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Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

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Income Statement

of the Volkswagen Group for the period January 1 to December 31, 2016

€ million	Note	2016	2015
Sales revenue	1	217,267	213,292
Cost of sales	2	-176,270	-179,382
Gross profit		40,997	33,911
Distribution expenses	3	-22,700	-23,515
Administrative expenses	4	-7,336	-7,197
Other operating income	5	13,049	12,905
Other operating expenses	6	-16,907	-20,171
Operating result		7,103	-4,069
Share of profits and losses of equity-accounted investments	7	3,497	4,387
Finance costs	8	-3,247	-2,393
Other financial result	9	-61	773
Financial result		189	2,767
Earnings before tax		7,292	-1,301
Income tax income/expense	10	-1,912	-59
Current		-3,273	-2,859
Deferred		1,361	2,800
Earnings after tax		5,379	-1,361
of which attributable to			
Noncontrolling interests		10	10
Volkswagen AG hybrid capital investors		225	212
Volkswagen AG shareholders		5,144	-1,582
Basic earnings per ordinary share in €	11	10.24	-3.20
Diluted earnings per ordinary share in €	11	10.24	-3.20
Basic earnings per preferred share in €	11	10.30	-3.09
Diluted earnings per preferred share in €	11	10.30	-3.09

Statement of Comprehensive Income

Changes in comprehensive income for the period January 1 to December 31, 2015

€ million	Total	Equity attributable to Volkswagen AG shareholders	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to noncontrolling interests
Earnings after tax	-1,361	-1,582	212	10
Pension plan remeasurements recognized in other comprehensive income				
Pension plan remeasurements recognized in other comprehensive income, before tax	2,568	2,567	-	1
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	-838	-837	-	0
Pension plan remeasurements recognized in other comprehensive income, net of tax	1,730	1,729	-	1
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	-7	-7	-	-
Items that will not be reclassified to profit or loss	1,723	1,722	-	1
Exchange differences on translating foreign operations				
Unrealized currency translation gains/losses	791	789	-	1
Transferred to profit or loss	0	0	-	-
Exchange differences on translating foreign operations, before tax	791	790	-	1
Deferred taxes relating to exchange differences on translating foreign operations	0	0	-	-
Exchange differences on translating foreign operations, net of tax	792	790	-	1
Cash flow hedges				
Fair value changes recognized in other comprehensive income	-7,082	-7,082	-	0
Transferred to profit or loss	3,957	3,957	-	0
Cash flow hedges, before tax	-3,125	-3,125	-	0
Deferred taxes relating to cash flow hedges	928	928	-	0
Cash flow hedges, net of tax	-2,197	-2,197	-	0
Available-for-sale financial assets				
Fair value changes recognized in other comprehensive income	468	468	-	-
Transferred to profit or loss	-1,796	-1,796	-	-
Available-for-sale financial assets, before tax	-1,328	-1,328	-	-
Deferred taxes relating to available-for-sale financial assets	49	49	-	-
Available-for-sale financial assets, net of tax	-1,278	-1,278	-	-
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	399	399	-	-
Items that may be reclassified subsequently to profit or loss	-2,285	-2,286	-	1
Other comprehensive income, before tax	-702	-704	-	3
Deferred taxes relating to other comprehensive income	140	140	-	0
Other comprehensive income, net of tax	-562	-564	-	2
Total comprehensive income	-1,922	-2,146	212	12

Changes in comprehensive income for the period January 1 to December 31, 2016

€ million	Total	Equity attributable to Volkswagen AG shareholders	Equity attributable to Volkswagen AG hybrid capital investors	Equity attributable to noncontrolling interests
Earnings after tax	5,379	5,144	225	10
Pension plan remeasurements recognized in other comprehensive income				
Pension plan remeasurements recognized in other comprehensive income, before tax	-5,249	-5,248	-	-1
Deferred taxes relating to pension plan remeasurements recognized in other comprehensive income	1,591	1,591	-	1
Pension plan remeasurements recognized in other comprehensive income, net of tax	-3,658	-3,657	-	0
Share of other comprehensive income of equity-accounted investments that will not be reclassified to profit or loss, net of tax	-1	-1	-	-
Items that will not be reclassified to profit or loss	-3,658	-3,658	-	0
Exchange differences on translating foreign operations				
Unrealized currency translation gains/losses	-136	-135	-	-1
Transferred to profit or loss	3	3	-	-
Exchange differences on translating foreign operations, before tax	-133	-133	-	-1
Deferred taxes relating to exchange differences on translating foreign operations	3	3	-	-
Exchange differences on translating foreign operations, net of tax	-130	-129	-	-1
Cash flow hedges				
Fair value changes recognized in other comprehensive income	3,555	3,555	-	0
Transferred to profit or loss	1,322	1,322	-	0
Cash flow hedges, before tax	4,877	4,877	-	0
Deferred taxes relating to cash flow hedges	-1,422	-1,422	-	0
Cash flow hedges, net of tax	3,455	3,455	-	0
Available-for-sale financial assets				
Fair value changes recognized in other comprehensive income	155	155	-	-
Transferred to profit or loss	-135	-135	-	-
Available-for-sale financial assets, before tax	20	20	-	-
Deferred taxes relating to available-for-sale financial assets	-6	-6	-	-
Available-for-sale financial assets, net of tax	14	14	-	-
Share of other comprehensive income of equity-accounted investments that may be reclassified subsequently to profit or loss, net of tax	-130	-130	-	-
Items that may be reclassified subsequently to profit or loss	3,209	3,210	-	-1
Other comprehensive income, before tax	-616	-614	-	-2
Deferred taxes relating to other comprehensive income	167	166	-	1
Other comprehensive income, net of tax	-449	-448	-	-1
Total comprehensive income	4,930	4,696	225	9

Balance Sheet

of the Volkswagen Group as of December 31, 2016

€ million	Note	Dec. 31, 2016	Dec. 31, 2015
Assets			
Noncurrent assets			
Intangible assets	12	62,599	61,147
Property, plant and equipment	13	54,033	50,171
Lease assets	14	38,439	33,173
Investment property	14	512	504
Equity-accounted investments	15	8,616	10,904
Other equity investments	15	996	974
Financial services receivables	16	68,402	63,185
Other financial assets	17	8,256	6,730
Other receivables	18	2,009	1,340
Tax receivables	19	392	395
Deferred tax assets	19	9,756	8,026
		254,010	236,548
Current assets			
Inventories	20	38,978	35,048
Trade receivables	21	12,187	11,132
Financial services receivables	16	49,673	46,888
Other financial assets	17	11,844	10,043
Other receivables	18	5,130	5,367
Tax receivables	19	1,126	1,029
Marketable securities	22	17,520	15,007
Cash, cash equivalents and time deposits	23	19,265	20,871
		155,722	145,387
Total assets		409,732	381,935

€ million	Note	Dec. 31, 2016	Dec. 31, 2015
Equity and Liabilities			
Equity	24		
Subscribed capital		1,283	1,283
Capital reserves		14,551	14,551
Retained earnings		70,446	69,039
Other reserves		-1,158	-4,374
Equity attributable to Volkswagen AG hybrid capital investors		7,567	7,560
Equity attributable to Volkswagen AG shareholders and hybrid capital investors		92,689	88,060
Noncontrolling interests		221	210
		92,910	88,270
Noncurrent liabilities			
Financial liabilities	25	66,358	73,292
Other financial liabilities	26	4,488	5,901
Other liabilities	27	5,664	4,905
Deferred tax liabilities	28	4,745	4,433
Provisions for pensions	29	33,012	27,535
Provisions for taxes	28	3,556	3,940
Other provisions	30	21,482	25,170
		139,306	145,175
Current liabilities			
Put options and compensation rights granted to noncontrolling interest shareholders	31	3,849	3,933
Financial liabilities	25	88,461	72,313
Trade payables	32	22,794	20,460
Tax payables	28	500	330
Other financial liabilities	26	9,438	10,350
Other liabilities	27	15,461	14,014
Provisions for taxes	28	1,301	1,301
Other provisions	30	35,711	25,788
		177,515	148,489
Total equity and liabilities		409,732	381,935

Statement of Changes in Equity

of the Volkswagen Group for the period January 1 to December 31, 2016

€ million	OTHER RESERVES			
	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve
Balance at Jan. 1, 2015	1,218	14,616	71,197	-1,777
Earnings after tax	-	-	-1,582	-
Other comprehensive income, net of tax	-	-	1,729	790
Total comprehensive income	-	-	148	790
Capital increases*	65	-65	-	-
Dividends payment	-	-	-2,294	-
Capital transactions involving a change in ownership interest	-	-	-2	0
Other changes	-	0	-8	0
Balance at Dec. 31, 2015	1,283	14,551	69,039	-987
Balance at Jan. 1, 2016	1,283	14,551	69,039	-987
Earnings after tax	-	-	5,144	-
Other comprehensive income, net of tax	-	-	-3,657	-129
Total comprehensive income	-	-	1,487	-129
Capital increases	-	-	-	-
Dividends payment	-	-	-68	-
Capital transactions involving a change in ownership interest	-	-	-	-
Other changes	-	-	-13	-
Balance at Dec. 31, 2016	1,283	14,551	70,446	-1,117

* 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. In connection with the maturity and subsequent conversion of the mandatory convertible notes in fiscal year 2015, the notional value of the newly created shares (€65 million) was reclassified from the capital reserves to subscribed capital.

Explanatory notes on equity are presented in the note relating to equity.

	Cash flow hedge reserve	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
	-	-	-	212	-1,370	10	-1,361
	-2,197	-1,278	392	-	-564	2	-562
	-2,197	-1,278	392	212	-1,934	12	-1,922
	-	-	-	2,469	2,469	-	2,469
	-	-	-	-215	-2,509	-6	-2,516
	-	-	-	-	-2	-1	-3
	-	-	2	54	46	7	54
	-3,912	-16	542	7,560	88,060	210	88,270
	-3,912	-16	542	7,560	88,060	210	88,270
	-	-	-	225	5,369	10	5,379
	3,455	14	-131	-	-448	-1	-449
	3,455	14	-131	225	4,921	9	4,930
	-	-	-	-	-	-	-
	-	-	-	-291	-359	-6	-364
	-	-	-	-	-	-	-
	-	-	6	73	66	8	74
	-457	-2	417	7,567	92,689	221	92,910

Cash flow statement

of the Volkswagen Group for the period January 1 to December 31, 2016

€ million	2016	2015
Cash and cash equivalents at beginning of period	20,462	18,634
Earnings before tax	7,292	-1,301
Income taxes paid	-3,315	-3,238
Depreciation and amortization of, and impairment losses on, intangible assets, property, plant and equipment, and investment property*	10,100	9,743
Amortization of and impairment losses on capitalized development costs*	3,586	3,262
Impairment losses on equity investments*	130	37
Depreciation of and impairment losses on lease assets*	7,107	6,651
Gain/loss on disposal of noncurrent assets and equity investments	-222	-1,581
Share of profit or loss of equity-accounted investments	377	297
Other noncash expense/income	716	2,102
Change in inventories	-3,637	-3,149
Change in receivables (excluding financial services)	-2,155	-1,807
Change in liabilities (excluding financial liabilities)	5,048	2,807
Change in provisions	5,966	18,329
Change in lease assets	-12,074	-10,808
Change in financial services receivables	-9,490	-7,663
Cash flows from operating activities	9,430	13,679
Investments in intangible assets (excluding development costs), property, plant and equipment, and investment property	-13,152	-13,213
Additions to capitalized development costs	-5,750	-5,021
Acquisition of subsidiaries	-119	-179
Acquisition of other equity investments	-309	-817
Disposal of subsidiaries	-7	0
Disposal of other equity investments	2,190	3,173
Proceeds from disposal of intangible assets, property, plant and equipment, and investment property	351	533
Change in investments in securities	-1,245	-3,916
Change in loans and time deposits	-2,638	-1,711
Cash flows from investing activities	-20,679	-21,151
Capital contributions	-	2,457
Dividends paid	-364	-2,516
Capital transactions with noncontrolling interest shareholders	-3	0
Other changes	-	13
Proceeds from issuance of bonds	14,262	22,533
Repayments of bonds	-23,601	-23,755
Changes in other financial liabilities	19,455	10,360
Lease payments	-36	-23
Cash flows from financing activities	9,712	9,068
Effect of exchange rate changes on cash and cash equivalents	-91	232
Net change in cash and cash equivalents	-1,628	1,828
Cash and cash equivalents at end of period	18,833	20,462
Cash and cash equivalents at end of period	18,833	20,462
Securities, loans and time deposits	28,036	24,613
Gross liquidity	46,869	45,075
Total third-party borrowings	-154,819	-145,604
Net liquidity	-107,950	-100,530

* Net of impairment reversals.

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