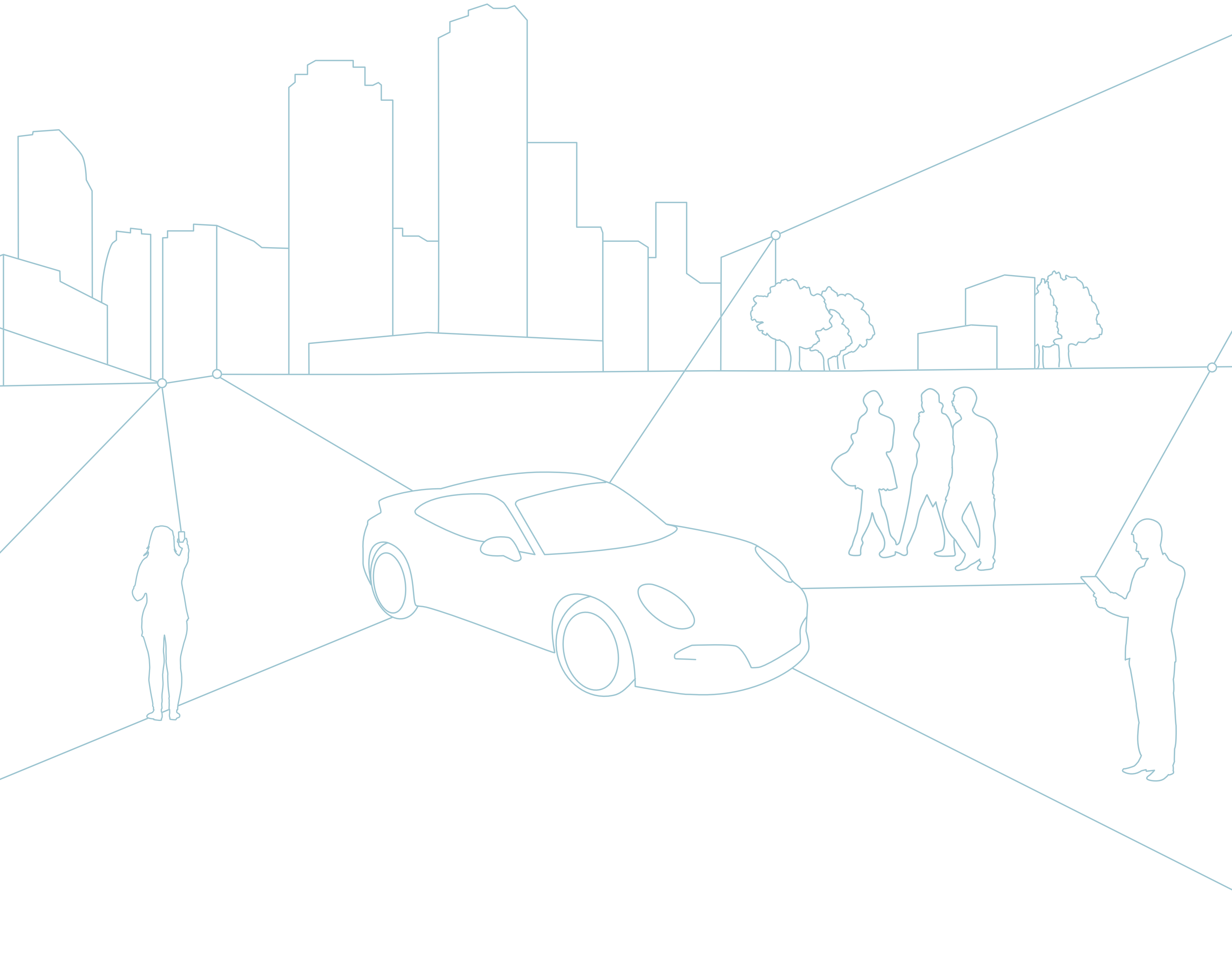
VOLKSWAGEN

AKTIENGESELLSCHAFT



Half-Yearly Financial Report

January – June

2016

Key Figures

VOLKSWAGEN GROUP

Volume Data[1]	Q2 2016	Q2 2015	%	H1 2016	H1 2015	%
Deliveries to customers (thousand units)	2,609	2,552	+ 2.2	5,117	5,039	+ 1.5
of which: in Germany	366	353	+ 3.5	685	668	+ 2.5
abroad	2,243	2,198	+ 2.0	4,432	4,371	+ 1.4
Vehicle sales (thousand units)	2,622	2,483	+ 5.6	5,199	5,090	+ 2.1
of which: in Germany	357	343	+ 4.1	679	668	+ 1.6
abroad	2,265	2,140	+ 5.8	4,520	4,422	+ 2.2
Production (thousand units)	2,713	2,593	+ 4.6	5,268	5,314	−0.9
of which: in Germany	722	693	+ 4.1	1,405	1,395	+ 0.8
abroad	1,991	1,900	+ 4.8	3,863	3,919	−1.4
Employees (thousand on June 30, 2016/Dec. 31, 2015)				613.6	610.1	+ 0.6
of which: in Germany				278.1	278.7	−0.2
abroad				335.5	331.4	+ 1.3

Financial Data (IFRSs), € million	Q2 2016	Q2 2015	%	H1 2016	H1 2015	%
Sales revenue	56,971	56,041	+ 1.7	107,935	108,776	−0.8
Operating profit before special items	4,386	3,662	+ 19.8	7,517	6,990	+ 7.5
as a percentage of sales revenue	7.7	6.5		7.0	6.4	
Special items	−2,487	−170	x	−2,178	−170	x
Operating profit	1,899	3,492	−45.6	5,339	6,820	−21.7
as a percentage of sales revenue	3.3	6.2		4.9	6.3	
Profit before tax	1,607	3,696	−56.5	4,810	7,664	−37.2
as a percentage of sales revenue	2.8	6.6		4.5	7.0	
Profit after tax	1,214	2,731	−55.6	3,579	5,663	−36.8
Profit attributable to Volkswagen AG shareholders	1,155	2,671	−56.7	3,461	5,558	−37.7
Cash flows from operating activities[2]	3,757	4,086	−8.0	5,111	7,447	−31.4
Cash flows from investing activities attributable to operating activities	3,987	3,668	+ 8.7	5,149	6,993	−26.4
Automotive Division[3]						
EBITDA[4]	4,904	6,019	−18.5	10,974	11,859	−7.5
Cash flows from operating activities[2]	7,334	6,800	+ 7.5	9,736	11,234	−13.3
Cash flows from investing activities attributable to operating activities[5]	3,484	3,572	−2.5	4,601	6,761	−31.9
of which: capex	2,395	2,581	−7.2	4,515	4,652	−2.9
as a percentage of sales revenue	4.9	5.3		4.9	4.9	
capitalized development costs[6]	1,342	1,033	+ 29.9	2,582	2,170	+ 19.0
as a percentage of sales revenue	2.7	2.1		2.8	2.3	
Net cash flow[2]	3,850	3,228	+ 19.3	5,135	4,473	+ 14.8
Net liquidity at June 30				28,778	21,489	+ 33.9

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 plus net depreciation/amortization and impairment losses/reversals of impairment losses on property, plant and equipment, capitalized development costs, lease assets, goodwill and financial assets as reported in the cash flow statement.
5 Excluding acquisition and disposal of equity investments: Q2 €3,646 (3,518) million, H1 €6,939 (6,672) million.
6 See table on page 38.

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 slightly on the previous year at 5.1 (5.0) million vehicles; increases 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 €107.9 (108.8) billion; negative effect from exchange rates
- Operating profit amounts to €5.3 (6.8) billion; negative special items, particularly from legal risks, total €2.2 billion
- Operating profit before special items improves by €0.5 billion to €7.5 billion
- Earnings before tax decline to €4.8 (7.7) billion; negative impact from remeasurement in the financial result and lower equity-accounted profit from the Chinese joint ventures
- Automotive Division's net cash flow increases to €5.1 (4.5) billion; ratio of capex to sales revenue remains on a level with the previous year at 4.9 (4.9)%
- Net liquidity in the Automotive Division rises to €28.8 billion; sale of shares in LeasePlan strengthens capital base
- Inspiring vehicles from the Group:
  - Volkswagen Passenger Cars introduces the new Magotan at Auto China 2016; SUV study T-Prime Concept GTE offers a glimpse of the brand's future flagship
  - Audi celebrates the world premiere of the new A5 Coupé
  - ŠKODA's VisionS show car makes its debut appearance in China
  - Successful market introduction for the SEAT Ateca
  - Bentley launches the exclusive Mulsanne First Edition
  - Following the 718 Boxster, Porsche presents the new 718 Cayman
  - Lamborghini extends the Huracán family with three fascinating models
  - Scania receives "Green Truck Future Innovation 2016" environmental accolade
  - MAN showcases complete solutions for the construction industry at the bauma 2016 trade fair

Key Events

MOTOR SHOWS AND EVENTS

The Volkswagen Group presented a wealth of new models and technologies at motor shows and events in the second quarter of 2016.

Auto China 2016

At Auto China 2016 in Beijing, the centerpiece of the Volkswagen Passenger Cars brand's showing was the unveiling of the T-Prime Concept GTE concept car. The premium-segment SUV is equipped with plug-in hybrid and all-wheel drive, generating a power output of 280 kW (381 PS). The vehicle is an automotive statement of modernity, equipped with fully digitalized display and control interfaces. All conventional interior switches have been replaced by gesture and voice control, touchscreens and touch-sensitive surfaces. The T-Prime Concept GTE features a Curved Interaction Area. This curved infotainment console is a world debut, integrating various display and control functions to create the cockpit of the future. In place of the familiar shift lever, a glass scroll wheel controls the concept car's eight-speed automatic gearbox. The brand also presented the new Magotan, which has been completely redesigned. Based for the first time on the Modular Transverse Toolkit (MQB), the saloon is impressive with its appealing proportions, unrivaled space in the rear and a wide range of new assistance, convenience and infotainment systems. The Magotan also offers a high-tech drivetrain: three TSI engines are available with power outputs of between 110 kW (150 PS) and 162 kW (220 PS), offering the utmost in efficiency and performance. The Phideon celebrated its Chinese premiere in Beijing. The new premium saloon will launch on the market in China in the third quarter of 2016. The Phideon 3.0 TSI 4MOTION all-wheel drive is equipped with a 220 kW (300 PS) V6 engine. A 2.0 TSI saloon with front-wheel drive will also be available, and a plug-in hybrid model is planned. Volkswagen Passenger Cars rounded off its presentation at the motor show with the BUDD-e, a show car whose appearance is inspired by the legendary VW Bus. The vehicle was created based on a new technology matrix for electric vehicles – the Modular Electrification Toolkit (MEB). The BUDD-e has a range of more than 500 km. Just 30 minutes of charging replenishes 80% of the battery power. Inside, touch and gesture control combine seamlessly to replace traditional switches and buttons. Individual displays merge into large infotainment panels and mirrors are replaced by digital screens.

Audi used Auto China 2016 to underscore its role as a leading premium supplier, celebrating the world premiere of the new Audi TT RS Coupé and the Audi TT RS Roadster in Beijing. The new five-cylinder engine in the TT RS generates an impressive 294 kW (400 PS). Together with the quattro drive system, it ensures a fun, sporty driving experience with maximum traction. The TT RS Coupé can accelerate from 0 to 100 km/h in 3.7 seconds, and the Roadster in 3.9 seconds – a super sports car-level performance. The TT RS is the first Audi production model to offer tail lights featuring matrix OLED technology as an option. These emit a highly uniform, high-contrast light. Another highlight was the presentation of the new Audi A4 L with extended wheelbase. Passengers in the 4.81-meter-long mid-class saloon travel in premium-level comfort in a spacious interior. Audi has considerably reduced the vehicle's kerb weight by up to 110 kg compared with its predecessor. The A4 L offers intelligent technologies such as the Audi virtual cockpit, numerous driver assistance systems and Matrix LED lights with dynamic indicators. Alongside the production models, Audi also used Beijing to showcase its innovative Audi connected mobility concept. The vehicle is based on the new Q3, which will launch on the Chinese market this year. It is specially tailored to markets with growing levels of urbanization such as China, and offers sporty, multi-functional mobility for megacities. The rear bumper contains an electric-powered, 1.05-meter longboard scooter. The infotainment system connects to the user's smartphone and calculates the fastest mobility mix for the destination and planned arrival time using real-time traffic information. The system recommends that the driver continues the journey by the electric longboard if this is the quickest way to reach the destination.

ŠKODA'S VisionS SUV study celebrated its Chinese premiere in Beijing. The vehicle's expressive, modern and dynamic design offers ŠKODA's typical balance of rationality and aesthetics. In addition to revealing the brand's future SUV design language, the VisionS features the key technologies on which ŠKODA will be focusing in the coming years: electromobility, connectivity and safety. The show car was accompanied by six production models from the Czech brand. ŠKODA will press ahead with its model rollout in China in the coming years.

Bentley attracted plenty of attention at the motor show, especially with the world premiere of the Mulsanne First Edition. The Mulsanne family comprises three models. Bentley will produce just 50 First Edition cars, distinguished by highly exclusive features including a Mulliner-styled picnic table and crafted English walnut veneer.

Just a few weeks after the premiere of the 718 Boxster, the 718 Cayman made its debut in Beijing. The fourth, newly developed generation of Porsche's mid-engined sports coupé is even more eye-catching, sporty and efficient. The taut proportions, prominent air intakes at the front and sides and low side profile highlight the boost in performance and give the vehicle a muscular appearance. The 718 Cayman uses the same new flat four-cylinder, turbocharged engines as the 718 Boxster. The entry model offers 221 kW (300 PS) from a 2.0 l engine; the 2.5 l S model supplies 257 kW (350 PS).

Lamborghini presented its expanded Huracán family. The Huracán LP 580-2 has been engineered and tuned for an essential driving experience. Its naturally aspirated 5.2 l V10 engine sends 427 kW (580 PS) to the rear axle. The vehicle weighs just 1,389 kg. Alongside the rear-wheel drive version, Lamborghini exhibited the Huracán LP 610-4 Avio, which is limited to a run of only 250 units. Its lightweight chassis is made of aluminum and carbon fiber. The naturally aspirated 5.2 l V10 engine delivers 449 kW (610 PS) and accelerates the LP 610-4 Avio from 0 to 100 km/h in just 3.2 seconds. The maximum speed is 325 km/h. The open top version of the Huracán LP 610-4 combines the power and performance of the coupé with the thrill of open-air driving. The Huracán Spyder stands for inspiration, outstanding quality and breathtaking performance. It is an icon of the super sports car manufacturer in its own right.

World premiere of the new Audi A5 Coupé

In June 2016, Audi celebrated the world premiere of the new Audi A5 Coupé, which offers a chassis that has been newly developed from scratch as well as innovative infotainment functions and driver assistance systems. Powerful six-cylinder engines with outputs ranging between 140 kW (190 PS) and 210 kW (286 PS) ensure greater driving pleasure and efficiency. Inside the vehicle, the Audi virtual cockpit and the Audi connect module offering a fast LTE Internet connection impress customers.

Wörthersee GTI Meet

The GTI fan community got together for the 35th GTI meet at Wörthersee in Austria in May 2016, where they also celebrated the 40th birthday of Volkswagen's cult sports car. The Golf GTI entered the market in 1976 and democratized sporty driving. If all generations of the Golf GTI are counted together, the total number sold has long passed the two million mark. The star of the event in Austria was the Golf GTI Clubsport S, of which just 400 cars will be built. Delivering 228 kW (310 PS), this is the most powerful Golf that Volkswagen has ever brought to market. The vehicle, equipped with a heavily modified suspense, has already proven its potential on the Nürburgring's Nordschleife (North Loop), where it set a new record for a front-wheel-drive production car. Vocational trainees from Volkswagen's plants in Wolfsburg and Zwickau traditionally present unique vehicles on stage at the GTI meet. This year, the Wolfsburg team brought the 295 kW (400 PS) GTI Heartbeat. The vehicle makes a strong impact thanks to its fantastic engine sound, contrasting color scheme with honeycomb design and heartbeat symbols, and a 1,360-watt sound system with seven speakers. The trainees from Zwickau celebrated the 35th Wörthersee meet with the 247 kW (350 PS) Golf R Estate Performance.

Vienna Motor Symposium

The 37th Vienna Motor Symposium saw Volkswagen present the EA 211 TSI evo – the latest generation of petrol engines. The first in this series, released on the market in late 2016, will be the powerful yet efficient 1.5 l TSI engine, available initially with power outputs of 96 kW (131 PS) and 110 kW (150 PS). A key innovation is the exhaust gas turbocharger with variable turbine geometry; a first for a mass-production petrol engine. The efficient powertrain also uses the Miller combustion cycle featuring a high compression ratio, the common rail injection system with up to 350 bar pressure, innovative thermal management, cylinder deactivation and specially coated cylinders so that the piston rings glide smoothly with low friction and little wear.

bauma 2016

Scania presented numerous products from its Scania Trucks, Scania Mining and Scania Engines business divisions at bauma 2016 in Munich – the leading trade fair for construction machinery. One focus was on efficient construction site vehicles, and a 6x6 all-wheel-drive dump truck for use in underground and surface mining was also on show. The Swedish commercial vehicle brand always seeks to offer its customers intelligent vehicle solutions and the best possible value for money. It does so by combining robust products with networked services.

The MAN brand showcased its expertise in construction sector vehicles with a wide range of exhibits. One of the highlights was the two-axle MAN TGS tractor for semitrailer with HydroDrive, an engageable, hydrostatic front-axle drive. MAN introduced this new type of drive technology to the market in 2005 in order to increase traction when needed and improve braking performance on unsurfaced slopes. It has constantly enhanced HydroDrive ever since. Other advantages of MAN HydroDrive include a weight saving of 500-750 kg over conventional all-wheel drive as well as lower fuel consumption.

AWARDS

No fewer than four models from the Volkswagen Passenger Cars brand took first place in the 2016 Plus X Award for innovation. The new Tiguan and new Touran won the categories for high quality, design, ease of use and functionality. The vehicles were chosen as Compact SUV and Compact MPV of the Year 2016/2017 respectively. The Phideon was crowned Premium Saloon of the Year 2016/2017 and the T-Cross Breeze awarded Automotive Concept Vehicle of the Year 2016/2017. The innovation awards go to technology, sport and lifestyle products and the winners are chosen by an international jury drawn from 25 industries.

The Volkswagen Passenger Cars brand's BUDD-e show car was recognized at the Automotive Interiors Expo 2016 for its intuitive controls and novel, lounge-style interior. The competition jury is made up of 17 leading international automotive and design journalists.

For the seventh time in a row, the Audi brand took first prize in the International Engine of the Year Award in the 2 to 2.5 l engine category. Among the qualities that impressed the jury were the 2.5 l TFSI engine's top performance and its sound, which is reminiscent of the Group B rally car engines of the 1980s.

Several Volkswagen Group brands scored highly in the readers' choice awards by the Auto Bild Allrad all-wheel-drive motoring magazine. Readers voted in a total of ten categories for the all-wheel-drive car of the year. The Tiguan from the Volkswagen Passenger Cars brand won the all-terrain and SUV category for vehicles up to €30,000. Audi took the top spot in the all-wheel-drive crossover category with the Audi A4 allroad quattro. The brand's A6 won the category for all-wheel-drive cars priced at over €40,000. For the second time in a row, the ŠKODA Superb 4x4 won in the import category for all-wheel-drive cars priced at up to €40,000. The magazine's readers chose the T6 Multivan from Volkswagen Commercial Vehicles as the top MPV, while the SEAT Alhambra took the award in the import category. In the all-wheel-drive sports cars, coupés and convertibles category, the Porsche 911 was the overall winner, while Lamborghini's Huracán was crowned top import.

Firmenauto magazine's company car awards saw impressive results for as many as four Volkswagen Group brands. Some 250 fleet managers tested 82 different models in 12 categories and completed 2,043 test drives covering a total of more than 50,000 km. Audi's A3 was the winner in the compact class, the A4 in the mid-size class and the A6 in the upper mid-size class. The Volkswagen Passat came a strong third in the mid-size class. In the import rankings for minicars and minivans, the SEAT brand took the first two places with the Mii and Alhambra. The Sharan from Volkswagen Passenger Cars won the overall ranking for large MPVs. Audi was the top-ranked brand in the category of good service for fleet customers. Volkswagen Financial Services AG was awarded first prize for leasing and fleet management.

Two Volkswagen Group brands won accolades at the AutomotiveINNOVATIONS Award 2016. Volkswagen Passenger Cars was recognized as the most innovative high-volume brand in 2016. The jury pointed, among other things, to the 89 innovations and 15 world debuts presented by Volkswagen during the award period. They singled out the new Tiguan and Touran models and the Sharan. Volkswagen also took the top spots in the conventional drive systems and connected car categories. The Audi brand won the main prize for the most innovative premium brand as well as further awards for innovations in the connected car and vehicle concepts/body categories. The Center of Automotive Management presents the accolades each year in cooperation with audit and consulting firm, PricewaterhouseCoopers. It examined more than 1,400 innovations from 20 carmakers and 50 brands.

Bentley's Bentayga was the SUV of the year in this year's Robb Report. In their Best of the Best Awards, Robb Report's editorial team produce a ranking of luxury-segment products.

Scania received the "Green Truck Future Innovation 2016" environmental award in the category of promising innovations for its hybrid module for distribution trucks. The accolade is awarded by Verkehrsrundschau and Trucker magazines. The 320 PS hybrid truck achieves fuel savings of up to 18% compared with normal diesel-powered vehicles. It can operate in electric mode alone, or the electric power can be combined with pure biodiesel.

This year's dealer satisfaction survey conducted by the market research institute Schwacke saw renewed success for ŠKODA. For the second time in a row, the brand came first in the major importer category in Germany. The SchwackeMarkenMonitor survey is based on almost 1,000 interviews conducted by puls Marktforschung GmbH with owners and managers of authorised vehicle dealerships. It includes 37 criteria such as used car guarantees, the supply system for parts and accessories and the competence of sales representatives.

Audi's "Actively tackling cancer" screening plan won this year's Felix Burda Award in the workplace health checks category. Health protection at Audi impressed the jury with its intelligent combination of campaigns, individual screening and the latest diagnosis techniques.

ANNIVERSARIES

The Czech brand ŠKODA celebrated two important anniversaries in the reporting period. Steeped in tradition, the automobile manufacturer has now been part of the Volkswagen Group for 25 years and has transformed itself over this period from a regional market leader into an internationally successful business. When the collaboration between Volkswagen and ŠKODA began, the brand sold just one model and approximately 170,000 vehicles a year. Today, that has grown to six model series with more than 40 variants. These are produced at 14 locations and sold in over 100 markets. They include the brand's top-selling model, the ŠKODA Octavia, which celebrated its 20th birthday in April 2016 and has now sold more than 5 million vehicles.

Volkswagen Slovakia's Bratislava site has been part of the Volkswagen Group's production system for 25 years. The product portfolio at the plant, which produces multiple brands, currently includes SUV models from Volkswagen Passenger Cars, Audi and Porsche, as well as Volkswagen Passenger Cars, SEAT and ŠKODA vehicles based on the New Small Family platform. Since the facility opened in 1991 it has produced more than 4.5 million vehicles and some 7 million gearboxes.

The Volkswagen plant in Kassel produced its 125 millionth transmission in May 2016, a DQ500 dual clutch gearbox used in the Tiguan, Passat, Audi Q3, Audi TT and other models. The transmission plant in Kassel currently employs 6,500 staff. Customers include 34 vehicle production plants in 14 countries.

In June 2016, Volkswagen Commercial Vehicles celebrated 60 years of its headquarters in Hanover, where the Company has manufactured some 9.5 million vehicles since 1956. The Multivan/Transporter and Amarok are currently rolling off the production line, and the site also produces components. With more than 14,000 staff members, it is one of the Hanover region's largest employers.

VOLKSWAGEN GROUP LAUNCHES NEW VISION: TOGETHER – STRATEGY 2025

Volkswagen announced the first details of its new Group strategy "TOGETHER – Strategy 2025" on June 16, 2016, ushering in the greatest process of change the Company has ever seen. The major realignment is concentrated on transforming the core automotive business and tapping potential new revenue sources. This will involve developing further core competencies such as battery technology, digitalization and autonomous driving, as well as intensifying the focus on profitable growth. At the same time, the Company will rely to a greater extent than before on partnerships and venture capital investments.

Transforming the core business for the new age of mobility is the first pillar of TOGETHER – Strategy 2025. For this, Volkswagen will sharpen the positioning of the Group brands and optimize the vehicle and drivetrain portfolio to reflect regional market and customer requirements, concentrating on the most attractive and fastest-growing market segments. One focus is on e-mobility, where a broad-based initiative is planned. The regional growth strategy will continue in particularly attractive automotive markets. Expansion and investment plans for North America and the expansion program in China will remain in place. Collaboration with regional partners is being sought in the economy segment, particularly in Asia. The modular toolkits are being revised and streamlined to reduce their complexity in development and production and increase efficiency. Implementing a model line organization in the brands will lead to a stronger focus on results. The components business will be realigned. This will improve competitiveness and efficiency, making important contributions to future trends. Another important lever of the strategy is to establish new core competencies in forward-looking areas such as battery technology, autonomous driving and artificial intelligence. The aim is to gain a license for a self-driving system developed in-house for fully autonomous vehicles. At three Volkswagen Group Future Centers in Germany, the USA and China, designers and digital experts will work together on the car of the future so that the Group can offer the best possible customer experience and make optimum use of the latest technologies. The Commercial Vehicles Business Area will also resolutely pursue future topics, developing into an intelligent transport solution provider. Offering vehicles under several different brands, Volkswagen Truck & Bus is to become a global industry champion with a significant presence in all key regions of the world and an improved overall performance. Under the strategic realignment of the Volkswagen Group, the Financial Services Division will continue to support the brands' business models and remain an important source of revenue.

The second key pillar of the new Group strategy is the establishment of a new cross-brand mobility solutions business. The cornerstone and starting point of the new business unit will be the provision of on-demand mobility. The unit will subsequently develop and acquire further services tailored to customer requirements, such as robotaxis, carsharing, or on-demand transport for the logistics industry.

By driving forward the digital transformation already underway, the Group will further boost its power to innovate. This will involve operational aspects such as Industry 4.0 in production and logistics or digitalization in sales. The Organization 4.0 initiative will also create a modernized, more attractive work organization.

Funding for investments as part of the new Group strategy will be achieved primarily through efficiency gains across all brands, business areas and functions. In the automotive business, Volkswagen is aiming for a ratio of capex to sales revenue of 6% by 2025, and a similar ratio for research and development expenditure to sales. The Group aims to reduce distribution and administrative expenses to less than 12% of sales revenue. Additional funds for future investments may also be generated by optimizing the existing portfolio of brands and equity investments. A sustained increase to between 7% and 8% in the Group's operating return on sales is envisaged by 2025. A return on investment (ROI) of over 15% is planned for the Automotive Division. The distribution ratio to shareholders is to be sustained at around 30% of net profit.

COOPERATION AND INVESTMENTS

In April 2016, Volkswagen signed a cooperation agreement with Singularity University in California's Silicon Valley. The aim of the collaboration is to make even better use of the opportunities of the digital transformation by improving the connections between high-tech start-ups, managers, researchers and inventors.

In May 2016, Volkswagen agreed a strategic partnership with the international ride-hailing service GETT, making a USD 300 million investment in that company. GETT is a leading provider of on-demand mobility services in the European market and is active in more than 60 cities worldwide including London, Moscow and New York. In addition to passenger transportation, the company also offers innovative delivery and logistics services. The two partner companies plan a further roll-out of these mobility services across Europe as part of an expansion strategy. The technology deployed uses big data, innovative forecasting algorithms and artificial intelligence, and can also serve as a basis for developing further mobility-related business models.

The Volkswagen Group also acquired a stake in the German Research Center for Artificial Intelligence (DFKI) in May 2016, thereby intensifying its investment in research on digital technologies of the future. Artificial intelligence is a key technology for autonomous driving and the digital factory. Together with the DFKI, Volkswagen plans to redouble its efforts in this field in future and advance artificial intelligence outside the automotive industry, too. The DFKI also specializes in robotics, Industry 4.0 and driver assistance systems. Volkswagen will have a seat on the DFKI Supervisory Board and actively help to shape the center's technology and research strategy.

MAN Truck & Bus AG invested in the logistics company FR8 Revolution Inc. in May 2016 in order to play an active part in the digital transformation and integration of the logistics industry. The US-based company has developed software that offers a standardized and transparent platform for shippers, transport companies and truck drivers to plan loads based on real-time data. The system provides all parties with continuous information on the position of trucks, available capacity, drivers' time behind the wheel and rest periods, and up-to-date freight rates.

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, the U.S. Environmental Protection Agency (EPA), the U.S. Federal Trade Commission, the California Air Resources Board (CARB) and private plaintiffs represented by a Plaintiffs' Steering Committee (PSC) in the Multi-District Litigation pending in California. The settlement agreements, if finally approved, 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. The settlement agreements are subject to final court approval.

The proposed settlements provide affected customers with the option of a buyback or, for leased vehicles, early lease termination or a free technical modification of the vehicles, provided that EPA and CARB approve the appropriate modification measures. Volkswagen will also make cash payments to affected owners and 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 10 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.

US lawsuits alleging claims for civil environmental penalties

On July 19, 2016, the US states Maryland, Massachusetts and New York filed complaints in their respective state courts against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates seeking civil penalties and injunctive relief for alleged violations of environmental laws. Maryland, Massachusetts and New York 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.

German Federal Motor Transport Authority approves technical solutions

In the first half of 2016, the Kraftfahrzeug-Bundesamt (KBA –German Federal Motor Transport Authority) approved the technical solutions for more than 3.7 million Volkswagen Group vehicles fitted with EA 189 2.0 l TDI engines. For the Volkswagen Passenger Cars brand, modification of models in the Tiguan, Passat, Golf and Touran series, among others, has now been approved. The recall process has also begun at Audi. The KBA has issued approvals for a series of model A4, A3, Q3 and Q5 vehicles. The SEAT, ŠKODA and Volkswagen Commercial Vehicles brands have also begun modifying 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.

ANNUAL GENERAL MEETING

The 56th Annual General Meeting of Volkswagen AG was held at the Hanover Exhibition Center on June 22, 2016. The ordinary shareholders of Volkswagen AG accepted the proposal of the Board of Management and the Supervisory Board to pay a dividend of €0.11 per ordinary share and €0.17 per preferred share with a majority of 99.98%. With over 90% of the voting capital present, they formally approved the actions of the Board of Management and Supervisory Board.

The ordinary shareholders of Volkswagen AG also elected PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft (PwC) as the auditors for the single-entity and consolidated financial statements for fiscal year 2016 and as the auditors to review the condensed consolidated financial statements and interim management report for the first six months of 2016, for the period up to September 30, 2016 and for the first quarter of fiscal year 2017.

The Annual General Meeting also rejected the motions added to the agenda concerning the appointment of a special auditor in accordance with section 142(1) of the Aktiengesetz (AktG – German Stock Corporation Act) as well as the further motions raised in the course of the meeting.

Ms. Annika Falkengren's scheduled term of office and the terms of office of the court-appointed members of the Supervisory Board – Dr. Louise Kiesling and Mr. Hans Dieter Pötsch – expired at the end of the Annual General Meeting. The Annual General Meeting elected all three members to a full term of office in the Supervisory Board. Mr. Akbar Al Baker, likewise a shareholder representative on the Supervisory Board of Volkswagen AG, stepped down from his office with effect from the end of the Annual General Meeting. The Annual General Meeting elected Dr. Hessa Al-Jaber, representing the Qatar Investment Authority (QIA), to replace him for the remainder of his term of office. With Ms. Al-Jaber, Ms. Falkengren and Ms. Kiesling, three of the ten shareholder representative seats on the supervisory body are filled by women.

Volkswagen Shares

Prices on the international stock markets continued their volatile sideways movement in the second quarter of 2016. The DAX recorded a decrease.

Concerns about an appreciation of the euro and deteriorating corporate data from Germany caused prices to decline at the beginning of the second quarter. The German benchmark index staged a temporary recovery in mid-April on the back of the rising oil price, which is usually regarded as a positive indicator for global economic growth, and favorable economic data from China. May saw prices move sideways before rising late in the month, buoyed by further oil price increases. Despite uncertainty over the United Kingdom's continued membership of the European Union (EU), the DAX was propped up for a time in June by hopes that the US Federal Reserve would continue its loose monetary policy. The referendum at the end of June, which resulted in the British public voting to leave the EU, led to sharp falls in stock prices.

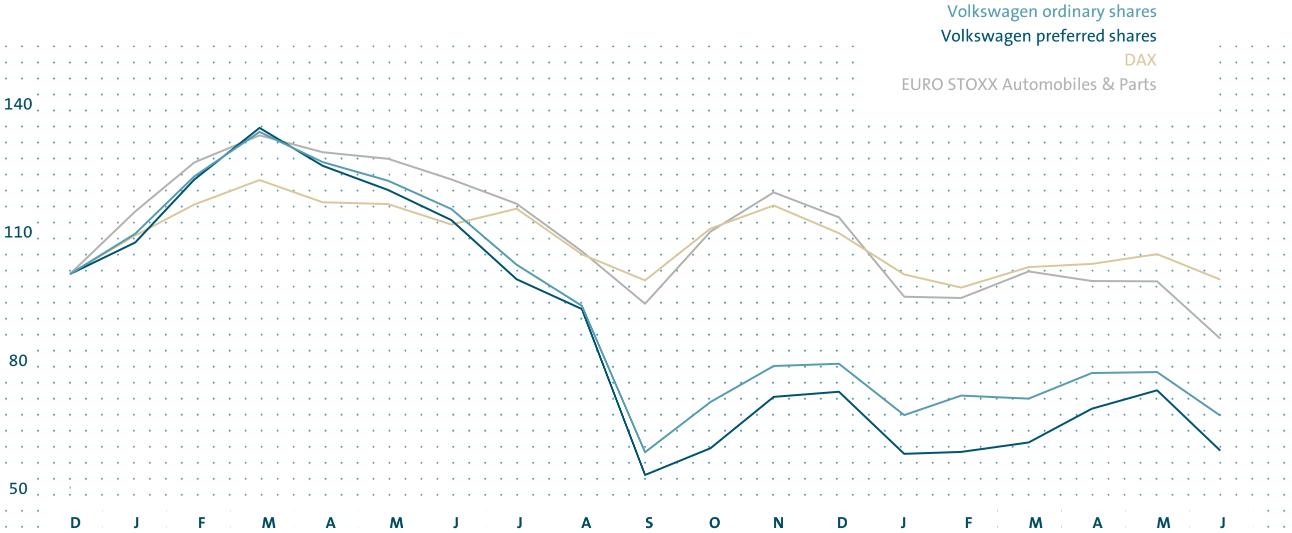
The DAX closed the first half of 2016 at 9,680 points, down 9.9% on year-end 2015. The EURO STOXX Automobiles & Parts stood at 406 points at the end of the reporting period, down 25.1% on the 2015 closing price.

In the period from April to June 2016, Volkswagen AG's preferred and ordinary shares followed the market trend, which saw a decline overall. This was due to speculation about the impact of the emissions issue in addition to general economic data. In April, prices stabilized following the news that an agreement in principle in connection with the diesel issue had been reached in the USA, as well as the publication of the Volkswagen Group's annual report. In a market environment dominated by uncertainty, prices were shored up in June by the presentation of the new "TOGETHER Strategy 2025" at a press conference and the announcement that Volkswagen had reached settlement agreements in the USA.

On May 30, 2016, Volkswagen AG's preferred shares hit their highest daily closing price for the first six months of the year at €137.95. They recorded their lowest closing price for the January to June 2016 period of €94.00 on February 11, 2016. The preferred shares ended the last day of trading in the first half of the year at €108.30, down 19.0% on the 2015 closing price. Volkswagen's ordinary shares registered 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 June 30, 2016, the ordinary shares closed the period at €120.40, down 15.4% 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 2014 TO JUNE 2016
Index based on month-end prices: December 31, 2014 = 100



Business Development

GENERAL ECONOMIC DEVELOPMENT

The global economy recorded moderate growth in the first six months of 2016, although momentum slowed slightly in both the industrialized nations and emerging economies compared with 2015 as a whole. The relatively low energy and commodity prices weighed on the economies of individual exporting countries that depend on them.

In Western Europe, the economic recovery continued in the reporting period. Whereas the Northern European countries recorded solid economic growth overall, growth rates in Southern Europe presented a more mixed picture. 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.

The German economy continued to benefit from positive consumer sentiment and the strong labor market, continuing its growth trajectory in the first six months of 2016.

The positive economic trend in Central Europe continued in the reporting period. The ongoing conflict between Russia and Ukraine and low energy prices had a generally negative effect on the situation in Eastern Europe. Russian economic output continued to decline year-on-year.

In the first six months of 2016, South Africa suffered from a severe drought, structural deficits and political upheaval; this had a dampening effect on gross domestic product (GDP).

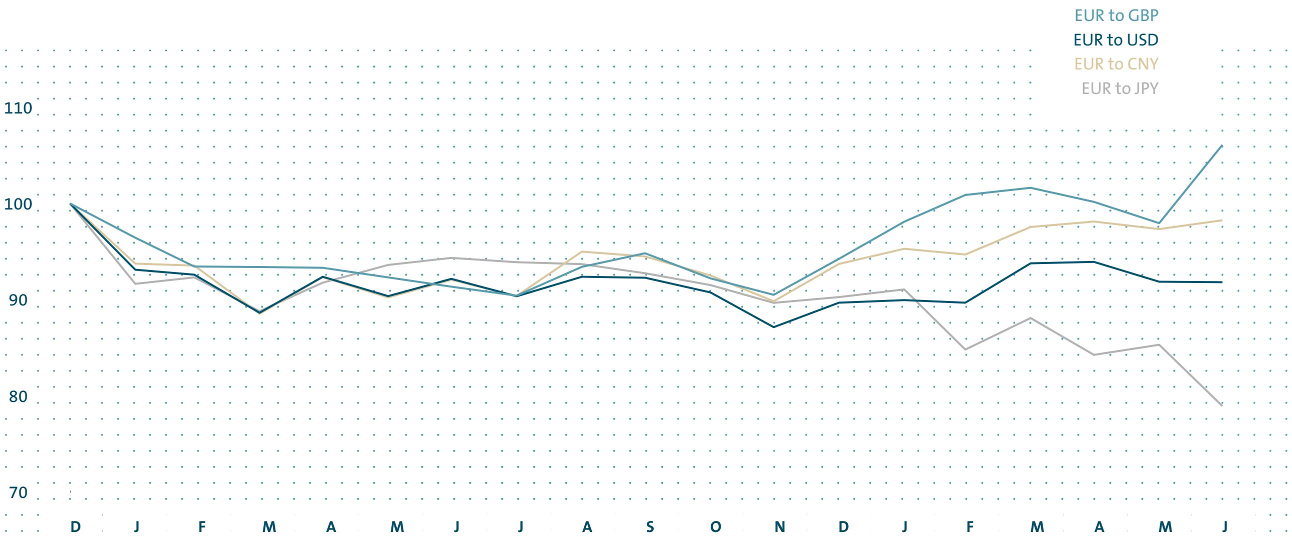
The US economy continued to expand between January and June 2016, albeit more slowly. Significant stimulus was provided by private consumer spending, whereas exports and private capital investments recorded weak growth. In Canada, the rate of expansion reached the comparatively low level of the previous year; by contrast, the Mexican economy grew at a faster pace than in the preceding quarters.

Brazil's economy remained in deep recession in the first six months of 2016. Weak domestic demand, relatively low global commodity prices and political uncertainty weighed on economic performance. Economic output in Argentina retreated in the face of persistently high inflation.

The Chinese economy slowed slightly in the first six months of 2016, primarily as a result of ongoing structural changes, but continued to see a high rate of expansion by global standards. The Indian economy sustained its positive trend, growing at a somewhat stronger pace than in the previous year. Japanese GDP rose slightly, and growth was largely stable in the ASEAN region.

EXCHANGE RATE MOVEMENTS FROM DECEMBER 2014 TO JUNE 2016

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



TRENDS IN THE PASSENGER CAR MARKETS

Global new passenger car registrations were up 3.1% compared with the prior-year period in the first six months of 2016, although market trends varied from region to region. Demand rose year-on-year in the Asia-Pacific region, Western Europe, North America and Central Europe, while new registrations in South America and Eastern Europe, as well as the Middle East and Africa, were lower than in the first six months of 2015.

The Western European passenger car market continued to recover between January and June 2016 and recorded significant growth. The region continued to profit in particular from the positive macroeconomic environment, low interest rates, low fuel prices, pent-up demand for replacement vehicles and manufacturers' incentive programs. The Italian and Spanish markets saw double-digit growth rates. By contrast, the increase was less pronounced in France and the United Kingdom.

The new passenger car business also recorded positive growth in Germany in the first six months of 2016. Lifted by higher real incomes and the strong labor market, new registrations for business customers continued to increase, while purchases by private buyers rose for the first time in four years.

Demand for passenger cars in Central and Eastern Europe declined in the reporting period, although trends in the individual markets were very mixed. Whereas passenger car sales in the Central European EU countries mainly recorded high growth rates, demand continued to decline in Eastern Europe. As a result of the continuing weak economic and politically tense situation, the Russian passenger car market in particular recorded further strong losses.

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

The North American automotive market recorded further year-on-year growth between January and June 2016. Sales figures for passenger cars and light commercial vehicles (up to 6.35 tonnes) in the USA reached their highest level for a first half-year period since 2001. The primary drivers of the still stable unit sales were in particular strong consumer confidence, the sound employment situation, financing conditions that continue to be attractive and low fuel prices. Vehicles in the SUV, pickup and van segments were the main beneficiaries of the favorable conditions. By contrast, demand for notchback and hatchback saloons was again lower than the year before. The automotive markets in Canada and Mexico also expanded, in each case reaching new highs for a first half-year period.

The markets for passenger cars and light commercial vehicles in the South American region continued to contract sharply overall in the first six months of 2016. The main cause of this trend was the collapse in demand in Brazil to its lowest level since 2006. The ongoing recession, coupled with high unemployment, falling real incomes and restrictive lending policies were the main reasons behind the continued crisis affecting unit sales. By contrast, new vehicle registrations in Argentina increased compared with the comparatively low prior-year level. This uptick in demand was supported by rebates and attractive financing conditions offered by the manufacturers.

Overall passenger car market volumes in the Asia-Pacific region recorded the strongest absolute growth in the first six months of 2016. By far the highest increase in sales was recorded in China. The tax break introduced on October 1, 2015 on purchases of vehicles with engine sizes of up to 1.6 l again had a positive effect, as did the sustained high demand for attractively priced entry-level models in the SUV segment. Passenger car sales in India rose year-on-year in the reporting period. The positive trend was attributable in particular to ongoing economic growth, low oil prices and a large number of new models. In Japan, the number of new passenger car registrations declined further in the first six months of 2016. However, the downward trend diminished significantly in the second quarter since the prior-year level was already weaker because of the tax increase on mini vehicles (up to 660 cm^3) that took effect on April 1, 2015.

Malaysia, one of the largest markets in the ASEAN region, recorded a year-on-year decline in the reporting period.

TRENDS IN THE MARKETS FOR COMMERCIAL VEHICLES

Global demand for light commercial vehicles was up slightly on the previous year's level in the first six months of 2016.

New registrations increased markedly year-on-year in Western Europe on the back of the positive economic performance. Demand in Germany saw moderate growth in the reporting period compared with the 2015 comparative period.

Registrations of light commercial vehicles in Central and Eastern Europe recorded a noticeable increase compared with the previous year. Sustained political and economic tensions in Russia caused a moderate drop in registrations there in the period from January to June 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 recorded a sharp increase compared with the year before. Japan saw a decline in new registrations. Vehicle registrations in the ASEAN region were 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 June 2016.

The positive economic trend in Western Europe resulted in a significant increase in demand; high growth rates in new registrations were recorded in Italy, France and the Netherlands. New registrations in Germany, the largest market in Western Europe, were up noticeably on the prior-year level in the first six months of 2016. Higher investments and a slight increase in exports had a positive effect on the sector.

In the Central and Eastern European markets, the number of new vehicle registrations was up significantly year-on-year. While the region's economic performance was positive on the whole, the tense economic and political situation, the currency weakness and difficult financing conditions in Russia resulted in a year-on-year decline in demand.

The slowdown in US economic growth impacted the truck market in North America: following high growth rates in 2015, vehicle registrations were down slightly on the previous year. Registration volumes in the US market were also down slightly on the previous year's level in the first six months of 2016.

New registrations declined substantially year-on-year in South America. In Brazil, the region's largest market, demand for trucks was down considerably on the prior-year level as a result of the persistently weak economic performance and the high inflation rates. The number of new vehicle registrations in Argentina fell sharply between January and June 2016 because of pull-forward effects in 2015 attributable to the introduction of the Euro 5 emission standard.

Demand for mid-sized and heavy trucks in the Asia-Pacific region (excluding the Chinese market) increased significantly year-on-year. India saw a continuation of the positive economic trend in the first six months of 2016. Demand for replacement vehicles and an improvement in the investment climate led to a significant increase in registration volumes there. 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 six months of 2016.

TRENDS IN THE MARKETS FOR POWER ENGINEERING

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

In the first six months of 2016, the marine market saw an intensification of the muted order activity that had already been noticeable during the course of 2015. Due to the excess capacity in the market, which pushed down freight rates in the transport sector, there was no sign of a recovery in the market segments affected: container ships, tankers and bulk carriers. Demand for cruise ships, passenger ferries and government vessels nevertheless continued on a growth path. The slight increase in the oil price recently has not yet had a positive effect on the offshore ship market.

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 towards dual-fuel and gas-fired power plants continued. Particularly on larger projects, order placement is being delayed, in some cases significantly, due to sustained muted economic growth in key emerging and developing countries and persistently difficult financing conditions for customers.

Activity in the construction of turbomachinery is mainly dominated by global investment projects in the oil, gas and processing industry and in power generation. Compared with the prior-year period, the turbomachinery market as a whole once again experienced marginal decline at a low level. 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 half of 2016. As a result, pressure through competition and pricing increased again.

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

DEMAND FOR FINANCIAL SERVICES

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

In Europe, the market for automotive financial services benefited from the higher vehicle sales particularly in Western Europe. This offset the negative effects from the continued decline in unit sales 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 second quarter.

In Germany, demand for automotive financial services once again exceeded the level in the prior-year period. The business customer segment was the main driver; in particular, demand in the after-sales area rose significantly for products such as inspection contracts as well as maintenance and spare parts agreements.

In South Africa, demand for insurance and after-sales products was stable.

Demand for automotive financial services products, particularly leasing, remained high in the US market. In Mexico, demand for financial services products rose compared with the previous year.

The macroeconomic and political situation in Brazil remained tense. The further deterioration in conditions there had a correspondingly negative impact on the consumer credit business for new vehicles and on sales of the country-specific financial services product Consorcio, a lottery-style savings plan.

Demand for automotive financial services across the Asia-Pacific region was mixed. In China, the proportion of loan-financed vehicle purchases continued to rise. Despite increasing restrictions on registrations in metropolitan areas, there is still 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 the markets in Japan and South Korea, but rose slightly once more in Australia.

The financial services market in the commercial vehicles business area continued to perform positively in Europe. In Brazil, on other hand, the difficult economic conditions led to a further decline in the numbers of trucks and buses sold, which also adversely affected the financial services market.

VOLKSWAGEN GROUP DELIVERIES

The Volkswagen Group handed over 5,116,819 vehicles to customers in the first six months of 2016, an increase of 77,531 units or 1.5% 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 JUNE 30*

	2016	2015	%
Passenger cars	4,788,354	4,729,262	+ 1.2
Commercial vehicles	328,465	310,026	+ 5.9
Total	**5,116,819**	**5,039,288**	**+ 1.5**

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

PASSENGER CAR DELIVERIES WORLDWIDE

In the period from January to June 2016, the Volkswagen Group delivered 4,788,354 passenger cars to customers worldwide, exceeding the high seen in the previous year by 1.2%. The market as a whole grew by 3.1% in the same period. The Audi (+5.6%), ŠKODA (+4.6%) and Porsche (+3.5%) brands recorded encouraging growth rates. Due to market-related declines especially in Brazil and Russia and as a result of the emissions issue, the Volkswagen Passenger Cars brand delivered 0.7% fewer vehicles than in the prior-year period. Demand for Volkswagen Group passenger cars was higher than in the previous year in the Western Europe, Central and Eastern Europe, and Asia-Pacific regions.

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

Sales trends in the individual markets are as follows.

Deliveries in Europe/Other markets

Demand for Volkswagen Group vehicles in the growing passenger car market in Western Europe rose by 2.5% to 1,660,194 units in the first half of 2016. The number of Group models sold was up year-on-year in nearly all markets in this region. The Audi Q7, Audi R8 Coupé and ŠKODA Superb models achieved the highest growth rates. The new Touran also recorded strong increases. In addition, the new Tiguan was very well received by the market, and the Bentley Bentayga was the Group's first luxury SUV to celebrate its market debut. The Volkswagen Group's share of the passenger car market in Western Europe amounted to 23.2 (24.4)%.

We delivered 2.2% more passenger cars to customers in Germany from January to June of this year than in the prior-year period; the market as a whole grew by 7.1% in the same period. The Polo, Golf, Tiguan, Touran, Passat Estate, Audi A3 Sportback and 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. Again, the Golf was the most popular passenger car in Germany from January to June 2016 in terms of registrations.

Demand for Volkswagen Group vehicles in the overall declining passenger car markets in Central and Eastern Europe was up 6.0% year-on-year in the reporting period. While we recorded strong growth 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 for the Polo, ŠKODA Rapid and ŠKODA Octavia increased. The Volkswagen Group's share of the market in this region rose to 22.3 (20.3)%.

Deliveries to Volkswagen Group customers in South Africa decreased by 7.0% in the first six months of this year; the contraction of the market as a whole was more pronounced at 10.4%.

Deliveries in North America

In the reporting period, the Volkswagen Group's deliveries to customers in North America decreased by 1.7% year-on-year amid a growing overall market for passenger cars and light commercial vehicles. 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.

The Volkswagen Group delivered 7.2% fewer vehicles to customers in the USA in the first half of 2016 mainly as a consequence of the diesel issue. The market as a whole grew by 1.5% in the same period. Demand was particularly strong for models in the SUV, pickup and van segments. The Tiguan, Audi A3 Sportback, Audi Q3, Audi Q7 and Porsche Macan models all registered increases in demand.

In a continuously growing overall Canadian market, the Volkswagen Group sold 5.3% fewer vehicles in the reporting period than in the previous year, mainly as a consequence of the diesel issue. Demand for the Golf, Audi TT Coupé, Audi Q3 and Audi Q7 models developed encouragingly.

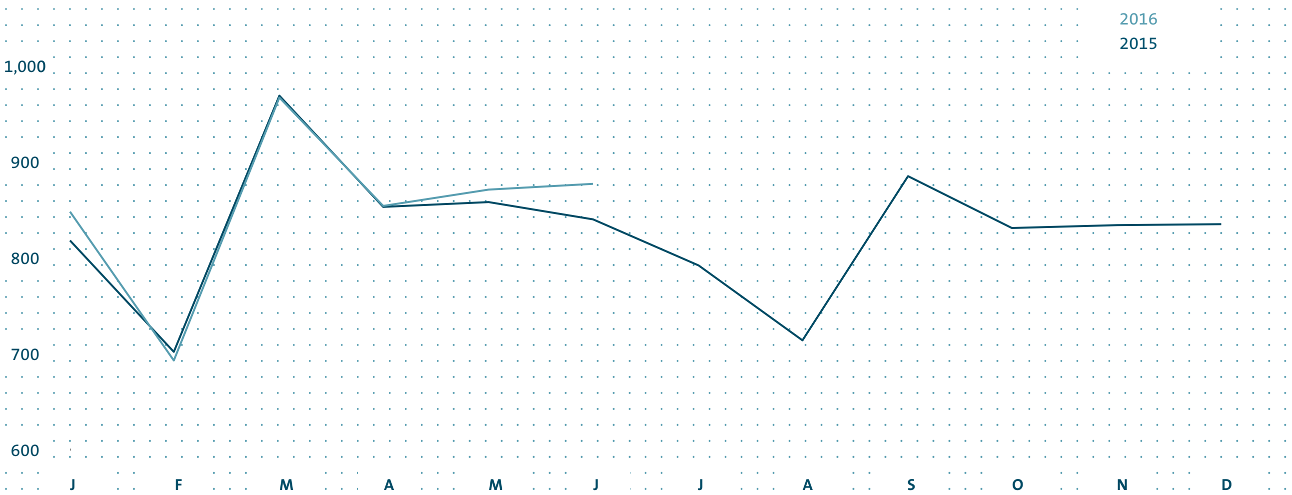
The strong momentum in the Mexican market as a whole continued in the first six months of 2016, with the Volkswagen Group increasing its deliveries to local customers by 16.4% in this period. The Gol, Vento, Jetta and SEAT Ibiza models were particularly popular.

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

	DELIVERIES (UNITS)		CHANGE
	2016	2015	(%)
Europe/Other markets	**2,131,729**	**2,092,183**	**+ 1.9**
Western Europe	**1,660,194**	**1,619,166**	**+ 2.5**
of which: Germany	607,437	594,274	+ 2.2
United Kingdom	273,209	278,735	−2.0
Spain	138,184	135,979	+ 1.6
France	136,754	136,114	+ 0.5
Italy	130,540	114,558	+ 14.0
Central and Eastern Europe	**293,875**	**277,349**	**+ 6.0**
of which: Russia	74,200	79,534	−6.7
Czech Republic	68,742	63,595	+ 8.1
Poland	62,595	54,197	+ 15.5
Other markets	**177,660**	**195,668**	**−9.2**
of which: Turkey	79,514	80,231	−0.9
South Africa	40,448	43,509	−7.0
North America	**439,440**	**447,255**	**−1.7**
of which: USA	273,843	294,992	−7.2
Mexico	114,800	98,609	+ 16.4
Canada	50,797	53,654	−5.3
South America	**192,779**	**263,405**	**−26.8**
of which: Brazil	127,675	193,934	−34.2
Argentina	47,911	51,861	−7.6
Asia-Pacific	**2,024,406**	**1,926,419**	**+ 5.1**
of which: China	1,859,353	1,739,903	+ 6.9
Japan	42,894	48,740	−12.0
India	30,422	36,585	−16.8
Worldwide	**4,788,354**	**4,729,262**	**+ 1.2**
Volkswagen Passenger Cars	2,924,953	2,945,708	−0.7
Audi	953,218	902,272	+ 5.6
ŠKODA	569,353	544,300	+ 4.6
SEAT	216,843	216,460	+ 0.2
Bentley	4,011	4,639	−13.5
Lamborghini	2,013	1,882	+ 7.0
Porsche	117,963	113,984	+ 3.5
Bugatti	–	17	x

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

VOLKSWAGEN GROUP DELIVERIES BY MONTH
Vehicles in thousands



Deliveries in South America

Conditions in the markets for passenger cars and light commercial vehicles in South America remained very challenging and highly competitive in the first half of 2016. Demand for Volkswagen Group vehicles in the region's generally sharply declining overall markets in this period was down 26.8% on the already weak prior-year figure. The Group's share of the passenger car market in South America was 11.9 (13.2)%.

In the rapidly deteriorating Brazilian market, we handed over 34.2% fewer vehicles to customers in the reporting period than a year earlier. The up!, Fox, Gol and Saveiro models witnessed the strongest demand.

The Argentinian market recovered in the second quarter of 2016 and by the end of the first six months had surpassed the low prior-year level. Volkswagen Group sales between January and June 2016 were down 7.6% year-on-year. The Gol and Suran saw the highest demand of all Group models in Argentina.

Deliveries in the Asia-Pacific region

The Volkswagen Group delivered 5.1% more vehicles to customers in the Asia-Pacific region in the first six months of this year than in the prior-year period. The market as a whole grew at a slightly stronger pace in the same period, giving the Group a market share of 12.4 (12.5)% in this region.

The Chinese passenger car market performed better in the reporting period than in the previous year, remaining the growth driver in the Asia-Pacific region. Demand for Group models in China rose by 6.9% compared with the previous year's period. The Jetta, Lavida, Sagitar and Santana models were particularly popular. The new versions of the Bora, Touran, Passat and Audi A6 L models and the locally produced Golf Sportsvan were launched in the market.

Between January and June 2016, we delivered 16.8% fewer vehicles to customers in the expanding Indian passenger car market than in the previous year. The most sought-after Group model was the Polo; the ŠKODA Rapid was also in high demand.

In the first half of 2016, we delivered 12.0% fewer vehicles to customers in Japan year-on-year in tandem with a contracting overall market. Demand for the Touran, Passat and Audi TT Coupé models recorded positive growth.

COMMERCIAL VEHICLE DELIVERIES

The Volkswagen Group delivered a total of 328,465 commercial vehicles worldwide in the first half of 2016, an increase of 5.9% on the same period of the previous year. Sales of trucks rose to 82,074 units, 4.2% more than a year before. Bus delivery volumes declined by 6.2% to 7,567 units. With 238,824 units sold, Volkswagen Commercial Vehicles exceeded the prior-year figure by 7.0%. Scania handed over 40,310 vehicles to customers in the reporting period (+9.0%). MAN sold 49,331 units, 1.1% fewer than in the previous year.

In the period from January to June 2016, the Volkswagen Group delivered 211,168 commercial vehicles in the Western European markets, 10.1% more than in the previous year. Of the vehicles delivered, 164,884 were light commercial vehicles, 44,102 were trucks and 2,182 were buses. This improvement is attributable to the ongoing economic recovery. The Transporter and the Caddy were the most sought-after Group models.

Demand for commercial vehicles in the Central and Eastern European markets rose by 14.8% to 30,457 units, including 16,720 light commercial vehicles, 13,277 trucks and 460 buses. The Transporter and the Caddy witnessed the strongest demand. The economic and political difficulties persisting in Russia led to a decline in deliveries. A total of 4,358 units were sold there (–7.6%).

In the first six months of 2016, the Volkswagen Group sold 33,869 vehicles in the Other markets, a decrease of 7.9% compared with the figure for the prior-year period. Of the units handed over to customers, 24,549 were light commercial vehicles, 8,137 were trucks and 1,183 were buses.

Sales in North America climbed to 4,687 units, up 17.6% on the previous year's level. Of the units sold, 3,541 were light commercial vehicles, 368 were trucks and 778 were buses, with a large share of these vehicles delivered in Mexico.

Demand for the Volkswagen Group's commercial vehicles in the South American markets fell by 8.5% to 30,979 units: 18,040 light commercial vehicles, 11,053 trucks and 1,886 buses. The Amarok was particularly popular. Due to the continuing tough macroeconomic environment and the more difficult financing conditions, deliveries in Brazil declined, falling 21.1% short of the prior-year level to 14,093 units. This figure included 4,723 light commercial vehicles, 8,414 trucks and 956 buses.

The Volkswagen Group delivered a total of 17,305 commercial vehicles (+1.4%) in the Asia-Pacific region; 11,090 were light commercial vehicles, 5,137 were trucks and 1,078 were buses. The Amarok and the Transporter witnessed the strongest demand.

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

	DELIVERIES (UNITS)		CHANGE
	2016	2015	(%)
Europe/Other markets	**275,494**	**255,112**	**+ 8.0**
Western Europe	211,168	191,783	+ 10.1
Central and Eastern Europe	30,457	26,540	+ 14.8
Other markets	33,869	36,789	−7.9
North America	**4,687**	**3,986**	**+ 17.6**
South America	**30,979**	**33,862**	**−8.5**
of which: Brazil	14,093	17,856	−21.1
Asia-Pacific	**17,305**	**17,066**	**+ 1.4**
of which: China	2,374	2,722	−12.8
Worldwide	**328,465**	**310,026**	**+ 5.9**
Volkswagen Commercial Vehicles	238,824	223,161	+ 7.0
Scania	40,310	36,989	+ 9.0
MAN	49,331	49,876	−1.1

* 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 June 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 first half of 2016. The number of new financing, leasing, service and insurance contracts signed rose worldwide by 15.4% year-on-year to 3.5 million. The total number of contracts as of June 30, 2016 was higher than the 2015 year-end figure, at 16.7 million (+5.2%). The underlying contract types were modified according to their significance. The ratio of leased or financed vehicles to Group deliveries (penetration rate) in the Financial Services Division's markets stood at 32.7 (29.7)% in the reporting period.

In the Europe/Other markets region, 2.6 million new contracts were signed in the period from January to June 2016, an increase of 18.4% on the prior-year figure. As of June 30, 2016, the total number of contracts was 11.9 million, up 5.7% on the 2015 year-end figure. The Customer Financing/Leasing area accounted for 5.7 million contracts (+3.8%).

The number of contracts in North America amounted to 2.6 million at the end of June 2016, up 5.4% on the figure as of December 31, 2015. This included 1.8 million contracts in the Customer Financing/Leasing area, an increase of 3.8% on the 2015 year-end level. The number of new contracts signed amounted to 466 thousand, 9.0% more than in the prior-year period.

In South America, 102 thousand new contracts were signed in the first six months of 2016, a decrease of 25.0% year-on-year. The total number of contracts amounted to 719 thousand as of June 30, 2016, 7.1% 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 by 21.8% to 328 thousand. The total number of contracts amounted to 1.4 million at the end of the first half of 2016, up 7.0% on the figure for December 31, 2015. The Customer Financing/Leasing area accounted for 1.1 million contracts, an increase of 9.1% as against year-end 2015.

SALES TO THE DEALER ORGANIZATION

In the first half of 2016, the Volkswagen Group's unit sales to the dealer organization (including the Chinese joint ventures) amounted to 5,199,195 vehicles. This represents an increase of 2.1% on the prior-year period, due primarily to higher demand in Western and Central Europe as well as in China, which more than compensated for the volume decreases particularly in Brazil. Unit sales outside Germany rose by 2.2% in the reporting period, while in the German market they were up 1.6% year-on-year. Vehicles sold in Germany as a proportion of overall sales were on a level with the prior-year figure at 13.1 (13.1)%.

PRODUCTION

The Volkswagen Group produced a total of 5,268,086 vehicles in the period from January to June 2016, a decline of 0.9% year-on-year. Production in Germany rose by 0.8% to 1,405,429 units. The proportion of vehicles produced in Germany increased to 26.7 (26.3)%.

INVENTORIES

Global inventories at Group companies and in the dealer organization were higher on June 30, 2016 than at year-end 2015 and also up on the June 30, 2015 level.

EMPLOYEES

The Volkswagen Group had 591,867 active employees at the end of the first half of 2016. A further 5,936 employees were in the passive phase of their partial retirement. An additional 15,822 young people were in vocational traineeships. At the end of the second quarter of 2016, the Volkswagen Group had a total of 613,625 employees worldwide, up 0.6% on the number at December 31, 2015. Significant factors for the increase were the expansion of the workforce in the new plants in Mexico and Poland, and the recruitment of specialists. At 278,076, the number of employees in Germany was down 0.2% on year-end 2015. The proportion of employees in Germany declined to 45.3 (45.7)%.

Results of Operations, Financial Position and Net Assets

CHANGE IN REPORTING STRUCTURE

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

SALE OF LEASEPLAN

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

SPECIAL ITEMS

Special items relating to the diesel issue amounted to €–1.6 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 period from January to June 2016 amounted to €–0.2 billion.

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

Overall, negative special items recognized in operating profit therefore amounted to €2.2 billion in the first six months of 2016.

RESULTS OF OPERATIONS OF THE GROUP

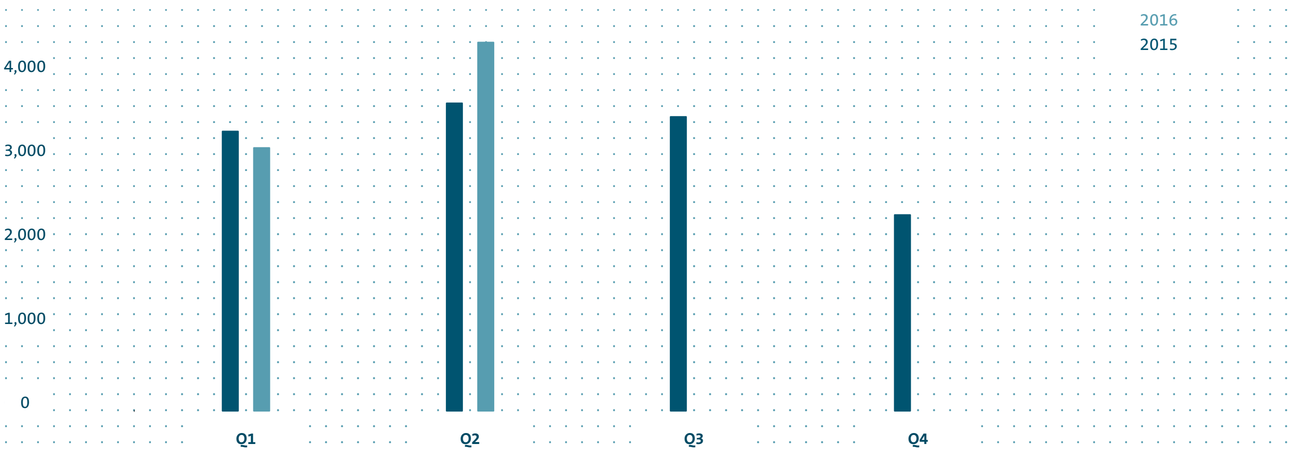
At €107.9 (108.8) billion, the Volkswagen Group's sales revenue in the first six months of 2016 was on a level with the previous year. Positive mix effects and the good business development in the Financial Services Division were offset by negative exchange rate trends and lower vehicle unit sales, excluding the Chinese joint ventures. The Volkswagen Group generated 79.0 (79.2)% of its sales revenue outside Germany.

At €21.1 (21.7) billion, gross profit from January to June 2016 was down year-on-year. The gross margin amounted to 19.6 (19.9)%; excluding special items it was 20.3%.

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

€ million	2016	2015
Passenger Cars		
Sales revenue	75,285	77,129
Gross profit	15,324	15,834
Operating result	3,895	5,346
Operating return on sales (%)	5.2	6.9
Commercial Vehicles		
Sales revenue	15,589	15,151
Gross profit	2,613	2,484
Operating result	285	349
Operating return on sales (%)	1.8	2.3
Power Engineering		
Sales revenue	1,673	1,813
Gross profit	321	348
Operating result	–18	5
Operating return on sales (%)	–1.1	0.3

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



At €7.5 (7.0) billion, operating profit before special items was higher than in the previous year, and the operating return on sales before special items was 7.0 (6.4)%. In addition to optimized product costs, mix improvements had a positive effect, while exchange rate and volume effects had a negative impact. Special items of €–2.2 (–0.2) billion – particularly for legal risks – weighed on operating profit; of this total, €–1.7 billion is attributable to the Passenger Cars Business Area and €–0.5 (–0.2) billion to the Commercial Vehicles Business Area. As a result, at €5.3 billion, the Volkswagen Group's operating profit in the first six months of 2016 was €1.5 billion lower than the year before. The operating return on sales declined to 4.9 (6.3)%.

The financial result decreased by €1.4 billion to €–0.5 billion; the decrease was a result in particular of higher finance costs due to remeasurement effects, a year-on-year decline in income from the equity-accounted Chinese joint ventures and higher expenses from the measurement of derivative financial instruments at the reporting date. The income from the sale of the LeasePlan shares had a positive effect.

At €4.8 billion, the Group's profit before tax was 37.2% lower than in the previous year as a result of the special items. Profit after tax declined by €2.1 billion to €3.6 billion.

Results of operations in the Automotive Division

The Automotive Division generated sales revenue of €92.5 (94.1) billion in the period from January to June 2016. The decrease was attributable primarily to negative exchange rate and volume effects, which were partly offset by positive mix developments. Sales revenue declined in the Passenger Cars and Power Engineering Business Areas in the first six months of 2016, but grew slightly year-on-year in the Commercial Vehicles Business Area. As our Chinese joint ventures are accounted for using the equity method, the Group's business growth in the Chinese passenger car market is primarily reflected in consolidated sales revenue only by deliveries of vehicles and vehicle parts.

Cost of sales declined year-on-year. Improved product costs and currency translation effects were positive factors, while higher depreciation and amortization charges resulting from high capital expenditures and special items relating to the diesel issue and the replacement of procured airbags were negative factors. Research and development costs were down slightly on the previous year. Gross profit amounted to €18.3 (18.7) billion.

Distribution expenses rose in the reporting period, primarily because of higher marketing expenses as a result of the emissions issue; the ratio of distribution expenses to sales revenue also increased slightly. Administrative expenses grew marginally, and the ratio of administrative expenses to sales revenue was close to the previous year's level. The other operating result fell to €–1.1 (–0.3) billion; it was negatively impacted by special items in connection with the diesel issue and the Commercial Vehicles Business Area.

At €4.2 billion, the Automotive Division's operating profit in the first six months of 2016 was €1.5 billion lower than in the previous year. The operating return on sales declined to 4.5 (6.1)%. Special items contained in this figure amounted to €–2.2 (–0.2) billion. The Automotive Division's operating profit before special items was €6.3 (5.9) billion, and its operating return on sales before special items increased to 6.9 (6.2)%. Optimized product costs and favorable mix developments were able to more than offset negative exchange rate effects and declining vehicle unit sales, as well as higher marketing costs. Since the profit recorded by the joint ventures is accounted for in the financial result using the equity method, the business growth of our Chinese joint ventures is primarily reflected in the Group's operating result only by deliveries of vehicles and vehicle parts, and license revenue.

At €–0.5 billion, the financial result was €1.3 billion lower year-on-year; this figure contained higher finance costs due to remeasurement effects, lower investment income from the Chinese joint ventures and increased expenses from the measurement of derivative financial instruments at the reporting date, which were partly offset by income from the sale of the LeasePlan shares.

Results of operations in the Financial Services Division

In the period from January to June 2016, the Financial Services Division generated sales revenue of €15.4 billion, thus exceeding the 2015 comparative figure by 4.8%, largely because of growth in business volumes.

At €2.9 (3.0) billion, gross profit was down slightly year-on-year because of the sustained pressure on margins and higher depreciation and amortization charges.

Distribution expenses in the reporting period were on a level with 2015, and the ratio of distribution expenses to sales revenue was almost unchanged. Despite higher expenses for meeting regulatory requirements, administrative expenses declined by 3.2%, and the ratio of administrative expenses to sales revenue decreased slightly.

Operating profit increased by 5.1% to €1.2 billion, and the operating return on sales was 7.6 (7.6)%, as in the previous year.

FINANCIAL POSITION OF THE GROUP

In the first six months of 2016, the Volkswagen Group's gross cash flow amounted to €15.2 billion, representing a decline of 16.4% year-on-year. Funds tied up in working capital amounted to €10.1 billion, down €0.7 billion on the previous year. As a result, cash flows from operating activities decreased to €5.1 (7.4) billion.

Investing activities attributable to the Volkswagen Group's operating activities decreased by €1.8 billion to €5.1 billion in the reporting period. Within investing activities, investments in property, plant and equipment, investment property and intangible assets, excluding capitalized development costs (capex) were lower than the previous year, while capitalized development costs increased year-on-year. The "Acquisition and disposal of equity investments" item was affected by the cash inflow from the sale of the LeasePlan shares and the cash outflow for the investment in ride-hailing service GETT.

The Group recorded cash inflows from financing activities of €8.2 (1.3) billion in the first six months of 2016. At €29.3 billion, the Volkswagen Group's cash and cash equivalents reported in the cash flow statement increased significantly year-on-year.

The Volkswagen Group's net liquidity at June 30, 2016 was €–99.5 (–100.5) billion and thus on a level with year-end 2015.

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

€ million	2016	2015
Passenger Cars		
Gross cash flow	9,101	12,506
Change in working capital*	−716	−2,814
Cash flows from operating activities*	8,385	9,692
Cash flows from investing activities attributable to operating activities	−3,659	−5,757
Net cash flow*	4,727	3,935
Commercial Vehicles		
Gross cash flow	1,254	1,310
Change in working capital	18	56
Cash flows from operating activities	1,272	1,366
Cash flows from investing activities attributable to operating activities	−856	−908
Net cash flow	416	458
Power Engineering		
Gross cash flow	132	189
Change in working capital	−53	−13
Cash flows from operating activities	79	175
Cash flows from investing activities attributable to operating activities	−86	−97
Net cash flow	−7	79

* Prior-year figures adjusted.

Financial position in the Automotive Division

In the first six months of 2016, the Automotive Division generated gross cash flow of €10.5 billion; the €3.5 billion decline resulted primarily from the special items in the Passenger Cars and Commercial Vehicles Business Areas, as well as from lower dividends from the Chinese joint ventures. At €0.8 (2.8) billion, funds tied up in working capital were down considerably on the previous year. The new special items recognized in the first six months of 2016 had a negative impact overall on gross cash flow and a positive effect on the change in working capital. Cash flows from operating activities decreased by €1.5 billion to €9.7 billion.

At €4.6 (6.8) billion, investing activities attributable to operating activities were considerably lower year-on-year in the reporting period. Capex decreased slightly compared with the previous year; the ratio of capex to sales revenue was unchanged at 4.9 (4.9)%. Capitalized development costs increased by €0.4 billion to €2.6 billion. 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 Automotive Division's net cash flow rose by €0.7 billion to €5.1 billion in the period from January to June 2016.

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 include the issuance and redemption of bonds and other financial liabilities and amounted to €2.5 (–3.0) billion.

At €28.8 billion, the Automotive Division's net liquidity at the end of June 2016 exceeded the 2015 year-end figure by €4.3 billion.

Financial position in the Financial Services Division

The Financial Services Division's gross cash flow improved by 12.5% year-on-year to €4.8 billion in the first six months of 2016. At €9.4 (8.0) billion, funds tied up in working capital were higher than in the first six months of 2015, due in particular to the growth in the volume of business. Investing activities attributable to operating activities amounted to €0.5 (0.2) billion; this also includes the acquisition of the interest in ride-hailing service GETT amounting to €0.3 billion. Cash inflows from financing activities amounted to €5.7 (4.3) billion.

At the end of the first half of 2016, the Financial Services Division's negative net liquidity, which is common in the industry, amounted to €–128.3 billion, after €–125.1 billion at December 31, 2015.

CONSOLIDATED BALANCE SHEET STRUCTURE

At €401.4 billion, the Volkswagen Group's total assets as of June 30, 2016 exceeded the year-end 2015 figure by 5.1%. The Group's equity was slightly higher than at December 31, 2015 at €88.9 (88.3) billion. The equity ratio was 22.1 (23.1)%.

Automotive Division balance sheet structure

Both intangible assets and property, plant and equipment were on a level with December 31, 2015 in the Automotive Division. Equity-accounted investments decreased, mainly as a result of the sale of the LeasePlan shares and the dividend resolutions by the Chinese joint ventures. Overall, noncurrent assets were somewhat lower than at year-end 2015. Current assets rose by 22.4%; inventories contained in this item mainly rose due to production-related and exchange rate factors. Receivables increased significantly; they include the still unpaid dividends of the Chinese joint ventures. At €24.2 (15.7) billion, cash and cash equivalents in the Automotive Division were significantly higher at the end of the reporting period than at December 31, 2015.

As of June 30, 2016, the Automotive Division's equity was on a level with the previous year at €66.9 (67.4) billion.

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 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 rose by 7.7% compared with December 31, 2015. While the financial liabilities contained in this item declined by €3.1 billion, pension provisions increased substantially because of the change in the discount rate; other noncurrent provisions rose because of the special items. At €74.7 billion, current liabilities were 13.3% higher than at the end of December 2015; the current other provisions contained in this item increased because of the special items. Current financial liabilities went up to €2.3 (–4.0) billion. The figures for the Automotive Division also contain the elimination of intragroup transactions between the Automotive and Financial Services divisions. As the current financial liabilities for the primary Automotive Division were lower than the loans granted to the Financial Services Division, a negative amount was disclosed for the prior-year period. The item "Put options and compensation rights granted to noncontrolling interest shareholders" primarily comprises the liability for the obligation to acquire the shares held by the remaining free float shareholders of MAN.

At €220.8 (206.8) billion, the Automotive Division's total assets as of June 30, 2016 were 6.8% higher than as of December 31, 2015.

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

€ million	June 30, 2016	Dec. 31, 2015
Passenger Cars		
Noncurrent assets	102,490	105,028
Current assets	70,914	57,289
Total assets	**173,404**	**162,317**
Equity	52,152	54,598
Noncurrent liabilities	66,019	61,195
Current liabilities	55,233	46,524
Commercial Vehicles		
Noncurrent assets	24,795	24,749
Current assets	16,557	13,421
Total assets	**41,352**	**38,170**
Equity	11,692	9,512
Noncurrent liabilities	12,313	11,532
Current liabilities	17,347	17,126
Power Engineering		
Noncurrent assets	2,925	3,035
Current assets	3,151	3,310
Total assets	**6,077**	**6,345**
Equity	3,103	3,255
Noncurrent liabilities	870	842
Current liabilities	2,104	2,248

Financial Services Division balance sheet structure

The Financial Services Division's total assets amounted to €180.6 billion as of June 30, 2016, 3.1% higher than at the end of December 2015.

Noncurrent assets rose by 4.2% overall. The lease assets and noncurrent financial services receivables contained in this item recorded a rise due to the growth in business. Equity-accounted investments increased following the purchase of the interest in GETT. Current assets were up slightly year-on-year because of higher financial services receivables. Approximately 45.0 (45.8)% of the Volkswagen Group's assets were attributable to the Financial Services Division at the end of the first six months of 2016.

At €21.9 billion, the Financial Services Division's equity at the end of the reporting period was 5.0% higher than at the end of the previous fiscal year. In addition to earnings growth, the increase was attributable in particular to the capital increase implemented by Volkswagen AG in April to finance the growth in business and meet regulatory capital requirements. The equity ratio was 12.2 (11.9)%. Noncurrent liabilities were up slightly on year-end 2015 at 72.5 billion. Current liabilities rose by 4.3%. The increase mainly resulted from the funding of volume growth.

At €32.0 (26.5) billion, deposits from direct banking business were higher than at the end of 2015.

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

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

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

Beyond this, the following changes were made 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:

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, the U.S. Environmental Protection Agency (EPA), the U.S. Federal Trade Commission, the California Air Resources Board (CARB) and private plaintiffs represented by a Plaintiffs' Steering Committee (PSC) in the Multi-District Litigation pending in California. The settlement agreements, if finally approved, 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. The settlement agreements are subject to final court approval.

The proposed settlements provide affected customers with the option of a buyback or, for leased vehicles, early lease termination or a free technical modification of the vehicles, provided that EPA and CARB approve the appropriate modification measures. Volkswagen will also make cash payments to affected owners and 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 10 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.

On July 19, 2016, the US states of Maryland, Massachusetts and New York filed complaints in their respective state courts against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates seeking civil penalties and injunctive relief for alleged violations of environmental laws. Maryland, Massachusetts and New York 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 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.

Outlook

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

Global demand for passenger cars continued to rise in the first six months of 2016, although there was regional variation in the markets. We expect trends in the passenger car markets in the individual regions to be mixed over the year as a whole, too. Overall, global demand for new vehicles will probably rise at a similar pace to 2015. We anticipate that demand volume in Western Europe and the German passenger car market will be slightly 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 slightly weaker pace. Volumes in the South American markets will probably fall noticeably short of the prior-year figures. The passenger car markets in the Asia-Pacific region look set to continue their growth path at a similar pace.

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

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

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

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

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

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

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

In the Passenger Cars Business Area, we expect a noticeable decrease in sales revenue, with an operating return on sales before special items in the anticipated range of 5.5 – 6.5%. With sales revenue in the Commercial Vehicles Business Area remaining essentially unchanged, 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 sales revenue and operating profit at the prior-year level.

After special items 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 sales revenue of the Volkswagen Group amounted to €107.9 (108.8) billion in the first half of 2016. Operating profit declined by €1.5 billion to €5.3 billion, weighted down by special items totaling €–2.2 billion. Operating profit before special items rose to €7.5 (7.0) billion.

The Volkswagen Passenger Cars brand's unit sales of 2.2 (2.3) million vehicles in the first six months of 2016 matched the prior-year level. This figure includes 1.6 (1.7) million Volkswagen models. The Polo, Golf, Tiguan and Passat were especially popular among customers. At €53.0 (53.6) billion, sales revenue almost reached the previous year's level. Operating profit before special items decreased to €0.9 (1.4) billion. Negative impacts resulting from unfavorable exchange rates and mix effects, lower volumes and higher marketing costs as a consequence of the emissions issue were offset by cost savings. The diesel issue in particular gave rise to special items of €–1.5 billion.

The Audi brand sold 799 (784) thousand vehicles worldwide in the period from January to June 2016, 2.0% more than a year earlier. Our Chinese joint venture FAW-Volkswagen sold a further 276 (240) thousand Audi vehicles. There was strong demand for the Q3 SUV model and the new generations of the A4, TT and Q7. Sales revenue increased to €30.1 (29.8) billion. Operating profit before special items came to €2.7 (2.9) billion. Exchange rate effects and continuing high upfront expenditures for new products and technologies and for the expansion of the international production network had a negative impact on earnings. The diesel issue and the increased scope of the replacement of faulty airbags delivered by Takata resulted in special items of €–0.3 billion. The financial key performance indicators for the Audi brand also include the Lamborghini and Ducati brands. Ducati sold 39 thousand motorcycles in the reporting period (+9.8%).

The ŠKODA brand's unit sales rose by 2.4% in the first half of 2016 to 431 thousand vehicles. The Fabia, Octavia and Superb models in particular saw strong customer demand. At €7.1 billion, sales revenue was up 10.8% year-on-year. Operating profit improved by 31.2% to €685 million mainly on the back of positive volume and mix effects as well as optimized product costs.

The SEAT brand's unit sales fell to 276 (286) thousand vehicles in the first six months of 2016 largely due to the phasing out of the Altea. This figure includes the Q3 manufactured for Audi. Demand remained high for the Ibiza and the Leon, while the Ateca was very well received by the market. Sales revenue maintained the 2015 level at €4.5 (4.5) billion. Operating profit climbed €40 million to €93 million, with cost reductions and mix improvements compensating for negative volume and exchange rate effects.

Unit sales by the Bentley brand in the period from January to June 2016 fell by 3.1% year-on-year to 4,863 vehicles. The new Bentayga enjoyed buoyant demand. Sales revenue was down 6.0% on the previous year at €883 million. Operating profit decreased by €75 million to €–22 million mainly due to changed market conditions and unfavorable exchange rates.

The Porsche brand lifted its vehicle sales by 7.2% in the reporting period to 117 thousand units worldwide. Demand increased for the Boxster, Cayman, 911 and Macan models. Sales revenue amounted to €10.9 (10.8) billion. Operating profit rose by 7.7% to €1.8 billion; alongside the increase in volumes, mainly exchange rate effects had a positive impact.

VOLKSWAGEN GROUP

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

Volkswagen Commercial Vehicles sold 231 (231) thousand vehicles worldwide in the first half of 2016. The Multivan/Transporter and Caddy models were particularly popular. Sales revenue improved by 3.5% year-on-year to €5.4 billion. Operating profit rose to €299 (268) million as a result of mix effects.

Unit sales by the Scania brand increased to 41 (38) thousand trucks and buses in the reporting period, with rising sales figures in Europe making up for the decline in demand in South America, Turkey and Russia. Sales revenue increased by 7.6% to €5.6 billion. Operating profit before special items improved to €550 (503) million, 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 49 (50) thousand units in the period from January to June of this year. At €4.8 (4.9) billion, sales revenue fell slightly short of the prior-year figure. In spite of the persistently difficult economic climate in South America, the operating profit before special items rose to €186 (54) million. Alongside the higher volumes and improved margins in Europe, the structural changes introduced also had a positive effect here. 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 generated sales revenue of €1.7 billion in the first six months of 2016, a decrease of 7.7% year-on-year. This reduced the operating profit by €32 million to €103 million.

At €995 million, the operating profit at Volkswagen Financial Services in the reporting period was 2.6% higher than in the previous year. Volume-related factors in particular had a positive effect.

KEY FIGURES BY BRAND AND BUSINESS FIELD FROM JANUARY 1 TO JUNE 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	2,232	2,251	53,006	53,578	34,644	36,426	881	1,428
Audi	799	784	30,134	29,784	19,452	19,775	2,666	2,914
ŠKODA	431	421	7,114	6,421	3,465	3,227	685	522
SEAT	276	286	4,485	4,469	1,912	1,873	93	52
Bentley	5	5	883	939	643	621	−22	54
Porsche[2]	117	109	10,929	10,850	10,028	9,912	1,830	1,698
Volkswagen Commercial Vehicles	231	231	5,406	5,223	2,700	2,487	299	268
Scania[2]	41	38	5,575	5,182	5,575	5,182	550	503
MAN Commercial Vehicles	49	50	4,798	4,919	4,450	4,781	186	54
MAN Power Engineering	–	–	1,673	1,813	1,672	1,812	103	135
VW China[3]	1,867	1,743	–	–	–	–	–	–
Other	−849	−827	−29,679	−27,420	11,119	10,816	−749[4]	−1,608[4]
Volkswagen Financial Services	–	–	13,611	13,018	12,276	11,862	995	970
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**–**	**–**	**7,517**	**6,990**
Special items	–	–	–	–	–	–	−2,178	−170
Volkswagen Group	**5,199**	**5,090**	**107,935**	**108,776**	**107,935**	**108,776**	**5,339**	**6,820**
Automotive Division[5]	5,199	5,090	92,547	94,093	94,085	95,412	4,162	5,700
of which: Passenger Cars Business Area	4,879	4,772	75,285	77,129	80,004	81,449	3,895	5,346
Commercial Vehicles Business Area	320	318	15,589	15,151	12,410	12,150	285	349
Power Engineering Business Area	–	–	1,673	1,813	1,672	1,812	−18	5
Financial Services Division	–	–	15,388	14,683	13,850	13,364	1,177	1,120

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 €2,366 (2,744) 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

At 2.4 million vehicles, the Volkswagen Group sold 3.1% more units in the first half of 2016 in the Europe/Other markets region than in the previous year. Sales revenue rose to €69.9 (67.6) billion.

Buoyed by higher demand in Mexico, the Volkswagen Group lifted unit sales in the North American market by 2.8% year-on-year in the reporting period to 469 thousand vehicles. Sales revenue was marginally below the prior-year level at €17.0 (17.4) billion.

In the South American markets the economic conditions remained difficult in the first six months of 2016, reducing the Volkswagen Group's unit sales in this region by 22.5% to 219 thousand vehicles. Sales revenue was down 29.6% to €3.8 billion, attributable to lower volumes and the unfavorable exchange rate trend.

In the Asia-Pacific region we sold a total of 2.1 million vehicles between January and June of this year – including the Chinese joint ventures; this represents an increase of 4.4% as against the previous year. Sales revenue, which does not include our equity-accounted Chinese joint ventures, was down 6.4% on 2015 at €17.3 billion as a result of volume and exchange rate effects.

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

	VEHICLE SALES		SALES REVENUE	
thousand units/€ million	2016	2015	2016	2015
Europe/Other markets	2,392	2,321	69,861	67,568
North America	469	457	17,044	17,414
South America	219	283	3,777	5,365
Asia-Pacific[2]	2,119	2,030	17,254	18,429
Volkswagen Group[2]	**5,199**	**5,090**	**107,935**	**108,776**

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 first half of 2016 with its innovative products along the automotive value chain.

Volkswagen Bank GmbH was voted Best Brand in the Automotiv Bank category by readers of auto motor sport magazine. This was the tenth consecutive time that Volkswagen Bank GmbH received this accolade, beating 25 competitors in the 2016 survey.

Readers of Auto Bild magazine chose Volkswagen Bank GmbH as Best Automotive Bank for the fifth time in succession, with over 60,000 readers participating in the poll.

The finals of the "Just Leasing – Play. Learn. Win" university competition initiated by Volkswagen Financial Services AG took place in April 2016. A total of 120 teams from 55 German third-level institutions took part in the leasing business game. The participants took over management of their virtual leasing companies and in different rounds of the game had to make practical decisions, for example in the areas of Sales, Human Resources, or Finance.

In light of the growing digitalization, Volkswagen Financial Services has established a new communications channel, "VWFS – News2Go", on which Group-wide information can also be called up in a flexible manner with the use of audio clips. The first pilot broadcasts have been compiled for staff and executives from the sales force.

The main refinancing sources for Volkswagen Financial Services are money and capital market instruments, asset-backed securities (ABS) transactions and customer deposits from the direct banking business. The ABS program was successfully continued in the first half of 2016 with the placement of the 23rd transaction involving collateralized financing contracts, VCL 23, with a volume of around €750 million. Volkswagen Financial Services AG issued its first bond denominated in Chinese renminbi in the reporting period. The successfully placed three-year bond has a volume of 2 billion renminbi.

The number of new financing, leasing, service and insurance contracts signed in the first half of 2016 rose by 15.2% year-on-year to 3.3 million. The total number of contracts amounted to 15.4 million as of June 30, 2016, an increase of 5.1% on the figure for December 31, 2015. In the Customer Financing/Leasing area, the number of contracts rose slightly by 3.4% compared with the 2015 year-end figure to 8.6 million. The number of contracts in the Service/Insurance area was up 7.4% year-on-year to 6.8 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 32.5 (29.5)%.

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

Volkswagen Financial Services had a total of 13,151 employees as of June 30, 2016, unchanged on the December 31, 2015 level.

Interim Consolidated Financial Statements (Condensed)

INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO JUNE 30

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2016	2015	2016	2015	2016	2015
Sales revenue	**107,935**	**108,776**	**92,547**	**94,093**	**15,388**	**14,683**
Cost of sales	−86,790	−87,078	−74,290	−75,427	−12,501	−11,651
Gross profit	**21,145**	**21,698**	**18,257**	**18,666**	**2,888**	**3,032**
Distribution expenses	−10,751	−10,431	−10,139	−9,819	−612	−613
Administrative expenses	−3,670	−3,626	−2,889	−2,818	−782	−808
Other operating income/expense	−1,385	−821	−1,068	−330	−317	−491
Operating profit	**5,339**	**6,820**	**4,162**	**5,700**	**1,177**	**1,120**
Share of profits and losses of equity-accounted investments	1,715	2,241	1,679	2,222	36	19
Other financial result	−2,243	−1,397	−2,174	−1,437	−69	39
Financial result	**−528**	**843**	**−495**	**785**	**−34**	**58**
Profit before tax	**4,810**	**7,664**	**3,667**	**6,485**	**1,144**	**1,179**
Income tax expense	−1,231	−2,000	−775	−1,603	−457	−397
Profit after tax	**3,579**	**5,663**	**2,892**	**4,882**	**687**	**781**
of which attributable to						
Noncontrolling interests	6	7	−44	−5	49	12
Volkswagen AG hybrid capital investors	112	99	112	99	–	–
Volkswagen AG shareholders	3,461	5,558	2,824	4,789	638	770
Basic earnings per ordinary share (€)[2]	**6.88**	**11.06**				
Diluted earnings per ordinary share (€)[2]	**6.88**	**11.06**				
Basic earnings per preferred share (€)[2]	**6.94**	**11.12**				
Diluted earnings per preferred share (€)[2]	**6.94**	**11.12**				

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 restated to reflect application of IAS 33.26.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO JUNE 30

€ million	2016	2015
Profit after tax	**3,579**	**5,663**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	−7,512	1,773
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	2,219	−523
Pension plan remeasurements recognized in other comprehensive income, net of tax	−5,293	1,250
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	**−5,294**	**1,248**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	−729	1,829
Transferred to profit or loss	0	0
Exchange differences on translating foreign operations, before tax	−729	1,829
Deferred taxes relating to exchange differences on translating foreign operations	0	0
Exchange differences on translating foreign operations, net of tax	−729	1,829
Cash flow hedges		
Fair value changes recognized in other comprehensive income	3,912	−7,589
Transferred to profit or loss	894	2,243
Cash flow hedges, before tax	4,806	−5,346
Deferred taxes relating to cash flow hedges	−1,401	1,576
Cash flow hedges, net of tax	3,405	−3,770
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	60	588
Transferred to profit or loss	16	−182
Available-for-sale financial assets, before tax	76	406
Deferred taxes relating to available-for-sale financial assets	−20	50
Available-for-sale financial assets, net of tax	56	456
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	−172	473
Items that may be reclassified subsequently to profit or loss	**2,560**	**−1,011**
Other comprehensive income, before tax	−3,531	−867
Deferred taxes relating to other comprehensive income	798	1,104
Other comprehensive income, net of tax	**−2,733**	**237**
Total comprehensive income	**846**	**5,900**
of which attributable to		
Noncontrolling interests	4	8
Volkswagen AG hybrid capital investors	112	99
Volkswagen AG shareholders	730	5,794

INCOME STATEMENT FOR THE PERIOD APRIL 1 TO JUNE 30

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE[1]		FINANCIAL SERVICES	
€ million	2016	2015	2016	2015	2016	2015
Sales revenue	**56,971**	**56,041**	**49,017**	**48,287**	**7,954**	**7,754**
Cost of sales	−46,124	−44,652	−39,565	−38,454	−6,559	−6,198
Gross profit	**10,847**	**11,389**	**9,452**	**9,832**	**1,395**	**1,557**
Distribution expenses	−5,647	−5,455	−5,351	−5,144	−295	−311
Administrative expenses	−1,890	−1,811	−1,513	−1,399	−377	−412
Other operating income/expense	−1,412	−631	−1,275	−446	−137	−186
Operating profit	**1,899**	**3,492**	**1,312**	**2,844**	**587**	**648**
Share of profits and losses of equity-accounted investments	601	1,095	585	1,086	16	8
Other financial result	−892	−891	−896	−917	4	26
Financial result	**−291**	**204**	**−312**	**170**	**20**	**34**
Profit before tax	**1,607**	**3,696**	**1,000**	**3,014**	**607**	**682**
Income tax expense	−393	−965	−197	−687	−197	−278
Profit after tax	**1,214**	**2,731**	**804**	**2,328**	**410**	**404**
of which attributable to						
Noncontrolling interests	3	5	0	−1	3	6
Volkswagen AG hybrid capital investors	56	56	56	56	–	–
Volkswagen AG shareholders	1,155	2,671	748	2,273	408	398
Basic earnings per ordinary share (€)[2]	**2.30**	**5.33**				
Diluted earnings per ordinary share (€)[2]	**2.30**	**5.33**				
Basic earnings per preferred share (€)[2]	**2.30**	**5.33**				
Diluted earnings per preferred share (€)[2]	**2.30**	**5.33**				

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 restated to reflect application of IAS 33.26.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD APRIL 1 TO JUNE 30

€ million	2016	2015
Profit after tax	**1,214**	**2,731**
Pension plan remeasurements recognized in other comprehensive income		
Pension plan remeasurements recognized in other comprehensive income, before tax	−3,201	7,281
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	946	−2,159
Pension plan remeasurements recognized in other comprehensive income, net of tax	−2,255	5,123
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	**−2,255**	**5,123**
Exchange differences on translating foreign operations		
Unrealized currency translation gains/losses	153	−697
Transferred to profit or loss	–	0
Exchange differences on translating foreign operations, before tax	153	−697
Deferred taxes relating to exchange differences on translating foreign operations	0	0
Exchange differences on translating foreign operations, net of tax	153	−697
Cash flow hedges		
Fair value changes recognized in other comprehensive income	−80	1,854
Transferred to profit or loss	467	1,100
Cash flow hedges, before tax	387	2,955
Deferred taxes relating to cash flow hedges	−115	−845
Cash flow hedges, net of tax	272	2,110
Available-for-sale financial assets		
Fair value changes recognized in other comprehensive income	38	168
Transferred to profit or loss	−16	−142
Available-for-sale financial assets, before tax	22	26
Deferred taxes relating to available-for-sale financial assets	−7	61
Available-for-sale financial assets, net of tax	14	87
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	−2	−158
Items that may be reclassified subsequently to profit or loss	**438**	**1,342**
Other comprehensive income, before tax	−2,641	9,406
Deferred taxes relating to other comprehensive income	824	−2,942
Other comprehensive income, net of tax	**−1,817**	**6,464**
Total comprehensive income	**−603**	**9,196**
of which attributable to		
Noncontrolling interests	2	6
Volkswagen AG hybrid capital investors	56	56
Volkswagen AG shareholders	−661	9,134

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

	VOLKSWAGEN GROUP		DIVISIONS			
			AUTOMOTIVE*		FINANCIAL SERVICES	
€ million	2016	2015	2016	2015	2016	2015
Assets						
Noncurrent assets	**238,320**	**236,548**	**130,210**	**132,812**	**108,110**	**103,736**
Intangible assets	61,483	61,147	61,262	60,918	220	228
Property, plant and equipment	50,364	50,171	47,916	47,768	2,448	2,403
Lease assets	35,210	33,173	3,099	2,931	32,111	30,242
Financial services receivables	65,132	63,185	9	–	65,123	63,185
Investments, equity-accounted investments and other equity investments, other receivables and financial assets	26,132	28,873	17,924	21,195	8,207	7,678
Current assets	**163,109**	**145,387**	**90,622**	**74,019**	**72,487**	**71,367**
Inventories	37,716	35,048	33,739	31,369	3,977	3,679
Financial services receivables	47,805	46,888	−678	−614	48,482	47,502
Other receivables and financial assets	32,646	27,572	20,842	15,315	11,804	12,257
Marketable securities	15,252	15,007	12,486	12,261	2,766	2,747
Cash, cash equivalents and time deposits	29,691	20,871	24,233	15,688	5,457	5,183
Total assets	**401,429**	**381,935**	**220,832**	**206,831**	**180,597**	**175,103**
Equity and Liabilities						
Equity	**88,890**	**88,270**	**66,947**	**67,366**	**21,943**	**20,905**
Equity attributable to Volkswagen AG shareholders	81,156	80,500	59,546	59,898	21,610	20,603
Equity attributable to Volkswagen AG hybrid capital investors	7,519	7,560	7,519	7,560	–	–
Equity attributable to Volkswagen AG shareholders and hybrid capital investors	88,675	88,060	67,065	67,458	21,610	20,603
Noncontrolling interests	215	210	−118	−92	333	302
Noncurrent liabilities	**151,713**	**145,175**	**79,201**	**73,568**	**72,512**	**71,607**
Financial liabilities	70,499	73,292	6,468	9,557	64,031	63,735
Provisions for pensions	35,247	27,535	34,692	27,119	555	415
Other liabilities	45,967	44,349	38,041	36,892	7,926	7,457
Current liabilities	**160,826**	**148,489**	**74,684**	**65,898**	**86,142**	**82,591**
Put options and compensation rights granted to noncontrolling interest shareholders	3,689	3,933	3,689	3,933	–	–
Financial liabilities	81,706	72,313	2,316	−3,974	79,390	76,286
Trade payables	21,811	20,460	19,559	18,709	2,252	1,751
Other liabilities	53,621	51,783	49,121	47,229	4,499	4,554
Total equity and liabilities	**401,429**	**381,935**	**220,832**	**206,831**	**180,597**	**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	–	–	5,558	–
Other comprehensive income, net of tax	–	–	1,250	1,828
Total comprehensive income	**–**	**–**	**6,809**	**1,828**
Capital increase*	0	0	–	–
Dividend payment	–	–	−2,294	–
Capital transactions involving a change in ownership interest	–	–	0	–
Other changes	–	–	−7	–
Balance at June 30, 2015	**1,218**	**14,616**	**75,704**	**51**
Balance at Jan. 1, 2016	**1,283**	**14,551**	**69,039**	**−987**
Profit after tax	–	–	3,461	–
Other comprehensive income, net of tax	–	–	−5,291	−729
Total comprehensive income	**–**	**–**	**−1,829**	**−729**
Capital increase	–	–	–	–
Dividend payment	–	–	−68	–
Capital transactions involving a change in ownership interest	–	–	–	–
Other changes	–	–	−13	–
Balance at June 30, 2016	**1,283**	**14,551**	**67,130**	**−1,716**

* 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**
–	–	–	99	5,657	7	5,663
−3,769	456	470	–	235	1	237
−3,769	**456**	**470**	**99**	**5,892**	**8**	**5,900**
–	–	–	2,469	2,469	–	2,469
–	–	–	−128	−2,422	−6	−2,429
–	–	–	–	0	0	0
–	–	–	32	25	7	32
−5,485	**1,719**	**618**	**7,513**	**95,955**	**207**	**96,162**
−3,912	**−16**	**542**	**7,560**	**88,060**	**210**	**88,270**
–	–	–	112	3,573	6	3,579
3,405	56	−173	–	−2,731	−2	−2,733
3,405	**56**	**−173**	**112**	**842**	**4**	**846**
–	–	–	–	–	–	–
–	–	–	−204	−272	−5	−277
–	–	–	–	–	–	–
–	–	6	51	44	7	51
−507	**40**	**376**	**7,519**	**88,675**	**215**	**88,890**

CASH FLOW STATEMENT FOR THE PERIOD JANUARY 1 TO JUNE 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	4,810	7,664	3,667	6,485	1,144	1,179
Income taxes paid	–1,724	–1,924	–2,138	–1,841	414	–83
Depreciation and amortization expense[3]	10,007	8,947	6,813	6,159	3,195	2,788
Change in pension provisions	169	209	165	200	3	9
Other noncash income/expense and reclassifications[4]	1,977	3, 334	1,981	3,002	–4	332
Gross cash flow	**15,239**	**18,230**	**10,487**	**14,005**	**4,752**	**4,225**
Change in working capital	**–10,128**	**–10,783**	**–751**	**–2,771**	**–9,377**	**–8,012**
Change in inventories	–2,835	–2,797	–2,516	–2,967	–319	170
Change in receivables	–4,545	–3,824	–4,486	–3,864	–59	40
Change in liabilities	4,488	3,376	3,650	2,964	838	412
Change in other provisions	3,159	1,425	3,092	1,412	67	12
Change in lease assets (excluding depreciation)	–6,078	–4,845	–567	–391	–5,511	–4,454
Change in financial services receivables	–4,318	–4,118	76	74	–4,393	–4,192
Cash flows from operating activities	**5,111**	**7,447**	**9,736**	**11,234**	**–4,625**	**–3,787**
Cash flows from investing activities attributable to operating activities	**–5,149**	**–6,993**	**–4,601**	**–6,761**	**–548**	**–231**
of which: Investments in intangible assets (excluding capitalized development costs), property, plant and equipment, and investment property	–4,661	–4,823	–4,515	–4,652	–146	–171
capitalized development costs	–2,582	–2,170	–2,582	–2,170	–	–
acquisition and disposal of equity investments	1,917	–166	2,338	–89	–420	–77
Net cash flow[5]	***–38***	***454***	***5,135***	***4,473***	***–5,173***	***–4,018***
Change in investments in securities and loans	926	–3,944	1,112	–3,121	–186	–823
Cash flows from investing activities	**–4,224**	**–10,937**	**–3,489**	**–9,882**	**–735**	**–1,055**
Cash flows from financing activities	**8,169**	**1,318**	**2,502**	**–2,964**	**5,667**	**4,282**
Effect of exchange rate changes on cash and cash equivalents	–179	444	–143	401	–36	43
Net change in cash and cash equivalents	**8,877**	**–1,728**	**8,605**	**–1,212**	**271**	**–516**
Cash and cash equivalents at June 30	**29,338**	**16,906**	**23,899**	**14,798**	**5,439**	**2,108**
Securities, loans and time deposits	23,328	23,166	13,663	14,765	9,665	8,401
Gross liquidity	**52,666**	**40,072**	**37,561**	**29,563**	**15,104**	**10,509**
Total third-party borrowings	–152,205	–139,378	–8,784	–8,074	–143,421	–131,304
Net liquidity at June 30	**–99,539**	**–99,306**	**28,778**	**21,489**	**–128,317**	**–120,796**
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 June 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 interim group 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 €319 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 1.5% (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 €1.6 billion were recognized in the first six months of 2016. These additions resulted from an increase in the provisions for legal risks amounting to €1.7 billion, higher warranty costs amounting to €0.1 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 the antitrust proceedings and the replacement of airbags manufactured and supplied by Takata can be found in the "Litigation" and "Contingent assets and 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.

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

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

OTHER EQUITY INVESTMENTS

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

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

DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Sales revenue

STRUCTURE OF GROUP SALES REVENUE

€ million	H1 2016	H1 2015
Vehicles	68,890	71,823
Genuine parts	7,582	7,237
Used vehicles and third-party products	6,479	5,509
Engines, powertrains and parts deliveries	4,782	4,672
Power Engineering	1,672	1,812
Motorcycles	409	361
Leasing business	10,775	10,170
Interest and similar income	3,309	3,409
Other sales revenue	4,038	3,783
	107,935	**108,776**

2. Cost of sales

Cost of sales includes interest expenses of €948 million (previous year: €972 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 €572 million (previous year: €260 million). The value in use of Volkswagen Group products is used as the basis for calculating impairment losses. The increase in impairment losses is primarily a result of 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	H1 2016	H1 2015	%
Total research and development costs	6,619	6,648	–0.4
of which: capitalized development costs	2,582	2,170	19.0
Capitalization ratio in %	39.0	32.6	
Amortization of capitalized development costs	1,803	1,521	18.6
Research and development costs recognized in the income statement	**5,840**	**5,999**	**–2.6**

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.

		Q2		H1	
		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	1,214	2,731	3,579	5,663
Noncontrolling interests	€ million	3	5	6	7
Profit attributable to Volkswagen AG hybrid capital investors	€ million	56	56	112	99
Profit attributable to Volkswagen AG shareholders	€ million	1,155	2,671	3,461	5,558
Earnings per share					
Ordinary shares: basic	€	2.30	5.33	6.88	11.06
diluted	€	2.30	5.33	6.88	11.06
Preferred shares: basic	€	2.30	5.33	6.94	11.12
diluted	€	2.30	5.33	6.94	11.12

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

5. Noncurrent assets

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

€ million	Carrying amount at Jan. 1, 2016	Additions/ Changes in consolidated Group	Disposals/ Other changes	Depreciation and amortization	Carrying amount at June 30, 2016
Intangible assets	61,147	2,701	80	2,284	61,483
Property, plant and equipment	50,171	4,606	193	4,220	50,364
Lease assets	33,173	10,064	4,542	3,485	35,210

6. Inventories

€ million	June 30, 2016	Dec. 31, 2015
Raw materials, consumables and supplies	4,155	4,021
Work in progress	3,891	3,927
Finished goods and purchased merchandise	24,778	23,083
Current lease assets	4,688	3,861
Prepayments	204	156
	37,716	**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	June 30, 2016	Dec. 31, 2015
Trade receivables	12,987	11,132
Miscellaneous other receivables and financial assets	19,660	16,440
	32,646	**27,572**

In the period January 1 to June 30, 2016, impairment losses and reversals of impairment losses on noncurrent and current financial assets reduced operating profit by €271 million (previous year: €386 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	June 30, 2016	Dec. 31, 2015
Bonds, commercial paper and notes	56,175	58,824
Liabilities to banks	9,686	11,101
Deposit business	2,544	1,141
Other financial liabilities	2,093	2,226
	70,499	**73,292**

10. Current financial liabilities

€ million	June 30, 2016	Dec. 31, 2015
Bonds, commercial paper and notes	33,799	30,319
Liabilities to banks	17,682	16,018
Deposit business	29,452	25,357
Other financial liabilities	772	618
	81,706	**72,313**

11. Fair value disclosures

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

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

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

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

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

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

Reconciliation of balance sheet items to classes of financial instruments

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

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

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

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

RECONCILIATION OF BALANCE SHEET ITEMS TO CLASSES OF FINANCIAL INSTRUMENTS AS OF JUNE 30, 2016

	MEASURED AT FAIR VALUE	MEASURED AT AMORTIZED COST		DERIVATIVE FINANCIAL INSTRUMENTS WITHIN HEDGE ACCOUNTING	NOT WITHIN SCOPE OF IFRS 7	BALANCE SHEET ITEM AT JUNE 30, 2016
€ million	Carrying amount	Carrying amount	Fair value	Carrying amount	Carrying amount	
Noncurrent assets						
Equity-accounted investments	–	–	–	–	6,897	6,897
Other equity investments	181	–	–	–	746	927
Financial services receivables	–	65,132	67,321	–	–	65,132
Other financial assets	16	2,930	2,978	2,946	–	5,892
Current assets						
Trade receivables	–	12,987	12,987	–	–	12,987
Financial services receivables	–	47,805	47,805	–	–	47,805
Other financial assets	748	9,904	9,904	1,553	–	12,205
Marketable securities	15,252	–	–	–	–	15,252
Cash, cash equivalents and time deposits	–	29,691	29,691	–	–	29,691
Noncurrent liabilities						
Noncurrent financial liabilities	–	70,499	70,890	–	–	70,499
Other noncurrent financial liabilities	1,049	2,039	2,043	1,454	–	4,542
Current liabilities						
Put options and compensation rights granted to noncontrolling interest shareholders	–	3,689	3,826	–	–	3,689
Current financial liabilities	–	81,706	81,706	–	–	81,706
Trade payables	–	21,811	21,811	–	–	21,811
Other current financial liabilities	1,310	5,989	5,989	1,801	–	9,099

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	June 30, 2016	Level 1	Level 2	Level 3
Noncurrent assets				
Other equity investments	181	89	–	92
Other financial assets	16	–	−10	26
Current assets				
Other financial assets	748	–	741	7
Marketable securities	15,252	15,252	–	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,049	–	906	143
Current liabilities				
Other current financial liabilities	1,310	–	1,244	65

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	June 30, 2016	Level 1	Level 2	Level 3
Noncurrent assets				
Other financial assets	2,946	–	2,942	3
Current assets				
Other financial assets	1,553	–	1,553	–
Noncurrent liabilities				
Other noncurrent financial liabilities	1,454	–	1,453	1
Current liabilities				
Other current financial liabilities	1,801	–	1,801	–

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	6	0
Total comprehensive income	1	66
recognized in profit or loss	0	62
recognized in other comprehensive income	1	4
Additions (purchases)	0	–
Sales and settlements	−5	−36
Transfers into Level 2	0	−20
Balance at June 30, 2015*	**181**	**259**
Total gains or losses recognized in profit or loss	**0**	**−62**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	0	−62
of which attributable to assets/liabilities held at the reporting date	1	−10

* 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	9	16
recognized in profit or loss	5	19
recognized in other comprehensive income	3	−3
Additions (purchases)	1	–
Sales and settlements	−1	−36
Transfers into Level 2	0	−23
Balance at June 30, 2016	**125**	**208**
Total gains or losses recognized in profit or loss	**5**	**−19**
Net other operating expense/income	–	–
of which attributable to assets/liabilities held at the reporting date	–	–
Financial result	5	−19
of which attributable to assets/liabilities held at the reporting date	5	1

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 June 30, 2016, profit after tax would have been €5 million higher (lower) and equity would have been €2 million higher (lower).

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

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

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

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

If the prices for the used cars covered by the residual value protection model had been 10% higher as of June 30, 2016, earnings after tax would have been €244 million higher. If the prices for the used cars covered by the residual value protection model had been 10% lower as of June 30, 2016, earnings after tax would have been €244 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	June 30, 2016	June 30, 2015
Cash, cash equivalents and time deposits as reported in the balance sheet	29,691	17,598
Time deposits	−352	−691
Cash and cash equivalents as reported in the cash flow statement	**29,338**	**16,906**

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

	H1	
€ million	2016	2015*
Capital contributions	–	2,457
Dividends paid	−277	−2,429
Capital transactions with noncontrolling interest shareholders	−3	0
Other changes	−19	−2
Proceeds from issuance of bonds	4,560	12,963
Repayment of bonds	−12,464	−10,204
Change in other financial liabilities	16,394	−1,452
Lease payments	−22	−16
	8,169	**1,318**

* Prior-year figures adjusted.

13. Segment reporting

Segments are identified on the basis of the Volkswagen Group's internal management and reporting. In line with the Group's multibrand strategy, each of its brands (operating segments) is managed by its own board of management. The Group targets and requirements laid down by the Board of Management of Volkswagen AG must be complied with. Segment reporting comprises four reportable segments: Passenger Cars, Commercial Vehicles, Power Engineering and Financial Services. The operating segments are combined into reportable segments based on similar economic characteristics (in particular the nature of the products or services, integration in the development, production and sales processes, and similar customer groups).

The activities of the Passenger Cars segment cover the development of vehicles and engines, the production and sale of passenger cars, and the corresponding genuine parts business. As a rule, the Volkswagen Group's individual passenger car brands are combined on a consolidated basis into a single reportable segment.

The Commercial Vehicles segment primarily comprises the development, production and sale of light commercial vehicles, trucks and buses, the corresponding genuine parts business and related services.

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

The activities of the Financial Services segment comprise dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility services.

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

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

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

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

REPORTING SEGMENTS: H1 2015

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	81,358	12,150	1,812	13,364	108,684	92	108,776
Intersegment sales revenue	7,760	3,001	1	1,319	12,081	−12,081	–
Total sales revenue	89,118	15,151	1,813	14,683	120,765	−11,989	108,776
Segment profit or loss (operating profit or loss)	6,215	349	5	1,120	7,689	−868	6,820

REPORTING SEGMENTS: H1 2016

€ million	Passenger Cars	Commercial Vehicles	Power Engineering	Financial Services	Total segments	Reconciliation	Volkswagen Group
Sales revenue from external customers	80,074	12,410	1,672	13,850	108,005	−70	107,935
Intersegment sales revenue	8,833	3,179	1	1,539	13,553	−13,553	–
Total sales revenue	88,907	15,589	1,673	15,388	121,558	−13,623	107,935
Segment profit or loss (operating profit or loss)	4,145	285	−18	1,177	5,589	−250	5,339

RECONCILIATION

	H1	
€ million	2016	2015
Segment profit or loss (operating profit or loss)	**5,589**	**7,689**
Unallocated activities	40	113
Group financing	12	10
Consolidation	−302	−991
Operating profit	**5,339**	**6,820**
Financial result	**−528**	**843**
Consolidated profit before tax	**4,810**	**7,664**

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 June 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 H1		SUPPLIES AND SERVICES RECEIVED H1	
€ million	2016	2015	2016	2015
Porsche SE	6	5	1	2
Supervisory Board members	1	3	2	2
Unconsolidated subsidiaries	419	571	340	353
Joint ventures and their majority interests	6,477	6,367	559	566
Associates and their majority interests	96	59	374	311
State of Lower Saxony, its majority interests and joint ventures	2	2	2	1

	RECEIVABLES (INCLUDING COLLATERAL) FROM		LIABILITIES (INCLUDING OBLIGATIONS) TO	
€ million	June 30, 2016	Dec. 31, 2015	June 30, 2016	Dec. 31, 2015
Porsche SE	329	334	101	110
Supervisory Board members	0	0	278	165
Unconsolidated subsidiaries	1,146	1,015	1,022	1,418
Joint ventures and their majority interests	8,500	7,495	1,649	2,343
Associates and their majority interests	63	40	452	518
State of Lower Saxony, its majority interests and joint ventures	1	0	0	0

The supplies and services received from joint ventures and associates in the first six months do not include resolved dividend distributions amounting to €3,488 million (previous year: €4,589 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 €278 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 €115 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 €0.6 million were recognized in the second quarter because of the share price performance in the period up to June 30, 2016. The fair value of the obligation to members of the Board of Management as of June 30, 2016 amounts to €4.9 million. If all members of the Board of Management had left as of June 30, 2016, the obligation (intrinsic value) would have amounted to a total of €4.9 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:

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, the U.S. Environmental Protection Agency (EPA), the U.S. Federal Trade Commission, the California Air Resources Board (CARB) and private plaintiffs represented by a Plaintiffs' Steering Committee (PSC) in the Multi-District Litigation pending in California. The settlement agreements, if finally approved, 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. The settlement agreements are subject to final court approval.

The proposed settlements provide affected customers with the option of a buyback or, for leased vehicles, early lease termination or a free technical modification of the vehicles, provided that EPA and CARB approve the appropriate modification measures. Volkswagen will also make cash payments to affected owners and 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 10 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.

US LAWSUITS ALLEGING CLAIMS FOR CIVIL ENVIRONMENTAL PENALTIES

On July 19, 2016, the US states Maryland, Massachusetts and New York filed complaints in their respective state courts against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates seeking civil penalties and injunctive relief for alleged violations of environmental laws. Maryland, Massachusetts and New York 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.

To protect against the currently known legal risks, including suitable expenses for defense and legal advice related to the diesel issue, the current information and assessments in the reporting period indicated a requirement to recognize additional provisions of €1.7 billion. Unused provisions for legal risks amounting to €0.4 billion were reversed. There were no material adjustments to the existing contingent liabilities in connection with the diesel issue.

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 assets and liabilities

On May 5, 2016, the U.S. National Highway Traffic Safety Administration (NHTSA) announced, jointly with the Takata company, a further extension of the recall for various models from different manufacturers containing certain airbags produced by the Takata company. 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 €501 million to €4,001 million compared with the 2015 consolidated financial statements, particularly because of exchange rate effects.

18. Other financial obligations

Other financial obligations remained essentially unchanged as against the 2015 consolidated financial statements. An increase in the purchase order commitment for property, plant and equipment and services was 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 six months of 2016.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in accordance with German accepted accounting principles, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Wolfsburg, July 28, 2016

Volkswagen Aktiengesellschaft

The Board of Management

Matthias Müller	Karlheinz Blessing	Herbert Diess
Francisco Javier Garcia Sanz	Jochem Heizmann	Christine Hohmann-Dennhardt
Andreas Renschler	Rupert Stadler	Frank Witter

Review Report

On completion of our review, we issued the following unqualified auditors' report dated July 28, 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 June 30, 2016, which are part of the half-yearly 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, July 28, 2016

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FINANCIAL CALENDAR

October 27, 2016
Interim Report January – September 2016

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

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

Printed in Germany
658.809.568.20