

BALANCE SHEET DISCLOSURES

12. Intangible assets

CHANGES IN INTANGIBLE ASSETS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	Brand names	Goodwill	Capitalized development costs for products under development	Capitalized development costs for products currently in use	Other intangible assets	Total
Cost						
Balance at Jan. 1, 2014	17,088	23,730	5,087	19,224	8,352	73,481
Foreign exchange differences	-53	-161	2	30	15	-166
Changes in consolidated Group	-	8	-	-	53	62
Additions	-	-	3,652	949	360	4,961
Transfers	10	-	-2,306	2,307	16	26
Disposals	-	-	8	1,100	504	1,611
Balance at Dec. 31, 2014	17,045	23,577	6,428	21,409	8,292	76,752
Amortization and impairment						
Balance at Jan. 1, 2014	59	0	24	10,085	4,070	14,238
Foreign exchange differences	10	0	0	17	6	32
Changes in consolidated Group	-	-	-	-	3	3
Additions to cumulative amortization	10	-	0	2,948	1,050	4,009
Additions to cumulative impairment losses	-	-	10	67	13	91
Transfers	-	-	-7	7	1	1
Disposals	-	-	-	1,031	505	1,536
Reversal of impairment losses	-	-	13	8	-	20
Balance at Dec. 31, 2014	79	0	14	12,085	4,639	16,818
Carrying amount at Dec. 31, 2014	16,967	23,577	6,413	9,324	3,654	59,935

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€ million	Brand names	Goodwill	Capitalized development costs for products under development	Capitalized development costs for products currently in use	Other intangible assets	Total
Cost						
Balance at Jan. 1, 2015	17,045	23,577	6,428	21,409	8,292	76,752
Foreign exchange differences	16	64	-27	52	-189	-85
Changes in consolidated Group	-	5	-	-	43	48
Additions	-	-	4,043	978	506	5,526
Transfers	-	-	-3,652	3,652	16	17
Disposals	-	-	11	2,410	138	2,559
Balance at Dec. 31, 2015	17,062	23,646	6,781	23,681	8,529	79,699
Amortization and impairment						
Balance at Jan. 1, 2015	79	0	14	12,085	4,639	16,818
Foreign exchange differences	-7	0	0	39	-83	-50
Changes in consolidated Group	-	-	-	-	14	14
Additions to cumulative amortization	4	-	-	3,098	989	4,091
Additions to cumulative impairment losses	-	-	31	133	21	186
Transfers	-	-	-8	8	-2	-2
Disposals	-	-	-	2,396	105	2,501
Reversal of impairment losses	-	-	-	1	-	1
Balance at Dec. 31, 2015	76	-	37	12,968	5,472	18,553
Carrying amount at Dec. 31, 2015	16,986	23,646	6,744	10,713	3,058	61,147

Other intangible assets comprise in particular concessions, purchased customer lists and dealer relationships, industrial and similar rights, and licenses in such rights and assets.

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The allocation of the brand names and goodwill to the operating segments is shown in the following table:

€ million	2015	2014
Brand names by operating segment		
Porsche	13,823	13,823
Scania Vehicles and Services	1,059	1,036
MAN Truck & Bus	1,127	1,127
MAN Diesel & Turbo	415	415
Ducati	404	404
Other	158	162
	16,986	16,967
Goodwill by operating segment		
Porsche	18,825	18,825
Scania Vehicles and Services	3,044	2,978
MAN Truck & Bus	607	595
MAN Diesel & Turbo	250	250
Ducati	290	290
ŠKODA	150	146
Porsche Holding Salzburg	197	191
Other	284	303
	23,646	23,577

The recoverability test for recognized goodwill is based on value in use. Recoverability is not affected by a variation in the growth forecast with respect to the perpetual annuity or in the discount rate of +/-0.5 percentage points.

Of the total research and development costs incurred in 2015, €5,021 million (previous year: €4,601 million) met the criteria for capitalization under IFRSs.

The following amounts were recognized in profit or loss:

€ million	2015	2014
Research and non-capitalized development costs	8,591	8,519
Amortization of development costs	3,263	3,026
Research and development costs recognized in the income statement	11,853	11,545

13. Property, plant and equipment

CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Cost					
Balance at Jan. 1, 2014	26,277	35,159	49,297	6,158	116,891
Foreign exchange differences	43	161	495	15	713
Changes in consolidated Group	139	-1	9	19	166
Additions	894	1,511	4,005	5,150	11,560
Transfers	1,256	2,065	1,364	-4,696	-11
Disposals	120	1,021	1,249	40	2,430
Balance at Dec. 31, 2014	28,489	37,873	53,922	6,607	126,890
Depreciation and impairment					
Balance at Jan. 1, 2014	10,939	25,091	38,447	26	74,503
Foreign exchange differences	36	122	405	4	567
Changes in consolidated Group	32	-2	3	-	32
Additions to cumulative depreciation	934	2,491	4,079	5	7,509
Additions to cumulative impairment losses	6	26	98	13	143
Transfers	8	-20	20	-6	3
Disposals	47	929	1,051	0	2,027
Reversal of impairment losses	1	-	1	5	8
Balance at Dec. 31, 2014	11,906	26,779	42,000	36	80,721
Carrying amount at Dec. 31, 2014	16,582	11,095	11,921	6,570	46,169
of which assets leased under finance leases					
Carrying amount at Dec. 31, 2014	276	11	13	-	299

Future finance lease payments due, and their present values, are shown in the following table:

€ million	2015	2016 – 2019	from 2020	Total
Finance lease payments	56	222	318	596
Interest component of finance lease payments	23	64	113	200
Carrying amount of liabilities	34	158	204	396

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CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

€ million	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Cost					
Balance at Jan. 1, 2015	28,489	37,873	53,922	6,607	126,890
Foreign exchange differences	35	22	56	113	226
Changes in consolidated Group	129	37	44	0	210
Additions	992	1,777	4,283	5,748	12,800
Transfers	1,565	1,746	1,383	-4,713	-18
Disposals	173	1,620	1,446	38	3,277
Balance at Dec. 31, 2015	31,036	39,836	58,243	7,717	136,832
Depreciation and impairment					
Balance at Jan. 1, 2015	11,906	26,779	42,000	36	80,721
Foreign exchange differences	12	29	35	-6	69
Changes in consolidated Group	44	33	38	-	115
Additions to cumulative depreciation	948	2,691	4,539	-	8,178
Additions to cumulative impairment losses	6	107	382	58	553
Transfers	-1	71	-65	-1	3
Disposals	125	1,561	1,284	0	2,970
Reversal of impairment losses	0	1	1	7	10
Balance at Dec. 31, 2015	12,789	28,148	45,645	79	86,661
Carrying amount at Dec. 31, 2015	18,247	11,688	12,597	7,638	50,171
of which assets leased under finance leases					
Carrying amount at Dec. 31, 2015	345	12	36	-	393

Options to purchase buildings and plant leased under the terms of finance leases exist in most cases, and are also expected to be exercised.

Future finance lease payments due, and their present values, are shown in the following table:

€ million	2016	2017 – 2020	from 2021	Total
Finance lease payments	60	240	408	707
Interest component of finance lease payments	20	67	149	236
Carrying amount of liabilities	40	173	258	471

For assets leased under operating leases, payments recognized in the income statement amounted to €1,463 million (previous year: €1,330 million). With respect to internally used assets, €1,306 million (previous year: €1,171 million) of this figure is attributable to minimum lease payments and €51 million (previous year: €50 million) to contingent lease payments. The payments of €106 million (previous year: €109 million) under subleases primarily relate to minimum lease payments.

Government grants of €120 million (previous year: €110 million) were deducted from the cost of property, plant and equipment, and noncash benefits received amounting to €18 million (previous year: €0 million) were not capitalized as the cost of assets.

Real property liens of €657 million (previous year: €628 million) are pledged as collateral for financial liabilities related to land and buildings.

14. Lease assets and investment property

CHANGES IN LEASE ASSETS AND INVESTMENT PROPERTY IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	Leasing assets	Investment property	Total
Cost			
Balance at Jan. 1, 2014	29,878	633	30,511
Foreign exchange differences	2,052	31	2,084
Changes in consolidated Group	547	–	547
Additions	13,998	100	14,098
Transfers	8	–18	–10
Disposals	9,703	10	9,713
Balance at Dec. 31, 2014	36,780	736	37,516
Depreciation and impairment			
Balance at Jan. 1, 2014	7,619	205	7,824
Foreign exchange differences	466	8	474
Changes in consolidated Group	125	–	125
Additions to cumulative depreciation	4,907	15	4,922
Additions to cumulative impairment losses	121	29	150
Transfers	1	–4	–3
Disposals	4,039	3	4,042
Reversal of impairment losses	3	–	3
Balance at Dec. 31, 2014	9,195	251	9,446
Carrying amount at Dec. 31, 2014	27,585	485	28,070

The following payments from noncancelable leases and rental agreements were expected to be received over the coming years:

€ million	2015	2016–2019	from 2020	Total
Lease payments	3,253	3,528	1	6,782

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CHANGES IN LEASE ASSETS AND INVESTMENT PROPERTY IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2015

€ million	Leasing assets	Investment property	Total
Cost			
Balance at Jan. 1, 2015	36,780	736	37,516
Foreign exchange differences	1,750	23	1,773
Changes in consolidated Group	10	1	11
Additions	18,265	15	18,280
Transfers	0	2	2
Disposals	11,687	16	11,702
Balance at Dec. 31, 2015	45,118	761	45,879
Depreciation and impairment			
Balance at Jan. 1, 2015	9,195	251	9,446
Foreign exchange differences	411	4	415
Changes in consolidated Group	3	1	4
Additions to cumulative depreciation	6,035	15	6,050
Additions to cumulative impairment losses	619	–	619
Transfers	0	–1	–1
Disposals	4,315	5	4,321
Reversal of impairment losses	3	8	10
Balance at Dec. 31, 2015	11,945	257	12,202
Carrying amount at Dec. 31, 2015	33,173	504	33,677

Lease assets include assets leased out under the terms of operating leases and assets covered by long-term buy-back agreements.

Investment property includes apartments rented out and leased dealerships with a fair value of €927 million (previous year: €890 million). Fair value is estimated using an investment method based on internal calculations (Level 3 of the fair value hierarchy). Operating expenses of €50 million (previous year: €53 million) were incurred for the maintenance of investment property in use. Expenses of €1 million (previous year: €3 million) were incurred for unused investment property.

The following payments from noncancelable leases and rental agreements are expected to be received over the coming years:

€ million	2016	2017 – 2020	from 2021	Total
Lease payments	3,722	4,398	42	8,162

15. Equity-accounted investments and other equity investments

CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS IN THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

€ million	Equity- accounted investments	Other equity investments	Total
Gross carrying amount at Jan. 1, 2014	8,014	4,177	12,191
Foreign exchange differences	205	12	217
Changes in consolidated Group	335	-1,001	-666
Additions	36	292	329
Transfers	-	0	0
Disposals	0	96	96
Changes recognized in profit or loss	3,987	-	3,987
Dividends	-2,997	-	-2,997
Other changes recognized in other comprehensive income	376	630	1,005
Balance at Dec. 31, 2014	9,955	4,014	13,968
Impairment losses			
Balance at Jan. 1, 2014	80	237	316
Foreign exchange differences	1	-1	0
Changes in consolidated Group	-	-5	-5
Additions	-	172	172
Transfers	-	-	-
Disposals	-	72	72
Reversal of impairment losses	-	-	-
Balance at Dec. 31, 2014	80	331	411
Carrying amount at Dec. 31, 2014	9,874	3,683	13,557

**CHANGES IN EQUITY-ACCOUNTED INVESTMENTS AND OTHER EQUITY INVESTMENTS IN THE PERIOD JANUARY 1 TO
DECEMBER 31, 2015**

€ million	Equity- accounted investments	Other equity investments	Total
Gross carrying amount			
at Jan. 1, 2015	9,955	4,014	13,968
Foreign exchange differences	187	9	197
Changes in consolidated Group	–	–67	–67
Additions	740	253	993
Transfers	44	–44	–
Disposals	36	3,174	3,210
Changes recognized in profit or loss	4,386	–	4,386
Dividends	–4,683	–	–4,683
Other changes recognized in other comprehensive income	392	342	733
Balance at Dec. 31, 2015	10,985	1,333	12,318
Impairment losses			
Balance at Jan. 1, 2015	80	331	411
Foreign exchange differences	1	–2	–2
Changes in consolidated Group	–	–3	–3
Additions	–	38	38
Transfers	–	–	–
Disposals	–	4	4
Reversal of impairment losses	–	0	0
Balance at Dec. 31, 2015	81	358	439
Carrying amount at Dec. 31, 2015	10,904	974	11,878

Equity-accounted investments include joint ventures in the amount of €9,546 million (previous year: €9,159 million) and associates in the amount of €1,358 million (previous year: €715 million).

€335 million of the changes in the consolidated Group between equity-accounted investments and other equity investments in the previous year related to the reclassification of the shares in Bertrandt because of the change in the method of inclusion. The acquisition of the additional shares in Bertrandt in the amount of €40 million was previously reported under additions of other equity investments. The additions of equity-accounted investments in the fiscal year are mainly attributable to There Holding. The disposals of other equity investments are mainly the result of the sale of the Suzuki shares. Further details can be found in the disclosures in the section entitled “Basis of consolidation”.

Of the other changes recognized in other comprehensive income, €391 million (previous year: €379 million) is attributable to joint ventures and €1 million (previous year: €–3 million) to associates. They are mainly the result of foreign exchange differences in the amount of €393 million (previous year: €397 million), pension plan remeasurements in the amount of €–8 million (previous year: €–6 million) and losses on the fair value measurement of cash flow hedges in the amount of €6 million (previous year: €–23 million).

16. Noncurrent and current financial services receivables

€ million	CARRYING AMOUNT			FAIR VALUE	CARRYING AMOUNT			FAIR VALUE
	Current	Noncurrent	Dec. 31, 2015	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014	Dec. 31, 2014
Receivables from financing business								
Customer financing	21,991	44,985	66,976	68,452	21,163	41,681	62,844	64,778
Dealer financing	14,738	1,832	16,570	16,539	13,343	1,570	14,913	14,897
Direct banking	212	2	214	214	198	1	198	199
	36,941	46,819	83,760	85,205	34,704	43,252	77,956	79,873
Receivables from operating leases	273	–	273	273	281	–	281	281
Receivables from finance leases	9,674	16,365	26,040	26,041	9,413	14,625	24,038	24,296
	46,888	63,185	110,073	111,518	44,398	57,877	102,275	104,450

The receivables from customer financing and finance leases contained in financial services receivables of €110.1 billion (previous year: €102.3 billion) decreased by €18 million as a result of a fair value adjustment from portfolio hedging (previous year: increase of €39 million).

The receivables from customer and dealer financing are secured by vehicles or real property liens.

The receivables from dealer financing include €45 million (previous year: €98 million) receivable from unconsolidated affiliated companies.

The receivables from finance leases – almost entirely in respect of vehicles – were or are expected to generate the following cash flows as of December 31, 2014 and December 31, 2015:

€ million	2015	2016 – 2019	from 2020	Total
Future payments from finance lease receivables	10,074	15,474	84	25,632
Unearned finance income from finance leases (discounting)	–661	–929	–4	–1,594
Present value of minimum lease payments outstanding at the reporting date	9,413	14,545	80	24,038

€ million	2016	2017 – 2020	from 2021	Total
Future payments from finance lease receivables	10,320	17,184	135	27,639
Unearned finance income from finance leases (discounting)	–646	–949	–4	–1,600
Present value of minimum lease payments outstanding at the reporting date	9,674	16,234	131	26,040

Accumulated valuation allowances for uncollectible minimum lease payments receivable amount to €90 million (previous year: €97 million).

17. Noncurrent and current other financial assets

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Positive fair value of derivatives	2,081	2,246	4,326	1,551	2,047	3,598
Marketable securities	–	1,387	1,387	–	1,546	1,546
Receivables from loans, bonds, profit participation rights (excluding interest)	4,286	2,169	6,455	3,533	2,170	5,704
Miscellaneous financial assets	3,677	928	4,604	2,608	735	3,343
	10,043	6,730	16,773	7,693	6,498	14,190

Other financial assets include receivables from related parties of €6,010 million (previous year: €5,055 million). Other financial assets and noncurrent marketable securities amounting to €1,897 million (previous year adjusted: €1,945 million) were furnished as collateral for financial liabilities and contingent liabilities. There is no original right of disposal or pledge for the furnished collateral on the part of the collateral taker.

There are restrictions on the disposal of the certificates of deposit amounting to €1.3 billion reported in noncurrent securities (see the disclosures on “Interests in joint ventures”). In addition, the miscellaneous financial assets include cash and cash equivalents that serve as collateral (mainly under asset-backed securities transactions).

The positive fair values of derivatives relate to the following items:

€ million	Dec. 31, 2015	Dec. 31, 2014
Transactions for hedging		
foreign currency risk from assets using fair value hedges	310	212
foreign currency risk from liabilities using fair value hedges	190	190
interest rate risk using fair value hedges	681	681
interest rate risk using cash flow hedges	19	4
foreign currency and price risk from future cash flows (cash flow hedges)	1,735	1,690
Hedging transactions	2,936	2,778
Assets related to derivatives not included in hedging relationships	1,391	820
	4,326	3,598

The positive fair value of transactions for hedging price risk from future cash flows (cash flow hedges) amounted to €0 million (previous year: €1 million).

Positive fair values of €1 million (previous year: €1 million) were recognized from transactions for hedging interest rate risk (fair value hedges) used in portfolio hedges.

Further details on derivative financial instruments as a whole are given in note 34.

18. Noncurrent and current other receivables

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Other recoverable income taxes	3,930	259	4,189	3,474	290	3,764
Miscellaneous receivables	1,438	1,081	2,518	1,605	1,365	2,970
	5,367	1,340	6,707	5,080	1,654	6,734

Miscellaneous receivables include assets to fund post-employment benefits in the amount of €71 million (previous year: €75 million). This item also includes the share of the technical provisions attributable to reinsurers amounting to €78 million (previous year: €87 million).

Current other receivables are predominantly non-interest-bearing.

19. Tax assets

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Deferred tax assets	–	8,026	8,026	–	5,878	5,878
Tax receivables	1,029	395	1,424	1,010	468	1,479
	1,029	8,421	9,451	1,010	6,346	7,357

€6,239 million (previous year: €4,718 million) of the deferred tax assets is due within one year.

20. Inventories

€ million	Dec. 31, 2015	Dec. 31, 2014
Raw materials, consumables and supplies	4,021	3,941
Work in progress	3,927	3,552
Finished goods and purchased merchandise	23,083	20,156
Current lease assets	3,861	3,679
Prepayments	156	139
	35,048	31,466

At the same time as the relevant revenue was recognized, inventories in the amount of €162,353 million (previous year: €158,108 million) were included in cost of sales. Valuation allowances recognized as expenses in the reporting period amounted to €932 million (previous year: €785 million). Vehicles amounting to €230 million (previous year: €207 million) were assigned as collateral for partial retirement obligations.

21. Trade receivables

€ million	Dec. 31, 2015	Dec. 31, 2014
Trade receivables from		
third parties	8,570	9,142
affiliated companies	265	230
joint ventures	2,253	2,037
associates	40	58
other investees and investors	5	4
	11,132	11,472

The fair values of the trade receivables correspond to the carrying amounts.

The trade receivables include receivables from construction contracts accounted for using the percentage of completion (PoC) method. These are calculated as follows:

€ million	Dec. 31, 2015	Dec. 31, 2014
Contract costs and proportionate contract profit/loss of construction contracts	1,236	1,327
Progress billings	-41	-66
Exchange rate effects	-4	6
PoC receivables, gross	1,191	1,267
Prepayments received	-969	-1,065
PoC receivables, net	222	202

Other payments received on account of construction contracts in the amount of €344 million (previous year: €375 million), for which no construction costs have yet been incurred, are recognized under other liabilities.

22. Marketable securities

The marketable securities serve to safeguard liquidity. Marketable securities are quoted, mainly short-term fixed-income securities and shares allocated to the available-for-sale financial instruments category.

23. Cash, cash equivalents and time deposits

€ million	Dec. 31, 2015	Dec. 31, 2014
Bank balances	20,656	18,815
Checks, cash-in-hand, bills and call deposits	216	309
	20,871	19,123

Bank balances are held at various banks in different currencies and include time deposits, for example.

24. Equity

The subscribed capital of Volkswagen AG is composed of no-par value bearer shares with a notional value of €2.56. As well as ordinary shares, there are preferred shares that entitle the bearer to a €0.06 higher dividend than ordinary shares, but do not carry voting rights.

The Annual General Meeting on April 19, 2012 resolved to create authorized capital of up to €110 million, expiring on April 18, 2017, for the issue of new ordinary bearer shares or preferred shares based. In June 2014, Volkswagen AG issued 10,471,204 new preferred shares (with a notional value of €27 million), with the result that the remaining authorized capital amounts to €83 million. In 2014, Volkswagen AG recorded a cash inflow of €2,000 million from the capital increase, less transaction costs of €20 million.

The Annual General Meeting on April 22, 2010 resolved to create contingent capital in the amount of up to €102 million expiring on April 21, 2015 that could be used to issue up to €5 billion in bonds with warrants and/or convertible bonds. To date, Volkswagen has used this contingent capital as follows:

- › In November 2012, via a subsidiary, Volkswagen International Finance N.V. Amsterdam/the Netherlands (issuer), Volkswagen AG placed a €2.5 billion mandatory convertible note that entitled and obliged holders to subscribe for Volkswagen preferred shares. The preemptive rights of existing shareholders were disappplied. The convertible note bore a coupon of 5.50% and matured on November 9, 2015.
- › In June 2013, Volkswagen placed another €1.2 billion mandatory convertible note to supplement the mandatory convertible note issued in November 2012. The features of this mandatory convertible note corresponded to those of the mandatory convertible note issued in November 2012. It was issued at a price of 105.64% of the principal amount. Additionally, accrued interest (€1 million) was received and deferred. This mandatory convertible note also matured on November 9, 2015.

The convertible notes were settled by issuing new preferred shares no later than at maturity. The issuer was entitled to convert the mandatory convertible notes at any time at the minimum conversion price. The note terms and conditions also provided for early conversion options. This voluntary conversion right was exercised in the reporting period. In 2015, a further 27,091 preferred shares were created through exercise of the voluntary conversion right. At the maturity date, November 9, 2015, the remaining amount of both notes was converted by the issuer as required. A further 25,536,876 new preferred shares were created and the underlying principal amount of each bond was €100,000 and the final conversion price €144.50. In this context, it was necessary to reclassify the principal amount of €65 million from the capital reserves to subscribed capital.

Following the voluntary and mandatory conversion of mandatory convertible notes in the reporting period, the subscribed capital is composed of 295,089,818 no-par value ordinary shares and 206,205,445 no-par value preferred shares, and amounts to €1,283 million (December 31, 2014: €1,218 million).

The Annual General Meeting on May 5, 2015 resolved to create authorized capital of up to €179 million, expiring on May 4, 2020, to issue new preferred bearer shares.

On March 14, 2014, Volkswagen AG published an offer to the shareholders of Scania Aktiebolag, Södertälje, ("Scania") to acquire all Scania shares. The offer was completed on May 13, 2014 and Volkswagen initiated a squeeze-out for the Scania shares that were not tendered in the course of the offer. Scania shares were delisted from the NASDAQ OMX Stockholm at the end of June 5, 2014. The Group's retained earnings were reduced by the total value of the offer amounting to €6,650 million as a capital transaction with noncontrolling interest shareholders recognized directly in equity. At the same time, the equity interest in Scania previously attributable to the noncontrolling interest shareholders in Scania amounting to €2,123 million was reclassified from noncontrolling interests to the reserves attributable to the shareholders of Volkswagen AG. For information on the acquisition of the noncontrolling interests in Scania, see also the disclosures on the basis of consolidation.

In March 2014, Volkswagen AG placed unsecured subordinated hybrid notes with an aggregate principal amount of €3 billion via a subsidiary, Volkswagen International Finance N.V. Amsterdam/the Netherlands (VIF). The perpetual hybrid notes were issued in two tranches and can be called by VIF. The first call date for the first tranche (€1.25 billion and a coupon of 3.750%) is after seven years, and the first call date for the second tranche (€1.75 billion and a coupon of 4.625%) is after twelve years. In March 2015, Volkswagen AG placed further unsecured subordinated hybrid notes with an aggregate principal amount of €2.5 billion via VIF. The perpetual hybrid notes were issued in two tranches and can be called by VIF. The first call date for the first tranche (€1.1 billion and a coupon of 2.50%) is after seven years, and the first call date

for the second tranche (€1.4 billion and a coupon of 3.50%) is after 15 years. Interest may be accumulated depending on whether a dividend is paid to Volkswagen AG shareholders. Under IAS 32, the hybrid notes must be classified in their entirety as equity. The capital raised was recognized in equity, less a discount and transaction costs and net of deferred taxes. The interest payments payable to the noteholders will be recognized directly in equity, net of income taxes.

CHANGE IN ORDINARY AND PREFERRED SHARES AND SUBSCRIBED CAPITAL

	SHARES		€	
	2015	2014	2015	2014
Balance at January 1	475,731,296	465,237,989	1,217,872,118	1,191,009,252
Capital increase	–	10,471,204	–	26,806,282
Conversion of mandatory convertible notes	25,563,967	22,103	65,443,756	56,584
Balance at December 31	501,295,263	475,731,296	1,283,315,873	1,217,872,118

The capital reserves comprise the share premium totaling €14,225 million (previous year: €14,290 million) from capital increases, the share premium of €219 million from the issuance of bonds with warrants and an amount of €107 million appropriated on the basis of the capital reduction implemented in 2006. In the previous year, the capital reserves increased by €1,959 million due to the implementation of a capital increase. As the mandatory convertible notes that had been issued were converted in fiscal year 2015, an amount of €65,443,756 (previous year: €56,584) was reclassified from the capital reserves to subscribed capital (see also note 11). No amounts were withdrawn from the capital reserves.

DIVIDEND PROPOSAL

In accordance with section 58(2) of the Aktiengesetz (AktG – German Stock Corporation Act), the dividend payment by Volkswagen AG is based on the net retained profits reported in the annual financial statements of Volkswagen AG prepared in accordance with the German Commercial Code. Based on these annual financial statements of Volkswagen AG, net retained profits of €69 million are eligible for distribution following the withdrawal of €5,580 million from the revenue reserves. The Board of Management and Supervisory Board will propose to the Annual General Meeting that a total dividend of €68 million, i.e. €0.11 per ordinary share and €0.17 per preferred share, be paid from the net retained profits. Shareholders are not entitled to a dividend payment until it has been resolved by the Annual General Meeting.

A dividend of €4.80 per ordinary share and €4.86 per preferred share was distributed in fiscal year 2015.

NONCONTROLLING INTERESTS

As of December 31, 2015, total noncontrolling interests amounted to €210 million (previous year: €198 million). The noncontrolling interests in equity are attributable primarily to shareholders of RENK AG and AUDI AG and are immaterial individually and in the aggregate.

25. Noncurrent and current financial liabilities

The details of noncurrent and current financial liabilities are presented in the following table:

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Bonds	19,891	42,454	62,346	19,586	42,852	62,438
Commercial paper and notes	10,428	16,369	26,797	10,053	13,787	23,840
Liabilities to banks	16,018	11,101	27,119	11,109	9,692	20,801
Deposits business	25,357	1,141	26,498	24,353	980	25,333
Loans and miscellaneous liabilities	578	1,795	2,373	429	743	1,172
Bills of exchange	–	–	–	–	–	–
Finance lease liabilities	40	431	471	34	362	396
	72,313	73,292	145,604	65,564	68,416	133,980

The deposits from direct banking business contained in the financial liabilities of €145.6 billion (previous year: €134.0 billion) decreased by €– million (previous year: €0.1 million) as a result of a fair value adjustment from portfolio hedging.

26. Noncurrent and current other financial liabilities

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Negative fair values of derivative financial instruments	4,799	3,905	8,703	2,991	2,390	5,381
Interest payable	668	70	739	709	43	752
Miscellaneous financial liabilities	4,883	1,926	6,809	3,943	1,521	5,464
	10,350	5,901	16,251	7,643	3,954	11,597

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The negative fair values of derivatives relate to the following items:

€ million	Dec. 31, 2015	Dec. 31, 2014
Transactions for hedging		
foreign currency risk from assets using fair value hedges	71	24
foreign currency risk from liabilities using fair value hedges	106	286
interest rate risk using fair value hedges	71	115
interest rate risk using cash flow hedges	16	20
foreign currency and price risk from future cash flows (cash flow hedges)	6,970	4,168
Hedging transactions	7,234	4,614
Liabilities related to derivatives not included in hedging relationships	1,469	767
	8,703	5,381

The negative fair value of transactions for hedging price risk from future cash flows (cash flow hedges) amounted to €166 million (previous year: €69 million).

Negative fair values of €44 million (previous year: €49 million) were recognized from transactions for hedging interest rate risk (fair value hedges) used in portfolio hedges.

Further details on derivative financial instruments as a whole are given in note 34.

27. Noncurrent and current other liabilities

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Payments received on account of orders	3,994	150	4,144	3,402	146	3,548
Liabilities relating to						
other taxes	1,973	435	2,408	2,044	545	2,590
social security	486	29	515	466	23	489
wages and salaries	4,293	663	4,956	4,963	527	5,490
Miscellaneous liabilities	3,267	3,628	6,896	3,269	2,996	6,265
	14,014	4,905	18,919	14,143	4,238	18,382

28. Tax liabilities

€ million	CARRYING AMOUNT			CARRYING AMOUNT		
	Current	Noncurrent	Dec. 31, 2015	Current	Noncurrent	Dec. 31, 2014
Deferred tax liabilities	–	4,433	4,433	–	4,774	4,774
Provisions for taxes	1,301	3,940	5,241	2,791	3,215	6,007
Tax payables	330	–	330	256	–	256
	1,630	8,373	10,004	3,048	7,989	11,037

€369 million (previous year: €121 million) of the deferred tax liabilities is due within one year.

29. Provisions for pensions and other post-employment benefits

Provisions for pensions are recognized for commitments in the form of retirement, invalidity and dependents' benefits payable under pension plans. The benefits provided by the Group vary according to the legal, tax and economic circumstances of the country concerned, and usually depend on the length of service and remuneration of the employees.

Volkswagen Group companies provide occupational pensions under both defined contribution and defined benefit plans. In the case of defined contribution plans, the Company makes contributions to state or private pension schemes based on legal or contractual requirements, or on a voluntary basis. Once the contributions have been paid, there are no further obligations for the Volkswagen Group. Current contributions are recognized as pension expenses of the period concerned. In 2015, they amounted to a total of €1,978 million (previous year: €1,815 million) in the Volkswagen Group. Of this figure, contributions to the compulsory state pension system in Germany amounted to €1,500 million (previous year: €1,410 million).

In the case of defined benefit plans, a distinction is made between pensions funded by provisions and externally funded plans.

The pension provisions for defined benefits are measured by independent actuaries using the internationally accepted projected unit credit method in accordance with IAS 19, under which the future obligations are measured on the basis of the ratable benefit entitlements earned as of the balance sheet date. Measurement reflects actuarial assumptions as to discount rates, salary and pension trends, employee turnover rates, longevity and increases in healthcare costs, which were determined for each Group company depending on the economic environment. Remeasurements arise from differences between what has actually occurred and the prior-year assumptions as well as from changes in assumptions. They are recognized in other comprehensive income, net of deferred taxes, in the period in which they arise.

Multi-employer pension plans exist in the Volkswagen Group in the United Kingdom, Switzerland, Sweden, the Netherlands and Japan. These plans are defined benefit plans. A small proportion of them are accounted for as defined contribution plans, as the Volkswagen Group is not authorized to receive the information required in order to account for them as defined benefit plans. Under the terms of the multi-employer plans, the Volkswagen Group is not liable for the obligations of the other employers. In the event of its withdrawal from the plans or their winding-up, the proportionate share of the surplus of assets attributable to the Volkswagen Group will be credited or the proportionate share of the deficit attributable to the Volkswagen Group will have to be funded. In the case of the defined benefit plans accounted for as defined contribution plans, the Volkswagen Group's share of the obligations represents a small proportion of the total obligations. No probable significant risks arising from multi-employer defined benefit pension plans that are accounted for as defined contribution plans have been identified. The expected contributions to those plans will amount to €22 million for fiscal year 2016.

Owing to their benefit character, the obligations of the US Group companies in respect of post-employment medical care in particular are also carried under provisions for pensions and other post-employment benefits. These post-employment benefit provisions take into account the expected long-term rise in the cost of healthcare. €19 million (previous year: €16 million) was recognized in fiscal year 2015 as an expense for health care costs. The related carrying amount as of December 31, 2015 was €222 million (previous year: €245 million).

The following amounts were recognized in the balance sheet for defined benefit plans:

€ million	Dec. 31, 2015	Dec. 31, 2014
Present value of funded obligations	12,098	11,983
Fair value of plan assets	9,769	9,224
Funded status (net)	2,329	2,759
Present value of unfunded obligations	25,118	26,957
Amount not recognized as an asset because of the ceiling in IAS 19	17	15
Net liability recognized in the balance sheet	27,464	29,731
of which provisions for pensions	27,535	29,806
of which other assets	71	75

SIGNIFICANT PENSION ARRANGEMENTS IN THE VOLKSWAGEN GROUP

For the period after their active working life, the Volkswagen Group offers its employees benefits under attractive, modern occupational pension arrangements. Most of the arrangements in the Volkswagen Group are pension plans for employees in Germany classified as defined benefit plans under IAS 19. The majority of these obligations are funded solely by recognized provisions. These plans are now largely closed to new members. To reduce the risks associated with defined benefit plans, in particular longevity, salary increases and inflation, the Volkswagen Group has introduced new defined benefit plans in recent years whose benefits are funded by appropriate external plan assets. The above-mentioned risks have been largely reduced in these pension plans. The proportion of the total defined benefit obligation attributable to pension obligations funded by plan assets will continue to rise in the future. The significant pension plans are described in the following.

German pension plans funded solely by recognized provisions

The pension plans funded solely by recognized provisions comprise both contribution-based plans with guarantees and final salary plans. For contribution-based plans, an annual pension expense dependent on income and status is converted into a lifelong pension entitlement using annuity factors (guaranteed modular pension entitlements). The annuity factors include a guaranteed rate of interest. At retirement, the modular pension entitlements earned annually are added together. For final salary plans, the underlying salary is multiplied at retirement by a percentage that depends on the years of service up until the retirement date.

The present value of the guaranteed obligation rises as interest rates fall and is therefore exposed to interest rate risk.

The pension system provides for lifelong pension payments. The companies bear the longevity risk in this respect. This is accounted for by calculating the annuity factors and the present value of the guaranteed obligation using the latest generational mortality tables – the “Heubeck 2005 G” mortality tables – which already reflect future increases in life expectancy.

To reduce the inflation risk from adjusting the regular pension payments by the rate of inflation, a pension adjustment that is not indexed to inflation was introduced for pension plans where this is permitted by law.

German pension plans funded by external plan assets

The pension plans funded by external plan assets are contribution-based plans with guarantees. In this case, an annual pension expense dependent on income and status is either converted into a lifelong pension entitlement using annuity factors (guaranteed modular pension entitlement) or paid out in a single lump sum or in installments. In some cases, employees also have the opportunity to provide for their own retirement through deferred compensation. The annuity factors include a guaranteed rate of interest. At retirement, the modular pension entitlements earned annually are added together. The pension expense is contributed on an ongoing basis to a separate pool of assets that is administered independently of the Company in trust and invested in the capital markets. If the plan assets exceed the present value of the obligations calculated using the guaranteed rate of interest, surpluses are allocated (modular pension bonuses).

Since the assets administered in trust meet the IAS 19 criteria for classification as plan assets, they are deducted from the obligations.

The amount of the pension assets is exposed to general market risk. The investment strategy and its implementation are therefore continuously monitored by the trusts' governing bodies, on which the companies are also represented. For example, investment policies are stipulated in investment guidelines with the aim of limiting market risk and its impact on plan assets. In addition, asset-liability management studies are conducted if required so as to ensure that investments are in line with the obligations that need to be covered. The pension assets are currently invested primarily in fixed-income or equity funds. The main risks are therefore interest rate and equity price risk. To mitigate market risk, the pension system also provides for cash funds to be set aside in an equalization reserve before any surplus is allocated.

The present value of the obligation is the present value of the guaranteed obligation after deducting the plan assets. If the plan assets fall below the present value of the guaranteed obligation, a provision must be recognized in that amount. The present value of the guaranteed obligation rises as interest rates fall and is therefore exposed to interest rate risk.

In the case of lifelong pension payments, the Volkswagen Group bears the longevity risk. This is accounted for by calculating the annuity factors and the present value of the guaranteed obligation using the latest generational mortality tables – the “Heubeck 2005 G” mortality tables – which already reflect future increases in life expectancy. In addition, the independent actuaries carry out annual risk monitoring as part of the review of the assets administered by the trusts.

To reduce the inflation risk from adjusting the regular pension payments by the rate of inflation, a pension adjustment that is not indexed to inflation was introduced for pension plans where this is permitted by law.

Calculation of the pension provisions was based on the following actuarial assumptions:

%	GERMANY		ABROAD	
	2015	2014	2015	2014
Discount rate at December 31	2.70	2.30	4.36	4.35
Payroll trend	3.42	3.33	3.27	3.43
Pension trend	1.70	1.80	2.46	2.60
Employee turnover rate	1.01	0.99	3.80	3.38
Annual increase in healthcare costs	–	–	5.03	4.67

These assumptions are averages that were weighted using the present value of the defined benefit obligation.

With regard to life expectancy, consideration is given to the latest mortality tables in each country.

The discount rates are generally defined to reflect the yields on prime-rated corporate bonds with matching maturities and currencies. The iBoxx AA 10+ Corporates index was taken as the basis for the obligations of German Group companies. Similar indices were used for foreign pension obligations.

The payroll trends cover expected wage and salary trends, which also include increases attributable to career development.

The pension trends either reflect the contractually guaranteed pension adjustments or are based on the rules on pension adjustments in force in each country.

The employee turnover rates are based on past experience and future expectations.

The following table shows changes in the net defined benefit liability recognized in the balance sheet:

€ million	2015	2014
Net liability recognized in the balance sheet at January 1	29,731	21,709
Current service cost	1,104	728
Net interest expense	688	786
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	-23	4
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	-2,904	8,145
Actuarial gains (-)/losses (+) arising from experience adjustments	190	114
Income/expenses from plan assets not included in interest income	-164	324
Change in amount not recognized as an asset because of the ceiling in IAS 19	-7	7
Employer contributions to plan assets	654	616
Employee contributions to plan assets	-6	-6
Pension payments from company assets	808	783
Past service cost (including plan curtailments)	9	25
Gains (-) or losses (+) arising from plan settlements	2	0
Changes in consolidated Group	1	0
Other changes	-15	-12
Foreign exchange differences from foreign plans	-34	-43
Net liability recognized in the balance sheet at December 31	27,464	29,731

The change in the amount not recognized as an asset because of the ceiling in IAS 19 contains an interest component, part of which was recognized in the financial result in profit or loss, and part of which was recognized outside profit or loss directly in equity.

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The change in the present value of the defined benefit obligation is attributable to the following factors:

€ million	2015	2014
Present value of obligations at January 1	38,939	29,657
Current service cost	1,104	728
Interest cost	996	1,153
Actuarial gains(-)/losses (+) arising from changes in demographic assumptions	-23	4
Actuarial gains(-)/losses (+) arising from changes in financial assumptions	-2,904	8,145
Actuarial gains(-)/losses (+) arising from experience adjustments	190	114
Employee contributions to plan assets	33	38
Pension payments from company assets	808	783
Pension payments from plan assets	292	235
Past service cost (including plan curtailments)	9	25
Gains (-) or losses (+) arising from plan settlements	-4	-24
Changes in consolidated Group	2	0
Other changes	-8	-21
Foreign exchange differences from foreign plans	-19	139
Present value of obligations at December 31	37,215	38,939

Changes in the relevant actuarial assumptions would have had the following effects on the defined benefit obligation:

Present value of defined benefit obligation if		DEC. 31, 2015		DEC. 31, 2014	
		€ million	Change in percent	€ million	Change in percent
Discount rate	is 0.5 percentage points higher	34,103	-8.36	35,573	-8.64
	is 0.5 percentage points lower	40,787	9.60	42,830	9.99
Pension trend	is 0.5 percentage points higher	39,081	5.01	41,024	5.35
	is 0.5 percentage points lower	35,444	-4.76	37,046	-4.86
Payroll trend	is 0.5 percentage points higher	37,693	1.28	39,487	1.41
	is 0.5 percentage points lower	36,772	-1.19	38,466	-1.22
Longevity	increases by one year	38,242	2.76	40,066	2.89

The sensitivity analysis shown above considers the change in one assumption at a time, leaving the other assumptions unchanged versus the original calculation, i.e. any correlation effects between the individual assumptions are ignored.

To examine the sensitivity of the defined benefit obligation to a change in assumed longevity, the estimates of mortality were reduced as part of a comparative calculation to the extent that doing so increases life expectancy by approximately one year.

The average duration of the defined benefit obligation weighted by the present value of the defined benefit obligation (Macaulay duration) is 19 years (previous year: 19 years).

The present value of the defined benefit obligation is attributable as follows to the members of the plan:

€ million	2015	2014
Active members with pension entitlements	21,148	22,490
Members with vested entitlements who have left the Company	1,754	1,781
Pensioners	14,314	14,669
	37,215	38,939

The maturity profile of payments attributable to the defined benefit obligation is presented in the following table, which classifies the present value of the obligation by the maturity of the underlying payments:

€ million	2015	2014
Payments due within the next fiscal year	1,098	1,031
Payments due between two and five years	4,420	4,212
Payments due in more than five years	31,697	33,696
	37,215	38,939

Changes in plan assets are shown in the following table:

€ million	2015	2014
Fair value of plan assets at January 1	9,224	7,970
Interest income on plan assets determined using the discount rate	308	366
Income/expenses from plan assets not included in interest income	-164	324
Employer contributions to plan assets	654	616
Employee contributions to plan assets	27	33
Pension payments from plan assets	292	235
Gains (+) or losses (-) arising from plan settlements	5	23
Changes in consolidated Group	1	0
Other changes	7	-9
Foreign exchange differences from foreign plans	10	182
Fair value of plan assets at December 31	9,769	9,224

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The investment of the plan assets to cover future pension obligations resulted in income in the amount of €144 million (previous year: €690 million).

Employer contributions to plan assets are expected to amount to €599 million (previous year: €546 million) in the next fiscal year.

Plan assets are invested in the following asset classes:

€ million	DEC. 31, 2015			DEC. 31, 2014		
	Quoted prices in active markets	No quoted prices in active markets	Total	Quoted prices in active markets	No quoted prices in active markets	Total
Cash and cash equivalents	289	–	289	304	–	304
Equity instruments	313	–	313	292	–	292
Debt instruments	1,513	0	1,513	1,601	0	1,601
Direct investments in real estate	2	96	98	2	87	89
Derivatives	–19	–	–19	–4	–	–4
Equity funds	1,424	50	1,475	2,110	62	2,172
Bond funds	4,682	99	4,781	3,437	96	3,533
Real estate funds	257	–	257	234	–	234
Other funds	496	2	499	460	4	464
Other instruments	24	540	564	18	519	537

47.0% (previous year: 38.1%) of the plan assets are invested in German assets, 29.1% (previous year: 30.2%) in other European assets and 24.0% (previous year: 31.7%) in assets in other regions.

Plan assets include €15 million (previous year: €26 million) invested in Volkswagen Group assets and €8 million (previous year: €18 million) in Volkswagen Group debt instruments.

The following amounts were recognized in the income statement:

€ million	2015	2014
Current service cost	1,104	728
Net interest on the net defined benefit liability	690	788
Past service cost (including plan curtailments)	9	25
Gains (–) or losses (+) arising from plan settlements	2	0
Net income (–) and expenses (+) recognized in profit or loss	1,804	1,541

The above amounts are generally included in the personnel costs of the functions in the income statement. Net interest on the net defined benefit liability is reported in finance costs.

30. Noncurrent and current other provisions

€ million	Obligations arising from sales	Employee expenses	Litigation and legal risks	Miscellaneous provisions*	Total
Balance at Jan. 1, 2014	18,537	5,380	1,380	7,044	32,341
Foreign exchange differences	214	29	19	40	303
Changes in consolidated Group	3	3	1	0	6
Utilized	7,045	3,030	238	2,061	12,373
Additions/New provisions	9,715	1,678	363	2,785	14,541
Unwinding of discount/effect of change in discount rate	77	229	12	1	319
Reversals	962	198	232	759	2,151
Balance at Dec. 31, 2014	20,539	4,091	1,306	7,049	32,986
of which current	10,090	1,753	426	4,805	17,075
of which noncurrent	10,448	2,338	880	2,244	15,910
Balance at Jan. 1, 2015	20,539	4,091	1,306	7,049	32,986
Foreign exchange differences	214	-19	-143	32	83
Changes in consolidated Group	0	0	0	1	2
Utilized	7,517	1,429	236	1,901	11,082
Additions/New provisions	19,270	1,668	7,697	2,747	31,382
Unwinding of discount/effect of change in discount rate	5	-22	4	4	-9
Reversals	1,185	142	219	858	2,404
Balance at Dec. 31, 2015	31,326	4,148	8,409	7,075	50,958
of which current	17,075	1,733	2,073	4,908	25,788
of which noncurrent	14,251	2,415	6,336	2,168	25,170

* Prior-year figures adjusted due to the separate presentation of the provisions for litigation and legal risks.

The obligations arising from sales contain provisions covering all risks relating to the sale of vehicles, components and genuine parts through to the disposal of end-of-life vehicles. They primarily comprise warranty obligations, calculated on the basis of losses to date and estimated future losses. They also include provisions for discounts, bonuses and similar allowances which are incurred after the balance sheet date, but for which there is a legal or constructive obligation attributable to sales revenue before the balance sheet date.

The increase in obligations arising from sales is largely due to the recognition of provisions for the implementation of field measures and of repurchases in connection with the diesel issue. Please refer to the “Key events” section for further information.

Provisions for employee expenses are recognized for long-service awards, time credits, partial retirement arrangements, severance payments and similar obligations, among other things.

The increase in the provisions for litigation and legal risks results primarily from the provisions recognized in connection with the diesel issue to cover currently known legal risks, including appropriate legal defense and legal advice expenses amounting to €7.0 billion. These are subject to what are in part considerable estimation risks because the comprehensive and extensive investigations are still at an early stage, the factors involved are so complex, and the discussions with the authorities are still ongoing. In addition, the provisions for litigation and legal risks contain amounts relating to a large number of legal disputes and official proceedings in which Volkswagen Group companies become involved in Germany and internationally in the course of their operating activities. In particular, such legal disputes and other proceedings may occur in relation to suppliers, dealers, customers, employees, or investors. Please refer to the “Litigation” section for a discussion of the legal risks.

Miscellaneous provisions relate to a wide range of identifiable specific risks, price risks and uncertain obligations, which are measured in the amount of the expected settlement value.

Miscellaneous provisions include provisions amounting to €459 million (previous year: €417 million) relating to the insurance business.

31. Put options and compensation rights granted to noncontrolling interest shareholders

This balance sheet item consists primarily of the present value of the cash settlement in accordance with section 305 of the Aktiengesetz (AktG – German Stock Corporation Act) offered to MAN shareholders in connection with the control and profit and loss transfer agreement, including the basic interest rate in accordance with section 247 of the Bürgerliches Gesetzbuch (BGB – German Civil Code) assumed until the end of the award proceedings. The Annual General Meeting of MAN SE approved the conclusion of a control and profit and loss transfer agreement between MAN SE and Volkswagen Truck & Bus GmbH, a subsidiary of Volkswagen AG, in June 2013. The agreement sets out that the noncontrolling interest shareholders of MAN SE are entitled to either a cash settlement in accordance with section 305 of the AktG amounting to €80.89 per tendered ordinary or preferred share, or cash compensation in accordance with section 304 of the AktG in the amount of €3.07 per ordinary or preferred share (after corporate taxes, before the shareholder's individual tax liability) for each full fiscal year. In July 2013, award proceedings were instituted to review the appropriateness of the cash settlement set out in the agreement in accordance with section 305 of the AktG and the cash compensation in accordance with section 304 of the AktG. In July 2015, the Munich Regional Court ruled in the first instance that the amount of the cash settlement payable to the noncontrolling interest shareholders of MAN should be increased from €80.89 to €90.29; at the same time, the amount of the cash compensation was confirmed. The ruling is not yet legally effective, and both parties to the proceedings have since appealed. Volkswagen continues to maintain that the results of the valuation are correct. The appropriateness of the valuation was confirmed by the audit firms and by the court-appointed auditor of the agreement. As a precaution, the measurement was adjusted to the higher settlement payable, resulting in an expense of €437 million, which was recognized in the other financial result.

32. Trade payables

€ million	Dec. 31, 2015	Dec. 31, 2014
Trade payables to		
third parties	20,051	19,250
affiliated companies	165	122
joint ventures	82	66
associates	156	87
other investees and investors	7	5
	20,460	19,530

ADDITIONAL BALANCE SHEET DISCLOSURES IN ACCORDANCE WITH IFRS 7 (FINANCIAL INSTRUMENTS)

CARRYING AMOUNT OF FINANCIAL INSTRUMENTS BY IAS 39 MEASUREMENT CATEGORY

€ million	Dec. 31, 2015	Dec. 31, 2014*
Financial assets at fair value through profit or loss	1,881	1,240
Loans and receivables	128,198	119,130
Available-for-sale financial assets	15,219	13,929
Financial liabilities at fair value through profit or loss	2,399	1,147
Financial liabilities measured at amortized cost	177,074	163,032

* Prior-year figures adjusted.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the reconciliation of the balance sheet items to the relevant classes of financial instruments, broken down by the carrying amount and fair value of the financial instruments.

The fair value of financial instruments measured at amortized cost, such as receivables and liabilities, is calculated by discounting using a market rate of interest for a similar risk and matching maturity. For reasons of materiality, the fair value of current balance sheet items is generally deemed to be their carrying amount.

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RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2014*

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT DEC. 31, 2014
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	9,874	9,874
Other equity investments	3,067	–	–	–	616	3,683
Financial services receivables	–	57,877	60,052	–	–	57,877
Other financial assets	763	4,451	4,496	1,284	–	6,498
Current assets						
Trade receivables	–	11,472	11,472	–	–	11,472
Financial services receivables	–	44,398	44,398	–	–	44,398
Other financial assets	478	6,141	6,141	1,073	–	7,693
Marketable securities	10,861	–	–	–	–	10,861
Cash, cash equivalents and time deposits	–	19,123	19,123	–	–	19,123
Noncurrent liabilities						
Noncurrent financial liabilities	–	68,416	70,238	–	–	68,416
Other noncurrent financial liabilities	655	1,564	1,568	1,735	–	3,954
Current liabilities						
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,703	3,822	–	–	3,703
Current financial liabilities	–	65,564	65,564	–	–	65,564
Trade payables	–	19,530	19,530	–	–	19,530
Other current financial liabilities	492	4,652	4,652	2,499	–	7,643

* Prior-year figures adjusted.

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RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2015

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT DEC. 31, 2015
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	10,904	10,904
Other equity investments	211	–	–	–	763	974
Financial services receivables	–	63,185	64,630	–	–	63,185
Other financial assets	996	4,484	4,492	1,249	–	6,730
Current assets						
Trade receivables	–	11,132	11,132	–	–	11,132
Financial services receivables	–	46,888	46,888	–	–	46,888
Other financial assets	885	7,963	7,963	1,196	–	10,043
Marketable securities	15,007	–	–	–	–	15,007
Cash, cash equivalents and time deposits	–	20,871	20,871	–	–	20,871
Noncurrent liabilities						
Noncurrent financial liabilities	–	73,292	73,844	–	–	73,292
Other noncurrent financial liabilities	1,325	1,996	1,998	2,580	–	5,901
Current liabilities						
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,933	3,783	–	–	3,933
Current financial liabilities	–	72,313	72,313	–	–	72,313
Trade payables	–	20,460	20,460	–	–	20,460
Other current financial liabilities	1,074	5,551	5,551	3,725	–	10,350

Uniform valuation techniques and inputs are used to measure fair value. The fair value of Level 2 and 3 financial instruments is measured in the individual divisions on the basis of Group-wide specifications. The measurement techniques used are explained in the disclosures on “accounting policies”. The fair value of put options and compensation rights granted to noncontrolling interest shareholders is calculated using a present value model based on the cash settlement determined by the Munich Regional Court in the award proceedings, including cash compensation, as well as the minimum statutory interest rate and a risk-adjusted discount rate for a matching maturity. For further information, please see note 31. The fair value of Level 3 receivables was measured by reference to individual expectations of losses;

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these are based to a significant extent on the Company's assumptions about counterparty credit quality. Financial services receivables are allocated to Level 3 because their fair value was measured using inputs that are not observable in an active market.

The following table contains an overview of the financial assets and liabilities measured at fair value by level:

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BY LEVEL

€ million	Dec. 31, 2014*	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	3,067	2,922	–	146
Other financial assets	763	–	739	24
Current assets				
Other financial assets	478	–	469	9
Marketable securities	10,861	10,861	–	–
Noncurrent liabilities				
Other noncurrent financial liabilities	655	–	481	174
Current liabilities				
Other current financial liabilities	492	–	417	75

* Prior-year figures adjusted.

€ million	Dec. 31, 2015	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	211	117	–	94
Other financial assets	996	–	976	20
Current assets				
Other financial assets	885	–	879	6
Marketable securities	15,007	15,007	–	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,325	–	1,142	183
Current liabilities				
Other current financial liabilities	1,074	–	778	296

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FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTIZED COST BY LEVEL

€ million	Dec. 31, 2014*	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	104,450	–	–	104,450
Trade receivables	11,472	–	11,290	182
Other financial assets	10,637	669	5,326	4,642
Cash, cash equivalents and time deposits	19,123	18,653	471	–
Fair value of financial assets measured at amortized cost	145,682	19,321	17,086	109,274
Fair value of financial liabilities measured at amortized cost				
Put options and compensation rights granted to noncontrolling interest shareholders	3,822	–	–	3,822
Trade payables	19,530	–	19,530	–
Financial liabilities	135,802	22,334	113,406	62
Other financial liabilities	6,220	270	5,882	69
Fair value of financial liabilities measured at amortized cost	165,374	22,604	138,817	3,954

* Prior-year figures adjusted.

€ million	Dec. 31, 2015	Level 1	Level 2	Level 3
Fair value of financial assets measured at amortized cost				
Financial services receivables	111,518	–	–	111,518
Trade receivables	11,132	–	10,975	157
Other financial assets	12,455	677	6,203	5,576
Cash, cash equivalents and time deposits	20,871	20,467	405	–
Fair value of financial assets measured at amortized cost	155,977	21,144	17,583	117,251
Fair value of financial liabilities measured at amortized cost				
Put options and compensation rights granted to noncontrolling interest shareholders	3,783	–	–	3,783
Trade payables	20,460	–	20,460	–
Financial liabilities	146,156	23,675	122,420	61
Other financial liabilities	7,550	269	7,185	95
Fair value of financial liabilities measured at amortized cost	177,949	23,944	150,066	3,940

DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING BY LEVEL

€ million	Dec. 31, 2014	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	1,284	–	1,284	–
Current assets				
Other financial assets	1,073	–	1,073	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,735	–	1,731	4
Current liabilities				
Other current financial liabilities	2,499	–	2,499	–

€ million	Dec. 31, 2015	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	1,249	–	1,249	–
Current assets				
Other financial assets	1,196	–	1,196	–
Noncurrent liabilities				
Other noncurrent financial liabilities	2,580	–	2,573	7
Current liabilities				
Other current financial liabilities	3,725	–	3,725	–

The allocation of fair values to the three levels in the fair value hierarchy is based on the availability of observable market prices. Level 1 is used to report the fair value of financial instruments for which a price is directly available in an active market. Examples include marketable securities and other equity investments measured at fair value. Fair values in Level 2, for example of derivatives, are measured on the basis of observable market inputs using market-based valuation techniques. In particular, the inputs used include exchange rates, yield curves and commodity prices that are observable in the relevant markets and obtained through pricing services. Level 3 fair values are calculated using valuation techniques that incorporate inputs that are not observable in active markets. In the Volkswagen Group, long-term commodity futures are allocated to Level 3 because the prices available on the market must be extrapolated for measurement purposes. This is done on the basis of observable inputs obtained for the different commodities through pricing services. Options on equity instruments and residual value protection models are also reported in Level 3. Equity instruments are measured primarily using the relevant business plans and entity-specific discount rates. The significant inputs used to measure fair value for the residual value protection models include forecasts and estimates of used vehicle residual values for the appropriate models.

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CHANGES IN BALANCE SHEET ITEMS MEASURED AT FAIR VALUE BASED ON LEVEL 3

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2014	231	218
Foreign exchange differences	22	0
Total comprehensive income	17	91
recognized in profit or loss	7	87
recognized in other comprehensive income	10	5
Additions (purchases)	-49	-
Sales and settlements	-23	-47
Transfers into Level 2	-21	-13
Balance at Dec. 31, 2014	178	249
Total gains or losses recognized in profit or loss	7	-87
Net other operating expense/income	-	-
of which attributable to assets/liabilities held at the reporting date	-	-
Financial result	7	-87
of which attributable to assets/liabilities held at the reporting date	-17	-78

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2015	178	249
Foreign exchange differences	7	0
Total comprehensive income	0	385
recognized in profit or loss	-1	372
recognized in other comprehensive income	0	13
Additions (purchases)	-53	-
Sales and settlements	-12	-99
Transfers into Level 2	0	-56
Balance at Dec. 31, 2015	119	479
Total gains or losses recognized in profit or loss	-1	-372
Net other operating expense/income	-	-
of which attributable to assets/liabilities held at the reporting date	-	-
Financial result	-1	-372
of which attributable to assets/liabilities held at the reporting date	-1	-98

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. The transfers out of Level 3 into Level 2 comprise commodity futures for which observable quoted prices are now available for measurement purposes due to the decline in their remaining maturities; consequently, no extrapolation is required. There were no transfers between other levels of the fair value hierarchy.

Commodity prices are the key risk variable for the fair value of commodity futures. Sensitivity analyses are used to present the effect of changes in commodity prices on earnings after tax and equity.

If commodity prices for commodity futures classified as Level 3 had been 10% higher (lower) as of December 31, 2015, earnings after tax would have been €6 million (previous year: €20 million) higher (lower) and equity would have been €2 million (previous year: €4 million) higher (lower).

The key risk variable for measuring options on equity instruments held by the Company is the relevant enterprise value. Sensitivity analyses are used to present the effect of changes in risk variables on earnings after tax.

If the assumed enterprise values had been 10% higher, earnings after tax would have been €1 million (previous year: €1 million) higher. If the assumed enterprise values had been 10% lower, earnings after tax would have been €1 million (previous year: €2 million) lower.

Residual value risks result from hedging agreements with dealers under which earnings effects caused by market-related fluctuations in residual values that arise from buy-back obligations under leases are borne in part by the Volkswagen Group.

The key risk variable influencing the fair value of the options relating to residual value risks is used car prices. Sensitivity analyses are used to quantify the effects of changes in used car prices on earnings after tax.

If the prices for the used cars covered by the residual value protection model had been 10% higher as of December 31, 2015, earnings after tax would have been €219 million higher. If the prices for the used cars covered by the residual value protection model had been 10% lower as of December 31, 2015, earnings after tax would have been €219 million lower.

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OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following tables contain information about the effects of offsetting in the balance sheet and the potential financial effects of offsetting in the case of instruments that are subject to a legally enforceable master netting arrangement or a similar agreement.

€ million	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE BALANCE SHEET		Net amount at Dec. 31, 2014
				Financial instruments	Collateral received	
Derivatives	3,598	–	3,598	–1,938	–87	1,572
Financial services receivables	102,574	–299	102,275	–	–31	102,244
Trade receivables	11,576	–104	11,472	0	–305	11,166
Marketable securities	10,861	–	10,861	–	–	10,861
Cash, cash equivalents and time deposits	19,123	–	19,123	–	–	19,123
Other financial assets	14,282	–6	14,276	0	–	14,276

€ million	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE BALANCE SHEET		Net amount at Dec. 31, 2015
				Financial instruments	Collateral received	
Derivatives	4,326	–	4,326	–2,201	–123	2,002
Financial services receivables	110,396	–323	110,073	–	–16	110,057
Trade receivables	11,243	–111	11,132	0	–231	10,901
Marketable securities	15,007	–	15,007	–	–	15,007
Cash, cash equivalents and time deposits	20,871	–	20,871	–	–	20,871
Other financial assets	12,670	–11	12,658	–	–	12,658

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€ million	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE BALANCE SHEET		Net amount at Dec. 31, 2014
				Financial instruments	Collateral pledged	
Put options and compensation rights granted to noncontrolling interest shareholders	3,703	–	3,703	–	–	3,703
Derivatives	5,381	–	5,381	–1,907	–51	3,422
Financial liabilities	133,980	–	133,980	–	–2,081	131,898
Trade payables	19,634	–104	19,530	0	–	19,529
Other financial liabilities	6,522	–306	6,216	–	–	6,216

€ million	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	AMOUNTS THAT ARE NOT SET OFF IN THE BALANCE SHEET		Net amount at Dec. 31, 2015
				Financial instruments	Collateral pledged	
Put options and compensation rights granted to noncontrolling interest shareholders	3,933	–	3,933	–	–	3,933
Derivatives	8,703	–	8,703	–2,178	–12	6,514
Financial liabilities	145,604	–	145,604	–	–3,587	142,018
Trade payables	20,571	–111	20,460	0	–	20,460
Other financial liabilities	7,882	–335	7,547	–	–	7,547

The “Financial instruments” column shows the amounts that are subject to a master netting arrangement but were not set off because they do not meet the criteria for offsetting in the balance sheet. The “Collateral received” and “Collateral pledged” columns show the amounts of cash collateral and collateral in the form of financial instruments received and pledged for the total assets and liabilities that do not meet the criteria for offsetting in the balance sheet.

CHANGES IN CREDIT RISK VALUATION ALLOWANCES ON FINANCIAL ASSETS

€ million	Specific valuation allowances	Portfolio-based valuation allowances	2015	Specific valuation allowances	Portfolio-based valuation allowances	2014
Balance at Jan. 1	2,269	1,665	3,933	2,237	1,433	3,670
Exchange rate and other changes	-115	-6	-121	-8	20	12
Changes in consolidated Group	-19	-4	-23	23	24	48
Additions	702	628	1,330	703	371	1,074
Utilization	356	-	356	396	-	396
Reversals	362	290	652	300	175	475
Reclassification	23	-23	0	8	-8	0
Balance at Dec. 31	2,142	1,970	4,112	2,269	1,665	3,933

The valuation allowances mainly relate to the credit risks associated with the financial services business.

FACTORING AND ASSET-BACKED SECURITIES TRANSACTIONS

The trade receivables include transferred receivables in the total amount of €-million (previous year: €4 million) that were not derecognized in their entirety because the credit risk remains with the Volkswagen Group. The total purchase price received of €-million (previous year: €1 million) is reported in financial liabilities. The fair values of the receivables and liabilities are not materially different to their carrying amounts.

Asset-backed securities transactions amounting to €23,245 million (previous year: €19,301 million) entered into to refinance the financial services business are included in bonds, commercial paper and notes, and liabilities from loans. The corresponding carrying amount of the receivables from the customer and dealer financing and the finance lease business amounted to €26,415 million (previous year: €21,485 million). Collateral of €34,717 million (previous year: €28,192 million) in total was furnished as part of asset-backed securities transactions. The expected payments were assigned to structured entities and the equitable liens in the financed vehicles were transferred. These asset-backed securities transactions did not result in the receivables from financial services business being derecognized, as the Group retains nonpayment and late payment risks. The difference between the assigned receivables and the related liabilities is the result of different terms and conditions and the share of the securitized paper and notes held by the Volkswagen Group itself, as well as the proportion of vehicles financed within the Group.

Most of the public and private asset-backed securities transactions of the Volkswagen Group can be repaid in advance (clean-up call) if less than 9% or 10%, as appropriate, of the original transaction volume is outstanding. The assigned receivables cannot be assigned again or pledged elsewhere as collateral. The claims of the holders of commercial paper and notes are limited to the assigned receivables and the receipts from those receivables are earmarked for the repayment of the corresponding liability.

As of December 31, 2015, the fair value of the assigned receivables still recognized in the balance sheet was €25,161 million (previous year: €22,102 million). The fair value of the related liabilities was €23,000 million (previous year: €19,480 million) at that reporting date.

The Volkswagen Financial Services AG Group is contractually obliged under certain conditions to transfer funds to the structured entities that are included in its consolidated financial statements. Since the receivables are transferred to the special purpose entity by way of undisclosed assignment, the situation may occur in which the receivable has already been reduced in a legally binding manner at the originator, for example if the obligor effectively offsets it against receivables owed to it by a company belonging to the Volkswagen Group. In this case, collateral must be furnished for the resulting compensation claims against the special purpose entity, for example if the rating of the Group company concerned declines to a contractually agreed reference value.