

Volkswagen AG

(CONDENSED, IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE)

Production, unit sales and sales up on 2014 levels.
Emissions issue leads to net loss for the year.

ANNUAL RESULT

Special items relating to the emissions issue, and in particular provisions for technical measures and legal risks, impacted cost of sales (€7.5 billion), selling expenses (€0.8 billion) and the other operating result (€6.7 billion).

In fiscal year 2015, Volkswagen AG's sales were 6.6% higher than in the previous year, at €73.5 billion. Sales generated abroad accounted for a share of 62.1 (62.3)%. Cost of sales increased by 15.9% to €75.7 billion; as a result, gross profit on sales declined to €-2.2 (3.7) billion.

General and administrative expenses in the reporting period amounted to €9.4 billion, up €2.9 billion on the previous year.

At €-7.1 billion, the other operating result was down €8.0 billion year-on-year. The reasons for this include considerably higher provisions for legal and litigation risks.

The financial result increased to €13.8 (6.1) billion, more than doubling compared with 2014. The increase was primarily attributable to higher net investment income.

Volkswagen AG's result from ordinary activities declined to €-4.8 (4.2) billion. After deducting income taxes, the net loss for the year was €-5.5 billion.

INCOME STATEMENT OF VOLKSWAGEN AG

€ million	2015	2014
Sales	73,510	68,971
Cost of sales	-75,693	-65,293
Gross profit on sales	-2,184	3,678
Selling, general and administrative expenses	-9,364	-6,428
Other operating result	-7,084	870
Financial result*	13,813	6,108
Result from ordinary activities	-4,819	4,227
Taxes on income	-697	-1,751
Net loss/net income for the fiscal year	-5,515	2,476
Retained profits brought forward	5	3
Release of/appropriation to revenue reserves	5,580	-180
Net retained profits	69	2,299

* Including write-downs of financial assets.

BALANCE SHEET OF VOLKSWAGEN AG AS OF DECEMBER 31

€ million	2015	2014
Fixed assets	94,919	87,103
Inventories	4,073	3,932
Receivables*	26,563	16,667
Cash-in-hand and bank balances	7,941	8,434
Total assets	133,496	116,135
Equity	24,368	28,483
Special tax-allowable reserves	26	33
Long-term debt	26,973	20,883
Medium-term debt	32,003	28,642
Short-term debt	50,126	38,094

* Including prepaid expenses.

NET ASSETS AND FINANCIAL POSITION

Total assets amounted to €133.5 billion at December 31, 2015, €17.4 billion up on the prior-year figure. At €2.7 (2.8) billion, investments in tangible and intangible assets were on a level with the previous year. Investments in financial assets declined by €9.2 billion to €9.1 (18.2) billion. Fixed assets accounted for a share of 71.1 (75.0)% of total assets.

Current assets (including prepaid expenses) increased by a total of €9.5 billion to €38.6 billion, driven among other factors by lending activities and a significant rise in investment income receivable from affiliated companies.

Equity amounted to €24.4 billion at the end of the reporting period; the €4.1 billion decrease year-on-year was primarily due to the impact on earnings of the emissions issue. The capital increase resulting from the settlement of the mandatory convertible notes had a positive effect. The equity ratio was 18.3 (24.5)%.

Other provisions increased by €15.9 billion year-on-year to a total of €28.6 billion. This is primarily attributable to higher warranty provisions and provisions for legal risks resulting from the diesel issue. Due to intragroup agreements, these provisions also cover risks that arise at other Volkswagen Group brands. Provisions for pensions and similar obligations rose by €1.2 billion to €14.3 billion, primarily due to changes in the discount rate, while provisions for taxes decreased by €0.7 billion to €4.6 billion. The €5.0 billion rise in total liabilities (including deferred income) to €61.5 billion is mainly attributable to higher liabilities to banks.

Volkswagen AG's cash funds, comprising cash instruments with a maturity of less than three months, less bank and cash pooling

liabilities repayable on demand, declined by €1.6 billion year-on-year to €-5.1 billion, due in particular to the expansion of intragroup financing activities.

At €51.4 (48.2) billion, the interest-bearing portion of debt was up on the previous year.

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

DIVIDEND PROPOSAL

Following the release of revenue reserves amounting to €5.6 billion, net retained profits amount to €69.2 million. The Board of Management and Supervisory Board are proposing to pay a total dividend of €67.5 million, i.e. €0.11 per ordinary share and €0.17 per preferred share.

PROPOSAL ON THE APPROPRIATION OF NET PROFIT

€	2015
Dividend distribution on subscribed capital (€1,283 million)	67,514,805.63
of which on: ordinary shares	32,459,879.98
preferred shares	35,054,925.65
Balance (carried forward to new account)	1,693,492.67
Net retained profits	69,208,298.30

EMPLOYEE PAY AND BENEFITS AT VOLKSWAGEN AG

€ million	2015	%	2014	%
Direct pay including cash benefits	7,126	71.8	7,292	73.6
Social security contributions	1,227	12.4	1,234	12.5
Compensated absence	1,108	11.2	1,022	10.3
Retirement benefits	461	4.6	359	3.6
Total expense	9,922	100.0	9,907	100.0

VEHICLE SALES

Volkswagen AG sold a total of 2,676,629 vehicles in fiscal year 2015, up 2.3% on the previous year. The proportion of vehicles sold outside Germany was 69.4 (69.3)%.

PRODUCTION

Volkswagen AG produced a total of 1,255,771 vehicles at its vehicle production plants in Wolfsburg, Hanover and Emden in the reporting period, up 2.0% year-on-year. Volkswagen AG's average daily production was up on the previous year, at 5,279 units.

EMPLOYEES

As of December 31, 2015, a total of 114,066 people were employed at the sites of Volkswagen AG, excluding staff employed at subsidiaries. Of this figure, 5,055 were vocational trainees. 3,373 employees were in the passive phase of their partial retirement. The workforce grew by 1.3% as against the prior-year reporting date.

Female employees accounted for 16.6% of the workforce. Volkswagen AG employed 4,255 part-time workers (3.7%). The percentage of foreign employees was 6.0%. The proportion of employees in the production area who have completed vocational training relevant for Volkswagen was 83.3%. 18.4% of the employees were graduates. The average age of employees in fiscal year 2015 was 42.9 years.

RESEARCH AND DEVELOPMENT

Research and development costs for Volkswagen AG under the German Commercial Code amounted to €5.3 (4.9) billion in 2015. 12,342 people were employed in this area at the end of the reporting period.

PURCHASING VOLUME

The purchasing volume across the six Volkswagen AG sites in Germany totaled €28.0 (27.2) billion in fiscal year 2015; the proportion attributable to German suppliers was 65.9 (67.7)%. Of the total purchasing volume, €22.6 billion was spent on production materials and €5.4 billion on capital goods and services.

EXPENDITURE ON ENVIRONMENTAL PROTECTION

Expenditure on environmental protection measures is split between investments and operating costs for production-related environmental protection. Of our total investments, only those that are spent exclusively or primarily on environmental protection are included in environmental protection investments. We distinguish here between additive and integrated investments. Additive environmental protection measures are separate investments that are independent of other investments relating to the production process. They can be upstream or downstream of the production process. In contrast to additive environmental protection measures, the environmental impact is already reduced during the product development phase in the case of integrated measures. In 2015 we invested primarily in water pollution control and air pollution control.

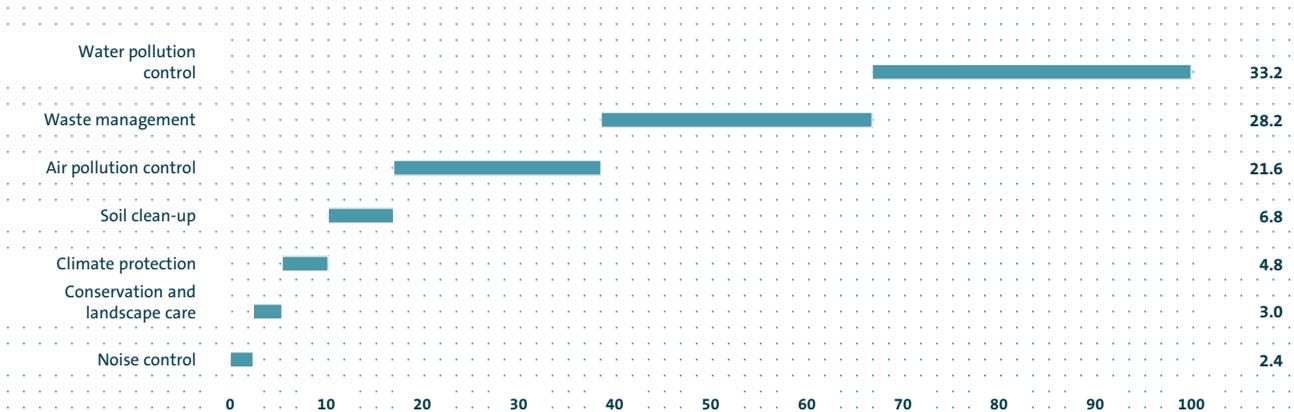
The operating costs recognized for environmental protection relate exclusively to production-related measures that protect the environment against harmful factors by avoiding, reducing, or eliminating emissions by the Company. Resources are also conserved. For example, these include expenditures incurred to operate equipment that protects the environment as well as expenditures for measures not relating to such equipment. Our focus in 2015 was on water pollution control, waste management and air pollution control.

VOLKSWAGEN AG EXPENDITURE ON ENVIRONMENTAL PROTECTION

€ million	2015	2014	2013	2012	2011
Investments	21	19	14	9	18
Operating costs	244	226	224	216	200

OPERATING COSTS FOR ENVIRONMENTAL PROTECTION AT VOLKSWAGEN AG 2015

Share of environmental protection areas in percent



BUSINESS DEVELOPMENT RISKS AND OPPORTUNITIES AT VOLKSWAGEN AG

The business development of Volkswagen AG is exposed to essentially the same risks and opportunities as the Volkswagen Group. These risks and opportunities are explained in the Report on Risks and Opportunities on pages 170 to 187 of this annual report.

RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risks for Volkswagen AG arising from the use of financial instruments are generally the same as those to which the Volkswagen Group is exposed. An explanation of these risks can be found on pages 185 to 186 of this annual report.

DEPENDENT COMPANY REPORT

The Board of Management of Volkswagen AG has submitted to the Supervisory Board the report required by section 312 of the AktG and issued the following concluding declaration:

“We declare that, based on the circumstances known to us at the time when the transactions with affiliated companies within the meaning of section 312 of the German Stock Corporation Act (AktG) were entered into, our Company received appropriate consideration for each transaction. No transactions with third parties or measures were either undertaken or omitted on the instructions of or in the interests of Porsche or other affiliated companies in the reporting period.”