Segment reporting

Segments are identified on the basis of the Volkswagen Group's internal management and reporting. In line with the Group's multibrand strategy, each of its brands (operating segments) is managed by its own board of management. The Group targets and requirements laid down by the Board of Management of Volkswagen AG must be complied with. Segment reporting comprises four reportable segments: Passenger Cars, Commercial Vehicles, Power Engineering and Financial Services.

The activities of the Passenger Cars segment cover the development of vehicles and engines, the production and sale of passenger cars, and the corresponding genuine parts business. Given the high degree of technological and economic interlinking in the production network of the individual brands, the Passenger Cars reporting segment combines the Volkswagen Group's individual car brands to a single reportable segment. Furthermore, there is collaboration within key areas such as procurement, research and development or treasury.

The Commercial Vehicles segment primarily comprises the development, production and sale of light commercial vehicles, trucks and buses, the corresponding genuine parts business and related services. Just as in the case of the car brands, there is collaboration within the areas procurement, development and sale. The aim is to achieve further forms of interlinking.

The activities of the Power Engineering segment consist of the development and production of large-bore diesel engines, turbo compressors, industrial turbines and chemical reactor systems, as well as the production of gear units, propulsion components and testing systems.

The activities of the Financial Services segment comprise dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility services. In this segment, combinations occur especially while taking into account the comparability of the type of services as well as the regulatory situation.

Purchase price allocation for companies acquired is allocated directly to the corresponding segments.

At Volkswagen, segment profit or loss is measured on the basis of the operating result.

In the segment reporting, the share of the result of joint ventures is contained in the share of the result of equity-accounted investments in the corresponding segments.

The reconciliation contains activities and other operations that by definition do not constitute segments. It also includes the unallocated Group financing activities. Consolidation adjustments between the segments are also contained in the reconciliation.

Investments in intangible assets, property, plant and equipment, and investment property are reported net of investments under finance leases.

As a matter of principle, business relationships between the companies within the segments of the Volkswagen Group are transacted at arm's length prices.

REPORTING SEGMENTS 2017[1]

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	168,381	27,632	3,280	30,191	229,486	64	229,550
Intersegment sales revenue	18,892	7,568	3	3,541	30,004	–30,004	–
Total sales revenue	187,273	35,200	3,283	33,733	259,489	–29,939	229,550
Depreciation and amortization	11,363	2,557	371	6,797	21,089	–147	20,941
Impairment losses	704	2	0	574	1,280	0	1,280
Reversal of impairment losses	14	1	–	41	56	–	56
Segment result (operating result)	12,644	1,892	–55	2,673	17,153	–3,335	13,818
Share of the result of equity-accounted investments	3,390	83	1	9	3,482	–	3,482
Interest result and other financial result	–1,964	–220	–2	–180	–2,366	–1,262	–3,628
Equity-accounted investments	6,724	753	18	710	8,205	–	8,205
Investments in intangible assets, property, plant and equipment, and investment property	15,713	1,915	159	421	18,208	104	18,313

1 Prior-year figures adjusted (see disclosures on IFRS 15).

REPORTING SEGMENTS 2018

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	171,028	29,388	3,605	31,592	235,613	236	235,849
Intersegment sales revenue	17,059	7,269	3	3,190	27,521	–27,521	–
Total sales revenue	188,088	36,656	3,608	34,782	263,134	–27,285	235,849
Depreciation and amortization	12,143	2,524	378	6,523	21,567	–56	21,511
Impairment losses	629	89	–	469	1,186	110	1,296
Reversal of impairment losses	156	6	2	98	262	–	262
Segment result (operating result)	12,245	1,971	–64	2,793	16,945	–3,025	13,920
Share of the result of equity-accounted investments	3,094	213	3	58	3,369	–	3,369
Interest result and other financial result	214	248	2	–70	393	–2,039	–1,646
Equity-accounted investments	6,731	971	18	712	8,434	–	8,434
Investments in intangible assets, property, plant and equipment, and investment property	15,599	2,491	176	510	18,776	187	18,962

RECONCILIATION

€ million	2018	2017[1]
Segment sales revenue	**263,134**	**259,489**
Unallocated activities	981	948
Group financing	24	25
Consolidation	–28,290	–30,912
Group sales revenue	**235,849**	**229,550**
Segment result (operating result)	**16,945**	**17,153**
Unallocated activities	–22	10
Group financing	–17	–16
Consolidation	–2,987	–3,328
Operating result	**13,920**	**13,818**
Financial result	**1,723**	**–146**
Consolidated result before tax	**15,643**	**13,673**

1 Prior-year figures adjusted (see disclosures on IFRS 9 and IFRS 15).

BY REGION 2017

€ million	Germany	Europe/Other markets[1]	North America	South America	Asia-Pacific	Total
Sales revenue from external customers[2]	44,333	98,420	37,686	9,988	39,123	229,550
Intangible assets, property, plant and equipment, lease assets and investment property	89,905	35,936	26,855	2,850	2,837	158,384

1 Excluding Germany.
2 Prior-year figures adjusted (see disclosures on IFRS 15).

BY REGION 2018

€ million	Germany	Europe/Other markets[1]	North America	South America	Asia-Pacific	Hedges sales revenue	Total
Sales revenue from external customers	43,526	99,563	37,656	10,405	43,166	1,535	235,849
Intangible assets, property, plant and equipment, lease assets and investment property	95,217	36,110	29,332	2,795	2,830	–	166,285

1 Excluding Germany.

Allocation of sales revenue to the regions follows the destination principle.

Since 2018, the allocation of interregional intragroup transactions has been unitary presented according to the economic ownership regarding the segment assets. The prior-year figures have been adjusted accordingly.