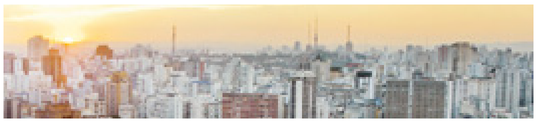
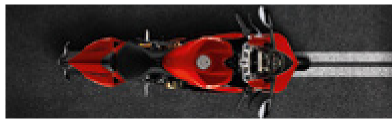
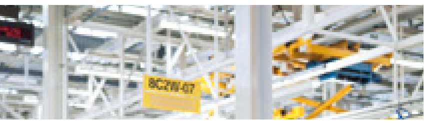
VOLKSWAGEN

AKTIENGESELLSCHAFT







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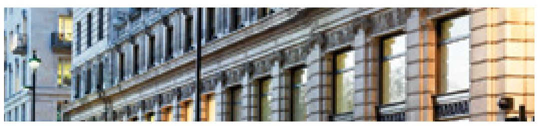
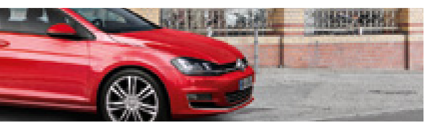
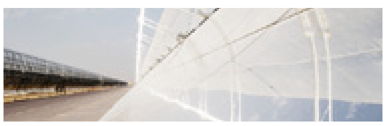
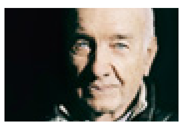
ANNUAL REPORT 2012

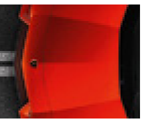
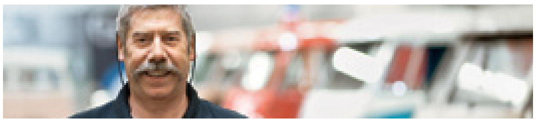












Audi SEAT ŠKODA

BENTLEY BUGATTI LAMBORGHINI PORSCHE

DUCATI Commercial Vehicles SCANIA MAN

VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

Key Figures

VOLKSWAGEN GROUP

Volume Data [1]	2012	2011	%
Vehicle sales (units)	9,344,559	8,361,294	+11.8
Production (units)	9,255,384	8,494,280	+9.0
Employees at Dec. 31	549,763	501,956	+9.5
Financial Data (IFRSs), € million	2012	2011	%
Sales revenue	192,676	159,337	+20.9
Operating profit	11,510	11,271	+2.1
Profit before tax	25,492	18,926	+34.7
Profit after tax	21,884	15,799	+38.5
Profit attributable to shareholders of Volkswagen AG	21,717	15,409	+40.9
Cash flows from operating activities	7,209	8,500	–15.2
Cash flows from investing activities attributable to operating activities	16,840	16,002	+5.2
Automotive Division [2]			
EBITDA [3]	19,906	17,815	+11.7
Cash flows from operating activities	16,232	17,109	–5.1
Cash flows from investing activities attributable to operating activities [4]	16,455	15,998	+2.9
of which: investments in property, plant and equipment	10,271	7,929	+29.5
as a percentage of sales revenue	5.9	5.6	
capitalized development costs	2,615	1,666	+56.9
as a percentage of sales revenue	1.5	1.2	
Net cash flow	–223	1,112	x
Net liquidity at Dec. 31	10,573	16,951	–37.6
Return ratios in %	2012	2011	
Return on sales before tax	13.2	11.9	
Return on investment after tax (Automotive Division)	16.6	17.7	
Return on equity before tax (Financial Services Division) [5]	13.1	14.0	

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, leasing and rental assets, goodwill and financial assets as reported in the cash flow statement.
4 Excluding acquisition and disposal of equity investments: €12,528 million (€9,371 million).
5 Profit before tax as a percentage of average equity.

VOLKSWAGEN AG

Volume Data	2012	2011	%
Vehicle sales (units)	2,580,266	2,661,327	–3.0
Production (units)	1,148,774	1,215,058	–5.5
Employees at Dec. 31	101,794	97,691	+4.2
Financial Data (HGB), € million	2012	2011	%
Sales	68,361	67,178	+1.8
Net income for the year	6,380	3,418	+86.7
Dividends (€)			
per ordinary share	3.50	3.00	
per preferred share	3.56	3.06	

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

Mobility with a global appeal

PASSENGER CAR AND LIGHT COMMERCIAL VEHICLE DELIVERIES – IN THOUSAND UNITS

NORTH AMERICA*

2010	549
2011	667
2012	**842**

+26.2%

EUROPE/REMAINING MARKETS

2010	3,562
2011	3,991
2012	**4,053**

+1.6%

SOUTH AMERICA

2010	888
2011	933
2012	**1,010**

+8.2%

ASIA-PACIFIC

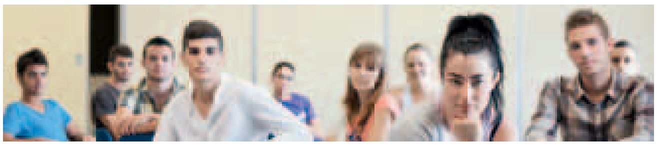
2010	2,141
2011	2,570
2012	**3,170**

+23.3%

* Overall market includes passenger cars and light trucks.





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Experience the new Volkswagen AG Annual Report as iPad App. Exciting articles, films, sounds and animations will steer you through the "D[r]iversity" of the Volkswagen Group.

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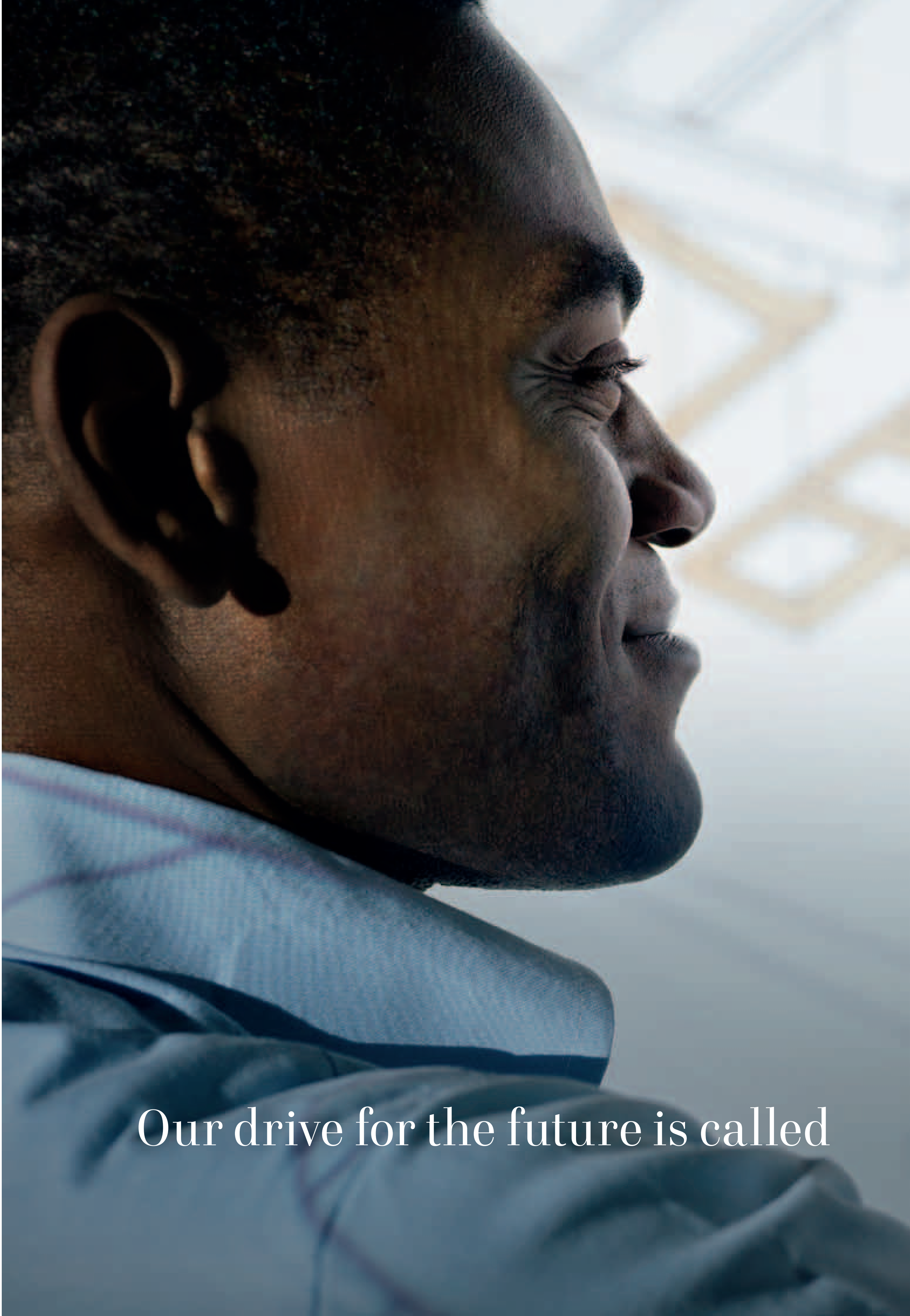
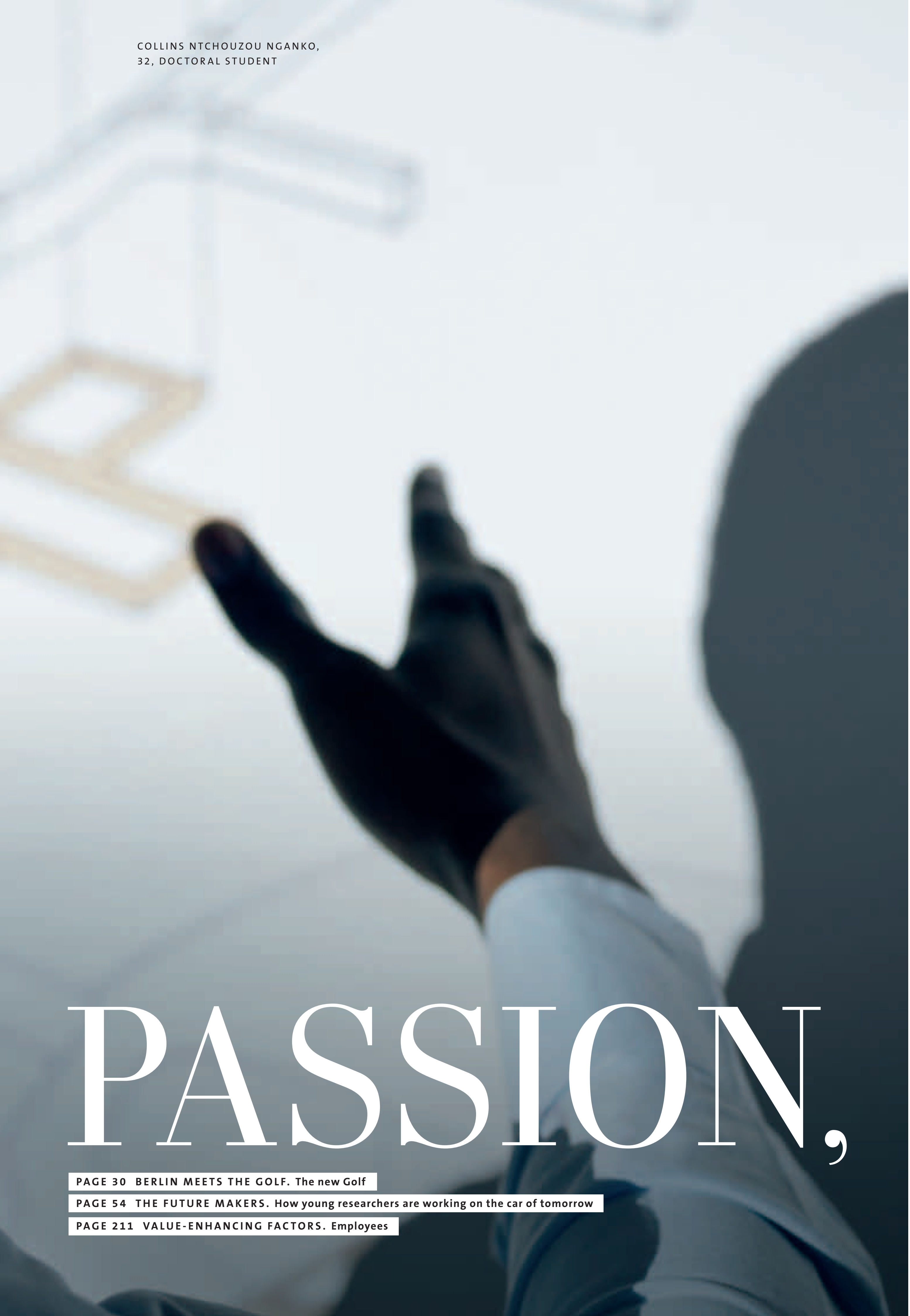
This annual report was published on the occasion of the Annual Media Conference on March 14, 2013.



Our drive for the future is called



COLLINS NTCHOUZOU NGANKO,
32, DOCTORAL STUDENT

PASSION,

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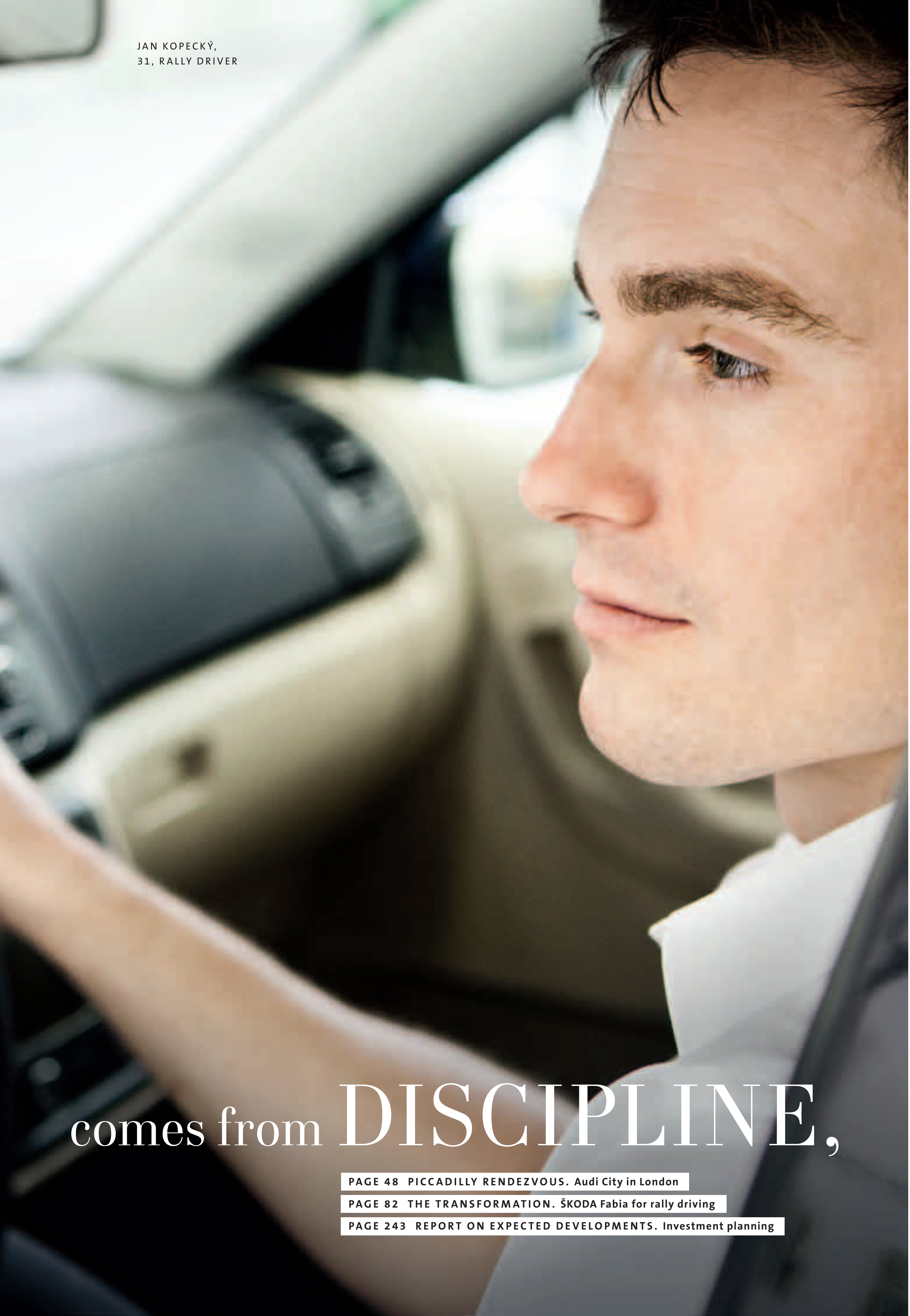
the energy we need along the way



JAN KOPECKÝ,
31, RALLY DRIVER

comes from DISCIPLINE,

PAGE 48 PICCADILLY RENDEZVOUS. Audi City in London
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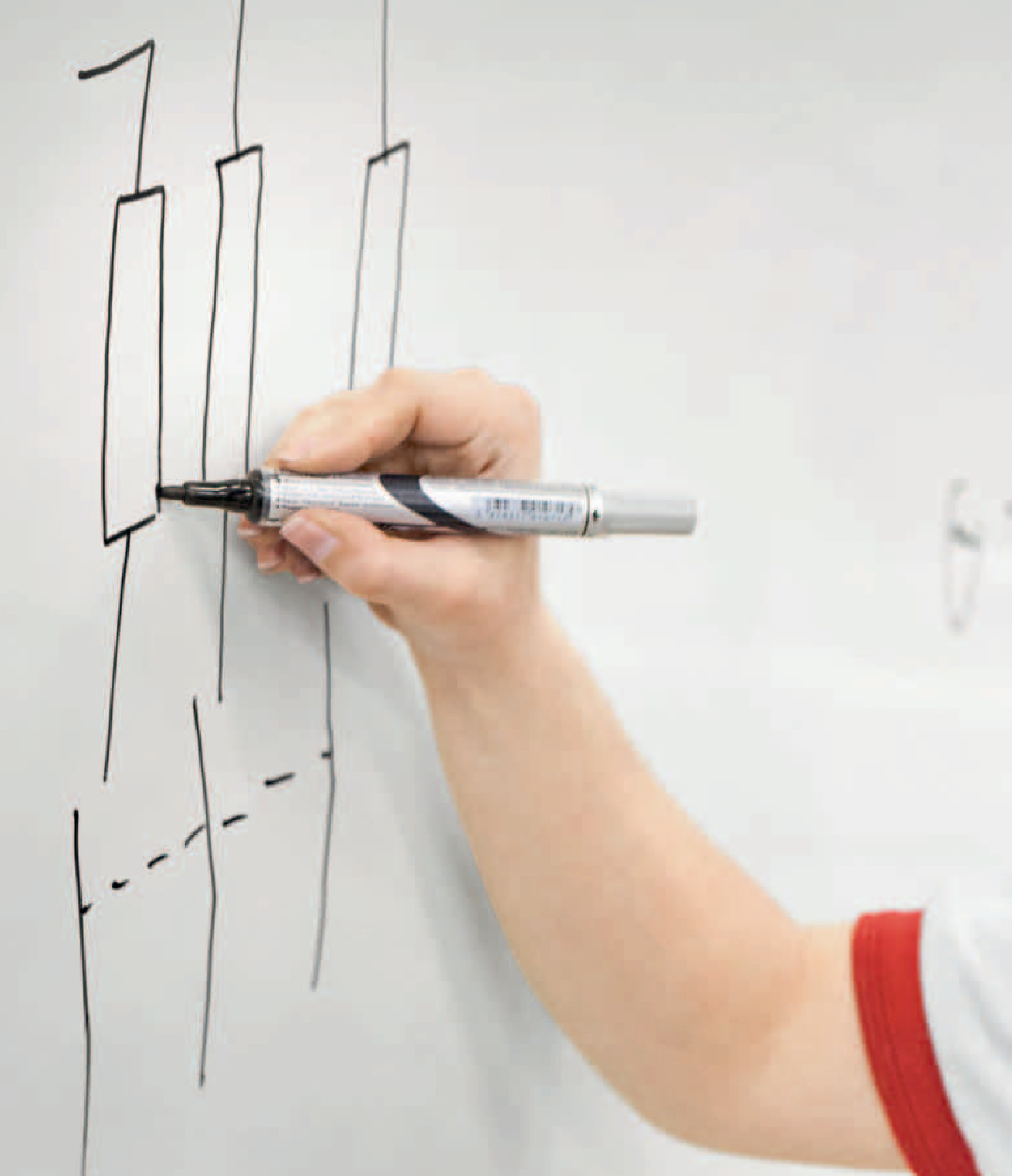
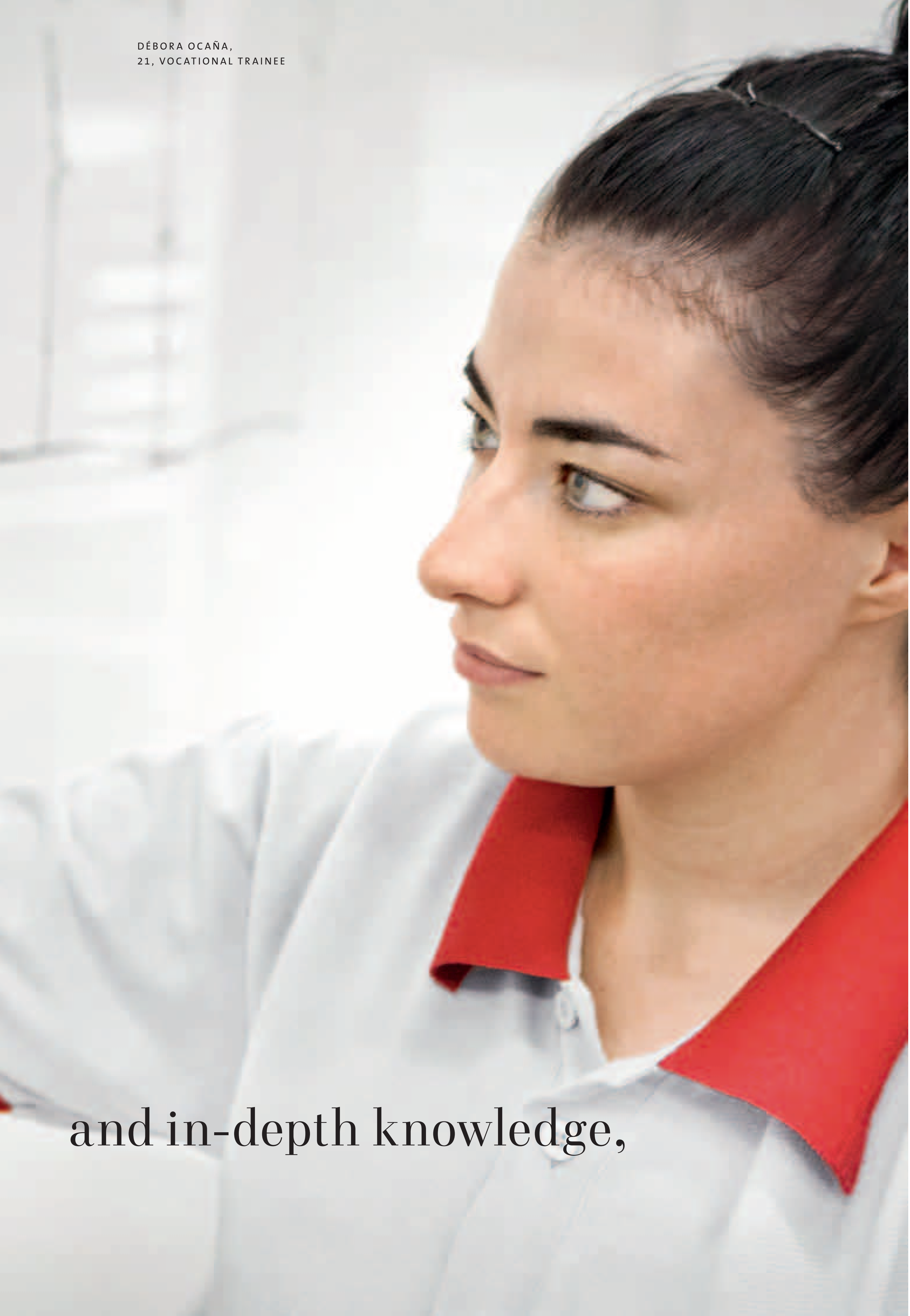
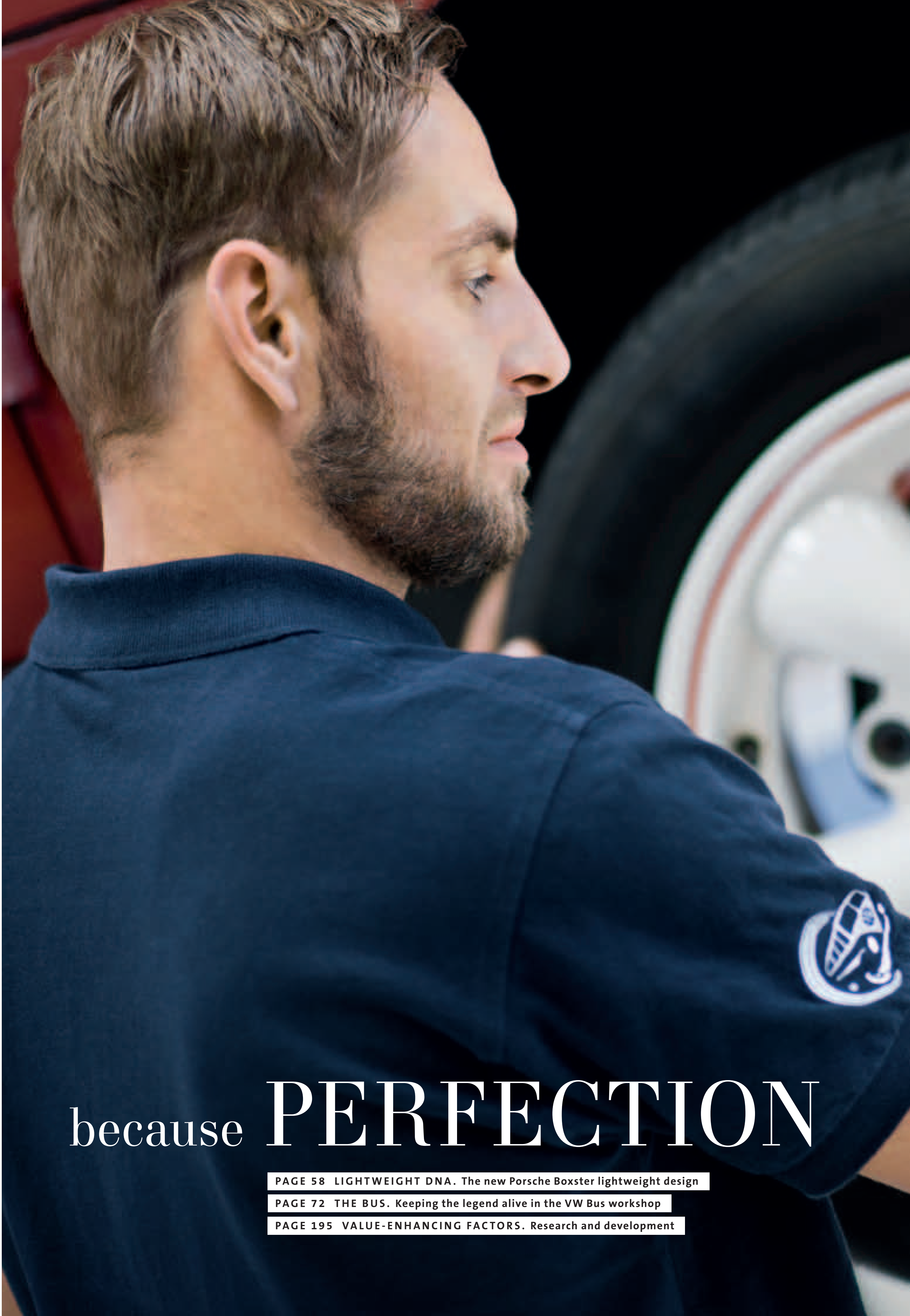


from CURIOSITY



DÉBORA OCAÑA,
21, VOCATIONAL TRAINEE

and in-depth knowledge,



because PERFECTION

PAGE 58 LIGHTWEIGHT DNA. The new Porsche Boxster lightweight design
PAGE 72 THE BUS. Keeping the legend alive in the VW Bus workshop
PAGE 195 VALUE-ENHANCING FACTORS. Research and development

VEIT RASCHKE,
33, VEHICLE MECHANIC

is our ultimate destination.

"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

Strategy

2018

Report of the Supervisory Board

(in accordance with section 171(2) of the AktG)

Ladies and Gentlemen,

In fiscal year 2012, the Supervisory Board of Volkswagen AG addressed the Company's position and development regularly and in detail. We supported the Board of Management in its running of the business and advised it on issues relating to the management of the Company, in compliance with the legal requirements and the suggestions and recommendations of the German Corporate Governance Code. 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 reported to the Supervisory Board regularly, promptly and comprehensively in both written and oral form on the development of the business and the Company's planning and position, including the risk situation and risk management. This also applied to all key questions in connection with the creation of the integrated automotive group with Porsche and to the Company's restructuring at an organizational and management level. In addition, the Board of Management informed us on an ongoing basis of compliance-related topics and other topical issues. In all cases we received the documents relevant to our decisions in good time for our meetings. The Supervisory Board 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 that countermeasures could then be derived from this.

In addition, the Chairman of the Supervisory Board held regular discussions with the Chairman of the Board of Management in the periods between the meetings; among other things, the matters discussed included the Volkswagen Group's strategy, business development and risk management.

The Supervisory Board held a total of six meetings in fiscal year 2012. All Supervisory Board members attended more than half of the meetings; the average attendance rate was 94%. In addition, resolutions on urgent matters were adopted in writing or using electronic communications media.

COMMITTEE ACTIVITIES

The Supervisory Board had established a total of six committees in order to perform the duties entrusted to it: the Executive Committee, the Committee for Major Shareholder Business Relationships (Ausschuss für Geschäfte mit Großaktionären – AfGG), the Nomination Committee, the Mediation Committee in accordance with section 27(3) of the Mitbestimmungsgesetz (MitbestG – German Codetermination Act), the Audit Committee and the Integrated Automotive Group Committee (IAK). The AfGG and the IAK were dissolved on September 21, 2012. The AfGG's remaining tasks were assumed by the Executive Committee. In line with its rules of procedure, the Executive Committee consists of three shareholder representatives and three employee representatives, while the AfGG comprised four shareholder representatives and four employee representatives. The members of the Nomination Committee are the shareholder representatives in the Executive Committee; the remaining three committees are/were each composed of two shareholder representatives and two employee representatives. The members of the committees as of December 31, 2012 and as of the reporting date are given on page 150 of this annual report.

The Executive Committee of the Supervisory Board met eight times during the period under review. These meetings mainly served to prepare in detail the resolutions by the Supervisory Board and to deal with contractual issues concerning the Board of Management other than those relating to members' remuneration. In its meeting on November 5, 2012, the Executive Committee discussed and approved the final terms and conditions for the issuance of a mandatory convertible note. The Executive Committee was authorized to do so by a resolution of the Supervisory Board of Volkswagen AG dated November 5, 2012, which was adopted by circulating written documents.

The AfGG met once in the period under review before being dissolved on September 21, 2012.

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 the past fiscal year.

The Mediation Committee did not have to be convened in 2012.

The Audit Committee met four times during the reporting period. 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 quarterly reports and the half-yearly financial report of the Group, as well as current financial reporting issues and their examination by the auditors.

The IAK adopted resolutions relating to the creation of the integrated automotive group with Porsche. The Committee met twice during the past fiscal year before being dissolved on September 21, 2012.

In addition, the shareholder and employee representatives met for separate preliminary discussions before each of the Supervisory Board meetings.

TOPICS DISCUSSED BY THE SUPERVISORY BOARD

At the Supervisory Board meeting on February 27, 2012 we approved, after a detailed examination, the consolidated financial statements prepared by the Board of Management and the annual financial statements of Volkswagen AG for 2011, as well as the combined management report. Furthermore, we examined the dependent company report submitted by the Board of Management and came to the conclusion that there were no objections to be raised to the concluding declaration by the Board of Management in the report. Another topic on the agenda was issuing a modified declaration of conformity with the German Corporate Governance Code. We also addressed the plan presented by the Board of Management for creating the integrated automotive group by way of the contribution of the operating business of Porsche Automobil Holding SE to Volkswagen AG and authorized the IAK to adopt all further resolutions required in this context, including the final approval of its implementation.

Our meetings on April 18 and 19, 2012 were mainly devoted to strategic issues. Among other things, we approved the Board of Management's plans to increase the Group's capacity in China and North America and to acquire Ducati, the motorcycle manufacturer. In addition, we prepared for, and performed a follow-up evaluation of, the 52nd Annual General Meeting of Volkswagen AG on April 19, 2012. Among other things, we elected the Chairman and Deputy Chairman of the Supervisory Board as scheduled and also resolved the composition of the Executive Committee and the other Supervisory Board committees.

The plans for the extensive restructuring of the Group at an organizational and management level were presented in the meeting on June 1, 2012. These called for the reorganization of the Commercial Vehicles function and the creation of the China function, among other things. We approved the plans after a detailed examination. In addition, we were provided with a detailed status report on the creation of the integrated automotive group with Porsche and authorized the Board of Management to increase the stake in MAN SE to more than 75%.

On September 21, 2012, the Supervisory Board held another meeting, which primarily addressed strategic issues. Among other things, the decision was taken to dissolve the AfGG and the IAK.

The Supervisory Board meeting on November 23, 2012 addressed in detail the Volkswagen Group's investment and financial planning for the 2013 to 2015 period, and approved the Board of Management's plans in this area. Another topic discussed during the meeting was the revised version of the declaration of conformity with the German Corporate Governance Code.

Detailed information on the remuneration system for the Board of Management and the Supervisory Board, together with the remuneration actually paid to the members of the boards in the reporting period, can be found in the remuneration report on pages 137 to 142 of this annual report.

CONFLICTS OF INTEREST

Due to the legal uncertainty surrounding the scope of reporting on conflicts of interest and their treatment, the Board of Management and the Supervisory Board of Volkswagen AG have, as a precautionary measure, declared in the declaration of conformity with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) that article 5.5.3 sentence 1 of the German Corporate Governance Code (report to the Annual General Meeting about conflicts of interest that have arisen and their treatment) was not complied with. Further details and references can be found in the following section, "Corporate Governance and Declaration of Conformity". Conflicts of interest that have arisen and their treatment are nevertheless reported in the same scope as in the past in the following:

Dr. Hans Michel Piëch and Dr. Wolfgang Porsche, who are members of both the Supervisory Board of Volkswagen AG and the Supervisory Board of Porsche Automobil Holding SE, and were members of the latter's Integrated Automotive Group Committee, abstained on the resolution concerning the IAK on February 27, 2012. Prof. Dr. Ferdinand K. Piëch and Dr. Ferdinand Oliver Porsche, who are also members of the Supervisory Board of Porsche Automobil Holding SE, but were not members of its Integrated Automotive Group Committee, took part in the resolution.

In its meeting on April 18, 2012, the Supervisory Board resolved that the Board of Management of Volkswagen AG was to vote at the Annual General Meeting of AUDI AG to elect Dr. Christine Hawighorst, Head of the Lower Saxony State Chancellery, and Dr. Wolfgang Porsche to the Supervisory Board. Dr. Wolfgang Porsche did not vote on this resolution. The Supervisory Board members appointed by the State of Lower Saxony took part in the vote.

In its meeting on September 21, 2012, the Supervisory Board approved the formation of a strategic partnership between Volkswagen Financial Services AG and Allianz SE, which provides vehicle insurance. Annika Falkengren, who is also a member of the Supervisory Board of Münchener Rückversicherungs-Gesellschaft AG, abstained from voting as a precautionary measure.

In its meetings on November 5 and 22, 2012, the Executive Committee of the Supervisory Board addressed topics previously dealt with by the AfGG, which was dissolved on September 21, 2012. In this context, the Executive Committee granted individual approvals to transactions with Porsche Automobil Holding SE and the State of Lower Saxony. The Chairman of the Executive Committee, Prof. Dr. Ferdinand K. Piëch, and Executive Committee member Dr. Wolfgang Porsche are also members of the Supervisory Board of Porsche Automobil Holding SE. Executive

Committee member David McAllister was the Minister-President of the State of Lower Saxony. No material conflicts of interest were discernible in this respect. All approvals were granted unanimously.

In its meeting on September 20, 2012, the Executive Committee confirmed its existing consent to the Executive Board appointments of Prof. Dr. Martin Winterkorn and Hans Dieter Pötsch exercised at Porsche Automobil Holding SE.

The AfGG, which was dissolved on September 21, 2012, also granted individual approvals to transactions with Dr. Ing. h.c. F. Porsche AG, as well as a number of subsidiaries and the State of Lower Saxony on February 27, 2012. A number of members of the AfGG are also members of the Supervisory Boards of Porsche Automobil Holding SE and Dr. Ing. h.c. F. Porsche AG. Jörg Bode was the Minister of Economic Affairs, Labor and Transport for the Federal State of Lower Saxony. No material conflicts of interest were discernible in this respect. All approvals were granted unanimously.

On July 4, 2012, the IAK, which was chaired by Prof. Dr. Ferdinand K. Piëch until its dissolution on September 21, 2012, approved the implementation of the plan for the contribution of the operating business of Porsche Automobil Holding SE to Volkswagen AG. On July 29, 2012, it approved the increase of Volkswagen AG's share capital by one ordinary share in connection with the contribution of Porsche Automobil Holding SE's operating business to Volkswagen AG. Further information is provided on page 144 of this financial report. Prof. Dr. Ferdinand K. Piëch took part in the resolutions.

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

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The Supervisory Board addressed the implementation of the German Corporate Governance Code at the Volkswagen Group at its meetings on February 27 and November 23, 2012. In February's meeting, we dealt in particular with changes required to be made in the course of the year to the declaration of conformity, whose subject matter is presented in the corporate governance report on page 131 of this annual report. The November meeting primarily discussed the amendments to the Code published by the Government Commission on the German Corporate Governance Code on June 15, 2012. The Board of Management and Supervisory Board issued declarations on the recommendations contained in the Code in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on February 27 and November 23, 2012 respectively.

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. Further information on the implementation of the recommendations and suggestions contained in the German Corporate Governance Code can be found in the corporate governance report starting on page 131 and in the notes to the consolidated financial statements on page 349.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

As part of the election of the employee representatives on the Supervisory Board on March 22, 2012, Mr. Uwe Fritsch, Chairman of the Works Council at the Braunschweig plant, was elected as a member of the Supervisory Board of Volkswagen AG for the first time to succeed Mr. Peter Jacobs. The other existing employee representatives on the Supervisory Board were re-elected for a further term of office.

The 52nd Annual General Meeting elected Ms. Ursula Piëch and Prof. Dr. Ferdinand K. Piëch to the Supervisory Board for a full term of office. Subsequently, the Supervisory Board of Volkswagen AG elected Prof. Dr. Ferdinand K. Piëch as Chairman of the Supervisory Board and Berthold Huber as Deputy Chairman at its constituent meeting on April 19, 2012.

Mr. Wolfgang Ritmeier, Mr. Jürgen Stumpf and Mr. Bernd Wehlauer stepped down from the Supervisory Board at the end of 2012 since they have retired/will retire from the Company for reasons of age. We would like to thank them for their hard work for the Supervisory Board. Effective January 1, 2013, Dr. Hans-Peter Fischer, Chairman of the Board of Management of the Volkswagen Management Association, Mr. Jürgen Dorn, Chairman of the Group Works Council of MAN SE and Mr. Stephan Wolf, Deputy Chairman of the General Works Council of Volkswagen AG, were appointed by the court to the Supervisory Board of Volkswagen AG as their successors.

As part of the restructuring of the Volkswagen Group, Prof. Dr. Jochem Heizmann assumed responsibility for the newly created China function on the Board of Management. Dr. Leif Östling, formerly the CEO of Scania, took over Prof. Heizmann's previous job as head of the Commercial Vehicles function effective September 1, 2012.

Mr. Erich Küpker, a former minister and former member of the Supervisory Board, died on March 15, 2012 aged 78. As Lower Saxony's Minister of Economic Affairs and Transport, Mr. Küpker served on the Supervisory Board from 1974 to 1978, where his hard work and commitment helped drive forward the Company's successful development during this period.

Mr. Walter Häfner, a former member of the Supervisory Board, died on June 19, 2012 aged 101. Mr. Häfner served on the Supervisory Board of Volkswagen AG from 1951 to 1974 and his extensive knowledge of the automotive industry made him a consistent source of expert advice.

Mr. Karl-Heinz Briam, our former Labor Relations Director, died on August 17, 2012 aged 89. Mr. Briam made a significant contribution to the Volkswagen Group's successful development, displaying considerable initiative and exemplary commitment.

We shall honor their memory.

AUDIT OF ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Annual General Meeting on April 19, 2012 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for fiscal year 2012. 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 internal control and risk management system, 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, 2012 (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 documentation relating to the annual financial statements, including the dependent company report, and the audit reports prepared by the auditors were provided to the members of the Audit Committee and the Supervisory Board in good time for their meetings on February 21, 2013 and February 22, 2013 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 as well as their own conclusions, the Audit Committee prepared the documents for our own 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 22, 2013. Following this, the Audit Committee recommended that we 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 22, 2013. 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.

We would like to express our thanks and appreciation 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 2012. Their dedication helped the Volkswagen Group to continue its positive development despite the difficult market environment.

Wolfsburg, February 22, 2013

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

Dear Shareholders,

2012 was a challenging year in the automotive world. The debt crisis in Europe hit our industry hard. Nevertheless, we can say that 2012 was a good – in fact a very good – year for the Volkswagen Group.

We delivered 9.3 million vehicles worldwide – once again topping our prior-year figure by a million. Sales revenue increased by approximately 21 percent to €193 billion. We also did more than keep our promise for our operating profit, despite the economic headwinds: at €11.5 billion, we exceeded last year's record figure.

The strength of our operations is also paying off on the stock exchange: Volkswagen's shares clearly outperformed both the automotive sector and the DAX as a whole. You, our shareholders, have benefited from this above-average performance. However, we also want your confidence in us to pay off at another level, too, which is why the Board of Management and the Supervisory Board are proposing a clearly increased dividend of €3.50 per ordinary share and €3.56 per preferred share.

2012 was more than just a year of strong financial figures for Volkswagen. We also established key strategic milestones for the future. Among other things, we gave our Strategy 2018 additional momentum through a comprehensive structural and management realignment. Since August 1, 2012, the Porsche brand has been a fully-fledged member of the Volkswagen Group – a historic step for both companies. In addition, the purchase of Ducati has expanded our range to include a legendary and valuable motorcycle brand. And the alliance between MAN, Scania and Volkswagen Commercial Vehicles has laid the groundwork for us to reach for the top in the cyclical but high-margin commercial vehicles business in the future.

A key event in the passenger cars area in 2012 was the introduction of the Modular Transverse Toolkit. The seventh generation of the Golf, the Audi A3, the SEAT Leon and now also the ŠKODA Octavia give a taste of the versatility, innovative power and economic potentials associated with this technical system. We are proud of these vehicles – not least because they set new standards in fuel consumption and emissions. In line with this, we established another key milestone: in early 2012, we launched the most extensive ecological reorganization in the Group's history. We are systematically focusing our vehicles and our plants on being environmentally friendly and efficient. You can see just how serious we are about this from the fact that the Volkswagen Group is the first carmaker to commit to the extremely ambitious European CO_2 target of 95g/km by 2020.

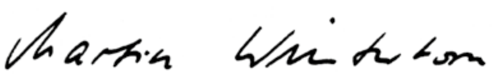
All in all, Volkswagen has proven to be extremely resilient, robust and forward-looking, despite the difficult environment. This is due first and foremost to the 550,000 people now working for our Group, all of whom put their skills and their entire energy at the service of our Company. My colleagues and I on the Board of Management are proud of this team – and we would like to thank them for their hard work and passionate commitment over the past twelve months.

Macroeconomic uncertainties, the ongoing weakness of the European market and ever-increasing competition will continue to create a testing environment for the automotive industry in 2013. I am convinced that Volkswagen is well prepared for this, not least because of the unrivalled global positioning and versatility offered by our twelve brands, 280 models and 100 plants. And because our Group brands and vehicles provide customers with exactly the solidity and enduring value that are more important than ever in times like these.

Regardless of whether there is an upturn or a downturn going on, our goal is to ensure the Volkswagen Group reaches the top of the automotive industry by 2018 – in both economic and ecological terms. We are focusing all our efforts and energy on achieving this goal. I promise you that, in the process, we are keeping our sights firmly on all those who – rightly – expect a lot from us: our customers and employees, our business partners, society, and of course you, our shareholders.

Together, and with your ongoing trust and support, we can continue our successful course with all our strength and vigor.

Sincerely,



Prof. Dr. Martin Winterkorn

The Board of Management of Volkswagen Aktiengesellschaft

(from left to right)

PROF. DR. RER. POL. DR.-ING. E.H. JOCHEM HEIZMANN
China

PROF. DR. RER. POL. HORST NEUMANN
Human Resources and Organization

CHRISTIAN KLINGLER
Sales and Marketing

DR. H.C. LEIF ÖSTLING
Commercial Vehicles

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

PROF. RUPERT STADLER
Chairman of the Board of Management of AUDI AG

DR.-ING. E.H. MICHAEL MACHT
Production

CURRICULUM VITAE
www.volkswagenag.com > The Group > Senior Management

EXPERIENCE D[R]IVERSITY. DEDICATION.

Experience D[r]iversity.
Dedication

The best cars, the most environmentally compatible production facilities, the most innovative technology, the most customer-friendly service. Top performance comes from people giving their best. When they are never satisfied. When they are dedicated to becoming better and better. Just like over half a million Volkswagen employees. Their dedication is the key to achieving the ambitious targets set out in our Strategy 2018.

Dedication.

6 questions / 6 reflections.

Prof. Dr. Martin Winterkorn, Chairman of the Board of Management of Volkswagen AG and awarded Manager of the Year 2012 by the business magazine “manager magazin”, talks about dedication as a driving force behind business success and its importance for personal fulfillment.

1 **Professor Winterkorn, what does the term "dedication" mean to you?**
I discovered early on that it is only possible to achieve great things with genuine dedication and passion. Dedication is first and foremost an attitude: it means giving your all, whether you are an athlete, a scientist or an engineer. I have the utmost respect for people who show such dedication.

2 **How can you tell if someone is truly dedicated to their work?**
People whose heart is not truly in their work tend to settle for less. Dedication makes people go the extra mile, encourages them to consider how to make things even better. Dedication is a relentless driving force, it's not an easy option – but it does leave you with a profound feeling of contentment.

3 **Dedication invariably involves reaching a goal. How did you discover that your goal is to build perfect cars?**
When I was a boy growing up in southwest Germany, I used to see Porsche test drivers whizzing by in their 911s. Those images are still etched in my mind. Later on, as a young quality assurer at Audi, I learned that there are two crucial factors in carmaking. First of all, there is the big idea – the concept behind the car. But a car can only be truly great if every seemingly insignificant detail is perfect in design and execution. So secondly, you need perseverance – it is the only way to achieve perfection.

4 **Why is dedication so typical of the Volkswagen Group?**
Because carmaking is more than a business for us. We love our cars. And we do our utmost to make them more visually appealing, efficient and perfect – the new Golf is a case in point. This goal is shared by everyone in the Company, from production line workers to the Board of Management. Only in this way can we ensure the best possible performance: the best car, the most innovative technology, the most environmentally compatible plant and the best training for our employees. Because of this, dedication is the key to achieving the targets that we have set out in our Strategy 2018.

5 **Psychologists tell us that dedication requires concentrating fully on the task at hand. When do you experience moments like this?**
During test drives, when we put the cars through their paces shortly before they go into series production. I shut out everything else and concentrate entirely on the moment. I try to really feel the vehicle, its qualities and materials, I discuss the details of the engine, transmission and suspension with my colleagues, and I try to envisage whether they fit the specific brand and its vision. Those are very intense sessions.

6 **Environmental compatibility is increasingly becoming a success factor in automotive production. Is it possible to be as dedicated to reducing CO_2 emissions as to developing a twelve-cylinder engine?**
I don't see why not. Whether we're talking about a one-liter car or a Bugatti Veyron – at the end of the day, it's a question of overcoming apparent limitations. And that is only possible with complete dedication – and, of course, with the technical expertise of a Group that has over 40,000 researchers and developers in its ranks. Dedication and ability go hand-in-hand. And both are essential for people to reach their full potential.

PHOTOGRAPHER Hartmut Nägele

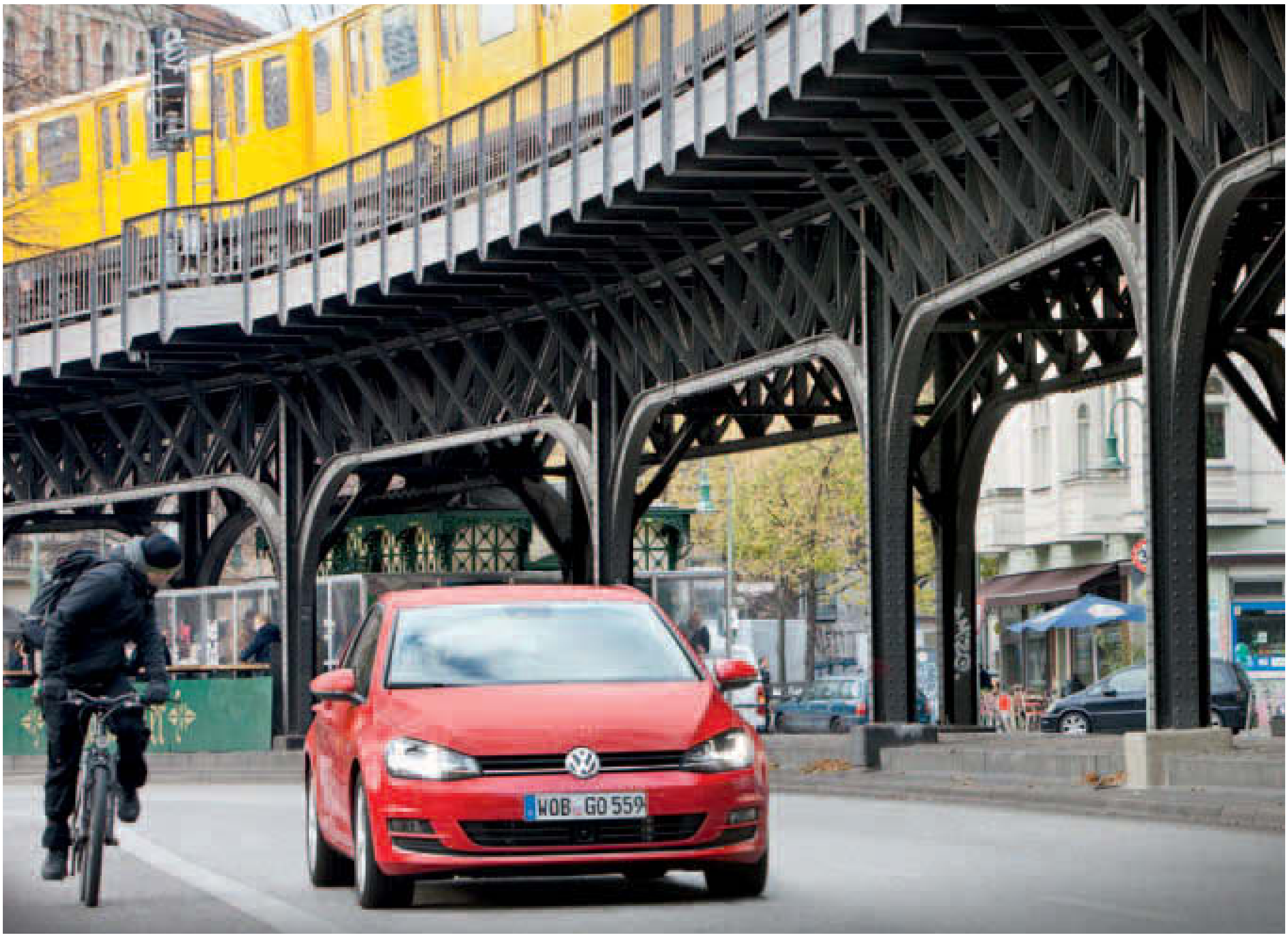
Berlin meets
THE GOLF.

A new face on the streets of Berlin doesn’t usually attract much attention. Locals go about their business or soak up the autumn sun in a sidewalk café. But the new, bright red Golf turns heads as it waits for an important date. Can the car win over young urbanites?

"It drives really well. It's as though I've been here behind the wheel forever."

AGATA WOJCIECHOWSKI, FRIEDRICHSHAIN, BERLIN

ENERGY TECHNOLOGY STUDENT AT TECHNISCHE UNIVERSITÄT BERLIN



Driving in a major city? Isn't it better to take public transport? Do young urbanites even need a car? You can have a preconceived opinion – or you can simply check it out for yourself. Five young Berliners test the seventh generation of the Volkswagen Golf[1] for city-friendliness ahead of its market launch.

BERLIN-KREUZBERG, SCHÖNEBERGER STRASSE, 9:21 A.M.

Agata has taken the morning off for her first encounter with the new Golf. The industrial engineer is currently studying for her master's degree in energy technology and wants to find out more about Wolfsburg's latest. The car and the student meet for the first time under the Gleisdreieck railway bridge. Agata casts a critical eye over the vehicle. She gets in and starts by asking what exactly is new in the Golf VII: adaptive cruise control, the city emergency braking function, a parking and lane-keeping assistant, as well as road sign and fatigue detection.

Her professional interest in resource conservation and sustainable mobility is piqued as talk turns to fuel consumption. The Golf has never been more efficient, with consumption and emissions reduced by up to 23 percent compared with its predecessor. A large part of this is due to its intelligent lightweight construction – it weighs in at up to 100 kilos lighter than the previous model. Her boyfriend's VW Bus, which is over 20 years old, cannot keep up with that. While the classic vehicle with a rear-mounted engine has won a place in her heart, she dreams of a first-generation VW Bus, "the one with the split front windscreen". Ideally to travel the world in.

The blonde student chats about more travel plans as she drives around in the new Golf. "It drives really well", she says suddenly, after a short pause. "It's as though I've been here behind the wheel forever." She skillfully navigates past double-parked vans, cyclists and Berlin's ever-present roadworks. Agata has

> “Street art is to Berlin what bread rolls are to a bakery.”
>
> ATTILA SZAMOSI OF ARTIST DUO “PEACHBEACH”, NEUKÖLLN, BERLIN

THE NEW GOLF

up to 23 % more economical than its predecessor

up to 100 kg lighter than its predecessor

3.2 l best fuel consumption per 100 km in the Golf BlueMotion

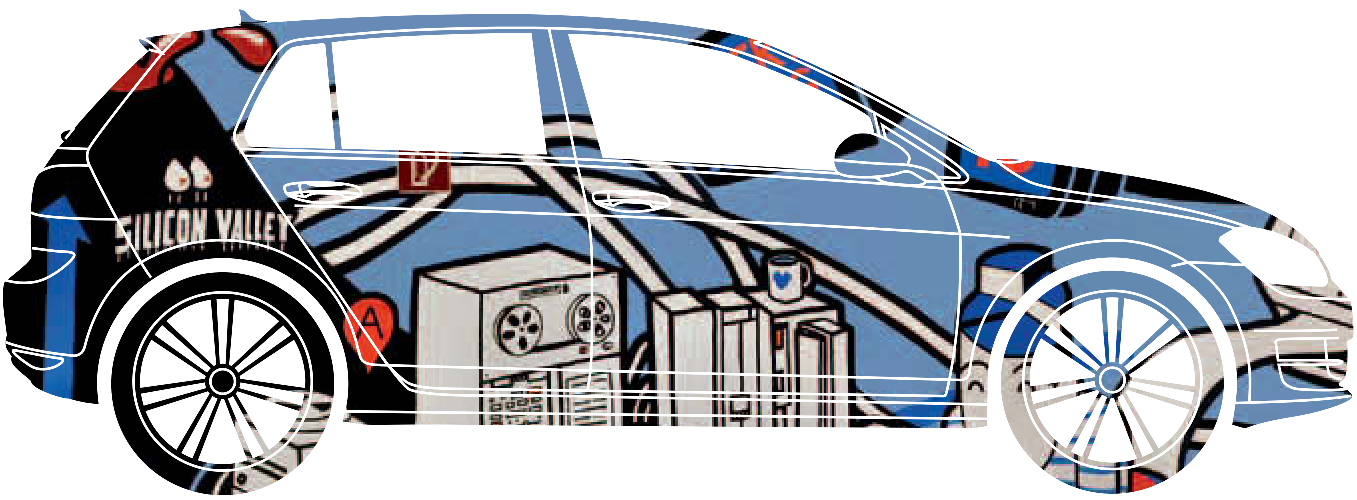


Illustration: Peachbeach

> "Plenty of space behind the steering wheel. And the seat is nowhere near as far back as it can go."

MAX ASSFALG, OWNER OF THE "NEW DELI YOGA" CAFÉ IN FRIEDRICHSHAIN-KREUZBERG, BERLIN

just switched to "sport" mode, one of five driving modes that determine handling characteristics and steering, among other things. "I would usually stick with the eco program in the city, but this is a test drive after all, isn't it?" She laughs and glances at the fuel gauge, just to be sure. The 1.6 liter turbodiesel engine (105 PS/77 kW) consumes an average of 3.8 liters of fuel per 100 kilometers[2]. That will take you far on the streets of Berlin.

At the next red light, she runs her hand over the dashboard and the fine stitching on the leather steering wheel. "It feels great." As she gets out, Agata turns around, leans over the top of the car and asks about the TDI engine's emission levels. "Only 99 grams per kilometer?"

BERLIN-KREUZBERG, FALCKENSTEINSTRASSE, 11:50 A.M.

Max grins. He has found the impossible – a parking space in Friedrichshain-Kreuzberg. This "Kiez", as Berliners call their part of town, is particularly popular among young people. Max opens the back of his VW Lupo to unload. The compact vehicle is perfect for downtown Berlin, but not quite so perfect when Max is out and about with his girlfriend and child. "Then space gets a bit tight."

Max knows from experience that the Golf traditionally has plenty of room. His first car was a 73 Passat, followed by a Golf II and Golf III. Max needs a car with space, and not just for personal use. For the last two years, the qualified architect has run a café called "New Deli Yoga" together with Maria, a yoga teacher from Cologne with Greek roots. He parks the red Golf in front of the café.

Both of them immediately start inspecting the new model's load capacity. After all, the Golf VII offers 30 liters more interior storage space than its predecessor, with a capacity of 380 liters behind the back seats. At the same time, the exterior dimensions have remained almost exactly the same – a real plus in city traffic. "The loading space is as flat as a pancake", says Max. He folds the back seats down and starts stacking empty plastic crates into the car. Maria sits on the sill. "It's so low even I can lift boxes over it without a problem."

Max heads off towards the wholesale market: "Plenty of space behind the steering wheel. And the seat is nowhere near as far back as it can go." On the road, Max tells of his café and everyday life in Kreuzberg. He is aware of the problems and does a great deal for his district. Maria and Max introduced "social rates" at their café. This means that those with not much money pay a little less at "New Deli Yoga".


new
deli
CAFÉ
Croissants
CAKE

"The Golf is a Golf is a Golf.
You have to first come up with such a timeless design."

LARS WUNDERLICH OF ARTIST DUO "PEACHBEACH", NEUKÖLLN, BERLIN

BERLIN-NEUKÖLLN, SONNENALLEE, 2:45 P.M.
Young creative types are increasingly being drawn to the neighboring district of Neukölln as a result of the boom in Kreuzberg over the past few years. This is where the red Golf is now headed, to today's third and last destination. As the door is opened, the aroma of ground coffee which still lingered after the visit to the wholesale market gives way to the smell of fresh paint. "Peachbeach" – as the artist duo Attila and Lars call themselves – are hard at work. The two met while studying graphic design and decided to create street art together. "Street art is to Berlin what bread rolls are to a bakery", explains Attila. The city on the Spree River is considered the center of street art culture, which is globally linked via the Internet. "Peachbeach" are professionals. Their work has been featured at exhibitions in Vienna, Amsterdam, Paris and London. They are in demand as illustrators and demonstrate their talents at live painting events.

The Golf VII parks in front of the nearly finished wall mural and appears to blend in with the image. The Golf effortlessly passes muster with the young design professionals. "Genius", says Lars. "The Golf is a Golf is a Golf. You have to first come up with such a timeless design."

Lars is impatient to get in; he rode to the test drive on his bicycle. "I'm a bit cold. Does the Golf have heated seats?" It does. Inside, Attila immediately checks out the infotainment system. The large touchscreen works together with a proximity sensor and switches from display to operating mode without having to be touched. Attila plugs in his smartphone, flips through the CD covers in the multimedia library and scrolls through his playlists. His verdict? "Cool touchscreen technology." Everything else he says is drowned out by the 400 watt sound system. He then drives around the block, the bright-as-day rays of the xenon headlights illuminating the houses. Night comes early on this fall day in the German capital city.

One thing is clear from these three encounters between young urbanites and the new Golf: cars and cities certainly do go together. But young people don't just want a safe vehicle that is easy on resources but still fun to drive – they also want plenty of interior space and exterior dimensions that are as compact as possible. And the onboard infotainment has to be as intuitive and easy to use as a smartphone. The new Golf ticks all the boxes. It is a compelling car – in any situation.

AUTHOR Andreas Kessler

PHOTOGRAPHER Marcus Pietrek

ADDITIONAL INFORMATION
www.volkswagen.com > Product World > Models > The Golf

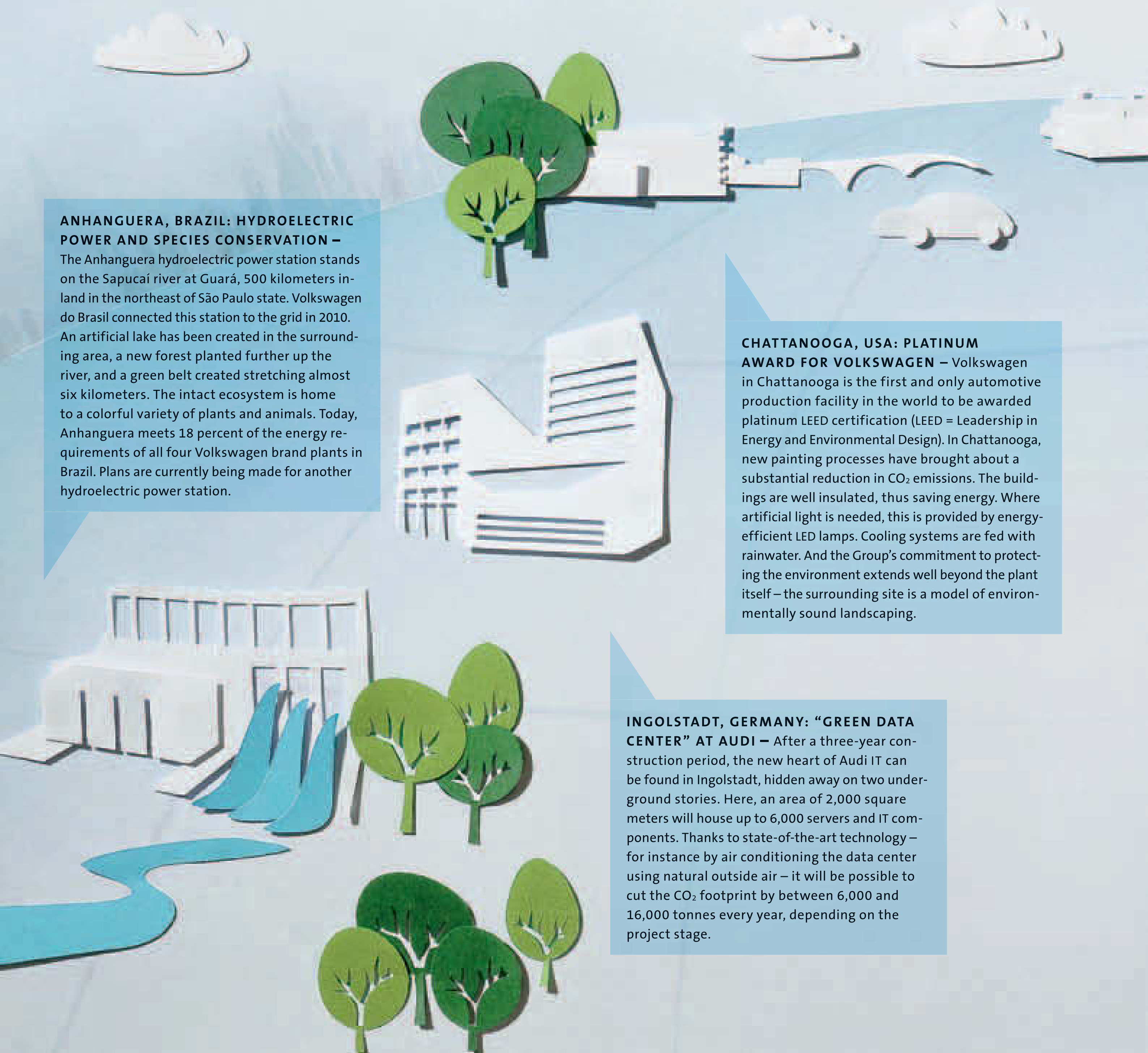
1 Golf VII fuel consumption in l/100 km: combined from 5.2 to 3.8; CO_2 emissions in g/km: combined from 122 to 99.

2 Golf VII 77kW, fuel consumption in l/100 km: urban 4.6/extra-urban 3.3/combined 3.8; CO_2 emissions in g/km: combined 99.


WOB GO 559

Step by STEP.

Environmentally friendly vehicles and sustainable production are two sides of the same coin. That is why the Volkswagen Group has set itself the ambitious target of making production at all Group locations 25 percent more environmentally friendly by 2018. Over the coming years, the Group is set to invest €600 million for the sole purpose of producing renewable solar, wind and hydroelectric energy. Join us for a closer look at the blue and green world of Volkswagen.



ANHANGUERA, BRAZIL: HYDROELECTRIC POWER AND SPECIES CONSERVATION – The Anhanguera hydroelectric power station stands on the Sapucaí river at Guará, 500 kilometers inland in the northeast of São Paulo state. Volkswagen do Brasil connected this station to the grid in 2010. An artificial lake has been created in the surrounding area, a new forest planted further up the river, and a green belt created stretching almost six kilometers. The intact ecosystem is home to a colorful variety of plants and animals. Today, Anhanguera meets 18 percent of the energy requirements of all four Volkswagen brand plants in Brazil. Plans are currently being made for another hydroelectric power station.

CHATTANOOGA, USA: PLATINUM AWARD FOR VOLKSWAGEN – Volkswagen in Chattanooga is the first and only automotive production facility in the world to be awarded platinum LEED certification (LEED = Leadership in Energy and Environmental Design). In Chattanooga, new painting processes have brought about a substantial reduction in CO_2 emissions. The buildings are well insulated, thus saving energy. Where artificial light is needed, this is provided by energy-efficient LED lamps. Cooling systems are fed with rainwater. And the Group's commitment to protecting the environment extends well beyond the plant itself – the surrounding site is a model of environmentally sound landscaping.

INGOLSTADT, GERMANY: "GREEN DATA CENTER" AT AUDI – After a three-year construction period, the new heart of Audi IT can be found in Ingolstadt, hidden away on two underground stories. Here, an area of 2,000 square meters will house up to 6,000 servers and IT components. Thanks to state-of-the-art technology – for instance by air conditioning the data center using natural outside air – it will be possible to cut the CO_2 footprint by between 6,000 and 16,000 tonnes every year, depending on the project stage.

MEXICO: TREES FOR THE LOVE OF THE PLANET – “Por amor al planeta” (“For the love of the planet”) is the name of Volkswagen’s nature conservation program in Mexico. This program focuses primarily on promoting species conservation and protecting woods and forests. The long-term water supply in the region has been improved by means of a reforestation program in the national park surrounding the Popocatépetl volcano. A total of 420,000 mountain conifers have already been planted, while soakaways and dams collect the precious water. This project is increasing the volume of groundwater by an estimated 2.6 million cubic meters a year – substantially more than the amount consumed at the Volkswagen plant 40 kilometers away in Puebla.

LEIPZIG, GERMANY: SUSTAINABLE HEATING AT PORSCHE – The new paintshop at Porsche in Leipzig, which is scheduled to go into operation at the end of 2013, makes use of waste heat from a nearby wood chip heating plant. This ensures that the automotive production facility is supplied with heat that is 80 percent carbon-neutral.

EMDEN, GERMANY: “THINK BLUE.FACTORY.” – “Think Blue.Factory.” is the name of a program launched with a view to making the production of Volkswagen vehicles sustainable. The objectives are to increase resource efficiency, reduce emissions and make more extensive use of renewable energies. In Germany, the expansion of the Emden plant is one of the largest projects. A new body shop facility is currently being built on 5,000 piles in the earth. About 3,300 of these will serve as “energy piles”: they are designed to cool water that will initially be used for cooling the welding machines. Waste heat from this process will produce hot water for heating the production facility before the water is cooled down again through the energy piles.

FOSHAN, CHINA: CONSERVING PRECIOUS WATER – At the end of 2012, one of the most modern wastewater treatment facilities in China went into operation at the new Volkswagen plant at Foshan. Here, the wastewater is recycled by environmentally friendly processes in one of the Group’s largest membrane bioreactor facilities. 100 percent of the purified wastewater is fed back into the plant, where it is used, among other things, for rain tests in the assembly facility and for replenishing cooling water, thus cutting fresh water consumption by around 30 percent.

MLADÁ BOLESLAV, CZECH REPUBLIC: BIOMASS POWER AT ŠKODA – Biomass is the key to a green future at Mladá Boleslav. ŠKODA subsidiary Ško-Energo, which operates the local combined heat and power plant, aims to continually increase the proportion of energy generated using biomass, thus reducing CO_2 emissions by a quarter by 2015. The combined heat and power plant produces electricity for vehicle and subassembly production. The resulting heat is then used in the city and in the plant.

AUTHOR Tina Rumpelt

ADDITIONAL INFORMATION
www.volkswagenag.com > Sustainability and Responsibility > CSR worldwide

Samba do BRASIL.

Brazil is Latin America's "economic wonderland". It ranks as one of the countries with the most promising growth potential and has jumped to sixth place among the world's largest economies. Volkswagen do Brasil is one of the driving forces behind this trend. The company is celebrating its 60th anniversary in 2013 – and has its eyes focused firmly on the future.

“Trends catch on quickly here.
Brazilians are always up for something new and exciting.”

HANS J. VOSWINKEL, VOLKSWAGEN DEALER IN BRAZIL

The 168-meter “Edifício Itália” office complex at the throbbing heart of São Paulo offers one of the most fascinating views of the city. Head to the skyscraper’s bar, 150 meters above the ground, late in the afternoon to squint into the setting sun. A seemingly endless sea of high-rise buildings stretches to the horizon. The São Paulo region is home to around 20 million people.

There are over 1,000 companies with German roots in Latin America’s largest industrial area, making São Paulo the biggest “German” industrial city abroad. At the same time, São Paulo is one of the Volkswagen Group’s oldest and most promising locations. Today, around 24,000 people work in Volkswagen’s four Brazilian plants. They produce 3,500 vehicles and 3,800 engines every day and currently sell 22 models, including the Gol, Voyage, Fox, Polo, Polo Sedan, Saveiro, Golf and the SpaceFox. “As the driving force behind the Brazilian automotive industry, our roots here run deep”, said Prof. Dr. Martin Winterkorn, Chairman of the Board of Management of Volkswagen AG, at the 2012 São Paulo Motor Show. In 2013, Volkswagen do Brasil is celebrating its 60th anniversary and the production of over 20 million vehicles in Brazil. The anniversary is first and foremost a forward-looking event for the Volkswagen Group – by the end of 2016, the Company will have invested around €3 billion in expanding production capacity and developing new vehicles in Brazil.

The Volkswagen Gol – or “goal” in English – has accumulated an enormous fan base over 26 years and is Brazil’s best-selling car. The VW Beetle, or “Fusca”, previously held this position for over 24 years. This is why Volkswagen is seen as a local brand. Volkswagen do Brasil President Thomas Schmall describes this phenomenon with a twinkle in his eye: “Somewhere along the line, Brazilians were astonished to discover that the Beetle is also produced outside of Brazil.” Conversely, Europeans are often surprised to learn that the Group also leads the truck market in Brazil.

Congressman and former president of the Brazilian central bank Henrique Meirelles testifies to the Brazilian economy’s “high local demand”. The country is rich in minerals and renewable resources such as sugar cane, which is used to produce ethanol, a widely-used fuel in Brazil. “Ten years ago, the Brazilian middle class numbered 66 million. This will have grown to 118 million in 2014 – or two-thirds of the total population. That creates stability and purchasing power”, explains economic expert Meirelles. “In a long-term context, the Brazilian market for passenger cars and light commercial vehicles could grow to over 5 million units per year.”

“Our typical customer is 40 years old and married with two children”, says Hans J. Voswinkel from Grupo Servopa, one of the largest and oldest Volkswagen dealers in Brazil, based in the state of Paraná in the south. Grupo Servopa has sold over 200,000 Volkswagen vehicles since joining forces with the German carmaker in 1955. He knows what his customers want: “Trends catch on quickly here. Brazilians are always up for something new and exciting.”

Grupo Servopa’s youngest branch was built in Curitiba, the capital of Paraná, to the highest environmental standards. Voswinkel is applying for strict LEED certification from the USA (“Leadership in Energy and Environmental Design”) – the first company in Brazil to do so. The Brazilian with German roots believes that “if you want to stay ahead in the future, you have to be a leader in environmental protection, too”.

Volkswagen do Brasil is considered a pioneer in environmental protection and resource conservation, not least because it introduced flex fuel technology to the market in 2003. Renewable energies are a priority – Volkswagen will generate 40 percent of its future energy needs with its own hydroelectric plants. The line between environmental and social projects is often thin.

VOLKSWAGEN SUPPORTS THE UP-AND-COMING FOOTBALLERS AT FC SANTOS – A good education is always part of the game plan for the most talented players.

VOLKSWAGEN IN BRAZIL

194 million
PEOPLE call Brazil home

24,000
EMPLOYEES at four Volkswagen locations

60
YEARS OF VOLKSWAGEN in Brazil

3,500
VEHICLES produced per day

Visitors to the Anchieta plant are intrigued by the enormous hand-operated flywheel on display – a simple water pump that does great good. It gives thousands of people in dry regions access to free, clean water. The Brazilian foundation "Fundação Volkswagen" also supports a wide range of social and educational projects and has invested almost €20 million in the last ten years alone.

Anyone involved in the community in Brazil cannot ignore soccer – the country is set to host the 2014 World Cup. Volkswagen will be on board as the partner of the Brazilian national soccer team, "Seleção Brasileira". The automobile manufacturer already supports social projects such as "A chance to play", as well as the work with young people that takes place at the soccer club in Santos – a port city in the Brazilian state of São Paulo. FC Santos is famous. Pelé started his career here, as did Neymar. The 21-year-old is already a superstar and is considered the next Pelé.

"For millions of people, making it big in soccer is the great Brazilian dream", says Bruno Amodio from FC Santos. A good education is always part of the game plan for the most talented players. Even today, going to school is still not a given for many Brazilian children. The weather doesn't help, either – in the rainy season, school buses often get stuck in the mud. Following a government tender, thousands of all-terrain "Ônibus Escolar" are now in service all around the country – developed and produced by Volkswagen.

AUTHOR Dirk Maxeiner

PHOTOGRAPHER Andreas Mader

ADDITIONAL INFORMATION
www.volkswagenag.com > The Group > Production Plants

Surrendering yourself to something.

DEDICATION // ARMIN MUELLER-STAHL, 82, GERMAN ACTOR, MUSICIAN, PAINTER AND AUTHOR

For me, surrendering yourself is about the passion and dedication you bring to something. It is a precondition for work of a very personal nature, where you want to do the best you can. When I retreat to my studio and paint, time and place completely lose their meaning. I am free. Creativity becomes automatic, and I can focus on one thing.

A particularly vivid snapshot of your surroundings can also be a moment of surrender. In the past, this was driving across the Alps with my brother in a "pretzel" Beetle. We soaked it all up – seeing the mountains for the first time, driving over the high passes, then Italy and the sea.

Images like these secretly leave their mark and resurface every now and then. Like some time ago, when I visited the church my father died in towards the end of the war. As I entered the church, the organ began to play a song from my childhood, "The Moon Has Risen". My father's favorite song. It was a very intense, deeply personal moment.

Last year, I was filming in the US with Terrence Malick, a one-of-a-kind director who is known for his improvisations. My scene was set in an enormous church. Just me and Natalie Portman, who played the lead role. Terrence had seen my violin in my trailer beforehand. Towards the end of the scene, he had the violin brought to me and asked me to play. I stood in the church holding my violin. All of a sudden, this old melody from my childhood came to me. I don't know how long I played for. My surroundings disappeared. I cannot describe what I felt in that moment. After the scene, Natalie Portman kissed my hand in thanks and Terrence Malick's wife had tears in her eyes.

It's the same with surrendering yourself – old images reveal their inner strength.

PHOTOGRAPHER Andreas Mühe

The Kunsthaus Lübeck gallery showcases the paintings of Armin Mueller-Stahl.

Piccadilly RENDEZVOUS.

In the world's first Audi City in London, the brand with the four rings is showcasing its entire range of models using virtual technology – something that has never been done before. At the same time, customer relationship managers like Michelle Mensah provide a one-to-one service for visitors. A look at Audi's first digital showroom.

4

POWERWALLS extend along almost the entire length of the digital showroom

420

SQUARE METERS is the size of the new "Audi City" in the heart of London

17

HIGH-PERFORMANCE COMPUTERS visualize each of the 36 Audi models on a 1:1 scale – in all variants

With a swipe of her finger, Vanessa Simeonidis switches off the virtual engine and takes another close look at the all-black leather trim. "Yes, that's the way I want it", she nods contentedly. The customer, an insurance lawyer by profession, has opted for a sporty, elegant exterior with ibis white bodywork and silver aluminum rims. Even though her new Audi A3[1] has yet to be built, she has already examined it from all angles, inside and out. The images are projected onto a floor-to-ceiling multimedia screen in the world's first Audi City, which opened in summer 2012 near London's world-famous Piccadilly Circus.

Seventeen high-performance computers visualize the Audi model on a 1:1 scale, just as it was configured by Vanessa Simeonidis on one of the seven multitouch tables in the showroom. Thanks to the two million pixels in the LED projection screens, every single interior detail looks exactly as if she were actually sitting behind the wheel of her future car. The sound of the engine from the 90-speaker surround system is impressively authentic, as is the satisfying sound that the door makes when Vanessa Simeonidis swipes it shut.

Four of these large-format screens – known as powerwalls – extend along almost the entire length of the Audi City showroom, which measures 420 square meters in size. All colors, equipment lines and options for Audi's current range of 40 or so models can be displayed here and mixed and matched at will. This means that, depending on customers' preferences, there are several hundred million configuration possibilities. Now, for the first time ever, it is possible for an automobile manufacturer to bring the entire diversity of its product range to life in a single showroom. A handful of real exhibits bridge the gap between virtual models and physical driving pleasure.

“Ideally, I will cater for the needs of my customers for the entire lifetime of their Audi.”

MICHELLE MENSAH, EXPERIENCE EXECUTIVE AT AUDI CITY, LONDON

Although the carmaker is breaking new ground with the high-tech concept behind Audi City, it is by no means the only innovation here. Michelle Mensah's role at London's Audi City – as a customer relationship manager – is also a whole new departure. Although she has just helped Vanessa Simeonidis to configure her dream car, her job extends well beyond advising customers and organizing test drives. She will also remain the customer's personal contact – for example, it is Michelle that Vanessa Simeonidis will contact when she wants to bring her Audi A3 in for servicing. The young Briton describes her varied role as follows: "Ideally, I will cater for the needs of my customers for the entire lifetime of their Audi."

This special approach to customer management is also a welcome development for David Parker, a 45-year-old management consultant who recently took delivery of his new Audi Q5[2] at Audi City and ordered a new A1[3] to boot. He did not even feel the need to take a test drive: "The powerwall visualization and Michelle's advice were enough for me. Besides, Audi and I go back a long way and I have great faith in the brand."

Modern communications technology such as that used in Audi's new venture in London is becoming a firm fixture in the lives of more and more people. Nine out of ten customers who are interested in buying a new car consult the Internet for information beforehand. Similarly, two out of three use social networks to draw on the experiences of others in their decision-making process. Inevitably, this has not left dealers unscathed: ten years ago, customers still paid an average of seven visits or so to the dealer before signing the purchase agreement; these days, the average number of visits is just two. "Web technologies are a part of our customers' everyday lives. That is something we will be reflecting more and more in our brand profile in future", confirms Sven Schuwirth, Head of Brand and Sales Development.

Trends such as these are emerging fast, particularly in booming cities like the UK capital. This, as Schuwirth explains, is why Audi "aims to promote real interaction with our customers at such locations". There will be plenty of opportunities to do so in future: at exhibitions, lectures and discussions on topics from the realms of art, architecture and social issues.

"Networking" is the watchword. It is no coincidence that transport hub Green Park was chosen as the location for Audi City – after all, six bus and three Underground lines converge here, while Piccadilly Circus is just one stop away. As marketing and sales expert Sven Schuwirth explains: "Here we can come into contact with people in their everyday environment – on their way to the office, picking up a few groceries after work, or going shopping at the weekend." Right across the road is the famous Ritz Hotel with its international guests. "Around a thousand existing and potential customers visit us on average every week", reports Michelle Mensah. Her sales manager is also very happy: nine out of ten Audi City customers are buying an Audi model for the first time.

The London venture is just the beginning of a new era of virtual showrooms. At the end of January 2013, the second one opened its doors in Beijing – inviting Chinese customers to a rendezvous in cyberspace.

AUTHOR Wilhelm Missler

PHOTOGRAPHER Hartmut Nägele

ADDITIONAL INFORMATION www.audi.com > Experience > Audi City

1 Audi A3 fuel consumption in l/100 km: combined from 6.6 to 3.8; CO_2 emissions in g/km: combined from 152 to 99.

2 Audi Q5 fuel consumption in l/100 km: combined from 8.5 to 5.3; CO_2 emissions in g/km: combined from 199 to 139.

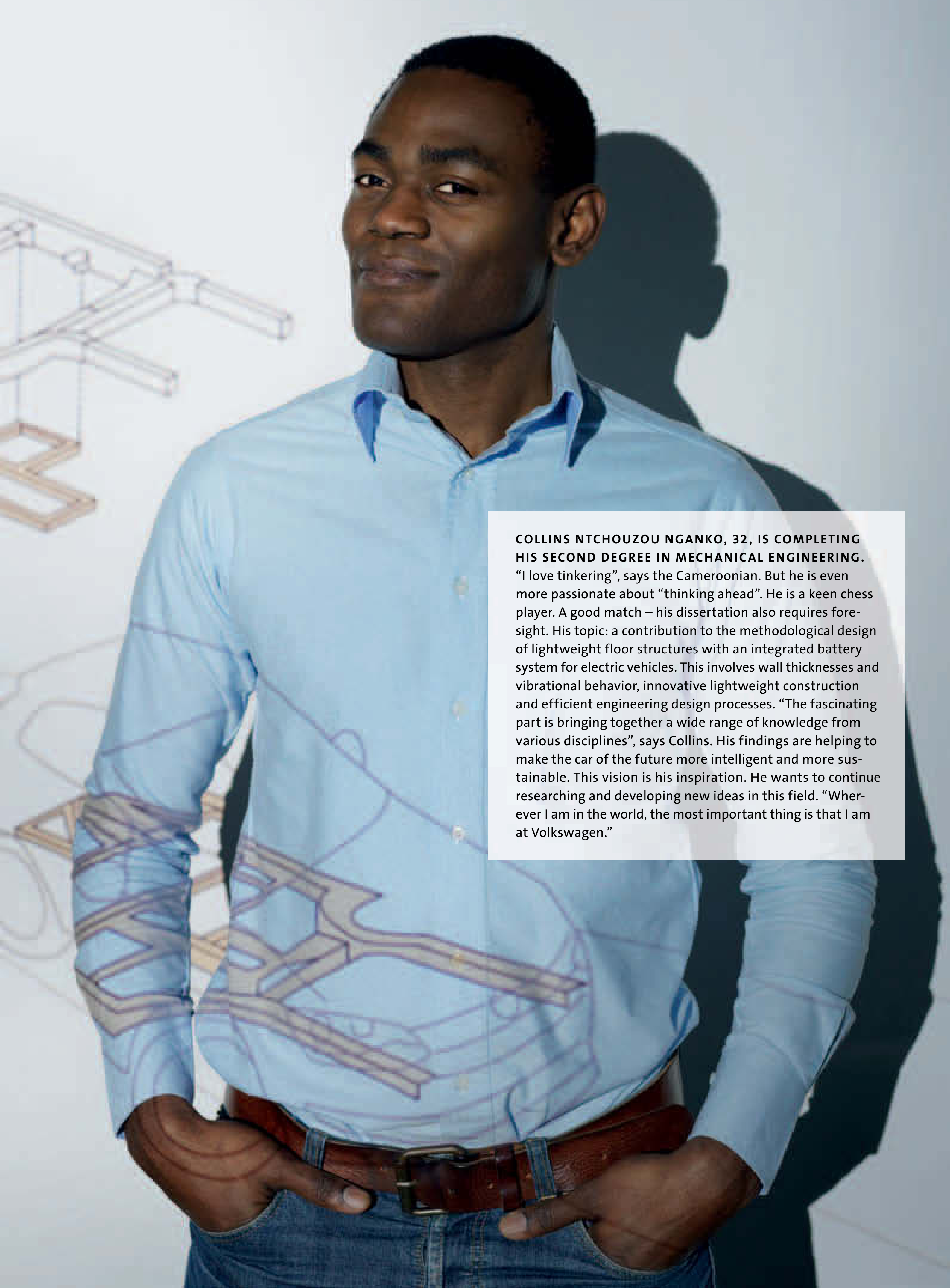
3 Audi A1 fuel consumption in l/100 km: combined from 5.9 to 3.8; CO_2 emissions in g/km: combined from139 to 99.

4 (p. 52) Audi S8 382 kW, fuel consumption in l/100 km: urban 14.4/extra-urban 7.6/ combined 10,1; CO_2 emissions in g/km: combined 235.

The future MAKERS.

In the Volkswagen Group young people around the world are working on their dissertation or thesis. They research new materials and develop innovative engineering concepts. They give driver assistance systems a voice or figure out what drives progress. They all have one goal in common – to create the car of the future.

CAROLINE RUDZINSKI, 34, AN ECONOMICS GRADUATE, is researching the wisdom of the crowd – are groups unusually intelligent and perhaps smarter than the experts from their midst? Can crowdsourcing function as a source of information for strategic business decisions, such as the development of technologies and trends? Caroline is approaching her doctorate on the topic pragmatically, testing the theory under practical conditions in a virtual "information market" to obtain concrete results. "Developing and trying out new approaches in a global company like Volkswagen is a fascinating task." Swedish-born Caroline believes in the wisdom of the crowd: "Addressing something on a large scale increases companies' awareness of strategically relevant topics."



COLLINS NTCHOUZOU NGANKO, 32, IS COMPLETING HIS SECOND DEGREE IN MECHANICAL ENGINEERING. “I love tinkering”, says the Cameroonian. But he is even more passionate about “thinking ahead”. He is a keen chess player. A good match – his dissertation also requires foresight. His topic: a contribution to the methodological design of lightweight floor structures with an integrated battery system for electric vehicles. This involves wall thicknesses and vibrational behavior, innovative lightweight construction and efficient engineering design processes. “The fascinating part is bringing together a wide range of knowledge from various disciplines”, says Collins. His findings are helping to make the car of the future more intelligent and more sustainable. This vision is his inspiration. He wants to continue researching and developing new ideas in this field. “Wherever I am in the world, the most important thing is that I am at Volkswagen.”

CHEN-YUNG SU, 36, STUDIED PSYCHOLOGY IN TAIWAN BEFORE MOVING TO GERMANY IN 2004. His dream job? “Research, research, research”, says Chen-Yung Su without skipping a beat. He stumbled across the field of transportation psychology during his studies. This led him to Volkswagen. In his dissertation, Chen-Yung is examining verbal communication between the car and the driver. Or more precisely, the question of how assistance systems best make themselves heard – and most quickly – in terms of the type of message and how it is phrased. To find this out, he spent a year with the automated driving experts at the Volkswagen Group of America’s Electronics Research Laboratory (ERL) in California. What motivates Chen-Yung? “Finding and then stretching the limits of human knowledge.” And what does he want from the mobility of tomorrow? “Zero emissions, zero accidents, zero stress and plenty of driving pleasure.”

JANINE KREBS, 28, IS STUDYING MANAGEMENT ENGINEERING, SPECIALIZING IN MECHANICAL ENGINEERING. She values the “space for free thinking and ideas” offered by research and development in the Volkswagen Group. “Inspiration is what drives science forward”, she says. Her interest in math, chemistry and physics started at school. This led to a passion for technology. She wrote her diploma thesis on reducing friction in combustion engines. In her doctoral thesis, she is investigating tool coating for an innovative manufacturing process for high-quality plastic components. At the same time, Janine is looking at new materials to simplify thermal management in the vehicle of the future. You only have to listen to her to find out a great deal about the new materials that are driving progress in automotive construction: “They will shape the car of tomorrow in many different ways – in terms of safety and comfort, but they will equally play an important role in resource conservation.”

AUTHOR Tina Rumpelt
PHOTOGRAPHER Hartmut Nägele
ADDITIONAL INFORMATION www.volkswagenag.com > Innovation

LIGHT*weight DNA.*

Every Porsche carries the lightweight gene. This applies equally to the 550 Spyder, the forerunner of all Porsche racing cars, and the new Boxster. Both feature a pioneering steel/aluminum mixed construction for a lightness previously unheard of in the automotive industry.

PORSCHE'S LIGHTWEIGHT CONSTRUCTION HISTORY IN A MODERN AMBIENCE – Dr. Werner Tietz, Director Body Engineering, at the Porsche Museum in Stuttgart-Zuffenhausen.

At first glance, it was a David and Goliath-style battle. Umberto Maglioli took to the starting line in 1956 in a Porsche 550 Spyder, powered by a four-cylinder boxer engine with a capacity of only 1.5 liters, contesting the apparent superiority of eight and twelve-cylinder engines. The Italian won the "Targa Florio" long-distance road race in Sicily at the first attempt – Porsche's first major motor sport success. The secret? The car weighed little more than 500 kilos. Less weight to move meant that a small engine sufficed – and mounting it in the center ensured that the weight was evenly distributed between the front and back axles. Porsche engineers had reworked the already light model 550 in the run-up to the race, cladding the three-dimensional tubular frame with the kind of aluminum shell seen in aircraft construction. This reduced the body weight by 27 to 63 kilos.

"This approach was very modern", explains Dr. Werner Tietz, Director Body Engineering at Porsche in Weissach. "These days, our engineers still put a great deal of thought into how we can shed extra pounds in each new model generation." The results can be seen in the consistently lightweight construction of the new Porsche Boxster[1], an open two-seater with a mid-mounted engine, just like its ancestor. The latest generation weighs 40 kilos less than its predecessor, which was launched in 2004, despite meeting significantly higher safety standards. Alongside the lightweight body, the revamped engines also help to make the new Boxster particularly fuel-efficient. The technology behind it is the same as in its big brother, the Porsche 911 – it is half steel, half aluminum.

This construction, groundbreaking in the automotive industry, is based on the experience that each material has particular strengths. "Modern types of steel enable us to apply high levels of strength to very small areas", explains Tietz. High-tensile steel, for example, is used for the windscreen frame to protect passengers if the vehicle rolls over. By contrast, aluminum is characterized by a low unit weight. The light metal can also be cast into extremely complex shapes. The new Boxster has a large aluminum element integrated into the rear side frame that is not only two kilos lighter than the steel version in its predecessor, but also replaces six individual components and thus the same number of steps in the production process.

Tietz and his team have long been working on the next vehicle generation. He wants to reduce body weight by a further 30 kilos, with magnesium playing a key role. "It's just like on the race-track – if you stand still, you get left behind."

AUTHOR Johannes Winterhagen

PHOTOGRAPHER Rüdiger Nehmzow

ADDITIONAL INFORMATION www.porsche.com

1 Porsche Boxster fuel consumption in l/100 km: combined from 8.8 to 7.7; CO_2 emissions in g/km: combined from 206 to 180.

> “These days, our engineers still put a great deal of thought into how we can shed extra pounds in each new model generation.”
>
> DR. WERNER TIETZ, DIRECTOR BODY ENGINEERING AT PORSCHE

THE PORSCHE BOXSTER

46

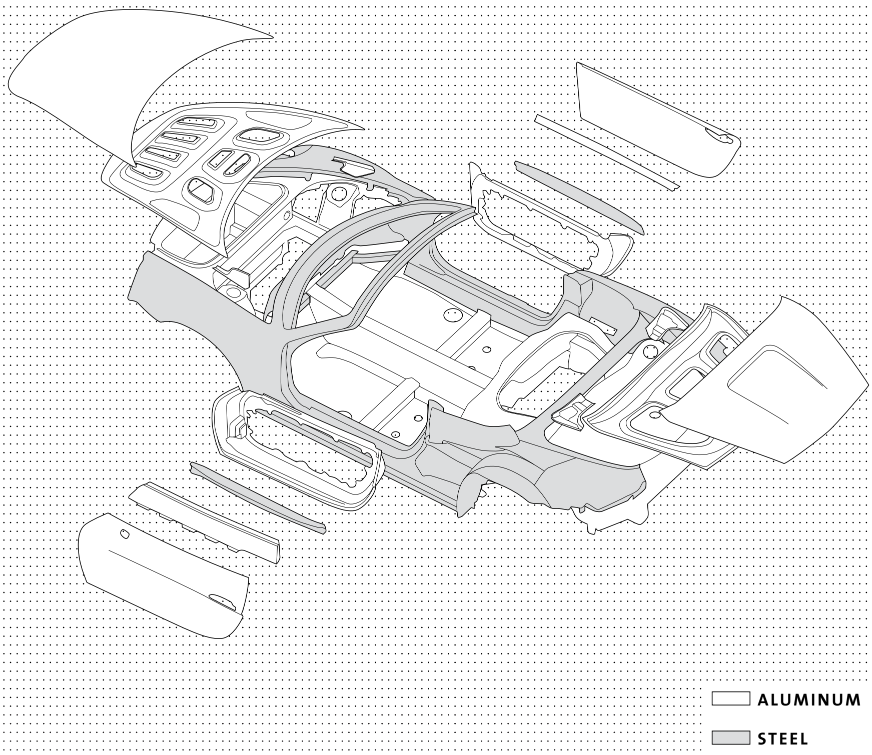
PERCENT of all body parts are made of aluminum, the rest are made of steel

1

ALUMINUM DIE CAST PART replaces up to six individual components

40

KILOGRAMS lighter than its predecessor



Passione.

Lamborghini and Ducati – two brands, two synonyms for high performance and unique design. Their north Italian home plays host to a meeting of superlatives: the Lamborghini Aventador and the Ducati 1199 Panigale. Supercar meets superbike. The two brands' chief test drivers quickly discover the similarities between their technical worlds: performance, lightweight construction – and a passion for the unusual.

> “Both vehicles have their weight concentrated as centrally as possible, with the engine as close to the ground as it can go.”
>
> GIORGIO SANNA, CHIEF TEST DRIVER LAMBORGHINI

A crowd of people and two high-performance machines at the market square in Rivabella, Emilia Romagna. Passers-by surround the Lamborghini Aventador [1] and the Ducati Panigale. The two models are among the most extreme street-legal vehicles engineers have ever put on wheels.

Only a few meters away, two young Italians talk shop over an espresso. “How long do you need to change gears?” asks Giorgio Sanna. “50 milliseconds”, replies Alessandro Valia. “50 milliseconds? Same for us. Then it’s a tie”, says Giorgio with a grin. The two are deep in discussion and bat technical jargon back and forth across the table.

Both are chief test drivers: Giorgio Sanna for Lamborghini and Alessandro Valia for Ducati. Lamborghini’s headquarters in Sant’Agata Bolognese and Ducati’s base in the Panigale district of Bologna are only 20 minutes’ drive away from each other. The region is affectionately called “Terra dei Motori”, or “Motor Valley” by the Italians. If you ask Giorgio and Alessandro what is so special about their car and bike-crazy homeland, the answer comes like a shot: “Passione” – passion! Both brands live this passion under the Audi umbrella. A fitting match. No one has to explain Audi’s “Vorsprung durch Technik” philosophy to its Italian subsidiaries.

There is a long list of technical similarities between the supercar and the superbike. “Both vehicles have their weight concentrated as centrally as possible, with the engine as close to the ground as it can go”, explains the Lamborghini test driver. Another shared interest is lightweight construction. “Our engineers fight for every gram”, says Alessandro. “In the Panigale, for example, the airbox doubles as part of the chassis.” Giorgio tells him of the Aventador’s carbon-fiber monocoque, which Lamborghini experts developed together with aircraft manufacturer Boeing.

"Our engineers fight for every gram."

ALESSANDRO VALIA, CHIEF TEST DRIVER DUCATI

"This motorcycle works like a computer", says Giorgio approvingly of the Ducati with its sophisticated electronic controls. Even the Panigale's throttle is no longer mechanical – it is digital, just like in an airplane. The engines of the sports car and the motorcycle both unite formidable power and vanguard technology with an incomparable sound. The strapping twelve-cylinder mid-engine has been a part of Lamborghini's DNA since the legendary Miura. The exceptionally efficient two-cylinder engine, with four valves per cylinder and no valve springs, is an integral part of the Ducati legend. Looking ahead, both brands face the challenge of making their drivetrains even more efficient and lowering emissions even further, without compromising their original character – a task the companies' engineers are now cooperating on.

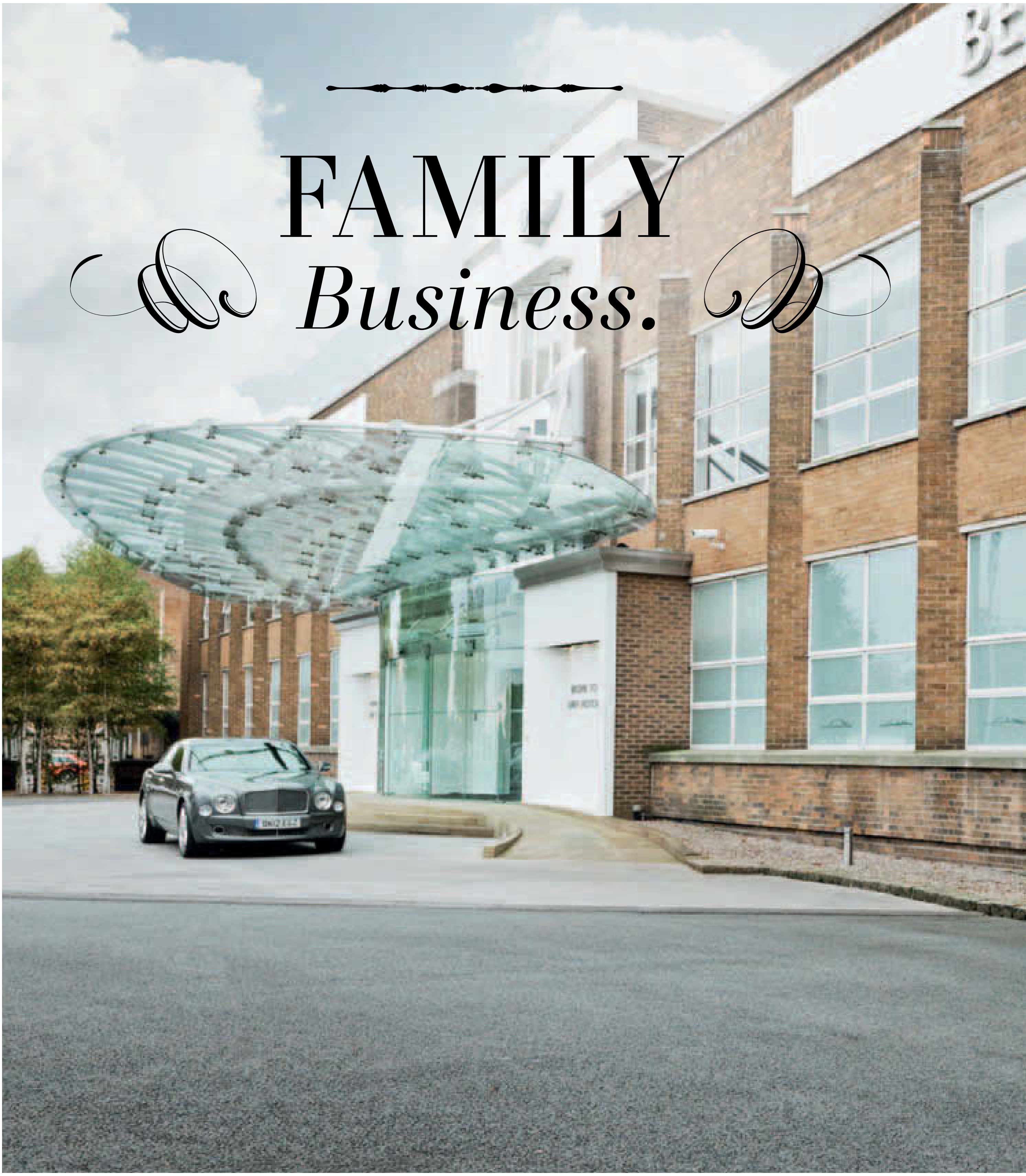
The time has come for Giorgio and Alessandro to get going. There are some more test miles on their schedules for today. Would they ever swap vehicles for a test drive? It's clear that the two professional drivers are itching to do just that. "Next time for sure." After all, cooperation in the "Motor Valley" is set to become even closer in the future.

AUTHOR Dirk Maxeiner

PHOTOGRAPHER Peter Vann

ADDITIONAL INFORMATION www.ducati.com > Bikes > 1199 Panigale
www.lamborghini.com > Models > Aventador

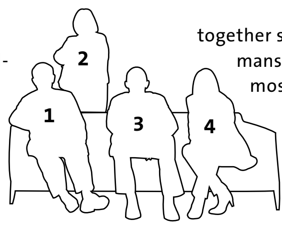
1 Lamborghini Aventador LP 700-4 515 kW, fuel consumption in l/100km: urban 24.7/extra-urban 10.7/combined 16.0; CO_2 emissions in g/km: combined 370.

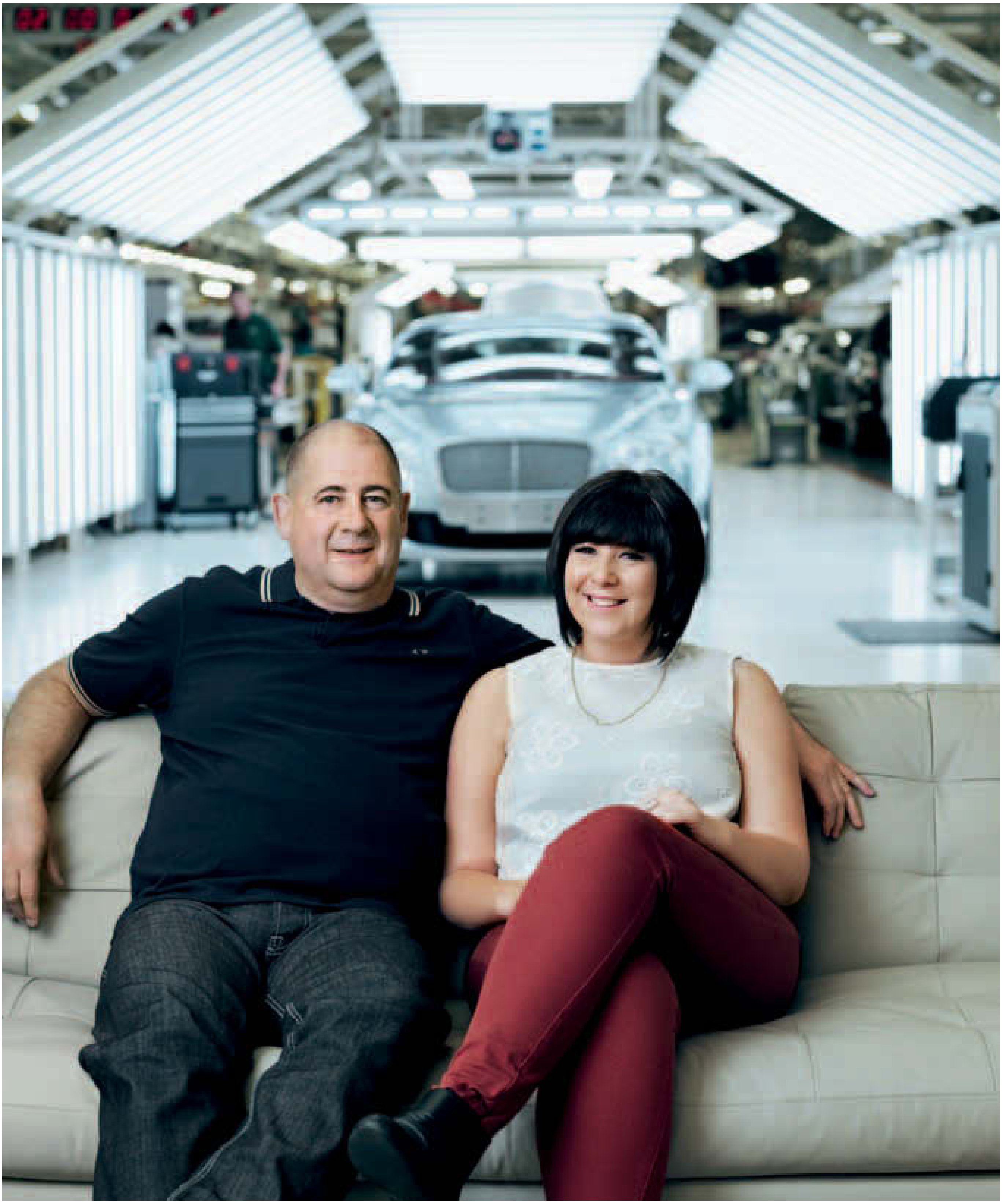


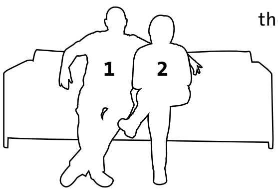
FAMILY *Business.*

Bentley marries tradition and modernity, innovative technologies and impeccable craftsmanship. That is not only true for the cars from Crewe, but also for the approximately 4,000 employees at the main production facility in North West England. They are the people leading the brand into the future with passion and enormous respect for its great heritage. Just like their fathers and grandfathers before them. Bentley is a family business – with some families already in their fourth generation.

TEALE FAMILY – Julia Teale has brought with her an old newspaper cutting. A yellowed photo shows her grandfather at his send-off from Bentley. The year is 1961. Today, she is joined by her father Leslie, her sister Amanda and her nephew Dan. The 20-year-old completed his apprenticeship as a Junior Engineer at Bentley and now works in seat testing. He is fascinated: "Bentley brings together seeming opposites – cutting-edge technology and impeccable craftsmanship. Experiencing this and helping to create this on a daily basis is the most interesting job in the world." **1** Leslie Teale (79) worked at the Crewe plant from 1950 to 1992. **2** Julia Teale (44) is responsible for Bentley's apprenticeship program. **3** Engineer Dan Butler (20) works in seat testing. **4** Amanda Teale (47) coordinates factory visits.

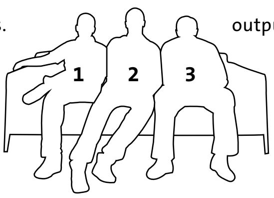






CAMM FAMILY – "Not many girls can say they drive a Bentley every day." 20-year-old Jessika Camm can. Conducting test drives on factory grounds is all part of the job for the electrical technician-in-training. She is looking forward to her future at Bentley, a "good future" as her father says. He has also witnessed hard times in the almost 40 years he has worked at the Crewe plant. The turning point came in 1998. "The Volkswagen Group supported Bentley in everything that makes us so strong today – from developing new, attractive models to creating efficient structures and processes in development and production. We held on to the things that make Bentley so special – our uniqueness and great attention to detail." **1** Dave Camm (55) is a maintenance manager. **2** Jessika Camm (20) is an electrical craft apprentice.

CLIFFE FAMILY – "I once drove one of the Queen's Bentleys. From one side of the hall to the other", recounts Ken Cliffe with a chuckle. He started at Crewe as a precision engineering apprentice when he was 16. Today, he oversees an engine production zone. The 55-year-old is happy to talk about his "calling" at Bentley. For example, how the engine for the Continental GT Speed[1], with an output of up to 625 PS, is manufactured and "not just assembled". His sons Alex and Jon are listening; they nod unanimously. "They have Bentley blood in their veins", says Ken of his sons. Even outside work, the company is never far from their minds. "Bentley is like one big family", says Alex. **1** Alex Cliffe (21) works in body shell production. **2** Jon Cliffe (28) is a tool-making and prototyping technician. **3** Ken Cliffe (55) is a zone manager on the Mulsanne engine line.



AUTHOR Tina Rumpelt **PHOTOGRAPHER** Hartmut Nägele **ADDITIONAL INFORMATION** www.bentleymotors.com

1 Bentley Continental GT Speed 460 kW, fuel consumption in l/100km: urban 22.4/extra-urban 9.9/combined 14.5; CO_2 emissions in g/km: combined 338.


3
4

Seeing the person.

DEDICATION // KIRSTEN BRUHN, 43, FASTEST GERMAN FEMALE PARALYMPIC SWIMMER

For one year, a camera filmed me and my life for the documentary "Gold – You can do more than you think". Looking back on it all was emotionally exhausting. My accident in 1991, the diagnosis – paraplegia. The realization that nothing would be the same again. I relived everything. But today, I don't see the day of my accident as the turning point in my life – that came eleven years later on the day I took the decision to return to competitive swimming. Despite my disability. Or perhaps I should say, because of my disability.

The first few meters in the pool were an emotional rollercoaster. It felt so good to compete in water again. But is this where I belong? With disabled people? One second I just wanted to get out of there, the next I felt better than I had in a long time.

I swam the second-best time. It was fantastic. I realized just how much I had missed competitive sport, which had been part of my life before the accident. I was suddenly alive again. Coming to terms with the fact that you have a handicap is one thing. But being proud and passionate about sport even though you have a disability is completely different. I learnt how to do this – very quickly, in fact – because our sport is no different from "normal" sport. It is about people, not about their disabilities. It is about passion and achievement, the challenges and goals you set yourself and want to reach, whatever it takes. The more I trained, the better I felt. I won my first gold medal at the 2004 Paralympic Games in Athens. And more were to follow.

"Gold" starts in cinemas in February 2013. The film also follows the careers of blind marathon runner Henry Wanyoike from Kenya and Australian wheelchair racer Kurt Fearnley. We are successful athletes with a handicap; we have won gold. We are happy with our lives. This is the message that unites us and that we want to tell the world. Life with a disability is not bad. Just different.

PHOTOGRAPHER Andreas Mühe

The BUS.

The VW Bus is not just a vehicle. It's a cult object – a legend on four wheels. And it has returned to its origins. Since 1954, Volkswagen Buses have been built in Hanover: this is also where the VW Bus workshop is now putting the shine back into vintage vehicles – and a smile on their owners' faces.

"A VW Bus restored in this way is as good as new and can be driven for another 40 to 50 years."

MARIO PETRUSSO, SENIOR EXPERT VOLKSWAGEN COMMERCIAL VEHICLES

"It's back to its spick-and-span self", says a delighted Mario Petrusso. He runs his hand fondly over the shiny, polished Volkswagen emblem and the fine chrome headlamp rims of the 1950s vintage red and white VW Bus. The Volkswagen Commercial Vehicles workshop manager is adamant that visitors climb in and take a closer look at the interior with its cream seats and painted red dashboard. The T1 is so perfectly restored with original parts that it could have just rolled off the production line. "We put our heart into each and every detail of this car. We are all thrilled to see it here in the workshop, finished."

T1? What sounds like an airport terminal is the official name of the first generation of VW Buses. It was launched over 60 years ago and rolled off the Hanover production line in its millions as a pick-up, delivery van and minibus from 1956. Now in its fifth generation, the all-rounder is today produced by Volkswagen Commercial Vehicles in Hanover.

Petrusso's association with the VW Bus started in 1973 when he trained as a vehicle mechanic at Volkswagen. Exactly 35 years later, a separate classic vehicles division was established at Volkswagen Commercial Vehicles – in a way bringing the VW Bus back home. This was inspired not least by the first international VW Bus meet at the Hanover Expo grounds in 2007. Over 8,000 buses and more than 60,000 fans turned up – including British rock band The Who, whose hit "The Magic Bus" is a testament to guitarist Pete Townsend's love of the VW Bus. The VW Bus was and is a cult object – there is no doubt about that.

These days, the experts in Hanover look after over 100 working vehicles from the T1 to the T4. Craftsmanship is what is needed. "In the early days, we recreated a lot of things because we didn't have the original parts." They even reconstructed a large bull bar by hand based on a drawing. Vehicles that will be fully restored are completely disassembled, acid-washed, re-paneled – with some panels fashioned by hand using a sheet metal press – immersed in a primer bath, sealed and powder-coated. An enormous amount of work. "A VW Bus restored in this way is as good as new and can be driven for another 40 to 50 years", assures Petrusso.

The workshop team started by collecting and restoring the Group's own classic vehicles. Since spring 2012, they have also been accepting the prized possessions of other VW Bus owners into their care. Today, customer orders come from as far away as Canada and Japan, closely followed by a shipping container with a VW Bus in need of restoration.

The workshop manager follows the progress of all of his charges carefully. "We photograph every step of the process. Every detail is documented", explains the 55-year-old. When customers come to collect their vehicles, Petrusso presents them with comprehensive records detailing each step of the restoration process.

Petrusso walks through the rows of VW Buses in every color and design, past meters and meters of well-stocked shelves of spare parts. Volkswagen Classic Parts in Wolfsburg supplies the VW Bus workshop with original parts. "We had to search high and low for some parts." Such as new frames for the opening front windscreen on a Type 1 Deluxe Microbus. Petrusso eventually found one with a VW Bus collector in the USA, who promised to visit Hanover in the near future.

AUTHOR Jo Clahsen

PHOTOGRAPHER Kai-Uwe Knoth

ADDITIONAL INFORMATION www.volkswagen-commercial-vehicles.com

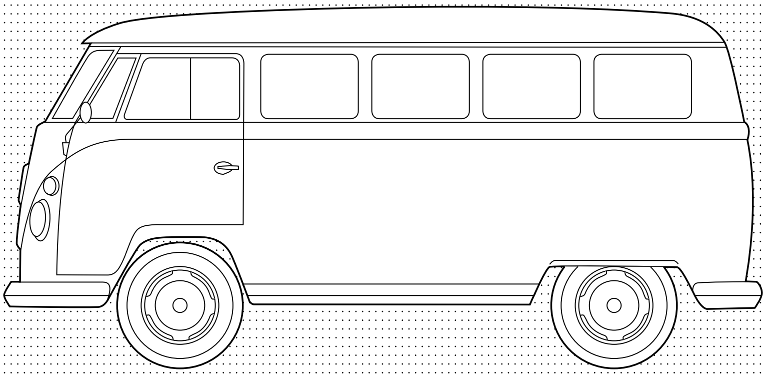
THE VW BUS

1.8 million

VEHICLES of the T1 – the first VW Bus generation – were built between 1950 and 1967

7,000

SQUARE METERS is the size of the new "VW Bus World" in Hanover



Culture MANAGEMENT.

Can you measure corporate culture? You can certainly feel it. Like at Scania in Södertälje, Sweden, where the commercial vehicle producer's remarkably open atmosphere is based on its employees' motivation and wealth of ideas. An insight into an extraordinary workplace.

Elin Engström puts on her thick jacket and lined gloves. It is cold in Södertälje, half an hour's drive from Stockholm in Sweden. The 22-year-old is a truck driver for the "transport laboratory" at Scania's headquarters. The young woman works in a team with four other colleagues responsible for delivering goods to the Swedish truck and bus manufacturer's European plants. She also tests out new technologies in real working conditions along the way. "We try out a lot here", says Engström, "sometimes it's a new driver assistance system, sometimes it's new technology to reduce fuel consumption. Or fleet management systems, which our customers use to maximize the capacity utilization of their vehicles."

Before working at Scania, Elin Engström hauled dangerous goods. "It's not easy to be taken seriously as a woman in the transportation industry. That's not an issue at Scania. My colleagues accepted and supported me from the start." The small team regularly analyzes the results of their trips together with the development department. "Our suggestions are welcomed – and are incorporated into the development of new vehicles and services."

Engström is one of 35,000 employees worldwide who benefit from Scania's exceptional corporate culture. One of the company's three core values is "respect for the individual". This is not just written on large boards all around the facility – it is tangible. "Our employees are the basis for the success of our company. That's why we invest in their expertise and in a positive working environment", says Kent Conradson, Head of Human Resources. "Scania stands for flat hierarchies, a great deal of teamwork and a vibrant, open culture of dialog. Perhaps this is typically Swedish. In any case, it ensures that we have a highly motivated team."

"Our employees are the basis for the success of our company. That's why we invest in their expertise and in a positive working environment."

KENT CONRADSON, HEAD OF HUMAN RESOURCES AT SCANIA

A glimpse into Conradson's office is all it takes to reveal that some things are different at Scania. The 54-year-old shares the open-plan office with parquet flooring and oil paintings on the wall with his seven executive board colleagues. Conradson, who started at Scania 33 years ago as a young engineer, speaks much of the "cooperative leadership" in his company: "We want every employee to take responsibility, concentrate on the details and at the same time, understand the big picture. Everyone should focus on the here and now, but also have the future of the company in sight."

While "soft" factors are a key emphasis at Scania, the company has also developed tools to measure well-being such as the SHE – or safety, health and environment – standard. Scania collects and analyzes key figures on attendance or employee turnover. This data is used to understand the causes of absence from work or for changing to a different employer, and to identify improvements. Conradson is proud of what has been achieved so far. "We have a high attendance rate, for example, with workplace attendance surpassing 96 percent, and a high level of loyalty to the company – the average length of service is currently twelve years."

Production is dominated by the spirit of lean manufacturing. The Scania production system tracks the ongoing improvement of products and processes. "It's important to get to the root of problems", says Conradson. "That is the only way we can eliminate them." You need dedicated, motivated employees for this, explains the Head of Human Resources.

One of them is Daniel Dyrenius. The 22-year-old is responsible for a team of four in assembly that mounts attachment brackets onto truck frames. "Functional inspectors should not be the first to notice discrepancies. Our goal is to keep on getting better by discovering these ourselves", says the young man in the orange Scania T-shirt. Workflow standards are not just dictated by production engineers. "We discuss these in our team meetings and fine-tune them ourselves. The company has a lot of faith and confidence in us", explains Dyrenius. He brings a folder out of the cupboard that illustrates each step of the process. "This shows why we mount components in this particular way. We as a team are reminded what we are doing and why – time and again."

Dyrenius completed his technical school-leaving certificate at the company's own college. His brother also works at the Södertälje plant. "Scania is a good, secure employer", says the young man on the reason for his choice. In the evening, he attends continuing professional development courses offered by the commercial vehicle producer for particularly committed employees.

Scania supports its employees, encourages exchange between all staff levels, and offers a wide choice of career paths. Anna Pernestål is a good example of this. The 34-year-old was named "Technical Woman of the Year 2011" – a prestigious award for female Swedish engineers. She started at Scania as a trainee after university, writing her diploma thesis with the support of


SCANIA

CLOSE-KNIT DISCUSSION – Kent Conradson, Head of Human Resources (second from left), and his team.

the company. Today, the physical engineer works in customer service on ideas to further improve workshops and their diagnostic instruments and repair equipment.

Pernestål is responsible for "preventive maintenance". "Starter batteries only used to be changed when they failed. This often meant longer downtimes. Now, we make sure that trucks stay on the road with well-timed maintenance intervals. Our ideas help the customer save money."

The young engineer talks of the increasing complexity of tasks in the transportation sector, rising cost pressures and growing vehicle fleets. She finds the transportation industry fascinating, and not just from a technical point of view. "Environmentally compatible mobility and transportation are becoming more and more important in a global world. Providing the right equipment for our customers to achieve this is motivating."

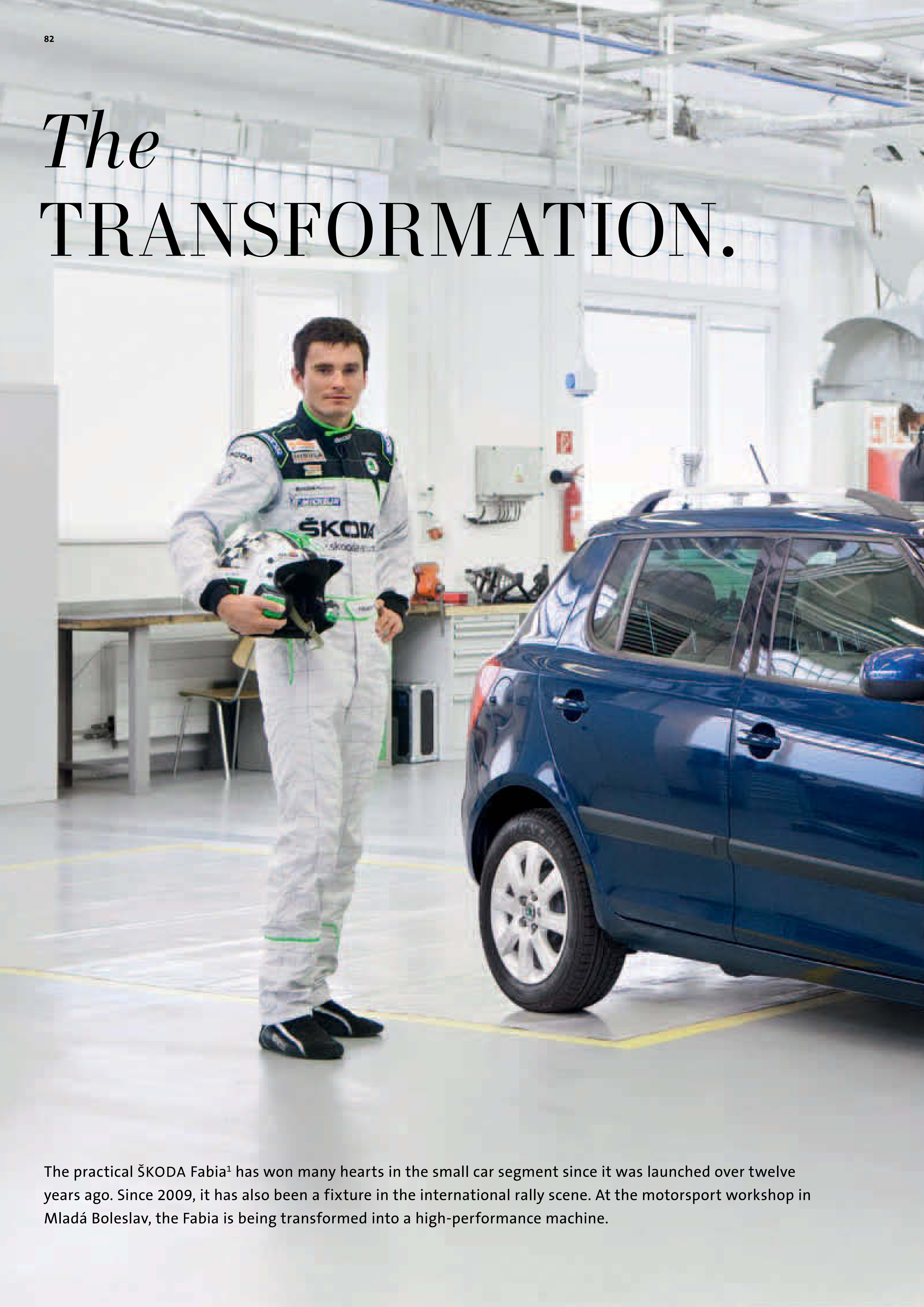
Anna Pernestål, Elin Engström and Daniel Dyrenius work in different areas on completely different tasks. Yet they all say the same thing independently of each other: "Here, we always have the feeling that anyone can get ahead if they want to." Typically Scania.

AUTHOR Marc-Stefan Andres

PHOTOGRAPHER Andreas Mader

ADDITIONAL INFORMATION www.scania.com > Scania Group > Strategies

The TRANSFORMATION.



The practical ŠKODA Fabia[1] has won many hearts in the small car segment since it was launched over twelve years ago. Since 2009, it has also been a fixture in the international rally scene. At the motorsport workshop in Mladá Boleslav, the Fabia is being transformed into a high-performance machine.


5
ŠKODA
ŠKODA
MICHELIN
Castrol
EDGE

A WINNING TEAM – 2012 was the ŠKODA Team's most successful year to date – they won all the major international rally events.

Jan Kopecký's face is alive with anticipation. On the hydraulic lift behind him, his "workhorse" for the coming year – a ŠKODA Fabia Super 2000 – is being primed for action. "You know, I always wanted to be a Formula One driver when I was a kid. I was successful enough, but the money just wasn't there", he recalls. In 2001, he tried his hand at driving a rally car for the first time: "After that, I never wanted to go back to racing on the circuit, going around the same bends again and again." The Czech driver is currently paying a visit to the ŠKODA motorsport workshop, his tall frame allowing him to peer over the mechanics' shoulders. Kopecký chats and jokes with the workshop team in a relaxed atmosphere.

Although he is one of the most popular rally drivers in the Czech Republic, his feet have remained firmly on the ground. The races are held on closed-off tracks where spectators can get far closer to their favorite drivers than they can at traditional racetracks. The teams race against the clock and the tough track conditions. Faced with slippery tracks or rough gravel trails, rally drivers are forced to improvise at every turn. It is not uncommon for the top stars to cover up to 250 kilometers in time trials on a single weekend with just a few seconds between them when they cross the finishing line. Start crashes and spectacular overtaking maneuvers have no place in rally driving. Nonetheless, this rustic motorsport form is more popular than Formula One in many countries, including the Czech Republic. This is due in no small part to Jan Kopecký, whose career is inextricably linked with the ŠKODA brand. At the tender age of 22, he was the youngest national rally champion ever. Since 2008, Kopecký – now 31 years of age – has been the official test driver for the ŠKODA motorsport team. Motorsport has been a permanent fixture at ŠKODA ever since the brand's earliest days – first on two wheels and then, since 1906, on four as well. By the 1930s, ŠKODA was already taking part in the legendary Monte Carlo Rally.

However, ŠKODA's motorsport department also caters for the needs of customer teams. Over the past four years, the specialists at Mladá Boleslav have delivered more than 40 rally Fabias to customers with racing ambitions. In 2012, ŠKODA drivers were on the podium in 13 national championships, winning a total of six national titles in the Czech Republic, Germany and elsewhere. The life of a rally Fabia begins, just like that of any other ŠKODA, on the production line at Mladá Boleslav. However, a normal series-produced car would not be able to withstand the rigors of rally racing for more than a few kilometers. This means that rally models need to be strengthened and modified. The first step is to fit a stable roll cage to protect the driver and co-driver in the event of an accident. After that, it all comes down to technology. The special rally suspension was developed

"In the rough-and-tumble of rally racing we learn a lot for our series production."

MICHAL HRABÁNEK, HEAD OF ŠKODA MOTORSPORT

by ŠKODA engineers, as were many other individual components that transform the compact small car into an all-wheel drive super sports car. A number of parts, such as special brakes or lightweight components for rally cars, are sourced from specialist suppliers.

Beneath the Super 2000's bonnet, a modified two-liter four-valve engine packs a powerful punch with 203 kW (276 PS). The engine block and cylinder head are the same as in the production models. The rally Fabia's doors and bonnet are made of ultra-light carbon fiber materials – as are the powerful wing extensions. However, in spite of its "chubby cheeks" and various aprons and spoilers, the sports racer is still instantly recognizable as a Fabia. "This is a deliberate move", says Michal Hrabánek, who has been at the helm of the motorsport department since 2007, "after all, our racing cars are ambassadors for the ŠKODA brand". Hrabánek has a team of some 80 people working under him. As he explains: "We have the highest expectations as regards the performance of our vehicles and the use of innovative technology, but also with regard to the cars' robustness in the rough-and-tumble of rally racing. This allows us to learn a lot that we can take on board for our series production." The motorsport head sought out specialists from Slovakia, Germany, Austria, Italy, France and the UK for his team. As he puts it: "To be successful in a globalized world, you need to think internationally." Today, Juho Hänninen and his co-driver Mikko Markkula have arrived from Finland and are paying a flying visit to Mladá Boleslav. In September 2012, the duo won the European Rally Championship with a Fabia Super 2000. Hänninen is full of praise for the motorsport team: "In the last 50 rallies, I didn't once drop out owing to a technical fault." Hrabánek is also justly proud of his team of mechanics: "We see our work not only as a job, but also as a passion." The mechanics travel all over the world with their teams, frequently spending more time on tour than at home.

At this point, all that is missing on Kopecký's car are the wheel suspensions. The suspension screws are lined up neatly on the shelf like tin soldiers. Throughout the well-lit, friendly workshop, everything is in perfect order. In fact, the only clutter is to be found in the trophy cabinet, a problem that, as Hrábanek declares with a laugh, "gladdens my heart every day".

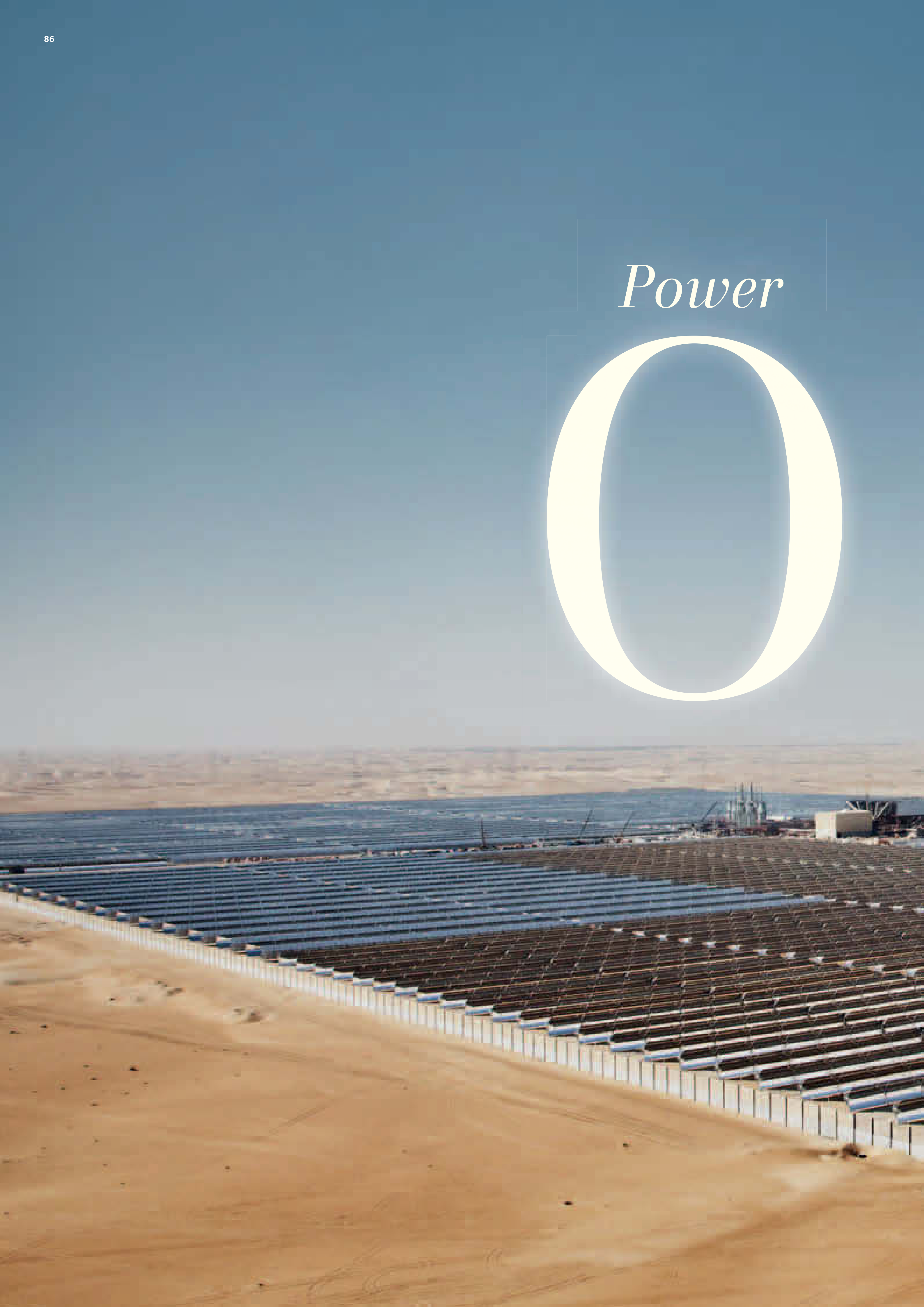
AUTHOR Markus Stier

PHOTOGRAPHER Andreas Mader

ADDITIONAL INFORMATION www.skoda-auto.com > Motorsport

1 ŠKODA Fabia fuel consumption in l/100 km: combined from 6.2 to 3.4; CO_2 emissions in g/km: combined from 148 to 89.

Power 0



Abu Dhabi is the site of the first solar thermal power plant ever to be built on the Arabian Peninsula. In the near future, the facility is expected to produce electricity for more than 20,000 households – environmentally friendly energy courtesy of the sun. The heart of the operation: a MAN steam turbine.

N!

“The market for solar thermal energy is extremely promising. We have already secured a large number of orders in this area.”

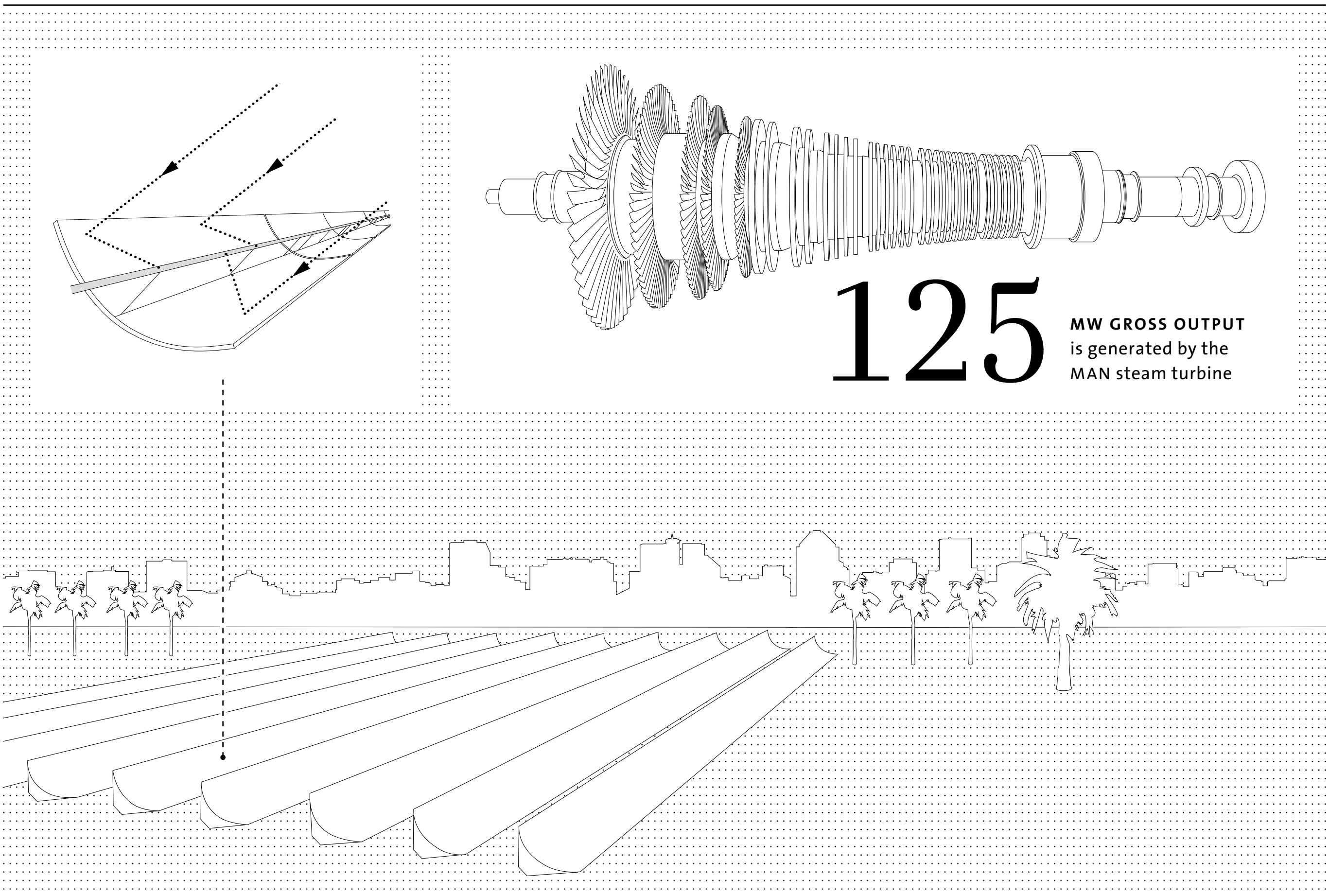
THOMAS WITT, PROJECT MANAGER MAN DIESEL & TURBO

We are just outside the small town of Madinat Zayed. It would be 55 degrees in the shade if there were anything to offer shade – but there are no buildings or trees for miles around and not a cloud in the sky. Ideal conditions for harnessing the sun’s energy. Here, 150 kilometers southeast of Abu Dhabi, the sun shines with full force for more than 3,000 hours a year, compared with 900 to 1,100 in the various regions of Germany.

Anyone who thinks that solar cells are being used here in the desert should stop and think again. The “Shams” power plant (Arabic for “sun”) uses an innovative technology called solar thermal energy, which is ideal for regions with intense sunshine. The sun’s rays are captured using mirrors and – like a magnifying glass – focused on a single point, which heats up to a high temperature. A total of 260,000 of these half-cylinder mirrors are used in the Shams plant, where they are spread over an area measuring two square kilometers. Glass tubes are positioned at the exact burning point of the mirrors; these are filled with a special oil that is heated to almost 400 degrees by the sun’s rays. The oil flows through a heat exchanger in which specially prepared water is vaporized. This steam then expands in a turbine to two thousand times its original volume and drives the turbine – a similar process to the one used in coal power plants.

In the middle of the desert, the turbine – as tall as two men and longer than a heavy duty truck – generates electricity for 20,000 households. The turbine comes from Germany, from the MAN Diesel & Turbo plant in Oberhausen. Although MAN is known first and foremost as a manufacturer of commercial vehicles, large-bore diesel engines for ships or power plants and compressors and turbines account for around 20 percent of its sales revenue worldwide. “Solar thermal power plants are just one of many different ways in which turbomachinery can be used”, explains Thomas Witt, who is in charge of large-scale customer projects at MAN. “The market for solar thermal energy is extremely promising. We have already secured a large number of orders in this area. Several facilities we worked on have already

SHAMS SOLAR FIELD 1



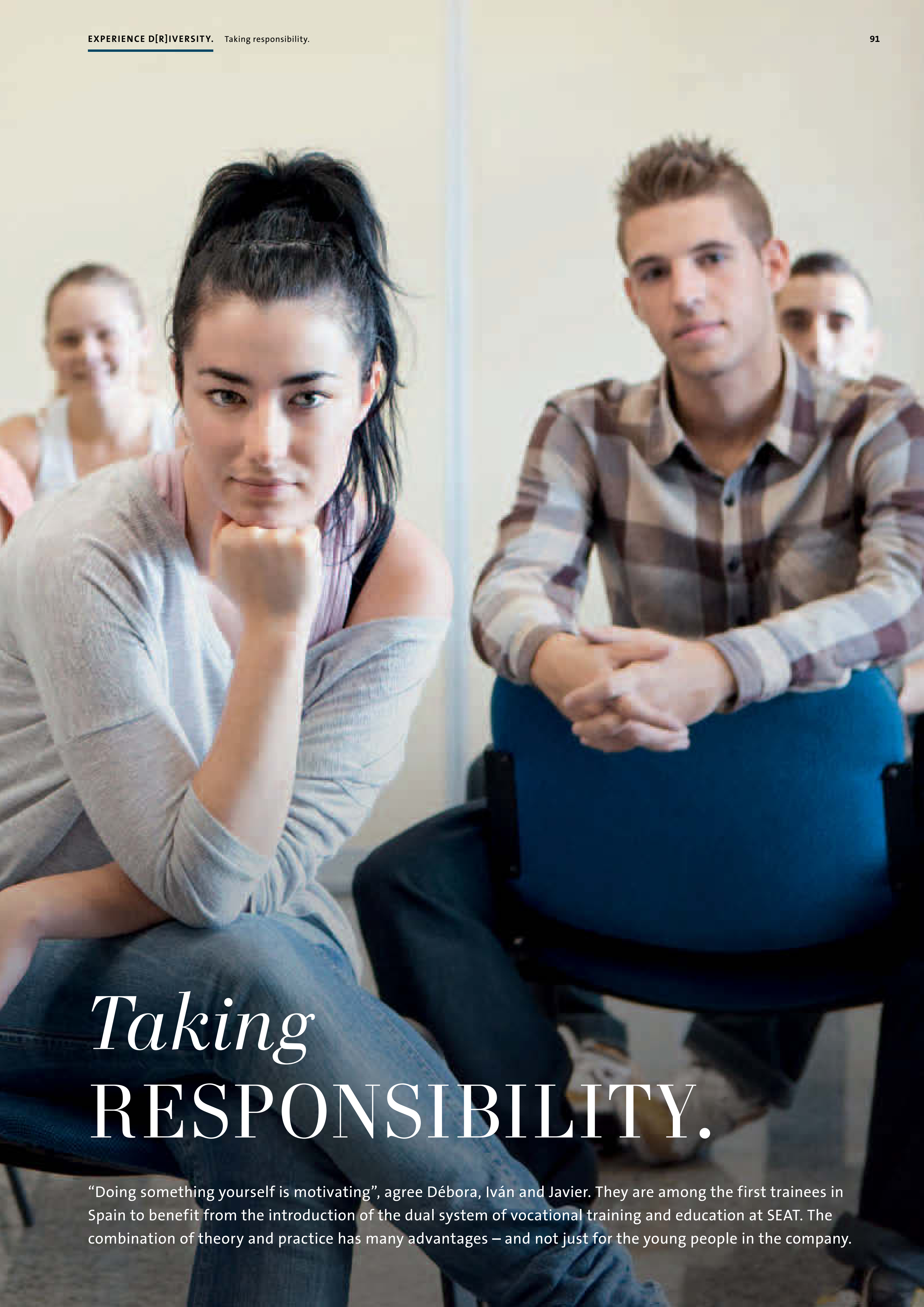
gone into operation – in Spain, for example." Every year, as part of its broad product range, the company sells between 30 and 40 of these machines – each of which costs several million euros – for generating electricity and also for use as mechanical drives in large compressors, etc.

MAN turbines are custom-built for each application and are based on a modular system. The turbine is the core of the power plant and must be adapted exactly to the plant's flow conditions. For instance, the design of the steam-driven paddles must be calculated separately for each individual machine. In the case of the Shams power plant, a special insulation layer was also required. This is because it is extremely cold in the Arabian desert at night, when the turbine is not in operation; without heat insulation, the turbine would take too long to reach the required temperature when it goes into operation again in the morning. In the case of large turbines, it can take several months from ordering to shipping. For project manager Thomas Witt, supplying the product itself is only part of the work – he also oversees the transport, on-site installation and the commissioning process. The first tests are scheduled to take place in spring 2013. If all goes according to plan, the power plant will save 175,000 tonnes of carbon dioxide every year. And then Thomas Witt will have to bid adieu to his "baby", as he affectionately calls his turbine. However, with new orders coming in not just from the Arab region, but also from China, India, South Africa and other sun-baked regions, that is something that he will just have to get used to.

AUTHOR Johannes Winterhagen

PHOTOGRAPHS Shams Power Company; Jorge Ferrari

ADDITIONAL INFORMATION www.mandieselturbo.com



Taking RESPONSIBILITY.

“Doing something yourself is motivating”, agree Débora, Iván and Javier. They are among the first trainees in Spain to benefit from the introduction of the dual system of vocational training and education at SEAT. The combination of theory and practice has many advantages – and not just for the young people in the company.

Iván Vendrell quickly crosses the workshop at the SEAT vocational school in Martorell. He is off to meet Javier Sánchez. The two have arranged to go to class together. In the hall next door, Débora Ocaña stands in front of the machine tool she has just programmed, tracking the machine's movements and making notes. "Perfect. Exactly how I wanted it to work." The spark in her eyes shows just how pleased she is. You only need to watch Débora, Iván and Javier on this completely ordinary Wednesday morning to see the pleasure and passion they bring to their work. They are proud to be learning their trade at SEAT.

This applies in particular to 16-year-old Iván, who is training to be a motor vehicle mechatronics technician. He is one of the first young people to have started a German-style dual vocational traineeship at SEAT. The carmaker is the first major company in Spain to have introduced this successful model, which combines theory and plenty of practice. In the past, the standard three-year vocational traineeship at SEAT included 600 hours of practical instruction. Now, training involves 1,700 hours of work at the company. This allows Iván and the other trainees to gain experience in their future careers at an early stage.

SEAT's new program also gives trainees more time to try things out – and that is motivating. Electronics technician trainee Débora is fascinated by the technology involved in automobile production today. She likes to tinker and wants to know exactly how everything works. "Although I know in theory how robotic welding works, I only really understood it here on the shop floor."

Iván, too, is most at home in the workshop. He proudly points out the small metal stairs he milled in the third week of his traineeship. They are a testament to the meticulousness and dedication with which Iván is preparing for his career. He approaches his second great passion – breakdancing – in the same way. Each step, each turn has to be perfect. He regularly meets friends after work to learn new moves and styles.

EACH STEP, EACH TURN HAS TO BE PERFECT – Iván Vendrell breakdances regularly with friends. He applies the same passion and commitment to his hobby as to his vocational training as a motor vehicle mechatronics technician at SEAT.

"Although I know in theory how robotic welding works, I only really understood it here on the shop floor."

DÉBORA OCAÑA, TRAINEE IN SEAT'S DUAL SYSTEM

OUT AND ABOUT WITH FRIENDS IN BARCELONA'S OLD CITY – Javier Sánchez is training to become an industrial and tools mechanic. SEAT is his future. "We learn faster because we specialize earlier than other trainees – that is an unbeatable advantage in the working world."

146

YOUNG PEOPLE are currently undertaking dual vocational training at SEAT

1,700

HOURS of hands-on experience in the company are included in the three-year curriculum

Many of his friends wish they had a traineeship like Iván's. Spain has the second-highest youth unemployment rate in Europe. The Spanish government is supporting the new training model by allowing the vocational trainees to be integrated into business operations. This was previously not possible – students at vocational schools could only gain on-the-job experience in the form of internships. Today, SEAT's vocational trainees create special parts for models, for example.

For SEAT and the Volkswagen Group, sound qualifications are first and foremost an investment in competitiveness. That is why the carmaker is exporting the dual vocational training and education system to all of its locations around the world – China, India and the USA will join the twelve European countries that have already rolled out the program. At SEAT in Spain, a total of 146 young people started their traineeship under the new program in fall 2012.

For Débora and Javier, memories of their first exciting days as trainees are not quite as fresh. Débora – a confident 21-year-old – is already in her second traineeship year and about to start work on the plant's production line. Since she is slightly nervous about her first hands-on deployment, she is glad to have the guidance and support of a mentor, like all trainees at SEAT.

19-year-old Javier values the extra time the new training program gives him with the automated milling machine. He will complete his traineeship as an industrial and tools mechanic this year. He sometimes gives going out with friends in Barcelona's old town a miss for the chance to learn more. SEAT is his future. "We learn faster because we specialize earlier than other trainees – that is an unbeatable advantage in the working world."

The smart young man brings with him technical experience from home. His father runs a small machine shop and taught him how to handle tools as a boy. These days, though, it is Javier giving his father tips and talking shop with him about tool quality – and sometimes even helping out in purchasing. Thanks to his vocational trainee's salary he can contribute to the family budget. The introduction of the dual training and education system also saw the adoption of a graduated pay scale, as is common in Germany. That is another first in Spain.

SEAT plans to offer all vocational trainees who successfully complete the program a permanent position with the company. "The dual vocational training and education system is a real boon for us. The close link between theory and hands-on practice ensures that our future employees have a high level of expertise", says Manuel Moreno, who is responsible for training and vocational education at SEAT Human Resources. But it's not just SEAT that benefits – qualified vocational training for its young people ultimately also strengthens Spain's industry as a whole.

AUTHOR Julia Macher
PHOTOGRAPHER Andreas Mader
ADDITIONAL INFORMATION www.seat.com

Working for the NEIGHBORHOOD.

What better than 24 smiling children's faces to show that a gift has well and truly hit the spot? Today, the employees at financial services provider Volkswagen Credit Inc. (VCI) have set aside their strategy papers and business plans in favor of wrenches and elbow grease – assembling new bicycles for children in the Gila River Indian Community in Arizona. This is just one of the many examples illustrating the Volkswagen Group's social involvement.

Once the saddle has been screwed on tightly, the small purple bicycle is good to go. For the last hour or so, manager Joanna Sherry and her team have been busying themselves with Allen wrenches and pliers and she is now carrying out a final check to make sure that everything is safe and secure. For Sherry and her 130 colleagues from VCI, assembling bicycles is a far cry from their everyday work; in fact, they even interrupted their annual management get-together in Phoenix, Arizona, specially for the project.

As the teams put the finishing touches to their handiwork, a swarm of children is gathering outside. Here, a total of 23,000 people live on the land of their Native American ancestors. Andrew Stuart, Chief Executive Officer and President of VCI, has no wish to keep the 24 girls and boys on tenterhooks – the bikes are now theirs to take home. Bursting with excitement, all the children want to do now is get on the bikes and ride. As this is the first time that many of the six- to nine-year-olds have owned a bicycle, it goes without saying they need an occasional helping hand to keep their balance on two wheels.

"The fact that we are involved in activities like these during the most important management event of the year shows how much we care about helping our community", declares Stuart. "Here in the USA, we are not just a business partner and employer but also see ourselves as part of society – as a good neighbor and a good corporate citizen."

Eight-year-old Aaliyah can scarcely believe her luck as she carefully reaches for the handlebars: "Is this bike really for me?" One year her senior, Marco is already up on the saddle and riding about, beaming from ear to ear. "With our bicycle project, we want to show kids that exercise and healthy living can also be a lot of fun", explains Stuart.

This is just one of a great many projects in which the Volkswagen Group is involved. Volkswagen Group of America finances large nationwide campaigns through its own foundation and together with partner organizations. For instance, the Volkswagen of

America Foundation donated half a million dollars towards the reconstruction efforts following Hurricane Sandy in fall 2012.

VCI prefers to focus on a wide range of small-scale activities. “We help out in places where we are based, where we work and where our employees live”, says Andrew Stuart. In addition to its headquarters in Herndon, Virginia, the company has eight different locations in the USA.

Andrew Stuart cites various examples of the company’s nationwide activities: employees undertaking voluntary work for environmental organizations, organizing charity events and making donations to aid programs, particularly those aimed at helping young people. For instance, VCI puts its weight behind foundations researching cancer and diabetes among small children, but also behind school and sports programs.

With a workforce of some 1,100 people, VCI is the Volkswagen Group’s largest financial services company outside Germany. It currently manages over a million leasing and financing agreements, a figure that is rising by the day – not least since the Volkswagen Passat, which is built at the new plant in Chattanooga, Tennessee, was voted Car of the Year 2012 in the USA. “90 percent of US car buyers either lease or finance their vehicles”, explains Stuart, who is clearly optimistic about the future, “and we will continue to grow – and to increase our commitment to society at the same time”.

Aaliyah has since got the better of her initial apprehension and is pedaling her new bicycle cautiously as Joanna Sherry holds onto her shoulders. After a few meters, the little girl stops and looks up at her: “Can Volkswagen build a bike for my brother, too?”

AUTHOR Tina Rumpelt

ADDITIONAL INFORMATION www.vwfsag.com

Pure beauty and grandeur.

DEDICATION // BERNAR VENET, 71, FRENCH SCULPTOR

It's as though it were only yesterday – an encounter in Berlin in the summer of 2009 that was to add a completely new dimension to my perception of what is commonly known as a "supercar".

At first, I only saw the mass of people pressed against the window of the store on that famous street called "Unter den Linden". I pushed through the crowd and saw an object that captivated me right then and there – the exceptional, perfectly captured in physical form. Beauty and grandeur fashioned in aluminum and carbon. 1001 PS, 16 cylinders, four turbochargers, a top speed of over 400 km/h. Breathtaking.

Two years later, Bugatti approached me with the idea of designing an "automobile artwork". My first encounter with the Bugatti Veyron immediately came to mind. The task of adding something to this perfect design seemed impossible – after all, you don't add paint to a Michelangelo sculpture!

But then I was struck by the idea of reproducing the Veyron's construction plans on its body. It appealed to my interest in equations and scientific formulas. I saw this unusual artistic challenge as the manifestation of my extraordinary fascination for this car. All of my sculptures and paintings refer to nothing but the piece itself. Just like the Bugatti Veyron.

Working together with the Bugatti team, I experienced their extremely high standards first-hand. I saw the kind of commitment and the kind of technical expertise needed to reproduce mathematical formulas on the body of a car. These formulas were continued in the interior as embroidery. The result was like an haute couture creation.

Ultimately, my first encounter with the Bugatti Veyron in Berlin gave me the courage to totally immerse myself in this artistic experiment. This encounter was only a brief moment in my life. What it led to was a fascination – a personal passion even – for Bugatti.

PHOTOGRAPHER Andreas Mühe

Divisions

UNIT SALES BY MARKET, 2012 VS. 2011 (as percent)

The Volkswagen Group increased unit sales in 2012 by 11.8% year-on-year, to 9,344,559 vehicles worldwide. We recorded the highest growth rates in the markets of North America (+32.2%) and the Asia-Pacific region (+19.5%).

DIVISIONS

VOLKSWAGEN GROUP

VOLKSWAGEN

AKTIENGESELLSCHAFT

AUTOMOTIVE DIVISION

Audi

ŠKODA

SEAT

BENTLEY

PORSCHE

Commercial Vehicles

SCANIA

MAN

FINANCIAL SERVICES DIVISION

DEALER AND CUSTOMER FINANCING

LEASING

DIRECT BANK

INSURANCE

FLEET BUSINESS

MOBILITY OFFERINGS

Brands and Business Fields

Successful performance amid difficult conditions

GROUP STRUCTURE

As of August 1, 2012, Porsche SE's operating automotive business was contributed in full to the Volkswagen Group. Since then, Porsche has been consolidated in the Group as another successful brand. AUDI AG acquired Italian sports motorcycle manufacturer Ducati as of July 19, 2012. Ducati is a well-known international manufacturer of premium motorcycles.

The Volkswagen Group consists of two divisions: the Automotive Division and the Financial Services Division. The Automotive Division, in turn, comprises two business areas: "Passenger Cars and Light Commercial Vehicles" and "Trucks and Buses, Power Engineering". The Passenger Cars and Light Commercial Vehicles segment and the reconciliation are combined to form the Passenger Cars and Light Commercial Vehicles Business Area. We report on the Trucks and Buses and Power Engineering segments under the Trucks and Buses, Power Engineering Business Area. The activities of the Automotive Division are centered on the development of vehicles and engines, the production and sale of passenger cars, commercial vehicles, trucks and buses, as well as the genuine parts, large-bore diesel engines, turbomachinery, special gear units, propulsion components and testing systems businesses. The acquisition of Ducati has expanded this to include motorcycles. 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.

In this chapter, we present the key volume and financial data relating to the Group brands and to Volkswagen Financial Services. Owing to 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. There are sometimes 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 markets: Europe/Remaining markets, North America, South America and Asia-Pacific.

KEY FIGURES BY MARKET

The Volkswagen Group turned in a positive performance in fiscal year 2012 despite difficult conditions, increasing unit sales by 11.8% year-on-year to 9.3 million vehicles. Sales revenue rose by 20.9% to €192.7 billion.

In the Europe/Remaining markets region, Group unit sales increased by 2.8% to 4.2 million vehicles in the reporting period. Sales revenue increased by 11.1% to €115.4 billion, primarily due to volume-related factors and the consolidation of Porsche and MAN.

With an increase of 32.2% to 0.9 million units, the Group again outperformed the market as a whole in North America. Volume improvements, the integration of Porsche and favorable exchange rates lifted sales revenue by 42.7% to €25.0 billion.

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 South America, sales rose by 13.9% to 1.1 million vehicles. As a result of volume-related and exchange rate factors, sales revenue was up 22.8% to €18.3 billion. The inclusion in full of MAN as from November 9, 2011 should be taken into account when comparing the previous year's figures.

Demand for Group models remained strong on the markets in the Asia-Pacific region. Including the Chinese joint ventures, we sold a total of 3.2 million vehicles in this area in the period from January to December 2012, 19.5% more than in 2011. Sales revenue rose by a disproportionately high 47.7% to €33.9 billion, mainly due to positive mix and exchange rate effects. 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]

	VEHICLE SALES		SALES REVENUE		SALES TO THIRD PARTIES		OPERATING PROFIT	
thousand vehicles/€ million	2012	2011	2012	2011	2012	2011	2012	2011
Volkswagen Passenger Cars	4,850	4,450	103,942	94,690	77,110	71,504	3,640	3,796
Audi	1,299	1,543	48,771	44,096	33,461	30,496	5,380	5,348
ŠKODA	727	690	10,438	10,266	5,633	6,212	712	743
SEAT	429	362	6,485	5,393	2,785	3,284	–156	–225
Bentley	9	7	1,453	1,119	1,274	1,060	100	8
Porsche[2]	62	–	5,879	–	5,442	–	946	–
Volkswagen Commercial Vehicles	437	441	9,450	8,985	4,920	5,199	421	449
Scania[2]	67	80	9,314	10,064	9,314	10,064	930	1,372
MAN[2]	134	25	15,999	2,652	15,900	2,652	808	193
VW China[3]	2,609	2,201	–	–	–	–	–	–
Other[4]	–1,279	–1,438	–36,929	–33,768	20,516	14,474	–2,682[5]	–1,617[5]
Volkswagen Financial Services	–	–	17,872	15,840	16,322	14,392	1,410	1,203
Volkswagen Group	**9,345**	**8,361**	**192,676**	**159,337**	**192,676**	**159,337**	**11,510**	**11,271**
Automotive Division	9,345	8,361	172,822	142,092	174,525	143,620	9,923	9,973
of which: Passenger Cars and Light Commercial Vehicles Business Area	9,143	8,256	148,021	129,706	150,042	131,428	9,405	9,042
Trucks and Buses, Power Engineering Business Area	202	105	24,801	12,386	24,483	12,192	519	931
Financial Services Division	–	–	19,854	17,244	18,151	15,717	1,586	1,298

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 Including financial services; Porsche as from August 1, 2012; MAN as from November 9, 2011.
3 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 an operating profit (proportionate) of €3,678 million (€2,616 million).
4 Including Porsche Holding Salzburg as from March 1, 2011.
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 the purchase price allocation for Scania, Porsche Holding Salzburg, MAN and Porsche.

KEY FIGURES BY MARKET

	VEHICLE SALES[1]		SALES REVENUE	
thousand vehicles/€ million	2012	2011	2012	2011
Europe/Remaining markets	4,179	4,066	115,384	103,890
North America	896	678	25,046	17,553
South America	1,075	943	18,311	14,910
Asia-Pacific[2]	3,194	2,674	33,936	22,983
Volkswagen Group[2]	**9,345**	**8,361**	**192,676**	**159,337**

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

Volkswagen Passenger Cars brand

Bestseller relaunched – the new Golf

The Volkswagen Passenger Cars brand unveiled the seventh generation of its bestseller – the new Golf – in fiscal year 2012. The eco up!, which was also launched on the market, took pole position in Verkehrsclub Deutschland's environmental vehicle list. Despite the challenging environment, the brand achieved a new sales record.

up!

VOLKSWAGEN PASSENGER CARS BRAND

	2012	2011	%
Deliveries (thousand units)	5,738	5,091	+12.7
Vehicle sales	4,850	4,450	+9.0
Production	5,772	5,272	+9.5
Sales revenue (€ million)	103,942	94,690	+9.8
Operating profit	3,640	3,796	–4.1
as % of sales revenue	3.5	4.0	

VII

SEVENTH GENERATION OF THE GOLF

BUSINESS DEVELOPMENT

The most important event for the Volkswagen Passenger Cars brand in fiscal year 2012 was the market launch of the seventh generation of the Golf. The new model is considerably lighter than its predecessor, despite being slightly larger and better equipped. A large number of assistance systems for greater comfort and safety round off the package. The brand also started selling the natural gas-fueled eco up!. Its low consumption levels and CO_2 emissions make it the overall 2012/2013 winner in the environmental vehicle list published by Verkehrsclub Deutschland (VCD), the German association for sustainable mobility. In addition, the third generation of the Beetle Convertible celebrated its world premiere at the end of the year.

The Volkswagen Passenger Cars brand ended 2012 with deliveries at a new all-time high: at 5.7 million vehicles, it delivered 12.7% more cars than in 2011. The brand recorded particularly high growth rates in Russia (+39.6%), the USA (+35.1%) and China (+24.8%).

Unit sales by the Volkswagen Passenger Cars brand were up 9.0% year-on-year to 4.9 million vehicles in the reporting period. There was strong demand in particular for the Touareg, Tiguan, Golf Cabriolet and Fox models, as well as for the US version of the Passat. The new Golf, up! and Beetle models also met with a positive market reception.

The difference between deliveries and unit sales is primarily due to the fact that the vehicle-producing joint ventures in China are not counted as Volkswagen Passenger Cars brand companies.

Golf

The Volkswagen Passenger Cars brand increased its production by 9.5% to 5.8 million vehicles in fiscal year 2012; apart from the new production facilities, the plants in Mexico and Slovakia recorded the highest growth rates.

SALES REVENUE AND EARNINGS

The Volkswagen Passenger Cars brand generated sales revenue of €103.9 billion in fiscal 2012, an increase of 9.8% year-on-year that was due mainly to increased volumes. Operating profit amounted to €3.6 billion (€3.8 billion). It was impacted by upfront expenditures for the Modular Transverse Toolkit and startup costs for the new Golf. The operating return on sales was 3.5% (4.0%).

Our success in 2012 has allowed us to make further significant progress towards achieving our Strategy 2018 objectives, i.e. to increase worldwide sales to 6.6 million vehicles per year in approximately six years and to lift our global market share to 9%.

FURTHER INFORMATION www.volkswagen.com

PRODUCTION

Units	2012	2011
Passat/Santana	1,309,618	1,148,625
Jetta/Bora	1,060,824	900,440
Golf	825,591	913,693
Polo	711,519	809,549
Gol	502,486	512,543
Tiguan	453,081	356,187
Fox	197,823	160,751
Touran	152,683	160,936
up!	141,515	12,612
Beetle	107,939	21,496
Touareg	77,635	79,986
CC	68,481	–
Sharan	48,399	49,969
Suran	37,602	48,473
Scirocco	33,620	42,481
Polo Classic/Sedan	15,265	12,850
Eos	11,138	22,511
Phaeton	10,190	11,166
Parati	6,380	7,508
	5,771,789	**5,271,776**

Audi

Audi brand

Continuing its growth path with attractive models

The past fiscal year was another record year for Audi. Highlights were the launch of the A3, the first model based on the Modular Transverse Toolkit, the acquisition of Ducati and the decision to build a new plant in Mexico.

Audi Q7

AUDI BRAND

	2012	2011	%
Deliveries (thousand units)	1,457	1,304	+11.7
Vehicle sales	1,299	1,543	–15.9
Production	1,468	1,345	+9.2
Sales revenue (€ million)	48,771	44,096	+10.6
Operating profit	5,380	5,348	+0.6
as % of sales revenue	11.0	12.1	

10.6%

INCREASE IN SALES REVENUE IN 2012

BUSINESS DEVELOPMENT

In fiscal year 2012, AUDI AG entered the premium two-wheeler segment with its purchase of Italian motorcycle manufacturer Ducati via a subsidiary. Audi is laying the foundations for future growth in America with its decision to construct a new plant in San José Chiapa, Mexico. An additional highlight was the market launch of the third generation of the successful A3, the first Group model to be based on the Modular Transverse Toolkit. The A3 range is being successively expanded with derivatives; next in line after the A3 Sportback are an S3 and a TCNG version, among other things. The unveiling of the new RS4 Avant marks the return of a true sports car for day-to-day use to Audi's portfolio. The new A1 Sportback was also launched on the markets.

Audi began producing the Q7 in India in the reporting period. This is the fourth model to be manufactured locally following the A4, A6 and Q5.

The Audi brand delivered 1.5 million vehicles to customers worldwide in the reporting period, exceeding the record prior-year level by 11.7%. The rise was mainly due to strong increases in Asia (+28.1%) and North America (+18.5%). Up-and-coming growth markets such as South Korea, South Africa and India are gaining in significance for the brand.

Unit sales by the Audi brand in fiscal year 2012 amounted to 1.3 million vehicles (of which 1.1 million were Audi and Lamborghini models); in addition, the Chinese joint venture FAW-Volkswagen sold a further 329

Audi A3 Sportback

thousand Audi vehicles. The A6, A5 Sportback, A8, Q5 and Q7 models were the main growth drivers. The new A1 Sportback and Q3 models were also highly popular. Unit sales by Automobili Lamborghini S.p.A. amounted to 2,120 vehicles, an increase of 32.2% on the prior-year period.

At 1.5 million units in fiscal 2012, the production of Audi models exceeded the prior-year figure by 9.1%. Lamborghini produced 2,197 vehicles, 28.4% more than in the previous year.

SALES REVENUE AND EARNINGS

At €48.8 billion, sales revenue for the Audi brand was 10.6% higher than in the prior year. This significant increase was mainly attributable to larger volumes of vehicles and parts. Operating profit rose slightly on the back of the increased volume to €5.4 billion as a result of more favorable exchange rates and product cost optimization measures, despite increasingly difficult economic conditions. The operating return on sales was 11.0% (12.1%). The key figures for the Lamborghini and Ducati brands are included in the figures for the Audi brand.

FURTHER INFORMATION www.audi.com

PRODUCTION

Units	2012	2011
Audi		
A4	329,759	321,045
A6	284,888	241,862
Q5	209,799	183,678
A3	164,666	189,068
A1	123,111	117,566
Q3	106,918	19,613
A5	103,357	111,758
Q7	54,558	53,703
A8	35,932	38,542
A7	28,950	37,301
TT	21,880	25,508
R8	2,241	3,551
	1,466,059	**1,343,195**
Lamborghini		
Aventador	976	447
Gallardo	822	944
Gallardo Spyder	399	320
	2,197	**1,711**
Audi brand	**1,468,256**	**1,344,906**
Ducati, motorcycles*	15,734	–

* Starting in July 2012.

ŠKODA

ŠKODA brand

On target worldwide despite difficult market situation in Europe

The European launch of ŠKODA's new Rapid compact saloon was the highlight of its fiscal year 2012. The Czech brand aims to launch a new model on average every six months until 2015.

ŠKODA Citigo

ŠKODA BRAND

	2012	2011	%
Deliveries (thousand units)	939	879	+6.8
Vehicle sales	727	690	+5.2
Production	943	902	+4.6
Sales revenue (€ million)	10,438	10,266	+1.7
Operating profit	712	743	–4.1
as % of sales revenue	6.8	7.2	

727 thousand

VEHICLES SOLD IN 2012

BUSINESS DEVELOPMENT

The ŠKODA brand systematically continued its growth trajectory in 2012, which is underpinned by a large number of model rollouts. It introduced the Rapid – which has been available on the Indian market since 2011 – onto the European market in 2012. Positioned between the Fabia and the Octavia, the Rapid is a core component of the brand's growth strategy. ŠKODA also presented the four-door version of the Citigo. In December 2012, the main production facility in Mladá Boleslav started producing the third generation of the bestselling Octavia – the heart of the brand.

The ŠKODA brand delivered 939 thousand vehicles to customers in the reporting period, surpassing the prior-year figure by 6.8%. The brand recorded substantial growth rates in Russia (+33.7%), India (+14.2%) and China (+7.1%) in particular.

At 727 thousand vehicles, unit sales for the ŠKODA brand were up 5.2% year-on-year. Growth in demand was particularly high for the Citigo and Yeti models, as well as for the Rapid in India.

ŠKODA Rapid

The considerable difference between 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 943 thousand units worldwide in the reporting period, 4.6% more than in the previous year.

SALES REVENUE AND EARNINGS

The ŠKODA brand generated sales revenue of €10.4 billion in fiscal 2012, a year-on-year increase of 1.7%. At €712 million, operating profit was 4.1% or €30 million lower than the prior-year figure. The increased volume and lower product costs were unable to offset negative mix effects and higher marketing costs. The operating return on sales was 6.8%, compared with 7.2% in the previous year.

FURTHER INFORMATION www.skoda-auto.com

PRODUCTION

Units	2012	2011
Octavia	406,360	402,281
Fabia	255,025	262,497
Superb	106,847	119,732
Yeti	90,952	77,142
Roomster	39,249	36,427
Citigo	36,687	1,027
Rapid	8,292	2,559
	943,412	**901,665**

SEAT

SEAT brand

Most extensive product initiative in the company's history

SEAT started an unparalleled product initiative in fiscal year 2012 with the goal of acquiring new customer groups for the Spanish brand. The third generation of the SEAT Leon was successfully launched on the market.

SEAT Toledo

SEAT BRAND

	2012	2011	%
Deliveries (thousand units)	321	350	–8.3
Vehicle sales	429	362	+18.8
Production	321	353	–9.0
Sales revenue (€ million)	6,485	5,393	+20.2
Operating result	–156	–225	+30.7
as % of sales revenue	–2.4	–4.2	

€6.5 billion

SALES REVENUE IN 2012

BUSINESS DEVELOPMENT

The SEAT brand started its largest product rollout to date at the beginning of 2012 with the revamped Ibiza. The four-door version of the Mii also made its debut. The successful Toledo was back in the vehicle range after a three-year break. The unveiling of the new Leon marked the first time that SEAT's new design language was applied to a series model. The Leon is the brand's first vehicle to be based on the Modular Transverse Toolkit and introduces equipment features from the premium class into the compact segment for the first time. In 2013, SEAT will expand the Leon series to include a three-door version and an estate version. In addition, the new Ibiza Cupra will be launched on the market.

The SEAT brand delivered 321 thousand vehicles to customers in fiscal year 2012, down 8.3% on the prior-year figure. The brand was hard hit by the difficult market conditions in Western and Southern Europe. The markets in Spain, Italy and France in particular saw significant declines in demand as against 2011. By contrast, the markets in Germany, the United Kingdom and Mexico recorded encouraging increases.

SEAT Leon FR

In the reporting period, the SEAT brand sold 429 thousand vehicles, 18.8% more than in the previous year. This includes the Q3 manufactured for Audi.

The SEAT brand produced 321 thousand units in the reporting period, a decline of 9.0% year-on-year.

SALES REVENUE AND EARNINGS

At €6.5 billion, the sales revenue generated by the SEAT brand in fiscal 2012 was 20.2% higher than in the prior year. The operating loss narrowed from €–225 million to €–156 million; the operating return on sales was –2.4% (–4.2%). Earnings were positively impacted by cost cutting and the increased volume – due to the inclusion of the Q3 produced for Audi – as well as exchange rate effects, while the continued sharp fall in demand on the domestic Spanish passenger car market had a negative effect.

FURTHER INFORMATION www.seat.com

PRODUCTION

Units	2012	2011
Ibiza	160,887	191,183
Leon	71,295	80,736
Altea/Toledo	32,478	42,329
Mii	26,409	990
Alhambra	19,393	18,139
Exeo	10,854	19,559
	321,316	**352,936**

BENTLEY

Bentley brand
Ten years of the Continental GT: the twelve-cylinder bestseller

Following its return to profit in 2011, Bentley continued its positive performance in the reporting period. The Continental GT celebrated its ten-year anniversary; the Continental GT Speed was launched as the top-of-the-range model.

Bentley Continental GT V8

BENTLEY BRAND

	2012	2011	%
Deliveries (units)	8,510	7,003	+21.5
Vehicle sales	9,186	7,402	+24.1
Production	9,107	7,593	+19.9
Sales revenue (€ million)	1,453	1,119	+29.9
Operating profit	100	8	x
as % of sales revenue	6.9	0.7	

€100 million

OPERATING PROFIT IN 2012

BUSINESS DEVELOPMENT

In fiscal year 2012, Bentley looked back on ten years of success for its Continental GT premium coupé. This was the first model that the luxury British brand developed as a member of the Volkswagen family. It also made Bentley the largest manufacturer of vehicles with twelve-cylinder engines.

In the reporting period, Bentley launched an energy-efficient alternative to the twelve-cylinder version: the V8 engine. This was used in the new version of the Continental GT launched in 2010 and the Continental GTC that made its debut in 2011. The Continental GT Speed was relaunched as the series' sporty top-of-the-range model and launched on the market in fiscal year 2012. Its top speed of 330 km/h makes it the fastest street-legal sports car ever built by Bentley. The brand also created waves in the reporting period with its Continental GT3 concept racer, which marks the brand's return to the motorsport scene.

The Bentley brand increased deliveries to customers by 21.5% year-on-year to 8,510 vehicles, defending its position as one of the world's leading producers of luxury vehicles.

Bentley Mulsanne

The US market, which increased by 23.3%, remained Bentley's largest market, closely followed by China with an increase of 23.5%. The brand also recorded strong demand in the Europe (+9.9%) and Middle East (+51.6%) regions.

Unit sales by the Bentley brand in fiscal year 2012 rose by 24.1% to 9,186 vehicles. The Continental GT and Mulsanne models were particularly successful.

The Bentley brand produced a total of 9,107 vehicles in the reporting period, a year-on-year increase of 19.9%.

SALES REVENUE AND EARNINGS

The Bentley brand generated sales revenue of €1.5 billion in the period from January to December 2012, 29.9% more than in the previous year. Operating profit increased by €92 million to €100 million, with the higher volume and mix improvements having a positive impact. The operating return on sales increased to 6.9% (0.7%).

FURTHER INFORMATION www.bentleymotors.com

PRODUCTION

Units	2012	2011
Continental GT Coupé	3,536	3,416
Continental GT Cabriolet	2,638	677
Continental Flying Spur	1,764	2,354
Mulsanne	1,169	1,146
	9,107	**7,593**

PORSCHE

Porsche brand

Integration of the Stuttgart-based sports car manufacturer with the Volkswagen Group successfully completed

The contribution in full of Porsche SE's operating automotive business to the Volkswagen Group was completed effective August 1, 2012. Porsche AG has been consolidated as part of the Group since that date. In fiscal 2012, the Porsche brand recorded ongoing high demand and reiterated its plans to expand its model range.

Porsche Cayenne Turbo S

PORSCHE BRAND

	2012*
Deliveries (thousand units)	60
Vehicle sales	62
Production	64
Sales revenue (€ million)	5,879
Operating profit	946
as % of sales revenue	16.1

* August 1 to December 31, 2012.

911

A LEGEND AMONG SPORTS CARS

BUSINESS DEVELOPMENT

Porsche's roots date back to 1931, when Ferdinand Porsche established a design office in Stuttgart, laying the foundations for the sports car manufacturer. The exciting sports car brand stands for the legendary Porsche 911 and for spectacular racing successes. Today, Porsche is a successful company whose 17,500 employees produce approximately 152,000 vehicles a year.

As of August 1, 2012, Volkswagen acquired the remaining 50.1% of Porsche SE's sports car business, consolidating Porsche as the Group's twelfth successful brand. The key figures presented in this chapter cover the Automotive and Financial Services businesses and relate to the period from August 1 to December 31, 2012.

The Porsche brand delivered 60 thousand sports cars to customers. The USA remained the largest single market, with 16 thousand customers choosing a Porsche model. It was followed by China, where sales figures were also encouraging (13 thousand vehicles). Porsche delivered six thousand models to customers in its home market of Germany.

Porsche 911 Carrera 4S Coupé

The Porsche brand produced 64 thousand vehicles between August 1 and December 31 of the reporting period. In September 2012, Volkswagen's Osnabrück plant started production of the new Boxster series, as capacity at the main plant in Stuttgart-Zuffenhausen could not handle the entire production of both the 911 and the Boxster sports car series, which also includes the Cayman.

SALES REVENUE AND EARNINGS

The Porsche brand recorded a successful performance in the reporting period. Sales revenue was €5.9 billion during the consolidation period. Operating profit amounted to €946 million, while the operating return on sales was 16.1%.

FURTHER INFORMATION www.porsche.com

PRODUCTION

Units	2012*
Cayenne	36,664
911 Coupé/Cabriolet	11,409
Panamera	8,772
Boxster/Cayman	6,839
	63,684

* August 1 to December 31, 2012.

Commercial Vehicles

Volkswagen Commercial Vehicles

Extensive model offering provides "Diversity for every job"

Volkswagen Commercial Vehicles presented its wide range of models at the IAA Commercial Vehicles 2012 under the motto "Diversity for every job". The focus was on its BlueMotion and all-wheel drive technology, as well as the large number of upgrade and modification options.

Cross Caddy

VOLKSWAGEN COMMERCIAL VEHICLES

	2012	2011	%
Deliveries (thousand units)	550	529	+4.1
Vehicle sales	437	441	–0.8
Production	487	508	–4.1
Sales revenue (€ million)	9,450	8,985	+5.2
Operating profit	421	449	–6.1
as % of sales revenue	4.5	5.0	

550 thousand

VEHICLES DELIVERED IN 2012

BUSINESS DEVELOPMENT

Volkswagen Commercial Vehicles celebrated the start of production of the Amarok at the brand's main production facility in Hanover in the reporting period. Adding Hanover as a second production location for the Amarok will significantly improve availability and delivery times for customers in Europe. The brand also celebrated the 65th and 30th anniversaries of the Transporter and the Caddy. Volkswagen Commercial Vehicles showcased its large range of vehicles at the IAA Commercial Vehicles fair in Hanover in September 2012. It also debuted two new special models. One was the Amarok Canyon – a high-quality off-road vehicle that again highlights the brand's all-wheel drive technology. The other was the Cross Caddy with its individualized exterior design, which expands the range of Volkswagen Cross models.

At 550 thousand vehicle deliveries worldwide, Volkswagen Commercial Vehicles surpassed its prior-year record figure by 4.1%. The brand recorded significant growth in Central and Eastern Europe, South America and the Asia-Pacific region.

Unit sales to the dealer organization decreased slightly by 0.8% year-on-year to 437 thousand vehicles in fiscal 2012. The Amarok was particularly popular, while demand for the Crafter and Multivan/Transporter series also increased.

Multivan BlueMotion

The Volkswagen Commercial Vehicles brand produced 487 thousand vehicles in the reporting period, 4.1% fewer than in the previous year. The Crafter is not included in these figures as it is produced in the Daimler plants in Düsseldorf and Ludwigsfelde. The main production facility in Hanover increased the number of Caravelle/Multivan, Transporter and Amarok models produced to 150 thousand (144 thousand) units.

SALES REVENUE AND EARNINGS

Volkswagen Commercial Vehicles increased its sales revenue by 5.2% year-on-year to €9.5 billion. Operating profit amounted to €421 million (€449 million). The operating return on sales decreased from 5.0% in the previous year to 4.5%.

FURTHER INFORMATION www.volkswagen-commercial-vehicles.com

PRODUCTION

Units	2012	2011
Caravelle/Multivan, Kombi	112,492	111,754
Saveiro	79,694	82,284
Amarok	78,633	76,965
Caddy Kombi	74,561	87,450
Transporter	71,085	78,615
Caddy	70,079	70,526
	486,544	**507,594**

Scania brand
Lower fuel consumption thanks to environmentally friendly solutions

Swedish truck manufacturer Scania presented its wide range of Euro 6 engines for trucks and buses at the IAA Commercial Vehicles fair in 2012. Scania demonstrated opportunities for fuel efficiency with individual transport solutions for a very wide range of uses and enhanced assistance systems.

Scania OmniExpress

SCANIA BRAND

	2012	2011	%
Orders received (thousand units)	72	77	–6.4
Deliveries	67	80	–15.9
Vehicle sales	67	80	–15.9
Production	67	84	–20.4
Sales revenue (€ million)	9,314	10,064	–7.4
Operating profit	930	1,372	–32.2
as % of sales revenue	10.0	13.6	

10.0%

RETURN ON SALES IN 2012

BUSINESS DEVELOPMENT

In the reporting period, the time-honored Swedish brand showcased additional Euro 6 engines, including two new high-performance gas engines at the IAA Commercial Vehicles fair in Hanover. Scania's numerous customer-specific transport solutions and pioneering driver assistance technologies, which help to reduce fuel consumption, were also well received.

The slump in demand in the European truck markets had a negative impact on the Scania brand in fiscal year 2012, which sells almost half of all its vehicles there. The Swedish commercial vehicles manufacturer's global deliveries to customers were down 15.9% to 67 thousand vehicles. Demand in the Western European (–13.9%) and South American (–14.7%) markets declined noticeably compared with the previous year. Bus deliveries were 20.5% lower year-on-year, at six thousand. By contrast, the service and genuine parts business performed well.

The Scania brand produced 67 thousand vehicles in 2012, 20.4% fewer than in the previous year. This figure includes the number of buses produced (six thousand).

Scania G 420 4x2

Scania started to build a new CKD plant in Narasapura in India, which is scheduled to start assembling trucks and buses for the Indian market in 2013.

SALES REVENUE AND EARNINGS

Declining volumes led to a 7.4% reduction in the Scania brand's sales revenue to €9.3 billion. Operating profit declined by €442 million to €930 million. This was due to increased competition, lower capacity utilization and increased costs as well as lower volumes. The operating return on sales was 10.0%, compared with 13.6% in the previous year.

FURTHER INFORMATION www.scania.com

PRODUCTION

Units	2012	2011
Trucks	60,647	75,349
Buses	6,283	8,708
	66,930	**84,057**

MAN brand

MAN's stand at the IAA Commercial Vehicles fair draws in the crowds

MAN presented a wide range of innovations from the trucks, buses, engines and services areas at the IAA Commercial Vehicles fair in Hanover. The highlight was the new TG family of vehicles, which are virtually pollutant-free to drive. MAN showcased new technologies for cleaner and more efficient shipping at the SMM shipping fair in Hamburg.

MAN TG family with Euro 6

MAN BRAND

	2012	2011*
Orders received (thousand units)	135	23
Deliveries	134	25
Vehicle sales	134	25
Production	124	24
Sales revenue (€ million)	15,999	2,652
Operating profit	808	193
as % of sales revenue	5.0	7.3

* November 9 to December 31, 2011.

135 thousand

ORDERS RECEIVED FOR COMMERCIAL VEHICLES IN 2012

BUSINESS DEVELOPMENT

The new MAN TG family of trucks celebrated their world premiere at the IAA Commercial Vehicles fair in Hanover in September 2012. They already meet the requirements of the future Euro 6 emission standard and offer powerful performance combined with low fuel consumption, excellent dynamic handling and a high level of driving comfort. The Munich-based commercial vehicles manufacturer and engineering company also showcased its efficient MAN Concept S truck study plus a matching aerodynamic trailer at the IAA. This cuts fuel consumption and emissions by up to 25% for the same load capacity. Also in September 2012, MAN showcased technical innovations to increase efficiency and reduce emissions for marine propulsion units at the SMM fair in Hamburg, the world's most important shipbuilding trade show.

The key figures presented in this chapter comprise the Trucks and Buses, Power Engineering and Financial Services businesses. The prior-year figures relate to the period since MAN was consolidated, i.e. from November 9, 2011.

The MAN brand's deliveries to customers amounted to 134 thousand trucks and buses in fiscal 2012. The sovereign debt crisis in Western Europe had a negative impact,

MAN TGM all-wheel drive tipper

while the introduction of the new Euro 5 emission standard put a damper on demand in the key Brazilian market. The sales figures for the MAN brand include 15 thousand buses.

The MAN brand produced 124 thousand commercial vehicles in the reporting period, 16 thousand of which were buses. The company adjusted its production to match the decline in demand.

SALES REVENUE AND EARNINGS

MAN was faced with a difficult economic environment for the commercial vehicles industry in fiscal year 2012. The brand generated sales revenue of €16.0 billion, roughly a quarter of which was attributable to the Power Engineering segment. Operating profit amounted to €808 million; the operating return on sales was 5.0%.

FURTHER INFORMATION www.man.eu

PRODUCTION

Units	2012	2011*
Trucks	108,417	20,571
Buses	15,887	3,146
	124,304	**23,717**

* November 9 to December 31, 2011.

Volkswagen Group in China
Renewed record highs thanks to above-average growth

Fiscal year 2012 was another record year for the Volkswagen Group in its largest market: China. With 2.8 million vehicles sold, growth by our joint ventures significantly outperformed the Chinese passenger car market as a whole. Measures have been taken to further increase capacity.

New Santana

VOLKSWAGEN GROUP IN CHINA

	2012	2011	%
Deliveries (thousand units)	2,815	2,260	+24.6
Vehicle sales	2,609	2,201	+18.5
Production	2,643	2,202	+20.0

24.6%

INCREASE IN DELIVERIES TO CUSTOMERS

BUSINESS DEVELOPMENT

Volkswagen has been cooperating with its partners in the Chinese automotive market for around 29 years. The Group now has twelve vehicle production facilities or component sites in China. The Shanghai-Volkswagen joint venture and the joint venture between FAW (First Automotive Works) and Volkswagen in Changchun are accounted for using the equity method in the consolidated financial statements.

The Volkswagen Group's presence on the Chinese passenger car market comprises over 60 models from its Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, Audi, ŠKODA, Lamborghini, Bentley, Porsche and Bugatti brands. The SEAT brand entered the market in 2012. In fiscal 2012, our joint ventures sold 2.6 million locally produced vehicles, up 18.5% year-on-year.

In addition to established Group models and models that have been modified for the Chinese market (with a longer wheelbase, for example), vehicles specially designed for Chinese customers are also produced; examples of these include the Volkswagen Lavida, New Bora and Santana models. The new Santana celebrated its world premiere in the past fiscal year; its predecessor was one of the most successful models in China, with almost 4 million units sold. The new Lavida and Bora were also launched in the reporting period and were well received by the market.

Audi Q5

At 2.8 million vehicles, the Volkswagen Group delivered 24.6% more cars in China in fiscal year 2012 than in the prior-year period. The Volkswagen Passenger Cars brand recorded a 24.8% increase in the Chinese market, selling 2.2 million vehicles. The Audi brand generated growth of 29.6% and the ŠKODA brand 7.1%. The Magotan, Jetta, New Bora, Tiguan, Sagitar, New Passat, ŠKODA Octavia, Audi A6 and Audi Q5 models were particularly popular with Chinese customers. The Volkswagen Group lifted its market share from 18.2% in the previous year to 20.8% at the end of 2012, thereby extending its leadership of the Chinese market.

The joint ventures produced a total of 2.6 million vehicles in fiscal year 2012, a year-on-year increase of 20.0%. A new vehicle plant in Yizheng with an annual capacity of 300,000 vehicles was opened in the reporting period. In addition, a decision was taken to construct additional production facilities in Ningbo and Urumqi. The new vehicle plants in Foshan and Urumqi will start production in 2013. The goal is to increase Volkswagen's annual capacity in China to four million vehicles by 2018. The Group is expected to invest a total of around €9.8 billion in new production facilities and products in China in the period up to and including 2015. These initiatives will be financed entirely by cash flows from the Chinese joint ventures.

LOCAL PRODUCTION

Units	2012	2011
Volkswagen Passenger Cars	2,082,580	1,720,346
Audi	333,556	258,557
ŠKODA	226,653	222,984
Total	**2,642,789**	**2,201,887**

EARNINGS

€ million	2012	2011
Operating profit (100%)	8,424	6,134
Operating profit (proportionate)	3,678	2,616

The joint ventures generated an operating profit (proportionate) of €3.7 billion in fiscal year 2012, an increase of €1.1 billion on the prior-year figure. The rise is due to volume and mix improvements, positive exchange rate effects and savings gained from lower material costs.

The joint venture companies in China are accounted for using the equity method. Their figures are not included in the Group's operating profit. Their profits are included solely in the Group's financial result on a proportionate basis.

Volkswagen Financial Services

On its way to becoming the best automotive financial services provider

Volkswagen Financial Services generated strong growth in all business areas in fiscal year 2012. The division continued its international expansion.

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. Volkswagen Financial Services AG coordinates the global financial services activities of the Volkswagen Group, with the exception of the Scania, MAN 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. Financial Services activities in North America are performed by VW CREDIT, INC.

Volkswagen Leasing GmbH acquired the dealer-owned rental company Euromobil on January 1, 2012. The acquisition expanded Volkswagen Financial Services AG's mobility offering to include the classic short-term car rental business.

9.6 million

CONTRACTS AS OF DECEMBER 31, 2012

BUSINESS DEVELOPMENT

Volkswagen Financial Services continued its positive trend in fiscal year 2012. Total assets exceeded €100 billion for the first time. The combination of its innovative projects and the Volkswagen Group brands allowed it to leverage additional potential along the automotive value chain. The integration of its financial services with the Volkswagen Group brands' sales activities was accelerated in 2012. This contributed to the Volkswagen Group's strong earnings and unit sales.

In Germany, Volkswagen Financial Services AG took first place in the well-known employer competition, "Great Place to Work", in the 2,001–5,000 employees size range. Volkswagen Leasing GmbH was honored for its sustainable fleet management program in the Germany-wide "365 Orte im Land der Ideen" competition. Together with the German Nature and Biodiversity Conservation Union (NABU), Volkswagen Leasing encourages fleet managers to make their fleets "greener" and use them in line with this, and presents the "DIE GRÜNE FLOTTE" environmental award for ecologically responsible fleet management. In addition, Volkswagen Leasing makes a contribution to a NABU project every time an environmentally friendly car is registered.

Volkswagen Financial Services AG's conference and financial center

Volkswagen Financial Services AG was highly successful with asset-backed securities (ABS) issues in 2012. Receivables amounting to a total of €5.7 billion were securitized on the capital market worldwide via a total of seven ABS transactions. In the first quarter of 2012, Volkswagen Financial Services AG marketed Japanese loan receivables for the first time in the Driver Japan One transaction. This was the first public securitization transaction using receivables from a European automobile manufacturer in Japan. The Driver Brazil One securitization transaction followed in July 2012; this makes Brazil the fifth country after Germany, the United Kingdom, Spain and Japan in which Volkswagen Financial Services is active on the capital market with its Driver platform.

Volkswagen Financial Services continued to expand its international footprint in the reporting period. In order to strengthen its sales activities in Poland, it acquired the remaining shares in VOLKSWAGEN BANK POLSKA S.A. and Volkswagen Leasing Polska Sp.z o.o. and consolidated the companies. In Portugal, a bank branch offering financing started operation. In China, the Volkswagen Finance Co. affiliate was consolidated for the first time due to its sustained growth. In addition, the establishment of Volkswagen New Mobility Services Investment Co., Ltd. specifically expanded the Group's product offering beyond classic consumer credit. In Belgium, Volkswagen Financial Services AG entered the financial services business by establishing the Volkswagen D´Ieteren Finance S.A. joint venture together with its Belgian importer. Volkswagen Financial Services AG is planning to enter into a new strategic partnership with Allianz SE in 2013 to boost its car insurance activities. The aim is to pave the way to becoming a direct insurer in the area of car insurance.

The number of new finance, leasing and service/insurance contracts signed in fiscal 2012 amounted to 3.8 million, a 21.0% increase on the prior-year figure. The number of contracts in the Customer Financing/Leasing area was up 14.5% on the previous year to 6.4 million as of December 31, 2012. The number of contracts in the Service/Insurance area rose to 3.3 million, up 21.9% on the previous year. The total number of contracts reached a new record of 9.6 million (+16.9%). Based on unchanged credit eligibility criteria, the share of financed or leased vehicles was 27.5% (36.3%) of total Group delivery volumes. This decline was due to the inclusion of the Chinese market since the beginning of 2012. In China, the share of leased or financed vehicles is significantly below the average in other automotive markets. Volkswagen Bank direkt was managing 1,438 thousand accounts at the end of the reporting period (previous year: 1,442 thousand).

The number of contracts in our fleet management business at the end of 2012 was up 1.5% on year-end 2011; our joint venture LeasePlan Corporation N.V. managed around 1.4 million vehicles.

Volkswagen Financial Services employed 10,133 people as of the reporting date.

SALES REVENUE AND EARNINGS

Volkswagen Financial Services' sales revenue increased by 12.8% in fiscal year 2012 to €17.9 billion. Higher volumes, stable margin trends and lower risk provisions increased the operating profit to €1.4 billion (€1.2 billion). Volkswagen Financial Services once again made a significant contribution to the Volkswagen Group's earnings.

FURTHER INFORMATION www.vwfsag.com

VOLKSWAGEN FINANCIAL SERVICES

		2012	2011	%
Number of contracts	thousands	9,640	8,245	+16.9
Customer financing		4,551	3,930	+15.8
Leasing		1,808	1,623	+11.4
Service/Insurance		3,281	2,691	+21.9
Receivables from	€ million			
Customer financing		48,779	42,979	+13.5
Dealer financing		12,942	11,942	+8.4
Leasing agreements		15,476	14,407	+7.4
Direct banking deposits	€ million	22,004	21,373	+3.0
Total assets	€ million	111,053	97,455	+14.0
Equity	€ million	11,312	9,785	+15.6
Liabilities[1]	€ million	95,630	84,290	+13.5
Equity ratio	%	10.2	10.0	
Return on equity before tax[2]	%	13.4	14.2	
Leverage[3]		8.5	8.6	
Operating profit	€ million	1,410	1,203	+17.1
Profit before tax	€ million	1,415	1,309	+8.1
Employees at Dec. 31		10,133	8,335	+21.6

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

Corporate Governance

CREATING A POSITIVE COMPLIANCE CULTURE

We are convinced that long-term economic success can only be achieved by complying with statutory provisions, internal company policies and ethical principles. We drove forward the creation of a positive compliance culture in fiscal year 2012.

CORPORATE GOVERNANCE

Corporate Governance Report (Part of the Management Report)
Responsible, transparent and value-enhancing corporate governance

The future of the Volkswagen Group depends on our ability to continually increase the Company's value. Strengthening the trust of our customers and investors is fundamental to this. Transparent and responsible corporate governance therefore takes the highest priority in our daily work. The Board of Management and the Supervisory Board of Volkswagen AG comply with the recommendations of the current German Corporate Governance Code as issued on May 15, 2012 with a few justified exceptions.

SUCCESSFUL CORPORATE GOVERNANCE BASED ON THE RECOMMENDATIONS AND SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

The German Corporate Governance Code contains recommendations and suggestions for good corporate governance. It was prepared by the responsible government commission on the basis of the material statutory provisions and nationally and internationally recognized standards of corporate governance. The government commission reviews the German Corporate Governance Code on an annual basis and amends or updates it as necessary. The recommendations and suggestions of the Code underpin the work of the Board of Management and Supervisory Board of Volkswagen AG, as responsible and transparent corporate governance helps us to strengthen the trust of our customers and investors in our work. It also allows us to meet the steadily increasing demand for information from national and international stakeholders. These are fundamental conditions for continuously increasing our Company's value.

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

On February 27, 2012 the Board of Management and the Supervisory Board of Volkswagen AG issued a declaration of conformity with the German Corporate Governance Code. This became necessary due to changes in its application since the previous declaration of conformity was submitted on November 18, 2011. In this document, the Board of Management and Supervisory Board declare that, since the last declaration of conformity was submitted on November 18, 2011, the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 26, 2010 published by the German Federal Ministry of Justice on July 2, 2010 have been complied with, with the exception of article 4.2.3(4) (severance payment cap). They further state that, as of the declaration of February 27, 2012, all recommendations were fully complied with, with the exception of article 4.2.3(4) (severance payment cap), 5.1.2 (age limit for members of the Board of Management) and 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled).

The reasons for these exceptions can be found in the declarations of conformity, which are published on our website, www.volkswagenag.com/ir, under the heading "Corporate Governance", menu item "Declarations".

The annual declaration of conformity with the German Corporate Governance Code as required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) was issued by the Board of Management and the Supervisory Board of Volkswagen AG on November 23, 2012. In this document, they declare that, since the last declaration of conformity was submitted on February 27, 2012, the recommendations in the version dated May 26, 2010 published on July 2, 2010 were complied with, with the exception of article 4.2.3(4) (severance payment cap), 5.1.2 (age limit for members of the Board of Management) and 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled), up to the publication of the new version dated May 15, 2012 published on June 15, 2012.

From June 15, 2012 until the current declaration of conformity was submitted on November 23, 2012, the recommendations of May 15, 2012 published on June 15, 2012 were complied with, with the following exceptions: articles 4.2.3(4) (severance payment cap), 5.1.2 (age limit for members of the Board of Management), 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee), 5.4.1(2) (specification of concrete objectives regarding the composition of the Supervisory Board), 5.4.1(4 to 6) (disclosure regarding election recommendations), 5.4.6(2) (performance-related remuneration of members of the Supervisory Board) and 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled).

In this document, the Board of Management and Supervisory Board also declare that, as of the declaration of November 23, 2012, the recommendations of May 15, 2012 published on June 15, 2012 have been and will continue to be complied with, with the exception of articles 4.2.3(4) (severance payment cap), 5.1.2 (age limit for members of the Board of Management), 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee), 5.4.1(4 to 6) (disclosure regarding election recommendations), 5.4.6(2) (performance-related remuneration of members of the Supervisory Board) and 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled).

The reasons for these exceptions can be found in the declarations of conformity, which are 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 have been complied with in full since June 15, 2012. With regard to the previous version of the Code, a deviation from the recommendation in article 5.4.6(2) sentence 2 was declared as a precautionary measure until June 15, 2012. It was unclear whether the remuneration of members of the Supervisory Board, which is regulated by the shareholders in article 17(1) of the Volkswagen AG Articles of Association by means of a link to dividend distribution among other things, represented a variable compensation component in line with the provisions of article 5.4.6(2) of the German Corporate Governance Code.

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

The annual declaration of conformity with the German Corporate Governance Code was issued by the Board of Management and the Supervisory Board of AUDI AG on November 29, 2012. In this document, the two Boards declare that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 26, 2010 published on July 2, 2010 were complied with up to the publication of the new version dated May 15, 2012 on June 15, 2012. However, there were qualifications: the Supervisory Board has not formed a Nomination Committee (article 5.3.3 of the Code) and members are not elected to the Supervisory Board on an individual basis (article 5.4.3 sentence 1 of the Code).

The two Boards furthermore declared that the recommendations of the version dated May 15, 2012 published on June 15, 2012 were and will continue to be complied with, with the exception of articles 5.1.2(2) sentence 3, and 5.4.1(2) sentence 1 (age limit for Board of Management and Supervisory Board members), 5.3.2 sentence 3 (independence of the Audit Committee Chairman), 5.3.3 (nomination committee), 5.4.1 (4 to 6) (disclosure regarding election recommendations), 5.4.2 (no more than two former Board of Management members to sit on the Supervisory Board), 5.4.3 sentence 1 (election to the Supervisory Board on an individual basis), 5.4.6(2) sentence 2 (performance-related remuneration of members of the Supervisory Board), 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled).

The reasons for these exceptions are explained in the declaration of conformity, which is published at www.audi.com/cgk-declaration.

AUDI AG complies with the suggestions of the German Corporate Governance Code without exception.

In their declaration of conformity with the German Corporate Governance Code in December 2012, the Executive Board and Supervisory Board of MAN SE declared that the recommendations of the German Corporate Governance Code in the version dated May 26, 2010 published on July 2, 2010 were complied with up to June 15, 2012 in accordance with MAN SE's declaration of conformity of December 2011.

The recommendations of the German Corporate Governance Code in the version dated May 15, 2012 published on June 15, 2012 were complied with, with the exception of articles 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee) and 5.4.6(2) (performance-related remuneration of members of the Supervisory Board), from June 15, 2012 until the date of submission of the current declaration of conformity. Following the necessary consultations and the corresponding decision by the Supervisory Board, article 5.4.1(2) (specification of concrete objectives regarding the composition of the Supervisory Board) has been complied with since December 12, 2012.

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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/en

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

The Executive Board and Supervisory Board of MAN SE also declare that, from the date of issue of the current declaration in December 2012, the recommendations of the German Corporate Governance Code in the version of May 15, 2012 published on June 15, 2012 have been complied with, with the exception of articles 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee), 5.4.6(2) (performance-related remuneration of members of the Supervisory Board) and 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled).

The reasons for these exceptions are explained in the declaration of conformity, which is available at www.man.eu/en under the heading “Company”.

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, the stock exchange admission criteria and other laws and regulations to be complied with, such as the Swedish Corporate Governance Code. Additional details on Scania AB’s corporate governance and the relevant declaration of conformity with the Swedish Corporate Governance Code are available at www.scania.com/scania-group/corporate-governance.

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.
- Among the shareholder representatives, at least four members of the Supervisory Board should be persons who do not represent potential conflicts of interest, particularly those 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, and at least two female members should represent the shareholders.
- In addition, proposals for elections should not normally include persons who will have reached the age of 70 by the time the election takes place.

The first four objectives have already been met. As a rule, individuals will also not be proposed for election to the Supervisory Board if they are 70 years old at the time of the election.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The Board of Management and Supervisory Board of Volkswagen AG decide on the strategic orientation of the Volkswagen Group in close consultation. The two Boards discuss the progress of the strategy implementation at regular intervals. The Board of Management provides the Supervisory Board with regular, complete and prompt written and verbal reports on all relevant issues concerning business development, planning and the Company’s situation, including 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 14 to 21 of this annual report. Information on the membership of the Board of Management and Supervisory Board, as well as its committees, may be found on pages 147 to 150.

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 137 to 142 of this annual report.

CORPORATE GOVERNANCE DECLARATION

The corporate governance declaration 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 sense of commitment has always gone beyond statutory and internal requirements; obligations undertaken and ethical principles accepted voluntarily also form an integral part of our corporate culture.

The Volkswagen Group also endeavors to fight 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 around 7,000 participating companies in more than 135 countries to create a more sustainable and fair global economy.

Consciously implementing core values like integrity and fairness, rather than simply defining them, has been and will continue to be actively promoted by our corporate governance. Speaking to more than 3,900 managers in March 2012, Chairman of the Board of Management of Volkswagen AG, Prof. Dr. Martin Winterkorn, stressed that there is no leeway when it comes to the issue of compliance to safeguard the Company's reputation. Clear declarations of commitment to compliance were also made to the workforce by other members of the Group Board of Management and brand boards of management during the year.

Volkswagen embraces a preventive compliance approach and aims to create a corporate culture that stops potential breaches before they occur, through raising awareness and educating employees. The necessary investigative measures are regularly performed by Group Internal Audit and Group Security. Both departments systematically monitor compliance and perform reviews on a test basis irrespective of whether any breaches are suspected, as well as investigating specific suspected breaches. Responses are implemented by the Human Resources and Group Legal departments. These processes are closely interrelated as part of a comprehensive compliance management system. In addition, a large number of governing bodies belong to the compliance organization at Group and brand level. These include the Compliance Board at senior executive level and other expert committees, such as the Core Compliance Team.

The Group Chief Compliance Officer is currently supported by 13 Chief Compliance Officers, who are responsible for the brands. The number of Compliance Officers in the Group companies has risen by 35 to 100. In total, more than 400 employees are involved in the Governance, Risk and Compliance organization in some 39 countries.

The organization provided information on various compliance issues to the brands and companies over the year, using a wide range of traditional communication channels, such as reports in different employee magazines produced by the brands, companies and locations. Websites, smartphone applications, blogs and electronic newsletters are also frequently used to provide compliance information. The Compliance intranet site registered more than 17,000 clicks in the space of just three days following a works meeting at the Wolfsburg site, which clearly shows that initiatives like the series of films on compliance are generating a favorable response. The communication measures also include speaking to employees personally at information stands at works and other employee meetings. Our compliance communication has not only been well received internally, as the Volkswagen Group's communication campaigns and media received numerous external awards during the year.

The prevention of active corruption was the main focus in 2012. In particular, we pushed ahead integration with the compliance organization in key strategic markets such as Brazil, Russia, India, China, Malaysia, Argentina and Mexico.

In November 2012, we also published anti-corruption guidelines and distributed them throughout the compliance organization, sending them to more than 5,700 Volkswagen AG managers. Prof. Dr. Martin Winterkorn took this opportunity to again emphasize the importance of compliance. The guidelines use real examples to raise awareness, provide corruption risk checklists and demonstrate measures for successfully avoiding corruption. Among other things, the guidelines expressly forbid facilitation payments. They are available to all Volkswagen AG employees in electronic form via the Volkswagen portal.

There are Group-wide directives on dealing with gifts and invitations, as well as making donations.

We have now provided the Code of Conduct to all consolidated brand companies and established it as a fundamental part of our corporate culture. Brochures on the Code of Conduct have been widely distributed and are available to employees via the Volkswagen portal, for example. The Code of Conduct has also been further integrated into operational processes. Since 2010, new employment contracts with Volkswagen AG make reference to the Code of Conduct and the requirement to comply with it.

Further progress was also made in the area of competition and antitrust law – the focal point of the 2011 compliance program – during the reporting period.

Information events for employees at all levels are still a core component of our compliance work. Across the Group, a total of 45,000 employees worldwide attended events on the topics of compliance, the Code of Conduct, competition and antitrust law, and anti-corruption in 2012. E-learning programs are also an established means of providing employee training. Around 20,000 employees successfully completed the e-learning program on avoiding conflicts of interest and corruption in 2012. A training program on the Group's Code of Conduct was added to the e-learning offering in the year. Since July 1, 2012 participation has been compulsory for new Volkswagen AG employees. More than 70,000 employees have taken the opportunity to further their professional development by participating in e-learning programs on the subject of compliance since 2009.

For the Volkswagen Group, the excellent reputation enjoyed by the Company in the business world and among the public is a precious asset. To safeguard its reputation, Volkswagen verifies the integrity of new business partners. The aim is to find out about potential business partners before entering into a relationship with them, in order to reduce the risk of starting a cooperation that could be damaging to business or the Company.

In 2012, the compliance organization's advisory services were significantly expanded. All brands and a large number of companies now offer their employees the opportunity to receive personal advice, usually by contacting the compliance organization via an e-mail address. At Volkswagen AG's German sites, an IT-based information and advisory tool was launched in March 2012.

An anti-money laundering concept was also developed in 2012. This tool is based on the identified risks and is structured according to business area. It meets the new requirements of the Geldwäschegesetz (GwG – German Money Laundering Act) that came into force in the reporting period.

Any breaches or suspicions (particularly regarding corruption) can be reported to two external lawyers appointed by the Group via the ombudsman system in place since 2006. In 2012, the ombudsmen passed on 46 reports provided by persons, whose details remained confidential if requested, to Volkswagen AG's Anti-Corruption Officer. Information on a further 64 cases was provided directly to the Anti-Corruption Officer or the head of Group Internal Audit. 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.

We review the effectiveness of the compliance measures on an annual basis through an integrated survey of the Volkswagen Group's brands and companies. The effectiveness of selected management controls to manage compliance risks is also checked. Detailed compliance risk assessments were carried out across the Group in 2012. The findings were factored into the risk analyses of the Volkswagen Group, the brands and the companies and are therefore subject to a continuous improvement process. Based on the risk analysis, the compliance activities in 2013 will focus on expanding the compliance organization within the Volkswagen Group and preventing corruption in China, in addition to strengthening the existing structures.

During the reporting period, independent experts were engaged to assess the compliance management system concept. They concluded that Volkswagen has established "an effective and efficient compliance management system".

RISK MANAGEMENT

We place great importance on carefully managing potential risks to the Company in our daily work. Our risk management system is oriented toward identifying risks and optimizing existing risk positions. We continually adapt this system to changes in the operating environment. A detailed description of the risk management system and our accounting-related internal control system may be found in the Risk Report on pages 226 to 228 of this annual report.

The Audit Committee established by the Supervisory Board monitors the financial reporting process, the effectiveness of the internal control and internal audit systems, and compliance, in particular. It also supervises the audit of financial statements, particularly the required independence of the auditors, the additional services performed by the auditors, the engagement of the auditors, the definition of areas of emphasis of the audit and the agreed fee. As recommended in article 5.3.2 of the German Corporate Governance Code, the Chairman of the Audit Committee, Dr. Ferdinand Oliver Porsche, has particular expertise and experience in the application of financial reporting principles and internal control systems.

COMMUNICATION AND TRANSPARENCY

In its annual report, in the interim reports and on its website at www.volkswagenag.com/ir, the Volkswagen Group publishes a financial calendar listing all the important dates for its shareholders. 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 who has been granted power of attorney, or by 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 Meeting in full on the Internet.

News and information on the Volkswagen Group is available on our website at www.volkswagenag.com/ir. All 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 21 ff. 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 offices held by Board of Management members and Supervisory Board members can be found on pages 147 to 150 of this annual report.

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

Remuneration Report
(Part of the Management 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 the 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, subject to any retroactive effect for 2012, 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 applicable to date 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 over the past two years in particular made it necessary 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 was assured by the Board of Management and by the Company.

Material changes to the remuneration system relate to the bonus, the calculation of which will be realigned to reflect business development. It now also explicitly takes into account the individual performance of members of the Board of Management.

The retroactive adjustment of the comparative parameters for the bonus requires a departure from the recommendation in article 4.2.3(3) sentence 3 of the German Corporate Governance Code, which precludes the retroactive adjustment of performance targets or comparative parameters. This recommendation will be complied with again in the future.

The level of 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 fixed and variable components. The fixed 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, variable components, dependent among other criteria on the financial performance of the Company, serve to ensure the long-term impact of behavioral incentives.

FIXED REMUNERATION

In fiscal year 2012, the members of the Board of Management received fixed remuneration totaling €9,506,343 (previous year: €9,031,491). The fixed remuneration also includes differing levels of remuneration for appointments assumed at Group companies as well as the cost or cash equivalent of noncash and other benefits, such as the use of company cars and the payment of insurance premiums. Taxes due on the noncash benefits were mainly borne by Volkswagen AG.

The basic remuneration is reviewed regularly and adjusted if necessary.

VARIABLE REMUNERATION

The variable remuneration comprises a bonus, which relates to business performance over the preceding two years, and, since 2010, a Long-Term Incentive (LTI) plan, which is based on the previous four fiscal years, subject to an introductory phase. Both components of variable remuneration are therefore calculated on a multiyear basis and reflect both positive and negative developments.

Bonus

The bonus rewards the positive business development of the Volkswagen Group. The basis for calculating the bonus is adjusted to reflect the positive business development in recent years in connection with the changes to Board of Management remuneration. The bonus is calculated on the basis of the average operating profit, including the share of the operating profit in China, over a period of two years. A significant change was the introduction of a calculation floor below which no bonus will be paid. This floor was set at €5.0 billion for 2012 and 2013. In addition, a cap for extraordinary developments is explicitly provided for by limiting the maximum theoretical bonus. The theoretical cap for 2012 and 2013 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.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2012 (PRIOR-YEAR FIGURES IN BRACKETS)*

		BONUS				
€	Fixed remuneration	Special remuneration	Individual performance-related bonus	LTI	LTI additional payment 2010	Total
Martin Winterkorn	1,916,276	5,770,000	2,885,000	3,940,000	–	**14,511,276**
	(1,886,206)	(11,040,000)		(3,670,000)	(860,000)	**(17,456,206)**
Francisco Javier Garcia Sanz	1,102,278	2,150,000	860,000	1,750,000	–	**5,862,278**
	(1,093,154)	(4,600,000)		(1,630,000)	(380,000)	**(7,703,154)**
Jochem Heizmann	1,100,204	2,150,000	645,000	1,750,000	–	**5,645,204**
	(1,101,878)	(4,100,000)		(1,630,000)	(380,000)	**(7,211,878)**
Christian Klingler	999,756	2,150,000	860,000	1,750,000	–	**5,759,756**
	(964,336)	(4,600,000)		(1,630,000)	(380,000)	**(7,574,336)**
Michael Macht	995,277	2,150,000	430,000	1,750,000	–	**5,325,277**
	(958,878)	(4,600,000)		(1,630,000)	(95,000)	**(7,283,878)**
Horst Neumann	1,062,771	2,150,000	860,000	1,750,000	–	**5,822,771**
	(1,042,151)	(4,600,000)		(1,630,000)	(380,000)	**(7,652,151)**
Leif Östling	319,952	716,667	215,000	583,333	–	**1,834,952**
	–	–		–	–	**–**
Hans Dieter Pötsch	1,025,047	2,150,000	1,075,000	1,750,000	–	**6,000,047**
	(1,015,613)	(5,100,000)		(1,630,000)	(380,000)	**(8,125,613)**
Rupert Stadler	984,782	2,150,000	860,000	1,750,000	–	**5,744,782**
	(969,273)	(4,600,000)		(1,630,000)	(380,000)	**(7,579,273)**
Total	**9,506,343**	**21,536,667**	**8,690,000**	**16,773,333**	**–**	**56,506,343**
	(9,031,491)	**(43,240,000)**		**(15,080,000)**	**(3,235,000)**	**(70,586,491)**

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

Another material change relates to the Supervisory Board's ability to increase the theoretical 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. This can be adjusted by the Supervisory Board in the event of extraordinary individual performance by a member of the Board of Management that strengthens the Company's long-term growth. 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 existing Long-Term Incentive plan, which is still in the introductory phase, was not adjusted in connection with changes to the Board of Management remuneration. The amount of the LTI depends on the achievement of the targets laid down in the Strategy 2018. The target areas are:

- Top customer satisfaction, measured using the Customer Satisfaction Index,
- Top 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 215 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.

Each fiscal year, the Supervisory Board can set a new LTI target on the basis of the four-year average of the overall indices. During the reporting period, the LTI target was €2.25 million for the Chairman of the Board of Management and €1.0 million for each of the other members of the Board of Management. The maximum amounts payable to the Chairman of the Board of Management and the other members are €4.5 million and €2.0 million each respectively.

The LTI was calculated and paid to the Board of Management for the first time in 2011 for fiscal year 2010 using an introductory scenario and on the basis of the likely performance for 2011. The performance for fiscal years 2010 and 2011 was reflected in the calculation in 2012, and the performance for 2010 to 2012 will be reflected in the calculation in 2013. From 2014 onwards, the previous four years will be used as a basis for analysis.

The Supervisory Board may cap the total of variable remuneration components in the event of extraordinary business developments.

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 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 widows' pension of 66 2/3% and orphans' benefits of 20% of the former member of the Board of Management's pension.

There were no changes to existing contracts in fiscal year 2012.

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 fixed basic salary, which accounts for most of the fixed individual remuneration of the Board of Management shown in the table on page 138. 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 Executive Committee of 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 56% of their fixed basic salaries as of the end of 2012.

Mr. Östling has a pension entitlement based on the deferred compensation regulations 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, 2012 the pension obligations for members of the Board of Management in accordance with IAS 19 amounted to €103,535,287 (previous year: €78,627,844); €7,870,299 (previous year: €7,945,505) was added to the provision in the reporting period in accordance with IAS 19. Other benefits such as surviving dependents' pension 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 €75,445,501 (previous year: 71,818,192); €3,627,309 (previous year: €16,970,145) 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 €8,797,230 in 2012 (previous year: €8,618,915). Obligations for pensions for this group of persons measured in accordance with IAS 19 amounted to €146,501,307 (previous year: €109,452,277), or €122,324,853 (previous year: €104,212,838) measured in accordance with German GAAP.

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 (cap on severance payments). 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.

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 their membership of the Board of Management is terminated 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 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.

PENSIONS OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2012 (PRIOR-YEAR FIGURES IN BRACKETS)[1]

€	Additions to pension provisions	Present value at December 31[2]
Martin Winterkorn	904,811	22,835,450
	(875,002)	(19,669,807)
Francisco Javier Garcia Sanz	842,801	11,579,920
	(724,514)	(8,453,909)
Jochem Heizmann	1,303,902	12,637,000
	(1,130,354)	(9,515,593)
Christian Klingler	583,862	2,961,689
	(470,933)	(1,522,411)
Michael Macht	836,249	10,029,668
	(698,942)	(6,703,362)
Horst Neumann	694,357	18,244,557
	(2,040,977)	(15,094,711)
Leif Östling	353,925	354,065
	–	–
Hans Dieter Pötsch	1,699,477	14,775,553
	(1,460,569)	(10,831,395)
Rupert Stadler	650,915	10,117,385
	(544,214)	(6,836,656)
Total	**7,870,299**	**103,535,287**
	(7,945,505)	**(78,627,844)**

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 contained 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. In fiscal year 2012, the members of the Supervisory Board received €8,777,511 (previous year: €7,376,151). €651,625 of this figure (previous year: €380,521) related to the fixed remuneration components (including attendance fees) and €8,125,886 (previous year: €6,995,630) to the variable remuneration components.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD[1]

€	FIXED	VARIABLE	TOTAL 2012	TOTAL 2011
Ferdinand K. Piëch	179,500	928,600	1,108,100	850,222
Berthold Huber[2]	36,000	647,133	683,133	589,000
Hussain Ali Al-Abdulla	9,000	279,167	288,167	248,500
Jassim Al Kuwari	10,000	279,167	289,167	163,642
Jörg Bode[3]	14,175	380,365	394,540	370,250
Annika Falkengren	14,096	376,681	390,777	163,642
Michael Frenzel (until April 19, 2012)	3,713	126,207	129,919	371,250
Uwe Fritsch (since April 19, 2012)[2]	8,192	195,029	203,221	–
Babette Fröhlich[2]	15,000	418,750	433,750	371,250
Peter Jacobs (until April 19, 2012)[2]	3,808	84,138	87,946	249,500
David McAllister[3]	15,000	418,750	433,750	371,250
Hartmut Meine[2]	12,000	279,167	291,167	249,500
Peter Mosch[2]	25,500	345,767	371,267	322,000
Bernd Osterloh[2]	15,000	418,750	433,750	371,250
Hans Michel Piëch	67,000	323,567	390,567	298,500
Ursula Piëch (since April 19, 2012)	8,192	195,029	203,221	–
Ferdinand Oliver Porsche	62,500	624,933	687,433	565,500
Wolfgang Porsche	100,775	447,240	548,015	369,250
Wolfgang Ritmeier	12,000	279,167	291,167	249,500
Jürgen Stumpf[2]	13,175	380,365	393,540	371,250
Bernd Wehlauer[2]	15,000	418,750	433,750	371,250
Thomas Zwiebler[2]	12,000	279,167	291,167	249,500
Supervisory Board members who retired in the prior year	–	–	–	210,144
Total	**651,625**	**8,125,886**	**8,777,511**	**7,376,151**

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.

Structure and Business Activities
(Part of the Management Report)

This chapter describes the legal and organizational structure of the Volkswagen Group and explains the material changes in 2012 with respect to equity investments. This is followed by the disclosures relating to takeover law in accordance with sections 289(4) and 315(4) of the HGB.

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 Volkswagen brand passenger cars and light commercial vehicles. In its function as parent company, Volkswagen AG holds direct and indirect interests in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Scania AB, MAN SE, Dr. Ing. h.c. F. Porsche AG, Volkswagen Financial Services AG and numerous 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.

Information on the remuneration structure for the Board of Management and the Supervisory Board can be found in the Remuneration Report on pages 137 to 142, in the notes to the consolidated financial statements of Volkswagen AG on page 350 and on page 42 of the notes to the annual financial statements of Volkswagen AG.

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

ORGANIZATIONAL STRUCTURE OF 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 Board members, the chairmen of the larger brands and selected top managers with Group management functions. Each brand in the Volkswagen Group is managed by a 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. 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

Effective June 6, 2012, Volkswagen increased its share of voting rights in MAN SE, Munich, to 75.03%, thus strengthening the alliance between MAN, Scania and Volkswagen Commercial Vehicles. MAN will continue to operate its business in the Volkswagen Group, while maintaining its brand-specific characteristics and business fields.

As of July 19, 2012, the Volkswagen Group acquired 100% of the voting rights of motorcycle manufacturer Ducati Motor Holding S.p.A., Bologna, Italy, against payment of a purchase price of €747 million, via Automobili Lamborghini S.p.A., Sant'Agata Bolognese, Italy, a subsidiary of AUDI AG. The acquisition of Ducati – a leading international manufacturer of premium motorcycles with extensive expertise in high-performance engines and lightweight construction – has seen the Group move into the growth market for high-quality motorcycles.

The integrated automotive group with Porsche was created on August 1, 2012 with the contribution in full of Dr. Ing. h.c. F. Porsche AG (Porsche AG) to the Volkswagen Group. The accelerated integration allows the implementation of Volkswagen AG's and Porsche AG's joint strategy to go ahead sooner. Porsche will be integrated under Volkswagen's multibrand strategy, retaining its own identity and operational independence.

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, but that also include tax, company, commercial and capital market law, as well as labor, banking, state aid, energy and insurance regulations.

DISCLOSURES REQUIRED UNDER TAKEOVER LAW

The disclosures required under takeover law as specified by sections 289(4) and 315(4) of the HGB are presented in the following.

Capital structure

On December 31, 2012, the share capital of Volkswagen AG amounted to €1,190,995,445.76 (previous year: €1,190,995,443.20); it was composed of 295,089,818 ordinary shares and 170,142,778 preferred shares. This includes the one new ordinary bearer share issued in the reporting period as part of the creation of the integrated automotive group with Porsche (see also page 262). Each share conveys a notional interest of €2.56 in the share capital.

In November 2012, Volkswagen successfully placed a mandatory convertible note in the amount of €2.5 billion via a subsidiary, which entitles and obliges holders to subscribe for Volkswagen preferred shares. The minimum and maximum conversion prices were initially set at €154.50 and €185.40 respectively; this represents a maximum conversion premium of 20% (see also pages 169 and 172).

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)), in 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 at the Annual General Meeting with the approval of the Special Meeting of Preferred Shareholders if 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, authorizations to purchase treasury shares and, if required, the conduct of a special audit; it also resolves 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 preferred shareholders 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 (section 4(3) of the VW-Gesetz). The European Commission brought an action against Volkswagen at the European Court of Justice because it is of the opinion that this majority requirement does not comply with the Treaty on the Functioning of the European Union (TFEU, formerly the EU Treaty).

In accordance with the Volkswagen AG Articles of Association (Article 11(1) of the Articles of Association), 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 percent 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, again notwithstanding the provisions of the VW-Gesetz, require a majority of more than 80 percent of the share capital of the Company represented when the resolution is adopted (Article 25(2) of the Articles of Association). The European Commission also considers this provision of the Articles of Association to be incompatible with the TFEU and brought an action against Volkswagen at the European Court of Justice in connection with this.

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 on pages 342 to 349 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 (German Codetermination Act). A total of seven of these employee representatives are Company employees elected by the workforce; the other three employee representatives are representatives of the trade unions elected by the workforce.

The Chairman of the Supervisory Board is generally a shareholder representative on the Supervisory Board. In the event of an equality of votes in the Supervisory Board, he has a casting vote in accordance with the Mitbestimmungsgesetz.

Information about the composition of the Supervisory Board can be found on pages 148 to 150 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, whereby 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 (see also the information on the European Commission's opinion on the compatibility of these provisions with the TFEU on this page).

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 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 exercised in August 2012 with the issuance of one new ordinary bearer share with a notional value of €2.56 as part of the creation of the integrated automotive group with Porsche. Additionally, the Board of Management is authorized to increase the share capital by up to a total of €179.4 million on one or more occasions up to December 2, 2014 by issuing new nonvoting preferred shares against cash contributions. 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 with the issuance of a mandatory convertible note in the amount of €2.5 billion. 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 308.

Opportunities to acquire treasury shares are governed by section 71 of the AktG. At the Annual General Meeting on April 19, 2012, the Board of Management was most recently authorized to acquire treasury shares up to a maximum of 10% of the share capital. 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 approximately €5.0 billion that runs until July 2017, with the option to extend this by another year.

The syndicate members have the right to call their portion of the syndicated credit line if Volkswagen AG is merged with a third party or 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 19.89% stake in Suzuki.

Executive Bodies

(Part of the Notes to the Consolidated Financial Statements)

Members of the Board of Management and their Appointments

APPOINTMENTS: AS OF DECEMBER 31, 2012

**PROF. DR. DR. H.C. MULT.
MARTIN WINTERKORN (65)**
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
○ Salzgitter AG, Salzgitter

**DR. RER. POL. H.C.
FRANCISCO JAVIER
GARCIA SANZ (55)**
Procurement
July 1, 2001*
Appointments:
○ Hochtief AG, Essen
⊙ Criteria CaixaHolding S.A., Barcelona

**PROF. DR. RER. POL. DR.-ING. E.H.
JOCHEM HEIZMANN (61)**
China
January 11, 2007*
Appointments:
○ Lufthansa Technik AG, Hamburg
⊙ OBO Bettermann GmbH, Menden

CHRISTIAN KLINGLER (44)
Sales and Marketing
January 1, 2010*
Appointments:
⊙ Messe Frankfurt GmbH, Frankfurt am Main

DR.-ING. E.H. MICHAEL MACHT (52)
Production
October 1, 2010*

**PROF. DR. RER. POL.
HORST NEUMANN (63)**
Human Resources and Organization
December 1, 2005*
Appointments:
○ Wolfsburg AG, Wolfsburg

DR. H.C. LEIF ÖSTLING (67)
Commercial Vehicles
September 1, 2012*
Appointments:
⊙ AB SKF, Gothenburg
⊙ ISS A/S, Copenhagen

HANS DIETER PÖTSCH (61)
Finance and Controlling
January 1, 2003*
Chief Financial Officer of
Porsche Automobil Holding SE
November 25, 2009*
Appointments:
○ Bertelsmann SE & Co. KGaA, Gütersloh

PROF. RUPERT STADLER (49)
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.

* The date signifies the beginning or period of membership of the Board of Management.

Members of the Supervisory Board and their Appointments

APPOINTMENTS: AS OF DECEMBER 31, 2012

HON.-PROF. DR. TECHN. H.C.
DIPL.-ING. ETH
FERDINAND K. PIËCH (75)
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 Gesellschaft m.b.H., Salzburg
⦿ Porsche Holding Gesellschaft m.b.H., Salzburg
⦿ Porsche Piech Holding GmbH, Salzburg
⦿ Scania AB, Södertälje
⦿ Scania CV AB, Södertälje

BERTHOLD HUBER (62)
Deputy Chairman
First Chairman of IG Metall
May 25, 2010*
Appointments:
○ AUDI AG, Ingolstadt (Deputy Chairman)
○ Porsche Automobil Holding SE, Stuttgart
○ Siemens AG, Munich (Deputy Chairman)

DR. JUR. KLAUS LIESEN (81)
July 2, 1987 – May 3, 2006*
Honorary Chairman of the Supervisory Board of Volkswagen AG (since May 3, 2006)

DR. HUSSAIN ALI AL-ABDULLA (56)
Vice Chairman of Qatar Holding LLC
April 22, 2010*
Appointments:
⦿ Gulf Investment Corporation, Safat/Kuwait
⦿ Masraf Al Rayan, Doha (Chairman)
⦿ Qatar Airways, Doha
⦿ Qatar Exchange, Doha (Chairman)
⦿ Qatar Holding, Doha (Deputy Chairman)
⦿ Qatar Investment Authority, Doha

KHALIFA JASSIM AL-KUWARI (36)
Adviser to the CEO of Qatar Holding LLC
May 3, 2011*
Appointments:
⦿ Islamic Bank of Britain, London (Chairman)
⦿ Katara Hospitality, Doha
⦿ Mowasalat (Karwa), Doha
⦿ Qatar Exchange, Doha
⦿ Songbird Estates plc, London

JÖRG BODE (42)
Minister of Economic Affairs, Labor and Transport for the Federal State of Lower Saxony
November 4, 2009*
Appointments:
○ Deutsche Messe AG, Hanover

JÜRGEN DORN (46)
Chairman of the Group Works Council of MAN SE
January 1, 2013*
Appointments (as of January 31, 2013):
○ MAN SE, Munich
○ MAN Truck & Bus AG, Munich (Deputy Chairman)

ANNIKA FALKENGREN (50)
President and Group Chief Executive of Skandinaviska Enskilda Banken AB
May 3, 2011*
Appointments:
○ Münchener Rückversicherungs-Gesellschaft AG, Munich
⦿ Securitas AB, Stockholm

DR. JUR. HANS-PETER FISCHER (53)
Chairman of the Board of Management of Volkswagen Management Association (since January 1, 2013)
January 1, 2013*
Appointments (as of January 31, 2013):
⦿ Volkswagen Pension Trust e.V., Wolfsburg

DR. JUR. MICHAEL FRENZEL (65)
June 7, 2001 – April 19, 2012*

UWE FRITSCH (56)
Chairman of the Works Council at the Volkswagen AG Braunschweig plant
April 19, 2012*
Appointments:
⦿ Eintracht Braunschweig GmbH & Co KGaA, Braunschweig
⦿ Eintracht Braunschweig Management GmbH, Braunschweig
⦿ Phantoms Basketball Braunschweig GmbH, Braunschweig
⦿ Volkswagen Coaching GmbH, Wolfsburg

○ Membership of statutory supervisory boards in Germany.
● Group appointments to statutory supervisory boards.
⦿ Comparable appointments in Germany and abroad.

* The date signifies the beginning or period of membership of the Supervisory Board.

BABETTE FRÖHLICH (47)
IG Metall,
Department head for coordination of Executive Board duties and planning
October 25, 2007*
Appointments:
○ MTU Aero Engines Holding AG, Munich

PETER JACOBS (55)
April 19, 2007 – April 19, 2012*

DAVID MCALLISTER (42)
Minister-President of the Federal State of Lower Saxony
July 1, 2010*

HARTMUT MEINE (60)
Director of the Lower Saxony and Saxony-Anhalt Regional Office of IG Metall
December 30, 2008*
Appointments:
○ Continental AG, Hanover
○ KME Germany GmbH & Co KG, Osnabrück

PETER MOSCH (41)
Chairman of the General Works Council of AUDI AG
January 18, 2006*
Appointments:
○ AUDI AG, Ingolstadt
○ Porsche Automobil Holding SE, Stuttgart

BERND OSTERLOH (56)
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
⊙ Porsche Holding Gesellschaft m.b.H., Salzburg
⊙ Projekt Region Braunschweig GmbH, Braunschweig
⊙ VfL Wolfsburg-Fußball GmbH, Wolfsburg
⊙ Volkswagen Coaching GmbH, Wolfsburg

DR. JUR. HANS MICHEL PIËCH (71)
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 Gesellschaft m.b.H., Salzburg (Chairman)
⊙ Porsche Holding Gesellschaft m.b.H., Salzburg
⊙ Porsche Ibérica S.A., Madrid
⊙ Porsche Italia S.p.A., Padua
⊙ Porsche Piech Holding GmbH, Salzburg (Chairman)
⊙ Schmittenhöhebahn AG, Zell am See
⊙ Volksoper Wien GmbH, Vienna

URSULA PIËCH (56)
Kindergarten teacher with additional qualifications in Business and Law
April 19, 2012*

DR. JUR. FERDINAND OLIVER PORSCHE (51)
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, Bietigheim-Bissingen
⊙ Voith GmbH, Heidenheim

DR. RER. COMM. WOLFGANG PORSCHE (69)
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 Gesellschaft m.b.H., Salzburg (Deputy Chairman)
⊙ Porsche Holding Gesellschaft m.b.H., Salzburg
⊙ Porsche Ibérica S.A., Madrid
⊙ Porsche Italia S.p.A., Padua
⊙ Porsche Piech Holding GmbH, Salzburg (Deputy Chairman)
⊙ Schmittenhöhebahn AG, Zell am See

WOLFGANG RITMEIER (64)
Chairman of the Board of Management of Volkswagen Management Association (until December 31, 2012)
April 19, 2007 – December 31, 2012*
Appointments:
⊙ Volkswagen Pension Trust e.V., Wolfsburg

JÜRGEN STUMPF (58)
Chairman of the Work Council at the Volkswagen AG Kassel plant (until November 14, 2012)
January 1, 2005 – December 31, 2012*

BERND WEHLAUER (58)
Deputy Chairman of the General and Group Works Councils of Volkswagen AG (until December 10, 2012)
September 1, 2005 – December 31, 2012*
Appointments:
○ Wolfsburg AG, Wolfsburg
⊙ Sitech Sitztechnik GmbH, Wolfsburg
⊙ Volkswagen Immobilien GmbH, Wolfsburg
⊙ Volkswagen Pension Trust e.V., Wolfsburg

STEPHAN WOLF (46)
Deputy Chairman of the General Works Council of Volkswagen AG (since December 10, 2012)
January 1, 2013*
Appointments (as of January 31, 2013):
○ Wolfsburg AG, Wolfsburg
⊙ Sitech Sitztechnik GmbH, Wolfsburg
⊙ Volkswagen Pension Trust e.V., Wolfsburg

THOMAS ZWIEBLER (47)
Chairman of the Works Council Volkswagen Commercial Vehicles
May 15, 2010*

COMMITTEES OF THE SUPERVISORY BOARD
As of December 31, 2012

Members of the Executive Committee
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Berthold Huber (Deputy Chairman)
David McAllister
Bernd Osterloh
Dr. Wolfgang Porsche
Bernd Wehlauer (until December 31, 2012)
Stephan Wolf (since January 25, 2013)

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)
David McAllister
Bernd Osterloh

Members of the Audit Committee
Dr. Ferdinand Oliver Porsche (Chairman)
Bernd Wehlauer (Deputy Chairman, until December 31, 2012)
Babette Fröhlich
Dr. jur. Michael Frenzel (until April 19, 2012)
Annika Falkengren (since April 19, 2012)
Peter Mosch (Deputy Chairman, since January 25, 2013)

Members of the Nomination Committee
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
David McAllister
Dr. Wolfgang Porsche

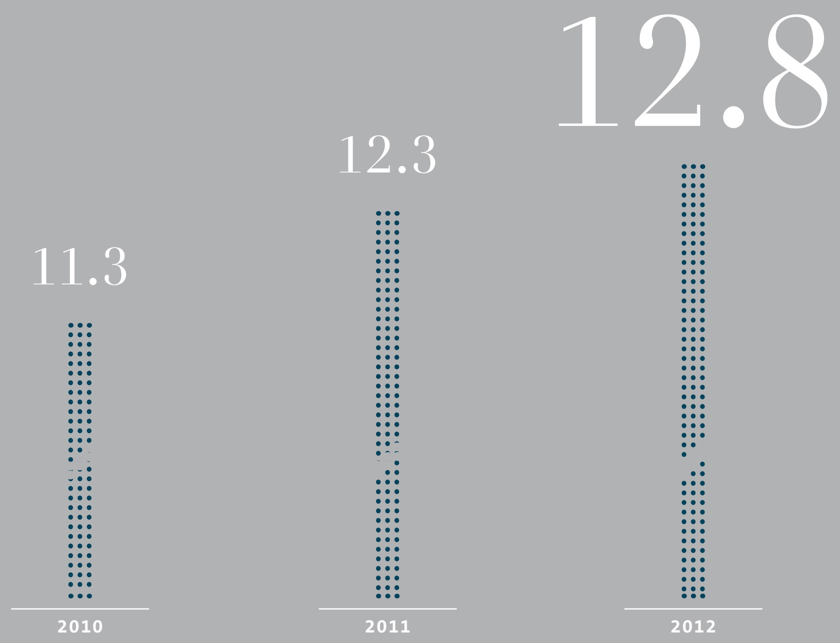
Members of the Committee for Major Shareholder Business Relationships
(until September 21, 2012)
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Berthold Huber (Deputy Chairman)
Jörg Bode
Dr. Michael Frenzel (until April 19, 2012)
Bernd Osterloh
Dr. Wolfgang Porsche
Jürgen Stumpf
Bernd Wehlauer

Members of the Integrated Automotive Group Committee
(until September 21, 2012)
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Bernd Osterloh (Deputy Chairman)
David McAllister
Bernd Wehlauer

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

* The date signifies the beginning or period of membership of the Supervisory Board.

Management Report



THE VOLKSWAGEN GROUP'S SHARE OF THE GLOBAL PASSENGER CAR MARKET (as percent)

The Volkswagen Group again lifted vehicle deliveries year-on-year in the reporting period despite the challenging market environment, expanding its strong position in the global markets; its share of the passenger car market increased from 12.3% to 12.8%.

MANAGEMENT REPORT

Business Development
Volkswagen Group delivers more than nine million vehicles for the first time

The global economic climate deteriorated significantly in fiscal year 2012. This had a clearly negative impact on parts of the automotive industry. In spite of this, the Volkswagen Group further strengthened its market position: for the first time, the number of vehicles delivered to customers passed the nine million mark. This corresponds to an increase of 12.2% compared with the previous year.

GLOBAL ECONOMY LOSES MOMENTUM

During the reporting period, the global economy registered slower growth than in the previous year. Industrialized nations achieved only low levels of growth as a result of structural obstacles, particularly due to the overburdened budgets of some countries. Emerging market economies continued to perform better than average, but growth rates were still lower. Inflation was moderate despite the expansionary monetary policies of many central banks. The global economy expanded by 2.6% in 2012, down from 3.0% in the previous year.

Europe/Remaining markets

In Western Europe, GDP declined by an average of 0.2% compared with a 1.5% rise in the previous year. A few northern European countries joined the southern European EU countries in recording negative growth rates. The overall unemployment rate in Europe rose to 11.8% (previous year: 10.6%), but the figure in Greece, Ireland, Portugal and Spain was much higher than this average. Average GDP growth in Central and Eastern Europe declined to 2.5% (previous year: 4.8%).

The South African economy grew by 2.5% (previous year: 3.5%), but unemployment remained at a high level.

Germany

The weaker global economy and ongoing eurozone crisis meant that Germany's rate of economic expansion in the year under review also fell short of the prior-year figure. The positive labor market trend continued in 2012 and the ensuing rise in incomes stimulated private consumption and stabilized the economy. Nevertheless, the German economy grew by an average of just 0.9% during the year (previous year: 3.1%).

North America

The US economy recorded growth of 2.2% in 2012 compared with 1.8% in the previous year. Unemployment declined only slightly in spite of the continued extremely expansionary monetary policy. The US dollar was volatile against the euro during the period, but ended the year at roughly its starting level. Canada's GDP rose by 2.0% (previous year: 2.6%) and the Mexican economy expanded by 3.8% (previous year: 3.9%).

South America

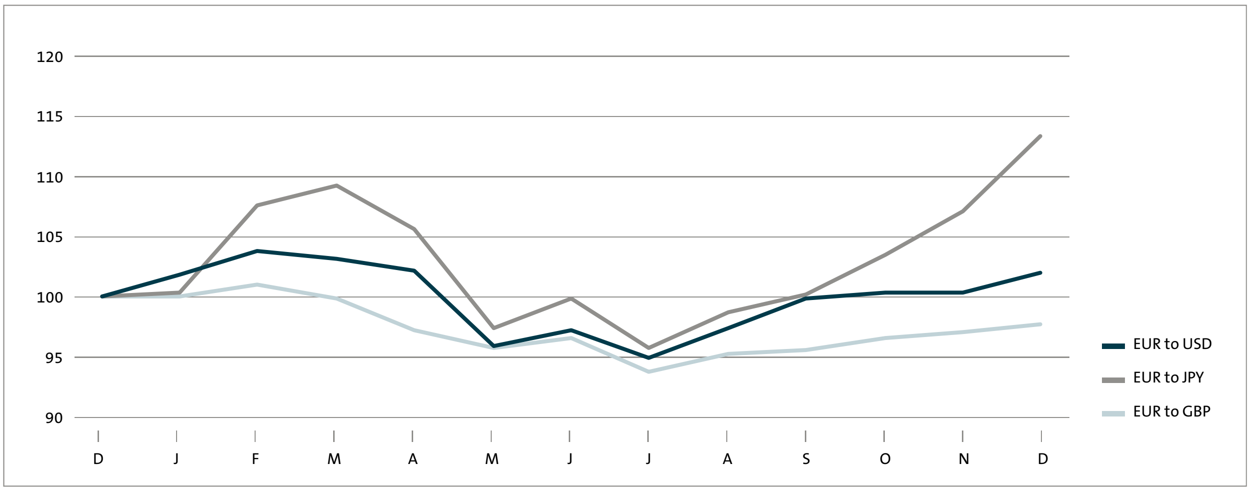
GDP growth declined to 1.0% in Brazil (previous year: 2.7%), and dropped sharply in Argentina to 1.7% (previous year: 8.9%). Brazil saw a slight decline in inflation, while Argentina's inflation rate remained extremely elevated.

Asia-Pacific

Asia's emerging economies continued to register very positive, albeit less dynamic, growth in 2012. At 7.8%, China's economic growth was slower than in the previous year (9.3%), but was still above the central government's target rate of 7.5%. The Indian economy expanded by 5.1% (previous year: 6.9%). The Japanese economy expanded by 2.0% (previous year: –0.5%), as it recovered from the natural disasters in 2011.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2011 TO DECEMBER 2012

Index based on month-end prices: December 31, 2011 = 100



DEMAND FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES REACHES NEW RECORD HIGH

Global passenger car sales rose by 7.2% to 66.6 million vehicles in 2012, exceeding the previous record achieved in 2011. All regions contributed to this success, with the exception of Western Europe. In particular, double-digit growth rates in the markets of North America and in the Asia-Pacific region bolstered this development. Demand in South America reached an all-time high. New vehicle sales also rose in Central and Eastern Europe, but did not reach the levels seen in 2007 and 2008. South Africa continued the upward trend of the past two years. Global passenger car production rose by 6.0% to 70.5 million units in the reporting period.

Sector-specific environment

The established passenger car markets turned in a mixed performance in fiscal year 2012. While some industrialized countries were negatively affected by the debt crisis and its repercussions, others – including Germany – profited from the still robust demand in some growth markets in the first half of the year.

The extensive development of the major markets in China and Brazil, the expansion of activities in India and the ability to meet demand in Russia are becoming increasingly important for the automotive industry.

Many Asian and African markets are showing signs of further easing in trade. However, it cannot be ruled out that these countries will fall back on protectionist measures in the event of another global economic slump.

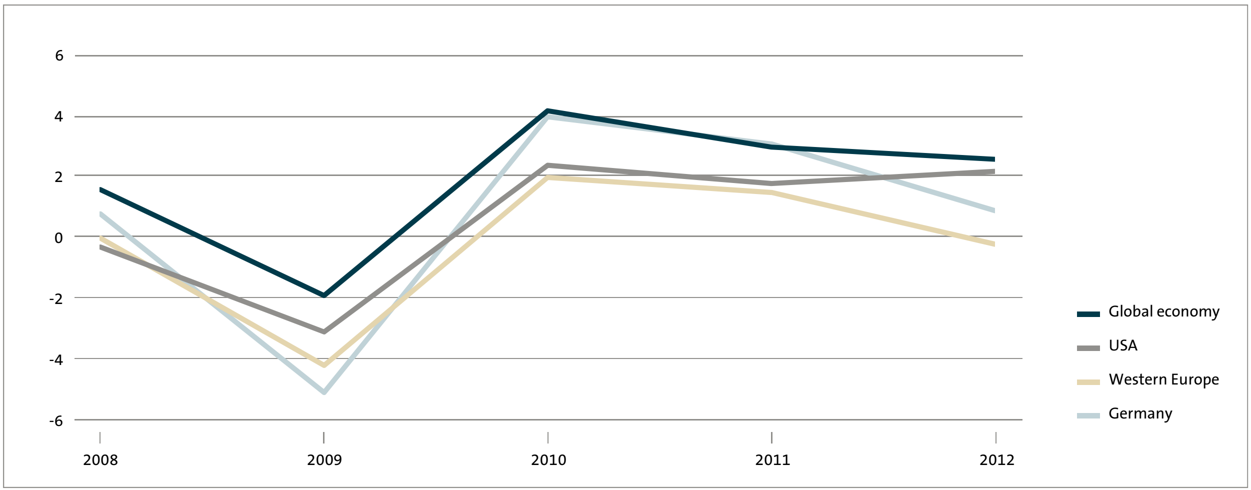
Europe/Remaining markets

As expected, new passenger car registrations in Western Europe declined year-on-year to 11.7 million vehicles (–8.2%), the lowest overall market volume recorded since 1993. The sharp market declines, particularly in the Southern European markets, were mainly attributable to the effects of the sovereign debt crisis, the weak state of the economy, rising unemployment and the ensuing uncertainty among market participants. Demand slumped in the volume markets of Italy (–19.9%), France (–14.1%) and Spain (–13.4%). By contrast, in the United Kingdom, high demand from private customers led to market growth of 5.3%. At 54.9%, the market share of diesel vehicles (passenger cars) in Western Europe in 2012 nearly reached the previous year's record high.

The passenger car markets in Central and Eastern Europe continued their recovery in the reporting period, with an increase of 5.9% to 3.9 million units. As in the previous two years, the main growth driver was the Russian market, where vehicle sales fell only slightly short of the record level seen in 2008, rising 10.9% to 2.7 million units. After the government support measures came to an end, the main beneficiaries were foreign suppliers with Russian production facilities. At 0.7 million passenger cars, the Central European EU states recorded a lower market volume (–3.7%). The passenger car markets developed positively in Hungary (+6.7%), the Baltic States (+2.4%), Slovakia (+2.0%) and the Czech Republic (+0.4%). By contrast, new passenger car registrations were down in part significantly year-on-year in Romania (–25.6%), Slovenia (–16.8%), Bulgaria (–4.3%) and Poland (–0.4%).

ECONOMIC GROWTH

Percentage change in GDP



In Turkey, vehicle sales declined to 549 thousand (–7.4%) in 2012, largely due to weaker demand in the first half of the year.

New registrations in the South African market rose 11.0% to 443 thousand units in the reporting period. This trend was positively impacted by better financing options.

Germany

In Germany, new passenger car registrations were down slightly year-on-year. The 2.9% decline to 3.1 million vehicles is entirely attributable to buyer reluctance among private customers. The rising uncertainty about global economic developments affected demand in the second half of the year, in particular. The market volume for light commercial vehicles also failed to reach the previous year's level. Overall, new registrations declined by 6.2% to 226 thousand vehicles. The 2012 domestic production and export figures were also lower than in the prior-year period. Passenger car production declined by 3.7% to 5.4 million vehicles, while passenger car exports decreased by 2.6% to 4.1 million units. This was mainly due to substantially lower exports to the eurozone as a result of the ongoing recessionary trends.

North America

In the North American market, demand for passenger cars and light commercial vehicles (up to 6.35 tonnes) rose sharply in the reporting period. The 12.4% increase to 17.2 million units led to the best sales figures for the past five years. In the USA, sales rose by 13.4% to 14.5 million vehicles, largely due to higher replacement demand and favorable lending conditions. The US market registered the highest absolute increases in unit sales worldwide in 2012, but was still well below the pre-crisis levels achieved in 2007. In Canada, the overall market volume was higher than in the previous year, up 5.7% to 1.7 million vehicles in the reporting period. The Mexican market recorded 10.4% growth in new registrations to approximately 1.0 million units.

South America

During the reporting period, demand for passenger cars in South America exceeded the previous all-time high recorded in 2011. In Brazil, new passenger car registrations rose 7.7% to 2.9 million vehicles. The new record figure is mainly attributable to a temporary tax cut. Only vehicles produced in Brazil benefited from this measure, so the contribution made by imports declined sharply in the second half of 2012. At 442 thousand units, Brazil's vehicle exports were much lower than in the previous year (–20.1%). This decline was mainly caused by the lower exports to Argentina.

In the Argentinian automotive market, demand was down 5.4% on the previous year's record, at 587 thousand units. This is primarily attributable to the import restrictions imposed by the Argentinian government to protect domestic industry, which made imports considerably more difficult and caused them to decline steeply.

Asia-Pacific

Alongside North America, the Asia-Pacific region was the main driver of global demand for cars in 2012. The number of new passenger car registrations in the region rose by 13.3% to an all-time high of 25.7 million vehicles. In China, the market volume amounted to 13.5 million passenger cars in 2012. The high growth rate of 9.3% was largely due to foreign brands.

Growth in the Indian passenger car market again accelerated in the reporting period, up 11.1% to 2.5 million vehicles. This new high was recorded despite high interest rates, rising fuel costs and weaker economic growth than in the previous year. The Indian automotive industry benefited in particular from the much wider range of diesel models on offer.

The Japanese passenger car market recorded a particularly large increase in new registrations, which rose 29.5% to 4.6 million vehicles. The positive development is attributable in particular to the previous year's weak overall market as a consequence of the natural disasters, as well as government subsidy programs for energy efficient vehicles.

DEMAND FOR TRUCKS DECLINES, BUSES EXCEED PRIOR-YEAR FIGURE

As industrial goods, commercial vehicles are influenced by the general economic environment, which means that the market is highly cyclical. Although volumes are significantly lower, the complexity of the trucks and buses range even exceeds that of passenger cars, since they are produced in accordance with the customers' requirements. The priorities for commercial vehicle customers are overall running costs, vehicle reliability and the service provided.

In fiscal year 2012, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes declined overall. A total of 2.5 million vehicles were sold worldwide, representing a decrease of 8.9%. The growth markets of China, Brazil and India fell significantly short of the previous year's level in some areas due to the general economic and regulatory conditions. In Europe, the continuing sovereign debt crisis and weak economic situation negatively impacted demand for trucks and buses. In contrast to the global trend, sales in the USA and Russia were up significantly year-on-year.

In Western Europe, vehicle sales declined by 10.1% to a total of 236 thousand units due to the uncertainty caused by the sovereign debt crisis and the weak state of the economy.

Central and Eastern Europe recorded extremely high growth in the mid-sized and heavy trucks segments. A total of 175 thousand new vehicles were sold in the reporting period, surpassing the prior-year figure by 23.9%. The strong economic situation in Russia, the largest market in Eastern Europe, led to a 23.3% rise in demand. However, the market there slowed down in the second half of the year after the introduction of a new recycling fee for vehicles.

The sales figures for mid-sized and heavy trucks in North America rose by 11.9% to 427 thousand units in 2012. Of this figure, 340 thousand vehicles were sold in the US market. Despite the economic uncertainty that took hold in the second half of the year and the ensuing decline in incoming orders, the truck market grew 10.9% year-on-year.

Vehicle sales in South America declined in 2012. At 183 thousand units, vehicle sales were down 18.0% on the previous year. Brazil, the continent's largest market, declined considerably compared with 2011 due to the introduction of the new Euro 5 emission standard and the weak economic performance. Truck sales recorded a 19.6% decline to 133 thousand vehicles.

With the exception of the Chinese market, the Asia-Pacific region almost matched the prior-year sales levels in fiscal year 2012. New registrations amounted to 533 thousand vehicles.

The world's largest truck market, China, significantly underperformed the previous year's figure in 2012 due to weaker economic growth, a slower rise in investments and lower consumer demand. A total of 916 thousand units were delivered, 22.0% fewer than in 2011.

In India, the high level of the previous year was not matched in 2012 due to the slowdown in economic growth. At 265 thousand units, sales of mid-sized and heavy trucks were 15.3% lower year-on-year.

In fiscal year 2012, the global market for buses recorded an increase against the previous year. Western Europe was the only region to see a decline in bus sales in 2012. By contrast, China, the world's largest bus market, registered significant growth mainly as a result of the rising demand for coaches.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

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

In the area of shipbuilding, the high, albeit declining number of deliveries further increased the excess capacities in the merchant fleet. The resulting decline in shipping rates combined with high operating and fuel costs led to lower orders for new merchant ships. Ongoing difficulties in ship financing exacerbated this trend. By contrast, orders for offshore and special ships remained buoyant. The special market for government vessels also performed well.

With moderate economic growth and global demand for energy still high, the market for decentralized diesel and gas engine power plants slowed down slightly in 2012, although growth remained relatively high. While there was a slowdown in the diesel and oil fired power plants market, as expected, orders for gas fired power plants increased, confirming the trend towards this type of power plant.

Orders for new compressors and turbines declined slightly due to the weaker economic growth. Although there was a high level of interest from customers, economic uncertainties and difficult financing conditions led to order placement delays.

Industrial facilities where turbomachinery, turbo gear units and slide bearings are used still have a significant investment requirement. Oil and gas investments remained high due to the rise in oil prices.

The development of offshore wind energy has fallen well short of expectations so far. Technical problems, particularly as regards transmission of power to the mainland, and difficult financing conditions have delayed the construction of new wind farms.

DEMAND FOR FINANCIAL SERVICES

Global demand for automotive-related financial services remained high in the reporting period. Customers are paying closer attention to the total cost of mobility and are increasingly deciding just to use a car, rather than actually buying one. In view of this, new mobility services such as car sharing are gaining in importance.

The European markets experienced higher demand for captive automotive-related financial services in 2012, despite a decline in new car sales. The close cooperation between vehicle manufacturers and their financial service providers, which produced attractive, customer-oriented campaigns, proved an effective growth driver.

The leasing sector in Germany continued to expand in both the commercial vehicle and passenger car segments in fiscal year 2012.

In North America, demand for financial services stabilized at a high level. In the USA, the market for financing and leasing was well diversified: demand for new vehicle financing from captive financial service providers was still high despite intense competition from noncaptive banks. Demand for financial services continued to rise in Mexico. This was mainly driven by the stable lending conditions and interest rates, as well as growing interest in modular mobility products.

The Brazilian market continued its growth trajectory in the reporting period, strengthened by an increase in retail lending. As in the previous year, the rise in individual mobility needs led to substantial sales growth of Consorcio, a lottery-style financing product. In Argentina, demand for automotive financial services increased amid the weaker economic growth.

The market for financial services in the Asia-Pacific region performed very well in 2012. In China, there is further potential to acquire new customers for automotive-related financing, as at the moment only around 15% of vehicle purchases are loan-financed. Higher domestic demand in Japan positively impacted financial services sales volumes. Demand for automotive financial services continued to rise in India.

NEW GROUP MODELS IN 2012

The Volkswagen Group selectively expanded its model portfolio in key segments in 2012. The first products based on the Modular Transverse Toolkit (MQB) were also introduced. This will form the basis for many other new models in the coming years. With the new Group brands, Porsche and Ducati, the Group's range now comprises around 280 passenger car, commercial vehicle and motorcycle models and their derivatives. The Group covers almost all key segments and body types, with offerings from small cars to super sports cars in the passenger car sector, and from small pickups to heavy trucks and buses in the commercial vehicles sector, as well as motorcycles. We will continue to resolutely move into open market segments that offer profitable opportunities for us.

The Volkswagen Passenger Cars brand premiered a large number of new vehicles in 2012. As the highest-volume Group model and one of the biggest-selling cars worldwide, the focal point was the new, seventh generation Golf, which is still setting new standards in the compact segment. We moved into key volume and niche segments with the four-door up! and the Passat Alltrack offroad estate model. The Polo GTI, the new Beetle Convertible and the upgrade to the CC further strengthened Volkswagen's brand image. Volkswagen took account of special customer and market requirements in key regions outside Europe through product upgrades and country-specific models. The biggest selling model in Brazil overall, the Gol, and its notchback derivative, the Voyage, were upgraded in 2012. In China, the compact notchback saloons Sagitar and New Lavida and the upgraded New Bora were launched. In addition, a successor to the Santana – the first Group model to be sold in China – was introduced after almost 30 years. Looking to the future, Volkswagen drove forward the electrification of its product range with the launch of the Jetta Hybrid – the Group's first hybrid model in the compact class. Another highlight was the eco-up!, the most economical gas-powered series-produced car, which generates just 79 g/km of CO_2.

The Audi brand put its technical and sporting expertise to the test in 2012 and again met its own high standards. In the premium compact segment, the popular Audi A3 was updated to be the first Group vehicle based on the MQB. Additional derivatives were launched in the form of the Audi A4 allroad, RS 4 Avant, A6 allroad quattro, S6 saloon and Avant, S7 Sportback and S8 models, which occupy different premium segments. Key volume models, including the Audi A4 saloon and Avant, the Audi Q5, and the versions of the Audi A4 and Audi A6 specially adapted with longer wheelbases for markets such as China, were upgraded or modernized. The Audi RS5 Coupé was also upgraded. The Audi brand demonstrated its growing electrical expertise with the launch of the Audi A6 hybrid and Audi A8 hybrid.

With the new Rapid, a locally produced version of which was launched on the Indian market in 2011, the ŠKODA brand presented a compact notchback saloon, specially designed for international growth markets like China and Russia, as well as price-sensitive customer segments in Europe. Like the up! at Volkswagen, the four-door Citigo supplements the offering in the expanding small car segment.

Spanish brand SEAT updated the Leon – again based on the MQB. Its sporty appearance stands out in the compact, everyday hatchback segment. As a sister model to the ŠKODA Rapid, the Toledo will open up new market segments for SEAT. The upgrades of the high-volume Ibiza product family and the launch of the four-door version of the Mii small car were also significant.

New Group brand Porsche emphasized its dominance of the global premium and sports segment with its new models. The relaunch of the iconic 911 Carrera was a highlight. The updated Porsche Boxster and Porsche Boxster S roadsters with mid-mounted engines, now in their third generation, boast improved dimensions and significantly reduced weight and fuel consumption. With GTS versions of the Panamera and Cayenne, Porsche expanded its offering in these two ranges with particularly sporty derivatives.

The Group's luxury brands also introduced fascinating new models and derivatives in the market in the reporting period. Bentley debuted the V8-powered Continental GT and Continental GTC models, as well as the Continental GT Speed with a W12 engine. Lamborghini presented a new, even more striking design of its most successful super sports car ever, the Gallardo LP 560-4 as a Coupé and Spyder. Bugatti confirmed its unique position by launching the Veyron Grand Sport Vitesse, the fastest roadster of all time with a top speed of 431 km/h.

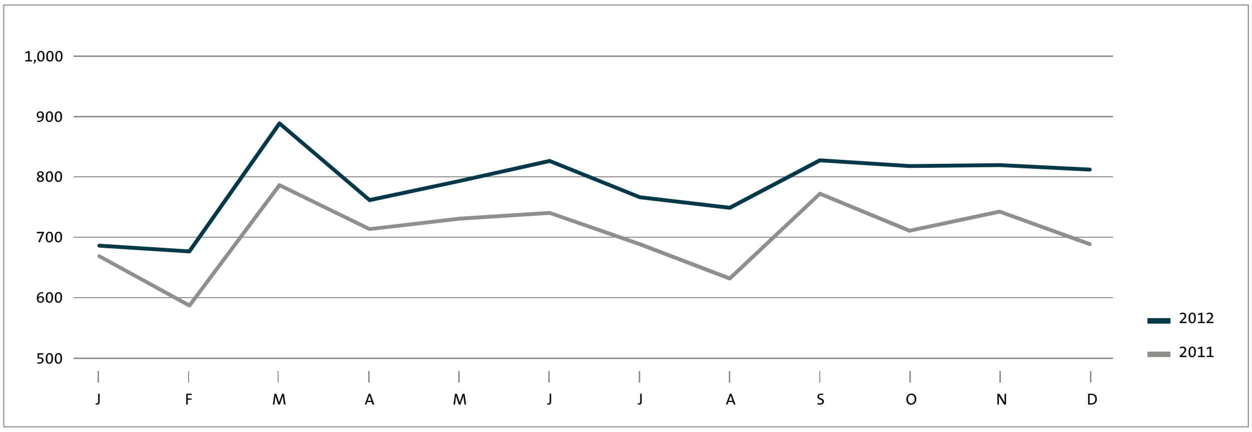
Volkswagen Commercial Vehicles introduced two new special models – the Caddy Edition 30 and the Multivan Edition 25 – and thus confirmed its decades-long dominance of the light commercial vehicles market. The California Edition Beach strengthened the brand's presence in the camper van market. Another fuel-efficient commercial vehicle was launched in the form of the BlueTDI Crafter panel van.

In 2012, the first Scania trucks whose engines meet the new Euro 6 emissions standard were registered.

MAN launched the new premium NEOPLAN Jetliner, which can be used as both a public service bus and coach.

VOLKSWAGEN GROUP DELIVERIES BY MONTH

Vehicles in thousands



VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered more than 9,275,909 vehicles to customers worldwide in 2012. This corresponds to an increase of 1,010,643 or 12.2% compared with the previous year. The chart on this page shows that the delivery figures were higher in all twelve months of the reporting period than in the same months of the previous year. Details for deliveries of passenger cars and light commercial vehicles, and of trucks and buses, are provided separately in the following.

VOLKSWAGEN GROUP DELIVERIES*

	2012	2011	%
Passenger cars and light commercial vehicles	9,074,283	8,160,408	+11.2
Trucks and buses	201,626	104,858	+92.3
Total	**9,275,909**	**8,265,266**	**+12.2**

* Deliveries for 2011 have been updated to reflect subsequent statistical trends.

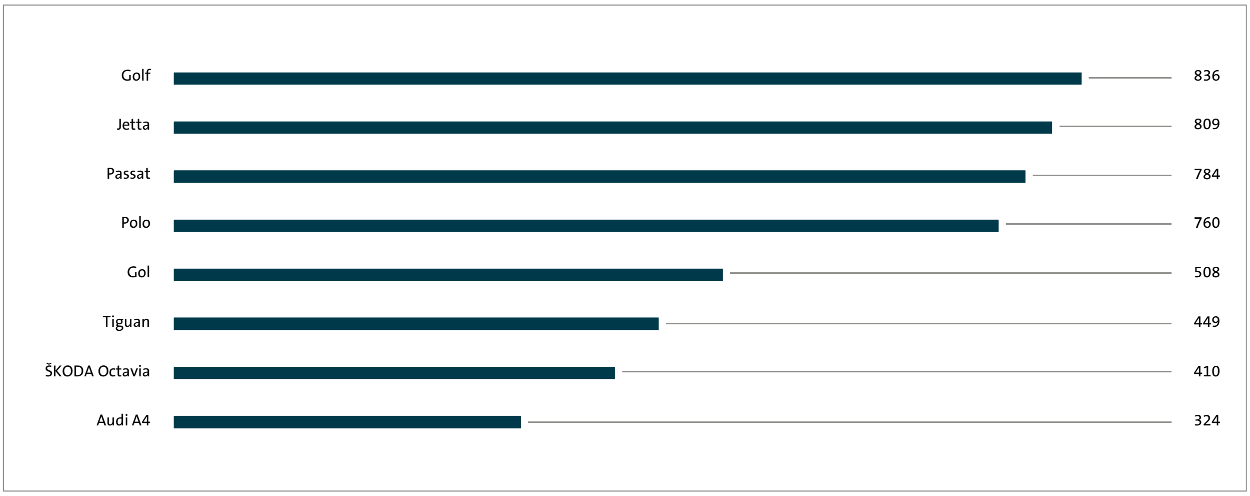
PASSENGER CAR AND LIGHT COMMERCIAL VEHICLE DELIVERIES

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

The Volkswagen Group delivered 9,074,283 passenger cars and light commercial vehicles to customers in 2012. Since August 1, 2012, these figures also include Porsche brand vehicles. The previous year's record figure was exceeded by 11.2%. With the exception of the SEAT brand, which was hit particularly hard by the difficult market conditions in Western Europe, and Bugatti, all Group brands surpassed their 2011 sales figures. Volkswagen Passenger Cars, Audi, ŠKODA and Volkswagen Commercial Vehicles all recorded their best ever delivery figures. Bentley and Lamborghini also registered strong growth rates. Demand for Volkswagen Group models was higher than in the prior-year period in virtually all markets outside Western Europe. The table on page 161 gives an overview of deliveries to customers in the different markets and of the respective passenger car market shares held by the Volkswagen Group. We describe the demand trends for Group models in the individual markets in the following sections.

WORLDWIDE DELIVERIES OF THE GROUP'S MOST SUCCESSFUL MODELS IN 2012

Vehicles in thousands



Deliveries in Europe/Remaining markets

The overall market slowdown in Western Europe in 2012 resulted in our deliveries to customers in this region declining year-on-year. Our sales figures were down on the previous year in all major markets here, apart from Germany and the United Kingdom. Vehicles sold in Western Europe accounted for 33.3% (previous year: 38.4%) of the Group's total delivery volumes. Except for SEAT, all volume brands sold more vehicles in the reporting period than in the previous year. The Tiguan, Audi A6, ŠKODA Roomster, ŠKODA Yeti, SEAT Alhambra, Amarok and Crafter models all registered positive growth rates. The new up!, Beetle, Golf Cabriolet, Audi Q3, ŠKODA Citigo and SEAT Mii models were also very popular. The Volkswagen Group's share of the overall passenger car market in Western Europe rose to 24.4% (23.0%).

The Volkswagen Group's sales figures in Central and Eastern Europe surpassed the prior-year level by 17.6%. We recorded the highest growth rates in Russia (+38.8%) and the Ukraine (+29.6%). The Polo Sedan, Tiguan, Passat, CC, Touareg, the Audi A3, A6 and Q7, the ŠKODA Octavia and all Volkswagen Commercial Vehicles models experienced higher demand in Central and Eastern Europe than in the previous year. The new Jetta, Audi Q3 and ŠKODA Citigo models were also very popular.

The Volkswagen Group's deliveries in the South African market increased by 10.0%. Our entry-level models were particularly sought-after. The Group's market share of 22.7% remained unchanged.

Demand for Group vehicles in the Middle East region grew by 17.6% compared with 2011.

Deliveries in Germany

Group deliveries to customers in the German market increased by 1.9% in fiscal year 2012 compared with the previous year. By contrast, the overall passenger car market volume declined by 2.9%. The Tiguan, CC, Touareg, Audi A1, Audi A6, ŠKODA Roomster, ŠKODA Yeti, SEAT Ibiza, SEAT Leon and Crafter models experienced the highest growth rates. The new up!, Beetle, Golf Cabriolet, Audi Q3, ŠKODA Citigo and SEAT Mii models were also very popular. At the end of the reporting period, eight Volkswagen Group models led the Kraftfahrtbundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the up!, Polo, Golf, Passat, Touran, Tiguan, Audi A6/A7 and Caddy. The Golf continued to top the list of the most frequently registered passenger cars in Germany. We lifted the Volkswagen Group's market share in the German passenger car market to 37.7% in the reporting period (previous year: 35.9%), further cementing our market leadership.

Deliveries in North America

Demand for Group vehicles in the US market grew by 34.2% year-on-year, outperforming the positive trend in the overall market (+13.4%). The Golf, Tiguan, Passat, Audi Q5, Audi A6 and Audi Q7 models recorded the highest growth rates. In Canada we recorded year-on-year growth of 15.7%. Demand for the Passat, Touareg, Audi A4, Audi Q5 and Audi A7 models was encouraging there. The Group's sales figures in Mexico surpassed the prior-year level by 7.8%. Demand increased for the Voyage, Beetle, Passat, Audi A1 and SEAT Ibiza models.

Deliveries in South America

The Volkswagen Group's deliveries in the South America region rose 8.2% in the reporting period. After declining slightly in 2011, our sales figures in Brazil were again positive in 2012 (+10.7%). This was attributable to a temporary tax cut for new vehicles as well as the market launch of the new generations of the Gol and the Voyage. The Fox was also highly popular and sales of the Amarok almost doubled.

Demand for Volkswagen Group vehicles declined by 5.1% in Argentina. However, the Fox, Audi A3 and Saveiro models recorded stronger demand than in 2011. With a market share of 25.0% (previous year: 25.1%), the Volkswagen Group maintained its market leadership.

PASSENGER CAR AND LIGHT COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET[1]

	DELIVERIES (UNITS)		CHANGE	SHARE OF PASSENGER CAR MARKET (%)	
	2012	2011	(%)	2012	2011
Europe/Remaining markets	**4,053,038**	**3,990,679**	**+1.6**		
Western Europe	**3,023,366**	**3,130,072**	**–3.4**	**24.4**	**23.0**
of which: Germany	1,175,514	1,153,070	+1.9	37.7	35.9
United Kingdom	434,798	408,869	+6.3	19.8	19.3
France	279,127	299,330	–6.7	14.2	12.8
Italy	196,964	244,953	–19.6	13.2	13.1
Spain	175,810	212,549	–17.3	24.0	24.7
Central and Eastern Europe	**644,347**	**547,779**	**+17.6**	**15.4**	**13.9**
of which: Russia	317,735	228,977	+38.8	11.1	8.9
Czech Republic	85,347	82,874	+3.0	46.3	45.4
Poland	74,569	73,391	+1.6	25.4	24.8
Remaining markets	**385,325**	**312,828**	**+23.2**		
of which: Turkey	123,811	107,913	+14.7	17.6	13.7
South Africa	109,396	99,427	+10.0	22.7	22.7
North America[2]	**841,540**	**666,827**	**+26.2**	**4.9**	**4.3**
of which: USA	596,078	444,187	+34.2	4.1	3.5
Mexico	164,890	153,023	+7.8	16.7	16.9
Canada	80,572	69,617	+15.7	4.8	4.4
South America	**1,010,112**	**933,133**	**+8.2**	**19.6**	**18.9**
of which: Brazil	780,195	704,726	+10.7	23.0	22.3
Argentina	169,043	178,170	–5.1	25.0	25.1
Asia-Pacific	**3,169,593**	**2,569,769**	**+23.3**	**12.2**	**11.3**
of which: China	2,812,051	2,258,614	+24.5	20.8	18.2
India	114,084	111,689	+2.1	4.5	4.9
Japan	82,078	71,729	+14.4	1.8	2.0
Worldwide	**9,074,283**	**8,160,408**	**+11.2**	**12.8**	**12.3**
Volkswagen Passenger Cars	5,738,449	5,091,035	+12.7		
Audi	1,455,123	1,302,659	+11.7		
ŠKODA	939,202	879,184	+6.8		
SEAT	321,002	350,009	–8.3		
Bentley	8,510	7,003	+21.5		
Lamborghini	2,083	1,602	+30.0		
Porsche	59,513	–	–		
Volkswagen Commercial Vehicles	550,370	528,878	+4.1		
Bugatti	31	38	–18.4		

1 Deliveries and market shares for 2011 have been updated to reflect subsequent statistical trends. The Porsche brand's deliveries are included as from August 1, 2012.
2 Overall markets in the USA, Mexico and Canada include passenger cars and light trucks.

Deliveries in the Asia-Pacific region

The Volkswagen Group increased sales in the Asia-Pacific region by 23.3% compared with the prior-year figure, outperforming the passenger car market as a whole (+13.3%). Growth in the region was again driven by the Chinese market, which saw demand for Group vehicles rise by 24.5%. Virtually all models contributed to this positive result. We extended our leadership of the Chinese market with a market share of 20.8% (previous year: 18.2%).

Deliveries to customers in the Indian market increased by 2.1%. The Passat, Audi A4, Audi A6 and ŠKODA Rapid models recorded the highest growth rates.

In Japan, our sales figures were up 14.4% year-on-year. The Beetle, Passat and Audi A6 models were particularly popular.

Deliveries to customers continued to develop positively in the other markets in the Asia-Pacific region.

DELIVERIES OF TRUCKS AND BUSES

In fiscal year 2012, the Volkswagen Group delivered 201,626 trucks and buses to customers worldwide, with trucks accounting for 180,055 units. In any comparison with the previous year, it should be noted that the MAN brand's sales figures are included as from November 9, 2011. The Scania brand registered a 15.9% decline in deliveries year-on-year to 67,401 units.

Demand for Volkswagen Group trucks and buses in Western Europe amounted to 68,557 units, of which 64,544 were trucks. The Western European market continues to be dominated by the ongoing sovereign debt crisis and the uncertainty associated with it.

In Central and Eastern Europe, we delivered 27,502 vehicles, of which 26,887 were trucks. In Russia, the positive trend in the relevant economic sectors, such as the construction industry and the consumer goods market, continued to have a positive impact on market growth and thus on our Group brands. However, the market slowed down in the second half of the year after the introduction of a new recycling fee for all vehicles.

In the Remaining markets, we sold 21,052 vehicles, of which 18,626 units were trucks.

In the North American markets we delivered 410 trucks and 1,381 buses in the reporting period.

In South America, the Volkswagen Group sold 71,750 vehicles, of which 60,294 were trucks. We delivered 51,137 trucks and 8,833 buses to customers in the Brazilian market. The implementation of the Euro 5 emission standard had a dampening effect.

Sales to customers in the markets of the Asia-Pacific region comprised 10,974 units, 9,294 of which were trucks. The Group delivered 2,983 trucks and 196 buses in the Chinese market.

TRUCK AND BUS DELIVERIES TO CUSTOMERS BY MARKET*

	DELIVERIES (UNITS)		CHANGE
	2012	2011	(%)
Europe/Remaining markets	**117,111**	**67,526**	**+73.4**
Western Europe	68,557	38,073	+80.1
Central and Eastern Europe	27,502	15,194	+81.0
Remaining markets	21,052	14,259	+47.6
North America	**1,791**	**813**	**x**
South America	**71,750**	**29,709**	**x**
of which: Brazil	59,970	23,497	x
Asia-Pacific	**10,974**	**6,810**	**+61.1**
of which: China	3,179	1,672	+90.1
Worldwide	**201,626**	**104,858**	**+92.3**
Scania	67,401	80,108	–15.9
MAN	134,225	24,750	x

* The MAN brand's deliveries are included as from November 9, 2011.

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 generated about three-quarters of the overall revenue volume.

ORDERS RECEIVED IN THE PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES SEGMENT IN WESTERN EUROPE

Demand for Group models in Western Europe was down compared with 2011 due to the declining markets (including Germany). This development was also reflected in the level of orders received in Western Europe as a whole, which decreased by 6.6%. In Western Europe excluding Germany, the number of orders received was 6.7% lower than in the previous year.

At December 31, 2012, the Volkswagen Group held orders for 234,200 vehicles within Germany and for 261,000 units from the rest of Western Europe. Orders were down 20.6% on the prior-year figure due to the effects of the sovereign debt crisis, the weak economy, rising unemployment and the ensuing uncertainty among market participants.

ORDER INTAKE IN THE TRUCKS AND BUSES SEGMENT

Orders for trucks and buses were impacted by the difficult industry environment in 2012. This had a particularly negative effect on the order intake in our key sales markets, especially Western Europe and South America. Overall, we received orders for 206,445 vehicles in the reporting period.

ORDER INTAKE 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.

The Power Engineering segment's incoming orders amounted to €4,016 million in fiscal year 2012. Engines & Marine Systems and Turbomachinery generated the most new orders.

GROUP FINANCIAL SERVICES

Products and services from Volkswagen Financial Services were very popular with customers in the reporting period. 3.8 million new financing, leasing and service/insurance contracts were signed worldwide, a 21.0% increase on the prior-year figure. At 9.6 million, the total number of contracts at December 31, 2012 exceeded the number at the end of 2011 by 16.9%. The number of contracts in the Customer Financing/Leasing area was up 14.5% to 6.4 million and the number of contracts in the Service/Insurance area increased by 21.9%. Based on unchanged credit eligibility criteria, financed or leased vehicles amounted to 27.5% (36.3%) of total Group delivery volumes. The decrease reflects the inclusion of the Chinese market as of the beginning of 2012. The share of leased or financed vehicles in China is much lower than the average for other markets.

In Europe, the number of new contracts signed increased to 2.6 million (2.3 million), increasing the number of contracts to 7.0 million (6.2 million) as of December 31, 2012. The number of financing and leasing contracts was 4.0 million (3.7 million) at the end of the reporting period, an increase on the prior-year figure. The proportion of leased or financed vehicles in this region increased to 41.9% (36.8%).

Germany remained a stabilizing factor and a growth driver in the eurozone in fiscal 2012. The Volkswagen Group's automotive and financial services business also performed well in this region. The number of financing and leasing contracts for new and used vehicles increased by 5.3% to 2.4 million. The penetration rate rose to 53.1% (50.3%). In Germany, more than every second vehicle from the Volkswagen Group is financed by or leased through Volkswagen Financial Services.

In North America, a total of 661 thousand new contracts were signed, surpassing the prior-year figure by 32.4%. The total number of contracts grew to 1.5 million, 18.4% higher than at the end of 2011. In the Customer Financing/Leasing area, the number of contracts increased by 12.6% year-on-year to 1.3 million (1.1 million). 54.4% (51.2%) of all vehicles delivered in North America were leased or financed.

In South America, the total number of contracts was 697 thousand in the reporting period, 15.3% higher than in the prior-year period. These were almost exclusively attributable to the Customer Financing/Leasing area. The proportion of leased or financed vehicles in this region amounted to 27.8% (25.1%).

In the Asia-Pacific region, a total of 226 thousand new contracts were signed, more than tripling the prior-year figure. The total number of contracts doubled, increasing to 464 thousand. In the Customer Financing/Leasing area, the number of contracts almost tripled and rose to 371 thousand. A total of 6.5% (30.6%) of all vehicles delivered in the Asia-Pacific region in fiscal 2012 were leased or financed. The decrease is attributable to the inclusion of the Chinese market.

SALES TO THE DEALER ORGANIZATION

In the reporting period, the Volkswagen Group (including the Chinese joint ventures) sold 9,344,559 vehicles to the dealer organization worldwide, an increase of 11.8% compared with the prior-year figure. Thanks to high demand for Group models in China, the USA and Russia, sales outside Germany rose 13.8% year-on-year. Our domestic sales were on a level with the previous year. Vehicles sold in Germany accounted for 12.9% (previous year: 14.5%) of the Group's overall sales.

With 870,474 vehicles sold worldwide, the Golf was once again our biggest seller in 2012, accounting for 9.3% of the Group's unit sales. The US version of the Passat, the Tiguan, Fox, Audi Q3, Audi Q5, Audi A6, ŠKODA Rapid and Amarok models recorded significant growth, as did the new Beetle, up!, Audi A1 Sportback, ŠKODA Citigo and SEAT Mii models. In addition, very healthy demand was seen in China for the Passat, Jetta and Santana model versions available there.

PRODUCTION

The Volkswagen Group produced 9,255,384 vehicles worldwide in the 2012 reporting period. This corresponds to an increase of 9.0% compared with the prior year. Thanks to the positive development in China, our Chinese joint ventures expanded their production volume by 20.0%. Our manufacturing facilities in Slovakia, the USA, Mexico and Russia also increased their production figures considerably. Germany accounted for 25.1% (previous year: 27.8%) of the Group's total production. Our plants worldwide produced an average of 37,749 vehicles per working day, an increase of 9.6% year-on-year. These production figures do not include the highly successful Crafter models produced in the Daimler plants in Düsseldorf and Ludwigsfelde, or the Routan, which is manufactured in cooperation with Chrysler in North America.

INVENTORIES

We significantly increased our production volumes again in the reporting period in response to ongoing positive demand in the global automotive markets. Thanks to our strict working capital management, the increase in inventories of raw materials, consumables and supplies as well as of work in progress was primarily attributable to the consolidation of Porsche. Global vehicle inventories at Group companies and in the dealer organization were higher on December 31, 2012 than a year earlier.

NUMBER OF EMPLOYEES

Including the Chinese joint ventures, the Volkswagen Group employed an average of 533,469 people in fiscal year 2012, an increase of 17.5% year-on-year. Our companies in Germany employed 237,080 people on average in 2012; their share of the total headcount increased slightly to 44.4% (previous year: 43.1%) due to the integration of Porsche. The Volkswagen Group had 525,245 active employees (+8.9%) as of the 2012 reporting date. In addition, 7,804 employees were in the passive phase of their partial retirement and 16,714 young persons were in vocational traineeships (+11.3%). The Volkswagen Group's total headcount was 549,763 employees (+9.5%) at the end of the reporting period. In addition to the expanded production volumes abroad, this increase can be attributed primarily to the consolidation of Porsche and motorcycle manufacturer Ducati in the reporting period. A total of 249,470 people were employed in Germany (+10.9%), while 300,293 were employed abroad (+8.4%).

SUMMARY OF BUSINESS DEVELOPMENT

The Board of Management of Volkswagen AG considers business development in the reporting period to have been positive. In an increasingly challenging market environment, the Volkswagen Group exceeded its forecast delivery volumes, sales revenue and operating profit for 2012 – in certain areas significantly – and hence further strengthened its market position. Due to the marked increase in sales revenue, the ratio of capital expenditure to sales in the Automotive Division was in line with the forecast, despite the higher investments in property, plant and equipment. Deliveries were at a new all-time high of 9.3 million vehicles, beating last year's record by 12.2%. We recorded our strongest absolute growth in China, the USA, Brazil, Russia and Germany. Since growth in sales to customers outperformed that of the markets as a whole, we were able to further increase our share of the global passenger car market.

This positive performance is due above all to our attractive and environmentally friendly model portfolio, which impresses customers around the globe. In addition, our high quality and efficiency standards helped us 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 174.

FORECAST VERSUS ACTUAL FIGURES

Measure	Forecast for 2012	Actual 2012
Deliveries	> 8.3 million	9.3 million
Global market share	> 12.3%	12.8%
Sales revenue	> €159.3 billion	€192.7 billion
Operating profit	~ €11.3 billion	€11.5 billion
Capex/sales revenue in the Automotive Division	approx. 6%	5.9%

Shares and Bonds
A successful year for Volkswagen AG on the stock markets

The performance of ordinary and preferred shares was unequivocally positive in fiscal 2012. However, for Volkswagen AG shareholders the year was also marked by pronounced volatility on the stock markets precipitated by the European debt crisis. Volkswagen further strengthened its liquidity and capital base through the successful issue of a €2.5 billion mandatory convertible note.

EQUITY MARKETS

Fiscal year 2012 was dominated by the debt crisis in Europe, the elections in the United States and the change of government in China. The year started significantly better on the capital markets than had been expected at the end of 2011. The threat of the crisis in Greece spreading to other members of the eurozone was mitigated by the negotiations on the second recovery package for Greece. The additional liquidity injection by the European Central Bank (ECB), together with positive economic indicators and optimistic company forecasts, prompted a rise in share prices on financial markets around the world.

In the second quarter of the year, indications of a deepening debt crisis in Europe put the markets under pressure. More cautious forecasts of economic growth in China as well as uncertainty about the future composition of the government in Greece led to the DAX temporarily falling to an annual low of under 6,000 points. Market sentiment brightened in the wake of the expansion of the European rescue fund and the agreement reached by the EU member states on the European fiscal pact in mid-June.

The DAX started to regain some of the lost ground at the beginning of the second half of the year when the rescue package for Spanish banks was approved and the ECB cut its key interest rates to the lowest level in its history. This trend was given a further boost by unexpectedly strong economic data from China and the United States as well as healthy corporate results for the first half-year. The ratification of the European Stability Mechanism and the resolution on unlimited bond-buying by the ECB lifted the DAX at the end of the third quarter to a preliminary high for the year of over 7,400 points.

In the closing quarter, uncertainty about a long-term solution to the problems in Greece and other countries on the periphery of the eurozone initially put a damper on the uptrend, as a result of which Germany's leading index mainly moved sideways. Particularly the doubts about the ability to reform the eurozone prevented the DAX from rising further and led to several sharp price fluctuations. Furthermore, the elections and the automatic budget freezes and tax increases planned for the New Year (the fiscal cliff) impacted price trends in the United States during the fourth quarter of the year. By contrast, the seamless changeover in China's political leadership bolstered the markets. Hopes of a speedy end to the US budget dispute then pushed the DAX up to new annual highs in the last few weeks of trading.

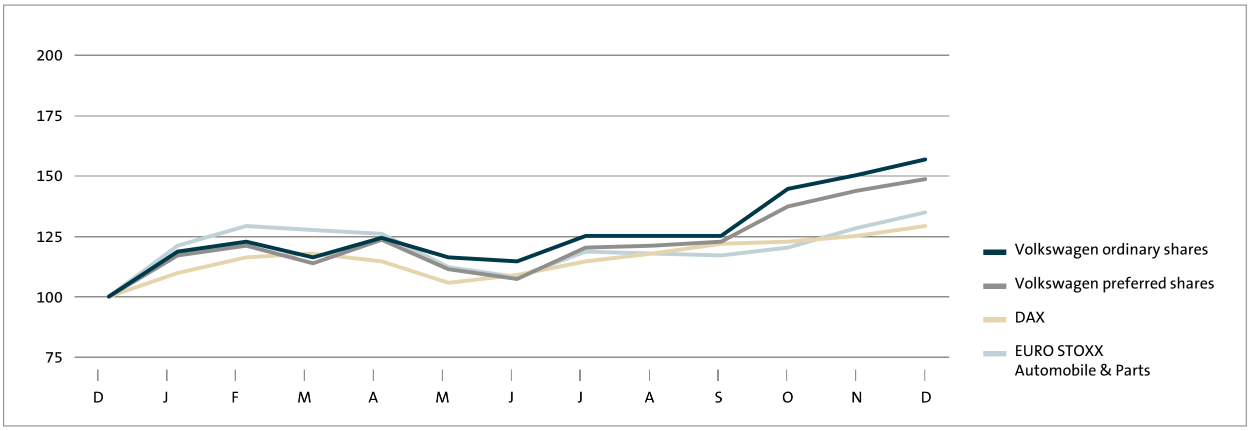
At the end of 2012, the DAX had reached 7,612 points, a significant increase on the previous year's figure (+29.1%). The EURO STOXX Automobile & Parts closed the year at 338 points, 35.3% higher than at the end of the previous year.

DEVELOPMENT OF THE VOLKSWAGEN SHARE PRICE

On the whole, Volkswagen AG's ordinary and preferred shares performed very positively during the year in spite of volatile market trends. The securities not only increased in value year-on-year, but also outperformed the overall market and the sector.

SHARE PRICE DEVELOPMENT FROM DECEMBER 2011 TO DECEMBER 2012

Index based on month-end prices: December 31, 2011 = 100



In the first quarter of 2012, Volkswagen AG's preferred and ordinary share prices participated in the upturn on the equity markets and initially recorded significant increases. The share prices then moved sideways amid substantial volatility from the beginning of February to the middle of March. Following the announcement of the results for fiscal year 2011, which were largely in line with the market expectations, both share classes lost ground for a short while, before trending upwards slightly again for several days. However, reports of demand weakening in the Chinese passenger car market, the smoldering nuclear dispute with Iran and the associated rises in oil prices unsettled investors, causing automotive share prices to retreat towards the end of March 2012.

In the second quarter of 2012, both of Volkswagen's share classes outperformed the market as a whole. The share prices initially declined slightly until mid-April in a market environment that was also deteriorating. Volkswagen share prices rose considerably until the beginning of May in response to the positive reception for the Company's figures for the first quarter of 2012. However, the price gains were lost again by the end of June, reflecting the trend in the market as a whole.

The prices of preferred and ordinary shares surged in a positive environment in the third quarter. The announcement that the integrated automotive group with Porsche would be implemented as early as August 1, 2012, together with the Company's figures for the first half of 2012 and the strong monthly sales figures, all supported an upward trend that continued until the beginning of August. The share prices then moved sideways amid substantial volatility. Price gains led to new highs for the year in mid-September, although they were lost again by the end of the third quarter.

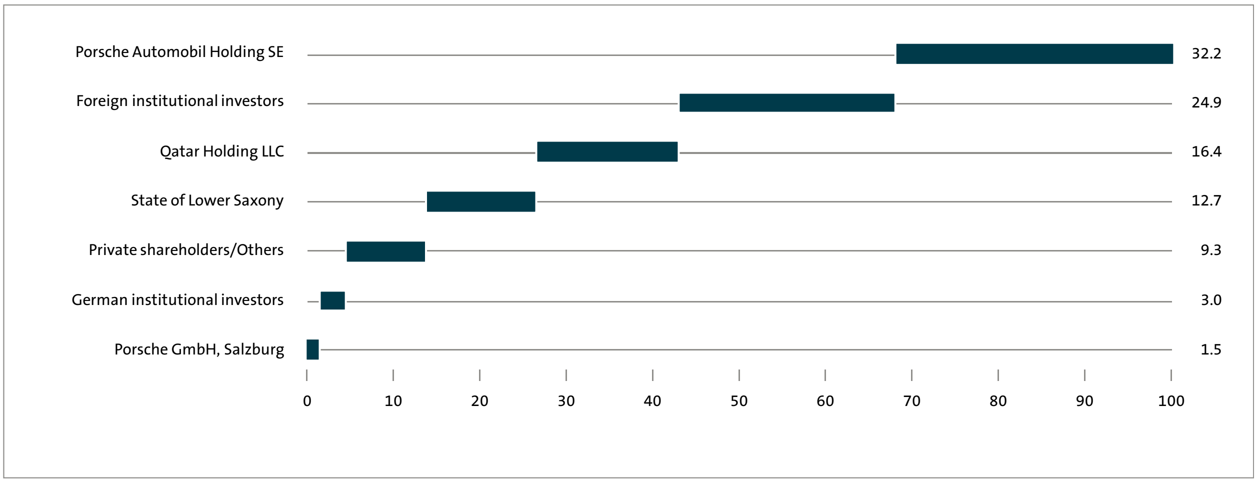
In the face of considerable volatility, Volkswagen shares sustained their strong uptrend in the fourth quarter, hitting fresh highs after the publication of the Group's results for the first three quarters of 2012 at the end of October. The issue of a mandatory convertible note at the beginning of November had only a fleeting impact on Volkswagen's share price. As the year went on, the stock was given a boost by solid sales figures in a favorable trading environment.

Volkswagen AG's preferred shares recorded their highest daily closing price for the year of €172.70 on December 20, 2012. They recorded their low for the year of €118.00 on June 28, 2012. At the end of 2012, the preferred shares closed at €172.15, 48.7% higher than in the previous year.

Volkswagen's ordinary shares closed on December 28, 2012, the last trading day of the year, at €162.75. This was the highest closing price and 57.0% higher than at the end of 2011. The shares traded at their lowest daily closing price for the year of €106.20 on January 2, 2012.

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2012

as a percentage of subscribed capital



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 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 €0.50 (around 16%) higher than the previous year. On this basis, the total dividend for fiscal year 2012 is €1.6 billion (2011: €1.4 billion). The distribution ratio is based on the Group's profit after tax, attributable to the shareholders of Volkswagen AG and is 7.5% for the reporting period (2011: 9.1%). After accounting for noncash income mainly from the updated measurement of the put/call rights relating to the acquisition of the stake in Porsche AG indirectly held by Porsche SE, as well as the remeasurement of the existing stake held at the contribution date, the adjusted distribution ratio amounts to 17.8% (2011: 15.7%). The Group is 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 2.2%, measured by the closing price on the last trading day in 2012. The dividend yield on preferred shares is 2.1%.

The current dividend proposal can be found in the chapter entitled Volkswagen AG (condensed, according to the German Commercial Code), on page 189 of this annual report.

EARNINGS PER SHARE

Basic earnings per ordinary share were €46.42 in fiscal year 2012 (2011: €33.10). Basic earnings per preferred share were €46.48 (2011: €33.16). 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 2012 must also make allowance for the effect of the €2.5 billion mandatory convertible note issued in November. IAS 33.23 sets out that all potential shares that will be issued upon the conversion of the 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 new preferred shares to be included is based on the most advantageous conversion rate resulting from the minimum conversion price of €154.50. In line with IAS 33.19f., these shares are calculated using the weighted average. 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.

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

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2012

The shareholder structure of Volkswagen AG as of December 31, 2012 is shown in the chart on page 168. Volkswagen AG's subscribed capital amounted to €1,190,995,445.76 at the end of the reporting period.

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%; Porsche GmbH, Salzburg, held a 2.37% share of the voting rights. The remaining 9.9% 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.

MANDATORY CONVERTIBLE NOTE

In November 2012, Volkswagen successfully placed a mandatory convertible note in the amount of €2.5 billion, which entitles and obliges holders to subscribe for Volkswagen preferred shares. The note is backed by a subordinated guarantee from Volkswagen AG and was issued by Volkswagen International Finance N.V. The preemptive rights of existing shareholders were disapplied. By issuing the mandatory convertible note, Volkswagen has further strengthened its capital base in light of the outflow of funds for the acquisitions made in the second half of the year and the implementation of the strategic growth and investment program.

ANNUAL GENERAL MEETING

Volkswagen AG's 52nd Annual General Meeting and the 11th Special Meeting of Preferred Shareholders were held at the Congress Center Hamburg on April 19, 2012. With 91.9% of the voting capital present, the ordinary shareholders formally approved the actions of the Board of Management and the Supervisory Board for fiscal year 2011, the creation of authorized capital and the corresponding amendment to the Articles of Association, as well as the authorization to acquire and use treasury shares.

The scheduled terms of office of Prof. Dr. Ferdinand K. Piëch and Dr. Michael Frenzel as members of the Supervisory Board expired at the end of the Annual General Meeting. The Annual General Meeting elected Ms. Ursula M. Piëch to the Supervisory Board for a full term of office as a shareholder representative. Prof. Dr. Ferdinand K. Piëch was reelected to the Supervisory Board, likewise for a full term of office. At the constituent meeting of the Supervisory Board, which was held after the Annual General Meeting, the members of the Supervisory Board reelected Prof. Dr. Ferdinand K. Piëch as Chairman of the Supervisory Board.

The Annual General Meeting also resolved to distribute a dividend of €3.00 per ordinary share and €3.06 per preferred share for fiscal year 2011.

At the Special Meeting of Preferred Shareholders, the preferred shareholders, with 36.5% of the voting capital present, approved the authorizing resolution on the creation of authorized capital and the corresponding amendment to the Articles of Association.

In connection with the Annual General Meeting on April 23, 2009, Verbraucherzentrale für Kapitalanleger e.V. (VzfK – German Protection Agency for Investors), Berlin, had filed an action for avoidance with regard to approval of the actions for fiscal year 2008. After this action had been dismissed in full by the Hanover Regional Court on May 24, 2011, the Celle Higher Regional Court backed this decision on January 25, 2012. This decision cannot now be appealed further. The Federal Court of Justice rejected the plaintiff's appeal against denial of leave to appeal on October 9, 2012.

In connection with the Annual General Meeting on April 22, 2010, Verbraucherzentrale für Kapitalanleger e.V., Berlin, filed an action for disclosure and an action for avoidance with regard to approval of the actions for fiscal year 2009. Both actions were dismissed in full by the Hanover Regional Court on January 25, 2011. No appeal was permitted regarding the action for disclosure. The plaintiff filed an appeal for the action for avoidance. This appeal was also dismissed in full by the Celle Higher Regional Court on August 24, 2011. This decision cannot now be appealed further. The Federal Court of Justice rejected the plaintiff's appeal against denial of leave to appeal on March 6, 2012.

The last legal disputes arising from past Annual General Meetings have thus been concluded with binding legal effect.

VOLKSWAGEN IN SUSTAINABILITY INDICES

Volkswagen confirmed its solid prior-year results in the assessment performed by the Swiss company Sustainable Asset Management (SAM) commissioned by Dow Jones and has once more been included in the automotive section of the prominent Dow Jones Sustainability World Index. Details are provided in the Value-Enhancing Factors section of this report, on page 194.

FURTHER INFORMATION ON SUSTAINABILITY
www.volkswagenag.com/sustainability

VOLKSWAGEN SHARE KEY FIGURES

Dividend development		2012	2011	2010	2009	2008
Number of no-par value shares at Dec. 31						
Ordinary shares	thousands	295,090	295,090	295,046	295,005	294,920
Preferred shares	thousands	170,143	170,143	170,143	105,238	105,238
Dividend						
per ordinary share	€	3.50	3.00	2.20	1.60	1.93
per preferred share	€	3.56	3.06	2.26	1.66	1.99
Dividend paid[1]	€ million	1,639	1,406	1,034	754	778
on ordinary shares	€ million	1,033	885	649	472	569
on preferred shares	€ million	606	521	385	282	209

Share price development[2]		2012	2011	2010	2009	2008
Ordinary shares						
Closing	€	162.75	103.65	105.90	77.00	250.00
Price performance	%	+57.0	–2.1	+37.5	–69.2	+60.2
Annual high	€	162.75	136.95	118.50	298.85	945.00
Annual low	€	106.20	84.50	62.30	72.41	148.43
Preferred shares						
Closing	€	172.15	115.75	121.40	65.74	38.02
Price performance	%	+48.7	–4.7	+84.7	+72.9	–62.0
Annual high	€	172.70	151.00	136.90	81.72	108.30
Annual low	€	118.00	88.54	55.83	30.24	29.30
Beta factor[3]	factor	1.26	1.09	0.99	0.87	0.89
Market capitalization at Dec. 31	€ billion	77.3	50.3	51.9	29.6	77.7
Equity attributable to shareholders of Volkswagen AG at Dec. 31	€ billion	77.5	57.5	46.0	35.3	35.0
Ratio of market capitalization to equity	factor	1.00	0.87	1.13	0.84	2.22

Key figures per share		2012	2011	2010	2009	2008
Earnings per ordinary share[4]						
basic	€	46.42	33.10	15.17	2.37	11.92
diluted	€	46.42	33.10	15.17	2.37	11.88
Operating profit[5]	€	24.62	24.23	15.87	4.64	15.91
Cash flows from operating activities[5]	€	15.42	18.27	25.46	31.84	27.13
Equity[6]	€	166.62	123.68	98.84	88.15	87.49
Price/earnings ratio						
ordinary share	factor	3.5	3.1	7.0	32.5	21.0
preferred share	factor	3.7	3.5	8.0	26.9	3.2
Price/cash flow ratio[7]	factor	10.6	5.7	4.2	2.4	9.2
Dividend yield						
ordinary share	%	2.2	2.9	2.1	2.1	0.8
preferred share	%	2.1	2.6	1.9	2.5	5.2

Stock exchange turnover[8]		2012	2011	2010	2009	2008
Turnover of Volkswagen ordinary shares	€ billion	3.5	5.1	6.0	23.2	133.7
	million shares	26.8	46.4	79.2	128.1	554.9
Turnover of Volkswagen preferred shares	€ billion	40.9	44.2	23.5	8.3	9.8
	million shares	293.3	369.1	305.4	145.0	118.8
Volkswagen share of total DAX turnover	%	5.3[9]	4.6[9]	2.9[9]	3.1[9]	8.2

1 Figures for the years 2008 to 2011 relate to dividends paid in the following year. For 2012, the figures relate to the proposed dividend.
2 Xetra prices.
3 See page 186 for the calculation.
4 See note 11 to the consolidated financial statements (Earnings per share) for the calculation.
5 Based on the weighted average number of ordinary and preferred shares outstanding (basic).
6 Based on the total number of ordinary and preferred shares on December 31 (excluding potential shares from the mandatory convertible note).
7 Using closing prices of the ordinary shares.
8 Order book turnover on the Xetra electronic trading platform (Deutsche Börse).
9 Preferred shares replaced ordinary shares in the DAX as of December 23, 2009.

VOLKSWAGEN SHARE DATA

Securities identification codes	Market indices: ordinary shares	Market indices: preferred shares	Exchanges
Ordinary shares ISIN: DE0007664005 WKN: 766400 Deutsche Börse/Bloomberg: VOW Reuters: VOWG.DE Preferred shares ISIN: DE0007664039 WKN: 766403 Deutsche Börse/Bloomberg: VOW3 Reuters: VOWG_p.DE	CDAX, Prime All Share, Prime Automobile, FTSE Eurotop 100 Index, MSCI Euro, S&P Global 100 Index	DAX, CDAX, EURO STOXX, EURO STOXX 50, EURO STOXX Automobile & Parts, Prime All Share, Prime Automobile, Classic All Share, FTSE Eurotop 100 Index, MSCI Euro, Advanced Sustainability Performance Eurozone Index, DJ Sustainability World Index, FTSE4Good	Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, Xetra, London, Luxembourg, New York*, SIX Swiss Exchange

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

INVESTOR RELATIONS ACTIVITIES

International analysts and investors maintained their level of interest in the business development of the Volkswagen Group during the past fiscal year. The Investor Relations team provided extensive information at more than 650 roadshows, conferences and one-on-one discussions 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 a direct exchange of ideas between capital market participants and members of the Board of Management and Group senior executives.

The Investor Relations team has made the focus of its activities even more international. In addition to the existing sites in Wolfsburg, London and Herndon, an investor relations office was opened in Beijing at the beginning of 2012 to cope with the sharp rise in interest among international capital market participants in the Chinese operations of the Volkswagen Group, as well as the growing significance of investors in the region.

The Investor Relations team also briefed Volkswagen's private shareholders on the Company's development at numerous events and was available to answer questions in many personal discussions; among other things, it had its own stand at the Annual General Meeting. As in previous years, Investor Relations also provided support for Group Treasury's extensive capital market activities.

Investors and analysts were supplied with the latest news and publications not only through direct dialog, but also online. Our website recorded 3.4 million hits, around 18% more than in 2011, which underlines the importance of digital media as an information channel for investors. This is the reason the Annual Media and Investor Conference held in March 2012, the shareholder meetings and the conference calls of the Volkswagen Group on the quarterly results for 2012 were additionally broadcast live on the Internet.

We also promptly published all presentations given in connection with events that were relevant for investors online on our investor relations website at www.volkswagenag.com/ir.

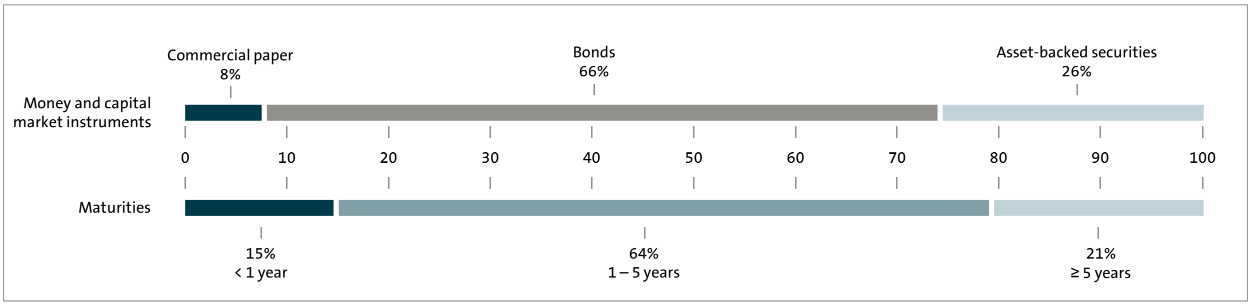
HIGHLIGHTS IN THE INVESTOR RELATIONS CALENDAR

At the Annual Media and Investor Conference, which was held in Wolfsburg on March 12, 2012, the Group's Board of Management looked back on a successful fiscal year in 2011 and gave its outlook for the Company and the industry. One week before, on March 5, in the Audi forum at Munich airport, members of the Board of Management of AUDI AG presented analysts and investors with information on the premium brand's performance and strategy.

July 4, 2012 was another high point in the investor relations calendar. On this day, Volkswagen AG and Porsche Automobil Holding SE announced the creation of the integrated automotive group through the contribution in full of Porsche's automotive business to the Volkswagen Group, with the move already expected to take effect as of August 1, 2012. At a conference call the next day, CFO Hans Dieter Pötsch explained the details of this transaction to analysts and investors and outlined the strategic importance and the advantages of accelerated integration of the sports car manufacturer.

REFINANCING STRUCTURE OF THE VOLKSWAGEN GROUP

as of December 31, 2012



The new Golf was unveiled for the first time at the Paris Motor Show in September 2012. Investors and analysts were able to get an impression of this model and other product innovations by the Group at the Volkswagen Group Night on the evening before the event opened and by visiting the stands at the motor show. In addition, members of the Group Board of Management and other members of management supplied information about the Company's current development.

The new Golf also dominated an event for investors and analysts held in Sardinia at the beginning of October 2012. Volkswagen's CEO, Prof. Dr. Martin Winterkorn, presented the Group's strategic focus to the capital market experts and explained the challenges the automotive industry is currently facing. The main topics in the presentation given by Hans Dieter Pötsch were the importance of the new Golf for Volkswagen's profitable growth course as well as the cost benefits and efficiency gains afforded by the Modular Transverse Toolkit. Afterwards, the two Board members were available for in-depth discussions and to answer questions. Many of those present also took the opportunity to test drive the new model and discover its merits for themselves. Product experts from Volkswagen additionally provided detailed insights into the topics of lightweight construction, powertrains and design.

At the end of the year, the Investor Relations team invited investors to Wolfsburg, where Dr. h.c. Leif Östling presented the Commercial Vehicles Business Area, which he has headed up since September 1, 2012, and the prospects for closer cooperation between MAN, Scania and Volkswagen Commercial Vehicles. Hans Dieter Pötsch explained the robust positioning and strategy of the Volkswagen Group in the difficult economic environment.

REFINANCING

In light of the Volkswagen Group's sustained growth, we further diversified our refinancing activities in 2012. Last year, Volkswagen refinanced the equivalent of €25 billion through the issue of bonds, tapping into additional financial markets in the process. Around half of the bonds placed in 2012 were denominated in euros.

As in previous years, our refinancing activities were concentrated on the Financial Services Division.

In the growth markets of the Volkswagen Group, we expanded our activities through bond placements, placing two issues totaling USD 6.0 billion on the US market and a bond of CNY 1.0 billion on the Hong Kong refinancing market. We also executed transactions in the Brazilian and Indian capital markets for the first time.

In November 2012 Volkswagen successfully placed a mandatory convertible note in the amount of €2.5 billion, which entitles and obliges holders to subscribe for Volkswagen preferred shares. It has a coupon of 5.50% and expires on November 9, 2015, though the note terms and conditions provide for early conversion.

Volkswagen also broadened its investor base through the use of different capital market instruments and varying terms. Its breakdown is shown in the chart on the previous page.

We generally eliminate interest rate and foreign currency risk in all our financing transactions by entering into derivatives contracts at the same time.

The table below shows how our money and capital market programs were utilized as of December 31, 2012 and illustrates the financial flexibility of the Volkswagen Group:

Programs	Authorized volume € billion	Amount utilized on Dec. 31, 2012 € billion
Commercial paper	25.7	5.3
Medium-term notes	68.1	36.9
Other capital market programs	21.3	10.1
Asset-backed securities	43.9	18.4

The syndicated credit line of €5.0 billion agreed in July 2011 including two options for extension by a year in each case was extended for the first time by one year to July 2017 (from July 2016 to July 2017 with a reduced amount of €4.916 billion). A second option allows the credit line to be extended by a further year in 2013. The credit line remains unused.

Syndicated credit lines worth a total of €4.7 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 €39.2 billion, of which €19.1 billion has not been drawn down. These extensive financing measures ensure the solvency of the Volkswagen Group at all times.

RATINGS

In 2012, rating agencies Standard & Poor's and Moody's Investors Service performed their regular update of their credit ratings for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH. Standard & Poor's confirmed its short-term and long-term ratings of A–2 and A– respectively for Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH. The outlook for all three companies was raised to "positive" due to the solid business development.

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 left the outlook for all three companies unchanged at "positive".

OUR INVESTOR RELATIONS TEAM IS AVAILABLE FOR QUERIES AND COMMENTS:

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RATINGS

	VOLKSWAGEN AG			VOLKSWAGEN FINANCIAL SERVICES AG			VOLKSWAGEN BANK GMBH		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Standard & Poor's									
short-term	A–2	A–2	A–2	A–2	A–2	A–2	A–2	A–2	A–2
long-term	A–	A–	A–	A–	A–	A–	A–	A–	A–
Outlook	positive	stable	negative	positive	stable	negative	positive	stable	stable
Moody's Investors Service									
short-term	P–2	P–2	P–2	P–2	P–2	P–2	P–2	P–2	P–1
long-term	A3	A3	A3	A3	A3	A3	A3	A3	A2
Outlook	positive	positive	stable	positive	positive	stable	positive	positive	stable

Results of Operations, Financial Position and Net Assets

Volkswagen Group continues successful course and again generates excellent results

The integrated automotive group was created in 2012 with the contribution in full of Dr. Ing. h.c. F. Porsche AG to the Volkswagen Group. Sales revenue and earnings exceeded the record 2011 levels.

The Volkswagen Group's segment reporting in compliance with IFRS 8 comprises the four reportable segments Passenger Cars and Light Commercial Vehicles, Trucks and Buses, 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 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 and Light Commercial Vehicles, Trucks and Buses, and Power Engineering segments, as well as the figures from the reconciliation. The Passenger Cars and Light Commercial Vehicles segment and the reconciliation are combined to find the Passenger Cars and Light Commercial Vehicles Business Area. We report on the Trucks and Buses and Power Engineering segments under the Trucks and Buses, Power Engineering Business Area. The Financial Services Division corresponds to the Financial Services segment.

The activities of the Passenger Cars and Light Commercial Vehicles segment cover the development of vehicles and engines, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business. This segment is composed of the Volkswagen Group's individual passenger car brands and light commercial vehicles on a consolidated basis. It also includes the Ducati brand's motorcycle business.

The Trucks and Buses segment primarily comprises the development, production and sale of trucks and buses from the 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 Financial Services segment comprises dealer and customer financing, leasing, banking and insurance activities, as well as fleet management.

KEY FIGURES BY SEGMENT

€ million	Passenger Cars and Light Commercial Vehicles	Trucks and Buses	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue	158,074	20,567	4,234	19,854	202,728	–10,052	192,676
Segment profit or loss (operating profit or loss)	10,778	358	161	1,586	12,883	–1,373	11,510
as % of sales revenue	6.8	1.7	3.8	8.0			6.0

CONSOLIDATION OF PORSCHE AG

The contribution in full of Porsche SE's operative automotive business, which primarily consists of the 50.1% interest in Porsche Holding Stuttgart GmbH (and thus indirectly in Porsche AG), was completed on August 1, 2012 for share-based and cash consideration. Porsche AG has been consolidated in the Group since that date, which significantly influenced the results of operations, financial position and net assets of the Automotive Division in the reporting period.

Porsche Holding Stuttgart GmbH previously operated under the name Porsche Zweite Zwischenholding GmbH and is the legal successor to Porsche Zwischenholding GmbH. Porsche's automotive business is allocated to the Passenger Cars and Light Commercial Vehicles Business Area within the Automotive Division and Porsche's financial services business is allocated to the corresponding division.

The measurement of the put/call options relating to Porsche Holding Stuttgart GmbH was updated at the contribution date. In addition, the existing shares held were remeasured at the time of the transition in accounting for Porsche from the equity method to consolidation. Based on the updated underlying assumptions, this resulted in a significant noncash gain in the financial result.

The cash outflow from investing activities reported in the cash flow statement reflects the payment of the consideration less cash and cash equivalents acquired from Porsche. Net liquidity was also reduced by Porsche's debt.

Total assets increased as a result of the addition of Porsche's primary assets and liabilities and their remeasurement as part of purchase price allocation.

RESULTS OF OPERATIONS OF THE GROUP

The Volkswagen Group generated sales revenue of €192.7 billion in fiscal year 2012, surpassing the prior-year figure by 20.9%. The increase was primarily attributable to higher volumes and the consolidation of MAN SE (November 9, 2011) and Porsche AG (August 1, 2012). The largest proportion of sales revenue, at 80.4% (78.3%), was recorded outside of Germany. Gross profit rose by 25.7% to €35.2 billion. Positive exchange rate effects, increased volumes and improved product costs more than offset negative effects from the high write-downs relating to the purchase price allocation for MAN and Porsche in the period shortly following their acquisition. The gross margin improved from 17.6% to 18.2%. At €11.5 billion, operating profit exceeded the record prior-year figure (€11.3 billion). Distribution and administrative costs rose as a result of the initial consolidation of MAN and Porsche, write-downs relating to their purchase price allocation and business expansion, while other operating income decreased. The operating return on sales declined to 6.0% (7.1%).

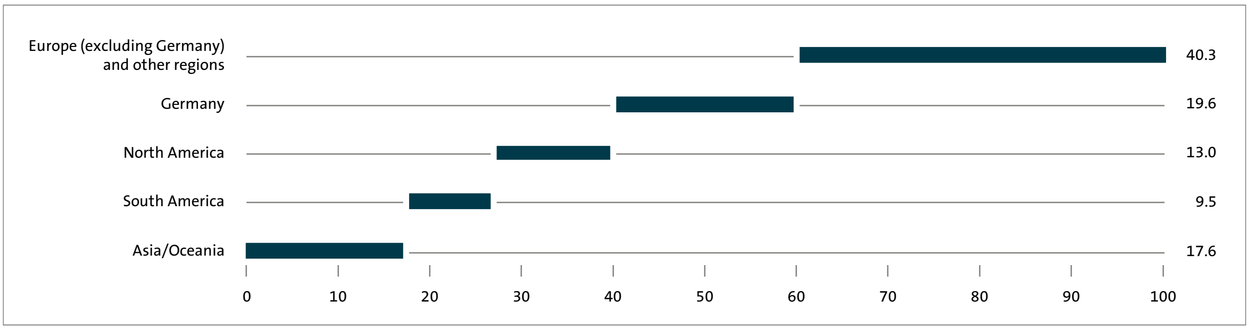
INCOME STATEMENT BY DIVISION

€ million	VOLKSWAGEN GROUP		AUTOMOTIVE*		FINANCIAL SERVICES	
	2012	2011	2012	2011	2012	2011
Sales revenue	**192,676**	**159,337**	**172,822**	**142,092**	**19,854**	**17,244**
Cost of sales	–157,518	–131,371	–142,154	–117,853	–15,364	–13,518
Gross profit	**35,158**	**27,965**	**30,668**	**24,239**	**4,490**	**3,727**
Distribution expenses	–18,850	–14,582	–17,932	–13,808	–918	–774
Administrative expenses	–6,223	–4,384	–5,159	–3,562	–1,065	–822
Net other operating income	1,426	2,271	2,347	3,104	–921	–832
Operating profit	**11,510**	**11,271**	**9,923**	**9,973**	**1,586**	**1,298**
Share of profits and losses of equity-accounted investments	13,568	2,174	13,423	2,041	145	133
Other financial result	414	5,481	554	5,510	–140	–30
Financial result	**13,982**	**7,655**	**13,977**	**7,551**	**5**	**104**
Profit before tax	**25,492**	**18,926**	**23,900**	**17,524**	**1,591**	**1,402**
Income tax expense	–3,608	–3,126	–3,219	–2,702	–388	–424
Profit after tax	**21,884**	**15,799**	**20,681**	**14,822**	**1,203**	**978**
Noncontrolling interests	168	391	145	370	23	20
Profit attributable to shareholders of Volkswagen AG	**21,717**	**15,409**	**20,536**	**14,451**	**1,181**	**957**

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

SEGMENT REPORTING – SHARE OF SALES REVENUE BY MARKET 2012

as percent



CONSOLIDATED PROFIT

At €25.5 billion, the Volkswagen Group's profit before tax in the reporting period was significantly higher than in 2011 (€18.9 billion) due to positive measurement effects in the financial result. The return on sales before tax rose from 11.9% in the previous year to 13.2%. At €21.9 billion, the Volkswagen Group's profit after tax exceeded the prior-year figure by €6.1 billion. The tax rate was 14.2%; effects from the updated measurement of options relating to Porsche Holding Stuttgart GmbH and the remeasurement of the existing shares held in the amount of €12.3 billion did not have any impact on the tax expense.

RESULTS OF OPERATIONS IN THE AUTOMOTIVE DIVISION

The Automotive Division generated sales revenue of €172.8 billion in fiscal year 2012, up 21.6% on the prior-year figure. In addition to higher volumes, this was primarily buoyed up by favorable exchange rates. The increase in sales revenue was also significantly influenced by the consolidation of Porsche and MAN. 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 the Group's sales revenue only by deliveries of vehicles and vehicle parts. The cost of sales rose more slowly than sales revenue (+20.6%). As a result, operating profit improved to €30.7 billion (€24.2 billion) in the reporting period. The gross margin increased to 17.7% (17.1%).

Distribution and administrative expenses rose by 29.9% and 44.8% respectively. The ratio of both distribution and administrative expenses to sales revenue was also higher than in 2011. The consolidation effects outlined above, increased business volumes and greater competition – particularly in Western Europe – had a significant effect on the prior-year comparison. Other operating income declined by €0.8 billion to €2.3 billion as a result of exchange rate factors.

The Automotive Division generated an operating profit of €9.9 billion (€10.0 billion) in 2012. The negative effects of purchase price allocation for MAN and Porsche, as well as from the switch to the Modular Transverse Toolkit, were offset by higher volumes, optimized product costs and positive exchange rate effects in particular. The extremely strong business performance of our Chinese joint ventures is not reflected in the operating profit, as these are accounted for using the equity method. The ratio of operating profit to sales revenue was 5.7% (7.0%).

At €14.0 billion, the financial result for the Automotive Division was almost twice as high as in the previous year (€7.6 billion). This is primarily attributable to the updating of the underlying assumptions used in the valuation models for measuring the put/call rights relating to Porsche Holding Stuttgart GmbH in the amount of €1.9 billion (previous year €6.6 billion), as well as the remeasurement of existing shares held at the contribution date in the amount of €10.4 billion (€– billion). Improved income from the equity-accounted Chinese joint ventures included in the consolidated financial statements also had a positive effect. The measurement of derivative financial instruments and higher financing costs had a negative effect. These increased as a result of the refinancing of higher business volumes and the unwinding of discounts on provisions, which was made necessary by lower interest rates.

Results of operations in the Passenger Cars and Light Commercial Vehicles Business Area

€ million	2012	2011
Sales revenue	148,021	129,706
Gross profit	26,811	22,108
Operating profit	9,405	9,042

The Passenger Cars and Light Commercial Vehicles Business Area generated sales revenue of €148.0 billion in the reporting period (€129.7 billion). The year-on-year increase was due to volume growth, positive exchange rate and model mix effects, as well as the consolidation of Porsche and Porsche Holding Salzburg (March 1, 2011). Gross profit amounted to €26.8 billion (€22.1 billion). Operating profit in the Passenger Cars and Light Commercial Vehicles Business Area rose by 4.0% to €9.4 billion (€9.0 billion). Porsche made a positive contribution to earnings despite the high initial write-downs from purchase price allocation.

Results of operations in the Trucks and Buses, Power Engineering Business Area

€ million	2012	2011
Sales revenue	24,801	12,386
Gross profit	3,856	2,131
Operating profit	519	931

At €24.8 billion (€12.4 billion), sales revenue in the Trucks and Buses, Power Engineering Business Area was significantly higher than in the previous year due to the consolidation of MAN on November 9, 2011. As a result, gross profit rose by €1.7 billion to €3.9 billion. Operating profit was down on the previous year at €0.5 billion (€0.9 billion). In addition to the write-downs relating to purchase price allocation for MAN and Scania, this was negatively impacted by a year-on-year contraction in the markets and increased competition.

RESULTS OF OPERATIONS IN THE FINANCIAL SERVICES DIVISION

The Financial Services Division lifted its sales revenue by 15.1% to €19.9 billion in fiscal year 2012. In addition to increased volumes, in particular the expansion of the consolidated Group including Porsche and MAN, had a positive effect compared with the previous year's figures. Gross profit improved to €4.5 billion (€3.7 billion). Higher volumes and the consolidation effects outlined above, as well as upfront expenditures for new projects and additional expenses to comply with stricter banking supervision requirements saw both distribution and administrative expenses rise as against 2011. Other operating income amounted to €–0.9 billion (€–0.8 billion). The Financial Services Division once again made a significant contribution to the Group's earnings with an operating profit of €1.6 billion (€1.3 billion). Return on equity before tax was lower than in the previous year at 13.1% (14.0%).

PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT

Financial management at the Volkswagen Group covers liquidity management, currency, interest rate and commodity risk management, as well as credit and country risk management. It is performed centrally for all Group companies by Group Treasury, based on internal directives and risk parameters. The Scania and MAN subgroups are not coordinated centrally for reasons of timing and legal restrictions related to stock exchange law. The integration process for Porsche AG and Porsche Holding Salzburg has not yet been fully completed.

With regard to liquidity, the goals of financial management are to ensure that the Volkswagen Group remains solvent at all times and to achieve an adequate return from the investment of surplus funds. 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 more information on the principles and goals of financial management, please refer to pages 234 and 235 and to the notes to the 2012 consolidated financial statements on pages 324 to 332.

FINANCIAL POSITION AND CASH AND CASH EQUIVALENTS IN THE GROUP

The Volkswagen Group's financial position in fiscal year 2012 was affected by the contribution in full of Porsche's operating automotive business, the further increase in the equity interest in MAN SE, the acquisition of Ducati and the successful placement of the mandatory convertible note. The following sections provide an overview of the Group's liquidity development and outline the drivers by division.

The Volkswagen Group's gross cash flow in the reporting period amounted to €20.1 billion, €1.2 billion more than in the previous year. Funds tied up in working capital increased by €2.5 billion to €12.9 billion, which resulted in a year-on-year decline in cash flows from operating activities to €7.2 billion (€8.5 billion).

At €16.8 billion, investing activities attributable to the Volkswagen Group's operating activities were up 5.2% on the prior-year figure in 2012. Of this figure, €10.5 billion (€8.1 billion) was attributable to investments in property, plant and equipment. Net cash flow declined by €2.1 billion to €–9.6 billion.

CASH FLOW STATEMENT BY DIVISION

€ million	VOLKSWAGEN GROUP 2012	VOLKSWAGEN GROUP 2011	AUTOMOTIVE[1] 2012	AUTOMOTIVE[1] 2011	FINANCIAL SERVICES 2012	FINANCIAL SERVICES 2011
Cash and cash equivalents at beginning of period	**16,495**	**18,228**	**12,668**	**17,002**	**3,827**	**1,226**
Profit before tax	25,492	18,926	23,900	17,524	1,591	1,402
Income taxes paid	–5,056	–3,269	–4,514	–2,784	–542	–484
Depreciation and amortization expense	13,135	10,346	9,982	7,843	3,152	2,503
Change in pension provisions	95	13	87	8	7	6
Other noncash income/expense and reclassifications[2]	–13,575	–7,164	–13,678	–7,208	103	44
Gross cash flow	**20,090**	**18,853**	**15,778**	**15,382**	**4,312**	**3,471**
Change in working capital	**–12,881**	**–10,353**	**454**	**1,728**	**–13,335**	**–12,080**
Change in inventories	460	–4,234	1,044	–3,594	–584	–640
Change in receivables	–56	–2,241	114	–944	–171	–1,297
Change in liabilities	–236	3,077	–627	2,698	391	379
Change in other provisions	370	3,946	57	3,712	313	234
Change in leasing and rental assets (excluding depreciation)	–5,606	–4,090	–232	–394	–5,374	–3,695
Change in financial services receivables	–7,814	–6,811	96	249	–7,910	–7,061
Cash flows from operating activities	**7,209**	**8,500**	**16,232**[3]	**17,109**[3]	**–9,023**	**–8,609**
Cash flows from investing activities attributable to operating activities	**–16,840**	**–16,002**	**–16,455**	**–15,998**	**–385**	**–4**
of which: acquisition of property, plant and equipment	–10,493	–8,087	–10,271	–7,929	–222	–158
capitalized development costs	–2,615	–1,666	–2,615	–1,666	–	–
acquisition and disposal of equity investments[4]	–4,105	–6,388	–3,927	–6,626	–179	238
Net cash flow[5]	***–9,631***	***–7,502***	***–223***	***1,112***	***–9,408***	***–8,613***
Change in investments in securities and loans	–2,643	–2,629	–111	–1,285	–2,532	–1,344
Cash flows from investing acitivities	**–19,482**	**–18,631**	**–16,565**	**–17,283**	**–2,917**	**–1,348**
Cash flows from financing activities	**13,712**	**8,316**	**2,551**	**–4,267**	**11,161**	**12,583**
of which: capital transactions with noncontrolling interests	–2,101	335	–2,101	335	–	–
mandatory convertible note	2,048	–	2,048	–	–	–
Changes in cash and cash equivalents due to exchange rate changes	–141	82	–98	106	–43	–24
Net change in cash and cash equivalents	**1,298**	**–1,733**	**2,120**	**–4,334**	**–822**	**2,601**
Cash and cash equivalents at Dec. 31[6]	**17,794**	**16,495**	**14,788**	**12,668**	**3,005**	**3,827**
Securities, loans and time deposits	14,352	12,163	8,110	8,966	6,242	3,197
Gross liquidity	**32,146**	**28,658**	**22,898**	**21,634**	**9,248**	**7,024**
Total third-party borrowings	–117,663	–93,533	–12,324	–4,683	–105,338	–88,849
Net liquidity	**–85,517**	**–64,875**	**10,573**	**16,951**	**–96,090**	**–81,826**

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

2 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.

3 Before consolidation of intragroup transactions: €17,029 million (€17,868 million).

4 These relate mainly to the acquisition of the holding company operating business of Porsche Automobil Holding SE for €4,495 million and the acquisition of the shares in Ducati Motor Holding S.p.A. for €747 million, shares in KPI Polska Sp.z.o.o., Poznan/Poland, and related financial services companies for a total of €254 million, and the shares in MAN TRUCKS India Private Limited, Akurdi/India (formerly: MAN FORCE TRUCKS Private Limited), for €150 million, in each case net of cash and cash equivalents acquired.

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.

Since the consolidation of MAN, further increases in Volkswagen AG's stake have been reported in financing activities as capital transactions with noncontrolling interests. Further interests in MAN SE totaling approximately €2.1 billion were acquired in the reporting period. The issuance of a mandatory convertible note led to a cash inflow of €2.5 billion, €2.0 billion of which was classified as a capital contribution and increased net liquidity.

Cash and cash equivalents in the Volkswagen Group as reported in the cash flow statement amounted to €17.8 billion as of December 31, 2012, €1.3 billion higher than in the previous year. Gross liquidity rose by €3.5 billion to €32.1 billion. Net liquidity in the Group was €–85.5 billion (€–64.9 billion).

FINANCIAL POSITION IN THE AUTOMOTIVE DIVISION

Gross cash flow in the Automotive Division increased to €15.8 billion (€15.4 billion) in fiscal year 2012 due to earnings-related factors, although higher tax payments had a negative effect. Despite the increased business volumes, strict working capital management led to the release of €0.5 billion (€1.7 billion). Overall, cash flows from operating activities amounted to €16.2 billion (€17.1 billion).

At €16.5 billion, the cash outflow from investing activities attributable to operating activities in the reporting period was €0.5 billion higher than in the previous year. Investments in property, plant and equipment rose by €2.3 billion to €10.3 billion; the ratio of investments in property, plant and equipment (capex) to sales revenue was 5.9% (5.6%). We invested mainly in our production facilities and in models that we launched in 2012 or are planning to launch in 2013. These are primarily the ŠKODA Rapid, as well as the successor models to the Golf, the Audi A3, the Audi A4, the Audi A6, the ŠKODA Octavia, the SEAT Leon, the Porsche Boxster and the Porsche 911 Carrera. Other investment focuses were the ecological focus of the model range and the switch to the Modular Transverse Toolkit. Capitalized development costs rose to €2.6 billion (€1.7 billion). Within investing activities, a cash outflow arose from the contribution in full of Porsche's automotive business to the Volkswagen Group. The payment of the consideration in the amount of €4.5 billion was net of cash and cash equivalents acquired from Porsche, while the liabilities assumed directly reduced net liquidity. The acquisition of Ducati resulted in a cash outflow of €0.7 billion. The acquisition of Porsche Holding Salzburg and the increased stake in MAN SE had a considerable effect on investing activities in the previous year. The Automotive Division's net cash flow declined by €1.3 billion to €–0.2 billion.

The Automotive Division recorded a cash inflow of €2.6 billion from financing activities (previous year: cash outflow of €4.3 billion). This reflects the proceeds from the issuance of bonds and the issuance of a mandatory convertible note, dividend payments and the further increase in the stake in MAN SE.

Following the integration of Porsche and Ducati, the increase in the stake in MAN SE and the successful placement of a mandatory convertible note, net liquidity in the Automotive Division amounted to €10.6 billion (€17.0 billion) at the end of fiscal year 2012.

Financial position in the Passenger Cars and Light Commercial Vehicles Business Area

€ million	2012	2011
Gross cash flow	13,750	13,733
Change in working capital	1,877	1,326
Cash flows from operating activities	15,627	15,060
Cash flows from investing activities attributable to operating activities	–15,232	–15,544
Net cash flow	395	–484

Gross cash flow in the Passenger Cars and Light Commercial Vehicles Business Area was roughly on a level with the previous year at €13.8 billion, and was negatively impacted by higher income tax payments. Funds of €1.9 billion (€1.3 billion) were released from working capital despite the increase in volumes. Cash flows from operating activities therefore increased year-on-year to €15.6 billion. The cash outflow from investing activities attributable to operating activities was on a level with the previous year, at €15.2 billion (€15.5 billion), and was significantly affected by the integration of Porsche and the acquisition of Ducati. Investments in property, plant and equipment and capitalized development costs rose by 25.1% and 44.8%, respectively. Net cash flow improved from €–0.5 billion in the previous year to €0.4 billion.

Financial position in the Trucks and Buses, Power Engineering Business Area

€ million	2012	2011
Gross cash flow	2,028	1,648
Change in working capital	–1,423	401
Cash flows from operating activities	605	2,049
Cash flows from investing activities attributable to operating activities	–1,223	–454
Net cash flow	–618	1,596

Gross cash flow in the Trucks and Buses, Power Engineering Business Area was €2.0 billion (€1.6 billion) due to earnings-related factors and higher tax payments. In the comparison with the previous year's figures, it should be noted that MAN was consolidated on November 9, 2011. Funds of €1.4 billion were tied up in working capital in the reporting period, after funds were released from working capital in the previous year. As a result, cash flows from operating activities declined to €0.6 billion (€2.0 billion). At €1.2 billion, the cash outflow from investing activities attributable to operating activities was higher than in the previous year (€0.5 billion) and includes the acquisition of MAN TRUCKS India Private Limited. Net cash flow declined sharply by €2.2 billion to €–0.6 billion.

FINANCIAL POSITION IN THE FINANCIAL SERVICES DIVISION

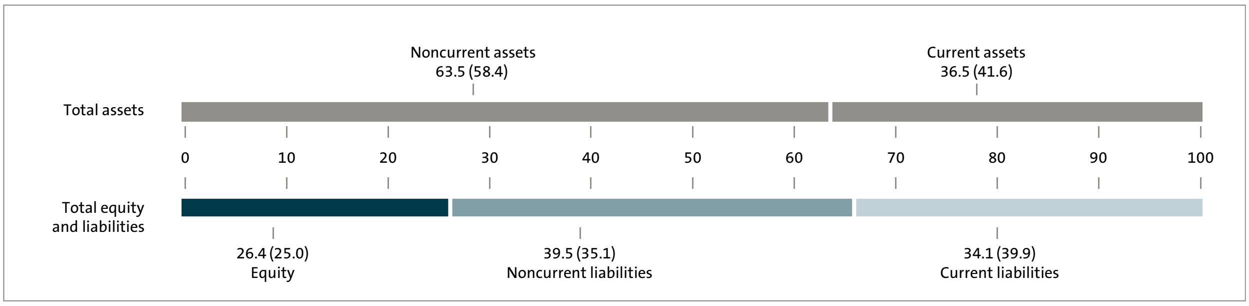
The Financial Services Division's gross cash flow was €4.3 billion in 2012, up 24.2% on the previous year due to earnings-related factors. Funds tied up in working capital increased to €13.3 billion (€12.1 billion) as a result of volume growth and the resulting higher financial services receivables, as well as changes to leasing and rental assets. The cash outflow from investing activities attributable to operating activities rose to €0.4 billion. A cash inflow of €11.2 billion (€12.6 billion) was recorded from financing activities as a result of the increased business volume, including from the issuance of bonds. The Financial Services

CONSOLIDATED BALANCE SHEET BY DIVISION AS OF DECEMBER 31

	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2012	2011[2]	2012	2011[2]	2012	2011
Assets						
Noncurrent assets	**196,582**	**148,129**	**119,776**	**86,421**	**76,806**	**61,708**
Intangible assets	59,158	22,176	58,936	22,044	222	131
Property, plant and equipment	39,424	31,876	38,004	31,414	1,420	462
Leasing and rental assets	20,034	16,626	2,667	3,278	17,367	13,348
Financial services receivables	49,785	42,450	–602	–600	50,387	43,050
Other receivables and financial assets[3]	28,181	35,002	20,771	30,286	7,410	4,717
Current assets	**113,061**	**105,640**	**61,282**	**59,755**	**51,779**	**45,885**
Inventories	28,674	27,551	25,868	25,378	2,806	2,173
Financial services receivables	36,911	33,754	–911	–816	37,822	34,570
Other receivables and financial assets	21,555	19,897	15,166	15,494	6,389	4,404
Marketable securities	7,433	6,146	5,697	5,235	1,736	911
Cash, cash equivalents and time deposits	18,488	18,291	15,462	14,464	3,026	3,827
Total assets	**309,644**	**253,769**	**181,059**	**146,176**	**128,585**	**107,593**
Equity and Liabilities						
Equity	**81,825**	**63,354**	**68,458**	**52,488**	**13,367**	**10,865**
Equity attributable to shareholders of Volkswagen AG	77,515	57,539	64,542	46,891	12,973	10,647
Noncontrolling interests	4,310	5,815	3,916	5,597	394	218
Noncurrent liabilities	**122,306**	**89,179**	**68,909**	**49,037**	**53,397**	**40,142**
Noncurrent financial liabilities	63,603	44,442	15,069	7,661	48,534	36,780
Provisions for pensions	23,969	16,787	23,658	16,592	312	194
Other noncurrent liabilities[4]	34,733	27,951	30,183	24,783	4,550	3,167
Current liabilities	**105,513**	**101,237**	**43,691**	**44,651**	**61,822**	**56,586**
Current financial liabilities	54,060	49,090	–2,544	–2,979	56,604	52,069
Trade payables	17,268	16,325	15,663	15,245	1,606	1,081
Other current liabilities	34,185	35,821	30,573	32,385	3,612	3,436
Total equity and liabilities	**309,644**	**253,769**	**181,059**	**146,176**	**128,585**	**107,593**

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions, primarily intragroup loans.
2 Adjusted
3 Including equity-accounted investments and deferred taxes.
4 Including deferred taxes.

CONSOLIDATED BALANCE SHEET STRUCTURE 2012
as percent



Division's negative net liquidity, which is common in the industry, widened by €–14.3 billion as against the previous year to €–96.1 billion (€–81.8 billion) as of December 31, 2012. This was mainly due to the expansion of business activities and the enlargement of the consolidated Group.

CONSOLIDATED BALANCE SHEET STRUCTURE

The Volkswagen Group's total assets were €309.6 billion at the end of the reporting period, 22.0% higher than at December 31, 2011. This increase was largely the result of the integration of Porsche (Automotive and Financial Services) and organic Group growth. Purchase price allocation for the assets acquired and liabilities assumed from Porsche Automotive is provisional as of the reporting date. The structure of the consolidated balance sheet as of December 31, 2012 can be seen from the chart on this page. The Volkswagen Group's equity ratio was 26.4% (25.0%).

AUTOMOTIVE DIVISION BALANCE SHEET STRUCTURE

The Automotive Division's noncurrent assets as of December 31, 2012 were 38.6% higher than at year-end 2011, primarily due to the integration of Porsche. Intangible assets more than doubled compared with the previous year, lifted in particular by the goodwill and brand value of Porsche, which were determined as part of purchase price allocation. The value of equity-accounted investments declined with the transition in accounting for Porsche from the equity method to consolidation. Other noncurrent assets decreased as a result of the disposal of the options relating to Porsche Holding Stuttgart GmbH. Property, plant and equipment increased by 21.0%. Current assets rose by 2.6%; within this item, inventories increased as a result of the addition of Porsche. At €15.5 billion, cash and cash equivalents exceeded the prior-year figure (€14.5 billion).

The Automotive Division's equity attributable to shareholders of Volkswagen AG amounted to €64.5 billion at the end of 2012, a year-on-year increase of 37.6%. The earnings performance – including the remeasurement of the put/call options and the existing shares – as well as net gains from the fair value remeasurement of derivative financial instruments recognized directly in equity, and the issuance of a mandatory convertible note had a particularly positive effect. This was offset in part by actuarial losses from the measurement of pension provisions and the dividend payments. Equity attributable to noncontrolling interests, which chiefly relates to noncontrolling interests in Scania and MAN, declined as a result of the increase in the stake in MAN SE. Including noncontrolling interests, equity amounted to €68.5 billion, up €16.0 billion on the prior-year reporting date. The division's equity ratio rose to 37.8% (35.9%). Noncurrent liabilities increased by 40.5%, primarily due to the inclusion of Porsche, the actuarial valuation of pension provisions and business expansion, while current liabilities were on a level with the end of 2011. 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 Automotive Division's total assets amounted to €181.1 billion at the end of the reporting period, 23.9% higher than at December 31, 2011.

Passenger Cars and Light Commercial Vehicles Business Area balance sheet structure

€ million	2012	2011
Noncurrent assets	92,381	60,505
Current assets	46,660	45,597
Total assets	**139,041**	**106,102**
Equity	49,274	32,411
Noncurrent liabilities	57,704	41,030
Current liabilities	32,063	32,661

At €92.4 billion, noncurrent assets in the Passenger Cars and Light Commercial Vehicles Business Area were €31.9 billion higher than at the prior-year reporting date due to the inclusion of Porsche. Current assets were up slightly on the 2011 figure at €46.7 billion. Total assets amounted to €139.0 billion (€106.1 billion) at the end of the reporting period. Equity rose by 52.0% to €49.3 billion. This was largely influenced by the earnings performance, including the remeasurement of the put/call options and the existing shares. Noncurrent liabilities rose by 40.6%, while current liabilities declined by 1.8%.

Trucks and Buses, Power Engineering Business Area balance sheet structure

€ million	2012	2011*
Noncurrent assets	27,396	25,917
Current assets	14,622	14,157
Total assets	**42,017**	**40,074**
Equity	19,184	20,078
Noncurrent liabilities	11,205	8,007
Current liabilities	11,628	11,990

* Adjusted

Noncurrent and current assets in the Trucks and Buses, Power Engineering Business Area were higher than in the previous year as of December 31, 2012. Total assets rose to €42.0 billion (€40.1 billion). Equity was on a level with the previous year. Noncontrolling interests in the equity of the Volkswagen Group are attributable primarily to the Trucks and Buses, Power Engineering Business Area.

FINANCIAL SERVICES DIVISION BALANCE SHEET STRUCTURE

At the end of fiscal year 2012, the Financial Services Division's total assets amounted to €128.6 billion, €21.0 billion higher than at December 31, 2011.

Leasing and rental assets, as well as noncurrent and current financial services receivables increased due to volume-related factors and the expansion of the consolidated Group (including Porsche Financial Services). Leasing and rental assets were up 30.1% on the previous year, at €17.4 billion. Overall, noncurrent assets grew by 24.5%; current assets rose by 12.8% as against year-end 2011. Cash and cash equivalents amounted to €3.0 billion (€3.8 billion). The Financial Services Division accounted for approximately 42% of the Volkswagen Group's assets as of the reporting date.

Equity in the Financial Services Division amounted to €13.4 billion (€10.9 billion) as of the reporting date. The earnings position and capital increases by Volkswagen AG had a particularly positive effect here. The division's equity ratio rose to 10.4% (10.1%). Financial liabilities increased in both the noncurrent liabilities item, which grew by 33.0%, and the current liabilities item, which was up 9.3% on the prior-year figure. The increase is attributable to the refinancing of increased business volumes and the expansion of the consolidated Group. Deposits from direct banking business amounted to €23.9 billion (€23.1 billion) as of December 31, 2012, of which €22.0 billion was attributable to Volkswagen Bank direct. The debt/equity ratio remained unchanged at 8:1.

FINANCIAL KEY PERFORMANCE INDICATORS

%	2012	2011	2010	2009	2008
Volkswagen Group					
Gross margin	18.2	17.6	16.9	12.9	15.1
Personnel expense ratio	15.3	15.0	15.0	15.2	13.9
Return on sales before tax	13.2	11.9	7.1	1.2	5.8
Return on sales after tax	11.4	9.9	5.7	0.9	4.1
Equity ratio	26.4	25.0	24.4	21.1	22.3
Dynamic gearing[1] (years)	0.1	0.1	0.1	0.2	0.2
Automotive Division[2]					
Change in unit sales[3]	+11.8	+14.9	+15.4	+0.6	+1.3
Change in sales revenue	+21.6	+26.0	+21.2	–9.3	+3.9
Operating profit as a percentage of sales revenue	5.7	7.0	5.5	1.4	5.3
EBITDA (in € million)[4]	19,906	17,815	13,940	8,005	12,108
Return on investment after tax[5]	16.6	17.7	13.5	3.8	10.9
Cash flows from operating activities as a percentage of sales revenue[6]	9.4	12.0	12.3	13.8	8.6
Cash flows from investing activities as a percentage of sales revenue[6]	9.5	11.3	8.1	11.0	11.2
Investments in property, plant and equipment as a percentage of sales revenue	5.9	5.6	5.0	6.2	6.6
Ratio of noncurrent assets to total assets[7]	21.0	21.5	22.8	24.9	26.2
Ratio of current assets to total assets[8]	14.3	17.4	14.7	13.8	19.2
Inventory turnover	6.4	6.9	7.4	6.0	6.3
Equity ratio	37.8	35.9	35.5	30.2	32.6
Financial Services Division					
Increase in total assets	19.5	22.5	9.2	1.6	15.4
Return on equity before tax[9]	13.1	14.0	12.9	7.9	12.1
Equity ratio	10.4	10.1	10.4	10.2	10.6

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 Shanghai-Volkswagen Automotive Company Ltd. and FAW-Volkswagen Automotive Company Ltd. vehicle-production investments. 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, leasing and rental assets, goodwill and financial assets as reported in the cash flow statement.
5 For details, see Value-based management on page 186.
6 2008 adjusted.
7 Ratio of property, plant and equipment to total assets.
8 Ratio of inventories to total assets.
9 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 integrated automotive group with Porsche was created as of August 1, 2012 with the contribution in full of Dr. Ing. h.c. F. Porsche AG to the Volkswagen Group. Alongside the consolidation of MAN as of November 9, 2011 and organic growth, this helped us to exceed the previous year's record sales revenue and earnings and thus maintain our profitable growth trajectory. We continued to pursue disciplined cost and investment management and the continuous optimization of our processes.

The integration of Porsche, the acquisition of Ducati Motor Holding S.p.A. and the increased stake in MAN SE had a significant influence on the Volkswagen Group's financial position in the reporting period. We strengthened our capital base with the successful placement of a mandatory convertible note. The Automotive Division's strong liquidity position at the end of fiscal year 2012 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 183 and 185. 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 104.

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. In fiscal year 2012, the value added generated by the Volkswagen Group was 25.1% higher than in the previous year. Added value per employee in the reporting period was €127.1 thousand (+5.4%). 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	2012		2011	
Sales revenue	192,676		159,337	
Other income	24,652		13,125	
Cost of materials	–122,450		–104,648	
Depreciation and amortization	–13,135		–10,346	
Other upfront expenditures	–22,077		–9,759	
Value added	**59,666**		**47,709**	

Appropriation of funds in € million	2012	%	2011	%
to shareholders (dividend)	1,639	2.8	1,406	2.9
to employees (wages, salaries, benefits)	29,503	49.5	23,854	50.0
to the state (taxes, duties)	4,322	7.2	4,525	9.5
to creditors (interest expense)	3,957	6.6	3,530	7.4
to the Company (reserves)	20,246	33.9	14,393	30.2
Value added	**59,666**	**100.0**	**47,709**	**100.0**

FIVE-YEAR REVIEW

	2012	2011*	2010	2009	2008*
Volume Data (thousands)					
Vehicle sales (units)	**9,345**	**8,361**	**7,278**	**6,310**	**6,272**
Germany	1,207	1,211	1,059	1,288	1,013
Abroad	8,137	7,150	6,219	5,022	5,259
Production (units)	**9,255**	**8,494**	**7,358**	**6,055**	**6,347**
Germany	2,321	2,640	2,115	1,938	2,146
Abroad	6,934	5,854	5,243	4,117	4,201
Employees (yearly average)	**533**	**454**	**389**	**367**	**357**
Germany	237	196	178	173	178
Abroad	296	258	210	194	179
Financial Data in € million					
Income Statement					
Sales revenue	**192,676**	**159,337**	**126,875**	**105,187**	**113,808**
Cost of sales	157,518	131,371	105,431	91,608	96,612
Gross profit	**35,158**	**27,965**	**21,444**	**13,579**	**17,196**
Distribution expenses	18,850	14,582	12,213	10,537	10,552
Administrative expenses	6,223	4,384	3,287	2,739	2,742
Net other operating expense/income	1,426	2,271	1,197	1,553	2,431
Operating profit	**11,510**	**11,271**	**7,141**	**1,855**	**6,333**
Financial result	13,982	7,655	1,852	–595	275
Profit before tax	**25,492**	**18,926**	**8,994**	**1,261**	**6,608**
Income tax expense	3,608	3,126	1,767	349	1,920
Profit after tax	**21,884**	**15,799**	**7,226**	**911**	**4,688**
Cost of materials	**122,450**	**104,648**	**79,394**	**67,925**	**75,954**
Personnel expenses	**29,503**	**23,854**	**19,027**	**16,027**	**15,784**
Balance Sheet at December 31					
Noncurrent assets	196,582	148,129	113,457	99,402	91,756
Current assets	113,061	105,640	85,936	77,776	76,163
Total assets	**309,644**	**253,769**	**199,393**	**177,178**	**167,919**
Equity	81,825	63,354	48,712	37,430	37,388
of which: noncontrolling interests	4,310	5,815	2,734	2,149	2,377
Noncurrent liabilities	122,306	89,179	73,781	70,215	65,729
Current liabilities	105,513	101,237	76,900	69,534	64,802
Total equity and liabilities	**309,644**	**253,769**	**199,393**	**177,178**	**167,919**
Cash flows from operating activities	**7,209**	**8,500**	**11,455**	**12,741**	**2,702**
Cash flows from investing activities attributable to operating activities	**16,840**	**16,002**	**9,278**	**10,428**	**11,613**
Cash flows from financing activities	**13,712**	**8,316**	**–852**	**5,536**	**8,123**

* Adjusted

VALUE CONTRIBUTION AS A CONTROL VARIABLE

The Volkswagen Group's financial target system centers on continuously and sustainably increasing the value of the Company. We have been using value contribution*, a control variable 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 the new plants in India, Russia and North America, 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, inventories and receivables) less non-interest-bearing liabilities (trade payables and payments on account received).

As the concept of value-based management only covers 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, which reflects the general risk of a capital investment in the equity market and is oriented on the Morgan Stanley Capital International (MSCI) World Index, was raised from 5.5% to 6.5% due to the continued uncertainty in the capital market.

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 1.26 was determined for 2012 (previous year: 1.09).

COST OF CAPITAL AFTER TAX
AUTOMOTIVE DIVISION

%	2012	2011
Risk-free rate	2.2	2.7
MSCI World Index market risk premium	6.5	5.5
Volkswagen-specific risk premium	1.7	0.5
(Volkswagen beta factor)	(1.26)	(1.09)
Cost of equity after tax	**10.4**	**8.7**
Cost of debt	3.7	5.2
Tax	–1.1	–1.5
Cost of debt after tax	**2.6**	**3.6**
Proportion of equity	66.7	66.7
Proportion of debt	33.3	33.3
Cost of capital after tax	**7.8**	**7.0**

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 7.8% (7.0%) for 2012.

* The value contribution corresponds to the Economic Value Added (EVA®). EVA® is a registered trademark of Stern Stewart & Co.

Value contribution and return on investment in the current fiscal year

Porsche has been consolidated since the contribution in full of Dr. Ing. h.c. F. Porsche AG to the Volkswagen Group on August 1, 2012. In accordance with the internal management of the brands and companies in the Automotive Division, the Porsche Automotive subgroup was incorporated into the core operating business based on uniform definitions of value-based management. Effects on assets and earnings from purchase price allocation are not taken into account as this is beyond what is feasible from an operational management perspective.

The operating profit after tax of the Automotive Division, including the share of operating profit for the Chinese joint ventures, was €10,911 million (€9,375 million) in fiscal year 2012. The year-on-year increase was due in particular to higher volumes, optimized product costs and positive exchange rate effects, as well as the inclusion of MAN (as of November 9, 2011) and Porsche (as of August 1, 2012).

Invested capital rose to €65,749 million (previous year: €52,881 million), mainly due to the full effect of the consolidation of Porsche Holding Salzburg and MAN in 2011, the consolidation of Porsche in 2012, as well as higher investments in property, plant, and equipment. Multiplied by the cost of capital, which also increased as against 2011, the cost of invested capital was therefore up on the prior-year level at €5,128 million (€3,702 million). The increase in operating profit after tax resulted in a clearly positive value contribution of €5,783 million (€5,673 million).

The return on investment is the return on invested capital for a particular period based on the operating profit after tax. At 16.6%, this was down on the prior-year figure (17.7%) due to the increase in invested capital.

More information on value-based management is contained in our publication entitled "Financial Control System of the Volkswagen Group", which can be downloaded from our Investor Relations website.

VALUE CONTRIBUTION BY THE AUTOMOTIVE DIVISION[1]

€ million	2012	2011[2]
Operating profit (starting point)	9,923	9,973
Plus earnings effects of purchase price allocation for Scania Vehicles & Services, the automobile trading business of Porsche Holding Salzburg (as from March 1, 2011), MAN Commercial Vehicles and MAN Power Engineering (as from November 9, 2011), and Porsche Automotive (as from August 1, 2012)	1,985	804
Plus share of operating profit of the Chinese joint ventures	3,678	2,616
Tax expense	–4,676	–4,018
Operating profit after tax	**10,911**	**9,375**
Invested capital (average)	65,749	52,881
Return on investment (ROI) in %	**16.6**	**17.7**
Cost of capital in %	7.8	7.0
Cost of invested capital	**5,128**	**3,702**
Value contribution	**5,783**	**5,673**

1 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.
2 Adjusted

Volkswagen AG (condensed, according to the German Commercial Code)
Vehicle sales remain high, earnings up

NET INCOME FOR THE YEAR

Volkswagen AG's sales rose by 1.8% year-on-year to €68.4 billion in fiscal year 2012, with 63.5% (62.9%) of this figure being generated outside of Germany. Cost of sales increased disproportionately to €63.5 billion. As a result, gross profit declined to €4.9 billion (€5.4 billion).

The expansion in the volume of business led to higher selling, general and administrative expenses than in 2011; the ratio of selling, general and administrative expenses to sales rose to 8.8% (8.3%). Other operating income improved to €1.3 billion (€1.1 billion).

The financial result rose by 26.7% to €7.9 billion, due in particular to higher income from investments.

The increase in the financial result improved Volkswagen AG's result from ordinary activities by 13.2% year-on-year to €8.1 billion. The negative effects from the revaluation of pension provisions as a result of the transition to the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernization Act) are only included in the previous year's extraordinary result. After deducting income taxes, net income in fiscal year 2012 rose to €6.4 billion (€3.4 billion).

INCOME STATEMENT OF VOLKSWAGEN AG

€ million	2012	2011
Sales	68,361	67,178
Cost of sales	63,458	61,789
Gross profit on sales	**+4,903**	**+5,389**
Selling, general and administrative expenses	5,986	5,567
Other operating result	+1,264	+1,082
Financial result*	+7,904	+6,239
Result from ordinary activities	**+8,084**	**+7,143**
Extraordinary result	**–**	**–1,095**
Taxes on income	1,704	2,630
Net income for the year	**6,380**	**3,418**
Retained profits brought forward	10	6
Appropriations to revenue reserves	3,190	1,708
Net retained profits	**3,200**	**1,715**

* Including write-downs of financial assets.

BALANCE SHEET OF VOLKSWAGEN AG AS OF DECEMBER 31

€ million	2012	2011
Fixed assets	61,096	52,543
Inventories	3,795	3,799
Receivables	19,347	13,919
Cash and bank balances	6,880	5,405
Total assets	**91,118**	**75,666**
Equity	24,434	19,459
Special tax-allowable reserves	47	53
Long-term debt	14,102	10,172
Medium-term debt	26,222	19,250
Short-term debt	26,312	26,732

NET ASSETS AND FINANCIAL POSITION

Total assets amounted to €91.1 billion at December 31, 2012, €15.5 billion higher than in the previous year. Investments in tangible and intangible assets rose by €0.5 billion year-on-year to €2.5 billion. This increase was mainly due to the necessary increase in product and engine capacities. Investments in financial assets amounting to €9.7 billion (€10.1 billion) include the contribution of Porsche SE's operating automotive business and the acquisition of additional shares of MAN SE. At €61.1 billion, fixed assets exceeded the prior-year figure by 16.3% on December 31, 2012.

Current assets were up €6.9 billion on the previous year at €30.0 billion, mainly due to the increase in receivables from affiliated companies and higher liquid assets.

Equity amounted to €24.4 billion at year-end 2012. The 25.6% increase was largely the result of the significantly higher net income.

The equity ratio was 26.8% (25.7%). Provisions decreased by a total of €1.1 billion on the previous year. This is primarily attributable to lower provisions for taxes. The €0.6 billion decline in other provisions to €10.9 billion was offset by a €0.6 billion increase in pension provisions, to €12.0 billion. Higher liabilities to affiliated companies in particular saw liabilities rise by 42.3% as against 2011 to €38.9 billion. The interest-bearing portion of debt rose to €33.1 billion (€20.8 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), €3,190 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 dividend of €1.6 billion from net retained profits, i.e. €3.50 per ordinary share and €3.56 per preferred share, and to appropriate a further €1.6 billion to other revenue reserves.

PROPOSAL ON THE APPROPRIATION OF NET PROFIT

€	2012
Dividend distribution on subscribed capital (€1,191 million)	1,638,522,652.68
of which on: ordinary shares	1,032,814,363.00
preferred shares	605,708,289.68
Appropriation to other revenue reserves	1,555,000,000.00
Balance (carried forward to new account)	6,285,232.92
Net retained profits	**3,199,807,885.60**

EMPLOYEE PAY AND BENEFITS AT VOLKSWAGEN AG

€ million	2012	%	2011	%
Direct pay including cash benefits	6,481	70.4	5,960	73.1
Social security contributions	1,073	11.7	1,022	12.5
Compensated absence	868	9.4	774	9.5
Post-employment benefits	778	8.5	401	4.9
Total expense	**9,200**	**100.0**	**8,156**	**100.0**

SALES TO THE DEALER ORGANIZATION

Volkswagen AG sold a total of 2,580,266 vehicles to the dealer organization in fiscal year 2012, roughly on a level with the previous year (–3.0%). The proportion of vehicles sold outside Germany was 70.0% (69.9%).

PRODUCTION

Volkswagen AG produced 1,148,774 vehicles at its vehicle production plants in Emden, Hanover and Wolfsburg in the reporting period, 5.5% fewer than in 2011. Average daily production declined slightly compared with the previous year to 5,026 units.

NUMBER OF EMPLOYEES

As of December 31, 2012, a total of 101,794 people were employed at the sites of Volkswagen AG, excluding staff employed at subsidiaries. Of this figure, 4,838 were vocational trainees. 4,392 employees were in the passive phase of their partial retirement. The workforce grew by 4.2% as against the prior-year reporting date.

Female employees accounted for 15.4% of the total headcount. Volkswagen AG employed 3,328 part-time workers (3.3%). 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 81.3%. 16.6% of the employees were graduates. The average age of Volkswagen employees in 2012 was 42.6 years.

RESEARCH AND DEVELOPMENT

Research and development costs for Volkswagen AG under the German Commercial Code amounted to €3.8 billion in 2012 (€3.2 billion). 10,869 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 €26.6 billion in fiscal year 2012 (€24.5 billion); the proportion attributable to German suppliers was 68.4% (69.9%). Of the total purchasing volume, €21.9 billion was spent on production materials and €4.7 billion on capital goods and services.

EXPENDITURE ON ENVIRONMENTAL PROTECTION

Expenditure on environmental protection is split between investments and operating costs. Of our total investments, 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 production in the case of integrated measures. Our focus in 2012 was on water pollution control.

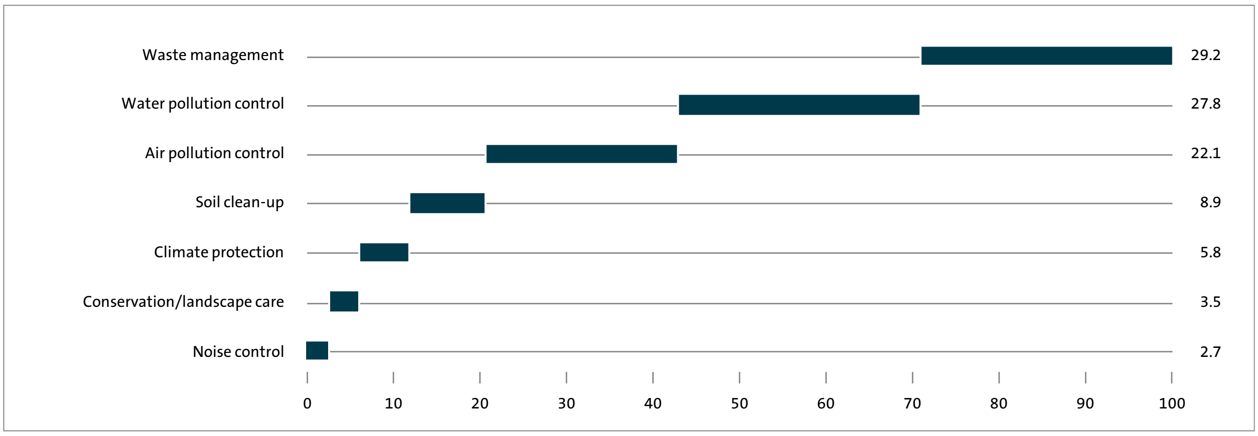
Operating costs for environmental protection relate exclusively to production-related measures that protect the environment against harmful factors by avoiding, reducing, or eliminating emissions by the Company, or conserving resources. These entail both expenses associated with the operation of equipment that protects the environment as well as expenditures for measures not relating to such equipment. Our focus in 2012 was on water pollution control, waste management and air pollution control.

VOLKSWAGEN AG EXPENDITURE ON ENVIRONMENTAL PROTECTION

€ million	2012	2011	2010	2009	2008
Investments	9	18	12	10	8
Operating costs	216	200	197	180	185

OPERATING COSTS FOR ENVIRONMENTAL PROTECTION AT VOLKSWAGEN AG IN 2012

Share of environmental protection areas as percent



BUSINESS DEVELOPMENT RISKS AT VOLKSWAGEN AG

The business development of Volkswagen AG is exposed to essentially the same risks as the Volkswagen Group. These risks are explained in the Risk Report on pages 226 to 236 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 234 to 235 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.

Value-Enhancing Factors
Responsibility and sustainability along the entire value chain

Our outstanding team is dedicated to developing and manufacturing first-class automobiles that captivate customers around the world. The focus of our business is on ensuring responsibility and sustainability in respect of our employees, society and the environment along the entire value chain.

The 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, sales and marketing, information technology and quality assurance. Above all, we are always aware of our responsibility towards our employees, society and the environment. In this chapter, we show how we increase the enterprise value of Volkswagen in a sustainable way with examples from the various areas.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Volkswagen is unlike any other company thanks to its corporate culture, which combines a modern understanding of responsibility and sustainability with the traditional values of running a business. As a global company, Volkswagen's worldwide commitment and corporate giving policy support social projects and help those in need. At the same time, it integrates this concept with a modern vision that is focused on strategically anchoring corporate social responsibility (CSR) and sustainability in the value chain. The challenges of the 21st century, particularly resource and climate conservation as well as fairness within and between generations, are reflected in our vision of responsibility and sustainability. Sustainability requires a commitment to balancing economic, ecological and social dimensions. Our CSR concept is aimed at ensuring that we avoid risks at every step along the value chain, identify opportunities for development early on and improve our reputation. CSR therefore makes a necessary contribution to increasing the value of the Company and safeguarding it in the long term.

Key challenges of doing business sustainably

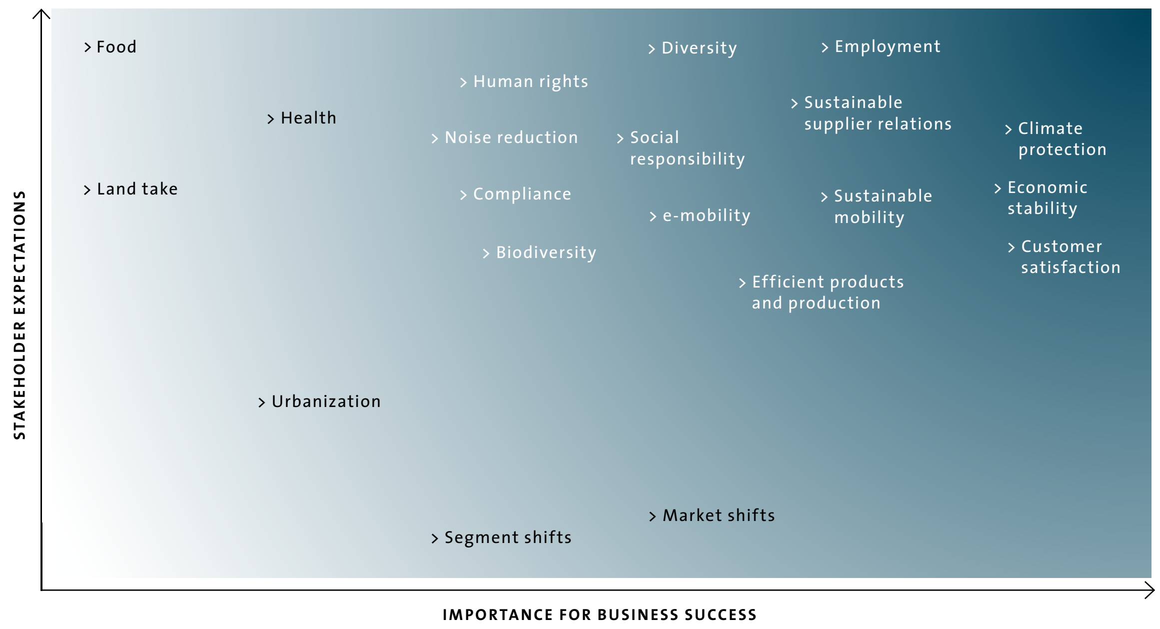
Together with our stakeholder groups, we use our Strategy 2018 to work out which topics are important for Volkswagen's long-term viability. In this analytically based process, we evaluate current international sustainability studies and engage in comprehensive dialog with our stakeholders. These include analysts, politicians and civil authorities, scientists, nongovernmental organizations and, not least, our employees. We discuss important challenges for our Company and the automotive industry in detail at both brand and Group level. The materiality matrix is an ongoing process during which the internal bodies discuss and evaluate the identified topics. The result is the roadmap for our sustainability strategy: a matrix with the key issues. It is shown on the next page.

Sustainability management

The Group Board of Management is also the supreme sustainability board in the Company. It receives regular updates from the Group CSR & Sustainability steering group about the issues of responsibility and sustainability. Senior executives from central Board of Management business areas, the Group Works Council and representatives of the brands and regions are members of this steering group. It resolves the sustainability strategy, which aims to help the Group achieve its goal of becoming the most sustainable automaker in the world in 2018.

Since 2006, the CSR office has coordinated all activities within the Group and the brands, using standardized structures, processes and reports. It strategically aligns all CSR activities and acts as a guidance unit for internal management processes and dialog with stakeholders. Our CSR project teams work on current topics across business areas, such as sustainability in supplier relationships. An

KEY ISSUES (RESULTS OF THE MATERIALITY ANALYSIS)



international interchange between the CSR coordinators of all brands and regions has been taking place regularly since 2009. There is also a Group environmental conference and a Group environmental strategy group to coordinate environmental officers throughout the Group. We have set the course for an ecological reorganization of the Volkswagen Group by appointing a Group Chief Officer for the Environment, Energy and New Business Areas.

With the introduction of the IT-based sustainability management system and the further integration of the KPI (key performance indicator) systems, we have created the basis for comprehensive and timely CSR and sustainability reporting in the Group. The improved control efficiency and transparency of the KPI system allow Volkswagen to meet the increasing expectations of its stakeholders for an up-to-date, differentiated presentation of the Company's CSR and sustainability performance.

Code of Conduct and guidelines

Our Code of Conduct, which is applicable throughout the Group, provides our employees with guidance on how to manage legal and ethical challenges in their daily work. These principles include the Group values of closeness to customers, maximum performance, creating value, renewability, respect, responsibility and sustainability. All employees are equally responsible for adhering to these principles.

International conventions, laws 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 Temporary Work Charter and the Charter on Labor Relations, all of which address fundamental social rights and principles.

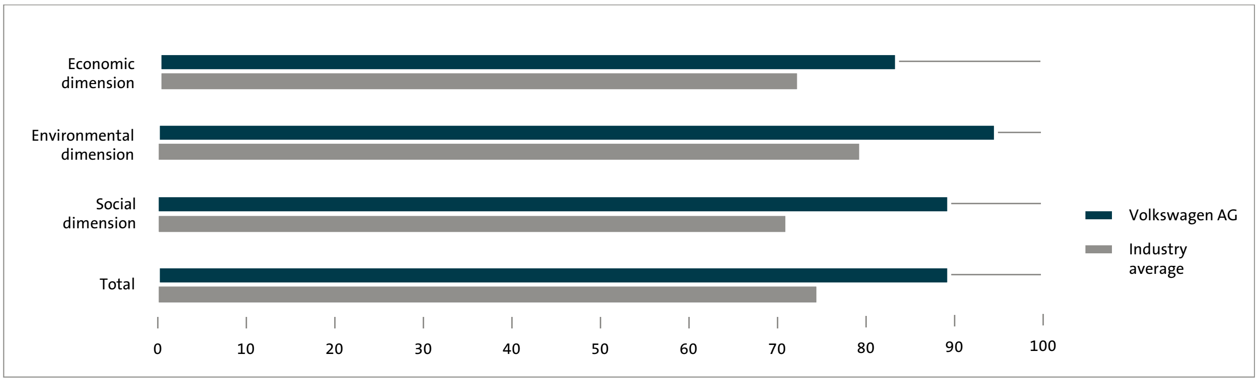
Strategic dialog with stakeholders

For Volkswagen, the ability to help shape national and international corporate networks is an important component of the permanent dialog with key social groups and actors. We contribute our technical and social capability here and support numerous projects. The Group is represented on the board of the leading European business network for corporate social responsibility, CSR Europe. At a national level, we are represented on the board of econsense, the Forum for Sustainable Development of German Business. Along with numerous other companies, Volkswagen has signed the "Code of Responsible Conduct for Business" initiative.

Since 2002, we have been committed to the largest and most important CSR initiative in the world, the Global Compact. The 7,000 participating companies from over 135 countries work together to shape a more sustainable and equitable world economy. Volkswagen makes a significant

RESULTS OF THE SAM 2012 ASSESSMENT

as percent



contribution to this initiative. Ten principles governing human rights, labor standards, environmental protection and the fight against corruption describe the values of the Global Compact. In 2012, we again achieved the "Global Compact Advanced Level" and guided our business activities at all locations of our Company by the Global Compact principles. With our expertise, we also help other companies in the Global Compact to embrace their global responsibility. An example of this is our active participation on the advisory board for the "Sustainable Supplier Chain" project. Volkswagen is also involved in the campaigns of the Rio+20 United Nations Conference on Sustainable Development.

Volkswagen and the German Nature and Biodiversity Conservation Union (NABU) – the largest environmental protection organization in Germany – have been working together for more than ten years. This unique cooperation works because both sides take into account the other's different interests. The cooperation is composed of three elements: advice, dialog and projects. As part of this, we are raising public awareness about issues regarding the environment and sustainability.

The fleet management project with Volkswagen Leasing GmbH is an ecological and economic success. We are reducing both CO_2 emissions and costs on the part of fleet operators by deploying our most efficient vehicles. The project is also a particularly effective form of climate protection, since part of the project involves us providing funds for the protection of moors in Germany, which are important CO_2 reservoirs.

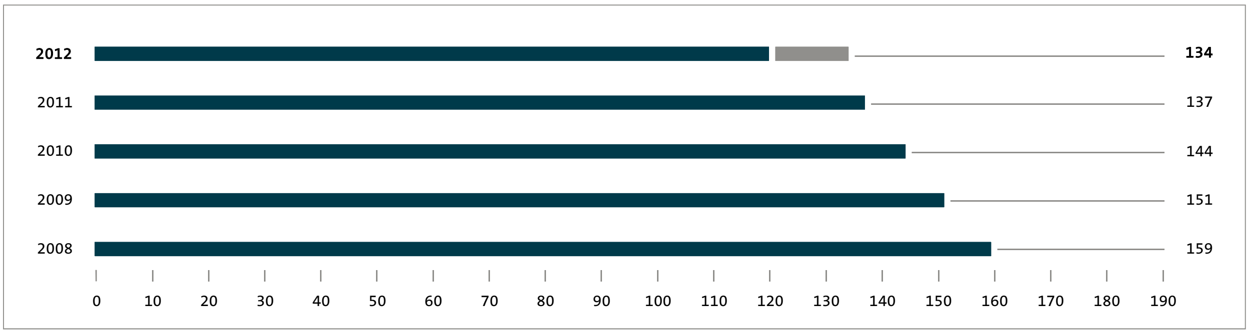
The Volkswagen brand's "Think Blue." motto is a good example of its ecologically end-to-end concept. This means that ecological sustainability represents a core element – over the overall lifecycle of the products. Environmentally relevant considerations such as climate protection and resource conservation are integrated into our technical development at an early stage. "Think Blue." also gives concrete advice on how to act, so that each of us can do our part by adopting environmentally conscious behavior. The brand aims to use its "Think Blue. Factory." environmental program to reduce the most important environmental indicators, such as demand for energy, waste, water consumption, CO_2 and solvent emissions by 25% in the period up to 2018. To do this, uniform measuring and reporting methods are being implemented in all plants around the world. Supporting ecological projects and getting involved in cooperative projects are also core components of "Think Blue.". A good example of this was the "Think Blue. World Championship 2012." fuel-saving competition, in which 18 teams from 17 countries showed that driving in a fuel-saving way is fun and that people's personal driving habits positively influence fuel consumption.

Volkswagen in sustainability rankings and indices

As analysts and investors view 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, it not only sends a clear signal to its stakeholders, but also raises its attractiveness as an employer and the motivation of its existing employees.

As in the previous years, Volkswagen was again able to take its position among the leaders in its sector in the most important international ratings and indices in 2012. We are one of only three automobile companies listed in the Dow Jones Sustainability World Index, which is based on the assessment performed by Swiss company Sustainable Asset Management (SAM). MAN is the only German company in the industrial engineering sector to be represented in the Dow Jones Sustainability World and the Dow Jones Sustainability Europe indices. Norwegian insurance company Storebrand also selected Volkswagen as an investment for its new Trippel Smart and SPP Global Topp 100

CO_2 EMISSIONS OF THE VOLKSWAGEN GROUP'S EUROPEAN (EU 27) NEW PASSENGER CAR FLEET
in grams per kilometer



fund, which were launched in 2012. This fund only considers the 100 most sustainable companies in the world. We are leading in the "social" segment there.

As of December 31, 2012, Volkswagen was represented in the following sustainability indices: Advanced Sustainability Performance Index (ASPI), Dow Jones Sustainability World Index, ECPI Ethical Index Europe, ECPI Ethical Index EMU, ECPI Ethical Index Global, Ethibel Sustainability Indices (ESI) Excellence, FTSE4Good and STOXX Global ESG Leaders Indices.

RESEARCH AND DEVELOPMENT

Research and development activities in the Group again concentrated on two areas in 2012: expanding our product portfolio and improving the functionality, quality, safety and environmental compatibility of Group products.

Focus of our research and development activities

Research and development focused in particular on the ecological and economic alignment of our vehicle portfolio. The Group Chief Officer who manages and coordinates all Group activities concerning the environment, energy and new business areas expanded his work during the reporting period so as to achieve the greatest possible synergies.

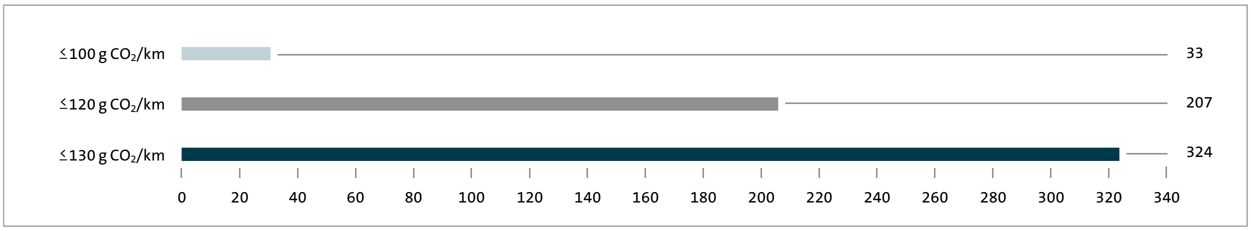
The Volkswagen Group has set itself the target of cutting the average CO_2 emissions of its new European passenger car fleet to under 120 grams of CO_2 per kilometer by 2015. We already reduced this figure over the past five years by 25 grams of CO_2 per kilometer to 134 grams of CO_2 per kilometer. From 2012 onwards, the CO_2 emissions for vehicle manufacturers' new European passenger car fleets are regulated by law. For 2012, 65% of the new vehicle fleet had to have emissions below the statutory value of 130 grams of CO_2/km: the figure for the Volkswagen Group in the reporting period was 120 g CO_2/km. We currently offer a total of 324 model variants that emit less than 130 grams of CO_2 per kilometer. For 207 model variants, we are already below the threshold of 120 grams of CO_2 per kilometer. Of these, 33 model variants are below 100 grams of CO_2 per kilometer (see chart on page 196).

We also concentrated on communication technologies in 2012, in particular vehicle-to-vehicle and vehicle-to-infrastructure communication. Exchanging information with other road users and with infrastructures, and therefore connecting vehicles to their environment, will be a key component of the future of automobility.

Lightweight construction for large series is becoming increasingly important to achieve ambitious CO_2 reduction targets in the automotive industry. The mutual cooperation between the Volkswagen Group's research and development units and the production and components departments is accelerating research into lightweight construction and its future production technologies. The entire value chain, from the carbon fiber through the production process down to the manufacturing of functional lightweight construction components – including the conceptional skills for designing parts and recycling – is modeled in the "Open Hybrid LabFactory" research factory. International technology leaders and research pioneers are in charge of all the steps in the process and are incorporating their combined expertise into developing the jointly used research factory.

Another of Volkswagen's areas of expertise is virtual technologies. In the past, these were successfully used to speed up and improve the vehicle development, production, or service process. However, these technologies are also becoming available for automotive customers, with end products that are more high-performance than ever, such as smartphones. The primary focus is on augmented reality technology, in which the real world is recognized and enriched with virtual information. Smartphones are

CO$_2$ EMISSIONS – STATUS QUO
Number of vehicles



using this technology to become innovative owner manuals: customers can film a part of the vehicle on their smartphone and receive multimedia information about how to use it. The Audi brand is the first to put this technology into the "Audi A1 eKurzinfo" series smartphone application. The Volkswagen Group's research and development team are working on other applications for comparable uses in order to safeguard our leading position in this area.

In August 2012, the Volkswagen Group of America opened a state-of-the-art research and development center in California. Drive technologies and vehicles from several Group brands will be tested and optimized here. At the heart of this complex is the climate-controlled emissions lab, which tests exhaust emissions and performance at extreme temperatures. Porsche is expanding its research and development center in Weissach, near Stuttgart, with a state-of-the-art wind tunnel and a design studio, among other things. ŠKODA is adding 21 new engine and component test beds to its technology and development center in Česana, near the corporate headquarters in Mladá Boleslav – one of the largest investments currently being made in development in the Czech Republic.

Innovative products captivate our customers

The "Automotive INNOVATIONS Awards" are presented every year to vehicle manufacturers by the Center of Automotive Management, an independent organization that conducts empirical research on automobiles and mobility. The Volkswagen Group underlined its lead with wins in the categories "Most Innovative Automotive Company", "Best Manufacturer: Conventional Drives" and "Best Manufacturer: Vehicle Concepts" in fiscal year 2012.

In the following paragraphs we present selected innovations – new models, powertrains and systems launched during the past fiscal year.

Cylinder deactivation was used in a four-cylinder turbo engine for the first time in the new Polo BlueGT. This technology automatically deactivates the second and third cylinders under light and medium load conditions without the driver noticing. This significantly reduces the 1.4 TSI engine's fuel consumption. The sporty Polo BlueGT's strong engine and seven-speed direct shift gearbox use an average of only 4.5 l of fuel per 100 km and produce 105 g/km of CO$_2$ per kilometer.

Following the Touareg Hybrid, the Jetta Hybrid was the second Volkswagen in 2012 to have a drivetrain module with both a petrol engine and an electric motor under its bonnet. The combination of a 1.4 TSI engine (110 kW/150 PS), an electric motor (20 kW) and a seven-speed direct shift gearbox makes driving both dynamic and economical.

After the up! was first introduced in 2011, the Volkswagen Passenger Cars brand presented two more versions of the small car in the reporting period. The four-door up! lets even very tall people get in and out of the vehicle comfortably thanks to its wide-opening doors. An optional extra is a panoramic roof, something which is unusual for this vehicle segment. The eco up! – powered by a CNG engine with 50 kW (68 PS) – leads the pack with CO$_2$ emissions of 79 g/km.

The Volkswagen Passenger Cars brand's innovative highlight in the reporting period was the all-new Golf, which is based on the Modular Transverse Toolkit (MQB). It is up to 100 kg lighter and 23% more efficient than its predecessor.

The newly developed generations of petrol and diesel motors ranging from 63 kW (85 PS) to 169 kW (230 PS) make it fun to drive. Among other things, they feature a start-stop system and battery regeneration mode to recuperate brake energy as standard and are therefore particularly fuel-efficient. For example, active cylinder management helps the 1.4 TSI petrol engine to use an average of 4.7 l per 100 km. The new air conditioning system design also helps to reduce fuel consumption. A large number of new safety and assistance systems are also available for the Golf. Some examples are the Front Assist with an integrated city emergency braking function, fatigue detection, an electronic differential lock as standard, the Lane Assist lane keeping assistant, road sign recognition and the latest generation of the Park Assist automatic parking assistant, which warns against obstacles with a graphical 360 degree display. The multi-collision brake, which comes as standard and was awarded a

"Golden Angel" in 2012 from German automobile club ADAC, slows the vehicle down after an accident so as to reduce the remaining energy and thus avoid typical secondary accidents. Additional technologies such as the progressive steering system, a driver profile selection with five programs and the new information and entertainment system with a display that reacts to hand movements via a proximity sensor round off the specification package. On the outside, the Golf features timeless design cues with horizontal front lines, a pronounced C-pillar and perfectly formed, minimalist styling.

Audi celebrated the world premiere of the third-generation Audi A3 in fiscal year 2012. It was the first vehicle in the Volkswagen Group to be based on the Modular Transverse Toolkit and has benefited from the associated reduction in complexity, costs and time required for development. The new A3 Sportback is up to 90 kg lighter than its predecessor and, as a vehicle in the premium compact class, can be fitted with a range of driver assistance systems such as Audi's adaptive cruise control. This maintains a preset distance between the car and the vehicle ahead up to a speed of 200 km/h by autonomously accelerating and decelerating.

Audi expanded its ranges in 2012 with the new A6 hybrid and A8 hybrid models. Both models have a 2.0 TFSI engine and an electric motor and can be powered by both the combustion engine and electric motor, as well as in hybrid mode. During the lag phases, the vehicles recuperate energy while strong acceleration activates both engines. With a total output of 180 kW (245 PS), the A6 hybrid only uses 6.2 l of super grade fuel, while CO_2 emissions are only 145 g/km.

The new SEAT Leon is the first vehicle in the A segment to use full LED headlight technology. This supports the vehicle's exceptional design while increasing its functionality. The Leon represents a revolution for the SEAT brand in terms of quality and appeal – particularly in its interior. The Leon is also based on the Modular Transverse Toolkit. The resulting 90 kg weight saving compared with the previous model gives it more dynamic handling and has a positive impact on fuel consumption. The optimized and finely tuned chassis combines comfort and a sporty design, in line with the SEAT brand image. A comprehensive assistance and information system rounds off the entire package.

Scania presented its newly developed, innovative 9 and 13 liter diesel engines as well as two new high-performance gas engines in fiscal year 2012. These efficient engines meet all the requirements of the future Euro 6 emission standard.

In fiscal 2012, MAN celebrated the world premiere of the new TG family of trucks, which comply with the future Euro 6 emission standard. These boast fuel consumption just as low as their particularly efficient predecessors.

Studies and concept vehicles show the way into the future

In this section, we describe selected concept vehicles and studies that we presented in 2012 alongside the numerous series vehicles.

In 2012, the Volkswagen Passenger Cars brand presented the advanced Cross Coupé concept car, a compact SUV with an innovative four-wheel drive and a plug-in hybrid drive. Its progressive and dynamic presence gives a foretaste of the design of future SUV models. The vehicle has three engines that work together efficiently as a hybrid system: a TDI engine with 140 kW (190 PS) and an electric motor with an output of 40 kW drive the front axle. To run the Cross Coupé in four-wheel drive or solely on electric power, an additional electric motor (85 kW) is activated for the rear axle. The Cross Coupé received the "eCar Award 2012" from readers of "AUTO BILD" and "AUTOTEST" for its winning combination of a powerful design and environmentally friendly drive.

As part of the launch of the new Golf, the Volkswagen Passenger Cars brand also presented the new Golf BlueMotion concept car. With an average fuel consumption of 3.2 l of diesel per 100 km and CO_2 emissions of only 85 g/km, it is scoring top marks and setting new benchmarks in its vehicle class.

The technology of the Taigun, a compact SUV concept car, is based heavily on the New Small Family. Powered by a new 1.0 l three-cylinder TSI engine with 81 kW (110 PS), the four-seater has an average fuel consumption of approximately 4.5 l per 100 km. Its external appearance is dominated by a practical roof railing system with integrated LED spotlights. The interior features rotating dials in the control panel's air vents for the first time, which can be used to control the temperature and blower speed as well as to read the settings.

In the design and vehicle and drive concept areas, Audi is showing the way to the future with its crosslane coupé concept study. The combination of technology, construction and design hint at the design language of Audi's forthcoming Q models. The vehicle concept is entering entirely new territory with its multimaterial space frame – with positive effects on weight, costs and the overall energy balance – and is another evolutionary step for lightweight construction at Audi. An innovative and efficient plug-in hybrid drive, based on a specially developed 1.5 three-cylinder TFSI engine and two electric motors, is setting new benchmarks as it only uses 1.1 l of fuel per 100 km and only emits 26 grams of CO_2 per kilometer.

The Audi A6 L e-tron concept, which was designed specifically for the Chinese market, is the first hybrid technology concept for the premium class. The plug-in hybrid features a 2.0 TFSI engine with 155 kW (211 PS) and a 70 kW electric motor and can cover a distance of 80 km running solely on electric power.

The Porsche Panamera Sport Turismo e-hybrid concept car combines the next generation of hybrid drives with new ideas for an evolutionary, sporty body concept. It combines the performance of a Porsche with comprehensive suitability for daily use. The plug-in hybrid drive with an output of up to 306 kW (416 PS) takes the Panamera Sport Turismo from 0 to 100 km/h in less than six seconds. The large central TFT color display allows the driver to call up and display a wide range of information – from the tachometer to driving data and navigation.

Bentley and Lamborghini revealed the potential for additional series at the two brands by showcasing the Bentley EXP 9 F and Lamborghini Urus SUV studies in the reporting period. With their compelling muscular design and powerful drive, the two four-wheel drive models offer completely new interpretations for the vehicle segment.

In 2012, Volkswagen Commercial Vehicles showcased an extreme version of the Amarok, the Amarok Canyon. This concept car is significantly taller and wider than the series model and is powered by a high-torque 2.0 TDI biturbo engine with 132 kW/180 PS for maximum offroad performance. The 4MOTION four-wheel drive can be engaged for offroad use.

MAN showcased the Metropolis heavy truck, a hybrid research vehicle that can be powered solely by electricity in urban areas for quiet, emission-free transport and delivery tasks.

In the reporting period, MAN presented the prototypes of the 20V35/44G Otto gas engine, which were developed for stationary use in power plants. The single-charged 10.6 MW engine is the highest performing in its segment. It is extremely effective and complies with all emission limits that are currently known thanks to a large number of innovative technological components.

Leveraging synergies to increase efficiency

For new vehicle projects, the individual brands of the Volkswagen Group have access to "modular toolkits". These ensure that the synergy effects that exist both between models in one series and across all series and brands can be optimized and increased at the same time. Leveraging them allows vehicles for both existing and still to be developed markets to be planned more efficiently.

The Modular Longitudinal Toolkit (MLB), which was primarily developed by the Audi brand, and its evolutionary step MLB evo are the basis for vehicles whose engine is mounted longitudinally to the direction of travel. We are pushing forward with MLB development in particular with a view to topics such as lightweight construction and electrification. At Audi, vehicles based on the MLB have already been rolling off the production line since 2007. By employing the Modular Transverse Toolkit (MQB), the Volkswagen Group has made a quantum leap in the enhancement of the cross-brand platform and modular strategy in 2012. The MQB allows vehicles to be designed whose architecture permits a transverse arrangement of the engine components. This enables us to produce vehicles with differing lengths, widths and wheelbases, and thus to meet growing customer wishes for a variety of models, equipment features and design. At the same time, the MQB reduces the complexity, unit costs and time required for development. We take advantage of the savings gained to further improve our vehicles' equipment features, among other things. In spring 2012, the first vehicle to be based on the MQB – the Audi A3 – was introduced to the market. The Volkswagen Passenger Cars brand's most important model – the new Golf – followed over the course of the year. In the future, the MQB will form the technical foundation for a large number of models under the Volkswagen Passenger Cars, Audi, SEAT and ŠKODA brands. This means that innovations in the areas of infotainment and driver assistance systems, for example, will be widely available.

Under the leadership of the Porsche brand, the Group is taking the next step in the enhancement of this strategy with the Modular Standard Toolkit (MSB). The MSB is the basis for vehicles whose engine is installed in a longitudinal direction and that feature rear-wheel drive in the base version.

We are also systematically transferring this modular concept to other areas of automotive production. The Modular Infotainment System (MIB) provides a variable hardware platform across brands and vehicle classes for a wide variety of infotainment features and individual designs. The Modular Diesel System (MDB), which forms the basis for our new, efficient and dynamic generation of three- and four-cylinder diesel engines, debuted in 2012 in the new Audi A3.

Pooling strengths with strategic alliances

Volkswagen continued the existing cooperation arrangement with Daimler AG in fiscal year 2012.

We are systematically pressing ahead with the further research and development of high-voltage battery systems for plug-in hybrid drives and electric vehicles, while entering into alliances with expert battery manufacturers; we intensified these in 2012. VOLKSWAGEN VARTA Microbattery Forschungsgesellschaft mbH & Co. KG, which we established in 2010 with our partner VARTA Microbattery GmbH in Ellwangen, ramped up its activities and started seeing very positive results in the reporting period. It aims to research and develop battery cells suitable for cars as well as the associated production technology. We are expanding our expertise in the field of electric traction by cooperating with a large number of universities.

Integration of external R&D expertise

In addition to our own internal resources, the expertise of our suppliers plays a key role in the development process and will help us to systematically advance our new model rollout in the coming years. The early-stage, close collaboration between our internal and external resources guarantees that we can successfully complete projects with the quality we expect in reduced development times. We are able to draw on external expertise primarily in creative processes, as well as in the area of virtual technologies and megatrends.

We also use external capacity for support services, downstream processes such as series management, and activities that are not customer-facing but generate improvements. In addition, we are expanding our cooperation with subsequent series suppliers, as their expertise in the development phase of modules and components is particularly important.

Numerous patents submitted by employees

The large number and technical quality of the ideas submitted in 2012 demonstrate once again that our employees are an enormous source of innovation. In the reporting period, they applied for 4,313 patents – 2,128 in Germany and 2,185 abroad. The main focus of these innovations was on the areas of modular infotainment, driver assistance systems, electric drive technology and lightweight steel design.

Key R&D figures

Total research and development costs for fiscal year 2012 in the Automotive Division increased by 32.1% year-on-year. Alongside new models, the main focus was on the electrification of our vehicle portfolio and increasing the efficiency of our range of engines, among other things, whereas alternative drive technologies accounted for an increasing proportion. The capitalization ratio increased to 27.5% (23.1%). Research and development costs recognized in the income statement in accordance with IFRSs were higher than in 2011, at €8.9 billion (€7.2 billion). This meant that their ratio to sales revenue in the Automotive Division remained unchanged at 5.1% (5.1%).

On December 31, 2012, the Research and Development function – including the equity-accounted joint venture companies in China – employed 42,089 people Group-wide (+21.1%), corresponding to 7.7% of the total headcount.

RESEARCH AND DEVELOPMENT COSTS IN THE AUTOMOTIVE DIVISION

€ million	2012	2011	2010	2009	2008
Total research and development costs	9,515	7,203	6,257	5,790	5,926
of which capitalized development costs	2,615	1,666	1,667	1,947	2,216
Capitalization ratio in %	27.5	23.1	26.6	33.6	37.4
Amortization of capitalized development costs	1,951	1,697	2,276	1,586	1,392
Research and development costs recognized in the income statement	**8,851**	**7,234**	**6,866**	**5,429**	**5,102**

PROCUREMENT

Procurement focused its work in the reporting period on safeguarding new vehicle start-ups, particularly with a view to the Modular Transverse Toolkit (MQB), developing new procurement markets and preemptively assuring quality in the supply chains.

Procurement strategy

The four procurement goals derived from the Group Strategy 2018 were also relevant in the reporting period: first, to provide market-centric premium quality and innovations at competitive prices; second, to meet cost targets and ensure the profitability of our products over their entire lifecycle; third, to safeguard global volume growth through the permanent availability and consistently high quality of procured components; and fourth, to continue to raise employee satisfaction and the attractiveness of the procurement function.

We have assigned action areas to each of these goals. Currently, 30 programs with precisely defined measures and responsibilities for all brands and regions ensure that these goals are achieved. The uniform procurement strategy that covers all brands and all regions enables us to take advantage of opportunities throughout the Group, pool strengths and minimize weaknesses and risks at the same time.

Expanding the process optimization program

Process optimization has become a core component of work in the procurement function. Experts are working on standardizing processes and continuously improving them in all brands and all regions of the Volkswagen Group. We added the procurement organizations of Volkswagen Group of America, Volkswagen India, Volkswagen Group Rus, Porsche, Scania and MAN to the procurement process optimization program in 2012. The Porsche brand, for example, was integrated with the Group's core procurement processes within four months. This means that joint decisions about procurement issues were already made in 2012. We are specifically examining on an ongoing basis whether introducing new or optimizing existing processes will deliver the expected advantages in terms of time and quality. This is how we ensure that the measures taken are effective for the long term.

Stable supply situation for procured components and raw materials

In the reporting period, the supply situation was dominated by growing vehicle sales in China, North and South America, as well as the further increase in demand in all segments for vehicles with high-quality equipment features. Because of this, the need for procured components grew and changed. Supplies to all component and vehicle plants were nevertheless guaranteed at all times. Particularly noteworthy is the fact that we successfully safeguarded new vehicle start-ups based on the Modular Transverse Toolkit (MQB) at the Audi, Volkswagen and SEAT brands.

In addition, there were unplanned events in 2012 that led to production shortfalls at our raw materials suppliers, among other things. The effectiveness of our processes and safety mechanisms that we had installed and embedded as a fundamental part of the organization after the lessons learned from the natural disasters in Japan in 2011 became clear in these situations. In addition to working together with suppliers, a cross-business task force, which is an established part of our crisis management, helps to guarantee the security of supplies at all times.

Continuously integrating our suppliers to the demand and capacity management systems is a key tool for safeguarding supplies. The integrated capacity management system INCA offers the suppliers involved the ability to manage their capacities online. They also receive an insight into the requirement forecasts for their parts for a planning horizon of up to 24 months.

Most input and raw materials saw declining prices on the spot markets in 2012 because of the ongoing crisis in the eurozone. However, despite this trend, prices remained at a high level and were subject to pronounced volatility.

Overall, the markets were very strained and nervous, and crude oil prices in particular were extremely volatile and highly sensitive in relation to political uncertainties and the impact of speculation.

The economic effects also impacted prices for rare earths. In comparison to the historical high prices reached in 2011, they declined on the Chinese-dominated market. However, they remained at a comparatively high level.

Procured component and supplier management to assure quality within the supply process

As part of our growth strategy, both we and our partners are faced with enormous challenges in the global procurement of components. Procured components management is procurement's "technical arm". Tool and process experts on the ground preemptively ensure the preparation of tools and the development of suppliers' new production sites for new vehicle start-ups. Procured components management also supports line procurement to safeguard the supply of components. New technological fields have been added to the functional portfolio to reflect the volatile environment and technical complexity. Against this background, procured components management is a core component for safeguarding global volumes.

Subcontractors are a particular focus for procured components management. Volkswagen's direct suppliers normally use a high number of subcontractors, whose value creation processes represent an additional challenge. For this reason, the entire value creation process is already analyzed shortly before contracting in a goal agreement discussion with the supplier by looking at all business areas and adapted accordingly.

Developing new procurement markets

We defined measures to achieve the cost targets set as part of the Group Strategy 2018, and these were also systematically implemented in 2012. One of these measures is implementing the C3 Sourcing (Cost-Competitive Country Sourcing) program to develop affordable procurement markets. The objective of this program is to use competitive procurement markets to not only produce localized vehicle projects there, but also to use them for vehicle projects in other countries. Components from the C3 regions are also being exported without us having to lower our quality standards.

We further developed our regional offices worldwide at a cross-business area level so as to guarantee the share of C3 contracts in the flow of goods for the long term. These offices identify new suppliers and guide them until the contract award decision, while procured components management at the regional offices subsequently ensures the ability of the suppliers to deliver.

Southeast Asia is one example of where we have successfully developed new markets. Via the regional office in Kuala Lumpur, which opened in 2010, more than 250 suppliers from the whole of Southeast Asia have already been linked to the Volkswagen systems environment. These local suppliers have been awarded a significant purchasing volume.

Sustainability in supplier relationships

Since 2006, the "sustainability in supplier relationships" concept has ensured that our business partners are also complying with the environmental and social standards that apply throughout the Group. The concept's main pillars are: the sustainability standards signed by the member of the Group Board of Management responsible for Procurement and by the Group Chief Compliance Officer, an early warning system to minimize risks, transparency in the procurement process, and supplier monitoring and development. Optimizing sustainability aspects together with our business partners and safeguarding our volume flows for the long term are at the forefront here.

We intensified and stabilized our suppliers' cooperation with the Group's brands and regions in the reporting period. Among other things, we held a large number of information events and made an Internet-based training module available on the Group Business Platform. All suppliers who are registered on the platform have been asked to complete this training module with a final performance review. The tool can also be used by all of Volkswagen's procurement employees in order to expand their knowledge of sustainability in supplier relationships.

Furthermore, all business partners have been asked to fill out a questionnaire on our sustainability standards. A central Group office is monitoring the results in order to develop areas for improvement and action plans for these measures together with our suppliers. In the reporting period, this resulted not only in increased awareness at our suppliers, but also in optimization in the value chain, for example, by minimizing supply risks.

Purchasing volume

The Volkswagen Group's purchasing volume mainly comprises production materials, services and investments. In the reporting period – including the Chinese joint venture companies – it saw an increase of 16.8% to €128.7 billion. The proportion attributable to German suppliers was 38.8% (39.3%).

PURCHASING VOLUME BY BRAND AND MARKET

€ billion	2012	2011	%
Volkswagen Passenger Cars	77.0	69.7	+10.5
Audi[1]	22.7	21.0	+7.9
ŠKODA	6.6	6.6	+0.2
SEAT	3.7	3.4	+9.7
Bentley	0.6	0.5	+11.2
Porsche[2]	1.4	–	–
Volkswagen Commercial Vehicles	2.4	2.4	–1.4
Scania	5.2	5.1	+2.4
MAN[2]	9.1	1.5	x
Volkswagen Group	**128.7**	**110.2**	**+16.8**
Europe/Remaining markets	88.1	75.4	+16.9
North America	6.2	4.7	+32.2
South America	8.0	8.1	–1.7
Asia-Pacific	26.4	22.0	+20.0

1 Audi includes Lamborghini and Ducati (from August 2012).
2 Porsche from August 2012, MAN from November 2011.

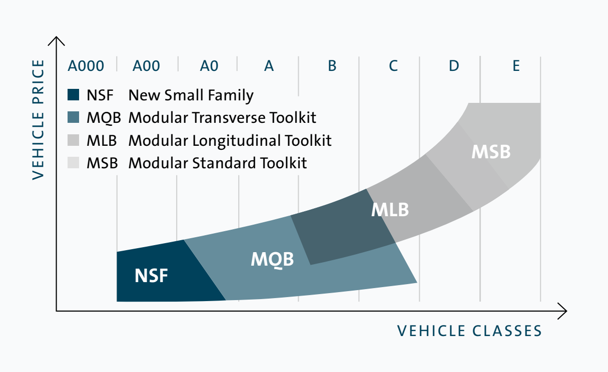
TECHNOLOGY SPECIAL

Revolution from the Toolkit

Launching the Modular Transverse Toolkit

Significantly reducing the fuel consumption of our vehicles, producing them at globally competitive costs and simultaneously increasing profitability and productivity – these are the Volkswagen Group's goals for its modular toolkits. They represent the further development of our platform and modular strategy, which has its origins in the mid-1990s. The latest member of our toolkit family is the Modular Transverse Toolkit (MQB). It is the basis for vehicles whose engine is mounted in a transverse arrangement. We introduced the first models based on this toolkit in the shape of the new Audi A3, the new Golf and the new SEAT Leon in 2012. Additional vehicles will follow in 2013.

MODULAR TOOLKITS IN THE VOLKSWAGEN GROUP



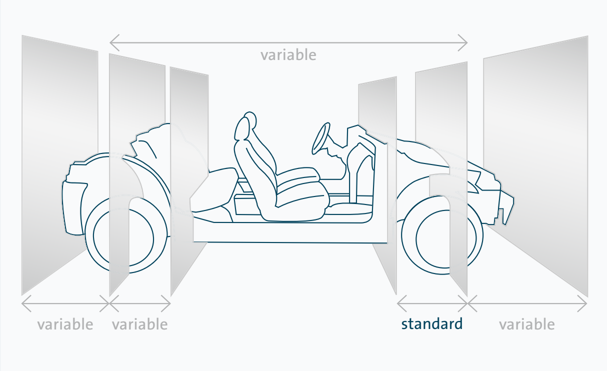
With the MQB, the Volkswagen Group's modular toolkit strategy now extends from the A0 segment to the C segment. The vehicles in the New Small Family are also covered in the A00 segment. We intend to produce over 40 models based on the MQB in the long term and across brands – to the highest quality standards, customized to each brand and tailored to the different market requirements. This will allow us to reduce vehicle weight and fuel consumption and to offer new technologies, for example from the Infotainment and assistance systems areas that have been reserved up to now for higher-level segments.

The MQB is inextricably linked with its counterpart in production: the Modular Production Toolkit (MPB). It covers the entire production process – from press shop to assembly – and sets standards for the manufacturing facilities. By installing the same components in facilities worldwide, we are able to make production more flexible than before with regard to volumes and vehicle types.

The MQB and the MPB put us in a position first to significantly cut both the necessary one-time expenses, such as development costs, and to reduce manufacturing times, and, second, to enable use over several vehicle generations. The toolkits also make it possible for us to produce different models in different quantities and even from different brands at one plant, in the same facility. This enables us to deploy our capacity more flexibly across the entire Group.

In addition to conventional petrol and diesel engines, the MQB also permits alternative drivetrains to be integrated, for example gas, hybrid, or electric drives. Previously, vehicle-specific adaptions were necessary in each case. 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 Group-wide and deployed variably. 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.

CORE ARCHITECTURE OF AN MQB VEHICLE



By integrating the Modular Petrol Engine System (MOB) and the Modular Diesel System (MDB) into the MQB strategy, we are able to demonstrate the substantial potential for reducing fuel consumption with conventional drivetrains. The two toolkits represent entirely revamped engine families. The new petrol engines, for instance, offer a series of technological innovations and also reduce weight and direct material costs. For example, active cylinder management (ACT) is being implemented for the first time in a four-cylinder series production engine, making it significantly more efficient. Because petrol and diesel engines are mounted at exactly the same angle, the exhaust line, drive shafts and transmission location can be standardized. This reduces the number of engine and transmission variations in the Group's MQB system by nearly 90%.

PRODUCTION

In 2012, the Volkswagen Group again expanded its production network and produced over nine million vehicles worldwide for the first time in its history. The Group's growth goes hand-in-hand with increased production requirements. In order to manage these requirements, the Production function, together with all the brands and regions, prepared the "Production 2018" strategy. Its core objectives comprise enthusiastic customers, a higher earnings contribution, increasing production capacity as well as attractiveness for employees. These objectives were assigned 13 action areas. Members of the Board of Management, senior production management as well as project teams from all the brands and regions assumed sponsorships, which are designed to ensure that the measures in the action areas are implemented in a timely manner. The goal is to build the world's most powerful and most fascinating automotive production.

Production locations

The Volkswagen Group's production network was extended by five locations in 2012, and consisted of a total of 99 production facilities worldwide at the end of the reporting period. It comprises 58 automobile, commercial vehicle and motorcycle factories as well as 41 component plants. For the first time, motorcycle plants are part of the production network due to the integration of Ducati into the Volkswagen Group. Following the contribution in full of Porsche's automotive business to the Volkswagen Group, the corresponding plants in Zuffenhausen and Leipzig are now members of the network. The new vehicle plant in Yizheng in China started production in the reporting period.

With 67 vehicle and component locations, Europe remains the center of the Volkswagen Group's production activities. The Asia-Pacific region is becoming increasingly important and now has 17 locations. In order to continue serving the key North America market in the long term with locally manufactured vehicles, the Group is now represented there at three production sites. The number of production sites in South America (nine sites) and Africa (three sites) remained unchanged in the reporting period.

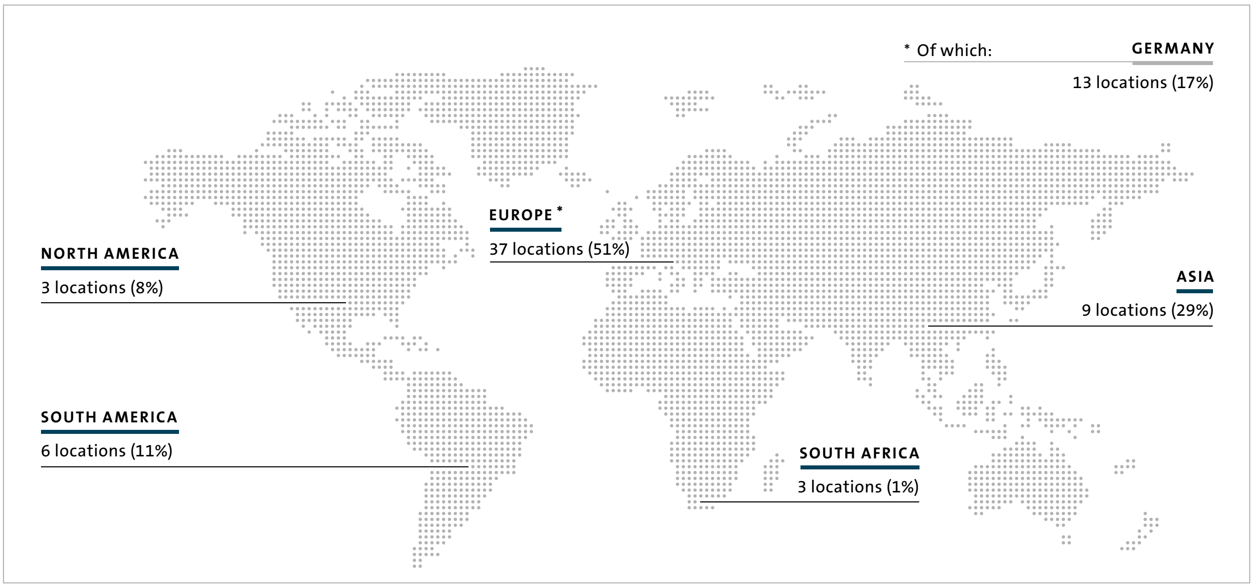
China is the Volkswagen Group's largest sales market. To continue building on the success story in this market, we have decided with our two joint venture partners to extend our environmentally-friendly production capacity. The Shanghai Volkswagen joint venture opened the vehicle plant in Yizheng in southern China in mid-year. Production of the Polo started there initially; manufacturing began for ŠKODA brand vehicles as well in December 2012. The expansion of the existing plants in Changchun, Nanjing as well as Chengdu and other new plants in Foshan and Ningbo will extend capacity in China to around four million vehicles by 2018. The Shanghai Volkswagen joint venture agreed to build a vehicle plant in Urumqi in western China so as to anticipate the expected market growth in the more rural areas of China. In a first step, semi-knocked down vehicles are to be assembled there as early as 2013. To meet the increasing demand for powertrains resulting from the expansion of vehicle production in China, we are building four engine manufacturing sites at different locations, which will produce the latest generation of engines from 2013 onwards. The foundation stone was also laid for a new plant to produce direct shift gearboxes.

In addition to China, the ASEAN region is becoming increasingly important as part of our growth strategy. We began construction of a Volkswagen production facility in March 2012 on the grounds of our partner DRB-Hicom in Malaysia. Up to approximately 30,000 additional Volkswagen models will be manufactured there on a CKD basis starting in the first quarter of 2013. This is a step towards opening up the Malaysian automotive market for the long term and is a key component in our ASEAN strategy. Vehicles for Volkswagen Passenger Cars, Audi and Volkswagen Commercial Vehicles are already assembled by our Indonesian partner Indomobil.

The start of engine production in Silao in Mexico in 2013 marked the opening of the Volkswagen Group's 100th plant and added additional capacity for local production to the production network in North America. This further strengthens the local presence – as do the locations in Chattanooga, Puebla, Queretaro and San José Chiapa – in the key North America sales market, supports our ambitious growth target in this region and makes an important contribution to hedging currency fluctuations.

The ongoing strong growth of the market in Russia is strategically important to the Volkswagen Group. To continue to and extend our position in this market, we created the basis for increasing short-term local production capacity to approximately 110,000 vehicles each year by signing a contract manufacturing agreement with the GAZ Group in Nizhny Novgorod in June 2011. We launched CKD production of the ŠKODA Yeti there together with GAZ in December 2012. Production of the Jetta will follow in March 2013 and the ŠKODA Octavia in mid-2013. An engine production plant with an annual capacity of 150,000 units is being built close to our vehicle plant in Kaluga to locally supply our vehicle production facilities. The next generation of engines will be manufactured there starting in 2015.

VEHICLE PRODUCTION LOCATIONS OF THE VOLKSWAGEN GROUP
Share of total production 2012 in percent



New start-ups and production milestones
Worldwide, the Volkswagen Group implemented 28 new production start-ups during 2012, 14 of which were new products or successor products. The highlight was the start of production of the seventh generation of the Golf in the Wolfsburg and Zwickau plants in August. Production of the new Audi A3 already began in Ingolstadt in April. The ŠKODA brand expanded its model portfolio with the Rapid in July in Mladá Boleslav. Series production of the new Porsche Boxster began in Osnabrück in September. Lamborghini has been manufacturing the Aventador since October in Sant´Agata Bolognese in Italy. The start of the successor to the Leon in Martorell was a major milestone in the SEAT brand's production calendar.

The Volkswagen Group also celebrated a number of milestones in 2012: the Volkswagen Group celebrated the production of its 175 millionth vehicle in March. In Germany and China, the Tiguan exceeded the one-million mark for vehicles manufactured overall. The three millionth vehicle rolled off the assembly line in our plant in Uitenhage in South Africa in September, and the SEAT brand has now produced 10 million vehicles since becoming a member of the Volkswagen Group. Our component production also reached a milestone: the 111,111,111th transmission was produced in Kassel.

Start of production based on the Modular Transverse Toolkit
The need and demand for vehicles and the number of vehicle and powertrain derivatives is growing just as steadily as customer-specific requirements in the global markets. In order to accomplish this, we must make optimal use of our production capacity. The modular toolkits developed by the Group give us the opportunity to reproduce a wide variety of vehicle and drive concepts with a minimum of effort using a uniform vehicle architecture, thus meeting the demands of the various markets. Thanks to our standardized products and production processes, we can manufacture different models of different brands on a single production line. This significantly increases our flexibility when we are planning how to adapt our plants.

The MQB was used by the Audi and Volkswagen Passenger Car brands for the first time for the roll-out of the new Audi A3 and the production start of the new Golf. Another new development, the Modular Production Toolkit (MPB), transfers the modular concept from the vehicle to production. Standardized facilities and operating equipment are enhancing flexibility and profitability in existing structures. The modular systems enable the widest variety of models to be produced, including with different drive types and wheelbases. For example, multiple variants of the Golf can be manufactured in a single working day on one production line – the hatchback, the estate and the Golf Plus.

Use of the MPB will deliver additional efficiency gains when other models based on the MQB are rolled out. For example, the factories in Foshan and Puebla, which will also produce the Golf, will benefit from the standardized, proven modules.

In engine manufacturing, production of a new petrol engine and a new diesel engine family has started as part of the start of the MQB.

The Group's production system

The "Volkswagen Way" works agreements signed at the end of 2007 laid the foundation stone for a long-term process of change in the corporate culture and a new common understanding at Volkswagen. The goal is a holistic development process for the Company on its way to becoming the leading automobile manufacturer in the world.

With the "Volkswagen Way", we aim to improve our efficiency, productivity, quality, communication, cooperation, ergonomics and teamwork. We do this by permanently avoiding waste and by perfecting work methods. The focus is always on people. Thus, workplaces and workflows are – directly and indirectly – optimized in multiple steps using the CIP cascade (Continuous Improvement Process). Using workshops and the active participation of employees, we have already identified many solutions that have been further developed to create product or process standards. The Group's value-driven, synchronous production system supplies the necessary methods and instruments for implementing the "Volkswagen Way", improving quality and adherence to schedules while simultaneously reducing costs. Uniform Group standards and stable processes increase productivity and shorten throughput times. Training is an important way to approach this. To establish the standards for the long term, employees complete Group-wide training on the CIP cascade at lean and training centers. The logistics training center at VOLKSWAGEN SLOVAKIA, which only opened last year, has already won an award: the "Lean & Green Efficiency Award 2012" was awarded jointly by trade magazine "ATZproduktion" and consulting company "Growtth Consulting Europe" to the Bratislava plant for its lean and environmentally-friendly production. The main production facility in Wolfsburg also received an award. The successes of the "Volkswagen Way" associated with sustainably improving productivity and management processes were recognized by the "Automotive Lean Production Award 2012" from trade magazine "Automobil Produktion". This year, we opened a training center for optimizing production and management processes at the main ŠKODA production facility in Mladá Boleslav. Continuously qualifying employees is an integral feature of our production strategy.

A new logistics concept for the Volkswagen Group, which is currently being implemented and continually enhanced, is designed to make supplies for production locations and the corresponding material and information flows even more efficient. The focus is not limited to the internal processes for providing materials to the assembly lines, but also includes the upstream transportation and logistics processes between us and our suppliers. It is primarily here where the Group's different brands and plants can leverage potential synergies. These mainly result from smaller inventories, more stable processes, higher-quality information and more transparency.

E-traction in production

The upcoming start-ups of vehicles that are solely and partially powered by electricity represent challenges for production. As early as 2012, we looked at this topic intensively and made the corresponding preparations. The focus was on products designed with a view to production, integration onto the existing production lines and the training for employees.

The targets that already apply to the production of the Group's hybrid vehicles were used, enhanced and factored into Volkswagen's standardization process. Thus, they contribute to expanding the production system for electrically powered vehicles.

Extending technological expertise in warm forming

For several years now, the process of warm forming special types of steel has been an established method to manufacture the strongest crash-relevant body parts.

Volkswagen decided early on to produce its own press-hardened parts and is continuously driving forward technological development in terms of productivity and improving the characteristics of parts. The first two warm forming lines were successfully brought into operating at the Wolfsburg site in the past fiscal year to meet the growing demand for these types of parts in the product platforms.

Both furnace and tool technology were further optimized. The warm forming lines were built in a Y-configuration (two parallel furnaces and a press) to optimize the cycle time. In addition, the laser cutting that usually follows this has now been replaced in part by "warm cutting" in the metal forming tool. This saves energy and investment costs and also reduces the manufacturing time.

MARKET FOCUS

From pioneer to market leader in China

A success story founded on strong partnerships

Since it first embarked on its economic reform and liberalization policy more than 30 years ago, China has become one of the world's most important automotive markets and is now the Volkswagen Group's largest sales market. With a share of 20.8 percent of the passenger car market and sales of 2.8 million vehicles in 2012, the Volkswagen Group is the market leader in China.

We laid the foundation for this success in 1984 by establishing the Shanghai-Volkswagen Automotive Company Ltd. (SVW) joint venture. The first model we produced in Shanghai was the Santana, which dominated the Chinese automotive market for many years. Thanks to the introduction of the ŠKODA brand in 2007 and the ten models now manufactured locally, SVW has so far produced more than eight million vehicles. The FAW-Volkswagen Automotive Company Ltd. (FAW-VW) joint venture was founded in Changchun in 1991. The first FAW-VW factory started production in 1993 with the Jetta. Production was expanded to include the Audi brand two years later and the factory today produces 10 models. More than six million vehicles have rolled off the FAW-VW production line to date.

To meet the constantly rising demand in China, we have now established 17 companies, including component, finance and sales companies. In 2004, we reached a significant milestone with the establishment of Volkswagen Group China, which coordinates and manages all of the Volkswagen Group's activities in China. A "China" Board of Management function was created in 2012 to underpin the growing significance of the Chinese market.

At the end of the 1990s, the focus began to turn to diversifying the product range. A crucial factor here was the establishment of the import business in 2007, which we have since extended to include all of the Group's passenger car brands. Our Chinese product portfolio now covers all segments from small cars to luxury sports cars. We took account of up-and-coming vehicle classes, such as the SUV segment, in our local production at an early stage. The commercial vehicle segment is also gaining in importance for us.

Our localization strategy is a key factor in our success in China: in addition to vehicles that are also sold elsewhere in the world, vehicles that have been specially modified for Chinese customers (with a long wheelbase, for example) and models developed exclusively for the Chinese markets are cornerstones of the business. We use state-of-the-art technology both on the product side, with innovative new generations of engines and gearboxes, and on the production side, with the latest vehicle and component plants.

We have had a strong presence in the northern and eastern coastal provinces from the outset, with our Shanghai and Changchun vehicle plants. Our "Go South" and "Go West" strategies were devised to increase our presence throughout the country, enhance the Volkswagen Group's positive image in China and keep up with new regional growth trends. Specifically, these strategies include the construction of plants in Foshan, Ningbo and Urumqi, which is currently underway, and the significant expansion of the dealer network over the medium term. The "Go South" strategy has already led to a considerable increase in market share in the southern regions since 2008. The "Go West" strategy is designed to enable us to benefit from the growing importance of the inland regions.

THE "GO SOUTH" AND "GO WEST" STRATEGIES

The Volkswagen Group's extensive product portfolio, state-of-the-art technologies and plans for hybrid and electric vehicles mean it is ideally placed to meet future challenges, such as strict emission limits and restrictions on vehicle registrations in megacities, and to maintain a key position on the Chinese automotive market over the long term. The Chinese automotive market still offers great growth potential since average income is rising, urbanization is steadily progressing (around 130 cities in China already have more than a million inhabitants) and industrialization in the west of the country is also progressing continually. At present, there are only around 50 cars per 1,000 inhabitants; in Germany there are around 520. The genuine parts and used car business, as well as financial services in the automotive sector are also set to become much more important in China in future. The Volkswagen Group intends to maintain its leading role in these future markets as well through initiatives like "Das WeltAuto." and by expanding its local financial services.

SALES AND MARKETING

The Volkswagen Group has a unique product portfolio: it is made up of twelve successful brands that excite millions of customers worldwide year in and year out. In 2012, we systematically reinforced the distinct and individual image of each brand and optimized their market positioning.

Brand diversity in the Volkswagen Group

The "Volkswagen – Das Auto." slogan unites the three core messages that distinguish the Volkswagen Passenger Cars brand: innovative, offering enduring value and responsible. Customers worldwide associate quality, reliability and German engineering skill with Volkswagen Passenger Cars. This brand profile, which creates trust in our customers, is the reason the Volkswagen brand is the first choice for millions of customers when buying a car. Global brand management focuses on the wishes and preferences of customers, today and in the future. 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.

In the premium segment, Audi has become one of the strongest car brands worldwide under the slogan of "Vorsprung durch Technik". Its objective is to become the market leader in this segment. To do this, the Audi brand relies heavily on its sporty, high-quality and progressive image. The numerous honors and awards that Audi models receive every year, coupled with the success of Audi's four rings in all markets around the world, are impressive proof of the fact that Audi has evolved into a premium, high-prestige brand. This success is based on the brand strategy of innovative engineering solutions and an emotional design language.

With its "Simply clever" slogan, ŠKODA has become one of the fastest emerging brands, particularly in Europe and China. The brand image is dominated by a compelling value proposition and an attractive design, coupled with intelligent ideas for the use of space that are technically simple but offer refined and practical details. The numerous awards for its ambitious, innovative and sophisticated vehicle design are proof of the high recognition for this brand concept.

Models that regularly win awards for their outstanding design are representative of Spanish SEAT brand's image. SEAT is aiming for stronger growth, particularly in Europe, by sharpening its brand profile and focusing on its distinctive brand values of being dynamic, young and design-oriented. The new brand claim "Enjoyneering" suitably expresses the character of the brand as a passionate perfectionist and emotional technology leader.

Sports car manufacturer Porsche has captivated car fans around the world for decades. The fact that more than 70% of all Porsche vehicles that have ever been produced are still on the roads in many countries worldwide is thanks to the brand's high quality standards. The sports car manufacturer's brand values are characterized by opposites: exclusivity and acceptance, tradition and innovation, performance and suitability for daily use, design and functionality. Porsche's motto is "to achieve maximum output from minimum input".

Volkswagen Commercial Vehicles stands for superior mobility with its three core values of reliability, economy and partnership. The brand offers a range of different transport solutions at the highest levels of engineering for different customer groups. The light commercial vehicles in the Caddy, Saveiro, Multivan/Transporter, Crafter and Amarok ranges 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 family-friendly MPVs and leisure-oriented motor homes as derivatives of our light commercial vehicles.

Exclusivity, power and elegance – these are the qualities demonstrated by our Bentley, Bugatti and Lamborghini brands in the luxury vehicle segments. They round off the brand diversity of the Volkswagen Group in the passenger cars segment.

Swedish Scania brand follows the core values of "customer first", "respect for the individual" and "quality". For over 100 years, this successful company has been manufacturing high-performance trucks and buses featuring extremely innovative technology. The brand offers its customers efficient transport solutions backed by service offerings and financial services.

The core values of the MAN brand are reliability, innovation, dynamic strength and openness. These values are key success factors for MAN, one of the leading European manufacturers of commercial vehicles, engines and mechanical engineering equipment. The company manufactures diesel engines, turbomachinery and special gear units, alongside trucks and buses.

Ducati is one of the most famous manufacturers of premium motorcycles. Its products, with the highest level of quality craftsmanship, uncompromising performance and challenging dynamics, thrill the customers of the Italian brand. Italian style is reflected in the lines of all the brand's motorcycles.

Customer satisfaction and customer loyalty

Our sales activities are always oriented on making our customers more satisfied – this is the top priority for us. We again increased the satisfaction of our vehicle buyers, customers in the after-sales area and that of our dealership partners in 2012 by deploying the measures and processes introduced in fiscal year 2011.

The Group brands regularly measure the satisfaction of their customers. The main focus is on product quality and service. Based on the survey results, they derive measures to further increase customer satisfaction.

Measured by overall customer satisfaction with products, the Audi and Porsche brands occupy leading positions in the core European markets in comparison to both other Group brands and their competitors. The other brands in the Group score just as high as or higher than competing brands.

Customer satisfaction is a precondition for customer loyalty. If our customers are satisfied with our products and services, then they are loyal to our brands and trust them. The extent of this trust is impressively illustrated by our loyalty figures, which are measured 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. The loyalty of ŠKODA customers has likewise kept that brand in the upper rankings in a competitive comparison for several years.

Structure of Group sales

The independence of our brands is backed by the Volkswagen Group's multibrand structure. Nevertheless, we do focus on cross-brand sales activities in order to increase sales volumes and market share, lift earnings contributions and sales efficiency, and decrease costs at the same time.

In 2012, we integrated dealers more tightly into the Group's IT systems environment; this is part of our distribution network strategy and serves to optimize the exchange of information between dealers themselves and between them and our wholesale operations. Our close working relationship with dealers and their profitability are a key focus. We manage our wholesale business in over 20 markets through companies belonging to the Group. A central department that manages these national sales companies makes sales activities more transparent and more profitable, creating synergies between the different brands and their activities. This enables us to transfer the best practice approaches of individual companies to the other wholesale companies quickly and efficiently. The central department is instrumental in helping us achieve the goals laid down in the Group's Strategy 2018.

Following our acquisition of the trading business of Porsche Holding Salzburg on March 1, 2011, we pushed ahead with the integration of this company in 2012 and reorganized tasks in the Volkswagen Group so as to be able to take full advantage of its specific skills. We have combined the majority of the Group's own trading activities under the management responsibility Porsche Holding Salzburg so as to make them even more efficient and powerful. Porsche Holding Salzburg is a key element in assuming the role of importer in emerging markets, for example in South America.

Fleet customer business further expanded

A characteristic of our relationships with fleet customers is their long duration. This customer group guarantees more stable vehicle sales than private customers in volatile conditions. The Volkswagen Group further expanded its well established position in Europe in the fleet customer business in 2012.

The Volkswagen Group has a broad business fleet customer base in Germany and the rest of Europe. Our extensive product offering enables us to satisfy custom mobility needs from a single source.

Remarketing: efficient management of used cars and attractive residual values

As part of its Strategy 2018, the Volkswagen Group is focused on providing professional management for used cars. The used car business mainly supports the new car business for the long term with a view to increasing sales volumes and profitability. The focus is on ensuring more stable residual values for vehicles that are superior to those of the competition.

We further increased the success of the independent used car brands such as "Das WeltAuto." or "Audi Gebrauchtwagen *:plus*" ("Audi used cars *:plus*") in fiscal year 2012. The brands set themselves a particular focus in the past year of showcasing their reliability and trustworthiness, building an emotional attachment for customers and thus creating a unique, positive brand experience. Our used car programs increase the recognition value of the individual brands and ensure the same high level of performance worldwide, efficient processes and transparent management in the used car business.

We take advantage of the unique brand diversity, pooling expertise within the Group and further expanding our market position by implementing overarching projects across the organization. In line with our objective of developing sustainable, customer-oriented services, we also conduct surveys on customer behavior and needs.

In order to manage the growing complexity of the used car business and to be able to react flexibly to new market developments, we introduced standardized and harmonized IT systems and processes for the used car business in 2012.

The development of the used car brands in growth markets remains a key factor in our long term success.

QUALITY ASSURANCE

The satisfaction of our customers worldwide is determined to a significant extent by the quality of our products and services. We maintained our high level of quality in 2012 as well, thus contributing to growth and to increasing the value of the Volkswagen Group.

Volkswagen's Quality Assurance applies preventive strategies not only to process stability and product reliability, but also to ensure customer satisfaction in particular. There are three main factors here: vehicle concepts that are consistently focused on customer wishes, well-structured production processes that ensure flawless delivery quality, as well as excellence, during vehicle handover and the subsequent service provided by the dealer.

Focus on customer wishes

Quality Assurance allows us to cater to the wishes of our customers all over the world by ensuring that particular regional features are identified, prioritized and then appropriately factored into the design of new products as well as in the production of established vehicle models. Examples of these include the available fuel quality, road conditions, traffic density, country-specific usage patterns as well as local legislation. Volkswagen's strong growth outside of Europe, in particular in the BRIC countries, means that the main focus of Quality Assurance is on conditions in these markets.

We mainly use studies and customer surveys to capture customer requirements in the different markets. Our primary focus in 2012 was to refine the cross-business area program for raising customer satisfaction. One of its goals is to more strongly incorporate insights from product usage into the design of future products.

Product and supplier quality

Customers are satisfied and loyal only when their expectations of a product or service are met or even exceeded. Reliability, appeal and service determine the quality perceived by the customer throughout the entire product experience. Our objective is to surprise and excite our customers in all these areas so that we can win them over with outstanding quality.

In the reporting period, several new facilities went into operation, numerous product start-ups happened and we used the Modular Transverse Toolkit (MQB) for the first time. Despite these challenging conditions, we maintained the high quality of the previous year for all Group brands and locations, and kept the number of repairs at a consistently low level. Our suppliers also made significant contributions to this. We expect sustainable practices in addition to the highest product quality and reliability of supply from them.

In 2012, we continued to standardize our defect elimination process so that we can react even more quickly in the future to vehicle problems and help our customers even faster. Eliminating defects quickly pays off for the Volkswagen Group both by increasing customer satisfaction and reducing warranty and ex gratia repair costs.

Service quality

Our goal is to improve global service quality and thus increase customer satisfaction in the area of service. As the direct interface with the customer, the starting point in customer satisfaction is the dealership operation, as is the after-sales business. Through our close cooperation with the dealers, we can identify at an early stage any defects that may be revealed in the emotional moment of vehicle handover and correct them systematically.

In 2012, we continued to refine the processes at the interface between markets and dealers. To accomplish this, Technical Service, previously a part of Quality Assurance, was integrated into the after-sales business. The greater closeness to the market helps the Technical Service to recognize vehicle problems at an even earlier stage, prioritize them, take countermeasures and evaluate their effectiveness. Quality Assurance and Technical Service continue to work together closely in the new structure.

EMPLOYEES

Excellent performance, the success that comes from it and participation in its rewards are at the heart of Volkswagen's human resources strategy. Only a top team can deliver the excellence that is necessary for Volkswagen to become number one in international automotive production. This human resource policy maxim applies throughout the Group.

As of December 31, 2012, the Volkswagen Group, including the Chinese joint ventures, employed 549,763 people, 9.5% more than at the end of fiscal year 2011 (501,956). Significant factors in this increase, in addition to volume-related growth, were the consolidation of Porsche with 17,502 employees and of motorcycle manufacturer Ducati with 1,197 employees. The distribution between Group employees in Germany and those abroad shifted slightly in the past year: at the end of 2011, 44.8% of employees still worked in Germany, while on the reporting date, this was 45.4%.

Volkswagen AG, Volkswagen Sachsen GmbH, AUDI AG and Volkswagen Financial Services AG alone took over a total of 3,301 temporary employees into the core workforce in 2011. In addition, 1,591 temporary employees were employed in permanent jobs in these Group companies in 2012.

Starting a career at Volkswagen is possible in two ways: via vocational training at the Company and being recruited as a university graduate.

Vocational training at Volkswagen

Vocational training is a key factor in the development of Volkswagen's outstanding team. Volkswagen has stepped up its commitment to dual education and training and has introduced vocational training at additional international sites. In December 2012, the Group had 16,714 employees in vocational training worldwide, 11,913 of whom were in Germany.

As of December 31, 2012, Volkswagen AG was training approximately 4,838 vocational trainees and students in 32 professions and 26 degree courses at its six German locations (Wolfsburg, Hanover, Braunschweig, Kassel, Emden and Salzgitter) under the StIP integrated study and traineeship scheme. A further 125 vocational training positions were created as against 2011. 50 additional vocational training positions were established at Volkswagen Sachsen GmbH, Automobilmanufaktur Dresden GmbH and Volkswagen Osnabrück GmbH.

As of the end of 2012, AUDI AG recorded a total of 2,459 vocational trainees in 23 professions. Furthermore, 2,212 vocational trainees were employed at MAN and 453 vocational trainees at Porsche in Germany at the end of the year.

Dual vocational training and education now exists at a large number of sites abroad and is in development at additional sites. In the Kaluga plant at Volkswagen Group Rus, for example, the third year of vocational training began in 2012. Trainees can now also train to be warehouse logistics specialists alongside the previous vocational training careers of vehicle mechatronics specialists, design and production mechanics, vehicle painters and mechatronics specialists.

Vocational trainees at Volkswagen in Chattanooga, USA, have started a training program for mechatronics for the third time. This is run in cooperation with the local partners: Tennessee Technology Center and Chattanooga State Community College.

A modern training center opened at Volkswagen Navarra in Pamplona in April 2012. Building the training center and being committed to education is credited in this region of Spain as a key factor in Volkswagen's assumption of social responsibility.

Every year, the Group Board of Management and the World Works Council present the "Best Apprentice Award" to Volkswagen's best trainees around the world. This prize was awarded for the twelfth time at the end of November 2012 in Munich. Twenty-nine vocational trainees from 13 countries received the honor.

Volkswagen supports particularly talented vocational trainees in the talent group for young specialists. This is a key instrument to guide employees who are outstanding at both a professional and personal level through the transition from vocational traineeship to professional practice. A total of 232 talented young people at Volkswagen AG and Volkswagen Financial Services AG took part in this two-year development and training program in December 2012. 163 talented employees have already completed it.

The focus of Volkswagen's vocational training is on the professional development of the participants. They also benefit from a series of supplementary programs and opportunities. In Germany, these include the cooperation between Volkswagen vocational training and the "Youth Start-Ups" high-tech and business start-up competition as well as organizing of the "ProTalent" and "ProMechanic" competitions. In cooperation with Porsche Inter Auto GmbH & Co. KG in Salzburg and VOLKSWAGEN SLOVAKIA a.s. in Bratislava, Volkswagen AG vocational trainees already have the opportunity to expand their acquired knowledge and skills abroad and to develop professional mobility and flexibility.

Volkswagen vocational trainees have a more than twenty-year tradition of involvement with the Auschwitz memorial site. Prepared and supervised by the International

Auschwitz Council and Volkswagen Coaching GmbH, the trainees from Volkswagen and Polish young people travel to Auschwitz at least four times a year for two weeks in each case in order to work on maintaining the memorial. More than 2,100 young people from Germany and Poland have participated in the program so far. Since 2012, vocational trainees at other Volkswagen subsidiaries and investment companies have now also had the opportunity to help with the maintenance work on the memorial site in Auschwitz.

On completion of their training, since 2006 young people at the start of their career have had the opportunity to take part in the "Wanderjahre" (Years Abroad) program, spending twelve months at one of the Group's international locations. Today, 32 Volkswagen Group companies in 17 different countries participate in this development program. So far, over 320 young employees of the Volkswagen Group have taken advantage of this opportunity. 46 young people from Germany and ten participants from four other countries started their Year Abroad program in the Volkswagen Group in 2012.

Developing university graduates

Highly qualified young talent is essential for the future of the Company because innovative strength is one of the decisive competitive factors in the automotive industry. Volkswagen uses a differentiated approach to support its academic young talent: the Student Talent Bank and the Academic Talent Pool.

Volkswagen has been using the Student Talent Bank since 1998 to develop particularly high-achieving students in functional and crossfunctional areas. Since then, roughly 2,100 students have successfully completed an internship at Volkswagen thanks to their committed approach. Volkswagen supports these former interns during their further studies and invites them to presentations and seminars by specialists or on excursions to Volkswagen locations, for example.

Talented students are added to the Academic Talent Pool just before they complete their degree or doctorate. This new recruiting tool makes selected potential employees visible in the Company, meaning that they are considered for starting a career in one of the functional areas because of their prior experience.

Volkswagen offers the "StartUp Direct" trainee program to young university graduates to get them off to a flying 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. The program additionally includes multiple-week placements in production and sales as well as an optional foreign placement.

University graduates with an international focus can alternatively enter the "StartUp Cross" program. This international program includes a three-month international placement during its 18-month period. Over 2,000 trainees gained their first Volkswagen experience in one of these two programs since 2008.

With its "StartUp Europe" trainee program, Volkswagen Group has offered young engineers from Southern Europe an opportunity to gain international work experience since 2012. This Volkswagen program is initially targeted at university graduates from Spain and Portugal. The graduates start off in a company in either Spain or Portugal, followed by up to 21 months in a Group company in Germany. Permanent positions may be offered after completion of the two-year program.

Professional development and training for all employees

In order to allow employees to progress personally as individuals within the Company, they have to be supported and given the opportunity to demonstrate their capabilities and develop them further. Volkswagen offers opportunities for training to all employees in the vocational groups. A vocational group includes all employees who perform activities based on similar technical competencies and thus work together across experience and development levels. Learning and teaching happens by involving the vocational group's own internal specialists using both tested and new forms of skills development. This means that learning processes are focused more than ever on the concrete work processes and the specialist skills requirements of the vocational group: knowledge is transferred in an efficient and needs-based way.

Volkswagen's approach to mutual learning is being continuously built up and expanded: more and more areas of the Company are forming vocational groups with their own academies in which they organize their own skills development. The Volkswagen Group Academy was conceived in 2012 as an umbrella organization for all of the Group's academies. This is an integrated qualification platform that leverages synergies and ensures high quality and expertise levels throughout the Group. It will be used for vocational training up to and including academic professional development.

The master craftsmen at the Volkswagen Group enjoy particular attention with regard to training and professional development. Their qualifications are currently being adapted to uniform worldwide standards and introduced at the international locations: basic master craftsman qualification training prepares future master craftsmen for their work in production management. Overall, 364 master craftmen qualified at Volkswagen in the reporting period, including 140 abroad.

Volkswagen prepares prospective managers to assume management tasks through basic leadership qualification training and a subsequent exam. These two elements are being increasingly introduced at the international Group companies.

The management selection process enables employees to progress to management positions: candidates are selected for their specialist skills at in-depth selection meetings in the departments. The candidates' entrepreneurial skills are subsequently tested in a cross-divisional Management Assessment Center. The Management Assessment Center was successfully implemented in India, Russia, China and the USA in 2012.

There are also many tailored training opportunities for other professions in the Group. First and foremost is Volkswagen Coaching GmbH, the main professional development organizational of Volkswagen AG, which offers a broad spectrum of learning. This includes programs for personal development, interdisciplinary seminars and courses, and specialized training programs designed for the particular needs of individual vocational groups. This ensures that all employees are able to develop the unique skills they need for their individual functions. At the same time, we facilitate systematic training for employees with respect to corporate and divisional goals. In 2012, over 110,624 participants received further training at the 9,193 seminars held by Volkswagen Coaching GmbH lasting a total of 269,128 participant days. In the area of specialist skills development (e.g. factory automation, robotics and applications engineering, or business), 70,382 participants were involved in 7,027 seminars covering 162,869 participant days. In the field of "crossfunctional skills development" (which includes leadership skills and personal development), 40,242 participants attended 2,166 training courses representing 106,259 participant days. To ensure that its range of training options always keeps pace with the Company's training needs, Volkswagen Coaching GmbH developed a further 324 training courses in 2012.

Professional development at university level: the AutoUni

The AutoUni assures the availability of specialized academic knowledge within the Volkswagen Group. Here, the educational offerings, which are developed in conjunction with the functional areas and cooperating universities, are built around the needs of the vocational groups. With its eight institutes, the AutoUni offers numerous lectures, conferences, programs and cooperative study modules at university level. Scientific topics are studied in more detail in cooperative study modules and finish with an exam. Programs at the AutoUni, which is based in Wolfsburg, have been rolled out internationally for several years. Altogether, more than 15,000 participants attended 273 courses organized by the AutoUni in 2012. Roughly one-quarter of the courses were held outside of the main location in Wolfsburg. Around 40% of the events were open to the public as part of Volkswagen's regional commitment. One of the focuses was on future mobility: people need innovative drivetrains as well as transportation systems that are comfortable, accessible and sustainable.

The AutoUni is also intensely involved in the Group's doctoral student program. More than 440 doctoral students were supervised in 2012 at the various companies of the Volkswagen Group in Germany. The doctoral students are conducting research on ambitious PhD thesis topics with relevance for the Company. During this time, they work closely with their own department in the Group, which also appoints a supervisor within the Company for them. Completed theses can be published as part of the AutoUni's publication series. Active and former Volkswagen doctoral students regularly use the research forum for doctoral students to attend seminars, lectures, sporting activities and other events together. The doctoral students organize and implement the research forum and its activities themselves.

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. This commitment has tradition behind it: in 1989, Volkswagen was the first major German corporation to establish guidelines for the advancement of women and to support them with targeted programs. Volkswagen AG first set concrete targets for raising the proportion of women in the Company in 2007. In spring 2011, the Volkswagen Group proposed individual goals to raise the proportion of women at Volkswagen in Germany as part of a voluntary commitment.

PROPORTION OF WOMEN
VOLKSWAGEN GROUP IN GERMANY*
as of December 31, 2012

%	2012	2011
Vocational trainees total	**26.8**	**26.4**
Industrial vocational trainees	20.9	20.4
Commercial vocational trainees	52.3	52.9
Students in traineeship schemes	31.3	32.0
Management total	**9.3**	**8.5**
Management	11.0	10.1
Senior management	7.0	6.4
Top management	5.5	4.9

* Excluding Scania, MAN and Porsche.

A pioneering instrument for achieving the goal is the quota for the university graduates we hire. Volkswagen hires the year's best university graduates in the necessary fields and then trains them further. Volkswagen is guided in this by the proportion of female graduates in each field of study. Consequently, approximately 10% of graduate engineer recruits have to be women. For electrical engineering, the ratio is also 10% and for business and economics 50%. Averaged across all fields of study relevant to Volkswagen, the individual ratios produce an overall goal of at least a 30% ratio of women among university graduates hired. Volkswagen approaches female students at an early stage: for example, Volkswagen uses its Germany-wide "Woman DrivING Award" and the newly introduced "Woman Experience Days" to focus on female engineering 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 a proportion of 30% of women at all levels of the management hierarchy in Germany in the long term. For example, the proportion of women in management positions at the Volkswagen Group in Germany increased from 8.5% (2011) to 9.3% (2012). 41 women at Volkswagen AG participated in a mentoring program in 2012, giving them support on their path into management.

Volkswagen also has the goal of raising the proportion of women among skilled workers and master-level workers to 10%. The current proportion of women among workers at the master level at Volkswagen AG is 4.3%. In 2012, 31 women were helped in their effort to become master craftswomen through a targeted mentoring program.

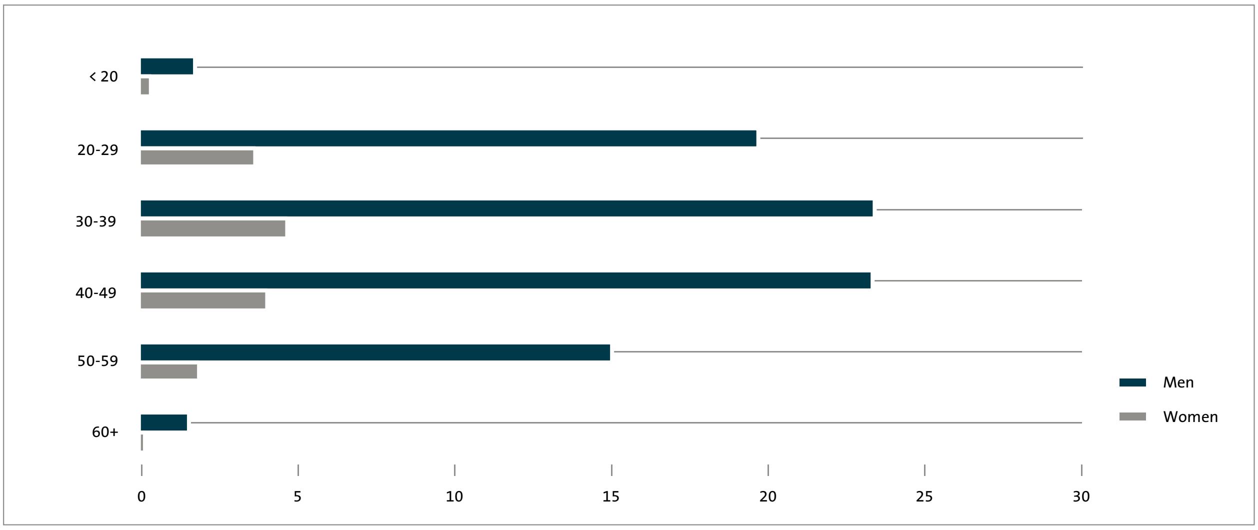
The Volkswagen Group is leading the way in the automotive industry in Germany, with a share of 26.8% female trainees in 2012, and especially with 20.9% in industrial and technical fields. We aim to increase this to around 30%. Volkswagen therefore specifically recruits female talent, for example by offering special information days for industrial and technical vocational training at Volkswagen and career experience days for young women. The Company has participated for many years in the national "Girls' Day" in Germany and in 2012 offered roughly 2,000 schoolgirls a behind-the-scenes look into careers in the automotive industry.

Volkswagen is also attempting to systematically improve its work/family balance alongside hiring and supporting talented female employees. This includes a high level of working time flexibility and a range of part-time and shift models, as well as local and on-site childcare facilities. Volkswagen offers meetings and seminars for employees on parental leave in order to retain contact with employees on parental leave and help ease their transition back into the workforce.

Performance incentives and bonus arrangements

For the Volkswagen Group, professional development and training are a key component in creating an outstanding team. A major part of our strategy includes systematically supporting and recognizing achievements and switching to remuneration systems that allow employees to share in the Company's success in the long term. Universal and uniform criteria for developing skills and recognizing achievements have been in place at Volkswagen AG since 2010. This applies to the entire workforce – from trainees to senior executives. The criteria are underpinned by concrete incentive systems in the remuneration structure.

AGE STRUCTURE OF THE EMPLOYEES OF THE VOLKSWAGEN GROUP*
age in years, percentages



* Excluding Scania and MAN.

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

- the basic pay in the form of a monthly remuneration,
- the right to a bonus arrangement anchored in the collective pay agreement,
- since the beginning of 2011, the performance-based remuneration component, which recognizes all employees' individual achievements.

Volkswagen AG's remuneration system, which was expanded to include a performance-based remuneration component, has proven as a tool for the workforce to participate in the Company's success. At the same time, it helps individual achievements to be recognized while maintaining competitiveness. This three-tier remuneration system is being increasingly implemented throughout the Group.

Employee participation

Volkswagen Group employees can actively help shape the Company through participating in the opinion survey. This uniform, Group-wide employee survey gathers information about employee satisfaction once a year. Following the survey, the results are discussed together by supervisors and employees. Complaints and problems are discussed just as much as suggestions on how to improve the structure of work. The areas of improvement that are agreed upon are then implemented in the period before the next survey. The opinion survey was conducted for the fifth time in 2012. A total of 102 locations and companies in 32 countries were included in the survey. Of the over 378,000 employees invited to participate, more than 342,000 took part. Porsche Holding Salzburg, Volkswagen Osnabrück GmbH and Volkswagen Group Japan K.K. took part for the first time. The sentiment rating is a key parameter for the opinion survey, in addition to the level of employee participation. The Group also identified a positive trend here.

Another instrument for whose success the involvement of employees has special significance is the "Volkswagen Way". This has been an integral feature at Volkswagen for five years. It aims to safeguard competitiveness and employment. It focuses on a comprehensive improvement process that aims to achieve continuous improvement in productivity and efficiency, as well as quality, ergonomics, leadership and teamwork. The "Volkswagen Way" is a durable instrument that offers across-the-board, systematic and binding solutions to problems using high standards and drives improvements. Every employee's participation allows us to continuously improve the workplaces, processes and structures in the individual areas of the Company. The Volkswagen Group's other brands have similar efficiency enhancement programs. For example, during production, a Group-wide uniform production system is used for all brands.

Volkswagen places tremendous value on facilitating the flow of ideas and improvement suggestions from its employees into the work organization and production process. The input of employees is screened and evaluated by Volkswagen Ideas Management, which is represented at all German locations. The origin of the suggestion system at Volkswagen goes back to 1949. Since then, involvement in the improvement of products and processes has been a firm indicator of the creativity, expertise and motivation of our employees. Ideas Management is an important leadership and motivational instrument for line supervisors. We worked on systematically integrating all of Volkswagen's locations worldwide in the reporting period.

In fiscal 2012, Volkswagen employees throughout the Group submitted a total of 536,532 improvement proposals, 12.9% more than in the previous year (475,073). The implementation of 380,475 of these suggestions in the reporting period significantly helped to improve the quality of our products and the efficiency of our processes, and helped to reduce costs in the Group by a total of €358.1 million. Employees who submitted ideas received bonuses worth some €34.1 million in acknowledgment of their creativity and contributions in shaping the Company. Ideas Management also helps work at Volkswagen to be safer and more compatible with good health. Occupational health and safety measures are being continuously improved thanks to successfully implemented ideas.

Preventive healthcare and occupational safety

Healthcare management at Volkswagen is much more than classic preventive healthcare and occupational safety. The holistic healthcare management system that has been in place at Volkswagen for a long time also comprises aspects of work organization, ergonomics, management culture and prospects for all individuals.

The "CheckUp", a free, comprehensive medical examination, was made available to all employees at Audi in 2006 and at Volkswagen in 2010. This now firmly established tool also helps to maintain and improve employees' health, fitness and performance. The high level of diagnostic quality of the check-ups is widely acknowledged by the employees: more than 42,000 Volkswagen check-ups and more than 51,000 Audi check-ups have been performed to date.

After the check-ups were successfully implemented at the German plants, the focus in 2012 was on expanding the internal and external prevention offerings that are linked to this tool. The Volkswagen CheckUp was also rolled out on a large scale at Group locations abroad, for example at Volkswagen de Mexico's Puebla plant. Existing preventive medical examination programs at other companies are being adapted to meet the Group-wide standard for the CheckUp. 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 align the creation of ergonomically state-of-the-art workplaces and innovative work processes, taking both science and practice into account. The deployment of occupational therapists to the production lines means that employees are able to receive advice and guidance directly at their workplace about the more ergonomic implementation of their workflows.

In the course of our management development programs, line supervisors are taught to give stronger consideration in their leadership practices to the link between leadership and employee health. We have also been developing compulsory training modules on occupational safety and introducing them for all prospective managers since the beginning of 2012. Based on the Group occupational safety management system implemented in 2010, all Group brands and companies covered by it analyzed their existing occupational safety organizations and processes. The results are now 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

All Volkswagen AG employees are insured by a group accident insurance policy against accidents resulting in death or disability. Employees in the international Group companies 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.

To secure the retirement income of former employees, Volkswagen AG along with its brands and subsidiaries operates a number of occupational pension systems. In Germany, this is based on a direct pension commitment. The occupational pension arrangements at Volkswagen AG comprise the basic pension and the additional retirement benefits of contributory pension schemes I and II. While the basic pension and contributory pension scheme I are funded by the employer, contributory pension scheme II offers employees the opportunity to provide for their own retirement income through deferred compensation.

Since 2001, funds for the Volkswagen AG direct pension commitment have been invested in the capital markets by the company pension fund administered in trust by Volkswagen Pension Trust e.V. At the end of 2012, an additional 22 Group companies in Germany made use of this facility. A total of €3,009 million had been contributed to the company pension fund by the end of 2012 as lifelong pension payments for employee retirement and disability pensions, and for benefits in the event of death. 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, which are invested in the capital markets by the Time Asset investment fund administered in trust by Volkswagen Pension Trust e.V. The accumulated Time Asset credits can be used for paid early retirement. At the end of the reporting period, the assets in the Time Asset investment fund amounted to €1,329 million.

EMPLOYEE BREAKDOWN

as of December 31, 2012

	2012	2011	2010	2009	2008
Vocational trainees in the Group	16,714	15,021	10,545	9,846	9,884
Industrial	12,508	11,249	7,799	7,439	7,498
Commercial	4,206	3,772	2,746	2,407	2,386
Passive stage of partial retirement	7,804	4,488	4,778	7,070	8,841
Group's active employees	525,245	482,447	384,058	351,584	351,203
Total headcount	**549,763**	**501,956**	**399,381**	**368,500**	**369,928**
Europe	410,427	378,030	290,159	278,779	284,962
America	63,193	58,072	54,571	48,529	48,867
Africa	6,461	6,602	6,546	5,608	6,194
Asia	68,704	58,540	47,607	35,123	29,423
Australia	978	712	498	461	482
Percentage of female employees in the Group	15.2	14.7	14.2	14.2	14.0
Absences[1] (in %)	3.2	3.4	3.3	2.5	3.0
Number of accidents at work[2]	1,728	1,806	1,855	1,865	1,819
Frequency of accidents[2]	2.9	3.2	3.6	4.0	4.0

1 Production locations excluding Scania, MAN and Porsche.
2 Production locations excluding Scania, MAN and Porsche (also excluding Audi Brussels in 2009); frequency of accidents = number of accidents at work x 1 million/number of hours worked.

INFORMATION TECHNOLOGY (IT)

The communication society, the nearly universal information technology support for business processes and the development of new locations bring constant challenges to the IT functions of large companies. An adequately equipped IT infrastructure, both technologically and quantitatively, is the foundation for stable IT systems and thus for optimal IT support.

It is of considerable importance to Volkswagen that the IT infrastructure's equipment is energy-efficient and resource-friendly: for us, "Green IT" is not a buzzword. It is a priority. The Audi brand's new data center at the Ingolstadt location is an example of the systematic approach adopted in the Volkswagen Group: as soon as an ambient temperature of 12°C is reached, outside air is exclusively used for cooling. Although more than twice as many servers are being used as before, innovative technology makes it possible to eliminate the use of energy-intensive refrigeration compressors for cooling for more than six months a year. This enabled the data center to reduce its energy consumption by around one-third despite its expansion.

The efficient enhancement of the application environment at the different corporate locations, in the business processes and in the sales network is just as vital as having a modern IT infrastructure. The IT staff are responsible not only for programming 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 factory planners can use the "digital factory," for example, to virtually walk through the future production buildings long before the ground is broken. IT ensures that employees on the production line can build the right vehicle at the right time using the "Fertigungs-, Informations- und Steuerungssystem" (FIS – Production, Information and Control System) system used throughout the Group. The IT-based car sharing "Quicar – Share a Volkswagen" project, was launched in 2011 in cooperation with Volkswagen Financial Services AG. At currently 50 stations in Hanover, Quicar customers have 200 Golf BlueMotion cars available for use 24/7. Expert teams on the ground develop solutions that can be applied globally and across brands for all of these IT services. This enables Volkswagen to establish IT standards in the business areas that are the basis for leveraging potential synergies, among other things.

SUSTAINABILITY IN THE VOLKSWAGEN GROUP
www.volkswagenag.com/sustainability

ENVIRONMENTAL MANAGEMENT IN THE GROUP

By 2018, we also intend to be the number one in the automotive industry in ecological terms. To reach this goal, we must first make production in our plants around the world more environmentally friendly. We aim to reduce energy and water consumption, emissions and waste at all of the Group's sites by 25% compared with 2010. We made further progress in fiscal year 2012; the charts on page 221 provide an overview. Additional key environmental indicators can be found in the Volkswagen Group's sustainability report. Second, we intend to make our products more environmentally friendly. Thus, we plan to reduce the CO_2 emissions of the European new vehicle fleet by 30% compared with 2006 by 2015. Every new model generation is designed to be 10% to 15% more efficient than its immediate predecessor. Our Group environmental policy and Group-wide environmental management are the foundation for reaching these goals.

Environmental management ensures that the ecological aspects of sustainability in product development and in production are taken into account at all locations. The main pillars are the Group's globally applicable environmental principles for products and production. Since 2010, these efforts have been supported by a Group-wide energy management system.

Since 1995, Volkswagen's German locations have voluntarily participated in the EU's Eco-Management and Audit Scheme as well as worldwide in the environmental certification process under international standard EN ISO 14001. Since 1996, this standard has also applied to the environmental management system used by Volkswagen's Technical Development function, which has additionally been certified in accordance with DIN ISO/TR 14062 since 2009. By means of recertifications and external validations, we also confirmed our role as a trailblazer in the reporting period.

We specifically train environmental protection experts at many of our locations in order to implement environmental aspects across the Group. These experts support the environmental officers on the ground and help to build a broad foundation for environmental protection. The environmental officers from the European locations have been regularly sharing their experiences since 1976. They discuss current topics at environmental conferences that take place at regional and Group levels, present examples of best practice and initiate concrete measures and thus synchronize their work with Volkswagen's environmental policies. In the reporting period, the 5th Group environmental conference was held in Wolfsburg, where over 400 experts from the locations met and discussed implementation strategies, measures and projects. A summary presentation is available at http://www.volkswagenag.com/sustainability.

Climate protection

Protecting the climate is one of the most important tasks facing Volkswagen in terms of sustainability because a company that produces over nine million vehicles a year has a special responsibility. We discharge this responsibility by efficiently producing efficient vehicles and by using renewable energy sources.

The Board of Management embeds climate change and the resulting opportunities and risks into all of its strategic decisions. These decisions are primarily based on information provided by the CSR & Sustainability steering group and the Group's CO_2 steering group, for example the "CO_2 Registry" management and analysis tool. This is an instrument that analyzes every one of the Group's vehicle projects over the entire product development process with regard to their CO_2 emissions. The requirements for CO_2 savings are laid down in the Group's environmental policies as well as in the environmental goals of the Technical Development function. A Group Expert Network for Climate and Energy was established to facilitate the exchange of knowledge and experience between all brands and regions.

Efficient production

A car has the greatest ecological impact when it is being used. However, there is still tremendous potential for production to be more sustainable as well.

The individual Group brands launched overarching initiatives to make production more efficient. These initiatives identify potential, develop strategies and solutions, and implement measures. Examples include the Volkswagen Passenger Cars brand's "Think Blue. Factory." initiative and the ŠKODA brand's "GreenFuture" initiative.

Examples from the reporting period illustrate clearly that these initiatives are effective: a new demand-driven way to sequence the generation of compressed air is cutting usage by 15% at the Chattanooga site. In the Russian Kaluga plant, hot waste gases from the boiler house are vented through an additional heat exchanger. This recovers heat, which is then used for the hot water system, saving approximately 1,000 megawatt hours (MWh) of energy each year and reducing annual CO_2 emissions by 485 tonnes. A new body shell production facility was established in 2012 at the Emden site. Volkswagen uses the approximately 5,000 foundation piles, bored into the ground, to store energy: in the summer, the piles store the waste heat from the welding machines in the ground; in the winter, the stored heat is used to heat the production sheds.

Volkswagen relies on generating its own energy from renewable sources at many of its locations so as to reduce the proportion of additional primary energy it purchases. For example, the photovoltaic installation on the roof of the production facility for body shells for the Audi A3 in Ingolstadt generates around 460 MWh of electricity a year. Additional systems came into operation in 2012, for example in Braunschweig and Hanover (each generating 420 MWh a year). Another solar energy system with over 33,000 solar panels will be installed at the beginning of 2013 at Volkswagen's Chattanooga location. A new, 17,000 m^2 solar power plant reduced CO_2 emissions by 30% at the Lamborghini brand's Italian location in Sant'Agata Bolognese in the reporting period.

Warm forming of sheet steel is an example of a case where saving energy can also sometimes mean that more energy is used initially. This process forms and heat-treats the steel by cooling it in seconds from 950°C to about 175°C in a single step. This means that the material can be stretched up to six times more than steel used in conventional deep drawing. The result is thinner and lighter components that are just as stable as conventional parts. Although more energy is used at first for this warm forming process, the energy that the vehicle requires over its overall life cycle is lower because it weighs less. The new Golf, for example, is produced using such parts.

Volkswagen also set new milestones in 2012 in terms of materials efficiency. At the Wolfsburg site, the width of the coils – flat-rolled steel strips that are used to make parts for the body – was reduced. This creates significantly less waste. Additionally, the tools, the component geometries and plates nesting were optimized to improve materials utilization. The new Golf generates 15% less waste during production than its predecessor. Each year, optimization measures save around 73,000 tonnes of steel in the aggregate for other models.

In the paintshop at the Wolfsburg location, 48 of the latest generation of painting robots went into operation in the reporting period. The robots are equipped with color changing and application systems, which cut the amount of paint and cleaning products used as well as paint waste by up to 50%, corresponding to a saving of €800,000. In addition, the robots require up to 20% less compressed air and significantly less energy than their predecessors. This avoids 120 tonnes of CO_2 emissions annually.

Water management

Reducing water consumption, cutting the volume of waste water, treating contaminated water and protecting habitats – these are the core aspects of sustainable water management at Volkswagen that are laid down in the Group's environmental principles. We have set ourselves the goal of reducing water consumption per vehicle in all plants by 25% by 2018 compared with 2010. The following current examples of efficient water usage show which technologies can be used to reach this goal.

In Foshan, China, we are currently putting into operation a manufacturing process that is virtually free of waste water. At that site, waste water is collected in a biological sewage treatment plant with membrane bioreactors and treated so that it can be reused. This technology is 98% effective in relation to biologically degradable water contamination. The plant is the first of its kind in the Chinese automotive sector and the largest in the Volkswagen Group.

In the Taubaté plant in Brazil, water usage has been cut by 20% thanks to a painting process without fillers and an innovative overspray removal method.

Water consumption at the Puebla location in Mexico dropped from 5.1 m^3 per vehicle in 1999 to around 3.0 m^3 currently. This success is based on improved treatment of waste water and the use of intelligent facilities that collect rainwater and make it usable.

So far, we have made good progress in 2012 in the reforestation project at the Popocatépetl volcano in Mexico. The newly planted trees and other measures ensure that the ground there can store more rainwater. This adds around 2.6 million m^3 to the groundwater a year – significantly more than the Volkswagen plant in Puebla requires.

Volkswagen informs the public and its stakeholders in detail on how the Company uses water. It has participated in the Water Disclosure Project (WDP) since 2011, making its information available to the public. A key aspect of this is the "water footprint", which we calculated for selected models based on the comprehensive data from our environmental impact studies. This basis allows us to identify which processes consume the most water in the entire product lifecycle. In calculating these water footprints, we capture the water consumption not only at our production locations, but also in all phases of the value chain.

In cases where extracting water is unavoidable, Volkswagen looks for opportunities – wherever possible – to offset it correspondingly: for the plant currently under construction in Ningbo in southern China, for example, we are driving forward the designation of tidal flats on the Yellow Sea as protected areas to compensate.

Noise reduction

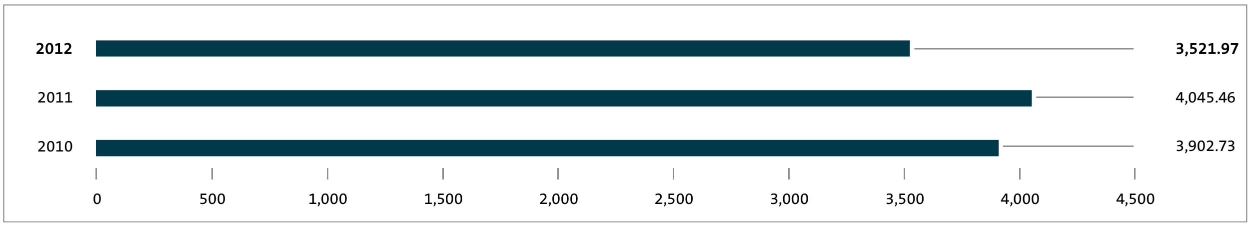
Responsible concern for the environment means that an automobile manufacturer must consider the full range of its vehicles' effects. Increasingly, this includes the topic of noise. Volkswagen is facing up to this responsibility – not only by striving for ever lower noise emissions from individual vehicles, but also in the form of far-reaching activities in the area of overall traffic noise. The goal is to better understand the influence that cars have on traffic noise so as to identify which tasks will be assumed in the future by vehicle manufacturers and when – as part of a comprehensive approach – there is also a need for dialog with other participants.

In cooperation with the internationally prominent Lärmkontor GmbH, Hamburg, we developed a "noise level tool" that will be able to compare measures to quantitatively reduce noise in terms of its effect on the noise level on the whole as well as on the number of those affected in a model city. The main focus is on total traffic, not on individual vehicles. An innovative feature is that this "noise level tool" indicates noise pollution for the first time, meaning how much noise is "perceived" by how many of the city's inhabitants. Previously, looking exclusively at the sources of noise produced a skewed picture of the effectiveness of noise-reduction measures. The control variables include traffic volume, the proportion of passenger cars and commercial vehicles, speed, road surface, engine noise and rolling noise.

These activities are Volkswagen's contribution to ensuring that future measures for reducing noise are better coordinated and that funds can be used more selectively.

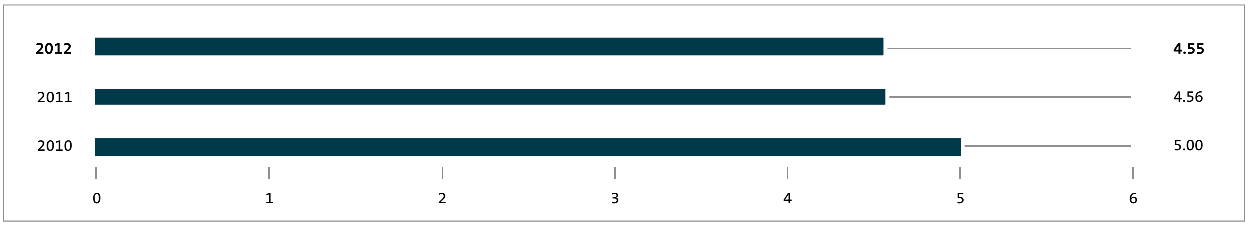
VOC EMISSIONS (VOLATILE ORGANIC COMPOUNDS)*

in grams per vehicle



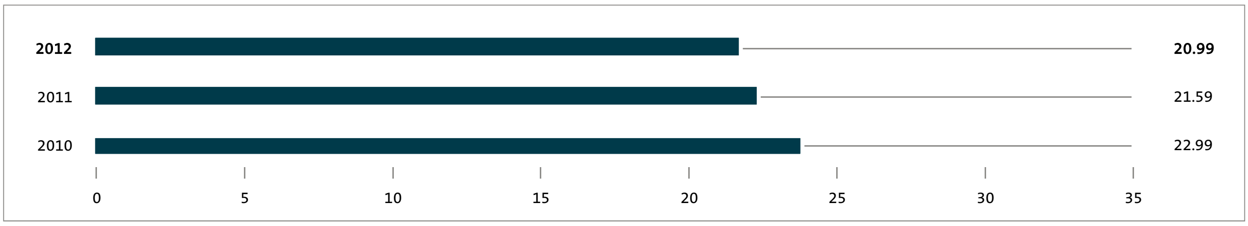
FRESH WATER CONSUMPTION*

in cubic meters per vehicle



DISPOSABLE WASTE*

in kilograms per vehicle

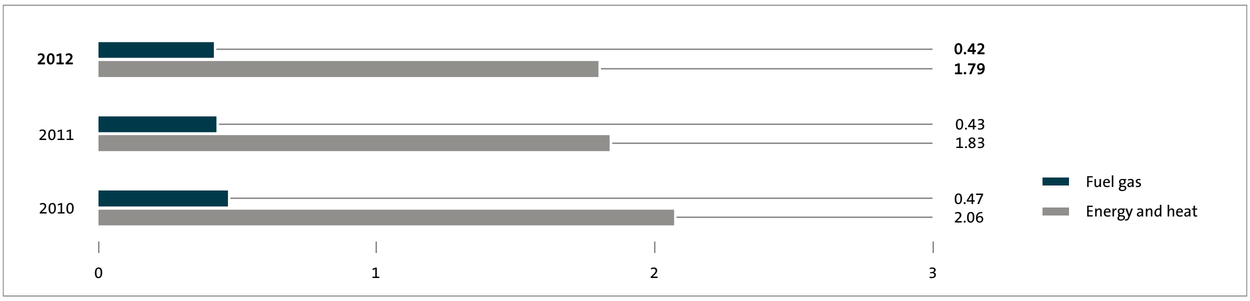


CO_2 EMISSIONS*

in kilograms per vehicle

ENERGY CONSUMPTION*

in megawatt hours per vehicle



* Production of passenger cars and light commercial vehicles.

Lifecycle assessment and environmental ratings

Volkswagen uses lifecycle assessments as an instrument for reducing a vehicle's environmental impact. We evaluate vehicles, components and materials as part of these analyses, from the first design sketches through production and use, down to disposal, because a vehicle does not use energy and generate emissions in its usage phase alone. Since the environmental impact varies in the different phases of the lifecycle, we take a range of measures to make mobility as environmentally friendly as possible.

The lifecycle inventory is the first step in the assessment. We compile data for this on every material, component and step in the process. The data provides a picture of all of the emissions in the air, water and ground, and of the waste generated during the entire lifecycle. In addition, the lifecycle inventory indicates how much primary energy is used for the complete life of a car and the amount of emissions that are generated, such as CO_2, carbon monoxide, sulfur dioxide, nitrogen oxides, hydrocarbons, or methane.

The potential environmental impact of a vehicle is estimated in the second step. The various material flows from production, usage and recycling are then allocated to the environmental impact categories – the greenhouse effect, summer smog, acidification, ozone depletion and overfertilization.

The final step is certification in accordance with the ISO EN 14040 standard. Volkswagen uses external experts, for example the German TÜV Nord inspection organization, to verify that it has acted in compliance with this standard; it presents the results of the lifecycle assessment transparently in the form of an environmental commendation. In the reporting period, for example, the new Golf was awarded such a commendation, which documents ecological progress compared with the previous model over the entire lifecycle.

External environmental awards

In fiscal year 2012, the Volkswagen Group's brands and projects received many awards for being environmentally friendly.

The German consumer organization Stiftung Warentest investigated nine car-sharing providers in Germany and the Netherlands in 2012. Volkswagen Financial Services' Quicar offering scored 1.8, the top score in the test. Quicar convinced the experts in the categories for booking, driving and online presence, among other factors.

Verkehrsclub Deutschland e.V. determines the most environmentally-friendly each year. The natural gas-fueled Volkswagen eco up! was the overall winner for 2012/2013. Its emissions of 79 grams of CO_2/km set new environmental and economic benchmarks. In addition to its first place finish in the overall ranking, the eco up! also won the "Best for the Environment" category.

The Brazilian magazine "Auto Esporte" awarded the Gol Ecomotion and the Polo BlueMotion the "Green Car of the Year" award last year – one of the top prizes for efficient vehicles in Brazil.

Every year, the ADAC presents one of the most important prizes in the automotive industry: the "Golden Angel". The natural gas-fueled Passat TSI EcoFuel was recognized in the "Car of the Future" category. Its low-emission drive system clinched its success.

MAN was awarded five different prizes in Brazil for its environmentally friendly technologies. The "AEA Environment Award" from the Association of Brazilian Automotive Engineers went to the Constellation 17.280 6x2 Híbrido for pioneering work in the development of the first Brazilian hybrid truck. This hybrid truck also received two "Renewable Energy Infrastructure Awards". MAN won the "Top Ethanol Award" for a vehicle from the TGS series that can be powered flexibly by both diesel and ethanol. Another award went to MAN for its forward-looking research into the use of bioenergy.

The commercial vehicle trade journals "Verkehrsrundschau" and "Trucker" awarded the "Green Truck" title for the second time in 2012. It was won by the Scania R 480 Euro 6, which stood out from the competition thanks to its extremely low fuel consumption and ensuing low CO_2 emissions, as well as its compliance with the Euro 6 emission standard.

Volkswagen moved up two spots year-on-year to fourth place in the global sustainability ranking for the "Best Global Green Brands 2012" by brand consulting company Interbrand. This makes Volkswagen both the most environmentally friendly automobile manufacturer and the "greenest" company in Germany.

Fuel and drivetrain strategy

The use of efficient, sustainable drivetrains is a highly important strategic issue for Volkswagen. The Group is not only working to continuously optimize its existing drivetrains but is also – as in the past – pursuing a variety of alternative drive concepts, and especially electric traction. At present, our customers primarily choose conventional engines to drive their vehicles. Electrified drive technology and conventional combustion engines will continue to coexist in the future on the road to carbon-neutral, sustainable mobility. This coexistence will be flanked by a steady increase in the share of carbon-neutral energy sources, be it in the form of renewable power for electric vehicles, the production of carbon-neutral biofuels, or synthetic natural gas. The latter is produced in electrolysis and methanation plants fueled by wind-powered electricity. It can be used among other things to power specially developed CNG combustion engines. It addition, the Group is examining innovative renewable fuels that bind CO_2 during production and that put carbon-neutral mobility within grasping distance.

Particularly in global growth markets such as Russia, India and the Far East, combustion engines look set from today's perspective to serve as the broad basis for drive technology in the coming years. Given the need to use resources responsibly, it is crucial to optimize combustion engines here so as to facilitate sustainable, forward-looking mobility. In response to this challenge, the Volkswagen Group has developed entirely new generations of petrol and diesel engines that are being incorporated successively into its vehicle range. These drivetrains were used in the successor models for the Audi A3 and Golf for the first time in 2012.

All the new engines feature turbocharging, direct injection and a start-stop system as a standard feature. In addition, they make use of other fuel-saving technologies such as intelligent thermomanagement for reducing mechanical and energy losses, recuperation, demand-driven auxiliary power unit management and variable valve management. Many Group vehicles with petrol engines started using active cylinder management for the first time in 2012, which automatically switches off individual cylinders without the driver noticing when they are not needed. This innovative technology cuts fuel consumption by up to 0.5 l per 100 km, depending on the engine involved. Active cylinder management is used in the Polo BlueGT, the new Golf, the Audi A3, S6, S7 Sportback and S8 models and the Bentley Continental.

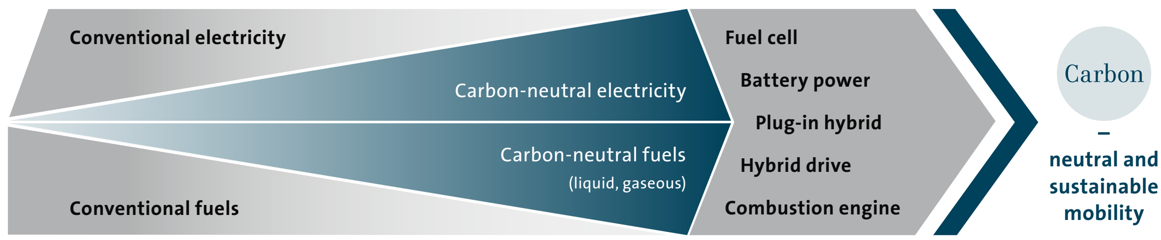
Driver profile selection is another means of reducing fuel consumption. It is already integrated into several Volkswagen Group vehicles and was included in a volume model – the new generation of the Golf – for the first time in 2012. The eco, normal and sport modes selected by the driver are used in engine and gear management and to switch auxiliary power units and the air conditioning on and off as necessary.

The Group's efficiency models show what can already be achieved today by combining efficient conventional drives and vehicle innovations such as low rolling resistance tires and aerodynamic measures. At Volkswagen, they are available under the "BlueMotion" label, at ŠKODA they are known as the "GreenLine" models and at SEAT they go by the name of "ECOMOTIVE". With CO_2 emissions of 87 g/km and fuel consumption of only 3.3 l per 100 km, the Polo BlueMotion is one of the most environmentally-friendly and economical five-door vehicles in the world. The new Golf BlueMotion – available from mid-2013 onwards – with its new 1.6 TDI engine will have an average fuel consumption of only 3.2 l per 100 km and CO_2 emissions of a mere 85 g/km. The ŠKODA Octavia GreenLine that will be introduced in 2013 emits only 89 g/km CO_2 and uses 3.4 l diesel per 100 km. The eco up! that was launched at the end of 2012 has a 1.0 CNG engine and CO_2 emissions of merely 79 g/km.

What is more, the Audi and Porsche brands provide impressive proof that premium-segment diesel engines can be both dynamic and economical. The twin turbocharged 3.0 TDI engine in the new Audi SQ5 TDI has an output of 230 kW (313 PS) and uses a mere 6.8 l of diesel per 100 km. Porsche's Cayenne S diesel offers another example of twin turbocharger technology in the form of its 4.2 l V8 diesel engine, which has an output of 281 kW (382 PS). It uses a mere 8.3 l of diesel per 100 km.

Our successful TSI, TFSI and TDI engines, ideally combined with the Group's innovative direct shift gearboxes, offer a good starting point for efficient vehicle propulsion now and in the future. They can be combined with electrical components on a modular basis to produce hybrid drives. Plug-in versions of these vehicles can be recharged via electrical outlets and – depending on the model concerned – can cover between 20 and 80 km in purely electric mode.

THE ROAD TO CARBON-NEUTRAL MOBILITY



When it comes to drive electrification, hybrids – and particularly plug-in hybrids – are a core topic for the Volkswagen Group, since these are currently the best way of supplementing petrol and diesel engines. They combine the benefits of two technologies and hence meet a number of customer expectations: an unlimited range thanks to their combustion engines, an attractive electric drive unit for day-to-day urban use, no restrictions on speed, hill-climbing ability, or trailer loads and substantial potential for reducing CO_2 emissions. As a result, Volkswagen Group is mounting a major new push for this technology, a key element of which is its integration into the modular toolkit strategy. This underscores the importance of e-mobility within the Group, giving it a firm, long-term place in its product strategy. Combined drives are already available today in a large number of vehicle classes in the form of the hybrid versions of the Jetta, Touareg, Audi Q5, Audi A6, Audi A8, Porsche Cayenne S and Porsche Panamera S models.

Volkswagen will also ring in the age of pure-play e-mobility in 2013 with the market launch of the e-up! and then the e-Golf. The Group brands performed extensive international fleet trials with purely electric vehicles and a large number of different customer groups in fiscal year 2012 and were able to optimize the technology, its suitability for daily use and user requirements for later series production. At present, for example, ten ŠKODA Octavia Green E Line vehicles are in use at a number of customers in the Czech Republic. However, a number of challenges still have to be mastered before electric vehicles can be launched onto the wider market. Developing high-performance batteries and building up technological expertise in the area of battery chemistry are both vital to increasing the range and hence the attractiveness of electric vehicles. Another challenge is integrating electric cars into the existing infrastructure. A large number of questions still need to be answered together with the government, municipal authorities and utilities with respect to the recharging strategy to be adopted ("smart grid"), how to construct an end-to-end infrastructure, particularly of rapid charging stations, and how to book charging points and bill the electricity provided. In the Volkswagen Group's opinion, the intelligent combination of the automotive, power generation and telecommunications sectors offers the opportunity to ease the transition to e-mobility for customers, or to make it attractive for them – for example by providing new services and business models, such as mobile online services that give details on battery charge levels and recharging options.

Volkswagen will manufacture not only the bodywork but also the core components of electric cars – the electric motor and the battery system. The Kassel plant has been designated to manufacture the motors, while the battery modules will be assembled into battery systems in the Braunschweig facility.

This basic mix of conventional and alternative technologies and Volkswagen's modular toolkit strategy, which allows innovations to be incorporated rapidly into different vehicles, means that the Group is optimally positioned to meet the challenges that the future will bring.

Biodiversity

Biological diversity and functioning ecosystems are at the heart of life itself and of economic activity. Despite this knowledge, however, we are facing a dramatic loss in species, ecosystems and genetic diversity. This makes preserving biodiversity one of the most urgent tasks we are currently facing. Businesses are also called on to take responsibility in this area. At Volkswagen, protecting biodiversity has been a corporate goal since 2007. Although industrial enterprises contribute to this through classic nature and species conservation projects, their key contribution is by reducing greenhouse gas emissions and ensuring effective environmental management at their production locations. Volkswagen aims to play a pioneering role in protecting biodiversity, which is why we drove forward integration of this topic with our processes in the period under review. In addition, we participated in the following projects, among others:

- Support for scientific research into biodiversity through Volkswagen's "Por amor al planeta" program in Mexico
- Protection of dolphins and penguins in South Africa as a sponsor partner of the Wilderness Foundation's Rhino Protection Initiative
- Support for an EU-sponsored species inventory in the Czech Republic's national parks
- Support for a range of conservation and environmental protection projects, including Europe's largest river restoration program, on the Lower Havel river, a project to create habitat corridors in the Allertal valley and establishing green corridors for wild cats together with the Bund für Umwelt und Naturschutz (BUND), Germany's League for the Environment and Nature Conservation
- Financial and organizational support for extensive moor restoration projects in northern Germany
- Preparation of a feasibility study on the restoration of moors in the Nizhny Novgorod region of Russia
- Continuation of Volkswagen Group China's Green Future Environmental Education Initiative together with Chinese partners, for the first time with the support of the Naturschutzjugend (NAJU), the youth wing of Germany's Nature And Biodiversity Conservation Union (NABU)

Systematic ongoing stakeholder dialog is vital to species conservation, which is why Volkswagen has actively sought to exchange information and opinions with associations and institutions. For example, the Group sponsored the Eleventh Meeting of the Conference of the Parties to the Convention on Biological Diversity in Hyderabad, India, in October 2012. In addition, Volkswagen was active in the international "Biodiversity in Good Company" initiative and in the Biodiversity & Ecosystems Services Project Group run by econsense, the German sustainability forum. Volkswagen receives ongoing advice from NABU as part of a long-term strategic stakeholder dialog.

We expanded our reporting and communication on biodiversity protection activities in 2012. Among other things, we designed the website www.mobil-fuer-mensch-und-natur.de as an interactive platform for our cooperation with NABU.

Risk Report (Report in accordance with section 289(5) of the HGB)
Using effective systems to identify and control risks

Our Company's sustainable success also depends on how promptly we identify the risks arising from our operating activities and how forward-looking we are in managing them. The Volkswagen Group's internal control system and a comprehensive risk management system help the Group deal with these risks in a responsible manner.

In this chapter, we first explain the internal control and risk management system relevant for Volkswagen's financial reporting process. We then outline the specific risks facing us in our business activities. The "Report on Expected Developments" on pages 237 to 246 describes the opportunities arising from our work.

INTEGRATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELEVANT FOR THE FINANCIAL REPORTING PROCESS

The accounting-related internal control and risk management system 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 Group management report, and to minimize the risk of material misstatement in the accounts and in the external reporting.

Main features of the integrated internal control and risk management 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 centralized shared service centers. The financial statements of Volkswagen AG and the subsidiaries prepared in accordance with IFRSs and the Volkswagen Group accounting manual and reported on by the auditors are transmitted to the Group in encrypted form. A standard market product is used for encryption.

The Group accounting manual ensures the application of uniform accounting policies based on the requirements applicable to the parent. In particular, these include 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 and requirements established regarding the presentation and settlement of intragroup transactions and the balance reconciliation process building 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 critical issues at the subsidiaries. Alongside reasonableness reviews, the clear delineation of areas of responsibility and the application of the dual control principle are further control mechanisms applied during the preparation of the single-entity and consolidated financial statements of Volkswagen AG.

In addition, the financial reporting-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 forward-looking data. It offers centralized master data management, uniform reporting 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.

RISK EARLY WARNING SYSTEM IN LINE WITH THE KONTRAG

The Company's risk situation is ascertained, assessed and documented annually in accordance with the requirements of the Gesetz zur Kontrolle und Transparenz im Unternehmensbereich (KonTraG – German Act on Control and Transparency in Business). The purpose of risk management as an operational component of our business processes is to identify risks at an early stage, assess their extent, promptly initiate any necessary countermeasures and report to the Board of Management in accordance with the internal rules. Each year, the auditors check the processes and procedures implemented for this as well as the adequacy of the documentation.

The Scania brand, which has been consolidated in the Group since July 22, 2008, has not yet been incorporated into 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 are evaluated by the Controlling department and reflected in the financial reporting.

Porsche Holding Salzburg, which was consolidated in 2011, was fully integrated into the Volkswagen Group's existing systems in the reporting period. MAN SE, likewise consolidated in 2011, and Dr. Ing. h.c. F. Porsche AG, which was consolidated in 2012, have already implemented mature structures for a risk early warning system and are included in the annual reporting. Ducati Motor Holding S.p.A., which was also consolidated in 2012, will gradually be integrated starting in 2013.

Updating the risk documentation

Each year, both the risk managers of the individual divisions and the members of the boards of management and managing directors of significant investees receive standardized risk position surveys. Their responses are used to update the overall picture of the potential risk situation. In the process, the expected likelihood of occurrence and the expected loss are assigned to each significant risk identified and the measures taken are documented. The annual updating of the risk documentation is coordinated centrally by the Governance, Risk and Compliance function. Under the guidance of the auditors, the plausibility and adequacy of the risk reports are examined on a test basis in detailed interviews with the divisions and companies concerned. The auditors assessed the effectiveness of our risk early warning system based on this information and established both that the risks identified were presented accurately and that measures and rules have been assigned to the risks adequately and in full. We therefore meet the requirements of the KonTraG.

In addition, the Financial Services Division is subject to scheduled checks as part of the audit of the annual financial statements and unscheduled checks within the meaning of section 44 of the Kreditwesengesetz (KWG – German Banking Act) by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – the German Federal Financial Supervisory Authority), as well as checks by association auditors.

Workflow rules, guidelines, instructions and descriptions are systematically recorded and can for the most part be accessed online. Adherence to these rules is assured by internal controls performed by the heads of the Group Internal Audit, Quality Assurance, Group Treasury, Brand Controlling and Group Controlling organizational units.

The risk management system – goals and operation

The Group's risk management system is designed to identify potential risks at any early stage so that suitable counter-measures 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.

The risk management system is an integral part of the Volkswagen Group's structure and workflows and is embedded in its business processes. Events that may give rise to risk are identified and assessed on a decentralized basis 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 controlling 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 through the documented reporting channels during the year as well.

We are prepared to enter into transparent risks that are proportionate to the benefits expected from the business.

Continuous monitoring and enhancement

The internal control and risk management system is constantly 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 support the continuous enhancement of our internal control and risk management systems on a case-by-case basis. The objective of the monitoring and improvements is to ensure the effectiveness of the internal control and risk management systems. The results culminate in both regular and event-driven reporting to the Board of Management and Supervisory Board of Volkswagen AG.

SPECIFIC RISKS

This section explains the specific risks arising from our business activities in the coming years.

Macroeconomic risk

We believe the biggest risks to continued global economic expansion consist primarily of unanswered questions surrounding the resolution of the European and US debt crises and the future institutional structures in the eurozone. Imbalances in foreign trade and volatile financial markets are also contributing to a high level of uncertainty. Added to this are geopolitical risks resulting from tensions in the Middle East and North Africa, which could impact negatively on the trend in energy and commodity prices.

Due to the persistent structural challenges in the industrialized nations, a climate of uncertainty remains in evidence in the international markets. This is indicated by a lack of investment by businesses and hesitant lending on the part of commercial banks. This has a considerable impact on the Volkswagen Group's risk position.

We see further risks in protectionist tendencies in the economic policies adopted by certain countries, which could lead to the implementation of trade restrictions and hence hinder the international exchange of goods.

We consider the risk of renewed global recession to be relatively low, but see the possibility of a prolonged period of below-average growth due to the factors mentioned.

Sector-specific risk

The growth markets of Asia, South America, and Central and Eastern Europe are particularly important in terms of the global trend in demand for passenger cars. Although these markets harbor the greatest potential, the overall environment in some of the countries in these regions makes it difficult to increase unit sales figures there. Some have high customs barriers or minimum local content requirements for domestic production, for example. Following the reduction in the number of new vehicles allowed to be registered in places such as Beijing, further restrictions on registrations could enter into force in other Chinese metropolitan areas as well. Furthermore, the global economic slowdown could impact negatively on consumer confidence in some of these countries. Likewise, we cannot entirely rule out the risk of freight deliveries being shifted from commercial vehicles to other means of transport and of demand for the Group's commercial vehicles falling as a result.

Price pressure in established automotive markets is a particular challenge for the Volkswagen Group as a supplier of volume and premium models due to its high level of market coverage. If global economic conditions deteriorate, competitive pressures are likely to increase further. Manufacturers will respond by offering price discounts in order to meet their sales targets, thereby putting the entire sector under pressure, particularly in Western Europe, the USA and China.

Western Europe is one of the Volkswagen Group's main sales markets. A combination of a drop in prices due to the economic climate and a fall in demand in this region would therefore have a particularly strong impact on the Company's earnings. Volkswagen counters this risk with a clear, customer-oriented and innovative product and pricing policy. Outside Western Europe, its overall delivery volume is broadly diversified throughout the world. The Chinese market accounts for an increasing share of the volume. In addition, we are already market leader in numerous existing and developing markets or are working resolutely to take pole position. Moreover, strategic partnerships help us to increase our presence in the relevant countries and regions and cater to requirements there.

The global economic climate deteriorated noticeably during the reporting period. The resulting challenges for our trading and sales companies, for example efficient warehouse management and the profitability of the dealer network, are considerable. They meet them by taking appropriate measures. Although it remains difficult to finance business activities through bank loans, our financial services companies offer dealers financing on attractive terms with the aim of bolstering their business model and reducing operational risk. We have also developed and 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 KWG.

Volkswagen may be exposed to increased competition in aftermarkets for two reasons: firstly, because of the provisions of the new Block Exemption Regulation, which have been in force for after-sales service since June 2010, and, secondly, because of the amendments included in EU Regulation 566/2011 dated June 8, 2011 expanding independent market participants' access to technical information.

The European Commission is planning to end design protection for visible vehicle parts. If this plan is actually implemented, it could adversely affect the Volkswagen Group's genuine parts business.

Research and development risk

We ensure that we give our customers' requirements adequate consideration during development by conducting extensive trend analyses, customer surveys and scouting activities. These measures guarantee that we recognize trends at an early stage and verify 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. We regularly compare this progress with the original targets; in the event of deviations, 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.

Procurement risk

The global rise in automotive industry unit sales is also reflected in an increased need among suppliers for investment financing and working capital. In the eurozone, however, the euro crisis is impeding provision of the necessary financing. This may lead to declines in individual market segments and an adverse effect on suppliers' financial position. In the second half of 2012, investors became more reluctant to invest in the automotive supply sector due to the drop in demand in Europe and the difficult situation facing competitors. Our procurement risk management system is well prepared for this situation. We continuously monitor changes at the suppliers' end and, if there are any negative developments, use a suite of different measures intended to help reduce risks and ensure supplies. This enables us both to largely avoid supply risks due to supplier defaults and minimize the financial effects of crises up to and including insolvencies in the supply chain.

Production risk

In the second half of the reporting period, most European markets experienced a sharp fall in unit sales that had a noticeable impact on the entire European automotive industry. At our largest competitors, the drop in unit sales in core segments led to a decline in plant and workforce capacity utilization, which in extreme cases even resulted in factory closures. For several reasons, the Volkswagen Group was able to address this risk successfully and thus keep capacity utilization at its European locations largely unchanged: firstly, the Volkswagen Group benefits from its broad product range, so that declines in individual vehicle segments can be offset elsewhere. Secondly, our presence in almost all the world's markets also helps us to absorb fluctuations in demand in one region in our global production network. However, these two factors can only come into play as a result of our flexible production network, which uses turntable concepts, for example, to distribute production volumes evenly and hence minimize the impact on individual sites. This applies to both vehicle and component factories.

Nevertheless, shifts between the vehicle segments – as a result of the sales crisis in Europe – may, for example, cause the balance of demand between different vehicle equipment features to deviate sharply from the original plan in the short term, potentially leading to supply bottlenecks, for example. We have various tools that enable us to spot such changes in demand as early as possible, introduce appropriate measures to adjust capacity and thus minimize the supply risk during peaks in demand for individual vehicle features. For instance, we regularly examine the feasibility of various demand scenarios in light of the components available and, if necessary, identify appropriate adjustment measures based on our findings. We also have extensive flexibility in the areas of logistics and existing working time models.

Special risks may arise during large projects. These result in particular from contracting deficiencies, miscosting, post-contracting changes in economic and technical conditions, and poor performance on the part of subcontractors. We counter these risks by performing appropriate project controls throughout all project phases.

Risks arising from changes in demand

Consumer demand not only depends on real factors such as disposable income; it is also shaped by psychological factors that are impossible to plan for.

Increased fuel and energy prices could lead to unexpected buyer reluctance, which could be further exacerbated by media reports. 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 2012, the effect of unplannable psychological demand factors was exacerbated by the euro crisis and its impact on the global economy and the entire automotive industry. Several automotive markets, particularly in Southern Europe, were in a downward spiral, which in some cases assumed dramatic proportions. We are countering this buyer reluctance with our attractive range of models and in-depth customer orientation.

In addition to buyer reluctance as a result of the crisis, a combination of vehicle taxes based on CO_2 emissions – like those already structured in some European countries – and high oil and energy prices is causing 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 on the basis of our drivetrain and fuel strategy. In the rapidly expanding markets of Asia and Eastern Europe, risks arise due to government intervention in the form of tax increases, for example, which could reduce private consumption.

Dependence on fleet customer business

In fiscal year 2012, the percentage of total registrations in Germany accounted for by business fleet customers increased to 12.7% (12.4%). The Volkswagen Group's share of this segment rose to 47.7% (46.8%). In Europe, Volkwagen's extensive product range and target group-specific customer care enabled it to extend its successful position in this segment: although registrations by business fleet customers fell by 4.3% in a declining market, the Group's share increased to 29.3% (28.7%). The fleet customer business continues to be marked by increasing concentration and internationalization. Thanks to its broad product portfolio, however, the Volkswagen 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

Sustained high demand in the Volkswagen Group's key markets poses particular challenges for quality assurance. Quality assurance is of fundamental importance especially in the growing automotive markets of Brazil, Russia, India and China, for which dedicated vehicles are developed and where local manufacturing operations and suppliers have been established. We analyze the conditions specific to each market and thus ensure growth in these regions. In cooperation with the central quality assurance function, we continuously develop effective measures to counter identified local risks and then implement those measures locally, thus minimizing quality defects from the outset.

Our need for high-grade supplier components of impeccable quality is rising due to growing production volumes, increasing complexity and the use of the Group's toolkit system. To ensure production and hence meet customer expectations, it is extremely important that our own plants and our suppliers deliver on time. The introduction of an internally-tested risk management system at suppliers is an important step towards ensuring long-term quality and supply capability early on in the supply chain. Quality assurance thus helps to fulfill customer expectations and consequently boost our Company's reputation, sales figures and earnings.

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 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 on the human resources side.

In addition to the standard twin-track vocational training, programs such as our StIP integrated degree and traineeship scheme ensure a pipeline of highly qualified and motivated employees. At a cross-functional level, the Top 100 program ensures that key expertise continues to be acquired and propagated within the Volkswagen Group.

The program is based on the tandem principle, i.e. knowledge and expertise are transferred from person to person. 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. For this, we use technical resources that have been tried and tested in the market, adhering to standards applicable throughout the Company. By implementing redundant IT infrastructures, we protect ourselves against risks that occur in the event of a systems failure or natural disaster.

Back in 2011, a new Group data center was put into operation at the Wolfsburg site, which sets high standards across the entire automotive industry in terms of security, performance and energy efficiency. We maintained this course in 2012 commissioning additional data centers at the Mladá Boleslav and Ingolstadt sites.

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 preventative 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.

Environmental protection regulations

The EU regulations governing CO_2 emissions from passenger cars (443/2009/EC) and light commercial vehicles of up to 3.5 tonnes (510/2011/EU), in effect since April 2009 and June 2011 respectively, set the specific emission limits for all new passenger car and light commercial vehicle models and the fleet targets calculated from the individual vehicle data of brands and groups in the 27 EU member states until 2019. They are an important component of European climate protection regulations 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 European manufacturers' new passenger car fleets may not exceed 130 g CO_2/km. This requirement is to be introduced in four stages: 65% of the fleet must meet this requirement as of 2012 and the entire fleet by 2015. A further significant reduction in European passenger car fleet emissions to 95 g CO_2/km from 2020 onwards has already been resolved, although the details as to how it will be reached have not. These are expected to be agreed by mid-2013 in the course of the European Commission's current review.

The EU 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 175 g CO_2/km. The long-term target for the period after 2020 has also been set (at 147 g CO_2/km), subject to the European Commission's current review. Like the CO_2 regulation for passenger cars, the regulation provides for derogations from the targets, for example by offering relief for eco-innovations.

The European Commission intends to set out the CO_2 regime for the period after 2020 by the end of 2014. Politicians are already discussing reduction targets for the transport sector for the period to 2050, such as the 60% reduction in greenhouse gases from 1990 levels cited in the EU White Paper on transport published in March 2011. It will only be possible to meet these long-term goals by also making extensive use of nonfossil sources of energy, in particular in the form of renewable electricity.

At the same time, CO_2 or fuel consumption regulations are also being developed or introduced outside Europe – in Japan, China, India, Brazil, Australia and Mexico, for example. In the USA, a new consumption regulation will prolong uniform fuel consumption and greenhouse gas rules in all states of the USA for the period from 2017 to 2025. The law was signed by the US president on August 28, 2012.

Increasing CO_2 and consumption regulations mean that the latest mobility technologies are required in all key markets worldwide.

The Volkswagen Group closely coordinates technology and product planning with its brands so as to avoid target breaches, which 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 eco-innovations contained in the vehicle and that apply outside the test cycle
- Special rules are in place for small and niche manufacturers.

Whether the targets are met, however, depends crucially on the Group's technological and financial capabilities, which are reflected, among other things, in our drivetrain and fuel strategy (see page 222).

The other main EU regulations affecting the automotive industry include

- EU Directive 2009/33/EC on the promotion of clean and energy-efficient road transport vehicles (Green Procurement Directive),
- Passenger car energy consumption labeling directive 1999/94/EC,
- Fuel Quality Directive 2009/30/EC: updates the fuel quality specifications and introduces energy efficiency specifications for fuel production,
- Renewable Energy Directive 2009/28/EC: introduces sustainability criteria,
- Revised Energy Taxation Directive 2003/96/EC: updates the minimum tax rates for all energy products and power.

The implementation of the above-mentioned directives by the EU member states serves as a flanking measure for the CO_2 regulations in Europe. As well as vehicle manufacturers, they are also aimed at other stakeholders such as the mineral oil industry. Plans to tax vehicles 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.

At the same time as the CO_2 legislation for passenger cars and light commercial vehicles, the EU is preparing CO_2 regulation for heavy commercial vehicles. Setting one overarching limit for these vehicles – like that in place for passenger cars and light commercial vehicles – is extremely complicated because of the wide range of variants (tractors with different trailers or bodywork). Therefore, a system for measuring and certifying CO_2 emissions by heavy commercial vehicles that considers the vehicle as a whole is currently being worked on. This is expected to be the basis for the EU's concrete regulatory proposals, which are expected for 2014 and are likely to enter into force in 2017/2018.

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, in order to increase transparency and therefore competition in the market.

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 of trucks (Directive 96/53/EC, the "weights and measures" directive). By relaxing the legal length restrictions, it may be possible to design vehicles in an aerodynamic way without losing any loading space. As air resistance is lower in a rounded and streamlined design, this leads to lower fuel consumption. Considering the vehicle as a whole could save up to 25% in fuel through the aerodynamic design of cabs and trailers, as well as additional technical innovations.

In the Power Engineering segment, the International Maritime Organization (IMO) has laid down the International Convention for the Prevention of Pollution from Ships (MARPOL), which phases in limits on exhaust emissions from marine engines. Emission limits also apply, for example, under EU directive 97/68/EC and the US EPA (Environmental Protection Agency) marine regulations. As regards stationary equipment, national rules are in place worldwide and have to be applied locally. 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 binding 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.

In order to be optimally prepared for the third emissions trading period starting in 2013, we calculated and reported the CO_2 emissions to be reported for our German plants in accordance with the Datenerhebungsverordnung (DEV 2020 – German Data Collection Regulation). We submitted the appropriate applications for the allocation of certificates to the Deutsche Emissionshandelsstelle (DEHSt – German Emissions Trading Authority) for all our plants. Our other plants in the European Union were also checked in accordance with the national laws in force at those locations and action was taken to ensure that applications were submitted to the relevant national authorities in good time.

The changes to the Emissions Trading Directive and their transposition into German law have been completed. From a current perspective, the number of plants included in the European emissions trading system from 2013 onwards and the related amount of CO_2 emissions requiring to be traded will not increase significantly.

The allocation of the necessary emissions certificates will change fundamentally as of 2013. They will no longer be allocated mostly free of charge through national allocation plans. Instead, a steadily falling number of certificates, for heat generation using natural gas for example, will be allocated free of charge. Companies will have to purchase any additional certificates they require at auction. Unlike before, CO_2 emissions certificates for power generation will have to be purchased in full. Estimates to date indicate that the energy costs incurred by the Volkswagen Group's European sites will increase as a result of purchasing the emission allowances required for the operation of proprietary power plants and heating facilities. The amount of the additional costs will depend essentially on the price at which the certificates are traded.

The European Commission is currently giving detailed consideration to intervening in EU emissions trading in order to boost it. The Commission is currently in favor of withdrawing a defined number of freely allocated certificates at the beginning of the third trading period and not allocating them until the end of the trading period. This artificial shortage of certificates at the beginning of the trading period may cause certificate prices to rise.

The future political direction of global climate protection agreements remains unclear. There is currently no sound long-term prospect of specific reduction targets, responsibilities and funding arrangements or more stringent climate protection requirements based on them. At the UN, a new climate protection agreement for 2020 onwards is to be negotiated by 2015 at the latest.

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. Particularly in cases where US customers 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.

After the two actions filed by the Verbraucherzentrale für Kapitalanleger e.V. (VzfK – German Protection Agency for Investors) with regard to the General Meetings on April 23, 2009 (action for avoidance) and April 22, 2010 (action for avoidance and disclosure) had been dismissed by the courts of first and second instance, the plaintiff lodged an appeal with the Federal Supreme Court against denial of leave to appeal in both cases. Both appeals were dismissed in 2012. Additional details about these legal disputes can be found on page 169 of this report.

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 2011, investors initiated conciliation proceedings for other alleged damages – including claims against Volkswagen AG – that amount to approximately €2.6 billion in total and also relate to transactions at that time. Volkswagen rejected all claims at the time and refused to participate in any conciliation proceedings.

In fiscal years 2010/2011, antitrust authorities launched investigations at truck manufacturers including MAN and Scania. Such investigations normally take several years. It is still too early to judge whether these investigations pose any risk to MAN or Scania.

MAN has also launched an investigation into the extent to which irregularities occurred in the course of the handover of four-stroke marine diesel engines, and in particular whether technically calculated fuel consumption figures were externally manipulated. MAN has informed the Munich Public Prosecution Office (I) about the ongoing investigation and has handed the matter to the Augsburg Public Prosecution Office. It is also still too early to judge the outcome of this matter.

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 not expected to reach a decision until mid-2013 at the earliest.

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 maturity dates. 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, currently for instance in India, Russia, the USA, China and Mexico. 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 US dollars, sterling, Chinese renminbi, Russian rubles, Swedish kronor, Mexican pesos, Australian dollars and Korean won.

In purchasing raw materials, risks arise 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, copper, lead, platinum, rhodium, palladium and coal 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.

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 through borrowings at matching maturities raised 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 2011. For this reason and thanks to the broadly diversified structure of our refinancing sources, we were always able to raise sufficient liquidity in the various markets.

Credit lines from banks are generally only ever 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.

The notes on pages 324 to 332 explain our hedging policy, the hedging rules and the default and liquidity risks, and quantify the hedging transactions mentioned. Additionally, we outline the market risk within the meaning of IFRS 7.

Risks arising from financial instruments

Channeling excess liquidity into investments gives rise to counterparty risk. Partial or complete failure by a counterparty to perform its obligation to pay interest and repay principal 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 177. 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 the notes from page 324.

Liquidity risks

A downgrade of the Company's rating could adversely affect the terms attached to the Volkswagen Group's borrowings. In the reporting period, the contribution in full of Dr. Ing. h.c. F. Porsche AG to the Volkswagen Group as of August 1, 2012, the increase in the equity interest in MAN SE and the acquisition of sports motorcycle manufacturer Ducati Motor Holding S.p.A. resulted in a large outflow of liquidity. However, the strong performance by the Company's operating business minimized the impact of these transactions on its liquidity position, thus maintaining Volkswagen's financial stability and flexibility overall: Standard & Poor's (S&P) affirmed the Group's existing rating and raised its outlook to "positive". Moody's Investor Service assigned the rating a positive outlook in the previous year. Information on the ratings of Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH can be found on page 173 of this report.

In the reporting period, a mandatory convertible note was issued in the amount of €2.5 billion in order to further strengthen our liquidity and capital base with an eye toward future global growth and the systematic implementation of our Strategy 2018. This transaction increased not only the Volkswagen Group's net liquidity, but also its equity.

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 realistically 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 so doing, 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 2012 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. These factors include natural disasters, epidemics and terror attacks.

SUMMARY OF THE RISK SITUATION OF THE GROUP

The Volkswagen Group's overall risk situation results from the specific risks shown above. We have put in place a comprehensive risk management system to ensure that these risks are controlled. Furthermore, taking into account all the information known to us at present, no risks exist which could pose a threat to the continued existence of the Volkswagen Group.

REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no significant events after the end of fiscal year 2012.

Report on Expected Developments
Slower growth expected in the automotive markets

Despite the economic uncertainty, the global economy and many automotive markets are expected to continue growing in 2013 and 2014, with the emerging markets again playing a key role. The Volkswagen Group intends to take advantage of the opportunities presented by this trend by building on the strength of its brand diversity, pioneering technologies and strong market position.

The Group's key business risks are explained in detail in the risk report on the previous pages. In this section we describe the expected future development of the Volkswagen Group and the general framework for its business activities. We take the resulting opportunities and potential into account in the Group's planning process on an ongoing basis, allowing them to be exploited promptly.

Our forecasts are based on current estimates by third-party institutions. These include economic research institutes, banks, multinational organizations and consulting firms.

GLOBAL ECONOMIC DEVELOPMENT

Our plans assume that the global economy will continue growing. Going forward, we expect that growth will remain strongest in the emerging economies, and especially Asia and Latin America, whereas we are forecasting only moderate rates of expansion for the major industrialized nations in the medium term.

Europe/Remaining markets

In view of the ongoing sovereign debt crisis, we are expecting to see stagnation in Western Europe overall in 2013, and recessionary trends in Southern Europe. A rapid recovery in 2014 will only be possible if substantial progress is made in solving the crises in the eurozone. In Central and Eastern European countries, on the other hand, we believe that significantly faster growth is likely, though this will be affected in no small measure by developments in Western Europe.

In the case of the South African economy, we are expecting a slight rise in growth rates in 2013 and 2014 compared with the reporting period.

Germany

Following the tailing off of the economy last year, we are forecasting only slight growth in the German economy in 2013. The situation in the labor market will remain stable for the time being. The German economy is likely to return to a moderate growth trajectory starting in 2014. The pace of growth will depend to a large extent on further developments in the eurozone.

North America

This year, growth in the USA, Canada and Mexico will be roughly on a level with the prior year. Economic activity in North America can be expected to continue to pick up in 2014 as the global economy recovers.

South America

In Brazil, we are anticipating significantly higher growth rates in 2013 than in 2012. Argentina will also be able to boost GDP, although inflation will remain high. Both countries should see continued growth in 2014.

Asia-Pacific

We expect China's growth rates in 2013 and 2014 to remain at the robust level recorded in 2012. In India, we anticipate that the pace of expansion will be faster than in 2012. In Japan, the economic recovery that followed the natural disasters in 2011 will slow.

DEVELOPMENT OF THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

We expect developments in the markets for passenger cars and light commercial vehicles in the individual regions to be mixed in 2013; overall, growth in global demand for new vehicles will probably be significantly slower than in the reporting period. We expect market momentum to increase in 2014 as against 2013.

The Volkswagen Group is well positioned to deal with the mixed developments in the automotive markets. Our broad product range featuring the latest generation of consumption-optimized engines gives us a global competitive advantage. We are pursuing the goal of offering all customers the mobility and innovation they need, sustainably strengthening our competitive position in the process.

Europe/Remaining markets

In Western Europe, we expect demand for automobiles to decline in 2013. The ongoing debt crisis is unsettling consumers in many countries in the region and restricting their financial freedom to buy new cars. Particularly in core markets such as Spain and Italy, large-scale government austerity measures are also putting a damper on demand. We expect the economic situation in Western Europe to ease somewhat in 2014, which should lead to a modest recovery in demand for new cars in many markets.

In Central and Eastern European markets, we expect only a slight increase in demand for automobiles in 2013 as against the prior-year level, and a return to higher growth rates in 2014. In Russia, it will fail to beat the high level recorded in 2012 and the market will probably not return to a growth trajectory until 2014.

After three years of high growth rates, the South African vehicle market is likely to ease in 2013 and 2014.

Germany

Despite the stable economic environment, the widespread consumer restraint in Western Europe also reached the German market in the reporting period. We expect demand to decline in 2013. Starting in 2014, there should be a modest rise in demand for automobiles in Germany once again, depending on further developments in the eurozone.

North America

In spite of a muted economic recovery, the US vehicle market benefited from pent-up replacement demand in 2012, a trend we believe will endure in a weaker form in 2013. However, the continuing uncertainty as to fiscal developments, the weak labor market and potential lending restrictions could impact market growth in the short term. We anticipate a sustained positive market trend in 2014. We are also expecting to see a positive trend in the Canadian and Mexican markets for passenger cars and light commercial vehicles in 2013 and 2014.

South America

Owing to their dependence on demand for raw materials, the South American markets are heavily dependent on the global economic developments. Increasingly protectionist tendencies are also adversely affecting the performance of the region's vehicle markets, especially in Brazil and Argentina, which have imposed restrictions on vehicle imports. In Brazil, the largest market in the region, demand for vehicles soared in 2012 on the strength of tax breaks. It will probably remain on a level with the previous year due to the gradual reduction of these subsidies over the course of 2013. The Argentinian market is expected to contract further as a result of the macroeconomic situation. We anticipate that the region's automotive markets will start growing again as from 2014. South America's major economies should benefit from the expected rebound of the global economy.

Asia-Pacific

The markets in the Asia-Pacific region look set to continue their growth in 2013, albeit at a slower pace. Increasing demand for individual mobility will drive demand in China in particular. However, indications that the economy is losing traction could act as a brake on the demand for automobiles. In addition, restrictions on vehicle registrations – such as have already been introduced in Beijing, for example – could also be imposed in other metropolitan areas in China in the future, dampening market growth there. India is also likely to see positive volume growth, depending on the general economic policy environment. In Japan, backlog effects resulting from the natural disasters and government incentives boosted the market to an exceptionally high level in the reporting period. We expect a substantial decline in demand in 2013, a trend that will be exacerbated by a weaker economy on the whole. For 2014 we assume that the Asian vehicle markets will continue growing, especially China and the markets in the ASEAN region.

DEVELOPMENT OF THE MARKETS FOR TRUCKS AND BUSES

Following the 8.9% decrease in demand for midsize and heavy trucks in 2012, we expect total volumes in the markets relevant to the Volkswagen Group to mirror the 2012 level in 2013 and 2014.

Market growth in Western Europe is currently being hard hit by the weaker economy. We therefore anticipate a further decline in 2013 and a virtually flat market in 2014.

In 2013, the pace of growth in Russia is expected to trail behind that of 2012, while in 2014 it should remain at roughly the same level. Key factors in this development are the multiyear fleet renewal program, which has saturated demand for replacement purchases, and declining export and transport volumes to the EU.

In the United States, we envisage greater demand for trucks despite the uncertain business climate for 2013 and 2014.

The Brazilian market is expected to see increased demand in 2013. This will continue in 2014, buoyed by state subsidies and more favorable financing conditions for trucks. The preparations for the upcoming major sporting events and the associated infrastructure developments may also boost the market.

China, the world's largest truck market, is expected to stabilize at 2012 levels in 2013 and 2014. The extent to which the incentive programs planned by the Chinese government will up demand for trucks remains to be seen.

We expect the Indian market to develop positively in 2013 and 2014.

Demand for buses will probably exceed 2012 levels in almost all regions in 2013 and 2014. In Western Europe, however, the bus market is expected to shrink slightly in 2013 due to the debt crisis. We expect to see a slight recovery in the market again in 2014 with a return to 2012 levels. In China, the world's largest bus market, we are forecasting an upswing.

DEVELOPMENT OF THE MARKETS FOR POWER ENGINEERING

After recording an overall decline in the market in the Power Engineering segment in 2012, we are predicting weak market momentum for 2013 and 2014.

The merchant shipbuilding market is still dominated by substantial overcapacity and is not expected to recover in the next few years despite a further drop in ship deliveries. The excess capacity is generating considerable price pressure among shipyards and suppliers and leading to a further drop in global shipbuilding capacity. The continued growth in offshore and special ships is expected to help ease the situation in the coming years as well. Likewise, there will be continued demand for government vessels.

Growth in the power generation market will depend on macroeconomic developments. The high growth rates recorded in 2011 were not repeated in 2012. However, we anticipate that the emerging markets will experience a slight recovery in 2013 and 2014. The trend towards more decentralized energy supplies, both here and in developed countries, is also likely to have a positive long-term effect on the business. The shift in power plants fueled by diesel or heavy oil towards natural gas power plants will continue.

The processing industry should continue to see positive, albeit slower growth in 2013 and 2014 in the emerging economies, which will also be subject to increasing price pressure. Due to the population growth in these countries, however, there is also high long-term demand for primary materials.

The market trends in the oil and gas industry is encouraging. We are currently seeing heavy investment in the exploitation of deep sea oil reserves, but also in the production and sea transport of natural gas. Due to its low price, natural gas will lead to new developments in, among other things, energy infrastructure, transport, petrochemicals and production, especially in the USA. The trend of using natural gas as an alternative to oil is generally having a positive effect in all key regions. We anticipate further growth in the oil and gas industry in 2013 and 2014.

The offshore wind market is not expected to pick up until the technical and financial hurdles have been overcome.

DEVELOPMENT OF THE MARKETS FOR FINANCIAL SERVICES

We expect automotive financial services to continue to grow in importance worldwide in 2013 and 2014. We anticipate that demand for financial services will increase more strongly in those emerging markets in which market penetration is currently low, such as China and Russia. In regions with developed automotive finance markets, there will be a further shift in the offering towards enabling mobility at a manageable total cost, with services such as insurance, innovative packages of services and new mobility offerings like car sharing becoming increasingly important.

EXCHANGE RATE TRENDS

In fiscal year 2012, the global economy was dominated by uncertainty, which also significantly affected market participants' expectations. This in turn substantially impacted exchange rates, leading to substantial volatility. The euro gained against the US dollar in the first two months of 2012 before weakening again up to mid-year. It then trended upwards again in the second half of the year. For 2013 and 2014, we expect euro exchange rates against the US dollar, sterling, Chinese renminbi and other key currencies to be stable, despite continuing high volatility in the financial markets. Event risk – defined as the risk arising from unforeseen market developments – has increased, however.

INTEREST RATE TRENDS

Interest rates remained extremely low in fiscal 2012 due to the ongoing expansionary monetary policy and the difficult overall economic environment. Several countries actually lowered their interest rates further in the course of the year. In 2013, we consider it unlikely that either Europe or the USA will adopt a more restrictive monetary policy, and hence increase interest rates. We are predicting that short- and long-term interest rates will only rise in 2014 if inflation increases.

DEVELOPMENT OF COMMODITY PRICES

Commodity prices were highly volatile in 2012. After peaks were recorded in the first and third quarters, prices tailed off as the year drew to a close. The main reasons for this were the downward revisions in growth estimates for Europe and the US economy in particular, and their impact on global development. Assuming that the global economy continues to grow, we expect prices of most exchange-traded raw materials to remain high, but to fluctuate considerably, in 2013 and 2014. Prices for raw materials may also fall if growth rates decline.

NEW MODELS IN 2013

The Volkswagen Group will continue its model initiative in 2013 and judiciously modernize and expand its offering by introducing attractive new vehicles. Priority will always be given to what customers want.

The Volkswagen Passenger Cars brand will continue to renew its Golf product family in 2013. In addition to the Golf estate and the exciting top-of-the-line models, the GTI and GTD, we will be presenting the new, particularly fuel-efficient Golf BlueMotion. The up! family will be enlarged by adding the cross up! and the e-up!, the first vehicle developed by the Volkswagen Group to run on electrical power alone.

On the Chinese market, we will continue revamping our range of compact saloons in 2013 by rolling out the new Jetta.

The Audi brand will systematically continue its product drive in the premium segment, offering the A3 saloon for the first time in addition to the new A3 Sportback. These models are specifically geared towards premium customers in emerging markets who prefer saloons. Audi will also introduce a large number of other exciting, sporty versions in nearly all size classes. The flagship Audi A8 and the Audi R8 products will be significantly enhanced.

ŠKODA plans to roll out the new versions of the Octavia and Octavia estate, which are based on the Modular Transverse Toolkit (MQB), in 2013. The Rapid series will be expanded by adding a sporty, compact hatchback model.

The SEAT brand will unveil the sporty three-door version of the new Leon and enter the stationwagon segment with the Leon ST.

The Group's new brand, Porsche, will also expand its product range in 2013, revamping the 911, Cayman, Cayenne and Panamera series. The Group will additionally launch the Panamera S and the 918 Spyder, the first vehicles with plug-in hybrid technology.

Bentley will upgrade its model range in 2013 as well. Following the introduction of the Continental GT Speed Convertible, the new Bentley Flying Spur will be launched mid-year.

Lamborghini will bring out a roadster version of the Aventador in 2013 to match the existing coupé.

MAN will deliver the new TG family with its Euro 6 engines, which was already showcased at the IAA Commercial Vehicles 2012, to customers for the first time in 2013.

It is also planning to roll out a new six-cylinder gas engine at the end of 2013. Powered by natural or special gas, this can be deployed in all areas in which CHP is used, for example in swimming pools, hospitals, and biogas and sewage treatment plants.

As in previous years, we will continue to expand the Volkswagen Group's model range where appropriate in 2014, further strengthening our market position. We will successively expand our portfolio of vehicles equipped with electric drives.

PLANNED PRODUCT MEASURES

The Volkswagen Group's goal is to offer consistently efficient and carbon-optimized mobility, including options based on 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 CO_2-dependent, vehicle CO_2

emissions are playing a more and more important role in vehicle purchases. Volkswagen is therefore continuing to focus in depth on developing efficient drive technologies, thus extending its position as an innovation leader in the area of environmentally friendly mobility.

We shall 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. Volkswagen is expanding its e-mobility operations – in the form of both plug-in hybrids and purely electric drives – thanks to its in-depth research. Its current and future projects are improving the Volkswagen Group's environmental footprint on an ongoing basis.

The Group's many different concepts are proof of the individual brands' high level of development and diversification expertise. At the beginning of 2012, the Group became the first manufacturer to implement fuel-saving technology in series production of a charged four-cylinder engine with its cylinder management concept for the 1.4 TSI. 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 recommendations for reducing emissions and consumption, such as tips and training on how to save fuel. Like the BlueMotion vehicles, highly efficient technologies such as the BlueTDI and TSI EcoFuel drives (CNG) set standards for consumption and CO_2 emissions. They leverage innovations such as hybrid/electric drives, start-stop systems and brake energy recuperation. Other Group brands such as ŠKODA's GreenLine model range and SEAT's ECOMOTIVE models also make use of this technology. Audi offers efficiency technologies as standard, and we are also developing products such as the fully electronic e-tron vehicles and the natural gas powered A3, which are based on sustainable supply concepts.

STRATEGIC SALES FOCUS

The Volkswagen Group's multibrand structure, comprising largely independent brands that nevertheless achieve maximum synergies, is one of its defining features. The structures that have been put in place have been designed for managing a multibrand organization. In the reporting period we succeeded in increasing our global market share, bringing us closer to our goal of being the global market leader in 2018. Strict cost management will allow us to continue driving forward our focus on profitability in our sales activities.

We will further expand our multibrand structure in the growth markets in particular so as to facilitate market entry for other Group brands. We will also increase our customer focus across all sales levels and in customer service by continually enhancing employee qualifications on the one hand, and by optimizing processes and systems in view of changing customer demands and markets on the other. The aim of our sales strategy remains the same – the integrated marketing of vehicles, financial and other services, as well as genuine parts and accessories.

MARKET OPPORTUNITIES

The Volkswagen Group sees the greatest growth potential – above and beyond the established markets in China and Brazil – in India, Russia and the USA, as well as in the ASEAN and Middle East regions. We are also examining the market opportunities in particularly price-sensitive segments, which in terms of volume are particularly relevant in China and India, but also in other markets around the world.

China

In spite of a slowdown in the economy, the Chinese passenger car market continued to pick up speed in 2012. We are expecting a higher market volume in 2013 than in the prior year. In 2014, the vehicle market is expected to continue growing, driven by overall economic development, although growth will probably 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 retain our market lead in China for the long term, we are continuously expanding our product range to include models that have been specially developed for this market. We are also further expanding production capacity.

Brazil

Towards the end of 2011, the Brazilian government significantly raised sales tax (IPI) on imported vehicles to protect local industry and create additional incentives for investments in the automotive sector. As a result, demand for imported vehicles plummeted at the beginning of 2012. High inflation, a slow-down in lending and declining consumer confidence also impacted the passenger car market in the first half of 2012. To support its strategically important automotive industry, the government reduced sales tax (IPI) on locally produced passenger cars, which gave a major boost to the market. Demand recovered perceptibly in the second half of the reporting period, pushing up the market volume to 2.9 million vehicles at year-end, a significant increase year-on-year. Brazil remains a strategically important passenger car market for the Volkswagen Group and offers substantial potential going forward, too. We shall continue to leverage these growth opportunities in the future and to expand our market position with models that we have developed specially for this market and that we produce locally.

India

Volkswagen Group deliveries in India again increased in fiscal 2012 despite difficult conditions. High inflation and high fuel prices in particular impacted demand. We are forecasting that demand in the Indian market will continue to grow in the coming years. Going forward, we will significantly expand our local dealer network and invest in training for sales and service staff as well as in genuine parts logistics so as to further boost our growth in India.

Russia

The financial and economic crisis hit the Russian automotive market particularly hard. The rapid recovery in demand for vehicles in 2010 and especially in 2011 is due to the broad-based stabilization of the Russian economy. In the reporting period, the market initially benefited from comprehensive government investment programs and the positive trend on the labor market. Demand remained robust thereafter, although some momentum was lost as the year went on. Despite the more difficult environment, the Volkswagen Group saw a clear rise in its market share to 11.1%, with demand for cars climbing to 2.7 million vehicles. In the future, we expect that Russia will grow to become one of the largest automotive markets in the world. We are leveraging these growth opportunities in Russia with our plant in Kaluga, 160 km southwest of Moscow, and our contract manufacturing agreement with GAZ, a local manufacturer. GAZ has been manufacturing the ŠKODA Yeti on a full production basis since November 2012. The Jetta and the ŠKODA Octavia will also start full production in the first half of 2013. In this way, we are continuing to expand our local production capacity so as to satisfy rising demand for our models in the Russian market.

USA

In 2012, the automotive market in the USA continued to recover from the slump in vehicle sales following the financial and economic crisis. The market for passenger cars and light commercial vehicles amounted to 14.5 million vehicles in 2012; this corresponds to an increase of 13.4% compared with the prior-year figure. The US vehicle market is expected to grow further in the coming years. We are continuing to systematically pursue our goal of developing from a niche provider into a volume supplier in the USA. The successful launch in 2010 and 2011 of the Passat and Jetta models that were designed specially for this market, as well as the construction of our manufacturing facility in Chattanooga, Tennessee, were initial key milestones in our strategy for the long-term penetration of the US dollar area. These measures allowed us to benefit more than average from the growth of the US vehicle market and increase our market share to 4.1% (2011: 3.5%). We shall continue to develop and manufacture important products for the US market locally over the coming years. This will allow us to strengthen our market position and minimize sales risks resulting from exchange rate volatility.

ASEAN

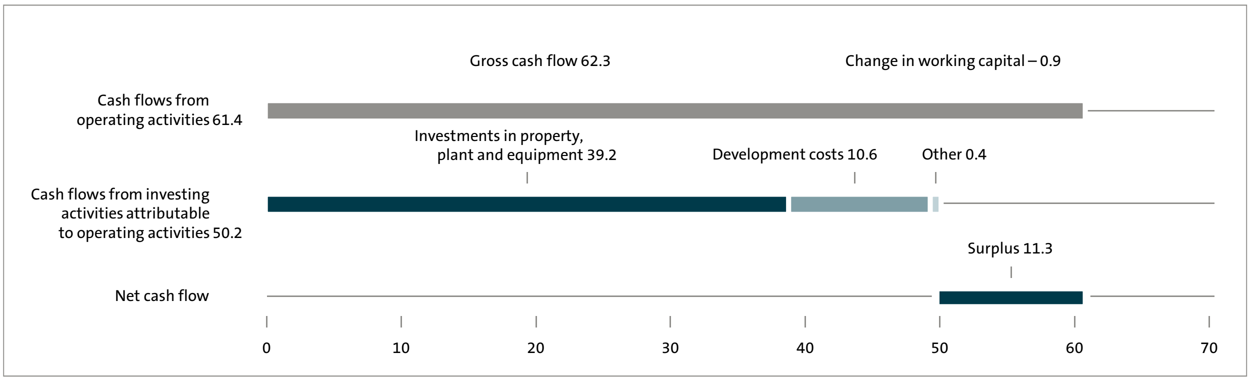
The Volkswagen Group is pursuing its goal of establishing a long-term presence in the ASEAN economic area, whose automotive markets offer substantial growth opportunities in the aggregate. However, the individual markets in the region are extremely mixed: demand in Thailand, for example, is mainly for pickup models, whereas in Malaysia and Indonesia demand is strongest for multi-purpose vehicles (MPVs), hatchbacks and notchbacks. High import duties, local taxes and extreme price sensitivity in the region require us to assemble our vehicles locally so as to be able to strengthen our position in these markets by offering competitive prices. Since October 2011, the Passat has been assembled at the facility operated by our Malaysian partner, DRB-HICOM. Production of the Polo hatchback and notchback and the Jetta on a CKD basis will also begin there in 2013. The Volkswagen Group Malaysia is investing in its wholesale organization and rapidly expanding its dealer network so to strengthen its sales structure. In Indonesia, we are reviewing whether to include other models in the manufacturing program there. We are also investigating and evaluating opportunities for assembling vehicles locally in other countries in the region to further strengthen our market position in the region. Independent of this, we are working hard to improve local sales structures.

Middle East

Despite the economic and political instability in the Middle East region, the market as a whole offers growth opportunities. We are leveraging this potential for sustainable growth even without our own production facilities by offering a range of vehicles that has been specifically tailored to this market. Optimized sales channels will also help to permanently increase our market share.

INVESTMENT AND FINANCIAL PLANNING 2013 TO 2015 IN THE AUTOMOTIVE DIVISION

€ billion



INVESTMENT PLANNING

Based on our current planning, we shall invest a total of €50.2 billion in the Automotive Division in the period from 2013 to 2015. Investments in property, plant and equipment will account for €39.2 billion, more than half of which (60%) will be in Germany alone. The ratio of capital expenditure to sales revenue in the period from 2013 to 2015 will be at a competitive level of 6–7%. Besides investments in property, plant and equipment, investing activities will include additions of €10.6 billion to capitalized development costs. Volkswagen is laying the foundations for profitable, sustainable growth by investing in new facilities and models, as well as by developing alternative drives and modular toolkits.

At €24.7 billion (roughly 63%), we will spend the lion's share of the total amount to be invested in property, plant and equipment in the Automotive Division on modernizing and extending the product range for our brands. The main focus will be on new vehicles, derivatives and successor models in almost all vehicle classes, which will be based on the modular toolkit technology and related components. This will allow the Volkswagen Group to systematically continue its 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. In particular, we will continue to press ahead with the development of hybrid and electric motors.

In addition, Volkswagen will make cross-product investments of €14.5 billion over the next three years. This includes investments to expand capacity, such as a new vehicle production facility for Audi in Mexico, expanding Porsche's Leipzig plant so that it can produce the new SUV model, the Macan, and increasing production capacity for automatic gearboxes. Other investment focuses include modifications to the press shops, paintshops and assembly facilities as a result of our high quality targets and the continuous improvement of our production processes. Non-production-related investments are mainly planned for the areas of development, quality assurance, sales, genuine parts supply and information technology.

Our objective is to finance our investments in the Automotive Division using internally generated funds. We expect cash flows from operating activities to amount to €61.4 billion over the 2013 to 2015 planning period. This means that the funds generated are expected to exceed the Automotive Division's investment requirements by €11.3 billion, further improving our liquidity position. We expect net cash flow in the Automotive Division to develop positively in 2013 and 2014.

The plans are based on the Volkswagen Group's current structures and already take into account Porsche's automotive business, but not the possible settlement payable to other shareholders associated with the planned control and profit and loss transfer agreement with MAN SE. The joint ventures in China are not consolidated and are therefore also not included in the above figures. These companies will invest a total of €9.8 billion in new production facilities and products in the period from 2013 to 2015. These investments will be financed from the joint ventures' own funds.

We are planning to invest €1.3 billion in the Financial Services Division between 2013 and 2015. We expect the rise in leasing and rental assets and in receivables from leasing, customer and dealer financing to lead to funds tied up in working capital of €45.3 billion. Roughly 34% of the total capital requirements of €46.5 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, at 16.6% (see also pages 183 and 187). An increase in invested capital as a result of the largest volume of investments in the Group's history will have a dampening effect on future returns. Nevertheless, we expect that our return will continue to be in excess of the minimum required rate of return. Under our Strategy 2018, our medium-term goal is a sustained return on investment of more than 16% in the Automotive Division, which is significantly above the minimum required rate of return.

FUTURE LEGAL STRUCTURE OF THE GROUP

The Volkswagen Group increased its share of voting rights in MAN SE to 75.03%, strengthening the alliance between MAN, Scania and Volkswagen Commercial Vehicles in the reporting period. Volkswagen is aiming for closer cooperation between Group companies in the commercial vehicles segment and is keeping all options open going forward on the future structure of the commercial vehicles business. In this context, Volkswagen announced on January 9, 2013 that it was seeking to enter into a control and profit and loss transfer agreement with MAN SE. The aim is to facilitate enhanced and simplified cooperation between Volkswagen and MAN and make the two companies more competitive. MAN will continue its business activities under a control and profit and loss transfer agreement, retaining its brand-specific features and business fields

STRATEGY 2018

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 profitable, 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.
- The goal is to increase unit sales to 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 become the top employer across all brands, in all companies and regions; this is necessary in order to build a first-class team.

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 steadily and judiciously expanding, and the excellent 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. 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 expand the Volkswagen Group's customer base by acquiring new, satisfied customers around the world. Equally, we aim to increase satisfaction among our existing customers. 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. Key elements include standardizing processes in both the direct and indirect areas of the Group and reducing throughput times in production. Together with disciplined cost and investment management, these efforts play a major role in ensuring that we reach our long-term profitability targets and safeguard solid long-term liquidity.

SUMMARY OF EXPECTED DEVELOPMENTS IN 2013 AND 2014

The Volkswagen Group's Board of Management expects competition in the international automotive markets to increase further in the coming years. The markets in which the Group's brands operate are becoming increasingly challenging, particularly in Western Europe. The development of the automotive sector remains dependent on global economic developments, which continue to be shrouded in considerable uncertainty. The financial markets still entail risks resulting above all from the strained debt situation of many countries.

The global markets for passenger cars and light commercial vehicles are facing a difficult year in 2013 with forecasts of merely slight growth. We expect demand to rise more strongly again in 2014. The strongest growth in 2013 is likely to be in the Asia-Pacific region and in the USA, whereas in Western Europe in particular the market volume is expected to decline. We anticipate that demand will probably rise again in all regions in 2014. The Volkswagen Group has a large share of many important markets around the world. We are strengthening this position further by expanding production capacities and building more local production facilities that will, in some cases, produce vehicles developed specifically for the countries concerned.

Following the substantial dip in demand for trucks and buses in the reporting period, we expect the total volume in 2013 and 2014 in the markets that are relevant for the Volkswagen Group to remain at the same level as in 2012.

We believe that automotive financial services will continue to grow in importance over the coming years.

The Volkswagen Group's unique brand portfolio covering almost all segments from motorcycles through subcompact cars to heavy trucks and buses, its steadily growing presence in all major markets in the world and its wide range of financial services give us decisive competitive advantages. We offer an extensive range of environmentally friendly, cutting-edge, high-quality vehicles for all markets and customer groups that is unparalleled in the industry. We therefore estimate that our deliveries in 2013 and 2014 will exceed the prior-year figure in each case. Our Chinese joint ventures, as well as the new production facilities in China, Russia, the USA and India, will make a significant contribution to this development.

Challenges will come from the difficult market environment and increasingly fierce competition as well as interest rate and exchange rate volatility and considerable fluctuations in raw materials prices.

We expect sales revenue in the Automotive and Financial Services Divisions to increase in 2013 and 2014 as against 2012. Our goal for the Volkswagen Group's operating profit is to match the 2012 figure in 2013, and to exceed it in 2014. We believe that this will be the case for the Passenger Cars Business Area and the Commercial Vehicles, Power Engineering Business Area – which remains affected by high write-downs relating to purchase price allocation, among other things – and the Financial Services Division. Starting in 2013, we will report the Volkswagen Commercial Vehicles brand as part of the Commercial Vehicles, Power Engineering Business Area, in line with the management structure created.

We aim to achieve a sustainable return on sales before tax at Group level of at least 8%. The average ratio of capital expenditure to sales revenue in the Automotive Division will fluctuate around a competitive level of 6–7%. Our goal is also to maintain our positive rating compared with the industry as a whole and to continue our solid liquidity policy.

The decisive advantages that the Volkswagen Group can exploit to master the challenges of the automotive future and to achieve its Strategy 2018 targets are its unique brand portfolio, its young, innovative and environmentally friendly model range, its broad international presence with local value added in many key regions, the significant synergy potential offered by the Group-wide development of technologies and models, and finally its financial strength. We are working to make even more focused use of the strengths of our multibrand group by constructing new plants, developing technologies and platforms, and agreeing strategic partnerships. Disciplined cost and investment management remains an integral part of our Strategy 2018.

PROSPECTS FOR 2013

In 2012, the global economy grew at a slower pace than in the prior year. We expect global growth to continue in 2013 in spite of the economic uncertainty. The industrialized nations will probably record only low rates of expansion. In Southern Europe, we anticipate that the recessionary trend will continue for the time being. The emerging markets in Asia and Latin America will see the greatest momentum.

Global demand for passenger cars and light commercial vehicles in 2013 looks set to rise more slowly than in the reporting period. We are forecasting that the overall downturn in the Western European market will continue, with the German market also remaining below its 2012 level. The pace of growth in Central and Eastern Europe will decrease. The markets in the Asia-Pacific region that are strategically important for the Volkswagen Group are again expected to record higher-than-average growth rates in 2013. While we expect to see encouraging development in the North American market, demand in South America will stagnate.

We anticipate that in 2013 the overall volume of trucks and buses in the markets that are relevant for the Volkswagen Group will remain at the same level as in 2012.

Demand for mobility-related financial services is likely to rise further in 2013.

The Volkswagen Group's unique brand portfolio covering almost all segments from motorcycles through subcompact cars to heavy trucks and buses, its steadily growing presence in all major markets in the world and its wide range of financial services give us decisive competitive advantages. We offer an extensive range of environmentally friendly, cutting-edge, high-quality vehicles for all markets and customer groups that is unparalleled in the industry. In 2013, the Volkswagen Group's brands will launch a large number of fascinating new models and so help further expand our strong position in the global markets.

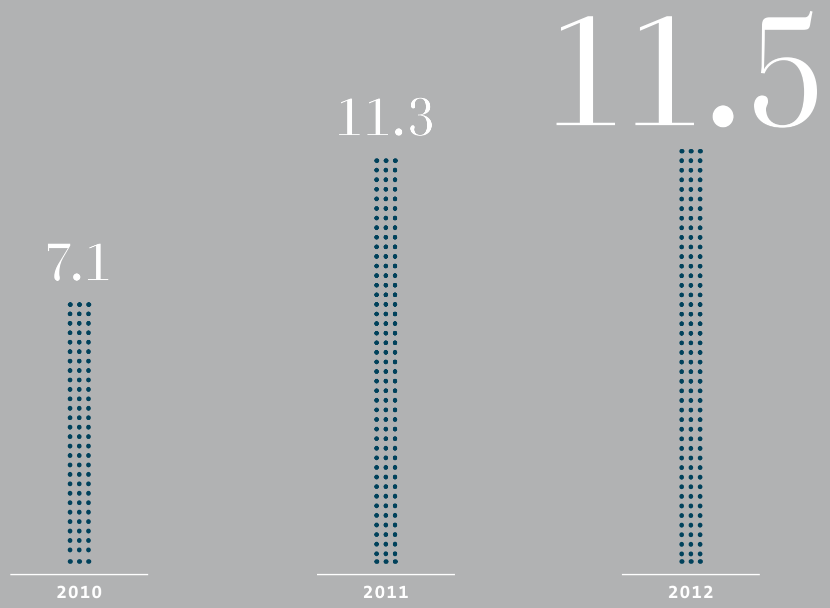
We expect that the Volkswagen Group will outperform the market as a whole in a challenging environment and that deliveries to customers will increase year-on-year. However, we are not completely immune to the intense competition and the impact this has on business. The modular toolkit system, which is being continuously expanded, will have an increasingly positive effect on the Group's cost structure.

We expect the Volkswagen Group's 2013 sales revenue to exceed the prior-year figure. Given the ongoing uncertainty in the economic environment, the Group's goal for operating profit is to match the prior-year level in 2013. This applies equally to the Passenger Cars Business Area, the Commercial Vehicles, Power Engineering Business Area – which remains affected by high write-downs relating to purchase price allocation, among other things – and the Financial Services Division. While we shall see positive effects from our attractive model range and strong market position, there will also be increasingly stiff competition in a challenging market environment. Disciplined cost and investment management and the continuous optimization of our processes remain an integral part of our Strategy 2018.

Wolfsburg, February 12, 2013
The Board of Management

This 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 the actual developments may differ from those forecast. Consequently, any unexpected fall in demand or economic stagnation in our key sales markets, such as Western Europe (and especially Germany) or in the USA, Brazil, China, or Russia will have a corresponding impact on the development of our business. The same applies in the event of a significant shift in current exchange rates, mostly against the euro and primarily in US dollars, sterling, Chinese renminbi, Russian rubles, Swedish kronor, Mexican pesos, Australian dollars and Korean won. In addition, expected business developments may vary if this report's assessments of value-enhancing factors and risks develop in a way other than we are currently expecting.

Consolidated Financial Statements



VOLKSWAGEN GROUP OPERATING PROFIT (in € billion)

The Volkswagen Group's operating profit in fiscal year 2012 amounted to €11.5 billion – above the record figure for the previous year. Since August 1, 2012, Porsche AG has been consolidated in the Volkswagen Group.

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

of the Volkswagen Group for the Period January 1 to December 31, 2012

€ million	Note	2012	2011
Sales revenue	**1**	**192,676**	**159,337**
Cost of sales	2	–157,518	–131,371
Gross profit		**35,158**	**27,965**
Distribution expenses	3	–18,850	–14,582
Administrative expenses	4	–6,223	–4,384
Other operating income	5	10,496	9,727
Other operating expenses	6	–9,070	–7,456
Operating profit		**11,510**	**11,271**
Share of profits and losses of equity-accounted investments	7	13,568	2,174
Finance costs	8	–2,552	–2,047
Other financial result	9	2,967	7,528
Financial result		**13,982**	**7,655**
Profit before tax		**25,492**	**18,926**
Income tax income/expense	10	–3,608	–3,126
current		–4,196	–4,351
deferred		588	1,225
Profit after tax		**21,884**	**15,799**
Noncontrolling interests		168	391
Profit attributable to shareholders of Volkswagen AG		21,717	15,409
Basic earnings per ordinary share in €	**11**	**46.42**	**33.10**
Diluted earnings per ordinary share in €	**11**	**46.42**	**33.10**
Basic earnings per preferred share in €	**11**	**46.48**	**33.16**
Diluted earnings per preferred share in €	**11**	**46.48**	**33.16**

Statement of Comprehensive Income

Changes in Comprehensive Income for the Period January 1 to December 31, 2011

€ million	Total	VW AG shareholders	Non-controlling interests
Profit after tax	**15,799**	**15,409**	**391**
Actuarial gains/losses			
Actuarial gains/losses, before tax	–1,005	–926	–79
Deferred taxes relating to actuarial gains/losses	282	261	21
Actuarial gains/losses, net of tax	–722	–665	–57
Exchange differences on translating foreign operations			
Unrealized currency translation gains/losses	–189	–168	–22
Transferred to profit or loss	–	–	–
Exchange differences on translating foreign operations, before tax	–189	–168	–22
Deferred taxes relating to exchange differences on translating foreign operations	1	1	–
Exchange differences on translating foreign operations, net of tax	–189	–167	–22
Cash flow hedges			
Fair value changes recognized in other comprehensive income	–2,013	–2,006	–8
Transferred to profit or loss	–65	–65	–
Cash flow hedges, before tax	–2,079	–2,071	–8
Deferred taxes relating to cash flow hedges	577	573	4
Cash flow hedges, net of tax	–1,502	–1,498	–4
Available-for-sale financial assets			
Fair value changes recognized in other comprehensive income	127	127	–
Transferred to profit or loss	83	83	–
Available-for-sale financial assets, before tax	211	211	–
Deferred taxes relating to available-for-sale financial assets	–10	–10	–
Available-for-sale financial assets, net of tax	200	200	–
Share of other comprehensive income of equity-accounted investments, net of tax*	–391	–393	2
Other comprehensive income, before tax	–3,453	–3,347	–106
Deferred taxes relating to other comprehensive income	850	825	25
Other comprehensive income, net of tax	**–2,603**	**–2,522**	**–81**
Total comprehensive income	**13,196**	**12,886**	**310**

* Including income and expenses transferred to profit or loss due to the change in the accounting for MAN SE (€48 million) and the Suzuki Motor Corporation (€430 million).

Changes in Comprehensive Income for the Period January 1 to December 31, 2012

€ million	Total	VW AG shareholders	Non-controlling interests
Profit after tax	**21,884**	**21,717**	**168**
Actuarial gains/losses			
Actuarial gains/losses, before tax	–5,589	–5,480	–109
Deferred taxes relating to actuarial gains/losses	1,632	1,603	29
Actuarial gains/losses, net of tax	–3,957	–3,877	–81
Exchange differences on translating foreign operations			
Unrealized currency translation gains/losses	–212	–207	–5
Transferred to profit or loss	–	–	–
Exchange differences on translating foreign operations, before tax	–212	–207	–5
Deferred taxes relating to exchange differences on translating foreign operations	0	0	–
Exchange differences on translating foreign operations, net of tax	–212	–207	–5
Cash flow hedges			
Fair value changes recognized in other comprehensive income	1,570	1,565	5
Transferred to profit or loss	951	951	–
Cash flow hedges, before tax	2,521	2,516	5
Deferred taxes relating to cash flow hedges	–719	–719	0
Cash flow hedges, net of tax	1,802	1,797	5
Available-for-sale financial assets			
Fair value changes recognized in other comprehensive income	493	493	–
Transferred to profit or loss	–32	–32	–
Available-for-sale financial assets, before tax	461	461	–
Deferred taxes relating to available-for-sale financial assets	–13	–13	–
Available-for-sale financial assets, net of tax	448	448	–
Share of other comprehensive income of equity-accounted investments, net of tax*	78	79	–1
Other comprehensive income, before tax	–2,742	–2,631	–110
Deferred taxes relating to other comprehensive income	900	871	29
Other comprehensive income, net of tax	**–1,842**	**–1,760**	**–81**
Total comprehensive income	**20,042**	**19,956**	**86**

* Including expenses of €–316 million transferred to profit or loss due to the change in the accounting for Porsche Holding Stuttgart.

Balance Sheet

of the Volkswagen Group as of December 31, 2012

€ million	Note	Dec. 31, 2012	Dec. 31, 2011
Assets			
Noncurrent assets			
Intangible assets*	12	59,158	22,176
Property, plant and equipment*	13	39,424	31,876
Leasing and rental assets	14	20,034	16,626
Investment property	14	433	340
Equity-accounted investments	15	7,309	10,249
Other equity investments	15	3,870	3,049
Financial services receivables	16	49,785	42,450
Other financial assets	17	6,431	12,823
Other receivables	18	1,671	1,582
Noncurrent tax receivables	19	552	627
Deferred tax assets	19	7,915	6,333
		196,582	**148,129**
Current assets			
Inventories	20	28,674	27,551
Trade receivables	21	10,099	10,479
Financial services receivables	16	36,911	33,754
Other financial assets	17	5,872	4,253
Other receivables	18	4,823	4,543
Current tax receivables	19	761	623
Marketable securities	22	7,433	6,146
Cash, cash equivalents and time deposits	23	18,488	18,291
		113,061	**105,640**
Total assets*		**309,644**	**253,769**
Equity and Liabilities			
Equity	24		
Subscribed capital		1,191	1,191
Capital reserves		11,509	9,329
Accumulated comprehensive income		64,815	47,019
Equity attributable to shareholders of Volkswagen AG		77,515	57,539
Noncontrolling interests		4,310	5,815
		81,825	**63,354**
Noncurrent liabilities			
Noncurrent financial liabilities*	25	63,603	44,442
Other noncurrent financial liabilities	26	2,397	2,547
Other noncurrent liabilities	27	4,675	4,394
Deferred tax liabilities*	28	9,050	4,055
Provisions for pensions	29	23,969	16,787
Provisions for taxes	28	4,239	3,721
Other noncurrent provisions*	30	14,373	13,235
		122,306	**89,179**
Current liabilities			
Current financial liabilities	25	54,060	49,090
Trade payables	31	17,268	16,325
Current tax payables	28	238	844
Other current financial liabilities	26	4,425	4,888
Other current liabilities*	27	11,111	11,196
Provisions for taxes	28	1,721	2,888
Other current provisions*	30	16,689	16,005
		105,513	**101,237**
Total equity and liabilities*		**309,644**	**253,769**

* Prior-period figures adjusted because of the updated purchase price allocation in conjunction with the acquisition of MAN.

Statement of Changes in Equity

of the Volkswagen Group for the Period January 1 to December 31, 2012

			ACCUMULATED COMPREHENSIVE INCOME	
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve
Balance at Jan. 1, 2011	**1,191**	**9,326**	**37,684**	**–165**
Profit after tax	–	–	15,409	–
Other comprehensive income, net of tax	–	–	–	–167
Total comprehensive income	**–**	**–**	**15,409**	**–167**
Capital increase	0	3	–	–
Dividend payment	–	–	–1,034	–
Capital transactions involving a change in ownership interest	–	–	–286	–
Other changes	–	–	–9	–
Balance at Dec. 31, 2011	**1,191**	**9,329**	**51,764**	**–332**
Balance at Jan. 1, 2012	**1,191**	**9,329**	**51,764**	**–332**
Profit after tax	–	–	21,717	–
Other comprehensive income, net of tax	–	–	–	–207
Total comprehensive income	**–**	**–**	**21,717**	**–207**
Capital increase[1]	0	2,180	–	–
Dividend payment	–	–	–1,406	–
Capital transactions involving a change in ownership interest[2]	–	–	–762	–
Other changes[3]	–	–	–141	–
Balance at Dec. 31, 2012	**1,191**	**11,509**	**71,172**	**–539**

1 Volkswagen AG recorded an inflow of cash funds amounting to €2,500 million, less transaction costs of €54 million, from the mandatory convertible note placed in the fiscal year. A total of €2,048 million of this amount is required to be classified as equity instruments granted. Additionally, there are noncash effects from the deferral of taxes amounting to €133 million. The residual amount is classified as debt.

2 The capital transactions involving a change in ownership interest are attributable primarily to the increase in the equity interest in MAN SE.

3 The other changes relate primarily to the reclassification of components of OCI in conjunction with the consolidation of Porsche Holding Stuttgart (previous year: MAN SE) as well as to changes in the basis of consolidation.

Explanatory notes on equity are presented in note 24.

Reserve for actuarial gains/losses	Cash flow hedges	Available-for-sale financial assets	Equity-accounted investments	Equity attributable to shareholders of VW AG	Noncontrolling interests	Total equity
−2,201	**61**	**−25**	**107**	**45,978**	**2,734**	**48,712**
–	–	–	–	15,409	391	15,799
−665	−1,498	200	−393	−2,522	−81	−2,603
−665	**−1,498**	**200**	**−393**	**12,886**	**310**	**13,196**
–	–	–	–	3	–	3
–	–	–	–	−1,034	−232	−1,266
–	–	–	–	−286	−749	−1,035
–	–	–	–	−9	3,752	3,743
−2,866	**−1,437**	**176**	**−286**	**57,539**	**5,815**	**63,354**
−2,866	**−1,437**	**176**	**−286**	**57,539**	**5,815**	**63,354**
–	–	–	–	21,717	168	21,884
−3,877	1,797	448	79	−1,760	−81	−1,842
−3,877	**1,797**	**448**	**79**	**19,956**	**86**	**20,042**
–	–	–	–	2,180	–	2,180
–	–	–	–	−1,406	−267	−1,673
–	–	–	–	−762	−1,339	−2,101
0	–	–	148	8	14	22
−6,743	**360**	**624**	**−59**	**77,515**	**4,310**	**81,825**

Cash Flow Statement
of the Volkswagen Group for the Period January 1 to December 31, 2012

€ million	2012	2011
Cash and cash equivalents at beginning of period	**16,495**	**18,228**
Profit before tax	25,492	18,926
Income taxes paid	–5,056	–3,269
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment, and investment property*	7,617	5,969
Amortization and write-downs of capitalized development costs*	1,903	1,697
Impairment losses on equity investments*	20	13
Depreciation of, and impairment losses on, leasing and rental assets*	3,594	2,667
Gain/loss on disposal of noncurrent assets	–32	13
Share of profit or loss of equity-accounted investments	–11,512	–715
Other noncash expense/income	–2,031	–6,462
Change in inventories	460	–4,234
Change in receivables (excluding financial services)	–56	–2,241
Change in liabilities (excluding financial liabilities)	–236	3,077
Change in provisions	465	3,960
Change in leasing and rental assets	–5,606	–4,090
Change in financial services receivables	–7,814	–6,811
Cash flows from operating activities	**7,209**	**8,500**
Investments in intangible assets, property, plant and equipment, and investment property	–10,493	–8,087
Additions to capitalized development costs	–2,615	–1,666
Acquisition of subsidiaries	–3,550	–5,833
Acquisition of other equity investments	–570	–577
Disposal of subsidiaries	0	–
Disposal of other equity investments	14	21
Proceeds from disposal of intangible assets, property, plant and equipment, and investment property	373	140
Change in investments in securities	–1,133	–699
Change in loans and time deposits	–1,510	–1,931
Cash flows from investing activities	**–19,482**	**–18,631**
Capital contributions	2,046	3
Dividends paid	–1,673	–1,266
Capital transactions with noncontrolling interests	–2,101	–335
Other changes	36	–23
Proceeds from issuance of bonds	26,055	16,715
Repayment of bonds	–16,952	–11,603
Change in other financial liabilities	6,432	4,805
Finance lease payments	–132	19
Cash flows from financing activities	**13,712**	**8,316**
Effect of exchange rate changes on cash and cash equivalents	–141	82
Net change in cash and cash equivalents	**1,298**	**–1,733**
Cash and cash equivalents at end of period	**17,794**	**16,495**
Cash and cash equivalents at end of period	17,794	16,495
Securities, loans and time deposits	14,352	12,163
Gross liquidity	**32,146**	**28,658**
Total third-party borrowings	–117,663	–93,533
Net liquidity	**–85,517**	**–64,875**

* Net of impairment reversals.

Explanatory notes on the cash flow statement are presented in note 32.

Notes to the Consolidated Financial Statements

of the Volkswagen Group as of December 31, 2012

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 2012 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 12, 2013. 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 2012.

As a consequence of the amendment to IFRS 7 in October 2010, the disclosure requirements for transfers of financial assets were supplemented starting in fiscal year 2012. The supplemented disclosures relate both to transferred financial assets that are derecognized in their entirety and to transferred financial assets that are not derecognized in their entirety. The other balance sheet disclosures in accordance with IFRS 7 (Financial Instruments) were supplemented in line with this.

New and amended IFRSs not applied

In its 2012 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[1]		Issued by the IASB	Effective date[2]	Adopted by the EU[1]	Expected effects
IFRS 1	First-time Adoption – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	Dec. 20, 2010	Jan. 1, 2013	Yes	None
IFRS 1	Government Loans	Mar. 13, 2012	Jan. 1, 2013	No	None
IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2013	Yes	Enhanced disclosures on offsetting of financial instruments
IFRS 9	Financial Instruments: Classification and Measurement	Nov. 12, 2009/ Oct. 28, 2010	Jan. 1, 2015[3]	No	Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale
IFRS 10	Consolidated Financial Statements	May 12, 2011	Jan. 1, 2014	Yes	No material changes
IFRS 11	Joint Arrangements	May 12, 2011	Jan. 1, 2014	Yes	No material effects
IFRS 12	Disclosures of Interests in Other Entities	May 12, 2011	Jan. 1, 2014	Yes	Enhanced disclosures on interests in other entities
	Transition Guidance on IFRS 10, IFRS 11, IFRS 12	June 28, 2012	Jan. 1, 2013	No	No material changes
	Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27)	Oct. 31, 2012	Jan. 1, 2014	No	None
IFRS 13	Fair Value Measurement	May 12, 2011	Jan. 1, 2013	Yes	Modifications to and enhanced disclosures on fair value measurement
IAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	June 16, 2011	Jan. 1, 2013	Yes	Change in the presentation of other comprehensive income
IAS 12	Deferred Taxes – Recovery of Underlying Assets	Dec. 20, 2010	Jan. 1, 2013	Yes	No material changes
IAS 19	Employee Benefits	June 16, 2011	Jan. 1, 2013	Yes	Change in accounting for and enhanced disclosures on employee benefits
IAS 27	Separate Financial Statements	May 12, 2011	Jan. 1, 2014	Yes	None
IAS 28	Investments in Associates and Joint Ventures	May 12, 2011	Jan. 1, 2014	Yes	None
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2014	Yes	No material changes
	Improvements to IFRSs 2011[4]	May 17, 2012	Jan. 1, 2013	No	No material changes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Oct. 19, 2011	Jan. 1, 2013	Yes	None

1 Up to December 31, 2012.
2 Required to be applied for the first time by Volkswagen AG.
3 Effective date postponed from 2013 to 2015 by the Mandatory Effective Date project.
4 Minor amendments to a large number of IFRSs (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34).

Basis of consolidation

In addition to Volkswagen AG, the consolidated financial statements comprise all significant companies at which Volkswagen AG is able, directly or indirectly, to govern the financial and operating policies in such a way that it can obtain benefits from the activities of these companies (subsidiaries). The subsidiaries also comprise special purpose entities whose net assets are attributable to the Group under the principle of substance over form. The special purpose entities are used primarily to enter into asset-backed securities transactions to refinance the financial services business. 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 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 the lower of cost or fair value since no active market exists for these companies and fair values cannot be reliably ascertained without undue cost or effort. The aggregate equity of these subsidiaries amounts to 0.9% (previous year: 1.2%) of Group equity. The aggregate profit after tax of these companies amounts to 0.4% (previous year: 0.2%) of the profit after tax of the Volkswagen Group.

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:

	2012	2011
Volkswagen AG and consolidated subsidiaries		
Germany	156	123
International	825	729
Subsidiaries carried at cost		
Germany	73	66
International	206	202
Associates, joint ventures and other equity investments		
Germany	36	42
International	68	64
	1,364	**1,226**

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 Akademie GmbH, Ingolstadt
- 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 Vertriebsbetreuungsgesellschaft mbH, Ingolstadt
- Automobilmanufaktur Dresden GmbH, Dresden
- Autostadt GmbH, Wolfsburg
- AutoVision GmbH, Wolfsburg
- Bugatti Engineering GmbH, Wolfsburg
- Haberl Beteiligungs-GmbH, Munich
- MAHAG GmbH, Munich
- quattro GmbH, Neckarsulm
- Raffay Versicherungsdienst GmbH, Hamburg
- VfL Wolfsburg-Fußball GmbH, Wolfsburg
- VGRD GmbH, Wolfsburg
- Volim Volkswagen Immobilien Vermietgesellschaft für VW-/Audi-Händlerbetriebe mbH, Braunschweig
- Volkswagen Automobile Berlin GmbH, Berlin
- Volkswagen Automobile Frankfurt GmbH, Frankfurt am Main
- Volkswagen Automobile Hamburg GmbH, Hamburg
- Volkswagen Automobile Stuttgart GmbH, Stuttgart
- Volkswagen Financial Services Beteiligungsgesellschaft mbH, Braunschweig
- 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 Versicherungsvermittlung GmbH, Braunschweig
- Volkswagen Vertriebsbetreuungsgesellschaft mbH, Chemnitz
- Volkswagen Zubehör GmbH, Dreieich
- Volkswagen-Versicherungsdienst GmbH, Braunschweig

CONSOLIDATED SUBSIDIARIES

The Volkswagen Group acquired a majority stake in MAN SE, Munich, on November 9, 2011 under the terms of a mandatory public offer. The analysis of the assets acquired and liabilities assumed was only completed in the reporting period for reasons of time. Following an adjustment based on better knowledge, the business combination generated goodwill of €759 million (originally €575 million). The updated purchase price allocation resulted in the adjustment of the corresponding prior-year comparative figures. This updating had no effect on the prior-year income statement. The goodwill is not tax-deductible.

The following table shows the allocation of the purchase price to the assets and liabilities:

€ million	IFRS carrying amounts at the acquisition date	Purchase price allocation	Adjustment of balance sheet as of Dec. 31, 2011	Fair values at the acquisition date
Brand names	53	1,574	–	1,628
Technology	545	1,852	–	2,397
Customer and dealer relationships	470	2,689	–	3,160
Other intangible assets*	779	–351	–	428
Property, plant and equipment	2,034	880	–41	2,872
Investments	1,965	–234	–	1,731
Leasing and rental assets	2,232	–	–	2,232
Other noncurrent assets	2,377	–	–	2,377
Inventories	3,745	185	–	3,930
Trade receivables	2,319	–	–	2,319
Cash and cash equivalents	607	–	–	607
Other current assets	1,405	–63	–	1,342
Total assets	**18,531**	**6,532**	**–41**	**25,022**
Noncurrent financial liabilities	1,824	150	–1	1,973
Other noncurrent liabilities and provisions	2,797	2,126	–36	4,887
Current financial liabilities	1,334	–	–	1,334
Trade payables	2,137	–	–	2,137
Current provisions	1,364	398	193	1,954
Other current liabilities	3,175	–	–13	3,162
Total liabilities	**12,631**	**2,674**	**143**	**15,447**

* Excluding goodwill of Volkswagen AG.

€505 million of the goodwill and €1,158 million of the brand names are allocated to the MAN Commercial Vehicles operating segment, which is part of the Trucks and Buses reporting segment; the remaining goodwill of €254 million and the remaining brand names of €470 million are allocated to the Power Engineering segment.

In fiscal year 2012, Volkswagen acquired further shares in MAN SE for €2,081 million and, as of December 31, 2012, held 75.03% of the voting rights and 73.72% of the share capital of MAN SE. The difference of €–678 million arising from the acquisition of further shares was recognized directly in equity.

The shares of Scania AB held by MAN SE increase the interest in the capital of Scania attributable to Volkswagen AG shareholders to 59.13% (December 31, 2011: 56.94%). The resulting difference of €–73 million was recognized directly in equity.

The share of noncontrolling interests acquired in the equity of MAN and Scania was €1,331 million.

On August 1, 2012, Porsche Automobil Holding SE, Stuttgart (Porsche SE), contributed its holding company operating business to Volkswagen AG by way of singular succession in the course of a capital increase with a mixed noncash contribution.

The business acquired from Porsche SE consists in particular of the 50.1% interest held by Porsche SE in Porsche Holding Stuttgart GmbH, Stuttgart (Porsche Holding Stuttgart) (formerly: Porsche Zweite Zwischenholding GmbH, Stuttgart, as the legal successor to Porsche Zwischenholding GmbH, Stuttgart), and thus indirectly in Dr. Ing. h.c. F. Porsche AG, Stuttgart (Porsche AG), and of all other subsidiaries of Porsche SE existing at the contribution date (with the exception of the interest in Volkswagen AG), as well as receivables from and liabilities to companies of the Porsche Holding Stuttgart Group.

With unit sales of 117 thousand vehicles, premium sports car manufacturer Porsche AG generated sales revenue of €10,928 million and profit before tax of €2,108 million in fiscal year 2011. The integration of Porsche allows the Volkswagen Group to expand its product portfolio in the premium segment.

Volkswagen AG increased its share capital by €2.56 by issuing one new ordinary bearer share and allowed Porsche SE to subscribe for this new share; the preemptive rights of the other shareholders were disapplied. Volkswagen AG paid €4,495 million to Porsche SE as further consideration. The cash consideration is based on the equity value of €3,883 million for the remaining 50.1% interest in Porsche Holding Stuttgart (and thus indirectly in Porsche AG) held by Porsche SE set out in the Comprehensive Agreement, and also comprises a number of adjustment items. Among other things, Porsche SE will be remunerated for dividend payments from its indirect interest in Porsche AG that it would have received as well as for half of the present value of the net synergies realizable as a result of the accelerated integration, which amount to a total of approximately €320 million.

Based on the updated assumptions underlying the valuation at the acquisition date, Volkswagen AG's call option on the shares of Porsche Holding Stuttgart agreed in the Comprehensive Agreement with Porsche SE has a positive fair value of €10,199 million (December 31, 2011: €8,409 million) and the corresponding put option has a negative fair value of €2 million (December 31, 2011: €87 million). The fair values of the options are included in the cost of the business combination. The difference attributable to the updated fair values amounting to €1,875 million was recognized in the other financial result.

The shares of Porsche Holding Stuttgart, which were accounted for using the equity method at the acquisition date, were revalued at their fair value of €12,566 million on acquisition of the remaining shares. Measurement of the shares uses the same assumptions that were also used to measure the options on the outstanding shares of Porsche Holding Stuttgart and is based on Porsche Holding Stuttgart's business plans. The transition from the equity method to consolidation resulted in a noncash book gain of €10,399 million, which was recognized in the share of profits and losses of equity-accounted investments; this includes amounts totaling €–316 million that were previously recognized directly in equity and that were transferred to the income statement.

The measurement basis for the goodwill is calculated as follows:

€ million	2012
Purchase price for shares acquired on August 1	4,495
Fair value of options on the outstanding shares	10,197
Fair value of existing shares	12,566
Issued ordinary share of Volkswagen AG	0
Measurement basis for goodwill	**27,258**

The costs incurred in connection with the issue of the new ordinary share reduced the capital reserves by €1 million, net of deferred taxes. The other transaction-related costs incurred to date of €3 million were recognized as expenses.

The analysis of the assets acquired and liabilities assumed was not completed by the date of issue of the consolidated financial statements for reasons of time. Preliminary purchase price allocation indicates that the business combination generated goodwill of €18,871 million. The goodwill is not tax-deductible.

The following table shows the preliminary allocation of the purchase price to the assets and liabilities:

€ million	IFRS carrying amounts at the acquisition date	Purchase price allocation	Adjustment in the measurement period	Fair values at the acquisition date
Brand names	–	13,823	–	13,823
Technology	1,489	714	–	2,203
Customer and dealer relationships	–	698	–6	691
Other intangible assets*	386	82	21	489
Property, plant and equipment	2,983	565	–	3,548
Investments	162	–	–2	160
Leasing and rental assets	1,360	65	–	1,425
Other noncurrent assets	7,458	325	158	7,941
Inventories	1,243	382	–	1,625
Trade receivables	348	–	–	348
Cash and cash equivalents	1,812	–	–	1,812
Other current assets	3,060	350	–155	3,256
Total assets	**20,301**	**17,004**	**15**	**37,321**
Noncurrent financial liabilities	10,227	339	–911	9,654
Other noncurrent liabilities and provisions	3,152	5,359	4	8,516
Current financial liabilities	3,211	255	675	4,142
Trade payables	989	–	122	1,112
Current provisions	1,237	–	71	1,308
Other current liabilities	4,160	–	42	4,203
Total liabilities	**22,977**	**5,952**	**4**	**28,934**

* Excluding goodwill of Volkswagen AG.

The goodwill and the brand name are allocated to the Porsche operating segment, which is part of the Passenger Cars and Light Commercial Vehicles reporting segment.

The gross carrying amount of the receivables acquired was €9,858 million at the acquisition date, and the net carrying amount (equivalent to the fair value) was €9,775 million. Of this total, gross carrying amounts of €6,449 million (net carrying amounts: €6,449 million) are attributable to acquired loans and gross carrying amounts of €1,202 million (net carrying amounts: €1,127 million) are attributable to acquired finance lease receivables. The depreciable noncurrent assets have remaining useful lives of between 4 months and 50 years.

As of December 31, 2012, the inclusion of the company increased the Group's sales revenue by €4,534 million and increased its profit after tax, net of write-downs of hidden reserves identified in the course of purchase price allocation, by €292 million. If Porsche had been included as of January 1, 2012, the Group's sales revenue after consolidation as of December 31, 2012 would have been approximately €6,208 million higher and its profit after tax, net of write-downs of hidden reserves identified in the course of purchase price allocation, would have been approximately €656 million higher.

The contribution of Porsche SE's holding company operating business increases the consolidated Group by 107 consolidated subsidiaries.

As of July 19, 2012, the Volkswagen Group acquired 100% of the voting rights of motorcycle manufacturer Ducati Motor Holding S.p.A., Bologna, Italy, against payment of a purchase price of €747 million, via Automobili Lamborghini S.p.A., Sant' Agata Bolognese, Italy, a subsidiary of AUDI AG. The acquisition of Ducati – a leading international manufacturer of premium motorcycles with significant expertise in high-performance engines and lightweight construction – has seen the Group move into the growth market for high-quality motorcycles. The Ducati Group sold 42,016 motorcycles in calendar year 2011, generating sales revenue of €479 million.

The analysis of the assets acquired and liabilities assumed was not completed by the date of issue of the consolidated financial statements for reasons of time. The provisional goodwill determined in the amount of €290 million contains intangible assets that are not separable and that cannot be attributed to contractual or other rights, such as the expertise of Ducati's employees. The goodwill is not tax-deductible. The transaction-related costs incurred to date of €1 million were recognized as expenses.

The following table shows the preliminary allocation of the purchase price to the assets and liabilities:

€ million	IFRS carrying amounts at the acquisition date	Purchase price allocation	Fair values at the acquisition date
Brand names	211	193	404
Customer relationships	49	131	180
Other intangible assets	78	17	95
Land and buildings	78	3	81
Other noncurrent assets	25	8	33
Inventories	83	0	83
Cash and cash equivalents	150	–	150
Other current assets	154	–	154
Total assets	**828**	**352**	**1,180**
Noncurrent liabilities	106	108	214
Current liabilities	510	–	510
Total liabilities	**616**	**108**	**724**

The gross carrying amount of the receivables acquired was €153 million at the acquisition date, and the net carrying amount (equivalent to the fair value) was €142 million.

As of December 31, 2012, the inclusion of the company increased the Group's sales revenue by €209 million and reduced its profit, net of write-downs of hidden reserves identified in the course of purchase price allocation, by €27 million. If Ducati had been included in the consolidated financial statements as of January 1, 2012, the Group's sales revenue after consolidation as of December 31, 2012 would have been approximately €422 million higher and its profit after tax, net of write-downs of hidden reserves identified in the course of purchase price allocation, would have been approximately €34 million higher.

In order to strengthen its sales activities, Volkswagen acquired all shares of KPI Polska Sp.z o.o., Poznan (KPI Polska), effective January 1, 2012. KPI Polska is the exclusive importer and distributor of various Volkswagen Group brands in Poland. At the same time, Volkswagen acquired from the previous owners of KPI Polska the outstanding shares of the former jointly controlled companies Volkswagen Leasing Polska Sp.z o.o., Warsaw, and Volkswagen Bank Polska S.A., Warsaw. The purchase price paid amounted to €254 million in total. The measurement of the existing shares in the financial services companies at a fair value of €66 million resulted in a noncash book gain of €21 million, which was recognized in the share of profits and losses of equity-accounted investments.

In addition, on March 28, 2012, the Volkswagen Group acquired through MAN Truck & Bus AG, Munich, the remaining shares (apart from one share) of MAN TRUCKS India Private Limited, Akurdi/India (formerly: MAN FORCE TRUCKS Private Limited, Akurdi/India), which until then had been a joint venture, against payment of €150 million. The company has been consolidated since that date. MAN TRUCKS India produces CLA series heavy MAN trucks for the Indian market and for export to Asian and African countries. The shares, which were accounted for using the equity method at the acquisition date, were recognized at their acquisition-date fair value of €73 million. This resulted in a noncash book loss of €37 million, which was recognized in the share of profits and losses of equity-accounted investments. The measurement basis for the goodwill from the two transactions is calculated as follows:

€ million	2012
Purchase price for shares acquired	404
Fair value of existing shares	139
Measurement basis for goodwill	**543**

Transaction-related costs of €3.5 million were recognized directly as expenses.

The following main groups of assets and liabilities were acquired and assumed for KPI Polska, the Polish financial services companies and MAN TRUCKS India:

€ million	IFRS carrying amounts at the acquisition date	Purchase price allocation	Fair values at the acquisition date
Noncurrent assets	326	100	427
Cash and cash equivalents	74	–	74
Other current assets	637	–	637
Total assets	**1,037**	**100**	**1,137**
Noncurrent liabilities	192	28	220
Current liabilities	668	–	668
Total liabilities	**860**	**28**	**888**

The gross carrying amount of the receivables was €708 million at the acquisition date, and the net carrying amount (equivalent to the fair value) was €668 million. The depreciable noncurrent assets have remaining useful lives of between 24 months and 40 years.

The goodwill from the acquisition of KPI Polska amounts to €58 million and is allocated to the Volkswagen Passenger Cars operating segment, which is part of the Passenger Cars and Light Commercial Vehicles reporting segment. The goodwill of €28 million attributable to the Polish financial services companies is allocated to the Volkswagen Financial Services operating segment, which is part of the Financial Services reporting segment. The provisional goodwill from the acquisition of MAN TRUCKS India amounts to €208 million and is allocated to the MAN Commercial Vehicles operating segment, which is part of the Trucks and Buses reporting segment. The goodwill from the acquisitions is not tax-deductible.

The initial inclusion of the abovementioned companies had no material effect on the Volkswagen Group's sales revenue and profit after tax.

The abovementioned fair values of the assets and liabilities were determined as far as possible using observable market prices. If market prices could not be determined, recognized valuation techniques were used to measure the assets acquired and liabilities assumed.

In addition, five domestic companies that were not consolidated in the previous year, three newly formed domestic companies, two newly acquired domestic companies, as well as 13 newly acquired foreign companies, 13 newly formed foreign companies and 23 foreign companies that were not consolidated in the previous year were consolidated for the first time. The initial inclusion of these subsidiaries, either individually or collectively, did not have a significant effect on the presentation of the Company's position. The number of consolidated domestic subsidiaries was also reduced by the merger/liquidation of three companies, while the number of consolidated foreign subsidiaries was reduced by the merger/liquidation of 31 companies.

INVESTMENTS IN ASSOCIATES

The acquisition of the majority interest in MAN SE in fiscal year 2011 meant that MAN's 30% interest in Ferrostaal GmbH (formerly: Ferrostaal AG), Essen, was attributable to Volkswagen. There was already an intention to sell the investment in the near term at the time it was acquired, so the shares were classified as held for sale and not accounted for using the equity method. The investment had already been written down in full as of December 31, 2011. On March 7, 2012, the settlement agreement between MAN SE and the International Petroleum Investment Company (IPIC), Abu Dhabi, regarding the repurchase of the 70% interest in Ferrostaal held by IPIC was completed (settlement with IPIC).

This resulted in a cash outflow of €350 million, which is reported as part of the cash flows from operating activities.

At the same time, the agreement between MAN and MPC Industries GmbH, Hamburg, regarding the transfer of 100% of the shares of Ferrostaal to MPC and a co-investor was implemented (the MPC sale). The completion of the settlement with IPIC and the sale of MPC did not result in any earnings effects for Volkswagen because the earnings effects attributable to the transaction had already been included in purchase price allocation for the MAN Group as a contingent liability.

The following carrying amounts are attributable to the Volkswagen Group from its proportionate interest in Sinotruk (Hong Kong) Limited, Hong Kong (Sinotruk), and Rheinmetall MAN Military Vehicles GmbH, Munich (RMMV):

	SINOTRUK		RMMV	
€ million	2012	2011	2012	2011
Equity interest (%)	25.0	25.0	49.0	49.0
Share of quoted market price	400	298	–	–
Assets[1]	1,499	1,601	184	31
Liabilities[1]	858	1,053	159	26
Sales revenue[2]	859	1,079	185	44
Profit/loss for the period[2]	8	49	9	1

1 Amounts for Sinotruk refer to the June 30 reporting date and for RMMV to the September 30 reporting date.
2 Amounts for Sinotruk refer to the period from July 1 to June 30 and for RMMV to the period from October 1 to September 30.

INTERESTS IN JOINT VENTURES

The following carrying amounts are attributable ratably to the Volkswagen Group from its proportionate interest in joint ventures:

€ million	FAW -Volkswagen Automotive Company	Shanghai-Volkswagen Automotive Company	Global Mobility Holding	Porsche Holding Stuttgart*	Others	Total
2012						
Equity interest (%)	40.0	50.0	50.0	49.9	–	–
Noncurrent assets	1,991	1,925	5,510	–	2,018	11,445
Current assets	3,828	2,807	4,714	–	1,666	13,015
Noncurrent liabilities	442	323	3,885	–	1,006	5,655
Current liabilities	2,961	2,486	4,690	–	1,723	11,861
Income	13,351	10,122	522	4,497	2,172	30,666
Expenses	11,834	9,065	401	4,069	1,959	27,328
2011						
Equity interest (%)	40.0	50.0	50.0	49.9	–	–
Noncurrent assets	1,594	1,484	5,254	5,744	1,710	15,786
Current assets	3,278	2,622	4,683	1,696	1,994	14,274
Noncurrent liabilities	314	227	3,572	5,466	1,376	10,954
Current liabilities	2,717	1,993	4,823	2,600	1,567	13,700
Income	9,512	8,134	508	6,387	2,264	26,806
Expenses	8,435	7,206	408	5,803	2,123	23,975

* Application of the equity method was terminated on August 1, 2012 when this company was fully consolidated. The disclosures on income and expenses for 2012 relate to the period up to July 31.

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 for an initial period of two years. The agreement was prolonged by a further two years in fiscal year 2011. The previous co-investors were instructed by Volkswagen AG to transfer their shares to Fleet Investments B.V. on February 1, 2010 for the purchase price of €1.4 billion. Volkswagen AG 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 €1.5 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.

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 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.

Receivables and liabilities, and expenses and income, between consolidated companies are eliminated. Intercompany profits or losses are eliminated in Group inventories and noncurrent assets. Deferred taxes are recognized for consolidation adjustments recognized in the income statement, with deferred tax assets and liabilities 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 =	2012	2011	2012	2011
Argentina	ARS	6.48404	5.57444	5.84444	5.74487
Australia	AUD	1.27120	1.27230	1.24134	1.34839
Brazil	BRL	2.70360	2.41590	2.50970	2.32651
Canada	CAD	1.31370	1.32150	1.28479	1.37610
Czech Republic	CZK	25.15100	25.78700	25.14567	24.58977
India	INR	72.56000	68.71300	68.62947	64.88593
Japan	JPY	113.61000	100.20000	102.62121	110.95860
Mexico	MXN	17.18450	18.05120	16.90867	17.28765
People's Republic of China	CNY	8.22070	8.15880	8.10942	8.99600
Poland	PLN	4.07400	4.45800	4.18433	4.12061
Republic of Korea	KRW	1,406.23000	1,498.69000	1,448.19540	1,541.23409
Russia	RUB	40.32950	41.76500	39.92376	40.88455
South Africa	ZAR	11.17270	10.48300	10.55455	10.09704
Sweden	SEK	8.58200	8.91200	8.70672	9.02984
United Kingdom	GBP	0.81610	0.83530	0.81110	0.86788
USA	USD	1.31940	1.29390	1.28560	1.39196

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. This is reviewed on a regular basis.

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. The planning period generally covers five years. For subsequent years, plausible assumptions are made regarding future trends. The planning assumptions are adapted to reflect the current state of knowledge. They include reasonable assumptions about macroeconomic trends (exchange rate, interest rate and commodity price trends) and historical developments.

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 1% p.a. (previous year: 1% p.a.) in the Passenger Cars and Light Commercial Vehicles and the Financial Services segments, and on a growth rate of 2% p.a. (previous year: 2% p.a.) in the Power Engineering and the Trucks and Buses segments. Value in use is determined for the purpose of impairment testing of goodwill and intangible assets with indefinite useful lives using the following weighted average cost of capital (WACC) rates, which are adjusted if necessary for country-specific discount factors:

WACC	2012	2011
Passenger Cars and Light Commercial Vehicles segment	5.6 %	6.0 %
Trucks and Buses segment	8.2 %	8.0 %
Power Engineering segment	8.4 %	8.0 %

A cost of equity of 10.2% (previous year: 8.7%) is used for the Financial Services segment in line with the sector-specific need to reflect third-party borrowings. If necessary, these rates are additionally adjusted for country-specific discount factors. We apply segment- and country-specific discount factors before tax of at least 6.6% (previous year: 6.8%) when determining value in use for the purpose of impairment testing of other intangible assets with finite useful lives.

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 at each balance sheet date and adjusted if required.

Depreciation is based mainly on the following useful lives:

	Useful life
Buildings	25 to 50 years
Site improvements	10 to 18 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. 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 incidental to ownership are transferred, lease and rental payments are recorded directly as expenses in the income statement.

LEASING AND RENTAL 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 estimated using an income capitalization approach 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 residential 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 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.

LOANS AND RECEIVABLES AND FINANCIAL LIABILITIES

Loans, receivables and liabilities, as well as held-to-maturity investments, 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 (marketable securities) are carried at fair value. Changes in fair value are recognized directly in equity, net of deferred taxes.

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.

DERIVATIVES AND HEDGE ACCOUNTING

Volkswagen Group companies use derivatives to hedge balance sheet items and future cash flows (hedged items). Derivatives such as swaps, forward transactions and options are used as the primary 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.

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 incidental to ownership 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 customers) 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 financial assets available-for-sale 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 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 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 in respect of defined benefit plans in accordance with IAS 19. 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. Actuarial gains and losses are recognized directly in equity, 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.

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 0.69% (previous year: 1.79%) was used in Germany. 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 and the provision for suspended vehicle insurance policies.

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. At initial recognition, receivables are measured at fair value.

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 and 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 leasing and rental 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. 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.

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. In addition, the recoverability of the Group's leasing and rental 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. 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. Actuarial gains and losses 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 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. Note 30 contains an overview of other provisions. For information on litigation, see also note 36.

Estimates of the useful life of finite-lived assets are based on past experience and are reviewed regularly. Where estimates are modified the residual useful life is adjusted and an impairment loss is recognized, if necessary.

Measuring deferred tax assets requires assumptions regarding future taxable income and the timing of the realization of deferred tax assets.

The estimates and assumptions are based on underlying assumptions that reflect the current state of available knowledge. Specifically, the expected future development of business was based on the circumstances known at the date of preparation of these consolidated financial statements and a realistic assessment of the future development of the global and sector-specific environment. Our estimates and assumptions remain subject to a high degree of uncertainty because future business developments are subject to uncertainties that in part cannot be influenced by the Group. This applies in particular to short- and medium-term cash flow forecasts and to the discount rates used.

Developments in this environment that differ from the assumptions and that cannot be influenced by management could result in amounts that differ from the original estimates. If actual developments differ from the expected developments, the underlying assumptions and, if necessary, the carrying amounts of the assets and liabilities affected are adjusted.

The global economy registered slower growth in 2012 than in the previous year. We believe that global growth will continue in 2013 despite economic uncertainties. As a result, from today's perspective, we are not expecting any material adjustment 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.

Segment reporting

Segments are identified on the basis of the Volkswagen Group's internal management and reporting. In line with its multibrand strategy, each of the Group's 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. The segment reporting comprises the four reportable segments of Passenger Cars and Light Commercial Vehicles, Trucks and Buses, Power Engineering and Financial Services.

The activities of the Passenger Cars and Light Commercial Vehicles segment cover the development of vehicles and engines, the production and sale of passenger cars and light commercial vehicles, and the corresponding genuine parts business. As a rule, the individual passenger car brands and light commercial vehicles of the Volkswagen Group are combined on a consolidated basis into a single reportable segment.

The Trucks and Buses segment primarily comprises the development, production and sale of 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, as well as fleet management.

In the expanded segment structure, purchase price allocation for companies acquired is allocated directly to the corresponding segments.

The business of Porsche AG acquired in fiscal year 2012 is allocated to the Passenger Cars and Light Commercial Vehicles segment, with the exception of Porsche's financial services activities, which are presented in the Financial Services segment.

The Ducati Group is allocated to the Audi operating segment and is thus presented in the Passenger Cars and Light Commercial Vehicles reporting segment.

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 do not by definition 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 2011

€ million	Passenger Cars and Light Commercial Vehicles	Trucks and Buses	Power Engineering	Financial Services	Total segments	Recon-ciliation	Volkswagen Group
Sales revenue from external customers	130,061	11,529	662	15,784	158,037	1,300	159,337
Intersegment sales revenue	8,630	194	–	1,461	10,285	–10,285	–
Total sales revenue	138,692	11,723	662	17,244	168,322	–8,985	159,337
Depreciation and amortization	6,302	844	65	2,412	9,623	52	9,675
Impairment losses	640	1	–	96	737	6	744
Reversal of impairment losses	81	–	–	5	85	–	85
Segment profit or loss (operating profit or loss)	9,886	937	–6	1,298	12,115	–844	11,271
Share of profits and losses of equity-accounted investments	2,458	–22	0	133	2,570	–396	2,174
Net interest income and other financial result	–438	222	10	–30	–235	5,716	5,481
Equity-accounted investments	7,824	610	22	1,793	10,249	–	10,249
Investments in intangible assets, property, plant and equipment, and investment property	9,011	475	33	158	9,676	77	9,753

REPORTING SEGMENTS 2012

€ million	Passenger Cars and Light Commercial Vehicles	Trucks and Buses	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	148,157	20,261	4,222	18,151	190,790	1,886	192,676
Intersegment sales revenue	9,917	306	12	1,703	11,938	–11,938	–
Total sales revenue	158,074	20,567	4,234	19,854	202,728	–10,052	192,676
Depreciation and amortization	7,554	1,932	508	3,053	13,047	–50	12,997
Impairment losses	72	12	0	102	186	11	197
Reversal of impairment losses	65	–	–	3	68	–8	60
Segment profit or loss (operating profit or loss)	10,778	358	161	1,586	12,883	–1,373	11,510
Share of profits and losses of equity-accounted investments	13,512	–93	4	145	13,568	–	13,568
Net interest income and other financial result	–689	–35	–4	–140	–868	1,283	414
Equity-accounted investments	4,906	446	22	1,935	7,309	–	7,309
Investments in intangible assets, property, plant and equipment, and investment property	11,576	1,028	181	222	13,007	101	13,108

RECONCILIATION

€ million	2012	2011
Segment sales revenue	**202,728**	**168,322**
Unallocated activities	3,086	2,303
Group financing	37	34
Consolidation adjustments	–13,176	–11,322
Group sales revenue	**192,676**	**159,337**
Segment profit or loss (operating profit or loss)	**12,883**	**12,115**
Unallocated activities	105	70
Group financing	–25	–3
Consolidation adjustments	–1,453	–912
Operating profit	**11,510**	**11,271**
Financial result	**13,982**	**7,655**
Consolidated profit before tax	**25,492**	**18,926**

BY REGION 2011

€ million	Germany	Europe and Other Regions[1]	North America	South America	Asia/ Oceania	Total
Sales revenue from external customers	34,600	69,291	17,553	14,910	22,983	159,337
Intangible assets, property, plant and equipment, leasing and rental assets, and investment property[2]	30,705	26,144	9,651	3,556	962	71,017

1 Excluding Germany.
2 The reporting for companies that were initially consolidated in fiscal year 2011 is now more detailed. This improves the allocation of noncurrent assets to the regions. The figures for fiscal year 2011 were adjusted.

BY REGION 2012

€ million	Germany	Europe and Other Regions*	North America	South America	Asia/ Oceania	Total
Sales revenue from external customers	37,734	77,650	25,046	18,311	33,936	192,676
Intangible assets, property, plant and equipment, leasing and rental assets, and investment property	73,075	30,084	10,930	3,640	1,321	119,049

* 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	2012	2011
Vehicles	134,537	116,449
Genuine parts	12,070	9,784
Used vehicles and third-party products	7,735	6,023
Engines, powertrains and parts deliveries	8,990	5,438
Power Engineering	4,222	662
Motorcycles	148	–
Rental and leasing business	11,825	10,245
Interest and similar income	6,337	5,535
Other sales revenue	6,812	5,200
	192,676	**159,337**

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 €969 million (previous year: €162 million), mainly related to the Power Engineering segment.

2 | Cost of sales

Cost of sales includes interest expenses of €2,577 million (previous year: €2,402 million) attributable to the financial services business. This item also includes impairment losses on intangible assets, property, plant and equipment, and leasing and rental assets in the amount of €210 million (previous year: €736 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 €225 million in the fiscal year (previous year: €225 million) and were generally allocated to the functions.

3 | Distribution expenses

Distribution expenses amounting to €18,850 million (previous year: €14,582 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 €6,223 million (previous year: €4,384 million) mainly include non-staff overheads and personnel costs, as well as depreciation and amortization applicable to the administrative function.

5 | Other operating income

€ million	2012	2011
Income from reversal of valuation allowances on receivables and other assets	687	677
Income from reversal of provisions and accruals	2,975	2,495
Income from foreign currency hedging derivatives	1,601	1,678
Income from foreign exchange gains	2,437	2,176
Income from sale of promotional material	193	187
Income from cost allocations	832	752
Income from investment property	65	60
Gains on asset disposals and the reversal of impairment losses	159	163
Miscellaneous other operating income	1,548	1,539
	10,496	**9,727**

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	2012	2011
Valuation allowances on receivables and other assets	1,386	1,392
Losses from foreign currency hedging derivatives	2,817	1,897
Foreign exchange losses	2,329	1,992
Expenses from cost allocations	155	132
Expenses for termination agreements	55	22
Losses on disposal of noncurrent assets	66	108
Miscellaneous other operating expenses	2,261	1,913
	9,070	**7,456**

7 | Share of profits and losses of equity-accounted investments

€ million	2012	2011
Share of profits of equity-accounted investments	13,675	2,578
of which: from joint ventures	(13,658)	(2,564)
of which: from associates	(16)	(14)
Share of losses of equity-accounted investments	107	404
of which: from joint ventures	(42)	(5)
of which: from associates	(65)	(399)
	13,568	**2,174**

The share of profits and losses of equity-accounted investments in the previous year includes the amounts from the adjustment of the equity interest in Suzuki Motor Corporation until September 13, 2011 and the adjustment of the equity interest in MAN SE until November 8, 2011. Following the discontinuation of equity accounting for these companies, an expense of €263 million was recognized for Suzuki and an expense of €292 million for MAN. The share of profits and losses of equity-accounted investments in the fiscal year includes the amounts from the adjustment of the equity interest in Porsche Holding Stuttgart until July 31, 2012. Following the discontinuation of equity accounting for Porsche Holding Stuttgart, a gain of €10,399 million was recognized; this figure includes the recognition in the income statement of amounts previously recognized in other comprehensive income.

8 | Finance costs

€ million	2012	2011
Other interest and similar expenses	1,380	1,129
Interest cost included in lease payments	19	17
Interest expenses	**1,398**	**1,146**
Interest component of additions to pension provisions	760	722
Interest cost on other liabilities	394	179
Interest cost on liabilities	**1,154**	**901**
Finance costs	**2,552**	**2,047**

9 | Other financial result

€ million	2012	2011
Income from profit and loss transfer agreements	18	24
Cost of loss absorption	16	5
Other income from equity investments	55	58
Other expenses from equity investments	19	21
Income from marketable securities and loans*	113	0
Other interest and similar income	844	885
Gains and losses from fair value remeasurement and impairment of financial instruments	7	–46
Gains and losses from fair value remeasurement of derivatives not included in hedging relationships	2,071	6,654
Gains and losses on hedging relationships	–107	–21
Other financial result	**2,967**	**7,528**

* Including disposal gains/losses.

Gains and losses from the fair value measurement of derivatives not included in hedging relationships include gains of €1,875 million (previous year: €6,554 million) from the remeasurement of the put and call options on the outstanding 50.1% of the shares of Porsche Holding Stuttgart. See note 42 Related party disclosures in accordance with IAS 24 for further information.

10 | Income tax income/expense

COMPONENTS OF TAX INCOME AND EXPENSE

€ million	2012	2011
Current tax expense, Germany	2,360	2,758
Current tax expense, abroad	2,152	1,673
Current tax expense	**4,513**	**4,431**
of which prior-period expense income	(19)	(–7)
Income from reversal of tax provisions	–317	–80
Current income tax expense	**4,196**	**4,351**
Deferred tax income/expense, Germany	–308	–799
Deferred tax income/expense, abroad	–280	–425
Deferred tax income	**–588**	**–1,225**
Income tax income/expense	**3,608**	**3,126**

The statutory corporation tax rate in Germany for the 2012 assessment period was 15%. Including trade tax and the solidarity surcharge, this resulted in an aggregate tax rate of 29.5%.

The local income tax rates applied for companies outside Germany vary between 0% and 42%. 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 2012 of €319 million (previous year: €419 million).

Previously unused tax loss carryforwards amounted to €11,762 million (previous year: €8,628 million). Tax loss carryforwards amounting to €9,810 million (previous year: €6,742 million) can be used indefinitely, while €611 million (previous year: €582 million) must be used within the next ten years. There are additional tax loss carryforwards amounting to €1,341 million (previous year: €1,304 million) that can be used within a period of 15 or 20 years. Tax loss carryforwards of €9,885 million (previous year: €5,547 million), of which €724 million (previous year €551 million) can only be utilized subject to restrictions in the period from 2013 to 2028, were estimated not to be usable overall.

The increase in tax loss carryforwards estimated not to be usable resulted primarily from a reorganization within the Group, producing a tax loss of €3,000 million; based on the current earnings projections, this amount must be classified as unusable.

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 €67 million (previous year: €169 million). Deferred tax expense was reduced by €37 million (previous year: €23 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 €342 million (previous year: €86 million). Deferred tax income arising from the reversal of a write-down of a deferred tax asset amounts to €1 million (previous year: €– million).

Tax benefits amounting to €741 million (previous year: €679 million) were recognized because of tax credits granted by various countries.

No deferred tax assets were recognized for deductible temporary differences of €455 million (previous year: €159 million) and for tax credits of €409 million (previous year: €437 million) that would expire in the period from 2014 to 2029, or for tax credits of €45 million (previous year: €– million) that will not expire.

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. It was recognized in the balance sheet under current tax receivables at a present value of €951 million. The present value of the refund claim was €600 million at the balance sheet date.

Deferred tax income resulting from changes in tax rates amounted to €133 million at Group level (previous year: €41 million).

Deferred taxes of €437 million (previous year: €439 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.

€2,678 million (previous year: €1,790 million) of the deferred taxes recognized in the balance sheet was credited to equity and relates to other comprehensive income. €56 million of this figure (previous year: €37 million) is attributable to noncontrolling interests. In the fiscal year under review, deferred taxes declined by €10 million (previous year: €2 million) due to the effects of capital transactions with noncontrolling interests. Changes in deferred taxes classified by balance sheet item are presented on pages 251 and 252.

In the reporting period, tax effects of €14 million resulting from equity transaction effects were credited directly to the capital reserves.

Deferred taxes recognized directly in equity in the fiscal year are presented in detail in the statement of comprehensive income.

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:

€ million	DEFERRED TAX ASSETS Dec. 31, 2012	Dec. 31, 2011	DEFERRED TAX LIABILITIES Dec. 31, 2012	Dec. 31, 2011
Intangible assets	218	348	9,140	4,568
Property, plant and equipment, and leasing and rental assets*	3,578	3,287	4,904	3,948
Noncurrent financial assets	39	33	41	23
Inventories	1,601	1,345	598	532
Receivables and other assets (including Financial Services Division)	1,309	964	5,608	5,136
Other current assets	1,456	1,113	171	199
Pension provisions	4,063	2,279	257	270
Liabilities and other provisions*	7,057	6,434	1,524	374
Tax loss carryforwards net of valuation allowances	807	938	–	–
Tax credits net of valuation allowances	285	264	–	–
Valuation allowances on other deferred tax assets	–114	–84	–	–
Gross value*	**20,300**	**16,922**	**22,243**	**15,049**
of which noncurrent*	(13,248)	(10,730)	(18,624)	(12,049)
Offset*	13,339	11,345	13,339	11,345
Consolidation	954	756	145	351
Amount recognized*	**7,915**	**6,333**	**9,050**	**4,055**

* Prior-period figures adjusted because of the updated purchase price allocation for MAN.

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 €3,608 million reported for 2012 (previous year: €3,126 million) was €3,912 million (previous year: €2,457 million) lower than the expected tax expense of €7,520 million that would have resulted from application of a tax rate applicable to undistributed profits of 29.5% to the profit before tax of the Group. This difference resulted primarily from the measurement of the existing shares of Porsche Holding Stuttgart at fair value in the course of the business combination (see the disclosures on the basis of consolidation) and from the fair value measurement of the call and put options relating to the acquisition of the remaining interest in Porsche Holding Stuttgart, which do not have any tax effects in the Group.

RECONCILIATION OF EXPECTED TO EFFECTIVE INCOME TAX

€ million	2012	2011
Profit before tax	25,492	18,926
Expected income tax expense (tax rate 29.5%; previous year 29.5%)	**7,520**	**5,583**
Reconciliation:		
Effect of different tax rates outside Germany	–101	–38
Proportion of taxation relating to:		
tax-exempt income	–1,131	–693
expenses not deductible for tax purposes	345	189
effects of loss carryforwards and tax credits	397	–102
temporary differences for which no deferred taxes were recognized	–3,413	–1,839
Tax credits	–110	–51
Prior-period tax expense	28	–6
Effect of tax rate changes	–133	–41
Other taxation changes	206	124
Effective income tax expense	**3,608**	**3,126**
Effective tax rate (%)	14.2	16.5

11 | Earnings per share

Basic earnings per share are calculated by dividing profit attributable to shareholders of Volkswagen AG by the weighted average number of ordinary and preferred shares outstanding during the reporting period. 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 note issued in November were actually to be converted. The average number of new preferred shares to be included is based on the maximum conversion ratio resulting from the minimum conversion price of €154.50. The finance costs associated with the mandatory convertible note 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.

See note 24 for further information regarding the issuance of the mandatory convertible note.

	ORDINARY		PREFERRED	
Quantity	2012	2011	2012	2011
Weighted average number of shares outstanding – basic	295,089,818	295,068,426	172,480,067	170,142,778
Dilutive potential ordinary shares from the stock option plan	0	7,508	0	0
Weighted average number of shares outstanding – diluted	295,089,818	295,075,934	172,480,067	170,142,778

€ million	2012	2011
Profit after tax	21,884	15,799
Noncontrolling interests	168	391
Profit attributable to shareholders of Volkswagen AG	21,717	15,409
Basic earnings attributable to ordinary shares	13,699	9,767
Diluted earnings attributable to ordinary shares	13,699	9,767
Basic earnings attributable to preferred shares	8,017	5,642
Diluted earnings attributable to preferred shares	8,017	5,642

€	2012	2011
Basic earnings per ordinary share	46.42	33.10
Diluted earnings per ordinary share	46.42	33.10
Basic earnings per preferred share	46.48	33.16
Diluted earnings per preferred share	46.48	33.16

Additional Income Statement Disclosures in Accordance with IAS 23 (Borrowing Costs)

Capitalized borrowing costs amounted to €55 million (previous year: €41 million) and related mainly to capitalized development costs. An average cost of debt of 3.0% (previous year: 3.6%) 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 MEASUREMENT CATEGORY UNDER IAS 39

€ million	2012	2011
Financial instruments at fair value through profit or loss	1,868	6,687
Loans and receivables	4,855	4,506
Available-for-sale financial assets	256	–34
Financial liabilities measured at amortized cost	–3,992	–3,588
	2,988	**7,570**

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 OF FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

€ million	2012	2011
Interest income	5,144	4,624
Interest expenses	3,747	3,400
	1,396	**1,224**

IMPAIRMENT LOSSES ON FINANCIAL ASSETS BY CLASS

€ million	2012	2011
Measured at fair value	6	36
Measured at amortized cost	1,403	1,391
	1,409	**1,427**

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 €63 million in the fiscal year (previous year: €58 million).

In fiscal year 2012, €4 million (previous year: €3 million) was recognized as an expense and €49 million (previous year: €39 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
BETWEEN JANUARY 1 AND DECEMBER 31, 2011

€ million	Brand names	Goodwill*	Capitalized costs for products under development	Capitalized development costs for products currently in use	Other intangible assets	Total*
Cost						
Balance at Jan. 1, 2011	**1,149**	**3,410**	**2,025**	**13,479**	**2,131**	**22,194**
Foreign exchange differences	6	12	–91	–28	64	–37
Changes in consolidated Group	1,701	912	604	1,793	4,725	9,735
Additions	–	–	1,331	336	204	1,871
Transfers	–	–	–1,068	1,069	33	35
Disposals	–	0	104	2,224	220	2,549
Balance at Dec. 31, 2011	**2,857**	**4,334**	**2,696**	**14,425**	**6,937**	**31,248**
Amortization and impairment						
Balance at Jan. 1, 2011	**2**	**–**	**145**	**7,645**	**1,298**	**9,090**
Foreign exchange differences	–	–	–	–22	3	–19
Changes in consolidated Group	–	–	–	–	57	57
Additions to cumulative amortization	5	–	–	1,500	660	2,164
Additions to cumulative impairment losses	35	0	41	157	11	243
Transfers	–	–	–44	44	0	0
Disposals	–	0	82	2,177	204	2,463
Reversal of impairment losses	–	–	–	–	0	0
Balance at Dec. 31, 2011	**42**	**–**	**61**	**7,146**	**1,824**	**9,073**
Carrying amount at Dec. 31, 2011	**2,815**	**4,334**	**2,635**	**7,279**	**5,113**	**22,176**

* Figures adjusted because of the updated purchase price allocation for MAN.

Other intangible assets comprise in particular concessions, purchased customer lists and dealer relationships, industrial and similar rights, and licenses in such rights and assets.

Sensitivity analyses have shown that it is unnecessary to recognize impairment losses on goodwill and other indefinite-lived intangible assets, including where realistic variations are applied to key assumptions.

CHANGES IN INTANGIBLE ASSETS
BETWEEN JANUARY 1 AND DECEMBER 31, 2012

€ million	Brand names	Goodwill*	Capitalized costs for products under development	Capitalized development costs for products currently in use	Other intangible assets	Total*
Cost						
Balance at Jan. 1, 2012	**2,857**	**4,334**	**2,696**	**14,425**	**6,937**	**31,248**
Foreign exchange differences	40	130	–3	25	–109	83
Changes in consolidated Group	14,239	19,472	1,017	1,254	1,524	37,505
Additions	–	–	2,174	441	379	2,994
Transfers	–	–	–2,229	2,244	–14	1
Disposals	–	–	29	965	277	1,271
Balance at Dec. 31, 2012	**17,135**	**23,935**	**3,627**	**17,422**	**8,441**	**70,560**
Amortization and impairment						
Balance at Jan. 1, 2012	**42**	**–**	**61**	**7,146**	**1,824**	**9,073**
Foreign exchange differences	–1	–	0	16	–9	7
Changes in consolidated Group	0	–	–	0	18	18
Additions to cumulative amortization	14	–	2	1,910	1,591	3,517
Additions to cumulative impairment losses	–	–	1	38	3	42
Transfers	–	–	–17	17	3	3
Disposals	–	–	–	939	271	1,210
Reversal of impairment losses	–	–	20	28	0	48
Balance at Dec. 31, 2012	**56**	**–**	**27**	**8,160**	**3,158**	**11,401**
Carrying amount at Dec. 31, 2012	**17,079**	**23,935**	**3,599**	**9,262**	**5,282**	**59,158**

* Figures adjusted because of the updated purchase price allocation for MAN.

The reported brand names mainly relate to Porsche (€13,823 million), Scania Vehicles and Services (€1,134 million), MAN Commercial Vehicles (€1,145 million), MAN Power Engineering (€470 million) and Ducati (€404 million).

€18,871 million of the goodwill recognized as of December 31, 2012 relates to Porsche, €3,260 million (previous year: €3,139 million) to Scania Vehicles and Services, €708 million (previous year: €505 million) to MAN Commercial Vehicles, €290 million to Ducati, €257 million (previous year: €254 million) to MAN Power Engineering, €161 million (previous year: €157 million) to ŠKODA and €152 million (previous year: €153 million) to Porsche Holding Salzburg. €176 million (previous year: €98 million) of the remaining amount relates to the Passenger Cars and Light Commercial Vehicles segment, €46 million (previous year: €15 million) to the Financial Services segment and €13 million (previous year: €13 million) to unallocated areas. 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 2012, €2,615 million (previous year: €1,666 million) met the criteria for capitalization under IFRSs.

The following amounts were recognized as expenses:

€ million	2012	2011
Research and noncapitalized development costs	6,900	5,537
Amortization of development costs	1,951	1,697
Research and development costs recognized in the income statement	**8,851**	**7,234**

13 | Property, plant and equipment

CHANGES IN PROPERTY, PLANT AND EQUIPMENT BETWEEN JANUARY 1 AND DECEMBER 31, 2011

€ 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, 2011	**18,485**	**30,331**	**38,568**	**3,164**	**90,548**
Foreign exchange differences	–106	–292	–165	–13	–576
Changes in consolidated Group	2,723	942	344	174	4,184
Additions	516	1,161	2,402	3,780	7,859
Transfers	491	834	1,068	–2,461	–68
Disposals	150	1,445	681	29	2,304
Balance at Dec. 31, 2011	**21,959**	**31,531**	**41,537**	**4,616**	**99,643**
Depreciation and impairment					
Balance at Jan. 1, 2011	**9,151**	**23,366**	**32,128**	**55**	**64,701**
Foreign exchange differences	–36	–208	–151	–2	–396
Changes in consolidated Group	9	1	12	–	22
Additions to cumulative depreciation	625	1,710	2,571	11	4,917
Additions to cumulative impairment losses	10	17	367	6	399
Transfers	14	–13	18	–19	–1
Disposals	64	1,103	640	1	1,807
Reversal of impairment losses	–	56	0	12	68
Balance at Dec. 31, 2011	**9,710**	**23,714**	**34,305**	**39**	**67,767**
Carrying amount at Dec. 31, 2011	**12,249**	**7,818**	**7,232**	**4,577**	**31,876**
of which assets leased under finance lease contracts					
Carrying amount at Dec. 31, 2011	190	69	7	–	266

* Figures adjusted because of the updated purchase price allocation for MAN.

Future finance lease payments due, and their present values, are shown in the following table:

€ million	2012	2013 – 2016	from 2017	Total
Finance lease payments	88	241	232	562
Interest component of finance lease payments	44	86	89	220
Carrying amount/present value	**44**	**156**	**143**	**343**

CHANGES IN PROPERTY, PLANT AND EQUIPMENT BETWEEN JANUARY 1 AND DECEMBER 31, 2012

€ 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, 2012	**21,959**	**31,531**	**41,537**	**4,616**	**99,643**
Foreign exchange differences	–48	–67	–242	–40	–397
Changes in consolidated Group	1,537	397	1,482	399	3,816
Additions	810	1,873	3,498	4,009	10,190
Transfers	559	753	1,894	–3,295	–89
Disposals	183	830	1,671	32	2,716
Balance at Dec. 31, 2012	**24,633**	**33,657**	**46,499**	**5,657**	**110,446**
Depreciation and impairment					
Balance at Jan. 1, 2012	**9,710**	**23,714**	**34,305**	**39**	**67,767**
Foreign exchange differences	–33	–42	–191	–2	–268
Changes in consolidated Group	18	5	11	–	34
Additions to cumulative depreciation	754	2,059	3,143	12	5,969
Additions to cumulative impairment losses	15	5	15	0	36
Transfers	–4	–560	570	–12	–6
Disposals	144	783	1,572	0	2,500
Reversal of impairment losses	–	3	0	6	9
Balance at Dec. 31, 2012	**10,315**	**24,395**	**36,282**	**30**	**71,022**
Carrying amount at Dec. 31, 2012	**14,318**	**9,262**	**10,217**	**5,627**	**39,424**
of which assets leased under finance lease contracts					
Carrying amount at Dec. 31, 2012	285	55	19	–	358

* Figures adjusted because of the updated purchase price allocation for MAN.

Options to purchase buildings and plant leased under the terms of finance leases exist in most cases, and are also expected to be exercised. Interest rates on the leases vary between 1.6% and 11.0% (previous year: between 2.1% and 11.0%), depending on the market and the date of inception of the lease.

Future finance lease payments due, and their present values, are shown in the following table:

€ million	2013	2014 – 2017	from 2018	Total
Finance lease payments	49	178	270	497
Interest component of finance lease payments	13	38	27	78
Carrying amount/present value	**36**	**140**	**243**	**419**

For assets leased under operating leases, payments recognized in the income statement amounted to €1,164 million (previous year: €794 million). With respect to internally used assets, €1,024 million (previous year: €690 million) of this figure is attributable to minimum lease payments and €41 million (previous year: €7 million) to contingent lease payments. The payments of €99 million (previous year: €97 million) under subleases primarily relate to minimum lease payments.

Government grants of €418 million (previous year: €530 million) were deducted from the cost of property, plant and equipment, and noncash benefits received amounting to €4 million (previous year: €1 million) were not capitalized as the cost of assets.

14 | Leasing and rental assets and investment property

CHANGES IN LEASING AND RENTAL ASSETS AND INVESTMENT PROPERTY BETWEEN JANUARY 1 AND DECEMBER 31, 2011

€ million	Leasing and rental assets	Investment property	Total
Cost			
Balance at Jan. 1, 2011	**15,863**	**429**	**16,292**
Foreign exchange differences	283	6	289
Changes in consolidated Group	3,171	31	3,202
Additions	7,674	42	7,716
Transfers	0	34	34
Disposals	5,632	17	5,649
Balance at Dec. 31, 2011	**21,359**	**525**	**21,884**
Depreciation and impairment			
Balance at Jan. 1, 2011	**4,051**	**177**	**4,228**
Foreign exchange differences	58	1	58
Changes in consolidated Group	8	–	8
Additions to cumulative depreciation	2,584	10	2,594
Additions to cumulative impairment losses	87	1	88
Transfers	0	1	1
Disposals	2,051	4	2,055
Reversal of impairment losses	5	–	5
Balance at Dec. 31, 2011	**4,733**	**185**	**4,918**
Carrying amount at Dec. 31, 2011	**16,626**	**340**	**16,966**

The following payments from noncancelable leases and rental agreements were expected to be received over the coming years:

€ million	2012	2013 – 2016	from 2017	Total
Lease payments	2,032	2,356	40	4,427

CHANGES IN LEASING AND RENTAL ASSETS AND INVESTMENT PROPERTY BETWEEN JANUARY 1 AND DECEMBER 31, 2012

€ million	Leasing and rental assets	Investment property	Total
Cost			
Balance at Jan. 1, 2012	**21,359**	**525**	**21,884**
Foreign exchange differences	–215	–5	–220
Changes in consolidated Group	1,470	2	1,472
Additions	9,816	34	9,851
Transfers	–1	89	89
Disposals	6,976	19	6,996
Balance at Dec. 31, 2012	**25,453**	**626**	**26,079**
Depreciation and impairment			
Balance at Jan. 1, 2012	**4,733**	**185**	**4,918**
Foreign exchange differences	–69	–1	–70
Changes in consolidated Group	8	2	10
Additions to cumulative depreciation	3,498	14	3,512
Additions to cumulative impairment losses	99	0	99
Transfers	–3	6	3
Disposals	2,845	12	2,857
Reversal of impairment losses	2	1	3
Balance at Dec. 31, 2012	**5,419**	**194**	**5,612**
Carrying amount at Dec. 31, 2012	**20,034**	**433**	**20,467**

Leasing and rental 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 €758 million (previous year: €642 million). Operating expenses of €50 million (previous year: €53 million) were incurred for the maintenance of investment property in use. Expenses of €1 million (previous year: €2 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	2013	2014 – 2017	from 2018	Total
Lease payments	2,688	2,995	39	5,723

15 | Equity-accounted investments and other equity investments

CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS BETWEEN JANUARY 1 AND DECEMBER 31, 2011

€ million	Equity-accounted investments	Other equity investments	Total
Gross carrying amount at Jan. 1, 2011	**13,551**	**855**	**14,407**
Foreign exchange differences	91	0	91
Changes in consolidated Group	–3,863	1,756	–2,107
Additions	195	494	689
Transfers	–6	6	–
Disposals*	1,043	21	1,064
Changes recognized in profit or loss	2,740	–	2,740
Dividends	–1,487	–	–1,487
Other changes recognized in other comprehensive income*	83	175	258
Balance at Dec. 31, 2011	**10,261**	**3,264**	**13,526**
Impairment losses Balance at Jan. 1, 2011	**24**	**215**	**239**
Foreign exchange differences	1	–1	0
Changes in consolidated Group	–	0	0
Additions	–	13	13
Transfers	–	–	–
Disposals	–	11	11
Reversal of impairment losses	13	–	13
Balance at Dec. 31, 2011	**12**	**216**	**228**
Carrying amount at Dec. 31, 2011	**10,249**	**3,049**	**13,298**

* The presentation of the recognition of components of OCI in connection with changes in the basis of consolidation was adjusted.

CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS BETWEEN JANUARY 1 AND DECEMBER 31, 2012

€ million	Equity-accounted investments	Other equity investments	Total
Gross carrying amount at Jan. 1, 2012	**10,261**	**3,264**	**13,526**
Foreign exchange differences	–25	–3	–28
Changes in consolidated Group	–12,742	–46	–12,788
Additions	10,812	488	11,301
Transfers	0	0	–
Disposals	2	16	17
Changes recognized in profit or loss	3,226	–	3,226
Dividends	–3,925	–	–3,925
Other changes recognized in other comprehensive income	–243	419	176
Balance at Dec. 31, 2012	**7,362**	**4,107**	**11,469**
Impairment losses Balance at Jan. 1, 2012	**12**	**216**	**228**
Foreign exchange differences	0	–1	–1
Changes in consolidated Group	–	1	1
Additions	41	20	62
Transfers	–	–	–
Disposals	–	0	0
Reversal of impairment losses	–	–	–
Balance at Dec. 31, 2012	**53**	**236**	**290**
Carrying amount at Dec. 31, 2012	**7,309**	**3,870**	**11,179**

Equity-accounted investments include joint ventures in the amount of €6,870 million (previous year: €9,713 million) and associates in the amount of €439 million (previous year: €536 million).

€12,566 million of the changes in the consolidated Group concerning equity-accounted investments relates to the reclassification of the shares of Porsche Holding Stuttgart because of the initial consolidation of that company. The income of €10,716 million from the remeasurement of the existing shares held resulting from discontinuation of equity-method accounting was reported under additions.

Of the other changes recognized in other comprehensive income, €–245 million (previous year: €45 million) is attributable to joint ventures and €2 million (previous year: €39 million) to associates. They are mainly the result of foreign exchange differences in the amount of €–48 million (previous year: €–195 million), actuarial gains/losses in the amount of €–135 million (previous year: €8 million) and losses on the fair value measurement of cash flow hedges in the amount of €–185 million (previous year: €–172 million).

16 | Noncurrent and current financial services receivables

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2012	Fair value Dec. 31, 2012	Current	Noncurrent	Carrying amount Dec. 31, 2011	Fair value Dec. 31, 2011
Receivables from financing business								
Customer financing	17,277	34,460	51,737	52,439	15,321	29,675	44,995	46,092
Dealer financing	11,389	1,330	12,719	12,647	10,631	1,070	11,701	11,702
Direct banking	167	1	168	168	153	–	153	153
	28,832	**35,791**	**64,624**	**65,254**	**26,104**	**30,745**	**56,849**	**57,947**
Receivables from operating leases	204	–	204	204	166	–	166	166
Receivables from finance leases	7,875	13,994	21,868	21,944	7,484	11,705	19,188	19,375
	36,911	**49,785**	**86,696**	**87,402**	**33,754**	**42,450**	**76,204**	**77,489**

Noncurrent receivables from the customer financing business mainly bear fixed interest at rates of between 0.0% and 37.0% (previous year: 0.0% and 37.0%), depending on the market concerned. They have terms of up to 242 months (previous year: 242 months). The noncurrent portion of dealer financing is granted at interest rates of between 0.0% and 18.4% (previous year: 0.0% and 18.4%), depending on the country.

The receivables from customer financing and finance leases contained in financial services receivables of €86.7 billion (previous year: €76.2 billion) rose by €56 million as a result of a fair value adjustment from portfolio hedging (previous year: €46 million).

The receivables from customer and dealer financing are secured by vehicles or real property liens.

The receivables from dealer financing include €124 million (previous year: €104 million) receivable from 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, 2011 and December 31, 2012:

€ million	2012	2013 – 2016	from 2017	Total
Future payments from finance lease receivables	8,190	12,470	129	20,789
Unearned finance income from finance leases (discounting)	–706	–886	–8	–1,600
Present value of minimum lease payments outstanding at the reporting date	**7,484**	**11,584**	**121**	**19,188**

€ million	2013	2014 – 2017	from 2018	Total
Future payments from finance lease receivables	8,557	14,827	176	23,561
Unearned finance income from finance leases (discounting)	–683	–1,005	–5	–1,692
Present value of minimum lease payments outstanding at the reporting date	**7,875**	**13,822**	**171**	**21,868**

17 | Noncurrent and current other financial assets

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2012	Current	Noncurrent	Carrying amount Dec. 31, 2011
Positive fair value of derivatives	832	2,226	3,057	789	9,737	10,526
Marketable securities	–	1,612	1,612	–	1,470	1,470
Receivables from loans, bonds, profit participation rights (excluding Interest)	2,777	2,024	4,801	1,986	973	2,959
Miscellaneous financial assets	2,263	570	2,833	1,479	642	2,121
	5,872	**6,431**	**12,304**	**4,253**	**12,823**	**17,076**

The noncurrent and current financial assets previously reported in the "Other receivables and financial assets" item are presented in greater detail in fiscal year 2012. The prior-period figures were reclassified accordingly.

Other financial assets include receivables from related parties of €5,033 million (previous year: €2,811 million) and €3,625 million (previous year: €2,858 million) of collateral furnished 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.

With the exception of the noncurrent securities, there are no material restrictions on title or right of use in respect of the reported other financial assets. Default risks are accounted for by means of valuation allowances.

The positive fair values of derivatives relate to the following items:

€ million	Dec. 31, 2012	Dec. 31, 2011
Transactions for hedging		
foreign currency risk from assets using fair value hedges	11	47
foreign currency risk from liabilities using fair value hedges	16	59
interest rate risk using fair value hedges	671	528
interest rate risk using cash flow hedges	1	6
foreign currency and price risk from future cash flows (cash flow hedges)	1,802	791
Hedging transactions	**2,501**	**1,430**
Assets related to derivatives not included in hedging relationships	556	9,096
	3,057	**10,526**

The positive fair value of transactions for hedging price risk from future cash flows (cash flow hedges) amounted to €76 million (previous year: €121 million).

Positive fair values of €41 million (previous year: €57 million) were recognized from transactions for hedging interest rate risk (fair value hedges) used in portfolio hedges.

In the previous year, assets arising from derivatives not included in hedging relationships included in particular Volkswagen AG's call options to acquire the outstanding shares of Porsche Holding Stuttgart in the amount of €8,409 million.

Further details on derivative financial instruments as a whole are given in note 33 Financial risk management and financial instruments.

18 | Noncurrent and current other receivables

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2012	Current	Noncurrent	Carrying amount Dec. 31, 2011
Recoverable income taxes	3,092	76	3,168	2,963	39	3,002
Miscellaneous receivables	1,731	1,595	3,326	1,580	1,543	3,123
	4,823	**1,671**	**6,494**	**4,543**	**1,582**	**6,125**

Miscellaneous receivables include plan assets to fund post-employment benefits in the amount of €36 million (previous year: €48 million). This item also includes the share of the technical provisions attributable to reinsurers amounting to €131 million (previous year: €127 million).

There are no material restrictions on title or right of use in respect of the reported other receivables. Default risks are accounted for by means of valuation allowances.

Current other receivables are predominantly non-interest-bearing.

19 | Tax assets

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2012	Current	Noncurrent	Carrying amount Dec. 31, 2011
Deferred tax assets	–	7,915	7,915	–	6,333	6,333
Tax receivables	761	552	1,313	623	627	1,249
	761	**8,466**	**9,228**	**623**	**6,960**	**7,583**

€4,060 million (previous year: €3,553 million) of the deferred tax assets is due within one year.

20 | Inventories

€ million	Dec. 31, 2012	Dec. 31, 2011
Raw materials, consumables and supplies	3,506	3,429
Work in progress	3,504	3,324
Finished goods and purchased merchandise	18,015	17,383
Current leasing and rental assets	3,477	3,204
Payments on account	172	210
	28,674	**27,551**

Of the total inventories, €3,576 million (previous year: €2,543 million) is recognized at net realizable value. At the same time as the relevant revenue was recognized, inventories in the amount of €150,121 million were included in cost of sales (previous year: €124,813 million). Valuation allowances recognized as expenses in the reporting period amounted to €748 million (previous year: €333 million). Vehicles amounting to €260 million (previous year: €227 million) were assigned as collateral for partial retirement obligations.

21 | Trade receivables

€ million	Dec. 31, 2012	Dec. 31, 2011
Trade receivables from		
third parties	8,705	8,989
affiliated companies	167	196
joint ventures	1,191	1,267
associates	33	25
other investees and investors	3	1
	10,099	**10,479**

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 method. These are calculated as follows:

€ million	Dec. 31, 2012	Dec. 31, 2011
Contract costs and proportionate contract profit/loss of construction contracts	1,704	1,351
of which billed to customers	–11	–
Exchange rate effects	–2	4
PoC receivables, gross	1,691	1,355
Prepayments received	–1,475	–1,157
PoC receivables, net	**217**	**198**

Other payments received on account of construction contracts in the amount of €407 million (previous year: €1 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, 2012	Dec. 31, 2011
Bank balances	18,017	18,057
Checks, cash-in-hand, bills and call deposits	471	234
	18,488	**18,291**

Bank balances are held at various banks in different currencies and include time deposits as well as restricted cash (see also note 32).

24 | Equity

The subscribed capital of Volkswagen AG is composed of no-par value bearer shares with a notional value of €2.56. As well as ordinary shares, there are preferred shares that entitle the bearer to a €0.06 higher dividend than ordinary shares, but do not carry voting rights.

The subscribed capital is composed of 295,089,818 no-par value ordinary shares and 170,142,778 preferred shares. Volkswagen AG issued one ordinary share in connection with the contribution of Porsche SE's holding company operating business to Volkswagen AG in the course of a capital increase with a mixed noncash contribution (for further information, see the disclosures on the basis of consolidation).

Authorized capital of up to €110 million, expiring on April 18, 2017, was approved for the issue of new ordinary bearer shares or preferred shares based on the resolution by the Annual General Meeting on April 19, 2012.

Following the capital increase implemented in fiscal year 2010, there is still authorized capital of up to €179.4 million, resolved by the Extraordinary General Meeting on December 3, 2009 and expiring on December 2, 2014, to issue up to 70,095,502 new no-par value preferred bearer shares.

The Annual General Meeting on April 22, 2010 resolved to create contingent capital in the amount of up to €102.4 million expiring on April 21, 2015 that can be used to issue up to €5 billion in bonds with warrants and/or convertible bonds.

This authorization was exercised in the reporting period to issue a €2.5 billion mandatory convertible note to subscribe for 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. The minimum conversion price was set at €154.50, and the maximum conversion price is €185.40. The conversion price will be adjusted if certain events occur. The convertible note will be settled by issuing new preferred shares no later than at maturity. Based on the conversion prices given above, the mandatory convertible note entitles the holders of the convertible note to subscribe for a maximum of 16,181,229 and a minimum of 13,484,358 no-par value preferred shares of Volkswagen AG. There was no conversion in the reporting period. Volkswagen can convert the mandatory convertible note at any time at the minimum conversion price. Because of the fixed conversion ratio, the mandatory convertible note is recognized, net of transaction costs (€54 million) and the deferral of taxes (€133 million), in the capital reserves at an amount of €2,181 million and in the financial liabilities at an amount of €397 million.

CHANGE IN ORDINARY AND PREFERRED SHARES AND SUBSCRIBED CAPITAL

	SHARES		€	
	2012	2011	2012	2011
Balance at January 1	**465,232,595**	**465,188,345**	**1,190,995,443**	**1,190,882,163**
Capital increase	1	–	3	–
Stock option plan	–	44,250	–	113,280
Balance at December 31	**465,232,596**	**465,232,595**	**1,190,995,446**	**1,190,995,443**

The capital reserves comprise the share premium totaling €11,183 million (previous year: €9,087 million net of transaction costs of €84 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 €2,181 million in the reporting period due to the issuance of the mandatory convertible note. 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. Based on the annual financial statements of Volkswagen AG, net retained profits of €3,200 million are eligible for distribution. The Board of Management and Supervisory Board will propose to the Annual General Meeting that a total dividend of €1,639 million, i.e. €3.50 per ordinary share and €3.56 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 €3.00 per ordinary share and €3.06 per preferred share was distributed in fiscal year 2012.

NONCONTROLLING INTERESTS

The noncontrolling interests in equity are attributable primarily to shareholders of MAN SE and Scania AB.

25 | Noncurrent and current financial liabilities

The details of noncurrent and current financial liabilities are presented in the following table:

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2012	Current	Noncurrent	Carrying amount Dec. 31, 2011
Bonds*	12,822	36,883	49,705	11,917	24,029	35,947
Commercial paper and notes	9,206	12,687	21,892	7,732	7,537	15,269
Liabilities to banks	9,670	10,621	20,291	7,474	8,561	16,035
Deposit business	21,974	1,943	23,917	19,997	3,093	23,089
Loans and miscellaneous liabilities	355	1,074	1,428	1,901	923	2,825
Bills of exchange	0	–	0	24	–	24
Finance lease liabilities	33	396	429	44	299	343
	54,060	**63,603**	**117,663**	**49,090**	**44,442**	**93,532**

* Prior-period figures adjusted because of the updated purchase price allocation for MAN.

Of the financial liabilities reported in the consolidated balance sheet, a total of €2,496 million (previous year: €511 million) is secured, for the most part by real estate liens and leasing portfolios.

The deposits from direct banking business contained in the financial liabilities of €117.7 billion (previous year: €93.5 billion) increased by €3.4 million as a result of a fair value adjustment from portfolio hedging (previous year: increase of €6.3 million).

Asset-backed securities transactions amounting to €17,655 million (previous year: €14,478 million) entered into to refinance the financial services business are included in bonds, commercial paper and notes, and liabilities from loans. Receivables of €21,543 million (previous year: €16,795 million) from the customer finance and leasing business are pledged as collateral. The expected payments are assigned to special purpose vehicles and the financed vehicles transferred as collateral.

All 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% of the original transaction volume is outstanding. The asset-backed securities conduit transactions of Volkswagen Financial Services (UK) and Volkswagen Financial Services Japan are private transactions that can be terminated at fixed dates.

26 | Noncurrent and current other financial liabilities

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2012	Current	Noncurrent	Carrying amount Dec. 31, 2011
Negative fair values of derivative financial instruments	1,230	1,587	2,818	1,727	2,247	3,974
Interest payable	731	6	737	749	6	756
Miscellaneous financial liabilities	2,464	803	3,267	2,412	293	2,705
	4,425	**2,397**	**6,822**	**4,888**	**2,547**	**7,435**

The noncurrent and current financial liabilities previously reported in the "Other liabilities" item are presented in greater detail in fiscal year 2012. The prior-period figures were reclassified accordingly.

The negative fair values of derivatives relate to the following items:

€ million	Dec. 31, 2012	Dec. 31, 2011
Transactions for hedging		
foreign currency risk from assets using fair value hedges	21	14
foreign currency risk from liabilities using fair value hedges	53	85
interest rate risk using fair value hedges	238	168
interest rate risk using cash flow hedges	77	73
foreign currency and price risk from future cash flows (cash flow hedges)	1,822	2,607
Hedging transactions	**2,211**	**2,948**
Liabilities related to derivatives not included in hedging relationships	607	1,026
	2,818	**3,974**

Of the other financial liabilities reported in the consolidated balance sheet, a total of €744 million (previous year: €539 million) is secured, for the most part by real estate liens.

The negative fair value of transactions for hedging price risk from future cash flows (cash flow hedges) amounted to €26 million (previous year: €35 million).

Negative fair values of €158 million (previous year: €89 million) were recognized from transactions for hedging interest rate risk (fair value hedges) used in portfolio hedges.

In the previous year, liabilities from derivatives not included in hedging relationships included the put options written by Volkswagen AG to acquire the outstanding shares of Porsche Holding Stuttgart in the amount of €87 million.

Further details on derivative financial instruments as a whole are given in note 33 Financial risk management and financial instruments.

27 | Noncurrent and current other liabilities

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2012	Current	Noncurrent	Carrying amount Dec. 31, 2011
Payments on account received in respect of orders*	3,891	779	4,671	4,413	1,134	5,548
Liabilities relating to						
other taxes	1,652	388	2,040	1,681	322	2,003
social security	458	32	490	433	38	471
wages and salaries	2,730	715	3,446	2,842	459	3,301
Miscellaneous liabilities*	2,380	2,761	5,140	1,827	2,440	4,267
	11,111	**4,675**	**15,786**	**11,196**	**4,394**	**15,590**

* Prior-period figures adjusted because amounts were aggregated and because of the updated purchase price allocation for MAN.

28 | Tax liabilities

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2012	Current	Noncurrent	Carrying amount Dec. 31, 2011
Deferred tax liabilities*	–	9,050	9,050	–	4,055	4,055
Provisions for taxes	1,721	4,239	5,960	2,888	3,721	6,609
Current tax payables	238	–	238	844	–	844
	1,959	**13,289**	**15,248**	**3,732**	**7,776**	**11,508**

* Prior-period figures adjusted because of the updated purchase price allocation for MAN.

€14 million (previous year: €154 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.

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 Company. Current contributions are recognized as pension expenses of the period concerned. In 2012, they amounted to a total of €1,580 million (previous year: €1,237 million) in the Volkswagen Group. Of this figure, contributions to the compulsory state pension system in Germany amounted to €1,219 million (previous year: €925 million).

Most pension plans are defined benefit plans, with a distinction made between pensions financed by provisions and externally funded plans.

The pension provisions for defined benefits are measured 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 assumptions as to trends in the relevant variables affecting the level of benefits. All defined benefit plans require actuarial calculations. Actuarial gains or losses arise from changes in the number of beneficiaries and differences between actual trends (for example, in salary and pension increases or changes in interest rates) and the prior-year assumptions on which calculations were based. Actuarial gains and losses are recognized in other comprehensive income.

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. A one percentage point increase or decrease in the assumed healthcare cost trends would only marginally affect the amount of the obligations. €18 million (previous year: €16 million) was recognized in fiscal year 2012 as an expense for health care costs. The related carrying amount as of December 31, 2012 was €226 million (previous year: €196 million).

Since 1996, the occupational pension arrangements of the Volkswagen Group in Germany have been based on a specially developed expense-related pension model that is classified as a defined benefit plan under IAS 19. With effect from January 1, 2001, this model was developed into a pension fund, with the annual remuneration-linked contributions being invested in funds by Volkswagen Pension Trust e.V. as the trustee. By investing in funds, this model offers an opportunity for increasing benefit entitlements, while at the same time safeguarding them. For this reason, almost all Group companies in Germany have now joined the fund. Since the fund investments held by the trust meet the criteria in IAS 19 for classification as plan assets, they are deducted from the obligation.

Where the foreign Group companies provide collateral for obligations, this mainly takes the form of shares, fixed-income securities and real estate.

The following amounts were recognized in the balance sheet for defined benefit plans:

€ million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Present value of funded obligations	8,824	7,228	4,885	4,120	3,240
Fair value of plan assets	7,288	6,559	4,554	3,852	3,153
Funded status (net)	1,536	668	331	268	87
Present value of unfunded obligations	22,361	16,023	14,986	13,552	12,743
Unrecognized past service cost	29	33	35	36	22
Amount not recognized as an asset because of the limit in IAS 19	7	14	22	26	34
Net liability recognized in the balance sheet	**23,933**	**16,739**	**15,375**	**13,881**	**12,886**
of which provisions for pensions	23,969	16,787	15,432	13,936	12,955
of which other assets	36	48	57	54	69

The present value of the obligations is calculated as follows:

€ million	2012	2011
Present value of obligations at January 1	**23,251**	**19,871**
Current service cost	573	391
Interest cost	1,102	994
Actuarial gains/losses	5,697	821
Employee contributions to plan assets	41	25
Pension payments from company assets	762	679
Pension payments from plan assets	210	123
Past service cost	–10	–10
Gains from plan curtailments and settlements	0	–8
Settlements	–	–14
Changes in consolidated Group	1,485	2,056
Other changes	84	–19
Foreign exchange differences from foreign plans	–67	–54
Present value of obligations at December 31	**31,185**	**23,251**

Changes in the composition of the plan assets are shown in the following table:

€ million	2012	2011
Fair value of plan assets at January 1	**6,559**	**4,554**
Expected return on plan assets	342	272
Actuarial gains/losses	108	–184
Employer contributions to plan assets	440	391
Employee contributions to plan assets	41	25
Pension payments from plan assets	210	123
Settlements	–	14
Changes in consolidated Group	60	1,706
Other changes	6	–36
Foreign exchange differences from foreign plans	–59	–30
Fair value of plan assets at December 31	**7,288**	**6,559**

Investment of the plan assets to cover future pension obligations resulted in income in the amount of €450 million (previous year: €88 million).

Plan assets include €20 million (previous year: €17 million) invested in Volkswagen Group assets and €7 million (previous year: €11 million) in Volkswagen Group debt instruments.

The rate for the expected long-term return on plan assets is based on the long-term returns actually generated for the portfolio, historical overall market returns and a forecast of expected returns on the securities classes held in the portfolio. The forecasts are based on detailed analyses by actuaries and experts in the investment industry. As the remaining period of service is used as the investment horizon, no major changes were made to assumptions regarding the expected return.

Employer contributions to plan assets in the next fiscal year are expected to amount to €485 million (previous year: €426 million).

Plan assets consist of the following components:

%	2012	2011
Equities	25.3	24.9
Fixed-income securities	56.1	58.6
Cash	6.7	2.6
Real estate	3.3	3.7
Other	8.6	10.3

The following amounts were recognized in the income statement:

€ million	2012	2011
Current service cost	573	391
Interest cost	1,102	994
Expected return on plan assets	342	272
Past service cost	–10	–10
Gains from plan curtailments and settlements	0	–8
Net income and expenses recognized in profit or loss	**1,324**	**1,095**

The above amounts are generally included in the personnel costs of the functions in the income statement. Interest cost on pension provisions and the expected return on plan assets are presented in finance costs.

€6,900 million (previous year: €2,965 million) of actuarial gains and losses, including non-controlling interests, recognized in the balance sheet was debited to equity.

The experience adjustments, meaning differences between changes in assets and obligations expected on the basis of actuarial assumptions and actual changes in those assets and obligations, are shown in the following table:

€ million	2012	2011	2010	2009	2008
Differences between expected and actual developments:					
as % of present value of the obligation	0.85	–0.79	0.39	1.16	–1.04
as % of fair value of plan assets	1.45	–2.50	0.13	3.16	–10.47

Calculation of the pension provisions was based on the following assumptions:

%	GERMANY 2012	GERMANY 2011	ABROAD 2012	ABROAD 2011
Discount rate at December 31	3.20	4.60	4.66	5.39
Expected return on plan assets	4.12	4.14	5.85	6.78
Salary trend	2.78	2.80	3.87	3.81
Pension trend	1.80	1.55	2.29	2.67
Employee turnover rate	1.02	1.10	4.22	4.20
Annual increase in healthcare costs	–	–	6.08	6.72

30 | Noncurrent and current other provisions

€ million	Obligations arising from sales	Employee expenses	Miscellaneous provisions*	Total*
Balance at Jan. 1, 2011	**12,561**	**3,158**	**6,964**	**22,683**
Foreign exchange differences	21	–10	–96	–85
Changes in consolidated Group	966	221	1,467	2,654
Utilized	5,180	1,564	1,435	8,179
Additions/New provisions	7,516	2,897	3,457	13,870
Interest cost	118	11	20	148
Reversals	632	190	1,030	1,852
Balance at Dec. 31, 2011	**15,370**	**4,524**	**9,346**	**29,240**
of which current	7,398	2,682	5,925	16,005
of which noncurrent	7,972	1,842	3,421	13,235
Balance at Jan. 1, 2012	**15,370**	**4,524**	**9,346**	**29,240**
Foreign exchange differences	–119	–26	–157	–302
Changes in consolidated Group	988	482	407	1,877
Utilized	6,025	2,468	2,731	11,223
Additions/New provisions	7,780	3,029	3,108	13,917
Interest cost	246	110	5	361
Reversals	1,116	141	1,550	2,807
Balance at Dec. 31, 2012	**17,124**	**5,509**	**8,429**	**31,062**
of which current	8,487	3,272	4,930	16,689
of which noncurrent	8,637	2,237	3,499	14,373

* Prior-period figures adjusted because of the updated purchase price allocation for MAN.

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 claims, 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, the part-time scheme for employees near to retirement, severance payments and similar obligations, among other things.

Miscellaneous provisions relate to a wide range of identifiable specific risks and uncertain obligations, which are measured in the amount of the expected settlement value.

Miscellaneous provisions include provisions amounting to €293 million relating to the insurance business (previous year: €242 million).

31 | Trade payables

€ million	Dec. 31, 2012	Dec. 31, 2011
Trade payables to		
third parties	16,978	16,100
affiliated companies	80	129
joint ventures	136	83
associates	68	11
other investees and investors	6	3
	17,268	**16,325**

Additional Balance Sheet Disclosures in Accordance with IFRS 7 (Financial Instruments)

CARRYING AMOUNT OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY UNDER IAS 39

€ million	Dec. 31, 2012	Dec. 31, 2011
Financial assets at fair value through profit or loss	556	9,096
Loans and receivables	102,451	92,163
Available-for-sale financial assets	11,306	9,197
Financial liabilities at fair value through profit or loss	607	1,026
Financial liabilities measured at amortized cost*	138,506	112,975

* Prior-period figures adjusted because of the updated purchase price allocation for MAN.

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 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 deemed to be their carrying amount.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2011

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT DEC. 31, 2011
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	
Noncurrent assets					
Equity-accounted investments	–	–	–	10,249	10,249
Other equity investments	2,033	1,015	1,015	–	3,049
Financial services receivables	–	42,450	43,735	–	42,450
Other financial assets	9,737	3,085	3,116	–	12,823
Current assets					
Trade receivables	–	10,479	10,479	–	10,479
Financial services receivables	–	33,754	33,754	–	33,754
Other financial assets	789	3,464	3,464	–	4,253
Marketable securities	6,146	–	–	–	6,146
Cash, cash equivalents and time deposits	–	18,291	18,291	–	18,291
Noncurrent liabilities					
Noncurrent financial liabilities*	–	44,442	45,572	–	44,442
Other noncurrent financial liabilities	2,247	299	298	–	2,547
Current liabilities					
Current financial liabilities	–	49,090	49,090	–	49,090
Trade payables	–	16,325	16,325	–	16,325
Other current financial liabilities	1,727	3,161	3,161	–	4,888

* Prior-period figures adjusted because of the updated purchase price allocation for MAN.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS
AS OF DECEMBER 31, 2012

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT DEC. 31, 2012
	Carrying amount	Carrying amount	Fair value	Carrying amount	
Noncurrent assets					
Equity-accounted investments	–	–	–	7,309	7,309
Other equity investments	2,606	1,265	1,265	–	3,870
Financial services receivables	–	49,785	50,491	–	49,785
Other financial assets	2,226	4,206	4,279	–	6,431
Current assets					
Trade receivables	–	10,099	10,099	–	10,099
Financial services receivables	–	36,911	36,911	–	36,911
Other financial assets	832	5,041	5,041	–	5,872
Marketable securities	7,433	–	–	–	7,433
Cash, cash equivalents and time deposits	–	18,488	18,488	–	18,488
Noncurrent liabilities					
Noncurrent financial liabilities	–	63,603	66,183	–	63,603
Other noncurrent financial liabilities	1,587	810	816	–	2,397
Current liabilities					
Current financial liabilities	–	54,060	54,060	–	54,060
Trade payables	–	17,268	17,268	–	17,268
Other current financial liabilities	1,230	3,195	3,195	–	4,425

BALANCE SHEET ITEMS MEASURED AT FAIR VALUE

€ million	Dec. 31, 2011	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Derivatives	10,526	–	1,942	8,584
Available-for-sale financial assets				
Other equity investments	2,033	2,033	–	–
Marketable securities	6,146	6,122	24	–
Financial assets measured at fair value	**18,706**	**8,156**	**1,966**	**8,584**
Financial liabilities at fair value through profit or loss				
Derivatives	3,974	–	3,379	595
Financial liabilities measured at fair value	**3,974**	**–**	**3,379**	**595**

€ million	Dec. 31, 2012	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Derivatives	3,057	–	2,939	119
Available-for-sale financial assets				
Other equity investments	2,606	2,606	–	–
Marketable securities	7,433	7,419	14	–
Financial assets measured at fair value	**13,096**	**10,025**	**2,953**	**119**
Financial liabilities at fair value through profit or loss				
Derivatives	2,818	–	2,757	60
Financial liabilities measured at fair value	**2,818**	**–**	**2,757**	**60**

The allocation of fair values to the three levels in the fair value hierarchy is based on the availability of observable market prices in an active market. Level 1 is used to report the fair value of financial instruments for which a quoted price is available. Examples include marketable securities and other equity investments measured at fair value. Fair values in Level 2, e.g. of derivatives, are measured on the basis of market inputs such as exchange rates or yield curves using market-based valuation techniques. Level 3 fair values are calculated using valuation techniques that incorporate inputs that are not directly 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. Options on equity instruments and residual value protection models are also reported in Level 3. This mainly relates to the options on the outstanding shares of Porsche Holding Stuttgart until July 31, 2012.

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, 2011	**2,118**	**396**
Foreign exchange differences	0	0
Total comprehensive income	6,565	–298
recognized in profit or loss	6,541	–216
recognized in other comprehensive income	23	–81
Additions (purchases)	–	–
Sales and settlements	–	83
Transfers into Level 2	–98	–15
Balance at Dec. 31, 2011	**8,584**	**595**
Total gains or losses recognized in profit or loss	**6,541**	**–216**
Net other operating expense/income	90	–116
of which attributable to assets/liabilities held at the reporting date	90	–116
Financial result	6,452	–100
of which attributable to assets/liabilities held at the reporting date	6,414	17

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2012	**8,584**	**595**
Foreign exchange differences	0	0
Total comprehensive income	1,784	486
recognized in profit or loss	1,785	423
recognized in other comprehensive income	–1	63
Additions (purchases)	–	–
Sales and settlements	–10,199	21
Transfers into Level 2	–51	–28
Balance at Dec. 31, 2012	**119**	**60**
Total gains or losses recognized in profit or loss	**1,785**	**423**
Net other operating expense/income	9	–3
of which attributable to assets/liabilities held at the reporting date	–13	24
Financial result	1,776	426
of which attributable to assets/liabilities held at the reporting date	3	–228

The transfers out of Level 3 into Level 2 comprise commodity futures for which observable quoted prices are now available again for measurement purposes due to the decline in their remaining maturities; consequently, no extrapolation is required.

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, 2012, profit would have been €4 million (previous year: €34 million) higher (lower) and equity would have been €18 million (previous year: €38 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 €14 million (previous year: €1,322 million) higher. If the assumed enterprise values had been 10% lower, profit would have been €25 million (previous year: €1,324 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, 2012, profit after tax would have been €162 million higher. If the prices for the used cars covered by the residual value protection model had been 10% lower as of December 31, 2012, profit after tax would have been €162 million lower.

CHANGES IN CREDIT RISK VALUATION ALLOWANCES ON FINANCIAL ASSETS

€ million	Specific valuation allowances	Portfolio-based valuation allowances	2012	Specific valuation allowances	Portfolio-based valuation allowances	2011
Balance at Jan. 1	**1,983**	**1,050**	**3,033**	**1,951**	**685**	**2,636**
Exchange rate and other changes	–20	–13	–34	–24	–6	–31
Changes in consolidated Group	46	13	59	38	19	57
Additions	901	383	1,284	834	484	1,318
Utilization	399	–	399	382	–	382
Reversals	416	203	619	442	124	566
Reclassification	–23	23	0	8	–8	–
Balance at Dec. 31	**2,072**	**1,253**	**3,325**	**1,983**	**1,050**	**3,033**

The valuation allowances mainly relate to the credit risks associated with the financial services business.

The receivables from customer financing and trade receivables include transferred receivables in the total amount of €570 million and €8 million respectively that were not derecognized in their entirety because the credit risk remains with the Volkswagen Group. The total purchase price received of €553 million and €8 million, respectively, is reported in financial liabilities. The fair values of the receivables and liabilities are not materially different to their carrying amounts.

Other Disclosures

32 | 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 format of the balance sheet.

Cash flows from operating activities are derived indirectly from profit before tax. Profit before tax is adjusted to eliminate noncash expenditures (mainly depreciation and amortization) and income. Other noncash income and expenses include in particular income from the remeasurement of the Porsche call option amounting to €1,875 million (previous year: €6,554 million). This results in cash flows from operating activities after accounting for changes in working capital, which also include changes in leasing and rental 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 a mandatory convertible note (€2,048 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 2012, cash flows from operating activities include interest received amounting to €5,740 million (previous year: €7,202 million) and interest paid amounting to €3,915 million (previous year: €4,796 million). In addition, the share of profits and losses of equity-accounted investments (note 7) includes dividends amounting to €3,925 million (previous year: €1,487 million).

Dividends amounting to €1,406 million (previous year: €1,034 million) were paid to Volkswagen AG shareholders.

€ million	Dec. 31, 2012	Dec. 31, 2011
Cash, cash equivalents and time deposits as reported in the balance sheet	18,488	18,291
Time deposits and restricted cash	–694	–1,796
Cash and cash equivalents as reported in the cash flow statement	17,794	16,495

Time deposits and restricted cash are not classified as cash equivalents. Time deposits have a contractual maturity of more than three months. Restricted cash at the reporting date amounted to €128 million (previous year: €– million). The maximum default risk corresponds to its carrying amount.

33 | 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. At present, the Scania and MAN subgroups are not centrally coordinated by Group Treasury due to reasons of time or legal restrictions related to stock exchange law. Additionally, the integration process for both Porsche Holding Stuttgart and Porsche Holding GmbH, Salzburg (Porsche Holding Salzburg) has not yet been fully completed. All of these companies 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 234.

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 €65,267 million (previous year: €59,237 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. 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 prime-rated national and international counterparties. Risk is additionally limited by a limit system based primarily on credit assessments by the international rating agencies and on the equity base of the counterparties concerned.

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. By contrast, a significant portion of the Group-wide cash and capital investments, as well as derivatives, was attributable to the German public banking sector as a whole.

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, 2012	Neither past due nor impaired	Past due and not impaired	Impaired	Dec. 31, 2011
Measured at amortized cost								
Financial services receivables	83,104	2,767	3,333	89,204	73,332	2,356	2,825	78,513
Trade receivables	7,055	3,111	378	10,544	7,674	2,688	343	10,706
Other receivables	8,832	73	512	9,417	6,460	69	523	7,052
	98,991	**5,951**	**4,223**	**109,165**	**87,467**	**5,113**	**3,691**	**96,271**

There are no past due financial instruments measured at fair value in the Volkswagen Group. In fiscal year 2012, marketable securities measured at fair value with a cost of €85 million (previous year: €73 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, 2012	Risk class 1	Risk class 2	Dec. 31, 2011
Measured at amortized cost						
Financial services receivables	67,630	15,475	83,104	62,252	11,080	73,332
Trade receivables	7,054	1	7,055	7,674	0	7,674
Other receivables	8,796	36	8,832	6,427	33	6,460
Measured at fair value	10,108	–	10,108	16,387	–	16,387
	93,587	**15,512**	**109,099**	**92,740**	**11,114**	**103,854**

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, 2011
Measured at amortized cost				
Financial services receivables	1,743	591	22	2,356
Trade receivables	1,626	561	502	2,688
Other receivables	36	10	23	69
Measured at fair value	–	–	–	–
	3,404	**1,162**	**546**	**5,113**

€ million	PAST DUE BY up to 30 days	30 to 90 days	more than 90 days	GROSS CARRYING AMOUNT Dec. 31, 2012
Measured at amortized cost				
Financial services receivables	2,206	536	24	2,767
Trade receivables	1,677	868	566	3,111
Other receivables	37	7	29	73
Measured at fair value	–	–	–	–
	3,920	**1,411**	**620**	**5,951**

Collateral that was accepted for financial assets in the current fiscal year was recognized in the balance sheet in the amount of €129 million (previous year: €86 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. There were no significant risk concentrations in the past fiscal year.

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 under one year	within one to five years	over five years	2012	REMAINING CONTRACTUAL MATURITIES under one year	within one to five years	over five years	2011
Financial liabilities	56,609	61,032	6,273	123,914	50,978	43,375	5,009	99,363
Trade payables	17,264	4	–	17,269	16,323	3	–	16,326
Other financial liabilities	3,196	729	96	4,021	3,313	273	104	3,690
Derivatives	51,425	56,029	78	107,532	46,699	51,150	156	98,005
	128,494	**117,794**	**6,447**	**252,736**	**117,313**	**94,801**	**5,269**	**217,383**

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 37, classified by contractual maturities.

The maximum potential liability under financial guarantees amounted to €846 million as of December 31, 2012 (previous year: €542 million). Financial guarantees are assumed to be due immediately in all cases. They relate primarily to guarantees. The year-on-year increase is primarily due to the initial consolidation of the newly acquired companies in the reporting period.

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, Porsche Holding Stuttgart and Porsche Holding 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	2012	2011
Hedging instruments used in fair value hedges	12	206
Hedged items used in fair value hedges	–119	–220
Ineffective portion of cash flow hedges	0	–7

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 shown 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 2012, €958 million (previous year: €–71 million) from the cash flow hedge reserve was transferred to the other operating result, reducing earnings, while €14 million (previous year: €29 million) was transferred to the financial result, reducing earnings, and €–21 million (previous year: €–24 million) was included in the cost of sales, increasing earnings.

The Volkswagen Group uses two different methods to present market risk from nonderivative and derivative financial instruments in accordance with IFRS 7. A value-at-risk model is used to measure foreign currency and interest rate risk in the Volkswagen Financial Services subgroup, while market risk in the other Group companies is determined using a sensitivity analysis. The value-at-risk calculation entails determining potential changes in financial instruments in the event of variations in interest and exchange rates using a historical simulation based on the last 1,000 trading days. Other calculation parameters are a holding period of 40 days and a confidence level of 99%. 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 performed in 2012 as part of foreign currency risk management related primarily to the US dollar, sterling, the Chinese renminbi, the Russian ruble, the Swedish krona, the Mexican peso, the Australian dollar and the Korean won.

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, 2012 +10%	DEC. 31, 2012 –10%	DEC. 31, 2011 +10%	DEC. 31, 2011 –10%
Exchange rate				
EUR/USD				
Hedging reserve	2,000	–1,863	1,519	–1,471
Profit after tax	–367	266	–207	185
EUR/GBP				
Hedging reserve	1,200	–1,200	897	–897
Profit after tax	–53	53	3	–3
EUR/CNY				
Hedging reserve	716	–660	271	–271
Profit after tax	4	–34	–76	76
EUR/CHF				
Hedging reserve	385	–380	354	–354
Profit after tax	–8	5	–6	6
EUR/JPY				
Hedging reserve	207	–200	189	–189
Profit after tax	–17	11	9	–9
EUR/SEK				
Hedging reserve	148	–148	125	–125
Profit after tax	–49	49	–26	26
EUR/CAD				
Hedging reserve	115	–113	92	–92
Profit after tax	–19	15	0	0
EUR/AUD				
Hedging reserve	108	–108	97	–97
Profit after tax	–7	7	–23	23
CZK/GBP				
Hedging reserve	104	–104	88	–88
Profit after tax	0	0	0	0
EUR/CZK				
Hedging reserve	52	–52	73	–73
Profit after tax	–39	39	–36	36
CZK/USD				
Hedging reserve	81	–81	62	–62
Profit after tax	–2	2	–2	2
EUR/RUB				
Hedging reserve	29	–29	9	–9
Profit after tax	–40	40	–49	49
EUR/HUF				
Hedging reserve	–58	58	–58	58
Profit after tax	2	–2	3	–3

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.

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, 2012, equity would have been €126 million (previous year: €60 million) lower. If market interest rates had been 100 bps lower as of December 31, 2012, equity would have been €103 million (previous year: €58 million) higher.

If market interest rates had been 100 bps higher as of December 31, 2012, profit after tax would have been €81 million (previous year: €120 million) higher. If market interest rates had been 100 bps lower as of December 31, 2012, profit after tax would have been €67 million (previous year: €124 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, copper 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 metals, coal and rubber had been 10% higher (lower) as of December 31, 2012, profit after tax would have been €114 million (previous year: €169 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, 2012, equity would have been €65 million (previous year: €84 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, 2012, equity would have been €222 million (previous year: €159 million) higher. If share prices had been 10% lower as of December 31, 2012, equity would have been €233 million (previous year: €159 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, 2012, the value at risk was €87 million (previous year: €167 million) for interest rate risk and €144 million (previous year: €168 million) for foreign currency risk.

The entire value at risk for interest rate and foreign currency risk at the Volkswagen Financial Services subgroup was €155 million (previous year: €196 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

€ million	REMAINING TERM under one year	within one to five years	over five years	TOTAL NOTIONAL AMOUNT Dec. 31, 2012	TOTAL NOTIONAL AMOUNT Dec. 31, 2011
Notional amount of hedging instruments used in cash flow hedges:					
Interest rate swaps	1,232	4,735	–	5,967	8,954
Currency forwards	36,838	45,454	–	82,293	73,118
Currency options	4,284	8,696	–	12,980	812
Currency swaps	410	501	–	912	647
Cross-currency swaps	432	1,088	17	1,538	1,586
Commodity futures contracts	284	599	–	884	1,133
Notional amount of other derivatives:					
Interest rate swaps	18,109	41,638	1,895	61,642	51,832
Interest rate option contracts	–	–	40	40	63
Currency forwards	6,392	1,001	1	7,394	7,175
Other currency options	254	30	7	290	175
Currency swaps	5,680	121	–	5,800	4,768
Cross-currency swaps	2,363	6,557	7	8,928	7,560
Commodity futures contracts	965	758	–	1,723	2,771

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 whose remaining maturity is under one year with a notional amount of €1.5 billion (previous year: €1.5 billion), and options on equity instruments whose remaining maturity is more than one year with a notional amount of €– billion (previous year: €7.8 billion). In the previous year, this mainly related to options on the outstanding shares of Porsche Holding Stuttgart.

Existing cash flow hedges in the notional amount of €76 million were discontinued because of a reduction in the projections. €3 million was transferred from the cash flow hedge reserve to the other financial result, increasing 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:

as %	EUR	USD	GBP	CNY	RUB	SEK	MXN	AUD	KRW
Interest rate for six months	0.3200	0.5083	0.6669	4.1000	7.6600	1.7275	4.3700	3.3700	2.9300
Interest rate for one year	0.5420	0.8435	1.0138	4.4002	7.3900	1.9425	4.5300	3.6820	2.9600
Interest rate for five years	0.7650	0.8215	1.0179	4.2100	7.4500	1.5230	5.1100	3.2900	2.8950
Interest rate for ten years	1.5650	1.7425	1.8630	4.2500	7.9700	2.0350	5.3450	3.8250	3.1225

34 | Capital management

The goal of capital management is to ensure that the Group can effectively achieve its goals and strategies 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 addition, the goals of the Financial Services Division are to meet the banking supervisory authorities' regulatory capital requirements, to support its external rating by ensuring capital adequacy and to procure equity for the growth planned in the next fiscal years. 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.

The Volkswagen Group's financial target system focuses systematically on continuously and sustainably increasing the value of the Company. In order to maximize the use of resources in the Automotive Division and to measure the success of this, we have been using value contribution, a control variable linked to the cost of capital, for a number of years.

The concept of value contribution not only allows overall performance to be measured in the Automotive Division, but also in the individual business units, projects and products. In addition, business units and product-specific investment projects can be managed operationally and strategically using the value contribution.

Equity and financial liabilities are compared in the following table:

€ million	Dec. 31, 2012	Dec. 31, 2011
Equity	**81,825**	**63,354**
Proportion of total equity and liabilities as %	26.4	25.0
Noncurrent financial liabilities*	63,603	44,442
Current financial liabilities	54,060	49,090
Total financial liabilities*	**117,663**	**93,532**
Proportion of total equity and liabilities as %	38.0	36.9
Total equity and liabilities*	**309,644**	**253,769**

* Prior-period figures adjusted because of the updated purchase price allocation for MAN.

35 | Contingent liabilities

€ million	Dec. 31, 2012	Dec. 31, 2011
Liabilities under guarantees	846	542
Liabilities under warranty contracts	96	89
Pledges on company assets as security for third-party liabilities	1,487	1,449
Other contingent liabilities	2,188	1,997
	4,617	**4,077**

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 €511 million (previous year: €449 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 pledge of company assets as security for third-party liabilities primarily include the pledge of claims under certificates of deposit with Bankhaus Metzler in the amount of €1.5 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.

36 | Litigation

The investigation launched in fiscal year 2010 by the UK Office of Fair Trading (OFT) into Volkswagen subsidiaries Scania and MAN SE was discontinued in fiscal year 2011 and forwarded to the European Commission. The investigations by the European Commission into MAN Truck & Bus AG and MAN Diesel & Turbo SE launched in fiscal year 2011 due to a suspected possible antitrust violation in the engines business were discontinued in fiscal year 2012. The investigation into Scania and MAN launched by the European Commission in fiscal year 2011 concerning alleged inappropriate exchange of information is continuing. Additionally, in fiscal years 2011/2012, the South Korean antitrust authorities conducted investigations at MAN Truck & Bus (Korea) Limited, Seoul/South Korea, and at the Scania-owned import company in South Korea. Such investigations normally take several years. It is still too early to judge whether these investigations pose any risk to Scania or MAN.

Based on indications of irregularities in the course of the handover of four-stroke marine diesel engines by MAN Diesel & Turbo SE, MAN SE's Executive Board launched an investigation by MAN SE's Compliance department and external advisers. This investigation has shown that it was possible to externally manipulate the technically calculated fuel consumption figures of four-stroke marine diesel engines on test beds operated by MAN Diesel & Turbo SE (formerly: MAN Diesel SE) such that the figures displayed differed from the actual test results. MAN informed the Munich Public Prosecution Office I about the investigation. The matter was transferred to the Augsburg Public Prosecution Office at the end of 2011 and is still ongoing.

In the course of their operating activities, Volkswagen AG and the companies in which it is directly or indirectly invested also 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. Particularly in cases where US customers 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.

37 | Other financial obligations

€ million	PAYABLE 2012	PAYABLE 2013 – 2016	PAYABLE from 2017	TOTAL Dec. 31, 2011
Purchase commitments in respect of				
property, plant and equipment	5,126	775	–	5,901
intangible assets	216	43	–	259
investment property	0	–	–	0
Obligations from				
loan commitments to unconsolidated subsidiaries	161	–	–	161
irrevocable credit commitments to customers	3,420	128	–	3,548
long-term leasing and rental contracts	644	1,616	2,193	4,453
Miscellaneous other financial obligations	3,943	707	77	4,727

€ million	PAYABLE 2013	PAYABLE 2014 – 2017	PAYABLE from 2018	TOTAL Dec. 31, 2012
Purchase commitments in respect of				
property, plant and equipment	6,755	1,170	–	7,925
intangible assets	428	98	–	525
investment property	1	–	–	1
Obligations from				
loan commitments to unconsolidated subsidiaries	95	–	–	95
irrevocable credit commitments to customers	2,747	151	284	3,183
long-term leasing and rental contracts	805	1,996	2,163	4,963
Miscellaneous other financial obligations	4,121	1,215	76	5,412

Other financial obligations from long-term leasing and rental contracts are partly offset by expected income from subleases of €626 million (previous year: €680 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.

38 | 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	2012	2011
Financial statement audit services	12	17
Other assurance services	4	3
Tax advisory services	0	0
Other services	4	10
	20	**31**

39 | Total expense for the period

€ million	2012	2011
Cost of materials		
Cost of raw materials, consumables and supplies, purchased merchandise and services	**122,450**	**104,648**
Personnel expenses		
Wages and salaries	24,050	19,360
Social security, post-employment and other employee benefit costs	5,453	4,494
	29,503	**23,854**

40 | Average number of employees during the year

	2012	2011
Performance-related wage-earners	222,487	196,666
Salaried staff	247,010	203,404
	469,497	**400,070**
of which in the passive phase of partial retirement	(6,386)	(4,276)
Vocational trainees	14,803	11,706
	484,300	**411,776**
Chinese manufacturing joint ventures	49,169	42,249
	533,469	**454,025**

41 | Events after the balance sheet date

There were no significant events after the end of fiscal year 2012.

42 | 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 can no longer 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.

Porsche SE contributed its holding company operating business to Volkswagen AG by way of singular succession on August 1, 2012. A more detailed description of the transaction, including the treatment of the options on the outstanding shares of Porsche Holding Stuttgart that existed until that date, is contained in the section entitled "Basis of consolidation – Consolidated subsidiaries".

In addition, the contribution of Porsche SE's holding company operating business to Volkswagen AG 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:

> Porsche SE had already issued an undertaking to Volkswagen AG, Porsche Holding Stuttgart and Porsche AG under an implementation agreement relating to the Comprehensive Agreement to indemnify those companies in relation to obligations arising from certain legal disputes, tax liabilities (including interest in accordance with section 233a of the Abgabenordnung (AO – German Tax Code)) and certain major losses. Unless otherwise described in the following, these indemnifications ceased to apply effective August 1, 2012 because of the contribution of Porsche SE's holding company operating business to Volkswagen AG.

> Moreover, Porsche SE had issued various guarantees relating to Porsche Holding Stuttgart and Porsche AG to Volkswagen AG under an implementation agreement relating to the Comprehensive Agreement. Among other things, these related to the proper issuance of and full payment for shares and capital contributions, to the ownership of the shares of Porsche Holding Stuttgart and Porsche AG, and to the existence of the approvals, permissions and industrial property rights required to operate the business activities of Porsche AG. Unless otherwise described in the following, these indemnifications ceased to apply effective August 1, 2012 because of the contribution of Porsche SE's holding company operating business to Volkswagen AG.

> 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.

- Until the date of the contribution, Volkswagen AG guaranteed loans made by Porsche Holding Stuttgart or Porsche AG to Porsche SE in the case that these loans fell due and could not be recovered because of the insolvency of Porsche Holding Stuttgart or Porsche AG, to the extent that these obligations could have been settled if the companies had not been insolvent on the due date by offsetting them against counterclaims against Porsche SE. As a result of the contribution of the holding company operating business, these loan liabilities were transferred to the Volkswagen Group with the effect of discharging the liability, such that Volkswagen AG can no longer have any guarantee obligations to Porsche SE.
- Volkswagen AG continues to indemnify Porsche SE internally against claims by the Einlagensicherungsfonds (German deposit protection fund) after Porsche SE submitted an indemnification agreement required by the Bundesverband Deutscher Banken (Association of German Banks) to the Einlagensicherungsfonds in August 2009. Volkswagen AG has also undertaken to indemnify the Einlagensicherungsfonds against any losses caused by measures taken by the latter in favor of a bank in which Volkswagen AG holds a majority interest.
- Under certain conditions, Porsche SE continues to indemnify Porsche Holding Stuttgart, Porsche AG and their legal predecessors against tax liabilities that exceed the obligations recognized in the financial statements of those companies relating to periods up to and including July 31, 2009. In return, Volkswagen AG has undertaken to pay to Porsche SE any tax benefits or tax refunds of Porsche Holding Stuttgart, Porsche AG and their legal predecessors and subsidiaries for tax assessment periods up to July 31, 2009.

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. The strike price for the two options amounted to €3,883 million and was subject to certain adjustments (see the disclosures on the basis of consolidation). In the course of the contribution, the legal position of Porsche SE under the put and call options was transferred to Volkswagen AG in each case such that the options were extinguished due to confusion of rights.

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.

To secure any potential remaining claims by Volkswagen AG under the agreement between Porsche SE and Volkswagen AG on the acquisition by Volkswagen AG of an interest in Porsche Holding Stuttgart, a purchase price retention mechanism had been agreed in favor of Volkswagen AG for the case that the put or call options were exercised. The corresponding agreements were extinguished in the course of the contribution of Porsche SE's holding company operating business to Volkswagen AG.

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 9, 2013, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover, held 20.00% of the voting rights of Volkswagen AG on December 31, 2012. 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 2012	SUPPLIES AND SERVICES RENDERED 2011	SUPPLIES AND SERVICES RECEIVED 2012	SUPPLIES AND SERVICES RECEIVED 2011
Porsche SE	5	1	3	0
Supervisory Board members	2	1	4	0
Board of Management members	0	0	1	0
Unconsolidated subsidiaries	1,084	1,207	771	766
Joint ventures and their majority interests[1]	14,195	12,699	1,853	1,526
Associates and their majority interests[2]	354	335	436	496
Pension plans	2	2	0	0
Other related parties	0	3	0	16
Porsche Holding Salzburg, its majority interests and joint ventures[3]	–	744	–	27
State of Lower Saxony, its majority interests and joint ventures	9	9	2	0

1 Porsche Holding Stuttgart and its majority interests until July 31, 2012.
2 Suzuki Motor Corporation until September 13, 2011 and MAN SE until November 9, 2011.
3 Until February 28, 2011.

€ million	RECEIVABLES FROM Dec. 31, 2012	RECEIVABLES FROM Dec. 31, 2011	OBLIGATIONS TO Dec. 31, 2012	OBLIGATIONS TO Dec. 31, 2011
Porsche SE	862	0	896	–
Supervisory Board members	0	0	215	162
Board of Management members	0	0	51	63
Unconsolidated subsidiaries	950	652	456	374
Joint ventures and their majority interests*	4,958	3,886	1,752	2,330
Associates and their majority interests	40	65	72	53
Pension plans	1	1	8	–
Other related parties	–	–	16	–
State of Lower Saxony, its majority interests and joint ventures	0	4	0	0

* Prior-period figures adjusted.

The table above does not contain the dividend payments of €3,925 million (previous year: €1,487 million) received from the joint ventures and dividends of €449 million (previous year: €329 million) paid to Porsche SE, nor does it contain the cash payment of €4,495 million made in connection with the contribution of Porsche SE's holding company operating business.

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 receivables from Porsche SE comprise a claim for payment of a corporation tax refund and a receivable under a loan agreement. The obligations to Porsche SE consist mainly of 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 €215 million (previous year: €162 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.

Outstanding balances for bonuses payable to Board of Management members existed in the amount of €46,520,000 at the end of the fiscal year (previous year: €61,075,000).

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:

€	2012	2011
Short-term benefits	65,134,654	78,005,219
Post-employment benefits	4,253,401	4,818,087
	69,388,055	**82,823,306**

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 45). The expenses shown above do not correspond to the definition of remuneration of members of the Board of Management and the Supervisory Board in accordance with the German Corporate Governance Code. Disclosures on pension provisions for members of the Board of Management can be found in note 45.

43 | 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-Piëch 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-Piëch 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-Piëch 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-Piëch 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-Piëch 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-Piëch 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-Piëch 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-Piëch 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-Piëch 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-Piëch 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-Piëch 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-Piëch 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-Piëch 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-Piëch 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 Daniel 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-Piëch 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-Piëch 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-Piëch 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-Piëch 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-Piëch GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany),

Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria
(Ferdinand Alexander Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Gerhard Anton Porsche GmbH, Salzburg/Austria
(Gerhard Porsche GmbH, Grünwald/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Louise Daxer-Piëch GmbH, Grünwald/Germany
(Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Ferdinand Alexander Porsche GmbH, Grünwald/Germany
(Familien Porsche-Daxer-Piëch Beteiligung GmbH, Grünwald/Germany; Porsche Automobil Holding SE, Stuttgart/Germany),

Gerhard Porsche GmbH, Grünwald/Germany
(Familien Porsche-Daxer-Piëch 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-Piëch 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 Piëch 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 Piëch GmbH, Grünwald/Germany),

Hans Michel Piëch GmbH, Grünwald/Germany
(Porsche Automobil Holding SE, Stuttgart/Germany),

Dipl.-Ing. Dr. h.c. Ferdinand Piëch, Austria
(Porsche Automobil Holding SE, Stuttgart/Germany; Ferdinand Piëch 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 Piëch 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 Piëch GmbH, Grünwald/Germany),

Ferdinand Piëch 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 l 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.

QATAR

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 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 9, 2013 that it held a total of 59,022,310 ordinary shares as of December 31, 2012. 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.

44 | German Corporate Governance Code

On November 23, 2012, 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 29, 2012, 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 2012, 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.man.eu.

The Executive and Supervisory Boards of Renk AG issued a declaration of conformity on December 14, 2012 and made it permanently available to the shareholders at www.renk.biz.

45 | Remuneration of the Board of Management and the Supervisory Board

€	2012	2011
Board of Management remuneration		
Non-performance-related remuneration	9,506,343	9,031,491
Performance-related remuneration	47,000,000	61,555,000
Supervisory Board remuneration		
Fixed remuneration components	651,625	380,521
Variable remuneration components	8,125,886	6,995,630
Loans to Supervisory Board members	25,000	12,500

The fixed remuneration of the Board of Management also includes differing levels of remuneration for appointments assumed at Group companies as well as the cost or cash equivalent of noncash and other benefits, such as the use of company cars and the payment of insurance premiums. Taxes due on the noncash benefits were mainly borne by Volkswagen AG. The variable remuneration paid to each member of the Board of Management comprises a bonus, which relates to business performance over the preceding two years, and, since 2010, a Long-Term Incentive (LTI) plan, which is based on the previous four fiscal years, subject to an introductory phase.

On December 31, 2012, the pension provisions for members of the Board of Management amounted to €103,535,287 (previous year: €78,627,844). 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 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 €8,797,230 (previous year: €8,618,915). Provisions for pensions for this group of people were recognized in the amount of €146,501,307 (previous year: €109,452,277).

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. Loans in the total amount of €25,000 (repayments in 2012: €1,667) have been granted to members of the Supervisory Board. The loans generally bear interest at a rate of 4% and have an agreed term of up to 15 years.

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 138). 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 12, 2013

Volkswagen Aktiengesellschaft

The Board of Management

Martin Winterkorn

Francisco Javier Garcia Sanz

Jochem Heizmann

Christian Klingler

Michael Macht

Horst Neumann

Leif Östling

Hans Dieter Pötsch

Rupert Stadler

Auditors’ Report

On completion of our audit, we issued the following unqualified auditors’ report dated February 13, 2013. This report was originally prepared in German. In case of ambiguities the German version takes precedence:

Auditors’ Report

We have audited the consolidated financial statements prepared by the VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, comprising the income statement and statement of comprehensive income, the balance sheet, the statement of changes in equity, the 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, 2012. 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 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 13, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser
German Public Auditor

Martin Schröder
German Public Auditor

Consumption and Emission Data

MODEL	OUTPUT kW (PS)	FUEL CONSUMPTION (l/100 km) urban	extra-urban	combined	CO_2 EMISSIONS (g/km) combined
Audi SQ5 3.0 TDI quattro tiptronic, 8-speed	230 (313)	7.6	6.4	6.8	179
Audi Q5 2.0 TFSI hybrid quattro tiptronic, 8-speed	180 (245)	6.6	7.1	6.9	159
Audi RS 4 Avant 4.2 FSI quattro S tronic, 7-speed	331 (450)	14.6	8.5	10.7	249
Audi RS 5 Cabriolet 4.2 FSI quattro S tronic, 7-speed	331 (450)	14.6	8.5	10.7	249
Audi RS 5 Coupé 4.2 FSI quattro S tronic, 7-speed	331 (450)	14.4	8.3	10.5	246
Audi A6 hybrid tiptronic, 8-speed	180 (245)	6.2	6.2	6.2	145
Audi S6 Avant 4.0 TSFI quattro S tronic, 7-speed	309 (420)	13.4	7.5	9.7	226
Audi S6 saloon 4.0 TFSI quattro S tronic, 7-speed	309 (420)	13.4	7.5	9.6	225
Audi S7 Sportback 4.0 TFSI quattro S tronic, 7-speed	309 (420)	13.4	7.5	9.6	225
Audi A8 2.0 TFSI hybrid tiptronic, 8-speed	180 (245)	6.4	6.2	6.3	147
Audi S8 4.0 TFSI quattro tiptronic, 8-speed	382 (520)	14.4	7.6	10.1	235
Bentley Continental GT	423 (575)	22.4	9.9	14.5	338
Bentley Continental GT V8	373 (507)	15.4	7.7	10.6	246
Bentley Continental GTC	423 (575)	23.0	10.1	14.9	347
Bentley Continental GTC V8	373 (507)	15.8	8.0	10.9	254
Bentley Continental GT Speed	460 (625)	22.4	9.9	14.5	338
Bentley Mulsanne	377 (512)	25.3	11.8	16.9	393
Lamborghini Aventador LP 700-4 Coupé	515 (700)	24.7	10.7	16.0	370
Lamborghini Aventador LP 700-4 Roadster	515 (700)	24.7	10.7	16.0	370
Lamborghini Gallardo LP 560-4 Coupé	412 (560)	20.7	9.6	13.7	325
Lamborghini Gallardo LP 560-4 Spyder	412 (560)	20.8	9.7	13.8	330
Porsche Cayenne S Hybrid	245 (333)	8.7	7.9	8.2	193
Porsche Cayenne S Diesel	281 (382)	10.0	7.3	8.3	218
Porsche Cayenne Turbo S	405 (550)	15.8	8.4	11.5	270
Porsche Panamera GTS	316 (430)	16.1	8.0	10.9	256
Porsche Panamera S Hybrid	245 (333)	8.3	6.4	7.1	167
SEAT Mii Ecofuel Ecomotive (CNG)	50 (68)	5.5 m^3 (3.6 kg)	3.8 m^3 (2.5 kg)	4.4 m^3 (2.9 kg)	79
ŠKODA Citigo CNG Green tec (CNG)	50 (68)	5.5 m^3 (3.6 kg)	3.8 m^3 (2.5 kg)	4.4 m^3 (2.9 kg)	79
Volkswagen Multivan BlueMotion 2.0 TDI	84 (114)	7.6	5.7	6.4	169
Volkswagen eco up! 1.0 EcoFuel (CNG)	50 (68)	5.5 m^3 (3.6 kg)	3.8 m^3 (2.5 kg)	4.4 m^3 (2.9 kg)	79
Volkswagen Golf 1.4 TSI ACT, 6-speed manual	103 (140)	5.8	4.2	4.7	109
Volkswagen Golf 1.4 TSI ACT, 7-speed-DSG	103 (140)	5.8	4.1	4.7	110
Volkswagen Jetta Hybrid 1.4 TSI	110 (150)	4.4	3.9	4.1	95
Volkswagen Polo BlueGT 1.4 TSI (DSG)	103 (140)	5.6	3.9	4.5	105
Volkswagen Polo GTI	132 (180)	7.5	5.1	5.9	139
Volkswagen Touareg Hybrid 3.0 V6 TSI	279 (380)	8.7	7.9	8.2	193

MODEL	FUEL CONSUMPTION (l/100 km) combined	CO_2 EMISSIONS (g/km) combined
Audi A1	5.9 – 3.8	139 – 99
Audi A1 Sportback	5.9 – 3.8	139 – 99
Audi A3	6.6 – 3.8	152 – 99
Audi A3 Sportback	5.6 – 3.8	130 – 99
Audi Q3	7.7 – 5.2	179 – 137
Audi TT	9.1 – 5.3	212 – 139
Audi A4	10.7 – 4.3	249 – 112
Audi A4 allroad quattro	7.3 – 5.8	170 – 152
Audi A4 Avant	10.7 – 4.4	249 – 116
Audi A4 saloon	9.4 – 4.3	190 – 112
Audi A5	10.5 – 4.5	246 – 119
Audi A5 Sportback	8.1 – 4.5	190 – 119
Audi Q5	8.5 – 5.3	199 – 139
Audi A6	9.7 – 4.9	226 – 129
Audi A6 allroad quattro	8.9 – 6.1	206 – 159
Audi S6	9.7 – 9.6	226 – 225
Audi A7	9.6 – 5.1	225 – 135
Audi Q7	10.7 – 7.2	249 – 189
Audi A8	10.1 – 6.0	235 – 147
Audi A8 L	11.9 – 6.4	277 – 149
Audi R8	14.9 – 12.4	349 – 289
Bentley Continental GT	14.5 – 10.6	338 – 246
Bentley Continental GTC	14.9 – 10.9	347 – 254
Lamborghini Gallardo	13.7 – 13.3	325 – 315
Lamborghini Gallardo Spyder	13.8 – 13.6	330 – 327
Porsche 911 Carrera	9.9 – 8.2	234 – 194
Porsche 911 Carrera Cabriolet	10.0 – 8.4	236 – 198
Porsche 911 Carrera 4S Coupé	9.9 – 9.1	234 – 215
Porsche Boxster	8.8 – 7.7	206 – 180
Porsche Boxster S	8.8 – 8.0	206 – 188
Porsche Cayenne	11.5 – 7.2	270 – 189
Porsche Cayman	8.8 – 7.7	206 – 180
Porsche Panamera	11.5 – 6.5	270 – 167
SEAT Alhambra	8.5 – 5.5	198 – 143
SEAT Altea	8.4 – 4.5	197 – 119
SEAT Exeo	7.7 – 4.5	179 – 117
SEAT Ibiza	5.9 – 3.3	139 – 87
SEAT Leon	5.2 – 3.8	120 – 99
SEAT Leon FR	5.9 – 4.1	137 – 106
SEAT Mii	4.7 – 4.1	108 – 95
SEAT Toledo	5.9 – 3.9	137 – 104

MODEL	FUEL CONSUMPTION (l/100 km) combined	CO_2 EMISSIONS (g/km) combined
ŠKODA Citigo	4.7 – 4.1	108 – 96
ŠKODA Fabia	6.2 – 3.4	148 – 89
ŠKODA Octavia	7.8 – 3.8	182 – 99
ŠKODA Octavia estate	7.8 – 4.1	182 – 107
ŠKODA Octavia saloon	7.7 – 3.8	180 – 99
ŠKODA Rapid	6.1 – 3.9	137 – 104
ŠKODA Roomster/Praktik	6.4 – 4.2	149 – 109
ŠKODA Superb	10.1 – 4.4	235 – 114
ŠKODA Yeti	8.0 – 4.6	189 – 119
Volkswagen Caddy	6.8 – 5.1	174 – 134
Volkswagen California	10.5 – 7.0	245 – 184
Volkswagen Multivan/Caravelle	10.5 – 6.4	245 – 169
Volkswagen Beetle	7.6 – 4.3	176 – 113
Volkswagen Beetle Convertible	7.8 – 4.5	180 – 118
Volkswagen CC	9.2 – 4.6	213 – 120
Volkswagen Eos	7.5 – 4.8	174 – 125
Volkswagen Golf	5.2 – 3.8	122 – 99
Volkswagen Golf Cabriolet	8.2 – 4.4	190 – 117
Volkswagen Golf Plus	6.5 – 4.3	153 – 114
Volkswagen Golf estate	6.4 – 4.2	149 – 109
Volkswagen Jetta	7.7 – 4.1	178 – 95
Volkswagen Passat	9.3 – 4.1	215 – 109
Volkswagen Passat Alltrack	8.6 – 5.2	199 – 135
Volkswagen Passat 1.4 TSI EcoFuel (CNG)	6.7 – 6.6 m^3 (4.3 kg)	119 – 117
Volkswagen Passat 1.4 TSI EcoFuel (petrol)	6.9 – 6.8	161 – 157
Volkswagen Phaeton	12.5 – 8.5	290 – 224
Volkswagen Polo	7.5 – 3.3	174 – 87
Volkswagen Polo BlueMotion	3.4 – 3.3	89 – 87
Volkswagen Scirocco	8.1 – 4.5	189 – 118
Volkswagen Sharan	8.4 – 5.5	196 – 143
Volkswagen Tiguan	8.6 – 5.3	199 – 139
Volkswagen Touareg	9.9 – 7.0	236 – 184
Volkswagen Touran	7.2 – 4.5	168 – 119
Volkswagen Touran 1.4 TSI EcoFuel (CNG)	7.6 – 7.0 m^3 (5.0 – 4.6 kg)	136 – 125
Volkswagen up!	4.7 – 4.1	108 – 95

Glossary

SELECTED TERMS AT A GLANCE

ASEAN
Association of Southeast Asian Nations. An international organization of Southeast Asian nations with political, economic and cultural aims that has been in existence since August 8, 1967.

Completely Knocked Down (CKD)
A method of manufacturing vehicles in which kits are manufactured for export to individual countries rather than complete vehicles.

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.

Continuous Improvement Process (CIP)
CIP aims to ensure the continuous optimization of product, process and service quality focused on corporate objectives. Inefficiencies are eliminated gradually and permanently and work methods are optimized through the systematic incorporation of employees' abilities and practical knowledge.

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 hedges 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).

Modular Longitudinal Toolkit (MLB)
The use of a modular strategy in vehicle platforms in which the drivetrain is mounted longitudinally to the direction of travel. This modular arrangement of all components enables maximum synergies to be achieved between the vehicle families.

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.

Penetration rate for financial services
The ratio of the leasing and financing business to total unit sales.

Plug-in-hybrid
Second-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.

Value drivers
Factors and measures that determine the earnings and value of a company. The efficiency of a company's value drivers can be measured by means of financial and non-financial performance indicators.

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 2013

MOTOR SHOWS

MARCH 7–17
International Motor Show, Geneva

MARCH 28–APRIL 7
New York International Auto Show, New York

APRIL 8–12
Hanover Trade Show, Hanover

APRIL 23–29
Auto Shanghai, Shanghai

MAY 11–19
Salón Internacional del Automóvil, Barcelona

SEPTEMBER 12–22
International Motor Show (IAA), Frankfurt

NOVEMBER 21–30
Los Angeles Auto Show, Los Angeles

NOVEMBER 23–DECEMBER 1
Tokyo Motor Show, Tokyo

DECEMBER 7–15
Bologna Motor Show, Bologna

FINANCIAL CALENDAR

MARCH 14
Volkswagen AG Annual Media Conference and Investor Conference

APRIL 25
Volkswagen AG Annual General Meeting (Hanover Exhibition Center)

APRIL 29
Interim Report January–March

JULY 31
Half-Yearly Financial Report

OCTOBER 31
Interim Report January–September

Chronicle 2012

January

January 6 Volkswagen builds new plant in Ningbo in southern China
The Volkswagen Group expands its production capacity in China and signs the contracts to build a new plant in Ningbo. The facility is scheduled for completion by 2014 and should produce approximately 300,000 vehicles every year.

January 9 North American International Auto Show
Volkswagen Passenger Cars kicks off the new automotive year in Detroit with the world premiere of the Jetta Hybrid and the E-Bugster concept car. Bentley unveils two new models – the Continental GT and the Continental GTC.

January 11 What Car? Awards 2012
The Volkswagen Group takes seven out of 13 categories in the British industry awards with its Volkswagen Passenger Cars, Audi and Seat brand vehicles. The jury of experts names the up! city car "Car of the Year", making it the overall winner.

January 19 Golden Angel 2012
In 2012, Volkswagen is again among the winners of this renowned ADAC award, with prizes in the "Car", "Innovation and Environment", "Car of the Future" and "Quality" categories. The ADAC is Germany's largest automobile club.

January 26 The Best Cars of 2012
The Volkswagen Group is voted the most successful company in the poll by readers of the German specialist journal "auto motor und sport", coming first in numerous categories. Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, Audi, SEAT and ŠKODA brand vehicles take the top honors.

February

February 21 up! wins gold iF product design award
The up! is a trendsetter in terms of design, too, winning a prestigious "iF product design award 2012" in gold for its innovative exterior.

March

March 2 Reader poll chooses the "Best brands in all classes"
The Volkswagen Group receives 23 awards in the new trend barometer, the "Best brands in all classes" reader poll, of the German magazine "AUTO BILD".

March 6 International Motor Show, Geneva
The Volkswagen Group presents a large number of new models and concept cars in Geneva. The Group also kicks off a fundamental environmental restructuring effort that aims to make Volkswagen the leading automobile manufacturer from an ecological perspective as well.

March 23 Production milestone in Wolfsburg
A Golf TSI BlueMotion car is the 40-millionth vehicle to roll off the production line at the Wolfsburg plant.

March 28 Double win in the "AUTO BILD Allrad" reader poll
More than 120,000 "AUTO BILD Allrad" readers vote on their favorite vehicles. Two Volkswagen models are awarded the title of "Four-Wheel-Drive Car of the Year 2012": the Passat Alltrack and the Touareg Hybrid.

April

April 5 The up! is named "World Car of the Year 2012"
The up! receives the coveted award at the New York International Auto Show.

April 23 Volkswagen Group plans to expand its presence in China
Prof. Dr. Martin Winterkorn, Chairman of the Board of Management of Volkswagen AG, and representatives of Chinese partner SAIC Motor Corporation sign a contract to build a new plant in Urumqi in western China in the presence of Chinese Premier Wen Jiabao and German Chancellor Dr. Angela Merkel.

May

May 31 Volkswagen and IG Metall conclude wage negotiation round
Volkswagen and IG Metall successfully conclude negotiations on the company collective agreement. Basic pay rises by 4.3% as of June 1, 2012.

June

June 2 Volkswagen Group makes extensive structural and management changes
Following the strong growth seen in recent years, the Volkswagen Group implements extensive restructuring measures at an organizational and management level in response to the increased demands, giving its Strategy 2018 additional momentum.

June 6 Volkswagen Group increases its share of voting rights in MAN
Effective June 6, 2012, Volkswagen increased its share of voting rights in MAN SE to 75.03%, thus strengthening the alliance between MAN, Scania and Volkswagen Commercial Vehicles.

June 13 2012 International Engine of the Year Award
Volkswagen's 1.4 TSI engine is presented with the "International Engine of the Year Award" for the seventh time in a row in June in the 1.0 to 1.4 liter category.

June 28 Fifty million engines from the Salzgitter plant
The 50-millionth engine rolls off the production line at the Volkswagen plant in Salzgitter.

July

July 4 Best Company Car 2012
Volkswagen Passenger Cars, Audi, SEAT and ŠKODA claim a total of five first places at the German "Best Company Car 2012" awards.

July 26 Volkswagen Group opens new plant in China
The Volkswagen Group opens a new vehicle plant in Yizheng in eastern China. The production facility, which is part of the Shanghai-Volkswagen joint venture, has an annual capacity of around 300,000 vehicles.

August

August 1 Volkswagen and Porsche create integrated automotive group
The creation of the integrated automotive group comprising Volkswagen and Porsche is completed on August 1. The accelerated integration of Porsche AG into the Volkswagen Group allows extensive synergy effects to be captured more quickly. Porsche will retain its own identity and operational independence under the Volkswagen Group umbrella.

August 31 Volkswagen Group builds new gearbox plant in China
The foundation stone is laid for a new gearbox plant in the city of Tianjin in China. This adds a new location to the Volkswagen Group's Chinese production network.

September

September 3 Volkswagen Germany sets vocational training record
A total of 1,708 young people – more than ever before – begin their vocational training or an integrated degree and traineeship scheme.

September 4 World premiere of the new Golf in Berlin
The Volkswagen Passenger Cars brand unveils the new Golf to the public. Around 1,000 invited guests experience the world premiere of the seventh generation of this classic car.

September 20 IAA Commercial Vehicles show in Hanover
A key focus of the largest commercial vehicles show in the world is on efficient and environmentally-friendly transport solutions. The Volkswagen Group is represented by the Volkswagen Commercial Vehicles, Scania and MAN brands.

September 27 Mondial de l'Automobile in Paris
The Volkswagen Group presents a large number of new models and concept cars at the Paris International Motor Show. The Volkswagen Passenger Cars brand's new Golf is the highlight.

October

October 22 São Paulo International Motor Show
Volkswagen's Taigun – a newly developed compact SUV concept car – is given its world premiere at the 2012 São Paulo International Motor Show in Brazil.

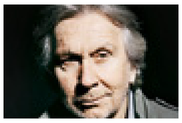
November

November 20 Auto Trophy 2012
The Volkswagen Group wins major prizes at the "Auto Trophy 2012" awards. Readers of the German "Auto Zeitung" magazine vote 14 models as top of their classes.

December

December 11 Volkswagen Group lays foundation stone for new engine plant in Russia
Starting in 2015, the Group will supply its vehicle production facility in Kaluga and its contract manufacturing operations at the GAZ plant in Nizhny Novgorod with state-of-the-art, locally-produced engines.

December 27 eco up! and Passat TSI EcoFuel top eco-ranking
"AUTO TEST" magazine and the "ÖKOTREND" institute crown Volkswagen's eco up! and Passat 1.4 TSI EcoFuel as two of the most environmentally-friendly cars.




MAN