Structure and Business Activities

This chapter describes the legal and organizational structure of the Volkswagen Group and explains the material changes in 2013 with respect to equity investments.

OUTLINE OF THE LEGAL STRUCTURE OF THE GROUP
Volkswagen AG is the parent company of the Volkswagen Group. It develops vehicles and components for the Group’s brands, but also produces and sells vehicles, in particular passenger cars and light commercial vehicles for the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands. In its function as parent company, Volkswagen AG holds direct and indirect interests in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Scania AB, MAN SE, Dr. Ing. h.c. F. Porsche AG, Volkswagen Financial Services AG and a large number of other companies in Germany and abroad. More detailed disclosures are contained in the list of shareholdings in accordance with sections 285 and 313 of the Handelsgesetzbuch (HGB – German Commercial Code), which can be accessed at www.volkswagenag.com/ir and is part of the annual financial statements.

Volkswagen AG 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, Volkswagen AG performs electricity generation, sales and distribution together with a Group subsidiary.

Volkswagen AG’s Board of Management is the ultimate body responsible for managing the Group. The Supervisory Board appoints, monitors and advises the Board of Management; it is consulted directly on decisions that are of fundamental significance for the Company.

Information on the remuneration structure for the Board of Management and the Supervisory Board can be found in the Remuneration Report on pages 60 to 64, in the notes to the consolidated financial statements of Volkswagen AG on page 282 and on page 43 of the notes to the annual financial statements of Volkswagen AG.

ORGANIZATIONAL STRUCTURE OF THE GROUP
The Volkswagen Group is one of the leading multibrand groups in the automotive industry. The Company’s business activities comprise the Automotive and Financial Services divisions. All brands in the Automotive Division – with the exception of the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands – are legally independent separate companies. The business activities of the various companies in the Volkswagen Group focus on developing, producing and selling passenger cars, light commercial vehicles, trucks and buses. The product portfolio ranges from motorcycles through fuel-efficient small cars down to luxury vehicles. In the commercial vehicles segment, the offering begins with small pickups and extends to buses and heavy trucks. Other business fields manufacture large-bore diesel engines and special gear units, among other things. A broad range of financial services rounds off the offering. With its brands, the Volkswagen Group has a presence in all relevant markets around the world. Western Europe, China, Brazil, the USA, Russia, Mexico and Argentina are currently the key sales markets for the Group.
Volkswagen AG and the Volkswagen Group are managed by Volkswagen AG’s Board of Management in accordance with the Volkswagen AG Articles of Association and the rules of procedure for Volkswagen AG’s Board of Management issued by the Supervisory Board. The Group Board of Management, which was formed to support the work of the Board of Management, ensures that Group interests are taken into account in decisions relating to the Group’s brands and companies within the framework laid down by law. This body consists of the members of Volkswagen AG’s Board of Management, the chairmen of the larger brands and selected top managers with Group management functions. Volkswagen’s strategic management is largely conducted at Group level by four committees. These committees, which are composed of representatives both of the relevant central departments and the corresponding functions in the Company’s business areas, cover the following basic functions: product planning, investment, liquidity and foreign currency, and management issues.

Each brand in the Volkswagen Group is managed by a board of management, which ensures its independent development and its business operations. The Group targets and requirements laid down by the Board of Management of Volkswagen AG or the Group Board of Management must be complied with to the extent permitted by law. This allows Group-wide interests to be pursued while at the same time safeguarding and reinforcing each brand’s independent presence and specific characteristics. Matters that are of importance to the Group as a whole are submitted to the Group Board of Management in order – to the extent permitted by law – to reach agreement between the parties involved. The rights and obligations of the statutory bodies of the relevant brand companies remain unaffected.

The companies of the Volkswagen Group are managed separately by their respective managements. In addition to the interests of their own companies, each individual company management takes into account the interests of the Group and of the individual brands in accordance with the framework laid down by law.

**MATERIAL CHANGES IN EQUITY INVESTMENTS**
The control and profit and loss transfer agreement between MAN SE, as the controlled company, and Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG, as the controlling company, came into force on its entry in the commercial register on July 16, 2013. The conclusion of the control and profit and loss transfer agreement replaces the constructive group relationship by a contractual group, permitting considerably more efficient and less bureaucratic cooperation between the MAN brand and the rest of the Volkswagen Group. Noncontrolling interest shareholders of MAN SE have the right to tender MAN ordinary and preferred shares in Truck & Bus GmbH during, and two months after the conclusion of, the award proceedings instituted in July 2013 to review the appropriateness of the cash settlement set out in the agreement in accordance with section 305 of the Aktiengesetz (AktG – German Stock Corporation Act) and the cash compensation in accordance with section 304 of the AktG. As of December 31, 2013, Truck & Bus GmbH held 75.2% of the ordinary shares and 44.8% of the preferred shares in MAN SE.

**LEGAL FACTORS INFLUENCING BUSINESS**
Volkswagen companies are affected – as are other international companies – by numerous laws in Germany and abroad. In particular, there are legal requirements relating to development, production and distribution, but this also includes tax, company, commercial and capital market law regulations, as well as those relating to labor, banking, state aid, energy and insurance law.