

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 and Light Commercial Vehicles, Commercial Vehicles, Power Engineering and Financial Services. As a result of an internal management change as from January 1, 2019, light commercial vehicles of the Volkswagen Commercial Vehicles brand are no longer allocated to the Commercial Vehicles segment, but reported under the Passenger Cars and Light Commercial Vehicles segment. The prior-year figures have been adjusted accordingly.

The activities of the Passenger Cars and Light Commercial Vehicles segment cover the development of vehicles and engines, the production and sale of passenger cars and light commercial vehicles, and the corresponding genuine parts business. In the Passenger Cars and Light Commercial Vehicles reporting segment, the individual brands are being combined into a single reportable segment, in particular as a response to the high degree of technological and economic interlinking in the production network. 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 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 sales. 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 in right-of-use assets from 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 2018¹

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	176,613	23,803	3,605	31,592	235,613	236	235,849
Intersegment sales revenue	12,895	979	3	3,190	17,067	-17,067	–
Total sales revenue	189,508	24,781	3,608	34,782	252,680	-16,830	235,849
Depreciation and amortization	12,700	1,966	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)	13,068	1,191	-64	2,793	16,988	-3,068	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	164	297	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	16,709	1,380	176	510	18,776	187	18,962

1 The prior-year figures have been adjusted to reflect a change in the allocation of Light Commercial Vehicles of the Volkswagen Commercial Vehicles brand.

REPORTING SEGMENTS 2019

€ million	Passenger Cars and Light Commercial Vehicles	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	186,511	25,401	3,995	36,446	252,353	280	252,632
Intersegment sales revenue	15,762	1,043	2	3,714	20,522	-20,522	–
Total sales revenue	202,273	26,444	3,997	40,160	272,875	-20,242	252,632
Depreciation and amortization	14,622	2,280	420	8,080	25,402	-996	24,406
Impairment losses	201	1	–	538	740	209	949
Reversal of impairment losses	886	71	2	181	1,140	-15	1,124
Segment result (operating result)	15,610	1,653	-93	3,212	20,381	-3,422	16,960
Share of the result of equity-accounted investments	3,053	225	-1	71	3,349	–	3,349
Interest result and other financial result	-1,582	-70	1	-64	-1,715	-238	-1,953
Equity-accounted investments	6,232	1,118	34	784	8,169	–	8,169
Investments in intangible assets, property, plant and equipment, and investment property	17,098	1,460	197	223	18,977	423	19,401

RECONCILIATION

€ million	2019	2018 ¹
Segment sales revenue	272,875	252,680
Unallocated activities	969	981
Group financing	28	24
Consolidation	-21,239	-17,835
Group sales revenue	252,632	235,849
Segment result (operating result)	20,381	16,988
Unallocated activities	-72	-22
Group financing	-38	-17
Consolidation	-3,312	-3,029
Operating result	16,960	13,920
Financial result	1,396	1,723
Consolidated result before tax	18,356	15,643

1 The prior-year figures have been adjusted to reflect a change in the allocation of Light Commercial Vehicles of the Volkswagen Commercial Vehicles brand.

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.

BY REGION 2019

€ million	Germany	Europe/Other markets ¹	North America	South America	Asia-Pacific	Hedges sales revenue	Total
Sales revenue from external customers	48,991	105,009	43,351	11,297	43,974	11	252,632
Intangible assets, property, plant and equipment, lease assets and investment property	101,092	47,353	26,771	3,064	3,562	–	181,842

1 Excluding Germany.

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

The allocation of interregional intragroup transactions has been unitary presented according to the economic ownership regarding the segment assets.