

## Income Statement Disclosures

Prior-year figures in the income statement disclosures refer to restated figures.

### [ 1 ] SALES REVENUE

#### STRUCTURE OF GROUP SALES REVENUE

€ million	2006	2005
Vehicles	83,342	74,294
Genuine parts	6,235	5,961
Other sales revenue	7,669	6,427
Rental and leasing business	4,457	4,350
Interest and similar income from financial services business	3,172	2,964
	<b>104,875</b>	<b>93,996</b>

For segment reporting purposes, the sales revenue of the Group is presented by division and market.

### [ 2 ] COST OF SALES

Cost of sales includes interest expenses of €2,147 million (previous year: €1,780 million) attributable to the financial services business.

### [ 3 ] OTHER OPERATING INCOME

€ million	2006	2005
Income from reversal of valuation allowances on receivables and other assets	265	371
Income from reversal of provisions and accruals	942	1,052
Income from realized foreign currency hedging derivatives	370	257
Income from foreign exchange gains	649	698
Income from sale of promotional material	199	179
Income from cost allocations	864	812
Income from investment property	60	63
Gains on asset disposals	124	102
Miscellaneous other operating income	1,241	863
	<b>4,714</b>	<b>4,397</b>

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. Miscellaneous other operating income includes income from the sale of companies amounting to €320 million.

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#### [ 4 ] OTHER OPERATING EXPENSES

€ million	2006	2005
Valuation allowances on receivables and other assets	595	811
Realized losses from derivative currency hedging instruments	582	396
Foreign exchange losses	755	628
Expenses from cost allocations	277	224
Expenses for termination agreements	1,801	59
Miscellaneous other operating expenses	1,058	1,151
	<b>5,068</b>	<b>3,269</b>

#### [ 5 ] SHARE OF PROFITS AND LOSSES OF GROUP COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

€ million	2006	2005
Share of profits of Group companies accounted for using the equity method	390	267
of which from: joint ventures	(271)	(174)
associates	(119)	(93)
Share of losses of Group companies accounted for using the equity method	17	189
of which from: joint ventures	(5)	(188)
associates	(12)	(1)
	<b>373</b>	<b>78</b>

#### [ 6 ] FINANCE COSTS

€ million	2006	2005
Other interest and similar expenses	864	816
Interest cost included in lease payments	8	8
<b>Interest expenses</b>	<b>872</b>	<b>824</b>
Interest component of additions to pension provisions	553	560
Interest cost on other liabilities	161	147
<b>Interest cost on liabilities</b>	<b>714</b>	<b>707</b>
<b>Finance costs</b>	<b>1,586</b>	<b>1,531</b>

## [ 7 ] OTHER FINANCIAL RESULT

€ million	2006	2005
Income from profit and loss transfer agreements	13	16
Cost of loss absorption	12	1
Other income from equity investments	29	11
Other expenses from equity investments	100	51
Income from securities and loans	243	220
Other interest and similar income	666	421
Gains from fair value remeasurement of ineffective hedging derivatives	302	116
Gains from fair value remeasurement of assets and liabilities	45	32
Losses from fair value remeasurement of ineffective hedging derivatives	152	221
Losses from fair value remeasurement of assets and liabilities	37	7
<b>Other financial result</b>	<b>997</b>	<b>536</b>

Gains and losses on hedged items and the related hedging derivatives within the meaning of IAS 39 are presented net in Gains and losses from the fair value remeasurement of ineffective hedging derivatives. These items also contain income and expenses from the ineffective portion of otherwise effective hedges, and from changes in the fair value of derivatives that do not qualify for hedge accounting under IAS 39. In addition, these items contain income and expenses from changes in the fair value of derivatives used for intragroup hedged items.

## [ 8 ] INCOME TAX EXPENSE

## COMPONENTS OF TAX INCOME AND EXPENSE

€ million	2006	2005
Current tax income/expense, Germany	- 458	355
Current tax expense, abroad	795	630
<b>Current tax expense</b>	<b>337</b>	<b>985</b>
of which prior period income	(84)	(76)
Income from reversal of tax provisions	- 125	- 140
<b>Current income tax expense</b>	<b>212</b>	<b>845</b>
Deferred tax income, Germany	- 416	- 203
Deferred tax expense/income, abroad	42	- 71
<b>Deferred tax income</b>	<b>- 374</b>	<b>- 274</b>
<b>Income tax income/expense from continuing operations</b>	<b>- 162</b>	<b>571</b>
Income tax expense from discontinued operations	30	31
<b>Income tax income/expense</b>	<b>- 132</b>	<b>602</b>

The statutory corporation tax rate in Germany for the 2006 assessment period was 25%. This resulted in an aggregate tax rate, including trade tax and the solidarity surcharge, of 38.3%. In fiscal year 2006, deferred taxes were generally measured at a tax rate of 38.3%. The local income tax rates applied for companies outside Germany vary between 0% and 42.0%. 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 2006 by €247 million (previous year: €151 million).

Previously unused tax loss carryforwards amounted to €3,104 million (previous year: €3,758 million). Tax loss carryforwards amounting to €1,598 million (previous year: €1,810 million) can be used indefinitely, while €277 million (previous year: €222 million) must be used within the next ten years. There are additional tax loss carryforwards amounting to €1,229 million (previous year: €1,725 million) that can be used within a period of 15 to 20 years. Tax loss carryforwards of €1,063 million (previous year: €607 million) are estimated not be usable.

The increase in tax loss carryforwards estimated not to be usable resulted primarily from the tax position of the US and Brazilian companies.

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 €141 million (previous year: €303 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.

No deferred tax assets were recognized for deductible temporary differences of €51 million in the previous year. No deferred tax assets were recognized for tax credits of €206 million (previous year: €206 million).

Deferred tax expenses resulting from changes in tax rates amounted to €22 million (previous year: deferred tax income of €10 million).

€596 million (previous year: €1,182 million) of the deferred taxes recognized in the balance sheet was taken directly to equity without being recognized in the income statement. Recognition of actuarial gains or losses directly in equity in accordance with IAS 19 resulted in a decrease in equity from the recognition of deferred taxes of €116 million in 2006 (previous year: increase of €469 million). Changes in deferred taxes on reserves for cash flow hedges decreased equity by €449 million (previous year: increase by €194 million). The deferred taxes required to be recognized on the fair value measurement of securities reduced equity by €15 million (previous year: €76 million).

#### CORPORATION TAX CREDIT

The Gesetz über steuerliche Begleitmaßnahmen zur Einführung der Europäischen Gesellschaft und zur Änderung weiterer steuerrechtlicher Vorschriften (SEStEG – Act on Fiscal Measures Accompanying the Introduction of the Societas Europaea and on Amending Further Tax Provisions) published in the Federal Law Gazette on December 12, 2006 revised the treatment of corporation tax credits. As the law previously stood, the annual realization of these tax credits was linked to dividend payments and thus to future events. The credits could thus only be recognized in the consolidated financial statements as a receivable at a proportionate annual amount (previous year: €75 million).

The SEStEG now stipulates that the corporation tax credit will be refunded irrespective of dividend payments. The recoverable amounts will thus be paid out in ten equal annual amounts between 2008 and 2017; the full amount of the refund became recoverable as of December 31, 2006 and does not bear interest.

The unconditional claim for refund not linked to any dividend payments was recognized as a current tax asset within the meaning of IAS 1.68 (m) and in the income statement. The present value of the recoverable corporation tax was €951 million at the balance sheet date.

#### 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, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
Intangible assets	220	145	2,159	2,283
Property, plant and equipment, and leasing and rental assets	4,792	4,519	2,641	3,116
Noncurrent financial instruments	189	173	6	48
Inventories	183	164	143	107
Receivables and other assets (including Financial Services Division)	575	824	5,703	5,158
Other current assets	17	28	66	84
Pension provisions	1,927	2,065	1	6
Other provisions	2,582	2,004	146	104
Liabilities	1,538	1,639	952	543
Tax loss carryforwards	646	1,058	0	0
Valuation allowances on deferred tax assets	0	-2	0	0
<b>Gross value</b>	<b>12,669</b>	<b>12,617</b>	<b>11,817</b>	<b>11,449</b>
of which noncurrent	(9,085)	(8,691)	(8,215)	(8,600)
Offset	10,365	10,608	10,365	10,608
Consolidation	734	863	702	781
<b>Amount recognized</b>	<b>3,038</b>	<b>2,872</b>	<b>2,154</b>	<b>1,622</b>

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 income from continuing operations of €162 million reported for 2006 (previous year: expense of €571 million) was €848 million (previous year: €50 million) lower than the expected tax expense of €686 million that would have resulted from application of a tax rate applicable to undistributed profits of 38.3% to the profit before tax of the Group.

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## RECONCILIATION OF EXPECTED TO EFFECTIVE INCOME TAX

€ million	2006	2005
Profit before tax from continuing operations	1,793	1,621
<b>Expected income tax expense (tax rate 38.3%; previous year: 38.3%)</b>	<b>686</b>	<b>621</b>
Reconciliation:		
Effect of different tax rates outside Germany	- 489	- 183
Proportion of taxation relating to:		
tax-exempt income	- 106	- 146
expenses not deductible for tax purposes	214	237
effects of loss carryforwards and tax credits	228	- 7
temporary differences for which no deferred taxes were recognized	290	119
Tax credits	- 1,081	- 62
Prior-period current tax expense	9	- 24
Effect of tax rate changes	22	10
Other taxation changes	65	6
<b>Effective income tax income/expense from continuing operations</b>	<b>- 162</b>	<b>571</b>
Effective tax rate from continuing operations (%)	-	35.2

## [ 9 ] 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. The fifth, sixth and seventh tranches of the stock option plan were dilutive.

Quantity	Ordinary		Preferred	
	2006	2005	2006	2005
Weighted average number of shares outstanding – basic	282,525,488	279,126,053	105,238,280	105,238,280
Dilutive potential ordinary shares from the stock option plan	1,998,986	-	-	-
Weighted average number of shares outstanding – diluted	284,524,474	279,126,053	105,238,280	105,238,280

€ million	2006	2005
Profit after tax	2,750	1,120
Minority interests	1	0
Profit attributable to shareholders of Volkswagen AG	2,749	1,120
Basic earnings attributable to ordinary shares	1,998	809
of which from: continuing operations	1,420	758
discontinued operations	578	51
Basic earnings attributable to preferred shares	751	311
of which from: continuing operations	534	291
discontinued operations	217	20
Diluted earnings attributable to ordinary shares	2,002	809
of which from: continuing operations	1,423	758
discontinued operations	579	51
Diluted earnings attributable to preferred shares	747	311
of which from: continuing operations	531	291
discontinued operations	216	20

€	2006	2005
Basic earnings per ordinary share	7.07	2.90
of which from: continuing operations	5.03	2.71
discontinued operations	2.04	0.19
Basic earnings per preferred share	7.13	2.96
of which from: continuing operations	5.07	2.77
discontinued operations	2.06	0.19
Diluted earnings per ordinary share	7.04	2.90
of which from: continuing operations	5.00	2.71
discontinued operations	2.04	0.19
Diluted earnings per preferred share	7.10	2.96
of which from: continuing operations	5.05	2.77
discontinued operations	2.05	0.19