. As in the previous year, a particular focus for the “Volkswagen Way” in the reporting period was on optimizing overarching workflows. 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 two million ideas since 1949 using the former suggestion scheme and today’s Ideas Management program, saving nearly €3.2 billion at the Volkswagen AG and Volkswagen Sachsen GmbH German locations. 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, solvents and CO_2 emissions.

IDEAS MANAGEMENT IN THE VOLKSWAGEN GROUP*
as of December 31, 2014

	2014	2013
Ideas suggested	463,042	532,053
Suggestions implemented	306,432	412,795
Savings in € million	324.4	312.5
Bonuses in € million	35.2	34.9

* 31 (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, fitness and performance. The check-up is a free, comprehensive medical examination for all employees, who value the high diagnostic quality on offer.

These check-ups have now been introduced successfully at international locations, including Volkswagen in Brazil, Mexico, Argentina and South Africa as well as at the Audi, ŠKODA, SEAT and MAN brands. The range of preventive and fitness options available following the check-ups was expanded and made more systematic in 2014, and their quality has been enhanced.

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 MAN in Munich – complement the holistic approach to health management in the Volkswagen Group. A health campaign was launched at Bentley in 2014 with the aim of promoting healthy lifestyles. The "BeFit" program consists of four components: Weight and Nutrition, Stress and Sleep, a corporate step challenge (counting steps) and a back pain prevention program, as well as workshops and a targeted intranet campaign.

At the same time, Volkswagen uses improvements along the entire product development process 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. The common objective is to combine ergonomically state-of-the-art workplaces and innovative work processes, using a mix of science and practical experience. The deployment of occupational assistants on the production lines means that employees are able to receive advice and guidance directly at their workplace about how to implement their workflows more ergonomically.

Using the Group occupational safety management system, all Group companies covered by it analyzed their existing occupational safety organizations and processes. The results are available throughout the Group in a central database system. This includes the systematic communication of examples of good practice identified 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 transportation and subsistence allowances, affordable housing, monthly childcare allowances as well as subsidies towards selected leisure activities. Additional preventive healthcare services or supplementary pension insurances 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 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.

EMPLOYEE BREAKDOWN[1]

as of December 31, 2014

	2014	2013	2012	2011	2010
Vocational trainees in the Group	18,459	17,703	16,714	15,021	10,545
Industrial	13,577	13,174	12,508	11,249	7,799
Commercial	4,882	4,529	4,206	3,772	2,746
Passive stage of partial retirement	7,129	9,501	7,804	4,488	4,778
Group's active employees	566,998	545,596	525,245	482,447	384,058
Employees	**592,586**	**572,800**	**549,763**	**501,956**	**399,381**
Europe	438,631	424,964	410,427	378,030	290,159
America	59,790	61,796	63,193	58,072	54,571
Africa	6,330	6,356	6,461	6,602	6,546
Asia	86,752	78,672	68,704	58,540	47,607
Australia	1,083	1,012	978	712	498
Percentage of female employees in the Group	15.7	15.5	15.2	14.7	14.2
Female graduate recruits[2] (in %)	30.9	35.3	29.2	30.5	23.6

1 Including the Chinese joint venture companies.
2 Volkswagen AG

INFORMATION TECHNOLOGY (IT)

Increasing digitization and networking, 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 them.

Ensuring that new developments in the application landscape are implemented efficiently at the corporate locations and incorporated into business processes and the sales network 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.

Volkswagen's Data Lab is addressing the trend towards digitization. Its core task is to develop prototypes for innovative IT solutions in order to provide users with tailored products and offerings. This entails road-testing new technologies for analyzing large data volumes (big data) and networking vehicles with their environment. The Data Lab's approach to working is highly networked. It cooperates with the Group's specialist areas such as sales, as well as with external partners. Research institutes including the Ludwig-Maximilians-Universität in Munich and the German Artificial Intelligence Research Center in Kaiserslautern, together with leading technology companies and start-ups all contribute their knowledge.

The growing convergence of production and IT is opening up new opportunities. Big data processes allow machine faults to be analyzed and corrected 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 and test out their plans long before the ground is broken. The Group-wide "Fertigungs-, Informations- und Steuerungssystem" (FIS – Production, Information and Control System) ensures that the right vehicle is built at the right time on the production line. This results in even more efficient, more resource-friendly, even faster production processes.

More and more, customers expect to find innovative communications technology and IT in the Volkswagen Group's vehicles – such as networking the vehicle to the occupants' own devices or to the Internet. Mobile online services, in the new Passat for example, have been greatly extended to meet these customer requirements, setting new standards in their respective vehicle segments.

Data security is a key concern for the Group's IT function. Volkswagen therefore insists on the highest security standards when transferring data between vehicles and data centers. In addition, systematic staff training and the use of state-of-the-art technical tools minimize the risk of unauthorized access to sensitive data.

On the way to becoming the ecological leader

The Volkswagen Group's environmental strategy

Stakeholders have increasingly high expectations of companies, particularly with regard to environmental issues. Global megatrends such as climate change, demand for resources, demographic change and increasing urbanization are all contributing to this trend. The Volkswagen Group also faces these challenges, for example in the form of

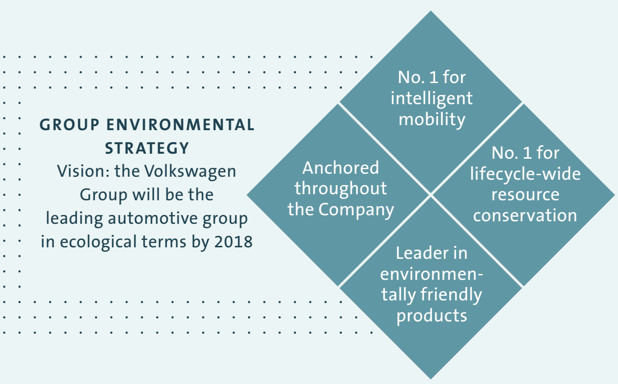
- political backing for tougher environmental standards (global legislation on CO_2 emissions, for example),
- analysts' research reports and investors' decisions that are increasingly taking into account companies' environmental and sustainability performance,
- ever decreasing resources, and
- growing expectations from our business and private customers regarding the environmental features and efficiency of our products.

With its long history of commitment to protecting the environment, the Volkswagen Group is better equipped than most companies to meet these challenges: The first environmental protection department was established as far back as 1971 and environmental management officers at Volkswagen's European locations have been meeting regularly to discuss topical issues since 1976. Since 1998, the Group has held a succession of conferences on environmental issues with participants from all over the world. As one of the largest automobile manufacturers in the world, we are very aware of our special responsibility and have set ourselves ambitious targets for environmental protection.

The Group environmental strategy, which was adopted by the Group Board of Management, provides the framework for implementing our vision of also being the automotive industry leader in ecological terms by 2018. Our commitment centers on four key target areas:

- Number one for intelligent mobility
  The concept of intelligent mobility brings together people's desire for mobility and comfort, protection of the environment and reducing traffic inefficiencies. The concept is based on the efficient interplay of people, infrastructure, technologies and means of transport.
- Number one for resource conservation across the lifecycle
  We take account of our products' environmental footprint across their entire lifecycle. Our central concern in taking this holistic approach 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 with the long-term goal of zero-carbon 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.

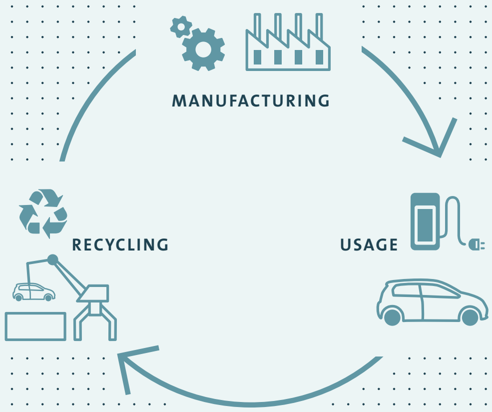
GROUP ENVIRONMENTAL STRATEGY



Through our Group environmental strategy, we make sure that environmental factors are increasingly taken into account in our corporate decision making. An organizational structure comprising six modules – product planning and development, suppliers, logistics, production, sales and marketing and recycling – ensures that all business areas along the value chain are included. The management module entitled "The Company" provides an additional overarching element addressing interconnected issues.

We work together to reduce the environmental impact of our production processes and products. We have set ourselves ambitious targets and identified measures and produced work-packages for every business area. It is extremely important for us to be able to measure the results. We have established Green KPIs (key performance indicators) for every module, and we use them continually to check on progress towards achieving our targets.

THE ENVIRONMENTAL STRATEGY'S HOLISTIC APPROACH



This modular approach along the entire value chain also helps to ensure that we can track a product's environmental impact throughout its lifecycle, from production through the usage phase, down to recycling. Our holistic approach means that we begin our analysis in the vehicle development phase, and then calculate the environmental footprint for a product's entire lifecycle. We are thus able to identify where improvements have the greatest effect and develop targeted innovations.

We have established a clear reporting structure, based on existing responsibilities and reporting mechanisms, to ensure effective and efficient management. The Group officer responsible for environment, energy and new business areas reports at regular intervals on the status of the Group environmental strategy and progress towards achieving goals in specific target areas to the Group Board of Management in its role as the Sustainability Board – the ultimate sustainability committee. This officer also chairs the Group's Environment and Energy steering group, which comprises the individuals with responsibility for these issues in all Group divisions, brands and companies as well as the Group Works Council.

We involve our employees in our environmental strategy by informing them about their targets and about the related procedures. This is a sizable challenge in a company with more than 590,000 employees and over 100 locations. We are increasingly using online platforms to improve information exchange, to network employees with environmental responsibilities and to support training.

Information events and specific training programs are held for management staff, works council members and environment and energy experts at different Group locations. These training programs also encourage participants to exchange experiences and network. The Group's environment and energy experts also meet regularly at conferences and in working groups. In order to offer training tailored to employees' specific workflows, training modules are developed for different areas such as logistics, procurement and production.

We provide training not only for our employees, but also for our suppliers. Through our "sustainability in supplier relationships" concept we ensure that Volkswagen's environmental targets and measures are also taken into account in the supply chain. For example, we provide a digital training module in nine languages on the Group Business Platform, which we make available to all our suppliers.

Our ecological commitment is already recognized worldwide today. The Group's top scores in prominent sustainability and environmental rankings also bear this out. However, this is no reason for us to sit back on our laurels; rather it spurs us on to defend and strengthen our leading position and implement our vision of becoming the leading automobile manufacturer in ecological terms too.

FURTHER INFORMATION ON THIS TOPIC
www.volkswagenag.com/sustainability

ENVIRONMENTAL MANAGEMENT IN THE GROUP

We aim to be the leading automotive company in ecological terms as well by 2018. To help us achieve this goal, we agreed our Group environmental strategy encompassing all of our environmental protection activities at the end of 2013.

The modular structure of this Group environmental strategy focuses on our value chain and involves all business areas. We have established ambitious, measurable targets in these areas and are pursuing them systematically. This includes reducing CO_2 emissions from our European new car fleet to 95 g CO_2/km by 2020 as well as designing each new model generation to be 10 to 15% more efficient than its aiming to place us at the forefront of creating environmentally friendly products.

Another target area in our environmental strategy specifies that we are further extending our efforts to conserve resources across the entire lifecycle of our products. We plan to reduce CO_2 emissions, energy consumption, water consumption, waste for disposal and organic solvents in the production process. By 2018, we aim to have reduced these five key environmental indicators for every vehicle produced throughout all of the Group's locations by 25% when compared with 2010. The charts on page 146 show clearly that we have already made considerable progress towards reducing all five of these key indicators, which are measured in accordance with the internal VW standard 98.000 in force across the whole Group.

We have also established environmental targets for the logistics, sales and marketing areas. Beginning in the reporting period, Volkswagen has been a member of the Clean Shipping Network, an association of marine cargo owners, and is represented on its management board. We will use the Clean Shipping Index in future as an assessment tool to analyze and reduce the environmental impact of marine shipments. We are also successively involving our dealerships in reducing emissions. For example, in 2014 Porsche launched a sustainability initiative to support its dealerships, with a view to improving energy efficiency in existing Porsche centers and designing new centers to be as efficient as possible.

The concept of "intelligent mobility" in the environmental strategy addresses future mobility solutions. This is where our drive to reduce inefficiencies, satisfy our customers' mobility and comfort requirements and promote environmental protection all comes together. The concept is based on the efficient interplay of people, infrastructure, technologies and means of transport.

In light of the global trend towards urbanization, for example, vehicle noise reduction is also increasingly becoming a priority. We are not only developing ever quieter vehicles; we are also committed to reducing overall traffic noise. We therefore developed a noise level tool in collaboration with the prominent firm of Lärmkontor GmbH, Hamburg. The tool measures noise pollution in particular and illustrates how much noise is "perceived" by how many of the city's inhabitants – depending on the noise reduction measures selected.

Anchoring environmental aspects firmly within our organizational and decision-making processes is essential to achieving our ambitious targets. The Group's environmental management system has been in place for many years and provides the basis for ensuring that these aspects are taken into account. The Group's environmental policy is a key component of this. It is based on the Group's environmental principles that are in force worldwide. The environmental targets for technical development are also firmly 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 current reporting year. An energy management system that was introduced successively into all locations from 2010 has been awarded ISO 50001 certification since 2012. In addition, Volkswagen's German locations have voluntarily participated in the European Union's Eco-Management and Audit Scheme (EMAS) since 1995. We have taken part in a growing number of environmental certification schemes since then, with the result that our locations worldwide as well as technical development have received certification under international standard ISO 14001, and additionally under ISO/TR 14062 since 2009.

The fact that environmental issues are firmly anchored within the Group is also reflected in the way that ecological aspects feature in all our employees' thinking and actions – another target field in our environmental strategy. We pool and make use of all our employees' skills and expertise in the area of environmental protection across brands and regions. Making sure that employees are well informed and attain qualifications is an important condition. For this reason, we employ environmental and energy management officers around the world, who help to build a broad basis for environmental protection within the Group.

Intelligent mobility

Mobility, like energy, is a key condition for economic growth and sustainable development. As the global population increases and at the same time more and more people enter the middle classes, demand for mobility will also keep on growing in the future. The challenge will be to meet growing this demand despite the ever-decreasing availability of resources. Mobility must therefore be designed to increase efficiency and minimize waste, but at the same time we must not lose sight of other crucial aspects such as safety, access to mobility, or air quality. The solution must surely be to combine efficiency, resource conservation and individual transportation pleasure.

This applies not only to energy use but also importantly to the space required for mobility, especially in urban areas. The continuing trend towards urbanization means that more and more people live in places with limited space available for infrastructure. Given the wide variety of mobility needs and local conditions, one possible solution alone will not be enough. Volkswagen is therefore working on a variety of approaches, from innovative vehicle concepts right through to research into innovative urban developments such as Micro-City. However, these solutions can only be fully effective if they are networked together at the right time and in the right place. They require the efficient interplay of people, infrastructure, technologies and means of transport. Volkswagen calls this "intelligent mobility". Volkswagen has been addressing this issue in related research projects for over 20 years. In addition to analyzing traffic and mobility developments, the work focuses on specialist strategic advice – both within the Group and in open discussions with external stakeholders.

Volkswagen is currently working on concepts and concrete solutions with 14 other companies from different sectors in six cities across the world within the framework of the World Business Council for Sustainable Development's Sustainable Mobility Project 2.0 to develop pragmatic approaches to the challenges posed by sustainable mobility.

Another current discussion platform is "Urban Mobility 2030", a film showing effective traffic solutions in their relevant context from both a traffic management and the individual user's perspective.

The third aspect of our mobility research is the trialing of "demonstrators". One example is the digital "Intersection Pilot" used in the UR:BAN (Urban Space: User oriented assistance systems and network management) research project funded by the German federal government, which uses intelligent traffic lights to improve traffic flow at intersections. It has already proven to be effective in trials during the reporting period.

Modern information and communications technology plays a key role in intelligent mobility. Having more comprehensive information available at all levels makes for more efficient planning, decision making and driving. This applies to the information exchange between traffic lights and vehicles, for example when the "Intersection Pilot" improves traffic flows at intersections, just as much as to the provision of up-to-the-minute information on alternative routes, and is equally useful to the organizations that operate or plan transportation systems and infrastructure projects.

Another key technology, automated driving, will open the way for a wide variety of new solutions that will make a difference to both stationary and moving traffic.

Climate protection

Climate protection presents one of the greatest challenges to our society. Volkswagen Group, with over 100 locations across the world and producing more than 10 million vehicles in 2014, has a particular responsibility in this area. Our Group environmental strategy enables us to meet this challenge. It applies not only to the products and manufacturing processes in our own production facilities, but also throughout the supply chain, logistics processes and recycling initiatives – in other words, to the entire lifecycle of our products.

We take account of climate change and the resulting risks and opportunities in all of our strategic decisions. To achieve this, we have established committees such as the CSR & Sustainability Steering Group, the Environment & Energy Steering Group and the Group CO_2 Steering Group. A key instrument for us is the "CO_2 Registry" management and analysis tool, for example, that enables us to analyze every one of the Group's vehicle projects over the entire vehicles lifecycle with regard to their CO_2 emissions. The Registry is based on the targets for CO_2 savings derived from our Group environmental strategy.

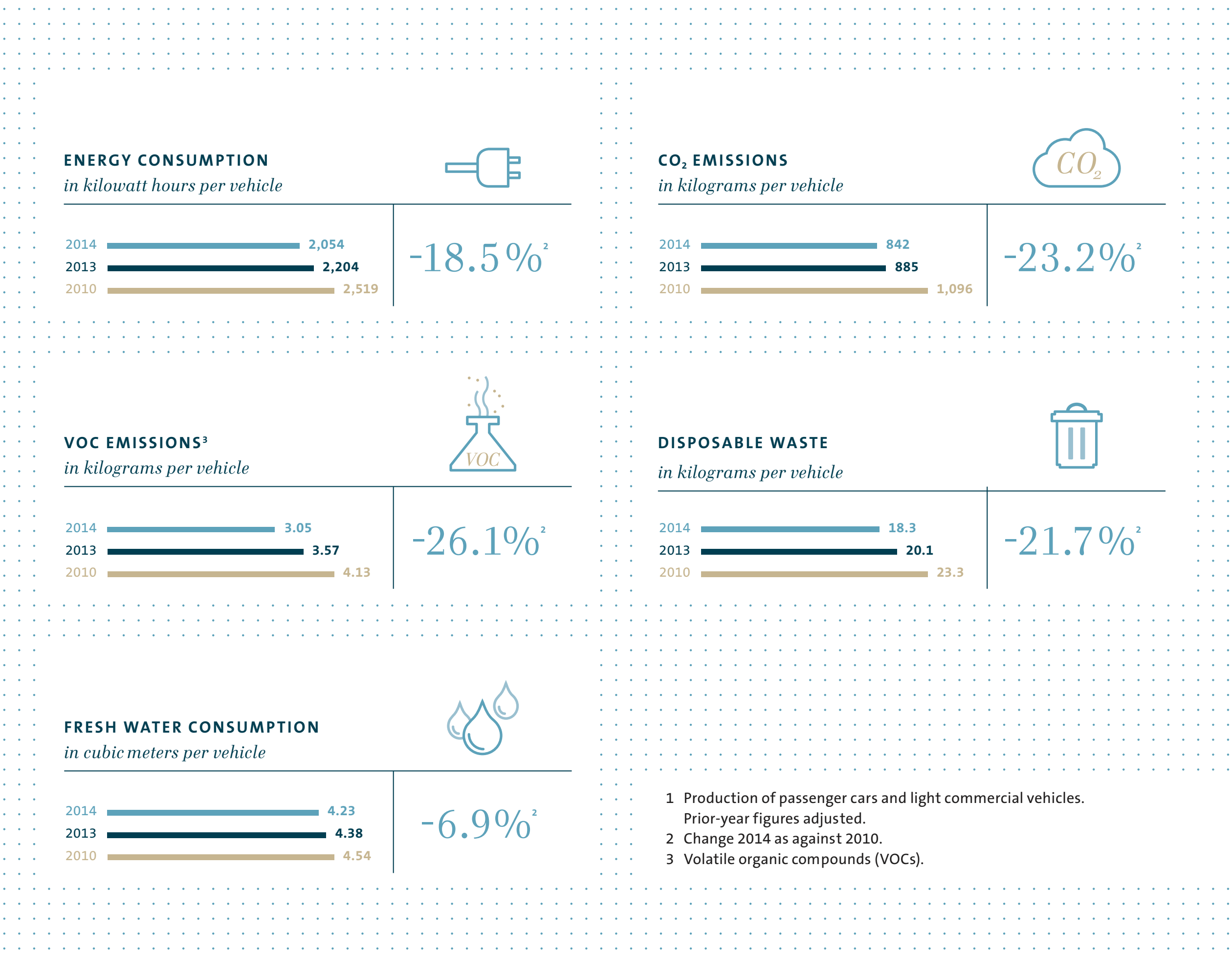
Strategy development in the area of climate protection is prepared and supported by technical discussions with international scientific experts (for example, representatives of the International Energy Agency) and other stakeholders (for example, the World Business Council for Sustainable Development).

Water management

Water is not just a means of subsistence, but also a means of production and a source of energy. In automobile production, it is impossible to avoid using water – in washing processes in mechanical manufacturing or for cooling, for example. Volkswagen is aware of its responsibility and uses this valuable resource with care. This is also laid down in the Group's environmental principles: three of the 22 environmental principles for production relate directly to the issue of water.

Water was a top priority issue for the Volkswagen Group in 2014. The Group environmental strategy forms the basis for ensuring that fresh water consumption is taken into account across a vehicle's entire lifecycle. For example, we started by prioritizing the Group's locations according to the importance of water to their production processes. This involved checking whether they were located in areas at risk of water scarcity and how secure their water supply was. The aim is to identify measures to help increase the security of supply for a production facility and its surrounding area. This includes on-site measures, such as water-conservation processes, for example, as well as external projects, such as reforestation to boost groundwater regeneration or the renaturation of river courses. The fact that water consumption throughout the Group has fallen by 6.9% per vehicle produced since 2010 testifies to the success of these activities. Water was also the key issue in 2014 for the "Think Blue.Factory." initiative. Among other brands, the Volkswagen Passenger Cars brand made a substantial contribution to reducing water consumption, as shown in the following examples.

KEY ENVIRONMENTAL INDICATORS IN THE VOLKSWAGEN GROUP [1]



1 Production of passenger cars and light commercial vehicles. Prior-year figures adjusted.
2 Change 2014 as against 2010.
3 Volatile organic compounds (VOCs).

At the Osnabrück facility we have reduced our environmental footprint by using waste water and saving fresh water. Instead of replacing water lost through evaporation during spray painting washout with fresh water as we used to do, we now make up the evaporation loss with the waste water from the pretreatment plant. This measure reduces the paint shop's water consumption by approximately 160 liters for every vehicle produced.

The MAN production facility in Munich uses water from its own well to cool production areas and buildings. By managing and fine-tuning operations to use water only as needed, the amount of water needed for cooling was reduced by some 300,000 m³ in 2014. This also results in a saving of around 9,000 kWh of electricity to operate the water cooling pumps.

At the Curitiba production facility in Brazil, a simple technical solution enables us to save 18,000 m³ of water a year – the factory's sprinkler systems have to be tested regularly. As of this reporting period, pipes and storage containers are now used to collect the water that previously went to waste and it is then used in cooling processes.

In addition to process optimization, a strong network for the people charged with this responsibility is an important condition for identifying improvement opportunities and making greater savings. That is why we held a two-week workshop for representatives of Shanghai-Volkswagen, Volkswagen Group China and the Group's environmental department in July 2014, which included visits to several Group locations to look at water management, among other things.

Lifecycle assessment

Cutting fuel consumption, and the resulting reduction in emissions, are important measures towards improving the environmental performance of our vehicles. However, these on their own do not reduce a car's environmental impact to a minimum. After all, this does not begin when it starts being driven by the customer. The materials and components must first be manufactured and the raw materials produced – and this long before the wheels of a new car turn for the first time.

In order to reduce the environmental impact of a vehicle, the entire product lifecycle is taken into consideration when vehicles are being developed. 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.

Volkswagen produces lifecycle assessments – or environmental impact studies – in accordance with ISO standards 14040 and 14044 to achieve this. Using these, we determine where improvements have the greatest effect and develop innovations that target these points directly. We call this approach lifecycle engineering.

We keep our customers, shareholders and other interested groups informed about the success stories of our environmentally responsible vehicle development and lifecycle assessments. The Volkswagen Passenger Cars brand uses the term "environmental ratings" when it publishes the ecological advances in new vehicle models compared with their immediate predecessors, while Audi publishes this under the heading of "environmental footprint". For the communication to be credible, it is important that the results and evaluations meet internationally recognized quality standards and are transparent, comparable and understandable. In order to ensure this, the results of the lifecycle assessments are reviewed, confirmed and certified by independent experts, in accordance with the requirements of ISO 14040.

Recycling

Recycling plays a major part in conserving resources. Using recycled materials eliminates the production and manufacturing costs for new raw materials. Recycling is an integral part of vehicle development at Volkswagen, which means that new Volkswagen vehicles can be 85% recycled and 95% re-used. In order to realize the economic potential of this resource after a long vehicle life, Volkswagen is involved in developing state-of-the-art technologies for recycling older vehicles and their parts. Other examples in addition to the patented, award-winning VW-SiCon process for the treatment of shredder residues are the LithoRec (lithium-ion battery recycling) and ElmoReL (electric vehicle recycling – key components in power electronics) research projects into recycling components from electric vehicles.

Other examples that combine ecological benefits with economic utility include the use of recycled materials in new vehicles as well as the manufacture of reconditioned exchange parts. New vehicles from the Volkswagen Passenger Cars brand, such as the new Passat, currently consist of about one-third recycled materials.

Volkswagen Passenger Cars brand's Genuine Exchange Parts program is continually being expanded. In the first six months of 2014 alone, nearly 500 new exchange part numbers were added to the program. The catalog including the acceptance criteria for returns, is now available in 22 languages. The advantage to the customer is that genuine exchange parts offer the same quality, functionality and warranty but are on average 40% cheaper than the corresponding new parts. The program benefits both customers and the environment: remanufacturing engines alone saves around 7,000 tonnes of steel every year. Our experience with remanufacturing dual clutches shows that mechanical wear and tear in many components is much less than in earlier manual gear units. This means that many more components can be re-used – cutting CO_2 emissions and at the same time delivering economic benefits to customers.

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. Maintaining biological diversity is one of the greatest challenges of our time. The United Nations has therefore declared the current decade to be the "UN Decade on Biodiversity".

Volkswagen has pursued the goal of protecting biodiversity since 2007. In a mission statement, Volkswagen has committed to support the protection of species at all of its locations. The Group makes its contribution to protecting biological diversity above all through its commitment to reducing greenhouse gas emissions and increasing the efficiency of materials and resources.

As a founding member of the Biodiversity in Good Company e.V. initiative, Volkswagen has also committed to setting up a biodiversity management system and to helping achieve the targets established by the Convention on Biological Diversity. To ensure that this responsibility is met, Volkswagen has appointed a biodiversity officer and defined the protection of biological diversity within its environmental management system. At a total of 32 sites for the Volkswagen Passenger Cars, Porsche and MAN brands, we worked with an insurance company to prepare studies outlining production-related risks to biological diversity. Volkswagen supports networking between the various players in the fields of business, politics, society and academia, with a view to increasing public awareness of biodiversity conservation and to increase knowledge about the issue. Volkswagen was again represented on the management board of the Biodiversity in Good Company e.V. in 2014 and was involved in managing the wide variety of activities undertaken at national and international level.

We are continuing our cooperation with the Nature and Biodiversity Conservation Union (NABU), the main environmental organization with the largest membership in Germany. One of the projects we established jointly was the German Moor Conservation Fund, funded by Volkswagen Financial Services to the tune of €1.6 million, which has already sponsored 13 moor rewatering projects. As carbon sinks, moors play an important role in climate protection. This commitment was designated as an official project in the "United Nations Decade on Biodiversity" in 2014. As a partner in nature conservation, Volkswagen also supported NABU's renaturation of the Lower Havel river. More than 1,000 animal and plant species are threatened with extinction in this, inland Central Europe's largest and most important wetland area. Volkswagen and NABU also worked together on their joint "Willkommen Wolf!" wolf conservation initiative in 2014. This project aims to increase acceptance of this wild animal and support its return to Germany, where it was once hunted to extinction.

The Volkswagen Group supports nature conservation and the protection of species diversity at its international locations – and further afield. One new addition to the list of projects already up and running is the initiative launched in 2014 at our Urumqi location in the Chinese province of Xinjiang. Volkswagen is sponsoring research into biodiversity in the area around the Tarim River. The "Think Blue.Nature." conservation and species protection project in Mexico was also launched in April 2014. This project is located in a biodiversity corridor in the eastern Sierra Madre that extends over four million hectares and is home to around 650 endangered species. Volkswagen de México is also the country's largest private sponsor of biodiversity research ("Por amor al planeta").

External environmental awards

The Volkswagen Group and its brands received numerous awards for environmental protection and sustainability projects in 2014. Here are some examples:

Not one, but two cars in the Volkswagen Passenger Cars brand received the accolade of "most environmentally friendly vehicles" in all classes in 2014 from AUTOTEST, the magazine for car buyers published by AUTO BILD, and ÖKOTREND, the independent environmental research institute. The eco up! took first place in the small car category and the Passat 1.4 TSI EcoFuel was the winner in the upper midsize category. Fuel consumption and CO_2 emissions were not the only deciding factors – the jury also took account of the Company's environmental impact and its ecological and social responsibility efforts.

The "Green Truck 2014" award from specialist journals "VerkehrsRundschau" and "Trucker" went to the Scania G 410 with Euro 6 technology in March 2014. As the best performer in terms of consumption and emissions, the G 410 headed the environmental ranking by a large margin.

The MAN Lion's City GL CNG received the "Bus of the Year 2015" award in the Bus Euro Test. The low-pollution, climate-friendly articulated bus with Euro 6 technology impressed the jury of European trade journalists. Fueled by biogas or e-gas, operation of the bus is close to carbon neutral. The vehicle concept also contributed to its high rating: as the only five-door on the market, it ensures optimal passenger flow and short stop times.

In April 2014, Audi received a DEKRA report on the calculation of its carbon footprint, which was certified in accordance with ISO 14064. The report confirmed the emissions calculated for the entire lifecycle of its models. Audi can use the carbon footprint to make its company-wide greenhouse gas emissions more transparent and subsequently analyze them more accurately and reduce them.

The Volkswagen Group received the "Gold Medal Award 2013 for Sustainable Development" in May 2014. The non-profit World Environmental Center recognized Volkswagen's achievements in sustainable development and environmentally-conscious business practices with the prize. The jury highlighted the Volkswagen Group's understanding of sustainability as a strategic goal and its exemplary implementation.

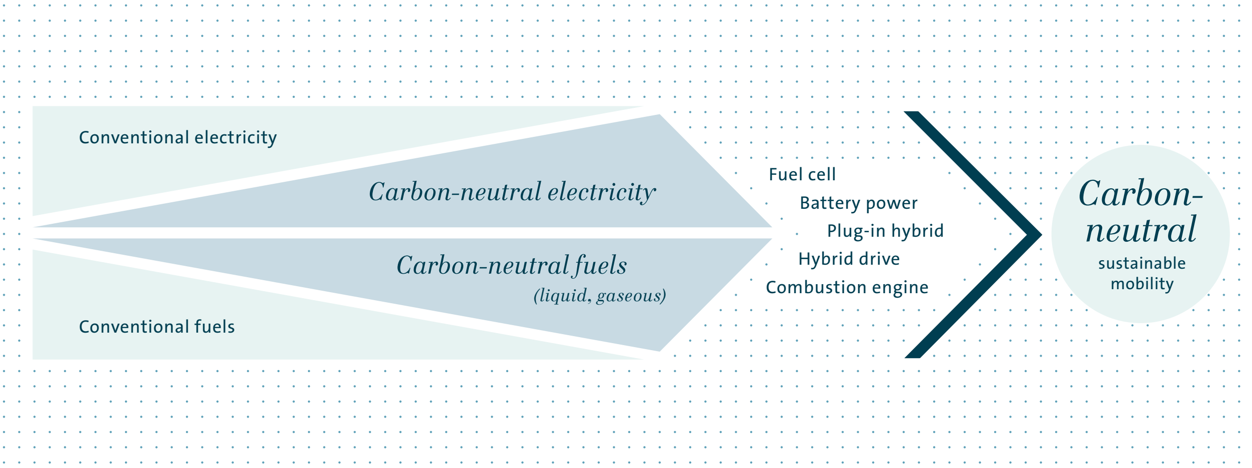
Audi was voted the most sustainable company in the "Sustainability Image Score" sustainability rankings produced by consultancy Facit Research. The annual study is based on a survey of German consumers. In 2014, a representative sample of more than 8,000 consumers rated 104 companies in 16 industries. Audi led the rankings in all three aspects of sustainability – economic, environmental and social.

The Volkswagen Passenger Cars brand was also acknowledged for its holistic economic, environmental and social responsibility, receiving the "Nachhaltigkeitspreis 2014" (Sustainability Prize 2014) with a "Gold" rating. The Germany-wide survey was conducted by "DEUTSCHLAND TEST", "FOCUS MONEY" and consultants Faktenkontor. Volkswagen Passenger Cars received the highest rating of 37 automobile brands. It scored particularly highly for economic responsibility, meaning the brand's commitment to economic success and hence stable employment.

Volkswagen Passenger Cars' "Think Blue. Factory." environmental program won the "National Energy Globe Award Germany" in July 2014. The careful use of resources in production was one of the key factors in the program being voted the country's best environmental project. The prize has been awarded annually to regional, national and international environmental projects under the auspices of the Energy Globe Foundation since 1999.

The Volkswagen Group received the 2014 policy award in the Corporate Social Responsibility category for its strategic partnership with the Nature and Biodiversity Conservation Union (NABU). The politik & kommunikation magazine awards the prize each year for the best political, public and social campaigns and innovations.

THE ROAD TO CARBON-NEUTRAL MOBILITY



Fuel and drivetrain strategy

It is expected that, by 2018, 90% of the Volkswagen Group's vehicles will be sold in markets that have statutory limits on new vehicle fleet greenhouse gas emissions. Meeting this ambitious target will require significant funding for measures to reduce CO_2 emissions in conventional drive systems and for the development of electric vehicles. The Volkswagen Group invested €11.5 billion in research and development in the past year. The majority of this was spent on green technologies, a major long-term investment that is already bearing fruit: the Group's new vehicle fleet in the EU emitted an average of approximately 126 grams of CO_2 per kilometer in 2014, meaning that we are already under the 2015 European limit of 130 grams of CO_2 per kilometer.

The Volkswagen Group's fuel and drivetrain strategy is paving the way for carbon-neutral, sustainable mobility. We are pursuing the goal of increasing drive system efficiency with each new model generation, irrespective of whether these 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 and their increasingly personalized mobility requirements. This will expand the portfolio of different drive systems and will also lead to a future situation where traditional drive systems coexist side-by-side with e-mobility.

The Modular Transverse Toolkit (MQB) is already designed so that the full range of drive systems can be deployed and flexibly mounted at product lines across our global locations – bumper to bumper.

From today's perspective, the combustion engine looks set to serve as the broad basis for drive technology in the coming years. This is particularly true for potential growth markets such as Russia, India and the Far East. Given the need to use 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. The primary contributing factors here were the introduction of BlueMotion Technology in our TDI and TSI engines, engine management and our innovative direct shift gearboxes (DSGs), lightweight construction and aerodynamic design.

i SUSTAINABILITY IN THE VOLKSWAGEN GROUP
www.volkswagenag.com/sustainability

Natural gas engines play a key role in the drivetrain portfolio. As a rule, they emit around 25% less CO_2 than petrol engines due to the fuel's chemical properties, something experienced by customers who are driving our natural gas vehicles such as the eco up!, Golf TGI, or Audi A3 g-tron. Natural gas is also being used as an economical 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 of achieving the required energy density and thus the desired range. Better infrastructure is needed for natural gas to be widely used as a fuel. For example, fuel station networks have only been sufficiently developed in certain countries.

We are expanding our traditional range of engines through drivetrain electrification. The number of drivers travelling predominantly short distances is growing. These include commuters and residents of cities, but also delivery vehicles in urban areas. The population shift towards urban areas is continuing, and by no means is this limited to just the burgeoning megacities of Asia and South America. Pure-play electric vehicles like the e-up! and e-Golf are emission-free when driven locally, and are thus of particular interest to customers whose everyday driving covers short distances. Opportunities to charge batteries 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, the majority of customer also want to take their vehicles on longer journeys in addition to driving short distances. 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 short- and long-distance driving 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 2013, we launched the first plug-in hybrid-drive vehicles onto the market – the Porsche Panamera S E-Hybrid, the Porsche 918 Spyder and the limited run XL1. With the launch of the Golf GTE, the Audi A3 Sportback e-tron and the Passat GTE in the reporting period, we unveiled the first plug-in hybrids to be based on the MQB.

The modular toolkit strategy is one of the Volkswagen Group's key advantages. We are not just realizing substantial synergies through implementing the modular toolkit, we have also designed the vehicle architecture so that all drive system types can be integrated flexibly and economically. This is particularly true of the MQB-based vehicles, i.e. the upcoming Polo through the Audi A3 down to the Passat. For example, these models can draw on a standardized plug-in hybrid system comprising a highly efficient TSI engine, an electric motor, our compact six-speed direct shift gearbox 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, Ingolstadt and Leipzig.

The battery is the heart of an electric vehicle and its storage capacity is the deciding factor in determining the vehicle's range. The technology currently used in pure electric and plug-in hybrid vehicles uses lithium-ion cells. We assemble these into battery systems at our plant in Braunschweig. Work is currently ongoing to develop solid electrolyte-based battery types with a higher energy density, which will also meet higher safety standards. 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.

Hydrogen will not be widely available as a fuel in the medium term. In contrast to natural gas, adequate distribution infrastructure is not yet available. Both hydrogen filling stations and renewable hydrogen production plants have to be constructed from scratch. Volkswagen has been working on fuel cell technologies for over 15 years and has gained extensive experience operating a test fleet. The MQB has already been adapted for fuel cells, as demonstrated by the Golf Variant HyMotion concept car launched at the Los Angeles Auto Show 2014. 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, and have provided our employees with training on the new technology via a major training program.

"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.

REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no significant events after the end of fiscal year 2014.

Report on Expected Developments

The global economy is expected to continue its growth trajectory in 2015, still driven by the rapidly growing emerging markets of Asia in particular. Many automotive markets are also slated to expand further in 2015. The Volkswagen Group intends to capitalize on this trend by building on the strength of its brand diversity, pioneering technologies and global presence.

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 economy will grow slightly faster in 2015 than in the reporting period. We anticipate that the emerging economies of Asia will record the highest growth rates. We expect to see signs of recovery in the economies of the major industrialized nations, though the rates of expansion will remain moderate.

We believe that the global economy will continue growing in the period 2016 to 2019.

Europe/Other markets

In Western Europe, the economic recovery is expected to continue in 2015. However, the upturn remains contingent on structural problems being resolved.

The situation of the economies in Central and Eastern Europe should remain stable, depending on how the conflict between Russia and Ukraine evolves. We expect clearly negative growth in the Russian economy in 2015.

In 2015, the South African economy will probably continue to suffer the effects of political uncertainty and social tensions resulting primarily from high unemployment levels, though the pace of growth should nevertheless accelerate somewhat once again there.

Germany

We are confident that Germany's solid economic development will be sustained in 2015 at the prior-year level with stable growth rates. The situation in the labor market is also expected to remain positive.

North America

We expect economic activity in North America to continue to pick up in 2015, with economic growth in the USA and Mexico gathering momentum compared with the prior year.

South America

In Brazil, we anticipate that GDP growth will recover somewhat in 2015 compared with the previous year. Argentina's economy may contract further in 2015 on account of the persistently high inflation and the muted business climate.

Asia-Pacific

Economic growth in China is set to remain at a high level in 2015. We expect a year-on-year improvement in Japan's GDP growth in 2015. In India, we estimate that following a recent slight improvement the pace of expansion will stabilize at around the 2014 level. Economic growth in the ASEAN region is set to see a slight improvement in 2015 compared with the previous year.

TRENDS IN THE PASSENGER CAR MARKETS

In 2015, we expect to see mixed trends in the passenger car markets in the individual regions. Overall, the increase in global demand for new vehicles will probably be slower than in the reporting period.

The Volkswagen Group is ideally positioned to deal with the mixed developments in the global automotive markets. Our broad, steadily growing product range featuring the latest generation of consumption-optimized engines as well as a variety of alternative drives gives us a global competitive edge. We are pursuing the goal of offering all customers the mobility and innovation 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 2016 to 2019.

Europe/Other markets

In Western Europe, we are predicting a slight increase in demand for automobiles in 2015 after the downtrend came to an end in the reporting period and growth was recorded for the first time in the wake of four years of decline. Pre-crisis levels are not expected to be reached in the medium term, however. The ongoing debt crisis will 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 at a modest pace, while in the United Kingdom we anticipate that the market volume will be just below the high level seen in the reporting period. In France, we are forecasting stronger growth than in 2014 thanks to a state subsidy for scrapping used diesel cars that will apply from 2015.

In Central and Eastern European markets, demand for passenger cars in 2015 is likely to be down considerably year-on-year, mainly due to the Russian market, which is slated to fall short of the prior-year level as a result of the political crisis. By contrast, we expect to see further growth or volumes remaining at the previous year's level in many Central European markets.

After a weak 2014, we are projecting that the volume of the South African automotive market will remain level with the previous year in 2015.

Germany

In the reporting period, the German automobile market curbed its downward trend and recorded growth. We expect demand to edge up in 2015 provided the economic conditions do not deteriorate.

North America

In 2015, we expect that the market for passenger cars and light commercial vehicles (up to 6.35 t) in the USA will benefit from the situation in the labor market and attractive financing conditions, and that the positive trend seen in the past year will endure, albeit at a noticeably weaker pace. The SUV segment will drive growth. In the Canadian market, demand is likely to be slightly below the previous year's high level, and in Mexico we also anticipate a slight uptrend.

South America

Owing to their dependence on demand for raw materials, the South American markets are heavily influenced by developments in the global economy. Furthermore, increasingly 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. Passenger car sales in South America will probably fall substantially short of the prior-year level. In Brazil, the largest market in South America, we are forecasting that the market volume in 2015 will be significantly lower than in the previous year. Following the market slump in 2014, we anticipate that demand in the Argentinian market will continue to taper off markedly in view of the persistently high inflation and the challenging macroeconomic situation.

Asia-Pacific

The passenger car markets in the Asia-Pacific region look set to continue their growth trajectory in 2015, though at a slower pace. In China, the steady increase in demand for individual mobility will push up demand, albeit with less momentum. We expect the Japanese passenger car market, which moderately exceeded the previous year's volume in 2014, to record a significant drop in 2015, primarily as a result of tax breaks expiring. In the Indian passenger car market, we anticipate a slightly higher volume in 2015 than in the previous year.

After a sizeable slump in demand in Thailand's passenger car market in the reporting period dragged down passenger car sales in the ASEAN region overall, we anticipate positive growth rates in 2015 for the markets in the ASEAN region.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

The markets for light commercial vehicles will also see mixed trends in the individual regions in 2015. Overall, we envisage slight growth in demand, which is likely to continue in the period 2016 to 2019.

In light of the sustained economic stabilization expected in 2015, we should see modest growth in the markets for light commercial vehicles in many countries in Western Europe. We anticipate that sales in Germany will be on a level with the previous year.

In the Central and Eastern European markets, sales of light commercial vehicles in 2015 will probably be on a level with the previous year. In Russia, we anticipate a further decrease in the market volume in 2015.

In North America, light commercial vehicles up to 6.35 tonnes are allocated to the passenger car market.

In South America, we estimate that there will be a noticeable increase in demand in 2015 as against the prior-year level. Pickup and SUV models in particular are enjoying growing popularity. In Brazil, the market's growth will be determined by newly introduced SUV models that are registered as commercial vehicles. We expect the Argentinian market to experience lower demand in 2015 than in the previous year as a consequence of the macroeconomic situation.

The market volume in the Asia-Pacific region in 2015 will probably record a modest increase year-on-year. We expect growth in the Chinese market to be slightly down on the previous year. In Japan, we anticipate that the slight downtrend will continue in 2015.

For the majority of the Asian light commercial vehicle markets, including the ASEAN markets, we are forecasting further growth starting in 2015.

In the markets for mid-sized and heavy trucks that are relevant for the Volkswagen Group, new registrations in 2015 are set to drop noticeably below the prior-year level. However, we expect a positive trend in the period 2016 to 2019.

We predict that demand in Western European markets will rise modestly year-on-year on the strength of the economic recovery; this had been affected in 2013 by pull-forward effects related to the introduction of the Euro 6 emission standard. It is expected that the volume of new registrations in Germany in 2015 will also be slightly up on the previous year's level.

We expect demand to remain level year-on-year in the Central and Eastern European markets (excluding Russia). Given the very sluggish macroeconomic development in Russia during the reporting period and the sanctions relating to the political crisis, we anticipate that the market volume in 2015 will decline.

Sales in the US market are forecast to rise sharply in 2015 on the back of strong demand for energy-efficient vehicles and the resulting higher demand for replacement vehicles in the heavy trucks segment.

We are forecasting significantly weaker trends year-on-year in the Brazilian market in 2015 owing to the still fragile macroeconomic environment and the austerity measures introduced by the government, which have resulted in less subsidized financing being available for automotive industry products, among other things.

Sales in China, the world's largest truck market, are likely to remain almost level with the previous year in 2015. In India, on the other hand, we believe that the change of government in May 2014 will create further investment incentives from infrastructure projects, among other things. These will probably lead to a substantial year-on-year increase in the market volume in 2015.

In the bus markets that are relevant for the Volkswagen Group, we expect that new registrations will decline noticeably in 2015. This is due to the negative economic growth in the South American markets. While we anticipate that demand in Western Europe will remain level year-on-year in 2015, with the markets in Central and Eastern Europe experiencing modest growth, we expect a significant decline in the South American market.

For the period 2016 to 2019, we expect moderate growth overall in the bus markets that are relevant for the Volkswagen Group.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

We believe that in 2015, the power engineering segment will still have to contend with a difficult market environment in which the individual markets will develop at different rates.

In the shipbuilding market, we expect total order volumes to remain at the level of the previous year on account of the continuing overcapacity. We anticipate that the market volume of two-stroke engines, used in merchant shipping, will be slightly below the prior-year figure. In 2015, we expect to see sustained high demand for special-purpose ships such as LNG tankers, cruise ships and government vessels. By contrast, demand for ships for offshore applications is likely to recede slightly in 2015 as a consequence of the currently lower oil prices. The competitive pressure in shipbuilding will continue unabated.

Growth in the power generation market will be mainly determined by macroeconomic developments in the emerging economies. As growth in key developing countries and emerging markets is slow at present, we expect demand in 2015 to remain on a level with the previous year if the competitive pressure persists. In the medium and long term, the outlook is still encouraging, however. Global population growth and the burgeoning demand for energy are generating continuous demand for power plant solutions. The trends towards more decentralized energy supplies and natural gas-fired power plants are continuing undiminished.

In the processing industry and in the oil and gas industry, we are forecasting a difficult market environment for 2015. Although investment levels will remain high in the medium term due to high demand for primary materials, weak economic growth in key regions is curbing the processing industry's willingness to invest. Investment activity in the oil and gas industry will experience a noticeable decline in 2015 as a result of the currently low oil price. We therefore expect the number of new contracts awarded in 2015 to be at best on a level with the previous year, with no let-up in the price pressure.

The development of the offshore wind energy market in Germany is still fraught with uncertainty. A positive outlook is not expected until the infrastructural and political framework has been clarified, something that remains unclear for 2015. Going forward, sales opportunities could also emerge to a greater extent in other regions of the world.

We expect that the markets for power engineering will continue to record an increase in overall demand in the period 2016 to 2019.

DEMAND FOR FINANCIAL SERVICES

We assume that automotive financial services will continue to grow in importance worldwide in 2015. We expect demand for financial services to 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. This will see integrated end-to-end solutions, comprising service modules such as insurance and innovative packages of services, and new mobility offerings like carsharing becoming increasingly important. We also expect this trend to continue in the period 2016 to 2019.

We anticipate that demand for financial services in the mid-sized and heavy commercial vehicles segment will gain momentum in the emerging economies, especially where financing solutions support vehicle sales and are thus an essential component of the sales process. In the developed markets, we believe there will be greater demand for cost-optimized services in 2015, a trend that will likewise continue in the period 2016 to 2019.

EXCHANGE RATE TRENDS

The global economy gained a little momentum in 2014. The US Federal Reserve's trimming of its bond-buying program led to an increased inflow of capital in the dollar area. This in turn substantially impacted exchange rates, leading to considerable volatility. After comparative stability in the first half of 2014, the value of the euro fell significantly against the US dollar and the Chinese renminbi as the year progressed. From the beginning of the year, sterling proved to be more robust than the single currency. The Russian ruble depreciated progressively up to the end of the year. For 2015, we expect euro exchange rates against the US dollar, Chinese renminbi, sterling and other key currencies to be relatively stable, despite continuing high volatility in the financial markets. The expectation is that the Russian ruble will remain weak. However, there is still an event risk – defined as the risk arising from unforeseen market developments. We currently assume that this trend will continue in the period 2016 to 2019.

INTEREST RATE TRENDS

Interest rates remained extremely low in fiscal 2014 due to the expansionary monetary policy many countries are still pursuing and the challenging overall economic environment. While it became apparent in the USA and the UK that the extremely loose monetary policy was drawing to an end, the European Central Bank cut its key interest rate further over the course of the year. In light of further expansionary monetary policy measures in the eurozone, we therefore consider it unlikely that interest rates will rise significantly in 2015. In the USA and the UK, however, we can expect to see a moderate increase in interest rates. For the period 2016 to 2019, we anticipate a gradual rise in interest rates.

COMMODITY PRICE TRENDS

Many commodity prices decreased in 2014. This was principally due to excess supply, but also to weaker economic signals from China and the strong US dollar. Assuming somewhat stronger growth in the global economy, we expect prices of most exchange-traded raw materials in 2015 to fluctuate around the current level. Provided there is a further recovery, we believe that commodity prices will rise in the period 2016 to 2019.

NEW MODELS IN 2015

The Volkswagen Group will systematically press ahead with its model initiative in 2015, modernizing and expanding its offering 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.

After launching more vehicles that run on electric power – the e-Golf and the plug-in hybrid model Golf GTE – in 2014, we will expand this range in 2015 by adding the Passat GTE with a plug-in hybrid drive. Other product innovations from the Volkswagen Passenger Cars brand will be the robust Passat Alltrack and the successor to the versatile Touran. The Jetta GLI, the Jetta Hybrid and the Sharan will be upgraded. In China, the new Lamando four-door coupe that has been specially developed for the Chinese market and the Gran Santana will be introduced in 2015. Furthermore, the popular notchback saloons Sagitar, New Lavida and New Bora will be upgraded, as will the Gran Lavida estate.

In 2015, the Audi brand will roll out the new TT Roadster and the two sporty versions TTS Coupe and TTS Roadster. Moreover, new generations of the A4 Saloon, A4 Avant, RS3 Sportback, R8 Coupe and Q7 will soon be launched; the latter will also be available as a plug-in hybrid TDI e-tron.

From 2015, the new edition of the Fabia Combi will also be available from the Czech brand ŠKODA; this will once again set standards in its class with its boot space. In addition, the dynamic Octavia RS and the new generation of the Superb will be available both as a hatchback and as an estate.

The SEAT brand will expand the successful Leon family in 2015 with the classy Leon ST Cupra and will upgrade the Toledo, the Alhambra and the Ibiza family.

In 2015, Porsche will expand its 911 series with the extreme super sports car 911 GT3 RS and the dynamic Targa 4 GTS. On top of this, the new version of the 981 Spyder (Boxster Spyder), the Macan GTS and the Cayman GT4 will be launched in the market. There will be product upgrades in the 911 and Cayenne series.

Bentley will update the Continental GT and the Continental GTC Convertible in 2015.

Super sports car manufacturer Lamborghini is expanding the Huracán family with three new models, including two versions of the Huracán Spyder. Two new versions of the Aventador will also be launched.

In 2015, Volkswagen Commercial Vehicles will introduce the sixth generation of the versatile, popular Multivan/Transporter. The Caddy, an all-rounder, will be upgraded.

Ducati's rollout of the Icon version of the new Scrambler in 2014 will be followed in 2015 by the Urban, Enduro, Classic and Full Throttle versions.

PLANNED PRODUCT MEASURES

The Volkswagen Group's goal is to offer consistently efficient and carbon-optimized mobility, based on both conventional and alternative drive technologies, so as to live up to its responsibilities with respect to sustainability. Given the increasingly strict exhaust and emission standards and the fact that vehicle taxation is becoming more and more CO_2-dependent, vehicle CO_2 emissions play an important role in vehicle purchases. Volkswagen is therefore continuing to focus in depth on developing ever more efficient drive technologies, thus extending its solid position in the area of innovative environmentally friendly mobility.

We will continue to drive forward the issues of downsizing and zero emissions in our products in the coming years. Downsizing increases material and energy efficiency by reducing drivetrain sizes while retaining their original performance. We are expanding our e-mobility operations – in the form of both hybrids and purely electric drives – on the basis of our in-depth research. Where alternative fuels are concerned, the Volkswagen Group is focusing on environmentally friendly natural gas drive systems. The MQB can be used to introduce this technology into vehicles spanning different brands and classes. Our current and future projects are improving the Volkswagen Group's environmental footprint on an ongoing basis.

The Volkswagen Group's many different concepts underscore its brands' high level of development and diversification expertise. The Volkswagen Passenger Cars brand has consolidated its holistic ecological sustainability policy in its "Think Blue." concept. This not only combines innovative technology and solutions such as the BlueMotion technologies, but also offers customers recommendations for reducing emissions and consumption, such as tips and training on how to save fuel. In addition, our BlueMotion models are setting standards for consumption and emission reductions through their efficiency technologies such as start-stop systems, brake energy recuperation and aerodynamic and tire rolling resistance optimization. Other Group brands such as ŠKODA's GreenLine model range and SEAT's ECOMOTIVE models also make use of this technology. Audi offers its own ultra-high efficiency models.

STRATEGIC SALES FOCUS

The multibrand structure, comprising largely independent 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.

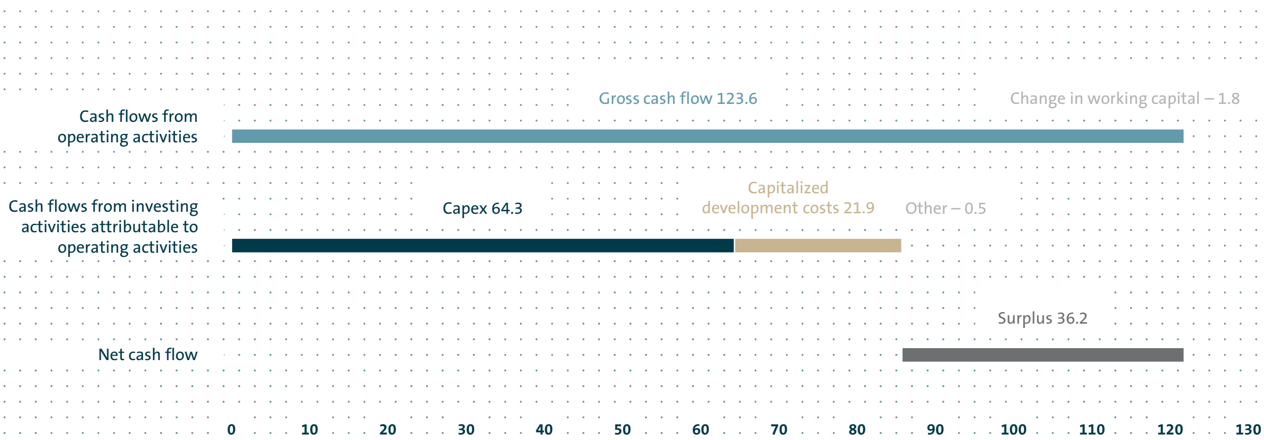
To facilitate the entry into new markets for more Group brands, we will further expand our multibrand structure in the growth markets in particular. We will also sharpen our customer focus across all sales levels and in customer service, for which we are continually enhancing employee qualifications in addition to optimizing our processes and systems to reflect changing customer demands and markets. 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.

BUILDING A FIRST-CLASS TEAM

Only a top team can deliver the excellence that is necessary for Volkswagen to become number one in international automotive production, which is why, more than ever, we will nurture the development of all employees.

Our goal for the next few years is to increase our employees' already high level of expertise and problem-solving skills. 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. 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 and closely integrate theoretical and practical forms of learning.

INVESTMENT AND FINANCIAL PLANNING 2015 to 2019 IN THE AUTOMOTIVE DIVISION
€ billion



INVESTMENT AND FINANCIAL PLANNING

In our current planning, investments of a total of €85.6 billion will be made in the Automotive Division in the period from 2015 to 2019. Investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex), will account for €64.3 billion, more than half of which (roughly 56%) will be in Germany alone. The ratio of capex to sales revenue in the period from 2015 to 2019 will be at a competitive level of 6 – 7%. Besides capex, investing activities will include additions of €21.9 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. 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.

At €41.3 billion (roughly 64%), the majority of the total capex in the Automotive Division will be spent on modernizing and extending the product range for our brands. The spotlight will be on the expansion of the SUV range, especially in the A and A0 segments, as well as on modernizing the range of light commercial vehicle models. A parallel focus will be on new vehicles and successor models in almost all vehicle classes, which will be based on the modular toolkit technology and the related components. This will allow us to systematically continue our model rollout with a view to tapping new markets and segments. In the area of drivetrain production, we will launch new generations of engines offering improved performance and lower fuel consumption and emission levels, while at the same time driving forward the development of hybrid and electric drives.

In addition, Volkswagen will make cross-product investments of €23.0 billion over the next five years, primarily in environmentally friendly production. These will include, for example, investments to expand capacity, a new plant in Poland for production of the Crafter and the new Audi manufacturing facility in Mexico. As a result of our high quality targets and our commitment to continuous improvement of our production processes, investments in our press shops and paintshops are also necessary. Non-production-related investments are mainly planned for the areas of development, quality assurance, sales, genuine parts supply and information technology.

We intend to finance our investments in the Automotive Division using internally generated funds and expect cash flows from operating activities to amount to €121.8 billion over the 2015 to 2019 planning period. This means that the funds generated are expected to exceed the Automotive Division's investment requirements by €36.2 billion, further improving our liquidity position. We expect net cash flow in the Automotive Division to be moderately lower in 2015 than in the prior year, but it will nevertheless make a significant contribution to strengthening the Group's financial position.

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 a total of €22.0 billion in new production facilities and products in the period from 2015 to 2019 and will finance these investments from the companies' own funds.

We are planning to invest €2.8 billion in the Financial Services Division from 2015 to 2019. 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 €94.9 billion. Roughly 42% of the total capital requirements of €97.7 billion will be financed from gross cash flow. As is common in the sector, the remaining funds needed will be met primarily through established money and capital market debt issuance programs and customer deposits from the direct banking business.

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%. We again clearly exceeded the minimum required rate of return in the reporting period, with a return on investment (ROI) of 14.9% (see also pages 109 and 111). An increase in invested capital resulting from greater investment in new models and production facilities, as well as the development of alternative drive systems and modular toolkits, will have a dampening effect on future returns. Nevertheless, we expect that our return will continue to be well in excess of the minimum required rate of return. Under our Strategy 2018, our medium-term goal is a return on investment of more than 16% in the Automotive Division, which is significantly above the minimum required rate of return.

SUMMARY OF EXPECTED DEVELOPMENTS

The Volkswagen Group's Board of Management expects the global economy to record slightly stronger growth in 2015 than in the previous year, despite some uncertainties. The financial markets still entail risks resulting above all from the strained debt situation of many countries. In addition, growth prospects are being hurt by geopolitical tensions and conflicts. The emerging economies of Asia will probably record the highest rates of growth. While we expect to see an economic upturn in the major industrialized nations, the rates of expansion will remain moderate.

The automotive industry is highly dependent on global economic developments. We anticipate that competition in the international automotive markets will continue to increase.

We expect trends in the passenger car markets in the individual regions to be mixed in 2015. Overall, growth in global demand for new vehicles will probably be slower than in the reporting period. We anticipate a slight increase in demand for automobiles in Western Europe and expect to see slight growth in the German market as well. The Central and Eastern European markets are likely to be down sharply year-on-year due primarily to the substantial fall in demand in Russia. In North America, we expect last year's positive trend to continue at a noticeably weaker pace. We assume that the South American passenger car markets will fall appreciably short of the prior-year level. The markets in the Asia-Pacific region that are strategically important for the Volkswagen Group will probably continue to grow at a slower pace.

Global demand for light commercial vehicles will probably see a moderate increase in 2015. We expect trends to vary from region to region.

In the markets for trucks and buses that are relevant for the Volkswagen Group, new registrations in 2015 will probably be noticeably lower than in the previous year.

We expect automotive financial services to continue to grow in importance worldwide in 2015.

The Volkswagen Group is optimally positioned to deal with the mixed developments in the global automotive markets. The Company's strengths include in particular its unique brand portfolio, its diverse range of models, its steadily growing presence in all major world markets and its wide selection of financial services. We offer an extensive array of attractive, environmentally friendly, cutting-edge, high-quality vehicles for all markets and customer groups. This ranges 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 2015, modernizing and expanding their offering by introducing new models. Our goal is to offer all customers the products and innovations they need, sustainably strengthening our competitive position in the process. To achieve that goal, we will extend our customer focus across all sales levels and in customer service.

We expect that the Volkswagen Group will moderately increase deliveries to customers year-on-year in 2015 in a persistently challenging market environment.

The difficult market environment, fierce competition, interest rate and exchange rate volatility, and fluctuations in raw material prices all pose challenges. We anticipate a positive effect from the efficiency programs implemented by all brands and, increasingly, from the modular toolkits.

Depending on the economic conditions, we expect 2015 sales revenue for the Volkswagen Group and its business areas to increase by up to 4% above the prior-year figure. However, economic trends in Latin America and Eastern Europe will need to be continuously monitored in the Commercial Vehicles/Power Engineering Business Area.

In terms of the Group's operating profit, we anticipate an operating return on sales of between 5.5% and 6.5% in 2015 in light of the challenging economic environment. The operating return on sales is expected to be in the 6.0% to 7.0% range in the Passenger Cars Business Area and between 2.0% and 4.0% in the Commercial Vehicles/Power Engineering Business Area. For the Financial Services Division, we are forecasting an operating profit at the prior-year level.

At Group level, we are aiming to achieve a sustainable return on sales before tax of at least 8% by 2018 at the latest.

In the Automotive Division, the ratio of capex to sales revenue will fluctuate around a competitive level of 6 – 7% in 2015. The return on investment (ROI) will be below the prior-year level due to the extensive investment program, but still significantly above our minimum required rate of return of 9%. Net cash flow will probably be moderately lower than in the previous year, but will nevertheless make a significant contribution to strengthening the Group's finances. Our goal is also to maintain our positive rating compared with the industry as a whole and to continue our solid liquidity policy.

We are working to make even more focused use of the strengths of our multibrand group by constructing new plants and continuously developing new technologies and toolkits. We will successfully meet the challenges of today and tomorrow thanks to a first-rate team, which delivers excellence and ensures the quality of our innovations and products at the highest level. Disciplined cost and investment management and the continuous optimization of our processes remain integral elements of the Volkswagen Group's Strategy 2018.

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 and the systematic implementation of our Strategy 2018. The Volkswagen Group's RMS/ICS aims 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.

Uniform Group principles are used as the basis for managing risks in a transparent and appropriate manner. These include

- promoting a culture of openness with regard to risks
- aligning the RMS/ICS with corporate goals
- weighing up risks and opportunities so as to be able to leverage opportunities where the related risks are transparent and manageable
- complying with rules (compliance, see also page 56)
- ensuring the adequacy of the RMS/ICS in relation to the nature, scope and complexity of, as well as the risks involved in, the specific business activities and the business environment and
- regularly reviewing the effectiveness and efficiency of the RMS/ICS.

STRUCTURE OF THE RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM AT VOLKSWAGEN

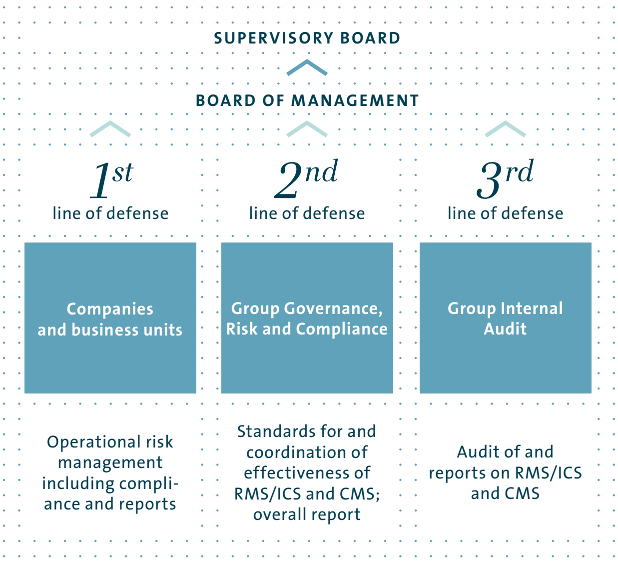
The organizational design of the Volkswagen Group's RMS/ICS is based on the internationally recognized COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework for enterprise risk management. Volkswagen has chosen a holistic, integrated approach that combines a risk management system, an internal control system and a compliance management system (CMS) in 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 captured.

In addition to fulfilling legal requirements, particularly with regard to the financial reporting process, this approach enables us 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 compared with the previous year.

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 in a timely manner. This means that the Board of Management has access to an overall picture of the current risk situation via the documented reporting channels during the year as well.

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: capturing systemic risks using the standard 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 (standard GRC process). The feedback is used to update the overall picture of the potential risk situation and assess the effectiveness of the system.

Each material systemic risk is assessed using the expected likelihood of occurrence and various risk criteria (financial and nonfinancial). In addition, the risk management and control measures taken are documented at management level. This means that risks are assessed in the context of any risk management measures, 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 – including the Porsche brand – were subject to the standard GRC process in fiscal year 2014. Only the MAN and Scania brands were excluded.

The MAN brand already had its own central processes for capturing risks at the time it was consolidated and is included in the Volkswagen Group's annual reporting. The MAN brand's integration into the standard GRC process is expected to be largely completed in fiscal year 2015.

The Scania brand, which has been consolidated since July 22, 2008, has not yet been included in the Volkswagen Group's risk management system due to various provisions of Swedish company law. 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 Controlling department and reflected in the financial reporting.

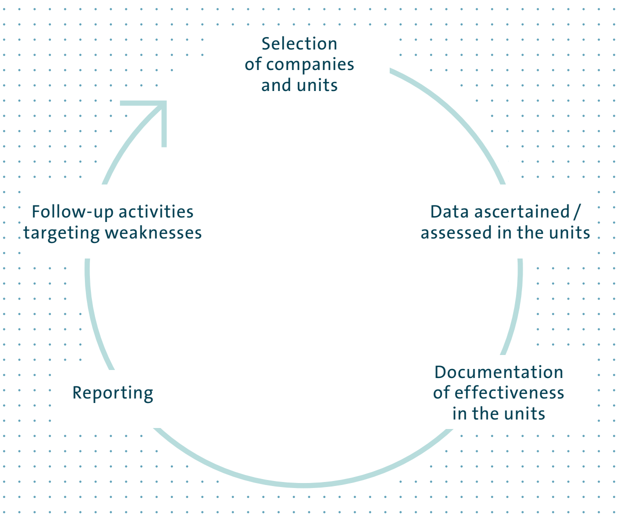
Third line of defense: checks by Group Internal Audit

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.

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, the external auditors check the processes and procedures implemented for this as well as the adequacy of the documentation on an annual basis. The plausibility and adequacy of the risk reports are examined on a test basis in detailed interviews with the divisions and companies concerned that also

ANNUAL STANDARD GOVERNANCE, RISK AND COMPLIANCE PROCESS



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 to scheduled inspections as part of the audit of the annual financial statements and unscheduled inspections, in particular by the European Central Bank (ECB) 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 inspections 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 – such as the provisions of the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernization Act). External appraisers 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 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. 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 is 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.

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. 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.

Macroeconomic risks and opportunities

We believe that the risks to continued global economic growth lie primarily in structural deficits, which pose a threat to the performance of many industrialized nations and some emerging economies. In the eurozone, a sustained economic recovery is being hindered in particular by the situation of numerous financial institutions whose stability and ability to withstand a crisis are 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 performance of some emerging economies is being overshadowed primarily by overindebtedness, reliance on capital inflows and social 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 or regions. As the global economy becomes increasingly interconnected, it is also vulnerable to local developments. Any escalation of the conflicts in Eastern Europe, the Middle East, or North Africa, for example, could disrupt the global energy and commodity markets. 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 for 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. In addition, in fiscal year 2014, the market trend in Russia was depressed by the political crisis and its economic effects. In South America, structural deficits and social tensions had a negative impact. Restrictions on registrations could enter into force in further Chinese metropolitan areas in future. Furthermore, a global economic slowdown could impact negatively on consumer confidence in some of these countries. Equally, 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 lead to a stronger recovery in these markets should the economic environment ease more quickly.

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, overall delivery volumes are broadly diversified throughout the world. The Chinese market accounts for an increasing 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 2014, economic trends varied considerably from region to region: while the situation in Western Europe stabilized, China remained on a growth track and the US economy continued to recover, market conditions in Eastern Europe and South America deteriorated markedly. 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

China, the largest market in the Asia-Pacific region, saw further growth in the reporting period. Here, demand for vehicles will continue to increase in the coming years due to the need for individual mobility. This growth will probably decelerate and shift from the large cities on the coast to the country's interior. To be able to leverage the considerable opportunities offered by this market and 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 stabilized following the elections in 2014. After declining in the previous year, vehicle markets also recovered slightly. High inflation continues to weigh on demand, however. We expect the Indian market to continue to recover in the coming years. The Group is currently consolidating its activities in this difficult environment. Despite the current situation, India is still 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 assemble models from the Volkswagen Passenger Cars, Audi and Volkswagen Commercial Vehicles brands locally. We are also investigating and evaluating opportunities for this in additional countries in the region. Independent of this, we are driving forward improvements to local sales structures.

North America

The US vehicle market saw noticeable growth again in 2014 thanks to the encouraging economic trend and favorable financing conditions. Market growth should now slow, however, as the demand for replacement vehicles that had built up as a result of the crisis has largely been met. 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. Together with an engine plant, 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 for the US market, for example a large SUV.

Brazil

After a promising start, the economic situation in Brazil deteriorated in the course of the reporting period, which also impacted negatively on vehicle markets. 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 2015. 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 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 weakness of the ruble led to a significant decline in the overall market in 2014. Demand for vehicles was also 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.

Middle East

Despite economic and political instability, the Middle East region offers growth opportunities. We are leveraging the potential for sustainable growth without operating our own production facilities by offering a range of vehicles that has been specifically tailored to this market. Optimized sales channels are also intended to help lift our market share.

Power Engineering

The underlying global economic trends will continue, such as sustained economic growth, a greater international division of labor and resulting increase in global transportation routes and volumes, growing demand for energy, the increasing requirement for capital spending by the oil and gas industry, and forces for innovation powered by trends in global climate policy.

We are working systematically to leverage these market opportunities at global level. In the medium term, significant potential can be leveraged by enhancing the after sales business through new products and in expanding the service network. Going forward, stricter requirements with respect to the reliability and availability of plant, as well as the increase in environmental compatibility and efficient operation, together with the large number of engines and plants in operation, 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 small changes in growth or growth forecasts, for example due to geopolitical uncertainties or volatile commodities markets, can lead to significant changes in demand or can result in existing orders being cancelled. Among other things, flexible production concepts enable us to counter the significant economic risks.

Research and development risk

We conduct extensive trend analyses, customer surveys and scouting activities so as to adequately reflect our customers' requirements during product development. In 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 to leverage expenditure over several vehicle generations. The toolkits also allow us to produce different models in different quantities and even from different brands using one and the same plant in a single facility. This enables us to deploy our capacity more flexibly across the entire Group and 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 gas, hybrid, or electric drives. Previously, individual, vehicle-specific adaptations were necessary. 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 deployed flexibly. Other dimensions, for example the distance between the pedals and the middle of the front wheels, are always the same and guarantee a uniform system in the front of the car, enabling synergies to be achieved.

Procurement risks and opportunities

The slowdown in global economic growth in the course of 2014 led to capacity utilization problems for suppliers in the different regions, particularly in South America and Russia. In Western Europe, demand for passenger cars stabilized in 2014; this had a positive impact on suppliers' capacity utilization.

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 weighs the risk of there being insufficient competition if it concentrates on a few financially strong suppliers when awarding contracts.

In 2014, the Volkswagen Group's supplier base was much more stable than in past years.

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, allowing 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.

In addition, we have launched an initiative in procurement called "Volkswagen FAST – Future Automotive Supply Tracks" with a view to stepping up cooperation with our suppliers. We aim to carry out innovation and globalization projects faster and in a more focused manner than before.

Production risk

Developments on the global automotive markets caused production volumes of several vehicle models to fluctuate at some plants in 2014. 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 of our products and the decreasing predictability of those fluctuations may lead to supply bottlenecks. We minimize this risk, among other things, using a revolving process in which we compare our available resources against different future demand scenarios. If we identify potential bottlenecks in the supply of materials, we can introduce countermeasures with sufficient lead time.

Because of vehicle projects, capacity is planned several years in advance 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 under-capacity, as a result of which it may not be possible to meet customer demand.

Due to the growing range of models and shorter product life cycles, new vehicle start-ups are an ever more frequent occurrence at our sites worldwide. Because of the complexity of processes and technical systems, there is a possibility that vehicle deliveries may be delayed. We address this by drawing on experience of past start-ups and promptly identifying weaknesses so as to ensure production volumes and quality standards are met during our new vehicle start-ups throughout the Group.

We use the TPM (Total Productive Maintenance) method at our production facilities in order to methodically and permanently prevent downtime, lost output, rejects and reworking. 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 a substantial increase in costs.

We endeavor to identify such 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 a lessons learned process and regular project reviews. This further reduces risk, particularly during the bidding and planning phase for large upcoming projects.

Risks arising from changes in demand

Consumer demand is shaped not only by real factors such as disposable income, but also by psychological factors that are impossible to plan for.

Households' worries about the future economic situation could result in unexpected buyer reluctance, which could be further exacerbated by media reports, 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 unable to recover from their record lows, even if they did return to positive growth. 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 – such as those already formulated 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 in the form of tax increases, for example, which could curb private consumption.

Commercial vehicles are capital goods and are therefore subject to more extreme cyclical fluctuations than occur in the consumer goods industry. Although production volumes are significantly lower, the complexity of the trucks and buses range in fact significantly exceeds that of passenger cars. 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

In fiscal year 2014, the percentage of total registrations in Germany accounted for by fleet customers rose to 13.3% (12.5%). The Volkswagen Group's share of this customer segment climbed to 48.4% (47.2%).

In Europe, the Volkswagen Group was able to further extend its position in this customer segment thanks to its comprehensive product range and customized support for this target group; registrations by business fleet customers were up 9.9% year-on-year, while the Group's share rose to 29.2% (28.8%). The fleet customer business continues to be marked by increasing concentration and internationalization. With its broad product portfolio, the Group is well positioned to face the growing importance of the issue of CO_2 and the trend towards downsizing. No default risk concentrations exist for individual corporate customers.

Quality risk

Right from the product development stage, we aim to prevent quality problems, or to identify and rectify them at the earliest possible point, so as to avoid delays to the start of production. As the use of modular components is steadily increasing thanks to 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 these processes at our brands and improved our organizational processes during the reporting period so that we are able to counter the associated risks effectively.

Growing production volumes, increasing complexity and the use of the Group's toolkit system mean that the need for high-grade supplier components of impeccable quality is rising. To ensure the continuity of production, it is extremely important that our own plants and our suppliers deliver on time. We ensure long-term quality and supply capability from the very start of the supply chain using an internally tested risk management system that we have introduced at suppliers. By taking these measures, Quality Assurance helps to fulfill customer expectations and consequently to boost our Company's reputation, sales figures and earnings.

Sustained high demand in the Volkswagen Group's key markets also presents particular challenges for quality assurance. This issue is of fundamental importance especially in the Brazilian, Russian, Indian and Chinese markets, for which we develop dedicated vehicles and where local manufacturing operations and suppliers have been established. We analyze the conditions specific to each market and adapt quality requirements individually. We counter the local risks we identify by continuously developing effective measures in cooperation with the central Quality Assurance function and implementing them locally, thereby minimizing quality defects from the outset.

Vehicle registration and operation criteria are set 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. We therefore systematically ensure that the Volkswagen Group brands and their products fulfill all applicable requirements and that local authorities receive timely notification of all issues required to be reported. By doing so, we reduce the risk of customer complaints, administrative fines and other negative consequences.

Personnel risk

The individual skills and technical expertise of our employees are a major factor contributing to the Volkswagen Group's success. Our aim of becoming the top employer in the automotive industry improves Volkswagen's chances of recruiting and retaining the most talented employees.

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 continuously expanding our recruitment tools and boosting training programs, particularly at our international locations, we are able to adequately address the challenges posed by growth from a human resources perspective.

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 our base of senior experts in the Group to ensure that the valuable knowledge of specialists retiring from Volkswagen is transferred to other employees.

Participation and codetermination are factors in the Volkswagen Group's success. Employee involvement and motivation are two sides of the same coin. We aim to maintain a culture of participation at Volkswagen internationally as well. The challenge lies in crafting labor relations with the many trade unions and stakeholder representatives worldwide. We have created a framework for this with our Labor Relations Charter and have pledged our commitment to it.

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 by using 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.

In addition, we continuously take measures to combat identified and anticipated risks during the software development process, when protecting the IT infrastructure and also in the allocation of access rights to systems and data resources. These preventive measures are taken with the aim of counteracting the growing intensity and quality of attacks on our IT systems and data resources at an early stage. Volkswagen also continuously adapts its risk strategy in light of increasing connectivity between drivers, vehicles and their surroundings.

Volkswagen supplements its reliable technical protection against unauthorized access to sensitive data by systematically providing its employees with information and training. We have stepped up the Company-wide information security campaign launched for this purpose in 2012, which covers topics such as how to handle sensitive data.

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 the EU Regulation governing CO_2 emissions from passenger cars (443/2009/EC) and the EU Regulation governing light commercial vehicles of up to 3.5 tonnes (510/2011/EU), 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 is being introduced in stages: 80% of cars had to meet this requirement in 2014 and the entire fleet must meet it in 2015. The EU Regulation adopted in 2014 (333/2014/EU) states that, from 2021 onwards, the emissions of European passenger car fleets may be 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 registrations in Europe may not exceed the figure of 175 g CO_2/km, a target required to be met by 70% of the fleet in 2014. From 2020 onwards, the limit under the EU Regulation adopted in 2014 (253/2014/EU) 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 set out the CO_2 regime for the period after 2020 by the end of 2015. 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.

The European Commission and UNECE (United Nations Economic Commission for Europe) are currently working to introduce a globally harmonized driving cycle.

A regulation is being drawn up to further reduce nitrogen oxide and fine particulate emissions and hence improve air quality. Experts from Volkswagen are involved in this process.

At the same time, regulations governing fleet fuel consumption are being developed or introduced outside the EU28 as well – in Switzerland, Japan, Taiwan, South Korea, India, Brazil, Mexico, Canada and Saudi Arabia, for example. The existing regulations in China for the period 2012–2015 (“Phase III”) governing consumption with a target of 6.9 liters/100 km by 2015, will progress to “Phase IV”, with a fleet target of 5.0 liters/100 km by 2020 for the period 2016–2020. 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 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 emission limits, which would entail severe sanctions. In principle, the EU legislation permits some flexibility. For example:

- Excess emissions and emission shortfalls may be offset between vehicle models
- 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 149).

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 effect; many EU member states have already incorporated CO_2 elements into their rules on vehicle taxation.

Heavy commercial vehicles put into operation from 2014 onwards are already subject to the stricter emission requirements under the Euro 6 standard in accordance with EU Regulation 595/2009/EC. 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 possible option for these vehicles and would require an extremely complex set of rules because of the wide range of variants. With the support of 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 3.5 tonnes based on their typical use (short- and long-haul trips, service on construction sites and as municipal vehicles, city buses and coaches). This method is expected to be the basis for the European Commission’s concrete regulatory proposals, which are anticipated by the end of 2015. From 2018 onwards, a CO_2 declaration is expected to be compulsory for selected vehicle categories (long-haul and regional distribution vehicles as well as coaches), with the captured data initially being used for customer information and monitoring purposes. Further vehicle categories are likely to be included going forward.

In order to increase transparency and therefore competition in the market, 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.

As part of its efforts to reduce the CO_2 emissions of heavy commercial vehicles, the European Commission is also planning to revise the provisions regarding the maximum permissible dimensions and weights of trucks (Directive 96/53/EC, the Weights and Dimensions Directive). According to the proposals, having cabs with a rounded shape and attaching aerodynamic devices at the rear of the vehicle should enable future improvements in aerodynamics. At the same time, the driver's field of vision is to be extended by increasing the length of the cab in order to improve safety. In addition, the legislators aim to increase the overall weight permitted for vehicles with alternative drive technologies by up to one tonne.

The European commercial vehicles industry supports the goals of reducing CO_2 emissions and improving transport safety. However, manufacturers take a critical view of the simplified focus on improvements in vehicle aerodynamics, which also conflict with the applicable provisions on type approval. They believe, instead, that it is essential to fundamentally amend the directive with regard to the length of the cab and thus the installation space available in the vehicle so that it is workable in practice.

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), which aims to reduce marine pollution and phases in limits on emissions from marine engines. Emission limits also apply, for example, under EU Directive 1997/68/EC and the US EPA (Environmental Protection Agency) marine regulations. 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 are focusing 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 for free 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 comes 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 shortage of certificates during the trading period may cause certificate prices to rise.

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 have started 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 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.

Where transparent and economically viable, adequate insurance cover is taken out for these risks and appropriate provisions recognized for the remaining identifiable risks. The Company does not believe, therefore, that these risks will have a sustained effect on the economic position of the Group. However, 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.

ARFB Anlegerschutz UG (haftungsbeschränkt), Berlin, brought an action against Porsche Automobil Holding SE, Stuttgart, and Volkswagen AG for claims for damages allegedly assigned to it in the amount of approximately €1.8 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. 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 that 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 informing the truck manufacturers of the objections raised against them and giving them the right to comment extensively on the objections raised and to exercise other rights of defense before any potential decision is reached. The statement of objections is currently under review. 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 Scania nor MAN have recognized provisions or contingent liabilities.

Antitrust proceedings, also opened in 2011, by the Korea Fair Trade Commission against several truck manufacturers including MAN and Scania were brought to a close in fiscal year 2013 with decisions to impose administrative fines on all manufacturers involved. In spring 2014, MAN and Scania both lodged appeals against the decisions to impose an administrative fine on them.

The Annual General Meeting of MAN SE approved the conclusion of a control and profit and loss transfer agreement between MAN SE and 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. 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.

Suzuki Motor Corporation has filed an action against Volkswagen AG at a London court of arbitration for retransfer of the 19.9% interest held in Suzuki, and for damages. Volkswagen considers the claims to be unfounded and has itself filed counterclaims. The court of arbitration is expected to reach a decision in the first half of 2015.

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 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 use them to hedge our principal foreign currency risks associated with forecasted cash flows, mostly against the euro and primarily in Australian dollars, the Brazilian real, sterling, Chinese renminbi, Japanese yen, Canadian dollars, Mexican pesos, Polish zloty, Swedish kronor, Swiss francs, the South African rand, South Korean won, Czech koruna, Hungarian forint and US dollars.

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 259 to 267 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 a 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 102. 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 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 259.

Liquidity risks

We ensure that the Company remains solvent at all times by holding sufficient liquidity reserves, through confirmed credit lines and through our tried-and-tested money market and capital market programs. We cover the capital requirements of the growing 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. Financing conditions in the reporting period were almost unchanged compared with the previous year.

For this reason and thanks to the broadly diversified structure of our sources of funding, we were always able to raise sufficient liquidity in the various markets.

Credit lines from banks are only used within the Group to cover short-term working capital requirements. Projects are financed by, among other things, loans provided at favorable interest rates 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). This extensive range of options means that the liquidity risk to the Volkswagen Group is extremely low.

A downgrade of the Company's rating could adversely affect the terms associated with the Volkswagen Group's borrowings. Standard & Poor's raised the Group's existing rating by a notch in light of Volkswagen's overall financial stability and flexibility, underpinned by the strong performance by its operating business. Moody's Investors Service retained its existing rating. Information on the ratings of Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH can be found on page 97 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. 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 2014 Annual Report of Volkswagen Financial Services AG.

Other factors

Going beyond the risks already outlined, there are other factors that cannot be predicted and 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. 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.

This annual report contains forward-looking statements on the business development of the Volkswagen Group. These statements are based on assumptions relating to the development of the economic and legal environment in individual countries and economic regions, and in particular for the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given entail a degree of risk, and actual developments may differ from those forecast. Any changes in significant parameters relating to our key sales markets, or any significant shifts in exchange rates relevant to the Volkswagen Group, will have a corresponding effect on the development of our business. In addition, there may be departures from our expected business development if the assessments of the factors influencing sustainable value enhancement, as well as risks and opportunities, presented in this annual report develop in a way other than we are currently expecting, or if additional risks and opportunities or other factors emerge that affect the development of our business.

Prospects for 2015

The Volkswagen Group's Board of Management expects the global economy to record slightly stronger growth in 2015 than in the previous year, despite some uncertainties. The financial markets still entail risks resulting above all from the strained debt situation of many countries. In addition, growth prospects are being hurt by geopolitical tensions and conflicts. The emerging economies of Asia will probably record the highest rates of growth. While we expect to see an economic upturn in the major industrialized nations, the rates of expansion will remain moderate.

We expect trends in the passenger car markets in the individual regions to be mixed in 2015. Overall, growth in global demand for new vehicles will probably be slower than in the reporting period. We anticipate a slight increase in demand for automobiles in Western Europe and expect to see slight growth in the German market as well. The Central and Eastern European markets are likely to be down sharply year-on-year due primarily to the substantial fall in demand in Russia. In North America, we expect last year’s positive trend to continue at a noticeably weaker pace. We assume that the South American passenger car markets will fall appreciably short of the prior-year level. The markets in the Asia-Pacific region that are strategically important for the Volkswagen Group will probably continue to grow at a slower pace.

Global demand for light commercial vehicles will probably see a moderate increase in 2015. We expect trends to vary from region to region.

In the markets for trucks and buses that are relevant for the Volkswagen Group, new registrations in 2015 will probably be noticeably lower than in the previous year.

We expect automotive financial services to continue to grow in importance worldwide in 2015.

The Volkswagen Group is optimally positioned to deal with the mixed developments in the global automotive markets. The Company’s strengths include in particular its unique brand portfolio, its diverse range of models, its steadily growing presence in all major world markets and its wide selection of financial services. We offer an extensive array of attractive, environmentally friendly, cutting-edge, high-quality vehicles for all markets and customer groups. This ranges 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 2015, modernizing and expanding their offering by introducing new models. Our goal is to offer all customers the products and innovations they need, sustainably strengthening our competitive position in the process.

We expect that the Volkswagen Group will moderately increase deliveries to customers year-on-year in 2015 in a persistently challenging market environment.

The difficult market environment, fierce competition, interest rate and exchange rate volatility, and fluctuations in raw material prices all pose challenges. We anticipate a positive effect from the efficiency programs implemented by all brands and, increasingly, from the modular toolkits.

Depending on the economic conditions, we expect 2015 sales revenue for the Volkswagen Group and its business areas to increase by up to 4% above the prior-year figure. However, economic trends in Latin America and Eastern Europe will need to be continuously monitored in the Commercial Vehicles/Power Engineering Business Area.

In terms of the Group’s operating profit, we anticipate an operating return on sales of between 5.5% and 6.5% in 2015 in light of the challenging economic environment. The operating return on sales is expected to be in the 6.0% to 7.0% range in the Passenger Cars Business Area and between 2.0% and 4.0% in the Commercial Vehicles/Power Engineering Business Area. For the Financial Services Division, we are forecasting an operating profit at the prior-year level. Disciplined cost and investment management and the continuous optimization of our processes remain integral elements of the Volkswagen Group's Strategy 2018.

Wolfsburg, February 17, 2015
The Board of Management

4

Consolidated Financial Statements

VOLKSWAGEN GROUP OPERATING PROFIT *(in € billion)*

4

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

OF THE VOLKSWAGEN GROUP FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	Note	2014	2013*
Sales revenue	**1**	**202,458**	**197,007**
Cost of sales	2	−165,934	−161,407
Gross profit		**36,524**	**35,600**
Distribution expenses	3	−20,292	−19,655
Administrative expenses	4	−6,841	−6,888
Other operating income	5	10,298	9,956
Other operating expenses	6	−6,992	−7,343
Operating profit		**12,697**	**11,671**
Share of profits and losses of equity-accounted investments	7	3,988	3,588
Finance costs	8	−2,658	−2,366
Other financial result	9	767	−465
Financial result		**2,097**	**757**
Profit before tax		**14,794**	**12,428**
Income tax income/expense	10	−3,726	−3,283
Current		−3,632	−3,733
Deferred		−94	449
Profit after tax		**11,068**	**9,145**
of which attributable to			
Noncontrolling interests		84	52
Volkswagen AG hybrid capital investors		138	27
Volkswagen AG shareholders		10,847	9,066
Basic earnings per ordinary share in €	**11**	**21.84**	**18.61**
Diluted earnings per ordinary share in €	**11**	**21.84**	**18.61**
Basic earnings per preferred share in €	**11**	**21.90**	**18.67**
Diluted earnings per preferred share in €	**11**	**21.90**	**18.67**

* 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, 2013

€ million	Total	Equity attributable to Volkswagen AG shareholders	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to noncontrolling interests
Profit after tax	**9,145**	**9,066**	**27**	**52**
Pension plan remeasurements recognized in other comprehensive income				
Pension plan remeasurements recognized in other comprehensive income, before tax	2,367	2,303	–	64
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	−664	−651	–	−14
Pension plan remeasurements recognized in other comprehensive income, net of tax	1,703	1,653	–	50
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	−6	−6	–	–
Items that will not be reclassified to profit or loss	**1,697**	**1,647**	**–**	**50**
Exchange differences on translating foreign operations				
Unrealized currency translation gains/losses	−2,387	−2,240	–	−147
Transferred to profit or loss	–	–	–	–
Exchange differences on translating foreign operations, before tax	−2,387	−2,240	–	−147
Deferred taxes relating to exchange differences on translating foreign operations	1	1	–	–
Exchange differences on translating foreign operations, net of tax	−2,387	−2,239	–	−147
Cash flow hedges				
Fair value changes recognized in other comprehensive income	2,268	2,270	–	−1
Transferred to profit or loss	−118	−118	–	0
Cash flow hedges, before tax	2,150	2,152	–	−1
Deferred taxes relating to cash flow hedges	−650	−651	–	1
Cash flow hedges, net of tax	1,500	1,501	–	−1
Available-for-sale financial assets				
Fair value changes recognized in other comprehensive income	141	141	–	–
Transferred to profit or loss	−34	−34	–	–
Available-for-sale financial assets, before tax	107	107	–	–
Deferred taxes relating to available-for-sale financial assets	−7	−7	–	–
Available-for-sale financial assets, net of tax	100	100	–	–
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	−164	−164	–	−1
Items that may be reclassified subsequently to profit or loss	**−951**	**−802**	**–**	**−149**
Other comprehensive income, before tax	2,067	2,152	–	−86
Deferred taxes relating to other comprehensive income	−1,321	−1,308	–	−13
Other comprehensive income, net of tax	**746**	**844**	**–**	**−99**
Total comprehensive income	**9,891**	**9,910**	**27**	**−47**

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
Profit 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**

Balance Sheet

OF THE VOLKSWAGEN GROUP AS OF DECEMBER 31, 2014

€ million	Note	Dec. 31, 2014	Dec. 31, 2013
Assets			
Noncurrent assets			
Intangible assets	12	59,935	59,243
Property, plant and equipment	13	46,169	42,389
Lease assets	14	27,585	22,259
Investment property	14	485	427
Equity-accounted investments	15	9,874	7,934
Other equity investments	15	3,683	3,941
Financial services receivables	16	57,877	51,198
Other financial assets	17	6,498	7,040
Other receivables	18	1,654	1,456
Tax receivables	19	468	633
Deferred tax assets	19	5,878	5,622
		220,106	**202,141**
Current assets			
Inventories	20	31,466	28,653
Trade receivables	21	11,472	11,133
Financial services receivables	16	44,398	38,386
Other financial assets	17	7,693	6,591
Other receivables	18	5,080	5,030
Tax receivables	19	1,010	729
Marketable securities	22	10,861	8,492
Cash, cash equivalents and time deposits	23	19,123	23,178
		131,102	**122,192**
Total assets		**351,209**	**324,333**

€ million	Note	Dec. 31, 2014	Dec. 31, 2013
Equity and Liabilities			
Equity	**24**		
Subscribed capital		1,218	1,191
Capital reserves		14,616	12,658
Retained earnings		71,197	72,341
Other reserves		−2,081	−459
Equity attributable to Volkswagen AG hybrid capital investors		5,041	2,004
Equity attributable to Volkswagen AG shareholders and hybrid capital investors		89,991	87,733
Noncontrolling interests		198	2,304
		90,189	**90,037**
Noncurrent liabilities			
Financial liabilities	25	68,416	61,517
Other financial liabilities	26	3,954	2,305
Other liabilities	27	4,238	4,527
Deferred tax liabilities	28	4,774	7,894
Provisions for pensions	29	29,806	21,774
Provisions for taxes	28	3,215	3,674
Other provisions	30	15,910	13,981
		130,314	**115,672**
Current liabilities			
Put options and compensation rights granted to noncontrolling interest shareholders	31	3,703	3,638
Financial liabilities	25	65,564	59,987
Trade payables	32	19,530	18,024
Tax payables	28	256	218
Other financial liabilities	26	7,643	4,526
Other liabilities	27	14,143	11,004
Provisions for taxes	28	2,791	2,869
Other provisions	30	17,075	18,360
		130,706	**118,625**
Total equity and liabilities		**351,209**	**324,333**

Statement of Changes in Equity

OF THE VOLKSWAGEN GROUP FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	Subscribed capital	Capital reserves	Retained earnings	OTHER RESERVES Currency translation reserve
Balance at Jan. 1, 2013	**1,191**	**11,509**	**64,596**	**–539**
Profit after tax	–	–	9,066	–
Other comprehensive income, net of tax	–	–	1,653	–2,239
Total comprehensive income	**–**	**–**	**10,719**	**–2,239**
Capital increase	0	1,149	–	–
Dividend payment	–	–	–1,639	–
Capital transactions involving a change in ownership interest[1]	–	–	–1,328	–21
Other changes	–	–	–7	0
Balance at Dec. 31, 2013	**1,191**	**12,658**	**72,341**	**–2,799**
Balance at Jan. 1, 2014	**1,191**	**12,658**	**72,341**	**–2,799**
Profit after tax	–	–	10,847	–
Other comprehensive income, net of tax	–	–	–5,584	1,068
Total comprehensive income	**–**	**–**	**5,263**	**1,068**
Capital increase[2]	27	1,959	–	–
Dividend payment	–	–	–1,871	–
Capital transactions involving a change in ownership interest[1]	–	–	–4,484	–45
Other changes[3]	–	–	–52	0
Balance at Dec. 31, 2014	**1,218**	**14,616**	**71,197**	**–1,777**

1 The capital transactions involving a change in ownership interest are attributable in the previous year to the derecognition of the noncontrolling interests in the equity of MAN SE and the interest in Scania AB attributable to those noncontrolling interest shareholders and, in the reporting period, to the derecognition of the noncontrolling interests in the equity of Scania AB.
2 Volkswagen AG recorded an inflow of cash funds amounting to €3,000 million, less a discount of €29 million and transaction costs (€19 million), from the hybrid capital issued in March 2014. Additionally, there are 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 are noncash effects from the deferral of taxes amounting to €6 million.
3 The other changes in retained earnings are primarily a result of exchange rate movements between the dates of publication and completion of the offer to acquire all shares of Scania in conjunction with the measurement of the liability originally recognized outside profit or loss in March 2014.

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
360	**624**	**−59**	**–**	**77,682**	**4,313**	**81,995**
–	–	–	27	9,093	52	9,145
1,501	100	−170	–	844	−99	746
1,501	**100**	**−170**	**27**	**9,938**	**−47**	**9,891**
–	–	–	1,976	3,125	–	3,125
–	–	–	–	−1,639	−210	−1,849
−16	0	−1	–	−1,366	−1,759	−3,125
0	0	1	–	−6	7	1
1,845	**724**	**−229**	**2,004**	**87,733**	**2,304**	**90,037**
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**

Cash Flow Statement

OF THE VOLKSWAGEN GROUP FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	2014	2013
Cash and cash equivalents at beginning of period	**22,009**	**17,794**
Profit before tax	14,794	12,428
Income taxes paid	−4,040	−3,107
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment, and investment property*	8,761	8,007
Amortization and write-downs of capitalized development costs*	3,006	2,464
Impairment losses on equity investments*	172	36
Depreciation of, and impairment losses on, lease assets*	5,024	4,179
Gain/loss on disposal of noncurrent assets	−153	−35
Share of profit or loss of equity-accounted investments	−990	−759
Other noncash expense/income	−174	1,012
Change in inventories	−2,214	−1,021
Change in receivables (excluding financial services)	−1,433	−1,651
Change in liabilities (excluding financial liabilities)	4,764	2,363
Change in provisions	562	2,479
Change in lease assets	−8,487	−7,112
Change in financial services receivables	−8,807	−6,688
Cash flows from operating activities	**10,784**	**12,595**
Investments in intangible assets (excluding development costs), property, plant and equipment, and investment property	−12,012	−11,385
Additions to capitalized development costs	−4,601	−4,021
Acquisition of subsidiaries	−83	−80
Acquisition of other equity investments	−195	−94
Disposal of subsidiaries	6	0
Disposal of other equity investments	31	23
Proceeds from disposal of intangible assets, property, plant and equipment, and investment property	403	622
Change in investments in securities	−2,154	−810
Change in loans and time deposits	−492	−1,144
Cash flows from investing activities	**−19,099**	**−16,890**
Capital contributions	4,932	3,067
Dividends paid	−1,962	−1,849
Capital transactions with noncontrolling interest shareholders	−6,535	0
Other changes	15	−21
Proceeds from issuance of bonds	25,608	22,118
Repayment of bonds	−21,748	−14,614
Change in other financial liabilities	4,352	285
Lease payments	−17	−14
Cash flows from financing activities	**4,645**	**8,973**
Effect of exchange rate changes on cash and cash equivalents	294	−462
Net change in cash and cash equivalents	**−3,375**	**4,216**
Cash and cash equivalents at end of period	**18,634**	**22,009**
Cash and cash equivalents at end of period	18,634	22,009
Securities, loans and time deposits	18,893	17,177
Gross liquidity	**37,527**	**39,186**
Total third-party borrowings	−133,980	−121,504
Net liquidity	**−96,453**	**−82,318**

* 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, 2014

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 2014 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.

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 February 17, 2015. 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 2014.

The pronouncements contained in the "consolidation package" must be applied effective January 1, 2014. These relate to the new standards IFRS 10, IFRS 11 and IFRS 12, as well as amendments to IAS 28. IFRS 10 defines the basis of consolidation and the principles for including subsidiaries in the consolidated financial statements. The switch from IAS 27 to IFRS 10 did not require the Volkswagen Group to make any adjustments because the parent/subsidiary relationships and other control relationships are attributable almost entirely to voting rights majorities. There was therefore no requirement to consolidate additional entities or deconsolidate existing ones. Equally, because all significant special purpose entities/structured entities are consolidated in the Volkswagen Group, no adjustments were required for these entities.

IFRS 11 governs the definition of and accounting for "joint arrangements" in the consolidated financial statements. Joint arrangements are classified into "joint ventures" and "joint operations". Because all significant entities that are jointly controlled by Volkswagen AG or one of its subsidiaries are required to be classified as joint ventures, there were no effects from applying IFRS 11.

IFRS 12 combines all of the information required to be disclosed in the notes on subsidiaries, joint arrangements, associates, and consolidated and unconsolidated structured entities. The scope of the information to be disclosed was expanded.

Only the equity method in accordance with IAS 28 may be applied to joint ventures and associates effective January 1, 2014. The option to include these entities in the consolidated financial statements using proportionate consolidation was eliminated. Because proportionate consolidation was not used in the past in the Volkswagen Group, the elimination of this option did not result in any adjustments for the Volkswagen Group.

The other accounting pronouncements required to be applied for the first time in fiscal year 2014 are insignificant for the presentation of the net assets, financial position and results of operations in Volkswagen AG's consolidated financial statements.

New and amended IFRSs not applied

In its 2014 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, change in the method used to calculate risk provisions, increased 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	Jan. 1, 2016	No	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	No	None
IFRS 14	Regulatory Deferral Accounts	Jan. 30, 2014	Jan. 1, 2016	No	None
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2017	No	Probably no material effects on revenue recognition, increased disclosures
IAS 1	Presentation of Financial Statements	Dec. 18, 2014	Jan. 1, 2016	No	No material effects
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	May 12, 2014	Jan. 1, 2016	No	No material effects
IAS 16 and IAS 41	Agriculture: Bearer Plants	June 30, 2014	Jan. 1, 2016	No	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	No	None
	Improvements to IFRSs 2012[2]	Dec. 12, 2013	Jan. 1, 2016	Yes	Primarily increased segment reporting disclosures
	Improvements to IFRSs 2013[3]	Dec. 12, 2013	Jan. 1, 2015	Yes	No material effects
	Improvements to IFRSs 2014[4]	Sept. 25, 2014	Jan. 1, 2016	No	Probably increased disclosures in accordance with IFRS 7
IFRIC 21	Levies	May 20, 2013	Jan. 1, 2015	Yes	None

1 Effective date from Volkswagen AG's perspective.
2 Minor amendments to a number of IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/38, IAS 24).
3 Minor amendments to a number of IFRSs (IFRS 1, IFRS 3, IFRS 13, IAS 40).
4 Minor amendments to a number of IFRSs (IFRS 5, IFRS 7, IAS 19, IAS 34).

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, the Group company 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 are carried in the consolidated financial statements at cost less any impairment losses required to be recognized since no active market exists for these companies and fair values cannot be reliably ascertained without undue cost or effort.

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 generally carried at the lower of cost or fair value.

The composition of the Volkswagen Group is shown in the following table:

	2014	2013
Volkswagen AG and consolidated subsidiaries		
Germany	158	158
Abroad	872	854
Subsidiaries carried at cost		
Germany	64	65
Abroad	216	209
Associates, joint ventures and other equity investments		
Germany	41	41
Abroad	65	65
	1,416	**1,392**

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 Mannheim GmbH, Mannheim
- Porsche Niederlassung Stuttgart GmbH, Stuttgart
- Porsche Nordamerika Holding GmbH, Ludwigsburg
- Porsche Siebte Vermögensverwaltung GmbH, Stuttgart
- Porsche Zentrum Hoppegarten GmbH, Stuttgart
- Raffay Versicherungsdienst GmbH, Hamburg
- Truck & Bus GmbH, Wolfsburg
- 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 Logistics 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

Following its approval by the Annual General Meeting of MAN SE on June 6, 2013 and its entry in the commercial register on July 16, 2013, the control and profit and loss transfer agreement in accordance with section 291 of the Aktiengesetz (AktG – German Stock Corporation Act) between MAN SE, as the controlled company, and Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG, as the controlling company, entered into force. The obligation to transfer profits is effective as of the fiscal year beginning on January 1, 2014; the obligation to absorb losses is effective for the first time as of fiscal year 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.

Following the approval by the Annual General Meeting of MAN SE of the conclusion of the control and profit and loss transfer agreement, Volkswagen is no longer able to avoid its obligation to make a cash settlement. For this reason, the noncontrolling interests in the equity of MAN SE and the interest in Scania AB attributable to these noncontrolling interest shareholders, amounting to a total of €1,759 million, were derecognized from Group equity as of this date as a capital transaction involving a change in ownership interest. At the same time, a liability was recognized in accordance with the cash settlement offer for the obligation to acquire the shares in the amount of €3,125 million. The resulting difference of €1,366 million reduces the reserves attributable to the shareholders of Volkswagen AG. From now on, MAN SE's profit or loss will be attributed in full to the shareholders of Volkswagen AG. As of December 31, 2014, 63,364 (December 31, 2013: 289,665) ordinary shares and 27,705 (December 31, 2013: 88,643) preferred shares had been tendered.

Following the derecognition of the noncontrolling interests in the equity of MAN SE from Group equity, all shares of Scania AB that are held by MAN SE are attributable to the Volkswagen Group.

In July 2013, Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG, was served with an application in accordance with section 1 no. 1 of the Spruchverfahrensgesetz (SpruchG – German Award Proceedings Act) for judicial review of the appropriateness of the cash settlement 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 for the noncontrolling interest shareholders of MAN SE attributable to the control and profit and loss transfer agreement between MAN SE and Truck & Bus GmbH, which was entered in MAN SE's commercial register on July 16, 2013. As a result of the opening of the award proceedings, the obligation to the noncontrolling interest shareholders must be reassessed and the expected present value of the minimum statutory interest rate in accordance with section 305 of the AktG must be recognized as a liability. Based on the assumption that the award proceedings will take seven years, the assessment resulted in an expense of €493 million in fiscal year 2013, which was recognized in the other financial result. It is not currently possible to predict the exact duration of the proceedings.

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.

Net of exchange rate effects, the shares already tendered resulted in a cash outflow of €6,535 million as of the reporting date. This amount is reported within financing activities in the cash flow statement as an outflow from capital transactions with noncontrolling interests. 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. 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	2	34
of which: newly acquired subsidiaries	–	–
of which: newly formed subsidiaries	10	19
	12	**53**
Deconsolidated		
of which: mergers	3	12
of which: liquidations	7	12
of which: sales/other	2	11
	12	**35**

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

On July 2, 2014, Dr. Ing. h.c. F. Porsche AG, Stuttgart, increased its interest in Bertrandt AG, Ehningen (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 this connection, the amounts resulting from the fair value measurement of the shares amounting to €148 million that had previously been recognized in the other reserves in other comprehensive income were recognized in profit or loss in the other financial result.

From a Group perspective, the associates Sinotruk (Hong Kong) Limited, Hong Kong (Sinotruk) and Bertrandt 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 the small, but fast-growing premium truck market. Sinotruk's principal place of business is in Hong Kong, China.

As of December 31, 2014, the quoted market price of the shares in Sinotruk amounted to €317 million (previous year: €281 million).

Bertrandt

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, 2014, the quoted market price of the shares in Bertrandt amounted to €338 million.

SUMMARIZED FINANCIAL INFORMATION ON MATERIAL ASSOCIATES ON A 100% BASIS:

€ million	Sinotruk[1]	Bertrandt[2]
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	–
2013		
Equity interest (%)	25	–
Noncurrent assets	2,065	–
Current assets	3,694	–
Noncurrent liabilities	605	–
Current liabilities	2,580	–
Net assets	2,574	–
Sales revenue	3,417	–
Post-tax profit or loss from continuing operations	30	–
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	−2	–
Total comprehensive income	28	–
Dividends received	1	–

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 and income statement amounts refer to the period from July 2 to September 30.

RECONCILIATION OF THE FINANCIAL INFORMATION TO THE CARRYING AMOUNT OF THE EQUITY-ACCOUNTED INVESTMENTS:

€ million	Sinotruk	Bertrandt*
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
2013		
Net assets at January 1	2,564	–
Profit or loss	30	–
Other comprehensive income	−2	–
Changes in reserves	−1	–
Foreign exchange differences	−8	–
Dividends	−8	–
Net assets at December 31	2,574	–
Proportionate equity	644	–
Consolidation/Goodwill/Others	−346	–
Carrying amount of equity-accounted investments	298	–

* Reconciliation presented for Bertrandt as of July 2, 2014, the date from which it was accounted for using the equity method.

SUMMARIZED FINANCIAL INFORMATION ON INDIVIDUALLY IMMATERIAL ASSOCIATES ON THE BASIS OF THE VOLKSWAGEN GROUP'S PROPORTIONATE INTEREST:

€ million	2014	2013
Post-tax profit or loss from continuing operations	4	−47
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	−2	−2
Total comprehensive income	2	−49
Carrying amount of equity-accounted investments	72	73

There were no unrecognized losses relating to investments in associates. Contingent liabilities relating to associates amounted to €3 million (previous year: €4 million).

INTERESTS IN JOINT VENTURES

From a Group perspective, the joint ventures FAW-Volkswagen Automotive Company, Ltd., Changchun (FAW-Volkswagen Automotive Company), Shanghai-Volkswagen Automotive Company Ltd., Shanghai (Shanghai-Volkswagen Automotive Company), 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.

Shanghai-Volkswagen Automotive Company

Shanghai-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 Shanghai-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

The Volkswagen Group holds a 50% indirect interest in the joint venture LeasePlan Corporation N.V., Amsterdam, the Netherlands, via its 50% stake in the joint venture Global Mobility Holding B.V., Amsterdam, the Netherlands. 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 in 2010. 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. In fiscal year 2013, the agreement was prolonged by a further two years until January 2016. 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 plus accumulated pro rata preferred dividends or the 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 €1.4 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.

The principal place of business is in Amsterdam, the Netherlands.

SUMMARIZED FINANCIAL INFORMATION ON THE MATERIAL JOINT VENTURES ON A 100% BASIS:

€ million	FAW-Volkswagen Automotive Company	Shanghai-Volkswagen Automotive Company*	Global Mobility Holding	SAIC-Volkswagen Sales Company
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
2013				
Equity interest (%)	40.0	50.0	50.0	30.0
Noncurrent assets	5,226	5,025	10,813	391
Current assets	12,009	6,440	9,246	3,861
of which: cash, cash equivalents and time deposits	6,964	5,377	1,118	169
Noncurrent liabilities	1,613	949	7,155	–
of which: financial liabilities	–	–	6,188	–
Current liabilities	9,636	6,001	9,445	3,849
of which: financial liabilities	11	–	7,644	–
Net assets	5,986	4,515	3,459	403
Sales revenue	37,500	20,897	7,422	23,882
Depreciation, amortization and impairment losses	820	529	84	2
Interest income	57	94	859	–
Interest expenses	–	–	480	–
Pre-tax profit or loss from continuing operations	5,549	3,767	390	479
Income tax income/expense	1,454	937	93	120
Post-tax profit or loss from continuing operations	4,095	2,830	297	359
Post-tax profit or loss from discontinued operations	–	–	–	–
Other comprehensive income	–100	1	–38	–
Total comprehensive income	3,995	2,831	259	359
Dividends received	1,533	1,057	50	93

* SAIC-Volkswagen Sales Company sells passenger cars for Shanghai-Volkswagen Automotive Company. Therefore, the sales revenue reported for Shanghai-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	Shanghai-Volkswagen Automotive Company	Global Mobility Holding	SAIC-Volkswagen Sales Company
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
2013				
Net assets at January 1	6,041	3,846	3,299	358
Profit or loss	4,095	2,830	297	359
Other comprehensive income	–100	1	–38	–
Changes in share capital	124	–	–	–
Changes in reserves	–124	–	–	–
Foreign exchange differences	–232	–47	–	–4
Dividends	–3,819	–2,115	–99	–310
Net assets at December 31	5,986	4,515	3,459	403
Proportionate equity	2,394	2,258	1,730	121
Consolidation/Goodwill/Others	–16	–108	–13	–
Carrying amount of equity-accounted investments	2,378	2,150	1,716	121

SUMMARIZED FINANCIAL INFORMATION ON INDIVIDUALLY IMMATERIAL JOINT VENTURES ON THE BASIS OF THE VOLKSWAGEN GROUP'S PROPORTIONATE INTEREST:

€ million	2014	2013
Post-tax profit or loss from continuing operations	281	244
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–9	0
Total comprehensive income	273	243
Carrying amount of equity-accounted investments	1,519	1,199

There were no unrecognized losses relating to interests in joint ventures. Contingent liabilities relating to joint ventures amounted to €86 million (previous year: €– million).

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. 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 =	2014	2013	2014	2013
Argentina	ARS	10.27253	8.98251	10.77234	7.27413
Australia	AUD	1.48290	1.54230	1.47240	1.37702
Brazil	BRL	3.22070	3.25760	3.12277	2.86694
Canada	CAD	1.40630	1.46710	1.46687	1.36845
Czech Republic	CZK	27.73500	27.42700	27.53583	25.98715
India	INR	76.71900	85.36600	81.06888	77.87525
Japan	JPY	145.23000	144.72000	140.37722	129.65950
Mexico	MXN	17.86790	18.07310	17.66209	16.96444
People's Republic of China	CNY	7.53580	8.34910	8.18825	8.16549
Poland	PLN	4.27320	4.15430	4.18447	4.19708
Republic of Korea	KRW	1,324.80000	1,450.93000	1,399.02954	1,453.85601
Russia	RUB	72.33700	45.32460	51.01125	42.32482
South Africa	ZAR	14.03530	14.56600	14.40652	12.83079
Sweden	SEK	9.39300	8.85910	9.09689	8.65050
United Kingdom	GBP	0.77890	0.83370	0.80643	0.84925
USA	USD	1.21410	1.37910	1.32884	1.32814

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.

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 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 2% 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	2014	2013
Passenger Cars segment	6.1%	6.6%
Commercial Vehicles segment	9.8%	11.2%
Power Engineering segment	12.6%	14.7%

A minimum cost of equity of 8.6% (previous year: 9.0%) 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 a risk-free rate of interest. In addition to a market risk premium, specific peer group information on beta factors, leverage and cost of debt is also 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	25 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.

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. 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
- 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 verified by confirmations from the banks that handle the transactions.

The fair value option 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.

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.

Shares in unconsolidated subsidiaries and other equity investments that are not accounted for using the equity method 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 companies and fair values cannot be reliably ascertained without undue cost or effort. Fair values are recognized if there are indications that fair value is lower than cost. 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. 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 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 0.36% (previous year: 1.03%) 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 and capitalized development costs) 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 growth in the respective markets and the profitability of the 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. Note 30 contains an overview of other provisions. For information on litigation, see also note 37. With regard to MAN, the put options and compensation rights of free float shareholders recognized within liabilities depend on the outcome of the 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 is derived from 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.

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.

Global economic growth rose moderately to 2.7% in fiscal year 2014. Our planning is based on the assumption that the global economy will grow at a rather stronger pace in fiscal year 2015 than it did in the reporting period. 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 is managed by its own board of management. The Group targets and requirements laid down by the Board of Management of Volkswagen AG or the Group Board of Management must be complied with to the extent permitted by law. Segment reporting comprises four reportable segments: Passenger Cars, Commercial Vehicles, Power Engineering and Financial Services.

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 2013

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	146,630	25,963	3,845	20,093	196,531	476	197,007
Intersegment sales revenue	10,418	5,113	6	1,911	17,448	−17,448	–
Total sales revenue	157,048	31,076	3,851	22,004	213,979	−16,972	197,007
Depreciation and amortization	8,212	2,103	384	3,798	14,497	−118	14,379
Impairment losses	207	0	0	118	325	4	329
Reversal of impairment losses	32	2	1	16	51	–	51
Segment profit or loss (operating profit or loss)	11,053	1,044	−250	1,863	13,711	−2,040	11,671
Share of profits and losses of equity-accounted investments	3,440	−44	5	76	3,477	111	3,588
Net interest income and other financial result	−1,281	−930	−2	27	−2,187	−644	−2,831
Equity-accounted investments	5,431	391	18	377	6,218	1,716	7,934
Investments in intangible assets, property, plant and equipment, and investment property	13,544	1,329	137	345	15,355	52	15,407

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

RECONCILIATION

€ million	2014	2013
Segment sales revenue	**222,922**	**213,979**
Unallocated activities	1,245	1,319
Group financing	34	35
Consolidation	−21,744	−18,326
Group sales revenue	**202,458**	**197,007**
Segment profit or loss (operating profit or loss)	**14,439**	**13,711**
Unallocated activities	46	58
Group financing	9	−13
Consolidation	−1,797	−2,085
Operating profit	**12,697**	**11,671**
Financial result	**2,097**	**757**
Consolidated profit before tax	**14,794**	**12,428**

BY REGION 2013

€ million	Germany	Europe and Other Regions*	North America	South America	Asia-Pacific	Total
Sales revenue from external customers	37,714	79,348	27,434	17,495	35,016	197,007
Intangible assets, property, plant and equipment, lease assets and investment property	75,138	30,755	13,728	3,230	1,467	124,318

* Excluding Germany.

BY REGION 2014

€ million	Germany	Europe and Other Regions*	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.

Allocation of sales revenue to the regions follows the destination principle.

INCOME STATEMENT DISCLOSURES

1. Sales revenue

STRUCTURE OF GROUP SALES REVENUE

€ million	2014	2013
Vehicles*	134,627	134,274
Genuine parts	13,642	13,564
Used vehicles and third-party products*	10,090	9,540
Engines, powertrains and parts deliveries	10,021	8,441
Power Engineering	3,728	3,845
Motorcycles	458	452
Leasing business	16,384	13,948
Interest and similar income	6,375	6,034
Other sales revenue	7,133	6,909
	202,458	**197,007**

* Prior-year figures adjusted.

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 €1,396 million (previous year, adjusted: €1,543 million) and mainly related to the Power Engineering segment.

2. Cost of sales

Cost of sales includes interest expenses of €1,955 million (previous year: €1,948 million) attributable to the financial services business. This item also includes impairment losses on intangible assets, property, plant and equipment, and lease assets in the amount of €377 million (previous year: €346 million). Impairment losses are based on updated impairment tests and reflect market and exchange rate risks in particular, as well as amended sales forecasts and reduced product life cycles.

Government grants related to income amounted to €883 million in the fiscal year (previous year: €307 million) and were generally allocated to the functions.

3. Distribution expenses

Distribution expenses amounting to €20,292 million (previous year: €19,655 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.

4. Administrative expenses

Administrative expenses of €6,841 million (previous year: €6,888 million) mainly include nonstaff overheads and personnel costs, as well as depreciation and amortization applicable to the administrative function.

5. Other operating income

€ million	2014	2013
Income from reversal of valuation allowances on receivables and other assets	559	547
Income from reversal of provisions and accruals	2,348	2,532
Income from foreign currency hedging derivatives	1,181	1,785
Income from foreign exchange gains	2,323	1,758
Income from sale of promotional material	357	256
Income from cost allocations	1,005	909
Income from investment property	8	17
Gains on asset disposals and the reversal of impairment losses	134	233
Miscellaneous other operating income	2,383	1,919
	10,298	**9,956**

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	2014	2013
Valuation allowances on receivables and other assets	1,150	1,442
Losses from foreign currency hedging derivatives	1,003	985
Foreign exchange losses	1,972	2,486
Expenses from cost allocations	566	408
Expenses for termination agreements	193	76
Losses on disposal of noncurrent assets	105	151
Miscellaneous other operating expenses	2,004	1,796
	6,992	**7,343**

7. Share of profits and losses of equity-accounted investments

€ million	2014	2013
Share of profits of equity-accounted investments	4,007	3,652
of which: from joint ventures	(3,976)	(3,635)
of which: from associates	(30)	(17)
Share of losses of equity-accounted investments	19	64
of which: from joint ventures	(6)	(6)
of which: from associates	(13)	(58)
	3,988	**3,588**

8. Finance costs

€ million	2014	2013
Other interest and similar expenses	1,435	1,494
Interest cost included in lease payments	18	19
Interest expenses	**1,453**	**1,513**
Net interest on the net defined benefit liability	788	752
Interest cost on other liabilities	417	101
Interest cost on liabilities	**1,205**	**853**
Finance costs	**2,658**	**2,366**

9. Other financial result

€ million	2014	2013[1]
Income from profit and loss transfer agreements	20	18
Cost of loss absorption	12	5
Other income from equity investments	251	69
Other expenses from equity investments	189	50
Income from marketable securities and loans[2]	86	147
Other interest and similar income	749	786
Gains and losses from remeasurement and impairment of financial instruments	–72	–453
Gains and losses from fair value changes of derivatives not included in hedge accounting	–181	–943
Gains and losses from fair value changes of derivatives included in hedge accounting	114	–33
Other financial result	**767**	**–465**

1 Prior-year figures adjusted.
2 Including disposal gains/losses.

10. Income tax income/expense

COMPONENTS OF TAX INCOME AND EXPENSE

€ million	2014	2013
Current tax expense, Germany	2,073	2,173
Current tax expense, abroad	1,559	1,560
Current income tax expense	**3,632**	**3,733**
of which prior-period income (–)/expense (+)	(–230)	(278)
Deferred tax income (–)/expense (+), Germany	–145	–334
Deferred tax income (–)/expense (+), abroad	239	–116
Deferred tax income (–)/expense (+)	**94**	**–449**
Income tax income/expense	**3,726**	**3,283**

The statutory corporation tax rate in Germany for the 2014 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 44.6%. 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 2014 of €136 million (previous year: €356 million).

Previously unused tax loss carryforwards amounted to €12,726 million (previous year: €11,164 million). Tax loss carryforwards amounting to €6,719 million (previous year: €9,070 million) can be used indefinitely, while €775 million (previous year: €442 million) must be used within the next ten years. There are additional tax loss carryforwards amounting to €5,232 million (previous year: €1,652 million) that can be used within a period of 15 or 20 years. Tax loss carryforwards of €9,422 million (previous year: €9,002 million), of which €3,406 million (previous year €478 million) can only be utilized subject to restrictions within the next 20 years, were estimated not to be usable overall. The decrease in tax loss carryforwards with an unlimited carryforward period and the increase in tax loss carryforwards with a limited carryforward period are mainly due to a change in the law governing the carryforward of tax losses in Hungary.

The benefit arising from previously unrecognized tax losses or tax credits of a prior period that is used to reduce current tax expense amounts to €50 million (previous year: €247 million). Deferred tax expense was reduced by €49 million (previous year: €15 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 €253 million (previous year: €203 million). Deferred tax income arising from the reversal of a write-down of a deferred tax asset amounts to €117 million (previous year: €92 million).

Tax benefits amounting to €906 million (previous year: €785 million) were recognized because of tax credits granted by various countries.

No deferred tax assets were recognized for deductible temporary differences of €1,531 million (previous year: €620 million) and for tax credits of €504 million (previous year: €448 million) that would expire in the next 20 years, or for tax credits of €172 million (previous year: €103 million) that will not expire.

In accordance with IAS 12.39, deferred tax liabilities of €290 million (previous year: €211 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 €380 million at the balance sheet date (previous year: €496 million).

Deferred tax expense resulting from changes in tax rates amounted to €7 million at Group level (previous year: €94 million income).

Deferred taxes of €831 million (previous year: €411 million) were recognized without being offset by deferred tax liabilities in the same amount. The companies concerned expect positive tax income in future following losses in the fiscal year under review or in the previous year.

€5,180 million (previous year: €1,394 million) of the deferred taxes recognized in the balance sheet was credited to equity and relates to other comprehensive income. €2 million of this figure (previous year: €31 million) 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 €19 million resulting from equity transaction costs were credited directly to the capital reserves.

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, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Intangible assets	306	249	9,479	9,216
Property, plant and equipment, and lease assets	3,767	3,782	6,092	5,229
Noncurrent financial assets	13	39	37	32
Inventories	1,883	1,825	697	650
Receivables and other assets (including Financial Services Division)	1,398	1,420	6,632	6,621
Other current assets	1,459	1,316	16	73
Pension provisions	6,050	3,592	242	241
Liabilities and other provisions	8,660	6,676	869	1,222
Tax loss carryforwards, net of valuation allowances	1,129	726	–	–
Tax credits, net of valuation allowances	228	230	–	–
Valuation allowances on other deferred tax assets	−433	−278	–	–
Gross value	**24,460**	**19,577**	**24,065**	**23,284**
of which noncurrent	(15,999)	(11,914)	(20,013)	(19,281)
Offset	20,207	15,539	20,207	15,539
Consolidation	1,625	1,584	916	149
Amount recognized	**5,878**	**5,622**	**4,774**	**7,894**

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 of €3,726million reported for 2014 (previous year: €3,283 million) was €683 million (previous year: €383 million) lower than the expected tax expense of €4,409 million that would have resulted from application of a tax rate applicable to undistributed profits of 29.8% to the profit before tax of the Group.

RECONCILIATION OF EXPECTED TO EFFECTIVE INCOME TAX

€ million	2014	2013
Profit before tax	14,794	12,428
Expected income tax expense (tax rate 29.8%; previous year: 29.5%)	**4,409**	**3,666**
Reconciliation:		
Effect of different tax rates outside Germany	−92	−160
Proportion of taxation relating to:		
tax-exempt income	−1,423	−1,303
expenses not deductible for tax purposes	336	379
effects of loss carryforwards and tax credits	334	−118
permanent differences	−23	303
Tax credits	−112	−86
Prior-period tax expense	−271	349
Effect of tax rate changes	7	−94
Nondeductible withholding tax	308	273
Other taxation changes	253	74
Effective income tax expense	**3,726**	**3,283**
Effective tax rate (%)	25.2	26.4

11. Earnings per share

Basic earnings per share are calculated by dividing profit attributable to Volkswagen AG shareholders by the weighted average number of ordinary and preferred shares outstanding during the reporting period.

During the reporting period, Volkswagen AG implemented a capital increase from authorized capital against cash contributions, with existing shareholders' preemptive rights disapplied, by issuing preferred shares. Since their admission to the regulated market on June 12, 2014, these new preferred shares have been included in the calculation of earnings per share.

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. The number of outstanding preferred shares is therefore increased by the potential preferred shares that would be issued if the mandatory convertible notes issued were actually to be converted. The average number of preferred shares not yet converted that have to be included is calculated based on the maximum conversion ratio resulting from the current minimum conversion price of €147.61. The terms and conditions required the minimum conversion price to be adjusted following the distribution of the dividend. The number of potential preferred shares was calculated retrospectively at the new minimum conversion price in accordance with IAS 33.26, including for the previous year. The finance costs associated with the mandatory convertible notes are not included in the calculation of consolidated profit because the interest component was recognized in other comprehensive income when the note was issued, and interest expense arises only from the amount of compound interest. Since the number of basic and diluted shares is identical, basic earnings per share also correspond to diluted earnings per share. In total, the existing mandatory convertible notes still entitle the holders to subscribe for a maximum of 25,032,179 no-par value preferred shares of Volkswagen AG.

See note 24 for further information regarding the issuance of the mandatory convertible note and the capital increase.

Quantity	Ordinary 2014	Ordinary 2013	Preferred 2014	Preferred 2013*
Weighted average number of shares outstanding – basic	295,089,818	295,089,818	200,990,701	191,453,836
Weighted average number of shares outstanding – diluted	295,089,818	295,089,818	200,990,701	191,453,836

* Prior-year figures adjusted to reflect application of IAS 33.26.

€ million	2014	2013*
Profit after tax	11,068	9,145
Noncontrolling interests	84	52
Profit attributable to Volkswagen AG hybrid capital investors	138	27
Profit attributable to Volkswagen AG shareholders	10,847	9,066
Basic earnings attributable to ordinary shares	6,445	5,491
Diluted earnings attributable to ordinary shares	6,445	5,491
Basic earnings attributable to preferred shares	4,402	3,574
Diluted earnings attributable to preferred shares	4,402	3,574

* Prior-year figures adjusted to reflect application of IAS 33.26.

€	2014	2013*
Basic earnings per ordinary share	21.84	18.61
Diluted earnings per ordinary share	21.84	18.61
Basic earnings per preferred share	21.90	18.67
Diluted earnings per preferred share	21.90	18.67

* 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 €85 million (previous year: €74 million) and related mainly to capitalized development costs. An average cost of debt of 2.2% (previous year: 2.4%) 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	2014	2013
Financial instruments at fair value through profit or loss	−220	−756
Loans and receivables	5,357	3,386
Available-for-sale financial assets	592	193
Financial liabilities measured at amortized cost	−3,921	−3,851
	1,808	**−1,027**

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	2014	2013
Interest income	5,267	4,925
Interest expenses	3,683	3,981
	1,584	**943**

IMPAIRMENT LOSSES ON FINANCIAL ASSETS BY CLASS

€ million	2014	2013
Measured at fair value	2	2
Measured at amortized cost	1,295	1,470
	1,297	**1,472**

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 €46 million in the fiscal year (previous year: €47 million).

In fiscal year 2014, €6 million (previous year: €5 million) was recognized as an expense and €66 million (previous year: €52 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, 2013

€ 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, 2013	**17,135**	**23,889**	**3,627**	**17,422**	**8,441**	**70,513**
Foreign exchange differences	−42	−177	−66	−263	−270	−818
Changes in consolidated Group	–	18	–	–	38	57
Additions	–	–	3,390	631	351	4,373
Transfers	−5	–	−1,850	1,856	−23	−22
Disposals	0	–	15	422	185	622
Balance at Dec. 31, 2013	**17,088**	**23,730**	**5,087**	**19,224**	**8,352**	**73,481**
Amortization and impairment						
Balance at Jan. 1, 2013	**56**	**0**	**27**	**8,160**	**3,158**	**11,401**
Foreign exchange differences	−6	0	0	−156	−132	−294
Changes in consolidated Group	–	0	–	–	5	5
Additions to cumulative amortization	13	–	1	2,378	1,197	3,589
Additions to cumulative impairment losses	–	–	–	85	10	96
Transfers	−4	–	−4	9	−1	0
Disposals	–	–	–	392	168	560
Reversal of impairment losses	–	–	–	–	–	–
Balance at Dec. 31, 2013	**59**	**0**	**24**	**10,085**	**4,070**	**14,238**
Carrying amount at Dec. 31, 2013	**17,029**	**23,730**	**5,063**	**9,139**	**4,282**	**59,243**

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**

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	2014	2013
Brand names by operating segment		
Porsche	13,823	13,823
Scania Vehicles and Services	1,036	1,098
MAN Truck & Bus	1,127	1,127
MAN Diesel & Turbo	415	415
Ducati	404	404
Other	162	163
	16,967	**17,029**
Goodwill by operating segment		
Porsche	18,825	18,825
Scania Vehicles and Services	2,978	3,158
MAN Truck & Bus	595	576
MAN Diesel & Turbo	250	247
Ducati	290	290
ŠKODA	146	148
Porsche Holding Salzburg	191	181
Other	303	305
	23,577	**23,730**

The recoverability test for recognized goodwill is based on value in use and is not affected by a variation in the growth forecast or in the discount rate of +/–0.5 percentage points.

Of the total research and development costs incurred in 2014, €4,601 million (previous year: €4,021 million) met the criteria for capitalization under IFRSs.

The following amounts were recognized in profit or loss:

€ million	2014	2013
Research and noncapitalized development costs	8,519	7,722
Amortization of development costs	3,026	2,464
Research and development costs recognized in the income statement	**11,545**	**10,186**

13. Property, plant and equipment

CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2013

€ 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, 2013	**24,633**	**33,657**	**46,499**	**5,657**	**110,446**
Foreign exchange differences	−540	−908	−874	−185	−2,508
Changes in consolidated Group	137	15	30	75	258
Additions	897	2,016	3,506	4,642	11,061
Transfers	1,288	1,322	1,340	−3,954	−3
Disposals	139	942	1,203	77	2,362
Balance at Dec. 31, 2013	**26,277**	**35,159**	**49,297**	**6,158**	**116,891**
Depreciation and impairment					
Balance at Jan. 1, 2013	**10,315**	**24,395**	**36,282**	**30**	**71,022**
Foreign exchange differences	−188	−621	−654	−4	−1,468
Changes in consolidated Group	45	9	12	–	66
Additions to cumulative depreciation	824	2,226	3,637	1	6,689
Additions to cumulative impairment losses	11	2	97	8	118
Transfers	−13	−42	43	0	−12
Disposals	54	852	970	1	1,877
Reversal of impairment losses	1	25	0	9	35
Balance at Dec. 31, 2013	**10,939**	**25,091**	**38,447**	**26**	**74,503**
Carrying amount at Dec. 31, 2013	**15,338**	**10,068**	**10,850**	**6,132**	**42,389**
of which assets leased under finance leases Carrying amount at Dec. 31, 2013	282	16	16	–	314

Future finance lease payments due, and their present values, are shown in the following table:

€ million	2014	2015 – 2018	from 2019	Total
Finance lease payments	65	179	279	523
Interest component of finance lease payments	11	24	68	103
Carrying amount of liabilites	**54**	**155**	**211**	**420**

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

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	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**

For assets leased under operating leases, payments recognized in the income statement amounted to €1,330 million (previous year: €1,273 million). With respect to internally used assets, €1,171 million (previous year: €1,136 million) of this figure is attributable to minimum lease payments and €50 million (previous year: €51 million) to contingent lease payments. The payments of €109 million (previous year: €86 million) under subleases primarily relate to minimum lease payments.

Government grants of €110 million (previous year: €295 million) were deducted from the cost of property, plant and equipment, and noncash benefits received amounting to €0 million (previous year: €8 million) were not capitalized as the cost of assets.

Real property liens of €628 million (previous year: €661 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, 2013

€ million	Lease assets	Investment property	Total
Cost			
Balance at Jan. 1, 2013	**25,453**	**626**	**26,079**
Foreign exchange differences	– 908	– 12	– 920
Changes in consolidated Group	3	–	3
Additions	11,890	32	11,923
Transfers	– 1	32	31
Disposals	6,558	46	6,604
Balance at Dec. 31, 2013	**29,878**	**633**	**30,511**
Depreciation and impairment			
Balance at Jan. 1, 2013	**5,419**	**194**	**5,612**
Foreign exchange differences	– 212	– 2	– 215
Changes in consolidated Group	0	–	0
Additions to cumulative depreciation	4,087	14	4,101
Additions to cumulative impairment losses	107	1	108
Transfers	0	12	12
Disposals	1,766	13	1,779
Reversal of impairment losses	16	–	16
Balance at Dec. 31, 2013	**7,619**	**205**	**7,824**
Carrying amount at Dec. 31, 2013	**22,259**	**427**	**22,687**

The following payments from noncancelable leases and rental agreements were expected to be received over the coming years:

€ million	2014	2015 – 2018	from 2019	Total
Lease payments	2,635	2,971	23	5,628

CHANGES IN LEASE ASSETS AND INVESTMENT PROPERTY IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	Lease 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**

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 €890 million (previous year: €732 million). Fair value is estimated using an investment method based on internal calculations (Level 3 of the fair value hierarchy). Operating expenses of €53 million (previous year: €47 million) were incurred for the maintenance of investment property in use. Expenses of €3 million (previous year: €0 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	2015	2016 – 2019	from 2020	Total
Lease payments	3,253	3,528	1	6,782

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, 2013

€ million	Equity-accounted investments	Other equity investments	Total
Gross carrying amount at Jan. 1, 2013	**7,362**	**4,107**	**11,469**
Foreign exchange differences	−24	−6	−30
Changes in consolidated Group	−3	−259	−262
Additions	38	297	335
Transfers	27	−27	0
Disposals	3	23	25
Changes recognized in profit or loss	3,612	–	3,612
Dividends	−2,827	–	−2,827
Other changes recognized in other comprehensive income	−170	88	−82
Balance at Dec. 31, 2013	**8,014**	**4,177**	**12,191**
Impairment losses Balance at Jan. 1, 2013	**53**	**236**	**290**
Foreign exchange differences	0	−1	−2
Changes in consolidated Group	–	−31	−31
Additions	26	37	63
Transfers	–	–	–
Disposals	–	3	3
Reversal of impairment losses	–	0	0
Balance at Dec. 31, 2013	**80**	**237**	**316**
Carrying amount at Dec. 31, 2013	**7,934**	**3,941**	**11,875**

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**

Equity-accounted investments include joint ventures in the amount of €9,159 million (previous year: €7,563 million) and associates in the amount of €715 million (previous year: €370 million).

€335 million of the changes in the consolidated Group between equity-accounted investments and other equity investments 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. Further information can be found under Basis of consolidation/Investments in associates.

Of the other changes recognized in other comprehensive income, €379 million (previous year: €–162 million) is attributable to joint ventures and €–3 million (previous year: €–7 million) to associates. They are mainly the result of foreign exchange differences in the amount of €397 million (previous year: €–136 million), pension plan remeasurements in the amount of €–6 million (previous year: €–9 million) and losses on the fair value measurement of cash flow hedges in the amount of €–23 million (previous year: €–36 million).

16. Noncurrent and current financial services receivables

€ million	Carrying amount			Fair value	Carrying amount			Fair value
	Current	Noncurrent	Dec. 31, 2014	Dec. 31, 2014	Current	Noncurrent	Dec. 31, 2013	Dec. 31, 2013
Receivables from financing business								
Customer financing	21,163	41,681	62,844	64,778	17,998	35,965	53,963	55,562
Dealer financing	13,343	1,570	14,913	14,897	11,658	1,368	13,026	12,987
Direct banking	198	1	198	199	183	1	184	184
	34,704	**43,252**	**77,956**	**79,873**	**29,839**	**37,334**	**67,173**	**68,733**
Receivables from operating leases	281	–	281	281	214	–	214	214
Receivables from finance leases	9,413	14,625	24,038	24,296	8,332	13,864	22,196	22,639
	44,398	**57,877**	**102,275**	**104,450**	**38,386**	**51,198**	**89,583**	**91,586**

The receivables from customer financing and finance leases contained in financial services receivables of €102.3 billion (previous year: €89.6 billion) increased by €39 million as a result of a fair value adjustment from portfolio hedging (previous year: decrease of €34 million).

The receivables from customer and dealer financing are secured by vehicles or real property liens. Collateral of €344 million (previous year: €351 million) has been furnished for financial liabilities and contingent liabilities.

The receivables from dealer financing include €98 million (previous year: €71 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, 2013 and December 31, 2014:

€ million	2014	2015 – 2018	from 2019	Total
Future payments from finance lease receivables	8,939	14,623	122	23,684
Unearned finance income from finance leases (discounting)	−607	−879	−2	−1,488
Present value of minimum lease payments outstanding at the reporting date	**8,332**	**13,744**	**120**	**22,196**

€ 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**

Accumulated valuation allowances for uncollectible minimum lease payments receivable amount to €97 million (previous year: €112 million).

17. Noncurrent and current other financial assets

€ million	Carrying amount			Carrying amount		
	Current	Noncurrent	Dec. 31, 2014	Current	Noncurrent	Dec. 31, 2013
Positive fair value of derivatives	1,551	2,047	3,598	1,680	2,414	4,094
Marketable securities	–	1,546	1,546	–	1,565	1,565
Receivables from loans, bonds, profit participation rights (excluding interest)	3,533	2,170	5,704	2,729	2,472	5,201
Miscellaneous financial assets	2,608	735	3,343	2,182	590	2,772
	7,693	**6,498**	**14,190**	**6,591**	**7,040**	**13,631**

Other financial assets include receivables from related parties of €5,055 million (previous year: €5,170 million). Other financial assets and current marketable securities of €2,942 million (previous year: €3,119 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 €1.4 billion reported in noncurrent securities (see the disclosures on "Interests in joint ventures"). In addition, the miscellaneous other 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, 2014	Dec. 31, 2013
Transactions for hedging		
foreign currency risk from assets using fair value hedges	212	97
foreign currency risk from liabilities using fair value hedges	190	55
interest rate risk using fair value hedges	681	340
interest rate risk using cash flow hedges	4	5
foreign currency and price risk from future cash flows (cash flow hedges)	1,690	3,225
Hedging transactions	**2,778**	**3,721**
Assets related to derivatives not included in hedging relationships	820	373
	3,598	**4,094**

The positive fair value of transactions for hedging price risk from future cash flows (cash flow hedges) amounted to €1 million (previous year: €21 million).

Positive fair values of €1 million (previous year: €20 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, 2014	Current	Noncurrent	Dec. 31, 2013
Other recoverable income taxes	3,474	290	3,764	3,111	96	3,207
Miscellaneous receivables	1,605	1,365	2,970	1,919	1,360	3,279
	5,080	**1,654**	**6,734**	**5,030**	**1,456**	**6,486**

Miscellaneous receivables include assets to fund post-employment benefits in the amount of €75 million (previous year: €65 million). This item also includes the share of the technical provisions attributable to reinsurers amounting to €87 million (previous year: €98 million).

Current other receivables are predominantly non-interest-bearing.

19. Tax assets

	CARRYING AMOUNT			CARRYING AMOUNT		
€ million	Current	Noncurrent	Dec. 31, 2014	Current	Noncurrent	Dec. 31, 2013
Deferred tax assets	–	5,878	5,878	–	5,622	5,622
Tax receivables	1,010	468	1,479	729	633	1,362
	1,010	**6,346**	**7,357**	**729**	**6,255**	**6,984**

€4,718 million (previous year: €4,393 million) of the deferred tax assets is due within one year.

20. Inventories

€ million	Dec. 31, 2014	Dec. 31, 2013
Raw materials, consumables and supplies	3,941	3,716
Work in progress	3,552	3,096
Finished goods and purchased merchandise	20,156	18,284
Current lease assets	3,679	3,418
Prepayments	139	140
	31,466	**28,653**

Of the total inventories, €4,029 million (previous year: €4,211 million) is recognized at net realizable value. At the same time as the relevant revenue was recognized, inventories in the amount of €158,108 million were included in cost of sales (previous year: €152,290 million). Valuation allowances recognized as expenses in the reporting period amounted to €785 million (previous year: €911 million). Vehicles amounting to €207 million (previous year: €220 million) were assigned as collateral for partial retirement obligations.

21. Trade receivables

€ million	Dec. 31, 2014	Dec. 31, 2013
Trade receivables from		
third parties	9,142	9,126
affiliated companies	230	266
joint ventures	2,037	1,712
associates	58	26
other investees and investors	4	3
	11,472	**11,133**

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, 2014	Dec. 31, 2013
Contract costs and proportionate contract profit/loss of construction contracts	1,327	1,575
of which billed to customers	–66	–49
Exchange rate effects	6	–3
PoC receivables, gross	1,267	1,523
Prepayments received	–1,065	–1,272
PoC receivables, net	**202**	**251**

Other payments received on account of construction contracts in the amount of €375 million (previous year: €350 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, 2014	Dec. 31, 2013
Bank balances	18,815	22,997
Checks, cash-in-hand, bills and call deposits	309	181
	19,123	**23,178**

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.

In January 2014, Volkswagen AG issued 22,103 newly created preferred shares (notional value: €56,584) resulting from the exercise of mandatory convertible notes.

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. Volkswagen AG recorded a cash inflow of €2,000 million from the capital increase, less transaction costs of €20 million.

Following the capital increases, the subscribed capital is composed of 295,089,818 no-par value ordinary shares and 180,641,478 no-par value preferred shares, and amounts to €1,218 million (December 31, 2013: €1,191 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 can 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 entitles and obliges holders to subscribe for Volkswagen preferred shares. The preemptive rights of existing shareholders were disapplied. The convertible note bears a coupon of 5.50% and matures 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 the new mandatory convertible note correspond 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. The new mandatory convertible note also matures on November 9, 2015.

The current minimum conversion price for the mandatory convertible notes is €147.61, and the maximum conversion price is €177.13. The conversion price will be adjusted if certain events occur. The convertible notes will be settled by issuing new preferred shares no later than at maturity. The issuer is entitled to convert the mandatory convertible notes at any time at the minimum conversion price. The note terms and conditions also provide for early conversion options. This voluntary conversion right was exercised in the reporting period, with a total of €4 million of the notes being converted into 22,103 newly created preferred shares at the effective maximum conversion price at the conversion date.

Following the approval by the Annual General Meeting of MAN SE of the conclusion of the control and profit and loss transfer agreement between MAN SE and Truck & Bus GmbH on June 6, 2013, Volkswagen is obliged to pay a cash settlement to the remaining noncontrolling interest shareholders of MAN SE. For this reason, the noncontrolling interests in the equity of MAN SE and the interest in Scania AB attributable to those noncontrolling interest shareholders were derecognized from Group equity as of this date. At the same time, a liability was recognized in accordance with the cash settlement offer for the obligation to acquire the shares. MAN SE's profit or loss is attributed in full to the shareholders of Volkswagen AG.

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 (issuer). The perpetual hybrid notes were issued in two tranches and can be called by the issuer. 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. 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		€	
	2014	2013	2014	2013
Balance at January 1	**465,237,989**	**465,232,596**	**1,191,009,252**	**1,190,995,446**
Capital increase	10,471,204	–	26,806,282	–
Conversion of mandatory convertible notes	22,103	5,393	56,584	13,806
Balance at December 31	**475,731,296**	**465,237,989**	**1,217,872,118**	**1,191,009,252**

The capital reserves comprise the share premium totaling €14,290 million (previous year: €12,332 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. The capital reserves increased by €1,959 million in the reporting period due to the implementation of the capital increase (previous year: by €1,149 million due to the issuance of the mandatory convertible note). As a portion of the mandatory convertible note that had been issued was converted in fiscal year 2014, an amount of €56,584 (previous year: €13,806) 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 €2,299 million are eligible for distribution following the appropriation of €180 million to the revenue reserves. The Board of Management and Supervisory Board will propose to the Annual General Meeting that a total dividend of €2,294 million, i.e. €4.80 per ordinary share and €4.86 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 €4.00 per ordinary share and €4.06 per preferred share was distributed in fiscal year 2014.

NONCONTROLLING INTERESTS

As of December 31, 2014, total noncontrolling interests amounted to €198 million (previous year: €2,304 million). As of December 31, 2013, €2,115 million was attributable to Scania AB. Since May 13, 2014, there have been no noncontrolling interests in relation to Scania. The other noncontrolling interests in equity are attributable primarily to shareholders of RENK AG and AUDI AG and are immaterial individually and in the aggregate.

Summarized financial information for the Scania subgroup up to the completion of the takeover offer on May 13, 2014 is shown in the following tables:

€ million	Scania
Jan. 1 – May 13, 2014	
Sales revenue	3,701
Post-tax profit or loss from continuing operations	183
Post-tax profit or loss from discontinued operations	–
Other comprehensive income	−237
Total comprehensive income	−53
Comprehensive income attributable to noncontrolling interests	8
Dividends paid to noncontrolling interests	–
Jan. 1 – Dec. 31, 2013	
Sales revenue	10,360
Post-tax profit or loss from continuing operations	520
Post-tax profit or loss from discontinued operations	–
Other comprehensive income	−310
Total comprehensive income	210
Comprehensive income attributable to noncontrolling interests	123
Dividends paid to noncontrolling interests	167

€ million	Scania
Jan. 1 – May 13, 2014	
Cash flows from operating activities	229
Cash flows from investing activities	−224
Cash flows from financing activities	298
Effect of exchange rate changes on cash and cash equivalents	−33
Net increase (net decrease) in cash and cash equivalents	270
Jan. 1 – Dec. 31, 2013	
Cash flows from operating activities	570
Cash flows from investing activities	−403
Cash flows from financing activities	−442
Effect of exchange rate changes on cash and cash equivalents	−35
Net increase (net decrease) in cash and cash equivalents	−309

25. Noncurrent and current financial liabilities

The details of noncurrent and current financial liabilities are presented in the following table:

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2014	Current	Noncurrent	Dec. 31, 2013
Bonds	19,586	42,852	62,438	16,645	39,677	56,322
Commercial paper and notes	10,053	13,787	23,840	9,281	11,953	21,233
Liabilities to banks	11,109	9,692	20,801	11,305	7,659	18,964
Deposits business	24,353	980	25,333	22,310	1,015	23,325
Loans and miscellaneous liabilities	429	743	1,172	396	850	1,247
Bills of exchange	–	–	–	–	–	–
Finance lease liabilities	34	362	396	50	363	413
	65,564	**68,416**	**133,980**	**59,987**	**61,517**	**121,504**

The deposits from direct banking business contained in the financial liabilities of €134.0 billion (previous year: €121.5 billion) decreased by €0.1 million (previous year: €5.5 million) as a result of a fair value adjustment from portfolio hedging.

26. Noncurrent and current other financial liabilities

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2014	Current	Noncurrent	Dec. 31, 2013
Negative fair values of derivative financial instruments	2,991	2,390	5,381	1,070	1,169	2,239
Interest payable	709	43	752	667	62	730
Miscellaneous financial liabilities	3,943	1,521	5,464	2,789	1,074	3,863
	7,643	**3,954**	**11,597**	**4,526**	**2,305**	**6,832**

The negative fair values of derivatives relate to the following items:

€ million	Dec. 31, 2014	Dec. 31, 2013
Transactions for hedging		
foreign currency risk from assets using fair value hedges	24	34
foreign currency risk from liabilities using fair value hedges	286	300
interest rate risk using fair value hedges	115	117
interest rate risk using cash flow hedges	20	30
foreign currency and price risk from future cash flows (cash flow hedges)	4,168	996
Hedging transactions	**4,614**	**1,476**
Liabilities related to derivatives not included in hedging relationships	767	762
	5,381	**2,239**

The negative fair value of transactions for hedging price risk from future cash flows (cash flow hedges) amounted to €69 million (previous year: €61 million).

Positive fair values of €49 million (previous year: €41 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, 2014	Current	Noncurrent	Dec. 31, 2013
Payments received on account of orders	3,402	146	3,548	3,785	702	4,487
Liabilities relating to						
other taxes	2,044	545	2,590	1,850	465	2,316
social security	466	23	489	444	22	466
wages and salaries	4,963	527	5,490	2,735	559	3,294
Miscellaneous liabilities	3,269	2,996	6,265	2,190	2,778	4,968
	14,143	**4,238**	**18,382**	**11,004**	**4,527**	**15,530**

28. Tax liabilities

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2014	Current	Noncurrent	Dec. 31, 2013
Deferred tax liabilities	–	4,774	4,774	–	7,894	7,894
Provisions for taxes	2,791	3,215	6,007	2,869	3,674	6,543
Tax payables	256	–	256	218	–	218
	3,048	**7,989**	**11,037**	**3,086**	**11,567**	**14,654**

€121 million (previous year: €40 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 2014, they amounted to a total of €1,815 million (previous year: €1,670 million) in the Volkswagen Group. Of this figure, contributions to the compulsory state pension system in Germany amounted to €1,410 million (previous year: €1,292 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 2015.

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. €16 million (previous year: €16 million) was recognized in fiscal year 2014 as an expense for health care costs. The related carrying amount as of December 31, 2014 was €245 million (previous year: €177 million).

The following amounts were recognized in the balance sheet for defined benefit plans:

€ million	Dec. 31, 2014	Dec. 31, 2013
Present value of funded obligations	11,983	8,728
Fair value of plan assets	9,224	7,970
Funded status (net)	2,759	758
Present value of unfunded obligations	26,957	20,929
Amount not recognized as an asset because of the ceiling in IAS 19	15	22
Net liability recognized in the balance sheet	**29,731**	**21,709**
of which provisions for pensions	29,806	21,774
of which other assets	75	65

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	
%	2014	2013	2014	2013
Discount rate at December 31	2.30	3.70	4.35	5.51
Payroll trend	3.33	3.36	3.43	3.24
Pension trend	1.80	1.80	2.60	3.02
Employee turnover rate	0.99	1.03	3.38	3.76
Annual increase in healthcare costs	–	–	4.67	5.51

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	2014	2013
Net liability recognized in the balance sheet at January 1	**21,709**	**23,903**
Current service cost	728	759
Net interest expense	786	752
Actuarial gains (–)/losses (+) arising from changes in demographic assumptions	4	21
Actuarial gains (–)/losses (+) arising from changes in financial assumptions	8,145	– 2,323
Actuarial gains (–)/losses (+) arising from experience adjustments	114	– 16
Income/expenses from plan assets not included in interest income	324	49
Change in amount not recognized as an asset because of the ceiling in IAS 19	7	– 17
Employer contributions to plan assets	616	572
Employee contributions to plan assets	– 6	0
Pension payments from company assets	783	766
Past service cost (including plan curtailments)	25	4
Gains (–) or losses (+) arising from plan settlements	0	1
Changes in consolidated Group	0	1
Other changes	– 12	47
Foreign exchange differences from foreign plans	– 43	– 72
Net liability recognized in the balance sheet at December 31	**29,731**	**21,709**

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	2014	2013
Present value of obligations at January 1	**29,657**	**31,185**
Current service cost	728	759
Interest cost	1,153	1,041
Actuarial gains(–)/losses (+) arising from changes in demographic assumptions	4	21
Actuarial gains(–)/losses (+) arising from changes in financial assumptions	8,145	−2,323
Actuarial gains(–)/losses (+) arising from experience adjustments	114	−16
Employee contributions to plan assets	38	41
Pension payments from company assets	783	766
Pension payments from plan assets	235	222
Past service cost (including plan curtailments)	25	4
Gains (–) or losses (+) arising from plan settlements	−24	1
Changes in consolidated Group	0	1
Other changes	−21	197
Foreign exchange differences from foreign plans	139	−266
Present value of obligations at December 31	**38,939**	**29,657**

Changes in the relevant actuarial assumptions would have had the following effects on the defined benefit obligation:

		DEC. 31, 2014		DEC. 31, 2013	
Present value of defined benefit obligation if		€ million	Change in percent	€ million	Change in percent
Discount rate	is 0.5 percentage points higher	35,573	−8.64	27,656	−6.75
	is 0.5 percentage points lower	42,830	9.99	32,263	8.79
Pension trend	is 0.5 percentage points higher	41,024	5.35	31,113	4.91
	is 0.5 percentage points lower	37,046	−4.86	28,360	−4.37
Payroll trend	is 0.5 percentage points higher	39,487	1.41	30,047	1.31
	is 0.5 percentage points lower	38,466	−1.22	29,324	−1.12
Longevity	increases by one year	40,066	2.89	30,413	2.55

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: 17 years).

The present value of the defined benefit obligation is attributable as follows to the members of the plan:

€ million	2014	2013
Active members with pension entitlements	22,490	15,772
Members with vested entitlements who have left the Company	1,781	1,418
Pensioners	14,669	12,468

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	2014	2013
Payments due within the next fiscal year	1,031	977
Payments due between two and five years	4,212	3,856
Payments due in more than five years	33,696	24,824

Changes in plan assets are shown in the following table:

€ million	2014	2013
Fair value of plan assets at January 1	**7,970**	**7,288**
Interest income on plan assets determined using the discount rate	366	290
Income/expenses from plan assets not included in interest income	324	49
Employer contributions to plan assets	616	572
Employee contributions to plan assets	33	41
Pension payments from plan assets	235	222
Gains (+) or losses (–) arising from plan settlements	23	–
Changes in consolidated Group	0	0
Other changes	– 9	150
Foreign exchange differences from foreign plans	182	– 196
Fair value of plan assets at December 31	**9,224**	**7,970**

The investment of the plan assets to cover future pension obligations resulted in income in the amount of €690 million (previous year: €338 million).

Employer contributions to plan assets are expected to amount to €546 million in the next fiscal year (previous year: €501 million).

Plan assets are invested in the following asset classes:

€ million	DEC. 31, 2014 Quoted prices in active markets	DEC. 31, 2014 No quoted prices in active markets	DEC. 31, 2014 Total	DEC. 31, 2013 Quoted prices in active markets	DEC. 31, 2013 No quoted prices in active markets	DEC. 31, 2013 Total
Cash and cash equivalents	304	–	304	338	–	338
Equity instruments	292	–	292	271	–	271
Debt instruments	1,601	0	1,601	1,304	0	1,305
Direct investments in real estate	2	87	89	2	82	84
Derivatives	–4	–	–4	17	–	17
Equity funds	2,110	62	2,172	1,812	70	1,883
Bond funds	3,437	96	3,533	2,955	86	3,041
Real estate funds	234	–	234	197	1	197
Other funds	460	4	464	317	2	319
Other instruments	18	519	537	46	469	516

38.1% (previous year: 37.7%) of the plan assets are invested in German assets, 30.2% (previous year: 29.6%) in other European assets and 31.7% (previous year: 32.7%) in assets in other regions.

Plan assets include €26 million (previous year: €22 million) invested in Volkswagen Group assets and €18 million (previous year: €19 million) in Volkswagen Group debt instruments.

The following amounts were recognized in the income statement:

€ million	2014	2013
Current service cost	728	759
Net interest on the net defined benefit liability	788	752
Past service cost (including plan curtailments)	25	4
Gains (–) or losses (+) arising from plan settlements	0	1
Net income (–) and expenses (+) recognized in profit or loss	**1,541**	**1,516**

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	Miscellaneous provisions	Total
Balance at Jan. 1, 2013	**17,124**	**5,243**	**8,429**	**30,796**
Foreign exchange differences	−417	−63	−287	−766
Changes in consolidated Group	14	5	9	28
Utilized	7,146	2,864	1,896	11,906
Additions/New provisions	9,930	3,227	3,332	16,489
Unwinding of discount/effect of change in discount rate	−33	78	3	48
Reversals	934	247	1,167	2,348
Balance at Dec. 31, 2013	**18,537**	**5,380**	**8,423**	**32,341**
of which current	9,655	3,377	5,327	18,360
of which noncurrent	8,882	2,003	3,096	13,981
Balance at Jan. 1, 2014	**18,537**	**5,380**	**8,423**	**32,341**
Foreign exchange differences	214	29	59	303
Changes in consolidated Group	3	3	1	6
Utilized	7,045	3,030	2,299	12,373
Additions/New provisions	9,715	1,678	3,148	14,541
Unwinding of discount/effect of change in discount rate	77	229	14	319
Reversals	962	198	991	2,151
Balance at Dec. 31, 2014	**20,539**	**4,091**	**8,356**	**32,986**
of which current	10,090	1,753	5,232	17,075
of which noncurrent	10,448	2,338	3,124	15,910

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.

Provisions for employee expenses are recognized for long-service awards, time credits, partial retirement arrangements, severance payments and similar obligations, among other things. The reduction in provisions for employee expenses is due mainly to the change to bonus entitlements in the Group. As a result of the change, the entitlements are now reported as other liabilities.

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 €417 million relating to the insurance business (previous year: €370 million).

31. Put options and compensation rights granted to noncontrolling interest shareholders

This balance sheet item consists almost exclusively 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 (see also the description of the transaction in the disclosures on the basis of consolidation).

32. Trade payables

€ million	Dec. 31, 2014	Dec. 31, 2013
Trade payables to		
third parties	19,250	17,753
affiliated companies	122	100
joint ventures	66	117
associates	87	47
other investees and investors	5	6
	19,530	**18,024**

ADDITIONAL BALANCE SHEET DISCLOSURES IN ACCORDANCE WITH IFRS 7 (FINANCIAL INSTRUMENTS)

CARRYING AMOUNT OF FINANCIAL INSTRUMENTS BY IAS 39 MEASUREMENT CATEGORY

€ million	Dec. 31, 2014	Dec. 31, 2013
Financial assets at fair value through profit or loss	820	373
Loans and receivables	119,130	111,010
Available-for-sale financial assets	14,544	12,435
Financial liabilities at fair value through profit or loss	767	762
Financial liabilities measured at amortized cost	163,032	147,346

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. In the reconciliation presented in the following tables, equity instruments recognized at their carrying amount have been allocated to Level 3 of the fair value hierarchy as of fiscal year 2014.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2013

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT DEC. 31, 2013
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	
Noncurrent assets					
Equity-accounted investments	–	–	–	7,934	7,934
Other equity investments	2,666	1,274	1,274	–	3,941
Financial services receivables	–	51,198	53,200	–	51,198
Other financial assets	2,414	4,626	4,593	–	7,040
Current assets					
Trade receivables	–	11,133	11,133	–	11,133
Financial services receivables	–	38,386	38,386	–	38,386
Other financial assets	1,680	4,911	4,911	–	6,591
Marketable securities	8,492	–	–	–	8,492
Cash, cash equivalents and time deposits	–	23,178	23,178	–	23,178
Noncurrent liabilities					
Noncurrent financial liabilities	–	61,517	62,810	–	61,517
Other noncurrent financial liabilities	1,169	1,136	1,153	–	2,305
Current liabilities					
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,638	3,563	–	3,638
Current financial liabilities	–	59,987	59,987	–	59,987
Trade payables	–	18,024	18,024	–	18,024
Other current financial liabilities	1,070	3,456	3,456	–	4,526

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2014

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT DEC. 31, 2014
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	
Noncurrent assets					
Equity-accounted investments	–	–	–	9,874	9,874
Other equity investments	2,922	761	761	–	3,683
Financial services receivables	–	57,877	60,052	–	57,877
Other financial assets	2,047	4,451	4,496	–	6,498
Current assets					
Trade receivables	–	11,472	11,472	–	11,472
Financial services receivables	–	44,398	44,398	–	44,398
Other financial assets	1,551	6,141	6,141	–	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	2,390	1,564	1,568	–	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	2,991	4,652	4,652	–	7,643

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 contractually agreed cash settlement, 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 the disclosures on the basis of consolidation. 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 active markets.

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, 2013	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	2,666	2,666	–	–
Other financial assets	2,414	–	2,400	14
Current assets				
Other financial assets	1,680	–	1,662	18
Marketable securities	8,492	8,410	83	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,169	–	1,033	136
Current liabilities				
Other current financial liabilities	1,070	–	988	82

€ million	Dec. 31, 2014	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	2,922	2,922	–	–
Other financial assets	2,047	–	2,023	24
Current assets				
Other financial assets	1,551	–	1,543	9
Marketable securities	10,861	10,861	–	–
Noncurrent liabilities				
Other noncurrent financial liabilities	2,390	–	2,216	174
Current liabilities				
Other current financial liabilities	2,991	–	2,916	75

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST BY LEVEL

€ million	Dec. 31, 2013*	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Other equity investments	1,274	–	186	1,088
Financial services receivables	91,586	–	–	91,586
Trade receivables	11,133	–	10,999	134
Other financial assets	9,504	166	4,960	4,378
Cash, cash equivalents and time deposits	23,178	22,013	1,165	–
Fair value of financial assets measured at amortized cost	**136,675**	**22,179**	**17,310**	**97,186**
Fair value of financial liabilities measured at amortized cost				
Put options and compensation rights granted to noncontrolling interest shareholders	3,563	–	–	3,563
Trade payables	18,024	–	18,024	–
Financial liabilities	122,797	20,905	101,728	165
Other financial liabilities	4,609	63	4,507	40
Fair value of financial liabilities measured at amortized cost	**148,993**	**20,967**	**124,258**	**3,768**

* Prior-year figures adjusted.

€ million	Dec. 31, 2014	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Other equity investments	761	–	–	761
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	**146,443**	**19,321**	**17,086**	**110,036**
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**

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 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, Level 3 fair values comprise long-term commodity futures 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, 2013	**119**	**60**
Foreign exchange differences	0	0
Total comprehensive income	−70	−197
recognized in profit or loss	−63	−182
recognized in other comprehensive income	−7	−16
Additions (purchases)	2	2
Sales and settlements	−8	20
Transfers into Level 2	−11	−22
Balance at Dec. 31, 2013	**32**	**218**
Total gains or losses recognized in profit or loss	**−63**	**−182**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	−63	−182
of which attributable to assets/liabilities held at the reporting date	−65	−184

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2014	**32**	**218**
Foreign exchange differences	15	0
Total comprehensive income	17	91
recognized in profit or loss	7	87
recognized in other comprehensive income	10	5
Additions (purchases)	–	–
Sales and settlements	−11	−47
Transfers into Level 2	−21	−13
Balance at Dec. 31, 2014	**32**	**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

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 profit after tax and equity.

If commodity prices for commodity futures classified as Level 3 had been 10% higher (lower) as of December 31, 2014, profit would have been €20 million (previous year: €6 million) higher (lower) and equity would have been €4 million (previous year: €9 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 profit.

If the assumed enterprise values had been 10% higher, profit would have been €1 million (previous year: €12 million) higher. If the assumed enterprise values had been 10% lower, profit would have been €2 million (previous year: €21 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, 2014, profit after tax would have been €194 million higher. If the prices for the used cars covered by the residual value protection model had been 10% lower as of December 31, 2014, profit after tax would have been €194 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, 2013
Derivatives	4,094	–	4,094	−1,101	–	2,992
Financial services receivables	89,870	−286	89,584	–	−31	89,554
Trade receivables	11,269	−135	11,133	0	−348	10,786
Marketable securities	8,492	–	8,492	–	–	8,492
Cash, cash equivalents and time deposits	23,178	–	23,178	–	–	23,178
Other financial assets	13,520	−42	13,478	−1	–	13,478

				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

€ 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, 2013
				Financial instruments	Collateral pledged	
Put options and compensation rights granted to noncontrolling interest shareholders	3,638	–	3,638	–	–	3,638
Derivatives	2,236	–	2,236	−1,072	–	1,165
Financial liabilities	121,504	–	121,504	–	−2,060	119,444
Trade payables	18,162	−138	18,024	−1	–	18,024
Other financial liabilities	4,921	−326	4,595	–	–	4,595

€ 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

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	2014	Specific valuation allowances	Portfolio-based valuation allowances	2013
Balance at Jan. 1	**2,237**	**1,433**	**3,670**	**2,072**	**1,253**	**3,325**
Exchange rate and other changes	−8	20	12	−75	−37	−113
Changes in consolidated Group	23	24	48	2	0	2
Additions	703	371	1,074	887	393	1,280
Utilization	396	–	396	383	–	383
Reversals	300	175	475	308	133	441
Reclassification	8	−8	0	43	−43	0
Balance at Dec. 31	**2,269**	**1,665**	**3,933**	**2,237**	**1,433**	**3,670**

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 €4 million (previous year: €17 million) that were not derecognized in their entirety because the credit risk remains with the Volkswagen Group. The total purchase price received of €1 million (previous year: €8 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 €19,301million (previous year: €15,575 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 €21,485 million (previous year: €18,897 million). Collateral furnished in asset-backed securities transactions amounted to €28,192 million in total (previous year: €24,820 million). 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.

Most of the public and private asset-backed securities transactions of the Volkswagen Financial Services AG 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 asset-backed securities transactions of Volkswagen Financial Services (UK) will have been largely repaid by the time all of the liabilities have been redeemed. 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, 2014, the fair value of the assigned receivables still recognized in the balance sheet was €22,102 million (previous year: €19,664 million). The fair value of the related liabilities was €19,480 million at that reporting date (previous year: €15,879 million).

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 profit before tax. Profit before tax is adjusted to eliminate noncash expenditures (mainly depreciation, amortization and impairment losses) and income. 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 new preferred shares in the amount of €1,980 million (previous year: issuance of a mandatory convertible note in the amount of €1,099 million) and the issuance of hybrid capital in the amount of €2,952 million (previous year: €1,967 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 2014, cash flows from operating activities include interest received amounting to €6,129 million (previous year: €5,754 million) and interest paid amounting to €3,397 million (previous year: €3,864 million). In addition, the share of profits and losses of equity-accounted investments (note 7) includes dividends amounting to €2,997 million (previous year: €2,827 million).

Dividends amounting to €1,871 million (previous year: €1,639 million) were paid to Volkswagen AG shareholders.

€ million	Dec. 31, 2014	Dec. 31, 2013
Cash, cash equivalents and time deposits as reported in the balance sheet	19,123	23,178
Time deposits	−489	−1,169
Cash and cash equivalents as reported in the cash flow statement	18,634	22,009

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. Following the almost complete acquisition of the Scania AB shares, exploratory talks have begun with a view to also coordinating the Scania subgroup centrally. The integration process has not yet been completed for the MAN subgroup. However, these subgroups have their own, well-established 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 172.

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 €66,555 million (previous year: €68,763 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 credit assessments by international rating agencies and on the equity base of the counterparties concerned. 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 14.6% at the end of 2014 compared with 12.9% at the end of 2013. 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, 2014	Neither past due nor impaired	Past due and not impaired	Impaired	Dec. 31, 2013
Measured at amortized cost								
Financial services receivables	99,795	2,548	3,036	105,379	86,588	2,694	3,121	92,403
Trade receivables	8,682	2,664	532	11,879	8,219	2,814	514	11,547
Other receivables	10,800	53	183	11,035	9,442	84	446	9,972
	119,278	**5,265**	**3,751**	**128,293**	**104,249**	**5,592**	**4,081**	**113,922**

There are no past due financial instruments measured at fair value in the Volkswagen Group. In fiscal year 2014, marketable securities measured at fair value with a cost of €97 million (previous year: €85 million) were 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, 2014	Risk class 1	Risk class 2	Dec. 31, 2013
Measured at amortized cost						
Financial services receivables	86,099	13,696	99,795	71,592	14,996	86,588
Trade receivables	8,546	137	8,682	8,218	1	8,219
Other receivables	10,765	35	10,800	9,402	40	9,442
Measured at fair value	13,593	–	13,593	12,009	–	12,009
	119,003	**13,868**	**132,871**	**101,221**	**15,037**	**116,258**

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, 2013
Measured at amortized cost				
Financial services receivables	2,011	664	19	2,694
Trade receivables	1,356	654	804	2,814
Other receivables	34	21	30	84
Measured at fair value	–	–	–	–
	3,401	**1,339**	**852**	**5,592**

€ 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**

Collateral that was accepted for financial assets in the current fiscal year was recognized in the balance sheet in the amount of €94 million (previous year: €103 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 globally available debt issuance programs.

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

€ million	REMAINING CONTRACTUAL MATURITIES				REMAINING CONTRACTUAL MATURITIES			
	under one year	within one to five years	over five years	2014	under one year	within one to five years	over five years	2013
Put options and compensation rights granted to noncontrolling interest shareholders*	3,185	–	–	3,185	3,117	–	–	3,117
Financial liabilities	67,634	63,296	12,011	142,941	62,263	61,233	9,565	133,062
Trade payables	19,526	4	–	19,530	18,009	14	–	18,024
Other financial liabilities	4,652	1,470	94	6,216	3,455	1,047	91	4,593
Derivatives	61,623	51,265	207	113,094	54,325	46,626	1,158	102,109
	156,619	**116,034**	**12,312**	**284,965**	**141,170**	**108,920**	**10,814**	**260,904**

* Prior-year figures adjusted.

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.

The maximum potential liability under financial guarantees amounted to €674 million as of December 31, 2014 (previous year: €847 million). Financial guarantees are assumed to be due immediately in all cases. They relate primarily to guarantees.

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	2014	2013
Hedging instruments used in fair value hedges	523	−340
Hedged items used in fair value hedges	−445	354
Ineffective portion of cash flow hedges	36	−47

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 2014, €298 million (previous year: €142 million, increasing earnings) from the cash flow hedge reserve was transferred to the other operating result, reducing earnings, while €2 million (previous year: €1 million, reducing earnings) was transferred to the financial result, increasing earnings, and €27 million (previous year: €23 million) was included in the cost of sales, reducing earnings.

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 2014 as part of foreign currency risk management related primarily to the Australian dollar, the Canadian dollar, the Swiss franc, the Chinese renminbi, sterling, the South Korean won, the Swedish krona 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 profit 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, 2014 +10%	Dec. 31, 2014 −10%	Dec. 31, 2013 +10%	Dec. 31, 2013 −10%
Exchange rate				
EUR/USD				
Hedging reserve	1,515	−1,678	1,570	−1,407
Profit/loss after tax	−94	204	−295	244
EUR/GBP				
Hedging reserve	1,320	−1,321	1,000	−1,000
Profit/loss after tax	−39	40	−50	50
EUR/CNY				
Hedging reserve	966	−1,031	564	−526
Profit/loss after tax	17	27	−48	40
EUR/CHF				
Hedging reserve	459	−453	423	−416
Profit/loss after tax	−9	7	4	−6
CZK/GBP				
Hedging reserve	130	−130	96	−96
Profit/loss after tax	0	0	0	0
EUR/KRW				
Hedging reserve	90	−91	35	−35
Profit/loss after tax	−12	13	−12	12
EUR/HUF				
Hedging reserve	−96	96	−64	64
Profit/loss after tax	0	0	−2	2
EUR/SEK				
Hedging reserve	60	−60	122	−122
Profit/loss after tax	−35	35	−51	51
EUR/AUD				
Hedging reserve	94	−90	75	−74
Profit/loss after tax	−2	0	−16	16
EUR/CAD				
Hedging reserve	80	−74	82	−79
Profit/loss after tax	−1	−3	−15	14
CZK/USD				
Hedging reserve	59	−59	64	−64
Profit/loss after tax	−3	3	−2	2
GBP/USD				
Hedging reserve	56	−56	58	−58
Profit/loss after tax	1	−1	3	−3
EUR/PLN				
Hedging reserve	−39	39	−43	43
Profit/loss after tax	−15	15	−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, cross-currency swaps and other types of interest rate contracts 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, 2014, equity would have been €108 million (previous year: €40 million) lower. If market interest rates had been 100 bps lower as of December 31, 2014, equity would have been €106 million (previous year: €27 million) higher.

If market interest rates had been 100 bps higher as of December 31, 2014, profit after tax would have been €43 million (previous year: €25 million) higher. If market interest rates had been 100 bps lower as of December 31, 2014, profit after tax would have been €55 million (previous year: €43 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 profit 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, 2014, profit after tax would have been €126 million (previous year: €86 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, 2014, equity would have been €55 million (previous year: €49 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, 2014, equity would have been €259 million (previous year: €194 million) higher. If share prices had been 10% lower as of December 31, 2014, equity would have been €275 million (previous year: €197 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, 2014, the value at risk was €98 million (previous year: €151 million) for interest rate risk and €112 million (previous year: €149 million) for foreign currency risk.

The entire value at risk for interest rate and foreign currency risk at the Volkswagen Financial Services subgroup was €179 million (previous year: €224 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, 2014	Dec. 31, 2013
Notional amount of hedging instruments used in cash flow hedges:					
Interest rate swaps	1,228	3,926	–	5,154	6,127
Currency forwards	40,822	43,421	–	84,243	65,366
Currency options	7,222	9,024	–	16,246	10,365
Currency swaps	4,461	474	4	4,938	4,883
Cross-currency swaps	315	1,300	–	1,615	1,293
Commodity futures contracts	360	498	–	858	749
Notional amount of other derivatives:					
Interest rate swaps	18,991	42,981	14,216	76,188	65,568
Interest rate option contracts	–	–	–	–	61
Currency forwards	5,437	1,336	1	6,774	7,077
Other currency options	45	91	–	137	42
Currency swaps	8,475	259	–	8,734	5,226
Cross-currency swaps	4,034	4,890	11	8,935	10,022
Commodity futures contracts	895	1,099	–	1,994	1,384

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 €1.5 billion (previous year: €1.5 billion) whose remaining maturity is under one year.

Existing cash flow hedges in the notional amount of €18 million (previous year: €214 million) were discontinued because of a reduction in the projections. €0 million (previous year: €1 million) was transferred from the cash flow hedge reserve to the financial result, decreasing earnings.

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	AUD	CAD	CHF	CNY	GBP	KRW	SEK	USD
Interest rate for six months	0.1286	2.6375	1.2794	0.0323	4.8462	0.5827	2.1152	0.2888	0.2718
Interest rate for one year	0.1165	2.5215	1.3166	–0.0090	4.4683	0.6412	2.0550	0.2574	0.4307
Interest rate for five years	0.3587	2.6700	1.7710	0.0630	4.1750	1.4417	2.2050	0.6445	1.7550
Interest rate for ten years	0.8125	3.1450	2.2610	0.5175	3.8400	1.8473	2.4400	1.2625	2.2560

35. Capital management

The Group's capital management ensures that 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 clearly positive value contribution of €5,660 million in the reporting period.

The return on investment (ROI) is defined as the return on invested capital for a particular period based on the operating profit 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 14.9%, well above our minimum required rate of return of 9%.

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 profit 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	2014	2013
Automotive Division[1]		
Operating profit after capital	11,734	10,536
Invested capital (average)	78,889	72,749
Return on investment (ROI) in %	**14.9**	**14.5**
Cost of capital in %	7.7	8.3
Opportunity cost of invested capital	6,074	6,038
Value contribution[2]	**5,660**	**4,497**
Financial Services Division		
Profit before tax	1,965	1,966
Average equity	15,714	13,711
Return on equity before tax in %	**12.5**	**14.3**
Equity ratio in %	**11.3**	**10.5**

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, 2014	Dec. 31, 2013
Liabilities under guarantees	674	847
Liabilities under warranty contracts	58	155
Assets pledged as security for third-party liabilities	1,411	1,468
Other contingent liabilities	2,359	1,750
	4,502	**4,220**

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 €802 million (previous year: €601 million).

In the case of liabilities from guarantees (financial guarantee contracts), the Group is required to make specific payments if the debtors fail to meet their financial obligations. Liabilities arising from the assets pledged as security for third-party liabilities primarily include the pledge of claims under certificates of deposit with Bankhaus Metzler in the amount of €1.4 billion to secure a loan granted to Fleet Investments B.V. by Bankhaus Metzler (please see the information on the basis of consolidation and joint ventures).

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.

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 legal disputes and official proceedings in Germany and internationally. In particular, such 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.

Where transparent and economically viable, adequate insurance cover is taken out for these risks and appropriate provisions recognized for the remaining identifiable risks. The Company does not believe, therefore, that these risks will have a sustained effect on the economic position of the Group. However, 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.

ARFB Anlegerschutz UG (haftungsbeschränkt), Berlin, brought an action against Porsche Automobil Holding SE, Stuttgart, and Volkswagen AG for claims for damages allegedly assigned to it in the amount of approximately €1.8 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. 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. The statement of objections is currently being reviewed. 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 have recognized provisions or disclosed contingent liabilities.

Antitrust proceedings, also opened in 2011, by the Korea Fair Trade Commission (KFTC) against several truck manufacturers including MAN and Scania were brought to a close in fiscal year 2013 with decisions to impose administrative fines on all manufacturers involved. In spring 2014, MAN and Scania lodged an appeal against the decision to impose an administrative fine on each of them.

The Annual General Meeting of MAN SE approved the conclusion of a control and profit and loss transfer agreement between MAN SE and 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. 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.

Suzuki Motor Corporation has filed an action against Volkswagen AG at a London court of arbitration for retransfer of the 19.9% interest held in Suzuki, and for damages. Volkswagen considers the claims to be unfounded and has itself filed counterclaims. The court of arbitration is expected to reach a decision in the first half of 2015.

38. Other financial obligations

€ million	PAYABLE 2014	PAYABLE 2015 – 2018	PAYABLE from 2019	TOTAL Dec. 31, 2013
Purchase commitments in respect of				
property, plant and equipment	7,391	1,267	–	8,658
intangible assets	636	290	–	925
investment property	10	–	–	10
Obligations from				
loan commitments to unconsolidated subsidiaries	107	–	–	107
irrevocable credit commitments to customers	2,918	132	298	3,348
long-term leasing and rental contracts	825	2,181	2,327	5,333
Miscellaneous other financial obligations	4,208	1,697	83	5,988

€ 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

Other financial obligations from long-term leasing and rental contracts are partly offset by expected income from subleases of €968 million (previous year: €902 million).

The miscellaneous other financial obligations contain obligations under an irrevocable credit commitment in the amount of €1.3 billion to LeasePlan Corporation N.V., Amsterdam, the Netherlands, a Volkswagen Group joint venture, with a term until December 2015. The loan has not been drawn down to date.

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	2014	2013
Financial statement audit services	13	12
Other assurance services	6	5
Tax advisory services	0	0
Other services	11	5
	30	**22**

40. Total expense for the period

€ million	2014	2013
Cost of materials		
Cost of raw materials, consumables and supplies, purchased merchandise and services	**132,514**	**127,089**
Personnel expenses		
Wages and salaries	27,684	25,788
Social security, post-employment and other employee benefit costs	6,151	5,959
	33,834	**31,747**

41. Average number of employees during the year

	2014	2013
Performance-related wage-earners	225,454	222,654
Salaried staff	276,249	267,105
	501,703	**489,759**
of which in the passive phase of partial retirement	(8,011)	(9,340)
Vocational trainees	17,145	16,255
	518,848	**506,014**
Employees of Chinese joint ventures	64,575	57,052
	583,423	**563,066**

42. Events after the balance sheet date

There were no significant events after the end of fiscal year 2014.

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.

At 50.73%, 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.

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. 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 high double-digit millions of euros would arise for Volkswagen AG. New information emerging in the future from the external tax audit announced 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, 2015, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover, held 20.00% of the voting rights of Volkswagen AG on December 31, 2014. 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

€ million	SUPPLIES AND SERVICES RENDERED 2014	SUPPLIES AND SERVICES RENDERED 2013	SUPPLIES AND SERVICES RECEIVED 2014	SUPPLIES AND SERVICES RECEIVED 2013
Porsche SE	24	13	6	11
Supervisory Board members	5	2	4	3
Board of Management members	1	0	12	0
Unconsolidated subsidiaries	989	909	767	687
Joint ventures and their majority interests	15,352	13,547	1,388	1,278
Associates and their majority interests	198	249	575	369
Pension plans	3	3	0	0
Other related parties	0	–	0	0
State of Lower Saxony, its majority interests and joint ventures	5	8	4	2

€ million	RECEIVABLES (INCLUDING COLLATERAL) FROM Dec. 31, 2014	RECEIVABLES (INCLUDING COLLATERAL) FROM Dec. 31, 2013	LIABILITIES (INCLUDING OBLIGATIONS) TO Dec. 31, 2014	LIABILITIES (INCLUDING OBLIGATIONS) TO Dec. 31, 2013
Porsche SE	356	361	14	419
Supervisory Board members	0	0	218	165
Board of Management members	0	0	69	56
Unconsolidated subsidiaries	673	1,172	815	587
Joint ventures and their majority interests	6,295	5,758	2,127	2,064
Associates and their majority interests	69	26	168	73
Pension plans	1	1	7	8
Other related parties	–	–	27	26
State of Lower Saxony, its majority interests and joint ventures	0	2	1	0

The tables above do not contain the dividend payments of €2,997 million (previous year: €2,827 million) received from the joint ventures and associates or the dividends of €599 million (previous year: €524 million) paid to Porsche SE.

The changes in supplies and services received from and rendered to joint ventures and their majority interests are primarily attributable to the operating activities of 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 relate mainly to shares tendered as part of the offer to Scania shareholders.

The receivables from Porsche SE comprise a loan receivable. The obligations to Porsche SE consist mainly of liability compensation for guarantees and, the previous year, term deposits.

Obligations to joint ventures contain miscellaneous other financial obligations under an irrevocable credit commitment in the amount of €1.3 billion to LeasePlan Corporation N.V., Amsterdam, the Netherlands, a Volkswagen Group joint venture, with a term until December 2015.

As in the previous year, obligations to members of the Supervisory Board amounting to €218 million (previous year: €165 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 €53,686,233 (previous year: €51,964,300) and the amounts granted to Dr. Macht on termination of his employment as a Board of Management member.

In addition to the amounts shown above, the following benefits and remuneration 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:

€	2014	2013
Short-term benefits	77,704,758	73,902,093
Post-employment benefits	4,409,573	6,103,278
Termination benefits	12,809,128	–
	94,923,459	**80,005,371**

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 (see note 46). Disclosures on pension provisions for members of the Board of Management can be found in note 46.

The termination benefits comprise the amounts agreed to be paid to Dr. Macht until he reaches the age of 63.

44. Notices and disclosure of changes regarding the ownership of voting rights in Volkswagen AG in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act)

PORSCHE

1) Porsche Automobil Holding SE, Stuttgart, Germany has notified us in accordance with section 21(1) of the WpHG that its share of the voting rights in Volkswagen Aktiengesellschaft, Wolfsburg, Germany, exceeded the threshold of 50% on January 5, 2009 and amounted to 50.76% (149,696,680 voting rights) at this date.

2) The following persons notified us in accordance with section 21(1) of the WpHG that their share of the voting rights in Volkswagen Aktiengesellschaft in each case exceeded the threshold of 50% on January 5, 2009 and in each case amounted to 50.76% (149,696,680 voting rights) at this date. All of the above-mentioned 149,696,680 voting rights are attributable to each of the persons making the notification in accordance with section 22(1) sentence 1 no. 1 of the WpHG. The voting rights attributed to the persons making the notifications are held via subsidiaries within the meaning of section 22(3) of the WpHG, whose attributed share of the voting rights amounts to 3% or more and whose names are given in brackets:

Mag. Josef Ahorner, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Mag. Louise Kiesling, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Prof. Ferdinand Alexander Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Dr. Oliver Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Kai Alexander Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Mark Philipp Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Gerhard Anton Porsche, Austria
(Ferdinand Porsche Privatstiftung, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ing. Hans-Peter Porsche, Austria
(Familie Porsche Privatstiftung, Salzburg/Austria; Familie Porsche Holding GmbH, Salzburg/Austria; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Peter Daniell Porsche, Austria
(Familie Porsche Privatstiftung, Salzburg/Austria; Familie Porsche Holding GmbH, Salzburg/Austria; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Dr. Wolfgang Porsche, Germany
(Familie Porsche Privatstiftung, Salzburg/Austria; Familie Porsche Holding GmbH, Salzburg/Austria; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Wolfgang Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ferdinand Porsche Privatstiftung, Salzburg/Austria
(Ferdinand Porsche Holding GmbH, Salzburg/Austria; Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Familie Porsche Privatstiftung, Salzburg/Austria
(Familie Porsche Holding GmbH, Salzburg/Austria; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ferdinand Porsche Holding GmbH, Salzburg/Austria
(Louise Daxer-Piëch GmbH, Salzburg/Austria; Louise Daxer-Piech GmbH, Grünwald/Germany; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Gerhard Anton Porsche GmbH, Salzburg/Austria; Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Familie Porsche Holding GmbH, Salzburg/Austria
(Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Louise Daxer-Piëch GmbH, Salzburg/Austria
(Louise Daxer-Piech GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany),

Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria
(Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Gerhard Anton Porsche GmbH, Salzburg/Austria
(Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Louise Daxer-Piech GmbH, Grünwald/Germany
(Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ferdinand Alexander Porsche GmbH, Grünwald/Germany
(Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Gerhard Porsche GmbH, Grünwald/Germany
(Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ing. Hans-Peter Porsche GmbH, Salzburg/Austria
(Hans-Peter Porsche GmbH, Grünwald/Germany; Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Hans-Peter Porsche GmbH, Grünwald/Germany
(Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Wolfgang Porsche GmbH, Grünwald/Germany
(Familie Porsche Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Familien Porsche-Daxer-Piech Beteiligung GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Familie Porsche Beteiligung GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Porsche GmbH, Stuttgart/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Dr. Hans Michel Piëch, Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Hans Michel Piech GmbH, Grünwald/Germany; Dr. Hans Michel Piëch GmbH, Salzburg/Austria),

Dr. Hans Michel Piëch GmbH, Salzburg/Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Hans Michel Piech GmbH, Grünwald/Germany),

Hans Michel Piech GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Dipl.-Ing. Dr. h.c. Ferdinand Piëch, Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Ferdinand Piech GmbH, Grünwald/Germany; Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg/Austria; Ferdinand Karl Alpha Privatstiftung, Vienna/Austria),

Ferdinand Karl Alpha Privatstiftung, Vienna/Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Ferdinand Piech GmbH, Grünwald/Germany; Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg/Austria),

Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg/Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Ferdinand Piech GmbH, Grünwald/Germany),

Ferdinand Piech GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany).

3) Porsche Holding Gesellschaft m.b.H., Salzburg/Austria, and Porsche GmbH, Salzburg/Austria, notified us in accordance with section 21(1) of the WpHG that their share of the voting rights in Volkswagen Aktiengesellschaft in each case exceeded the threshold of 50% on January 5, 2009 and in each case amounted to 53.13% (156,702,015 voting rights) at this date.

   All the above-mentioned 156,702,015 voting rights are attributable to Porsche Holding Gesellschaft m.b.H. in accordance with section 22(1) sentence I no. 1 of the WpHG. The companies via which the voting rights are actually held and whose attributed share of the voting rights amounts to 3% or more are:
   – Porsche GmbH, Salzburg/Austria;
   – Porsche GmbH, Stuttgart/Germany;
   – Porsche Automobil Holding SE, Stuttgart/Germany.

   Of the above-mentioned 156,702,015 voting rights, 50.76% of the voting rights (149,696,753 voting rights) are attributable to Porsche GmbH, Salzburg/Austria, in accordance with section 22(1) sentence 1 no. 1 of the WpHG. The companies via which the voting rights are actually held and whose attributed share of the voting rights amounts to 3% or more are:
   – Porsche GmbH, Stuttgart/Germany;
   – Porsche Automobil Holding SE, Stuttgart/Germany.

4) Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, Germany has notified us in accordance with section 21(1) of the WpHG that its (indirect) share of the voting rights in Volkswagen Aktiengesellschaft, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on September 29, 2010 and amounted to 50.74% of the voting rights (149,696,680 voting rights) at this date.

   Of this figure, 50.74% of the voting rights (149,696,680 voting rights) are attributable to Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG in accordance with section 22(1) sentence 1 no. 1 of the WpHG.

   The voting rights attributed to Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG are held via the following enterprises controlled by it, whose share of the voting rights in Volkswagen Aktiengesellschaft amounts to 3% or more in each case: Wolfgang Porsche GmbH, Grünwald, Familie Porsche Beteiligung GmbH, Grünwald, Porsche Automobil Holding SE, Stuttgart.

   These voting rights were not reached by exercise of purchase rights resulting from financial instruments according to § 25, section 1, sentence 1 of the Wertpapierhandelsgesetz (Securities Trading Law).

5) We received the following notification in accordance with article 25 WpHG on February 1, 2013:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Porsche Piech Holding GmbH, Salzburg, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: January 31, 2013

6. Reportable share of voting rights: 53.10% (corresponds to 156,701,942 voting rights)

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 2.00% (corresponds to 5,901,796 voting rights)

   of which held indirectly: 2.00% (corresponds to 5,901,796 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG: 53.10% (corresponds to 156,701,942 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25 WpHG:
   Chain of controlled companies: Porsche Gesellschaft m.b.H., Salzburg; Porsche Piech GmbH & Co. KG, Salzburg
   Exercise period: from December 31, 2022

6) We received the following notification in accordance with article 25 WpHG on February 1, 2013:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Porsche Gesellschaft m.b.H., Salzburg, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: January 31, 2013

6. Reportable share of voting rights: 53.10% (corresponds to 156,701,942 voting rights)

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 2.00% (corresponds to 5,901,796 voting rights)

   of which held indirectly: 2.00% (corresponds to 5,901,796 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG: 53.10% (corresponds to 156,701,942 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25 WpHG:
   Chain of controlled companies: Porsche Piech GmbH & Co. KG, Salzburg
   Exercise period: from December 31, 2022

7) We received the following notification in accordance with article 25a, Section 1 WpHG on August 2, 2013:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: LK Holding GmbH, Salzburg, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: July 30, 2013

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   of which held indirectly: 0% (corresponds to 0 voting rights)
   Share of voting rights in accordance with articles 21 and 22 WpHG: 0% (corresponds to 0 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Spaltungs- und Übernahmsvertrag
   Maturity: n/a
   Expiration date: n/a

8) We received the following notification in accordance with article 25a, Section 1 WpHG on August 12, 2013:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: LK Holding GmbH, Salzburg, Austria

3. Reason for notification: falling below threshold

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: August 10, 2013

6. Reportable share of voting rights: 0.00% (corresponds to 0 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 0.00% (corresponds to 0 voting rights)

   of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG: 50.73% (corresponds to 149,696,681 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: -
   Maturity: n/a
   Expiration date: n/a

9) On August 12, 2013, LK Holding GmbH, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on August 10, 2013 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date.

Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to LK Holding GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

The voting rights attributed to LK Holding GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Porsche Automobil Holding SE, Stuttgart; Familien Porsche-Kiesling Beteiligung GmbH, Grünwald; Louise Daxer-Piech GmbH, Grünwald.

10) On August 12, 2013, Louise Daxer-Piech GmbH, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, fell below the thresholds of 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights on August 10, 2013 and amounted to 0% of the voting rights (0 voting rights) at this date.

11) On September 11, 2013, Ahorner Alpha Beteiligungs GmbH, Grünwald, Germany, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on September 11, 2013 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Ahorner Alpha Beteiligungs GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

    The voting rights attributed to Ahorner Alpha Beteiligungs GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Porsche Automobil Holding SE, Stuttgart.

12) On September 11, 2013, Ahorner Beta Beteiligungs GmbH, Grünwald, Germany, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on September 11, 2013 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Ahorner Beta Beteiligungs GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

    The voting rights attributed to Ahorner Beta Beteiligungs GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Ahorner Alpha Beteiligungs GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

13) On September 11, 2013, Louise Daxer-Piech GmbH, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on September 11, 2013 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Louise Daxer-Piech GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

    The voting rights attributed to Louise Daxer-Piech GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Ahorner Beta Beteiligungs GmbH, Grünwald; Ahorner Alpha Beteiligungs GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

14) On September 11, 2013, Ahorner Holding GmbH, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on September 11, 2013 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Ahorner Holding GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

    The voting rights attributed to Ahorner Holding GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Louise Daxer-Piech GmbH, Salzburg, Austria; Ahorner Beta Beteiligungs GmbH, Grünwald; Ahorner Alpha Beteiligungs GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

15) On December 04, 2013, Porsche Wolfgang 1. Beteiligungsverwaltungs GmbH, Stuttgart, Germany, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on December 2, 2013 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Porsche Wolfgang 1. Beteiligungsverwaltungs GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

The voting rights attributed to Porsche Wolfgang 1. Beteiligungsverwaltungs GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart; Wolfgang Porsche GmbH, Stuttgart; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

16) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Dr. Wolfgang Porsche, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG: 50.73% (corresponds to 149,696,681 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility for third parties to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

17) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Ing. Hans-Peter Porsche, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   50.73% (corresponds to 149,696,681 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility for third parties to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

18) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Peter Daniell Porsche, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   50.73% (corresponds to 149,696,681 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility for third parties to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

19) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Dr. Ferdinand Oliver Porsche, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   50.73% (corresponds to 149,696,681 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility for third parties to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

20) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Kai Alexander Porsche, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   50.73% (corresponds to 149,696,681 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility for third parties to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

21) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Mag. Mark Philipp Porsche, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   50.73% (corresponds to 149,696,681 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility for third parties to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

22) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Gerhard Anton Porsche, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   50.73% (corresponds to 149,696,681 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility for third parties to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

23) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Dr. Louise Kiesling, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   50.73% (corresponds to 149,696,681 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility for third parties to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

24) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Dr. Geraldine Porsche, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   0% (corresponds to 0 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

25) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Diana Porsche, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   0% (corresponds to 0 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

26) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Dr. Dr. Christian Porsche, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   0% (corresponds to 0 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

27) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany
2. Notifying party: Dipl.-Design. Stephanie Porsche-Schröder, Austria
3. Reason for notification: threshold exceeded
4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%
5. Date threshold exceeded: April 30, 2014
6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818
7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   0% (corresponds to 0 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

28) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Ferdinand Rudolf Wolfgang Porsche, Austria

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   0% (corresponds to 0 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

29) We received the following notification in accordance with article 25a, Section 1 WpHG on April 30, 2014:

1. Issuer: VOLKSWAGEN AKTIENGESELLSCHAFT, Berliner Ring 2, 38440 Wolfsburg, Germany

2. Notifying party: Felix Alexander Porsche, Germany

3. Reason for notification: threshold exceeded

4. Notification thresholds affected: 5%, 10%, 15%, 20%, 25%, 30%, 50%

5. Date threshold exceeded: April 30, 2014

6. Reportable share of voting rights: 50.73% (corresponds to 149,696,681 voting rights) calculated from the following total number of voting rights issued: 295,089,818

7. Further information on the share of voting rights:

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25a WpHG: 50.73% (corresponds to 149,696,681 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights resulting from (financial/other) instruments in accordance with article 25 WpHG: 0% (corresponds to 0 voting rights)

   Of which held indirectly: 0% (corresponds to 0 voting rights)

   Share of voting rights in accordance with articles 21 and 22 WpHG:
   0% (corresponds to 0 voting rights)

8. Further information on (financial/other) instruments in accordance with Article 25a WpHG:
   Chain of controlled companies: -
   ISIN or name/description of the (financial/other) instrument: Possibility to acquire through a structural agreement
   Maturity: n/a
   Expiration date: n/a

30) On December 16, 2014, Porsche Wolfgang 1. Beteiligungsverwaltungs GmbH, Stuttgart, Germany, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, fell below the thresholds of 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights on December 15, 2014 and amounted to 0% of the voting rights (0 voting rights) at this date.

31) On December 17, 2014, Dr. Wolfgang Porsche Holding GmbH, Salzburg, Austria, has notified us in accordance with article 21, section 1 of the WpHG that its share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights on December 15, 2014 and amounted to 50.73% of the voting rights (149,696,681 voting rights) at this date. Of this figure, 50.73% of the voting rights (149,696,681 voting rights) are attributable to Dr. Wolfgang Porsche Holding GmbH in accordance with article 22, section 1, sentence 1 no. 1 of the WpHG.

    The voting rights attributed to Dr. Wolfgang Porsche Holding GmbH are held via the following enterprises controlled by it, whose share of the voting rights in VOLKSWAGEN AKTIENGESELLSCHAFT amounts to 3% or more in each case: Wolfgang Porsche GmbH, Grünwald; Familie Porsche Beteiligung GmbH, Grünwald; Porsche Automobil Holding SE, Stuttgart.

QATAR

We have received the following notification:

(1) Pursuant to section 25 (1) WpHG we hereby notify for and on behalf of Qatar Holding Luxembourg II S.à.r.l., Luxembourg, Luxembourg, that as per August 26, 2009 Qatar Holding Luxembourg II S.à.r.l. no longer held directly or indirectly any financial instruments that grant the right to acquire shares in Volkswagen AG and would thus have fallen below the threshold of 5% of the voting rights of Volkswagen AG if it had held shares instead of those financial instruments. If Qatar Holding Luxembourg II S.à.r.l. had held shares in Volkswagen AG instead of such financial instruments it would have held 0.00 % of the voting rights of Volkswagen AG (0 voting rights) as per August 26, 2009.

(2) Pursuant to section 25 (1) WpHG we hereby notify for and on behalf of Qatar Holding Netherlands B.V., Amsterdam, The Netherlands, that as per August 26, 2009 Qatar Holding Netherlands B.V. no longer held directly or indirectly any financial instruments that grant the right to acquire shares in Volkswagen AG and would thus have fallen below the threshold of 5% of the voting rights of Volkswagen AG if it had held shares instead of those financial instruments. If Qatar Holding Netherlands B.V. had held shares in Volkswagen AG instead of such financial instruments it would have held 0.00 % of the voting rights of Volkswagen AG (0 voting rights) as per August 26, 2009.

We have received the following notification:

(1) Pursuant to section 21 (1) WpHG we hereby notify for and on behalf of the State of Qatar, acting by and through the Qatar Investment Authority, Doha, Qatar, that its indirect voting rights in Volkswagen Aktiengesellschaft

(a) exceeded the threshold of 10% on December 17, 2009 and amounted to 13.71% of the voting rights of Volkswagen Aktiengesellschaft (40,440,274 voting rights) as per this date

(i) 6.93% (20,429,274 voting rights) of which have been obtained by the exercise by Qatar Holding LLC of financial instruments within the meaning of section 25 (1) sentence 1 WpHG on that date granting the right to acquire shares in Volkswagen Aktiengesellschaft, and

(ii) all of which are attributed to the State of Qatar pursuant to section 22 (1) sentence 1 no. 1 WpHG.

(b) exceeded the threshold of 15% on December 18, 2009 and amounted to 17.00% of the voting rights of Volkswagen Aktiengesellschaft (50,149,012 voting rights) as per this date

(i) 3.29% (9,708,738 voting rights) of which have been obtained by the exercise by Qatar Holding LLC of financial instruments within the meaning of section 25 (1) sentence 1 WpHG on that date granting the right to acquire shares in Volkswagen Aktiengesellschaft, and

(ii) all of which are attributed to the State of Qatar pursuant to section 22 (1) sentence 1 no. 1 WpHG.

Voting rights that are attributed to the State of Qatar pursuant to lit. (a) and (b) above are held via the following entities which are controlled by it and whose attributed proportion of voting rights in Volkswagen Aktiengesellschaft amount to 3% each or more:

(aa) Qatar Investment Authority, Doha, Qatar;
(bb) Qatar Holding LLC, Doha, Qatar;
(cc) Qatar Holding Luxembourg II S.à.r.l., Luxembourg, Luxembourg;
(dd) Qatar Holding Netherlands B.V., Amsterdam, The Netherlands.

(2) Pursuant to section 21 (1) WpHG we hereby notify for and on behalf of the Qatar Investment Authority, Doha, Qatar, that its indirect voting rights in Volkswagen Aktiengesellschaft

(a) exceeded the threshold of 10% on December 17, 2009 and amounted to 13.71% of the voting rights of Volkswagen Aktiengesellschaft (40,440,274 voting rights) as per this date

(i) 6.93% (20,429,274 voting rights) of which have been obtained by the exercise by Qatar Holding LLC of financial instruments within the meaning of section 25 (1) sentence 1 WpHG on that date granting the right to acquire shares in Volkswagen Aktiengesellschaft, and

(ii) all of which are attributed to the Qatar Investment Authority pursuant to section 22 (1) sentence 1 no. 1 WpHG.

(b) exceeded the threshold of 15% on December 18, 2009 and amounted to 17.00% of the voting rights of Volkswagen Aktiengesellschaft (50,149,012 voting rights) as per this date

(i) 3.29% (9,708,738 voting rights) of which have been obtained by the exercise by Qatar Holding LLC of financial instruments within the meaning of section 25 (1) sentence 1 WpHG on that date granting the right to acquire shares in Volkswagen Aktiengesellschaft, and

(ii) all of which are attributed to the Qatar Investment Authority pursuant to section 22 (1) sentence 1 no. 1 WpHG.

Voting rights that are attributed to the Qatar Investment Authority pursuant to lit. (a) and (b) above are held via the entities as set forth in (1) (bb) through (dd) which are controlled by it and whose attributed proportion of voting rights in Volkswagen Aktiengesellschaft amount to 3% each or more.

(3) Pursuant to section 21 (1) WpHG we hereby notify for and behalf of Qatar Holding LLC, Doha, Qatar, that its direct and indirect voting rights in Volkswagen Aktiengesellschaft

(a) exceeded the threshold of 10% on December 17, 2009 and amounted to 13.71% of the voting rights of Volkswagen Aktiengesellschaft (40,440,274 voting rights) as per this date

(i) 6.93% (20,429,274 voting rights) of which have been obtained by the exercise of financial instruments within the meaning of section 25 (1) sentence 1 WpHG on that date granting the right to acquire shares in Volkswagen Aktiengesellschaft, and

(ii) 6.78% (20,011,000 voting rights) of which are attributed to Qatar Holding LLC pursuant to section 22 (1) sentence 1 no. 1 WpHG.

(b) exceeded the threshold of 15% on December 18, 2009 and amounted to 17.00% of the voting rights of Volkswagen Aktiengesellschaft (50,149,012 voting rights) as per this date

(i) 3.29% (9,708,738 voting rights) of which have been obtained by the exercise of financial instruments within the meaning of section 25 (1) sentence 1 WpHG on that date granting the right to acquire shares in Volkswagen Aktiengesellschaft, and

(ii) 6.78% (20,011,000 voting rights) of which are attributed to Qatar Holding LLC pursuant to section 22 (1) sentence 1 no. 1 WpHG.

Voting rights that are attributed to Qatar Holding LLC pursuant to lit. (a) and (b) above are held via the entities as set forth in (1) (cc) through (dd) which are controlled by it and whose attributed proportion of voting rights in Volkswagen Aktiengesellschaft amount to 3% each or more.

We have received the following notification:

(1) Pursuant to section 25 (1) WpHG we hereby notify for and on behalf of the State of Qatar, acting by and through the Qatar Investment Authority, Doha, Qatar, that as per December 18, 2009 the State of Qatar no longer held directly or indirectly any financial instruments that grant the right to acquire shares in Volkswagen AG and would thus have fallen below the thresholds of 15%, 10% and 5% of the voting rights of Volkswagen AG if it had held shares instead of those financial instruments. If the State of Qatar had held shares in Volkswagen AG instead of such financial instruments it would have held 0.00 % of the voting rights of Volkswagen AG (0 voting rights) as per December 18, 2009.

(2) Pursuant to section 25 (1) WpHG we hereby notify for and on behalf of the Qatar Investment Authority, Doha, Qatar, that as per December 18, 2009 the Qatar Investment Authority no longer held directly or indirectly any financial instruments that grant the right to acquire shares in Volkswagen AG and would thus have fallen below the thres hold of 15%, 10% and 5% of the voting rights of Volkswagen AG if it had held shares instead of those financial instruments. If the Qatar Investment Authority had held shares in Volkswagen AG instead of such financial instruments it would have held 0.00 % of the voting rights of Volkswagen AG (0 voting rights) as per December 18, 2009.

(3) Pursuant to section 25 (1) WpHG we hereby notify for and on behalf of Qatar Holding LLC, Doha, Qatar, that as per December 18, 2009 Qatar Holding LLC no longer held directly or indirectly any financial instruments that grant the right to acquire shares in Volkswagen AG and would thus have fallen below the threshold of 15%, 10% and 5% of the voting rights of Volkswagen AG if it had held shares instead of those financial instruments. If Qatar Holding LLC had held shares in Volkswagen AG instead of such financial instruments it would have held 0.00 % of the voting rights of Volkswagen AG (0 voting rights) as per December 18, 2009.

We have received the following notification:

(1) Pursuant to section 21 (1) WpHG we hereby notify for and on behalf of Qatar Holding Luxembourg II S.à.r.l., Luxembourg, Luxembourg, that its indirect voting rights in Volkswagen Aktiengesellschaft exceeded the thresholds of 10% and 15% on December 18, 2009 and amounted to 17.00% of the voting rights of Volkswagen Aktiengesellschaft (50,149,012 voting rights) as per this date, all of which are attributed to Qatar Holding Luxembourg II S.à.r.l. pursuant to section 22 (1) sentence 1 no.1 WpHG.

Voting rights that are attributed to Qatar Holding Luxembourg II S.à.r.l. are held via the following entities which are controlled by it and whose attributed proportion of voting rights in Volkswagen Aktiengesellschaft amount to 3% each or more:
- (a) Qatar Holding Netherlands B.V., Amsterdam, The Netherlands;
- (b) Qatar Holding Germany GmbH, Frankfurt am Main, Germany.

(2) Pursuant to section 21 (1) WpHG we hereby notify for and on behalf of Qatar Holding Netherlands B.V., Amsterdam, The Netherlands, that its indirect voting rights in Volkswagen Aktiengesellschaft exceeded the thresholds of 10% and 15% on December 18, 2009 and amounted to 17.00% of the voting rights of Volkswagen Aktiengesellschaft (50,149,012 voting rights) as per this date, all of which are attributed to Qatar Holding Luxembourg II S.à.r.l. pursuant to section 22 (1) sentence 1 no. 1 WpHG.

Voting rights that are attributed to Qatar Holding Netherlands B.V. are held via the entity as set forth in (1) (b) which is controlled by it and whose attributed proportion of voting rights in Volkswagen Aktiengesellschaft amounts to 3% or more.

(3) Pursuant to section 21 (1) WpHG we hereby notify for and on behalf of Qatar Holding Germany GmbH, Frankfurt am Main, Germany, that its direct voting rights in Volkswagen Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10% and 15% on December 18, 2009 and amounted to 17.00% of the voting rights of Volkswagen Aktiengesellschaft (50,149,012 voting rights) as per this date.

STATE OF LOWER SAXONY

The State of Lower Saxony notified us on January 5, 2015 that it held a total of 59,022,310 ordinary shares as of December 31, 2014. It held 440 VW ordinary shares directly and 59,021,870 ordinary shares indirectly via Hannoversche Beteiligungsgesellschaft mbH (HanBG), which is owned by the State of Lower Saxony.

45. German Corporate Governance Code

On November 21, 2014, 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 November 27, 2014, 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 2014, 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 5, 2014 and made it permanently available to the shareholders at www.renk.biz/corporated-governance.html.

46. Remuneration of the Board of Management and the Supervisory Board

€	2014	2013
Board of Management remuneration		
Non-performance-related remuneration	11,389,074	11,638,328
Performance-related remuneration	54,166,233	52,444,300
	65,555,308	**64,082,628**
Supervisory Board remuneration		
Fixed remuneration components	808,500	528,671
Variable remuneration components	11,340,950	9,245,859
	12,149,450	**9,774,530**

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. 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.

On December 31, 2014, the pension provisions for members of the Board of Management amounted to €138,046,434 (previous year: €107,676,518). 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 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 a 20% orphan's pension per child based on the pension of the former member of the Board of Management.

Retired members of the Board of Management and their surviving dependents received €22,792,616 (previous year: €9,977,972). This includes the amounts agreed to be paid to Dr. Macht in connection with his departure from the Board of Management as of July 31, 2014. For the period from August 1, 2014 to September 30, 2015, he was granted non-performance-related remuneration of €1,270,575 and performance-related remuneration of €5,976,716. The subsequent bridging allowance, less any remuneration from third parties, is that for the period after he reaches the age of 63. Provisions for pensions for this group of people were recognized in the amount of €165,668,945 (previous year: €140,165,675).

Interest-free advances in the total amount of €480,000 (previous year: €480,000) have been granted to members of the Board of Management. The advances will be set off against performance-related remuneration in the following year.

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 60). 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, February 17, 2015

Volkswagen Aktiengesellschaft
The Board of Management

Martin Winterkorn	Francisco Javier Garcia Sanz	Jochem Heizmann
Christian Klingler	Horst Neumann	Leif Östling
Hans Dieter Pötsch	Andreas Renschler	Rupert Stadler

Auditor's Report

On completion of our audit, we issued the following unqualified auditors' report dated February 18, 2015. 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, 2014. 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.

Hanover, February 18, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Norbert Winkeljohann	Frank Hübner
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(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.

Carbon Disclosure Project (CDP)
Once a year, the CDP, a non-profit organization, collects corporate data on e.g. greenhouse gas emissions and climate change risks on behalf of investors.

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.

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 total 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.

Recuperation
Recovery of kinetic energy by using an electric motor as a generator, for example in the drivetrain.

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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Scheduled Dates

2015

MOTOR SHOWS

March 5 – 15
International Motor Show, Geneva

April 3 – 12
New York International Auto Show

April 13 – 17
Hanover Trade Show

April 22 – 29
Auto China, Beijing

May 9 – 15
Salón Internacional del Automóvil, Barcelona

May 22 – 31
Motor Show, Istanbul

September 19 – 27
International Motor Show (IAA), Frankfurt

October 16 – 25
Auto Africa, Johannesburg

October 31 – November 8
Tokyo Motor Show

November 20 – 29
Los Angeles Auto Show

FINANCIAL CALENDAR

March 12
Volkswagen AG Annual Media Conference and Investor Conference, Berlin

May 5
Volkswagen AG Annual General Meeting Hanover Exhibition Center

April 29
Interim Report January – March

July 29
Half-Yearly Financial Report

October 28
Interim Report January – September

Moving diversity

The enclosed poster provides a snapshot of the Volkswagen Group's wide range of brands, models and markets.

Navigator

For more facts and figures about the Volkswagen Group, please visit our interactive Navigator app: http://navigator.volkswagenag.com