VOLKSWAGEN

AKTIENGESELLSCHAFT

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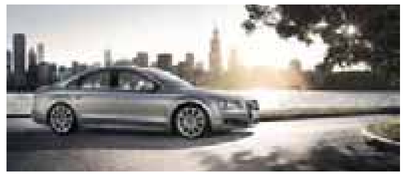

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Experience D[r]iversity.

Vielfalt erfahren.

sit mnohotvárnost.

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विभिन्नता चलाएं

ANNUAL REPORT 2011

The Volkswagen Group is one of the leading automobile manufacturers worldwide and the largest automobile producer in Europe. Our ten fascinating brands offer mobility in every vehicle class to meet the highest expectations, all around the globe. Diversity is our great strength and an important driving force.

ŠKODA

Audi

SEAT

BENTLEY

BUGATTI

LAMBORGHINI

Commercial Vehicles

SCANIA

MAN

VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

Key Figures

VOLKSWAGEN GROUP

Volume Data[1]	2011	2010	%
Vehicle sales (units)	8,361,294	7,278,440	+14.9
Production (units)	8,494,280	7,357,505	+15.5
Employees at Dec. 31	501,956	399,381	+25.7

Financial Data (IFRSs), € million	2011	2010	%
Sales revenue	159,337	126,875	+25.6
Operating profit	11,271	7,141	+57.8
Profit before tax	18,926	8,994	x
Profit after tax	15,799	7,226	x
Profit attributable to shareholders of Volkswagen AG	15,409	6,835	x
Cash flows from operating activities	8,500	11,455	–25.8
Cash flows from investing activities attributable to operating activities	16,002	9,278	+72.5
Automotive Division[2]			
EBITDA[3]	17,815	13,940	+27.8
Cash flows from operating activities	17,109	13,930	+22.8
Cash flows from investing activities attributable to operating activities[4]	15,998	9,095	+75.9
of which: investments in property, plant and equipment	7,929	5,656	+40.2
as a percentage of sales revenue	5.6	5.0	
capitalized development costs	1,666	1,667	–0.0
as a percentage of sales revenue	1.2	1.5	
Net cash flow	1,112	4,835	–77.0
Net liquidity at Dec. 31	16,951	18,639	–9.1

Return ratios in %	2011	2010	
Return on sales before tax	11.9	7.1	
Return on investment after tax (Automotive Division)	17.7	13.5	
Return on equity before tax (Financial Services Division)[5]	14.0	12.9	

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: €9,371 million (€7,034 million).
5 Profit before tax as a percentage of average equity.

VOLKSWAGEN AG

Volume Data	2011	2010	%
Vehicle sales (units)	2,661,327	2,309,648	+15.2
Production (units)	1,215,058	1,100,186	+10.4
Employees at Dec. 31	97,691	94,787	+3.1

Financial Data (HGB), € million	2011	2010	%
Sales	67,178	57,243	+17.4
Net income for the year	3,418	1,550	x
Dividends (€)			
per ordinary share	3.00	2.20	
per preferred share	3.06	2.26	

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

Individual mobility worldwide

PASSENGER CAR AND LIGHT COMMERCIAL VEHICLE DELIVERIES – IN THOUSAND UNITS

NORTH AMERICA [1]

2009	468
2010	549
2011	**667**

+21.4%

CENTRAL AND EASTERN EUROPE

2009	560
2010	423
2011	**548**

+29.4%

WESTERN EUROPE

2009	2,918
2010	2,882
2011	**3,130**

+8.6%

INDIA

2009	19
2010	53
2011	**112**

+109.3%

SOUTH AMERICA

2009	826
2010	888
2011	**933**

+5.1%

CHINA

2009	1,401
2010	1,923
2011	**2,259**

+17.4%

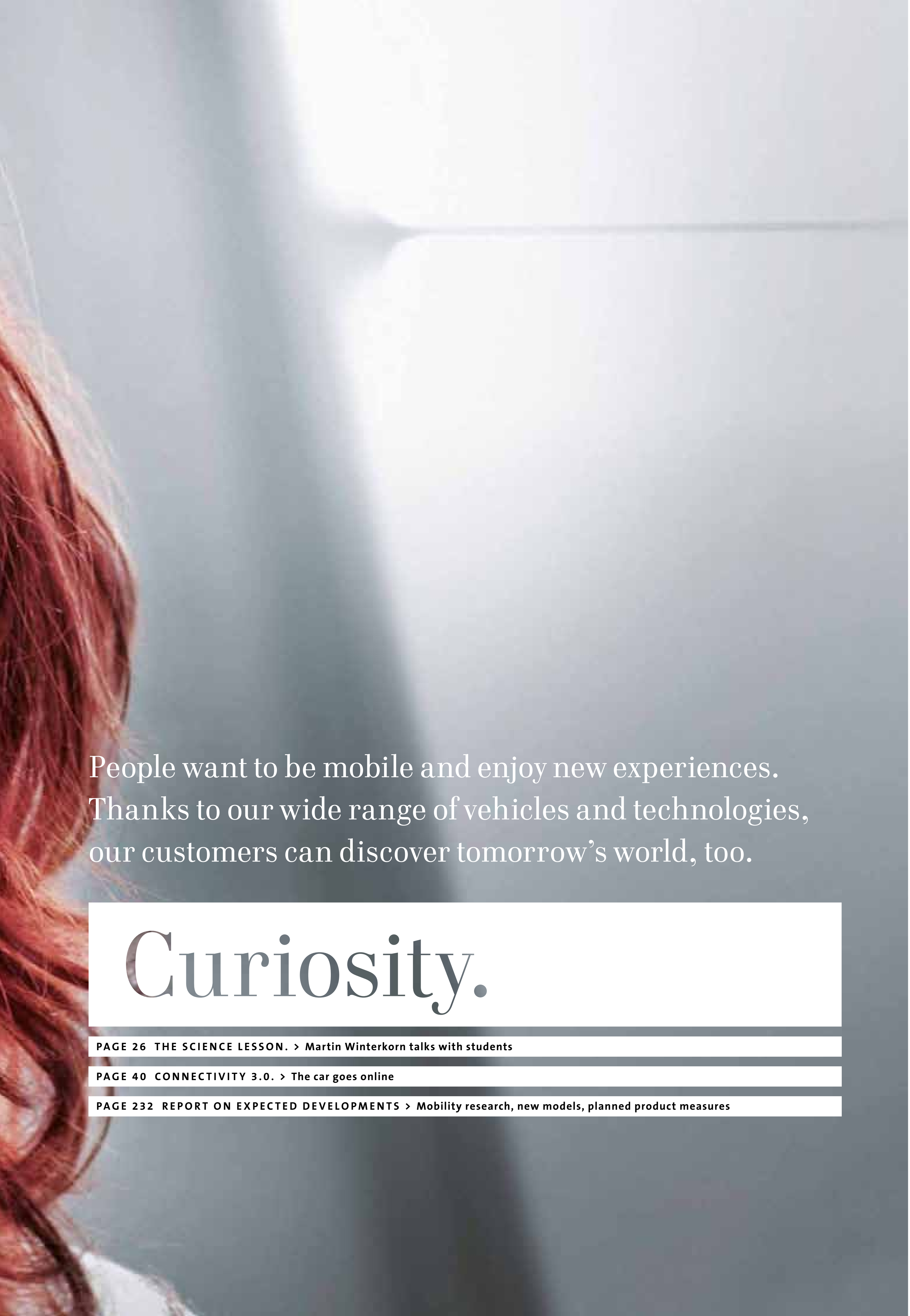
1 Overall market includes passenger cars and light trucks.

Experience D[r]iversity.

Experience the Volkswagen Annual Report in a new dimension! The Volkswagen AG Annual Report is available for the first time as an iPad App under the motto “Experience D[r]iversity”. Exciting articles, films, sounds and animations will steer you through the d[r]iverse world of the Volkswagen Group.

Facts and Figures 2011.

This annual report was published on the occasion of the Annual Media Conference on March 12, 2012.



People want to be mobile and enjoy new experiences. Thanks to our wide range of vehicles and technologies, our customers can discover tomorrow's world, too.

Curiosity.

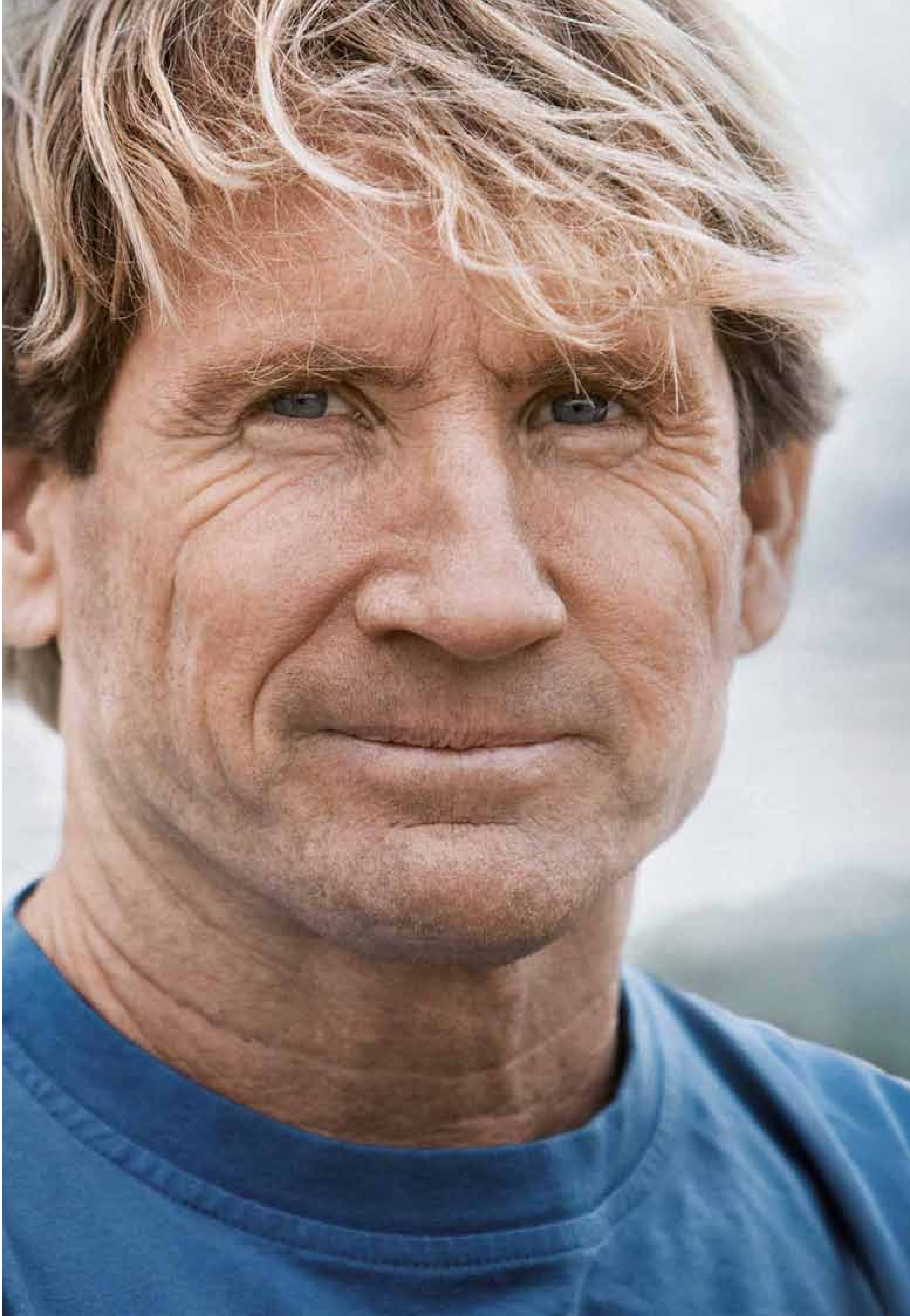
We are expanding our global presence to bring us even closer to our customers. Because people around the world are as diverse as their dreams and desires.

Presence.

PAGE 80 AT THE HEART OF THE MARKET. > Automotive financial services in India

PAGE 88 WELCOME SEAT! > SEAT on the road to China

PAGE 233 REPORT ON EXPECTED DEVELOPMENTS > Market opportunities



From small cars to heavy trucks, our vehicles stand for emotional design coupled with innovative technology and efficiency. The result is diversity that inspires.

Enthusiasm.

PAGE 62 BLIND DATE. > Introducing the new Porsche 911

PAGE 94 ECOLUTION. > How Scania combines ecology and economy

PAGE 214 ff. VALUE-ENHANCING FACTORS > Fuel and powertrain strategy

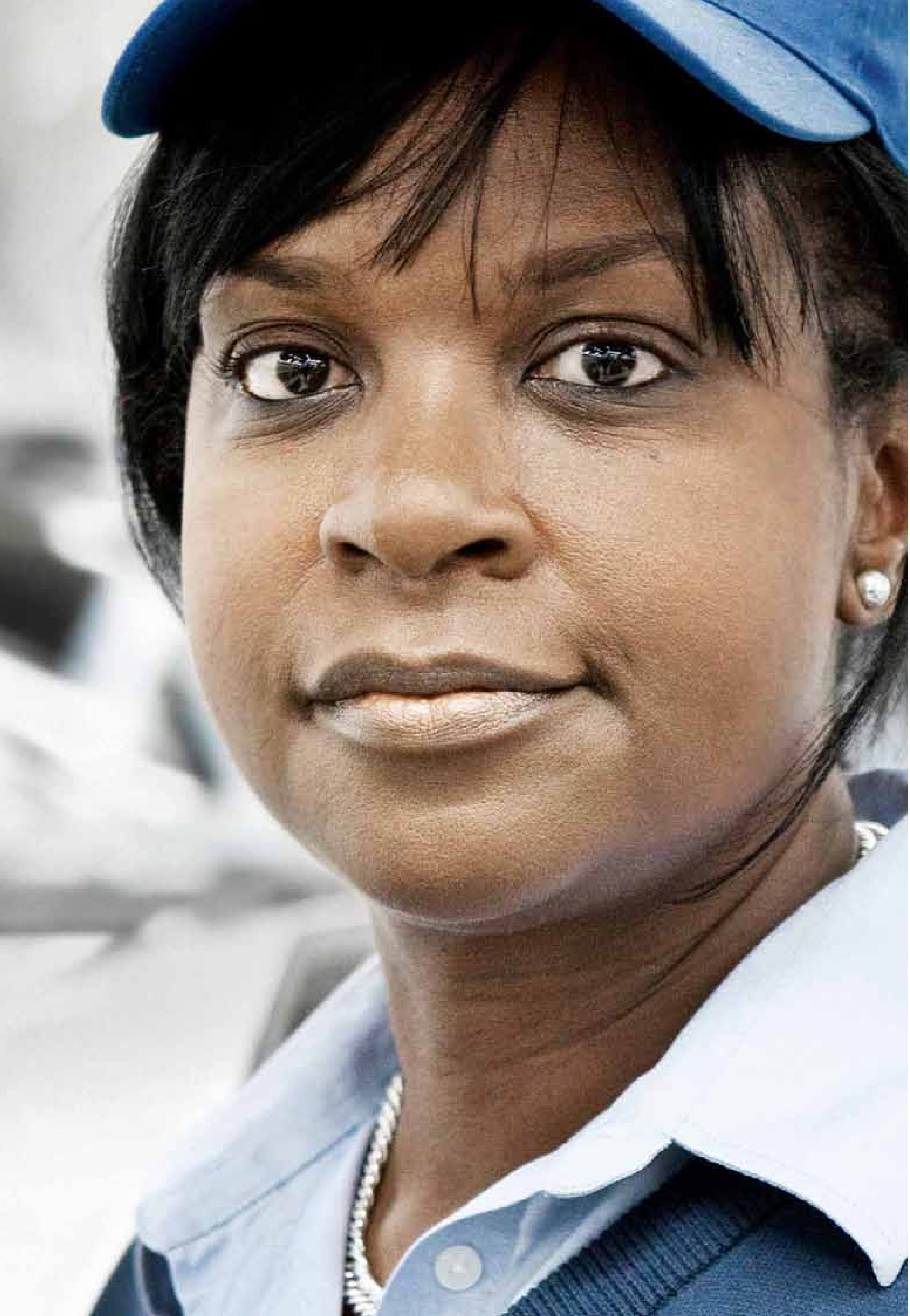
As one of the largest mobility groups in the world, we take responsibility. For our customers and employees. For our locations and society. And for the environment.

Commitment.

PAGE 32 CHATTANOOGA CHOO CHOO. > Volkswagen goes USA: the Chattanooga plant

PAGE 52 E-POST. > Road-testing the Caddy blue-e-motion

PAGE 205 ff. VALUE-ENHANCING FACTORS > Employees, environment, corporate social responsibility



“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 2011, 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 provided advice 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 for the Group. In addition, we discussed current strategic considerations with the Board of Management at regular intervals.

The Supervisory Board was provided by the Board of Management promptly and as scheduled with comprehensive written and verbal information on the development of the business and the Company's planning and position, including the risk situation and risk management. The same also applies to all key questions relating to the planned creation of an integrated automotive group with Porsche and the formation of a commercial vehicle group comprising MAN, Scania and Volkswagen. In addition, the Board of Management reported to us on an ongoing basis on other current issues and on compliance. We received documents relevant to our decisions in good time for the Supervisory Board meetings in all cases. In addition, we were provided with detailed monthly reports by the Board of Management on the current business position and the forecast for the current year. The Board of Management provided detailed written or verbal explanations of deviations in business performance from the established plans and targets. We analyzed the reasons for these differences together with the Board of Management as a prelude to the appropriate countermeasures being taken.

The Chairman of the Supervisory Board also held regular discussions with the Chairman of the Board of Management in the periods between meetings of the Supervisory Board, in which we addressed the Volkswagen Group's strategy, business development and risk management, among other things.

The Supervisory Board held a total of six meetings in fiscal year 2011. The average attendance rate was 94%; all Supervisory Board members attended more than half of the meetings. Resolutions on urgent matters were adopted in writing or using electronic means of communication.

COMMITTEE ACTIVITIES

The Supervisory Board has established a total of six committees in order to perform the duties entrusted to it: the Presidium, 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 Merger Committee, which was renamed the Integrated Automotive Group Committee in October 2011. In line with its rules of procedure, the Presidium consists of three shareholder representatives and three employee representatives, while the AfGG comprises four shareholder representatives and four employee representatives. The members of the Nomination Committee are the shareholder representatives in the Presidium; the remaining three committees are each composed of two shareholder representatives and two employee representatives. The members of the committees as of December 31, 2011 are given on page 150 of this annual report.

The Presidium of the Supervisory Board met six times in 2011. These meetings primarily served to prepare in detail the resolutions by the Supervisory Board and to deal with contractual issues concerning the Board of Management other than those relating to their remuneration.

The role of the AfGG is to monitor business relationships between Volkswagen AG and Group companies on the one hand and major shareholders of Volkswagen AG who hold at least 5% of voting rights on the other. The Committee decides in particular where approvals are required for agreements between the Volkswagen Group and companies belonging to major shareholders. It met three times during the past fiscal year.

The Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board to recommend for election to the Annual General Meeting. It met once during the reporting period.

The Mediation Committee did not have to be convened in fiscal year 2011.

The Audit Committee met four times. Its main focuses were 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 Integrated Automotive Group Committee adopts resolutions relating to the planned creation of an integrated automotive group with Porsche. The Committee met twice during the past fiscal year.

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

TOPICS DISCUSSED BY THE SUPERVISORY BOARD

Following our discussion in the Supervisory Board meeting on November 19, 2010, we resolved on January 2, 2011 to reappoint Prof. Dr. Martin Winterkorn as a member of the Board of Management for a full term of office following the expiration of his current term at the end of 2011, and to appoint him as Chairman of the Board of Management.

At the Supervisory Board meeting on February 25, 2011 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 2010, 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. We also approved the proposal by the Board of Management to acquire an equity interest in SGL Carbon SE.

Our meetings on May 2 and 3, 2011 were mainly devoted to strategic issues. Among other things, we discussed with the Board of Management its plans for the Russian automotive market and examined whether to establish a joint venture for materials testing and development in Qatar. We authorized the Board of Management to increase the equity interest in MAN SE. Other agenda items concerned the preparations for, and follow-up evaluation of, the 51st Annual General Meeting of the Volkswagen Group on May 3, 2011.

The Supervisory Board established the Merger Committee in July 2011 and entrusted it with adopting resolutions on behalf of the Supervisory Board in relation to the merger of Porsche SE with Volkswagen AG.

In October 2011, we resolved to rename the Merger Committee the Integrated Automotive Group Committee and to expand its range of duties. The Committee is now responsible for the resolutions relating to the planned creation of an integrated automotive group with Porsche.

A further Supervisory Board meeting was held on September 16, 2011 in which we examined in detail the status of the formation of the integrated automotive group consisting of Volkswagen and Porsche. We also held an in-depth discussion of the Volkswagen Group's investment and financial planning for the 2012 to 2016 period, and approved the Board of Management's plans in this area. Furthermore, we were provided with detailed information on the Volkswagen Employee Foundation, which started operations in the third quarter of 2011. In addition, we were presented with the initial results of the ongoing reassessment of the cooperation with Suzuki.

At the Supervisory Board meeting on November 18, 2011, we received comprehensive status reports on the creation of the integrated automotive group and the formation of the commercial vehicle group comprising MAN, Scania and Volkswagen. Other topics discussed during the meeting included the remuneration system for the Board of Management and the annual 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 of the members of the executive bodies actually paid in the reporting period, can be found in the remuneration report on pages 139 to 142 of this annual report.

The last Supervisory Board meeting for the reporting period was held on December 16, 2011 and focused primarily on status reports concerning the integrated automotive group.

CONFLICTS OF INTEREST

The Supervisory Board did not adopt any resolutions in the reporting period on issues relating to the formation of the integrated automotive group with Porsche. As a result, no conflicts of interest could arise in this respect in particular with regard to those members of the Supervisory Board who are also members of the Supervisory Board of Porsche Automobil Holding SE.

In the Supervisory Board meeting on May 2, 2011, all members of the Supervisory Board approved the formation of the “Qatar Material Science Center” joint venture in Qatar by Volkswagen AG, Dr. Ing. h.c. F. Porsche AG, Qatar Holding and the Qatar Science & Technology Park. The Qatari members of the Supervisory Board also took part in the vote.

In its meeting on May 3, 2011, the Presidium of the Supervisory Board, chaired by Prof. Piëch, unanimously recommended to the Supervisory Board that it approve the share purchase that led to the mandatory offer with respect to MAN SE. The Supervisory Board granted its approval in its meeting on the same day. Prof. Piëch took part in the unanimous resolution. He is also the chairman of the Supervisory Board of MAN SE.

The AfGG granted individual approvals to a number of transactions with Dr. Ing. h.c. F. Porsche AG. A number of members of the AfGG are also members of the Supervisory Board of Porsche Automobil Holding SE and Dr. Ing. h.c. F. Porsche AG. No material conflicts of interest were discernible in this respect. All approvals were granted unanimously.

In its meeting on November 17, 2011, the Integrated Automotive Group Committee, which is also chaired by Prof. Piëch, also unanimously voted in favor of the formation of Porsche Sechste Vermögensverwaltung GmbH, Stuttgart, by Volkswagen AG and Porsche Automobil Holding SE. No resolutions had been adopted in the previous meeting.

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 current version of the German Corporate Governance Code at the Volkswagen Group at its meeting on November 18, 2011. The Government Commission on the German Corporate Governance Code announced on May 4, 2011 that it would not make any changes to the Code in that year. On November 18, 2011, the Board of Management and the Supervisory Board issued the declaration required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on the recommendations of the Code; as in the previous year, we fully comply with all recommendations with the exception of article 4.2.3(4) (cap on severance payments). The cap on severance payments was and will be taken into account when entering into new contracts with members of the Board of Management, but not when renewing contracts with members being reappointed for their third or subsequent terms of office in those cases in which no cap was originally provided for in the original contract. To this extent, a grandfathering provision has been applied, and applies.

The joint declaration of conformity by the Board of Management and the Supervisory Board is 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 135 and in the notes to the consolidated financial statements on page 351.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

The terms of office of Dr. Hans Michael Gaul and Dr. Jürgen Großmann as members of the Supervisory Board of Volkswagen AG ended as scheduled with the 51st Annual General Meeting on May 3, 2011, which appointed Ms. Annika Falkengren, President and Group Chief Executive of Skandinaviska Enskilda Banken AB, and Mr. Khalifa Jassim Al-Kuwari, Chief Operating Officer of Qatar Investment Authority and Qatar Holding LLC, as shareholder representatives on the Supervisory Board in their place.

Albert Hofmeister, a former Supervisory Board member, died on October 20, 2011 aged 82. Mr. Hofmeister made a significant contribution to the Volkswagen Group's successful development during the period of his appointment from 1977 to 1993, displaying considerable initiative and exemplary commitment. We will honor his memory.

AUDIT OF ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Annual General Meeting on May 3, 2011 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for fiscal year 2011. 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 assessed 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, 2011 (dependent company report) submitted by the Board of Management was also audited by the auditors, who issued the following opinion: "On completion of our review and assessment in accordance with professional standards, we confirm that the actual disclosures contained in the report are accurate, and that the consideration paid by the Company for the transactions listed in the report was not inappropriately 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 all members of the Audit Committee and the members of the Supervisory Board in good time for their meetings on February 24, 2012 and February 27, 2012 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 27, 2012. 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 27, 2012. 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 expressly thank 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 efforts and achievements in 2011. Their hard work helped the Volkswagen Group to continue its positive development.

Wolfsburg, February 27, 2012

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

Dear Shareholder,

The Volkswagen Group can look back on a very good fiscal year. We clearly exceeded the ambitious goals that we had set ourselves for 2011: with vehicle deliveries of 8.3 million – over one million more than in the year before – we again substantially outperformed the overall market. Our sales revenue increased by 25.6 percent to €159.3 billion, while our operating profit also rose to €11.3 billion – a new record.

It is not only in our financial key performance indicators that we have made major progress at the Volkswagen Group: we systematically expanded our model portfolio and occupied new, high-growth segments with fascinating vehicles such as the Beetle, the Golf Cabriolet, the Audi Q3 and the New Small Family. The opening of the Volkswagen plant in Chattanooga has lent additional impetus to our US strategy. We significantly increased our sales capability with the acquisition of the trading business of Porsche Holding Salzburg. And the integration of MAN into our Group has enabled us to create an outstanding foundation for the commercial vehicles alliance comprising Volkswagen, MAN and Scania.

Furthermore, the largest investment program in our Company's history demonstrates how robust and forward-looking the Volkswagen Group is: between now and 2016, we will be investing more than €62 billion in environmentally-friendly technologies and new vehicles, in developing new markets and in existing and new factories. We will continue to extend our leading position in China with additional investments of €14 billion.

All these success stories are underpinned by a strong workforce that numbers more than 500,000 people. Our vehicles and our customers benefit from their passion and their outstanding skills. My Board of Management colleagues and I would like to express our sincere thanks to all of our employees worldwide.

I would also like to thank you, our shareholders, for your confidence in the Volkswagen Group. 2011 was an extremely volatile year on the stock markets, but both Volkswagen AG's ordinary shares and its preferred shares outperformed the overall market for the year as a whole. Our Company's strong performance is also reflected in a proposed dividend of €3.00 for ordinary shares and €3.06 for preferred shares – significantly higher than last year.

In a tougher environment, we will do our utmost to systematically and prudently continue our profitable growth trajectory. 2012 will be a very demanding year for the automotive industry. Nevertheless, I am convinced that our broad global positioning, coupled with our unique diversity of brands, vehicles and services, mean that the Volkswagen Group has what it takes to continue outperforming its competitors.

To sum up: our Strategy 2018 is working. Volkswagen is well on the way to taking pole position in the automotive industry. However, despite all our successes, we still have quite some way to go. That is because success and size are more than just a matter of vehicle sales, market share and sales revenue. At Volkswagen, what really matters to us most is that we can satisfy our customers and employees all over the world; that we can drive forward all the technologies needed to make our vehicles even safer and more environmentally friendly; that we can conserve resources and use renewable energy in our plants; and, not least, that we can continue our broad commitment to education, culture and a responsible society.

Responsibility for the environment, for our employees and for society is a core component of our Strategy 2018. Because we are convinced that this is the only way that Volkswagen can grow sustainably and profitably. And because this is an integral part of becoming the leading automobile manufacturer – in every respect.

That is precisely what the Volkswagen Group is striving for, and it is what we want to be measured by. In the interests of our customers, our employees and our business partners, and of our shareholders.

Sincerely,

Prof. Dr. Martin Winterkorn

The Board of Management of Volkswagen Aktiengesellschaft

(from left to right)

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

RUPERT STADLER
Chairman of the Board of Management of AUDI AG

PROF. DR. RER. NAT. DR.-ING. E.H. MARTIN WINTERKORN
Chairman of the Board of Management of Volkswagen Aktiengesellschaft
Research and Development

CHRISTIAN KLINGLER
Sales and Marketing

HANS DIETER PÖTSCH
Finance and Controlling

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

DR. RER. POL. H.C. FRANCISCO JAVIER GARCIA SANZ
Procurement

PROF. DR. RER. POL. JOCHEM HEIZMANN
Commercial Vehicles

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

EXPERIENCE D[R]IVERSITY. INDIVIDUALITY.

Magazine

Experience D[r]iversity. Individuality.
Mobility – the desire to be and stay on the move – is something that unifies people all over the world. Of course, the demands placed on personal mobility are growing. And they vary according to region and living environment. The Volkswagen Group responds to all these individual expectations and needs with its wide variety of brands, models and services. This Annual Report tells the story behind some of the responses.

Any automobile manufacturer that wants to stay at the top must also attend to the next generation of young engineers, scientists and mechanical engineers. That's why education is high on Prof. Dr. Martin Winterkorn's agenda. In a "science lesson with a difference", he gives a group of final-year high school students a glimpse into the future of mobility – and of Volkswagen.

The science lesson.


blue-e-motion

FASCINATED BY THE OSCYLINDERSCOPE – Prof. Dr. Martin Winterkorn at the “phaeno” Science Center: “To be able to develop and build good products, you need to understand and master the fundamentals of science.”

“Our number one priority is our customers, no question. And our job is to build the best, safest and most environmentally friendly cars for them.”

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

Hannah likes the new Beetle[1]. Prashanth would prefer to drive a Scirocco[2] and Daniel wouldn't mind having a Bentley. Leo, on the other hand, is very much into car-sharing and public transport. Although none of the assembled seventeen- and eighteen-year-olds has their driver's license yet, this in no way dampens their enthusiasm for mobility. Together with six other students from the International School Hannover Region, they are waiting at Wolfsburg's renowned "phaeno" Science Center for Martin Winterkorn, Chairman of the Board of Management of Volkswagen AG, to arrive. All the students share an interest in science, having taken at least one advanced course in biology, chemistry, or physics.

Before long, Winterkorn arrives, greeting the students with a handshake and the frank admission that, during his own schooldays, he was often more interested in soccer than his studies. The lesson on the car of the future begins with a laugh, but is a hands-on affair with plenty of interaction between the young people, who will shortly be sitting their final school exams, and the Group Chairman, who is responsible for ten brands and over 90 plants around the world.

Daniel sets the ball rolling right at the outset with a question about the automaker's Strategy 2018: "What is more important for Volkswagen – size or technical progress?" "Our number one priority is our customers, no question. And our job is to build the best, safest and most environmentally friendly cars for them", explains Winterkorn. "That is only possible with a motivated workforce. And, needless to say, we must earn the money to finance the necessary investments in the future of our Group." He points out that Volkswagen spends well over €6 billion a year on research and development. Nonetheless, size is important, too, since it leads to cost savings, which "are then also channeled into efficient new technologies". For example into drives that consume less and less fuel: today, the Volkswagen Group offers over 150 model variants that produce less than 120 grams of CO_2 per kilometer. There are even 26 vehicles under the 100 gram mark – which use scarcely more than three liters of fuel per 100 kilometers.

This prompts a question from Hannah if the global market could grow to 100 million new cars in 2018, over 20 million of them in China, how can this mobility boom be made environmentally compatible? Winterkorn replies: "No one can deny people in China or India their right to individual mobility. The key is how we shape this trend. That is why we are supplying the emerging markets with highly efficient technologies that meet state-of-the-art Western standards." However, environmentally friendly vehicles are just one side of the coin. That explains why the Volkswagen brand has committed to making its plants 25 percent more environmentally friendly by 2018.

"To reach this ambitious goal, we have to explore new ground", explains Winterkorn, adding that the Volkswagen Group intends to invest €600 million in developing renewable energies from solar, wind and hydroelectric power.

The students ask about the situation regarding the reserves of raw materials required for e-mobility, for instance "rare earths". Conceding these as valid points, Winterkorn proceeds to explain that Volkswagen is currently investigating whether it is possible to abandon "rare earths" completely without reducing the energy efficiency of electric engines. "These are the kind of questions that we are faced with every day. Which is why we need the cream of engineers, physicists and chemists on board."

The Volkswagen Group is meeting this need by hiring new talent extensively – in 2011 alone, it recruited more than 7,500 university graduates, over 3,000 of them in Germany. In addition to over 12,000 young vocational trainees, these boost a growing workforce that is already half a million strong. However, the Group chairman is not only concerned about his own employees and their families, but also suppliers and dealers: "Volkswagen is responsible for around ten million people who are directly or indirectly affected by our business decisions. We must always be aware of what this means."

The second half of the two-hour lesson consists of a tour through the "phaeno" Science Center. The group lingers a little longer at the oscylinderscope – an interactive exhibit that renders physical vibrations visible. Winterkorn, too, is fascinated: "To be able to develop and build good products, you need to understand and master the fundamentals of science. This is something I say to every young developer starting out in our Company, and every time I meet a group of students." Winterkorn, who has a doctorate in metallurgy, is a regular guest speaker at the universities of Budapest, Dresden and others with which Volkswagen and Audi have close ties.

The tour comes to an end at a Golf blue-e-motion parked in front of the entrance to the Science Center. "In 2013", promises Winterkorn, "the first electric Volkswagen cars will enter series production". Thanks to intensive research and higher production volumes, it is possible to cover the still-high costs of the storage batteries used. No sooner has the Chairman of the Board of Management opened the bonnet, he is asked by Robert, a student on the advanced physics course: "What do you think of the idea of fitting an additional small diesel engine that recharges the battery?" A delighted Winterkorn replies: "We call that a 'range extender' and it's a concept we're exploring in great depth at the moment."

The 64-year-old Group chairman aims to set new standards with his innovative science lesson. "We need highly qualified young people who want to make a difference so that we can solve pressing questions about the future and safeguard the future of companies like Volkswagen. My aim is to show them that math, IT and science are fun – and offer exciting career prospects." A message that well and truly hits its mark. Daniel, who is still undecided whether to study physics or economics, concludes that: "At the end of the day, science is more interesting." Although she is still intent on studying international law, Hannah sees the automotive industry as an attractive employer, particularly in light of continued globalization. And Prashanth is now more determined than ever that his future lies in developing cars and engines.

AUTHOR Johannes Winterhagen

PHOTOGRAPHER Claudia Kempf

ADDITIONAL INFORMATION www.volkswagenag.com/homepage

[1] Beetle fuel consumption in l/100 km: combined from 7.7 to 4.5; CO_2 emissions in g/km: combined from 179 to 119.

[2] Scirocco fuel consumption in l/100 km: combined from 8.1 to 4.5; CO_2 emissions in g/km: combined from 189 to 118.

> "We need highly qualified young people who want to make a difference so that we can solve pressing questions about the future and safeguard the future of companies like Volkswagen."

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

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Glenn Miller's 1941 musical hit "Chattanooga Choo Choo" made the city on the banks of the Tennessee River famous. Heavy industry and railways once dominated day-to-day life in the city. Today, it is the home of the most environmentally friendly automotive factory in the world, where Volkswagen manufactures the Passat specially for the US market. The new plant has created 2,500 jobs to date and represents a long-term commitment to one of the world's most important automotive markets.

★ ★ ★

Since their paths crossed at the new Volkswagen plant in Chattanooga, Tennessee, the falcon and the security guard have become good friends. Up on the hill – as the locals down in the city call the ridge to the east – stands one of the most modern automobile plants in the USA. It blends into the magnificent scenery – surrounded by forests, with the Tennessee River flowing through the valley below and birds circling above in the clear blue sky.

The falcon is one of them. Every morning, it lands on one of the lamp posts in the visitors' car park. It has the best view of its hunting territory in the grounds of the Volkswagen plant from up there. Many small animals live on the natural banks of the stream that winds through the site. Every day, employees cross the wide bridge over the biotope on their way to the production buildings and back. The new Volkswagen plant has already created a total of around 2,500 jobs and suppliers are expected to employ another 9,500.

The version of the Passat developed specially for the US market has been rolling off the Chattanooga production line since 2011. The United States is still one of the world's most important automotive markets – and the Volkswagen Group wants to conquer it with the help of its new US production facility. National sales by the Volkswagen Passenger Cars brand are projected to grow to 800,000 vehicles per year by 2018. The Volkswagen Group's success in 2011 shows that it is on the right track, increasing deliveries in the USA by a good 23 percent year-on-year to over 440,000 vehicles. Alongside the Jetta and the new Beetle, which are manufactured in Puebla, Mexico, the Passat is Volkswagen's trump card for the future – a car made in America, for America. The Chattanooga plant has an initial annual production capacity of up to 150,000 vehicles, but it is configured for a whole lot more.

Kevin McGregor is one of the people responsible for "greening" the new North American Volkswagen plant, in the truest sense of the word. The landscape gardener and small business owner with twelve employees has brought many new ideas to life together with his customer, Volkswagen. Word gets around: "Colleagues from all over the country come here to see what we have done", he says.

The present-day site could not be more different from its industrial past. "When there was heavy industry here, the air in Chattanooga was so dirty that we couldn't see the mountains from the city. They told us on the radio not to play outside when there was smog", McGregor reminisces, recalling his childhood. Today, Chattanooga is home to an environmentally-friendly and resource-efficient automobile factory like no other. The landscape gardener is thrilled to be involved in this flagship environmental project.

At Volkswagen Chattanooga, environmental stewardship begins at the employee car park in front of the factory gates. As McGregor explains, rainwater dirtied by parked cars and

5.6 km²

is the **SIZE** of the new Volkswagen facilities with body shell production, paintshop, assembly, technical testing center and the Volkswagen Academy.

2,500

JOBS have been created at Volkswagen's new location so far.

150,000

VEHICLES is the current production capacity at the Chattanooga plant.


ONE
WAY

CONVINCED BY THE PASSAT FROM CHATTANOOGA – Jim Ellis (right), Volkswagen dealer in Atlanta: "Customers have to be able to be proud of their car."

debris flows through a specially designed "biofilter". Runoff is directed down a slope with special plant species and raised layers of stones to remove sediments naturally. The biologically filtered water can then be fed into a stream or sewer system without the need for expensive filtering technology. "It's better for the environment and costs less", is McGregor's opinion of the resource-friendly water treatment system.

This is only one of many efficient ideas that Volkswagen has implemented in Chattanooga as part of its "Think Blue." sustainability initiative – starting from the white roof, which reflects sunlight so the production facilities below do not heat up as much, through to a new painting process that emits 20 percent less CO_2 than comparable technology. Volkswagen received the prestigious LEED award (Leadership in Energy Efficient Design) for its sustainable and environmentally friendly factory concept, becoming the first automotive production facility in the world to receive platinum certification. The globally recognized US Green Building Council has yet to certify such a high level of energy efficiency in any other automobile plant.

Finishing supervisor Thyais Leonard grew up in Birmingham, Alabama, only 150 miles south of today's "green city" of Chattanooga, but the path to Volkswagen was a long one. She calls it "my journey to quality". The latest step led Thyais to a seven-month training course at Volkswagen's headquarters in Wolfsburg. She had previously worked for other automobile manufacturers in the USA, as well as in Japan and Canada. Leonard is an expert in manufacturing process standardization – and she has what it takes to pass on her enthusiasm for more efficient processes to her colleagues. "Without passion, you'll never move forward", she says.

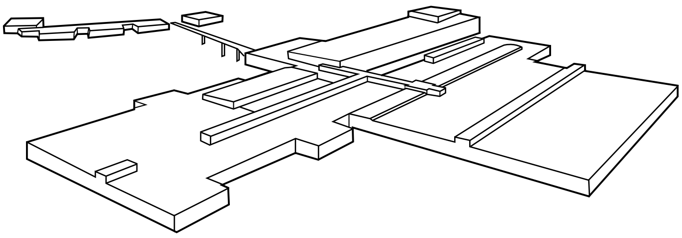
These days, she shares her passion for Volkswagen with more and more people in Chattanooga. "Volkswagens used to be a rare sight here. Now, there's one at every second traffic light", she says, not without a hint of pride in her voice. People are also interested in the factory itself. Tours of the plant are booked out weeks in advance. Visitors discover a bright, welcoming factory floor, where they experience close up how a car is made. They are interested in processes and working conditions. They ask questions, for example when they see health retreats advertised on the large monitors on the production line. Volkswagen takes its social responsibility seriously – employees can take advantage of free check-ups at the Erlanger Medical Center on Volkswagen Drive, for example, a project run by the largest healthcare provider in Chattanooga in cooperation with Volkswagen of America. The health center serves both factory employees and residents of neighboring city districts.

TRAINING BRINGS SUCCESS – Justin Housewright is a vocational trainee at the Volkswagen Academy, run by Volkswagen in cooperation with the local community college: “Theory and practice go hand in hand.”

The Volkswagen Academy also works together with local institutions. Justin Housewright is enrolled in the three-year automotive mechatronics program offered by the Academy. Chattanooga State Community College teachers take care of the theory and Volkswagen provides the hands-on training. “I get the best of both worlds”, says the thirty-year-old. He can hardly wait to start working “properly” for Volkswagen. Volkswagen pays Housewright for his traineeship, making it a sound choice financially as well.

When the start of construction was celebrated in May 2009, one of the hands on the large switch that was symbolically flicked belonged to Chattanooga Mayor Ron Littlefield. “What we are experiencing here in Chattanooga thanks to Volkswagen is something of a Cinderella story”, he says. Nowhere else in the USA are as many jobs being created in relation to the population as here in Chattanooga. “With Volkswagen as our neighbor, Chattanooga has become significantly more attractive for other companies as well”, adds Jim Coppinger, Mayor of Hamilton County, where Chattanooga lies. Eight automotive suppliers have already put down roots in Chattanooga, operating out of a specially created Volkswagen supplier park.

VOLKSWAGEN CHATTANOOGA – Where the US Passat has been rolling off the assembly line since 2011.



"With Volkswagen as our neighbor, Chattanooga has become significantly more attractive for other companies as well."

JIM COPPINGER, HAMILTON COUNTY MAYOR

EFFICIENT MANUFACTURING PROCESS – Supervisor Thyais Leonard wants to pass on her enthusiasm to her employees: "Without passion, you'll never move forward."

DIVERSITY OF "GREEN" IDEAS – Landscape gardener Kevin McGregor has made many new ideas reality together with Volkswagen: "Colleagues from all over the country come to see what we have done here."

The face of the city is also changing. Former industrial ruins are now home to artists' workshops and bars, parks and pathways are popular among walkers, and there are free electric shuttles in the city center. One of the largest freshwater aquariums in the world is now located on the banks of the Tennessee River. Also overlooking the city is the Hunter Museum of American Art, a modern architectural landmark that was extensively renovated in 2005.

Jim Ellis jr. from the largest Volkswagen dealer in Atlanta, already in its second generation, is likewise thrilled at the spirit of optimism in the region. After many years in the car business, he knows what the market wants. "The average price of a car in the USA is 23,000 dollars", he explains, "and the new Passat is right in the middle of this segment. But the main question that American customers ask themselves is: What am I getting for my money?"

"Customers have to be able to be proud of their car", says the automotive expert, "and Volkswagen represents first-class quality, efficient technologies and compelling design." He sees the typical Passat clientele as "young, higher-income couples with children who need space, but who also want an efficient car for their daily commute". According to Ellis, "If that's what you're looking for, the Passat TDI is without a doubt the best choice". US automobile magazine "Motor Trend" named the Volkswagen Passat as its "Car of the Year" in November 2011. Ellis doesn't seem surprised: "Just like I said – the best choice!"

AUTHOR Dirk Maxeiner

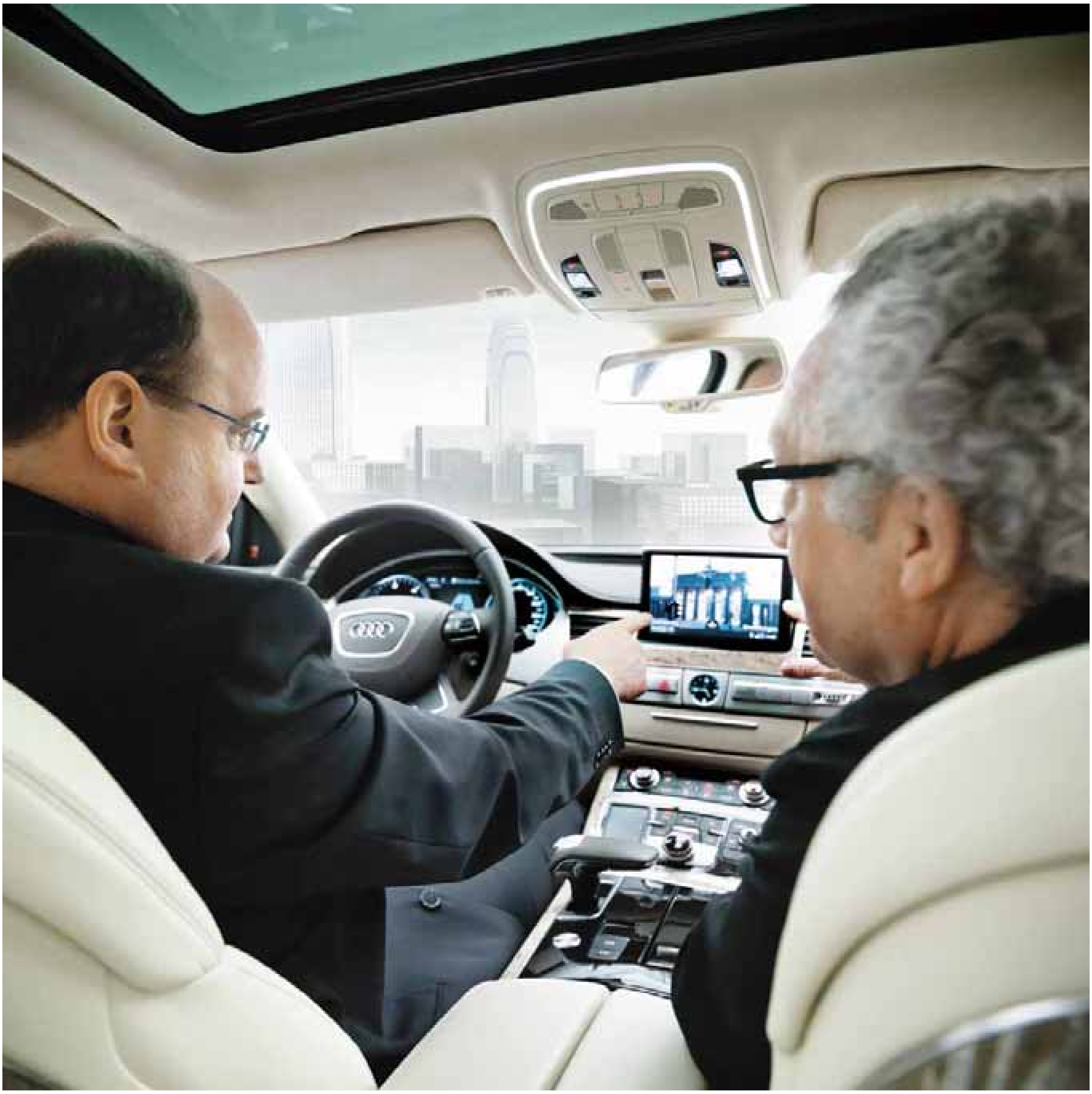
PHOTOGRAPHER Andreas Mader

ADDITIONAL INFORMATION
www.volkswagengroupamerica.com > Chattanooga Plant

The car of the future is always online, continuously updated with state-of-the-art computer technology and drives fully automatically at the driver's command. A vision? No – a plan, as a conversation between Ricky Hudi, Head of Electronics Development at Audi, and trend researcher Professor Peter Wippermann reveals.

Connectivity 3.0

TALKING ABOUT THE FUTURE OF CARS – Ricky Hudi from Audi (left) and trend researcher Professor Peter Wippermann.



“According to our vision of autopilot, I can hand over control of the vehicle when I don’t want to drive myself – for instance in heavy traffic or when parking. But if I want some driving fun, I take command.”

RICKY HUDI, HEAD OF ELECTRICS AND ELECTRONICS DEVELOPMENT, AUDI AG

STABLE CONNECTION – The cities of the future will be networked by the new LTE mobile communications standard. Audi is already testing it and aims to be the first automotive manufacturer to instal the technology in a car.

Brandenburg Gate, Berlin – no sooner is the destination entered in the navigation system of the Audi A8[1] than the satellite view of the monument appears on the saloon's central display. Ricky Hudi, Head of Electronics Development at Audi, switches to Google Street View and zooms in on the four-horse chariot. His passenger, trend researcher Professor Peter Wippermann, is impressed. "And you can buy this already?" You can, if you choose an Audi with MMI Navigation plus. This infotainment system is permanently connected to the Internet via a telephone module and makes it possible to access traffic information online or listen to Internet radio stations, among other things. And not just in the flagship Audi A8 – almost all Audi series are now available with Internet access.

But Hudi and Wippermann do not dwell on the present. Their business is the future. Wippermann investigates social trends and how they will affect our lives tomorrow. Hudi works with around 2,000 experts both inside and outside the company to ensure that Audi models have the future on board. The two experts do not need a crystal ball. "We know that young people are shaped by the media", explains Wippermann. So some of the needs of future car drivers can be predicted. "For young people, the Internet and social networks are a part of everyday life. They take their availability for granted – in cars, too." This is a megatrend that Audi identified at an early stage. "Over the last ten years, we have networked the electronic functions within a car", says Hudi. "In the next ten years, we will network the car with its environment. It's all about seamless connectivity." To achieve this, Audi is expanding its knowledge in the field of research and development at its German centers, as well as in Beijing and Silicon Valley. The software for the Volkswagen Group's infotainment systems of the future is programmed in Ingolstadt by 160 staff at e.solutions, a joint venture with IT service provider Elektrobit.

Partnerships play a key role in keeping pace with the rapid development of consumer electronics. For example, Audi CEO Rupert Stadler announced the cooperation with Nvidia, the manufacturer of one of the world's most powerful graphics processors, at the beginning of 2011. A key focus of the partnership is mounting these processors – used to display images like that of the Brandenburg Gate quickly and realistically – on a dedicated circuit board so that they can be exchanged with minimal effort. This allows Audi to ensure that the most powerful computer is always on board, throughout the entire lifecycle of a model. What may look like a small step is a revolution in automotive construction. While a new car model is released every five to six years on average, Internet-enabled mobile phones have a production cycle of little more than a year. Now this is no longer an issue. "We are bringing these two worlds together", says Hudi.

In-car mobile Internet access is made possible by increasingly powerful technology. "But look and feel are just as important to customer acceptance", says Wippermann, moving his hand along the precision double stitching of the Audi A8's leatherclad cockpit. “Traditional values like craftsmanship and first-class finishing are becoming more and more important.” This is music to the perfectionist Hudi’s ears. At the end of the development phase, he approves every switch himself checking resistance and even the sound a button makes when it is pressed.

The technology that keeps the Audi of the future connected to the Internet is usually hidden from the driver’s view. It is crucial that the mobile connection is always stable – something that today’s networks like UMTS cannot provide. In February 2011, Audi became the first vehicle manufacturer to develop a test vehicle for LTE (Long Term Evolution), the new mobile network standard. LTE has a very fast peak data rate of 100 MBit/s, and has already successfully completed test drives in Cologne, the pilot region.

Connectivity in cars will transform traffic in future, too. Driver assistance programs in particular benefit from the exchange of information between the vehicle and its environment. As part of the “simTD” research project, Audi is studying how fuel consumption and emissions can be reduced by communication between vehicles and traffic lights. The result is an assistant that can save around one in every six liters of fuel in urban traffic because it helps the driver to ride the green wave on city roads efficiently.

Developments like these shape Hudi’s vision of driving on autopilot. “According to our vision of autopilot, I can hand over control of the vehicle when I don’t want to drive myself – for instance in heavy traffic or when parking. But if I want some driving fun, I take command.” This vision should be possible by the end of the next decade. The basic technical groundwork has already been laid: The Audi A8 automatically accelerates to the driver’s desired speed and maintains a safe distance from the vehicle in front, while a lane-keeping assistant helps the driver to steer. Audi plans to expand systems like these on a step-by-step basis.

Wippermann is confident that fully-automatic driving will become more and more accepted. “People want to be mobile, but they want to use the time they are on the road differently, for example to communicate via social networks.” But Wippermann and Hudi agree that 15 years from now, people will still enjoy driving along a beautiful coastal stretch, autopilot and mobile phone off, with their favorite music blaring. With one difference – at the destination, the driver will get out and the car will take itself to an underground garage and find a free parking space.

AUTHOR Johannes Winterhagen

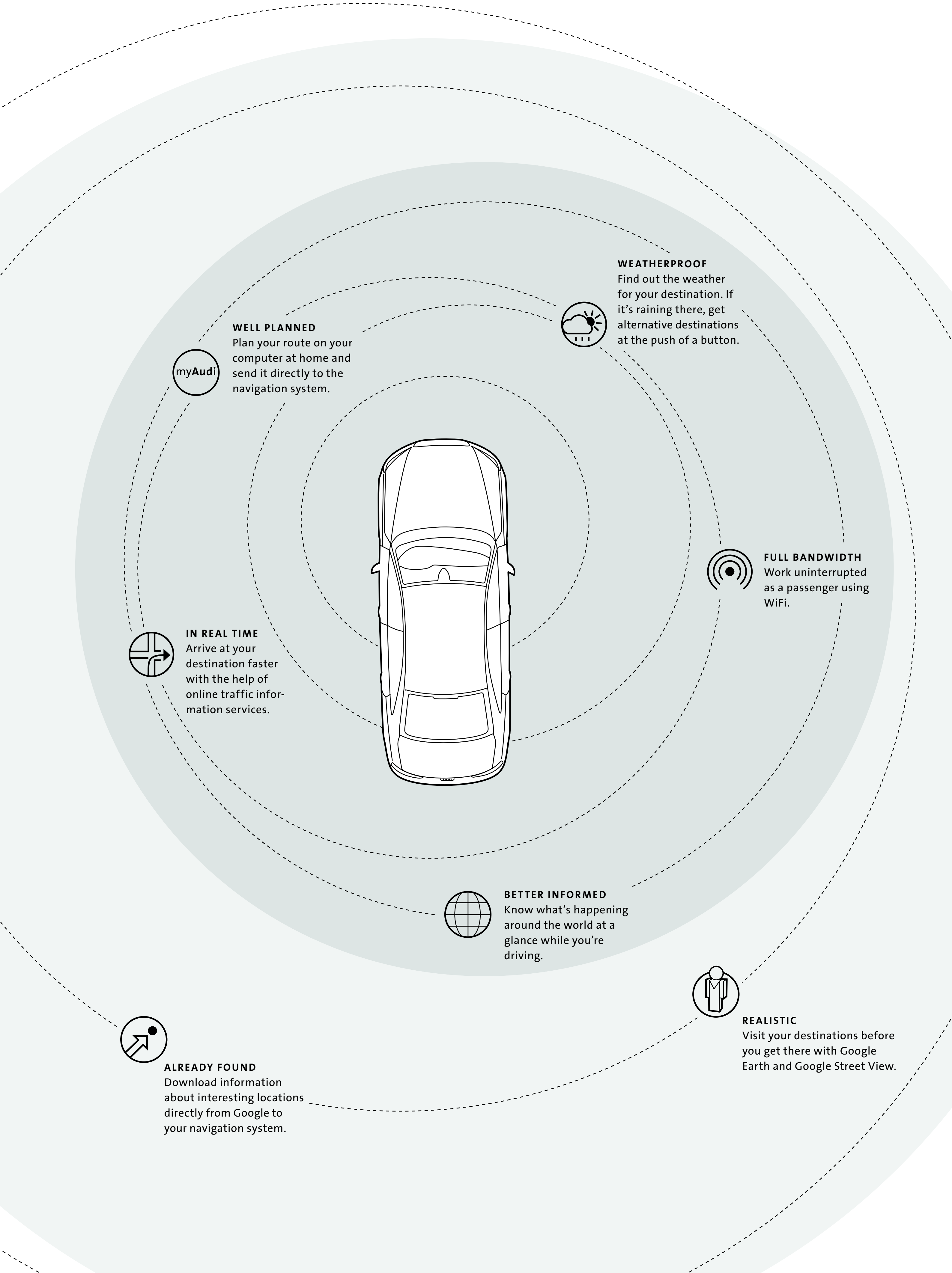
PHOTOGRAPHER Hartmut Nägele

ADDITIONAL INFORMATION
www.audi.com > Vorsprung durch Technik > Audi connect

1 Audi A8 fuel consumption in l/100 km: combined from 11.9 to 6.0; CO_2 emissions in g/km: combined from 277 to 158.

AUDI CONNECT – In early 2011, Audi combined its entire vehicle networking strategy under the heading of “Audi connect”. The manufacturer with the four rings has done this to ensure that all individual functions are fully integrated: the vehicle’s online connections, the link between the car and the driver, and the network connecting the vehicle to the environment, or one vehicle to another.

The strategic concept is backed by products that make driving safer and more comfortable. Our chart outlines several key connect functions.


WEATHERPROOF
Find out the weather for your destination. If it’s raining there, get alternative destinations at the push of a button.
myAudi
WELL PLANNED
Plan your route on your computer at home and send it directly to the navigation system.
FULL BANDWIDTH
Work uninterrupted as a passenger using WiFi.
IN REAL TIME
Arrive at your destination faster with the help of online traffic information services.
BETTER INFORMED
Know what’s happening around the world at a glance while you’re driving.
REALISTIC
Visit your destinations before you get there with Google Earth and Google Street View.
ALREADY FOUND
Download information about interesting locations directly from Google to your navigation system.

Life lines.

Auto mechanic **VLADIMÍR CHMELÍK** is 57 and has been with ŠKODA for 39 years. His son also works for the company. “I grew up under socialism. After it ended, my work at ŠKODA helped me to understand the world better. 20 years ago, no one dared even think that ŠKODA would become the number one in Eastern Europe and grow so quickly worldwide. Volkswagen has believed in us and supported us all these years. We want to achieve a lot for our brand and today, we work harder than ever before. It feels like this is just the beginning.”

ŠKODA has more than quadrupled its unit sales since joining the Volkswagen Group in 1991. This was the start of a new era in Mladá Boleslav, ŠKODA's traditional headquarters in the Czech Republic. What do employees remember? What do they associate with the company today, whose success they have helped to shape over the last two decades? And, above all, what do they think of the brand's ambitious growth plans to increase global sales from approximately 880,000 vehicles today to at least 1.5 million by 2018? Four people tell of their experiences working for ŠKODA.

LUBOMÍR ANTOŠ, head of technical projects, is 59 and has been with ŠKODA for 35 years. His wife and daughter also work here. "It makes me proud to see how many people work at Mladá Boleslav today and where ŠKODA stands in markets like China and India. We are passionate about ŠKODA's many new models and segments. Our Czech and German engineers combine attention to detail with the desire to build the perfect car. This aspiration and this expertise are our two greatest strengths."

Marketing assistant **OLGA PRAŽENKOVÁ** is 50 and has been with ŠKODA for 31 years. Both of her daughters study at the ŠKODA Academy. “I accepted a new position in the office of the Board of Management in 1991. At the time, I didn’t know whether I would be able to meet the demands of this job and the responsibilities that came with it. It was an important step that ultimately showed me what I am capable of. Today, I am motivated by new challenges – this is something that the company encourages. I think that fairness and mutual respect are extremely important in any workplace. At ŠKODA, we live these principles. I believe that is one of the reasons for the brand’s success.”

44-year-old **PETR JÍRA** coordinates original parts and accessories projects. He is married with two children and has been with ŠKODA for 20 years. “I started here in 1991 in the warehouse and have worked in many different positions since then. I am still fascinated by the breathtaking pace at which ŠKODA evolved from a state-owned enterprise to a global automaker. While some new colleagues may take what we have achieved for granted, I am more thrilled than ever to play a part in the success of ŠKODA. Our brand has great potential.”

AUTHOR Katrin Materna **PHOTOGRAPHER** Hartmut Nägele **ADDITIONAL INFORMATION** www.skoda-auto.com > About us

Modern and contemporary art challenges the viewer to question the world around us. The Museum of Modern Art in New York seeks to foster this dialog on art and the pressing issues of our times in many different ways, including digital means. MoMA Director Glenn D. Lowry shares his thoughts on the interaction between art and education.

Art educates.

GLENN D. LOWRY

57, HAS BEEN DIRECTOR OF THE MUSEUM OF MODERN ART SINCE 1995.

New York City's Museum of Modern Art has one of the world's most famous collections of modern and contemporary art. Founded in 1929, it now houses 150,000 architectural and design works, including a Volkswagen Beetle, plus paintings, drawings and sculptures, as well as films, media and performance art, and a library with 300,000 volumes.

Art is everywhere. Not just in museums, but also on the street, in the media, on "Facebook" and "YouTube" – in short, wherever there are people, there is art. Whatever form it takes, art ignites minds and fuels creativity. And the dialog with art is a means of sharpening our perception of the environment and how we live together as global citizens.

Ever since it was founded in 1929, the Museum of Modern Art has been committed to helping people enjoy and understand the art of our times. MoMA excels in its educational and aesthetic missions by putting artists at the center of everything it does. Artists, through their work, challenge norms and push boundaries – values that are critically relevant for the world today as we move by necessity from a culture of consumption to one of innovation.

Modern and contemporary art can be challenging to interpret. Nevertheless, in the words of artist Marcel Duchamp: "The creative act is not performed by the artist alone; the spectator brings the work in contact with the external world by deciphering and interpreting it, and thus contributing to the creative act." Good museums provide both space and a home for this encounter. Through our commitment to research and education, MoMA supports a deeper understanding of today's art by examining the social, cultural and historical contexts of artists and artworks. Our many educational initiatives thus help build bridges. Through our experimentation with online courses, we have begun to bring together people of all ages and origins in the digital world. They are united by a belief in the power of art and artists to ignite creative thinking. With the support of Volkswagen, we have started to develop sustainable ways of building global communities – and stimulate exchange across geographic barriers.

As a result, MoMA can open up new ways to engage in the dialog with and about art from its New York location. Digital media have the power and the potential to expand the global reach of the museum's mission – fostering the individual creativity of millions of people worldwide, helping them to think and respond more critically to the evolving world in which we live.

"The dialog with art is a means of sharpening our perception of the environment and how we live together as global citizens."

GLENN D. LOWRY, DIRECTOR MUSEUM OF MODERN ART, NEW YORK

The German postal service is looking at electrifying its fleet – and slashing its carbon footprint. In cooperation with Volkswagen Commercial Vehicles, Deutsche Post DHL conducted a three-month fleet trial in Potsdam with ten Volkswagen Caddy blue-e-motion vehicles.

e-Post.

With the parcel tucked firmly under her arm, Ivonne Rendelmann rang the doorbell and waited. She rang the doorbell again. And waited some more. “Nobody is home!” She put the heavy package back into the Caddy. On to the next customer. Ivonne works for Deutsche Post DHL. She is one of the 24 drivers whose rounds were powered by electricity in the summer of 2011 with the Caddy blue-e-motion from Volkswagen Commercial Vehicles.

Deutsche Post DHL road-tested ten prototypes in Potsdam and Stahnsdorf, near Berlin, with scientific support from the Institute of Transportation Design in Brunswick and the backing of the German Federal Ministry for the Environment. Ivonne Rendelmann was quite taken with the electric drive Caddy: “I don’t want to give it back!” Postal delivery workers hop in

> "Electric motors are different – there's no leaving the engine running, no idling, no clutch, no changing gears. Another advantage is that energy is recovered when braking."
>
> JÖRG STRUNZ, PROJECT MANAGER, CADDY BLUE-E-MOTION FLEET OPERATIONS, ALTERNATIVE DRIVES, VOLKSWAGEN COMMERCIAL VEHICLES

and out of their vehicles up to 400 times per round. "Once the key is in the ignition, all I have to do is put the van into drive, touch the accelerator and I'm off", says Ivonne. "It doesn't get any easier than that. Plus, it's so quiet and doesn't give off emissions!"

Deutsche Post DHL currently has around 20,000 Volkswagen Caddys in service across Germany. 80 percent of vehicles travel less than 50 kilometers every day and almost always take the same route. "The electric drive promises huge advantages for short, inner-city distances and delivery runs", explains engineer Jörg Strunz, a member of the alternative drive concepts team at Volkswagen Commercial Vehicles and responsible for the fleet project. The Caddy blue-e-motion is his baby.

"Frequent starts and stops, long periods of idling, very short distances, often in first and second gear only – even Volkswagen's most economical TDI motors aren't as efficient as they could be under these driving conditions. Electric motors are different – there's no leaving the engine running, no idling, no clutch, no changing gears. Another advantage is that energy is recovered when braking", says Strunz, not without a hint of pride in his voice.

The Caddys clocked up a good 14,000 kilometers in 80 days, travelling up to 44 kilometers without having to be recharged. The electric vehicles' lithium-ion batteries need around 90 minutes to "refuel", so that two rounds a day are possible. The 85 kW (115 PS) electric motor, taken from the future Golf blue-e-motion, has an electronically limited top speed of 120 km/h. Its nifty acceleration from standstill drew unanimous praise from the drivers. Deutsche Post DHL was in turn pleased at the low operating costs – the electricity cost around six cents per kilometer, not even a quarter of the price of diesel fuel. It also discovered that electric vehicles cost less to maintain than vehicles with a combustion engine.

Feedback from the postal delivery workers on the Caddy blue-e-motion provides the Volkswagen Group's developers with important insights for technical improvements and the construction of future series. "When it's raining and our clothes are damp, the windows fog up while we're sitting in the car. The heating has to unfog them quickly", says Ivonne, touching on a safety issue – unobstructed visibility, even in damp conditions or below-zero temperatures. "Safety is our number one priority in electric vehicles as well", stresses Jörg Strunz. The problem is that the electric drive produces very little warmth, meaning that, for the time being, the battery is the only source of energy for the heater. This reduces the vehicle's range.

Engineers still have to solve tricky problems like these on the road to an electric future. Batteries need to be made more power-

ful, safer and cheaper, a charging infrastructure has to be developed and the energy required to "refuel" must be generated from renewable sources. Volkswagen's electric age is starting soon: the zero-emission up! and Golf blue-e-motion are scheduled to quietly take over the streets from 2013, followed by the Caddy blue-e-motion. If it were up to the drivers from DHL, they would sooner switch over to electricity today than tomorrow.

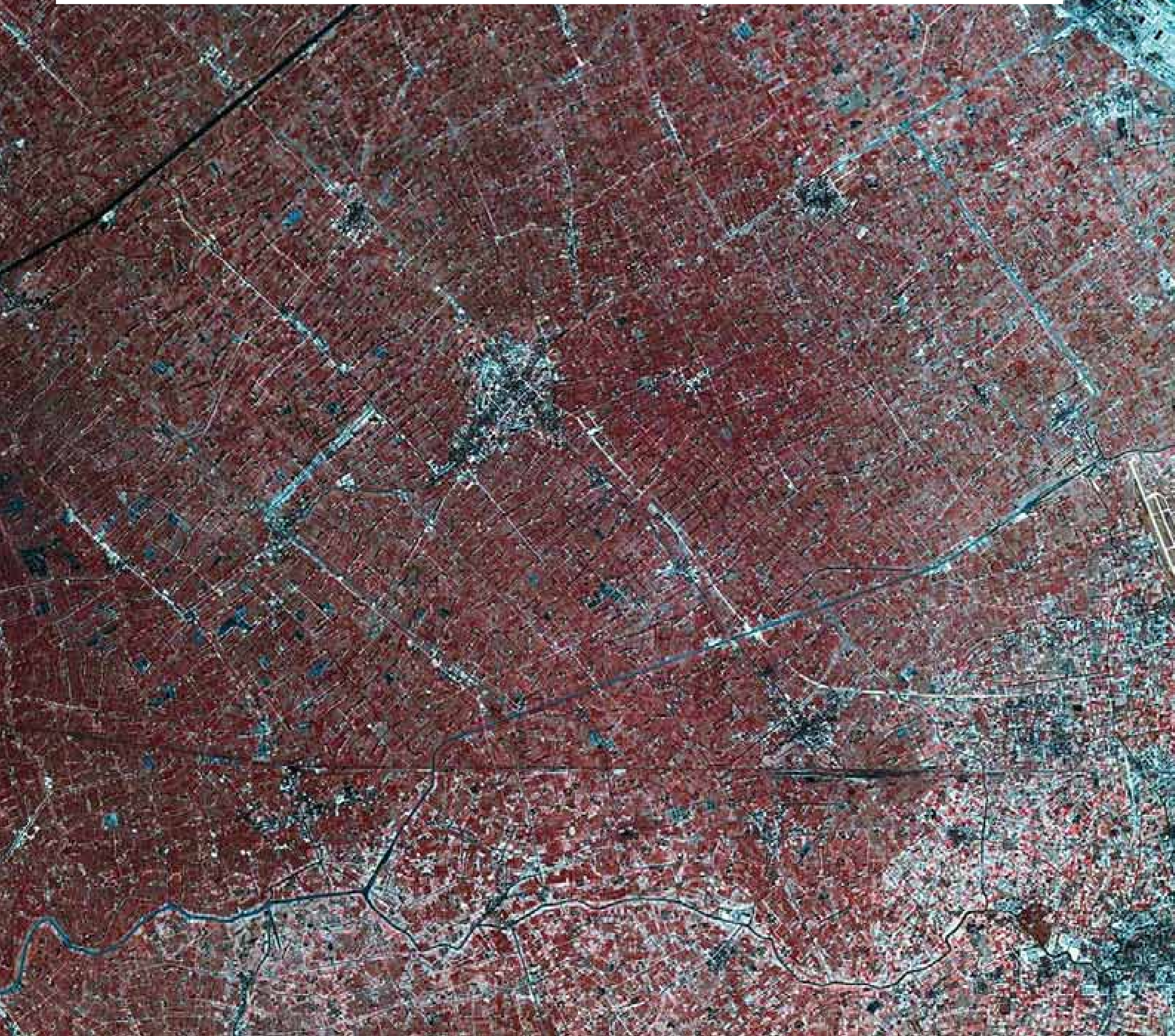
AUTHOR Stefan Woltereck

PHOTOGRAPHER Tim Müller

ADDITIONAL INFORMATION www.volkswagen-commercial-vehicles.com

23 million people live in and move around Shanghai every day, one of the numerous Chinese cities with a population of over a million. Urban mobility in the Middle Kingdom follows its own rules and is increasingly setting trends. The Volkswagen Group is looking far into the future at its research laboratory in Shanghai, where it is driving forward the development of new technologies such as e-mobility.

Maximizing mobility.



To understand the challenges facing the mobility systems of the future, you have to see Shanghai at night from a skyscraper – the sea of lights extends to the horizon. Almost 100 million people live in the metropolitan area of the Yangtze Delta. "A region as dynamic as this is the ideal place to look for new trends and solutions", is how Dr. Tobias Giebel comments on the impressive backdrop. The electrical engineer heads the VRC, or Volkswagen Research Lab China, in Shanghai.

The laboratory at the Tongji University campus has been part of Volkswagen's global research network since 2006 – along with the research headquarters in Wolfsburg and the facilities in Palo Alto, California, and Tokyo. Giebel's team works closely with the Group's other research centers. Volkswagen's joint ventures in China – Shanghai Volkswagen Automotive Company and FAW Volkswagen Automotive Company in Changchun – are also important partners for the researchers. "We are working together with China's top vehicle developers", says Prof. Dr. Jürgen Leohold, Head of Volkswagen Group Research in Wolfsburg. "China is an extremely dynamic market and is becoming increasingly important for Volkswagen. Having our own research team on the ground here is absolutely essential for a company like us."

"One of the key focuses of our work is new drives", explains Giebel. "But we also devote a lot of time to studying the behavior of Chinese customers to find out what they want from their cars in the future and what they think about certain new technologies", adds his colleague Dr. Zhang Bin.

The state-of-the-art laboratories offer an insight into the everyday work of the two researchers. For example, lithium-ion batteries are charged and then discharged several hundred times in special chambers. Some tests have already been running for months. The aim is to assess the long-term efficiency of the batteries used in electric and hybrid vehicles. "We are focusing on electrochemical processes as well as safety", explains electrical engineer Wen Jiang. The high-performance batteries are manufactured in China. Volkswagen is working together with the producers to adapt these batteries to comply with the standards of the Verband der Automobilindustrie (VDA – German Association of the Automotive Industry).

Automobile manufacturers in China, too, are driving forward e-mobility, partly thanks to the strong support of the government

2,260,000

VEHICLES were produced by Volkswagen Group China in 2011.

3,182

PATENT APPLICATIONS were registered by employees of the Volkswagen Group worldwide in 2011.

3

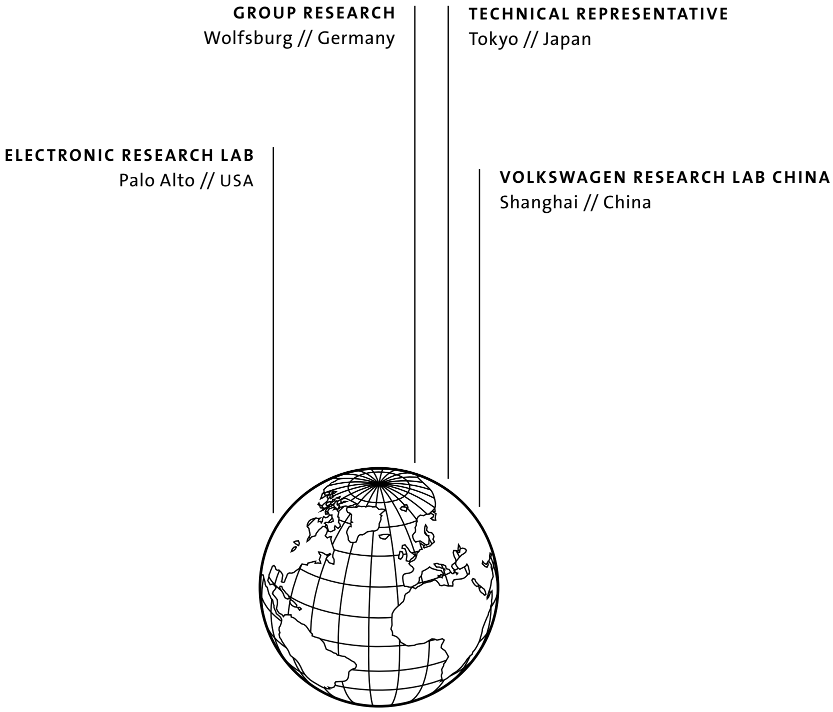
PROFESSORSHIPS are sponsored by Volkswagen at the Sino-German College for Graduate Study of Tongji University in Shanghai. Two professors work in the product and technology sector, while the third is devoted to human resource management.

AROUND 23 MILLION PEOPLE LIVE IN SHANGHAI – The busy city is an ideal place to search for new trends and tomorrow's solutions for mobility.

"Technical innovation alone does not equal progress. Education is just as important. This is the only way we can change people's driving behavior."

DR. TOBIAS GIEBEL, HEAD OF THE VOLKSWAGEN RESEARCH LAB IN SHANGHAI

RESEARCHING TOMORROW'S MOBILITY – Dr. Zhang Bin (left) and Dr. Tobias Giebel at Volkswagen's Research Laboratory in Shanghai.



in Beijing. The People's Republic aims to have five million electric cars on its roads by 2020. Many experts believe that China has the potential to become the first major market for electric cars and plug-in hybrids. "We want to help make sure that Volkswagen is at the forefront right from the very beginning", says Giebel.

Group researchers work particularly closely with Tongji University on safety. "One of the most urgent problems is the extremely high number of road casualties in China compared with other countries", explains Giebel. His team of researchers quickly identified one of the main reasons. He likes to take visitors on a walk through the city streets to explain: "Many Chinese often don't buckle up when they get behind the wheel. Even at relatively low speeds, this can often lead to serious injuries." Volkswagen is combating this with educational initiatives for children and road safety campaigns together with Chinese automobile associations. One outcome of this is a seatbelt alarm function, which is fast becoming a standard feature in Chinese cars.

Giebel looks down at the traffic from one of the many pedestrian bridges in Shanghai. "Technical innovation alone does not equal progress. Education is just as important. This is the only way we can change people's driving behavior", he explains at the sight of the many buses, cars and bicycles jostling together with little regard for pedestrians. "As the market leader in China, it is only natural that Volkswagen also conducts research in this area."

AUTHOR Bernhard Bartsch

PHOTOGRAPHER Andreas Mader

ADDITIONAL INFORMATION www.volkswagenag.com/homepage > Innovation

When they want to buy a new car, many people consult car magazines, take test drives and compare models before coming to a final decision. For others, the name of an automotive legend is all they need. Lawyer Amélie Leperre-Dimeglio, financial manager Wang Yin and legendary surfer Robby Naish belong to the latter group. They ordered their new Porsche 911 “on spec”. And waited eagerly for their “blind dates” in Paris, Hawaii and Shanghai.

Blind date.

PARIS – CENTRE PORSCHE PARIS, 17 RUE GROS

She had only caught a fleeting glimpse of it from a distance – in the Centre Porsche in Paris, following its world premiere in September 2011. But the round, transparent headlights and the unmistakable silhouette of the new Porsche 911[1] had left her wanting more. From then on, she could hardly wait till they met again.

Same place, three months later. Amélie Leperre-Dimeglio has a rendezvous at Porsche in the 16th arrondissement, where her new, bright red 911 Carrera S[2] is waiting for her. "Wow, it's beautiful", she can't help but say. A successful lawyer and notary, Amélie Leperre-Dimeglio bought the sports car as a birthday present for herself: "40 is the perfect age to drive a Porsche", she says. Now in its seventh generation, the new 911 comes in two engine versions: As a 911 Carrera[3] with a 350 PS 3.4-liter engine and as a Carrera S with an output of 400 PS from a cubic capacity of 3.8 liters. Thanks to its efficient drives, lightweight design and fuel-saving innovations such as the start/stop function, fuel consumption is around a fifth below that of the previous model. When it comes to CO_2 emissions, the new 911 tops the table in the sports car segment with under 200 grams per kilometer.

"The fact that I am willing to order a car without knowing what it's like to drive it has everything to do with this brand. I asso-

DRIVING THE NEW CAR ALONG THE SEINE – Lawyer Amélie Leperre-Dimeglio in Paris: "I associate Porsche with a great sports car tradition."

ciate Porsche with a great sports car tradition." Now that the 911 is within reach, Leperre-Dimeglio wants to take it on the road. "I like listening to loud music and driving fast." The first thing she reaches for in her new car is the Bose stereo system; the second is the Sport Plus button in the center console. Driving along the Seine, she explains why she has opted for the new Porsche. "The 911 is the car of my dreams, because it's more than just a sports car. It packs a powerful punch but is still the height of elegance. Sporty, but still suitable for everyday life." Amélie Leperre-Dimeglio savors every inch of the road and says happily: "From now on, it will be my constant companion."

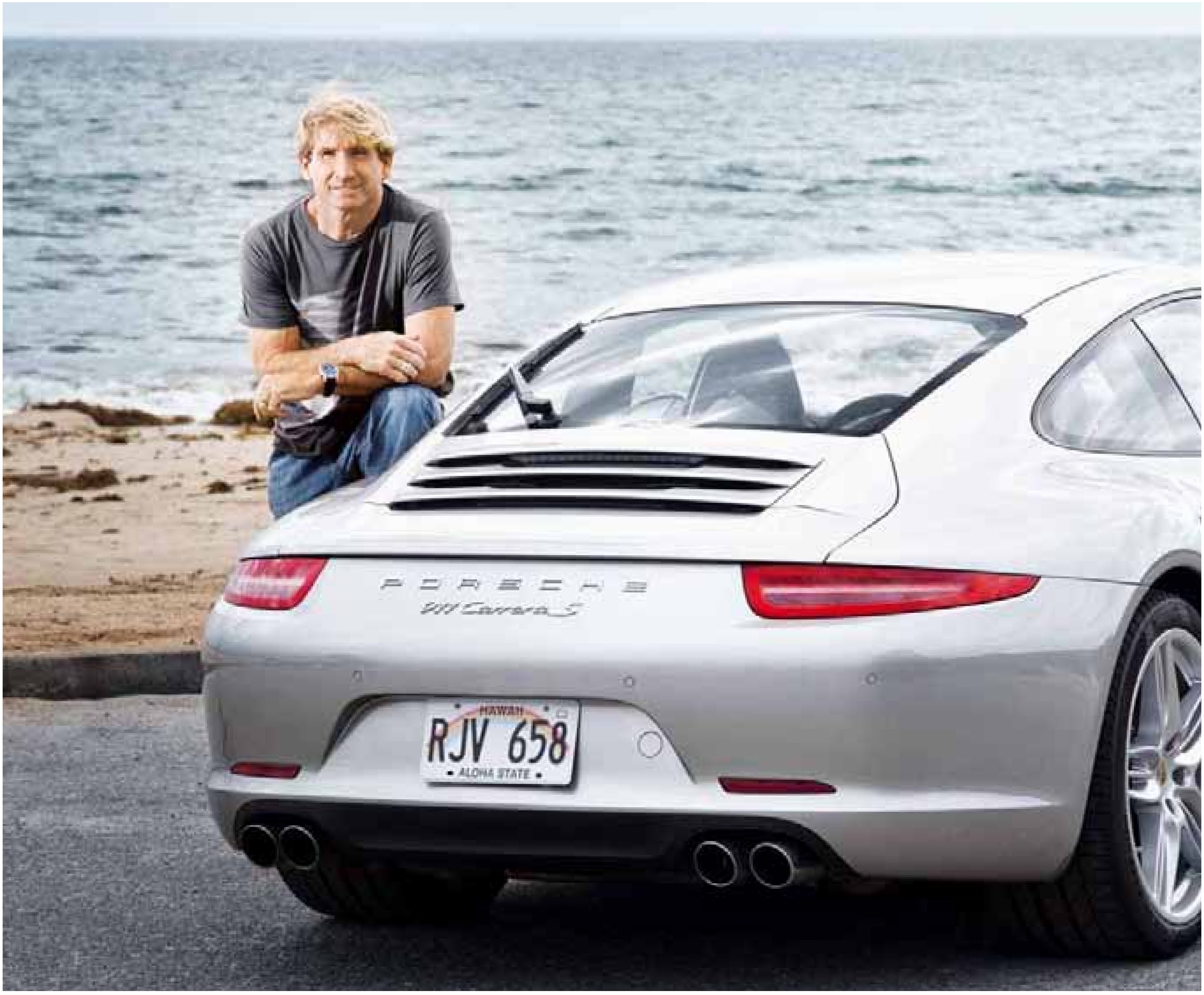
HAWAII – NAISH HAWAII LTD., 155A HAMAKUA DRIVE, KAILUA

The unadulterated pleasure of driving a 911 is something that the Paris-based lawyer shares with surfing legend Robby Naish. The 48-year-old, who won his first World Surfing Championship title at the tender age of 13, now lives on the island of Maui in the Pacific Ocean. A corner of the earth where wind and water hold sway, it offers the perfect surroundings for the "Lord of the Boards". However, he does have another great passion: cars. As you might expect from someone who calls himself a car guy, he is impatiently waiting for his new 911 Carrera S in Kailua, Hawaii.

The silver-gray classic sports car will be the third Porsche in Naish's garage, along with a Panamera and a Cayenne. "Silver brings out the best in the car's lines", he enthuses as soon as he sets eyes on the new 911. Together with the extended wheelbase – 100 millimeters longer than the previous model – the wider tire tread and the flatter roof contour give the sports car a more solid roadholding feel. Connoisseur Naish appreciates that.

“For me, the 911 is not about driving fast – it’s all about the feeling.”

ROBBY NAISH, WORLD SURFING CHAMPION FROM HAWAII



LOVES THE SEA, WAVES AND CARS – Surfing legend Robby Naish: “Porsche has a lot to do with passion.”

PORSCHE'S GROWTH IN CHINA IS FASTER THAN IN ANY OTHER MARKET – Financial manager Wang Yin in Shanghai: "Respect for the environment and driving pleasure shouldn't be mutually exclusive. And that's one reason why I opted for Porsche."

His gaze travels over details like the elegantly designed door mirrors and the strikingly slim tail lights. Only then does he open the door, touch the leather of the interior door trim and swing himself into the driver's seat. He engages first gear in his 911's seven-speed gearbox, starts the engine and sets the wheels in motion. "The sound of the engine alone – perfection."

And then the man known for surfing the waves at speeds of over 80 km/h demonstrates that he is also an exceptional driver. "Porsche has a lot to do with passion", says Naish as he expertly steers the 911 around the bends. On the coast road overlooking the vast ocean, he glides along leisurely, savoring the sound of the engine, the sun and the view: "For me, the 911 is not about driving fast – it's all about the feeling."

SHANGHAI – PORSCHE CENTER SHANGHAI, 288 NANJING ROAD WEST

Some 8,000 kilometers west of Hawaii, Wang Yin is waiting in the Chinese metropolis of Shanghai to get behind the wheel of the new Porsche 911. She is one of an exclusive group of customers who were invited to drive the new model. Wang Yin has already ordered her own 911 Carrera S. Delivery of the seventh 911 generation begins in China in March 2012.

Financial manager Wang Yin is a little nervous. "Driving a Porsche is a very emotional experience for me." She belongs to the young, successful generation of Chinese who tend to eschew a chauffeur-driven limousine in favor of getting behind the wheel themselves – ideally the wheel of an attractive sports car. Porsche's growth in China is far higher than in any other market: the brand sold 24,340 vehicles there in 2011, an increase of 64 percent on the previous year. Its reputation precedes it in China as elsewhere: Porsche is legendary.

THE 911 CARRERA S

LITER engine
3.8

KG lighter (than its predecessor)
-45

% lower consumption and emissions (than its predecessor)
16

SEC from 0 to 100 km/h
4.5

400
PS corresponding to 294 kW

304
KM/H top speed

440
NM maximum torque

Wang Yin recounts how she fell head over heels in love with the brand while visiting Europe five years ago: "A white 911 was parked in front of the Colosseum in Rome, right at the heart of the ancient Eternal City. Its beauty blended perfectly with the overall surroundings." That image remains etched in her memory, the petite 38-year-old recalls as she climbs into the leather sports seat, smiling as she touches the selector and gearshift lever located close to the steering wheel. "Classic yet modern – typical Porsche", she declares, eyeing the five round instruments in the cockpit, one of them a high-resolution multi-function screen.

While driving in the street canyons of Shanghai, Wang keeps a close eye on the fuel gauge: "Fuel consumption averages less than ten liters per 100 kilometers." Having checked out the technical details beforehand, she speaks knowledgeably about the advantages of the auto start/stop function and tries out the 911's new "coasting" function, whereby the engine is shut off and the vehicle glides along, controlled by its direct shift gearbox. "Respect for the environment and driving pleasure shouldn't be mutually exclusive. And that's one reason why I opted for Porsche."

AUTHORS Barbara Markert (Paris), Jo Clahsen (Kailua), Philipp Mattheis (Shanghai)

PHOTOGRAPHERS
Thibaud Chevalier (Paris), Marc Urbano (Kailua), Mick Ryan (Shanghai)

ADDITIONAL INFORMATION www.porsche.com/911

1 Porsche 911 Carrera/Carrera S fuel consumption in l/100 km: combined from 9.5 to 8.2; CO_2 emissions in g/km: combined from 224 to 194.

2 Porsche 911 Carrera S 294 kW, fuel consumption in l/100 km: urban 12.2/extra-urban 6.7/combined 8.7; CO_2 emissions in g/km: combined 205.

3 Porsche 911 Carrera fuel consumption in l/100 km: combined from 9.0 to 8.2; CO_2 emissions in g/km: combined from 212 to 194.

MAN stands for transport and energy. Founded in 1758, the company has been one of the Volkswagen Group's independent brands since November 9, 2011. The Munich-based company's product portfolio ranges from trucks through marine engines with up to 100,000 PS and turbines down to turnkey power plants – all true driving forces, developed and created by over 53,500 MAN employees worldwide.

Driving force.

GLOBAL PRESENCE

MAN is a global player and present on five continents. The company is growing above all in the BRIC countries and is building on its strong position in emerging growth markets such as Argentina, Chile, Indonesia, Mexico, South Africa and Turkey. But Europe continues to be MAN's strongest region in terms of revenue.

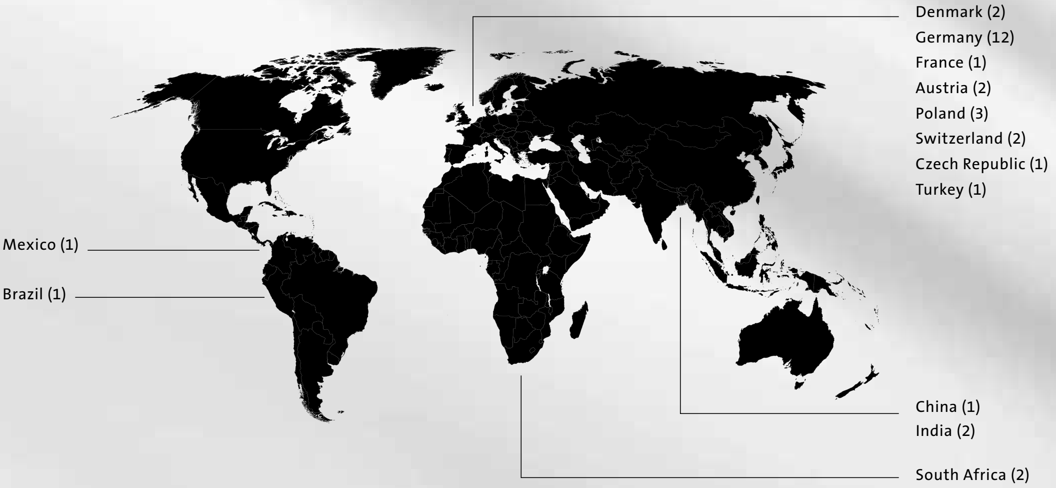
SALES REVENUE IN € BILLION (full-year 2011 based on MAN SE's 2011 annual report)

16.5

MAN Commercial Vehicles | Power Engineering | Financial Services | Total

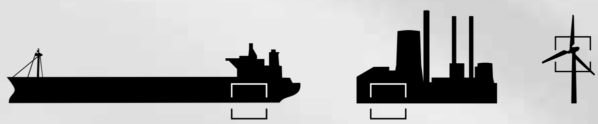
31

PRODUCTION FACILITIES WORLDWIDE



TRANSPORT AND ENERGY UNDER ONE ROOF

MAN is one of the world's leading providers of transport, mobility and energy solutions. The Group's individual divisions complement each other: MAN develops sustainable, eco-friendly technologies for both commercial vehicles and marine diesel engines. Turbine technology makes energy generation even more efficient, while gear units convert engine power or wind energy into a driving force for engines. Services, financing and leasing round off the portfolio.



MAN COMMERCIAL VEHICLES

MAN is one of the world's leading manufacturers of commercial vehicles and transport solutions. MAN's product range includes trucks with a gross weight of 7.5 to 44 tonnes, special purpose vehicles with a gross combination weight of up to 250 tonnes, as well as omnibuses and coaches. In Brazil, MAN is the largest producer of trucks and the market leader in trucks with a gross vehicle weight over 5 tonnes. In addition, MAN manufactures diesel and gas engines for all types of commercial vehicles.

POWER ENGINEERING

MAN has established itself as a leading developer and manufacturer of large diesel engines, turbo compressors, industrial turbines and chemical reactor systems in its Power Engineering business area. In the diesel engine sector, MAN has positioned itself as a technological leader in developing drive units up to 100,000 PS for ships and generating energy in power plants. MAN also offers a broad range of turbomachinery for a very wide spectrum of industrial sectors – from the oil and gas industry through refineries down to the production of industrial gases and electricity. In addition, MAN manufactures gear units and power transmission components for special purpose vehicles and industrial applications. Development, production and quality assurance testing systems for the automotive, railway and aviation industries complete the product range.

TRANSPORTATION EFFICIENCY AND ENVIRONMENTAL TECHNOLOGY

MAN is an innovator – especially when it comes to environmental protection and energy efficiency: today, the company is one of the leading developers and manufacturers of hybrid drives for city buses and vehicles used for inner-city goods transportation, as well as resource-friendly gas technologies for large engines and turbomachinery in the power plant sector.

SOCIAL RESPONSIBILITY

For MAN, it is important to create value for society. The company lives up to this responsibility worldwide in numerous initiatives: for example, MAN works in close cooperation with SOS Children's Villages, and engages in joint projects in Ethiopia, Haiti and Japan.

4.5%

of MAN's total revenue
is invested in
RESEARCH & DEVELOPMENT.

GLOBAL COMPACT

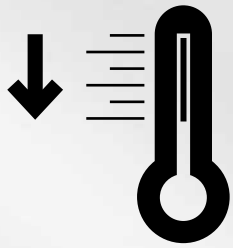
MAN is a member of the United Nations Global Compact initiative, whose ten principles set international standards for companies and organizations in the areas of human rights, labor, environment and anti-corruption.

25%

less CO_2 – that is by how much MAN wants to cut emissions in production until 2020 compared to 2008.

FIVE KEY INITIATIVES are designed to help slow down global warming:

- › Climate-friendly production
- › Consistently efficient product portfolio
- › Customer projects to reduce CO_2
- › Supply chain review for carbon intensity
- › Monitoring the climate

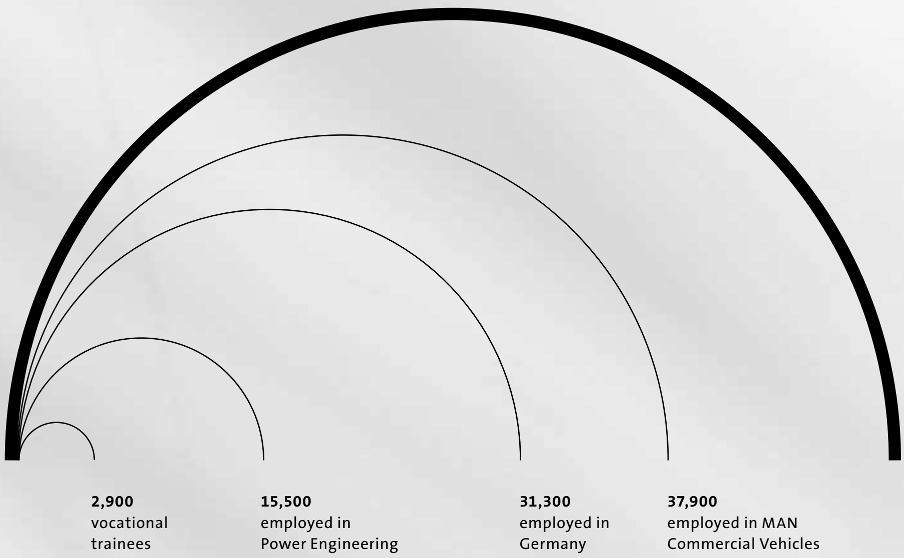


PEOPLE AT MAN – OUR FOUNDATION

Over 53,500 employees work on the best ideas for transport and energy generation at 31 MAN locations. At the same time, the company is investing in its future: more than 2,900 vocational trainees worldwide are learning at MAN.

53,500

total headcount, of which:

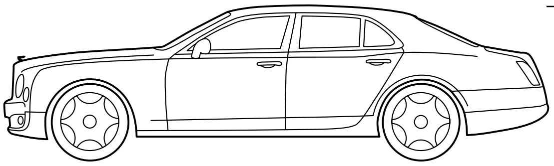


ADDITIONAL INFORMATION www.man.de/MAN/en

British automaker Bentley and the flourishing emirate of Qatar have one particular ambition in common: to shape the future without losing sight of their own tradition. The Persian Gulf state and the luxury brand are modernizing their rich heritage with extensive know-how and loving attention to detail.

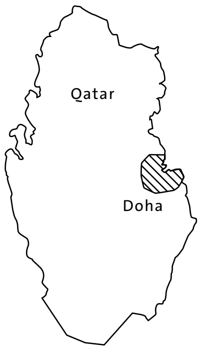
Tradition and modernity.


قطر 447526



8th

Almost one in eight Bentleys Mulsanne sold worldwide is registered in the Middle East. Qatar is Bentley's third-largest market in this region.



Until around 70 years ago, the desert state of Qatar was heavily dependent on the pearl trade. Today, the vast oil and natural gas resources are the emirate's most important sources of income. The country is home to 1.7 million people, around 800,000 of whom live in the capital city of Doha.

Anyone looking out over the bay from the old dhow port of Doha can see the mighty skyline of Qatar's capital on the other side – a place where the world's best architects have made their visions of 21st century buildings reality. The symbiosis of tradition and modernity is seldom as striking as it is here. The small emirate, where just half a century ago, pearl divers and Bedouins set the pace of life, is now heading at full speed to the future. Nonetheless, the Qataris do not forget their roots: modern museums celebrate Islamic art and the spectacular Al Shaqab equestrian center is the pride of the horse-loving nation. And even dhows – traditional, elaborately decorated Arab cargo sailing vessels – are still being crafted.

In the meantime, the four-lane Corniche waterfront promenade is teeming with traffic. In January, the world's leading carmakers come together for the Qatar Motor Show. The country has one of the highest per capita incomes in the world and is an important market, especially for Bentley and other producers of luxury vehicles. The time-honored brand has maintained a presence in Qatar since 1979, and the country is Bentley's third-largest market in the Middle East. At present, demand is especially high for the top-of-the-range Mulsanne[1] and the Bentley Continental Flying Spur[2]. In 2011, one in eight Bentleys sold worldwide was registered in this region. Qatari buyers are very much taken with the unique blend of traditional workmanship and state-of-the-art technology, which is typical of both the Bentley brand and their own country.

“Our traditional brand values and exceptional attention to detail will continue long into the future”, Bentley CEO Wolfgang Dürheimer explains, adding: “When it comes to leather and woodworking, we are the center of excellence within the Group. We attach great importance to the interaction between craftsmanship, technical expertise and state-of-the-art technology.” This becomes evident if we compare the large eight-cylinder

AN ATHLETE IN A TUXEDO – The Bentley Mulsanne at the Diplomatic Club in Doha. The exclusive Bentley Mulsanne saloon combines a sporty character and performance with automotive elegance. The interior is a masterpiece in leather and woodwork.

"Our traditional brand values and exceptional attention to detail will continue long into the future."

WOLFGANG DÜRHEIMER, CEO OF BENTLEY MOTORS

engine – Bentley's most traditional power unit – in the latest Mulsanne with the original version of the same engine from 1959. The modern twin-turbocharged V8 engine delivers 512 PS, while Bentley's original produced only 200 PS. Fuel consumption is now only 51 percent of what it once was and emissions have been reduced by as much as 99 percent.

It goes without saying that innovative drive technologies feature prominently in Wolfgang Dürheimer's vision for the future. "At the beginning of this year, we introduced two new Continental V8 models[3]. These have outstanding fuel efficiency and CO_2 emission performance thanks to a range of new technologies including state-of-the-art cylinder deactivation – pioneered in the Bentley Mulsanne. Combustion engines will continue to play an important role at Bentley, but I can well imagine us incorporating hybrid technology in the not too distant future", says Dürheimer with firm conviction.

This is an outlook that finds clear parallels in modern-day Qatar. The economic backbone of the small emirate is its enormous reserves of natural gas and oil, but the Qataris do not want to limit themselves to these finite resources. Saad Al Muhannadi, Vice President of the Qatar Foundation for Education, Science and Community Development, is in charge of implementing a vision for the year 2030 which aims to "transform the state from a carbon-based to a knowledge-based economy". The state foundation plans to invest 190 billion US dollars in the large-scale project, which is founded on the key principles of creativity, intellect and critical thinking. A large Science & Technology Park is already in place, where scientists and engineers from all over the world work on future technologies. Not far away is Education City, which houses branch campuses of top Western universities. What's more, Doha plans to establish itself as a leading location for sporting and cultural events, most notably the 2022 Soccer World Cup.

The Qataris are busy enhancing their urban infrastructure, already impressive by modern standards. In addition to a metro system, there will be a whole new district without skyscrapers and gated communities. Instead, the focus will be on traditional Qatari architecture blended with Western modernity. For instance, traditional arcades, combined with shady solar roofs, will be designed to make the sweltering heat bearable even without air conditioning.

"Our team is developing an environmentally friendly, energy-efficient and high-quality infrastructure", promises Saad Al Muhannadi. "After all, state-of-the-art technology and tradition combined with sustainability are rated highly here." A sentence that could just as easily have come from Bentley CEO Wolfgang Dürheimer.

AUTHOR Dirk Maxeiner

PHOTOGRAPHER Hartmut Nägele

ADDITIONAL INFORMATION www.bentleymotors.com

1 Bentley Mulsanne 377 kW, fuel consumption in l/100 km: urban 25.3/extra-urban 11.8/combined 16.9; CO_2 emissions in g/km: combined 393.

2 Bentley Continental Flying Spur 412 kW, fuel consumption in l/100 km: urban 26.2/extra-urban 11.7/combined 17.0; CO_2 emissions in g/km: combined 396.

3 Bentley Continental GT/GTC V8 fuel consumption in l/100 km: combined from 16.5 to 10.5; CO_2 emissions in g/km: combined from 384 to 246.

The industrialized world is under pressure to change. Demographic trends will require new models for shaping our life at work and working lives. “Now is the time to act”, says Prof. Dr.-Ing. Hans-Jörg Bullinger, President of the Fraunhofer-Gesellschaft.

The silver age.

HANS-JÖRG BULLINGER

67, HAS BEEN PRESIDENT OF FRAUNHOFER-GESELLSCHAFT SINCE 2002.

With more than 80 research facilities located in Germany alone, Fraunhofer is the largest organization for applied research in Europe. Fraunhofer-Gesellschaft employs more than 18,000 people worldwide; a large majority have qualifications in the natural sciences or in engineering. The annual research budget amounts to around €1.7 billion.

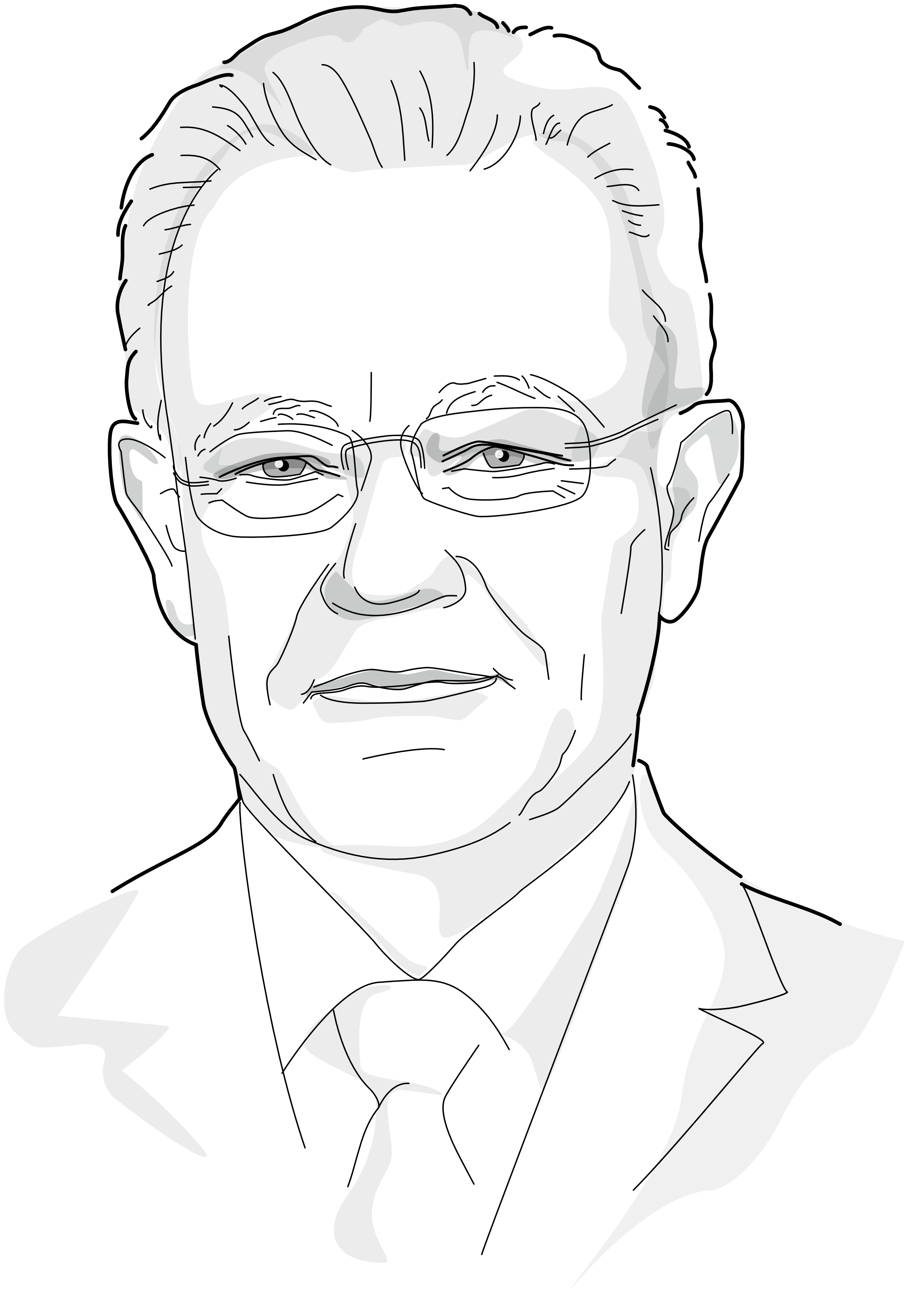
The global population is growing constantly and is getting younger and younger on average. But not everywhere – industrial nations such as Germany, Japan and Italy are shrinking and average ages in these countries are going up. By the year 2050, the number of working-age people in Germany is projected to fall by around ten million to approximately 30 million, while the number of retirees will increase dramatically. This demographic trend will see a need for social and economic change.

We will have to rethink our healthcare and social welfare systems. Far-reaching reforms will be unavoidable. At the same time, companies must boost their productivity and become more innovative – with an increasingly older workforce. This also affects the German automotive industry, where every fourth employee is already over 50. And in ten years, it will be every second employee. The automotive market is also changing, because the silver generation is making new demands on its cars and has a different definition of mobility.

In an aging society, it is essential that we retain the skills of employees for as long as possible and use the knowledge of the older workforce as effectively as we can. We can do this using intelligent working models that are more closely tailored to the capabilities and commitment of individual workers than at present.

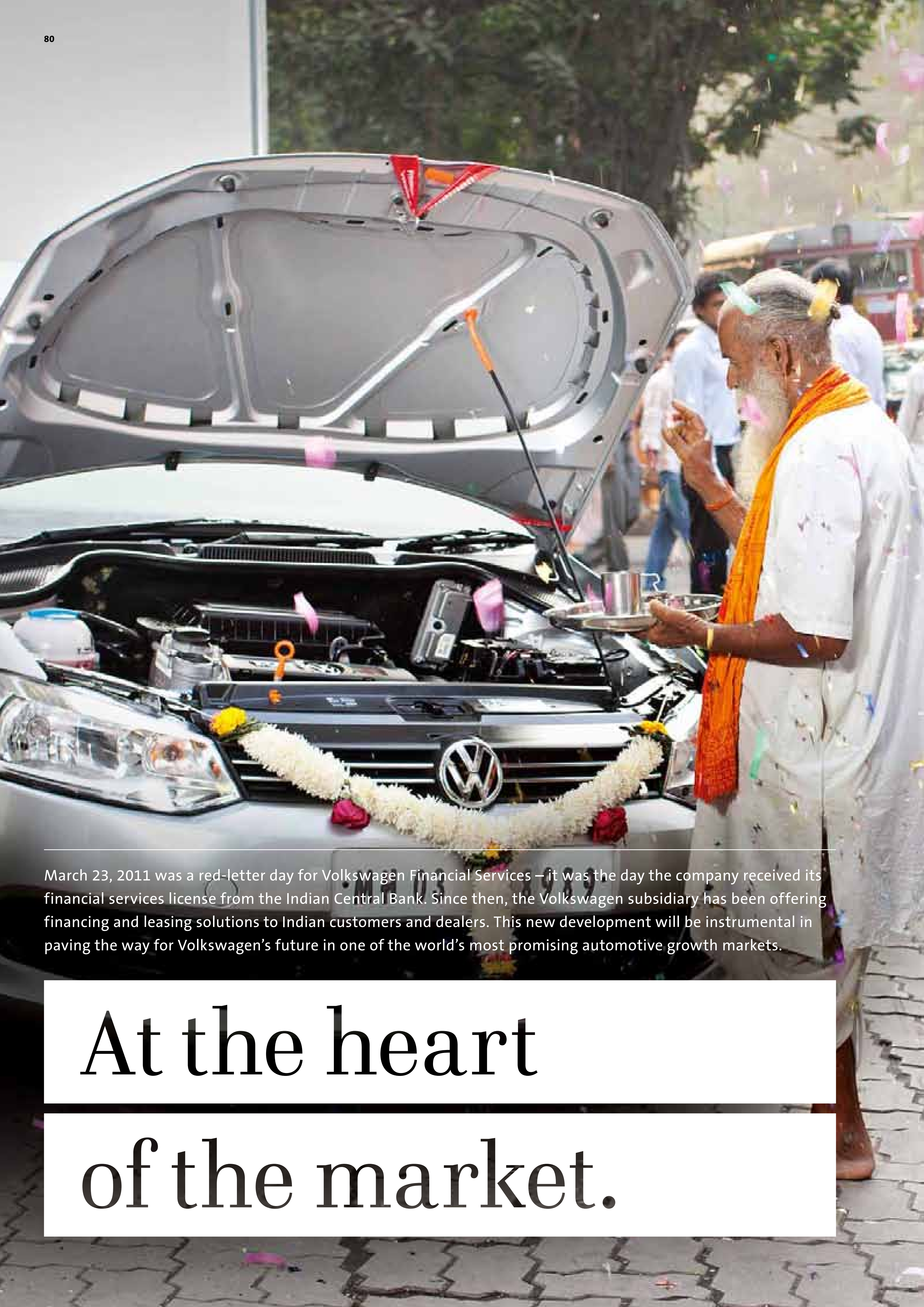
We have long known that younger employees are not necessarily more capable or more creative than their older colleagues. This is where a far-sighted human resources policy comes in with working models that take age into account. Health promotion in the workplace, too, must start with young employees, so that as many as possible reach retirement age in good health.

The “silver age” has already begun, and industry and society are well advised to adapt quickly and for the long run. It is our responsibility to preserve and benefit from the experience of the older generation.



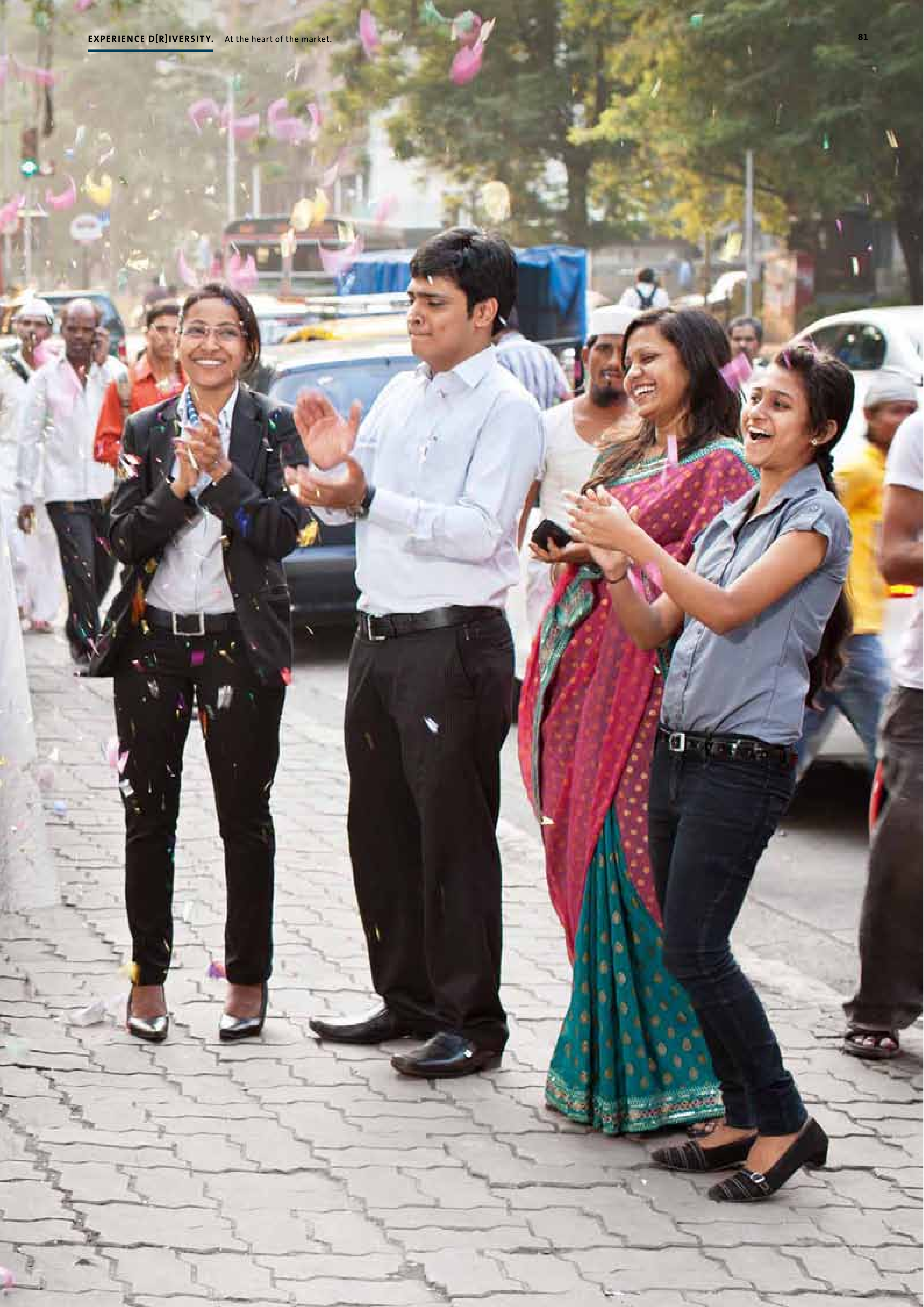
“It is our responsibility to preserve and benefit from the experiences of the older generation.”

PROF. DR.-ING. HANS-JÖRG BULLINGER, PRESIDENT OF FRAUNHOFER-GESELLSCHAFT



March 23, 2011 was a red-letter day for Volkswagen Financial Services – it was the day the company received its financial services license from the Indian Central Bank. Since then, the Volkswagen subsidiary has been offering financing and leasing solutions to Indian customers and dealers. This new development will be instrumental in paving the way for Volkswagen's future in one of the world's most promising automotive growth markets.

At the heart of the market.



“Our aim is to offer more – we provide mobility solutions that go well beyond mere vehicle financing.”

GURPREET GROVER, HEAD OF DEALER NETWORK & MARKET DEVELOPMENT, VOLKSWAGEN FINANCE INDIA

In India, it is the pandit – a religious scholar – who decides on the most auspicious date to buy a new car. Here, many buyers also pray for the favor of a number of different gods on future journeys with their new vehicle.

A suitably large crowd has gathered in front of the Volkswagen dealership in Prabhadevi in the center of Mumbai, the largest city in India and home to 12.5 million people. The focus of attention is a white Volkswagen Polo that is to be handed over to a young couple from Mumbai today. The steering wheel and grill of the new car are adorned with ancient good luck symbols fashioned out of blossoms and scented woods. The Indian priest or "sadhu" blesses the vehicle and its future drivers.

Gurpreet Grover, Head of Dealer Network & Market Development at Volkswagen Finance in India, is not only familiar with the distinctive cultural profile of the subcontinent; he is also aware of the challenges that exist there. With a population of 1.2 billion people, India has a rapidly growing automotive market. Between 2010 and 2011, the Volkswagen Group doubled its sales there to around 100,000 vehicles. Since 2009, the Volkswagen Polo and ŠKODA Fabia have been manufactured in the city of Pune, after Aurangabad the Group's second production location in the country. Around 70 percent of all new cars in India are financed. To date, this business has been dominated by the banks. "Our aim is to offer more. We provide mobility solutions that go well beyond mere vehicle financing", says Grover. For instance, such packages might include vehicle financing, insurance and extended maintenance and warranty services.

Volkswagen Finance Private Limited (VWF), the Mumbai-based subsidiary of Volkswagen Financial Services AG with regional offices in New Delhi and Bangalore, was founded in 2009, initially joining forces with local banks to provide funding. VWF began to operate as an independent financial services provider in March 2011, first catering for private customers and then extending its services to include dealer financing in the fall of the same year.

Today, Grover's customer base includes 215 Volkswagen dealers, with many more expected to follow: "We also help the Volkswagen, Audi and ŠKODA Group brands to build up and expand their dealer network in India." Some of the now 110-strong financial services team work on location at large dealerships, thus ensuring maximum customer proximity.

At the end of 2011, after the first nine months in the market, Grover is delighted with the positive result: "We got off to an excellent start." Next on the agenda for 2012 is corporate fleet financing with concepts for used cars to follow shortly afterwards. Based on in-house studies, Volkswagen estimates that there is a "relevant target group" of 23 million potential customers in India. Which means that Gurpreet Grover and his colleagues will have plenty to do in the foreseeable future.

AUTHOR Deepangshu Dev Sarmah
PHOTOGRAPHER Daryl Visscher
ADDITIONAL INFORMATION www.vwfsag.com > Company

PRAYING FOR THE FAVOR OF THE GODS – A blessing is often part of buying a car in India.

What do you get when the traditional and the modern come together in the hands of passionate, creative people? A perfect meal from Michelin starred chef Carlo Cracco – or a premium sports car from Lamborghini. The Italian chef and Lamborghini's "bella macchina" – the Gallardo LP 570-4 Superleggera – share a recipe for performance and perfection. They meet in Milan.

Finest ingredients.


Lamborghini

"True perfection is only possible if you're fully committed to what you're doing."

CARLO CRACCO, OWNER OF THE "RISTORANTE CRACCO" IN MILAN

His most important ingredient? Inspiration. "Sometimes I only have a vague idea for a new creation", explains Carlo Cracco. "I have to feel and smell the ingredients before I can turn them into a meal. And my mind has to be clear for it to become something out of the ordinary."

At 21, Cracco was already a chef at the three-star "Gualtiero Marchesi" in Milan. Today, he runs his very own "Ristorante Cracco" in Milan. "I had a dream", says the impeccably dressed Vicenzian, who stands at 1.9 meters tall. "I wanted Michelin stars for my restaurant – and I wanted to drive a Lamborghini at least once in my life." Cracco earned the stars long ago. He has borrowed the Gallardo Superleggera[1] – at only 1,340 kilograms a lightweight, true-bred sports car – for a spin around his home city today, just as a taster.

When Cracco combines juniper berry and aniseed-marinated salmon with the rich, velvety taste of liver pâté , the result is a unique brand of art. The body of the Gallardo Superleggera is composed in a similarly artistic way from aluminum, carbon fiber material and polycarbonate. Thanks to its lightweight construction, the super sports car boasts a weight to power ratio of only 2.35 kilograms per PS – the best in its class. High tech meets aesthetics and the legendary eye for detail of its creators – as in all the sports cars from Sant'Agata Bolognese in the northern Italian province of Emilia Romagna, Lamborghini's home for over 60 years.

Perfection in craftsmanship and high aesthetic standards are something that Cracco and Lamborghini share. At "Cracco", work begins early in the morning. It is a ballet of synchronized processes – tables are set with fine porcelain, crystal glasses

and polished silver. The chef watches over the bustle – he has everything effortlessly under control, just like his handling of the Lamborghini today.

Cracco cruises through Milan in the super sports car, relishing the experience – and knowing that he can accelerate to 100 kilometers per hour in 3.4 seconds, and past the 200 mark in 10.2 seconds. Time and again his hand caresses the carbon fiber door panels and central tunnel covering. The shells of the sports seats and the shift gate of the e.gear automated transmission are also made from this high-end material.

The special relationship between Lamborghini and "Ristorante Cracco" was also revealed at an exclusive exhibition at the Milan dining establishment in the fall of 2011, where the sports car manufacturer unveiled its latest collection of fashion and accessories, Automobili Lamborghini 2011, with each piece presented as a small work of art, whether a photo or display model. On his way to quickly pick up some groceries from his friend Giorgio Travaini, Cracco lets the V10 engine roar. A teenager puts his hand behind his ear, as if to say "let's hear it" – easily done with the 570 PS, 5.2 liter engine. Cracco visibly enjoys the attention that the sound of his sporty escort attracts. "We Italians are pretty special, no?"

AUTHOR Jo Clahsen

PHOTOGRAPHER Hartmut Nägele

ADDITIONAL INFORMATION www.lamborghini.com

[1] Lamborghini Gallardo LP 570-4 Superleggera 419 kW, fuel consumption in l/100 km: urban 20.4/extra-urban 9.4/combined 13.5; CO_2 emissions in g/km: combined 319.

As SEAT enters the Chinese market, the Spanish brand focuses on its inherent strengths – its spirited character, emotional appeal and compelling design. This is exactly what SEAT wants young Chinese urbanites to experience when they get to know the brand and its sporty cars.

欢迎 西雅特 SEAT!

[Chinese: Welcome SEAT!]


SEAT

> "We are targeting young, self-confident city dwellers. They want to drive a car that ticks all the technical boxes, epitomizes lifestyle and design, and is a little unconventional in terms of looks."
>
> JAMES MUIR, PRESIDENT OF SEAT

"Que viva China" – Long live China – was the cry at the Guangzhou Motor Show in November 2011. The Spanish brand celebrated its debut in the world's largest automotive growth market in the booming southern Chinese city. A glance at the Chinese media over the following days gives SEAT reason to believe that the move will be a successful one: the popular automotive magazine "Ieche" is headlined "Spaniards with Volkswagen in their blood" and predicts that the "sporty look of the SEAT models" will appeal to young Chinese. Leading Internet forum QQ.com asked its users "Do you think that SEAT is a good fit with China?" Three-quarters agree, with many saying that they could see themselves buying a SEAT.

"We are targeting young, self-confident city dwellers. They want to drive a car that ticks all the technical boxes, epitomizes lifestyle and design, and is a little unconventional in terms of looks", says SEAT president James Muir. The SEAT Leon will be launched in China in March 2012, followed by the new, compact Ibiza and the Alhambra MPV in the second half of the year. "We will start by introducing powerful, feature-packed vehicles that best represent our brand values", says Muir. "We can then use this as a basis to expand our business step-by-step." The SEAT models will be offered by 15 selected dealers in the major cities of Bejing, Shanghai, Chongqing, Shenzen, Wuhan, Chengdu and Guangzhou. A further 30 dealers in China have also expressed their interest.

As the brand enters the highly competitive Chinese market, SEAT can draw on the structures that Volkswagen has established over more than three decades. "Knowing that the number one in China is behind us is a huge advantage", says a confident Muir. For the first time, the Volkswagen Group sold over two million vehicles in the world's largest automotive market in 2011 and increased its market share to 18.2 percent.

The outlook for the Middle Kingdom is excellent because the desire for individual mobility is booming here. Experts anticipate that the Chinese passenger car market will grow further until 2015. Customers and their expectations will continue to become more diversified – a key trend identified in a study by Goldman Sachs' automotive market analysts: "We are seeing more and more female and young car buyers in the demographic profile. In addition, the culture and values are becoming more diverse." The SEAT brand fits this profile perfectly – not least because China's sporty, compact vehicle segment is growing steadily. "The SEAT Leon combines the technical prowess of Volkswagen with the freshness of a lifestyle car", enthuses a Chinese automotive journalist at the SEAT stand in Guangzhou. Its relationship to the Volkswagen Group gives the Spanish brand an important edge – credibility. The influential magazine "Car China" describes the compact SEAT as a "relative of the Golf", explaining that "the Leon is no stranger to consumers. This is a real trump card for its entry into the Chinese market."

SEAT is kicking off with plenty of spirit and passion. The marketing concept for China's new automotive brand is called "five senses". "We want to offer a buying experience that appeals to all of the senses. Dealers will give Chinese customers a taste of the Spanish lifestyle in their showrooms – allowing them to see, smell and feel Spain and SEAT", explains Muir to press representatives in Guangzhou.

Muir also sees the People's Republic as an excellent testing ground for the rest of the world. "In China, we are in the exciting position of being able to start from scratch", explains the SEAT president. "We can realize our visions in terms of positioning and differentiating our brand in a completely new way here – and then drive it forward around the world."

AUTHOR Bernhard Bartsch
PHOTOGRAPHER Andreas Mader
ADDITIONAL INFORMATION www.seat.com

For Bugatti, being exceptional is the name of the game. After all, it is the brand's uncompromising quest to push the boundaries of technology and to find the perfect marriage between luxury and performance that ensures a place for its time-honored tradition in the future.

Living on the edge.

Even for state-of-the-art automotive technology, taming 1,001 PS is no mean feat. The 16-cylinder mid-engine packs a powerful punch, generating an explosive torque of 1,250 newton meters. In 2005, Bugatti unveiled the Veyron 16.4 super sports car, a car with a top speed of 407 kilometers per hour and capable of accelerating from 0 to 100 km/h in under three seconds. Faster, more powerful and more extravagant than anything ever produced in the super sports car segment this car will go down in automotive history. Price tag: €1.4 million plus taxes.

The crowning moment for the model series came in 2010, when the 1,200 PS Bugatti Veyron 16.4 Super Sport set a new speed record of 431 kilometers per hour on the Volkswagen test ground in Ehra-Lessien, Lower Saxony. The 300 limited-edition Bugatti Veyron 16.4 Coupé and Super Sport models have long been sold. Nonetheless, the spirit of Veyron lives on as a Grand Sport[1] roadster. The panoramic roof is easy to remove; open-topped, the Grand Sport can reach top speeds of 350 kilometers per hour, leaving every other convertible in the world trailing behind.

Bugatti's future is firmly rooted in the brand's strong tradition, which itself has always been on the cutting edge of technology. What exactly this means will be revealed by the four-door Galibier, Bugatti's latest concept study. This model will redefine the

1,001 PS	2.5 sec	32 m
engine (736 kW)	from 0 to 100 km/h	braking distance at 100 km/h

notion of a limousine – ultimate and luxurious in its design, extreme in its performance. In the meantime, the developers are continuing to hone the concept and optimize the details to give the Galibier – like the Veyron before it – a timeless design, state-of-the-art technology, and unique exclusivity. That means Bugatti will continue to be a laboratory for revolutionary technological concepts as part of the Volkswagen Group. And, as always, it will remain streaks ahead of its time. Which calls to mind the words of Nobel Literature Prize winner Hermann Hesse: "To achieve the possible, we must attempt the impossible again and again."

AUTHOR Tina Rumpelt
PHOTOGRAPHER Charlie Magee
ADDITIONAL INFORMATION www.bugatti.com

[1] Bugatti Veyron 16.4 Grand Sport 736kW, fuel consumption in l/100 km: urban 41.9/extra-urban 15.6/combined 24.9; CO_2 emissions in g/km: combined 596.

In the transport business, every liter of diesel saved. But lower fuel consumption not only pushes down costs, it also helps to reduce CO_2 emissions. Scania's new range of services, called "Ecolution by Scania", combines ecological and economical thinking to great effect. Swedish hauler Mike Dahl is a firm believer in making transport more environmentally friendly – and is blazing a trail with "Ecolution".

Mike Dahl is a modest, helpful man. Putting himself in the limelight is not his style. However, as boss of Blondie Logistic haulage company in Kungsbacka, a half-hour's drive south of Gothenburg, he is a man on a mission. A mission that, it soon becomes clear, is largely fueled by passion. Mike Dahl is intent on raising environmental awareness in the transport sector, setting the pace for a complete change of image.

Today, three of his fleet of 17 trucks already sport the words "Ecolution by Scania" in simple, unassuming letters. These are Scania trucks that make the round trip to Stockholm and Malmö every day, delivering 100 pallets of bread – 20 tons in all – from a bakery in Gothenburg, and bringing back sugar and flour on the return leg.

Driver Fredrik Nilsson ensures that this journey places as little strain as possible on the environment. Fredrik is one of three drivers who have successfully completed the Ecolution driver training at the Scania Education Center in nearby Helsingborg. He knows how to save fuel through foresighted driving, by using the gas pedal sparingly and by letting momentum do its fair share of the work.

As the 26-year-old says: "I now see the 500-kilometer journey to Stockholm as a kind of competition." His daily challenger is the "eco" display in the cockpit that lets him know how efficiently his 480 PS truck is running. The thought of other truckers behind him huffing with impatience as he rolls leisurely onto the roundabout does not bother him in the slightest. "Who cares? It isn't my top speed but efficiency and ecology that matter."

Hauler boss Mike Dahl holds employees like Fredrik in high esteem: "Drivers, their driving technique and their attitude are the most important factors influencing fuel consumption." Trip data for the trucks is saved via the Scania Fleet Management System

ECO-FIT – The trucks are fitted with reduced rolling resistance tires, while large air deflectors on the roof of the tractor unit help to reduce air resistance.

"Drivers, their driving technique and their attitude are the most important factors influencing fuel consumption."

MIKE DAHL, MANAGING DIRECTOR, BLONDIE LOGISTIC

LOWER FUEL CONSUMPTION, LOWER COSTS – Mike Dahl, Managing Director of Swedish haulage company Blondie Logistic, also generates economic benefits from Scania's Ecolution concept.

and can be called up at any time. As well as speeds, the system records route profile, gear-shifting and braking frequency, idling and rolling times, use of cruise control and even tire pressure.

All of this is evaluated once a month by Scania trainer Joar Turesson together with the drivers at Blondie Logistic. Every eight to ten weeks, he meets Mike Dahl to discuss what has been achieved and what steps should be taken next. As the haulage company boss puts it: "Investing in environmental compatibility doesn't take long to pay off financially." These days, when Fredrik is on the road in his truck, his diesel consumption is down by three to four liters per 100 kilometers. Every year, Blondie Logistic's new Scania trucks cover up to 500,000 kilometers on Swedish motorways. This, according to Mike Dahl's calculations, quickly adds up to annual savings of as much as €12,000 per vehicle. He also explains that maintenance costs are lower because the more restrained driving style is gentler on the trucks' mechanics.

When Mike Dahl bought the vehicles, Scania experts were already at hand to provide him with advice on minimizing fuel consumption. For instance, the Blondie trucks are equipped with reduced rolling resistance tires, while a large air deflector on the roof of the tractor unit helps to reduce air resistance.

Scania is currently bringing its "Ecolution" concept to other markets, having set the ball rolling in Sweden and Germany in 2011. All major European markets are scheduled to follow by the end of 2012, together with several markets in South America. "Ecolution by Scania" also has South Africa and Australia firmly in its sights. Blondie Logistic boss Mike Dahl has long been a firm believer in Scania's green thinking. He also knows that he can count on Scania's valuable support in his efforts to use "green transport" logic to win over customers in the highly competitive haulage market. "Whether maintenance, driver training, or analyzing, evaluating and maintaining data resources – Scania takes a lot of work off my hands. I would never be able to manage all this without them." Instead, he uses the time to bring his green idea to a wider audience. For instance, Blondie Logistic offers local schoolchildren highly coveted internships at the haulage company. And, needless to say, safeguarding resources is a fixed part of their curriculum.

AUTHOR Tina Rumpelt

PHOTOGRAPHER Göran Wink

ADDITIONAL INFORMATION www.scania.com

Managing and proposing traffic improvements for a mega-city like São Paulo is one of the biggest challenges for any public administrator. During weekdays, 3.9 million vehicles circulate through the city, with around ten million trips being made in the municipal bus system alone. Mayor Gilberto Kassab describes the measures for his city with a future.

City with a future.

GILBERTO KASSAB

51, HAS BEEN MAYOR OF SÃO PAULO SINCE 2006.

São Paulo is the capital city of the eponymous federal state. It's the largest city in Brazil and is also the country's most important economic, financial and cultural centre. As part of a comprehensive climate policy, the city is committed to drastically reducing its greenhouse gas emissions and to sustainably optimizing the city's energy footprint.

There are no magical solutions to the issue. However, statistical data show that even with a 22.9 percent increase in the registered fleet of vehicles between 2007 and 2010, the city's rate of congestion has fallen over recent years. Several measures have been adopted to bring about these numbers. Restrictions on circulation that were implemented years ago with no-drive days based on license numbers were also been applied to trucks on certain roadways and at certain times. Today, in São Paulo's expanded central district, trucks that used to occupy the space of four or five cars no longer circulate. In addition, freighted buses have been limited to travelling on main thoroughfares.

City Hall has invested R$ 1 billion in expanding the Metro and will invest another R$ 1 billion by the end of 2012. The bus fleet was renewed and replaced with larger and more modern buses. These initiatives make the system more attractive, improving its levels of efficiency and comfort. Moreover, all of the city's bus corridors are being remodeled. The Municipal Secretary of Transportation is working with a target of increasing average bus speed by 15 percent, which is equal to adding 2,250 buses to the system. There are already 47.2 km of bike lanes and another 55 km are being designed. Furthermore, there are 45 km of leisure bike paths, 3.3 km of definitive bike paths, and 22 km of bike paths with specific signs for bikers.

Regarding the environment, 1,200 buses are fueled B20, a mix of 20 percent biodiesel made of soy and corn with a low sulfur content fuel. São Paulo also relies on the first ethanol fueled bus fleet in the country. Testing has also been done with hybrids, using sugarcane diesel and electricity. In parallel with these new initiatives, the trolleybus system is getting a facelift.

Among measures aimed at making traffic safer, a speed limit reduction from 70 km/h to 60 km/h has already been implemented on more than 250 roadways. In addition, the Pedestrian Protection Program is changing the attitude of the citizens of São Paulo by creating a culture of respect for pedestrians in crosswalks. With measures on several fronts, we are managing to change the way that São Paulo works when it comes to day to day transportation, whether through collective or individual transport, travelling by bike, or walking.

"These initiatives make the system more attractive, improving its levels of efficiency and comfort."

GILBERTO KASSAB, MAYOR OF SÃO PAULO


WOB UP 320

Small cars are the urban vehicle of the future – fuel-efficient, undemanding when it comes to parking space, compact and easy to maneuver in city traffic. The new Volkswagen up! shows Italian fashion designer Stella Jean what it can do on the busy streets of Rome.

up! town girl.

FASHION DESIGNER STELLA JEAN AND THE NEW UP! ON THE VIA MARGUTTA IN ROME – Film director Federico Fellini used to live here; now artists' galleries and studios line the street.

Via Margutta 51. Classic film buffs will recognize the address where Audrey Hepburn fell for Gregory Peck on her unforgettable scooter tour of Rome in the 1953 movie "Roman Holiday". Today, the large wooden door of Via Margutta 51 opens to reveal the courtyard of a house with countless stairs, hugging the side of a hill – just as leafy, beautiful and romantic as it was in the fifties.

Stella Jean stands on the roof terrace where Audrey Hepburn once took in the magnificent view of Rome. One of her friends works in the famous building. The young fashion designer, currently the talk of the fashion world after receiving several awards and having her creations featured in a photo story in Italian Vogue, insisted on paying him a flying visit. "Tommaso, I just have to show you the car I came here in!" Stella gushes about her ride in the Volkswagen up!.

A white Volkswagen up! [1] awaits the pair on the street. "Simpatico", says Tommaso appreciatively. Stella's gaze sweeps over the body of the car. "If I were to design a car, it would look like the up!. I like clean lines and understated style. Good design is pure and simple." Few, but distinctive lines, large lights, eye-catching logo, no unnecessary details. "I like it."

Just 3.54 meters long, the compact, zippy city car is as good as made for Rome, one of the most motorized cities in the world. Space is always limited, wherever you are. Stella shrugs. That's just the way Rome is. "I don't want to give up the freedom and flexibility of having a car. There will never be a city without cars – not in Italy, not anywhere in the world", she says, convinced.

It is for busy cities and their people that Volkswagen developed the up! – a small car that is perfect for country roads and motorways, but whose real talents come to the fore in city traffic.

"If I were to design a car, it would look like the up!.
I like clean lines and understated style."

STELLA JEAN, FASHION DESIGNER IN ROME


up!

> "I don't want to give up the freedom and flexibility of having a car.
> There will never be a city without cars – not in Italy, not anywhere in the world."

STELLA JEAN, NATIVE OF ROME AND PASSIONATE DRIVER

The up! is the only car in its class with a city emergency braking function for speeds of up to 30 km/h. A laser measures the distance to vehicles in front and fixed objects within a ten-meter radius. The up! brakes automatically if it detects an imminent collision.

The up! is the first member of a new city car family in the booming small-car segment. Volkswagen gave visitors to the 2011 International Motor Show in Frankfurt a taste of what is to come with the cross up!, buggy up! and GT up! concept cars. The natural-gas model eco up!, that produces only 79 grams of CO_2 per km, and the e-up!, a zero-emission electric city car, are scheduled to be launched in 2013.

Stella Jean says goodbye to Tommaso – her assistant Seni is waiting. She thanks Tommaso but declines his offer to help guide her out of the parking space. She already has a built-in assistant. The "maps + more" infotainment system is a navigation system, onboard computer and Bluetooth hands-free set all rolled into one. Together with the "drive pack plus" package, it also offers an acoustic parking assistant. The five-inch color display can be removed once the vehicle is parked and used as a pedestrian navigation system.

The fashion designer steers the up! through the hectic traffic of the Italian capital in typical Roman style – left, right, around obstacles. Even the smallest opening is big enough to secure a good starting position at the traffic lights. The 32-year-old loves living life in the fast lane and enjoys the nippy 55 kW [2] (75 PS) three-cylinder petrol engine. And, with a standard fuel consumption of 4.3 liters, she doesn't need to think about refueling for a while yet – she can travel 800 km on a full tank.

Stella smiles as she revs the car and a sporty purr comes from the engine – much sportier than its 999 cubic centimeters would suggest. She moves her hand over the dashboard, painted in the same color as the exterior of the vehicle, and along the precision stitching of the seats. She adjusts the air jets to the side and they snap into place with a quiet click. "Nice and simple – simply nice."

The up! whizzes past a sign that says "Varco Attivo". Starting here, there is a toll for entering the city center during the day – Rome's city government regulates personal traffic in the city. The designer parks at the famous Piazza del Popolo. After spotting the small white car, her assistant takes a closer look at the up!. She starts by climbing into the back. "Even you would fit back here!" – which says a lot about the spaciousness of the small car, considering Stella's height. She surveys the trunk ("plenty of space") and wonders aloud whether a garment bag will fit over the folded-down back seats without being creased. Stella is certain – "I'm sure it does."

Time for an espresso. Stella and Seni watch as the locals discover and eye the Volkswagen up! with interest. The car is creating quite a stir. Stella plays with her car key and smiles to herself. "Big things really do come in small packages."

AUTHORS Tina Rumpelt, Iwan Zinn

PHOTOGRAPHER Andreas Mader

ADDITIONAL INFORMATION
www.volkswagen.com > Volkswagen International > English > Models > up!

[1] up! fuel consumption in l/100km: combined from 4.7 to 4.1; CO_2 emissions in g/km: combined from 108 to 96.

[2] up! 55 kW, fuel consumption in l/100km: urban 5.9/extra-urban 4.0/combined 4.7; CO_2 emissions in g/km: combined 108.

Divisions

The Volkswagen Group sold 8,361,294 vehicles worldwide in fiscal year 2011, 14.9% more than in the previous year. We beat the figures for 2010 in all markets.

UNIT SALES BY MARKET, 2011 VS. 2010

as percent

+22.2

NORTH AMERICA

+2.3

SOUTH AMERICA

+12.4

EUROPE/REMAINING MARKETS

+22.4

ASIA-PACIFIC

DIVISIONS

VOLKSWAGEN GROUP

VOLKSWAGEN
AKTIENGESELLSCHAFT

AUTOMOTIVE DIVISION

Audi

ŠKODA

SEAT

BENTLEY

Commercial Vehicles

SCANIA

MAN

FINANCIAL SERVICES DIVISION

DEALER AND COSTUMER FINANCING

LEASING

DIRECT BANK

INSURANCE

FLEET BUSINESS

Brands and Business Fields
Volkswagen Group continues its run of success

GROUP STRUCTURE

On November 9, 2011, after receiving all the necessary regulatory approvals and completing the mandatory public offer, Volkswagen increased its equity interest in MAN SE to 55.90% of the voting rights and 53.71% of the share capital. We have therefore consolidated another successful brand in the Group and switched our accounting for MAN from the equity method to consolidation.

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". We combine with this structure the Passenger Cars and Light Commercial Vehicles segment and the reconciliation to the Passenger Cars and Light Commercial Vehicles Business Area. We report the Trucks and Buses and Power Engineering segments in 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, and business comprising genuine parts, large-bore diesel engines, turbomachinery, special gear units, propulsion components and testing systems. The Financial Services Division, which corresponds to the Financial Services segment, combines dealer and customer financing, leasing, banking and insurance activities, and fleet management.

In this chapter, we present the key volume and financial data relating to the Group brands and to Volkswagen Financial Services. Owing to the continued positive development of business in China and the growing importance of the Chinese market, we also describe the business development and performance of our involvement 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 each brand company, including vehicles of other Group brands. Given the positive growth of our business in China, there are sometimes marked differences between delivery figures and unit sales.

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

KEY FIGURES BY MARKET

Despite difficult conditions in volatile markets, the Volkswagen Group continued to perform well in 2011, increasing unit sales by 14.9% year-on-year to 8.4 million vehicles. Sales revenue was 25.6% higher than in 2010 at €159.3 billion.

In the Europe/Remaining markets region, Group unit sales increased by 12.4% to 4.1 million vehicles in the reporting period. Sales revenue was up by 24.0% year-on-year to €103.9 billion, due in part to mix-related factors.

In the North American passenger car market, we sold 0.7 million Group vehicles (+22.2%), once again outperforming the market as a whole. Sales revenue in this region rose by 15.5% to €17.6 billion. The increase in volumes was offset in part by negative exchange rate effects.

VOLKSWAGEN GROUP

Division	AUTOMOTIVE									FINANCIAL SERVICES
Brand/Business Field	Volkswagen Passenger Cars	Audi	ŠKODA	SEAT	Bentley	Volkswagen Commercial Vehicles	Scania	MAN	Other	Dealer and customer financing Leasing Direct bank Insurance Fleet business

Unit sales in South America were 2.3% higher than in the previous year at 0.9 million units. The higher volume and exchange rate effects lifted sales revenue by 10.7% to €14.9 billion.

In the Asia-Pacific region, demand for Group models remained strong. Including the Chinese joint ventures, we sold a total of 2.7 million vehicles in this region in the period from January to December 2011, 22.4% more than in fiscal year 2010. Sales revenue rose by 59.5% to €23.0 billion. This figure does not include the sales revenue of our joint ventures in China, as these are accounted for using the equity method.

KEY FIGURES BY BRAND AND BUSINESS FIELD[1]

thousand vehicles/€ million	VEHICLE SALES 2011	VEHICLE SALES 2010	SALES REVENUE 2011	SALES REVENUE 2010	SALES TO THIRD PARTIES 2011	SALES TO THIRD PARTIES 2010	OPERATING PROFIT 2011	OPERATING PROFIT 2010
Volkswagen Passenger Cars	4,450	3,863	94,690	80,251	71,504	62,648	3,796	2,173
Audi	1,543	1,321	44,096	35,441	30,496	24,638	5,348	3,340
ŠKODA	690	585	10,266	8,692	6,212	5,892	743	447
SEAT	362	349	5,393	5,038	3,284	3,635	–225	–311
Bentley	7	5	1,119	721	1,060	691	8	–245
Commercial Vehicles	441	349	8,985	7,392	5,199	4,809	449	232
Scania[2]	80	64	10,064	8,462	10,064	8,462	1,372	1,342
MAN[2]	25	–	2,652	–	2,652	–	193	–
VW China[3]	2,201	1,871	–	–	–	–	–	–
Other[4]	–1,438	–1,128	–33,768	–32,709	14,474	3,553	–1,617[5]	–769[5]
Volkswagen Financial Services	–	–	15,840	13,587	14,392	12,546	1,203	932
Volkswagen Group	**8,361**	**7,278**	**159,337**	**126,875**	**159,337**	**126,875**	**11,271**	**7,141**
Automotive Division	8,361	7,278	142,092	112,806	143,620	113,792	9,973	6,189
of which: Passenger Cars and Light Commercial Vehicles Business Area	8,256	7,215	129,706	104,627	131,428	105,857	9,042	5,139
Trucks and Busses, Power Engineering Business Area	105	64	12,386	8,179	12,192	7,990	931	1,050
Financial Services Division	–	–	17,244	14,069	15,717	13,083	1,298	952

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 Including financial services; 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 €2,616 million (€1,907 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 and MAN.

KEY FIGURES BY MARKET

thousand vehicles/€ million	VEHICLE SALES[1] 2011	VEHICLE SALES[1] 2010	SALES REVENUE 2011	SALES REVENUE 2010
Europe/Remaining markets	4,066	3,617	103,890	83,804
North America	678	554	17,553	15,193
South America	943	922	14,910	13,468
Asia-Pacific[2]	2,674	2,185	22,983	14,409
Volkswagen Group[2]	**8,361**	**7,278**	**159,337**	**126,875**

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
The up! raises the bar in the small car segment

In fiscal year 2011, the up! compact small car was added to the model range of the Volkswagen Passenger Cars brand, helping to lift deliveries to customers above five million vehicles for the first time. The brand also increased sales revenue and operating profit significantly compared with the previous year.

up!

VOLKSWAGEN PASSENGER CARS BRAND

	2011	2010	%
Deliveries (thousand units)	5,091	4,503	+13.1
Vehicle sales	4,450	3,863	+15.2
Production	5,272	4,592	+14.8
Sales revenue (€ million)	94,690	80,251	+18.0
Operating profit	3,796	2,173	+74.7
as % of sales revenue	4.0	2.7	

5.1 million

VEHICLES DELIVERED TO CUSTOMERS

BUSINESS DEVELOPMENT

In the reporting period, the Volkswagen Passenger Cars brand once again presented a range of innovative and enhanced vehicles. The focus of attention was the up!, which by offering maximum space within minimum dimensions makes for a compelling proposition in the small car segment. The new Beetle, on the other hand, made an impression as a modern interpretation of the automotive icon’s original design. Another highlight was the rollout of the new Golf Cabriolet, which now comes without antiroll bars. At the new factory in Chattanooga in the USA, 2011 saw the start of production of a version of the Passat designed specially for the American market.

The Volkswagen Passenger Cars brand delivered more than five million vehicles to customers for the first time in 2011, outstripping the prior-year figure by 13.1%. The brand recorded particularly high growth rates in the USA (+26.3%), Argentina (+29.5%) and South Africa (+36.6%). In Russia and India, sales figures in the reporting period were more than twice as high as in 2010.

Unit sales by the Volkswagen Passenger Cars brand were up 15.2% year-on-year to 4.5 million vehicles in the reporting period. Demand for the Golf, Polo, Tiguan, Touareg, Jetta, Passat estate, Touran and Sharan models was particularly strong. The up!, the new Golf Cabriolet and the new Beetle met with a positive reception from the market.

There is a difference between deliveries and unit sales as the vehicle-producing joint ventures in China are not counted as Volkswagen Passenger Cars brand companies.

Beetle

The Volkswagen Passenger Cars brand increased its production by 14.8% to 5.3 million vehicles in fiscal year 2011, with the plants in Wolfsburg and Mexico, as well as the new production facilities, recording the highest growth rates.

SALES REVENUE AND EARNINGS

The Volkswagen Passenger Cars brand generated sales revenue of €94.7 billion in fiscal 2011, an increase of 18.0% year-on-year due mainly to volume-related factors. Having risen by 74.7% to €3.8 billion, operating profit was significantly higher than in the previous year. In addition to the increase in volumes, this was due primarily to mix improvements and optimized material costs, which were partly offset by negative exchange rate effects and upfront expenditures for new products. The operating return on sales improved to 4.0% (2.7%). As 2011 was a successful fiscal year, we have again made significant progress towards achieving our Strategy 2018 objectives, i.e. to increase worldwide sales to 6.6 million vehicles per year in approximately seven years and to lift our global market share to 9%.

FURTHER INFORMATION www.volkswagen.com

PRODUCTION

Units	2011	2010
Passat/Santana	1,148,625	994,956
Golf	913,693	828,910
Jetta/Bora	900,440	796,830
Polo	809,549	635,556
Gol	512,543	474,905
Tiguan	356,187	276,212
Touran	160,936	134,897
Fox	160,751	194,393
Touareg	79,986	48,069
Sharan	49,969	23,085
Suran	48,473	40,981
Scirocco	42,481	45,230
Eos	22,511	22,775
Beetle	21,496	40,173
Polo Classic/Sedan	12,850	16,692
up!	12,612	–
Phaeton	11,166	7,477
Parati	7,508	10,710
	5,271,776	**4,591,851**

Audi

Audi brand

On its way to becoming the leading premium brand with enthusiastic customers

In the past fiscal year, Audi enhanced and expanded its attractive product portfolio. The new premium Q3 SUV, the Q5 hybrid quattro and the successor to the popular, premium-segment A6 series were unveiled.

Audi A6

AUDI BRAND

	2011	2010	%
Deliveries (thousand units)	1,304	1,094	+19.3
Vehicle sales	1,543	1,321	+16.8
Production	1,345	1,145	+17.4
Sales revenue (€ million)	44,096	35,441	+24.4
Operating profit	5,348	3,340	+60.1
as % of sales revenue	12.1	9.4	

€5.3 billion

OPERATING PROFIT IN 2011

BUSINESS DEVELOPMENT

The Audi brand continued to expand its product offering in fiscal year 2011. A highlight was the introduction of the Audi Q3, which combines the dynamics of a compact car with the spaciousness and versatility of an SUV. The next generation of the popular, premium-segment series was also introduced in the shape of the new Audi A6. In addition, the mid-size Audi Q5 SUV has been available as a full hybrid since the end of the year. Super sports cars R8 GT Coupé, R8 GT Spyder, the A8 L W12 quattro luxury saloon – the new top-of-the-line version of the A8 series – and the sporty RS 3 Sportback added to the offering of new models in 2011. Studies such as the Audi urban concept and the A2 concept underpin the Audi brand's aspiration of becoming one of the leaders in e-mobility in the premium segment by 2020.

Audi topped its prior-year record figure of 1.3 million vehicle deliveries by 19.3%. Audi recorded significant growth above all in the Asia-Pacific region (+35.3%), driven primarily by dynamic demand in China. In the USA, deliveries were 15.7% higher than in 2010, while they grew by 11.5% in the declining Western European market.

Unit sales by the Audi brand increased by 16.8% in the reporting period to 1.5 million (of which 1.3 million were Audi and Lamborghini models). The A1, A6, A8 and A7

Audi Q3

Sportback series recorded the highest growth rates. The further growth in demand for the Q5 and Q7 SUV models also had a positive impact. Unit sales by Automobili Lamborghini S.p.A. amounted to 1,604 vehicles (+31.5%).

At 1.3 million units in fiscal 2011, the Audi brand's production exceeded the prior-year figure by 17.4%. Lamborghini produced 1,711 vehicles, 39.4% more than in the previous year.

SALES REVENUE AND EARNINGS

At €44.1 billion, the sales revenue generated by the Audi brand in 2011 was a further 24.4% higher than in the prior year. The significant increase in sales revenue was due mainly to higher vehicle sales and an improvement in the model and country mix. In addition, operating profit increased at a higher rate than sales revenue by 60.1% to €5.3 billion, mainly due to the continuous improvement in productivity and processes. The operating return on sales rose by 2.7 percentage points to 12.1%. The key figures for the Lamborghini brand are included in the figures for the Audi brand; they too developed positively.

FURTHER INFORMATION www.audi.com

PRODUCTION

Units	2011	2010
Audi		
A4	321,045	306,291
A6	241,862	211,256
A3	189,068	198,974
Q5	183,678	154,604
A1	117,566	51,937
A5	111,758	111,270
Q7	53,703	48,937
A8	38,542	22,435
A7	37,301	8,496
TT	25,508	26,217
Q3	19,613	–
R8	3,551	3,485
	1,343,195	**1,143,902**
Lamborghini		
Gallardo	944	817
Aventador	447	–
Gallardo Spyder	320	247
Murciélago	–	145
Murciélago Roadster	–	18
	1,711	**1,227**
Audi brand	**1,344,906**	**1,145,129**

ŠKODA

ŠKODA brand

A member of the Volkswagen family for 20 years

In 2011, Czech brand ŠKODA recorded new peak deliveries, vehicle sales and earnings figures. The Citigo small car and the Rapid compact saloon in India expanded its model range.

ŠKODA Rapid

ŠKODA BRAND

	2011	2010	%
Deliveries (thousand units)	879	763	+15.3
Vehicle sales	690	585	+18.1
Production	902	780	+15.5
Sales revenue (€ million)	10,266	8,692	+18.1
Operating profit	743	447	+66.1
as % of sales revenue	7.2	5.1	

18.1%

INCREASE IN UNIT SALES AND SALES REVENUE

BUSINESS DEVELOPMENT

The ŠKODA brand had several reasons to celebrate in 2011, the first being the twentieth anniversary of its becoming a member of the Volkswagen Group. Secondly, ŠKODA presented the Citigo and the Rapid, two vehicles that extend the brand's model range. ŠKODA entered the small car segment with the Citigo. The vehicle offers a compelling combination of a fresh exterior design and smart interior solutions. Manufactured locally, the Rapid closes the gap between the Fabia and Octavia models in India.

The ŠKODA brand delivered 879 thousand vehicles to customers in fiscal 2011, surpassing the prior-year figure by 15.3%. The brand recorded substantial growth rates in the markets of Russia (+62.5%), India (+49.9%) and China (+21.9%) in particular.

ŠKODA beat the previous year's unit sales by 18.1%, with 690 thousand vehicles. All model ranges contributed to this success; demand for the Fabia, Octavia, Yeti and Superb models was particularly strong.

ŠKODA Superb estate 4x4

As the Chinese vehicle-producing joint ventures are not counted as ŠKODA brand companies, there is a marked difference between deliveries and unit sales.

The number of vehicles produced by the ŠKODA brand worldwide amounted to 902 thousand units in 2011, 15.5% more than in the previous year.

SALES REVENUE AND EARNINGS

The ŠKODA brand again recorded peak sales revenue and earnings figures in fiscal year 2011. At €10.3 billion, sales revenue was 18.1% higher than in the previous year. Operating profit rose by €296 million or 66.1% to €743 million. In addition to the increased volume, mix effects and cost optimization measures also had a positive impact on earnings. The operating return on sales was 7.2%, compared with 5.1% in 2010.

FURTHER INFORMATION www.skoda-auto.com

PRODUCTION

Units	2011	2010
Octavia	402,281	357,142
Fabia	262,497	234,593
Superb	119,732	105,709
Yeti	77,142	52,632
Roomster	36,427	30,418
Rapid	2,559	–
Citigo	1,027	–
	901,665	**780,494**

SEAT brand

The new SEAT design: minimalist and clear

In fiscal year 2011, Spanish brand SEAT presented a range of concept vehicles, thereby giving a foretaste of the design of future models. The SEAT Mii adds a small car to the model range.

SEAT Mii

SEAT BRAND

	2011	2010	%
Deliveries (thousand units)	350	340	+3.1
Vehicle sales	362	349	+3.6
Production	353	345	+2.3
Sales revenue (€ million)	5,393	5,038	+7.1
Operating result	–225	–311	+27.6
as % of sales revenue	–4.2	–6.2	

350 thousand

VEHICLES DELIVERED TO CUSTOMERS

BUSINESS DEVELOPMENT

In fiscal year 2011, the SEAT brand expanded its model range to include a small car: the SEAT Mii. The first units of the dynamic city car rolled off the production line in December 2011. In presenting the IB^{X} and IB^{L} concept cars, the brand demonstrated in the reporting period that it will be targeting a young customer group with a minimalist vehicle design in future. At the IAA in Frankfurt, SEAT unveiled the new generation of the Exeo model series.

At 350 thousand vehicles in fiscal 2011, deliveries to SEAT brand customers exceeded the prior-year figure by 3.1%. The brand recorded stronger demand than in 2010 above all in the markets of Germany, France, the UK and Mexico. In its significantly declining domestic market in Spain, SEAT's sales figures were down on the previous year; however, it maintained the market leadership that it had gained in 2010.

SEAT appeared at Auto China in Shanghai in the reporting period, thus marking its debut at a Chinese motor show. The brand presented the Ibiza and Leon models at Auto China. In 2012, it plans to launch the Leon in China.

SEAT Exeo

In fiscal year 2011, the SEAT brand sold 362 thousand vehicles, 3.6% more than in the previous year.

At 353 thousand units, the number of vehicles produced by the SEAT brand in the reporting period exceeded the prior-year figure by 2.3%.

SALES REVENUE AND EARNINGS

The SEAT brand generated sales revenue of €5.4 billion in fiscal 2011, a year-on-year increase of 7.1%. Thanks to an improvement in the sales performance and optimized material costs, the operating loss narrowed significantly; it amounted to €–225 million compared with €–311 million in the previous year. Upfront expenditures for new products and the sharp fall in demand in the domestic Spanish passenger car market had a negative impact on the economic situation. The operating return on sales amounted to –4.2% (–6.2%).

FURTHER INFORMATION www.seat.com

PRODUCTION

Units	2011	2010
Ibiza	191,183	189,083
Leon	80,736	79,462
Altea/Toledo	42,329	43,351
Exeo	19,559	23,108
Alhambra	18,139	10,023
Mii	990	–
	352,936	**345,027**

BENTLEY

Bentley brand
Back on track with emotional models

The luxury segment continued to recover in 2011. Bentley presented the new GT Cabriolet, the latest edition of the most emotional model in the Continental series. This helped Bentley considerably in its return to the black in fiscal year 2011.

Bentley Mulsanne

BENTLEY BRAND

	2011	2010	%
Deliveries	7,003	5,117	+36.9
Vehicle sales	7,402	4,804	+54.1
Production	7,593	4,854	+56.4
Sales revenue (€ million)	1,119	721	+55.3
Operating result	8	–245	x
as % of sales revenue	0.7	–34.0	

55.3%

INCREASE IN SALES REVENUE IN 2011

BUSINESS DEVELOPMENT

Following the launch of the new Continental GT in 2010, fiscal year 2011 saw British luxury brand Bentley present the new generation of the Continental GT Cabriolet. With sharper contours, more interior space and additional assistance and information systems, it adds yet more sporty elegance and luxuriousness to the model range. Bentley also made an impression in the reporting period when it unveiled the special Continental Supersports “Ice Speed Record”. The brand’s most powerful convertible was launched when Bentley set a speed record and is limited to 100 models.

As conditions in the luxury segment continued to improve in the reporting period, the Bentley brand increased deliveries to customers by 36.9% year-on-year to 7,003 vehicles. Demand for the Bentley brand’s vehicles was very encouraging above all in the markets of China (+97.6%), the USA (+32.0%) and Europe (+26.6%).

Bentley Continental GT Cabriolet

Unit sales by the Bentley brand rose by 54.1% to 7,402 vehicles in the reporting period. The Continental GT and Mulsanne models recorded the highest growth rates.

The Bentley brand produced a total of 7,593 vehicles in fiscal 2011, a year-on-year increase of 56.4%.

SALES REVENUE AND EARNINGS

The Bentley brand generated sales revenue of €1.1 billion in the period from January to December 2011, 55.3% more than in the previous year. Bentley returned to the black in the reporting period, generating an operating profit of €8 million (€–245 million). While upfront expenditures for new products depressed earnings, the higher volume and mix improvements had a positive impact. The operating return on sales improved to 0.7% (–34.0%).

FURTHER INFORMATION www.bentleymotors.com

PRODUCTION

Units	2011	2010
Continental GT Coupé	3,416	1,735
Continental Flying Spur	2,354	1,914
Mulsanne	1,146	354
Continental GT Cabriolet	677	843
Brooklands	–	6
Azure	–	2
	7,593	**4,854**

Commercial Vehicles

Volkswagen Commercial Vehicles
Multivan BlueMotion makes an impression with low fuel consumption and emissions

The BlueMotion version of the popular Multivan from Volkswagen Commercial Vehicles boasts fuel consumption and emission levels that were previously inconceivable in this segment. A single-cab version of the Amarok was launched in 2011, contributing to the volume growth.

Multivan BlueMotion

VOLKSWAGEN COMMERCIAL VEHICLES

	2011	2010	%
Deliveries (thousand units)	529	436	+21.4
Vehicle sales	441	349	+26.1
Production	508	422	+20.2
Sales revenue (€ million)	8,985	7,392	+21.5
Operating profit	449	232	+93.8
as % of sales revenue	5.0	3.1	

93.8%

INCREASE IN EARNINGS IN 2011

BUSINESS DEVELOPMENT

Fiscal year 2011 was a successful one for Volkswagen Commercial Vehicles. The new Multivan BlueMotion caught the attention of visitors to the IAA in Frankfurt am Main: at just 6.4 liters of diesel/100 km, the van's fuel consumption is sensationally low for this vehicle class. Following the introduction of the Amarok DoubleCab in 2010, the reporting period saw the launch of the Amarok SingleCab. This makes an impression with its larger loading space in particular. The Amarok with an eight-gear automatic gearbox was also presented at the International Motor Show in September 2011.

Volkswagen Commercial Vehicles delivered 529 thousand vehicles to customers worldwide in fiscal 2011, surpassing the prior-year figure by 21.4%. Sales figures were higher than in 2010 in all markets. The sharpest increases were achieved in South America, Central and Eastern Europe, and the Asia-Pacific region.

Sales to the dealer organization increased by 26.1% year-on-year to 441 thousand vehicles in fiscal 2011. Virtually all models contributed to this success. The Amarok met with a good response from customers and thus contributed to the positive trend in unit sales.

Amarok SingleCab

Volkswagen Commercial Vehicles produced a total of 508 thousand vehicles in fiscal 2011, 20.2% more than in the previous year. The figures do not include the production figures for the Crafter as it is manufactured at the Daimler plants in Düsseldorf and Ludwigsfelde. The main production facility in Hanover increased the number of Caravelle/Multivan and Transporter models produced to 144 thousand (130 thousand) units. The Poznan plant in Poland produced 177 thousand (148 thousand) units of the Caddy and Transporter models.

PRODUCTION

Units	2011	2010
Caravelle/Multivan, Kombi	111,754	104,846
Caddy Kombi	87,450	68,560
Saveiro	82,284	73,039
Transporter	78,615	63,173
Amarok	76,965	44,525
Caddy	70,526	68,304
	507,594	**422,447**

SALES REVENUE AND EARNINGS

Volkswagen Commercial Vehicles generated sales revenue of €9.0 billion in the reporting period, surpassing the prior-year figure by 21.5%. Despite negative exchange rate effects, operating profit was up by €217 million year-on-year to €449 million, due primarily to volume-related factors and lower material costs. The operating return on sales was 5.0%, compared with 3.1% in the previous year.

FURTHER INFORMATION www.volkswagen-commercial-vehicles.com

Scania brand

New generation of engines wins acclaim for its lower emissions

For 100 years, innovation and customer focus have been the hallmarks of the bus business of Swedish commercial vehicles manufacturer Scania. In fiscal year 2011, the brand presented the new Euro 6 generation of truck engines, which boast significantly lower emissions.

Scania bus

SCANIA BRAND

	2011	2010	%
Deliveries	80,108	63,712	+25.7
Vehicle sales	80,108	63,712	+25.7
Production	84,057	67,663	+24.2
Sales revenue (€ million)	10,064	8,462	+18.9
Operating profit	1,372	1,342	+2.3
as % of sales revenue	13.6	15.9	

80,108

UNITS DELIVERED TO CUSTOMERS IN 2011

BUSINESS DEVELOPMENT

The time-honored Swedish brand Scania started producing buses in 1911. To this day, its emphasis has been on innovation and customer focus. In 2011, Scania presented an innovation in the field of truck engines: the new Euro 6 engines feature a combination of technical solutions to cut emissions with the same fuel efficiency as the previous generation of engines.

The Scania brand delivered 80,108 vehicles to customers worldwide in the reporting period (+25.7%). Demand was significantly higher than in the previous year, particularly in Western Europe (+32.4%) and the Asia-Pacific region (+21.7%). At 7,988, the number of buses delivered was 16.2% higher year-on-year.

The Scania brand produced 84,057 vehicles in the reporting period, 24.2% more than in the previous year. This includes the number of buses produced, which increased by 30.0% to 8,708. At the end of fiscal year 2011, the Scania brand responded to a decline in demand in Europe by cutting production by 15%.

Scania special-purpose vehicle

Scania has plans for investments in the Argentinian plant in the province of Tucuman that will enable it to manufacture gearboxes there in future and increase local production by up to 50%.

SALES REVENUE AND EARNINGS

Demand in the markets for heavy trucks and buses in 2011 surpassed the prior-year figures, although it was subject to significant timing and regional volatility. The Scania brand benefited more than average from this development, increasing its sales revenue by 18.9% year-on-year to €10.1 billion. Operating profit increased by €31 million to €1,372 million. Positive volume effects were offset in part by exchange rate pressures and the country mix, as well as by increased costs. The operating return on sales decreased from 15.9% in 2010 to 13.6% in the reporting period.

FURTHER INFORMATION www.scania.com

PRODUCTION

Units	2011	2010
Trucks	75,349	60,963
Buses	8,708	6,700
	84,057	**67,663**

MAN brand

Another successful brand in the Volkswagen Group

MAN has been in business for over 250 years. On November 9, 2011, Volkswagen increased its equity interest in MAN SE to 55.90% of the voting rights and 53.71% of the share capital and therefore consolidated another successful brand in the Group.

MAN Neoplan Skyliner

MAN BRAND

	2011*
Deliveries	24,750
Vehicle sales	24,750
Production	23,717
Sales revenue (€ million)	2,652
Operating profit	193
as % of sales revenue	7.3

* November 9 to December 31, 2011.

253

YEARS IN BUSINESS

BUSINESS DEVELOPMENT

MAN's roots can be traced back to 1758. Today, MAN is one of Europe's leading manufacturers of commercial vehicles, engines and mechanical engineering equipment, employing more than 53,500 people. The company develops, produces and sells trucks, buses, large-bore diesel engines, turbomachinery and turnkey power plants, with all its divisions holding leading positions in their respective markets. Special gear units, propulsion components and testing systems round off its offering.

On November 9, 2011, Volkswagen increased its equity interest in MAN SE to 55.90% of the voting rights and 53.71% of the share capital and therefore consolidated another successful brand in the Group. The key figures presented in this chapter comprise the Trucks and Buses, Power Engineering and Financial Services businesses and relate to the period from November 9 to December 31, 2011.

The MAN brand's deliveries to customers amounted to 24,750 units in that period. Around 40.2% of these vehicles were sold in Western Europe, while approximately 37.8% went to South America. In Brazil, MAN sold 8,311 units. 3,092 buses were delivered in the same period.

MAN TGX EfficientLine

MAN produced 23,717 vehicles between November 9 and December 31 of the reporting period, of which 3,146 were buses.

SALES REVENUE AND EARNINGS

The commercial vehicles and mechanical engineering sectors continued to recover in fiscal year 2011. MAN was able to capitalize on its strong market position in both areas, recording sales revenue of €2.7 billion in the consolidation period. Operating profit amounted to €193 million. The operating return on sales was 7.3%. MAN will continue to systematically pursue its international growth strategy while at the same time making its cost structures more flexible so that it can build on its success story.

FURTHER INFORMATION www.man.eu

PRODUCTION

Units	2011*
Trucks	20,571
Buses	3,146
	23,717

* November 9 to December 31, 2011.

Volkswagen Group in China

Number of vehicles delivered in China exceeds two million for the first time

The Volkswagen Group continues to build on its success story in China. In fiscal year 2011, the number of vehicles produced by our joint ventures exceeded two million for the first time. The five-millionth vehicle rolled off the production line at FAW-Volkswagen in Changchun.

New Passat

VOLKSWAGEN GROUP IN CHINA

	2011	2010	%
Deliveries (thousand units)	2,259	1,923	+17.4
Vehicle sales	2,201	1,871	+17.6
Production	2,202	1,914	+15.1

2.3 million

VEHICLES DELIVERED TO CUSTOMERS

BUSINESS DEVELOPMENT

Volkswagen has been operating in the Chinese automotive market together with its partners for around 28 years now. The Shanghai-Volkswagen joint venture and the FAW (First Automotive Works)-Volkswagen joint venture in Changchun are accounted for using the equity method in the consolidated financial statements.

China is now the Volkswagen Group's largest sales market following its rapid unit sales growth over the past few years. The joint ventures sold 2.2 million units of locally produced vehicles in the reporting period, up 17.6% on the previous year. The Volkswagen Group's product range in the passenger car market in China comprises over 60 models from its Volkswagen Passenger Cars, Audi and ŠKODA volume brands, and its Lamborghini, Bentley and, since 2011, Bugatti luxury brands. The SEAT brand plans to enter the market in 2012.

In addition to established Group models, vehicles designed specially for the Chinese market are also produced. These include Volkswagen models such as the Lavida and the New Bora. The New Passat, Magotan and the imported long wheelbase version of the Audi A8 were a selection of models that were successfully introduced to the market in the reporting period.

Audi A8 L

The Volkswagen Group's deliveries in China were up 17.4% year-on-year to 2.3 million vehicles in fiscal 2011. The Volkswagen Passenger Cars brand delivered 1.7 million vehicles (+13.8%). At 37.3% and 21.9% respectively, the growth rates recorded by the Audi and ŠKODA brands were also impressive. The Lavida, Jetta, New Bora, Tiguan, Sagitar, New Passat, ŠKODA Octavia and Audi A6 models were particularly popular with Chinese customers. The Volkswagen Group lifted its market share from 16.8% in the previous year to 18.2%, thereby extending its leadership of the Chinese market.

The joint ventures produced a total of 2.2 million vehicles in fiscal 2011, a year-on-year increase of 15.1%.

The Group has ten production facilities in China – both vehicle production plants and component plants. More locations will be added in the coming years. As part of its long-term growth strategy, Volkswagen plans to increase production capacity in China in the medium term to around three million vehicles each year. By the end of 2016, the Group plans to have invested a total of around €14.0 billion in China. This amount is to be financed entirely by the cash flow from the Chinese joint ventures.

LOCAL PRODUCTION

Units	2011	2010
Volkswagen Passenger Cars	1,720,346	1,506,886
Audi	258,557	209,645
ŠKODA	222,984	197,076
Total	2,201,887	1,913,607

EARNINGS

€ million	2011	2010
Operating profit (100%)	6,134	4,389
Operating profit (proportionate)	2,616	1,907

The joint ventures' operating profit (proportionate) amounted to €2.6 billion in fiscal 2011, exceeding the prior-year figure by €0.7 billion. This increase was mainly the result of the volume growth, a positive change in the product mix, as well as lower incentives offered for vehicles, accompanied by strict cost discipline and positive exchange rate effects.

The figures for the joint venture companies in China are not included in the Group's operating result. This is because these companies are accounted for using the equity method and their profits are exclusively allocated to the Group's financial result on a pro rata basis.

VOLKSWAGEN FINANCIAL SERVICES
AKTIENGESELLSCHAFT

Volkswagen Financial Services
Pioneering solutions – the key to a "New Mobility"

To coincide with the launch of the up!, Volkswagen Financial Services presented a new and innovative mobility package, the up!grade package. The division's international footprint continued to be systematically expanded in fiscal year 2011; the number of contracts climbed to an all-time high.

STRUCTURE OF VOLKSWAGEN FINANCIAL SERVICES

Volkswagen Financial Services' portfolio of services covers dealer and customer financing, leasing, banking and insurance activities, and fleet management. The global financial services activities of the Volkswagen Group, with the exception of the Scania and MAN brands and the financial services business of Porsche Holding Salzburg, are coordinated by Volkswagen Financial Services AG. The principal companies in this division are Volkswagen Bank GmbH, Volkswagen Leasing GmbH and Volkswagen Versicherungsdienst GmbH in Europe, and VW CREDIT, INC. in North America.

As of January 1, 2012, Volkswagen Leasing GmbH is set to acquire dealer-owned rental car company Euromobil, thereby strengthening Volkswagen Financial Services AG's own mobility business and closing a gap in its mobility concept. The long-term plan is to integrate Euromobil into the "New Mobility" strategic business area.

8.2 million

CONTRACTS AS OF DECEMBER 31, 2011

BUSINESS DEVELOPMENT

With its innovative products along the automotive value chain, Volkswagen Financial Services once again contributed to the Volkswagen Group's good earnings and sales situation in fiscal year 2011.

At the same time as the up! was presented at the IAA in Frankfurt am Main, Volkswagen Financial Services unveiled a new mobility package there: the up!grade package. The innovative financing model with flexible features offers buyers of the up! greater financial freedom. With AutoCredit², customers are able to choose between two monthly installments. The package is complemented by a new insurance product offering comprehensive protection at an attractive fixed price as well as the option of an annual inspection service. Volkswagen Bank direct presented credit2drive, a new product specially for learner drivers in Germany that allows young learners to obtain a loan to finance their driving test.

The reporting period saw Volkswagen introduce the Quicar concept, an innovative car sharing concept supported by Volkswagen Financial Services AG. Since November 2011, a total of 200 efficient Golf BlueMotion models have been available for short-term rental by customers at 50 stations in the Hanover city area. The Quicar Plus program provides a further 70 vehicles for use over a period of ten hours or more. Both offerings have an attractive, customer-centric tariff system and are particularly easy to use. Customers have the flexibility of being able to book a

Quicar concept

vehicle online, using an application for smartphones, or through a call center. Volkswagen Bank direct, a key sales partner, manages payment processing.

Volkswagen Leasing GmbH continued to cooperate successfully with Naturschutzbund Deutschland (NABU – the German Nature and Biodiversity Conservation Union) on environmental and climate protection: the 77 participants in the second "DIE GRÜNE FLOTTE" environmental award saved 1,650 tonnes of CO_2 and just under 630,000 liters of fuel with their roughly 9,200 vehicles. The growing number of participants in the environmental award is proof that an environmentally focused fleet strategy increasingly combines ecological responsibility with economy.

In March 2011, Volkswagen Bank GmbH was voted best automotive bank for the fifth successive time. More than 92,000 readers of specialist journal "auto motor und sport" crowned Volkswagen Bank the winner in the "Passenger Car Banks" category, reflecting their high level of satisfaction with the quality and versatility of Volkswagen's product range.

Volkswagen Financial Services AG was very successful in the asset-backed securities (ABS) market in 2011. Receivables amounting to a total of €5.2 billion were sold in the capital market worldwide through five ABS transactions. Following transactions in Germany and the UK, the Spanish auto ABS market was opened up in the reporting period with the Driver España One securitization transaction.

Volkswagen Financial Services continued to expand its international footprint in the reporting period. In January 2011, a Volkswagen Versicherung AG branch opened in France, where as many as 31,701 guarantee agreements were sold in the course of the year.

At the end of March 2011, Volkswagen Finance Private Limited, an Indian subsidiary of Volkswagen Financial Services AG, received a financial services license from the country's central bank. Its extensive product offering comprises vehicle finance, automobile insurance, extended warranties and maintenance products for private customers.

The number of new finance, leasing and insurance contracts signed in fiscal 2011 amounted to 3.1 million, 16.2% more than in the prior-year period. The number of contracts in the Customer Financing/Leasing area was up 6.1% on the previous year to 5.6 million as of December 31, 2011. The total number of contracts in the Service/Insurance area rose to 2.7 million, up 19.8% on the previous year. Overall, the number of contracts reached a new record of 8.2 million. The prior-year figures were adjusted to reflect the current definition. Based on unchanged credit eligibility criteria, financed or leased vehicles accounted for 36.3% (34.9%) of total Group delivery volumes. Volkswagen Bank direkt continued its positive performance in the direct banking business and was managing 1,442,002 accounts at the end of the reporting period (+4.5%).

In the fleet management business, our joint venture LeasePlan Corporation N.V. recorded a total of 1.3 million vehicle contracts at the end of 2011, surpassing the prior-year figure by 2.7%.

Volkswagen Financial Services employed 8,335 people as of December 31, 2011.

SALES REVENUE AND EARNINGS

Volkswagen Financial Services' sales revenue increased by 16.6% in fiscal year 2011 to €15.8 billion. Operating profit rose to €1.2 billion (€0.9 billion) due in particular to volume growth and the positive trend in risk provisions. This means that Volkswagen Financial Services once again made a significant contribution to the Volkswagen Group's earnings.

FURTHER INFORMATION www.vwfsag.com

VOLKSWAGEN FINANCIAL SERVICES

		2011	2010	%
Number of contracts[1]	thousands	8,245	7,481	+10.2
Customer financing		3,930	3,712	+5.9
Leasing		1,623	1,524	+6.5
Service/Insurance		2,691	2,246	+19.8
Receivables from	€ million			
Customer financing		42,979	39,152	+9.8
Dealer financing		11,942	10,106	+18.2
Leasing agreements		14,407	13,764	+4.7
Direct banking deposits	€ million	21,373	18,924	+12.9
Total assets	€ million	97,455	83,764	+16.3
Equity	€ million	9,785	8,700	+12.5
Liabilities[2]	€ million	84,290	72,076	+16.9
Equity ratio	%	10.0	10.4	
Return on equity before tax[3]	%	14.2	13.3	
Leverage[4]		8.6	8.3	
Operating profit	€ million	1,203	932	+29.1
Profit before tax	€ million	1,309	1,096	+19.5
Employees at Dec. 31		8,335	7,741	+7.7

1 Prior-year figures adjusted.
2 Excluding provisions and deferred tax liabilities.
3 Profit before tax as a % of average equity (continuing operations).
4 Liabilities as a % of equity.

Corporate Governance

In accordance with the requirements of the German Corporate Governance Code, the Board of Management of the Volkswagen Group ensures that the statutory requirements and the Company's internal policies are complied with and respected throughout the Group. Our compliance activities are based on a Group-wide strategy that embraces a preventive approach.

THE VOLKSWAGEN GROUP'S PREVENTIVE APPROACH TO COMPLIANCE

CORPORATE GOVERNANCE

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

How successful we are at continually increasing our Company's value is crucial for the future of the Volkswagen Group. The trust of our customers and investors is a fundamental requirement. We foster this trust through transparent and responsible corporate governance, which takes the highest priority in our daily work. That's why 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 26, 2010 with only one limited exception.

SUCCESSFUL CORPORATE GOVERNANCE IN ACCORDANCE WITH THE RECOMMENDATIONS AND SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

The German Corporate Governance Code contains recommendations and suggestions for good corporate governance. The content of the Code was prepared by the responsible government commission on the basis of the material statutory provisions and nationally and internationally recognized standards of corporate governance. This government commission reviews the German Corporate Governance Code on an annual basis and arranges for any necessary amendments or updates. The recommendations and suggestions of the Code form the basis for the work of the Board of Management and the Supervisory Board of Volkswagen AG, as responsible and transparent corporate governance allows 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 increasing our Company's value.

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

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 18, 2011. In this document, the two Boards declare that, since the last declaration of conformity was submitted on December 3, 2010, the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 26, 2010 published on July 2, 2010 have been and will continue to be fully complied with, with the exception of article 4.2.3 (4) (severance payment cap).

The severance payment cap has been and will continue to be included in new contracts entered into with members of the Board of Management, with the exception of contracts entered into with Board of Management members who are commencing their third or later term of office, provided a cap did not form part of the initial contract. In this respect, grandfathering arrangements have been and will continue to be preserved.

The current joint declaration of conformity by the Board of Management and the Supervisory Board under section 161 of the AktG has been published on our website, www.volkswagenag.com/ir, under the heading "Corporate Governance", menu item "Declarations of Conformity".

The Volkswagen Group will also largely comply with the suggestions of the Code. However, there are no plans to take long-term performance into account in determining Supervisory Board compensation (article 5.4.6(2), sentence 2). In this regard, we will continue tracking in particular court judgments and the debate on this matter in professional circles.

In their declaration of conformity with the German Corporate Governance Code of November 23, 2011, the Board of Management and Supervisory Board of AUDI AG declared 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 have been complied with since the submission of the last declaration of conformity on November 29, 2010. However, there were and are qualifications: the Supervisory Board has not formed a Nomination Committee (article 5.3.3) and members are not elected to the Supervisory

Board on an individual basis (article 5.4.3, sentence 1). The Supervisory Board believes that a Nomination Committee would merely increase the number of committees without noticeably improving the Supervisory Board's work. List-based elections are quite common in democratic voting processes. Since November 23, 2009, a cap on severance payments has been agreed when entering into new Board of Management contracts, which means that article 4.2.3(3) and (4) has been complied with for new contracts since that date. Because of the grandfathering arrangements, contracts entered into before that date remain unaffected by this new rule. The declaration of conformity of AUDI AG is published at www.audi.com.

The following applies to AUDI AG with regard to the suggestions contained in the Code: AUDI AG will broadcast the Annual General Meeting on the Internet until the start of the plenary discussions. This will strike an acceptable balance between the individual investors' need for information and their general personal rights. By following this procedure, the Board of Management and Supervisory Board of AUDI AG consider that there is no need to enable absent shareholders to contact the company's proxies (article 2.3.3, sentence 3, 2nd half-sentence) during the Annual General Meeting. Moreover, the performance-related remuneration of members of the Supervisory Board does not include any components based on long-term performance (article 5.4.6(2), sentence 2). AUDI AG will continue tracking the debate on this matter in professional circles.

In their declaration of conformity with the German Corporate Governance Code in December 2011, the Executive Board and Supervisory Board of MAN SE declared that MAN SE complied with the recommendations of the Code in accordance with its declaration of conformity of December 2010, the supplement issued in May 2011 and the notice regarding this supplement issued in July 2011, and will comply with the recommendations of the Code as amended on May 26, 2010. The declaration of conformity of MAN SE is published at www.man.eu/MAN/en/Investor_Relations under the heading "Corporate Governance at MAN", menu item "Declaration of Conformity". The Executive Board and Supervisory Board of Renk Aktiengesellschaft, a listed subsidiary of MAN SE, have also issued a declaration of conformity, which is published on the company's website at www.renk.eu.

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/corporate-governance-report.

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 intends to achieve a composition of this body that takes the following criteria into account:

- 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 are neither consultants or members of governing bodies of customers, suppliers, lenders, or other business partners of the Volkswagen Group nor have a business or personal relationship with Volkswagen AG or its Board of Management that could constitute a conflict of interest.
- At least two Supervisory Board members should be women, and at least one female member 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 three 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 have agreed the strategic orientation of the Volkswagen Group in close consultation. At regular intervals, the two Boards jointly determine progress on the implementation of the strategy and discuss additional measures. 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.

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

DECLARATION OF CONFORMITY OF AUDI AG
www.audi.com

DECLARATION OF CONFORMITY OF MAN SE
www.man.eu/MAN/en/Investor_Relations

DECLARATION OF CONFORMITY OF SCANIA AB
www.scania.com/scania-group/corporate-governance

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 19 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 139 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

In accordance with the requirements of the German Corporate Governance Code, the Board of Management of the Volkswagen Group ensures that the statutory requirements and the Company's internal policies are complied with and respected throughout the Group. Volkswagen's sense of duty has always gone beyond statutory and internal requirements; obligations undertaken and ethical principles accepted voluntarily also form an integral part of our corporate culture and are at the same time the guiding principle on which we base our decisions. Our compliance activities are based on a Group-wide strategy, which embraces a preventive approach. These activities were driven forward in the Volkswagen Group during the reporting period.

The Code of Conduct introduced by the Volkswagen Group in 2010 was not only successfully integrated into many existing processes in the past year, but also implemented in a large number of companies. At the same time, the comprehensive, Group-wide compliance organization was further developed to support Group companies, locations and business units in promoting and ensuring compliance. We have appointed further chief compliance officers, compliance officers and compliance representatives at the brands and companies worldwide who are responsible for the implementation of measures and thus support the Group Chief Compliance Officer in his task of initiating, controlling and supervising preventive measures and ensuring that the rules are complied with. The Group Chief Compliance Officer reports directly to the Chairman of the Board of Management of Volkswagen AG.

Our compliance work is further supported by the existing compliance expertise in our corporate units: the Core Compliance Team, which comprises experts from Group Internal Audit, Security and Data Protection among others, meets regularly, and the Compliance Board started its work as a committee of opinion leaders at senior executive level during the reporting period.

In 2011, the compliance program activities were largely focused on preventive measures in the area of competition and anti trust law. Key measures included the direct call by the Chairman of the Board of Management, Prof. Dr. Martin Winterkorn, on management to internalize compliance, as well as the preparation of a large number of written information documents distributed to the senior managers and Group senior executives of Volkswagen AG, among others. During the second half of the year, target group-specific information events were held at which more than 1,800 employees in key areas received training. The compliance program was reinforced through the simultaneous use of internal communication channels.

In addition, information on compliance was provided to around 6,000 employees at close to 200 in-depth, on-site seminars in 2011. Participants ranged from new hires through vocational trainees, employees in direct and indirect areas of the Group and management trainees, up to members of senior management. In addition to these events, employees also regularly receive the latest information on all compliance-relevant issues through the internal communication channels. The information can also be downloaded from the intranet at any time.

Our compliance activities during the reporting period also focused on the implementation of measures to prevent corruption. The e-learning offering to help avoid conflicts of interest and corruption was made available to additional employee groups, after being offered to members of the senior management in an initial stage. More than 40,000 employees of Volkswagen AG and the Group brands have so far received training in this way. The implementation of online training programs to provide targeted education to employees is progressing in many Group companies and is a core component of our compliance work.

To ensure that persons wishing to provide information on suspected instances of corruption within the Group have a point of contact, in January 2006 Volkswagen AG established a global anti-corruption system with independent lawyers as ombudsmen and an internal Anti-Corruption Officer. In 2011, the ombudsmen passed on information provided by persons, whose details remained confidential, to Volkswagen AG's internal Anti-Corruption Officer in 36 cases. All information is followed up.

Moreover, employees have the option to contact the compliance organization via an e-mail address. In addition to the line managers and contacts in the individual departments, this e-mail address is a further point of contact for all issues relating to compliance. This facility has been used to obtain advice and assistance more than 400 times.

The assessment and early identification of risks are part of the Group-wide, integrated approach consisting of governance, risk & compliance. As in the previous years, all relevant and current compliance issues underwent an internal risk assessment in 2011 in order to determine the themes for the 2012 compliance program. In view of the Group's global growth, preventing corruption will be the key issue. A variety of preventive measures will be implemented, a cornerstone of which will remain employee education and information.

RISK MANAGEMENT

Carefully managing potential risks to the Company plays a significant role in our daily work. We have therefore implemented a risk management system that helps us to identify risks and optimize existing risk positions. We continually adapt this system to changes in the operating environment. Extensive details of the risk management system and a description of our accounting-related internal control system may be found in the Risk Report on pages 220 to 221 of this annual report.

The Audit Committee established by the Supervisory Board deals in particular with accounting and risk management issues, including the internal control system, and compliance. Its tasks also include supervising the required independence of 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 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 on the Internet until the end of the general debate.

News and information about the Volkswagen Group can be downloaded from 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".

A detailed list of all communications published in 2011 relating to the capital markets is included in the annual document required by section 10 of the Wertpapierprospektgesetz (WpPG – German Securities Prospectus Act), which can also be accessed on the above website under the heading "Mandatory Publications".

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.

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.

BOARD OF MANAGEMENT REMUNERATION

The remuneration of the members of the Board of Management conforms to the requirements of the Aktiengesetz (AktG – German Stock Corporation Act) and to most of the recommendations set out in 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 recommendations in article 4.2.3(2) sentences 2 and 3 (comparison parameters for variable compensation) of the current version of the Code are being implemented. The remuneration system of the members of the Board of Management was approved by the Annual General Meeting on April 22, 2010 by 99.44% of the votes cast.

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.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2011 (PRIOR-YEAR FIGURES IN BRACKETS)*

€	Fixed	Bonus	LTI	LTI additional payment 2010	Total
Martin Winterkorn	1,886,206	11,040,000	3,670,000	860,000	17,456,206
	(1,730,210)	(4,800,000)	(2,800,000)	–	(9,330,210)
Francisco Javier Garcia Sanz	1,093,154	4,600,000	1,630,000	380,000	7,703,154
	(1,109,693)	(2,250,000)	(1,250,000)	–	(4,609,693)
Jochem Heizmann	1,101,878	4,100,000	1,630,000	380,000	7,211,878
	(969,155)	(2,000,000)	(1,250,000)	–	(4,219,155)
Christian Klingler	964,336	4,600,000	1,630,000	380,000	7,574,336
	(888,407)	(2,250,000)	(1,250,000)	–	(4,388,407)
Michael Macht	958,878	4,600,000	1,630,000	95,000	7,283,878
	(215,625)	(500,000)	(312,500)	–	(1,028,125)
Horst Neumann	1,042,151	4,600,000	1,630,000	380,000	7,652,151
	(998,077)	(2,250,000)	(1,250,000)	–	(4,498,077)
Hans Dieter Pötsch	1,015,613	5,100,000	1,630,000	380,000	8,125,613
	(962,902)	(2,000,000)	(1,250,000)	–	(4,212,902)
Rupert Stadler	969,273	4,600,000	1,630,000	380,000	7,579,273
	(885,408)	(2,250,000)	(1,250,000)	–	(4,385,408)
Total	**9,031,491**	**43,240,000**	**15,080,000**	**3,235,000**	**70,586,491**
	(7,759,479)	**(18,300,000)**	**(10,612,500)**	**–**	**(36,671,979)**

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

In fiscal year 2011, the members of the Board of Management received fixed remuneration totaling €9,031,491 (previous year: €7,759,479). The fixed remuneration also includes differing levels of remuneration for the assumption of appointments at Group companies as well as noncash benefits, particularly the use of company cars and the grant of insurance cover. Taxes due on the noncash benefits were mainly borne by Volkswagen AG.

The variable remuneration comprises a bonus, which relates to business performance over the previous 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.

The bonus amount is primarily oriented on the results achieved and the financial position of the Company.

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 208 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 sets the LTI target on the basis of the four-year average of the overall indices. 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. As the actual figure for 2011 was higher than forecasted, an appropriate additional payment resulted for 2010, which will be taken into account when paying out the LTI in 2012. The performance for fiscal years 2010 and 2011 will be 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.

Since the declaration of conformity with the German Corporate Governance Code was issued on November 20, 2009, a severance payment cap has been agreed when entering into new Board of Management contracts in accordance with the German Corporate Governance Code, although this does not apply to contracts with members of the Board for their third term of office and beyond. Existing rights are protected in such cases.

There were no changes to existing contracts in fiscal year 2011.

POST-EMPLOYMENT BENEFITS

In the event of termination of their service on the Board of Management, the members of the Board of Management are 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.

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.

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 139. 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 Presidium 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 and Mr. Macht have a retirement pension entitlement of 70%, Mr. Neumann and Mr. Pötsch of 68%, and Mr. Klingler and Mr. Stadler of 54% of their fixed basic salaries as of the end of 2011.

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.

On December 31, 2011 the pension obligations for members of the Board of Management in accordance with IAS 19 amounted to €78,627,844 (previous year: €63,824,850); €7,945,505 (previous year: €5,611,836) was added to the provision in the reporting period in accordance with IAS 19. The pension obligations measured in accordance with German GAAP amounted to €71,818,192 (previous year: €61,157,564); €16,970,145 (previous year: €24,804,582) 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 €8,618,915 in 2011 (previous year: €8,562,867). Obligations for pensions for this group of persons measured in accordance with IAS 19 amounted to €109,452,277 (previous year: €109,898,944), or €104,212,838 (previous year: €107,392,431) measured in accordance with German GAAP.

EARLY TERMINATION BENEFITS

No severance payment is provided for in cases where membership of the Board of Management is terminated early without cause. Moreover, since November 20, 2009, the recommendation in article 4.2.3(4) of the German Corporate Governance Code (cap on severance payments) has been complied with when entering into new contracts with members of the Board of Management, unless these contracts relate to the third period of office of the member of the Board of Management concerned; existing rights are protected in such cases. Claims under the contract of employment are limited to a maximum of two years' remuneration.

PENSIONS OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2011 (PRIOR-YEAR FIGURES IN BRACKETS)[1]

€	Additions to pension provisions	Present value at December 31[2]
Martin Winterkorn	875,002 (900,970)	19,669,807 (17,857,178)
Francisco Javier Garcia Sanz	724,514 (633,839)	8,453,909 (6,840,953)
Jochem Heizmann	1,130,354 (1,007,244)	9,515,593 (7,559,496)
Christian Klingler	470,933 –	1,522,411 (856,479)
Michael Macht	698,942 –	6,703,362 (5,195,764)
Horst Neumann	2,040,977 (1,781,918)	15,094,711 (11,735,728)
Hans Dieter Pötsch	1,460,569 (1,287,865)	10,831,395 (8,382,115)
Rupert Stadler	544,214 –	6,836,656 (5,397,137)
Total	**7,945,505** **(5,611,836)**	**78,627,844** **(63,824,850)**

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 27 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 2011, the members of the Supervisory Board received €7,376,151 (previous year: €5,348,561). €380,521 of this figure (previous year: €360,042) related to the fixed remuneration components (including attendance fees) and €6,995,630 (previous year: €4,988,520) to the variable remuneration components.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD[1]

€	FIXED	VARIABLE	TOTAL 2011	TOTAL 2010
Ferdinand K. Piëch	60,500	789,722	850,222	592,800
Berthold Huber[2]	38,000	551,000	589,000	278,785
Hussain Ali Al-Abdulla	11,000	237,500	248,500	126,064
Jassim Al Kuwari (since May 4, 2011)	6,958	156,684	163,642	–
Jörg Bode[3]	14,000	356,250	370,250	208,376
Annika Falkengren (since May 4, 2011)	6,958	156,684	163,642	–
Michael Frenzel	15,000	356,250	371,250	249,146
Babette Fröhlich[2]	15,000	356,250	371,250	271,250
Hans Michael Gaul (until May 3, 2011)	4,063	121,224	125,286	271,250
Jürgen Großmann (until May 3, 2011)	4,042	80,816	84,858	180,833
Peter Jacobs[2]	12,000	237,500	249,500	182,833
David McAllister[3]	15,000	356,250	371,250	133,643
Hartmut Meine[2]	12,000	237,500	249,500	182,833
Peter Mosch[2]	27,500	294,500	322,000	238,133
Bernd Osterloh[2]	15,000	356,250	371,250	271,250
Hans Michel Piëch	23,000	275,500	298,500	221,033
Ferdinand Oliver Porsche	33,500	532,000	565,500	415,967
Wolfgang Porsche	13,000	356,250	369,250	271,250
Wolfgang Ritmeier	12,000	237,500	249,500	223,603
Jürgen Stumpf[2]	15,000	356,250	371,250	207,376
Bernd Wehlauer[2]	15,000	356,250	371,250	270,250
Thomas Zwiebler[2]	12,000	237,500	249,500	113,766
Supervisory Board members who retired in the prior year	–	–	–	438,120
Total	**380,521**	**6,995,630**	**7,376,151**	**5,348,561**

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 2011 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, 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, both Volkswagen AG and a subsidiary carry out the functions of generation at the Wolfsburg and Kassel locations, sales and electricity distribution.

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 139 to 142, in the notes to the consolidated financial statements of Volkswagen AG on page 351 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. Within the framework laid down by law, the Group Board of Management ensures that Group interests are taken into account in decisions relating to the Group's brands and companies. 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 supervisory bodies of the relevant brand companies remain unaffected.

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

MATERIAL CHANGES IN EQUITY INVESTMENTS

The Volkswagen Group took another significant step towards forming an integrated automotive group with Porsche by acquiring Porsche Holding Salzburg's trading business. The trading company was transferred on March 1, 2011 at a price of €3.3 billion. Porsche Holding Salzburg is one of the most successful and profitable automobile trading companies in the world, with a strong presence particularly in Austria, the rest of Western Europe and Southeast Europe, as well as in China.

Over the course of the year, Volkswagen acquired 9.75% of the voting rights of SGL Carbon SE, Wiesbaden. The SGL Group is one of the world's leading producers of carbon, an extremely lightweight but very strong material that can be used to reduce vehicle weight.

On November 9, 2011, Volkswagen AG increased its interest in MAN SE, Munich, to 55.90% of the voting rights and 53.71% of the share capital after making a mandatory public offer to the shareholders. Closer cooperation between MAN, Scania and Volkswagen is expected to lead to substantial synergies in the future in the areas of procurement, development and production.

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 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, 2011, the share capital of Volkswagen AG amounted to €1,190,995,443.20 (previous year: €1,190,882,163.20); it was composed of 295,089,817 ordinary shares and 170,142,778 preferred shares. Each share conveys a notional interest of €2.56 in the share capital.

Shareholder rights and obligations

The shares convey pecuniary and administrative rights. The pecuniary rights include in particular the shareholders' right to participate in profits (section 58(4) of the Aktiengesetz (AktG – German Stock Corporation Act)), 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). On November 24, 2011, the European Commission announced that it is bringing 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 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 consider this provision of the Articles of Association to be incompatible with the EU Treaty.

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 343 to 351 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 EU Treaty on page 145).

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 May 3, 2011 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 May 2, 2016 by issuing new ordinary and/or nonvoting preferred bearer shares against cash and/or noncash contributions. 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. 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 303.

Opportunities to acquire treasury shares are governed by section 71 of the AktG. At the Annual General Meeting on May 3, 2011, the Board of Management was most recently authorized to acquire treasury shares. This authorization applies until November 3, 2012 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

On July 28, 2011, a banking syndicate granted Volkswagen AG a new syndicated credit line amounting to €5.0 billion with a term until July 2016 (including two extension options, each for one year). This credit line replaces the previous credit line, which, after reductions, would have most recently enabled up to €7.8 billion to be drawn down.

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

The Board of Management is not aware as of the reporting date of any restrictions on the transfer of shares.

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, 2011

PROF. DR. RER. NAT. DR.-ING. E.H.
MARTIN WINTERKORN (64)
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 (54)
Procurement
July 1, 2001*
Appointments:
⊙ Criteria CaixaHolding S.A., Barcelona

PROF. DR. RER. POL.
JOCHEM HEIZMANN (60)
Commercial Vehicles
January 11, 2007*
Appointments:
○ Lufthansa Technik AG, Hamburg

CHRISTIAN KLINGLER (43)
Sales and Marketing
January 1, 2010*

DR.-ING. E.H. MICHAEL MACHT (51)
Production
October 1, 2010*

PROF. DR. RER. POL.
HORST NEUMANN (62)
Human Resources and Organization
December 1, 2005*
Appointments:
○ Wolfsburg AG, Wolfsburg

HANS DIETER PÖTSCH (60)
Finance and Controlling
January 1, 2003*
Chief Financial Officer of
Porsche Automobil Holding SE
November 25, 2009*
Appointments:
○ Bertelsmann AG, Gütersloh

RUPERT STADLER (48)
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, 2011

HON.-PROF. DR. TECHN. H.C.
DIPL.-ING. ETH
FERDINAND K. PIËCH (74)
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
⊙ Porsche Gesellschaft m.b.H., Salzburg
⊙ Porsche Holding Gesellschaft m.b.H., Salzburg
⊙ Porsche Piech Holding AG, Salzburg

BERTHOLD HUBER (61)
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 (80)
July 2, 1987 – May 3, 2006*
Honorary Chairman of the Supervisory Board of Volkswagen AG (since May 3, 2006)

DR. HUSSAIN ALI AL-ABDULLA (55)
Vice Chairman of Qatar Holding LLC
April 22, 2010*
Appointments:
⊙ Qatar Investment Authority, Doha
⊙ Qatar Holding, Doha (Deputy Chairman)
⊙ Masraf Al Rayan, Doha (Chairman)
⊙ Qatar Exchange, Doha (Chairman)
⊙ Qatar Airways, Doha
⊙ Gulf Investment Corporation, Safat/Kuwait

KHALIFA JASSIM AL-KUWARI (35)
Chief Operating Officer of Qatar Investment Authority and Qatar Holding LLC
May 3, 2011*
Appointments:
⊙ Songbird Estates plc, London
⊙ Qatar Exchange, Doha
⊙ Qatar & Oman Investment Company, Doha

JÖRG BODE (41)
Minister of Economic Affairs, Labor and Transport for the Federal State of Lower Saxony
November 4, 2009*
Appointments:
○ Deutsche Messe AG, Hanover

ANNIKA FALKENGREN (49)
President and Group Chief Executive of Skandinaviska Enskilda Banken AB
May 3, 2011*
Appointments:
○ Münchener Rückversicherungs-Gesellschaft AG, Munich
⊙ Securitas AB, Stockholm

DR. JUR. MICHAEL FRENZEL (64)
Chairman of the Board of Management of TUI AG
June 7, 2001*
Appointments:
○ AWD Holding AG, Hanover
○ AXA Konzern AG, Cologne
● Hapag-Lloyd AG, Hamburg (Chairman)
● TUI Cruises GmbH, Hamburg
● TUI Deutschland GmbH, Hanover (Chairman)
● TUIfly GmbH, Hanover (Chairman)
⊙ TUI China Travel Co. Ltd., Beijing
⊙ TUI Travel PLC, London

BABETTE FRÖHLICH (46)
IG Metall,
Department head for coordination of Executive Board duties and planning
October 25, 2007*
Appointments:
○ MTU Aero Engines Holding AG, Munich

DR. JUR. HANS MICHAEL GAUL (69)
June 19, 1997 – May 3, 2011*

DR.-ING. JÜRGEN GROSSMANN (59)
May 3, 2006 – May 3, 2011*

○ 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.

PETER JACOBS (54)
Chairman of the Works Council at the Volkswagen AG Emden plant
April 19, 2007*
Appointments:
○ Volkswagen Belegschaftsgenossenschaft für Regenerative Energien am Standort Emden eG, Emden
⊙ Volkswagen Coaching GmbH, Wolfsburg

DAVID MCALLISTER (41)
Minister-President of the Federal State of Lower Saxony
July 1, 2010*

HARTMUT MEINE (59)
Director of the Lower Saxony and Saxony-Anhalt Regional Office of IG Metall
December 30, 2008*
Appointments:
○ Continental AG, Hanover
○ KME AG, Osnabruck

PETER MOSCH (40)
Chairman of the General Works Council of AUDI AG
January 18, 2006*
Appointments:
○ AUDI AG, Ingolstadt
○ Porsche Automobil Holding SE, Stuttgart

BERND OSTERLOH (55)
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 (70)
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 AG, Salzburg (Chairman)
⊙ Schmittenhöhebahn AG, Zell am See
⊙ Volksoper Wien GmbH, Vienna

DR. JUR. FERDINAND OLIVER PORSCHE (50)
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 (68)
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:
○ 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 AG, Salzburg (Deputy Chairman)
⊙ Schmittenhöhebahn AG, Zell am See

WOLFGANG RITMEIER (63)
Chairman of the Board of Management of Volkswagen Management Association (VMA)
April 19, 2007*
Appointments:
⊙ Volkswagen Pension Trust e.V., Wolfsburg

JÜRGEN STUMPF (57)
Chairman of the Works Council at the Volkswagen AG Kassel plant
January 1, 2005*

BERND WEHLAUER (57)
Deputy Chairman of the General and Group Works Councils of Volkswagen AG
September 1, 2005*
Appointments:
○ Wolfsburg AG, Wolfsburg
⊙ Sitech Sitztechnik GmbH, Wolfsburg
⊙ Volkswagen Immobilien GmbH, Wolfsburg
⊙ Volkswagen Pension Trust e.V., Wolfsburg

THOMAS ZWIEBLER (46)
Chairman of the Works Council Volkswagen Commercial Vehicles
May 15, 2010*

COMMITTEES OF THE SUPERVISORY BOARD
As of December 31, 2011

Members of the Presidium
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

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)
Babette Fröhlich
Dr. jur. Michael Frenzel

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
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)
Berthold Huber (Deputy Chairman)
Jörg Bode
Dr. Michael Frenzel
Bernd Osterloh
Dr. Wolfgang Porsche
Jürgen Stumpf
Bernd Wehlauer

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

Management Report

The Volkswagen Group achieved its target of further increasing its market share in fiscal 2011. We captivated customers worldwide with our unique brand diversity, attractive models and innovative automotive financial services.

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

2007	2008	2009	2010	2011
9.6	10.3	11.2	11.3	12.3

MANAGEMENT REPORT

Business Development
Number of vehicles delivered to customers passes eight million mark for the first time

The Volkswagen Group took advantage of the recovery of the global economy and the automotive industry in fiscal year 2011 to further strengthen its market position: for the first time, the number of vehicles delivered to customers pushed through the eight million mark, exceeding the prior-year figure by 14.3%.

GLOBAL ECONOMY CONTINUES TO GROW

While the global economy continued to grow in fiscal year 2011, recovery slowed in the second half of the year, particularly in Western Europe. Growth remained robust in most emerging economies but also lost momentum. The continued expansionary monetary policy in many countries and high commodity and oil prices led to an increase in inflationary trends. Overall, the global economy expanded by 3.0% in the reporting period, down from 4.3% in the previous year.

Europe/Remaining markets

Western Europe experienced only modest growth, with GDP increasing by an average of 1.5% (previous year: 1.9%), whereas the Southern European economies deteriorated significantly. As in the previous year, the average unemployment rate in the eurozone remained at approximately 10%; unemployment in Spain was more than twice as high. Average GDP growth in Central and Eastern Europe was 4.5% (previous year: 4.4%).

In spite of the slowdown in the global economy, South Africa recorded higher growth than in the previous year, with GDP of 3.1% (previous year: 2.9%). However, inflation rose sharply over the course of the year.

Germany

Germany outperformed all of the other major industrialized countries, with strong export activities fueling growth of 3.0% (previous year: 3.7%). After a dynamic start, growth slowed significantly as the year progressed. The positive development in the labor market and ensuing rise in incomes saw a shift towards growth driven by domestic, as opposed to export, demand.

North America

The US economy recorded growth of 1.7% in 2011, as against 3.0% in the previous year. Unemployment remained high in spite of the continued, extremely expansionary monetary policy. The US dollar weakened against the euro through mid-2011 but recovered strongly in the second half of the year. Canada's GDP rose by 2.3% (previous year: 3.2%) and the Mexican economy expanded by 3.9% (previous year: 5.4%).

South America

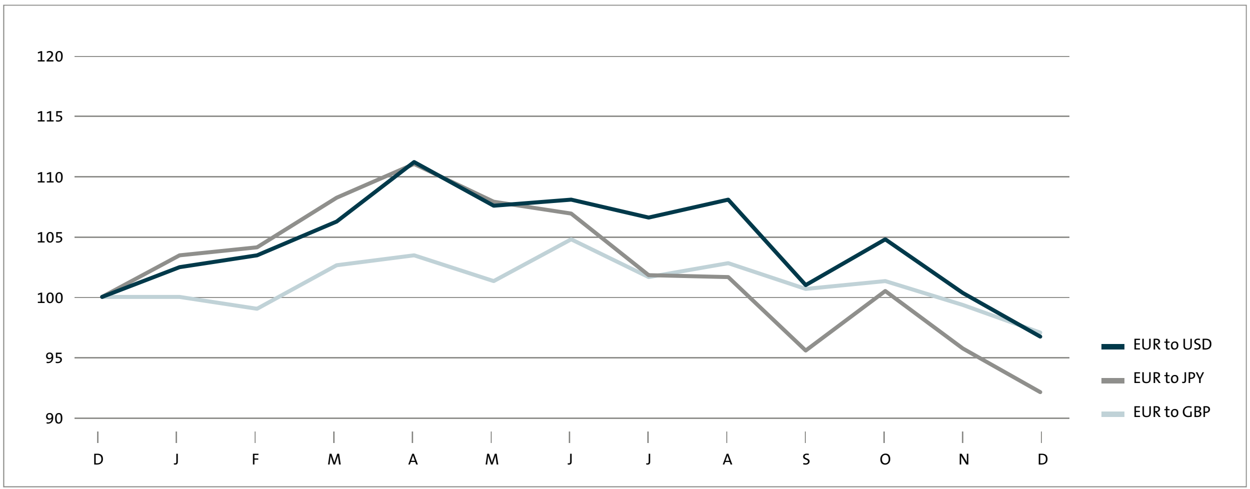
GDP growth declined to 2.9% in Brazil (previous year: 7.5%), but stayed on a level with the previous year in Argentina, at 9.2%. Inflationary pressures continued in both countries.

Asia-Pacific

Most of Asia's emerging economies continued to see dynamic growth in fiscal year 2011. At 9.2%, economic growth in China was only slightly below the prior year (10.4%). The Indian economy expanded by 7.0% (previous year: 8.8%). The natural disasters in Japan led to a 0.7% decrease in GDP (previous year: +4.4%).

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2010 TO DECEMBER 2011

Index based on month-end prices: December 31, 2010 = 100



GLOBAL AUTOMOTIVE INDUSTRY PERFORMS BETTER THAN EXPECTED

Global passenger car sales rose by 4.8% to 62.0 million vehicles in fiscal year 2011, beating the previous industry record set in 2007. Growth was primarily driven by the USA, China and Russia. South America also performed well and exceeded the record prior-year level. Demand in Western Europe was only slightly down year-on-year, mainly due to the upturn of the German market, while the markets in Central and Eastern Europe continued to recover. With the exception of China, new vehicle registrations in the Asia-Pacific region fell short of the previous year's result due to the dramatic market downturn in the wake of the natural disasters in Japan. Passenger car sales continued to improve in South Africa but did not reach 2007 levels.

Global automobile production rose by 3.6% to 80.3 million units in the reporting period, of which 66.3 million were attributable to passenger cars (+4.6%).

Sector-specific environment

The established passenger car markets turned in a mixed performance in fiscal year 2011. While some industrialized countries were negatively affected by the debt crisis and its repercussions, others – in particular Germany – profited from the robust demand in the growth markets in the first half of the year. As expected, the expiry of government incentives in Western Europe also had an adverse effect. By adopting active manufacturer and dealership risk management and cooperating closely with financial service providers, the industry succeeded in overcoming the impact of this.

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, African and Latin American markets are showing signs of further easing in free 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

New vehicle registrations in the Western European markets declined slightly in the reporting period to a total of 12.8 million vehicles, down 1.5% on the prior-year figure and the lowest overall market volume recorded in the last 16 years. In most high-volume markets, the decrease was primarily attributable to the extremely weak first quarter of 2011 as against the previous year, which was due in particular to the expiry of government incentives over the course of 2010. Slow economic growth, rising unemployment and the debt situation in some countries led to market volumes that were, in some cases, significantly below prior-year levels. Spain (–17.7%), Italy (–11.6%), the United Kingdom (–4.4%) and France (–2.1%) all suffered losses in fiscal year 2011. By contrast, the German passenger car market performed strongly, up 8.8% on the extremely weak prior-year level. The market share of diesel vehicles in Western Europe exceeded the previous high recorded in 2007, rising significantly to 55.4% in the reporting period as against 51.7% in 2010.

The passenger car markets in Central and Eastern Europe continued their positive development in fiscal year 2011. With an increase of 26.0% to 3.7 million units, demand was however well below the record level seen in 2008. This was almost exclusively due to the very positive development of the Russian market. Government support measures and significantly higher consumer confidence led to a 39.8% increase in passenger car sales in Russia, 2.5 million units. Manufacturers with local production facilities in particular profited from the sales boom. Overall, the Central European EU states also recorded more new registrations as against 2010. The passenger car market developed positively in the Baltic states (+83.9%), Bulgaria (+19.9%), Slovakia (+6.5%), Hungary (+3.2%) and the Czech Republic (+2.4%). By contrast, new passenger car registrations were down year-on-year in Poland (–10.6%), Romania (–8.9%) and Slovenia (–2.2%). Passenger car sales reached a new high in Turkey, up 13.4% to 578 thousand units.

The upward trend seen in the South African passenger car market in the previous year continued in the period under review. New registrations were 18.4% higher than in 2010, climbing to 399 thousand units. This was positively impacted by higher unit sales to car rental companies, among other things.

Germany

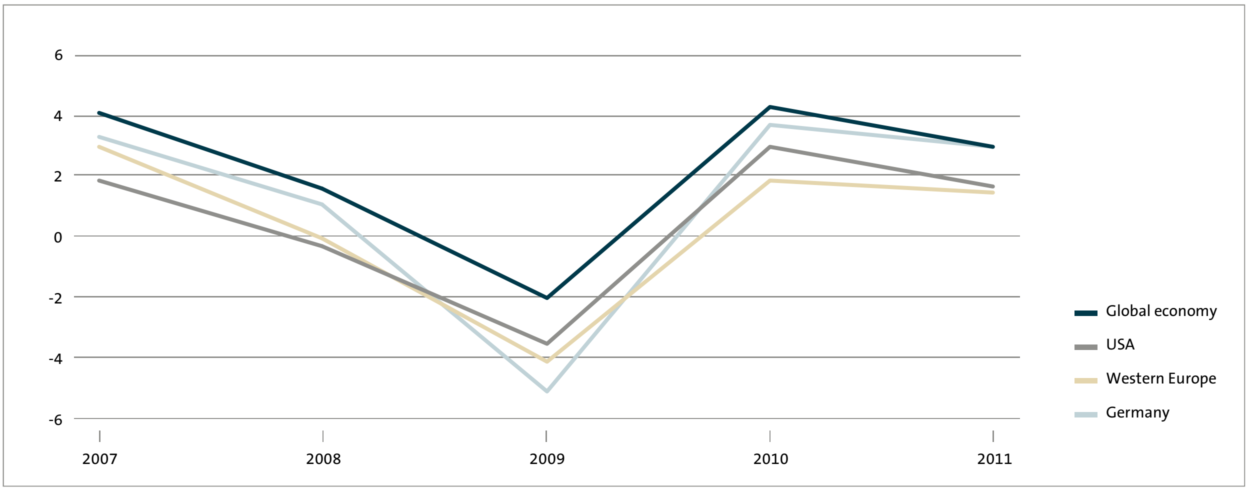
In Germany, demand for passenger cars rose by 8.8% to 3.2 million vehicles in fiscal year 2011, buoyed by the extremely low prior-year level and the economic upturn in 2011. As in the previous year, the light commercial vehicles market recorded double-digit growth, up 18.3% to 241 thousand vehicles, primarily as a result of increased demand. German manufacturers set new production and export records in 2011, eclipsing the previous high of the pre-crisis year 2007. Domestic passenger car production rose 5.6% to 5.9 million vehicles, while passenger car exports increased by 6.6% year-on-year to 4.5 million units.

North America

In the North American market, demand for passenger cars and light commercial vehicles (up to 6.35 tonnes) grew to 15.3 million vehicles in 2011, an increase of 9.3% as against the previous year. This was almost exclusively attributable to sales of vehicles manufactured in North America. A range of new models and increased replacement demand saw automobile sales soar in the USA, despite the deterioration of the economy as a whole. However, passenger car and light commercial vehicles sales remained well below 2007 levels at 12.8 million units (+10.3%). In Canada, sales were slower than in the previous year, up 1.8% to 1.6 million vehicles in the reporting period. The Mexican market recorded a 9.7% increase in sales to 0.9 million vehicles, roughly on par with 2010 growth.

ECONOMIC GROWTH

Percentage change in GDP



South America

Vehicle sales in South America rose considerably in 2011, exceeding the previous all-time high recorded in 2010. The Brazilian market was once again slightly up on the record prior-year level, recording a 0.1% year-on-year increase in new passenger car registrations in the reporting period. Demand for automobiles weakened clearly in the second half of the year despite the generally stable economic situation. This development was attributable to the uncertainty among consumers caused by rising inflation and higher interest rates. Imported vehicles saw significant growth, encouraged by a strong real. In September 2011, the Brazilian government passed a tax hike on imported vehicles in order to protect local industry, which became effective on December 15, 2011. At 542 thousand units, Brazil's vehicle exports again grew as against the previous year (+7.7%).

In Argentina, the second largest automotive market in the region, demand for passenger cars clearly exceeded the record prior-year level with sales up 28.4% to 620 thousand units. Alongside relatively low-cost consumer credit, this was primarily driven by consumer behavior. High inflation caused consumers to invest in tangible assets such as cars to protect themselves against a loss of purchasing power.

Asia-Pacific

A total of 2.5% more new passenger cars were registered in the Asia-Pacific region in the reporting period than in the previous year. The Chinese automotive market recorded an increase of 876 thousand to 12.3 million vehicles. Vehicle sales in the country grew only moderately in comparison (+7.6%) in 2011 following the expiry of several government subsidy programs, in contrast to the high double-digit growth rates seen in 2009 and 2010. In Japan, new passenger car registrations fell by 16.3% to 3.5 million vehicles. In addition to general economic uncertainties, the sharp decline was caused primarily by production shortfalls as a consequence of the natural disasters on March 11, 2011, as well as new vehicle purchases in 2010 that were brought forward to take advantage of government subsidy programs available at the time. Despite dampened growth, the Indian passenger car market once again recorded a new high, up 5.6% to 2.3 million vehicles. The main reasons for the muted demand were high interest rates and increased fuel prices, particularly in the second half of the year.

DEMAND FOR TRUCKS AND BUSES REMAINS HIGH

Sales of mid-sized and heavy trucks with a gross vehicle weight of more than six tonnes in fiscal year 2011 exceeded the high prior-year level. 2.7 million vehicles were sold around the world, which represents growth of 7.1%. Performance in the individual regions was extremely varied: Europe, North America and Russia continued to recover following the sharp drop in demand in the wake of the financial crisis. South America and India continued their stable growth trajectory in fiscal year 2011 in line with economic conditions. China, the world's largest market, did not match the high level seen in 2010.

Vehicle sales in Western Europe were very positive in fiscal year 2011. A total of 262 thousand vehicles were sold, 27.5% more than in the previous year. New heavy truck registrations in particular benefited from replacement purchases in the course of the economic recovery. Central and Eastern Europe also recorded extremely high growth in the mid-sized and heavy trucks segment with sales up 67.3% as against the previous year to a total of 140 thousand units. In Russia, the largest single market in the region, demand was 71.2% higher in 2011 than in 2010.

The sales figures for mid-sized and heavy trucks in North America rose by 35.9% to 377 thousand units as a result of the positive trend in the relevant economic sectors. Of these, 306 thousand units were sold in the US market, a year-on-year increase of 40.7%.

South America also saw market growth in the mid-sized and heavy trucks segments in fiscal year 2011. 13.9% more vehicles were sold than in the previous year, for a total of 223 thousand units. Truck sales in Brazil recorded an 8.4% increase to 165 thousand vehicles.

With the exception of the Chinese market, the Asia-Pacific region again outperformed prior-year sales levels in fiscal year 2011. New registrations increased by 9.9% and amounted to 529 thousand units. Demand in China for mid-sized and heavy trucks did not match the high level of the previous year. A total of 1.2 million vehicles were sold there, representing a decrease of 8.9%. Nevertheless, China remains by far the world's largest single market. In India, sales of mid-sized and heavy trucks grew by 10.7% year-on-year to 313 thousand units.

In fiscal year 2011, the global market for buses recorded an increase against the previous year. Demand in Western Europe, North America and the Asia-Pacific region grew at a comparatively moderate rate, whereas the Brazilian market for buses recorded a strong increase in vehicle sales.

DEMAND FOR FINANCIAL SERVICES

Overall, demand for automotive-related financial services remained high in the reporting period. In the European markets, automotive-related financial services were increasingly used by business customers in particular.

The leasing sector in Germany continued to expand in both the commercial vehicle and passenger car segments. The markets in North and South America, as well as the Asia-Pacific region, performed significantly better than in the previous year.

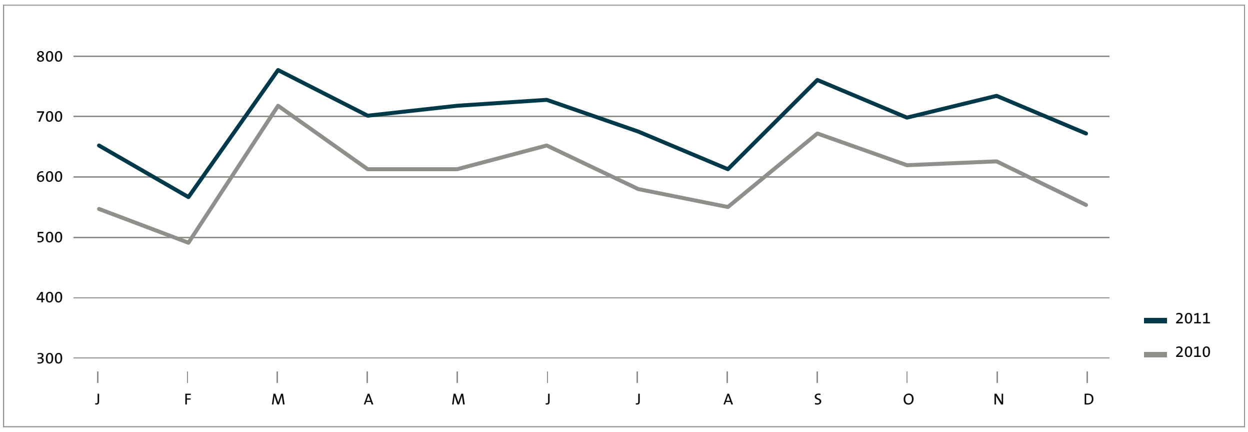
Increasing demand for leasing and loan offerings led to growth in the financial services market in the USA, and there was a recovery in the residual values of used cars. The Mexican financial services market was boosted by stable credit conditions and interest rates, as well as terms of up to 60 months. In addition, various promotions such as attractive insurance products and subsidies also saw an increase in activities in the local financial services market.

The Brazilian market continues on its growth trajectory, strengthened by an increase in retail lending. A clear rise in individual mobility needs led to substantial sales growth of Consorcio, a lottery-style financing product.

China also saw increased demand for financial services. There is potential to acquire new customers for automobile financing, as at the moment only around 10% of vehicle purchases are loan-financed. Demand for financial services continued to rise in India. In Japan, the volume of contracts rose sharply as against the previous year despite the natural disasters at the beginning of the year.

VOLKSWAGEN GROUP DELIVERIES BY MONTH

Vehicles in thousands



NEW GROUP MODELS IN 2011

The Volkswagen Group selectively expanded its model portfolio in key segments in the reporting period. It comprises around 240 passenger car and commercial vehicle 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 in the commercial vehicles sector. We will gradually move into open market segments that offer profitable opportunities for us.

The Volkswagen Passenger Cars brand premiered a large number of new vehicles in 2011. Highlights were the new Golf Cabriolet, the new Beetle – the successor to a motoring icon – and the up!, which supplemented the brand's model portfolio with a small car. This compact runabout offers an impressive combination of maximum room within minimum dimensions, safety features such as ESP and the city emergency braking function, and compelling quality. Other key models launched included the new Passat for the Chinese market and the Passat for the US market, whose proportions and features were specially designed with local customers' needs in mind. Added to this were enhancements to our successful Tiguan model and new versions such as the Polo BiFuel and the Passat BlueMotion, which expand Volkswagen Passenger Cars' range of environmentally friendly vehicles.

The Audi brand again met its own high standards in 2011. Sporty, technically superior vehicles were launched in the form of the Audi RS 3 Sportback, the Q5 hybrid quattro (the brand's first hybrid model), the new-generation A6 saloon and Avant, the R8 GT Spyder and the A8 L W12 12-cylinder derivative. Another noteworthy addition was the Q3, which marks the brand's entry into the compact SUV segment. Its coupé-esque lines give the model a sporty, progressive design.

The Czech brand ŠKODA also presented a new small car, the Citigo, a derivative of the Volkswagen up!, which has the standard ŠKODA look on the outside and is full of smart ideas on the inside. An additional highlight was the Rapid, which was initially launched in the Indian market and which will also fill the gap between the Fabia and Octavia models in other markets in future as the new entry-level notchback saloon in the compact class.

The Mii – another sister model to the Volkswagen up! – was introduced in the reporting period and designed specifically for the SEAT brand, expanding our Spanish brand's product offering to include a new small car. A further high point was the revamped Exeo, in which the model's dynamic character is highlighted using state-of-the-art LED technology.

The Group's luxury brands also introduced fascinating new models and derivatives in the market in 2011. Bentley debuted the successors to the Continental GT and to the Continental GT Cabriolet. Lamborghini premiered the lightweight version of the Gallardo Spyder: the Gallardo Spyder Performante LP 570-4. The market launch of the Aventador Coupé LP 700-4, the first product in the new model range that is succeeding the Murciélago, was a particular highlight. Bugatti confirmed its unique position by launching the Veyron L'or Blanc, which uses exquisite porcelain elements in its internal and external design thanks to a collaboration with Königliche Porzellan-Manufaktur Berlin. The result is a work of art on four wheels.

Volkswagen Commercial Vehicles presented the Multivan BlueMotion – a fuel economy giant in the van segment. At 6.4 liters of diesel/100 km, its fuel economy rating is uniquely low for this vehicle class. Derivatives of the Caddy and the Caddy Maxi with BiFuel engines round off the offering of fuel-efficient commercial vehicles. In the pickup segment, the Amarok range was expanded to include a single-cab version with a larger loading space. The revised Crafter offers a compelling mix of high-torque, extremely efficient engines, a higher payload and modern interior and exterior design.

Following the introduction of the V8 series in 2010, Scania now has the technical solutions and the engine platform required to meet the Euro 6 emissions standard that will enter into force at the end of 2013. Scania presented the 324 kW (440 PS) and 353 kW (480 PS) Euro 6 engines in fiscal year 2011.

MAN is systematically expanding its offering of specification packages that contribute to greater transport efficiency.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 8,265,012 vehicles to customers worldwide in 2011, 1,061,828 or 14.7% more than in the previous year. The chart on page 158 shows that the delivery figures were higher in all twelve months of the reporting period than in the same months of the previous year. We discuss deliveries of passenger cars and light commercial vehicles as well as deliveries of trucks and buses separately in the following.

VOLKSWAGEN GROUP DELIVERIES

	2011	2010	%
Passenger cars and light commercial vehicles	8,160,154	7,139,472	+14.3
Trucks and buses	104,585	63,712	+64.6
Total	**8,265,012**	**7,203,184**	**+14.7**

PASSENGER CAR AND LIGHT COMMERCIAL VEHICLE DELIVERIES WORLDWIDE

With its brands, the Volkswagen Group has a presence in all key 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 2011 thanks to its attractive and environmentally friendly model offering. We have increased our market share in key core markets and again recorded an encouraging global increase in demand.

The Volkswagen Group delivered 8,160,154 passenger cars and light commercial vehicles to customers across the world in the reporting period, beating the previous year's record amount by 14.3%. With the exception of Bugatti, all Group brands increased their prior-year sales figures. In particular, the Volkswagen Passenger Cars, Audi, ŠKODA, Bentley, Lamborghini and Volkswagen Commercial Vehicles brands recorded impressive growth rates for the period. In fiscal year 2011, demand for Volkswagen Group models was higher than in the prior-year period in virtually all markets. The table on page 161 gives an overview of deliveries to customers by market and of the respective passenger car market shares held by the Volkswagen Group in fiscal year 2011. We explain demand trends for Group models in the individual markets in the following sections.

Deliveries in Europe/Remaining markets

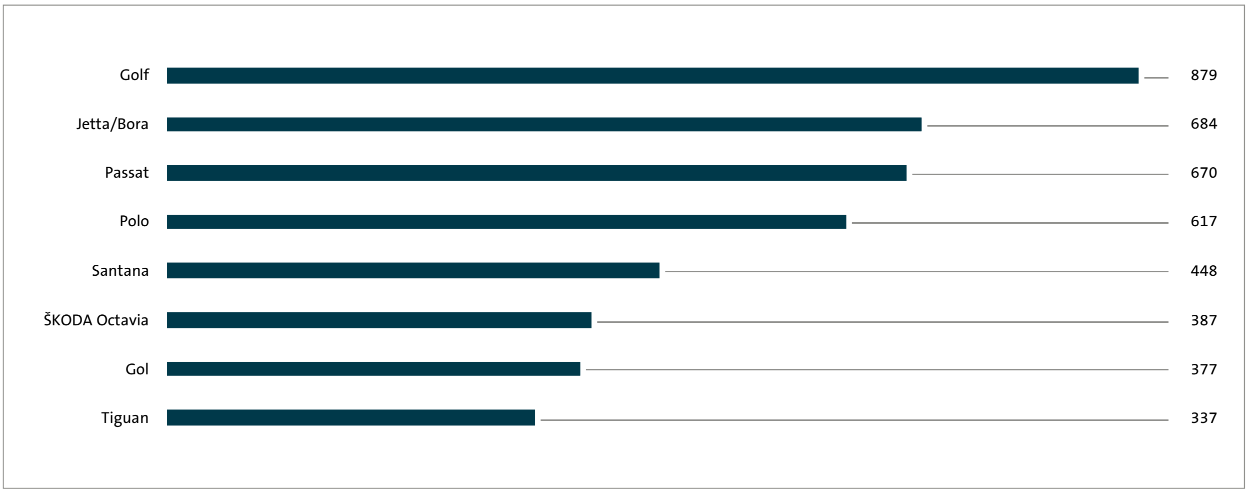
In fiscal 2011, our deliveries to customers in Western Europe were up on the previous year's level, in spite of the slight decline in passenger car markets in several countries. Our passenger cars and light commercial vehicles sold in Western Europe accounted for 38.4% (previous year: 40.3%) of the Group's delivery volume. All volume brands increased sales in the reporting period as against the previous year. The Touran, Passat saloon, Passat estate, ŠKODA Fabia estate, ŠKODA Yeti, ŠKODA Octavia estate and Caddy generated the highest growth rates. Demand for the new Jetta, Sharan, Audi A1, Audi A7 Sportback, SEAT Ibiza ST and SEAT Alhambra models was also very encouraging. The Volkswagen Group's share of the total passenger car market in Western Europe increased from 21.0% to 23.0%. In Central and Eastern Europe, the Volkswagen Group's sales figures were up 29.4% year-on-year. Sales in Russia and Ukraine recorded the highest increases. We sold 74.4% more vehicles in the reporting period than in the previous year in the Russian passenger car market. In Central and Eastern Europe, almost all models from Volkswagen Passenger Cars, the A6 and A8 from Audi, all ŠKODA models, the SEAT Altea, Multivan/Transporter and the Caddy saw higher demand than in the previous year. The new Sharan, Polo notchback, Audi A1, Audi A7 Sportback, SEAT Ibiza ST, SEAT Alhambra and Amarok models were also highly popular.

In South Africa, the Volkswagen Group benefited from the boom in the automotive sector, increasing its sales figures by 39.4%. Our entry-level models were particularly sought-after. The market share held by the Group in South Africa increased to 22.7% (previous year: 19.9%).

The Volkswagen Group recorded a rise of 20.8% in deliveries in the Middle East region.

WORLDWIDE DELIVERIES OF THE GROUP'S MOST SUCCESSFUL MODELS IN 2011

Vehicles in thousands



Deliveries in Germany

Deliveries to Volkswagen Group customers in the German passenger car market rose 11.4% in the reporting period. Delivery volumes in the previous year were adversely affected by the end of the government scrapping premium. The Touran, Tiguan, Passat saloon, Passat estate, Audi TT, ŠKODA Fabia hatchback, ŠKODA Yeti, ŠKODA Octavia estate, SEAT Altea and Caddy models recorded the highest growth rates. The new Jetta, Sharan, Audi Q3, Audi A7 Sportback, SEAT Ibiza ST and SEAT Alhambra models were also received positively. At the end of the reporting period, six Volkswagen Group models led the Kraftfahrtbundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the Polo, Golf, Passat, Touran, Tiguan and Caddy. The Golf continued to top the list of the most frequently registered passenger cars in Germany. We increased the high level of the Group's market share in the German passenger car market to 35.9% (previous year: 35.1%), further cementing our market leadership.

Deliveries in North America

In the reporting period, deliveries to Volkswagen Group customers in the US market were up 23.3%. Demand for the Jetta, Tiguan, Touareg, Audi TT, Audi Q5, Audi Q7 and Audi A8 models was encouraging. Our sales figures for the Canadian market rose by 16.3% year-on-year. The Jetta, Touareg, Audi A4, Audi Q5 and Audi Q7 models recorded the highest growth rates here. The Volkswagen Group delivered 18.4% more vehicles in Mexico than in the previous year. Demand for the Jetta and SEAT Ibiza models was particularly strong.

Deliveries in South America

Demand in the South American markets grew by 5.1% year-on-year. Sales figures in the Brazilian market declined slightly (–1.0%). The main reason for this was customer uncertainty due to the increased taxes on import vehicles at the end of the year together with the high intensity of competition in this market. The Space Fox and Voyage models were very popular. The sales figures for the Saveiro and T2 light commercial vehicles increased by 7.6%. The number of Volkswagen Group vehicles sold in Argentina climbed by 33.0% year-on-year. High demand for the Fox, Gol, Voyage and Bora models was the main driver. The Group extended its leadership position in the Argentinian market with a passenger car market share of 25.1% (previous year: 24.2%).

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

	DELIVERIES (UNITS)		CHANGE (%)	SHARE OF PASSENGER CAR MARKET (%)	
	2011	2010		2011	2010
Europe/Remaining markets	**3,990,283**	**3,561,669**	**+12.0**		
Western Europe	**3,129,835**	**2,881,876**	**+8.6**	**23.0**	**21.0**
of which: Germany	1,153,070	1,034,850	+11.4	35.9	35.1
United Kingdom	408,875	377,496	+8.3	19.3	17.2
France	299,317	267,856	+11.7	12.8	11.2
Italy	244,953	241,121	+1.6	13.1	11.5
Spain	212,549	244,811	–13.2	24.7	23.8
Central and Eastern Europe	**547,582**	**423,209**	**+29.4**	**13.7**	**13.4**
of which: Russia	228,977	131,278	+74.4	8.8	7.0
Czech Republic	82,873	81,226	+2.0	45.4	45.6
Poland	73,375	80,133	–8.4	22.6	22.3
Remaining markets	**312,866**	**256,584**	**+21.9**		
of which: Turkey	107,899	84,666	+27.4	13.7	11.9
South Africa	99,407	71,302	+39.4	22.7	19.9
North America[2]	**666,847**	**549,238**	**+21.4**	**3.9**	**3.7**
of which: USA	444,331	360,287	+23.3	3.5	3.1
Mexico	153,016	129,208	+18.4	16.9	15.7
Canada	69,500	59,743	+16.3	4.4	3.8
South America	**933,259**	**887,867**	**+5.1**	**18.9**	**19.6**
of which: Brazil	704,706	711,523	–1.0	22.3	22.9
Argentina	178,170	134,004	+33.0	25.1	24.2
Asia-Pacific	**2,569,765**	**2,140,698**	**+20.0**	**11.3**	**9.6**
of which: China	2,258,614	1,923,454	+17.4	18.2	16.8
India	111,637	53,341	x	4.9	2.5
Japan	71,729	63,996	+12.1	2.0	1.5
Worldwide	**8,160,154**	**7,139,472**	**+14.3**	**12.3**	**11.3**
Volkswagen Passenger Cars	5,090,849	4,502,832	+13.1		
Audi	1,302,659	1,092,411	+19.2		
ŠKODA	879,184	762,600	+15.3		
SEAT	350,009	339,501	+3.1		
Bentley	7,003	5,117	+36.9		
Lamborghini	1,602	1,302	+23.0		
Volkswagen Commercial Vehicles	528,810	435,669	+21.4		
Bugatti	38	40	–5.0		

1 Deliveries and market shares for 2010 have been updated to reflect subsequent statistical trends.
2 Overall markets in the USA, Mexico and Canada include passenger cars and light trucks.

Deliveries in the Asia-Pacific region

As a result of several government subsidy programs expiring, demand for passenger cars in 2011 grew only slightly in the Asia-Pacific region, which had been the strongest-growing region in 2010 in terms of passenger car sales. Nevertheless, the Volkswagen Group sold 20.0% more vehicles in this region than in the previous year. In the Chinese passenger car market, the Group sold 17.4% more passenger cars and light commercial vehicles year-on-year. Virtually all models contributed to this positive result. We extended our leadership of the Chinese market with a market share of 18.2% (previous year: 16.8%). In the Japanese market, we increased sales by 12.1% year-on-year. Demand increased for the Touran, Passat estate and Audi Q7 models. Deliveries to customers continued to develop positively in the other markets in the Asia-Pacific region. Once again, the Group more than doubled its sales as against the previous year in the Indian passenger car market. The Polo hatchback, Polo notchback and ŠKODA Fabia hatchback models demonstrated the highest growth rates.

DELIVERIES OF TRUCKS AND BUSES

In fiscal year 2011, the Volkswagen Group delivered 104,858 trucks and buses (+64.6%) to customers worldwide, with trucks accounting for 93,778 units. Sales figures for the MAN brand are included for the period from November 9 to December 31, 2011. Scania increased deliv-eries to customers to 80,108 units, up 25.7% year-on-year.

In Western Europe, we sold 38,073 vehicles, of which 35,466 were trucks. In this market, the Group benefited more than average from replacement purchases of heavy trucks in the course of the economic recovery. We sold a total of 15,194 vehicles in the markets of Central and Eastern Europe, more than twice as many in comparison with the previous year. Trucks accounted for 14,920 of that figure. In the remaining European markets, we delivered 14,259 vehicles (+30.4%) to customers, 12,382 of which were trucks.

We sold 813 units in the North American markets (including 73 trucks) in the reporting period due to the positive trend in the relevant economic sectors.

In South America, demand for Volkswagen Group trucks and buses amounted to 29,709 vehicles (+49.9%), 25,309 of which were trucks. We delivered 20,222 trucks and 3,275 buses in the Brazilian market.

In the markets of the Asia-Pacific region, sales to customers comprised 6,810 units (+33.8%), 5,628 of which were trucks. We delivered 1,579 trucks and 93 buses in China.

TRUCK AND BUS DELIVERIES TO CUSTOMERS BY MARKET[1]

	DELIVERIES (UNITS)		CHANGE (%)
	2011	2010	
Europe/Remaining markets	**67,526**	**38,463**	**+75.6**
Western Europe	38,073	21,228	+79.4
Central and Eastern Europe	15,194	6,298	x
Remaining markets	14,259	10,937	+30.4
North America	**813**	**340**	**x**
South America	**29,709**	**19,820**	**+49.9**
Brazil	23,497	16,267	+44.4
Asia-Pacific	**6,810**	**5,089**	**+33.8**
China	1,672	1,195	+39.9
Worldwide	**104,858**	**63,712**	**+64.6**
Scania	80,108	63,712	+25.7
MAN	24,750	–	–

1 The MAN brand's deliveries are only included for the period November 9 to December 31, 2011.

ORDERS RECEIVED BY THE VOLKSWAGEN GROUP IN WESTERN EUROPE

In Western Europe (including Germany), demand for Group models in the reporting period was significantly above the previous year's level. This development is also reflected in the level of orders received in Western Europe as a whole, which rose 2.6% compared with the previous year. In Western Europe excluding Germany, the number of orders received was on a level with the previous year.

At December 31, 2011, the Volkswagen Group held orders for 300,600 vehicles within Germany and for 323,300 units from the rest of Western Europe. Consequently, orders were down 4.0% on the figure for the previous reporting date.

GROUP FINANCIAL SERVICES

In fiscal year 2011, products and services from Volkswagen Financial Services were very popular with customers. 3.1 million new financing, leasing and insurance contracts were signed worldwide, a 16.2% increase on the prior-year figure. The total number of contracts as of December 31, 2011 exceeded the number at the end of 2010 by 10.2%, at 8.2 million. The number of contracts in the Customer Financing/Leasing area was up 6.1% to 5.6 million and the number of contracts in the Service/Insurance area increased by 19.8%. The proportion of total vehicle deliveries by the Group worldwide accounted for by leased or financed vehicles was 36.3% (34.9%), based on unchanged credit eligibility criteria.

In Europe, the number of new contracts signed increased to 2.3 million (previous year: 2.0 million), increasing the number of contracts to 6.2 million (previous year: 5.6 million) as of December 31, 2011. The number of financing and leasing contracts was 3.7 million (previous year: 3.5 million) at the end of the reporting period. At 36.8% (previous year: 34.5%), the proportion of vehicles in Europe leased or financed was higher than in the previous year. Closer cooperation with the Group's automotive brands, which focused on the joint development of attractive, customer-oriented campaigns, proved effective.

Germany remained a stabilizing factor and growth driver in the eurozone in 2011. Accordingly, 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 significantly, growing by 46,892 contracts or 7.2% as against the previous year. In Germany, more than every second vehicle from the Volkswagen Group is financed by or leased through Volkswagen Financial Services, a penetration rate of 50.3% (previous year: 48.8%).

In North America, a total of 500 thousand new contracts were signed, surpassing the prior-year figure by 16.2%. The total number of contracts grew to 1.3 million, 5.7% higher than at the end of 2010. 1.1 million (previous year: 1.1 million) contracts were attributable to the Customer Financing/Leasing area. In North America, the proportion of leased or financed vehicles was down slightly year-on-year at 51.2% (previous year: 52.2%).

In South America, the number of contracts grew by 13.5% to 605 thousand, which were almost exclusively attributable to the Customer Financing/Leasing area. The proportion of leased or financed vehicles in this region amounted to 25.1% (previous year: 27.3%).

At 67 thousand, the number of new contracts in the Asia-Pacific region was 26.5% higher than in the previous year. The total number of contracts increased by 12.9% to 205 thousand. In the Customer Financing/Leasing area, the number of contracts increased by 8.7% year-on-year to 128 thousand. 30.6% (previous year: 22.0%) of all vehicles delivered in the Asia-Pacific region in fiscal year 2011 were leased or financed.

SALES TO THE DEALER ORGANIZATION

In the reporting period, the Volkswagen Group – including the Chinese joint ventures – sold 8,361,294 vehicles to the dealer organization worldwide, an increase of 14.9% compared with the prior-year figure. The number of vehicles sold outside of Germany increased by 15%, mainly due to the high demand in the Chinese passenger car market. Domestic vehicle sales were up 14.4% on the previous year, which was adversely affected by the end of the government scrapping premium. The proportion of total sales generated in Germany declined slightly to 14.5% (previous year: 14.6%).

At 901,903 vehicles sold to the dealer organization worldwide, the Golf was once again our biggest seller, accounting for 10.8% of the Group's unit sales. The Polo, Sharan, Tiguan, Touareg, Audi A5 Sportback, Audi A1, Audi A4, Audi A8, ŠKODA Fabia, ŠKODA Octavia, SEAT Alhambra and Caddy models recorded significant growth. Moreover, very healthy demand was seen in China for the Passat and Jetta versions available there and for the Santana.

PRODUCTION

In the reporting period, the Volkswagen Group produced a total of 8,494,280 vehicles worldwide, 15.5% more than in the previous year. Our Chinese joint venture companies increased their production volumes by 15.1% owing to the continued strong demand situation in China. The Group's manufacturing facilities in Germany, Spain, the Czech Republic, Mexico and South Africa also increased their production figures considerably. The proportion of vehicles produced in Germany declined slightly to 27.8% (previous year: 28.7%). Our plants worldwide produced an average of 34,456 vehicles per working day, an impressive increase of 16.4% 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. Among other things, this led to a rise in inventories of raw materials, consumables and supplies as well as of work in progress. Global vehicle inventories at Group companies and in the dealer organization were higher on December 31, 2011 than a year earlier.

NUMBER OF EMPLOYEES

Including the Chinese joint ventures, the Volkswagen Group employed an average of 454,025 people (+16.9%) in fiscal year 2011. In China, the figure includes not only the vehicle-producing joint ventures, but also the workforce in the component plants since 2010. Our companies in Germany employed 195,657 people on average; their share of the total headcount declined to 43.1% (previous year: 45.9%). The Volkswagen Group had 482,447 active employees (+25.6%) as of the 2011 reporting date. In addition, 4,488 employees were in the passive phase of their early retirement and 15,021 young persons were in vocational traineeships (+42.4%). The Volkswagen Group's total headcount was 501,956 employees (+25.7%) at the end of the reporting period. In addition to the establishment of new production facilities and expanded production volumes in Germany and abroad, this increase can be attributed primarily to the consolidation in the reporting period of Porsche Holding Salzburg and MAN SE. A total of 224,851 people were employed in Germany (+24.0%), while 277,105 were employed abroad (+27.1%).

SUMMARY OF BUSINESS DEVELOPMENT

The Board of Management of Volkswagen AG considers fiscal year 2011 to have been a positive year. In a volatile market environment, the Volkswagen Group used the recovery of the global economy and the automotive industry to further strengthen its market position and significantly exceeded its forecast delivery volumes, sales revenue and operating profit for 2011. The ratio of capital expenditure to sales in the Automotive Division was slightly lower than forecasted because of the significant increase in sales revenue, despite the higher investments in property, plant and equipment. Deliveries were at a new all-time high of 8.3 million vehicles. China, Germany, Russia and the USA recorded the highest absolute increase in sales. Growth in sales to customers outperformed that of the market as a whole, allowing us to further strengthen our global market share.

This positive performance is due above all to our attractive and environmentally friendly model portfolio, which excites 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 key financial figures can be found in the chapter entitled "Results of Operations, Financial Position and Net Assets" starting on page 174.

TARGET-PERFORMANCE COMPARISON

Measure	Forecast for 2011	Actual 2011
Deliveries	> 7.2 million	8.3 million
Global market share	> 11.4%	12.3%
Sales revenue	> €126.9 billion	€159.3 billion
Operating profit	> €7.2 billion	€11.3 billion
Capex/sales revenue in the Automotive Division	approx. 6%	5.6%

Shares and Bonds
Volkswagen AG shares outperformed the overall market

Volkswagen AG shareholders experienced a mixed year on the stock markets in 2011. The price of ordinary and preferred shares was subject to pronounced volatility and ended the year at a slightly lower level. Once again, the Group took advantage of its strong position in the refinancing markets.

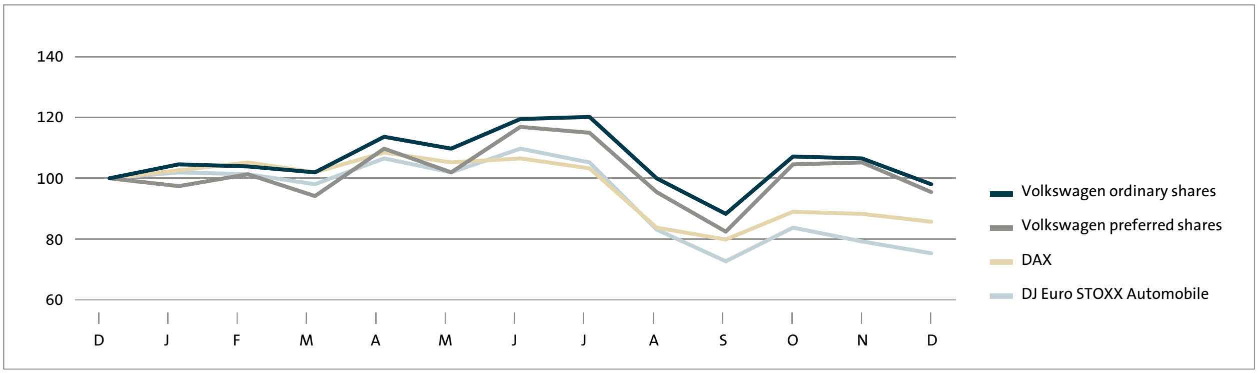
EQUITY MARKETS
In 2011, the DAX was significantly more volatile than had been expected by many analysts at the start of the year. Thanks to healthy corporate results, the positive trend of the previous year continued initially in the first quarter and the DAX climbed above 7,500 points. Share prices came under considerable pressure following the political unrest in North Africa and the natural disasters in Japan. After recovering briefly, Germany's leading share index mainly moved sideways in the second quarter. In the wake of the deepening debt crisis in the eurozone, uncertainty about increasing the debt limit in the USA and growing concerns about a slowdown in the global economy, sentiment on the equity markets deteriorated noticeably for the rest of the year. Fears about another financial market and banking crisis also grew during this period. The combination of these factors led to the DAX falling below the 5,000 mark at times in the third quarter. Towards the end of the third quarter, however, there were indications that the German equity market had bottomed out. The temporary stabilization that followed went hand in hand with market expectations that a possible systemic crisis could be prevented before the turmoil on the financial markets spilled over into the real economy. Nevertheless, uncertainty among market participants also remained high in the fourth quarter, and was mirrored in the occasionally erratic share price performance. Above all, the threat of the crisis in Greece spreading to additional members of the eurozone prevented share prices from recovering more strongly in the final quarter of the year.

At the end of 2011, the DAX had reached 5,898 points, a significant decrease on the previous year's figure (–14.7%). The DJ Euro STOXX Automobile & Parts closed the year at 250 points, 24.8% lower than at the end of the previous year.

DEVELOPMENT OF THE VOLKSWAGEN SHARE PRICE
Neither Volkswagen AG's ordinary shares nor its preferred shares were immune to the highly volatile market trends in 2011. However, both share classes outperformed the overall market year-on-year. After the share price performance of both share classes had drifted apart to a large extent in recent years, mainly because of the investment in Volkswagen AG by Porsche SE, the change in the share class represented in the DAX, as well as the capital increase from the issue of new preferred shares in 2010, the prices of ordinary shares and preferred shares ran almost parallel in 2011. Due not least to their higher liquidity, however, preferred shares traded at a slight premium throughout the year.

SHARE PRICE DEVELOPMENT FROM DECEMBER 2010 TO DECEMBER 2011

Index based on month-end prices: December 31, 2010 = 100



Following the strong price growth in the second half of 2010, both ordinary shares and preferred shares entered a consolidation phase in the first quarter of 2011. This was mainly due to the political unrest in North Africa, which put pressure on all automotive stocks. In the second quarter, Volkswagen's share price recovered and increased significantly by almost 30%, driven by the announcement of the Group's very positive business performance. Amid ongoing high volatility, ordinary and preferred share prices reached their high for the year in July 2011 on the back of reports of encouraging growth in Group deliveries. At the end of the month, however, Volkswagen shares – following the market trend – declined significantly, hitting their lowest point for the year at the beginning of October. This wide fluctuation range did not have any company-specific or fundamental reasons, but rather was largely attributable to general uncertainty on the financial markets.

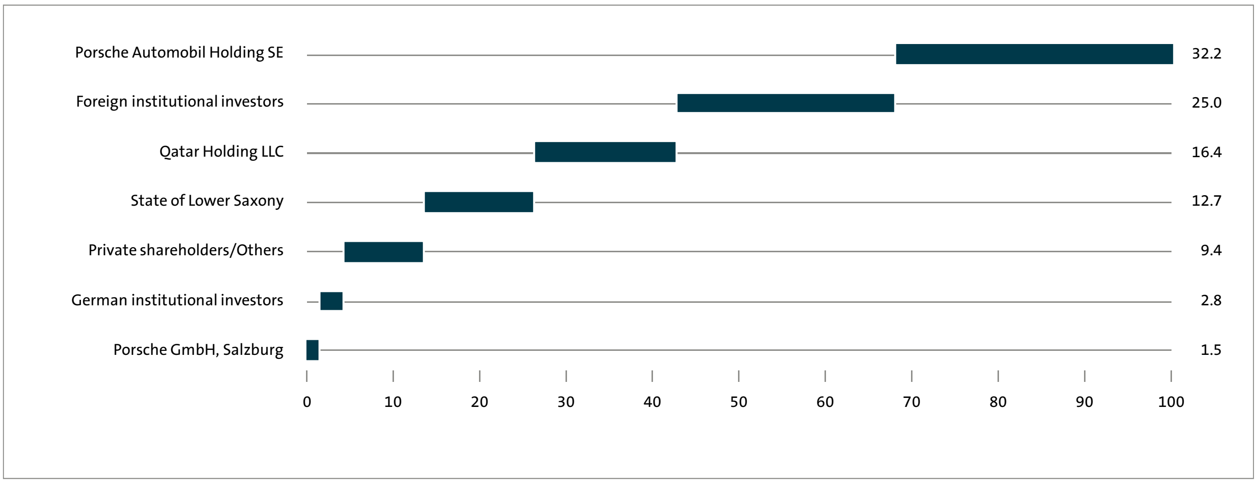
The Volkswagen Group's positive business performance in the first nine months of the year and market participants' optimistic expectations led to the price of both share classes recovering more strongly than the overall market in the fourth quarter.

Based on the daily closing prices, preferred shares reached their high for the year on July 15, 2011, at €151.00. They fell to their lowest point for the year – €88.54 – on October 4, 2011. At the end of 2011, preferred shares were trading at €115.75, corresponding to a decrease of 4.7% compared with the prior year.

Volkswagen ordinary shares, which celebrated 50 years on the stock exchange in 2011, moved within a range of €84.50 on October 4, 2011 to €136.95 on July 15, 2011. At the end of 2011, the ordinary shares closed at €103.65, 2.1% lower than the previous year.

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2011

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 is €0.80 (around 35%) higher than the previous year. At €1.4 billion, the total dividend for fiscal year 2011 thus exceeds the previous year's amount by €0.4 billion. The distribution ratio is based on the Group's profit after tax, attributable to the shareholders of Volkswagen AG and is 9.1% for the reporting period (2010: 15.1%). After accounting for noncash income mainly from the measurement of the put/call rights relating to the acquisition of the remaining interest in Porsche Zwischenholding GmbH, the adjusted distribution ratio amounts to 15.7% (2010: 19.8%).

DIVIDEND YIELD

Based on the dividend proposal for the reporting period, the dividend yield on Volkswagen ordinary shares is 2.9%, measured by the December 30, 2011 closing price. The dividend yield on preferred shares is 2.6%.

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

EARNINGS PER SHARE

Basic earnings per ordinary share were €33.10 in fiscal year 2011 (2010: €15.17). Basic earnings per preferred share were €33.16 (2010: €15.23). In accordance with IAS 33, the calculation is based on the average number of ordinary and preferred shares outstanding in the fiscal year (see also note 11 to the Volkswagen consolidated financial statements).

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

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2011

The shareholder structure of Volkswagen AG as of December 31, 2011 is shown in the chart on page 168. Volkswagen AG's subscribed capital increased to €1,190,995,443.20 at the end of the fiscal year due to the conversion of the final tranche of the stock option plan.

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 295,089,817 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.

CONVERSION OF STOCK OPTIONS

Volkswagen AG's stock option plan ended on June 30, 2011. All existing bonds at this date were converted into ordinary shares. Over the course of the fiscal year, many employees had already taken advantage of this attractive conversion opportunity. This resulted in the creation of 44,250 new ordinary shares, or €0.1 million of subscribed capital. Further details of our stock option plan can be found in the notes to the Volkswagen consolidated financial statements, starting on page 304.

ANNUAL GENERAL MEETING

Volkswagen AG's 51st Annual General Meeting was held at the Congress Center Hamburg on May 3, 2011. With 92.0% of the voting capital present, the ordinary shareholders of Volkswagen AG formally approved the actions of the Board of Management and the Supervisory Board, the creation of authorized capital and the corresponding amendment to the Articles of Association, the authorization to acquire and use treasury shares, and an amendment to the Articles of Association for the purpose of establishing a uniform place of jurisdiction at the Company's domicile. The scheduled terms of office of Dr. Hans Michael Gaul and Dr. Jürgen Großmann expired at the end of the Annual General Meeting, which elected Ms. Annika Falkengren, President and Group Chief Executive of Skandinaviska Enskilda Banken AB, and Mr. Khalifa Jassim Al-Kuwari, Chief Operating Officer of Qatar Investment Authority and Qatar Holding LLC, as shareholder representatives on the Supervisory Board. The Annual General Meeting also resolved to distribute a dividend of €2.20 per ordinary share and €2.26 per preferred share for fiscal year 2010.

The Verbraucherzentrale für Kapitalanleger e.V. (VzfK – German Protection Agency for Investors), Berlin, had filed an action for avoidance for fiscal year 2008 with regard to the Annual General Meeting on April 23, 2009. 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 Verbraucherzentrale für Kapitalanleger e.V., Berlin, filed an action for disclosure with regard to the Extraordinary General Meeting on December 3, 2009, which was dismissed in full by the Hanover Regional Court on March 17, 2011. The plaintiff filed an appeal against this decision, which was also dismissed in full by the Celle Higher Regional Court on November 17, 2011. This decision cannot now be appealed further.

In connection with the Annual General Meeting on April 22, 2010, the 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. As the Court did not allow any further appeal, the plaintiff lodged an appeal against denial of leave to appeal.

VOLKSWAGEN IN SUSTAINABILITY INDICES

Volkswagen is one of only three automotive companies to be included in the prominent Dow Jones Sustainability World Index, which is regarded as the world's most significant sustainability index. Details are provided in the Value-Enhancing Factors section of this report, on page 219.

FURTHER INFORMATION ON SUSTAINABILITY
www.volkswagenag.com/sustainability

VOLKSWAGEN SHARE KEY FIGURES

Dividend development		2011	2010	2009	2008	2007
Number of no-par value shares at Dec. 31						
Ordinary shares	thousands	295,090	295,046	295,005	294,920	291,337
Preferred shares	thousands	170,143	170,143	105,238	105,238	105,238
Dividend						
per ordinary share	€	3.00	2.20	1.60	1.93	1.80
per preferred share	€	3.06	2.26	1.66	1.99	1.86
Dividend paid[1]	€ million	1,406	1,034	754	778	720
on ordinary shares	€ million	885	649	472	569	524
on preferred shares	€ million	521	385	282	209	196

Share price performance[2]		2011	2010	2009	2008	2007
Ordinary shares						
Closing	€	103.65	105.90	77.00	250.00	156.10
Annual high	€	136.95	118.50	298.85	945.00	197.90
Annual low	€	84.50	62.30	72.41	148.43	82.60
Price performance	%	–2.1	37.5	–69.2	60.2	81.7
Preferred shares						
Closing	€	115.75	121.40	65.74	38.02	100.00
Annual high	€	151.00	136.90	81.72	108.30	131.00
Annual low	€	88.54	55.83	30.24	29.30	54.14
Price performance	%	–4.7	84.7	72.9	–62.0	76.8
Beta factor[3]	factor	1.09	0.99	0.87	0.89	0.88
Market capitalization at Dec. 31	€ billion	50.3	51.9	29.6	77.7	56.0
Equity attributable to shareholders of Volkswagen AG at Dec. 31	€ billion	57.5	46.0	35.3	35.0	31.9
Ratio of market capitalization to equity	factor	0.87	1.13	0.84	2.22	1.75

Key figures per share		2011	2010	2009	2008	2007
Earnings per ordinary share[4]						
basic	€	33.10	15.17	2.37	11.92	10.43
diluted	€	33.10	15.17	2.37	11.88	10.34
Operating profit[5]	€	24.23	15.87	4.64	15.91	15.60
Cash flows from operating activities[5]	€	18.27	25.46	31.84	27.13	39.72
Equity[6]	€	123.68	98.84	88.15	87.49	80.38
Price/earnings ratio						
ordinary shares	factor	3.1	7.0	32.5	21.0	15.0
preferred shares	factor	3.5	8.0	26.9	3.2	9.5
Price/cash flow ratio[7]	factor	5.7	4.2	2.4	9.2	3.9
Dividend yield						
ordinary shares	%	2.9	2.1	2.1	0.8	1.2
preferred shares	%	2.6	1.9	2.5	5.2	1.9

Turnover on German stock exchanges[8]		2011	2010	2009	2008	2007
Turnover of Volkswagen ordinary shares	€ billion	5.4	6.3	23.5	136.5	103.1
	million shares	48.9	81.4	129.6	562.8	877.3
Turnover of Volkswagen preferred shares	€ billion	47.5	27.0	8.5	10.0	34.1
	million shares	396.3	337.8	147.6	120.2	474.3
Volkswagen share of total DAX turnover	%	4.7[9]	3.2[9]	3.2[9]	8.0	5.3

1 Figures for the years 2007 to 2010 relate to dividends paid in the following year. For 2011, 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.
7 Using closing prices of the ordinary shares.
8 Order book turnover on German exchanges.
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, DJ Euro STOXX, DJ Euro STOXX 50, DJ Euro STOXX Automobile & Parts, Prime All Share, Prime Auto- mobile, Classic All Share, FTSE Eurotop 100 Index, MSCI Euro, Advanced Sustainability Performance Index, DJ Sustainability World Index, FTSE4Good	Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, Xetra, London, Luxemburg, 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.

ANNUAL DOCUMENT IN ACCORDANCE WITH SECTION 10 OF THE WPPG

The Annual Document containing a list of the publications from fiscal year 2011 (and thereafter) in accordance with section 10(1) of the Wertpapierprospektgesetz (WpPG – German Securities Prospectus Act) can be accessed at www.volkswagenag.com/ir. If it is not possible to access the document, a document in paper form can be requested.

INVESTOR RELATIONS ACTIVITIES

In 2011, the Investor Relations team again provided extensive information for investors and analysts at all key financial centers worldwide about the strategic focus and business performance of the Volkswagen Group and its brands. While these events have been mainly centered around Europe in the past, they have been taking place more and more in North and South America, and especially in Asia, since the start of the reporting period. We maintained contact with capital market participants at more than 630 roadshows, conferences, presentations and one-on-one discussions. The number of events thus increased further compared with the already high number in the previous year. Many of these investor relations activities involved members of the Board of Management and Group senior executives.

Members of the Investor Relations team also organized a large number of events for private shareholders. As in previous years, Investor Relations provided extensive support for Group Treasury's global capital market activities.

Our website recorded around 2.9 million hits, once again more than the previous year. This underlines the growing importance of the Internet as an information channel for investors.

The Group presented its results for 2010 at its Annual Media Conference in March 2011; the event was simultaneously broadcast on the Internet. Scheduled conference calls were held to explain the Volkswagen Group's quarterly results in 2011, which were also broadcast on the Internet.

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

HIGHLIGHTS IN THE INVESTOR RELATIONS CALENDAR

At the Volkswagen Group's Annual Analyst and Investor Conference, which was held on March 10, 2011 in the Autostadt at the headquarters in Wolfsburg, the Group Board of Management reported on the results for fiscal year 2010 and explained the prospects for 2011. The day before, in the Audi forum at Munich airport, members of the Board of Management of AUDI AG presented investors and analysts with the past year's results and were available to answer questions about the premium segment's performance.

On May 9, 2011, Volkswagen AG announced that its share of the voting rights in MAN SE had exceeded the threshold of 30% and made a mandatory offer to all external MAN shareholders to purchase their shares in MAN SE. Chief Financial Officer Hans Dieter Pötsch explained the strategic background behind this move in a telephone conference and answered numerous questions on this topic.

At the German and Austrian Corporate Conference organized by Deutsche Bank in Frankfurt am Main on May 19, 2011, Hans Dieter Pötsch reported on the Volkswagen Group's progress in implementing its Strategy 2018.

The International Motor Show (IAA) in Frankfurt am Main in September 2011 was a highlight of the year. The Volkswagen Group showcased a wide range of new models to the public under the motto "Future comes as standard". Investors and analysts visited the Volkswagen stand to have a look at the various Group brands' newest models and to ask questions about the Company's current performance at both the Volkswagen Group Night, which was held on the evening before the show officially began, and the days that followed. Product experts, management representatives and the Investor Relations team were available for discussions.

Another of the year's highlights in the investor relations event calendar was the Volkswagen Group Americas Investor and Analyst Conference from September 25 to 27, 2011. More than 50 of Volkswagen AG's most important investors and analysts accepted the invitation to Chattanooga, in order to find out about the Group's objectives on the American continent in detail and to experience our approach to localizing products directly on site. Hans Dieter Pötsch explained to attendees how the Group will continue to grow profitably and be successful even in a challenging market environment. Representatives from local Group senior management went on to give presentations and organize one-on-one discussions giving detailed insights into Volkswagen and Audi's strategies in the transatlantic markets. A member of the Board of Management of Porsche AG, our major shareholder, reported on the new products, goals and results of the sports car manufacturer. The program was rounded off by a tour of our new factory in Chattanooga and test drives in various brand models, mainly the Passat that is produced there for the North American market.

REFINANCING

The Volkswagen Group's positive liquidity development continued to determine our refinancing activities in 2011. The Automotive Division in particular had little need for additional capitalization measures on the financial markets. Refinancing instruments that were due were repaid without a need for new issues.

In order to support the Group's long-term growth in China, Volkswagen issued its first bond in the local currency (renminbi) in May 2011, thus establishing itself on the local finance markets. We also placed a bond of CNY 1.5 billion on the Hong Kong refinancing market with a five-year maturity and achieved a significant price advantage against borrowing in the local currency. The issue proceeds serve to finance our capacity expansion in China.

In 2011, Volkswagen was active in the capital markets for the Financial Services Division with a large number of money and capital market transactions. €5.0 billion was financed through four benchmark bonds and €6.3 billion through asset-backed securities (ABS) transactions in the European region. We supplemented these transactions by a series of private placements, taking advantage of the numerous interest rate and currency opportunities. In all cases, interest rate and currency risks were eliminated by entering into derivative transactions.

In addition, Volkswagen expanded its capital activities in the North American refinancing market. In March 2011, the Group issued its second major bond on the US market and again took advantage of the attractive price conditions. The volume of USD 2.7 billion is the largest transaction for the Company to date in a non-European capital market. Additionally, three ABS transactions in the total amount of USD 3.1 billion were executed.

Volkswagen placed bonds worth CAD 500 million in the Canadian capital market in an attractive market environment. Volkswagen will also drive forward the diversification of its refinancing in the future in order to use good terms to provide financial support for the Group's growth.

The following overview provides information about the utilization of our money and capital market programs as of December 31, 2011 and illustrates the financial flexibility of the Volkswagen Group:

Programs	Authorized volume € billion	Amount utilized on Dec. 31, 2011 € billion
Commercial paper	25.6	5.2
Medium-term notes	69.6	30.2
Other capital market programs	20.7	4.3
Asset-backed securities	41.5	13.4

On July 28, 2011, Volkswagen AG successfully replaced its previous syndicated credit line with a new facility amounting to €5.0 billion that runs until July 2016 – including two options to extend this by a year in each case. The tender was close to two times oversubscribed, and the credit line remains unused. Syndicated credit lines worth a total of €4.6 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 over €32.9 billion, of which €15.4 billion has not been drawn down. These extensive financing measures ensure the solvency of the Volkswagen Group at all times.

RATINGS

In 2011, 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 and Volkswagen Financial Services AG. The outlook for the two companies was raised to "stable" due to the positive business development. Standard & Poor's confirmed Volkswagen Bank GmbH's short-term and long-term ratings at A–2 and A– respectively and left its outlook at "stable". The reasons for this were in particular the company's improved earnings forecasts for 2011 and 2012, its strong capitalization and the share of Volkswagen Bank GmbH's refinancing mix accounted for by stable deposits.

Moody's Investors Service confirmed its short-term and long-term ratings for Volkswagen AG and Volkswagen Financial Services AG at P–2 and A3 respectively; the outlook for both companies was raised to "positive". Volkswagen Bank GmbH's short-term and long-term ratings were adjusted because of a change in methodology at Moody's to P–2 and A3 respectively. Moody's outlook for Volkswagen Bank GmbH was raised to "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		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
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	stable	negative	negative	stable	negative	negative	stable	stable	negative
Moody's Investors Service									
short-term	P–2	P–2	P–2	P–2	P–2	P–2	P–2	P–1	P–1
long-term	A3	A3	A3	A3	A3	A3	A3	A2	A2
Outlook	positive	stable	stable	positive	stable	stable	positive	stable	RfD*

* Review for downgrade.

Results of Operations, Financial Position and Net Assets

Volkswagen Group again generates record results in 2011

The Volkswagen Group significantly increased sales revenue and operating profit in fiscal year 2011, once again generating record results. Net liquidity remained at a high level at the end of 2011 even after equity investments.

Following the consolidation of MAN SE on November 9, 2011, the Volkswagen Group's revised 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 by definition do not constitute segments. It also includes the unallocated Group financing activities. Consolidation adjustments between the segments (including the holding company functions) are also contained in the reconciliation. The purchase prices for Scania, MAN and Porsche Holding Salzburg are allocated in line with their accounting treatment in the segments.

Following the consolidation of MAN SE, the Automotive Division discussed in the course of this chapter comprises the Passenger Cars and Light Commercial Vehicles, Trucks and Buses and Power Engineering segments, as well as the figures from the reconciliation. We combine the Passenger Cars and Light Commercial Vehicles segment and the reconciliation into 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.

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 activities of the Financial Services segment comprise 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	138,692	11,723	662	17,244	168,322	–8,985	159,337
Segment profit or loss (operating profit or loss)	9,886	937	–6	1,298	12,115	–844	11,271
as % of sales revenue	7.1	8.0	–1.0	7.5			7.1

RESULTS OF OPERATIONS OF THE GROUP

In fiscal year 2011, the Volkswagen Group's sales revenue substantially exceeded the prior-year figure, rising by 25.6% to €159.3 billion primarily as a result of higher volumes. The largest proportion of sales revenue, at 78.3% (77.4%), was generated outside Germany. Volume-related factors and improved product costs saw gross profit grow to €28.0 billion. As the cost of sales rose by a slower 24.6%, the gross margin improved from 16.9% to 17.6%. Operating profit was significantly higher than in the previous year at €11.3 billion (€7.1 billion). At 7.1% (5.6%) the operating return on sales exceeded the prior-year level.

CONSOLIDATED PROFIT

The Volkswagen Group once again posted record results in fiscal year 2011, more than doubling profit before tax to €18.9 billion (€9.0 billion). The return on sales before tax improved from 7.1% in the previous year to 11.9%. At €15.8 billion, the Volkswagen Group's profit after tax was €8.6 billion higher year-on-year. The tax rate was 16.5%; effects from the remeasurement of the options relating to Porsche Zwischenholding GmbH have no impact on the tax expense.

RESULTS OF OPERATIONS IN THE AUTOMOTIVE DIVISION

The Automotive Division generated sales revenue of €142.1 billion in 2011, up 26.0% on the prior-year figure. In addition to increased volumes, the increase was the result of model and country mix improvements and the initial consolidation of subsidiaries, and in particular of the automobile trading business of Porsche Holding Salzburg as of March 1, 2011. Since our Chinese joint ventures are accounted for using the equity method, the positive trend in the Chinese passenger car market is reflected in consolidated sales revenue mainly in the form of deliveries of vehicles and vehicle parts. At 24.4%, the cost of sales rose more slowly than sales revenue in the reporting period, allowing gross profit to improve to €24.2 billion (€18.1 billion). The gross margin increased to 17.1% (16.0%).

Distribution expenses rose by 20.7% as a result of business expansion, but declined as a percentage of sales revenue. Administrative expenses increased by €0.9 billion to €3.6 billion; this was largely attributable to expanded business volumes and the initial consolidation of companies. At €3.1 billion, net other operating income exceeded the prior-year figure by €0.9 billion. Negative exchange rate effects were partly offset by income from the reversal of provisions. Reversals of provisions are recognized as other operating income, whereas expenses relating to the recognition of provisions are allocated directly to the functions.

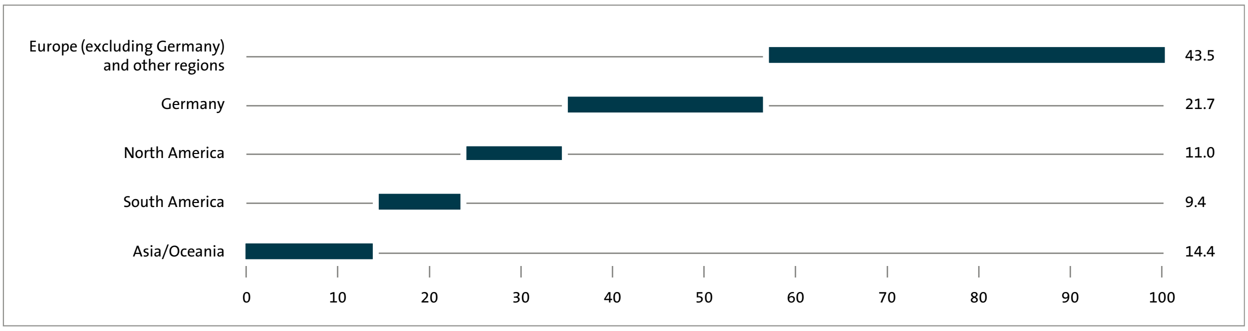
INCOME STATEMENT BY DIVISION

€ million	VOLKSWAGEN GROUP		AUTOMOTIVE*		FINANCIAL SERVICES	
	2011	2010	2011	2010	2011	2010
Sales revenue	**159,337**	**126,875**	**142,092**	**112,806**	**17,244**	**14,069**
Cost of sales	–131,371	–105,431	–117,853	–94,746	–13,518	–10,685
Gross profit	**27,965**	**21,444**	**24,239**	**18,060**	**3,727**	**3,384**
Distribution expenses	–14,582	–12,213	–13,808	–11,442	–774	–770
Administrative expenses	–4,384	–3,287	–3,562	–2,659	–822	–628
Net other operating income	2,271	1,197	3,104	2,231	–832	–1,034
Operating profit	**11,271**	**7,141**	**9,973**	**6,189**	**1,298**	**952**
Share of profits and losses of equity-accounted investments	2,174	1,944	2,041	1,819	133	125
Other financial result	5,481	–91	5,510	–131	–30	39
Financial result	**7,655**	**1,852**	**7,551**	**1,689**	**104**	**164**
Profit before tax	**18,926**	**8,994**	**17,524**	**7,878**	**1,402**	**1,116**
Income tax expense	–3,126	–1,767	–2,702	–1,456	–424	–312
Profit after tax	**15,799**	**7,226**	**14,822**	**6,422**	**978**	**804**
Noncontrolling interests	391	392	370	384	20	8
Profit attributable to shareholders of Volkswagen AG	**15,409**	**6,835**	**14,451**	**6,038**	**957**	**797**

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

SEGMENT REPORTING – SHARE OF SALES REVENUE BY MARKET 2011

as percent



The Automotive Division generated an operating profit of €10.0 billion in the reporting period, a significant year-on-year increase of €3.8 billion. Higher volumes and an improved ratio of costs to sales revenue had a particularly positive effect on earnings. The extremely strong business performance of our Chinese joint ventures is not reflected in the Group's operating profit, as these are accounted for using the equity method. At 7.0% (5.5%), the ratio of operating profit to sales revenue was again higher than in the previous year.

The financial result for the Automotive Division improved by €5.9 billion to €7.6 billion. It was positively impacted by a slight decline in finance costs, the measurement of derivative financial instruments used for currency hedging at the reporting date and improved income from equity-accounted investments included in the consolidated financial statements, especially the Chinese joint ventures and Porsche Zwischenholding GmbH. In particular, the updated measurement of the put/call rights relating to Porsche Zwischenholding GmbH in particular had a positive effect on earnings. This was primarily due to the fact that it will not be possible to implement the merger with Porsche Automobil Holding SE within the time frame laid down in the Comprehensive Agreement. The financial result includes a noncash book loss from both the switch in accounting for the Suzuki shares from the equity method to fair value, as well as from the consolidation of MAN.

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

€ million	2011	2010
Sales revenue	129,706	104,627
Gross profit	22,108	16,328
Operating profit	9,042	5,139

Sales revenue in the Passenger Cars and Light Commercial Vehicles Business Area amounted to €129.7 billion in 2011, 24.0% above the prior-year figure (€104.6 billion), due to volume-related factors and the inclusion of Porsche Holding Salzburg. Model and country mix improvements and product cost optimization measures also had a positive effect. Gross profit totaled €22.1 billion (€16.3 billion). Operating profit in the Passenger Cars and Light Commercial Vehicles Business Area rose by 75.9% to €9.0 billion (€5.1 billion).

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

€ million	2011	2010
Sales revenue	12,386	8,179
Gross profit	2,131	1,732
Operating profit	931	1,050

In the past fiscal year, we generated sales revenue of €12.4 billion (€8.2 billion) in the Trucks and Buses, Power Engineering Business Area. This increase was due in particular to higher volumes and the consolidation of MAN as of November 9, 2011. At €2.1 billion, gross profit was up 23.0% year-on-year. Operating profit declined from €1.1 billion in the previous year to €0.9 billion in fiscal year 2011. This figure includes the negative effects from the amortization of the purchase price allocation for MAN and Scania.

RESULTS OF OPERATIONS IN THE FINANCIAL SERVICES DIVISI0N

Sales revenue in the Financial Services Division increased 22.6% year-on-year to €17.2 billion in fiscal 2011 due to volume-related factors and the inclusion of Porsche Holding Salzburg's financial services business. Gross profit rose to €3.7 billion (€3.4 billion). Higher volumes resulting from strategic projects and stricter banking supervision requirements saw an increase in distribution and administrative expenses in the reporting period compared with the prior-year figure. Other operating income amounted to €–0.8 billion (€–1.0 billion). Operating profit rose by 36.4% to €1.3 billion. This enabled the Financial Services Division to once again make a significant contribution to the Group's operating profit. Return on equity before tax was higher than in the previous year at 14,0% (12,9%).

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 due to time constraints and stock exchange law restrictions.

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 the notes to the 2011 consolidated financial statements on pages 227 to 228.

FINANCIAL POSITION AND CASH AND CASH EQUIVALENTS IN THE GROUP

The Volkswagen Group's financial position in fiscal year 2011 was affected by the acquisition of Porsche Holding Salzburg, the investment in SGL Carbon SE and the increase in its interest in the share capital of MAN SE. The following sections provide an overview of the Group's liquidity development and outline the operational drivers by division.

The Volkswagen Group's gross cash flow in the reporting period amounted to €18.9 billion, €3.3 billion more than in the previous year. Funds tied up in working capital increased by €6.3 billion to €10.4 billion in 2011. As a result, cash flows from operating activities declined to €8.5 billion (€11.5 billion).

The cash outflow from investing activities attributable to the Volkswagen Group's operating activities rose by 72.5% to €16.0 billion in 2011. Investments in property, plant and equipment accounted for €8.1 billion of this figure and the acquisition and disposal of equity investments accounted for €6.4 billion. Net cash flow declined by €9.7 billion to €–7.5 billion.

Cash and cash equivalents in the Volkswagen Group as reported in the cash flow statement amounted to €16.5 billion as of December 31, 2011, and were therefore below the prior-year level. Gross liquidity rose by €1.0 billion to €28.7 billion. Net liquidity in the Group was €–64.9 billion (€–49.3 billion).

FINANCIAL POSITION IN THE AUTOMOTIVE DIVISION

Gross cash flow in the Automotive Division increased year-on-year to €15.4 billion (€12.4 billion) in fiscal year 2011 due to earnings-related factors. Despite the increased business volumes, strict working capital management led to the release of €1.7 billion (€1.6 billion). As a result, cash flows from operating activities rose significantly to €17.1 billion (€13.9 billion).

At €16.0 billion, the cash outflow from investing activities attributable to operating activities in fiscal year 2011 was €6.9 billion higher than in the previous year. Investments in property, plant and equipment amounted to €7.9 billion, €2.3 billion above the prior-year level. The significant growth in sales revenue meant that the ratio of investments in property, plant and equipment to sales revenue (capex) was only slightly above the previous year, at 5.6% (5.0%). We invested mainly in our production facilities and in models that we launched in 2011 or are planning to launch in 2012.

CASH FLOW STATEMENT BY DIVISION

€ million	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
	2011	2010	2011	2010	2011	2010
Cash and cash equivalents at beginning of period	**18,228**	**18,235**	**17,002**	**16,362**	**1,226**	**1,873**
Profit before tax	18,926	8,994	17,524	7,878	1,402	1,116
Income taxes paid	–3,269	–1,554	–2,784	–1,364	–484	–190
Depreciation and amortization expense	10,346	10,097	7,843	7,751	2,503	2,346
Change in pension provisions	13	77	8	72	6	5
Other noncash income/expense and reclassifications[2]	–7,164	–2,073	–7,208	–1,981	44	–91
Gross cash flow	**18,853**	**15,540**	**15,382**	**12,355**	**3,471**	**3,185**
Change in working capital	**–10,353**	**–4,086**	**1,728**	**1,575**	**–12,080**	**–5,661**
Change in inventories	–4,234	–2,507	–3,594	–2,035	–640	–471
Change in receivables	–2,241	–1,980	–944	–1,910	–1,297	–70
Change in liabilities	3,077	4,064	2,698	3,350	379	714
Change in other provisions	3,946	2,577	3,712	2,377	234	199
Change in leasing and rental assets (excluding depreciation)	–4,090	–3,138	–394	–98	–3,695	–3,040
Change in financial services receivables	–6,811	–3,102	249	–108	–7,061	–2,993
Cash flows from operating activities	**8,500**	**11,455**	**17,109[3]**	**13,930[3]**	**–8,609**	**–2,476**
Cash flows from investing activities attributable to operating activities	**–16,002**	**–9,278**	**–15,998**	**–9,095**	**–4**	**–183**
of which: acquisition of property, plant and equipment	–8,087	–5,758	–7,929	–5,656	–158	–102
capitalized development costs	–1,666	–1,667	–1,666	–1,667	–	–
acquisition and disposal of equity investments[4]	–6,388	–2,150	–6,626	–2,061	238	–89
Net cash flow	***–7,502***	***2,176***	***1,112***	***4,835***	***–8,613***	***–2,659***
Change in investments in securities and loans	–2,629	–1,770	–1,285	–1,432	–1,344	–338
Cash flows from investing activities	**–18,631**	**–11,048**	**–17,283**	**–10,527**	**–1,348**	**–521**
Cash flows from financing activities	**8,316**	**–852**	**–4,267**	**–3,161**	**12,583**	**2,309**
of which: capital increase by new preferred shares	–	4,099	–	4,099	–	–
Changes in cash and cash equivalents due to exchange rate changes	82	438	106	397	–24	41
Net change in cash and cash equivalents	**–1,733**	**–8**	**–4,334**	**640**	**2,601**	**–647**
Cash and cash equivalents at Dec. 31[5]	**16,495**	**18,228**	**12,668**	**17,002**	**3,827**	**1,226**
Securities, loans and time deposits	12,163	9,437	8,966	7,482	3,197	1,954
Gross liquidity	**28,658**	**27,664**	**21,634**	**24,484**	**7,024**	**3,180**
Total third-party borrowings	–93,533	–77,012	–4,683	–5,845	–88,849	–71,166
Net liquidity	**–64,875**	**–49,347**	**16,951**	**18,639**	**–81,826**	**–67,986**

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: €17,868 million (€14,481 million).
4 These relate mainly to the acquisition of the operating business of Porsche Holding, Salzburg, Austria, for €3,314 million, the shares of MAN SE, Munich, for €3,498 million and the investment in SGL Carbon SE, Wiesbaden, for €224 million, less cash and cash equivalents acquired attributable to Porsche Holding Salzburg and MAN SE.
5 Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.

These are primarily the up!, the Passat for the US market, the Audi Q3, as well as the successor models to the Golf, the Beetle, the Audi A3, the Audi A4 and the Audi A6. Other key areas were the ecological focus of the model range and the expansion of modular toolkits. At €1.7 billion, capitalized development costs were on a level with the previous year. Within investing activities attributable to operating activities, the acquisition of equity investments – including the acquisition of Porsche Holding Salzburg, the investment in SGL Carbon SE and the increased stake in MAN SE – led to a cash outflow of €6.6 billion. Due to the higher volume of equity investments, the Automotive Division's net cash flow declined by €3.7 billion to €1.1 billion.

The Automotive Division recorded a cash outflow of €4.3 billion (€3.2 billion) from financing activities, mainly attributable to repayments of financial liabilities and dividend payments. Despite new equity investments, net liquidity in the Automotive Division remained high at the end of fiscal year 2011, at €17.0 billion (€18.6 billion).

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

€ million	2011	2010
Gross cash flow	13,733	11,110
Change in working capital	1,326	1,477
Cash flows from operating activities	15,060	12,587
Cash flows from investing activities attributable to operating activities	–15,544	–9,009
Net cash flow	–484	3,578

Gross cash flow in the Passenger Cars and Light Commercial Vehicles Business Area amounted to €13.7 billion, 23.6% higher than the prior-year figure, mainly due to earnings-related factors. Despite the increase in volume, funds of €1.3 billion (€1.5 billion) were released from working capital. As a result, cash flows from operating activities rose by €2.5 billion to €15.1 billion. The cash outflow from investing activities attributable to operating activities amounted to €15.5 billion (€9.0 billion), including cash outflows for the acquisition of Porsche Holding Salzburg, the investment in SGL Carbon SE and the increased stake in MAN SE. Investments in property, plant and equipment rose by 37.6% year-on-year, while capitalized development costs were on a level with the previous year. Despite the higher volume of equity investments and investments in property, plant and equipment, net cash flow was only slightly negative, at €–0.5 billion.

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

€ million	2011	2010
Gross cash flow	1,648	1,245
Change in working capital	401	99
Cash flows from operating activities	2,049	1,344
Cash flows from investing activities attributable to operating activities	–454	–86
Net cash flow	1,596	1,257

Gross cash flow in the Trucks and Buses, Power Engineering Business Area was €1.6 billion (€1.2 billion). Funds of €401 million (€99 million) were released from working capital; cash flows from operating activities increased to €2.0 billion (€1.3 billion). The cash outflow from investing activities attributable to operating activities, mainly investments in property, plant and equipment, amounted to €454 million (€86 million). Net cash flow improved by €0.3 billion to €1.6 billion.

FINANCIAL POSITION IN THE FINANCIAL SERVICES DIVISION

The Financial Services Division's gross cash flow was €3.5 billion in fiscal year 2011, 9.0% up on the prior-year figure due to earnings-related factors. Increased business activities and the resulting higher financial services receivables, as well as changes to leasing and rental assets saw funds tied up in working capital rise to €12.1 billion (€5.7 billion). At €4.0 million, the cash outflow from investing activities attributable to operating activities was below the prior-year level. Funds in the amount of €12.6 billion (€2.3 billion) – including from the issue of bonds – were added to finance the increased business volume. Gross liquidity in the Financial Services Division was €7.0 billion, €3.8 billion higher than in the previous year. Third-party borrowings increased to €88.8 billion (€71.2 billion), primarily as a result of the expansion of business activities and the inclusion of the financial service activities of Porsche Holding Salzburg and MAN. At the end of fiscal year 2011, the Financial Services Division's negative net liquidity, which is common in the industry, amounted to €–81.8 billion (€–68.0 billion).

CONSOLIDATED BALANCE SHEET STRUCTURE

At €253.6 billion, the Volkswagen Group's total assets as of December 31, 2011 were 27.2% higher than in the previous year. This was driven by organic growth in the Automotive Division, the acquisition of Porsche Holding Salzburg and the consolidation of MAN. The structure of the consolidated balance sheet as of December 31, 2011 can be seen from the chart on page 179. The Volkswagen Group's equity ratio rose slightly to 25.0% (24.4%).

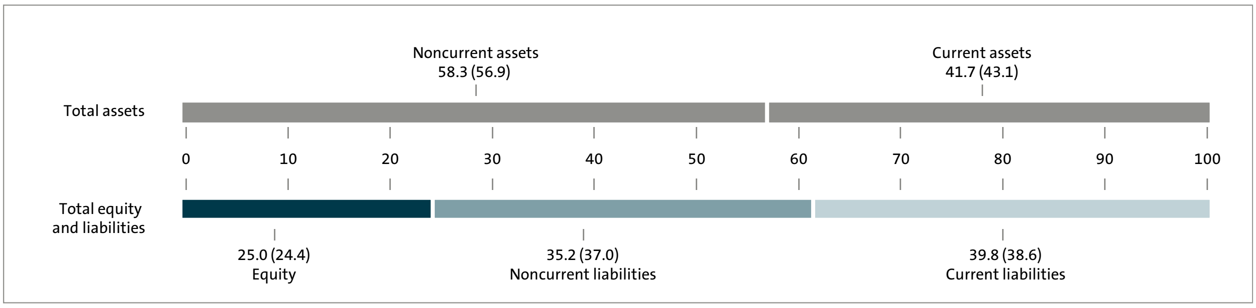
CONSOLIDATED BALANCE SHEET BY DIVISION AS OF DECEMBER 31

	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2011	2010	2011	2010	2011	2010
Assets						
Noncurrent assets	**147,986**	**113,457**	**86,278**	**62,133**	**61,708**	**51,325**
Intangible assets	21,992	13,104	21,861	13,023	131	82
Property, plant and equipment	31,916	25,847	31,454	25,440	462	407
Leasing and rental assets	16,626	11,812	3,278	384	13,348	11,428
Financial services receivables	42,450	35,817	–600	–22	43,050	35,840
Other receivables and financial assets[2]	35,002	26,877	30,286	23,309	4,717	3,568
Current assets	**105,640**	**85,936**	**59,755**	**49,394**	**45,885**	**36,541**
Inventories	27,551	17,631	25,378	16,393	2,173	1,238
Financial services receivables	33,754	30,164	–816	–238	34,570	30,403
Other receivables and financial assets	19,897	13,970	15,494	10,446	4,404	3,524
Marketable securities	6,146	5,501	5,235	5,375	911	126
Cash, cash equivalents and time deposits	18,291	18,670	14,464	17,419	3,827	1,251
Total assets	**253,626**	**199,393**	**146,033**	**111,527**	**107,593**	**87,866**
Equity and Liabilities						
Equity	**63,354**	**48,712**	**52,488**	**39,546**	**10,865**	**9,166**
Equity attributable to shareholders of Volkswagen AG	57,539	45,978	46,891	37,048	10,647	8,930
Noncontrolling interests	5,815	2,734	5,597	2,498	218	236
Noncurrent liabilities	**89,216**	**73,781**	**49,074**	**42,364**	**40,142**	**31,417**
Noncurrent financial liabilities	44,443	37,159	7,663	8,989	36,780	28,170
Provisions for pensions	16,787	15,432	16,592	15,265	194	167
Other noncurrent liabilities[3]	27,986	21,190	24,819	18,110	3,167	3,080
Current liabilities	**101,057**	**76,900**	**44,471**	**29,617**	**56,586**	**47,283**
Current financial liabilities	49,090	39,852	–2,979	–3,143	52,069	42,996
Trade payables	16,325	12,544	15,245	11,628	1,081	916
Other current liabilities	35,642	24,504	32,205	21,132	3,436	3,372
Total equity and liabilities	**253,626**	**199,393**	**146,033**	**111,527**	**107,593**	**87,866**

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

CONSOLIDATED BALANCE SHEET STRUCTURE 2011

as percent



AUTOMOTIVE DIVISION BALANCE SHEET STRUCTURE

The consolidation of the automobile trading business of Porsche Holding Salzburg primarily led to an increase in inventories and debt. Noncurrent assets (in particular intangible assets), equity and liabilities increased following the consolidation of the MAN Commercial Vehicles and Power Engineering subgroups. Purchase price allocation for the assets acquired and liabilities assumed is provisional as of the date of these financial statements.

At the end of 2011, noncurrent assets in the Automotive Division were 38.9% above the prior-year figure. This increase was mainly the result of the addition of MAN and the remeasurement of the options relating to Porsche Zwischenholding GmbH as of the reporting date, as well as investments in new products. Current assets were 21.0% higher than at December 31, 2010. The initial consolidation of subsidiaries and the increase in business volumes led to a rise in inventories and receivables. At €14.5 billion (€17.4 billion), cash and cash equivalents were below the prior-year level due to the acquisition of Porsche Holding Salzburg and the increase in the equity investment in MAN SE.

The Automotive Division's equity attributable to shareholders of Volkswagen AG amounted to €46.9 billion at the end of 2011, exceeding the prior-year value by 26.6%. The effects of the strong earnings performance contrasted with negative effects from the dividend payment, losses from the fair value remeasurement of derivative financial instruments recognized directly in equity, and higher actuarial losses from the valuation of pension provisions. Including noncontrolling interests, which chiefly relate to noncontrolling interests in Scania and MAN, equity amounted to €52.5 billion, up €12.9 billion on the prior-year reporting date. The equity ratio was slightly higher year-on-year at 35.9% (35.5%). Noncurrent and current liabilities rose by 15.8% and 50.2% respectively. This was largely a result of the initial consolidation of subsidiaries and higher business volumes. Noncurrent financial liabilities decreased by 14.8%. 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 were €146.0 billion as of December 31, 2011, 30.9% higher than at the end of December 2010.

Passenger Cars and Light Commercial Vehicles Business Area balance sheet structure

€ million	2011	2010
Noncurrent assets	60,505	53,264
Current assets	45,597	45,762
Total assets	**106,102**	**99,026**
Equity	32,411	31,604
Noncurrent liabilities	41,030	40,427
Current liabilities	32,661	26,995

At year-end 2011, noncurrent assets in the Passenger Cars and Light Commercial Vehicles Business Area were 13.6% up on the prior-year figure, to €60.5 billion. Current assets were on a level with 2010 at €45.6 billion. Total assets amounted to €106.1 billion as of December 31, 2011 (€99.0 billion). Equity was €32.4 billion, 2.6% higher than at December 31, 2010. Noncurrent and current liabilities increased to €41.0 billion and €32.7 billion respectively. In addition to organic growth, this was largely influenced by the acquisition of Porsche Holding Salzburg and the remeasurement of the put/call rights relating to Porsche Zwischenholding GmbH.

Trucks and Buses, Power Engineering Business Area balance sheet structure

€ million	2011	2010
Noncurrent assets	25,774	8,868
Current assets	14,157	3,632
Total assets	**39,931**	**12,500**
Equity	20,078	7,943
Noncurrent liabilities	8,044	1,936
Current liabilities	11,810	2,621

The balance sheet items in the Trucks and Buses, Power Engineering Business Area as of December 31, 2011 are significantly higher than the prior-year values due to the consolidation of MAN. Noncurrent assets and equity in particular were impacted by the purchase price allocation for the assets acquired and liabilities assumed from MAN. Total assets amounted to €39.9 billion (€12.5 billion). Equity increased by €12.1 billion to €20.1 billion. 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

The consolidation of the financial services business for Porsche Holding Salzburg and MAN led in particular to an increase in financial services receivables and current financial liabilities at the Financial Services Division.

At the end of the reporting period, the Financial Services Division's total assets amounted to €107.6 billion, €19.7 billion higher than in the previous year. Noncurrent assets increased by 20.2%, mainly as a result of business expansion and the inclusion of Porsche Holding Salzburg and MAN, which increased financial services receivables in particular. Current assets grew by 25.6%; within this item, financial services receivables increased due to volume-related factors and the initial consolidation of subsidiaries. Cash and cash equivalents rose to €3.8 billion (€1.3 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 €10.9 billion (€9.2 billion) as of the reporting date. This increase was due in particular to the earnings position and capital increases by Volkswagen AG. The division's equity ratio was 10.1% (10.4%). The initial consolidation of Porsche Holding Salzburg and the financing of the increase in business volume saw noncurrent liabilities rise by 27.8%. Current liabilities were up 19.7% year-on-year, primarily due to business expansion and the initial consolidation of subsidiaries. Deposits from direct banking business amounted to €22.2 billion (€18.9 billion), of which €21.4 billion was attributable to Volkswagen Bank direct. The debt/equity ratio remained unchanged at 8:1.

KEY FINANCIAL FIGURES

%	2011	2010	2009	2008	2007
Volkswagen Group					
Gross margin	17.6	16.9	12.9	15.1	15.0
Personnel expense ratio	15.0	15.0	15.2	13.9	13.4
Return on sales before tax	11.9	7.1	1.2	5.8	6.0
Return on sales after tax	9.9	5.7	0.9	4.1	3.8
Equity ratio	25.0	24.4	21.1	22.3	22.0
Dynamic gearing[1] (in years)	0.1	0.1	0.2	0.2	0.3
Automotive Division[2]					
Change in unit sales[3]	+14.9	+15.4	+0.6	+1.3	+8.2
Change in sales revenue	+26.0	+21.2	–9.3	+3.9	+2.9
Operating profit as a percentage of sales revenue	7.0	5.5	1.4	5.3	5.3
EBITDA (€ million)[4]	17,815	13,940	8,005	12,108	12,623
Return on investment after tax[5]	17.7	13.5	3.8	10.9	9.5
Cash flows from operating activities as a percentage of sales revenue[6]	12.0	12.3	13.8	8.6	13.8
Cash flows from investing activities attributable to operating activities as a percentage of sales revenue[6]	11.3	8.1	11.0	11.2	6.6
Investments in property, plant and equipment as a percentage of sales revenue	5.6	5.0	6.2	6.6	4.6
Ratio of noncurrent assets to total assets[7]	21.5	22.8	24.9	26.2	25.0
Ratio of current assets to total assets[8]	17.4	14.7	13.8	19.2	17.4
Inventory turnover	6.9	7.4	6.0	6.3	7.4
Equity ratio	35.9	35.5	30.2	32.6	32.3
Financial Services Division					
Increase in total assets	22.5	9.2	1.6	15.4	6.3
Return on equity before tax[9]	14.0	12.9	7.9	12.1	16.1
Equity ratio	10.1	10.4	10.2	10.6	10.4

1 Ratio of cash flows from operating activities to current and noncurrent financial liabilities.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Including the 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 and 2007 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 Volkswagen Group successfully maintained its profitable growth trajectory in fiscal year 2011, setting new sales revenue and profit records. Alongside an increase in volumes, this success is attributable to our disciplined cost and investment management and the continuous optimization of our processes.

The acquisition of Porsche Holding Salzburg and the increased stake in MAN SE had a significant influence on the Volkswagen Group's financial position in the reporting period. Even after the associated cash outflow, the Automotive Division remains in a strong liquidity position, which gives us financial stability and flexibility against the background of the planned creation of an integrated automotive group with Porsche.

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 110.

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 2011, the value added generated by the Volkswagen Group was 44.9% higher than in the previous year. Added value per employee in the reporting period was €120.5 thousand (+23.4%). Employees in the passive phase of their early retirement are not included in the calculation.

VALUE ADDED GENERATED BY THE VOLKSWAGEN GROUP

Source of funds in € million	2011		2010	
Sales revenue	159,337		126,875	
Other income	13,125		10,787	
Cost of materials	–104,648		–79,394	
Depreciation and amortization	–10,346		–10,097	
Other upfront expenditures	–9,759		–15,250	
Value added	**47,709**		**32,922**	

Appropriation of funds in € million	2011	%	2010	%
to shareholders (dividend)	1,406	2.9	1,034	3.1
to employees (wages, salaries, benefits)	23,854	50.0	19,027	57.8
to the state (taxes, duties)	4,525	9.5	3,105	9.5
to creditors (interest expense)	3,530	7.4	3,563	10.8
to the Company (reserves)	14,393	30.2	6,193	18.8
Value added	**47,709**	**100.0**	**32,922**	**100.0**

FIVE-YEAR REVIEW

	2011	2010	2009	2008	2007
Volume Data (thousands)					
Vehicle sales (units)	**8,361**	**7,278**	**6,310**	**6,272**	**6,192**
Germany	1,211	1,059	1,288	1,013	1,030
Abroad	7,150	6,219	5,022	5,259	5,162
Production (units)	**8,494**	**7,358**	**6,055**	**6,347**	**6,213**
Germany	2,640	2,115	1,938	2,146	2,086
Abroad	5,854	5,243	4,117	4,201	4,127
Employees (yearly average)	**454**	**389**	**367**	**357**	**329**
Germany	196	178	173	178	175
Abroad	258	210	194	179	154
Financial Data in € million					
Income Statement					
Sales revenue	**159,337**	**126,875**	**105,187**	**113,808**	**108,897**
Cost of sales	131,371	105,431	91,608	96,612	92,603
Gross profit	**27,965**	**21,444**	**13,579**	**17,196**	**16,294**
Distribution expenses	14,582	12,213	10,537	10,552	9,274
Administrative expenses	4,384	3,287	2,739	2,742	2,453
Net other operating expense/income	2,271	1,197	1,553	2,431	1,584
Operating profit	**11,271**	**7,141**	**1,855**	**6,333**	**6,151**
Financial result	7,655	1,852	–595	275	392
Profit before tax	**18,926**	**8,994**	**1,261**	**6,608**	**6,543**
Income tax expense	3,126	1,767	349	1,920	2,421
Profit after tax	**15,799**	**7,226**	**911**	**4,688**	**4,122**
Cost of materials	**104,648**	**79,394**	**67,925**	**75,954**	**72,340**
Personnel expenses	**23,854**	**19,027**	**16,027**	**15,784**	**14,549**
Balance Sheet at December 31					
Noncurrent assets	147,986	113,457	99,402	91,756	76,841
Current assets	105,640	85,936	77,776	76,163	68,516
Total assets	**253,626**	**199,393**	**177,178**	**167,919**	**145,357**
Equity	63,354	48,712	37,430	37,388	31,938
of which: noncontrolling interests	5,815	2,734	2,149	2,377	63
Noncurrent liabilities	89,216	73,781	70,215	65,729	57,351
Current liabilities	101,057	76,900	69,534	64,802	56,068
Total equity and liabilities	**253,626**	**199,393**	**177,178**	**167,919**	**145,357**
Cash flows from operating activities*	**8,500**	**11,455**	**12,741**	**2,702**	**9,308**
Cash flows from investing activities attributable to operating activities*	**16,002**	**9,278**	**10,428**	**11,613**	**7,120**
Cash flows from financing activities	**8,316**	**–852**	**5,536**	**8,123**	**787**

* 2008 and 2007 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 5.0% to 5.5% due to the increased uncertainty currently to be seen 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 1.09 was determined for 2011 (previous year: 0.99).

COST OF CAPITAL AFTER TAX
AUTOMOTIVE DIVISION

%	2011	2010
Risk-free rate	2.7	3.0
MSCI World Index market risk premium	5.5	5.0
Volkswagen-specific risk premium	0.5	–0.1
(Volkswagen beta factor)	(1.09)	(0.99)
Cost of equity after tax	**8.7**	**7.9**
Cost of debt	5.2	4.3
Tax	–1.5	–1.3
Cost of debt after tax	**3.6**	**3.0**
Proportion of equity	66.7	66.7
Proportion of debt	33.3	33.3
Cost of capital after tax	**7.0**	**6.3**

The cost of debt is based on the average yield for long-term debt. As borrowing costs are tax-deductible, the cost of debt is adjusted to account for the tax rate of 30%.

A weighting on the basis of a fixed ratio for the fair values of equity and debt gives an effective cost of capital for the Automotive Division of 7.0% (6.3%) for 2011.

* 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

Volkswagen acquired Porsche Holding Salzburg's trading business effective March 1, 2011. After completing the mandatory public offer to acquire the shares of MAN SE, Volkswagen held 55.90% of the voting rights and 53.71% of the share capital of the company as of November 9, 2011. MAN has therefore been consolidated in the Group since this date. In accordance with the internal management of the brands and companies in the Automotive Division, the automobile trading business of Porsche Holding Salzburg and the MAN Commercial Vehicles and MAN Power Engineering subgroups were incorporated into the core operating business based on uniform definitions of value-based management. Effects on assets and earnings from the 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 €9,342 million in 2011 (€5,859 million). This significant year-on-year improvement is primarily attributable to volume increases, mix improvements and product cost optimization measures.

Invested capital rose to €52,863 million (previous year: €43,525 million), mainly as a result of the inclusion of the new companies. Multiplied by the cost of capital, which also increased as against 2010, this gives a cost of invested capital of €3,700 million. The increase in operating profit after tax resulted in a clearly positive value contribution of €5,641 million (€3,117 million).

The return on investment is the return on invested capital for a particular period based on the operating profit after tax. This improved significantly year-on-year to 17.7% (13.5%) for the reasons already mentioned.

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*

€ million	2011	2010
Operating profit (starting point)	9,973	6,189
Plus earnings effects of purchase price allocation for Scania Vehicles & Services, the automobile trading business of Porsche Holding Salzburg (as from March 1, 2011) and MAN Commercial Vehicles and MAN Power Engineering (as from November 9, 2011)	757	273
Plus share of operating profit of the Chinese joint ventures	2,616	1,907
Tax expense	–4,004	–2,511
Operating profit after tax	**9,342**	**5,859**
Invested capital (average)	52,863	43,525
Return on investment (ROI) in %	**17.7**	**13.5**
Cost of capital in %	7.0	6.3
Cost of invested capital	**3,700**	**2,742**
Value contribution	**5,641**	**3,117**

* Including proportionate inclusion of the Chinese joint ventures (including the respective sales and component companies) and allocation of consolidation adjustments between the Automotive and Financial Services divisions.

Volkswagen AG (condensed, according to German Commercial Code)
Vehicle sales rise again, driving sales and earnings gains

NET INCOME FOR THE YEAR

Volkswagen AG's sales rose by 17.4% year-on-year to €67.2 billion in the reporting period. The proportion of sales generated outside of Germany was 62.9% (62.4%). Cost of sales was €61.8 billion, an increase of 16.5% over 2010. As a result, gross profit rose to €5.4 billion.

Selling, general and administrative expenses were above the prior-year level due to expansion in the volume of business. However, the ratio of selling, general and administrative expenses to sales declined versus the previous year to 8.3% (8.9%). At €1.1 billion (€1.0 billion), the other operating result was up slightly year-on-year.

Higher income from profit and loss transfer agreements in particular led to a 30.2% increase in the financial result to €6.2 billion.

Volkswagen AG's result from ordinary activities rose to €7.1 billion (€4.9 billion) due to significant improvements in the operating business and the higher financial result. The extraordinary result comprises the effects from the transition to the new accounting rules in the German Commercial Code following the introduction of the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernization Act). In 2011, this is the definitive expense recognized for the revaluation of pension provisions. After deducting income taxes, net income amounted to €3.4 billion (€1.5 billion).

INCOME STATEMENT OF VOLKSWAGEN AG

€ million	2011	2010
Sales	67,178	57,243
Cost of sales	61,789	53,059
Gross profit on sales	**+5,389**	**+4,184**
Selling, general and administrative expenses	5,567	5,090
Other operating result	+1,082	+1,043
Financial result*	+6,239	+4,791
Result from ordinary activities	**+7,143**	**+4,928**
Extraordinary result	**–1,095**	**–1,789**
Taxes on income	2,630	1,589
Net income for the year	**3,418**	**1,550**
Retained profits brought forward	6	130
Appropriations to revenue reserves	1,708	640
Net retained profits	**1,715**	**1,039**

* Including write-downs of financial assets.

BALANCE SHEET OF VOLKSWAGEN AG AS OF DECEMBER 31

€ million	2011	2010
Fixed assets	52,543	42,077
Inventories	3,799	3,230
Receivables	13,919	14,098
Cash and bank balances	5,405	7,817
Total assets	**75,666**	**67,223**
Equity	19,459	17,072
Special tax-allowable reserves	53	59
Long-term debt	10,172	11,861
Medium-term debt	19,250	13,474
Short-term debt	26,732	24,757

NET ASSETS AND FINANCIAL POSITION

At the end of fiscal year 2011, total assets amounted to €75.7 billion, thus exceeding the value at the close of 2010 by €8.4 billion. Investments in tangible and intangible assets stood at €2.0 billion, €0.8 billion above the prior-year level. This increase was mainly due to the necessary increase in product and engine capacities. Investments in financial assets amounting to €10.1 billion (€10.9 billion) include the acquisition of shares of MAN SE and the indirect acquisition of the trading business of Porsche Gesellschaft m.b.H., Salzburg. On December 31, 2011 fixed assets amounted to €52.5 billion, 24.9% higher than the previous year.

At €23.1 billion, current assets were below the prior-year level at the reporting date, mainly due to the decline in liquid assets.

Equity in the amount of €19.5 billion at December 31, 2011 was 14.0% higher than at the end of 2010 due to the more than doubling of net income for the year.

The equity ratio was on a level with the previous year at 25.7% (25.4%). Provisions rose by 16.0% to €28.8 billion. In addition to higher provisions for taxes, this increase was primarily attributable to higher amounts for employee expenses and provisions for commodity price hedges measured in accordance with the imparity principle. Higher liabilities to affiliated companies were the main factor behind the 8.2% increase in liabilities to €27.3 billion. The interest-bearing portion of debt rose accordingly to €20.8 billion (€19.8 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), €1,708 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 €1.4 billion from net retained profits, i.e. €3.00 per ordinary share and €3.06 per preferred share, and to appropriate a further €0.3 billion to other revenue reserves.

PROPOSAL ON THE APPROPRIATION OF NET PROFIT

€	2011
Dividend distribution on subscribed capital (€1,191 million)	1,405,906,351.68
of which on: ordinary shares	885,269,451.00
preferred shares	520,636,900.68
Appropriation to other revenue reserves	300,000,000.00
Balance (carried forward to new account)	9,563,616.22
Net retained profits	**1,715,469,967.90**

EMPLOYEE PAY AND BENEFITS AT VOLKSWAGEN AG

€ million	2011	%	2010	%
Direct pay including cash benefits	5,960	73.1	4,790	69.5
Social security contributions	1,022	12.5	969	14.1
Compensated absence	774	9.5	749	10.9
Post-employment benefits	401	4.9	385	5.6
Total expense	**8,156**	**100.0**	**6,892**	**100.0**

SALES TO THE DEALER ORGANIZATION

Volkswagen AG sold 2,661,327 vehicles to the dealer organization in fiscal year 2011. This was 15.2% more than in the prior-year period. The proportion of vehicles sold outside Germany was 69.9% (69.2%).

PRODUCTION

Volkswagen AG produced 1,215,058 vehicles in 2011 at its vehicle production plants in Emden, Hanover and Wolfsburg, exceeding the previous year's production by 10.4%. Average daily production was on a level with the previous year at 5,112 units.

NUMBER OF EMPLOYEES

As of December 31, 2011, a total of 97,691 people were employed at the sites of Volkswagen AG, excluding staff employed at subsidiaries. This figure included 4,667 vocational trainees. 2,446 employees were in the passive phase of their early retirement. The workforce was 3.1% higher than during the previous year.

Female employees constituted 14.8% of the total headcount. Volkswagen AG employed 3,159 part-time workers (3.2%). The percentage of foreign employees was 5.8%. The proportion of employees in the production area who completed vocational training relevant for Volkswagen was 83.6%. 15.1% of the employees were graduates. The average age of Volkswagen employees in the reporting year was 42.3 years.

RESEARCH AND DEVELOPMENT

Research and development costs for Volkswagen AG under the German Commercial Code amounted to €3.2 billion (€3.1 billion) in 2011. 10,106 people were employed in this area on December 31, 2011.

PURCHASING VOLUME

The purchasing volume across the six Volkswagen AG sites in Germany increased to €24.5 billion in 2011 (€20.7 billion); the proportion attributable to German suppliers was 69.9% (70.7%). Of the total purchasing volume, €20.8 billion was spent on production materials and €3.8 billion on capital goods and services.

EXPENDITURE ON ENVIRONMENTAL PROTECTION

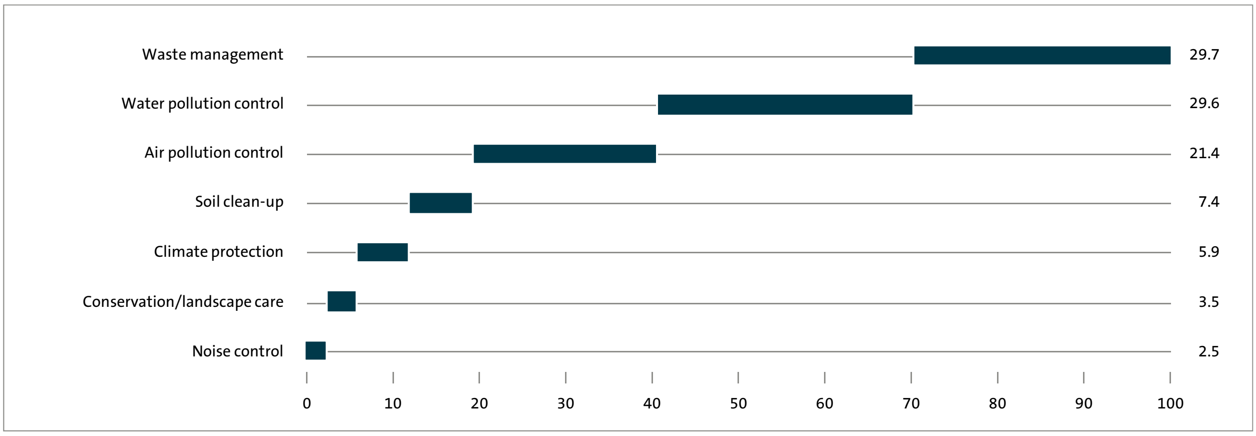
Expenditure on environmental protection is split between investments and operating costs. Of our total investments, those that are spent exclusively or primarily on environmental protection are included in environmental protection investments. We distinguish here between additive and integrated investments. Our focus in 2011 was on water pollution control, climate protection and air 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.

VOLKSWAGEN AG EXPENDITURE ON ENVIRONMENTAL PROTECTION

€ million	2011	2010	2009	2008	2007
Investments	18	12	10	8	20
Operating costs	200	197	180	185	177

OPERATING COSTS FOR ENVIRONMENTAL PROTECTION AT VOLKSWAGEN AG IN 2011
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 220 to 228 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 227 to 228 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 an 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

Innovative, fascinating vehicles – developed and manufactured by an outstanding team

Our dedicated and highly motivated specialists manufacture first-class automobiles that captivate customers worldwide. Responsible concern for the environment plays an important role even during development.

The key financial performance indicators for the Volkswagen Group were described in the "Results of operations, financial position and net assets" chapter. In addition to these, nonfinancial 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, but also encompass management's dealings with employees, our contribution to environmental protection and the social responsibility we are committed to. In this chapter, we present how each area contributes to raising the enterprise value of Volkswagen in a sustainable way.

RESEARCH AND DEVELOPMENT

Research and development activities in the Group again concentrated on two areas in 2011: expanding our product portfolio and improving the functionality, quality, safety and environmental compatibility of Group products.

One task of research and development is to advance the electrification of our vehicle portfolio. The Group function created in 2010 to manage and coordinate all activity surrounding e-mobility at Volkswagen intensified its work in 2011. Its goal is to achieve the greatest possible synergies for all Group brands in the area of e-mobility.

Although public discussion on the topic of climate change and the ever-tightening sources of fossil fuel have moved somewhat into the background recently, Volkswagen is keeping the reduction of CO_2 emissions in view as it expands its model range. Our results in this area over the past year are impressive. Compared with 2007, we have been able to decrease the average CO_2 emissions of our fleet by 27 g/km; this corresponds to a reduction of more than 16%. The Volkswagen Group currently offers a total of 281 model variants that emit less than 130 grams of CO_2 per kilometer. Of these, 151 model variants are below 120 grams of CO_2 per kilometer. For 26 model variants, we are already below the threshold of 100 grams of CO_2/km.

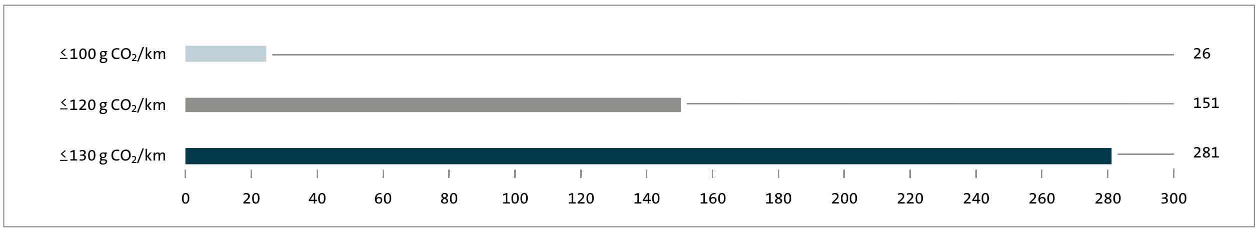
Innovative products for the automotive future

During the reporting period, the Audi brand received the "Best Innovator Award" presented by the German business magazine "WirtschaftsWoche" and management consultant A.T. Kearney. The brand's successful and sustainable innovation management won over the jury in the Automotive category. In particular, the brand was honored for its ability to successfully link innovations across models and series, and to implement them at an astonishing speed.

In the following paragraphs we present selected innovations – new models, powertrains and systems launched during the past fiscal year.

At the heart of the innovations to the Volkswagen passenger car brand in 2011 was the introduction of the new up! that expands the brand's offering to include a small car. Its completely new 1.0-liter three-cylinder engine offers driving pleasure in a compact design with two performance levels, and already fulfills the new Euro 5 emission standard. In combination with BlueMotion Technology, it achieves a CO_2 emission level of 96 g/km. An additional highlight in the up! is the automatic city emergency braking feature, which is designed to prevent rear-end collisions in urban areas at speeds of up to 30 km/h. Assisted by a laser sensor that detects and analyzes the traffic ahead, the vehicle automatically brakes to a stop if the traffic situation demands it and the driver does not react accordingly.

CO_2 EMISSIONS – STATUS QUO
Number of vehicles



In the interior, the “maps + more” system combines typical car radio features with the versatility of a portable navigation system. It is detachable and offers the driver extra features in addition to the classic infotainment functions such as Bluetooth telephony, a display of optical warning signals from the ParkPilot and the consumption monitor.

Available on the Golf Cabriolet for the first time is automatic rollover protection, allowing the rollover bar to be eliminated. The soft top opens fully automatically in a little over nine seconds, even while underway at speeds of up to 30 km/h.

The redesigned Tiguan came onto the market in 2011 with a multitude of driver assistance systems. In addition to the camera-based main-beam systems Light Assist and Dynamic Light Assist, the SUV features a fatigue detection system that continuously monitors driver behavior and warns the driver when fatigue is recognized. The Tiguan is also equipped with the latest generation of Parking Steering Assistance, which can take over parking into both parallel and perpendicular spaces. The optical parking system 360° OPS offers additional assistance for manual parking or maneuvering. In contrast to the earlier version, the system will now give warning for objects in the side areas in addition to the front and rear areas.

The Audi brand entered a new market segment in 2011 with the Q3, a premium SUV in the compact class format. The sporty premium SUV with the feel of a coupé weighs only 1,445 kg in the base model and, in addition to its extensive standard equipment, features a series of driver assistance systems that is unparalleled in its vehicle class: the parking assistant with surrounding area display and rear view camera aids the driver in many types of situations. The car selects the parking space and steers and brakes the vehicle within the limits defined by the system. The driver needs only to watch over the parking process. Audi side assist makes changing lanes easier through radar, Audi active lane assist helps the driver stay in the lane, and the speed limit display shows important road signs detected by the vehicle.

The seventh generation of the Audi A6 again sets new standards in 2011 with its broad portfolio of innovations and lightweight body design. Thanks to a clever hybrid construction of aluminum and high-tech steel, the car’s body weighs in at about 30 kg less than the previous model. Audi optionally offers a head-up display that projects important information onto the windscreen. The A6 is connected to the Internet via a UMTS module and can, for example, display images from the Google Earth service on the navigation screen. The customer can also use other innovative online services like Google Street View and online traffic information in the vehicle.

With the Citigo, a sister model of the Volkswagen up!, the ŠKODA brand expanded its product offensive into the small car segment in 2011. The car, whose front end has the brand’s usual design, features many “simply clever” details in addition to the new automatic city emergency braking system. Additionally, the infotainment systems were upgraded across the entire model series.

SEAT pushed ahead into the small car segment during the period with the Mii, also a sister model of the up!. The car’s appearance is consistent with the sporty design DNA of the Spanish brand. The model includes the emergency braking system and the removable SEAT portable system, which intelligently combines navigation functions with other applications such as infotainment. Additionally, LED technology is now used in the lighting systems of many of the brand’s models.

Volkswagen Commercial Vehicles celebrated the premiere of the new Multivan BlueMotion in 2011. With a consumption of 6.4 l of diesel per 100 km and CO_2 emissions of 169 g/km, the van achieves levels unimaginable in this class before now – thanks to an efficient, high-torque common rail four-cylinder engine in combination with a stop-start system, regenerative braking, extra low rolling resistance tires and special aerodynamic features.

In 2011, Scania celebrated the world premiere of the new Euro 6 generation of engines. These engines stand out with a multitude of innovative technical solutions and significantly reduced emission levels.

The MAN brand concentrated its research and development activities in the area of hybrid technology in a newly created Competence Center during fiscal year 2011. It will form the future interface for cooperation partners, suppliers and other sources of expertise such as universities, and will focus on the application of technology in different product segments – from research through to series development.

Studies and concept vehicles generate great interest

In this section, we describe the most important concept vehicles and studies we presented in 2011 in addition to the numerous production vehicles.

As part of the launch of the new up!, the Volkswagen Passenger Cars brand presented different aspects of the model with six studies. These included the robust cross up!, the sporty GT up!, the natural gas-powered eco up! – which emits a mere 79 g/km of CO_2 – and the purely electric version, the e-up!, series production of which will start in 2013 as up! Blue-e-Motion.

With the XL1 study concept, which is close to series production, the brand presented the third evolutionary stage of its 1-liter car strategy and thus highlighted the Group's ambition to become the automotive industry's ecological leader by 2018. The perfect aerodynamics of the lightweight body and the plug-in hybrid system mean that the XL1 produces just 24 grams of CO_2 per kilometer. Fuel consumption of just 0.9 l of fuel per 100 km (combined) makes it the world's most fuel-efficient hybrid vehicle.

The Nils concept presents the vision for a commuter vehicle in urban areas. The single-seater electric vehicle with its futuristic design features wing doors and open wheels, and weighs a mere 460 kg. Paired with an aluminum space frame, the 5.3 kW lithium ion batteries enable a range of 65 km – ideal for covering short daily stretches.

Another concept study based on e-mobility is directed at urban delivery traffic. The eT! is a compelling offering thanks to its ergonomic door opening and access system. Its use of interior space is designed to meet the demands of urban delivery vehicles – and perfect for delivery logistics. It also has an especially tight turning radius and offers the automatic driving functions "follow me" and "come to me" at low speeds. The vehicle automatically follows a walking driver or it can be called over by the driver when standing at distances of up to 25 m from the eT!.

The Audi brand unveiled a premium vehicle in 2011 with ample interior space in the shape of the A2 technical study concept, which is designed for congested urban areas. It offers a preview of electric driving in the megacities of the future. Thanks to its 85 kW (116 PS) electric motor, the A2 concept car can accelerate to 100 km/h in only 9.3 seconds, while its lithium ion battery gives it a range of up to 200 km.

Audi took a further step with the Audi urban concept and Audi urban concept Spyder vehicles. The electrically powered twin-seaters with a carbon body and open wheels represent an emotional entry into e-mobility.

The Audi Urban Mobility research project, which is based on an Audi TTS as the technology showpiece, demonstrates how a driverless car can safely perform maneuvers and drive autonomously. The vehicle is the product of a collaborative project with Stanford University at the Volkswagen Group Automotive Innovation Laboratory in California.

ŠKODA offered a preview of the sixth model series of the Czech brand with the close-to-production MissionL concept car.

The SEAT brand highlighted the appearance of future SEAT models with the IB^X and IB^L studies. The vehicles – a combination of SUV or saloon with a sport coupé – stand out with their clean, pure design.

Deutsche Post DHL put the Caddy Blue-e-Motion from Volkswagen Commercial Vehicles to the test in 2011. The electrically powered city delivery van proved to be very well suited to commercial fleet operations in stop-and-go traffic. The test took place as part of the "Erprobung nutzfahrzeugspezifischer E-Mobilität" (EmiL – "E-mobility Test for Commercial Vehicles") project sponsored by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

Improved aerodynamics offer the largest CO_2 savings potential in long-distance truck transportation. MAN presented a truck study in the shape of the concept S, which achieves around 25% savings in fuel and CO_2 emissions thanks to its aerodynamic design. However, series production would require changes to several homologation requirements in the EU.

Synergies boost 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. By using them, new vehicles for both existing and untapped markets can be planned more efficiently.

At Audi, vehicles already come off the production line that are based on the Modular Longitudinal Toolkit (MLB). All these models have an engine that is mounted longitudinally to the direction of travel. With the evolutionary step MLB evo, the toolkit will be expanded in the future. The Group is taking the next key steps in the enhancement of the cross-brand platform and module strategy with the Modular Transverse Toolkit (MQB) and the Modular Standard Toolkit (MSB). With the MQB, it is possible to design vehicles whose architecture permits a transverse arrangement of the engine components. It allows us to produce vehicles of a differing length, width and wheelbase, and meets growing customer expectations for a variety of models, equipment features and design. The MQB reduces the complexity, costs incurred and time required for development. In September 2011, production based on the MQB began on the Audi site in Ingolstadt of a preliminary series of the new Audi A3, which will come onto the market in 2012. In the future, the toolkits will form the technical foundation for over 40 models under the Volkswagen Passenger Cars, Audi, SEAT, ŠKODA and Volkswagen Commercial Vehicles brands. The MQB has placed Volkswagen among the finalists for the "Innovation Award of the German Economy – The World's First Innovation Award".

The MSB is the basis for vehicles whose engine is built in a longitudinal direction and for those that feature rear-wheel drive in the base version.

The Modular Infotainment System (MIB) provides a hardware platform across brands and vehicle classes that can be assembled according to the specific requirements. This makes possible a wide variety of infotainment features and individual designs with a minimum of variance. The MIB is an efficient instrument in vehicle development, as is the Modular Diesel System (MDB), with which a completely new, efficient and dynamic generation of three- and four-cylinder engines is being introduced. These will debut in 2012 in the new Audi A3.

Pooling strengths with strategic alliances

Cooperative development arrangements with other vehicle producers are especially well-suited for tapping new market segments in a cost-effective way. In a strategic collaboration, investment expenditures can be distributed among the parters and development costs can be kept low thanks to the concentration of expertise and competencies. In this context, Volkswagen continued the existing cooperation arrangements in 2011 with Dr. Ing. h.c. F. Porsche AG, Daimler AG and the Chrysler Group.

We have also continued and intensified cooperation with a number of expert battery manufacturers in 2011. This allows us to support the development of high-voltage battery systems for hybrid drives and electric vehicles. In 2010, Volkswagen and its Partner VARTA Microbattery GmbH in Ellwangen established VOLKSWAGEN VARTA Microbattery Forschungsgesellschaft mbH & Co. KG. Its purpose is to research and develop battery cells suitable for cars as well as the associated production technology. We are also continuing to expand our expertise in the field of electric traction in cooperation with many universities such as the Institute of Physical Chemistry at the University of Münster.

Integration of external R&D know-how

In addition to our own internal development capacity, the Volkswagen Group uses the expertise of its suppliers and development service providers in the development process so that it can systematically advance its new model rollout in the coming years. Thanks to the early and close collaboration of our internal and external resources, we are able to successfully complete projects with the quality we expect in reduced development times. Creative processes and the intensive use of virtual technologies are central to our integration of external expertise.

In meeting the challenges of the coming megatrends, the structure of the necessary core competencies plays an important role.

We already use the expertise of subsequent suppliers in the development phase of modules and components. Using external capacity also makes sense with support services and downstream processes such as series production management, as well as activities that do not face the customer but generate improvements. Volkswagen will therefore continue to build and expand its cooperation strategy for the benefit of the Group and its suppliers.

Numerous patents submitted by employees

The employees of the Volkswagen Group are an enormous source of innovation; the large number and technical quality of the ideas submitted demonstrates this once again: in 2011 our employees applied for 3,182 patents – 1,418 in Germany and 1,764 abroad. The main focus of these innovations was on the areas of infotainment, driver assistance systems, electric drive technology and lightweight steel design.

Key R&D figures

Total research and development costs for 2011 in the Automotive Division increased by 15.1% 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. The capitalization ratio was 23.1% (26.6%). Research and development costs recognized in the income statement in accordance with IFRSs in the Automotive Division increased to €7.2 billion (€6.9 billion), reducing their ratio to sales revenue to 5.1% (6.1%) due to the considerable sales revenue growth.

At the end of fiscal year 2011, the Research and Development function employed 34,749 people Group-wide (+26.8%), corresponding to 6.9% of the total headcount. This figure also includes staff at the joint venture companies in China that are accounted for using the equity method.

RESEARCH AND DEVELOPMENT COSTS IN THE AUTOMOTIVE DIVISION

€ million	2011	2010	2009	2008	2007
Total research and development costs	7,203	6,257	5,790	5,926	4,923
of which capitalized development costs	1,666	1,667	1,947	2,216	1,446
Capitalization ratio in %	23.1	26.6	33.6	37.4	29.4
Amortization of capitalized development costs	1,697	2,276	1,586	1,392	1,843
Research and development costs recognized in the income statement	**7,234**	**6,866**	**5,429**	**5,102**	**5,320**

PROCUREMENT

New challenges arose for procurement in 2011 as the world economy continued to recover and the sales volume of the Volkswagen Group increased significantly. In addition to measures for offsetting rising commodity prices, the further optimization of supplier and procured component management – in compliance with our sustainability principles – was the focus of our activities. There was also an emphasis on developing new markets and continuous process optimization.

Our procurement strategy

Procurement has established four goals for itself, derived from the Group Strategy 2018: 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 life cycle; 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.

Action areas have been assigned 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. An annual variance analysis indicates whether the programs, and consequently also our strategy, need to be adjusted or if new programs must be devised.

Stable supply situation for procured components and raw materials

Rising vehicle sales and numerous product start-ups shaped the supply situation in 2011. Vehicles from our Chinese production facilities recorded particularly strong demand. At the same time, the trend observed in 2010 toward vehicles with luxury equipment features continued. Because of this, the need for procured components grew and changed. Procurement nevertheless assured the supply of procured components for all production and component plants.

The natural disasters in Japan and Thailand created special challenges for procurement. In cooperation with our suppliers and with the help of a promptly assembled task force that drew from across our brands and business fields, we prevented any negative impact on the supply situation. We were recently even able to increase our maximum production volumes versus our original annual plan. Contributing to this first and foremost is the ongoing process optimization in requirements, capacity and procured components management, as well as closer, continuously improved integration with all participating business fields.

The commodity markets in 2011 were once again shaped by high demand, accompanied by a simultaneous and significant rise in prices for input and raw materials. Prices were also highly volatile.

These effects were especially evident for rare earths due to several production and export restrictions, mostly in Asia. Because American and Australian companies intensified their efforts to develop additional sources of rare earths, the situation improved somewhat near the end of the reporting period. However, the market remains very unstable.

As in 2010, the prices for crude oil-based materials also rose in the first half of 2011, although the market stabilized later in the year at a high level.

Procurement reacted to these challenges with long-term contracts and other measures, with the result that effects on business activities were largely avoided.

Volkswagen has adapted to the situation in the commodities markets and has taken effective measures, such as establishing a supplier portfolio, structuring contractual periods strategically and continually optimizing the use of materials, for example for steel and with regard to material substitution, especially for rare earths.

Procured component and supplier management assures quality

We further stepped up our procured components management in 2011 because the number of vehicle start-ups and vehicle derivatives continues to grow and supplier markets are becoming ever more complex. Its goal is to minimize problems and bottlenecks prior to the start of production by monitoring the planning and production process early and actively. Procured component management also provides support during series production, for example in the event of disruptions, capacity bottlenecks, tool relocations, tool investment reviews, or supplier insolvency. In these situations, tool and process experts from the Procurement and Quality Assurance functions work together in close cooperation – an important factor for success. Procured components management was expanded in 2011 to encompass additional brands and regions and has since become an established part of these organizations.

Procurement and Quality Assurance also work together to optimize supplier management in the cross-divisional "Quality in Growth" program. The increasing complexity of the supply chain makes it necessary to consider not only the supplier itself but also the upstream stages of the value chain when contracting for selected components. In this context, the sub-supplier chain is evaluated more intensively in terms of process and therefore influences the contract award decision.

Localization and radical localization in new markets

We can cut costs at new production facilities by localizing, meaning the use of local procurement markets. Moreover, radical localization allows us to increase the share of value added generated by locally procured components. This is done by identifying cost-effective supply sources for raw materials in the respective region at an early stage. Material costs are thus reduced in close cooperation with Technical Engineering and Quality Assurance.

Based on the strategies of localization and radical localization, the established C3 Sourcing (Cost-Competitive Country Sourcing) program has the task of applying cost advantages from competitive procurement markets to vehicle production worldwide. In this way, synergies from local production are conveyed to components that are exported and used in plants in other countries without having to lower our quality standards. Suppliers are supported by the Group's own regional offices, both in radical localization in the country in question and when exporting their components to Group production facilities in other countries. The C3 Sourcing program makes a significant contribution to achieving cost targets for new vehicle projects at the start of series production and to ensuring that we can make efficient use of new cost-effective procurement markets.

Process optimization in procurement expanded

The process optimization program in procurement was conducted for the third year in 2011. As an important element of the "Volkswagen Way", the program is primarily based on the experiences and process knowledge of employees in this area. In various workshops, more than 150 of them developed numerous measures that have improved processes in procurement and related areas. In the second quarter of 2011, all employees in the procurement function were briefed extensively on these process improvements at training events in the Procurement Academy. The electronic process handbook supports the sustainable implementation of the measures and has been successfully deployed across the Company.

In 2011, additional brands and regions were included in the procurement process optimization program, namely the Audi, SEAT and ŠKODA brands, Volkswagen Commercial Vehicles and the sites in Mexico, Brazil, Argentina and South Africa. Identifying examples of best practices and other issues were the focus of these activities.

Sustainability in supplier relationships

An important responsibility in the procurement area is integrating our environmental and social standards into supplier management. Through its "sustainability in supplier relationships" concept, Procurement has been assuming environmental, economic and social responsibility together with its business partners since 2006. Since 2008, this concept has been expanded to all brands and all regions. Its 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 as an important baseline for our business partners, an early warning system to minimize risks, transparency in the procurement process, and supplier monitoring and development. Each pillar is regularly reviewed and assessed. In addition, new staff are taught in their training to precisely identify possible shortcomings and improvement potential at suppliers on a continual basis.

In 2011, an Internet-based training module, available worldwide in nine languages, was also developed for our suppliers and will be made available on the Group Business Platform in 2012.

The sustainability procurement network also provided support in 2011 for the successful and timely implementation of this concept worldwide: the third series of events for supplier training took place in India.

Purchasing volume

The Volkswagen Group's purchasing volume includes production materials, services and investments. In the reporting period – including the Chinese joint venture companies – it amounted to €110.2 billion; this was 22.9% higher than in the previous year. The proportion attributable to German suppliers was 39.3% (39.0%).

PURCHASING VOLUME BY BRAND AND MARKET

€ billion	2011	2010	%
Volkswagen Passenger Cars	69.7	58.4	+19.5
Audi (incl. Lamborghini)	21.0	17.0	+23.6
ŠKODA	6.6	5.1	+30.3
SEAT	3.4	2.9	+17.0
Bentley	0.5	0.3	+64.4
Volkswagen Commercial Vehicles	2.4	1.9	+26.4
Scania	5.1	4.1	+22.9
MAN	1.5	–	–
Volkswagen Group	**110.2**	**89.7**	+22.9
Europe/Remaining markets	75.4	59.2	+27.2
North America	4.7	4.2	+12.7
South America	8.1	7.8	+4.6
Asia-Pacific	22.0	18.5	+19.2

PRODUCTION

In 2011, the Volkswagen Group expanded its production network and invested in the energy-efficient design of its plants. The continuous optimization of all processes in the direct and indirect areas is an important success factor for sustainable gains in the value we create. Thanks to the use of modular toolkits and the design of factories in which vehicles of several brands can be produced (multiple-brand plants), we will be able to meet local requirements even more efficiently in the future.

Production locations

The production network of the Volkswagen Group expanded by 31 facilities as a result of the acquisition of the majority stake in MAN SE. At the end of the reporting period it consisted of 94 sites, of which 54 produce vehicles. The sites are spread out over the continents of Europe, North and South America, Africa and Asia.

Our efficient production network is composed of vehicle and component plants that form an integrated group and cover predominantly regional needs. The effects of external factors such as currency fluctuations and customs duties can thus be kept to a minimum. Our assembly partners in Indonesia, Russia and Malaysia are also part of this global production network. These partners assemble vehicles on our behalf and are part of our concept for extending our production capacity.

The Volkswagen Group produced more than 8 million vehicles for the first time in 2011. We have created additional capacity in order to satisfy rising customer demand in the individual markets and to achieve our growth targets. Expansion into new markets is a significant element of our growth strategy and also benefits our component plants in Germany and the existing vehicle plants that deliver the components for local assembly of vehicles in these markets.

The Chinese market has developed into the largest automobile market in the world and it will continue to grow strongly. Together with our joint ventures, we want to participate in this dynamic growth over the long term. We have responded to trends in the market with the expansion of production capacity at our plants in Changchun, Nanjing and Chengdu, as well as the construction of the new vehicle sites in Yizheng, Foshan and Ningbo. The plant in Yizheng is projected to start production in 2012, and production in Foshan will start just a year later. The plant in Ningbo will start manufacturing vehicles in 2014.

The automobile market in North America is equally important. In the largest market of this region, the USA, we put our new vehicle plant in Chattanooga into operation in 2011. It is one of the most modern automotive plants in the Group as it meets the highest standards for sustainable and environmentally friendly production. At the same time it is a significant element of our overall strategy in the region, based on which we intend to achieve our long-term volume and profitability goals there. The factory requires about 35% less energy than comparable standard industry buildings. When completed, we will build 150,000 cars each year in Chattanooga and employ about 2,500 people.

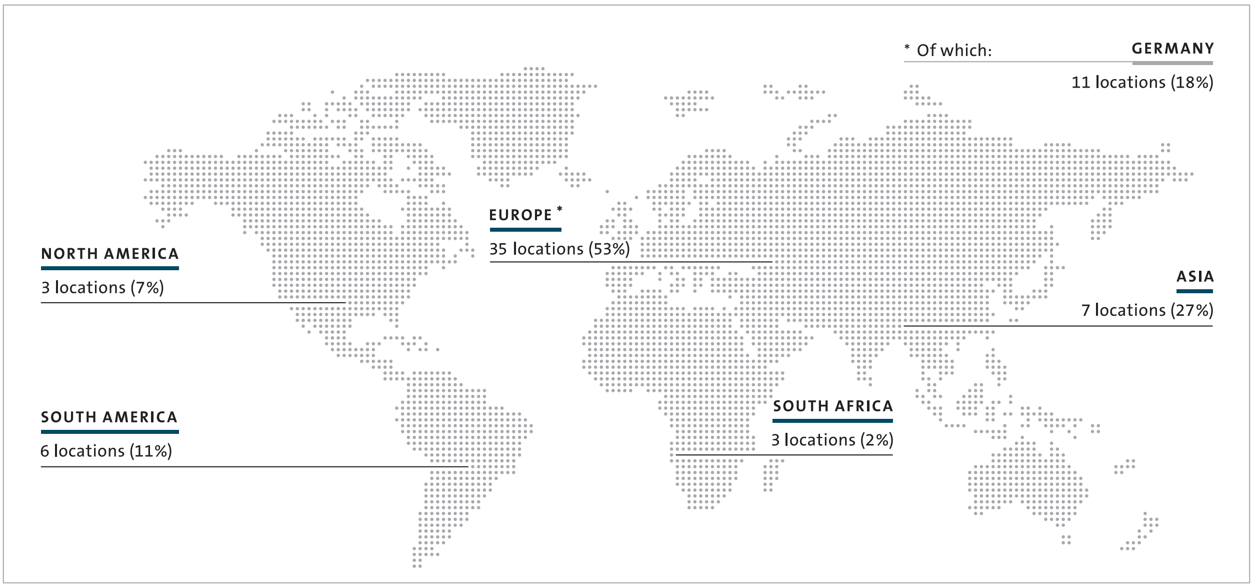
A new engine plant is being built in the Mexican city of Silao with an annual capacity of 330,000 engines of the latest generation. Upon completion of the plant in 2013, it will form a regional production network together with the production sites in Puebla and Chattanooga, which will significantly strengthen our market position in North America. We will be able to increase our regional value added, while reducing cost and exchange rate risk.

The automotive market in India is one of the most important growth markets in the world. We have been present there with local production since 1999 at the ŠKODA assembly plant in Aurangabad. We thus entered the market prepared for the long term. Vehicles for Volkswagen Passenger Cars, Audi and ŠKODA are currently assembled in this plant. In addition, our modern vehicle plant in Pune, which came into operation in 2009, produces vehicles for the growing compact saloon segment. These two production sites form the basis from which we will profit from strong future growth in the Indian market.

We began local assembly of vehicles in Malaysia under a partnership-based business model in October 2011. The production volume over the next few years will grow steadily to about 30,000 vehicles per year. In addition to the production volume, we will also continue to raise the share of local value added in the near term.

We are continuing to expand our presence in the important Russian growth market. In order to increase our local production capacity there in the short term, our Russian partner, the GAZ Group, has been producing the first vehicles under contract to us since November 2011. The production volume there will increase to 100,000 vehicles per annum by 2013.

VEHICLE PRODUCTION LOCATIONS OF THE VOLKSWAGEN GROUP
Share of total production 2011 in percent



New start-ups and production milestones in 2011
Worldwide, during fiscal year 2011 the Volkswagen Group successfully implemented 30 new production start-ups, 17 of which were new products or successor products. A highlight was the start of production of the new Volkswagen up!, ŠKODA Citigo and SEAT Mii small cars. Volkswagen Passenger Cars started production at the new plant in Chattanooga of a version of the Passat designed especially for the US market. The successors to the Golf Cabriolet and the New Beetle were also important milestones in the production calendar. The Audi brand expanded its range of models by the Q3 and other vehicles. Bentley overhauled the Continental class with the GT and GT Cabriolet. The ŠKODA Rapid is another vehicle now produced entirely in the Indian city of Pune.

A number of other important production milestones for the Volkswagen Group were celebrated in the reporting period: for Volkswagen Passenger Cars and Volkswagen Commercial Vehicles, the 125 millionth vehicle of the combined brands rolled off the assembly line. The 25 millionth Golf hatchback and the ten millionth ŠKODA left our factories. Our plant in Emden produced its ten millionth vehicle in May. And in July, FAW Volkswagen celebrated production of its five millionth vehicle.

The Group's production system
As part of the "Volkswagen Way", we are continuing to optimize the processes and structures at all Volkswagen sites in Germany. In its first step, the "Learn to See" program calls for employees to identify any kind of waste, eliminate it in a lasting manner, and introduce new, more efficient processes to be established as standard. In the second stage, there were events which help improve internal department and cross-departmental cooperation. This system, which has a standard methodology and approach helps us make even further progress toward our goal of being a value driven, synchronous business. Another focus of our work on production processes and structure was the implementation of workshops that improve both productivity and ergonomics at the workstation in the areas of new product engineering, design and implementation.

In parallel with this, and as part of a new logistics plan, we are working to optimize the supply of components across the entire process chain – from the supplier to the assembly line. As a result of these efforts, processes were standardized across plants and brands, allowing greater synergies to be leveraged in the Group.

Thanks to systematic standardization, the modular toolkits developed by the Group give us the opportunity to implement a wide variety of vehicle and drive concepts with a minimum of effort using a uniform vehicle architecture. At the same time, the unit costs, one-time expenses as well as the production time for a new vehicle model can be significantly reduced.

In order to meet rising worldwide demand for vehicles, we are increasingly committed to production that can cover multiple vehicle classes and brands. This production approach – in conjunction with the use of modular toolkits – ensures that we can cost-effectively support the growing complexity of our model portfolio. Product standards, state-of-the-art production processes as well as integrated factory concepts create the conditions for this.

In the coming years, the MQB will form the basis for many of our Group vehicles. The Modular Production Toolkit (MPB) was developed for this reason. The core element of the MPB is far-reaching standardization: from operating equipment through facilities and production areas, down to the entire factory. Standardized elements are combined to form a growing number of new systems, achieving high levels of flexibility for the facilities. Production will thus be in a position in the future to produce different models of different brands in varying quantities at one plant, in one and the same facility. This allows the capacity of all plants in the Group to be optimally utilized.

One of our most important goals is to continually increase efficiency. We intend to raise our productivity by an average of 10% in both direct and indirect areas by systematically using the methods and instruments of the Group-wide production system.

Training centers are being established worldwide in order to train employees of the Group brands about the production processes. For example, Volkswagen Slovakia opened a new Center for Logistics in 2011. This training facility offers customized education in the logistics function for the first time in the Group. Additional training centers have been established at the Osnabrück plant and the Wolfsburg site.

SALES AND MARKETING

The Volkswagen Group's unique portfolio of products is made up of ten successful brands that excite millions of customers worldwide. In the past year, we have systematically reinforced the distinct and individual image of each brand and optimized their market positioning.

Brand diversity in the Volkswagen Group

"Volkswagen – Das Auto". This slogan unites the three core messages that distinguish the Volkswagen Passenger Cars brand: "innovative", "providing enduring value" and "responsible". For customers worldwide, the brand is an expression of quality, reliability and German engineering skill. This brand profile and the trust associated with it that customers place in us are the reason the Volkswagen brand is the first choice for millions of customers when purchasing a car. Today and in the future, global brand management focuses on the wishes and preferences of customers. Volkswagen enjoys a decisive competitive advantage through innovation that is driven by needs while remaining affordable. This plays a significant role in reaching our medium to long-term goal of becoming the most innovative volume manufacturer with the best quality in each class.

In the premium segment, Audi has become one of the strongest car brands worldwide under the motif "Vorsprung durch Technik". The brand aims to take over market leadership in this segment and relies heavily on its sporty, high quality and progressive image. The success of Audi's four rings in all markets around the world, coupled with the numerous honors and awards conferred on Audi models, is impressive proof of the fact that Audi has evolved into a premium, high prestige brand. This success is primarily attributable to a consistent marketing strategy with 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 relies on delivering a strong value proposition and an attractive design, coupled with intelligent ideas for the use of space that are technically simple but offer refined and practical solutions. The high recognition for the brand concept is reflected in its numerous awards for ambitious, innovative and sophisticated vehicle design.

Models that regularly win awards for their outstanding design are representative of the SEAT brand image. By sharpening the brand profile and placing additional focus on the most important brand values of "dynamic", "young" and "design-oriented", SEAT is aiming for stronger growth, particularly in Europe. The new brand claim "Enjoyneering" suitably expresses the character of the brand as a passionate perfectionist and emotional technology leader.

Bentley, Bugatti and Lamborghini round off the brand diversity of the Volkswagen Group in a refined manner. They reside in the luxury vehicle segments and distinguish themselves by their exclusivity, power and elegance.

Volkswagen Commercial Vehicles stands for superior mobility with its three core values of reliability, economy and partnership. It offers a range of different transport solutions at the highest levels of engineering for different customer groups. The light commercial vehicles in the Caddy, 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. Family-friendly MPVs and leisure-oriented motor homes are valued by private customers as derivatives of our light commercial vehicles.

The success of the Swedish Scania brand is based on the core values of "customer first", "respect for the individual" and "quality". For over 100 years, the company has been manufacturing high-performance trucks and buses with highly innovative technology and offering customers efficient transport solutions in combination with a variety of service packages, including financial services.

The core values of the MAN brand are reliability, innovation, dynamic strength and openness. Reliability means fulfilling expectations and keeping promises. Innovation means creating new solutions through fresh, creative and expert thinking. Dynamic strength means recognizing potential and acting in a flexible, solution-oriented manner. And openness stands for close cooperation in the Group and the exchange of new ideas and information.

Customer satisfaction and customer loyalty

The satisfaction of our customers has the highest priority for us. That's why our sales activities are always driven by the goal of increasing customer satisfaction. With this claim in mind, we once again implemented measures and introduced processes in 2011 that further increased the satisfaction of our vehicle buyers and customers in the after-sales area, as well as that of our dealership partners.

The individual brands of the Volkswagen Group regularly measure the satisfaction of their customers in their respective markets. Special survey techniques focus above all on product quality and service. From the results they gather, the brands derive measures to further increase customer satisfaction.

In terms of customer satisfaction with product quality, the Audi brand occupies a leading position in the core European markets in comparison to both other Group brands and its competition. However, the other brands in the Group also stand out with overall satisfaction scores just as high or higher than competing brands.

Our customers are loyal to our brands because they are satisfied with our products and services. The extent of customer loyalty in our brands is impressively illustrated in our loyalty figures: the Volkswagen Passenger Car brand, for example, has maintained a high level of customer loyalty in its core European market 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. We reorganized the Board of Management Sales function with the aim of optimizing the Group's cross-brand sales activities. This is a fundamental precondition for steadily increasing volume and market share, for lifting earnings contributions and sales efficiency, and for optimizing costs at the same time.

In 2011, we pressed forward with the integration of dealers into our IT system in order to leverage synergies and improve the exchange of information between them and with our wholesale operations. Our close working relationship with dealers and their profitability are a focus of our distribution network strategy. We direct our wholesale business in over 20 markets through companies belonging to the Group. This is supported by a new central department that directs the national sales companies. It is tasked with increasing the transparency of sales activities, improving cost management and integrating the activities of the brands more closely, in order to better leverage synergies. This enables us to transfer the best practice approaches of individual companies to the other wholesale companies quickly and efficiently. The central department will be instrumental in helping us achieve the goals laid down in the Group's Strategy 2018.

Sales capability in the Group was further expanded with the acquisition of the trading business of Porsche Holding Salzburg on March 1, 2011. As an international trading business, the company operates in twelve countries as a wholesaler and in 20 countries as a retailer. It is characterized by outstanding professionalism along with an impressive track record of earnings and growth. We plan to leverage these core competencies more intensively in the future with the goal of making our own trading activities more efficient and powerful, and maximizing synergies. It will also help us better integrate the needs of the dealers and our customers into our strategy and align our activities with them. Porsche Holding Salzburg also has outstanding IT capability in the area of trading. We intend to use this to advance the establishment of an integrated systems environment from the manufacturer through wholesalers down to retail dealers.

Fleet customer business further expanded

A characteristic of our relationships with fleet customers is their long duration. They are also stable in volatile business conditions. The Volkswagen Group further expanded its excellent market position in the fleet customer business in 2011.

Volkswagen has a broad customer base in the industrial fleet business in Germany and the rest of Europe. Our main advantage here is our extensive product portfolio, which can satisfy custom mobility needs from a single source.

Resale value safeguarded through efficient remarketing

Efficiently marketing relatively new used cars is an important component of the Volkswagen Group's long-term growth strategy. Since the residual value of the vehicle is one of the most important criteria in a customer's purchase decision, we direct our efforts at maintaining a high resale value. By offering market-standard used cars, combined with the performance promise included in the used car programs under our brands, we are able to keep residual values stable at a very high level. Regular surveys give us a picture of what customers look for when buying a used vehicle and what their requirements are. These help us to continuously optimize the vehicles and the used car programs. Under names such as "Das WeltAuto." for Volkswagen Passenger Cars, "Audi Gebrauchtwagen *:plus*" ("Audi used cars *:plus*"), or "SEAT Selection", certain Group brands have begun to redesign their used car strategy so that their dealership business can be organized along standard lines. These programs provide the customer with a high level of assurance and quality through guaranteed services.

The development of the Group brands in growth markets is particularly important for our long term success. One focus of our remarketing strategy is on ecologically sustainable, low-cost mobility in these markets, and our used car programs contribute to this. In addition to the higher recognition value, these ensure in particular the same high level of performance worldwide.

QUALITY ASSURANCE

The satisfaction of our customers worldwide is determined to a significant extent by the quality of our products and services. The high quality of our models and components was reaffirmed in 2011 with a focus on customer satisfaction and supplier quality, which thus contributed to the growth of the Volkswagen Group.

Three core processes influence customer satisfaction: vehicle concepts must be guided consistently by customer desires; well-structured production processes should ensure flawless delivery quality; and finally, vehicle handover and service from the dealer must be excellent.

Product quality

Customers are satisfied and loyal when their expectations of a product or service are met or even exceeded. Crucial to this is the quality perceived by the customer over the entire product experience; this includes in particular reliability, appeal and service. Only when we surprise and excite our customers in all these areas do we win them over with outstanding quality.

In spite of the large number of production start-ups, we maintained the high quality level of the previous year in 2011 across all Group brands and locations, and kept the number of repairs at a consistently low level.

In addition to preventive process stability and product reliability, customer satisfaction is the main theme in Quality Assurance at Volkswagen. Our primary focus in 2011 was to refine the program for raising customer satisfaction, which is already established across business areas. Its goals include incorporating insights from product usage into the planning for future products. This way we can ensure that customer requirements are taken into account at this early and important phase. The knowledge gained is not only factored into the development of new vehicles, but also permanently reflected on series production for established models. We acquire the necessary information for this primarily through studies and customer surveys.

Service quality

Customer satisfaction is not created by product appeal and reliability alone; it is also determined by our dealers in the area of service. Raising service quality worldwide is therefore another goal of our customer satisfaction program. As the direct interface with the customer, the starting point in customer satisfaction is the dealership operation, as it is with after-sales business. Quality Assurance maintains close contact with the dealers in order to improve the perception of service by our customers. Deficiencies that may be revealed in the emotional moment of vehicle handover can be recognized early and corrected systematically.

The main task for Quality Assurance in the area of service in 2011 was to standardize the processes between market and manufacturer. Here, the goal was to anchor the optimizations achieved individually to a common structure in order to offer the best service to our customers anywhere in the world. Close integration with our dealer partners is a central element in this. It enables us to meet market-specific customer requirements even better in the future. Its scope reaches from optimal market and dealer support for repairs down to customer-oriented solutions for warranty-related issues.

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 produce the excellence that is necessary for Volkswagen to become number one in international automotive production. This human resource policy maxim applies worldwide and is of special significance in periods of growth such as the Volkswagen Group has been experiencing for several years.

As of December 31, 2011, the Volkswagen Group including the Chinese joint ventures employed 501,956 people. The number of employees has thus increased by 102,575 or 25.7% year-on-year. Significant factors in this increase, in addition to volume-related growth, were the consolidation of Porsche Holding Salzburg with 20,652 employees and MAN SE with 53,722 employees. The distribution between Group employees in Germany and those abroad shifted slightly in the past year: at the end of 2010, 45.4% of employees still worked in Germany, while on December 31, 2011, this was only 44.8%. To ensure that employees at all sites have the outstanding skills needed in an environment of rapid growth, Volkswagen places strong emphasis on becoming a teaching and learning organization.

Starting a career at Volkswagen

A key factor in the development of Volkswagen's outstanding team is vocational training. Volkswagen has stepped up its commitment to dual education and training and has introduced vocational training at new sites. At the end of 2011, the Group had 15,021 employees in vocational training worldwide. As of December 31, 2011, Volkswagen AG was training approximately 4,667 vocational trainees and students in 33 professions and 20 degree courses at its six German locations under the StIP integrated study and traineeship scheme. In response to the accelerated course of study leading to the university entrance exam in Germany, and the resulting doubling of the number of students finishing school in 2011, Volkswagen AG established an additional 66 vocational training positions. New vocational training positions were also created at Volkswagen Osnabrück GmbH in the period. In 2010, this site had already made it possible for the vocational trainees and students in the StIP integrated study and traineeship scheme who had been terminated by the insolvent Wilhelm Karmann GmbH to continue their training. An additional 29 vocational trainees and students in the StIP scheme were hired in 2011; 11 of them are women in industrial and technical fields.

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. These include the cooperation between Volkswagen vocational training and the "Youth Start-Ups" high-tech and business start-up competition and organization of the "ProTalent" and "ProMechanic" competitions.

Volkswagen vocational trainees have a more than twenty-year tradition of involvement with the Auschwitz memorial site, which is run in cooperation with the International Auschwitz Council. Four times a year, the trainees from Volkswagen and Polish young people travel to Auschwitz for two weeks in each case in order to work on maintaining the memorial. Nearly 2,000 young people from Germany and Poland have participated in the program so far.

Since 2006, on completion of their training, 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. So far, over 270 young employees of the Volkswagen Group have taken this opportunity. Today, 23 companies in 16 different countries participate in this program.

Every year, the Group Board of Management and the World Works Council present the "Best Apprentice Award" to Volkswagen's best trainees. This year's prize for the best apprentice was awarded for the eleventh time at the end of November 2011 in Stuttgart. Twenty-seven vocational trainees from twelve countries accepted the honor.

Professional development and training for all employees

The cornerstone of all Group training initiatives is professional development 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 occurs in the vocational group mainly through the involvement of its own internal specialists. This model of cooperative learning was established in other areas of the Company in 2011.

The master craftsmen at the Volkswagen Group deserve particular attention with regard to training and professional development. Their qualifications are currently being adapted to uniform worldwide standards. Basic master craftsman qualification training was introduced in 2011 at the first international sites. It prepares future master craftsmen for their work. At the plant in Pune, India, a total of 39 Indian master craftsmen from three courses received their qualification, after 49 employees had participated in the training the year before. In addition, a total of 65 employees across five courses completed basic leadership qualification training in the reporting period. The Kaluga plant in Russia conducted seven master craftsman qualification training courses in which around 100 employees participated. Initial steps for master craftsman qualification training at the Chattanooga site were also taken in 2011.

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 the past year, over 70,900 employees received further training at the 8,232 seminars held by Volkswagen Coaching GmbH lasting a total of 198,547 participant days. In the area of specialist skills development (e.g. factory automation, robotics and applications engineering, or business), 48,817 employees were involved in 6,286 seminars covering 132,290 participant days. In the field of "crossfunctional skills development" (which includes leadership skills and personal development), 22,133 employees attended 1,946 training courses representing 59,257 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 423 training courses in 2011.

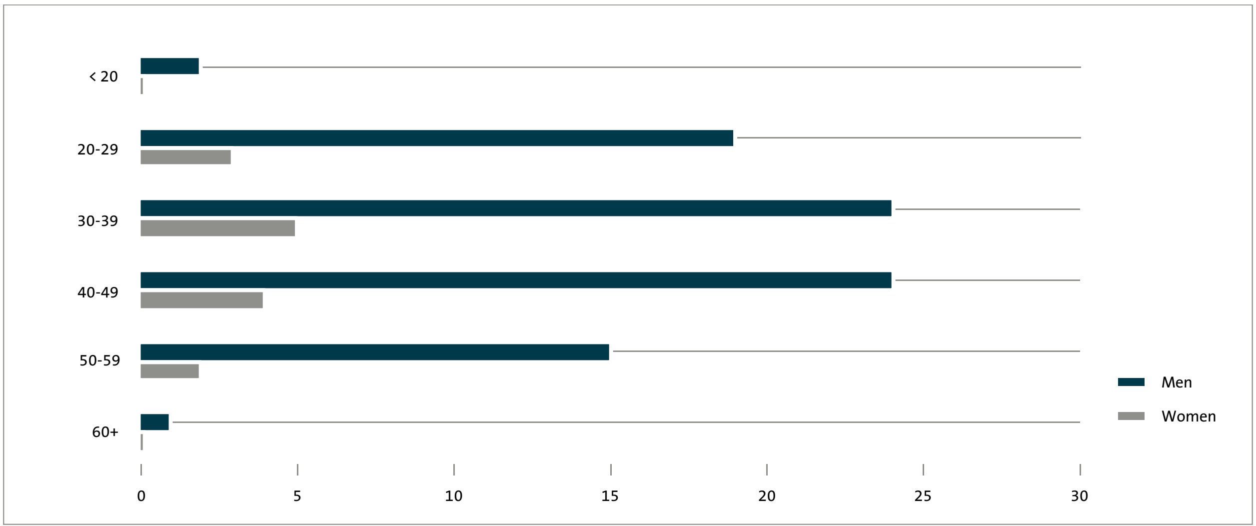
Training programs at international locations

Training and qualification opportunities for employees also continue to expand at the Volkswagen Group's international locations. Dual vocational training and education now exists at 35 sites abroad and is in development at an additional 23 sites. In the Kaluga plant at Volkswagen Group Rus, for example, the second year of vocational training began in 2011 and three additional training professions have been introduced. Likewise, the "Volkswagen India Academy" in Pune, opened at the end of 2010, was able to expand in the past year. A three-year vocational training program for mechatronics in accordance with the dual system has been introduced there. In the future, more than 100 vocational trainees who have been trained at state Industrial Training Institutes as welders, painters, fitters, electricians, tool and machine mechanics, vehicle mechanics, or automation specialists will be guided through a year-long practical training each year. The training academy opened in 2010 at the US site in Chattanooga has expanded its capacity to coincide with the start of operations at the factory there in May 2011. Proven personal development instruments of the Volkswagen Group such as the Management Assessment Center and basic leadership qualification training have been transferred to Chattanooga. In addition to the existing training center in Nanjing, Shanghai Volkswagen in China began construction of a training center in spring 2011 for the plant in Yizheng. The new site in Foshan is currently also being equipped with a training center.

Prospects for university graduates

Volkswagen offers the StartUp Direct trainee program to young university graduates who have recently joined 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 program includes a three-month international placement during its 18-month period. Over 1,400 trainees gained their first Volkswagen experience in one of these two programs since their launch in 2008.

AGE STRUCTURE OF THE EMPLOYEES OF THE VOLKSWAGEN GROUP*
age in years, percentages



* Excluding Scania and MAN.

Professional development at university level: the AutoUni
The availability of specialized academic knowledge within the Volkswagen Group is assured by the AutoUni. Here, too, 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 and recently also cooperative study modules at university level. One focus of the study modules in 2011 was in the area of electric traction. 159 employees advanced their training here. Programs at the AutoUni, which is based in Wolfsburg, have been rolled out internationally for several years. The International Financial Reporting Standards study module, for example, could be taken in both English and in German at the Chinese joint ventures in 2011.

Altogether nearly 12,700 participants attended 200 seminars organized by the AutoUni in the previous year. One-third of the courses were held outside of the main location in Wolfsburg and around 40% of the events were open to the public.

The AutoUni is also intensely involved in the Group's doctoral student program. More than 400 doctoral students were supervised in 2011 at the various companies of the Volkswagen Group in Germany. Completed theses can be published as part of the AutoUni's publication series.

There were significant developments in the area of university cooperation that is administered by the AutoUni. Volkswagen AG established a professorship in human resources at the Technische Universität Braunschweig in 2011.

In China, Tongji University in Shanghai and Volkswagen intensified their longtime cooperation. In addition to the two current professorships there, an additional professorship for Human Resource Management was established by Volkswagen at the Sino-German College for Graduate Study. Likewise supported by Volkswagen is the Dual Master Program, in which the Chinese university and the Technische Universität Braunschweig cooperate. Under this program, ten Chinese students per year earn a double master's degree in Automotive Engineering and Mechanical Engineering at the Shanghai and Braunschweig locations. The curriculum includes two internships that the students complete at the Volkswagen plant in Wolfsburg. These measures raise the attractiveness of Volkswagen as an employer in China and contribute to meeting the human resource needs there. In 2011, 1,000 graduates from cooperating universities were selected and hired in China out of more than 70,000 applications.

Employee participation

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. Furthermore, Volkswagen offers training in order to promote the ideas culture systematically throughout the business. Ideas Management also gives supervisors and managers an important leadership and motivational instrument.

In 2011, Volkswagen employees throughout the Group submitted a total of 475,073 improvement proposals. The implementation of 340,960 of these suggestions in the reporting period helped to improve the quality of our products and the efficiency of our processes, and helped to reduce costs in the Group by €325.5 million. Employees who submitted the ideas received bonuses worth some €32.7 million in acknowledgment of their creativity and contributions in shaping the Company.

Another instrument in which the involvement of employees has special significance is the "Volkswagen Way", which has the comprehensive optimization of all business processes as its goal. It is centered on the Continuous Improvement Process (CIP) that aims to achieve continuous improvement in productivity and efficiency as well as communication, teamwork and leadership. Since the start of the "Volkswagen Way" in 2007, Volkswagen employees have been trained in how waste can be recognized and eliminated. In 2011 it focused primarily on optimizing processes – particularly with regard to product and work quality. The Volkswagen Group's other brands have similar efficiency enhancement programs.

A now proven and extensively used tool for the removal of flaws in work processes is the "opinion survey". The opinion survey was conducted for the fourth time in 2011 as a unified, Group-wide employee questionnaire. 77 locations and companies in 26 countries were included in the survey. Of the over 346,000 employees invited to participate, more than 308,000 took part. This was a participation rate of 89%. The survey results for 2011 reveal a positive trend in comparison to the previous year. Over 60% of employees see the opinion survey as helpful or very helpful for improving their work. In the opinion of the respondents, the discussions about the results assist teams and organizational units in achieving sustainable improvements in job satisfaction.

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 therefore one of the key success factors in becoming the top employer. 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. Volkswagen follows a system for this that defines detailed requirements for all relevant levels of the hierarchy as to when a certain proportion of women must be reached. An important instrument for achieving the goal is the quota for the university graduates we hire. 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%, for information technology 15%, 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 graduates hired.

PROPORTION OF WOMEN
VOLKSWAGEN GROUP IN GERMANY*
as of December 31, 2011

%	2011	2010
Vocational trainees	**26.4**	**25.4**
Industrial vocational trainees	20.4	20.0
Commercial vocational trainees	52.9	50.7
Students in traineeship schemes	32.0	30.0
Female managers	**8.5**	**8.1**
Management	10.1	9.5
Senior management	6.4	6.3
Top management	4.9	4.1

* Excluding Scania and MAN.

This increasing proportion of qualified women joining the Company enables us to steadily lift the proportion of female executives at the various management levels in the coming years. The goal for the Volkswagen Group in Germany is an 11% ratio of women in top management, a 12% ratio in senior management and a 15% ratio in other management levels by 2020.

In the reporting period, the proportion of women in the management ranks for the Volkswagen Group in Germany already increased to 4.9% in top management, 6.4% in senior management, and 10.1% in other management levels (at year-end, excluding Scania and MAN). 45 women at Volkswagen AG participated in a mentoring program in 2011, giving them support on their path into management.

The Company also has the goal of raising the proportion of women among skilled workers and master-level workers to at least 10% by 2020. The current proportion of women among workers at the master level is just below 4%. In 2011, 25 women were helped in their effort to become master craftswomen through a targeted mentoring program. Personal development programs for women, an improved work/family balance and flexible working time models accompany the system used by Volkswagen to achieve the individual quotas.

Volkswagen specifically recruits female talent. We offer 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 2011 offered over 2,000 young women a behind-the-scenes look into careers in the automotive industry.

Preventive healthcare and occupational safety

Maintaining the health and occupational capability of our employees is one of the most important goals of Volkswagen's human resource policy. The "CheckUp", a free, comprehensive medical examination, was made available to all employees at Audi in 2006 and at Volkswagen in 2010. Each Volkswagen AG facility now offers this regular check-up using state-of-the-art examination procedures with a view to keeping their employees healthy and fit. The high level of diagnostic quality of the check-ups is generally acknowledged by the employees. So far more than 28,000 Volkswagen employees have taken advantage of this voluntary offering, whose quality is being improved continuously. At the German plants, the focus in 2011 was on expanding the internal and external prevention offerings that are connected to the Volkswagen Checkup. The Volkswagen Checkup also started to be rolled out on a large scale at Group locations abroad.

Parallel to this, our efforts continued to improve ergonomics at all work stations. The deployment of occupational therapists to the production lines enabled the ergonomic optimization of these work stations at many locations. Additionally, employees were able to receive advice and guidance directly at their workplace about improving the ergonomic implementation of their workflows.

In the course of our management development programs, line supervisors were taught to give stronger consideration in their leadership practices to the link between leadership and employee health. A basic seminar was designed for this purpose. We also developed compulsory training modules on occupational safety and introduced them for all prospective managers. Based on the Group occupational safety management system implemented in 2010, all Group brands and companies conducted a comprehensive analysis in 2011 of their current occupational safety organization and the processes associated with it. Examples of good practice identified Group-wide will be used systematically for process improvements in occupational safety in the future.

Company pension plan

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. In addition to an employer-funded pension plan, employees have an opportunity to provide for their own retirement income through deferred compensation. Since 2001, funds for the Volkswagen AG company pension plan have been invested in the capital markets by the internal pension fund administered in trust by Volkswagen Pension Trust e. V. At the end of 2011, an additional 21 Group companies in Germany made use of this option. A total of €2,589 million had been contributed to the company pension fund by the end of 2011 for employee retirement and disability pensions, and for benefits in the event of death.

Since 1998, Volkswagen AG's Time Asset has given staff an opportunity to retire earlier. Employees can 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 €1,132 million.

EMPLOYEE BREAKDOWN
as of December 31, 2011

	2011	2010	2009	2008	2007
Vocational trainees in the Group	15,021	10,545	9,846	9,884	9,302
Industrial	11,249	7,799	7,439	7,498	7,525
Commercial	3,772	2,746	2,407	2,386	1,777
Passive stage of early retirement	4,488	4,778	7,070	8,841	9,847
Group's active employees	482,447	384,058	351,584	351,203	310,156
Total headcount	**501,956**	**399,381**	**368,500**	**369,928**	**329,305**
Europe	378,030	290,159	278,779	284,962	256,119
America	58,072	54,571	48,529	48,867	42,814
Africa	6,602	6,546	5,608	6,194	5,664
Asia	58,540	47,607	35,123	29,423	24,544
Australia	712	498	461	482	164
Percentage of female employees in the Group	14.7	14.2	14.2	14.0	13.7
Absences (in %)	3.4	3.3	2.5	3.0	3.0
Number of accidents at work*	1,806	1,855	1,865	1,819	1,684
Frequency of accidents*	3.2	3.6	4.0	4.0	4.2

* Excluding Scania and MAN (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 IT support for business processes and the development of new sites bring constant challenges to the IT functions of large companies. At the same time, an IT infrastructure that is adequately equipped, both technologically and quantitatively, is the foundation for stable IT systems and thus for optimal IT support at the different corporate locations, in business processes and in the sales network. The continuous enhancement of data centers is of primary importance. The Volkswagen Group faced up to these challenges in 2011 and started operations at its new Group data center in Wolfsburg. The new two-story building features 2,000 square meters of state-of-the-art IT engineering as well as energy-efficient building technology and infrastructure. It also meets the highest international standards for security. High-performance power sets and kinetic energy storage media ensure uninterrupted operation during potential changes in voltage. The new data center raises the total computing power at the Wolfsburg site by 86% and brings IT capacity, which was formerly housed in various buildings, together at a single site. The new facility will cut annual energy consumption by 9.1 million kWh compared with the previous data centers; CO_2 emissions will be reduced by 5,000 tonnes per year. Redirected outside air cools the data center for around two-thirds of the year; this high-efficiency, indirect cooling consumes no additional energy.

ENVIRONMENTAL MANAGEMENT IN THE GROUP

Protecting the environment and managing the Company in an environmentally friendly way is part of our corporate culture. Taking into account social, economic and ecological aspects, we operate sustainably, support environmentally responsible practices and safeguard employment for the long term. Two core principles characterize environmental policy at Volkswagen. First, we continuously improve production processes in order to ensure that our products are made in a resource-friendly manner. Since 2010, these efforts have been supported by an efficient energy management system. Second, we continually improve the environmental compatibility of our products across their lifecycle. Environmentally relevant considerations are identified early and integrated into the development process of our products. Policies for an environmentally oriented approach are adhered to over the entire product life cycle. By 2018, we intend to be the number one in the automotive industry in ecological terms.

The Volkswagen and Audi locations in Germany have voluntarily participated in the EU Eco-Management and Audit Scheme since 1995. As part of this, we continuously audit our environmental performance and make adjustments where necessary. Worldwide, we implement concrete environmental protection measures in accordance with environmental certification processes under the international standard EN ISO 14001. Since 1996, this standard has also been applied to the environmental management system used by Volkswagen's Technical Development area, which has additionally been certified in accordance with DIN ISO/TR 14062 since 2009. With the recertifications, Volkswagen has confirmed its role as a trailblazer.

Environmentally friendly production processes

Active climate protection and the efficient use of raw materials that are becoming increasingly scarce play an important role at Volkswagen. In addition to the emphasis we place on environmentally compatible products, we also focus on resource-conserving and environmentally friendly production. In the reporting period, we once again achieved improvements to our key environmental indicators in production. The charts on page 213 illustrate this clearly. Based on the requirements of internal rules and process standards, the environmental data of Group production sites are compiled, validated and analyzed. Using continually updated data, we can determine the Group's environmental pollution trends. The data captured currently covers 59 locations.

As part of our measures to protect the environment, we continuously optimize resource efficiency. We not only understand this as the relationship between resource input and product output for a particular process, but also view it in a broader sense – from product development all the way down to recycling. Resource efficiency is clearly at the forefront in product development.

For example, the applicability of material flow management in choosing innovative production processes from the vehicle and component production areas was tested and material flow management was introduced. The concrete effects of these measures can be seen, among other areas, in the paint shop, where material waste is being reduced by up to 85% with the help of a newly developed paint change system. Energy and material consumption in the components area is also being reduced. An important topic here is reducing the base load for electrical consumption, for example with procedures for lowering the consumption of equipment in standby operation. The focus of material efficiency is on processes with minimum lubrication or dry machining. These include what is known as orbital cold forming, an innovative forming method that replaces the machine processing previously used: by using blanks that are similar in shape to the final part, we are able to significantly reduce the amount of waste.

Volkswagen has developed and implemented many processes and procedures to ensure that new vehicles are 85% recyclable and 95% recoverable overall. These percentages are confirmed regularly by the German Federal

Motor Transport Authority. Thanks to the reprocessing of residue with the Volkswagen SiCon process, recycling end-of-life vehicles is both environmentally and economically feasible. Volkswagen generally takes its own end-of-life vehicles back without cost within the EU. Volkswagen taps into an extensive network of mid-size business partners for their recycling. Many worn components – around 13,000 items – are processed by Volkswagen, tested and reconditioned as replacement parts. In terms of quality and warranty, these are equivalent to new parts. We are gradually expanding our recycling activities to markets outside Europe. In 2011, we also started reprocessing engines in China.

One of our central goals is to reduce the use of primary raw materials. The use of quality-assured recycled materials in almost all vehicle components is not only permitted, but explicitly required in both the Group-wide recycling standard and cross-project environmental specifications. The recycled share of all materials in the current series Golf, Polo and Sharan models amounts to around 40% of the vehicle weight. Plastics are recovered in addition to many metals. One example is the underbody shells, which are made of 100% recycled plastics in some vehicles. Certification by the German inspection organization TÜV NORD confirms these high values.

Energy management at the production facilities

In 2011 we intensified measures to protect the environment and manage energy consumption for the long term at our production facilities worldwide. At the two Volkswagen sites in the Indian city of Pune and in Dalian in China, environmental management systems were put in place this year that were certified in accordance with the international standard EN ISO 14001. Additionally, we are taking the first step in adopting an energy management system in accordance with DIN EN 16001 at the Group's European facilities. It is being integrated into the existing environmental management system and will be certified in the course of the Eco-Management and Audit Scheme (EMAS) of the European Union or the international standard EN ISO 14001. In Germany, Volkswagen also fulfills the requirements that constitute an important element of the German government's plan for improving energy efficiency in industry.

Using different approaches, we have systematically worked on additional opportunities to save energy and improve energy efficiency at the sites and individual production areas. With the assistance of Group working parties and supporting IT applications, we have been able to expand the transfer of knowledge between the persons responsible and the individual sites. We have also established standardization measures to lower the base load during nonproduction times.

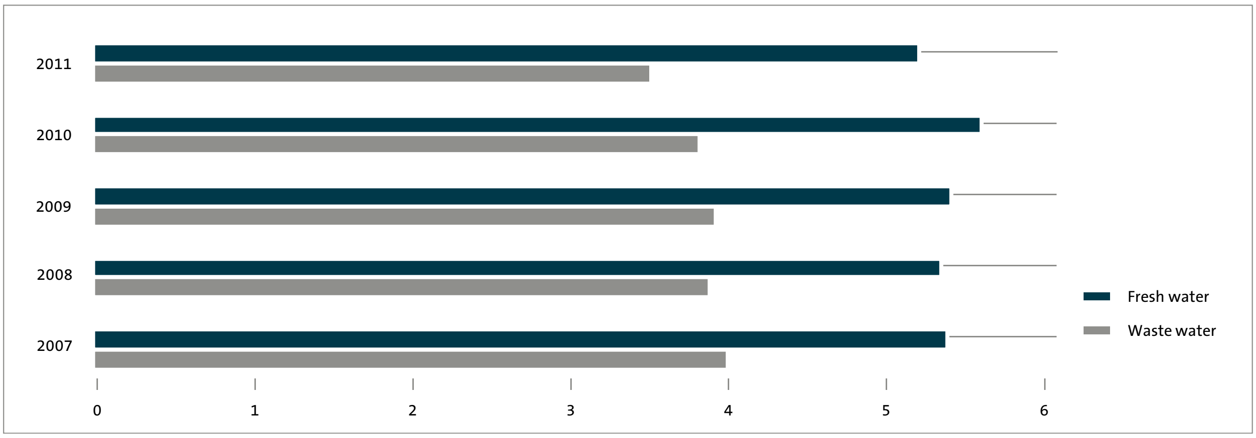
During the design phase for the plant in Chattanooga, the participating planning units – in light of the business goal of becoming the most environmentally friendly automobile producer worldwide – were asked to assess ideas and experiences from existing Group facilities. On the basis of these results and Group-wide standards for energy efficiency, an advanced overall concept for the environmentally sound design of the buildings, infrastructure and production technology arose which was in keeping with "Think Blue.Factory." approach. In addition, wetlands near the factory grounds were expanded and connected with one another. The factory buildings are certified in accordance with the prestigious LEED (Leadership in Energy and Environmental Design) standard of the US Green Building Council. The certification affirms our adherence to strict standards sustainability and environmentally friendly construction. The LEED quality seal is awarded in four levels; the plant in Chattanooga was the first automobile factory to receive the Platinum status. The newest lighting systems are installed outside and inside, using technology that is as much as 90% more energy efficient. Efficiency in body shell production was raised by employing the latest generation of disk lasers to make welding seams. These lasers are seven times more efficient than the rod lasers commonly used before.

The paint shop in Chattanooga is one of the first in the Group to be operated on the basis of "Process 2010", which combines two previously separate painting processes into a single operation, with no loss of quality. It saves the expense of a dryer and an air conditioning system in one of the painting areas. The process air from the spray booths is recirculated – and that also saves energy: up to 70% compared with the former process. This air recirculation system is based on a highly efficient design where the overspray created by spray painting is removed without the use of water. The Chattanooga plant is the first Volkswagen facility to use this process and a model for all painting facilities to be built in the future.

In order to reduce the environmental impact of volatile organic compounds, we are using water-based paints with reduced solvent content. The remaining solvents in the waste air are eliminated by a state-of-the-art waste air cleaner.

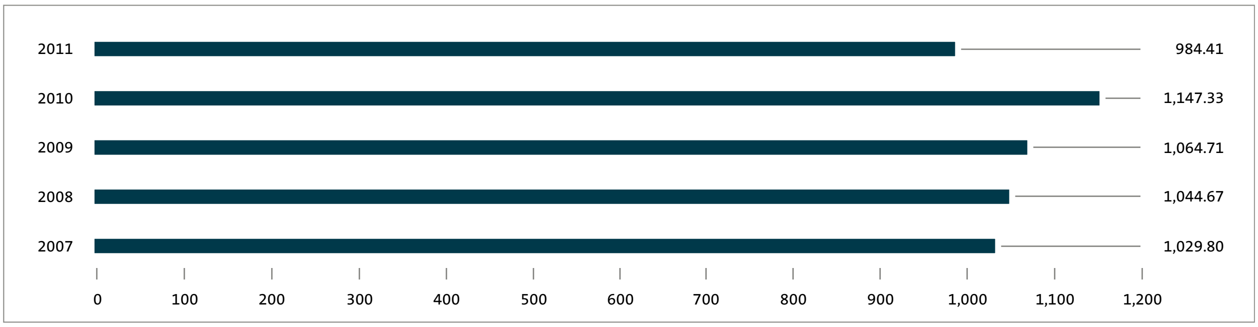
FRESH WATER PROCUREMENT AND WASTE WATER IN THE VOLKSWAGEN GROUP*

in cubic meters per vehicle



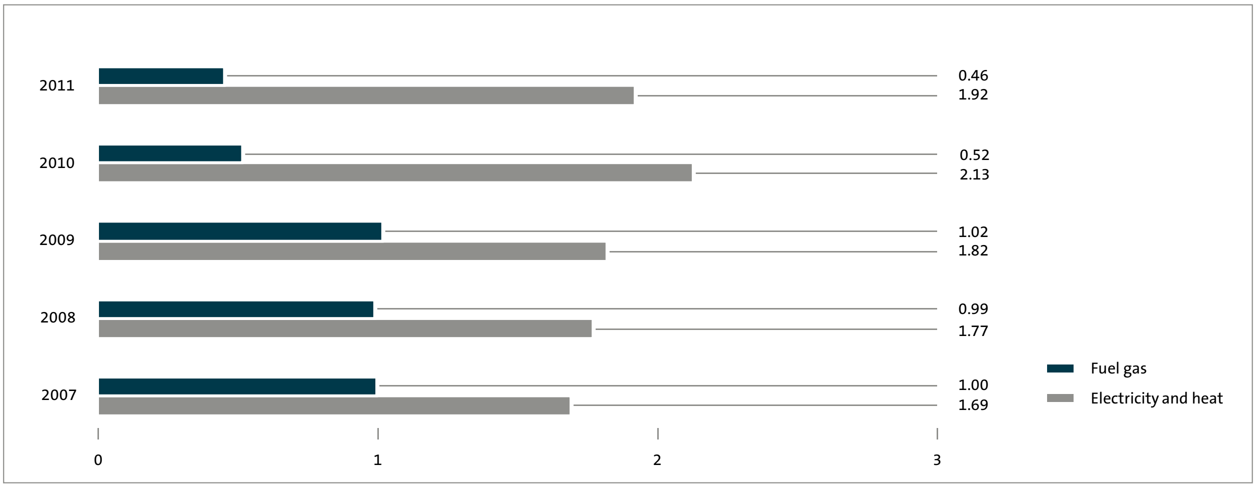
TOTAL CO_2 EMISSIONS BY THE VOLKSWAGEN GROUP*

in kilograms per vehicle



CONSUMPTION OF ENERGY BY THE VOLKSWAGEN GROUP*

in megawatt hours per vehicle



* MAN and FAW-Volkswagen Automotive Company Ltd. with its plant in Chengdu were not included.

Internal Environmental Award

With the internal Volkswagen Environmental Award, the Company honors the initiative of employees relating to environmental protection in their field of work at locations in Germany or Group sites within Europe. We awarded this distinction for the eighth time in 2011. In the "Production" category, the top prize in 2011 was awarded to an employee in process technology at the Braunschweig site – he developed a process for painting parts of shock absorbers using water-based paint. The lines on production equipment can now be flushed less frequently. Moreover, the emissions level of harmful volatile organic compounds was reduced from 490 g/l to 154 g/l. In the "Product" category, three employees from bodywork and acoustic development were honored with first prize. The team changed the material density on wing dampers so that the weight of the parts could be reduced by 43%. This is leading to material savings and lower CO_2 emissions for all Volkswagen vehicles. In addition, two employees were recognized for their long-standing involvement in promoting natural gas vehicles and reducing fuel consumption.

External environmental awards

The Volkswagen Group received numerous prizes in 2011 for the environmental compatibility of its vehicles. We present the most important in this section.

Automobil-Club Verkehr (ACV) of Germany recognized the Polo BlueMotion from Volkswagen Passenger Cars with the "ACVmobil" environmental prize. The members of the automobile club chose the Polo as the best car ecologically and economically with around 33% of the vote.

For the Touran 1.4 TSI EcoFuel and "Dynamic Light Assist", the masked camera-based main beam headlight system, Volkswagen received a "Yellow Angel" in 2011 in the categories "Future" and "Innovation & Environment" from German automobile club ADAC.

erdgas mobil GmbH successfully entered the Challenge Bibendum in Berlin with the Volkswagen Passat TSI EcoFuel. It was the eleventh edition of the competition for environmentally friendly vehicles initiated by tire manufacturer Michelin. The natural gas-fueled Volkswagen performed successfully and earned a prize in each of the categories: "Fuel Efficiency", "Well-to-Wheel CO_2 Emissions" and "Local Emissions".

For the second time in a row, Volkswagen Passenger Cars was chosen as the most environmentally friendly car brand. In an online vote, more than half of over 2,300 readers of trade magazine "Firmenauto" chose the German market leader in the fleet customer business.

More than 11,000 readers of German magazine "AUTO TEST" selected the Golf Blue-e-Motion as "e-Car of the Year" in the "Concept Car" category. The recognition in four categories relating to e-mobility was awarded for the second time.

For the third time in a row, the most recent environmental vehicle list published by Verkehrsclub Deutschland rates the Touran TSI EcoFuel with DSG (direct shift gearbox) as best vehicle in the seven-seater class. Numerous other Volkswagen Group models found their way onto the environmental vehicle list. Models with the forward-looking BlueMotion and TSI EcoFuel technologies from Volkswagen were particularly successful. In the category of vehicles that are best for the climate, for example, the Polo 1.2 TDI BlueMotion with CO_2 emissions of only 87g/km took second place – as a fully-equipped five-seater.

In cooperation with suppliers, Volkswagen developed and patented a new system for the manufacture of carbon fiber reinforced plastics. The innovative material will be used in 2013 in the small series of XL1 one-liter cars with a plug-in hybrid drive. The process brought Volkswagen second place in the "ÖkoGlobe 2011" environmental awards in the category "New Materials in Vehicle Construction".

Spanish trade magazine for logistics and transportation "El Vigia" recognized the SEAT brand for its "SEAT in the sun" photovoltaic project with the "Award for the Best Initiative in CSR". As part of this project, solar cells were installed on several of the brand's production buildings. The area covers more than 135,000 square meters. The system delivers annual CO_2 savings of 2,800 tonnes for SEAT.

The TGX 18.400 heavy truck from the MAN brand was recognized with the "Green Truck 2011" award, given for the first time jointly by two prominent commercial vehicle specialty journals. The truck prevailed over 13 competitors with 96 out of a possible 100 points in the economic efficiency rating. The decisive factors were its low consumption and emission levels. Additionally, the MAN TGX 18.440 took third place.

Fuel and powertrain strategy

As in the past, the Volkswagen Group's fuel and powertrain strategy follows the approach of coexisting electric drive and conventional combustion engines.

On the way to the carbon-neutral mobility of the future, we see both of these drive concepts coexisting in the next decades with a clear trend toward the electrification of the drivetrain. This coexistence of drive concepts will be accompanied by a steady increase in the share of carbon-neutral energy sources, either in the form of power for electric vehicles generated from renewable sources or in the form of carbon-neutral biofuels, for example from waste materials, for use in combustion engines that are becoming ever more efficient. The Group's successful TSI, TFSI and TDI engines, ideally combined with our innovative direct shift gearbox, form the foundation of this strategy.

The enhancement of conventional combustion engines reached a milestone at the Volkswagen Group in 2011. Development work on the completely new generation of three- and four-cylinder petrol and diesel engines made tremendous progress and achieved its latest success with the market introduction of the up!. We believe that combustion engines will continue to provide the basis for a responsible approach to offering sustainable, forward-looking mobility in the medium term. This applies in particular to the cost-sensitive growth markets in Russia, India and the Far East.

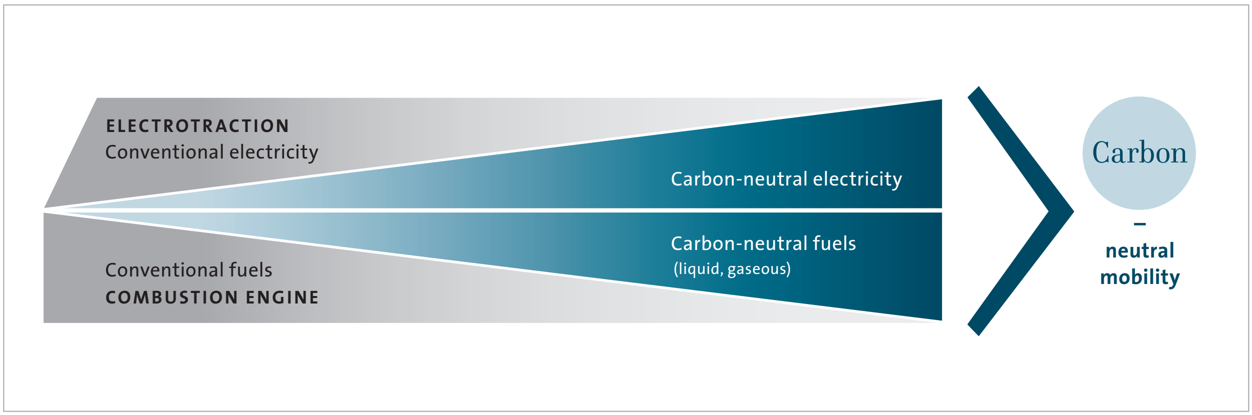
The market introduction of the 1.0 liter three-cylinder engine, which has been available with 44 kW (60 PS) or 55 kW (75 PS) in the up! since September 2011, and the 1.8 l TFSI engine, available in the Audi A5 since October 2011, launched the first derivatives of the new generation of petrol engines. Additional members of this engine family will gradually follow in the coming months, with the roll-out of the MQB (see page 195). These will set new standards for efficiency and economy in petrol engines, with innovations such as camshaft needle bearings, combined direct and manifold fuel injection, and integrated exhaust manifolds.

The cylinder shutoff system, which will be used in petrol engines at both Volkswagen and Audi in 2012, demonstrates our innovative strength especially well. This allows the respective four- and eight-cylinder engines to optimize fuel consumption by shutting down unneeded cylinders in certain driving situations, based on requirements. On the 1.4 liter TSI engine, as an example, this technology saves up to 0.7 l of fuel per 100 km and represents a world first in the field of four-cylinder engines in this performance and capacity class.

With the Modular Diesel System (MDB), Volkswagen is also nearing the introduction of a completely new generation of three- and four-cylinder diesel engines. These will debut in 2012 in the new Audi A3 and set new benchmarks for driving pleasure, cleanliness and efficiency. The Volkswagen Group has also continued to write the success story of the diesel engine in other areas. Steadily rising market shares in the North American market, which has a critical attitude towards diesel engines, and recognition in Europe in the form of five stars in the ADAC ecoTest for the 1.6 liter TDI Passat BlueMotion, are examples of this. We have also successfully advanced the diesel engine in the higher engine capacity classes. After introducing the 3.0 liter V6 TDI engine with 150 kW (204 PS), which is designed as the efficiency version in the Audi A7 in 2010, Audi expanded its range of engines for the A7 in 2011 with a high-performance version of this engine, the BiTurbo. With 230 kW (313 PS) and a torque of 650 Nm, this engine delivers superior driving performance and gives the A7 the ability to accelerate from 0 to 100 km/h in just 5.1 seconds. Impressive fuel consumption of 6.4 liters per 100 km and CO_2 emissions of 169 g/km set new standards in the field of six-cylinder diesel engines.

To further improve efficiency in conventional combustion engines, Volkswagen also pressed forward with its activities surrounding the gradual electrification of the drivetrain in 2011. Technologies such as the start-stop system and regenerative braking are already used in many of our production vehicles. And new technologies such as engine coasting increasingly contribute to reductions in the Group's fleet CO_2 emissions. With this system, the wheels and the drivetrain are decoupled during continuous driving – on a motorway, for example – allowing a fuel consumption advantage of up to 0.5 l per 100 km to be achieved.

THE ROAD TO CARBON-NEUTRAL MOBILITY



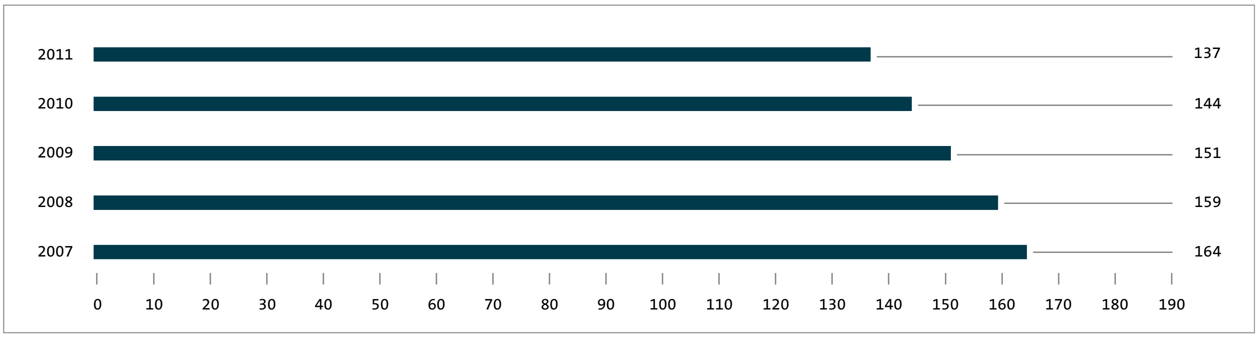
Volkswagen gave an insight into what is possible using innovative drive technology in a state-of-the-art, forward-looking vehicle concept with the XL1 study at the Qatar Motor Show at the end of January 2011. Designed as a plug-in hybrid and equipped with a 0.8 liter two-cylinder TDI engine (35 kW) in combination with an electric motor (20 kW), the XL1 represents the peak of what is feasible today, with fuel consumption of only 0.9 l diesel per 100 km. The XL1 can cover a distance of about 35 km running solely on electric power, and thus completely emission-free.

Following the market introduction of the Touareg Hybrid in 2010, Audi also impressively demonstrated its hybrid capability in 2011 with the Q5 Hybrid quattro. This combination of a highly efficient 2.0 liter TFSI engine and an electric motor delivers a notably low consumption of just 6.9 l of fuel per 100 kilometers; emissions are 159 g of CO_2 per kilometer. The vehicle, which is configured as a single-shaft parallel hybrid, offers an impressive performance of 180 kW (245 PS) and a torque of 480 Nm, thanks to the interaction between the combustion engine and electric motor. With an extra boost from the electric motor, the car can accelerate from 0 to 100 km/h in 7.1 seconds. More hybrid vehicles will follow soon, for example in the shape of the Golf, Jetta, Audi A6 and Audi A8.

Other milestones on the road to pure e-mobility were also achieved in 2011. When the Audi A1 e-tron and Golf Blue-e-Motion successfully participated in the Silvretta Classic in July 2011 and we delivered the first 80 Golf fleet vehicles to customers, the Volkswagen Group proved that customers need not make sacrifices in terms of safety, comfort and suitability for everyday use when they opt for e-mobility. The fleet trials that started this year in Germany will be expanded to Austria, France, Belgium and the USA in 2012 in order to make electrified drive technology market-ready with uniform quality standards worldwide. The integration of e-mobility into the modular toolkit strategy underscores its significance for Volkswagen, and affirms that it has a place in the Group's long-term product strategy. This will see us manufacturing not only the body, but also the electric heart of the electric vehicle. The plant in Kassel is now sharply increasing its capabilities in the area of electric motors. The Braunschweig plant will specialize in battery and power electronics. We will lift the electric car out of its niche and ring in the era of e-mobility. In mid-2013, Volkswagen will initially bring the e-up! to the market, followed shortly thereafter by the Golf Blue-e-motion.

Volkswagen Commercial Vehicles is also breaking into the electric age with the recent start of fleet tests of the Caddy Blue-e-Motion, and other Group brands will follow.

CO_2 EMISSIONS OF THE VOLKSWAGEN GROUP'S EUROPEAN (EU 27) NEW VEHICLE FLEET
in grams per kilometer



Environmental Commendations awarded to more products
To design our products in the most environmentally friendly way possible, we always keep an eye on their overall life cycle. Using environmental impact studies, we analyze the creation of new vehicles, drive systems, components and materials from the first ideas and design sketches down to recycling.

To demonstrate these efforts to our customers, Volkswagen has been documenting the results of environmentally responsible product development since 2007 using Environmental Commendations. These are based on an assessment and certification under ISO 14040 of environmental improvements in product development as compared to the previous model by independent experts from the German TÜV inspection organization. The up! received the Environmental Commendation in 2011. Additionally, two particularly efficient models, the Passat BlueMotion and Passat EcoFuel, were recognized by the renewal of their respective Environmental Commendations. All Environmental Commendations and regularly updated information about them can be found at www.environmental-commendation.com.

Biodiversity
As before, the protection of biological diversity is a high priority for the Volkswagen Group. In dialog with qualified partners, we are methodically expanding our expertise in nature and species conservation.

The Group's largest and most significant conservation project is the reforestation of the Izta-Popo mountain region in Mexico, which should help recover groundwater and stop soil erosion. With the support of numerous suppliers, we were able to add even more to the 300,000 trees already planted. At the same time, Volkswagen organized programs in the national park for teachers and students on responsibility for the environment and natural resources. Plans have also been developed for implementing a similar project in the Sierra de Lobos national park near Silao. An additional commitment made by Volkswagen is to establish a long-term basis for the future for the international initiative "Biodiversity in Good Company". Following the end of support from the German environmental ministry, new structures had to be created that allow the companies to continue the initiative under their own direction. We also strengthened our involvement in the "Business and Biodiversity Initiative" by assuming a position of responsibility on the new association board. Volkswagen has been the only DAX company to actively contribute to this initiative since it was established by the German Environment Ministry.

Volkswagen Leasing GmbH was able to provide even stronger financial support for protection of the moors in Lower Saxony through the environmental program created in partnership with the German Nature and Biodiversity Conservation Union (NABU). After the restoration of the Theikenmeer moorlands, wetlands restoration in the Großes Moor (Great Moor) nature reserve near Gifhorn in Lower Saxony began in 2011. This will help protect 150 endangered animal species and 40 endangered vascular plant species.

Also in cooperation with NABU, we continued our "Welcome, Wolf" initiative to alleviate concerns about the return of wolves to Germany. In fall 2011, the multimedia presentation "Tour de Wolf" was initiated, which travels though German zoos and animal parks to shed light on wolves living in the wild.

We have also been involved in the protection of biological diversity in the area directly surrounding our main production facility in Wolfsburg. In the Aller glacial valley region, measures have been planned and already implemented in part for connecting habitats and restoring a large number of rivers and streams. Existing projects, actors and institutions in the region were also networked. In cooperation with "Aktion Fischotterschutz" (an otter conservation project), a larger overall project that will span several years has been planned as part of a German federal program for biological diversity.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

9 billion people will live on our planet in the year 2050. All of them will need energy and food, a place to live and clothing, education and healthcare – and they will want to be mobile. For industry that's both a challenge and an opportunity. Only their capacity for technological progress will create the necessary productivity gains and innovations, and bring about resource-conserving structural changes. The quality principles are sustainability and responsibility – the core values of business activity at Volkswagen.

At Volkswagen, we view corporate social responsibility (CSR) as the contribution our company makes to sustainable development on our planet. In line with our vision of sustainability, our way of doing business and our consumption of resources may not compromise opportunities for future generations. We pursue ecological, economic and social goals in the same measure and are thus an integral part of international efforts to create a sustainable economic order on a global level.

Sustainability is the foundation of corporate policy at Volkswagen. This means that sustainability is integrated along the entire value chain of the Company. Corporate responsibility at Volkswagen means always considering the impact on society and the environment. Sustainability also safeguards the Company's long-term future. In order to make an effective contribution to sustainable mobility, and as a company with global responsibility, Volkswagen is working hard to develop technologies for the cleanest, most fuel-efficient automobiles and efficient mobility concepts. Aligning job security and profitability always matters at Volkswagen.

Our corporate policy is designed so that core economic processes are strategically tied to environmental and social concerns. CSR involves voluntarily taking social responsibility at a level beyond mere compliance with legal requirements. The Volkswagen Group's integrated CSR concept is aimed at avoiding risks, identifying opportunities for development early on and improving the Group's reputation. CSR therefore makes an important contribution to increasing the value of the Company and safeguarding it in the long term. As a good corporate citizen, Volkswagen takes its social involvement seriously. It is part of our corporate culture of sustainability. At our locations worldwide, we support social development, culture and education. We also initiate projects for the development of regional infrastructure, health promotion, sport and nature conservation.

Corporate Social Responsibility Coordination and Sustainability office

Group activities in the area of CSR and sustainability have been coordinated by a CSR office since 2006. Its responsibility is to align CSR activities strategically and optimize sustainability management. The idea of the office as a guidance unit has proven itself with respect to both internal management processes and dialog with external stakeholders. The CSR office coordinates the regular interchange between brands and regions in the Volkswagen Group. It reports to the CSR & Sustainability steering group, which includes all central Group business areas and the Group Works Council. The objective of the work in the steering group is to network the internal units and improve exchange processes between the technical departments. Our CSR project teams work on current topics across business areas.

With the introduction of the IT-based sustainability management system and the further integration of the KPI (Key Performance Indicator) system, we have created the basis for comprehensive and timely CSR and sustainability reporting in the Group. The 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.

For Volkswagen, the ability to help shape national, European and international corporate networks is an important component of the permanent dialog with key social groups and actors. Volkswagen contributes its technical and social capacity here and supports 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 involved in 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.

Volkswagen in sustainability rankings and indices

Financial market participants increasingly base their recommendations and decisions not only on the financial numbers, but also on the CSR and sustainability profile of the companies. Analysts and investors view CSR and sustainability performance as leading indicators of forward-looking corporate leadership. Sustainability ratings are particularly well suited to capturing the environmental, social and economic performance of a company. If the highest scores are achieved in these ratings, it not only sends a clear signal to stakeholders but also raises the company's attractiveness as an employer externally and the motivation of its existing employees internally. As in the previous year, Volkswagen was again able in 2011 to maintain its position among the leaders in its sector in the most important international ratings and indices.

Volkswagen is one of only three automobile companies listed in the Dow Jones Sustainability World Index. In the assessment by Swiss asset management company SAM on behalf of Dow Jones, Volkswagen scored top marks especially for environmental management and employment growth, as well as for risk management, social commitment and stakeholder relations. The chart below shows the results achieved by Volkswagen in 2011 compared with the industry average.

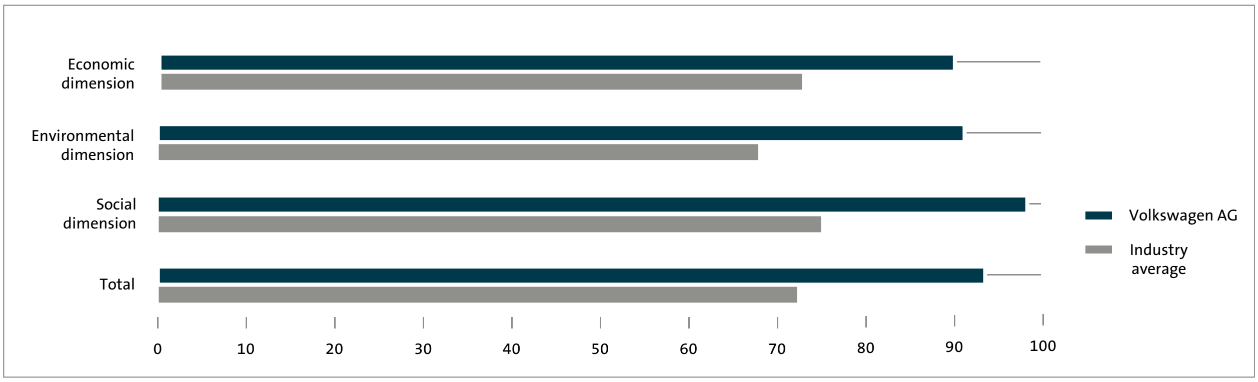
As of the reporting date, Volkswagen was represented in the following sustainability indices: ASPI (Advanced Sustainability Performance Index), Dow Jones Sustainability World Index, ECPI Ethical Index Europe, ECPI Ethical Index EMU, ECPI Ethical Index Global, Ethibel Sustainability Index, FTSE4Good and STOXX ESG Leader.

Global Compact

Since 2002, Volkswagen has 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 contribution to this initiative. We report on our diverse international CSR projects in this regard in an annual progress report. In 2011, we achieved the "Global Compact Advanced Level".

Ten principles governing human rights, labor standards, environmental protection and the fight against corruption describe the values of the Global Compact. At all locations of our company, we again guided our business activities by these principles in 2011. 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.

RESULTS OF THE SAM 2011 ASSESSMENT
as percent



Risk Report (Report in accordance with section 289(5) of the HGB)

Successful risk management thanks to effective systems

We ensure the sustainable success of our Company by promptly identifying the risks arising from our operating activities and taking a forward-looking approach to managing them. The internal control system and a comprehensive risk management system help us to deal with the risks in a responsible manner.

In this chapter, we first describe the internal control and risk management system relevant for the financial reporting process. We then explain the specific risks facing us in our business activities. In the "Report on Expected Developments" on pages 229 to 238, we outline 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 transferred 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 that builds on that.

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) is a system that can be used in 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, thus 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 carries out content plausibility checks 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). Each year, the auditors check the processes and procedures implemented for this as well as the adequacy of the documentation. Risk management, which forms an operational component of our business processes, is designed to identify risks in a timely manner, assess their extent and, where appropriate, take prompt countermeasures. 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 and MAN SE, which were consolidated in 2011, have already implemented mature structures for risk early warning systems. Starting in 2012, these will gradually be integrated into the Volkswagen Group's existing systems.

Updating the risk documentation

Standardized risk position surveys of both the risk managers of the individual divisions and the members of the Boards of Management and managing directors of significant investees are performed annually. 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 in a suitable manner 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 regular special audits by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – the German Federal Financial Supervisory Authority) in accordance with section 44 of the Kreditwesengesetz (KWG – German Banking Act) and controls 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 used to support budget planning and controlling on an ongoing basis. The targets agreed in the budget planning rounds are continually verified in revolving planning reviews.

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 enhancement

We constantly optimize the internal control system and the risk management system as part of our continuous improvement processes. In doing so, equal consideration is given to both internal and external requirements – such as the provisions of the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernization Act). The objective of the improvements made to the systems is to ensure regular monitoring of the relevant risk areas in the organizational units responsible. The focus is on reviewing the effectiveness of the key management and monitoring instruments identified. This concept culminates in both regular and event-driven reporting to the Board of Management and Supervisory Board of Volkswagen AG, into which the reporting in accordance with the KonTraG is integrated.

SPECIFIC RISKS

This section explains the specific risks arising from our business activities in the coming years.

Macroeconomic risk

We believe the main risks to the global economy are high energy and commodity prices, increasing international trade restrictions, persistent imbalances in foreign trade and the escalation of political conflicts.

The mounting debt problems in many industrialized nations have led to greater instability in the financial and currency markets and the international banking system. Together with the growing uncertainty among market participants and the difficult situation in the refinancing markets, this may have a severe impact on the Volkswagen Group's risk position. Although we currently consider the risk of renewed global recession to be relatively low, the above-mentioned developments could result in a prolonged period of below-average growth for the global economy.

Likewise, changes in legislation, taxes, or customs duties in individual countries may have a severe adverse effect on international trade and present significant risks to the Volkswagen Group.

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. In China, the reduction in the number of new vehicles allowed to be registered in Beijing could be followed by further restrictions on registrations in other metropolitan areas. Furthermore, consumer confidence in some of these countries is being depressed by the global economic slowdown.

Likewise, the risk of transported freight in particular being shifted from commercial vehicles to other means of transport cannot be entirely ruled out.

Price pressure in established automotive markets as a result of the high level of market coverage is a particular challenge for the Volkswagen Group as a supplier of volume and premium models. In the automotive markets of Western Europe, the USA and China in particular, manufacturers are using price discounts to promote sales of their own vehicles, thereby putting the entire sector under pressure.

Western Europe is one of Volkswagen's main sales markets. A drop in prices due to the economic climate and a resulting fall in demand in this region would 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 across the markets of North America, South America, Asia-Pacific, and Central and Eastern Europe, with the Chinese market accounting for an increasing share of the volume. Furthermore, we are already market leader in numerous existing and developing markets or are working resolutely to become market leader. Meanwhile, strategic partnerships afford us the opportunity to increase our presence in the relevant countries and regions and cater to regional requirements.

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.

In many markets, the economy continued to recover during fiscal year 2011. Our trading and sales companies continue to feel the effects of the financial and economic crisis, however: it remains difficult to raise bank loans to finance business operations. During the economic crisis, we offered dealers financing on attractive terms via our financial services companies with the aim of reducing the risk of their insolvency. We also established a risk management system so that we can promptly counteract liquidity bottlenecks that could hinder smooth business operations.

The provisions of the new Block Exemption Regulation, which have been in force for after-sales service since June 2010, as well as the amendments included in EU Regulation 566/2011 dated June 8, 2011 expanding independent market participants' access to technical information, mean that Volkswagen may be exposed to increased competition in the aftermarkets.

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 combat the risk of failing to give our customers' requirements adequate consideration during the development process by conducting extensive trend analyses, customer surveys and scouting activities. By taking these measures, we ensure that we recognize trends at an early stage and verify their relevance for our customers in good time.

There is also a 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. To avoid this risk, we continuously and systematically monitor the progress of all projects and regularly compare this progress with the original targets. In the event of deviations, appropriate control measures are initiated in good time. In addition, our end-to-end project organization supports effective cooperation among all areas involved in the process. It incorporates specific requirements into the development process as early as possible and plans their implementation in good time.

Our wide variety of research and development activities means that risks are not concentrated on particular patents or licenses.

Procurement risk

Because unit sales figures in the automotive industry have been rising worldwide, there has been a significant recovery overall in the economic situation of suppliers. Thanks to the above-average increases in unit sales recorded by the Group brands, the Volkswagen Group's suppliers have also benefited from this trend. Nevertheless, procurement risk management focuses its work on prevention. In addition, we continuously monitor suppliers' economic stability. If there is evidence of negative developments, we take appropriate measures to reduce risks and ensure supplies. To date, this has enabled us to effectively avoid supply risks due to supplier defaults.

Not only the high demand for Group vehicles presented challenges in the reporting period, but also the trend towards models with higher-quality equipment features in combination with sometimes significant changes in installation rates. Many suppliers increased volumes above and beyond what was originally agreed and worked to the limit of their capacity in order to meet the Volkswagen Group's requirements. Increased and changing material requirements were met and we were able to supply procured components to all component and vehicle plants.

Production risk

The natural disasters that struck Japan in March 2011 also had an impact on the automotive industry. The damage to infrastructure and the large-scale or complete destruction of production facilities affected production systems and supply chains worldwide. The Volkswagen Group responded to the events immediately: an international task force was set up, comprising employees from all the Company's divisions and brands. On a daily basis, it coordinated measures that maintained the Group's global deliveries and thus ensured its production supplies, enabling negative effects on our manufacturing operations to be avoided almost entirely.

In 2011, we expanded production at our international locations significantly. In order to ensure the necessary capacity, our suppliers also increased their deliveries above and beyond what was originally agreed. We expect demand to remain high in 2012 and possibly cause fluctuations in installation rates of equipment features and components in particular. We have various tools with which to limit the risk that we will be unable to meet spikes in demand and to optimally adapt the programs at our vehicle and component plants to current market conditions. These include the turntable concept as well as extensive flexibility in logistics and within the 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. Appropriate project control throughout all project phases helps to counter this risk.

Risks arising from changes in demand

Consumer demand is shaped not only by real factors such as disposable income, but also by psychological factors that are impossible to plan for.

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 then holding on to their vehicles for longer.

In 2011, the effects of these psychological factors that cannot be planned for were again exacerbated by the impact of the financial and economic crisis on the global economic trend and the entire automotive industry. Some automotive markets were in a downward spiral, which in some cases assumed dramatic proportions, while others were supported through government intervention. We were able to effectively counter the risk of 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 are working to counter the risk that such a shift will negatively impact the Volkswagen Group's financial result by constantly developing new, fuel-efficient vehicles and alternative fuels on the basis of our fuel and drive train strategy. In the rapidly expanding markets of Asia and Eastern Europe, risks may also arise due to government intervention in the form of restrictive lending or tax increases, for example, which could reduce private consumption.

Dependence on fleet customer business

In fiscal year 2011, the percentage of total registrations in Germany accounted for by business fleet customers increased to 12.4% (11.5%). The healthy economic trend also had a positive effect on demand for company vehicles. The Volkswagen Group's share of the market for business fleet customers rose by one percentage point to 46.8% (45.8%). Its extensive product range and target group-oriented customer care enabled the Volkswagen Group to further extend its market lead in this customer segment in Europe: registrations by business fleet customers rose by 13.2%, while the Group's market share increased to 28.7% (26.8%). The fleet customer business continues to be marked by increasing concentration as well as by internationalization. Thanks to its broad product portfolio, the Group is well positioned in view of 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 new challenges for quality assurance. Particularly in the growing automotive markets of Brazil, Russia, India and China, for which dedicated vehicles are developed and which have local manufacturing operations and suppliers, quality assurance is of fundamental importance. We analyze the conditions specific to each market and thus ensure growth in these regions. In cooperation with the central quality assurance function, knowledge of local risks is continuously translated into effective measures, thereby minimizing the possible risks arising from quality defects from the outset.

As production volumes grow and vehicles become increasingly complex, including in light of new drive technologies, demand for high-grade supplier components of impeccable quality is rising rapidly. To ensure production and thus fulfill 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 the suppliers' end is an important step towards ensuring long-term quality and supply capability right from the beginning of the supply chain. Quality assurance thus helps to fulfill customer expectations and consequently boost the 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 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. As a result of continuously expanding our recruitment tools and increasing training programs, particularly at international locations, we are able to adequately address the challenges posed by growth on the human resources side, too.

In addition to the standard twin-track vocational training, programs such as our StIP integrated degree and traineeship scheme ensure the advancement of highly qualified and motivated employees. We counter the risk that knowledge will be lost as a result of employee fluctuation and retirement with intensive, department-specific training. We have also expanded our base of senior experts in the Group to ensure that the valuable knowledge of specialists retiring from Volkswagen is transferred to other employees.

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 and information as well as limited availability as a consequence of systems failure or natural disasters. We address the risk of unauthorized access to corporate data by using virus scanners and firewall and intrusion prevention systems. 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.

In the reporting period, we put a new Group data center into operation at the Wolfsburg site, which in terms of security, performance and energy efficiency sets high standards across the automotive industry.

As the Volkswagen Group's international profile grows, so do the intensity and sophistication of the attacks on our IT systems and data resources. This is why we continuously take measures against 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.

Rapid technological advancement creates a residual risk in relation to IT security that cannot be managed completely.

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 form the basis of European climate protection regulations for passenger cars and light commercial vehicles and therefore 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 Europe's new passenger car fleet may not exceed 130 g CO_2/km, with this target being reached in four stages. From 2012 onwards, 65% of the fleet must meet this requirement; in 2015, the entire fleet must remain below the limit.

A further significant reduction in European passenger car fleet emissions to 95 g CO_2/km from 2020 onwards is already legally effective. The details as to how the target will be reached have yet to be put in place, however, and are scheduled to be set out during the 2012/2013 review. 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 goals by also using significant proportions of nonfossil sources of energy, in particular renewable e-mobility.

At the same time, CO_2 or fuel consumption regulations are being developed or introduced outside Europe, in Japan, China, India and Brazil, for example. In the USA, it is expected that a new consumption regulation will impose further uniform fuel consumption and greenhouse gas rules on all states in the USA, in this case to cover the period 2017 to 2025. The bill has been released for a political decision.

The increasing global convergence of approaches and targets in the area of automotive regulations means that the reduction in trade restrictions called for by the automotive industry is also being addressed. Nevertheless, there is a risk that regulations will be formulated to benefit a nation's domestic industry.

It remains unclear what direction climate protection regulations will take in the course of efforts to update the Kyoto Protocol. At the World Climate Conference held in Durban, South Africa, in December 2011, delegates once again failed to achieve a breakthrough towards a uniform global framework for climate protection. As no agreement was reached to establish minimum targets, there is no long-term prospect of stringent climate protection requirements. On a positive note, however, all member states recognize the goal of limiting global warming to 2°C, creating a viable basis for the necessary further negotiation process.

In order to be best prepared for the third emissions trading period 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). Our other plants in the European Union were also checked in accordance with the national laws in force at those locations. The changes to the emissions trading regulations for the third trading period and their transposition into German law have been completed. From a current perspective, there will be only an insignificant increase in the number of installations included in the European emissions trading system from 2013 onwards and the amount of CO_2 emissions required to be traded.

The allocation of the necessary emissions certificates will change significantly as of 2013. These will no longer be allocated mostly free of charge through National Allocation Plans. Instead, a steadily falling number of certificates, for direct production emissions 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 mainly as a result of purchasing the emission allowances required for the operation of their own installations such as power stations and heating facilities.

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.

In 2011, two actions for disclosure filed by the Verbraucherzentrale für Kapitalanleger e.V. (VzfK – German Protection Agency for Investors) with regard to the General Meetings on December 3, 2009 and April 22, 2010 were dismissed by a nonappealable decision. The Hanover Regional Court and the Celle Higher Regional Court also dismissed two actions for avoidance filed by the same plaintiff against the approval of the actions of the General Meetings on April 23, 2009 and April 22, 2010. 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 S.E., Stuttgart, and Volkswagen AG for damages allegedly assigned to it in the amount of approximately €1.8 billion. 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. 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 has rejected all claims and refused to participate in any conciliation proceedings.

In fiscal years 2010/2011, antitrust authorities launched investigations at truck and engine 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 Scania or MAN.

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, 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. A decision will not be made until 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, commodity prices, and 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 and the USA. We hedge the residual foreign currency risk using hedging instruments. These include currency forwards, currency options and cross-currency swaps. We use these transactions to limit the currency risk associated with forecasted cash flows from operating activities and intragroup financing in currencies other than the respective functional currency. The currency forwards and currency options can have a term of up to six years. We thus hedge our principal foreign currency risks associated with forecasted cash flows, primarily in sterling, US dollars, Chinese renminbi, Swiss francs, Japanese yen, Swedish krona, Russian ruble and Australian dollars – mostly against the euro.

The purchasing of raw materials gives rise to risks relating to availability 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 2010. 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 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.

In the notes on pages 323 to 333, we 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 is described 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 323.

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 acquisition of the automobile trading operations of Porsche Holding Gesellschaft m.b.H. (Porsche Holding Salzburg) and a majority interest in MAN SE resulted in a large outflow of liquidity. However, the strong performance from the Company's operating business more than offset the impact of these transactions on its liquidity position, as a result of which Volkswagen's financial stability and flexibility were strengthened overall and the Group's existing rating was not only affirmed, but also assigned a positive outlook by Moody's Investors Service. Creating the integrated automotive group with Porsche will result in a further significant outflow of liquidity in the coming years. In light of the current liquidity, this is not expected to give rise to any risks. Information on the rating of Volkswagen AG, Volkswagen Financial Services AG and Volkswagen Bank GmbH can be found on page 173 of this report.

Residual value risk in the financial services business

In the financial services business, we agree to buy back selected vehicles at a residual value that is fixed at inception of the contract. Residual values are set 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 2011 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. Our comprehensive risk management system ensures 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 2011.

Report on Expected Developments
Recovery in the automotive markets continues

The global economy and many automotive markets are expected to continue growing in 2012 and 2013, with the emerging markets playing a major role. The Volkswagen Group intends to exploit these opportunities with a large number of new models and technologies.

The following section describes the probable future development of the Volkswagen Group and the framework for this. We take opportunities and potential that arise into account in the Group's planning process on an ongoing basis, allowing them to be promptly leveraged. The Volkswagen Group's key business risks are explained in detail in the risk report on the previous pages.

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 in future. As before we expect that growth will be strongest in the emerging economies, and especially Asia and Latin America, whereas we are forecasting only moderate growth for the major industrialized nations in the medium term.

Europe/Remaining markets

Most countries in Western Europe will probably only be able to record slight growth in 2012 due to the sovereign debt crises. Some countries are facing the likelihood of a recession. A rapid recovery in 2013 is only to be expected if clear progress is made in solving the sovereign debt crises. Developments in Western Europe will also have a decisive influence on the outlook in Central and Eastern European countries.

In the case of the South African economy, we are expecting stable growth in line with prior-year levels for 2012 and 2013.

Germany

After the strong growth in gross domestic product (GDP) seen in the past two years, we are forecasting only a slight increase in 2012. However, the labor market is expected to continue its positive development for the time being. We expect the German economy to return to a moderate growth trajectory starting in 2013.

North America

In the case of the USA and Canada, we are forecasting that growth in 2012 will be roughly on a level with the prior year. The economy can be expected to continue to pick up in 2013 as the global economy recovers. In contrast, the Mexican economy looks set to experience a clear decline in GDP growth rates in 2012. However, the country will benefit significantly from US economic performance in the year after that.

South America

In Brazil, we are anticipating growth in 2012 to be roughly on a level with the prior year, whereas growth in Argentinian GDP rates must be expected to ease significantly. Both countries are likely to return to above-average growth in 2013.

Asia-Pacific

We expect China's dynamic growth to continue in 2012 and 2013, albeit at a lower rate than in 2011. Japan will continue to recover from the recession triggered by the natural disasters in March 2011. We expect India's strong growth to increase slightly again in 2012 and 2013.

DEVELOPMENT OF THE MARKETS FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES

We expect developments in the regional markets for passenger cars and light commercial vehicles to be mixed in 2012; overall, growth in global demand for new vehicles will probably ease. For 2013, we expect growth to slightly outpace the figure for 2012 again.

In some Western European countries, measures to cut government debt will lead to the economies concerned weakening, impacting demand for new vehicles in 2012. The debt crisis in Europe and the USA will also have a negative effect on the development of individual growth markets. However, we expect to see a continued positive trend in the strategically important markets of China and India in 2012, and are also anticipating higher overall demand for vehicles in North and South America.

We expect the economic situation in Western Europe to stabilize in 2013, although markets will probably be slow to recover. We are assuming that demand for passenger cars will also continue to increase in the other regions in which the Volkswagen Group has a presence.

The Volkswagen Group is well positioned to deal with the mixed developments on the automotive markets. Our broad product range featuring the latest generation of consumption-optimized engines gives us a global competitive advantage. We are systematically pursuing the goal of offering individual customers the mobility and innovation they need and sustainably strengthening our competitive position.

Europe/Remaining markets

In Western Europe excluding Germany, we expect demand for automobiles to decline in 2012. The current debt crisis in particular is unsettling consumers in many countries in the region and limiting their financial flexibility with regard to buying new cars. In some core markets – especially Spain and Italy – large-scale government austerity measures and tax rises will slow the recovery in demand. We anticipate that the economic situation in most countries in Western Europe will stabilize in 2013, and that demand for passenger cars and light commercial vehicles will pick up again.

We expect demand for automobiles to decline in Central and Eastern Europe in 2012. In particular, we are assuming that growth in Russia will be significantly weaker year-on-year. In 2011, the automotive market was boosted by the rapid economic recovery and state subsidies. The market is likely to have normalized again after this effect in 2013 and will return to substantial growth.

The South African automotive market will continue to benefit from long-term economic stabilization in 2012. However, we anticipate that growth rates will be lower, since rising consumer prices make further interest rate hikes likely. We expect market growth to pick up slightly again in the following year.

Germany

In Germany, positive economic conditions clearly boosted demand for passenger cars in 2011. We expect to see an interruption to this trend in 2012. Despite the largely stable macroeconomic environment, German consumers are unsettled by the debt crisis in a number of European countries in particular. This will curb demand for automobiles in Germany, although it should recover again from 2013 onwards as the European economy stabilizes.

North America

For 2012, we expect the economic climate in the USA to continue recovering from the after-effects of the financial and economic crisis. However, high fuel prices and muted lending will still impact market growth. Fragile consumer confidence will probably recover in 2012 and lead to an increase in demand on the US automotive market, which is expected to continue in 2013 as the economy continues to consolidate. We are also expecting to see a positive trend in the Canadian and Mexican markets for passenger cars and light commercial vehicles in 2012 and 2013.

South America

The South America markets are heavily dependent on the global economy. Weaker economic growth could negatively impact demand for commodities and act as a brake on the region's economy. Nevertheless, we see an opportunity for moderate growth in demand for automobiles in 2012 and 2013. In Brazil in particular, the economic support program that has been announced offers the prospect of a positive trend in consumer spending and an increase in demand for passenger cars and light commercial vehicles. In the case of Argentina, we expect to see weaker market development.

Asia-Pacific

The markets in the Asia-Pacific region will probably continue their growth in 2012. Increasing demand for individual mobility will drive demand in the Chinese and Indian markets in particular. However, high raw materials prices, stricter emissions standards and the discontinuation of government subsidies may affect demand for automobiles. In addition, restrictions on vehicle registrations in metropolitan areas – such as have been in force in Beijing since 2011 – may be extended to other major cities in China. This would serve to dampen Chinese market growth. In Japan, we expect the automotive industry to recover across a broad front in 2012. In particular, backlog effects due to pent-up demand from 2011 will have a positive effect on the country's market for passenger cars and light commercial vehicles. The Asian motor vehicle markets are likely to continue their growth trajectory in 2013. In India in particular, market growth should then pick up again along with economic performance.

DEVELOPMENT OF THE MARKETS FOR TRUCKS AND BUSES

Following the 7.1% increase in demand for midsize and heavy trucks in 2011, we expect global market momentum to ease in 2012 and 2013.

Market growth in Western Europe will depend to a very large extent on macroeconomic developments. As a result, we expect that market volumes in 2012 will be on a level with 2011 initially. In 2013, the market will increase slightly, assuming that macroeconomic performance is positive. Russia continues to offer prospects for growth after the sharp declines seen in the crisis years. However, the pace of growth will be slower in comparison to 2011.

We expect growth in the USA to continue in 2012 and 2013 on the back of the economic recovery.

Vehicle sales are expected to decline in the Brazilian market in 2012. In 2013, we anticipate that Brazil will record macroeconomic growth, which will have a positive effect on the market volume.

In China, we are forecasting a declining market trend, with 2012 and 2013 being unable to match 2011 levels.

We expect India – the second important market in the Asia-Pacific region – to develop positively in 2012 and 2013.

Global demand for buses will probably remain at 2011 levels in almost all regions in 2012 and 2013. We expect to see positive market development in the Asia-Pacific region, fuelled by growth in China.

DEVELOPMENT OF THE MARKETS FOR FINANCIAL SERVICES

Automotive financial services will continue to grow in importance in the coming years. We expect noncaptive commercial banks to reduce their exposure to automotive financial services in Europe in 2012. This trend will reinforce the sales promotion role played by captive financial services providers, and is likely to continue in 2013 as well. We anticipate that the role of financial services will increase more strongly in those emerging markets in which market penetration is currently low, such as China and Russia. In the case of countries that already have developed automotive finance markets, we are reckoning with a continued trend among the products on offer towards enabling mobility at a manageable total cost while providing financial flexibility.

EXCHANGE RATE TRENDS

The global economy was dominated by uncertainty in fiscal year 2011. Growth in the individual economic regions varied, while the debt crises in certain European countries and the USA affected market participants' expectations. These expectations seriously impacted exchange rates, leading to substantial volatility. The euro gained against the US dollar in the first half of the year before weakening again in the course of the second half. For 2012 and 2013, we expect euro exchange rates against the dollar and other key currencies to be stable, despite continuing high volatility in the financial markets.

INTEREST RATE TRENDS

Interest rates remained extremely low in fiscal 2011 due to the ongoing expansionary monetary policy adopted by certain countries and the difficult overall economic environment. In 2012, we consider it unlikely that Europe and the USA will adopt a restrictive monetary policy, and hence increase interest rates. We are predicting that long-term interest rates will remain stable worldwide in 2013 and that short-term and long-term rates will only rise if inflation increases.

DEVELOPMENT OF COMMODITY PRICES

Once again, commodity prices were highly volatile in 2011. The price rises that had started in the previous year initially continued in the first quarter of 2011. However, prices tailed off from the middle of the second quarter onwards and then fell back clearly in the course of the rest of the year. The main reasons for this were the downward revisions in growth estimates for both the eurozone and the US economy, and their impact on global development. Under the assumption that global economic growth remains on a level with 2011, we expect commodity prices for most exchange-traded raw materials to pick up again in 2012 and 2013. Prices may fall if the global economy enters a downward trend.

MOBILITY RESEARCH

The Volkswagen Group's research and development units have been investigating the latest mobility trends and challenges and developing solutions for them since the end of the 1980s. We take a top-down approach to defining mobility that also includes its social, economic and ecological framework.

Two trends have influenced global events over the past few years: the growing demand for mobility, especially in emerging and threshold economies, and increasing urbanization. This is leading to increased traffic densities, with their unwanted side effects for people and the environment, such as traffic jams and emissions.

Sustainable road transportation can only be achieved through a combination of adequately developed infrastructures and state-of-the-art technologies. Mobility requirements must also be planned, implemented and monitored in the course of urban and regional development. As a result, close cooperation between everyone involved is needed, from vehicle manufacturers through town planners to transport technology providers.

Volkswagen is also cooperating in this area with universities and research institutes in Germany and abroad. These include ETH Zurich and EMBARQ, the Washington-based World Resources Institute's Center for Sustainable Transport. The results of these and other cooperative projects are being incorporated into our product and concept development. Examples include Quicar, Volkswagen's car sharing project, the NILS, an electric commuter vehicle, and eT!, a vehicle concept for the delivery and logistics sector.

NEW MODELS IN 2012

The Volkswagen Group will continue its model initiative in fiscal year 2012 by introducing innovative, attractive vehicles, and will expand its offering.

In 2012, Volkswagen Passenger Cars will present not only the Passat Alltrack, the five-door variant of the up!, the Beetle convertible and the new CC, but also its second hybrid model, the Jetta Hybrid. All vehicles combine attractive design and innovation with groundbreaking quality in their segments. We shall also launch or revamp additional models in certain regions, such as the Lavida and the Sagitar in China or the Gol and the Voyage in South America. However, the highlight of 2012 will be the market launch of the new Golf, the brand's highest-volume product. Like its predecessors, this model will set new standards in its segment with its typical brand attributes.

The Audi brand will also continue its production initiative in the premium segment in 2012: the new Audi A3 is the first Group model to use the opportunities offered by the modular transverse toolkit (see also page 195). The Audi S6 and the S7 Sportback present the sports versions of the successful saloons. These models, which are fitted with a new biturbo V8 engine, offer increased performance but lower fuel consumption, thanks to cylinder deactivation. The hybrid versions of the Audi A6 and Audi A8 round off the brand's offering of vehicles with alternative and fuel-efficient drive technologies. Other models are the Audi A1 Sportback in the small car segment, the revamped Audi A4 and the Audi A6 allroad quattro estate derivatives, which offer special offroad functionality.

The ŠKODA and SEAT brands will launch the five-door version of the Citigo and the Mii in 2012. ŠKODA will also be celebrating the market launch of the European variant of the Rapid compact saloon. In addition, SEAT will be presenting the new Ibiza, while the brand will add another saloon to its range at the end of the year with the new Toledo.

Bentley will continue to upgrade its model range: following its introduction of the sporty-luxurious Continental GT Cabriolet in the reporting period, the brand will extend its offering to include the eight-cylinder Continental GT V8.

Volkswagen Commercial Vehicles will supplement its Amarok range in 2012 with a fuel-efficient, high-performance version featuring an eight-gear automatic gearbox and BlueMotion technology. Volkswagen Commercial Vehicles will celebrate the 30th anniversary of the Caddy with the Caddy Edition 30 special model.

We will also complement the Volkswagen Group's model range where appropriate in 2013, further strengthening the Group's market position. Starting then, the product portfolio will also include vehicles with pure electric power trains.

PLANNED PRODUCT MEASURES

The Volkswagen Group's goal is to offer CO_2-neutral mobility based on renewable energy sources. By doing so, the Group is underlining its responsible approach to sustainability. Given the increasingly strict exhaust and emissions 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 will therefore focus in depth on developing efficient drive technologies, thus enhancing its status 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 powertrain sizes, while retaining the original performance features. Volkswagen is expanding its e-mobility operations – which cover both plug-in hybrids and purely electric drives – thanks to its in-depth research. Our current and future projects will contribute to improving the Volkswagen Group's environmental footprint on an ongoing basis.

The Volkswagen Group's many different concepts underscore the high level of development and diversification expertise at the individual brands. Starting at the beginning of 2012, the Group will introduce cylinder management in the 1.4 TSI, making it the first manufacturer to implement this fuel-saving technology in series production of a charged four-cylinder engine. Using Think Blue as a holistic, ecological sustainability policy, the Volkswagen Passenger Cars brand not only combines innovative technology and solutions such as BlueMotion technologies, but also offers recommendations for reducing consumption and emissions when using products, for example, tips and training on how to save fuel. Volkswagen also supports a number of ecological projects and initiatives worldwide with Think Blue. In addition to its BlueMotion vehicles, the BlueTDI and TSI EcoFuel drivetrains also set standards for fuel 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. Equally, Audi also offers efficiency technologies as standard.

STRATEGIC SALES FOCUS

The Volkswagen Group's multibrand structure comprising largely independent brands that achieve maximum synergies is one of its defining features. In 2011, we increased our global market share, thus paving the way for us to achieve our goal of being the global market leader in 2018. Strict cost management will allow us to continue our focus on profitability in our sales activities. The structures that have been put in place have been designed for managing a multibrand organization.

We are successively scaling back activities that do not add value to our sales structure so as to cut costs, increase the attractiveness of our wholesale and dealer system, and boost our overall profitability. New sales network strategies were developed for all brands in 2011 with the goal of further optimizing cooperation with the dealers. Together, we shall expand our activities in the various business areas – not only in vehicle sales, but also in areas such as customer service and financial and insurance services.

MARKET OPPORTUNITIES

The Volkswagen Group sees the greatest growth potential – above and beyond the established markets in Brazil and China – in India, Russia and the USA, as well as in the ASEAN and Middle East regions.

China

Growth in China slowed in 2011 (+7.6%) after the automotive market grew by more than one-third in the previous year. The market volume amounted to 12.3 million vehicles. We expect growth in our largest global sales market to continue in the coming years, and to shift from the large metropolises to smaller cities. We are continuously expanding our product range to include models that have been specially developed for this market, increasing investments and expanding production capacity. In this way, we are laying the foundations for participating in the major growth opportunities offered by this market and defending our market leadership in China for the long term.

Brazil

Imports were the main source of growth in the Brazilian automobile market in the first three quarters of 2011. Competitive pressure in the market increased substantially, due in particular to new market entrants from South Korea and China. Towards the end of 2011, the government raised vehicle import taxes on significantly to protect local industry and create additional incentives for investments in the automotive sector. Extremely high inflation, a tail-off in lending and the declining consumer confidence also hit demand for cars hard. As a result, the market value was up only slightly year-on-year to 2.6 million vehicles at the end of the year. Brazil remains a strategically important market for the Volkswagen Group and continues to offer substantial potential for the future. 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 the market and that we produce locally.

India

Volkswagen Group deliveries in India almost doubled in fiscal 2011, although the initially rapid growth of the new vehicles market eased in the second half of the year. We are increasing production capacity at our Pune facility to an annual figure of 130,000 vehicles in order to cope with growing demand. Since October 2011, the new ŠKODA Rapid compact saloon has also been produced there and will make a major contribution to future sales in India. We are significantly expanding our dealer network and investing in training for sales and service staff and in genuine parts logistics so as to further boost our growth. We expect that demand in the Indian market will more than double in the coming years and that India will be one of the most important automotive markets in the future.

Russia

The financial and economic crisis hit the Russian automotive market particularly hard. Its rapid recovery in 2010 and in particular in 2011 was due to the broad-based stabilization of the economy, which benefited from comprehensive government stimulus programs. Despite this renewed more difficult environment, the Volkswagen Group saw a clear rise in its market share in 2011 to 8.8%, with demand for cars rising to 2.5 million vehicles. In the future, we expect that Russia will grow steadily to become one of the largest automotive markets in the world. We are leveraging our growth opportunities in Russia with our plant in Kaluga, 160 km southwest of Moscow, and our partnership with GAZ, a local manufacturer. GAZ will produce Volkswagen Passenger Car and ŠKODA brand models from 2012 onwards under a contract manufacturing agreement. This will enable us to further expand our production capacity so as to satisfy rising demand for our models in the Russian market.

USA

In the reporting period, the automotive market in the USA largely recovered from the slump in vehicle sales following the financial and economic crisis in 2009. The market for passenger cars and light commercial vehicles amounted to 12.8 million vehicles in 2011; this corresponds to an increase of 10.3% compared with the prior-year figure. We expect the US vehicle market to continue its recovery in the coming years. Thanks to the successful launch in September 2011 of the Passat, which was specially developed for this market and was voted "Car of the Year" by Motor Trend magazine, the Volkswagen Group was able to benefit more than average from this growth, lifting its market share to 3.5% (3.1%). We are continuing to systematically pursue our goal for the USA of developing from a niche provider into a volume supplier. For example, we are further expanding the production of products created specially for this market and are enhancing our sales structures on an ongoing basis. We have completed our manufacturing facility in Chattanooga, Tennessee – a significant milestone in our strategy for the long-term penetration of the US dollar area. In addition, this allows us to minimize sales risks resulting from exchange rate volatility.

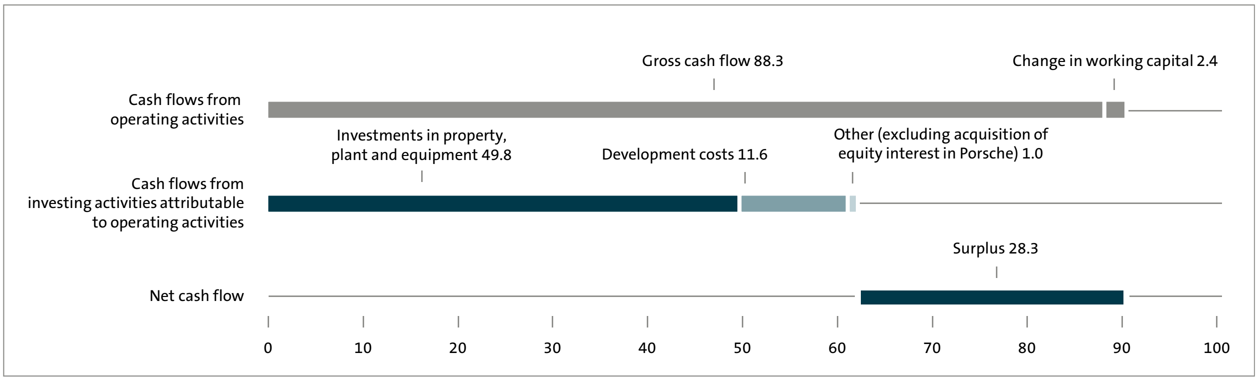
ASEAN

The Volkswagen Group is aiming to sustainably develop 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 MPVS, hatchbacks and notchbacks. In addition, high import duties and extreme price sensitivity in the region require us to assemble our vehicles locally. This is the only way we can strengthen our market position by offering competitive prices. Even without local production at our DRB-HICOM partner facility, which has been manufacturing the Passat since October 2011, we managed to more than double our full-year sales volume in Malaysia. The Volkswagen Group Malaysia is strengthening its sales structure by investing in the wholesale organization and rapidly expanding its dealer network. Audi is examining whether selected models can be assembled locally together with DRB-HICOM. We are looking at whether we can expand our SKD assembly facilities in Indonesia by including additional models in the manufacturing program there and by reviewing our options for increasing localization. We are also investigating to what extent certain Volkswagen Passenger Car and Volkswagen Commercial Vehicles models can be assembled locally and are working hard to improve sales structures. In addition, we are negotiating with potential partners to import vehicles into the Vietnamese and Philippines markets.

Middle East

Despite the uncertain political situation in the Middle East region, the market as a whole offers growth opportunities. We aim to leverage this potential even without our own local production facilities by offering a range of vehicles tailored to this market. In addition, the Volkswagen Group will optimize its sales channels and so increase its market share for the long term.

INVESTMENT AND FINANCIAL PLANNING 2012 TO 2016 IN THE AUTOMOTIVE DIVISION
€ billion



INVESTMENT PLANNING

Based on our current planning, we shall invest a total of €62.4 billion in the Automotive Division in the period from 2012 to 2016. Besides investments in property, plant and equipment, this amount includes additions to capitalized development costs of €11.6 billion and investments in financial assets of €1.0 billion, net of proceeds from asset disposals. Investments in property, plant and equipment will account for €49.8 billion, more than half of which (57%) will be invested in Germany alone. The ratio of capital expenditure to sales revenue in the period from 2012 to 2016 will be at a competitive level of around 6% on average.

At €32.7 billion (roughly 66%), the Group will spend a large proportion of the total amount to be invested in property, plant and equipment in the Automotive Division on modernizing and extending the product range for all its 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 powertrain production, we will launch new generations of engines offering further improvements in performance, fuel consumption and emission levels. In particular, the Group is pressing ahead with the development of hybrid and electric motors.

In addition, the Company will make cross-product investments of €17.1 billion over the next five years. Due to our high quality targets and the continuous improvement of our production processes, the new products also require changes to, and additional capacity in, the press shops, paintshops and assembly facilities. Outside the production area, investments are mainly planned for the areas of development, quality assurance, sales, genuine parts supply and information technology.

Planned investment activities will also include expenditure on wind, solar and hydroelectric power, in order to supply our factories with renewable energies.

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 €90.7 billion over the planning period. As a result, the funds generated are expected to exceed the Automotive Division's investment requirements by €28.3 billion, further improving our liquidity position. We expect net cash flow in the Automotive Division to develop positively in 2012 and 2013.

Our planning is based on the structure of the Volkswagen Group at the date when the planning was prepared (September 2011) and already includes Porsche Holding Salzburg. The investments in the MAN Group and in Porsche Zwischenholding GmbH are still accounted for in Group planning using the equity method. The cash outflow for the purchase of the remaining 50.1% interest in Porsche Zwischenholding GmbH is not included in the Group planning.

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 €14.0 billion in new production facilities and products in the period from 2012 to 2016. These investments will be financed from the joint ventures' own funds.

In the Financial Services Division, we are planning investments of €2.2 billion in the period from 2012 to 2016. We expect the rise in leasing and rental assets and in receivables from customer and dealer financing to lead to funds tied up in working capital of €65.8 billion. Roughly 40% of the total capital requirements of €68.0 billion will be financed from gross cash flow. The remaining funds needed will be met – as is common in the sector – 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 assets defined for the Automotive Division remains unchanged at 9%. At 17.7%, we clearly exceeded the 2010 return – the highest previously generated – in the reporting period (see also pages 183 and 187). An increase in invested capital as a result of the largest 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

On September 8, 2011, Volkswagen AG announced that the planned merger with Porsche Automobil Holding SE (Porsche SE) cannot be implemented within the time frame laid down in the Comprehensive Agreement. The decision was reached by the Board of Management of Volkswagen AG following discussions with Porsche SE. Nevertheless, all parties remain committed to the goal of creating an integrated automotive group with Porsche and are convinced that they will succeed in doing so.

The existing legal hurdles, and particularly those resulting from the ongoing proceedings and actions against Porsche SE in Germany and the USA due to alleged market manipulation, made it impossible from Volkswagen's perspective to quantify the economic risks and hence to arrive at a valuation for Porsche SE that could be used to determine the exchange ratio.

The Board of Management is analyzing whether there are additional ways of achieving the goal of creating an integrated automotive group with Porsche apart from the put/call options agreed in the Comprehensive Agreement.

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 successful and fascinating 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 the development of the major growth markets.
- Volkswagen intends to increase its return on sales before tax to 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, 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, powertrains 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. In addition, 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 2012 AND 2013

The Volkswagen Group's Board of Management continues to expect competition in the international automotive markets to get fiercer in the coming years. The market environment in which the Group's brands operate is becoming increasingly challenging, particularly in certain European countries. Uncertainties surrounding global economic growth continue to have a negative effect on market development. The financial markets in particular still entail risks resulting above all from the strained debt situation of many countries.

Growth in the global markets for passenger cars and light commercial vehicles is expected to continue in 2012 and 2013, albeit at a slower rate to start with. We are anticipating the strongest growth in this period in the Asia-Pacific region as well as in South America, the USA and Russia. The Volkswagen Group already has a large share in many of these markets. We will strengthen this position by expanding production capacities and building more local production facilities that will, in part, produce vehicles developed specifically for these countries. Demand for passenger cars and light commercial vehicles is likely to weaken in Western Europe. The Volkswagen Group will maintain its leading market position in this region.

Following the increase in demand for trucks and buses in 2011, we expect growth to continue in the global markets in 2012 and 2013, albeit at a slower pace.

We believe that automotive financial services will continue to grow in importance in the coming years.

The Volkswagen Group is well positioned thanks to its multibrand strategy, attractive range of models, growing presence in all major regions of the world and wide range of financial services. We therefore expect our sales to customers to exceed the previous years' levels overall in 2012 and 2013. Our Chinese joint venture companies, as well as the new production facilities in Russia, the USA and India, will make a significant contribution to this development.

We are anticipating increasingly intense competition in a challenging market environment, particularly in certain European countries. Interest and exchange rate volatility, as well as rising commodities prices, will represent challenges.

We expect sales revenue in the Automotive and Financial Services Divisions to increase in 2012 and 2013 as against 2011. Our goal for operating profit is to match the 2011 level in 2012, and to exceed it in 2013. We believe that this will be the case for the Passenger Cars and Light Commercial Vehicles Business Area and it is also being forecast by the Trucks and Buses, Power Engineering Business Area – which remains affected by high depreciation and amortization expenses from purchase price allocation, among other things – as well as the Financial Services Division.

In the medium term, 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 the competitive level of 6%. Our goal is also to maintain our positive rating compared with the industry as a whole and to continue our solid liquidity policy.

In order to master the challenges of the automotive future and to achieve the Strategy 2018 targets, the decisive advantages for the Volkswagen Group lie in its unique brand portfolio, the young, innovative and environmentally friendly model range, the broad international presence with local value added in many key regions, the significant synergy potential in the Group-wide development of technologies and models, and finally in its financial strength. With the construction of new plants, the development of technologies and platforms, and agreements on strategic partnerships, we are working on more selectively utilizing the strengths of our multibrand group. Disciplined cost and investment management remains an integral part of our Strategy 2018.

PROSPECTS FOR 2012

The global economy continued to grow in the reporting period, although the pace of growth slowed substantially in the second half of the year. We expect global economic growth to remain at this level in 2012, although the various individual regions will perform differently. The rapid momentum seen in the emerging markets of Asia and Latin America will ease only slightly, while the major industrialized nations will continue to see only moderate growth. A recession is expected in some eurozone countries. Increasing inflationary trends may cloud the prospects for growth in the emerging markets.

The global sales markets for passenger cars and light commercial vehicles are expected to see a further increase in 2012. We are forecasting an overall decline in the market volume in Western Europe, with the German market staying at the same level as in the previous year. Growth in Central and Eastern Europe will slow tangibly. Growth in our strategically important markets in China and India is expected to remain above average, while demand in North and South America also looks set to rise further.

The markets for trucks and buses are expected to continue their growth in 2012, although they will lose momentum.

We also expect the markets for automotive financial services to gain in significance in 2012.

The Volkswagen Group's main competitive advantages are its multibrand strategy, a range of vehicles that covers almost all segments from subcompact cars to heavy trucks and its growing presence in all major regions of the world, together with its wide range of financial services. Thanks to our expertise in technology and design, we have a diverse, attractive and environmentally friendly portfolio of products that meets all customer desires and needs. In 2012, the Volkswagen Group's brands will again launch a large number of fascinating new models and so help further expand our strong position in the global markets. As a result, we expect to increase deliveries to customers year-on-year. 2012 will be dominated by the start of production for new, high-volume models as part of the renewal of our product range and the need to convert our plant and equipment for use with the Modular Transverse Toolkit. The modular toolkit system, which is being continuously updated, will have an increasingly positive effect on the Group's cost structure in the future.

The Volkswagen Group's 2012 sales revenue will exceed the prior-year figure. This will also be a result of the consolidation of MAN SE as of November 9, 2011; the earnings contribution will be limited because of the write-downs that will be required for purchase price allocation.

Our goal for operating profit is to match the 2011 level. Positive effects from our attractive model range and strong market position will be offset in part by increasingly stiff competition in a challenging market environment, especially in certain European countries. Disciplined cost and investment management and the continuous optimization of our processes remain core components of our Strategy 2018.

Wolfsburg, February 14, 2012
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 relative in particular to sterling, the US dollar, Chinese renminbi, the Swiss franc, Japanese yen, Swedish krona, Russian ruble and Australian dollar. In addition, expected business development 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

The Volkswagen Group recorded an operating profit of €11.3 billion in fiscal year 2011, surpassing the record figure of the previous year by 57.8%. This performance is impressive and shows that we are on our way to sustainably achieving our Strategy 2018 targets.

VOLKSWAGEN GROUP OPERATING PROFIT

in € million

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

of the Volkswagen Group for the Period January 1 to December 31, 2011

€ million	Note	2011	2010
Sales revenue	**1**	**159,337**	**126,875**
Cost of sales	2	–131,371	–105,431
Gross profit		**27,965**	**21,444**
Distribution expenses	3	–14,582	–12,213
Administrative expenses	4	–4,384	–3,287
Other operating income	5	9,727	7,648
Other operating expenses	6	–7,456	–6,450
Operating profit		**11,271**	**7,141**
Share of profits and losses of equity-accounted investments	7	2,174	1,944
Finance costs	8	–2,047	–2,144
Other financial result	9	7,528	2,053
Financial result		**7,655**	**1,852**
Profit before tax		**18,926**	**8,994**
Income tax income/expense	10	–3,126	–1,767
current		–4,351	–2,963
deferred		1,225	1,196
Profit after tax		**15,799**	**7,226**
Noncontrolling interests		391	392
Profit attributable to shareholders of Volkswagen AG		15,409	6,835
Basic earnings per ordinary share in €	**11**	**33.10**	**15.17**
Diluted earnings per ordinary share in €	**11**	**33.10**	**15.17**
Basic earnings per preferred share in €	**11**	**33.16**	**15.23**
Diluted earnings per preferred share in €	**11**	**33.16**	**15.23**

Statement of Comprehensive Income

Changes in Comprehensive Income for the Period January 1 to December 31, 2010

€ million	Total	VW AG shareholders	Non-controlling interests
Profit after tax	**7,226**	**6,835**	**392**
Actuarial gains/losses			
Actuarial gains/losses, before tax	–1,344	–1,311	–33
Deferred taxes relating to actuarial gains/losses	393	384	9
Actuarial gains/losses, net of tax	–951	–927	–24
Exchange differences on translating foreign operations			
Unrealized currency translation gains/losses	1,978	1,716	261
Transferred to profit or loss	–	–	–
Exchange differences on translating foreign operations, before tax	1,978	1,716	261
Deferred taxes relating to exchange differences on translating foreign operations	–	–	–
Exchange differences on translating foreign operations, net of tax	1,978	1,716	261
Cash flow hedges			
Fair value changes recognized in other comprehensive income	–868	–899	31
Transferred to profit or loss	–268	–232	–36
Cash flow hedges, before tax	–1,136	–1,130	–5
Deferred taxes relating to cash flow hedges	333	332	1
Cash flow hedges, net of tax	–802	–798	–4
Available-for-sale financial assets			
Fair value changes recognized in other comprehensive income	1	1	–
Transferred to profit or loss	–35	–35	–
Available-for-sale financial assets, before tax	–34	–34	–
Deferred taxes relating to available-for-sale financial assets	10	10	–
Available-for-sale financial assets, net of tax	–24	–24	–
Share of other comprehensive income of equity-accounted investments, net of tax	516	516	–
Other comprehensive income, before tax	–20	–242	222
Deferred taxes relating to other comprehensive income	736	726	11
Other comprehensive income, net of tax	**717**	**484**	**233**
Total comprehensive income	**7,943**	**7,319**	**625**

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).

Starting in fiscal year 2011, other comprehensive income is presented separately in the statement of comprehensive income for amounts attributable to the shareholders of Volkswagen AG and amounts attributable to noncontrolling interests. In addition, other comprehensive income is presented both before and net of tax. The corresponding supplemental disclosures in the notes are no longer presented. The prior-year figures were adjusted.

Balance Sheet

of the Volkswagen Group as of December 31, 2011

€ million	Note	Dec. 31, 2011	Dec. 31, 2010
Assets			
Noncurrent assets			
Intangible assets	12	21,992	13,104
Property, plant and equipment	13	31,916	25,847
Leasing and rental assets	14	16,626	11,812
Investment property	14	340	252
Equity-accounted investments	15	10,249	13,528
Other equity investments	15	3,049	640
Financial services receivables	16	42,450	35,817
Other receivables and financial assets	17	14,405	7,519
Noncurrent tax receivables	18	627	689
Deferred tax assets	18	6,333	4,248
		147,986	**113,457**
Current assets			
Inventories	19	27,551	17,631
Trade receivables	20	10,479	6,883
Financial services receivables	16	33,754	30,164
Other receivables and financial assets	17	8,796	6,605
Current tax receivables	18	623	482
Marketable securities	21	6,146	5,501
Cash, cash equivalents and time deposits	22	18,291	18,670
		105,640	**85,936**
Total assets		**253,626**	**199,393**
Equity and Liabilities			
Equity	23		
Subscribed capital		1,191	1,191
Capital reserves		9,329	9,326
Accumulated comprehensive income		47,019	35,461
Equity attributable to shareholders of Volkswagen AG		57,539	45,978
Noncontrolling interests		5,815	2,734
		63,354	**48,712**
Noncurrent liabilities			
Noncurrent financial liabilities	24	44,443	37,159
Other noncurrent liabilities	25	6,940	4,742
Deferred tax liabilities	26	4,125	1,669
Provisions for pensions	27	16,787	15,432
Provisions for taxes	26	3,721	3,610
Other noncurrent provisions	28	13,201	11,170
		89,216	**73,781**
Current liabilities			
Current financial liabilities	24	49,090	39,852
Trade payables	29	16,325	12,544
Current tax payables	26	844	286
Other current liabilities	25	16,097	10,627
Provisions for taxes	26	2,888	2,077
Other current provisions	28	15,812	11,513
		101,057	**76,900**
Total equity and liabilities		**253,626**	**199,393**

Statement of Changes in Equity

of the Volkswagen Group for the Period January 1 to December 31, 2011

€ million	Subscribed capital	Capital reserves	ACCUMULATED COMPREHENSIVE INCOME Retained earnings	Currency translation reserve
Balance at Jan. 1, 2010	**1,025**	**5,356**	**31,607**	**–1,881**
Profit after tax	–	–	6,835	–
Other comprehensive income, net of tax	–	–	–	1,716
Total comprehensive income	**–**	**–**	**6,835**	**1,716**
Capital increase*	166	3,970	–	–
Dividend payment	–	–	–754	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	–4	–
Balance at Dec. 31, 2010	**1,191**	**9,326**	**37,684**	**–165**
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**

* Volkswagen AG recorded a cash inflow of €4,099 million from the capital increase implemented in fiscal year 2010 by issuing new preferred shares. In addition to this, the noncash effects of recognizing deferred taxes amount to €35 million and an inflow from the exercise of convertible bonds amounts to €2 million.

The Other changes item is primarily attributable to changes in the consolidated Group (in fiscal year 2011 mainly the initial consolidation of MAN SE).

Explanatory notes on equity are presented in note 23.

Reserve for actuarial gains/losses	Cash flow hedge reserve	Fair value reserve for securities	Equity-accounted investments	Equity attributable to shareholders of VW AG	Noncontrolling interests	Total equity
−1,274	**860**	**−1**	**−409**	**35,281**	**2,149**	**37,430**
–	–	–	–	6,835	392	7,226
−927	−798	−24	516	484	233	717
−927	**−798**	**−24**	**516**	**7,319**	**625**	**7,943**
–	–	–	–	4,137	–	4,137
–	–	–	–	−754	−43	−798
–	–	–	–	–	0	0
–	–	–	–	−4	4	0
−2,201	**61**	**−25**	**107**	**45,978**	**2,734**	**48,712**
−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**

Cash Flow Statement

of the Volkswagen Group for the Period January 1 to December 31, 2011

€ million	2011	2010
Cash and cash equivalents at beginning of period	**18,228**	**18,235**
Profit before tax	18,926	8,994
Income taxes paid	–3,269	–1,554
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment, and investment property*	5,969	5,514
Amortization and write-downs of capitalized development costs*	1,697	2,218
Impairment losses on equity investments*	13	8
Depreciation of, and impairment losses on, leasing and rental assets*	2,667	2,357
Gain/loss on disposal of noncurrent assets	13	102
Share of profit or loss of equity-accounted investments	–715	–751
Other noncash expense/income	–6,462	–1,424
Change in inventories	–4,234	–2,507
Change in receivables (excluding financial services)	–2,241	–1,980
Change in liabilities (excluding financial liabilities)	3,077	4,064
Change in provisions	3,960	2,654
Change in leasing and rental assets	–4,090	–3,138
Change in financial services receivables	–6,811	–3,102
Cash flows from operating activities	**8,500**	**11,455**
Investments in intangible assets, property, plant and equipment, and investment property	–8,087	–5,758
Additions to capitalized development costs	–1,666	–1,667
Acquisition of subsidiaries	–5,833	65
Acquisition of other equity investments	–577	–2,219
Disposal of subsidiaries	–	0
Disposal of other equity investments	21	4
Proceeds from disposal of intangible assets, property, plant and equipment, and investment property	140	297
Change in investments in securities	–699	–3,276
Change in loans and time deposits	–1,931	1,506
Cash flows from investing activities	**–18,631**	**–11,048**
Capital contributions	3	4,101
Dividends paid	–1,266	–798
Capital transactions with noncontrolling interests	–335	–
Other changes	–23	4
Proceeds from issue of bonds	16,715	7,910
Repayment of bonds	–11,603	–11,941
Change in other financial liabilities	4,805	–104
Finance lease payments	19	–24
Cash flows from financing activities	**8,316**	**–852**
Effect of exchange rate changes on cash and cash equivalents	82	438
Net change in cash and cash equivalents	**–1,733**	**–8**
Cash and cash equivalents at end of period	**16,495**	**18,228**
Cash and cash equivalents at end of period	16,495	18,228
Securities, loans and time deposits	12,163	9,437
Gross liquidity	**28,658**	**27,664**
Total third-party borrowings	–93,533	–77,012
Net liquidity	**–64,875**	**–49,347**

* Net of impairment reversals.

Explanatory notes on the cash flow statement are presented in note 30. Starting in fiscal year 2011, cash flows from the acquisition of investees are presented separately by cash flows from the acquisition of subsidiaries and cash flows from the acquisition of other equity investments. The same applies to cash flows from the disposal of other equity investments. The prior-year figures were adjusted.

Notes to the Consolidated Financial Statements

of the Volkswagen Group as of December 31, 2011

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 2011 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 14, 2012. 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 2011.

The option contained in the revised IAS 24 allows simplified reporting with respect to government-related entities and their subsidiaries. Volkswagen has not exercised this option. The revised IAS 24 also clarifies the definition of related parties and of reportable transactions. The reportable transactions of related parties were supplemented by other contractual obligations in this context. The prior-year figures were adjusted.

The amendments to IFRS 7 as part of the 2010 International Financial Reporting Standards Improvements Project required us to amend the disclosure requirements on the nature and extent of risks arising from financial instruments. Among other things, disclosures are now required on the financial effects of collateral and credit enhancements obtained. Additionally, the requirement to disclose the carrying amounts of financial instruments that would otherwise be past due whose terms have been renegotiated has been discontinued.

In addition, the following standards and interpretations were required to be applied for the first time in the fiscal year, but did not have any material effects on presentation in the Group's consolidated financial statements:

- IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- IAS 32: Classification of Rights Issues
- 2010 Improvements to International Financial Reporting Standards – minor amendments to a large number of IFRSs (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 18, IAS 27, IAS 34, IFRIC 13) and consequential amendments
- IFRIC 14: Prepayments of a Minimum Funding Requirement
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

New and amended IFRSs not applied

In its 2011 consolidated financial statements, Volkswagen AG did not apply the following accounting standards or interpretations that have already been adopted by the IASB but were not 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	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	Dec. 20, 2010	Jan. 1, 2012	No	None
IFRS 7	Disclosures – Transfers of Financial Assets	Oct. 7, 2010	Jan. 1, 2012	Yes	Enhanced disclosures on the transfer of financial instruments
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2013	No	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, 2013	No	No material effects
IFRS 11	Joint Arrangements	May 12, 2011	Jan. 1, 2013	No	No material effects
IFRS 12	Disclosure of Interests in Other Entities	May 12, 2011	Jan. 1, 2013	No	Enhanced disclosures on interests in other entities
IFRS 13	Fair Value Measurement	May 12, 2011	Jan. 1, 2013	No	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	No	Change in the presentation of other comprehensive income
IAS 12	Income Taxes – Recovery of Underlying Assets	Dec. 20, 2010	Jan. 1, 2012	No	No material effects
IAS 19	Employee Benefits	June 16, 2011	Jan. 1, 2013	No	Change in accounting for and enhanced disclosures on employee benefits
IAS 27	Separate Financial Statements	May 12, 2011	Jan. 1, 2013	No	None
IAS 28	Investments in Associates and Joint Ventures	May 12, 2011	Jan. 1, 2013	No	None
IAS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2014	No	No material effects
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Oct. 19, 2011	Jan. 1, 2013	No	None

1 Up to December 31, 2011.
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.

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 investment funds and other 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 1.2% (previous year: 1.1%) of Group equity. The aggregate profit after tax of these companies amounts to 0.2% (previous year: 0.1%) 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:

	2011	2010
Volkswagen AG and consolidated subsidiaries		
Germany	123	71
International	729	320
Subsidiaries carried at cost		
Germany	66	62
International	202	78
Associates, joint ventures and other equity investments		
Germany	42	28
International	64	51
	1,226	**610**

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 Retail GmbH, Ingolstadt
- Audi Vertriebsbetreuungsgesellschaft mbH, Ingolstadt
- Audi Zentrum Berlin GmbH, Berlin
- Audi Zentrum Frankfurt GmbH, Frankfurt am Main
- Audi Zentrum Hamburg GmbH, Hamburg
- Audi Zentrum Hannover GmbH, Hanover
- Audi Zentrum Leipzig GmbH, Leipzig
- Audi Zentrum Stuttgart GmbH, Stuttgart
- 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
- 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 Kraftwerk 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 Retail GmbH, Wolfsburg
- Volkswagen Sachsen GmbH, Zwickau
- Volkswagen Vertriebsbetreuungsgesellschaft mbH, Chemnitz
- Volkswagen Zubehör GmbH, Dreieich
- Volkswagen-Versicherungsdienst GmbH, Braunschweig
- Volkswagen Versicherungsvermittlung GmbH, Braunschweig

CONSOLIDATED SUBSIDIARIES

Effective January 1, 2010, the Volkswagen Group had acquired all shares of MAHAG GmbH (formerly: MAHAG Münchener Automobil-Handel Haberl GmbH & Co. KG), Munich, to safeguard the presence and sale of its brands, against the waiver of a claim in the amount of €9 million. The acquisition resulted in goodwill of €8 million, which is attributable to the MAHAG Group. The goodwill is not tax-deductible.

To increase its design and development capacity, effective July 27, 2010 the Volkswagen Group acquired 90.1% of the voting rights of the design and development service provider Italdesign Giugiaro S.p.A., Turin, Italy (IDG), via Automobili Lamborghini Holding S.p.A., Sant'Agata Bolognese, Italy, a subsidiary of AUDI AG. The remaining shares of IDG were retained by the existing owners. The total purchase price of €180 million includes a put option measured at fair value that was granted to these shareholders on the outstanding shares. In connection with the acquisition, existing contractual relationships held by IDG were terminated in advance by mutual agreement subject to a mutual waiver of the assertion of claims for loss compensation or other claims. The value attributable to these relationships at IDG of €35 million was classified as a separate transaction and recognized as other operating expenses in fiscal year 2010. The total purchase price is calculated as follows:

€ million	2010
Purchase price paid for 90.1% of the voting rights	194
+ Option on the outstanding voting rights	21
– Settlement for the termination of existing agreements	35
= Total purchase price	180

The merger resulted in goodwill of €72 million, which is attributable primarily to expected synergy effects in the Audi subgroup. The goodwill is not tax-deductible.

In the course of 2010, the Scania Group acquired dealership operations in France, Switzerland and Italy. The purchase price paid amounted to €6 million in total. The acquired goodwill of €1 million was allocated to the Scania Vehicles and Services segment. The goodwill is not tax-deductible.

The following table shows the final allocation of the purchase price to the assets and liabilities of the above-mentioned business combinations:

€ million	IFRS carrying amounts at the acquisition date	Purchase price allocation	Fair values at the acquisition date
Brand names	18	46	64
Other noncurrent assets*	188	61	249
Cash and cash equivalents	14	–	14
Other current assets	163	5	168
Total assets	**383**	**112**	**495**
Noncurrent liabilities	67	35	101
Current liabilities	279	0	279
Total liabilities	**345**	**35**	**380**

* Excluding goodwill of Volkswagen AG.

The gross carrying amount of the receivables acquired was €86 million at the acquisition date, and the net carrying amount (equivalent to the fair value) was €85 million. The depreciable noncurrent assets have maturities of between 18 months and 35 years.

The inclusion of the companies increased the Group's sales revenue by €609 million and profit after tax by €1 million. If IDG and the business operations acquired by Scania had been included as of January 1, 2010, the Group's sales revenue before consolidation would have been €95 million higher and profit after tax would have been €3 million higher.

Volkswagen acquired 100% of the trading business of Porsche Holding, Salzburg, Austria for €3.3 billion effective March 1, 2011. Prior to the transaction, the previous indirect owners, the Porsche and Piëch families, had exercised the put option granted by Volkswagen AG. With this acquisition, which was already provided for in the Comprehensive Agreement, Volkswagen has taken another planned step on the way towards an integrated automotive group consisting of Volkswagen and Porsche.

Porsche Holding is an automobile trading company with a strong presence in particular in Austria, Western Europe and Southeast Europe, as well as in China. It sold 626 thousand new and used vehicles in calendar year 2011. Volkswagen is acquiring all automotive operations from Porsche Holding such as the wholesale and retail trading business, Porsche Informatik (IT), Porsche Bank, Porsche Immobilien (real estate) and Porsche Versicherung (insurance), as well as PGA Motors headquartered in Paris. Porsche Holding employs approximately 20,500 people (including unconsolidated companies).

The merger resulted in goodwill of €152 million, which is not tax-deductible.

The following table shows the allocation of the purchase price to the assets and liabilities, which has now been completed:

€ million	IFRS carrying amounts at the acquisition date	Purchase price allocation	Fair values at the acquisition date
Brand names	–	74	74
Customer relationships	–	875	875
Property, plant and equipment	871	371	1,242
Noncurrent financial services receivables	1,279	4	1,282
Other noncurrent assets*	712	186	898
Inventories	1,997	1	1,998
Cash and cash equivalents	617	–	617
Other current assets	1,453	–	1,453
Total assets	**6,929**	**1,510**	**8,438**
Noncurrent financial liabilities	878	–9	869
Other noncurrent liabilities and provisions	570	357	927
Current financial liabilities	1,829	–	1,829
Trade payables	863	–	863
Other current liabilities and provisions	4,104	–	4,104
of which liabilities to sellers settled with the purchase price	3,314	–	3,314
Total liabilities	**8,243**	**348**	**8,591**

* Excluding goodwill of Volkswagen AG.

Goodwill and brand names are allocated to the Porsche Holding operating segment, which is part of the Passenger Cars and Light Commercial Vehicles reporting segment.

The gross carrying amount of the receivables acquired was €2,962 million at the acquisition date, and the net carrying amount (equivalent to the fair value) was €2,753 million. The depreciable noncurrent assets have maturities of between 12 months and 30 years.

The inclusion of Porsche Holding increased the Group's sales revenue by €5,281 million and decreased its profit after tax net of amortization of hidden reserves identified in the course of purchase price allocation by €64 million as of December 31, 2011. If Porsche Holding had been included as of January 1, 2011, the Group's sales revenue after consolidation as of December 31, 2011 would have been €984 million higher and its profit after tax would have been €7 million higher.

Porsche Holding's contingent liabilities were not included in purchase price allocation.

The transfer of Porsche Holding's trading business increases the consolidated Group by 263 consolidated subsidiaries and three equity-accounted joint ventures and associates.

At the beginning of May 2011, Volkswagen AG increased its holdings of MAN SE's ordinary shares from 29.90% to 30.47%. In accordance with German takeover law, Volkswagen was obliged to make a mandatory public offer to all external shareholders of MAN SE to purchase their shares of MAN SE after the threshold of 30% of the voting rights in MAN SE had been exceeded. MAN shareholders tendered 35,857,607 ordinary shares and 164,613 preferred shares to Volkswagen by the end of the acceptance period for the takeover offer on June 29, 2011.

After receipt of all official approvals, on November 9, 2011, Volkswagen acquired 25.4% of the voting rights and 2.7% of the preferred shares of MAN SE, Munich, against payment of a total of €3,416 million and, after completion of the mandatory offer, held 55.90% of the voting rights and 53.71% of the share capital of MAN SE. The measurement basis for the goodwill is calculated as follows:

€ million	2011
Purchase price for shares acquired on November 9	3,416
of which: attributable to termination of existing contractual arrangements	–43
Adjusted purchase price for shares acquired on November 9	3,373
Existing shares measured at quoted market price on November 9	2,694
Shares held by noncontrolling interests measured at quoted market price on November 9	4,267
Measurement basis for goodwill	**10,334**

Additionally, transaction-related costs of €16.9 million were recognized directly in other operating expenses.

MAN SE is the listed parent company of the MAN Group, one of the leading European industrial companies in the transport and energy sector, with consolidated sales revenue of €14,675 million in 2010. MAN's Commercial Vehicles and Power Engineering business areas supply trucks, buses, diesel engines, turbomachinery and special gear units.

Following the acquisition, Volkswagen AG acquired further shares for €0.3 billion and held 59.58% of the voting rights and 57.33% of the share capital of MAN SE at the end of the reporting period. The difference of €0 million arising from the acquisition of additional shares was taken directly to equity.

The increase in the equity interest is designed to leverage short-term synergies in procurement as well as medium- to long-term synergies from closer cooperation in research and development, and in production.

The shares of MAN, which were accounted for using the equity method until the acquisition date, were revalued at their quoted market value of €2,694 million on acquisition of the majority of the voting rights. The transition from the equity method to consolidation resulted in a noncash book loss of €292 million, which was recognized in the financial result; this includes amounts totaling €48 million that were previously recognized directly in equity and that were transferred to the income statement.

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 €575 million, which is not tax-deductible.

The following table shows the preliminary allocation of the purchase price to the assets and liabilities:

€ millon	IFRS carrying amounts at the acquisition date	Purchase price allocation	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	2,913
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**	**25,063**
Noncurrent financial liabilities	1,824	150	1,974
Other noncurrent liabilities and provisions	2,797	2,126	4,923
Current financial liabilities	1,334	–	1,334
Trade payables	2,137	–	2,137
Current provisions	1,364	398	1,761
Other current liabilities	3,175	–	3,175
Total liabilities	**12,631**	**2,674**	**15,304**

* Excluding goodwill of Volkswagen AG.

€383 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 €193 million and the remaining brand names of €470 million are allocated to the Power Engineering segment.

The gross carrying amount of the receivables acquired was €4,291 million at the acquisition date and the net carrying amount (equivalent to the fair value) was €3,821 million. The depreciable noncurrent assets have maturities of between 4 months and 50 years.

The interests attributable to the remaining external shareholders at the acquisition date are measured on the basis of the attributable quoted market value.

The inclusion of the company increased the Group's sales revenue by €2,644 million and reduced its profit after tax and net of amortization of hidden reserves identified in the course of purchase price allocation by €57 million as of December 31, 2011. If MAN had been included as of January 1, 2011, the Group's sales revenue after consolidation as of December 31, 2011 would have been approximately €14 billion higher and its profit after tax net of amortization of hidden reserves identified in the course of purchase price allocation would have been approximately €281 million higher.

Potential risks from litigation for which MAN has not recognized any provisions due to the remote possibility of settlement were recognized at their fair value. These relate primarily to Ferrostaal and to the proceedings described in note 34, Litigation.

The acquisition of the majority stake in MAN SE increases the consolidated Group by 134 consolidated subsidiaries and 10 equity-accounted joint ventures and associates.

The shares of Scania AB held by MAN SE increase the share of voting rights in Scania attributable to Volkswagen as from November 9, 2011 to 89.18% (71.81%) and the interest in the capital of Scania attributable to Volkswagen AG to 56.94% (49.29%). The resulting difference of €286 million was recognized in other comprehensive income.

The fair values of the assets and liabilities described above 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, three domestic companies that were not consolidated in the previous year and one newly formed domestic company, as well as three newly acquired foreign companies, ten newly formed foreign companies and four foreign companies that were not consolidated in the previous year were initially consolidated. 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 and liquidation of six companies, while the number of consolidated foreign subsidiaries was reduced by the sale of one company and the merger and liquidation of seven companies.

INVESTMENTS IN ASSOCIATES

Effective January 15, 2010, Volkswagen acquired 19.89% of the shares of Suzuki Motor Corporation, Hamamatsu, Japan, for €1.7 billion. Following the exercise of outstanding convertible bonds by other investors, Volkswagen's interest in Suzuki fell to 19.37%. After acquiring additional shares, Volkswagen increased its interest again to 19.89% as of June 30, 2010.

Due to the economic cooperation agreed in the master agreement, Suzuki was classified as an associate until September 2011. The shares were measured using the equity method. The precise allocation of the purchase price to the assets and liabilities of the Suzuki Motor Corporation was completed in the current fiscal year. No significant adjustment to the figures allocated in the previous year was required.

Following the notification by Suzuki dated September 13, 2011 that it intends to terminate its cooperation with Volkswagen, and because it is not clear at the present time whether any cooperation will be reestablished, Volkswagen is no longer in a position until further notice to exercise significant influence over Suzuki. Equity-method accounting was discontinued as of this date and the difference between the equity-accounted carrying amount and the fair value of the shares was recognized as an expense from associates as of the date of the change in the accounting policy. Including the reclassification to profit or loss of amounts previously recognized directly in equity amounting to €430 million, this results in an expense from discontinuation of the equity method amounting to €263 million. Since that date, the interest in Suzuki has been presented in other investees and measured at fair value directly in equity.

The acquisition of the majority stake in MAN SE means that the MAN Group's interest of 25% plus one share in Chinese truckmaker Sinotruk Ltd. is attributable to Volkswagen. The quoted market value of this investment was €298 million at the end of the reporting period. Due to local capital market rules governing the publication of financial information of this investee, the consolidated income statement does not include any share of the investee's results in fiscal year 2011. MAN's 30% interest in Ferrostaal AG, Essen, is also 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 has been written down in full. On November 28, 2011, MAN agreed to the retransfer to MAN of the 70% interest in Ferrostaal held by the International Petroleum Investment Company (IPIC), Abu Dhabi, and to the repurchase of these shares by MAN from IPIC under the terms of a settlement agreed with IPIC. Under the settlement agreement, MAN is required to pay €350 million. IPIC had acquired a share package amounting to a 70% interest in Ferrostaal at the beginning of 2009. At the same time, MAN entered into an agreement with the MPC Group, Hamburg, under which the MPC Group will acquire 100% of the shares of Ferrostaal from MAN immediately following completion of the settlement agreed with IPIC. The transaction depends on clearance by the responsible antitrust authorities. The MPC Group will purchase Ferrostaal from MAN for up to €160 million. The settlement agreement 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 (previous year: MAN and Suzuki):

€ million	2011	2010
Assets[1]	1,601	8,909
Liabilities[1]	1,053	5,299
Income[2]	1,079	8,788
Profit/loss for the period[2]	49	305

1 Fiscal year 2011: Amounts refer to the June 30, 2011 reporting date.
2 No profit or loss recognized in Volkswagen's consolidated financial statements for fiscal year 2011.

On December 31, 2011, MAN and Rheinmetall AG, Düsseldorf, combined their production capacities for wheeled military vehicles in Rheinmetall MAN Military Vehicles GmbH, Munich, which had been formed in 2010. Volkswagen Group holds a 49% stake in this company via MAN Truck & Bus AG. The equity interest in this company is accounted for using the equity method and is contained in the share of profits and losses of equity-accounted investments in the amount of €132 million as of December 31, 2011. The equity method is applied with a three-month delay.

INTERESTS IN JOINT VENTURES

The following carrying amounts are attributable ratably to the Volkswagen Group from its proportionate interest in joint ventures (primarily FAW-Volkswagen Automotive Company (40%), Global Mobility Holding (50%), Porsche Zwischenholding GmbH (49.9%) and Shanghai-Volkswagen Automotive Company (50%)):

€ million	2011	2010
Noncurrent assets	15,786	13,805
Current assets	14,274	12,487
Noncurrent liabilities	10,954	10,457
Current liabilities	13,700	12,043
Income	26,806	21,162
Expenses	23,975	18,988

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 €1.4 billion to secure a loan granted to Fleet Investments B.V. by Bankhaus Metzler. This pledge does not increase the Volkswagen Group's risk arising from the above-mentioned short position.

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 =	2011	2010	2011	2010
Argentina	ARS	5.57444	5.30858	5.74487	5.18724
Australia	AUD	1.27230	1.31360	1.34839	1.44231
Brazil	BRL	2.41590	2.21770	2.32651	2.33143
Canada	CAD	1.32150	1.33220	1.37610	1.36511
Czech Republic	CZK	25.78700	25.06100	24.58977	25.28402
India	INR	68.71300	59.75800	64.88593	60.58783
Japan	JPY	100.20000	108.65000	110.95860	116.23857
Mexico	MXN	18.05120	16.54750	17.28765	16.73727
People's Republic of China	CNY	8.15880	8.82200	8.99600	8.97123
Poland	PLN	4.45800	3.97500	4.12061	3.99467
Republic of Korea	KRW	1,498.69000	1,499.06000	1,541.23409	1,531.82116
Russia	RUB	41.76500	40.82000	40.88455	40.26294
South Africa	ZAR	10.48300	8.86250	10.09704	9.69843
Sweden	SEK	8.91200	8.96550	9.02984	9.53727
United Kingdom	GBP	0.83530	0.86075	0.86788	0.85784
USA	USD	1.29390	1.33620	1.39196	1.32572

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 based on a maximum growth rate of 2% per annum (previous year: 2% p.a.). 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:

WACC	2011	2010
Passenger Cars and Light Commercial Vehicles segment	6.0%	5.5%
Trucks and Buses segment	8.0%	6.8%
Power Engineering segment	8.0%	–

A cost of equity of 8.7% (previous year: 9.1%) 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 6.8% (previous year: 6.4%) 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 accordingly.

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), 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 carried 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 in the Automotive 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 in 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 based not only on pension payments and vested entitlements known at the balance sheet date, but also reflects future salary and pension trends. 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 1.79% (previous year: 2.13%) 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 provisions for cancellations and 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 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.

Personnel expenses are recognized in respect of the issue of convertible bonds to employees conveying the right to purchase shares of Volkswagen AG.

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 28. 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 are recognized as other operating income, while the expense from recognizing new provisions is allocated directly to the functions in the income statement. 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 28 contains an overview of other provisions. For information on litigation, see also note 34.

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 recognised, 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 continued to grow in the reporting period, although the pace of growth slowed substantially in the second half of the year. We expect global economic growth to remain at this level in 2012. As a result, from today's perspective, we are not expecting any material adjustment in the carrying amounts of the assets and liabilities reported in the consolidated balance sheet in the following fiscal year.

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 by looking to 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. Starting with fiscal year 2011, 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. The individual passenger car brands and light commercial vehicles of the Volkswagen Group are combined on a consolidated basis into a single reportable segment.

Due to the initial consolidation of the MAN Group and the associated addition of MAN's commercial vehicles business, the Scania Vehicles and Services segment was renamed "Trucks and Buses" in fiscal year 2011. This primarily comprises the development, production and sale of heavy commercial vehicles and buses, the corresponding genuine parts business and related services.

The activities of the new "Power Engineering" segment that was created by the initial consolidation of the MAN Group in fiscal year 2011 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 now allocated directly to the corresponding segments. The prior-year figures were adjusted accordingly.

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 all of 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.

OPERATING SEGMENTS 2010*

€ 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	104,523	7,990	–	13,083	125,595	1,280	126,875
Intersegment sales revenue	6,695	189	–	986	7,871	–7,871	–
Total sales revenue	111,218	8,179	–	14,069	133,466	–6,591	126,875
Depreciation and amortization	6,063	577	–	2,218	8,858	42	8,900
Impairment losses	1,146	–	–	134	1,280	13	1,293
Reversal of impairment losses	91	–	–	6	96	–	96
Segment profit or loss (operating profit or loss)	5,337	1,050	–	952	7,339	–197	7,141
Share of profits and losses of equity-accounted investments	1,718	2	–	125	1,844	100	1,944
Net interest income and other financial result	–794	–18	–	39	–773	682	–91
Equity-accounted investments	6,569	52	–	1,724	8,345	5,182	13,528
Investments in intangible assets, property, plant and equipment, and investment property	7,039	223	–	102	7,364	61	7,425

* The prior-year figures were adjusted.

OPERATING 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

RECONCILIATION

€ million	2011	2010*
Segment sales revenue	**168,322**	**133,466**
Unallocated activities	2,303	2,094
Group financing	34	30
Consolidation adjustments	–11,322	–8,715
Group sales revenue	**159,337**	**126,875**
Segment profit or loss (operating profit or loss)	**12,115**	**7,339**
Unallocated activities	70	7
Group financing	–3	–1
Consolidation adjustments	–912	–203
Operating profit	**11,271**	**7,141**
Financial result	**7,655**	**1,852**
Consolidated profit before tax	**18,926**	**8,994**

* The prior-year figures were adjusted.

BY REGION 2010

€ million	Germany	Europe and Other Regions*	North America	South America	Asia/ Oceania	Total
Sales revenue from external customers	28,702	55,102	15,193	13,468	14,409	126,875
Intangible assets, property, plant and equipment, leasing and rental assets, and investment property	18,890	20,773	8,610	1,769	973	51,015

* Excluding Germany.

BY REGION 2011

€ million	Germany	Europe and Other Regions*	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	34,049	24,421	9,631	1,855	918	70,874

* 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	2011	2010
Vehicles	116,449	94,818
Genuine parts	9,784	8,902
Used vehicles and third-party products*	6,023	1,940
Engines, powertrains and parts deliveries*	5,438	4,152
Power Engineering	662	–
Other sales revenue*	5,200	3,993
Rental and leasing business	10,245	7,893
Interest and similar income	5,535	5,178
	159,337	**126,875**

* Prior-year figures were adjusted.

For segment reporting purposes, the sales revenue of the Group is presented by segment and market.

The sales revenue from used vehicles and third-party products, engines, powertrains and parts deliveries previously reported in other sales revenue is reported separately starting in fiscal year 2011. The prior-year figures were adjusted. Other sales revenue comprises revenue from workshop services, among other things.

Sales revenue from construction contracts amounted to €162 million (previous year: €19 million) and in fiscal 2011 mainly related to the Power Engineering segment.

2 | Cost of sales

Cost of sales includes interest expenses of €2,402 million (previous year: €2,418 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 €736 million (previous year: €1,301 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: €216 million) and were generally allocated to the functions.

3 | Distribution expenses

Distribution expenses amounting to €14,582 million (previous year: €12,213 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 promotion.

4 | Administrative expenses

Administrative expenses of €4,384 million (previous year: €3,287 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	2011	2010
Income from reversal of valuation allowances on receivables and other assets	677	532
Income from reversal of provisions and accruals	2,495	1,317
Income from foreign currency hedging derivatives	1,678	1,405
Income from foreign exchange gains	2,176	1,908
Income from sale of promotional material	187	181
Income from cost allocations	752	721
Income from investment property	60	59
Gains on asset disposals and the reversal of impairment losses	163	112
Miscellaneous other operating income	1,539	1,413
	9,727	**7,648**

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	2011	2010
Valuation allowances on receivables and other assets	1,392	1,302
Losses from foreign currency hedging derivatives	1,897	1,702
Foreign exchange losses	1,992	1,347
Expenses from cost allocations	132	170
Expenses for termination agreements	22	34
Losses on disposal of noncurrent assets	108	102
Miscellaneous other operating expenses	1,913	1,794
	7,456	**6,450**

7 | Share of profits and losses of equity-accounted investments

€ million	2011	2010
Share of profits of equity-accounted investments	2,578	1,945
of which: from joint ventures	(2,564)	(1,843)
of which: from associates	(14)	(102)
Share of losses of equity-accounted investments	404	2
of which: from joint ventures	(5)	–
of which: from associates	(399)	(2)
	2,174	**1,944**

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 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.

8 | Finance costs

€ million	2011	2010
Other interest and similar expenses	1,129	1,144
Interest cost included in lease payments	17	8
Interest expenses	**1,146**	**1,153**
Interest component of additions to pension provisions	722	725
Interest cost on other liabilities	179	266
Interest cost on liabilities	**901**	**992**
Finance costs	**2,047**	**2,144**

9 | Other financial result

€ million	2011	2010
Income from profit and loss transfer agreements	24	24
Cost of loss absorption	5	15
Other income from equity investments	58	9
Other expenses from equity investments	21	36
Income from marketable securities and loans*	0	86
Other interest and similar income	885	707
Gains and losses from fair value remeasurement and impairment of financial instruments	–46	69
Gains and losses from fair value remeasurement of derivatives not included in hedging relationships	6,654	1,246
Gains and losses on hedging relationships	–21	–37
Other financial result	**7,528**	**2,053**

* Including disposal gains/losses.

Gains and losses from the fair value remeasurement of derivatives not included in hedging relationships include gains and losses from the remeasurement of the put and call options on the outstanding 50.1% of the shares of Porsche Zwischenholding GmbH in the amount of €6,554 million (previous year: €1,785 million). For further information, see note 40 Related party disclosures in accordance with IAS 24.

10 | Income tax income/expense

COMPONENTS OF TAX INCOME AND EXPENSE

€ million	2011	2010
Current tax expense, Germany	2,758	1,719
Current tax expense, abroad	1,673	1,536
Current tax expense	**4,431**	**3,255**
of which prior-period income	(–7)	(–55)
Income from reversal of tax provisions	–80	–292
Current income tax expense	**4,351**	**2,963**
Deferred tax income/expense, Germany	–799	–427
Deferred tax income/expense, abroad	–425	–768
Deferred tax income	**–1,225**	**–1,196**
Income tax income/expense	**3,126**	**1,767**

In Germany, current tax expense is calculated on the basis of a uniform corporation tax rate of 15% (previous year: 15%) plus a solidarity surcharge of 5.5% of this figure. In addition to corporation tax, trade tax is levied on profits generated in Germany. Due to the nondeductibility of trade tax as a business expense from fiscal year 2008, the average trade tax rate is 13.7%, which results in a total domestic 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 2011 of €419 million (previous year: €487 million).

Previously unused tax loss carryforwards amounted to €8,628 million (previous year: €8,311 million). Tax loss carryforwards amounting to €6,742 million (previous year: €6,629 million) can be used indefinitely, while €582 million (previous year: €685 million) must be used within the next ten years. There are additional tax loss carryforwards amounting to €1,304 million (previous year: €997 million) that can be used within a period of 15 or 20 years. Tax loss carryforwards of €5,547 million (previous year: €5,427 million) are estimated not to be usable.

The increase in tax loss carryforwards estimated not to be usable amounting to approximately €5 billion in fiscal 2010 resulted primarily from a unit in the Scania subgroup. As the unit is not currently forecast to generate sufficient profit in relation to this amount, no corresponding deferred tax assets have been recognized.

The benefit arising from previously unrecognised tax losses or tax credits of a prior period that is used to reduce current tax expense amounts to €169 million (previous year: €84 million). Deferred tax expense of €23 million (previous year: €58 million) was reduced 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 €86 million (previous year: €17 million).

Deferred taxes are recognized where income from subsidiaries was tax-exempt in the past due to specific local regulations, and the tax effects on discontinuation of the temporary tax exemption are foreseeable. Tax benefits amounting to €209 million (previous year: €76 million) were recognized because of tax credits granted by various countries to compensate for the loss of tax relief where the amounts involved were unlimited. Tax credits granted for other reasons amounted to €470 million (previous year: €126 million).

No deferred tax assets were recognized for deductible temporary differences of €159 million (previous year: €2 million) and for tax credits of €437 million (previous year: €563 million) that would expire in the period from 2012 to 2024.

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 €725 million at the balance sheet date.

Deferred tax income resulting from changes in tax rates amounted to €41 million at Group level (previous year: deferred tax expenses of €20 million).

Deferred taxes of €439 million (previous year: €605 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.

€1,790 million of the deferred taxes recognized in the balance sheet was credited to equity (previous year: €943 million) and relates to other comprehensive income. €37 million of this figure (previous year: €14 million) is attributable to noncontrolling interests. In the fiscal year under review, deferred taxes declined by €2 million (previous year: €– million) due to the effects of capital transactions with noncontrolling interests. Changes in deferred taxes classified by balance sheet item are presented on pages 243 and 244.

In the previous year, tax effects of €35 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:

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
€ million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Intangible assets	348	311	4,568	2,323
Property, plant and equipment, and leasing and rental assets	3,287	4,019	3,958	3,315
Noncurrent financial assets	33	536	23	29
Inventories	1,345	269	532	443
Receivables and other assets (including Financial Services Division)	1,228	1,110	5,136	5,234
Other current assets	1,113	303	199	51
Pension provisions	2,279	1,703	270	4
Liabilities and other provisions	6,374	4,771	374	308
Tax loss carryforwards	938	920	–	–
Valuation allowances on other deferred tax assets	–84	–	–	–
Gross value	**16,862**	**13,942**	**15,059**	**11,706**
of which noncurrent	(10,720)	(9,558)	(12,059)	(8,710)
Offset	11,285	10,205	11,285	10,205
Consolidation	756	510	351	167
Amount recognized	**6,333**	**4,248**	**4,125**	**1,669**

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 €3,126 million reported for 2011 (previous year: €1,767 million) was €2,457 million (previous year: €886 million) lower than the expected tax expense of €5,583 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 call and put options relating to the acquisition of the remaining interest in Porsche Zwischenholding, which does not have any tax effects in the Group.

RECONCILIATION OF EXPECTED TO EFFECTIVE INCOME TAX

€ million	2011	2010
Profit before tax	18,926	8,994
Expected income tax expense (tax rate 29.5%; previous year: 29.5%)	**5,583**	**2,653**
Reconciliation:		
Effect of different tax rates outside Germany	–38	–158
Proportion of taxation relating to:		
tax-exempt income	–693	–678
expenses not deductible for tax purposes	189	157
effects of loss carryforwards and tax credits	–102	–125
temporary differences for which no deferred taxes were recognized	–1,839	48
Tax credits	–51	–107
Prior-period tax expense	–6	–164
Effect of tax rate changes	–41	20
Other taxation changes	124	121
Effective income tax expense	**3,126**	**1,767**
Effective tax rate (%)	16.5	19.7

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. Earnings per share are diluted by potential shares. These include stock options, although these are only dilutive if they result in the issuance of shares at a value below the average market price of the shares.

A dilutive effect arose in fiscal year 2011 from the eighth tranche of the stock option plan. However, it was so insignificant that it did not affect the reported earnings per share.

	ORDINARY		PREFERRED	
Quantity	2011	2010	2011	2010
Weighted average number of shares outstanding – basic	295,068,426	295,024,566	170,142,778	154,905,434
Dilutive potential ordinary shares from the stock option plan	7,508	9,792	0	0
Weighted average number of shares outstanding – diluted	295,075,934	295,034,358	170,142,778	154,905,434

€ million	2011	2010
Profit after tax	15,799	7,226
Noncontrolling interests	391	392
Profit attributable to shareholders of Volkswagen AG	15,409	6,835
Basic earnings attributable to ordinary shares	9,767	4,475
Diluted earnings attributable to ordinary shares	9,767	4,476
Basic earnings attributable to preferred shares	5,642	2,359
Diluted earnings attributable to preferred shares	5,642	2,359

€	2011	2010
Basic earnings per ordinary share	33.10	15.17
Diluted earnings per ordinary share	33.10	15.17
Basic earnings per preferred share	33.16	15.23
Diluted earnings per preferred share	33.16	15.23

Additional Income Statement Disclosures in Accordance with IAS 23 (Borrowing Costs)

Capitalized borrowing costs amounted to €41 million (previous year: €24 million) and related mainly to capitalized development costs. An average cost of debt of 3.6% (previous year: 3.8%) 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	2011	2010
Financial instruments at fair value through profit or loss	6,687	930
Loans and receivables	4,506	4,276
Available-for-sale financial assets	−34	96
Financial liabilities measured at amortized cost	−3,588	−3,212
	7,570	**2,089**

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	2011	2010
Interest income	4,624	4,301
Interest expenses	3,400	3,402
	1,224	**899**

IMPAIRMENT LOSSES ON FINANCIAL ASSETS BY CLASS

€ million	2011	2010
Measured at fair value	36	–
Measured at amortized cost	1,391	1,306
	1,427	**1,306**

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 €58 million in the fiscal year (previous year: €60 million).

In fiscal year 2011, €3 million (previous year: €3 million) was recognized as an expense and €39 million (previous year, adjusted: €34 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, 2010

€ million	Brand name	Goodwill	Capitalized costs for products under development	Capitalized development costs for products currently in use	Other intangible assets	Total
Cost						
Balance at Jan. 1, 2010	**949**	**2,929**	**3,213**	**11,896**	**2,322**	**21,310**
Foreign exchange differences	136	401	89	246	103	975
Changes in consolidated Group	64	80	–	–	38	182
Additions	–	–	1,249	419	175	1,842
Transfers	–	–	–2,362	2,366	12	15
Disposals	–	–	164	1,447	520	2,130
Balance at Dec. 31, 2010	**1,149**	**3,410**	**2,025**	**13,479**	**2,131**	**22,194**
Amortization and impairment						
Balance at Jan. 1, 2010	**–**	**–**	**136**	**6,870**	**1,397**	**8,403**
Foreign exchange differences	–	–	–	115	51	166
Changes in consolidated Group	–	–	–	–	11	11
Additions to cumulative amortization	2	–	–	1,580	317	1,899
Additions to cumulative impairment losses	–	–	136	560	32	728
Transfers	–	–	–15	15	1	1
Disposals	–	–	111	1,437	511	2,060
Reversal of impairment losses	–	–	0	–58	–	–58
Balance at Dec. 31, 2010	**2**	**–**	**145**	**7,645**	**1,298**	**9,090**
Carrying amount at Dec. 31, 2010	**1,147**	**3,410**	**1,880**	**5,834**	**833**	**13,104**

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, 2011

€ million	Brand name	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	729	604	1,793	4,725	9,552
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**	**4,150**	**2,696**	**14,425**	**6,937**	**31,064**
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**	**4,150**	**2,635**	**7,279**	**5,113**	**21,992**

The reported brand names mainly relate to Scania Vehicles and Services (€1,092 million), MAN Commercial Vehicles (€1,156 million) and MAN Power Engineering (€470 million).

€3,139 million of the goodwill recognized as of December 31, 2011 (previous year: €3,120 million) relates to Scania Vehicles and Services, €383 million to MAN Commercial Vehicles, €193 million to MAN Power Engineering, €157 million (previous year: €162 million) to ŠKODA and €153 million to Porsche Holding Salzburg. €98 million (previous year: €100 million) of the remaining amount relates to the Passenger Cars and Light Commercial Vehicles segment, €15 million (previous year: €15 million) to the Financial Services segment and €13 million (previous year: €13 million) to unallocated areas. The recoverability of recognized goodwill is not affected by a variation in the growth forecast or in the discount rate by +/–0.5 percentage points.

Of the total research and development costs incurred in 2011, €1,666 million (previous year: €1,667 million) met the criteria for capitalization under IFRSs.

The following amounts were recognized as expenses:

€ million	2011	2010
Research and noncapitalized development costs	5,537	4,589
Amortization of development costs	1,697	2,276
Research and development costs recognized in the income statement	**7,234**	**6,866**

13 | Property, plant and equipment

CHANGES IN PROPERTY, PLANT AND EQUIPMENT BETWEEN JANUARY 1 AND DECEMBER 31, 2010

€ 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, 2010	**17,314**	**28,686**	**36,166**	**3,032**	**85,199**
Foreign exchange differences	428	749	545	157	1,879
Changes in consolidated Group	207	113	56	12	388
Additions	347	908	2,117	2,261	5,634
Transfers	263	967	975	–2,234	–29
Disposals	75	1,092	1,292	63	2,522
Balance at Dec. 31, 2010	**18,485**	**30,331**	**38,568**	**3,164**	**90,548**
Depreciation and impairment					
Balance at Jan. 1, 2010	**8,454**	**22,018**	**30,237**	**45**	**60,755**
Foreign exchange differences	127	474	434	3	1,038
Changes in consolidated Group	43	12	20	–	75
Additions to cumulative depreciation	583	1,818	2,319	11	4,731
Additions to cumulative impairment losses	0	56	369	26	451
Transfers	0	0	–1	–	–1
Disposals	56	1,012	1,249	1	2,319
Reversal of impairment losses	–	0	–	–29	–29
Balance at Dec. 31, 2010	**9,151**	**23,366**	**32,128**	**55**	**64,701**
Carrying amount at Dec. 31, 2010	**9,334**	**6,965**	**6,440**	**3,109**	**25,847**
of which assets leased under finance lease contracts					
Carrying amount at Dec. 31, 2010	152	87	9	–	249

Options to purchase buildings and plant leased under the terms of finance leases exist in most cases, and are normally exercised. Interest rates on the leases vary between 2.0% 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	2011	2012 – 2015	from 2016	Total
Finance lease payments	31	144	104	279
Interest component of finance lease payments	5	13	1	19
Carrying amount/present value	**26**	**131**	**103**	**260**

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	2,764	942	344	174	4,224
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	**22,000**	**31,531**	**41,537**	**4,616**	**99,684**
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	**12,290**	**7,818**	**7,232**	**4,577**	**31,916**
of which assets leased under finance lease contracts					
Carrying amount at Dec. 31, 2011	190	69	7	–	266

Options to purchase buildings and plant leased under the terms of finance leases exist in most cases, and are normally exercised. Interest rates on the leases vary 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	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**

For assets leased under operating leases, payments recognized in the income statement amounted to €794 million (previous year: €630 million). With respect to internally used assets, €690 million of this figure is attributable to minimum lease payments and €7 million to contingent lease payments. The payments of €97 million under subleases primarily relate to minimum lease payments.

Government grants of €530 million (previous year: €167 million) were deducted from the cost of property, plant and equipment, and noncash benefits received amounting to €1 million (previous year: €32 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, 2010

€ million	Leasing and rental assets	Investment property	Total
Cost			
Balance at Jan. 1, 2010	**13,740**	**382**	**14,122**
Foreign exchange differences	782	8	790
Changes in consolidated Group	–	–	–
Additions	7,133	27	7,160
Transfers	–	14	14
Disposals	5,793	2	5,795
Balance at Dec. 31, 2010	**15,863**	**429**	**16,292**
Depreciation and impairment			
Balance at Jan. 1, 2010	**3,452**	**166**	**3,618**
Foreign exchange differences	184	2	186
Changes in consolidated Group	–	–	–
Additions to cumulative depreciation	2,263	8	2,271
Additions to cumulative impairment losses	100	2	102
Transfers	–	–	–
Disposals	1,942	1	1,943
Reversal of impairment losses	–6	–	–6
Balance at Dec. 31, 2010	**4,051**	**177**	**4,228**
Carrying amount at Dec. 31, 2010	**11,812**	**252**	**12,064**

The following payments from noncancelable leases and rental agreements were expected to be received over the coming years:

€ million	2011	2012 – 2015	from 2016	Total
Lease payments	1,313	1,141	0	2,454

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**

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 €642 million (previous year: €517 million). Operating expenses of €53 million (previous year: €50 million) were incurred for the maintenance of investment property in use. Expenses of €2 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	2012	2013 – 2016	from 2017	Total
Lease payments	2,032	2,356	40	4,427

15 | Equity-accounted investments and other equity investments

CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS BETWEEN JANUARY 1 AND DECEMBER 31, 2010

€ million	Equity-accounted investments	Other equity investments	Total
Gross carrying amount at Jan. 1, 2010	**10,406**	**815**	**11,220**
Foreign exchange differences	73	6	78
Changes in consolidated Group	–	–163	–163
Additions*	1,808	231	2,039
Transfers	–	–	–
Disposals*	6	34	40
Changes recognized in profit or loss*	1,929	–	1,929
Dividends*	–1,174	–	–1,174
Other changes recognized in other comprehensive income	516	–	516
Balance at Dec. 31, 2010	**13,551**	**855**	**14,407**
Impairment losses			
Balance at Jan. 1, 2010	**21**	**271**	**292**
Foreign exchange differences	3	3	6
Changes in consolidated Group	–	–50	–50
Additions	–	11	11
Transfers	–	–	–
Disposals	–	18	18
Reversal of impairment losses	–	–3	–3
Balance at Dec. 31, 2010	**24**	**215**	**239**
Carrying amount at Dec. 31, 2010	**13,528**	**640**	**14,168**

* Adjusted

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	565	21	587
Changes recognized in profit or loss	2,740	–	2,740
Dividends	–1,487	–	–1,487
Other changes recognized in other comprehensive income	–395	175	–220
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**

Equity-accounted investments include joint ventures in the amount of €9,713 million (previous year: €8,284 million) and associates in the amount of €536 million (previous year: €5,244 million).

In the previous year, the additions to equity-accounted investments related mainly to the acquisition of the shares of Suzuki Motor Corporation in the amount of €1,765 million. Starting in fiscal 2011, adjustments to the carrying amounts in profit or loss and dividends received are presented separately in equity method accounting. The prior-year figures were adjusted accordingly. The changes in consolidation of equity-accounted investments in the fiscal year relate to the reclassification of the shares of Suzuki to other equity investments in the amount of €1,635 million and the remeasurement of the shares of MAN SE due to its initial consolidation in the amount of €2,694 million. The expense incurred as a result of the discontinuation of equity accounting (€263 million for Suzuki and €292 million for MAN) was reported under disposals.

Of the other changes recognized in other comprehensive income, €45 million (previous year: €146 million) is attributable to joint ventures and €–439 million (previous year: €366 million) to associates. They are mainly the result of foreign exchange differences in the amount of €–195 million (previous year: €547 million), actuarial gains/losses in the amount of €8 million (previous year: €–101 million) and gains/losses on the fair value measurement of cash flow hedges in the amount of €–172 million (previous year: €–119 million).

16 | Noncurrent and current financial services receivables

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2011	Fair value Dec. 31, 2011	Current	Noncurrent	Carrying amount Dec. 31, 2010	Fair value Dec. 31, 2010
Receivables from financing business								
customer financing	15,321	29,675	44,995	46,092	13,736	26,224	39,960	40,256
dealer financing	10,631	1,070	11,701	11,702	9,235	738	9,974	9,966
direct banking	153	–	153	153	143	–	143	143
	26,104	**30,745**	**56,849**	**57,947**	**23,114**	**26,962**	**50,076**	**50,365**
Receivables from operating lease business	166	–	166	166	153	–	153	153
Receivables from finance leases	7,484	11,705	19,188	19,375	6,898	8,855	15,753	15,867
	33,754	**42,450**	**76,204**	**77,489**	**30,164**	**35,817**	**65,982**	**66,385**

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 28.5%), depending on the market concerned. They have terms of up to 242 months (previous year: 144 months). The noncurrent portion of dealer financing is granted at interest rates of between 0.0% and 18.4% (previous year: 0.0% and 21%), depending on the country.

The receivables from customer financing and finance leases contained in financial services receivables of €76.2 billion (previous year: €66.0 billion) rose by €46 million as a result of a fair value adjustment from portfolio hedging (previous year: decrease of €5 million).

The receivables from customer and dealer financing are secured by vehicles or real property liens. The receivables from customer financing include transferred receivables of €29 million (previous year: €12 million) that were not derecognized because the credit risk remains with the Volkswagen Group. A corresponding liability was recognized in the same amount.

The receivables from dealer financing include €104 million (previous year: €68 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, 2010 and December 31, 2011:

€ million	2011	2012 – 2015	from 2016	Total
Future payments from finance lease receivables	7,536	9,521	67	17,124
Unearned finance income from finance leases (discounting)	–638	–727	–5	–1,371
Present value of minimum lease payments outstanding at the balance sheet date	**6,898**	**8,794**	**62**	**15,753**

€ 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 balance sheet date	**7,484**	**11,584**	**121**	**19,188**

17 | Noncurrent and current other receivables and financial assets

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2011	Fair value Dec. 31, 2011	Current	Noncurrent	Carrying amount Dec. 31, 2010	Fair value Dec. 31, 2010
Other receivables from								
affiliated companies	177	47	224	225	77	11	89	89
joint ventures	1,791	795	2,586	2,593	1,454	611	2,065	2,080
associates	0	–	0	0	1	–	1	1
other investees and investors	0	1	1	1	0	1	1	1
Recoverable income taxes	2,963	39	3,002	3,002	1,893	41	1,934	1,934
Positive fair values of derivatives	789	9,737	10,526	10,526	921	3,595	4,515	4,515
Marketable securities	–	1,470	1,470	1,476	–	1,422	1,422	1,421
Miscellaneous assets	3,076	2,315	5,391	5,409	2,259	1,839	4,098	4,104
	8,796	**14,405**	**23,201**	**23,231**	**6,605**	**7,519**	**14,125**	**14,145**

Miscellaneous assets include plan assets to fund post-employment benefits in the amount of €48 million (previous year: €57 million). This item also includes the share of the technical provisions attributable to reinsurers amounting to €127 million (previous year: €129 million).

Other receivables and financial assets include €2,858 million (previous year: €1,915 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 other receivables and financial assets. Default risks are accounted for by means of valuation allowances.

Other receivables and financial assets include loans to joint ventures, associates and other equity investments, and bear interest at rates of up to 11.6% (previous year: 13.6%).

Other receivables from affiliated companies include fixed-term loans with terms of up to 63 months (previous year: 48 months), which were lent at interest rates of between 1.3% and 8.6% (previous year: 0.9% and 14.6%).

Current other receivables are predominantly non-interest-bearing.

The positive fair values of derivatives relate to the following items:

€ million	Dec. 31, 2011	Dec. 31, 2010
Transactions for hedging		
foreign currency risk from assets using fair value hedges	47	15
foreign currency risk from liabilities using fair value hedges	59	52
interest rate risk using fair value hedges	528	418
interest rate risk using cash flow hedges	6	7
foreign currency and price risk from future cash flows (cash flow hedges)	791	1,419
Hedging transactions	**1,430**	**1,911**
Assets related to derivatives not included in hedging relationships	9,096	2,605
	10,526	**4,515**

The positive fair value of transactions for hedging price risk from future cash flows (cash flow hedges) amounted to €121 million (previous year: €353 million).

Positive fair values of €57 million (previous year: €60 million) were recognized from transactions for hedging interest rate risk (fair value hedges) used in portfolio hedges.

Assets arising from derivatives not included in hedging relationships include in particular the call options held by Volkswagen AG to acquire the outstanding shares of Porsche Zwischenholding GmbH in the amount of €8,409 million (previous year: €2,001 million). For further information, see note 40 Related party disclosures in accordance with IAS 24.

Further details on derivative financial instruments as a whole are given in note 31 Financial risk management and financial instruments.

18 | Tax assets

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2011	Current	Noncurrent	Carrying amount Dec. 31, 2010
Deferred tax assets	–	6,333	6,333	–	4,248	4,248
Tax receivables	623	627	1,249	482	689	1,171
	623	**6,960**	**7,583**	**482**	**4,937**	**5,419**

€3,553 million (previous year: €1,764 million) of the deferred tax assets is due within one year.

19 | Inventories

€ million	Dec. 31, 2011	Dec. 31, 2010
Raw materials, consumables and supplies	3,429	2,494
Work in progress	3,324	1,837
Finished goods and purchased merchandise	17,383	10,819
Current leasing and rental assets	3,204	2,470
Payments on account	210	11
	27,551	**17,631**

Of the total inventories, €2,543 million (previous year: €1,204 million) is recognized at net realizable value. At the same time as the relevant revenue was recognized, inventories in the amount of €124,813 million were included in cost of sales (previous year: €99,757 million). Valuation allowances recognized as expenses in the reporting period amounted to €333 million (previous year: €185 million). Vehicles amounting to €227 million (previous year: €180 million) were assigned as collateral for partial retirement obligations.

20 | Trade receivables

€ million	Dec. 31, 2011	Dec. 31, 2010
Trade receivables from		
third parties	8,989	5,850
affiliated companies	196	118
joint ventures	1,267	908
associates	25	6
other investees and investors	1	1
	10,479	**6,883**

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, 2011	Dec. 31, 2010
Contract costs and proportionate contract profit/loss of construction contracts	1,351	–
Exchange rate effects	4	–
PoC receivables, gross	1,355	–
Prepayments received	–1,157	–
PoC receivables, net	**198**	**–**

Other payments received on account of construction contracts in the amount of €1 million (previous year: €7 million), for which no construction costs have yet been incurred, are recognized under other liabilities.

21 | 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.

22 | Cash, cash equivalents and time deposits

€ million	Dec. 31, 2011	Dec. 31, 2010
Bank balances	18,057	18,625
Checks, cash-in-hand, bills and call deposits	234	45
	18,291	**18,670**

Bank balances are held at various banks in different currencies and include time deposits (see also note 30).

23 | 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 increased by a total of €0.1 million as a result of the capital increase implemented in the fiscal year due to the exercise of conversion rights from the eighth tranche of the stock option plan. Following the capital increase, the subscribed capital amounted to €1,191 million.

The subscribed capital is composed of 295,089,817 no-par value ordinary shares and 170,142,778 preferred shares.

Authorized capital of up to €110 million, expiring on May 2, 2016, was approved for the issue of new ordinary bearer shares or preferred shares based on the resolution by the Annual General Meeting on May 3, 2011.

Following the capital increase implemented during the previous year, 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.

CHANGE IN ORDINARY AND PREFERRED SHARES AND SUBSCRIBED CAPITAL

	SHARES		€	
	2011	2010	2011	2010
Balance at January 1	**465,188,345**	**400,243,677**	**1,190,882,163**	**1,024,623,813**
Capital increase	–	64,904,498	–	166,155,515
Stock option plan	44,250	40,170	113,280	102,835
Balance at December 31	**465,232,595**	**465,188,345**	**1,190,995,443**	**1,190,882,163**

The capital reserves comprise the share premium totaling €9,087 million (previous year: €9,084 million) from the capital increases, the share premium of €219 million from the issue of bonds with warrants and an amount of €107 million appropriated on the basis of the capital reduction implemented in 2006. Capital reserves rose by €3 million in the fiscal year (previous year: also issuance of new preferred shares, offset against deferred taxes: €3,970 million) as a result of the share premium from the capital increase due to the exercise of convertible bonds under the stock option plan. No amounts were withdrawn from the capital reserves.

STOCK OPTION PLAN

The Board of Management, with the consent of the Supervisory Board, exercised the authorization granted by the Annual General Meeting on April 16, 2002 to implement a stock option plan.

The stock option plan entitled the optionees – the Board of Management, Group senior executives and management, as well as employees of Volkswagen AG covered by collective pay agreements – to purchase options on shares of Volkswagen AG by subscribing for convertible bonds at a price of €2.56 each. Each bond was convertible into ten ordinary shares.

The convertible bonds were measured at fair value at the date of grant to the employees. The convertible bonds measured at fair value were recognized in personnel expenses and in equity.

Following the expiration of the first seven tranches, the conversion prices and periods for the eighth tranche are shown in the following table. The information is presented as data for the reporting period, although this tranche has now also expired.

CONVERSION PRICES AND PERIODS FOR THE EIGHTH TRANCHE OF THE STOCK OPTION PLAN

€	8th tranche
Base conversion price per share	58.18
Conversion price	
as from July 8, 2008	64.00
as from publication of the interim report as of September 30, 2008	66.91
as from publication of the interim report as of September 30, 2009	69.82
on completion of the capital increase on April 14, 2010	69.15*
as from publication of the interim report as of September 30, 2010	72.06*
Beginning of conversion period	July 8, 2008
End of conversion period	June 30, 2011

* The conversion prices were adjusted as of April 14, 2010 due to the implementation of the capital increase.

Changes in the rights to stock options granted are shown in the following table:

	NOMINAL VALUE OF CONVERTIBLE BONDS	NUMBER OF CONVERSION RIGHTS	NUMBER OF POTENTIAL ORDINARY SHARES
	€	Rights	Shares
Balance at Jan. 1, 2010	**21,719.04**	**8,484**	**84,840**
In fiscal year			
exercised	10,283.52	4,017	40,170
returned	94.72	37	370
Balance at Dec. 31, 2010	**11,340.80**	**4,430**	**44,300**
Balance at Jan. 1, 2011	**11,340.80**	**4,430**	**44,300**
In fiscal year			
exercised	11,328.00	4,425	44,250
returned	12.80	5	50
Balance at Dec. 31, 2011	**–**	**–**	**–**

MEASUREMENT OF CONVERTIBLE BONDS IN THE EIGHTH TRANCHE

Those convertible bonds granted after publication of the draft IFRS 2 on November 7, 2002 were measured in accordance with the transitional provisions of the draft Standard.

The fair value of the convertible bonds was estimated using a binomial option pricing model based on the issuance and conversion conditions described above. In terms of the optionees' conversion behavior, it was assumed that they will convert when the share price is 50% higher than the conversion price. Historical and implied volatilities based on the expected remaining term of the conversion rights were used to estimate the fair value of the convertible bonds. The assumptions used and the fair value estimated are presented in the following table:

	8th tranche
Volatility (%)	27.50
Risk-free rate (%)	3.77
Dividends (%)	3.20
Fair value per convertible bond (€)	63.49

The fair value of the convertible bonds was recognized ratably as a personnel expense over the two-year vesting period. No personnel expense was recognized in fiscal years 2010 and 2011 as the vesting period for the eighth tranche expired in 2008.

Changes in the number of convertible bonds in issue and their exercise prices are shown in the following table:

	AVERAGE EXERCISE PRICE PER CONVERTIBLE BOND*	CONVERTIBLE BONDS
	€	Quantity
Balance at Jan. 1, 2010	**618.53**	**8,484**
In fiscal year		
granted	–	–
returned	698.20	37
exercised	533.69	4,017
Balance at Dec. 31, 2010	**720.60**	**4,430**
of which available for exercise	720.60	4,430
Balance at Jan. 1, 2011	**720.60**	**4,430**
In fiscal year		
granted	–	–
returned	720.60	5
exercised	720.60	4,425
Balance at Dec. 31, 2011	**–**	**–**
of which available for exercise	–	–

* Conversion price per ten shares.

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 €1,715 million are eligible for distribution. The Board of Management and Supervisory Board will propose to the Annual General Meeting that a total dividend of €1,406 million, i.e. €3.00 per ordinary share and €3.06 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 €2.20 per ordinary share and €2.26 per preferred share was distributed in fiscal year 2011.

NONCONTROLLING INTERESTS

The noncontrolling interests in equity are attributable primarily to shareholders of Scania AB and MAN SE.

24 | 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, 2011	Current	Noncurrent	Carrying amount Dec. 31, 2010
Bonds	11,917	24,031	35,948	9,345	19,392	28,737
Commercial paper and notes	7,732	7,537	15,269	7,893	4,991	12,884
Liabilities to banks	7,474	8,561	16,035	6,245	7,494	13,739
Deposit business	19,997	3,093	23,089	15,043	3,882	18,924
Loans	1,727	923	2,650	1,143	1,166	2,309
Bills of exchange	24	–	24	0	–	0
Finance lease liabilities	44	299	343	26	234	260
Financial liabilities to						
affiliated companies	174	–	174	158	–	158
joint ventures	–	–	–	0	–	0
associates	–	–	–	–	–	–
other investees and investors	–	–	–	–	–	–
	49,090	**44,443**	**93,533**	**39,852**	**37,159**	**77,012**

Of the financial liabilities reported in the consolidated balance sheet, a total of €511 million (previous year: €138 million) is secured, for the most part by real estate liens and leasing portfolios.

The deposits from direct banking business contained in the current financial liabilities of €93.5 billion (previous year: €77.0 billion) rose by €6.3 million as a result of a fair value adjustment from portfolio hedging (previous year: decrease of €0.7 million).

Asset-backed securities transactions amounting to €14,478 million (previous year: €9,482 million) entered into to refinance the financial services business via consolidated special purpose entities are included in bonds, commercial paper and notes, and liabilities from loans. Receivables of €16,795 million (previous year: €11,120 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.

25 | Noncurrent and current other liabilities

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2011	Current	Noncurrent	Carrying amount Dec. 31, 2010
Payments on account received in respect of orders	4,140	1,134	5,275	1,917	0	1,917
Other liabilities to						
affiliated companies	19	1	19	38	0	38
joint ventures	274	–	274	259	–	259
associates	0	–	0	0	–	0
other investees and investors	0	–	0	0	–	0
Negative fair values of derivative financial instruments	1,727	2,247	3,974	1,193	1,469	2,662
Liabilities relating to						
other taxes	1,681	322	2,003	1,142	529	1,671
social security	433	38	471	336	33	369
wages and salaries	2,842	459	3,301	1,924	374	2,297
Miscellaneous liabilities	4,981	2,739	7,721	3,818	2,337	6,155
	16,097	**6,940**	**23,037**	**10,627**	**4,742**	**15,369**

The negative fair values of derivatives relate to the following items:

€ million	Dec. 31, 2011	Dec. 31, 2010
Transactions for hedging		
foreign currency risk from assets using fair value hedges	14	10
foreign currency risk from liabilities using fair value hedges	85	241
interest rate risk using fair value hedges	168	59
interest rate risk using cash flow hedges	73	126
foreign currency and price risk from future cash flows (cash flow hedges)	2,607	1,561
Hedging transactions	**2,948**	**1,997**
Liabilities related to derivatives not included in hedging relationships	1,026	665
	3,974	**2,662**

Of the other liabilities reported in the consolidated balance sheet, a total of €539 million (previous year: €485 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) was €35 million (previous year: €0 million).

Negative fair values of €89 (previous year: €65 million) were recognized from transactions for hedging interest rate risk (fair value hedges) used in portfolio hedges.

Liabilities from derivatives not included in hedging relationships consist in particular of the put options written by Volkswagen AG to acquire the outstanding shares of Porsche Zwischenholding GmbH in the amount of €87 million (previous year: €233 million). For further information, see note 40 Related party disclosures in accordance with IAS 24.

Further details on derivative financial instruments as a whole are given in note 31 Financial risk management and financial instruments.

26 | Tax liabilities

€ million	Current	Noncurrent	Carrying amount Dec. 31, 2011	Current	Noncurrent	Carrying amount Dec. 31, 2010
Deferred tax liabilities	–	4,125	4,125	–	1,669	1,669
Provisions for taxes	2,888	3,721	6,609	2,077	3,610	5,687
Current tax payables	844	–	844	286	–	286
	3,732	**7,846**	**11,577**	**2,363**	**5,279**	**7,642**

€104 million (previous year: €39 million) of deferred tax liabilities is due within one year.

27 | 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 2011, they amounted to a total of €1,237 million (previous year: €1,040 million) in the Volkswagen Group. Of this figure, contributions to the compulsory state pension system in Germany amounted to €925 million (previous year: €816 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. €16 million (previous year: €16 million) was recognized in fiscal year 2011 as an expense for health care costs. The related carrying amount as of December 31, 2011 was €196 million (previous year: €175 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 of 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, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Present value of funded obligations	7,228	4,885	4,120	3,240	3,330
Fair value of plan assets	6,559	4,554	3,852	3,153	3,422
Funded status (net)	668	331	268	87	–92
Present value of unfunded obligations	16,023	14,986	13,552	12,743	12,532
Unrecognized past service cost	33	35	36	22	31
Amount not recognized as an asset because of the limit in IAS 19	14	22	26	34	31
Net liability recognized in the balance sheet	**16,739**	**15,375**	**13,881**	**12,886**	**12,502**
of which provisions for pensions	16,787	15,432	13,936	12,955	12,603
of which other assets	48	57	54	69	101

The present value of the obligations is calculated as follows:

€ million	2011	2010
Present value of obligations at January 1	**19,871**	**17,672**
Current service cost	391	366
Interest cost	994	972
Actuarial gains/losses	821	1,352
Employee contributions to plan assets	25	20
Pension payments from company assets	679	643
Pension payments from plan assets	123	114
Past service cost	–10	3
Gains from plan curtailments and settlements	–8	–24
Settlements	–14	–
Changes in consolidated Group	2,056	45
Other changes	–19	0
Foreign exchange differences from foreign plans	–54	222
Present value of obligations at December 31	**23,251**	**19,871**

Changes in the composition of the plan assets are shown in the following table:

€ million	2011	2010
Fair value of plan assets at January 1	**4,554**	**3,852**
Expected return on plan assets	272	247
Actuarial gains/losses	–184	42
Employer contributions to plan assets	391	333
Employee contributions to plan assets	25	21
Pension payments from plan assets	123	111
Settlements	14	–
Changes in consolidated Group	1,706	18
Other changes	–36	–1
Foreign exchange differences from foreign plans	–30	154
Fair value of plan assets at December 31	**6,559**	**4,554**

Investment of the plan assets to cover future pension obligations resulted in income in the amount of €88 million (previous year: €288 million).

Plan assets include €17 million (previous year: €3 million) invested in Volkswagen Group assets and €11 million (previous year: €23 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 €426 million (previous year: €403 million).

Plan assets consist of the following components:

%	2011	2010
Equities	24.9	29.8
Fixed-income securities	58.6	52.9
Cash	2.6	8.0
Real estate	3.7	4.3
Other	10.3	5.1

The following amounts were recognized in the income statement:

€ million	2011	2010
Current service cost	391	366
Interest cost	994	972
Expected return on plan assets	272	247
Past service cost	–10	3
Losses/gains from plan curtailments and settlements	–8	–24
Net income and expenses recognized in profit or loss	**1,095**	**1,070**

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.

€2,965 million (previous year: €2,248 million) of actuarial gains and losses 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	2011	2010	2009	2008	2007
Differences between expected and actual developments:					
as % of present value of the obligation	–0.79	0.39	1.16	–1.04	–0.48
as % of fair value of plan assets	–2.50	0.13	3.16	–10.47	–2.44

Calculation of the pension provisions was based on the following assumptions:

	GERMANY		ABROAD	
%	2011	2010	2011	2010
Discount rate at December 31	4.60	4.90	5.39	6.04
Expected return on plan assets	4.14	4.25	6.78	7.56
Salary trend	2.80	2.70	3.81	4.32
Pension trend	1.55	1.52	2.67	2.76
Employee turnover rate	1.10	0.80	4.20	4.16
Annual increase in healthcare costs	–	–	6.72	6.47

As of fiscal year 2011, weighted average values have been given for all assumptions. The prior-year figures were adjusted.

28 | Noncurrent and current other provisions

€ million	Obligations arising from sales	Employee expenses	Miscellaneous provisions	Total
Balance at Jan. 1, 2010	**11,391**	**2,574**	**5,542**	**19,507**
Foreign exchange differences	237	36	215	488
Changes in consolidated Group	57	7	34	98
Utilized	4,520	1,156	1,363	7,039
Additions/New provisions	5,955	1,791	3,134	10,880
Interest cost	213	15	24	252
Reversals	773	109	622	1,504
Balance at Dec. 31, 2010	**12,561**	**3,158**	**6,964**	**22,683**
of which current	5,778	1,855	3,880	11,513
of which noncurrent	6,783	1,303	3,084	11,170
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	1,240	2,428
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**	**9,119**	**29,013**
of which current	7,398	2,682	5,732	15,812
of which noncurrent	7,972	1,842	3,387	13,201

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 technical provisions (insurance) amounting to €242 million (previous year: €184 million).

29 | Trade payables

€ million	Dec. 31, 2011	Dec. 31, 2010
Trade payables to		
third parties	16,100	12,335
affiliated companies	129	114
joint ventures	83	71
associates	11	18
other investees and investors	3	6
	16,325	**12,544**

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, 2011	Dec. 31, 2010
Financial assets at fair value through profit or loss	9,096	2,605
Loans and receivables	92,163	80,985
Available-for-sale financial assets	9,197	6,143
Financial liabilities at fair value through profit or loss	1,026	665
Financial liabilities measured at amortized cost	112,976	92,110

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, 2010

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		NOT WITHIN SCOPE OF IFRS 7	OTHER – NOT FINANCIAL INSTRUMENTS	BALANCE SHEET ITEM AT DEC. 31, 2010
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	13,528	–	13,528
Other equity investments	–	640	640	–	–	640
Financial services receivables	–	35,817	36,220	–	–	35,817
Other receivables and financial assets	3,595	2,592	2,612	–	1,333	7,519
Current assets						
Trade receivables	–	6,883	6,883	–	–	6,883
Financial services receivables	–	30,164	30,164	–	–	30,164
Other receivables and financial assets	921	2,767	2,767	–	2,918	6,605
Marketable securities	5,501	–	–	–	–	5,501
Cash, cash equivalents and time deposits	–	18,670	18,670	–	–	18,670
Noncurrent liabilities						
Noncurrent financial liabilities	–	37,159	38,665	–	–	37,159
Other noncurrent liabilities	1,469	320	323	–	2,952	4,742
Current liabilities						
Current financial liabilities	–	39,852	39,852	–	–	39,852
Trade payables	–	12,544	12,544	–	–	12,544
Other current liabilities	1,193	2,495	2,495	–	6,939	10,627

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	OTHER – NOT FINANCIAL INSTRUMENTS	BALANCE SHEET ITEM AT DEC. 31, 2011
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	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 receivables and financial assets	9,737	3,085	3,116	–	1,582	14,405
Current assets						
Trade receivables	–	10,479	10,479	–	–	10,479
Financial services receivables	–	33,754	33,754	–	–	33,754
Other receivables and financial assets	789	3,464	3,464	–	4,543	8,796
Marketable securities	6,146	–	–	–	–	6,146
Cash, cash equivalents and time deposits	–	18,291	18,291	–	–	18,291
Noncurrent liabilities						
Noncurrent financial liabilities	–	44,443	45,572	–	–	44,443
Other noncurrent liabilities	2,247	299	298	–	4,394	6,940
Current liabilities						
Current financial liabilities	–	49,090	49,090	–	–	49,090
Trade payables	–	16,325	16,325	–	–	16,325
Other current liabilities	1,727	3,161	3,161	–	11,209	16,097

BALANCE SHEET ITEMS MEASURED AT FAIR VALUE

€ million	Dec. 31, 2010	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Derivatives	4,515	–	2,397	2,118
Available-for-sale financial assets				
Other equity investments	–	–	–	–
Marketable securities	5,501	5,491	10	–
Financial assets measured at fair value	**10,016**	**5,491**	**2,407**	**2,118**
Financial liabilities at fair value through profit or loss				
Derivatives	2,662	–	2,267	396
Financial liabilities measured at fair value	**2,662**	**–**	**2,267**	**396**

€ 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**

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. These include, for example, 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.

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, 2010	**198**	**65**
Exchange rate changes	–	–
Total comprehensive income	1,969	–174
recognized in profit or loss	1,953	–173
recognized in other comprehensive income	16	0
Additions (purchases)	–	163
Sales and settlements	–	–
Transfers into Level 2	–48	–5
Balance at Dec. 31, 2010	**2,118**	**396**
Total gains or losses recognized in profit or loss	**1,953**	**–173**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	1,953	–173
of which attributable to assets/liabilities held at the reporting date	1,957	–168

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2011	**2,118**	**396**
Exchange rate changes	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

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. Starting in fiscal year 2011, the effect of changes in commodity prices is reported net of tax. The prior-year figures were adjusted to aid comparability.

If commodity prices for commodity futures classified as Level 3 had been 10% higher (lower) as of December 31, 2011, profit would have been €34 million (previous year: €5 million) and equity €38 million (previous year: €36 million) higher (lower).

The key risk variable for measuring options on equity instruments held by the Company is the relevant enterprise value. Sensitivity analyses are used to present the effect of changes in risk variables on profit.

If the assumed enterprise values had been 10% higher, profit would have been €1,322 million (previous year: €429 million) higher. If the assumed enterprise values had been 10% lower, profit would have been €1,324 million (previous year: €459 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, 2011, profit after tax would have been €141 million higher. If the prices for the used cars covered by the residual value protection model had been 10% lower as of December 31, 2011, profit after tax would have been €127 million lower.

CHANGES IN CREDIT RISK VALUATION ALLOWANCES ON FINANCIAL ASSETS

€ million	Specific valuation allowances	Portfolio-based valuation allowances	2011	Specific valuation allowances	Portfolio-based valuation allowances	2010
Balance at Jan. 1,	**1,951**	**685**	**2,636**	**1,847**	**568**	**2,415**
Exchange rate and other changes	–24	–6	–31	53	26	79
Changes in consolidated Group	38	19	57	7	–	7
Additions	834	484	1,318	923	155	1,078
Utilization	382	–	382	483	–	483
Reversals	442	124	566	337	124	461
Reclassification	8	–8	–	–60	60	–
Balance at Dec. 31,	**1,983**	**1,050**	**3,033**	**1,951**	**685**	**2,636**

The valuation allowances mainly relate to the credit risks associated with the financial services business.

Other Disclosures

30 | 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. 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 investments, as well as to capitalized development costs.

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.

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 2011, cash flows from operating activities include interest received amounting to €7,202 million (previous year: €4,238 million) and interest paid amounting to €4,796 million (previous year: €3,049 million). In addition, the share of profits and losses of equity-accounted investments (note 7) includes dividends amounting to €1,487 million (previous year: €1,174 million).

Dividends amounting to €1,034 million (previous year: €754 million) were paid to Volkswagen AG shareholders.

€ million	Dec. 31, 2011	Dec. 31, 2010
Cash, cash equivalents and time deposits as reported in the balance sheet	18,291	18,670
Time deposits	–1,796	–442
Cash and cash equivalents as reported in the cash flow statement	16,495	18,228

Time deposits do not qualify as cash equivalents as they have a maturity of more than three months.

31 | 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 for timing reasons and due to legal restrictions. However, the 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 227.

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 €59,237 million (previous year: €53,159 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. Cash and capital investments and 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 in the past fiscal year due to the global allocation of the Group's business activities and the resulting diversification.

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, 2011	Neither past due nor impaired	Past due and not impaired	Impaired	Dec. 31, 2010
Measured at amortized cost								
Financial services receivables	73,332	2,356	2,825	78,513	63,400	1,750	2,922	68,072
Trade receivables	7,674	2,688	343	10,706	5,441	1,312	317	7,070
Other receivables	6,460	69	523	7,052	5,250	51	370	5,671
	87,467	**5,113**	**3,691**	**96,271**	**74,091**	**3,113**	**3,610**	**80,813**

There are no past due financial instruments measured at fair value in the Volkswagen Group. In fiscal year 2011, marketable securities measured at fair value with a cost of €73 million were individually impaired. In the previous year, no marketable securities measured at fair value 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, 2011	Risk class 1	Risk class 2	Dec. 31, 2010
Measured at amortized cost						
Financial services receivables	62,252	11,080	73,332	55,246	8,153	63,400
Trade receivables	7,674	0	7,674	5,441	0	5,441
Other receivables	6,427	33	6,460	5,238	11	5,250
Measured at fair value	16,387	–	16,387	9,689	–	9,689
	92,740	**11,114**	**103,854**	**75,614**	**8,165**	**83,779**

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

	PAST DUE BY			GROSS CARRYING AMOUNT
€ million	up to 30 days	30 to 90 days	more than 90 days	Dec. 31, 2010
Measured at amortized cost				
Financial services receivables	1,270	480	–	1,750
Trade receivables	834	274	204	1,312
Other receivables	13	9	29	51
Measured at fair value	–	–	–	–
	2,117	**763**	**233**	**3,113**

	PAST DUE BY			GROSS CARRYING AMOUNT
€ million	up to 30 days	30 to 90 days	more than 90 days	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**

Collateral that was accepted for financial assets in the current fiscal year was recognized in the balance sheet in the amount of €86 million (previous year: €90 million). This mainly relates to vehicles.

3. LIQUIDITY RISK

The solvency and liquidity of the Volkswagen Group is 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				REMAINING CONTRACTUAL MATURITIES			
	under one year	within one to five years	over five years	2011	under one year	within one to five years	over five years	2010
Financial liabilities	50,978	43,375	5,009	99,363	42,383	37,262	4,425	84,070
Trade payables	16,323	3	–	16,326	12,538	6	0	12,544
Other financial liabilities	3,313	273	104	3,690	2,399	216	115	2,730
Derivatives	46,699	51,150	156	98,005	30,815	48,317	437	79,569
	117,313	**94,801**	**5,269**	**217,383**	**88,135**	**85,801**	**4,977**	**178,913**

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 35 Other financial obligations, classified by contractual maturities.

The maximum potential liability under financial guarantees amounted to €542 million as of December 31, 2011 (previous year: €225 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 and MAN 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	2011	2010
Hedging instruments used in fair value hedges	206	–105
Hedged items used in fair value hedges	–220	30
Ineffective portion of cash flow hedges	–7	38

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 2011, €–71 million (previous year: €–310 million) from the cash flow hedge reserve was transferred to the net other operating result, increasing earnings, while €29 million (previous year: €16 million) was transferred to the financial result, reducing earnings, and €–24 million (previous year: €26 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 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 2011 as part of foreign currency risk management related primarily to sterling, the US dollar, the Chinese renminbi, the Swiss franc, the Japanese yen, the Swedish krona, the Russian ruble and the Australian dollar.

All nonfunctional currencies in which the Volkswagen Group enters into financial instruments are included as relevant risk variables in the sensitivity analysis in accordance with IFRS 7.

If the functional currencies concerned had appreciated or depreciated by 10% against the other currencies, the exchange rates shown below would have resulted in the following effects on the hedging reserve in equity and on profit after tax. Starting in fiscal year 2011, the effect of foreign exchange differences is reported net of tax. The prior-year figures were adjusted to aid comparability. 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, 2011		DEC. 31, 2010	
	+10%	–10%	+10%	–10%
Exchange rate				
EUR/USD				
Hedging reserve	1,519	–1,471	1,760	–1,663
Profit after tax	–207	185	–179	138
EUR/GBP				
Hedging reserve	897	–897	587	–587
Profit after tax	3	–3	–2	2
EUR/CHF				
Hedging reserve	354	–354	173	–173
Profit after tax	–6	6	0	0
EUR/CNY				
Hedging reserve	271	–271	11	–11
Profit after tax	–76	76	3	–3
EUR/JPY				
Hedging reserve	189	–189	186	–186
Profit after tax	9	–9	5	–5
EUR/SEK				
Hedging reserve	125	–125	95	–95
Profit after tax	–26	26	–15	15
EUR/AUD				
Hedging reserve	97	–97	87	–87
Profit after tax	–23	23	–17	17
EUR/CZK				
Hedging reserve	73	–73	85	–85
Profit after tax	–36	36	0	0
EUR/PLN				
Hedging reserve	–75	75	–34	34
Profit after tax	–19	19	–6	6
EUR/CAD				
Hedging reserve	92	–92	79	–79
Profit after tax	0	0	0	0
CZK/GBP				
Hedging reserve	88	–88	62	–62
Profit after tax	0	0	0	0
CZK/CHF				
Hedging reserve	66	–66	47	–47
Profit after tax	0	0	0	0
CZK/USD				
Hedging reserve	62	–62	45	–45
Profit after tax	–2	2	–3	3
EUR/HUF				
Hedging reserve	–58	58	–18	18
Profit after tax	3	–3	0	0
EUR/RUB				
Hedging reserve	9	–9	20	–20
Profit after tax	–49	49	–38	38

4.2.2 Interest rate risk

Interest rate risk for 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 normally 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 variables in the form of market rates of interest on the financial result and on equity are presented, net of tax. Starting in fiscal year 2011, the sensitivities are presented net of tax; the prior-year figures were adjusted.

If market interest rates had been 100 bps higher as of December 31, 2011, equity would have been €60 million (previous year: €2 million) lower. If market interest rates had been 100 bps lower as of December 31, 2011, equity would have been €58 million (previous year: €6 million) higher.

If market interest rates had been 100 bps higher as of December 31, 2011, profit after tax would have been €120 million (previous year: €55 million) higher. If market interest rates had been 100 bps lower as of December 31, 2011, profit would have been €124 million (previous year: €55 million) lower.

4.2.3 Commodity price risk

Commodity price risk in the Volkswagen Group (excluding Volkswagen Financial Services) primarily results from price fluctuations and the availability of nonferrous metals and precious metals, as well as of coal, CO_2 and rubber certificates. 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. Starting in fiscal year 2011, the effect of changes in commodity prices is reported net of tax. The prior-year figures were adjusted to aid comparability.

If the commodity prices of the hedged metals, coal and rubber had been 10% higher (lower) as of December 31, 2011, profit after tax would have been €169 million (previous year: €74 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, 2011, equity would have been €84 million (previous year: €88 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. With the exception of the Scania and MAN subgroups, the relevant measures are centrally coordinated by Group Treasury and implemented at an operational level by the special funds' risk management team.

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. Starting in fiscal year 2011, the effect of changes in risk variables is presented net of tax. The prior-year figures were adjusted to aid comparability.

If share prices had been 10% higher as of December 31, 2011, equity would have been €159 million (previous year: €18 million) higher. If share prices had been 10% lower as of December 31, 2011, equity would have been €159 million (previous year: €20 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 – since 2008 – 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, 2011, the value at risk was €167 million (previous year: €203 million) for interest rate risk and €168 million for foreign currency risk (previous year: €125 million).

The entire value at risk for interest rate and foreign currency risk at the Volkswagen Financial Services subgroup was €196 million (previous year: €179 million).

5. METHODS FOR MONITORING HEDGE EFFECTIVENESS

In the Volkswagen Group, hedge effectiveness is assessed prospectively using the critical terms match method and using statistical methods in the form of a regression analysis. Retrospective analysis of effectiveness uses effectiveness tests in the form of the dollar offset method or a regression analysis.

Under the dollar offset method, the changes in value of the hedged item expressed in monetary units are compared with the changes in value of the hedging instrument expressed in monetary units.

Where regression analysis is used, the change in value of the hedged item is presented as an independent variable, and that of the hedging instrument as a dependent variable. Hedge relationships are classified as effective if they have sufficient coefficients of determination and slope factors.

NOTIONAL AMOUNT OF DERIVATIVES

€ million	REMAINING TERM under one year	within one to five years	over five years	TOTAL NOTIONAL AMOUNT Dec. 31, 2011	TOTAL NOTIONAL AMOUNT Dec. 31, 2010
Notional amount of hedging instruments used in cash flow hedges:					
Interest rate swaps	1,809	6,930	215	8,954	7,676
Currency forwards	31,094	42,024	–	73,118	54,827
Currency options	267	545	–	812	2,007
Currency swaps	318	328	–	647	2,950
Cross-currency swaps	567	884	135	1,586	3,045
Commodity futures contracts	244	890	–	1,133	933
Notional amount of other derivatives:					
Interest rate swaps	19,236	31,432	1,164	51,832	40,477
Interest rate option contracts	–	22	40	63	40
Currency forwards	5,114	2,060	1	7,175	2,188
Other currency options	127	28	20	175	–
Currency swaps	4,757	10	–	4,768	3,119
Cross-currency swaps	3,153	4,390	17	7,560	6,282
Commodity futures contracts	1,172	1,599	–	2,771	918

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 of under one year with a notional amount of €1.5 billion (previous year: €3.5 billion), and options on equity instruments whose remaining maturity is more than one year with a notional amount of €7.8 billion (previous year: €9.1 billion). This mainly relates to options on the oustanding shares of Porsche Zwischenholding GmbH.

In fiscal year 2010, cash flow hedges with a notional amount of €1.7 billion were discontinued due to the early repayment of an intragroup loan and a reduction in projections. €4 million from the cash flow hedge reserve was transferred to the financial result, reducing 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	GBP	USD	CNY	CHF	JPY	SEK	RUB	AUD
Interest rate for six months	1.6170	1.3758	0.8085	5.4260	0.0942	0.3357	2.7300	7.3300	4.7160
Interest rate for one year	1.9470	1.8707	1.1281	5.2378	0.3250	0.5543	2.9000	7.3500	4.8840
Interest rate for five years	1.7380	1.5620	1.2555	3.5350	0.5680	0.4725	1.9550	7.5700	4.3000
Interest rate for ten years	2.3925	2.2940	2.0395	3.6350	1.2180	0.9820	2.2900	7.7700	4.5750

32 | 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, 2011	Dec. 31, 2010
Equity	**63,354**	**48,712**
Proportion of total equity and liabilities as %	25.0	24.4
Noncurrent financial liabilities	44,443	37,159
Current financial liabilities	49,090	39,852
Total financial liabilities	**93,533**	**77,012**
Proportion of total equity and liabilities as %	36.9	38.6
Total equity and liabilities	**253,626**	**199,393**

33 | Contingent liabilities

€ million	Dec. 31, 2011	Dec. 31, 2010
Liabilities under guarantees	542	225
Liabilities under warranty contracts	89	69
Pledges on company assets as security for third-party liabilities	1,449	1,681
Other contingent liabilities	1,997	1,033
	4,077	**3,008**

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 €449 million (previous year (adjusted): €386 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 €1.4 billion to secure a loan granted to Fleet Investments B.V. by Bankhaus Metzler (please see the information on the basis of consolidation and joint ventures).

34 | Litigation

In fiscal year 2010, the United Kingdom Office of Fair Trading (OFT) started an investigation into Volkswagen's Scania subsidiary. MAN SE (which has been a Volkswagen Group subsidiary since November 2011) also received a request for information in fiscal year 2010 in connection with this investigation. In fiscal year 2011, Scania and MAN also became the subject of an investigation launched by the European Commission concerning alleged inappropriate exchange of information. Also in fiscal year 2011, the South Korean antitrust authorities conducted a search at MAN Truck & Bus (Korea) Limited, Seoul/South Korea. In addition, the European Commission conducted a search at MAN Truck & Bus AG and at MAN Diesel & Turbo SE in fiscal year 2011 due to a suspected possible antitrust violation in the engines business. 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 is still ongoing. Preliminary findings suggest 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. The extent to which the figures were actually manipulated when diesel engines were handed over to customers, as well as the potential financial consequences for the MAN Group, are still being assessed.

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.

35 | Other financial obligations

€ million	PAYABLE 2011	PAYABLE 2012 – 2015	PAYABLE from 2016	TOTAL Dec. 31, 2010
Purchase commitments in respect of				
property, plant and equipment	1,611	600	–	2,211
intangible assets	127	14	–	141
investment property	0	–	–	0
Obligations from				
loan commitments to unconsolidated subsidiaries	65	–	–	65
irrevocable credit commitments to customers	2,821	0	–	2,821
long-term leasing and rental contracts	379	1,062	1,876	3,317
Miscellaneous other financial obligations	3,913	537	75	4,525

€ 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

Other financial obligations from long-term leasing and rental contracts are partly offset by expected income from subleases of €680 million (previous year: €1,055 million).

The fixed purchase price of €3.3 billion for the acquisition of the operating business of Porsche Holding Salzburg was presented under miscellaneous other financial obligations in fiscal year 2010. For further information, see note 40 Related party disclosures in accordance with IAS 24.

The miscellaneous other financial obligations contain obligations under an irrevocable credit commitment in the amount of €1.5 billion to LeasePlan Corporation N.V., Amsterdam, the Netherlands, a Volkswagen Group joint venture, with a term until January 2014. The loan has not been drawn down to date. Miscellaneous other financial obligations also include the order volumes agreed with the purchaser of the gedas Group.

36 | Total audit fees of the Group auditors

Under the provisions of the Handesgesetzbuch (HGB – German Commercial Code), Volkswagen AG is obliged to disclose the total audit fee of the Group auditors in Germany.

€ million	2011	2010
Financial statement audit services	17	12
Other assurance services	3	5
Tax advisory services	0	0
Other services	10	5
	31	**23**

37 | Total expense for the period

€ million	2011	2010
Cost of materials		
Cost of raw materials, consumables and supplies, purchased merchandise and services	**104,648**	**79,394**
Personnel expenses		
Wages and salaries	19,360	15,341
Social security, post-employment and other employee benefit costs	4,494	3,686
	23,854	**19,027**

38 | Average number of employees during the year

	2011	2010
Performance-related wage-earners	196,666	174,872
Salaried staff	203,404	167,531
	400,070	**342,403**
of which in the passive phase of early retirement	(4,276)	(5,460)
Vocational trainees	11,706	9,504
	411,776	**351,907**
Chinese manufacturing joint ventures	42,249	36,629
	454,025	**388,536**

39 | Events after the balance sheet date

There were no significant events after the end of fiscal year 2011.

40 | 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 Automobil Holding SE, Stuttgart, 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 Automobil Holding 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 Automobil Holding SE has the power to participate in the operating policy decisions of the Volkswagen Group. In the run-up to the Annual General Meeting, the Supervisory Board of Volkswagen approved the Comprehensive Agreement between Volkswagen AG, Porsche Automobil Holding SE, Porsche Holding Gesellschaft m.b.H., Salzburg, and Porsche GmbH, Salzburg, Porsche Zwischenholding GmbH, Stuttgart, the ordinary shareholders of Porsche Automobil Holding SE and the employee representatives of Volkswagen AG, Porsche Automobil Holding SE and Dr. Ing. h.c. F. Porsche AG, Stuttgart, to create an integrated automotive group led by Volkswagen.

Moreover, in the course of the performance of these agreements, Volkswagen AG reached the following key arrangements with Porsche Automobil Holding SE and companies belonging to the Porsche Zwischenholding GmbH Group:

- Volkswagen AG shall be indemnified by Porsche Autombil Holding SE against obligations arising from certain legal disputes, tax claims (plus interest) and from certain substantial losses.
- Porsche Automobil Holding SE has also granted a number of guarantees to Volkswagen AG in respect of Porsche Zwischenholding GmbH and Dr. Ing. h.c. F. Porsche AG. Among other things, these relate to the proper issuance of and full payment for the shares of Dr. Ing. h.c. F. Porsche AG, to the ownership of the shares in Porsche Zwischenholding GmbH and Porsche AG, and to the existence of the material approvals, permissions and industrial property rights required to operate the business activities of Porsche AG.
- Volkswagen AG will indemnify Porsche Automobil Holding SE against certain financial guarantees issued by Porsche Automobil Holding SE to creditors of the companies belonging to the Porsche Zwischenholding GmbH Group up to the amount of its share in the capital of Porsche Zwischenholding GmbH.

- Volkswagen AG has guaranteed loans made by Porsche Automobil Holding SE to Porsche Zwischenholding GmbH or Porsche AG in the case that these loans fall due and cannot be recovered because of the insolvency of Porsche Zwischenholding GmbH 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 of Porsche Automobil Holding SE.
- Volkswagen AG agreed to indemnify Porsche Automobil Holding SE internally against claims by the Einlagensicherungsfonds (German deposit protection fund) after Porsche Automobil Holding 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.

On September 8, 2011, following talks with Porsche Automobil Holding SE, the Board of Management of Volkswagen AG came to the conclusion that a resolution on the merger with Porsche Automobil Holding SE could not be implemented by December 31, 2011 as provided for in the Comprehensive Agreement.

In the event that the merger of Porsche Automobil Holding SE with Volkswagen AG that is planned under the Comprehensive Agreement does not take place, Volkswagen AG and Porsche Automobil Holding SE have agreed mutually exercisable call and put options in respect of the remaining 50.1% interest in Porsche Zwischenholding GmbH. The put option can be exercised between November 15, 2012 and January 14, 2013 inclusive, and again between December 1, 2014 and January 31, 2015 inclusive, while the call option can be exercised between March 1, 2013 and April 30, 2013 inclusive, and again between August 1, 2014 and September 30, 2014 inclusive. Both the put option and the call option are subject to the condition that the General Meeting resolutions required for the merger of Porsche Automobil Holding SE with Volkswagen AG are not adopted by the deadline of the end of 2011 provided for in the Comprehensive Agreement. This condition occurred as of the reporting date. In addition, the Board of Management of Volkswagen AG will analyze whether there are additional ways of achieving the goal of creating an integrated automotive group with Porsche.

The strike price for the two options amounts to €3,883 million and is subject to minor adjustments. Both Volkswagen AG (if it exercises its call option) and Porsche Automobil Holding SE (if it exercises its put option) have 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 Zwischenholding GmbH (e.g. from recapture taxation on the spin-off in 2007 and/or 2009). To secure any potential remaining claims by Volkswagen AG under the agreement between Porsche Automobil Holding SE and Volkswagen AG on the acquisition by Volkswagen AG of an interest in Porsche Zwischenholding GmbH, a purchase price retention mechanism was agreed in favor of Volkswagen AG for the case that the put or call options are exercised.

If tax benefits accrue to Volkswagen AG, Porsche Zwischenholding GmbH, Dr. Ing. h.c. F. 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 Zwischenholding GmbH if the put option is exercised by Porsche Automobil Holding SE will be increased by the present value of the tax benefit.

The call option had a positive fair value on the reporting date of €8,409 million (previous year: €2,001 million) as measured in accordance with financial valuation techniques, and the corresponding put option had a negative fair value of €87 million (previous year: €233 million). As it was no longer possible to adopt the General Meeting resolutions required for the merger by the date provided for in the Comprehensive Agreement, the probability of a merger was estimated at 0% (previous year: 50%) when measuring the options. In addition to the change in the probability of the merger, the adjustment of the enterprise value attributable to the updated business plans of Porsche Zwischenholding GmbH in particular materially affected the value of the options. The difference is recognized in the other financial result item (see note 9).

In addition, Volkswagen had granted a put option to Porsche Holding Gesellschaft m.b.H., a company owned by the Porsche and Piëch families, relating to the trading business of the company. In return, Volkswagen was granted rights of involvement in the management of the company during the term of the option. The option was exercised on November 10, 2010. The trading company was transferred as of March 1, 2011 at a price of €3.3 billion.

According to a notification dated January 24, 2012, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover, held 20.00% of the voting rights of Volkswagen AG on December 31, 2011. 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		SUPPLIES AND SERVICES RECEIVED	
	2011	2010	2011	2010
Porsche Automobil Holding SE	1	0	0	–
Supervisory Board members	1	2	0	0
Board of Management members	0	0	0	0
Unconsolidated subsidiaries	1,207	1,024	766	933
Joint ventures	12,699	6,263	1,526	1,110
Associates[1]	335	175	496	186
Pension plans	2	2	0	0
Other related parties	3	1	16	36
Porsche Holding Salzburg, its majority interests and joint ventures[2]	744	4,218	27	168
State of Lower Saxony, its majority interests and joint ventures	9	11	0	0

1 Suzuki Motor Corporation until September 13,2011 and MAN SE until November 9, 2011.
2 Until February 28, 2011.

€ million	RECEIVABLES FROM		OBLIGATIONS TO	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Porsche Automobil Holding SE	0	0	–	–
Supervisory Board members	0	0	162	6
Board of Management members	0	0	63	29
Unconsolidated subsidiaries	652	388	374	335
Joint ventures	3,886	2,988	3,657	407
Associates[1]	65	14	53	48
Pension plans	1	1	–	1
Other related parties	–	0	–	3
Porsche Holding Salzburg, its majority interests and joint ventures[2]	–	168	–	10
State of Lower Saxony, its majority interests and joint ventures	4	0	0	0

1 Previous year includes Suzuki Motor Corporation and MAN SE.
2 Of which in the prior year receivables in the amount of €49 million guaranteed by Porsche Holding Gesellschaft m.b.H., Salzburg, Austria.

The revised IAS 24.18 also requires other contractual obligations to related parties to be disclosed starting in fiscal year 2011. The prior-period figures have been adjusted accordingly.

Factoring finance of €0.2 billion (previous year: €0.2 billion) extended to a subsidiary of Porsche Zwischenholding GmbH at arm's length conditions and collateral requirements was outstanding as of December 31, 2011; €103 million of this amount was granted in the reporting period.

In fiscal year 2010, Porsche Corporate Finance GmbH, Salzburg, Zurich Branch, Austria, subscribed for seven commercial paper issues by Volkswagen International Finance N.V., Amsterdam, the Netherlands, with a total volume of €0.1 billion, which were guaranteed by Volkswagen AG. All the commercial paper issues had matured by the 2010 reporting date.

The miscellaneous other financial obligations contain obligations under an irrevocable credit commitment in the amount of €1.5 billion to LeasePlan Corporation N.V., Amsterdam, the Netherlands, a Volkswagen Group joint venture, with a term until January 2014.

The Board of Management and Supervisory Board of the Volkswagen Group are related parties within the meaning of IAS 24. The following benefits and remuneration were recorded for these persons in the course of their activities as members of these bodies:

€	2011	2010
Short-term benefits	78,005,219	42,059,737
Post-employment benefits	4,818,087	3,246,326
	82,823,306	**45,306,063**

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.

Outstanding balances for bonuses payable to Board of Management members existed in the amount of €61,075,000 at the end of the fiscal year (previous year: €28,792,500). The post-employment benefits relate to additions to pension provisions for current members of the Board of Management. 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.

41 | 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 24, 2012 that it held a total of 59,022,310 ordinary shares as of December 31, 2011. 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.

42 | German Corporate Governance Code

On November 18, 2011, 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 23, 2011, 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.

In December 2011, 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 12, 2011 and made it permanently available to the shareholders at www.renk.biz.

43 | Remuneration of the Board of Management and the Supervisory Board

€	2011	2010
Board of Management remuneration		
Non-performance-related remuneration	9,031,491	7,759,479
Performance-related remuneration	61,555,000	28,912,500
Supervisory Board remuneration		
Fixed remuneration components	380,521	360,042
Variable remuneration components	6,995,630	4,988,520
Loans to Supervisory Board members	12,500	14,167

The fixed remuneration of the Board of Management also includes differing levels of remuneration for the assumption of appointments at Group companies, as well as noncash benefits, which consist in particular of the use of company cars and the grant of insurance cover. The variable remuneration paid to each member of the Board of Management comprises a bonus, which is tied to business performance over the previous two years and, since 2010, a Long-Term Incentive (LTI) plan, which – subject to the introductory period – is based on the previous four fiscal years. The bonus amount is primarily oriented on the results achieved and the financial position of the Company.

On December 31, 2011, the pension provisions for members of the Board of Management amounted to €78,627,844 (previous year: €63,824,850). 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. The members of the Board of Management are entitled to payment of their normal remuneration for six months in the event of illness and to the retirement pension in the event of disability. 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 €8,618,915 (previous year: €8,562,867). Provisions for pensions for this group of people were recognized in the amount of €109,452,277 (previous year: €109,898,944).

Interest-free advances in the total amount of €480,000 (previous year: €120,000) have been granted to members of the Board of Management. The advances will be set off against performance-related remuneration in the following year (2011: €120,000). Loans in the total amount of €12,500 (repayments in 2011: €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 139). 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 14, 2012

Volkswagen Aktiengesellschaft

The Board of Management

Martin Winterkorn

Francisco Javier Garcia Sanz

Jochem Heizmann

Christian Klingler

Michael Macht

Horst Neumann

Hans Dieter Pötsch

Rupert Stadler

Auditors' Report

On completion of our audit, we issued the following unqualified auditors' report dated February 15, 2012. 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 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 Company for the business year from January 1 to December 31, 2011. 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 on 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 15, 2012

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 A8 L W12	368 (500)	16.6	9.1	11.9	277
Audi Q5 hybrid quattro	180 (245)	6.6	7.1	6.9	159
Audi R8 GT Coupé	412 (560)	21.0	9.9	13.9	323
Audi R8 GT Spyder	412 (560)	21.5	10.2	14.2	332
Audi RS3 Sportback	250 (340)	13.1	6.8	9.1	212
Bentley Continental GT	423 (575)	25.4	11.4	16.5	384
Bentley Continental GTC	423 (575)	25.4	11.4	16.5	384
Bentley Continental Supersports Convertible ISR	471 (640)	25.7	11.5	16.7	388
Bentley Mulsanne	377 (512)	25.3	11.8	16.9	393
Lamborghini Aventador Coupé LP 700-4	515 (700)	27.3	11.3	17.2	398
Lamborghini Gallardo LP 570-4 Superleggera	419 (570)	20.4	9.4	13.5	319
SEAT Alhambra 4	103 (140)	7.4	5.2	6.0	158
Volkswagen Caddy Maxi BiFuel (LPG)	72 (98)	13.7	8.6	10.5	171
Volkswagen Caddy Maxi BiFuel (petrol)	75 (102)	10.7	6.8	8.2	191
Volkswagen Caddy BiFuel (LPG)	72 (98)	13.6	8.5	10.4	169
Volkswagen Caddy BiFuel (petrol)	75 (102)	10.6	6.7	8.1	189
Volkswagen Multivan BlueMotion	84 (115)	7.6	5.7	6.4	169
Volkswagen Passat BlueMotion	77 (105)	5.2	3.6	4.1	109
Volkswagen Polo BiFuel (LPG)	60 (82)	10.4	6.0	7.6	123
Volkswagen Polo BiFuel (petrol)	60 (82)	8.1	4.8	6.0	139
Volkswagen Touareg Hybrid	245 (333)	8.7	7.9	8.2	193
Volkswagen up!	44 (60)	5.6	3.9	4.5	105
Volkswagen up!	55 (75)	5.9	4.0	4.7	108

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	9.1 – 3.8	212 – 99
Audi Q3	7.7 – 5.2	179 – 137
Audi TT	9.1 – 5.3	212 – 139
Audi A4	9.5 – 4.3	197 – 112
Audi A5	10.8 – 4.7	252 – 122
Audi Q5	9.3 – 5.7	218 – 149
Audi A6	8.9 – 4.9	206 – 129
Audi A6 Avant	8.2 – 5.0	190 – 132
Audi A6 allroad quattro	8.9 – 6.1	206 – 159
Audi A6 saloon	8.2 – 4.9	190 – 129
Audi A7 Sportback	8.2 – 5.1	190 – 135
Audi Q7	11.3 – 7.2	298 – 189
Audi A8	11.9 – 6.0	277 – 158
Audi A8 L	11.9 – 6.5	277 – 171
Audi R8	14.9 – 13.3	349 – 310
Audi R8 Spyder	14.9 – 13.5	349 – 315
Lamborghini Gallardo Spyder	14.8 – 13.6	354 – 327
Lamborghini Gallardo Spyder Performante LP 570-4	14.6 – 13.6	350 – 327
SEAT Alhambra	8.5 – 5.5	198 – 143
SEAT Altea	8.4 – 4.5	197 – 119
SEAT Exeo	7.7 – 4.9	179 – 129
SEAT Ibiza	6.4 – 3.4	148 – 89
SEAT Ibiza ST	5.9 – 3.4	139 – 89
SEAT Leon	8.1 – 3.8	190 – 99
ŠKODA Fabia	6.4 – 3.4	148 – 89
ŠKODA Octavia estate	7.8 – 4.1	182 – 107
ŠKODA Octavia saloon	7.7 – 3.8	180 – 99
ŠKODA Superb estate	10.2 – 4.4	237 – 114
ŠKODA Superb saloon	10.1 – 4.4	235 – 114
ŠKODA Yeti	8.0 – 4.6	189 – 119

MODEL	FUEL CONSUMPTION (l/100 km) combined	CO_2 EMISSIONS (g/km) combined
Volkswagen Amarok SingleCab	8.2 – 7.2	216 – 189
Volkswagen Amarok DoubleCab	8.5 – 7.3	224 – 192
Volkswagen Caddy	6.8 – 5.1	177 – 134
Volkswagen Multivan/Caravelle	10.6 – 6.4	247 – 169
Volkswagen Beetle	7.7 – 4.5	179 – 119
Volkswagen CC	7.8 – 4.7	182 – 125
Volkswagen Golf	8.5 – 3.8	189 – 99
Volkswagen Golf Cabriolet	6.4 – 4.4	150 – 117
Volkswagen Jetta	7.7 – 4.2	178 – 109
Volkswagen Passat Alltrack	8.6 – 5.2	199 – 135
Volkswagen Passat EcoFuel (CNG)	6.7 – 6.6 m^3 (4.3 kg)	119 – 117
Volkswagen Passat EcoFuel (petrol)	6.9 – 6.8	161 – 157
Volkswagen Passat saloon	9.3 – 4.1	215 – 109
Volkswagen Passat estate	9.3 – 4.3	215 – 113
Volkswagen Polo	6.1 – 3.3	143 – 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	8.7 – 5.3	203 – 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 – 96

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.

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.

Semi Knocked Down (SKD)
Semi-knocked down vehicles are assembled in another factory.

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 2012

MOTOR SHOWS

MARCH 6 – 18
International Motor Show, Geneva

APRIL 4 – 15
New York International Auto Show, New York

APRIL 23 – 27
Hanover Trade Show

APRIL 23 – MAY 2
Auto China, Beijing

MAY 24 – JUNE 3
Salon Internacional del Automovil, Madrid

JUNE 1 – 10
AMI Leipzig

AUGUST 29 – SEPTEMBER 9
MosIAS, Moskau

SEPTEMBER 27 – OCTOBER 13
International Motor Show, Paris

OCTOBER 14 – 28
Salao do Automovel, São Paulo

NOVEMBER 1 – 11
Motor Show, Istanbul

NOVEMBER 28 – DECEMBER 9
Los Angeles Auto Show, Los Angeles

DECEMBER 5 – 16
Bologna Motor Show, Bologna

FINANCIAL CALENDAR

MARCH 12
Volkswagen AG Annual Media Conference and Investor Conference

APRIL 19
Volkswagen AG Annual General Meeting (Congress Center Hamburg)

APRIL 26
Interim Report January – March

JULY 26
Half-Yearly Financial Report

OCTOBER 24
Interim Report January – September

Chronicle 2011

January

January 10 North American International Auto Show
Volkswagen Passenger Cars presents a world premiere in Detroit: the version of the Passat specially designed for the US market. Audi shows its new Audi A6 saloon for the first time at a motor show.

January 13 Golden Angel 2011
As in 2010, Volkswagen is one of the winners of this renowned ADAC award, with prizes in both the "Innovation and Environment" and the "Future" categories.

January 25 World premiere of new 1-liter car in Qatar
Volkswagen Passenger Cars unveils the third stage in the evolution of its 1-liter car strategy for the first time in the shape of its close-to-production XL1 concept car, highlighting the Group's ambition to become the automotive industry's ecological leader by 2018.

January 27 The Best Cars of 2011
Volkswagen Group models come top in six out of ten categories in the poll by readers of the specialist journal "auto motor and sport". The "Best Cars of 2011" include the Audi A1, Golf, Audi A4, Audi Q5, Audi R8 Spyder and the Multivan. The ŠKODA Superb and the SEAT Alhambra top the import rankings in their respective categories.

January 28 Volkswagen lays foundation stone for new engine plant in Mexico
The Silao plant will supply the North American locations with up to 330,000 powertrains a year starting in 2013.

February

February 8 Volkswagen and IG Metall agree pay round
Management and the union resolve to raise the basic wage by 3.2% on May 1, 2011; all employees will also receive a one-time payment of 1% of their annual basic salary, but at least €500.

March

March 1 International Motor Show, Geneva
The Group presents a large number of new models and concept cars at the 2011 Motor Show in Geneva.

March 1 Volkswagen acquires Porsche Holding Salzburg trading company
Porsche Holding Salzburg is one of the most successful and profitable automobile trading companies in the world, with a strong presence in Austria, China, and Western and Southeast Europe.

March 17 Volkswagen launches production in Osnabruck
The new Golf Cabriolet kicks off the official start of production in Osnabruck, which has total capacity of around 100,000 vehicles per year.

March 25 Volkswagen Touareg is "Four-Wheel Drive Car of the Year 2011"
The readers of "Auto Bild Allrad" again vote the Volkswagen Touareg the overall winner in its category.

April

April 1 Flotten-Award 2011
The Volkswagen Group is again the most successful company at the Flotten-Award 2011, with 14 first places.

April 6 Volkswagen awarded 2011 German CSR Prize
The Volkswagen Group is presented with the 2011 German CSR Prize for its commitment to corporate social responsibility.

April 7 Volkswagen's shares celebrate their 50th anniversary
Volkswagen shares were traded for the first time on the Regulated Unofficial Market on April 7, 1961.

April 16 ŠKODA celebrates 20 years of links with Volkswagen
ŠKODA automobilová a.s. and the Volkswagen Group agreed on large-scale cooperation at the beginning of 1991. ŠKODA became an independent brand within the Volkswagen Group on April 16, 1991.

April 18 Worldwide premiere: The new Beetle arrives!
Enthusiastic fans celebrate the world premiere of the new Beetle simultaneously across three continents.

May

May 6 Emden plant celebrates anniversary
A Passat estate BlueMotion Technology car is the ten-millionth vehicle to roll off the Emden production line.

May 18 Volkswagen and Audi among the winners at 2011 "International Engine of the Year Awards"
Volkswagen again takes the international "Engine of the Year Award" for its 1.4 l TSI engine in the 1.0 to 1.4 l class. The Audi 2.5 l TSFI engine wins the 2.0 to 2.5 l category as the best engine in 2011.

May 23 Volkswagen, The Museum of Modern Art (MoMA) and MoMA PS1 agree wide-ranging cooperation
The multiyear partnership presented in New York, focuses primarily on a project with the working title "International Discovery", which aims to develop an international exhibition of contemporary art.

May 24 New Volkswagen plant opens in Chattanooga
More than 2,000 employees will manufacture up to 150,000 vehicles each year in Chattanooga, Tennessee. At the same time, the plant is setting new standards in sustainable and resource-friendly production.

June

June 14 Volkswagen and GAZ sign agreement for make-to-order production in Russia
Volkswagen and Russian automobile manufacturer GAZ Group sign an agreement to produce Volkswagen and ŠKODA brand models on a make-to-order basis at the GAZ plant in Nizhny Novgorod.

June 28 Volkswagen greenlighted for two plants in China
The Volkswagen Group receives clearance to build two more vehicle plants in China, driving forward implementation of its long-term growth strategy in the world's largest passenger car market.

June 30 Volkswagen named most environmentally friendly brand
Readers of trade journal "FIRMENAUTO" voted Volkswagen Passenger Cars the "most environmentally friendly car brand" for the second time running.

July

July 5 Volkswagen models voted ("Best Company Cars")
The Volkswagen Group is the most successful company at the "Best Company Car 2011" awards run by "FIRMENAUTO" trade journal and DEKRA. Volkswagen brands Passenger Cars, Audi, SEAT and ŠKODA take a total of seven first places.

July 15 Volkswagen begins production of new Beetle in Mexico
The Beetle is a powerful symbol for the Volkswagen Passenger Cars brand, connecting the emotional heritage of the Beetle with Volkswagen's future.

July 19 One million visitors to Gläserne Manufaktur
Volkswagen welcomes the one-millionth visitor to its Gläserne Manufaktur in Dresden, ten years after its opening.

August

August 26 Volkswagen and FAW celebrate 20-year partnership in China
One of the Chinese automotive industry's success stories began in 1991: Volkswagen and First Automotive Works (FAW) founded the FAW-Volkswagen joint venture.

August 29 First engine reprocessing facility starts work in Dalian, China
The Volkswagen Group opens a plant in China for reprocessing engines, promoting affordable and environmentally friendly solutions in its largest sales market. 15,000 engines will be reprocessed in Dalian each year.

September

September 8 Planned merger of Volkswagen AG and Porsche Automobil Holding SE cannot be implemented within the time frame laid down in the Comprehensive Agreement
Following talks with Porsche Automobil Holding SE (Porsche SE), the Board of Management of Volkswagen AG came to the conclusion that the planned merger with Porsche SE cannot be implemented within the time frame laid down in the Comprehensive Agreement. Nevertheless, all parties remain committed to the goal of creating an integrated automotive group with Porsche.

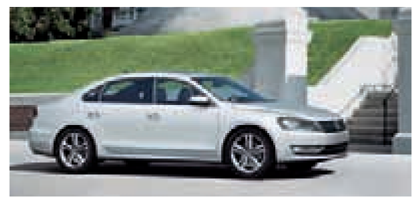
September 15 2011 International Motor Show (IAA), Frankfurt
The Volkswagen Group presents a large number of new models and concepts to the global public at the IAA. Occupying center stage are the global premiere of the Volkswagen up! and the Audi brand with its impressive technical concept car, the Audi A2 concept.

September 27 ŠKODA unveils new Citigo
ŠKODA expands its offering in the small car segment with its seventh model range, which plays an important part in the brand's growth strategy.

October

October 3 SEAT presents the new Mii
The urban small car is officially unveiled in Madrid.

October 13 Volkswagen Chemnitz voted "Factory of the Year"
Volkswagen Sachsen GmbH's Chemnitz plant is chosen as "Factory of the Year" by a high-powered jury from the "Production" trade journal and management consultancy A.T. Kearney.



November

November 9 Volkswagen takes major step towards commercial vehicle group
Following the completion of its mandatory public offer, Volkswagen AG holds 55.90% of the voting rights and 53.71% of the share capital of MAN SE. The acquisition of a majority shareholding in MAN SE brings Volkswagen a major step closer to its goal of creating a commercial vehicle group comprising MAN, Scania and Volkswagen. Closer cooperation is expected to lead to substantial synergies in the areas of procurement, development and production in the future.

November 10 Volkswagen Group wins 46th "Golden Steering Wheel"
This year's award from the international jury for the up! and the Audi A6 makes the Volkswagen Group the most successful manufacturer in the history of the "Golden Steering Wheel" awards, with a total of 46 prizes.

November 17 US Passat named "Car of the Year"
The "Best Car of the Year" award goes to the VW Passat produced in Chattanooga, Tennessee.

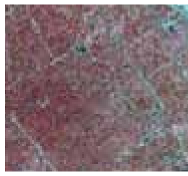
November 18 Global premiere of Volkswagen eT!
Specially designed for making inner-city deliveries, this completely new type of vehicle is electrically powered and can be driven semi-automatically on command.

November 22 Triumph for Volkswagen at "Auto Trophy 2011"
Fourteen first places – nearly half of all the prizes awarded – go to Volkswagen Group models. Twelve second and eight third places round off the performance.

December

December 1 Chattanooga plant receives LEED Platinum certification
The certification confirms compliance with strict norms and standards for sustainable and environmentally friendly construction.

December 3 Tokyo Motor Show 2011
Volkswagen presents the Cross Coupé, its progressive SUV concept car with four-wheel drive and a plug-in hybrid drive. The Passat Alltrack also celebrates its global premiere.

 Vi kör på mångfald. 

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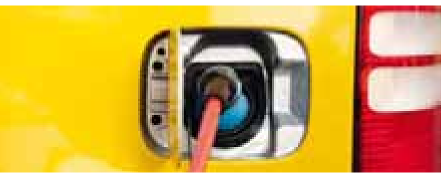 Experimentar la diversid