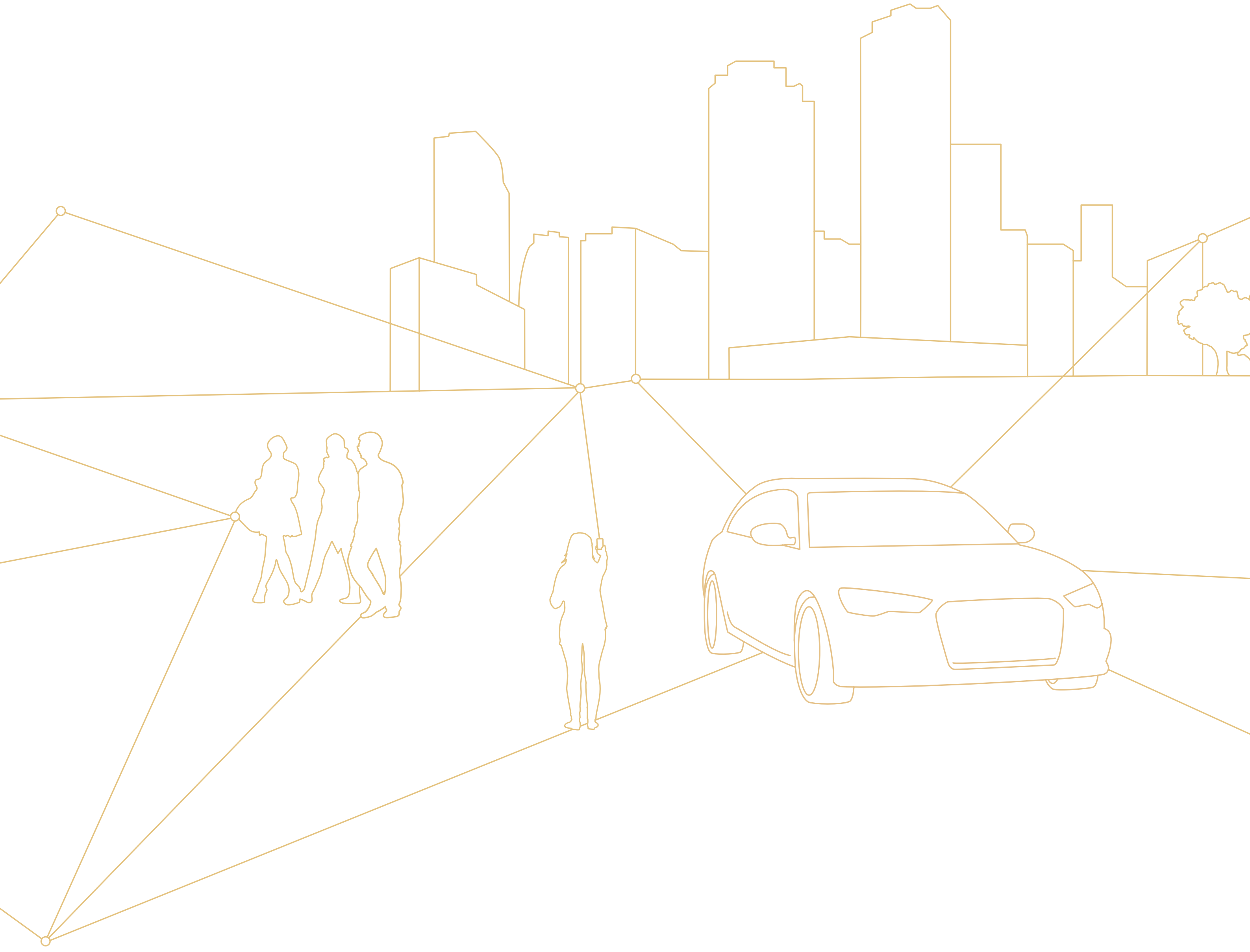
VOLKSWAGEN

AKTIENGESELLSCHAFT



Interim Report

January – September

2016

Key Figures

VOLKSWAGEN GROUP

Volume Data[1]	Q3 2016	Q3 2015	%	Q1–3 2016	Q1–3 2015	%
Deliveries to customers (thousand units)	2,493	2,392	+ 4.2	7,609	7,431	+ 2.4
of which: in Germany	307	303	+ 1.3	992	971	+ 2.1
abroad	2,186	2,089	+ 4.6	6,617	6,460	+ 2.4
Vehicle sales (thousand units)	2,454	2,350	+ 4.4	7,653	7,440	+ 2.9
of which: in Germany	281	300	−6.4	960	968	−0.9
abroad	2,173	2,050	+ 6.0	6,693	6,472	+ 3.4
Production (thousand units)	2,377	2,125	+ 11.9	7,645	7,438	+ 2.8
of which: in Germany	623	634	−1.7	2,028	2,029	−0.0
abroad	1,754	1,491	+ 17.7	5,617	5,410	+ 3.8
Employees (thousand on Sept. 30, 2016/Dec. 31, 2015)				624.0	610.1	+ 2.3
of which: in Germany				282.1	278.7	+ 1.2
abroad				341.9	331.4	+ 3.2

Financial Data (IFRSs), € million	Q3 2016	Q3 2015	%	Q1–3 2016	Q1–3 2015	%
Sales revenue	51,997	51,487	+ 1.0	159,932	160,263	−0.2
Operating profit before special items	3,750	3,206	+ 17.0	11,267	10,197	+ 10.5
as a percentage of sales revenue	7.2	6.2		7.0	6.4	
Special items	−442	−6,685	−93.4	−2,620	−6,855	−61.8
Operating profit	3,308	−3,479	x	8,647	3,342	x
as a percentage of sales revenue	6.4	−6.8		5.4	2.1	
Profit before tax	3,348	−2,522	x	8,159	5,142	+ 58.7
as a percentage of sales revenue	6.4	−4.9		5.1	3.2	
Profit after tax	2,337	−1,673	x	5,915	3,990	+ 48.2
Profit attributable to Volkswagen AG shareholders	2,277	−1,731	x	5,738	3,827	+ 49.9
Cash flows from operating activities[2]	5,268	4,922	+ 7.0	10,379	12,369	−16.1
Cash flows from investing activities attributable to operating activities	4,992	600	x	10,142	7,593	+ 33.6
Automotive Division[3]						
EBITDA[4]	6,035	−390	x	17,009	11,470	+ 48.3
Cash flows from operating activities[2]	7,262	7,629	−4.8	16,998	18,455	−7.9
Cash flows from investing activities attributable to operating activities[5]	4,893	507	x	9,495	7,220	+ 31.5
of which: capex	3,288	2,688	+ 22.3	7,803	7,340	+ 6.3
as a percentage of sales revenue	7.4	6.1		5.7	5.3	
capitalized development costs[6]	1,640	1,122	+ 46.2	4,222	3,292	+ 28.2
as a percentage of sales revenue	3.7	2.5		3.1	2.4	
Net cash flow[2]	2,369	7,122	−66.7	7,504	11,235	−33.2
Net liquidity at September 30				31,115	27,755	+ 12.1

1 Volume data including the unconsolidated Chinese joint ventures. These companies are accounted for using the equity method. 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 (Q3 €2,679 (–3,974) million, Q1–3 €6,841 (1,726) million) 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 (Q3 €3,356 (3,584) million, Q1–3 €10,168 (9,743) million).
5 Excluding acquisition and disposal of equity investments: Q3 €4,850 (3,573) million, Q1–3 €11,788 (10,246) million.
6 See table on page 40.

All figures shown in the Report are rounded, so minor discrepancies may arise from addition of these amounts. The figures from the previous fiscal year are shown in parentheses directly after the figures for the current reporting period.

Key Facts

- Volkswagen Group deliveries to customers up 2.4% to 7.6 million vehicles; growth particularly in Western and Central Europe and Asia-Pacific; further declines in South America and Eastern Europe
- Group sales revenue on a level with the previous year at €159.9 (160.3) billion
- Operating profit at €8.6 billion, up €5.3 billion on the prior-year figure; negative special items, particularly from legal risks, total €2.6 (6.9) billion
- Operating profit before special items improves by €1.1 billion to €11.3 billion
- Earnings before tax increase year-on-year to €8.2 (5.1) billion: lower expenses from special items, negative impact from remeasurement in the financial result and lower equity-accounted income from the Chinese joint ventures
- Automotive Division's net cash flow at €7.5 billion, down €3.7 billion year-on-year; ratio of capex to sales revenue at 5.7 (5.3)%
- Net liquidity in the Automotive Division at a robust €31.1 billion
- Inspiring product innovations from the Group:
  - Volkswagen Passenger Cars ushers in a new era of all-electric vehicles at the Paris Motor Show with the world premiere of the visionary I.D. concept car
  - Audi showcases the new generation of its top-selling SUV Q5 in Paris along with the new A5 Sportback
  - ŠKODA turns heads at the motor show with the powerful Kodiaq
  - SEAT launches the robust Ateca X-Perience
  - Porsche presents the second generation of the Panamera and debuts the Panamera 4 E-Hybrid
  - Lamborghini impresses with the open-top super sports car Centenario Roadster
  - Volkswagen Commercial Vehicles unveils the new Crafter at the IAA Commercial Vehicles motor show in Hanover
  - Scania introduces a new, efficient truck generation in Hanover
  - MAN presents the new TGX PerformanceLine Edition at the IAA Commercial Vehicles

Key Events

MOTOR SHOWS AND EVENTS

The Volkswagen Group once again presented inspiring new models and technologies at motor shows and events in the third quarter of 2016.

Mondial de l'Automobile in Paris

The world premiere of the visionary I.D. concept car was the highlight of the Volkswagen Passenger Cars brand's presentation at the Paris Motor Show 2016. The show car stands for a new era of all-electric vehicles and for a new automotive era: electrical, connected and autonomously driving. Powered by a 125 kW (170 PS) electric motor, the zero-emissions vehicle offers a range of up to 600 km. Somewhat shorter than a Golf, the I.D.'s interior feels as roomy as a Passat. This is made possible by the new drive architecture with an electric motor on the rear axle and a high-voltage battery in the vehicle floor. A fully automated "I.D. Pilot" driving mode is expected to be available starting in 2025. This function will be activated by touching the logo on the steering wheel, which then disappears into the instrument panel and gives the driver an entirely new sense of space. A smartphone will be used as a digital key to open the car and enable the vehicle to start. The I.D. will be the first Volkswagen on the market to be based on the newly developed Modular Electric Drive Toolkit (MEB). Volkswagen aims to expand its range of high-volume models in parallel to bestsellers such as the Polo, Golf, Tiguan and Passat. In Paris, the Volkswagen Passenger Cars brand also gave a foretaste of the latest generation e-Golf which in addition to the improved, emissions-free range of 300 km comes with a new infotainment system. The showing was rounded off by the sporty Tiguan R-Line.

At this year's Paris Motor Show, Audi celebrated the world premiere of the Audi Q5. Thanks to innovative engines, reduced weight and the best aerodynamics in its competitive field, the SUV is even more efficient and dynamic than the predecessor model. The new quattro drive with ultra-technology also plays its part. This always disengages the rear-axle drive whenever it is not needed, and if necessary it can predictively re-engage it. The Q5 also redefines the benchmark in terms of comfort and practicality. Customers have various chassis options to choose from, including air suspension. The interior packs a punch with sophisticated materials, excellent build quality and even more space. The Q5 is excellently connected thanks to Audi connect, which brings a wide range of useful services on board. The driver and passengers access these via the Audi virtual cockpit, the MMI center display or the Rear Seat Entertainment. A wide selection of driver assistance systems – from the exit warning and the predictive efficiency assistant, which uses data from the navigation system to prompt the driver to reduce speed, to the turn assist or the traffic jam assist – rounds off the vehicle concept. The new Audi A5 Sportback also turned heads at the motor show with its striking design. The dominant features of the front end are a flat, wide Singleframe grille and the stretched front lid. A characteristic trait of the side view is the shoulder line. Almost all interior dimensions have grown. The luggage compartment now has a capacity of 480 liters. The two TFSI and three TDI engine versions have outputs ranging between 140 kW (190 PS) and 210 kW (286 PS). The Audi S5 Sportback is powered by a 3.0 l TFSI engine with 260 kW (354 PS) and propelled by quattro drive as standard. Audi's showing was rounded off by the unveiling of the sporty RS 3 Sedan with an output of 294 kW (400 PS) and the SQ7 TDI, the top model from the Q7 series.

ŠKODA presented its new Kodiaq to the general public in Paris for the first time. The self-assured, powerful SUV combines all qualities that are synonymous with the ŠKODA brand: an exceptional amount of space, strong design, many practical "Simply Clever" features, and excellent value for money. The brand transfers its new design language into the SUV segment with a design that reflects the car's versatile character: the Kodiaq features a bold interplay of elegant lines, sporty contours and robustness, which make it easily recognizable. Measuring 2,791 mm, the Kodiaq's wheelbase is the largest in its competitive field and its generous interior dimensions place it at the top end of its segment. In addition, it offers the largest boot within its class. The three TSI and two TDI engines available cover the power output range from 92 kW (125 PS) to 140 kW (190 PS). State-of-the-art, efficient powertrains feature turbocharged direct injection and fulfill Euro 6 emission standards. All engines also feature a start-stop system, brake energy recovery and an energy-enhancing thermo-management system. ŠKODA's SUV takes to the roads with a wide range of driver assistance systems – many of which have, until now, only been seen in higher vehicle classes. The Kodiaq will also be the first ŠKODA to be always online thanks to innovative infotainment and connectivity technologies.

The Ateca X-Perience took center stage at SEAT's presentation at the motor show, with the Spanish brand highlighting the adventurous character of its new series. The exterior is characterized by chromed roof rails, a striking rear spoiler and mud flaps mounted to the rear bumper. A front diffusor, high-profile tires on exclusively designed 18-inch rims, black wheel arch moldings and marked side-steps round off the robust exterior. The Ateca X-Perience uses a 4Drive system; the 2.0 l TDI engine with an output of 140 kW (190 PS) is combined with a seven-speed dual-clutch transmission with paddle shifters. The range of driver assistance systems includes among other things Adaptive Cruise Control (ACC), Front Assist with an emergency braking function, a 360° camera with birds-eye view and Park Assist for parallel parking or angle parking. The ultra-modern infotainment system includes functions such as Easy Connect, the SEAT Full Link connection, an 8-inch screen and the "Connectivity Box", which allows the driver to wirelessly charge smartphones. Alongside the Ateca X-Perience, the revamped SEAT Mii was also unveiled in Paris.

Porsche presented the latest generation of the Panamera at the motor show. More than ever, this offers both the performance of a sports car and the comfort of a luxury saloon. The design language of the new Panamera creates a link to the Porsche 911 by its even more dynamic flyline and specific design elements of the sports car icon. The new twin-turbo engines are more powerful, and thanks to the new eight-speed dual-clutch transmission they are up to 16% more fuel-efficient than those in the its predecessor. Many new assistance systems also enhance ride comfort as well as safety. In the new Panamera, Porsche is also introducing a future-oriented display and control concept. The new Porsche Advanced Cockpit with its smartphone-like user interfaces and configurable LED screens impresses with its intuitive functionality. The Porsche Communication Management offers an entirely new range of connectivity by its intelligent digital functions and online services. In addition, Porsche celebrated the world debut of the Panamera 4 E-Hybrid, which represents sustainable mobility with no compromise in terms of performance. The vehicle generates 340 kW (462 PS) of system power and has a fuel consumption of 2.5 l per 100 km in the New European Driving Cycle (NEDC) for plug-in hybrid models, corresponding to CO_2 emissions of 56 g/km. The all-wheel Panamera achieves a top speed of 278 km/h and delivers a system torque of 700 Nm from stationary without hesitation. The Panamera 4 E-Hybrid breaks the 100 km/h barrier in just 4.6 seconds.

After presenting the Centenario Coupé at the beginning of the year, Lamborghini took the wraps off the open-top Centenario Roadster in Paris. Like the Coupé, the futuristic super sports car, of which just 20 cars will be built, is powered by an aspirated V12 engine with 566 kW (770 PS) and features rear-wheel steering, a body built in carbon fiber and a state-of-the-art infotainment system.

IAA Commercial Vehicles in Hanover

Volkswagen Commercial Vehicles unveiled the new Crafter at the IAA Commercial Vehicles motor show in Hanover. The vehicle was redeveloped from the ground up based on specific customer preferences: with a maximum payload of 5.5 tonnes, a maximum cargo volume of 18.4 m^3 and a large variety of drive types and derivatives, the new Crafter offers highly functional solutions for everyday use that meet customer expectations for individual transport tasks in all areas of use. The Crafter is available in four base models, three lengths and three heights. Its newly developed 2.0 l TDI engine is available in four performance levels as front or rear drive or 4MOTION all-wheel drive and can be combined with a manual or automatic gearbox. As regards driver assistance systems, the Crafter is setting new standards in its class: active driver assistance systems such as ESP with trailer stabilization, adaptive cruise control, post-collision braking system and a trailer maneuvering system along with passive safety systems such as the rear view camera system, parking distance control and the rear traffic alert system provide maximum occupant protection. Another highlight at the IAA was the world premiere of the e-Crafter concept car. With a driving range of more than 200 km, the first all-electrically powered Crafter is a near production-ready solution for zero-emission city center delivery traffic. Production models are expected to be with the first customers at the beginning of 2017. The new Crafter will be manufactured in a new purpose-built plant in Wrzesnia, Poland. The world debut of the Caddy Edition 35 as a panel van and a family van was also celebrated at the IAA Commercial Vehicles. The special edition marking the 35th anniversary of the Caddy is designed to appeal to the self-employed as well as young families, who value styling and a certain sportiness in addition to the functional benefits of a Caddy. The new generation of the robust special edition Amarok Canyon and the equipment variant Amarok Comfortline with the new V6 engines also celebrated their world premieres in Hanover.

Scania's showing focused on its new generation of trucks which use up to 5% less fuel, thus increasing customer profitability and reducing CO_2 emissions. The cabs – developed by the brand's own in-house designers – have a futuristic design and reflect Scania's unique identity. Once all the variants are in place, Scania's new truck generation will have 24 different cab models based on a modular system. This will enable Scania to offer optimal and sustainable customer solutions, regardless of whether the focus lies on interior space, fuel economy, maximum comfort or greatest load capacity. The new generation of cabs can be fitted with side airbags that are integrated into the roof – an absolute novelty in the truck segment. The bus section of the stand at the IAA featured a Scania Citywide LE, a hybrid bus designed for use in both city and suburban environments, as well as for intercity driving, and a gas-engined Scania Interlink LD, the first-ever completely gas-driven bus for intercity operation. Alongside vehicles, Scania's tried-and-tested services such as workshop services, driver training and other innovative services were on display in Hanover. A new addition to the portfolio is "Scania Maintenance with Flexible Plans", a connected service that ensures that every truck gets exactly the right maintenance based on how it is actually used, resulting in increased reliability and vehicle availability. In addition, Scania briefed visitors to the motor show on current developments in the use of electric drives, autonomous driving and platooning.

At the IAA Commercial Vehicles, MAN presented its portfolio of optimized engines that ensure significantly improved fuel efficiency with increased performance and driving dynamics as well as the expected high level of reliability. The new generation D38 engine offers up to 471 kW (640 PS) and reaches its greatest torque – up to 3,000 Nm – even at low engine speeds. In the TGX series, the top-of-the-range Euro 6 engine is now available in a special MAN PerformanceLine Edition limited to 100 vehicles. This combines numerous special features in the driver's cab and the external design to create an exclusive premium vehicle. Optimized for fleet applications, the new D26 offers a power spectrum from 309 to 368 kW (420 to 500 PS) with a simultaneously low tare weight and low fuel consumption. In combination with the new versions of the MAN TipMatic transmission with individually coordinated driving programs for every area of application, the MAN series provides highly efficient, environmentally friendly drivetrains. In addition, MAN presented the latest version of the EfficientLine concept, which combines all technical and aerodynamic fuel efficiency measures in a single truck. The NEOPLAN Tourliner made its world debut in the bus sector as a new entry level model in the field of premium coaches. The flexible usage possibilities, the large number of assistance systems and the excellent efficiency make the new NEOPLAN Tourliner a real all-rounder. It also benefits from improved engine and transmission functions that offer increased torque and output as part of the optimized drivetrain, all while retaining the same low levels of consumption. With the world premiere of the new MAN TGE, the long-established Munich-based brand is entering the world of vans for the first time. The TGE takes up position in the traditional category of light commercial vehicles with a gross weight rating between 3.0 and 5.5 tonnes among the range of models produced by MAN and will in future be MAN's entry solution for everyday lighter tasks in the transport and haulage sector. As a further focus for the IAA, MAN put strong emphasis on new approaches to networking the world of transport, offering insights into upcoming new digital services and offers that will help clients to optimize their logistics processes and improve the efficiency of controlling goods flows via intelligent connectivity. New concepts for electromobility, for example an all-electric MAN Lion's City articulated bus as a modular concept vehicle or a TGS semitrailer truck with an electric drive for inner-city night deliveries rounded off MAN's showing.

In addition to vehicles from the three brands, Volkswagen Truck & Bus presented its cloud-based platform RIO, a system for the entire transport industry connecting all players in the supply chain from shippers to freight forwarders to recipients. RIO combines different sources of data, analyzes them and provides concrete recommendations for action to improve the transportation and reloading process and hence increase efficiency and transparency in the transportation ecosystem.

AWARDS

The Volkswagen Tiguan and the show car BUDD-e received the "Best of Best" top rating in July 2016 at the international design competition Automotive Brand Contest 2016. The new Tiguan especially impressed the panel of judges with its individuality, sporty character, distinctiveness and quality, securing the accolade in the Exterior Volume Brand category. The BUDD-e received the award in the Concepts category. The award committee made particular mention of the vehicle's iconic design and the concept of innovative mobility of the future. In the Automotive Brand Contest, Audi was awarded a prize in the Corporate Publishing category for the high quality and innovative visualization of technical processes and complex technologies. The jury was won over by the overall concept of technical animations and illustrations that comprises a detailed integration of actual construction data and the functionality of the individual systems and provides the observer with a precise inside view of the technology.

Volkswagen's all-electric show car BUDD-e picked up yet another design award in August 2016 – this time at the North American Concept Vehicle of the Year Awards in Plymouth, USA. The visionary vehicle received its award in the Concept Truck category for light commercial vehicles, making the biggest impression in terms of design, styling, materials, technology and marketability. In addition to its large range of up to 533 km, the BUDD-e also scored points for its voice, touch and gesture control as well as the innovative presentation of information on large displays.

In July 2016, the Audi Q7 3.0 TDI quattro was declared the overall winner for 2016 by the trade magazine AUTO TEST. The prize was awarded to the premium SUV for its innovative technology in the areas of lightweight construction, drive system, chassis, handling and display concept. The vehicle also impressed the expert jury panel with numerous innovations in the interior, the efficient V6 engine, the adaptive chassis and a large number of new assistance systems. The Audi A6 Avant 2.0 TDI topped the list of upper midsize cars in terms of value for money, scoring points with its efficient drive system, fuel efficiency and reliability.

In the Golden Computer competition in August 2016, readers of Computer Bild magazine honored Audi connect as the best connectivity package in the automobile industry in the connected car category. Audi connect combines technologies and applications in the area of operating systems and vehicle connectivity. A prime example is the Audi A4 with its permanently integrated SIM card for use of the connect services and the innovative Audi virtual cockpit.

In extensive tests conducted by Auto Bild magazine with around 1,200 vehicles, numerous Audi models came out on top. In September 2016, awards were given to the best ten models in ten disciplines. Audi models secured 17 placings in the acceleration, noise emissions, braking and flexibility/intermediate sprint categories alone. The Audi R8 V10 plus emerged as the winner in the acceleration and flexibility/intermediate sprint disciplines. Six Audi models were in the top ten of the noise emissions category.

At the IAA Commercial Vehicles, also in September 2016, a jury of commercial vehicle journalists from 24 European countries voted the new Crafter International Van of the Year 2017 for its economy, functionality and suitability for everyday use. The completely independently developed Crafter, which was designed with customers' specific preferences in mind, boasts a wealth of innovations as well as extensive assistance systems.

Also in September 2016, readers of ELTERN and AUTOStraßenverkehr magazines voted the Volkswagen Multivan as the best family car in the €25 thousand to €30 thousand price class for the fifth time in six years. The space, safety and value for money afforded by the Multivan were the main factors in its favor.

ANNIVERSARIES

Volkswagen is celebrating 50 successful years of motorsport in 2016. To mark the occasion, a special exhibition was opened at DRIVE. Volkswagen Group Forum in Berlin in September. Exhibits range from a Formula Vee single-seater from the 1960s that launched Volkswagen motorsport history to the Race Touareg 3 that won the 2011 Dakar Rally to the Polo R WRC that won the drivers' and constructors' championships in the FIA World Rally Championship for Volkswagen for the first time in 2013.

On August 31, 2016, Volkswagen celebrated 65 years of vehicle production in South Africa. The first Beetle rolled from the line at the Uitenhage plant, which is now part of Volkswagen Group South Africa, in 1951. Today Volkswagen South Africa in Uitenhage makes 600 cars a day for local and international markets. Over the past 65 years, around 3.4 million vehicles have been built at this plant.

The Chinese joint venture FAW-Volkswagen Automotive Co., Ltd. celebrated its 25-year anniversary in September 2016. Founded in 1991 by Volkswagen AG and First Automotive Works Co., Ltd., the joint venture's operations began with a single model, the Jetta. Audi has held a 10% share in the FAW-Volkswagen joint venture since 1995. Collaboration between AUDI AG and FAW commenced in 1988 with licensed production of the Audi 100. Today the FAW-Volkswagen joint venture produces six Audi models and six Volkswagen models. While in the early days just 10,000 vehicles were sold per year, last year the company's sales totaled 1.7 million cars.

COOPERATION AND INVESTMENTS

Volkswagen Truck & Bus GmbH entered into a far-reaching alliance with the US-based commercial vehicle manufacturer Navistar International Cooperation (Navistar) in September 2016. This includes framework agreements for a strategic technology and supply cooperation and a joint venture that will pursue joint global sourcing opportunities. Volkswagen Truck & Bus will also acquire a 16.6% stake in Navistar through a capital increase. Navistar is a holding company whose subsidiaries produce trucks, coaches, commercial and school buses, diesel engines as well as service parts. While the partnership will focus on the development of common powertrain systems, it will also enable collaboration in other areas of commercial vehicle development and procurement aimed at jointly creating new synergies and achieving greater independence from the cycles in the industry. The closing of the transaction and hence the implementation of the strategic alliance is subject to certain regulatory approvals and other customary closing conditions. The share acquisition by Volkswagen Truck & Bus is further subject to the finalization of the agreement governing the procurement joint venture and the conclusion of the first contract under the technology and supply cooperation and is slated for the end of 2016/beginning of 2017.

In the same month, the Volkswagen Group and the Chinese automaker Jianghuai Automobile Co., Ltd. (JAC) signed an in-principle agreement on long-term partnership for joint development of innovative battery-powered electric vehicles. The cooperation will entail research and development, manufacture and sales, in addition to mobility services.

The Volkswagen Group and the Free and Hanseatic City of Hamburg have agreed on a three-year strategic mobility partnership. The project aims to develop Hamburg as a model city for forward-looking, sustainable, integrated mobility. Urban mobility concepts and intermodality, traffic control and management, autonomous driving and parking, innovative vehicle concepts and alternative technologies as well as air pollution control are the cornerstones of the partnership. Intelligent, tailor-made mobility solutions will sustainably improve personal mobility and freight transport. This project is designed to promote the use of information and communication technology and innovative technologies in the transport sector, to increase road safety and transport reliability and efficiency, and to reduce traffic-related emissions.

Audi and the FAW-Volkswagen joint venture signed letters of intent on September 11, 2016 with the technology companies Alibaba, Baidu and Tencent. The partnership will focus on the areas of data analysis, Internet vehicle platforms and intelligent urban transport solutions.

Volkswagen and three experts from Israel established a new automotive cyber security company in September 2016. The newly founded CYMOTIVE Technologies based in Herzliya, Israel, and Wolfsburg, Germany, will research and develop advanced cyber security solutions for next-generation connected cars and mobile services. The company aims to preventively eliminate potential weaknesses in the area of intelligent, autonomous driving and minimize the risk of an external or malicious attack.

AUDI AG OPENS AUTOMOTIVE PLANT IN MEXICO

On September 30, 2016, AUDI AG opened its new production plant for the second generation of the Audi Q5 in San José Chiapa in Mexico's federal state of Puebla. This involved a financial investment of over €1 billion. The facility, which stands on an area of more than 400 hectares, was planned completely virtually and has an annual production capacity of 150,000 vehicles. Audi estimates that 4,200 jobs will be created locally and will provide a wide range of training opportunities for employees. Cutting-edge technologies will ensure resource-efficient production. Suppliers and logistics providers have also established operations in the vicinity of the plant to guarantee efficient, just-in-sequence delivery.

DIESEL ISSUE

Volkswagen reaches certain settlement agreements

In June 2016, Volkswagen publicly announced that Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates had reached settlement agreements in the USA with the U.S. Department of Justice (DOJ) on behalf of the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB) and the California Attorney General; private plaintiffs represented by a Plaintiffs' Steering Committee (PSC) in the Multi-District Litigation pending in California and the U.S. Federal Trade Commission (FTC). The settlement agreements will resolve certain civil claims made in relation to affected diesel vehicles with 2.0 l TDI engines from the Volkswagen Passenger Cars and Audi brands in the USA. On October 18, 2016, a fairness hearing on whether final approval should be granted was held, and on October 25, 2016, the court granted final approval of the settlement agreements. This final approval order remains subject to appeal.

The settlements provide affected customers with the option of a buyback or, for leased vehicles, early lease termination, or a free emissions modification of the vehicles, provided that EPA and CARB approve the modification. Volkswagen will also make cash payments to affected current owners or lessees as well as certain former owners or lessees.

Volkswagen also agreed to support environmental programs. The company will pay USD 2.7 billion over three years into an environmental trust, managed by a trustee appointed by the court, to offset excess nitrogen oxide (NO_x) emissions. Volkswagen will also invest in total USD 2.0 billion over ten years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives.

Volkswagen also reached separate settlement agreements with the attorneys general of 44 US states, the District of Columbia and Puerto Rico, to resolve their existing or potential consumer protection and unfair trade practices claims – in connection with both 2.0 l TDI and 3.0 l TDI vehicles in the USA – for a settlement amount of USD 603 million.

These settlements do not resolve the civil claims by the DOJ, FTC and private plaintiffs represented by the PSC related to 3.0 l TDI vehicles, civil penalties sought by the DOJ on behalf of the EPA, potential state environmental claims related to the 2.0 l and 3.0 l TDI vehicles, any criminal investigations by the DOJ, as well as certain other claims. Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

In September 2016, Volkswagen announced that it had finalized an agreement to resolve the claims of Volkswagen branded franchise dealers in the United States relating to TDI vehicles and other matters asserted concerning the value of the franchise. The settlement agreement, which is subject to court approval, includes a cash payment of up to USD 1.208 billion, and additional benefits to resolve alleged past, current, and future claims of losses in franchise value. Preliminary court approval of the settlement agreement was granted on October 18, 2016, and a fairness hearing on whether final approval should be granted has been scheduled for January 18, 2017.

In Canada, Environment and Climate Change Canada, a department of the Government of Canada responsible for coordinating environmental policies, is monitoring the EPA and CARB proceedings in the USA as part of its pending criminal investigation. Investigations by other Canadian regulators are ongoing. 33 class actions seeking compensation for consumers were filed in Canada against Volkswagen Group companies. The majority of these actions purport to represent a national class of 2.0 l and 3.0 l diesel customers. At this time, settlement discussions concerning 2.0 l diesel vehicles in Canada are under way.

US lawsuits alleging claims for civil environmental penalties

The attorneys general of twelve US states (Alabama, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New Mexico, New York, Pennsylvania, Tennessee, Texas and Vermont) and some municipalities have filed suits in state and federal courts – and the state of Washington has asserted a penalty claim through administrative proceedings – against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates seeking civil penalties and injunctive relief for alleged violations of environmental laws. Alabama, Maryland, Massachusetts, Missouri, New Hampshire, New York, Pennsylvania, Tennessee, Texas and Washington participated in the state settlements described above with respect to consumer protection and unfair trade practices claims, but those settlements did not include claims for environmental penalties. In particular, nine states (Delaware, Maine, Minnesota, Missouri, Montana, Ohio, Oregon, Wisconsin and Wyoming) have entered into agreements to toll the statute of limitations for their potential environmental claims through the end of 2016. Of those states, Wyoming has expressed its intention to file suit asserting environmental claims by November 1, 2016. Another state (Connecticut) has expressed its intention to participate in environmental settlement discussions without filing suit.

Lawsuits filed by investors in the USA

In June 2016, a putative class action was filed on behalf of purchasers of certain USD-denominated Volkswagen bonds, alleging that these bonds were trading at artificially inflated prices due to Volkswagen's alleged misstatements and that the value of these bonds declined after the EPA issued its Notice of Violation. This lawsuit has been consolidated into the federal multidistrict litigation in California described above.

Lawsuits filed by investors worldwide (excluding the USA/Canada)

The vast majority of investor lawsuits are currently pending at the District Court (Landgericht) in Braunschweig (the "Braunschweig Court"). A press release issued by the Braunschweig Court on September 21, 2016 indicates that, as a result of recently filed actions, there are now about 1,400 lawsuits pending. The Braunschweig Court's press release reports that, after accounting for the recently filed actions, the dispute value of all investor lawsuits submitted to the Braunschweig Court totals around €8.2 billion.

On August 5, 2016, the Braunschweig Court ordered that common questions of law and fact relevant to the lawsuits pending at the Braunschweig Court be referred to the Higher Regional Court (Oberlandesgericht) in Braunschweig for a binding declaratory decision pursuant to the German Act on Model Case Proceedings in Disputes Regarding Capital Market Information (Kapitalanleger-Musterverfahrensgesetz, the "Model Case Act"), which establishes a procedure for consolidated adjudication in a higher regional court of legal and factual questions common to numerous securities actions (the "Model Case Proceedings"). All lawsuits at the Braunschweig Court will be stayed pending resolution of the common issues, unless they can be dismissed for reasons independent of the common issues that are adjudicated in the Model Case Proceedings.

The resolution of the common issues in the Model Case Proceedings will be binding on all pending cases in the stayed lawsuits.

At the District Court in Stuttgart several lawsuits have been filed against Volkswagen AG and Porsche Automobil Holding SE as joint and several debtors. It is currently unclear whether Model Case Proceedings will be initiated in respect of these lawsuits and whether they will take place at the Higher Regional Court in Stuttgart or referred to the Higher Regional Court in Braunschweig.

Further investor lawsuits have been filed at various courts in Germany as well as at courts in Austria and the Netherlands.

Altogether, Volkswagen has so far been served with investor lawsuits, judicial applications for dunning procedures and conciliation proceedings with claims amounting to €7.4 billion.

German Federal Motor Transport Authority approves technical solutions

In the third quarter of 2016, the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) approved technical solutions for further Volkswagen Group vehicles fitted with EA 189 1.2-liter and 2.0-liter TDI engines. Approvals were issued for models from the Audi brand, including the A4, A6, Q3 and Q5, models from the Volkswagen Passenger Cars brand, including the Polo, Passat and Tiguan, as well as for models from the SEAT, ŠKODA and Volkswagen Commercial Vehicles brands. By the end of September 2016, the KBA had issued approvals for a total of 5.6 million vehicles.

The KBA has issued unqualified confirmation, for the vehicles approved so far, that fuel consumption, performance figures and noise emissions are unaffected by the modifications. Following implementation of the technical solutions, these vehicles will therefore fulfill all legal requirements.

VOLKSWAGEN GROUP INTRODUCES PARTICULATE FILTER FOR PETROL ENGINES

Volkswagen is continuing to work assiduously on the environmental compatibility of conventional drive systems and is planning to progressively fit all Group TSI and TFSI engines with petrol particulate filters from 2017. This will enable emissions of soot particles to be reduced by up to 90%. By 2022, the number of Volkswagen Group vehicles being equipped with this technology could reach seven million per year. The process will start with the 1.4-liter TSI engine in the new Tiguan and the 2.0-liter TFSI engine in the Audi A5. Using comparative measurements, independent testing bodies have established that both modern Euro 6 diesel engines and petrol engines from the Volkswagen Group are already among the cleanest on the market. In its EQUA Air Quality Index, London-based Emission Analytics looked at the world's 440 most popular models and ranked the Volkswagen Group as the top performer by some margin.

Volkswagen Shares

Prices on the international stock markets rose in the third quarter of 2016. The DAX also turned in a positive performance.

Uncertainties in the Italian banking system prompted a decline in the German benchmark index at the beginning of the third quarter. The DAX rose in mid-July on the back of expected key interest rate cuts in the UK, strong labor market data in the US and rumors that the major US bank JP Morgan would support the Italian banking system. In August, the Bank of England cut its key interest rate and announced a program to buy up government and corporate bonds. This, along with hopes of a gradual increase in interest rates in the United States, caused share prices to rise. Following a temporary dip, prices climbed over the further course of the quarter, buoyed by the continued loose monetary policy of the Bank of Japan and the US Federal Reserve.

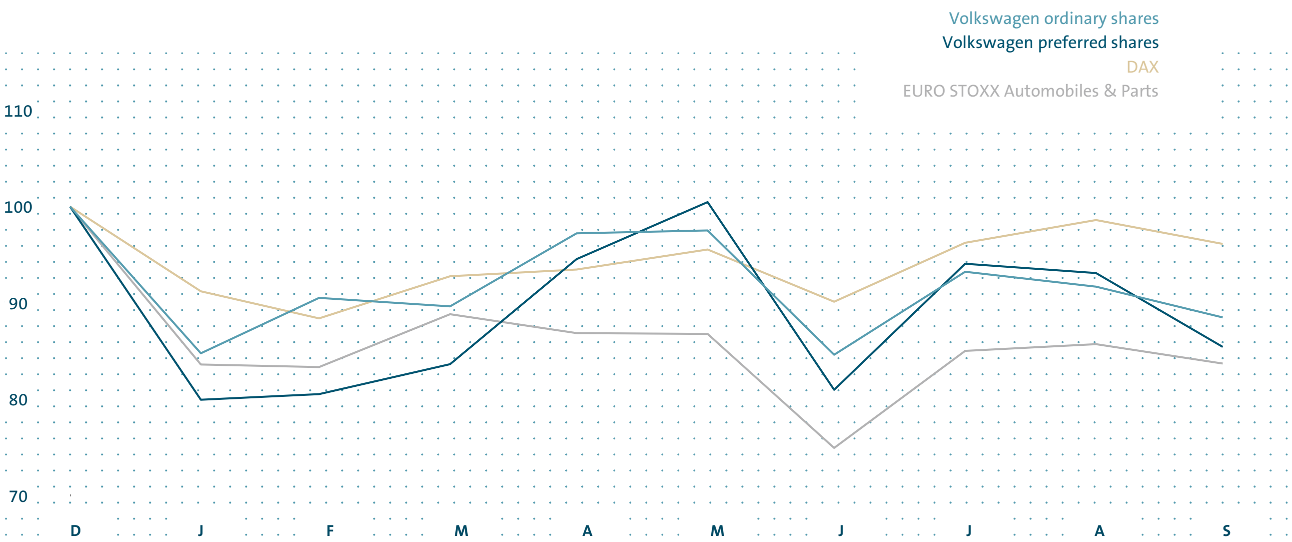
The DAX closed on September 30, 2016 at 10,326 points, down 3.9% on year-end 2015. The EURO STOXX Automobiles & Parts stood at 454 points at the end of the reporting period, down 16.3% on the 2015 closing price.

In the third quarter of 2016, Volkswagen AG's preferred and ordinary shares tracked the market uptrend but continued to trail the market. Speculation about further developments in the negotiations and the preliminary settlement agreements in the USA in connection with the diesel issue, as well as uncertainty about additional legal risks, impacted on the price performance of Volkswagen AG's preferred and ordinary shares in the third quarter.

On May 30, 2016, Volkswagen AG's preferred shares hit their highest daily closing price in the period from January to September at €137.95. They recorded their lowest closing price of €94.00 on February 11, 2016. The preferred shares ended the last day of trading in September at €114.25, down 14.6% on the 2015 closing price. Volkswagen's ordinary shares reached their highest daily closing price for the reporting period on April 28, 2016 at €141.85. Their lowest closing price was €108.95 on February 11, 2016. On September 30, 2016, the ordinary shares closed the period at €125.90, down 11.5% on the 2015 year-end 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 2015 TO SEPTEMBER 2016
Index based on month-end prices: December 31, 2015 = 100



Business Development

GENERAL ECONOMIC DEVELOPMENT

The global economy saw moderate growth in the first three quarters of 2016. In industrialized nations, momentum declined compared with 2015 as a whole, while in emerging economies the growth of gross domestic product (GDP) matched the prior-year level. The relatively low energy and commodity prices weighed on the economies of individual exporting countries that depend on them.

The economy in Western Europe recovered further during the reporting period and recorded stable growth overall, whereby rates of expansion were very mixed in both Northern European and Southern European countries. A drastic effect resulted from the UK's Brexit referendum in June 2016, when a small majority voted to leave the EU. The direct consequences of this were uncertainty in the financial markets and dimmer economic prospects for the United Kingdom and Europe as a whole.

In Germany, continuing optimism among consumers and the strong labor market meant that the economy continued to grow.

The positive economic trend in Central Europe weakened slightly in the first nine months of 2016. The ongoing conflict between Russia and Ukraine and low energy prices had a generally negative effect on the situation in Eastern Europe. Russian economic output declined again, though less sharply than in 2015 as a whole.

Structural deficits and political upheaval affected South Africa from January to September 2016. In addition, the country suffered a severe drought over the course of the year. This had a dampening effect on the GDP growth rate.

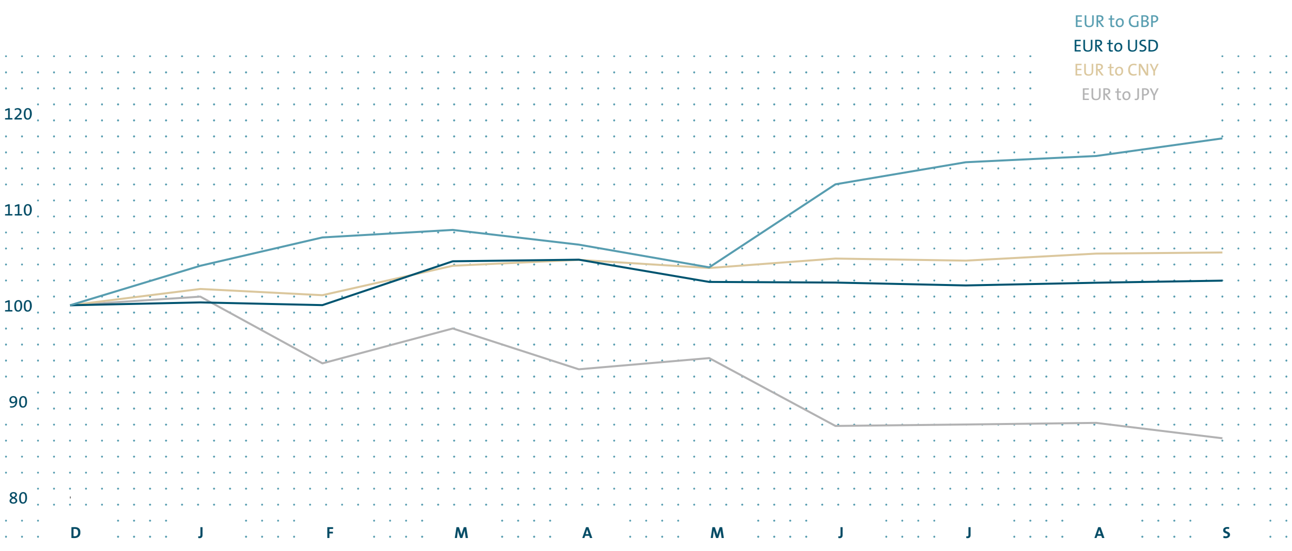
The US economy continued its growth during the reporting period, but at a slower rate compared with 2015 as a whole. Significant stimulus was provided by private consumer spending, whereas private gross investment recorded weak growth. In Canada, the rate of expansion remained at the comparatively low level seen in the previous year. Growth in the Mexican economy has weakened since the beginning of the year.

Brazil's economy remained in recession in the first three quarters of 2016. However, output declined less sharply than in the previous quarters. Weak domestic demand, relatively low global commodity prices and political uncertainty weighed on performance. In Argentina, the rate of economic growth declined amid persistently high inflation.

The Chinese economy slowed slightly in the reporting period, primarily as a result of ongoing structural changes, but still achieved a high rate of expansion by global standards. The Indian economy sustained its positive trend, expanding at a similar pace to 2015. Japan continued to register only low GDP growth. In the ASEAN region, business development remained largely stable.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2015 TO SEPTEMBER 2016

Index based on month-end prices: as of December 31, 2015 = 100



TRENDS IN THE PASSENGER CAR MARKETS

The number of new passenger car registrations worldwide was up 4.7% year-on-year in the period from January to September 2016, although the trends in the individual markets varied from region to region. Demand rose in the Asia-Pacific region, Western Europe, North America and Central Europe, while sales in South America and Eastern Europe, as well as Africa and the Middle East, failed to match the prior-year level.

The Western European passenger car market continued its recovery in the first nine months of 2016, recording solid growth. This trend benefited in particular from the positive macroeconomic environment, low interest rates, low fuel prices and manufacturers' incentive programs. The Italian and Spanish markets saw double-digit growth rates on account of particularly high demand for replacement vehicles. Growth in France was comparatively moderate. The market volume in the United Kingdom was only slightly higher than the record level of the previous year.

Sales of passenger cars on the German market in the first three quarters of 2016 were up considerably on the prior-year figure. Demand was boosted by higher real incomes and the strong labor market. Both new registrations for business customers and purchases by private buyers contributed to this increase.

Demand for passenger cars in Central and Eastern Europe in the reporting period lagged behind the previous year's figure, mainly due to further substantial losses in the Russian passenger car market, which was impacted by the continuing economically weak and politically tense situation. By contrast, the Central European EU countries recorded high growth rates almost without exception.

The downward trend in new passenger car registrations in South Africa continued. In addition to the weak macroeconomic environment, this was due to low consumer confidence, high interest rates and increases in new car prices.

In the North American markets, sales figures for passenger cars and light commercial vehicles in the period from January to September 2016 were up slightly on the previous year's volumes. Demand for passenger cars and light commercial vehicles (up to 6.35 tonnes) in the USA slowed in the course of the year before stagnating at the end of the reporting period at the high prior-year level. In addition to the stable employment situation, financing and leasing terms that continued to be attractive as well as low fuel prices had a positive effect. Models in the SUV, pickup and van segments were the main beneficiaries of the favorable conditions, while the passenger car segment recorded a significant decrease. The automotive markets in Canada and Mexico expanded, in each case reaching new highs for the first nine months of a year.

The markets for passenger cars and light commercial vehicles in the South American region continued to contract sharply in the reporting period. The main cause of this trend was the sustained fall in demand in Brazil. Above all, the rising level of unemployment, falling real incomes and restrictive lending policies led to the lowest unit sales volumes since 2006. In contrast to this, new registrations of passenger cars and light commercial vehicles in Argentina were up on the low figure for the prior-year period, with demand buoyed by substantial rebates and favorable financing packages from manufacturers.

The Asia-Pacific region recorded the highest absolute growth in new passenger car registrations in the first nine months of 2016. The Chinese market was the main growth driver by a clear margin. A particularly strong increase in sales was seen in the third quarter. The tax break introduced on October 1, 2015 on purchases of vehicles with engine sizes of up to 1.6 l had an especially positive impact, principally benefiting attractively priced entry-level models in the SUV segment. In India, the total volume of the passenger car market in the first three quarters of 2016 was perceptibly higher than in the previous year. Aside from the effect of the positive macroeconomic environment and low oil prices, sales volumes were lifted by a large number of new models. In the Japanese passenger car market, new registrations declined further in the reporting period. However, the downward trend decelerated significantly after the second quarter because the prior-year level was already weaker because of the tax increase on mini vehicles (up to 660 cc) that took effect on April 1, 2015.

In Malaysia, one of the largest markets in the ASEAN region, demand was down year-on-year in the period from January to September 2016.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

Global demand for light commercial vehicles was up slightly on the previous year's level in the period from January to September 2016.

New registrations in Western Europe increased markedly year-on-year on the strength of the region's economic performance. Demand in Germany saw considerable growth in the reporting period compared to the same period in 2015.

Registrations of light commercial vehicles in Central and Eastern Europe recorded a noticeable increase as against the previous year. Sustained political and economic tensions in Russia caused a drop in registrations there between January and September 2016.

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 was distinctly higher than in the previous year. Registration volumes in China, the region's dominant market, were up year-on-year. The number of new vehicle registrations in India substantially exceeded the prior-year figure. Japan saw a significant decline in new registrations. Vehicle registrations in the ASEAN region were almost on a level with the previous year.

Global demand for mid-sized and heavy trucks with a gross weight of more than six tonnes increased year-on-year in the period from January to September 2016.

The positive economic trend in Western Europe resulted in a significant increase in demand; high growth rates in registrations were recorded in Italy, France and the Netherlands. Registration volumes in Germany, the largest market in Western Europe, were up perceptibly on the prior-year level in the first three quarters of 2016. Higher investments there had a positive effect on the sector.

In Central and Eastern Europe – excluding the Russian market – the encouraging economic trend led to a significantly higher registration volume than in the previous year. Starting from a low level in the previous year, demand in Russia rose slightly in an environment marked by the tense economic and political situation.

In North America, the slowdown in the US economy was accompanied by falling demand in the truck market: following high growth rates in 2015, vehicle registrations were down considerably on the prior-year level. Registration volumes in the US market in the first nine months of 2016 were also markedly lower than the previous year's level.

In South America, registration volumes fell sharply compared with the 2015 figure. In Brazil, the region's largest market, demand for trucks was markedly lower than in the prior-year period as a result of persistently weak economic output and high inflation rates. There was a significant decrease in the number of new vehicle registrations in Argentina between January and September 2016 due to pull-forward effects in 2015 attributable to the introduction of the Euro 5 emission standard in addition to the economic downturn.

Demand for mid-sized and heavy trucks in the Asia-Pacific region (excluding the Chinese market) rose significantly year-on-year. India saw a continuation of the positive economic trend between January and September 2016. Demand for replacement vehicles and an improvement in the investment climate led to a large surge in the number of new vehicle registrations. 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 in the first nine months of 2016 as a consequence of the downward trend in South America.

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 nine months of 2016, order activity on the marine market, which had already cooled noticeably in the course of 2015, became even more reserved. As a whole, the marine market declined significantly year-on-year. While the container ships, tankers and bulk carriers market segments were significantly below the previous year due to the excess capacity in the market, which pushed down freight rates in the transport sector, demand for cruise ships, passenger ferries and government vessels continued on a growth path. The recent slight increase in the oil price has not yet had a positive effect on the offshore ship market. All market segments are seeing much higher competitive pressure and a sharp drop in prices.

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. Because economic growth has continued to be muted in key emerging and developing countries, and financing conditions are still difficult for customers, order placement is being delayed, in some cases significantly. Furthermore, increasing pressure through competition and pricing can be identified in all projects, which is impacting on the earnings quality of the orders.

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 already low prior-year period, the turbomachinery market as a whole once again experienced a significant decline. Project volumes in the oil and gas industry remained at a low level owing to the sharp falls in the oil price. The moderate increase in the oil price over recent months has not yet led to a recovery in the turbomachinery business either. Demand in the processing industry and in power generation was also weak overall in the first nine months of 2016. There is still considerable pressure from competition and prices.

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

DEMAND FOR FINANCIAL SERVICES

Demand for automotive financial services remained high in the first nine months of 2016, with the year-on-year expansion in the overall market for passenger cars providing impetus for growth.

In Europe, the market for automotive financial services benefited from higher vehicle sales, particularly in Western and Central Europe. This offset the negative effects from the continued decline in volumes in Russia. The share of financed or leased new vehicles remained at a high level; the positive trend in demand for insurance and after-sales products, such as inspection contracts, maintenance and spare parts agreements, also continued in the third quarter.

In Germany, demand for automotive financial services exceeded the level recorded in the same period in 2015. The business customer segment was the main driver; particularly in the after-sales area a significant increase was registered for products such as inspection contracts as well as maintenance and spare parts agreements.

In South Africa, demand for automotive financial products and insurance products was stable in spite of a slight decrease in new registrations.

Demand for automotive financial services, particularly leasing, remained high in the US market. In Mexico, the positive trend continued in the third quarter, with demand for financial services products up on the prior-year period.

The macroeconomic and political situation in Brazil remained tense. This had a negative impact on the consumer credit business and on sales of the country-specific financial services product Consorcio, a lottery-style savings plan. However, a slight weakening of the negative trend was observed at the end of the third quarter.

Demand for automotive financial services in the markets of the Asia-Pacific region was mixed. In China, the proportion of loan-financed vehicle purchases continued to rise. Here, despite increasing restrictions on registrations in metropolitan areas, there is considerable potential to acquire new customers for automotive-related financial services, particularly in the interior of the country. Demand for financial services products stagnated in South Korea and Japan. By contrast, the market for automotive financial services in Australia sustained its modest uptrend.

The financial services market in the commercial vehicles business area continued to perform positively in Europe. Owing to the strained economic situation in Brazil, the truck and bus business and the related financial services market declined further. Here, too, the negative trend tapered off slightly at the end of the third quarter, however.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group delivered 7,609,353 vehicles to customers worldwide between January and September of this year, an increase of 178,549 units or 2.4% on the prior-year period. The chart on page 13 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 SEPTEMBER 30*

	2016	2015	%
Passenger cars	7,125,705	6,979,976	+ 2.1
Commercial vehicles	483,648	450,828	+ 7.3
Total	**7,609,353**	**7,430,804**	**+ 2.4**

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

PASSENGER CAR DELIVERIES WORLDWIDE

The Volkswagen Group handed over 7,125,705 passenger cars to customers worldwide in the reporting period, an increase of 2.1% year-on-year. The market as a whole grew by 4.7% in the same period. The Audi (+4.5%), ŠKODA (+6.2%), SEAT (+1.5%), Bentley (+3.2%), Lamborghini (+6.3%) and Porsche (+3.0%) brands recorded encouraging growth rates. In spite of market-related declines, particularly in Brazil, and the effects of the emissions issue, the Volkswagen Passenger Cars brand saw a modest improvement on the prior-year level (+0.6%). Demand for Volkswagen Group passenger cars was higher than in the previous year in the Western Europe, Central and Eastern Europe as well as 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

Compared with the previous year, the Volkswagen Group increased its deliveries to customers in the growing passenger car market in Western Europe by 1.7% to 2,390,029 units between January and September 2016. The number of Group models sold was up year-on-year in nearly all markets in this region. The Audi A4, Audi Q3, Audi Q7, ŠKODA Superb, SEAT Leon ST, SEAT Ibiza ST and Porsche 911 models achieved encouraging growth rates. The new Touran also recorded strong increases. In addition, the new Tiguan and the SEAT Ateca were very well received by the market. The Bentley Bentayga was the Group's first luxury SUV to celebrate its successful market debut. The Volkswagen Group's share of the passenger car market in Western Europe amounted to 22.2 (23.4)%.

We delivered 1.1% more vehicles to customers in the German passenger car market in the reporting period than in the previous year. The market as a whole grew by 6.1% in the same period. The Polo, Golf, Tiguan, Passat Variant, Audi A4 und ŠKODA Octavia models were particularly popular. Eight Group models led the Kraftfahrt-Bundesamt (KBA – German Federal Motor Transport Authority) registration statistics in their respective segments: the up!, Polo, Golf, Tiguan, Touran, Passat, Audi A6 and Porsche 911. Once again, the Golf was the most popular passenger car in Germany in terms of registrations in the first nine months of 2016.

The Volkswagen Group handed over 5.9% more passenger cars to customers in the overall declining passenger car markets in Central and Eastern Europe in the first three quarters of this year than in the previous year. While we recorded growth in nearly all markets, with the highest increases in the Czech Republic and Poland, our sales figures in Russia declined as a result of the continuing weak economic and politically tense situation. Demand was highest for the Polo, ŠKODA Rapid and ŠKODA Octavia models. The Volkswagen Group's share of the market in this region rose to 22.2 (20.1)%.

Demand for Volkswagen Group models in the passenger car market in South Africa decreased by 10.9% in the period from January to September 2016 compared with the previous year. The contraction of the market as a whole was more pronounced at 12.3% in the same period.

Deliveries in North America

We delivered 678,245 vehicles to customers in North America in the reporting period amid a slightly growing overall market for passenger cars and light commercial vehicles. This represents a decrease of 1.2% over the same period of the previous year. The

Group's share of the market amounted to 4.3 (4.5)%. The Jetta remained the Group's best-selling model in North America.

Demand for Volkswagen Group models in the US market declined by 6.1% year-on-year in the period from January to September 2016, mainly as a result of the diesel issue. In the same period, the market as a whole stagnated at the prior-year level. Demand was particularly strong for vehicles from the SUV, pickup and van segments. The Tiguan, Audi A4, Audi Q3, Audi Q7 and Porsche Macan models saw increases in demand.

In the growing Canadian market, demand for Volkswagen Group vehicles in the reporting period was down 5.2% on the previous year largely as a consequence of the diesel issue. Demand for the Golf, Audi A4, Audi Q3, Audi Q5, Audi Q7 and Porsche Macan models developed encouragingly.

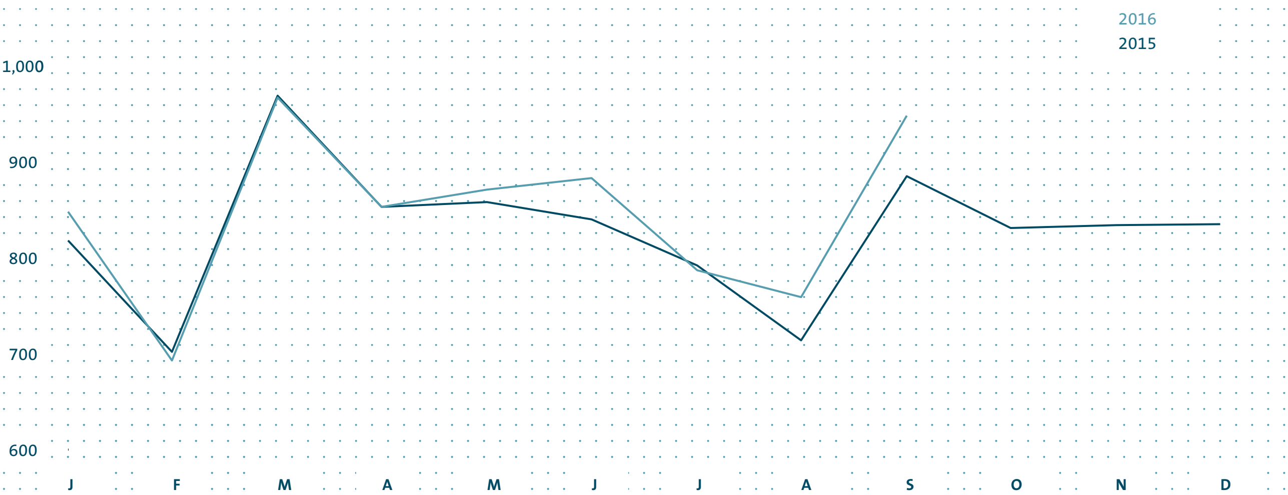
The momentum in the Mexican market as a whole continued in the first three quarters of 2016, with the Volkswagen Group increasing its deliveries to local customers by 15.4% year-on-year in this period. The Gol, Vento, Jetta and SEAT Ibiza models were especially popular.

PASSENGER CAR DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO SEPTEMBER 30*

	DELIVERIES (UNITS)		CHANGE
	2016	2015	(%)
Europe/Other markets	**3,087,287**	**3,052,631**	**+ 1.1**
Western Europe	**2,390,029**	**2,349,678**	**+ 1.7**
of which: Germany	877,018	867,488	+ 1.1
United Kingdom	412,569	423,972	−2.7
France	191,335	191,588	−0.1
Spain	189,780	184,141	+ 3.1
Italy	180,630	158,800	+ 13.7
Central and Eastern Europe	**436,948**	**412,716**	**+ 5.9**
of which: Russia	113,463	120,346	−5.7
Czech Republic	100,965	94,787	+ 6.5
Poland	90,413	77,201	+ 17.1
Other markets	**260,310**	**290,237**	**−10.3**
of which: Turkey	116,987	122,082	−4.2
South Africa	60,809	68,214	−10.9
North America	**678,245**	**686,638**	**−1.2**
of which: USA	425,971	453,516	−6.1
Mexico	175,532	152,140	+ 15.4
Canada	76,742	80,982	−5.2
South America	**274,657**	**387,374**	**−29.1**
of which: Brazil	174,974	281,063	−37.7
Argentina	72,279	78,610	−8.1
Asia-Pacific	**3,085,516**	**2,853,333**	**+ 8.1**
of which: China	2,848,981	2,573,560	+ 10.7
Japan	63,882	72,904	−12.4
India	47,471	54,276	−12.5
Worldwide	**7,125,705**	**6,979,976**	**+ 2.1**
Volkswagen Passenger Cars	4,374,896	4,349,602	+ 0.6
Audi	1,408,783	1,347,883	+ 4.5
ŠKODA	840,881	791,458	+ 6.2
SEAT	312,888	308,379	+ 1.5
Bentley	7,075	6,854	+ 3.2
Lamborghini	2,867	2,696	+ 6.3
Porsche	178,314	173,085	+ 3.0
Bugatti	1	19	−94.7

* 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



Deliveries in South America

Conditions in the South American markets for passenger cars and light commercial vehicles remained very challenging in the first nine months of 2016. The Volkswagen Group delivered 274,657 vehicles to customers in this region, where the markets as a whole are experiencing a sharp general decline. This represented a decrease of 29.1% on the already weak previous year. The Group's share of the passenger car market in South America was 10.9 (13.0)%.

In the rapidly deteriorating Brazilian market, demand for Group models declined by 37.7% in the reporting period compared with a year earlier. The up!, Fox, Gol and Saveiro witnessed the strongest demand.

The Argentinian market continued its recovery in the course of the year. Here, we handed over 8.1% fewer vehicles to customers between January and September 2016 than in the previous year. The Gol and Suran saw the highest demand of all Group models in Argentina.

Deliveries in the Asia-Pacific region

The Volkswagen Group's deliveries to customers in the Asia-Pacific region increased by 8.1% to 3,085,516 units in the first nine months of this year as compared with the prior-year period. The market as a whole grew at a slightly stronger pace in the same period; the Group's market share in this region amounted to 12.4 (12.6)%.

The pace of growth in the Chinese passenger car market picked up in the third quarter of 2016. From January to September 2016, demand for Group models in China rose by 10.7% compared with the first nine months of the previous year. The Jetta, Lavida and Sagitar models recorded the strongest demand. The Lamando, Audi A3, Audi Q3, ŠKODA Superb and Porsche Macan models also achieved encouraging growth rates. The new versions of the Bora, Touran, Passat and Audi A6 L models and the locally produced Golf Sportsvan were launched in the market.

We delivered 12.5% fewer vehicles to customers in the expanding Indian passenger car market in the reporting period than in the previous year. The most sought-after Group model was the Polo; the ŠKODA Rapid was also in high demand.

In Japan, demand for Group models in the first nine months of 2016 was down 12.4% on the prior-year figure in face of a contracting overall market. Demand for the Touran, Passat, Audi A4 and Porsche Macan models increased.

COMMERCIAL VEHICLE DELIVERIES

The Volkswagen Group delivered a total of 483,648 commercial vehicles worldwide from January to September 2016, 7.3% more than in the previous year. Deliveries of trucks rose to 120,607 units (+2.7%), while bus delivery volumes increased to 12,250 units (+2.7%). Volkswagen Commercial Vehicles expanded its deliveries by 9.1% year-on-year to 350,791 units. In the first nine months of 2016, the number of vehicles delivered by the Scania brand rose to 58,732, up 6.9% on the previous year. MAN delivered 74,125 units, matching the prior-year level.

In the period from January to September 2016, the Volkswagen Group handed over 310,074 units to customers in the Western European markets, an increase of 13.7% on the previous year as a result of the ongoing economic recovery. Of the vehicles delivered, 243,243 were light commercial vehicles, 63,416 were trucks and 3,415 were buses. The Transporter and the Caddy were the most sought-after Group models.

The Volkswagen Group's commercial vehicles brands sold a total of 45,280 units in Central and Eastern Europe (+16.4%), including 24,747 light commercial vehicles, 19,996 trucks and 537 buses. The Transporter and the Caddy were particularly popular. A total of 6,978 units were sold in Russia, on a par with the previous year.

The Volkswagen Group's sales in the Other markets decreased by 11.3% year-on-year to 49,270 vehicles: of this figure, 35,676 were light commercial vehicles, 11,601 were trucks and 1,993 were buses.

Sales in North America climbed to 7,522 units, up 16.2% on the previous year's level. A total of 5,654 light commercial vehicles, 564 trucks and 1,304 buses were handed over to customers, with a large share of these vehicles delivered in Mexico.

Deliveries in the South American markets fell by 13.3% to 45,317 commercial vehicles comprising 25,142 light commercial vehicles, 16,964 trucks and 3,211 buses. The Amarok was the most coveted Group model. Due to the continuing tough macroeconomic environment and the more difficult financing conditions, deliveries in Brazil declined by 24.9% between January and September 2016 to 20,660 units. 6,449 light commercial vehicles, 12,713 trucks and 1,498 buses were handed over to customers in these markets.

The Volkswagen Group handed over a total of 26,185 commercial vehicles (+5.2%) in the Asia-Pacific region. Of the vehicles delivered, 16,329 were light commercial vehicles, 8,066 were trucks and 1,790 were buses. The Amarok and the Transporter were the most popular Group models.

COMMERCIAL VEHICLE DELIVERIES TO CUSTOMERS BY MARKET FROM JANUARY 1 TO SEPTEMBER 30*

	DELIVERIES (UNITS)		CHANGE
	2016	2015	(%)
Europe/Other markets	**404,624**	**367,175**	**+ 10.2**
Western Europe	310,074	272,713	+ 13.7
Central and Eastern Europe	45,280	38,907	+ 16.4
Other markets	49,270	55,555	−11.3
North America	**7,522**	**6,471**	**+ 16.2**
South America	**45,317**	**52,282**	**−13.3**
of which: Brazil	20,660	27,524	−24.9
Asia-Pacific	**26,185**	**24,900**	**+ 5.2**
of which: China	4,939	4,673	+ 5.7
Worldwide	**483,648**	**450,828**	**+ 7.3**
Volkswagen Commercial Vehicles	350,791	321,448	+ 9.1
Scania	58,732	54,935	+ 6.9
MAN	74,125	74,445	−0.4

* 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 September 2016, sales revenue in the Power Engineering segment was largely driven by Engines & Marine Systems and Turbomachinery, which together generated nearly three-quarters 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 period from January to September 2016. The number of new financing, leasing, service and insurance contracts signed rose worldwide by 14.7% year-on-year to 5.3 million. The total number of contracts as of September 30, 2016 was higher than the 2015 year-end figure, at 17.1 million (+7.8%). 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 rose to 33.4 (31.2)% in the reporting period.

In the Europe/Other markets region, 3.9 million new contracts were signed in the first nine months of 2016, an increase of 17.0% on the prior-year figure. At the end of the reporting period, the total number of contracts was 12.2 million, 8.6% more than on December 31, 2015. This included 5.8 million contracts (+5.5%) in the Customer Financing/Leasing area.

The number of contracts in North America amounted to 2.7 million on September 30, 2016, up 9.8% on the 2015 year-end figure. This included 1.8 million contracts in the Customer Financing/Leasing area, an increase of 4.9% on the 2015 year-end level. The number of new contracts signed came to 734 thousand, 7.3% more than in the prior-year period.

In South America, 148 thousand new contracts were signed in the first three quarters of this year, a decrease of 27.5% year-on-year. The total number of contracts amounted to 665 thousand at the end of the reporting period, 14.0% fewer than on December 31, 2015. The contracts mainly related to the Customer Financing/Leasing area.

The number of new contracts signed in the Asia-Pacific region rose to 516 thousand (+30.4%). At 1.5 million, the total number of contracts on September 30, 2016 was 10.7% higher than the 2015 year-end figure. The Customer Financing/Leasing area accounted for 1.1 million contracts, an increase of 13.7%.

SALES TO THE DEALER ORGANIZATION

In the first nine months of 2016, unit sales from the Volkswagen Group (including the Chinese joint ventures) to the dealer organization rose by 2.9% to 7,652,771 vehicles. This was due to higher demand in Western and Central Europe as well as in China, which more than offset declining volumes especially in Brazil. Unit sales outside Germany rose by 3.4% year-on-year. Unit sales in Germany fell by 0.9% in the reporting period. Vehicles sold in Germany as a proportion of overall sales declined to 12.5 (13.0)%.

PRODUCTION

The Volkswagen Group produced a total of 7,645,269 vehicles in the period from January to September 2016, an increase of 2.8% year-on-year. At 2,028,444 units, production in Germany was on a level with the previous year. The proportion of vehicles produced in Germany decreased to 26.5 (27.3)%.

INVENTORIES

Global inventories at Group companies and in the dealer organization were higher at the end of the reporting period than at year-end 2015 and were also up on the September 30, 2015 level.

EMPLOYEES

The Volkswagen Group had 598,631 active employees as of September 30, 2016. A further 5,850 employees were in the passive phase of their partial retirement. An additional 19,522 young people were in vocational traineeships. At the end of the third quarter of 2016, the Volkswagen Group had a total of 624,003 employees worldwide, up 2.3% on the number at December 31, 2015. This increase was mainly due to the recruitment of specialists and the expansion of the workforce in the new plants in Mexico and Poland. At 282,080, the number of employees in Germany was up 1.2% on year-end 2015. The proportion of employees in Germany decreased slightly on the prior-year figure, at 45.2 (45.7)%.

Results of Operations, Financial Position and Net Assets

CHANGE IN REPORTING STRUCTURE

The reorganization of the Volkswagen Group has resulted in slight structural 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 of €0.2 billion for the Volkswagen Group, which is reported in the financial result.

SPECIAL ITEMS

Special items are particular issues that the Board of Management believes can be helpful to better assess our economic performance if disclosed separately in the financial statements.

Special items relating to the diesel issue amounted to €–2.0 (–6.7) billion in the reporting period, mainly due to higher expenses attributable to the recognition of provisions for legal risks.

Additional provisions had to be recognized because of the expanded scope of the replacement of potentially faulty airbags manufactured and supplied by Takata that had been imposed by the competent authorities in the USA and Canada on all affected automobile manufacturers. The resulting special items recognized in operating profit in the first three quarters of 2016 amounted to €–0.2 billion.

Restructuring measures of €–0.1 (–0.2) billion in the trucks business in South America, which serve to sustainably enhance competitiveness, and provisions for legal risks relating to the commercial vehicles antitrust proceedings launched by the European Commission and amounting to €–0.4 billion resulted in total special items of €–0.5 (–0.2) billion in the Commercial Vehicles Business Area in the reporting period.

Overall, negative special items recognized in operating profit therefore amounted to €–2.6 (–6.9) billion in the first nine months of 2016.

RESULTS OF OPERATIONS OF THE GROUP

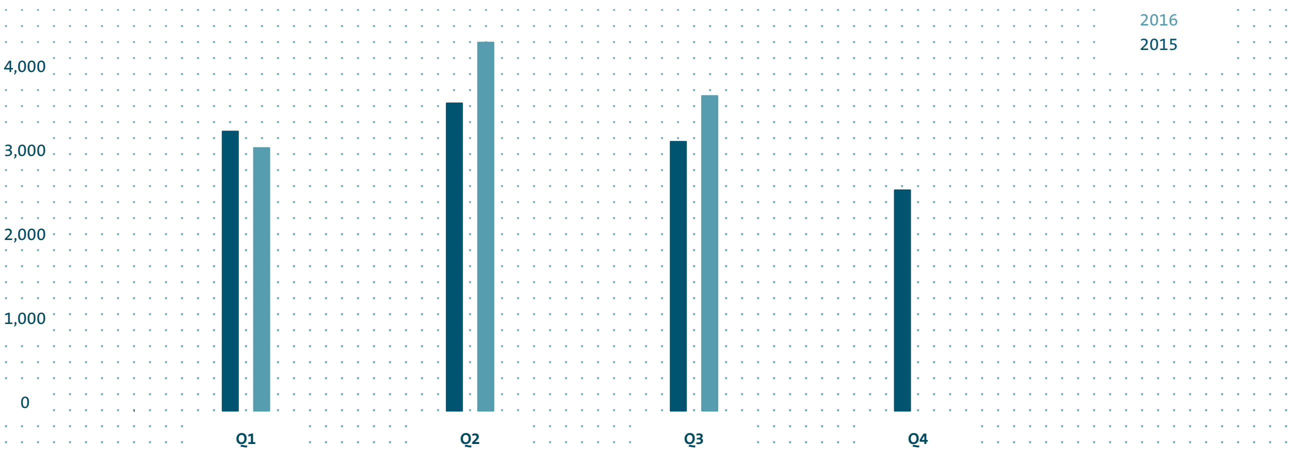
The Volkswagen Group generated sales revenue of €159.9 (160.3) billion in the period from January to September 2016. Positive mix effects and the good business development in the Financial Services Division were offset by negative exchange rate trends and lower vehicle unit sales, excluding the Chinese joint ventures. The proportion of the Group's sales revenue generated outside Germany was 79.5 (79.8)%.

At €31.1 (26.5) billion, gross profit was up year-on-year. Adjusted for the special items recognized here in the two periods, gross profit was on a level with the previous year. The gross margin was 19.4 (16.5)%; excluding special items it was 20.0 (20.1)%.

RESULTS OF OPERATIONS IN THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS FROM JANUARY 1 TO SEPTEMBER 30

€ million	2016	2015
Passenger Cars		
Sales revenue	111,044	113,325
Gross profit	22,349	18,339
Operating result	6,359	1,203
Operating return on sales (%)	5.7	1.1
Commercial Vehicles		
Sales revenue	23,278	22,221
Gross profit	3,754	3,533
Operating result	491	489
Operating return on sales (%)	2.1	2.2
Power Engineering		
Sales revenue	2,567	2,756
Gross profit	501	550
Operating result	−9	34
Operating return on sales (%)	−0.4	1.2

OPERATING PROFIT BEFORE SPECIAL ITEMS BY QUARTER
Volkswagen Group in € million



At €11.3 billion, operating profit before special items increased by €1.1 billion year-on-year in the period from January to September 2016, while the operating return on sales before special items rose to 7.0 (6.4)%. Optimized product costs and improvements in the mix had a positive effect, while exchange rate and volume effects as well as higher marketing costs as a consequence of the emissions issue negatively impacted operating profit. Special items of €–2.6 (–6.9) billion, particularly for legal risks, weighed on operating profit; of this total, €–2.2 (–6.7) billion is attributable to the Passenger Cars Business Area and €–0.5 (–0.2) billion to the Commercial Vehicles Business Area. At €8.6 billion, the Volkswagen Group's operating profit was €5.3 billion higher than in the previous year. The operating return on sales rose to 5.4 (2.1)%.

At €–0.5 billion, the financial result was €2.3 billion lower than in 2015. In the previous year, the income from the sale of the Suzuki shares had a clearly positive effect. In addition, the decrease was a result of higher finance costs due to remeasurement effects and a year-on-year decline in income from the equity-accounted Chinese joint ventures. The income from the sale of the LeasePlan shares had a positive effect.

The Group's profit before tax improved by €3.0 billion to €8.2 billion. Profit after tax grew by €1.9 billion to €5.9 billion.

Results of operations in the Automotive Division

The Automotive Division generated sales revenue of €136.9 (138.3) billion in the first three quarters of 2016. The decrease was attributable primarily to negative exchange rate and volume effects, as well as higher marketing costs, which were partly offset by positive mix developments. Sales revenue declined in the Passenger Cars and Power Engineering Business Areas in the first nine months of 2016, compared with a year-on-year increase in the Commercial Vehicles Business Area. 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, currency translation effects, overall lower research and development costs, and lower expenses from the diesel issue compared with the prior-year period had a positive effect, while increased depreciation and amortization charges from higher capital expenditures and negative special items from the replacement of procured airbags were negative factors. As a result, gross profit improved by €4.2 billion to €26.6 billion.

In the period from January to September 2016, distribution expenses were on a level with the previous year; higher marketing costs were offset by lower expenses from special items. Administrative expenses grew marginally. The ratio of these expenses to sales revenue remained almost unchanged. In spite of higher special items in connection with the diesel issue and the Commercial Vehicles Business Area, the other operating result, at €–0.5 billion in the reporting period, rose by €0.9 billion compared with the previous year mainly on the strength of positive exchange rate effects.

At €6.8 billion, the Automotive Division recorded a €5.1 billion year-on-year increase in operating profit in the first three quarters of 2016. The operating return on sales rose to 5.0 (1.2)%. Special items contained in this figure amounted to €–2.6 (–6.9) billion. Excluding special items, the Automotive Division's operating result was €9.5 (8.6) billion, while the operating return on sales before special items increased to 6.9 (6.2)%. Optimized product costs and favorable mix developments more than compensated for negative exchange rate effects and declining vehicle unit sales, as well as higher marketing costs as a consequence of the emissions issue. 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 decreased by €2.2 billion to €–0.5 billion; this includes higher finance costs due to remeasurement effects and lower investment income from the Chinese joint ventures. This was offset by the income from the sale of the LeasePlan shares in the reporting period; in the prior year, the sale of the Suzuki shares had a clearly positive effect.

Results of operations in the Financial Services Division

The sales revenue of the Financial Services Division rose by 4.9% to €23.0 billion in the first three quarters of 2016, largely because of growth in business volumes.

As a result, gross profit improved to €4.5 (4.0) billion despite the sustained pressure on margins, negative exchange rate trends and higher depreciation and amortization charges.

Distribution and administrative expenses were up slightly year-on-year in the reporting period, while the ratio of these expenses to sale revenue declined slightly.

Operating profit increased by 11.8% to €1.8 billion, and the operating return on sales was 7.8 (7.4)%.

FINANCIAL POSITION OF THE GROUP

At €22.6 billion, the Volkswagen Group's gross cash flow in the period January to September 2016 was 17.1% higher than in the previous year. Funds tied up in working capital rose by €5.3 billion year-on-year to €12.2 billion. As a result, cash flows from operating activities decreased by €2.0 billion to €10.4 billion.

At €10.1 (7.6) billion, the Volkswagen Group's investing activeities attributable to operating activities were up year-on-year. Within this item, investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) increased, as did capitalized development costs. The "Acquisition and disposal of investments" item was affected by the cash inflow from the sale of the LeasePlan shares and the cash outflow for the investment in the ride-hailing service GETT. In the previous year, the item reflected the sale of the Suzuki shares.

Cash inflows from financing activities in the first nine months of 2016 amounted to €8.1 (2.6) billion. The Volkswagen Group recorded cash and cash equivalents as reported in the cash flow statement of €26.6 (22.4) billion.

The Group's net liquidity amounted to €–99.0 billion as of September 30, 2016, compared with €–100.5 billion at the end of 2015.

Financial position in the Automotive Division

In the period from January to September 2016, the Automotive Division generated gross cash flow of €15.4 billion; the €2.8 billion increase resulted primarily from the decrease in special items compared with the previous year which was offset by lower dividends from the Chinese joint ventures.

At €1.6 (5.8) billion, funds released from working capital were considerably lower than in the previous year. All of the new special items recognized in the first three quarters had a negative effect on gross cash flow and a positive effect on the change in working capital. Cash flows from operating activities declined by €1.5 billion to €17.0 billion.

Investing activities attributable to operating activities recorded a cash outflow of €9.5 (7.2) billion in the reporting period. Capex and capitalized development costs increased in comparison with the previous year. The capex ratio rose to 5.7 (5.3)%. We invested primarily in our 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 prior-year figure contains the sale of the Suzuki shares.

At €7.5 billion, the Automotive Division's net cash flow was down €3.7 billion year-on-year in the first nine months of 2016.

FINANCIAL POSITION IN THE PASSENGER CARS, COMMERCIAL VEHICLES AND POWER ENGINEERING BUSINESS AREAS FROM JANUARY 1 TO SEPTEMBER 30

€ million	2016	2015
Passenger Cars		
Gross cash flow	13,251	10,345
Change in working capital*	1,759	5,858
Cash flows from operating activities*	15,009	16,203
Cash flows from investing activities attributable to operating activities	−7,957	−5,709
Net cash flow*	7,053	10,494
Commercial Vehicles		
Gross cash flow	1,963	2,006
Change in working capital	−85	−13
Cash flows from operating activities	1,878	1,993
Cash flows from investing activities attributable to operating activities	−1,410	−1,371
Net cash flow	468	622
Power Engineering		
Gross cash flow	197	299
Change in working capital	−86	−40
Cash flows from operating activities	111	259
Cash flows from investing activities attributable to operating activities	−128	−140
Net cash flow	−17	118

* Prior-year figures adjusted.

In financing activities, a capital increase carried out by Volkswagen AG at Volkswagen Financial Services AG in April 2016 to finance the growth in business volumes and comply with the increase in regulatory capital requirements resulted in outflows of €0.5 billion. At the end of June, a total dividend of €0.1 (2.3) billion, which was considerably lower than in the previous year, was distributed to the shareholders of Volkswagen AG. The Automotive Division's financing activities also include the issuance and redemption of bonds and other financial liabilities in the total amount of €1.4 (–5.0) billion.

The Automotive Division recorded net liquidity of €31.1 billion as of September 30, 2016, compared with €24.5 billion at year-end 2015.

Financial position in the Financial Services Division

At €7.2 billion, the Financial Service Division's gross cash flow in the first three quarters of 2016 was 8.2% higher than in the previous year. Funds tied up in working capital increased to €13.8 (12.7) billion due to the growth in business volumes.

The acquisition of the interest in ride-hailing service GETT amounting to €0.3 billion was one of the factors behind the increase in investing activities attributable to operating activities to €0.6 (0.4) billion.

Cash inflows from financing activities of the Financial Services Division declined to €6.7 (7.5) billion.

The Financial Services Division's negative net liquidity, which is common in the industry, stood at €–130.1 billion at the end of September, compared with €–125.1 billion on December 31, 2015.

CONSOLIDATED BALANCE SHEET STRUCTURE

The Volkswagen Group's total assets were €403.9 billion at the end of the third quarter of 2016, and thus 5.7% higher than at year-end 2015. At €90.9 (88.3) billion, the Group's equity increased compared with December 31, 2015. The equity ratio decreased to 22.5 (23.1)%.

Automotive Division balance sheet structure

Noncurrent assets at the end of the first nine months of 2016 were overall on a level with year-end 2015. Both intangible assets and property, plant and equipment were up slightly on the level at December 31, 2015. Equity-accounted investments decreased, mainly as a result of the sale of the LeasePlan shares and the dividend resolutions by the Chinese joint ventures. Current assets rose by 21.3%; inventories contained in this item rose mainly due to production-related factors. Receivables increase significantly. At €23.3 (15.7) billion, cash and cash equivalents in the Automotive Division at the end of the reporting period rose significantly compared with the figure at the end of December 2015. Marketable securities increased by €1.8 billion to €14.1 billion.

At €68.4 billion, the Automotive Division's equity on September 30, 2016 was €1.0 billion higher than at year-end 2015. It was lifted by the good earnings growth before special items and positive effects from the measurement of derivatives recognized outside profit or loss. Expenses from special items, higher actuarial losses from the measurement of pension provisions and negative currency translation effects reduced the Automotive Division's equity. The dividend distribution to the shareholders of Volkswagen AG at the end of June 2016 was considerably lower than in the previous year. The noncontrolling interests are mainly attributable to RENK AG and AUDI AG. As these were lower overall than the noncontrolling interests attributable to the Financial Services Division, the figure for the Automotive Division, where the deduction was recognized, was negative.

Noncurrent liabilities increased by 10.1% compared with December 31, 2015; the pension provisions contained within this item increased significantly following the change in the discount rate, while other noncurrent provisions rose due to the special items. Financial liabilities declined by €3.0 billion. At €72.8 billion, current liabilities were up 10.5% compared with December 31, 2015.

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

€ million	Sept. 30, 2016	Dec. 31, 2015
Passenger Cars		
Noncurrent assets	104,861	105,028
Current assets	69,833	57,289
Total assets	**174,694**	**162,317**
Equity	53,805	54,598
Noncurrent liabilities	67,867	61,195
Current liabilities	53,023	46,524
Commercial Vehicles		
Noncurrent assets	24,640	24,749
Current assets	16,764	13,421
Total assets	**41,404**	**38,170**
Equity	11,474	9,512
Noncurrent liabilities	12,284	11,532
Current liabilities	17,646	17,126
Power Engineering		
Noncurrent assets	2,878	3,035
Current assets	3,190	3,310
Total assets	**6,068**	**6,345**
Equity	3,112	3,255
Noncurrent liabilities	826	842
Current liabilities	2,130	2,248

Reclassifications from noncurrent to current liabilities due to shorter remaining maturities and short-term borrowings led to an increase in current financial liabilities. 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 were lower than the loans granted to the Financial Services Division, a negative amount was disclosed for the prior-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.

The Automotive Division's total assets amounted to €222.2 (206.8) billion as of September 30, 2016, up 7.4% on the year-end 2015 figure.

Financial Services Division balance sheet structure

At €181.7 billion, the Financial Services Division's total assets at the end of the third quarter of 2016 were 3.8% higher than at the end of 2015.

Overall, noncurrent assets rose by 6.3% compared with December 31, 2015. The lease assets and noncurrent financial services receivables contained in this item increased above all due to the growth in business. Equity-accounted investments increased following the investment in GETT. Current assets were on a level with the December 31, 2015 figure. The Financial Services Division accounted for approximately 45.0 (45.8)% of the Volkswagen Group's assets at the end of the reporting period.

The Financial Services Division's equity amounted to €22.5 billion, 7.4% higher than at the end of 2015. This was due in particular to earnings-related factors and the capital increase carried out by Volkswagen AG in April in order to finance business growth and meet regulatory capital requirements. The equity ratio was 12.4 (11.9)%. Noncurrent liabilities were on a level with the previous year. Current liabilities rose by 7.3%; the increase mainly resulted from the funding of volume growth.

At the end of September 2016, deposits from direct banking business were higher than at year-end 2015, at €32.7 (26.5) billion.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

We have adjusted our expected deliveries to customers to reflect the stronger recovery of the European automotive markets.

Special items, in particular relating to legal risks, result in a reduction of the earnings forecast including special items for the Group and for the Passenger Cars and Commercial Vehicles business areas.

In June 2016, Volkswagen publicly announced that Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates had reached settlement agreements in the USA with the U.S. Department of Justice on behalf of the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB) and the California Attorney General; private plaintiffs represented by a Plaintiffs' Steering Committee (PSC) in the Multi-District Litigation pending in California and the U.S. Federal Trade Commission (FTC). The settlement agreements will resolve certain civil claims made in relation to affected diesel vehicles with 2.0 l TDI engines from the Volkswagen Passenger Cars and Audi brands in the USA. On October 18, 2016, a fairness hearing on whether final approval should be granted was held, and on October 25, 2016, the court granted final approval of the settlement agreements. This final approval order remains subject to appeal.

The settlements provide affected customers with the option of a buyback or, for leased vehicles, early lease termination, or a free emissions modification of the vehicles, provided that EPA and CARB approve the modification. Volkswagen will also make cash payments to affected current owners or lessees as well as certain former owners or lessees.

Volkswagen also agreed to support environmental programs. The company will pay USD 2.7 billion over three years into an environmental trust, managed by a trustee appointed by the court, to offset excess nitrogen oxide (NO_x) emissions. Volkswagen will also invest in total USD 2.0 billion over ten years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives.

Volkswagen also reached separate settlement agreements with the attorneys general of 44 US states, the District of Columbia and Puerto Rico, to resolve their existing or potential consumer protection and unfair trade practices claims – in connection with both 2.0 l TDI and 3.0 l TDI vehicles in the USA – for a settlement amount of USD 603 million.

These settlements do not resolve the civil claims by the DOJ, FTC and private plaintiffs represented by the PSC related to 3.0 l TDI vehicles, civil penalties sought by the DOJ on behalf of the EPA, potential state environmental claims related to the 2.0 l and 3.0 l TDI vehicles, any criminal investigations by the DOJ, as well as certain other claims. Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

In September 2016, Volkswagen announced that it had finalized an agreement to resolve the claims of Volkswagen branded franchise dealers in the United States relating to TDI vehicles and other matters asserted concerning the value of the franchise. The settlement agreement, which is subject to court approval, includes a cash payment of up to USD 1.208 billion, and additional benefits to resolve alleged past, current, and future claims of losses in franchise value. Preliminary court approval of the settlement agreement was granted on October 18, 2016, and a fairness hearing on whether final approval should be granted has been scheduled for January 18, 2017.

In Canada, Environment and Climate Change Canada, a department of the Government of Canada responsible for coordinating environmental policies, is monitoring the EPA and CARB proceedings in the USA as part of its pending criminal investigation. Investigations by other Canadian regulators are ongoing. 33 class actions seeking compensation for consumers were filed in Canada against Volkswagen Group companies. The majority of these actions purport to represent a national class of 2.0 l and 3.0 l diesel customers. At this time, settlement discussions concerning 2.0 l diesel vehicles in Canada are under way.

The attorneys general of twelve US states (Alabama, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New Mexico, New York, Pennsylvania, Tennessee, Texas and Vermont) and some municipalities have filed suits in state and federal courts – and the state of Washington has asserted a penalty claim through administrative proceedings – against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates seeking civil penalties and injunctive relief for alleged violations of environmental laws. Alabama, Maryland, Massachusetts, Missouri, New Hampshire, New York, Pennsylvania, Tennessee, Texas and Washington participated in the state settlements described above with respect to consumer protection and unfair trade practices claims, but those settlements did not include claims for environmental penalties. In particular, nine states (Delaware, Maine, Minnesota, Missouri, Montana, Ohio, Oregon, Wisconsin and Wyoming) have entered into agreements to toll the statute of limitations for their potential environmental claims through the end of 2016. Of those states, Wyoming has expressed its intention to file suit asserting environmental claims by November 1, 2016. Another state (Connecticut) has expressed its intention to participate in environmental settlement discussions without filing suit.

In June 2016, a putative class action was filed on behalf of purchasers of certain USD-denominated Volkswagen bonds, alleging that these bonds were trading at artificially inflated prices due to Volkswagen's alleged misstatements and that the value of these bonds declined after the EPA issued its Notice of Violation. This lawsuit has been consolidated into the federal multidistrict litigation in California described above.

The vast majority of investor lawsuits are currently pending at the District Court (Landgericht) in Braunschweig (the "Braunschweig Court"). A press release issued by the Braunschweig Court on September 21, 2016 indicates that, as a result of recently filed actions, there are now about 1,400 lawsuits pending. The Braunschweig Court's press release reports that, after accounting for the recently filed actions, the dispute value of all investor lawsuits submitted to the Braunschweig Court totals around €8.2 billion.

On August 5, 2016, the Braunschweig Court ordered that common questions of law and fact relevant to the lawsuits pending at the Braunschweig Court be referred to the Higher Regional Court (Oberlandesgericht) in Braunschweig for a binding declaratory decision pursuant to the German Act on Model Case Proceedings in Disputes Regarding Capital Market Information (Kapitalanleger-Musterverfahrensgesetz, the "Model Case Act"), which establishes a procedure for consolidated adjudication in a higher regional court of legal and factual questions common to numerous securities actions (the "Model Case Proceedings"). All lawsuits at the Braunschweig Court will be stayed pending resolution of the common issues, unless they can be dismissed for reasons independent of the common issues that are adjudicated in the Model Case Proceedings.

The resolution of the common issues in the Model Case Proceedings will be binding on all pending cases in the stayed lawsuits.

At the District Court in Stuttgart several lawsuits have been filed against Volkswagen AG and Porsche Automobil Holding SE as joint and several debtors. It is currently unclear whether Model Case Proceedings will be initiated in respect of these lawsuits and whether they will take place at the Higher Regional Court in Stuttgart or referred to the Higher Regional Court in Braunschweig.

Further investor lawsuits have been filed at various courts in Germany as well as at courts in Austria and the Netherlands.

Altogether, Volkswagen has so far been served with investor lawsuits, judicial applications for dunning procedures and conciliation proceedings with claims amounting to €7.4 billion.

To protect against the currently known legal risks, including suitable expenses for defense and legal advice related to the diesel issue, the existing information and current assessments in the reporting period indicated a requirement to recognize additional provisions of €2.0 billion. Unused provisions for legal risks amounting to €0.4 billion were reversed. Volkswagen remains of the opinion that it duly complied with its capital market obligations. Therefore, no provisions for lawsuits filed by investors have been recognized. The related contingent liabilities had to be increased by €2.7 billion to €3.7 billion.

The provisions for legal risks recognized in connection with the diesel issue and the contingent liabilities disclosed continue to be subject in part to substantial estimation risks in light of the complexity of the individual factors, the ongoing approval process with the authorities and the fact that the comprehensive, exhaustive investigations have not yet been completed.

In 2011, the European Commission opened antitrust proceedings against European truck manufacturers concerning inappropriate exchange of information during the period 1997–2011 and sent a statement of objections to MAN, Scania and the other truck manufacturers concerned in November 2014.

With its decision as of July 19, 2016 the European Commission has fined five European truck manufacturers excluding MAN and Scania. MAN was not fined as the company had informed the EU Commission about the cartel as a key witness.

With regard to Scania, the antitrust proceedings will be continued. Scania has decided to fully exercise its rights of defense in the ongoing investigation. A provision of €0.4 billion was recognized in order to cover possible fines.

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.

In addition, there are risks in connection with the decision by the UK to leave the EU following the outcome of the Brexit referendum in June 2016. In light of this, we are monitoring potential consequences for macroeconomic growth, effects on exchange rates and reduced demand for Group products.

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 or based on recent findings from the investigations that are still being carried out.

Outlook

The global economy saw moderate growth in the first three quarters of 2016. In industrialized nations, momentum declined compared with 2015 as a whole, while in emerging economies the growth of gross domestic product matched the prior-year level. The Volkswagen Group's Board of Management envisages that the global economy will grow at a slightly slower pace in 2016 than in the previous year. Risks will arise from potential turbulence in the financial markets, protectionist tendencies and structural deficits in individual countries and regions. 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 anticipate the strongest rates of expansion in Asia's emerging economies.

The number of new passenger car registrations worldwide was up year-on-year in the period from January to September 2016, although the trends in the individual markets varied from region to region. We expect trends in the passenger car markets in the individual regions to be mixed over the year as a whole, too. Overall, global demand for new vehicles will probably rise at a slightly higher rate than in 2015. We anticipate that demand volume in Western Europe and the German passenger car market will be moderately higher than in the previous year. In the Central and Eastern European markets, demand for passenger cars is estimated to be slightly lower than the weak prior-year figure. In North America, we expect last year's positive trend to continue at a 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 faster pace.

Global demand for light commercial vehicles will probably see a slight increase in 2016. 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 continue to press ahead with their product initiative in the remaining months of 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 slightly higher than in 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 exchange rate and interest 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.

We estimate that 2016 sales revenue for the Volkswagen Group may reach the prior-year figure. In terms of the Group's operating profit before special items, we anticipate that the operating return on sales in 2016 will be at the upper end of the forecast range of 5.0 – 6.0%.

In the Passenger Cars Business Area, we expect a slight decrease in sales revenue, with an operating return on sales before special items at the upper end of the anticipated range of 5.5 – 6.5%. With a moderate increase in sales revenue in the Commercial Vehicles Business Area, we assume that the operating return on sales before special items 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 a marked improvement in sales revenue and operating profit over the prior-year level.

After special items, in particular relating to legal risks, we are expecting a clearly positive operating return on sales for the Group and the Passenger Cars Business Area, and a slightly positive operating return on sales for the Commercial Vehicles Business Area; however, the respective target range will not be reached.

Disciplined cost and investment management and the continuous optimization of our processes remain 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 €159.9 (160.3) billion in the period from January to September 2016. At €8.6 billion, operating profit exceeded the prior-year figure by €5.3 billion. Special items totaling €–2.6 billion were recorded in the reporting period compared with €–6.9 billion in the previous year. Operating profit before special items rose to €11.3 (10.2) billion.

The Volkswagen Passenger Cars brand's unit sales of 3.2 (3.3) million vehicles in the first nine months of 2016 fell short of the prior-year level. This figure includes 2.3 (2.4) million Volkswagen models. There was strong demand for the Polo, the new Tiguan and the Passat. At €77.7 (80.0) billion, sales revenue fell slightly short of the prior-year figure. Operating profit before special items decreased to €1.2 (2.2) billion; the decrease is primarily attributable to volume, mix and exchange rate effects as well as higher marketing costs as a consequence of the emissions issue, cost savings had a positive effect. The diesel issue in particular gave rise to special items of €–1.3 billion compared with €–6.7 billion in the previous year.

The Audi brand increased its unit sales by 0.7% year-on-year in the reporting period to 1.2 million vehicles worldwide. Our Chinese joint venture FAW-Volkswagen sold a further 411 (365) thousand Audi vehicles. The Q3 SUV model and the new generations of the A4 and Q7 were particularly popular. Sales revenue rose to €44.0 (43.7) billion. At €3.9 (4.0) billion, operating profit before special items reached the 2015 level. In addition to exchange rate effects and intense competition, the expansion of the model and technology portfolio and the international production network had a negative impact on earnings. Particularly the diesel issue and the increased scope of the replacement of faulty airbags delivered by Takata resulted in special items of €–0.9 billion. The financial key performance indicators for the Audi brand also include the Lamborghini and Ducati brands. Ducati sold 47 thousand motorcycles in the reporting period (+1.4%).

The ŠKODA brand sold 606 (605) thousand vehicles in the first three quarters of this year, more than a year earlier. Demand for the Fabia and the Superb in particular was higher than in the previous year. Sales revenue increased by 9.0% to €10.1 billion. Operating profit improved by 28.1% to €940 million mainly on the back of positive volume and mix effects as well as optimized product costs.

The SEAT brand's unit sales were down marginally year-on-year to 400 (404) thousand vehicles in the reporting period owing to the modifications at the Martorell plant and the phasing out of the Altea. This figure includes the Q3 manufactured for Audi. The Leon was particularly popular with customers, and the Ateca was very well received by the market. Sales revenue increased to €6.5 (6.4) billion. At €137 million, operating profit was €125 million higher than in 2015, with cost reductions and mix improvements resulting especially from the launch of the new Ateca more than compensating for negative exchange rate effects.

The Bentley brand increased its unit sales by 6.1% year-on-year to 7,825 vehicles between January and September 2016, primarily due to the popularity of the new Bentayga. Sales revenue increased by 3.4% to €1.4 billion. Due to positive effects from exchange rates and cost-cutting measures, operating profit was on a level with the previous year at €54 (57) million in spite of changed market conditions.

The Porsche brand lifted its vehicle sales by 5.0% year-on-year in the first nine months of 2016 to 177 thousand units worldwide. Demand for the Boxster, Cayman, 911 and Macan models was higher than in the previous year. At €16.5 (16.5) billion, sales revenue was flat on the prior-year level. Operating profit climbed 12.2% to €2.9 billion, mainly attributable to volume, mix and exchange rate effects.

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 342 (335) thousand vehicles worldwide in the reporting period. The Multivan/Transporter and Caddy models were especially popular. At €8.0 billion, sales revenue was up 6.7% over the first nine months of 2015. Operating profit rose by €79 million to €392 million as a result of higher volumes and mix effects as well as optimized product costs.

Unit sales by the Scania brand amounted to 60 (56) thousand trucks and buses in the first three quarters of 2016. Higher sales figures in Europe offset the decline in demand in Turkey, South America and Russia. Sales revenue increased by 7.6% to €8.3 billion. Operating profit before special items rose to €802 (748) billion, as negative exchange rate effects were more than offset by higher vehicle sales and an expansion of the service business. Legal risks in connection with the commercial vehicle antitrust proceedings launched by the European Commission gave rise to special items of €–0.4 billion.

MAN Commercial Vehicles sold 74 (74) thousand units in the period from January to September of this year. Sales revenue matched the prior-year level at €7.2 (7.2) billion. Operating profit before special items rose to €204 (52) billion. Volume effects and improved margins in Europe as well as the structural improvements introduced had a positive effect. Restructuring measures in South America led to special items of €–0.1 billion; in the previous year, special items of €–0.2 billion had been incurred for restructuring measures in Europe.

MAN Power Engineering's sales revenue decreased by 6.9% year-on-year to €2.6 billion in the first nine months of 2016. This reduced the operating profit by €51 million to €176 million.

At €1.5 billion, the operating profit at Volkswagen Financial Services in the reporting period was 11.1% higher than in the previous year, mainly as a result of the business growth.

KEY FIGURES BY BRAND AND BUSINESS FIELD FROM JANUARY 1 TO SEPTEMBER 30[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	3,234	3,343	77,725	79,972	51,257	53,848	1,244	2,229
Audi	1,166	1,158	44,017	43,695	28,131	28,625	3,918	4,024
ŠKODA	606	605	10,113	9,280	4,893	4,367	940	734
SEAT	400	404	6,535	6,388	2,861	2,688	137	12
Bentley	8	7	1,411	1,364	1,090	939	54	57
Porsche[2]	177	169	16,470	16,471	14,963	15,126	2,858	2,546
Volkswagen Commercial Vehicles	342	335	8,045	7,537	4,069	3,581	392	313
Scania[2]	60	56	8,272	7,686	8,272	7,686	802	748
MAN Commercial Vehicles	74	74	7,213	7,247	6,705	7,043	204	52
MAN Power Engineering	–	–	2,567	2,756	2,565	2,754	176	227
VW China[3]	2,803	2,492	–	–	–	–	–	–
Other	–1,217	–1,204	–42,771	–41,538	16,878	15,910	–993[4]	–2,126[4]
Volkswagen Financial Services	–	–	20,337	19,403	18,248	17,696	1,534	1,381
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**–**	**–**	**11,267**	**10,197**
Special items	–	–	–	–	–	–	–2,620	–6,855
Volkswagen Group	**7,653**	**7,440**	**159,932**	**160,263**	**159,932**	**160,263**	**8,647**	**3,342**
Automotive Division[5]	7,653	7,440	136,889	138,302	139,282	140,259	6,841	1,726
of which: Passenger Cars Business Area	7,178	6,974	111,044	113,325	118,176	119,644	6,359	1,203
Commercial Vehicles Business Area	475	466	23,278	22,221	18,541	17,861	491	489
Power Engineering Business Area	–	–	2,567	2,756	2,565	2,754	–9	34
Financial Services Division	–	–	23,042	21,961	20,649	20,004	1,806	1,615

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 €3,594 (3,777) 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 3.5 (3.4) million vehicles in the first nine months of 2016 in the Europe/Other markets region. Sales revenue increased to €102.3 (99.5) billion as a result of increased volumes. Exchange rate effects had a negative impact.

Buoyed by higher demand in Mexico, the Volkswagen Group lifted unit sales in the North American market by 1.3% year-on-year in the reporting period to 708 thousand vehicles. Sales revenue declined to €25.6 (26.6) billion as a result of unfavorable exchange rate trends.

The economic conditions in the South American markets remained challenging in the period from January to September 2016, reducing the Volkswagen Group's unit sales in this region by 26.3% year-on-year to 312 thousand vehicles. Sales revenue was down 26.7% to €5.8 billion, attributable to lower volumes and negative exchange rate effects.

In the Asia-Pacific region we sold a total of 3.2 million vehicles in the reporting period – including the Chinese joint ventures; this represents an increase of 8.8% as against the previous year. Sales revenue, which does not include our equity-accounted Chinese joint ventures, was on a level with the previous year at €26.2 (26.3) billion. Exchange rate effects had a negative effect.

KEY FIGURES BY MARKET FROM JANUARY 1 TO SEPTEMBER 30[1]

	VEHICLE SALES		SALES REVENUE	
thousand units/€ million	2016	2015	2016	2015
Europe/Other markets	3,457	3,399	102,295	99,523
North America	708	699	25,650	26,570
South America	312	424	5,808	7,919
Asia-Pacific[2]	3,175	2,918	26,179	26,250
Volkswagen Group[2]	**7,653**	**7,440**	**159,932**	**160,263**

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 supported the Volkswagen Group's sales growth in the period from January to September 2016 with its innovative products along the automotive value chain.

MAN Financial Services is expanding the range of services it offers with the MAN Card and, through a partnership with TOTAL and AS24, is extending the acceptance network across Europe to around 49,000 service stations. Growth in the area of truck fuel and service cards is an important element for Volkswagen Financial Services in its quest to become Europe's largest fuel distributor. Going forward, toll processing for 18 European countries will also be integrated into the existing portfolio of services.

Volkswagen Financial Services AG once again successfully passed the bank stress test coordinated by the European Banking Authority (EBA). On the basis of the 2015 annual financial statements, a baseline and an adverse scenario were simulated for the years 2016 to 2018 and the capital ratios were calculated under the given preconditions. The stress test showed that Volkswagen Financial Services AG has a solid business model and adequate capital resources.

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. In July 2016, Volkswagen Bank RUS LLC, a subsidiary of Volkswagen Financial Services AG, placed a bond in rubles (RUB) on the Russian capital market with a volume of RUB 5 billion (around €70 million). The bond has a term of five years; a repayment option after two-and-a-half years is a structural element of the transaction.

Also in July, Volkswagen Financial Services AG successfully placed its fourth Chinese Auto Asset-Backed Securities (ABS) transaction. The securitization transaction Driver China four, which is backed by vehicle financing contracts from Volkswagen Finance China, has a volume of around CNY 3 billion, or approximately €405 million. The order books were fully covered during the book-building process, with orders placed by both Chinese and international investors. The number of new financing, leasing, service and insurance contracts signed in the reporting period rose by 14.6% year-on-year to 4.9 million. The total number of contracts was 15.8 million as of September 30, 2016, surpassing the 2015 year-end figure by 7.8%. In the Customer Financing/Leasing area, the number of contracts rose by 4.8% compared with the figure for December 31, 2015 to 8.8 million. The number of contracts in the Service/Insurance area was up 11.7% on the end of the previous year to 7.1 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 33.2 (31.0)%.

Volkswagen Bank's direct banking business had approximately 1.5 (1.4) million accounts on September 30, 2016.

Volkswagen Financial Services had a total of 13,311 employees at the end of the third quarter of 2016, unchanged on the December 31, 2015 level.

Interim Consolidated Financial Statements (Condensed)

INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO SEPTEMBER 30

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2016	2015	2016	2015	2016	2015
Sales revenue	**159,932**	**160,263**	**136,889**	**138,302**	**23,042**	**21,961**
Cost of sales	−128,851	−133,799	−110,285	−115,880	−18,566	−17,919
Gross profit	**31,080**	**26,464**	**26,604**	**22,422**	**4,476**	**4,042**
Distribution expenses	−15,981	−16,024	−15,044	−15,109	−938	−915
Administrative expenses	−5,445	−5,411	−4,268	−4,246	−1,177	−1,165
Other operating income/expense	−1,007	−1,687	−451	−1,340	−556	−347
Operating profit	**8,647**	**3,342**	**6,841**	**1,726**	**1,806**	**1,615**
Share of profits and losses of equity-accounted investments	2,627	3,128	2,579	3,102	48	25
Other financial result	−3,116	−1,327	−3,043	−1,355	−72	28
Financial result	**−488**	**1,800**	**−465**	**1,747**	**−24**	**53**
Profit before tax	**8,159**	**5,142**	**6,376**	**3,474**	**1,783**	**1,669**
Income tax expense	−2,243	−1,152	−1,707	−597	−536	−555
Profit after tax	**5,915**	**3,990**	**4,669**	**2,876**	**1,247**	**1,114**
of which attributable to						
Noncontrolling interests	9	8	−47	−12	56	20
Volkswagen AG hybrid capital investors	168	155	168	155	–	–
Volkswagen AG shareholders	5,738	3,827	4,548	2,733	1,191	1,094
Basic earnings per ordinary share (€)[2]	**11.42**	**7.61**				
Diluted earnings per ordinary share (€)[2]	**11.42**	**7.61**				
Basic earnings per preferred share (€)[2]	**11.48**	**7.67**				
Diluted earnings per preferred share (€)[2]	**11.48**	**7.67**				

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 SEPTEMBER 30

€ million	2016	2015
Profit after tax	**5,915**	**3,990**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	−8,863	2,219
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	2,620	−666
Pension plan remeasurements recognized in other comprehensive income, net of tax	−6,243	1,553
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	−1	−3
Items that will not be reclassified to profit or loss	**−6,244**	**1,550**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	−945	276
Transferred to profit or loss	3	0
Exchange differences on translating foreign operations, before tax	−942	276
Deferred taxes relating to exchange differences on translating foreign operations	0	0
Exchange differences on translating foreign operations, net of tax	−942	276
Cash flow hedges		
Fair value changes recognized in other comprehensive income	4,945	−4,927
Transferred to profit or loss	998	2,802
Cash flow hedges, before tax	5,943	−2,124
Deferred taxes relating to cash flow hedges	−1,720	628
Cash flow hedges, net of tax	4,223	−1,497
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	67	367
Transferred to profit or loss	68	−1,726
Available-for-sale financial assets, before tax	135	−1,359
Deferred taxes relating to available-for-sale financial assets	−36	60
Available-for-sale financial assets, net of tax	99	−1,299
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	−179	395
Items that may be reclassified subsequently to profit or loss	**3,201**	**−2,124**
Other comprehensive income, before tax	−3,907	−595
Deferred taxes relating to other comprehensive income	864	21
Other comprehensive income, net of tax	**−3,043**	**−574**
Total comprehensive income	**2,872**	**3,417**
of which attributable to		
Noncontrolling interests	7	9
Volkswagen AG hybrid capital investors	168	155
Volkswagen AG shareholders	2,697	3,253

INCOME STATEMENT FOR THE PERIOD JULY 1 TO SEPTEMBER 30

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2016	2015	2016	2015	2016	2015
Sales revenue	**51,997**	**51,487**	**44,343**	**44,209**	**7,654**	**7,278**
Cost of sales	−42,061	−46,721	−35,996	−40,453	−6,065	−6,268
Gross profit	**9,935**	**4,765**	**8,347**	**3,756**	**1,589**	**1,010**
Distribution expenses	−5,231	−5,593	−4,905	−5,290	−326	−302
Administrative expenses	−1,774	−1,786	−1,380	−1,429	−395	−357
Other operating income/expense	378	−866	617	−1,010	−238	145
Operating profit	**3,308**	**−3,479**	**2,679**	**−3,974**	**629**	**495**
Share of profits and losses of equity-accounted investments	912	887	899	881	13	6
Other financial result	−872	70	−869	81	−3	−11
Financial result	**40**	**957**	**30**	**962**	**10**	**−5**
Profit before tax	**3,348**	**−2,522**	**2,709**	**−3,011**	**639**	**490**
Income tax expense	−1,012	848	−932	1,006	−79	−157
Profit after tax	**2,337**	**−1,673**	**1,777**	**−2,006**	**560**	**332**
of which attributable to						
Noncontrolling interests	3	1	−4	−7	7	8
Volkswagen AG hybrid capital investors	57	57	57	57	–	–
Volkswagen AG shareholders	2,277	−1,731	1,724	−2,055	553	324
Basic earnings per ordinary share (€)[2]	**4.54**	**−3.45**				
Diluted earnings per ordinary share (€)[2]	**4.54**	**−3.45**				
Basic earnings per preferred share (€)[2]	**4.54**	**−3.45**				
Diluted earnings per preferred share (€)[2]	**4.54**	**−3.45**				

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 JULY 1 TO SEPTEMBER 30

€ million	2016	2015
Profit after tax	**2,337**	**−1,673**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	−1,351	446
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	401	−143
Pension plan remeasurements recognized in other comprehensive income, net of tax	−950	303
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	0	0
Items that will not be reclassified to profit or loss	**−950**	**303**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	−216	−1,553
Transferred to profit or loss	3	0
Exchange differences on translating foreign operations, before tax	−213	−1,553
Deferred taxes relating to exchange differences on translating foreign operations	0	0
Exchange differences on translating foreign operations, net of tax	−213	−1,553
Cash flow hedges		
Fair value changes recognized in other comprehensive income	1,033	2,662
Transferred to profit or loss	103	560
Cash flow hedges, before tax	1,137	3,222
Deferred taxes relating to cash flow hedges	−319	−949
Cash flow hedges, net of tax	818	2,273
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	6	−221
Transferred to profit or loss	53	−1,544
Available-for-sale financial assets, before tax	59	−1,765
Deferred taxes relating to available-for-sale financial assets	−16	10
Available-for-sale financial assets, net of tax	43	−1,755
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	−7	−77
Items that may be reclassified subsequently to profit or loss	**640**	**−1,113**
Other comprehensive income, before tax	−376	272
Deferred taxes relating to other comprehensive income	66	−1,082
Other comprehensive income, net of tax	**−310**	**−810**
Total comprehensive income	**2,027**	**−2,484**
of which attributable to		
Noncontrolling interests	4	1
Volkswagen AG hybrid capital investors	57	57
Volkswagen AG shareholders	1,966	−2,541

BALANCE SHEET AS OF SEPTEMBER 30, 2016 AND DECEMBER 31, 2015

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE*		FINANCIAL SERVICES	
€ million	2016	2015	2016	2015	2016	2015
Assets						
Noncurrent assets	**242,673**	**236,548**	**132,379**	**132,812**	**110,294**	**103,736**
Intangible assets	62,087	61,147	61,871	60,918	216	228
Property, plant and equipment	51,376	50,171	48,891	47,768	2,485	2,403
Lease assets	36,023	33,173	3,148	2,931	32,875	30,242
Financial services receivables	65,866	63,185	9	–	65,857	63,185
Investments, equity-accounted investments and other equity investments, other receivables and financial assets	27,321	28,873	18,460	21,195	8,861	7,678
Current assets	**161,217**	**145,387**	**89,787**	**74,019**	**71,430**	**71,367**
Inventories	37,966	35,048	33,754	31,369	4,212	3,679
Financial services receivables	47,617	46,888	−637	−614	48,254	47,502
Other receivables and financial assets	31,774	27,572	19,248	15,315	12,526	12,257
Marketable securities	16,850	15,007	14,096	12,261	2,754	2,747
Cash, cash equivalents and time deposits	27,010	20,871	23,326	15,688	3,683	5,183
Total assets	**403,890**	**381,935**	**222,166**	**206,831**	**181,724**	**175,103**
Equity and Liabilities						
Equity	**90,852**	**88,270**	**68,391**	**67,366**	**22,461**	**20,905**
Equity attributable to Volkswagen AG shareholders	83,123	80,500	61,004	59,898	22,119	20,603
Equity attributable to Volkswagen AG hybrid capital investors	7,510	7,560	7,510	7,560	–	–
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	90,633	88,060	68,515	67,458	22,119	20,603
Noncontrolling interests	219	210	−124	−92	343	302
Noncurrent liabilities	**151,595**	**145,175**	**80,977**	**73,568**	**70,617**	**71,607**
Financial liabilities	68,591	73,292	6,554	9,557	62,038	63,735
Provisions for pensions	36,674	27,535	36,093	27,119	581	415
Other liabilities	46,329	44,349	38,331	36,892	7,998	7,457
Current liabilities	**161,444**	**148,489**	**72,798**	**65,898**	**88,645**	**82,591**
Put options and compensation rights granted to noncontrolling interest shareholders	3,837	3,933	3,837	3,933	–	–
Financial liabilities	82,747	72,313	1,191	−3,974	81,556	76,286
Trade payables	21,878	20,460	19,780	18,709	2,098	1,751
Other liabilities	52,982	51,783	47,990	47,229	4,992	4,554
Total equity and liabilities	**403,890**	**381,935**	**222,166**	**206,831**	**181,724**	**175,103**

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

STATEMENT OF CHANGES IN EQUITY

€ million	Subscribed capital	Capital reserves	Retained earnings	OTHER RESERVES Currency translation reserve
Balance at Jan. 1, 2015	**1,218**	**14,616**	**71,197**	**−1,777**
Profit after tax	–	–	3,827	–
Other comprehensive income, net of tax	–	–	1,553	275
Total comprehensive income	**–**	**–**	**5,381**	**275**
Capital increases*	0	0	–	–
Dividends payment	–	–	−2,294	–
Capital transactions involving a change in ownership interest	–	–	0	–
Other changes	–	–	−7	–
Balance at Sept. 30, 2015	**1,218**	**14,616**	**74,276**	**−1,502**
Balance at Jan. 1, 2016	**1,283**	**14,551**	**69,039**	**−987**
Profit after tax	–	–	5,738	–
Other comprehensive income, net of tax	–	–	−6,241	−942
Total comprehensive income	**–**	**–**	**−503**	**−942**
Capital increases	–	–	–	–
Dividends payment	–	–	−68	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	−13	–
Balance at Sept. 30, 2016	**1,283**	**14,551**	**68,456**	**−1,930**

* 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**
–	–	–	155	3,982	8	3,990
−1,497	−1,299	393	–	−574	1	−574
−1,497	**−1,299**	**393**	**155**	**3,408**	**9**	**3,417**
–	–	–	2,469	2,469	–	2,469
–	–	–	−215	−2,509	−6	−2,515
–	–	–	–	0	0	0
–	–	–	54	46	7	54
−3,212	**−36**	**541**	**7,504**	**93,405**	**207**	**93,612**
−3,912	**−16**	**542**	**7,560**	**88,060**	**210**	**88,270**
–	–	–	168	5,907	9	5,915
4,223	99	−180	–	−3,042	−1	−3,043
4,223	**99**	**−180**	**168**	**2,865**	**7**	**2,872**
–	–	–	–	–	–	–
–	–	–	−291	−359	−5	−364
–	–	–	–	–	–	–
–	–	7	73	66	7	73
311	**83**	**369**	**7,510**	**90,633**	**219**	**90,852**

CASH FLOW STATEMENT FOR THE PERIOD JANUARY 1 TO SEPTEMBER 30

	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	8,159	5,142	6,376	3,474	1,783	1,669
Income taxes paid	−2,220	−2,615	−2,566	−2,498	346	−118
Depreciation and amortization expense[3]	15,100	14,463	10,168	9,743	4,932	4,720
Change in pension provisions	240	282	234	270	6	12
Other noncash income/expense and reclassifications[4]	1,329	2,034	1,198	1,661	131	373
Gross cash flow	**22,609**	**19,306**	**15,410**	**12,650**	**7,199**	**6,655**
Change in working capital	**−12,230**	**−6,937**	**1,588**	**5,804**	**−13,817**	**−12,741**
Change in inventories	−3,196	−2,731	−2,632	−2,702	−564	−29
Change in receivables	−3,143	−2,588	−2,833	−1,769	−310	−818
Change in liabilities	6,147	3,897	5,305	2,990	842	907
Change in other provisions	2,639	7,860	2,503	7,785	137	75
Change in lease assets (excluding depreciation)	−8,894	−7,649	−789	−581	−8,104	−7,068
Change in financial services receivables	−5,783	−5,727	34	81	−5,817	−5,808
Cash flows from operating activities	**10,379**	**12,369**	**16,998**	**18,455**	**−6,619**	**−6,086**
Cash flows from investing activities attributable to operating activities	**−10,142**	**−7,593**	**−9,495**	**−7,220**	**−647**	**−373**
of which: Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property	−8,039	−7,644	−7,803	−7,340	−235	−303
capitalized development costs	−4,222	−3,292	−4,222	−3,292	–	–
acquisition and disposal of equity investments	1,860	2,923	2,294	3,026	−434	−103
Net cash flow[5]	***238***	***4,776***	***7,504***	***11,235***	***−7,266***	***−6,459***
Change in investments in securities and loans	−1,941	−3,680	−1,061	−3,167	−880	−513
Cash flows from investing activities	**−12,083**	**−11,273**	**−10,556**	**−10,387**	**−1,528**	**−886**
Cash flows from financing activities	**8,107**	**2,564**	**1,411**	**−4,962**	**6,696**	**7,526**
Effect of exchange rate changes on cash and cash equivalents	−220	152	−167	155	−53	−3
Net change in cash and cash equivalents	**6,183**	**3,812**	**7,686**	**3,261**	**−1,503**	**551**
Cash and cash equivalents at Sept. 30	**26,644**	**22,446**	**22,980**	**19,271**	**3,665**	**3,175**
Securities, loans and time deposits	25,685	22,983	15,880	14,630	9,805	8,353
Gross liquidity	**52,329**	**45,429**	**38,860**	**33,901**	**13,469**	**11,528**
Total third-party borrowings	−151,338	−138,213	−7,744	−6,145	−143,593	−132,067
Net liquidity at Sept. 30	**−99,009**	**−92,784**	**31,115**	**27,755**	**−130,124**	**−120,539**
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 September 30, 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 Group interim financial report. A detailed breakdown of these accounting pronouncements is provided in the "New and amended IFRSs not applied" 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 €518 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 1.3% (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 this respect, additional provisions amounting to €2.0 billion were recognized in the first nine months of 2016. These additions resulted from an increase in the provisions for legal risks amounting to €2.0 billion, higher warranty costs amounting to €0.4 billion, impairment losses on inventories amounting to €0.2 billion and impairment losses on intangible assets, lease assets and property, plant and equipment amounting to €0.3 billion. The impairment losses recognized on noncurrent assets resulted primarily from the lower value in use of various products in the Passenger Cars segment due to expected declines in volumes. Exchange rate-related reversals of provisions amounting to €0.3 billion and unutilized provisions for legal risks and sales-related measures amounting to a total of €0.5 billion had an offsetting effect. The Volkswagen Group has started entering into exchange rate hedges relating to the outstanding obligations denominated in foreign currencies.

In addition, provisions were recognized for restructuring measures in the trucks business in South America (€0.1 billion) and for the antitrust proceedings launched in 2011 by the European Commission against the European truck manufacturers, including MAN and Scania (€0.4 billion). Additional provisions amounting to €0.2 billion were recognized in the reporting period in connection with the replacement of potentially faulty airbags, manufactured and supplied by Takata, imposed by the competent authorities.

Further information on legal proceedings in connection with the diesel issue, the antitrust proceedings and the replacement of airbags manufactured and supplied by Takata can be found in the "Litigation" and "Contingent liabilities" sections.

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

On June 22, 2016, the Volkswagen Group acquired a 28.1% interest in on-demand mobility company GT Gettaxi Limited, Limassol, Cyprus (GETT), via Volkswagen New Mobility Luxembourg S.A., Luxembourg, Luxembourg. With its subsidiaries, GETT is active in more than 60 cities worldwide and is one of the strongest growing providers of ride-hailing services. These services are to be further expanded as part of a joint growth strategy. This strategic investment amounts to €264 million. The investment in GETT is reported as an equity-accounted investment in the consolidated financial statements.

Volkswagen Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG, and US-based commercial vehicles manufacturer Navistar International Corporation announced on September 6, 2016 that they had entered into a far-reaching alliance. This includes framework agreements for a strategic technology and supply cooperation, as well as a procurement joint venture. Additionally, Volkswagen Truck & Bus will acquire a 16.6% equity interest in Navistar by subscribing for a capital increase. The share price amounts to USD 15.76 and the total purchase price comes to USD 0.3 billion. The closing of the transaction and hence the implementation of the strategic alliance is subject to certain regulatory approvals and other customary closing conditions. The closing of the share acquisition by Volkswagen Truck & Bus is further subject to the finalization of the agreement governing the procurement joint venture and of the first contract under the technology- and supply cooperation. The transaction is expected to close by no later than the beginning of 2017.

Audi, the BMW Group and Daimler AG each acquired a 33.3% interest in There Holding B.V., Rijswijk, the Netherlands, which was formed in 2015. Effective December 4, 2015, There Holding B.V. 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. Purchase price allocation was completed in the first six months of the year.

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 the consortium of investors were issued by the competent authorities in January 2016. Legal transfer of the LeasePlan shares 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 in Suzuki 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	Q1–3 2016	Q1–3 2015
Vehicles	101,734	105,724
Genuine parts	11,413	10,929
Used vehicles and third-party products	9,640	8,159
Engines, powertrains and parts deliveries	7,084	6,349
Power Engineering	2,565	2,754
Motorcycles	502	468
Leasing business	16,032	15,217
Interest and similar income	4,970	5,091
Other sales revenue	5,992	5,572
	159,932	**160,263**

2. Cost of sales

Cost of sales includes interest expenses of €1,439 million (previous year: €1,423 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 €804 million (previous year: €1,141 million). The value in use of Volkswagen Group products is used as the basis for calculating impairment losses. The impairment losses from the current year and previous year are primarily a result from the lower value in use of various products in the passenger cars segment due to expected declines in volumes (see also the “Key events” section).

3. Research and development costs in the Automotive Division

€ million	Q1–3 2016	Q1–3 2015	%
Total research and development costs	10,129	9,941	1.9
of which: capitalized development costs	4,222	3,292	28.2
Capitalization ratio in %	41.7	33.1	
Amortization of capitalized development costs	2,538	2,381	6.6
Research and development costs recognized in the income statement	**8,445**	**9,030**	**–6.5**

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.

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.

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.

		Q3		Q1–3	
		2016	2015*	2016	2015*
Weighted average number of shares outstanding					
Ordinary shares: basic	million	295.1	295.1	295.1	295.1
diluted	million	295.1	295.1	295.1	295.1
Preferred shares: basic	million	206.2	206.2	206.2	206.2
diluted	million	206.2	206.2	206.2	206.2
Profit after tax	€ million	2,337	–1,673	5,915	3,990
Noncontrolling interests	€ million	3	1	9	8
Profit attributable to Volkswagen AG hybrid capital investors	€ million	57	57	168	155
Profit attributable to Volkswagen AG shareholders	€ million	2,277	–1,731	5,738	3,827
Earnings per share					
Ordinary shares: basic	€	4.54	–3.45	11.42	7.61
diluted	€	4.54	–3.45	11.42	7.61
Preferred shares: basic	€	4.54	–3.45	11.48	7.67
diluted	€	4.54	–3.45	11.48	7.67

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

5. Noncurrent assets

CHANGES IN SELECTED NONCURRENT ASSETS BETWEEN JANUARY 1 AND SEPTEMBER 30, 2016

€ million	Carrying amount at Jan. 1, 2016	Additions/ Changes in consolidated Group	Disposals/ Other changes	Depreciation and amortization	Carrying amount at Sept. 30, 2016
Intangible assets	61,147	4,464	232	3,292	62,087
Property, plant and equipment	50,171	7,850	231	6,414	51,376
Lease assets	33,173	15,049	6,832	5,366	36,023

6. Inventories

€ million	Sept. 30, 2016	Dec. 31, 2015
Raw materials, consumables and supplies	4,486	4,021
Work in progress	4,238	3,927
Finished goods and purchased merchandise	24,419	23,083
Current lease assets	4,606	3,861
Prepayments	218	156
	37,966	**35,048**

Impairment losses of €0.2 billion were recognized on inventories in connection with the diesel issue in the reporting period. There was no requirement to recognize or reverse additional significant impairment losses on inventories.

7. Current other receivables and financial assets

€ million	Sept. 30, 2016	Dec. 31, 2015
Trade receivables	12,396	11,132
Miscellaneous other receivables and financial assets	19,379	16,440
	31,774	**27,572**

In the period January 1 to September 30, 2016, impairment losses and reversals of impairment losses on noncurrent and current financial assets reduced operating profit by €525 million (previous year: €575 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).

Volkswagen AG distributed a dividend of €68 million (previous year: €2,294 million) in the reporting period. €32 million (previous year: €1,416 million) of this amount was attributable to ordinary shares and €35 million (previous year: €878 million) to preferred shares.

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

9. Noncurrent financial liabilities

€ million	Sept. 30, 2016	Dec. 31, 2015
Bonds, commercial paper and notes	53,258	58,824
Liabilities to banks	10,678	11,101
Deposit business	2,565	1,141
Other financial liabilities	2,090	2,226
	68,591	**73,292**

10. Current financial liabilities

€ million	Sept. 30, 2016	Dec. 31, 2015
Bonds, commercial paper and notes	35,826	30,319
Liabilities to banks	15,918	16,018
Deposit business	30,184	25,357
Other financial liabilities	818	618
	82,747	**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

€ 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 DEC. 31, 2015
	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 SEPTEMBER 30, 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 SEPT. 30, 2016
	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	7,788	7,788
Other equity investments	188	–	–	–	769	957
Financial services receivables	–	65,866	68,382	–	–	65,866
Other financial assets	86	3,327	3,371	3,233	–	6,646
Current assets						
Trade receivables	–	12,396	12,396	–	–	12,396
Financial services receivables	–	47,617	47,617	–	–	47,617
Other financial assets	589	9,557	9,557	1,860	–	12,006
Marketable securities	16,850	–	–	–	–	16,850
Cash, cash equivalents and time deposits	–	27,010	27,010	–	–	27,010
Noncurrent liabilities						
Noncurrent financial liabilities	–	68,591	68,904	–	–	68,591
Other noncurrent financial liabilities	890	2,114	2,118	1,325	–	4,328
Current liabilities						
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,837	3,909	–	–	3,837
Current financial liabilities	–	82,747	82,747	–	–	82,747
Trade payables	–	21,878	21,878	–	–	21,878
Other current financial liabilities	1,249	6,200	6,200	1,492	–	8,941

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	Sept. 30, 2016	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	188	95	–	93
Other financial assets	86	–	56	30
Current assets				
Other financial assets	589	–	582	7
Marketable securities	16,850	16,850	–	–
Noncurrent liabilities				
Other noncurrent financial liabilities	890	–	736	154
Current liabilities				
Other current financial liabilities	1,249	–	1,176	72

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	Sept. 30, 2016	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	3,233	–	3,226	7
Current assets				
Other financial assets	1,860	–	1,860	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,325	–	1,325	–
Current liabilities				
Other current financial liabilities	1,492	–	1,492	–

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	5	0
Total comprehensive income	0	351
recognized in profit or loss	0	342
recognized in other comprehensive income	0	9
Additions (purchases)	–22	–
Sales and settlements	–11	–66
Transfers into Level 2	0	–36
Balance at Sept. 30, 2015*	**150**	**498**
Total gains or losses recognized in profit or loss	**0**	**–342**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	0	–342
of which attributable to assets/liabilities held at the reporting date	0	–38

* 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	−3	0
Total comprehensive income	14	63
recognized in profit or loss	7	67
recognized in other comprehensive income	7	−3
Additions (purchases)	3	–
Sales and settlements	−3	−60
Transfers into Level 2	−0	−28
Balance at Sept. 30, 2016	**130**	**226**
Total gains or losses recognized in profit or loss	**7**	**−67**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	7	−67
of which attributable to assets/liabilities held at the reporting date	7	−43

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 September 30, 2016, profit after tax would have been €7 million higher (lower) and equity would have been €4 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 as of September 30, 2016, profit after tax would have been €1 million higher. If the assumed enterprise values had been 10% lower as of September 30, 2016, 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 September 30, 2016, earnings after tax would have been €249 million higher. If the prices for the used cars covered by the residual value protection model had been 10% lower as of September 30, 2016, earnings after tax would have been €249 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	Sept. 30, 2016	Sept. 30, 2015
Cash, cash equivalents and time deposits as reported in the balance sheet	27,010	22,981
Time deposits	−365	−536
Cash and cash equivalents as reported in the cash flow statement	**26,644**	**22,446**

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

	Q1–3	
€ million	2016	2015*
Capital contributions	–	2,457
Dividends paid	−364	−2,515
Capital transactions with noncontrolling interest shareholders	−3	0
Other changes	−28	−5
Proceeds from issuance of bonds	6,520	16,551
Repayments of bonds	−16,487	−16,779
Changes in other financial liabilities	18,494	2,875
Lease payments	−26	−20
	8,107	**2,564**

* 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. 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: Q1–3 2015

€ million	Passanger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	119,519	17,861	2,754	20,004	160,138	125	160,263
Intersegment sales revenue	11,836	4,360	1	1,957	18,154	−18,154	–
Total sales revenue	131,354	22,221	2,756	21,961	178,292	−18,030	160,263
Segment profit or loss (operating profit or loss)	2,559	489	34	1,615	4,698	−1,356	3,342

REPORTING SEGMENTS: Q1–3 2016

€ million	Passanger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	118,249	18,541	2,565	20,651	160,005	−74	159,932
Intersegment sales revenue	12,872	4,737	2	2,392	20,003	−20,003	–
Total sales revenue	131,121	23,278	2,567	23,042	180,009	−20,077	159,932
Segment profit or loss (operating profit or loss)	6,876	491	−9	1,806	9,164	−517	8,647

RECONCILIATION

€ million	Q1–3 2016	Q1–3 2015
Segment profit or loss (operating profit or loss)	**9,164**	**4,698**
Unallocated activities	54	127
Group financing	16	37
Consolidation	−588	−1,520
Operating profit	**8,647**	**3,342**
Financial result	**−488**	**1,800**
Consolidated profit before tax	**8,159**	**5,142**

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 September 30, 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	
	Q1–3		Q1–3	
€ million	2016	2015	2016	2015
Porsche SE	8	8	1	3
Supervisory Board members	3	5	3	3
Unconsolidated subsidiaries	643	751	531	541
Joint ventures and their majority interests	9,485	10,359	876	898
Associates and their majority interests	142	90	548	523
State of Lower Saxony, its majority interests and joint ventures	3	4	3	2

	RECEIVABLES (INCLUDING COLLATERAL) FROM		LIABILITIES (INCLUDING OBLIGATIONS) TO	
€ million	Sept. 30, 2016	Dec. 31, 2015	Sept. 30, 2016	Dec. 31, 2015
Porsche SE	325	334	101	110
Supervisory Board members	0	0	301	165
Unconsolidated subsidiaries	1,083	1,015	1,158	1,418
Joint ventures and their majority interests	7,709	7,495	1,674	2,343
Associates and their majority interests	53	40	471	518
State of Lower Saxony, its majority interests and joint ventures	1	0	1	0

The supplies and services received from joint ventures and associates in the first nine months do not include resolved dividend distributions amounting to €3,492 million (previous year: €4,612 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 term deposits.

Obligations to members of the Supervisory Board amounting to €301 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 €113 million.

15. Virtual Shares

At its meeting on April 22, 2016, Volkswagen AG's Supervisory Board accepted the offer made by the members of the Board of Management to withhold 30% of the variable remuneration for fiscal year 2015 for the Board of Management members active on the date of the resolution and to make its disposal subject to future share price performance by means of virtual shares. For further details, please refer to our disclosures in the remuneration report in the 2015 Annual Report.

In accordance with IFRS 2, the obligations relating to these virtual shares are accounted for as a cash-settled plan and measured at fair value using a recognized valuation technique. The link between the original bonus (€5.7 million) and future share price performance resulted in a gain of €1.5 million as of April 22, 2016. Expenses of €0.5 million were recognized because of the share price performance in the period up to September 30, 2016. The fair value of the obligation to members of the Board of Management as of September 30, 2016 amounts to €4.7 million. If all members of the Board of Management had left as of September 30, 2016, the obligation (intrinsic value) would have amounted to a total of €4.7 million.

16. Litigation

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

Substantially, there have been the following changes compared with the situation described there:

DIESEL ISSUE

Volkswagen reaches certain settlement agreements

In June 2016, Volkswagen publicly announced that Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates had reached settlement agreements in the USA with the U.S. Department of Justice on behalf of the U.S. Environmental Protection Agency (EPA), the California Air Resources Board (CARB) and the California Attorney General; private plaintiffs represented by a Plaintiffs' Steering Committee (PSC) in the Multi-District Litigation pending in California and the U.S. Federal Trade Commission (FTC). The settlement agreements will resolve certain civil claims made in relation to affected diesel vehicles with 2.0 l TDI engines from the Volkswagen Passenger Cars and Audi brands in the USA. On October 18, 2016, a fairness hearing on whether final approval should be granted was held, and on October 25, 2016, the court granted final approval of the settlement agreements. This final approval order remains subject to appeal.

The settlements provide affected customers with the option of a buyback or, for leased vehicles, early lease termination, or a free emissions modification of the vehicles, provided that EPA and CARB approve the modification. Volkswagen will also make cash payments to affected current owners or lessees as well as certain former owners or lessees.

Volkswagen also agreed to support environmental programs. The company will pay USD 2.7 billion over three years into an environmental trust, managed by a trustee appointed by the court, to offset excess nitrogen oxide (NO_x) emissions. Volkswagen will also invest in total USD 2.0 billion over ten years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives.

Volkswagen also reached separate settlement agreements with the attorneys general of 44 US states, the District of Columbia and Puerto Rico, to resolve their existing or potential consumer protection and unfair trade practices claims – in connection with both 2.0 l TDI and 3.0 l TDI vehicles in the USA – for a settlement amount of USD 603 million.

These settlements do not resolve the civil claims by the DOJ, FTC and private plaintiffs represented by the PSC related to 3.0 l TDI vehicles, civil penalties sought by the DOJ on behalf of the EPA, potential state environmental claims related to the 2.0 l and 3.0 l TDI vehicles, any criminal investigations by the DOJ, as well as certain other claims. Moreover, investigations by various U.S. regulatory and government authorities, including in areas relating to securities, financing and tax, are ongoing.

In September 2016, Volkswagen announced that it had finalized an agreement to resolve the claims of Volkswagen branded franchise dealers in the United States relating to TDI vehicles and other matters asserted concerning the value of the franchise. The settlement agreement, which is subject to court approval, includes a cash payment of up to USD 1.208 billion, and additional benefits to resolve alleged past, current, and future claims of losses in franchise value. Preliminary court approval of the settlement agreement was granted on October 18, 2016, and a fairness hearing on whether final approval should be granted has been scheduled for January 18, 2017.

In Canada, Environment and Climate Change Canada, a department of the Government of Canada responsible for coordinating environmental policies, is monitoring the EPA and CARB proceedings in the USA as part of its pending criminal investigation. Investigations by other Canadian regulators are ongoing. 33 class actions seeking compensation for consumers were filed in Canada against Volkswagen Group companies. The majority of these actions purport to represent a national class of 2.0 l and 3.0 l diesel customers. At this time, settlement discussions concerning 2.0 l diesel vehicles in Canada are under way.

US lawsuits alleging claims for civil environmental penalties

The attorneys general of twelve US states (Alabama, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New Mexico, New York, Pennsylvania, Tennessee, Texas and Vermont) and some municipalities have filed suits in state and federal courts – and the state of Washington has asserted a penalty claim through administrative proceedings – against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates seeking civil penalties and injunctive relief for alleged violations of environmental laws. Alabama, Maryland, Massachusetts, Missouri, New Hampshire, New York, Pennsylvania, Tennessee, Texas and Washington participated in the state settlements described above with respect to consumer protection and unfair trade practices claims, but those settlements did not include claims for environmental penalties. In particular, nine states (Delaware, Maine, Minnesota, Missouri, Montana, Ohio, Oregon, Wisconsin and Wyoming) have entered into agreements to toll the statute of limitations for their potential environmental claims through the end of 2016. Of those states, Wyoming has expressed its intention to file suit asserting environmental claims by November 1, 2016. Another state (Connecticut) has expressed its intention to participate in environmental settlement discussions without filing suit.

Lawsuits filed by investors in the USA

In June 2016, a putative class action was filed on behalf of purchasers of certain USD-denominated Volkswagen bonds, alleging that these bonds were trading at artificially inflated prices due to Volkswagen's alleged misstatements and that the value of these bonds declined after the EPA issued its Notice of Violation. This lawsuit has been consolidated into the federal multidistrict litigation in California described above.

Lawsuits filed by investors worldwide (excluding the USA/Canada)

The vast majority of investor lawsuits are currently pending at the District Court (Landgericht) in Braunschweig (the "Braunschweig Court"). A press release issued by the Braunschweig Court on September 21, 2016 indicates that, as a result of recently filed actions, there are now about 1,400 lawsuits pending. The Braunschweig Court's press release reports that, after accounting for the recently filed actions, the dispute value of all investor lawsuits submitted to the Braunschweig Court totals around €8.2 billion.

On August 5, 2016, the Braunschweig Court ordered that common questions of law and fact relevant to the lawsuits pending at the Braunschweig Court be referred to the Higher Regional Court (Oberlandesgericht) in Braunschweig for a binding declaratory decision pursuant to the German Act on Model Case Proceedings in Disputes Regarding Capital Market Information (Kapitalanleger-Musterverfahrensgesetz, the "Model Case Act"), which establishes a procedure for consolidated adjudication in a higher regional court of legal and factual questions common to numerous securities actions (the "Model Case Proceedings"). All lawsuits at the Braunschweig Court will be stayed pending resolution of the common issues, unless they can be dismissed for reasons independent of the common issues that are adjudicated in the Model Case Proceedings.

The resolution of the common issues in the Model Case Proceedings will be binding on all pending cases in the stayed lawsuits.

At the District Court in Stuttgart several lawsuits have been filed against Volkswagen AG and Porsche Automobil Holding SE as joint and several debtors. It is currently unclear whether Model Case Proceedings will be initiated in respect of these lawsuits and whether they will take place at the Higher Regional Court in Stuttgart or referred to the Higher Regional Court in Braunschweig.

Further investor lawsuits have been filed at various courts in Germany as well as at courts in Austria and the Netherlands.

Altogether, Volkswagen has so far been served with investor lawsuits, judicial applications for dunning procedures and conciliation proceedings with claims amounting to €7.4 billion.

Effects on the balance sheet

To protect against the currently known legal risks, including suitable expenses for defense and legal advice related to the diesel issue, the existing information and current assessments in the reporting period indicated a requirement to recognize additional provisions of €2.0 billion. Unused provisions for legal risks amounting to €0.4 billion were reversed. Volkswagen remains of the opinion that it duly complied with its capital market obligations. Therefore, no provisions for lawsuits filed by investors have been recognized. The related contingent liabilities had to be increased by €2.7 billion to € 3.7 billion.

The provisions for legal risks recognized in connection with the diesel issue and the contingent liabilities disclosed continue to be subject in part to substantial estimation risks in light of the complexity of the individual factors, the ongoing approval process with the authorities and the fact that the comprehensive, exhaustive investigations have not yet been completed.

ANTITRUST PROCEEDINGS

In 2011, the European Commission opened antitrust proceedings against European truck manufacturers concerning inappropriate exchange of information during the period 1997–2011 and sent a statement of objections to MAN, Scania and the other truck manufacturers concerned in November 2014.

With its decision as of July 19, 2016 the European Commission has fined five European truck manufacturers excluding MAN and Scania. MAN was not fined as the company had informed the EU Commission about the cartel as a key witness.

With regard to Scania, the antitrust proceedings will be continued. Scania has decided to fully exercise its rights of defense in the ongoing investigation. A provision of €0.4 billion was recognized in order to cover possible fines.

17. Contingent 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. Recalls were also ordered by the local authorities in Canada, Japan and South Korea. The 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.

Contingent liabilities increased by €3,328 million to €6,828 million compared with the 2015 consolidated financial statements. In addition to exchange rate effects, the increase is due largely to additional contingent liabilities stemming from legal risks in conjunction with lawsuits filed by investors amounting to €2,747 million. Further information can be found in the "Litigation" section.

18. Other financial obligations

Other financial obligations increased by €1,792 million to €27,201 million compared with the 2015 consolidated financial statements. An increase in the purchase order commitment for property, plant and equipment and intangible assets was partly 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 nine months of 2016.

Wolfsburg, October 27, 2016

Volkswagen Aktiengesellschaft

The Board of Management

Review Report

On completion of our review, we issued the following unqualified auditors' report dated October 27, 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 September 30, 2016, 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, October 27, 2016

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FINANCIAL CALENDAR

March 14, 2017
Volkswagen AG Annual Media Conference and Investor Conference

May 3, 2017
Interim Report January – March 2017

May 10, 2017
Volkswagen AG Annual General Meeting

July 27, 2017
Half-Yearly Financial Report 2017

October 27, 2017
Interim Report January – September 2017

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

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