2

Divisions

DIVISIONS

Brands and Business Fields

Our brands achieved a new vehicle sales record in 2016 amid fierce competition in a market environment that remained challenging. Special items – particularly from the diesel issue – again affected the operating profit.

GROUP STRUCTURE

The Volkswagen Group consists of two divisions: the Automotive Division and the Financial Services Division. The Automotive Division comprises the Passenger Cars, Commercial Vehicles and Power Engineering Business Areas. We report on the Passenger Cars segment and the reconciliation in the Passenger Cars Business Area. The Commercial Vehicles Business Area and Power Engineering Business Area correspond to the segments of the same name. Accordingly, the activities of the Automotive Division comprise the development of vehicles and engines, the production and sale of passenger cars, light commercial vehicles, trucks, buses and motorcycles, as well as the genuine parts, large-bore diesel engines, turbomachinery, special gear units, propulsion components and testing systems businesses. The Ducati brand is allocated to the Audi brand and thus to the Passenger Cars Business Area. The Financial Services Division, which corresponds to the Financial Services segment, combines dealer and customer financing, leasing, banking and insurance activities, fleet management and the mobility offerings.

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

In this chapter, we present the key volume and financial data relating to the Group brands and to Volkswagen Financial Services. In light of the considerable importance of the development of business in China for the Volkswagen Group and the continuing growth in the world's largest single market, we also report on business developments and the results of our activities in China in this chapter.

The production figures and deliveries to customers are presented separately by brand and their models, i.e. by product line. Unit sales figures refer to models sold by the various brand companies, including vehicles from other Group brands. In some cases, there are marked differences between delivery figures and unit sales as a result of our business development in China.

In addition, we explain unit sales and sales revenue in the Europe/Other markets, North America, South America and Asia-Pacific regions.

KEY FIGURES BY MARKET

Fiscal year 2016 was affected especially by the diesel issue. In particular, charges as a result of legal risks led to special items totaling €–7.5 (–16.9) billion. At €14.6 (12.8) billion, the operating profit before special items was up on the prior-year level.

The market remained challenging for the Volkswagen Group in the 2016 fiscal year, and competition was fierce. Unit sales reached a new record of 10.4 (10.0) million vehicles. Sales revenue rose by 1.9% to €217.3 billion.

In the Europe/Other markets region, we sold 4.6 million vehicles. This was 2.5% more than in the previous year. Due to volume and mix effects, sales revenue rose by 4.2% to €138.1 billion. Exchange rate effects had a negative impact.

In North America, higher demand in Mexico lifted sales of Group vehicles by 2.9% to 1.0 million units. Due to exchange rate developments, sales revenue fell by 0.2% year-on-year to €35.5 billion.

The economic environment in the markets of the South America region remained difficult in the reporting year. The Volkswagen Group sold 0.4 million vehicles there (–22.1%). The lower volume was combined with negative exchange rate effects, resulting in a 21.4% fall in sales revenue to €8.0 billion.

In the Asia-Pacific region, sales of Group models – including the Chinese joint ventures – in fiscal year 2016 amounted to 4.4 (4.0) million vehicles. At €35.8 billion, sales revenue exceeded the prior-year figure by 1.5%. Currency effects had a negative impact. This figure does not include the sales revenue generated by our Chinese joint ventures, since these are accounted for using the equity method.

KEY FIGURES BY BRAND AND BUSINESS FIELD[1]

Thousand vehicles/€ million	Vehicle Sales 2016	Vehicle Sales 2015	Sales Revenue 2016	Sales Revenue 2015	Sales to Third Parties 2016	Sales to Third Parties 2015	Operating Result 2016	Operating Result 2015
Volkswagen Passenger Cars	4,347	4,424	105,651	106,240	69,523	70,939	1,869	2,102
Audi	1,534	1,529	59,317	58,420	37,460	37,605	4,846	5,134
ŠKODA	814	800	13,705	12,486	6,606	6,128	1,197	915
SEAT	548	544	8,894	8,572	3,967	3,570	153	–10
Bentley	11	11	2,031	1,936	1,590	1,379	112	110
Porsche[2]	239	219	22,318	21,533	20,166	19,663	3,877	3,404
Volkswagen Commercial Vehicles	478	456	11,120	10,341	5,527	4,813	455	382
Scania[2]	83	78	11,303	10,479	11,291	10,479	1,072	1,027
MAN Commercial Vehicles	102	102	10,005	9,958	9,275	9,700	230	–4
MAN Power Engineering	–	–	3,593	3,775	3,590	3,769	194	283
VW China[3]	3,873	3,456	–	–	–	–	–	–
Other	–1,638	–1,608	–58,225	–56,349	23,646	21,922	–1,486[4]	–2,440[4]
Volkswagen Financial Services	–	–	27,554	25,901	24,625	23,326	2,105	1,921
Volkswagen Group before special items	**–**	**–**	**–**	**–**	**–**	**–**	**14,623**	**12,824**
Special items	–	–	–	–	–	–	–7,520	–16,893
Volkswagen Group	**10,391**	**10,010**	**217,267**	**213,292**	**217,267**	**213,292**	**7,103**	**–4,069**
Automotive Division[5]	10,391	10,010	186,016	183,936	189,384	186,869	4,668	–6,305
of which: Passenger Cars Business Area	9,729	9,374	150,343	149,716	160,409	158,716	4,167	–7,013
Commercial Vehicles Business Area	662	636	32,080	30,445	25,385	24,383	718	586
Power Engineering Business Area	–	–	3,593	3,775	3,590	3,769	–217	123
Financial Services Division	–	–	31,251	29,357	27,883	26,424	2,435	2,236

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 result 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 result of €4,956 (5,214) 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.

KEY FIGURES BY MARKET[1]

Thousand vehicles/€ million	Vehicle Sales 2016	Vehicle Sales 2015	Sales Revenue 2016	Sales Revenue 2015
Europe/Other markets	4,635	4,524	138,079	132,535
North America	968	941	35,454	35,384
South America	421	540	7,973	10,148
Asia-Pacific[2]	4,367	4,005	35,761	35,225
Volkswagen Group[2]	**10,391**	**10,010**	**217,267**	**213,292**

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

The investigation of the diesel issue continued in fiscal year 2016. Further special items had an impact on the operating profit. The Volkswagen Passenger Cars brand launched the new generation of the Tiguan. The I.D. concept vehicle heralds a new era of e-mobility.

BUSINESS DEVELOPMENT

The Volkswagen Passenger Cars brand caused a stir at the Paris Motor Show with the I.D. concept vehicle. The show car represents a new generation of all-electric vehicles and a new automotive era of electric-powered, connected, autonomous cars. Another show car attracting media interest in the reporting year was the BUDD-e, whose appearance is inspired by the legendary VW campervan. Both vehicles are based on a new future-oriented platform for electric vehicles – the Modular Electric Toolkit (MEB). Last year, the brand also celebrated the 40th birthday of the Golf GTI.

The Volkswagen brand is completely repositioning itself with the TRANSFORM 2025+ strategy. The focus here is on strengthening the market position across the regions and segments, flanked by a significant increase in efficiency and productivity. At the same time, the brand will invest in e-mobility and connectivity. Furthermore, in the reporting period, the Board of Management and the General Works Council at Volkswagen made a pact for the future, which is aimed at initiating the return of the Volkswagen brand to a profitable course for growth. The program at locations in Germany with around 120,000 employees is intended to significantly increase competitiveness, in addition to ensuring that the company is secure enough to meet future challenges. It creates the prerequisites for the transformation from a pure automotive manufacturer to a successful mobility provider in the age of digitalization and increasing e-mobility.

At 6.0 million vehicles, deliveries by the Volkswagen Passenger Cars brand in the reporting period exceeded the prior-year figure by 2.7%. While sales in Brazil and Russia declined further in a difficult economic environment, there were substantial increases particularly in Italy (+14.9%), the Czech Republic (+14.7%), Poland (+18.7%), Mexico (+14.7%) and China (+14.0%). The new Tiguan was well received by the market.

Unit sales by the Volkswagen Passenger Cars brand were slightly down on the previous year at 4.3 (4.4) million vehicles. The Polo, the new Tiguan and the Touran models were in high demand. The difference between deliveries and unit sales is mainly due to the fact that the vehicle-producing joint ventures in China are not counted as Volkswagen Passenger Cars brand companies.

The Volkswagen Passenger Cars brand produced 6.1 million vehicles in 2016; this was 3.0% more than 2015.

SALES REVENUE AND EARNINGS

Sales revenue at the Volkswagen Passenger Cars brand declined by 0.6% year-on-year in the reporting period to €105.7 billion. Operating profit before special items fell to €1.9 (2.1) billion. The decline was mainly attributable to volume-, mix- and currency-related effects and higher marketing costs as a result of the diesel issue. Cost savings had a positive impact. The operating return on sales before special items was 1.8 (2.0)%. The diesel issue in particular gave rise to special items of €–5.2 billion compared with €–16.4 billion in the previous year.

6.0 million

Vehicles delivered in 2016

PRODUCTION

Units	2016	2015
Golf	982,495	1,095,553
Jetta/Sagitar	968,135	844,907
Polo	794,388	754,546
Passat/Magotan	711,878	724,018
Tiguan	548,687	501,712
Lavida	547,187	462,748
Santana	312,177	279,583
Bora	236,427	202,964
up!	169,970	172,345
Touran	164,248	120,507
Gol	160,130	192,841
Lamando	146,285	103,573
Beetle	61,940	64,035
Fox	50,273	85,161
Touareg	47,495	59,190
Saveiro	47,460	75,397
CC	44,091	56,796
Sharan	41,949	53,423
Suran	20,163	24,691
Scirocco	11,963	16,251
Phideon	5,131	–
Phaeton	452	2,924
Atlas/Teramont	386	–
Eos	–	4,559
XL1	–	59
	6,073,310	**5,897,783**

VOLKSWAGEN PASSENGER CARS BRAND

	2016	2015	%
Deliveries (thousand units)	5,980	5,823	+2.7
Vehicle sales	4,347	4,424	–1.7
Production	6,073	5,898	+3.0
Sales revenue (€ million)	105,651	106,240	–0.6
Operating result before special items	1,869	2,102	–11.1
as % of sales revenue	1.8	2.0	

Tiguan

DELIVERIES BY MARKET
in percent

FURTHER INFORMATION www.volkswagen.com

Audi

Deliveries by the Audi brand stood at 1.9 million vehicles in 2016, surpassing the previous year's record. The brand presented exciting new models: the Audi Q2, Audi A5 Coupé and Audi Q5. A new production plant opened in San José Chiapa, Mexico.

BUSINESS DEVELOPMENT

The brand with the four rings presented the new Audi Q2 during the reporting period. This urban vehicle excels with its combination of youthful charm and high-tech features, impressing both in everyday driving and off road. With the world premiere of the new Audi A5 Coupé and the new Audi Q5, Audi once again reinforced its position at the top of the premium segment. In September 2016, Audi opened its new plant in San José Chiapa in the state of Puebla, Mexico, to produce the new Q5.

The Audi brand surpassed the previous year's sales record in fiscal year 2016, delivering 1.9 million vehicles (+3.6%). Audi saw encouraging growth in Western Europe (+7.0%), North America (+5.3%) and China (+3.6%).

At 1.5 million vehicles, unit sales exceeded the prior-year figure by 0.3%. The Chinese joint venture FAW-Volkswagen sold a further 536 thousand Audi vehicles. The Q3 SUV model and the new generations of the A4 and Q7 proved particularly popular worldwide. Automobili Lamborghini S.p.A. sold 3,465 (3,433) vehicles. The Huracán Spyder was especially popular among customers.

Audi produced 1.9 million models worldwide in 2016, 3.9% more than in the previous year. Lamborghini produced 3,579 (3,707) vehicles in the reporting period.

SALES REVENUE AND EARNINGS

At €59.3 billion, the Audi brand's sales revenue exceeded the prior-year figure by €0.9 billion. The operating profit before special items was €4.8 (5.1) billion. The sales trend and the ongoing optimization of processes and costs had a positive impact. The "SPEED UP!" action program launched in fiscal year 2016 also began to bear fruit. Earnings were negatively affected by exchange rate effects, intense competition, high upfront expenditure for new products and technologies and the expansion of the international production network, which led to increased depreciation and amortization charges and start-up costs. The brand achieved an operating return on sales before special items of 8.2 (8.8)%. The diesel issue in particular resulted in special items of €–1.8 (–0.3) billion. The financial key performance indicators for the Lamborghini and Ducati brands are included in the financial figures for the Audi brand.

1.9 million

Vehicles delivered in 2016

PRODUCTION

Units	2016	2015
Audi		
A3	361,983	370,144
A4	357,999	318,788
Q5	297,750	267,861
A6	276,211	293,960
Q3	231,452	205,445
A1	105,252	116,250
Q7	103,344	82,340
A5	65,117	79,133
TT	26,886	35,510
A7	26,308	29,158
A8	24,179	27,065
Q2	19,419	67
R8	3,688	2,074
	1,899,588	**1,827,795**
Lamborghini		
Huracán Coupé	1,315	2,559
Huracán Spyder	1,104	69
Aventador Coupé	587	666
Aventador Roadster	573	413
	3,579	**3,707**
Audi brand	**1,903,167**	**1,831,502**
Ducati, motorcycles	56,978	55,551

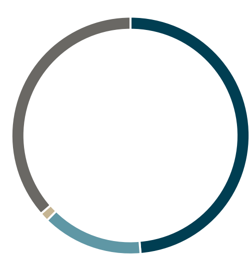
AUDI BRAND

	2016	2015	%
Deliveries (thousand units)	1,871	1,806	+3.6
Audi	1,868	1,803	+3.6
Lamborghini	3	3	+6.5
Vehicle sales	1,534	1,529	+0.3
Production	1,903	1,832	+3.9
Sales revenue (€ million)	59,317	58,420	+1.5
Operating result before special items	4,846	5,134	–5.6
as % of sales revenue	8.2	8.8	

A5 Coupé

DELIVERIES BY MARKET

in percent



FURTHER INFORMATION www.audi.com

The Czech brand has been part of the Volkswagen Group for 25 years, contributing with its clever vehicle designs to the Group's success. ŠKODA presented a new series in the reporting period: the new Kodiaq SUV.

BUSINESS DEVELOPMENT

ŠKODA celebrated its 25th anniversary as part of the Volkswagen Group in 2016. During this time, the Czech brand has evolved from a regional provider into an internationally successful vehicle manufacturer. Today, ŠKODA offers an extensive model portfolio ranging from the small Citigo to the flagship Superb. A new series was added during the reporting year, when ŠKODA presented the new Kodiaq at the Paris Motor Show. The self-assured, powerful SUV combines all qualities of the ŠKODA brand: an exceptional amount of space, strong design, many practical features and excellent value for money. The best-selling ŠKODA Octavia celebrated its 20th birthday in 2016. Five million Octavias have been sold to date, more than any other ŠKODA model.

The ŠKODA brand delivered 1.1 million vehicles to customers worldwide in the reporting year, beating 2015 – the previous record year – by 6.7%. China was once again the brand's largest single market (+12,6%). Demand increased in all key markets in Western, Central and Eastern Europe, and ŠKODA also reported substantial growth in Turkey (+30.0%).

At 814 (800) thousand vehicles in 2016, ŠKODA's sales were slightly up on the prior-year level. The new Fabia and the Octavia family models were in especially high demand. The difference between figures for deliveries and unit sales is mainly due to the fact that the vehicle-producing joint ventures in China are not counted as ŠKODA brand companies.

The number of ŠKODA brand vehicles produced worldwide increased year-on-year to 1.2 (1.0) million units across seven series. The 19 millionth vehicle manufactured by ŠKODA since its formation rolled off the production line at the company's base in Mladá Boleslav in the reporting period.

SALES REVENUE AND EARNINGS

The ŠKODA brand's sales revenues increased by 9.8% in the reporting period to €13.7 billion. Positive volume- and mix-related effects and the optimization of product costs increased operating profit by 30.9% to €1.2 billion. Operating return on sales rose from the previous year's 7.3% to 8.7%.

25 years

In the Volkswagen Group

PRODUCTION

Units	2016	2015
Octavia	445,415	425,629
Rapid	216,603	189,187
Fabia	203,308	195,349
Superb	148,880	84,550
Yeti	95,417	89,890
Citigo	41,247	41,280
Kodiaq	1,167	–
Roomster	–	11,166
	1,152,037	**1,037,051**

ŠKODA BRAND

	2016	2015	%
Deliveries (thousand units)	1,126	1,056	+6.7
Vehicle sales	814	800	+1.7
Production	1,152	1,037	+11.1
Sales revenue (€ million)	13,705	12,486	+9.8
Operating result	1,197	915	+30.9
as % of sales revenue	8.7	7.3	

Kodiaq

DELIVERIES BY MARKET

in percent

FURTHER INFORMATION www.skoda-auto.com

SEAT

The Spanish brand SEAT launched its new Ateca series in the reporting period. As the first SUV in the company's history, it made a major contribution to SEAT's record results in 2016.

BUSINESS DEVELOPMENT

2016 saw the SEAT brand unwrap its first-ever SUV. The new Ateca is a combination of distinctive design, dynamic driving fun, urban versatility and high user value. Its efficient petrol and diesel engines have power outputs of between 85 kW (116 PS) and 140 kW (190 PS). The impressive array of special features extends from full-LED headlamps through a variety of assistance systems, such as the innovative Traffic Jam Assist and the new Emergency Assist, to a package of latest-generation infotainment systems with superior connectivity. With its impressive sales figures, the Ateca played a significant role in the brand's success in the reporting year.

SEAT increased deliveries to customers by 2.2% to 409 thousand vehicles in fiscal year 2016. The brand's sales figures increased year-on-year in almost all markets; encouraging growth rates were achieved especially in Germany (+2.5%), Poland (+22.1%), Turkey (+41.5%) and Austria (+12.9%). The Ateca, Leon and Alhambra models were especially popular with customers, recording new sales records.

SEAT sold 548 thousand vehicles in the reporting period, 0.8% more than in the previous year. The Q3 produced for Audi is included in this figure.

SEAT produced 417 thousand vehicles in 2016, up 0.5% on the previous year.

SALES REVENUE AND EARNINGS

SEAT achieved a record sales revenue and operating profit in fiscal year 2016: At €8.9 billion, sales revenue exceeded the prior-year figure by 3.8%. SEAT returned to profit in the reporting year with an operating profit of €153 (–10) million. Cost reductions and improvements in the mix, particularly as a result of the success of the new Ateca, more than compensated for negative exchange rate effects. The SEAT brand's operating return on sales was +1.7 (–0.1)%.

€153 million

Record operating profit in 2016

PRODUCTION

Units	2016	2015
Leon	163,228	169,455
Ibiza	149,988	160,451
Ateca	35,833	–
Alhambra	31,214	27,925
Mii	18,720	24,516
Altea/Toledo	18,029	32,729
	417,012	**415,076**

SEAT BRAND

	2016	2015	%
Deliveries (thousand units)	409	400	+2.2
Vehicle sales	548	544	+0.8
Production	417	415	+0.5
Sales revenue (€ million)	8,894	8,572	+3.8
Operating result	153	–10	x
as % of sales revenue	1.7	–0.1	

Ateca

DELIVERIES BY MARKET

in percent

FURTHER INFORMATION www.seat.com

BENTLEY

In 2016, the Bentley brand presented the next generation of the Mulsanne series, including the Mulsanne Speed and Mulsanne Extended Wheelbase. The new Bentayga luxury SUV was in high demand and made a major contribution to record sales.

BUSINESS DEVELOPMENT

In 2016, Bentley celebrated the world premiere of the new generation of its Mulsanne series, which thrills customers with enhanced assistance and infotainment functions and on the exterior in particular with its even more imposing radiator grille. In addition to the luxury Mulsanne with its 377 kW (512 PS) engine, Bentley offers the particularly powerful Mulsanne Speed with a power output of 395 kW (537 PS) and the highly luxurious Mulsanne Extended Wheelbase. Limited to 50 vehicles, the First Edition boasts exclusive features including a Mulliner-styled picnic table and a veneer crafted from the finest English walnut. The Bentley Bentayga, the Group's first luxury SUV, celebrated its successful market premiere in 2016 and immediately became the brand's best-selling model in its first year.

In the reporting year, the Bentley brand increased deliveries to customers to 11,023 (10,100) vehicles, marking a new sales record. Around a quarter of Bentley's vehicles were once again delivered to the USA. The brand also achieved high growth rates especially in Western Europe (+25.7%) and in Central and Eastern Europe (+67.5%).

The Bentley brand sold 11,298 vehicles worldwide in 2016, 6.4% more than in the previous year. The increase was primarily attributable to the success of the Bentayga.

The Bentley brand produced 11,817 vehicles in 2016, up 8.5% on the previous year.

SALES REVENUE AND EARNINGS

Bentley generated sales revenue of €2.0 billion, exceeding the equivalent prior-year figure by 4.9%. Despite a change in market conditions and the start-up costs for the Bentayga, positive exchange rate effects and cost reductions meant that the operating profit remained on a par with the previous year at €112 (110) million. The operating return on sales fell slightly to 5.5 (5.7)%.

11 thousand

Vehicles delivered in 2016

PRODUCTION

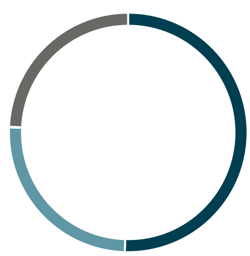
Units	2016	2015
Bentayga	5,586	96
Continental GT Coupé	2,272	3,997
Flying Spur	1,731	3,660
Continental GT Convertible	1,600	2,216
Mulsanne	628	919
	11,817	**10,888**

BENTLEY BRAND

	2016	2015	%
Deliveries (units)	11,023	10,100	+9.1
Vehicle sales	11,298	10,616	+6.4
Production	11,817	10,888	+8.5
Sales revenue (€ million)	2,031	1,936	+4.9
Operating result	112	110	+1.5
as % of sales revenue	5.5	5.7	

Bentayga

DELIVERIES BY MARKET
in percent



Europe/Other markets	50.5 %
North America	25.2 %
South America	0.1 %
Asia-Pacific	24.2 %

FURTHER INFORMATION www.bentleymotors.com

PORSCHE

The Porsche brand presented the second generation of the Panamera in 2016. Its hybrid version, the Panamera 4 E-Hybrid, combines performance with sustainable mobility. New unit sales, sales revenue and profit records were achieved.

BUSINESS DEVELOPMENT

More than ever, the new generation of the Porsche Panamera offers both the performance of a sports car and the comfort of a luxury saloon. The new twin-turbo engines are more powerful, and thanks to the new eight-speed dual-clutch transmission they are up to 16% more fuel-efficient than those in the Panamera's predecessor. Many new assistance systems also enhance ride comfort as well as safety. The Porsche Communication Management offers an entirely new range of connectivity with its intelligent digital functions and online services. The Panamera 4 E-Hybrid stands for sustainable mobility without compromising performance. The vehicle has a system power output of 340 kW (462 PS) and a maximum speed of 278 km/h. It delivers a system torque of 700 Nm from stationary without hesitation. The Panamera 4 E-Hybrid breaks the 100 km/h barrier in just 4.6 seconds. Other product highlights in the reporting year included the new 718 Boxster and 718 Cayman models and the Targa and Turbo versions of the 911.

The Porsche brand delivered 238 thousand sports cars in the reporting year, 5.6% more than in 2015. China remained the largest single market for Porsche with deliveries of 65,246 vehicles (+12.5%). The brand sold 54,280 vehicles in the USA (+4.9%).

Porsche's sales in 2016 stood at 239 thousand vehicles, an increase of 9.2% year-on-year. The Macan, 911 and 718 Boxster/Cayman models were especially popular.

Porsche produced 240 thousand vehicles in the reporting year, up 2.2% on the figure for 2015.

SALES REVENUE AND EARNINGS

The Porsche brand set records again in fiscal year 2016. At €22.3 (21.5) billion, sales revenue exceeded the prior-year figure by 3.6%. Operating profit rose by 13.9% to €3.9 billion, primarily due to volume-, mix- and currency-related effects and a comparatively low cost growth despite expenditures on electrification, digitalization and new business fields. The operating return on sales rose to 17.4 (15.8)%.

The key figures presented here cover both the Automotive and Financial Services businesses.

17.4%

Operating return on sales in 2016

PRODUCTION

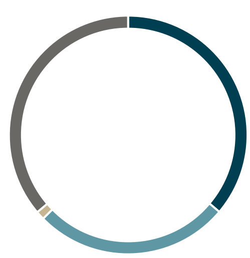
Units	2016	2015
Macan	97,177	86,016
Cayenne	71,693	79,700
911 Coupé/Cabriolet	31,648	31,373
718 Boxster/Cayman	24,882	21,978
Panamera	14,218	15,055
918 Spyder	–	375
	239,618	**234,497**

PORSCHE BRAND

	2016	2015	%
Deliveries (thousand units)	238	225	+5.6
Vehicle sales	239	219	+9.2
Production	240	234	+2.2
Sales revenue (€ million)	22,318	21,533	+3.6
Operating result	3,877	3,404	+13.9
as % of sales revenue	17.4	15.8	

Panamera

DELIVERIES BY MARKET
in percent



Europe/Other markets	36.2 %
North America	26.4 %
South America	1.2 %
Asia-Pacific	36.2 %

FURTHER INFORMATION www.porsche.com

Commercial Vehicles

Volkswagen Commercial Vehicles celebrated 60 years of its headquarters in Hanover in the reporting year. It opened a new manufacturing site especially for the new Crafter in Wrzesnia, Poland.

BUSINESS DEVELOPMENT

In fiscal year 2016, Volkswagen Commercial Vehicles celebrated 60 years of its headquarters in Hanover, where the Company has manufactured around 9.5 million vehicles since 1956. The Multivan/Transporter and the Amarok models as well as vehicle components are currently rolling off the production line here. With around 14,000 staff members, the site is one of the Hanover region's largest employers. At the IAA Commercial Vehicles motor show, the brand unveiled the new Crafter. The vehicle has been completely redesigned based on specific customer requirements, allowing it to offer customer-friendly functionality and practical, everyday solutions for the most diverse of individual transport needs. The all-electric e-Crafter concept vehicle was also on show. Close to series production and with a range of over 200 km, it will enable zero-emission deliveries in urban areas.

Volkswagen Commercial Vehicles increased deliveries by 10.9% in 2016 to 478 thousand vehicles. In Western Europe, sales exceeded the prior-year figure by 15.0%. In Central and Eastern Europe, sales rose by 16.8%.

Volkswagen Commercial Vehicles sold 478 thousand vehicles in the reporting year, 5.0% more than in 2015. The Multivan/Transporter and Caddy models were especially popular.

The Volkswagen Commercial Vehicles brand produced 422 thousand vehicles in the reporting period. This was 2.9% more than in the previous year. These figures do not include the first-generation Crafter, which is produced by a partner company. Production of the new Crafter began at the new plant in Wrzesnia, Poland, in the second half of 2016. The Hanover headquarters produced 190 (176) thousand units of the Amarok, Caravelle/ Multivan and Transporter models in the reporting year. The plant in Poznan manufactured 186 (171) thousand units of the Caddy and T6. The Amarok is also produced in Argentina.

SALES REVENUE AND EARNINGS

At €11.1 (10.3) billion, sales revenue for the Volkswagen Commercial Vehicles brand in fiscal year 2016 exceeded the prior-year figure. The operating profit before special items (special items in the previous year: €–0.1 billion) improved by 19.0% to €455 million. Volume- and mix-related effects and product cost optimization had a positive impact. The operating return on sales rose from the previous year's 3.7% to 4.1%.

60 years

At the Hanover headquarters

PRODUCTION

Units	2016	2015
Caravelle/Multivan, Kombi	117,554	96,341
Caddy Kombi	86,841	74,302
Transporter	81,932	82,509
Caddy	71,757	76,048
Amarok	63,367	81,019
Crafter	596	–
	422,047	**410,219**

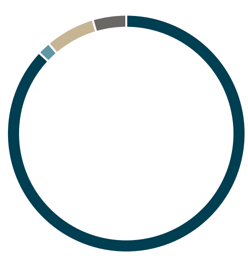
VOLKSWAGEN COMMERCIAL VEHICLES BRAND

	2016	2015	%
Deliveries (thousand units)	478	431	+10.9
Vehicle sales	478	456	+5.0
Production	422	410	+2.9
Sales revenue (€ million)	11,120	10,341	+7.5
Operating result before special items	455	382	+19.0
as % of sales revenue	4.1	3.7	

Crafter

DELIVERIES BY MARKET

in percent



Europe/Other markets 86.9 %
North America 1.8 %
South America 6.7 %
Asia-Pacific 4.5 %

FURTHER INFORMATION www.volkswagen-commercial-vehicles.com

VOLKSWAGEN TRUCK & BUS

Volkswagen Truck & Bus combines the activities of MAN Truck & Bus, MAN Latin America and Scania. The strategic objective is clear: Volkswagen Truck & Bus is aiming to become a global champion.

BUSINESS DEVELOPMENT

Volkswagen Truck & Bus brings together the activities of MAN Truck & Bus, MAN Latin America (whose sales are largely generated by Volkswagen Caminhões e Ônibus) and Scania under one roof. It forms part of the Volkswagen Group's Commercial Vehicles Business Area together with the Volkswagen Commercial Vehicles brand.

Volkswagen Truck & Bus aims to become the industry's global champion. However, sales volume is not the top priority. Instead, the focus over the next decade will be on leading the industry in terms of profitability, innovation for our customers, employee satisfaction and global presence. Volkswagen Truck & Bus already leads the truck market in Western, Central and Eastern Europe and in Brazil.

Volkswagen Truck & Bus underscored its pioneering role in digitalization by unveiling its digital brand RIO in the fall of 2016. The open, cloud-based platform can be used across the entire transport and logistics system. For the first time, everyone in the supply chain – shippers, forwarders, carriers, dispatchers, drivers and recipients – is connected via a single information and application system with forecasting features. With RIO, we want to make the world of transport more efficient, secure and environmentally friendly. Following the market launch in the second quarter of 2017, RIO will offer digital solutions precisely tailored to the needs of all the players involved in the transport system. More than 265,000 trucks are already connected to MAN and Scania digital services, making Volkswagen Truck & Bus the number-one provider for connected commercial vehicles in Europe.

Volkswagen Truck & Bus reached a further strategic milestone in 2016 on its way to becoming a global champion. It began a wide-ranging alliance with US commercial vehicle manufacturer Navistar. This is designed to enable entry into the North American market, further expanding global presence. The alliance includes framework agreements for a strategic technology and supply cooperation and a joint venture that will pursue joint global sourcing opportunities. Volkswagen Truck & Bus will also acquire a 16.6% stake in Navistar through a capital increase. Navistar is a holding company whose subsidiaries produce trucks, coaches, commercial and school buses, diesel engines and service parts. While the partnership will focus on the development of common powertrain systems, it will also enable collaboration in other areas of commercial vehicle development and procurement aimed at jointly creating further synergies and achieving greater independence from the cycles in the industry. The transaction is subject to certain approvals by the regulatory authorities and other standard closing conditions. 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 be concluded in the first quarter of 2017.

265 thousand

Connected vehicles

PRODUCTION

Units	2016	2015
Trucks	167,354	162,963
Buses	18,713	17,208
	186,067	**180,171**

DELIVERIES

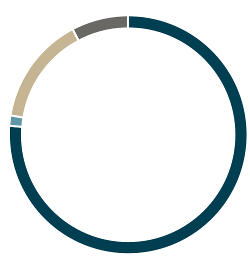
Units	2016	2015
Trucks	165,806	161,901
Buses	17,775	17,134
	183,581	**179,035**

Strong brands

VOLKSWAGEN
TRUCK & BUS

DELIVERIES BY MARKET

in percent



Europe/Other markets 76.2 %
North America 1.4 %
South America 14.7 %
Asia-Pacific 7.7 %

Scania celebrated its 125th anniversary in 2016. The Swedish brand has set new benchmarks for efficiency and customer focus with its new generation of trucks. Deliveries increased year-on-year.

BUSINESS DEVELOPMENT

In 2016, Scania looked back on its 125-year history as a commercial vehicles manufacturer and presented its new generation of trucks. Consuming 5% less fuel on average, the new vehicles improve customers' profitability and reduce CO_2 emissions. Once all versions have been launched, customers will be able to choose from 24 different cab models offering bespoke configuration. The side airbags incorporated in the roof are a first for the truck market. The new generation was awarded the title "International Truck of the Year 2017," partly in recognition of the vehicles' safety and driver comfort. Scania's hybrid truck received the "Green Truck Future Innovation 2016" environmental accolade in the promising innovations category. The vehicle reduces fuel consumption by up to 18% compared with a vehicle running on standard diesel. It can operate on electric power alone or using biodiesel.

The key figures presented in this chapter encompass Scania's truck and bus, industrial and marine engines and financial services businesses.

Scania received orders for 86 thousand vehicles in fiscal year 2016. This was 10.9% more than in 2015. Orders were up in Western Europe, primarily thanks to Scania's leading position in Euro 6 engines, its many years of experience with consumption-optimized vehicles and its wide range of alternative drive systems. At 81 (77) thousand vehicles, global deliveries were up on the previous year. Growth in Europe compensated for falling demand in Turkey and Brazil. Bus deliveries increased to 8 (7) thousand vehicles. Demand for services and replacement parts as well as for Scania Financial Services was higher in 2016 than in the previous year.

In the 2016 fiscal year, the Scania brand produced 84 (79) thousand commercial vehicles (+5.8%), including 8 (7) thousand buses.

SALES REVENUE AND EARNINGS

At €11.3 (10.5) billion, sales revenue for the Scania brand in fiscal year 2016 exceeded the prior-year figure by €0.8 billion. Operating profit before special items rose to €1,072 (1,027) million, as negative exchange rate effects were more than offset by higher vehicle sales and an expansion of the service business. In the reporting period, the operating return on sales before special items amounted to 9.5 (9.8)%. Legal risks in connection with the commercial vehicle antitrust proceedings launched by the European Commission gave rise to special items of €–0.4 billion.

125 years

Of Scania

PRODUCTION

Units	2016	2015
Trucks	75,452	72,382
Buses	8,488	6,964
	83,940	**79,346**

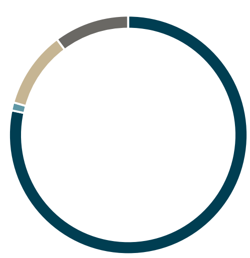
SCANIA BRAND

	2016	2015	%
Orders received (thousand units)	86	77	+10.9
Deliveries	81	77	+6.2
Vehicle sales	83	78	+6.3
Production	84	79	+5.8
Sales revenue (€ million)	11,303	10,479	+7.9
Operating result before special items	1,072	1,027	+4.4
as % of sales revenue	9.5	9.8	

R 730

DELIVERIES BY MARKET

in percent



FURTHER INFORMATION www.scania.com

MAN presented its new commercial vehicles and engines during the reporting year, including its first ever van, the MAN TGE. MAN's new future program, launched in 2015, is making a substantial contribution to the brand's success.

BUSINESS DEVELOPMENT

In 2016, MAN presented the new TGL, TGM, TGS and TGX series vehicles with optimized powertrains. The D26 and D38 engines offer increased torque and an extra 20 PS of power output while also reducing fuel consumption. The 471 kW (640 PS) top-of-the-range version of the new D38 engine, which was previously reserved for heavy-duty vehicles, is now available for almost all versions of the MAN TGX D38. It generates up to 3,000 Nm of torque even at low revs. With the world premiere of the MAN TGE, the long-established, Munich-based brand has entered the van market. From 2017, this will make MAN a comprehensive provider for all transport needs from 3 to 250 tonnes. The newly unveiled NEOPLAN Tourliner rounds off MAN's bus portfolio with an entry model for the premium coach segment. The Power Engineering Business Area commissioned a gas-fired power station in China and a diesel power plant in Africa during the reporting year. A comprehensive package of measures was initiated to safeguard the future viability of the business area.

The economic environment remained challenging for MAN in the 2016 fiscal year. In South America, demand was down on the weak prior-year level. Meanwhile, the European commercial vehicle market continued to recover. Orders received by MAN were 2.3% down on 2015 at 105 thousand vehicles. Deliveries remained on a par with the previous year at 102 (102) thousand commercial vehicles, of which 10 (10) thousand were buses.

MAN produced 102 (101) thousand commercial vehicles in 2016, of which 10 (10) thousand were buses.

Incoming orders in the Power Engineering Business Area fell to €3.3 (3.4) billion as a result of the continued difficult situation in the shipping industry, economic difficulties in developing countries and emerging markets and the low price of oil.

SALES REVENUE AND EARNINGS

MAN Commercial Vehicles' sales revenue in 2016 stood at €10.0 billion, up 0.5% on the previous year. Operating profit before special items rose to €230 (–4) million. The operating return on sales before special items was 2.3 (0.0)%. Volume effects, improved margins in Europe and the future programs introduced had a positive effect. Restructuring measures in South America led to special items of €–0.1 billion; in the previous year, special items of €–0.2 billion were incurred for restructuring measures in Europe.

Sales revenue in the Power Engineering segment amounted to €3.6 (3.8) billion. There was a volume- and margin-related decline in operating profit before special items to €194 (283) million. The operating return on sales before special items was 5.4 (7.5)%. Restructuring measures led to special items of €–0.2 billion.

102 thousand

Commercial Vehicles delivered in 2016

PRODUCTION

Units	2016	2015
Trucks	91,902	90,581
Buses	10,225	10,244
	102,127	**100,825**

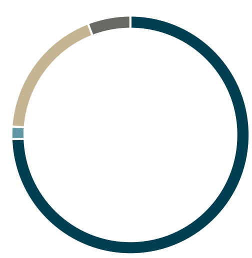
MAN BRAND

	2016	2015	%
Commercial Vehicles			
Orders received (thousand units)	105	108	–2.3
Deliveries	102	102	–0.2
Vehicle sales	102	102	–0.2
Production	102	101	+1.3
Sales revenue (€ million)	10,005	9,958	+0.5
Operating result before special items	230	–4	x
as % of sales revenue	2.3	0.0	
Power Engineering			
Sales revenue (€ million)	3,593	3,775	–4.8
Operating result before special items	194	283	–31.4
as % of sales revenue	5.4	7.5	

NEOPLAN Tourliner

DELIVERIES BY MARKET

in percent



FURTHER INFORMATION www.man.eu

Volkswagen Group China

Volkswagen presented two exciting new models for the Chinese market in 2016: the Phideon and the Teramont. A new partnership is set to develop innovative battery-powered electric vehicles in the future.

BUSINESS DEVELOPMENT

The Phideon, a premium saloon for the Chinese market, made its debut at the Geneva Motor Show in 2016. With smooth transitions and clear lines, from the energetically forward-leaning front and a sharp shoulder line to the harmonious coupé sloping roof at the rear, the vehicle redefines the design language of Volkswagen's premium models. At the Guangzhou Auto Show in November, the Volkswagen Passenger Cars brand revealed the Teramont, its first seven-seater SUV for the Chinese market. The completely new model for the Chinese market reflects Volkswagen's new SUV design and offers an elegant but robust exterior to satisfy the premium standards of Chinese consumers. Based on the Modular Transverse Toolkit and at more than five meters long, the Teramont impresses with its spaciousness and wide range of new assistance, convenience and infotainment systems. In the reporting period, the Volkswagen Group and the Chinese automaker Anhui Jianghuai Automobile Co., Ltd. (JAC) signed an in-principle agreement on a long-term partnership for joint development of innovative battery-powered electric vehicles. The cooperation will entail research and development, manufacture and sales, in addition to mobility services and parts that will improve fuel efficiency.

We currently manufacture vehicles and components at 20 locations in China. Together with our joint venture partner, FAW, we also plan to create two new vehicle plants for environmentally friendly models in Qingdao and Tianjin on the east coast of China. We aim to gradually expand capacity in China to around 5 million vehicles a year by 2020. The joint ventures are financing the investments using their own funds.

Along with the new generation of the popular Audi A6 L premium saloon, 2016 also saw the launch of the Audi A6 L e-tron with plug-in hybrid drive. In addition to new and existing import models, the e-mobility strategy tailored to the Chinese market involves phased-in local production of 15 plug-in hybrid and electric vehicles by the joint ventures in the period up to 2020.

In the Chinese market, the Volkswagen Group offers more than 150 imported and locally produced models representing the Volkswagen Passenger Cars, Audi, ŠKODA, Porsche, Bentley and Lamborghini brands as well as commercial vehicles. Deliveries to the Group's Chinese customers amounted to 4.0 (3.5) million vehicles in the reporting year (including imports). Volkswagen's Jetta, Lavida, Sagitar, Santana and Tiguan models, the Audi Q3, Q5, A6 L and the ŠKODA Octavia were especially popular.

4.0 million

Vehicles delivered in 2016

Thousand units	2016	2015	%
Deliveries	3,982	3,549	+12.2
Vehicle sales[1]	3,873	3,456	+12.1
Production	3,896	3,420	+13.9

1 Produced locally.

EARNINGS

€ million	2016	2015
Operating profit (100%)	11,094	11,937
Operating profit (proportionate)	4,956	5,214

Our two joint ventures, SAIC VOLKSWAGEN and FAW-Volkswagen, produced a total of 3.9 million vehicles in the reporting year. This was 13.9% more than in the previous year. The joint ventures produce a mixture of established Group models and those specially modified for Chinese customers (e.g. with lengthened wheelbases), as well as vehicles developed exclusively for the Chinese market (such as the Volkswagen Lamando, Lavida, New Bora, New Jetta and New Santana). Production of the Phideon, a model specially designed for the needs of Chinese customers, commenced in the reporting year, along with the Teramont, the extended-wheelbase Tiguan, the Magotan, Passat, Audi A6 L and A6 L e-tron, among others.

At €5.0 billion, the proportionate operating profit of the joint ventures in the reporting year was down on the prior-year figure. Increases in volume and optimization of product costs were unable to fully offset the impact of the more competitive market environment and negative exchange rate effects.

The figures of the Chinese joint venture companies are not included in Group earnings as they are accounted for using the equity method. Their profits are included solely in the Group's financial result on a proportionate basis.

Teramont

LOCAL PRODUCTION

Units	2016	2015
Volkswagen Passenger Cars	3,012,664	2,661,562
Audi	555,777	490,260
ŠKODA	327,858	268,116
Total	**3,896,299**	**3,419,938**

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

Volkswagen Financial Services were in global demand in 2016 and once again made a significant contribution to the Volkswagen Group's earnings. Success was boosted by an attractive product portfolio and international presence.

STRUCTURE OF VOLKSWAGEN FINANCIAL SERVICES

Volkswagen Financial Services comprises dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility services in 51 countries. Volkswagen Financial Services AG is responsible for global coordination of the Group's financial services activities, the only exceptions being the financial services business of the Scania and Porsche brands and of Porsche Holding Salzburg. In Europe, the principal companies are Volkswagen Bank GmbH, Volkswagen Leasing GmbH and Volkswagen Versicherungsdienst GmbH. VW CREDIT, INC. operates financial services activities in North America.

BUSINESS DEVELOPMENT

Volkswagen Financial Services continued its success story in fiscal year 2016 and posted another record year. Diverse products, attractive terms and an exceptional range of services contributed in equal measure to this success.

In addition to offering mobile, cashless payment services for parking processes in German cities via "sunhill technologies GmbH", Volkswagen Financial Services intensified its work in this area during the reporting period and acquired "PayByPhone", the world's leading cashless payment provider for parking processes. Customers can use the "PayByPhone parking" app to select a parking location and duration and then pay for it on their smartphone. In 2016, PayByPhone processed some 60 million transactions with a total volume of approximately €240 million.

MAN Financial Services, which is part of Volkswagen Financial Services, grew its product portfolio by increasing the range of services for the MAN Card. A major expansion of the acceptance network was achieved through cooperation with 49,000 TOTAL and AS24 filling stations across Europe. Collaborations like this are putting MAN Financial Services on course to becoming the largest fuel services provider in Europe, and there are plans to expand into processing road toll payments in future.

Volkswagen Financial Services won recognition for the third time in a row in the "Great place to work" competition. It was named as Germany's best employer among companies with more than 5,000 staff. An employee survey rated key workplace- and HR-related criteria.

€2.1 billion

Operating profit in 2016

The funding strategy of Volkswagen Financial Services was shaped in 2016 by the consequences of the diesel issue. Unsecured bonds for funding purposes were only issued in some local markets. In May 2016, a first unsecured renminbi bond was issued in China, for example. This debut bond from Volkswagen Finance (China) Co., Ltd. had a total volume of 2 billion Chinese renminbi and a maturity of three years. Bonds were also successfully placed in Turkey (maturity of 1.5 years, total volume 117 million Turkish lira) and Russia (maturities of 2.5 and 1.5 years, each with a total volume of 5 billion Russian rubles), among other places, to cover funding requirements.

Volkswagen Leasing GmbH was active on the market again in 2016 with its asset-backed securities (ABS) transactions. German leasing receivables were securitized in April 2016 in the “Volkswagen Car Lease 23” transaction, which had a volume of approximately €750 million. “Volkswagen Car Lease 24” was placed on the market in November 2016 and increased from €750 million to €1.25 billion due to strong interest from investors.

Outside Germany, Volkswagen Financial Services was active on the market with various ABS programs. It conducted transactions in Australia, China, the UK and Japan, among other places. A total of three bonds were placed in China in the course of the year. After Germany, Japan is the market with the longest ABS history for Volkswagen Financial Services.

Furthermore, the stock of customer deposits continued to rise as part of the diversified funding strategy. In addition, commercial papers were issued and credit lines were used.

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

Parking App

At 6.5 million contracts, the number of new financing, leasing, service and insurance contracts signed in the reporting period was 12.7% higher than in the previous year. The total number of contracts as of December 31, 2016, stood at 16.1 million, a new record figure (+9.9%). This included 8.9 million contracts in the Customer Financing/Leasing area, an increase of 6.7% compared with the previous year. The underlying contract types were modified according to their significance. The Service/Insurance area posted a year-on-year increase of 14.2% to 7.2 million contracts. With credit eligibility criteria remaining unchanged, the penetration rate, expressed as the ratio of financed or leased vehicles to relevant Group delivery volumes – including the Chinese joint ventures – rose to 33.1 (31.3)%.

Volkswagen Bank's direct banking operations managed 1,559 (1,428) thousand accounts at the end of the reporting period. As of December 31, 2016, Volkswagen Financial Services employed 13,406 people worldwide, including 6,503 in Germany.

SALES REVENUE AND EARNINGS

Volkswagen Financial Services generated sales revenue of €27.6 billion in fiscal year 2016, up 6.4% on the previous year. At €2.1 billion, operating profit exceeded the prior-year figure by 9.6%. The new record result was primarily due to the growth in business. It made a significant contribution to Group earnings, as it has done in previous years.

VOLKSWAGEN FINANCIAL SERVICES

		2016	2015	%
Number of contracts[1]	thousands	16,133	14,673	+9.9
Customer financing		6,155	5,833	+5.5
Leasing		2,760	2,518	+9.6
Service/Insurance[1]		7,218	6,322	+14.2
Lease assets	€ million	31,593	27,777	+13.7
Receivables from	€ million			
Customer financing		67,545	64,020	+5.5
Dealer financing		17,921	16,846	+6.4
Leasing agreements		22,655	20,461	+10.7
Direct banking deposits	€ million	32,412	25,450	+27.4
Total assets	€ million	170,070	157,855	+7.7
Equity	€ million	21,178	18,607	+13.8
Liabilities[2]	€ million	141,830	133,237	+6.4
Equity ratio	%	12.5	11.8	
Return on equity before tax[3]	%	10.4	11.9	
Leverage[4]		6.7	7.2	
Operating result	€ million	2,105	1,921	+9.6
Earnings before tax	€ million	2,073	2,015	+2.9
Employees at Dec. 31		13,406	13,329	+0.6

1 Prior year adjusted.
2 Excluding provisions and deferred tax liabilities.
3 Earnings before tax as a percentage of average equity (continuing operations).
4 Liabilities as a percentage of equity.

FURTHER INFORMATION
www.vwfsag.com