VOLKSWAGEN

AKTIENGESELLSCHAFT

Annual Financial Statements for the Period Ended December 31, 2007

Balance Sheet

Income Statement

Notes to the Annual Financial Statements

Balance Sheet of Volkswagen AG as of December 31, 2007

€ million		Note	Dec. 31, 2007	Dec. 31, 2006
Assets				
Fixed assets		**1**		
Intangible assets			210	243
Tangible assets			3,956	4,666
Long-term financial assets			22,906	18,674
			27,072	**23,583**
Current assets				
Inventories		2	3,189	2,785
Receivables and other assets		3	12,184	10,641
Securities		4	1,343	2,378
Cash-in-hand and bank balances			4,590	6,193
			21,306	**21,997**
Prepaid expenses			**54**	**22**
Total assets			**48,432**	**45,602**
Equity and Liabilities				
Equity				
Subscribed capital		5	1,015	1,004
Ordinary shares	746			
Preferred shares	269			
Contingent capital	116			
Capital reserves		6	5,142	4,942
Revenue reserves		7	4,522	3,802
Net retained profits			745	506
			11,424	**10,254**
Special tax-allowable reserves		**8**	**75**	**81**
Provisions		**9**	**21,336**	**18,849**
Liabilities		**10**	**15,595**	**16,418**
Deferred income			**2**	**–**
Total equity and liabilities			**48,432**	**45,602**

Consolidated Financial Statements
Notes to the Consolidated Financial Statements
Responsibility Statement
Auditors' Report
> Annual Financial Statements
Notes to the Annual Financial Statements
Responsibility Statement
Auditors' Report

Income Statement of Volkswagen AG for the Period January 1 to December 31, 2007

€ million	**Note**	**2007**	**2006**
Sales	**11**	**55,218**	**53,036**
Cost of sales		53,652	54,238
Gross profit on sales		**+1,566**	**–1,202**
Selling expenses		3,226	3,377
General and administrative expenses		637	602
Other operating income	12	3,443	2,844
Other operating expenses	13	2,134	1,669
Financial result	14	+4,185	+5,216
Write-downs of long-term financial assets and securities classified as current assets		386	1,165
Result from ordinary activities		**+2,811**	**+45**
Taxes on income		1,356	–900
Net income for the year		**1,455**	**945**

Notes to the Annual Financial Statements of Volkswagen AG for the Period ended December 31, 2007

Financial statements in accordance with the German Commercial Code

The annual financial statements of Volkswagen AG have been prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and comply with the provisions of the Aktiengesetz (AktG – German Stock Corporation Act).

To enhance the clarity of presentation, we have combined individual items of the balance sheet and the income statement. These items are disclosed separately in the notes. The income statement uses the cost of sales (function of expense) format to enable better international comparability.

Volkswagen AG is a vertically integrated energy company within the meaning of section 3 no. 38 of the Energiewirtschaftsgesetz (EnWG – German Energy Industry Act) and is therefore subject to the provisions of the EnWG. In the electricity sector, both Volkswagen AG and a subsidiary carry out the functions of generation and sales as well as electricity distribution. To prevent discrimination and cross-subsidies, separate accounts must as a rule be maintained for these functions in accordance with section 10(3) of the EnWG. In addition, a balance sheet and income statement that comply with the provisions contained in section 10(1) of the EnWG must be prepared for each area of activity. (Unbundling requirement in internal accounting systems). As Volkswagen AG's electricity distribution activities (site network) do not serve the purpose of general provision and are also extremely insignificant, Volkswagen AG has not reported these activities separately and has limited itself to preparing a separate presentation of its other activities within the electricity sector in accordance with the purpose of the EnWG to prevent discrimination and cross-subsidies.

The list of all shareholdings can be downloaded from the electronic companies register at www.unternehmensregister.de and from www.volkswagenag.com/ir under the heading "Mandatory Publications" and the menu item "Annual Reports".

Declaration on the German Corporate Governance Code in accordance with section 161 of the AktG/section 285 no. 16 of the HGB

The Board of Management and Supervisory Board of Volkswagen AG issued the declaration of conformity in accordance with section 161 of the AktG on December 20, 2007.

The declaration of conformity has been made permanently available at www.volkswagenag.com/ir

Significant events in the fiscal year

As part of the continued realignment of our foreign equity investments, we contributed the shares in the subsidiaries Škoda and VW Group Rus at their fair values amounting to a total of €924 million to our intermediate holding company in the Netherlands. This generated a book gain of €69 million, which was reported in other income from investments.

In the course of the restructuring of our equity investments in Brazil, the Truck & Bus division was spun off from VW do Brasil and contributed at its fair value of €496 million to the newly formed VW Caminhões e Ônibus. The attributable gross book value and the write-down recognized in previous years were recorded as disposals.

In addition, the financial services activities in Brazil were restructured and bundled together in VW Financial Services.

Our equity investment in the Belgian company VW Group Services was increased by €1,150 million.

A further €840 million was invested in long-term investments.

Accounting policies

In most cases, the accounting policies applied in the previous year were retained. Any changes in specific instances are individually addressed in the following.

Intangible assets are carried at cost and amortized over three to five years using the straight-line method. Grants paid for third-party assets are capitalized as purchased rights to use and amortized over five years.

Tangible assets are carried at cost and reduced by depreciation. Investment grants are deducted from cost.

Production costs are recognized on the basis of directly attributable material and labor costs, as well as proportionate indirect material and labor costs, including depreciation and amortization. Administrative cost components are not included.

Depreciation is based primarily on the following useful lives derived from the official tax depreciation tables:

> Buildings:	25 – 50 years
> Leasehold improvements:	10 – 25 years
> Technical equipment and machinery:	5 – 12 years
> Operating and office equipment (including special tools and devices):	3 – 14 years

To the extent allowed by tax law, depreciation of movable items of tangible assets is initially charged using the declining balance method, and subsequently using the straight-line method, and also reflects the use of assets in multi-shift operation.

Additions of movable assets are depreciated ratably in the year of acquisition.

Low-value assets are written off in full in the year of acquisition and derecognized. In addition, certain items of operating and office equipment with individual purchase costs of up to €1,500 are treated as disposals when their standard useful life has expired.

The differences between the carrying amounts required by the HGB and the lower carrying amounts allowed under tax law are recorded in the special tax-allowable reserves presented between equity and liabilities in the balance sheet.

Shares in affiliated companies and other equity investments are carried at the lower of cost and net realizable value.

Long-term investments are carried at cost.

Non- or low-interest-bearing loans are carried at their present value; other loans are carried at their principal amount.

Raw materials, consumables and supplies, and merchandise, carried in inventories are measured at the lower of average cost and replacement cost.

In addition to direct materials and direct labor costs, the carrying amount of work in progress also includes proportionate indirect materials and labor costs, including depreciation in the amount required under tax law.

Adequate valuation allowances take account of all identifiable storage and inventory risks.

Receivables and other assets are carried at their principal amounts. Valuation allowances are recognized for identifiable specific risks.

Receivables due after more than one year are carried at their present value at the balance sheet date by applying an interest rate to match the maturity.

Receivables denominated in foreign currencies are translated at the exchange rate prevailing at the date of initial recognition. A lower exchange rate at the balance sheet date results in the remeasurement of the receivable at a lower carrying amount, with the difference recognized in the income statement; higher exchange rates at the balance sheet date (remeasurement gains) are not recognized. Hedged receivables are not remeasured at the closing rate.

Purchased foreign currency and interest rate options are carried at the lower of cost or fair value until maturity.

Securities classified as current assets are carried at the lower of cost or fair value.

Adequate provisions are recognized for identifiable risks and uncertain obligations on the basis of prudent business judgment. Provisions cover all identifiable risks of future settlement.

Provisions for pensions and similar obligations are carried at the actuarial present value computed using the German entry age normal method and reflect current mortality tables. A discount rate of 5.5% was used for the first time in 2007. The previous discount rate was 6%. This change in the discount rate, which reflects current market developments, reduced earnings by €495 million in the fiscal year.

Since fiscal year 2001, pension obligations relating to employees covered by collective wage agreements have been linked to a pension fund model.

Provisions for jubilee payments are discounted at 5.5% per annum, reflecting tax recognition and measurement provisions.

Provisions for obligations under partial retirement arrangements are discounted to the present value at a real discount rate of 3.2%.

Provisions for warranty obligations are recognized on the basis of the historical or estimated probability of claims affecting vehicles delivered.

Currency forwards are measured by comparing the agreed rate with the forward rate for the same maturity at the balance sheet date. A provision is recognized for any resulting unrealized loss. Any positive gains (remeasurement gains) are not recognized. Gains and losses are not offset. Measurement gains or losses are discounted to the present value.

Liabilities are carried at their redemption or settlement amount.

Liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of initial recognition. A higher exchange rate at the balance sheet date results in the remeasurement of the receivable at a higher carrying amount, with the difference recognized in the income statement. Lower exchange rates at the balance sheet date (remeasurement gains) are not recognized.

The amount of contingent liabilities disclosed corresponds to the liable amount.

In the income statement, the allocation of expenses to the cost of sales, selling and general and administrative functions is based on cost accounting principles.

Cost of sales contains all expenses relating to the purchase of materials and the production function, the costs of merchandise, the cost of research and development, and warranties and product liability expenses.

Selling expenses include personnel and non-personnel operating costs of our sales and marketing activities, as well as shipping, advertising, sales promotion, market research and customer service costs.

General and administrative expenses include personnel and non-personnel operating costs of the administrative functions.

Other taxes are allocated to the consuming functions.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rates prevailing at the transaction dates or at agreed exchange rates. Expected exchange rate losses at the balance sheet date are reflected in the measurement of the items. Equity investments are translated at the rate prevailing at the date of acquisition.

To hedge future cash flows – primarily from expected future sales, purchases of materials and credit transactions – against currency and interest rate fluctuations, Volkswagen AG uses derivatives such as currency forwards and options, including structured options, as well as interest-rate hedges, such as caps. Such transactions are measured in accordance with the imparity principle (under which expected or unrealized losses must be recognized, but the recognition of unrealized gains is prohibited). Assets or liabilities hedged by cross-currency swaps and currency forwards are translated at the contractually agreed rates at the time of initial recognition.

Balance Sheet Disclosures

(1) FIXED ASSETS

The classification of the assets combined in the balance sheet and their changes during the year are presented on pages 272 to 273. The carrying amount of fixed assets is €27,072 million at the balance sheet date. Fixed assets are composed of intangible assets, tangible assets and long-term financial assets.

Capital expenditures amounted to:

€ million	2007	2006
Intangible assets	53	74
Tangible assets	1,058	869
Long-term financial assets	6,841*	7,796
Total	7,952	8,739

* including €1,848 million of additions relating to the contribution of further shares in affiliated companies via Volkswagen International Finance N.V. to Global Automotive C.V., Amsterdam, our intermediate holding company for our foreign equity investments. A further €834 million relates to the restructuring of our equity investment in Brazil.

Depreciation, amortization and write-downs were charged on:

€ million	**2007**	**2006**
Intangible assets	87	84
Tangible assets	1,742	1,940
Long-term financial assets	364	1,165
Total	2,193	3,189

As well as the above-mentioned restructuring measures, the additions to shares in affiliated companies and other equity investments primarily relate to capital contributions at VW Group Services S.A., VW Financial Services AG, AUDI AG and VW of America, the purchase of shares in MAN AG and Scania AB as well as newly formed companies in India and Russia.

Most of the disposals of shares in affiliated companies result from the contribution of companies to the Dutch intermediate holding company and from the restructuring in Brazil.

Volkswagen AG invested a further €840 million in long-term investments in 2007.

Long-term investments also include bonds issued by an affiliated company in the amount of €1 million. They also include the shares in securities investment funds held by Volkswagen Pension Trust e. V. in trust for Volkswagen AG amounting to €1,865 million. These represent the values of employee Time Assets transferred to the Pension Trust and the contribution of the annual benefit expense to the pension fund.

Reversals of write-downs of long-term financial assets relate almost exclusively to the carrying amount of the investment in VW do Brasil.

STATEMENT OF CHANGES IN FIXED ASSETS OF VOLKSWAGEN AG

	Gross carrying amounts				
	Cost Jan. 1, 2007	Additions	Transfers	Disposals	Cost Dec. 31, 2007
€ million					
Intangible assets					
Concessions, industrial and similar rights and assets and licenses in such rights and assets	500	53	1	20	534
	500	**53**	**1**	**20**	**534**
Tangible assets					
Land, land rights and buildings and buildings on third-party land	4,454	24	6	7	4,477
Technical equipment and machinery	9,590	245	86	371	9,550
Other equipment, operating and office equipment	13,057	542	86	429	13,256
Payments on account and assets under construction	236	247	–179	8	296
	27,337	**1,058**	**–1**	**815**	**27,579**
Long-term financial assets					
Shares in affiliated companies	13,258	5,067*	0	2,638*	15,687
Loans to affiliated companies	138	21	–	2	157
Other equity investments	4,587	913	0	101	5,399
Loans to other investees and investors	7	0	–	0	7
Long-term investments	2,773	840	–	30	3,583
Other loans	79	–	–	0	79
	20,842	**6,841**	**–**	**2,771**	**24,912**
Total fixed assets	**48,679**	**7,952**	**–**	**3,606**	**53,025**

* Thereof from the transfer to Global Mobility Holding: additions €1,848 million, disposals €1,779 million.

	Depreciation, amortization and write-downs						Carrying amounts Dec. 31, 2007	Carrying amounts Dec. 31, 2006
	Cumulative depreciation, amortization and write-downs Jan. 1, 2007	Depreciation, amortization and write-downs in current year	Disposals	Transfers	Reversals of write-downs	Cumulative depreciation, amortization and write-downs Dec. 31, 2007		
	257	87	21	1	–	324	210	243
	257	**87**	**21**	**1**	**–**	**324**	**210**	**243**
	3,293	103	4	−2	–	3,390	1,087	1,161
	8,664	439	366	0	–	8,737	813	926
	10,714	1,200	419	1	–	11,496	1,760	2,343
	–	–	–	–	–	–	296	236
	22,671	**1,742**	**789**	**−1**	**–**	**23,623**	**3,956**	**4,666**
	2,000	364	154	–	372	1,838	13,849	11,258
	0	–	–	–	0	0	157	138
	166	–	–	–	–	166	5,233	4,421
	2	–	0	–	0	2	5	5
	–	–	–	–	–	–	3,583	2,773
	0	–	0	–	0	0	79	79
	2,168	**364**	**154**	**–**	**372**	**2,006**	**22,906**	**18,674**
	25,096	**2,193**	**964**	**–**	**372**	**25,953**	**27,072**	**23,583**

(2) INVENTORIES

€ million	Dec. 31, 2007	Dec. 31, 2006
Raw materials, consumables and supplies	554	506
Work in progress	637	552
Finished goods and merchandise	1,939	1,718
Payments on account	59	9
	3,189	**2,785**

(3) RECEIVABLES AND OTHER ASSETS

€ million	Dec. 31, 2007	Dec. 31, 2006
Trade receivables	1,143	1,118
due after more than one year	(–)	(0)
Receivables from affiliated companies	8,429	7,031
thereof trade receivables	(1,121)	(952)
due after more than one year	(1,483)	(811)
Receivables from other investees and investors	319	305
thereof trade receivables	(166)	(69)
due after more than one year	(–)	(15)
Other assets	2,293	2,187
due after more than one year	(1,093)	(1,133)
	12,184	**10,641**

In addition to trade receivables, receivables from affiliated companies are composed primarily of receivables relating to profit distributions, including income tax allocations, and short- and medium-term loans.

Other assets primarily include tax and cost reimbursements that are not yet due (€1,480 million and €210 million respectively), rights from foreign currency option transactions entered into (€93 million) and deferred interest receivables (€20 million).

(4) SECURITIES

€ million	Dec. 31, 2007	Dec. 31, 2006
Other securities	1,343	2,378
	1,343	**2,378**

(5) SUBSCRIBED CAPITAL

The subscribed capital of Volkswagen AG is composed of no-par value bearer shares with a notional value of €2.56 each.

Because of the capital increase implemented in fiscal year 2007 due to the exercise of conversion rights from the fourth, fifth, sixth and seventh tranches of the stock option plan, the subscribed capital increased by a total of €11 million to €1,015 million.

The subscribed capital is composed of 291,337,267 no-par value ordinary shares and 105,238,280 preferred shares.

The Annual General Meeting on May 3, 2006 resolved to create authorized capital of up to €90 million, expiring on May 2, 2011, to issue new no-par value ordinary bearer shares. According to the resolution adopted by the Annual General Meeting on April 22, 2004, further authorized capital of up to €400 million has been created that expires on April 21, 2009.

There is also contingent capital of €100 million to issue up to 39,062,500 ordinary and/or preferred shares. This contingent capital will only be implemented to the extent that the holders of convertible bonds issued up to April 21, 2009 exercise their conversion rights.

Stock option plan

The Board of Management, with the consent of the Supervisory Board, exercised the authorization given by the Annual General Meeting on April 16, 2002 to implement a stock option plan. Contingent capital of €16.5 million was created for this purpose. The contingent capital increase will only be implemented to the extent that the holders of convertible bonds issued on the basis of the authorization by the Annual General Meeting to establish a stock option plan exercise their conversion rights.

The stock option plan entitles the optionees – the Board of Management, Group senior executives and management, as well as employees of Volkswagen AG covered by collective pay agreements – to purchase options on shares of Volkswagen AG by subscribing for convertible bonds at a price of €2.56 each. Each bond is convertible into ten ordinary shares.

The stock options are not accounted for until the exercise date. The conversion price then received for the new shares is credited to subscribed capital or capital reserves.

The conversion prices and periods following expiration of the first three tranches are shown in the following table. The information on the fourth tranche is presented as data for fiscal year 2007, although this tranche has now also expired.

€	4th tranche	5th tranche	6th tranche	7th tranche	8th tranche
Base conversion price per share	51.52	36.54	38.68	37.99	58.18
Conversion price					
as from June 19, 2004	56.67				
as from publication of interim report for Jan. – Sept. 2004	59.25				
as from July 12, 2005		40.19			
as from publication of interim report for Jan. – Sept. 2005	61.82	42.02			
as from July 10, 2006			42.55		
as from publication of interim report for Jan. – Sept. 2006	64.40	43.85	44.48		
as from July 9, 2007				41.79	
as from publication of interim report for Jan. – Sept. 2007		45.68	46.42	43.69	
as from July 8, 2008					64.00
as from publication of interim report for Jan. – Sept. 2008			48.35	45.59	66.91
as from publication of interim report for Jan. – Sept. 2009				47.49	69.82
as from publication of interim report for Jan. – Sept. 2010					72.73
Beginning of conversion period	June 19, 2004	July 12, 2005	July 10, 2006	July 9, 2007	July 8, 2008
End of conversion period	June 11, 2007	July 4, 2008	July 2, 2009	July 1, 2010	June 30, 2011

The total value at December 31, 2007 of the convertible bonds issued at €2.56 per convertible bond was €964,648.96 (= 376,816 bonds), conveying the right to purchase 3,768,160 ordinary shares. The liabilities from convertible bonds are recognized under other liabilities. In fiscal year 2007, 11,503 convertible bonds with a value of €29,447.68 were returned by employees who have since left the Company. 435,720 conversion rights from the fourth, fifth, six and seventh tranches with a nominal value of €1,115,443.20 have been exercised. 4,357,200 shares with a notional value of €11,154,432.00 were thus issued.

Changes in the rights to stock options granted (fifth to eighth tranches) are shown in the following table:

	Nominal value of convertible bonds	Number of conversion rights	Number of potential ordinary shares
	€	Rights	Shares
Balance at Jan. 1, 2007	**2,109,539.84**	**824,039**	**8,240,390**
Exercised in the fiscal year	1,115,443.20	435,720	4,357,200
Returned in the fiscal year	29,447.68	11,503	115,030
Balance at Dec. 31, 2007	**964,648.96**	**376,816**	**3,768,160**

(6) CAPITAL RESERVES

€ million	Dec. 31, 2007	Dec. 31, 2006
	5,142	**4,942**

The capital reserves comprise the share premium of a total of €4,816 million from the capital increases, the share premium of €219 million from the issue of bonds with warrants, and an amount of €107 million appropriated on the basis of the capital reduction implemented in the previous fiscal year. The share premium from the capital increase resulting from the exercise of conversion rights from the stock option plan increased the capital reserves by €200 million in fiscal year 2007. No amounts were withdrawn from the capital reserves.

(7) REVENUE RESERVES

€ million	Dec. 31, 2007	Dec. 31, 2006
Legal reserve	31	31
Other revenue reserves	4,491	3,771
	4,522	**3,802**

In accordance with section 58(2) of the AktG, a total of €720 million was appropriated from net income for the year to other revenue reserves.

(8) SPECIAL TAX-ALLOWABLE RESERVES

€ million	Dec. 31, 2007	Dec. 31, 2006
Tax-free reserves	0	–
Accelerated tax depreciation	75	81
	75	**81**

The accelerated tax depreciation at Volkswagen AG relates to write-downs in accordance with section 3(2) of the Zonenrandförderungs-Gesetz (German Zonal Border Development Act), section 6b of the Einkommensteuergesetz (EStG – German Income Tax Act)/section 35 of the Einkommensteuerrichtlinien (EStR – German Income Tax Regulations), section 7d of the EStG and section 82d of the Einkommensteuer-Durchführungsverordnung (EStDV – German Income Tax Implementing Order).

There is a small amount of tax-free reserves in accordance with section 6b of the EStG and section 35 of the EStR.

(9) PROVISIONS

€ million	Dec. 31, 2007	Dec. 31, 2006
Provisions for pensions and similar obligations	8,850	8,019
Provisions for taxes	3,077	2,067
Other provisions	9,409	8,763
	21,336	**18,849**
thereof: short-term (up to 1 year)	5,902	4,914
medium-term	6,593	5,628
long-term (over 5 years)	8,841	8,307
	21,336	**18,849**

Among other items, other provisions include provisions for warranties (€2.9 billion), personnel expenses (€2.6 billion mainly for long-service jubilees, partial retirement arrangements, obligations under Time Assets and other workforce costs) and other selling expenses (€1.4 billion).

(10) LIABILITIES

€ million	Due within 1 year	Total Dec. 31, 2007	Total Dec. 31, 2006	Due within 1 year
Type of liability				
Liabilities to banks	122	122	129	129
Payments received on account of orders	88	88	50	50
Trade payables	1,367	1,367	1,209	1,209
Liabilities to affiliated companies	12,993	13,119	14,397	14,102
Liabilities to other investees and investors	62	62	50	50
Other liabilities	604	837	583	378
thereof: taxes	(62)	(62)	(8)	(8)
social security	(8)	(8)	(8)	(8)
	15,236	**15,595**	**16,418**	**15,918**

€1,828 million (previous year: €2,089 million) of the liabilities to affiliated companies and €29 million (previous year: €21 million) of the liabilities to other investees and investors relate to trade payables. €11,020 million (previous year: €11,973 million) of the liabilities is interest-bearing. €60 million (previous year: € – million) of other liabilities relates to liabilities due after more than five years. Standard retention of title applies to the liabilities from deliveries of goods contained in the amounts shown above.

Contingencies and commitments

Contingent liabilities

€ million	Dec. 31, 2007	Dec. 31, 2006
Contingent liabilities from guarantees	129	124
Contingent liabilities from warranties	13,000	17,628
of which relating to affiliated companies	(21)	(21)
Granting of security for third-party liabilities	127	171
Total	**13,256**	**17,923**

Contingent liabilities from warranties relate primarily to guarantees given to creditors of subsidiaries for bonds issued by these subsidiaries and related swap transactions entered into.

Other financial commitments

Loan commitments to subsidiaries result in financial obligations of approximately €2.3 billion until no longer than 2012.

The financial obligations resulting from rental and leasing agreements amount to a total of €555 million (previous year: €628 million), of which €106 million is due in 2008. Agreements with a term of up to five years – with expenditures in 2008 amounting to €61 million (including €16 million to affiliated companies) – are expected to account for a total of €135 million (including €43 million to affiliated companies). For agreements with terms of up to 21 years, the financial obligations over the entire remaining contractual term amount to approximately €420 million, including €89 million to affiliated companies (€44 million in 2008, including €11 million to affiliated companies).

Around 38 hectares of land (carrying amount €3 million) are encumbered by heritable building rights.

In conjunction with the acquisition of a 100% interest in LeasePlan Corporation N.V. and the subsequent sale of 50% of the interest to two co-investors, Volkswagen has granted the co-investors put options that entitle the co-investors to sell their interests to Volkswagen. These put options may be exercised (a) at any time and (b) if certain events occur within a defined period. The price agreed for the interests was the greater of (a) the fair value of the interests as determined by an expert using recognized valuation models, and (b) the original acquisition price paid by the co-investors. The value of the option is determined using a recognized option pricing model. The following key parameters were assumed: volatility (22%), risk-free rate (4.1%) and growth factors derived from projections. It amounted to €–26 million as of December 31, 2007.

In the course of the formation of VW Rus, the co-investors were granted a put option that entitles them to return their interest to VW Rus at cost plus an appropriate return after 6 years. The option had a negative fair value of €–30 million as of December 31, 2007. This amount was recognized in other provisions due to the potential exercise of the option.

Sales guarantees totaling €1.7 billion up to 2013 were entered into in the course of the sale of the gedas group; €0.4 billion of these relates to 2008.

In accordance with Art. 5(10) of the statutes of the Einlagensicherungsfonds (deposit protection fund), Volkswagen AG has given an undertaking to indemnify Bundesverband deutscher Banken e.V., Cologne, against any losses incurred that are attributable to measures taken by it in favor of a majority-owned bank.

Volkswagen AG has liabilities from its investments in commercial partnerships.

The purchase commitment for capital expenditure projects is within the normal levels.

Derivatives

€ million	Notional amount		Fair value	
Type and volume	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Interest rate swaps	2	2		
negative fair values			0	0
Currency futures contracts	15,680	15,242	1,177	355
thereof: currency purchases	1,818	2,515		
thereof: positive fair values			7	10
negative fair values			–134	–51
Currency sales	13,862	12,727		
thereof: positive fair values			1,326	518
negative fair values			–22	–122
Currency option contracts	4,470	6,412		
Positive fair values			323	337
Commodity futures contracts	1,502	1,839		
thereof: positive fair values			219	231
negative fair values			–8	–29

MEASUREMENT METHODS

The fair values of derivatives are determined on the basis of the market data provided by recognized financial information service providers.

Balance sheet items and carrying amounts

Derivatives are contained in the following balance sheet items at the amounts shown:

€ million		Carrying amount	
Type	**Balance sheet item**	**Dec. 31, 2007**	**Dec. 31, 2006**
Option premiums	Other assets	93	156
Expected losses from open currency forwards	Other provisions	156	173
Expected losses from open commodity future contracts	Other provisions	8	29
Deferred interest from interest rate swaps	Bank balances/ Liabilities to banks	0	0

Income Statement Disclosures

(11) SALES

€ million	2007	%	2006	%
by region				
Germany	21,254	38.5	21,022	39.6
Europe (excl. Germany)	26,498	47.9	24,805	46.8
North America	3,092	5.6	2,997	5.7
South America	372	0.7	323	0.6
Africa	1,039	1.9	1,063	2.0
Asia-Pacific	2,963	5.4	2,826	5.3
Total	**55,218**	**100.0**	**53,036**	**100.0**
by segment				
Vehicle sales	38,584	69.9	37,094	70.0
Genuine parts	3,889	7.0	3,780	7.1
Other sales	12,745	23.1	12,162	22.9
Total	**55,218**	**100.0**	**53,036**	**100.0**

Other sales relate primarily to intra-Group deliveries to our subsidiaries and to sales of components and parts to third parties.

(12) OTHER OPERATING INCOME

€ million	2007	2006
Other operating income	3,443	2,844
thereof income from the reversal of special tax-allowable reserves	(7)	(7)

Other operating income relates primarily to cost allocations (€1.6 billion), exchange rate gains relating to our deliveries of goods and services (€1.0 billion) and income from the reversal of provisions (€0.4 billion).

(13) OTHER OPERATING EXPENSES

€ million	2007	2006
Other operating expenses	2,134	1,669
thereof appropriations to special tax-allowable reserves	(1)	(0)

Other operating expenses primarily relate to exchange rate losses from our deliveries of goods and services, including the measurement of our foreign currency hedging transactions – in accordance with the strict imparity principle (under which expected or unrealized losses must be recognized, but the recognition of unrealized gains is prohibited) – (€0.9 billion) after elimination against the provisions recognized in the previous year, and expenses for subsidiaries that are allocated to these companies (€0.9 billion).

The insignificant amount of accelerated tax depreciation contained in appropriations to the special tax-allowable reserves relates to fixed assets.

(14) FINANCIAL RESULT

€ million	2007	2006
Income and expenses from investments	4,321	5,472
Interest income and expense	–484	13
Other financial result	348	–269
	4,185	**5,216**

Income from investments primarily comprises income from Scania AB, VW Group Services S.A., VW China Investment, VW Logistics GmbH & Co. OHG, Volkswagen Group UK and our Chinese joint ventures. Income from profit and loss transfer agreements (primarily from AUDI AG, AutoVision GmbH, the VW Sachsen companies and VW Kraftwerk GmbH) also include allocations of income-related taxes.

Other investment income relates almost exclusively to reversals of write-downs of the carrying amount of the investment in VW do Brasil Ltda., income from the transfer of companies to Global Mobility Holding B.V. and the reversal of a provision for guarantees from the sale of the gedas group that was no longer required.

Other investment expenses mainly comprise provisions for expected obligations under a profit and loss transfer agreement and for the possible exercise of a put option granted to the co-investors.

Interest income and expense

€ million	2007	2006
Income from other investments and long-term loans	14	127
thereof from affiliated companies	(6)	(19)
Other interest and similar income	713	651
thereof from affiliated companies	(271)	(190)
Interest and similar expenses	1,211	765
thereof to affiliated companies	(701)	(596)
	–484	**13**

Interest income and expense includes expenses from the factoring business (financing of non-interest-bearing trade receivables), primarily with our Group company Volkswagen Group Services S. A. This item also includes income and expenses from interest rate hedges and reversals of write-downs of the carrying amount of long-term investments and securities classified as current investments.

Other financial result

€ million	2007	2006
Discount on tax credit	–	–254
Gain/loss on sales of securities	348	–15
	348	**–269**

Other taxes

The other taxes allocated to the consuming functions amounted to €31 million (previous year: €31 million). They relate mainly to land and vehicle taxes.

NOTICES AND DISCLOSURE OF CHANGES REGARDING THE OWNERSHIP OF VOTING RIGHTS IN VOLKSWAGEN AG IN ACCORDANCE WITH SECTION 21 AND SECTION 26 OF THE WERTPAPIERHANDELSGESETZ (WPHG – GERMAN SECURITIES TRADING ACT)

Porsche

Dr. Ing. h.c. F. Porsche Aktiengesellschaft (now: Porsche Automobile Holding SE), Stuttgart, Germany, notified us in accordance with section 21(1) of the WpHG that the share of voting rights held by Dr. Ing. h.c. F. Porsche Aktiengesellschaft in Volkswagen Aktiengesellschaft, Wolfsburg, Germany, exceeded the threshold of 30% on March 28, 2007 and amounted to 30.93% of the voting rights at this date (88,874,462 voting rights).

The following persons notified us in accordance with section 21(1) of the WpHG that their share of the voting rights in Volkswagen AG in each case exceeded the threshold of 30% on March 28, 2007 and in each case amounted to 30.93% (88,874,462 voting rights) at this date.

30.93% of this (88,874,462 voting rights) is attributable to each of them in accordance with section 22(1) sentence 1 no. 1 of the WpHG. The names of the controlled companies via which the voting rights are actually held and whose attributable share of the voting rights amounts to 3% or more are given in brackets:

- Porsche GmbH, Stuttgart/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Stuttgart/Germany; Familie Porsche Beteiligung GmbH, Stuttgart/Germany; Ferdinand Piëch GmbH, Grünwald/Germany; Hans-Michel Piëch GmbH, Grünwald/Germany
  (Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany),
- Louise Daxer-Piëch GmbH, Stuttgart/Germany; Ferdinand Alexander Porsche GmbH, Stuttgart/Germany; Gerhard Porsche GmbH, Stuttgart/Germany
  (Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Stuttgart/Germany),
- Hans-Peter Porsche GmbH, Stuttgart/Germany; Wolfgang Porsche GmbH, Stuttgart/Germany
  (Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familie Porsche Beteiligung GmbH, Stuttgart/Germany),
- Louise Daxer-Piëch GmbH, Salzburg/Austria
  (Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Stuttgart/Germany; Louise Daxer-Piëch GmbH, Stuttgart/Germany),
- Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria
  (Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Stuttgart/Germany; Ferdinand Alexander Porsche GmbH, Stuttgart/Germany),

- Gerhard Anton Porsche GmbH, Salzburg/Austria
(Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Stuttgart/Germany; Gerhard Porsche GmbH, Stuttgart/Germany),
- Ing. Hans-Peter Porsche GmbH, Salzburg/Austria
(Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familie Porsche Beteiligung GmbH, Stuttgart/Germany; Hans-Peter Porsche GmbH, Stuttgart/Germany),
- Mag. Josef Ahorner, Austria; Mag. Louise Kiesling, Austria; Prof. Ferdinand Alexander Porsche, Austria; Prof. Ferdinand Alexander Porsche, Austria; Mark Philipp Porsche, Austria; Kai-Alexander Porsche, Austria; Dr. F. Oliver Porsche, Austria; Gerhard Anton Porsche, Austria
(Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Stuttgart/Germany; Louise Daxer-Piëch GmbH, Stuttgart/Germany; Ferdinand Alexander Porsche GmbH, Stuttgart/Germany; Gerhard Porsche GmbH, Stuttgart/Germany; Louise Daxer-Piëch GmbH, Salzburg/Austria; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Gerhard Anton Porsche GmbH, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria; Ferdinand Porsche Privatstiftung, Salzburg/Austria),
- Hans-Peter Porsche, Austria; Peter Daniell Porsche, Austria
(Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familie Porsche Beteiligung GmbH, Stuttgart/Germany; Hans-Peter Porsche GmbH, Stuttgart/Germany; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Familie Porsche Holding GmbH, Salzburg/Austria; Familie Porsche Privatstiftung, Salzburg/Austria),
- Dr. Wolfgang Porsche, Germany
(Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familie Porsche Beteiligung GmbH, Stuttgart/Germany; Wolfgang Porsche GmbH, Stuttgart/Germany; Hans-Peter Porsche GmbH, Stuttgart/Germany; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Familie Porsche Holding GmbH, Salzburg/Austria; Familie Porsche Privatstiftung, Salzburg/Austria),
- Ferdinand Porsche Privatstiftung, Salzburg/Austria
(Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Stuttgart/Germany; Louise Daxer-Piëch GmbH, Stuttgart/Germany; Ferdinand Alexander Porsche GmbH, Stuttgart/Germany; Gerhard Porsche GmbH, Stuttgart/Germany; Louise Daxer-Piëch GmbH, Salzburg/Austria; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Gerhard Anton Porsche GmbH, Salzburg/Austria; Ferdinand Porsche Holding GmbH, Salzburg/Austria),

- Ferdinand Porsche Holding GmbH, Salzburg/Austria
(Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familien Porsche-Daxer-Piëch Beteiligung GmbH, Stuttgart/Germany; Louise Daxer-Piëch GmbH, Stuttgart/Germany; Ferdinand Alexander Porsche GmbH, Stuttgart/Germany; Gerhard Porsche GmbH, Stuttgart/Germany; Louise Daxer-Piëch GmbH, Salzburg/Austria; Prof. Ferdinand Alexander Porsche GmbH, Salzburg/Austria; Gerhard Anton Porsche GmbH, Salzburg/Austria),
- Familie Porsche Privatstiftung, Salzburg/Austria
(Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familie Porsche Beteiligung GmbH, Stuttgart/Germany; Hans-Peter Porsche GmbH, Stuttgart/Germany; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria; Familie Porsche Holding GmbH, Salzburg/Austria),
- Familie Porsche Holding GmbH, Salzburg/Austria
(Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Familie Porsche Beteiligung GmbH, Stuttgart/Germany; Hans-Peter Porsche GmbH, Stuttgart/Germany; Ing. Hans-Peter Porsche GmbH, Salzburg/Austria),
- Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg/Austria
(Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Ferdinand Piëch GmbH, Grünwald/Germany),
- Dr. Hans Michel Piëch GmbH, Salzburg/Austria
(Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Hans Michel Piëch GmbH, Grünwald/Germany) and
- Dr. Ferdinand Piëch, Austria
(Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Ferdinand Piëch GmbH, Grünwald/Germany; Dipl.-Ing. Dr. h.c. Ferdinand Piëch GmbH, Salzburg/Austria).

The following persons notified us in accordance with section 21(1) of the WpHG that their share of the voting rights in Volkswagen AG in each case also exceeded the threshold of 30% on March 28, 2007 and in each case amounted to 30.93% (88,874,535 voting rights) at this date. 30.93% of this (88,874,535 voting rights) is attributable to each of them in accordance with section 22(1) sentence 1 no. 1 of the WpHG. The names of the controlled companies via which the voting rights are actually held and whose attributable share of the voting rights amounts to 3% or more are given in brackets:

- Porsche GmbH, Salzburg/Austria
  (Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Porsche GmbH, Stuttgart/Germany) and
- Porsche Holding Gesellschaft m.b.H., Salzburg/Austria
  (Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Porsche GmbH, Stuttgart/Germany; Porsche GmbH, Salzburg/Austria).

Dr. Hans Michel Piëch, Austria, notified us in accordance with section 21(1) of the WpHG that his share of the voting rights in Volkswagen AG also exceeded the threshold of 30% on March 28, 2007 and amounted to 30.94% (88,886,932 votes) at this date. Of this, 30.93% of the voting rights (88,874,462 voting rights) is attributable to him in accordance with section 22(1) sentence 1 no. 1 of the WpHG. The voting rights attributable to him are held via the following companies controlled by him, whose share of the voting rights in Volkswagen AG amounts to 3% or more in each case:

- Dr. Ing. h.c. F. Porsche AG, Stuttgart/Germany; Hans Michel Piëch GmbH, Grünwald/Germany; Dr. Hans Michel Piëch GmbH, Salzburg/Austria.

State of Lower Saxony

Hannoversche Beteiligungsgesellschaft mbH, Hanover, Germany, notified us in accordance with section 41(4a) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) that it held 20.19% of the voting rights (corresponding to 57,953,870 voting shares) of Volkswagen AG, Wolfsburg, Germany, on January 20, 2007.

The State of Lower Saxony, Hanover, Germany, notified us in accordance with section 41(4a) of the WpHG (German Securities Trading Act) that it held 20.26% of the voting rights (corresponding to 58,155,310 voting shares) of Volkswagen AG, Wolfsburg, Germany, on January 20, 2007. Of this amount, 20.19% (corresponding to 57,953,870) of the voting rights are attributable to the State of Lower Saxony via Hannoversche Beteiligungsgesellschaft mbH, Hanover, Germany, in accordance with section 22(1) sentence 1 no. 1 of the WpHG.

The State of Lower Saxony also notified us on January 28, 2008 that it held a total of 58,522,310 ordinary shares as of December 31, 2007. It held 440 VW ordinary shares directly and 58,521,870 ordinary shares indirectly via Hannoversche Beteiligungsgesellschaft mbH (HanBG), which is owned by the State of Lower Saxony.

RECONCILIATION OF NET INCOME TO NET RETAINED PROFITS

€ million	2007	2006
Net income for the year	1,455	945
Retained profits brought forward	10	11
Income from capital reduction	–	107
Appropriations to revenue reserves		
to other revenue reserves	–720	–450
Appropriation to capital reserves under the provisions governing the simplified capital reduction	–	–107
Net retained profits	**745**	**506**

TOTAL EXPENSE FOR THE PERIOD

Cost of materials

€ million	2007	2006
Cost of raw materials, consumables and supplies, and of purchased merchandise	42,683	40,317
Cost of purchased services	2,195	2,082
	44,878	**42,399**

Personnel expenses

€ million	2007	2006
Wages and salaries	4,686	6,883
Social security and other pension costs	2,206	1,518
thereof in respect of old age pensions	(1,288)	(621)
	6,892	**8,401**

OTHER DISCLOSURES

The tax expense is attributable to the result from ordinary activities.

Net income for the year improved as a result of tax measures in 2007 and in previous years. These relate primarily to the reversal of special reserves for accelerated tax depreciation. Without these measures, net income would have been approximately €4 million lower. In the following year, the planned reversal of special reserves will probably result in a positive effect on net income amounting to approximately €5 million. Expenses attributable to other fiscal years, primarily for warranties, amounted to €355 million (previous year: €403 million). Prior-period income amounts to €481 million (previous year: €539 million). This relates in particular to income from the reversal of provisions recognized in previous years and contained in other operating income.

WRITE-DOWNS

€ million	2007	2006
of tangible assets	–	45
of long-term financial assets		
affiliated companies	364	1,164
other equity investments	–	1
	364	**1,210**

AVERAGE NUMBER OF EMPLOYEES OF VOLKSWAGEN AG DURING THE YEAR

	2007	2006
by group		
Performance-related wage-earners	45,477	50,896
Time-rate wage-earners	19,967	19,410
Salaried employees	27,000	27,454
	92,444	97,760
Apprentices	4,011	4,052
	96,455	**101,812**
by plant		
Wolfsburg	49,436	51,676
Hanover	13,108	14,447
Braunschweig	5,734	6,099
Kassel	13,861	14,543
Emden	7,946	8,382
Salzgitter	6,370	6,665
	96,455	**101,812**

AUDITORS' FEES

The following amounts were recognized as expenses in fiscal year 2007 for:

€	2007
Audit services	1,756,017
Other assurance or valuation services	2,115,278
Tax advisory services	120,729
Other services	273,017
	4,265,041

Information about the composition of the Board of Management and the Supervisory Board, on changes in these executive bodies and on the memberships of members of the Board of Management and the Supervisory Board of other statutory supervisory boards and comparable supervisory bodies is contained on pages 108 to 111 of this report.

REMUNERATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

€	2007	2006
Board of Management remuneration		
Non-performance-related remuneration	4,810,736	5,009,987
Performance-related remuneration	10,850,000	8,210,000
Stock options exercised or subscribed	837,150	546,950
Fair value of stock options held at reporting date	7,950,150	1,929,950
Supervisory Board remuneration		
Fixed remuneration components	307,192	306,142
Variable remuneration components	3,968,975	2,537,125
Loans to Supervisory Board members	21,218	18,160

The fixed remuneration of the Board of Management also includes differing levels of remuneration for the assumption of appointments at Group companies, as well as non-cash benefits, which consist in particular of the use of company cars and the grant of insurance cover. The additional annual variable amount paid to each member of the Board of Management contains annually recurring components that are tied to the business success of the Company. It is primarily oriented on the results achieved and the financial position of the Company.

On December 31, 2007 the pension provisions for members of the Board of Management amounted to €19,815,224 (previous year: €13,577,681). Current pensions are index-linked in accordance with the index-linking of the highest collectively agreed salary insofar as the application of section 16 of the Gesetz zur Verbesserung der betrieblichen Altersversorgung (BetrAVG – German Company Pension Act) does not lead to a larger increase.

Retired members of the Board of Management and their surviving dependents received €8,688,685 (previous year: €10,189,421). Provisions for pensions for this group of people were recognized in the amount of €88,203,403 (previous year: €87,049,172). The members of the Board of Management are entitled to the retirement pension in the event of disability, and to payment of their normal remuneration for six months in the event of illness. Surviving dependents receive a widow's pension of 66 2/3% and 20% orphan's pension per child – but no more than a maximum of 100% – based on the pension of the former member of the Board of Management.

The individual remuneration of the members of the Board of Management and the Supervisory Board is explained in the Remuneration Report in the Management Report (see page 100).

Loans totaling €21,218 (redemption in 2007: €17,778) have been granted to members of the Supervisory Board. The loans generally bear interest at 4%; the agreed term is up to 12.5 years.

Wolfsburg, February 18, 2008

Volkswagen Aktiengesellschaft

The Board of Management

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Volkswagen AG, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Wolfsburg, February 18, 2008

Volkswagen Aktiengesellschaft

The Board of Management

Martin Winterkorn

Francisco Javier Garcia Sanz

Jochem Heizmann

Horst Neumann

Hans Dieter Pötsch

Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which is combined with the group management report of VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, for the business year from January 1 to December 31, 2007. As required by Article 10 (4) EnWG ("Energiewirtschaftsgesetz", "German Energy Industry Law"), the audit also included the company's observance of obligations for the unbundling of internal accounting pursuant to Article 10 (3) EnWG. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law as well as the observance of the obligations pursuant to Article 10 (3) EnWG are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, [and the combined management report],and on the internal accounting pursuant to Article 10 (3) EnWG based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the combined management report are detected with reasonable assurance and to obtain reasonable assurance about whether, in all material respects, the obligations pursuant to Article 10 (3) EnWG have been observed. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report, as well as in the internal accounting pursuant to Article 10 (3) EnWG are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the annual financial statements and the combined management report, and assessing whether the amounts stated and the classification of accounts in the internal accounting pursuant to Article 10 (3) EnWG are appropriate and comprehensible and whether the principle of consistency has been observed. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

The audit of the observance of obligations for the unbundling of internal accounting pursuant to Article 10 (3) EnWG has not led to any reservations.

Hanover, February 19, 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Norbert Winkeljohann
Wirtschaftsprüfer

Harald Kayser
Wirtschaftsprüfer