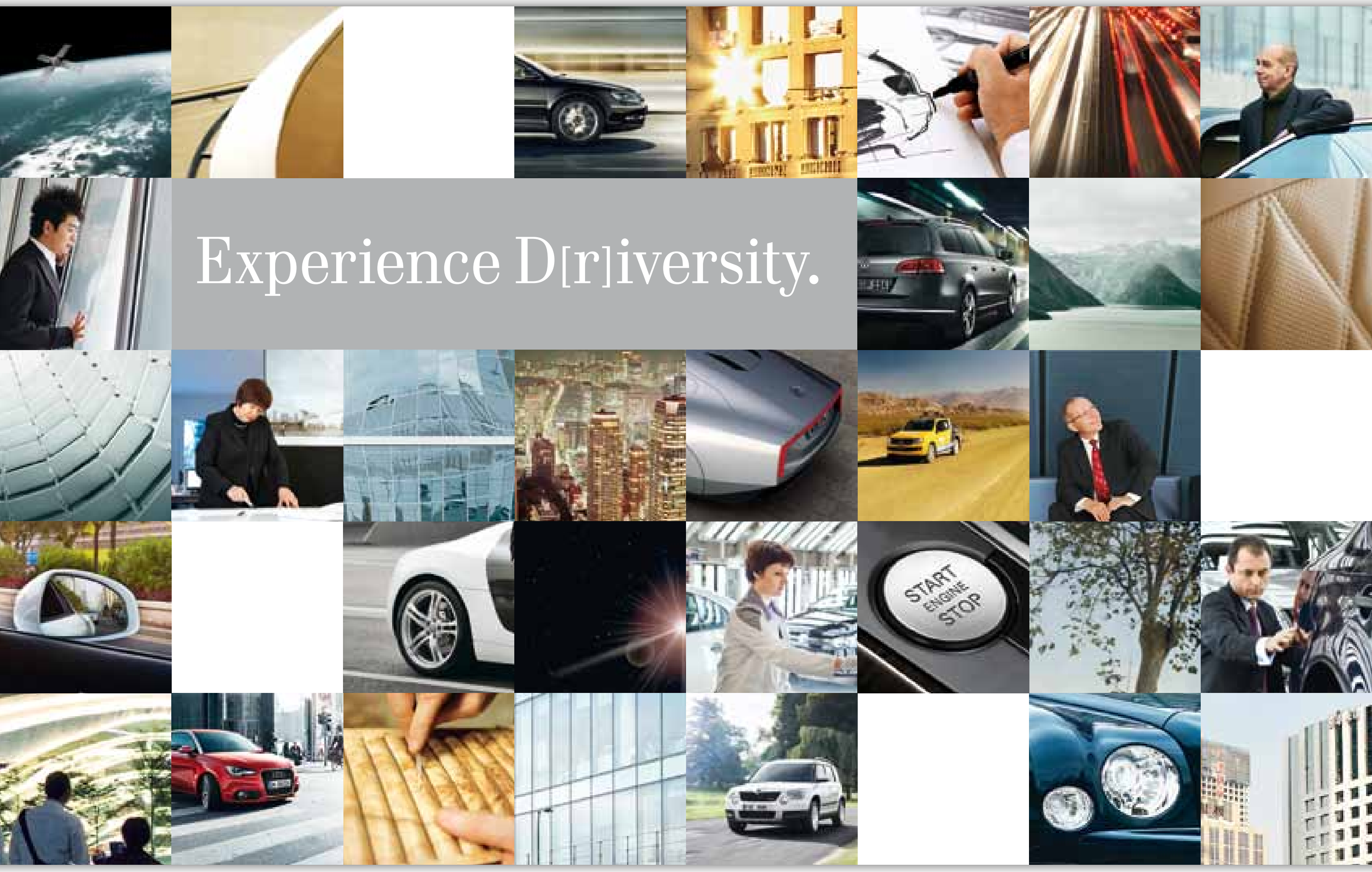
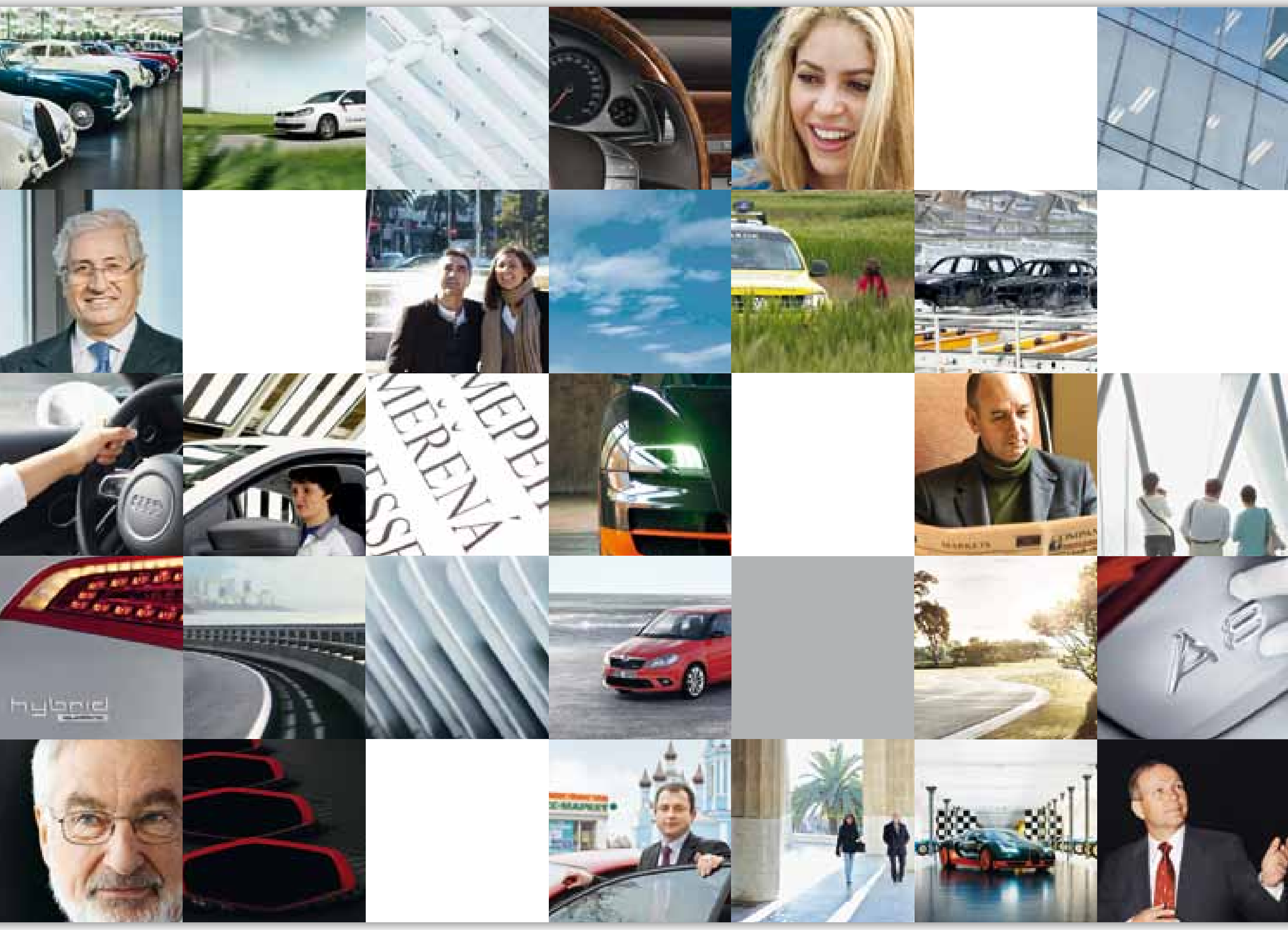
VOLKSWAGEN

AKTIENGESELLSCHAFT



ANNUAL REPORT 2010


MĚŘENÁ
hybrid

Audi

SEAT

ŠKODA

Commercial Vehicles

BENTLEY

BUGATTI

LAMBORGHINI

SCANIA

VOLKSWAGEN FINANCIAL SERVICES

AKTIENGESELLSCHAFT

Key Figures

VOLKSWAGEN GROUP

Volume Data[1]	2010	2009	%
Vehicle sales (units)	7,278,440	6,309,743	+ 15.4
Production (units)	7,357,505	6,054,829	+ 21.5
Employees at Dec. 31	399,381	368,500	+ 8.4
Financial Data (IFRSs), € million	2010	2009	%
Sales revenue	126,875	105,187	+ 20.6
Operating profit	7,141	1,855	x
Profit before tax	8,994	1,261	x
Profit after tax	7,226	911	x
Profit attributable to shareholders of Volkswagen AG	6,835	960	x
Cash flows from operating activities	11,455	12,741	– 10.1
Cash flows from investing activities	9,278	10,428	– 11.0
Automotive Division[2]			
EBITDA[3]	13,940	8,005	+ 74.1
Cash flows from operating activities	13,930	12,815	+ 8.7
Cash flows from investing activities[4]	9,095	10,252	– 11.3
of which: investments in property, plant and equipment	5,656	5,783	– 2.2
as a percentage of sales revenue	5.0	6.2	
capitalized development costs	1,667	1,948	– 14.4
as a percentage of sales revenue	1.5	2.1	
Net cash flow	4,835	2,563	+ 88.6
Net liquidity at Dec. 31	18,639	10,636	+ 75.2
Return ratios in %	2010	2009	
Return on sales before tax	7.1	1.2	
Return on investment after tax (Automotive Division)	13.5	3.8	
Return on equity before tax (Financial Services Division)[5]	12.9	7.9	

1 Volume data including the unconsolidated Chinese joint ventures. Employees in 2009 not including Chinese component plants.
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: € 7,034 million (€ 7,585 million).
5 Profit before tax as a percentage of average equity.

VOLKSWAGEN AG

Volume Data	2010	2009	%
Vehicle sales (units)	2,309,648	2,053,427	+ 12.5
Production (units)	1,100,186	1,038,344	+ 6.0
Employees at Dec. 31	94,787	95,164	– 0.4
Financial Data (HGB), € million	2010	2009	%
Sales	57,243	47,864	+ 19.6
Net income for the year	1,550	1,082	+ 43.3
Dividends (€)			
per ordinary share	2.20	1.60	
per preferred share	2.26	1.66	

This version of the Annual Report is a translation of the German original. The German takes precedence.

Markets in motion

DELIVERIES IN KEY MARKETS – THOUSAND UNITS

NORTH AMERICA [1]

2008	503
2009	468
2010	**550**

+9.2 %

CENTRAL AND EASTERN EUROPE

2008	560
2009	385
2010	**429**

-23.4 %

WESTERN EUROPE

2008	2,989
2009	2,918
2010	**2,903**

-2.9 %

INDIA

2008	19
2009	19
2010	**54**

+185.5 %

SOUTH AMERICA

2008	803
2009	826
2010	**908**

+13.0 %

CHINA

2008	1,024
2009	1,401
2010	**1,925**

+87.9 %

1 Overall market includes passenger cars and light trucks.

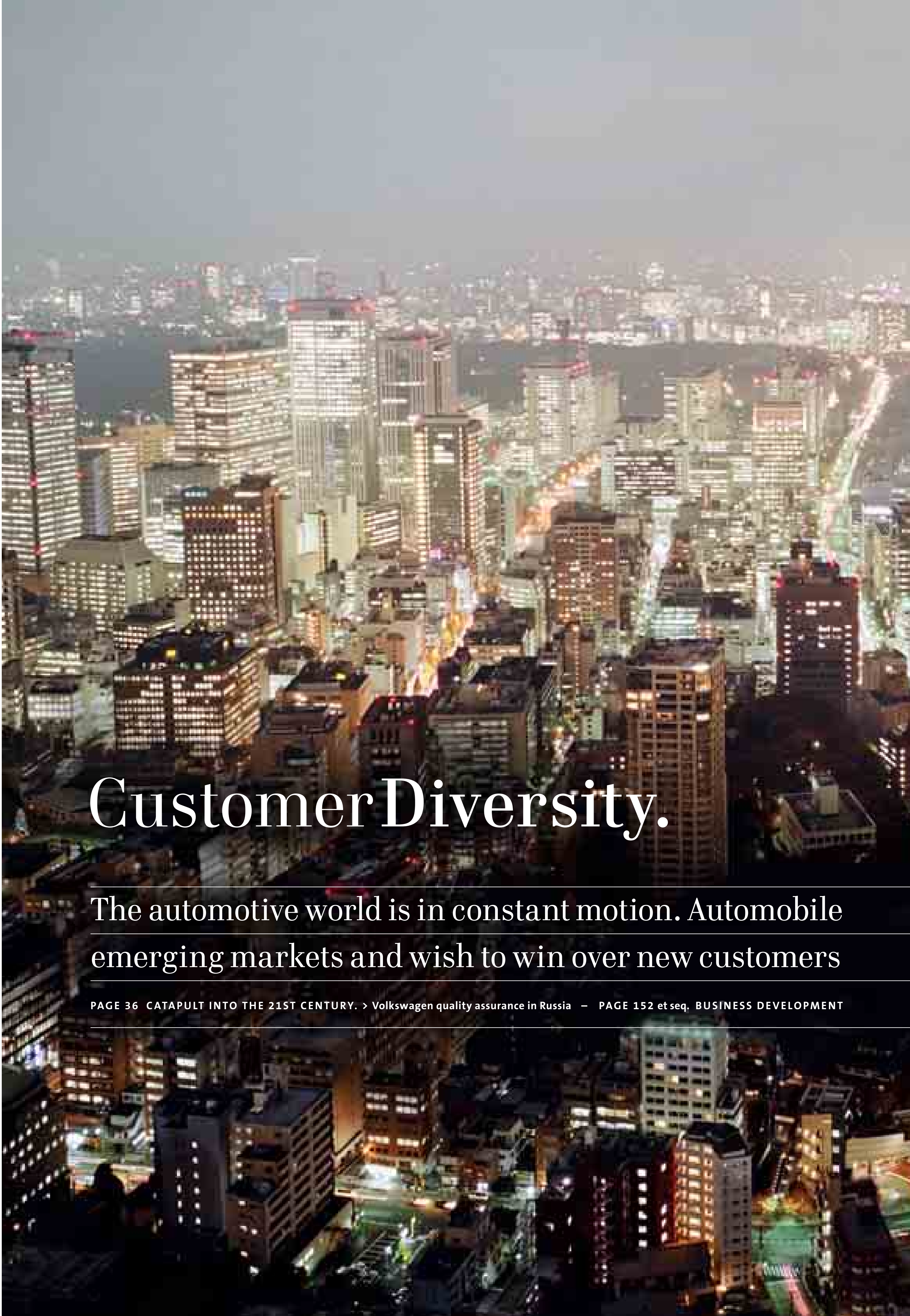
Experience D[r]iversity.

STRATEGY

EXPERIENCE D[R]IVERSITY. MOVEMENT.

Facts and Figures 2010.

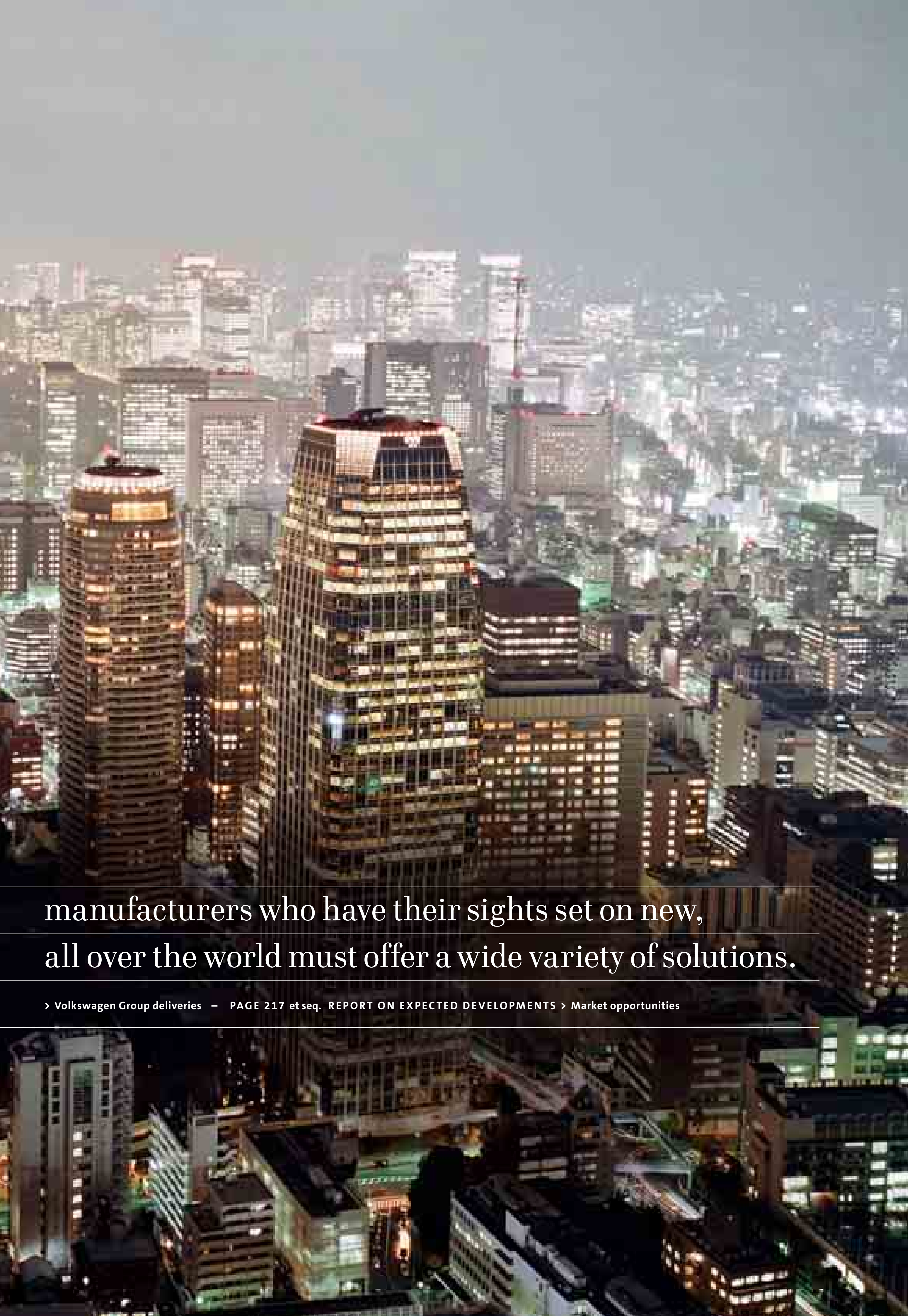
This Annual Report was published on the occasion of the Annual Media Conference on March 10, 2011.



Customer Diversity.

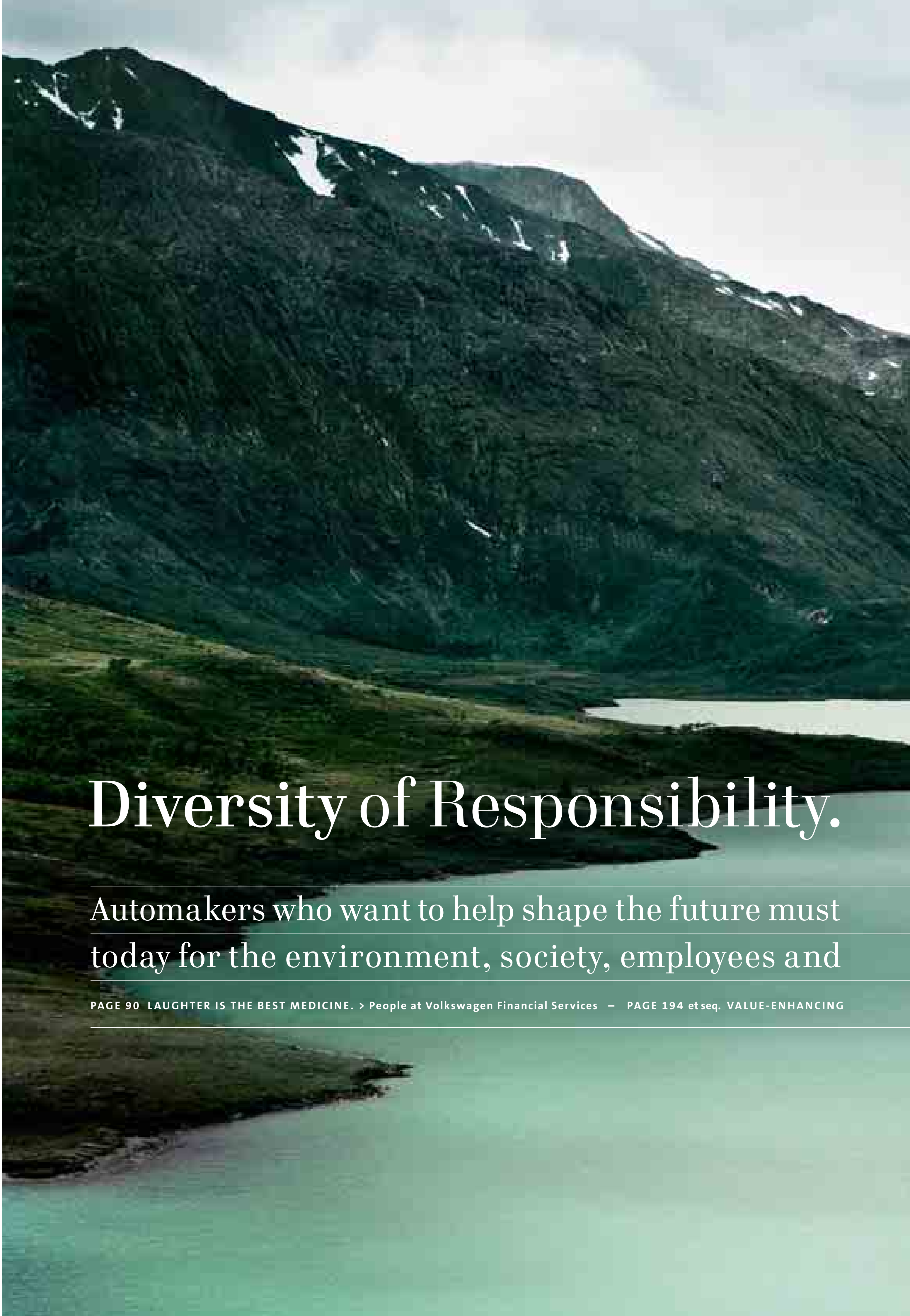
The automotive world is in constant motion. Automobile
emerging markets and wish to win over new customers

PAGE 36 CATAPULT INTO THE 21ST CENTURY. > Volkswagen quality assurance in Russia – PAGE 152 et seq. BUSINESS DEVELOPMENT



manufacturers who have their sights set on new,
all over the world must offer a wide variety of solutions.

> Volkswagen Group deliveries – PAGE 217 et seq. REPORT ON EXPECTED DEVELOPMENTS > Market opportunities



Diversity of Responsibility.

Automakers who want to help shape the future must today for the environment, society, employees and

PAGE 90 LAUGHTER IS THE BEST MEDICINE. > People at Volkswagen Financial Services – PAGE 194 et seq. VALUE-ENHANCING

think a long way ahead. And assume responsibility
customers.

FACTORS > Employees, environment, Corporate Social Responsibility

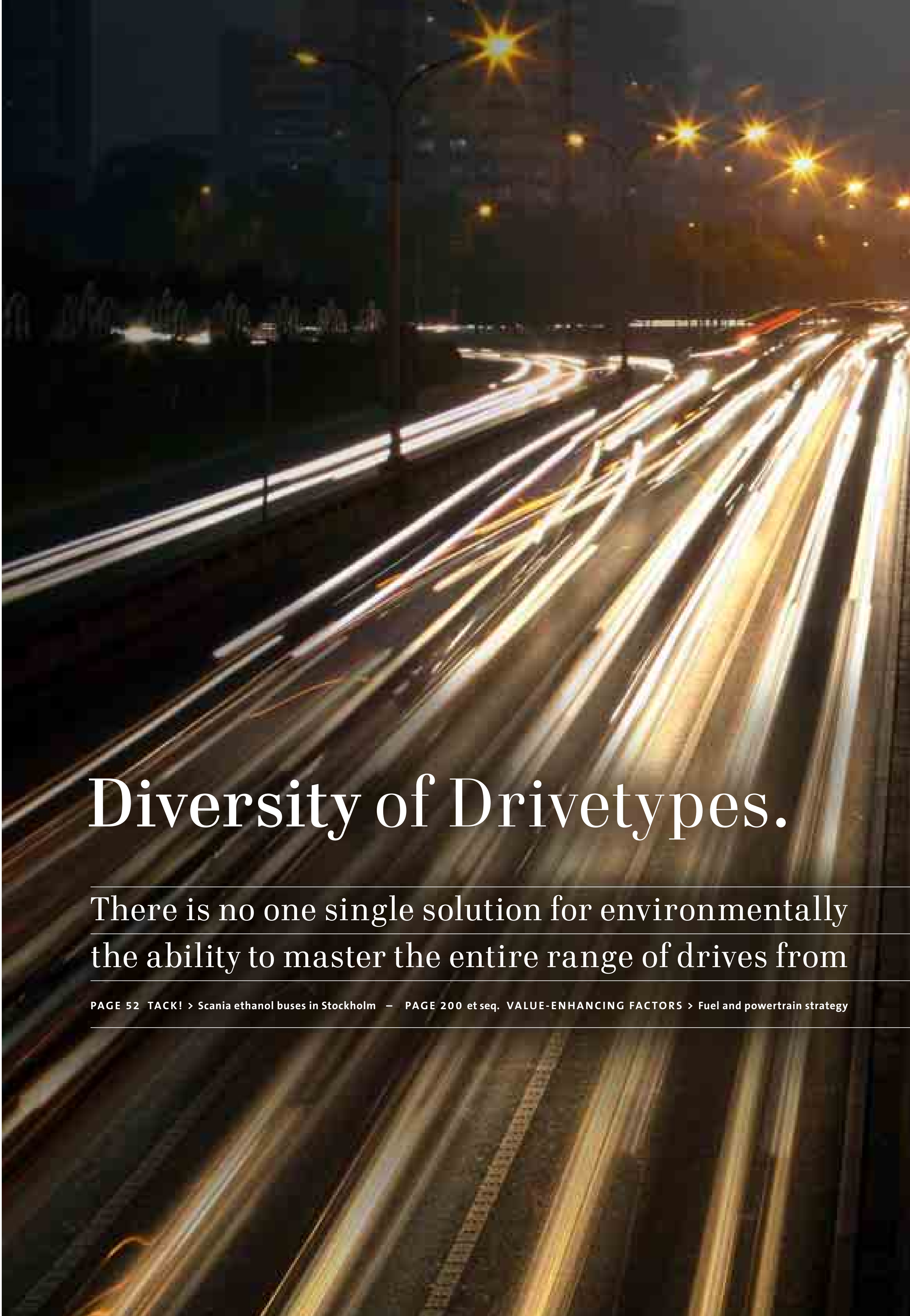
Diversity of Ideas.

In our research laboratories around the globe, the
and it is more intelligent, more diverse and more

PAGE 42 HANDS-FREE DRIVING. > Research in autonomous driving – PAGE 182 et seq. VALUE-ENHANCING FACTORS > Research &

mobility of tomorrow has already begun –
networked than ever before.

Development – PAGE 216 REPORT ON EXPECTED DEVELOPMENTS > Mobility research



Diversity of Drivetypes.

There is no one single solution for environmentally
the ability to master the entire range of drives from

PAGE 52 TACK! > Scania ethanol buses in Stockholm – PAGE 200 et seq. VALUE-ENHANCING FACTORS > Fuel and powertrain strategy

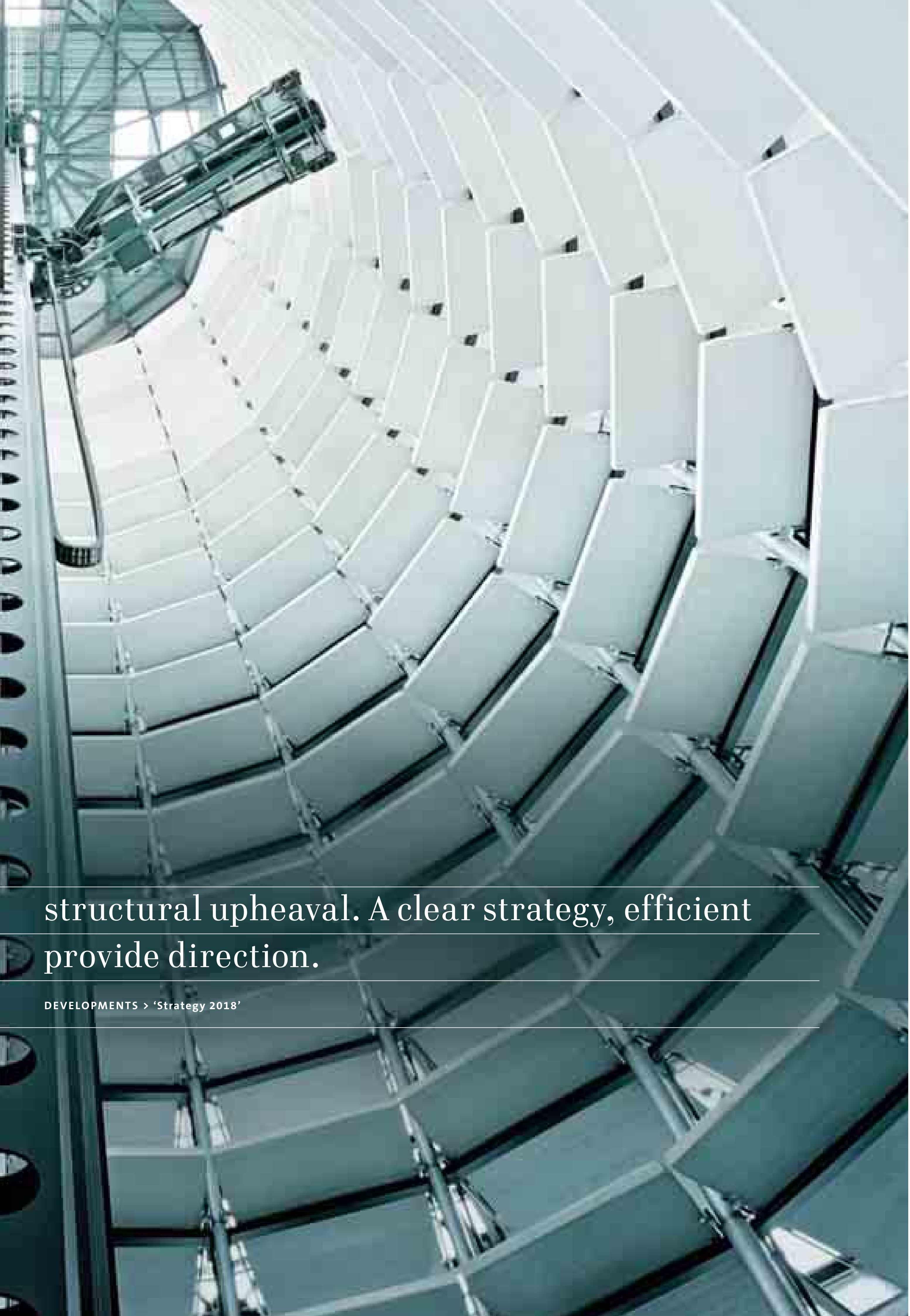
friendly mobility. The prime success factor will be both a technological and a business perspective.

– PAGE 217 REPORT ON EXPECTED DEVELOPMENTS > Planned product measures

Diversity of Structures.

The automotive industry is in the midst of a rapid
structures and strategic partnerships combine to

PAGE 28 OUR MISSION – THE FUTURE. > Prof. Dr. Martin Winterkorn on Strategy 2018 – PAGE 220 REPORT ON EXPECTED



structural upheaval. A clear strategy, efficient
provide direction.

DEVELOPMENTS > 'Strategy 2018'

“Our pursuit of innovation and perfection and our responsible approach are designed 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 2010, the Supervisory Board addressed the position and development of the Volkswagen Group 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 German Corporate Governance Code. The Supervisory Board was directly consulted on all decisions of fundamental importance for the Group, as well as discussing current strategic issues with the Board of Management at regular intervals.

The Board of Management provided us with regular, prompt and comprehensive verbal and written information on the development of the business and the Company's planning and position, including the risk situation and risk management. This also applies to all key questions relating to the creation of an integrated automotive group with Porsche. In addition, the Board of Management kept us continuously informed about other current issues and about compliance. We were provided with the documents relevant to our decisions in good time for the Supervisory Board meetings in all cases. In addition, we received detailed monthly reports from the Board of Management on the current business position and the forecast for the year as a whole. Where figures varied from the existing plans and targets, the Board of Management provided detailed verbal or written explanations. We discussed and analyzed the reasons for the differences in detail with the Board of Management, so as to allow the appropriate measures to be subsequently taken.

I also held regular discussions with the Chairman of the Board of Management outside the meetings of the Supervisory Board, in which we addressed strategic issues, business development and risk management, among other things.

The Supervisory Board held a total of six meetings in fiscal year 2010, with the average attendance rate being 96%. All members of the Supervisory Board attended more than half of the meetings. In addition, we adopted resolutions on urgent matters in writing or using electronic means of communication.

COMMITTEE ACTIVITIES

The Supervisory Board has established a total of five committees in order to perform its duties: the Presidium, the Mediation Committee in accordance with section 27(3) of the Mitbestimmungsgesetz (MitbestG – German Codetermination Act), the Audit Committee, the Committee for Major Shareholder Business Relationships (Ausschuss für Geschäfte mit Großaktionären – AfGG) and a Nomination Committee. According to 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 committees are each composed of two shareholder representatives and two employee representatives. The members of the committees as of December 31, 2010 are given in the list on page 144.

The Presidium of the Supervisory Board met five times in the reporting period. Its key tasks included the thorough preparation of resolutions to be taken by the Supervisory Board and dealing with non-remuneration related contractual issues relating to the Board of Management.

The Mediation Committee did not have to convene in fiscal year 2010.

The Audit Committee met five times in the reporting period; it primarily focused on the consolidated financial statements, risk management – including the internal control system – and the progress made in expanding a 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.

One of the main tasks 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 on the approval required for agreements between the Volkswagen Group and companies belonging to major shareholders. It met once during the reporting period. The AfGG was formed as a result of the merger of the Shareholder Business Relationships Committee (Ausschuss für Geschäftsbeziehungen mit Aktionären – AfGA) and the Committee for Special Business Relationships (Ausschuss für besondere Geschäfte – AfbG), which was resolved by the Supervisory Board in June 2010. The AfGA did not meet during the reporting period, while the AfbG met three times.

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

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

TOPICS DISCUSSED BY THE SUPERVISORY BOARD

At the Supervisory Board meeting on February 26, 2010, we examined in detail and subsequently approved the consolidated financial statements and the annual financial statements of Volkswagen AG for 2009 prepared by the Board of Management and the combined management report. We also examined the dependent company report prepared by the Board of Management and did not raise any objections to the concluding declaration by the Board of Management in the dependent company report.

In March 2010, the Supervisory Board approved the resolution by the Board of Management to implement a capital increase against cash contributions with preemptive rights for ordinary and preferred shareholders. The Supervisory Board also approved the subscription price for the new preferred shares specified by the Board of Management.

Our meetings on April 21 and 22, 2010 mainly addressed strategic issues. We concurred with the Board of Management's plans to increase the current investment program for new locations and models in China by a further €1.6 billion. Other agenda items concerned the preparation and follow-up evaluation of the 50th Annual General Meeting of the Volkswagen Group held on April 22, 2010.

At the Supervisory Board meeting held on June 16, 2010, the Board of Management informed us of its plans to merge the AfGA and AfbG committees to form the new AfGG. We approved the proposals after a detailed examination. In addition, we elected Berthold Huber as Deputy Chairman of the Supervisory Board as the successor to Jürgen Peters. The Board of Management also presented us with its plans to expand capacity in North America. Finally, we held detailed discussions on the topic of electromobility.

In July 2010, the Supervisory Board expanded the Group Board of Management effective October 1, 2010 and appointed Dr. Michael Macht as a member of the Board of Management. At the same time, the "Commercial Vehicles" function was created and the Supervisory Board decided to appoint Prof. Dr. Jochem Heizmann to assume responsibility for this function.

The Supervisory Board held another meeting on September 17, 2010, at which we approved the plans presented by the Board of Management in June to increase capacity in North America. In addition, we approved the investment program for the German locations and the expansion of the facility in Györ, Hungary, ahead of schedule. The Supervisory Board also elected the members of the AfGG from among its members.

The Supervisory Board meeting on November 19, 2010 saw an in-depth discussion of the Volkswagen Group's investment and financial planning for the 2011 to 2015 period, in which we approved the Board of Management's plans. We also approved the formation of an Employee Foundation and the associated benefits. 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. Information on the remuneration system for the Board of Management and the Supervisory Board, together with the remuneration of the executive bodies actually paid in the reporting period, can be found in the Remuneration Report on pages 133 to 136 of this Annual Report.

No conflicts of interest were reported or arose in the reporting period. The pending issues relating to the creation of an integrated automotive group were resolved by mutual agreement.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The current version of the German Corporate Governance Code and its implementation at the Volkswagen Group were addressed by the Supervisory Board meeting on November 19, 2010. In particular, we discussed the changes published by the Government Commission on the German Corporate Governance Code on May 26, 2010. On November 19, 2010, together with the Board of Management, we issued the declaration required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on the recommendations of the Code; we comply with all recommendations in full with the exception of article 4.2.3(4) (cap on severance payments). The cap on severance payments 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 these cases, a grandfathering provision 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 regarding the implementation of the recommendations and suggestions contained in the German Corporate Governance Code can be found in our Corporate Governance Report starting on page 129 and in the notes to the Consolidated Financial Statements on page 320.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Roland Oetker stepped down from his position on Volkswagen AG's Supervisory Board as of the end of the 50th Annual General Meeting on April 22, 2010. The Annual General Meeting therefore elected Dr. Hussain Ali Al-Abdulla as his successor for a full term of office.

Jörg Bode, the Minister of Economic Affairs, Labor and Transport for the Federal State of Lower Saxony, was also elected to the Supervisory Board for a full term of office. Mr. Bode had already been appointed as a member of the Supervisory Board by the court on November 4, 2009 as the successor to Dr. Philipp Rösler.

On May 15, 2010, Thomas Zwiebler, the Chairman of the Volkswagen Commercial Vehicles Works Council, was appointed by the court to the Supervisory Board as the successor to Heinrich Söfjer. Mr. Söfjer had resigned from the Supervisory Board as of the same date.

On May 25, 2010 the court appointed Berthold Huber, First Chairman of IG Metall, to the Supervisory Board as the successor to Jürgen Peters. Mr. Peters had resigned from the Supervisory Board as of May 1, 2010.

David McAllister, Minister-President of the Federal State of Lower Saxony, was appointed by the court as a member of the Supervisory Board on July 1, 2010. He succeeded Christian Wulff, who was elected Federal President on June 30, 2010 and therefore left the Supervisory Board.

Since December 13, 2010, the Supervisory Board membership of Jörg Bode and David McAllister is based on the exercise of rights to appoint shareholder representatives for the State of Lower Saxony.

Effective October 1, 2010, Prof. Dr. Jochem Heizmann, who was previously responsible for Production, took over the newly created Commercial Vehicles Board of Management function. Dr. Michael Macht, who was previously CEO of Dr. Ing. h.c. F. Porsche AG, was appointed to the Board of Management of Volkswagen AG with effect from the same date and was given responsibility for the Production function.

Following a discussion in the Supervisory Board meeting on November 19, 2010, we resolved on January 2, 2011 to prolong the term of office of Prof. Dr. Martin Winterkorn, which would have expired at the end of 2011, until December 31, 2016.

Karl Gustav Ratjen, a former Supervisory Board member, died on September 12, 2010 aged 91. Dr. Günther Saßmannshausen, a member of the Supervisory Board from 1987 to 2001, died on November 21, 2010 aged 80. Both gentlemen made a decisive contribution to Volkswagen's successful development during their terms of office, displaying considerable initiative and exemplary commitment to the Company. We will honor their memory.

AUDIT OF ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Annual General Meeting on April 22, 2010 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for fiscal year 2010. 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. The auditors also assessed the internal control system and the 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 2010 (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 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, 2011 and February 25, 2011 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 our meeting on February 25, 2011. Following this, the Audit Committee recommended that we approve the annual financial statements. We rigorously examined the documents 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 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. At our meeting on February 25, 2011, we therefore concurred with the auditors' findings and approved the annual financial statements prepared by the Board of Management and the consolidated financial statements. The annual financial statements are thus adopted. Our examination of the dependent company report did not result in any objections to the concluding declaration by the Board of Management in the dependent company report. We reviewed the proposal on the appropriation of net profit submitted by the Board of Management, taking into account in particular the interests of the Company and its shareholders, and endorsed the proposal.

The Supervisory Board would like to thank the members of the Board of Management, the Works Council, the management and all the employees of Volkswagen AG and its affiliated companies for their efforts and achievements in the past fiscal year. They all worked extremely hard to ensure the Volkswagen Group's positive development.

Wolfsburg, February 25, 2011

Dr. Ferdinand K. Piëch
Chairman of the Supervisory Board

Dear Shareholder,

Fiscal year 2010 was the most successful year in the Volkswagen Group's history. The automotive industry has accelerated out of the economic crisis and is recording significant growth. And Volkswagen, which already provided impressive proof of its robust health during the crisis, is now leading the way in the recovery as well.

Deliveries were at an all-time high of 7.2 million vehicles. With growth of 13.7 percent, we outperformed the market as a whole and extended our share of the global passenger car market to 11.4 percent. Our operating profit also hit a new record, at € 7.1 billion. We want our shareholders to benefit from this performance as well, which is why we are proposing a dividend of € 2.20 per ordinary share and € 2.26 per preferred share.

The financial markets also reflect our Company's upbeat prospects: Volkswagen's shares were among the strongest performers in the DAX in 2010. Our capital increase, too, underlined investor confidence in our strategy. The net issue proceeds of €4.1 billion made it one of the most successful in the history of the automotive industry.

All this goes to show that Volkswagen is on a solid growth path. At the same time, we are driving forward with our plans for the mobility group of the future – from the gradual integration with Porsche down to our initiatives in the commercial vehicles area. We are building on what is today already an extremely broad base to lay the foundations for profitable growth in all segments and business fields.

Our timing for this is excellent, as the automotive business offers significant medium- and long-term opportunities. We expect global market growth to continue in 2011, despite all the economic uncertainty. And Volkswagen intends to play a key role in shaping this growth, above all by maintaining our focus on one crucial strength of this multibrand group: diversity.

Our brands offer mobility solutions for all sizes of vehicle and client requirements, in all regions of the world. We will be expanding this diversity yet further over the next few months with specific new models such as the Golf Cabrio, the Audi Q3 and the UP! New production facilities are under construction both in China and the United States. Equally, we are focusing on more than one future drive concept. Not only are we constantly improving the efficiency of our combustion engines, we are also systematically extending and enhancing hybrid technology and electric traction solutions.

In doing so, we can count on our highly qualified and motivated workforce. My colleagues on the Board of Management and I would like to thank all our employees for making our success possible in the past fiscal year. We look forward to working with the entire team on shaping our Company's future.

The Volkswagen Group's ability to tightly manage its diversity and growth was, and is, key to this process. The team spirit behind our brands and in our regions is strong – and is still growing. We are recruiting new staff at all levels. And, last but not least, we will be investing €53.5 billion in the Automotive Division and an additional €10.6 billion in China until 2015 – in new, fascinating products, in expanding our production and sales network, and in environmentally friendly technologies.

In all of this, the Volkswagen Group has a clear goal: Our pursuit of innovation and perfection and our responsible approach are designed to make us the world's leading automaker by 2018 – both economically and ecologically. We have already made good progress towards this goal. Much remains to be done. My request to you, as our shareholders, is as follows: Please continue to support us on this journey. I am convinced that your confidence in the Volkswagen Group will be rewarded.

Sincerely,

Martin Winterkorn

Prof. Dr. Martin Winterkorn

The Board of Management of Volkswagen Aktiengesellschaft

(from left to right)

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

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

CHRISTIAN KLINGLER
Sales and Marketing

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

RUPERT STADLER
Chairman of the Board of Management of AUDI AG

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

HANS DIETER PÖTSCH
Finance and Controlling

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

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

EXPERIENCE D[R]IVERSITY. MOVEMENT.

Magazine

Experience D[r]iversity. Movement.

Our 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. This Annual Report features people who are in motion and who make mobility possible for others – they each represent a specific aspect of the Volkswagen Group's diversity.

Our mission – the future.

The route has been mapped out, the strategy finalized: “Our aim is to make the Volkswagen Group the leading automaker by 2018 – economically and ecologically.” Prof. Dr. Martin Winterkorn, Volkswagen’s Chairman of the Board of Management, is a perfectionist who knows the value of technological excellence, but also the importance of teamwork and stamina. These are all qualities without which ESA astronaut Hans Wilhelm Schlegel would never have made it into space. The two men talk about visions, people and the similarities of their chosen paths.


Carl Zeiss

ONE SCHOOL OF THOUGHT, TWO DIFFERENT CAREERS – Prof. Dr. Martin Winterkorn, Chairman of Volkswagen AG (right), and ESA astronaut Hans Wilhelm Schlegel share a passion for scientific analysis combined with hands-on expertise. This enabled Schlegel to go into space and Winterkorn to become head of a global corporation.

"I can sense today that the entire Volkswagen team is behind the 'Strategy 2018' growth plan we began implementing a good three years ago."

PROF. DR. MARTIN WINTERKORN, CHAIRMAN OF VOLKSWAGEN AG

The chemistry is right – thanks to physics. Prof. Dr. Martin Winterkorn, Chairman of Volkswagen AG, and Hans Wilhelm Schlegel, Chief Astronaut at the European Space Agency (ESA) in Houston, do not need long to find a common wavelength. Both have passed through similar schools of thought in the course of their scientific training. And both are physicists who have learned to get to the bottom of problems through in-depth analysis. Winterkorn is known as an automotive manager par excellence – someone who is au fait with every last technical detail. Schlegel was in space on two separate occasions, where he also undertook complicated repair work outside the spaceship.

However, these two men have more than hands-on expertise in common. Both are driven by challenging goals and fueled by impressive stamina. Winterkorn is working on the step-by-step implementation of Volkswagen's "Strategy 2018", which aims to establish the Group as the world's leading automaker. And Schlegel and his colleagues have their sights set far beyond their current missions at the International Space Station (ISS). As far as Mars, in fact.

Producing cars and sending astronauts into space both involve bringing together and motivating international teams from different cultures. Winterkorn is responsible for nine brands, 63 production facilities, 153 markets and approximately 400,000 employees all over the world. Schlegel, who lives in Houston, Texas, not only trained as an astronaut in the USA, but also as a Russian cosmonaut in the Zvezdny Gorodok ("Star City") Space Center near Moscow. He is seen as an expert in communicating between different mentalities and technical cultures and has therefore been instrumental in cultivating international cooperation in space travel. Both men must work to maintain the belief of all those involved in their long-term missions, even in the face of setbacks.

The keys to success – for automakers and astronauts alike – are long-term strategic planning, technological excellence and a well functioning team. Most important of all is knowing who are the right people for the right positions. Coupled with a certain modesty.

The planetarium in Wolfsburg, where the automotive manager and the space traveler meet, is ideal for re-instilling a sense of this modesty. "You could say that we are all astronauts – after all, looking down from above, our blue planet looks like a giant mother ship," says Hans Wilhelm Schlegel, gazing up at the building's dome. At the same moment, the projection of the planetarium shows the Earth rising over the moon as a person on the moon would see it. Previously, the ESA astronaut had visited the Volkswagen research laboratories. In return, Martin Winterkorn asked him about the progress of Galileo – the European global navigation satellite system that is anxiously awaited by many sectors, not least the automotive industry.

The following features the highlights from this exchange of views. Among other things, Martin Winterkorn and Hans Wilhelm Schlegel talked about …

… The courage to aim high:

PROF. DR. MARTIN WINTERKORN: "You have to get people on board. Employees must believe in the ambitious goals their company sets. I can sense today that the entire Volkswagen team is behind the 'Strategy 2018' growth plan we began implementing a good three years ago. This applies not just to our workforce in Germany but equally to our plants in Mexico, Brazil and China – employees everywhere know what we are aiming to achieve by 2018: to be the number one in terms of quality and customer satisfaction, to be the best employer, to sell over ten million cars a year and to generate a pre-tax return on sales of over eight percent for the Group. It's not just about size, but about becoming the most forward-looking automotive group in the world. To begin with, some people felt that this vision was too daring, but we're already demonstrating we can make it happen."

HANS WILHELM SCHLEGEL: "The best example of the power of aiming high is the announcement made by US President John F. Kennedy in 1961: 'We Americans want to fly to the moon.' An extremely ambitious but ultimately successful project that we might no longer be able to pull off today. The next goal was to 'build and operate an international space station.' We are in the eleventh year of the construction process and are nearing completion. Without these crystal-clear goals we would not have been able to win over the many thousands of people who were involved. Even the soundest arguments will go unheard if you forget to motivate and captivate people, and to communicate the logic behind the project in such a way that everyone is able to follow your arguments intuitively."

WINTERKORN: "I find transparency and communication important. Every year, we organize a management conference in Dresden with over 2,000 participants from all over the world. Here, we examine our present position and how far we have progressed towards achieving our goals. After this event, every manager – from Shanghai to Kaluga – knows where things stand. They channel the information into their respective plants, so that all company employees end up being involved. In 2005, we produced 5.2 million cars in a year; that figure is now in the region of 7.4 million. Our employees recognize what great progress we are making and that fuels their enthusiasm. In spite of this, we may never allow ourselves to rest on our laurels. We must remain on the offensive."

... The specific way they approach things:

WINTERKORN: "As a scientist, you learn to dig deeper and deeper. The Volkswagen Group is so successful today because this notion of 'digging deeper' has become part of our corporate culture. It helps us to make our cars better and better. I firmly believe that an automotive company must be product-led. As an automotive manager, it is not enough simply to enjoy driving cars – you have to understand them right down to every last detail. Many things in our Group today only work because my Board of Management colleagues and I are extremely well versed in all aspects of the business. If developers say that a solution is not possible from a technical, timing, or financial point of view, I am able to challenge them. And everyone knows that."

SCHLEGEL: "As scientists, we are never content with what we already know. And we always expect the unexpected. When faced with unforeseen occurrences and circumstances, you have to be constantly willing to put your favorite theory to the test."

WINTERKORN: "Exactly. Probability theory states that, if an event can occur with a certain probability, then it will occur at some point. As a manufacturer of highly complex vehicles, we must always expect the unexpected – be it in development, production, or service. Operating errors must also be taken into account – for instance, the possibility that a customer might apply the brake pedal and the gas pedal at the same time. In this case, the brakes must always take priority. We sell well over seven million cars a year. If there is a fault somewhere, even a tiny one, it will manifest itself sooner or later. We must find the fault before that happens and rectify it."

SCHLEGEL: "In astronautics, we also have to prepare very intensively for exceptional situations like this. In fact, around 95 percent of astronauts' training is centered on this. The important thing is to think ahead and to act accordingly – I imagine it is exactly the same at Volkswagen. It is a question of taking decisions early based on the available knowledge and resources and being aware that everybody will have to live with these decisions. In space travel, you can't extend or change the course of the mission at will. The Americans say that you should "always try to stay in the middle of the envelope" – only then is there enough room to make corrections to the right or left."

... New technologies and environmental responsibility:

WINTERKORN: "We are working very hard to push back technical limits and increase our room to maneuver with new drive concepts. We must ensure that our mobility and our living standards are as environmentally compatible as possible. On the other hand – and this may well be the scientist in me speaking – it is also important to respect our limitations. In the past, some frivolous promises were made regarding the availability of major technical developments such as series-produced fuel-cell vehicles in the near future. The same goes for battery technology. I think it is extremely likely that alternative drive systems will be able to compete with conventional ones. The question is when exactly this will be the case – and that's difficult to predict. It is a matter of repeatedly examining what is ultimately possible and desirable from a technical point of view and, at the same time, what is economically feasible. We are addressing all these questions – here and now. Ten years ago, for instance, who could have foreseen the great progress that has been made in the field of electronics?"

SCHLEGEL: "We must always be aware that the area in which we expect progress is colored by our current viewpoint. No one can really know whether our expectations will actually

"Our world is nothing but a large spaceship. This perspective broadens the view for the international cooperation that is needed to solve global problems."

HANS WILHELM SCHLEGEL, CHIEF ASTRONAUT AT THE EUROPEAN SPACE AGENCY (ESA) IN HOUSTON

prove true. Perhaps we will apply findings from other fields of technology, or perhaps various disciplines will unexpectedly merge. A prime example is mechatronics, where mechanical, electronic and IT elements are combined to produce highly efficient systems. We must keep an open mind to the possibility of unexpected solutions."

WINTERKORN: "Quite right. And I firmly believe that we will find far more efficient technologies in the coming decades, for example technologies that can store and use the sun's energy. Everything that we use today – be it oil, gas, or biofuels – is ultimately stored solar energy. Our current energy resources are finite. Among other things, this leads to the long-term goal in space travel – of populating Mars."

SCHLEGEL: "Yes, exactly, energy is the core problem although there is basically enough of it available on Earth. But how can we capture this energy? Is the infrastructure for this available? The formative role of politics comes into play here. Our world can be seen as a large spaceship whose team must agree on common destinations if we are to reach them. This perspective broadens the view for the international cooperation that is needed to solve global problems."

... The art of finding and leading the right team:

WINTERKORN: "The important thing is being able to trust one another, and to avoid trench warfare. Employees look very closely at whether the top management team can work together. As soon as tensions are sensed, they invariably spread to other levels. Particularly when it comes to cooperation within such an international corporate group as ours, respect and team spirit are important foundations for a constructive working atmosphere. We have to treat each other fairly and decently. But technical and fact-based discussions should be as tough as they need to be, otherwise the goal won't be reached."

SCHLEGEL: "In the ISS project, we are learning to work together at an international level for the benefit of all concerned. I for one hope that the Chinese will also come on board. To be successful, you ultimately need a team of people with many different talents for whom reaching a compromise in the interests of the final product is more important than proving themselves right. In your case, the final product is a car; in our case, it is the mission. Successful teamwork does not presume that something will always work just because it worked before. You must always monitor how the original impetus is actually put into practice. That may sound a bit like you're keeping tabs on things, but in my view it is nothing other than good leadership."

WINTERKORN: "When things don't work even though all the right preparations have been made, it is often because there is some sort of conflict between the people responsible for finding the solution. This human element is often capable of making or breaking a project. Because of this, we have always paid very close attention to creating a constructive culture at Volkswagen."

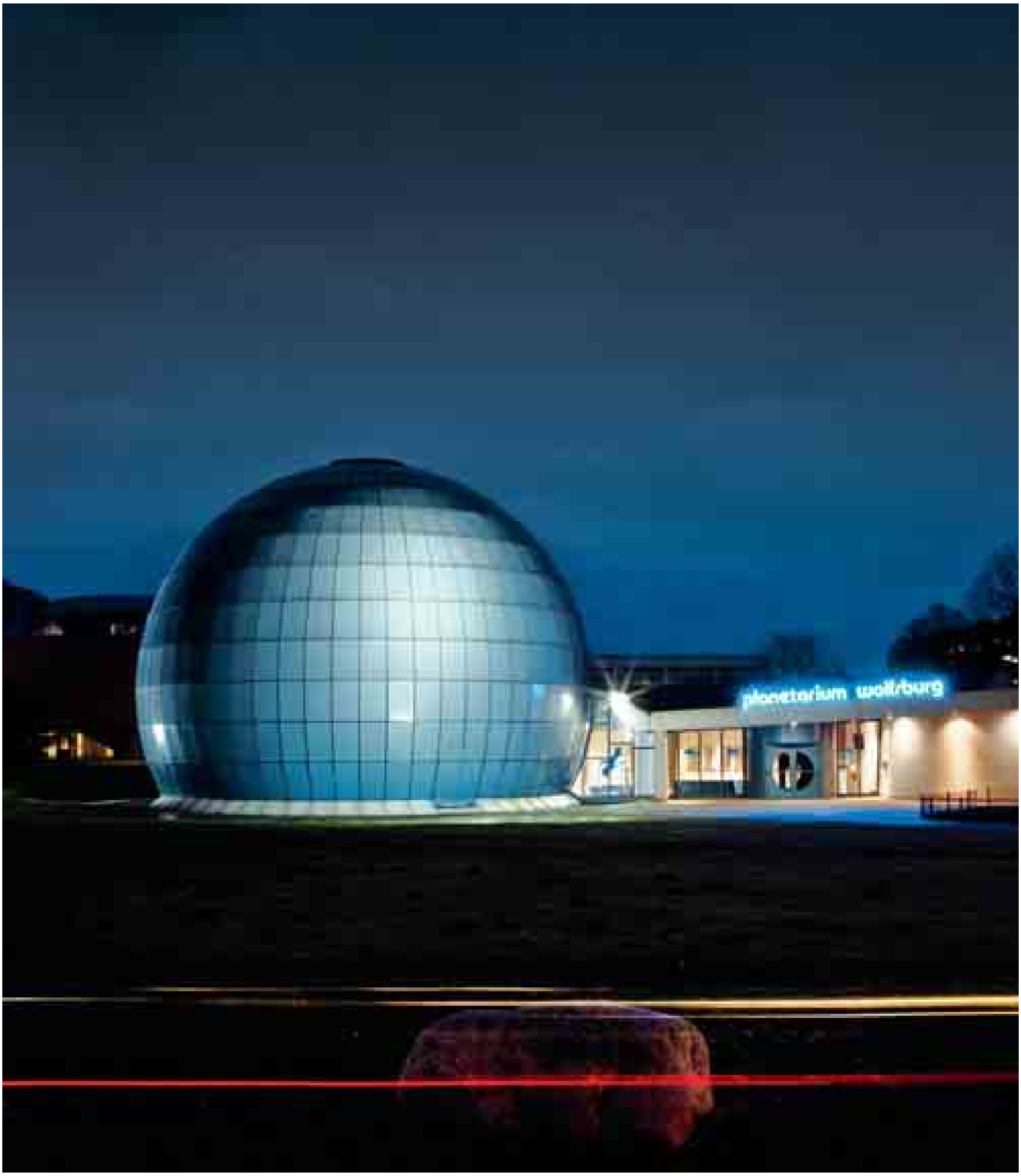
... Implementing a chosen strategy successfully:

SCHLEGEL: "A classic exercise for a pilot: He inputs the command and must recognize quickly how the system responds. He cannot spend too long looking at one specific area, but must keep track of everything and then input the next command straight away. And while he is fine-tuning this, he must already be thinking ahead. For example, what to do if there is bad weather at the destination airport? This means that he has to monitor everything constantly – in other words he has to keep his finger on the pulse of events. I have great admiration for managers who are able to do this successfully and flawlessly, as I know well how easy it is to overlook small aspects that later prove to be decisive."

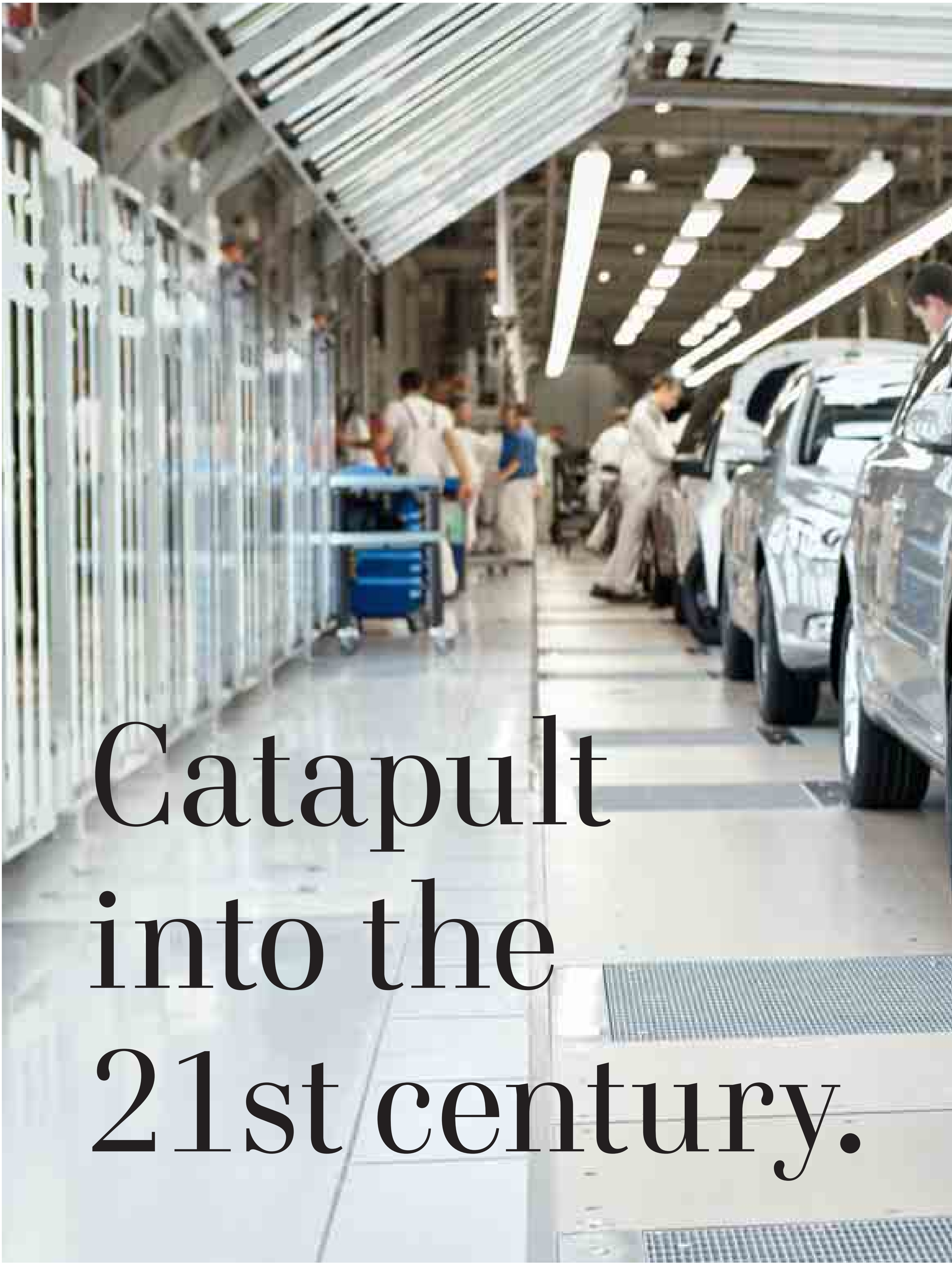
WINTERKORN: "That is an image I can identify with."

ADDITIONAL INFORMATION
www.volkswagenag.com

AUTHOR
Dirk Maxeiner



SEEING STARS – The planetarium in Wolfsburg is one of the ten largest of its kind in Germany.
The projector beams over 9,000 stars onto the domed ceiling and makes the sun, moon and planets rotate.



Catapult into the 21st century.

NOTHING BUT THE BEST –
Vladislav Cheburkov, project manager in the Quality Assurance department of the Volkswagen plant in Kaluga, Russia.

The Russian automotive market is booming. And Volkswagen is enjoying healthy growth with vehicles built on a full production line in Russia. Vladislav Cheburkov, a project manager in the Quality Assurance department, gives us a tour of the Volkswagen plant in Kaluga. His job is to ensure an uncompromisingly high standard of quality.

The Russian provincial capital of Kaluga lies 160 kilometers southwest of Moscow on the Oka River and is home to some 350,000 people. The interpreter who accompanies foreign visitors on tours of the city presents Kaluga's architecture in distinctly political terms. And so we have the monumental theater square from the "Stalinist era," the hastily constructed concrete-slab apartment blocks: "Khrushchev," the self-contained market hall: "Brezhnev," the diversity of goods now offered there: "Putin." The economic convergence of world markets spelt the beginning of a new era, shaped by globalization: The "Volkswagen" era.

In November 2007, Volkswagen opened its automotive plant located just outside the city limits, initially as an assembly plant for vehicle kits. Today, with a full production line, a workforce of 4,200 people is responsible for an output of up to 150,000 vehicles a year. For Kaluga, "Volkswagen" has ushered in a new era, summed up by Deputy Governor Maxim Akimov in neat statistical terms: "Our unemployment rate is currently just 1.1 percent."

THE "VOLKSWAGEN" FLAGSHIP PROJECT

The roads, once riddled with potholes, are freshly tarmacked, and restaurants and bars cater for a wide cross-section of tastes, from pasta to sushi. Dozens of hotels have sprung up, and the new supermarkets are open 24/7. "Volkswagen," says Akimov, "is a flagship project for us." Since Volkswagen set up shop in the region, other foreign carmakers and suppliers have followed suit, creating what Akimov terms an "automotive cluster."

Russia is making intensive efforts to extend its value chain, as most of its GDP still comes from energy and raw materials. Because of this, Russian society wants to re-establish once proud industries such as aerospace, automotive production and shipbuilding. No mean feat, given that the production processes that held sway during the Soviet Union era are now completely outdated.

"The old Russian automobile manufacturers used to produce virtually everything under one roof, right down to the rubber on the windshield wipers," explains Dr. Walter Jürgen Schmid, who was German ambassador in Moscow until spring 2010. "In modern Western automotive production, vertical integration is perhaps ten or 15 percent, with the rest being sourced from external specialists." Schmid, who was instrumental in cutting through the red tape and thus clearing the way for German investment in Russia, smiles as he thinks back: "Incidentally, this resulted in my becoming something of a production expert."

At the same time, when it comes to quality, the expectations of Russian car buyers are every bit as high as their Western counterparts. Up until now, the Russian market has been dominated by imported vehicles. After all, Russia's past experience with homegrown cars was somewhat less than satisfying. This is set to change: "Our aim is to make Russian-built Volkswagens synonymous with high quality," vows Marcus Osegowitsch, new General Director of VW Group Rus. Accordingly, a whole phalanx of specialists is working to ensure that Volkswagen's quality standards, which are uniformly high all over the world, are met in Russia as well. Quite a challenging task, given that Kaluga's production line is used for four different models: the Škoda Fabia, Škoda Octavia, Volkswagen Tiguan and the new Volkswagen Polo Sedan.

THE HUMAN FACTOR – In addition to state-of-the-art monitoring and quality assurance systems in production (below), employee training plays a key role. Volkswagen contributed the training expertise that it has built up all over the world to the Russian plant.

"We don't just build great cars here – a whole new way of thinking is also taking shape." VLADISLAV CHEBURKOV

With a workforce of 4,200 people, Volkswagen builds up to 180,000 vehicles a year in Kaluga.

Specially designed for the Russian market, the Polo Sedan has been produced in Kaluga since mid-2010. Vladislav Cheburkov was closely involved at each stage of this process. When the first vehicles were delivered, he and his colleagues journeyed to even the remotest areas of Russia so that they could respond immediately if dealers or customers experienced any problems. This required him to spend a number of weeks in Chelyabinsk, a city on the Ural River some 2,000 kilometers away from Kaluga. "Every morning, we held a video conference with the specialists at the plant," recounts Cheburkov in fluent German.

EXTENSIVE EMPLOYEE TRAINING

In addition to the built-in controls and quality loops in the automated, state-of-the-art production facility, employee training plays a key role in Kaluga, as it does at all of the Group's 63 locations. That's why the Volkswagen Group not only supplied the Russian plant with buildings and machines, but also with the training expertise that it has built up all over the world. For plant manager Josef Baumert, it all comes down to "training, training and more training – none of our employees is allowed anywhere near a workstation without having completed intensive training." The bar is set high, each applicant being required to complete a six-month trial and training period before being hired. Cooperating with the state-owned "Vocational Lyceum No. 18", Volkswagen also runs a training center in Kaluga for up-and-coming employees.

The high standards that Volkswagen demands when training its own employees apply in equal measure to suppliers. In-depth audits are carried out not just to evaluate the quality of the suppliers' products, but also to ensure that they can guarantee the same quality time after time. "For instance, even the most advanced machine is not much use if there is no plan for maintaining it," explains Baumert. So far, 31 companies in Russia have passed the demanding Volkswagen supplier audit, including five wholly Russian-owned operations. The remainder are joint ventures between Russian and Western partners or subsidiaries of international manufacturers.

In a conference room in Kaluga, the hour of truth begins every morning at 9.30, when technicians and production specialists use video links to discuss quality issues and any problems that affect the Russian market in particular. Every now and then, colleagues from Quality Assurance fly in from Wolfsburg. They choose a vehicle at random from the "national distribution center" – which is located next to the plant and can hold up to 10,000 cars – and put it through its paces. Vladislav Cheburkov has long since internalized Volkswagen's quality culture. And he firmly believes that its significance for the city of Kaluga goes well beyond the cars it produces: "These days, we not only have new roads and great cars, but also a whole new way of thinking. Many people here have already understood that, in the 'Volkswagen era', progress means that anyone can make it if they put in the effort."

ADDITIONAL INFORMATION
www.volkswagenag.com > Production Plants > Europe > Kaluga

AUTHOR
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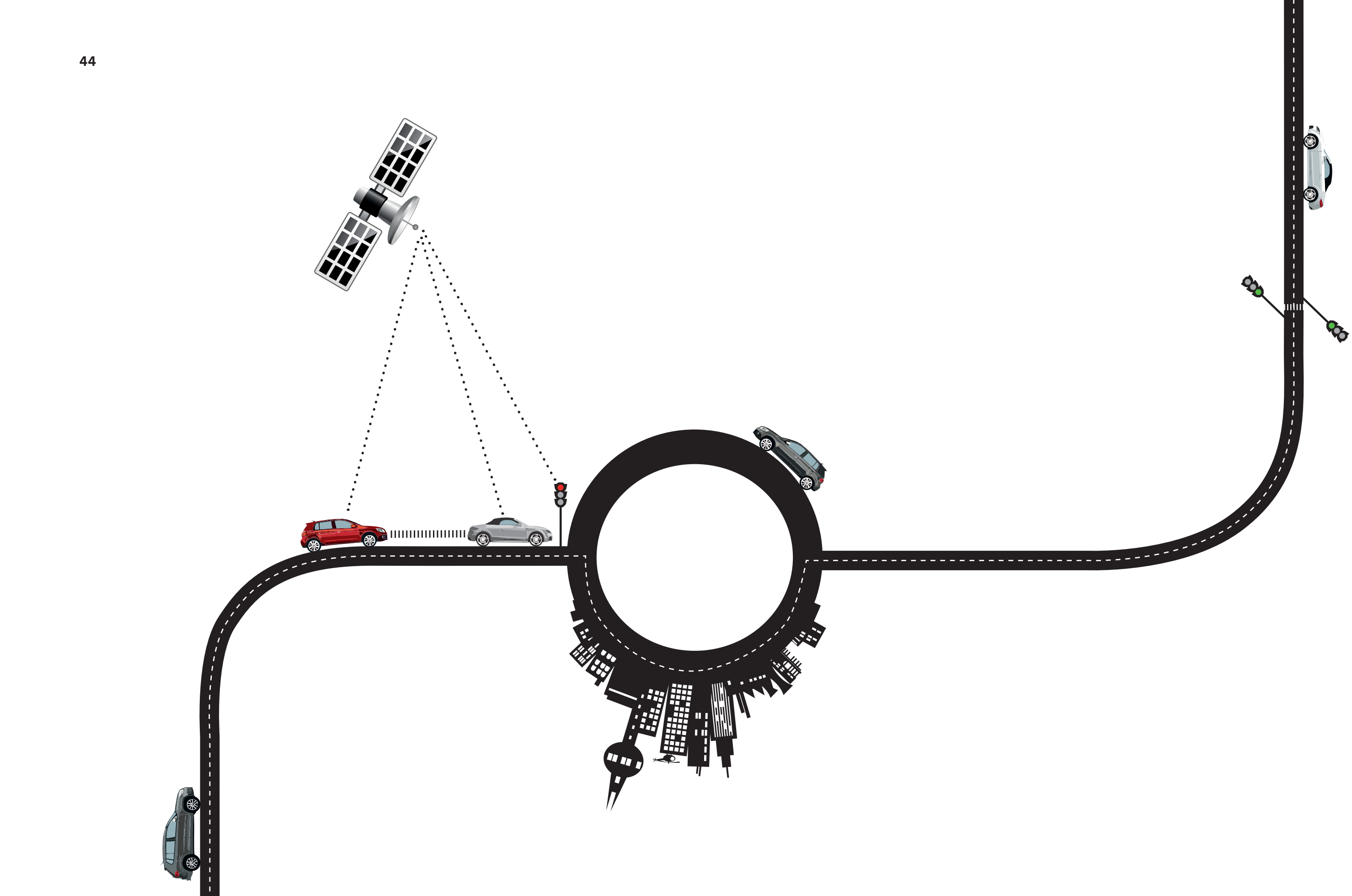
Hands

free driving

Buckle up and enjoy the ride – while the car steers, brakes and accelerates all by itself. A scenario from the distant future? Think again: Researchers at the Volkswagen Group are already working on it.



Just imagine that your car can park itself. With no one behind the wheel: in fact, the driver has already got out and is instructing the car by smartphone to look for a space in the parking garage. Once the shopping has been done, the car is summoned back to collect the passengers. Dr. Burkhard Huhnke wouldn't mind having an assistant like that. As a father of three, he is only too familiar with the complaints from the back seat when the younger passengers feel that the search for a parking space is taking forever again. The 43-year-old engineer is in charge of Volkswagen Group Research's Electronics Research Lab (ERL) in Silicon Valley, California. One of the main areas on which the research laboratory is working is the autonomous vehicle, i.e. driving without a driver.

"An automatic parking assistant that moves the car safely around a parking garage could be developed for series production before the decade is out," says Huhnke. He also feels that an automatic motorway pilot is on the cards. Drivers could read, work, or attend to the kids in the back – while the car takes control of the steering. "It's technically feasible but not yet ready to go into series," explains Huhnke. What is more, legislators have yet to give the green light. Traffic regulations in the USA and Europe require the driver's hands to be on the steering wheel. However, automotive industry specialists, traffic experts and lawyers are already sitting down together to establish the conditions that will shape the future of driving.

DRIVERLESS DRIVING

A glimpse of this future came in October 2010 in the form of "Leonie", a research vehicle based on a Volkswagen Passat that drove itself a distance of three kilometers on the busy two-lane ring road in Braunschweig. Leonie held its own with the real volume of traffic, merging, changing lanes, turning corners and parking – the lot. A world premiere made possible by laser scanners, radar sensors and satellite navigation. As required, a passenger traveled in the car to intervene if necessary, but there was no need during the test. The vehicle was developed at the Lower Saxony Research Centre for Vehicle Technology (NFF) in Wolfsburg. The NFF is supported by two innovation partners: Braunschweig University of Technology and Volkswagen Group Research.

Pushing limits and maximizing performance – this was the main focus of a completely different type of experiment taken on by ERL director Huhnke and his team in the USA. 18 September 2010, Colorado: An Audi TTS begins its driverless climb up the 4,300-meter Pikes Peak located in the Rocky Mountains. 156 bends over more than 20 kilometers, part of which is unsurfaced switchbacks. Crash barriers? None. A whole year of preparation has gone into this project and Huhnke is suitably on edge. The 265 PS (197 kW) Audi hits the gas and drifts around the bends. The car is being "steered" by a very precise GPS navigation system, which detects when the vehicle deviates even two centimeters from the ideal line. Were anything to go wrong, the car would certainly not survive unscathed. Nonetheless, the Audi remains in lane, copes masterfully with all the bumps, raises a satisfying amount of dust on the gravel road and reaches the peak. The Audi coupé completes the course four times in all – each time free of any hitches. The "Autono-

“We give them their very own little guardian angel in the form of an intelligent assistance system.”

DR. ARNE BARTELS, HEAD OF AUTOMATED DRIVING

mous Audi TTS” is a project initiated by the Volkswagen Group Automotive Innovation Laboratory (VAIL) and overseen by the ERL and Stanford University, also located in Silicon Valley.

“We dared to do something that had never been done before like this: An autonomous trip under extreme conditions,” says Huhnke with pride. “The most important thing for us was not the speed but above all the robustness of the software.” System crashes cannot be allowed to happen during autonomous trips. The new software platform developed for this project proved its worth. Huhnke outlines the next steps: “We will use the software in different types of vehicles and will continue our intensive testing and constant fine tuning”.

FORWARD-LOOKING GPS

He sees GPS data as an effective means of rendering driving even safer in the near future. For example, this information can warn drivers of narrow bends ahead. If they are driving too fast to take the curve ahead, the car could slow itself down. When talking about autonomous driving, Huhnke is anxious to make one thing clear: “We did not set out to teach robot cars how to drive. We want to use our new developments to make driving safer and more comfortable for the people in the vehicle.” Every year, 37,000 people die on the roads in the USA alone – reason enough to help drivers to react better and to avoid accidents.

KEEPING IN LANE WITH THE AUTOPILOT

Autonomous driving is still at the experimental stage, but the way is already being paved for this future technology. Not just in distant California, but also closer to home at Volkswagen Group Research in Wolfsburg. Here, Dr. Arne Bartels focuses on driver assistance systems and their intelligent interplay. His latest project is called “Temporary Auto Pilot”, or “TAP” for short. The system is a further development of the Adaptive Cruise Control function that is already in series production for many Volkswagen Group models. It not only controls the speed and the distance to the vehicle traveling in front, but also keeps the car in lane. To begin with, it is only designed to be deployed on motorways. Using laser scanners and cameras, TAP orients itself on lane markings, crash barriers, GPS data and other road users. Whenever the system reaches its limits, the driver is immediately prompted to take the wheel again. TAP is still part of the European HAVEit program that researches intelligent automatic traffic systems. But Bartels believes that it has “the potential to become a concrete product – within the next ten years.”

Bartels works closely together with his colleagues at the ERL. He is in full agreement with Huhnke: “The purpose of all these technologies is certainly not to take the fun out of driving. What we want to do is take the strain off the driver in difficult, dangerous situations, as well as in traffic jams or during monotonous motorway driving.” That’s because whenever the car is only crawling along, drivers’ attention tends to lapse and they focus on other things. The same goes for long stretches of motorway driving. Bartels: “We give them their very own little guardian angel in the form of an intelligent assistance system.”

ADDITIONAL INFORMATION
www.volkswagenag.com > Innovation > Research Vehicles

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Tina Rumpelt


珠江西路
Zhujiang Rd W
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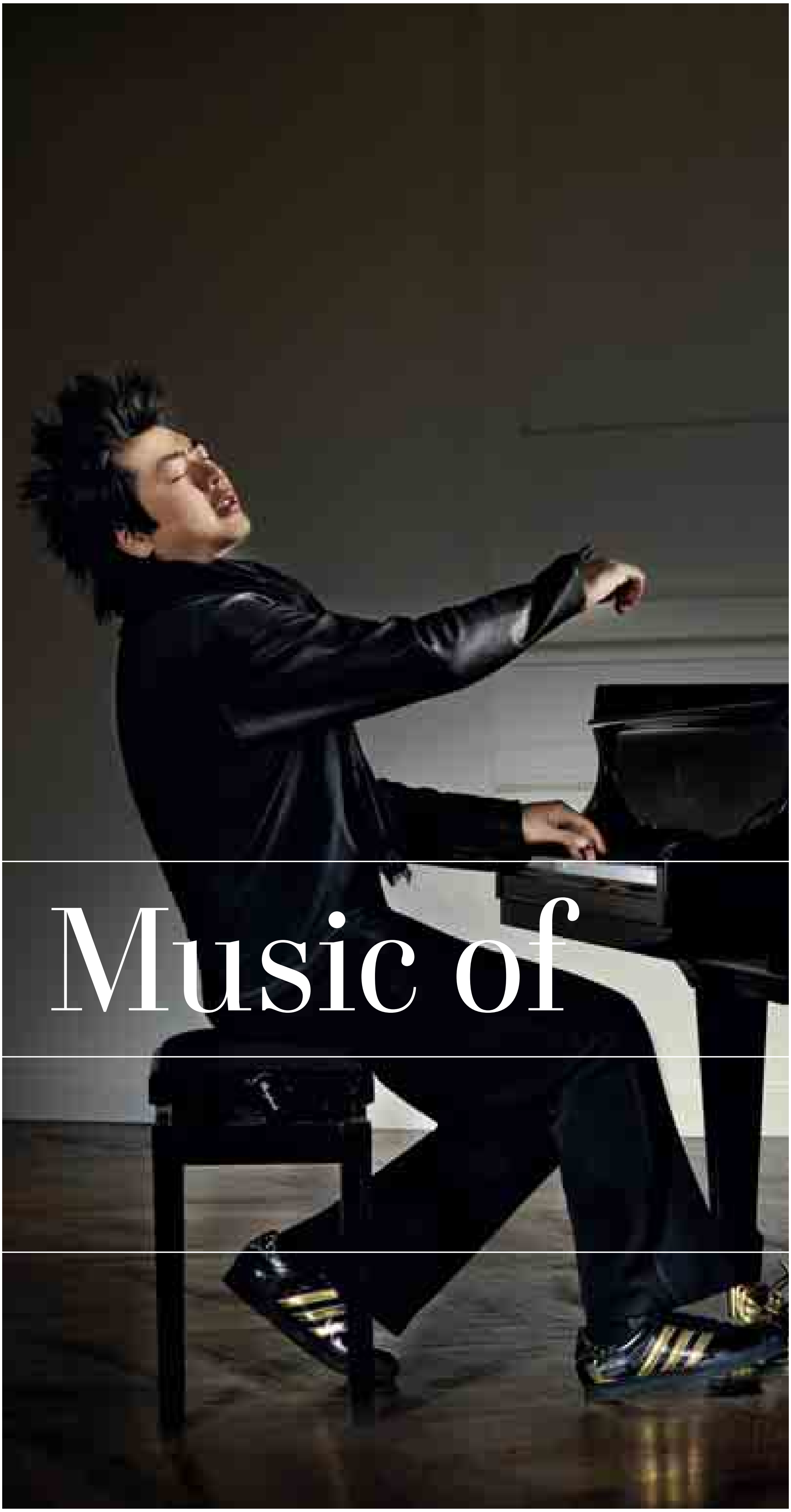
New Town Center Square



Music of

the metropolis.

As a child, he scarcely imagined that he would ever get the chance to ride in a car. Now a piano virtuoso, Lang Lang shares his Chinese compatriots' great passion for automobiles. Fully in control of the Audi R8's powerful engine, he enjoys his drive through the booming southern Chinese metropolis that is Guangzhou.

Last night's concert was a long, triumphant affair featuring works by George Gershwin and Chinese composer Yin Chengzong, standing ovations and two encores. It is now late the following morning, and Lang Lang – world-class pianist and China's international superstar – has a little time to himself. Time to relax. Time to take a drive through Guangzhou, home to over seven million registered inhabitants and one of the country's largest megacities.

CITY DRIVING AT ITS FINEST

"I love driving," says Lang Lang, "there's nothing like sitting at the wheel of a great car." Small wonder, then, that Lang Lang's favorite is a thoroughbred sports car: the Audi R8. "The R8 is fantastic, young and fast," enthuses the pianist. Even at the wheel of a car, the musician in him comes to the fore: "The sound is unbelievable. Not to mention the way it moves." With undisguised pleasure, he drives through downtown Guangzhou, gliding past futuristic glass towers, shopping boulevards and the elegant television tower, the highest in the world at 610 meters and the new symbol of the city on the Pearl River. "Over ten years ago, when I was playing my first concerts in Guangzhou, none of this was here," recalls Lang Lang.

Guangzhou, capital of the Guangdong province and the most important transportation hub in southern China, has established a reputation as the "factory of the world." Southern China is seen as a growth engine – not least for the automotive industry. The Volkswagen Group is planning a new production facility not far from Guangzhou that is set to employ some 4,000 people starting in 2013. Many young people flock to Guangzhou, drawn by the modern feel of the city and its proximity to Hong Kong and Macau. The pace of China's

"The R8 is fantastic, young and fast. The sound is unbelievable – not to mention the way it moves!" LANG LANG

"The brand will essentially help form the future in the automobile boom country China." LANG LANG

development, epitomized perfectly by this city, is unique worldwide and yet is seen by its young people as part of normal everyday life. "For my generation, this dynamic growth belongs to our way of life," says 28-year-old Lang Lang.

Rather cautiously, he steps on the gas pedal. The Audi R8[1] accelerates to 100 kilometers per hour in 4.6 seconds. And can go all the way up to 300 and beyond. However, speed is not the only factor that sets the pulse of Chinese car enthusiasts racing – they are also technology-mad. The top performance of Audi's super sports car is attributable, among other things, to the Audi Space Frame (ASF) design – an extremely light yet very stable structure that is made of aluminum profiles and supports the aluminum body parts. Weighing in at just 1,560 kilograms, the R8 is a lightweight superstar in its class.

THE CAR – A SYMBOL OF SUCCESS

The dynamic interplay of technology, design and driving pleasure strikes a chord with China's young elite. "I keep seeing the R8 in more and more garages in my neighborhood in Beijing," recounts the star pianist. Status symbols of a new era. When Lang Lang was a child, China was still a country of cyclists: "In the 1980s, owning a car was an unattainable dream for most people. Which is why the Chinese love their cars today: Having your own car is a sign that you've made it."

Like a good musician, the Audi super sports car never stops evolving. At the Paris Motor Show in fall 2010, Audi showcased the "e-tron Spyder" study – a vision of future mobility. In this open sports car, the front axle is powered by two electric motors, the rear axle by a V6 TDI engine – a hybrid drive with enormous potential for the future. Lang Lang's mind is firmly made up: "Efficient cars are the future – China's main cities are so densely populated that they automatically lend themselves to testing new transport and infrastructure concepts." The e-tron Spyder can cover up to 50 kilometers powered only by electrical energy. Which might well be enough to visit one of Lang Lang's concerts. And if it isn't, the pioneering sports car has plenty of horsepower in reserve from a more conventional source.

Lang Lang is an ambassador for the Audi brand out of pure conviction. He is confident that the brand will essentially help form the future in the automobile boom country China. Audi was one of the pioneers in China. As far back as 1988, the company entered into a license agreement with Chinese vehicle manufacturer First Automotive Works (FAW) for the production of the Audi 100. Since then, Audi has become the undisputed market leader in the premium segment and delivered its millionth vehicle to a Chinese customer in October 2010. The next million mark is expected to come within the next three years. Today, plants in China produce the Audi A6 L and Audi A4 L saloon cars – both designed specially for the Chinese market – as well as the compact Audi Q5 SUV. At present, Audi is further expanding its production capacity in the country.

Lang Lang's drive through Guangzhou has reached its destination: The spectacular new opera house, designed by British star architect Zaha Hadid, whose signature soft, flowing shapes perfectly symbolize China's dynamic growth. Concert halls, theaters and galleries, like cars, are symbols of the country's increasing prosperity. "Today, there are cultural flagships like this in almost every city," explains Lang Lang, "and everywhere children are learning how to play piano." Fans often ask him to tell them the secret of his success. "It's quite simple," he invariably replies. "Just do what you love doing." Be it at the keyboard or behind the wheel.

ADDITIONAL INFORMATION
www.audi.com > R8

AUTHOR
Bernhard Bartsch

1 Consumption and emission data can be found on page 328 of this report.

Ta

[“Thanks!” in Swedish]

Scania and the Swedish capital of Stockholm are both committed to sustainability. Together, they are developing the public transport of today and the future based on clean transport systems and biofuel. A bus tour through the “city of islands” shows what is possible today. The city, its people and its natural surroundings say “Tack!” – “Thanks!”

It snowed in Stockholm on the days prior to the photo tour – and then it rained relentlessly until just before the tour was about to begin. But as the red bus drove up and the photographer took out his camera, the blanket of clouds began to break up. Suddenly the water surrounding the medieval district of Gamla Stan turned from gray to silver, reflecting a rich and vibrant blue. And so the bioethanol public service bus set off through the Swedish capital.

The bright red city buses symbolize an ideal that has long been put into practice in this Baltic Sea metropolis: Sustainability in public transport. Already in 1989, the first test fleet of bioethanol buses took to the roads of Stockholm. Needless to say, the buses were supplied by Scania, the same Swedish commercial vehicles manufacturer that has provided the city with buses for 100 years. The success of the early “green” traffic planning can be seen in the fact that 75 percent of

ck!

Stockholm's citizens opt for public transport, taking the "Tunnelbana" subway, the ferry, or the bus. All of the city's public transport buses run on either bioethanol or natural gas – which, incidentally, can also be said of 40 percent of cars registered in the city. Scania has been instrumental in cleaning up Stockholm's traffic, having delivered over 600 bioethanol buses to the city's transport services since 1989.

STOCKHOLM LEADS THE WAY

Priority for public transport – this principle is central to the "bus rapid transit" concept developed by the Stockholm city authorities and Scania, which allows buses to run on their own lanes and to keep to a regular, extremely frequent schedule. This concept has also been adopted in other major cities, such as Bangkok in Thailand, Curitiba in Brazil and Bogotá in Columbia. Recently, Scania also delivered 143 state-of-the-art city buses with fuel-efficient diesel drives to the South African metropolis of Johannesburg with a view to providing its citizens with fast, environmentally friendly transport.

In Stockholm, the bus is heading towards the royal palace – its mighty walls rendering it more imposing than inviting. Even though it is rush hour on a normal working day, the traffic is flowing and the bus continues on its way unhindered. Not a sign of congestion. A few cars are waiting at the traffic lights but all pass through once they turn green again. In 2007, the local authorities introduced a toll for motorized vehicles entering the inner city. "For many people, that took some time getting used to," recalls Jonas Strömberg, "but sometimes good things can only be achieved the hard way." Strömberg, Director of Sustainable Solutions at Scania, accompanies us on the city tour together with Björn Westman, the company's Head of Engine Development.

Strömberg has been there right from the start. In the 1990s, he worked for the city's transport authorities developing the Stockholm transport concepts that are now hailed as pioneering. When he joined Scania, the notion of sustainable transport continued to fascinate him. Jonas Strömberg and his colleague Björn Westman both agree that sustainability is the result of many small steps. And, above all, words must be followed by action right where it is needed – such as in his native Stockholm.

The bus, its 9-liter diesel-ethanol engine producing 270 PS, drives on past the "Riksdag", the seat of the Swedish parliament. Next stop, Riddarholmen Island, where magnificent mansions and private palaces line the coast road. From here, you can see all the way across the water to the city hall, which boasts a 106-meter high tower. The Nobel Prize Banquet is held in this "Stadshuset" every year. Marie Curie gave a speech here after winning the Nobel Prize for Chemistry in 1911, the same year that the first Scania bus was seen on the streets of the capital.

SUSTAINABLE URBAN MOBILITY

Over the last 100 years, the population of Stockholm has almost tripled to its current level of 800,000 – although this is a slow, steady pace compared with the breakneck urbanization in some Asian megacities. Nonetheless, Strömberg and Westman concern themselves with this issue, along with global warming and the shortage of fossil fuels, viewing these as big challenges for nature and humankind, but also as a challenge for business. However, Strömberg is optimistic that these problems "can be solved." To play its part in the solution, Scania got involved in the "SymbioCity" initiative launched by the Swedish government in 2008. Companies, institutions, carmakers, fuel producers and infrastructure operators all work together in this network towards a common goal: sustainable urban development. The concept aims to reduce CO_2 emissions and to increase the efficiency of energy usage and transport systems.

On Skeppsholmen Island, a group of young people board the bus – traveling students who have come from the "Af Chapman", an impressive three-master that has been used as a floating youth hostel since 1949. Strömberg and Westman have moved on to discuss future automotive technology. Scania is working intensively on hybrid concepts and sent 6 bioethanol powered hybrid drive buses to be tested in Stockholm's public transport in 2009. The hybrid drive can reduce fuel consumption by up to 25 percent, but has no impact on CO_2 emissions from the remaining 75 percent of the fuel that is used. Coming close to a CO_2 neutral transport solution calls for the use of biofuels or electric propulsion using electricity from non-CO_2 emitting power plants. Batteries for hybrids and electric cars are still very expensive, but costs are expected to come down further.

RENEWABLE FUELS

"We need to combine many things – like driver training, fleet management, biofuels and more energy-efficient vehicles – in order to create really sustainable transport. Many we can – and should – do here and now, but some, like hybrids, are not fully commercial yet," says Strömberg.

Stockholm's Scania buses run on bioethanol, which is 50 percent generated as a by-product in a Swedish pulp mill and 50 percent derived from plants such as sugarcane or from agricultural waste products. The advantage of bioethanol is that it reduces CO_2 emissions by up to 90 percent compared with regular diesel. In addition, modern fuel-efficient diesel engines can be used without the need for elaborate technical modifications. Ethanol dominates the biofuels market with a share of 90 percent. Strömberg estimates that these fuels could replace at least 20 percent of fossil fuels by 2020.

SMART MOTORING

Scania's activities do not stop at the development of efficient drives, but extend further, into the field of "intelligent transport." This includes initiating driver training courses to teach professional drivers to take a more environmentally friendly approach to using the throttle pedal. In this way, fuel consumption could be reduced by up to 10 percent, leading to increasing cost-effectiveness, confirms Westman. And for the bus business, too, the best results can be achieved when Scania works in close cooperation with its customers. Together with a Swedish bus operator Scania devised a solution to increase the availability and reliability of their fleet. Scania took over many of the operator's workshops and all types of servicing and repairs of the entire fleet. "In close cooperation with customer management and traffic planners we reached a very high uptime and reliability. The fleet's availability is now an astonishing 99.6 percent," says Strömberg.

The bus circles the fountain on Sergel's Square, a reminder of the 1970s, with its striking glass sculpture. From there, it is not far to the main railway station, the central hub of the Stockholm subway, city bus and regional bus routes. The photos are "in the can" and the tour comes to an end before the early evening light fails. During 100 kilometers of city driving, with constant stopping and starting, the bus has consumed just 50 liters of sustainable bioethanol. Which augurs very well for the future of public transport.

ADDITIONAL INFORMATION
www.scania.com > Products & Services > Buses & Coaches > Environment

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PAVING THE WAY FOR A CLEAN ENVIRONMENT – Director of Sustainable Solutions Jonas Strömberg (left) and Björn Westmann, Head of Engine Development at Scania.

> "Sustainability is the result of many small steps."

BJÖRN WESTMANN, HEAD OF ENGINE DEVELOPMENT AT SCANIA

ESSAY

Musica mobile.

Music and mobility are a symbol of liberation for young people. SHAKIRA

As a little girl I always wanted to grow up really quickly just so I could drive a car myself. And I still love to sit behind the wheel. My first time on stage was in a song contest when I was ten years old and I drove a car for the first time during my adolescence. The first car I ever owned was a light blue rust bucket. I bought it with the first money I earned as a singer. I drove it where I wanted and when I wanted: For me it represented mobility and freedom. I believe music and mobility are two totally inseparable emotions the world over – and they are a symbol of liberation for young people.

With that liberation also comes responsibility. Young people today have an extraordinary ability to drive the momentum for change and accelerate the speed at which we combat social injustices. I am fortunate that my career affords me an enormous opportunity to communicate issues that I strongly believe in and the chance to shift the spotlight from me onto other more important issues, such as providing universal access to a quality education for all children. Growing up in the developing world I witnessed firsthand the vicious cycle of poverty and inequality that plagues so many: which education is perceived as a luxury and not as a birthright. I am convinced that education is the key to breaking that cycle of poverty and giving every child the opportunity for a dignified future.

When I had my first successful album at 18, I saw my opportunity to give something back. I decided to establish a foundation in Colombia, The Barefoot Foundation. Since then we have been working hard on providing education, nutrition for children and occupational training for their parents, building schools that also work as community centers. Today, the foundation, which is fortunate to count SEAT among its sponsors, runs six schools in Colombia educating over 5,000 children. We still have a long way to go to make universal access to education a reality, but I believe we are moving in the right direction. With support from global leaders, young people around the world, and companies with a strong social commitment, we can accelerate change faster than we ever dreamed.

Shakira

SHAKIRA
Grammy-award winning artist Shakira is a singer, songwriter and producer. A native of Barranquilla, Colombia, Shakira has sold nearly 50 million records globally and toured the world several times over. As a UNICEF Goodwill Ambassador and founder of the Barefoot Foundation and ALAS, Shakira is a leading advocate for early childhood development and universal access to education, successfully lobbying world leaders at venues such as the Global Campaign for Education, the Ibero-American Summit and the United Nations.

Forever young.

At the ripe old age of 60, SEAT is younger than ever. In earlier days, the Spanish brand mobilized the country with its robust small cars. Today, SEAT is a byword for design, dynamism and urban mobility with a healthy dose of driving pleasure. Its thrilling combination of superior engineering and pure enjoyment is the natural outcome of its Spanish and German background. Today, the two SEAT generations come together in Barcelona.

The seagulls fly over Barcelona's city strand; a few windsurfers sail over the deep blue waters of the Mediterranean; an airplane on the horizon glides towards the airport. On the patio of the "El Bierzo" strand bar, Francisco de Pablo, Clara Lamarca and Álex Blanco are enjoying coffee, croissants and the mild fall morning sun. De Pablo, recently retired, was Head of Production at SEAT's Martorell plant. Parked on the promenade is a piece of automotive history: his cream-colored SEAT 600 from the 1960s. Next to it, in fiery Dakota red, is the new Ibiza ST belonging to the young designer couple Lamarca and Blanco.

THE SEAT THAT PUT SPAIN ON THE ROAD

The SEAT 600 evokes many memories. "My parents drove to the registry office in a car like that," says Lamarca. And Blanco adds: "An uncle of mine owned a 600 that he looked after for years with tender loving care. Once he even let me get behind the wheel – a great nostalgic treat." Francisco de Pablo smiles. He himself passed his driving test in a SEAT 600. "This car mobilized the entire country," he says. "The SEAT 600 was to us what the Volkswagen Beetle was to the Germans. It revolutionized Spanish leisure activities."

Francisco de Pablo traveled to SEAT's meeting of the generation from a suburb of Barcelona. And he is looking forward to driving his spotless vintage car through the city that he has called home for the past 50 years. After breakfast with the two young interior designers, he plans to take the vintage car up to Barcelona's Montjuïc mountain to savor the spectacular view. Lamarca and Blanco will remain in the city for the time being. As evening approaches, they will join de Pablo and his SEAT 600 again at Plaça Reial, not far from the famous "La Rambla" pedestrian mall.

GRACE, STYLE – AND EVOLUTION

They say their goodbyes at their cars on the promenade. Compared with the striking modern design of the Ibiza ST, the chubby 600 looks undeniably cute. "You could fit four elephants, your mother-in-law and the kitchen sink in there," says de Pablo, "at least, that was the impression we got back then." He opens the trunk, which by today's standards would be just about enough for a piece of hand luggage. Blanco's jaw drops and he then attempts to close the trunk with the utmost care. And fails. "This calls for grace and style," explains de Pablo – then pushes down on the trunk and lets it fall shut. Despite being a vintage car enthusiast, de Pablo also has an expert eye for modern bodywork and admits to having a soft spot for SEAT: "From component to component, from build year to build year, you can trace SEAT's evolution." He then gets into his 600, starts the 22 PS engine, slips out of the parking space and chugs away.

Both generations agree that, as Blanco puts it, "the development of the brand is most apparent in the design. As with architecture, form and function must be in harmony. This is demonstrated by the fourth-generation Ibiza models, which look great and are ideal for everyday driving." Clara Lamarca and Álex Blanco both grew up in Barcelona and studied at prestigious design schools there. "This city lives and breathes good design," says Lamarca, "and it exerts its influence on everyone who works in the field of design."

GETTING AWAY FROM IT ALL

Barcelona is a turbulent, lively but also rather noisy city. In the summer, tourists flock to the city center. At this time, Lamarca and Blanco often escape to the sea, to the Costa

“Barcelona is synonymous with diversity and temperament – just like SEAT.” ÁLEX BLANCO, SEAT DRIVER

THE MODERN CITY OF BARCELONA – Contemporary architecture and art shape the promenade: The fish sculpture created by architect Frank Gehry has established itself as a modern symbol of the city.

“It revolutionized Spanish leisure activities.”

FRANCISCO DE PABLO, SEAT 600 ENTHUSIAST AND FORMER HEAD OF PRODUCTION AT SEAT

REPRESENTATIVES OF AN OLDER GENERATION – On Montjuïc, Francisco de Pablo lets his SEAT 600 take a breather. The little SEAT 600 put Spain on the road, allowing families and friends to get away in their free time.

Brava or occasionally to the South of France. They like being on the go, spontaneous and free from the constraints of timetables – to coin a phrase: "auto-mobile". "A car is essential for escaping from one's everyday routine," says Lamarca. In the city, you often leave your car at home. Especially at the weekends, when the couple stroll around the traditional quarters, along the narrow, winding lanes of the Barri Gòtic – the gothic quarter dominated by the cathedral – or in Barceloneta, the old fishermen's quarter. "The best way to get around these districts is on foot," advises Lamarca.

The SEAT 600 is now parked at the Miramar lookout point on Montjuïc. The castle is situated a little higher, surrounded by greenery – a park, woodlands and Barcelona's botanic gardens. From Miramar, you can look down on the city and the port. The free trade zone – the "zona franca" – is home to the older buildings of the SEAT plant, where de Pablo began work in March 1972. He had already passed his driving test four years previously, even before his father had a license. "When we first drove into the village where my father came from, he insisted on getting behind the wheel himself, even though he couldn't drive – he was a very proud man, my father. As luck would have it, the car remained unscathed," recalls de Pablo. In 1973, the very last SEAT 600 rolled off the production line in Barcelona. The workers bade it farewell with the banner: "You were born a prince and will die a king." When Volkswagen took over the company in 1986, de Pablo went to Germany for two years, where he was involved in planning the new SEAT plant in Martorell, which he subsequently helped to open: "An exciting time – the beginning of a new era for SEAT."

In the evening, the time-honored SEAT 600 once again meets the fresh-faced Ibiza – at the heart of an architectural gem in Barcelona's old town: the Plaça Reial. The "Royal Plaza" is surrounded by a complex of classicistic buildings from the mid-19th century, all based on French models. Palm trees provide shade. The evening is lit up by lanterns designed by the then-unknown Catalan architect Antoni Gaudí. Gaudí's creations – the best known of which is the still-uncompleted Sagrada Família church – are among the main sights of the city. It has been a long time since de Pablo was last here. "I used to come here with my father to look for stamps and coins at the flea market." Today, Plaça Reial is where young people meet to socialize. The nights are long here, in the arcades with a wide range of cafés and bars, in the "Glaciar", the "Pipa Club" or – a well-kept secret – the disco hidden away in the basement of the "Taxidermista" restaurant.

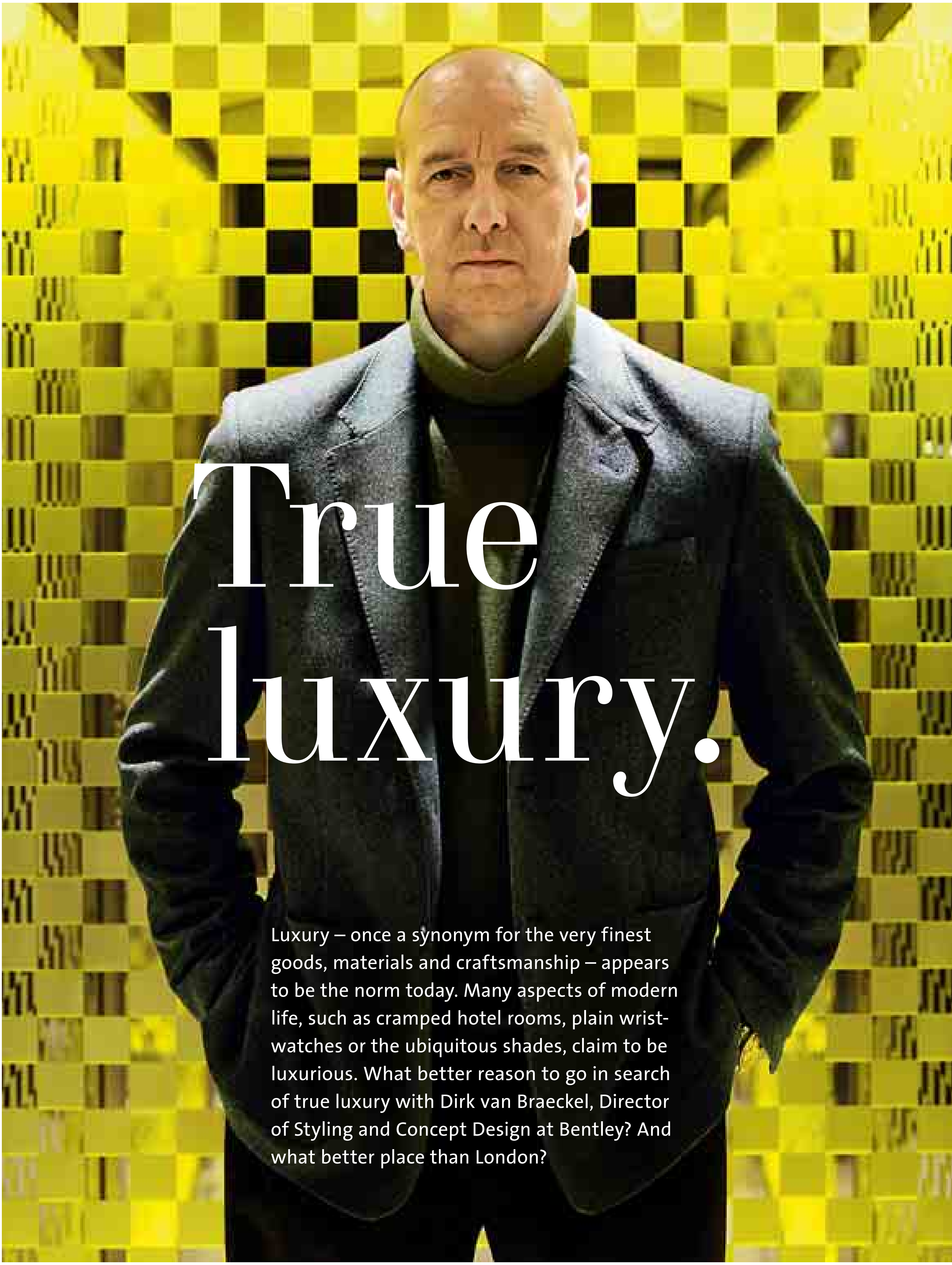
VERSATILE AND LIVELY – JUST LIKE SEAT

As the last rays of daylight fade away, the meeting of the generations draws to a close. "SEAT and Barcelona were made for each other," says Blanco over a glass of beer, "the city is every bit as modern and style-conscious as the brand." "And Barcelona is synonymous with diversity and temperament – just like SEAT," adds Lamarca. And then the car fan in Blanco comes to the fore: "The Spanish roots of the brand today are more evident than ever. This is also because the workmanship and engine technology have improved constantly in recent years." De Pablo listens and smiles. He has a lot of time for young people and is always interested in hearing their opinions. The SEAT 600 is his hobby and his passion. However, in everyday life he also drives a silver-colored Ibiza ST which offers lots of space and driving pleasure.

Back at Plaça Reial, Japanese tourists have discovered the cute little vintage car. After the obligatory photo at the central fountain, they stand next to the 600 and ask friends to take a picture. De Pablo looks on with satisfaction. "It still has the ability to turn heads," he says, "and the Ibiza still has time to become a true classic."

ADDITIONAL INFORMATION
www.seat.com

AUTHOR
Merten Worthmann



True luxury.

Luxury – once a synonym for the very finest goods, materials and craftsmanship – appears to be the norm today. Many aspects of modern life, such as cramped hotel rooms, plain wrist-watches or the ubiquitous shades, claim to be luxurious. What better reason to go in search of true luxury with Dirk van Braeckel, Director of Styling and Concept Design at Bentley? And what better place than London?


DK60 BWV

"With salt and pepper?" Three percent of all vegetable juice consumed worldwide – 1.2 million litres in all – is served aboard airplanes. Even though flying is very much a part of everyday life these days, it seems that nothing symbolizes the luxury of air travel quite like a glass of tomato juice.

TRADITION, MODERNIZED WITH THE UTMOST CARE

Van Braeckel, a 52-year-old native of Belgium, defines luxury as "Things that go beyond the everyday – special things that you can afford or would like to be able to afford. Which is exactly what customers cherish about Bentley. We are synonymous with a kind of luxury that is firmly rooted in tradition. The fascination with our brand stems from the fact that we identify traditional values, cultivate them and adapt them skillfully to modern life."

Today in London, van Braeckel plans to visit places where true luxury can be experienced. On the way to the Mulsanne[1], which is parked in the underground garage at the City Air Terminal, the designer explains laconically: "No one actually needs luxury products, but everyone desires them. So my job is to entice people to give in to their desires. You might even say that I work as a 'seducer' for Bentley!"

Once the doors of the Mulsanne have closed softly, the noise and commotion of the outside world are left behind. It is a cocoon. Comfort for connoisseurs.

THE "SPACESHIP" THAT WON HEARTS

We head for the city center, the deep growl of the engine providing a fitting backdrop for the quiet, almost cautious conversation. That is, until the car door opens again in front of the One Aldwych hotel. For a few moments, our ears are subjected to an unpleasant droning noise, before the front door of the hotel closes behind us – another cocoon of luxury for its guests. The gentleman from Deinze near Gent resumes the conversation so abruptly interrupted by the London hubbub: "When I started working on my first project – the Continental GT – in summer 1999, I was set on doing something different. I wanted to take a great leap forward and build a modern car that would still be immediately recognizable as a Bentley. When the final product was unveiled, some people thought it resembled a spaceship. Nonetheless, the car was a true Bentley that succeeded in convincing the Board of Management and then – more importantly – winning the hearts of our customers. Today, ten years on, the Continental GT[1] is by far the brand's most successful model. Modernizing the brand's tradition was the right decision."

THE BENTLEY SEDUCER –
Design Chief Dirk van Braeckel believes in the marriage of tradition and modernity.

"Things that go beyond the everyday – special things that you can afford or would like to be able to afford."

DIRK VAN BRAECKEL, DIRECTOR OF STYLING AND CONCEPT DESIGN AT BENTLEY

The same is true of One Aldwych, which combines state-of-the-art technology and individualized attention to detail in a style that expertly blends the modern and the traditional. This is not a hotel that pays homage to its designer, but rather one that is devoted to its guests. As with Bentley, the traditional values are clearly recognizable in spite of the modern trappings.

MODERN YET FAITHFUL TO THE ORIGINAL

The Mulsanne is a prime example of how a traditional car design can be modernized while still remaining true to its original style. However, unlike some other luxury brands, Bentley has shunned all gimmicks and gadgets, choosing instead to focus on the marriage of exclusivity and superior quality with state-of-the-art automotive technology. And perfection takes time: More than 400 hours of craftsmanship go into producing a Bentley, in which every detail – over 120 possible exterior colors just as standard – unerringly reflects the wishes of its future owner.

The same principle is pursued by Bourdon House in London's Mayfair district, where Dunhill is based in the former city residence of the Duke of Westminster. Tradition is very much

PERFECTION AND EXCLUSIVITY – 400 to 500 hours of craftsmanship go into producing a Bentley.
The same kind of flawless craftsmanship can also be found in Dunhill's tailored clothing at Bourdon House in Mayfair.

“Bentley builds cars like no one else – they are inimitable.”

DIRK VAN BRAECKEL

CHILLING OUT AT VERTIGO 42 – Bentley's Head Designer is looking forward to spending time with his family: "Pure luxury."

the order of the day in a place where rare cigars are stored in a walk-in basement humidor, as heirlooms. Next to this is a private screening room with an exclusive Meridian sound system, its acoustics worthy of the Royal Albert Hall. The ground floor houses the exclusive men's collection made from the finest materials: fountain pens, footwear and luggage – the fruits of hundreds of hours of craftsmanship.

It is also home to the world's first and possibly only "biometric wallet", which yields its contents to no one but the owner of the authorized fingerprint. Dirk van Braeckel believes that all of these precious items "share a search for perfection: from the first impression to the very last detail. The end result exudes an aura that is nothing less than breathtaking. That is emotion in its purest form."

Emotions are also stirred by a visit to the Alexander McQueen Shop. McQueen, once the enfant terrible of the fashion scene, yet one of its most gifted designers, died in January 2010. His unique designs stood out with sheer individuality and nonconformism. Van Braeckel can readily identify with this: "Bentley builds cars like no one else – they are inimitable." And more so today than ever before. The automotive aesthete firmly believes that joining the Volkswagen Group has truly rejuvenated the time-honored English brand: "Bentley has taken its inherent brand values and transferred them to the future." Charisma, presence and individuality were perfected with "undying passion and even greater stamina". Today, Bentley could well be said to be a byword for modern luxury. Or, as Dirk van Braeckel puts it: "Bentley stands for automotive emotions 'made in England'".

The doors of the Mulsanne close once again, keeping the hustle and bustle at bay. Once again, the overriding sensation is one of traveling in a classy living room, albeit with a 6¾-litre V8 engine powering its way through the London traffic. Sportiness is another original brand attribute revived by Bentley. "In 2002, we delivered a limousine to the Queen and won Le Mans a year later," enthuses van Braeckel. "What other brand could manage that in the space of twelve months?"

ENDING THE DAY ON A HIGH NOTE

Not twelve months, but only twelve hours or so after setting off on our tour of London, van Braeckel is chilling out in Vertigo 42. Here, 42 floors above the buzz of activity on the city streets, the designer can finally unwind. His gaze wanders across a city that combines modern flair and tradition like no other. As the glowing colours of London fade into the winter evening, Dirk van Braeckel speaks from the heart: "I think that, in my case, luxury also means being able to spend time with my family. And enjoying a glass of something rather special every now and then."

His preference is not served with salt and pepper, but comes chilled, sparkling with fine bubbles.

ADDITIONAL INFORMATION
www.bentleymotors.com

AUTHOR
Jo Clahsen

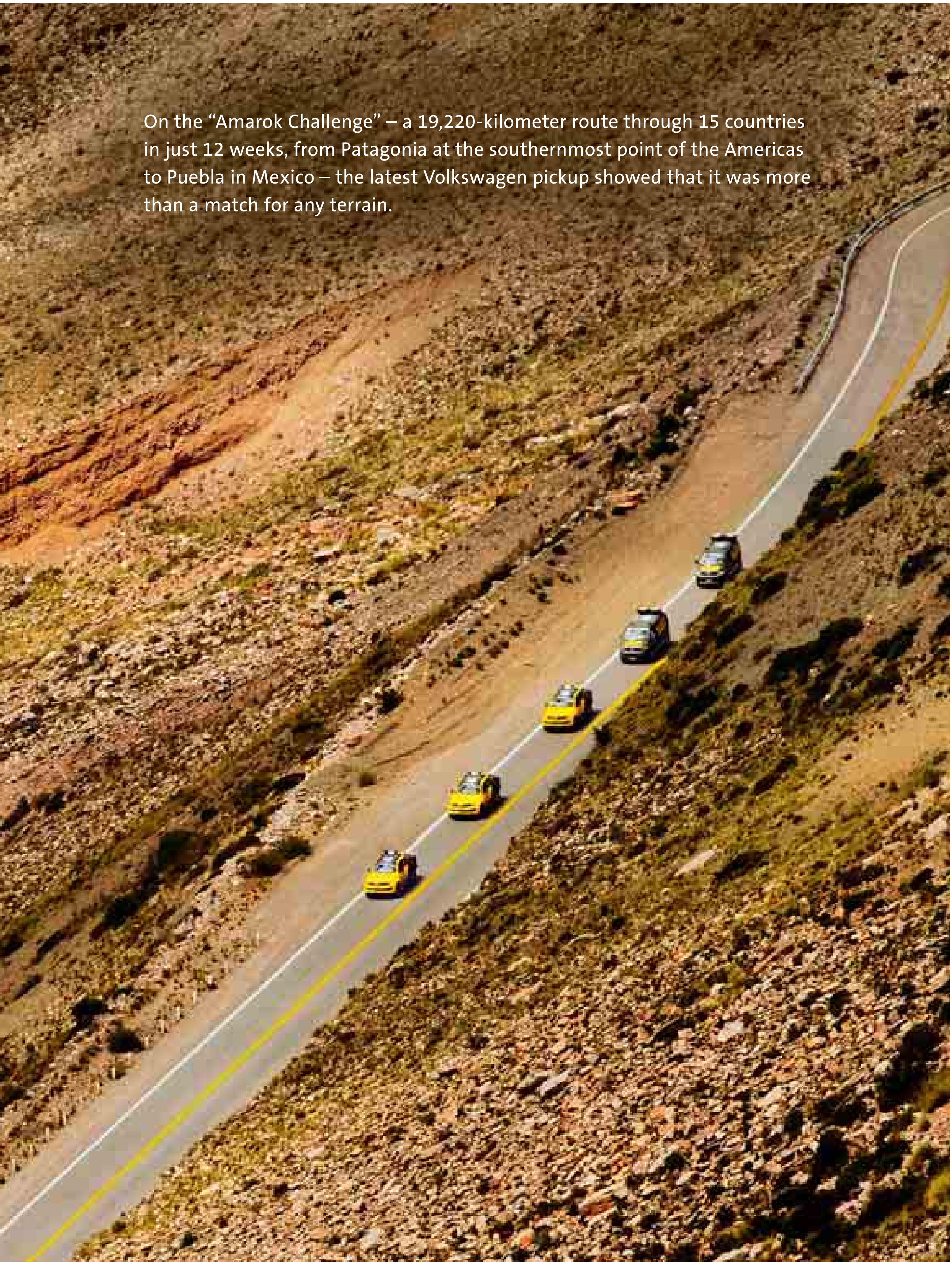
1 Consumption and emission data can be found on page 328 of this report.

Master of all terrain.

AMAROK CHALLENGE: TAKING THE PRODUCT TO THE MARKET

This extreme tour saw man and machine pushed to their limits over almost 20,000 kilometers. Thin mountain air at 5,100 meters in the Argentinian Andes, oven-like temperatures in the volcanic desert of Atacama in Chile, sauna-like conditions in the subtropical jungles of Bolivia and Paraguay. The route took the drivers through the hellish “Pampa del Infierno” in Argentina, past the Incan ruins and along the Pacific coast on the Pan-American Highway in Peru. The three Volkswagen Amaroks were well able to cope with the water, sand, gravel, mud and endless potholes that came their way. They crossed the Andes a total of nine times under the most difficult conditions imaginable, driving on “roads” that defied belief. And all without a single breakdown. Not even a flat tire.

On the “Amarok Challenge” – a 19,220-kilometer route through 15 countries in just 12 weeks, from Patagonia at the southernmost point of the Americas to Puebla in Mexico – the latest Volkswagen pickup showed that it was more than a match for any terrain.



Felipe Aja Espil, project manager and Amarok Challenge team leader, waxes lyrical as he recalls the people they met during their Latin American tour. For example, the Mennonite community in Filadelfia, Paraguay, which uses a Low German dialect: 300 of its members flocked to the local community center to get a close look at the cars. Or the soccer-mad Bolivians who invited the team for a spontaneous kick-around even though they had just driven 1,000 nerve-racking kilometers over gravel tracks. The town of Chiclayo in Northern Peru celebrated the arrival of the Amaroks with a festival. In Columbia, the online diary noted that there was "salsa and party atmosphere everywhere". Wherever the Amaroks turned up, people came together to check out the cars and ask questions. Some of them even wanted to buy the new Volkswagen pickup right there and then. Even the Paraguayan parliamentary speaker took full advantage of the opportunity to inspect the Amarok in person, deeming it "very impressive indeed".

> "The best ambassador for the Amarok is of course the Amarok itself." VOLKMAR STEINHORST

TARGETING THE LATIN AMERICAN GROWTH MARKET

On March 12, 2010, the team – consisting of three Amaroks accompanied by two Volkswagen Multivans – set off in Bariloche at the foot of the Andes mountain range in Argentina. The route that lay ahead of them would take in 60 Volkswagen dealers in 47 cities in Latin America – launching the Amarok in the respective national markets. They covered almost 20,000 kilometers – the equivalent of two-and-a-half times the distance between Wolfsburg and Beijing. 87 days later, on June 6, 2010, the tour reached the Volkswagen plant in Puebla, Mexico.

With the Amarok as its fourth model series, Volkswagen Commercial Vehicles succeeded in boosting its growth rate. "This is the car that our portfolio has needed for a long time; the Amarok will allow us to penetrate new markets," says Dr. Wolfgang Schreiber, speaker for the Board of Management of Volkswagen Commercial Vehicles. Today, Volkswagen is the largest automotive manufacturer in Latin America, one of the key growth markets for the sector. In Brazil and Mexico, Volkswagen even holds the number one spot. With the Amarok, Volkswagen Commercial Vehicles is now cementing its stronghold in this diverse continent, the jewel in the crown of the pickup market. Fernando Badia, Head of the Volkswagen Commercial Vehicles' Latin America Office, explains: "Demand has by far exceeded our expectations. The orders just kept rolling in throughout the tour."

The Amarok, built in the Pacheco Volkswagen plant near the Argentinian capital of Buenos Aires, is up against tough competition in South America. Nonetheless, the 5.25-meter newcomer has power, versatility and typical Volkswagen quality on its side. When it comes to safety and driving comfort, the Volkswagen pickup has a key technological edge thanks to its fuel-efficient drive technologies, Electronic Stability Program (ESP) and Anti-Slip Regulation (ASR). The second Amarok production line, with an annual capacity of 40,000 vehicles, is scheduled to open in mid-2012 in the main Volkswagen Commercial Vehicles production facility in Hanover. For the moment, however, the focus is on Latin America.

But how do you go about conquering an entire continent? How do you "bring" a new model to dealers and customers who are scattered from the southernmost tip of South America to up around the Gulf of Mexico? How can you give them the opportunity to touch it, feel it and sit behind the wheel? For Volkmar Steinhorst, Volkswagen Commercial Vehicles' Regional Manager for Central and South America, there was only one answer: The best ambassador for the Amarok is of course the Amarok itself.

For two years, the tour was planned by the Latin America Office with Fernando Badia at the helm. The team presented the vehicles at each stage: at the local dealer, in press conferences with regional journalists and in countless encounters with customers and other interested parties. Daily newspapers, motoring magazines, radio and local TV stations all reported on the Amarok Challenge. The "rolling market launch" also met with enthusiastic feedback online, the dedicated website with online diary and photos registering almost 60,000 users in the course of the tour.

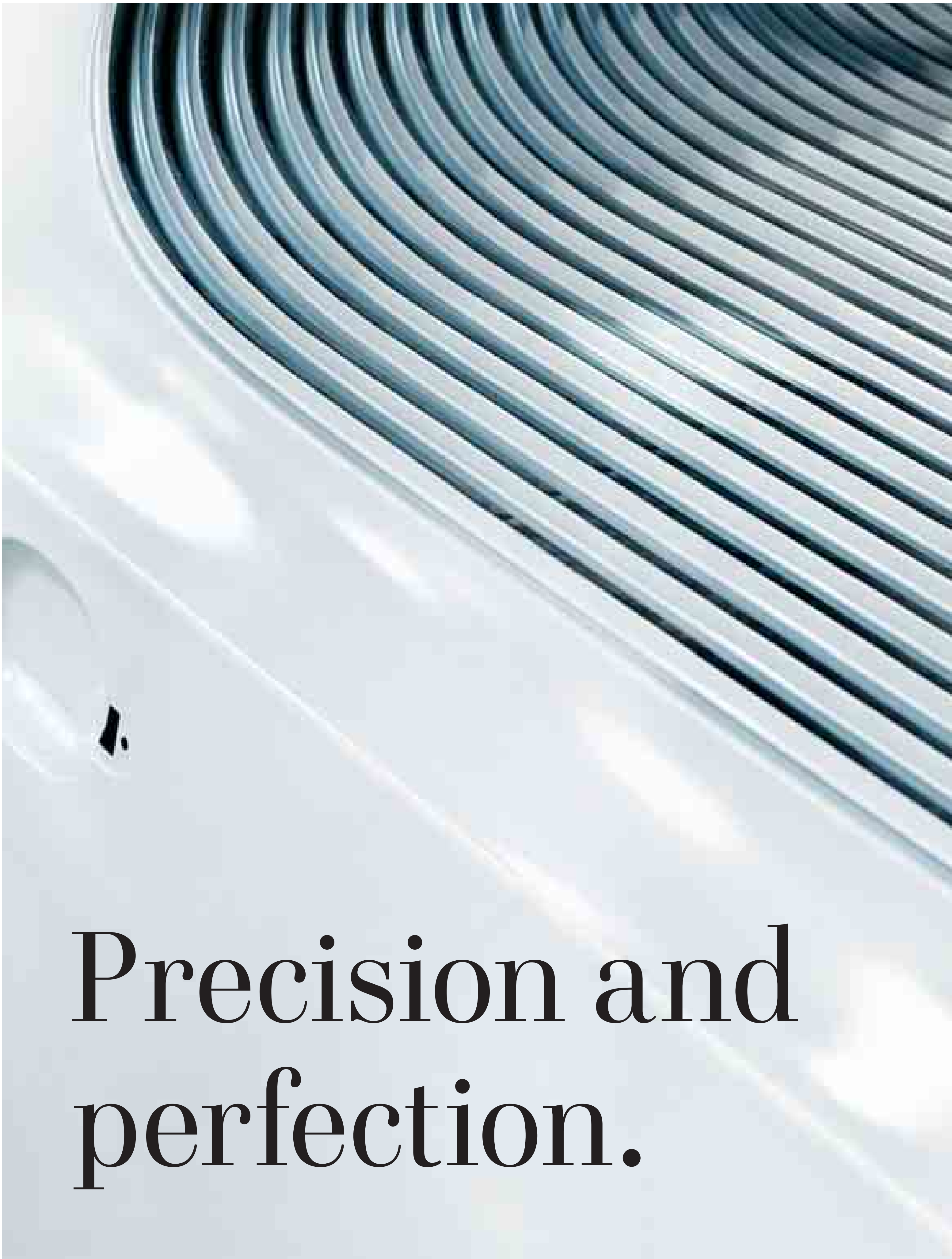
"ROLLING" MARKET LAUNCH

The new Amarok has proven to be a workhorse – reliable, robust and powerful. However, with its styling and brand image, the pickup is seen more and more often cutting an impressive figure on city boulevards and promenades, such as those on the Pan-American Highway along the Pacific coast in Northern Peru. Espil can still vividly recall this leg of the tour as "one of the most beautiful places on Earth". And yes, he would do it all again any time. But only in an Amarok. "There is no car that is better equipped to handle such a demanding tour."

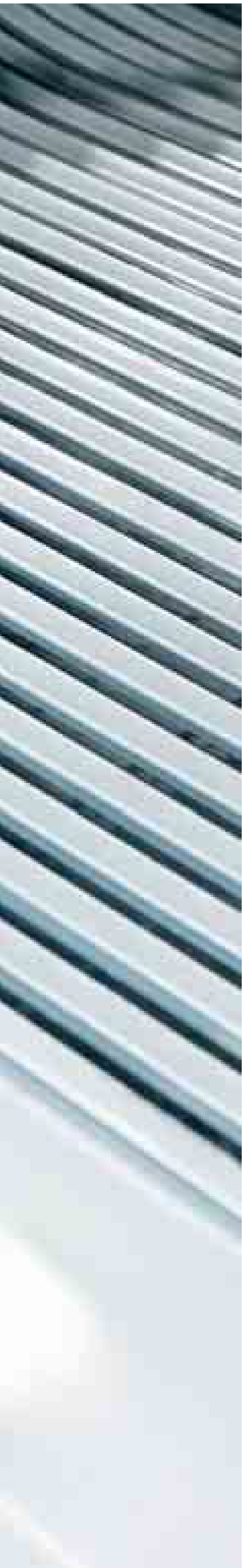
ADDITIONAL INFORMATION
www.volkswagen-commercial-vehicles.com > The Amarok

AUTHOR
Tina Rumpelt

A MIGHTY AUTOMOBILE FEAT – The Amarok showed what is needed for Latin American terrain: reliability, robustness and power. Felipe Aja Espil, Volkmar Steinhorst and Fernando Badia (left to right) organized the arduous automotive tour.



Precision and perfection.



GUARDIANS OF PRECISION –
Chief Designer Jozef Kabaň (left) and Marek Smýkal, Head of Tools, Jigs and Fixtures, at Škoda Auto in Mladá Boleslav.

It is the nuances that determine whether a car attains true perfection. Jozef Kabaň (38), Chief Designer of the Škoda brand, shares his quest for perfection and precision with his colleague Marek Smýkal (39), Head of Tools, Jigs and Fixtures. Both men are experts in coordinating and fine-tuning details.

"I always say to my colleagues that we should aim for perfection in everything we do," explains designer Jozef Kabaň as he stands on the shop floor of Škoda Auto's factory in Mladá Boleslav. This is where the 1,050-strong workforce at the tools, jigs and fixtures facility develops and produces components for the entire Škoda product range. It is a building in which ideas become reality – under the watchful eye of tooling specialist Marek Smýkal, who is currently showing his designer colleague around the machines. "This here is the pressing tool for the outer panel of a Fabia side-door," explains Smýkal, while Kabaň examines the component carefully and runs his fingertips over the metal forms.

The gigantic facility not only produces the pressing tools that provide the basis for vehicle body shells, but also the molds for manufacturing engine blocks and clutch housings. In addition, the Czech specialists construct entire production lines such as highly-automated welding lines for body shell production.

Even though design and tool construction may seem worlds apart at first glance, they do in fact have much in common. Jozef Kabaň and Marek Smýkal both agree: Attaining maximum precision is vital, whether designing a new car or constructing the tools to manufacture it. Both managers have the same goal – to ensure the best design and the best quality for the Škoda brand and its customers.

LOVE OF SIMPLICITY

As Kabaň inspects the pressing tools and Smýkal fills him in on the details, it is clear how both men are driven by a love of detail in their respective professions. "Škoda design is the embodiment of an extremely high utility value, a love of simplicity, and at the same time a commitment to perfect workmanship," explains Kabaň. He feels that Škoda cars have "character, they have their own soul – you can see they have been made by people who love their work and understand it inside out." Smýkal adds: "A passion for cars and precision is also a must in tool making. After all, that is the only way our tools, molds and welding lines can correspond exactly to the designer's blueprints and be used to produce a car out of sheet metal and steel."

For Kabaň, the first step towards working at Škoda was taking part in a Volkswagen design competition. Still a student at the Academy of Fine Arts and Design in Bratislava at the time, cars became a passion for him – as he puts it "something very close to my heart". Kabaň is sure of one thing: "Customers don't select their brand and model based on rational factors alone. Emotions have a say, too." The design is the first direct contact a person has with a car. It evokes emotions intuitively. Kabaň: "Design is a key selling point. It reflects the quality of the product and gives shape to the Škoda brand."

PRECISION AND CREATIVITY CONVERGE

Precision and creativity – a contradiction in terms? Not as far as Kabaň and Smýkal are concerned. Kabaň explains: "Precision and creativity are two different approaches, like mathematics and art. And yet they converge at some point. After all, there are mathematical elements in art – proportions, for example."

Precision in design and tool-making is one of the keys to Škoda's international success.

"Škoda design is the embodiment of an extremely high utility value, a love of simplicity, and at the same time a commitment to perfect workmanship."

JOZEF KABAŇ, CHIEF DESIGNER ŠKODA AUTO

"Form is design, and the design is the brand," agrees Marek Smýkal, citing the example of the characteristic curve on the hood of all Škoda models that emphasizes the brand logo. The 39-year-old joined the Czech carmaker straight from university. That was 15 years ago. Today, as Head of Tools, Jigs and Fixtures, he is responsible for ensuring precise measurements, clean edges and immaculate surfaces.

INTERFACE TO PRODUCTION

Kabaň and Smýkal have now moved on to discussing body shapes and contours using design sketches that the Chief Designer has brought along. "Our specialists also have to be extremely creative every time they implement a designer's blueprint," says Smýkal. This also involves constantly finding new avenues to explore, for example in the case of design or development ideas that are difficult to implement in production. The tooling specialist knows only too well: "We have to respect physical limitations such as those of materials in the forming process. Exceeding them would mean having to compromise on quality, which is not an option for us." The Chief Designer nods in agreement. He greatly values the technical potential of tool making – even though it inevitably limits the scope of design work at times.

By now, Kabaň and Smýkal have made their way from the tool making plant to the state-of-the-art Škoda Auto Design Center. Here, a permanent team of almost 70 designers work on a constant stream of potential new design elements. The outer shells, interiors, colors, paints, upholstery material – even the accessories – of new cars are designed here in accordance with strict esthetic and functional requirements. It takes at least two years for the work of the Škoda designers to reach the customer.

The experts from the tool making plant are involved in the development process from the very beginning. Interaction between designers and production specialists – such as the current discussion in Jozef Kabaň's office – is routine these days. Smýkal: "My team examines the feasibility of the designs at a very early stage. They evaluate whether the forms and surfaces developed by Jozef Kabaň and his people can actually be produced and, if so, under what conditions. Based on the designs, we use special hardware and software to perform simulations and then get back to Technical Development with our feedback."

TAILORED BODYWORK

This interaction between design and tool making is a major factor in Škoda's success. The two areas work together throughout the entire Volkswagen Group – irrespective of brand or national boundaries – allowing them to draw on a vast body of experience. In view of this, coordination specialists Marek Smýkal and Jozef Kabaň feel well equipped to meet Škoda Auto's ambitious growth targets. Kabaň: "We build cars for the whole world – and with great success. This is because we know that the world is not an abstract concept, but is full of real people." It is for them that Kabaň is designing his new Škoda models and for them that Smýkal is tailoring the bodywork: "Just as a gentleman's outfitter custom-makes suits for his clients, we adapt our cars to the needs of our customers in different countries. Right down to the very last detail. That's what it's all about." Precision and perfection.

ADDITIONAL INFORMATION
www.skoda-auto.com

AUTHOR
Katrin Materna

ESSAY

Space is movement.

An effective transport infrastructure is a fundamental part of a city's makeup. Today, over half the world's population already lives in an urban environment. The large metropolises are growing larger and new megacities are emerging. Urban space is being redefined: After decades of exodus to the suburbs, city centers have regained their appeal among people of all ages and lifestyles, and are once again seen as places where work and private life can be readily combined. The way in which people move around cities in future will also have a significant influence on their architecture. From individual apartments to city planning concepts, a whole new urban aesthetic will emerge.

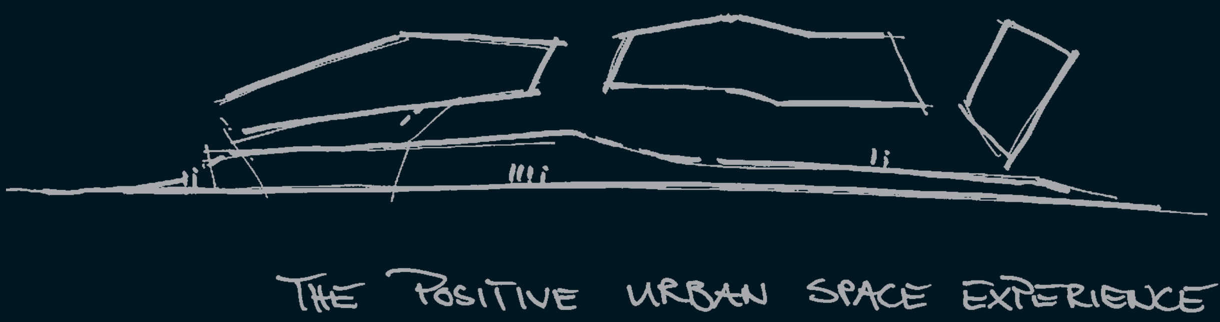
As an architect, a central aspect of my job is designing urban space to provide a positive experience and offer quality living. A city is an organism that consists of overlapping areas, stories and people – all in a constant state of change and hence always on the move. The functions and impact of urban areas can be very different, varying from stimulating or challenging to relaxing. Moving about in these spaces gives rise to physical spatial processes. This is how we experience architecture – by seeing, hearing and touching it and by moving within the spaces.

Expressways, train connections and public transport are the lifelines of urban space. At the same time, the growing volume of traffic – often with drastic consequences – constitutes a common challenge for city planners, architects and automakers. After all, the car is and will remain a basic component of city life.

Problems with emissions, growing traffic density and insufficient parking facilities call for new, intelligent ideas and alternative technical solutions such as electromobility in order to ensure that urban mobility will remain possible in future. And in order to design these solutions in a way that is both environmentally compatible and consistent with a high quality of life.

The cities of the future need both movement and balance. And architecture can readily reveal both. For example, our design for the German Pavilion at the World Expo 2010 in Shanghai symbolized balance. The different parts of the building supported one another. You could sense the importance of balance. Balance as a metaphor for tomorrow's cities. Balance as a necessary condition for movement.

SUSANNE SCHMIDHUBER
Interior designer Susanne Schmidhuber was born in 1956. Together with her husband, Prof. Klaus Schmidhuber, she founded the architectural firm Schmidhuber+Partner in Munich in 1984, where she currently works with four partners and a team of some 60 architects, interior designers and designers. Schmidhuber+Partner was responsible for the prizewinning German Pavilion at EXPO 2010 in Shanghai and regularly designs exhibition architecture and trade fair stands for clients, such as Audi, Lamborghini and MAN.



Lightweight bull-busters.

What do a Lamborghini supersports car, a Boeing Dreamliner and a Callaway golf club all have in common? The answer is that all three use the ultra-light yet extremely strong material carbon. The supersports car producer, the aircraft manufacturer and the US company Callaway all work together on developing this material. One of the pioneers of lightweight automotive construction, Lamborghini has used carbon fiber materials for almost 30 years.

WELL USED TO POWERFUL ENGINES – yet still impressed by the performance of the sports cars from Sant'Agata: Captain Werner Knorr, Head of Flight Operations in charge of 5,000 pilots at Lufthansa.

This particular freight was one that the captain wanted to inspect for himself. Captain Werner Knorr, Head of Flight Operations at Lufthansa and in charge of 5,000 pilots whose uniform caps bear the company's stylized crane logo, could be said to have plenty of kerosene in his blood. But there is also enough petrol coursing through his veins for him to crave a close-up of a very special car during a stopover at Bologna Airport in Northern Italy. The car in question – Lamborghini's latest masterpiece, super sports car Aventador[2] – is being flown to its future owner in the United Arab Emirates. In spite of its 700 PS and – in the best Lamborghini tradition – high-revving, naturally aspirated V12 engine, the 6.5-liter unit still weighs no more than 235 kilograms. Nonetheless, it sounds every inch the sports car, with a moderate, throaty rumble at lower revs that rises to a snarling crescendo at full throttle.

Purring softly, it glides in and takes its place in the bare hall like a modern sculpture. Knorr, a man who has seen his share of powerful engines, approaches the shimmering pearlescent Aventador with a mixture of curiosity and unconcealed respect. The aircraft expert is captivated by the new Aventador and is eager to find out more. How is it produced? What does it weigh? What materials are used? And, more than anything else, he would like to get behind the wheel and drive it. Knorr, a self-confessed sports car fan who currently drives a roomy family car to cater for his three children, is toying with the notion of acquiring "something a little faster". A Lambo, perhaps? He makes a non-committal answer, but his expression suggests that he would have no objection to parking a car with a charging bull emblem in his garage.

LIGHTWEIGHT EXPERTISE IN SANT'AGATA

Answers to Knorr's questions are readily provided by Luciano De Oto in the brand new Advanced Composites Research Center built in 2010 at the Lamborghini plant in Sant'Agata Bolognese, not far from Bologna. The 40-year-old Italian was responsible for developing the entire body of the new super sports car before taking over at the helm of the Research Center. Here, some 30 specialists from various disciplines work on construction and production methods, primarily for carbon fiber components.

Carbon is the sixth element in the periodic table – a material that is prized by aircraft constructors and automotive engineers alike. It is as light as a feather yet extremely hardwear-

"Carbon composites will be instrumental in shaping the future of automotive production."

LUCIANO DE OTO, HEAD OF THE ADVANCED COMPOSITES RESEARCH CENTER

ing. And every kilogram of weight that is saved helps to reduce consumption and emissions – both in the air and on the roads. These days, carbon fiber-reinforced plastics are among the most important materials used by automotive manufacturers to control the weight spiral, as increasingly elaborate safety and comfort features add extra kilos to vehicles. This additional weight must be offset elsewhere on the vehicle, but without compromising safety, driving comfort, or dynamics. Which is where carbon fiber comes in.

Lamborghini is regarded as a pioneer in the use of this ultra-light material. Back in the early 1980s, the first prototypes had already been developed with a chassis made of carbon fiber-reinforced materials. Starting in 1985, they were used as standard parts in the legendary Countach model. 25 years later, the Lamborghini Gallardo LP 570-4 Superleggera[1] lived up to its "super-light" epithet. Through the use of carbon fiber parts in the body, interior and technical components, it weighed around 70 kilograms less than its predecessor, the Gallardo LP 560-4. Even the body-in-white of the Lamborghini Murciélago, which was phased out in May 2010 after its 4099th unit, contained 93 kilograms of carbon.

LESS WEIGHT, MORE PERFORMANCE

"The systematic development of carbon fiber technology is an important part of our strategy," says Stephan Winkelmann, President and CEO of Automobili Lamborghini S.p.a. "Weight reduction is becoming a central issue for sports car manufacturers because the scope to further increase performance is limited by emission curbs." In fall 2010, Lamborghini gave a foretaste of the future of lightweight construction at the Paris Motor Show with the pioneering Sesto Elemento ("Sixth Element"): Producing 570 PS from a V10 engine and weighing in at just 999 kilograms, it achieves a sensational weight-to-power ratio of 1.75 kilograms per PS. The Sesto Elemento is a marriage of high performance and lightweight design – thanks to carbon fiber materials in the vehicle structure, the body outer skin, the chassis and the drivetrain, where the ultra-light material can be found in the control arms, the propeller shaft and even in the rims.

Future technology that is far too expensive for series production. For the moment. However, Lamborghini has already set the wheels in motion with a number of future technologies already being implemented in the new Aventador. Weighing

> “Weight reduction is becoming a central issue for sports car manufacturers because the scope to further increase performance is limited by emission curbs.”

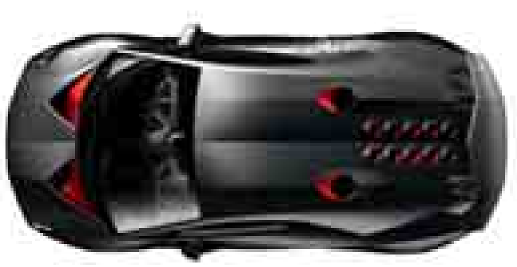
STEPHAN WINKELMANN, PRESIDENT AND CEO OF AUTOMOBILI LAMBORGHINI

just 1,575 kilograms with a weight-to-power ratio of 2.25 kilograms per PS, the latest addition to the Lamborghini family sets a new record for series-produced sports cars. Its body is around a third lighter than that of predecessor model Murciélago. This massive weight reduction is thanks to the monocoque passenger cell of carbon fiber-reinforced plastic and a newly developed aluminum frame structure replacing the steel frame structure previously used in Lamborghini’s V12 class.

WHETHER ON THE ROAD OR IN THE AIR, EVERY KILOGRAM COUNTS

By this stage, lightweight construction expert De Oto and Lufthansa’s Head Pilot are wholly immersed in the world of innovative materials, discussing development ideas for cars and planes centered on carbon fiber-reinforced plastics. Boeing is regarded as a pioneer in the use of carbon materials for aircraft construction. The US manufacturer plans to use carbon fiber composites for specific areas, including aircraft window frames. And the carbon material that Boeing is currently putting through its paces is exactly the same as the kind that Lamborghini is testing for body parts.

6C



999 kg

Total weight

570 PS

Output

2.5 sec

From 0 to 100 kph

1.75 kg / PS

Power / weight ratio

THE “LIGHT” FUTURE – With the pioneering Sesto Elemento (“Sixth Element”), Lamborghini engineers undercut the 1,000 kilogram mark for a thoroughbred sports car. The high-performance 570 PS model weighs in at just 999 kilograms, thanks to carbon fiber materials in the vehicle structure, the body outer skin and even in the chassis and the drivetrain.

Once a month, De Oto flies to Seattle, home of Boeing. Lamborghini has its own small laboratory at the city's university where – in close cooperation with the aircraft manufacturer – researchers test the behavior of carbon materials. De Oto will also be spending more time studying golf equipment in the near future. This is because Lamborghini and Callaway, the US golf club manufacturer renowned for the "Big Bertha" super driver, have joined forces with a view to developing new carbon fiber composite structures. According to De Oto, the focus is on material with microscopically small carbon fiber components. These are not only very light and stable, but can also be produced economically in small series.

De Oto goes into great detail, explaining what is meant by "500,000 intertwined fibers per square inch" and shows his German guest a selection of parts made from the new material. Both men touch, bend and examine the various components closely. De Oto firmly believes that the new material will be instrumental in shaping the future of automotive production. This is also because a new, patented manufacturing process called "Forged Composite" allows engineers – at both Lamborghini and Callaway – to attain a whole new level of precision when producing carbon components. Lamborghini has already mastered all phases of carbon fiber component production at its plant in Sant'Agata – from 3-D-Design to simulations, tests, production and protection.

ONLY FLYING IS BETTER

And then the new Aventador pulls up in front of the large glass entry door – the same door through which company founder Ferruccio Lamborghini, who passed away in 1993, would use to reach his office on the first floor. Werner Knorr is feeling a little on edge by now: After all, he is about to go head-to-head with 700 PS – in a super sports car with which Lamborghini is well ahead of its time.

He takes off his Lufthansa cap before getting into the driver's seat and heads down the road leading out of Sant'Agata Bolognese. Before long, he has disappeared from view and all that remains is the snarl of the twelve cylinders lingering momentarily in the air.

ADDITIONAL INFORMATION
www.lamborghini.com

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1 Consumption and emission data can be found on page 328 of this report.

2 No binding consumption and emission data is currently available for this model.

ON THE SAME WAVELENGTH WHEN IT COMES TO LIGHTWEIGHT CONSTRUCTION – Lufthansa Head Pilot Werner Knorr and Luciano De Oto, Head of the Advanced Composites Research Center in Sant'Agata. Lamborghini and aircraft constructor Boeing, a pioneer in the use of carbon materials in aircraft construction, are working together to develop carbon fiber materials.

Bell'arte.

Within the space of just two years, he created three automotive icons: the original Golf and the first-generation Passat and Scirocco models. Having worked side by side with Volkswagen for almost 40 years, his company Italdesign became part of the Group in 2010. We spoke to Giorgetto Giugiaro at the Autostadt in Wolfsburg.

Mr. Giugiaro, how did your cooperation with Volkswagen start 40 years ago?
The heads of Volkswagen at the time visited the Turin Motor Show together with a number of specialists and journalists and selected six models that they felt were particularly outstanding. Four of these cars were mine. That' show it all started.

You designed the original Golf, which made its world premiere in 1974. Did you ever own one?
But of course. In 1977, Volkswagen built two Golf GTI special edition models with an even more powerful engine, four doors and an exclusive interior. I got one and the other went to the famous conductor Herbert von Karajan, who was a real car fanatic. I used the Golf in Turin – it was a lively family car that was perfect for the city. These cars were very much sought after at the time – so much so, in fact, that my GTI was stolen. Luckily, we found it again after a while. Today, it has pride of place in our car gallery.

What is the main focus of Italdesign Giugiaro's work these days?
Italdesign is a think tank and development center whose prime focus is on engineering. Our decades of experience mean we are completely at home with the complex development processes involved in automotive production. As a result, we can deliver turnkey vehicle concepts that can be implemented directly in production. The work involves taking the form for the vehicle shell and interior and using it as a basis for developing blueprints for all the individual parts. This means, taking into account norms and safety standards but also keeping production as cost-effective as possible. Multifaceted development capacities like these are in great demand today.

Most people are familiar with you on account of your spectacular designs ...
Twenty percent of our work is devoted to automotive dreams, studies, or concept vehicles. They make the headlines because they evoke emotions. And they also serve as a flagship and calling card for our company. However, of the more than 800 people who work at Italdesign Giugiaro, only ten percent or so are actually employed as designers.

What made you ultimately decide to join the Volkswagen Group?
Volkswagen doesn't leave anything to chance and takes an uncompromising approach in its vehicle development. Three things are important: the product, the product, and the product. The success of a carmaker ultimately depends on the people behind the company, on their resoluteness and commitment. The key factor is people. And as I have known the people at Volkswagen for over three decades now, we have built up a solid foundation of trust. So I can rest assured that Italdesign is in good hands.

GIORGETTO GIUGIARO
Born in 1938, Giugiaro is one of the most important names in Italian industrial design. He began as a designer at Fiat in 1955. After spending time at Bertone and Carozzeria Ghia, he formed his own design studio in 1967. Under the brand name "Italdesign Giugiaro", he designed over 200 vehicles that went into series production. Today, "Italdesign" is run by his son Fabrizio Giugiaro.

ADDITIONAL INFORMATION
www.italdesign.it

AUTHOR
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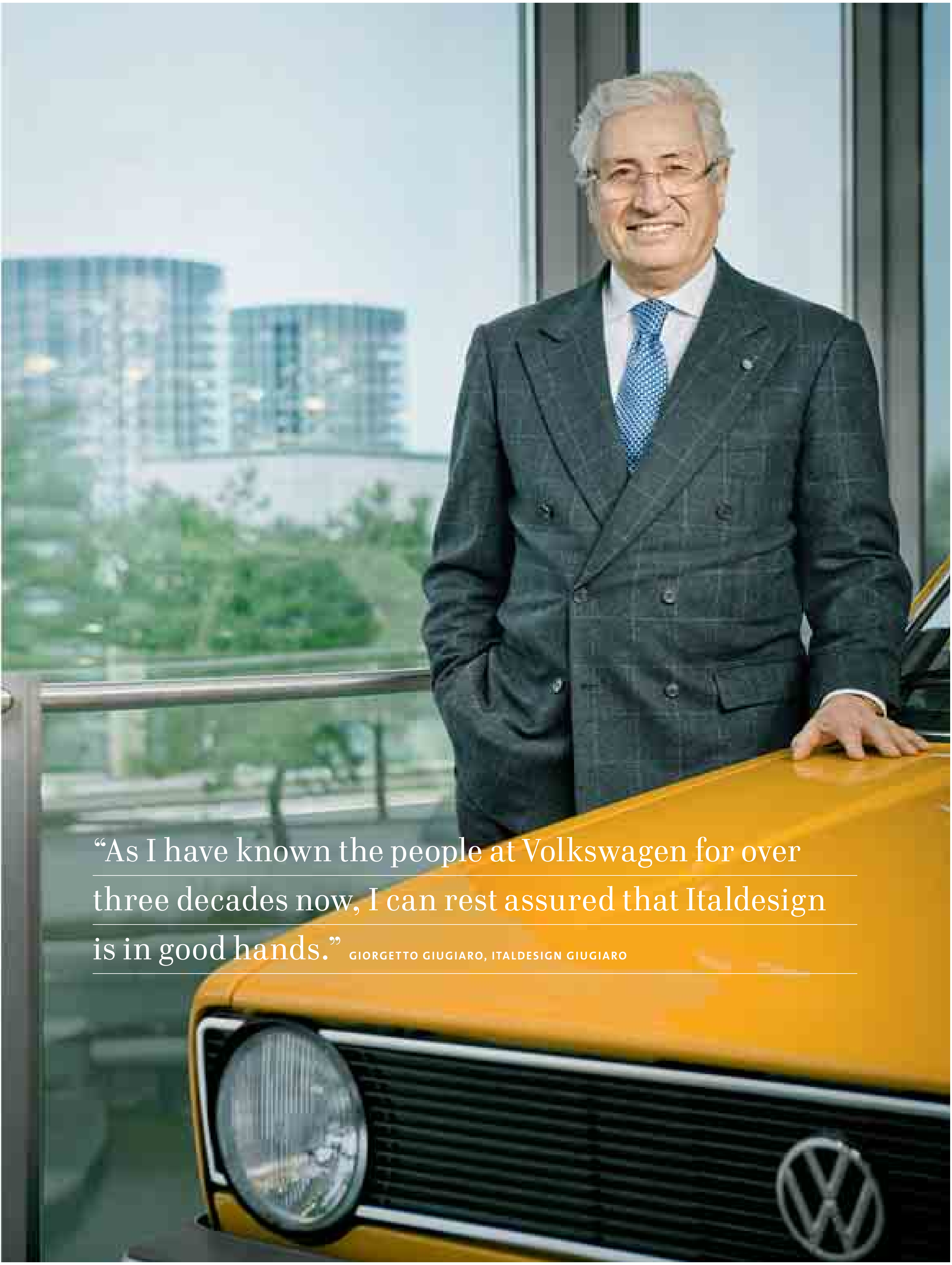

"As I have known the people at Volkswagen for over three decades now, I can rest assured that Italdesign is in good hands." GIORGETTO GIUGIARO, ITALDESIGN GIUGIARO

Laughter is the best medicine.

Raúl Javales wears two hats. As Head of Strategic Planning at Volkswagen Financial Services in Brazil, he is in charge of strategy, business intelligence and project management. In his free time, though, he regularly slips into the guise of “Dr. Pennebuco Beija-Flor”, hospital clown.

"Comprehensive mobility services are a real growth market for us."

RAÚL JAVALES, HEAD OF STRATEGIC PLANNING, VOLKSWAGEN FINANCIAL SERVICES AG BRAZIL

"Hello, I'm Dr. Pennebuco Beija-Flor!" Raúl Javales is wearing a white doctor's coat, his face is painted like a clown's, his name a whimsical flight of fancy. "How can I help," he asks one patient. "Can you make my face prettier?" Dr. Pennebuco Beija-Flor asks the lady to close her eyes for a moment and then sticks a red clown's nose on her face. "There you are!" Laughter fills the hospital room.

Twice a month, Raúl Javales spends a few hours as Dr. Clown in São Paulo's "Hospital das Clínicas". This voluntary work is organized by the Citizen Doctors – the world's largest hospital clown initiative, with 1,200 members who aim to bring a little light relief to seriously ill patients and their families. "Many of these patients are fighting for their lives, but they're still able to laugh," says Javales, adding thoughtfully: "We could learn a lot from them." When not wearing his clown make-up and a red nose, he is Head of Strategic Planning at Volkswagen Financial Services in Brazil. The company, which encourages its employees to look beyond their own immediate horizons, supports Raúl Javales in his voluntary work, even permitting him to leave the occasional meeting early if hospital patients are expecting a visit from Dr. Pennebuco Beija-Flor.

A LOTTERY WHERE EVERYONE'S A WINNER

Raúl Javales spent several months training to be a clown. In both his professional and private life, he has never believed in doing things by halves. With due pride and confidence, Javales recounts that Volkswagen Financial Services is the most specialized vehicle financer in Brazil. "We are enjoying permanent growth and have the greatest expertise when it comes to automotive financial services."

The share of the Brazilian market attributable to the Volkswagen Group's brands is over 20 percent. In this growth market, the Financial Services Division's products are instrumental in boosting sales. "Consorcio" is a case in point: "Consorcio is one of the most typical and most attractive financial products in Brazil," explains Javales. With Consorcio, a group of private individuals who are all saving for a new car undertake to pool their instalments into a common fund. The models and prices are specified when the agreement is signed and Volkswagen Financial Services hedges against any inflation risks. It is ultimately Lady Luck who decides when each participant will receive his or her car – every month, lots are drawn for two cars. With 100 participants (a common group size), this means saving for a maximum of 50 months before the new car arrives. This kind of car lottery is very popular throughout South America, where it has been used to finance over 500,000 Volkswagen models since 1976.

Raúl Javales sees Consorcio as an ideal means of cooperative financing – and as one that can be transferred to other growth markets, too. Versions of the Consorcio model geared towards Russia, China and India, for instance, are already being discussed at Volkswagen Financial Services. At the same time, Raúl Javales is working on "importing" a business field that is well established in Europe: fleet management. In South America, large leasing companies only provide fleets – they do not manage them. "If we were to offer Brazilian companies comprehensive mobility services, it would be a real growth market for us," says Javales with full conviction.

Raúl Javales is at the helm of this and all other forward-looking projects. Although his diary is full to bursting, he still finds the time to visit the "Hospital das Clínicas" twice a month, so that the patients are not kept waiting too long for Dr. Clown.

ADDITIONAL INFORMATION
www.vwfsag.com > International Locations

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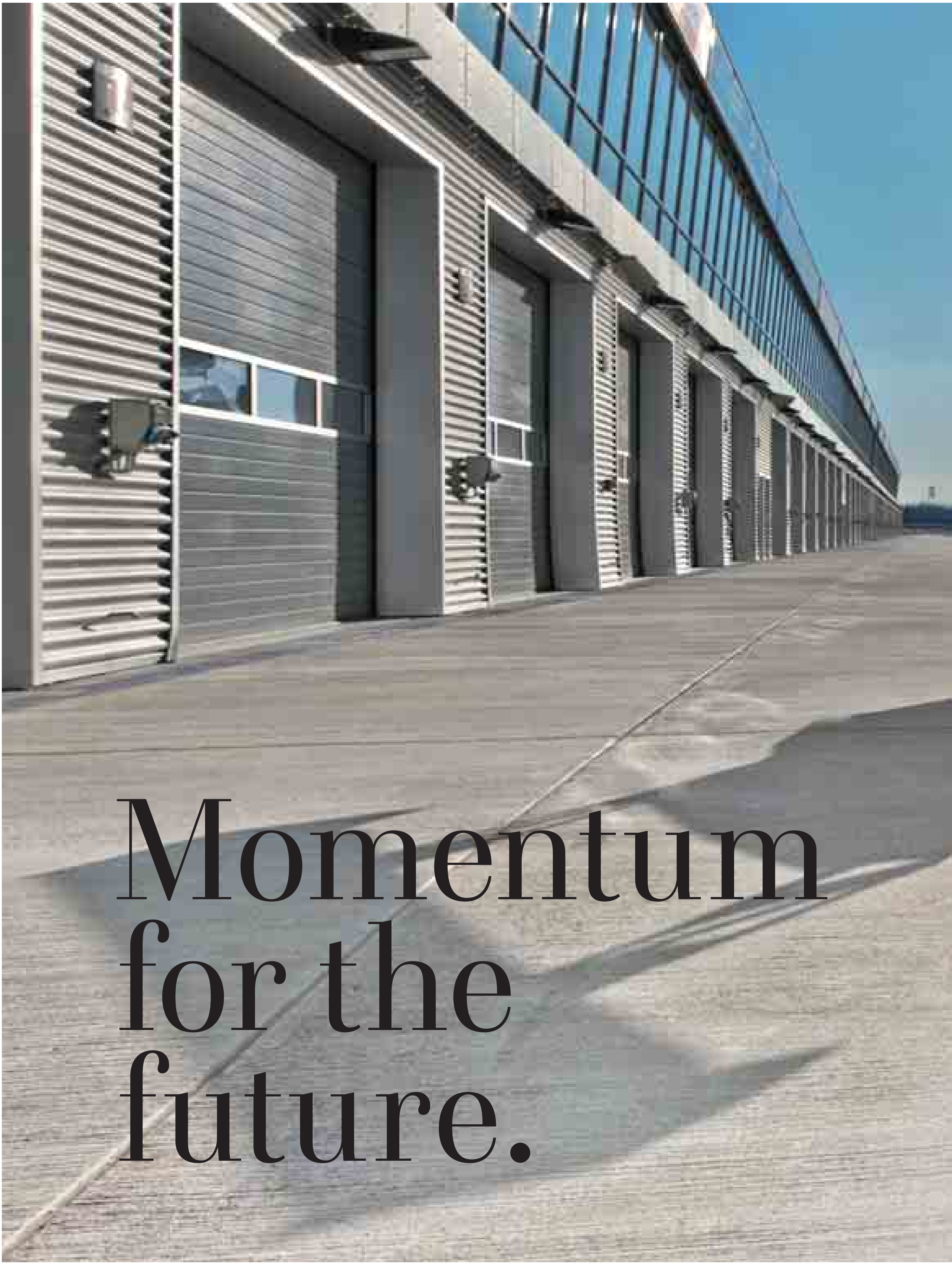


Momentum for the future.

Volkswagen and Porsche are working together towards an ambitious goal: an integrated automotive group. With its wealth of expertise in sports car production, Porsche is set to play a key role in the Group going forward. The brand is already redefining the future of the sports car with its Intelligent Performance concept. The aim is to increase performance while reducing consumption – on the racetrack today, and on the roads tomorrow. The 911 GT3 R Hybrid shows exactly what Porsche has in mind.

> “The hybrid technology that has become a reality in motorsport today will soon be a feature of normal, everyday driving.” HARTMUT KRISTEN, HEAD OF MOTORSPORT AT PORSCHE

It looks like a racing car, drives like a racing car, and sounds like a racing car. But the white-and-orange-colored 911 is a unique kind of vehicle, with a 353 kW (480 PS) six-cylinder racing engine at the rear and two electric motors at the front axle, both rated at 60 kW (82 PS). The hybrid vehicle’s color scheme is symbolic of pure energy: “Orange is also the color of the high voltage cables that feed the electric motors in the 911 GT3 R Hybrid,” explains Hartmut Kristen, Head of Motorsport at Porsche. He is proud of what his team has set in motion in just eleven months of development: a hybrid racing vehicle, the only one of its kind.

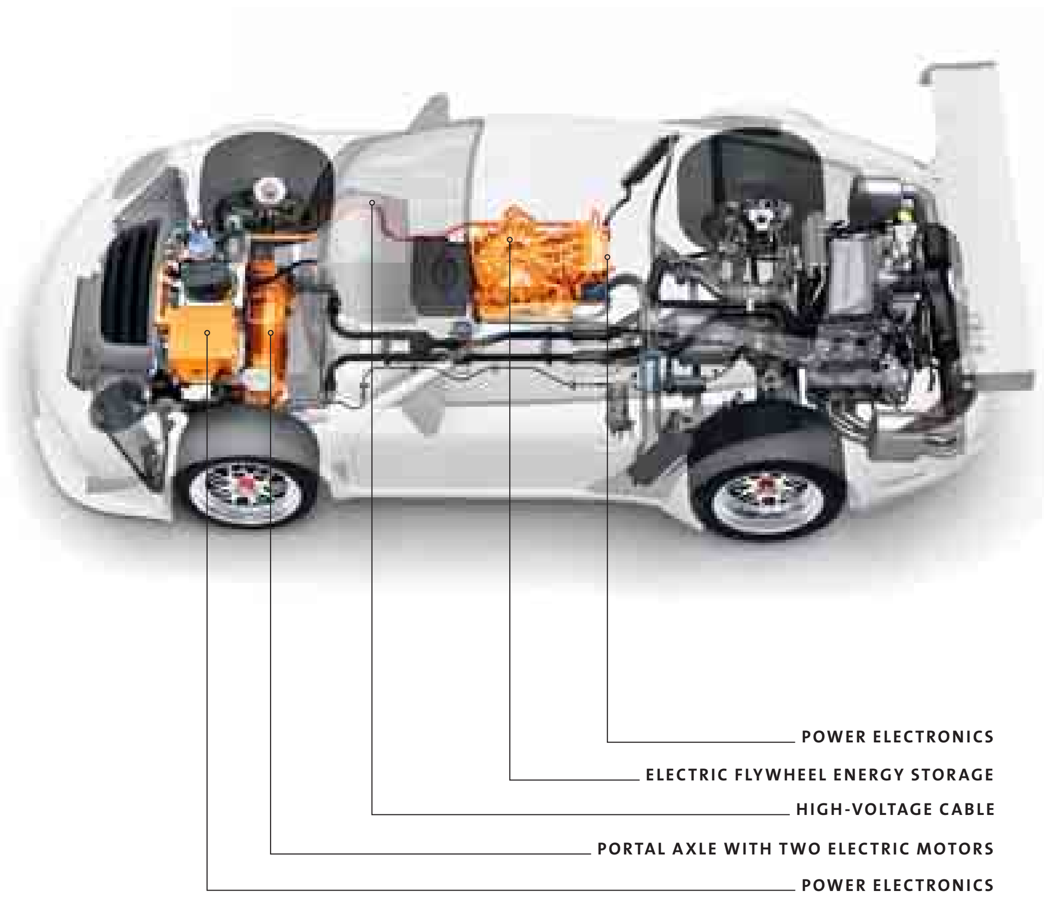
EFFICIENCY WINS THE DAY

Following the 24-hour race on the Nürburgring and the 1,000-mile “Petit Le Mans” at Road Atlanta, the 911 GT3 R Hybrid ended its first racing season in early November with the 1,000-kilometer race in Zhuhai, China – and astounded the competition: Thanks to its pioneering drive concept, the hybrid sports car, which was competing in the special GTH (Grand Touring Hybrid) class, required one pit stop fewer than the next-placed GT contestant. Porsche test drivers Patrick Long and Jörg Bergmeister are full of praise: “We had both the most efficient and the fastest GT car. That’s what Porsche Intelligent Performance means.”

MOTOR RACING PAVES THE WAY

Exactly 110 years after Ferdinand Porsche developed the first hybrid drive vehicle – the Lohner Porsche Semper Vivus – the sports car producer is revisiting this visionary drive concept in the close-to-production GT racing program. This is a new chapter in the highly successful history of the 911, which has chalked up more than 20,000 victories in 45 years. At Porsche, motor racing is paving the way for the hybrid technology that is to be used in future in all model series. “Our hybrid version of the Cayenne, the 911 GT3 R Hybrid and the Concept Study 918 Spyder demonstrate what we will be able to achieve using modern hybrid technology to build sporty vehicles: top performance at extremely low consumption levels,” says Porsche CEO Matthias Müller.

What really sets the pulse of driving dynamics engineers racing is the electric front-wheel drive, which makes its debut in the 911 GT3 R Hybrid. While it was already possible to brake either of the front wheels individually to optimize traction control, they can now also be accelerated separately. This prevents the vehicle from oversteering and the tail end from swinging out. The drive technology is expected to go into series production in 2013 in the Porsche 918 Spyder in combination with the plug-in battery technology.



HIGHER EFFICIENCY, LOWER CONSUMPTION – Porsche has long been committed to electromobility as a way of protecting the environment and resources. The concept of Porsche Intelligent Performance is based on increasing efficiency while reducing consumption. The hybrid system in the 911 GT3 R Hybrid (pictured on the left) was specially developed for racing. The electrically powered front axle, which does not require a differential lock, will go into series production by 2013 at the latest.

The innovative hybrid system with flywheel energy storage in the 911 GT3 R Hybrid was specially developed for racing. Accordingly, it has also been lined up for the 918 RSR, the motorsport variant of the 918 Spyder, which was unveiled at the Detroit Motor Show in January 2011. The system works as an energy accumulator for the two electric motors on the front axle. The flywheel can absorb energy in a fraction of a second and release it again directly. This has a distinct advantage over batteries, which are charged and discharged based on time-consuming chemical processes. A far more efficient alternative is flywheel energy storage, in which a rotor revolves on its own axis up to 40,000 times a minute and stores the energy obtained mechanically. When the rotor slows down, the energy is regained. Another benefit is that the driver can use the boost switch to command extra tractive power from the flywheel, giving the hybrid 911 an extra ten kilometers an hour “on call”. The only bad news is that the flywheel technology is not yet suitable for everyday driving. This is because the rotor only gains sufficient momentum when the brakes are applied frequently and heavily.

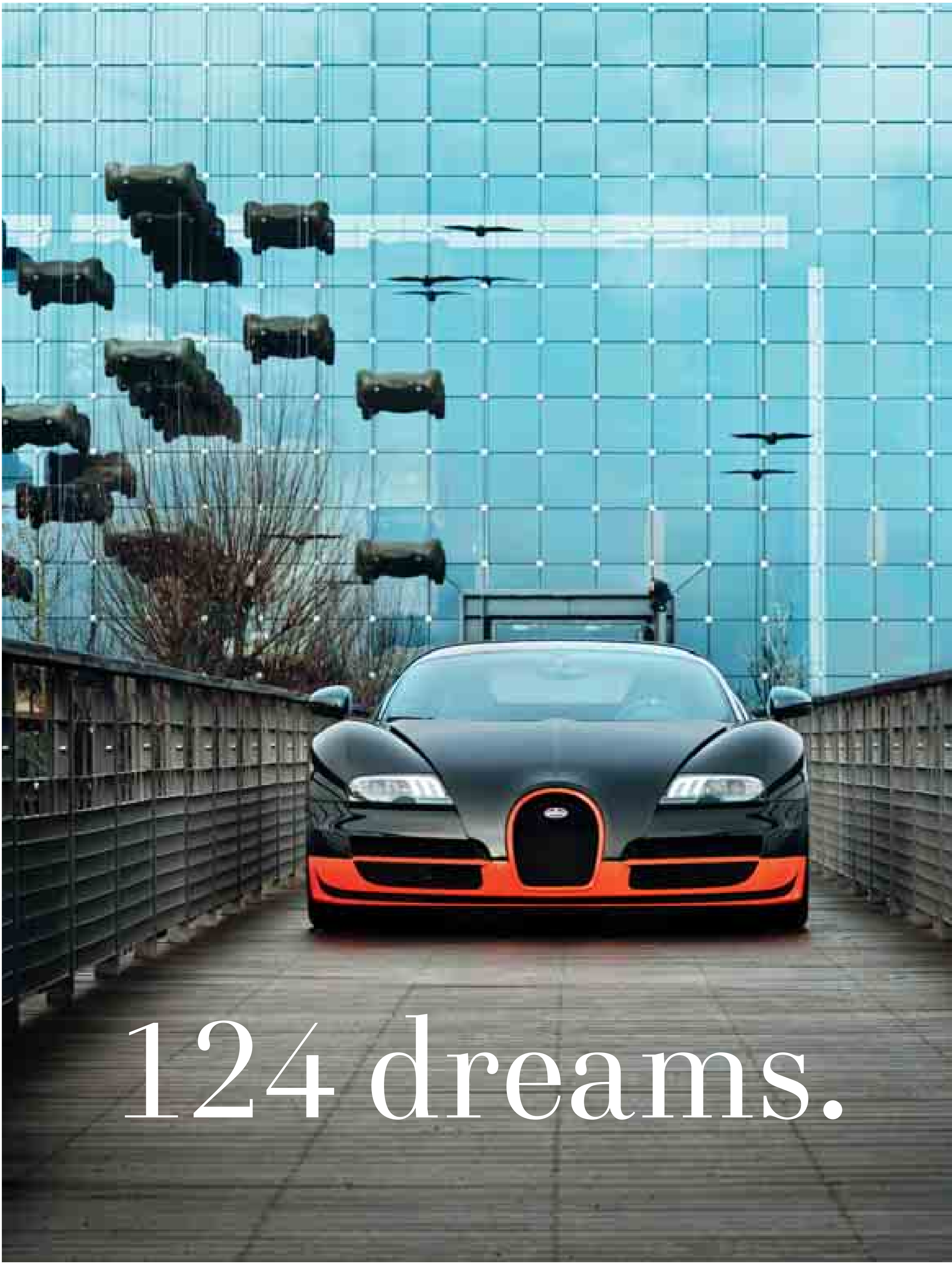
Hartmut Kristen likes to refer to the hybrid racing car as a “race lab”. He sees it as an impressive demonstration of the potential inherent in hybrid technology: “The technology that has become a reality in motorsport today will soon be a feature of normal, everyday driving.” To this end, the motorsport team is working closely together with colleagues in the Porsche Research and Development Center in Weissach, which is to be expanded in the near future. The €150 million that Porsche is investing in the center will be spent, among other things, on a state-of-the-art wind tunnel, a new design center and an innovative electronics integration center. The project will also create 100 new engineering posts.

NEXT STOP: SMALL SERIES PRODUCTION

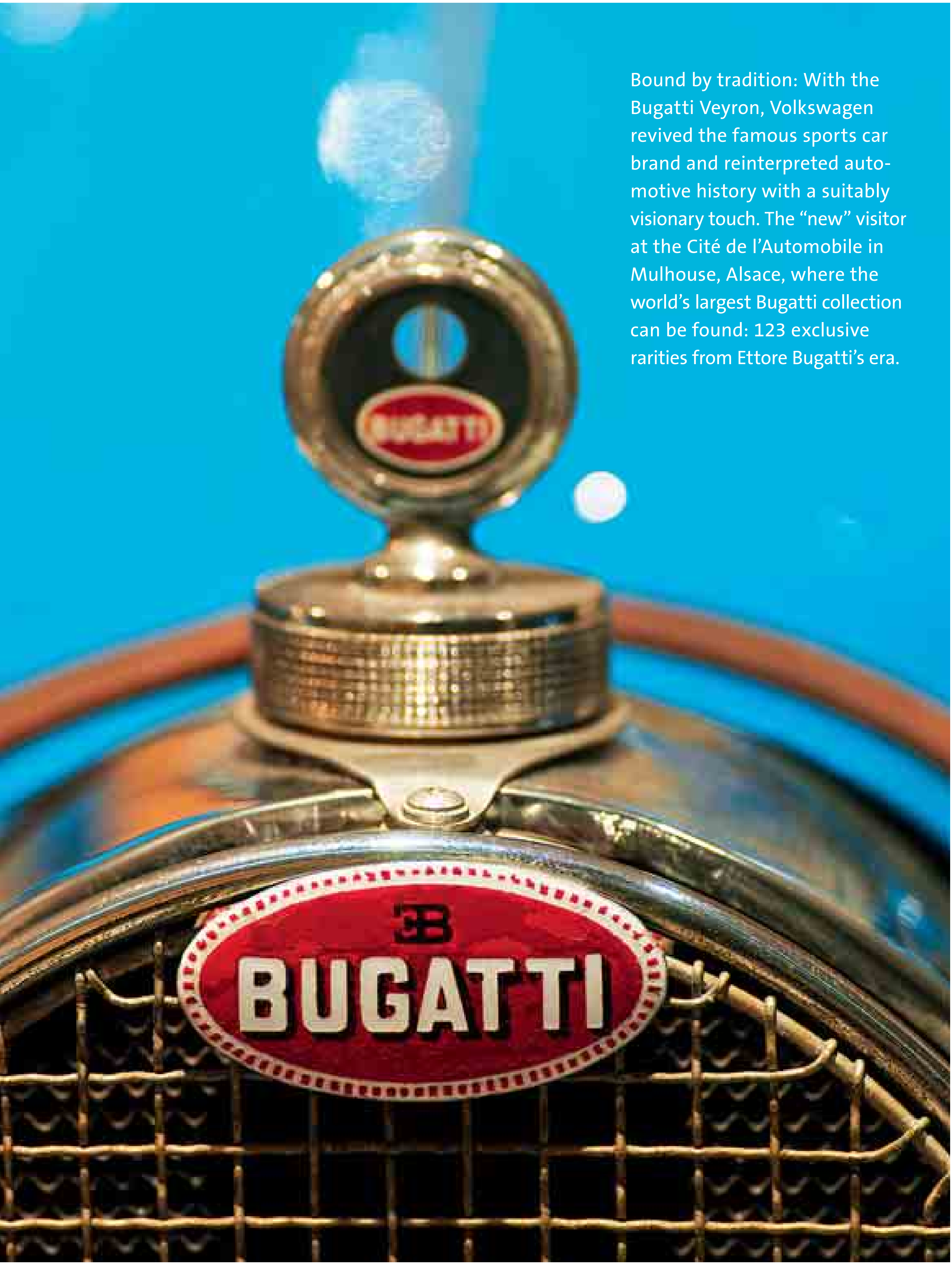
Kristen is extremely pleased with the enormous amount of knowledge gained in such a short time. The next step is now to adapt hybrid technology for small series production, for example for use in one of Porsche’s 19 race car series. Until then, though, the two existing examples of the 911 GT3 R Hybrid will be in action on the racetrack, for example in the 24-hour race on the Nürburgring at the end of June 2011. And the Porsche team expects nothing less than victory.

ADDITIONAL INFORMATION
www.porsche.com

AUTHOR
Tina Rumpelt



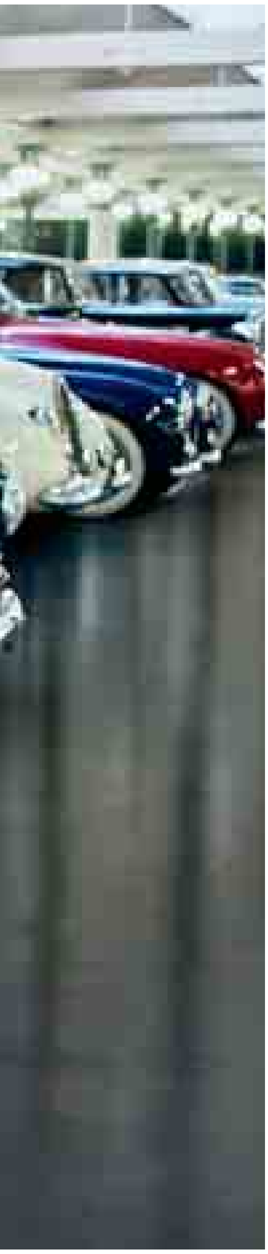
124 dreams.



Bound by tradition: With the Bugatti Veyron, Volkswagen revived the famous sports car brand and reinterpreted automotive history with a suitably visionary touch. The "new" visitor at the Cité de l'Automobile in Mulhouse, Alsace, where the world's largest Bugatti collection can be found: 123 exclusive rarities from Ettore Bugatti's era.

123 DREAMS PLUS 1 – A meeting of generations in the motorsport department. Bugatti's blue two-seater racing car dominated the motorsport world of the 1920s.

A PASSION FOR CARS –
In 1910, Ettore Bugatti set up his own automotive factory "Automobiles Ettore Bugatti" in Molsheim, Alsace, which is once again home to Bugatti Automobiles today.

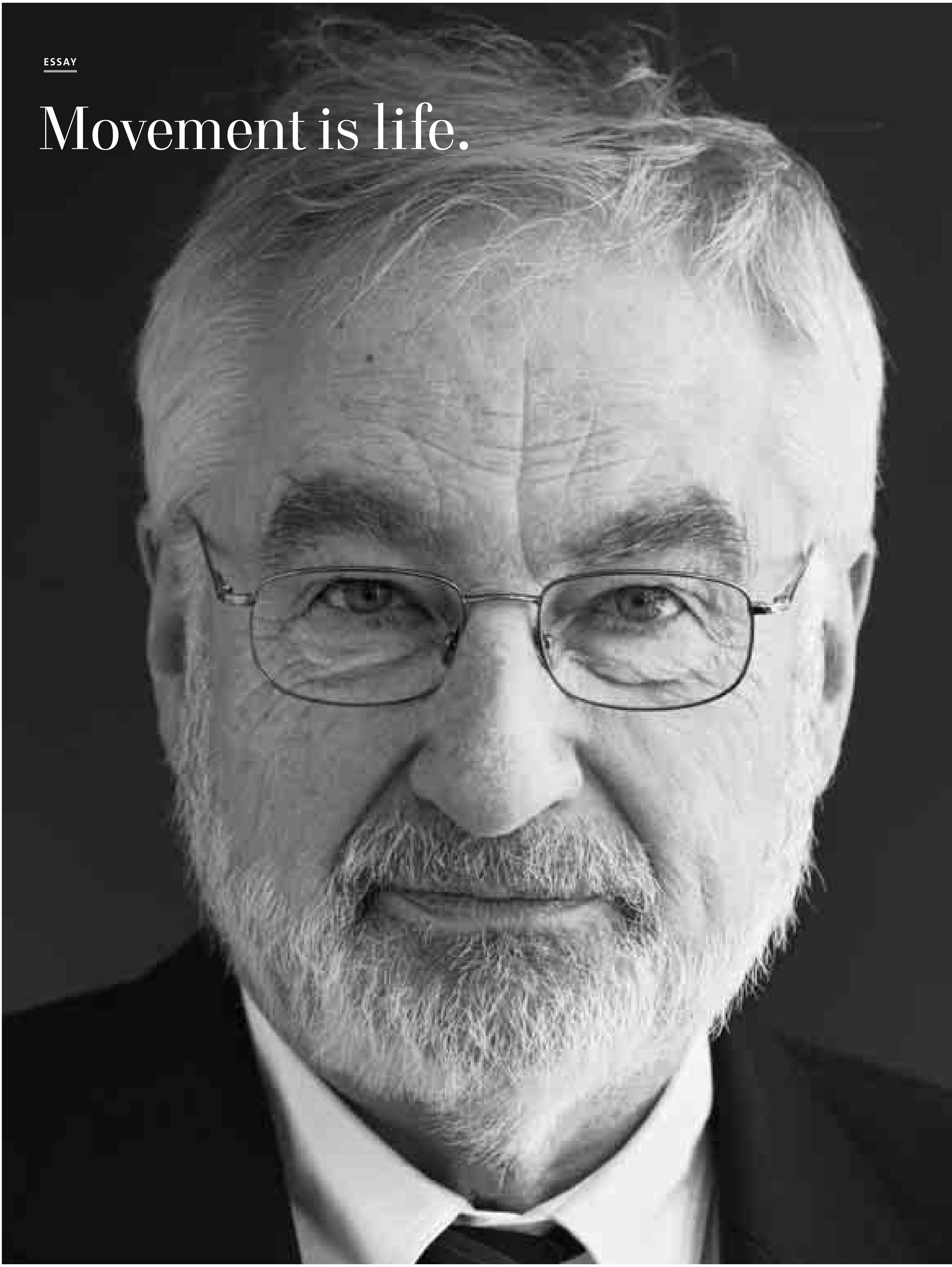


AUTOMOTIVE ADVENTURE –
Bugatti Royale Park Ward from 1933, weight three tonnes, length six meters, 12.8-liter V8 engine, 300 PS under its hood and capable of speeds of up to 160 km/h. The Bugatti "Royale" was the most luxurious and expensive car of its time. Only six "royal" Bugattis were built.

ADDITIONAL INFORMATION
www.collection-schlumpf.com > English
www.bugatti.com > English

ESSAY

Movement is life.



Driving is a good workout for the brain.

PROF. DR. ERNST PÖPPEL

Movement and mobility are as old as mankind itself. However, the demands of modern life mean that most people lead a sedentary existence. For evolutionary reasons, people should walk ten to twenty kilometers every day. Movement keeps you fit. It also keeps your brain healthy – after all, there is nothing as good as physical exercise for clear thinking and a keen memory. Today, driving is the world's most popular way of getting around. But it's also more than that: Every trip involves a permanent stream of assessments and decisions that is excellent exercise for the brain. Like a muscle, the brain can be trained to enhance performance – even at an advanced age.

In other words, driving puts our brains in top gear. This is something that our cars should support more effectively. In any single moment – i.e. two to three seconds – a person can take in three facts, four at most. If more information than that is given for us to make a decision, we are unable to handle it. It is important to bear this in mind, for example when designing warning and driver assistance systems. What is more, we invariably anticipate situations when driving – this is done in a cycle lasting roughly three seconds. Automotive development needs to take this on board to an even greater extent in future. The aim of the automotive industry should be for us to be able to intuitively understand, operate and use all facets of our vehicles.

In brain research, cars and technical devices are now seen as part of our bodies, a scientific concept known as "embodiment". This means that we steer our cars as if they were part of our bodies. However, the connection to this "body part" is lost when there is no visual contact. Take, for example, an aerodynamically optimized car body that no longer enables the bonnet and tailgate lid to be seen perfectly from the driver's seat. In this case, "embodiment" is severely impaired. Even with cameras and other technical aids, drivers are significantly less at ease with a car that does not have these visual coordinates than they are when its dimensions are clearly visible. If the rear view camera angle differs from the driver's viewing angle, this will also reduce "embodiment".

The human brain ultimately requires simplicity and easily processed information. In view of this, the automotive industry would do well to think hard about how to make its complex systems easier for humans to use.

Ernst Pöppel

PROF. DR. ERNST PÖPPEL
is one of the world's most prominent brain researchers. Since 1976, he has been Professor of Medical Psychology at the University of Munich (LMU). He is also Scientific Director of the Parmenides Center for the Study of Thinking and heads the Generation Research Program run by the internationally active Human Science Center at the LMU. In addition, he lectures as a guest professor in Innsbruck and Beijing.

Divisions

7.1

SALES REVENUE BY MARKET

in € billion

The Volkswagen Group inspires customers all over the world with its unique brand diversity, attractive vehicles and innovative financial services. The Volkswagen Group recorded an operating profit of €7.1 billion in fiscal year 2010, significantly exceeding the prior-year figure.

DIVISIONS

VOLKSWAGEN GROUP

VOLKSWAGEN
AKTIENGESELLSCHAFT

AUTOMOTIVE DIVISION

Audi

ŠKODA

SEAT

BENTLEY

Commercial Vehicles

SCANIA

FINANCIAL SERVICES DIVISION

DEALER AND COSTUMER FINANCING

LEASING

DIRECTBANK

INSURANCE

FLEET BUSINESS

Brands and Business Fields

Strong demand for Volkswagen Group vehicles and financial services worldwide

GROUP STRUCTURE

The Volkswagen Group consists of two divisions: the Automotive Division and the Financial Services Division. 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 the genuine parts business. The Financial Services Division's portfolio of services 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 have included a description of the business development and performance of our involvement in China in this chapter for the first time.

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

Due to the positive development of business in 2010, Volkswagen Group unit sales increased 15.4% year-on-year to 7.3 million vehicles. Sales revenue was up by 20.6% to €126.9 billion.

Group unit sales in the Europe/Remaining markets region increased by 6.0% to 3.6 million vehicles in the reporting period. At €83.8 billion, sales revenue rose by 11.4% year-on-year.

In the North American passenger car market, unit sales of Group vehicles was 0.6 million; the 22.8% rise was far greater than that of the market as a whole. Sales revenue improved by 33.3% to €15.2 billion. In addition to the higher volume, exchange rate effects had a positive effect.

In South America, we sold 0.9 million units, exceeding the previous year's figure by 9.7%. Sales revenue increased by 40.2% to €13.5 billion due to volume and exchange rate-related factors.

Demand for Group models in some of the passenger car markets of the Asia-Pacific region increased substantially year-on-year. Including the Chinese joint ventures, we sold a total of 2.2 million vehicles in this region in the year under review, an increase of 36.2% compared with fiscal year 2009. At €14.4 billion, sales revenue was 60.4% higher than in the previous year. This figure does not include the sales revenue of our joint ventures in China, as these are accounted for using the equity method.

VOLKSWAGEN GROUP

Division	AUTOMOTIVE DIVISION								FINANCIAL SERVICES
Brand/Business Field	Volkswagen Passenger Cars	Audi	Škoda	SEAT	Bentley	Volkswagen Commercial Vehicles	Scania	Other	Dealer and customer financing Leasing Directbank Insurance Fleet business

KEY FIGURES BY BRAND AND BUSINESS FIELD[1]

thousand vehicles/€ million	VEHICLE SALES 2010	VEHICLE SALES 2009	SALES REVENUE 2010	SALES REVENUE 2009	SALES TO THIRD PARTIES 2010	SALES TO THIRD PARTIES 2009	OPERATING RESULT 2010	OPERATING RESULT 2009
Volkswagen Passenger Cars	3,863	3,459	80,251	65,368	62,648	52,816	2,173	561
Audi	1,321	1,183	35,441	29,840	24,638	20,443	3,340	1,604
Škoda	585	552	8,692	7,100	5,892	5,761	447	203
SEAT	349	319	5,038	4,561	3,635	3,360	–311	–339
Bentley	5	4	721	571	691	553	–245	–194
Commercial Vehicles	349	275	7,392	5,294	4,809	3,844	232	313[2]
Scania[3]	64	43	8,462	6,385	8,462	6,385	1,342	236
VW China[4]	1,871	1,397						
Other	–1,128	–923	–32,709	–25,592	3,499	929	–769[5]	–1,135[5]
Volkswagen Financial Services			13,587	11,660	12,600	11,095	932	606
Volkswagen Group	**7,278**	**6,310**	**126,875**	**105,187**	**126,875**	**105,187**	**7,141**	**1,855**
of which: Automotive Division	7,278	6,310	112,806	93,041	113,792	93,605	6,189	1,264
Financial Services Division			14,069	12,146	13,083	11,581	952	591

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 Including the proceeds from the sale of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., Resende.
3 Vehicles & Services and Financial Services.
4 The sales revenue and operating profit of the joint venture companies in China are not included in the figures for the Group. The Chinese companies are accounted for using the equity method and recorded an operating profit (proportionate) of €1,907 million (€831 million). The prior-year figures were adjusted.
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.

KEY FIGURES BY MARKET

thousand vehicles/€ million	VEHICLE SALES[1] 2010	VEHICLE SALES[1] 2009	SALES REVENUE 2010	SALES REVENUE 2009
Europe/Remaining markets	3,617	3,414	83,804	75,203
North America	554	451	15,193	11,396
South America	922	841	13,468	9,606
Asia-Pacific[2]	2,185	1,604	14,409	8,982
Volkswagen Group[2]	**7,278**	**6,310**	**126,875**	**105,187**

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
Model range updated and rationally expanded

In fiscal year 2010, the Volkswagen Passenger Cars brand updated its outstanding range by launching a new generation of numerous models, including the Passat and the Touran. In addition, vehicles designed for specific markets were presented. The brand's operating profit increased significantly.

Passat

VOLKSWAGEN PASSENGER CARS BRAND

	2010	2009	%
Deliveries (thousand units)	4,503	3,955	+ 13.9
Vehicle sales	3,863	3,459	+ 11.7
Production	4,592	3,807	+ 20.6
Sales revenue (€ million)	80,251	65,368	+ 22.8
Operating profit	2,173	561	x
as % of sales revenue	2.7	0.9	

€2.2 billion

OPERATING PROFIT IN 2010

BUSINESS DEVELOPMENT

The Volkswagen Passenger Cars brand presented a large number of new models in fiscal year 2010. Among the key attributes of these models were their impressively low fuel consumption and emission levels. The new generation of the Touareg launched with the innovative Touareg Hybrid*, the first hybrid SUV in Europe. The highlight of the fiscal year was the launch of the seventh-generation Passat saloon and Passat Variant, both of which lend a premium flair to the mid-size range. Also launched were a Polo saloon developed specially for the Russian market and a Jetta for the US market.

Fiscal year 2010 was a very successful one for the Volkswagen Passenger Cars brand. Deliveries to customers amounted to 4.5 million vehicles, up 13.9% year-on-year. The brand recorded substantial growth rates in Argentina (+22.5%), Russia (+49.1%) and China (+35.5%). Demand in North America increased by 17.9% year-on-year, outpacing the growth of the market as a whole. Positive sales figures were also recorded in the Indian market.

In the past fiscal year, the Volkswagen Passenger Cars brand increased its unit sales by 11.7% to 3.9 million vehicles. The Golf, Polo and Tiguan models recorded a high level of demand. The new Passat met with a positive reception from the market.

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

Touran

The Volkswagen Passenger Cars brand increased its production to 4.6 million vehicles in fiscal year 2010, 20.6% more than in the previous year. There was a substantial rise in production volumes at the Wolfsburg plant and at the production locations in Spain, Mexico, South Africa and China. The production figures for the Routan are not included in the Group figures as it is produced in Canada at Chrysler's plant in Windsor, Ontario.

SALES REVENUE AND EARNINGS

As a result of the positive trend in sales, the Volkswagen Passenger Cars brand generated sales revenue of €80.3 billion in fiscal year 2010; this is equivalent to a year-on-year increase of 22.8%. Operating profit rose by €1.6 billion to €2.2 billion owing to volume factors. Operating return on sales improved on the difficult prior year, reaching a level of 2.7% (0.9%). In view of the healthy business performance in 2010, we have made significant progress towards achieving the objectives of Strategy 2018, i.e. to increase worldwide sales to 6.6 million vehicles per year in approximately eight years and to lift our global market share to around 9%.

FURTHER INFORMATION
www.volkswagen.com

PRODUCTION

Vehicles	2010	2009
Passat/Santana	994,956	772,872
Golf	828,910	792,608
Jetta/Bora	796,830	649,963
Polo	635,556	453,824
Gol	474,905	465,795
Tiguan	276,212	145,002
Fox	194,393	176,114
Touran	134,897	126,168
Touareg	48,069	32,308
Scirocco	45,230	47,277
Suran	40,981	44,936
New Beetle	31,533	24,328
Sharan	23,085	14,636
Eos	22,775	17,880
Polo Classic/Sedan	16,692	16,764
Parati	10,710	9,883
New Beetle Cabriolet	8,640	12,773
Phaeton	7,477	4,071
	4,591,851	**3,807,202**

* Consumption and emission data can be found on page 328 of this Report.

Audi

Audi brand
Number one premium brand of the future

The ambitious goal of the Audi brand is to become the market leader in the premium segment. In fiscal year 2010, Audi showcased a series of new models designed with this aim in mind and also saw the brand enter the premium small car segment with the new Audi A1.

Audi A1

AUDI BRAND

	2010	2009	%
Deliveries (thousand units)	1,092	950	+ 15.0
Vehicle sales	1,321	1,183	+ 11.7
Production	1,145	924	+ 24.0
Sales revenue (€ million)	35,441	29,840	+ 18.8
Operating profit	3,340	1,604	x
as % of sales revenue	9.4	5.4	

9.4%

OPERATING RETURN ON SALES IN 2010

BUSINESS DEVELOPMENT

The Audi brand premiered several vehicles in 2010. Much attention was generated by the new Audi A7 Sportback and the latest generation of the Audi A8, which is also available with a long wheelbase as the Audi A8 L. However, the highlight of the past year was the launch of the new Audi A1, the first Audi in the premium subcompact segment. Audi also continued to pursue its "The future is electric" theme, moving another step closer to emission-free electromobility with its Audi A1 e-tron and Audi e-tron Spyder studies.

The Audi brand achieved a delivery record in fiscal year 2010. At nearly 1.1 million units worldwide, the prior-year figure was surpassed by 15.0%. In Western Europe, sales figures increased by 4.0%; on the US market, deliveries were 22.9% higher than in 2009. Audi boosted its sales in the rapidly expanding Chinese passenger car market by an impressive 43.4%, outpacing the growth of the market as a whole.

In total, the Audi brand recorded unit sales of 1.3 million vehicles (of which 1.1 million units were Audi and Lamborghini vehicles); this corresponds to a year-on-year increase of 11.7%. This strong performance can be attributed above all to the young and attractive product portfolio, as well as the positive economic growth in key sales markets. Particularly strong demand was recorded for the Audi A4, Audi A5, Audi A6 and Audi Q5 models. Automobili Lamborghini S.p.A. sold 1,220 vehicles (–13.9%).

Audi A7 Sportback

While the number of vehicles produced by the Audi brand in fiscal year 2009 was still 0.9 million units, a total of 1.1 million vehicles were produced in 2010. This was 24.0% more than in the prior-year period. Lamborghini produced 1,227 units of its prestigious super sports cars, down 2.1% on 2009.

SALES REVENUE AND EARNINGS

The Audi brand achieved a record result in fiscal year 2010. Sales revenue increased to €35.4 billion. The year-on-year increase of 18.8% is mainly attributable to the increase in vehicle sales and higher sales revenue from engine sales. Lifted by further advances in productivity and continuous improvements in processes, the Audi brand increased its operating profit to €3.3 billion, exceeding the prior-year figure by €1.7 billion. The operating return on sales rose from 5.4% in 2009 to 9.4% in 2010. The key figures for the Lamborghini brand are included in the figures for the Audi brand.

FURTHER INFORMATION
www.audi.com

PRODUCTION

Vehicles	2010	2009
Audi		
A4	306,291	279,624
A6	211,256	182,090
A3	186,665	196,965
Q5	154,604	105,074
A5	90,346	69,495
A1	51,937	–
Q7	48,937	27,929
A8	22,435	8,599
A5 Cabriolet	20,924	15,388
TT Coupé	20,413	18,010
A3 Cabriolet	12,309	9,782
A7	8,496	–
TT Roadster	5,804	4,811
R8	3,485	2,101
A4 Cabriolet	–	2,409
	1,143,902	**922,277**
Lamborghini		
Gallardo	817	462
Gallardo Spyder	247	460
Murciélago	145	274
Murciélago Roadster	18	57
	1,227	**1,253**
Audi brand	**1,145,129**	**923,530**

ŠKODA

Škoda brand
GreenLine eco-label available in all five model series

Traditional Czech brand Škoda added a new chapter to its success story in fiscal year 2010: the environmentally friendly GreenLine models were updated in 2010 and are now available in all model series – from the Fabia subcompact to the Yeti compact SUV.

Škoda Fabia Scout Combi

ŠKODA BRAND

	2010	2009	%
Deliveries (thousand units)	763	684	+ 11.5
Vehicle sales	585	552	+ 6.0
Production	780	669	+ 16.7
Sales revenue (€ million)	8,692	7,100	+ 22.4
Operating profit	447	203	x
as % of sales revenue	5.1	2.9	

22.4%

YEAR-ON-YEAR INCREASE IN SALES REVENUE

BUSINESS DEVELOPMENT

The Škoda brand continued its positive development in fiscal year 2010. Demand for the Czech brand's vehicles was especially high in the growth markets of Russia, India and China. The Fabia and Roomster models debuted a new design and new range of engines in 2010, while the robust Fabia Scout was also launched. Škoda demonstrated its commitment to sustainable mobility with the second generation of its resource-friendly GreenLine models. This eco-label is now available for all five brand models, featuring innovations such as the start-stop system and regenerative braking.

At 763 thousand vehicles, deliveries by the Škoda brand in 2010 were 11.5% higher than in the previous year. The strongest growth rates were recorded in Russia (+38.1%), China (+47.3%) and India (+37.7%).

Škoda sold 585 thousand vehicles worldwide in 2010, a 6.0% increase on the previous year. Demand for the Octavia and Superb models rose and the Škoda Yeti continued to grow in popularity.

Škoda Octavia GreenLine

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

In 2010, the Škoda brand increased its worldwide production to 780 thousand vehicles, up 16.7% year-on-year.

SALES REVENUE AND EARNINGS

In fiscal year 2010, the Škoda brand increased its sales revenue by 22.4% to €8.7 billion. Škoda more than doubled its operating profit year-on-year in 2010 to €447 million (€203 million). In addition to the high volume, mix effects and cost reductions had a positive effect. The operating return on sales increased to 5.1% (2.9%).

FURTHER INFORMATION
www.skoda-auto.com

PRODUCTION

Vehicles	2010	2009
Octavia	357,142	294,020
Fabia	234,593	260,562
Superb	105,709	52,361
Yeti	52,632	19,590
Roomster	30,418	42,273
	780,494	**668,806**

SEAT brand

60 years of SEAT: New models for the future

In its anniversary year, Spanish automaker SEAT presented the new Alhambra, whose innovative versatility and outstanding efficiency met with acclaim in the market. This model contributed to a moderate increase in unit sales in the past fiscal year.

SEAT Alhambra

SEAT BRAND

	2010	2009	%
Deliveries (thousand units)	340	337	+ 0.8
Vehicle sales	349	319	+ 9.3
Production	345	308	+ 12.2
Sales revenue (€ million)	5,038	4,561	+ 10.4
Operating result	– 311	– 339	+ 8.3
as % of sales revenue	– 6.2	– 7.4	

€5.0 billion

SALES REVENUE IN 2010

BUSINESS DEVELOPMENT

The SEAT brand celebrated its 60th anniversary in fiscal year 2010. Since being founded on May 9, 1950, the Spanish company has produced more than 16 million vehicles.

SEAT again showcased a number of attractive innovations in 2010: at the International Motor Show in Geneva, the brand presented the Ibiza ST, the family-friendly estate version of its successful compact model. Another high point of the year was the launch of the new Alhambra. This versatile MPV can accommodate up to seven passengers, making it the ideal choice for families and high-mileage business drivers. The environmentally friendly ECOMOTIVE versions of all models were especially popular.

Driven by the recovering economy, deliveries to SEAT brand customers in fiscal year 2010 were slightly up on the prior-year level at 340 thousand vehicles. In key markets such as Spain and the UK, delivery figures were well above 2009 levels. In addition, SEAT became market leader in the Spanish market for the first time in 31 years. Sales figures for the Leon and Altea models were particularly encouraging. The new Ibiza ST and Alhambra models were also well received by the market.

SEAT Ibiza ST

The SEAT brand sold 349 thousand vehicles to the dealer organization in the reporting period, a year-on-year increase of 9.3%.

Thanks to the improved business environment, the number of SEAT vehicles produced in fiscal year 2010 – 345 thousand – was 12.2% higher than in the previous year.

SALES REVENUE AND EARNINGS

Sales revenue for the SEAT brand increased by 10.4% to €5.0 billion in fiscal year 2010. The operating result improved by €28 million year-on-year to €–311 million. Upfront expenditures for new products and the decline in demand in the Spanish passenger car market in the second half of the year had a negative effect on the result. The operating return on sales amounted to –6.2% (–7.4%) in fiscal year 2010.

FURTHER INFORMATION
www.seat.com

PRODUCTION

Vehicles	2010	2009
Ibiza	189,083	173,715
Leon	79,462	66,368
Altea/Toledo	43,351	33,362
Exeo	23,108	22,981
Alhambra	10,023	6,215
Cordoba	–	4,861
	345,027	**307,502**

BENTLEY

Bentley brand
The new Bentley Continental GT – evolution of a bestseller

The new Bentley coupé takes its highly successful predecessor one step further with improved performance and innovative technology. In 2010, Bentley responded to the challenging environment in the luxury segment with models that fulfill the highest demands of design, quality and technical excellence.

Bentley Continental Supersports Convertible

BENTLEY BRAND

	2010	2009	%
Deliveries	5,117	4,616	+ 10.9
Vehicle sales	4,804	4,005	+ 20.0
Production	4,854	3,637	+ 33.5
Sales revenue (€ million)	721	571	+ 26.3
Operating result	– 245	– 194	– 26.3
as % of sales revenue	– 34.0	– 34.0	

33.5%

INCREASE IN PRODUCTION IN 2010

BUSINESS DEVELOPMENT

The Bentley brand began fiscal year 2010 with the premiere of its new Continental Supersports Convertible*, the fastest and most powerful convertible produced by the British automaker to date. Thanks to innovative FlexFuel technology, the elegant super sports car can also run on bioethanol.

This also applies to the new Bentley Continental GT*, which made its debut at the Paris Motor Show. The current model draws on the design of its highly successful predecessor but with more sharply defined lines and shapes.

In fiscal year 2010, Bentley once again reported a rise in sales figures, although conditions in the luxury segment continue to be difficult: sales were well below pre-crisis levels. Demand for Bentley brand vehicles has increased above all in China (+86.2%), the UK (+9.5%) and the USA (+6.1%). Total deliveries to customers rose by 10.9% to 5,117 vehicles.

Bentley Continental GT

The Bentley brand sold 4,804 vehicles in the reporting period, a 20.0% increase year-on-year. Demand for the Continental GT Coupé* and Continental Flying Spur* models also increased.

Total production for the Bentley brand in 2010 was 4,854 vehicles. This means that 33.5% more vehicles left the production facility than last year.

SALES REVENUE AND EARNINGS

At €0.7 billion, sales revenue for the Bentley brand was 26.3% higher in 2010 than in 2009. In addition to changes in the market and the product mix, earnings were also impacted by upfront expenditures for new products in particular. The operating result declined by €51 million to €–245 million. As in the previous year, the operating return was –34.0%.

FURTHER INFORMATION
www.bentleymotors.com

PRODUCTION

Vehicles	2010	2009
Continental Flying Spur	1,914	1,358
Continental GT Coupé	1,735	1,211
Continental GT Cabriolet	843	722
Mulsanne	354	–
Arnage	–	147
Brooklands	6	106
Azure	2	93
	4,854	**3,637**

* Consumption and emission data can be found on page 328 of this Report.

Commercial Vehicles

Volkswagen Commercial Vehicles
Amarok raises the bar in the pickup class

Volkswagen Commercial Vehicles entered the pickup segment in 2010 with the new Amarok, winning the "International Pickup Award" straight away. The popular Multivan is celebrating its 25th anniversary. The Multivan/Transporter series is making a significant contribution to volume growth.

Amarok DoubleCab

VOLKSWAGEN COMMERCIAL VEHICLES

	2010	2009	%
Deliveries (thousand units)	436	362	+ 20.5
Vehicle sales	349	275	+ 27.3
Production	422	308	+ 37.0
Sales revenue (€ million)	7,392	5,294	+ 39.6
Operating profit	232	313	– 25.9
as % of sales revenue	3.1	5.9	

20.5%

INCREASE IN DELIVERIES

BUSINESS DEVELOPMENT

Volkswagen Commercial Vehicles recorded a successful fiscal year 2010, entering the pickup segment with the new Amarok. This new addition to the product range is available as a four-door DoubleCab and is the most fuel-efficient pickup of its class[1] with average consumption of 7.6 l of fuel per 100 km. At the same time, the 25th anniversary of the highly successful Multivan large MPV was celebrated by showcasing the Multivan "Edition25" and the robust Transporter Rockton models. In addition, Volkswagen Commercial Vehicles presented the new generation of the popular Caddy. In the version with BlueMotion Technology[1], the new Caddy requires just 5.3 liters of fuel per 100 km (combined).

Volkswagen Commercial Vehicles is currently enjoying healthy growth – deliveries to customers worldwide increased to a total of 436 thousand vehicles in 2010, 20.5% up on the previous year. Sales figures in South America and Western Europe recorded particularly strong growth.

Sales to the dealer organization increased by 27.3% year-on-year to 349 thousand vehicles. The new Caddy, which is available both as a commercial vehicle and as various passenger cars, recorded sales of 130 thousand vehicles (+0.8%). The Caravelle/Multivan and Transporter models made a key contribution to the high overall level of sales with 175 thousand vehicles (+24.9%). The new Amarok also met with a very good response from customers.

Caddy

In the past fiscal year, Volkswagen Commercial Vehicles produced a total of 422 thousand units, 37.0% more than in the previous year. This does not include the production figures for Crafter models manufactured at the Daimler plants in Düsseldorf and Ludwigsfelde. A total of 130 (96) thousand units of the Caravelle/Multivan and Transporter models were manufactured at the main production facility in Hanover. Production at the Poznan plant in Poland increased to 148 (137) thousand vehicles.

As the Brazilian commercial vehicles business was sold in the first quarter of 2009, the prior-year figures for heavy commercial vehicles are only included for January and February.

SALES REVENUE AND EARNINGS

Volkswagen Commercial Vehicles generated sales revenue of €7.4 billion in fiscal year 2010, up 39.6% on the previous year. Operating profit declined by 25.9% to €232 million.

FURTHER INFORMATION
www.volkswagen-commercial-vehicles.com

However, adjusted to include the proceeds of €0.6 billion received in the previous year from the sale of the Brazilian commercial vehicles business, operating profit was significantly higher than in 2009. Without adjusting the previous year, the operating return on sales decreased from 5.9% to 3.1%.

PRODUCTION

Vehicles	2010	2009
Caravelle/Multivan, Kombi	104,846	56,073
Saveiro	73,039	38,899
Caddy Kombi	68,560	78,488
Caddy	68,304	48,601
Transporter	63,173	78,985
Amarok	44,525	193
Trucks[2]	–	5,187
Omnibus[2]	–	1,872
	422,447	**308,298**

2 2009 January and February only.

1 Consumption and emission data can be found on page 328 of this Report.

Scania brand

Home of the V8 – the world's most powerful truck

The Swedish commercial vehicles manufacturer increased its sales figures substantially in fiscal year 2010. The Scania brand presented the new V8 series in 2010 – the most powerful truck in the world. The "Ecolution by Scania" program combines greater transport efficiency with lower fuel consumption and emissions.

Scania OmniLink

SCANIA BRAND

	2010	2009	%
Deliveries	63,712	43,443	46.7
Vehicle sales	63,712	43,443	46.7
Production	67,663	35,809	89.0
Sales revenue (€ million)	8,462	6,385	32.5
Operating profit	1,342	236	x
as % of sales revenue	15.9	3.7	

15.9%

OPERATING RETURN ON SALES IN 2010

BUSINESS DEVELOPMENT

Thanks to the improved climate in the commercial vehicles business, fiscal year 2010 was a very successful one for the Scania brand. One particular highlight was the presentation of the new V8 truck range. With up to 730 PS and torque of 3,500 Nm, the new V8 packs a more powerful punch than any other truck in the world.

In the past year, the Swedish manufacturer also launched its "Ecolution by Scania" program. This is an end-to-end package of environmentally friendly products and services, tailored to the individual needs of its customers. With the aid of CO_2-optimized vehicle specifications, driver training and eco-maintenance, Scania was able to reduce fuel consumption and emissions sustainably. This means that the program benefits the environment and boosts the efficiency and profitability of its customers' vehicle fleets.

The time-honored Swedish brand delivered 63,712 units worldwide in 2010, 46.7% more than in the previous year. Demand was significantly higher than in 2009, above all in Brazil (+80.6%), Europe (+25.2%) and the Asia-Pacific region (+22.9%).

Scania R-series

The number of buses delivered increased from 6,636 to 6,875 units year-on-year. However, the pre-crisis level has not yet been matched.

The Scania brand produced a total of 67,663 (35,809) commercial vehicles in the reporting period. This includes the number of buses produced, which increased from 6,236 to 6,700 units.

SALES REVENUE AND EARNINGS

In the past fiscal year, the commercial vehicles sector recovered noticeably from the effects of the financial and economic crisis. The Scania brand participated in this development and increased its sales revenue by 32.5% to €8.5 billion. Operating profit rose to €1,342 million (€236 million), a substantial increase on the 2009 figure, which was affected by difficult operating conditions in the commercial vehicles business. The operating return on sales improved to 15.9% in fiscal year 2010 from 3.7% in the previous year.

FURTHER INFORMATION
www.scania.com

PRODUCTION

Vehicles	2010	2009
Trucks	60,963	29,573
Buses	6,700	6,236
	67,663	**35,809**

Volkswagen Group in China

An automotive success story in the Asia-Pacific region

The Volkswagen Group has been present in China for over 25 years. In fiscal year 2010, the successful Shanghai Volkswagen and FAW Volkswagen joint ventures produced more than 1.9 million vehicles.

Tiguan

VOLKSWAGEN GROUP IN CHINA

	2010	2009	%
Deliveries (thousand units)	1,923	1,400	+ 37.4
Vehicle sales	1,871	1,397	+ 33.9
Production	1,914	1,388	+ 37.9

1.9 million

VEHICLES DELIVERED TO CUSTOMERS IN CHINA

BUSINESS DEVELOPMENT

We have a 50% stake in the Shanghai Volkswagen joint venture that was founded in 1984 and a 40% stake in the First Automotive Works (FAW) joint venture in Changchun, which started operating in 1990. Both companies are accounted for using the equity method in the consolidated financial statements.

The importance of the Chinese market for Volkswagen has significantly increased in the past years. The Group now has nine production facilities in China – both vehicle production plants and component plants. Two further vehicle plants are already being planned. As part of its long-term growth strategy, Volkswagen plans to increase production capacity in China in the medium term to around 3 million vehicles each year. By 2015, the Group will have invested a total of €10.6 billion in China. This amount is to be financed entirely by the cash flow from the Chinese joint ventures.

The Volkswagen Group is represented in the Chinese passenger car market by its Volkswagen Passenger Cars, Audi and Škoda volume brands, and its Lamborghini and Bentley luxury brands. The product range of established Group models is supplemented by vehicles that are produced specially for the Chinese market. These include the Passat New Lingyu, the Lavida and the New Bora.

In fiscal year 2010, the Volkswagen Group delivered 1.9 million vehicles in the Chinese passenger car market, a year-on-year increase of 37.4%. Sales figures for the Volkswagen Passenger Cars brand were 34.1% higher than in 2009 at 1.5 million vehicles. The Audi and Škoda brands increased their deliveries to customers by 43.9%

Lavida

and 47.3% respectively. There was particularly strong demand for the New Bora, Lavida, Passat New Lingyu, Santana, Audi A6 and Škoda Octavia models. Demand for the Tiguan and Audi Q5 models newly launched on the market exceeded expectations. With a market share of 16.8% (16.5%), the Volkswagen Group succeeded in further expanding its leadership of the Chinese market in 2010.

The joint ventures sold a total of 1.9 million locally produced vehicles in the reporting period, 33.9% more than in the previous year.

In fiscal year 2010, the joint ventures produced a total of 1.9 million vehicles, up 37.9% year-on-year.

LOCAL PRODUCTION

Vehicles	2010	2009
Volkswagen Passenger Cars	1,506,886	1,113,650
Audi	209,645	142,359
Škoda	197,076	131,787
Total	1,913,607	1,387,796

EARNINGS

in € million	2010	2009
Operating profit (100%)	4,389	1,892
Operating profit (proportionate)	1,907	831

The joint ventures in China achieved an operating profit (proportionate) of €1.9 billion in fiscal year 2010, up €1.1 billion year-on-year. This increase was mainly a result of an increase in volume, disciplined cost and investment management, 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
Award for environmentally compatible fleet management

Volkswagen Financial Services reinforced its pioneering role in sustainable fleet management and was awarded the "ÖkoGlobe 2010". By offering innovative products, Volkswagen Financial Services ensures peace-of-mind mobility for a growing number of customers around the world.

STRUCTURE OF VOLKSWAGEN FINANCIAL SERVICES

Volkswagen Financial Services' portfolio of services includes 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 brand, are coordinated by Volkswagen Financial Services AG. The principal companies in this division include Volkswagen Bank GmbH, Volkswagen Leasing GmbH and Volkswagen Versicherungsdienst GmbH in Europe and VW CREDIT, INC. in North America.

BUSINESS DEVELOPMENT

With its innovative products along the automotive value chain, Volkswagen Financial Services once again made a significant contribution to the Volkswagen Group's earnings and sales situation in fiscal year 2010.

53.7 %

INCREASE IN OPERATING PROFIT

The "Umwelt-Programm" (Environmental Program) fleet program, which Volkswagen Leasing GmbH initiated in cooperation with Naturschutzbund Deutschland (NABU – Nature and Biodiversity Conservation Union), combines intelligent economic and ecological aspects, allowing fleet operators to lease the most efficient and lowest-emission models available.

In September 2010, this innovative program received the "ÖkoGlobe 2010" international environmental award in the "Environmentally Compatible Fleet" category and, following its success in Germany, is to be used as a model for future international projects.

At the beginning of 2010, there was already another new development in the spotlight: since then, the Audi brand has offered the "Systematic Mobility" business customer program to self-employed people such as lawyers, physicians, or craftsmen. This allows these customers to include selected service components in their leasing package and to pay a fixed monthly fee that also covers costs of regular servicing, wear and tear, and vehicle roadworthiness tests.

In November 2010, following the success of the credit protection insurance in the previous year, Volkswagen Financial Services AG launched the Kreditschutz-briefPlus, which ensures continued mobility in the event of unemployment or inability to work. The comprehensive package is designed to meet the needs of customers who wish to financially secure their individual mobility.

Volkswagen Financial Services AG's Conference and Finance Center

Volkswagen Financial Services AG is continuing the systematic internationalization of its business activities. In July 2010, it established a subsidiary in South Korea, Volkswagen Financial Services Korea Co., Ltd. The new company will offer financial services for the Volkswagen Passenger Cars, Audi and Bentley brands. In August 2010, another subsidiary, Volkswagen Bank RUS, obtained a banking license from the Russian Central Bank. This company offers financial services for Volkswagen Passenger Cars, Audi, Škoda, SEAT and Volkswagen Commercial Vehicles brand dealerships.

Volkswagen Bank *direct* is also enjoying steady growth. Having been launched in 1990 as the first automotive direct bank, it is now one of the leading direct banks in Germany.

In 2010, Volkswagen Bank *direct* celebrated its 20th anniversary with approximately one million customers and €20 billion in deposits. This successful model is to be transferred to other markets in future.

Volkswagen Financial Services received a series of prominent awards in 2010 in addition to the ÖkoGlobe. For instance, Volkswagen Bank GmbH was voted "Best Brand" in the "Passenger Car Banks" category by readers of specialist journal "auto motor und sport" in March for the fourth consecutive year. Furthermore, Volkswagen Leasing GmbH won the "Flotten-Award" presented by specialist journal "Autoflotte" in the "Leasing and Fleet Management" category in April 2010 for the fifth consecutive year.

A total of 2.7 million new finance, leasing and insurance contracts were signed in fiscal year 2010, 7.6% higher than in 2009. The prior-year figures were adjusted to reflect the current definition. The number of contracts in the Customer Financing/Leasing area increased by 2.2% to 5.2 million as of December 31, 2010. The total number of contracts in the Service/Insurance area rose to 2.2 million, up 4.5% on the previous year. Financed or leased vehicles accounted for 34.9% (32.9%) of total Group delivery volumes based on unchanged credit criteria. Volkswagen Bank GmbH continued its positive performance in the direct banking business in 2010. The number of accounts managed by Volkswagen Bank *direct* was 1,380,164 at December 31, 2010, 2.0% higher than at the end of 2009.

In the fleet management business, the joint venture company LeasePlan Corporation N.V. recorded a total of 1.3 million vehicle contracts at the end of 2010; this was 1.2% fewer than on December 31, 2009.

At the close of the fiscal year, Volkswagen Financial Services employed a total of 7,741 people.

SALES REVENUE AND EARNINGS

Volkswagen Financial Services generated sales revenue of €13.6 billion in 2010; this is an increase of 16.5% on the previous year. Thanks to the improved economic conditions, operating profit increased to €932 million (€606 million). 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

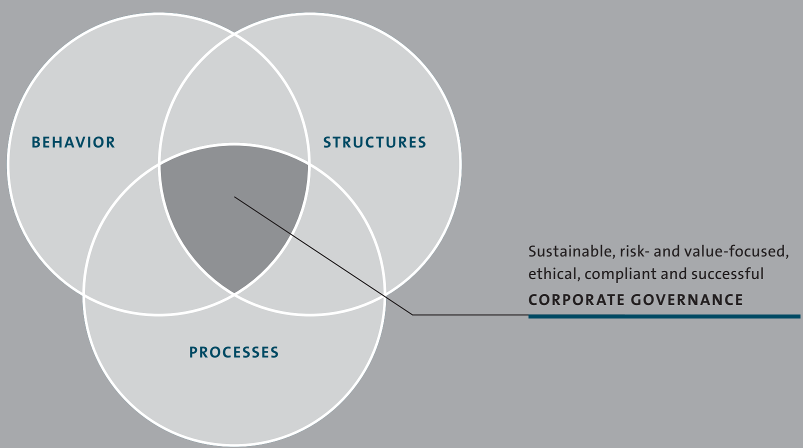
		2010	2009	%
Number of contracts	thousands	7,430	7,223	+ 2.9
Customer financing		3,660	3,567	+ 2.6
Leasing		1,524	1,508	+ 1.1
Service/Insurance		2,246	2,148	+ 4.5
Receivables from	€ million			
Customer financing		39,152	33,823	+ 15.8
Dealer financing		10,106	9,639	+ 4.8
Leasing agreements		13,764	14,069	– 2.2
Direct banking deposits	€ million	18,924	18,309	+ 3.4
Total equity and liabilities	€ million	83,764	76,431	+ 9.6
Equity	€ million	8,700	7,748	+ 12.3
Liabilities[1]	€ million	72,076	66,180	+ 8.9
Equity ratio	%	10.4	10.1	
Return on equity before tax[2]	%	13.3	8.5	
Leverage[3]		8.3	8.5	
Operating profit	€ million	932	606	+ 53.7
Profit before tax	€ million	1,096	673	+ 62.9
Employees at Dec. 31		7,741	7,717	+ 0.3

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

Corporate Governance

391

THE THREE LEVERS OF THE COMPLIANCE ORGANIZATION



The Volkswagen Group's consolidated financial statements include 391 companies. In accordance with the requirements of the German Corporate Governance Code, we ensure that the statutory requirements and the Company's internal policies are complied with and respected throughout the Group.

CORPORATE GOVERNANCE

Corporate Governance Report (Part of the Management Report)
Creating transparency, strengthening trust, adding value

Sustainably increasing the value of the Company is our most important task so as to safeguard the continued existence of the Volkswagen Group for the long term. The trust of our customers and investors is a fundamental condition. We gain 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.

RECOMMENDATIONS AND SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE GUIDE OUR CORPORATE GOVERNANCE

The German Corporate Governance Code contains recommendations and suggestions for good corporate governance. They have been prepared by the Government commission responsible on the basis of the main statutory provisions and nationally and internationally recognized standards of corporate governance. Moreover, the German Corporate Governance Code is continuously developed and updated. 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. We strengthen the trust of our customers and investors in our work and meet the steadily increasing demand for information of national and international stakeholders through responsible and transparent corporate governance.

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

The statutorily required annual declaration of conformity of the Board of Management and the Supervisory Board of Volkswagen AG with the German Corporate Governance Code as required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) was published on December 3, 2010. The Board of Management and Supervisory Board declare in this document that they complied on July 2, 2010 with the recommendations of the Government Commission on the German Corporate Governance Code as issued on June 18, 2009 until the release of the revised version on May 26, 2010, except for articles 3.8(2) (deductible under the D&O insurance), 4.2.3(3), sentences 2 and 3 (comparison parameters for variable compensation) and 4.2.3(4) (cap on severance payments). Since January 1, 2010, article 3.8(2) (deductible under the D&O insurance) has been complied with by entering into the scheduled new D&O insurance contract and article 4.2.3(3), sentences 2 and 3 (comparison parameters for variable compensation), has been complied with by implementing the Long-Term Incentive Program. Due to the legal protection granted to rights under existing contracts, the recommendation in article 4.2.3(4) (cap on severance payments) has been taken into account since November 20, 2009 only when entering into new Board of Management contracts.

From July 2, 2010 until the current declaration of conformity was issued on December 3, 2010, the Code as amended on May 26, 2010 was complied with, with the following two exceptions: due to the protection of rights under existing contracts, contracts entered into before November 20, 2009 do not include the cap on severance payments (article 4.2.3(4)). Article 5.4.1(2) (composition of the Supervisory Board) is a new addition; following the respective consultations and the definition of specific objectives at the Supervisory Board meeting on November 19, 2010, this recommendation has only been complied with since that date.

The Board of Management and Supervisory Board have moreover declared that they now comply with the recommendations of the German Corporate Governance Code as amended on May 26, 2010 without qualification except for article 4.2.3(4) (cap on severance payments). The cap on severance payments is taken into account when entering into new Board of Management contracts, but not when entering into contracts with members of the Board for their third term of office and beyond. Existing rights are protected in such cases.

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 on November 29, 2010, the Board of Management and Supervisory Board of AUDI AG declared that the recommendations of the Code as issued on June 18, 2009 until the release of the revised version on July 2, 2010 had largely been complied with. However, there were 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). 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 has been complied with for new contracts since that date. Due to the protection of existing rights, contracts entered into before that date remain unaffected by these new arrangements. Effective January 1, 2010, a deductible under the D&O insurance was included in the insurance contract in accordance with the recommendation in article 3.8, which means that this recommendation has also been complied with since that date. As a result of the new remuneration system for members of the Board of Management resolved on February 22, 2010 and approved by the 2010 Annual General Meeting in accordance with section 120(4) of the AktG, the recommendations in article 4.2.3 (comparison parameters for variable compensation) have been complied with since that date. Since the release of the revised version on May 26, 2010, the recommendations of the Code have been complied with, except that the Supervisory Board has not formed a Nomination Committee (article 5.3.3). The Board believes that such a committee will only increase the number of committees without noticeably improving the Supervisory Board's work. Members are not elected to the Supervisory Board on an individual basis (article 5.4.3, sentence 1). List-based elections are quite common in democratic voting processes. The recommendations in article 5.4.1 are new additions. Following consultations, the Supervisory Board defined specific objectives for its composition, which means that the recommendations in article 5.4.1 of the Code have been complied with since November 29, 2010. Details of the composition of the Supervisory Board of AUDI AG planned for the future are provided in the 2010 Annual Report of the Audi Group. The declaration of conformity is published at www.audi.com.

The following applies to AUDI AG with regard to the suggestions contained in the Code: with immediate effect, 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, 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.

COMPOSITION OF THE SUPERVISORY BOARD

In view of the purpose of the Company, its size and the proportion of 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 internationality criterion.
- Among the shareholder representatives, at least four members of the Supervisory Board should be persons who are neither consultants or members of executive 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 two objectives have already been met. Currently, only one of the employee representatives on the Supervisory Board is a woman. The age-related criterion for proposals for the election of shareholder representatives to the Supervisory Board will be taken into account.

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

DECLARATION OF CONFORMITY OF AUDI AG
www.audi.com

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The Board of Management has agreed the strategic orientation of the Volkswagen Group in close consultation with the Supervisory Board. 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 verbal and written reports on all relevant issues relating to planning, business development, the risk situation, risk management, including the internal control system, and compliance.

More information on the cooperation between the Board of Management and the Supervisory Board of Volkswagen AG and on the work and structure of the committees of the Supervisory Board can be found in the Report of the Supervisory Board on pages 16 to 21 of this Annual Report. Information on the membership of the Board of Management and Supervisory Board, as well as its committees, may be found on pages 141 to 144.

REMUNERATION REPORT

Extensive details of the remuneration of all members of the Board of Management and the Supervisory Board may be found in the Remuneration Report on pages 133 to 136 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 compliance strategy, which embraces a preventive approach.

In the course of 2010, the convergence of risk management, internal control systems and compliance resulted in the creation of the new Governance, Risk & Compliance division. Its head is also the Group Chief Compliance Officer of the Volkswagen Group; he reports directly to the Chairman of the Board of Management. His tasks include advising the Board of Management on all compliance issues as well as initiating, controlling and supervising preventive measures and ensuring that the rules are complied with.

To discharge Volkswagen’s global and local responsibility even more systematically, we have developed a Code of Conduct for Group-wide application. It forms the basis for our actions in day-to-day business and is gradually being integrated into existing processes. In 2010, the introduction of the Code of Conduct of the Volkswagen Group was one of the focal points of compliance work. The Code acts as a guiding principle for employees: it summarizes the key action principles in the Group and therefore helps them deal with the legal and ethical challenges they face in daily work situations. In the first step, the Chairman of the Board of Management informed all the Company’s managers of the importance of the Code of Conduct and called on them to lead by good example. In addition, all managers of Volkswagen AG were tasked with familiarizing their units with the issue. Furthermore, each employee received a copy of the “Code of Conduct of the Volkswagen Group” brochure. At the same time, the message was driven home in on-site seminars conducted by the Governance, Risk & Compliance division and by members of the compliance organization. In addition to these events, employees also receive information on compliance through the internal communication channels. German and English versions of the Code of Conduct can also be downloaded from the Internet and intranet. Moreover, Volkswagen employees have the option to contact the compliance organization via an internal e-mail address.

The continuous implementation of measures to prevent corruption was another focal point of compliance work in 2010. Since January 2006, Volkswagen AG has had a global anti-corruption system with independent lawyers as ombudsmen and an internal Anti-Corruption Officer. All of them are additional points of contact for persons wishing to provide information on suspected instances of corruption within the Group. In 2010, the ombudsmen passed on information provided by persons, whose details remained confidential, to Volkswagen AG’s internal Anti-Corruption Officer in 34 cases. All information is followed up.

In addition, to prevent conflicts of interest and corruption, Volkswagen has since 2009 used an online learning program to provide targeted information to employees. Initially, the program was addressed to senior managers of Volkswagen AG. Since then, the program has been rolled out to other groups of employees of Volkswagen AG and other Group companies. In addition, target-group-specific attendance seminars on anti-corruption are organized.

The existing compliance expertise in our corporate units is pooled in a Core Compliance Team. A global network of compliance officers and representatives is gradually being established to support the other Group companies, locations and business units in promoting and ensuring compliance.

Every year, relevant current compliance issues are discussed at all levels within the Group and new compliance programs are developed. In 2011, providing training and information to employees will again be a key component of preventive compliance measures at Volkswagen. We will continue to expand our compliance organization with undiminished commitment.

RISK MANAGEMENT

In our daily work, we focus on carefully managing potential risks to the Company. To this end, we have 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. We provide extensive details of how the system works in the Risk Report on pages 205 to 206, where you will also find a description of our accounting-related internal control system.

The Supervisory Board has established an Audit Committee, which deals in particular with accounting issues, risk management, 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. On this website, we also publish the invitation to and the agenda for the shareholders' meetings and any countermotions received. 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, our shareholders can follow the meeting on the Internet for the entire duration.

The Company's ad hoc releases are also published without delay on our website at www.volkswagenag.com/ir under the heading "Mandatory Publications", menu item "Ad-hoc releases". Further news and information about the Volkswagen Group can also be accessed on this website. All releases and other information are published in both English and German.

A detailed list of all communications published in 2010 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 141 to 144 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 with 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 2010 (PRIOR-YEAR FIGURES IN BRACKETS)[1]

€	REMUNERATION Fixed	Bonus	LTI	Total	PENSIONS Additions to pension provisions	Present value at December 31[2]
Martin Winterkorn	1,730,210 (1,700,317)	4,800,000 (4,900,000)	2,800,000 (–)	9,330,210 (6,600,317)	900,970 (1,329,956)	17,857,178 (16,684,628)
Francisco Javier Garcia Sanz	1,109,693 (1,090,031)	2,250,000 (1,900,000)	1,250,000 (–)	4,609,693 (2,990,031)	633,839 (539,707)	6,840,953 (5,532,484)
Jochem Heizmann	969,155 (930,670)	2,000,000 (1,900,000)	1,250,000 (–)	4,219,155 (2,830,670)	1,007,244 (862,293)	7,559,496 (6,052,193)
Christian Klingler	888,407 (–)	2,250,000 (–)	1,250,000 (–)	4,388,407 (–)	– (–)	856,479 (–)
Michael Macht	215,625 (–)	500,000 (–)	312,500 (–)	1,028,125 (–)	– (–)	5,195,764 (–)
Horst Neumann	998,077 (952,614)	2,250,000 (1,900,000)	1,250,000 (–)	4,498,077 (2,852,614)	1,781,918 (1,080,980)	11,735,728 (9,028,101)
Hans Dieter Pötsch	962,902 (950,285)	2,000,000 (2,500,000)	1,250,000 (–)	4,212,902 (3,450,285)	1,287,865 (1,095,082)	8,382,115 (6,508,356)
Rupert Stadler	885,408 (–)	2,250,000 (–)	1,250,000 (–)	4,385,408 (–)	– (–)	5,397,137 (–)
Total	**7,759,479** (5,623,917)	**18,300,000** (13,100,000)	**10,612,500** (–)	**36,671,979** (18,723,917)	**5,611,836** (4,908,018)	**63,824,850** (43,805,762)

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 28 to the consolidated financial statements).

In fiscal year 2010, the members of the Board of Management received fixed remuneration totaling €7,759,479 (previous year: €5,623,917). 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 specific target areas are as follows:

- 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 last 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”).

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

The indices on customer satisfaction, employees and unit sales are aggregated and the result is multiplied by the Return Index, which is derived from the return on sales and the dividend per ordinary share. This 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 will be calculated and paid on a provisional basis to the Board of Management for the first time in 2011 for fiscal year 2010 using an introductory scenario and on the basis of the likely performance for 2011. The performance for fiscal years 2010 and 2011 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 past 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 2010.

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 133. 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 and Mr. Macht have a retirement pension entitlement of 70%, Mr. Heizmann of 68%, Mr. Neumann and Mr. Pötsch of 66%, and Mr. Klingler and Mr. Stadler of 52% of their fixed basic salaries as of the end of 2010.

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, 2010 the pension obligations for members of the Board of Management in accordance with IAS 19 amounted to €63,824,850 (previous year: €43,805,762); €5,611,836 (previous year: €4,908,018) 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 €61,157,564 (previous year: €30,043,464); €24,804,582 (previous year: €6,807,462) 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 €8,562,867 in 2010 (previous year: €8,252,535). Obligations for pensions for this group of persons measured in accordance with German GAAP amounted to €107,392,431 (previous year: €86,581,736), or €109,898,944 (previous year: €106,679,193) measured in accordance with IAS 19.

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.

SUPERVISORY BOARD REMUNERATION

Under Article 17 of the Volkswagen AG 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 Board 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 2010, the members of the Supervisory Board received €5,348,561 (previous year: €4,011,902). €360,042 of this figure (previous year: €416,100) related to the fixed remuneration components (including attendance fees) and €4,988,520 (previous year: €3,595,802) to the variable remuneration components.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD[1]

€	FIXED	VARIABLE	TOTAL 2010	TOTAL 2009
Ferdinand K. Piëch	39,500	553,300	592,800	427,861[2]
Berthold Huber[3] (since May 25, 2010)	29,350	249,435	278,785	70,400
Hussain Ali Al-Abdulla (since April 22, 2010)	8,142	117,922	126,064	–
Jörg Bode[4] (since November 4, 2009)	12,867	195,509	208,376	25,082
Michael Frenzel	14,250	234,896	249,146	199,250
Babette Fröhlich[3]	15,000	256,250	271,250	200,250
Hans Michael Gaul	15,000	256,250	271,250	200,250
Jürgen Großmann	10,000	170,833	180,833	134,833
Peter Jacobs[3]	12,000	170,833	182,833	136,833
David McAllister[4] (since July 1, 2010)	6,467	127,176	133,643	–
Hartmut Meine[3]	12,000	170,833	182,833	136,833
Peter Mosch[3]	26,500	211,633	238,133	190,133[2]
Roland Oetker (until April 22, 2010)	5,717	105,822	111,538	263,667
Bernd Osterloh[3]	15,000	256,250	271,250	200,250
Jürgen Peters[3] (until April 30, 2010)	7,000	113,889	120,889	263,667
Hans Michel Piëch (since August 7, 2009)	23,000	198,033	221,033	62,036[2]
Ferdinand Oliver Porsche (since August 7, 2009)	33,500	382,467	415,967	102,512[2]
Wolfgang Porsche	15,000	256,250	271,250	161,319
Wolfgang Ritmeier	13,383	210,220	223,603	200,250
Heinrich Söfjer[3] (until May 15, 2010)	5,242	63,825	69,067	136,833
Jürgen Stumpf[3]	11,867	195,509	207,376	134,833
Bernd Wehlauer[3]	14,000	256,250	270,250	200,250
Christian Wulff (until June 30, 2010)[4]	8,500	128,125	136,625	200,250
Thomas Zwiebler[3] (since May 15, 2010)	6,758	107,008	113,766	–
Supervisory Board members who retired in the prior year				364,310
Total	**360,042**	**4,988,520**	**5,348,561**	**4,011,902[2]**

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 Adjusted.
3 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).
4 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 2010 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 commercial vehicles. In its function as parent company, Volkswagen AG holds direct and indirect interests in AUDI AG, Scania AB, SEAT S.A., ŠKODA AUTO a.s., Volkswagen Financial Services AG and numerous other companies in Germany and abroad. An overview of the significant Group companies can be found in the notes to the consolidated financial statements on pages 322 to 324. 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'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 133 to 136 and in the notes to the consolidated financial statements of Volkswagen AG on page 321.

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 – in accordance with the applicable legal framework. 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

On July 27, 2010, Automobili Lamborghini Holding S.p.A. acquired a 90.1% interest in the renowned design and development services provider Italdesign Giugiaro S.p.A. in Turin, Italy. The Giugiaro family continues to hold the remaining shares. The company has been making a significant contribution to the design of several Volkswagen Group brands for many years.

On January 15, 2010, Volkswagen acquired a 19.9% interest in Suzuki on the basis of the long-term strategic partnership with Suzuki that was agreed on December 9, 2009.

Volkswagen Osnabrück GmbH, a direct subsidiary of Volkswagen AG, purchased land and buildings at the Osnabrück site from Wilhelm Karmann GmbH & Co KG in 2010. A new vehicle project is to be implemented with this company in 2011.

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, 2010, the share capital of Volkswagen AG amounted to €1,190,882,163.20 (previous year: €1,024,623,813.12); it was composed of 295,045,567 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 shareholders' right to participate in profits (section 58(4) of the Aktiengesetz (AktG – German Stock Corporation Act)), 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). 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 premature removal of Supervisory Board members 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 requirements (section 4(3) of the VW-Gesetz).

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).

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 313 to 320 of this Annual Report

By reference to its voting rights notification in accordance with section 21(1) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) dated December 18, 2009, Qatar sent Volkswagen AG a notification in January 2010 in accordance with section 27a(1) sentence 1 of the WpHG in relation to the aims underlying the purchase of the voting rights and the source of the funds used. This notification was published on January 25, 2010 and can be accessed at www.volkswagenag.com/ir.

Porsche Wolfgang 1. Beteiligungs GmbH & Co. KG, Stuttgart, notified us on October 5, 2010 of its voting rights in accordance with section 21(1) of the WpHG and on October 27, 2010 of its aims underlying the purchase of the voting rights in accordance with section 27a(1) sentence 1 of the WpHG. We published these notifications on October 8 and 29, 2010 respectively. They can both be accessed at www.volkswagenag.com/ir.

Composition of the Supervisory Board

The Supervisory Board consists of 20 members, half of whom are shareholder representatives. The State of Lower Saxony is entitled to appoint two shareholder representatives for as long as it directly or indirectly holds at least 15 percent 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.

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 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, and Article 25(2) of the Articles of Association, Annual General Meeting resolutions to amend the Articles of Association require a majority of more than four-fifths of the share capital represented.

Powers of the Board of Management, in particular concerning the issue of new shares and the repurchase of treasury shares

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

The Extraordinary General Meeting on December 3, 2009, 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 €345.6 million (135 million new non-voting preferred bearer shares) on one or more occasions up to December 2, 2014. Two actions for avoidance and annulment were filed against this resolution. On the basis of the corresponding clearance ruling by the Braunschweig Higher Regional Court dated March 12, 2010, approximately 65 million new preferred shares were issued in March/April 2010, reducing the above-mentioned authorized capital to approximately €179.4 million. Both actions were withdrawn on November 30, 2010. 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 277.

Opportunities to acquire treasury shares are governed by section 71 of the AktG. At the Annual General Meeting on April 23, 2009, the Board of Management was most recently authorized to acquire treasury shares. This authorization applied until October 23, 2010 but was not exercised.

Material agreements of the parent company in the event of a change of control following a takeover bid

A banking syndicate has granted Volkswagen AG a syndicated credit line amounting to €7.8 billion until June 2012. The syndicate members have the right to require the return of their portion of the credit line in the event that Porsche Automobil Holding SE enters into a control and profit transfer agreement with Volkswagen AG.

Restrictions on the transfer of shares

To the Board of Management's knowledge, there was a restriction on the transfer of Volkswagen AG shares in the amount of 17.0% of Volkswagen AG's voting share capital for approximately the first eight months of 2010 by virtue of an agreement between shareholders of Volkswagen AG.

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, 2010

**PROF. DR. RER. NAT.
MARTIN WINTERKORN (63)**
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
⊙ Porsche Ges.m.b.H., Salzburg
⊙ Porsche Holding GmbH, Salzburg

**DR. RER. POL. H.C.
FRANCISCO JAVIER
GARCIA SANZ (53)**
Procurement
July 1, 2001*

**PROF. DR. RER. POL.
JOCHEM HEIZMANN (59)**
Commercial Vehicles
January 11, 2007*
Appointments:
○ Lufthansa Technik AG, Hamburg

CHRISTIAN KLINGLER (42)
Sales and Marketing
January 1, 2010*

DR.-ING E.H. MICHAEL MACHT (50)
Production
October 1, 2010*

**PROF. DR. RER. POL.
HORST NEUMANN (61)**
Human Resources and Organization
December 1, 2005*
Appointments:
○ Wolfsburg AG, Wolfsburg

HANS DIETER PÖTSCH (59)
Finance and Controlling
January 1, 2003*
Chief Financial Officer of
Porsche Automobil Holding SE
November 25, 2009*
Appointments:
⊙ Porsche Ges.m.b.H., Salzburg
⊙ Porsche Holding GmbH, Salzburg

RUPERT STADLER (47)
Chairman of the Board of Management of
AUDI AG
January 1, 2010*

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, 2010

**HON.-PROF. DR. TECHN. H.C.
DIPL.-LNG. ETH
FERDINAND K. PIËCH (73)**
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 Austria Ges.m.b.H., Salzburg
⊙ Porsche Ges.m.b.H., Salzburg
⊙ Porsche Holding GmbH, Salzburg
⊙ Porsche Retail GmbH, 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 (79)
July 2, 1987 – May 3, 2006*
Honorary Chairman of the Supervisory Board
of Volkswagen AG (since May 3, 2006)

DR. HUSSAIN ALI AL-ABDULLA (54)
Vice Chairman of Qatar Holding
April 22, 2010*
Appointments:
⊙ Qatar Investment Authority, Doha
⊙ Qatar Holding, Doha (Deputy Chairman)
⊙ Masraf Al Rayan, Doha (Chairman)
⊙ Qatar Exchange, Doha (Chairman)
⊙ Qatar Financial Centre, Doha
⊙ Qatar Airways, Doha
⊙ Gulf Investment Corporation, Safat/Kuwait

JÖRG BODE (40)
Minister of Economic Affairs, Labor and
Transport for the Federal State of Lower
Saxony
November 4, 2009*
Appointments:
○ Deutsche Messe AG, Hanover

DR. JUR. MICHAEL FRENZEL (63)
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 (45)
IG Metall,
Head of Strategic Planning
October 25, 2007*
Appointments:
○ MTU Aero Engines Holding AG, Munich

DR. JUR. HANS MICHAEL GAUL (68)
June 19, 1997*
Appointments:
○ Evonik Industries AG, Essen
○ EWE AG, Oldenburg
○ HSBC Trinkaus & Burkhardt AG, Düsseldorf
○ IVG Immobilien AG, Bonn
○ Siemens AG, Munich
○ VNG – Verbundnetz Gas AG, Leipzig

DR. ING. JÜRGEN GROSSMANN (58)
Chairman of the Board of Management
of RWE AG;
Partner, Georgsmarienhütte Holding GmbH
May 3, 2006*
Appointments:
○ BATIG Gesellschaft für Beteiligungen mbH, Hamburg
○ British American Tobacco (Germany) GmbH, Hamburg
○ British American Tobacco (Industrie) GmbH, Hamburg
○ Deutsche Bahn AG, Berlin
○ SURTECO SE, Buttenwiesen-Pfaffenhofen (Chairman)
⊙ Hanover Acceptances Limited, London

○ 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 (53)
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 (40)
Minister-President of the Federal State of Lower Saxony
July 1, 2010*

HARTMUT MEINE (58)
Director of the Lower Saxony and Saxony-Anhalt Regional Office of IG Metall
December 30, 2008*
Appointments:
- ○ Continental AG, Hanover
- ○ KME AG, Osnabrück

PETER MOSCH (39)
Chairman of the General Works Council of AUDI AG
January 18, 2006*
Appointments:
- ○ AUDI AG, Ingolstadt
- ○ Porsche Automobil Holding SE, Stuttgart

ROLAND OETKER (61)
June 19, 1997 – April 22, 2010*

BERND OSTERLOH (54)
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
- ⊙ Auto 5000 GmbH, Wolfsburg
- ⊙ Projekt Region Braunschweig GmbH, Braunschweig
- ⊙ VfL Wolfsburg-Fußball GmbH, Wolfsburg
- ⊙ Volkswagen Coaching GmbH, Wolfsburg

JÜRGEN PETERS (66)
November 1, 2003 – May 1, 2010*

DR. JUR. HANS MICHEL PIËCH (69)
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 Austria Ges.m.b.H., Salzburg (Chairman)
- ⊙ Porsche Bank AG, Salzburg
- ⊙ Porsche Cars Great Britain Ltd., Reading
- ⊙ Porsche Cars North America Inc., Wilmington
- ⊙ Porsche Ges.m.b.H., Salzburg (Chairman)
- ⊙ Porsche Holding GmbH, Salzburg (Chairman)
- ⊙ Porsche Ibérica S.A., Madrid
- ⊙ Porsche Italia S.p.A., Padua
- ⊙ Porsche Retail GmbH, Salzburg (Chairman)
- ⊙ Schmittenhöhebahn AG, Zell am See
- ⊙ Volksoper Wien GmbH, Vienna

DR. JUR. FERDINAND OLIVER PORSCHE (49)
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
- ○ Voith AG, Heidenheim
- ⊙ Eterna S.A., Grenchen
- ⊙ PGA S.A., Paris
- ⊙ Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Bietigheim-Bissingen

DR. RER. COMM. WOLFGANG PORSCHE (67)
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)
- ⊙ Eterna S.A., Grenchen (Chairman)
- ⊙ Familie Porsche AG Beteiligungsgesellschaft, Salzburg (Chairman)
- ⊙ Porsche Austria Ges.m.b.H., Salzburg (Deputy Chairman)
- ⊙ Porsche Bank AG, Salzburg (Deputy Chairman)
- ⊙ Porsche Cars Great Britain Ltd., Reading
- ⊙ Porsche Cars North America Inc., Wilmington
- ⊙ Porsche Ges.m.b.H., Salzburg (Deputy Chairman)
- ⊙ Porsche Holding GmbH, Salzburg (Deputy Chairman)
- ⊙ Porsche Ibérica S.A., Madrid
- ⊙ Porsche Italia S.p.A., Padua
- ⊙ Porsche Retail GmbH, Salzburg (Deputy Chairman)
- ⊙ Schmittenhöhebahn AG, Zell am See

WOLFGANG RITMEIER (62)
Chairman of the Board of Management of
Volkswagen Management Association (VMA)
April 19, 2007*
Appointments:
⊙ Volkswagen Pension Trust e.V.,
Wolfsburg

HEINRICH SÖFJER (59)
August 3, 2007 – May 15, 2010*

JÜRGEN STUMPF (56)
Chairman of the Works Council
at the Volkswagen AG Kassel plant
January 1, 2005*

BERND WEHLAUER (56)
Deputy Chairman of the General and Group
Works Councils of Volkswagen AG
September 1, 2005*
Appointments:
○ Wolfsburg AG, Wolfsburg
⊙ Volkswagen Immobilien GmbH
⊙ Volkswagen Pension Trust e.V.,
Wolfsburg

CHRISTIAN WULFF (51)
April 8, 2003 – June 30, 2010*

THOMAS ZWIEBLER (45)
Chairman of the Works Council
Volkswagen Commercial Vehicles
May 15, 2010*

COMMITTEES OF THE SUPERVISORY BOARD
As of December 31, 2010

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. Hans Michael Gaul

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

Members of the Shareholder Business Relationships Committee
(until June 16, 2010)
Roland Oetker (Chairman)
Wolfgang Ritmeier (Deputy Chairman)
Dr. jur. Michael Frenzel
Bernd Wehlauer

Members of the Committee for Special Business Relationships
(until June 16, 2010)
Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH
Ferdinand K. Piëch (Chairman)
Jürgen Peters (Deputy Chairman
until May 1, 2010)
Bernd Osterloh
Dr. Wolfgang Porsche
Bernd Wehlauer
Christian Wulff

Members of the Committee for Major Shareholder Business Relationships
(since September 17, 2010)
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

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

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

Management Report

7.2

PASSENGER CAR DELIVERIES IN KEY MARKETS COMPARED WITH 2009 as percent

1 Overall market includes passenger cars and light trucks.

Volkswagen Group Total passenger car market

In the past fiscal year, both the global economy as a whole and the automotive industry largely recovered from the consequences of the financial and economic crisis. The Volkswagen Group took advantage of this development to further strengthen its market position: deliveries rose to 7.2 million vehicles, thereby pushing through the seven million mark for the first time.

MANAGEMENT REPORT

Business Development
Number of vehicles delivered exceeds 7 million for the first time

In the past fiscal year, both the global economy as a whole and the automotive industry largely recovered from the consequences of the financial and economic crisis. The Volkswagen Group took advantage of this development to further strengthen its market position: vehicle deliveries rose by 13.7% year-on-year, pushing through the seven million mark for the first time.

RECOVERY OF THE GLOBAL ECONOMY CONTINUES

In 2010, the global economy recovered faster than expected from the significant slump suffered in the previous year. Despite the expiry of government economic stimulus programs in many countries, the continued expansionary monetary policy and the rapid recovery in emerging economies led to above-average growth of the global economy. Although commodity and oil prices rose significantly, inflation rates in most countries remained relatively low. Global trade resumed its double-digit growth, benefiting in particular high-export countries such as Germany. Overall, the global economy expanded by around 4.1%, following a contraction of 1.9% in the previous year.

North America

After a decline of 2.6% in economic output in 2009, the US economy recorded growth of 2.9% in the reporting period. The high unemployment rate fell only slightly, in spite of the government's extremely expansionary monetary policy. After reaching its high for the year in June, the US dollar once again lost considerable ground against the euro. Canada's gross domestic product (GDP) rose by 2.9% (previous year: –2.5%); Mexico's economy grew by 5.4% (previous year: –6.1%).

South America

With a growth rate of 7.5% (previous year: –0.6%) in Brazil and 8.3% (previous year: 0.9%) in Argentina, South America's major economies experienced a very dynamic recovery. While Brazil's average inflation rate was similar to the previous year's, inflation accelerated considerably in Argentina.

Asia-Pacific

As in 2009, Asia's emerging economies were again the world's fastest growing in 2010, even though the rate of expansion slowed slightly toward the end of the year. Chinese gross domestic product rose 10.3% (previous year: 9.2%), again exceeding the previous year's growth rate. Following the sharp 6.3% decline in GDP in 2009, Japan's economy grew by 4.3% in 2010, although the deflationary trends persisted. The Indian economy expanded by a rapid 8.5% (previous year: 6.5%).

Europe/Remaining markets

Although Western Europe recorded only modest GDP growth of 1.8% (previous year: –4.1%), the rate was higher than had been expected at the beginning of the year. The average unemployment rate in the euro zone rose from 9.4% in 2009 to 10.0% in the reporting period. Average GDP growth in Central and Eastern Europe was 4.1% (previous year: –5.5%), but GDP growth trends varied widely in the different countries.

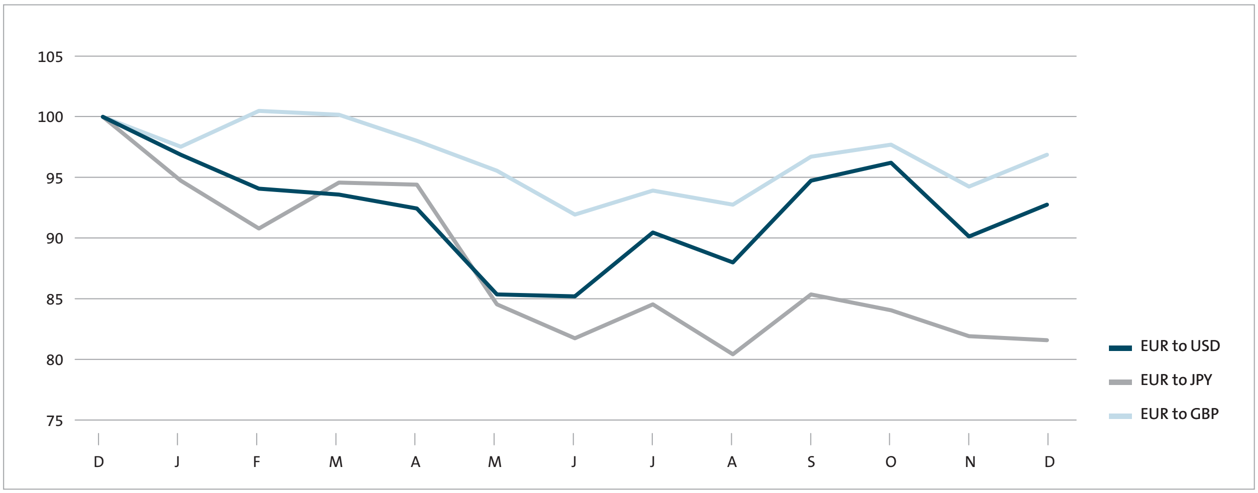
With a growth rate of 2.7% (previous year: –1.7%), South Africa emerged from its recession sooner than expected, even though the significant appreciation of the rand even had a curbing effect on this trend.

Germany

Thanks to its strong export performance, Germany achieved growth of 3.6% (previous year: –4.7%) in the period, one of the highest GDP growth rates among the major industrialized nations. In the second half of the year, significantly lower unemployment as well as positive income trends stimulated private consumption.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2009 TO DECEMBER 2010

Index based on month-end prices: December 31, 2009 = 100



GLOBAL AUTOMOTIVE INDUSTRY PERFORMS BETTER THAN EXPECTED

In 2010, global passenger car sales rose by 11.4% to 58.7 million vehicles. Having achieved the second best sales volume of all times, the industry only narrowly missed the record level of the pre-crisis year 2007. The Asia-Pacific region proved to be the most important growth driver, in particular because the number of new passenger car registrations rose faster than average in China. North and South America also reported significantly stronger demand than in the previous year. However, sales of new cars declined in the European market. Although the Central and Eastern Europe region saw an increase in new passenger car registrations, especially because of rapid growth in Russia, Western Europe fell far short of the previous year's result. One of the reasons is the strong decline in demand for passenger cars in Germany after the scrapping premium expired. The South African automotive market returned to growth following three years of contraction.

Sector specific environment

The established markets were heavily influenced by government economic stimulus programs in 2010. The shift in demand toward small vehicles triggered by these programs was reversed when the premiums ended. Catch-up purchases resulting from delayed purchase decisions contributed to a rise in the Volkswagen Group's sales and resulted in a gain in market shares. Government incentives significantly reduced the risk of major declines in individual markets. The weakening of the euro in 2010 improved export prospects into countries outside the euro zone. The systematic development of the major markets in China and Brazil, the expansion of activities in India and the ability to meet demand in Russia, which is back on a growth path, are becoming increasingly significant factors for the automotive industry.

Asia, Africa and Latin America are showing signs of further easing in free trade. By adopting active manufacturer and dealership risk management and closely cooperating with financial service providers, we succeeded in overcoming the impact of the global economic crisis.

North America

In the North American market, demand for passenger cars and light commercial vehicles (up to 6.35 tonnes) in fiscal year 2010 was 10.4% higher than in the previous year, although buyer interest had been very depressed in that year. Demand for automobiles was revived in particular by the economic recovery in the USA. The year-on-year increases recorded by the automotive industry in the US market were attributable to both passenger car sales (+5.2% to 6.0 million units) and light commercial vehicle sales (+18.2% to 5.6 million units). Nevertheless, new registrations reached their second-lowest level in 28 years. In Canada, the reporting period's sales volume rose by 6.6% to 1.6 million vehicles. Sales figures in the Mexican market also rose by 8.7% year-on-year to 0.8 million units.

ECONOMIC GROWTH
Percentage change in GDP

South America
In South America's automotive markets, vehicle sales rose in 2010 compared with the previous year and even exceeded the previous record dating from 2008. Likewise, sales in Brazil reached a new high in 2010. The main reason for this positive development was the government's economic stimulus program, which drove the 10.6% increase in new registrations to 3.3 million passenger cars and light commercial vehicles. At 767 thousand units, Brazil's vehicle exports recorded their first year-on-year increase (+61.4%) since 2005. The Argentinian passenger car market also benefited from the good performance of the automotive industry in South America: passenger car sales increased significantly, by 27.6%, to 483 thousand vehicles in 2010, thus exceeding the previous record achieved in 2008.

Asia-Pacific
Asia-Pacific was by far the fastest-growing region in the past fiscal year. The Chinese passenger car market achieved the highest absolute increase in sales for the ninth year in succession. A rise of 3.0 million to 11.5 million vehicles (+35.1%) represents another significant increase in the number of new passenger car registrations. Domestic sales benefited above all from government incentives. In Japan, new passenger car registrations in the reporting period amounted to 4.2 million vehicles, an increase of 7.4% compared with the very low level of the previous year. The downward trend of the previous years has thus been halted. Tax breaks and scrapping premiums buoyed Japan's new vehicles business until September 2010. The Indian passenger car market achieved high double-digit growth rates in the reporting period: sales increased by 29.8% year-on-year to 2.2 million units. Higher income levels and an expanded model range – especially in the mini and small car segment – fueled the upturn.

Europe/Remaining markets
In Western Europe, demand for passenger cars declined as expected in 2010, falling by 5.1% to 13.0 million vehicles. The sharp declines, especially in the second half of the year, resulted mainly from the expiry of government economic stimulus programs. In 2009, these programs had encouraged customers in most Western European countries to bring forward their purchases. Among the high-volume markets, only the UK (+1.8%) and Spain (+3.0%) recorded moderate increases; by contrast, the industry contracted in France (–2.6%), Italy (–9.2%) and above all Germany (–23.4%). The market share of diesel vehicles in Western Europe rose again significantly year-on-year in 2010, but at approximately 52.0% (previous year: 46.0%) this was still short of the previous high of 53.3% reached in 2007.

In the Central and Eastern Europe region, new passenger car registrations recovered only modestly from the sharp fall in demand in 2009; although the market as a whole expanded, this was almost exclusively due to the rebound in the Russian automotive market. In the past fiscal year, passenger car sales increased here by 29.0% to 1.8 million units. The increase is above all due to an ongoing government incentive program, which provides subsidies and favorable loans when buying a new vehicle manufactured in Russia. Fewer passenger cars were sold in 2010 than in 2009 in the Central European EU member states. Declines were recorded in the markets in Hungary (–32.4%), Romania (–17.0%) and Slovakia (–14.3%), but there were increases in Poland (+1.8%) and the Czech Republic (+0.7%). In Turkey, passenger car sales exceeded the previous year's figure by 37.8%.

With an increase of 29.8% to 335 thousand units, demand for passenger cars in the South African market expanded for the first time in four years, due to improved financing conditions among other factors.

Germany

New passenger car registrations in Germany fell by 23.4% in fiscal year 2010 to 2.9 million vehicles. The main reason for this sharp decline to the lowest combined market level since German reunification was that purchases had been brought forward as a result of the scrapping premium offered in 2009. The German commercial vehicle market recovered, however: with 282 thousand newly registered vehicles, the previous year's poor result was exceeded by 16.5%. Sales of trucks with a gross weight of up to 6 tonnes rose by 16.3% to 197 thousand units. Driven in particular by strong demand from abroad, German manufacturers increased the production of passenger cars and commercial vehicles at their German plants by 13.4% to 5.9 million units; this also resulted in an above-average increase in exports by 25.0% to 4.5 million vehicles.

SIGNIFICANT INCREASE IN DEMAND FOR HEAVY TRUCKS

After the collapse in sales in the crisis year of 2009, demand for heavy trucks with a gross vehicle weight in excess of 15 tonnes increased – with varying growth rates – in all the regions of the world in the past fiscal year. While the large sales markets of China, India and Brazil even reported new records, the markets in Western Europe, the USA and Japan remained well down on pre-crisis levels. Global sales of trucks rose by 51.0% to a total of 1.8 million vehicles.

Although the market decline that had persisted in the USA since 2007 was halted, the 13.0% increase to 107 thousand units compared with the previous period's historic low does not yet signal a lasting recovery.

In the Brazilian market, increased investment activity and the government's incentive programs drove sales up by 52.2% to 102 thousand vehicles in 2010.

In China the strong growth of the past few years continued undiminished. With an increase of 68.6% to 1.0 million units, more than half of global sales of heavy trucks were generated in China. In India, by now the world's second largest market for heavy trucks, the growth in industrial production led to a 96.7% increase in sales to 173 thousand vehicles. In Japan, government incentives drove up new registrations by 33.2% to 25 thousand units.

In Western Europe, demand for heavy trucks recovered from the poor prior-year level: new registrations increased by 0.9% to 153 thousand vehicles in 2010. In Central and Eastern Europe, sales increased by 17.8% to 69 thousand units from an extremely low base in the previous year.

DEMAND FOR FINANCIAL SERVICES

Demand for automobile-related financial services developed unevenly in the individual global markets in the reporting period. Developments in the emerging markets offer excellent growth opportunities for automotive financial services. The positive market trend in China highlights this prospect. There is potential to acquire new customers for automobile financing, as at the moment only around 10% of vehicle purchases are loan-financed.

In the USA, the market for financial services grew due to increasing demand for leasing and loan offerings, while there was a recovery in the residual values of used cars. In Brazil, the market for financial services is well developed. In addition, tax breaks in 2010, mainly resulting from the incentive program from the National Bank for Economic and Social Development, which was newly launched in July 2010, were the main factor leading to increased business volume. In Mexico on the other hand, development of vehicle finance saw an overall decline. Many financial services providers associated with manufacturers recorded a decline in their penetration rates.

Demand for financial services is expected to continue to rise in India. In Japan, sales of new financial services products continued to increase.

In Europe, demand for automotive financial services grew extremely positively in 2010, despite the expiry of government economic stimulus programs. This is mainly due to a backlog in demand in the business segment.

After the scrapping premium had driven up growth in automobile sales and thus in vehicle financing in Germany in 2009, demand among private customers declined overall in 2010. By contrast, automotive financial services providers benefited from the increased recovery in the business fleet business over the course of the year. The leasing industry recorded growth again in Germany in 2010. In addition to the positive development in commercial vehicle leases, the increased volume of passenger car leases was a contributing factor.

VOLKSWAGEN GROUP DELIVERIES BY MONTH

Vehicles in thousands

NEW GROUP MODELS IN 2010

In the past fiscal year, the Volkswagen Group continued to revamp and selectively expand its model portfolio in important segments; it comprises around 200 passenger car and commercial vehicle models and their derivatives. The Group thus covers almost all key segments and body types: 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 successively move into open market segments that offer profitable opportunities for us.

The Volkswagen Passenger Cars brand unveiled the new generations of the Touareg, Phaeton, Touran and Sharan in 2010. The range of environmentally friendly vehicles was also expanded with additional versions, such as the Polo BlueMotion* and the Touareg Hybrid*. In addition, powerful versions such as the Polo GTI* and derivatives such as the Cross Polo and Cross Golf were successfully launched in the market. In the fall, the new Passat rounded off the Volkswagen Passenger Cars brand model rollout.

The Audi brand again met its own high standards in 2010. Sporting and technically superior vehicles made their market debut in the form of the Audi S5 Sportback, the Audi RS5 Coupé*, the Audi A7 Sportback, the Audi A8 as well as the 4.2 FSI quattro Spyder* and 5.2 FSI quattro Spyder* versions of the Audi R8. Another noteworthy addition is the Audi A1, which marks the brand's move into a new vehicle class. The compact Audi A1 accommodates all the strengths of the brand in a vehicle that is only 3.95 meters long: progressive design, superior quality and groundbreaking efficiency.

At the beginning of 2010, Škoda launched the Superb Combi, a vehicle with smart details and an impressively spacious loading area. Other brand highlights included above all the product enhancements to the Fabia and Roomster series and the introduction of the new Fabia Combi RS*. The second-generation GreenLine versions are now available in all series, once again underscoring the brand's commitment to sustainability.

The Ibiza ST, which was launched in the reporting period, complements the most successful series of our Spanish SEAT brand. This estate is the perfect vehicle for a young and sporty lifestyle, because it combines all the strong features of the brand: emotional and attractive design, dynamics and efficiency. In addition, the brand launched the new Alhambra, a vehicle that is both intelligent and versatile, making it the perfect companion for active, sporty people. It also provides plenty of space and flexibility so it can be used for work, family life and leisure.

A whole host of fascinating new models and derivatives was also launched by the Group's luxury brands in 2010. Bentley expanded its model range by adding the Continental Supersports Convertible* – the fastest and most powerful convertible Bentley produced to date – and the brand's new flagship, the exclusive Mulsanne*.

* Consumption and emission data can be found on page 328 of this Report.

Lamborghini launched the Gallardo Superleggera* the impressive new top model of the Gallardo series. Bugatti highlighted its unique position by launching the Veyron Super Sport*, which set a new speed record for series vehicles in the reporting period.

Volkswagen Commercial Vehicles unveiled the completely redesigned Caddy in 2010 and entered the pickup segment by rolling out the new Amarok. This Amarok sets new standards in its class by combining the robustness typical for the segment with innovative technology, high safety standards and top marks for consumption, comfort and ergonomics.

In the past fiscal year, Scania presented the new V8 – the world's most powerful truck. The introduction of the new V8 series gives Scania the technical solutions and the engine platform required to meet the Euro-6 emissions standard coming into force at the end of 2013.

PASSENGER CAR DELIVERIES WORLDWIDE

With its nine brands, the Volkswagen Group has a presence in all important automotive markets around the world. Currently, the key sales markets include Western Europe, China, Brazil, the USA, Russia and Mexico. Volkswagen was able to further extend its good competitive position in spite of the challenges of the automotive year 2010. Thanks to our attractive and environmentally friendly model range, we significantly increased the Group's market share in important key markets; our global market share also recorded encouraging growth.

In fiscal year 2010, the Volkswagen Group delivered 7,203,094 vehicles to customers worldwide (+13.7%), thus achieving a new record. The delivery figures in each of the twelve months of the reporting period were higher than in the corresponding prior-year periods, when sales had in some cases been negatively impacted by the consequences of the financial and economic crisis. With the exception of Lamborghini and Bugatti, all Group brands increased their prior-year sales figures. Demand for Group models exceeded the previous year in almost all markets. The table on page 154 gives an overview of deliveries to customers by market and of the respective passenger car market shares of the Volkswagen Group in fiscal year 2010. We explain the sales development in individual markets in the following sections.

Deliveries in Europe/Remaining markets

In Western Europe, our deliveries to customers in the reporting period were similar to the previous year's level, in spite of the sharp decline in Germany's passenger car market. Vehicles sold in Western Europe accounted for 40.3% (previous year: 46.1%) of the Group's total delivery volume. Excluding the German market, all of the volume brands increased sales to customers as against the previous year. Demand was particularly buoyant for the Polo, Tiguan and SEAT Leon models. Our new Audi A4 allroad quattro, Audi A5 Sportback, Škoda Yeti, Škoda Superb Combi and SEAT Exeo ST models also experienced strong demand. The share held by the Volkswagen Group of the total passenger car market in Western Europe remained unchanged at 21.0% (previous year: 20.9%). In Central and Eastern Europe, our deliveries to customers of the Volkswagen Group were up 11.5% year-on-year. This performance was primarily driven by the very positive development of the Russian passenger car market in the second half of the year; in total, we sold 40.2% more vehicles in this market than in the previous year. In Central and Eastern Europe, there was rising demand in particular for the Polo, Golf, Tiguan, Audi A6, Audi Q5, Škoda Octavia and SEAT Leon models. The new Audi A5 Sportback and Škoda Yeti models were likewise very popular with customers in this region.

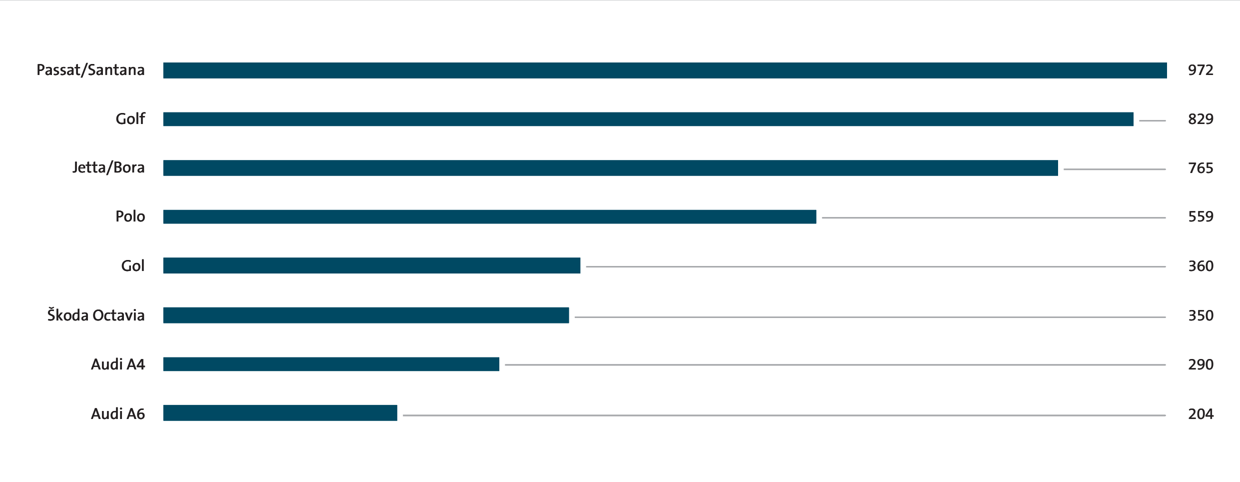
The trend of the Volkswagen Group's deliveries in South Africa was also very dynamic in the reporting period. Compared with the prior-year period, in which demand was hit hard by the financial and economic crisis, demand for Group models was up 37.0%. Our entry-level models were particularly sought-after. The market share held by the Volkswagen Group in South Africa increased to 19.9% (previous year: 19.3%).

In the markets in the Middle East, we recorded an overall year-on-year increase in demand for models from the Volkswagen Group (+54.7%).

* Consumption and emission data can be found on page 328 of this Report.

WORLDWIDE DELIVERIES OF THE GROUP'S MOST SUCCESSFUL MODELS IN 2010

Vehicles in thousands



Deliveries in Germany

The number of deliveries to Volkswagen Group customers in the German passenger car market in 2010 was down 16.7% on the previous year, which had benefited greatly from the government scrapping premium. The Audi Q5 and SEAT Altea XL models recorded high growth rates. There was increased demand also for the new Touareg, Audi A4 allroad quattro, Audi A5 Sportback, Audi A8, Škoda Yeti, Škoda Superb Combi and SEAT Exeo ST. At the end of 2010, five Group models led the Kraftfahrt-bundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the Polo, Golf, Touran, Tiguan and Multivan/Transporter. The Golf remained the undisputed leader among the most frequently registered passenger cars in Germany. In spite of declining sales figures, the Group's market share in Germany increased to 35.1% (previous year: 34.2%), thus further cementing our market leadership.

Deliveries in North America

Although growth in the passenger car market in the USA slowed somewhat in the second half of 2010, the Volkswagen Group's sales figures increased by 20.9% in 2010 as a whole. The New Beetle, Golf, Tiguan, Passat CC, Audi A3, Audi A6, Audi A5 Coupé and Audi Q5 models recorded the highest growth rates. In Canada, our deliveries to customers increased by 16.2% year-on-year. Particularly strong demand was recorded for the Golf, Tiguan, Audi A4 and Audi Q5 models. We delivered 9.4% more vehicles than in the previous year in the Mexican passenger car market. The models with the sharpest increases in demand included the Tiguan, Jetta, Audi A4 and SEAT Ibiza.

Deliveries in South America

Demand in the South American passenger car markets increased compared with the previous year. The Volkswagen Group delivered 9.9% more vehicles to customers in this region. In Brazil, sales figures were up 4.4% thanks in particular to strong demand for the Fox and Saveiro models. The delivery figures also include the Saveiro and T2 light commercial vehicles. Overall, we sold 56.6% more of these models in the Brazilian passenger car market than in the previous year.

Demand for Group models in the Argentinian passenger car market was up 31.1% year-on-year. There was increased demand for the Fox MPV, Voyage and Jetta models. With a passenger car market share of 24.2% (previous year: 26.9%), we maintained our leadership position in the Argentinian market.

DELIVERIES TO CUSTOMERS BY MARKET[1]

	DELIVERIES (UNITS)		CHANGE (%)	SHARE OF PASSENGER CAR MARKET (%)	
	2010	2009		2010	2009
Europe/Remaining markets	**3,599,951**	**3,492,438**	+ 3.1		
Western Europe	**2,902,948**	**2,917,888**	**– 0.5**	**21.0**	**20.9**
of which: Germany	1,038,596	1,246,571	– 16.7	35.1	34.2
United Kingdom	381,175	341,888	+ 11.5	17.2	16.1
France	270,527	260,799	+ 3.7	11.2	11.3
Spain	246,125	224,692	+ 9.5	23.8	23.2
Italy	242,732	237,760	+ 2.1	11.5	10.1
Central and Eastern Europe	**429,485**	**385,320**	**+ 11.5**	**13.4**	**13.4**
of which: Russia	133,503	95,208	+ 40.2	7.1	6.5
Czech Republic	81,932	77,952	+ 5.1	45.6	43.7
Poland	81,639	79,120	+ 3.2	22.8	22.4
Remaining markets	**267,518**	**189,230**	**+ 41.4**		
of which: Turkey	87,434	49,094	+ 78.1	11.9	10.3
South Africa	72,279	52,758	+ 37.0	19.9	19.3
North America[2]	**549,578**	**467,769**	**+ 17.5**	**3.9**	**3.7**
of which: USA	360,287	297,973	+ 20.9	3.1	2.9
Mexico	129,548	118,391	+ 9.4	15.7	15.6
Canada	59,743	51,405	+ 16,2	3.8	3.5
South America	**907,778**	**825,851**	**+ 9.9**	**19.6**	**21.7**
of which: Brazil	727,790	697,279	+ 4.4	22.9	25.4
Argentina	135,628	103,445	+ 31.1	24.2	26.9
Asia-Pacific	**2,145,787**	**1,550,261**	**+ 38.4**	**9.6**	**8.6**
of which: China	1,924,649	1,400,514	+ 37.4	16.8	16.5
Japan	63,998	53,904	+ 18.7	1.5	1.4
India	53,555	19,002	x	2.5	1.1
Worldwide	**7,203,094**	**6,336,319**	**+ 13.7**	**11.4**	**11.2**
Volkswagen Passenger Cars	4,502,827	3,954,551	+ 13.9		
Audi	1,092,411	949,729	+ 15.0		
Škoda	762,600	684,226	+ 11.5		
SEAT	339,501	336,683	+ 0.8		
Bentley	5,117	4,616	+ 10.9		
Lamborghini	1,302	1,515	– 14.1		
Volkswagen Commercial Vehicles	435,584	361,506	+ 20.5		
Scania	63,712	43,443	+ 46.7		
Bugatti	40	50	– 20.0		

1 Deliveries and market shares for 2009 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

In terms of passenger car sales, Asia-Pacific was by far the fastest-growing region in 2010; growth rates only slowed slightly toward the end of the year. The Volkswagen Group delivered 38.4% more vehicles in this region than in the previous year. The Chinese passenger car market continued its dynamic growth, but at a slightly slower pace: the sales figures for the Group rose year-on-year by 37.4%, with almost all models contributing to this result. We again defended our leadership position in the highly competitive Chinese passenger car market, with a market share of 16.8% (previous year: 16.5%). Sales to customers in Japan exceeded the previous year's figure by 18.7%. Demand was particularly high for the Polo, Golf and Audi A3 models. The performance of our deliveries to customers also remained positive in the other markets in the Asia-Pacific region. In India, our sales figures were more than double the previous year's level. The Polo, which was launched in the market in 2010, was a major contributor to this increase.

DELIVERIES OF HEAVY COMMERCIAL VEHICLES

The Scania brand delivered a total of 63,712 trucks and buses in the reporting period – 46.7% more than in the previous year. In South America, sales rose by 84.4% to 19,820 units. Demand for heavy commercial vehicles was significantly higher year-on-year especially in Brazil, Argentina and in the markets of the Asia-Pacific and Middle East regions.

GROUP FINANCIAL SERVICES

Products and services from Volkswagen Financial Services met with a good response from customers in the past fiscal year. 2.7 million new financing, leasing and insurance contracts were signed worldwide, a 7.6% increase on the prior-year figure. The total number of contracts as of December 31, 2010 was 2.9% higher than a year earlier. The number of contracts in the Customer Financing/Leasing area was up 2.2% to 5.2 million and the number of contracts in the Service/Insurance area was 4.5% higher than in the previous year. The proportion of total vehicle deliveries by the Group worldwide accounted for by leased or financed vehicles was 34.9% (previous year: 32.9%), based on unchanged credit eligibility criteria.

2.0 million (previous year: 1.9 million) new contracts were signed in Europe, pushing the total number of contracts in 2010 up to 5.5 million (previous year: 5.4 million). In the Customer Financing/Leasing area, the number of contracts was at the previous year's level at 3.5 million. In Europe, the proportion of leased or financed vehicles was up year-on-year at 34.5% (previous year: 32.2%).

In North America, the number of new contracts signed was 430 thousand; 18.1% more than in 2009. The number of contracts there rose by 4.5% to 1.2 million. 1.1 million (previous year: 1.0 million) contracts were attributable to the Customer Financing/Leasing area. The proportion of leased or financed vehicles in this region increased to 52.2% (previous year: 50.1%).

In South America, the number of contracts amounted to 533 thousand (+18.1%). These were almost exclusively attributable to the Customer Financing/Leasing area. The proportion of leased or financed vehicles in South America amounted to 27.3% (previous year: 26.5%).

The number of new contracts in Asia-Pacific rose to 53 thousand, an increase of 17.7% on 2009; the total number of contracts increased by 9.2% to 182 thousand. The Customer Financing/Leasing area reported a total of 118 thousand contracts, 4.6% more than in 2009. In Asia-Pacific, 22.0% (previous year: 23.0%) of all vehicles delivered were leased or financed.

ORDERS RECEIVED BY THE VOLKSWAGEN GROUP IN WESTERN EUROPE

In Western Europe (including Germany), demand for Group models in the reporting period was down on the previous year's level. The decline is mainly attributable to the end of the scrapping premium offered in Germany, which had triggered a significant rise in demand in 2009. This development is also reflected in the level of orders received in Western Europe as a whole, which declined by 2.2% compared with the previous year. In Western Europe excluding Germany, by contrast, the Volkswagen Group recorded a rise of 6.7% in the level of orders received.

At December 31, 2010, the Volkswagen Group held orders for 269,800 vehicles within Germany and for 380,500 units from the rest of Western Europe excluding Germany. The level of orders was thus 29.1% higher than at the previous reporting date.

SALES TO THE DEALER ORGANIZATION

In fiscal year 2010, the Volkswagen Group – including the Chinese joint ventures – sold 7,278,440 vehicles to the dealer organization worldwide. This represents an increase of 15.4% compared with the previous year, which had been severely impacted by the financial and economic crisis. 23.8% more units were sold outside Germany, while 17.8% fewer vehicles were sold in Germany due to the end of the government scrapping premium. The proportion of total sales generated in Germany was 14.6% (previous year: 20.4%).

At 789,673 vehicles sold to the dealer organization worldwide, the Golf was once again our biggest seller, accounting for 10.8% of Group sales. The Polo, Sharan, Tiguan, Touareg, Audi A5 Sportback, Audi Q5, Audi Q7, Audi A8, Škoda Superb, SEAT Exeo and Multivan/ Transporter models recorded significant growth. Moreover, demand was very healthy for the Passat and Jetta models marketed in China and for the Santana.

PRODUCTION

The Volkswagen Group manufactured 7,357,505 vehicles worldwide in 2010, 21.5% more than in the previous year, in which we had adapted manufacturing volumes to reflect the critical market situation. The positive development in China meant that our Chinese joint venture companies increased their production volumes by 37.9%. Our manufacturing facilities also increased their production figures considerably in Germany, Spain, the Czech Republic, Mexico and South Africa. The proportion of vehicles produced in Germany was 28.7% (previous year: 32.0%). Our plants worldwide produced an average of 29,608 vehicles a day; this corresponds to an increase of 14.0% compared with the previous 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 the USA.

INVENTORIES

We significantly increased our production volumes in the reporting period in response to the encouraging demand trends in the global automotive markets. This led to a rise in inventories of raw materials, consumables and supplies as well as of work in progress. However, global vehicle inventories at the Group companies and in the dealer organization were higher on December 31, 2010 than a year earlier.

NUMBER OF EMPLOYEES

Including the Chinese joint ventures, the Volkswagen Group employed an average of 388,536 people (+5.9%) in the reporting period. In China, the 2010 figure included not only the vehicle-producing joint ventures, but for the first time also the workforce of the component plants. Our companies in Germany employed 178,291 people on average, making up 45.9% (previous year: 47.0%) of the total headcount. The Volkswagen Group had 384,058 active employees as of December 31, 2010. In addition, 4,778 employees were in the passive phase of their early retirement and 10,545 young persons were in vocational traineeships (+7.1%). The Volkswagen Group's total headcount amounted to 399,381 employees (+8.4%) as of the reporting date. This increase was primarily the result of higher volumes, initial consolidation and the establishment of new companies. A total of 181,328 people were employed in Germany (+5.0%). The number of employees abroad was 218,053 (+11.3%).

SUMMARY OF BUSINESS DEVELOPMENT

The assessment of the Company's business development in 2010 by the Board of Management of Volkswagen AG is positive. In a volatile environment, the global passenger car markets on the whole recovered from the consequences of the financial and economic crisis faster than forecast. The Volkswagen Group significantly exceeded the volume of deliveries, sales revenue and operating profit expected for the reporting period. For the first time in the Company's history, we delivered more than 7 million vehicles to customers. Our sales figures outperformed the market as a whole, and this allowed us to further strengthen our global market position. The emerging economies, in particular the passenger car market in China, were once again among the main growth drivers.

The reason for this excellent overall performance is above all our broad, attractive range of models. Our customers around the world were once again won over by the many new and established models in 2010. Our high standards in terms of quality and efficiency contributed to the Company's success in 2010.

The following table shows 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" on pages 166 to 177.

TARGET-PERFORMANCE COMPARISON

Measure	Forecast for 2010	Actual 2010
Deliveries	> 6.3 million	7.2 million
Global market share	> 11.3%	11.4%
Sales revenue	> €105.2 billion	€126.9 billion
Operating profit	> €1.9 billion	€7.2 billion
Capex/sales revenue	approx. 6%	5.0%

Shares and Bonds
Encouraging share price performance for Volkswagen AG shareholders

2010 was a consistently positive fiscal year for Volkswagen AG shareholders. Highlights were the issue of new preferred shares and the move towards an integrated automotive group with Porsche. The price of both ordinary and preferred shares increased significantly.

CAPITAL INCREASE SUCCESSFULLY PLACED

Volkswagen AG successfully completed its capital increase on April 16, 2010, generating net proceeds of €4.1 billion. Under this capitalization measure, a total of 64.9 million new Volkswagen preferred shares with preemptive rights were issued, in part by utilizing the authorized capital. Preemptive rights to the new shares were granted to both Volkswagen ordinary and preferred shareholders. As a result of the capital increase, the number of preferred shares increased year-on-year from 105,238,280 to 170,142,778.

The capital increase is a key step in the planned creation of an integrated automotive group with Porsche. The net issue proceeds improved the Volkswagen Group's capitalization, strengthened its financial stability and bolstered its rating.

All new shares were placed in advance under a public offer in Germany and a private placement for foreign institutional investors in the course of an accelerated bookbuilding process. This pre-placement of the new Volkswagen preferred shares was possible because the principal shareholders of Volkswagen ordinary shares had assigned their preemptive rights to the lead banks in the run-up to the transaction. These banks had in turn undertaken not to exercise the preemptive rights so that the new shares could be placed with investors. The remaining new Volkswagen preferred shares were subject to a claw-back clause under which the rights holders wishing to exercise their preemptive right within the subscription period were able to successfully subscribe for the new Volkswagen preferred shares despite the pre-placement.

The new Volkswagen preferred shares met with substantial interest worldwide, especially from investors in the United Kingdom and the USA. The pre-placement price and the subscription price were €65.00 per preferred share.

99.3% of all free float preemptive rights not assigned to the underwriters in the run-up to the transaction were exercised during the subscription period. This high percentage underlines the significant interest in the Volkswagen Group and in Volkswagen preferred shares.

The transaction structure offered a large number of advantages for Volkswagen AG shareholders: the low price discount meant that fewer new shares needed to be issued to achieve the target issue proceeds than under a rights issue with no pre-placement. As a result, earnings per share were only slightly diluted by the capitalization measure.

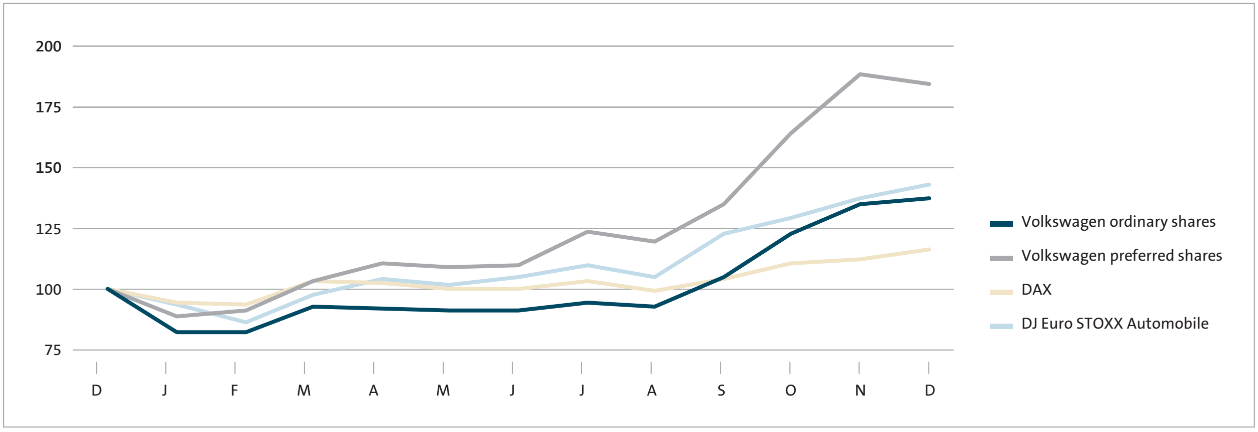
The capital increase confirmed DAX-listed Volkswagen preferred shares as the more liquid Volkswagen share class.

GLOBAL EQUITY MARKETS

The international equity markets recorded a mixed performance for investors in 2010. The upbeat mood that had prevailed in the last few months of fiscal year 2009 cooled in the opening weeks of 2010. Uncertainty among market participants due to the strained financial situation facing certain eurozone countries resulted in a sharp decline in share prices that continued into February. During this period, the DAX fell below 5,500 points. In late February, the markets began a rally that lasted until the end of the first quarter.

SHARE PRICE DEVELOPMENT FROM DECEMBER 2009 TO DECEMBER 2010

Index based on month-end prices: December 31, 2009 = 100



The equity markets were extremely volatile in the second quarter. Positive momentum from good corporate results was overshadowed in April and May by the ongoing difficult financial situation in some eurozone countries. Sentiment among market participants improved at the end of May. Share prices increased into June, before declining towards the end of Q2. The DAX hovered around the 6,000 mark in the second quarter of 2010, accompanied by some more pronounced movements up and down.

The international equity markets remained volatile in the third quarter of 2010, but recorded a positive trend overall. Above all, healthy corporate results at the beginning of the quarter led to an increase in share prices that continued into August.

Q4 saw a sustained upward trend. The recovering economy drove predominantly positive corporate results. During this period, Germany's leading share index, the DAX, steadily moved towards the 7,000 mark, and even exceeded it at times.

At the end of 2010, the DAX had reached 6,914 points, a year-on-year increase of 16.1%. On December 31, 2010, the DJ Euro STOXX Automobile closed at 332 points, 43.0% higher than at the end of 2009.

DEVELOPMENT OF THE VOLKSWAGEN SHARE PRICE

Both ordinary and preferred shares of Volkswagen AG performed positively in the past fiscal year. Ordinary shares, which were replaced by preferred shares in the DAX at the end of 2009 due to the low free float, delivered an encouraging performance. However, this was surpassed by the preferred shares, whose price overtook that of ordinary shares for the first time in the second quarter and remained permanently higher over the rest of the year. The price of ordinary shares fluctuated substantially due to their limited free float and relatively low trading volumes.

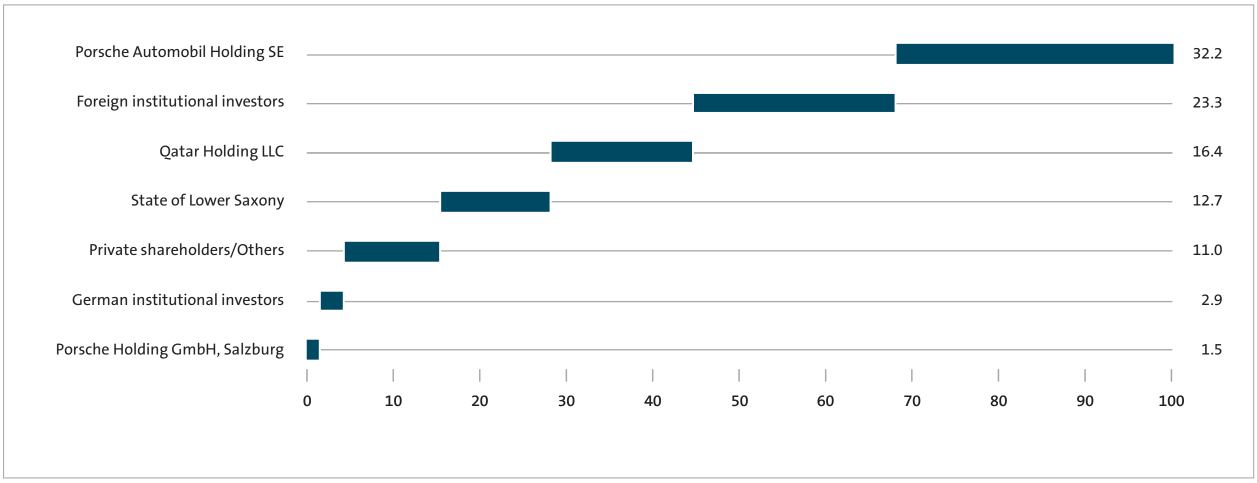
At first, neither class of Volkswagen AG shares was immune to the overall development in the equity markets in the first quarter of 2010. After falling at the beginning of the year, Volkswagen AG's ordinary and preferred shares rose significantly from February onwards. Among other things, this was attributable to the reporting on fiscal year 2009 made at the Annual Media Conference and positive announcements on delivery figures for the first two months of 2010. The price of preferred shares rose until the end of Q1 thanks to strong demand for the new shares resulting from the capital increase.

While Volkswagen's ordinary share price subsequently moved sideways, the price of preferred shares recorded a clear upward trend in the second quarter after the successful completion of the capital increase and after a phase that was dominated by substantial fluctuations in April and May. The increase resulted, among other things, from the Company's announcement that, due to the positive business performance, unit sales and operating profit in 2010 would be significantly higher than the previous year's figures. In view of the capital increase, the increased market price also underlined the Company's extremely good performance.

Volkswagen's preferred share price performed significantly better than the overall market in the third quarter of 2010. It rose sharply in July, which was due in particular to the better than expected deliveries to customers and financial data for the first half of 2010. Following a volatile sideways movement in August, there was a further increase in the share price in September. The ordinary share price performed in line with the sector index in the period from July to September 2010.

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2010

as a percentage of subscribed capital



In the period from October to early December, both ordinary and preferred shares posted strong gains in a generally favorable but slightly volatile overall market. As a result, Volkswagen preferred shares recorded their highest price to date and ordinary shares reached their high for the year. The disproportionately positive performance in Q4 compared with the DAX is primarily due to positive results in the third quarter and upbeat analyst ratings.

Volkswagen AG preferred shares recorded their highest daily closing price of the reporting period, €136.90, on December 7, 2010. They reached their lowest price, €55.83, on February 15, 2010. At the end of the year, preferred shares were trading at €121.40, or 84.7% higher than the price at December 31, 2009.

On December 7, 2010, Volkswagen AG ordinary shares recorded their highest daily closing price in fiscal year 2010, namely €118.50. At their low on February 12, 2010, the shares traded at €62.30. On the last trading day of the year, they were quoted at €105.90, up 37.5% compared with the end of 2009.

DIVIDEND YIELD

Based on the dividend proposal for the reporting period, the dividend yield on Volkswagen ordinary shares is 2.1%. The dividend yield on preferred shares is 1.9%. Details of the current dividend proposal can be found in the chapter entitled Volkswagen AG (condensed, according to German Commercial Code) on page 179 of this Annual Report.

EARNINGS PER SHARE

Basic earnings per ordinary share were €15.17 in fiscal year 2010 (2009: €2.37). In accordance with IAS 33, the calculation is based on the average number of ordinary shares outstanding in the fiscal year (see also note 11 to the Volkswagen consolidated financial statements).

SHAREHOLDER STRUCTURE AT DECEMBER 31, 2010

The shareholder structure of Volkswagen AG as of December 31, 2010 is shown in the chart above. Volkswagen AG's subscribed capital increased to €1,190,882,163 at the end of 2010.

The distribution of voting rights was as follows at the reporting date: Porsche Automobil Holding SE, Stuttgart, held 50.74% of the voting rights at the end of fiscal year 2010. The second-largest shareholder was the State of Lower Saxony, which held 20.00% of the voting rights. The third-largest shareholder was Qatar Holding LLC (17.0%), followed by Porsche Holding GmbH, Salzburg, with 2.37%. The remaining 9.89% of the 295,045,567 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.

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

CONVERSION OF STOCK OPTIONS

As a result of the positive performance of Volkswagen ordinary shares, numerous employees again took advantage of the attractive opportunity to convert previously subscribed bonds into ordinary shares in fiscal year 2010. Some 700 employees exercised their conversion rights under the subscribed bonds in the seventh and eighth tranches of the stock option plan. This resulted in the creation of 40,170 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 278.

ANNUAL GENERAL MEETING

Volkswagen AG's 50th Annual General Meeting and the 9th Special Meeting of Preferred Shareholders were held at the Congress Center Hamburg on April 22, 2010. With 91.1% of ordinary share capital present, the ordinary shareholders of Volkswagen AG formally approved the actions of the Board of Management and the Supervisory Board, the authorization to issue bonds with warrants and/or convertible bonds (including the creation of appropriate contingent capital and the corresponding amendment to the Articles of Association) and the remuneration system for the members of the Board of Management.

28.6% of the preferred share capital was represented at the Special Meeting of Preferred Shareholders. A proposal had been made to this meeting to approve the authorizing resolution by the Annual General Meeting of ordinary shareholders on the same day to issue bonds with warrants and/or convertible bonds (contingent capital). This was approved by a majority of 92.6%. The results of the votes of both meetings can be accessed on the Internet at www.volkswagenag.com/ir.

On May 28, 2010, Porsche Automobil Holding SE, Stuttgart, withdrew its action against the Annual General Meeting resolution dated April 24, 2008 with regard to agenda item 9.1. The action filed by CIA Consulting Investment Asset Management GmbH, Hamburg, against the same resolution was also withdrawn on November 25, 2010 after a settlement was agreed. In addition, the State of Lower Saxony, Hanover, and Hannoversche Beteiligungsgesellschaft mbH, Groß Berßen, withdrew their action against the resolution of the Annual General Meeting in 2008 with regard to agenda item 9.2 on May 31, 2010 after a cost agreement was entered into.

Further details on these actions can be found in the appropriate publications in the electronic Bundesanzeiger (Federal Gazette) of June 2 and 4 and November 30, 2010, as well as at www.volkswagenag.com/ir.

The Verbraucherzentrale für Kapitalanleger e.V. (VzfK – German Protection Agency for Investors), Berlin, filed an action for disclosure with regard to the Annual General Meeting on April 23, 2009. This action was dismissed by the Hanover Regional Court on October 26, 2010, and no appeal against the decision was permitted.

Knightsbridge Vermögensverwaltungs- und Beteiligungs GmbH, Munich, CIA Consulting Investment Asset Management GmbH, Hamburg, CDHL-Vermögensverwaltungsgesellschaft mbH, Hamburg, VC-Services GmbH, Hamburg, and Edmund Zimmermann GmbH, Geesthacht, filed actions for annulment and avoidance under German stock corporation law in respect of the resolutions of the Extraordinary General Meeting on December 3, 2009. These actions were withdrawn on November 30, 2010 after a settlement was agreed.

Further details on this can be found in the appropriate publications in the electronic Bundesanzeiger (Federal Gazette) of December 3, 2010, as well as on our website at www.volkswagenag.com/ir.

In connection with the Annual General Meeting on April 22, 2010, the Verbraucherzentrale für Kapitalanleger e.V., Berlin, filed an additional action for disclosure and an action for avoidance with regard to the formal approval of the actions of the members of the Board of Management and the Supervisory Board in fiscal year 2009. The grounds given for both actions were mainly that questions put by the plaintiff's representative at the Annual General Meeting were not answered at all or not to the necessary extent. Both actions were dismissed by the Hanover Regional Court on January 25, 2011.

Further details on the action for avoidance can be found in the appropriate publication in the electronic Bundesanzeiger (Federal Gazette) of June 29, 2010, as well as on our website at www.volkswagenag.com/ir.

VOLKSWAGEN IN SUSTAINABILITY INDICES

Volkswagen again qualified for two prominent sustainability indices in fiscal year 2010: the Company was included in both the Dow Jones Sustainability Europe Index and – for the fourth successive time – the 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, on page 203.

FURTHER INFORMATION ON SUSTAINABILITY
www.volkswagenag.com/sustainability

VOLKSWAGEN SHARE KEY FIGURES

Dividend development		2010	2009	2008	2007	2006
Number of no-par value shares at Dec. 31						
Ordinary shares	thousands	295,046	295,005	294,920	291,337	286,980
Preferred shares	thousands	170,143	105,238	105,238	105,238	105,238
Dividend						
per ordinary share	€	2.20	1.60	1.93	1.80	1.25
per preferred share	€	2.26	1.66	1.99	1.86	1.31
Dividend paid[1]						
per ordinary share	€ million	649	472	569	524	359
per preferred share	€ million	385	282	209	196	138
Share price development[2]		2010	2009	2008	2007	2006
Ordinary shares						
Closing	€	105.90	77.00	250.00	156.10	85.89
Annual high	€	118.50	298.85	945.00	197.90	85.89
Annual low	€	62.30	72.41	148.43	82.60	45.10
Preferred shares						
Closing	€	121.40	65.74	38.02	100.00	56.55
Annual high	€	136.90	81.72	108.30	131.00	56.55
Annual low	€	55.83	30.24	29.30	54.14	32.85
Beta factor	factor	0.99	0.87[3]	0.89	0.88	1.03
Market capitalization at Dec. 31	€ billion	51.9	29.6	77.7	56.0	30.6
Equity at Dec. 31	€ billion	46.0	35.3	35.0	31.9	26.9
Ratio of market capitalization to equity	factor	1.13	0.84	2.22	1.75	1.14
Key figures per share		2010	2009	2008	2007	2006
Earnings per ordinary share[4]						
basic	€	15.17	2.37	11.92	10.43	7.07[5]
diluted	€	15.17	2.37	11.88	10.34	7.04[5]
Operating profit[6]	€	15.87	4.64	15.91	15.60	5.18
Cash flows from operating activities[6]	€	25.46	31.84	27.13	39.72	37.32
Equity[7]	€	98.84	88.15	87.49	80.38	68.59
Price/earnings ratio[8]	factor	7.0	32.5	21.0	15.0	12.1
Price/cash flow ratio[8]	factor	4.2	2.4	9.2	3.9	2.3
Dividend yield						
ordinary share	%	2.1	2.1	0.8	1.2	1.5
preferred share	%	1.9	2.5	5.2	1.9	2.3
Price development (excluding dividends)						
ordinary share	%	+ 37.5	– 69.2	+ 60.2	+ 81.7	+ 92.5
preferred share	%	+ 84.7	+ 72.9	– 62.0	+ 76.8	+ 74.0
Turnover on German stock exchanges[9]		2010	2009	2008	2007	2006
Turnover of Volkswagen ordinary shares	€ billion	6.3	23.5	136.5	103.1	50.5
	million shares	81.4	129.6	562.8	877.3	770.4
Turnover of Volkswagen preferred shares	€ billion	27.0	8.5	10.0	34.1	9.7
	million shares	337.8	147.6	120.2	474.3	200.6
Volkswagen share of total DAX turnover	%	3.2[10]	3.2[10]	8.0	5.3	3.9

1 Figures for the years 2006 to 2009 relate to dividends paid in the following year. For 2010, the figures relate to the proposed dividend.
2 Xetra prices.
3 See page 176 for the calculation.
4 See note 11 to the consolidated financial statements (Earnings per share) for the calculation.
5 For 2006 from continuing and discontinued operations.
6 Based on the weighted average number of ordinary and preferred shares outstanding (basic).
7 Based on the total number of ordinary and preferred shares on December 31.
8 Using closing prices of the ordinary shares.
9 Order book turnover on German exchanges.
10 On December 23, 2009, preferred shares replaced ordinary shares in the DAX.

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, S&P Global 100 Index	DAX, CDAX, DJ Euro STOXX, DJ Euro STOXX Automobile, Prime All Share, Prime Automobile, Classic All Share, FTSE Eurotop 100 Index, MSCI Euro, Advanced Sustainability Performance Index, DJ Sustainability Europe Index, DJ Sustainability World Index, FTSE4Good	Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, Xetra, London, Luxembourg, New York*, SIX Swiss Exchange

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

ANNUAL DOCUMENT IN ACCORDANCE WITH SECTION 10 OF THE WPPG

The Annual Document containing a list of the publications from fiscal year 2010 (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

2010 posed major challenges for the Volkswagen Investor Relations team in view of the high volatility of the capital markets throughout much of the year. The biggest challenge was without doubt Volkswagen AG's capital increase, which was successfully completed in April. With net issue proceeds of €4.1 billion, it was one of the most significant transactions of this kind in Europe and the largest in the automotive sector to date.

In the period from February to April, our investor relations work was driven by our many discussions with investors and analysts; these talks were directly and indirectly related to preparing and implementing the capital increase.

However, the Board of Management and the Investor Relations department also maintained close contact with capital market participants at all key financial centers worldwide in the other months of the year. We provided in-depth and detailed information about the Volkswagen Group's strategy and business development at a total of around 600 roadshows, conferences, presentations and one-on-one discussions. In addition, our Investor Relations staff were available to answer questions from private shareholders at numerous events that were often organized in conjunction with shareholders' associations. Investor Relations also provided extensive support for Group Treasury's capital market activities.

The Group presented its results for 2009 at its Annual Media Conference in March 2010; the event was simultaneously broadcast on the Internet. Scheduled conference calls were held to explain the Volkswagen Group's quarterly results in 2010, which were also broadcast on the Internet. We also promptly published all presentations given in connection with the events that were relevant for investors online at www.volkswagenag.com/ir. Our website was even more popular in the past year than in 2009. We recorded a total of 2.7 million visitors – an increase of more than 50%. This again underlines the growing importance of the Internet as an information channel for investors.

Our investor relations work received several awards in the past year. For example, Volkswagen won the BIRD 2010 (Best Investor Relations Germany) in the DAX. We see this – together with Volkswagen's extremely successful capital increase in the spring – as recognition of the quality of our work, but also as an incentive to continuously improve.

HIGHLIGHTS IN THE INVESTOR RELATIONS CALENDAR

The highlight of Volkswagen AG's investor relations activities in 2010 was our capital increase, which took place in an extremely challenging and volatile capital market environment. We kicked off the year with an information event at the Royal Opera House in Covent Garden, London, on February 3, 2010. This was attended by more than 120 analysts and investors, and around 500 other interested parties took part via the Internet. The Chairman of the Board of Management of Volkswagen AG, Prof. Dr. Martin Winterkorn, and Chief Financial Officer Hans Dieter Pötsch gave a detailed presentation of the Group's "Strategy 2018", under which Volkswagen aims to achieve pole position in the global automotive industry in the long term. They also unveiled medium-term goals and explained the current status of the planned combination of Volkswagen and Porsche. After these presentations, many investors took the opportunity for one-on-one discussions with members of top management. The positive response to this event and the deeper understanding that it gave the capital markets of the Volkswagen Group's business activities formed a strong basis for the placement of the new shares, which began several weeks later.

On March 10, a large number of analysts and investors accepted the Audi brand's invitation to test new models in person in Ingolstadt. Members of the Board of Management and members of top management used this event to present the premium brand's strategy. A day later, the Volkswagen Group's Annual Investor Conference was held at the Autostadt in Wolfsburg. The Board of Management provided extensive information about fiscal year 2009 and gave an outlook for the Company and the industry.

We again explained the Volkswagen Group's strategy for sustainable profitable growth at the German and Austrian Corporate Conference organized by Deutsche Bank in Frankfurt am Main on May 20 and 21, 2010. Topics included the Group's expansion in the BRIC countries, its strategy for the US market, the increase in efficiency and flexibility in production thanks to its modular toolbox principle, as well as fuel-efficient and alternative drive technologies.

A week later, the Board of Management of Volkswagen Group China explained the Group's Chinese strategy in detail to investors and analysts in Beijing. This event focused on the particular challenges posed by the Chinese growth market, the economic development of the Volkswagen Passenger Cars, Audi and Škoda brands that manufacture vehicles there, and the Company's product strategy.

Another of the year's highlights was the Volkswagen Group Night in the run-up to the Paris Motor Show on September 29, 2010, where a large number of investors and analysts also saw the Volkswagen Group's new models being presented.

REFINANCING

2010 saw a significant improvement in the Volkswagen Group's net liquidity. In addition to operating activities, the successful capital increase in the first half of the year made a key contribution to this. As a result, the Automotive Division's refinancing requirements from money and capital market bonds were substantially reduced as against the previous year.

In 2010, Volkswagen was regularly active in the capital markets via the Financial Services Division, placing public benchmark bonds and issuing asset-backed securities (ABSs). The Group issued a total of €2.5 billion via three benchmark bonds and €1.0 billion in public ABS transactions in the European capital markets. A further USD 2.4 billion was securitized for investors in the USA.

In addition, the Volkswagen Group further extended its strong position as an issuer in August 2010 by issuing its largest bond in the US capital market. Volkswagen obtained advantageous price conditions in the US market to attractively refinance its growing business in the country. We placed a total of USD 1.75 billion in two tranches with maturity periods of three and ten years respectively, with the ten-year bond being used exclusively to develop the new plant in Chattanooga/Tennessee. In November, Volkswagen also implemented its most significant bond issue to date in the Canadian capital market. In an attractive market environment, investors acquired a total volume of CAD 550 million of the issue, which was many times oversubscribed.

These transactions enabled Volkswagen to tap into new investor groups in the major North American refinancing markets and give it a broad base from which to flexibly optimize its financing requirements in the long term.

Independently of the above public transactions, the Volkswagen Group also took advantage of additional investor interest by engaging in a large number of private placements in the money and capital markets. The following overview provides information about the utilization of our money and capital market programs as of December 31, 2010:

Programs	Authorized volume € billion	Amount utilized on Dec. 31, 2010 € billion
Commercial Paper	23.6	3.9
Medium Term Notes	59.7	25.8
Other capital market programs	10.5	1.6
Asset Backed Securities	40.0	9.6

In the credit market, Volkswagen successfully maintained its comprehensive facilities provided by confirmed credit lines. In this regard, the Group's as yet unused syndicated facility of €7.8 billion will continue to be available as before until June 2012.

The cash holdings, short- and long-term credit lines, and the available money and capital market programs continue to offer the Volkswagen Group a very high degree of financial flexibility, thereby enabling it to cover its refinancing requirements and ensuring that it remains solvent at all times.

RATINGS

In 2010, 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 also unchanged at "negative". Although Volkswagen Bank GmbH's short-term and long-term ratings were confirmed at A–2 and A– respectively, Standard & Poor's upgraded its outlook from "negative" to "stable". The main reasons for this were the company's improved earnings forecasts for 2010 and 2011, 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 remained at "stable". The short-term and long-term ratings for Volkswagen Bank GmbH, which are currently one notch higher than those for Volkswagen AG and Volkswagen Financial Services AG at P–1 and A2, were also confirmed. Moody's rated Volkswagen Bank GmbH's outlook as "stable" and therefore ended its review with regard to a possible downgrade.

OUR INVESTOR RELATIONS TEAM IS AVAILABLE FOR QUERIES AND COMMENTS.

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RATINGS

	VOLKSWAGEN AG			VOLKSWAGEN FINANCIAL SERVICES AG			VOLKSWAGEN BANK GMBH		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Standard & Poor's									
short-term	A–2	A–2	A–2	A–2	A–2	A–2	A–2	A–2	A–1
long-term	A–	A–	A–	A–	A–	A–	A–	A–	A
Outlook	negative	negative	stable	negative	negative	stable	stable	negative	negative
Moody's Investors Service									
short-term	P–2	P–2	P–2	P–2	P–2	P–2	P–1	P–1	P–1
long-term	A3	A3	A3	A3	A3	A3	A2	A2	A2
Outlook	stable	stable	positive	stable	stable	positive	stable	RfD*	stable

* Review for Downgrade.

Results of Operations, Financial Position and Net Assets

Volkswagen Group generates record results in 2010

The Volkswagen Group significantly increased its sales revenue and operating profit in fiscal 2010. Against the background of the planned creation of an integrated automotive group with Porsche, the capital increase strengthened the Group's financial stability and flexibility.

In compliance with IFRS 8, the Volkswagen Group's revised segment reporting comprises the three reportable segments Passenger Cars and Light Commercial Vehicles, Scania Vehicles and Services, and Financial Services in accordance with the Group's internal reporting and management.

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

The reconciliation contains activities and other operations that do not by definition constitute segments. It also includes all of the unallocated Group financing activities. Consolidation adjustments between the segments (including the purchase price allocation for Scania and the holding company functions) are also contained in the reconciliation.

In addition to the Passenger Cars and Light Commercial Vehicles segment, the Automotive Division discussed in the course of this chapter continues to comprise Scania Vehicles and Services as well as the figures from the reconciliation. The Financial Services segment corresponds to the Financial Services Division.

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. The individual passenger car brands and light commercial vehicles of the Volkswagen Group are combined on a consolidated basis in this segment.

The Scania Vehicles and Services segment comprises in particular the development, production and sale of heavy commercial vehicles, the corresponding genuine parts business and related services.

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

RESULTS OF OPERATIONS OF THE GROUP

In fiscal year 2010, the Volkswagen Group generated sales revenue of €126.9 billion, up 20.6% on the prior-year figure. The increase is due mainly to higher volumes and positive exchange rate effects. The largest proportion of sales revenue, at 77.4% (71.6%), was generated outside Germany. As the cost of sales rose more slowly by 15.1%, the gross margin improved from 12.9% in the previous year to 16.9%. At €7.1 billion (€1.9 billion), the Group's operating profit in the reporting period was much higher than in the previous year. The operating return on sales increased to 5.6% (1.8%).

KEY FIGURES BY SEGMENT

€ million	Passenger Cars and Light Commercial Vehicles	Scania Vehicles and Services	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue	111,218	8,179	14,069	133,466	−6,591	126,875
Segment profit or loss (operating profit or loss)	5,337	1,323	952	7,612	−471	7,141
as % of sales revenue	4.8	16.2	6.8			5.6

CONSOLIDATED PROFIT

The Volkswagen Group generated a record profit in fiscal year 2010. Profit before tax amounted to €9.0 billion (€1.3 billion). As a result, the return on sales before tax improved to 7.1% (1.2%). At €7.2 billion, the Volkswagen Group's profit after tax exceeded the prior-year figure by €6.3 billion.

RESULTS OF OPERATIONS IN THE AUTOMOTIVE DIVISION

The Automotive Division's sales revenue amounted to €112.8 billion in the reporting period, 21.2% higher than in fiscal year 2009. The Scania Vehicles and Services segment accounted for €8.2 billion (€6.1 billion). In addition to increased volumes and exchange rate effects, model and country mix improvements had a positive effect. The positive development of our sales in the Chinese passenger car market is only reflected in the Group's sales revenue mainly by deliveries of vehicle parts, as our Chinese joint ventures are accounted for using the equity method. The cost of sales increased more slowly than sales revenue by 15.4%, allowing the gross margin to improve to 16.0% (11.8%). At €18.1 billion (€11.0 billion), the Automotive Division's gross profit was significantly higher than in the previous year.

Although distribution expenses rose by 14.4% due to volume-related factors, they declined as a proportion of sales revenue. Administrative expenses increased by €0.4 billion to €2.7 billion. At €2.2 billion, net other operating income was down €0.3 billion compared with the prior-year figure, which contained the proceeds of €0.6 billion from the sale of the Brazilian commercial vehicles business to the MAN Group.

The Automotive Division generated an operating profit of €6.2 billion in fiscal year 2010, up €4.9 billion year-on-year. The Scania Vehicles and Services segment accounted for €1.3 billion (€0.3 billion). In particular, higher volumes, exchange rate effects and improved product costs had a positive effect on operating profit. At 5.5% (1.4%), the ratio of operating profit to sales revenue was much higher than in the previous year. The extremely positive 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.

The financial result improved by €2.3 billion to €1.7 billion. The high finance costs were compensated by the improved income from equity-accounted investments, in particular the Chinese joint ventures. The updating of the underlying assumptions used in the valuation models for measuring the put/call rights relating to Porsche Zwischenholding GmbH also had a positive effect. By contrast, the measurement of derivative financial instruments for currency and commodity hedging as of the reporting date had a negative effect.

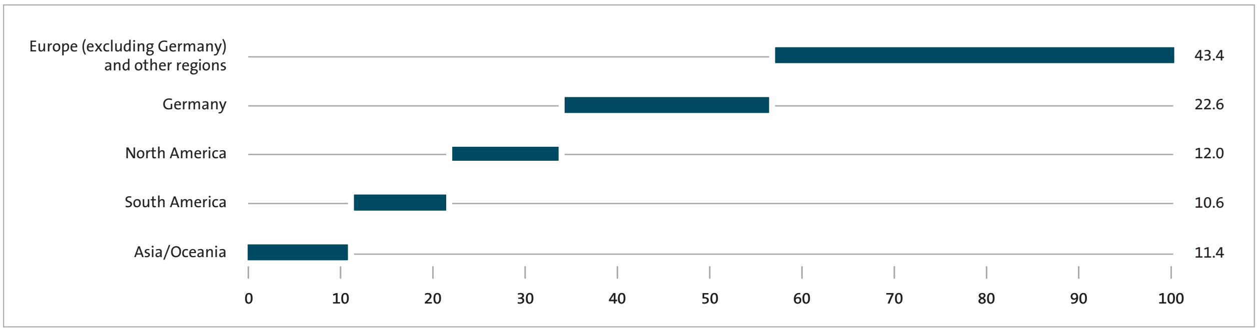
INCOME STATEMENT BY DIVISION

	VOLKSWAGEN GROUP		AUTOMOTIVE*		FINANCIAL SERVICES	
€ million	2010	2009	2010	2009	2010	2009
Sales revenue	**126,875**	**105,187**	**112,806**	**93,041**	**14,069**	**12,146**
Cost of sales	–105,431	–91,608	–94,746	–82,068	–10,685	–9,540
Gross profit	**21,444**	**13,579**	**18,060**	**10,973**	**3,384**	**2,606**
Distribution expenses	–12,213	–10,537	–11,442	–10,002	–770	–535
Administrative expenses	–3,287	–2,739	–2,659	–2,259	–628	–480
Net other operating income	1,197	1,553	2,231	2,553	–1,034	–1,000
Operating profit	**7,141**	**1,855**	**6,189**	**1,264**	**952**	**591**
Share of profits and losses of equity-accounted investments	1,944	701	1,819	610	125	91
Other financial result	–91	–1,296	–131	–1,271	39	–25
Financial result	**1,852**	**–595**	**1,689**	**–661**	**164**	**66**
Profit before tax	**8,994**	**1,261**	**7,878**	**603**	**1,116**	**657**
Income tax expense	–1,767	–349	–1,456	–151	–312	–198
Profit after tax	**7,226**	**911**	**6,422**	**452**	**804**	**459**
Noncontrolling interests	392	–49	384	–40	8	–9
Profit attributable to shareholders of Volkswagen AG	**6,835**	**960**	**6,038**	**492**	**797**	**468**

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

SEGMENT REPORTING – SHARE OF SALES REVENUE BY MARKET 2010

as percent



RESULTS OF OPERATIONS IN THE FINANCIAL SERVICES DIVISION

The Financial Services Division generated sales revenue of €14.1 billion in fiscal year 2010, exceeding the prior-year figure by 15.8%. In addition to increased volumes, the rise was driven by higher proceeds from the marketing of pre-registered vehicles in the leasing business. Gross profit improved by 29.9% to €3.4 billion. Distribution and administrative expenses were higher in 2010 than in the previous year. This is due mainly to stricter regulatory requirements, volume effects from business expansion and the implementation of strategic and IT projects. At €–1.0 billion, net other operating income was on a level with 2009. Operating profit in fiscal 2010 increased by €361 million year-on-year to €952 million. This enabled the Financial Services Division to make another significant contribution to the Group's operating profit. The return on equity before tax improved to 12.9% (7.9%).

FINANCIAL POSITION AND CASH AND CASH EQUIVALENTS IN THE GROUP

The investment in the Suzuki Motor Corporation and the capital increase had a significant influence on the Volkswagen Group's financial position in fiscal year 2010. The following sections give an overview of the Group's liquidity development and outline the operating factors by division.

At €15.5 billion, the Volkswagen Group's gross cash flow in the reporting period was €5.9 billion higher than in the previous year. After funds of €3.1 billion were released from working capital in fiscal year 2009, increased business activities led to funds tied up in working capital of €4.1 billion in the reporting period. As a result, cash flows from operating activities declined to €11.5 billion (€12.7 billion).

Cash flows from investing activities fell by 11.0% year-on-year to €9.3 billion in fiscal year 2010. Net cash flow was €2.2 billion, €0.1 billion lower than in 2009.

Cash and cash equivalents in the Volkswagen Group as reported in the cash flow statement amounted to €18.2 billion as of December 31, 2010, and were therefore at the prior-year level. Gross liquidity rose by €2.1 billion to €27.7 billion. Net liquidity in the Group improved to €–49.3 billion (€– 52.1 billion).

FINANCIAL POSITION IN THE AUTOMOTIVE DIVISION

The positive business development in the reporting period resulted in gross cash flow in the Automotive Division increasing by €5.8 billion year-on-year to €12.4 billion. Despite the volume effects from business expansion, strict working capital management led to the release of €1.6 billion (€6.2 billion). As a result, cash flows from operating activities rose by 8.7% to €13.9 billion.

At €5.7 billion, the Automotive Division's investments in property, plant and equipment in fiscal year 2010 were on a level with the previous year. As sales revenue increased significantly, the ratio of investments in property, plant and equipment to sales revenue (capex) declined to 5.0% (6.2%). We invested mainly in the new production facilities in India and the USA and in models that we launched in 2010 or are planning to launch in 2011. These are primarily the successor models to the Passat, the Sharan, the Jetta, the Touareg and the Audi A6 as well as the new Audi Q3. Other key areas were the ecological focus of the model range and the expansion of modular toolkits.

Including the acquisition of the shares of Suzuki (€1.8 billion) the division recorded a total cash outflow of €9.1 billion, which was €1.2 billion lower than the previous year that included the indirect investment in Dr. Ing. h.c. F. Porsche AG via Porsche Zwischenholding GmbH and the sale of the Brazilian commercial vehicles business to the MAN Group. Net cash flow in the Automotive Division increased by €2.3 billion to €4.8 billion; €1.3 billion of this amount related to the Scania Vehicles and Services segment.

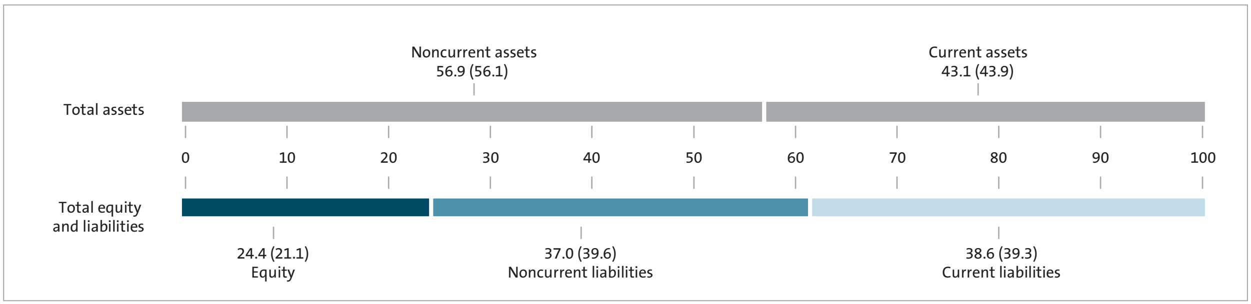
CASH FLOW STATEMENT BY DIVISION

€ million	VOLKSWAGEN GROUP 2010	VOLKSWAGEN GROUP 2009	AUTOMOTIVE[1] 2010	AUTOMOTIVE[1] 2009	FINANCIAL SERVICES 2010	FINANCIAL SERVICES 2009
Profit before tax	8,994	1,261	7,878	603	1,116	657
Income taxes paid	–1,554	–529	–1,364	–265	–190	–264
Depreciation and amortization expense	10,097	8,877	7,751	6,740	2,346	2,137
Change in pension provisions	77	135	72	130	5	5
Other noncash income/expense and reclassifications[2]	–2,073	–118	–1,981	–623	–91	505
Gross cash flow	**15,540**	**9,626**	**12,355**	**6,585**	**3,185**	**3,040**
Change in working capital	**–4,086**	**3,116**	**1,575**	**6,230**	**–5,661**	**–3,114**
Change in inventories	–2,507	4,155	–2,035	3,820	–471	335
Change in receivables	–1,980	465	–1,910	750	–70	–285
Change in liabilities	4,064	260	3,350	193	714	67
Change in other provisions	2,577	1,525	2,377	1,457	199	68
Change in leasing and rental assets (excluding depreciation)	–3,138	–2,571	–98	–48	–3,040	–2,523
Change in financial services receivables	–3,102	–719	–108	57	–2,993	–777
Cash flows from operating activities	**11,455**	**12,741**	**13,930[3]**	**12,815[3]**	**–2,476**	**–74**
Cash flows from investing activities	**–9,278**	**–10,428**	**–9,095**	**–10,252**	**–183**	**–176**
of which: acquisition of property, plant and equipment	–5,758	–5,963	–5,656	–5,783	–102	–180
capitalized development costs	–1,667	–1,948	–1,667	–1,948	–	–
acquisition and disposal of equity investments	–2,150	–2,669	–2,061	–2,667	–89	–3
Net cash flow	**2,176**	**2,313**	**4,835**	**2,563**	**–2,659**	**–250**
Change in investments in securities and loans	–1,770	753	–1,432	509	–338	244
Cash flows from financing activities	**–852**	**5,536**	**–3,161**	**5,497**	**2,309**	**39**
of which: capital increase by new preferred shares	4,099	–	4,099	–	–	–
Changes in cash and cash equivalents due to exchange rate changes	438	190	397	155	41	35
Net change in cash and cash equivalents	**–8**	**8,792**	**640**	**8,724**	**–647**	**69**
Cash and cash equivalents at Dec. 31[4]	**18,228**	**18,235**	**17,002**	**16,362**	**1,226**	**1,873**
Securities, loans and time deposits	9,437	7,312	7,482	5,701	1,954	1,611
Gross liquidity	**27,664**	**25,547**	**24,484**	**22,063**	**3,180**	**3,484**
Total third-party borrowings	–77,012	–77,599	–5,845	–11,427	–71,166	–66,172
Net liquidity	**–49,347**	**–52,052**	**18,639**	**10,636**	**–67,986**	**–62,688**

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 intra-Group transactions: €14,481 million (€13,306 million).
4 Cash and cash equivalents comprise cash at banks, checks, cash-in-hand and call deposits.

CONSOLIDATED BALANCE SHEET STRUCTURE 2010

as percent



Following a cash inflow of €5.5 billion from financing activities in 2009, the division recorded a cash outflow of €3.2 billion in the reporting period. This was mainly attributable to the higher repayments of financial liabilities. The Volkswagen Group received cash funds of approximately €4.1 billion in fiscal year 2010 from the capital increase from authorized capital. Cash and cash equivalents amounted to €17.0 billion on December 31, 2010. At €18.6 billion, the Automotive Division's net liquidity at the end of the reporting period was €8.0 billion higher than at the end of the previous year.

FINANCIAL POSITION IN THE FINANCIAL SERVICES DIVISION

In fiscal 2010, the Financial Services Division's gross cash flow was 4.8% higher year-on-year at €3.2 billion. Increased business activities and the resulting higher financial services receivables meant that funds tied up in working capital rose by €5.7 billion (€3.1 billion). At €0.2 billion, cash flows from investing activities were at the prior-year level. Increased financial liabilities due to volume-related factors led to a cash inflow from financing activities of €2.3 billion (€39 million). Cash and cash equivalents amounted to €1.2 billion on December 31, 2010. After accounting for securities and loans, the gross liquidity of the Financial Services Division was €3.2 billion, down €0.3 billion on the previous year. Third-party borrowings increased to €71.2 billion (€66.2 billion). This was primarily due to the expansion of business activities and exchange rate effects. At the end of the reporting period, the Financial Services Division's negative net liquidity, which is common in the industry, was €–68.0 billion (€–62.7 billion).

PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT

Liquidity management, currency, interest rate and commodity risk management, as well as credit and country risk management, are the core elements of financial management at the Volkswagen Group. This is performed centrally for all Group companies except Scania by Group Treasury, based on internal directives and risk parameters.

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. The aim of currency, interest rate and commodity risk management is to hedge the prices on which investment, production and sales plans are based using derivative financial instruments. The goal of credit and country risk management is to use diversification to avoid exposing the Volkswagen Group to the risk of loss or default.

To achieve this diversification, internal limits are defined for the volume of business per counterparty when entering into financial transactions. In setting these limits, various rating criteria are taken into account, including the ratings awarded by independent agencies and the equity base of potential counterparties. The Executive Committee for Liquidity and Foreign Currency approves risk limits, authorized financial instruments, and hedging methods and horizons.

For more information on the principles and goals of financial management, please refer to the notes to the 2010 consolidated financial statements on pages 297 to 305 as well as to the Risk Report on pages 210 to 211.

CONSOLIDATED BALANCE SHEET STRUCTURE

At €199.4 billion, the Volkswagen Group's total assets on December 31, 2010 exceeded the prior-year figure by 12.5%. The Automotive Division made a relatively large contribution to this development due to the expansion of its business and the capital increase.

The structure of the consolidated balance sheet as of December 31, 2010 can be seen from the chart on page 170. The Volkswagen Group's equity ratio amounted to 24.4% (21.1%).

AUTOMOTIVE DIVISION BALANCE SHEET STRUCTURE

In December 2009, Volkswagen AG acquired 49.9% of the shares of Porsche Zwischenholding GmbH, Stuttgart. Porsche Zwischenholding GmbH holds 100% of the shares of Dr. Ing. h.c. F. Porsche AG, Stuttgart. On the basis of the agreements under company law with Porsche Automobil Holding SE, Volkswagen shares control of Porsche Zwischenholding GmbH and its direct and indirect subsidiaries. The shares of Porsche Zwischenholding GmbH were accounted for using the equity method.

CONSOLIDATED BALANCE SHEET BY DIVISION AS OF DECEMBER 31

	VOLKSWAGEN GROUP		AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2010	2009	2010	2009	2010	2009
Assets						
Noncurrent assets	**113,457**	**99,402**	**62,133**	**52,411**	**51,325**	**46,992**
Intangible assets	13,104	12,907	13,023	12,790	82	117
Property, plant and equipment	25,847	24,444	25,440	24,064	407	380
Leasing and rental assets	11,812	10,288	384	324	11,428	9,964
Financial services receivables	35,817	33,174	– 22	–	35,840	33,174
Noncurrent receivables and other financial assets[2]	26,877	18,589	23,309	15,233	3,568	3,356
Current assets	**85,936**	**77,776**	**49,394**	**44,296**	**36,541**	**33,480**
Inventories	17,631	14,124	16,393	13,375	1,238	749
Financial services receivables	30,164	27,403	– 238	– 161	30,403	27,564
Current receivables and other financial assets	13,970	12,381	10,446	9,193	3,524	3,188
Marketable securities	5,501	3,330	5,375	3,231	126	98
Cash, cash equivalents and time deposits	18,670	20,539	17,419	18,658	1,251	1,881
Total assets	**199,393**	**177,178**	**111,527**	**96,707**	**87,866**	**80,471**
Equity and Liabilities						
Equity	**48,712**	**37,430**	**39,546**	**29,253**	**9,166**	**8,177**
Equity attributable to shareholders of Volkswagen AG	45,978	35,281	37,048	27,321	8,930	7,960
Noncontrolling interests	2,734	2,149	2,498	1,932	236	217
Noncurrent liabilities	**73,781**	**70,215**	**42,364**	**39,508**	**31,417**	**30,707**
Noncurrent financial liabilities	37,159	36,993	8,989	9,272	28,170	27,721
Provisions for pensions	15,432	13,936	15,265	13,793	167	142
Other noncurrent liabilities[3]	21,190	19,286	18,110	16,443	3,080	2,843
Current liabilities	**76,900**	**69,534**	**29,617**	**27,947**	**47,283**	**41,587**
Current financial liabilities	39,852	40,606	– 3,143	2,156	42,996	38,450
Trade payables	12,544	10,225	11,628	9,734	916	491
Other current liabilities	24,504	18,703	21,132	16,057	3,372	2,645
Total equity and liabilities	**199,393**	**177,178**	**111,527**	**96,707**	**87,866**	**80,471**

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

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. The shares are measured using the equity method. Allocation of the purchase price to Suzuki's assets and liabilities has only been preliminary so far.

At the end of fiscal 2010, the Automotive Division's noncurrent assets were 18.5% higher than in the previous year. This is mainly attributable to the increased carrying amounts of our equity-accounted investments. Property, plant and equipment was up by 5.7% due to the expansion of new production facilities. The expansion of business contributed to the fact that current assets were 11.5% higher year-on-year.

At the end of the reporting period, the Automotive Division's equity attributable to shareholders of Volkswagen AG amounted to €37.0 billion; the 35.6% increase compared with December 31, 2009 related primarily to the capital increase and the positive earnings trend. Conversely, higher actuarial losses for pension provisions recognized directly in other comprehensive income and the decline in the fair values of derivative financial instruments had a negative effect. Including non-controlling interests, which chiefly relate to noncontrolling interests in Scania, equity amounted to €39.5 billion, up €10.3 billion on the previous year. At 35.5% (30.2%), the equity ratio was above the 2009 figure. Higher pension provisions in particular led to a 7.2% increase in noncurrent liabilities. Within current liabilities, which rose by 6.0% due to the positive business development, financial liabilities declined sharply. The figures for the Automotive Division also contain the elimination of intra-Group 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.

At €111.5 billion, the Automotive Division's total assets as of December 31, 2010 were 15.3% higher than in 2009.

FINANCIAL SERVICES DIVISION BALANCE SHEET STRUCTURE

At the end of fiscal year 2010, the Financial Services Division's total assets amounted to €87.9 billion, €7.4 billion higher than in the previous year. Noncurrent assets rose by 9.2%, mainly because of an increase in financial services receivables and leasing and rental assets resulting from exchange rate-related and volume-related factors. Current assets were up 9.1% on year-end 2009. Higher financial services receivables lifted this figure. Cash and cash equivalents decreased to €1.3 billion (€1.9 billion). Overall, the Financial Services Division accounted for approximately 44% of the Volkswagen Group's assets as of the reporting date.

The Financial Services Division's equity amounted to €9.2 billion (€8.2 billion) on December 31, 2010. The increase related in particular to improved earnings, positive currency hedging effects and a capital increase by Volkswagen AG. The equity ratio rose slightly to 10.4% (10.2%). Noncurrent liabilities were up by 2.3% primarily because of higher financial liabilities due to volume and exchange rate-related factors. The expansion of business and exchange rate effects also led to an increase in current liabilities. Deposits at Volkswagen Bank *direct* rose by €0.6 billion to €18.9 billion. The debt/equity ratio remained unchanged at 8:1.

KEY FINANCIAL FIGURES

%	2010	2009	2008	2007	2006
Volkswagen Group					
Gross margin	16.9	12.9	15.1	15.0	13.2
Personnel expense ratio	15.0	15.2	13.9	13.4	16.6
Return on sales before tax	7.1	1.2	5.8	6.0	1.7
Return on sales after tax	5.7	0.9	4.1	3.8	2.6
Equity ratio	24.4	21.1	22.3	22.0	19.7
Dynamic gearing[1] (in years)	0.1	0.2	0.2	0.3	0.2
Automotive Division[2]					
Change in unit sales[3]	+ 15.4	+ 0.6	+ 1.3	+ 8.2	+ 10.2
Change in sales revenue	+ 21.2	– 9.3	+ 3.9	+ 2.9	+ 12.0
Operating profit as a percentage of sales revenue	5.5	1.4	5.3	5.3	1.2
EBITDA (€ million)[4]	13,940	8,005	12,108	12,623	8,928
Return on investment after tax[5]	13.5	3.8	10.9	9.5	2.1
Cash flows from operating activities as a percentage of sales revenue[6]	12.3	13.8	8.6	13.8	12.2
Cash flows from investing activities as a percentage of sales revenue[6]	8.1	11.0	11.2	6.6	6.4
Investments in property, plant and equipment as a percentage of sales revenue	5.0	6.2	6.6	4.6	3.8
Ratio of noncurrent assets to total assets[7]	22.8	24.9	26.2	25.0	28.0
Ratio of current assets to total assets[8]	14.7	13.8	19.2	17.4	17.2
Inventory turnover	7.4	6.0	6.3	7.4	7.3
Equity ratio	35.5	30.2	32.6	32.3	28.8
Financial Services Division					
Increase in total assets	9.2	1.6	15.4	6.3	0.4
Return on equity before tax[9]	12.9	7.9	12.1	16.1	16.9
Equity ratio	10.4	10.2	10.6	10.4	9.6

1 Ratio of cash flows from operating activities to current and noncurrent financial liabilities.
2 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
3 Including the vehicle-production investments Shanghai-Volkswagen Automotive Company Ltd. and FAW-Volkswagen Automotive Company Ltd. 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 176.
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 (in 2006: continuing operations).

SUMMARY OF ECONOMIC POSITION

The Board of Management of Volkswagen AG believes that the Group's economic position is positive. The Volkswagen Group has overcome the negative effects of the global financial and economic crisis and significantly increased its earnings power in the reporting period. Sales revenue and earnings substantially exceeded the prior-year figures, allowing the Group to close fiscal year 2010 with record profit. This success is based on our disciplined cost and investment management and the continuous optimization of our processes, among other things.

The capital increase and the investment in the Suzuki Motor Corporation had a significant influence on the Volkswagen Group's financial position in fiscal year 2010. Against the background of the planned creation of an integrated automotive group with Porsche, the capital increase strengthened the Group's financial stability and flexibility. Together with positive business growth, it also enabled a further significant year-on-year improvement in the Automotive Division's liquidity position.

An overview of the development of the Volkswagen Group over the past five years can be found in the tables on pages 173 and 175. 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 105.

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 2010, the value added generated by the Volkswagen Group was 49.5% higher than in the previous year. Since fiscal year 2009, employees in the passive phase of their early retirement have no longer been included when calculating added value per employee. Added value per employee in the reporting period was €97.7 thousand (+42.7%).

VALUE ADDED GENERATED BY THE VOLKSWAGEN GROUP

Source of funds in € million	2010		2009	
Sales revenue	126,875		105,187	
Other income	10,787		9,401	
Cost of materials	–79,394		–67,925	
Depreciation and amortization	–10,097		–8,877	
Other upfront expenditures	–15,250		–15,767	
Value added	**32,922**		**22,019**	

Appropriation of funds in € million	2010	%	2009	%
to shareholders (dividend)	1,034	3.1	647	2.9
to employees (wages, salaries, benefits)	19,027	57.8	16,027	72.8
to the state (taxes, duties)	3,105	9.5	1,152	5.2
to creditors (interest expense)	3,563	10.8	3,928	17.8
to the Company (reserves)	6,193	18.8	265	1.2
Value added	**32,922**	**100.0**	**22,019**	**100.0**

FIVE-YEAR REVIEW

	2010	2009	2008	2007	2006
Volume Data (thousands)					
Vehicle sales (units)	**7,278**	**6,310**	**6,272**	**6,192**	**5,720**
Germany	1,059	1,288	1,013	1,030	1,093
Abroad	6,219	5,022	5,259	5,162	4,627
Production (units)	**7,358**	**6,055**	**6,347**	**6,213**	**5,660**
Germany	2,115	1,938	2,146	2,086	1,935
Abroad	5,243	4,117	4,201	4,127	3,725
Employees (yearly average)	**389**	**367**	**357**	**329**	**329**
Germany	178	173	178	175	174
Abroad	210	194	179	154	155
Financial Data in € million					
Income Statement					
Sales revenue	**126,875**	**105,187**	**113,808**	**108,897**	**104,875**
Cost of sales	105,431	91,608	96,612	92,603	91,020
Gross profit	**21,444**	**13,579**	**17,196**	**16,294**	**13,855**
Distribution expenses	12,213	10,537	10,552	9,274	9,180
Administrative expenses	3,287	2,739	2,742	2,453	2,312
Net other operating expense/income	1,197	1,553	2,431	1,584	−354
Operating profit	**7,141**	**1,855**	**6,333**	**6,151**	**2,009**
Financial result	1,852	−595	275	392	−216
Profit before tax	**8,994**	**1,261**	**6,608**	**6,543**	**1,793**
Income tax expense	1,767	349	1,920	2,421	−162
Profit after tax	**7,226**	**911**	**4,688**	**4,122**	**1,955**
Cost of materials	**79,394**	**67,925**	**75,954**	**72,340**	**66,935**
Personnel expenses	**19,027**	**16,027**	**15,784**	**14,549**	**17,400**
Balance Sheet at December 31					
Noncurrent assets	113,457	99,402	91,756	76,841	75,374
Current assets	85,936	77,776	76,163	68,516	61,229
Total assets	**199,393**	**177,178**	**167,919**	**145,357**	**136,603**
Equity	48,712	37,430	37,388	31,938	26,959
of which: noncontrolling interests	2,734	2,149	2,377	63	55
Noncurrent liabilities	73,781	70,215	65,729	57,351	56,159
Current liabilities	76,900	69,534	64,802	56,068	53,485
Total equity and liabilities	**199,393**	**177,178**	**167,919**	**145,357**	**136,603**
Cash flows from operating activities*	**11,455**	**12,741**	**2,702**	**9,308**	**14,470**
Cash flows from investing activities*	**9,278**	**10,428**	**11,613**	**7,120**	**11,911**
Cash flows from financing activities	**−852**	**5,536**	**8,123**	**787**	**−114**

* 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. In order to use resources in the Automotive Division efficiently and to measure the success of this, we have been using value contribution[1], a control variable linked to the cost of capital, for a number of years.

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 focuses on the Morgan Stanley Capital International (MSCI) World Index, is 5%.

From 2010, the specific business risk of price fluctuations in Volkswagen preferred shares is modeled as part of the beta factor calculation compared with 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 relates to a five-year period with annual beta figures on a daily basis and an average subsequently being calculated. A beta factor of 0.99 was determined for 2010 (previous year: 0.87[2]).

COST OF CAPITAL AFTER TAX
AUTOMOTIVE DIVISION

%	2010	2009
Risk-free rate	3.0	4.1
MSCI World Index market risk premium	5.0	5.0
Volkswagen-specific risk premium	–0.1	–0.7
(Volkswagen beta factor)	(0.99)	(0.87)[2]
Cost of equity after tax	**7.9**	**8.4**
Cost of debt	4.3	5.5
Tax	–1.3	–1.6
Cost of debt after tax	**3.0**	**3.9**
Proportion of equity	66.7	66.7
Proportion of debt	33.3	33.3
Cost of capital after tax	**6.3**	**6.9**

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 also adjusted to account for the tax rate of 30%.

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

2 The beta factor is calculated on the basis of Volkswagen ordinary shares versus the DAX.

A weighting on the basis of a fixed ratio for the fair values of equity and debt gives an effective cost of capital for the Automotive Division of 6.3% (6.9%) for 2010.

VALUE CONTRIBUTION AND RETURN ON INVESTMENT IN THE CURRENT FISCAL YEAR

To date, the Chinese joint ventures Shanghai-Volkswagen Automotive Ltd. and FAW-Volkswagen Automotive Company Ltd., including the respective sales companies, have been included pro rata in the calculation of the value contribution and return on investment for the Automotive Division. Due to the growing importance of the component plants in China that are also accounted for using the equity method, we have additionally included the following companies with their proportionate figures in the calculation of the return on investment for the Automotive Division in the reporting period; the prior-year figures were adjusted:

> VOLKSWAGEN FAW Engine (Dalian) Co., Ltd.
> Volkswagen FAW Platform Company Ltd.
> VOLKSWAGEN Transmission (Shanghai) Company Ltd.
> Shanghai Volkswagen Powertrain Company Ltd.

The operating profit after tax of the Automotive Division was €5,859 million (€1,673 million) in fiscal year 2010. The key reasons for the significant year-on-year improvement are volume increases, country and model mix improvements, product cost optimization measures and positive exchange rate effects.

Invested capital declined slightly. As the cost of capital has also fallen, the cost of invested capital was €264 million lower year-on-year at €2,742 million. The increase in operating profit after tax resulted in a clear positive value contribution of €3,117 million (negative value contribution of €1,332 million).

The return on investment is the return on invested capital for a particular period based on the operating profit after tax. For the reasons already mentioned, this improved significantly year-on-year to 13.5% (3.8%).

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

VALUE CONTRIBUTION BY THE AUTOMOTIVE DIVISION[1]

€ million	2010	2009[2]
Operating profit (starting point)	6,189	1,264
Plus effects of Scania purchase price allocation on earnings	273	295
Plus share of operating profit of Chinese joint ventures	1,907	831
Tax expense	–2,511	–717
Operating profit after tax	**5,859**	**1,673**
Invested capital (average)	43,525	43,561
Return on investment (ROI) in %	**13.5**	**3.8**
Cost of capital in %	6.3	6.9
Cost of invested capital	**2,742**	**3,006**
Value contribution	**3,117**	**–1,332**

1 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.
2 Adjusted. The return on investment after tax (RoI) is unchanged as against the previous year.

Volkswagen AG (condensed, according to German Commercial Code)
Stronger vehicle sales boost sales revenue and earnings

NET INCOME FOR THE YEAR

As a result of the expansion of business, Volkswagen AG's sales rose to €57.2 billion in fiscal year 2010, a year-on-year increase of 19.6%. The proportion of sales generated outside Germany was 62.4% (53.5%).

The cost of sales rose 11.8% year-on-year to €53.1 billion due to volume-related factors. Gross profit increased to €4.2 billion. The business expansion led to higher selling, general and administrative expenses than at the end of 2009. The ratio of selling, general and administrative expenses to sales was reduced year-on-year to 8.9% (10.0%). At €1.0 billion, the other operating result was down €0.7 billion versus the previous year, mainly on account of lower gains from currency hedging transactions.

The financial result rose by 15.1% to €4.8 billion, which was due in particular to higher income from profit and loss transfer agreements.

At €4.9 billion, Volkswagen AG's result from ordinary activities was much higher than in fiscal year 2009 (€1.5 billion). 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). This item primarily includes the expense recognized for the remeasurement of pension provisions. After deducting income taxes, net income amounted to €1.5 billion (€1.1 billion).

INCOME STATEMENT OF VOLKSWAGEN AG

€ million	2010	2009
Sales	57,243	47,864
Cost of sales	53,059	47,454
Gross profit on sales	**+ 4,184**	**+ 410**
Selling, general and administrative expenses	5,090	4,778
Other operating result	+ 1,043	+ 1,718
Financial result*	+ 4,791	+ 4,163
Result from ordinary activities	**+ 4,928**	**+ 1,512**
Extraordinary result	**– 1,789**	**–**
Taxes on income	1,589	430
Net income for the year	**1,550**	**1,082**
Retained profits brought forward	130	2
Appropriations to revenue reserves	640	200
Net retained profits	**1,039**	**884**

* Including write-downs of financial assets.

BALANCE SHEET OF VOLKSWAGEN AG AS OF DECEMBER 31

€ million	2010	2009
Fixed assets	42,077	38,636
Inventories	3,230	3,361
Receivables	14,098	10,434
Cash and bank balances	7,817	8,904
Total assets	**67,223**	**61,334**
Equity	17,072	12,056
Special tax-allowable reserves	59	65
Long-term debt	11,861	18,192
Medium-term debt	13,474	8,460
Short-term debt	24,757	22,562

NET ASSETS AND FINANCIAL POSITION

Volkswagen AG's total assets amounted to €67.2 billion at the end of the reporting period, exceeding the December 31, 2009 figure by €5.9 billion. Investments in tangible and intangible assets, most of which related to new products, were €1.2 billion, a decrease of 13.9% compared with the previous year. Investments in financial assets amounting to €10.9 billion (€7.8 billion) (including €3.2 billion from the transfer of investments to Global Automotive Holding C.V.) also include the investment in Suzuki Motor Corporation. On December 31, 2010, fixed assets amounted to €42.1 billion, 8.9% more than a year before.

At €25.1 billion at the reporting date, current assets were higher than in the previous year. While receivables were up compared with 2009, due primarily to the higher volume of supplies and services transacted and the receivables from profit and loss transfer agreements, cash and bank balances were down year-on-year.

Equity at December 31, 2010 amounted to €17.1 billion, 41.6% higher than at the end of 2009. The increase was a result of the capital increase implemented in fiscal year 2010, as well as of the increased net income for the year. The equity ratio increased to 25.4% (19.7%). Provisions rose by 6.9% to €24.8 billion, which was primarily a result of higher pension provisions and income-related taxes. A reduction in loans to subsidiaries was the main factor behind the decline in liabilities by 2.8% to €25.3 billion. The interest-bearing portion of the debt thus fell to €19.8 billion (€21.2 billion).

Overall, our assessment of Volkswagen AG's economic position is just as positive as that for the Group.

DIVIDEND PROPOSAL

In accordance with section 58(2) of the Aktiengesetz (AktG – German Stock Corporation Act), €640 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 €1.0 billion from net retained profits, i.e. €2.20 per ordinary share and €2.26 per preferred share.

PROPOSAL ON THE APPROPRIATION OF NET PROFIT

€	2010
Dividend distribution on subscribed capital (€1,091 million)	1,033,622,925.68
thereof on: ordinary shares	649,100,247.40
preferred shares	384,522,678.28
Balance (carried forward to new account)	5,647,100.85
Net retained profits	**1,039,270,026.53**

EMPLOYEE PAY AND BENEFITS AT VOLKSWAGEN AG

€ million	2010	%	2009	%
Direct pay including cash benefits	4,790	69.5	4,104	61.8
Social security contributions	969	14.1	873	13.1
Compensated absence	749	10.9	764	11.5
Old-age pensions	385	5.6	905	13.6
Total expense	**6,892**	**100.0**	**6,645**	**100.0**

SALES TO THE DEALER ORGANIZATION

Volkswagen AG sold 2,309,648 vehicles to the dealer organization in 2010, 12.5% more than in 2009. The proportion of vehicles sold outside Germany was 69.2% (57.9%).

PRODUCTION

Volkswagen AG's vehicle production plants (Emden, Hanover and Wolfsburg) manufactured 1,100,186 vehicles, 6.0% more than in the previous year. Average daily production at Volkswagen AG rose by 13.9% to 5,195 units.

NUMBER OF EMPLOYEES

At December 31, 2010, a total of 94,787 people were employed at the sites of Volkswagen AG, excluding staff employed at subsidiaries. This figure included 4,512 vocational trainees. 2,946 employees were in the passive phase of their early retirement. The workforce was 0.4% lower than during the previous year.

The percentage of female employees was 14.5% of the total headcount. Volkswagen AG employed 2,977 part-time workers (3.1%). The percentage of foreign employees was 5.9%. A total of 83.2% of employees held a vocational qualification with supplementary further training, while 13.7% were graduates. The average age of Volkswagen employees was 42.4 years.

RESEARCH AND DEVELOPMENT

Volkswagen AG's research and development costs according to the German Commercial Code amounted to €3.1 billion in fiscal year 2010 (€3.0 billion). As of the end of 2010, 9,114 people were employed in this area.

PURCHASING VOLUME

The purchasing volume across the six Volkswagen AG sites in Germany increased to €20.7 billion in 2010 (€18.1 billion); 70.7% (71.6%) of this volume was sourced from suppliers in Germany. Of the total purchasing volume, €17.6 billion was spent on production materials and €3.1 billion on capital goods and services.

EXPENDITURE ON ENVIRONMENTAL PROTECTION

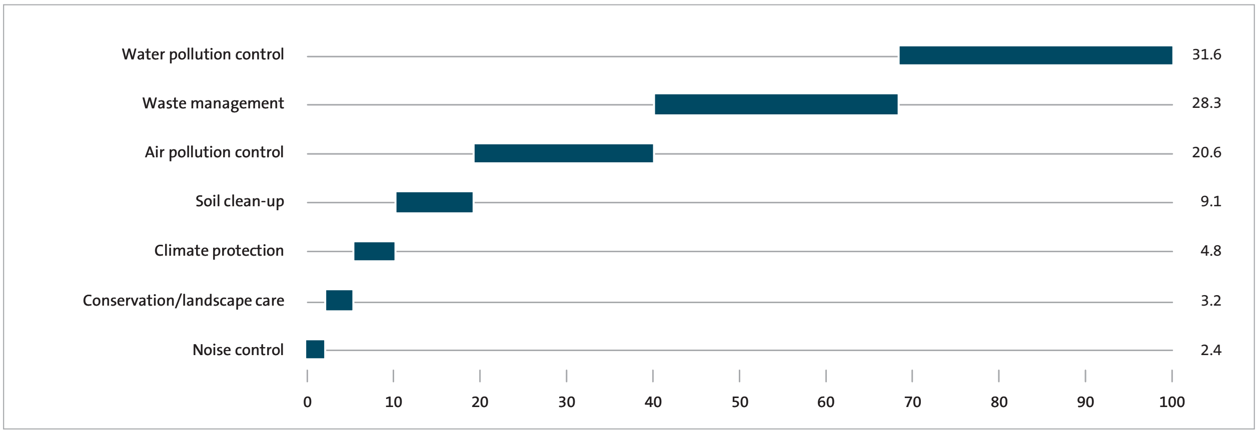
Investments in environmental protection include all investments relevant for production made exclusively or primarily for environmental protection. Additive measures as well as those integrated with production equipment and processes are included. Additive measures consist of facilities separate from the rest of the production process that are used for activities such as controlling water pollution. These are downstream of the manufacturing process and reduce the emissions generated by production. Integrated measures are part of a production plant or a process. They result in much lower levels of emissions or their avoidance altogether. The investments in 2010 focused on water pollution control and waste management.

VOLKSWAGEN AG EXPENDITURE ON ENVIRONMENTAL PROTECTION

€ million	2010	2009	2008	2007	2006
Investments	12	10	8	20	19
Operating costs	197	180	185	177	170

OPERATING COSTS FOR ENVIRONMENTAL PROTECTION AT VOLKSWAGEN AG IN 2010

Share of environmental protection areas as percent



Environmental protection operating costs entail expenses for measures related to production and comprise expenditures for the operation of environmental protection equipment and expenditures not relating to such equipment.

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 205 to 212 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 210 to 211 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

Highly motivated specialists develop and manufacture innovative, emotional products

Volkswagen Group's first-class vehicles are manufactured by an extremely dedicated, outstanding team – and captivate customers all around the world. The responsible use of environmental resources is a top priority for us during vehicle development.

The key financial performance indicators for the Volkswagen Group were described in the "Results of operations, financial position and net assets" chapter. In this section of the report, we will now explain the non-financial performance indicators that provide information on the efficiency of our Company's value drivers. In addition to the processes in the areas of research and development, procurement, production, and sales and marketing, these indicators also include quality assurance. Other factors determining the Company's success are the behavior of corporate management towards employees, Volkswagen's contribution to environmental protection and the extent to which we assume social responsibility.

RESEARCH AND DEVELOPMENT

Research and development activities in the Volkswagen Group in 2010 concentrated on two areas: expanding our product portfolio and improving the functionality, quality, safety and environmental compatibility of Group products.

One of the main areas of focus was the expansion and intensification of the Company's activities regarding the electrification of our vehicle portfolio. To maximize synergy effects, we created a discrete Group function that manages and coordinates all e-mobility-related activities on a cross-brand, interdisciplinary basis.

As we expand our model range, reducing the carbon emissions from our vehicles becomes important. Implementing our forward-looking powertrain strategy has enabled us to reduce our fleet's average CO_2 emissions by 22 g/km in the past five years, i.e. by around 15%. The Volkswagen Group currently offers 220 model variants whose carbon emissions are below 130 g/km, 116 of which emit less than 120 g/km. CO_2 emissions in 20 of our model variants have already dropped below 100 g/km.

Integrating innovations into vehicles

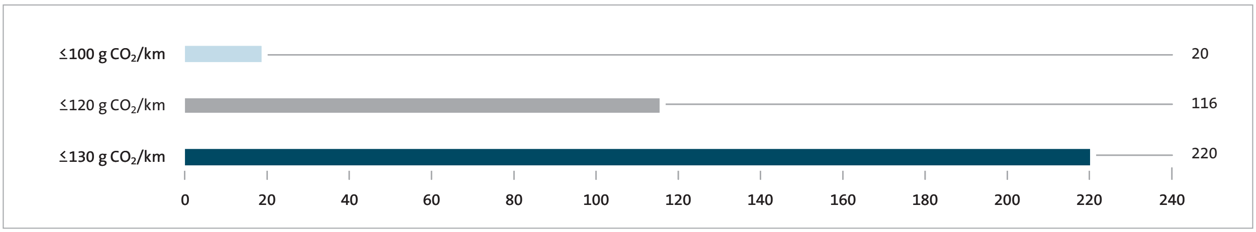
In 2010, the independent Center of Automotive Management (Cauma) performed its fifth analysis of innovation performance in the automotive industry worldwide, from which it determined that our Volkswagen and Audi brands significantly increased our innovation activities again compared with the previous years. The Volkswagen Group obtained pole position in this analysis for the third time in succession.

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

The new Touareg from the Volkswagen Passenger Cars brand offers a world premiere with the Dynamic Light Assist: the camera-based dynamic main beam control system "sees" oncoming cars and vehicles in front and, in each individual headlamp, automatically switches between dipped and main beam without dazzling other road users. The new Touareg also comes with the Area View system, which displays the vehicle's surroundings on the touchscreen of the radio or radio-navigation system. This system utilizes four cameras to provide a 360-degree view around the vehicle as well one virtual camera above the vehicle for an aerial view.

CO_2 EMISSIONS – STATUS QUO

Number of vehicles



The new Passat is taking innovations from the premium segment to the mid-size range. These include safety features such as a fatigue detection system – a first for a car in this class – that detects reduced driver concentration based on steering behavior and warns the driver with an acoustic signal. The new automatic city emergency braking function reacts independently at speeds below 30 km/h when sensors detect a chance of collision. Thanks to the new Easy Open system, the trunk can be opened with a movement of the foot under the rear bumper. This makes it easier to load the vehicle when one's hands are full.

The new Sharan is family-friendly with sliding doors, integrated child seats and the EasyFold seating system, with which the seats in the second row can be stowed quickly and easily in the vehicle floor, thus providing maximum flexibility. The new Park Assist system enables the MPV to be parked in even smaller spaces and now also at right angles to the direction of travel.

The new Phaeton is winning over customers in the premium segment with a whole range of innovations. A camera integrated into the interior mirror registers road signs and forwards the information to the touchscreen and multifunction instrument panel. The new radio-navigation system "RNS 810" facilitates an Internet-based search by points of interest (POI) and allows satellite images to be displayed.

In 2010, the Audi brand unveiled the Audi A1, the first premium vehicle in the subcompact segment. This combines progressive design, uncompromising quality and pioneering efficiency – all in a total length of under four meters. Powered by a 1.6 TDI engine*, the Audi A1 uses only 3.9 l of fuel per 100 km and produces 103 g of CO_2 per kilometer (combined).

With the Audi A8, the Audi A7 Sportback and the recently launched Audi A6, the brand is once again demonstrating its expertise in aluminum lightweight construction. The aluminum space frame (ASF) for the Audi A8 and the steel/aluminum mixed construction with over 20% aluminum in the Audi A7 Sportback and the Audi A6 are setting standards in lightweight body construction. An innovative engine concept with thermal management is reducing fuel consumption in the Audi A6 Saloon 2.0 TDI* to 4.9 l diesel per 100 km; CO_2 emissions are a mere 129 g/km (combined).

Audi also demonstrated innovative strength in the enhancement of its MMI touch operating system as well as with Audi pre sense, a safety system providing preventive occupant protection, and the pioneering full-LED headlamps.

In 2010, Škoda presented the second generation of its environmentally friendly GreenLine models featuring state-of-the-art engines, a cutting-edge start-stop system and regenerative braking, as well as low-resistance tires. The GreenLine range now includes models from all five of the brand's series.

Last year, the SEAT brand rolled out a new generation of efficient TDI and TSI engines that together with aerodynamic features, a start-stop system and regenerative braking have trimmed fuel consumption and emissions.

After unveiling the Amarok DoubleCab in 2009, Volkswagen Commercial Vehicles debuted the Amarok SingleCab in 2010, whose loading space has been extended to 2.20 m with the same vehicle dimensions as the four-door double cabin model. This makes it possible to stow two sideways-loaded euro pallets behind each other.

In 2010, Scania launched the V8 truck range, rolling out the world's most powerful truck boasting a 537 kW (730 PS) engine and an impressive maximum torque of 3,500 Nm. The V8 series gives customers the best possible combination of performance, transport efficiency, fuel economy, durability and driver appeal. Scania also tested a spoiler that reduces fuel consumption by 2%. This could save 1,200 l of fuel every 200,000 km and avoid 3 t of CO_2 emissions.

* Consumption and emission data can be found on page 328 of this Report.

Studies and concept vehicles – looking forward

In addition to the multitude of series vehicles it debuted, the Volkswagen Group showcased a number of concept vehicles and studies in 2010. We will present the most important of these in this section.

The New Compact Coupe (NCC) from the Volkswagen Passenger Cars brand was a crowd-puller at the North American International Auto Show in Detroit. The compact coupé with a hybrid drive and a sporty, elegant design has a 110 kW (150 PS) TSI engine as well as an electric motor with an output of 20 kW (27 PS). Combining this with the innovative seven-speed direct shift gearbox (DSG) gives this vehicle a top speed of 227 km/h and an acceleration of 8.6 seconds to 100 km/h. The NCC has an average fuel consumption of only 4.2 l per 100 km.

The zero-emission "Milan Taxi" concept vehicle revealed at the Hanover Trade Show is proof that Volkswagen is systematically pursuing its goal of becoming the world's most environmentally friendly automaker. The vehicle is powered by an electric motor with a maximum output of 85 kW (116 PS), the energy being delivered by the lithium-ion battery integrated into the underbody. This gives the car a range of up to 300 km. We unmasked a refined version of this concept vehicle at the "National Electromobility Platform" in the form of the "Berlin Taxi". Innovations such as a sliding door that opens far forward on the passenger's side and customizable taxi touchscreens for passengers round off this forward-looking vehicle concept.

With its study for the Audi A8 hybrid concept vehicle the Audi brand presented the basic architecture for its hybrid drive to the general public at the 2010 International Motor Show in Geneva. In the field of e-mobility, the Audi A1 e-tron concept vehicle demonstrated the brand's expertise.

In 2010, SEAT introduced the IBE concept car, an electric vehicle with a captivating 75kW (102 PS) engine that combines design, sportiness and cost-effectiveness in one. The IBE was named "Best Concept Car 2010" at the Paris Motor Show.

Škoda also showed the world its innovative strength in the area of e-mobility in 2010 when it presented the Octavia Green E Line in Paris, a concept car powered by an 85 kW (116 PS) electric motor that reaches a top speed of 135 km/h. The lithium-ion battery gives the vehicle a range of 140 km.

At the International Motor Show (IAA), Commercial Vehicles in Hanover, Volkswagen Commercial Vehicles used the Amarok to show that it is possible to lower the already best-in-class fuel consumption of 7.4 l per 100 km (combined) to 6.9 l with BlueMotion technology.

Efficiency gains through synergies

The Volkswagen Group is systematically continuing its worldwide model rollout. To efficiently develop new vehicles for existing and future markets, the Volkswagen Group's individual brands make use of what are known as 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.

The Audi brand has already developed vehicles based on the Modular Longitudinal Toolkit (MLB). All these models have an engine that is mounted longitudinally to the direction of travel. Using the Modular Transverse Toolkit (MQB) – the next key step in the refinement of the cross-brand platform and modular strategy – it is possible to design vehicles whose architecture permits a transverse arrangement of the engine components. The MQB meets customers' expectations for a growing variety of vehicle models, equipment features and design. Through the modularization of the body, vehicles can be produced in different stages for the length, width and wheelbase – an approach that benefits the manufacturing process. In return, the MQB reduces the complexity, costs incurred and time required for development. In October 2010, the first MQB platform Group-wide was welded in a large-series production facility in body production at the Wolfsburg site. We are now preparing to integrate the new standardized production technology based on the MQB into series production. Over the coming years, the MQB will provide the technical foundation for over 30 Group models in the compact and mid-size ranges.

The modular approach is becoming increasingly popular in other areas of automobile manufacturing as well. Standardized modular toolkits are being used in engine building as well as in vehicle electronics. The Modular Infotainment System (MIB) and the Modular Diesel System (MDB), for example, are helping us develop even more efficient vehicles.

Pooling strengths through strategic alliances

In 2010, we continued our existing cooperation arrangements with Dr. Ing. h.c. F. Porsche AG, Daimler AG and the Chrysler Group on the development and production of vehicles. We also entered into a long-term strategic partnership with Suzuki Motor Corporation.

In 2010, we sought or intensified cooperation with many expert battery manufacturers to promote the development of high-voltage battery systems for hybrid drives and electric vehicles. Volkswagen and its partner VARTA Microbattery GmbH, Ellwangen, founded the joint venture VOLKSWAGEN VARTA Microbattery Forschungsgesellschaft mbH & Co KG to research and develop battery cells suitable for automobiles as well as the associated production technology. We also built up our expertise in the field of electric traction in cooperation with a large number of universities such as the Institute of Physical Chemistry at the University of Münster.

In the area of renewable second-generation biofuels Volkswagen is continuing to work with CHOREN Industries and IOGEN. Volkswagen has held a financial investment in CHOREN Industries since 2007.

Integration of external R&D know-how

In addition to the Group's internal resources, the expertise of our suppliers is an important aspect of the development process and helps us expand our model range with innovative, sustainable vehicle concepts. Close cooperation at an early stage between internal and external capacity ensures that projects can be successfully completed to the standard required and within reduced development times. This allows us to draw on external expertise, particularly in creative processes, but also in virtual technologies and megatrends.

We put external capacity to good use, especially in support services and in downstream processes such as series production management. This expertise is also helpful in activities that are not customer-facing and generate improvements. As the expertise of subsequent system suppliers is particularly useful when developing modules and components, we are extending our cooperation with such partners for the benefit of both sides.

Employees contribute ideas

In 2010, our employees filed 1,969 patent applications, 1,250 of them in Germany and 719 abroad. Many of these innovations related to driver assistance systems and infotainment topics as well as to hybrid and bodywork technology. The large number and the technological quality of the applications showed once again that the employees of the Volkswagen Group have exceptional innovative strength.

Key R&D figures

In fiscal year 2010, research and development costs in the Automotive Division increased by 26.5% year-on-year. The capitalization ratio was 26.6% (33.6%). The ratio of research and development costs to sales revenue recognized in the income statement in accordance with IFRSs in the Automotive Division rose to 6.1% (5.8%).

On December 31, 2010, the Research and Development function employed 27,406 people Group-wide (+7.1%), corresponding to 6.9% of the total headcount. This figure also includes the staff at the vehicle production investments Shanghai-Volkswagen Automotive Company Ltd. and FAW-Volkswagen Automotive Company Ltd. These companies are accounted for using the equity method.

RESEARCH AND DEVELOPMENT COSTS IN THE AUTOMOTIVE DIVISION

€ million	2010	2009	2008	2007	2006
Total research and development costs	6,257	5,790	5,926	4,923	4,240
of which capitalized development costs	1,667	1,947	2,216	1,446	1,478
Capitalization ratio in %	26.6	33.6	37.4	29.4	34.9
Amortization of capitalized development costs	2,276	1,586	1,392	1,843	1,826
Research and development costs recognized in the income statement	**6,866**	**5,429**	**5,102**	**5,320**	**4,588**

PROCUREMENT

The recovery of the global economy in 2010 presented procurement staff with fresh challenges, one of which was developing strategies to offset higher commodity prices. It was also necessary to align supplier and procured component management with the new situation in compliance with our Sustainability Principles. As in previous years, procurement activities concentrated on the development of new markets and the continuous optimization of processes.

Procurement strategy

Procurement has derived four goals for itself from the Group Strategy 2018: first, to ensure market-oriented premium quality and innovations at competitive prices; second, to meet cost targets and guarantee the profitability of our products over their entire lifetime; third, to safeguard global volume growth through permanent availability and consistently high quality of procured components; and fourth, to maintain customer satisfaction and the attractiveness of procurement at a constantly high level.

We have identified action areas for each of these goals and drawn up 24 programs with precisely defined measures and responsibilities for all brands and regions. By performing annual variance analysis we can now align the programs and consequently also our strategy to the general conditions in procurement.

Supply situation for procured components and raw materials

Whereas in 2009 the government subsidy programs in many countries triggered an increase in unit sales of compact cars, 2010 saw increased demand for vehicles from the premium segments with luxury equipment features. Procurement succeeded in managing increases and changes in material requirements that this shift in demand entailed, supplying procured components to all component and vehicle plants. This was especially the case at our production facilities in China, which had to contend with a sharp rise in demand. Key factors contributing to this smooth alignment were the systematic improvements in processes, especially in capacity, requirements, and procured component management, and the increasingly close integration with all divisions involved.

During the reporting period, the commodity markets developed in step with the global economy. The spot markets registered substantial price increases sparked by rising demand, speculation on listed commodities and a changed pricing system for iron ore. As a result, the price situation on the international steel markets remained strained, with large fluctuations in the prices of all commodities.

Volkswagen was quick to take steps to counter this trend and continued in the same vein in 2010. Based on the globally applicable procurement strategy, our focus was on the strategic orientation of the supplier portfolio. We closely integrated our local companies in China, India, Russia and the United States in particular into this process.

In addition, we are working at high speed on ways of reducing materials usage and increasing the utilization rate – for example by systematically pursuing our lightweight construction strategies or by substituting tools with materials that were optimized for the specific applications.

Quality assurance through procured component and supplier management

In view of the increase in the number of vehicle production start-ups and the growing complexity of the supplier markets, we have further intensified our procured component management introduced in 2007. Tool and process experts from the Procurement and Quality Assurance divisions work hand in hand to ensure a successful start of production for new vehicle models, followed by incident-free series production. Procured component management has become an integral part of our local organizational structures, including in the international markets and regions.

The basic idea behind procured component management is that regional teams are incorporated in the planning of the production start-up from an early stage in order to minimize problems and bottlenecks shortly before SOP. Procured component management also provides support during series production, for example in the event of failures, capacity bottlenecks and tool relocation. Our experts coordinate the necessary tool and process optimizations locally in close cooperation with suppliers around the world; this minimizes the yield loss rate and ensures a consistent supply of components.

In the cross-divisional "Quality in Growth" program, Procurement collaborates with Quality Assurance on supplier training. Given the increasing complexity of supplier structures, supplier management is designed not only to consider the supplier but also incorporate the upstream stages of the value chain in its job order contracting for selected components. In this context, the sub-supplier chain will be given greater importance in the future prior to contracting in the hopes of influencing the contract award decision.

Greater localization through expansion into new markets

The new production facilities in India, Russia and the United States provide numerous opportunities for Group procurement. Firstly, localization – using local markets for local production – allows us to reduce costs. Secondly, the local suppliers are a potential supply source for our production facilities in other regions as well. Through what is known as radical localization we are increasing the share of value added generated by locally procured components by trying to find cost-effective supply sources for raw materials in the relevant regions at an early stage and in doing so optimize the cost of materials. Here, Procurement works closely with the Technical Engineering and Quality Assurance divisions, with which it agrees on the proportion of locally procured components.

The C3 Sourcing (Cost-Competitive Country Sourcing) program introduced in 2008 builds on the two above-mentioned strategies of localization and radical localization. The objective of this program is to harness cost advantages in competitive procurement markets for European vehicle projects. We have succeeded in leveraging and expanding synergies from local production for the export of components while adhering to Volkswagen's 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 is going a long way to helping Volkswagen meet its cost targets for new vehicle projects at the start of series production and also to maintaining the Company at a globally competitive level of procurement.

Process optimization program in procurement

The process optimization program in procurement is an important component of the "Volkswagen Way" and is helping us achieve the objectives of the Group Strategy 2018. In the course of this program, all key procurement processes will be analyzed and optimized where necessary. Last year, over 100 procurement employees attending numerous workshops identified necessary process improvements on the basis of their long-standing experience. The feasibility of the measures derived from these was then verified, the measures were evaluated and a decision was made about their adoption. For example, the number of documents for the forward and global sourcing processes was reduced to those needed for contracting and clear responsibilities were defined for their preparation. To ensure that the measures adopted are employed on a long-term basis, we put together an electronic manual containing binding information and clear descriptions of all processes. All procurement staff were then exhaustively briefed on the process improvements at training events in the Procurement Academy. At the end of 2010, we started to transfer the successful program to all brands and regions.

Sustainability in supplier relationships

Integrating the Group's vision of sustainability into its supplier relationships is an important task at all levels of the Procurement division and one in which we apply the environmental and social standards enshrined in our corporate policy to supplier management. Back in 2006, we teamed up with external scientific experts to develop a concept for assuming environmental, economic and social responsibility together with our business partners. Since 2008, this concept has been expanded to all brands and all regions in which the Company is active and its effectiveness is continuously reviewed and assessed. The four main pillars of the concept are sustainability standards for suppliers, an early-warning system to minimize risk, transparency in the procurement process, and supply monitoring and development.

The training of new procurement staff focuses on sensitizing them to shortcomings and potential for improvement at suppliers. The work of the international "sustainability procurement network" is helping to implement this concept globally throughout the Group – despite variations attributable to cultural requirements. In 2010, a second series of events was organized in India following the success of the supplier training project in the previous year. Other training projects were implemented in Brazil, Argentina and at Volkswagen de México.

Purchasing volume

In 2010, the Volkswagen Group's purchasing volume – including the Chinese joint venture companies – increased by 26.8% year-on-year to €89.7 billion. The proportion attributable to German suppliers was 39.0% (41.9%).

PURCHASING VOLUME BY BRAND AND MARKET

€ billion	2010	2009	%
Volkswagen Passenger Cars	58.4	45.0	+ 29.8
Audi (incl. Lamborghini)	17.0	14.3	+ 18.4
Škoda	5.1	4.2	+ 21.6
SEAT	2.9	2.7	+ 8.0
Bentley	0.3	0.2	+ 36.8
Volkswagen Commercial Vehicles	1.9	1.5	+ 26.4
Scania	4.1	2.8	+ 50.6
Volkswagen Group	**89.7**	**70.7**	**+ 26.8**
Europe/Remaining markets	59.2	49.4	+ 19.8
North America	4.2	3.2	+ 30.0
South America	7.8	5.4	+ 44.2
Asia-Pacific	18.5	12.7	+ 46.0

PRODUCTION

Production in 2010 was dominated by a large number of vehicle production start-ups, substantial efforts at our new production facilities, staff training measures and the recovery of the automotive markets. Due to a sharp rise in demand for our models in the reporting period, some of the Group's manufacturing plants had to increase their production programs to the limits of their capacity. The upturn in demand in the commercial vehicles segment prompted Scania to return to a five-day week at its Swedish sites, and additional staff were also taken on in Europe as a whole.

Production locations

At the end of the reporting period, the Volkswagen Group had 61 locations, with production facilities at 40 of these. After commencing full production in 2009, the Russian site in Kaluga added two more vehicle models to its production range, bringing the number of vehicle launches to four in just eleven months. The facility in Pune, India, now produces a total of four different models as well. Construction is progressing at the Volkswagen plant in Chattanooga, USA, where production of a model developed specially for the North American market will begin in 2011. Volkswagen Osnabrück GmbH will also start building vehicles in the same year. In China, the Group – in line with its long-term growth strategy – is building two new vehicle plants in Yizheng and Foshan, both of which will become operational in 2013. The new engine plant in the Mexican city of Silao will start producing the latest generation of engines for the North American market in the same year. Following an extensive overhaul, Scania now has efficient, state-of-the-art bus production at its site in Slupsk, Poland. Volkswagen's plant in Chemnitz, Saxony, was rated "Factory of the Year 2009" in the "outstanding innovation management" category by management consultants A.T. Kearney and the German magazine "Produktion".

Successful start-ups in the plants

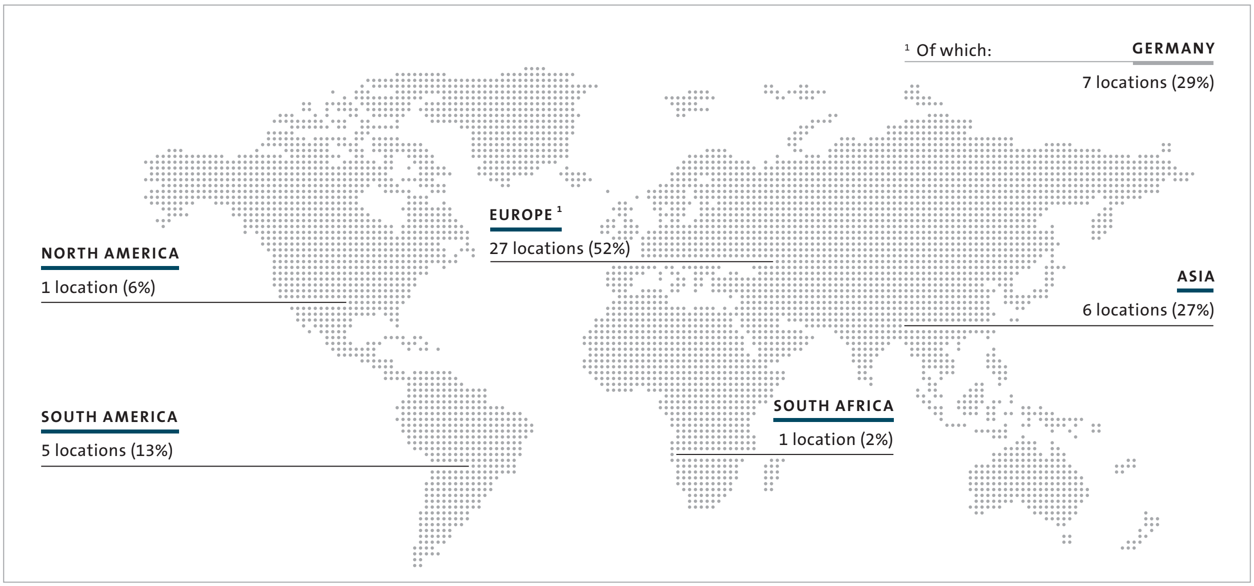
The numerous production start-ups at our facilities worldwide were central to the success of the Volkswagen Group in 2010. The new flagship models for the year under the Volkswagen Passenger Cars brand were the latest generations of the Touareg, Sharan, Touran and Passat models. Another highlight was the US rollout of the new Jetta produced in Mexico. In Kaluga, Russia, the Polo and the Škoda Fabia were integrated into full production. Audi added the new Audi A1 and the Audi A7 Sportback to its product portfolio. Production of the new generation of the Audi A6 saloon was also commenced. Important events in the production calendar at SEAT were the start-up of the Ibiza ST and the showcasing of the new Alhambra. The range of products manufactured at our plants in China was expanded to include the Magotan CC, and a new generation of the Polo and Touran was rolled out.

Production milestones in 2010

We celebrated a special event in February 2010, when the 37 millionth vehicle produced at the Wolfsburg plant – a Golf GTI – rolled off the production line. The Kassel plant marked the production of its 100 millionth gearbox – a seven-speed direct shift gearbox – in March. SEAT also had a reason to celebrate in March, when the one millionth Leon was built in Martorell. In April, the one millionth SUV left the factory in Bratislava. The 20 millionth Golf saloon manufactured at a German plant rolled off the assembly line in Wolfsburg in June. Škoda celebrated the production of its eight millionth car overall in 2010. In the fourth quarter of the year, we proudly marked the production of the ten millionth vehicle and one millionth engine in China; our plant in Zwickau built the two millionth Passat in November.

VEHICLE PRODUCTION LOCATIONS OF THE VOLKSWAGEN GROUP

Share of total production 2010 in percent



The Group's production system

The Volkswagen Group's value-driven synchronous production system has been designed with the aim of improving quality and adherence to schedules while simultaneously reducing costs. The core element of the system is a consistent, systematic organization of work and processes that will be achieved through a uniform Group-wide production system and the methodical approach of the continuous improvement process. Employees, employee representatives and management have together made it their business to turn the Company into a learning organization.

Around the world, Lean Centers are currently being established in the Group brands along with training centers at the plants. These will offer training courses for employees, from skilled workers to top managers, thus broadening their fields of expertise. The Lean Center in Chattanooga opened its doors in 2010; other new training centers have been set up at the Chemnitz plant for engine assembly and at the Kassel facility for mechanical production and gearbox assembly.

On account of the demographic trend, Volkswagen is facing the challenge of achieving its ambitious goals as the age structure of its workforce changes. In this context, people are the Group's most important resource. For our employees to keep performing at high levels, their workstations must be designed ergonomically and appropriate to their age. This must be taken into account early on, in the product development process. By making ergonomics a particular priority in this process, we ensure an improvement in the quality of production employees' workstations, resulting in shorter production cycles and a lower error rate. We also create job opportunities for employees with reduced capabilities. All these measures help to safeguard the Company's competitiveness.

Precision and expertise in tool-making

A sophisticated vehicle design achieved through precision and expertise is our guiding principle. To implement this, we need to build our own tools for automobile manufacturing. It is the only way we can guarantee short throughput times with high cost-effectiveness in production.

Synchronized flow production forms the basis of our current production system. We have therefore successively synchronized all processes in the building of press tools and also in plant engineering and the construction of testing equipment. The use of an end-to-end, software-based control matrix facilitates capacity planning up to each individual workstation. Quality gates ensure that errors are systematically identified and eliminated after each step. Only products that have been checked and found to be in order are passed on to the next process interfaces.

Looking forward, our challenges will not only be shorter production cycles and price pressure, but above all new technologies. Intelligent tools are the basis for reliable, standardized operation that is also flexible and cost-effective.

SALES AND MARKETING

The Volkswagen Group's unique portfolio is made up of nine successful brands that excite millions of customers around the globe. In 2010, we further sharpened the individual, distinctive image of each individual brand. We also reorganized the Sales Board of Management department and strengthened our commercial fleet customer business.

Brand diversity in the Volkswagen Group

"Innovative", "providing enduring value" and "responsible" are the three core messages of the Volkswagen Passenger Cars brand combined in the slogan "Volkswagen – Das Auto". Customers the world over associate this brand with quality, reliability and German engineering skills. This profile and the trust customers place in the brand mean it is the first choice for millions when buying a car. Global brand management activities currently revolve around customers' wishes and preferences and will continue to do so in the future. Volkswagen's range of affordable innovations that are oriented on customer requirements give us a critical competitive advantage. We have therefore set ourselves the goal of becoming the most innovative volume manufacturer with the best quality in each class in the medium to long term.

With its "Vorsprung durch Technik" claim and slogan, Audi has evolved into one of the strongest automotive brands in the premium segment. In its mission to become the market leader in this segment, the brand is continuing to rely on its image centered around sportiness, high quality and progressiveness. Pioneering technological solutions, emotional design and a consistent brand strategy have made Audi a premium brand with a high prestige value. The success of Audi's four rings on all markets around the world coupled with the large number of prominent prizes and awards conferred on the Audi models each year attests to the brand's ability to delight customers.

Škoda is one of the fastest emerging brands, particularly in Europe and China. Under the slogan "Simply clever", the models in this brand are characterized by intelligent concepts for the use of space as well as refined and practical detailed solutions. The Škoda brand also embodies attractive designs and compelling value for money. The many awards for excellent, sophisticated and innovative design that the Czech company has received for its vehicles show that this brand concept is receiving widespread acclaim.

The SEAT brand has chosen the distinctive core values "sporty", "young" and "design-oriented" as it gets back on track. Its models, which have regularly won awards for their outstanding, innovative design, are representative of the SEAT brand image.

Exclusivity, elegance and power are the attributes that distinguish our Bugatti, Bentley and Lamborghini brands in the luxury vehicle segments. They round off the wide range of Volkswagen Group brands.

With its diverse portfolio of light commercial vehicles, Volkswagen Commercial Vehicles offers superior transport and mobility solutions at the highest technical level, primarily to business customers. The current Caddy, Multivan/Transporter, Crafter and Amarok ranges are tailored to meet the individual transportation requirements of retailers, authorities, service providers and craft industries. Private customers appreciate the family-friendly MPVs and the leisure-oriented motor homes as passenger-carrying derivatives of the light commercial vehicle ranges.

The core values of "customer first", "respect for the individual" and "quality" take precedence at the Swedish brand Scania, which has been manufacturing high-performance trucks and buses that feature highly innovative technology for over 100 years. Scania provides its customers with efficient transport solutions in combination with a variety of service packages including financial services.

Customer satisfaction and customer loyalty

Against the background of growing customer demands, one of the areas on which our sales activities have focused – and will continue to focus – is on improving customer satisfaction. In 2010, we therefore specifically implemented processes and measures that further increased the satisfaction of our vehicle buyers and customers in the after-sales area, as well as that of our dealership partners.

Our Group brands regularly measure the satisfaction of their customers in the individual markets with the help of specialized questionnaires that concentrate primarily on product and service quality. The brands analyze the results and derive measures for progressively increasing customer satisfaction.

In terms of customer satisfaction with product quality, the Audi brand occupies a leading position in the core European markets, in comparison both with the Group brands and the company's competitors. The Volkswagen Group's other brands also score just as highly or even higher than competing brands for overall satisfaction.

Customers who are satisfied with the quality of our products and services are very likely to remain loyal to our brands. The loyalty figures, which are measured regularly, clearly reflect customers' confidence in our brands: for example, the Volkswagen Passenger Cars brand has maintained customer loyalty at a high level in its European core markets for several years. Škoda also ranked among the leaders in terms of brand loyalty – as in previous years.

Structure of Group sales

The Volkswagen Group's multibrand structure promotes the independence of our brands and was honed further in 2010. We reorganized the Board of Management Sales function in 2010 with the goal of optimizing the Group's cross-brand sales activities. This enabled us to create ideal conditions for steadily increasing volume and market share and for lifting earnings contributions and sales efficiency while optimizing costs.

To leverage synergies and to optimize the exchange of information among dealers and with our wholesale operations, the integration of dealers into the Group's IT system was driven forward in 2010. Our close working relationship with dealers and their profitability is a focus of our distribution network strategy. We handle 85% of our wholesale business through companies within the Group. In 2010, we strengthened this business by setting up a central department for the national sales companies that is tasked with increasing the transparency of sales activities, improving cost management and integrating the activities of the brands more closely for better use of 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 Strategy 2018.

Encouraging trend in the fleet customer business

Business relationships with fleet customers tend to be long-term relationships and more stable than relationships with private customers, for instance, even in volatile conditions. This was a business field in which the Volkswagen Group expanded its excellent market position in 2010.

In its business fleet customer activities, the Volkswagen Group has a strong customer base in Germany and the rest of Europe. The Group's principal advantage is that its extensive product portfolio can satisfy customers' individual mobility requirements in a one-stop service.

Resale value safeguarded through efficient remarketing

A key aspect of the Volkswagen Group's long-term growth strategy is the efficient marketing of relatively new used cars. The resale value is a major factor influencing the competitiveness of our products, because the residual value of the vehicle is one of the most important criteria in the customer purchase decision. Likewise, a constant supply of marketable used cars supports stable residual values by controlling the flow of used cars into suitable sales channels.

On the basis of regular customer surveys, we analyze the needs of our customers when buying used vehicles and use the results to provide and refine customized products and services.

One of the main focuses of our remarketing strategy is on ecologically sustainable, low-cost mobility in growth markets, as these markets are crucial for our long-term success.

QUALITY ASSURANCE

The quality of our products and services has a direct bearing on the satisfaction of our customers worldwide. In 2010, the Quality Assurance function of the expanding Volkswagen Group again played a key role in the successful production and launch of new models and components.

Product quality

Our Group brands principally rate the quality of a product on its reliability and appeal, but also on the basis of the after-sales service provided. Our goal is to become the product quality leader in the global market.

The variety of models in the Group and the rise in the delivery volume worldwide are presenting Quality Assurance with huge challenges, among them the growing number of production facilities and market-specific model derivatives, as well as the ever-increasing range of equipment features and the multitude of innovations.

All these require consistent alignment of all elements along the value chain with standardized processes and continuous optimization of these processes. This led to the initiation of the cross-divisional "Quality in Growth" program in 2009 by the Volkswagen Passenger Cars brand, for example. In collaboration with Sales, Quality Assurance also regularly reviews the product safety and reliability of models that are already established in the market, which allows any necessary measures for improvement to be taken right away. Originally conceived for the German core market, the "Quality in Growth" program proved so successful that it was also rolled out in other countries in 2010 with the cooperation of our importers.

The knowledge gained from this program is an integral part of the measures we are taking to drive up Volkswagen's quality in the markets and increase customer satisfaction – one of the main objectives of the Group Strategy 2018. Our aim is to secure a pole position in terms of customer satisfaction and brand loyalty with the Volkswagen Passenger Cars brand and its products by 2018 at the latest. All areas of the Company are working hard to achieve this goal. The large-scale activities are coordinated by the Quality Assurance and Sales functions and are regularly presented in the "Customer Satisfaction Forum". The defined target of obtaining a leading position in terms of customer satisfaction and customer loyalty applies equally to all other Group brands, which are developing and implementing measures in their own programs and bodies for this purpose.

In spite of the large number of production start-ups and the growing volume of vehicles manufactured, Volkswagen's high level of quality was reaffirmed in 2010 across all Group brands and corporate locations and the number of repairs was maintained at a consistently low level.

Service quality

Competitive advantages are not secured through product quality and appeal alone. Customers' loyalty to a specific brand is also influenced to a considerable extent by the quality of service they receive.

After-sales and customer service in the Volkswagen Group focuses primarily on establishing and maintaining long-term relationships with customers and partners worldwide. Our aim is to captivate customers with our outstanding commitment to good service combined with Volkswagen's high quality standards. This is the reason we always consider customers' individual wishes and needs as guidelines and aim to not just meet, but to exceed their expectations of us.

For dealers, quality means creating all the requirements for maximizing customer satisfaction as regards advising, scheduling appointments, vehicle handover, order execution, billing and after-sales services. When communicating with our partners around the world, we are careful to make adjustments so as to live up to customers' expectations and cater to market trends, also with the goal of identifying and meeting unspoken expectations. Volkswagen is a leader in the field of state-of-the-art technologies and innovative vehicle concepts and gives its dealers full support during the launch of new models. Early on in the product development phase, Quality Assurance systematically provides guidance on product concepts so as to facilitate service-friendly, low-cost repair solutions and minimize repair times. We also took further steps in 2010 to ensure a high quality of customer and trade literature such as the owner's manual or technical product information.

EMPLOYEES

Including the Chinese joint ventures, the Volkswagen Group employed a total of 399,381 people worldwide on December 31, 2010, 8.4% more than at the end of 2009 (368,500 employees).

The ratio of the Group's German to foreign employees changed slightly in the course of 2010. Whereas 46.8% of employees were employed in Germany and 53.2% abroad at the end of 2009, the figures for the end of 2010 were 45.4% and 54.6%. This trend is expected to continue in the coming years and is a reflection of Volkswagen's global expansion and the Group's particularly strong growth in emerging markets.

Starting a career at Volkswagen

Most employees start their career at Volkswagen as trainees. The quality of this vocational training is essential for the development of specialist skills in the workforce. Volkswagen has stepped up its commitment to the training of young people in the last few years: in September 2010, the number of employees in vocational training across the Volkswagen Group exceeded 10,000 for the first time. At the end of 2010, Volkswagen AG was training approximately 4,500 apprentices and students in 32 professions and 21 degree courses at its six German locations under the StIP integrated study and traineeship scheme.

Volkswagen is also nurturing particularly talented vocational trainees in talent groups for young specialists. Talent groups have existed at all Volkswagen AG sites since the end of 2010. These are an invaluable tool for providing support to technically and intellectually gifted employees in managing the transition from vocational training to professional work and help participants make a smooth switch to a department in which they have already acquired specialized knowledge.

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 200 young employees of the Volkswagen Group have taken this chance to gain initial work experience outside Germany. 17 companies in 13 different countries now participate in the "Wanderjahre" program.

Every year, the Group Board of Management and the World Works Council present the "Best Apprentice Award" to the Group's best trainees. The 2010 ceremony was held in Emden at the end of October, when the Group Board of Management and World Works Council presented Best Apprentice Awards to 22 trainees from twelve countries. It was the first time in the Award's ten-year history that a Scania trainee was honored as one of the best apprentices.

Going forward, uniform standards of expertise will form the basis of vocational training and securing a job at Volkswagen. These standards, which have been developed for the five core automotive vocations, are already being used in vocational training. Standards of expertise are currently being developed for three more vocations. These will not only help to further standardize the quality of vocational training, but also to systematically focus the training on the areas of expertise required in the workplace.

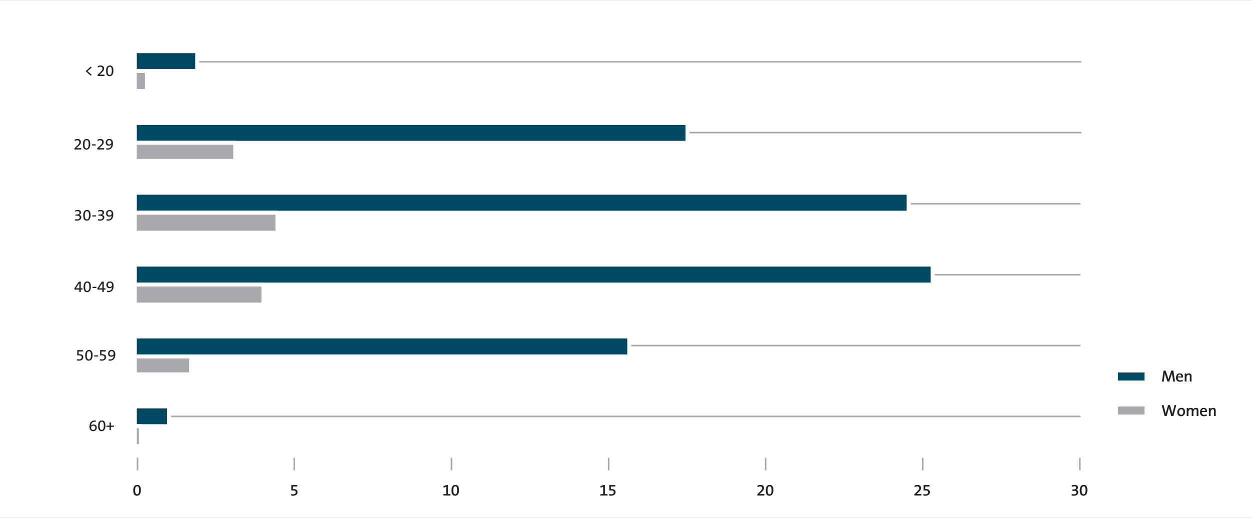
In 2008, Volkswagen launched the StartUp Direct trainee program to give young university graduates a head start in the Company. Over a two-year period, participants in the program not only work in their own department and familiarize themselves with the Company, but also attend supplementary training seminars. The program additionally includes multiple-week placements in production and sales as well as an optional foreign placement.

University graduates with an international focus can alternatively enter the StartUp Cross program. This 18-month international program includes a three-month international placement. Over 800 trainees have passed through one of these two programs since their launch in 2008.

In the last ten years, some 1,400 young people who demonstrated outstanding abilities and dedication during their internships at Volkswagen have been included in the Student Talent Bank, Volkswagen's staff development program for people who are still at university. Volkswagen supports and nurtures these former interns until they finish their studies with events such as workshops, specialist presentations, seminars, or visits to Volkswagen sites, building ties with talented students in the process.

AGE STRUCTURE OF THE EMPLOYEES OF THE VOLKSWAGEN GROUP

age in years, percentages



AutoUni makes the doctoral student program more appealing

The AutoUni offers university-level training courses throughout the Group in conjunction with individual departments of Volkswagen AG and cooperating universities. With its six institutes, the AutoUni ensures the transfer of academic knowledge within the Group, thereby increasing Volkswagen's capacity for innovation. In 2010, over 11,300 participants attended the total of 180 seminars organized by the AutoUni. The AutoUni program is comprised of lectures, conferences, seminars and – since 2010 – cooperative study modules covering scientific topics such as "suspension in hybrid and electric vehicles" in detail. Each cooperative study module ends with an examination. The AutoUni also organizes seminars oriented at the general public in keeping with Volkswagen's policy of regional involvement.

Over and above this, the AutoUni is intensively involved in the Group's doctoral student program, in which more than 390 doctoral students were supervised in 2010 by the various companies of the Volkswagen Group in Germany. All of the doctoral students work on ambitious PhD thesis topics with relevance for the Company. Under the doctoral student program, students generally complete their theses within three years, during which time they work closely with their own department in the Group, which also appoints a supervisor within the Company for them. Completed theses can be published as part of the AutoUni's publication series.

Professional development and training

Volkswagen Coaching GmbH offers Volkswagen employees a wide spectrum of training measures consisting of personal development programs, general seminars and courses, as well as specialized training programs geared towards the specific requirements of individual departments. This enables Volkswagen to provide individualized, task-based professional development for individual employees and also facilitates the systematic training of staff in line with the goals of the Company and their own department.

During 2010, over 51,500 employees received further training in the 8,896 seminars held by Volkswagen Coaching GmbH lasting a total of 152,984 participant days. In the area of specialist skills development (e.g. factory automation, robotics and applications engineering or management), 35,078 employees were involved in 6,227 seminars covering 104,589 participant days. In the field of "crossfunctional skills development" (which includes leadership skills and personal development), 16,507 employees attended 2,669 training courses representing 48,395 participant days. To ensure that its range of training options is kept firmly up to date for the Company's training needs, Volkswagen Coaching GmbH developed a further 283 training courses in 2010.

In professional development, a close eye was also kept on the implementation of the "Volkswagen Way" in 2010. This strategy aims to turn Volkswagen into a learning organization and to optimize structures and processes. Employees can get directly involved in process optimization at CIP workshops in the direct and indirect areas of the Group.

Training programs at international locations

After successfully implementing the "Profi room concept" at our Russian site in Kaluga in 2009, we also rolled it out in 2010 in Pune, India, where the concept is being used for assembly, body shell production and painting. In Profi rooms, employees learn all the basic skills needed for assembly work under conditions similar to production.

In early October 2010, the "Volkswagen India Academy" opened its doors in Pune. This training institution is the cornerstone of Volkswagen's vocational training in India and is currently training over 70 apprentices as welders, painters, fitters, electricians and tool mechanics. Apprentices thus receive the best possible training to prepare them for the high level of quality and state-of-the-art production methods at the Pune facility.

The new production plant in Chattanooga, Tennessee, is working hard on preparing the start-up and subsequent regular production with a training program. By organizing extensive training courses, Volkswagen ensures that its employees acquire and continue to expand both basic and expert knowledge for their field of activity. In addition, the Volkswagen Academy was set up in cooperation with the State of Tennessee and boasts its own teaching buildings for factory automation, automotive production and vocational training, as well as Profi rooms for body shell production, painting and assembly. The primary focus of all training programs is on practical relevance.

Advancement of women and family-friendly HR policies

Volkswagen has been actively promoting gender equality and compatibility between work and family for quite some time. In 2010, women accounted for almost 30% of the trainees taken on by Volkswagen AG. Over 22% of the university graduates hired by Volkswagen AG are women. Now, almost one in five junior managers is female. One of the Company's goals is to continue to increase the proportion of women from 14.2% in all fields, but especially in management, where currently 10.4% are female.

Since 1998, Volkswagen has offered a mentoring program aimed at increasing the proportion of women in management positions. Having been through 17 cycles with a total of over 300 participants, this is a recognized development program in the Group. The Company gives female skilled workers the opportunity to train as master craftswomen. In 2010 for the first time, Volkswagen AG approached its employees with daughters to provide them with information on commercial and technical vocational training as well as job prospects within the Company.

EMPLOYEE BREAKDOWN

as of December 31, 2010

	2010	2009	2008	2007	2006
Total headcount	399,381	368,500	369,928	329,305	324,875
Vocational trainees in the Group	10,545	9,846	9,884	9,302	9,199
Industrial	7,799	7,439	7,498	7,525	7,667
Commercial	2,746	2,407	2,386	1,777	1,532
Passive stage of early retirement	4,778	7,070	8,841	9,847	9,150
Group's active employees	384,058	351,584	351,203	310,156	306,526
Percentage of female employees in the Group	14.2	14.2	14.0	13.7	13.9
Health status	96.7	97.5	97.0	97.0	97.2
Number of accidents at work*	1,855	1,865	1,819	1,684	1,713
Frequency of accidents*	3.6	4.0	4.0	4.2	4.5

* Excluding Scania (also excluding Audi Brussels in 2009); frequency of accidents = number of accidents at work x 1 million / number of hours worked.

At Volkswagen, both work and family life are considered extremely important, which is why the Company is redoubling its efforts to create a family-friendly environment. Family-friendly HR policies are one of the keys to becoming a top employer. Meetings for employees on parental leave, initiatives for easing the transition back into the workforce after parental leave, information on childcare providers on the intranet, as well as telecommuting, flexible working hours and various part-time models make it easier to balance job and family at Volkswagen. In 2010, Volkswagen came one step nearer to becoming a family-friendly company by launching "Kaleo – Childcare SOS" at the Wolfsburg site, a service that takes care of employees' children when unforeseen circumstances arise.

Preventive healthcare and occupational safety

2010 saw the introduction of the Volkswagen CheckUp, a free, comprehensive medical examination available to all employees. All Volkswagen AG facilities now offer this regular check-up using state-of-the-art diagnostic methods with a view to keeping their employees healthy and fit. A detailed consultation with a physician on the results of the examination plus a specific referral to internal and external preventive services is an important element of the check-up. Over 10,000 employees have already made use of this service.

We also pushed ahead with the Group-wide standardization of travel medicine in 2010. In the future, uniform Group-wide travel medicine standards will apply to business travelers as well as to employees on foreign assignments and their family members. An electronic guide will provide information for the medical staff on the specific requirements of the individual destinations.

The newly developed workstation management system is a tool that provides comprehensive information about individual workstations in a database. The system supports staff planning by allowing workstation profiles to be reconciled with the deployment options of individual employees.

In 2010, the Volkswagen Group also introduced the new Group occupational safety management system at all its locations around the world. This system is designed to improve occupational safety within the Group. Each Group company is now responsible for analyzing its existing occupational safety organization and related processes using the Group occupational safety management system. Internal Group occupational safety experts then evaluate the results and develop improved standards.

Employees' ideas rewarded

In 2010, Volkswagen employees throughout the Group submitted a total of 391,880 improvement proposals. The implementation of 308,273 of these suggestions in the reporting period helped to drive up the quality of our products and the efficiency of our processes, reducing costs in the Group by a total of €340.0 million. Bonuses worth some €30 million were awarded to staff whose ideas were implemented in acknowledgement of their creativity and involvement.

Shaping the Company through the opinion survey

The third employee opinion survey was conducted in 2010. Around the world, 285,000 employees took part in this survey, which put the participation rate at 87% of all employees at the corporate locations and companies included in the survey. The survey showed an improvement on the previous year, particularly in the areas of communication, cooperation and job satisfaction. After the survey had been carried out, it was discussed in the individual teams and organizational units at the 48 participating locations and improvements were made. Last year, specific action weeks for the opinion survey were organized at the plants of Volkswagen AG.

Company pension plan and Time Asset

Since 1998, Volkswagen AG's Time Asset has given staff the opportunity to be more flexible in their working lives. Time credits and salary contributions are invested in a capital market fund and later converted back into a time credit for early retirement.

At the end of 2010, Volkswagen AG and 20 other Group companies in Germany were using the company pension fund to invest expenditures for the company pension plan (direct pension commitment) on the capital markets.

The company pension fund is managed in trust by Volkswagen Pension Trust e.V. A total of €2,238 million has been contributed to the pension fund since it was set up in July 2001.

ENVIRONMENTAL MANAGEMENT IN THE GROUP

Environmentally focused management is one of the pillars of our corporate culture. Taking social, economic and ecological aspects into account in our business activities is the foundation for sustainable development, environmentally responsible action and safeguarding jobs. Our Environmental Policy is primarily based on the environmental efficiency of our products as well as on resource-friendly production. Since 2010, an effective energy management system has been helping us achieve our goal of becoming the environmental leader in the automotive industry by the year 2018.

Since 1995, our German sites have participated voluntarily in the EU Eco-Management and Audit Scheme (EMAS), making Volkswagen one of the first automakers to get involved in this program, while our Group sites worldwide have participated in environmental certification processes in accordance with the international standard EN ISO 14001. From 1996, this standard has also been applied to the environmental management system used by Volkswagen's Technical Engineering division, which has additionally been certified in accordance with DIN ISO/TR 14062 since 2009. In the course of the recertifications, Volkswagen confirmed its role as a trailblazer. For example, we identify environmentally relevant aspects early on and integrate them into the product development process. We comply with the requirement to take environmental considerations into account at all stages of the product lifecycle.

Environmentally friendly production processes

In view of the climate debate and the increasing scarcity of raw materials, Volkswagen uses not only environmentally compatible products but also fuel-efficient and environmentally friendly production processes. We improved our key environmental indicators in production once again in the reporting period. An overview is provided in the charts on the next page. We collect and validate the environmental data for the Group's manufacturing locations in line with an internal standard and a process standard before approving it. Annual updates to the environmental data enable us to identify the Group's environmental pollution trends. The data captured includes 65 corporate locations.

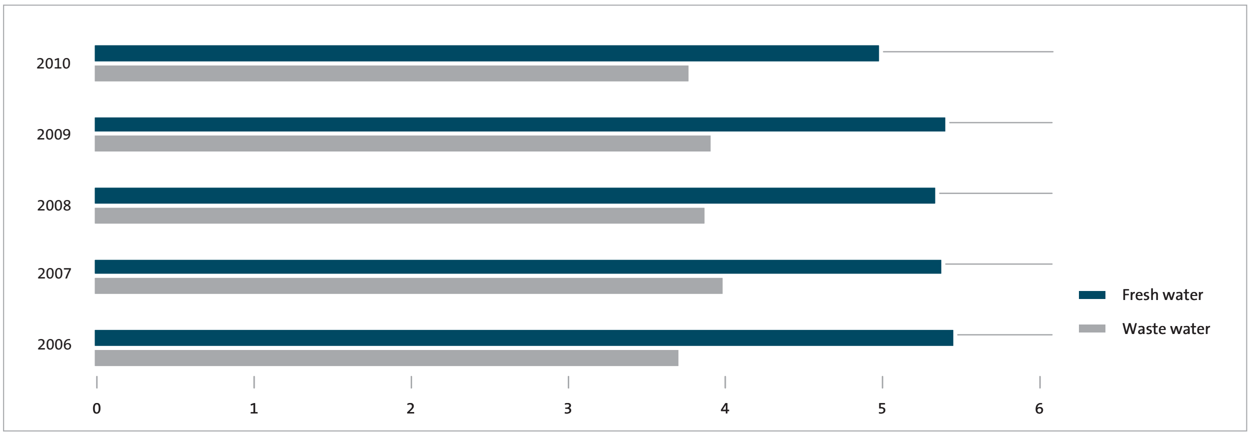
The latest developments in paintshop technology are helping to protect the environment and reduce costs at the same time. After six years of researching and testing, the first catalytic units were installed in the paintshop in Wolfsburg at the beginning of 2010. Catalysts constructed using the bypass principle clean the exhaust air from the paint dryers, thus enhancing the exhaust gas treatment. This enables us to reduce our emissions to well below the legal limits and additionally cut our consumption of natural gas by 40%. By decoupling the dryer heating from the exhaust air treatment, temperature equilibrium was created for the thermal afterburner (heat generator) and the body dryer (heat consumer). This reduced the reaction temperatures by around 200°C for each system, generating savings of approximately €1.0 million for the Wolfsburg site and lowering its carbon emissions by around 10,000 tons per year. We are already looking into or preparing the conversion of further locations.

Going forward, the Volkswagen Group intends to continue its pioneering role in the field of sustainable mobility using innovative, environmentally friendly technologies. This explains our involvement in a research project for the recycling of lithium-ion batteries, a key technology in the development of hybrid and electric vehicles. There is currently no commercial process for recycling these batteries. Volkswagen and 15 partners are taking on this challenge and participating in the LithoRec research project sponsored by the German Federal Ministry for the Environment, Nature Conservation and Reactor Safety (BMU), which aims to develop and test efficient processes and lifecycle-spanning concepts for the institution of industrial recycling of lithium-ion batteries. The processes and concepts cover the battery's entire journey starting with its removal from the vehicle, through transportation, collection and storage, to recycling and the production of new battery cells. The project will culminate in the construction of a pilot plant.

The world's most powerful wind energy plant went on stream in 2010 at Volkswagen's site in Emden. This will increase the share of energy generated from renewable sources at the Emden location and is taking the North German facility one step closer to its goal of becoming a carbon-neutral plant.

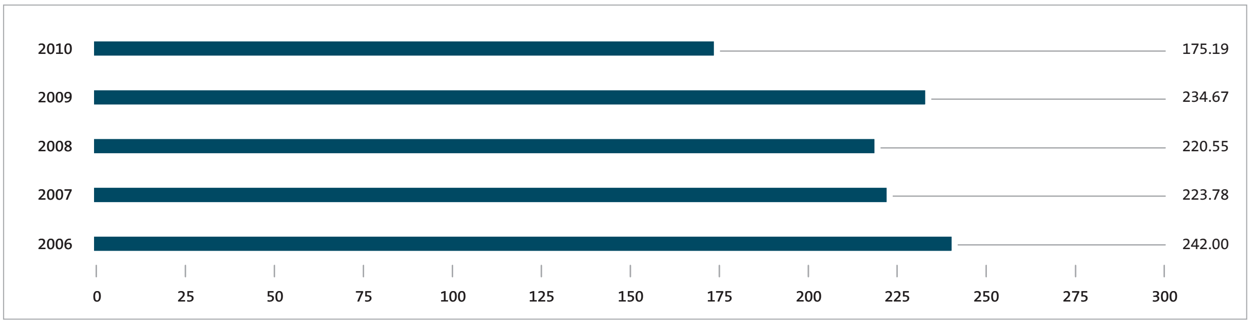
FRESH WATER PROCUREMENT AND WASTE WATER IN THE VOLKSWAGEN GROUP*

in cubic meters per year and per vehicle



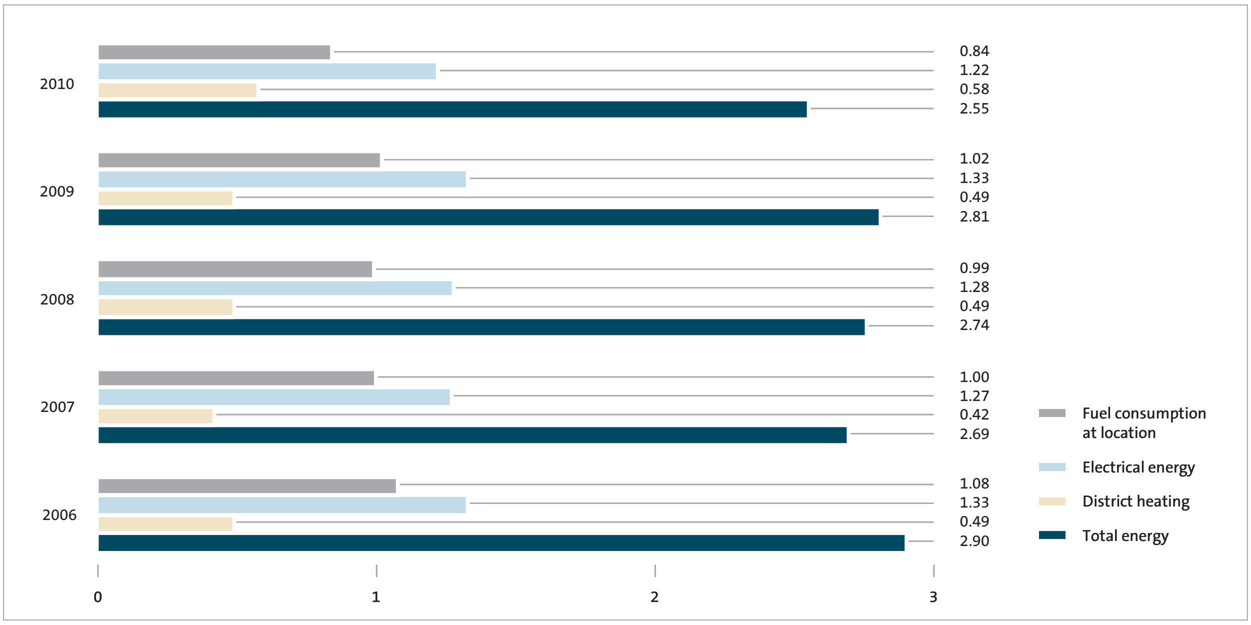
DIRECT CO_2 EMISSIONS BY THE VOLKSWAGEN GROUP*

in kilograms per year and per vehicle



CONSUMPTION OF ENERGY BY THE VOLKSWAGEN GROUP*

in megawatt hours per year and per vehicle



* The following production facilities or companies were not included: Sitech Sitztechnik GmbH with the plant in Emden, FAW-Volkswagen Automotive Company Ltd. with a plant in Chengdu and Volkswagen Kraftwerk GmbH.
Due to external factors, it was not possible to identify all indicators for three locations as of December 31, 2010 by the print deadline for this Report. The figures for 2009 were used for these locations. The figures for two other locations contain qualified estimates of the values for December 2010.

Internal Environmental Award

The internal Volkswagen Environmental Award, which honors employees who take a proactive approach to environmental protection in their particular field of work, was presented for the seventh time in 2010. This year's top prize in the "Production" category was awarded to the Emden plant, where employees built a barrel turner that enables two barrels placed on top of each other to be turned so that their contents can be transferred. This invention conserves resources and prevents waste disposal. First prize in the "Product" category went to a team in car body development that designed underbody paneling made from recycled materials. This component reduces air resistance, noise levels and vehicle weight and is already being used in series production, for example in the new Polo. Consumption of resources is reduced through the lowering of fuel consumption by 0.05 l per 100 km and also through the use of recycled materials. In addition, two employees were recognized for their long-standing commitment in the areas of sustainable factory planning and energy management.

Fuel and powertrain strategy

The general vision of e-mobility in recent years was followed at the end of 2010 by a new level of objectivity in the discussion on the electrification of the powertrain. Policymakers and the general public are increasingly better informed about the opportunities and challenges presented by e-mobility and are following the strategy communicated by Volkswagen of coexistence between different powertrain concepts: while carbon-neutral mobility is the future, electric drives and conventional combustion engines will continue to exist side by side for several more decades.

This coexistence of powertrain concepts will be accompanied by a steady increase in the share of carbon-neutral fuels, either in the form of power for electric vehicles generated from renewable energy sources or in the form of carbon-neutral biofuels – for example from plant residue or straw (biomass), the latter being used in conventional combustion engines that are progressively becoming more efficient.

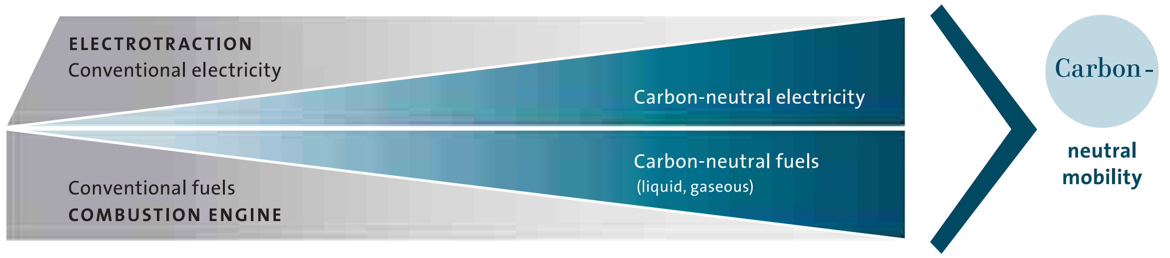
The Group's successful TSI, TFSI and TDI engines, ideally combined with our innovative dual clutch gearboxes (DSG), provide an excellent starting point for the continuing electrification of our vehicle fleet.

In spring 2010, Volkswagen impressed the world with its expertise in this field when it unveiled the Touareg Hybrid, the first fully off-road hybrid SUV worldwide. The combination of a highly efficient 3.0 l V6 TSI engine and an electric engine with an output of 38 kW (52 PS) reduces fuel consumption to just 8.2 l per 100 km with CO_2 emissions of only 193 g per km (combined)* – outstanding values for a vehicle in this class. Hybrid versions of the Golf, the new Jetta, the Audi Q5 and the Audi A8 will shortly be launched, and there are other projects in the pipeline.

The road to pure e-mobility, a key component of the Group's forward-looking fuel and powertrain strategy, is already clearly marked. In June 2010, the Volkswagen Passenger Cars brand presented the prototype of the Golf blue e-motion – a vehicle run solely on electricity with a range of around 150 km that does not require customers to make any concessions as regards safety, comfort and suitability for everyday use. Beginning with fleet trials starting in 2011, Volkswagen will usher in the age of pure e-mobility in the Group in 2013, taking the electric car out of the niche and bringing it to the mass market. This will kick off with the rollout of the UP! blue e-motion, whose electric motor and battery system will be manufactured in our component plants. Electric versions of the Golf and the Jetta and also of the Lavida for the Chinese market will follow.

The strategy for e-mobility at Audi is also clearly defined. Similar to the Golf blue e-motion, fleet trials with the Audi A1 e-tron began recently in the Munich pilot region. The Group's SEAT and Škoda brands will follow with their own test fleets.

THE ROAD TO CARBON-NEUTRAL MOBILITY



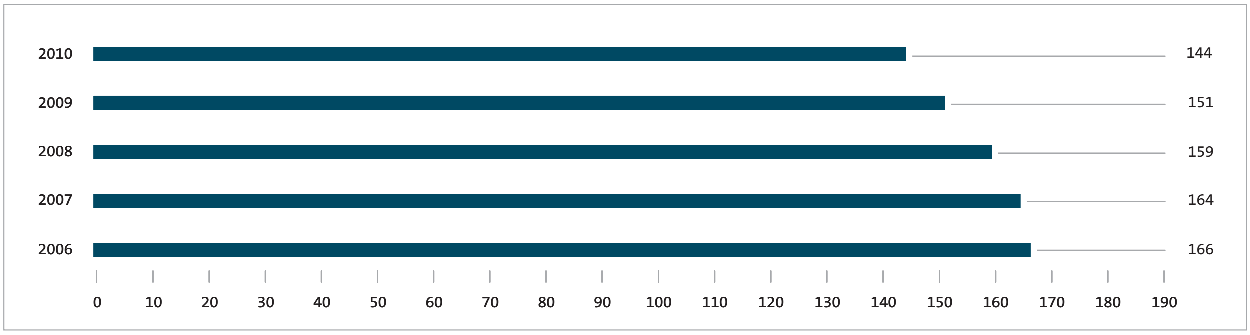
Efforts to make conventional combustion engines more efficient were also a major focus of engine development activities last year. We believe that in growth markets, e.g. Russia, India and the Far East, combustion engines will continue to provide the basis for responsible use of sustainable, forward-looking mobility in the medium term. So that it can effectively meet the challenges of the future, the Volkswagen Group has started developing a whole new generation of petrol and diesel engines. The refinement of technologies such as variable valve timing, intelligent thermal management, requirements-based control of auxiliary units and minimization of mechanical and energy loss provide the potential to increase the efficiency of both diesel and petrol engines by up to 15% in the coming years. Volkswagen is working very hard on these areas.

Substantial savings can already be made by combining efficient conventional drives and vehicle-related measures such as rolling resistance-optimized tires or aerodynamic measures, as shown by the Group's efficiency models marketed by the Volkswagen Passenger Cars brand under the name BlueMotion, as GreenLine models at Škoda and as ECOMOTIVE models at SEAT. Efficiency technologies are also being used in series production at Audi. The Group's portfolio currently includes 220 model variants with carbon emissions below 130 g per km, while 20 model variants actually emit less than 100 g of CO_2 per km. The Polo BlueMotion* is the most environmentally friendly five-seater in the world with carbon emissions of 87 g per km. The sixth generation Passat BlueMotion, which is powered by a 1.6 l TDI engine, traveled 2,463 km on just one tank of fuel, an achievement that was entered in the Guinness Book of Records.

We made significant advances in the area of gearbox development as well: the seven-gear direct shift gearbox (DSG) introduced in 2010 for the first time in the new Multivan/Transporter is now also being used in the Tiguan and in the Audi TT-RS. Volkswagen's direct shift gearboxes marry comfort, sportiness and fuel efficiency in a unique way. They are as suitable for four-wheel drives as they are for high engine torques of up to 500 Nm and for sporty vehicle concepts – the latest DSG clearly demonstrates that Volkswagen is the unchallenged leader in the field of gearbox development.

* Consumption and emission data can be found on page 328 of this Report.

CO_2 EMISSIONS OF THE VOLKSWAGEN GROUP'S EUROPEAN (EU 27) NEW VEHICLE FLEET
in grams per kilometer



Environmental Rating awarded to more products
Since 2007, the "Umweltprädikat" (Environmental Rating) has recognized Volkswagen vehicles and technologies that show an ecological improvement over predecessors or comparable models. Certified by the German inspection organization TÜV Nord, the Environmental Rating is based on an environmental impact study that considers the entire lifecycle of the product from manufacture through use down to disposal.

In 2010, the new models of the Passat, Caddy and Transporter were each awarded an Environmental Rating. Updated Environmental Ratings – including for the new BlueMotion models – were also issued for the Polo and the Golf. Another Environmental Rating went to the fuel-efficient TSI technology. Further information in German can be found at www.umweltpraedikat.de.

Biodiversity
Unlike climate change, the effects of which are already noticeable, the threat to biodiversity is slow to penetrate the public consciousness. As a globally active industrial company, Volkswagen is aware of its responsibility for the preservation of biodiversity. Three years ago, Volkswagen included nature and species conservation in its list of corporate goals – earlier than many other companies. As a founding member of the "Business in Good Company" initiative, the Company has pledged to optimize its processes to provide better protection of biological diversity. Using the slogan "Volkswagen connects habitats" we have begun to develop international biodiversity management. A large number of nature and species conservation projects around the world have been initiated by the Group's locations. In Germany we launched the "Willkommen Wolf" (Welcome, Wolf) initiative in cooperation with the Nature and Biodiversity Conservation Union (NABU). This project aims to increase acceptance among the general public of wolves living in the wild and improve the animals' image. In Mexico, under the program "Por amor al planeta" ("Out of love for the planet") we support research into nature reserves by awarding generous prizes. Volkswagen is also planting 300,000 trees in the Izta-Popo mountain region and building soakaways and dams to halt soil erosion and obtain water. In Brazil, Volkswagen revived the Cerrado vegetation near the São Carlos plant and sponsored a large number of species conservation programs.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY
At Volkswagen, corporate social responsibility (CSR) is seen as our Company making a significant contribution towards sustainable development. We pursue environmental, economic and social objectives in equal measure. Under our vision of sustainability, our business practices and depletion of resources must not compromise the ability of future generations to meet their own needs. This belief is in line with international efforts to create a sustainable economic system.

Sustainability is the backbone of Volkswagen's corporate policy, which is why we design the entire value creation process to be sustainable. Through corporate responsibility that is committed to the vision of sustainability, we safeguard the Company's long-term future. In order to make an effective contribution to sustainable mobility, Volkswagen as a company with global responsibility is working hard to develop technologies for the cleanest, most fuel-efficient vehicles, reconciling job security and profitability in the process.

Consistently intertwining the core economic processes with ecological and social issues is an integral part of our corporate policy. CSR involves voluntarily taking social responsibility at a level beyond mere compliance with the 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. Ultimately, CSR will be instrumental in helping to increase the value of the Company and safeguard it in the long term.

As a good corporate citizen, Volkswagen has always considered social involvement part of its entrepreneurial activities. We support social development, culture and education at all Group locations worldwide and set up projects for the development of regional infrastructure, health promotion, sport and nature conservation.

CSR Coordination and Sustainability office

Since 2006, all activities in the field of CSR and sustainability in the Volkswagen Group have been coordinated by the CSR office, whose task is to strategically align CSR activities and optimize sustainability management. This office reports to the CSR & Sustainability steering group, which includes all central Group departments 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 line departments. Our interdisciplinary CSR project team handles current topics; since a Group-wide CSR committee was formed in 2009, there has been regular interaction with the CSR coordinators of the brands and regions.

Last year, we successfully completed Phase I of the introduction of the IT-based CSR KPI system. This system enables us to organize the management of our CSR activities more efficiently and increase their transparency and success, thus creating a fundamental basis for timely CSR and sustainability reporting in the Group. In Phase II, the KPI system will be implemented in the various brands and regions, enabling Volkswagen to meet the increasing demands of its stakeholders for an up-to-date, differentiated presentation of the Company's CSR and sustainability performance.

The Volkswagen Group contributes its technological and social expertise in national, European and worldwide corporate networks, which allows it to support the many projects initiated there on a long-term basis. One of our principal tasks in these networks is preparing information on environmental and social standards for suppliers. The online portal of CSR Europe, the leading European business network for corporate social responsibility, provides an important, internationally accepted communication platform for this. We are also involved in econsense, the sustainable development forum of Deutsche Wirtschaft e.V.

Volkswagen in sustainability rankings and indices

The recommendations and decisions of financial market participants are not based solely on economic indicators, but increasingly also on information that the companies provide about their sustainability profiles. Analysts and investors now regard extensive involvement in the interests of sustainability as an indicator for forward-looking corporate governance. Sustainability ratings are an extremely useful tool for illustrating a company's performance in the environmental, social and economic dimensions. But high rankings in sustainability ratings and indices do not only send important signals to stakeholders; they also increase motivation in the Company. In 2010, Volkswagen was again able to maintain its position among the leaders in its sector in the most important international ratings and indices.

As in the previous year, the Company is listed on the Dow Jones Sustainability World Index. Volkswagen scored top marks in particular in the assessment of environmental management, sustainability reporting, employment growth and social commitment by the Swiss asset management company SAM on behalf of Dow Jones.

How Volkswagen fared in 2010 compared with the industry average can be seen in the chart below.

Volkswagen was listed on the following sustainability indices at the reporting date: ASPI (Advanced Sustainability Performance Indices), Dow Jones Sustainability Europe Index, Dow Jones Sustainability World Index, ECPI Ethical Index Europe, ECPI Ethical Index EMU, ECPI Ethical Index Global, Ethibel Sustainability Index, FTSE4Good and FTSE4Good Environmental Leaders Europe 40.

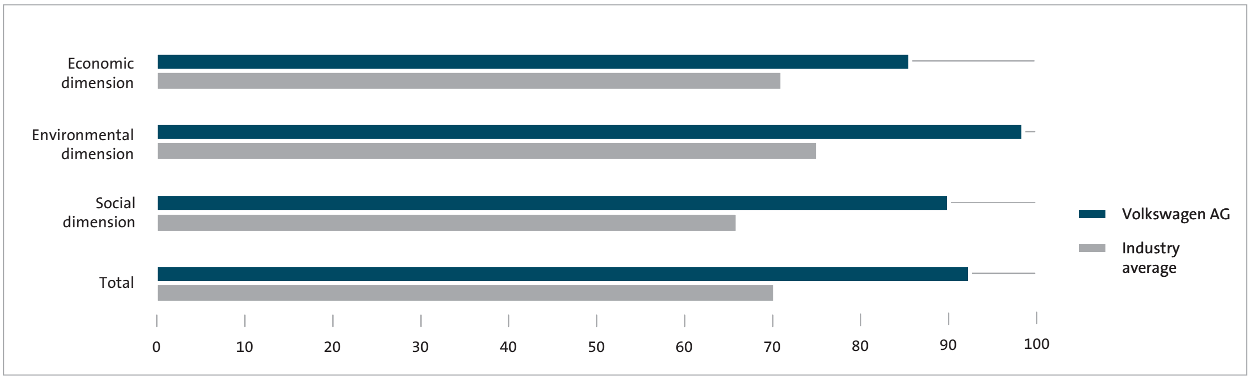
Global Compact

Since 2002, Volkswagen has been involved in the Global Compact (GC) initiated by former UN Secretary General Kofi Annan. Encompassing over 7,000 companies from more than 135 countries, the Global Compact is the world's largest and most important CSR alliance and works in support of a more sustainable and more inclusive global economy. Volkswagen's participation helps realize this goal.

The GC is based on ten principles in the areas of human rights, labor standards, environmental protection and the fight against corruption. Volkswagen continued to focus its business activities at all its plants on these principles in 2010. We provide our expertise in the GC to enable other companies to act in a globally responsible manner as well. The progress Volkswagen makes on the basis of its active participation in the GC is documented in an annual report. Two examples: Volkswagen is involved in the "Sustainable Supplier Chain" GC project, the results of which were compiled in a manual and presented at the GC summit in New York in June 2010. The project implemented by Volkswagen de México to promote sustainable water use in the Izta-Popo mountain region in Mexico was also reported in the international GC yearbook. In addition, we presented this project at the Convention on Biological Diversity in Nagoya, Japan, in September 2010.

RESULTS OF THE SAM 2010 ASSESSMENT

as percent



Risk Report (Report in accordance with section 289(5) of the HGB)

Identifying and controlling risk – successfully

We take a forward-looking approach to identifying the risks arising from our operations and a responsible approach to dealing with them, thereby ensuring the sustainable success of our Company. We are helped in this by an internal control system and a comprehensive risk management system.

In this chapter, we first describe Volkswagen's financial reporting-related internal control system and its risk management system. We then explain the specific risks facing us in our business activities. In the "Report on Expected Developments" on pages 213 to 222, 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 companies themselves or transferred to the Group's centralized shared-service centers. The single-entity financial statements of Volkswagen AG and the subsidiaries are prepared in accordance with the applicable national laws, reconciled to IFRSs and 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. This manual and other Group-wide accounting regulations contain rules applicable to the financial statements of Volkswagen AG prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) and stipulate precisely defined formal requirements to be met by the consolidated financial statements prepared in accordance with IFRSs. In particular, these include more detailed guidance on the application of legal requirements and the determination of the entities to be included in the consolidated financial statements. 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 intra-Group 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 single-entity 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, at which both the reasonableness of the single-entity financial statements and specific critical issues at the subsidiaries are discussed. 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 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 consolidation and corporate management system (VoKUs) employed in the Volkswagen Group can be used to consolidate and analyze both Financial Reporting's backward-looking data and Controlling's forward-looking data. The system 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 checks the completeness of the data delivered and carries out content plausibility checks between the balance sheet and the income statement. VoKUs supports further plausibility checks through materiality analyses and data screening for anomalies.

RISK MANAGEMENT IN LINE WITH THE KONTRAG

The Company's risk situation is documented annually in accordance with the requirements of the Gesetz zur Kontrolle und Transparenz im Unternehmensbereich (KonTraG – German Act on Control and Transparency in Business). The auditors check the adequacy of this 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 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.

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 investees are performed annually. Their responses are used to update the overall picture of the potential risk situation. In the process, the qualitative likelihood of occurrence and the relative extent of any loss are assigned to each risk identified and appropriate measures are specified for each risk category in the shape of guidelines and organizational instructions, so as to counter the risks concerned. The continuous updating of the risk documentation is coordinated centrally by the Governance, Risk and Compliance function set up in 2010, working in conjunction with Group Internal Audit. 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 daily business processes. Events that entail a 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 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 always has access to an overall picture of the current risk situation through the documented reporting channels.

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 continuous monitoring of the relevant risk areas, including the organizational units responsible. The focus is on reviewing the effectiveness of the 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 now being gradually integrated.

SPECIFIC RISKS

The following section explains the specific risks arising from our business activities.

Macroeconomic risk

High energy and commodity prices, increasing international trade restrictions, persistent imbalances in foreign trade and ongoing political conflicts present significant risks to the global economy. The high level of debt in many countries is also a major potential threat. Although the risk of renewed global recession is relatively low at present, the above-mentioned factors could result in a prolonged period of below-average global economic growth.

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; some have high customs barriers or minimum local content requirements for domestic production, for example. The announced 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 in China. In established markets, meanwhile, there is a risk of price pressure due to the high level of market coverage. In the automotive markets of Western Europe, the USA and China in particular, various manufacturers are using massive discounts to promote sales of their own vehicles, thereby putting the entire sector under pressure. This is a particular challenge for Volkswagen as a supplier of volume models, as we would be especially affected if competing automakers were to further step up their sales incentives.

Freight transportation faces the risk of transported volumes being shifted from commercial vehicles to other means of transport.

Volkswagen sells most of its vehicles in Western Europe. Consequently, a sustained drop in prices and 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. By contrast, its overall delivery volume outside Western Europe 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. To our advantage, we are already market leader in numerous existing and developing markets or are working resolutely to become market leader. In addition, strategic partnerships are enabling us 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(l) of the KWG.

The economy recovered markedly overall during the past fiscal year. However, our trading and sales companies continue to feel the effects of the financial and economic crisis, as it remains difficult to raise bank loans to finance business operations. A Group support program that granted automotive dealers and outlets financing on attractive terms via our financial services companies during the financial and economic crisis, thus reducing the risk of their insolvency, was therefore very well received. In addition, we have established a risk management system to identify in good time and counteract liquidity bottlenecks that could hinder smooth business operations.

The provisions of the new Block Exemption Regulation and European legislative initiatives could result in further liberalization and therefore increasing competition, particularly in after-sales service and the sale of genuine parts.

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. These measures also ensure that trends are recognized at an early stage and that their relevance for our customers is verified in good time.

We counter the risk that it may not be possible to develop products or modules within the specified timeframe, to the required quality standards, or in line with cost specifications by continuously and systematically monitoring the progress of all projects. In addition, we regularly compare this progress with the original targets; in the event of deviations, suitable countermeasures are initiated in good time. Our end-to-end project organization supports effective cooperation among all areas involved in the process. It ensures that specific requirements are incorporated into the development process as early as possible and their implementation planned in good time.

Our wide variety of research and development activities means that risks are not concentrated on particular patents or licenses.

Procurement risk

As a result of the global recovery in the automotive markets, the automotive supplier industry also stabilized in 2010. The number of insolvencies declined significantly year-on-year. Suppliers that weathered the financial and economic crisis well are currently using their position to drive the industry's consolidation, thus helping to reduce default risk. In establishing and expanding a comprehensive procurement risk management system, Volkswagen placed particular emphasis on risk prevention. Risk management continuously monitors suppliers' economic stability. If there is evidence of negative developments, the appropriate measures are taken to ensure supplies and reduce additional risks. To date, ongoing risk classification and monitoring has enabled us to avoid supply risks due to supplier defaults.

Production risks relating to demand

Following the slump in the global economy, some passenger car markets recovered faster than expected in 2010 and we therefore expanded production at our international locations significantly in the course of the year. 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 2011 and possibly cause fluctuations, particularly in installation rates of equipment features and components. Through our turntable concept and highly flexible logistics operations, we ensure that we optimally adapt the programs at our vehicle and component plants to current market conditions. Our ability to implement extensive flexibility measures within the existing working time models as the situation demands also mitigates the risk.

Risks arising from changes in demand

Consumer demand depends not only on real factors such as disposable income, but also to a significant extent on 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 2010, the effects of these psychological factors that cannot be planned for were again exacerbated by the impact of the economic and financial crisis on the global economic trend and the entire automotive industry. Many automotive markets were in a downward spiral, which in some cases assumed dramatic proportions, while others had to be supported through government intervention. The Volkswagen Group countered the risk of buyer reluctance with its 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. We are countering the risk that a shift negatively impacts the Volkswagen Group's financial result by continuously 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 adversely affect private consumption.

Dependence on fleet customer business

In fiscal year 2010, the percentage of total registrations in Germany accounted for by business fleet customers increased to 11.4% (7.7%). Following the expiry of scrapping premiums and the resulting fall in the number of private registrations, it is therefore back on a level with 2008. Although demand among business fleet customer has risen, it is still lower than in 2008. The Volkswagen Group's share of the market for these customers declined slightly to 45.9% (46.3%). Its extensive product range and target group-oriented customer care enabled the Volkswagen Group to further extend its market lead in Europe. Registrations by business fleet customers rose by 10.9%, while the Group's share of the market increased to 26.8% (26.0%). The fleet customer business is continuing to experience increased concentration and internationalization. Thanks to its broad product portfolio, the Group is also 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

The continuing positive trend in sales and the Volkswagen Group's strong growth in core markets such as China pose new challenges for quality assurance. Ever-growing competitive pressure means that product quality is becoming more and more important. In addition, the continuous increase in vehicle complexity and the new drive systems that are becoming established are resulting in a growing number of quality assurance tasks. It is essential to identify the associated risks at an early stage so that we can counter them effectively.

Achieving the highest product quality is key to the Volkswagen Group's business success. Across all divisions, we therefore systematically analyze the possible risks arising from quality defects and take effective measures to minimize them. Customer expectations and practical experience are taken into account during the design and development of new vehicles and technologies. This is done in close cooperation with all divisions and with suppliers. Quality assurance acts as an interface between all the parties involved in this ongoing process.

Adopting this approach always creates an opportunity to jointly enhance and optimize established processes in all areas. By pursuing it, we will continue to ensure the quality of our products and therefore our business success in the future.

Personnel risk

The individual skills and knowledge of our employees are a major factor contributing to the Volkswagen Group's success. Our aim of becoming top employer in the automotive industry at all levels of the Company improves our 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. We counter the risk that knowledge will be lost as a result of employee fluctuation and retirement with intensive, department-specific training. In addition to the standard twin-track vocational training, programs such as our StIP integrated degree and traineeship scheme ensure a steady rise in the number of highly qualified new employees in our Company. 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.

Environmental protection regulations

Following the entry into force in April 2009 of EU Regulation 443/2009 capping CO_2 emissions from passenger cars, the EU forged ahead in 2010 with the parliamentary decision-making process for a CO_2 regulation for light commercial vehicles. At the same time, the European rules lead the way for further international regulations planned for fuel consumption and greenhouse gases, for example in China, India, the USA and Korea. The draft international regulations specify a concrete time horizon to the year 2020, or in some cases 2025.

The increasing global convergence of regulatory approaches and targets concerning immission control may lead to significant economic benefits worldwide in introducing new and sustainable technologies. However, there is a risk that these regulations will be formulated to benefit the domestic industry of the nations concerned.

Goals to dramatically reduce greenhouse gas emissions by 2030 and almost completely avoid the use of fossil carbon by 2050 are already the subject of public and political debate. However, it will only be possible to meet these goals by using mostly non-fossil sources of energy such as renewable electromobility.

The delegates at the most recent World Climate Conference in Cancun, Mexico, at the end of 2010 did take a small step towards establishing a uniform global framework for climate protection: with the exception of Bolivia, all member states officially pledged to limit global warming to 2°C. Concrete steps towards this goal will not be identified until the next conference at the end of 2011. However, it was agreed to assist developing countries to limit increases in their emissions by transferring technology from the industrialized nations. At present, it is impossible to predict whether this could force Volkswagen AG to pass on expertise in the future.

In preparation for the third emissions trading period beginning in 2013, we calculated the CO_2 emissions requirements to be reported for the plants of the Volkswagen Passenger Cars brand in accordance with the Datenerhebungsverordnung (DEV 2020 – German Data Collection Regulation). The assessment showed that we only need to report installations for the plants in Salzgitter and Zwickau: we reported an additional requirement of approximately 3,000 tons of CO_2 a year for the Salzgitter site and around 20,000 tons of CO_2 a year for the Zwickau site. Appropriate checks were also carried out at the other plants in the European Union in accordance with the national laws in force at those locations. The number of Volkswagen Group installations included in the EU Emissions Trading System as of 2013 will not rise significantly overall.

The main change to the emissions trading system starting in 2013 is that the emissions certificates required will no longer be allocated free of charge on the basis of National Allocation Plans. Instead, all certificates for CO_2 emissions from pure power generation and an annually increasing percentage of certificates for other emissions will have to be purchased (auctioning). Provisional estimates indicate that the energy costs incurred by the Volkswagen Group's European sites will increase dramatically solely as a result of purchasing the emission allowances required for the operation of their own incineration installations.

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, 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 fiscal year 2010, the United Kingdom Office of Fair Trading (OFT) started an investigation into Scania. In fiscal year 2011, Scania also became the subject of an investigation launched by the European Commission concerning alleged inappropriate exchange of information. Besides other truck manufacturers, the EU probe also includes MAN SE, in which Volkswagen holds a 28.67% interest. Such investigations normally take several years. It is still too early to judge whether these investigations pose any risk to Scania or MAN.

Strategies for hedging financial risks

Our business activities entail financial risks that may arise from changes in interest rates, exchange rates, commodity prices and fund prices. Management of these financial risks as well as liquidity risk is the responsibility of the central Group Treasury department. We limit these risks using non-derivative and derivative financial instruments. The Group Board of Management is informed of the current risk situation on a regular basis.

The Group hedges 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 primarily 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 intra-Group 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 in the following currencies: US dollars, sterling, Czech koruna, Swedish krona, Russian rubles, Australian dollars, Polish zloty, Swiss francs, Mexican pesos and Japanese yen – 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 eight 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 is solvent at all times by providing sufficient liquidity reserves, access to confirmed credit lines and by 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. Risk premiums, a component of refinancing costs that had risen sharply when the financial and economic crisis broke, almost dropped back to pre-crisis levels in 2010. Thanks to the broadly diversified structure of our refinancing sources, we were able to raise sufficient liquidity in the various markets throughout 2010.

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.

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 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 297 to 305, 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 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 170. In addition to counterparty risk, the financial instruments held for hedging purposes hedge balance sheet risks, which we limit by applying hedge accounting.

The risks arising from trade receivables and from financial services are explained in the notes on page 297.

Liquidity risks

A rating downgrade could adversely affect the terms attached to the Volkswagen Group's borrowings. One important criterion in this context is Volkswagen AG's interest in Dr. Ing. h.c. F. Porsche AG, which resulted in a high outflow of liquidity at the end of 2009. In addition, at the beginning of 2010, Volkswagen acquired an interest in the Suzuki Motor Corporation at a total cost of around €1.8 billion. In the first half of 2010, Volkswagen AG implemented a capital increase by issuing new preferred shares. At the same time, this transaction strengthened Volkswagen's financial stability and flexibility and enabled the Group to maintain its existing credit rating. The acquisition of the automobile trading operations of Porsche Holding Gesellschaft m.b.H. (Porsche Holding Salzburg) in 2011 will result in a further significant outflow of liquidity in the near future. Due primarily to its current liquidity and the inflow of funds from the capital increase, the Company does not anticipate any liquidity risks.

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 take the necessary precautions 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 from 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 2010 Annual Report of Volkswagen Financial Services AG.

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.

As Volkswagen's importance as a multinational corporation 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.

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 2010.

Report on Expected Developments
Automotive markets gaining further momentum

The global economy is expected to continue to grow in 2011 and 2012. The Volkswagen Group sees the greatest potential for the automotive industry in emerging economies. New models and technologies will help leverage the opportunities to be found there.

After highlighting the significant risks to the Volkswagen Group's operating activities in the previous chapter, in the following we would like to outline the expected future developments. The resulting opportunities and potential are continually incorporated into the Group's planning process so that they can be promptly leveraged.

We prepare our forecasts taking into consideration the most recent assessments by external institutions, including economic research institutes, banks, multinational organizations and consulting firms.

GLOBAL ECONOMIC DEVELOPMENT

Our plans assume that the global economy will continue to grow. We expect the strongest growth in the emerging economies of Asia and Latin America. The large industrialized nations will only grow moderately in the medium term.

North America

For the USA, we predict that growth will increase year-on-year in 2011 and 2012. Following a slight decline in the rate of GDP growth in 2011, we expect the Canadian economy to show a strong upward trend again in 2012. Growth in the Mexican economy will weaken in 2011 and 2012 compared with the reporting period, but still remain strong.

South America

Growth in Brazil and Argentina may be lower in 2011 and 2012 than in the reporting period, but will still be above-average compared with international trends.

Asia-Pacific

China's highly dynamic growth will also continue in the medium-term. By contrast, Japan can only expect low growth with continuing deflationary trends in 2011 and 2012. The strong upward trend in India will continue in 2011 and the following years.

Europe/Remaining markets

Most countries in Western Europe are expected to record only moderate growth in 2011 and 2012. The growth process in this period in Central and Eastern Europe will be noticeably more dynamic.

The conditions for stable growth for the South African economy in 2011 and 2012 are positive.

Germany

German economic output will only record a moderate increase in 2011 and 2012 following very strong growth in the reporting period. However, the labor market will develop positively for the time being.

DEVELOPMENT OF AUTOMOTIVE MARKETS

For 2011, we expect the development of the automotive markets to vary in the individual regions. Overall, global demand for new vehicles in 2011 is expected to exceed demand in 2010. We are expecting an overall positive performance in 2012 as well.

In some Western European countries, the national debt and the expiry of subsidy programs in 2011 will impact demand for new vehicles. At the same time, export-driven economies in Western Europe will benefit from healthy growth in Asia, where markets recovered more quickly in 2010 than previously thought. We expect continued positive trends in the strategically important markets in China and India, and are also anticipating high demand for vehicles in North and South America.

In 2012, the negative effects resulting from the expiry of government support measures will diminish. Therefore, we expect that demand for passenger cars will increase again, in particular in the regions where the Volkswagen Group has a presence.

The Volkswagen Group is well-prepared for this diverse development in the automotive markets. We are confident that our broad product range incorporating the latest generation of consumption-optimized engines gives us a global competitive advantage. We are systematically pursuing the goal of offering each customer mobility and innovation according to their needs and sustainably strengthening our competitive position.

North America

For 2011, we expect the economic climate in the USA to recover further from the effects of the financial and economic crisis. However, the market continues to be adversely impacted by higher fuel prices and the reluctance to lend. We nevertheless expect a slightly positive trend in the US automotive market in 2011 due to rising consumer confidence, which is expected to continue in 2012 with the growing consolidation of the economy. In addition, further impulses are also expected to stimulate demand for passenger cars and light commercial vehicles in the Canadian and Mexican markets.

South America

The global economic stabilization will have a positive effect on the South American markets. For 2011 and 2012, we expect Brazil in particular to benefit from continued strong demand for commodities and that demand there for new vehicles will increase moderately.

Asia-Pacific

We continue to see growth potential for the markets of the Asia-Pacific region in 2011 and 2012. The growing need for individual mobility will increase demand in particular in the markets in China and India. However, rising commodity prices, tighter emissions standards and a decrease in government subsidies may have an adverse effect on demand for automobiles. In addition, we assume that restrictions on automobile registrations in metropolitan areas that have been announced will curb growth in China. In Japan, we anticipate a considerable decrease in demand for automobiles in 2011 following the expiry of the support program in 2010, before the market picks up again in 2012.

Europe/Remaining markets

We are expecting uneven growth in Western Europe. Some Western European countries are recovering more quickly than originally expected. By contrast, the expiry of incentive programs will also impact some core European markets in 2011 – for example the UK and France – since many vehicles were purchased earlier than planned in 2009 and the first half of 2010. To some extent, this will shift the negative impact of the financial and economic crisis in the automotive markets into 2011. In some other main markets – for example Spain and Italy – the recovery will be slowed by the high public debt and drastic austerity measures imposed by governments. Overall, we expect demand for passenger cars in Western Europe to decline in 2011. In 2012, the negative effects resulting from the expiry of government support measures will diminish, resulting in a rise in demand again.

We expect the markets in Central and Eastern Europe to record growth again from 2011. Demand for automobiles is recovering quickly following the economic crisis especially in Russia. After the automobile market there had contracted by half in 2009, demand has been growing again since mid-2010 – supported by the economic stimulus program introduced in March 2010 and subsidized loans to purchase vehicles.

The South African market will benefit from sustainable economic stabilization in 2011. However, we anticipate that market growth will ease off somewhat again from 2012 as an interest rate rise is likely from the end of 2011 due to rising consumer prices.

Germany

The German passenger car market benefited to a particularly strong extent from the government scrapping premium in 2009. Demand slumped as expected in 2010 after the program expired, albeit less than feared. This is attributable in particular to restored consumer confidence and the rebounding economy. As a result of the sustained improvement in underlying economic conditions, we expect demand for passenger cars to rise in Germany in 2011. This trend is also expected to continue in 2012.

DEVELOPMENT OF MARKETS FOR HEAVY TRUCKS

After demand for heavy trucks rose in 2010, we also expect higher growth in the global markets in 2011 and 2012.

Boosted by the economic upturn, demand in the USA will continue to pick up. In the Brazilian market, vehicle sales are expected to increase due to the long-term positive economic climate and the existing government support measures.

Following rapid growth in 2010, demand in China will also develop positively in the future as the logistics flows increase, in particular in long-distance transportation.

In Western Europe, we expect an increased sales volume, primarily as a result of the positive economic development and the renewal of fleets due to postponed investments in replacements.

EXCHANGE RATE TRENDS

Economic developments were dominated by uncertainty in fiscal year 2010. Individual economic regions recovered to varying degrees from the financial and economic crisis and the associated expectations had a strong effect on exchange rates. The euro weakened against the US dollar in the first half of the year, but subsequently recovered. For 2011 and 2012, we expect the euro to remain strong, despite high sustained volatility in the financial markets.

INTEREST RATE TRENDS

Expansionary monetary policy in many countries and comparably low rates of inflation resulted in very low interest rates in fiscal year 2010 that have hardly changed at the beginning of the current fiscal year. However, we expect short-term rates to rise somewhat over the course of 2011 especially in Europe. Long-term interest rates will also rise slightly around the world. The trend towards increasing short-term and long-term interest rates is also expected to continue into 2012 due to growing inflationary trends.

COMMODITY PRICE TRENDS

Volatility was very high in commodities markets in fiscal year 2010. Prices rose sharply – with severe fluctuations – as a consequence of the quick recovery of the global economy. In Europe, however, the increase was moderated by the stronger euro. The question of how commodities prices develop in the future depends mainly on whether the global economy continues to record stable growth. The high volatility will continue in the medium term, although we do not anticipate any significant price reductions.

MOBILITY RESEARCH

An efficient mobility system is vital for the development of economies. Road transport is this system's most important mode of transport. It is characterized by flexibility, individuality, quality and almost unlimited accessibility. However, our roads are under increasing strain or already overloaded. Volkswagen mobility research seeks ways to counter these effects. For example, traffic congestion can be avoided with appropriate information about the traffic environment and by driving intelligently.

Every second to third traffic bottleneck on German motorways is caused by construction sites. Volkswagen mobility research is working on a driver assistance system with which tailbacks can be effectively avoided. This approach increases not only the security and comfort of drivers and passengers, it simultaneously reduces the risk of tailbacks forming in the first place. This requires the vehicle to be familiar with the route and traffic situation at the construction site in order to support optimum driving before and at the construction site, using a system developed especially for this purpose to monitor distance and speed. Proper braking and acceleration helps prevent gaps so that traffic flows better. Simulations have shown that road capacities can increase by 3% if only every tenth automobile behaves like this. Thus, Volkswagen mobility research contributes to reducing waiting times, fuel consumption and CO_2 emissions.

Congestion can be avoided this way by using a clever combination of currently available communication and driver assistance technologies. In addition to car-to-car communication, car-to-X communication between vehicles and infrastructure, such as traffic lights, will play an important role in the future. Volkswagen's mobility research is focusing efforts on not only optimizing individual vehicles, but also improving road transport overall.

NEW MODELS IN 2011

The Volkswagen Group is continuing its unparalleled model rollout in fiscal year 2011 with innovative and attractive vehicles.

The Volkswagen Passenger Cars brand will present the successor models to the Golf Cabrio and New Beetle in 2011. The UP! minicar will expand the brand's model range. All vehicles combine attractive design and innovation with groundbreaking quality in their segments. In addition, the Tiguan and Eos models will be updated. The new Passat for the North American market should make a significant contribution to achieving our goals in this region.

The Audi brand will also continue its product rollout in 2011. Highlights include the introduction of the sporty and dynamic Audi R8 GT[1], followed by the Audi RS 3[2] and the new Audi A6 saloon. The completely new Audi Q3 and the Audi Q5 hybrid[2] will follow. In addition, the new Audi A6 Avant and Audi A6 hybrid[2] will be presented.

The Škoda and SEAT brands are both offering a new and attractive model in 2011 in the mini-car segment underneath the Fabia and the Ibiza.

Bentley is driving forward the renewal of its model range: after introducing the new Continental GT[1], the new sporting luxury cabriolet Continental GTC[1] will be presented.

Lamborghini is beginning 2011 with a highly emotional special model, the Gallardo Spyder, to be followed by the new Aventador[2] in May.

We will also rationally complement the Volkswagen Group's product portfolio in 2012, further strengthening our market position.

1 Consumption and emission data can be found on page 328 of this Report.
2 No binding consumption and emission data is currently available for this model.

PLANNED PRODUCT MEASURES

In light of increasingly tight exhaust and emissions regulations and a CO_2-based vehicle tax, a vehicle's CO_2 emissions are becoming an increasingly important criterion for buyers. Volkswagen will therefore systematically pursue its efficient drive technology initiative and thus continue to consolidate its status as an innovation leader in the area of environmentally friendly mobility.

In the coming years, we will continue the technical downsizing program for our products and focus our activities on zero emissions. Our downsizing approach increases material and energy efficiency by reducing powertrain sizes, while retaining the original performance features. Volkswagen has invested a significant amount of research in pursuit of the goal of zero-emission e-mobility – whether as a "plug-in hybrid" or a pure electric drive. The projects will continue to improve the Volkswagen Group's environmental impact.

The Volkswagen Passenger Cars brand unites all fuel consumption and emission reducing activities under its BlueMotion Technologies umbrella brand. These technologies, including BlueMotion, BlueMotionTechnology, BlueTDI and TSI EcoFuel, set standards in consumption and CO_2 emissions. They leverage innovations such as hybrid/electric drives, start-stop systems and braking energy recovery. These technologies are also used by other Group brands, for instance the Škoda "GreenLine" model series and SEAT ECOMOTIVE models. Audi also offers efficiency technologies as standard.

STRATEGIC SALES FOCUS

The multi-brand structure comprising largely independent brands that achieve maximum synergies is characteristic of the Volkswagen Group. In fiscal year 2010, we succeeded in increasing 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 help us continue to focus our sales activities on profitability. The structures put in place are also designed for the potential integration of further brands into the organization.

Changes in the EU's Block Exemption Regulation may affect our sales network in the years leading up to 2013. We are gradually reducing non-value-adding activities in our sales structure so as to cut costs, increase the attractiveness of our wholesale and dealer system, and ultimately boost our overall profitability. The further liberalization of the European single market entails opportunities as well as risks. Together with our brands, we intend to leverage the opportunities and promptly identify and counter potential risks. The business fields will expand their activities – not only purely 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 – in addition to the established markets in Brazil and China – in particular in India, Russia and the USA, as well as in the Middle East and ASEAN regions.

China

The Chinese automotive market again recorded strong growth in 2010, after remaining largely unaffected by the repercussions of the financial and economic crisis: vehicle sales rose to 11 million units. We also expect the Chinese automotive market – our largest sales market worldwide – to continue growing in the coming years. In order to be able to participate in this market's significant growth opportunities and defend our leading market position in China, we are expanding our local product range, increasing investments and further expanding production capacities.

Brazil

Brazil was also one of the fastest growing markets in 2010. Market growth slowed following the expiry of measures offered by the government until the end of the first quarter to support demand for automobiles. In the second half of 2010, demand stabilized and deliveries reached record levels with a total of more than 2.6 million units.

For the Volkswagen Group, Brazil remains a strategically important market that offers substantial potential for the future. Thanks to our models that are produced locally and developed specially for the market, we expect to share in this growth and successfully expand our market position.

India

Demand for new passenger vehicles in India – one of the most important potential markets worldwide – rose in 2010, despite the consequences of the financial and economic crisis, and is expected to more than double in the next ten years. India will therefore be one of the world's key automotive markets in the future. We intend to further leverage the Volkswagen Group's special opportunities for growth by expanding manufacturing capacities in the Indian city of Pune and producing models of the Škoda and Volkswagen Passenger Car brands.

Russia

The Russian automotive market was among those hardest hit by the financial and economic crisis. After the number of vehicles sold in 2009 declined by half within the space of one year to 1.4 million units, demand for passenger cars rose in 2010 to 1.8 million vehicles. This development, which was the result of a broad stabilization of the economy, was also supported by a government premium program. In this difficult environment, the Volkswagen Group significantly increased its market share to 7.1%. In the future, we expect Russia to become one of the largest automotive markets in the world as a result of steady growth. The Group intends to exploit the opportunities for growth in Russia with its plant in Kaluga, 160 km southwest of Moscow, where we already began full-scale production of vehicles of the Volkswagen Passenger Car and Škoda brands in October 2009.

USA

Following a dramatic decline in vehicle sales in 2009 as a result of the financial and economic crisis, the market began to recover in the USA. In 2010, demand amounted to 11.6 million vehicles (+11.1%). The Volkswagen Group benefited more than average from this, increasing its market share to 3.1% (2.9)% in 2010. In the USA, the Group aims to transform itself from a niche player into a volume supplier. This goal is to be achieved with the local production of market-specific products and efficient sales structures. The construction of the production plant in Chattanooga, Tennessee, serves to ensure our ability to sustainably develop the US dollar area and, among other things, minimize sales risks arising from exchange rate fluctuations. Following the start of production in 2011, the plant will produce vehicles developed specially for the US market.

ASEAN

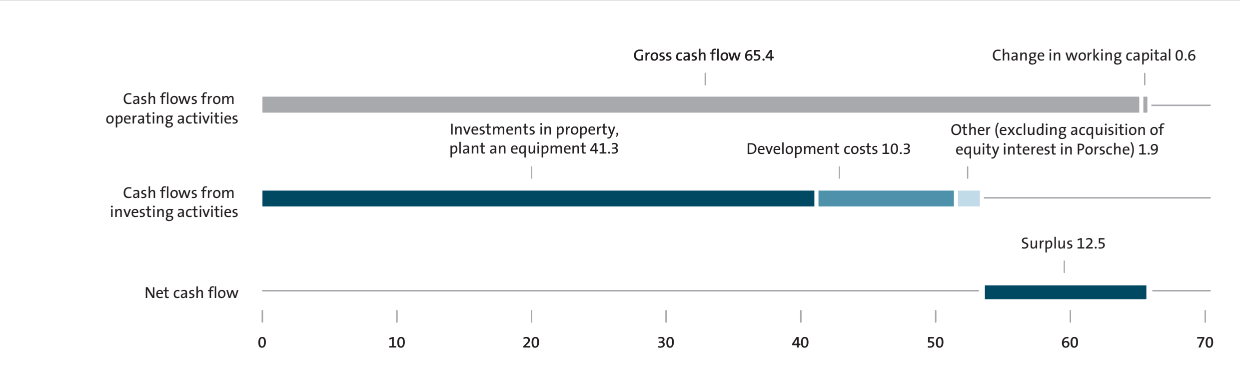
One of the Volkswagen Group's main goals is to sustainably develop the ASEAN economic area, whose automotive markets as a whole possess considerable growth potential. The ASEAN region is made up of highly diverse markets: the automotive market in Thailand is dominated by pick-up models, whereas demand for multi-purpose vehicles as well as hatchbacks and notchbacks is very high in Indonesia and Malaysia. In the future, we will set up further sales companies in addition to those we already have in Malaysia and Singapore. Due to the legal framework and the high level of price sensitivity in the region, local assembly or production is presently the best way to develop these markets. We are currently investigating various options with potential partners. In December 2010, Volkswagen signed a contract with its partner company DRB-HICOM regarding vehicle assembly in Malaysia. In order to develop the local market for the long term, the Passat will be produced on a CKD basis in the DRB-HICOM plant in Pekan from the end of 2011. The Jetta and Passat models will be manufactured on the basis of local full-scale production in a second expansion phase from the end of 2012. In Indonesia, we already began local assembly in 2009.

Middle East

The Middle East region is characterized by its diverse markets. So far, the Volkswagen Group does not have any production facilities in this region; the market shares are still too small. Optimizing the distribution channels and the specific product range should enable us to better utilize this region's potential in the future and significantly increase our market shares.

INVESTMENT AND FINANCIAL PLANNING 2011 TO 2015 IN THE AUTOMOTIVE DIVISION

€ billion



INVESTMENT PLANNING

Based on our planning, investments in the Automotive Division will amount to €53.5 billion in the period 2011 to 2015. Besides investments in property, plant and equipment, this total also includes additions to capitalized development costs of €10.3 billion, investments in financial assets of €1.9 billion net and proceeds from the disposal of property, plant and equipment. Investments in property, plant and equipment will account for €41.3 billion, more than half of which (57%) will be invested in Germany alone. The ratio of capital expenditure to sales revenue in the period 2011 to 2015 will be at a competitive level of around 6% on average.

The Volkswagen Group will systematically continue its model rollout with a view to tapping new markets and segments, spending most of the total amount invested in property, plant and equipment in the Automotive Division, at €27.7 billion or around 67%, on modernizing and extending the product range of all brands. The main focus will be on new vehicles, successor models and model derivatives in almost all vehicle classes based on modular platform technology. In powertrain production, new generations of engines will be launched with further improvements in performance, fuel consumption and emission levels. The Group will press ahead in particular with the development of hybrid and electric motors.

In addition, the Company will make cross-product investments of €13.6 billion over the next five years. Due to our high quality targets and the steady improvement of our assembly processes, the new products also require changes to the press shops, paintshops and assembly facilities. Production in the new factory in North America will also begin in 2011. Beyond production, investments are planned mainly in the areas of development, quality assurance, genuine parts supply and information technology.

Our aim is to finance the investments within the Automotive Division using internally generated funds. For the planning period, we are forecasting cash flows from operating activities of €66.0 billion. The funds generated will therefore exceed the Automotive Division's investment requirements by €12.5 billion.

The planning is based on the Volkswagen Group's current structures and thus includes the investments in Suzuki (19.9%) and Porsche Zwischenholding GmbH (49.9%) accounted for using the equity method, but does not take into account the further steps toward an integrated automotive group. The acquisition of Porsche Holding Salzburg and the associated outflow of €3.3 billion are also not featured into this planning.

The joint ventures in China are also not consolidated and therefore not included in the above figures. These companies will invest a total of €10.6 billion in the period 2011 to 2015. These investments will be financed using the joint ventures' own funds.

TARGETS OF 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%. Under our "Strategy 2018", our medium-term goal is a return on investment of more than 16% in the Automotive Division, which is significantly above the minimum required rate of return.

Following the decrease in return on investment in 2009 as a result of the global financial and economic crisis, we were able to considerably exceed the highest returns generated to date in 2007 and 2008 in the reporting period (see also pages 173 and 177).

FUTURE LEGAL STRUCTURE OF THE GROUP

On November 10, 2010, the family shareholders of Porsche Holding Gesellschaft mbH, Salzburg, exercised the right granted to them within the framework of the Comprehensive Agreement on the creation of an integrated automotive group consisting of Volkswagen and Porsche to sell the operating business of Porsche Holding Salzburg to Volkswagen. The shares are expected to be transferred in the course of the first half of 2011, at the latest on September 30, 2011, for a price of €3.3 billion, which is fixed in the Comprehensive Agreement.

The acquisition is a considerable enhancement of Volkswagen's own sales activities. Porsche Holding Gesellschaft mbH is one of the most successful private automobile trading companies in Europe, with a strong presence in particular in Austria, the rest of Western Europe and Southeast Europe, as well as in China. It will continue to be maintained as a business unit with its own successful business model and all of its divisions and brands.

In a final step towards creating an integrated automotive group, Volkswagen and Porsche are continuing to strive to combine Porsche Automobil Holding SE with Volkswagen AG. A condition for the merger is that the legal and tax aspects relating to the combination can be resolved and that the Annual General Meetings of both companies grant the necessary approval.

STRATEGY 2018

The key element of our "Strategy 2018" is to position the Volkswagen Group as a global economic and environmental leader among automobile manufacturers. We have defined four goals that are designed to help Volkswagen become the most successful and fascinating automaker by 2018:

- Volkswagen intends to become a world leader in customer satisfaction and quality by using intelligent innovations and technologies.
- Over the long term, Volkswagen aims to increase unit sales to more than 10 million vehicles a year; in particular, it intends to capture an above-average share as the major growth markets develop.
- Volkswagen intends to increase its return on sales before tax to at least 8% in the long term in order to safeguard its solid financial position and ability to take action, even during difficult market periods.
- Volkswagen aims to become the top employer across all brands, companies and regions; it must do so in order to build a first-class team.

We are paying particular attention to our environmentally friendly orientation and the profitability of our vehicle projects. This also ensures that the Company can be successful with the right products, even in an economically difficult environment, and that capital expenditure remains at manageable levels. With our attractive and environmentally friendly range of vehicles, which we are steadily and rationally expanding, and the excellent position of the separate brands in the markets worldwide, we are able to leverage the Group's strengths and to systematically increase our competitive advantage. Our activities are oriented on setting new ecological standards in the areas of vehicles, powertrains and lightweight construction. Thanks to the modular platform system, which we enhance continuously, we are constantly improving production efficiency and flexibility, thus increasing the Group's profitability.

We aim to substantially expand our customer base by attracting new customers worldwide and steadily increasing customer satisfaction. Even amid the current economic conditions, we will continue unchanged the ongoing measures to improve productivity and quality. Together with disciplined cost and investment management, our efforts to standardize direct and indirect processes and reduce throughput times help ensure that we reach our long-term profitability targets and secure solid liquidity for the long term.

SUMMARY OF EXPECTED DEVELOPMENTS

The Volkswagen Group's Board of Management expects the intensity of competition in the international automotive markets to increase further in the coming years. The underlying conditions for the automotive business are becoming more and more challenging. Markets may be recovering more quickly than originally anticipated, but uncertainties remain from global economic development. In particular the financial markets continue to entail risks resulting above all from the difficult debt situation of many countries.

We expect the global automotive market to continue to grow in 2011 and 2012. Until then, we anticipate the strongest growth 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 in part produce some vehicles developed specifically for these countries. The Western European market for passenger cars excluding Germany is expected to stagnate in the coming years due to the general economic uncertainties. The Volkswagen Group will maintain its leading market position in this region.

Following the increase in demand for heavy trucks in 2010, we expect further growth in the global markets in 2011 and 2012.

We therefore expect our sales to customers to exceed the previous years' levels overall in 2011 and 2012. Our Chinese joint venture companies, as well as the new production facilities in Russia, the USA and India, will make a large contribution to this development.

The situation in our core market in Western Europe will negatively impact our earnings growth in the coming years. Sustained interest and exchange rate volatility as well as sharply fluctuating commodities prices will also adversely affect earnings. Nevertheless, we expect the sales revenue and operating profit in the Automotive and Financial Services Divisions to increase in 2011 and 2012 as against 2010. We also believe that this will be the case for the Scania Vehicles and Services segment in the Automotive Division.

Based on the earnings measures for 2010, we are striving to increase the return on sales before tax at Group level to at least 8% in the long-term. The ratio of capital expenditure to sales revenue will fluctuate around the competitive level of 6% on average. In addition, the positive rating compared with the industry as a whole should be maintained and our solid liquidity policy continued.

In order to master the challenges of the automotive future and reach 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 multi-brand group. Disciplined cost and investment management remains an integral part of our strategy for 2018.

PROSPECTS FOR 2011

After the global economy largely recovered in 2010 from the severe slump of the previous year with above-average growth, we expect this upward trend to weaken slightly in the current year. We continue to see the most dynamic growth prospects in the emerging markets of Asia and Latin America, whereas the industrialized nations will continue to experience only moderate growth. However, the strained debt situation of many countries and a further increase in inflationary tendencies are dampening economic prospects to a certain extent.

We again expect uneven development in the global automotive markets in 2011. In some Western European countries, rising public debt and the end of subsidy programs will have a negative impact on demand for new vehicles. By contrast, we expect an increase in new vehicle registrations in Central and Eastern Europe. The positive trends will continue in the strategically important markets in China and India, and we also expect demand to rise further in the markets of North and South America. Overall, global demand for passenger cars is expected to exceed the level for 2010.

The Volkswagen Group's key competitive advantages are its unique brand portfolio and its continually growing presence in all key regions of the world. Thanks to our expertise in technology and design, we have a diverse, attractive and environmentally friendly range of products that meets all customer desires and needs. In addition, the modular toolkit system, which we are continually optimizing, will have an increasingly positive effect on the Group's cost structure. In 2011, the Volkswagen Group's nine brands will once again introduce a large number of fascinating new models to the market, thus further expanding our strong position in the global markets. We therefore expect our deliveries to customers to increase as against the previous year.

We expect the Group's sales revenue and operating profit in 2011 to be higher than the previous year. However, the continuing volatility in interest and exchange rate trends and commodities prices will weaken the positive volume effect. Disciplined cost and investment management and the continuous optimization of our processes remain core components of our "Strategy 2018".

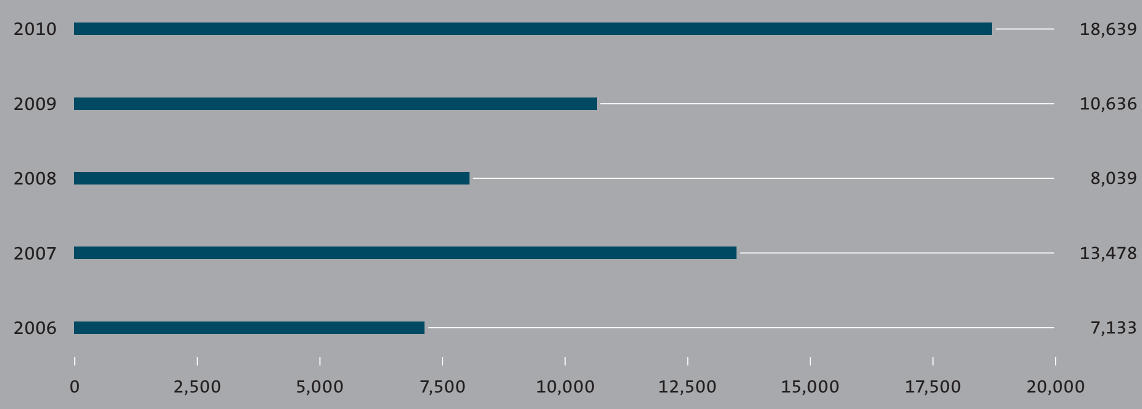
Wolfsburg, February 25, 2011
The Board of Management

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 the US dollar, sterling, Czech koruna, Swedish krona, Russian ruble, Australian dollar, Polish zloty, Swiss franc, Mexican peso and Japanese yen. 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

18.6

NET LIQUIDITY IN THE AUTOMOTIVE DIVISION 2006 – 2010 € million



The Automotive Division’s net liquidity rose to €18.6 billion at the end of 2010. This increase was also attributable to the successful capital increase, which resulted in a cash inflow of €4.1 billion for the Group.

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

of the Volkswagen Group for the Period January 1 to December 31, 2010

€ million	Note	2010	2009
Sales revenue	**1**	**126,875**	**105,187**
Cost of sales	2	– 105,431	– 91,608
Gross profit		**21,444**	**13,579**
Distribution expenses	3	– 12,213	– 10,537
Administrative expenses	4	– 3,287	– 2,739
Other operating income	5	7,648	7,904
Other operating expenses	6	– 6,450	– 6,352
Operating profit		**7,141**	**1,855**
Share of profits and losses of equity-accounted investments	7	1,944	701
Finance costs	8	– 2,144	– 2,268
Other financial result	9	2,053	972
Financial result		**1,852**	**– 595**
Profit before tax		**8,994**	**1,261**
Income tax income/expense	10	– 1,767	– 349
current		– 2,963	– 1,145
deferred		1,196	796
Profit after tax		**7,226**	**911**
Noncontrolling interests		392	– 49
Profit attributable to shareholders of Volkswagen AG		6,835	960
Basic earnings per ordinary share in €*	**11**	**15.17**	**2.37**
Diluted earnings per ordinary share in €*	**11**	**15.17**	**2.37**
Basic earnings per preferred share in €*	**11**	**15.23**	**2.43**
Diluted earnings per preferred share in €*	**11**	**15.23**	**2.43**

* The prior-year figures were adjusted.

Statement of Comprehensive Income

of the Volkswagen Group for the Period January 1 to December 31, 2010

€ million	2010	2009
Profit after tax	**7,226**	**911**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	1,978	917
Transferred to profit or loss	–	57
Actuarial gains/losses	– 1,344	– 860
Cash flow hedges		
Fair value changes recognized in other comprehensive income	– 868	683
Transferred to profit or loss	– 268	– 908
Available-for-sale financial assets (marketable securities)		
Fair value changes recognized in other comprehensive income	1	200
Transferred to profit or loss	– 35	71
Deferred taxes	736	216
Share of other comprehensive income of equity-accounted investments, net of tax	516	30
Other comprehensive income, net of tax	**717**	**406**
Total comprehensive income	**7,943**	**1,317**
of which attributable to		
noncontrolling interests	625	179
shareholders of Volkswagen AG	7,319	1,138

Balance Sheet

of the Volkswagen Group as of December 31, 2010

€ million	Note	Dec. 31, 2010	Dec. 31, 2009
Assets			
Noncurrent assets			
Intangible assets	12	13,104	12,907
Property, plant and equipment	13	25,847	24,444
Leasing and rental assets	14	11,812	10,288
Investment property	14	252	216
Equity-accounted investments	15	13,528	10,385
Other equity investments	15	640	543
Financial services receivables	16	35,817	33,174
Other receivables and financial assets	17	7,519	3,747
Noncurrent tax receivables	18	689	685
Deferred tax assets	18	4,248	3,013
		113,457	**99,402**
Current assets			
Inventories	19	17,631	14,124
Trade receivables	20	6,883	5,692
Financial services receivables	16	30,164	27,403
Other receivables and financial assets	17	6,605	5,927
Current tax receivables	18	482	762
Marketable securities	21	5,501	3,330
Cash, cash equivalents and time deposits	22	18,670	20,539
		85,936	**77,776**
Total assets		**199,393**	**177,178**
Equity and Liabilities			
Equity	24		
Subscribed capital		1,191	1,025
Capital reserves		9,326	5,356
Accumulated comprehensive income		35,461	28,901
Equity attributable to shareholders of Volkswagen AG		45,978	35,281
Noncontrolling interests		2,734	2,149
		48,712	**37,430**
Noncurrent liabilities			
Noncurrent financial liabilities	25	37,159	36,993
Other noncurrent liabilities	26	4,742	3,028
Deferred tax liabilities	27	1,669	2,224
Provisions for pensions	28	15,432	13,936
Provisions for taxes	27	3,610	3,946
Other noncurrent provisions	29	11,170	10,088
		73,781	**70,215**
Current liabilities			
Current financial liabilities	25	39,852	40,606
Trade payables	30	12,544	10,225
Current tax payables	27	286	73
Other current liabilities	26	10,627	8,237
Provisions for taxes	27	2,077	973
Other current provisions	29	11,513	9,420
		76,900	**69,534**
Total equity and liabilities		**199,393**	**177,178**

Statement of Changes in Equity

of the Volkswagen Group for the Period January 1 to December 31, 2010

			ACCUMULATED COMPREHENSIVE INCOME	
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve
Balance at Jan. 1, 2009	**1,024**	**5,351**	**31,522**	**–2,721**
Profit after tax	–	–	960	–
Other comprehensive income, net of tax	–	–	–	839
Total comprehensive income	**–**	**–**	**960**	**839**
Capital increase	0	4	–	–
Dividend payment	–	–	–779	–
Capital transactions involving a change in ownership interest	–	–	–76	–
Other changes	–	–	–21	–
Balance at Dec. 31, 2009	**1,025**	**5,356**	**31,607**	**–1,881**
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**

* 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.

Starting in fiscal year 2010, all amounts in the statement of changes in equity are presented net of tax. The prior-year figures were adjusted.

The other changes in the previous year are primarily attributable to changes in the consolidated Group.

Explanatory notes on equity are presented in note 24.

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
–672	**1,138**	**–192**	**–439**	**35,011**	**2,377**	**37,388**
–	–	–	–	960	– 49	911
– 604	– 278	191	30	178	228	406
– 604	**– 278**	**191**	**30**	**1,138**	**179**	**1,317**
–	–	–	–	4	–	4
–	–	–	–	–779	–95	–874
–	–	–	–	–76	–316	–392
2	–	–	–	–18	4	–15
–1,274	**860**	**–1**	**–409**	**35,281**	**2,149**	**37,430**
–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**

Cash flow statement

of the Volkswagen Group for the Period January 1 to December 31, 2010

€ million	2010	2009
Cash and cash equivalents at beginning of period	**18,235**	**9,443**
Profit before tax	8,994	1,261
Income taxes paid	–1,554	–529
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment, and investment property*	5,514	5,028
Amortization and write-downs of capitalized development costs*	2,218	1,586
Impairment losses on equity investments*	8	16
Depreciation of, and impairment losses on, leasing and rental assets*	2,357	2,247
Gain/loss on disposal of noncurrent assets	102	–547
Share of profit or loss of equity-accounted investments	–751	–298
Other noncash expense/income	–1,424	727
Change in inventories	–2,507	4,155
Change in receivables (excluding financial services)	–1,980	465
Change in liabilities (excluding financial liabilities)	4,064	260
Change in provisions	2,654	1,660
Change in leasing and rental assets	–3,138	–2,571
Change in financial services receivables	–3,102	–719
Cash flows from operating activities	**11,455**	**12,741**
Investments in intangible assets, property, plant and equipment, and investment property	–5,758	–5,963
Additions to capitalized development costs	–1,667	–1,948
Acquisition of equity investments	–2,154	–3,989
Disposal of equity investments	4	1,320
Proceeds from disposal of intangible assets, property, plant and equipment, and investment property	297	153
Change in investments in securities	–3,276	989
Change in loans and time deposits	1,506	–236
Cash flows from investing activities	**–11,048**	**–9,675**
Capital contributions	4,101	4
Dividends paid	–798	–874
Capital transactions with noncontrolling interests	–	–392
Other changes	4	23
Proceeds from issue of bonds	7,910	15,593
Repayment of bonds	–11,941	–10,202
Change in other financial liabilities	–104	1,405
Finance lease payments	–24	–23
Cash flows from financing activities	**–852**	**5,536**
Effect of exchange rate changes on cash and cash equivalents	438	190
Net change in cash and cash equivalents	**–8**	**8,792**
Cash and cash equivalents at end of period	**18,228**	**18,235**
Cash and cash equivalents at end of period	18,228	18,235
Securities, loans and time deposits	9,437	7,312
Gross liquidity	**27,664**	**25,547**
Total third-party borrowings	–77,012	–77,599
Net liquidity	**–49,347**	**–52,052**

* Net of impairment reversals.

Explanatory notes on the cash flow statement are presented in note 31.

Notes to the Consolidated Financial Statements

of the Volkswagen Group for the Fiscal Year ended December 31, 2010

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 2010 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 in accordance with standard business rounding principles, 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 25, 2011. 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 2010.

The revisions to IAS 27/IFRS 3 result in a change in the way future business combinations are presented. In particular, there is an option to capitalize the share of goodwill attributable to noncontrolling interests. Existing shares that were already accounted for before the transfer of control must be measured at fair value in profit or loss at the acquisition date. Equally, shares in a subsidiary that are retained after the loss of control must be recognized at fair value in profit or loss at the deconsolidation date. Changes in the interest held in existing consolidated subsidiaries that do not lead to a loss of control will continue to be recognized directly in equity.

In accordance with the amendment to IFRS 8 as part of the Improvements to International Financial Reporting Standards 2009, no disclosure on segment assets is made; this disclosure is not used in Volkswagen's internal reporting.

In addition, the following standards and interpretations were required to be applied for the first time in fiscal year 2010, but did not have any material effects on presentation in the Group's consolidated financial statements.

> IFRS 1: First-time Adoption of IFRSs (revised)
> IFRS 1: Additional Exemptions for First-time Adopters
> IFRS 1/IFRS 5: Improvements to International Financial Reporting Standards 2008
> IFRS 2/IFRIC 11: Group Cash-settled Share-based Payment Transactions
> IAS 39/IFRS 7: Reclassification of Financial Assets – Effective Date and Transition
> IAS 39: Eligible Hedged Items – amendment to IAS 39
> Improvements to International Financial Reporting Standards 2009 – minor amendments to a large number of IFRSs (IFRS 2, IFRS 5, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) and resulting changes.
> IFRIC 12: Service Concession Arrangements
> IFRIC 15: Agreements for the Construction of Real Estate
> IFRIC 16: Hedges of a Net Investment in a Foreign Operation
> IFRIC 17: Distributions of Non-cash Assets to Owners
> IFRIC 18: Transfers of Assets from Customers

New and amended IFRSs not applied

In its 2010 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 fiscal year 2010.

Standard/Interpretation[1]		Issued by the IASB	Effective date[2]	Adopted by the EU[1]	Expected effects
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	Jan. 28, 2010	Jan. 1, 2011	Yes	None
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, 2009	Jan. 1, 2012	No	Enhanced disclosures on the transfer of financial instruments
IFRS 9	Financial Instruments: Classification and Measurement	Nov. 12, 2009/ Oct. 28, 2010	Jan. 1, 2013	No	Change in the accounting treatment of fair value changes in financial instruments previously classified as available for sale
IAS 12	Deferred Taxes – Recovery of Underlying Assets	Dec. 20, 2010	Jan. 1, 2012	No	No material effects
IAS 24	Related Party Disclosures	Nov. 4, 2009	Jan. 1, 2011	Yes	Simplification of reporting of related party transactions with state-controlled entities and their subsidiaries
IAS 32	Classification of Rights Issues	Oct. 8, 2009	Jan. 1, 2011	Yes	None
	Improvements to International Financial Reporting Standards 2010[3]	May 6, 2010	Jan. 1, 2011	No	Amendments to disclosures on financial instruments
IFRIC 14	Prepayments of a Minimum Funding Requirement	Nov. 26, 2009	Jan. 1, 2011	Yes	None
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Nov. 26, 2009	Jan. 1, 2011	Yes	None

1 In the period up to December 31, 2010.
2 Required to be applied for the first time by Volkswagen AG.
3 Minor amendments to a large number of IFRSs (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) and resulting changes.

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. However, they are carried in the consolidated financial statements at the lower of cost or fair value since no active market exists for those companies and fair values cannot be reliably ascertained without undue cost or effort. The aggregate equity of these subsidiaries amounts to 1.1% (previous year: 1.1%) of Group equity. The aggregate profit after tax of these companies amounts to 0.1% (previous year: –0.5%) 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:

	2010	2009
Volkswagen AG and consolidated subsidiaries		
Germany	71	53
International	320	307
Subsidiaries carried at cost		
Germany	62	54
International	78	78
Associates, joint ventures and other equity investments		
Germany	28	30
International	51	49
	610	**571**

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 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
- Auto 5000 GmbH, Wolfsburg
- 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 Business Services GmbH, Braunschweig
- Volkswagen Financial Services Beteiligungsgesellschaft mbH, Braunschweig
- Volkswagen Gebrauchtfahrzeughandels und Service GmbH, Langenhagen
- Volkswagen Gewerbegrund 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 Sachsen Immobilienverwaltungs GmbH, Zwickau
- Volkswagen Zubehör GmbH, Dreieich
- VW Wohnungs GmbH & Co. KG, Wolfsburg

CONSOLIDATED SUBSIDIARIES

On February 20, 2009, Volkswagen AG acquired from Porsche Automobil Holding SE, Stuttgart, the shares of Scania AB acquired by Porsche Automobil Holding SE under the terms of a mandatory bid procedure (2.34% of the voting rights and 7.93% of the share capital) at a price of €0.4 billion and thus increased its interest in Scania to 49.29% of the share capital and 71.81% of the voting rights. Any resulting difference was recognized in other comprehensive income.

Effective March 31, 2009, Volkswagen completed the transfer of all shares of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., Resende, Brazil, to the MAN Group. Volkswagen Caminhões has therefore been deconsolidated. The disposal gain of €1,323 million increased the other operating result by approximately €556 million in the first quarter of 2009.

The following main groups of assets and liabilities were sold:

€ million	2009*
Noncurrent assets	321
Current assets	633
of which: Cash and cash equivalents	12
Noncurrent liabilities	310
Current liabilities	370

* Until deconsolidation.

Effective January 1, 2010, the Volkswagen Group 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 approximately €8 million, which is attributable to the MAHAG Group.

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.

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 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 was €85 million (equivalent to the fair value). 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.

The fair values of the assets and liabilities were determined mainly using observable market prices. If market prices could not be determined, methods based on the income approach were used to measure the assets acquired and liabilities assumed.

In addition, six domestic companies that were not consolidated in the previous year, seven newly acquired foreign companies, eight newly formed foreign companies and six 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 situation. The number of consolidated foreign subsidiaries was also reduced by the sale of four companies and the merger and liquidation of six companies.

INVESTMENTS IN ASSOCIATES

Volkswagen AG continued to hold 29.9% of the voting rights and 28.67% of the subscribed capital of MAN SE, Munich, at the balance sheet date. The market value of this interest was €3,751 million at December 31, 2010 (previous year: €2,295 million).

Effective January 15, 2010, Volkswagen acquired 19.89% of the shares of Suzuki Motor Corporation, Hamamatsu, Japan, for €1.7 billion. On the basis of the economic cooperation agreed in the master agreement, Suzuki is classified as an associate. 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. The shares are measured using the equity method. The market value of the interest was €2,053 million at December 31, 2010.

The following carrying amounts are attributable to the Volkswagen Group from its proportionate interest in MAN and Suzuki (previous year: MAN only):

€ million	2010	2009
Noncurrent assets	5,228	2,272
Current assets	3,681	2,286
Noncurrent liabilities	2,729	1,225
Current liabilities	2,570	1,862
Income	8,788	3,448
Profit/loss for the period	305	−77

INTERESTS IN JOINT VENTURES

In December 2009, Volkswagen AG acquired 49.9% of the shares of Porsche Zwischenholding GmbH, Stuttgart. Porsche Zwischenholding GmbH holds 100% of the shares of Dr. Ing. h.c. F. Porsche AG, Stuttgart. On the basis of the agreements under company law with Porsche Automobil Holding SE, Volkswagen jointly controls Porsche Zwischenholding GmbH and its direct and indirect subsidiaries. The shares of Porsche Zwischenholding GmbH were accounted for using the equity method.

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 has agreed with Fleet Investments B.V., Amsterdam, the Netherlands, an investment company belonging to the von Metzler family, that Fleet Investments will become the new co-investor in Global Mobility Holding for an initial period of two years. On the basis of an agreement entered into in September 2009, 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 will pledge claims under certificates of deposit with Bankhaus Metzler in the amount of €1.4 billion to secure a loan granted to Fleet Investments B.V. by Bankhaus Metzler. This pledge does not increase the Volkswagen Group's risk arising from the above-mentioned short position.

The following carrying amounts are attributable ratably to the Volkswagen Group from its proportionate interest in the joint ventures (primarily Shanghai-Volkswagen Automotive Company, FAW-Volkswagen Automotive Company, Global Mobility Holding and Porsche Zwischenholding GmbH):

€ million	2010	2009
Noncurrent assets	13,805	11,092
Current assets	12,487	15,532
Noncurrent liabilities	10,457	8,025
Current liabilities	12,043	15,942
Income*	21,162	10,135
Expenses*	18,988	9,314

* Fiscal year 2009 includes Porsche Zwischenholding GmbH from the date the company was accounted for using the equity method (December 7, 2009).

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 currency 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 closing rate. Foreign exchange gains and losses are recognized in the income statement. 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:

	€1 =	BALANCE SHEET MIDDLE RATE ON DECEMBER 31, 2010	2009	INCOME STATEMENT AVERAGE RATE 2010	2009
Argentina	ARS	5.30858	5.46811	5.18724	5.21069
Australia	AUD	1.31360	1.60080	1.44231	1.77270
Brazil	BRL	2.21770	2.51130	2.33143	2.76742
Canada	CAD	1.33220	1.51280	1.36511	1.58496
Czech Republic	CZK	25.06100	26.47300	25.28402	26.43491
India	INR	59.75800	67.04000	60.58783	67.34999
Japan	JPY	108.65000	133.16000	116.23857	130.33660
Mexico	MXN	16.54750	18.92230	16.73727	18.79886
People's Republic of China	CNY	8.82200	9.83500	8.97123	9.52771
Poland	PLN	3.97500	4.10450	3.99467	4.32762
Republic of Korea	KRW	1,499.06000	1,666.97000	1,531.82116	1,772.90387
Russia	RUB	40.82000	43.15400	40.26294	44.13764
South Africa	ZAR	8.86250	10.66600	9.69843	11.67366
Sweden	SEK	8.96550	10.25200	9.53727	10.61905
United Kingdom	GBP	0.86075	0.88810	0.85784	0.89094
USA	USD	1.33620	1.44060	1.32572	1.39482

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 five 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 value in use of the relevant cash-generating unit (brands or products) to determine the recoverable amount of goodwill and indefinite-lived intangible assets. This is based on management's current planning. The planning period generally extends to a horizon of five years, with reasonable assumptions about future development being made for the subsequent years. The planning assumptions are adapted to reflect the current state of knowledge. They include reasonable assumptions on macroeconomic trends and historical developments.

Estimation of cash flows is generally based on the expected growth trends for the automobile 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.). When determining value in use for the purpose of impairment testing of goodwill and indefinite-lived intangible assets, we apply a weighted average cost of capital (WACC) of 5.5% for the Passenger Cars and Light Commercial Vehicles segment, a WACC of 6.8% for the Scania Vehicles and Services segment and a cost of equity of 9.1% for the Financial Services segment. 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 6.4% (previous year: 9.1%) 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 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 that is attributable to the Volkswagen Group after the acquisition. 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 carried 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. However, they are generally carried at cost, since no active market exists 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.

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 "ineffective hedging derivatives"). This also applies to options on shares. External hedges of intra-Group 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 non-significant 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 held 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 restated 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 2.13% (previous year: 3.4%) 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.

As part of the insurance business, we recognize insurance contracts 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. 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.

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.

Government grants are generally deducted from the cost of the relevant assets.

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.

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. Such estimates and assumptions relate primarily to the assessment of the recoverability of intangible assets, the standard definition throughout the Group of useful lives of items of property, plant and equipment and of leasing and rental assets, the collectability of receivables, and the recognition and measurement of provisions.

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 due to the ongoing uncertain economic environment and its corresponding effects on the automotive markets. 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.

After the global economy largely recovered from the sharp downturn of the previous two years and grew at an above-average rate in 2010, we expect this trend to weaken slightly in fiscal year 2011. Overall, global demand for passenger cars is likely to be slightly higher than in the previous year, in which case the Volkswagen Group will further expand its strong position in the global markets. 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. The segment reporting therefore comprises the three reportable segments Passenger Cars and Light Commercial Vehicles, Scania Vehicles and Services, 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 genuine parts business. The individual passenger car brands and light commercial vehicles of the Volkswagen Group are combined on a consolidated basis in this segment.

The Scania Vehicles and Services segment comprises in particular the development, production and sale of heavy commercial vehicles, the corresponding genuine parts business and related services.

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

Starting in fiscal year 2010, the financial services offered by the Scania brand are allocated to the Financial Services segment rather than the Scania segment. The previous Scania segment was therefore renamed Scania Vehicles and Services and the Volkswagen Financial Services segment was renamed Financial Services. In addition, the Chinese companies, including the joint ventures Shanghai-Volkswagen Automotive Company and FAW-Volkswagen Automotive Company, as well as the joint venture Porsche Zwischenholding GmbH that were previously reported under unallocated activities have been allocated to the Passenger Cars and Light Commercial Vehicles reporting segment to reflect their growing importance and the associated change in the internal reporting. As allowed by the revised IFRS 8, segment assets are no longer reported starting in fiscal year 2010. The prior-year figure was adjusted accordingly.

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

The reconciliation contains activities and other operations that do not by definition constitute segments. It also contains all of the unallocated Group financing activities. Consolidation adjustments between the segments (including the purchase price allocation for Scania and the holding company functions) are also contained in the reconciliation.

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 2009*

€ million	Passenger Cars and Light Commercial Vehicles	Scania Vehicles and Services	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	87,213	5,915	11,581	104,709	477	105,187
Intersegment sales revenue	4,355	174	565	5,094	– 5,094	–
Total sales revenue	91,568	6,090	12,146	109,803	– 4,617	105,187
Depreciation and amortization	5,789	313	1,903	8,005	325	8,331
Impairment losses	313	0	264	576	18	595
Reversal of impairment losses	18	–	30	49	–	49
Segment profit or loss (operating profit or loss)	2,037	253	591	2,881	– 1,025	1,855
Share of profits and losses of equity-accounted investments	717	1	91	809	– 108	701
Net interest income and other financial result	– 586	– 82	– 25	– 693	– 603	– 1,296
Equity-accounted investments	5,781	46	1,562	7,389	2,995	10,385
Investments in intangible assets, property, plant and equipment, and investment property	7,339	318	180	7,837	74	7,911

* The prior-year figures were adjusted.

OPERATING SEGMENTS 2010

€ million	Passenger Cars and Light Commercial Vehicles	Scania Vehicles and Services	Financial Services	Total segments	Reconciliation	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	333	2,218	8,614	287	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	1,323	952	7,612	– 471	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	– 22	39	– 777	685	– 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

RECONCILIATION

€ million	2010	2009*
Segment sales revenue	**133,466**	**109,803**
Unallocated activities	2,094	1,162
Group financing	30	21
Consolidation adjustments	– 8,715	– 5,800
Group sales revenue	**126,875**	**105,187**
Segment profit or loss (operating profit or loss)	**7,612**	**2,881**
Unallocated activities	7	62
Group financing	– 1	15
Consolidation adjustments	– 477	– 1,103
Operating profit	**7,141**	**1,855**
Financial result	**1,852**	**– 595**
Consolidated profit before tax	**8,994**	**1,261**

* The prior-year figures were adjusted.

BY REGION 2009

€ million	Germany	Europe and Other Regions*	North America	South America	Asia/ Oceania	Total
Sales revenue from external customers	29,836	45,367	11,396	9,606	8,982	105,187
Intangible assets, property, plant and equipment, leasing and rental assets, and investment property	18,696	19,451	7,592	1,525	591	47,855

* Excluding Germany.

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.

Income Statement Disclosures

1 | Sales revenue

STRUCTURE OF GROUP SALES REVENUE

€ million	2010	2009
Vehicles*	94,818	78,590
Genuine parts	8,902	7,768
Other sales revenue*	10,085	7,312
Rental and leasing business	7,893	6,631
Interest and similar income	5,178	4,884
	126,875	**105,187**

* The prior-year figures were adjusted.

For segment reporting purposes, the sales revenue of the Group is presented by segment and market.

Other sales revenue includes revenue from the delivery of engines and powertrains, other parts deliveries, the delivery of third-party products and used vehicles (Group and third-party products), as well as workshop services.

2 | Cost of sales

Cost of sales includes interest expenses of €2,418 million (previous year: €2,789 million) attributable to the financial services business. This item includes impairment losses on intangible assets, property, plant and equipment, and leasing and rental assets in the amount of €1,301 million (previous year: €591 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 €216 million in fiscal year 2010 (previous year: €98 million) and were generally allocated to the functions.

3 | Distribution expenses

Distribution expenses amounting to €12,213 million (previous year: €10,537 million) include non-staff 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 €3,287 million (previous year: €2,739 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	2010	2009
Income from reversal of valuation allowances on receivables and other assets	532	577
Income from reversal of provisions and accruals	1,317	945
Income from foreign currency hedging derivatives	1,405	2,217
Income from foreign exchange gains	1,908	1,624
Income from sale of promotional material	181	172
Income from cost allocations	721	590
Income from investment property	59	58
Gains on asset disposals and the reversal of impairment losses	112	71
Miscellaneous other operating income	1,413	1,651
	7,648	**7,904**

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.

The gain on the disposal of Volkswagen Caminhões amounting to €556 million is reported under miscellaneous other operating income in fiscal year 2009.

6 | Other operating expenses

€ million	2010	2009
Valuation allowances on receivables and other assets	1,302	1,682
Losses from foreign currency hedging derivatives	1,702	1,336
Foreign exchange losses	1,347	1,834
Expenses from cost allocations	170	161
Expenses for termination agreements	34	41
Losses on disposal of noncurrent assets	102	33
Miscellaneous other operating expenses	1,794	1,265
	6,450	**6,352**

7 | Share of profits and losses of equity-accounted investments

€ million	2010	2009
Share of profits of equity-accounted investments	1,945	850
of which from: joint ventures	(1,843)	(849)
of which from: associates	(102)	(1)
Share of losses of equity-accounted investments	2	149
of which from: joint ventures	–	(41)
of which from: associates	(2)	(108)
	1,944	**701**

The share of profits and losses of equity-accounted investments in fiscal year 2010 includes the amounts from the adjustment of the newly acquired interest in Suzuki Motor Corporation. The precise allocation of the purchase price to Suzuki's assets and liabilities is only preliminary so far.

The share of profits and losses of equity-accounted investments in the previous year includes the amounts for Porsche Zwischenholding GmbH accounted for using the equity method from the acquisition date of the shares. The precise allocation of the purchase price to Porsche Zwischenholding GmbH's assets and liabilities was completed in fiscal year 2010. No significant adjustment to the preliminary figures allocated in the previous year was required.

8 | Finance costs

€ million	2010	2009
Other interest and similar expenses	1,144	1,139
Interest cost included in lease payments	8	10
Interest expenses	**1,153**	**1,148**
Interest component of additions to pension provisions	725	715
Interest cost on other liabilities	266	405
Interest cost on liabilities	**992**	**1,120**
Finance costs	**2,144**	**2,268**

9 | Other financial result

€ million	2010	2009
Income from profit and loss transfer agreements	24	23
Cost of loss absorption	15	56
Other income from equity investments	9	44
Other expenses from equity investments	36	31
Income from marketable securities and loans*	86	34
Other interest and similar income	707	738
Gains and losses from fair value remeasurement and impairment of financial instruments	69	42
Gains and losses from fair value remeasurement of ineffective hedging derivatives	1,246	228
Gains and losses on hedges	– 37	– 50
Other financial result	**2,053**	**972**

* Including disposal gains/losses.

Gains and losses from the fair value remeasurement of ineffective hedging derivatives include gains and losses from the remeasurement of put and call options on the outstanding 50.1% of the shares of Porsche Zwischenholding GmbH in the amount of €1,785 million (previous year: €– million). For further information, see note 41 Related party disclosures in accordance with IAS 24.

10 | Income tax income/expense

COMPONENTS OF TAX INCOME AND EXPENSE

€ million	2010	2009
Current tax expense, Germany	1,719	508
Current tax expense, abroad	1,536	812
Current tax expense	**3,255**	**1,321**
of which prior-period income	(– 55)	(– 32)
Income from reversal of tax provisions	– 292	– 176
Current income tax expense	**2,963**	**1,145**
Deferred tax income/expense, Germany	– 427	– 360
Deferred tax income/expense, abroad	– 768	– 436
Deferred tax income	**– 1,196**	**– 796**
Income tax income/expense	**1,767**	**349**

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%. In addition to corporation tax, trade tax is levied on profits generated in Germany. Due to the non-deductibility 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 2010 by €487 million (previous year: €65 million).

Previously unused tax loss carryforwards amounted to €8,311 million (previous year: €3,141 million). Tax loss carryforwards amounting to €6,629 million (previous year: €799 million) can be used indefinitely, while €685 million (previous year: €828 million) must be used within the next ten years. There are additional tax loss carryforwards amounting to €997 million (previous year: €1,518 million) that can be used within a period of 15 to 20 years. Tax loss carryforwards of €5,427 million (previous year: €198 million) are estimated not to be usable.

The increase in tax loss carryforwards estimated not to be usable amounting to approximately €5 billion 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, corresponding deferred tax assets were not 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 €84 million (previous year: €3 million). Deferred tax expense of €58 million (previous year: €1 million) was reduced because of a benefit arising from previously unrecognised tax losses or tax credits of a prior period. Deferred tax expense arising from the write-down of deferred tax assets amounts to €17 million (previous year: €2 million).

Deferred taxes are recognized where income from subsidiaries was tax-exempt in the past due to specific local regulations, but the tax effects on discontinuation of the temporary tax exemption are foreseeable. Tax benefits amounting to €76 million (previous year: €55 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 €126 million (previous year: €67 million).

No deferred tax assets were recognized for deductible temporary differences of €2 million (previous year: €2 million) and for tax credits of €563 million (previous year: €562 million) that would expire in the period from 2011 to 2023.

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 €808 million at the balance sheet date.

Deferred tax expenses resulting from changes in tax rates amounted to €20 million (previous year: €1 million).

Deferred taxes of €605 million (previous year: €453 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 fiscal year 2010 or in the previous year.

€943 million of the deferred taxes recognized in the balance sheet was credited to equity (previous year: €207 million) and relates to other comprehensive income. €14 million of this figure (previous year: €4 million) is attributable to noncontrolling interests. In fiscal year 2010, there was no reduction (previous year: €6 million) in deferred taxes resulting from changes in the consolidated Group.

TAX EFFECTS ON OTHER COMPREHENSIVE INCOME

The following deferred taxes relate to items resulting from other comprehensive income:

€ million	AMOUNT BEFORE TAXES	TAXES	AMOUNT AFTER TAXES	AMOUNT BEFORE TAXES	TAXES	AMOUNT AFTER TAXES
			2010			2009
Exchange differences on translating foreign operations	1,978	–	1,978	975	–	975
Actuarial gains/losses	– 1,344	393	– 951	–860	249	–611
Cash flow hedges	– 1,136	333	– 802	–225	46	–179
Available-for-sale financial assets	– 34	10	– 24	271	–80	191
Equity-accounted investments, net of tax	516	–	516	30	–	30
Other comprehensive income	**– 20**	**736**	**717**	**191**	**216**	**406**

Tax effects of €35 million (previous year: €– million) resulting from equity transaction costs were credited directly to the capital reserves.

DEFERRED TAXES CLASSIFIED BY BALANCE SHEET ITEM

The following recognized deferred tax assets and liabilities were attributable to recognition and measurement differences in the individual balance sheet items and to tax loss carryforwards:

€ million	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Intangible assets	311	197	2,323	2,388
Property, plant and equipment, and leasing and rental assets	4,019	3,699	3,315	2,580
Noncurrent financial assets	536	756	29	4
Inventories	269	304	443	324
Receivables and other assets (including Financial Services Division)	1,110	622	5,234	5,931
Other current assets	303	82	51	20
Pension provisions	1,703	1,303	4	3
Other provisions	3,329	2,885	69	61
Liabilities	1,442	1,309	238	245
Tax loss carryforwards	920	929	–	–
Gross value	**13,942**	**12,084**	**11,706**	**11,558**
of which noncurrent	(9,558)	(8,544)	(8,710)	(8,070)
Offset	10,205	9,185	10,205	9,185
Consolidation	510	113	167	– 149
Amount recognized	**4,248**	**3,013**	**1,669**	**2,224**

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 €1,767 million reported for 2010 (previous year: €349 million) was €886 million lower (previous year: €23 million) than the expected tax expense of €2,653 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.

RECONCILIATION OF EXPECTED TO EFFECTIVE INCOME TAX

€ million	2010	2009
Profit before tax	8,994	1,261
Expected income tax expense (tax rate 29.5%; previous year: 29.5%)	**2,653**	**372**
Reconciliation:		
Effect of different tax rates outside Germany	– 158	– 58
Proportion of taxation relating to:		
tax-exempt income	– 678	– 476
expenses not deductible for tax purposes	157	162
effects of loss carryforwards and tax credits	– 125	52
temporary differences for which no deferred taxes were recognized	48	349
Tax credits	– 107	– 47
Prior-period tax expense	– 164	– 33
Effect of tax rate changes	20	1
Other taxation changes	121	27
Effective income tax income/expense	**1,767**	**349**
Effective tax rate (%)	19.7	27.7

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 2010 from the seventh and eighth tranches of the stock option plan. However, it was so insignificant that it did not affect the reported earnings per share.

As the new preferred shares issued in March/April 2010 carry retrospective dividend rights from January 1, 2009 and their subscription price was below their fair value, the number of shares in the previous year and therefore earnings per share for fiscal year 2009 were partially adjusted retrospectively by €0.01.

	ORDINARY		PREFERRED*	
Quantity	2010	2009	2010	2009
Weighted average number of shares outstanding – basic	295,024,566	294,963,231	154,905,434	107,652,546
Dilutive potential ordinary shares from the stock option plan	9,792	87,163	–	–
Weighted average number of shares outstanding – diluted	295,034,358	295,050,394	154,905,434	107,652,546

€ million	2010	2009
Profit after tax	7,226	911
Noncontrolling interests	392	–49
Profit attributable to shareholders of Volkswagen AG	6,835	960
Basic earnings attributable to ordinary shares*	4,475	699
Diluted earnings attributable to ordinary shares*	4,476	699
Basic earnings attributable to preferred shares*	2,359	261
Diluted earnings attributable to preferred shares*	2,359	261

€	2010	2009
Basic earnings per ordinary share*	15.17	2.37
Diluted earnings per ordinary share*	15.17	2.37
Basic earnings per preferred share*	15.23	2.43
Diluted earnings per preferred share*	15.23	2.43

* The prior-year figures were adjusted.

Additional Income Statement Disclosures in Accordance with IAS 23 (Borrowing Costs)

Capitalized borrowing costs amounted to €24 million in fiscal year 2010 (previous year: €3 million) and related mainly to capitalized development costs. An average cost of debt of 3.8% (previous year: 4.0%) 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	2010	2009
Financial instruments at fair value through profit or loss	930	207
Loans and receivables*	4,276	3,220
Available-for-sale financial assets*	96	14
Financial liabilities measured at amortized cost	–3,212	–3,626
	2,089	**–185**

* The prior-year figures were adjusted.

Net gains and losses from financial assets and liabilities at fair value through profit or loss are composed of the fair value measurement gains and losses on financial instruments, 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.

In fiscal year 2010, cash, cash equivalents and time deposits were reclassified from available-for-sale financial assets to loans and receivables in order to harmonize the IAS 39 measurement categories and the IFRS 7 classes within the Volkswagen Group. In the net gains and losses, an amount of €17 million was consequently transferred between the measurement categories concerned (previous year: €9 million). The prior-year figures were adjusted.

TOTAL INTEREST INCOME AND EXPENSES OF FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

€ million	2010	2009
Interest income	4,301	3,957
Interest expenses	3,402	3,652
	899	**305**

IMPAIRMENT LOSSES ON FINANCIAL ASSETS BY CLASS

€ million	2010	2009
Measured at fair value	–	3
Measured at amortized cost	1,306	1,622
	1,306	**1,625**

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 €60 million in fiscal year 2010 (previous year: €69 million).

€3 million (previous year: €5 million) was recognized in fiscal year 2010 as an expense and no income (previous year: €3 million) for fees and commissions 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, 2009

€ 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, 2009	**895**	**2,771**	**2,665**	**11,499**	**2,153**	**19,983**
Foreign exchange differences	54	158	27	188	46	473
Changes in consolidated Group	–	–	–	–	0	0
Additions	–	–	1,600	347	226	2,173
Transfers	–	–	–981	986	–18	–13
Disposals	–	–	99	1,123	85	1,307
Balance at Dec. 31, 2009	**949**	**2,929**	**3,213**	**11,896**	**2,322**	**21,310**
Amortization and impairment						
Balance at Jan. 1, 2009	**–**	**–**	**239**	**6,308**	**1,145**	**7,692**
Foreign exchange differences	–	–	–	88	21	109
Changes in consolidated Group	–	–	–	–	0	0
Additions to cumulative amortization	–	–	–	1,417	320	1,737
Additions to cumulative impairment losses	–	–	109	60	3	172
Transfers	–	–	–113	113	–7	–7
Disposals	–	–	98	1,117	85	1,299
Reversal of impairment losses	–	–	–	–	–	–
Balance at Dec. 31, 2009	**–**	**–**	**136**	**6,870**	**1,397**	**8,403**
Carrying amount at Dec. 31, 2009	**949**	**2,929**	**3,077**	**5,027**	**925**	**12,907**

Other intangible assets comprise in particular concessions, 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 indefinite-lived intangible assets, including where realistic variations are applied to key assumptions.

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**

The reported brand name relates primarily to the Scania Vehicles and Services segment.

€3,120 million of the goodwill reported as of December 31, 2010 (previous year: €2,729 million) relates to Scania Vehicles and Services and €162 million (previous year: €153 million) to Škoda (Passenger Cars and Light Commercial Vehicles segment). €100 million (previous year: €27 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: €5 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 2010, €1,667 million (previous year: €1,948 million) met the criteria for capitalization under IFRSs.

The following amounts were recognized as expenses:

€ million	2010	2009
Research and non-capitalized development costs	4,589	3,843
Amortization of development costs	2,276	1,586
Research and development costs recognized in the income statement	**6,866**	**5,429**

13 | Property, plant and equipment

CHANGES IN PROPERTY, PLANT AND EQUIPMENT BETWEEN JANUARY 1 AND DECEMBER 31, 2009

€ 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, 2009	**16,177**	**26,553**	**33,927**	**3,089**	**79,746**
Foreign exchange differences	179	429	360	56	1,024
Changes in consolidated Group	95	0	1	5	100
Additions	378	1,254	1,795	2,251	5,678
Transfers	546	982	801	−2,316	13
Disposals	60	531	717	54	1,362
Balance at Dec. 31, 2009	**17,314**	**28,686**	**36,166**	**3,032**	**85,199**
Depreciation and impairment					
Balance at Jan. 1, 2009	**7,923**	**20,473**	**28,120**	**109**	**56,625**
Foreign exchange differences	61	267	292	4	624
Changes in consolidated Group	4	0	0	–	4
Additions to cumulative depreciation	519	1,734	2,297	24	4,574
Additions to cumulative impairment losses	0	2	136	2	140
Transfers	0	36	54	−84	7
Disposals	51	492	656	0	1,198
Reversal of impairment losses	−2	−2	−6	−11	−20
Balance at Dec. 31, 2009	**8,454**	**22,018**	**30,237**	**45**	**60,755**
Carrying amount at Dec. 31, 2009	**8,860**	**6,668**	**5,930**	**2,987**	**24,444**
of which assets leased under finance lease contracts					
Carrying amount at Dec. 31, 2009	166	17	12	–	195

Call options on 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 10.1%, 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	2010	2011 – 2014	from 2015	Total
Finance lease payments	30	107	94	230
Interest component of finance lease payments	7	16	2	25
Carrying amount/present value	**23**	**91**	**92**	**206**

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

Call options on 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**

For assets leased under operating leases, payments recognized in the income statement amounted to €630 million in the reporting period (previous year: €545 million).

Government grants of €167 million (previous year: €25 million) were deducted from the cost of property, plant and equipment, and noncash benefits received amounting to €32 million (previous year: €111 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, 2009

€ million	Leasing and rental assets	Investment property	Total
Cost			
Balance at Jan. 1, 2009	**12,695**	**305**	**13,000**
Foreign exchange differences	62	3	64
Changes in consolidated Group	–	–	–
Additions	5,230	76	5,306
Transfers	– 2	0	– 2
Disposals	4,245	1	4,246
Balance at Dec. 31, 2009	**13,740**	**382**	**14,122**
Depreciation and impairment			
Balance at Jan. 1, 2009	**2,806**	**155**	**2,961**
Foreign exchange differences	20	0	19
Changes in consolidated Group	–	–	–
Additions to cumulative depreciation	2,013	8	2,020
Additions to cumulative impairment losses	262	5	267
Transfers	0	0	0
Disposals	1,620	1	1,620
Reversal of impairment losses	– 28	–	– 28
Balance at Dec. 31, 2009	**3,452**	**166**	**3,618**
Carrying amount at Dec. 31, 2009	**10,288**	**216**	**10,504**

The following payments from non-cancelable leases and rental agreements were expected to be received over the coming years:

€ million	2010	2011 – 2014	from 2015	Total
Lease payments	1,234	1,141	–	2,375

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**

Leasing and rental assets include assets leased out under the terms of operating leases.

Investment property includes apartments rented out and leased dealerships, with a fair value of €517 million (previous year: €475 million). Operating expenses of €50 million (previous year: €46 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 non-cancelable leases and rental agreements are expected to be received over the coming years:

€ million	2011	2012 – 2015	from 2016	Total
Lease payments	1,313	1,141	0	2,454

15 | Equity-accounted investments and other equity investments

CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS BETWEEN JANUARY 1 AND DECEMBER 31, 2009

€ million	Equity-accounted investments	Other equity investments	Total
Cost			
Balance at Jan. 1, 2009	**6,394**	**870**	**7,264**
Foreign exchange differences	– 14	0	– 14
Changes in consolidated Group	–	– 140	– 140
Additions	4,768	95	4,863
Transfers	7	– 7	0
Disposals	780	4	783
Reversal of impairment losses	–	–	–
Changes recognized in other comprehensive income	30	–	30
Balance at Dec. 31, 2009	**10,406**	**815**	**11,220**
Impairment losses			
Balance at Jan. 1, 2009	**21**	**287**	**308**
Foreign exchange differences	– 1	1	1
Changes in consolidated Group	–	– 33	– 33
Additions to cumulative impairment losses	–	17	17
Transfers	–	–	–
Disposals	–	0	0
Reversal of impairment losses	–	–	–
Balance at Dec. 31, 2009	**21**	**271**	**292**
Carrying amount at Dec. 31, 2009	**10,385**	**543**	**10,928**

CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS BETWEEN JANUARY 1 AND DECEMBER 31, 2010

€ million	Equity-accounted investments	Other equity investments	Total
Cost			
Balance at Jan. 1, 2010	**10,406**	**815**	**11,220**
Foreign exchange differences	73	6	78
Changes in consolidated Group	–	– 163	– 163
Additions	3,762	231	3,994
Transfers	–	–	–
Disposals	1,206	34	1,239
Reversal of impairment losses	–	–	–
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 to cumulative impairment losses	–	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**

Equity-accounted investments include joint ventures in the amount of €8,284 million (previous year: €7,334 million) and associates in the amount of €5,244 million (previous year: €3,051 million).

In the previous year, the additions to equity-accounted investments related mainly to the acquisition of the shares of Porsche Zwischenholding GmbH in the amount of €3,907 million. In addition to recognized income, the additions in fiscal year 2010 are attributable primarily to the acquisition of the equity interest in Suzuki Motor Corporation in the amount of €1,765 million. The disposals are mainly the result of dividends.

Of the changes recognized in other comprehensive income, €147 million (previous year: €–41 million) is attributable to joint ventures and €370 million (previous year: €71 million) to associates. They are mainly the result of foreign exchange differences in the amount of €550 million (previous year: €51 million), which are offset by actuarial losses in the amount of €101 million (previous year: €48 million) and losses on the fair value measurement of cash flow hedges in the amount of €118 million (previous year: €15 million).

Significant joint ventures and associates are detailed in the listing of significant Group companies at the end of the notes to the consolidated financial statements.

16 | Noncurrent and current financial services receivables

€ million	current	noncurrent	Carrying amount Dec. 31, 2010	Fair value Dec. 31, 2010	current	noncurrent	Carrying amount Dec. 31, 2009	Fair value Dec. 31, 2009
Receivables from financing business								
customer financing	13,736	26,224	39,960	40,256	11,613	22,815	34,428	34,496
dealer financing	9,235	738	9,974	9,966	8,698	856	9,555	9,550
direct banking	143	–	143	143	146	–	146	146
	23,114	**26,962**	**50,076**	**50,365**	**20,457**	**23,672**	**44,129**	**44,192**
Receivables from operating lease business	153	–	153	153	152	–	152	152
Receivables from finance leases	6,898	8,855	15,753	15,867	6,793	9,502	16,296	16,322
	30,164	**35,817**	**65,982**	**66,385**	**27,403**	**33,174**	**60,577**	**60,667**

Noncurrent receivables from the customer financing business mainly bear fixed interest at rates of between 0.0% and 28.5% (previous year: 0.9% and 24%), depending on the market concerned. They have terms of up to 144 months (previous year: 144 months). The noncurrent portion of dealer financing is granted at interest rates of between 0.0% and 21% (previous year: 1.9% and 18%), depending on the country.

Financial services receivables of €66.0 billion (previous year: €60.6 billion) contain a fair value adjustment from portfolio hedging of €5 million (previous year: €84 million) for the receivables from customer financing and finance leases.

The receivables from customer and dealer financing are secured by vehicles or real property liens. The receivables from customer financing include transferred receivables of €12 million (previous year: €– 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 an amount of €68 million (previous year: €188 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, 2009 and December 31, 2010:

€ million	2010	2011 – 2014	from 2015	Total
Future payments from finance lease receivables	7,470	10,312	67	17,849
Unearned finance income from finance leases (discounting)	−677	−870	−6	−1,553
Present value of minimum lease payments outstanding at the balance sheet date	**6,793**	**9,442**	**61**	**16,296**

€ 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**

17 | Noncurrent and current other receivables and financial assets

€ million	current	noncurrent	Carrying amount Dec. 31, 2010	Fair value Dec. 31, 2010	current	noncurrent	Carrying amount Dec. 31, 2009	Fair value Dec. 31, 2009
Other receivables from								
affiliated companies	77	11	89	89	238	9	247	247
joint ventures	1,454	611	2,065	2,080	1,195	421	1,616	1,630
associates	1	–	1	1	21	0	21	21
other investees and investors	0	1	1	1	0	1	1	1
Recoverable income taxes	1,893	41	1,934	1,934	1,345	57	1,403	1,403
Positive fair values of derivatives	921	3,595	4,515	4,515	1,349	1,856	3,205	3,205
Marketable securities*	–	1,422	1,422	1,421	–	2	2	2
Other assets	2,259	1,839	4,098	4,104	1,779	1,400	3,179	3,186
	6,605	**7,519**	**14,125**	**14,145**	**5,927**	**3,747**	**9,674**	**9,694**

* Included in other assets in the previous year.

Other assets include plan assets to fund post-employment benefits in the amount of €57 million (previous year: €54 million). This item also includes the share of the technical provisions attributable to reinsurers amounting to €129 million (previous year: €111 million).

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 13.6% (previous year: 15.1%).

Other receivables from affiliated companies include fixed-term loans with terms of up to 4 years (previous year: 3 years) and loans without a fixed maturity, which were lent at interest rates of between 0.9% and 14.6% (previous year: 0.6% and 9.5%).

Current other receivables are predominantly non-interest-bearing.

Other receivables and financial assets include €1,915 million (previous year: €385 million) of collateral furnished for financial liabilities and contingent liabilities. There is no original right of disposal or pledge for the furnished collateral.

The positive fair values of derivatives relate to the following items:

€ million	Dec. 31, 2010	Dec. 31, 2009
Transactions for hedging against		
foreign currency risk from assets using fair value hedges	15	22
foreign currency risk from liabilities using fair value hedges	52	58
interest rate risk using fair value hedges	418	432
interest rate risk using cash flow hedges	7	10
foreign currency and price risk from future cash flows (cash flow hedges)	1,419	2,110
Hedging transactions	**1,911**	**2,631**
Assets arising from ineffective hedging derivatives	2,605	574
	4,515	**3,205**

The positive fair value of transactions for hedging against price risk from future cash flows (cash flow hedges) amounted to €353 million (previous year: €255 million).

Positive fair values of €60 million (previous year: €4 million) were recognized from transactions for hedging against interest rate risk (fair value hedges) used in portfolio hedges.

Assets arising from ineffective hedging derivatives include in particular the call options held by Volkswagen AG to acquire the outstanding shares of Porsche Zwischenholding GmbH in the amount of €2,001 million (previous year: €48 million). For further information, see note 41 Related party disclosures in accordance with IAS 24.

Further details on derivative financial instruments as a whole are given in note 32 Financial risk management and financial instruments.

18 | Tax assets

€ million	current	noncurrent	Carrying amount Dec. 31, 2010	current	noncurrent	Carrying amount Dec. 31, 2009
Deferred tax assets	–	4,248	4,248	–	3,013	3,013
Tax receivables	482	689	1,171	762	685	1,447
	482	**4,937**	**5,419**	**762**	**3,698**	**4,460**

€1,764 million (previous year: €970 million) of the deferred tax assets is due within one year.

19 | Inventories

€ million	Dec. 31, 2010	Dec. 31, 2009
Raw materials, consumables and supplies	2,494	2,030
Work in progress	1,837	1,590
Finished goods and purchased merchandise	10,819	8,842
Current leased assets	2,470	1,575
Payments on account	11	86
	17,631	**14,124**

Of the total inventories, €1,204 million (previous year: €2,238 million) is recognized at net realizable value. At the same time as the relevant revenue was recognized, inventories in the amount of €99,757 million were included in cost of sales (previous year: €85,303 million). Valuation allowances recognized as expenses in the reporting period amounted to €185 million (previous year: €354 million). Vehicles amounting to €180 million (previous year: €142 million) were assigned as collateral for partial retirement obligations.

20 | Trade receivables

€ million	Dec. 31, 2010	Dec. 31, 2009
Trade receivables from		
third parties	5,850	4,666
affiliated companies	118	244
joint ventures	908	777
associates	6	4
other investees and investors	1	1
	6,883	**5,692**

The fair values of the trade receivables correspond to the carrying amounts.

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, 2010	Dec. 31, 2009
Bank balances	18,625	20,506
Checks, cash-in-hand and call deposits	45	33
	18,670	**20,539**

Bank balances are held at various banks in different currencies and include time deposits (see also note 31).

23 | Assets held for sale and associated liabilities

The assets and liabilities of Volkswagen Caminhões e Ônibus Indústria e Comércio de Veículos Comerciais Ltda., Resende, Brazil, which were reclassified as held for sale in fiscal year 2008, were sold to the MAN Group in the previous year.

24 | Equity

The subscribed capital of Volkswagen AG is denominated in euros. The shares are no-par value bearer shares. Each share has 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.

Based on the resolution by the Annual General Meeting on May 3, 2006, authorized capital of up to €90 million, expiring on May 2, 2011, was approved for the issue of new ordinary bearer shares.

There is also contingent capital of €7 million (originally €40 million) resulting from the resolution by the Annual General Meeting on April 16, 2002. This contingent capital increase will be implemented only to the extent that the holders of convertible bonds issued before April 15, 2007 exercise their conversion rights.

Based on the resolution by the Extraordinary General Meeting on December 3, 2009, there is authorized capital of up to €179.4 million (originally €345.6 million), expiring on December 2, 2014, for the issue of new preferred bearer shares.

Based on the resolution by the Annual General Meeting on April 22, 2010, there is contingent capital of up to €102.4 million, expiring on April 21, 2015, from the issue of up to €5 billion in bonds with warrants and/or convertible bonds.

Volkswagen AG issued 64,904,498 new preferred shares (with a notional value of €166 million) as part of a capital increase in the reporting period. Volkswagen AG recorded a cash inflow of approximately €4.1 billion from the capital increase. In addition, Volkswagen AG issued 40,170 new ordinary shares (with a notional value of €102,835) as a result of the exercise of convertible bonds from the seventh and eighth tranches of the stock option plan.

The subscribed capital is thus composed of 295,045,567 no-par value ordinary shares and 170,142,778 preferred shares, and amounts to €1,191 million (previous year: €1,025 million).

CHANGE IN ORDINARY AND PREFERRED SHARES AND SUBSCRIBED CAPITAL

	SHARES		€	
	2010	2009	2010	2009
Balance at January 1	**400,243,677**	**400,158,487**	**1,024,623,813**	**1,024,405,726**
Capital increase	64,904,498	–	166,155,515	–
Stock option plan	40,170	85,190	102,835	218,086
Balance at December 31	**465,188,345**	**400,243,677**	**1,190,882,163**	**1,024,623,813**

The capital reserves comprise the share premium of a total of €9,084 million (previous year: €5,030 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 €4,055 million in fiscal year 2010 (previous year: €4 million) as a result of the share premium from the capital increase due to the issue of new preferred shares and the exercise of convertible bonds under the stock option plan. The costs of the capital increase in fiscal year 2010 reduced the capital reserves by €84 million, net of deferred taxes. No amounts were withdrawn from the capital reserves.

STOCK OPTION PLAN

The stock option plan entitles 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 is convertible into ten ordinary shares.

The convertible bonds are measured at fair value at the date of grant to the employees. The convertible bonds measured at fair value are recognized in personnel expenses and in equity.

The conversion prices and periods following the expiration of the first six tranches are shown in the following table. The information on the seventh tranche is presented as data for the reporting period, although this tranche has now also expired.

CONVERSION PRICES AND PERIODS FOR EACH TRANCHE OF THE STOCK OPTION PLAN

€	7th tranche	8th tranche
Base conversion price per share	37.99	58.18
Conversion price		
as from July 9, 2007	41.79	
as from publication of interim report for Jan. – Sept. 2007	43.69	
as from July 8, 2008		64.00
as from publication of interim report for Jan. – Sept. 2008	45.59	66.91
as from publication of interim report for Jan. – Sept. 2009	47.49	69.82
on completion of the capital increase on April 14, 2010	46.82*	69.15*
as from publication of interim report for Jan. – Sept. 2010		72.06*
Beginning of conversion period	July 9, 2007	July 8, 2008
End of conversion period	July 1, 2010	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, 2009	**43,540.48**	**17,008**	**170,080**
In fiscal year			
exercised	21,808.64	8,519	85,190
returned	12.80	5	50
Balance at Dec. 31, 2009	**21,719.04**	**8,484**	**84,840**
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**

MEASUREMENT OF CONVERTIBLE BONDS IN THE SEVENTH AND EIGHTH TRANCHES

Those convertible bonds granted after publication of the draft IFRS 2 on November 7, 2002 were measured in accordance with the transitional provisions of IFRS 2.

The fair value of the convertible bonds is 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:

	7th tranche	8th tranche
Volatility (%)	27.50	27.50
Risk-free rate (%)	2.57	3.77
Dividends (%)	3.20	3.20
Fair value per convertible bond (€)	48.71	63.49

The fair value of the convertible bonds is recognized ratably as a personnel expense over the two-year vesting period. No personnel expense was recognized in fiscal years 2009 and 2010 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, 2009	**556.27**	**17,008**
In fiscal year		
granted	–	–
returned	669.10	5
exercised	521.41	8,519
Balance at Dec. 31, 2009	**618.53**	**8,484**
of which available for exercise	618.53	8,484
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

* Conversion price per ten shares.

For 5,103 convertible bonds, the average conversion price increased by €224.00 in 2010.

	EXERCISE PRICE PER CONVERTIBLE BOND*	CONVERTIBLE BONDS
2010	€	Quantity
7th tranche	468.20	–
8th tranche	720.60	4,430
		4,430

* Conversion price per ten shares.

CHANGES IN ACCUMULATED COMPREHENSIVE INCOME

The following table shows the changes in accumulated comprehensive income:

€ million	ATTRIBUTABLE TO SHAREHOLDERS OF VW AG	NON-CONTROLLING INTERESTS	TOTAL 2010	ATTRIBUTABLE TO SHAREHOLDERS OF VW AG	NON-CONTROLLING INTERESTS	TOTAL 2009
Currency translation reserve	1,716	261	1,978	839	135	975
Reserve for actuarial gains/losses	–1,311	– 33	–1,344	–851	–9	–860
of which deferred taxes	384	9	393	247	2	249
Cash flow hedge reserve	– 1,130	– 5	– 1,136	– 361	136	– 225
of which deferred taxes	332	1	333	83	– 37	46
Fair value reserve for securities	– 34	–	– 34	271	–	271
of which deferred taxes	10	–	10	– 80	–	– 80
Equity-accounted investments, net of tax	516	–	516	30	–	30

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 €1,039 million are eligible for distribution. The Board of Management and Supervisory Board will propose to the Annual General Meeting that a total dividend of €1,034 million, i.e. €2.20 per ordinary share and €2.26 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 €1.60 per ordinary share and €1.66 per preferred share were distributed in fiscal year 2010.

NONCONTROLLING INTERESTS

The noncontrolling interests in equity are attributable primarily to shareholders of Scania AB. 13.35% of the share capital of Scania is held by MAN SE, which itself is an associate of the Volkswagen Group.

25 | Noncurrent and current financial liabilities

The details of noncurrent and current financial liabilities are presented in the following table:

€ million	current	noncurrent	Carrying amount Dec. 31, 2010	current	noncurrent	Carrying amount Dec. 31, 2009
Bonds	9,345	19,392	28,737	10,817	21,405	32,222
Commercial paper and notes	7,893	4,991	12,884	7,580	4,240	11,820
Liabilities to banks	6,245	7,494	13,739	5,878	6,864	12,742
Deposits from direct banking business	15,043	3,882	18,924	15,268	3,041	18,309
Loans	1,143	1,166	2,309	864	1,260	2,123
Bills of exchange	0	–	0	0	–	0
Finance lease liabilities	26	234	260	23	183	206
Financial liabilities to						
affiliated companies	158	–	158	177	–	177
joint ventures	0	–	0	–	–	–
associates	–	–	–	–	–	–
other investees and investors	–	–	–	–	–	–
	39,852	**37,159**	**77,012**	**40,606**	**36,993**	**77,599**

Of the financial liabilities reported in the consolidated balance sheet, a total of €138 million (previous year: €151 million) is secured, for the most part by real estate liens.

Financial liabilities of €77.0 billion (previous year: €77.6 billion) contain a fair value adjustment from portfolio hedging amounting to €0.7 million (previous year: €0.3 million) for deposits from direct banking business.

Asset-backed securities transactions amounting to €9,482 million (previous year: €10,584 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 €11,120 million (previous year: €12,785 million) from the customer financing and leasing businesses are pledged as collateral. The expected payments are assigned to special purpose vehicles and the financed vehicles transferred as collateral.

All public and private asset-backed securities transactions of the Volkswagen Financial Services AG group can be repaid in advance (clean-up call) if less than 9% of the original transaction volume is outstanding. The asset-backed securities conduit transactions of Volkswagen Financial Services (UK) and Volkswagen Financial Services Japan are private transactions that can be terminated at fixed dates.

26 | Noncurrent and current other liabilities

€ million	current	noncurrent	Carrying amount Dec. 31, 2010	current	noncurrent	Carrying amount Dec. 31, 2009
Payments on account received in respect of orders	1,917	0	1,917	1,222	0	1,222
Other liabilities to						
affiliated companies	38	0	38	66	–	66
joint ventures	259	–	259	255	–	255
associates	0	–	0	–	–	–
other investees and investors	0	–	0	0	–	0
Negative fair values of derivative financial instruments	1,193	1,469	2,662	718	703	1,421
Liabilities relating to						
other taxes	1,142	529	1,671	833	310	1,143
social security	336	33	369	283	28	311
wages and salaries	1,924	374	2,297	1,381	304	1,686
Miscellaneous liabilities	3,818	2,337	6,155	3,478	1,683	5,161
	10,627	**4,742**	**15,369**	**8,237**	**3,028**	**11,265**

The negative fair values of derivatives relate to the following items:

€ million	Dec. 31, 2010	Dec. 31, 2009
Transactions for hedging against		
foreign currency risk from assets using fair value hedges	10	22
foreign currency risk from liabilities using fair value hedges	241	141
interest rate risk using fair value hedges	59	149
interest rate risk using cash flow hedges	126	193
foreign currency and price risk from future cash flows (cash flow hedges)	1,561	351
Hedging transactions	**1,997**	**856**
Liabilities arising from ineffective hedging derivatives	665	565
	2,662	**1,421**

Of the other liabilities reported in the consolidated balance sheet, a total of €485 million (previous year: €361 million) is secured, for the most part by real estate liens.

The negative fair value of transactions for hedging against price risk from future cash flows (cash flow hedges) was €0 million (previous year: €7 million).

Negative fair values of €65 million (previous year: €73 million) were recognized from transactions for hedging against interest rate risk (fair value hedges) used in portfolio hedges.

Liabilities from ineffective hedging derivatives include in particular the put options written by Volkswagen AG to acquire the outstanding shares of Porsche Zwischenholding GmbH in the amount of €233 million (previous year: €65 million). For further information, please see note 41 Related party disclosures in accordance with IAS 24.

Further details on derivative financial instruments as a whole are given in note 32 Financial risk management and financial instruments.

27 | Tax liabilities

€ million	current	noncurrent	Carrying amount Dec. 31, 2010	current	noncurrent	Carrying amount Dec. 31, 2009
Deferred tax liabilities	–	1,669	1,669	–	2,224	2,224
Provisions for taxes	2,077	3,610	5,687	973	3,946	4,919
Current tax payables	286	–	286	73	–	73
	2,363	**5,279**	**7,642**	**1,046**	**6,170**	**7,216**

€39 million (previous year: €626 million) of the deferred tax liabilities is due within one year.

28 | Provisions for pensions and other post-employment benefits

Provisions for pensions are recognized for benefits 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 2010, they amounted to a total of €1,040 million (previous year: €983 million) in the Volkswagen Group. Of this figure, contributions to the compulsory state pension system in Germany amounted to €816 million (previous year: €806 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 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 was recognized in fiscal year 2010 as an expense for healthcare costs (previous year: €16 million). The related carrying amount as of December 31, 2010 was €175 million (previous year: €142 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 further 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, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Present value of funded obligations	4,885	4,120	3,240	3,330	3,235
Fair value of plan assets	4,554	3,852	3,153	3,422	3,159
Funded status (net)	331	268	87	−92	76
Present value of unfunded obligations	14,986	13,552	12,743	12,532	13,652
Unrecognized past service cost	35	36	22	31	23
Amount not recognized as an asset because of the limit in IAS 19	22	26	34	31	42
Net liability recognized in the balance sheet	**15,375**	**13,881**	**12,886**	**12,502**	**13,793**
of which provisions for pensions	15,432	13,936	12,955	12,603	13,854
of which other assets	57	54	69	101	61

The present value of the obligations is calculated as follows:

€ million	2010	2009
Present value of obligations at January 1	**17,672**	**15,983**
Current service cost	366	343
Interest cost	972	918
Actuarial gains/losses	1,352	985
Employee contributions to plan assets	20	15
Pension payments from company assets	643	609
Pension payments from plan assets	114	117
Past service cost	3	– 33
Gains from plan curtailments and settlements	– 24	– 3
Changes in consolidated Group	45	– 14
Other changes	0	25
Foreign exchange differences from foreign plans	222	178
Present value of obligations at December 31	**19,871**	**17,672**

Changes in the composition of the plan assets are shown in the following table:

€ million	2010	2009
Fair value of plan assets at January 1	**3,852**	**3,153**
Expected return on plan assets	247	203
Actuarial gains/losses	42	136
Employer contributions to plan assets	333	297
Employee contributions to plan assets	21	16
Pension payments from plan assets	111	114
Changes in consolidated Group	18	– 14
Other changes	– 1	17
Foreign exchange differences from foreign plans	154	157
Fair value of plan assets at December 31	**4,554**	**3,852**

Investment of the plan assets to cover future pension obligations resulted in income in the amount of €288 million (previous year: €339 million).

Plan assets include €3 million (previous year: €3 million) invested in Volkswagen Group assets and €23 million (previous year: €14 million) invested 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 are expected to amount to €403 million in the next fiscal year (previous year: €274 million).

Plan assets consist of the following components:

%	2010	2009
Equities	29.8	29.3
Fixed-income securities	52.9	53.2
Cash	8.0	7.4
Real estate	4.3	4.1
Other	5.1	6.0

The following amounts were recognized in the income statement:

€ million	2010	2009
Current service cost	366	343
Interest cost	972	918
Expected return on plan assets	247	203
Past service cost	3	– 33
Losses/gains from plan curtailments and settlements	– 24	– 1
Losses/gains as a result of application of limit under IAS 19.58(b)	– 8	4
Net income and expenses recognized in profit or loss	**1,062**	**1,028**

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.

The net liability recognized in the balance sheet has changed as follows:

€ million	2010	2009
Net liability recognized in the balance sheet at January 1	**13,881**	**12,886**
Changes in consolidated Group	25	0
Net expense recognized in the income statement	1,062	1,028
Benefit payments from company assets and contributions to funds	979	910
Actuarial gains/losses	1,311	849
Other changes	– 33	40
Foreign exchange differences	108	– 11
Net liability recognized in the balance sheet at December 31	**15,375**	**13,881**

€2,248 million (previous year: €1,297 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	2010	2009	2008	2007	2006
Differences between expected and actual developments:					
as % of present value of the obligation	0.39	1.16	−1.04	−0.48	0.03
as % of fair value of plan assets	0.13	3.16	−10.47	−2.44	2.57

Calculation of the pension provisions was based on the following assumptions:

	GERMANY		ABROAD	
%	2010	2009	2010	2009
Discount rate at December 31	4.90	5.40	1.20 – 10.80	1.20 – 11.30
Expected return on plan assets	4.25	5.00	3.00 – 11.70	4.00 – 11.70
Salary trend	2.70	2.50	1.60 – 8.70	1.50 – 8.70
Pension trend	1.00 – 1.60	1.00 – 1.60	0.80 – 5.58	0.80 – 6.00
Employee turnover rate	0.75 – 1.00	0.75 – 1.00	2.00 – 11.00	2.00 – 18.00
Annual increase in healthcare costs	–	–	2.00 – 7.60	4.50 – 8.00

29 | Noncurrent and current other provisions

€ million	Obligations arising from sales	Employee expenses	Other provisions	Total
Balance at Jan. 1, 2009	**10,505**	**2,820**	**4,221**	**17,546**
Foreign exchange differences	72	21	268	361
Changes in consolidated Group	2	–	10	12
Utilized	4,374	1,196	677	6,247
Additions/New provisions	5,411	1,012	2,093	8,517
Interest cost	312	53	19	384
Reversals	538	136	392	1,066
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**

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 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.

Other provisions relate to a wide range of identifiable specific risks and uncertain obligations and are measured in the amount of the expected settlement value.

Other provisions include technical provisions (insurance) amounting to €184 million (previous year: €157 million).

30 | Trade payables

€ million	Dec. 31, 2010	Dec. 31, 2009
Trade payables to		
third parties	12,335	10,066
affiliated companies	114	87
joint ventures	71	51
associates	18	17
other investees and investors	6	4
	12,544	**10,225**

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, 2010	Dec. 31, 2009
Financial assets at fair value through profit or loss	2,605	574
Loans and receivables*	80,985	73,631
Available-for-sale financial assets*	6,143	3,875
Financial liabilities at fair value through profit or loss	665	565
Financial liabilities measured at amortized cost	92,110	90,944

* Prior-year figures adjusted.

In order to harmonize the IAS 39 measurement categories and the IFRS 7 classes within the Volkswagen Group, cash, cash equivalents and time deposits in the amount of €18,670 million (previous year: €20,539 million) were reassigned from the available-for-sale financial assets category to the loans and receivables category and from the at fair value class to the measured at amortized cost class in fiscal year 2010. The items are no longer allocated to the three levels in the fair value hierarchy. The prior-period figures have been adjusted accordingly.

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, 2009

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		NOT WITHIN SCOPE OF IFRS 7	OTHER – NOT FINANCIAL INSTRUMENTS	BALANCE SHEET ITEM AT DEC. 31, 2009
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	10,385	–	10,385
Other equity investments	–	543	543	–	–	543
Financial services receivables	–	33,174	33,264	–	–	33,174
Other receivables and financial assets	1,858	920	941	–	969	3,747
Current assets						
Trade receivables	–	5,692	5,692	–	–	5,692
Financial services receivables	–	27,403	27,403	–	–	27,403
Other receivables and financial assets	1,349	2,352	2,352	–	2,226	5,927
Marketable securities	3,330	–	–	–	–	3,330
Cash, cash equivalents and time deposits*	–	20,539	20,539	–	–	20,539
Noncurrent liabilities						
Noncurrent financial liabilities	–	36,993	38,808	–	–	36,993
Other noncurrent liabilities	703	1,148	1,148	–	1,177	3,028
Current liabilities						
Current financial liabilities	–	40,606	40,606	–	–	40,606
Trade payables	–	10,225	10,225	–	–	10,225
Other current liabilities	718	2,178	2,178	–	5,340	8,237

* Prior-year figures adjusted.

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

BALANCE SHEET ITEMS MEASURED AT FAIR VALUE*

€ million	Dec. 31, 2009	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Derivatives	3,205	–	3,007	198
Available-for-sale financial assets				
Marketable securities	3,332	3,320	12	–
Financial assets measured at fair value	**6,537**	**3,320**	**3,019**	**198**
Financial liabilities at fair value through profit or loss				
Derivatives	1,421	–	1,357	65
Financial liabilities measured at fair value	**1,421**	**–**	**1,357**	**65**

* Prior-year figures adjusted.

€ 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				
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**

The allocation of fair value 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 example marketable securities, for which a quoted price is available. 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 do 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 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, 2009	**–**	**64**
Total comprehensive income	184	37
recognized in profit or loss	42	5
recognized in other comprehensive income	142	32
Additions (purchases)	48	65
Transfers into Level 2	–34	–27
Balance at Dec. 31, 2009	**198**	**65**
Total gains or losses recognized in profit or loss	**42**	**5**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	42	5
of which attributable to assets/liabilities held at the reporting date	11	–

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2010	**198**	**65**
Total comprehensive income	1,969	– 174
recognized in profit or loss	1,953	– 173
recognized in other comprehensive income	16	0
Additions (purchases)	–	163
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

The transfers out of Level 3 into Level 2 comprise commodity futures for which observable quoted prices are available 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 and equity.

If commodity prices for commodity futures classified as Level 3 had been 10% higher (lower) as of December 31, 2010, profit would have been €7 million (previous year: €3 million) and equity €51 million (previous year: €54 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 €429 million (previous year: €15 million) higher. If the assumed enterprise values had been 10% lower, profit would have been €459 million (previous year: €15 million) lower.

CHANGES IN CREDIT RISK VALUATION ALLOWANCES ON FINANCIAL ASSETS

€ million	Specific valuation allowances	Portfolio-based valuation allowances	2010	Specific valuation allowances	Portfolio-based valuation allowances	2009
Balance at Jan. 1	**1,847**	**568**	**2,415**	**1,155**	**619**	**1,774**
Currency and other changes	53	26	79	37	18	56
Changes in consolidated Group	7	–	7	–	–	–
Additions	923	155	1,078	1,348	118	1,467
Utilization	483	–	483	347	–	347
Reversals	337	124	461	249	286	535
Reclassification	– 60	60	–	– 98	98	0
Balance at Dec. 31	**1,951**	**685**	**2,636**	**1,847**	**568**	**2,415**

The valuation allowances mainly relate to the credit risks associated with the financial services business.

Other Disclosures

31 | 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 issue 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 2010, cash flows from operating activities include interest received amounting to €4,238 million (previous year: €3,873 million) and interest paid amounting to €3,049 million (previous year: €3,172 million). In addition, the share of profits and losses of equity-accounted investments (note 7) includes dividends amounting to €1,174 million (previous year: €407 million).

Dividends amounting to €754 million (previous year: €779 million) were paid to Volkswagen AG shareholders.

€ million	Dec. 31, 2010	Dec. 31, 2009
Cash, cash equivalents and time deposits as reported in the balance sheet	18,670	20,539
Time deposits	– 442	– 2,304
Cash and cash equivalents as reported in the cash flow statement	18,228	18,235

Time deposits do not qualify as cash equivalents as they have a maturity of more than three months.

32 | 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. 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 210.

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 risk arising from non-derivative financial instruments is 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, 2010	Neither past due nor impaired	Past due and not impaired	Impaired	Dec. 31, 2009
Measured at amortized cost								
Financial services receivables	63,400	1,750	2,922	68,072	56,223	3,760	2,488	62,471
Trade receivables	5,441	1,312	317	7,070	4,466	1,104	321	5,891
Other receivables	5,250	51	370	5,671	3,249	101	326	3,677
	74,091	**3,113**	**3,610**	**80,813**	**63,938**	**4,966**	**3,135**	**72,039**

There are no past due financial instruments measured at fair value in the Volkswagen Group. In fiscal year 2010, no marketable securities measured at fair value were individually impaired. In the previous year, marketable securities measured at fair value with a cost of €20 million were individually impaired.

CREDIT RATING OF THE GROSS CARRYING AMOUNTS OF FINANCIAL ASSETS
THAT ARE NEITHER PAST DUE NOR IMPAIRED

€ million	Risk class 1	Risk class 2	Dec. 31, 2010	Risk class 1	Risk class 2	Dec. 31, 2009
Measured at amortized cost						
Financial services receivables	55,246	8,153	63,400	48,221	8,002	56,223
Trade receivables	5,441	0	5,441	4,465	0	4,466
Other receivables	5,238	11	5,250	3,240	10	3,249
Measured at fair value	9,689	–	9,689	6,289	–	6,289
	75,614	**8,165**	**83,779**	**62,214**	**8,012**	**70,226**

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, 2009
Measured at amortized cost				
Financial services receivables	2,339	1,110	312	3,760
Trade receivables	645	329	130	1,104
Other receivables	54	16	31	101
Measured at fair value	–	–	–	–
	3,039	**1,454**	**472**	**4,966**

	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**

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS THAT WOULD OTHERWISE BE PAST DUE WHOSE TERMS HAVE BEEN RENEGOTIATED

€ million	Dec. 31, 2010	Dec. 31, 2009
Measured at amortized cost		
Financial services receivables	1,338	1,330
Trade receivables	27	21
Other receivables	–	0
Measured at fair value	–	–
	1,364	**1,351**

The collateral held by the Volkswagen Group relates mainly to financial services receivables and trade receivables. Collateral comprises vehicles and assets transferred as security, as well as guarantees and real property liens.

Collateral that was accepted in fiscal year 2010 for financial assets that are past due and not impaired and for financial assets that are individually impaired was recognized in the balance sheet in the amount of €90 million (previous year: €276 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

	REMAINING CONTRACTUAL MATURITIES				REMAINING CONTRACTUAL MATURITIES			
€ million	under one year	within one to five years	over five years	2010	under one year	within one to five years	over five years	2009
Financial liabilities	42,383	37,262	4,425	84,070	42,098	33,845	5,148	81,091
Trade payables	12,538	6	0	12,544	10,222	2	0	10,225
Other financial liabilities	2,399	216	115	2,730	2,295	461	613	3,369
Derivatives	30,815	48,317	437	79,569	19,074	20,244	72	39,389
	88,135	**85,801**	**4,977**	**178,913**	**73,688**	**54,553**	**5,833**	**134,074**

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 flows presented would be substantially lower.

The cash outflows from irrevocable credit commitments are presented in note 36 Other financial obligations, classified by contractual maturities.

The maximum potential liability under financial guarantees amounted to €211 million as of December 31, 2010 (previous year: €162 million). This primarily relates to guarantees issued by Volkswagen in the context of the Comprehensive Agreement on the creation of an integrated automotive group. For further information, see note 41 Related party disclosures in accordance with IAS 24.

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 and fund price risk. Corporate policy is to limit or eliminate such risk by means of hedging. All necessary hedging transactions 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	2010	2009
Hedging instruments used in fair value hedges	–105	–326
Hedged items used in fair value hedges	30	278
Ineffective portion of cash flow hedges	38	–2

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 that are shown to be within the permitted range of 80% to 125% when measuring effectiveness. Such income or expenses are recognized directly in the financial result.

In 2010, €–310 million (previous year: €–1,087 million) from the cash flow hedge reserve was transferred to the net other operating result, increasing earnings, while €16 million (previous year: €76 million) was transferred to the financial result, reducing earnings and €26 million (previous year: €103 million) to the cost of sales, also reducing earnings.

The Volkswagen Group uses two different methods to present market risk from non-derivative 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%. In fiscal year 2010, the trading days and time frame parameters were expanded to reflect the extended data history. The amounts for fiscal year 2009 were adjusted accordingly. 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 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. Due to the changes made to the trading days and time frame parameters in fiscal year 2010 to reflect the extended data history, the prior-year amounts for value at risk were adjusted accordingly.

As of December 31, 2010, the value at risk was €203 million (previous year: €199 million) for interest rate risk and €125 million for foreign currency risk (previous year: €98 million).

The entire value at risk for interest rate and foreign currency risk at the Volkswagen Financial Services subgroup was €179 million (previous year: €171 million).

4.3 MARKET RISK IN THE PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES SEGMENT AND THE SCANIA SUBGROUP

4.3.1 Foreign currency risk

Foreign currency risk in the Passenger Cars and Light Commercial Vehicles segment and the Scania subgroup 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 2010 as part of foreign currency risk management for the fully consolidated subsidiaries related primarily to the US dollar, sterling, the Czech koruna, the Swedish krona, the Russian ruble, the Australian dollar, the Swiss franc, and the Japanese yen.

All non-functional 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. 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, 2010 +10%	DEC. 31, 2010 –10%	DEC. 31, 2009 +10%	DEC. 31, 2009 –10%
Exchange rate				
EUR/USD				
Hedging reserve	2,496	– 2,359	926	– 684
Profit before tax	– 254	196	– 195	68
EUR/GBP				
Hedging reserve	833	– 833	447	– 443
Profit before tax	– 3	3	5	5
EUR/JPY				
Hedging reserve	264	– 264	– 63	63
Profit before tax	8	– 8	– 2	2
EUR/CHF				
Hedging reserve	246	– 246	98	– 98
Profit before tax	– 1	1	– 1	1
EUR/SEK				
Hedging reserve	134	– 134	– 44	44
Profit before tax	– 21	21	– 10	10
EUR/AUD				
Hedging reserve	124	– 124	41	– 41
Profit before tax	– 24	24	– 21	21
EUR/CZK				
Hedging reserve	121	– 121	56	– 56
Profit before tax	0	0	– 29	29
EUR/CAD				
Hedging reserve	113	– 113	42	– 42
Profit before tax	0	0	– 9	9
CZK/GBP				
Hedging reserve	87	– 87	32	– 32
Profit before tax	0	0	0	0
EUR/RUB				
Hedging reserve	29	– 29	0	0
Profit before tax	– 54	54	– 44	44
CZK/USD				
Hedging reserve	64	– 64	41	– 41
Profit before tax	– 4	4	– 4	4
CZK/CHF				
Hedging reserve	67	– 67	16	– 16
Profit before tax	0	0	0	0
EUR/PLN				
Hedging reserve	– 48	48	9	– 9
Profit before tax	– 8	8	– 3	3
GBP/USD				
Hedging reserve	54	– 54	61	– 61
Profit before tax	0	0	– 1	1

4.3.2 Interest rate risk

Interest rate risk in the Passenger Cars and Light Commercial Vehicles segment and the Scania subgroup 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 under fair value or cash flow hedges, depending on market conditions. Intra-Group 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.

If market interest rates had been 100 bps higher as of December 31, 2010, equity would have been €3 million lower (previous year: €16 million). If market interest rates had been 100 bps lower as of December 31, 2010, equity would have been €8 million higher (previous year: €18 million).

If market interest rates had been 100 bps higher as of December 31, 2010, profit would have been €78 million (previous year: €0.3 million) higher. If market interest rates had been 100 bps lower as of December 31, 2010, profit would have been €79 million lower (previous year: €1 million).

4.3.3 Commodity price risk

Commodity price risk in the Passenger Cars and Light Commercial Vehicles segment and the Scania subgroup results from price fluctuations and the availability of non-ferrous metals and precious metals, as well as of coal and CO_2 certificates. Forward transactions and swaps are entered into to limit these risks.

Hedge accounting in accordance with IAS 39 was applied to the hedging of commodity risk associated with aluminum and copper.

Commodity price risk within the meaning of IFRS 7 is presented using sensitivity analyses. These show the effect on profit and equity of changes in risk variables in the form of commodity prices.

If the commodity prices of the hedged metals had been 10% higher (lower) as of December 31, 2010, profit would have been €105 million (previous year: €42 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, 2010, equity would have been €125 million (previous year: €113 million) higher (lower).

4.3.4 Fund price risk

The Spezialfonds (special funds) launched using surplus liquidity are subject in particular to equity 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 4.3.1 and 4.3.2, as are the measurement of foreign currency and other interest rate risks arising from the special funds. 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. The relevant measures are centrally coordinated by Group Treasury and implemented in operations 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.

If share prices had been 10% higher as of December 31, 2010, equity would have been €26 million (previous year: €18 million) higher. If share prices had been 10% lower as of December 31, 2010, equity would have been €28 million (previous year: €18 million) lower.

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, 2010	TOTAL NOTIONAL AMOUNT Dec. 31, 2009
Notional amount of hedging instruments used in cash flow hedges:					
Interest rate swaps	3,239	4,120	316	7,676	11,020
Currency forwards	18,609	36,183	35	54,827	20,681
Currency options	984	1,023	–	2,007	3,685
Currency swaps	2,849	101	–	2,950	1,543
Cross-currency swaps	1,074	1,875	95	3,045	2,633
Commodity futures contracts	242	657	35	933	994
Notional amount of other derivatives:					
Interest rate swaps	16,815	23,493	168	40,477	40,820
Interest rate option contracts	–	–	40	40	262
Currency forwards	1,450	560	179	2,188	1,314
Currency swaps	3,082	38	–	3,119	5,683
Cross-currency swaps	3,244	2,995	42	6,282	3,112
Commodity futures contracts	531	387	–	918	373

In addition to the derivatives used for hedging foreign currency, interest rate and price risk, at the reporting date the Group held options and other derivatives on equity instruments whose remaining maturity is under one year with a notional amount of €3.5 billion (previous year: €– billion) and options on equity instruments whose remaining maturity is more than one year with a notional amount of €9.1 billion (previous year: €11.1 billion). These consist primarily of the options on the outstanding shares of Porsche Zwischenholding GmbH and the forward on the operating trading business of Porsche Holding Salzburg.

Due to the early repayment of an intra-Group loan and a reduction in projections, existing cash flow hedges with a notional amount of €1.7 billion were discontinued. €4 million from the cash flow hedge reserve was transferred to the financial result, reducing earnings.

The hedged items in cash flow hedges are expected to be realized in accordance with the maturity buckets of the hedges reported in the table.

The fair values of the derivatives are estimated using market data at the balance sheet date as well as by appropriate valuation techniques. The following term structures were used for the calculation:

as %	EUR	USD	GBP	CZK	SEK	RUB	AUD	CHF	JPY
Interest rate for six months	1.2270	0.4559	1.0500	1.5600	2.0150	4.4000	5.1325	0.2383	0.3475
Interest rate for one year	1.5070	0.7809	1.5094	1.8000	2.3100	5.3050	5.6775	0.5167	0.5663
Interest rate for five years	2.4760	2.1855	2.6300	2.5800	3.2030	7.3700	5.8550	1.4000	0.5650
Interest rate for ten years	3.3050	3.3990	3.5400	3.0500	3.6430	8.0000	6.0650	2.1550	1.1630

33 | 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 the 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, 2010	Dec. 31, 2009
Equity	**48,712**	**37,430**
Proportion of total equity and liabilities	24.4%	21.1%
Noncurrent financial liabilities	37,159	36,993
Current financial liabilities	39,852	40,606
Total financial liabilities	**77,012**	**77,599**
Proportion of total equity and liabilities	38.6%	43.8%
Total equity and liabilities	**199,393**	**177,178**

34 | Contingent liabilities

€ million	Dec. 31, 2010	Dec. 31, 2009
Liabilities under guarantees	225	162
Liabilities under warranty contracts	69	48
Pledges on company assets as security for third-party liabilities	1,681	12
Other contingent liabilities	1,033	905
	3,008	**1,126**

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 €1,232 million (previous year: €818 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).

35 | Litigation

In fiscal year 2010, the United Kingdom Office of Fair Trading (OFT) started an investigation into Scania, a Volkswagen subsidiary. In fiscal year 2011, Scania also became the subject of an investigation launched by the European Commission concerning alleged inappropriate exchange of information. Besides other truck manufacturers, the EU probe also includes MAN SE, in which Volkswagen holds a 28.67% interest. Such investigations normally take several years. It is still too early to judge whether these investigations pose any risk to Scania or MAN.

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, 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.

36 | Other financial obligations

€ million	PAYABLE 2011	PAYABLE 2012 – 2015	PAYABLE from 2016	TOTAL Dec. 31, 2010	TOTAL Dec. 31, 2009
Purchase commitments in respect of					
property, plant and equipment	1,611	600	–	2,211	2,359
intangible assets	127	14	–	141	173
investment property	0	–	–	0	1
Obligations from					
loan commitments to unconsolidated subsidiaries	65	–	–	65	105
irrevocable credit commitments to customers	2,821	0	–	2,821	1,725
long-term leasing and rental contracts	379	1,062	1,876	3,317	2,720
Miscellaneous other financial obligations	3,913	537	75	4,525	4,508

Other financial obligations from long-term leasing and rental contracts are partly offset by expected income from subleases of €1,055 million (previous year: €705 million).

The fixed purchase price of €3.3 billion for the acquisition of the operating business of Porsche Holding Salzburg is presented under miscellaneous other financial obligations. For further information on this, please see note 41 Related party disclosures in accordance with IAS 24. Miscellaneous other financial obligations also include the order volumes agreed with the purchaser of the gedas Group.

37 | Total audit fees of the Group auditors

Under the provisions of the German Commercial Code (HGB), Volkswagen AG is obliged to disclose the total audit fee of the Group auditors in Germany.

€ million	2010	2009
Financial statement audit services	12	8
Other assurance services	5	1
Tax advisory services	0	0
Other services	5	5
	23	**14**

38 | Total expense for the period

€ million	2010	2009
Cost of materials		
Cost of raw materials, consumables and supplies, purchased merchandise and services	**79,394**	**67,925**
Personnel expenses		
Wages and salaries	15,341	12,755
Social security, post-employment and other employee benefit costs	3,686	3,272
	19,027	**16,027**

39 | Average number of employees during the year

	2010	2009
Performance-related wage-earners	174,872	162,636
Salaried staff	167,531	166,787
	342,403	**329,423**
of which in the passive phase of early retirement	(5,460)	(7,910)
Vocational trainees	9,504	9,076
	351,907	**338,499**
Chinese manufacturing joint ventures*	36,629	28,270
	388,536	**366,769**

* In 2009 only Shanghai-Volkswagen Automotive Company Ltd. and FAW-Volkswagen Automotive Company Ltd.

40 | Events after the balance sheet date

There were no significant events after the end of fiscal year 2010.

41 | 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 the beginning of fiscal year 2009, the interest held by Porsche Automobil Holding SE, Stuttgart, in Volkswagen AG's ordinary shares exceeded the 50% threshold. From this date, Porsche Automobil Holding SE held the majority of the voting rights (50.76%). Its share of voting rights has since declined to 50.74% as a result of the exercise of conversion rights under the stock option plan.

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 continues to have the power to participate in the operating policy decisions of the Volkswagen Group. Prior to this, 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 has indemnified 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.

Furthermore, 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 is exercisable from November 15, 2012 to January 14, 2013 inclusive and again from December 1, 2014 to January 31, 2015 inclusive; the call option may be exercised from March 1, 2013 to April 30, 2013 inclusive and again from August 1, 2014 to September 30, 2014 inclusive.

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 will be increased by the present value of the tax benefit if the put option is exercised by Porsche Automobil Holding SE.

In addition, Volkswagen granted a put option to Porsche Holding Gesellschaft m.b.H., a company owned by the Porsche and Piëch families, relating to the operating sales 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 is expected to be transferred for a fixed price of €3.3 billion in the course of the first half of 2011, and at the latest by September 30, 2011.

All transactions with Porsche Automobil Holding SE, Porsche Zwischenholding GmbH, and Porsche Holding Gesellschaft m.b.H., as well as with all companies affiliated with these, are conducted on an arm’s length basis.

According to a notification dated December 20, 2010, the State of Lower Saxony and Hannoversche Beteiligungsgesellschaft mbH, Hanover, held 20.00% of the voting rights of Volkswagen AG on December 31, 2010. 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). Transactions with the State of Lower Saxony itself and companies owned by the State of Lower Saxony are conducted on an arm’s length basis.

All transactions with unconsolidated subsidiaries, joint ventures, associates and other related parties are conducted on an arm’s length basis.

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 these companies are conducted on an arm’s length basis.

The amounts of the supplies and services transacted, as well as outstanding receivables and liabilities, between consolidated companies of the Volkswagen Group and related parties (unconsolidated subsidiaries, joint ventures, associates, Porsche Automobile Holding SE, Stuttgart, Porsche Zwischenholding GmbH, Stuttgart, Porsche Holding Gesellschaft m.b.H., Salzburg/Austria and their affiliated companies as well as other related parties) are presented in the following tables.

RELATED PARTIES

€ million	Supplies and services rendered 2010	Supplies and services rendered 2009	Supplies and services received 2010	Supplies and services received 2009
Porsche Automobil Holding SE	0	0	–	392
Supervisory Board members	2	0	0	0
Board of Management members	0	0	0	0
Unconsolidated subsidiaries	1,024	1,744	933	828
Joint ventures[1]	6,263	3,612	1,110	464
Associates	175	1,368	186	191
Pension plans	2	1	0	1
Other related parties	1	1	36	31
Porsche[2]	4,218	4,165	168	250
State of Lower Saxony and majority interests	11	11	0	0

1 Including Porsche Zwischenholding GmbH, Stuttgart, and its subsidiaries from December 7, 2009.
2 Includes in particular Porsche Holding Gesellschaft m.b.H., Salzburg, Austria, and its subsidiaries as well as Porsche Zwischenholding GmbH, Stuttgart, and its subsidiaries up to December 6, 2009.

€ million	Receivables from Dec. 31, 2010	Receivables from Dec. 31, 2009	Liabilities to Dec. 31, 2010	Liabilities to Dec. 31, 2009
Porsche Automobil Holding SE	0	–	–	–
Supervisory Board members	0	0	6	5
Board of Management members	0	0	29	14
Unconsolidated subsidiaries	388	653	335	303
Joint ventures	2,988	2,395	407	309
Associates	14	24	48	16
Pension plans	1	1	1	0
Other related parties	0	0	3	2
Porsche[1]	168	155	10	10
State of Lower Saxony and majority interests	0	1	0	0

1 Of this figure, receivables in the amount of €49 million (previous year: €47 million) have been guaranteed by Porsche Holding Gesellschaft m.b.H., Salzburg, Austria.

The call option agreed in the Comprehensive Agreement with Porsche Automobil Holding SE on the outstanding shares of Porsche Zwischenholding GmbH had a positive fair value of €2,001 million (previous year: €48 million) as measured in accordance with financial valuation techniques, and the corresponding put option had a negative fair value of €233 million (previous year: €65 million). The change in the fair value of the options is attributable to updated assumptions underlying their valuation. The key parameters for the valuation of the options are the enterprise value of Porsche Zwischenholding GmbH and the assessment by the Board of Management as to the probability of a merger happening within the time frame laid down in the Comprehensive Agreement. From today's perspective, no assurance can be given that the time frame can be adhered to. The legal and tax due diligence of the transaction required under the terms of the Comprehensive Agreement has not yet been completed. This is due to external factors; among other things, the tax framework for the merger has not yet been established. In addition, the effects on the merger of the actions for damages brought against Porsche Automobil Holding SE in the United States and the claims for damages asserted by a number of fund management companies in Germany cannot be conclusively assessed given the current status of the proceedings. The Board of Management of Volkswagen AG currently expects that it will be possible to resolve these uncertainties and that the merger will therefore take place, although possibly not within the ambitious time frame set out in the Comprehensive Agreement. The difference will be recognized in the other financial result item (see note 9).

In the previous year, Volkswagen AG made a cash contribution of €3.9 billion to acquire the interest in Porsche Zwischenholding GmbH. The Company also extended financing of €0.7 billion to Dr. Ing. h.c. F. Porsche AG and Porsche Financial Services Italia S.p.A., Padua, in fiscal year 2009 at arm's length conditions and subject to collateral requirements; €0.2 billion (previous year: €0.2 billion) of this amount was still outstanding from the factoring of receivables of Porsche Financial Services Italia S.p.A., Padua, at the reporting date.

In fiscal year 2010, Porsche Corporate Finance GmbH, Salzburg, Zurich Branch, Austria, subscribed for seven commercial paper issues (previous year: three commercial paper issues) by Volkswagen International Finance N.V., Amsterdam, the Netherlands, with a total volume of €0.1 billion (previous year: €0.1 billion), which were guaranteed by Volkswagen AG. All the commercial paper issues had matured by the reporting date.

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:

€	2010	2009
Short-term benefits	42,059,737	22,588,862
Post-employment benefits	3,246,326	3,025,899
	45,306,063	**25,614,761**

Outstanding balances for bonuses payable to Board of Management members existed in the amount of €28,792,500 at the end of the fiscal year (previous year: €13,100,000). 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.

42 | 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 15, 2010 that it held a total of 59,022,310 ordinary shares as of December 31, 2009. 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.

43 | German Corporate Governance Code

On December 3, 2010, the Board of Management and Supervisory Board of Volkswagen AG issued their declaration of conformity with the German Corporate Governance Code as required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) and made it permanently available to the shareholders of Volkswagen AG on the Company's website at www.volkswagenag.com/ir.

On November 29, 2010, 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.

44 | Remuneration of the Board of Management and the Supervisory Board

€	2010	2009
Board of Management remuneration		
Non-performance-related remuneration	7,759,479	5,623,917
Performance-related remuneration	28,912,500	13,100,000
Supervisory Board remuneration		
Fixed remuneration components	360,042	416,100*
Variable remuneration components	4,988,520	3,595,802*
Loans to Supervisory Board members	14,167	15,833

* Adjusted

The Board of Management's fixed remuneration 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 an introductory period – is based on the previous four fiscal years. The amount of the bonus is primarily oriented on the results achieved and the financial position of the Company.

On December 31, 2010 the pension provisions for members of the Board of Management amounted to €63,824,850 (previous year: €43,805,762). 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 €8,562,867 (previous year: €8,252,535). Provisions for pensions for this group of people were recognized in the amount of €109,898,944 (previous year: €106,679,193).

Interest-free advances in the total amount of €120,000 have been granted to members of the Board of Management (amount granted in 2009: €0). The advances will be set off against performance-related remuneration. Loans in the total amount of €14,167 (repayments 2010: €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 133), which also contains a detailed analysis of the separate bonus components of the LTI plan.

Significant Group Companies

Name, location	Equity interest as %
VOLKSWAGEN AG, Wolfsburg	
Volkswagen Sachsen GmbH, Zwickau	100.00
VOLKSWAGEN SLOVAKIA, a.s., Bratislava/Slovak Republic	100.00
SITECH Sitztechnik GmbH, Wolfsburg	100.00
Volkswagen Navarra, S.A., Polígono de Landaben, s/n, Arazurí (Navarra)/Spain	100.00
Volkswagen Autoeuropa, Lda., Quinta do Anjo/Portugal	100.00
Volkswagen Motor Polska Sp.z o.o., Polkowice/Poland	100.00
Volkswagen-Audi España, S.A., El Prat de Llobregat (Barcelona)/Spain	100.00
Volkswagen Original Teile Logistik GmbH & Co. KG, Baunatal	53.37
VOLKSWAGEN Group United Kingdom Ltd., Milton Keynes/United Kingdom	100.00
Groupe VOLKSWAGEN France s.a., Villers-Cotterêts/France	100.00
Automobilmanufaktur Dresden GmbH, Dresden	100.00
Volkswagen Poznan Sp.z o.o., Poznan/Poland	100.00
Volkswagen Group Sverige Aktiebolag, Södertälje/Sweden	100.00
Volkswagen Group of America, Inc., Herndon, Virginia/USA	100.00
Volkswagen Group Canada, Inc., Ajax, Ontario/Canada	100.00
VOLKSWAGEN Group Japan K.K., Toyohashi/Japan	100.00
LLC Volkswagen Group Rus, Kaluga/Russian Federation	93.78
Volkswagen India Private Ltd., Pune/India	100.00
AUDI AG, Ingolstadt	99.55
AUDI BRUSSELS S.A./N.V., Brussels/Belgium	100.00
AUDI HUNGARIA MOTOR Kft., Györ/Hungary	100.00
Audi of America, LLC, Herndon, Virginia/USA	100.00
Audi Volkswagen Korea Ltd., Seoul/Korea	100.00
Audi Volkswagen Middle East FZE, Dubai/United Arab Emirates	100.00
Automobili Lamborghini Holding S.p.A., Sant'Agata Bolognese/Italy	100.00
VOLKSWAGEN GROUP ITALIA S.P.A., Verona/Italy	100.00
quattro GmbH, Neckarsulm	100.00

Name, location	Equity interest as %
SEAT, S.A., Martorell, Barcelona/Spain	100.00
SEAT Deutschland GmbH, Mörfelden-Walldorf	100.00
Gearbox del Prat, S.A., El Prat de Llobregat (Barcelona)/Spain	100.00
ŠKODA AUTO a.s., Mladá Boleslav/Czech Republic	100.00
ŠkodaAuto Deutschland GmbH, Weiterstadt	100.00
ŠKODA AUTO Slovensko s.r.o., Bratislava/Slovak Republic	100.00
ŠKODA AUTO POLSKA, S.A., Poznan/Poland	51.00
Bentley Motors Ltd., Crewe/United Kingdom	100.00
Volkswagen de México, S.A. de C.V., Puebla/Pue./Mexico	100.00
Volkswagen do Brasil Indústria de Veículos Automotores Ltda., São Bernardo do Campo/Brazil	100.00
Volkswagen Argentina S.A., Buenos Aires/Argentina	100.00
Volkswagen of South Africa (Pty) Ltd., Uitenhage/South Africa	100.00
Scania AB, Södertälje/Sweden[1]	49.29
Scania CV AB, Södertälje/Sweden	100.00
Scania Latin America Ltda., São Bernardo do Campo/Brazil	100.00
Scania Great Britain Ltd., Milton Keynes/United Kingdom	100.00
Scania Deutschland Holding GmbH, Koblenz	100.00
Shanghai-Volkswagen Automotive Company Ltd., Shanghai/PR China[2]	50.00
FAW-Volkswagen Automotive Company, Ltd., Changchun/PR China[2]	40.00
Volkswagen (China) Investment Company Ltd., Beijing/PR China	100.00
Volkswagen Group Services S.A., Brussels/Belgium	100.00
Volkswagen International Finance N.V., Amsterdam/The Netherlands	100.00
Porsche Zwischenholding GmbH, Stuttgart[2,4]	49.90
Dr. Ing. h. c. F. Porsche AG, Stuttgart	–
MAN SE, Munich[3]	28.67
Suzuki Motor Corporation, Hamamatsu, Shizuoka/Japan	19.89

1 The share of the voting rights in Scania is 71.81% and thus differs from the equity interest.
2 Joint ventures are accounted for using the equity method.
3 The share of the voting rights in MAN is 29.9% and thus differs from the equity interest. The company is accounted for using the equity method.
4 Porsche Zwischenholding GmbH, Stuttgart, holds 100% of the shares of Dr. Ing. h.c. F. Porsche AG, Stuttgart. The company's fiscal year ended on June 30, 2010. In the current fiscal year, the reporting date was moved to December 31, 2010.

Name, location	Equity interest as %
VOLKSWAGEN FINANCIAL SERVICES AG, Braunschweig	100.00
Volkswagen Leasing GmbH, Braunschweig	100.00
Volkswagen Bank GmbH, Braunschweig	100.00
Volkswagen Versicherung Aktiengesellschaft, Braunschweig	100.00
Volkswagen-Versicherungsdienst GmbH, Wolfsburg	100.00
VOLKSWAGEN FINANCE, S.A. - ESTABLECIMIENTO FINANCIERO DE CRÉDITO - , Madrid/Spain	100.00
Volkswagen Financial Services (UK) Ltd., Milton Keynes/United Kingdom	100.00
Volkswagen Financial Services N.V., Amsterdam/The Netherlands	100.00
Volkswagen Financial Services Japan Ltd., Tokyo/Japan	100.00
ŠkoFIN s.r.o., Prague/Czech Republic	100.00
Global Mobility Holding B.V., Amsterdam/The Netherlands[1,2]	50.00
LeasePlan Corporation N.V., Amsterdam/The Netherlands	–
Volkswagen Pon Financial Services B.V., Amersfoort/The Netherlands[1,3]	60.00
VW CREDIT, INC., Wilmington, Delaware/USA	100.00
VOLKSWAGEN LEASING SA DE CV, Puebla/Mexico	100.00
VOLKSWAGEN BANK SA INSTITUCION DE BANCA MULTIPLE, Puebla/Mexico	100.00
Financial services companies in Brazil, São Paulo/Brazil	100.00
Financial services companies in Argentina, Buenos Aires/Argentina	100.00

1 Joint ventures are accounted for using the equity method.
2 Global Mobility Holding B.V., Amsterdam, holds all shares of LeasePlan Corporation N.V., Amsterdam.
3 The Volkswagen Group has joint control of Volkswagen Pon Financial Services B.V. on the basis of contractual provisions.

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 principal opportunities and risks associated with the expected development of the Group.

Wolfsburg, February 25, 2011

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 25, 2011. 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, 2010. 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 Article 315a paragraph 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 requirements. 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 25, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Harald Kayser
(German Public Auditor)

Martin Schröder
(German Public Auditor)

Consumption and Emission Data

MODEL	OUTPUT kW (PS)	FUEL CONSUMPTION (l/100km) urban	extra-urban	combined	CO_2 EMISSIONS (g/km)
Audi A1 1.6 TDI 5-speed	77 (105)	4.7	3.5	3.9	103
Audi R8 Coupé 4.2 FSI quattro 6-speed	316 (430)	21.3	10.0	14.2	332
Audi R8 Coupé 4.2 FSI quattro R tronic	316 (430)	20.1	9.4	13.3	310
Audi R8 Coupé 5.2 FSI quattro 6-speed	386 (525)	22.2	10.6	14.9	346
Audi R8 Coupé 5.2 FSI quattro R tronic	386 (525)	21.1	9.9	13.9	326
Audi R8 GT	412 (560)	21.0	9.9	13.9	323
Audi R8 Spyder 4.2 FSI quattro 6-speed	316 (430)	21.3	10.3	14.4	337
Audi R8 Spyder 5.2 FSI quattro 6-speed	386 (525)	22.2	10.7	14.9	349
Audi RS 5 Coupé	331 (450)	14.9	8.5	10.8	252
Audi A6 saloon 2.0 TDI 6-speed	130 (177)	6.0	4.4	4.9	129
Bentley Continental Flying Spur	412 (560)	26.2	11.7	17.0	396
Bentley Continental GT	423 (575)	25.4	11.4	16.5	384
Bentley Continental GTC	412 (560)	26.2	11.7	17.0	396
Bentley Continental Supersports Convertible	463 (630)	25.7	11.5	16.7	388
Bentley Mulsanne	377 (512)	25.3	11.8	16.9	393
Bugatti Veyron 16.4 Super Sport	882 (1,200)	37.2	14.9	23.1	539
Lamborghini Gallardo LP 570-4 Superleggera	419 (570)	22.2	10.0	14.4	344
Škoda Fabia Combi RS	132 (180)	7.7	5.2	6.2	148
Volkswagen Amarok DoubleCab 2.0 TDI	90 (122)	9.2	6.5	7.4	194
Volkswagen Caddy 1.6 TDI BlueMotion Technology	55 (75)	5.9	4.9	5.3	139
Volkswagen Golf BlueMotion	77 (105)	4.7	3.4	3.8	99
Volkswagen Polo BlueMotion	55 (75)	4.0	2.9	3.3	87
Volkswagen Polo GTI	132 (180)	7.5	5.1	5.9	139
Volkswagen Touareg Hybrid	245 (333)	8.7	7.9	8.2	193

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 against 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.

Plug-in-hybrid
Second-generation hybrid vehicles. Plug-in hybrid electric vehicles (PHEVs) have a larger battery with a correspondingly higher capacity that can be charged via the combustion engine, the brake system, or an electrical outlet. This increases the range of the vehicle.

Rating
Systematic evaluation of companies in terms of their credit quality. Ratings are expressed by means of rating classes, which are defined differently by the individual rating agencies.

Recuperation
Recovery of kinetic energy by using an electric motor as a generator, for example in the drivetrain.

Turntable concept
Concept of flexible manufacturing enabling the production of different models in variable daily volumes within a single plant, as well as offering the facility to vary daily production volumes of one model between two or more plants.

Value drivers
Factors and measures that determine the earnings and value of a company. The efficiency of a company's value drivers can be measured by means of financial and non-financial performance indicators.

Vocational groups
For example, electronics, logistics, marketing, or finance. A new teaching and learning culture is gradually being established by promoting training in the vocational groups. The specialists are actively involved in the teaching process by passing on their skills and knowledge to their colleagues.

Index

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Scheduled Dates 2011

MOTOR SHOWS

> **MARCH 1 – 13**
International Motor Show, Geneva

> **APRIL 19 – 28**
Auto China, Shanghai

> **APRIL 20 – MAY 1**
New York International Auto Show, New York

> **JUNE 14 – 26**
Salón Internacional del Automóvil, Buenos Aires

> **JULY 13 – 24**
China Changchun International Automobile Fair, Changchun

> **SEPTEMBER 13 – 25**
International Motor Show, Frankfurt am Main

> **OCTOBER 6 – 16**
Auto Africa, Johannesburg

> **NOVEMBER 17 – 27**
Los Angeles Auto Show, Los Angeles

> **DECEMBER 1 – 11**
Bologna Motor Show, Bologna

FINANCIAL CALENDAR

> **MARCH 10**
Volkswagen AG Annual Media Conference and Investor Conference

> **APRIL 27**
Interim Report January – March

> **MAY 3**
Volkswagen AG Annual General Meeting (Congress Center Hamburg)

> **JULY 28**
Half-Yearly Financial Report January – June

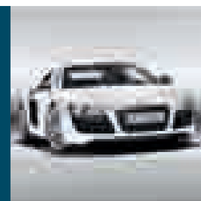
> **OCTOBER 27**
Interim Report January – September

Chronicle 2010

JANUARY

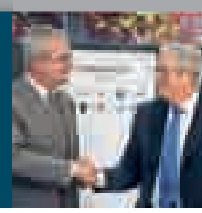
FEBRUARY

MARCH



APRIL

MAY



JUNE

January 11
North American International Auto Show, Detroit
Volkswagen presents the New Compact Coupé – a coupé concept car with a hybrid drive – to the global public for the first time. Audi unveils its concept for a pure-play compact sports car – the e-tron – powered solely by electricity, plus the next generation of the Audi A8.

January 14
Golden Angel 2010
The Audi brand is named the best brand for the third time in succession in German motoring association ADAC's image and brand survey, winning the "Golden Angel". The new Polo achieves second place in the "car" category.

January 28
The Best Cars of 2010
Volkswagen Group models come top in seven out of ten categories in the poll by readers of the specialist journal "auto motor and sport". In addition to the Volkswagen Polo and Golf, the "Best Cars of 2010" are the Škoda Octavia, Audi A4, Audi R8 Spyder, Audi Q5 and the Volkswagen Multivan.

February 2
The Golf is the safest car
The Euro NCAP institute in Brussels names the Golf the safest car of the year. The successful model from Wolfsburg was already awarded five stars by Euro NCAP in 2008.

February 26
Volkswagen Passenger Cars sends a signal for the environment with "Think Blue."
The new image and marketing campaign promoting efficient driving and ecologically sustainable activities anchors the goal of environmentally friendly mobility in all activities of the Volkswagen brands.

March 1
Volkswagen lays the foundations for electromobility
The Group plans to upgrade its vehicle fleet with electric drives. The UP! blue-e-motion and the Golf blue-e-motion will start the ball rolling in 2013. The aim is to become the market leader for electric-drive models by 2018. The Company's goal is for electric vehicles to account for three percent of the overall model range by 2018.

March 2
International Motor Show, Geneva
The Volkswagen Group continues its model rollout in Geneva. The Volkswagen Passenger Cars brand alone presents four world premieres, including the redesigned Sharan. Audi enters the small car segment with the Audi A1. SEAT unveils the IBE concept car, a compact sports car with an electric drive.

April 1
World Car of the Year
The Volkswagen Polo is voted "World Car of the Year 2010". The BlueMotion models win the "World Green Car Award" for the lowest consumption levels and the lowest levels of emissions in their classes. The Audi R8 V10 is voted "World Performance Car 2010".

April 13
Flotten-Award 2010
At the Auto Mobil International (AMI) fair in Leipzig, the Volkswagen Transporter and Caddy are voted the favorite fleet vehicles in their classes by the readers of the specialist journal "Autoflotte".

April 14
Capital increase successfully implemented
Volkswagen Aktiengesellschaft increases its share capital by a notional €166.2 million by issuing approximately 65 million new preferred shares, generating total net issue proceeds of approximately €4.1 billion. The transaction – the world's largest publicly placed capital increase in the auto motive sector to date – meets with substantial interest, especially from institutional investors.

May 3
National Electromobility Platform in Berlin begins
Prof. Dr. Martin Winterkorn, Chairman of the Board of Management of Volkswagen AG, advocates targeted long-term research funding at companies and universities with the aim of developing and building batteries and key electric components in Germany.

May 9
SEAT celebrates its 60th anniversary
60 years after its establishment, the Spanish brand has a unique character and a clear strategy comprising a dynamic model program, state-of-the-art technology and appealing design.

May 25
Volkswagen Group acquires a majority interest in Italdesign Giugiaro
Volkswagen announces that it is to acquire a 90.1 percent interest in the renowned Turin-based design and development company with its rich traditions. Among other things, Italdesign's Golf I design created a new design language for the Group's models in the 1970s.

June 1
10 years of the Autostadt
The Autostadt celebrates its 10th birthday. With more than 21 million visitors to date, the Autostadt is one of Germany's most popular tourist destinations.

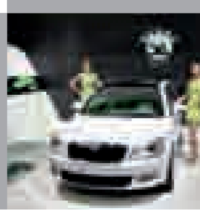
June 9
Contracts to build a new Volkswagen plant in China signed
The new plant in the southern Chinese city of Foshan will start production in 2013. With a maximum annual capacity of 300,000 vehicles, it will be an important component of Volkswagen's long-term growth strategy in the Chinese market.

June 16
World premiere of the new Volkswagen Jetta in New York
The redesigned US bestseller is unveiled at a big party in Times Square.

June 24
"International Engine of the Year Awards 2010"
The new Volkswagen 1.4 l TSI engine wins both the 1.0 to 1.4 liter class and the overall award as "International Engine of the Year."

JULY

AUGUST



SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

July 7
Volkswagen expands its production capacity in Mexico
A new section of Volkswagen de México in Puebla production facility is opened in the presence of Mexican president Felipe Calderón. The new Jetta will be manufactured here in future using state-of-the-art technology. Volkswagen also plans to invest a total of up to USD 1 billion in Mexico in the next three years.

July 15
Contracts signed for another plant in China
The Volkswagen Group is to construct a new plant in Yizheng, Jiangsu province as part of its long-term growth strategy in China. The new plant is another step towards Volkswagen Group's goal of doubling manufacturing capacities in the medium term to around 3 million vehicles.

August 12
Volkswagen Group is the most trustworthy company
The Corporate Trust Index (CTI), a study carried out by the Institute of Communications and Media Studies at Leipzig University and PMG Presse-Monitor names the Volkswagen Group the most trustworthy company out of the 30 DAX-listed groups.

August 25
Volkswagen and ADAC start new joint road safety program
Volkswagen is supporting the ADAC in its "Sicher im Auto" road safety program, which is being run throughout Germany and which aims to increase the safety of child passengers.

September 23
International Commercial Vehicles Motor Show, Hanover
Volkswagen Commercial Vehicles unveils the most economical Transporter model of its class – the BlueMotion Technology Transporter. The new Caddy and the Amarok SingleCab also make their debuts in Hanover. Scania presents the new V8 – the world's most powerful truck.

September 29
Mondial de l'Automobile, Paris
The Volkswagen Passenger Cars brand provides one of the highlights of the Paris Motor Show with the world premiere of the seventh-generation Passat saloon and Passat Variant. The Audi brand presents Audi quattro concept car – a modern interpretation of the legendary 1980s Audi quattro. At Škoda, the Octavia Green E Line concept car, the Czech brand's first vehicle to be powered solely by electricity, makes its debut.

October 7
Volkswagen and Argentinian government delegation sign cooperation agreement
In the presence of the Argentinian president Dr. Cristina Fernández de Kirchner, the Chairman of Volkswagen AG's Board of Management, Prof. Dr. Martin Winterkorn, and the Argentinian Education Minister Dr. Alberto Sileoni agree a cooperation in the areas of education, research and development. The university in Pacheco, where Volkswagen's Argentinian site is located, will establish new degree courses and will become a scientific center for mobility issues.

October 20
Volkswagen production facilities prepare for the Modular Transverse Matrix (MQB)
Body production at the Wolfsburg site presents the first MQB platform welded in a large-series production facility. This is designed to test the integration of the new standardized MQB manufacturing technology in series production. In the coming years, over 30 Group models in the compact and mid-size ranges will be based on the MQB.

November 3
"Golden Steering Wheel" for the Sharan
The new Sharan receives the prestigious prize in the category "Vans" at the "Golden Steering Wheel 2010" awards.

November 10
Volkswagen to acquire Porsche Holding Salzburg's trading business
The family shareholders of Porsche Holding Gesellschaft mbH, Salzburg, Austria, resolve to exercise the put option to sell the operating business of Porsche Holding Salzburg (PHS) to Volkswagen.

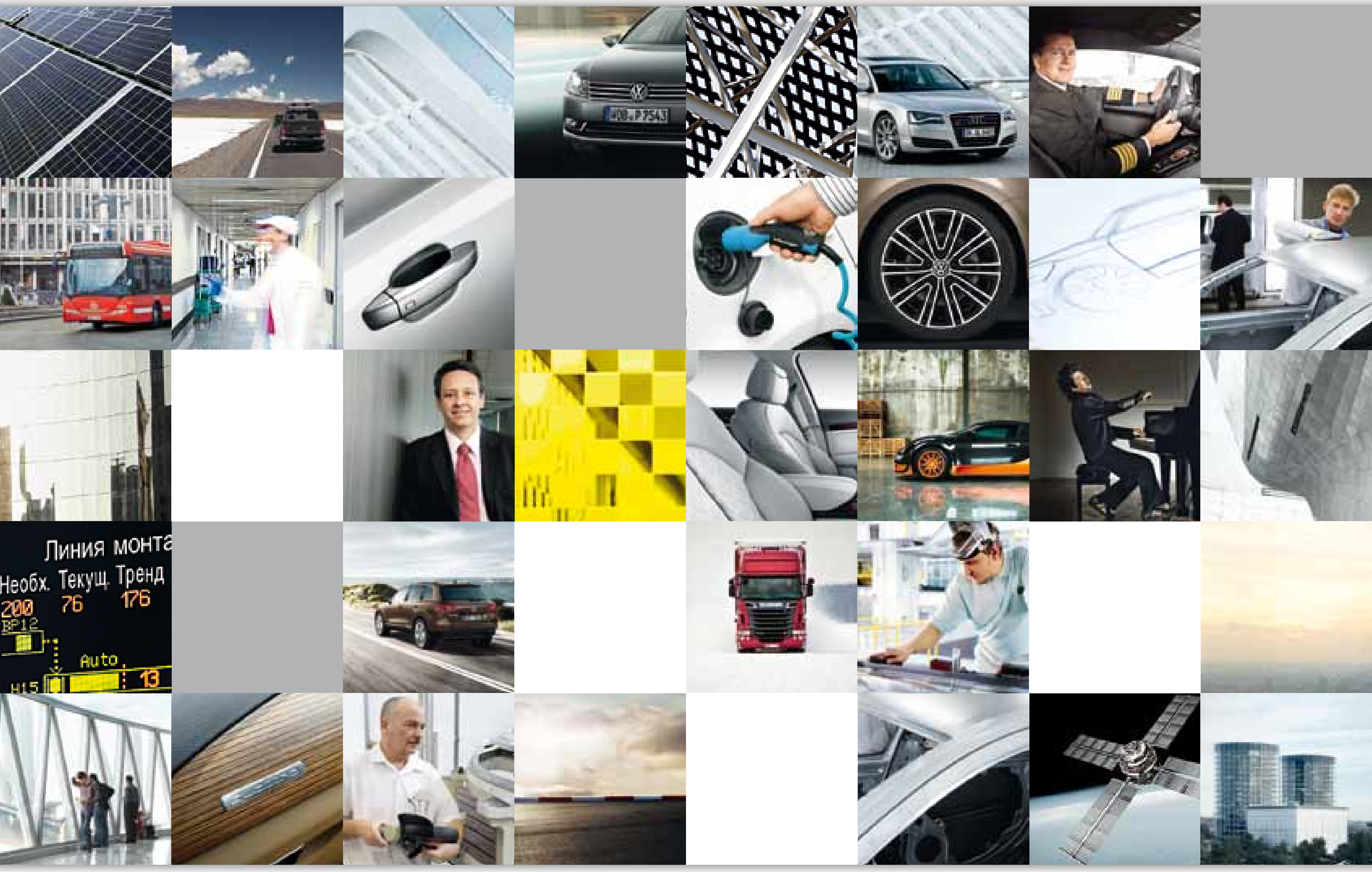
November 19
Volkswagen Group presents investment planning
The Company will invest around € 51.6 billion in the Automotive Division in the next five years.

November 24
Volkswagen Group dominates "Auto Trophy 2010" awards
The Volkswagen Group wins an award in almost every segment at the "Auto Trophy 2010", with 14 first places, 11 second places and 7 third places.

December 10
Touran and Sharan are "Value Champions 2011"
AUTO BILD names the models that best keep their value for the year "Value Champions 2011". The Touran secures the title in the "Compact Vans" category, while the Sharan outstrips the competition in the "Vans" category.

December 21
Volkswagen signs contract to manufacture vehicles in Malaysia
Volkswagen expands its activities in the ASEAN area and agrees the assembly of the Passat in Malaysia with partner company DRB-HICOM.

December 23
TOP SAFETY PICK 2011
Six Volkswagen models successfully pass the US safety test run by the Insurance Institute for Highway Safety (IIHS) and receive the "TOP SAFETY PICK 2011" award. The models winning the accolade are the Jetta Sedan, Jetta SportWagen, Golf, Golf GTI, Tiguan and Touareg.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