Notes to the Consolidated Financial Statements

of the Volkswagen Group as of December 31, 2016

Basis of presentation

Volkswagen AG is domiciled in Wolfsburg, Germany, and entered in the commercial register at the Braunschweig Local Court under No. HRB100484. The fiscal year corresponds to the calendar year.

In accordance with Regulation No. 1606/2002 of the European Parliament and of the Council, Volkswagen AG prepared its consolidated financial statements for 2016 in compliance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. We have complied with all the IFRSs adopted by the EU and required to be applied.

The accounting policies applied in the previous year were retained, with the exception of the changes due to the new or amended standards.

In addition, we have complied with all the provisions of German commercial law that we are also required to apply, as well as with the German Corporate Governance Code. For information on notices and disclosures of changes regarding the ownership of voting rights in Volkswagen AG in accordance with the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), please refer to the annual financial statements of Volkswagen AG.

The consolidated financial statements were prepared in euros. Unless otherwise stated, all amounts are given in millions of euros (€ million).

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

The income statement was prepared using the internationally accepted cost of sales method.

Preparation of the consolidated financial statements in accordance with the above-mentioned standards requires management to make estimates that affect the reported amounts of certain items in the consolidated balance sheet and in the consolidated income statement, as well as the related disclosure of contingent assets and liabilities. The consolidated financial statements present fairly the net assets, financial position and results of operations as well as the cash flows of the Volkswagen Group.

The Board of Management completed preparation of the consolidated financial statements on February 24, 2017. On that date, the period ended in which adjusting events after the reporting period are recognized.

Effects of new and amended IFRSs

Volkswagen AG has applied all accounting pronouncements adopted by the EU and effective for periods beginning in fiscal year 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 entail clarifications in relation to 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 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.

Furthermore, IAS 1 made clarifications and amendments for IFRS reporting with effect from January 1, 2016. The amendments also specified that disclosures are only required in the consolidated financial statements if the content is material.

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

New and amended IFRSs not applied

In its 2016 consolidated financial statements, Volkswagen AG did not apply the following accounting pronouncements that have already been adopted by the IASB, but were not yet required to be applied for the fiscal year.

Standard/Interpretation		Published by the IASB	Application mandatory[1]	Adopted by the EU	Expected impact
IFRS 2	Classification and Measurement of Share-based Payment Transactions	June 20, 2016	January 1, 2018	No	None
IFRS 4	Insurance Contracts: Application of IFRS 9 for insurers	September 12, 2016	January 1, 2018	No	None
IFRS 9	Financial instruments	July 24, 2014	January 1, 2018	Yes	Detailed descriptions after the tabular overview
IFRS 10 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sales or Contributions of Assets between an Investor and its Associate/Joint Venture	September 11, 2014	Deferred[2]	–	None
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	January 1, 2018[3]	Yes	Detailed descriptions after the tabular overview
	Clarifications of IFRS 15 – Revenue from Contracts with Customers	April 12, 2016	January 1, 2018	No	Additional transitional expedients, otherwise no material impact
IFRS 16	Leases	January 13, 2016	January 1, 2019	No	Detailed descriptions after the tabular overview
IAS 7	Statement of Cash Flows: Disclosure Initiative	January 29, 2016	January 1, 2017	No	Preparation of a reconciliation statement for liabilities from financing activities
IAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses	January 19, 2016	January 1, 2017	No	No material impact

IAS 40	Transfers of Investment Property	December 8, 2016	January 1, 2018	No	No material impact
	Annual Improvements to International Financial Reporting Standards 2016[4]	December 8, 2016	January 1, 2018[5]	No	No material impact
IFRIC 22	Foreign Currency Transactions and Advance Consideration	December 8, 2016	January 1, 2018	No	Translation of advance payments denominated in foreign currency into the functional currency at the spot rate on the day of payment

1 Effective date from Volkswagen AG's perspective.
2 The IASB decided on December 15, 2015 to defer the effective date indefinitely.
3 Deferred until January 1, 2018 (IASB decision of September 11, 2015).
4 Minor amendments to a number of IFRSs (IFRS 1, IFRS 12, IAS 28).
5 This relates to the effective date of the amendments to IFRS 1 and IAS 28; the effective date for the IFRS 12 is January 1, 2017.

IFRS 9 – FINANCIAL INSTRUMENTS

IFRS 9 "Financial Instruments" changes the accounting requirements for classifying and measuring financial assets, for impairment of financial assets, and for hedge accounting.

Financial assets are classified and measured on the basis of the entity's business model and the characteristics of the financial asset's cash flows. A financial asset is initially measured either "at amortized cost", "at fair value through other comprehensive income", or "at fair value through profit or loss". The Volkswagen Group does not expect IFRS 9 to result in material changes in the updated classification of its financial assets. The classification of financial liabilities under IFRS 9 is largely unchanged compared with the current accounting requirements of IAS 39.

The basis for measuring impairment losses and recognizing loss allowances will switch from an incurred loss model to an expected credit loss model. We expect that this change in the requirements will tend to increase the amount of recognized loss allowances. This expectation is based, first, on the requirement to recognize a loss allowance on the basis of expected credit losses in the first 12 months in the case of financial assets not classified as non-performing and whose credit risk has not increased significantly since initial recognition. It is based, second, on the assessment that for financial assets for which there has been a signifycant increase in credit risk since initial recognition, loss allowances must be recognized on the basis of the entire remaining life of the contractual asset.

In the case of hedge accounting, IFRS 9 contains both extended designation options and the need to implement more complex measurement methods. In addition, IFRS 9 also eliminates the quantitative limits for effectiveness testing.

IFRS 9 will have a particularly significant impact on the entity's reclassification practice. Depending on market trends, there is an expectation that operating profit or loss will be affected by hedging transactions to a greater extent.

This will also result in far more extensive disclosures.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 revises the accounting requirements governing revenue recognition. The Volkswagen Group expects that the changes resulting from IFRS 15 will lead to minor shifts in the recognition of revenue from warranty and licensing agreements for construction contracts. No significant changes over and above this are expected, in particular in the case of multiple-element arrangements. The Volkswagen Group plans to apply the modified retrospective transitional method under which the cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of equity in 2018.

This will also result in far more extensive disclosures.

IFRS 16 – LEASES

IFRS 16 changes the accounting for leases. The main objective of IFRS 16 is to recognize all leases. It establishes that lessees are no longer required to classify their leases as either finance leases or operating leases. In the future, they will instead be required to recognize a right-of-use asset and a lease liability for all leases in the statement of financial position. Exceptions will only be made for short-term leases and leases of low-value assets. During the lease term, the right-of-use asset must be depreciated and the lease liability adjusted using an effective interest method and taking the lease payments into account. The new lessee accounting model will therefore tend to increase noncurrent assets and noncurrent liabilities. In the income statement this change is expected to improve the operating result and reduce the financial result. It will also lead to far more extensive disclosures. Lessor accounting essentially follows the current guidance of IAS 17. In the future, lessors will continue to classify their leases as finance leases or operating leases on the basis of the risks and rewards incidental to ownership of the leased asset.

Key events

On September 18, 2015, the US 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. Volkswagen admitted to irregularities in this context. In its ad hoc release dated September 22, 2015, the Volkswagen Group announced that noticeable discrepancies between the figures achieved in testing and in actual road use had been identified in around eleven million vehicles worldwide with certain diesel engines.

On November 2, 2015, the EPA issued another "Notice of Violation" alleging that irregularities had also been discovered in the software installed in vehicles with type V6 3.0 l TDI diesel engines. Audi has confirmed that at least three auxiliary emission control devices (AECDs) were not disclosed in the course of the US approval documentation of vehicles with six-cylinder V6 3.0 l TDI diesel engines.

Consequently, the Volkswagen Group has recognized expenses directly related to the diesel issue in 2015 in the total amount of €16.2 billion in operating result. This primarily entailed recognizing provisions for field activities (service measures and recalls) and for repurchases in the amount of €7.8 billion, as well as €7.0 billion for legal risks.

Additional expenses of €6.4 billion were recognized in fiscal year 2016 in connection with the diesel issue. These additions resulted from an increase in expenses attributable to legal risks amounting to €5.1 billion, higher warranty costs amounting to €0.4 billion, specific sales programs amounting to €0.5 billion, impairment losses on inventories amounting to €0.3 billion and impairment losses on intangible assets and property, plant and equipment amounting to €0.3 billion, which are offset by impairment reversals of noncurrent and current lease assets in the amount of €0.1 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. In addition, provisions of €0.3 billion were recognized for the investments totaling USD 2.0 billion over 10 years in zero emissions vehicle infrastructure as well as corresponding access and awareness initiatives for these technologies to which the Volkswagen Group had committed itself in the settlement agreements. 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. The translation at the reporting date of provisions denominated in foreign currencies resulted in expenses of €0.2 billion after hedging.

In addition, expenses were recognized for restructuring measures in the trucks and passenger car business in South America (€0.3 billion) and in the Power Engineering segment (€0.2 billion). Provisions of €0.4 billion were recognized for the antitrust proceedings that the European Commission opened in 2011 against European truck manufacturers including MAN and Scania. Additional provisions amounting to €0.3 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 litigation in connection with the diesel issue as well as the antitrust proceedings and the replacement of airbags manufactured and supplied by Takata can be found in the “Litigation” and “Contingent liabilities” sections.

Based on current information, fiscal year 2014 is not affected by the effects of the diesel issue. In the months after the International Council on Clean Transportation (ICCT) study was published in May 2014, the test set-ups on which the ICCT study was based were repeated in house at Volkswagen and the unusually high NO_x emissions confirmed. The US environmental authority of California – the California Air Resources Board (CARB) – was informed of this result, and at the same time the offer was made to recalibrate the type EA 189 diesel engines as part of a service measure that was already planned in the USA. This measure was evaluated and adopted by the Ausschuss für Produktsicherheit (APS – product safety committee), which includes, among others, employees from the technical development, quality assurance, sales, production, logistics, procurement and legal departments, as part of the existing processes within the Volkswagen Group. The APS thus plays a central role in the internal control system at Volkswagen AG. There are currently no findings to confirm that an unlawful “defeat device software” under US law was reported by the APS as the cause of the discrepancies to the persons responsible for preparing the 2014 annual and consolidated financial statements. Instead, at the time that the annual and consolidated financial statements were being prepared, this group of people remained under the impression that the issue could be solved with comparatively little effort as part of a field measure. By the summer of 2015, however, it was reliably recognized that the cause of the discrepancies was a software modification, that would qualify as a “defeat device” as defined by US environmental law. This culminated in the disclosure of the US “defeat device” to EPA and CARB on September 3, 2015. According to the assessment at that time of the members of the Board of Management dealing with the matter, the scope of the costs expected as a result by the Volkswagen Group (recall costs, retrofitting costs and financial penalties) was basically not dissimilar to that of previous cases in which other vehicle manufacturers were involved, and therefore appeared to be controllable overall with a view to the business activities of the Volkswagen Group. This appraisal by Volkswagen AG was based on the assessment of a law firm brought in in the USA for approval issues, according to which similar cases in the past were resolved amicably with the US authorities. Publication of a “Notice of Violation” by the EPA on September 18, 2015, which came as a surprise to the Company, on the facts and possible financial consequences, then presented the situation in a completely different light.

Also, the publications released by the reporting date, as well as the continued investigations and interviews in connection with the diesel issue, did not provide the Group Board of Management with any new reliable findings or assessments regarding the underlying facts and the assessment of the associated risks (e.g. investor lawsuits).

Basis of consolidation

In addition to Volkswagen AG, 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. In the case of the structured entities consolidated in the Volkswagen Group, Volkswagen is able to direct the material relevant activities remaining after the change in the structure even if it is not invested in the structured entity concerned and is thus able to influence the variable returns from its involvement. The structured entities are used primarily to enter into asset-backed securities transactions to refinance the financial services business and to invest surplus liquidity in special securities funds. Consolidation of subsidiaries begins at the first date on which control exists, and ends when such control no longer exists.

Subsidiaries whose business is dormant or of low volume and that are insignificant, both individually and in the aggregate, for the fair presentation of the net assets, financial position and results of operations as well as the cash flows of the Volkswagen Group are not consolidated. They were carried in the consolidated financial statements at cost net of any impairment losses and reversals of impairment losses required to be recognized.

Significant companies where Volkswagen AG is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or that are directly or indirectly jointly controlled (joint ventures), are accounted for using the equity method. Joint ventures also include companies in which the Volkswagen Group holds the majority of voting rights, but whose articles of association or partnership agreements stipulate that important decisions may only be resolved unanimously. Insignificant associates and joint ventures are carried at cost net of any impairment losses and reversals of impairment losses required to be recognized.

The composition of the Volkswagen Group is shown in the following table:

	2016	2015
Volkswagen AG and consolidated subsidiaries		
Germany	149	155
Abroad	919	885
Subsidiaries carried at cost		
Germany	74	63
Abroad	251	287
Associates, joint ventures and other equity investments		
Germany	47	45
Abroad	70	69
	1,510	**1,504**

The list of all shareholdings that forms part of the annual financial statements of Volkswagen AG can be downloaded from the electronic companies register at www.unternehmensregister.de and from www.volkswagenag.com/ir by clicking on “Further mandatory Publications” under the heading “Mandatory Publications”.

The following consolidated German subsidiaries with the legal form of a corporation or partnership meet the criteria set out in section 264(3) or section 264b of the Handelsgesetzbuch (HGB – German Commercial Code) due to their inclusion in the consolidated financial statements and have as far as possible exercised the option not to publish annual financial statements:

- Audi Berlin GmbH, Berlin
- Audi Frankfurt GmbH, Frankfurt am Main
- Audi Hamburg GmbH, Hamburg
- Audi Hannover GmbH, Hanover
- Audi Leipzig GmbH, Leipzig
- Audi Stuttgart GmbH, Stuttgart
- Autostadt GmbH, Wolfsburg
- AutoVision GmbH, Wolfsburg
- Bugatti Engineering GmbH, Wolfsburg

- Dr. Ing. h.c. F. Porsche AG, Stuttgart
- Haberl Beteiligungs-GmbH, Munich
- Karosseriewerk Porsche GmbH & Co. KG, Stuttgart
- MAHAG GmbH, Munich
- Porsche Connect GmbH, Stuttgart
- Porsche Consulting GmbH, Bietigheim-Bissingen
- Porsche Deutschland GmbH, Bietigheim-Bissingen
- Porsche Dienstleistungs GmbH, Stuttgart
- Porsche Engineering Group GmbH, Weissach
- Porsche Engineering Services GmbH, Bietigheim-Bissingen
- Porsche Financial Services GmbH & Co. KG, Bietigheim-Bissingen
- Porsche Financial Services GmbH, Bietigheim-Bissingen
- Porsche Holding Stuttgart GmbH, Stuttgart
- Porsche Leipzig GmbH, Leipzig
- Porsche Lizenz- und Handelsgesellschaft mbH & Co. KG, Ludwigsburg
- Porsche Logistik GmbH, Stuttgart
- Porsche Niederlassung Berlin GmbH, Berlin
- Porsche Niederlassung Berlin-Potsdam GmbH, Kleinmachnow
- Porsche Niederlassung Hamburg GmbH, Hamburg
- Porsche Niederlassung Leipzig GmbH, Leipzig
- Porsche Niederlassung Stuttgart GmbH, Stuttgart
- Porsche Nordamerika Holding GmbH, Ludwigsburg
- Porsche Siebte Vermögensverwaltung GmbH, Wolfsburg
- Porsche Zentrum Hoppegarten GmbH, Stuttgart
- Raffay Versicherungsdienst GmbH, Hamburg
- SKODA AUTO Deutschland GmbH, Weiterstadt
- VfL Wolfsburg-Fußball GmbH, Wolfsburg
- VGRD GmbH, Wolfsburg
- Volkswagen Automobile Berlin GmbH, Berlin
- Volkswagen Automobile Chemnitz GmbH, Chemnitz
- Volkswagen Automobile Frankfurt GmbH, Frankfurt am Main
- Volkswagen Automobile Hamburg GmbH, Hamburg
- Volkswagen Automobile Hannover GmbH, Hanover
- VOLKSWAGEN Automobile Leipzig GmbH, Leipzig
- Volkswagen Automobile Region Hannover GmbH, Hanover
- Volkswagen Automobile Rhein-Neckar GmbH, Mannheim
- Volkswagen Automobile Stuttgart GmbH, Stuttgart
- Volkswagen Gebrauchtfahrzeughandels und Service GmbH, Langenhagen
- Volkswagen Group Real Estate GmbH & Co. KG, Wolfsburg
- Volkswagen Immobilien GmbH, Wolfsburg
- Volkswagen Konzernlogistik GmbH & Co. OHG, Wolfsburg
- Volkswagen New Mobility GmbH, Wolfsburg
- Volkswagen Original Teile Logistik GmbH & Co. KG, Baunatal
- Volkswagen Osnabrück GmbH, Osnabrück
- Volkswagen R GmbH, Wolfsburg
- Volkswagen Sachsen GmbH, Zwickau
- Volkswagen Truck & Bus GmbH, Braunschweig
- Volkswagen Vertriebsbetreuungsgesellschaft mbH, Chemnitz
- Volkswagen Zubehör GmbH, Dreieich

CONSOLIDATED SUBSIDIARIES

The changes in the consolidated Group are shown in the following table:

Number	Germany	Abroad
Initially consolidated		
of which: subsidiaries previously carried at cost	3	52
of which: newly acquired subsidiaries	0	1
of which: newly formed subsidiaries	0	6
Deconsolidated		
of which: mergers	4	13
of which: liquidations	5	7
of which: sales/other	0	5

The initial inclusion of these subsidiaries, either individually or collectively, did not have a significant effect on the presentation of the net assets, financial position and results of operations. The unconsolidated structured entities are immaterial from a Group perspective. In particular, they do not give rise to any significant risks to the Group.

INVESTMENTS IN ASSOCIATES

From a Group perspective, the associates Sinotruk (Hong Kong) Ltd., Hongkong, China (Sinotruk), Bertrandt AG, Ehningen (Bertrandt) and There Holding B.V., Rijswijk, the Netherlands (There Holding) were material at the reporting date.

Sinotruk

Sinotruk is one of the largest truck manufacturers in the Chinese market. There is an agreement in place between Group companies and Sinotruk regarding a long-term strategic partnership, under which the Group participates in the local market. In addition to the partnership with Sinotruk in the volume segment, exports of MAN vehicles to China are also helping to expand access to the small, but fast-growing premium truck market. Sinotruk's principal place of business is in Hongkong, China.

As of December 31, 2016, the quoted market price of the shares in Sinotruk amounted to €466 million (previous year: €251 million).

Bertrandt

Bertrandt is an engineering partner to companies in the automotive and aviation industry. Its portfolio of services ranges from developing individual components through complex modules to end-to-end solutions. Bertrandt's principal place of business is in Ehningen.

As of December 31, 2016, the quoted market price of the shares in Bertrandt amounted to €284 million (previous year: €327 million).

There Holding

The Audi Group, the BMW Group and Daimler AG each hold 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, for a purchase price of €2,593 million. HERE develops and sells high-resolution maps with real-time location information. The purchase price was financed largely by way of capital contributions at There Holding B.V. Audi's share of it amounts to €668 million. The remainder of the purchase price was financed through bank loans at There Acquisition B.V. There Acquisition B.V. was renamed HERE International B.V. on January 29, 2016.

There Holding B.V. is an associate that is accounted for using the equity method. The identification of hidden reserves and liabilities was completed in the first quarter of 2016. In view of the timing of this, and also for reasons of materiality, There Holding was not included as of December 31, 2015 on the basis of the Group's share of profit or loss.

In December 2016, There Holding B.V. signed contracts to sell a total of 25% of its shares in HERE International B.V. A 15% share was acquired by Intel Holdings B.V. The sale of 15% of these shares to Intel Holdings B.V. was completed in January 2017. The remaining 10% was sold to a Chinese consortium consisting of NavInfo Co. Ltd., Tencent Holdings Ltd. and GIC Private Ltd. It is expected that this transaction will be completed in the first half of 2017, after it has been approved by the competent authorities.

Navistar

Volkswagen Truck & Bus GmbH, a wholly owned subsidiary of Volkswagen AG, and US-based commercial vehicles manufacturer Navistar International Corporation, Lisle, USA, announced on September 6, 2016 that they had entered into a far-reaching alliance. This includes framework agreements for a strategic technology and supply cooperation, as well as a procurement joint venture. Additionally, Volkswagen Truck & Bus will acquire a 16.6% equity interest in Navistar by subscribing for a capital increase. The share price amounts to USD 15.76 and the total purchase price comes to USD 0.3 billion. The closing of the transaction and hence the implementation of the strategic alliance is subject to certain regulatory approvals and other customary closing conditions. The closing of the share acquisition by Volkswagen Truck & Bus is further subject to the finalization of the agreement governing the procurement joint venture and of the first contract under the technology and supply cooperation. The transaction is expected to close in the first quarter of 2017.

SUMMARIZED FINANCIAL INFORMATION ON MATERIAL ASSOCIATES ON A 100% BASIS:

€ million	Sinotruk[1]	Bertrandt[2]	There Holding[3]
2016			
Equity interest (%)	25	29	33
Noncurrent assets	2,075	603	2,802
Current assets	4,034	492	592
Noncurrent liabilities	123	340	1,044
Current liabilities	3,029	168	518
Net assets	2,956	587	1,832
Sales revenue	4,116	992	1,240
Post-tax profit or loss from continuing operations	46	28	–167
Post-tax profit or loss from discontinued operations	–	–	–
Other comprehensive income	11	–1	–4
Total comprehensive income	57	27	–171
Dividends received	2	7	–
2015			
Equity interest (%)	25	29	33
Noncurrent assets	2,299	604	3,115
Current assets	4,472	341	365
Noncurrent liabilities	484	155	1,093
Current liabilities	3,204	205	384
Net assets	3,083	585	2,003
Sales revenue	4,079	935	–
Post-tax profit or loss from continuing operations	64	15	–
Post-tax profit or loss from discontinued operations	–	–	–
Other comprehensive income	–2	0	–
Total comprehensive income	62	15	–
Dividends received	5	7	–

1 Balance sheet amounts refer to the June 30 reporting date and income statement amounts refer to the period from July 1 to June 30.
2 Balance sheet amounts refer to the September 30 reporting date and income statement amounts refer to the period from October 1 to September 30.
3 Due to the first-time inclusion of the HERE Group in December 2015, the income statement disclosures for the current fiscal year relate to the period from December 5, 2015 to December 31, 2016. The information relating to the balance sheet in the previous year is based on the financial statement information available at the acquisition date of the HERE Group in December 2015.

RECONCILIATION OF THE FINANCIAL INFORMATION TO THE CARRYING AMOUNT OF THE EQUITY-ACCOUNTED INVESTMENTS:

€ million	Sinotruk	Bertrandt	There Holding[1]
2016			
Net assets at January 1	3,083	585	2,003
Profit or loss	46	28	–167
Other comprehensive income	11	–1	–4
Changes in reserves	30	–	–
Foreign exchange differences	–198	–	–
Dividends	–17	–25	–
Net assets at December 31	2,956	587	1,832
Proportionate equity	739	170	611
Consolidation/Goodwill/Others	–411	163	–
Carrying amount of equity-accounted investments	328	333	611
2015			
Net assets at January 1	2,490	592	2,003
Profit or loss	64	15	–
Other comprehensive income	–2	0	–
Changes in reserves	5	2	–
Foreign exchange differences	555	–	–
Dividends	–28	–24	–
Net assets at December 31	3,083	585	2,003
Proportionate equity	771	169	668
Consolidation/Goodwill/Others	–452	163	–
Carrying amount of equity-accounted investments	319	332	668

1 Due to the first-time inclusion of the HERE Group in December 2015, the the reconciliation of the net assets for the current fiscal year relates to the period from December 5, 2015 to December 31, 2016. In the case of the comparative amount presented for There Holding, the net carrying amount of the HERE Group at the acquisition date in the previous year is shown.

SUMMARIZED FINANCIAL INFORMATION ON INDIVIDUALLY IMMATERIAL ASSOCIATES ON THE BASIS OF THE VOLKSWAGEN GROUP'S PROPORTIONATE INTEREST:

€ million	2016	2015
Post-tax profit or loss from continuing operations	2	–1
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–1	1
Total comprehensive income	0	0
Carrying amount of equity-accounted investments	277	40

Unrecognized losses relating to investments in associates totaled €5 million (previous year: €3 million). There were no contingent liabilities relating to associates.

INTERESTS IN JOINT VENTURES

From a Group perspective, the joint ventures FAW-Volkswagen Automotive Company Ltd., Changchun, China, SAIC-Volkswagen Automotive Company Ltd., Shanghai, China (formerly: Shanghai-Volkswagen Automotive Company Ltd., Shanghai, China), SAIC-Volkswagen Sales Company Ltd., Shanghai, China (SAIC-Volkswagen Sales Company) and Global Mobility Holding B.V., Amsterdam, the Netherlands (Global Mobility Holding) were material at the reporting date and the prior-year reporting date due to their size.

FAW-Volkswagen Automotive Company

FAW-Volkswagen Automotive Company develops, produces and sells passenger cars. There is an agreement in place between Group companies and the joint venture partner China FAW Corporation Limited regarding a long-term strategic partnership. The principal place of business is in Changchun, China.

SAIC-Volkswagen Automotive Company

SAIC-Volkswagen Automotive Company develops and produces passenger cars. There is an agreement in place between Group companies and the joint venture partner Shanghai Automotive Industry Corporation regarding a long-term strategic partnership. The principal place of business is in Shanghai, China.

SAIC-Volkswagen Sales Company

SAIC-Volkswagen Sales Company sells passenger cars for SAIC-Volkswagen Automotive Company. There is an agreement in place between Group companies and the joint venture partner Shanghai Automotive Industry Corporation regarding a long-term strategic partnership. The principal place of business is in Shanghai, China.

Global Mobility Holding

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.

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

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

SUMMARIZED FINANCIAL INFORMATION ON THE MATERIAL JOINT VENTURES ON A 100% BASIS:

€ million	FAW-Volkswagen Automotive Company	SAIC-Volkswagen Automotive Company[1]	Global Mobility Holding[2]	SAIC-Volkswagen Sales Company
2016				
Equity interest (%)	40.0	50.0		30.0
Noncurrent assets	9,341	7,254		517
Current assets	12,962	8,521		3,739
of which: cash, cash equivalents and time deposits	7,073	5,265		212
Noncurrent liabilities	1,774	1,437		22
of which: financial liabilities	–	–		–
Current liabilities	13,063	8,759		3,713
of which: financial liabilities	1	0		–
Net assets	7,466	5,579		520
Sales revenue	40,875	26,064	1,879	30,707
Depreciation and amortization	1,120	1,091	12	4
Interest income	82	40	168	–
Interest expenses	–	4	70	–
Pre-tax profit or loss from continuing operations	5,546	4,589	142	614
Income tax income/expense	1,576	1,127	38	154
Post-tax profit or loss from continuing operations	3,970	3,462	105	460
Post-tax profit or loss from discontinued operations	–	–	–	–
Other comprehensive income	37	21	–20	–
Total comprehensive income	4,007	3,483	85	460
Dividends received	1,634	1,661	–	127
2015				
Equity interest (%)	40.0	50.0	50.0	30.0
Noncurrent assets	7,997	6,345	12,404	486
Current assets	12,674	8,187	9,913	3,341
of which: cash, cash equivalents and time deposits	5,954	4,761	1,722	231
Noncurrent liabilities	1,424	1,471	9,855	10
of which: financial liabilities	–	–	8,757	–
Current liabilities	11,422	7,444	8,535	3,311
of which: financial liabilities	100	27	6,546	–
Net assets	7,825	5,618	3,927	506
Sales revenue	40,462	26,018	8,298	30,035
Depreciation and amortization	1,033	907	56	4
Interest income	64	79	780	14
Interest expenses	–	–	330	–
Pre-tax profit or loss from continuing operations	6,169	4,408	608	600
Income tax income/expense	1,464	850	165	151
Post-tax profit or loss from continuing operations	4,705	3,558	442	449
Post-tax profit or loss from discontinued operations	–	–	–	–
Other comprehensive income	–5	5	16	–
Total comprehensive income	4,700	3,563	458	449
Dividends received	2,170	2,048	114	143

1 SAIC-Volkswagen Sales Company sells passenger cars for SAIC-Volkswagen Automotive Company. Therefore, the sales revenue reported for SAIC-Volkswagen Automotive Company was mostly generated from its business with SAIC-Volkswagen Sales Company.
2 GMH transferred the LeasePlan shares to third parties on March 21, 2016 (see further disclosures in this section).

RECONCILIATION OF THE FINANCIAL INFORMATION TO THE CARRYING AMOUNT OF THE EQUITY-ACCOUNTED INVESTMENTS:

€ million	FAW-Volkswagen Automotive Company	SAIC-Volkswagen Automotive Company	Global Mobility Holding	SAIC-Volkswagen Sales Company
2016				
Net assets at January 1	7,825	5,618	3,927	506
Profit or loss	3,970	3,462	105	460
Other comprehensive income	37	21	–20	–
Changes in share capital	–	–	–	–
Changes in reserves	–	–	–	–
Foreign exchange differences	–281	–200	–20	–21
Dividends	–4,085	–3,321	–	–425
Net assets at December 31	7,466	5,579	3,991*	520
Proportionate equity	2,987	2,790	1,996	156
Consolidation/Goodwill/Others	–339	–415	–1,996	–
Carrying amount of equity-accounted investments	2,647	2,375	–	156
2015				
Net assets at January 1	7,956	5,603	3,697	497
Profit or loss	4,705	3,558	442	449
Other comprehensive income	–5	5	16	–
Changes in share capital	377	–	–	–
Changes in reserves	–377	–	–	–
Foreign exchange differences	594	548	–	38
Dividends	–5,425	–4,096	–228	–478
Net assets at December 31	7,825	5,618	3,927	506
Proportionate equity	3,130	2,809	1,964	152
Consolidation/Goodwill/Others	–212	–55	–13	–
Carrying amount of equity-accounted investments	2,918	2,754	1,950	152

* As of March 21, 2016.

SUMMARIZED FINANCIAL INFORMATION ON INDIVIDUALLY IMMATERIAL JOINT VENTURES ON THE BASIS OF THE VOLKSWAGEN GROUP'S PROPORTIONATE INTEREST:

€ million	2016	2015
Post-tax profit or loss from continuing operations	304	292
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	3	10
Total comprehensive income	307	301
Carrying amount of equity-accounted investments	1,890	1,772

There were no unrecognized losses relating to interests in joint ventures. Contingent liabilities relating to joint ventures amounted to €183 million (previous year: €121 million). Cash funds of €173 million (previous year: €72 million) were deposited as collateral for asset-backed securities transactions and are therefore not available to the Volkswagen Group.

OTHER EQUITY INVESTMENTS

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

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

Consolidation methods

The assets and liabilities of the German and foreign companies included in the consolidated financial statements are recognized in accordance with the uniform accounting policies used within the Volkswagen Group. In the case of companies accounted for using the equity method, the same accounting policies are applied to determine the proportionate equity, based on the most recent audited annual financial statements of each company.

In the case of subsidiaries consolidated for the first time, assets and liabilities are measured at their fair value at the date of acquisition. Their carrying amounts are adjusted in subsequent years. Goodwill arises when the purchase price of the investment exceeds the fair value of identifiable net assets. Goodwill is tested for impairment once a year to determine whether its carrying amount is recoverable. If the carrying amount of goodwill is higher than the recoverable amount, an impairment loss must be recognized. If this is not the case, there is no change in the carrying amount of goodwill compared with the previous year. If the purchase price of the investment is less than the identifiable net assets, the difference is recognized in the income statement in the year of acquisition. Goodwill is accounted for at the subsidiaries in the functional currency of those subsidiaries. Any difference that arises from the acquisition of additional shares of an already consolidated subsidiary is taken directly to equity. Unless otherwise stated, the proportionate equity directly attributable to noncontrolling interests is determined at the acquisition date as the share of the fair value of the assets (excluding goodwill) and liabilities attributable to them. Contingent consideration is measured at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration do not generally result in the adjustment of the acquisition-date measurement. Acquisition-related costs that are not equity transaction costs are not added to the purchase price, but instead recognized as expenses in the period in which they are incurred.

The consolidation process involves adjusting the items in the separate financial statements of the parent and its subsidiaries and presenting them as if they were those of a single economic entity. Intragroup assets, liabilities, equity, income, expenses and cash flows are eliminated in full. Intercompany profits or losses are eliminated in Group inventories and noncurrent assets. Deferred taxes are recognized for consolidation adjustments, and deferred tax assets and liabilities are offset where taxes are levied by the same tax authority and relate to the same tax period.

Currency translation

Transactions in foreign currencies are translated in the single-entity financial statements of Volkswagen AG and its consolidated subsidiaries at the rates prevailing at the transaction date. Foreign currency monetary items are recorded in the balance sheet using the middle rate at the closing date. Foreign exchange gains and losses are recognized in the income statement. This does not apply to foreign exchange differences from loans receivable that represent part of a net investment in a foreign operation. The financial statements of foreign companies are translated into euros using the functional currency concept, under which asset and liability items are translated at the closing rate. With the exception of income and expenses recognized directly in equity, equity is translated at historical rates. The resulting foreign exchange differences are recognized in other comprehensive income until disposal of the subsidiary concerned, and are presented as a separate item in equity.

Income statement items are translated into euros at weighted average rates.

The rates applied are presented in the following table:

		BALANCE SHEET MIDDLE RATE ON DECEMBER 31		INCOME STATEMENT AVERAGE RATE	
	€1 =	2016	2015	2016	2015
Argentina	ARS	16.80096	14.13514	16.33207	10.26074
Australia	AUD	1.46150	1.48970	1.48880	1.47648
Brazil	BRL	3.43720	4.31170	3.86217	3.69160
Canada	CAD	1.42280	1.51160	1.46659	1.41760
Czech Republic	CZK	27.02400	27.02300	27.03433	27.28500
India	INR	71.65500	72.02150	74.37058	71.17522
Japan	JPY	123.50000	131.07000	120.31663	134.28651
Mexico	MXN	21.84800	18.91450	20.66535	17.59984
People's Republic of China	CNY	7.33320	7.06080	7.35067	6.97300
Poland	PLN	4.41530	4.26390	4.36416	4.18278
Republic of Korea	KRW	1,269.11000	1,280.78000	1,284.79543	1,255.74059
Russia	RUB	64.67550	80.67360	74.23443	68.00684
South Africa	ZAR	14.48480	16.95300	16.28336	14.15280
Sweden	SEK	9.56720	9.18950	9.46712	9.35448
United Kingdom	GBP	0.85850	0.73395	0.81897	0.72600
USA	USD	1.05600	1.08870	1.10675	1.10963