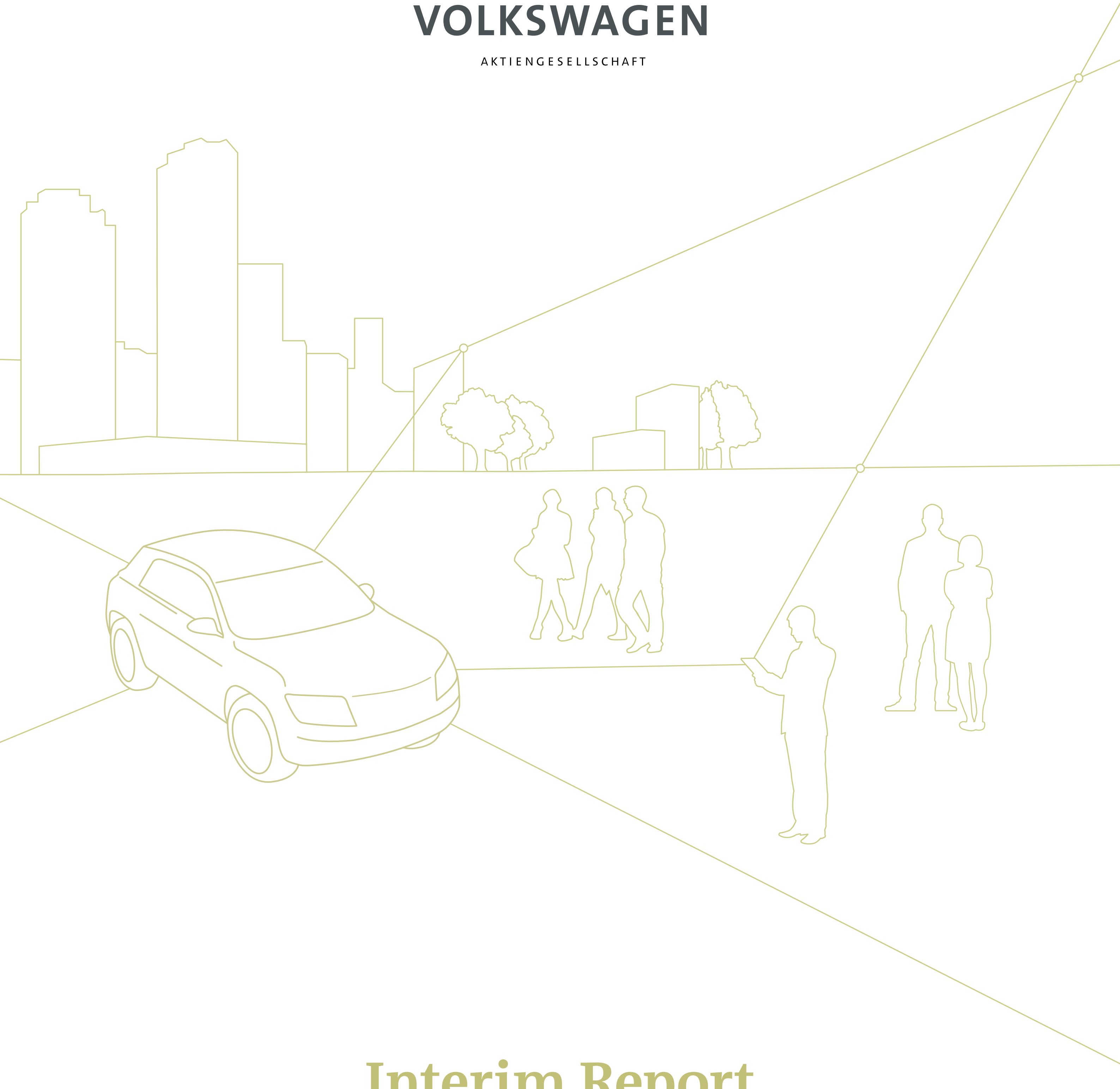
VOLKSWAGEN

AKTIENGESELLSCHAFT



Interim Report

January – March

2016

Key Figures

VOLKSWAGEN GROUP

Volume Data[1]	Q1 2016	Q1 2015	%
Deliveries to customers (thousand units)	2,508	2,488	+ 0.8
of which: in Germany	319	315	+ 1.5
abroad	2,189	2,173	+ 0.7
Vehicle sales (thousand units)	2,577	2,607	−1.2
of which: in Germany	322	325	−1.0
abroad	2,255	2,282	−1.2
Production (thousand units)	2,555	2,721	−6.1
of which: in Germany	683	702	−2.6
abroad	1,872	2,019	−7.3
Employees (thousand on March 31, 2016/Dec. 31, 2015)	613.1	610.1	+ 0.5
of which: in Germany	277.9	278.7	−0.3
abroad	335.2	331.4	+ 1.1

Financial Data (IFRSs), € million	Q1 2016	Q1 2015	%
Sales revenue	50,964	52,735	−3.4
Operating profit before special items	3,131	3,328	−5.9
as a percentage of sales revenue	6.1	6.3	
Special items	309	–	x
Operating profit	3,440	3,328	+ 3.4
as a percentage of sales revenue	6.8	6.3	
Profit before tax	3,203	3,968	−19.3
as a percentage of sales revenue	6.3	7.5	
Profit after tax	2,365	2,932	−19.3
Profit attributable to Volkswagen AG shareholders	2,306	2,887	−20.1
Cash flows from operating activities[2]	1,354	3,361	−59.7
Cash flows from investing activities attributable to operating activities	1,163	3,325	−65.0
Automotive Division[3]			
EBITDA[4]	6,070	5,840	+ 3.9
Cash flows from operating activities[2]	2,402	4,434	−45.8
Cash flows from investing activities attributable to operating activities[5]	1,117	3,189	−65.0
of which: capex	2,120	2,071	+ 2.4
as a percentage of sales revenue	4.9	4.5	
capitalized development costs[6]	1,240	1,137	+ 9.0
as a percentage of sales revenue	2.8	2.5	
Net cash flow[2]	1,285	1,245	+ 3.2
Net liquidity at March 31	25,964	20,772	+ 25.0

1 Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. All figures shown are rounded, so minor discrepancies may arise from addition of these amounts. 2015 deliveries updated to reflect subsequent statistical trends.
2 Prior-year figures adjusted.
3 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
4 Operating profit plus net depreciation/amortization and impairment losses/reversals of impairment losses on property, plant and equipment, capitalized development costs, lease assets, goodwill and financial assets as reported in the cash flow statement.
5 Excluding acquisition and disposal of equity investments: Q1 €3,293 million (€3,155 million).
6 See table on page 34.

Key Facts

- **Volkswagen Group makes a solid start to fiscal year 2016**
- **Volkswagen Group deliveries to customers up slightly on the previous year at 2.5 (2.5) million vehicles; higher demand in Western Europe and Asia Pacific in particular – further declines in South America and Eastern Europe**
- **Group sales revenue decreases by 3.4% to €51.0 billion; negative exchange rate effects**
- **Operating profit up €0.1 billion on the prior-year figure to €3.4 billion; special items of €+0.3 billion in total, in particular from the adjustment of provisions in connection with the diesel issue due to currency-related factors**
- **Operating profit before special items amounts to €3.1 (3.3) billion**
- **Profit before tax at €3.2 (4.0) billion; measurement of derivative financial instruments as of the reporting date has a negative impact**
- **Net cash flow in the Automotive Division amounts to €1.3 (1.2) billion; ratio of capex to sales revenue at 4.9 (4.5)%**
- **Net liquidity in the Automotive Division rises to €26.0 billion; sale of shares in LeasePlan strengthens capital base**
- **Enthusiastic reception by customers for Group models:**
  - **Volkswagen Passenger Cars celebrates the world premiere of the new up! and the Phideon for the Chinese market at the Geneva Motor Show; open-top T-Cross Breeze study marks the start of a broad SUV initiative**
  - **Audi unveils the latest member of the Q family: the compact Q2 with a progressive design and youthful charm**
  - **ŠKODA presents the VisionS show car, thereby offering a glimpse of a future large SUV**
  - **SEAT showcases the new Ateca – the first SUV in the company's history**
  - **Bentley unveils the new generation of the luxurious Mulsanne series**
  - **Porsche debuts the new mid-engine 718 Boxster and the sporty 911 R**
  - **Lamborghini unveils the limited-edition Centenario LP 770-4, the Italian super sports car manufacturer's most powerful model**
  - **Bugatti impresses with the 1,500 PS Chiron**
  - **Volkswagen Commercial Vehicles showcases the Caddy TGI with a combined natural gas-powered drive and dual-clutch transmission**

Key Events

MOTOR SHOWS AND EVENTS

The Volkswagen Group presented numerous new models and technologies at motor shows and events in the first quarter of 2016.

North American International Auto Show in Detroit

The Volkswagen Passenger Cars brand presented the Tiguan GTE Active Concept in Detroit. Based on the new Tiguan, the concept car showcases the technical capabilities of the Modular Transverse Toolkit. The primary goal was to create a synthesis of plug-in hybrid technology and maximum off-road performance. The powerful drivetrain, which comprises a turbocharged petrol direct-injection engine and one electric motor on the front axle and another on the rear axle, ensures that the Tiguan GTE Active Concept with its electrical all-wheel drive system can run as a zero-emission vehicle even off the road. The newly developed infotainment system featuring a 9.2-inch touchscreen with a high-quality glass surface and gesture control is Volkswagen's first infotainment system that dispenses for the most part with any conventional operating elements such as rotary knobs.

In Detroit, the Audi brand celebrated the world premieres of the Audi A4 allroad quattro and the Audi h-tron quattro concept technology study, centering its exhibit on the innovation fields of Audi quattro, connectivity and fuel cell technology. Its quattro drive system as standard and an additional 34 mm of ground clearance make the new Audi A4 allroad quattro with a striking "allroad" look the perfect automobile for every situation – including away from paved roads. Inside the vehicle, the Audi virtual cockpit and the MMI navigation plus with its new operating concept impress customers. The diverse Audi connect services connect the driver and passengers to the Internet via the high-speed LTE standard. The Audi h-tron quattro concept technology study demonstrates the huge potential of fuel cell technology. This model has an all-electric drive using hydrogen as its energy source. It combines state-of-the-art fuel cell technology delivering up to 110 kW with a battery that provides a temporary boost of up to 100 kW. The Audi h-tron quattro concept also offers a glimpse of the technologies for piloted driving: a central driver assistance controller computes a model of the car's surroundings in real time and makes this information available to the assistance systems and the piloted driving systems.

Porsche unveiled the new top-of-the-range models from the 911 series in Detroit – the 911 Turbo and 911 Turbo S. The models boast a cutting-edge design, enhanced features and 15 kW (20 PS) more power than their predecessors. The twin-turbo six-cylinder engine in the 911 Turbo with 3.8 liters of displacement now has a power output of 397 kW (540 PS), while the 911 Turbo S now delivers 427 kW (580 PS) thanks to new turbochargers with larger compressors.

Geneva International Motor Show

Volkswagen made digitalization its main focus at the Geneva International Motor Show, sending a clear message about the mobility of the future. At the three new "Volkswagen Group Future Centers" in Europe, Asia and California, designers and digitalization experts will work together on the car of the future.

The Volkswagen Passenger Cars brand celebrated the world premiere of the new up! at the Geneva Motor Show. The city specialist has been given a major update and packs a new powerful three-cylinder TSI engine with an output of 66 kW (90 PS), in addition to a new look and improved connectivity. The headlights come with LED daytime running lights as standard, and the door mirrors have integrated indicator lights. Inserted into a holder above the center console, a smartphone is easily integrated with the radio system. The special-edition up! beats, whose sound system was developed in collaboration with US audio specialist BeatsAudio, draws attention to itself with a powerful 300 watt amplifier. The Phideon, a luxury saloon developed for the Chinese market, also made its debut in Geneva. With smooth transitions and clear lines, from the energetically forward-leaning front and a sharp shoulder line to the harmonious coupé sloping roof at the rear, the Phideon redefines the design language of Volkswagen's premium models. The highlights in the vehicle interior are an innovative Active Info Display and a state-of-the-art infotainment system. Alongside the production models, the T-Cross Breeze concept car turned heads at the motor show. The open-top SUV study combines the look and features of an SUV with the flair of a convertible. Its interior boasts a virtually switchless operating concept with touch-sensitive surfaces and gesture control. The T-Cross Breeze offers a glimpse of forthcoming SUV models from the Volkswagen Passenger Cars brand, which will expand its offering in this segment in particular.

At the Geneva Motor Show, the Audi brand unveiled the Q2 – an urban car for everyday driving and leisure with a progressive design and youthful charm. The compact SUV combines Audi's technical expertise with exceptional everyday utility. With its distinctively geometric form language, the model exhibits an independent, youthful character within the Q family. The Q2 is offered with powerful and efficient TDI and TFSI engine choices ranging from 85 kW (116 PS) to 140 kW (190 PS). The seven-speed S tronic with lightning-fast action is available for all engine versions. The all-digital Audi virtual cockpit, head-up display, MMI navigation plus with Audi connect as well as many innovative assistance systems round off the vehicle. The stage debut of the Q2 was accompanied by the S4 Avant, which marries the performance of a sports car with the practicality of an estate, as well as by the Audi RS Q3 performance, the top model in the Q3 range featuring a turbocharged five-cylinder engine with an output of 270 kW (367 PS).

The world premiere of the VisionS show car was the highlight of the ŠKODA stand. The emotive concept car gives a foretaste of a new large SUV production model that will be launched this autumn. The VisionS is designed in an expressive, modern and dynamic way; the design is a balance – typical for ŠKODA – of rationality and aesthetics. In addition to the future SUV design language, the show car demonstrates the most important technological innovations on which ŠKODA will be focusing in the coming years: electromobility, connectivity and safety. Alongside the VisionS, the powerful ŠKODA Octavia RS 4×4, the natural gas-powered Octavia G-TEC and the robust ScoutLine versions of the Fabia Combi were on display in Geneva.

SEAT unwrapped its first-ever SUV at the motor show. The new Ateca is a combination of distinctive design, dynamic driving fun, urban versatility and compelling utility. Its efficient petrol and diesel engines have power outputs of between 85 kW (116 PS) and 140 kW (190 PS). The extensive array of technology options extends from full-LED headlamps through a broad portfolio of assistance systems, such as the innovative Traffic Jam Assist and the new Emergency Assist, to a package of latest-generation infotainment systems with Full Link connectivity. The brand's showing was rounded off by the special-edition Alhambra 20th Anniversary, marking the 20th anniversary of this series.

Bentley celebrated the world premiere of the new generation of its Mulsanne series, which thrills customers with enhanced assistance and infotainment functions and, on the exterior in particular, with even more imposing radiator grille. Next to the luxury Mulsanne with its 377 kW (512 PS) engine, Bentley showcased the particularly powerful Mulsanne Speed with a power output of 395 kW (537 PS) and the highly luxurious Mulsanne Extended Wheelbase. The new Flying Spur V8 S delivering 388 kW (528 PS) was also unveiled.

At the Geneva Motor Show, Porsche once again reaffirmed its commitment to racing and sports cars for motor sports. In the new 911 R, the 368 kW (500 PS) engine output is combined with a weight of only 1,370 kg. This makes the 911 R the lightest model in the current 911 range thanks to the advanced lightweight design with numerous carbon parts and a magnesium roof, which enables the 911 R to break through the 100 km/h barrier in just 3.8 seconds, achieving a top speed of 323 km/h. In its new 718 Boxster, Porsche is deliberately revisiting the concept of the legendary 718 mid-engine sports car that won numerous international races in the 1950s and 1960s. Today the four-cylinder power unit is water-cooled and turbocharged and delivers 220 kW (300 PS) on the road. The 718 Boxster S takes this figure up to 257 kW (350 PS). Compared with previous Boxster models, this corresponds to an increase of 26 kW (35 PS) in each case, with consumption figures up to 13% lower than the respective predecessor models.

At the Lamborghini stand, the Centenario LP 770-4 in particular turned heads. Limited to 20 coupés and 20 roadsters, the model has a futuristic, pure, essential design and advanced aerodynamics. Its V12 naturally aspirated engine with an output of 566 kW (770 PS) is the strongest engine that the super sports car manufacturer has ever built. Other technical highlights are the rear-wheel steering, carbon fiber body and touchscreen access to connected infotainment. In addition to the Centenario LP 770-4, Lamborghini unwrapped the limited-edition Huracán LP 610-4 Avio, which comes in five coatings specially developed for this model.

Bugatti unveiled the Chiron, the most powerful, fastest, most luxurious and most exclusive production super sports car in the world. It embodies the brand's new design language that is characterized by generous surfaces demarcated by pronounced lines. In order to achieve a 25% increase in performance compared to its predecessor, a new W16 engine was developed with an extreme 1,103 kW (1,500 PS) from its 8 liters of displacement and a maximum torque of 1,600 Nm.

Volkswagen Commercial Vehicles presented the Caddy TGI Blue Motion, the first urban delivery vehicle with a combined natural gas-powered drive and dual-clutch transmission. The new generation of the robust Multivan PanAmericana, originally presented as a concept car at the IAA in Frankfurt, was premiered as a production vehicle in Geneva. It marries the high degree of comfort of the Multivan with genuine off-road capability – due among other things to its extra 20mm of ground clearance.

AWARDS

The Volkswagen Group and its brands received a large number of prizes and awards in the first three months of 2016.

ŠKODA received the "Connected Car Award 2015" in the 'Pioneer Award' category at the beginning of 2016 for its innovative SmartGate system. Presented by the magazines "Auto Bild" and "Computer Bild", the award recognizes the Czech carmaker's solution for connecting the model range with its own ŠKODA apps. Using SmartGate, around 40 different parameters of the respective vehicle can be displayed, for example data on consumption and speed.

In January 2016, the Audi A4 Saloon 3.0 TDI picked up awards in its class and was named "Car of the Year 2016" at the "What Car?" awards conferred by the British magazine of the same name. The Audi TT's win of the "Best Coupé of the Year" award rounded off the brand's success.

At the end of January 2016, readers of "auto motor sport" magazine picked as many as eight Volkswagen Group models as their favorites in the readers' poll for the "Best Cars 2015". The Golf was crowned winner in the 'Compact Class' for the fourth time in succession. The Audi brand came away with three 'Best Car' awards, with the Audi A1 securing first place in the 'Supermini' category and the Audi A4 and Audi Q7 emerging as winners in the 'Mid-class' and 'Large SUV/Off-road' categories, respectively. The ŠKODA Octavia won the 'Import Compact Class'. The Porsche brand came out on top in two categories: the Porsche 911 in the 'Sports Cars' category and the Porsche 911 Cabrio/Targa as the best convertible. The Multivan from Volkswagen Commercial Vehicles gained the most votes in the 'Van' category.

"Auto Bild" magazine and market research institute Schwacke named the ŠKODA Superb Combi 2.0 l TDI SCR DSG with 140 kW (190 PS) as the car with the highest percentage value retention in the mid-class ("2016 World Champion"). This means that when reselling their vehicles owners benefit from the Superb's high stability of value.

In February 2016, the MAN brand won the iF International Forum Design award in the 'Automobiles/Vehicles/Bikes' category. MAN Lion's Intercity beat contenders such as sports cars and motorcycles made by household names, making it one of 75 gold prize winners out of a total of 5,295 entries submitted. The intercity coach impressed the award panel, made up of 58 design experts, with its timeless design, clear lines and perfectly balanced proportions, among other things.

Two Volkswagen Group brands were declared top employers by the Top Employers Institute in February 2016 for their excellent workplace environments and advanced policies in human resource management. Lamborghini obtained Top Employer Italy 2016 certification for the third year in a row. Bentley received the accolade as one of the best employers in the United Kingdom for its working conditions, recruitment procedures and executive development programs. The Top Employer certification program consists of a structured investigation and verification procedure lasting about a year.

Audi was named "top US car brand 2016" at the end of February 2016 in an extensive ranking by US Consumer Reports magazine. The overall score is made up of four different categories. In the road test, each model was driven at least 2,000 miles. Data from the Insurance Institute for Highway Safety and the National Highway Traffic Safety Administration was used for the safety rating. To determine owner satisfaction, over 230,000 car drivers were asked for their opinion, and for the reliability rating data from around 740,000 vehicles up to 15 years old was evaluated.

At the beginning of March 2016, the eco up! and the Passat GTE from the Volkswagen Passenger Cars brand received environmental awards for 2016 in their respective vehicle classes in the environmental ranking conducted by "Auto Test" magazine and the independent environmental institute Ökotrend. This environmental ranking assessed not only exhaust and noise emissions, but also a vehicle's entire life cycle, including production overheads, recycling and the company's environmental standards.

At the World Car Awards in March 2016, the Audi R8 won over the international jury of 73 leading automotive journalists and was named the "2016 World Performance Car". With a total of four awards, the Audi R8 is the most successful model in the history of the World Car Awards. The award ceremony took place during the New York Auto Show.

ŠKODA's Vrchlabí plant was named 'Factory of the Year 2015' in the 'Outstanding Site Development' category in March 2016 by the specialist journal 'Produktion' and the consultancy firm A. T. Kearney. The jury acknowledged the plant's rapid, successful transformation from vehicle assembly into state-of-the-art gearbox manufacturing. The plant was evaluated on the basis of five criteria: value appreciation, customer satisfaction, quality, innovation and efficiency.

At the end of March 2016, the Czech brand ŠKODA received the internationally coveted red dot design award for the new Superb Combi in the 'Product Design' category. The international panel of experts praised in particular the emotional and expressive form of the brand's flagship product.

ANNIVERSARIES

The Volkswagen plant in Zwickau marked 25 years of production of the Golf on February 15, 2016. During this period, over 2.7 million models of the bestseller from the second to the current seventh generation have been manufactured in Saxony.

At the end of February, the Russian plant in Kaluga celebrated the one millionth Group vehicle since production began in 2007. The anniversary vehicle is a Polo that comes with a locally manufactured 1.6 l petrol engine from the neighboring engine plant.

The ŠKODA brand celebrated its 25th anniversary as part of the Volkswagen Group at the end of March 2016. During this time, ŠKODA has evolved from a regional brand into an internationally successful vehicle manufacturer. Today, ŠKODA offers an extensive model portfolio ranging from the small Citigo to the flagship Superb.

At ŠKODA's main production facility in Mladá Boleslav, the one millionth ŠKODA Octavia, a third-generation Combi Scout, rolled off the production line at the end of March. At the beginning of January, the 18 millionth vehicle since the establishment of ŠKODA was produced at the Kvasiny plant. The brand also manufactured the one millionth DQ200 dual-clutch transmission at the Vrchlabí components plant. In manufacturing the DQ 200, ŠKODA produces transmission technology that is of great strategic importance for the entire Volkswagen Group.

PARTNERSHIPS

At the beginning of 2016, Volkswagen entered into a strategic partnership with Mobileye, a technology leader in the area of automated image processing. The companies signed a letter of intent to this effect at the Consumer Electronics Show in Las Vegas. The goal of the joint venture is to effectively manage the digital transformation of the automotive industry and develop surroundings monitoring technologies. The central focus of the joint venture is camera-based real-time image processing technology which – in conjunction with ultra-precise digitalized maps – is the key to autonomous driving and advanced development of various driver assistance and safety systems.

The Scania commercial vehicle brand announced a strategic partnership with mobile radio and network equipment provider Ericsson at the Mobile World Congress in Barcelona in March 2016. The joint efforts are aimed at accelerating connectivity in the commercial vehicles segment. Since the early 2000s, Scania has researched and pioneered platooning concepts, in which several vehicles can drive in close formation using interconnected control systems. Logistics experts believe that systems like these could generate substantial cost savings through lower fuel consumption, for instance.

SALE OF INTEREST IN LEASEPLAN COMPLETED

Through its 50% interest in the joint venture Global Mobility Holding B.V. (GMH), Amsterdam, the Netherlands, the Volkswagen Group held a 50% indirect stake in the joint venture's subsidiary, LeasePlan Corporation N.V., Amsterdam, the Netherlands (LeasePlan). LeasePlan is a Dutch financial services group whose core business is leasing and fleet management.

The final approvals for the sale of LeasePlan to an international consortium of investors were issued by the competent authorities in January 2016. Legal transfer of the LeasePlan shares to the consortium was completed on March 21, 2016.

The total value of the transaction was approximately €3.7 billion plus interest in the amount of €31.5 million. In the reporting period, this had a positive effect of €2.2 billion on investing activities and net liquidity and, taking into account the disposal of the equity-accounted investment in GMH, resulted in income in the low three-digit million euro range for the Volkswagen Group, which is reported in the financial result. On completion of the transaction, the existing credit line of €1.3 billion provided by the Volkswagen Group was canceled.

Volkswagen Shares

In the first quarter of 2016, prices in the international equity markets mostly continued their volatile sideways movement. The DAX recorded a decrease.

The beginning of the year saw capital market participants become more unsettled due to the low oil price and falling prices on the Chinese stock market in response to a slowdown in Chinese economic growth. In mid-January, prices were temporarily propped up by hopes that the European Central Bank (ECB) would further loosen its monetary policy, but subsequently continued their downward trend in the wake of negative economic data from China. From mid-February onwards, the DAX recovered on the back of hopes that the oil price would stabilize plus healthy economic data from the USA. Concerns about whether the United Kingdom will remain in the EU caused prices to drop temporarily. Prices recovered over the further course of the quarter as the ECB expanded its bond-buying program and cut its key interest rate.

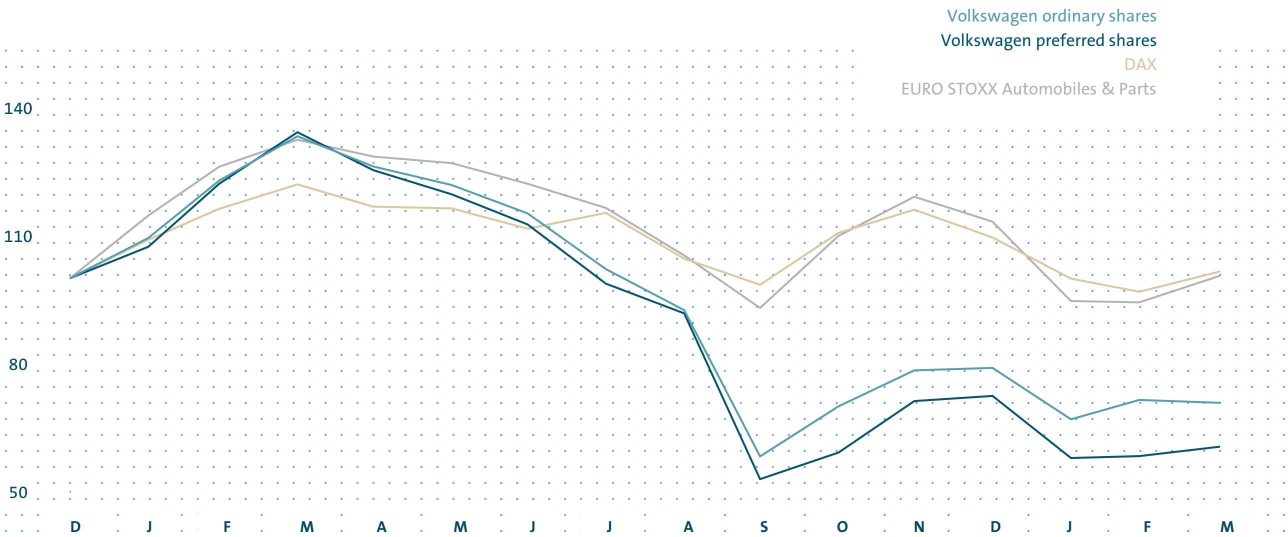
The DAX closed at 9,964 points on March 31, 2016, down 7.3% on the 2015 closing price. The EURO STOXX Automobiles & Parts stood at 482 points at the end of the reporting period, down 11.2% on the 2015 year-end level.

Amid considerable volatility, Volkswagen AG's preferred and ordinary shares lagged the downward market environment between January and March 2016. This was due to speculation about the impact of the emissions issue in addition to general economic data. The press release issued at the beginning of February stating that Volkswagen's operating profit before special items for fiscal year 2015 was on a level with the previous year had a stabilizing effect on share prices. In March, positive sales and business figures released by individual Group brands led the shares to gain ground, some of which was lost again towards the end of the reporting period.

Volkswagen AG's preferred shares reached their highest daily closing price in the period from January to March (€126.40) on January 4, 2016 and recorded their lowest closing price in the reporting period on February 11, 2016 (€94.00). On March 31, 2016, the preferred shares were trading at €111.85, down 16.4% on the 2015 year-end price. Volkswagen's ordinary shares reached their highest daily closing price in the first quarter of 2016 (€138.50) on March 4, 2016. They hit their lowest closing price on February 11, 2016 (€108.95). The ordinary shares ended the last day of trading in the quarter at €127.55, down 10.4% on the 2015 closing price.

Information and explanations on earnings per share can be found in the notes to the interim consolidated financial statements. Additional Volkswagen share data, plus corporate news, reports and presentations can be downloaded from our website at www.volkswagenag.com/ir.

SHARE PRICE DEVELOPMENT FROM DECEMBER 2014 TO MARCH 2016
Index based on month-end prices: December 31, 2014 = 100



Business Development

GENERAL ECONOMIC DEVELOPMENT

The global economy saw moderate growth in the first three months of 2016. In both industrialized nations and emerging economies momentum slowed slightly compared with 2015 as a whole; the comparatively low energy and commodity prices weighed on the economy.

In Western Europe, the economic recovery continued in the reporting period. The Northern European countries saw solid economic growth overall. In most Southern European countries, the economic situation continued to stabilize, mainly producing slightly positive rates of expansion.

The German economy continued to grow in the first quarter of 2016 on the back of positive consumer sentiment and the strong labor market.

In Central Europe, the economy continued to perform positively in the reporting period. The ongoing conflict between Russia and Ukraine and low energy prices had a generally negative effect on the situation in Eastern Europe. Economic output in Russia decreased sharply once again.

South Africa's economic performance was negatively impacted by structural deficits and social conflicts. In addition, the country is suffering a severe drought.

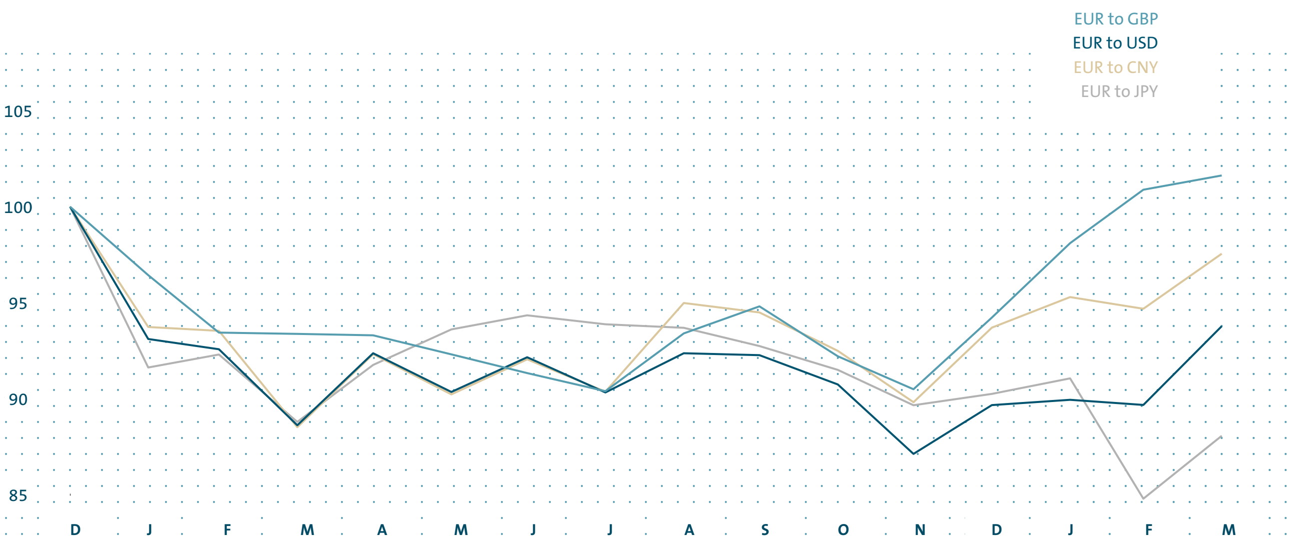
The US economy continued to grow between January and March 2016, albeit more slowly. Significant stimulus was provided by consumer spending, but exports and private capital investments showed weak performance. The Mexican and Canadian economies recorded a higher rate of growth than in previous quarters.

Brazil's economy remained in deep recession in the first quarter of 2016. Economic performance was negatively impacted by weak domestic demand, low global commodity prices and dwindling confidence in the government. In Argentina, economic output rose at a slightly weaker pace than in 2015 as a whole amid persistently high inflation.

The Chinese economy slowed slightly, primarily as a result of ongoing structural changes, but continued to see a high rate of expansion by global standards. The Indian economy sustained its positive trend, growing as strongly as in the previous year. Japanese gross domestic product declined slightly. Growth in the ASEAN region remained virtually stable.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2014 TO MARCH 2016

Index based on month-end prices: as of December 31, 2014 = 100



TRENDS IN THE PASSENGER CAR MARKETS

Global demand for passenger cars continued to rise in the first quarter of 2016 (+2.1%), although there was regional variation in the markets. While the number of new registrations in the Asia-Pacific region, Western Europe, Central Europe and North America increased year-on-year, substantial decreases were recorded in South America and Eastern Europe.

The passenger car markets in Western Europe continued to gain ground and to recover between January and March 2016. The positive market trend was due mainly to an improvement in macroeconomic conditions, low interest rates, lower fuel prices, pent-up demand for replacement vehicles and programs by manufacturers to incentivize buyers. The volume markets in Italy and France recorded above-average growth rates. The increase in Spain and the United Kingdom was slightly weaker by comparison.

In Germany, too, new passenger car registrations in the reporting period were up on the previous year. Higher real incomes, the strong labor market and positive consumer sentiment contributed to the highest level of demand in an opening quarter since 2009.

The overall markets for passenger cars in the Central and Eastern European region turned in a mixed performance in the first three months of 2016. While passenger car sales in Eastern Europe showed a double-digit decline due to sustained economic weakness and political tensions particularly in Russia, the EU markets in Central Europe recorded positive rates of growth.

The South African passenger car market saw a continuation of the downward trend in new passenger car registrations. The difficult macroeconomic environment and high interest rates had a negative influence.

In North America, the positive overall market trend continued in the first three months of 2016, with sales of passenger cars and light commercial vehicles (up to 6.35 tonnes) in the USA reaching their highest level in a first quarter since 2001. This performance was supported primarily by high consumer confidence, the sound employment situation and still attractive financing conditions and low fuel prices. Only models in the SUV, pickup and van segments saw higher sales figures, while demand for passenger cars declined again. The automotive markets in Canada and Mexico also expanded, in each case reaching new highs for a first quarter.

The South American markets for passenger cars and light commercial vehicles continued to contract sharply overall in the first quarter of 2016. In Brazil, market volumes fell by more than a quarter to their lowest level since 2006. In addition to overall economic weakness, this was due mainly to high interest rates, increased unemployment and government austerity measures. The Argentinian market as a whole stagnated at the low prior-year level. Demand was dampened primarily by a fall in real incomes due to high price rises as a result of the strong depreciation of the Argentine peso.

The Asia-Pacific region recorded the highest absolute growth in new passenger car registrations between January and March 2016. This was due in particular to the Chinese market, which performed better than in the previous year and was once again the main driver of growth in global demand for passenger cars. The marked increase was positively impacted by the tax break introduced on October 1, 2015 on purchases of vehicles with engine sizes of up to 1.6 l and the sustained high demand for attractively priced entry-level models in the SUV segment. The Indian passenger car market continued the process of recovery that began in 2014, recording higher demand than in the prior-year quarter due mainly to the favorable consumer climate and the market launch of attractive new models. In Japan, the decline in the passenger car market continued for the eighth quarter in succession. New registrations in the first three months of 2016 were negatively impacted in particular by the tax increase on mini vehicles (up to 660 cm^3) that has been in effect since April 1, 2015.

New registrations in the ASEAN region were down on the prior-year period. This was primarily attributable to the declining passenger car market in Malaysia.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

Global demand for light commercial vehicles in the period from January to March 2016 was up slightly on the prior-year level.

Registrations in Western Europe increased moderately compared with the previous year due to the positive economic trend. In Germany, demand was marginally higher year-on-year.

In Central and Eastern Europe, new registrations of light commercial vehicles in the first quarter of 2016 exceeded the prior-year figure noticeably. In Russia, however, sustained political and economic tensions resulted in a slight decline in registration volumes.

In North and South America, the light vehicle market is reported as part of the passenger car market, which includes both passenger cars and light commercial vehicles.

In the Asia-Pacific region, demand for light commercial vehicles showed a marked improvement on the prior-year period. The number of new vehicle registrations in China, the region's dominant market, exceeded the previous year's level. India recorded a strong increase in demand year-on-year. Japan saw a decline in registration volumes. Registrations in the ASEAN region were considerably higher than the prior-year figure.

Between January and March 2016, global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes was up on the previous year.

In Western Europe, the positive economic trend and high growth rates in Italy (+30.6%), the Netherlands (+24.8%) and Spain (+23.9%) resulted in a significant increase in new registrations. Registration volumes in Germany, the largest market in Western Europe, were up noticeably on the prior-year level in the first quarter of 2016. Higher private and public consumption and a slight increase in exports had a positive impact on the German economy.

New registrations in Central and Eastern Europe increased markedly compared with the previous year. While the region's economic performance was positive on the whole, the tense economic and political situation, the currency weakness and difficult financing conditions in Russia resulted in a large drop in demand year-on-year.

In North America, demand was impacted by slower momentum in the US economy: following high growth rates in 2015, registrations were down slightly on the previous year. There was also a slightly negative trend in demand in the US market.

Vehicle registrations in South America in the first quarter of 2016 were down significantly year-on-year. In Brazil, the region's largest market, demand was substantially lower than in the prior-year period as a result of persistently weak economic output and difficult financing conditions. Argentina saw a sharp downturn in the truck market in the first three months of 2016 due to pull-forward effects in 2015 arising from the introduction of the Euro 5 emission standard.

Truck registrations in the Asia-Pacific region (excluding the Chinese market) increased sharply year-on-year.

India saw a continuation of the positive economic trend in the first three months of 2016. Demand for trucks increased significantly due to demand for replacement vehicles and an improvement in the investment climate.

Registrations in the world's largest truck market, China, rose appreciably compared with the weak prior-year level.

Demand for buses in the markets that are relevant for the Volkswagen Group was down significantly on the previous year between January and March 2016.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

The markets for power engineering are subject to differing regional and economic factors. Consequently, their business growth trends are generally independent of each other.

In the first three months of 2016, the marine market saw a continuation of the muted order activity that had already been noticeable during the course of 2015 and, as a whole, declined significantly year-on-year, with the various market segments revealing a very mixed picture in some cases. While demand for cruise ships and ferries was on a positive trajectory, demand for container ships, tankers and bulk carriers declined. Demand in the offshore market continued to deteriorate as a result of the low oil price.

The market for power generation was stable at a low level compared with the prior-year period. Demand for energy solutions remained high, with a strong trend towards greater flexibility and decentralized availability. The shift away from oil-fired power plants toward dual-fuel and gas-fired power plants continued. Particularly on larger projects, order placement is being delayed, in some cases significantly, due to sustained muted economic growth in key emerging and developing countries and persistently difficult financing conditions for customers.

Activity in the construction of turbomachinery is mainly dominated by global investment projects in the oil, gas and processing industry and in power generation. Compared with the prior-year period, the market for turbomachinery in the oil and gas industry once again declined at a low level. This was due to further sharp falls in the oil price. Demand for turbomachinery in the processing industry and in power generation was also at a low level overall in the first quarter of 2016. As a result, competitive pressures increased significantly again.

The after-sales market performed positively overall. In particular, the marine and power plant after-sales business benefited from an increased interest in long-term maintenance contracts.

DEMAND FOR FINANCIAL SERVICES

Global demand for automotive-related financial services remained high in the first quarter of 2016.

In Europe, business with financial services products was buoyed by the good overall performance in Germany and signs of recovery in Western and Central Europe. These offset the negative effects from declining unit sales volumes in Russia. After-sales products such as inspection contracts, maintenance and spare parts agreements and insurance agreements saw an encouraging rise in demand. Sales of financial services were bolstered by higher vehicle sales, which resulted in particular from a recovery of the Spanish and Italian markets. Demand for financial services benefited considerably from the still high penetration rates.

In Germany, financial service providers financed more vehicles year-on-year. This positive trend was mainly attributable to the business customer segment. Leasing business with private individuals increased compared with the previous year. Demand also rose for after-sales products such as inspection contracts, maintenance and spare parts agreement and insurance agreements.

Demand for financial services in the US market remained strong in the first quarter of 2016, with leasing business accounting for a large share. In Mexico, too, demand for financial services products rose compared with the previous year.

Brazil witnessed a sustained negative macroeconomic trend in the first three months of 2016. This continued to have a negative impact on the consumer credit business for new vehicles and the risk situation. The recession is also reflected in a decline in volumes of the Consorcio product, a lottery-style savings plan.

The Asia-Pacific region was characterized by growth again in the first quarter of 2016. In China, the proportion of loan-financed vehicle purchases continued to rise. Despite increasing restrictions on registrations in metropolitan areas, there is considerable potential to acquire additional new customers for automotive-related financial services, particularly in the interior of the country. In Australia, Japan and South Korea, demand for financial services products remained strong in the first quarter of 2016. While demand for leasing and financial products in these countries stabilized at a high level once more, demand for insurance and after-sales products rose.

The financial services market in the commercial vehicles business area continued to perform positively in the European markets. In Brazil, the truck and bus business saw a sharp decline in sales figures.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 2,508,293 vehicles to customers in the period from January to March 2016, exceeding the prior-year figure by 20,578 units or 0.8%. The chart on page 12 shows the changes in deliveries worldwide by month compared with the previous year. Separate details of deliveries of passenger cars and commercial vehicles are provided in the following.

VOLKSWAGEN GROUP DELIVERIES FROM JANUARY 1 TO MARCH 31*

	2016	2015	%
Passenger cars	2,353,271	2,339,682	+ 0.6
Commercial vehicles	155,022	148,033	+ 4.7
Total	**2,508,293**	**2,487,715**	**+ 0.8**

* Deliveries for 2015 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

PASSENGER CAR DELIVERIES WORLDWIDE

In the first three months of 2016, the Volkswagen Group handed over 2,353,271 passenger cars to customers worldwide, exceeding the high seen in the previous year by 0.6%. The market as a whole grew by 2.1% in the same period. Due to market-related declines in Brazil and Russia and as a result of the emissions issue, the Volkswagen Passenger Cars brands delivered 1.3% fewer vehicles to customers. The Audi (+4.0%), ŠKODA (+4.3%) and Porsche (+9.5%) brands recorded encouraging growth rates. Demand for Volkswagen Group passenger cars was up on the prior-year period in the Western Europe, Central and Eastern Europe, and Asia-Pacific regions.

The table on the next page provides an overview of passenger car deliveries to customers by market in the reporting period.

Sales trends in the individual markets are as follows.

Deliveries in Europe/Other markets

Demand for Volkswagen Group vehicles in the growing passenger car market in Western Europe grew by 2.6% to 800,817 units in the first quarter of 2016. The number of Group models sold was up year-on-year in nearly all markets in this region. The Touran, Audi TT Roadster, Audi Q7, ŠKODA Fabia Combi and ŠKODA Superb models saw the highest growth rates. In addition, the Porsche Macan proved extremely popular. The Bentley Bentayga, the Group's first luxury SUV, was successfully launched in the market. The Volkswagen Group's share of the passenger car market in Western Europe amounted to 21.8 (22.9)%.

Volkswagen Group passenger car sales in Germany exceeded the prior-year figure by 1.1% in the reporting period; the market as a whole grew by 4.5% in the same period. The Polo, Golf, Tiguan, Passat Estate, Audi A3 Sportback and ŠKODA Octavia Combi models were in particularly high demand. Eight Group models led the Kraftfahrtbundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the up!, Polo, Golf, Tiguan, Touran, Passat, Audi TT and Audi A6. Again, the Golf was the most popular passenger car in Germany in the first three months of 2016 in terms of registrations.

The Volkswagen Group delivered 1.2% more vehicles to customers in the overall declining passenger car markets in Central and Eastern Europe in the first quarter of this year than in the same period of 2015. While we recorded strong growth in the Czech Republic and Poland, our sales figures in Russia declined significantly as a result of the continuing weak economic and politically tense situation. Demand for the Polo, Audi Q7, ŠKODA Fabia and ŠKODA Octavia models developed positively. The Volkswagen Group's share of the market in this region rose to 22.1 (20.3)%.

We handed over fewer cars to customers in South Africa in the first three months of 2016 than in the previous year (–5.0%), in the same period, the contraction of the market as a whole was more pronounced.

Deliveries in North America

Between January and March 2016, the Volkswagen Group's deliveries to customers in North America decreased by 2.2% year-on-year amid a growing overall market for passenger cars and light commercial vehicles. The Group's share of the passenger car market amounted to 4.2 (4.4)%. The Jetta remained the Group's best-selling model in North America.

Demand for Volkswagen Group vehicles in the USA decreased by 5.7% year-on-year in the first quarter of 2016 mainly as a consequence of the diesel issue. The market as a whole grew by 3.4% in the same period. Demand was particularly strong for models in the SUV, pickup and van segments. The Tiguan, Audi A4, Audi Q7 and Porsche Macan models saw increases in demand.

In the reporting period, we handed over 10.6% fewer vehicles to customers in the growing Canadian market than in the previous year particularly as a result of the diesel issue. The Golf, Jetta, Tiguan and Audi Q5 models saw increases in demand.

The momentum in the Mexican market as a whole continued in the first three months of 2016, with the Volkswagen Group increasing its deliveries to customers by 10.5% in this period. The Gol, Vento and Jetta models were particularly popular.

Deliveries in South America

Conditions in the South American markets for passenger cars and light commercial vehicles remained very challenging and highly competitive in the first quarter of 2016. The Volkswagen Group delivered 30.0% fewer vehicles to customers in the region's generally sharply declining overall markets in this period than in the already weak prior year. The Volkswagen Group's share of the passenger car market in South America was 12.2 (13.5)%.

In the rapidly declining passenger car market in Brazil, demand for Volkswagen Group vehicles fell by 37.6% year-on-year in the reporting period. Demand for the Jetta and Audi A3 models recorded positive growth.

In Argentina, Group sales between January and March 2016 were down 7.3% on the previous year. The market as a whole fell marginally short of the low prior-year level. The Gol saw the highest demand of all Group models in Argentina.

Deliveries in the Asia-Pacific region

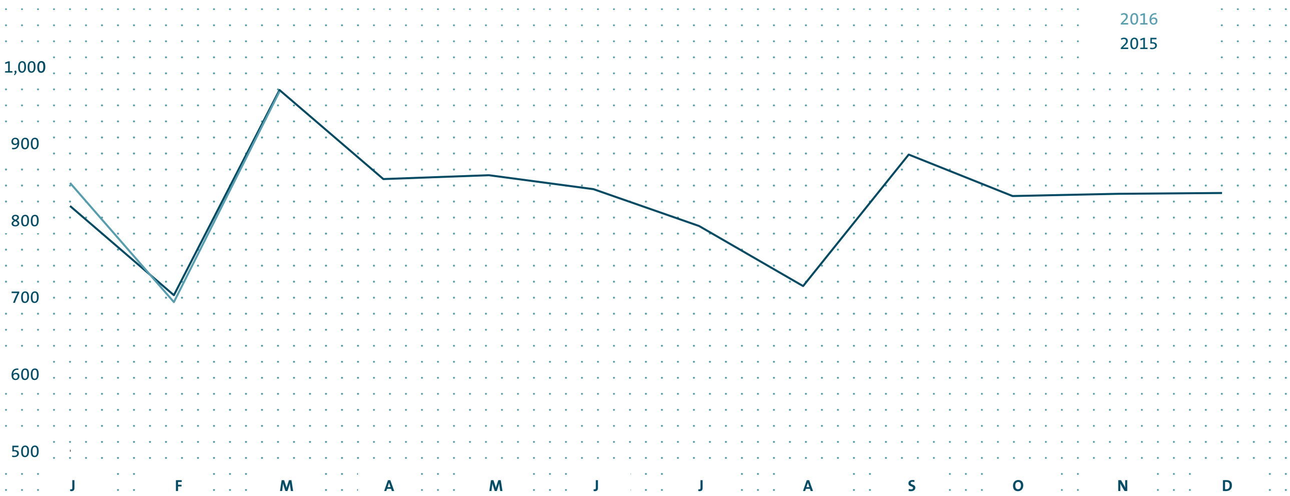
Volkswagen Group passenger car sales in the Asia-Pacific region exceeded the prior-year figure by 4.4% between January and March 2016. The market as a whole grew at a slightly weaker pace in the same period, giving the Group a market share of 12.2 (12.2)% in this region.

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO MARCH 31*

	DELIVERIES (UNITS)		CHANGE
	2016	2015	(%)
Europe/Other markets	**1,020,857**	**1,005,536**	**+ 1.5**
Western Europe	**800,817**	**780,425**	**+ 2.6**
of which: Germany	283,788	280,566	+ 1.1
United Kingdom	143,579	145,711	−1.5
France	66,804	65,179	+ 2.5
Spain	65,800	65,048	+ 1.2
Italy	63,390	53,787	+ 17.9
Central and Eastern Europe	**136,544**	**134,884**	**+ 1.2**
of which: Russia	34,429	40,767	−15.5
Czech Republic	32,367	30,275	+ 6.9
Poland	31,366	28,287	+ 10.9
Other markets	**83,496**	**90,227**	**−7.5**
of which: Turkey	30,664	32,643	−6.1
South Africa	22,126	23,299	−5.0
North America	**199,251**	**203,732**	**−2.2**
of which: USA	124,027	131,581	−5.7
Mexico	56,034	50,689	+ 10.5
Canada	19,190	21,462	−10.6
South America	**95,339**	**136,139**	**−30.0**
of which: Brazil	63,703	102,161	−37.6
Argentina	23,531	25,380	−7.3
Asia-Pacific	**1,037,824**	**994,275**	**+ 4.4**
of which: China	954,346	897,035	+ 6.4
Japan	22,008	27,928	−21.2
India	16,444	18,763	−12.4
Worldwide	**2,353,271**	**2,339,682**	**+ 0.6**
Volkswagen Passenger Cars	1,459,522	1,479,446	−1.3
Audi	455,754	438,171	+ 4.0
ŠKODA	276,625	265,097	+ 4.3
SEAT	102,914	102,740	+ 0.2
Bentley	1,554	2,232	−30.4
Lamborghini	928	884	+ 5.0
Porsche	55,974	51,102	+ 9.5
Bugatti	0	10	x

* Deliveries for 2015 have been updated to reflect subsequent statistical trends. The figures include the Chinese joint ventures.

VOLKSWAGEN GROUP DELIVERIES BY MONTH
Vehicles in thousands



The Chinese passenger car market performed better than in the previous year, remaining the growth driver in the Asia-Pacific region. Demand for Group models in China in the reporting period rose by 6.4% compared with the previous year's period. The Jetta, Santana, Lavida and Sagitar models were particularly popular. The new versions of the Bora, Touran, Passat and Audi A6 L models successfully made their debut in the market.

In the first three months of 2016, we delivered 12.4% fewer vehicles to customers in the Indian passenger car market, which saw slight growth, than in the previous year. The most sought-after Group model was the Polo; the Vento and ŠKODA Rapid models were also popular.

Group passenger car sales in Japan declined by 21.2% year-on-year in the first quarter of 2016. The market as a whole also contracted in the same period. Demand for the Touran, Passat and Audi TT Coupé models recorded positive growth.

COMMERCIAL VEHICLE DELIVERIES

The Volkswagen Group delivered a total of 155,022 commercial vehicles worldwide from January to March 2016, 4.7% more than in the previous year. Sales of trucks rose to 38,641 units (+7.1%). Bus delivery volumes declined by 6.2% to 3,245 thousand units. With 113,136 units sold, Volkswagen Commercial Vehicles exceeded the prior-year figure by 4.3%. Scania delivered 18,440 vehicles to customers in the reporting period, 5.4% more than in the previous year. MAN increased its deliveries by 6.3% to 23,446 units.

In the period from January to March 2016, the Volkswagen Group delivered 100,324 commercial vehicles in the Western European markets, 10.9% more than in the prior-year period. Of the vehicles delivered, 77,940 were light commercial vehicles, 21,446 were trucks and 938 were buses. This improvement is attributable to the ongoing economic recovery. The Transporter and the Caddy witnessed the strongest demand.

Deliveries to customers in the Central and Eastern European markets rose by 14.2% to 14,455 vehicles, including 7,993 light commercial vehicles, 6,236 trucks and 226 buses. The Transporter and the Caddy were the most sought-after Group models here, too. The economic and political difficulties persisting in Russia led to a decline in deliveries. At 1,939 units, demand was down on the figure for the prior-year period (–28.2%).

In the first quarter of 2016, deliveries to customers in the Other markets fell by 17.4% to 15,104 vehicles. Of the units delivered, 10,921 were light commercial vehicles, 3,620 were trucks and 563 were buses.

Demand for Volkswagen Group's commercial vehicles in North America was up 9.5% on the previous year's level at 2,279 units. A total of 1,747 light commercial vehicles, 201 trucks and 331 buses were delivered, with a large share of these vehicles delivered in Mexico.

Between January and March 2016, the Volkswagen Group sold 15,308 vehicles in the South American markets (–8.1%): 9,581 light commercial vehicles, 4,911 trucks and 816 buses. The Amarok was especially sought after. Due to the continuing tough macroeconomic environment and the more difficult financing conditions demand for commercial vehicles in Brazil declined, falling 15.0% short of the prior-year level to 7,441 units. Of these, 3,163 were light commercial vehicles, 3,890 were trucks and 388 were buses.

The Volkswagen Group sold a total of 7,552 commercial vehicles in the Asia-Pacific region, 4.4% less than in the previous year. This figure included 4,954 light commercial vehicles, 2,227 trucks and 371 buses. The Amarok and the Transporter were especially popular.

COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO MARCH 31*

	DELIVERIES (UNITS)		CHANGE
	2016	2015	(%)
Europe/Other markets	**129,883**	**121,403**	**+ 7.0**
Western Europe	100,324	90,470	+ 10.9
Central and Eastern Europe	14,455	12,655	+ 14.2
Other markets	15,104	18,278	−17.4
North America	**2,279**	**2,082**	**+ 9.5**
South America	**15,308**	**16,650**	**−8.1**
of which: Brazil	7,441	8,751	−15.0
Asia-Pacific	**7,552**	**7,898**	**−4.4**
of which: China	1,157	1,410	−17.9
Worldwide	**155,022**	**148,033**	**+ 4.7**
Volkswagen Commercial Vehicles	113,136	108,483	+ 4.3
Scania	18,440	17,500	+ 5.4
MAN	23,446	22,050	+ 6.3

* Deliveries for 2015 have been updated to reflect subsequent statistical trends.

DELIVERIES IN THE POWER ENGINEERING SEGMENT

Orders in the Power Engineering segment are usually part of major investment projects. Lead times typically range from just under one year to several years, and partial deliveries as construction progresses are common. Accordingly, there is a time lag between incoming orders and sales revenue from the new construction business.

In the period from January to March 2016, sales revenue in the Power Engineering segment was largely driven by Engines & Marine Systems and Turbomachinery, which together generated more than two-thirds of overall sales revenue.

GROUP FINANCIAL SERVICES

The Financial Services Division combines the Volkswagen Group's dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings. The division comprises Volkswagen Financial Services and the financial services activities of Scania, Porsche and Porsche Holding Salzburg.

Demand for the Financial Services Division's products and services remained strong in the first quarter of 2016. The number of new financing, leasing, service and insurance contracts signed rose worldwide by 14.0% to 1.7 million. As of March 31, 2016, the total number of contracts was 16.2 million, up 2.1% on the figure at the end of 2015. The underlying contract types were modified according to their significance. The ratio of leased or financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets stood at 31.9% in the reporting period (29.3%).

In the Europe/Other markets region, 1.2 million new contracts were signed in the period from January to March 2016, an increase of 17.5% on the prior-year figure. As of March 31, 2016, the total number of contracts was 11.5 million, 2.3% more than the figure as of December 31, 2015. The Customer Financing/Leasing area accounted for 5.6 million contracts (+1.8%).

The number of contracts in North America amounted to 2.6 million at the end of March 2016, up 2.7% on the 2015 year-end figure. This included 1.7 million contracts in the Customer Financing/Leasing area, an increase of 1.0%. The number of new contracts signed amounted to 223 thousand, 14.4% more than in the prior-year period.

In South America, 54 thousand new contracts were signed in the first quarter of 2016, a decrease of 24.5% year-on-year. The total number of contracts amounted to 736 thousand as of March 31, 2016, 4.9% fewer than on December 31, 2015. The contracts mainly related to the Customer Financing/Leasing area.

In the reporting period, the number of new contracts signed in the Asia-Pacific region increased by 7.7% year-on-year to 164 thousand. The total number of contracts amounted to 1.4 million at the end of the first quarter of 2016, up 3.8% on the 2015 year-end figure. The Customer Financing/Leasing area accounted for 1.0 million contracts (+5.1%).

SALES TO THE DEALER ORGANIZATION

In the first quarter of 2016, the Volkswagen Group's unit sales to the dealer organization (including the Chinese joint ventures) amounted to 2,577,123 vehicles. This represents a decline of 1.2% on the prior-year period, due primarily to the continuing decline in demand in Brazil and Russia. Unit sales outside Germany decreased by 1.2% in the reporting period, while in the German market they were down 1.0% on the prior-year level. Vehicles sold in Germany as a proportion of overall sales were on a level with the prior-year figure at 12.5 (12.5)%.

PRODUCTION

The Volkswagen Group produced a total of 2,555,404 vehicles in the period from January to March 2016, a decline of 6.1% year-on-year. Production in Germany decreased by 2.6% to 683,347 units. The proportion of vehicles produced in Germany increased to 26.7 (25.8)%.

INVENTORIES

Global inventories at Group companies and in the dealer organization were higher on March 31, 2016 than at year-end 2015 but lower than the level in the same quarter of 2015.

EMPLOYEES

The Volkswagen Group had 589,968 active employees as of March 31, 2016. A further 6,092 employees were in the passive phase of their partial retirement. An additional 17,015 young people were in vocational traineeships. At the end of the first quarter of 2016, the Volkswagen Group had a total of 613,075 employees worldwide, up 0.5% on the number at December 31, 2015. Significant factors for the increase were the expansion of the workforce in our new plants in China, Mexico and Poland and the recruitment of specialists, particularly in China. At 277,912, the number of employees in Germany was down 0.3% on year-end 2015. The proportion of employees in Germany decreased slightly on the prior-year figure, at 45.3 (45.7)%.

Results of Operations, Financial Position and Net Assets

CHANGE IN REPORTING STRUCTURE

The reorganization of the Volkswagen Group has resulted in slight changes to our financial reporting. In the Automotive Division, effective January 1, 2016 the former combined Commercial Vehicles/Power Engineering Business Area is presented as two separate business areas in accordance with the segment reporting: the Commercial Vehicles Business Area and the Power Engineering Business Area. The Automotive Division thus has three business areas: Passenger Cars, Commercial Vehicles and Power Engineering. The Financial Services Division, which corresponds to the Financial Services segment, remains unchanged.

SALE OF LEASEPLAN

The final approvals for the sale of LeasePlan to an international consortium of investors were issued by the competent authorities in January 2016. Legal transfer of the LeasePlan shares to the consortium was completed on March 21, 2016. In the reporting period, the transaction had a positive effect of €2.2 billion on investing activities attributable to operating activities and net liquidity and, taking into account the disposal of the equity-accounted investment, resulted in income in €0.2 billion for the Volkswagen Group, which is reported in the financial result.

SPECIAL ITEMS

In the reporting period, special items of €+0.5 billion arose mainly from the adjustment of provisions for currency translation reasons in connection with the diesel issue.

Restructuring measures in the trucks business in South America, which serve to sustainably enhance competitiveness, resulted in special items of €–0.1 billion.

Additional provisions had to be recognized because of the expanded scope of the replacement of potentially faulty airbags, manufactured and supplied by Takata, imposed by the competent authorities in the USA and Canada on all automobile manufacturers. The resulting special items recognized in operating profit amounted to €–0.1 billion.

Overall, net positive special items recognized in operating profit in the first quarter of 2016 amounted to €0.3 billion.

RESULTS OF OPERATIONS OF THE GROUP

Despite positive mix effects and the good business development in the Financial Services Division, the Volkswagen Group's sales revenue of €51.0 billion in the first three months of 2016 was €1.8 billion lower than in the previous year due to the decline in vehicle unit sales and unfavorable exchange rate trends. The Volkswagen Group generated 78.8 (79.3)% of its sales revenue outside Germany.

At €10.3 (10.3) billion, gross profit was on a level with the previous year. The gross margin rose to 20.2 (19.5)%.

At €3.4 billion, the Volkswagen Group's operating profit in the first quarter of 2016 exceeded the prior-year figure by €0.1 billion. In addition to the special items, optimized product costs and mix effects were positive factors, whereas volume and exchange rate effects as well as higher fixed costs weighed on earnings. The operating return on sales improved to 6.8 (6.3)%. At €3.1 (3.3) billion, operating profit before special items was down year-on-year, and the operating return on sales before special items was 6.1 (6.3)%.

The financial result declined by €0.9 billion to €–0.2 billion. The income generated on the sale of the LeasePlan shares was offset mainly by higher expenses from the measurement of derivative financial instruments at the reporting date.

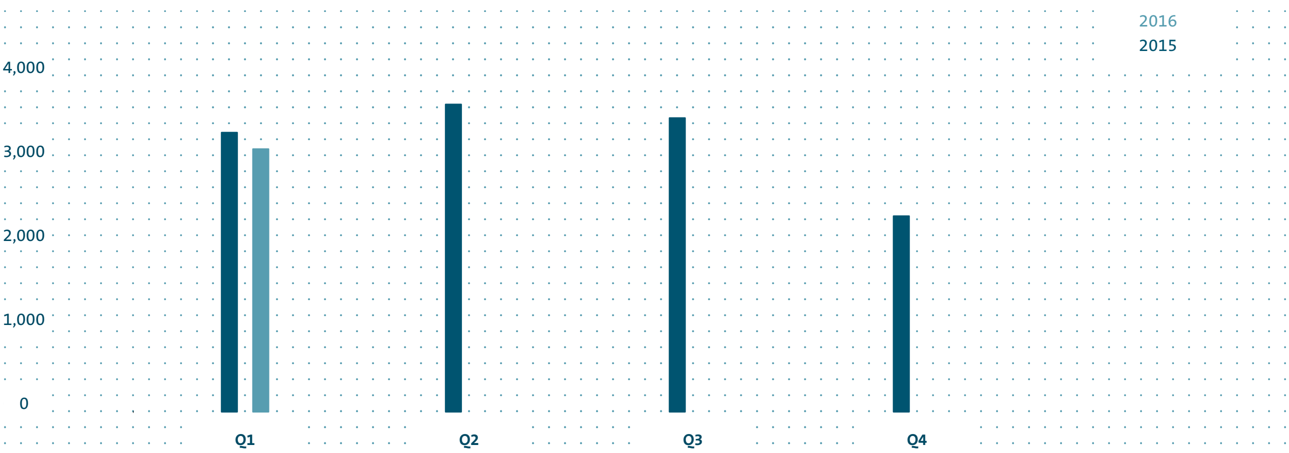
Profit before tax fell by 19.3% year-on-year to €3.2 billion. Profit after tax was €2.4 billion, representing a €0.6 billion decrease compared with the previous year.

RESULTS OF OPERATIONS IN THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS FROM JANUARY 1 TO MARCH 31

€ million	2016	2015
Passenger Cars		
Sales revenue	35,219	37,636
Gross profit	7,384	7,514
Operating profit	2,603	2,634
Operating return on sales (%)	7.4	7.0
Commercial Vehicles		
Sales revenue	7,478	7,370
Gross profit	1,249	1,153
Operating profit	256	236
Operating return on sales (%)	3.4	3.2
Power Engineering		
Sales revenue	832	800
Gross profit	172	167
Operating profit	−9	−14
Operating return on sales (%)	−1.1	−1.8

OPERATING PROFIT BEFORE SPECIAL ITEMS BY QUARTER

Volkswagen Group in € million



Results of operations in the Automotive Division

The Automotive Division generated sales revenue of €43.5 (45.8) billion in the first three months of 2016. The decrease was attributable primarily to negative exchange rate and volume effects, which were partly offset by positive mix developments. Sales revenue declined in the Passenger Cars Business Area in the first quarter of 2016, but increased slightly year-on-year in the Commercial Vehicles and Power Engineering business areas. As our Chinese joint ventures are accounted for using the equity method, the Group's performance in the Chinese passenger car market is mainly reflected in consolidated sales revenue only by deliveries of vehicles and vehicle parts.

Cost of sales declined year-on-year. Improved product costs and currency translation effects more than offset increased depreciation and amortization charges resulting from high capital expenditures. Research and development costs were on a level with the previous year. At €8.8 (8.8) billion, gross profit in the Automotive Division reached the previous year's level.

Distribution expenses and the ratio of distribution expenses to sales revenue increased in the reporting period, primarily due to higher marketing expenses as a result of the emissions issue. Administrative expenses declined mainly due to exchange rate factors, while the ratio of administrative expenses to sales revenue was almost unchanged. The other operating result increased to €0.2 (0.1) billion because of the special items.

At €2.8 billion, the Automotive Division's operating profit in the first quarter of 2016 was on a level with the previous year's figure. Optimized product costs and favorable mix developments, as well as net positive special items, were offset by declining vehicle unit sales and negative exchange rate effects. The operating return on sales rose to 6.5 (6.2)%. The Automotive Division's operating profit before special items amounted to €2.5 (2.9) billion, while its operating return on sales before special items declined to 5.8 (6.2)%. Since the profit recorded by the Chinese joint venture companies is accounted for in the financial result using the equity method, the business performance of our joint ventures is mainly reflected in the Group's operating profit only by deliveries of vehicles and vehicle parts as well as license revenue.

The financial result declined by €0.8 billion to €–0.2 billion; this figure includes higher expenses from the measurement of derivative financial instruments at the reporting date, which were partly offset by income from the sale of the LeasePlan shares.

Results of operations in the Financial Services Division

Sales revenue in the Financial Services Division increased by 7.3% to €7.4 billion in the reporting period. The year-on-year increase is mainly attributable to higher business volumes.

At €1.5 billion, gross profit was on a level with the previous year despite sustained pressure on margins and higher depreciation and amortization charges.

Both distribution and administrative expenses increased slightly in the first quarter of 2016; this was due to the rise in volumes and the need to comply with regulatory requirements. The ratio of both distribution and administrative expenses to sales revenue declined.

At €0.6 billion, operating profit was up 24.9% year-on-year; the operating return on sales was 7.9 (6.8)%.

FINANCIAL POSITION OF THE GROUP

At €6.2 billion, the Volkswagen Group's gross cash flow in the first quarter of 2016 was down 13.8% year-on-year. Funds tied up in working capital increased by €1.0 billion compared with the previous year to €4.9 billion. As a result, cash flows from operating activities decreased to €1.4 (3.4) billion.

Investing activities attributable to the Volkswagen Group's operating activities decreased by €2.2 billion year-on-year to €1.2 billion in the first three months of 2016. Within investing activities, investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) were on a level with the previous year, while capitalized development costs increased year-on-year. The "Acquisition and disposal of equity investments" item was affected by the cash inflow from the sale of the LeasePlan shares.

At €11.4 (1.7) billion, cash inflows from financing activities were significantly higher than in the first quarter of 2015. The Volkswagen Group's cash and cash equivalents amounting to €33.4 billion reported in the cash flow statement almost doubled year-on-year.

The Group's net liquidity amounted to €–98.3 billion at the end of March 2016, compared with €–100.5 billion at the end of 2015.

FINANCIAL POSITION IN THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS FROM JANUARY 1 TO MARCH 31

€ million	2016	2015
Passenger Cars		
Gross cash flow	2,944	4,242
Change in working capital*	−1,691	−897
Cash flows from operating activities*	1,253	3,345
Cash flows from investing activities attributable to operating activities	−663	−2,802
Net cash flow*	590	543
Commercial Vehicles		
Gross cash flow	746	753
Change in working capital	357	164
Cash flows from operating activities	1,103	917
Cash flows from investing activities attributable to operating activities	−409	−352
Net cash flow	694	565
Power Engineering		
Gross cash flow	80	103
Change in working capital	−34	69
Cash flows from operating activities	46	172
Cash flows from investing activities attributable to operating activities	−45	−35
Net cash flow	1	137

* Prior-year figures adjusted.

Financial position in the Automotive Division

Gross cash flow in the Automotive Division in the first quarter of 2016 amounted to €3.8 billion – a €1.3 billion year-on-year decline – due to earnings-related factors and higher tax payments. Funds tied up in working capital amounted to €1.4 (0.7) billion. The new special items recognized in the first quarter of 2016 had a positive impact overall on gross cash flow and a negative effect on the change in working capital. As a result, cash flows from operating activities decreased by €2.0 billion to €2.4 billion.

Investing activities attributable to operating activities recorded a cash outflow of €1.1 (3.2) million in total in the reporting period. Capex was almost unchanged year-on-year; the ratio of capex to sales revenue rose to 4.9 (4.5)% due to the decline in sales revenue. Capitalized development costs increased in comparison with the previous year. We invested primarily in production facilities and in models to be launched in 2016 and 2017, as well as in the ecological focus of the model range, drivetrain electrification and modular toolkits. The sale of the LeasePlan shares resulted in a cash inflow of €2.2 billion.

The Automotive Division's net cash flow was on a level with the previous year in the reporting period, at €1.3 (1.2) billion.

The Automotive Division's financing activities include the issuance and redemption of bonds and other financial liabilities in the total amount of €7.8 (0.8) billion.

At €26.0 billion, the Automotive Division's net liquidity as of March 31, 2016 exceeded the 2015 year-end figure by €1.4 billion.

Financial position in the Financial Services Division

Gross cash flow in the Financial Services Division rose by €0.3 billion to €2.5 billion in the first three months of 2016. Due to the growth in business volumes, funds tied up in working capital increased to €3.5 (3.2) billion compared with the first quarter of 2015. Investing activities attributable to operating activities were on a level with the previous year. Cash inflows from financing activities amounted to €3.6 (0.9) billion.

The Financial Services Division's negative net liquidity, which is common in the industry, amounted to €–124.2 billion at the end of March 2016, after €–125.1 billion at December 31, 2015.

CONSOLIDATED BALANCE SHEET STRUCTURE

At €396.9 billion as of March 31, 2016, the Volkswagen Group's total assets were €3.9% higher than at year-end 2015; the Group's equity was up slightly year-on-year, at €89.6 (88.3) billion. The equity ratio was 22.6 (23.1)%.

Automotive Division balance sheet structure

At the end of the first quarter of 2016, noncurrent assets in the Automotive Division were down slightly overall on the figure as of December 31, 2015. Both intangible assets and property, plant and equipment remained almost unchanged compared with the 2015 reporting date. Equity-accounted investments decreased, mainly as a result of the sale of the LeasePlan shares. Current assets increased by 19.2% compared with December 31, 2015. The trade receivables contained in this figure rose by the same amount. At €26.1 (15.7) billion, cash and cash equivalents in the Automotive Division rose significantly in the first three months of 2016 compared with the previous reporting date.

The Automotive Division's equity was €68.7 billion at the end of the first quarter of 2016, and thus 1.9% higher than the figure at year-end 2015. It was lifted by the good earnings growth and positive effects from the measurement of derivatives recognized outside profit or loss. Higher actuarial losses from the measurement of pension provisions and negative currency translation effects reduced the Automotive Division's equity. The noncontrolling interests are mainly attributable to RENK AG and AUDI AG. These were lower overall than the noncontrolling interests attributable to the Financial Services Division, so the figure for the Automotive Division, where the deduction was recognized, was negative.

Within noncurrent liabilities, which grew by 3.6% compared with December 31, 2015, pension provisions rose following the change in the discount rate. Current liabilities increased by 12.9% overall, with current financial liabilities contained in this item rising to €3.5 (–4.0) billion. The figures for the Automotive Division also contain the elimination of intragroup transactions between the Automotive and Financial Services divisions. As the current financial liabilities for the primary Automotive Division in the previous year were lower than the loans granted to the Financial Services Division, a negative amount was disclosed for the prior-year period. The item "Put options and compensation rights granted to noncontrolling interest shareholders" primarily comprises the liability for the obligation to acquire the shares held by the remaining free float shareholders of MAN.

At €219.3 (206.8) billion, the Automotive Division's total assets as of March 31, 2016 were 6.0% higher than at December 31, 2015.

BALANCE SHEET STRUCTURE IN THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS

€ million	Mar. 31, 2016	Dec. 31, 2015
Passenger Cars		
Noncurrent assets	103,485	105,028
Current assets	69,115	57,289
Total assets	**172,600**	**162,317**
Equity	53,394	54,598
Noncurrent liabilities	63,678	61,195
Current liabilities	55,528	46,524
Commercial Vehicles		
Noncurrent assets	24,592	24,749
Current assets	16,035	13,421
Total assets	**40,628**	**38,170**
Equity	12,102	9,512
Noncurrent liabilities	11,675	11,532
Current liabilities	16,850	17,126
Power Engineering		
Noncurrent assets	2,985	3,035
Current assets	3,086	3,310
Total assets	**6,071**	**6,345**
Equity	3,169	3,255
Noncurrent liabilities	863	842
Current liabilities	2,038	2,248

Financial Services Division balance sheet structure

The Financial Services Division's total assets amounted to €177.6 billion at the end of March 2016, a 1.4% increase over the figure as of December 31, 2015.

Overall, noncurrent assets were on a level with the previous year. The lease assets and noncurrent financial services receivables contained in this item recorded a slight increase due to the growth in business. The increase in current assets by 2.7% was attributable primarily to the higher cash and cash equivalents, which rose from €5.2 billion to €7.7 billion. The Financial Services Division accounted for approximately 44.8 (45.8)% of the Volkswagen Group's assets as of March 31, 2016.

The Financial Services Division's equity was unchanged as against year-end 2015, at €20.9 billion at the end of the first quarter of 2016. The equity ratio was 11.8 (11.9)%. Noncurrent liabilities were also unchanged as against December 31, 2015, at €71.6 billion. Current liabilities rose by 3.1%. This increase is attributable to the funding of volume growth.

Deposits from direct banking business amounted to €31.1 billion; the figure at year-end 2015 was €26.5 billion.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

It is not possible at the present time to rule out a potential further increase in the recalls of a range of models produced by various manufacturers in which certain airbags manufactured by Takata were installed. This could also affect Volkswagen Group models. Beyond this, there were no significant changes in the reporting period compared with the disclosures on the Volkswagen Group's expected development in fiscal year 2016 in the "Report on Expected Developments" and "Report on Risks and Opportunities" chapters – including the "Risks from the emissions issue" and "Litigation/Diesel issue" sections and the underlying description of the issues in the chapter entitled "The Emissions Issue" – of the combined management report in the 2015 Annual Report.

Outlook

The global economy saw moderate growth in the first three months of 2016. Both in industrialized nations and in emerging economies, momentum slowed slightly compared with 2015 as a whole. The Volkswagen Group's Board of Management expects the global economy to record the same level of growth in 2016 as in the previous year. Risks will arise from potential turbulence in the financial markets and structural deficits in individual countries. In addition, growth prospects continue to be hurt by geopolitical tensions and conflicts. We expect the positive economic trend in industrialized nations to continue, with moderate rates of expansion overall. In all probability, growth in emerging economies will be at a similar level to the previous year. We expect the strongest rates of expansion in Asia's emerging economies.

Global demand for passenger cars continued to rise in the first quarter of 2016, although there was regional variation in the markets. We expect trends in the passenger car markets in the individual regions to be mixed over the year as a whole, too. Overall, growth in global demand for new vehicles will probably be slower than in 2015. We anticipate that the demand volume in Western Europe and the German passenger car market will be in line with the previous year. In the Central and Eastern European markets, demand for passenger cars is estimated to be down on the weak prior-year figure. In North America, we expect last year's positive trend to continue at a slightly weaker pace. Volumes in the South American markets will probably fall noticeably short of the prior-year figures. The passenger car markets in the Asia-Pacific region look set to continue their growth path at a similar pace.

Global demand for light commercial vehicles will probably see a slight increase in 2016. We expect trends to vary from region to region. We expect trends to vary from region to region.

In the markets for mid-sized and heavy trucks that are relevant for the Volkswagen Group, new registrations in 2016 will probably be on the previous year's level overall with performance varying from region to region, while demand in the relevant bus markets will decline noticeably.

We expect automotive financial services to continue to grow in importance worldwide in 2016.

The Volkswagen Group is well positioned to deal with the mixed developments in the global automotive markets. Our broad, selectively expanded product range featuring the latest generation of engines as well as a variety of alternative drives puts us in a good position globally compared with our competitors. The Group's further strengths include in particular its unique brand portfolio, its steadily growing presence in all major world markets and its wide selection of financial services. Our range of models spans from motorcycles through compact, sports and luxury cars to heavy trucks and buses, and covers almost all segments. The Volkswagen Group's brands will press ahead with their product initiative in 2016, modernizing and expanding their offering by introducing new models. Our goal is to offer all customers the mobility and innovations they need, sustainably strengthening our competitive position in the process.

We expect that, on the whole, deliveries to customers of the Volkswagen Group in 2016 will be on a level with the previous year amid persistently challenging market conditions, with a growing volume in China.

In addition to the emissions issue, the highly competitive environment as well as interest rate and exchange rate volatility and fluctuations in raw materials prices all pose challenges. We anticipate positive effects from the efficiency programs implemented by all brands and from the modular toolkits.

Depending on the economic conditions – particularly in South America and Russia – and the exchange rate development and in light of the emissions issue, we expect 2016 sales revenue for the Volkswagen Group to be down by as much as 5% on the prior-year figure. In terms of the Group's operating profit, we anticipate that the operating return on sales will be between 5.0% and 6.0% in 2016.

In the Passenger Cars Business Area we expect a sharp decrease in sales revenue, with an operating return on sales in the anticipated range of 5.5 – 6.5%. With sales revenue in the Commercial Vehicles Business Area remaining essentially unchanged, we assume operating return on sales will be between 2.0% and 4.0%. We expect sales revenue in the Power Engineering Business Area to be perceptibly lower than the prior-year figure, with a significantly reduced operating profit. For the Financial Services Division, we are forecasting sales revenue and operating profit at the prior-year level. Disciplined cost and investment management and the continuous optimization of our processes are integral elements of the Volkswagen Group's strategy.

Brands and Business Fields

SALES REVENUE AND OPERATING PROFIT BY BRAND AND BUSINESS FIELD

The Volkswagen Group generated sales revenue of €51.0 (52.7) billion between January and March 2016. At €3.4 billion, operating profit exceeded the prior-year figure by €0.1 billion. The figure for the first quarter of 2016 includes special items totaling €+0.3 billion; operating profit before special items amounted to €3.1 (3.3) billion.

The Volkswagen Passenger Cars brand sold 1.1 million vehicles in the reporting period, 4.3% fewer than in the previous year. This figure includes 742 (818) thousand Volkswagen models. There was increased demand for the Golf, Touran, Tiguan and Passat models. Overall, sales revenue fell by 4.6% to €25.1 billion as a result of lower volumes. Operating profit before special items amounted to €73 (514) million. Negative impacts resulting from unfavorable exchange rates, lower volumes and higher marketing costs as a consequence of the emissions issue were offset by cost savings. Special items of €+0.5 billion arose in particular from the adjustment of provisions in connection with the diesel issue due to currency-related factors.

The Audi brand's unit sales of 388 (389) thousand vehicles worldwide in the first quarter of 2016 stood at the prior-year level. A further 138 (121) thousand Audi vehicles were sold by the FAW-Volkswagen Chinese joint venture. The Q3 SUV model and the new generations of the A4, TT and Q7 were particularly popular with customers. Sales revenue amounted to €14.5 (14.7) billion. Operating profit before special items came to €1.3 (1.4) billion. Exchange rate effects and continuing high upfront expenditures for new products and technologies and for the expansion of the international production network had a negative impact on earnings. The increased scope of the replacement of faulty airbags delivered by Takata resulted in special items of €–0.1 billion. The financial key performance indicators for the Audi brand also include the Lamborghini and Ducati brands. Ducati sold 17,344 motorcycles in the first quarter of this year (+30.6%).

The ŠKODA brand sold 207 (217) thousand vehicles in the first three months of 2016. The Octavia and Fabia models in particular saw strong customer demand. Sales revenue increased by 6.4% to €3.4 billion. The 30.2% increase in operating profit to €315 million is mainly attributable to positive mix effects and optimized product costs.

At 127 thousand vehicles in the period from January to March 2016, the SEAT brand's unit sales were down 7.8% on the previous year. This figure includes the Q3 manufactured for Audi. Demand remained high for the Ibiza and the Leon, while the Alhambra recorded a healthy growth rate. Sales revenue decreased 5.1% year-on-year to €2.1 billion. Operating profit improved by €21 million to €54 million despite the lower volume; this was primarily due to cost reductions.

Unit sales by the Bentley brand declined by 22.7% to 2,033 vehicles in the reporting period. Sales revenue amounted to €376 million, down 20.3% on the figure for the first quarter of 2015. Operating profit decreased from €49 million in the previous year to €–54 million.

The Porsche brand lifted its vehicle sales by 15.4% in the first quarter of 2016 to 59 thousand units worldwide. Nearly all models recorded higher demand than in the prior-year period. Sales revenue increased by 5.9% to €5.4 billion. Operating profit improved by 16.9% to €895 million; alongside the increase in volumes, mix effects had a positive impact.

VOLKSWAGEN GROUP

Division	Automotive										Financial Services
Brand/ Business Field	Volkswagen Passenger Cars	Audi	ŠKODA	SEAT	Bentley	Porsche	Volkswagen Commercial Vehicles	Scania	MAN	Others	Dealer and customer financing Leasing Direct bank Insurance Fleet management Mobility offerings

Volkswagen Commercial Vehicles sold 118 (121) thousand vehicles worldwide in the first three months of 2016. The Multivan/Transporter and the Caddy were in high demand. Sales revenue matched the level in the first quarter of 2015, at €2.7 (2.7) billion. Operating profit fell by 13.7% to €142 million due to volume-related factors.

The Scania brand sold 19 (18) thousand trucks and buses between January and March of this year. Rising sales figures in Europe offset the decline in demand in South America, Russia and Turkey. At €2.6 (2.5) billion, sales revenue slightly exceeded the prior-year figure. Operating profit rose to €244 (237) million, as negative exchange rate effects were more than offset by higher vehicle sales and an expansion of the service business.

MAN Commercial Vehicles sold 23 thousand vehicles in the reporting period, an increase of 6.3%. Sales revenue, at €2.3 (2.3) billion, remained on a level with the prior-year figure. In spite of the persistently difficult economic climate in South America, the operating profit before special items improved to €65 (–13) million due, among other things, to higher vehicle sales in Europe. Restructuring measures in South America resulted in special items of €–0.1 billion.

MAN Power Engineering increased its sales revenue in the first quarter of 2016 by 4.0% year-on-year to €832 million. Operating profit amounted to €48 (52) million.

At €492 million, operating profit at Volkswagen Financial Services in the reporting year was 21.9% higher than in the previous year. Volume-related factors in particular improved this result.

KEY FIGURES BY BRAND AND BUSINESS FIELD FROM JANUARY 1 TO MARCH 31[1]

	VEHICLE SALES		SALES REVENUE		SALES TO THIRD PARTIES		OPERATING RESULT	
thousand units/€ million	2016	2015	2016	2015	2016	2015	2016	2015
Volkswagen Passenger Cars	1,069	1,117	25,068	26,291	16,116	17,891	73	514
Audi	388	389	14,511	14,651	9,198	9,657	1,302	1,422
ŠKODA	207	217	3,379	3,175	1,631	1,509	315	242
SEAT	127	138	2,070	2,182	824	817	54	33
Bentley	2	3	376	472	270	281	–54	49
Porsche[2]	59	51	5,378	5,078	4,927	4,618	895	765
Volkswagen Commercial Vehicles	118	121	2,716	2,698	1,326	1,249	142	165
Scania[2]	19	18	2,551	2,463	2,551	2,463	244	237
MAN Commercial Vehicles	23	22	2,291	2,293	2,113	2,227	65	–13
MAN Power Engineering	–	–	832	800	832	799	48	52
VW China[3]	980	963	–	–	–	–	–	–
Other	–415	–431	–14,821	–13,513	5,182	5,649	–445[4]	–541[4]
Volkswagen Financial Services	–	–	6,612	6,145	5,995	5,574	492	403
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**–**	**–**	**3,131**	**3,328**
Special items	–	–	–	–	–	–	309	–
Volkswagen Group	**2,577**	**2,607**	**50,964**	**52,735**	**50,964**	**52,735**	**3,440**	**3,328**
Automotive Division[5]	2,577	2,607	43,530	45,806	44,236	46,444	2,850	2,856
of which: Passenger Cars Business Area	2,417	2,447	35,219	37,636	37,567	39,853	2,603	2,634
Commercial Vehicles Business Area	160	161	7,478	7,370	5,837	5,791	256	236
Power Engineering Business Area	–	–	832	800	832	799	–9	–14
Financial Services Division	–	–	7,434	6,928	6,728	6,291	591	473

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 Including financial services.
3 The sales revenue and operating profit of the joint venture companies in China are not included in the figures for the Group. The Chinese companies are accounted for using the equity method and recorded a proportionate operating profit of €1,174 (1,598) million.
4 Mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation for Scania, Porsche Holding Salzburg, MAN and Porsche.
5 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

UNIT SALES AND SALES REVENUE BY MARKET

The Volkswagen Group sold 1.1 (1.1) million vehicles in the Europe/Other markets region in the first quarter of 2016, matching the prior-year figure. Sales revenue also reached the 2015 level, at €33.0 (32.9) billion.

The Volkswagen Group lifted unit sales in the North American market by 6.3% in the reporting period to 223 thousand vehicles. Particularly the increase in volumes and the stronger US dollar are reflected in sales revenue, which rose by 5.5% to €8.1 billion.

Owing to the continuing weak economic conditions in the South American markets, the Volkswagen Group sold 120 thousand vehicles in this region, a decrease of 16.2% on the previous year. The 30.7% decline in sales revenue to €1.8 billion was attributable to lower volumes and the unfavorable exchange rate trend.

In the Asia-Pacific region we sold a total of 1.1 million vehicles between January and March of this year – including the Chinese joint ventures; this represents a decrease of 1.5% as against the prior-year period. Sales revenue fell by 16.0% to €8.1 billion due to volume and mix effects. This figure does not include our Chinese joint ventures, which are accounted for using the equity method.

KEY FIGURES BY MARKET FROM JANUARY 1TO MARCH 31[1]

	VEHICLE SALES		SALES REVENUE	
thousand units/€ million	2016	2015	2016	2015
Europe/Other markets	1,134	1,138	33,000	32,855
North America	223	210	8,092	7,672
South America	120	143	1,791	2,583
Asia-Pacific[2]	1,100	1,116	8,082	9,625
Volkswagen Group[2]	**2,577**	**2,607**	**50,964**	**52,735**

1 All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.
2 The sales revenue of the joint venture companies in China is not included in the figures for the Group and the Asia-Pacific market.

VOLKSWAGEN FINANCIAL SERVICES

Volkswagen Financial Services again supported the Volkswagen Group's sales growth in the first quarter of 2016 with its innovative products along the automotive value chain.

At the end of March 2016, Volkswagen Financial Services completed its Quicar carsharing project and launched a new station-based carsharing offering in Hanover through Greenwheels. Greenwheels is the carsharing market leader in the Netherlands and operates a fleet of around 2,000 vehicles in Germany and the Netherlands. Volkswagen Financial Services AG holds a 60% stake in Greenwheels.

In the "Best of the best" reader survey conducted by the German motor magazine Auto Zeitung, Volkswagen Financial Services AG came out on top in the 'Passenger Cars Bank' category with 22.7% of the votes. The evaluation was based on 20 categories including motor insurance and carsharing.

In the employer competition organized by the German news magazine FOCUS, Volkswagen Financial Services AG was named industry winner in the 'Financial Services Provider' category for the third year in a row. In Germany's most extensive survey of employees, employees evaluate their own company. The XING and kununu.com platforms were cooperation partners in the FOCUS competition.

Also for the third consecutive year, Volkswagen Financial Services was named Germany's best employer in the "Great place to work" employer competition in the category of companies with over 5,000 employees. This evaluation is based on surveys of employees on central job- and HR-related topics such as trust in management, leadership behavior and promotion of health.

The main refinancing sources for Volkswagen Financial Services are money and capital market instruments, asset-backed securities (ABS) transactions and customer deposits from the direct banking business. The ABS program was continued in the reporting period with the successful placement of the third transaction involving collateralized financing contracts in the Chinese market (Driver China three). Volkswagen Financial Services AG issued another ABS transaction in Spain (Driver España three) with a volume of around €1.0 billion. In Japan, Volkswagen Financial Services AG further expanded its ABS program in the first quarter of 2016 with the successful placement of the Driver Japan five securitized transaction. An ABS transaction was also issued in Australia in the reporting period with a volume of approximately AUD 573 million.

The number of new financing, leasing, service and insurance contracts signed in the first quarter of 2016 rose by 13.8% year-on-year to 1.6 million. The total number of contracts as of March 31, 2016 was higher than the 2015 year-end figure, at 15.0 million (+2.1%). In the Customer Financing/Leasing area, the number of contracts rose slightly by 1.6% on the December 31, 2015 figure to 8.5 million. The number of contracts in the Service/Insurance area was up 2.9% year-on-year to 6.5 million. The underlying contract types were modified according to their significance. Based on unchanged credit eligibility criteria, the penetration rate, expressed as the ratio of leased or financed vehicles to relevant Group delivery volumes, increased to 31.7 (29.1)%.

Volkswagen Bank's direct banking business had approximately 1.5 (1.4) million accounts at the end of the first quarter of 2016.

Volkswagen Financial Services had a total of 13,334 employees as of March 31, 2016, unchanged on the December 31, 2015 level.

Interim Consolidated Financial Statements (Condensed)

INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO MARCH 31

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2016	2015	2016	2015	2016	2015
Sales revenue	**50,964**	**52,735**	**43,530**	**45,806**	**7,434**	**6,928**
Cost of sales	−40,666	−42,425	−34,724	−36,973	−5,942	−5,453
Gross profit	**10,298**	**10,309**	**8,806**	**8,834**	**1,492**	**1,475**
Distribution expenses	−5,104	−4,976	−4,788	−4,675	−316	−301
Administrative expenses	−1,780	−1,815	−1,376	−1,419	−405	−396
Other operating income/expense	27	−190	207	116	−181	−305
Operating profit	**3,440**	**3,328**	**2,850**	**2,856**	**591**	**473**
Share of profits and losses of equity-accounted investments	1,114	1,146	1,095	1,135	19	11
Other financial result	−1,351	−506	−1,278	−520	−73	14
Financial result	**−237**	**639**	**−183**	**615**	**−54**	**24**
Profit before tax	**3,203**	**3,968**	**2,666**	**3,471**	**537**	**497**
Income tax expense	−838	−1,036	−578	−916	−260	−119
Profit after tax	**2,365**	**2,932**	**2,088**	**2,554**	**277**	**378**
of which attributable to						
Noncontrolling interests	3	2	−44	−4	47	6
Volkswagen AG hybrid capital investors	56	43	56	43	–	–
Volkswagen AG shareholders	2,306	2,887	2,076	2,516	230	371
Basic earnings per ordinary share (€)[2]	**4.58**	**5.74**				
Diluted earnings per ordinary share (€)[2]	**4.58**	**5.74**				
Basic earnings per preferred share (€)[2]	**4.64**	**5.80**				
Diluted earnings per preferred share (€)[2]	**4.64**	**5.80**				

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Explanatory information on earnings per share is presented in note 4. Prior-year figures adjusted to reflect application of IAS 33.26.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO MARCH 31

€ million	2016	2015
Profit after tax	**2,365**	**2,932**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	−4,311	−5,508
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	1,273	1,635
Pension plan remeasurements recognized in other comprehensive income, net of tax	−3,038	−3,873
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	−1	−2
Items that will not be reclassified to profit or loss	**−3,039**	**−3,875**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	−882	2,526
Transferred to profit or loss	0	–
Exchange differences on translating foreign operations, before tax	−881	2,526
Deferred taxes relating to exchange differences on translating foreign operations	0	0
Exchange differences on translating foreign operations, net of tax	−881	2,526
Cash flow hedges		
Fair value changes recognized in other comprehensive income	3,992	−9,443
Transferred to profit or loss	427	1,142
Cash flow hedges, before tax	4,419	−8,301
Deferred taxes relating to cash flow hedges	−1,286	2,421
Cash flow hedges, net of tax	3,133	−5,880
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	22	420
Transferred to profit or loss	32	−40
Available-for-sale financial assets, before tax	55	380
Deferred taxes relating to available-for-sale financial assets	−13	−11
Available-for-sale financial assets, net of tax	42	369
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	−170	631
Items that may be reclassified subsequently to profit or loss	**2,123**	**−2,353**
Other comprehensive income, before tax	−890	−10,273
Deferred taxes relating to other comprehensive income	−26	4,046
Other comprehensive income, net of tax	**−916**	**−6,228**
Total comprehensive income	**1,449**	**−3,295**
of which attributable to		
Noncontrolling interests	2	2
Volkswagen AG hybrid capital investors	56	43
Volkswagen AG shareholders	1,391	−3,340

BALANCE SHEET AS OF MARCH 31, 2016 AND DECEMBER 31, 2015

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE*		FINANCIAL SERVICES	
€ million	2016	2015	2016	2015	2016	2015
Assets						
Noncurrent assets	**235,381**	**236,548**	**131,062**	**132,812**	**104,319**	**103,736**
Intangible assets	61,325	61,147	61,102	60,918	223	228
Property, plant and equipment	49,959	50,171	47,557	47,768	2,402	2,403
Lease assets	33,568	33,173	3,103	2,931	30,465	30,242
Financial services receivables	63,546	63,185	–	–	63,546	63,185
Investments, equity-accounted investments and other equity investments, other receivables and financial assets	26,982	28,873	19,299	21,195	7,683	7,678
Current assets	**161,546**	**145,387**	**88,236**	**74,019**	**73,310**	**71,367**
Inventories	35,863	35,048	32,177	31,369	3,686	3,679
Financial services receivables	47,030	46,888	−595	−614	47,625	47,502
Other receivables and financial assets	30,009	27,572	18,467	15,315	11,542	12,257
Marketable securities	14,866	15,007	12,117	12,261	2,749	2,747
Cash, cash equivalents and time deposits	33,779	20,871	26,070	15,688	7,709	5,183
Total assets	**396,927**	**381,935**	**219,298**	**206,831**	**177,629**	**175,103**
Equity and Liabilities						
Equity	**89,566**	**88,270**	**68,666**	**67,366**	**20,900**	**20,905**
Equity attributable to Volkswagen AG shareholders	81,891	80,500	61,317	59,898	20,574	20,603
Equity attributable to Volkswagen AG hybrid capital investors	7,463	7,560	7,463	7,560	–	–
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	89,354	88,060	68,780	67,458	20,574	20,603
Noncontrolling interests	211	210	−115	−92	326	302
Noncurrent liabilities	**147,811**	**145,175**	**76,216**	**73,568**	**71,595**	**71,607**
Financial liabilities	73,042	73,292	9,447	9,557	63,595	63,735
Provisions for pensions	31,890	27,535	31,396	27,119	494	415
Other liabilities	42,879	44,349	35,374	36,892	7,506	7,457
Current liabilities	**159,550**	**148,489**	**74,417**	**65,898**	**85,133**	**82,591**
Put options and compensation rights granted to noncontrolling interest shareholders	3,782	3,933	3,782	3,933	–	–
Financial liabilities	81,482	72,313	3,524	−3,974	77,958	76,286
Trade payables	20,816	20,460	18,358	18,709	2,458	1,751
Other liabilities	53,471	51,783	48,753	47,229	4,718	4,554
Total equity and liabilities	**396,927**	**381,935**	**219,298**	**206,831**	**177,629**	**175,103**

* Including allocation of consolidation adjustments between the Automotive and Financial Services divisions, primarily intragroup loans.

STATEMENT OF CHANGES IN EQUITY

				OTHER RESERVES
€ million	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve
Balance at Jan. 1, 2015	**1,218**	**14,616**	**71,197**	**−1,777**
Profit after tax	–	–	2,887	–
Other comprehensive income, net of tax	–	–	−3,871	2,524
Total comprehensive income	**–**	**–**	**−983**	**2,524**
Capital increase*	0	0	–	–
Dividend payment	–	–	–	–
Capital transactions involving a change in ownership interest	–	–	0	–
Other changes	–	–	0	–
Balance at Mar. 31, 2015	**1,218**	**14,616**	**70,214**	**747**
Balance at Jan. 1, 2016	**1,283**	**14,551**	**69,039**	**−987**
Profit after tax	–	–	2,306	–
Other comprehensive income, net of tax	–	–	−3,037	−881
Total comprehensive income	**–**	**–**	**−731**	**−881**
Capital increase	–	–	–	–
Dividend payment	–	–	–	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	−6	–
Balance at Mar. 31, 2016	**1,283**	**14,551**	**68,302**	**−1,869**

* Volkswagen AG recorded an inflow of cash funds amounting to €2,500 million, less a discount of €29 million and transaction costs of €14 million, from the hybrid capital issued in March 2015. Additionally, there were noncash effects from the deferral of taxes amounting to €11 million. The hybrid capital is required to be classified as equity instruments granted.

	Cash flow hedges	Available-for-sale financial assets	Equity-accounted investments	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to Volkswagen AG shareholders and hybrid capital investors	Noncontrolling interests	Total equity
	−1,715	**1,263**	**148**	**5,041**	**89,991**	**198**	**90,189**
	–	–	–	43	2,930	2	2,932
	−5,879	369	629	–	−6,228	0	−6,228
	−5,879	**369**	**629**	**43**	**−3,297**	**2**	**−3,295**
	–	–	–	2,469	2,469	–	2,469
	–	–	–	−128	−128	–	−128
	–	–	–	–	0	0	0
	–	–	–	32	32	0	32
	−7,594	**1,632**	**777**	**7,457**	**89,067**	**200**	**89,267**
	−3,912	**−16**	**542**	**7,560**	**88,060**	**210**	**88,270**
	–	–	–	56	2,362	3	2,365
	3,133	42	−171	–	−915	−1	−916
	3,133	**42**	**−171**	**56**	**1,447**	**2**	**1,449**
	–	–	–	–	–	–	–
	–	–	–	−204	−204	–	−204
	–	–	–	–	–	–	–
	–	–	6	51	51	0	51
	−779	**26**	**377**	**7,463**	**89,354**	**211**	**89,566**

CASH FLOW STATEMENT FOR THE PERIOD JANUARY 1 TO MARCH 31

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2016	2015[2]	2016	2015[2]	2016	2015
Cash and cash equivalents at beginning of period	**20,462**	**18,634**	**15,294**	**16,010**	**5,168**	**2,624**
Profit before tax	3,203	3,968	2,666	3,471	537	497
Income taxes paid	−1,023	−807	−1,465	−885	442	77
Depreciation and amortization expense[3]	4,762	4,385	3,220	2,984	1,541	1,401
Change in pension provisions	17	110	17	105	1	5
Other noncash income/expense and reclassifications[4]	−730	−429	−669	−578	−61	148
Gross cash flow	**6,229**	**7,225**	**3,770**	**5,097**	**2,460**	**2,128**
Change in working capital	**−4,876**	**−3,865**	**−1,367**	**−663**	**−3,508**	**−3,201**
Change in inventories	−1,276	−2,226	−1,244	−2,316	−32	91
Change in receivables	−3,274	−3,304	−3,050	−3,179	−224	−125
Change in liabilities	3,727	4,028	2,404	3,339	1,323	689
Change in other provisions	955	1,578	902	1,555	52	23
Change in lease assets (excluding depreciation)	−2,854	−2,144	−360	−104	−2,494	−2,041
Change in financial services receivables	−2,153	−1,796	−19	41	−2,134	−1,837
Cash flows from operating activities	**1,354**	**3,361**	**2,402**	**4,434**	**−1,049**	**−1,073**
Cash flows from investing activities attributable to operating activities	**−1,163**	**−3,325**	**−1,117**	**−3,189**	**−45**	**−136**
of which: Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property	−2,169	−2,140	−2,120	−2,071	−49	−69
capitalized development costs	−1,240	−1,137	−1,240	−1,137	–	–
acquisition and disposal of equity investments	2,175	−104	2,176	−34	0	−70
Net cash flow[5]	***191***	***36***	***1,285***	***1,245***	***−1,094***	***−1,209***
Change in investments in securities and loans	1,567	−3,712	1,493	−3,135	74	−577
Cash flows from investing activities	**405**	**−7,037**	**376**	**−6,324**	**29**	**−713**
Cash flows from financing activities	**11,368**	**1,738**	**7,790**	**791**	**3,578**	**947**
Effect of exchange rate changes on cash and cash equivalents	−217	630	−182	574	−35	57
Net change in cash and cash equivalents	**12,910**	**−1,308**	**10,387**	**−525**	**2,523**	**−783**
Cash and cash equivalents at Mar. 31	**33,372**	**17,326**	**25,681**	**15,485**	**7,691**	**1,841**
Securities, loans and time deposits	22,871	23,283	13,253	14,956	9,618	8,327
Gross liquidity	**56,243**	**40,609**	**38,934**	**30,441**	**17,309**	**10,168**
Total third-party borrowings	−154,524	−138,400	−12,971	−9,670	−141,553	−128,731
Net liquidity at Mar. 31	**−98,281**	**−97,791**	**25,964**	**20,772**	**−124,245**	**−118,563**
For information purposes: at Jan. 1	−100,530	−96,453	24,522	17,639	−125,052	−114,092

1 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.
2 Prior-year figures adjusted.
3 Net of impairment reversals.
4 These relate mainly to the fair value measurement of financial instruments, application of the equity method and reclassification of gains/losses on disposal of noncurrent assets and equity investments to investing activities.
5 Net cash flow: cash flows from operating activities, net of cash flows from investing activities attributable to operating activities.

Explanatory notes on the cash flow statement are presented in note 12.

Notes to the Interim Consolidated Financial Statements

Accounting in accordance with International Financial Reporting Standards (IFRSs)

In accordance with Regulation No. 1606/2002 of the European Parliament and of the Council, Volkswagen AG prepared its consolidated financial statements for 2015 in compliance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. These interim consolidated financial statements for the period ended March 31, 2016 were therefore also prepared in accordance with IAS 34 and are condensed in scope compared with the consolidated financial statements.

All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

In addition to the reportable segments, the Automotive and Financial Services divisions are presented in the condensed interim group financial report for explanatory purposes alongside the income statement, balance sheet and cash flow statement for the Volkswagen Group. This supplemental presentation is not required by IFRSs. Eliminations of intragroup transactions between the Automotive and Financial Services divisions are allocated to the Automotive Division.

The accompanying interim consolidated financial statements were reviewed by auditors in accordance with section 37w of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).

Accounting policies

Volkswagen AG has applied all accounting pronouncements adopted by the EU and effective for periods beginning on or after January 1, 2016.

A number of amendments to International Financial Reporting Standards resulting from the Annual Improvements Project 2012 and the Annual Improvements Project 2014 became effective on January 1, 2016. Among others, these amendments included changes to IFRS 3, IFRS 7, IFRS 8, IFRS 13 and IAS 24. The changes to IFRS 8 Operating Segments added a requirement to describe the criteria used to aggregate the operating segments. The segment disclosure requirements have therefore been clarified. Additional disclosure requirements have been included in IFRS 7 in relation to the derecognition of financial instruments. These changes mainly relate to the presentation of ABS transactions.

Changes to IAS 19 also had to be applied from January 1, 2016 onward. These changes relate to the accounting treatment of employee pension contributions. In the Volkswagen Group, employee contributions in which the amount is independent of the number of years of service (fixed percentage of salary) will in the future be deducted from the service cost in the year the contributions are made.

The amendments to IAS 16 and IAS 38 clarified that, with effect from January 1, 2016, revenue-based methods for measuring depreciation and amortization are not generally permitted.

The IFRS amendments described here do not materially affect the Volkswagen Group's net assets, financial position and results of operations.

Amendments to IAS 1 introduced with effect from January 1, 2016 have clarified a large number of the concepts used in IFRS reporting. The existing presentation in the Volkswagen interim group financial report is not affected by these conceptual modifications and can be retained. The amendments also specified that disclosures are only required in an interim report if the content is material.

The other financial reporting standards that have to be applied for the first time in fiscal year 2016 do not have any significant impact on the presentation of net assets, financial position and results of operations in the Volkswagen interim group financial report. A detailed breakdown of these accounting pronouncements is provided in the "Accounting policies" section of the notes to the consolidated financial statements in the 2015 Annual Report.

In addition, in the consolidated financial statements for the period ended December 31, 2015, the presentation of hedges in the cash flow statement was adjusted so that cash flows from hedging transactions were allocated to those of the underlying hedged items. As a result of the adjustment, during the prior-year period covered by the Volkswagen interim group financial report, cash flows from operating activities decreased by €258 million and cash flows from financing activities increased by a corresponding amount.

Furthermore, changes within the scope of IFRS 7 were made to the financial statements for fiscal year 2015. The changes were described in the section on accounting policies in the 2015 consolidated financial statements. The prior-year figures have been adjusted accordingly in the interim report of the Volkswagen Group.

A discount rate of 2.0% (December 31, 2015: 2.7%) was applied to German pension provisions in the accompanying interim consolidated financial statements. The reduction in the discount rate increased pension provisions and deferred taxes attributable to pension provisions and also increased the actuarial losses for pension provisions that are recognized in retained earnings.

The income tax expense for the interim reporting period was calculated on the basis of the average annual tax rate that is expected for the entire fiscal year, in accordance with IAS 34, Interim Financial Reporting.

In other respects, the same accounting policies and consolidation methods that were used for the 2015 consolidated financial statements are generally applied to the preparation of the interim consolidated financial statements and the measurement of the prior-year comparatives. A detailed description of the policies and methods applied is published in the "Accounting policies" section of the notes to the 2015 consolidated financial statements. This can also be accessed on the Internet at www.volkswagenag.com/ir.

Key events

On September 18, 2015, the U.S. Environmental Protection Agency (EPA) publicly announced in a "Notice of Violation" that irregularities in relation to nitrogen oxide (NO_x) emissions had been discovered in emissions tests on certain vehicles with Volkswagen Group diesel engines. This was followed by further reports on the scope of the diesel issue. Detailed information can be found in the "Key events" section of the 2015 consolidated financial statements.

In the first quarter of 2016, the provisions recognized in connection with this issue were reduced by €0.5 billion. The reduction was attributable to an exchange-rate-related provision reversal of €0.6 billion and unutilized provisions for sales-related measures amounting to €0.1 billion. Some of these reductions were offset by other provision increases, mainly a rise of €0.2 billion in the provisions recognized for legal defense costs.

Basis of consolidation

In addition to Volkswagen AG, which is domiciled in Wolfsburg and entered in the commercial register at the Braunschweig Local Court under No. HRB 100484, the consolidated financial statements comprise all significant German and non-German subsidiaries, including structured entities, that are controlled directly or indirectly by Volkswagen AG. This is the case if Volkswagen AG obtains power over the potential subsidiaries directly or indirectly from voting rights or similar rights, is exposed, or has rights to, positive or negative variable returns from its involvement with the subsidiaries, and is able to influence those returns.

INVESTMENTS IN ASSOCIATES

Audi, the BMW Group and Daimler AG each acquired a 33.3% interest in There Holding, Rijswijk, the Netherlands, which was formed in 2015. Effective December 4, 2015, There Holding acquired all shares in the HERE Group through a wholly owned subsidiary, There Acquisition B.V., Rijswijk, the Netherlands. Audi's share of the investment amounts to €0.7 billion. On January 29, 2016, There Acquisition B.V. was renamed HERE International B.V. The equity investment in There Holding B.V. is recognized as an equity-accounted investment in the consolidated financial statements.

INTERESTS IN JOINT VENTURES

Through its 50% interest in the joint venture Global Mobility Holding B.V., Amsterdam, the Netherlands (GMH), the Volkswagen Group held a 50% indirect stake in the joint venture's subsidiary, LeasePlan Corporation N.V., Amsterdam, the Netherlands (LeasePlan). GMH's business activity consisted of holding the interest in LeasePlan. LeasePlan is a Dutch financial services group whose core business is leasing and fleet management. GMH's principal place of business is in Amsterdam, the Netherlands.

On July 23, 2015, GMH sold its 100% interest in LeasePlan to a consortium of international investors. The final approvals for the sale of LeasePlan to an international consortium of investors were issued by the competent authorities in January 2016. Legal transfer of the LeasePlan shares to the consortium was completed on March 21, 2016.

The total value of the transaction was approximately €3.7 billion plus interest in the amount of €31.5 million. In 2016, this had a positive effect of €2.2 billion on investing activities attributable to operating activities and net liquidity and, taking into account the disposal of equity-accounted investment in GMH, resulted in an income amount of €0.2 billion for the Volkswagen Group, which is reported in the financial result. On completion of the transaction, the existing credit line of €1.3 billion provided by the Volkswagen Group was canceled.

OTHER EQUITY INVESTMENTS

On August 29, 2015, an arbitration ruling was delivered to the parties in the proceedings between Suzuki Motor Corporation and Volkswagen AG. It found that Volkswagen had acted in accordance with the agreement. The arbitration court also confirmed that Suzuki was in breach of contract and, on the merits of this case, acknowledged that Volkswagen had a claim to damages. In addition, the arbitration court established that the parties had the right to give regular notice to terminate the cooperation agreement. It said that Suzuki had exercised this right, ending the partnership. According to the court, the agreements had to be interpreted in such a way that Volkswagen had to sell its equity investment in Suzuki on termination of the partnership. Volkswagen consequently sold its 19.9% equity investment to Suzuki on September 17, 2015 at the quoted market price of €3.1 billion. The sale of the shares generated income in the amount of €1.5 billion in the third quarter of the previous year.

In February 2016, Volkswagen and Suzuki agreed a settlement regarding the claims for damages brought by Volkswagen.

DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Sales revenue

STRUCTURE OF GROUP SALES REVENUE

€ million	Q1 2016	Q1 2015
Vehicles	32,030	34,814
Genuine parts	3,649	3,574
Used vehicles and third-party products	3,183	2,758
Engines, powertrains and parts deliveries	2,424	2,531
Power Engineering	832	799
Motorcycles	190	133
Leasing business	5,208	4,654
Interest and similar income	1,633	1,694
Other sales revenue	1,815	1,779
	50,964	**52,735**

2. Cost of sales

Cost of sales includes interest expenses of €466 million (previous year: €489 million) attributable to the financial services business.

In addition to depreciation and amortization expenses, cost of sales also includes impairment losses on intangible assets, items of property, plant and equipment, and lease assets. The impairment losses identified on the basis of updated impairment tests amount to a total of €100 million (previous year: €122 million). The value in use of Volkswagen Group products is used as the basis for calculating impairment losses.

3. Research and development costs in the Automotive Division

€ million	Q1 2016	Q1 2015	%
Total research and development costs	3,314	3,318	−0.1
of which: capitalized development costs	1,240	1,137	9.0
Capitalization ratio in %	37.4	34.3	
Amortization of capitalized development costs	808	730	10.8
Research and development costs recognized in the income statement	**2,882**	**2,911**	**−1.0**

4. Earnings per share

Basic earnings per share are calculated by dividing earnings attributable to Volkswagen AG shareholders by the weighted average number of ordinary and preferred shares outstanding during the reporting period.

In 2012 and 2013, Volkswagen AG placed two mandatory convertible notes with identical features and an aggregate principal amount of €3.7 billion via a subsidiary, Volkswagen International Finance N.V. Amsterdam (issuer). These notes matured on November 9, 2015. The terms and conditions of the notes provided for early conversion options and the exercise of such options in 2015 resulted in the creation of 27,091 new preferred shares. Under the note terms and conditions, the mandatory convertible notes were required to be settled by issuing new preferred shares no later than at maturity. On the maturity date (November 9, 2015), the outstanding volume of the two notes was converted by the issuer as required under the terms and conditions, resulting in the creation of 25,536,876 new preferred shares.

The year-on-year comparison has to take into account that, in accordance with IAS 33.26, the number of potential preferred shares included in the previous year was replaced retrospectively with the shares actually issued in the reporting period when notes were voluntarily and mandatorily converted.

Earnings per ordinary share were €4.58 at the end of the first quarter of 2016, while earnings per preferred share were €4.64. Since the basic and diluted number of shares is identical, basic earnings per share also correspond to diluted earnings per share. Article 27(2) No. 1 of the Articles of Association of Volkswagen AG sets out that, even in the event of a deficit, a preferred dividend of €0.11 per preferred share must be paid out in the subsequent fiscal years based on the cumulative arrangement if no dividend is paid for the year under review; consequently, this must be factored into the calculation of earnings per share for the current fiscal year. The dividend proposal that is based on Volkswagen AG's net income for the year under the German Commercial Code is not relevant for the calculation of earnings per share in accordance with IAS 33. The distribution of further dividends in accordance with Article 27(2) Nos. 2 and 3 of the Articles of Association of Volkswagen AG, whereby, in the case of a full distribution, the dividend paid for each preferred share is €0.06 higher than that paid for each ordinary share, is only included in the calculation of earnings per share if there is a profit after tax attributable to the shareholders of Volkswagen AG.

		Q1	
		2016	2015*
Weighted average number of shares outstanding			
Ordinary shares: basic	million	295.1	295.1
diluted	million	295.1	295.1
Preferred shares: basic	million	206.2	206.2
diluted	million	206.2	206.2
Profit after tax	€ million	2,365	2,932
Noncontrolling interests	€ million	3	2
Profit attributable to Volkswagen AG hybrid capital investors	€ million	56	43
Profit attributable to Volkswagen AG shareholders	€ million	2,306	2,887
Earnings per share			
Ordinary shares: basic	€	4.58	5.74
diluted	€	4.58	5.74
Preferred shares: basic	€	4.64	5.80
diluted	€	4.64	5.80

* Prior-year figures restated to reflect application of IAS 33.26.

5. Noncurrent assets

CHANGES IN SELECTED NONCURRENT ASSETS BETWEEN JANUARY 1 AND MARCH 31, 2016

€ million	Carrying amount at Jan. 1, 2016	Additions/ Changes in consolidated Group	Disposals/ Other changes	Depreciation and amortization	Carrying amount at Mar. 31, 2016
Intangible assets	61,147	1,277	46	1,052	61,325
Property, plant and equipment	50,171	2,146	360	1,997	49,959
Lease assets	33,173	4,779	2,710	1,674	33,568

6. Inventories

€ million	Mar. 31, 2016	Dec. 31, 2015
Raw materials, consumables and supplies	4,199	4,021
Work in progress	3,463	3,927
Finished goods and purchased merchandise	23,633	23,083
Current lease assets	4,412	3,861
Prepayments	156	156
	35,863	**35,048**

There was no requirement to recognize or reverse significant impairment losses on inventories in the reporting period.

7. Current other receivables and financial assets

€ million	Mar. 31, 2016	Dec. 31, 2015
Trade receivables	12,594	11,132
Miscellaneous other receivables and financial assets	17,414	16,440
	30,009	**27,572**

In the period January 1 to March 31, 2016, impairment losses and reversals of impairment losses on noncurrent and current financial assets reduced operating profit by €119 million (previous year: €195 million).

8. Equity

In March 2015, Volkswagen AG placed unsecured subordinated hybrid notes with an aggregate principal amount of €2.5 billion via a subsidiary, Volkswagen International Finance N.V. Amsterdam (issuer). Under IAS 32, the hybrid notes must be classified in their entirety as equity.

The subscribed capital is composed of 295,089,818 no-par value ordinary shares and 206,205,445 no-par-value preferred shares, and amounts to €1,283 million (December 2015: €1,283 million).

The noncontrolling interests are largely attributable to shareholders of RENK AG and AUDI AG.

9. Noncurrent financial liabilities

€ million	Mar. 31, 2016	Dec. 31, 2015
Bonds, commercial paper and notes	57,526	58,824
Liabilities to banks	11,039	11,101
Deposit business	2,219	1,141
Other financial liabilities	2,258	2,226
	73,042	**73,292**

10. Current financial liabilities

€ million	Mar. 31, 2016	Dec. 31, 2015
Bonds, commercial paper and notes	32,728	30,319
Liabilities to banks	19,192	16,018
Deposit business	28,901	25,357
Other financial liabilities	661	618
	81,482	**72,313**

11. Fair value disclosures

The principles and techniques used for fair value measurement remained unchanged year-on-year. Detailed explanations of the measurement principles and techniques can be found in the "Accounting policies" section of the 2015 consolidated financial statements.

Fair value generally corresponds to the market or quoted market price. If no active market exists, fair value is determined using valuation techniques, such as by discounting the future cash flows at the market interest rate, or by using recognized option pricing models.

Assets and liabilities measured at fair value through profit or loss consist of derivatives or components of derivatives that are not included in hedge accounting. These relate primarily to the interest component of currency forwards used to hedge sales revenue, commodity futures and currency forwards relating to commodity futures.

Available-for-sale financial assets (debt instruments) are carried at fair value. Changes in fair value are recognized directly in equity, net of deferred taxes.

Other equity investments (shares representing an ownership interest of less than 20% as a rule) are also classified as available-for-sale financial assets. They are recognized at cost in the consolidated financial statements if there is no active market for those shares and fair values cannot be reliably ascertained without undue cost or effort. The lower present value of the estimated future cash flows is recognized if there are indications of impairment. There is currently no intention to sell these financial assets.

Uniform valuation techniques and inputs are used to measure fair value. The fair value of Level 2 and 3 financial instruments is measured in the individual divisions on the basis of Group-wide specifications. The fair value of put options and compensation rights granted to noncontrolling interest shareholders is calculated using a present value model based on the contractually agreed cash settlement, including cash compensation, as well as the minimum statutory interest rate and a risk-adjusted discount rate for a matching maturity.

Reconciliation of balance sheet items to classes of financial instruments

The following table shows the reconciliation of the balance sheet items to the relevant classes of financial instruments, broken down by the carrying amount and fair value of the financial instruments.

The fair value of financial instruments measured at amortized cost, such as receivables and liabilities, is calculated by discounting using a market rate of interest for a similar risk and matching maturity. For reasons of materiality, the fair value of current balance sheet items is generally deemed to be their carrying amount. In the reconciliation presented in the following tables, equity instruments recognized at their carrying amount are allocated to Level 3 of the fair value hierarchy.

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF DECEMBER 31, 2015

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT DEC. 31, 2015
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	10,904	10,904
Other equity investments	211	–	–	–	763	974
Financial services receivables	–	63,185	64,630	–	–	63,185
Other financial assets	996	4,484	4,492	1,249	–	6,730
Current assets						
Trade receivables	–	11,132	11,132	–	–	11,132
Financial services receivables	–	46,888	46,888	–	–	46,888
Other financial assets	885	7,963	7,963	1,196	–	10,043
Marketable securities	15,007	–	–	–	–	15,007
Cash, cash equivalents and time deposits	–	20,871	20,871	–	–	20,871
Noncurrent liabilities						
Noncurrent financial liabilities	–	73,292	73,844	–	–	73,292
Other noncurrent financial liabilities	1,325	1,996	1,998	2,580	–	5,901
Current liabilities						
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,933	3,783	–	–	3,933
Current financial liabilities	–	72,313	72,313	–	–	72,313
Trade payables	–	20,460	20,460	–	–	20,460
Other current financial liabilities	1,074	5,551	5,551	3,725	–	10,350

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF MARCH 31, 2016

€ million	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT MAR. 31, 2016
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	9,526	9,526
Other equity investments	170	–	–	–	761	931
Financial services receivables	–	63,546	65,313	–	–	63,546
Other financial assets	277	3,102	3,162	2,683	–	6,062
Current assets						
Trade receivables	–	12,594	12,594	–	–	12,594
Financial services receivables	–	47,030	47,030	–	–	47,030
Other financial assets	444	8,086	8,086	1,388	–	9,918
Marketable securities	14,866	–	–	–	–	14,866
Cash, cash equivalents and time deposits	–	33,779	33,779	–	–	33,779
Noncurrent liabilities						
Noncurrent financial liabilities	–	73,042	74,077	–	–	73,042
Other noncurrent financial liabilities	1,126	1,968	1,971	1,144	–	4,238
Current liabilities						
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,782	3,868	–	–	3,782
Current financial liabilities	–	81,482	81,482	–	–	81,482
Trade payables	–	20,816	20,816	–	–	20,816
Other current financial liabilities	1,154	6,003	6,003	1,927	–	9,084

The following tables contain an overview of the financial assets and liabilities measured at fair value:

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BY LEVEL

€ million	Dec. 31, 2015	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	211	117	–	94
Other financial assets	996	–	976	20
Current assets				
Other financial assets	885	–	879	6
Marketable securities	15,007	15,007	–	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,325	–	1,142	183
Current liabilities				
Other current financial liabilities	1,074	–	778	296

€ million	Mar. 31, 2016	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	170	82	–	88
Other financial assets	277	–	256	21
Current assets				
Other financial assets	444	–	438	6
Marketable securities	14,866	14,866	0	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,126	–	973	153
Current liabilities				
Other current financial liabilities	1,154	–	1,095	59

DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING BY LEVEL

€ million	Dec. 31, 2015	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	1,249	–	1,249	–
Current assets				
Other financial assets	1,196	–	1,196	–
Noncurrent liabilities				
Other noncurrent financial liabilities	2,580	–	2,573	7
Current liabilities				
Other current financial liabilities	3,725	–	3,725	–

€ million	Mar. 31, 2016	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	2,683	–	2,682	1
Current assets				
Other financial assets	1,388	–	1,388	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,144	–	1,140	5
Current liabilities				
Other current financial liabilities	1,927	–	1,927	–

The allocation of fair values to the three levels in the fair value hierarchy is based on the availability of observable market prices. Level 1 is used to report the fair value of financial instruments for which a price is directly available in an active market. Examples include marketable securities and other equity investments measured at fair value. Fair values in Level 2, for example of derivatives, are measured on the basis of market inputs using market-based valuation techniques. In particular, the inputs used include exchange rates, yield curves and commodity prices that are observable in the relevant markets and obtained through pricing services. Level 3 fair values are calculated using valuation techniques that incorporate inputs that are not directly observable in active markets. In the Volkswagen Group, long-term commodity futures are allocated to Level 3 because the prices available on the market must be extrapolated for measurement purposes. This is done on the basis of observable inputs obtained for the different commodities through pricing services. Options on equity instruments and residual value protection models are also reported in Level 3. Equity instruments are measured primarily using the relevant business plans and entity-specific discount rates. The significant inputs used to measure fair value for the residual value protection models include forecasts and estimates of used vehicle residual values for the appropriate models.

CHANGES IN BALANCE SHEET ITEMS MEASURED AT FAIR VALUE BASED ON LEVEL 3

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2015*	**178**	**249**
Foreign exchange differences	9	0
Total comprehensive income	−1	50
recognized in profit or loss	−1	47
recognized in other comprehensive income	0	3
Additions (purchases)	20	–
Sales and settlements	−2	−16
Transfers into Level 2	0	−12
Balance at Mar. 31, 2015*	**204**	**271**
Total gains or losses recognized in profit or loss	**−1**	**−47**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	−1	−47
of which attributable to assets/liabilities held at the reporting date	−1	−37

* Prior-year figures adjusted.

€ million	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance at Jan. 1, 2016	**119**	**251**
Foreign exchange differences	−4	−0
Total comprehensive income	2	−6
recognized in profit or loss	1	−7
recognized in other comprehensive income	1	1
Additions (purchases)	−2	–
Sales and settlements	0	−14
Transfers into Level 2	–	−18
Balance at Mar. 31, 2016	**115**	**212**
Total gains or losses recognized in profit or loss	**1**	**7**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	1	7
of which attributable to assets/liabilities held at the reporting date	1	22

The transfers between the levels of the fair value hierarchy are reported at the respective reporting dates. The transfers out of Level 3 into Level 2 comprise commodity futures for which observable quoted prices are now available for measurement purposes due to the decline in their remaining maturities; consequently, no further extrapolation is required. There were no transfers between other levels of the fair value hierarchy.

Commodity prices are the key risk variable for the fair value of commodity futures. Sensitivity analyses are used to present the effect of changes in commodity prices on earnings after tax and equity.

If commodity prices for commodity futures classified as Level 3 had been 10% higher (lower) as of March 31, 2016, profit after tax would have been €4 million higher (lower) and equity would have been €2 million higher (lower).

The key risk variable for measuring options on equity instruments held by the Company is the relevant enterprise value. Sensitivity analyses are used to present the effect of changes in risk variables on profit after tax.

If the assumed enterprise values had been 10% higher, profit after tax would have been €1 million higher. If the assumed enterprise values had been 10% lower, profit after tax would have been €1 million lower.

Residual value risks result from hedging agreements with dealers under which earnings effects caused by market-related fluctuations in residual values that arise from buy-back obligations under leases are borne in part by the Volkswagen Group.

The key risk variable influencing the fair value of the options relating to residual value risks is used car prices. Sensitivity analyses are used to quantify the effects of changes in used car prices on earnings after tax.

If the prices for the used cars covered by the residual value protection model had been 10% higher as of March 31, 2016, earnings after tax would have been €235 million higher. If the prices for the used cars covered by the residual value protection model had been 10% lower as of March 31, 2016, earnings after tax would have been €235 million lower.

12. Cash flow statement

The cash flow statement presents the cash inflows and outflows in the Volkswagen Group and in the Automotive and Financial Services divisions. Cash and cash equivalents comprise cash at banks, checks, bills, cash-in-hand and call deposits.

€ million	Mar. 31, 2016	Mar. 31, 2015
Cash, cash equivalents and time deposits as reported in the balance sheet	33,779	18,148
Time deposits	−407	−822
Cash and cash equivalents as reported in the cash flow statement	**33,372**	**17,326**

Cash inflows and outflows from financing activities are presented in the following table:

	Q1	
€ million	2016	2015*
Capital contributions	–	2,458
Dividends paid	−204	−128
Capital transactions with noncontrolling interest shareholders	−3	0
Other changes	4	−3
Proceeds from issuance of bonds	1,964	8,553
Repayment of bonds	−5,450	−5,913
Change in other financial liabilities	15,060	−3,214
Lease payments	−2	−14
	11,368	**1,738**

* Prior-year figures adjusted.

13. 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 operating segments are combined into reportable segments based on similar economic characteristics (in particular the nature of the products or services, integration in the development, production and sales processes, and similar customer groups).

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. As a rule, the Volkswagen Group’s individual passenger car brands are combined on a consolidated basis into a single reportable segment.

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.

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.

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.

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.

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: Q1 2015

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	39,716	5,791	799	6,291	52,598	137	52,735
Intersegment sales revenue	3,742	1,579	1	637	5,959	−5,959	–
Total sales revenue	43,458	7,370	800	6,928	58,557	−5,822	52,735
Segment profit or loss (operating profit or loss)	2,837	236	−14	473	3,532	−203	3,328

REPORTING SEGMENTS: Q1 2016

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	37,535	5,837	832	6,728	50,932	32	50,964
Intersegment sales revenue	4,562	1,641	0	706	6,909	−6,909	–
Total sales revenue	42,097	7,478	832	7,434	57,841	−6,877	50,964
Segment profit or loss (operating profit or loss)	2,888	256	−9	591	3,725	−285	3,440

RECONCILIATION

€ million	Q1 2016	Q1 2015
Segment profit or loss (operating profit or loss)	**3,725**	**3,532**
Unallocated activities	19	49
Group financing	0	6
Consolidation	−305	−258
Operating profit	**3,440**	**3,328**
Financial result	**−237**	**639**
Consolidated profit before tax	**3,203**	**3,968**

14. Related party disclosures

Porsche SE reached an agreement with Suzuki Motor Corporation at the end of September 2015 to acquire 1.5% of Volkswagen AG's ordinary shares via an off-market transaction. At 52.2%, Porsche SE held the majority of the voting rights in Volkswagen AG as of March 31, 2016.

The creation of rights of appointment for the State of Lower Saxony was resolved at the Extraordinary General Meeting of Volkswagen AG on December 3, 2009. As a result, Porsche SE cannot appoint the majority of the members of Volkswagen AG's Supervisory Board for as long as the State of Lower Saxony holds at least 15% of Volkswagen AG's ordinary shares. However, Porsche SE has the power to participate in the operating policy decisions of the Volkswagen Group and is therefore classified as a related party as defined by IAS 24.

	SUPPLIES AND SERVICES RENDERED		SUPPLIES AND SERVICES RECEIVED	
	Q1		Q1	
€ million	2016	2015	2016	2015
Porsche SE	3	2	1	1
Supervisory Board members	1	1	1	1
Unconsolidated subsidiaries	250	469	162	145
Joint ventures and their majority interests	3,229	3,752	228	259
Associates and their majority interests	32	17	194	155
State of Lower Saxony, its majority interests and joint ventures	0	2	0	1

	RECEIVABLES (INCLUDING COLLATERAL) FROM		LIABILITIES (INCLUDING OBLIGATIONS) TO	
€ million	Mar. 31, 2016	Dec. 31, 2015	Mar. 31, 2016	Dec. 31, 2015
Porsche SE	331	334	101	110
Supervisory Board members	0	0	175	165
Unconsolidated subsidiaries	945	1,015	1,432	1,418
Joint ventures and their majority interests	7,397	7,495	1,036	2,343
Associates and their majority interests	38	40	395	518
State of Lower Saxony, its majority interests and joint ventures	0	0	0	0

The supplies and services received from joint ventures and associates in the first three months do not include resolved dividend distributions amounting to €8 million (€124 million).

The receivables from Porsche SE comprise a receivable under a loan agreement and receivables from land transfer taxes. The obligations to Porsche SE consist mainly of liability compensation for guarantees.

Obligations to members of the Supervisory Board amounting to €175 million relate primarily to interest-bearing bank balances of Supervisory Board members that were invested at standard market terms and conditions at Volkswagen Group companies.

In addition, the Volkswagen Group has furnished guarentees to external banks on behalf of related parties in the amount of €118 million.

15. Litigation

Detailed information on litigation and other legal proceedings can be found in the "Litigation" section of Volkswagen AG's 2015 consolidated financial statements.

There were no significant changes compared with the situation described there.

16. Contingent assets and liabilities

On May 5, 2016, the U.S. National Highway Traffic Safety Administration (NHTSA) announced, jointly with the Takata company, a further extension of the recall for various models from different manufacturers containing certain airbags produced by the Takata company. The previous recalls also included models manufactured by the Volkswagen Group. Appropriate provisions have been recognized. Currently, the possibility of further extensions to the recalls that could also affect Volkswagen Group models cannot be ruled out. It is not possible at the moment to provide further disclosures in accordance with IAS 37.86 in relation to this matter because the technical investigations and consultations with the authorities are still being carried out.

There were no significant changes as of March 31, 2016 in the contingent assets and liabilities described in the 2015 consolidated financial statements.

17. Other financial obligations

Other financial obligations remained essentially unchanged as against the 2015 consolidated financial statements. An increase in the purchase order commitment for property, plant and equipment and services was offset by the elimination of the obligations of €1.3 billion under an irrevocable credit commitment to LeasePlan.

German Corporate Governance Code

The current declarations in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on the German Corporate Governance Code by the Board of Management and Supervisory Board of Volkswagen AG, AUDI AG, MAN SE and RENK AG are permanently available on the Internet at www.volkswagenag.com/ir, www.audi.com/cgk-declaration, www.corporate.man.eu/en and www.renk.biz/corporated-governance.html respectively.

Significant events after the balance sheet date

There were no significant events after the end of the first three months of 2016.

Wolfsburg, May 31, 2016

Volkswagen Aktiengesellschaft

The Board of Management

Review Report

On completion of our review, we issued the following unqualified auditors' report dated May 31, 2016. This report was originally prepared in German. In case of ambiguities the German version takes precedence:

To VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg

We have reviewed the condensed consolidated interim financial statements - comprising the condensed income statement and condensed statement of comprehensive income, condensed balance sheet, condensed statement of changes in equity, condensed statement of cash flows and selected explanatory notes - and the interim group management report of VOLKSWAGEN AKTIENGESELLSCHAFT, Wolfsburg, for the period from January 1 to March 31, 2015, which are part of the quarterly financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review 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 review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Without qualifying our opinion, we draw attention to the updated information provided in section "Key events" of the notes to the condensed consolidated interim financial statements and in chapter "Report on Expected Developments, Risks and Opportunities" of the interim Group management report with regard to the emission issue, which essentially refer to the information provided and statements made in the 2015 consolidated financial statements and in the combined management report as of December 31, 2015.

Based on the presented first results of the various measures taken to investigate the issue, which underlie these financial statements, there is no validation that members of the board of management were aware of the deliberate manipulation of engine management software before summer 2015. Nevertheless, should as a result of the ongoing investigation new knowledge be obtained showing that members of the board of management were informed earlier, this could eventually have an impact on the condensed consolidated interim financial statements as well as on the annual and consolidated financial statements and on the combined management report for the fiscal year 2015 and the comparative figures for 2014.

The provisions for warranties and legal risks recorded up to now are based on the presented state of knowledge. Due to the large number of the technical solutions necessary and the inevitable uncertainties associated with the current and expected litigation it cannot be excluded that a future assessment of the risks may be different.

Hanover, May 31, 2016

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FINANCIAL CALENDAR

June 22, 2016	Volkswagen AG Annual General Meeting
July 28, 2016	Half-Yearly Financial Report 2016
October 27, 2016	Interim Report January – September 2016

This Interim Report is also available on the Internet, in German and English, at: www.volkswagenag.com/ir

This version of the Interim Report is a translation of the German original. The German takes precedence.

Printed in Germany
658.809.567.20